January Federal Update (updated 1/6/12)

In one of his last official acts of business for 2011 President Barack Obama signed into law H.R. 2055, a federal omnibus bill of $1 trillion to fund much of the federal government, which included funding for Pell Grants. The bill was signed on December 23 and provides for continued funding through September 30, 2012.

On campuses across the nation, educators feared a wholesale reduction in the Pell Grant program which is the single largest source of grant money for low-income college students. More than one in four students nationwide receives a Pell grant, and in California the Pell Grant program is the largest source of financial aid for community college students. In 2010-11, nearly 500,000 California community college students received Pell grants totaling $1.6 billion. While Congress left the maximum award intact for the 2012-13 academic year, changes were made to rules governing program eligibility. Nationwide these changes will reduce Pell recipients by 143,000 students, and in California at least 30,000 community college students will lose their program eligibility. Given the dramatic reduction of Pell recipients beginning July 1, 2012, the U.S. Department of Education is now projecting a FY 2012 Pell surplus of $1.505 billion.

President Signs Omnibus Bill Affecting Pell Grant Eligibility

H.R. 2055 included $22.8 billion in discretionary funding for the Pell Grant program, $132 million less than FY 2011. The 2012 omnibus bill signed by the President maintains the maximum Pell Grant award of $5,550 per year, but includes major changes regarding program eligibility requirements and award levels that offset the $1.3 billion funding shortfall left over from Fiscal Year 2011. The changes include:

1. The elimination of the Ability to Benefit (ATB) provision to establish eligibility for Title IV funds means that effective July 1, 2012, new financial aid applicants without a high school diploma or GED will be barred from the Pell Grant program. This change will disproportionately impact California community college students. Approximately 19,000 community college students or 4 percent will lose their Pell eligibility and more than $60 million in Pell Grant aid will be lost. The ATB provision will not be applied retroactively to currently enrolled students.

2. A reduction of the maximum lifetime eligibility for Pell Grants from nine years (18 semesters) to six years (12 semesters) becomes effective on July 1, 2012, and will apply to students for the 2012-13 award year. Currently about 11,000 California community college students have received a Pell grant for five or more years, and will not be eligible for further federal financial aid assistance as of July 1, 2012.

3. A reduction in the calculation for the “automatic zero” expected family contribution from $30,000 to $23,000 a year also becomes effective on July 1, 2012, and applies to new students for the 2012-13 award year.
4. Students who qualify for Pell grants in an amount that is less than 10% of the maximum award will no longer receive grants. In 2012-13, this means about 3,000 students across California’s segments of higher education will not receive an average grant of $506.

Lobbying efforts by community college advocates nationwide were successful in persuading House members to drop the most egregious proposed changes to Pell Grant eligibility. An earlier proposal was dropped that would have eliminated Pell Grant eligibility for less than half-time students. This would have affected more than 64,000 or 13 percent of current California Community College students who would no longer be eligible for the program, and approximately $67 million would have been lost in Pell Grant aid.

Resources:
- CCCCO TRIS Division
- CCCCO Financial Aid Unit
- U.S. Department of Education
- Association of Community College Trustees