The Impact of New Pell Grant Restrictions on Community Colleges: A Three State Study of Alabama, Arkansas, and Mississippi

Stephen G. Katsinas with James E. Davis, Janice N. Friedel, Jonathan P. Koh and Phillip D. Grant
Community College Students in Alabama, Arkansas, and Mississippi were Hit Hard by the 2012 Changes in Pell Eligibility

- **47 of 62** colleges in Alabama, Arkansas, & Mississippi lost enrollment in 2012
- **5,000** students lost Pell eligibility in Fall 2012
- **17,000** students will lose Pell in 2012-2013
- **$1.3 billion** the total amount of Pell received in the three states in 2010-2011
- **283,634** the number of students in the three states who received Pell in 2010-2011
- **9 of 10** the number of students in the three states who rely on community colleges to provide vital access to academic transfer and workforce training programs
The Policy Context

From Fall 2011 to Fall 2012, enrollment declined at 47 of the 62 two-year colleges in Alabama, Arkansas, and Mississippi, and as shown below, changes in Pell Grant eligibility is the major reason why. This report argues that community college students in these three states are highly sensitive to changes in Pell Grant eligibility, and that new restrictions enacted by Congress in June 2012, effective with the Fall 2012 term, have had a dramatically negative impact.

Issues of access to postsecondary education have long been an interest of the Education Policy Center at The University of Alabama. The Center has conducted 18 studies over the past five years on rural access issues, and its associates have been involved with numerous additional refereed publications on rural community college finance, STEM, students, and financial aid issues. It is most appropriate that we examine the impact of recent Pell Grant eligibility changes at community colleges in Alabama, Arkansas, and Mississippi.

The Pell Grant program is the federal government’s foundational program to provide for access to college. Nationally, there has been a 50% increase in the number of Pell participants since 2008, from 6 million to 9 million students. This increase reflects the pent up demand due to the growing traditional college-going population of Americans ages 18 to 24 years old, which jumped by more than one million nationally from 2009 to 2012. Given these demographics, the timing of these increases could not have been better for students, families, and community colleges, coming at the precise time the nation entered a long period of high unemployment.

The National Bureau of Economic Research is the nonpartisan federal agency that determines when recessions start and end. It affixed June 2007 as the recession’s start. The July 2007 unemployment rate was 5% at for-profit colleges in the Deep South States Rely On Public Higher Education for Access

<table>
<thead>
<tr>
<th>Fiscal Year 2010-2011</th>
<th>Full-Time Equivalent Enrollment</th>
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<td></td>
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<tr>
<td>Community Colleges</td>
<td>80,952</td>
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Table 1

Deep South States Rely On Public Higher Education for Access

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<td>Sub-Total, Private</td>
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This Report

This report argues that the enrollment declines can be directly traced to changes enacted by Congress in June 2012, effective with the Fall 2012 term, to the federal Pell Grant program. In Alabama and Mississippi, state investment in state-funded need-based student aid is very small, while Arkansas makes significant investment in state lottery-funded scholarships (over $138 million in state-funded awards in 2011-2012 was authorized to be available to over 40,000 Arkansas students, of which about $16 million went to fund the 10,534 awards given to Arkansas two-year college students). In each of these states, however, state-funded need-based student aid is dwarfed by the four Federal Pell Grant investments.

Table 1 shows how dominant public higher education is in the Deep South, enrolling 86% of all students. In federal Fiscal Year 2010-2011, which roughly corresponds to the Fall 2010, Spring 2011, and Summer 2011 academic terms, 521,732 Full-Time Equivalent (FTE) students were enrolled across Alabama, Arkansas, and Mississippi. Of these, 204,081 or 39%, were enrolled at public two-year colleges, 47% at public universities, 9% at private not-for-profit colleges, and just 5% at for-profit colleges in the three states. For-profit colleges account for just 10%, 1%, and
2%, respectively, of all students in Alabama, Arkansas, and Mississippi. The Deep South states obviously rely on public higher education to educate their citizenry beyond high school.

Table 2 shows Pell Grants in millions of dollars and by percentage. Students received a total of $1.275 billion in Pell Grant aid across the three states in FY2010-2011. These federal monies are allocated by state at $554, $301, and $420 million, going to students in Alabama, Arkansas, and Mississippi, respectively. By sector, 88% of all Pell aid went to students attending publicly controlled higher education institutions, and $615 million, or just under half of all aid, went to students attending community colleges. Clearly, academically talented, economically disadvantaged students in the Deep South are using Pell Grants to access community colleges to obtain degrees and first-certificates.

Table 3, on the following page, shows the striking number of Pell awards in FY2010-2011, both in terms of numbers, percentages, and perhaps most important, a percent of total Full-Time Equivalent enrollment. Of the 283,624 Pell awards in FY2010-2011, 136,583 or 48% went to students attending public community colleges. Nearly 9 in 10 Pell awards went to students attending publicly controlled institutions. We note that nearly 6 of every 10 Mississippi students on Pell are at community colleges, and that again, the private sector is very small in these three states. As a percentage of total FTE enrollments, Table 3 shows that two of every three full-time students in these three states are Pell recipients. By definition, this means that Pell Grants are vital to enhancing college degree completion in the Deep South, for it is the community colleges where economically disadvantaged students begin higher education. While student access to public higher education is a shared responsibility of the federal government, the state governments, and while the Arkansas lottery provides important additional aid to students, the reality is that in the Deep South, the Federal Pell Grant program is the de facto state need-based student aid program. Pell Grants are vital to student success at every institution in the Deep South, especially two-year colleges.

The increasing number of people who realize the benefits of obtaining a college degree or workforce training certificate, coupled with the tidal wave of traditional-aged 18- to 24-year-old students, shows the positive influence the Pell Grant program has to help Alabama, Arkansas, and Mississippi citizens access higher education and the American Dream."

Part I: Pell’s Impact in The Deep South

To assess the impact of recent changes in Pell Grant eligibility on students and community colleges in the Deep South, the Education Policy Center at The University of Alabama surveyed community colleges in three states. The Center's interest in access issues is long-standing: Since 2007, the Center has received four grants, written 18 reports, and hosted convenings directly related to Pell Grants, including funded studies for the Alabama Commission on Higher Education (Nov. 26, 2012), the Arkansas Association of Two-Year Colleges (forthcoming), and the Mississippi Association of Community and Junior Colleges (Dec. 2012). Our partners for past studies have included scholars from Stennis Institute of Government at Mississippi State University, Iowa State University, California State University-Northridge, and the University of North Carolina at Charlotte. This study brings together data

### Table 2

| Pell Grants Provide a Hand Up in the Deep South (Fiscal Year 2010-2011) |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
|                             | in millions of dollars | by percentage  |
|                             | AL   | AR   | MS   | Total | AL   | AR   | MS   | Total |
| Community Colleges          | $237 | $132 | $246 | $615  | 43   | 44   | 59   | 48    |
| Public Universities         | $224 | $145 | $134 | $503  | 40   | 48   | 32   | 39    |
| Sub-Total, All Public       | $461 | $276 | $380 | $1,117| 83   | 92   | 90   | 88    |
| Non-Profit Institutions     | $42  | $22  | $27  | $92   | 8    | 7    | 7    | 7     |
| For-Profit Institutions     | $51  | $3   | $13  | $67   | 9    | 1    | 3    | 5     |
| Sub-Total, All Private      | $93  | $25  | $40  | $158  | 17   | 8    | 10   | 12    |
| TOTAL                       | $554 | $301 | $420 | $1,275| 100  | 100  | 100  | 100   |

Notes: Percentages may not add to 100% due to rounding.
Source: Education Policy Center analysis of NCES/IPEDS data.
Table 3

<table>
<thead>
<tr>
<th></th>
<th>Community Colleges</th>
<th></th>
<th>Public Universities</th>
<th></th>
<th>Sub-Total, Public</th>
<th></th>
<th>Non-Profit Institutions</th>
<th></th>
<th>For-Profit Institutions</th>
<th></th>
<th>Sub-Total, Private</th>
<th></th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
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<td>AL</td>
<td>AR</td>
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<td>AL</td>
<td>AR</td>
<td>MS</td>
<td>Total</td>
<td></td>
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<tr>
<td>in numbers</td>
<td>51,079</td>
<td>32,098</td>
<td>53,406</td>
<td>136,583</td>
<td>48</td>
<td>45</td>
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<td>63</td>
<td>69</td>
<td>70</td>
<td>67</td>
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<tr>
<td>in percent</td>
<td>45%</td>
<td>47%</td>
<td>31%</td>
<td>38%</td>
<td>40%</td>
<td>47%</td>
<td>31%</td>
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</tbody>
</table>

Note: Percentages may not add to 100% due to rounding.

Table 4: Growth of Pell Dollars at Community Colleges in Alabama, Arkansas, and Mississippi

<table>
<thead>
<tr>
<th></th>
<th>Alabama</th>
<th>Arkansas</th>
<th>Mississippi</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008-2009</td>
<td>$21,994</td>
<td>$5,958</td>
<td>$9,226</td>
</tr>
<tr>
<td>2009-2010</td>
<td>$22,246</td>
<td>$2,843</td>
<td>$14,832</td>
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<tr>
<td>2010-2011</td>
<td>$18,668</td>
<td>$1,207</td>
<td>$7,306</td>
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<tr>
<td>2011-2012</td>
<td>$12,803</td>
<td>$787</td>
<td>$3,381</td>
</tr>
</tbody>
</table>

Notes: (1) Pell data for Fall, Spring, and Summer terms of 2008-2009, 2009-2010, and 2010-2011 are from the Integrated Postsecondary Education Data System, National Center for Education Statistics, U.S. Department of Education. (2) Pell data for Fall, Spring, and Summer terms of 2011-2012 are from the 2012 Survey of Pell Students in Alabama, Education Policy Center, The University of Alabama.
in Arkansas, while the decline at community colleges in Alabama and Mississippi, at -6,061 and -14,479 students, respectively, was much more pronounced. Readers are directed to the far right column of Table 6, which shows that enrollment from 2010-11 to 2011-12 fell by 6% across the three states, with declines of 4% in Alabama, 1% in Arkansas, and 12% in Mississippi, respectively. Table 7, on the next page, shows that the number of Pell recipients rises fast, and then levels off. Taken together, we see a direct relationship between Pell Grant aid and community college enrollments even before Congress mandated new Pell Grant eligibility restrictions in June 2012.

Enrollment Drops in the Fall 2012 Term as New Pell Eligibility Restrictions are Implemented

We turn attention to presentation of the results of our survey of front-line financial aid administrators charged with implementing the changes in Pell Grant eligibility mandated by Congress in June 2012, effective with the Fall 2012 term. Table 8, on the following page, shows that 100% of the 61 public two-year colleges responded across the three states (because Ingram State Technical College in Alabama serves only prisoners, who are not eligible for Pell Grants, that institution is excluded from this analysis). There were two parts to the survey, quantitative data (Part I) and qualitative data (Part II). Enrollment at responding colleges in 2010-2011 was 351,362 students.

Table 9, on the following page, shows the troubling finding that full-time equivalent enrollments declined in Fall 2012 compared to Fall 2011 at most community colleges in the Deep South. In Alabama, 18 of 25 community colleges, or 72%, report an enrollment decline; in Arkansas, 20 of the state’s 22 two-year colleges report enrollment declines, or 91%; while 9 of Mississippi’s 15 community colleges or 60% report an enrollment decline.

As noted above, there was a big jump in the number of Pell awards between 2008-2009 and 2010-2011, and the number of awards fell from 2010-2011 to 2011-2012. What accounts for this decline? We believe that as the recession has continued, particularly in rural areas, and as it does, more students are receiving the maximum Pell, and are relying more on Pell both to initially enroll and stay in college. Put differently, we do not believe that improvements in the economies of the Deep South states and the reappearance of jobs accounts for the recent decline of Pell awards.

The various Delta Cost Project reports document that declines in state funding for public higher education. Alabama and Mississippi have seen deep cuts, while the Arkansas legislature has been able to maintain fairly flat funding. The simple truth is that all community colleges

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**Table 5**

<table>
<thead>
<tr>
<th>State</th>
<th>Pell Grants Awarded</th>
<th>Enrollment</th>
<th>Change, 2008-09 to 2011-12</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>31,905</td>
<td>43,040</td>
<td>51,079</td>
</tr>
<tr>
<td>Arkansas</td>
<td>22,568</td>
<td>27,524</td>
<td>32,098</td>
</tr>
<tr>
<td>Mississippi</td>
<td>40,816</td>
<td>51,305</td>
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</tr>
<tr>
<td><strong>Total (61)</strong></td>
<td>95,289</td>
<td>121,869</td>
<td>136,583</td>
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</tbody>
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Notes: (1) Data for all community, junior, and technical publicly-controlled two-year colleges in the states of Alabama, Arkansas, and Mississippi. (2) Pell data for Fall, Spring, and Summer terms of 2008-2009, 2009-2010, and 2010-2011 are from the Integrated Postsecondary Education Data System, National Center for Education Statistics, U.S. Department of Education. (3) Pell data for Fall, Spring, and Summer terms of 2011-2012 are from the 2012 Survey of Pell Grants in Arkansas, Education Policy Center, The University of Alabama. (4) Unduplicated Headcount enrollment and the number of Pell Grants awarded was taken by an average of the previous 3 years for those colleges who did not report data in the 2012 Survey of Pell Grants in each state. (5) Data is collected for a 9-month period per the method the Integrated Postsecondary Education Data System collects Enrollment and Pell data.
are more tuition-sensitive today, which means cuts at the federal level in Pell Grants can result in immediate enrollment declines, which in turn mean lower tuition revenue. In our other studies, we have documented that increases in community college tuition during this recession were moderated thanks to the “Maintenance of Effort” provisions in the federal stimulus package. This provision required states to maintain total state spending for public higher education operating budgets and state student aid at Fiscal Year 2006 levels in 2009, 2010, and 2011. This removed the incentive for states to raise tuition in the double digits, while simultaneously cutting the operating budgets for their community colleges and public universities.10 This means that despite the relative lack of employment opportunities in rural counties of the Deep South (counties that have long suffered from persistently high unemployment), more students were likely able to stay and earn their degree or certificate due to the Federal Pell Grant increases. This reinforces Pell’s importance of the program to the future economic development of the Deep South’s existing human capital. We also believe it is probable that, after deducting for key costs of attendance (tuition and fees, plus books and supplies) students may be less able to afford non-college attendance costs. As community college expert Robert Pedersen has said, “In rural America, access to higher education means a reliable used car, due to the lack of accessible, publicly-subsidized mass transit.”

Table 10 shows that the percentage of unduplicated headcount students on Pell Grants has grown substantially in each of these three states over the past four years. It rose from 29% to 35% of total unduplicated students in Arkansas, from 27% to 38% in Alabama, and from 38% to 45% in Mississippi from 2008-2009 to 2011-2012. A higher percentage of community college students in Deep South states (and likely, the nation) are using Pell Grants than at any time in recent history. This explains why eligibility restrictions on access to Pell Grants are very likely to result in an immediate, negative impact on community colleges and four-year access universities, which are increasingly serving as portals of access.

Part II: The Future of the Pell Grant Program: A Front-Line View

Table 11, on page 9, offers estimates of financial aid administrators at community colleges in Alabama, Arkansas, and Mississippi regarding the impact of the new Pell Grant restrictions passed by Congress through P.L. 112-74 in June 2012, and effective with the Fall 2012 term. Congress passed these restrictions in part to address a budget shortfall in the Pell program. Our research project was not designed to assess the decision-making
inputs that Congress considered when developing the
new Pell eligibility restrictions. It was designed to provide
timely information to education policymakers as to how
front-line administrators charged with carrying out the
new restrictions assess their immediate short- and long-
term impact.

The three most important new mandated restrictions
on Pell eligibility are first, the lifetime maximum number
of attempted hours or semesters; second, the reduction
in the maximum Estimated Family Contribution income
level from $32,000 to $23,000 for students to receive the
maximum Pell Grant; and third, the “Ability to Benefit”
restriction, that previously allowed colleges to assess
if students applying who had yet to earn a high school
diploma or a GED could benefit from postsecondary
education. This third restriction chiefly impacts two-year
colleges use of Pell to fund first-certificate programs,
like welding and other short-term training for immediate
employment.

1. Lowering the Lifetime Maximum Pell Eligibility

With the passage of P.L.112-74 in June 2012, Congress
mandated students lose their Pell eligibility after 12 total
semesters of full-time enrollment (measured as 600%
of total hours, to incorporate both full- and part-time
course-taking). We estimate a total of 16,979 students
will lose their Pell Grant eligibility across the three states
in the 2012-2013 calendar year. By state, 5,074, 3,225,
and 8,680 community college students in, respectively,
Alabama, Arkansas, and Mississippi will lose their Pell
Grant eligibility in the next several semesters (first column
of Table 11).

We further estimate that 5,387 community college
students have already lost their Pell eligibility with the Fall
2012 term. Many of these students registered for classes
in the Spring 2012 term and at the same time applied for
Pell; instead of receiving their Federal Pell Grants in the
Fall 2012 term, they received bills for tuition and fees. At
Shelton State Community College in Alabama, the senior
financial aid administrator reports 102 students who had
registered for Fall 2012 classes and filed their federal
FASFA forms in April 2012. Instead of perhaps receiving
a small residual check after paying for tuition and fees and
books and supplies, they were instead presented with a bill
for $2,000. This led to thousands of tearful sessions of
community college students with front-line community
college financial aid administrators, either taking loans to
finish their final terms in college, or dropping out and
deferring dreams.

In addition to the 5,387 community college students who
already lost Pell eligibility, we estimate 11,592 students in
these three states will soon lose their Pell Grant funding
(6,497 of these students are in the 500% to 599 total
hours range, and 5,095 are in the 450% to 499% total
hours range).

While it was beyond the scope of this study to assess the
new Pell eligibility restrictions at all four-year institutions
in these three states, we can predict a negative impact. Our
November 26, 2012 study for the Alabama Commission
on Higher Education assessed Pell Grant eligibility loss
in Alabama, and responses were obtained from all of the
states’ 14 public universities. We found two of every three
students who lost Pell eligibility were enrolled at public
universities11, this makes sense if one assumes a student
had tried the university initially, failed for whatever reason,
and later experienced success at the community college.
That student would hit the new 12-lifetime semesters limit
of Pell Grant aid after already transferring. Further study
is clearly warranted; if the same estimated Pell eligibility
losses at public universities in Arkansas and Mississippi
occurred as we estimated did occur in Alabama, up to
34,000 additional public university students could lose
their Pell eligibility across the three states. This is beyond
the 16,979 we document here, bringing the total to over
50,000 students. This clearly demonstrates the sensitivity
Deep South states have to changes in Pell eligibility, and
the reliance they have on Pell for access. This cannot
be good public policy if the goal is to increase college
degree/certificate completion.

Of the 49 community college financial aid administrators
responding to the question about whether or not
students currently receiving Pell grants should have been
grandfathered in as the new Lifetime Pell restriction was
operationalized, 18 were in agreement, and 31 were in
disagreement. It is important to note, however, that many written comments were received urging that financial aid professionals be allowed to suspend this regulation if students are within one semester of graduation. Here are some samples of comments from financial aid administrators:

- “The late establishment of this regulation and delayed communication to institutions created administrative burden and having different groups would have increased this burden.”  (Alabama)

- “We are seeing students being penalized from Pell funds received over 20 years ago. We have students that are in the final semester and cannot get funding. This impacts retention and graduation for such students. If they do not have the funds to go to college, they will not go. Remember, Pell grant is to help the neediest students.” (Arkansas)

- “Students should not be grandfathered in. Students would be camped out in the Financial Aid Office wanting to know why Sally is receiving Pell for 18 semesters and they are only receiving for 12 semesters. We need to quit changing the rules midstream.” (Mississippi)

- “The financial aid professional should have the opportunity to look at students who are within one semester of graduation and award the amount in order to finish.” (Arkansas)

- “This regulation immediately removed all federal financial aid from 160 FAFSA applicants that listed my college. I cannot offer them any Pell or SEOG funding. I spoke with several of these students directly and many were very close to completing their degree or certificate. Sadly, most were not able to continue because they could not afford the tuition. If, as a nation, we plan to have more college completion by 2020, how can we continue to set up road blocks?” (Alabama)

- “My college supports allowing financial aid professionals to have the authority and responsibility to suspend this regulation. Educational attainment is our institution’s most important mission and when students are close to graduation financial aid professionals should be allowed to use their professional judgment and other means to motivate and provide these students with a means to complete their degree.” (Mississippi)

- “Financial aid professionals should have the option to exercise professional judgment if a student is within a semester of graduation.” (Arkansas)

2. Expected Family Contribution

The Expected Family Contribution (EFC) is the amount of dollars a student or family is expected to contribute toward college costs. Income and family size largely determine the EFC calculation. Previously, zero-EFC students who had a family income of $32,000 or less, and met other standard qualifications, received the maximum Pell award. Under the new Pell restriction, however, the maximum income for automatic zero-EFC students was reduced from $32,000 to $23,000, and this new standard applies to both dependent and independent students. We note that poverty standard set by the U.S. Department of Health and Human Services for a family of four for FY 2011-2012 is $22,350.12

Not surprisingly, financial aid administrators at community colleges in all three states responded “Negative” to this new restriction. Administrators in Alabama, which has no local funding for its community colleges and as a result has far higher tuition charges, responded “Very Negative.” We found that the smaller the community college, the more likely it was that they responded with “Very Negative” or “Negative.” Each
of these three states has community colleges that serve high persistent poverty rural counties; these counties have low property values and cannot generate large sums of funding from assessed valuations. At the University of Arkansas Community College at Hope, the number of students who received the maximum amount of Pell award dropped by 12%, or 126 students, from 2011 to 2012. At National Park Community College, there were 393 students in the affected range. At Pulaski Technical College, there were 1,275 students with a taxable income in the range of $23,001 and $32,000 who submitted a FAFSA. Seven hundred thirty-seven students remained fully Pell eligible while 538 students were potentially impacted by this change. In general, the more rural and small the community college, the more negative they are about this restriction. This may reflect the fact that Deep South rural areas have higher unemployment rates than the 6.5% rate currently targeted by the Federal Reserve.

Looking ahead, there is high uncertainty among financial aid officers regarding the long-term impact of this new regulation. One financial aid officer said that fewer students qualified for the simplified needs analysis (a formula used to calculate EFC by ignoring assets, thereby increasing eligibility for financial aid), which likely led to inaccurate asset information being reported. Here are the comments from financial aid administrators on the EFC restriction:

- “Approximately 10.2% of our students received less than full Pell due to this reduction.” (Mississippi)
- “It had a fairly high impact because the salary range that was excluded ($32,000 to $23,000) is typical for families of community college students.” (Mississippi)
- “Only 30% of the students with a zero-EFC at our institution received the maximum award. As with most two-year colleges, our student population must juggle numerous responsibilities, including working full-time jobs and providing for their families. This reduction resulted in fewer students being eligible for the maximum award. Given the other regulatory changes, such as the change in the conversion formula from 30.0 to 37.5, the educational dreams of many of these students were negatively impacted with some not being able to enroll as planned.” (Alabama)
- “There were a number of students who lost their eligibility for Pell because of this change in the total AGI. Because of the decrease in the threshold, some Pell Grants were either lost or were decreased considerably from the year before.” (Arkansas)
- “Based on the new income threshold, 16% of our students were impacted. If the income threshold had been $32,000, we would have seen more of our students eligible for full Pell. We will most likely see this increase as we gain students for the spring and summer.” (Arkansas)
- “PL 112-74 put additional scrutiny on students with family incomes between $23,000 and $30,000 by pushing their FAFSA EFC calculation into the formula rather than giving them an automatic zero-EFC. This change reduced Pell Grant eligibility for some of these students, but it is hard to tell who or how many with additional research. It would also prevent some of these students from receiving FSEOG and ASAP (Alabama Student Assistance Program) funds because we define ‘the most needy students’ as students with a zero-EFC. Subjecting these students to PL 112-74 probably meant that not only did they receive a reduced Pell but they also missed out on other grant funding, too.” (Alabama)

3. Ability to Benefit without Completing High School/GED

The new “Ability to Benefit” (ATB) Pell eligibility restriction was also a concern to community college financial aid administrators in Deep South states. Prior to the implementation of the new ATB restrictions, a prospective student without a high school diploma or GED, after a professional determination that the student can benefit from postsecondary education was made by a financial aid administrator, could be placed into a first-certificate program, such as welding, important to Alabama’s steel industry and Mississippi’s shipbuilding industry, or Arkansas’ advanced manufacturing industries. While the numbers were not large at any single institution, this does not mitigate the impact on those students affected. An issue for education policymakers interested in expanding the base of well-educated adult workers is: If the open door of access to a first-certificate program is closed to those without a high school diploma or a GED, will these potential students ever try public higher education again? Here are comments from financial aid officers:

- “The loss of the ATB funding did not affect a large number of students on our campus. However, it did have an adverse effect on a number of very well academically prepared students who graduated from an unaccredited high schools.” (Arkansas)
- “Lower income levels create greater barriers to college attendance if students do not have access to funding for their education. The data shows the ATB students at our college performed as well or better than their diploma/GED counterparts.” (Mississippi)
New Pell Grant Restrictions: A Three State Study

Toward the Future of the Pell Program: Deep South Financial Aid Officers Weigh In

Often, the views of financial aid administrators, the individuals who are charged to implement any new changes, additions, or restrictions regarding federal student aid are not well considered. As Congress considers filling future shortfalls in the Pell Grant program, will further restrictions be placed as a high maximum Pell Grant figure is maintained, or will a slightly lower maximum Pell Grant be approved that rolls back the unpopular new restrictions documented in Table 11 be enacted? For this reason, we surveyed front-line financial aid officers at community colleges across the Deep South states regarding the future of the Pell Grant program (see Table 12).

The Short-Lived Summer Pell Grant

Most community college financial aid administrators believe that the “double Pell” Grant initiated in the Summer of 2009 improved completion rates at their institutions (of the 35 responses to this item, 21 noted improvement and 14 did not). This may be due to the very short-lived nature of this program’s availability. However, enrollments were boosted and a few larger institutions reported increases in completion rates. Comments from aid administrators included:

- “We witnessed an approximate 20% increase in completion rates.” (Alabama)

- “We saw a large increase in summer enrollment during the two years, with students making faster progress towards degree requirements.” (Arkansas)

- “It doubled our summer enrollment. Very few of our students can find summer jobs. The year-round Pell was an opportunity for them to continue their education and graduate faster.” (Mississippi)

- “Year-round Pell was wonderful for our enrollment in the summer. We had the highest enrollment ever for our summer terms. It allowed students to take classes and finish their degree by summer or earlier.” (Arkansas)

Developmental Education

Public advocacy entities financially underwritten by the Bill & Melinda Gates Foundation, including Complete College America (CCA) and Completion by Design, have supported the reduction or elimination of federal and state funding for public community colleges to deliver developmental education courses. The title of CCA’s April 2012 report, *Bridge to Nowhere: Remediation at U.S. Community Colleges*, strongly suggests a particular point of view. In Spring 2012, CCA urged lawmakers in Connecticut to remove state operating funds for community colleges for developmental education courses, a policy suggestion that many national experts, including Hunter R. Boylan, Director of the National Center for Developmental Education at Appalachian State University, challenged.13

In early June 2012, when Congress approved the new Pell restrictions embedded in P.L. 112-174, consistent with the Gates Foundation funded agenda, some were arguing Pell funding should no longer be permitted for students taking developmental education courses at community colleges.

We believe such a policy choice would likely produce disastrous results for Deep South students, the community colleges where they start their higher education enrollments, and ultimately, the senior institutions to which they would transfer. As noted in Table 10, we found 37,118 Pell Grant recipients taking at least one developmental education course in the Fall 2012 term, for a total of 152,771 hours. This is over and above the very clear, negative implications for developing the technical workforce in Alabama’s automobile and steel industries, Arkansas’ burgeoning oil and gas

| Deep South Community College Financial Aid Administrators on the Future of Pell Grants |
| Did the short-lived “year-round” Pell improve the completion rate at your institution? | Developmental Education | In the past five years, the Pell Grant program experienced a number of regulatory changes. Do you believe the Pell Grant program needs more or less restrictions? | In your opinion, how would a reduction in the maximum Pell award affect your students? If the maximum award was reduced from $5,550 to $5,200, what impact would the reduction have on your students? |
|Alabama (24) Improved | 11,499 | 52,858 | Less Restrictions | Negative Effect |
|Arkansas (22) Improved | 9,353 | 26,205 | No Change | Negative Effect |
|Mississippi (15) Improved | 16,266 | 73,708 | Less Restrictions | Negative Effect |
|Total (61) Improved | 37,118 | 152,771 | Less Restrictions | Negative Effect |

Notes: (1) Of the 61 possible responses to the item “Did the short-lived ‘year-round’ Pell Grant improve the completion rate at your institution? 55 of the 61 possible responses to the item “Did the short-lived ‘year-round’ Pell Grant improve the completion rate at your institution?” were received; 21 noted “improvement,” 20 were “N/A,” and 14 reported “declines.” (2) Of the 61 possible responses to the item “In the past five years, the Pell Grant program experienced a number of regulatory changes. Do you believe the Pell Grant program needs more or less restrictions?” were received; 39 stated “negative effect” and 17 noted “no change.” (3) Survey was conducted in October and November, 2012.

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industries and manufacturing programs associated with the defense industry, and Mississippi’s shipbuilding and automotive industries, since potential new technicians without a high school diploma or equivalent are no longer able to receive ATB via Pell to enroll in programs at their local two-year colleges.

As Congress considers changes in the future of the Pell Grant program, geography matters. Rural areas in the Deep South, and in particular its high poverty counties, lack the community-based organizations needed to serve the large numbers of students who enter college in need of developmental education. This infrastructure simply does not exist in the rural Deep South.

Fewer Restrictions, More Access

As Congress considers changes in the future of the Pell Grant program, there is strong support among Deep South community college financial aid officers to lower the number of Pell restrictions. When asked, “If the maximum Pell award was lowered from $5,550 to $5,200, what the impact would be on students?” financial aid administrators indicated it would have a negative impact. The significant concern on the part of financial aid administrators regarding the new Pell Grant restrictions is supported by the written comments:

- “Lowering the maximum Pell limit and with less regulation would give more students the opportunity to receive funding.” (Arkansas)
- “We must move towards less restrictions, more access, and a less complicated process. Right now financial aid administrators spend 90% of time working on compliance and regulation issues. If we could reduce those burdens, we could be in the field connecting with students and building relationships to achieve success. We must shift the culture of Pell.” (Alabama)
- “Poor students have EFC’s greater than zero. Pell should provide access. Access is the only means for a student to earn a degree.” (Mississippi)
- “It is more important that Pell provide access to more students, even if they have to lower the maximum Pell, to enable students to have a chance to obtain a degree.” (Alabama)
- “If it becomes too restrictive, many students won’t apply. That would be a tragedy. That would hurt our institution, our students, and our community.” (Arkansas)
- “More access to more students would be helpful. Many community college students are non-traditional and self-supporting and would prefer to be part-time but are ineligible for Pell at this level of enrollment. Increasing access for students that need to be part-time to manage their life, and be successful in their education, would perhaps allow more students to complete their education.” (Mississippi)
- “More students need access to college. The more students that can benefit from federal aid, the more students we can educate and get into the work force.” (Arkansas)

Implementation Concerns Are a Major Issue

The new Pell Grant restrictions passed by Congress in P.L.112-174 related to Estimated Family Income, Ability to Benefit, and the Lifetime Pell Eligibility that were not phased in. Instead, implementation was immediate.
Put differently, instead of creating a formula gradually lowering the maximum number of semesters from 18 to 17 in Fall 2012, to 16 in Spring 2013, and to 15 in Summer 2013, etc., the new restrictions were immediately implemented in Fall 2012 term. Many students who registered for Fall 2012 classes last April, who had received Pell in prior semesters and were counting on it this fall, suddenly found themselves without it.

The survey revealed that Deep South community college financial aid administrators strongly favor fewer regulations. They generally supported gradual implementation of the new Pell Lifetime Eligibility standard, due to the taxing efforts needed from understaffed offices to interpret and implement the restrictions. Comments include:

- “Making the financial aid professional the ‘gate keeper’ is counterproductive. Students do not go to college to get financial aid; they go to college to get an education. Academically, institutions need to do what is right to ensure completion, instead of trying to regulate students via financial aid.” (Alabama)

- “With cost-of-attendance increases out pacing the economic inflation rate by a near 3:1 margin, the relative value of Pell Grants has decreased drastically since it has been level funded in recent years. More students are forced to rely on Stafford and private loan borrowing, resulting in Pell Grants becoming more of a supplement than the foundation of a student’s aid package. Schools should be allowed more discretion in identifying the greatest needs of their respective student populations based on factors outside those dictated by the needs analysis process (demographics, program costs).” (Alabama)

- “I think Financial Aid Administrators have to deal with so many regulations that new regulations become burdensome to implement. I encourage change with programs, but I also don’t want the changes to become so burdensome they are not worth the work. Year round Pell, in theory, was a good idea, but a nightmare to implement and it was impacted funding levels of Pell grant which is why it was eliminated.” (Arkansas)

- “We have become bogged down in reading and trying to implement regulations that are very difficult to interpret. Financial Aid Offices are understaffed and need their time to help students, not get tied down in bureaucratic regulations.” (Arkansas)

- “There should be consideration for a moratorium on new regulations. The regulatory compliance is very difficult and confusing to parents, students, and schools.” (Mississippi)

- “Regulations regarding proper documentation to meet verification requirements are becoming difficult for many students. Regulations on the Pell program are already burdensome for students and institutions. Additional regulations are a mistake.” (Mississippi)

**Toward the Future**

The Pell Grant program is a quasi-entitlement, and not an entitlement. For this reason, with potential budget shortfalls looming, we wanted to know which of the following two options front-line community college financial aid administrators would choose: A higher maximum Pell with more regulations resulting in less overall access to Pell funding, or a slightly lower maximum Pell Grant with less regulations and more access to students. The results to this survey item were striking: of the 60 responding, 53 favored the slightly lower maximum Pell Grant with less regulations and more access to students. This desire, and the related concern over implementation concerns outlined above, should be considered very carefully by the Congress as the Pell Grant program moves forward.

**Conclusions**

The impact of the Pell Grant program at community colleges in the Deep South cannot not be understated. The data show that enrollment corresponds with rises and declines in Pell Grant funding. Evidence of 2009 Summer enrollment spikes, accompanied by the short-lived double Pell Grant, shows the importance of the program to these three states, which have limited state-funded need-based student aid programs. The undisputed ability of this Federal program to increase degree attainment and workforce training certificates boosts the economy. The Pell Grant program is thus one of our nation’s most important human capital development programs, and a worthy investment in terms of costs to benefits.

Among the three most prominent new Pell eligibility restrictions, relatively good data could be obtained on the
impact of the new Lifetime Semesters/Hours restriction: 16,979 students over the course of 2012-2013, with 5,387 losing Pell eligibility immediately in Fall 2012. Similarly, relatively good data could be obtained regarding the impact of the new Ability to Benefit eligibility restriction; typically, no more than 30 students were negatively impacted per institution (if that number was 20 to 30 per college, that would be between 1,200 and 1,800 students across the three Deep South states). Gaging the impact of the lowering of the zero-Expected Family Contribution for a maximum Pell Grant from $32,000 to $23,000 is more problematic, however, as the data management systems for financial aid were simply not calibrated to quickly create estimates. It is possible that this particular Pell eligibility restriction may have greater impact over time than the others. As one Mississippi financial aid administrator said, “It had a fairly high impact, because the salary range that was excluded (from $32,000 to $23,000), is typical for families of community college students.” An Alabama aid administrator commented, “Many of our Federal Pell Grant recipients who qualified for Pell Grant with an automatic zero-EFC for the 2011-2012 award year no longer qualified for Pell in 2012-2013. This is true even though their income was not significantly different from the previous award year. The reduction in the income threshold has been difficult to explain to those students affected, especially with their income remaining the same.”

As seen through the various opinions offered by financial aid administrators across the three states, fewer restrictions to the Pell Grant program resulting in more access is clearly preferred, even at the cost of a slightly lower maximum Pell Grant award, and Pell funding for developmental education is of vital importance. This notion depicts the majority view that is held by the state’s institutional “gate keepers”: With more access, comes increased economic development. In this regard, Pell Grants help supply the vital fuel of the Deep South’s economic development engines and its community colleges, and the new regulations certainly hinder the ability of these institutions to extend access and economic uplift.

i. Act 606, which passed in the 2009 General Session of the Arkansas Legislature allows new lottery proceeds to fund merit-based higher education scholarships and grants to Arkansas citizens for in-state colleges and universities. Known as the Arkansas Academic Challenge Scholarship, it is Arkansas’ largest state aid program; and its award criteria do not consider applicants’ financial need. Total dollars awarded are based on the type of institution a student attends (two-year vs. four-year) and the maximum amounts are predetermined by the Legislature.11

ii. We do note it was possible for a student to apply to both a community college and a university at the same time, as financial aid administrators at both institutions would report students at the time they applied for financial aid; however, experienced aid administrators say that this duplication rarely occurs.
References


The Education Policy Center seeks to inform and improve education policy making and practice, and our understanding of the roles education plays in a free society, through a program of research, to topical and historical analyses of education issues, and services, for education practitioners and policymakers.

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