

The Effect of Pell Grant Tuition Sensitivity On California Community College Students

Governor Schwarzenegger has signed legislation to reduce the California Community Colleges student enrollment fee to \$20 per unit, effective with the Spring 2007 semester. That's wonderful news for the 2.5 million students attending the 110 campuses in California. It demonstrates California's, and the Governor's, commitment to keeping community colleges affordable so students can earn an associate of arts or science degree, complete their general education requirements prior to transferring to a four-year college or university or complete a vocational program for gainful employment.

The unfortunate effect of the fee reduction is that the lower fees trigger the federal Pell Grant Tuition-Sensitivity provision which means that, once again, our students will receive less Pell Grant funds than any other students in the country. In addition, because the fee reduction occurs mid-year, the California Community Colleges financial aid offices will be faced with the unprecedented technical complication of paying students a "regular" Pell Grant amount for the Fall term and a lower "alternate" Pell Grant amount for the Spring term. Many financial aid directors have indicated that their institution's computer systems cannot be programmed to handle this. In addition, the U.S. Department of Education is currently not certain that its system can accommodate two Pell Grant amounts for one student in the same academic year. While we are in discussions with the U.S. Department of Education to explore ways in which they might be able to assist us with this dilemma, they are limited by statutory language in the Higher Education Act. Therefore, we are seeking a legislative solution to this problem.

The source of the problem is Section 401(b)(3) of the Higher Education Act which includes a formula that bases eligibility for the Pell Grant awards on the amount of tuition charged by the institution and provides a lower "alternate" amount for low-tuition colleges. This provision is triggered only if all of the following are true:

- The total of the student's tuition and any dependent care or disability related expenses, included in his or her Cost of Attendance (COA) is less than \$675; AND
- The student's EFC is 700 or less; AND
- The student's total COA is \$3,400 or higher

To date, only California community colleges have ever been subjected to this provision, at a loss of millions of dollars to our students. Preliminary projections from the California Community College Chancellor's Office estimate that in the coming year 262,760 students will be affected by reductions based on the Pell Grant Alternate Payment Schedule, a loss of \$17,102,493 to our system.

For College of the Canyons, student fees are presently \$768 based upon \$26 per unit, an average student full-time enrollment of 14 units, and two semesters. These fees will be reduced to \$600 when the \$20 per unit fee is implemented for Spring 2007 semester. At that point, the student's Pell Grant award must be re-calculated based upon the U. S. Department of Education's Federal Pell Grant Alternate Schedule. According to our projections, 663 of our 1,087 Pell Grant-eligible students, approximately sixty-one percent (61%), will lose an aggregate total of \$74,256 dollars due to reductions in their student financial aid. This projection has been calculated based upon the number of Pell Grant recipients for the 2005-2006 academic year who have an EFC of 700 or less, with an assumption that all those students will be enrolled full-time and that the total number of awards will remain status quo for the 2006-2007 school year. This may seem like a minor impact for

our students, but system-wide many California Community Colleges serve much higher percentages of Pell-eligible students based upon their total student populations.

There is a great debate about the U. S. Department of Education's advice to the colleges about using the Alternate Payment Schedule to recalculate student entitlement amounts for Spring 2007 based upon the reduction of tuition. Some financial aid professionals are exploring more creative interpretations of the Student Financial Aid Handbook, although they face the danger of being out of compliance. Another strategy is to request that the U.S. Department of Education accept this issue as an experimental site proposal. This means we would test the impact of the decreases in Pell Grant amounts and the effect of whether or not tuition sensitivity restricts student access. This would put the community colleges into a "hold harmless" status and kill enough time until the HEA Reauthorization passes, eliminating tuition sensitivity forever. However, there is some question about the authority of the U.S. Department of Education to waive compliance with this statute, plus the authority to grant new exemptions was up when the HEA expired.

Other financial aid directors are playing the game of "wait and see" –in hopes that the Higher Education Reconciliation Act will pass prior to January 1, 2007, rendering the whole issue irrelevant. Because it is unlikely that Reconciliation will pass before the end of the year that will not help us for the current 2006-2007 award year.

Congressman Howard "Buck" McKeon has worked diligently to ensure that language to remove Pell Grant Tuition Sensitivity was in President Bush's budget proposal for 2007, and both the House and Senate Higher Education Reauthorization Act bills. McKeon (Republican – CA) understands that the only colleges in the nation affected by the Pell Grant Alternate Payment Schedule are the California Community Colleges because of our low student enrollment fees. Perhaps our most realistic solution lies in the President's Budget bill which must be passed by October 1, 2007. Then again, the budget provisions are effective for the 2007-2008 funding year. We believe that a special rider would have to be attached to the President's Budget bill in order for the Pell Grant Tuition-Sensitivity elimination provision to be effective upon the signing of the bill. California Community College Chancellor Drummond, Linda Michalowski and Tim Bonnel, are working diligently to explore this idea with Governor Schwarzenegger, Congressman McKeon and the White House - requesting that President Bush take immediate action.

Whichever strategy can be implemented the quickest will be the one that puts the tuition sensitivity issue to rest once and for all. We must begin our work on each of these strategies immediately. Our campus computer administrative software systems, and the U. S. Department of Education's computer system, cannot handle this mid-year re-calculation for our neediest Pell Grant students. With the ever-increasing cost of attendance, and the resultant backsliding of student enrollment statewide, we must advocate for our students.

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