LIRACHE

One in One Hundred: Examining the Impact of a 10-Year Freeze on Pell Grants on Long Island

Presiding Officer DuWayne Gregory of the Suffolk County Legislature

Legislator Sarah Anker, Chairwoman of the Education and Information Technology Committee

Farmingdale State College President Dr. W. Hubert Keen

Long Island Regional Advisory Council on Higher Education (LIRACHE)

Background

On March 25, 2015, the U.S. House of Representatives passed a non-binding budget resolution that would cut approximately $90 billion from the federal Pell Grant program and institute a 10-year freeze on the maximum grant award.[1] Crafted by the House Budget Committee chaired by Rep. Tom Price (R-Ga.), the proposal was met with heavy criticism from students, educators, academic institutions and advocates for socioeconomic justice nationwide.[2]

Created in 1972 as an amendment to the Higher Education Act of 1965, the Basic Education Opportunity Grant was renamed in 1980 to honor its architect, Sen. Claiborne Pell of Rhode Island.[3] Accepted by approximately 5,400 participating institutions, Pell Grants are awarded to low-income students with demonstrated financial need and, unlike loans, do not have to be repaid.[4] In the 2013-2014 award year, 8.9 million students benefitted from the program, including more than 150,000 attending college in one of the four counties of Long Island (including at technical and non-degree granting institutions) – meaning that of every 100 Pell Grant recipients in the nation, **at least one is on Long Island**.[5] As of the 2014-2015 award year, the maximum grant was $5,730, which, at the time of this report's release, is scheduled to increase to $5,775 in the 2015-2016 award year.[6]

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[1] H. Con. Res. 27, Passed March 25, 2015; David Reich and Brandon DeBot of Center for Budget and Policy Priorities, "House Budget Committee Plan Cuts Pell Grants Deeply, Reducing Access to Higher Education," March 24, 2015.

[2] House Budget Committee, "A Balanced Budget for a Stronger America," March 2015; Jorge Valero, "Students express concern over House proposal to freeze Pell Grants," The Daily Bruin (UCLA Student Newspaper), April 3, 2015; Chris Dunker, "Republican proposal could cut Pell Grant funding for Nebraskans," Lincoln Journal Star, March 26. 2015; University of Vermont President Tom Sullivan, "Congress Wants to Weaken the Pell Program. Here's Why They Shouldn't," Huffington Post, June 9, 2015. Carmel Martin of Center for American Progress, "The GOP Budget's Threat to Our Education System," U.S. News and World Report. May 21, 2015.

[3] The Pell Institute for the Study of Opportunity in Higher Education, accessed June 12, 2015. William H. Honan, "Claiborne Pell, Ex-Senator, Dies at 90," New York Times, January 1, 2009.

[4] U.S. Department of Education, accessed June 12, 2015.

[5] U.S. Department of Education Budget Office, FY 2015 Budget, FSA Data Center for State/County Data.

[6] U.S. Department of Education, Office of Federal Student Aid, accessed June 12, 2015.

Himself a recipient of a Pell Grant that enabled him to go to college, Suffolk County Legislature Presiding Officer DuWayne Gregory was concerned about how the freeze would affect low-income students on Long Island. Together with 6th District Legislator Sarah Anker, who chairs the Legislature's Education and Information Technology Committee, Gregory invited students, financial aid officials, academics, and members of the business community to two public forums to examine the freeze's impact on Pell Grant recipients, their families and the local economy. Held at Suffolk County Community College and Farmingdale State College, respectively, the hearings were conducted in partnership with the Long Island Regional Advisory Council on Higher Education (LIRACHE). Chaired by Farmingdale State College President Dr. W. Hubert Keen, LIRARCHE is a consortium of 18 colleges and universities on Long Island.

Findings

I. Demand for Both Education and Financial Aid is Rising

At the first hearing, held April 29, 2015, Dr. Keen, representing LIRACHE, reported that the demand for education is rising. In today's economy, he said, those who have been unable to find work, or who have seen their income stagnating, often return to school for new or additional training. Dr. John Rizzo, chief economist of the Long Island Association, reinforced this point in his presentation by citing a Department of Treasury study showing that in 2011, individuals with only a high school diploma were nearly twice as likely to be unemployed as individuals who held a bachelor's degree.[7] The same year, weekly earnings of individuals with a bachelor's degree were 65-percent higher than the weekly earnings of individuals with only a high school diploma. Dr. Rizzo also provided data showing that 70 percent of people without a college degree will remain in the same or fall into a lower economic station than that of their parents, while 55

[7] United States Department of the Treasury, in conjunction with the United States Department of Education, "The Economics of Higher Education," December 2012.

percent of people with a college degree will perform better economically than their parents did.[8] As Suffolk County Community College President Dr. Shaun McKay succinctly stated in his remarks, "through education comes economic empowerment."

Dr. Keen further noted that the increased demand for education is accompanied by an increased demand for financial aid. Dr. Rizzo again provided data backing up this assertion, explaining that families can expect the cost of higher education to rise 5 percent per year, which is more than three times the rate at which the cost of living increases.[9] According to Dr. Rizzo, state and local support of higher education has declined by one-third since 1987, while tuition and fees as a percent of revenue at public four-year colleges and universities have doubled.[10] Even more alarmingly, in-state tuition at four-year public colleges and universities has grown by two-thirds since 2000, after adjusting for inflation.[11] "There's this disconnect between rising educational costs and limited ability for families to pay for these costs," Dr. Rizzo said.

The New York State Financial Aid Administrators Association, which stated it was "deeply disappointed" by the proposed freeze, echoed this concern. In a statement shared at the May 8 hearing, the organization noted the Pell Grant "has not kept pace with rising tuition costs," which had resulted in "an overall decrease in the effectiveness of the federal grant." Citing data from The College Board, a panel of financial aid administrators from LIRACHE institutions spoke to the drastic decrease in buying power of the Pell Grant since the program's inception. In the 1979-1980 fiscal year, a maximum Pell Grant covered 99 percent of the cost of attending a two-year public institution and 77 percent of the cost of attending a four-year public

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[8] United States Department of the Treasury, in conjunction with the United States Department of Education, "The Economics of Higher Education," December 2012.
[9] College Board. College Costs Calculator.
[10] United States Department of the Treasury, in conjunction with the United States Department of Education, "The Economics of Higher Education," December 2012.
[11] United States Department of the Treasury, in conjunction with the United States Department of Education, "The Economics of Higher Education," December 2012.

institution. In 2013-2014, the maximum Pell Grant covered only 52 percent of the cost of a two-year public institution and 31 percent of the cost of a four-year public institution.[12]

On Long Island and at LIRACHE institutions specifically, the demand for student aid is especially acute. Using data from the United States Department of Education Budget Office, Dr. Keen and LIRACHE found that in the 2013-2014 award year, more than 150,000 students pursuing higher education on Long Island (including at technical and non-degree granting institutions) received Pell Grants totaling $586 million in aid, including more than 51,000 attended LIRACHE institutions and received almost $200 million in aid.[13] The breakdown of Pell recipients at individual schools is even more illuminating. According to LIRACHE Vice-Chair Dr. Robert Scott, who is the president of Adelphi University, 10 percent of Adelphi undergraduate students come from families whose household income is $12,000 or less, and 25 percent come from families whose household income is $30,000 or less. According to Dr. Scott, each year nearly 31 percent of Adelphi undergraduates are supported by Pell Grants, totaling $6.5 million in assistance at Adelphi alone. Similarly, LIRACHE Secretary and Treasurer, Samuel L. Stanley, Jr., MD, president of SUNY Stony Brook University, reported that at his school about 34 percent of undergraduates received Pell grants.

II. Demographic and Economic Changes Since Inception of Pell

Dr. Keen and LIRACHE also emphasized that student demographics have shifted dramatically since Pell's inception, at which time most students were deemed "traditional," meaning that they attended college immediately after graduating from high school to pursue standard two or four-year degrees on a full-time basis. However, he noted that today's "non-

[12] The College Board. "Trends in Student Aid 2013," Washington, D.C. 2013.
[13] U.S. Department of Education Budget Office, FY 2015 Budget, FSA Data Center for State/County Data.

traditional" student is very different and includes, but is not limited to, students over the age of 24, students attending colleges on a part-time basis, and students who have their own dependents. He noted that many of those students, who are often working full- or part-time jobs, need at least some remedial coursework upon admission.

Pell Grants have also become increasingly important for minority students. According to the *Washington Post*, citing Education Trust, nearly two-thirds of African American undergraduates and more than half of Latino undergraduates receive Pell Grants.[14] Over the course of the hearings, several minority students spoke about Pell's impact on their lives, including Clarence Edwards, vice president of the African-American Student Union at Suffolk County Community College, as well as Stony Brook health science major Melissa Espinal, who said that the Pell Grant was particularly important to her as "a first generation, a Latina, living on Long Island."

III. Effect on Long Island Students

As noted in Section I, one of every 100 Pell recipients in the country attends college on Long Island, totaling more than 150,000 recipients in Nassau, Suffolk, Queens, and Kings counties, including more than 51,000 at LIRACHE institutions. Due to these staggering figures alone, the negative impact of the potential cuts to the Pell Grant program would be devastating to Long Island students and institutions, as well as the region's economy. Those effects are even further magnified by the region's high cost of living. According to Dr. Matthew Whelan, vice president for Strategic Initiatives at Stony Brook University, who spoke at the April 29 hearing, the majority of Stony Brook's Pell Grant recipients come from families whose annual household

[14] Danielle Douglas-Gabriel, "House Republicans want to cut back grants for poor college students," *Washington Post*, March 18, 2015, citing Education Trust.

income is under $40,000. Contrasting Long Island with western Pennsylvania, where he used to live, Whelan urged hearing attendees to “think about a $40,000 income in the Greater New York City area.” Furthermore, he added, about 50 percent of the school’s Pell Grant recipients were receiving a maximum award, and most of those students were from households with annual incomes of less than $20,000.

Given that backdrop, the ramifications of a Pell Grant freeze, highlighted by Dr. Keen and Dr. Rizzo in their presentations at the April 29 hearing, are particularly grim for Long Island students. According to Dr. Rizzo’s analysis, the 10-year freeze on Pell would result in the net price of education rising from 130 percent of household income in 2014 to 212 percent of household income in 2024 for Dowling College students with household incomes under $30,000. For Dowling students coming from middle-class families with incomes of up to $75,000, the net price for a year of education would increase from 31 percent of annual household income in 2014 to 50 percent in 2024. For Stony Brook University’s students coming from households with incomes under $30,000, the cost of one year’s education would rise from 58 percent of their annual household income in 2014 to 95 percent of their annual household income in 2024, and at Farmingdale State College, students from households with less than $30,000 in income would see the cost of one year of education rise from 17 percent of their annual household income in 2014 to 28 percent in 2024. At Suffolk County Community College, the largest community college in the SUNY system, students from households with less than $30,000 in income would see the cost of one year of education rise from 25 percent of their annual household income in 2014 to 41 percent of their income in 2024.

According to Dr. Keen, freezing Pell Grants could negatively affect LIRACHE students and prospective students in a number of ways, including, but not limited to:

- Students choosing to forgo college altogether.
- Students taking longer to graduate, therefore increasing education costs.
- Students incurring more loan debt.

Dr. Whelan further noted that the negative effects of extended time in school are twofold, pointing out that not only do tuition costs rise, but future salary is delayed. The longer students take to enter the workforce, he said, the greater the decrease in their lifetime salary earnings.

Dr. Keen and LIRACHE also reported that higher loan debt may result in a number of other negative consequences, including:

- Higher student loan default rates
- Graduates defaulting on other bills
- Graduates living at home or with a family member
- Postponement of major purchases, including cars and houses

Interspersed between the data-driven presentations of the experts and academics were narrative and often emotional accounts from students who credited Pell Grants for their ability to attend school at all. Although the scope of this report cannot do justice to all the students who spoke, the accounts of the following four students provide a window to the world of students who depend on Pell to fund their educations.

The aforementioned Clarence Edwards, vice president of the African-American Student Union at Suffolk County Community College, said that the Pell Grant not only enabled him to gain access to an academic education, but also allowed him to develop as a student leader. Mr. Edwards, who was shy when he began college, said that through the Pell Grant, he was able to "gain confidence to join clubs, to be more active, to be more aware of my whole school."

Carmeline Jean-Francois also said that her Pell Grant had allowed her to become a more civically engaged member of her community. A first-generation college student who chose to attend Suffolk because her parents could not afford a private institution, Ms. Jean-Francois said

that without the Pell Grant, she wouldn't have been able to gain confidence or become a leader. "Suffolk changed my life," she concluded.

Gina Beechay, a 26-year old non-traditional Stony Brook student who was a dental assistant before going to college, also gave particularly moving testimony. With the encouragement of the dentist she was working for, she returned to school with the help of a Pell Grant and the intention of becoming a dentist herself. "If I didn't have it, I wouldn't be here today. I wouldn't be able to be on the path to be a dentist," she said of the Pell Grant, concluding, "I'm blessed to be here, and it is all due to the Pell Grant, because if I didn't have that, I would have nothing."

IV. Effect on Economy as a Whole

Dr. Whelan, himself a Pell Grant recipient, emphasized that Pell Grants, which he called "absolutely crucial to the future of higher education," are far from handouts, but rather are "an investment in our future." Using his family as an example, Dr. Whelan said that the Pell Grant enabled him and his siblings to receive educations that allowed them to pay the federal government back many times over, through their higher salaries and corresponding taxes. Citing data from the National Postsecondary Student Aid Survey that showed that Pell Grant recipients carry more student loan debt than students who do not receive Pell Grants, Whelan said, "these students are investing in themselves. They are not just putting a hand out and accepting money from the federal government. They are investing in themselves through student loans so that they can accomplish and complete their education, so that they can go on and get the job, get the higher salary, so that they can go on and give back to the federal government."

To back up this assertion, Dr. Rizzo cited an Economic Modeling Specialists International study entitled "Where Value Meets Values: The Economic Impact of Community Colleges," which found that in 2012, community college students paid a total of $18.7 billion in tuitions, fees, books and supplies. According to the study, those students held a value of $469.3 billion in increased future earnings, meaning that their rate of return was almost 5:1. The same study found that taxpayers at the federal, state, and local levels invested about $45 billion in community colleges in 2012, with the added tax revenue from the increase in future student earnings totaling nearly $286 billion. When an additional $19.2 billion in reduced social services is factored into the equation, taxpayers received a nearly 7:1 return on their investment.[15]

In her presentation, Cheryl Davidson, corporate director for workforce readiness at Northshore-LIJ Health System, which, with more than 56,000 employees, is the largest private employer in the state, emphasized the importance of Pell Grants to the rapidly changing health care industry. According to Davidson, the fastest-growing jobs in the health care sector require degrees, and 80 percent of the incoming workforce are millennials. "The only way we can address all of these challenges is with a skilled and educated workforce to support this dramatically changing landscape," she said. "Any cut in funding or resources would be severely detrimental to the needs of the health care industry and all of the other high-growth industries that fuel our economy."

The Honorable Tim Bishop, former Congressman and distinguished professor at St. Joseph's College, also highlighted the negative impact a Pell Grant freeze would have on the region's economy. He reported that Long Island institutions of higher education serve 215,000 students and employ 38,000 people, while spending approximately $5 billion per year, with an

[15] Economic Modeling Specialists International, "Where Value Meets Values: The Economic Impact of Community Colleges," February 2014.

additional $4 billion designated for planned construction in the next five years. “What all that adds up to is a huge economic footprint,” he said, explaining that most, if not all, of Long Island’s colleges and universities are enrollment-driven, meaning that a slight drop in enrollment of 50 to 100 students “could have huge economic implications.” He added, “if fewer students go to college, which will happen if we make financial aid less available, then we don’t need to employ 38,000 people, we need to employ fewer than that. And we’re not going to need $4 billion worth of construction; we’ll need less than that. So the ripple effect of making it more difficult for students to go to college is one that is going to not just deal with individual aspirations of students, it’s one that’s going to impact day-to-day life on Long Island in terms of the economic vitality of our region.”

V. Conclusion

The hearings held by Presiding Officer Gregory and Legislator Anker, in conjunction with Dr. Keen and LIRACHE, provided a stark look at the future of higher education on Long Island, particularly for low-income students and their families. Furthermore, the entire Long Island economy will be affected not only by a decrease in added tax revenues from future earnings, but also by cuts in jobs and expenditures that these enrollment-driven institutions will inevitably make as a result of the freeze. On behalf of Long Island’s students, colleges, and taxpayers, LIRACHE and the Suffolk County Legislature respectfully ask Long Island’s Congressional delegation to vote against any budget that retains these proposed cuts to the Pell Grant program.