

Pell's Huge Impact in Alabama:

- A higher percentage of Alabama students are using federal Pell Grants than at any time in history.
- In the past four years, about 43,000 more students used Pell to access Alabama public higher education.
- In the past four years, Pell funding for access in Alabama grew by \$300 million, 261% at two-year colleges & 124% at four-year public universities.
- At Auburn University and the University of Alabama, 3,573 & 5,601 students received \$16 and \$25 million, respectively, in Pell aid in 2011-12.

Impact of the New Pell Restrictions:

- Due to the new Lifetime Eligibility restriction, 4,731 Alabama public higher education students lost their Pell Grants in the Fall 2012 term.
- Another 12,057 Alabama students will likely lose Pell eligibility in the next two semesters (8,252 at public universities and 3,805 at two-year colleges).
- The lowering of the zero Expected Family Contribution for Pell eligibility from \$32,000 to \$23,000 may, over time, have more long-term impact.
- New Pell restrictions have resulted in lower enrollment at nearly every two-year college in Alabama, as well as at public universities serving areas with high unemployment.

Alabama Views on Pell's Future:

- A strong majority (83%) of financial aid administrators favor a slightly lower maximum Pell with less regulations and more student access.
- Regulations are a major challenge.

Conclusions

- With Pell as Alabama's *de facto* state student aid program, as it goes, so too does access to public higher education in Alabama.
- Cuts in Pell put Alabama's pipeline to higher college completion at risk.

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Introduction: The Recession in Alabama & Pell Grants

Participation in the most basic national program to provide access to college, the federal Pell Grant program, has increased by 50% since 2008, from 6 million to 9 million students.¹ The timing of these Pell increases could not have been better for Alabama students and families, coming at the precise time as the nation entered a lengthy period of high unemployment.²

The National Bureau of Economic Research (NBER) is the non-partisan federal agency that determines when recessions officially start and end. The NBER affixed June 2007 as the recession's start. In July 2007, as Table 1 shows, the unemployment rate was above 5% in 12 states. By July of 2009 it was *below* 5% in just 1 state; and had jumped to above 5% in 49 states. It has remained above 5% nationally and in Alabama since then.

In 2006, Governor Bob Riley noted that, "with its economic development and education initiatives including the Alabama Math, Science, and Technology Initiative and Reading First, Alabama stood at the cusp of excellence." This was a fair statement: the first column of Table 1 shows in July of 2007, Alabama's unemployment rate of 3.3% was among the lowest of all of the states.

Table 1
Six Years of State Unemployment Rates

Unemployment Rate	Number of States						Sept 2012
	July of each year...						
	2007	2008	2009	2010	2011	2012	
0 to 3%	5	0	0	0	0	1	1
>3 to 4%	14	7	0	1	1	1	1
>4% to 5%	19	15	1	1	2	3	1
>5 to 6%	9	11	1	3	4	6	10
>6 to 7%	2	11	7	6	7	7	9
>7 to 8%	1	5	11	10	8	11	7
>8 to 9%	0	1	8	10	10	12	14
>9 to 10%	0	0	5	8	9	6	4
>10%	0	0	17	17	9	3	3
Alabama	3.3%	4.9%	10.4%	9.0%	9.2%	8.3%	8.3%

Source: Education Policy Center analysis of Bureau of Labor Statistics Data. Accessed October 30, 2012 at <http://data.bls.gov>

The great recession produced much higher unemployment rates in Alabama, as the middle columns of Table 1 show. The far right column presents Bureau of Labor Statistics unemployment data for September 2012, released on October 19, 2012. Alabama's unemployment rate of 8.3% is higher than the 7.8% national unemployment rate.³

"We're living in a global economy. And we've got to stay competitive as we head into the 21st century, and the best way to stay competitive is to make sure people have access to good education."

"Pell grants send an important message to students in need: If you work hard and stay in school and you make the right choices, the Federal Government is going to stand with you. That's what a Pell grant says."

"I wish we could make the Pell grant process last year round...That recognizes the realities for Pell grant recipients."

**—President George W. Bush,
Sept. 27, 2007**

Metropolitan Areas	JULY of <i>each year</i> ...						Sept
	2007	2008	2009	2010	2011	2012	2012
Anniston-Oxford	3.3	5.0	10.5	9.2	9.5	8.7	7.9
Auburn-Opelika	3.1	4.6	8.7	7.6	7.6	7.1	6.4
Birmingham-Hoover	3.0	4.4	9.7	8.5	8.4	7.2	6.8
Decatur	3.0	4.7	10.7	9.3	9.1	8.2	7.3
Dothan	3.1	4.7	9.1	8.1	8.4	7.6	7.3
Florence-Muscle Shoals	3.9	5.4	10.3	8.7	8.8	7.9	7.3
Gadsden	3.8	5.2	10.5	9.2	9.6	8.0	7.6
Huntsville	2.6	3.7	7.9	7.1	7.8	7.0	6.4
Mobile	3.4	5.0	10.7	9.5	10.4	9.4	8.5
Montgomery	3.3	5.1	9.6	8.6	9.2	8.3	7.7
Tuscaloosa	3.0	4.3	9.8	8.6	9.0	7.7	7.4
<i>Metropolitan Average</i>	<i>3.2</i>	<i>4.7</i>	<i>9.8</i>	<i>8.6</i>	<i>8.9</i>	<i>7.9</i>	<i>7.3</i>
Black Belt Counties							
Barbour	5.9	8.3	15.1	10.9	12.3	13.6	11.8
Bullock	10	9.9	15.5	14.2	16.4	16.4	15.4
Butler	6	7.7	16.6	11.5	12.8	13.1	11.4
Choctaw	5.5	8	13	11.1	12.9	11.1	8.9
Crenshaw	4.1	5.1	9.6	8	9.4	8.5	7.5
Dallas	9	10.8	20.5	17.6	18.6	17.7	15.1
Greene	6.5	7.8	14.5	20.3	15.5	14.5	12.3
Hale	5.3	7.5	13.5	14	13	12.4	11
Lowndes	8.5	10.5	17.8	16.5	18	16.5	13.2
Macon	5.1	6.8	11.5	11.6	13.4	12.4	10
Marengo	4.9	6.7	13.2	12.3	12.6	11.8	9.8
Perry	8.8	11	19.7	16.1	19.1	15.6	13.4
Pickens	5	7.2	13.7	11.4	12.2	11.7	9.9
Pike	3.7	4.5	9.5	7.8	8	8.4	7.4
Russell	6.1	7.7	11.7	9.7	10.3	11.7	9.9
Sumter	6.9	9	13.8	14.8	16	14.5	11.7
Wilcox	9.3	12.7	25.1	20.2	20.9	19.5	17.8
<i>Black Belt Average</i>	<i>6.5</i>	<i>8.3</i>	<i>15.0</i>	<i>13.4</i>	<i>14.2</i>	<i>13.5</i>	<i>11.6</i>

Notes: (1) "Metropolitan Areas" are defined by the Census Bureau as reported by the Bureau of Labor Statistics, U.S. Department of Labor. (2) "Black Belt Counties" are defined by the *Encyclopedia of Alabama* (see <http://encyclopediaofalabama.org/face/article.jsp?id=h-2458>). Since Montgomery County is defined by the Census Bureau as its own metropolitan area, it is not counted as a Black Belt county. Source: Bureau of Labor Statistics released unemployment rates for Alabama's Metropolitan Areas & Black Belt Counties on October 30, 2012 (see <http://data.bls.gov>), analyzed by the Education Policy Center, The University of Alabama.

Table 2 reveals the stark contrast between the two Alabamas, Alabama's 11 metropolitan areas and its 17 rural Black Belt Counties in the lower third of the state.⁴ Unemployment for metro Alabama in September 2012 was 7.3%, a full point below the overall statewide rate of 8.3%. Unemployment rates for the different time periods

are very consistent across metro Alabama, and many metro areas show solid recovery. Huntsville, Auburn-Opelika, and Birmingham-Hoover are already out of recession, or very near to it. In sharp contrast, unemployment in Alabama's 17 rural Black Belt counties remains high, averaging 11.6%, greater than 3 full points above the state average, and more than 5 points above Huntsville. The last three rows of Table 3, below, show this in even more stark detail.

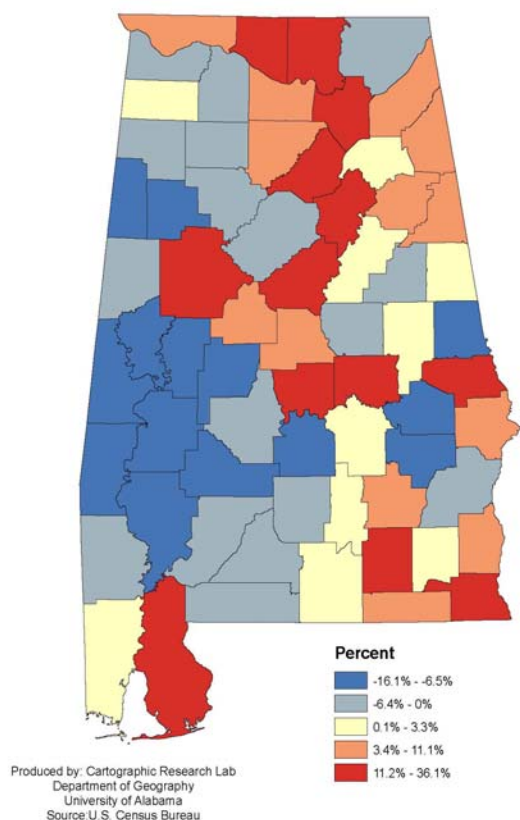
	July of <i>each year</i> ...						Sept
	2007	2008	2009	2010	2011	2012	2012
ALABAMA	3.4%	4.9%	10.2%	9.0%	9.2%	8.3%	7.6%
Unemployment rates ranging from...	Metropolitan Areas of Alabama (11)						
0% to 3%	4	0	0	0	0	0	0
3.1% to 4%	7	1	0	0	0	0	0
4.1% to 5%	0	7	0	0	0	0	0
5.1% to 6%	0	3	0	0	0	0	0
6.1% to 7%	0	0	0	0	0	1	3
7.1% to 8%	0	0	1	2	2	6	7
8.1% to 9%	0	0	1	5	4	3	1
9.1% to 10%	0	0	4	4	5	1	0
>10%	0	0	5	0	0	0	0
	Non-Metro "Black Belt" Counties (17)						
0% to 3%	0	0	0	0	0	0	0
3.1 to 4%	7	0	0	0	0	0	0
4.1% to 5%	3	7	0	0	0	0	0
5.1% to 6%	5	1	0	0	0	0	0
6.1% to 7%	3	2	0	0	0	0	0
7.1% to 8%	0	6	0	2	1	0	3
8.1% to 9%	3	2	0	7	0	2	1
9.1% to 10%	2	1	2	1	7	0	3
10.1% to 15%	0	3	8	9	8	10	7
>15%	0	1	7	5	7	5	3

Chart One, on the following page, shows how the population changed across Alabama's 67 counties from 2000 to 2010. Alabama's 11 metropolitan areas are growing, while Alabama's rural areas, including its Black Belt counties, have seen population declines.⁵

From the Fall 2011 to the Fall 2012 terms, enrollment at nearly every open-access two-year college in Alabama dropped. ***One might expect enrollments to drop as workers are retrained and jobs reappear, but this decline includes colleges serving high unemployment counties where recovery has clearly not occurred.*** What explains this highly unusual phenomenon?

Chart One:

Total Population Change, 2000 - 2010



How This Report Is Organized

This report argues that the recent enrollment decline across Alabama institutions of public higher education is directly attributed to changes enacted by Congress in June 2012, effective with the Fall 2012 term, to the Pell Grant program. In Fiscal Year 2011, 7,913 financially-needy students received an average grant of \$710 to attend an Alabama public university or two-year college through **the Alabama Student Assistance Program (ASAP), Alabama's only need-based state-funded student aid program.**⁶ In contrast, 102,249 of the 203,355 Full-Time Equivalent (FTE) students attending Alabama's public universities and two-year colleges in FY2011, or 50% of all students enrolled, received Pell Grants. In dollars, \$5,617,208 was appropriated by the Alabama Legislature for ASAP, while \$455,363,278 was appropriated by Congress via Federal Pell Grants.

In Alabama and every other state, providing student access with excellence is a shared responsibility between the federal government, state governments, and institutions. And while ASAP grants are quite important, if not

vital, to the Alabama students who receive them, **it is undeniable that the Federal Pell Grant program is Alabama's *de facto* state student aid program.**

Roughly 93% of the state's university and two-year college students are enrolled at its public institutions; the state lacks elite private non-profit research universities or highly selective liberal arts colleges. Thus, public higher education institutions directly influence nearly all the state's students, making Pell Grants very important to Alabama and other Deep South states.

Pell Grants make a positive difference at *every* public university and two-year college in Alabama. In the 2010-2011 calendar year (Fall 2010, Spring 2011, & Summer 2011 combined), Alabama's five public universities, classified by the Carnegie Foundation for the Advancement of Teaching as doctoral-granting, enrolled 23,324 students who received Pell Grants, while Alabama's nine public Master's and Baccalaureate Universities, classified by Carnegie, enrolled 27,826 students on Pell Grants, roughly 31% and 59%, respectively, of their total enrollments. The 3,573 students receiving Pell Grants at Auburn University drew down over \$16 million, while the 5,601 Pell recipients at The University of Alabama drew down more than \$25 million in federal Pell Grants. At Alabama's public two-year colleges, 51,079 of the total 80,952 FTE received Pell Grants. Pell Grant aid to needy students enrolled at Alabama public universities totaled \$218,440,805 in FY2011, and Pell aid to needy two-year college students totaled \$236,922,473.

The bottom line is that tuition increases accompanied three straight years of across-the-board proration. The University of Alabama today operates with \$100 million less in annual state appropriations than it did four years ago making financially needy Alabama students even more dependent on federal Pell Grants to access higher education and the American Dream.

To assess the impact of the recent changes in the Pell Grant program on institutions and students at Alabama's public universities and two-year colleges, in late September, 2012, the Alabama Commission on Higher Education commissioned the Education Policy Center at The University of Alabama to study the issue. This report draws on data from three sources. First, a literature review based upon national data

sources and past Education Policy Center studies of Pell Grants is reviewed, to provide a context. Second, quantitative data on Pell will show how investments in recent years have impacted public university and two-year college enrollments. Third, results of a qualitative statewide survey conducted by the Center to which all Alabama public universities and two-year colleges responded in October 2012 are presented. The survey captures perceptions of front-line student financial aid administrators to assess the recent congressionally-mandated changes in the federal Pell Grant program on students at Alabama's public universities and two-year colleges.

We wish to thank the Alabama Commission on Higher Education and its Executive Director, Dr. Gregory G. Fitch, for seeing the need for this study, and the Commission for the \$34,740 grant to support this research. We thank our panel of experts for reviewing the survey instrument, and Carpentato T. "Tanta" Myles, Director of Research Compliance at The University of Alabama for assistance in obtaining an expeditious review by UA's Institutional Review Board of the survey. We also thank Mr. Timothy Vick,

Director of Operations and Fiscal Services at the Alabama Commission on Higher Education, and Dr. Charles R. Nash, Vice Chancellor for Academic and Student Affairs for The University of Alabama System and chair of the Alabama Council of University Chief Academic Officers, for support. We thank Education Policy Center Research Associates Lucas Adair, Nelson Tidwell, and Caroline Taylor, for help in analyzing results. Most important, we thank the presidents and chancellors and their financial aid officers at Alabama's 14 public universities and 26 two-year colleges for quickly responding. We thank Dr. David Hardy at The University of Alabama, for data in the literature review section. Responsibility for any errors is ours alone.

Milton Friedman, the "free market" Nobel Prize economist, strongly supported Pell Grants. He argued Pell Grants were a voucher for higher education, to be spent where individual students' needs are best served. How do the recent changes in Pell impact Alabama's public universities and two-year colleges, and what might the future hold? Since financial aid is a shared responsibility of federal and state governments, we begin with a national overview.

The Federal Pell Grant Program: A Quick Primer

The Federal Pell Grant Program is the bipartisan result of the landmark Education Amendments of 1972, signed by President Richard Nixon. Pell is the foundation of federal student aid, providing access to higher education for low-income undergraduate students seeking for-credit degrees and certificates. In 1976, the maximum Pell Grant paid for about 72% of college costs, while today it only covers about one-third of the cost.

Academically qualified students with demonstrated ability to benefit from attending an eligible college or university may apply for a Federal Pell Grant to help defray costs, based upon a formula established by Congress. Award amounts depend upon financial need, attendance costs, status as a full- or part-time student, and plans to attend college for a full academic year or less. Two consecutive two-term presidents of both political parties promised a \$5,000 maximum Pell award in their campaigns, yet as of the 2008-2009 award year (July 1-June 30), the maximum Pell Grant was \$4,731. Investments starting in FY2008 raised the maximum Pell to \$5,350 in 2009-2010 and \$5,550 in 2010-2011. Students must demonstrate satisfactory academic progress toward a degree or certificate each term to maintain eligibility. It is limited to undergraduates without baccalaureate degrees.

Before the summer of 2010, students could only apply Pell to tuition in order to fund their summer course-taking if they had not depleted funding for which they qualified in the previous academic year. The Higher Education Opportunity Act of 2008 made it possible for some students to qualify for a second summer Pell Grant, with the policy goal of encouraging more students to accelerate and complete their programs more quickly. If a student had a maximum Federal Pell Grant of \$5,350 in the Fall 2009 and Spring 2010 terms, that student could qualify for an additional \$2,675 of maximum Pell Grant funding in Summer 2010.

To fund a maximum Pell Grant of \$5,550 in 2011-2012 cost nearly \$40 billion; 3 million more students received Pell in 2012 than in 2009. Increasing Pell requires Congress to appropriate funds; Pell is not an entitlement, so if the number of students exceeds the amounts budgeted, a supplemental appropriation from Congress is needed. In part due to the widespread popularity of the new summer Pell Grant, a \$5 billion shortfall caused lawmakers to propose eliminating the new summer Pell Grant funding in their budget request for FY2012, and to pass additional restrictions in June 2012 effective for the fall term of 2012.

Part I: Demographics & Literature Review

Introduction: The Demographic Surge

From 2009 to 2012, Alabama's 18-24 year-old population increased by approximately 25,000, *an equivalent enrollment of a new Auburn University*. This demographic reality described in Chart Two is occurring whether or not the state and nation are in recession, or if Alabama's public universities and two-year colleges are funded to serve them.

These data mirror national trend data. Between 2009 and 2012, Americans reaching the traditional college-going years of 18-to-24-years-old grew by more than 1 million nationwide. Will our nation and state provide opportunities to educate them? Can we afford *not* to?

Similar trend data can be observed as it pertains to young adults ages 25 to 34. Nationally, the number of young adults grew by 3 million between 2009 and 2012. Since these are demographic realities, and thus are not tied to economic ups and downs, one can see why the Lumina Foundation and others concerned with increasing college completion rates urge policymakers

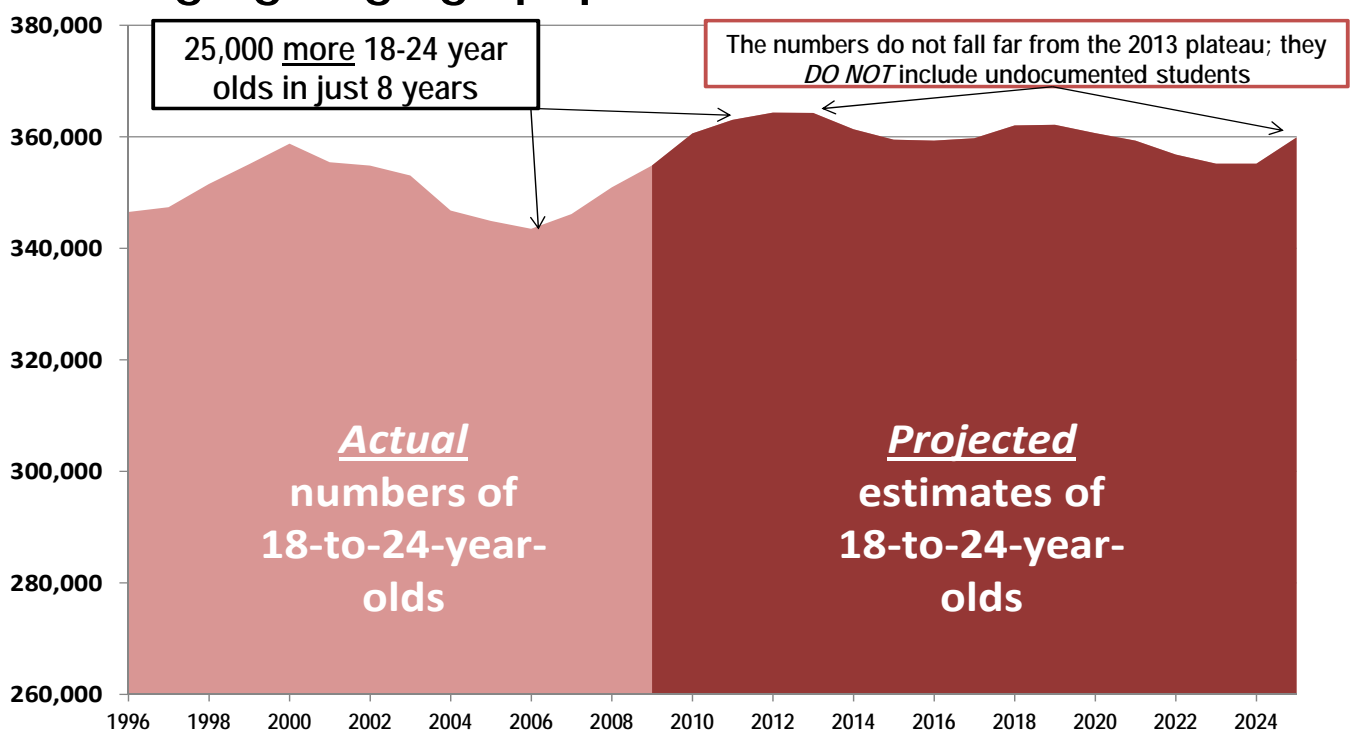
to place high priority on those who have already completed some higher education, but have not yet finished college degrees and certificates. It is our opinion that this represents "the low hanging fruit."

In the analysis of 2010 Census data, Lumina found 31.5% of Alabama adults held college degrees, ranking it 44th in terms of college attainment. This compares to the national average of 38.3%. Achieving the goal of 60% of Alabamians holding college degrees by 2025 would require 516,718 additional Alabamians with college degrees and certificates. Lumina estimates that, based upon current and projected figures, an additional 22.1% more graduates must be produced.⁷

That more Alabamians will require postsecondary education beyond high school is not even a debatable point, in light of the rise of the auto industry. Led by Mercedes, Toyota, Honda, and Hyundai, highly-skilled workers are needed for high-wage jobs created by Alabama's auto industry. Sadly, three straight years of pro-rata cuts have limited the ability of Alabama's public universities and two-year colleges to serve these needs.

Chart Two: Increasing Demand

25,000 more 18 to 24 year olds in Alabama's traditional college-going age population in 2012 than in 2009.



Source: Unpublished actual and projected numbers by R. Matthew DeMonBrun, EPC Research Associate.

Prior Education Policy Center Studies of Pell

The Education Policy Center and its research partners from Iowa State University, Mississippi State University, and the University of North Carolina at Charlotte have long been interested in how Pell Grants help students access higher education. This section highlights three recent studies to provide context on the Alabama analysis that follows: First, a quantitative analysis using the 2005 and 2010 Basic Classification of Associate's Colleges of the Carnegie Foundation for the Advancement of Teaching; second, a national study conducted in 2011 of 205 community colleges in 25 states; and third, a 2012 study of the impact of the expanded Pell funding in a state with demography similar to Alabama (Kansas).

Quantitative Analysis of Carnegie Classifications

We again thank David Hardy of the University of Alabama for his assistance. Using the new Carnegie Classifications, our quantitative analysis has revealed:

- *Rural two-year colleges comprise nearly 6 in 10 of all U.S. two-year colleges, and they are growing fast.* Surging enrollments added 594,394 new credit students to two-year colleges from 2001-02 to 2007-08.
- Among the nearly 600,000 new students, 255,038 attend rural two-year colleges, comprising 43% of the enrollment growth, a rate higher than the increase at urban and suburban colleges.
- Total enrollments at U.S. two-year colleges are about a third/third/third across Rural (33%), Suburban (30%), and Urban (31%) colleges, with 7% enrolled at "other" colleges (two-year under four-year).
- In 2007-08, \$7.4 billion of federal, state, local, and institutional aid was awarded to two-year college students, of which \$4.7 billion or 64%, came in Pell Grants. ***Despite enrolling 33% of all two-year college students, 39% of all Pell Grants awarded goes to students at Rural two-year colleges.***
- In 2007-08, 66% of all federal, state, local, and institutional student aid at Rural-Small Associate's Colleges was Pell. ***The smaller the college, the higher the percentage of student aid in Pell.***
- Rural two-year colleges are the portal of entry into U.S. higher education, and in many places, *"the only game in town."* When U.S. Department of Education Student Financial Aid Cohort Study data for 2007-08 are analyzed by Carnegie type, ***39% of all first-time/full-time students are enrolled at Rural two-year colleges***, a higher percentage than their percentage of total students (33%).

- ***The higher out-of-pocket expenses borne by Rural two-year college students often are not recognized.*** Rural students live in areas without public mass transit, and need access to reliable cars to attend college and work. Sadly, 72,361 of all 151,380 two-year college students incurring debt in the 2007-2008 IPEDS Student Financial Aid Cohort Survey (48%) enrolled at rural two-year colleges, far more than the percentage of total enrollment (39%) in the survey. This shows rural two-year college students value higher education to the point that they are willing to borrow to finance it.

The Growing Impact of Pell—205 Colleges in 25 States (2011)

In April 2011, The University of Alabama's Education Policy Center, in partnership with Iowa State University, California State University-Northridge, and the Rural Community College Alliance released the report, *The Growing Impact of the New Federal Pell Grant Funding: A Profile of 205 Two-Year Colleges in 25 States*. The Carnegie Basic Classification System (the oldest internationally recognized classification of Higher Education Institutions) identified the geographic impact of the new federal investments in Pell Grants. From the 184 colleges in the 25 states from which we obtained institutional identifying codes, 137 were rural, 23 were suburban, and 24 were urban.

As Table 4 shows, from the 2008-09 to the 2009-10 12-month calendar year (Fall, Spring, and Summer terms combined), the number of Pell Grants awarded to the 205 two-year colleges in our sample increased from 689,326 to 1,077,914, or 56%. By dollar volume, funding rose from \$1.4 to \$2.5 billion. Unduplicated headcount enrollments grew from 2,832,533 to 3,087,301, an increase of 254,777 or 9% in just one year, while FTE enrollments (which the federal standard defines as 12 credit hours, the minimum a full-time student can take), increased from 1,362,290 to 1,548,986, a gain of 186,696 or 14%.

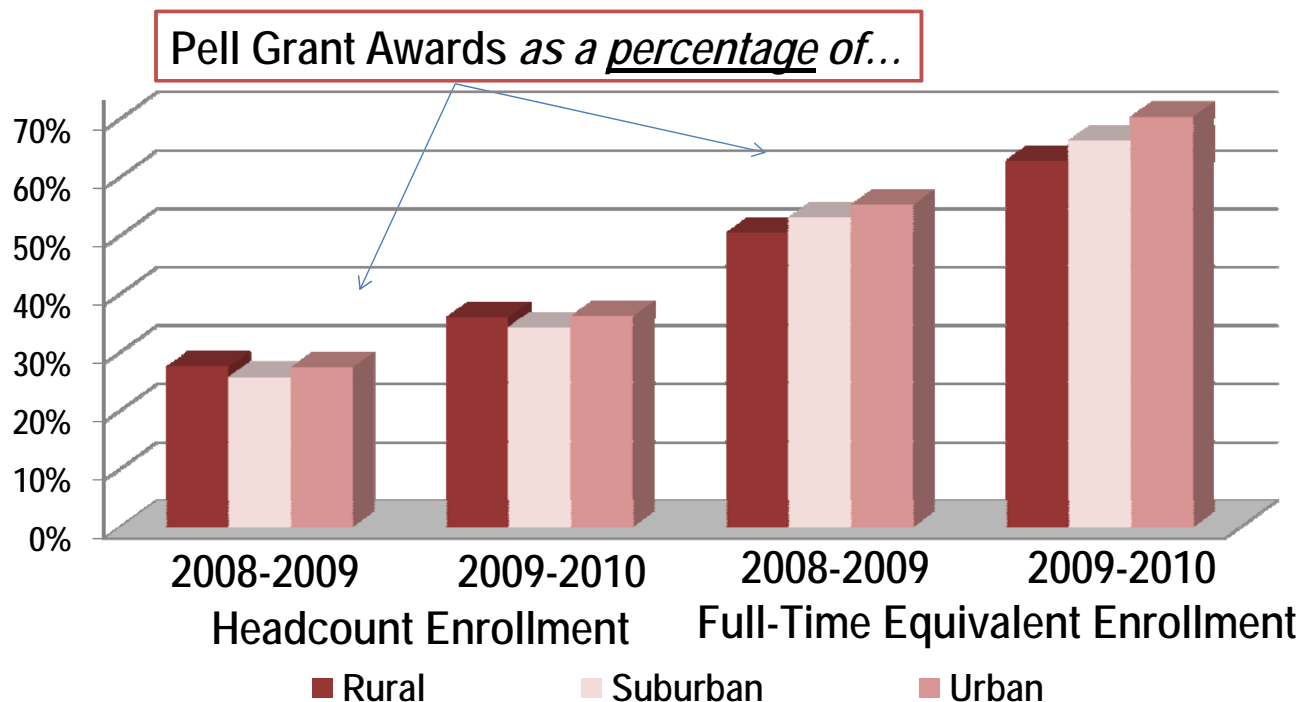
"Today students hoping to attend college on a Pell grant are going to be able to feel more secure because not only are we going to offer over 800,000 additional Pell awards over the next 10 years, we're also going to raise the amount they're worth to almost \$6,000, so that inflation does not erode the value of your grant."

"And we'll put the entire Pell grant program on firmer footing for years to come. Altogether, we are more than doubling the amount of Pell grants."

—President Barack Obama, March 30, 2010

Table 4: Analysis by Carnegie Basic Classification Shows New Pell Funding Results in More Two-Year College Students Taking More Hours

If Full-Time Enrollments (FTE) of students *rise faster* than Unduplicated Headcount (all students enrolled), by definition more students must be taking more credits



Source: Pell Grant awards by 2005 Carnegie Basic Classification type for the 2008-2009 and 2009-2010 calendar years, from unpublished data based upon a survey of 221 community colleges by the Education Policy Center, The University of Alabama, Iowa State University, and California State University-Northridge, under the auspices of the Rural Community College Alliance's National Rural Scholars' Committee, April 2011.

The new Pell Grant funding clearly drove much of this enrollment increase. Pell as a percentage of both headcount student enrollment and Full-Time Equivalent (FTE) enrollment increased from 2008-2009 to 2009-2010, *but the increase in Pell as a percentage of FTE enrollment was higher, which by definition means that more students were taking more credit hours.* We cannot conclude with certainty students will complete their Associate's Degrees faster, but it is likely this would occur. To actually document this requires analyzing student transcript data for representative samples of rural, suburban, and urban community colleges. The report concluded that if the federal policy goal is to increase the number of Americans with college degrees and certificates, getting more students to take more hours is clearly a step in the right direction.

Pell Grants and the Lifting of Rural America's Future (2012)

Our quantitative analysis and our April 2011 national study cited above clearly showed Pell Grants to be a major driver across not only urban and suburban two-year colleges, but rural two-year colleges as well. To

further demonstrate the impact of the Pell increases in a rural state, a third study of its statewide impact in Kansas was conducted, led by EPC Senior Fellow Frank Mensel, former Vice President for Government Relations at the American Association of Community Colleges and the Association of Community College Trustees. Results were obtained from 17 of Kansas' 19 comprehensive two-year colleges, which serve 69,493 or 89% of the 78,217 total two-year students in the Sunflower State. Key findings included:

- Federal "maintenance of effort" provisions requiring states to maintain operating budgets for public higher education in the stimulus package helped to hold tuition increases to 5% in FY2009, FY2010, and FY2011, so that new Federal Pell funding could open the door for thousands of students in Kansas.
- Rural two-year colleges face great fiscal strain.
- Rural two-year college students have the highest rates of Pell participation and incur by far the highest rates of debt (48% of the total) due to out-of-pocket expenses (child care, transportation).

The study also showed Pell's huge impact in Kansas:

- Pell dollars in Kansas grew by 98% from about \$20.5 to \$40.4 million; Pell awards grew by 75% in 2 years from Fall 2008 to Fall 2010.
- As Pell grew, the net marginal cost of key elements of attendance declined (Pell minus tuition and fees plus books and supplies), with the result that two-year college enrollments grew.
- With expanded Pell funding, more two-year students took more hours. More enrolled Full-Time at both rural and suburban colleges.
- Both Full-Time and Part-Time enrollments grew, but Full-Time grew more, especially at Kansas' rural two-year colleges.
- By expanding their enrollments, Pell specifically grew the total capacity of Kansas' rural two-year colleges to reach workers displaced by recession.

From 2009 to 2012, Alabama's 18-24 year old population increased by approximately 25,000, an equivalent enrollment of a new Auburn University.

Part II: The Impact of Pell in Alabama

About the Sample

Building upon past EPC studies of student financial aid in Kansas and other states, in October 2012 a federal student financial aid profile survey was distributed to presidents and chancellors at public universities and two-year colleges in Alabama. The survey was approved by The University of Alabama's Institutional Review Board. We again thank the staff of the Alabama Commission on Higher Education for help in obtaining responses from all universities and two-year colleges.

The survey was distributed on October 12, 2012. The final response was received on October 30, 2012. Table 5 shows that an excellent response rate was obtained: 14 of the possible 14 public universities and 26 of the 26 possible two-year colleges responded. The middle columns of Table 5 show that in terms of annual unduplicated headcount enrollments, 100% of the 294,332 enrolled students were represented in the 2011-2012 calendar year (Fall, Spring, and Summer terms combined). Those same columns show that 52% of the students are enrolled at public universities, and 48% were enrolled at public two-year colleges.

Carnegie Classification Type, Sub-Total	Institutions Responding to the Survey			Enrollment of Respondents (2010-2011 calendar year)			Responded to all or part of....	
	Possible	Actual		Number	% of Type	% of Total	PART I	PART II
		Number	%				(Quantitative)	(Qualitative)
PUBLIC UNIVERSITIES								
<i>Masters and BA Universities</i>	9	9	100%	71,425	46%	24%	9	8
<i>Research Universities</i>	5	5	100%	82,191	54%	28%	3	4
ALL FOUR-YEAR	14	14	100%	153,616	100%	52%	12	12
TWO-YEAR COLLEGES								
<i>Rural-Small</i>	8	8	100%	12,001	9%	4%	8	7
<i>Rural-Medium</i>	11	11	100%	56,745	40%	19%	11	10
<i>Rural-Large</i>	3	3	100%	37,304	27%	13%	3	3
<i>Urban & Suburban</i>	4	4	100%	34,666	25%	12%	4	4
ALL TWO-YEAR	26	26	100%	140,716	100%	48%	26	24
TOTAL, ALL PUBLIC UNIVERSITIES & TWO-YEAR COLLEGES	40	40	100%	294,332		100%	38	36

Source: Survey of Pell Grants in Alabama, Education Policy Center, The University of Alabama, October 2012

Table 5 also shows that responses were obtained from 38 of the 40 possible institutions to some or all of the survey items in Part I, the quantitative portion of the survey. Thirty-six of the possible 40 institutions submitted responses to some or all of the survey items in Part II, the qualitative portion of the survey.

While the response rate was excellent, it is important to note this caveat: to conduct some of the analyses of the quantitative data from survey items in Part I required *complete responses* for enrollment (both unduplicated headcount and FTE enrollment) and Pell Grants awarded. An additional caveat is that Part II, the qualitative portion of the survey, included items of an attitudinal nature to assess the views of front-line student financial aid directors regarding the future of the Pell Grant program. We believed this was important, given the major changes Congress has recently made and is considering for the future of the Pell Grant program. Individual institutional responses to Part II are presented anonymously.

Pell Funding Grows Dramatically in Alabama

Table 6 shows that between 2008-2009 and 2011-2012, federal dollars going to academically-talented, economically disadvantaged students who qualified

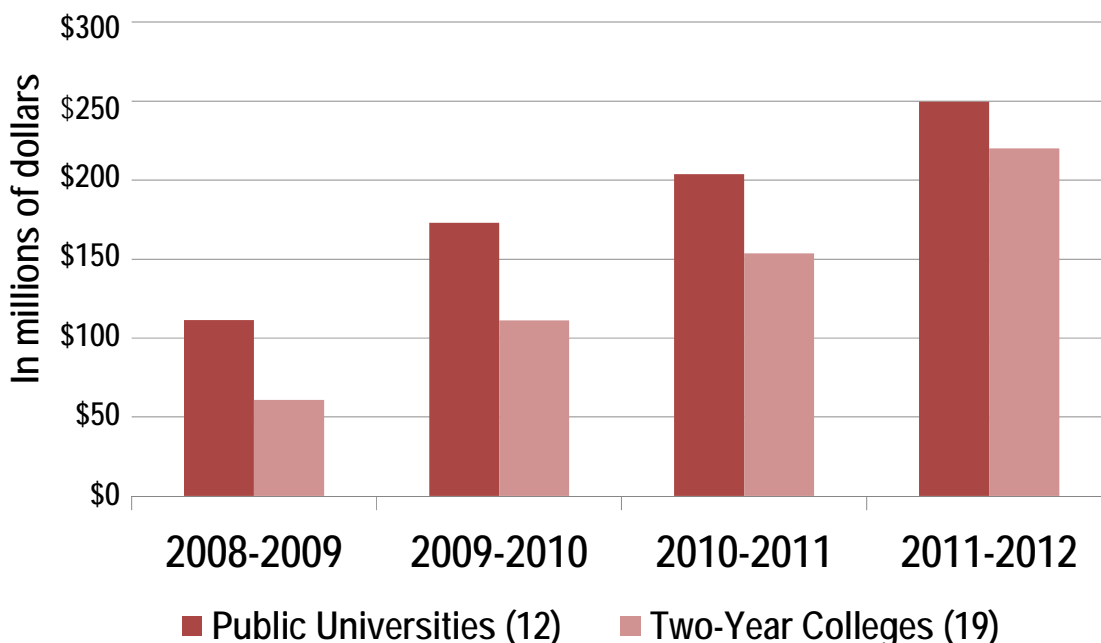
for Pell Grants to attend Alabama public universities and two-year colleges increased nearly threefold, from about \$172 million in 2008-2009 to \$470 million in 2011-2012, a whopping increase of \$297 million or 172%. At public universities, Pell dollars increased from \$111,417,846 to \$249,423,450, an increase of \$138 million or 124%. Over the same period, federal dollars for Pell at Alabama’s two-year colleges grew from \$60,941,859 to \$219,989,172, a dramatic jump of \$159 million, or 261%.

These federal investments in the Pell Grant program occurred at the same time the great recession harmed Alabama’s families and students trying to work their way through or finance college. The state unemployment rate doubled in just 12 months, jumping from 4.9% in July of 2008 to 10.4% in July 2009. Over the next four years, Alabama’s unemployment rate declined steadily, but slowly, to 8.3%. The metro/non-metro differential in unemployment rates is reflected in the institutional data presented below. The bottom line is Federal Pell Grants have allowed thousands of economically disadvantaged students to enroll at Alabama public universities and two-year colleges in much greater numbers than would otherwise be the case. It could not have come at a better time, as state policymakers work to increase both the rates

of college-going among Alabamians and college success in terms of degrees and first-certificates awarded.

Table 6: Nearly \$300 Million More in Pell Grants for Alabamians

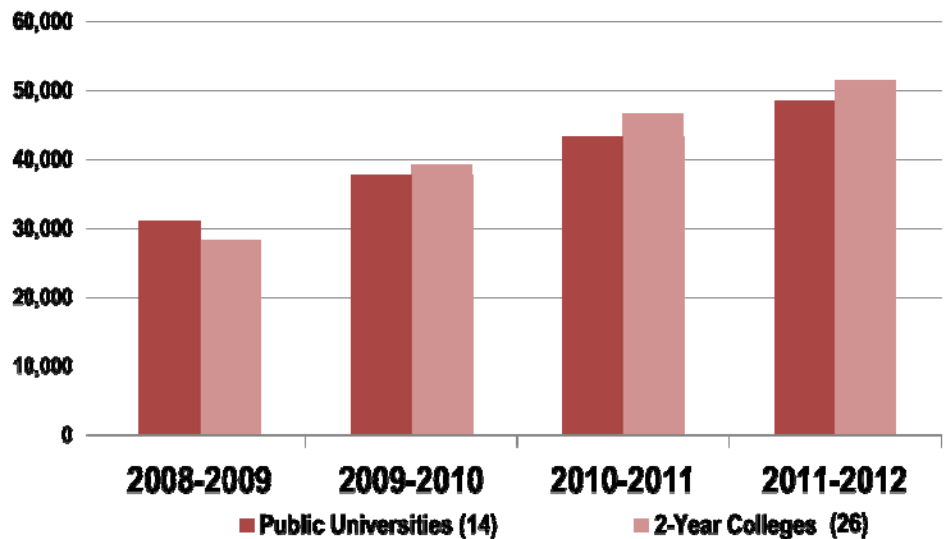
Between 2008-2009 and 2011-2012, an additional \$138 million of Pell for students to access Alabama Public Universities, and \$159 million of Pell for students at Alabama 2-Year Colleges



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 Grants in Alabama, Education Policy Center, The University of Alabama.

Table 7 shows the substantial increases in Pell Grant recipients at Alabama's public universities and two-year colleges from 2008-2009 to 2011-2012. Students receiving Pell at Alabama's public universities grew from just over 30,000 in 2008-2009 to 48,000 in 2011-2012, and at two-year colleges by even more, from 28,000 to about 52,000, increases of 60% and 86%, respectively. Federal investments in Pell occurred as Alabama made deep across-the-board cuts in state operating funds for its public higher education institutions, even while the numbers of traditional-aged Alabamians grew by 25,000.

Table 7: Numbers of Alabama Students on Pell Grants at Public Universities and Two-Year Colleges Rises



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 Grants in Alabama, Education

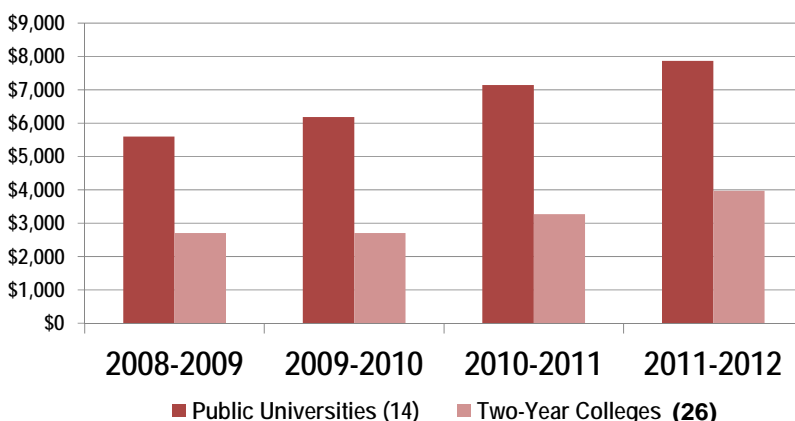
“For millions of Americans, the choice is not between a community college and another institution, it’s between a two-year college and nothing.”

—Arthur M. Cohen & Florence B. Brawer, The American Community College, 5th Edition

Pell Grants and Enrollments grow even as Tuition Rises

As the various reports of the Delta Cost Project have documented in recent years, state cuts in operating funds for public universities and two-year colleges have been offset by tuition increases. Put differently, colleges and universities over the past decade have been forced to raise their tuition. **And since tuition started at a much lower base, it has had to be increased by much larger percentages to cover smaller percentage cuts in state operating budgets.** Table 8 shows average annual tuition at public universities in Alabama rose from \$5,594 in 2008-2009 to \$7,865 in 2011-2012, and tuition at public two-year colleges from \$2,700 to \$3,968. In dollars, average tuition grew by \$2,271 at public universities and \$1,268 at two-year colleges, increases of 41% and 47%, respectively. We theorize that more students, after deducting for tuition, fees, books and supplies, and other costs from their grant awards, may be getting less back for their living expenses.

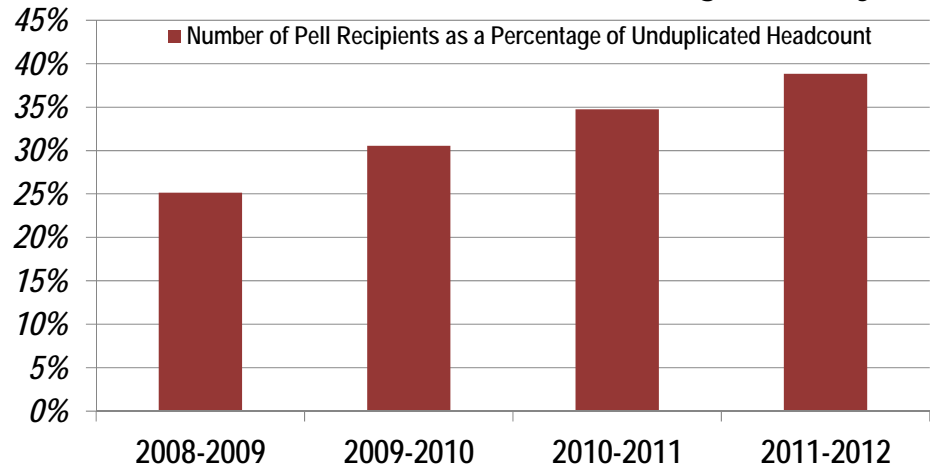
Table 8: Average Annual Tuition & Fees at Alabama Public Universities and Two-Year Colleges



Source: Official website of the Alabama Commission on Higher Education, <http://www.ache.alabama.gov/Abstract1112/Fees/Index.htm>

The late Nobel Prize-winning “free market” economist Milton Friedman strongly supported Pell Grants, because they acted as a voucher for higher education, to be spent where students’ needs were best served.

Table 9: Pell Recipients as a Percentage of Unduplicated Headcount Enrollment Increases Significantly



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 Grants in Alabama, Education Policy Center, The University of Alabama. (3) Percentages were calculated by taking the Unduplicated Headcount Enrollment of institutions that furnished both Unduplicated Headcount Enrollment and Pell Grant data for the Fall, Spring, and Summer terms of 2011-2012 (total respondents=29, including 11 Public Universities, of which 7 were Master's and 4 were Research Universities; and 18 Two-Year Colleges, of which 6 were Rural Small, 8 were Rural Medium, and 4 were Urban & Suburban.

Table 9 presents unduplicated headcount enrollment for 11 of the 14 Alabama public universities and 18 of the 26 Alabama public two-year colleges submitting complete data for both enrollments and Pell Grants for each year. The trend is clear and unmistakable: Pell awardees as a percentage of total unduplicated enrollment at Alabama public higher education institutions grew from 25% in 2008-2009 to 38% in 2011-2012.

A higher percentage of Alabama public university and public two-year college students are using Pell Grants than at any time in recent history. This might mean it is more important than ever, as Congress considers changes in the Pell Grant program, for there to be less restrictions. More restrictions on access to Pell Grants would likely have a negative impact on Alabama’s two-year colleges and four-year access universities, which are increasingly serving as portals of access in the State of Alabama. The persistently high unemployment in Alabama today, especially in rural Alabama, underscores this point.

“We cannot afford to let our colleges and universities slip backwards into mediocrity or worse, after years of effort to strengthen them. We are not ahead of the pack; we cannot coast. And yet, we fear that we are coasting—and slipping back.”

—The Commission on Educational Quality, Southern Growth Policies Board, 1994

Part III: The Future of the Pell Grant

Program: Views from the Front Lines

Table 10, on the following page, provides estimates of financial aid administrators at Alabama public universities and two-year colleges regarding the impact of the new Pell Grant restrictions imposed by Congress through P.L. 112-74. Congress passed these restrictions to help ameliorate a budget shortfall in the Pell program (remember that there are 3 million more Pell recipients in 2012 than in 2009). The new restrictions were passed in June, 2012 and were effective with the Fall 2012 term. Our survey was thus designed to provide timely information to education policymakers in Alabama and beyond as to how front-line administrators charged with carrying these new restrictions out assess their immediate impact.

Three of the most important new congressionally mandated restrictions on eligibility for the Pell Grant program are first, the lifetime maximum number of hours or semesters; second, the reduction in the maximum Estimated Family Contribution income level from \$32,000 to \$23,000 for students to even be eligible for Pell Grant aid; and third, changes in the “Ability to Benefit” restriction that previously allowed institutions to assess if students applying for college who have yet to complete either a high school diploma or a GED are qualified to benefit from postsecondary education. ***This third restriction chiefly impacts open-access two-year colleges in first-certificate programs that prepare students for immediate entry into the workforce, such as welding.***

“We are concerned because we see the flow of public money to our colleges and universities diminishing at a time of unprecedented political, social, and economic change.”

—The Commission for Educational Quality,
Southern Regional Education Board, 1994

Lowering the Lifetime Maximum Number of Hours or Semesters for 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). The first column of Table 10 shows that an estimated 4,731 students at Alabama public institutions of higher education lost their Pell Grant eligibility in the Fall 2012 term. Many of these students registered for classes in the Spring 2012 term and at the same time applied for Pell, and instead of receiving notice that the federal aid would be there, received bills for tuition and fees. In the Fall 2012 term at Shelton State Community College, over 100 students found themselves in this predicament.

All of these students filed their Federal Application for Student Financial Aid (FASFA) forms, on which they indicate the institution(s) to which they are applying. We therefore note that it is possible a student could apply to both Auburn University and Southern Union Community College at the same time. The financial aid administrators at *both* institutions would report the student at the time they applied for financial aid; however, experienced financial aid administrators indicate the possibility of duplication is quite limited.

The next two columns of Table 10 reveal how many students are close to losing their Pell eligibility. We estimate 6,463 students at public universities and two-year colleges in Alabama are within one or two semesters of losing their Pell Grant funding (these students are in the 500% to 599 total hours range). We also estimate 5,594 students are within three full time semesters of losing their Pell Grant funding (these students are in the 450% to 499% total hours range). Thus, while 4,731 students have *already* lost their Pell eligibility, an additional 12,057 students will likely soon face this possibility in the next couple of semesters.

*All public institutions of higher education have been impacted, and the impact is **across-the-board**.* Thus, there are potentially 16,788 students attending Alabama public universities and two-year colleges who have already been or soon will be impacted by this new Maximum Number of Lifetime Hours Pell restriction.

Table 10
Financial Aid Administrators' Estimates of the Impact of New Pell Restrictions on Alabama Students

	(1) Maximum Number of Semesters/Hours				(2) EFC reduction	(3) Ability-to-Benefit
	Beginning in Fall 2012, a new restriction on the maximum number of hours students can take with Pell Grant aid was implemented. How many students at your institution were negatively impacted by this new eligibility regulation?				How did the income reduction in the automatic Expected Family Contribution from \$32,000 to \$23,000 impact your students?	How did the loss of Ability-to-Benefit funding for students w/out a certificate of graduation from HS or GED impact your students?
	600% & above	500 to 599%	450 to 499%	Total		
PUBLIC UNIVERSITIES						
Masters/Baccalaureate (9)	2,250	3,167	2,941	8,358	Very Negative	N/A
<i>Average</i>	250	352	327		<i>(8 responding, 5 VN, 2N, 1VP)</i>	<i>(2 responding, 1VN, 1Neu)</i>
Research Universities-High & Very High (5)	808	1,212	932	2,952	Neutral	N/A
<i>Average</i>	162	242	186		<i>(4 responding, 1N, 3Neu)</i>	<i>(2 responding, 2Neu)</i>
Public Universities, TOTAL (14)	3,058	4,379	3,873	11,310	Negative	N/A
					<i>(12 responding, 5VN, 3N, 3Neu, 1VP)</i>	<i>(4 responding, 1VN, 1Neu)</i>
TWO-YEAR COLLEGES						
Rural Small (6)	210	302	202	714	Very Negative	Negative
<i>Average</i>	35	50	34		<i>(6 responding, 2VN, 3N, 1Neu)</i>	<i>(6 responding, 1VN, 2N, 3Neu)</i>
Rural Medium (11)	648	818	757	2,223	Very Negative	Negative
<i>Average</i>	59	74	69		<i>(8 responding, 6VN, 1Neu, 1VP)</i>	<i>(6 responding, 4N, 2Neu)</i>
Rural Large (3)	373	446	387	1,206	Very Negative	Negative
<i>Average</i>	124	149	129		<i>(3 responding, 3VN)</i>	<i>(2 responding, 2N)</i>
Urban & Suburban (4)	442	518	375	1,335	Negative	Neutral
<i>Average</i>	111	130	94		<i>(4 responding, 2VN, 2Neu)</i>	<i>(4 responding, 1N, 3Neu)</i>
Two-Year Colleges, TOTAL (24)	1,673	2,084	1,721	5,478	Very Negative	Negative
					<i>(21 responding, 13VN, 3N, 4Neu, 1VP)</i>	<i>(17 responding; 1VN, 9N, 8 Neu)</i>
ALL PUBLIC INSTITUTIONS						
GRAND TOTAL (38)	4,731	6,463	5,594	16,788	Negative	NA for Us (3 of 4); Negative for 2-Yr Colleges (10 of 17)
					<i>(33 of 38 responding, 18VN, 6N, 7Neu, 2VP)</i>	

KEY to abbreviations in right-hand columns: VN = Very Negative, N = Negative, Neu = Neutral, P = Positive, VP = Very Positive.
 Notes: (1) Because J.F. Ingram State Technical College and Marion Military Institute are classified by Carnegie as "Special Use Institutions" (prison education and public military college, respectively, and are not included in this analysis. (2) If an institution left missing data, the average of the missing data for other institutions by each Carnegie classification subtype were used to impute data. Thus, these are *estimates*. (3) Source: Education Policy Center, The University of Alabama.

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 had a family income of \$32,000 or less, and met other standard qualifications. Under the new Pell restriction, maximum income for automatic zero EFC students was reduced from \$32,000 to \$23,000. This new EFC standard applies to both dependent and independent students. It is worth noting that the U.S. Department of Health and Human Services' poverty standard for a family of four for Fiscal Year 2011-2012 is \$22,350.⁸

Responses to this question show differences across institutional types. Financial aid officers from research universities were largely neutral and believed that this change did not impact their students. In contrast, financial aid administrators at access-oriented Masters and Baccalaureate universities and two-year colleges were "Very Negative" about this new regulation. This could mean that Alabama's public research universities are slightly less sensitive to short term changes based upon EFC than are Alabama's access institutions.

We also note a geographic differential in responses, as rural-based two-year and four-year aid administrators are more likely to respond "Very Negative." We think this may reflect the fact that students are typically from the local regions and that high unemployment still persists across rural Alabama. Here are written comments from aid administrators on EFC changes:

- "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."
- "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 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."

- "Using the 2011-2012 population as a sample, 185 students or 16.5% would not be an automatic Zero for Pell. Most of the students were unaware of this change, as it was behind the scenes. Only the financial aid 'professionals' were aware. It was not as glitzy of a change as the maximum Pell award amounts, the duration of Pell, or the year-round Pell, but it is at least as important."
- "P.L. 112-74 put additional scrutiny on students with family incomes between \$23,000 & \$30,000 by pushing their FAFSA EFC calculation into the formula rather than giving them an automatic zero EFC. I'm sure that this change reduced Pell Grant eligibility for some of these students, but it is hard to tell who or how many with additional research. At my institution, 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 P.L. 112-74 probably meant that not only did they receive a reduced Pell but they also missed out on other grant funding, too."

Ability to Benefit Without Completing High School

As expected, the new "Ability To Benefit" (ATB) Pell eligibility restriction was not a concern to university-based financial aid administrators. This is due to the fact that, both as a matter of policy and longstanding practice, most developmental education offered by institutions of higher education in Alabama is found at public two-year colleges. Our survey shows that financial aid administrators at Alabama's two-year colleges believe the new ATB restriction had a negative impact on their students. An issue for education policymakers interested in expanding the base of well educated adult workers is this: if the open door of access (e.g., a welding program) is closed to those without a high school diploma or a GED, will these potential students ever try public higher education again? The written comments of financial aid officers underscore this point:

- "This regulatory change again hurt those ATB students, who in my opinion are in need of the most assistance. They already face great hurdles to obtain

employment and become productive citizens. By eliminating the financial aid eligibility for this student population, the option of career/technical training was also diminished.”

- “This new directive greatly impacts our students because of being a technical college we have many students who come to us trying to gain an education to go out into the workplace. They have not all graduated high school due to many issues. It has impacted many students; we in return try to urge them to go forward and work to gain their GED in order to be able to help them in the future.”
- “As a transfer institution, we anticipate less than 200 students will transfer without a high school diploma or GED.”
- “In the Fall 2011 term, there were 30 ATB students enrolled. Currently we have 16 ATB students that have continued their enrollment. The new regulation has resulted in a 47% decrease in ATB enrollment at my institution.”
- “During the 2011-2012 award year, we only had 7 students that were ATB, so we do not anticipate a significant impact.”

Toward the Future of the Pell Grant Program: Alabama’s Financial Aid Administrators 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. When Congress returns for its post-2012 election session, one of many issues under consideration will be filling a shortfall in the Pell Grant program of between \$2 and \$3 billion. Will further restrictions be placed on Pell while 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 10 be enacted?

The views of those charged with implementation matter, just ask the 5,601 and 3,573 academically talented, economically needy students who rely on Pell Grants to attend The University of Alabama and Auburn University, respectively. For this reason, part of our research design included a survey of the views of financial aid officers at public universities and two-year colleges in Alabama regarding the future of the Pell Grant program (see Table 11, following page).

The Short-Lived Summer Pell Grant

When asked if the Summer “double Pell” Grant initiated in the Summer of 2009 improved completion rates at their institutions, responses were mixed. Financial aid officers at public universities were not sure, whereas financial aid officers at two-year colleges reported that it did improve completion rates, especially at the 19 Alabama rural two-year colleges responding to the survey.

- “More than 100 students graduated over the prior year when “year round” Pell was implemented. The number of graduates continued to increase for the next two years.”
- “It improved the time frame of completion at our institution. Students were able to come and continue through without having to stop in the Summer Semester due to the lack of Pell availability.”
- “We witnessed an approximate 20% increase in completion rates.”

Fewer Restrictions, More Access

As Congress moves forward in considering the future of the Pell Grant program, there is strong support on the part of Alabama’s public university and two-year college financial aid officers in support of lowering the number of restrictions for Pell. A majority of financial aid administrators at each Carnegie classification type of public universities and two-year colleges (research universities, masters and baccalaureate universities, and rural, suburban, and urban two-year colleges) supported less restrictions, as Table 11 shows, supported by the written comments:

- “The regulatory changes in the Pell Grant program has had a negative impact on some students, in that those students are unable to complete their education without the Pell Grant funding. I believe that the Pell Grant program needs less restrictions and more regulatory changes to allow financial aid professionals to make professional judgment decisions on students who are near completion of their degree/program.”
- “Most of the changes put schools into more of a collection of data mode, which just makes students more creative about what they tell, how they tell it, and how they document their story consistently. The solution to fraud can't be at the school level or it won't and can't be applied uniformly.”

Table 11
Toward the Future: Financial Aid Administrators Weigh In

	Year-Round Pell?	More Pell Restrictions?	Changes in Max Pell?
	Did the short-lived "year-round" Pell improve the completion rate at your institution? (please estimate if data are not easy to obtain)	Pell Grant program experienced a number of regulatory changes. Briefly describe your thoughts on the changes. <i>Do you believe the Pell Grant program needs <u>more</u> or <u>less</u> restrictions?</i>	In your opinion, how would a reduction in the maximum Pell award affect your students? For example, if the maximum award was reduced from \$5,550 to \$5,200, what impact would the reduction have on your students?
PUBLIC UNIVERSITIES			
Masters/Baccalaureate (9) <i>Average</i>	N/A <i>(4 responding, 1MI, 2I, 1Neutral)</i>	Less Restrictions <i>(8 responding, 5LR, 2MR, 1Neutral)</i>	Negative Effect <i>(8 responding, 6 Neg Effect, 2 No Change)</i>
Research Universities-High & Very High (5) <i>Average</i>	N/A <i>(1 responding, Neutral)</i>	Less Restrictions <i>(3 responding, 2LR, 1Neutral)</i>	Negative Effect <i>(3 responding, 3 Neg Effect)</i>
Public Universities, TOTAL (14)	N/A <i>(5 responding, 1MI, 2I, 2Neutral)</i>	Less Restrictions <i>(11 responding, 7LR, 2MR, 2Neutral)</i>	Negative Effect <i>(11 responding, 9Neg Effect, 2 No Change)</i>
TWO-YEAR COLLEGES			
Rural Small (6) <i>Average</i>	Improve <i>(4 responding, 2MI, 1I, 1Neutral)</i>	No Change <i>(7 responding, 2LR, 1MR, 4Neutral)</i>	Negative Effect <i>(7 responding, 6Neg Effect, 1 No Change)</i>
Rural Medium (11) <i>Average</i>	Neutral <i>(8 responding, 4 Neutral, 3MI, 1SD)</i>	Less Restrictions <i>(8 responding, 7LR, 1Neutral)</i>	No Change <i>(9 responding, 6 No Change, 3 Neg Effect)</i>
Rural Large (3) <i>Average</i>	Improve <i>(3 responding, 2 MI, 1I)</i>	Less Restrictions <i>(3 responding, 3LR)</i>	No Change <i>(3 responding, 2 No Change, 1 Neg Effect)</i>
Urban & Suburban (4) <i>Average</i>	Neutral <i>(3 responding, 3 Neutral)</i>	Less Restrictions <i>(4 responding, 2LR, 2Neutral)</i>	No Change <i>(4 responding, 3 Neg Effect, 1 No Change)</i>
Two-Year Colleges, TOTAL (24)	Improve <i>(18 responding, 7MI & 2I; 8Neutral, 1SD)</i>	Less Restrictions <i>(22 responding; 13LR, 1MR, 7Neutral)</i>	Negative Effect <i>(23 responding; 13 Neg Effect, 10 No Change)</i>
ALL PUBLIC INSTITUTIONS			
GRAND TOTAL (38)	N/A for Us (5 of 14) Improved at CCs, especially rurals	Less Restrictions <i>(Public Us-7 of 11; 2-Yr-13 of 22)</i>	Negative Effect <i>(Public Us-9 of 11; 2-Yr Colleges-13 of 23)</i>
KEY to abbreviations: (1) First Column: MI = Major Improvement, I = Improvement, N = Neutral, D = Decline; (2) Second Column LR=Less Regulation, MR=More Regulation. (3) Third Column (Max Pell): NE=Negative Effect.			
Notes: (1) Because J.F. Ingram State Technical College and Marion Military Institute are classified by Carnegie as "Special Use Institutions." Prison education and public military college, respectively, and are not included in this analysis. (2) If an institution left missing data, the average of the missing data for other institutions by each Carnegie classification subtype were used to impute data. Thus, these are <i>estimates</i> .			
Source: A Survey of Pell Grants in Alabama, Education Policy Center, The University of Alabama			

- “The Pell Grant program needs fewer restrictions. The recent regulatory change for a tax transcript caused great hardship on the most needy student population attempting to enroll here in Fall 2012. The short-life of the much anticipated year-round Pell Grant made it difficult for colleges to meet the needs of a fluctuating student population. Of even greater concern is the impact it had on students trying to map out an educational plan.”
- “Keeping up with all the changes in this regulatory environment is very difficult. I understand the need to regulate the spending of taxpayer dollars, and colleges should justify awarding Title IV funds to students, but it seems nearly impossible to keep up with the requirements given the limitations of staffing and the demands of students.”
- “We must move towards less restrictions, more access, and a less complicated process. Right now 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.”

Lower Maximum Award May Affect Some Universities More

When asked how lowering the maximum award would impact their students, a clear majority of financial aid officers at public universities in Alabama (11 responding, of the 14 possible responses) reported it would have a “Negative Effect,” financial aid officers at two-year colleges less so.

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 especially the Lifetime Pell Eligibility 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, and so on, the new restrictions were immediately implemented in Fall 2012. Thus, many students who had registered for their fall 2012 classes last April, who had received Pell in prior semesters and were counting on it this fall, suddenly found themselves without it.

Differences Between Public Universities and Two-Year Colleges

The survey revealed that financial aid administrators from four-year universities were split on the idea of

gradually implementing the new Pell Lifetime Eligibility standard. They are also split on the idea of giving financial aid professionals the power to suspend the regulation if a student is within just a semester of graduating. Some believe that 6 years is more than enough time for a student to earn sufficient credits to a degree, or believe that there are already excessive demands placed on their financial aid personnel. Others argue that, with written plans for graduation, financial aid professionals should be able to suspend this regulation if the student will graduate within the next semester.

In contrast, two year institutions are heavily in favor of gradually implementing Pell’s new Lifetime Benefit maximum. At one two-year college, the financial aid officer reported that once the new regulations were passed, over 100 students had to be told that they had lost all of their Pell funding, and would be receiving a tuition bill instead. Other officers cited this lack of notice as a reason for grandfathering students in for Pell eligibility. Financial aid officers from Alabama’s two-year colleges are overwhelmingly in favor of regulations that would allow financial aid professionals the ability to suspend the regulations on Pell eligibility if the student was within a semester of graduation. As was the case with the four-year officers, many stated that this should only be the case if the student submits a plan for graduation within the following semester.

“Most of the engines that drive the American economy had their origins in universities.”

“The hybrid plants that sparked the agricultural revolution, the computers that do the work of the information processing industry, the genetic engineering that made the U.S. the world leader in biotechnology, the innovative materials on which the world’s most foremost aerospace industry depends are all the products of a society that had the foresight to link education and research.”

—The Commission for Educational Quality, Southern Regional Education Board, 1994

A Slightly Lower Pell with Fewer Restrictions is Preferred

When Alabama public higher education financial aid administrators were asked, “If given the following two options, which would you choose?, More Pell Grant regulations resulting in less overall access to Pell Grant funding, or a lower maximum Pell Grant with less regulations and more access to students,” a strong majority (29 of the 35 responding or 83%) favor a lower maximum Pell Grant with less regulations and more access to students. This was true for those at public universities and at two-year colleges (Table 12).

By Carnegie classification, financial aid officers at each institutional type favored the slightly lower maximum Pell with less regulations and more access to students (7 of the 9 respondents from the Master’s and Baccalaureate Universities, and the 2 from the public Research Universities). Within the Two-Year College sector, the margin was 20 to 4 in favor of a lower Pell Grant maximum with fewer restrictions and more student access. The written comments note:

- “The ‘open-door’ admission philosophy of the two-year college is built upon the word *access*. The beauty of the educational system in America is that through public education every citizen has the opportunity to improve his station in life. The more students we can make this opportunity available to in higher education, the better our workforce will be in Alabama and the U.S., which keeps us competitive in the world. The question of access as opposed to supporting college degree completion is very complex. These are not black and white issues. Both are equally important.”
- “With cost-of-attendance increases outpacing 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).”
- “Making the financial aid professional the ‘gate keeper’ is counter-productive. Students do not go to college to get financial aid, they go to college to get an education in order to better themselves.

Carnegie Classification	If given the following two options, which would you choose?	
	More Pell Grant regulations resulting in less overall access to Pell Grant funding.	A lower maximum Pell Grant with less regulations and more access to students.
Public Universities (11 of 14 responding)		
<i>Masters and BA Universities</i>	2	7
<i>Research Universities</i>	N/A	2
ALL FOUR-YEAR	2	9
Two-Year Colleges (24 of 26 responding)		
<i>Rural-Small</i>	1	7
<i>Rural-Medium</i>	1	8
<i>Rural-Large</i>	1	2
<i>Urban & Suburban</i>	1	3
ALL TWO-YEAR	4	20
TOTAL, ALL PUBLIC	6	29

A Survey of Pell Grants in Alabama, Education Policy Center, The University of Alabama, 11/12

Academically, institutions need to do what is right to ensure completion, instead of trying to regulate students via financial aid...”

- “Pell is an entitlement and therefore should be very broad-based.”

Recommendations

We begin by reiterating that student financial aid is a *shared responsibility* between the federal and state governments, and institutions, and recommend: First, as Alabama’s economy recovers, policy-makers should consider additional investments in its state-funded need-based student financial aid program, the Alabama Student Assistance Program (ASAP). A relatively small state investment could make a major positive difference in helping students finish their college degrees, and cope with further Pell restrictions (for a recent history of the ASAP program, please see Appendix 1). Second, we urge further study of students who receive financial aid *by academic area and geographic area*. This could include areas of high critical need identified in *Accelerate Alabama*, to link state investments to future needs, and to ameliorate inequalities between metro and non-metro Alabama.

In conclusion, the relationship between Pell Grants and student attendance directly impacts graduation rates, businesses, and workforce development, all of which threatens Alabama’s position in a global economy. Alabama will not remain competitive in the world without a properly trained and advanced workforce that is forged within our public colleges and universities.

Appendix 1: The Alabama Student Assistance Program

The Alabama Student Assistance Program (ASAP) provides funds for need-based scholarships to Alabama students attending in-state institutions. It is the only state level need-based scholarship program. If an institution qualifies to offer Pell Grants, it can participate in ASAP. Awards range from \$300 to a maximum award of \$5,000 per academic year. The amount awarded is at the discretion of the institution.

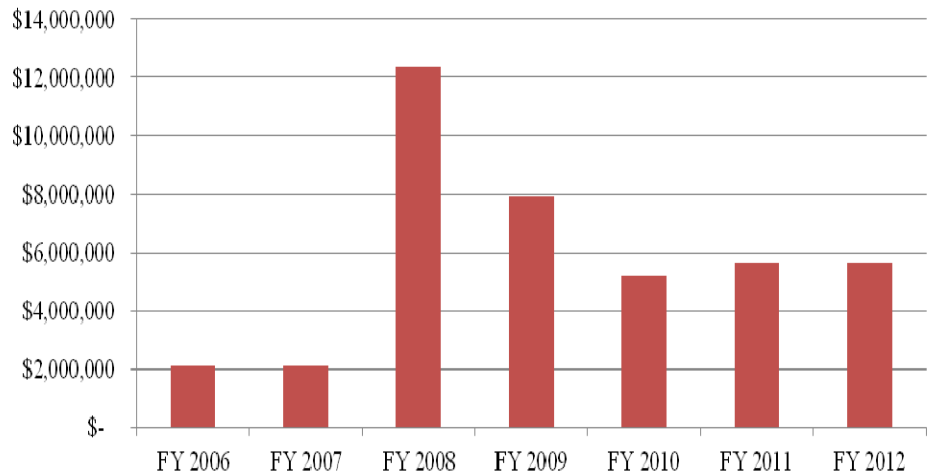
In Alabama state Fiscal Year 2007-2008, there was a one-time infusion of \$10,000,000 into ASAP as part of the *Knight v. Alabama Settlement Agreement*.

In state Fiscal Year 2011-2012, the Alabama Commission on Higher Education lost access to Federal Leveraging Educational Assistance Partnership (LEAP) matching funds, when the program was eliminated at the federal level.

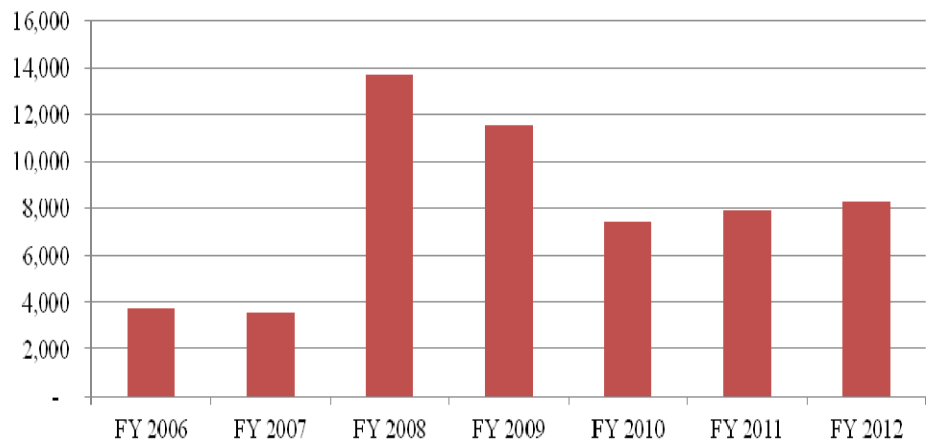
Under the terms of the *Knight v. Alabama Settlement Agreement*, unobligated Knight v. Alabama Diversity Scholarship funds were redirected to ASAP. This practice stopped in FY2010-2011 with the end of the Settlement Agreement. Unobligated Knight v. Alabama Diversity Scholarship Funds received at the end of FY2010-2011 were held in reserve and allocated during FY2012-2013 in order to lessen the impact of the loss of funding from this source.

In FY2013-2014, only the state appropriation will be available.

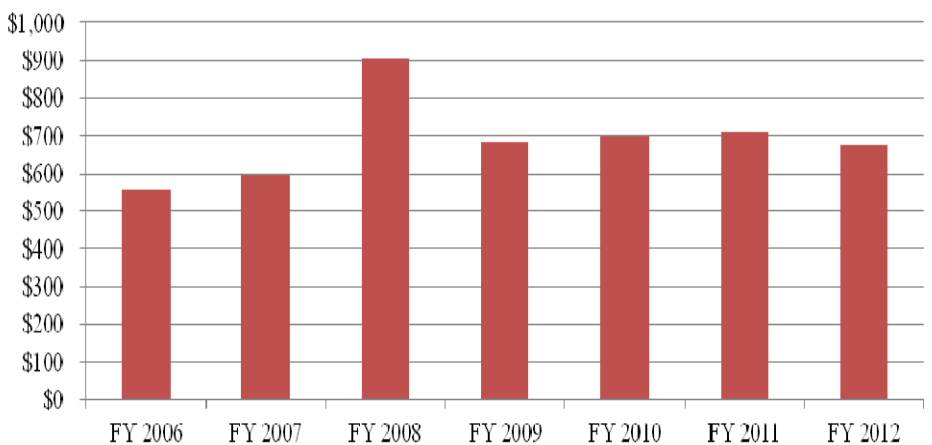
Alabama Student Assistance Program Expenditures



Alabama Student Assistance Program Number of Recipients



Alabama Student Assistance Program Average Award Amount



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THE EDUCATION POLICY CENTER AT THE UNIVERSITY OF ALABAMA

The College of Education's Education Policy Center seeks to inform and improve education policy-making and practice, and our understanding of the roles education plays in a free and equitable society, through a coordinated program of research, topical and historical analyses of education-related issues, and services for education practitioners and policy-makers in Alabama and the nation.

On-Going Center Projects Include:

Annual Surveys of Access and Finance Issues can be found at <http://uaedpolicy.weebly.com/cc-directors-surveys.html>

The Alabama College Transfer Advising Corps (2007-2011) is one of 10 \$1 million national demonstration programs funded by the Jack Kent Cooke Foundation. In partnership with the UA Office of Academic Affairs, the Alabama Two-year college System, and 13 partner colleges, over 24,000 students attending two-year colleges in high poverty areas received transfer counseling services.

The University of Alabama Superintendent's Academy is a partnership with Alabama State Department of Education to create a more diverse, competent, and prepared applicant pool ready to assume district-/system-wide leadership positions.

The Carnegie Basic Classification of Associate's Colleges was published in 2006 and updated in 2011. The federal government cannot tell how many two-year colleges exist, because data are collected by units of accreditation and not districts. The Carnegie Basic codes are embedded in all US Department of Education data bases. EPC Director Steve Katsinas, Senior Fellow Vincent Lacey, and David Hardy of the College of Education are Consulting Scholars to the Carnegie Foundation with this project.

Wayne J. Urban's book, *More Than Science or Sputnik, the National Defense Education Act* (2010), provides a comprehensive re-examination of the NDEA. Urban is now working on a biography of former Harvard University President James Bryant Conant.

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