

# The Impact of New Pell Grant Restrictions on Community Colleges:

A Three State Study of Alabama, Arkansas, and Mississippi

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THE UNIVERSITY OF  
**ALABAMA**

The Education Policy Center



# Community College Students in Alabama, Arkansas, and Mississippi were Hit Hard by the 2012 Changes in Pell Eligibility

**47 of 62**

colleges in Alabama, Arkansas,  
& Mississippi lost enrollment in  
2012

**5,000**

students lost Pell eligibility in  
Fall 2012

**17,000**

students will lose Pell in  
2012-2013

**\$1.3 billion**

the total amount of Pell  
received in the three states in  
2010-2011

**283,634**

the number of students in the  
three states who received Pell  
in 2010-2011

**9 of 10**

the number of students in  
the three states who rely on  
community colleges to provide  
vital access to academic  
transfer and workforce training  
programs

## The Policy Context

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

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

The Pell Grant program is the federal government's foundational program to provide for access to college. Nationally, there has been a 50% increase in the number of Pell participants since 2008, from 6 million to 9 million students.<sup>1</sup> This increase reflects the pent up demand due to the growing traditional college-going population of Americans ages 18 to 24 years old, which jumped by more than one million nationally from 2009 to 2012.<sup>2</sup> Given these demographics, the timing of these increases could not have been better for students, families, and community colleges, coming at the precise time the nation entered a long period of high unemployment.<sup>3</sup>

The National Bureau of Economic Research is the nonpartisan federal agency that determines when recessions start and end. It affixed June 2007 as the recession's start. The July 2007 unemployment rate was

above 5% in just 12 states; by July 2009 it was below 5% in only 3 states. The December 2012 statewide unemployment rate of 7.1% in Alabama and Arkansas was on par with the 7.9% national average.<sup>4</sup>

Prior to the mid-1990s, before the personal computer revolution impacted rural America, community college enrollments closely echoed economic conditions. When jobs were plentiful, enrollments trended down, and when conditions worsened, enrollments trended up. Starting in the mid-1990s, as rural Americans began to use community colleges for life-long training and retraining, enrollments increased even as unemployment rates were low.<sup>5</sup> In Fall 2012, however, all but 18 of the 25 two-year colleges in Alabama, 20 of the 22 two-year colleges in Arkansas, and 9 of the 15 community colleges in Mississippi, reported enrollment declines compared to Fall 2011. The economies of these rural states have not fully recovered, so just what is going on?

## This Report

This report argues that the enrollment declines can be directly traced to changes enacted by Congress in June 2012, effective with the Fall 2012 term, to the federal Pell Grant program. In Alabama and Mississippi, state investment in state-funded need-based student aid is very small, while Arkansas makes significant investment in state lottery-funded scholarships (over \$138 million in state-funded awards in 2011-2012 was authorized to be available to over 40,000 Arkansas students, of which about \$16 million went to fund the 10,534 awards given to Arkansas two-year college students).<sup>6</sup> In each of these states, however, state-funded need-based student aid is dwarfed by the four Federal Pell Grant investments.

Table 1 shows how dominant public higher education is in the Deep South, enrolling 86% of all students. In federal Fiscal Year 2010-2011, which roughly corresponds

to the Fall 2010, Spring 2011, and Summer 2011 academic terms, 521,732 Full-Time Equivalent (FTE) students were enrolled across Alabama, Arkansas, and Mississippi. Of these, 204,081 or 39%, were enrolled at public two-year colleges, 47% at public universities, 9% at private not-for-profit colleges, and just 5% at for-profit colleges in the three states. For-profit colleges account for just 10%, 1%, and

	Full-Time Equivalent Enrollment							
	<i>in numbers</i>				<i>in percent</i>			
	AL	AR	MS	Total	AL	AR	MS	Total
<b>Community Colleges</b>	80,952	46,362	76,767	204,081	33	36	52	39
<b>Public Universities</b>	119,050	68,790	56,987	244,827	49	53	39	47
<b>Sub-Total, Public</b>	<b>200,002</b>	<b>115,152</b>	<b>133,754</b>	<b>448,908</b>	<b>82</b>	<b>89</b>	<b>90</b>	<b>86</b>
<b>Non-Profit Institutions</b>	20,362	13,139	11,176	44,677	8	10	8	9
<b>For-Profit Institutions</b>	24,026	1,075	3,046	28,147	10	1	2	5
<b>Sub-Total, Private</b>	<b>44,388</b>	<b>14,214</b>	<b>14,222</b>	<b>72,824</b>	<b>18</b>	<b>11</b>	<b>10</b>	<b>14</b>
<b>TOTAL</b>	<b>244,390</b>	<b>129,366</b>	<b>147,976</b>	<b>521,732</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Education Policy Center analysis of IPEDS data for 2010-2011

2%, respectively, of all students in Alabama, Arkansas, and Mississippi. The Deep South states obviously rely on public higher education to educate their citizenry beyond high school.

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

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

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

institution in the Deep South, especially two-year colleges. The increases in Pell funding at the federal level during the recession have allowed access to expand in the Deep South, even as state appropriations have been relatively

flat or have declined. The increasing number of people who realize the benefits of obtaining a college degree or workforce training certificate, coupled with the tidal wave of traditional-aged 18- to 24-year-old students, shows the

positive influence the Pell Grant program has to help Alabama, Arkansas, and Mississippi citizens access higher education and the American Dream.

### Part I: Pell’s Impact in The Deep South

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

	in millions of dollars				by percentage			
	AL	AR	MS	Total	AL	AR	MS	Total
<b>Community Colleges</b>	\$ 237	\$ 132	\$ 246	\$ 615	43	44	59	48
<b>Public Universities</b>	\$ 224	\$ 145	\$ 134	\$ 503	40	48	32	39
<b>Sub-Total, All Public</b>	<b>\$ 461</b>	<b>\$ 276</b>	<b>\$ 380</b>	<b>\$ 1,117</b>	<b>83</b>	<b>92</b>	<b>90</b>	<b>88</b>
Non-Profit Institutions	\$ 42	\$ 22	\$ 27	\$ 92	8	7	7	7
For-Profit Institutions	\$ 51	\$ 3	\$ 13	\$ 67	9	1	3	5
<b>Sub-Total, All Private</b>	<b>\$ 93</b>	<b>\$ 25</b>	<b>\$ 40</b>	<b>\$ 158</b>	<b>17</b>	<b>8</b>	<b>10</b>	<b>12</b>
<b>TOTAL</b>	<b>\$ 554</b>	<b>\$ 301</b>	<b>\$ 420</b>	<b>\$ 1,275</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

	in numbers				in percent				as percent of total FTE			
	AL	AR	MS	Total	AL	AR	MS	Total	AL	AR	MS	Avg.
Community Colleges	51,079	32,098	53,406	136,583	42	45	59	48	63	69	70	67
Public Universities	48,163	33,852	27,848	109,863	40	47	31	38	40	49	49	46
<b>Sub-Total, Public</b>	<b>99,242</b>	<b>65,950</b>	<b>81,254</b>	<b>246,446</b>	<b>82</b>	<b>92</b>	<b>90</b>	<b>87</b>	<b>50</b>	<b>57</b>	<b>61</b>	<b>56</b>
Non-Profit Institutions	10,607	5,356	6,383	22,346	9	7	7	8	52	41	57	50
For-Profit Institutions	11,387	602	2,843	14,832	9	1	3	5	47	56	93	66
<b>Sub-Total, Private</b>	<b>21,994</b>	<b>5,958</b>	<b>9,226</b>	<b>37,178</b>	<b>18</b>	<b>8</b>	<b>10</b>	<b>13</b>	<b>50</b>	<b>42</b>	<b>65</b>	<b>52</b>
<b>TOTAL</b>	<b>121,236</b>	<b>71,908</b>	<b>90,480</b>	<b>283,624</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>				

Note: Percentages may not add to 100% due to rounding.  
Source: Education Policy Center analysis of IPEDS data.

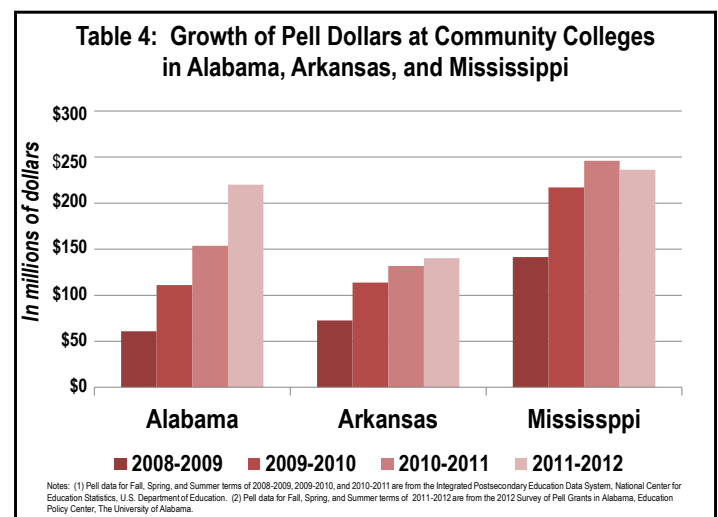
from across the three states of Alabama, Arkansas, and Mississippi. We thank the aforementioned entities for their interest in financially supporting our past work. We also thank the Rural Community College Alliance for their support of this study, and acknowledge our appreciation of the efforts of EPC Research Associates Caroline Taylor, Lucas Adair, and Nelson Tidwell. Responsibility for any errors in data collection, tabulation, or analyses, of course, is ours alone.

This report draws on data from two sources. Part I consists of quantitative data drawn from the U.S. Department of Education, as well as a survey of front-line financial aid administrators from the 63 publicly controlled community and junior colleges in Alabama, Arkansas, and Mississippi. The survey was conducted in October and November 2012, and The University of Alabama’s Institutional Review Board approved the survey. Part II consists of the results of a qualitative survey of front-line two-year college financial aid administrators regarding the impact of the new Pell Grant eligibility restrictions has had access to students, and their perceptions about the future of the program.

Table 4 shows the growth of Pell in dollars in the Deep South from 2008-2009 to 2011-2012. In just four years, Pell aid at community colleges in Alabama grew from about \$61 to \$220 million, in Arkansas from \$73 to \$140 million, and in Mississippi from \$141 to \$236 million. By comparing Pell Grants awarded to enrollments, Table 5 allows readers to see how Pell Grant aid is driving enrollments at community colleges in the Deep South. In 2008-2009, 95,289 students received Pell Grant awards at community colleges in Alabama, Arkansas, and Mississippi; those numbers rose to 136,583 in 2010-2011, and then declined to 133,174 in 2011-2012. Over the four-year period, Pell awards grew by nearly 37,885 students or 40%, with fastest growth occurring at Alabama’s community and technical colleges. The right columns in Table 5 show that enrollments grew by 18,014

or 6% over the four-year period, rising from 314,334 in 2008-2009 to a high of 353,680 in 2010-2011, and dropping by 21,332 students in 2011-2012. We believe that the significant rise in Pell Awards and enrollments can be attributed to two key factors. First, the recession, which resulted in many fewer job opportunities, thus pushing students to training and retraining programs at community colleges. Second, the increased Pell aid, and in particular, the one-time Summer 2009 “double Pell” funding. Pell awards jumped by over 30,000 over two years, as the second summer Pell Grant of up to \$2,300, in addition to the maximum Pell Grant of \$5,350 during the regular nine-month academic year, meant more students could take more hours (a conclusion of our April 2011 report of Pell Grants across 205 community colleges).<sup>8</sup> Since students could use their summer Pell at end of one calendar year (Fall, Spring, Summer) or at the start of another (Summer, Fall, Spring), the impact of the summer Pell was spread over both the 2008-2009 and 2009-2010 years.

Table 6, on the following page, provides a more precise year-to-year picture of the relationship of enrollments and changes in federal Pell Grant funding levels. As the one-time Summer Pell funding materialized, both enrollments and Pell awards spiked. But, from 2010-2011 to 2011-2012, Pell awards across the three states fell by 3,409 students, and enrollments decreased by 21,332 students. It is not surprising that enrollments fell less in Arkansas than in the other two states, as Arkansas implemented a new lottery-funded state student aid program that required students to fill out their federal FASFA forms to qualify. Still, 792 fewer students enrolled at two-year colleges statewide





**Table 5**  
**Enrollment and Pell Grants at Community Colleges in Three Deep South States, 2008-2009 to 2011-2012**

	Pell Grants Awarded				CHANGE, 2008-9 to 2011-12		Enrollment				CHANGE, 2008-9 to 2011-12	
	2008-2009	2009-2010	2010-2011	2011-2012	Number	%	2008-2009	2009-2010	2010-2011	2011-2012	Number	%
<b>Alabama</b>	31,905	43,040	51,079	52,721	<b>20,816</b>	<b>65</b>	128,247	141,106	143,034	136,973	8,726	<b>7</b>
<b>Arkansas</b>	22,568	27,524	32,098	27,185	<b>4,617</b>	<b>20</b>	83,736	89,744	91,228	90,436	6,700	<b>8</b>
<b>Mississippi</b>	40,816	51,305	53,406	53,268	<b>12,452</b>	<b>31</b>	102,351	117,176	119,418	104,939	2,588	<b>3</b>
<b>Total (61)</b>	<b>95,289</b>	<b>121,869</b>	<b>136,583</b>	<b>133,174</b>	<b>37,885</b>	<b>40</b>	<b>314,334</b>	<b>348,026</b>	<b>353,680</b>	<b>332,348</b>	<b>18,014</b>	<b>6</b>

Notes: (1) Data are for all community, junior, and technical publicly-controlled two-year colleges in the states of Alabama, Arkansas, and Mississippi. (2) Pell data for Fall, Spring, and Summer terms of 2008-2009, 2009-2010, and 2010-2011 are from the Integrated Postsecondary Education Data System, National Center for Education Statistics, U.S. Department of Education. (3) Pell data for Fall, Spring, and Summer terms of 2011-2012 are from the 2012 Survey of Pell Grants in Arkansas, Education Policy Center, The University of Alabama. (4) Unduplicated Headcount enrollment and the number of Pell Grants awarded was taken by an average of the previous 3 years for those colleges who did not report data in the 2012 Survey of Pell Grants in each state. (5) Data is collected for a 9-month period per the method the Integrated Postsecondary Education Data System collects Enrollment and Pell data.

in Arkansas, while the decline at community colleges in Alabama and Mississippi, at -6,061 and -14,479 students, respectively, was much more pronounced. Readers are directed to the far right column of Table 6, which shows that enrollment from 2010-11 to 2011-12 fell by 6% across the three states, with declines of 4% in Alabama, 1% in Arkansas, and 12% in Mississippi, respectively. Table 7, on the next page, shows that the number of Pell recipients rises fast, and then levels off. Taken together, we see a direct relationship between Pell Grant aid and community college enrollments even before Congress mandated new Pell Grant eligibility restrictions in June 2012.

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

We turn attention to presentation of the results of our survey of front-line financial aid administrators charged with implementing the changes in Pell Grant eligibility mandated by Congress in June 2012, effective with the Fall 2012 term. Table 8, on the following page, shows that 100% of the 61 public two-year colleges responded across

the three states (because Ingram State Technical College in Alabama serves only prisoners, who are not eligible for Pell Grants, that institution is excluded from this analysis). There were two parts to the survey, quantitative data (Part I) and qualitative data (Part II). Enrollment at responding colleges in 2010-2011 was 351,362 students.

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

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

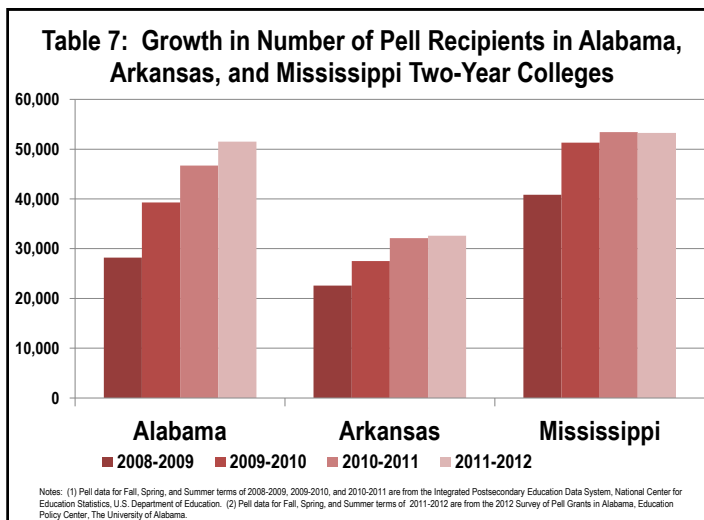
and the reappearance of jobs accounts for the recent decline of Pell awards.

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

**Table 6**  
**Pell Drives Enrollment at Community Colleges in the Deep South: Year-to-Year Changes in Pell Grants Awarded and Enrollment at Community Colleges in Alabama, Arkansas, and Mississippi, 2008-09 to 2011-12**

State	Pell Grants Awarded						Enrollment					
	in Numbers			% Change			in Numbers			% Change		
	2008-9 to 2009-10	2009-10 to 2010-11	2010-11 to 2011-12	2008-9 to 2009-10	2009-10 to 2010-11	2010-11 to 2011-12	2009-10 to 2010-11	2010-11 to 2011-12	2009-10 to 2010-11	2010-11 to 2011-12	2009-10 to 2010-11	2010-11 to 2011-12
<b>Alabama</b>	11,135	8,039	1,642	<b>35</b>	<b>19</b>	<b>3</b>	12,859	1,928	-6,061	<b>10</b>	<b>1</b>	<b>-4</b>
<b>Arkansas</b>	4,956	4,574	-4,913	<b>22</b>	<b>17</b>	<b>-15</b>	6,008	1,484	-792	<b>7</b>	<b>2</b>	<b>-1</b>
<b>Mississippi</b>	10,489	2,101	-138	<b>26</b>	<b>4</b>	<b>0</b>	14,825	2,242	-14,479	<b>14</b>	<b>2</b>	<b>-12</b>
<b>Total (61)</b>	<b>26,580</b>	<b>14,714</b>	<b>-3,409</b>	<b>28</b>	<b>12</b>	<b>-2</b>	<b>33,692</b>	<b>5,654</b>	<b>-21,332</b>	<b>11</b>	<b>2</b>	<b>-6</b>

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, Arkansas, and Mississippi, Education Policy Center, The University of Alabama. (3) Unduplicated Headcount enrollment and the number of Pell Grants awarded was taken by an average of the previous 3 years for those schools who did not report data in the 2012 Survey of Pell Grants in Alabama & Arkansas. (4) Data is collected for a 9-month period per the method the Integrated Postsecondary Education Data System collects Enrollment and Pell data.



**Table 8**  
**Respondents to 2012 Survey of Impact of the New Pell Eligibility Restrictions at Community Colleges in Alabama, Arkansas, and Mississippi**

	# of Responses Obtained for...		Enrollment of Responding Colleges	
	Part I (Quant)	Part II (Qual)	Number	% of Total
Alabama (24)	24	24	140,716	40
Arkansas (22)	21	22	91,228	26
Mississippi (15)	15	15	119,418	34
<b>TOTAL (61)</b>	<b>60</b>	<b>61</b>	<b>351,362</b>	<b>100</b>

Notes: (1) Enrollment numbers represent unduplicated headcount from the 2010-2011 Academic Year. (2) Data are from the Integrated Postsecondary Education Data System, National Center for Education Statistics, U.S. Department of Education. (3) Source: Survey of Pell Grants in Alabama, Education Policy Center, The University of Alabama, conducted in October and November 2012.

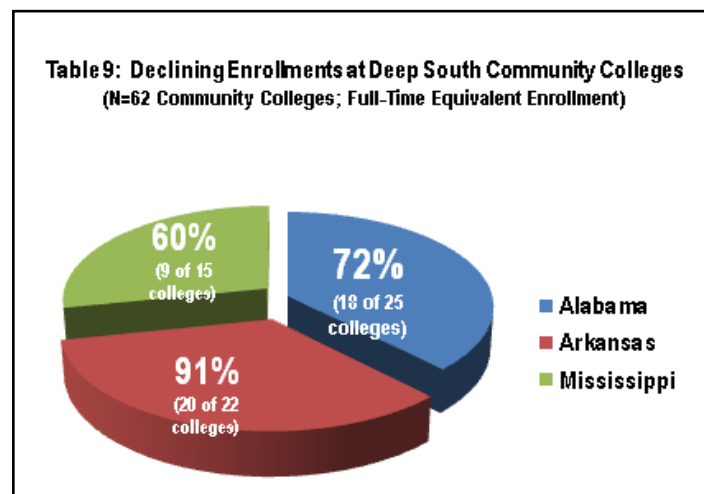
are more tuition-sensitive today, which means cuts at the federal level in Pell Grants can result in immediate enrollment declines, which in turn mean lower tuition revenue. In our other studies, we have documented that increases in community college tuition during this recession were moderated thanks to the “Maintenance of Effort” provisions in the federal stimulus package. This provision required states to maintain total state spending for public higher education operating budgets and state student aid at Fiscal Year 2006 levels in 2009, 2010, and 2011. This removed the incentive for states to raise tuition in the double digits, while simultaneously cutting the operating budgets for their community colleges and public universities.<sup>9</sup> This means that despite the relative lack of employment opportunities in rural counties of the Deep South (counties that have long suffered from persistently

high unemployment), more students were likely able to stay and earn their degree or certificate due to the Federal Pell Grant increases. This reinforces Pell’s importance of the program to the future economic development of the Deep South’s existing human capital. We also believe it is probable that, after deducting for key costs of attendance (tuition and fees, plus books and supplies) students may be less able to afford non-college attendance costs. As community college expert Robert Pedersen has said, “In rural America, access to higher education means a reliable used car, due to the lack of accessible, publicly-subsidized mass transit.”<sup>10</sup>

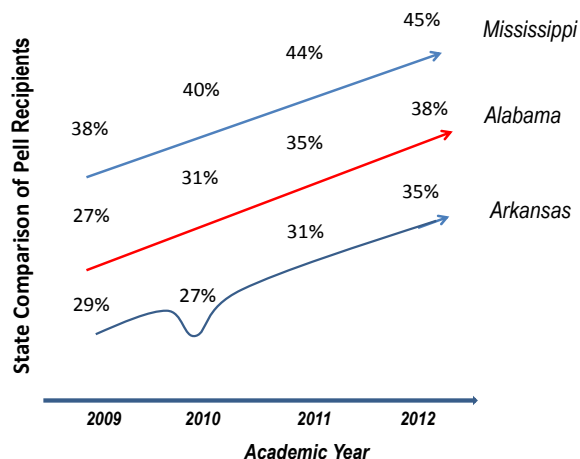
Table 10 shows that the percentage of unduplicated headcount students on Pell Grants has grown substantially in each of these three states over the past four years. It rose from 29% to 35% of total unduplicated students in Arkansas, from 27% to 38% in Alabama, and from 38% to 45% in Mississippi from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

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

Table 11, on page 9, offers estimates of financial aid administrators at community colleges in Alabama, Arkansas, and Mississippi regarding the impact of the new Pell Grant restrictions passed by Congress through P.L. 112-74 in June 2012, and effective with the Fall 2012 term. Congress passed these restrictions in part to address a budget shortfall in the Pell program. Our research project was not designed to assess the decision-making



**Table 10: The Percentage of Undergraduate Pell Recipients Rises at Deep South Community Colleges**



inputs that Congress considered when developing the new Pell eligibility restrictions. It was designed to provide timely information to education policymakers as to how front-line administrators charged with carrying out the new restrictions assess their immediate short- and long-term impact.

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

### 1. Lowering the Lifetime Maximum Pell Eligibility

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

We further estimate that 5,387 community college students have already lost their Pell eligibility with the Fall

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

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

While it was beyond the scope of this study to assess the new Pell eligibility restrictions at all four-year institutions in these three states, we can predict a negative impact. Our November 26, 2012 study for the Alabama Commission on Higher Education assessed Pell Grant eligibility loss in Alabama, and responses were obtained from all of the states’ 14 public universities. We found two of every three students who lost Pell eligibility were enrolled at public universities<sup>11</sup>, this makes sense if one assumes a student had tried the university initially, failed for whatever reason, and later experienced success at the community college. That student would hit the new 12-lifetime semesters limit of Pell Grant aid after already transferring. Further study is clearly warranted; if the same estimated Pell eligibility losses at public universities in Arkansas and Mississippi occurred as we estimated did occur in Alabama, up to 34,000 additional public university students could lose their Pell eligibility across the three states. This is beyond the 16,979 we document here, bringing the total to over 50,000 students. This clearly demonstrates the sensitivity Deep South states have to changes in Pell eligibility, and the reliance they have on Pell for access. This cannot be good public policy if the goal is to increase college degree/certificate completion.

Of the 49 community college financial aid administrators responding to the question about whether or not students currently receiving Pell grants should have been grandfathered in as the new Lifetime Pell restriction was operationalized, 18 were in agreement, and 31 were in



semesters. We need to quit changing the rules mid-stream.” (Mississippi)

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

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

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

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

## 2. Expected Family Contribution

The Expected Family Contribution (EFC) is the amount of dollars a student or family is expected to contribute toward college costs. Income and family size largely determine the EFC calculation. Previously, zero-EFC students who had a family income of \$32,000 or less, and met other standard qualifications, received the maximum Pell award. Under the new Pell restriction, however, the maximum income for automatic zero-EFC students was reduced from \$32,000 to \$23,000, and this new standard applies to both dependent and independent students. We note that poverty standard set by the U.S. Department of Health and Human Services for a family of four for FY 2011-2012 is \$22,350.<sup>12</sup>

Not surprisingly, financial aid administrators at community colleges in all three states responded “Negative” to this new restriction. Administrators in Alabama, which has no local funding for its community colleges and as a result has far higher tuition charges, responded “Very Negative.” We found that the smaller the community college, the more likely it was that they responded with “Very Negative” or “Negative.” Each

**Table 11**  
**Estimated Impact of the New Pell Restrictions on Community College Students in Deep South States**

	(1) Lifetime Pell Restriction (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?						
	Pell Eligibility Taken Away or Will Be Soon	Pell Eligibility Already Taken Away as of Fall 2012	Will Lose Pell Eligibility in 1 to 2 Semesters				
Total	600% or above	500% to 599%	450% to 499%	How many students had a zero-EFC and were awarded the maximum Pell Grant Award (\$5,550) from Fall 2011 to Summer 2012?	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 without a certificate of graduation from high school or GED impact your students?	
Alabama (24)	5,074	1,555	1,936	1,583	36,226	Very Negative	Negative
Arkansas (22)	3,225	872	1,293	1,060	19,182	Negative	Neutral
Mississippi (15)	8,680	2,960	3,268	2,452	35,807	Negative	Negative
<b>TOTAL (61)</b>	<b>16,979</b>	<b>5,387</b>	<b>6,497</b>	<b>5,095</b>	<b>91,215</b>	<b>Negative</b>	<b>Negative</b>

Notes: (1) Under Public Law 112-74, the maximum number of semesters students could enroll on a full-time basis and receive Pell Grants was reduced from 18 to 12. There was no gradual phase-in of this new restriction (thus, students who in the spring 2012 term simultaneously registered for classes for the Fall 2012 term and applied for Pell Grants instead received tuition bills in September 2012). (2) 53 of the 61 possible responses to survey item on Expected Family Contribution were received; of these 16 are "Very Negative," 25 are "Negative," and 10 are "Neutral," and 2 are "Very Positive." (3) 46 of the 61 possible responses to survey item on Ability to Benefit were received; of these 2 is "Very Negative," 20 are "Negative," and 24 are "Neutral." (4) If data were not received, the average of the corresponding classification was used to estimate responses. (5) Survey was conducted in October 2012.

Source: Education Policy Center, The University of Alabama

disagreement. It is important to note, however, that many written comments were received urging that financial aid professionals be allowed to suspend this regulation if students are within a semester of graduation. Here are some samples of comments from financial aid administrators:

- “The late establishment of this regulation and delayed communication to institutions created administrative burden and having different groups would have increased this burden.” (Alabama)
- “We are seeing students being penalized from Pell funds received over 20 years ago. We have students that are in the final semester and cannot get funding. This impacts retention and graduation for such students. If they do not have the funds to go to college, they will not go. Remember, Pell grant is to help the neediest students.” (Arkansas)
- “Students should not be grandfathered in. Students would be camped out in the Financial Aid Office wanting to know why Sally is receiving Pell for 18 semesters and they are only receiving for 12

of these three states has community colleges that serve high persistent poverty rural counties; these counties have low property values and cannot generate large sums of funding from assessed valuations. At the University of Arkansas Community College at Hope, the number of students who received the maximum amount of Pell award dropped by 12%, or 126 students, from 2011 to 2012. At National Park Community College, there were 393 students in the affected range. At Pulaski Technical College, there were 1,275 students with a taxable income in the range of \$23,001 and \$32,000 who submitted a FAFSA. Seven hundred thirty-seven students remained fully Pell eligible while 538 students were potentially impacted by this change. In general, the more rural and small the community college, the more negative they are about this restriction. This may reflect the fact that Deep South rural areas have higher unemployment rates than the 6.5% rate currently targeted by the Federal Reserve.

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

- “Approximately 10.2% of our students received less than full Pell due to this reduction.” (Mississippi)
- “It had a fairly high impact because the salary range that was excluded (\$32,000 to \$23,000) is typical for families of community college students.” (Mississippi)
- “Only 30% of the students with a zero-EFC at our institution received the maximum award. As with most two-year colleges, our student population must juggle numerous responsibilities, including working full-time jobs and providing for their families. This reduction resulted in fewer students being eligible for the maximum award. Given the other regulatory changes, such as the change in the conversion formula from 30.0 to 37.5, the educational dreams of many of these students were negatively impacted with some not being able to enroll as planned.” (Alabama)
- “There were a number of students who lost their eligibility for Pell because of this change in the total AGI. Because of the decrease in the threshold, some Pell Grants were either lost or were decreased considerably from the year before.” (Arkansas)

- “Based on the new income threshold, 16% of our students were impacted. If the income threshold had been \$32,000, we would have seen more of our students eligible for full Pell. We will most likely see this increase as we gain students for the spring and summer.” (Arkansas)

- “P.L. 112-74 put additional scrutiny on students with family incomes between \$23,000 and \$30,000 by pushing their FAFSA EFC calculation into the formula rather than giving them an automatic zero-EFC. This change reduced Pell Grant eligibility for some of these students, but it is hard to tell who or how many with additional research. It would also prevent some of these students from receiving FSEOG and ASAP (Alabama Student Assistance Program) funds because we define “the most needy students” as students with a zero-EFC. Subjecting these students to 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.” (Alabama)

### 3. Ability to Benefit without Completing High School/GED

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

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

• “This new directive greatly impacts our students. As 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.” (Alabama)

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

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

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

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

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

## The Short-Lived Summer Pell Grant

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

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

## Developmental Education

Public advocacy entities financially underwritten by the Bill & Melinda Gates Foundation, including Complete College America (CCA) and Completion by Design, have supported the reduction or elimination of federal and state funding for public community colleges to deliver developmental education courses. The title of CCA’s April 2012 report, *Bridge to Nowhere: Remediation at U.S. Community Colleges*, strongly suggests a particular point of view. In Spring 2012, CCA urged lawmakers in Connecticut to remove state operating funds for community colleges for developmental education courses, a policy suggestion that many national experts, including Hunter R. Boylan, Director of the National Center for Developmental Education at Appalachian State University, challenged.<sup>13</sup> In early June 2012, when Congress approved the new Pell restrictions embedded in P.L. 112-174, consistent with the Gates Foundation funded agenda, some were arguing Pell funding should no longer be permitted for students taking developmental education courses at community colleges.

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

**Table 12**  
**Perceptions on the Future from the Front Lines:**  
**Deep South Community College Financial Aid Administrators on the Future of Pell Grants**

	Did the short lived “year-round” Pell improve the completion rate at your institution?	Developmental Education		In the past five years, the Pell Grant program experienced a number of regulatory changes. Do you believe the Pell Grant program needs more or less restrictions?	In your opinion, how would a reduction in the maximum Pell award affect your students? If the maximum award was reduced from \$5,550 to \$5,200, what impact would the reduction have on your students?
		How many students who are Pell Grant recipients are taking at least one Developmental Education at your college this term (Fall 2012)?	How many hours of Developmental Education courses are students on Pell Grants currently taking this term (Fall 2012)?		
Alabama (24)	Improved	11,499	52,858	Less Restrictions	Negative Effect
Arkansas (22)	Improved	9,353	26,205	No Change	Negative Effect
Mississippi (15)	Improved	16,266	73,708	Less Restrictions	Negative Effect
<b>Total (61)</b>	<b>Improved</b>	<b>37,118</b>	<b>152,771</b>	<b>Less Restrictions</b>	<b>Negative Effect</b>

Notes: (1) 55 of the 61 possible responses to the item “Did the short-lived ‘year-round’ Pell Grant improve the completion rate at your institution? (please estimate if data are not easy to obtain)” were received; 21 noted “improvement,” 20 were “N/A,” and 14 reported “declines.” (2) 52 of the 61 possible responses to the item “In the past five years, the Pell Grant program experienced a number of regulatory changes. Do you believe the Pell Grant program needs more or less restrictions?” were received; 32 called for “less restrictions”, 14 were “neutral,” 5 called for “more restrictions,” and 1 was “N/A.” (3) 56 of the possible 61 responses to the item “In your opinion, how would a reduction in the maximum Pell award affect your students? If the maximum award was reduced from \$5,550 to \$5,200, what impact would the reduction have on your students?” were received; 39 stated a “negative effect” and 17 noted “no change.” (6) Survey was conducted in October and November, 2012.



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

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

### Fewer Restrictions, More Access

As Congress considers the future of the Pell Grant program, there is strong support among Deep South community college financial aid officers to lower the number of Pell restrictions. When asked, “If the maximum

Pell award was lowered from \$5,550 to \$5,200, what the impact would be on students?” financial aid administrators indicated it would have a negative impact. The significant concern on the part of financial aid administrators regarding the new Pell Grant restrictions is supported by

the written comments:

• “Lowering the maximum Pell limit and with less regulation would give more students the opportunity to receive funding.” (Arkansas)

” • “We must move towards less restrictions, more access, and a less complicated process. Right now financial aid administrators spend 90% of time working on compliance and regulation issues. If we could reduce those burdens, we could be in the field connecting with students and building relationships to achieve success. We must shift the culture of Pell.” (Alabama)

• “Poor students have EFC’s greater than zero. Pell should provide access. Access is the only means for a student to earn a degree.” (Mississippi)

• “It is more important that Pell provide access to more students, even if they have to lower the maximum Pell, to enable students to have a chance to obtain a degree.” (Alabama)

• “If it becomes too restrictive, many students won’t apply. That would be a tragedy. That would hurt our institution, our students, and our community.” (Arkansas)

• “More access to more students would be helpful. Many community college students are non-traditional and self-supporting and would prefer to be part-time but are ineligible for Pell at this level of enrollment. Increasing access for students that need to be part-time to manage their life, and be successful in their education, would perhaps allow more students to complete their education.” (Mississippi)

• “More students need access to college. The more students that can benefit from federal aid, the more students we can educate and get into the work force.” (Arkansas)

“As Congress considers changes in the future of the Pell Grant program, geography matters. Rural areas in the Deep South, and in particular its high poverty counties, lack the community-based organizations needed to serve the large numbers of students who enter college in need of developmental education.

Table 13 A Slightly Lower Maximum Pell with Fewer Restrictions Is Preferred by Community College Financial Aid Administrators in the Deep South		
	If given the following two options, which would you choose?:	
	A higher maximum Pell with more regulations resulting in less overall access to Pell funding.	A lower maximum Pell Grant with less regulations and more access to students.
Alabama (24)	4	20
Arkansas (22)	3	18
Mississippi (15)	0	15
<b>TOTAL (61)</b>	<b>7</b>	<b>53</b>

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

### Implementation Concerns Are a Major Issue

The new Pell Grant restrictions passed by Congress in P.L.112-174 related to Estimated Family Income, Ability to Benefit, and the Lifetime Pell Eligibility that were not phased in. Instead, implementation was immediate.



Put differently, instead of creating a formula gradually lowering the maximum number of semesters from 18 to 17 in Fall 2012, to 16 in Spring 2013, and to 15 in Summer 2013, etc., the new restrictions were immediately implemented in Fall 2012 term. Many students who registered for Fall 2012 classes last April, who had received Pell in prior semesters and were counting on it this fall, suddenly found themselves without it.

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

- “Making the financial aid professional the ‘gate keeper’ is counterproductive. Students do not go to college to get financial aid; they go to college to get an education. Academically, institutions need to do what is right to ensure completion, instead of trying to regulate students via financial aid.” (Alabama)
- “With cost-of-attendance increases out pacing the economic inflation rate by a near 3:1 margin, the relative value of Pell Grants has decreased drastically since it has been level funded in recent years. More students are forced to rely on Stafford and private loan borrowing, resulting in Pell Grants becoming more of a supplement than the foundation of a student’s aid package. Schools should be allowed more discretion in identifying the greatest needs of their respective student populations based on factors outside those dictated by the needs analysis process (demographics, program costs).” (Alabama)
- “I think Financial Aid Administrators have to deal with so many regulations that new regulations become burdensome to implement. I encourage change with programs, but I also don’t want the changes to become so burdensome they are not worth the work. Year round Pell, in theory, was a good idea, but a nightmare to implement and it was impacted funding levels of Pell grant which is why it was eliminated.” (Arkansas)
- “We have become bogged down in reading and trying to implement regulations that are very difficult to interpret. Financial Aid Offices are understaffed

**53 of 60**  
the number of institutions who favored the slightly lower maximum Pell Grant with less regulations and more access to students.

and need their time to help students, not get tied down in bureaucratic regulations.” (Arkansas)

- “There should be consideration for a moratorium on new regulations. The regulatory compliance is very difficult and confusing to parents, students, and schools.” (Mississippi)
- “Regulations regarding proper documentation to meet verification requirements are becoming difficult for many students. Regulations on the Pell program are already burdensome for students and institutions. Additional regulations are a mistake.” (Mississippi)

## Toward the Future

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

## Conclusions

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

Among the three most prominent new Pell eligibility restrictions, relatively good data could be obtained on the

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

automatic zero-EFC for the 2011-2012 award year no longer qualified for Pell in 2012-2013. This is true even though their income was not significantly different from the previous award year. The reduction in the income threshold has been difficult to explain to those students affected, especially with their income remaining the same.”

“With more access, comes increased economic development. In this regard, Pell Grants help supply the vital fuel of the Deep South’s economic development engines and its community colleges, and the new regulations certainly hinder the ability of these institutions to extend access and economic uplift.”

As seen through the various opinions offered by financial aid administrators

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

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

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

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

Stephen G. Katsinas is the director of the Center; his research interest are in higher education and in state and federal policy, and access and finance issues for both two- and four-year institutions. Associate Director Wayne Urban, a historian of elementary and secondary education in the United States, recently authored the book *More Than Science or Sputnik; The National Defense Education Act of 1958*, and has written about No Child

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