

Higher Education Response

Student Aid Cuts

(Editor's Note: In our continuing effort to keep our readers informed of the Reagan administration proposed cuts in student aid, we present the higher education community response to those proposals.)

I. Pell Grants

A. FY 81 Administration recommendations:

(1) Do not increase the poverty subsistence allowance by the CPI increase, as done in earlier years -- saving \$150-200 M (this action is what has stopped processing by the ED contractor of 81-82 applications).

(2) Do not implement the cost of education modifications contained in the 1980 Amendments -- cost savings \$400 M -- implementation would have increased awards in the public sector for those presently affected by half-cost.

(3) Do implement a new \$750 self-help requirement, which would reduce awards only for lower-middle-income students in low-priced institutions -- would save less than \$100 M.

B. Higher education community recommendations if cuts must be made (FY 81):

(1) Do increase the poverty subsistence allowance by the CPI increase to allow a partial inflation increase for students already eligible for a Pell Grant: this annual update does not increase the number of eligible students nor increase program costs, but provides a partial adjustment for inflation for students whose family incomes did not increase.

(2) Do not implement the cost of education modifications contained in the 1980 Amendments -- postpone till 82 when the new expected family contribution becomes effective.

(3) Do utilize a modified form of scheduled reduction to reduce awards if necessary so that awards would be cut proportionate to family income while holding harmless the awards for students with a zero family contribution -- that is, the poorest students.

These recommendations would save approximately the same amount as the Administration's changes, but would be more equitable (CBO agrees to this assessment).

C. FY 82 Administration recommendations:

(1) Do increase the poverty subsistence allowance by the CPI but only for one year -- that is, there would be no catch-up for deleting the 1981 update.

(2) Increase the tax rate on discretionary net income from 14 to 20 percent -- that is, increase the amount of the family's income which the family "should" contribute, thereby reducing the student's Pell Grant award by a larger amount - savings of \$290 M -- would delete several hundred thousand students from the program -- from \$26,000 family income down to \$19,000.

(3) Implement the \$750 self-help requirement.

(4) Do not implement the cost of education modifications contained in the 1980 Amendments -- another annual savings of \$400 M -- students affected by half-cost would have no increase in their grant award because of the arbitrary formula used by ED for students' costs for students who live off-campus.

(5) Do not implement the subtraction of state and local income taxes from discretionary income as provided by the 1980 Amendments -- this would effectively increase the amount of expected family contribution.

D. Higher education community recommendations if cuts must be made (FY 82):

(1) Do increase the poverty subsistence allowance in 1982 as well as in 1981.

(2) Do implement the cost of attendance modifications contained in the 1980 Amendments to make one-half the cost of attendance a realistic amount, which it is not now.

(3) Do review the tax rate on discretionary net income and determine whether

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Editor

Associate Editors

Photographer

Business Manager

Typists

Staff Writers

Brenda Bethea
 Michael Moore
 Fidele Essono
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Jacquelyn Stewart

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Mr. Charles Mooney

Layout

Advisor

FAYETTEVILLE STATE UNIVERSITY COMMENCEMENT CALENDAR OF EVENTS 1981

FRIDAY, MAY 8, 1981

5:00 - 8:00 p.m. Alumni Registration - Saint James Inn
 Hospitality Hour - Room 370 and 372

8:00 p.m. "Little Miss FSU Pageant"
 J. W. Seabrook Auditorium
 Admission: \$2.50

SATURDAY, MAY 9, 1981

11:00 - 11:45 a.m. Mini Concert - FSU Concert Band
 J. W. Seabrook Auditorium
 Dr. Richard Jones, Director

11:30 a.m. Assemble for Processional
 J. W. Seabrook Auditorium

12:00 Noon Alumni Convocation - J. W. Seabrook Auditorium
 Speaker: Dr. Lelia T. Allen, '56
 Senior Associate
 A. L. Nellum and Associates
 Washington, D. C. 20036

2:00 p.m. FSU National Alumni Association: Annual Luncheon
 Meeting (Immediately After Convocation)
 Emily's Restaurant
 115 Rosemary Street

7:00 p.m. Chancellor's Reception for Seniors (Parents & Guest)
 Multi-Purpose Room
 Rudolph Jones Student Center

9:00 p.m. Alumni Dance (Cash Bar)
 Lakeview Country Club
 462 E. Mountain Drive

SUNDAY, MAY 10, 1981

12:00 Noon Chancellor's Luncheon for Commencement
 Speaker
 Multi-Purpose Room
 Rudolph Jones Student Center
 (Invitation Only)

1:45 p.m. Assemble for Processional - Cumberland County
 Memorial Arena

2:30 p.m. Commencement Ceremony:
 Cumberland County Memorial Arena
 Speaker: Mr. Thomas N. Todd
 Attorney-at-Law
 Chicago, Illinois

REUNION OF CLASSES 1931, 1941, 1951, 1961, 1971

a graduated tax rate would not be more equitable than a flat 14 percent, but do not accept the Administration's flat 20 percent -- whether state and local income taxes should be an allowable deduction could be evaluated at the same time.

(4) Count Social Security and Veterans Benefits as student aid.

(5) Use a modified form of scheduled reduction to reduce awards if necessary rather than distort program goals by arbitrary adjustments to the grant formula.

These recommendations could save approximately as much as the Administration proposals.

II. Guaranteed Student Loans

A. Administration recommendations:

(1) Eliminate the in-school interest subsidy the Federal Government currently pays while the student is in school.

(2) Restrict loans to "remaining need" -- the amount remaining after expected family contribution and other aid is subtracted from total costs.

(3) Set Parent Loan interest rate at market rate rather than 9 percent.

B. Higher education community recommendations:

(1) Retain the in-school interest subsidy, but establish a Family Income Loan Eligibility Index (\$30,000 - \$40,000 adjusted gross income) below which there would be no needs test. Students with family incomes over the Index who show need would be eligible for loans under the same terms and conditions as students whose family incomes fall below the Index.

(2) Set Parent Loans either at market rates or at 12 percent plus special allowance.

(3) Count Social Security and Veterans Benefits as student aid for assessing GSL eligibility (to avoid duplication of benefits).

(4) Eliminate the six-month grace period following deferment periods for military or Peace Corps-type service. (This grace period, additional to the six-month grace period already provided in law following graduation, was added by the 1980 Amendments).

(5) Eliminate the new provision of the 1980 Amendments which allows independent students to borrow \$500 more per year than dependent students. This will reduce the amount of data which must be collected, as well as the amount of subsidy.

(6) Provide incentives for early repayment of outstanding loan principal by discounting of loans which are fully paid within 30 days of graduation, or within the six-month grace period, or by the end of the first year in repayment status.

These recommendations would save approximately \$625 million in GSL costs -- almost as much as the \$700 million in savings the Administration estimates for its own proposals.