

Summary of Student Aid Changes in FY 2012 Budget Bill

12/19/2011

NOTE: A vote on the measure is expected as early as today.

Congress reached a deal on the fiscal year (FY) 2012 budget last night after several days of disagreement and stalemate. The deal included the nine remaining appropriations bills needed to fund the federal government for the rest of FY 2012. [The bill](#) includes award year 2012-13 funding levels for the federal student aid programs and maintains a \$5,550 maximum Pell Grant for the 2012-13 award year by cutting spending on other student aid programs and restricting eligibility. The Senate has not yet voted on the bill due to policy disagreements outside of education, but student aid provisions are unlikely to change in any further negotiations.

Negotiators have been working on an agreement for the Labor, Health, Human Services and Education (Labor-H) appropriations subcommittee bill for several months. The final bill reflects a bipartisan compromise between the draft [House](#) and [Senate](#) bills, which both maintained the \$5,550 Pell Grant for award year 2012-13, but varied greatly in how they plug the current \$1.3 billion shortfall the Pell Grant program faces.

The compromise bill includes a provision to temporarily eliminate the interest subsidy on undergraduate subsidized Stafford loans during the six-month grace period—a variation of the original Senate provision to eliminate it entirely.

The bill also includes some of the eligibility changes found in the original House bill.

Key provisions can be divided into three categories: those affecting Pell Grant only; those affecting all Title IV programs and; provisions affecting Direct Loans only:

Provisions Affecting Pell Grant Only

- Maximum award remains \$5,550. The bill sets the maximum appropriated amount for 2012-13 at \$4,860, and reaffirms the amounts available for the mandatory add-on, which results in the total of \$5,550 for award year 2012-13.
- Minimum award remains 10% of maximum, but the bump-up for students whose calculated award is at least 5% of the maximum but less than 10%, has been eliminated.
- Duration of eligibility is reduced from the equivalent of 18 full-time semesters to the equivalent of 12 full-time semesters. **The text that grandfathered students who received Pell prior to July 1, 2008, is removed. Thus, this reduction will affect all students beginning with the 2012-13 award year, not just those who received a Pell Grant for the first time on or after July 1, 2008.**

Provisions Affecting All Title IV Programs

- **Ability-to-benefit (ATB) options for establishing general student eligibility for Title IV funds are eliminated for students who first enroll in a program of study on or after July 1, 2012.** Neither ATB testing nor earning six credits applicable to a degree or certificate will satisfy the academic qualifications for receiving Title IV funds. A student will need to have a high school diploma or its recognized equivalent, or have been home schooled, to meet the eligibility criterion.
- **Qualifying income for the Automatic Zero EFC determination is reduced to \$23,000, beginning with award year 2012-13.** The law currently sets that threshold at \$30,000, but directs the Department of Education to adjust it annually based on the Consumer Price Index. For 2012-13, the threshold was scheduled to increase to \$32,000, from \$31,000 used in 2011-12.

Auto zero applies only to EFC calculations for dependent students (based on parent income) and independent students with dependents other than a spouse (based on the combined income of the student and spouse).

Provision Affecting Direct Loans Only

- Interest subsidy during the six-month grace period is eliminated for new Stafford Loans made on or after July 1, 2012, and before July 1, 2014. The repayment period still begins 6 months after the student is no longer enrolled at least half-time, but interest that accrues during those six months will be payable by the student rather than be subsidized by the federal government.

Together, elimination of the temporary Stafford loan interest subsidy during the grace period and eligibility changes are expected to save \$11 billion over 10 years—enough to immediately plug the award year 2012-13 Pell Grant shortfall.

Several items that were included in the original House bill did not make their way into the final bill, including revoking Pell eligibility for students who attend less-than-half-time; reducing student income protection allowances (IPA); and the reinstating of previously excluded forms of untaxed income to the EFC calculation. In addition, the original House bill would have also prohibit expenditure of any funds by ED to implement, administer, or enforce the program integrity regulations relating to gainful employment, state authorization, or credit hour definition, nor may funds be used to develop new regulations pertaining to the definition of gainful employment or the application of that term.

All other student aid programs (excluding Pell) will be impacted by an across-the-board cut.

The bill's passage came just hours before the expiration of the continuing resolution (CR), a temporary spending measure. Last year it took Congress until April to resolve the FY 11 budget.