

## Federal Student Financial Aid Programs

The Pell Grant and Federal Direct Student Loan programs, operated by the U.S. Department of Education, provide college access and affordability for thousands of Idaho students. These programs help students from low- and middle-income Idaho families gain access to college. They add significant value to Idaho's economy by developing a trained workforce for future economic development and retraining the workforce to meet new and changing job needs.

Students typically combine grants, work and loans to pay for college. For the 2012-2013 academic year, University of Idaho students have received more than \$17 million in Pell Grants and more than \$56 million in Federal Direct Student Loans.

In 2011-2012, 42 percent of U-Idaho undergraduates were eligible for Pell Grants, and 65 percent received Pell Grants or Federal Direct Student Loans. At all Idaho universities, nearly 62 percent of enrolled undergraduates qualified for Pell Grants, compared to a national average of 48.6 percent (see *charts*).

### Program Cuts Already in Place

Students have already faced several cuts in federal financial aid programs. In fact, more than \$32 billion in student aid has been eliminated in just the past few years. During the last year reductions in aid included:

- The Pell Grant Program eliminated summer school eligibility for many students, changed criteria that reduced funding for many students and reduced eligibility for students coming back to college to complete their degrees.
- Federal Direct Student Loan programs eliminated the interest subsidy for graduate students, eliminated interest subsidies for undergraduates at graduation and eliminated some benefits for students coming back to college to complete their degrees.

### Financial Need of Idaho Students and Benefits to the State

Pell Grant funds go to students from very low-income families, with average family income less than \$24,000. Idaho families struggling with the loss of jobs and business income need Pell support to assure college access for their children.

Pell Grants support the future of Idaho citizens by increasing future earnings, reducing unemployment and increasing citizen voting. Pell Grant recipients populate Idaho's trained workforce. Idaho college attendance ranks low when compared to other states, and Pell Grants support state goals to increase the percentage of our population with a college degree.

The University of Idaho is doing more to support the enrollment and degree completion of promising low-income students. Institutional scholarships provide access and support degree completion for low income students, and academic support programs assist low-income students as they transition to higher education. The university is increasing private scholarship support for students, and students receive budget and financial education. The university provides public information sessions to

encourage the enrollment of all Idaho students. However, Pell Grants and Federal Direct Student Loans remain substantial and essential.

## Consequences of Reduced Pell Grant Funding

When combining family resources, student earnings from work, and private or university scholarships, many Idaho students still lack the resources needed to access higher education. Any reduction in Pell Grant funds would heighten this financial hurdle for low-income students.

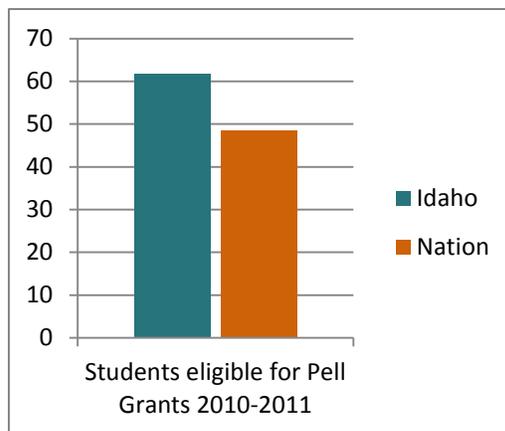
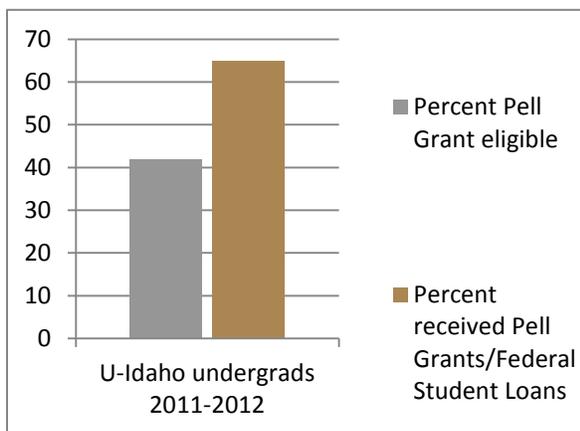
A 10 percent reduction in Pell Grant funds would cause more than 400 students to completely lose their grants, while thousands of others would experience a collective loss of \$1.7 million in funding opportunity.

## Stafford Direct Student Loan Interest Rate Change

Seven thousand students at the University of Idaho rely on more than \$75 million in federal student loans to obtain their degree and enter the Idaho workforce. Interest rates for Subsidized Stafford Direct Student Loans are scheduled to double in the next year. These student loans go to many financially challenged students and families in Idaho. This change, coupled with the loss of the six-month interest subsidy after graduation, will significantly increase loan repayments for Idaho college graduates. These increased loan payments will decrease a graduate's discretionary income that can be used to enhance economic growth in Idaho.

During a time when interest rates are at historic lows, it is unreasonable to ask Idaho citizens to pay 6.8 percent interest on federal student loans. Interest rates should be changed to be fair to students and their families, while not producing a strain on the federal budget. By making student loan interest rates variable, based on a defined federal measurement, we can decrease loan payments for students and families while allowing an influx of dollars into the state and national economy.

Federal financial aid programs play a critical part in meeting state and national goals of increasing college graduates and growing our economy through a well-trained workforce. Now is the time to assure changes in financial aid programs do not decrease our ability to meet these goals.



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