Obama budget to hit low-income students and families

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President Obama's budget proposal, released Monday, would cut about $100 billion in funding for higher education over the next decade by eliminating summer Pell Grants for low-income students and by imposing, for the first time, interest rate fees on graduate and professional student recipients of subsidized federal loans. The proposal would also freeze the maximum Pell Grant award at its current level of $5,500 for the next decade, regardless of increasing tuition, housing, and food costs.

In unveiling his proposed budget on Monday in Virginia, Obama, flanked by White House budget director Jacob Lew and Education Secretary Arne Duncan, referred obliquely to his proposed cuts to the Pell Grant program and interest rate subsidies for graduate students as "tough choices to put them on a firm footing for years to come."

"Tough choices"—i.e., deep cuts—are only inflicted upon spending that benefits the working class. At the end of December, Obama shepherded through Congress a renewal of Bush-era tax cuts for the richest Americans that will cost an estimated $150 billion over two years and $700 billion over the next decade—seven times what Obama claims he will save by rolling back college aid for millions of low-income students.

About 8 million students, overwhelmingly from poor and working class families, relied on Pell Grants to help pay for their college education last year. In 2005-2006, about 60 percent of Pell Grant recipients came from households that earned less than $20,000 per year, and in 1999-2000 90 percent of beneficiaries came from families with less than $40,000 in annual income. The summer Pell Grants are especially helpful to students who work one or more jobs while they study, compelling them to take summer classes to complete their degrees.

Likewise, the removal of interest rate subsidies from graduate students' federal loans will disproportionately affect working class students, who cannot rely on family assistance for the lengthy study required to gain a post-graduate degree.

That these cuts single out students from poor and working class households exposes Obama's pretensions that it is "absolutely essential that we put a college degree within reach for anyone who wants it," as he put it in a July 2010 speech. In the same address, Obama hypocritically noted "the unemployment rate for folks who've never gone to college is almost double what it is for those who have gone to college" and that "eight in 10 new jobs will require workforce training or a higher education by the end of this decade."

The cuts that will ultimately be inflicted on the Pell Grant system will likely be far deeper than Obama's proposal. The Republican-controlled House of Representatives is demanding an even greater funding reduction. Any "compromise" will likely fall in between.

The Pell Grant system is already woefully inadequate. The current maximum grant is $5,500, about one third of the national average cost for tuition, room and fees at a public four-year college, and about one-sixth the cost of the average private four-year college. It is also about $3,000 less than the average cost of a year at a two-year or community college, where about a third of Pell Grant recipients study. At one time, Pell Grants, named after the liberal Rhode Island Senator Claiborne Pell who championed the program, covered on average 70 percent of the cost of a year of college.

Obama's proposal to freeze the maximum annual grant at $5,500, and the Republican counter-proposal to cut it by as much as half, will have disastrous

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consequences under conditions in which public universities are rapidly increasing tuition to make up for declining state aid. Over the past 20 years, the average cost of college has more than doubled, far outstripping inflation in the overall economy. During the same period, workers' wages have stagnated or declined.

The imposition of compounding interest rates on graduate students will close the door on many students' pursuit of post-graduate degrees. Under the plan, students would still be able to defer payments until after they graduate, but in the meantime interest rate fees would accrue on the outstanding balance.

At 6 percent annual interest rates, someone entering graduate school with $23,200 in college loan debt—the average for US college graduates—would face a debt total of $31,000 on the initial debt after five years of study, not counting additional loans taken out to pay for graduate or professional school. For those entering pricey medical and law schools, where it is not unusual for students to graduate with $200,000 or more in student loan debt, the compounding of interest rates will be particularly devastating, inflicting potentially tens of thousands of dollars in additional costs.

Overall, Obama is proposing a $77.4 billion education budget, a slight increase over last year. He requested another $900 million for his Race to the Top educational initiative, which dangles paltry funding in front of states in a competition to see which can do the most to promote charter schools and tear up work rules governing teaching. This year Duncan is proposing pitting school districts in competition against each other, bypassing the states.

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