

# POLICY STEPS

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**THE INSTITUTE FOR HIGHER EDUCATION POLICY**

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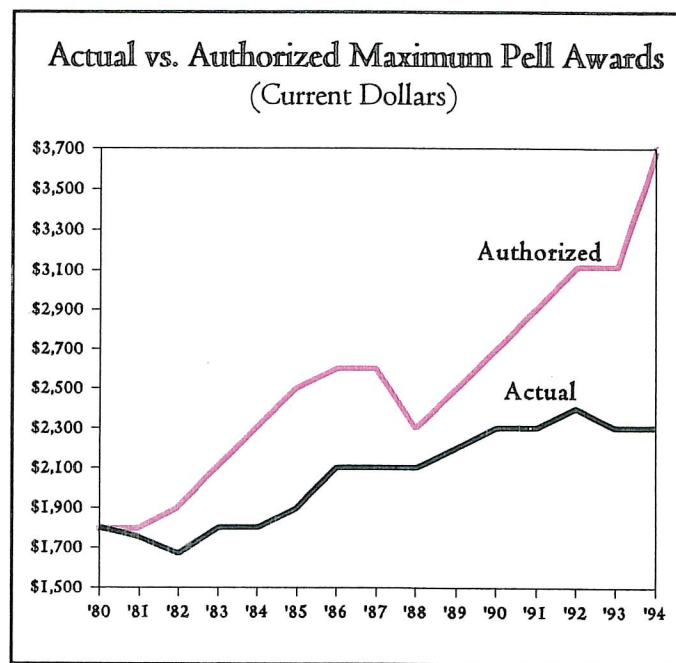
Spring, 1994

## Pell Grants: Are Prisoners the Program's Biggest Problem?

Improved access to higher education has been a persistent goal of federal policy for nearly three decades. Yet the federal government's Pell Grant program--the primary source of financial assistance for over four million students pursuing a postsecondary education--is increasingly unable to provide the level of support students need. The shortcomings in funding are creating barriers for middle- and low-income students, who rely on the program to make a college education a reality.

The critical nature of this problem, however, has recently been obscured by tangential concerns. For example, debates concerning the appropriateness of Pell Grants for the small percentage of recipients who are prisoners are crowding out vital discussions about how to achieve greater funding for the program as a whole.

Opponents of prisoners' eligibility for Pell Grants have focused on two key issues. First, they have suggested that significant funds have been allotted to prisoners in a time when federal spending on key social service programs assisting needy, law-abiding citizens has been cut or eliminated. And second, they have argued that the Pell dollars awarded to prisoners have come at the expense of traditional college students who are being forced to take out loans--or forego postsecondary education altogether--because of prisoners' access to Pell Grants. "Those who oppose prison higher education suggest that prisoners are receiving a privilege they do not deserve and argue that the inclusion of prisoners in higher education has the potential



to undermine the moral legitimacy and the social meaning of punitive confinement," said Raymond L. Jones, a defender of prisoner education rights, at the 1991 National Conference on Corrections & Higher Education.

Those wishing to maintain financial aid for prisoners stress the benefits of educating prisoners while they are incarcerated, so that upon release they are prepared to re-enter society as contributing citizens. As Helen Corrothers of the American Correctional Association said at the Conference on Corrections & Higher Education, "... education has a better chance of increasing one's propensity for a changed lifestyle if this process is begun early, that is to say, prior to release." Conference speaker Michael J. Quinlan concurred: "It is indisputable that AA and BA degrees can make ex-offenders more competitive and closer to the workforce mainstream."

Supporters also cite studies on reduced recidivism rates among inmates who participate in educational programs while incarcerated. According to a 1987 report by the Bureau of Prisons' Office of Research and Evaluation:

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Recidivism rates were inversely related to educational program participation while in prison. The more educational programs successfully completed for each 6 months confined, the lower the recidivism rate. For inmates successfully completing one or more courses per each 6 months of their prison term, 35.5 percent recidivated, compared to 44.1 percent of those who successfully completed no courses during their prison term.

The Institute for Higher Education Policy has reviewed data and information on the Pell Grant program from the U.S. Department of Education, as well as data from the U.S. Bureau of Prisons, the U.S. Department of Justice's National Institute of Corrections, the U.S. Department of Justice's 1990 Census of State and Federal Correctional Facilities, and presentations at the 1991 National Conference on Corrections & Higher Education. Several important facts about this issue have been revealed through the study:

- Approximately 27,000 prisoners are projected to receive \$35 million in Pell Grants during the current award year (July 1, 1993-June 30, 1994). This expenditure equals less than 1% of the \$6 billion to be spent on Pell Grants for all students.
- The number of prisoners qualifying to receive Pell Grants does not affect how many non-incarcerated students qualify for grants. The Pell program is a "quasi-entitlement" program, meaning that Congress projects how many students it will need to provide with Pell money each year and appropriates that amount. If the number of students qualifying for grants surpasses that approximation, all qualifying students will still receive grants, but at a reduced average amount.
- The number of incarcerated students presently receiving Pell Grants is not affecting the maximum award amount. The \$2,300 maximum appropriated this year for each student would not automatically grow if grants for prisoners were terminated, since a funding amount of approximately \$300 million is needed to increase the maximum award by \$100 per student.

Resistance to Pell Grants for prisoners has been alive for years. Past sessions of Congress have voted on legislation terminating this form of aid for inmates, but the House and Senate were never able to reach a consensus on the issue. In 1992, however, it was decided that Pell Grants cannot be awarded to prisoners on death row or to those serving a life sentence without chance for parole. The most recent "Pell for prisoners" discussions have focused on an amendment to a national crime bill that prohibits all prisoners from receiving these federal grants.

Interestingly, some who have headed efforts to deny Pell Grants for prisoners have also blocked measures designed to improve the operation and distribution of financial assistance, such as direct lending. In the midst of these mixed messages, the public is being presented a perspective of the Pell for prisoners issue that does not encompass the full scope of problems with the Pell system. Critics of this form of aid for inmates perpetuate the perception that millions of dollars awarded to prisoners for college-level studies are being taken out of the hands of low-income students who are non-offenders. A "Dateline" TV special, recent op-ed columns, and even "unbiased" newspaper articles are contributing to the images of wasted tax money and cushy correctional programs for violent criminals.

#### **Postsecondary Education at State and Federal Prisons**

Postsecondary education for prisoners, 92% of whom are housed in state correctional facilities and 8% of whom are held in federal facilities, includes enrollment in four-year colleges and universities as well as in community colleges and technical schools. More than 700 state facilities and 70 federal facilities offer college coursework, yet only 5% of all state prisoners and approximately 12% of all federal prisoners are enrolled in college level academic programs. In 1990, federal Bureau of Prisons inmates earned 126 associate degrees, 52 bachelor of art or science degrees, and 2 master's degrees.

Federally-funded Pell Grants are the main source of postsecondary financial assistance for these prisoners; as incarceration status is not considered in the grant application criteria, prisoners are commonly eligible for the grant by virtue of their low to non-existent income.

*(continued on page 7)*

## How Higher Education Fares in Biennial and Annual Budget States

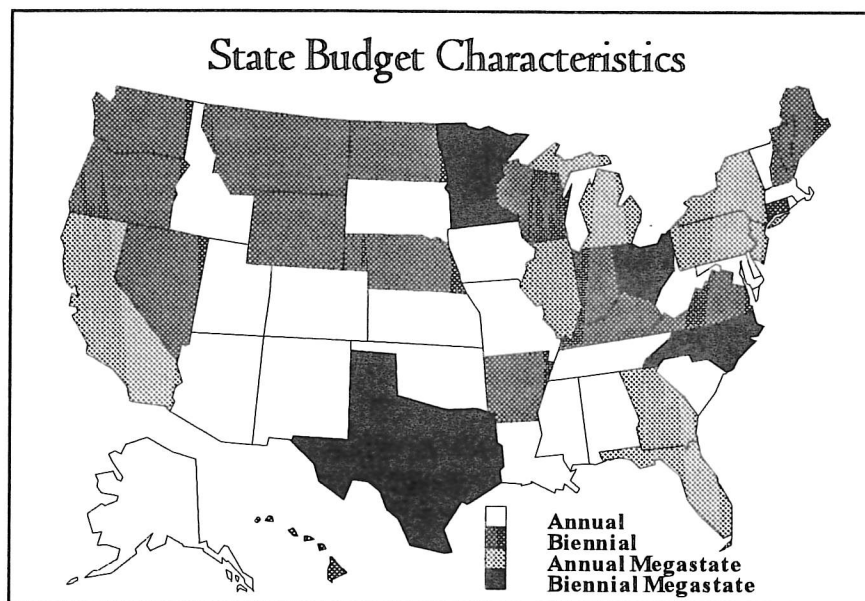
The shifting nature of how states fund higher education has been an especially important topic in recent years, as appropriations for the operating expenses of institutions have levelled off while tuitions have steadily, and in some cases dramatically, edged upwards. The increasingly frequent jumps in student costs have caused a significant level of anxiety and uncertainty among students and parents.

While there have been many plans and proposals for stabilizing state funding for higher education, one intriguing device already in place is the Biennial budget. Proponents of this two year budget cycle have argued that the peaks and valleys of state budget crises can be softened by this extended process. The Institute has examined this issue by reviewing several aspects of state financing of higher education in the last decade to determine trends of appropriations in states that operate on Annual versus Biennial budget cycles.

Using state budget information from the National Association of State Budget Officers (NASBO), and state higher education appropriations data from the State Higher Education Executive Officers association (SHEEO), this analysis examines changes in appropriation levels over the last decade, from 1983-84 to 1993-94. In addition to sorting states according to Annual or Biennial budget cycle, we have also categorized states by budget size and geographic region. Both average annual percentage changes and cumulative percentage changes in appropriation levels

over this time period have been calculated. (Note: Biennial states vary in their yearly appropriations methods. Some states' annual appropriations reflect an equal division of a lump sum allocation. Reported appropriations from other Biennials represent a specific annual allocation level.)

Of the 50 states, 20 have a Biennial budget cycle. Of the 12 "megastates"--those states whose annual higher education appropriations total over \$1 billion--four have Biennial cycles. Two year budget cycles are employed predominantly in the northeast and northwest regions, where 13 out of 25 total states are Biennial, compared to a combined seven of 25 in the southeast and southwest. There is one Biennial megastate in each of the country's four regions.



### Percentage Changes in Appropriations

The national average annual percentage change for state appropriation levels was 5.0% over the 10 year period. Biennial states had an average annual change of 5.4%, while Annual states averaged 4.7%. This would suggest that higher education consistently fared better in Biennial states than in Annual states in the last decade. Alaska, with a one year budget cycle, was the only state to have a negative average annual percentage change (-2.1%).

Megastates with Biennial budgets had an average annual change of 5.0%, while Annual megastates had an average percentage change of 4.9%. This difference is not significant, as these averages were either the same as or close to the national average percentage change of 5.0%.

REGION	OVERALL		ANNUAL		BIENNIAL	
	Annual/Cumulative		Annual/Cumulative		Annual/Cumulative	
NORTHEAST (14)	5.2	68	4.4	56	6.2	84
NORTHWEST (11)	4.0	52	4.4	61	3.8	47
SOUTHEAST (12)	5.2	67	5.2	68	5.2	66
SOUTHWEST (13)	5.3	71	4.4	56	7.1	103

This comparison suggests that in larger, more affluent states, Biennial budget cycles had a smaller effect on appropriation levels. Further, the comparison of Biennial and Annual status in all non-megastates revealed greater variance, 5.5% and 4.5%, respectively, from the national average. This indicates that a two year budget cycle has a distinct effect on appropriations in smaller states.

The variances across the regions are summarized in the above table. Although Biennial budget states are predominantly located in the northeast and northwest regions, those in the southwest region experience the greatest deviation, 7.1%, not only from the national average of 5.0%, but even from the region's overall average annual percentage change of 5.3%. In the southeast, however, there is little variation between Biennial and Annual states.

Comparisons of the cumulative percentage changes for Annual and Biennial states showed outcomes similar to the annual percentage change trends. The national average for cumulative percentage change was 65%. Biennial states continued to run substantially higher, with an average cumulative percentage change of 72%, as compared to the average cumulative percentage change of 60% for Annual states. Once again Alaska was the only state to have a negative average (-19%).

As in the case of the average annual percentage change, megastate status did not seem to have a significant effect on the cumulative changes in appropriation levels. Biennial megastates had a cumulative average of 64%, while Annual megastates averaged a cumulative percentage change just under 64%; overall, megastates had a cumulative average of almost 64%, while non-megastates averaged over 65%. In contrast, the comparison of cumulative percentage changes for non-megastates showed a strong variation between Biennial and Annual states.

### Effects of the Recession

During the 1988-89 to 1992-93 time period, the national economy suffered through a recessionary period. A cursory analysis of appropriation levels during these years shows that, in general, the recession took longer to affect Biennial states. From 1988-89 to 1991-92, 19 Annual states decreased their higher education appropriations at least once, and seven of these states featured decreases over at least two consecutive years (Massachusetts alone had four straight years of reduced appropriations). In contrast, only seven Biennial states showed a decrease in their annual funds allotted for higher education, and only Virginia experienced two straight years of cutbacks. However, by 1992-93, it seems that the recession caught up with the Biennial states. While only eight Annual states experienced a reduction in higher education funds (four of which had consecutive years of reduced funds), 11 Biennial states suffered decreases (again, four states featured decreases in consecutive years).

### Summary

These comparisons show that, on average, higher education appropriations fared consistently better in Biennial than in Annual budget states over the last decade. Biennial states in the northeast and southwest fared better than their Annual counterparts, while in the southeast, Biennial status had little to no effect on appropriations. In the megastates, Biennial status does not appear to have had an effect on the levels of funds allocated for higher education.

Future editions of *Policy Steps* will provide additional analyses of higher education funding in Biennial and Annual budget states. These reports will examine the effect of Biennial versus Annual status on the stability of funding for state grant programs, and provide case studies of several states. ←

## I% for Education: Meeting Critical Funding Needs

Funding for education has been a top priority for the Clinton Administration, as evidenced by the President's commitment to boost education spending by \$1.7 billion in the FY 1995 budget. This support for increased resources to pay for education programs is critical to rejuvenating the nation's long-term social and economic prospects.

However, despite this support, the budget cuts of the last decade have left a major gap in the federal commitment to education programs. To address this shortfall, Senator James Jeffords (R-VT) has proposed an innovative method for restoring the balance in federal education funding: the I% for Education plan.

The Senator's proposal is a relatively simple concept: increase the amount of spending per fiscal year on education by 1% of the total federal budget until education spending for all levels represents 10% of the budget. Under the current budget, education spending would increase by \$15 billion per year until \$150 billion dollars per year is spent on education by 2001.

Senator Jeffords argues that a better funded educational system will enable the nation's workers and businesses to be more productive in the global marketplace, providing skilled labor and reducing the need for excessive worker training. Concomitantly, this will reduce dependence on welfare and unemployment rolls. "The roots of these problems are education," he states, "and a recent estimate put the total cost of our failing education system at \$500 billion per year." Currently, the federal government appropriates less than \$25 billion for all education spending.

The Institute has analyzed current higher education funding levels and projected funding needs in the context of Senator Jeffords' proposal. The analysis examines the appropriate proportion of the total spending increase that should be allocated to higher education.

### Crucial Higher Education Needs

The most pressing higher education need, and the most often cited, is student aid. Given the historic federal emphasis on financing access to higher education, it follows

**Projected Higher Education Funding Needs**  
(Dollars in Millions)

	1993	1994	1995	1996	1997	1998	1999	2000	2001
Pell Grants	5,788	12,804	14,008	14,868	15,729	16,589	17,449	18,309	19,200
Other Undergraduate Aid	1,601	1,909	2,083	2,386	2,689	2,993	3,296	3,499	3,703
Graduate Aid	5,788	62	66	70	74	78	82	86	90
Trio/Institutional Development	591	632	674	715	756	798	839	881	922
Other Higher Education	334	357	381	404	428	451	474	498	521
<b>TOTAL</b>	<b>8,372</b>	<b>15,765</b>	<b>17,212</b>	<b>18,444</b>	<b>19,676</b>	<b>20,908</b>	<b>22,141</b>	<b>23,273</b>	<b>24,436</b>

that any effort to increase the proportion of federal spending on education should appropriately emphasize higher education as a central goal. Of the estimated \$150 billion in new dollars that would be apportioned to education in the year 2001 under the Jeffords proposal, a fixed dollar amount or percentage should be allocated to higher education. If we use the figures in the above table as a guide, a minimum of \$24.4 billion of the total should be allocated to higher education. This represents only 16% of the revenue that would be available for education under the Jeffords proposal.

The largest share of these new appropriations should be allocated to the Pell Grant program. As documented last year by the National Commission on Responsibilities for Financing Postsecondary Education, the single biggest obstacle to improved access to higher education has been the inability of the Pell Grant to keep pace with the rising college costs that students and families face. The high point of access to higher education is generally believed to be the 1979-80 academic year, when the maximum Pell Grant award (\$1,800) equaled 82% of the national average cost of attendance at a public four-year college. By comparison, in 1993-94, the maximum Pell Grant award (\$2,300) equals only 37% of the national average. The 1965 Higher Education Act set 75% coverage of costs of attendance as its minimum goal for Pell.

In order to meet this Higher Education Act benchmark in 1993-94, the National Commission determined that the Pell Grant would have to be funded at its authorized per student level of \$3,700. This would cost \$6.5 billion beyond current funding levels. The \$19.2 billion projection for the year 2001 includes the 1993 base of nearly \$5.8 billion, plus the \$6.5 billion figure mentioned above to fully fund the Pell program at its maximum, plus \$6.9 billion in additional funds to pay for projected increases in college costs over the nine year time period.

Of the remaining \$5.2 billion suggested minimum allocation, \$3.7 billion should be allocated to undergraduate aid other than Pell, including the FFELP/FDSLPL, Perkins loan program, the College Work-Study program, SEOG, SSIG, Byrd Honors Scholarships, and Javits Fellowships. The 1993 base year and following

projected year loan figures represent only non-mandatory spending associated with program administration. Figures for the other programs assume funding increases that are proportional to projected college cost increases.

By the year 2001, assuming full funding, federal graduate aid programs will require \$90 million. Federal graduate aid programs included in these projections include the Women and Minority Participation in Graduate Education program, Harris Fellowships, Graduate Assistance in Areas of National Need, and Faculty Development Fellowships.

TRIO/institutional development needs, including all TRIO and Title III programs, will require \$922 million by the year 2001. Projections are based on an average funding increase equal to the projected increase in college costs.

The programs included in the figures categorized as Other Higher Education include Douglas Teacher Scholarships, FIPSE, the Eisenhower Leadership Program, Minority Teacher Recruitment, Minority Science Improvement, Innovative Projects for Community Service, IEFELS, Cooperative Education, LSCE, Urban Community Service, SCUP, Legal Training for the Disadvantaged, and Howard University. Projections are based on an average funding increase equal to the projected increase in college costs.

### Next Steps

This effort by Senator Jeffords to increase the percentage of the federal budget spent on education represents an important opportunity to address the critical needs that all levels of education face in the coming years. While much of the focus has been and will be on K-12 funding needs, it is also vital to make the case for higher education's increasing resource deficit. If we are to improve the social and economic development of the nation, the entire continuum of education must be adequately funded.

Although the first legislative attempt to implement 1% for Education was defeated in March, the program received bipartisan support. Thus, there is promise that the Jeffords 1% for Education proposal, an earnest and serious effort to provide appropriate funding to education programs at all levels, will one day meet its goal of addressing the nation's minimum education needs.←

*Pell Grants (continued from page 2)*

In past years, the Department of Education has approximated the number of incarcerated students receiving Pell Grants based on whether four or more students receiving Pell Grants shared an address. The assumption was that this many students residing at one address and all qualifying for Pell Grants most likely meant that the students were at a correctional facility. This method of analysis may have somewhat exaggerated the estimates of actual prisoners receiving Pell awards.

The Department's current method, however, takes a more specific look at the amount of Pell funds used for inmates. Their calculations have found that inmates account for a smaller proportion of total Pell recipients than previously assumed and that prisoners receive smaller grants than the national average. Recent research shows that the projected average Pell Grant per prisoner in 1993-94 is \$1,296, while the projected average grant for all students is \$1,455.

**Implications**

The irony of the present situation is that while attention is being focused on the Pell system, spotlights are lingering on the grants for prisoners issue and leaving larger, more critical problems in the shadows. The Pell program needs to be closely examined, but with the proper focus.

The program's biggest dilemma is its persistent underfunding. Although Congress has acknowledged the need to increase grants for disadvantaged students, it has repeatedly failed to fund the Pell program to its fullest extent. In 1992, Congress passed the Higher Education Amendments to increase the Pell maximum to \$3,700, yet less than a year later voted to appropriate funds to pay for a maximum of only \$2,300.

The discrepancy between authorized and actual grant maximums creates numerous obstacles for students and their families. Uncertainty in planning for college costs can confuse and even prohibit the college application process, and insufficient aid for students from disadvantaged backgrounds can close the door to higher education. This is the issue Congress needs to address and rectify.

**Institute Notes**

**Recent Publications**

*Federal Regulations Affecting Higher Education*  
Available from the National Association of Independent  
Colleges and Universities

*Student Financial Aid: Impact on Hispanics and  
Hispanic-Serving Institutions*  
and

*Voices from Hispanic-Serving Institutions: Financial  
Aid Officers Speak Out*

Available from the Hispanic Association of Colleges and  
Universities

*An Analysis of State Policy Options in a Federal  
Direct Lending Environment*

Available from the Maryland Higher Education Commission

**Current Projects**

- ▶ Early Intervention for Native American Students: Strategies that Work
- ▶ The K-12/Higher Education Financing Disconnect: Creating Vertical Linkages
- ▶ Implementation of the Maryland Educational Excellence Awards Program

**Announcement**

The Institute is pleased to announce that Jane V. Wellman, currently Vice President for Government Relations at the National Association of Independent Colleges and Universities (NAICU), will join the Institute on July 1 as Senior Associate. In her work with The Institute, Wellman will concentrate on several important policy areas, including institutional relations with federal and state governments, government regulation and accountability, accreditation, and strategic planning and finance.

The Pell Grant Program has been a pillar of the nation's infrastructure for promoting equality of educational opportunity. Focusing policy emphasis on the program's true shortcomings, rather than on marginal concerns, is a fundamental step in breaking the cycle of poverty, making sure all citizens can afford an education, and producing contributing, law-abiding taxpayers. ←

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*Mission*

*The Institute for Higher Education Policy is a non-profit, non-partisan organization whose mission is to foster equal educational opportunity by developing and promoting innovative policies at the programmatic, institutional, systemic, and governmental levels. The goal of these policies should be to further access to and success in education and training at the postsecondary level that leads to greater individual opportunity and contributes to the social and economic development of the nation.*

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