

United States Senate

WASHINGTON, DC 20510

June 25, 2004

Senator Arlen Specter, Chairman
Subcommittee on Labor, HHS, and Education
Senate Appropriations Committee
Washington, DC 20510

Senator Tom Harkin, Ranking Member
Subcommittee on Labor, HHS, and Education
Senate Appropriations Committee
Washington, DC 20510

Dear Senators Specter and Harkin:

As you work on the FY 2005 Labor-HHS appropriations bill, we are writing to urge you once again to support college access for students by blocking implementation of the Department of Education's new rules for determining student aid eligibility, which would result in significant cuts in student aid. We appreciated your successful efforts to block implementation of the new rules for Fiscal Year 2004, and urge you to do so again.

As you know, on May 30, 2003 the Department of Education published updates to the allowance for state and other taxes that is used by students and their families to calculate their expected family contribution, or EFC. The EFC is the amount that students and their families are expected to contribute towards college in a given year. A family's EFC determines eligibility for Pell Grants and other forms of federal aid. Some private institutions also use EFC to determine eligibility for private financial aid. Unfortunately, the Department's changes to the state and local tax allowance will increase EFC for nearly all American families and students. And while the impact of increases in EFC will vary from student to student and family to family, it is clear that an increase in EFC will reduce aid for many students.

In fact, the Department of Education determined that the changes in the state and local tax allowances would cause 84,000 students to lose their Pell Grants entirely, and would reduce Pell Grants overall by \$270 million. Students would lose many other types of federal, state and private assistance, as well. By some estimates, the total cuts in federal, state and private student aid resulting from the Department's changes to the state and local tax allowance would reach billions of dollars.

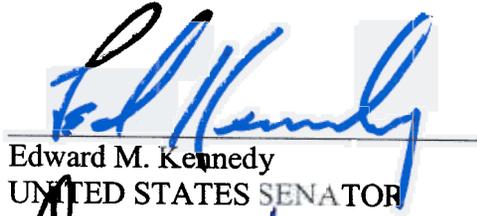
At a time when tuition costs are rising and middle class wages remain flat, it is troubling that the Department would make any changes that would reduce financial aid. Moreover, these changes are grossly unfair. They reduce the credit that families get for paying state and local taxes at a time when, in fact, they are paying more taxes every year. According to the National Association of State Budget Officers, states raised taxes by more than \$8 billion in FY 2003 and \$9.6 billion in FY 2004.

Last year, during Senate consideration of the Labor-HHS appropriations bill, the Senate approved an amendment to block the Department's changes by a bipartisan, 51-44 vote. As you know, the conferees postponed the tax table update for Fiscal Year 2004 and ordered the Advisory Committee on Student Financial Assistance to study the feasibility of simplifying the need analysis methodology for all Federal student financial assistance programs. Given the uncertainty about when the report will

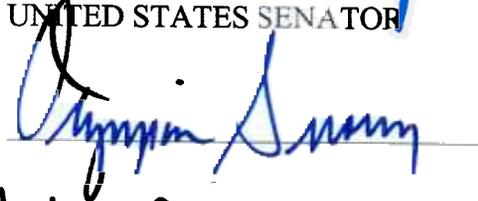
be done and the difficulties that Congress is likely to face in implementing corrective legislation this year, it is critical that we not allow the new tax tables to go into effect in Fiscal Year 2005.

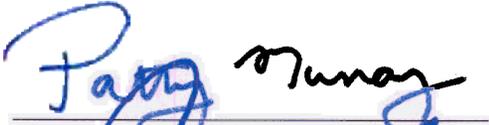
This is not a partisan issue, and we urge you to stand with America's college students by again blocking implementation of the new rules. Thank you for your consideration.


Jon S. Corzine
UNITED STATES SENATOR

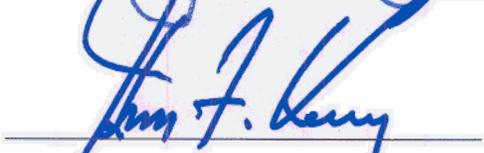

Edward M. Kennedy
UNITED STATES SENATOR

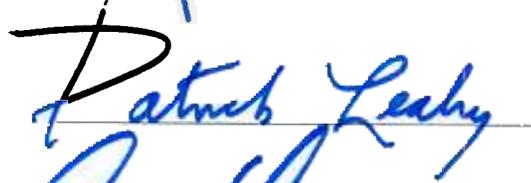

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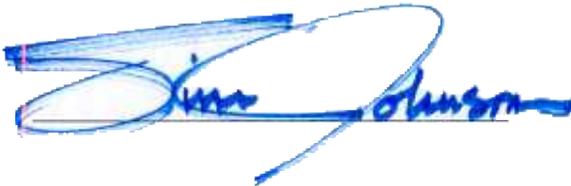

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