

Spending: House subcommittee lobbies to protect Perkins Loan program

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Grants and loans

The U.S. House Subcommittee on 21st Century Competitiveness approved a bill last Thursday to persuade Congress to protect the Perkins Loan program for universities in response to the complete elimination of the program in the President's proposed fiscal year 2006 budget, according to a press release.

Perkins Loans are a type of financial aid given to 5 percent of the nation's college students. These loans provide up to \$4,000 a year for undergraduate and \$6,000 for graduate students, depending on eligibility. They are particularly appealing to students coming in from lower-income households because the loans have low interest rates and require students to be enrolled in only six credit-hours per term, allowing them to work and go to school simultaneously.

If Congress approved this section of next year's budget, more than 700,000 students would be affected and at least \$6 billion would be sent back to Washington, and that cost would be picked up by universities with Perkins loans, according to the release.

The decreased affordability of college for incoming freshmen has led to a decline in the enrollment rate for students coming from low and middle-income households.

Grants and loans aimed at lower and middle-income households continue to lose federal funding, creating an affordability issue for incoming freshmen and other students seeking aid. Meanwhile, historical statistics show that education directly relates to income, unemployment, crime and poverty.

Education affects earnings and unemployment

A report from the National Center for Education Statistics (NCES) shows that the median annual earnings of full-time, full-year wage and salary workers decreased between 1979 and 2003 for black, white and Hispanic workers between the ages of 25 and 34. Black workers who completed high school but did not attend college saw a \$2,200 decrease in salaries and wages. Whites experienced a \$4,800 decline, while Hispanics lost \$5,200 in annual earnings.

Highlighting the importance of a college education in relation to salaries and wages, black and white workers who completed college with a Bachelor's degree saw increases of \$3,100 and \$1,300 respectively. Salaries and wages declined \$2,000 in 2003 for Hispanic college graduates, but at a slower pace than the \$5,200 decrease for those without a degree.

Median annual earnings of full-time, full-year wage and salary workers age 25-34 (in constant 2003 dollars)

	WHITE		BLACK		HISPANIC	
	H. S. Diploma	Bachelor's Degree or Higher	H. S. Diploma	Bachelor's Degree or Higher	H. S. Diploma	Bachelor's Degree or Higher
2003	22,900	40,900	29,100	43,400	24,000	37,600
2000	25,000	37,700	29,400	43,900	24,900	40,500
1999	25,500	36,200	29,000	44,700	23,600	39,900
1989	24,500	35,100	30,200	44,000	26,100	38,400
1979	27,700	37,800	33,900	42,100	29,200	39,600
Net Change	-2200	+3100	-4800	+1300	-5200	-2000

Net Change in Salary from 1979-2003

BRET FURTWANGLER | GRAPHIC ARTIST

Statistics from the report show that 9 percent of people between the ages of 29 and 34 with less than a high-school diploma were unemployed in 2004. Six percent of people with a diploma and 5 percent of people with "some college" were unemployed. For people with a Bachelor's degree or more, only 3 percent were unemployed in 2004.

The relationship between education and unemployment has been constant since the 1970s, according to a NCES report. It states, "generally speaking, the more education a person attains, the less likely that person is to be unemployed."

In Oregon in 2000, more than 85 percent of citizens 25 or older had a diploma and more than 25 percent had a Bachelor's degree or higher. For Lane County these statistics are slightly higher. A 2002 report published in "The Review of Economics and Statistics" found that the average wages of non-college-educated men — those with a high-school diploma or less, fell 23 percent from 1979 to 1993. A 2000 NCES report found the same thing, stating, "there is a strong positive relationship between education attainment and earnings."

Annual earnings, unemployment and crime

MIT research found that a decline in wages offered "increases the relative payoff of criminal activity." The study found that a 23.3 percent fall in

the wages of non-college-educated males from 1979 to 1997 predicts a 12.5 percent increase in property crime and a 25.1 percent increase in violent crime. This correlation is explained in their conclusion: "although crime rates are found to be significantly determined by both the wage and unemployment rates of less educated males, our results indicate that a sustained long-term decrease in crime rates will depend on whether the wages of less skilled men continue to improve."

Therefore, the correlation between attainment of education and earnings have a direct relationship with the "relative payoff of criminal activity" for those experiencing wage decreases.

Attaining a college education

A report published by the National Bureau of Economic Research in 2002 found that the bottom 90 percent of the labor force saw a drop in average income from \$27,060 in 1970 to \$27,035 in 2000, while the top 10 percent saw increases of 88 percent. Over this 30-year period the average salaries and wages increased slightly overall, but even those in the 80th to 90th percentile, workers making up the bottom 10 percent of high income households, saw a drop in salaries and wages. For those representing the bottom 70 percent, income levels dropped further while the bottom 20 percent saw the greatest decrease in

average income. These statistics point to the evolving problem of financial stability, making it more difficult for the bottom 90 percent of the labor force to afford, among other needs, higher education.

Low and middle-income financial aid scarcity

Federal loans were estimated to make up 45.5 percent of the total student aid for the 2003-04 academic year, but actually came out to 56 percent as the number of students applying for loans increased. The percentage change in total loans borrowed from the 1994-95 academic year to the 2002-03 academic year increased 641 percent, according to the U.S. Department of Education, Office of Postsecondary Education. The number of students borrowing loans from 1994 to 2003 increased 668 percent for the most popular Stafford loans and 871 percent for unsubsidized loans, according to the U.S. Department of Education.

Federal Pell Grants are another source of financial aid for low and middle-income students. Pell Grants were estimated to make up almost 10.5 percent of the total student aid for the 2003-04 academic year. The amount of money spent on the program was "the smallest real increase since 1999-2000" at 6 percent, according to College Trends, 2004.

The number of Pell Grant recipients rose 37 percent over 10 years,

while the maximum a recipient can receive has remained constant over the last three. Further, Pell Grants were originally predicted to cover 34 percent of total costs of a public four-year university in the 2005 budget, but ended up covering only 23 percent. This is a 49 percent decrease from 1976, when the grants covered 72 percent of total costs. The Pell Grant program also saw a 1 percent decrease in the maximum awards in 2003-04. These statistics may be a result of the Pell Grant program's "3.7 billion funding shortfall" in the fiscal year 2005 budget, as stated in the Office of Management and Budget. Funding has risen 60 percent in real terms since 1999-2000, but because of a 7 percent increase from 2002-03 to 2003-04 the average grant actually fell by 1 percent. So while "the average grant has increased by 17 percent in real terms since 1999-2000," the amount of money awarded per student has actually decreased.

Subsidized loans, for which the government pays the interest while a student is enrolled in school, may be another option for low and middle-income students hoping to pay off the remaining 77 percent of college costs. Individual grant recipients were awarded \$27 less in 2003-04 than the previous year. If the number of recipients continues to rise at the 2000-01 rate, Pell Grant recipients can expect to be given even less than the 2003-04. Unless a significant increase in funding for fiscal year 2007 is passed, the percentage of college costs covered by the awards will likely continue to decline.

Although no correlation is mentioned between grant funding and loans, the growth rate in loans per student in 2003-04 was about three times the growth rate of grants per student, according to the College Trends, 2004.

Declining rates of enrollment

Enrollment trends from 1979 to 1989 showed an 18.4 percent increase for students from low-income households, or the bottom 20 percent, but only a 1.3 percent increase from 1989 to 1999. In this case, the enrollment of students from low-income households fell 3.6 percent from 1979 to 2003, while middle-income households saw a 3 percent decrease. Only students coming from households in the top 20th percentile of income saw an increased rate of enrollment, at 1.9 percent.

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