

Policy Brief

COLLEGE PROMISE

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Keeping the Promise: Stabilizing the Pell Grant Program

An Opportunity for Bipartisan Leadership in the 117th Congress

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In the information age, a college education is often a job requirement. Many Americans believe they have no choice but to obtain a degree, yet the high cost of college bars some students from pursuing higher education and saddles many of those attending with the long-term burden of student loans. Student debt has quintupled from \$330 billion in FY2003 to \$1.6 trillion in FY2020 [1]. Bipartisan leadership at the state and local levels is turning to policy solutions that offer hope to students who are losing faith in their ability to use college as a vehicle for economic mobility. On the local and state levels, College Promise programs, which seek to make college as universally accessible

and free as high school [2], are already having significant success improving college access and affordability. Yet now is the time to reexamine policies at the federal level, particularly Pell Grants, as we usher in a new administration.

Since 2011, the University of Alabama's Education Policy Center has conducted 20 studies of Pell Grants. This brief reviews trends in Pell data and proposes three issue areas ripe for reexamination and improvement:

- The Pell Applicant-Awardee gap has quadrupled to over 8 million and growing.
- The Pell Grant has been subject to volatile funding and has not kept pace with rising costs. The average award of \$3,400 in 1975-76 was not exceeded in real dollars until 2008-9—a third of a century later.
- The Pell Coverage Gap is large and growing. In 2017-18, the average Pell award did not cover basic costs for two-thirds of U.S. community college students.

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RECOMMENDATIONS

- Make Pell an Entitlement
- Re-institute Maintenance of Effort (MOE) provisions



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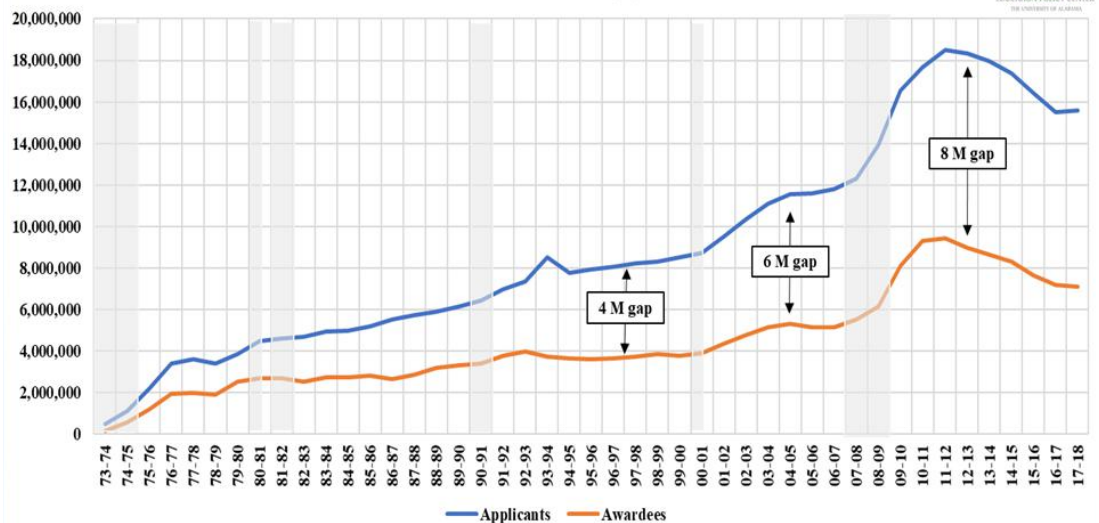
Stephen Katsinas is Professor of Higher Education and Political Science and Director of the Education Policy Center at The University of Alabama. He worked in the Illinois Legislature and in Washington, writing the background report for the first congressional hearings on Hispanic Access to Higher Education for Paul Simon. The 20 published Pell Grant studies have been presented at the White House 5 times and 6 times at the Department of Education under both parties. His work to restore year-round (summer) Pell was recognized for excellence in public policy by the Association for the Study of Higher Education in 2017. He has visited 500 community colleges in 44 states.

President-Elect Joe Biden and Vice President-Elect Kamala Harris made college affordability a priority in 2020, proposing to double Pell Grants and make the first two years of college free.[3] With divided government probable, their loan forgiveness proposals face an uncertain future.[4] Targets of opportunity in the 117th Congress will likely be issues that have seen bipartisan cooperation in recent years. The Pell Grant, an essential part of every College Promise in the 35 states and 360 communities that have a program, is therefore a prime target. The Consolidated Appropriations Act of 2017 passed with overwhelming bipartisan support and included provisions restoring year-round (Summer) Pell, which had previously been eliminated in 2012. Utilizing some of the growing Pell program surplus funds, a maximum \$2,950 Summer Pell was added to the regular \$5,950 grant, increasing both the total award amount and the flexibility of use for Pell. Policy-makers should capitalize on the success and momentum of bi-partisan support to address identified weaknesses in the Pell policy structure.

The Growing Pell Applicant-Award Gap

The Pell Applicant-Awardee Gap is the difference between students applying and receiving Pell. Figure 1 shows the gap has quadrupled from 2 million in the 1980s to 8 million and growing today. This indicates the Pell program’s ability to match demand has fallen.

Figure 1: The Pell Applicant-Awardee Gap *Widens* from 1973-74 to 2017-18
 (recessions indicated in gray)





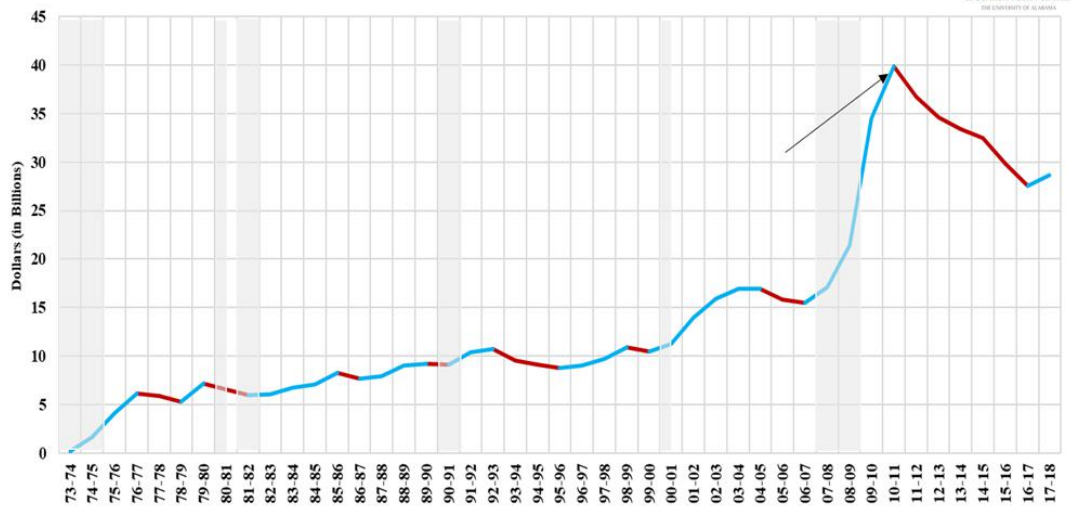
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Volatile, Unstable Pell Grant Funding

In 2018 dollars, the value of the federal investment in Pell fell eight times from 1973-74 to 2017-18 only four drops coincided with recessions. Even if it can be argued that expanding Pell in recessions to help workers reskill is good public policy, the lack of consistency in Pell expansion and contraction strongly suggests a policy flaw exists within the program that is not tied to general economic conditions. The greatest drop in federal investment occurred immediately after the 2012 Pell eligibility restrictions were imposed. While Pell appropriations fluctuate, enrollment of students 18 to 24 years old has grown steadily from 26 percent in 1970 to 40 percent in 2018. [5] Tuition and fees did not decline in any of the eight periods of Pell funding contraction, further illustrating a disconnect between student need and Pell resource allocation.

Figure 2: In Inflation-Adjusted 2018 Dollars, Pell Funding Fell Eight Times from 1973-74 to 2017-18 (recessions indicated in gray)



Since the Great Recession, the Pell Coverage Gap Widens

For nearly a third of a century, the average 1975-76 Pell Grant --about \$3,400-- was not exceeded. The average Pell Grant is perhaps the single most critical metric for states to use in assessing federal financial contributions as they align their state appropriations, tuition and fees, and state student aid policies. This is because assuring access to higher education is a responsibility of both states and the federal government, even if their roles are not as clearly defined as they should be. Additionally, most students do not receive the maximum Pell award amount. Low income, first-generation community college, regional university, flagship university, and nonselective liberal arts college students are price sensitive to the difference between the average Pell Grant and key cost components.



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Originally from Cincinnati, Ohio and attending the University of Alabama since August of 2016 and a Graduate Research Associate with the Education Policy Center since August of 2019, Noel has had a major role in the analysis and visualization of Pell Grant data. With a Bachelor of Science in Finance and Economics, a Master of arts in Applied Economics, and currently studying Political Science for his PhD, much of his studies have revolved around data analytics and policy and has applied this to his work at the EPC.

Figure 3: In Inflation-Adjusted 2018 Dollars, the Average Pell Grant *Fell Nine Times* from 1973-74 to 2017-18
(recessions indicated in grey)

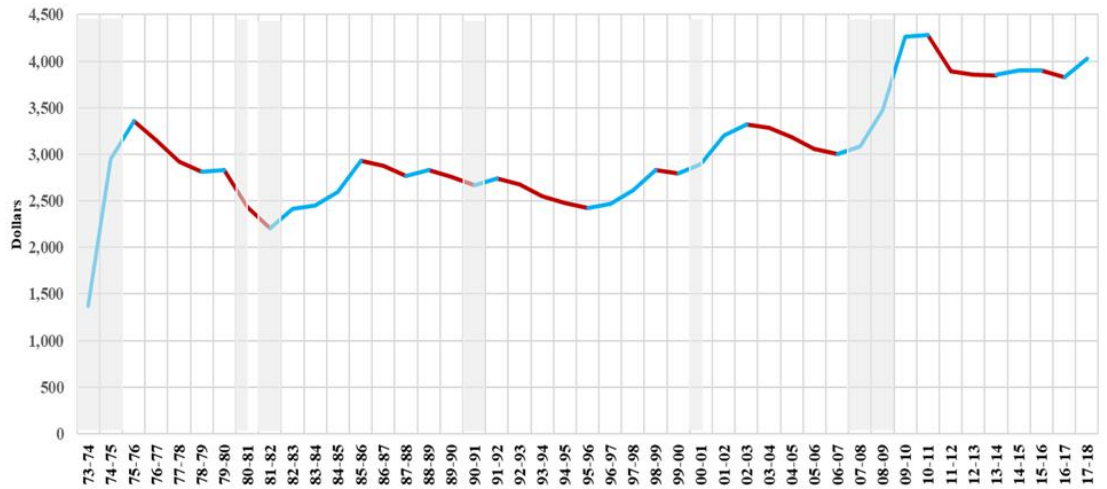
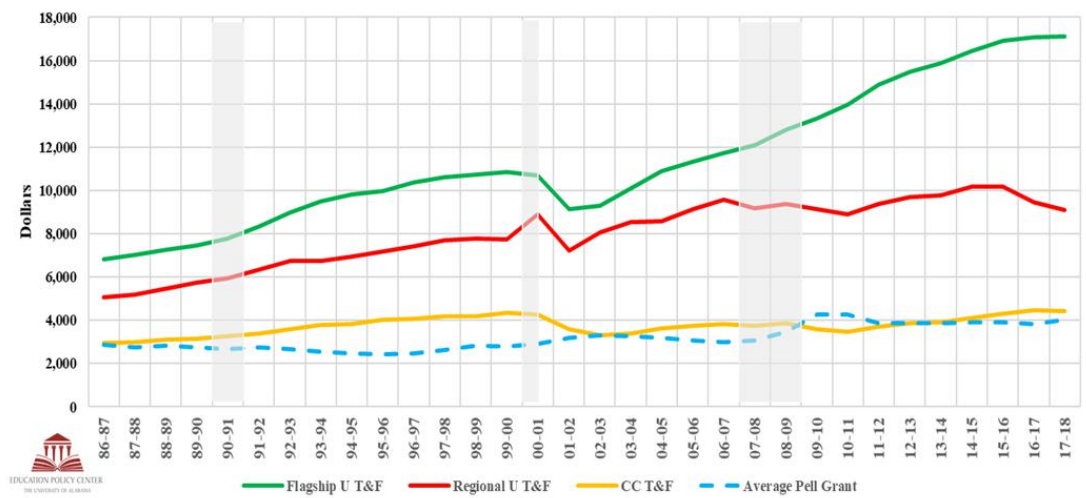


Figure 4, below, shows the average cost of tuition and fees at the three public institution sectors tracked alongside the average Pell Award since 1986-87. In 2010-11, the average award covered 34 percent of in-state tuition and fees for students at 108 Flagship Universities, 53 percent at America’s 461 Regional Universities, and 126 percent at 963 Community Colleges; by 2017-18, these percentages had declined to 30 percent, 45 percent, and 50 percent, respectively. The 2012 Pell eligibility restrictions did sharply increase the Pell coverage gap in all sectors, and these estimates are conservative, as they do not include room and board or books and supplies.

Figure 4: The Pell Coverage Gap (In-State Tuition and Fees Minus Average Pell Grant) Has Grown in All Three Public Sectors from 1986-87 to 2017-18
(in inflation-adjusted 2018 dollars, recessions indicated in grey)





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Hunter D. Whann graduated with honors from the University of Alabama, where he studied political science and history. He worked at the Education Policy Center while at UA, producing issue briefs on a variety of topics including unemployment, healthcare, and broadband access in Alabama. Mr. Whann has since enlisted in the U.S. Navy as a linguist, and plans to return to graduate studies in the future.

Conclusion and Recommendations

The historic Pell increases in the first Obama-Biden administration were part of a comprehensive Great Recession-fighting strategy to help millions of Americans upskill. From 2008-9 to 2011-12, Pell recipients grew from 6 to 9 million [6]. In addition to Pell investments, \$2 billion of American Recovery and Reinvestment Act (ARRA) funds were invested in the Trade Adjustment Assistance Community College and Career Training grant program, to help community colleges to address workforce challenges. However, a \$2 billion shortfall prompted the 2012 Pell restrictions on Lifetime Eligibility, Expected Family Contribution, and Ability-to-Benefit.

The Great Recession revealed students flock to opportunity. The Pell increases spurred enrollment and graduation increases at community colleges and four-year institutions [7]. When Pell is cut, community college and regional university enrollments immediately fall. Graduations also soon fall as cash-strapped states cut appropriations, forcing tuition costs to increase and widening the Pell coverage gap [8].

At the root of the problem is volatility caused by ad hoc year-to-year Pell funding. Pell is by far the largest federal need-based aid program. In 2015-16 it comprised 72 percent of all federal grant aid to undergraduates, 53 percent of federal, state, and institutional undergraduate need-based grant aid, and 28 percent of total grant aid for undergraduates coming from federal, state, institutional, and private sources [9]. Senator Mike Enzi's Republican Budget Committee staff note Pell funding is one of the most complex of any federal program: in 2018, \$30.6 billion was awarded to 7.5 million students. Of that amount, 27 percent (\$8.1 billion) came from two mandatory appropriations streams, while 73 percent (\$22.5 billion) was discretionary [10]. The discretionary share increased to 81 percent for 2020-2021 [11].

It is therefore the recommendation of the authors that Congress:

- **Make Pell an entitlement**
 - Academically-talented, economically-challenged students need a reliable federal partner as they commit to forgoing income for two- to four-years to obtain certificates, associate's degrees, and bachelor's degrees. States need a reliable federal partner as they align their state appropriations, public college and university tuition, and state student aid policies -- which should include the role of private non-profit, regionally accredited colleges and universities. Institutions need a reliable federal partner as they align their wraparound support services -- services that have demonstrated clear track records of success in pulling students across the finish line to certificate and degree completions. Stable Pell Grant funding better ensures that the federal dollars invested provide access to higher education for the nation's most disadvantaged students, supporting degree completion that promotes social mobility and sustainable workforce development.



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- **Re-institute Maintenance of Effort (MOE) provisions**

Requiring states to maintain spending levels on higher education in order to access federal Title IV student aid helps in three important ways:

- First, by keeping tuition stable, low-income students and their families can better plan their certificate and degree course-taking without loans. The Great Recession clearly showed how federal ARRA-MOE provisions held public college tuition increases steady through 2009, 2010, and 2011. The soaring tuition increases at public flagship and regional universities occurred immediately after federal MOE was ended and Pell eligibility restrictions imposed. Thus, MOE is not just an access tool; by maintaining Pell's purchasing power it is perhaps the most powerful retention tool in the federal toolbox to improve college completion.
- Second, the stability federal MOE provisions bring makes state funding for higher education less volatile, just as it does for other federal-state matching programs including Medicaid, highways, and workforce training.
- Third, more stable, sustainable funding helps institutions to plan programs that help academically talented students enroll and complete.

The federal government must do better by academically-talented, economically-disadvantaged students to help them earn high-quality degrees and certificates. Stable, predictable Pell funding is key. Low-income students should not be subject to a dysfunctional budget process [13]. College access and completion can no longer be discretionary, it is time to fix Pell and make it an entitlement, including maintenance of effort provisions as a condition of receiving federal Title IV student aid.

College Promise is a national, non-partisan, non-profit initiative that builds broad public support for funding the first two or more years of postsecondary education for hard-working students, and ensuring those students have access to quality educational opportunities and supports.

Learn more at: collegepromise.org or email info@collegepromise.org

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