PELL PLUS: MAXIMIZE OPPORTUNITIES FOR COLLEGE COMPLETION

To maximize opportunities for college completion among Pell Grant-eligible students, the U.S. Congress should establish an incentive for students to complete on time.

PROPOSAL

The Federal Pell Grant Program provides need-based grants to low-income undergraduate students to promote access to postsecondary education. Currently, the Pell Grant maximum award is $6,195 per year for up to six academic years. A student receiving the maximum Pell Grant award receives $24,780 in federal aid if they complete their studies in four years and $37,170 if they take six years to graduate. **(See Figure 1)**

PELL GRANT PROGRAM

The current Pell Grant maximum award is $6,195 per year for up to 6 academic years.

FIGURE 1

	On-time Completion					Additional Eligibility		
	Year 1	Year 2	Year 3	Year 4	4-YEAR TOTAL	Year 5	Year 6	6-YEAR TOTAL
PELL GRANT MAX AWARD	$6,195	$6,195	$6,195	$6,195	$24,780	$6,195	$6,195	$37,170

Under the Pell Plus proposal, junior- and senior-year students who are on-track to graduate on time would receive the same amount of total Pell Grant dollars currently reserved for students who take longer to complete. In addition, those students would also receive a bonus in matching funds from their college or university. **(See Figure 2)**

This concept could also be adapted to apply as early as the sophomore year, for fifth-year undergraduates, or nontraditional students. It could also apply to the student loan program.

PELL PLUS PROPOSAL

To maximize opportunities for college completion, students should be provided an incentive to complete on time.

FIGURE 2

	On-time Completion				
	Year 1	Year 2	Year 3	Year 4	4-YEAR TOTAL
CURRENT PELL GRANT	$6,195	$6,195	$6,195	$6,195	$24,780
ADDITIONAL PELL GRANT	-	-	$6,195	$6,195	$12,390
INSTITUTIONAL MATCH	-	-	$6,195	$6,195	$12,390
STUDENT TOTAL	$6,195	$6,195	$18,585	$18,585	$49,560

The net effect of this proposal would be to: (1) triple the amount of Pell Grant assistance during the final two years of study for students who are on track to complete on-time; (2) incentivize students to take the course work needed to complete on-time and institutions to make the needed courses available to students; and (3) reduce student debt.

RATIONALE

Pell Grants should remain the foundation of the federal role in higher education, and financial need should remain the central eligibility factor for students. However, the program could, and should, be adjusted to encourage more students to complete and to complete on-time.

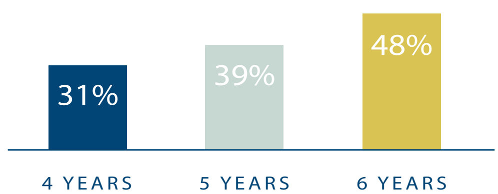
This completion goal could be accomplished by assuring that on-time completers receive the same amount of Pell Grant assistance as those who take six academic years to earn a degree. Current Pell Grant policies can work against completion goals because, the longer a student takes to finish college, the more federal aid he or she can receive. For example, a student who takes six years to get through college could receive more than $37,000 in Pell Grants, while a student who takes four years would receive less than $25,000.

Ensuring that all institutions have "skin-in-the-game" is a leading policy conversation related to the reauthorization of the Higher Education Act. Many of the proposals put forward to date have focused on loan-sharing payments by institutions to the federal government. This Pell Plus proposal takes a more student-centered approach by focusing on grant-sharing payments to students that can reduce debt and promote college completion.

According to the U.S. Census Bureau, the median lifetime earnings for workers with a bachelor's degree is $1 million more than those with just a high school diploma. Additionally, society as a whole benefits from the greater tax payments and lower dependence on social services of college completers. Students who graduate with a bachelor's degree in four years graduate with nearly 20% less debt than those who finish in six years. **(See Figure 3)**

Bachelor Degree Recipients Who BORROWED $30,000 OR MORE at Public or Private, Nonprofit Colleges, by Time to Graduation.

FIGURE 3



*Results exclude students who did not borrow for college.

Source: The 2016 National Postsecondary Student Aid Study (NPSAS). NPSAS surveys students every four years, with special attention to how they finance their education.

Additionally, these students will earn, on average right out of college, $50,253 in gross income for each year they work full-time instead of remaining in school. A recent graduate making this income would contribute an estimated $4,400 per year in federal taxes, more than 70 percent of the equivalent of the maximum Pell Grant. This means the federal government would recoup a significant portion of the additional investment made in each Pell Grant recipient. **(See Figure 4)**

LOST EARNINGS FOR STUDENTS and Lost Revenue for the Federal Government for Each Additional Year in College, Class of 2015.

FIGURE 4

	Earnings	Federal Taxes
5 YEARS TO GRADUATE	$50,253	$4,400
6 YEARS TO GRADUATE	$100,506	$8,800

Source: *First Destinations for the College Class of 2017*, National Association of Colleges and Employers, 2018. Taxes assume single filier with no dependents for the 2018 tax year.