

#DOUBLEPELL

THE CASE FOR DOUBLING THE PELL GRANT

In the mid-1970s, the Pell Grant maximum covered 75% of the cost of attending a four-year public college. Today, the maximum grant covers 28% of the same costsⁱ. In the wake of the COVID pandemic, the urgency of this much needed action is apparent as Pell Grants are the fairest and most efficient way to provide education funding to those who need it most.

The Pell Grant program has been the foundation of federal student aid since it was created in 1972. With the intention of providing a student without financial resources the same opportunity to pursue higher education as one with the means to pay for college, it is a proven government program that will not only open the doors of college and opportunity to more young people, but will also tackle the student debt crisis head-on. As the program reaches its 50th anniversary in 2022, now is the time to Double Pell.

WHAT IS THE PELL GRANT PROGRAM?

Created in 1972 as the Basic Educational Opportunity Grant (BEOG) and renamed for its champion, Sen. Claiborne Pell (D-RI), the Pell Grant is a federal grant given directly to a low-income student to help pay for the cost of college, at the college the student chooses to attend.

Currently, the \$30 billion Pell Grant program helps almost 7 million students pay for college each yearⁱⁱ. Receipt of Pell Grants is based on need, targeted to low-income students, to pay for the cost of attendance, not just tuition. The current maximum grant is \$6,495, and the average grant is \$4,283.

Pell Grants help students in all states and territories, in all corners of the country, whether rural, urban or in between. Students of all backgrounds receive Pell Grants, with nearly 60% of Black students; half of American Indian or American Native Students; nearly half of Latino students; and 30% of White students using Pell Grants to help pay for collegeⁱⁱⁱ.

Pell Grants help students at all types of institutions of higher education. Currently, the maximum grant covers less than one-third of the cost to attend a 4-year public college; slightly more than half of the cost to attend a community college; and about 13% of the cost to attend a 4-year private, nonprofit collegeⁱ.

WHY SHOULD CONGRESS DOUBLE PELL NOW?

Increases Access and Affordability: Doubling the Pell Grant maximum to \$13,000 would help restore the purchasing power of the grant. In FY 1975, the grant covered 79% of the average cost of a 4-year public college, all costs to attend a community college, and 38% of the cost of 4-year private non-profit collegeⁱ. Doubling Pell would cover 59% of the average cost to attend a 4-year public college; all costs to attend community college; and 26% of the average cost to attend a 4-year private, nonprofit college.

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Reduces Student Debt: The most direct way for the federal government to improve college affordability is to provide increased grant aid directly to students from low and middle income families. Students and families are borrowing more and more to pay for college each year. Doubling Pell would make it possible to narrow the affordability gap for low-income students by reducing the need for them to borrow to pay for college.

Over 20 years, the average amount Pell Grant recipients borrow has increased by 16 percent^{iv}. In academic year 1995-96, the average amount borrowed among Pell Grant recipients was \$5,922 (in 2015-16 dollars, for comparison). The average amount borrowed for community college recipients was \$4,038, \$6,149 for four-year public recipients, and \$6,755 for four-year private, nonprofit college recipients. Twenty years later in academic year 2015-16, the average amount borrowed among Pell Grant recipients was \$6,863 (16% increase). The average amount borrowed for community college recipients was \$4,766 (18% increase), \$6,930 for four-year public recipients (13% increase), and \$7,397 for four-year private recipients (10% increase)^{iv}.

Helps Meet Student “Basic Needs”: Additional direct grant aid for students to cover cost of attendance, not just tuition, is important because low-income students struggle to meet basic needs like food, housing, health care and childcare, even with tuition assistance. According to the most recent data available, 72 percent of Pell Grant recipients do not live with their parents^v. A newly released report by the Hope Center on College, Community and Justice found that three out of five college students experienced basic needs insecurity going into the fall 2020 semester.

Increases access and completion: Doubling the Pell Grant will encourage more students to pursue higher education and apply for financial aid. Changes in the FAFSA Simplification Act, passed in December 2020, will result in an additional 1.7 million students qualifying for the maximum grant in 2023. But now, freshman enrollment is down 13 percent across all institution types (19 percent at community colleges), and FAFSA submissions for low-income students are down 6 percent because of the pandemic^{vi}. Knowing they could receive a substantial grant of \$13,000 would motivate more students to apply.

Post-COVID economic recovery: With the COVID-19 pandemic, students need financial aid now more than ever before. The grant's purchasing power is not what it used to be, and students need an updated grant amount to help cope with the financial hardship they have experienced in the last year.

The pandemic has hit low-income families and students especially hard, and how their educational and financial needs are addressed now will affect generations to come. Data from the National College Attainment Network show that, between March 15 and April 15, 2021, there were 24.3 percent fewer Pell Grant-eligible returning FAFSA applicants from families earning less than \$25,000 per year, and 20.3 percent fewer from families earning between \$25,000 and \$50,000 annually, compared to 2019-20^{vii}.

A report from Third Way may have put it best by noting that "we don't need to reinvent the wheel: Pell Grants already have a track record of helping students both access and complete education beyond high school."^{viii} The Pell Grant has enjoyed bipartisan support throughout its

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existence. Students need assistance that is both fair and efficient, and expanding an already existing program is the fastest and most efficient way to achieve that goal.

WHAT ARE THE ARGUMENTS AGAINST DOUBLE PELL?

It costs too much: While it will take a significant federal investment to Double Pell, the return on the investment is worth it. A 2019 study conducted by the American Economic Journal analyzed data from public colleges in Texas and found that grant aid's significant impact on students' later earnings is enough to fully recoup government expenditures within 10 years.^{ix}

Additional grant aid is an investment in the economic mobility of low-income students, as those with college degrees make higher incomes as adults. 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^x. 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 percent less debt than those who finish in six years. Additionally, these students will earn, on average right out of college, \$51,034 in gross income for each year they work full-time instead of remaining in school^{xi}. A recent graduate making this income would contribute an estimated \$4,440 per year in federal taxes, roughly 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.

Colleges will just raise tuition: In the 1980s, former Sec. of Education Bill Bennett alleged that increases in federal student drive up college tuition. In fact, leading higher education economists Robert Archibald and David Feldman, two GAO reports (Bush and Obama administrations), and the report from the National Commission on the Cost of Higher Education (Clinton administration), find that there is no causal relationship between increases in federal student aid and tuition^{xii}.

CONCLUSION

The time has come to Double Pell Grants for students. Almost 50 years ago, Pell Grants covered more than three quarters of the cost of college. Today the maximum grant covers less than 30%. And with low income students struggling in the wake of the COVID pandemic, the urgency of this much needed action is apparent. Pell Grants are the fairest and most efficient way to get education funding to those who need it most. It's a proven program that will not only open the doors of college and opportunity to more but will also tackle head on the issue of student debt. Pell grants have proven to be the most effective and equitable investment in students. Doubling Pell Grants will increase student access and college affordability, reduce the burden of college debt, help meet students' basic needs, increase access and degree completion, and help America to achieve a post-COVID economic recovery. That's why we need to #DoublePell Now!

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Notes

ⁱ Digest of Education Statistics 2019 (NCES 2021-009). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC. Retrieved April 2021, from https://nces.ed.gov/programs/digest/current_tables.asp.

ⁱⁱ Title IV Program Volume Reports. Retrieved April 2021, from <https://studentaid.gov/data-center/student/title-iv>.

ⁱⁱⁱ Trends in Pell Grant Receipt and the Characteristics of Pell Grant Recipients: Selected Years, 2003–04 to 2015–16. National Center for Education Statistics, Institute of Education Sciences. Washington, DC. Retrieved April 2021, from <https://nces.ed.gov/pubs2019/2019487.pdf>.

^{iv} U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16); 1995-96 National Postsecondary Student Aid Study (NPSAS:96).

^v U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16).

^{vi} National Student Clearinghouse Research Center. Current Term Enrollment Estimates. Retrieved April, 2021, from https://nscresearchcenter.org/wp-content/uploads/CTEE_Report_Fall_2020.pdf. National College Attainment Network. FAFSA Renewals (2021-22 Cycle) Through December 30, 2020. Retrieved April, 2021, from <https://public.tableau.com/profile/bill.debaun.national.college.access.network#!/vizhome/FAFSARenewals2021-22Cycle/2021-22Renewals>.

^{vii} National College Attainment Network. New Data: Nearly 250,000 Fewer Low-Income FAFSA Renewals This Cycle Nationally. Retrieved April, 2021, from <https://www.ncan.org/news/505741/New-Data-Nearly-250000-Fewer-Low-Income-FAFSA-Renewals-This-Cycle-Nationally.htm>.

^{viii} Shelbe Klebs, “Why We Should Double the Pell Grant,” Third Way, July 20, 2020. Retrieved April, 2021, from <https://www.thirdway.org/memo/why-we-should-double-the-pell-grant>.

^{ix} American Economic Journal: Applied Economics, “ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare.” July 2019

^x U.S. Census Bureau, American Community Survey Briefs, “Work-Life Earnings by Field of Degree and Occupation for People with a Bachelor’s Degree: 2011”, October 2012.

^{xi} National Association of Colleges and Employers. First Destinations for the College Class of 2018: Findings and Analysis. Retrieved April, 2021, from <https://www.naceweb.org/uploadedfiles/files/2019/publication/free-report/first-destinations-for-the-class-of-2018.pdf>

^{xii} Archibald, Robert B., and David H. Feldman. Why Does College Cost so Much? New York: Oxford UP, 2010. Print. Government Accountability Office, “Federal Student Loans: Patterns in Tuition, Enrollment, and Federal Stafford Loan Borrowing Up to the 2007-08 Loan Limit Increase,” May 2011; U.S. Department of Education, National Center for Education Statistics, “Study of College Costs and Prices 1988-89 to 1997-98, Vol. 1,” December 2001; National Commission on the Cost of Higher Education, “Straight Talk about College Costs & Prices,” February 1998.