

Pell Grants Help Keep College Affordable for Millions of Americans

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Pell Grants Are Essential to College Access and Affordability:

- **Pell Grants make college possible for millions of Americans.** Over seven and a half million Americans depend on Pell Grants to attend and complete college.¹ Research has shown that need-based grant aid increases college enrollment and completion among low- and moderate-income students.²
- **Pell Grants are awarded to students with very high financial need.** The vast majority of Pell Grant recipients have family incomes of \$40,000 or less,³ and the median family income of Pell Grant recipients has been declining over time.⁴
- **Pell Grant recipients are already *more than twice as likely* as other students to have student loans** (61% vs. 29%).⁵ Nearly *9 out of 10* Pell Grant recipients who graduate from four-year colleges have student loans, and their average debt is \$4,750 more than their higher income peers.
- **For students of color, Pell Grants are particularly important.** *More than 60%* of African-American undergraduates and *half* of Hispanic undergraduates rely on Pell Grants to attend school.⁶

Pell Grants Must be Strengthened to Increase College Affordability, Access, and Completion:

- **This year's maximum Pell Grant covers the smallest share of college costs in more than 40 years.** In the 1980s, the maximum Pell Grant covered over half the cost of attending a four-year public college. In contrast, the \$5,920 maximum Pell Grant in 2017-18 covers less than 30 percent of the cost of college.⁷ Moreover, under current law, *the maximum Pell Grant will no longer be tied to inflation after 2017-18*, which will further erode the grant's purchasing power.
- **A number of critical investments are urgently needed to strengthen the program**, including raising the maximum award to cover a greater share of college costs, making the annual inflation adjustment permanent, and restoring Pell Grant eligibility for students who were defrauded or whose schools closed.

Pell Grant Costs Have Already Been Cut by More than \$50 Billion and Are Projected to Remain Steady:

- **Prior budget agreements reduced Pell Grant costs by more than \$50 billion.** The FY2011 budget agreement eliminated "year-round" Pell Grants, and the FY2012 omnibus appropriations bill further reduced eligibility. Together, they cut program costs by approximately \$5 billion (12%) per year and by more than \$50 billion over 10 years.⁸
- **Pell Grant costs have *declined* since 2010 and are projected to *remain flat* over the next 10 years, after adjusting for inflation.** Costs for the Pell Grant program peaked in 2010 and have *declined 29%* since then.⁹ After adjusting for inflation, the Congressional Budget Office (CBO) projects *no annual growth* in costs, on average, over the next 10 years.¹⁰

Pell Grants Strengthen our Economy by Expanding Opportunity and Boosting Workforce Productivity:

- **America's economy needs more students to complete college, but families are struggling to cover the cost.** At the current rate, by 2020, we will have five million fewer workers with postsecondary credentials than the economy needs.¹¹
- **A college degree dramatically increases employment and wages.** Young adults with only a high school diploma are more than three times as likely to be unemployed, and earn three-fifths as much as those with at least a bachelor's degree.¹²
- **People of all backgrounds, ages, and party affiliations oppose cuts to Pell Grants and believe college affordability should be a top priority for Congress and the economy.** Surveys consistently find near universal agreement on the importance of a college education for individuals and the economy, widespread concerns about costs and debt, and broad support for making college affordability and financial aid policy priorities.¹³

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- ¹ Congressional Budget Office (CBO), June 2017 baseline projections for the Pell Grant program, <http://bit.ly/2srONum>.
- ² Franke, Ray. 2014. *Toward the Education Nation? Revisiting the Impact of Financial Aid, College Experience, and Institutional Context on Baccalaureate Degree Attainment for Low Income Students*. As prepared for presentation at the Annual Meeting of the American Educational Research Association (AERA), cited with the author's permission. <http://bit.ly/1nMnnMi>. Castleman, Benjamin and Bridget Terry Long. 2013. "Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation." National Bureau of Economic Research Working Paper 19306. <http://www.nber.org/papers/w19306.pdf>. Goldrick-Rab, Sara, Douglas N. Harris, Robert Kelchen, and James Benson. 2012. "Need-Based Financial Aid and College Persistence: Experimental Evidence from Wisconsin." <http://bit.ly/12iY97R>. Bettinger, Eric. 2010. "Need-Based Aid and Student Outcomes: The Effect of the Ohio College Opportunity Grant." <http://www.sesp.northwestern.edu/docs/need-based-aid-why.pdf>. Chen, Rong and Stephen L. DesJardins. 2008. "Exploring the Effects of Financial Aid on the Gap in Student Dropout Risks by Income Level." *Research in Higher Education* 49 (1): 1-18. Bettinger, Eric. 2004. "How Financial Aid Affects Persistence." National Bureau of Economic Research Working Paper 10242. Heller, Donald. 2003. "Informing Public Policy: Financial Aid and Student Persistence." WICHE. <http://www.wiche.edu/info/publications/InformingPublicPolicy.pdf>. Kane, Thomas J.. 2003. "A Quasi-Experimental Estimate of the Impact of Financial Aid on College-Going." National Bureau of Economic Research Working Paper 9703. Seftor, Neil S. and Sarah E. Turner. 2002. "Back to School: Federal Student Aid Policy and Adult College Enrollment." *The Journal of Human Resources* 37 (2): 336-352. Heller, Donald E.. 1997. "Student Price Response in Higher Education: An Update to Leslie and Brinkman." *The Journal of Higher Education* 68 (6): 624-659.
- ³ Calculations by TICAS using data from the U.S. Department of Education, 2015-16 Federal Pell Grant Program End-Of-Year Report, Table 71, <https://www2.ed.gov/finaid/prof/resources/data/2015-2016eoyresearchreports.zip>. Of the Pell Grant recipients with family incomes above \$40,000, more than two-thirds (69%) have families of four or larger and almost two in five (38%) have families of five or larger.
- ⁴ U.S. Department of Education, 2016. *Changes in Pell Grant Participation and Median Income of Recipients*. <https://nces.ed.gov/pubs2016/2016407.pdf>. Data are from the National Postsecondary Student Aid Study (NPSAS) and cover academic years 1999-2000, 2003-2004, 2007-2008 and 2011-2012. Median family incomes are inflation-adjusted.
- ⁵ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.
- ⁶ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.
- ⁷ College costs are defined here as average total in-state tuition, fees, room, and board costs at public four-year colleges. Calculations by TICAS on data from the College Board, 2016, *Trends in College Pricing 2016*, Table 2, <http://bit.ly/2j61cQh>, and U.S. Department of Education data on the maximum Pell Grant. The maximum Pell Grant for 2017-18 was announced in the Department of Education's Pell Grant Payment and Disbursement Schedules, <https://ifap.ed.gov/dpccletters/attachments/1718PellPaymentDisbursementSchedules.pdf>.
- ⁸ Calculations by CBPP on data from the Congressional Budget Office (CBO), March 2011 baseline and estimates of changes made in 2011. Calculations based on changes in Pell Grant program costs during the period 2012 through 2021.
- ⁹ Calculations by TICAS on data from the U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (CPI-U); U.S. Department of Education, "Fiscal Year 2018 Budget Request: Student Financial Assistance;" and Congressional Budget Office (CBO), "Budget and Economic Outlook: Fiscal Years 2017 to 2027" and June 2017 baseline projections for the Pell Grant program. The decline in program costs between 2010 and 2017 was 29%, adjusted for fiscal year inflation.
- ¹⁰ Calculations by TICAS on data from the U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (CPI-U) and Congressional Budget Office (CBO), "Budget and Economic Outlook: Fiscal Years 2017 to 2027" and June 2017 baseline projections for the Pell Grant program. The average annual growth calculation is based on CBO's projected Pell Grant program costs from 2018 to 2027, adjusted for fiscal year inflation.
- ¹¹ Georgetown Center on Education and the Workforce. 2013. *Recovery: Job Growth and Education Requirements Through 2020*. https://cew.georgetown.edu/wp-content/uploads/3.17.15_RecoveryProjections2020.pdf.
- ¹² Calculations by TICAS on 2015 income data from the U.S. Census Bureau, Current Population Survey, 2016 Annual Social and Economic Supplement, Table PINC-04; and unpublished data from the Bureau of Labor Statistics, Current Population Survey, 2016 annual average for unemployment rates. Young adults are defined as persons aged 25 to 34.
- ¹³ Gallup. 2014. "Young Adults Cite College Costs as Their Top Money Problem." <http://bit.ly/1kdgFK7>. Hart Research Associates, commissioned by HCM Strategists. 2013. "College Is Worth It: A Report On Beliefs About The Importance Of College, Impressions Of The Financial Aid System, Priorities For Reform, And Reactions To Potential Reform Approaches." <http://bit.ly/Yp5D9F>. Hart Research Associates, commissioned by the College Board. 2011. "One Year Out: Findings From A National Survey Among Members Of The High School Graduating Class Of 2010." <http://bit.ly/Y98KiU>. Lake Research Partners and Bellwether Research and Consulting, commissioned by TICAS, Dêmos, and Young Invincibles. 2011. http://ticas.org/pub_view.php?id=793. Pew Research Center. 2011. "Is College Worth It? College Presidents, Public Assess, Value, Quality and Mission of Higher Education." <http://www.pewsocialtrends.org/2011/05/15/is-college-worth-it/>. Public Agenda. 2011. "Slip-Sliding Away: An Anxious Public Talks About Today's Economy and the American Dream." <http://www.publicagenda.org/pages/index.php?qid=245>.