

How to Secure and Strengthen Pell Grants to Increase College Access and Success

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Research shows that Pell Grants are a critical and effective way to increase college access and completion, making higher education possible for over seven and a half million Americans each year.¹ Yet the current maximum grant covers the lowest share of college costs in over 40 years, is poised to lose its existing inflation adjustment, and is still suffering from harmful cuts enacted in the wake of the recession. Outlined below are key recommendations to secure and strengthen Pell Grants, the federal government's most vital investment in higher education.

Double the maximum Pell Grant to close income gaps in access and attainment, which persist even for students with similar levels of academic preparation. Research suggests that the maximum Pell Grant needs to be roughly doubled to overcome current gaps in enrollment and completion by income.² The current maximum award level covers less than 30% of the cost to attend a four-year public college (see graph below),³ and Pell Grant recipients are more than twice as likely as other students to have student loans.⁴

Automatically adjust the Pell Grant annually for inflation so its value will not continue to erode over time. Pell Grant awards have been tied to inflation since 2013 but this indexation is set to expire at the end of the 2017-18 award year (fiscal year 2017).

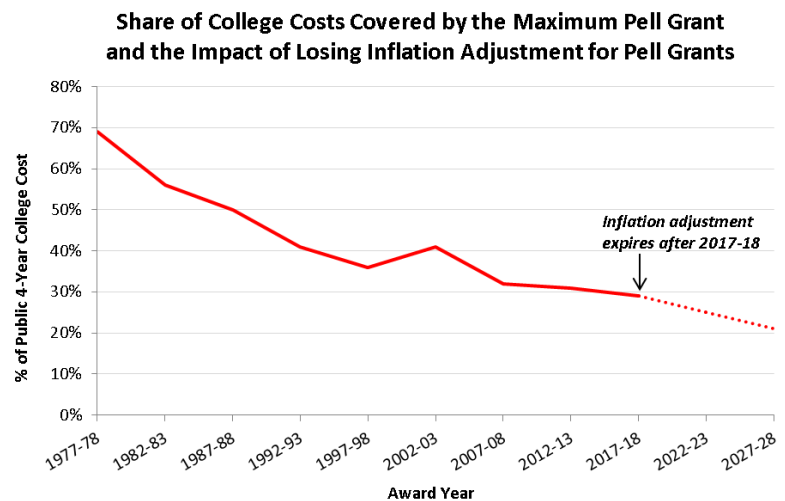
Restore Pell Grant eligibility for students whose federal loans are discharged due to fraud, to ensure that these students are afforded a truly fresh start and the chance to get a meaningful degree or certificate at another school.

Counting Pell Grants received at such colleges against students' lifetime limit punishes students for their schools' malfeasance, denying them the opportunity to start again. Defrauded students' Pell Grant eligibility should be reset just as Pell Grant eligibility is reset if their school closes before they can finish.

Set the lifetime limit for Pell Grant eligibility at 7.5 years (excluding up to one year of remedial coursework). Current federal aid policies permit students to take up to 7.5 years to complete their bachelor's degree, but an immediate and retroactive change enacted in 2011 limited Pell Grant eligibility to only six years, creating a different standard for Pell Grant recipients than for other students.

Stop taxing Pell Grants as income to simplify the tax code and improve coordination with the American Opportunity Tax Credit (AOTC). Under current law, Pell Grants are taxed as income if they are used to pay for transportation, food, housing, or other non-tuition costs of attendance. Pell Grants should not be treated as taxable income if they are used for qualified education expenses.

Make Pell Grants a mandatory program to protect the program and ensure predictability for recipients. Pell is the only program that functions like an entitlement (where every qualified student receives a grant), but largely relies on discretionary funding through which actual costs and funding allocations can never be perfectly aligned. This misalignment creates temporary funding gaps and surpluses that put the program in jeopardy and generate unnecessary uncertainty for students and schools.



¹ TICAS. 2017. *Pell Grants Help Keep College Affordable for Millions of Americans*. <http://bit.ly/1NOc1op>.

² See our RADD white paper, *Aligning the Means and the Ends: How to Improve Federal Student Aid and Increase College Access and Success*, http://ticas.org/sites/default/files/legacy/files/pub/TICAS_RADD_White_Paper.pdf for examples of how the size of the sufficient grant might be determined.

³ College costs are defined here as the 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/2fRebli>, 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/GEN1619.html>. For the accompanying graph, projected college costs for 2017-18 onward were estimated by using the average annual increase in costs over the most recent five years.

⁴ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.