

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 million Americans depend on Pell Grants to attend and complete college.¹ Research shows that need-based grant aid increases college enrollment and completion among low- and moderate-income students.²
- **Pell Grants go to students with very high financial need.** The vast majority of Pell Grant recipients have family incomes of \$40,000 or less.³
- **Pell Grant recipients are already *more than twice as likely* as other students to have student loans** (57% vs. 27%).⁴ More than *8 out of 10* Pell Grant recipients who graduate from four-year colleges have student loans, and their average debt is \$4,500 more than their higher income peers.
- **Pell Grants are particularly important for students of color.** *Nearly 60%* of Black undergraduates and *almost half* of Hispanic or Latino undergraduates rely on Pell Grants to attend school.⁵

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 the program's history.** In the 1980s, the maximum Pell Grant covered over half the cost of attending a four-year public college. In contrast, the \$6,195 maximum Pell Grant in 2019-20 covers just 28% of the cost of college.⁶
- **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 and restoring the grant's automatic annual inflation adjustment, which expired after 2017-18.

Congress Previously Cut Pell Grant Costs by More than \$50 Billion. Even After Recent Increases to the Maximum Grant, Program Costs Are Still Projected to Remain Steady:

- **Program costs declined by 29% after peaking in 2010.**⁷ This change is partly due to economic recovery but also due to budget agreements that cut Pell Grant costs by more than \$50 billion in 2011 and 2012 that reduced program costs by \$5b (12%) per year over a decade.⁸
- **Even following key reinvestments made in FY2017 and FY2018, Pell Grant costs are projected to *remain flat* over the next 10 years.** In FY2017, Congress reinstated "year-round" Pell Grants, and in FY2018, they increased the maximum grant to cover the loss of the automatic inflation adjustment for one year. Accounting for these investments and adjusting for inflation, the Congressional Budget Office (CBO) projects *no annual growth* in costs, on average, over the next 10 years.⁹

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

- **The post-Great Recession economy increasingly demands postsecondary education, and a college degree dramatically increases employment and wages.** Ninety-nine percent of the 11.6 million new jobs added during the post-Great Recession recovery went to those with some postsecondary education, and nearly 75% of those jobs went to those with a bachelor's degree or higher.¹⁰ Young adults with only a high school diploma are almost three times as likely to be unemployed, and earn three-fifths as much as those with at least a bachelor's degree.¹¹
- **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 postsecondary education for individuals and the economy, widespread concerns about costs and debt, and broad support for prioritizing college affordability.¹²

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- ¹ Congressional Budget Office (CBO), May 2019 baseline projections for the Pell Grant program, <http://bit.ly/2MLBjZ1>.
- ² Denning, Jeffrey T., Benjamin M. Marx, and Lesley J. Turner. 2019. "ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare." *American Economic Journal: Applied Economics*, 11 (3): 193-224. <https://www.nber.org/papers/w23860.pdf>; Ray Franke. 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/1nMnnMj>; Benjamin Castleman 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>; Sara Goldrick-Rab, Douglas N. Harris, Robert Kelchen, and James Benson. 2012. "Need-Based Financial Aid and College Persistence: Experimental Evidence from Wisconsin." <http://bit.ly/12iy97R>; Eric Bettinger. 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>; Rong Chen 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; Eric Bettinger. 2004. "How Financial Aid Affects Persistence." National Bureau of Economic Research Working Paper 10242; Donald Heller. 2003. "Informing Public Policy: Financial Aid and Student Persistence." WICHE. <http://www.wiche.edu/info/publications/InformingPublicPolicy.pdf>; Thomas J. Kane. 2003. "A Quasi-Experimental Estimate of the Impact of Financial Aid on College-Going." National Bureau of Economic Research Working Paper 9703; Neil S. Seftor 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; Donald E. Heller. 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 Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2015-16.
- ⁵ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2015-16.
- ⁶ 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, 2018, *Trends in College Pricing 2018*, Table 2, <http://bit.ly/2HynAAu>, and U.S. Department of Education data on the maximum Pell Grant. The maximum Pell Grant for 2019-20 was announced in the Department of Education's Pell Grant Payment and Disbursement Schedules, <https://ifap.ed.gov/dpccletters/attachments/20192020PellPaymentSchedule.pdf>.
- ⁷ 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 2019 Budget Request: Student Financial Assistance;" U.S. Department of Education, "Fiscal Year 2020 Budget Request: Student Financial Assistance;" and Congressional Budget Office (CBO), "Budget and Economic Outlook: Fiscal Years 2019 to 2029" and May 2019 baseline projections for the Pell Grant program. Program costs are adjusted for fiscal year inflation.
- 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) and Congressional Budget Office (CBO), "Budget and Economic Outlook: Fiscal Years 2019 to 2029" and May 2019 baseline projections for the Pell Grant program. The average annual growth calculation is based on CBO's projected Pell Grant program costs from 2019 to 2029, adjusted for fiscal year inflation.
- ¹⁰ Georgetown Center on Education and the Workforce. 2016. *America's Divided Recovery: College Haves and Have-Nots*. <https://bit.ly/2NgHTTv>.
- ¹¹ Calculations by TICAS on 2016 income data from the U.S. Census Bureau, Current Population Survey, 2017 Annual Social and Economic Supplement, Table PINC-04; and unpublished data from the Bureau of Labor Statistics, Current Population Survey, 2017 annual average for unemployment rates. Young adults are defined as persons aged 25 to 34.
- ¹² Pew Research Center. 2017. *Republicans skeptical of colleges' impact on U.S., but most see benefits for workforce preparation*. <https://pewrsr.ch/2vmi4cE>. New America. 2017. *Varying Degrees: New America's Annual Survey on Higher Education*. <https://bit.ly/2Nb6g55>. 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, Dēmos, and Young Invincibles. 2011. http://ticas.org/pub_view.php?idx=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>.