PELL GRANTS HELP KEEP COLLEGE AFFORDABLE
FOR MILLIONS OF AMERICANS

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Due to the impact of COVID-19, current and incoming students will be facing unprecedented struggles when starting the new academic year — and, likely, for years to come — and many students will need significant additional support to pay for college. It is critical to protect and strengthen the Pell Grant program to reduce students’ need to borrow and to increase equity and educational attainment.

Pell Grants Are Essential to College Access and Affordability

• Pell Grants make college possible for millions of Americans. Nearly 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 percent vs. 27 percent).\(^4\) 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 percent of Black undergraduates, half of American Indian or Alaska Native, almost half of Hispanic or Latino undergraduates, and over one-third of Native Hawaiian/other Pacific Islanders 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 tuition, fees, room, and board at a four-year public college. In contrast, the $6,345 maximum Pell Grant in 2020-21 covers just 28 percent 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 the 2017-18 academic year.

Pell Grants Strengthen Our Economy by Expanding Opportunity and Boosting Workforce Productivity

• 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 percent of those jobs went to those with a bachelor’s degree or higher.\(^7\) Young adults with only a high school diploma are over twice as likely to be unemployed and typically earn less than half as much as those with at least a bachelor’s degree.\(^8\)

• 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.\(^9\)

Pell Grant Program Costs Were Expected to Decline Slightly — But COVID-19 Brings Uncertainty

• Economic repercussions stemming from the COVID-19 pandemic will almost certainly affect both student financial need and college enrollment — the largest factors driving Pell program costs. In a typical recession, both financial need and enrollment would go up, and, in turn, increase the costs of the Pell program.\(^10\) However, because the current pandemic has significantly disrupted educational delivery models, there is serious uncertainty about how enrollment will change in the near term — and what effects these changes will have on Pell program costs.

• Even accounting for key program investments made over the past several fiscal years, the Congressional Budget Office (CBO) recently projected a slight decline in Pell program costs, on average, over the next 10 years.\(^11\) However, these projections do not account for the economic consequences of the COVID-19 pandemic. In addition to the uncertainty surrounding financial need and enrollment trends — and their impact on Pell program costs — the recently enacted CARES Act included a temporary expansion of the number of semesters for which a student is eligible for Pell; such potential extra costs are not reflected in CBO’s most recent program cost estimates.
Endnotes


3. Calculations by TICAS using data from the U.S. Department of Education, 2017-18 Federal Pell Grant Program End-of-Year Report, Table 71, https://www2.ed.gov/finaid/prof/resources/data/2017-2018pelloeyreports.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.


