Our nation’s higher education system remains a key driver of economic growth and social mobility but faces longstanding challenges that have been exacerbated by the COVID-19 pandemic. There remain large racial and economic gaps in college enrollment and completion, and only about 60 percent of all students who enroll in college graduate within six years.1

College is increasingly unaffordable for low-income students, and many colleges lack sufficient resources to provide the comprehensive supports students need to succeed.2 The pandemic resulted in a significant drop in applications and enrollment for BIPOC (Black, Indigenous, and people of color) students, low-income students, and first-generation students — the very students for whom a degree could provide the most life-changing economic benefits — making affordability more urgent than ever.3

Note: 2018-19 net price figures represent average weighted net prices for first-time, full-time, in-district/in-state Title IV aid recipients reported by colleges to the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS); the income levels used in these calculations are the median total income figures for Title IV recipients within each income range, as estimated using the National Postsecondary Student Aid Study (NPSAS) for college students in 2015-16.

For decades, the federal government and states have underinvested in students and public institutions.4 Public colleges enroll more than three-quarters of undergraduate students, including 81 percent of BIPOC students, yet state support has been declining for decades, and was battered during the Great Recession.5 Even pre-pandemic, state support had not returned to pre-Great Recession levels.6

Declining state funding does not just mean higher costs for students. It can also lead to decreased instructional spending, fewer course offerings, larger class sizes, and cuts in student services, which can hamper students’ ability to succeed.7 And while every public college student has felt the impact of
state budget cuts, community college students have felt the impact most severely. Community colleges, which enroll 54 percent of BIPOC students, are chronically underfunded compared to other public institutions, leaving them with inadequate resources to support student success.8

Meanwhile, the Pell Grant program — the federal government’s foundational investment in college affordability — has failed to keep pace with the rising cost of college. The program, which is especially critical for BIPOC students, is in desperate need of a funding injection.9 The current maximum Pell Grant covers the lowest share of college costs in the program’s history. At its peak in 1975-76, the maximum Pell Grant covered more than 75% of the cost of attending a four-year public college. The current maximum award covers just 29% of that cost.10

Taken together, these trends mean that many students — particularly low-income students and BIPOC students — struggle to cover college costs, even after accounting for grant aid, and have increasingly come to rely on loans to cover college costs. Over the last 15 years, debt held by bachelor’s degree recipients has substantially increased at the national level. While growth in average debt loads leveled off over very recent years, average debt loads over the 15-year period grew by about 56 percent (from $18,550 in 2004 to $28,950 in 2019), well outpacing inflation (36 percent). Millions of student loan borrowers struggle to manage their debt, with many facing hurdles in accessing affordable repayment plans and falling into default.11

FEDERAL POLICY WINDOWS TO ADDRESS COLLEGE AFFORDABILITY

Despite the inclusion of several higher education-related provisions in the 2021 omnibus spending bill, a comprehensive reauthorization of the Higher Education Act (HEA) remains years overdue. Both the House and Senate have put substantial effort into developing comprehensive proposals, and HEA reauthorization should remain a top priority for Congress as pandemic-related concerns recede.

But students can’t afford to wait until the stars align for congressional action. If HEA reauthorization continues to stall, policymakers should prioritize higher education in any forthcoming federal reconciliation legislation. Legislating via reconciliation is not regular order and comes with challenges, but it is possible to create new programs through reconciliation bills, and lawmakers should take advantage of the opportunity, if presented.

For example, one of the most controversial program reforms in the modern era — the creation of the Temporary Assistance for Needy Families (TANF) block grant — was enacted via reconciliation in 1997.12 And five prior reconciliation bills have included higher education-related provisions, including many of the most significant federal higher education policy changes in the past few decades.13

The switch to 100-percent direct lending, the creation of Cohort Default Rates (a major accountability measure), the creation of new grant programs and tax credits, and changes in how interest rates are set for federal student loans all were enacted as part of reconciliation packages. Two of the largest increases to the maximum Pell Grant were enacted via the College Cost Reduction and Access Act of 2007 (CCRA)14 and in the Health Care and Education Reconciliation Act of 2010.15

The creation of College Access Challenge Grant program — also done through the CCRA — further demonstrates that Congress can use reconciliation to enact new programs that include key elements such as eligibility requirements, funding formulas, allowable uses, and maintenance of effort requirements.
Whatever legislative pathway policymakers use, students, families, and communities cannot afford to wait for Congress to delay breaking the cycle of rising college costs and increasing student debt. A thriving higher education system can be a key driver of individual and national recovery efforts. We urge federal policymakers to make it a reality by doubling the Pell Grant for students and building a new federal-state funding partnership for public colleges, as detailed below.

### A COMPREHENSIVE APPROACH IS NEEDED TO EXPAND ACCESS TO AN AFFORDABLE, HIGH-QUALITY POSTSECONDARY EDUCATION

There is broad agreement on the need to make college more affordable, with a particular focus on how increased affordability can help close persistent gaps in degree attainment for low-income students and BIPOC students. In recent years, advocates and policymakers have looked toward two major federal avenues for change: providing more direct need-based aid to students via the Pell Grant program, and creating a new federal-state funding partnership to restore state investment in higher education, lower net costs for students, improve institutional quality, and stabilize funding across economic cycles.

While doubling the maximum Pell Grant and creating a new federal-state partnership can sometimes be posed as competing priorities, we strongly believe the opposite: these investments must be made in tandem to ensure that all students, regardless of means, have the option to earn an affordable, high-quality degree. One without the other will not address the full scope of the problem.

### Close the Affordability Gap by Doubling the Maximum Pell Grant

Boosting the Pell Grant program is a straightforward fix: it is a decades-old program that is well understood and enjoys longstanding bipartisan support. While there are multiples avenues lawmakers could take to restore the grant's purchasing power, there is consensus that the maximum grant needs to be at least doubled.

Importantly, this investment is needed even if lawmakers enact some type of tuition- or debt-free college program. Even if tuition and fee costs are covered, low-income students often struggle to cover other costs of attendance such as housing, transportation, food, and books; these costs remain a major roadblock to completion. Pell Grants are flexible and enable low-income students to access the institution of their choice, even if that institution is not covered by a state or federal affordability guarantee.

Calls to double the maximum Pell Grant are not new, but they take on a new urgency in the wake of the COVID-19 pandemic and subsequent recession. Pell Grants, which help millions of students attend and complete college each year, are extremely well-targeted to the most economically vulnerable students. The program is particularly critical for BIPOC students, with nearly 60 percent of Black students, half of American Indian or Alaska Native students, and almost half of all Latinx students receiving a Pell Grant each year. Because communities of color have faced the worst economic impact from the pandemic, BIPOC students are particularly in need of additional resources to cover college costs.

But the grant’s purchasing power is at an all-time low and Pell Grant recipients continue to bear greater student debt burdens than their higher-income peers. Recognizing that many students will need significant additional support to pay for college, more than 300 organizations, including civil rights groups and labor unions, joined with nearly 900 individual colleges and universities to urge Congress to immediately double the maximum Pell Grant.
Research shows that an investment of this size is needed to make serious headway in closing income-based gaps in college enrollment and completion. As part of this boost, Congress must also restore the automatic inflation adjustment, which will help the grant maintain its value over time and ensure program predictability.

In considering such a significant new investment in the Pell Grant, policymakers will need to consider additional accountability and oversight to ensure that increases in Pell do not undermine state and institutional funding, or exacerbate the risk that predatory, low-quality colleges — which disproportionately enroll Pell Grant recipients — continue to pose to students.

**Renew the Promise of Public Higher Education via a New Federal-State Funding Partnership**

State disinvestment in public colleges is a major driver of rising tuition and spiking student debt. Compounding this issue are ongoing funding disparities among public institutions, with schools that primarily serve low-income students and BIPOC students facing chronic underfunding.

While creating a new federal-state funding partnership is a heavier lift than doubling the Pell Grant — it would require Congress to design and fund a new program, with all the complications inherent in launching a major new federal initiative — it is no less important.

There are many ways to design a federal-state funding partnership, and such a program is at the crux of proposals calling for free or debt-free college. A successful federal-state partnership must be designed with the express purpose of enabling states to re-invest in public institutions, to maintain investment across economic cycles, and to provide more equitable funding across public institutions. A federal-state partnership is also an unprecedented opportunity for the federal government to incentivize, equip, and support states and institutions to reduce costs, improve educational quality, and increase completion rates.

Higher education has long served as a balance wheel for state budgets, as states facing tough budget decisions can cut funding and pass the costs on to students and families. This cycle — driven largely by state balanced-budget requirements — will continue indefinitely in the absence of new federal investments. In good economic times, states must be incentivized to maintain or increase higher education funding despite competing priorities; in bad times, the federal government should leverage its deficit-spending powers to help states keep their higher education funding stable.

A well-designed partnership must also be just that: a partnership. Each state has its own higher education ecosystem, and a one-size-fits-all approach is doomed to fail. By accounting for the wide variation across states and taking a cooperative design approach, federal lawmakers can build something that has a higher likelihood of uptake and more enthusiastic long-term buy-in from state policymakers. We enumerate the key design principles necessary for such a successful federal-state partnership below.

**Key Design Principles for an Effective Federal-State Partnership**

- **Maintain State Support for Higher Education Through a New Federal Grant**

  We propose a partnership in which the federal government sends significant new funding to states — with the condition that federal money not be used to displace state spending — to equip them to better support public institutions. These funds should have fairly flexible parameters, with the goal of incentivizing states to work within their unique ecosystems to increase educational quality, reduce net costs for students, and provide comprehensive evidence-based advising and student supports to increase completion.
This federal funding must be contingent on states maintaining their funding commitment to public institutions and need-based financial aid, while providing incentives to invest more over time. Research indicates that maintenance of effort provisions can limit state budget cuts, but that they must be designed carefully.²⁹

Critically, any new federal funds must be used to invest not only in students (via covering tuition, fees, student success programs, and other costs) but in the institutions that serve them. Policymakers must be intentional about the type of educational experience they seek to improve. Access and affordability mean little if accessible and affordable institutions are not equipped to provide a high-quality education.³⁰

- **Preemptively Address the Threat of Economic Downturns to Public Higher Education**

While many states are constitutionally required to balance their budgets, the federal government can invest counter-cyclically to help fill temporary shocks in state budgeting caused by macro-economic cycles. During good economic times, a well-designed partnership should incentivize states to increase their support for public higher education. During downturns — when states are hampered by reduced revenue, balanced-budget requirements, and competing spending priorities — the partnership should automatically leverage the federal government’s unique spending powers to help states maintain adequate, equitable support for their public institutions.³¹

There are a number of ways policymakers could design such a mechanism, such as triggering additional federal support (and increased state flexibility) based on a state’s unemployment rate.³² A task force of experts convened by the Bipartisan Policy Center outlined a similar rainy-day fund.³³ These proposals would cushion the effects of the downturns while also investing in future economic productivity.

- **Use Data and Evidence to Explicitly Target Persistent Racial and Economic Equity Gaps**

While all students will benefit from increased federal and state investment in higher education, increased investment alone is not enough to re-shape the system into one that promotes equal opportunity, drives upward mobility, and reliably helps students graduate and reach their career goals. A federal-state partnership must also incentivize states to explicitly target the persistent racial and economic equity gaps that exist in both postsecondary funding and degree attainment.³⁴

As part of a federal-state partnership, federal policymakers must both require and equip states to collect better data on equity gaps and incorporate them into longitudinal data systems. States should also be required to identify inequities in resources and student outcomes and, with all relevant stakeholders, develop and implement a public plan for bridging those gaps.

For example, states could provide additional funding to colleges serving the highest percentage of low-income students and BIPOC students, address transfer of credit and developmental education issues, and promote comprehensive evidence-based student support practices such as the CUNY ASAP, InsideTrack, and One Million Degrees programs.³⁵

- **Promote Increased Statewide Coordination**

Most states hope to produce more college graduates and close equity gaps but lack the necessary statewide coordination capacity to achieve their goals.³⁶ Eighty percent of two-year college students say they are seeking a four-year degree, but only 14 percent earn one.³⁷ This is due in
part to poor alignment across institutions, which can lead to completion roadblocks; issues with developmental education and difficulty transferring credits across institutions exacerbate the problem. While there is no one-size-fits-all model for a state postsecondary governance structure, federal policymakers should look for ways to fund and promote the review and expansion of statewide coordination.38

Taken together, these policies will:

✓ Ensure that all students, especially low-income students and BIPOC students, have the financial resources they need to cover their college costs (including expenses beyond tuition) without taking on too much debt;
✓ Incentivize states to increase investments in public higher education and stabilize state funding across economic cycles; and
✓ Ensure that public colleges and universities — especially those that serve many low-income students and BIPOC students — have the resources they need to provide both a high-quality education and sufficient student supports.

While beyond the scope of this brief, this comprehensive approach must also include additional measures to ensure institutional quality and protect students from predatory institutions.

Now is the moment for Congress to take comprehensive action to tackle the root causes of rising tuition, high student debt burdens, and persistent racial and economic equity gaps in college completion. Policymakers must seek to enact these proposals as quickly as possible, whether via a now-overdue HEA reauthorization budget reconciliation, or other means.
During the past two national economic downturns, Congress has sent significant emergency funding to shore up states and colleges.

During the Great Recession, Congress passed an $862 billion stimulus package — the American Recovery and Reinvestment Act of 2009 (ARRA) — which included $100 billion in one-time funding for new and existing education programs. This included a nearly $49 billion State Fiscal Stabilization Fund (SFSF), which sent direct grant aid to states to help them maintain funding for K-12 and postsecondary education in the face of budget shortfalls.

The SFSF required states to maintain funding for public higher education in fiscal years 2009-2011 at or above fiscal year 2006 funding levels (the Education Department could waive the MOE requirements for states that experienced a precipitous decline in financial resources). An analysis of state applications for funding under ARRA found that its MOE provision successfully limited the amount of state disinvestment in higher education during the Great Recession.39

Over the course of the COVID-19 pandemic and recession, Congress passed three emergency relief packages: the CARES Act (2020), the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (2020), and the American Rescue Plan Act (ARP) (2021). These bills included major funding for higher education, much of it sent directly to colleges and students. The ARP included significant relief funds for state and local governments that some states may use for education related spending.

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<tr>
<td>Total Higher Education Emergency Relief Fund (HEERF) Dollars for Colleges &amp; Students</td>
<td>$14.25 billion</td>
<td>$22.7 billion</td>
<td>$39.6 billion</td>
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<td>Additional Higher Education Funding Sources</td>
<td>Higher education funding was also available through the $3B Governor's Emergency Education Relief Fund (GEERF I), a flexible fund that governors could direct toward K-12 or higher education. Some forms of higher education spending were also allowable, at state and local discretion, through the $150B Coronavirus Relief Fund (CRF), which was directed to state and local governments.</td>
<td>Higher education funding was also available through the $4B GEERF II; CRRSA did not provide direct funding to state and local governments.</td>
<td>Higher education funding was also available, at state and local discretion, through the $350B Coronavirus State Fiscal Recovery Fund &amp; the Coronavirus Local Fiscal Recovery Fund; ARP did not provide any GEERF funding.</td>
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<td>Maintenance of Effort (MOE) Requirements</td>
<td>States must maintain their average funding for K-12 and higher education from the last 3 fiscal years for the next 3 fiscal years; the Education Department has authority to waive MOE requirements for states that experienced a precipitous decline in financial resources.</td>
<td>States must dedicate the same proportion of state funding to K-12 and higher education in FY 2022 as they averaged over FYs 2017, 2018, and 2019; the Education Department has the authority to waive MOE requirements for states that experienced a precipitous decline in financial resources.</td>
<td>States must dedicate the same proportion of state funding to K-12 and higher education in FY 2022 and 2023 as they averaged over FYs 2017, 2018, and 2019 (same MOE as CRRSA), but adds FY 2023; the Education Department has the authority to waive MOE requirements for any reason.</td>
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While this emergency relief was critical for higher education through both emergencies, it was a stopgap rather than a permanent and comprehensive solution. By investing adequately in public higher education and pre-emptively addressing the volatility of state budget cycles, the federal government can break the harmful decades-long cycle of disinvestment and disruption.
APPENDIX B: ACTIVE FEDERAL COLLEGE AFFORDABILITY PROPOSALS

There is growing consensus among policymakers on the need to make significant federal investments in college affordability, as reflected in a slate of proposals released this spring both in Congress and by the Biden Administration. In the spring of 2021, lawmakers introduced three major bills to create a new partnership between the federal government and states to better fund public higher education and waive some portion of college costs for millions of students, with one of the bills also calling for doubling the maximum Pell Grant.40

At the same time, President Biden proposed significant higher education investments in his American Families Plan (further outlined in his fiscal year 2022 budget request), including a substantial boost to the maximum Pell Grant and a free community college plan.

The budget proposes to increase the maximum Pell Grant award to $8,370 for award year 2022-23 — an increase of $1,875 over the previous year — as part of what the Administration calls “a down payment on the President’s commitment to doubling the grant in future years.”

The budget also proposes to make community college tuition-and-fee-free for all students via a federal-state partnership, and to send $62 billion (over 10 years) to states and tribes to invest in evidence-based completion and retention activities at institutions that serve high numbers of low-income students.
ENDNOTES

3 National Student Clearinghouse data on postsecondary enrollment patterns during the COVID-19 pandemic showed that associate degree earners dropped 6.7 percent within just a few months after campuses closed, and certificate earners fell even more, by almost 20 percent, demonstrating the disproportionate effects of COVID-19 on community college students. Read more at https://bit.ly/3fihe9B.
9 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. Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2015-16.
10 College costs are defined here as average total in-state tuition, fees, and room and board costs at public four-year colleges. Calculations by TICAS on data from the College Board, 2020, Trends in College Pricing 2020, Table 2, https://bit.ly/6zwS, and U.S. Department of Education data on the maximum Pell Grant. The maximum Pell Grant for 2021-22 was announced in the Department of Education’s Pell Grant Payment and Disbursement Schedules, https://bit.ly/6zwN.
14 Public Law No: 110-84, full text available at: https://bit.ly/3c0bmQj.
15 Public Law No: 111-152, full text available at: https://bit.ly/3wDAaFU.
20 Ibid.
25 Lawmakers will also need to decide how exactly to approach new investments, and whether any changes in the eligibility formula are warranted. The Pell Grant program is already extremely well targeted to students with high financial need, so policymakers should be intentional about how a new injection of funds would affect different student populations.
How Can Congress Improve College Affordability & Permanently Reduce Reliance on Student Debt?

Double the Maximum Pell Grant & Restore State Investment in Public Colleges


30 In designing a new federal-state partnership, policymakers could also consider including a maintenance of equity requirement. Such a requirement was included in the American Rescue Plan Act of 2021 (Public Law No: 117-2) as part of its Elementary and Secondary School Emergency Relief Fund. It is designed to ensure that high-poverty districts and schools do not incur a disproportionate share of state or local budget cuts. More details are available via the Education Trust: https://bit.ly/34qaXTk.


