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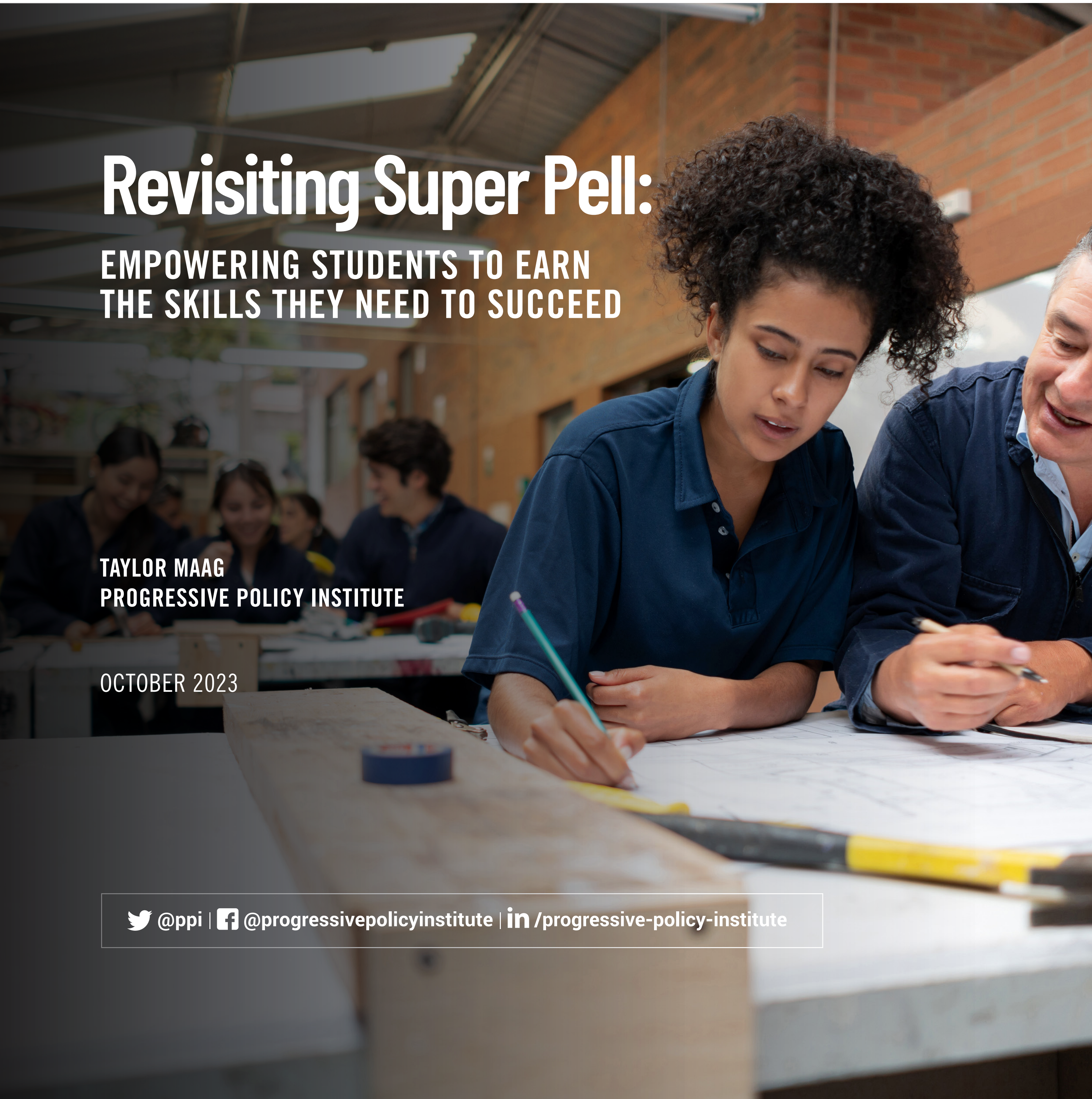

Revisiting Super Pell:

EMPOWERING STUDENTS TO EARN THE SKILLS THEY NEED TO SUCCEED

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INTRODUCTION

A decade ago, Americans felt positively about higher education — over 95% of parents (across political parties) said they expected their kids to go to college.[1]

Today, these feelings have shifted. Fewer young adults believe college is important, only about one-third of the American public has confidence in higher education,[2] and, in contrast to the college-oriented parents of 10 years ago, almost half now say they'd prefer their children pursue something other than a bachelor's degree upon their high school graduation.[3]

So, what has changed in the last decade? A recent study from Pew Research Center revealed that Americans are increasingly concerned about affordability, access, and the overall payoff of a college degree.[4] Meanwhile, technological advances and AI have begun to change the world of work, altering the credentials and skills needed for success. Many Americans have come to believe that traditional degree programs do not meet these new industry demands.

Additionally, a half-century ago, many workers could earn a family-sustaining wage with just a high school diploma. Today, most workers need at least some postsecondary education or specified skill set to succeed in our economy. According to an analysis from the National Skills Coalition, 52% of jobs today require more education and training than high schools provide, but less than typically included with a four-year college degree. Unfortunately, only 43% of workers have access to the skills training needed to fill those jobs.[5]

Public policy has not kept up with these changing demands. While dramatically expanding financial support for college students, Washington has chronically underinvested in workforce development and the ability for non-degree workers and learners to acquire in-demand skills. Left in the lurch are individuals who need and want workforce training that does not require two- or four-year degrees, as well as U.S. employers trying to fill skills gaps. In essence, federal policy has opened a chasm between the educational establishment and the nation's labor market.

PPI believes "Super Pell" grants aimed at helping future and current workers acquire valuable in-demand skills can help bridge that gap.

The federal Pell Grant program, authorized by Title IV of the Higher Education Act (HEA), is the single largest source of federal grant aid supporting postsecondary students from low-income families.[6] Total federal spending on the program last year was around $27.6 billion[7] and in 2021/22, the number of Pell Grant recipients grew to 6.1 million or 34% of undergraduate students.[8] But Pell Grants can't be used for all postsecondary programs. The aid can only be used in educational institutions that are accredited and approved by the Department of Education (ED) and for programs that meet certain seat time and credit criteria.[9] These requirements exclude many shorter-term, workforce-oriented programs — limiting the postsecondary opportunities individuals can choose from.

In 2014, PPI scholar Paul Weinstein proposed reforming Pell to establish a single higher education grant that would be more generous, easier to access, and financed by folding the myriad of existing tax incentives and higher education spending programs into one offering.[10] He later renamed it "Super Pell" and PPI added to the idea in 2019 in our progressive budget for equitable growth.[11] The proposal not only ensures more Americans can draw down on this aid but also includes high-quality workforce programs — giving America's current and future workers the opportunity to use federal aid for educational opportunities best poised to meet their needs and the needs of the labor market.

This policy brief dives into why Super Pell is needed now, why this proposal is different than what's out there and action that has been done to date.

WHY THE PELL GRANT MUST EVOLVE

For decades, college has been marketed as the "great equalizer." By earning a bachelor's degree, students could forge a path to the middle class in America, regardless of race, gender, and socio-economic status. Yet identifying college as the preferred if not exclusive route to upward mobility has had downsides. For many students, it's meant piling up debt, wasting time, and earning degrees employers don't value. It's time instead to create a robust system of alternative career pathways that require specific skills rather than degrees.

Issues Around Cost & Design

Even though the U.S. has been touting the benefits of earning four-year degrees to high school students for decades, most Americans still don't earn a bachelor's degree. Today, 62% of American adults don't have a degree; that number rises to 72% for Black adults and 79% for Hispanic adults.[12] Additionally, 40% of Americans who start a degree program don't finish.[13] That means millions have some college without having earned a degree. They've spent their time and resources, but don't attain the requisite credential to reap the financial reward.[14]

There are many reasons Americans who might aspire to earn a college degree fail to earn one, but a major one is cost. The Pew Research Center shows that nearly everyone believes that college is too costly, and that financial aid does not adequately cover the expense for low-income and middle-income students.[15] Even with continuous increases to the maximum award of Pell — the grant barely covers tuition at community colleges without even taking into account other costs of students (i.e., textbooks; transportation; housing etc.).[16] As a result, more and more students are forced to take out loans. In 2007, total student debt stood at $500 billion. Today it is $1.6 trillion. Debt has become a serious burden and among student borrowers who opened their loans between 2010 and 2019, more than half now owe more than what they originally borrowed.[17]

Time also is a factor. Today's students are older, many are already working, and many have dependents.[18] As a result, they can't and don't want to designate the time or resources it takes to complete a four-year degree and instead are looking for more affordable and flexible programs that can get them the skills they need to succeed immediately.

Meeting Labor Market Demand

While college access and design remain a huge concern in higher education, another key question is whether degree programs are responsive to labor markets, preparing people for good jobs and careers.

A Cengage survey of Americans who graduated from a two-year/community or four-year college in the past five years found that nearly one in five reported that their college education experience did not provide them with the skills needed to perform their first post-degree job.[19] Additionally, more than half (53%) of these college graduates have not applied to an entry-level job in their field because they felt unqualified, and 42% felt unqualified because they did not have all the skills listed in the job description.[20]

Employers also are questioning the value of degrees. A 2022 survey of more than 600 employers found that 81% think they should look at skills rather than degrees when hiring and 72% said they don't see a degree as a reliable indicator of job preparedness.[21] Meanwhile, short-term postsecondary programs are playing a critical role in addressing labor market demand. A report by Old Dominion University (ODU) explored successful state-funded short-term programs in Virginia, Louisiana, and Colorado. The report found high returns on investments of these programs across employment and wage outcomes in industries and occupations including healthcare and clinical services, engineering, computer and information science, education, construction, and business management — fields that are in demand across the nation.[22]

Employers are desperate for talent but are increasingly unconvinced about degree holders' on-the-job ability.[23] If degrees aren't making the cut, we need alternatives, that can ensure more Americans get the education and training they need — rapidly and affordably — to meet labor market demand.

Is the Payoff Worth It?

No wonder young people are wondering, even if I do go to college – will it be worth it? And honestly, today the odds are 50/50 that it will be.[24]

It's still true that, on average, college graduates earn higher wages throughout their lifetime than those without a degree.[25] However, lifetime wages do not paint the full picture. A recent study from the Federal Reserve found that wealth gaps for degree holders and non-degree holders are not all that different. White college graduates born in the 1980s built only a bit more wealth than white high school graduates born in the same decade.[26] The data for Black families showed the same pattern, but wealth attainment was even worse for Black degree holders.[27]

Spending for college or carrying debt diminishes net worth and prevents individuals from taking important wealth-generating steps as a young adult, such as buying a house or starting a small business.[28] And when you're spending all your resources on a degree that is not attractive to employers, you're less likely to have a good return on your investment. Taking these factors into account makes college look like a chancy proposition.

Today and tomorrow's workers need a different kind of model — one that is cost- and time-effective and presents more flexible education options. That's why we need Super Pell. By expanding industry-aligned opportunities in postsecondary education, it can help bring America's higher education system into the 21st century.

SUPER PELL REVISITED

Federal student aid programs neglect other forms of post-secondary education that are shorter and industry-aligned — creating barriers to opportunities that improve people's earning potential for a fraction of the cost and time of a college degree. Expanding on our original proposal, PPI urges policymakers to:

- **Streamline existing higher education spending to cover Super Pell:** In PPI's 2018 paper, "Boosting the Economic Prospects of Working Families Without Bankrupting America," Paul Weinstein and Arielle Kane propose that most existing assistance for higher education (tax incentives, Pell and other programs) could be combined into one new Super Pell Grant.[29] The current funding for these efforts would go towards one, single higher education grant, a Super Pell grant of roughly $71.6 billion dollars (calculated with numbers from FY 2018), and would not require any additional federal spending.[30] This would provide more resources for middle and low-income students but it would also eliminate regressive policies in higher education that give larger benefits to people in higher tax brackets.[31] For example this streamlining would eliminate 529 college savings plans, which account for roughly $2 billion of federal higher education spending.[32] While 529 plans are an increasingly popular saving tool for American families, they disproportionately benefit affluent ones[33] — with 47% of people with 529 plans earning more than $150,000 compared to only 8% of families without 529 plans.[34] This demonstrates the inequity of the current system and instead PPI proposes redistributing the savings to better target in-need and non-degree students. This would not only cost the federal government nothing but would be a major step towards a more equitable higher education system.
- **Increase the Average Pell Grant & Expand its Reach:** The consolidation of our nation's higher education programs (other than the student loan program) into a single grant for students would vastly simplify the process of applying for and using student aid and make public subsidies more transparent. Merging these funding streams would enable Washington to provide Pell to roughly 11.9 million students, which would be 5.8 million more than the current number of recipients.[35] Not only would the grant program be expanded to more people from low- and

middle-income backgrounds but the grant amounts would be higher than the current average Pell award of $4,640 annually by at least $500.[36]

- **Allow Aid to Cover Short-Term/Workforce Training:** It's time to end the federal government's bias toward college degrees. Currently under Pell, eligible educational programs are undergraduate degree programs and certificate programs of at least 600 clock hours of instruction offered over a minimum of at least 15 weeks.[37] Super Pell would allow students to use federal aid to enter high-quality shorter-term training programs that don't meet these thresholds – allowing students to enroll in programs that are less than 15 weeks and don't require the same clock hour instruction. This can include programs that stand alone like a commercials driver's license; certified nurse's assistance (CNA); many IT certifications; entry-level plumbing and HVAC coursework, teaching certifications and many more or also those embedded in apprenticeship and other earn and learn models. Obtaining these types of industry-approved credentials can increase a low-income person's earnings by as much as $11,000 within two years.[38] As businesses face labor shortages, expanding students' ability to apply Pell towards these opportunities could help learners improve their economic circumstances for a faction of the expense or time they would incur pursing a bachelor's degree.

- **Ensure Programs are High-Quality:** Not all short-term programs are created equal. Super Pell also would set up quality standards to ensure that eligible programs yield strong returns on investment for students and employers. These would avoid focusing on inputs (i.e., provider type; program length) and instead focus on student outcomes: program completion, credential attainment and employment. PPI also believes, if possible, programs should be stackable – ensuring skills learned can be built upon to allow students to persist along paths to higher level credentials and careers. Additionally, employers must be involved with educational institutions and providers to shape work-study programs and develop credentials to aid companies in hiring and promotion decisions. Quality measures must also allow for flexibility to respond to regional talent development and employment needs (which vary across the country). And lastly, quality guardrails can't be too onerous, or compliance-driven that they deter providers from offering these options with their limited capacity and resources.

PRECEDENTS AND MODELS

Super Pell offers a radical departure from a post-secondary status quo that is not working for American's working families. It builds on more modest but promising initiatives sprouting up at all levels of government, including the following:

At the Federal Level

For several years, Congress and stakeholders in the higher education and workforce communities have promoted the possibility of expanding Pell Grants to cover short-term programs — educational programs that do not meet the minimum durational requirements in current law.

In 2014, Sen. Tim Kaine (D-Va.) introduced bipartisan legislation (JOBS) calling for expanding Pell Grants to include short-term workforce education and training programs. JOBS requires that programs must result in industry credentials in high-wage, high-skill sectors that are responsive to labor market demand.[39] Although endorsed by major business groups and community colleges, it has not advanced to a vote.[40]

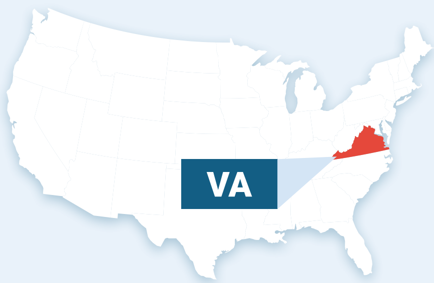
As of August 2023, two more major bills have been introduced in the 118th Congress to expand Pell Grants to short-term programs: The Promoting Employment and Lifelong Learning Act (PELL Act; H.R. 496) introduced by Representatives Stefanik (R-N.Y.) and Foxx (R-N.C.) in the House and Senators Budd (R-N.C.) and Scott (R-Fla.) in the Senate[41] and the Jobs to Compete Act (H.R. 1655) introduced by Representative Bobby Scott (D-N.C.) in the House.[42]

All three bills define short-term programs as lasting 8 to 14 weeks (which some believe is still too long.) They also expand student eligibility to those who have received a bachelor's degree and require that providers offering Pell-eligible short-term programs, whether public, non-profit, or private be accredited according to standards set by the U.S. Department of Education.

While there is a lot of bipartisanship around this issue some sticking points remain. Accountability is one, Republicans want more flexible metrics to ensure programs can develop their own measures based on regional needs while Democrats want a national standard to ensure students are protected from fly-by-night training providers. What's more is that some policymakers and higher education leaders — which disproportionately tend to be Democrats — just oppose the expansion of Title IV and Pell Grants altogether. With some siting concerns over, inconsistent employment returns and equity concerns — worried that certain people may be pushed into programs with low-wage career tracks while others just don't want to conflate our nation's workforce and higher education systems, pushing for a "separate but equal" approach — which our country knows all too well — doesn't work.

At the State Level

The lack of action at the federal level is unfortunate, but in the meantime, states, across political parties, are picking up the slack. According to a recent report from HCM Strategies, states have invested at least $3.81 billion in short-term credential pathways.[43] States are using this money to provide tuition relief to students; invest in institutions to create and maintain a diverse range of short-term credential programs; and incorporate short-term credentials into state funding formulas to provide sustainable support for these types of programs.[44] Here are some promising state initiatives:



VIRGINIA'S NEW ECONOMY WORKFORCE CREDENTIAL GRANT (WCG)

WCG uses a pay-for-performance model to fund workforce training that leads to credentials in high-demand fields. The program operates like a state "Pell" program, with income-eligible individuals being able to draw down on grant dollars. But unlike the current federal policy, individuals can use this state aid for short-term credential programs, run by Virginia's FastForward program — a short-term workforce training program run by Virginia's Community Colleges, where all programs are co-developed and signed off on by employers across the state. Eligible individuals use their grant dollars to enroll in a program, they receive their training at their local community college and then go on to earn the industry-recognized credential (if needed). Last year, the WCG program experienced an increase in enrollment. This growth is particularly noteworthy given the declining enrollments in degree-bearing academic programs across the state in recent years.

In addition, since they are drawing down on state financial aid, institutions are required to submit student-level data to the state to better understand student demographics and their programmatic outcomes. As a result, it's found that the WCG program primarily serves nontraditional students, with a median age of 32. Only 29% of the program's students are 24 years or younger and many are first-time college students, approximately two-thirds of WCG participants in FY 2022. Prior to enrolling in the WCG programs, the median annual wage of students was $24,877. However, twelve months after completing the program, the median wage increases to $30,274, representing a $5,397 (22%) increase compared to pre-program wages. This demonstrates the impact these types of postsecondary opportunities can have on today's students, who tend to be lower-income and lower-skilled.

NORTH CAROLINA EQUITABLE FUNDING FOR NON-CREDIT COURSES

For many years, North Carolina has supported noncredit workforce-oriented programs through its enrollment-based funding formula for community colleges. Traditionally, however, these programs were funded at a lower rate than courses in degree programs. In 2019, the state went a step further, removing the funding disparity altogether, which put short-term workforce programs on the same financial footing as credit programs in the state (however, the shorter duration of noncredit programs means that degree programs still receive more funding overall.). As a result, there is less incentive for colleges to shoehorn workforce-oriented programs into degree programs to cover their costs more easily. It also means that students seeking a targeted, skills-based credential don't face cost barriers or additional barriers that accompany credit programs, such as placement policies and general education requirements. Federal policymakers should take a look at North Carolina's parity funding for workforce coursework and follow suit.

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While Virginia and North Carolina efforts existed prior to the pandemic, Connecticut's started up more recently, leveraging American Rescue Plan Act (ARPA) funding to start CareerConneCT. This program provides workers who are unemployed or underemployed in the state with free training for high-demand careers, earning the skills they need for a job in 4 to 24 weeks (shorter than the federal proposals allow). This program directs funds toward high-need populations, specifically targeting populations that are significantly underrepresented in the workforce, including individuals from Black, Hispanic, and Indigenous communities, people with disabilities, the re-entry population, at-risk youth, veterans, immigrants, and women. By directing resources towards these populations, the initiative aims to address systemic barriers to employment and promote inclusivity in the labor market.

These three states offer pioneering models on how to expand access to postsecondary education through high-quality short-term programs. They also demonstrate how funding and accountability rules can be designed to ensure that programs are sustainable, equitable and yield strong economic returns. HCM also has counted 59 similar initiatives in 28 states.

CONCLUSION

Even with the increased federal momentum and rapid proliferation in state funding for short-term credentials, more must be done. It's clear there are serious problems with how our nation finances and designs post-secondary education. Going forward, America's future workers need a more affordable and agile higher education system, one that is not so reliant on the traditional four-year degree and ensures individuals are able to learn the job skills needed to advance in our economy.

By enacting Super Pell, policymakers would be simplifying the myriad of college assistance, expanding access, and making it more generous. This updated and revised version of PPI's original Super Pell proposal would also allow Pell to be used for high-quality and industry-aligned short-term training programs. Such expansion would set a national standard, ensuring the quality of programs across states and communities, and provide the data needed to make informed choices about program efficacy and impact.

This also is a policy Democrats must champion. For too long the party has left behind non-degree workers and focused on college-educated elites. It's time to acknowledge the inequality of our postsecondary system and reform it — creating a system that provides a variety of high-quality options. The expansion of this grant and inclusion of non-degree pathways will not only meet the needs of all students, especially those that are older and more diverse but also better support a policy agenda for working-class families.

The United States lags behind other advanced democracies when it comes to building a more robust post-secondary alternative to college for the majority of young Americans who do not acquire two or four-year degrees. It's time to stop putting most of our eggs in the same basket. As we stand at the intersection of technological advancements, shifting workforce demands and a growing desire for accessible career education America's degree-centric model for higher education must evolve. Super Pell can help us build a strong parallel track to college, enabling millions of Americans to pursue quicker and more affordable ways to acquire higher skills and higher-wage jobs. The result will be a societal win-win: a more adaptable and competitive workforce and less economic inequality.

ABOUT THE AUTHOR

Taylor Maag is the Director of Workforce Development Policy at PPI. In this role, Taylor leads the New Skills for a New Economy Project, developing policy solutions that strengthen our nation's workforce, ensuring employers have the talent they need to remain competitive and people have the skills and critical supports necessary to succeed in today and tomorrow's economy.

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