

# 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.<sup>1</sup> Research shows that need-based grant aid increases college enrollment and completion among low- and moderate-income students.<sup>2</sup>
- **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.<sup>3</sup>
- **Pell Grant recipients are already more than twice as likely as other students to have student loans** (57 percent vs. 27 percent).<sup>4</sup> 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.<sup>5</sup>

## 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.<sup>6</sup>
- **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.<sup>7</sup> 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.<sup>8</sup>
- **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.<sup>9</sup>

## 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.<sup>10</sup> 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.**<sup>11</sup> 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

1. Congressional Budget Office (CBO) March 2020 baseline projections for the Pell Grant program, <https://bit.ly/2VVtFh0>.
2. Jeffrey T. Denning, 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://bit.ly/2WXjFFH>; Brent J. Evans and Tuan D. Nguyen. 2018. *Monetary Substitution of Loans, Earnings, and Need-Based Aid in Postsecondary Education: The Impact of Pell Grant Eligibility* (CEPA Working Paper No.18-05). Retrieved from Stanford Center for Education Policy Analysis. <https://stanford.io/2yp4uvh>; 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. <https://bit.ly/2zXAvey>; 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*. <https://bit.ly/2XkludA>.
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/2017-2018pelloeysreports.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, 2019, *Trends in College Pricing 2019*, Table 2, <https://research.collegeboard.org/xlsx/trends-college-pricing-excel-data.xlsx>, and U.S. Department of Education data on the maximum Pell Grant. The maximum Pell Grant for 2020-21 was announced in the Department of Education's Pell Grant Payment and Disbursement Schedules, <https://bit.ly/3ebInYq>.
7. Georgetown Center on Education and the Workforce. 2016. *America's Divided Recovery: College Haves and Have-Nots*. <https://bit.ly/2NgHTTv>.
8. Calculations by TICAS on 2018 income data from the U.S. Census Bureau, Current Population Survey, 2019 Annual Social and Economic Supplement, Table PINC-04; and unpublished data from the Bureau of Labor Statistics, Current Population Survey, 2019 annual average for unemployment rates. Young adults are defined as persons aged 25 to 34.
9. Strada-Gallup Education Consumer Survey. 2019. *Changing the Value for Higher Education*. <https://bit.ly/2ZqdGe5>; New America. 2019. *Varying Degrees 2019*. <https://bit.ly/2LUFAGU>; Pew Research Center. 2017. *Republicans Skeptical of Colleges' Impact on U.S., But Most See Benefits for Workforce Preparation*. <https://pewrsr.ch/2vmi4cE>; 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. *Young Adults Say Higher Education is More Important but Less Affordable Comes with too Much Debt, and Should be a Priority for Congress and the Economy*. <https://bit.ly/3edrYCK>; Pew Research Center. 2011. *Is College Worth It? College Presidents, Public Assess, Value, Quality and Mission of Higher Education*. <https://pewrsr.ch/2Tw3hd1>. Public Agenda. 2011. *Slip-Sliding Away: An Anxious Public Talks About Today's Economy and the American Dream*. <https://bit.ly/2yvHEHm>.
10. Center on Budget and Policy Priorities. 2017. *Pell Grants — a Key Tool for Expanding College Access and Economic Opportunity — Need Strengthening, Not Cuts*. <https://bit.ly/3bXhLZP>.
11. Calculations by the Center on Budget and Policy Priorities on CBO March 2020 baseline projections for the Pell Grant program, <https://bit.ly/2VVtFh0>.