



The Case for Doubling the Pell Grant

Introduction

In the mid-1970s, the Pell Grant maximum covered more than three-quarters of the cost of attending a four-year public college. While Pell Grants continue to help students pay for college, today the maximum grant covers less than one-third of these costs.¹ In the wake of the COVID pandemic, it's become more clear than ever that Pell Grant funding needs to be increased as Pell Grants are a proven and effective way to provide education funding to our country's lowest income students. It is time for Congress to double the maximum Pell Grant to \$13,000.

Pell Grants help nearly seven million students a year attend and complete a college degree. Students like Heather Marie Mitchell of Murray State University in Kentucky and Ethan Billman of Paul Smith's College in New York can both attest to how much Pell Grants mean to their ability to pursue higher education and how much it would help them if Congress takes the much needed step to double the maximum grant.

The Pell Grant has made college more affordable for Heather, who wants to become a second-grade teacher, including helping her pay for tuition, books, and a new laptop that she needed for online classes during the pandemic. But #DoublePell would be a major boost. "It would be so helpful for me if Congress were to double the Pell Grant," Heather says. "I wouldn't be able to afford college if it wasn't for the Pell Grant and scholarships. My husband and I both work, but we mainly live paycheck to paycheck, which is a struggle if I have to pay any extra costs for my classes. I live in worry that sometimes I won't have enough money to cover my tuition and class materials. If this were to pass it would be a huge burden lifted off of me."

Ethan, who wants to become a documentary filmmaker focusing on nature and the environment, voices similar sentiments, saying that the Pell grant already has "helped me immensely by covering the cost of my tuition so that the loans have less of an impact in my future." If Congress acts to double Pell, he says, "it would mean that I can give some of the benefits that my father has sacrificed his life in the military [for] to my siblings to help them achieve their aspirations as well."

The Pell Grant program has been the foundation of federal student aid from its creation in 1972. Since then, the program has worked to provide students like Heather and Ethan and millions more with limited financial resources the same opportunity to pursue higher education. Pell is a proven program that has opened the doors of college and opportunity to students of all backgrounds, creating a critical pathway for economic mobility for millions of students. As the program reaches its 50th anniversary in 2022, now is the time to Double Pell.

About the Pell Grant Program

Created in 1972 as the Basic Educational Opportunity Grant (BEOG) and later renamed for its champion, Senator Claiborne Pell (D-RI), the federal Pell Grant program provides grant aid directly to low-income

¹ Digest of Education Statistics 2019 (NCES 2021-009). National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education. Washington, DC, https://nces.ed.gov/programs/digest/current_tables.asp.

students to help pay for the cost of college. Because the grants go directly to students, they can use them at any college they choose to attend. As a result, Pell Grants help students at all types of institutions of higher education.

Each year, the Pell Grant program helps almost 7 million students pay for college.² Pell Grants are awarded based on student financial need, currently providing a maximum award of \$6,495 to students with the most demonstrated need.³ The grant can be used to pay for the costs associated with their education, including tuition, fees, room, and board.

Pell Grants help students in all states and territories, in all corners of the country, whether rural, urban, or in between. Students of all backgrounds receive Pell Grants, with nearly 60 percent of Black students, roughly half of American Indian or American Native and Hispanic students, and 30 percent of White students using Pell Grants to help them pay for college. Further, about half of student parents and first-generation college students are Pell Grant recipients. And nearly 40 percent of student Veterans receive a Pell grant each year.⁴

Why Congress Should Double the Pell Grant Now

Federal investments in the Pell Grant have made tremendous strides in advancing college affordability, access, and success. These investments have paid off with clear economic returns for the nation and for American households. As the program approaches its 50th Anniversary, and as the nation reopens and recovers from the COVID-19 pandemic, the time is ripe for Congress to take action. Doubling the maximum grant to \$13,000 will ensure that Pell Grants continue to serve as a meaningful tool to increase educational and economic equity.

Doubling the maximum Pell Grant would increase college affordability for low-income students.

In the early years after the Pell Grant program was established, the maximum award covered the full cost of attending community college, 79 percent of the average cost of a 4-year public college, and 38 percent of the cost of a 4-year private non-profit college. Combined with additional state and institutional aid, Pell grants gave prospective students from low-income households the ability to pursue a higher education with little to no need for additional borrowing.

Unfortunately, that is not the case anymore. Over time, however, the Pell Grant has not been able to deliver on its central promise as the purchasing power of the grant has declined. State and local investments in higher education decreased substantially over the past few decades, shifting more cost to students and families. At the same time, average household incomes stagnated while the cost of living has continued to rise. As a result, students and families are borrowing more and more to pay for college each year.

Looking at just the 20-year period from 1995 to 2016, the average amount Pell Grant recipients borrow increased by 16 percent.⁵ In the academic year 1995-96, the average amount borrowed among Pell Grant

² U.S. Department of Education, Federal Student Aid Data Center, Title IV Program Volume Reports, 2019-2020 Award Year Grant Volume by School, <https://studentaid.gov/data-center/student/title-iv>.

³ Ibid.

⁴ U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16), <https://nces.ed.gov/pubs2018/2018466.pdf>.

⁵ Ibid.

recipients was \$5,922 (in 2015-16 dollars). Twenty years later, the average amount borrowed among Pell Grant recipients increased to \$6,863. Of course, these numbers only represent average borrowing: many Pell students borrowed more, and research has shown that the students who need to borrow most are disproportionately students of color and first-generation college students.⁶

Average Annual Borrowing by Pell Recipients in 1995-96 and 2015-16, in 2015-16 dollars

	Average Amount Borrowed in 1995-96	Average Amount Borrowed in 2015-16	% Increase Between 1995-96 and 2015-16
All Pell Recipients	\$5,922	\$6,863	16%
Public 2-Year Pell Recipients	\$4,038	\$4,766	18%
Public 4-year Pell Recipients	\$6,149	\$6,930	13%
Private/Nonprofit 4-Year Pell Recipients	\$6,755	\$7,397	10%

As students and families have continued to recover from the Great Recession and confronted the COVID-19 pandemic, Pell student borrowing has likely continued this upward trend.

Doubling the maximum Pell Grant award would significantly reverse this trend, increasing the purchasing power of the grant and decreasing the average amount low-income students and families need to borrow to pursue higher learning. This increased grant award level would nearly cover the average annual borrowing for Pell recipients. Further, doubling the maximum award to \$13,000 would fully cover the cost of attending a community college for dependent students. It would also cover 59 percent of the average cost of tuition, fees, room, board, and other expenses to attend a 4-year public college, as well as 26 percent of the average cost to attend a 4-year private, nonprofit college.

For many students attending institutions where tuition and fees are less than \$13,000, the additional direct grant aid would help students afford basic needs like food, housing, health care, and child care. According to the most recent data available, 72 percent of Pell Grant recipients do not live with their parents.⁷ A newly released report by the Hope Center on College, Community and Justice found that three out of five college students experienced basic needs insecurity going into the fall 2020 semester.⁸

Doubling Pell would narrow the existing affordability gap for low-income students, reducing the need for borrowing and securing the program’s promise for future students to pursue a college education.

⁶ Matt Chingos, “Evaluating Proposed Changes to Pell Grants,” Urban Institute, December 3, 2019, <https://www.urban.org/urban-wire/evaluating-proposed-changes-pell-grants>.

⁷ U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16), <https://nces.ed.gov/pubs2018/2018466.pdf>.

⁸ “#RealCollege 2021: Basic Needs Insecurity During Ongoing Pandemic,” The Hope Center for College, Community and Justice, March 2021, <https://hope4college.com/wp-content/uploads/2021/03/RCReport2021.pdf>.

Investments in the Pell Grant program are a proven strategy for improving student access and success.

Increasing student grant aid through the federal Pell Grant program is an evidence-based way to boost student enrollment and success. Academic research continues to show that providing students with additional grant aid such as the Pell Grant increases enrollment in college.⁹ Increases in student grant aid have also had a demonstrated impact on helping students stay in school to continue their postsecondary studies.¹⁰

Further, students who receive Pell Grants tend to take more courses per academic term, and are on average less likely to need to work full-time. These two factors are strongly associated with increased student success. Students with higher course loads are more likely to graduate on time and with less work, they are also likely to have more time to focus on their studies. Academic research has shown that additional grant aid boosts degree completion.¹¹

This is all the more important as our nation's students and families recover from the dual public health and economic crises faced over the past year. Overall undergraduate enrollment for the 2020-21 academic year declined by 3.5 percent and freshman enrollment declined by more than 13 percent.¹² These declines have persisted into Spring 2021, with 727,000 fewer undergraduates enrolled in higher education compared to Spring 2020.¹³ Equally troubling, FAFSA submissions for low-income students decreased 6 percent for academic year 2020-21 due in large part to the pandemic.¹⁴

Doubling the Pell Grant now will encourage more students to return to and pursue higher education and persist and succeed in their studies.

Additional investments in the Pell Grant program will aid in long-term economic recovery in the wake of the COVID-19 pandemic.

⁹ Lindsay Page and Judith Scott-Clayton. (2016). "Improving College Access in the United States: Barriers and Policy Responses," *Economics of Education Review*, Vol. 51, <https://doi.org/10.1016/j.econedurev.2016.02.009>; Ben Castleman and Bridget Terry Long. (2016). "Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation." *Journal of Labor Economics*, Vol. 34 (4), <https://doi.org/10.1086/686643>.

¹⁰ Sara Goldrick-Rab, Robert Kelchen, Douglas Harris, and James Benson. (2016). "Reducing Income Inequality in Educational Attainment: Experimental Evidence on the Impact of Financial Aid on College Completion." *American Journal of Sociology*, Vol.121 (6), <https://doi.org/10.1086/685442>.

¹¹ 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*, Vol. 11 (3), <https://doi.org/10.1257/app.20180100>; Ben Castleman and Bridget Terry Long. (2016). "Looking Beyond Enrollment: The Causal Effect of Need-Based Grants on College Access, Persistence, and Graduation." *Journal of Labor Economics*, Vol. 34 (4), <https://doi.org/10.1086/686643>; Sara Goldrick-Rab, Robert Kelchen, Douglas Harris, and James Benson. (2016). "Reducing Income Inequality in Educational Attainment: Experimental Evidence on the Impact of Financial Aid on College Completion." *American Journal of Sociology*, Vol.121 (6), <https://doi.org/10.1086/685442>.

¹² National Student Clearinghouse Research Center. Current Term Enrollment Estimates, Fall 2020, https://nscresearchcenter.org/wp-content/uploads/CTEE_Report_Fall_2020.pdf.

¹³ National Student Clearinghouse Research Center. Current Term Enrollment Estimates, Spring 2021, https://nscresearchcenter.org/wp-content/uploads/CTEE_Report_Spring_2021.pdf.

¹⁴ National College Attention Network. FAFSA Renewals (2021-22 Cycle) Through December 30, 2020, <https://public.tableau.com/profile/bill.debaun.national.college.access.network#/vizhome/FAFSARenewals2021-22Cycle/2021-22Renewals>.

When looking more closely at the economic impact the COVID-19 pandemic has had on students and their families, it is clear that students need grant aid more than ever before.

The pandemic has hit low-income families and students especially hard, and how their educational and financial needs are addressed will affect generations to come. Recent research has shown that during the pandemic, 36 percent of low-income students have experienced a loss of wages from off-campus employment.¹⁵ Further, 63 percent of low-income students reported that other family members experienced a reduction in income since the pandemic began.¹⁶

Unfortunately, this tracks with research that continues to demonstrate that those without a college degree are much more vulnerable to economic downturns. Uneven job losses during the COVID-19 pandemic spotlight this disparity: Between the months of February and May 2020, Bureau of Labor Statistics data show that unemployment levels for those with a high school diploma or less rose 12 percentage points, compared to 5.5 percentage points for workers with at least a bachelor's degree.¹⁷ This disparity has persisted throughout the pandemic, with recent analysis from the Congressional Research Service showing that even into April 2021, workers with a high school diploma continued to face the highest rates of unemployment at 9.3 percent.¹⁸

What's more, college graduates earn significantly more both annually and over their lifetimes than those without a postsecondary degree. Additional grant aid is an investment in the economic mobility of low-income students, as those with college degrees make higher incomes as adults. According to the U.S. Census Bureau, the median lifetime earnings for workers with a bachelor's degree is \$1 million more than those with just a high school diploma.¹⁹ A 2019 study conducted by the American Economic Journal analyzed data from public colleges in Texas and found that grant aid's significant impact on students' later earnings is enough to fully recoup government expenditures within 10 years.²⁰

As the San Francisco Federal Reserve Board concluded in their analysis, the takeaway from these labor market trends are clear: "The impact of the economic turmoil surrounding responses to COVID-19 presents an imperative to make access to learning more equitable. Increasing educational attainment can directly improve individuals' work outcomes, both in and out of crises." As our nation moves forward with economic recovery, investing in the Pell Grant program is critical to meeting this goal.

Investments in the Pell Program will not drive tuition increases

¹⁵ Krista M. Soria and Bonnie Horgos. (2020). "Social Class Differences in Students' Experiences during the COVID-19 Pandemic." UC Berkeley: Center for Studies in Higher Education, <https://escholarship.org/uc/item/3hw2m00g>.

¹⁶ Ibid.

¹⁷ Mary C. Daly, Shelby R. Buckman, and Lily M. Seitelman, "The Unequal Impact of COVID-19: Why Education Matters," Federal Reserve Board of San Francisco, June 29, 2020, <https://www.frbsf.org/economic-research/publications/economic-letter/2020/june/unequal-impact-covid-19-why-education-matters/>.

¹⁸ Gene Falk, Paul D. Romero, Jameson A. Carter, Isaac A. Nicchitta, and Emma C. Nyhof, "Unemployment Rates During the COVID-19 Pandemic," Congressional Research Service, May 20, 2021, <https://fas.org/sgp/crs/misc/R46554.pdf>.

¹⁹ U.S. Census Bureau, American Community Survey Briefs, "Work-Life Earnings by Field of Degree and Occupation for People with a Bachelor's Degree: 2011", October 2012, <https://www2.census.gov/library/publications/2012/acs/acsbr11-04.pdf>.

²⁰ 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, Vol. 11 (3), <https://doi.org/10.1257/app.20180100>.

While it will take a significant federal investment to Double Pell, the return on the investment is worth it. Since the 1980s, the relationship between access to federal financial aid and college and university tuition increases has been repeatedly investigated by policymakers, pundits, and higher education researchers.

During this time, leading higher education economists Robert Archibald and David Feldman, two U.S. Government Accountability Office reports produced during both the Bush and Obama administrations, and a report from the National Commission on the Cost of Higher Education have all repeatedly shown that there is no clear causal relationship between increases in federal student aid and tuition.²¹

Conclusion

The time has come to double the Pell Grant for students. 40 years ago, Pell Grants covered more than three quarters of the cost of college. Today the maximum grant covers less than 30 percent. And with low-income students struggling in the wake of the COVID pandemic, doing so is more urgent than ever.

Pell Grants continue to be the fairest and most efficient way to get education funding to those who need it most. It's a proven program that will not only open the doors of college and opportunity to more but will also tackle the issue of student debt head on. Pell grants have proven to be the most effective and equitable way to invest in students. Doubling Pell Grants will increase student access and college affordability, reduce the burden of college debt, help meet students' basic needs, increase access and degree completion, and help America to achieve a post-COVID economic recovery.

²¹ Robert B. Archibald and David H. Feldman. (2010). "Why Does College Cost So Much?" New York: Oxford UP, Print; U.S. Government Accountability Office, "Federal Student Loans: Patterns in Tuition, Enrollment, and Federal Stafford Loan Borrowing Up to the 2007-08 Loan Limit Increase," May 2011, <https://www.gao.gov/assets/gao-11-470r.pdf>; U.S. Department of Education, National Center for Education Statistics, "Study of College Costs and Prices 1988-89 to 1997-98, Vol. 1," December 2001, <https://nces.ed.gov/pubs2002/2002157.pdf>; National Commission on the Cost of Higher Education, "Straight Talk about College Costs & Prices," February 1998, <https://files.eric.ed.gov/fulltext/ED416762.pdf>.