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“Linking Access and Success: Reforming the Pell Grant Program”

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Madam Chair, Ranking Member Hinojosa, and Distinguished Members of this Panel, thank you for this opportunity.

The Pell grant program faces two serious problems today: its increasing cost to the taxpayer, and its failure to serve students well. The program is too expensive and too few students graduate. By returning the Pell program to its creators’ initial vision, it’s possible to trim costs while focusing on student success and access to higher education.

The Pell program provided grants to over 9 million students in 2011-2012, with awards totaling more than \$33 billion. Over 35 percent of all students in the U.S. received Pell grants.¹

Too many students receive Pell grants. Since the creation of the Pell program, participation has grown more than 4500 percent.² Much of that growth consists of middle-income students. Eight percent of Pell recipients come from families whose income is higher than the national median. Sixty percent of Pell recipients come from families above the federal poverty threshold.³

It may seem ironic but evidence shows that these middle-income students do not benefit from Pell grants. Recent academic research has shown that students from families earning between \$25,000 and \$50,000 per year who receive Pell grants are less likely to graduate than those who do not receive grants.⁴

For low-income students, the opposite is true. Pell recipients whose families earn less than \$25,000 per year are more likely to graduate than non-recipients with the

¹ U.S. Department of Education, 2011-2012 Federal Pell Grant End-of-Year Report (Washington, DC: Office of Postsecondary Education, 2013).

² *ibid*

³ *ibid*

⁴ Alexandra Walton Radford, Lutz Berkner, Sara C. Wheelless, and Bryan Shepherd. *Persistence and Attainment of 2003-04 Beginning Postsecondary Students: After 6 Years*, NCEES 2011-151 (Washington, DC: National Center for Education Statistics, Institute for Education Sciences, U.S. Department of Education, 2010).

same income.⁵ In short, Pell grants help our neediest students achieve graduation—but do not improve graduation rates for middle-class students.

Pell grants also work best for students with strong academic backgrounds. One 2002 study showed the college retention rate of Pell recipients who took a rigorous curriculum in high school was 87 percent—compared to just 57.6 percent for grantees who took a basic curriculum or lower.⁶ Another study showed that Pell recipients with SAT scores between 400 and 800 (out of a 1600-point total) graduated at a rate of only 34.2 percent, while those with scores between 1140 and 1600 graduated at a rate of 73.7 percent.⁷ The same study found similar differences when the high school GPAs of Pell grantees are compared.

We can address both of these problems—the rising cost to the taxpayer and the failure to help students significantly—to some extent by collecting better data. The first step is to augment the Pell disclosure provision of the 2008 reauthorization of the Higher Education Act; Data on Pell recipients' retention and graduation rates should be not only disclosed, but reported to IPEDS. This change will enable the Department of Education to evaluate the effectiveness of the Pell grants. The second step is to make sure that the public can have access to the data. But there is more to be done.

In order to use federal dollars effectively, eligibility requirements should be tightened so that only very low-income students receive Pell grants. Eligibility should be limited to students whose income falls below 133 percent of the federal poverty level—a cutoff commonly used for qualification for other federal programs such as Medicaid. It would help applicants immensely if the federal government would simplify the financial aid application process for low-income students. For example, for students in a household that receives Medicaid or Supplemental Security Income, full eligibility could be determined in as few as five or six questions.

For students who come from families that are not on Medicaid or SSI, a change should be made to replace Median Cost of College with Cost of Attendance. Right now, students have an incentive to attend more expensive schools in order to receive more Pell grant funding. Additional information currently used in the EFC formula, such as parents' age or the number of family members who will attend college during the school year, should not be used to determine eligibility.

To further reduce costs, we must ensure that students are using Pell grants as intended. Reports indicate that some students obtain Pell grant funds but do not

⁵ *ibid*

⁶ Christina Chang Wei and Laura Horn. *A Profile of Successful Pell Grant Recipients: Time to Bachelor's Degree and Early Graduate School Enrollment*, NCES 2009-156 (Washington, DC: National Center for Education Statistics, Institute of Education Sciences, U.S. Department of Education, 2009).

⁷ Radford et al., *Persistence and Attainment of Students*.

complete their courses. Thus, colleges and universities should place limits on students' Pell grant money.

In North Carolina, Central Piedmont Community College has implemented several new policies to do that. They include: not disbursing grant money until after 10 percent of the semester has been completed; not disbursing money if students haven't attended during the first 10 percent of the semester; disbursing money in two parts over the semester to make sure that the students stay around; limiting what can be purchased with financial aid in the bookstore; and a counseling and advising department that tracks academic progress and puts students on probation or suspension.

Because of low graduation rates under the current system, grants should go to students who are prepared for the challenge of college work. Academic requirements for initial Pell eligibility should be tightened.

One option to do so would be to match the academic standard set by the National Collegiate Athletic Association (NCAA), which requires first-year athletes to have completed certain high school courses. It also requires students to have taken the ACT or the SAT and to meet threshold scores based on GPA.⁸ Such a policy would concentrate the government's scarce education funding on the students most likely to succeed and give students an incentive to take a more challenging high school curriculum to better prepare for college.

Requirements for continuing eligibility should also be tightened, either by preventing students who become academically ineligible at one institution from receiving Pell grants at other institutions or by imposing tighter uniform standards for continuing grants.

To further encourage students to graduate, grant amounts should be better linked to enrollment intensity, as recommended by both HCM Strategists and the National Association of Student Financial Aid Administrators. That is, students who receive the maximum award should be expected to take 15 credit hours, not 12. Grant amounts for less than full-time enrollment should be prorated based on the new 15-hour limit. This change will increase the likelihood that Pell students will complete associate's degrees in two years or baccalaureate degrees in four years. It could be coupled with the "Pell Well" concept introduced by NASFAA, which bases awards on a 12-month schedule rather than the academic year⁹.

In sum, the current Pell program faces serious challenges. But we can meet those challenges with better data, financial planning, and student accountability.

⁸ *The Federal Pell Grant Program: Recent Growth and Policy Options*. Congressional Budget Office, 2013.

⁹ *Reimagining Financial Aid to Improve Student Access and Outcomes*. National Association of Student Financial Aid Administrators, 2013.