

# Pell Grants Help Keep College Affordable for Millions of Americans

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## Pell Grants Are Essential to College Access and Affordability:

- **Pell Grants make college possible for millions of Americans.** Nearly nine million Americans depend on Pell Grants to attend and complete college.<sup>1</sup> Research has shown that need-based grant aid increases college enrollment among low- and moderate-income students and reduces their likelihood of dropping out.<sup>2</sup>
- **Next year's maximum Pell Grant will cover the smallest share of college costs since the start of the program.** As recently as in the 1980s, the maximum Pell Grant covered more than half the cost of attending a four-year public college. Even after the recent increases, the \$5,730 maximum Pell Grant in 2014-15 is expected to cover less than one-third of the cost of college—the lowest since the start of the program.<sup>3</sup>
- **Pell Grant recipients are already *more than twice as likely* as other students to have student loans** (61% vs. 29%).<sup>4</sup> Among Pell Grant recipients who graduate from four-year colleges, nearly *9 out of 10* have student loans, and their average debt is \$4,750 more than their higher income peers.
- **For students of color, Pell Grants are particularly important.** *More than 60%* of African-American undergraduates and *half* of Hispanic undergraduates rely on Pell Grants to attend school.<sup>5</sup>

## Pell Grants Strengthen our Economy by Expanding Opportunity and Boosting Workforce Productivity:

- **America's economy needs more students to complete college, but families are struggling to cover the cost.** The economy's demand for college-educated workers is projected to increase at double the rate of the supply.<sup>6</sup>
- **A college degree dramatically increases employment and wages.** Young adults with only a high school diploma are almost 3 times as likely to be unemployed, and earn less than three-fifths as much, as those with a bachelor's degree.<sup>7</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 a college education for individuals and the economy, widespread concerns about costs and debt, and broad support for making college affordability and financial aid policy priorities.<sup>8</sup>

## Pell Grant Costs Have Already Been Cut by More than \$50 Billion and Are Projected to Remain Stable:

- **Recent budget agreements reduced Pell Grant costs by more than \$50 billion.** The FY11 budget agreement eliminated "year-round" Pell Grants, and the FY12 omnibus appropriations bill further reduced eligibility. Together, they cut program costs by approximately \$5 billion (12%) per year and by more than \$50 billion over 10 years.<sup>9</sup>
- **Pell Grant costs have *declined* since 2010 and are projected to *remain level* over the next 10 years after adjusting for inflation.** Although the Pell Grant program grew dramatically after 2008, due in large part to more students becoming Pell-eligible as the economy worsened and an expansion that was later repealed,<sup>10</sup> costs peaked in 2010 and have been declining ever since. After adjusting for inflation, the Congressional Budget Office (CBO) projects almost *no* annual growth in costs over the next 10 years.<sup>11</sup>
- **The Pell Grant program is projected to have *surplus* funds in FY14 and FY15.**<sup>12</sup> These surpluses are needed to help close the funding gap beginning in FY16 as appropriators need to cover a greater share of total Pell Grant costs.<sup>13</sup>

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<sup>1</sup> U.S. Department of Education, "Fiscal Year 2015 Budget Request: Student Financial Assistance."

<http://www2.ed.gov/about/overview/budget/budget15/justifications/q-sfa.pdf>. Page Q-20.

<sup>2</sup> Castleman, Benjamin 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. <http://www.nber.org/papers/w19306.pdf>. Goldrick-Rab, Sara, Douglas N. Harris, Robert Kelchen, and James Benson. 2012. "Need-Based Financial Aid and College Persistence: Experimental Evidence from Wisconsin."

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<sup>3</sup> College costs are defined here as average total tuition, fees, room, and board costs at public four-year colleges. Calculations by TICAS on data from the College Board, 2013, "Trends in College Pricing 2013," Table 2, <http://bit.ly/14OJvby>, and U.S. Department of Education data on the maximum Pell Grant.

The maximum Pell Grant for 2014-15 was officially announced in the U.S. Department of Education's "2014-15 Federal Pell Grant Payment and Disbursement Schedules," <https://www.ifap.ed.gov/dpletters/GEN1401.html>.

<sup>4</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.

<sup>5</sup> Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2011-12.

<sup>6</sup> Georgetown Center on Education and the Workforce. 2011. "The Undereducated American." <http://cew.georgetown.edu/undereducated>.

<sup>7</sup> Calculations by TICAS on data from the U.S. Census Bureau, Current Population Survey, 2013 Annual Social and Economic Supplement, Table PINC-04; and unpublished data from the Bureau of Labor Statistics, Current Population Survey, 2012 annual average for unemployment rates. Young adults are defined as persons aged 25 to 34.

<sup>8</sup> 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."

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<sup>9</sup> Calculations by CBPP on data from the Congressional Budget Office (CBO), March 2011 baseline and estimates of changes made in 2011. Calculations based on changes in Pell Grant program costs during the period 2012 through 2021.

<sup>10</sup> U.S. Department of Education. "Fiscal Year 2012 Budget Request: Student Financial Assistance." P-13.

<sup>11</sup> Calculations by CBPP on data from the U.S. Bureau of Labor Statistics, Consumer Price Index-All Urban Consumers (CPI-U); U.S. Department of Education, "Fiscal Year 2013 Budget Request: Student Financial Assistance," and FY2013 state tables; and Congressional Budget Office (CBO), "Budget and Economic Outlook: Fiscal Years 2013 to 2023" and May 2013 baseline projections for the Pell Grant program. The average annual growth calculation is based on CBO's projected Pell Grant program costs from 2014 to 2023, adjusted for fiscal year inflation.

<sup>12</sup> Surpluses occur when CBO overestimates program costs and shortfalls when it underestimates program costs. Calculations by CBPP on data from CBO, May 2013 baseline projections for the Pell Grant program, <http://1.usa.gov/15O4Ot9>. Assumes the discretionary appropriation for Pell Grants keeps pace with Budget Control Act caps starting in FY2014.

<sup>13</sup> Assuming that the discretionary appropriation for Pell Grants keeps pace with Budget Control Act caps starting in FY2014, the Pell Grant funding gap is estimated at \$19 billion over 10 years (FY2014-2023). The Pell Grant funding gap in FY2016 is estimated at \$3.8b. Calculations by CBPP on data from the Congressional Budget Office (CBO), May 2013 baseline projections for the Pell Grant program, <http://1.usa.gov/15O4Ot9>.