

# RETHINKING PELL GRANTS

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# The Project

- Bill and Melinda Gates Foundation, Lumina Foundation, The College Board
- Sandy Baum (chair, Tom Bailey, Eric Bettinger, Sue Dynarski, Art Hauptman, Harry Holzer, Jim Jacobs, Jim Rosenbaum, Kathie Little, Bridget Long, Mike McPherson, Don Saleh, Judy Scott-Clayton, Sarah Turner

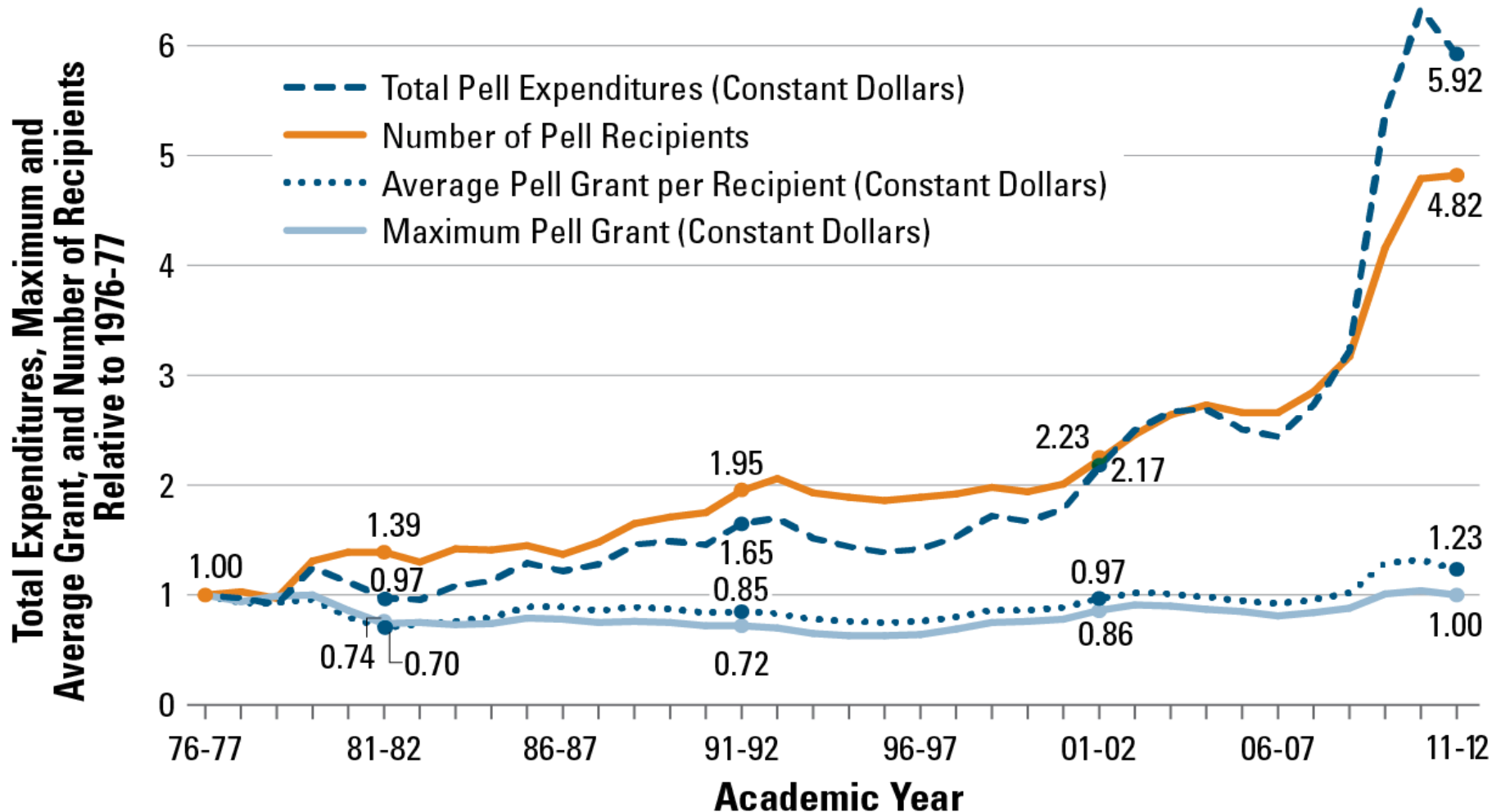
# The Context

- Rising expenditures
- Quick fixes
- Focus on student success
- RADD projects
- Reauthorization

# Pell Grants Today

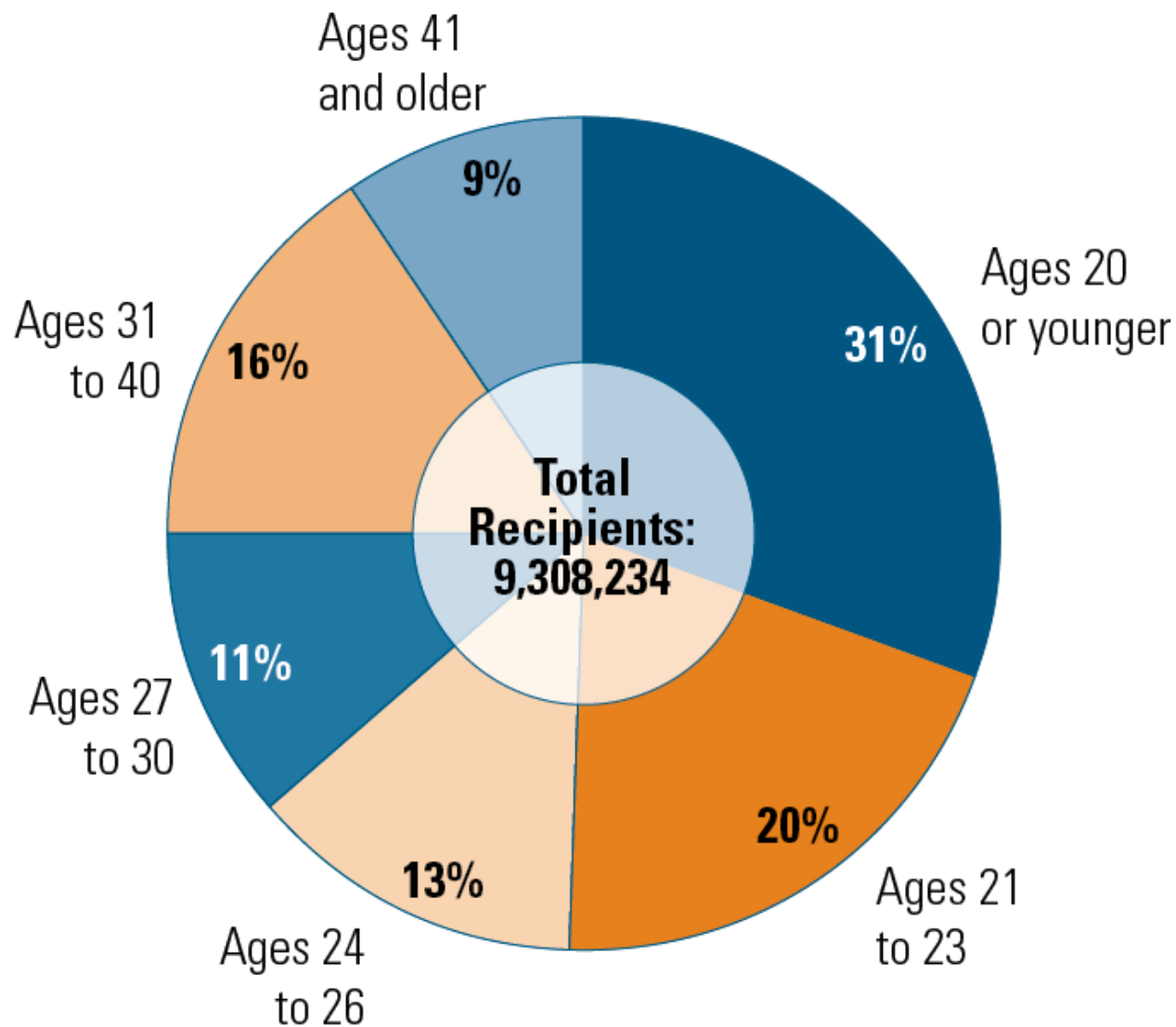
- Foundational federal grant for undergraduates students
  - Eligibility based on financial information reported on FAFSA
  - Separate need analysis for dependent/independent students
  - Voucher program
  - Maximum grant at 12 credit hours / semester
  - Satisfactory academic progress (SAP)
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- 9.7 million students
  - 37% of undergraduates

# Number of Pell Recipients, Total Inflation-Adjusted Expenditures, and Maximum and Average Pell Grant Relative to 1976-77 Level, 1976-77 to 2011-12



Source: The College Board, Trends in Student Aid 2012

## Distribution of Pell Grant Recipients by Age, 2010-11



Source: The College Board, Trends in Student Aid 2012

# Supporting Completion

Degree Completion After Six Years, 2003-04 Beginning Students			
	Total	Age<=24	Age>=25
BA Degree	20%	25%	3%
AA Degree	9%	10%	9%
Certificate	16%	13%	25%
No credential	55%	53%	63%
<i>Source: BPS 2009</i>			

# Policy Principles

1. Design should align with goals
2. Program should be structured to align incentives with program goals
3. Program design should acknowledge behavioral and informational limits of students' decision-making
4. Complexity and bureaucracy should be minimized to ensure program reaches those most in need



# Pell Grants

- Simplification
  - IRS data
  - One-time application (Age 17 and again after age 24)
  - Look-up table
- Changing focus from maximum Pell Grant and definition of full-time
  - Funding per credit hour

# Older and Younger Students

- Rationale for government support differs for younger and older students
  - Recent HS grads: promoting access & opportunity for students from disadvantaged families
  - Older students: providing form of social insurance for those with limited labor market success

# Older and Younger Students: Degree Programs

	Not in a degree program	Certificate	Associate's Degree	Bachelor's Degree
<b>Pell Grant Recipients</b>				
Age 24 or under	4%	18%	39%	39%
Over age 24	6%	38%	47%	9%
<b>All Undergraduates</b>				
Age 24 or under	7%	8%	39%	46%
Over age 24	13%	25%	52%	10%
Source: NCES, <i>Beginning Postsecondary Student Survey</i> , Power Stats analysis by authors				

- 91% of older Pell recipients are pursuing a credential below the BA level
- Median months enrolled is just 18 months for older students (compared to 36 for younger students)

# Promoting Completion

- Change from a fixed definition of “full-time” (currently 12 credit hours); instead fund students on per-credit system up to 45 credits annually
- Limit lifetime coverage to 125% of actual program length (e.g. 150 credits for BA, 75 credits for AA)
- Strengthen SAP
- Experiment with small on-time completion bonuses

# Guidance

- Importance of institution / program choice
- Light-touch guidance for younger students from application through first year.
- Pre-enrollment guidance by disinterested third party for older students, in addition to counseling throughout studies
- Test interventions on experimental basis before scaling up