



Testimony  
Of  
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Workforce Training

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*Opening Doors of Educational Opportunity*

## Keeping College Within Reach: Strengthening Pell Grants for Future Generations

Chairwoman Foxx, Ranking Member Hinojosa, and members of the Subcommittee:

Thank you for inviting me to testify today. The National Association of Student Financial Aid Administrators (NASFAA) represents more than 3,000 public and private colleges, universities, and trade schools across our nation. Collectively, NASFAA members serve 90 percent of all federal student aid recipients.

In this current academic year, nearly 9 million low-income students across the country are receiving Pell Grants, a program long considered the cornerstone of the federal student aid programs. Over its 41-year history, the Pell Grant has provided more than 60 million low-income students access to a college education, with 148 million individual annual awards made since the program's inception<sup>1</sup>. A well-targeted federal program, in award year 2011-12 nearly 85 percent of Pell recipients had incomes below \$30,000 and nearly 70 percent of recipients were eligible for the maximum grant.<sup>2</sup>

For all of its success in providing basic access to postsecondary education for low-income students, the upcoming reauthorization of the Higher Education Act provides a much-needed opportunity to examine the structure, purpose, and outcomes of the Pell Grant program.

My testimony today will provide a framework for reviewing the Pell Grant program and will be divided into three parts:

1. The history and original intent of the program
2. Subsequent and significant changes that have been made to the program since its inception
3. Considerations for future program reform

### History and Intent

The Pell Grant evolved out of the Basic Educational Opportunity Grant (BEOG), which was authorized in 1972. BEOG was created to provide grant aid to ensure access to postsecondary education for low-income students. According to the Pell Institute,<sup>3</sup> BEOG was one of the last pieces of the anti-poverty and civil rights laws that defined the federal

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<sup>1</sup> Whitehouse.gov. Celebrating Success: 40 Years of Pell Grants (White House Fact Sheet): <http://www.whitehouse.gov/blog/2012/06/23/celebrating-success-40-years-pell-grants>

<sup>2</sup> U.S. Department of Education. End of Year Pell Report, 2011-12: <http://www2.ed.gov/finaid/prof/resources/data/pell-2011-12/pell-eoy-2011-12.html>

<sup>3</sup> The Pell Institute. Reflections on Pell: Championing Social Justice Through 30 Years of Educational Opportunity, 2013: [www.pellinstitute.org/downloads/publications-Reflections\\_on\\_Pell\\_June\\_2013.pdf](http://www.pellinstitute.org/downloads/publications-Reflections_on_Pell_June_2013.pdf)

role in assuring equal access to education.

The introduction of BEOG was significant for two reasons: it marked the first time federal financial aid was given to the student as a portable grant (i.e. funds went directly to the student, not the school), and it signaled a philosophical shift in how our country viewed higher education. Prior to the advent of BEOG, federal financial aid focused on our collective national competitiveness relative to other countries. BEOG illustrated our societal belief that providing basic access to postsecondary education would allow low-income families an opportunity for upward economic mobility while simultaneously creating a more stable and strong economy<sup>4</sup>. In 1980, BEOG was renamed the Pell Grant after Senator Claiborne Pell of Rhode Island, a long-time champion of higher education access.

In its first full award year, approximately 1.94 million students received BEOG, with the maximum grant of \$1,400 covering approximately 72 percent of the cost of attendance at a four-year public institution. “The original BEOG grants helped close the gap between what the poorest students could afford to pay for college—generally zero dollars, or little more than that—and the cost of an education at the average public four-year university<sup>5</sup>.”

This helped ensure almost universal financial access to a baccalaureate degree program. In only a few short years, the program was covering 85 percent of the cost at a four-year public institution<sup>6</sup>.

Today’s Pell Grant and the students it serves look very different from those served in the first full award year of 1976-77. For one, the numbers of students utilizing the grant have increased dramatically. In this current award year over 9 million students will receive Federal Pell Grants, and the maximum grant has increased to \$5,635.<sup>7</sup>

<b>Award Year</b>	<b>Maximum Pell Award</b>	<b>Number of Students Served</b>	<b>Maximum Grant Percentage of COA at Public Institution</b>
AY 1976-77	\$1,400	1.94 million	72 percent
AY 2013-14	\$5,635	9 million	36 percent

<sup>4</sup> The Pell Institute. Reflections on Pell: Championing Social Justice Through 30 Years of Educational Opportunity, 2013: [www.pellinstitute.org/downloads/publications-Reflections\\_on\\_Pell\\_June\\_2013.pdf](http://www.pellinstitute.org/downloads/publications-Reflections_on_Pell_June_2013.pdf)

<sup>5</sup> *Ibid*

<sup>6</sup> *Ibid*

<sup>7</sup> The American Council on Education. Pell Grant Funding History, 2012: <http://www.acenet.edu/news-room/Pages/Pell-Grant-Funding-History-1976-to-2010.aspx>

However, in a stark comparison to Pell's early years, the maximum grant now covers only 36 percent of the cost of attendance at a four-year public institution. (In order for Pell to cover 72 percent of costs as it did in 1976, a maximum award amount of \$12,875 would be necessary.)<sup>8</sup> The cost of the program has also increased dramatically. This past year Pell Grants came with a \$33 billion price tag, now representing the largest share of the federal education budget.

Despite its long history, most of the significant changes to the program have occurred over the last 10 years (*See Appendix A*). Given Pell's substantial role in the federal education budget, it is not surprising that most of the recent modifications to the program have occurred through the budget process. Pell underwent a series of expanded eligibility changes through the Higher Education Reconciliation Act (HERA) of 2005, the College Cost Reduction and Access Act (CCRAA) of 2007 and the Healthcare and Education Reconciliation Act of 2010 (HCERA), all budget bills. These included things like increases in the amount and types of income excluded from the Pell Grant eligibility formula, increases in the income level under which an applicant automatically qualified for a maximum grant, and allowing students to receive additional Pell for attending school year-round. However, budgetary pressures from these changes combined with the onset of a deep recession resulted in cost trimming, represented most significantly by eliminating the "year-round Pell Grant." These budgetary pressures have led us to collectively reexamine whether the program is accomplishing all that it can and should.

### Today's Higher Education Landscape

Today, Pell exists within a larger, more diverse student and learning environment than in its early days.

1. **Growth of nontraditional students.** At Pell's inception, most students were what we define as "traditional;" headed to brick-and-mortar campuses directly after high school, to pursue standard 2- and 4-year degrees at a full-time pace. According to a report on the history of Pell, "When originally enacted, the student aid programs and procedures under the Title IV of the Higher Education Act were designed for families with dependent children who attended college full time."<sup>9</sup> Today's postsecondary student is very different, with "non-traditional" students comprising the majority, nearly 72 percent<sup>10</sup> of those in college. The typical characteristics of nontraditional students include, but are not limited to those: who are over 24 years of age, are attending at a less than full-time status, and students with their own dependents.<sup>11</sup> Of the 17.6 million students enrolled in postsecondary education in the fall of 2011, only 15 percent of students attended four-year institutions and

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<sup>8</sup> The College Board. Trends in College Pricing, 2013: <http://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2013-14>

<sup>9</sup> Gladieux, Lawrence. Memory, Reason, Imagination: A Quarter Century of Pell Grant, 1998.

<sup>10</sup> U.S. Department of Education. NCES. National Postsecondary Student Aid Study, 2008.

<sup>11</sup> U.S. Department of Education. NCES. Definitions and Data: <http://nces.ed.gov/pubs/web/97578e.asp>

lived on campus, according to NCES. Thirty-seven percent of the total attended part-time and 32 percent worked full-time while attending school.<sup>12</sup>

These demographic changes should be a key consideration in discussions on the future of Pell Grants and student aid, given that these programs were originally built to primarily serve traditional students.

- 2. College Readiness & Growth in Developmental Education.** Data show substantial growth in the number of students who need to take developmental (also known as remedial) coursework upon entering postsecondary education. According to Complete College America's *Bridge to Nowhere* report<sup>13</sup>, 51.7 percent of students entering 2-year colleges need some type of remedial coursework along with 19.9 percent of those enrolling in 4-year colleges. The report found that in 2011 remediation cost states and students an estimated \$3 billion.

There are numerous factors that contribute to a student being unprepared for college-level coursework, but the salient point is a lingering question of whether a high school degree can be taken as an indicator of college readiness. The original intent of the grant was to provide basic access to low-income, *qualified* students. And while Pell cannot be used solely for remedial education, it can be used for remedial coursework that is integrated into a program. The question we must answer is whether Pell Grant funds should be used to supplement high school-level learning. If Pell or other forms of student aid cannot be used for any remedial coursework, what safety nets should be put in place to help students catch-up?

- 3. Growth in Innovative Learning Models.** As more non-traditional students enter college, many institutions have moved toward more flexible degree and certificate programs through the use of innovative learning models, such as Massive Open Online Courses (MOOCs), Prior-Learning Assessments (PLAs), and competency-based learning. The structure and rules of the current Pell Grant program, which is focused primarily on the traditional academic calendar and assessments of learning, discourages advancement in these innovative models. The Pell Grant program requires more flexibility in order to accommodate innovation in teaching and program construction.
- 4. Growth In/Need for Vocational Education.** Today many students enroll in postsecondary education for the purpose of job training. Data from NCES underscores this growth, with a nearly 64 percent increase from 2000 to 2010 in the number of sub-baccalaureate awards and certificates awarded.<sup>14</sup> And while some of these students seeking job training complete programs, others may choose

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<sup>12</sup> U.S. Department of Education, *The Condition of Education*, 2011:

<http://nces.ed.gov/programs/coe/analysis/2011-section1.asp>

<sup>13</sup> Complete College America. *Bridge to Nowhere*, 2012: <http://www.completecollege.org/docs/CCA-Remediation-final.pdf>

<sup>14</sup> [U.S. Department of Education. \*NCES. Career/Technical Education Statistics\*:  
<http://nces.ed.gov/surveys/ctes/>](http://nces.ed.gov/surveys/ctes/)

to simply enroll in a specific course or two without gaining a credential. For example, although a student must enroll in a credential-granting program in order to receive a Pell Grant, a student's goal might be to take certain courses that will help with a current job. Job training is quite different from pursuit of a degree. It is reasonable to discuss whether Pell is the right funding stream for job training purposes, or whether funding for job-training programs might, for example, more appropriately come from the Department of Labor.

5. **Increased Focus on Persistence and Completion.** For many years access has been the focal point of federal student aid policy. In recent years, research and related policy recommendations have shifted toward persistence and completion as the result of a growing concern about the number of students actually earning a credential and the appropriate use of taxpayer dollars. While the Pell Grant has traditionally been for the purpose of access, there has been a broader discussion--including in President Obama's college affordability plan--to tie Pell and other student aid funds to student outcome measures. This is fraught with challenges, not the least of which would be incentivizing schools to *stop* taking on the risks associated with enrolling underserved populations. The upcoming reauthorization will almost certainly grapple with this issue as policymakers consider whether Pell's purpose should expand beyond access.

### Ideas for Reform

Financial aid administrators believe that there are ways to strengthen the Pell Grant program and make it more targeted and flexible, without undermining the original intent of the program—providing basic access to postsecondary education for qualified, low-income students. We offer the following policy considerations:

1. **Provide a “Pell Promise”:** Pell Promise would act as an early commitment program for the Pell Grant.<sup>15</sup> Pell Promise would teach students as early as the 9<sup>th</sup> grade about Pell Grants by notifying them of how much Pell Grant funding they will be able to receive in the future and a guarantee of that amount toward higher education upon successful completion of high school. This would be very similar to the statement taxpayers receive from the Social Security Administration each year (*See Appendix B*).

An early commitment program like Pell Promise could encourage college-going behavior early by introducing a level of certainty for low-income students and incentivizing them to start planning, saving, and completing the necessary coursework early in their high school career. Enrollment data underscore this challenge, with 52 percent of low-income high school graduates enrolling in

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<sup>15</sup> The National Association of Student Financial Aid Administrators, 2013. Reimagining Aid Design and Delivery: <http://www.nasfaa.org/EntrancePDF.aspx?id=13287>

postsecondary education compared to 82 percent of high-income graduates, according to the National Center for Education Statistics.<sup>16</sup>

This type of program has proven very successful at the state level, the best example being Indiana's 21<sup>st</sup> Century Scholars program. This program guarantees income-eligible 7<sup>th</sup> and 8<sup>th</sup> graders in Indiana who choose to enroll up to four years of undergraduate tuition at participating Indiana colleges and universities upon good behavior and successful completion of high school. Data show that between 1986 and 2004 the number of students enrolling in college directly from high school in Indiana increased by 88 percent.<sup>17</sup>

Arming students and families with this funding commitment early could also address ongoing challenges of under-matching, whereby low-income, high achieving students self-select out of applying for competitive or elite institutions that could have been less expensive than where they ultimately attended. One recent study of a sample of high school valedictorians found that only 50 percent of those from low-income backgrounds even applied to a selective university, compared to roughly 80 percent of the valedictorians from upper-middle and high-income families<sup>18</sup>. Unfortunately, when a student decides early on that his or her higher education options are non-existent or extremely limited, it impacts their high school coursework choices and college enrollment behaviors.

2. **Provide Students a Well of Pell Funds:** This pot of funds (or "Pell Well") would be available for students to "draw" down from as needed until the student either completes the academic program or runs out of Pell funds, rather than allotting a certain amount of Pell dollars for each award year<sup>19</sup>. For example, under the current structure a student attending college continuously throughout the fall, spring and summer semesters would temporarily run out of Pell funds at a certain point because there are only so many Pell dollars allowed per award year. In that so-called "gap" semester before Pell eligibility resumes, the student is faced with turning to student loans, attempting to work and attend school simultaneously, or perhaps stopping out. Reducing the number of stop outs would be a significant benefit of the Pell Well, as data show that the number of students stopping out is a significant problem, particularly at the community college level. One recent study that examined nearly 38,000 community college students in Texas found that 94 percent of them stopped out at least once in

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<sup>16</sup> U.S. Department of Education. NCES: Fast Facts, Immediate Transition to College: <http://nces.ed.gov/fastfacts/display.asp?id=51>

<sup>17</sup> [The Lumina Foundation. Results and Reflections: 21st Century Scholars, 2008: http://www.luminafoundation.org/publications/Results\\_and\\_Reflections-21st\\_Century\\_Scholars.pdf](http://www.luminafoundation.org/publications/Results_and_Reflections-21st_Century_Scholars.pdf)

<sup>18</sup> Radford, Alexandria Walton. Top Student, Top School? How Social Class Shapes Where Valedictorians go to School, 2013.

<sup>19</sup> The National Association of Student Financial Aid Administrators, 2013. Reimagining Aid Design and Delivery: <http://www.nasfaa.org/EntrancePDF.aspx?id=13287>

their postsecondary career. Further, data also show that many of those students who stop out do not return.<sup>20</sup>

Under a Pell Well model, students would have continuous access to Pell funds until they attain a degree or exhaust eligibility (recently reduced to 12 semesters from 19). This concept facilitates and incentivizes retention and graduation along with affordability since it would deter unnecessary borrowing. The students who borrow most frequently tend to be low-income and working, according to NCES. Pell Well introduces a much-needed element of predictability, affordability, and personal flexibility into the federal student aid process (*See Appendix B*).

The Pell Well concept should be coupled with the implementation of the use of prior-prior year (PPY) income data on the FAFSA. The current method of using prior-year income leaves many families unable to complete the FAFSA in a timely manner, and can lead to missed deadlines and high levels of confusion about the aid process. Using PPY income data allows the aid application process to be moved up and aligned with the college admissions process, and allows for months-earlier notification of aid eligibility. Additionally, under a PPY system, significantly more families would be able to use the IRS Data Retrieval Tool, a key part of recent FAFSA simplification efforts.

NASFAA recently completed an in-depth data-driven study<sup>21</sup> on the use of PPY and found that for the neediest students (dependents and independents with dependents of their own) the use of PPY versus PY did not significantly impact their Pell Grant award (*See Appendix C*). Together, Pell Well and PPY would simplify, incentivize, and make more flexible the process of applying for and efficiently utilizing a Pell Grant.

- 3. Provide a “Super Pell”:** A Super Pell (*See Appendix B*) would incentivize students to enroll in more credit hours and graduate sooner. Currently, a full-time Pell award is based on enrollment in 12 credits. However, a student who completes 12 credits each semester is not on-pace to graduate in four years (15 credits per semester are generally necessary to achieve that benchmark). Those extra credits come with extra cost at many 2-year and public 4-year institutions that charge per credit; studies have shown that every \$1,000 increase in college price is associated with a 3-5 percent decrease in enrollment rates.<sup>22</sup> Extra Pell dollars on top of the current full-time Pell award for enrollments greater than 12 credits would alleviate this added cost barrier and encourage students to complete their academic programs

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<sup>20</sup> [http://www.insidehighered.com/sites/default/server\\_files/files/PARK\\_WORKING.pdf](http://www.insidehighered.com/sites/default/server_files/files/PARK_WORKING.pdf)

<sup>21</sup> [The National Association of Student Financial Aid Administrators. A Tale of Two Incomes, 2013: Comparing Prior Year and Prior Prior Year Through Pell Grant Awards: http://www.nasfaa.org/ppy-report.aspx](http://www.nasfaa.org/ppy-report.aspx)

<sup>22</sup> Stange, Differential Pricing in Undergraduate Education: Effects on Degree Production by Field, 2013. NBER Working Paper No. 19183.



more quickly, furthering our nation's college completion goals and likely leading to less lifetime student loan borrowing. It could also lead to fewer lifetime Pell dollars being spent on these students because students would receive a small amount of extra Pell funds for each term at greater than 12 credits, rather than an extra term, or year, or two years of a full scheduled award.

Throughout its history, Pell has offered millions of Americans the hope for a better future and upward mobility--and we are appreciative of the historically bipartisan support for the program. While we agree the program should be evaluated so that it may better meet the needs of current students, we are hopeful that throughout this next reauthorization, and for years to come, the Pell Grant will remain the cornerstone of the federal student aid programs.

**Appendices:**

Appendix A: NASFAA History of Federal Methodology and Pell Changes

Appendix B: NASFAA Reimagining Aid Design and Delivery (RADD) report

Appendix C: NASFAA A Tale of Two Incomes: Comparing Prior Prior Year and Prior Year through Pell Grant Awards