



Sawhill



Goldrick-Rab

Should Pell Grants Target the College-Ready?

Education Next talks with ISABEL SAWHILL and SARA GOLDRICK-RAB

Ensuring college access amid rising tuition costs has hovered near the top of the nation's education agenda for years. Facing heightened concern about the student debt burden and disappointing college graduation rates, policymakers are hungry for fresh ideas. Federal Pell Grants, the primary means for subsidizing college tuition for low-income students, meanwhile, cover only a small fraction of students' costs at most institutions. In this forum, Isabel Sawhill, co-director of the Center on Children and Families and the Budgeting for National Priorities Project at the Brookings Institution, calls for conditioning Pell Grants on both financial need and the likelihood of college completion. Offering a critical take on Sawhill's proposal is Sara Goldrick-Rab, associate professor of educational policy studies and sociology at the University of Wisconsin.

Target Aid to Students Most Likely to Succeed

by ISABEL SAWHILL

The cost of college has been rising at an unsustainable rate. The federal government has tried to soften the impact of these increases on families and students by providing more assistance in the form of loans, grants, and tax credits. For the academic year 2011–12, a total of \$173 billion was spent for these purposes, according to the College Board's *Trends in Student Aid*. The largest items were spending on loans (\$105 billion) and grants (\$49 billion), with most of the latter going to Pell Grants. Another \$18 billion was devoted to tax subsidies. With the nation facing severe fiscal constraints, it's only a matter of time before these amounts face greater congressional scrutiny. In addition to their effect

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Conditional Pell Dollars Miss Students Who Need Them Most

by SARA GOLDRICK-RAB

Education reform is a well-intentioned effort to improve outcomes for all students that is undercut by a misguided focus on achieving those goals on the cheap. The proposal I've been asked to discuss, which would condition Pell Grants on "college readiness," is just the latest example. This idea is redundant and expensive, and will decrease the Pell's cost-effectiveness by exacerbating an existing trend toward retargeting aid to students who are less affected by it.

Let's start with the facts. As it stands today, the federal Pell Grant program requires students to complete secondary school; no student can receive the Pell unless she has

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on deficits and debt, we should be asking what exactly we are getting for the large sums being spent. And are there more effective ways to spend the money?

Right now a college degree is very valuable in the market. The premium that graduates earn is substantial, comparing favorably to what one could earn on most alternative investments.

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Not surprisingly, then, enrollment rates in higher education have risen sharply over the past few decades. That's the good news. The bad news is that college graduation rates have hardly budged. Overall, only about 60 percent of those who enroll full time in a four-year school graduate within six years. Success rates at community colleges are even lower, and roughly half of all enrollments are in open-access community colleges (40 percent) or private for-profit institutions. Students drop out for many reasons, including the difficulty of combining college with a job or family responsibilities. Still, very high dropout rates raise questions about whether these students are ready for college. Another indicator of this lack of preparation is the large amount spent on remedial education, especially at the community-college level, where such spending is estimated at \$2 billion annually. Frustration at having to spend time and money on remedial classes is also likely a factor in a student's decision to drop out of college. Perhaps it's time to make financial aid a little more conditional on a student's readiness to go to college. Doing so would have a number of positive benefits, including 1) making sure that the taxpayer dollars devoted to this purpose are being spent on those most able to benefit, 2) encouraging students to work harder during high school to prepare themselves for college, and 3) increasing what students actually learn as opposed to the amount of seat time they acquire.

These potential benefits should not be exaggerated. Moreover, they have a downside: depending on how they are structured, they might screen out a large number of less-advantaged and low-performing students who deserve a chance to go to college.

Whatever one's views on these matters, it is time to ask some fundamental questions about federal financial aid and

its purposes. To get the conversation started, let me put forth an idea. Suppose we devote a larger proportion of federal aid to those who otherwise wouldn't have an opportunity to go to college but also made it more conditional on performance. Specifically, we could shift some of the federal aid budget to performance-based grants and make the assistance

a student receives more conditional on both income and performance. Families with incomes above \$100,000 a year, for example, who now receive tax subsidies to offset the cost of higher education, might be asked to forgo some of this assistance. At the same time, students whose performance on the ACT, the SAT, or the new Common Core State Standards is below a certain level might be denied assistance, and those who do particularly well might get extra help.

According to 2009 National Assessment of Educational Progress (NAEP) data, only a small fraction of high

school seniors are at or above proficiency in math and reading: 26 percent and 28 percent, respectively. This lack of preparation makes it difficult for them to do college-level work. For example, of younger students enrolling in college in 2003–04 with a high school grade-point average (GPA) below 2.0, only 16 percent had received a degree six years later, while 84 percent had not. The question we need to ask is whether taxpayers should foot the bill for students whose odds of success are so low.

The President's New Proposals

President Barack Obama has already spoken about the need to tie financial aid to performance. Compared to other countries, the U.S. is in the middle of the pack in terms of both how our students perform on various tests and the proportion who graduate from college. (We are currently number 12 among 24 Organization for Economic Co-operation and Development (OECD) member countries in the proportion of 25- to 34-year-olds with college degrees.) The president's goal is to once again make the United States number one in college graduation rates by 2020. To achieve the president's goal will require that students who need it be provided financial aid. But it will also require that they be prepared to do college-level work.

The president, along with many other Americans, sees a college education as the way to improve social mobility. As he said in a speech in Buffalo, New York, on August 22, 2013, "higher education is still the best ticket to upward mobility in America." Unfortunately, education in the United States has



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a high school diploma. Until July 2012 there was an alternative way to obtain the Pell via a standardized “ability to benefit” test. That no longer exists. In this sense, the college-readiness standards for Pell are stronger than ever and will be even stronger if the Common Core State Standards initiative has its way with the high school diploma. Moreover, the Pell Grant also includes a satisfactory academic progress standard that ensures that students who are failing to make decent grades in college do not keep the award. Typically set at a C average (2.0), close to the mean grade-point average (GPA) of Pell recipients, that standard revokes funding from tens of thousands of students every year.

Whether or not increasing standards is a positive step in the right direction depends on one’s perspective. If you are concerned about the American dream, aiming to ensure that hard work and talent, rather than family background, determine children’s opportunities, this is a move in the wrong direction. The chances of obtaining a high school degree (and thus being eligible for the Pell Grant) remain highly unequal based on family income and wealth, and ending any second-chance alternative pathways to federal financial aid reinforces that stratification. But it’s already been done.

In today’s world, we must be concerned with what we get for our money, and Pell dollars are no exception. For this reason, it is instructive to return to the creation of the Pell Grant and its explicit purpose: “the right of every youngster, regardless of his family’s financial circumstances, to obtain a postsecondary education.” Note the focus on “obtaining” the education, not merely “accessing” it. In this critical sense, the Pell Grant is meant to support students as they move from college entry to college completion, and yet for the last 30 years, that purpose has been all but forgotten.

Moving students from low-income families from initial college entry to the completion of degrees requires that Pell Grants effectively reduce the costs of attendance so that students are able to work less and study more, and can overcome financial obstacles in their way. Its purchasing power has declined to the point that it does not do this. Moreover, research indicates that low-income students who obtain a high school diploma but are not in the top echelons of their school are the *most* likely to need and benefit from financial assistance: they require extra time to devote to schoolwork and yet are more likely to have unmet financial need, since so-called “merit” aid rarely flows to them.

When need-based financial aid programs like the Pell Grant are evaluated, researchers tend to find that students reformers might not deem “college ready” obtain the greatest returns from the effort. For example, Mark Schneider of the American Enterprise Institute found that in both Texas and Louisiana aid worked best for the students who faced a lot of unmet need partly because they did not qualify for aid based on their academic profiles. These students, however, are not the focus of programs in their states. Similarly, economists Bridget Long and Ben Castleman found that Florida’s Student Access Grant boosted college attainment the most for students who graduated in the top 25 percent of their high school graduating class but did not qualify for Florida’s Bright Futures merit aid program. Raising the bar on academic requirements for the Pell Grant would thus seem to reduce program effectiveness, not increase it.

One of the greatest challenges facing our nation is the increasing stronghold that family income has in determining college attainment. University of Michigan scholars Martha Bailey and Susan Dynarski found that among people born in the early 1960s, there was a 31-percentage-point income gap in the chances of bachelor’s degree attainment, with just 5 percent of those from poor families completing college compared to 36 percent of wealthy students. Over

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the next 20 years, the gap grew to 45 percentage points primarily because the attainment of the wealthiest Americans raced ahead (up to 54 percent completing college), while Americans from more modest means made far smaller gains (increasing their chances to just 9 percent). The consequences are a reduction in America’s labor force productivity, future increases in spending on the social safety net, and a loss of tax revenue.

Restricting the federal Pell Grant to students who are well prepared for college would make



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not been a mobility-enhancing enterprise. Quite the opposite. Test-score gaps between high- and low-income students have been growing, as has the gap between the college enrollment rates of children from more- and less-advantaged families. Indeed, as documented in several recent studies, a well-qualified student from a low-income family has a lower chance of going to college than a poorly qualified student from a high-income family.

Improving social mobility implies maintaining or even increasing access to higher education. But students who drop out, many of whom are burdened by large amounts of debt, are not helped by this process. Nor are taxpayer dollars being spent in as cost-effective a way as they might be. Finally, there is already some evidence that employers are discounting the value of a college degree from an open-access school. Unless that degree is valued by employers and associated with an enhanced ability to do the job, it will do little to improve productivity and earnings over time. Given these conflicting imperatives between maintaining access and improving performance, what should we do?

In his speech, the president talked about creating a new rating system for colleges that would be unveiled in 2015. It would provide students and their parents with better information on what different colleges have to offer. In addition, starting in 2018, the rating system would affect how much aid a college received from the federal government. Right now that assistance is based on enrollments and not the number who graduate, much less on what students learn. States, which have been cutting back on aid to higher education, would be encouraged to make the same kind of performance-based decisions. Students attending higher-performing colleges would receive larger Pell Grants and more-affordable student loans. Performance ratings would be based on outcomes (such as graduation rates and graduates' earnings) as well as on access (e.g., the proportion of the student body receiving Pell Grants) and affordability (tuition net of scholarship aid). In my view, these are all good and welcome ideas from the president. He plans to propose them as part of the reauthorization of the Higher Education Act. But they are just a start.

What Does Federal Financial Aid Accomplish?

As noted above, most of the \$173 billion we currently spend on federal financial aid is in the form of loans and tax credits. Under current budget-scoring rules, loans

impose no costs on the taxpayer, but grants and tax subsidies do. Tax credits are available to families with an adjusted gross income (AGI) of up to \$90,000 (\$180,000 if married filing jointly). They do little to help those at the bottom of the income distribution, since they are not refundable. Subsidized loans are targeted similarly, with about 60 percent of the loans to dependent undergraduates going to families with an AGI under \$60,000. Pell Grants are less than one-third of the total amount of federal aid, accounting for about \$35 billion in spending. They are the most targeted form of assistance, focused on students with family incomes of less than about \$60,000, with the bulk of the dollars going to people with family incomes of around \$30,000. For the 2013–14 school year, the maximum award is \$5,645. Pell Grant spending has grown rapidly in recent years but mostly because of increased enrollment and not because the grants are particularly generous. Indeed, the awards have declined in value relative to the costs of college.

Unlike Pell Grants, there is no evidence that loans and tax credits have increased enrollment. In fact, they may simply be raising tuition levels. Granted that higher education is expensive, but does it make sense in an era of fiscal constraints to be spending so much on the middle and upper-middle classes? While the political imperative to do so is completely understandable, it may not be good policy.

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Some funds could be moved into Pell Grants by tightening up on tax subsidies that mainly benefit the relatively well-off. The idea would be to provide more money for Pell Grants but gradually tie them more closely to academic performance. More counseling would be needed as part of any such scheme since, according to researchers Caroline Hoxby and Sarah Turner, many lower-income but academically qualified students don't know what they are eligible for and don't apply to selective schools (see "Expanding College Opportunities," *research*, Fall 2013).



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this bad situation worse. The K–12 system remains overwhelmingly unequal, and chaining Pell eligibility to it even further ensures that both ends of the educational process remain unequally distributed. It transforms the Pell Grant from a policy aimed at transforming lives to one that simply rewards students lucky enough to be born into situations where their families are able to seize good high-school educations for them.

forgo college. Instead, they will enroll, and without grant aid, they will take on debt, even more than they already do. Their debt will become our debt, as they fail to repay, go into default, and become part of underground economies that do not pay taxes and exact substantial strain on our neighborhoods and communities. There is no escaping the cost of educating these students at the postsecondary level in today’s economy; there is merely the question of whether to pay now, or pay later.

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If the goal is to increase the cost-effectiveness of the Pell Grant program rather than simply cheapening it, policymakers should refocus their sights on the real problem: we spend a lot on financial aid but spending alone is insufficient to make college truly affordable. The purchasing power of the Pell Grant has been devastated. When created, the Pell Grant covered nearly 90 percent of the costs of attending a public college or university, but today it covers barely 30 percent. Students from working poor families, earning an average of \$16,000 a year, are asked to fork over as much as \$12,000 a year—after taking grant

Let’s be honest: adding such merit criteria to Pell Grants will merely make the program cheaper. We can look to history to tell us this. Consider the last merit-based Pell Grant, the Academic Competitiveness Grant (ACG). When implemented in 2006, the ACG restricted the provision of this supplemental Pell Grant to students who took rigorous high-school coursework, as assessed by a rubric that had to be manually verified and followed by financial aid officers. The lessons from the ACG are instructive: it served far fewer students than expected, added substantially to administrative costs, and was widely viewed as a failure. The program was ended in 2011 during a period of budget cuts.

aid into account—in order to finance attendance at a public bachelor’s degree-granting institution. Is it any wonder that some drop out? The real culprit is not a lack of academic preparation, but instead the actions of state legislatures, colleges, and universities that hike up the costs of attendance, underinvest in need-based financial grant aid, and spend the least on support services at the schools where students possess the greatest economic and academic needs.

Clearly, if the ACG criteria were imported into the main Pell Grant program, far fewer students would be served, and costs would fall. But so would its cost-effectiveness. In fact, improving the Pell’s cost-effectiveness requires actions in exactly the opposite direction. America needs more of its low-income families to send their children on for postsecondary education so that they can join our workforce, pay taxes, and build healthy families for future children. Focusing only on the “talented tenth” of Pell recipients will be a disaster, leaving millions of other students behind. That is a financial risk we cannot afford to take.

Creating a cost-effective Pell Grant that promotes both access and completion requires adding state and institutional accountability and increasing spending on the Pell and the federal work-study program. In sharp contrast to K–12 education, where the federal government contributes at most 10 percent of revenue yet has strong accountability demands, in the postsecondary arena colleges and universities receive up to 90 percent of their support from student financial aid and yet are asked to do very little in return. We need to restore the purchasing power of the Pell Grant by bringing states and institutions to the table and driving down college costs. Financial aid will never keep pace with uncontrolled costs of attendance, and it should not have to. We must provide incentives for states to move toward providing two years of community or technical college at no cost to families. The federal government should match

The data suggest that removing the Pell Grant from less-prepared students will not compel many of them to



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Should We Condition Aid on Performance?

Currently Pell Grants are not at all conditioned on readiness to do college-level work. All one needs is a high school diploma or to pass a General Educational Development test (GED). Contrast this system with those in many other countries, where access to college is heavily subsidized but also tied more closely to achievement. Granted there are many thorny questions about how to measure performance (SAT, ACT, proficiency on Common Core, high school GPA, etc.). I defer to those in the education field to design a sensible set of academic standards that would balance the need to motivate students to work hard in high school with the need to preserve access for those who succeed. Moreover, it would be best to test students no later than the beginning of high school so they can be counseled on what they need to achieve to be prepared by the time they apply for college. Test-score gaps open up early, so sending a message to students that readiness for college requires studying hard and mastering certain material has to be part of the program. Such a program would combine high expectations with a very concrete reward for achieving them.

The goals would be to encourage students to work harder during their high school years and to put more emphasis on

achieving national benchmarks such as the Common Core State Standards. Another goal would be to make our tax dollars go further by reallocating existing funding toward those students most likely to benefit from college-level work. Any such policy should be introduced gradually so that students already far along in their school careers would not be penalized. In the early years of the program, there would be carrots (bigger Pell Grants) for those whose academic achievement in high school met certain standards and, over a period of years, a gradual denial of assistance to, say, the bottom-scoring 20 percent of applicants. However, because such a policy is likely to be controversial in a country dedicated to open access, and might have unintended effects, it would be best to test it out in a small-scale program, under a state waiver as allowed by the president's proposed Race to the Top Fund for higher education. In the early years it would take the form of a significant bonus on top of the usual Pell Grant, paid for out of savings from current tax subsidies for higher education.

These ideas can be improved, I'm sure. My purpose in writing about them is to encourage more creative thinking and debate about how we use our limited resources to advance the twin goals of equity and excellence. ■



CARTOON / MARK ANDERSON

"I hear she likes apples so much she has core standards!"

these commitments by expanding the federal work-study program, especially at community colleges. Raise the bar by ensuring that every Pell Grant recipient has access to a minimum of 20 hours per week of on-campus employment: they will gladly work to earn the support, and increased college contact has positive benefits for their academic progress as well. Require schools to provide all students with supportive staff to help them construct realistic schedules and financial plans, and ensure that they are screened for eligibility for all forms of financial aid and public benefits each year to support their college attendance. Finally, adjust the calculation of need so that it is possible for the expected family contribution to drop below \$0 for the most severely poor students; this will allow them to accept as much financial aid (and subsidized loans) as they need to ensure their college costs are covered. Only then can we expect students to really focus, work hard, and finish their degrees. Certainly, these kinds of changes are much more difficult than simply cutting students out of the program, and they will take more time to achieve, but they will also lead to the creation of the cost-effective Pell Grant program that the nation deserves. ■