

**fastweb!**  
Paying for school just got easier

## Reforming Pell: New Ideas and Research to Improve Student Aid Policy

Mark Kantrowitz  
*Publisher of Fastweb and FinAid*

December 8, 2011

**monster**  
Your calling is calling™

**fastweb!**  
Paying for school just got easier

### Recent Trends in Pell Grant Growth

- Pell Grant appropriations doubled from 2008-09 to 2010-11, due to a 45% increase in the number of recipients and a 39% increase in the average grant per recipient
- From 1976-77 to 2010-11, the average annual increase in the maximum grant was CPI-U and the average increase in the average grant was CPI-U + 1.1%
- From 2001-02 to 2010-11 the max grant increased at CPI-U + 1.7% and the average grant at CPI-U + 4.0%

**monster**  
Your calling is calling™

**fastweb!**  
Paying for school just got easier

### Profile of Pell Grant Recipients

- 68% AGI < 150% Poverty Line, 95% < 250% PL
- 1/3 male, 2/3 female
- 42% dep., 57% indep. (26% single parents)
- 43% of Pell parents married (vs. 77% non-Pell)
- 39% had delay between high school and college
- 74% full-time, 25% half-time, 1.7% < half-time
- 64% public, 14% non-profit, 22% for-profit
- 63% get student loans (vs. 29.4% non-Pell)
- 78% did not get educ. tax benefits in 2007-08

**monster**  
Your calling is calling™

**fastweb!**  
Paying for school just got easier

### Risk Factors for College Completion

- Delayed enrollment
- No high school diploma
- Part-time enrollment
- Financially independent (no parent help)
- Have dependents
- Single-parent status
- Working full-time while enrolled

**monster**  
Your calling is calling™

**fastweb!**  
Paying for school just got easier

### Only a Few Ways to Cut Costs

- The challenge is to cut in ways that minimize the potential harm to students and that improve effectiveness of the program
- Cut something other than the Pell Grant
  - Cutting student aid is short-sighted, ultimately hurting federal and state income tax revenues
- Narrow eligibility to cut the number of recipients
- Cut the average grant per recipient
- Eliminate fraud and waste

**monster**  
Your calling is calling™

**fastweb!**  
Paying for school just got easier

### Practical Solutions that Preserve Pell

- Cut other forms of student aid first, since the Pell Grant is the most effective form of student aid and it is most carefully targeted based on need
  - Eliminate subsidized interest on undergraduate subsidized Stafford loans and increase rate to 6.8%
  - Eliminate the Hope Scholarship Tax Credit, Lifetime Learning Tax Credit and Tuition & Fees Deduction
  - Eliminate SEOG and Federal Work-Study
- Given a choice between cutting student loan interest benefits and cutting the Pell Grant, cutting interest benefits is the lesser of two evils

**monster**  
Your calling is calling™

Practical Solutions that Preserve Pell



- Cut the number of semesters of Pell Grant eligibility from 18 to 12
  - This will align the Pell Grant with the 150% timeframe restriction on Satisfactory Academic Progress
  - Establish lower limits for Associate's degrees (6 semesters) and Certificates (3 semesters)
  - Limit the number of Associate's degrees and Certificates eligible for the Pell Grant
- Require students to be enrolled on at least a half-time basis to be eligible for the Pell Grant
- Decouple EFC eligibility cutoff from max grant



Practical Solutions that Preserve Pell



- Limit the Pell Grant to institutional charges
- Give colleges a small bounty for each Pell Grant recipient who graduates
- Limit Pell Grant eligibility to students with family income up to 250% of the poverty line
- Require colleges to match the federal funding of zero-EFC Pell Grant recipients
- Require colleges to have a minimum graduation rate to be eligible for the Pell Grant
- Limit transfer student eligibility to max 3 colleges



Practical Solutions that Preserve Pell



- Make the Pell Grant performance based, measuring SAP each semester, with a one-semester grace period on loss of eligibility
- Limit Pell Grant eligibility to first-year students and students majoring in STEM/health fields
- Establish an earlier FAFSA deadline for Pell Grant eligibility (December 31)
- Restrict Pell Grant eligibility to Associate's and Bachelor's degree programs (no Certificates)
- Disburse refunds monthly (not payment period)



Thank You!



Mark Kantrowitz's student aid policy analysis papers may be found at [www.finaid.org/studentaidpolicy](http://www.finaid.org/studentaidpolicy)

