

PELL PLUS: MAXIMIZE OPPORTUNITIES FOR COMPLETION

PROPOSAL

Congress should help promote college completion by establishing a program to provide a Pell bonus to students in their junior and senior years* who are on track for graduation in four years. Also, students who are within one academic year of completing college, but who have exhausted their Pell eligibility, should be given an additional year of aid to get them over the finish line.

This “Pell-Plus” program would have two major components:

First, junior- and senior-year students who are on track to graduate in four years would be given access to the same total Pell Grant amounts that are currently made available only to those who take six years to complete. In addition, these bonus amounts would be matched dollar-for-dollar by institutions **(See Figure 1)**.

FIGURE 1

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	4-YEAR TOTAL	6-YEAR TOTAL
CURRENT	\$5,920	\$5,920	\$5,920	\$5,920	\$5,920	\$5,920	\$23,680	\$35,520
PROPOSED	\$5,920	\$5,920	\$17,760 ¹	\$17,760	n/a	n/a	\$47,360 ²	n/a

= Existing +			\$5,920	\$5,920				
Pell Bonus +			\$5,920	\$5,920				
Institutional Match			\$5,920	\$5,920				

*This concept could also be adapted to apply as early as the sophomore year, or for fifth-year undergraduates. It could also apply to the student loan program.

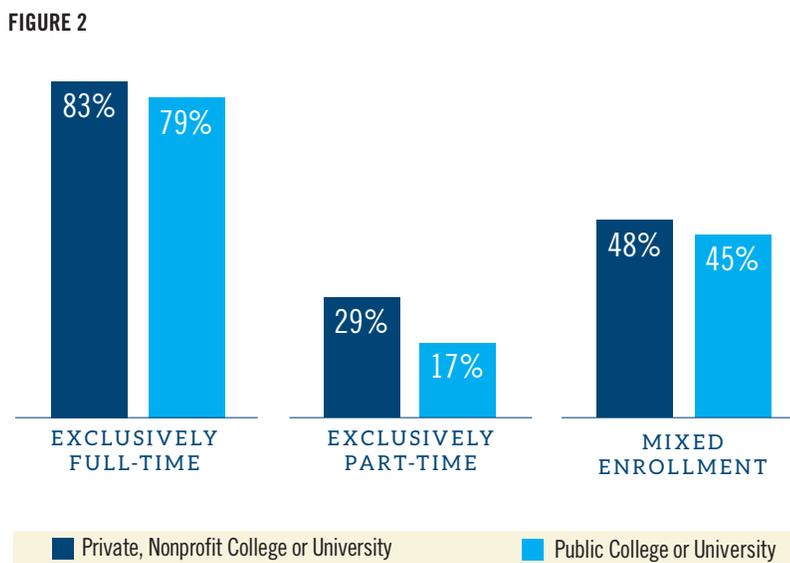
Second, to assist students who have run out of their six-year Pell eligibility, but who are within one academic year of completing a bachelor's degree, an additional year of Pell Grant eligibility would be provided to get them over the finish line.

The net effect of this proposal would be to: (1) triple the amount of Pell Grant assistance during the final two years of study for students who are on track to on-time completion; and (2) provide the opportunity for completion to those students, who are mostly non-traditional, who failed at their first attempt at college, but who are now on their way to completion.

RATIONALE

Pell Grants should remain the foundation of the federal role in higher education, and need should remain the central eligibility factor for students. However, the program could, and should, be adjusted to encourage more students to complete and to complete on-time (See Figure 2).

6-YEAR GRADUATION RATE
by Sector and Enrollment Intensity at Four-Year Institutions
The faster a student is able to progress to a degree, the more likely he or she is to complete.



Source: As reported by the National Student Clearinghouse (2015) in *Completing College: A National View of Student Attainment Rates, Fall 2009 Cohort*, results are for students who started at a four-year college in fall 2009 and obtained a bachelor's degree by 2015.

This completion goal could be accomplished by assuring that on-time completers receive the same amount of Pell Grant assistance as those who take six academic years to earn a degree. Current Pell Grant policies can work against completion goals because, right now, the longer a student takes to finish college, the more federal aid he or she can receive. For example, a student who takes six years to get through college could receive more than \$35,000 in Pell Grants, while a student who takes four years would receive less than \$24,000.

Ensuring that all institutions have “skin-in-the-game” (See Figure 3) is a leading policy conversation related to the reauthorization of the Higher Education Act. Many of the proposals put forward to date have focused on loan-sharing payments by institutions to the federal government. This Pell-Plus proposal takes a more student-centered approach by focusing on grant-sharing payments to students that can reduce net price and promote college completion.

SOURCES OF GRANT AID
for Full-Time Undergraduates at Four-Year Institutions, 2011-12

Private, nonprofits provide nearly \$32 billion in institutional aid

FIGURE 3

PRIVATE, NONPROFIT COLLEGES & UNIVERSITIES



PUBLIC COLLEGES & UNIVERSITIES



Legend: Institutional (dark blue), Federal (teal), Veterans/DOD (light blue), State (light grey), Private (yellow)

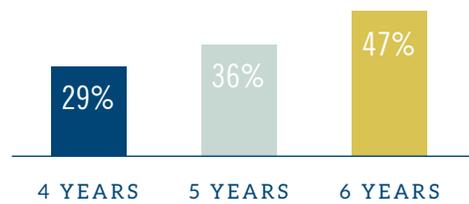
Sources: U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System, Finance Survey, FY 2014; College Board, *Trends in Student Aid*, November 2015.

The additional year of Pell eligibility for near-completers could similarly assist students who have returned to college with a clear goal and direction to finish their degrees.

According to the U.S. Census Bureau, the median lifetime earnings for workers with a bachelor’s degree is \$1 million more than those with just a high school diploma. Additionally, society as a whole benefits from the greater tax payments and lower dependence on social services of college completers. Students who graduate with a bachelor’s degree in four years graduate with nearly 20% less debt than those who finish in six years (See Figure 4). Additionally, these students will earn, on average right out of college, \$50,219 in gross income for each year they work full-time instead of remaining in school. A recent graduate making this income would contribute an estimated \$5,740 per year in federal taxes, nearly the equivalent of the maximum Pell Grant (See Figure 5).

Bachelor Degree Recipients Who **BORROWED \$25,000 OR MORE** at Public or Private, Nonprofit Colleges, by Time to Graduation.

FIGURE 4



*Results exclude students who did not borrow for college.

Source: Completed every six years, the Beginning Postsecondary Students Longitudinal Study (BPS) surveys a cohort of first-time college students one, three, and six years after starting postsecondary education (NCES). The table and chart below reflect the most recent completed BPS study available to the public, a survey of the same cohort in 2004, 2006, and again in 2009. Another BPS study is in progress, started in 2012 with follow ups in 2014 and 2017.

LOST EARNINGS FOR STUDENTS and Lost Revenue for the Federal Government for Each Additional Year in College, Class of 2015.

FIGURE 5

	Earnings	Federal Taxes
5 YEARS TO GRADUATE	\$50,219	\$5,740
6 YEARS TO GRADUATE	\$100,438	\$11,480

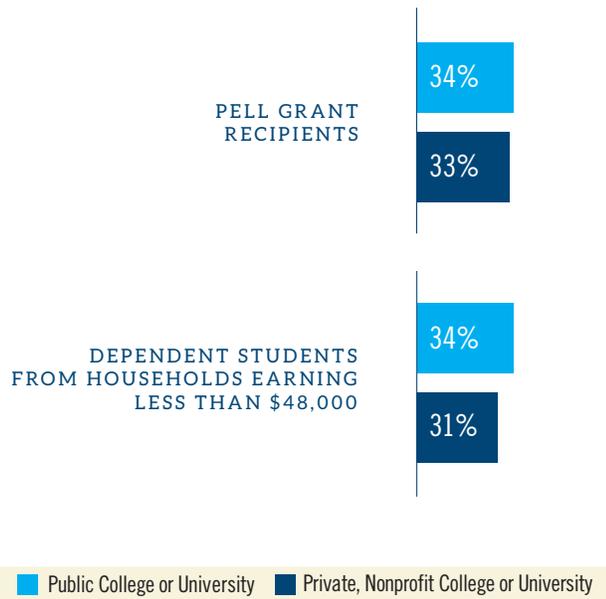
Source: First Destinations for the College Class of 2015, National Association of Colleges and Employers, 2016.

Private, Nonprofits and Pell-Eligible Students

Currently, about the same percentage of students who attend four-year private, nonprofit institutions are Pell recipients as at four-year public institutions. Meanwhile, students at four-year private, nonprofit institutions graduate at higher rates than in other sectors (**See Figures 6, 7 & 8**). Under the Pell Plus proposal, low-income students would have a wider variety of affordable choices in finding the right-fit college where they are likely to have the most success. And, when they find the right fit, students are more likely to stay in school and complete.

UNDERGRADUATES FROM LOW-INCOME HOUSEHOLDS Four-Year Institutions

FIGURE 6



Sources: The 2013-2014 Federal Pell Grant Program End-of-Year Report, the Integrated Postsecondary Education Data System (IPEDS) 12-Month Enrollment Survey, and the 2012 National Postsecondary Student Aid Study (NPSAS). IPEDS annually surveys institutions that participate in federal financial aid programs. NPSAS surveys students every four years, with special attention to how they finance their education.

6-Year
GRADUATION RATES
for PELL GRANT
RECIPIENTS
by SECTOR,
Four-Year Institutions

FIGURE 7

PRIVATE, NONPROFIT COLLEGE OR UNIVERSITY



PUBLIC COLLEGE OR UNIVERSITY



Source: Completed every six years, the Beginning Postsecondary Students Longitudinal Study (BPS) surveys a cohort of first-time college students one, three, and six years after starting postsecondary education (NCES). The table and chart below reflect the most recent completed BPS study available to the public, a survey of the same cohort in 2004, 2006, and again in 2009. Another BPS study is in progress, started in 2012 with follow ups in 2014 and 2017.

4-Year, 5-Year, 6-Year
GRADUATION RATES of
FIRST TIME, FULL-TIME
STUDENTS by SECTOR,
Four-Year Institutions

FIGURE 8

PRIVATE, NONPROFIT COLLEGE OR UNIVERSITY

4-Year	5-Year	6-Year
53%	63%	65%

PUBLIC COLLEGE OR UNIVERSITY

4-Year	5-Year	6-Year
34%	53%	59%

Source: Digest of Education Statistics, 2015, Table 326.10
(https://nces.ed.gov/programs/digest/d15/tables/dt15_326.10.asp)

FOOTNOTES

1 Combined effect of adding amounts that would otherwise have been provided in years 5 and 6 (\$5,920 each year) and the institutional match (\$5,920 each year). \$5,920 (annual Pell Grant) + \$5,920 (Pell Grant amount otherwise awarded in year 5 or 6) + \$5,920 (institutional match) = \$17,760

2 The larger total number reflects the amount of the institutional match (\$11,840).