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Obama breathed new life into federal grant aid, yet it's not enough to tackle college costs

By Danielle Douglas-Gabriel, February 29, 2016

The Obama administration has made unprecedented investments in the Pell grant program for needy college students, increasing access and the award amount over the years. Yet in the face of rising higher education costs and dwindling state investment, the program is fighting an uphill battle to make college affordable for low-income students.

This month marks the seventh anniversary of President Obama signing the American Recovery and Reinvestment Act, a bill that, among many other things, doubled Pell funding by more than \$17 billion. Maximum awards rose from \$4,731 to \$5,350, and 800,000 more students became eligible for grants. The investment served as a backstop for students who struggled to finance their education at the height of the economic downturn, as lenders retreated from the credit markets and states slashed higher education budgets.

“Pell was facing a double whammy in that the economic crisis not only put constraints on federal and state budgets, but also led more students to want to head to school,” said James Kvaal, deputy director of the White House Domestic Policy Council. “The fact that we were able to make the investments we made in Pell...at that time and sustain those increases through the budget fights that followed is a really promising sign.”

Initially, the federal investment in grant aid held down the net price — tuition, fees, room and board, minus grants and scholarships — at public universities for low-income students. But that reprieve was short-lived as the cost of college climbed much faster than federal grant aid. Public universities continued to raise tuition to offset the loss of state funding. As a result, the average net price for public four-year schools has risen 25 percent to \$14,120 since 2008-2009, according to the College Board. Whereas the Pell award covered 77 percent of the cost of attending a four-year public university in 1980, it barely covered a third of the cost by 2011, according to the Education Trust.

“Even with all of the increases, Pell hasn’t kept up with the cost of college,” said Pauline Abernathy, vice president of the Institute for College Access & Success (TICAS). “There’s no question that the federal investment slowed the impact of states cutting back...but the value of Pell has declined.”

Nine out of 10 Pell recipients who graduate from four-year colleges have student loans, and owe on average \$4,750 more than their peers, according to TICAS.

Still, 8.5 million students benefited from the \$31 billion program in the 2014-2015 school year. The vast majority of recipients come from families earning less than \$40,000 a year. Nearly two-thirds of African American undergraduates receive Pell funding, as do 51 percent of Latino undergrads, according to the Education Trust.

“Pell will continue to be a primary engine of social mobility in America,” said Education Undersecretary Ted Mitchell. “College affordability is a major impediment to not just low-income students, but middle-income students attending college.”

The administration has launched a series of pilot programs to extend Pell to a wider population. This fall, up to 10,000 high school students will be able to use the grants to take college courses through [dual-enrollment](#) programs. A limited number of [prison inmates](#) will also be eligible to use the grants this fall to finance a college education behind bars. And the administration is experimenting with letting people use the grants for a wider range of [training programs](#), including coding bootcamps and competency-based programs.

There is also a push from the White House to use the grant program as an incentive for college students to complete their studies faster. The president is proposing raising the maximum Pell award \$300 for students who take 15 or more credits a semester, putting them on track to graduate on time.

“The president’s focus since his first week in office is trying to help more students complete college. And we know that financial aid, the Pell grant, helps students enroll and complete college, so there is a line that can be drawn through our policies,” Kvaal said.

The administration is also asking Congress reinstitute so-called year-round Pell, which would let full-time students receive the grants three semesters a year, instead of two. Lawmakers pared back the program through a congressional budget agreement in 2011, but have recently expressed interest in its expansion.

“I’m very encouraged by the bipartisan support for year-round Pell, and quite encouraged about the ongoing conversations with Congress about making sure Pell will be funded into the future,” Mitchell said.

Policy experts say there are still some fundamental flaws in the structure of the Pell grant program. Colleges benefit from the grant revenue without having to do anything to ensure Pell recipients make it through school.

“There are no incentives, other than goodwill, for colleges and states to help out with the government’s college access mission,” said Stephen Burd, an analyst at the New America Foundation. “The federal government just can’t do the job of making higher education accessible for low-income students all on its own.”

Burd says the government should provide institutional grants to colleges that enroll a substantial share of Pell eligible students. That Pell bonus could be used to increase need-based aid to ensure poorer students have a greater share of the cost of college covered. He said the money could also be used for tutoring or other support service to help low-income students graduate.

There is a growing recognition that the Pell program can no longer solve the problem of college affordability by itself, Burd said. The rise of free community college and other debt-free education plans signals that policymakers understand that relying on federal grant aid is not enough.

“Both the Bush and Obama administrations made Pell a priority when they came in, but there is a realization that you just don’t get the bang for the buck,” Burd said. “It’s doubtful that administrations in the future are going to make Pell their first priority. In terms of accessibility and affordability, it just doesn’t buy you much.”