Higher Education and Workforce Investment Subcommittee

"*Keeping the Pell Grant Promise: Increasing Enrollment, Supporting Success*."

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I thank Chairwoman Wilson, Ranking Member Murphy, and the members of the subcommittee for the opportunity to address the critical issue of Pell Grants and student success in higher education. For over 25 years, the American Council of Trustees and Alumni (ACTA) has worked to ensure that America's students receive an intellectually rich, high-quality college education at an affordable price.

The Pell Grant has been the cornerstone of America's investment in college financial aid for nearly 50 years. The latest available data indicate that over the past decade the program has awarded nearly $330 billion to students from low- and middle-income backgrounds. Approximately one in three undergraduates currently receive Pell Grants. It has unquestionably been an engine of access to higher education.[1]

But in order for Pell Grants fully to realize their promise, additional layers of accountability must be applied. Recent coverage in the leading education journal *Inside Higher Ed* identifies the issue: "The value of the Pell Grant hasn't kept up with the cost of college." That observation invites the question, "why not?"[2]

The matter of price and affordability bears rigorous consideration. There is a broad consensus that the price of education is simply too high. Tuition at four-year public institutions has nearly tripled since 1990. Today, the average student who borrows to fund his or her education graduates with over $39,000 of debt.[3]

There is little evidence to suggest that simply increasing the amount of federal funds available to students will solve this issue. For example, during the Great Recession, the federal government encouraged Americans to return to college and further their education. To provide much-needed assistance during the greatest economic downturn in a century, the government increased the borrowing limit for undergraduates in 2007 and 2008, while the 2009 Recovery Act increased the maximum amount that could be awarded under the Pell Grant and expanded eligibility for the program. From 2007 to 2010, access to these funds skyrocketed, with Pell Grant expenditures rising from nearly $16 billion to $37 billion and student loans growing from almost $75 billion to over $110 billion. And what were the results?[4]

Undergraduate enrollment surged, with nearly 2.5 million additional undergraduates attending a two- or four-year institution in 2010 than in 2007, which also generated a significant increase in tuition revenue.[5]

Despite increased access to federal aid, growth in tuition outpaced both aid and discounting, forcing families to pay more to send their children to college and increasing the amount of

student loan debt held by the average borrower. From 2007 to 2012, states that were hit hardest by the Recession saw tuition and fees at four-year public institutions rise by an average of $2,800, while states least affected still experienced a $1,200 average increase. More broadly, after adjusting for inflation, tuition at four-year public institutions rose 19% during the Recession.[6]

These increases in tuition are often framed as necessary due to declines in state appropriations during economic recessions. However, ACTA surveyed over 1,500 public and private nonprofit institutions from 2010 to 2018 and found that despite the dramatic decrease in certain sources of revenue in the years immediately following the Recession, colleges and universities made no comparable cuts in spending. Schools were given a choice: radically cut spending to make up for the loss of funds or increase revenue by charging students more. The majority chose the latter, with disastrous effects for students. Any attempt to tackle the issue of college affordability must first recognize that the student debt crisis is fundamentally a spending crisis.[7]

Furthermore, a greater portion of this spending is going for non-instructional purposes such as student services, administration, and construction. On this last point, colleges and universities have been profligate. Our 2014 research on top-ranked public universities found that the overwhelming majority failed to meet their states' minimum expectations for hours of classroom use. At many, Friday afternoons are simply a dead zone: one institution conceded, "the University constructs additional facilities—because of lack of use outside of certain "prime time" class periods or times of the day." Some are—now more than ever—committing vast resources toward amassing real estate. In 2015 alone, colleges and universities in the U.S. spent $11.5 billion on the construction and maintenance of 21 million square feet of new space.[8]

We must face the music: In total, the United States spends an average of about $30,000 per student per year on higher education, a figure which trails only Luxembourg internationally and is nearly twice the average of other developed nations. Spending has not brought us the outcomes that we should expect.[9]

Something even worse than the spike in tuition followed the increases in loan limits and Pell Grants in 2007, 2008, and 2009. The completion rates for students who enrolled in college in 2008, 2009, and 2010 fell. This brings us to the second crucial issue for consideration in any Pell Grant legislation.[10]

The lack of oversight over this program at the institutional level has been shocking. How do colleges spend funds acquired through these grants? Are schools doing enough to ensure that Pell-eligible students receive the support they need to graduate? These questions went unanswered for decades, as the Department of Education failed to provide publicly available data related to institutional outcomes for this student population before late 2017. When these data finally became available, a 2018 analysis by Third Way revealed that Pell students graduate at a rate 18 percentage points lower than their non-Pell peers; 80% of institutions graduate Pell students at a lower rate than their non-Pell peers; and only 25% of four-year institutions graduate more than 50% of their Pell students after six years. According to Third Way, 214 institutions have Pell graduation rates lower than 25%. In contrast, some institutions are stewarding the Pell Grant program very well: At 242 schools, Pell Grant students have higher graduation rates than their non-Pell peers. A Pell Grant should not be allowed so often to be a ticket to nowhere.[11]

Finally, painting higher education with a broad brush does harm to the diversity of the system. Too often, policy proposals are framed in such a way as to push as many students as possible toward a four-year degree; a position which reveals a lack of respect for the value provided by community colleges, which are often far better suited to help students who are underprepared for higher education gain the skills they need for success. With over 40% of recent college graduates employed in a position that does not even require a degree, one would be hard-pressed to justify funneling more students into programs which they may not need in order to find career success and which may saddle them with life-altering debt. We should heed the title of the book by Kenneth Gray and Edwin Herr: *Other Ways to Win: Creating Alternatives for High School Graduates.*[12]

We counsel the subcommittee to look carefully at any proposed policy solution which fails to examine adequately how colleges are spending federal funds. We particularly recommend scrutiny of the completion rates at institutions that receive Pell Grant students and echo a suggestion made by Third Way: skin in the game. Institutions with poor Pell Grant completion rates should be held accountable and required to pay back to the Pell program a percentage of the funds received.

Increasing the size of the Pell Grant may well be appropriate, but only if accompanied by rigorous, new accountability measures and metrics.

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[1] Jennifer Ma, Matea Pender, and CJ Libassi, *Trends in College Pricing and Student Aid 2020,* Trends in Higher Education Series (New York: College Board, 2020), Fig. SA-15B, 43, https://research.collegeboard.org/pdf/trends-college-pricing-student-aid-2020.pdf; and U.S. Department of Education, National Center for Education Statistics, Integrated Postsecondary Education Data System (IPEDS), Student Financial Aid component final data (2008–09 to 2017–18) and provisional data (2018–19).

[2] Alexis Gravely, "Doubling Pell Has Broad Support, but Is It Attainable?", *Inside Higher Ed*, June 25, 2021, https://www.insidehighered.com/news/2021/06/25/doubling-maximum-pell-grant-necessary-experts-say-it-attainable.

[3] Ma, Pender, and Libassi, *Trends in College Pricing and Student Aid 2020*, 12; and First Republic Bank, "U.S. Student Loan Debt Statistics," March 25, 2021, https://www.firstrepublic.com/ personal-line-of-credit/student-loan-debt-averages-2021.

[4] Jill Barshay, "How the last recession affected higher education. Will history repeat?", *The Hechinger Report*, April 6, 2020, https://hechingerreport.org/how-the-2008-great-recession-affected-higher-education-will-history-repeat/.

[5] Barshay, "How the last recession affected higher education. Will history repeat?".

[6] College Board, *Trends in Student Aid 2012*, Trends in Higher Education Series (New York: College Board, 2012) in *How the Financial Crisis and Great Recession Affected Higher Education*, eds. Jeffrey R. Brown and Caroline M. Hoxby (Chicago: University of Chicago Press, 2014), 209–233, https://www.nber.org/system/files/chapters/ c12862/c12862.pdf; Nate Johnson, "College Costs, Prices and The Great Recession," Lumina Issue Papers (Indianapolis: Lumina Foundation, 2014), https://www.luminafoundation.org/files/resources/college-costs-prices-and-the-great-recession.pdf; and Barshay, "How the last recession affected higher education. Will history repeat?".

[7] Armand Alacbay, Kyle Beltramini, and Anna Sillers, *The Cost of Excess: Why Colleges and Universities Must Control Runaway Spending* (Washington, DC: American Council of Trustees and Alumni), forthcoming August 2021.

[8] Michael Poliakoff, Armand Alacbay, Jonathan Pidluzny, and Ian Cook, *Southern Exposure: A look at Mississippi's Public Colleges and* Universities, (Washington, DC: ACTA, February 2020); and Michael Poliakoff and Armand Alacbay, "Middle America Pays the Price for War on Poverty Policies—Including in College," in *The Not-So-Great Society,* eds. Lindsey M. Burke and Jonathan Butcher (Washington, DC: The Heritage Foundation, 2019), 141–149.

[9] Poliakoff and Alacbay, "Middle America Pays the Price"

[10] Barshay, "How the last recession affected higher education. Will history repeat?".

[11] Wesley Whistle and Tamara Hiler, "The Pell Divide: How Four-Year Institutions are Failing to Graduate Low- and Moderate-Income Students," Third Way, May 1, 2018, https://www.thirdway.org/report/the-pell-divide-how-four-year-institutions-are-failing-to-graduate-low-and-moderate-income-students.

[12] U.S. Census Bureau and U.S. Bureau of Labor Statistics, Current Population Survey (IPUMS); U.S. Department of Labor, O*NET; and Kenneth C. Gray and Edwin L. Herr, *Other Ways to Win: Creating Alternatives for High School Graduates*, (Thousand Oaks, CA: Corwin Press, 2006).