

## Preserving the Federal Pell Grant Program

### BHEF's Position on the Federal Pell Grant Program

The Federal Pell Grant Program is a critical source of grant aid for many low-and moderate-income college students. Over the past decade, the federal government has expanded the program to serve more students, increasing the maximum level of each award to \$5,550 and better ensuring college access and success. However, the House 2012 budget proposal calls for drastic cuts to the program, reducing the maximum grant by as much as 45 percent to \$3,040. These cuts are substantially disproportionate to other cuts in the federal budget, unduly affecting the most vulnerable students in the college pipeline.

The future U.S. workforce will require higher levels of educational attainment to meet workforce demand, particularly in fields expected to fuel the innovation economy. Moreover, demographic trends show that an increasing number of low-income students, who traditionally have not attended college, will need to enroll in postsecondary education and earn baccalaureate degrees to meet this demand. BHEF members are dedicated to protecting the sustainability of the Pell Grant Program for low-income students already forced to navigate rising tuition rates and significant reductions to state higher education budgets. In the event that reductions to the Pell Grant Program are unavoidable, BHEF urges the Administration to oppose disproportionate cuts to the Pell Grant Program, compared to other federal programs, or the elimination of other Title IV programs to save the Pell program. Significant cuts to student aid programs will encourage large numbers of low-income students, already challenged by the recession, to drop out of postsecondary education, to the detriment of America's long-term competitiveness.

#### **1. The future U.S. workforce will require higher levels of educational attainment among workers to meet job demand, particularly in the fields that are expected to fuel the future economy.**

The nation's ability to compete in the global economy depends on its ability to produce a well-educated and highly-skilled workforce. Workforce projections forecast that by 2018 there will be jobs for as many as 2.2 million new workers with college degrees. But, if the U.S. continues on its current trajectory, there will be a shortage of 3 million workers who need to have an associate's degree or higher.<sup>1</sup>

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*The Business-Higher Education Forum (BHEF) is the nation's oldest organization of senior business and higher education executives dedicated to advancing innovative solutions to U.S. education and workforce challenges. Composed of Fortune 500 CEOs, prominent college and university presidents, and other leaders, BHEF addresses issues fundamental to our global competitiveness. It does so through two initiatives: [the College Readiness, Access, and Success Initiative \(CRI\)](#), addressing college- and work-readiness, access, and success; and [the Securing America's Leadership in Science, Technology, Engineering, and Mathematics \(STEM\) Initiative](#), promoting America's leadership in STEM. BHEF and its members drive change locally, work to influence public policy at the national and state levels, and inspire other leaders to act. Learn more at [www.bhef.com](http://www.bhef.com).*

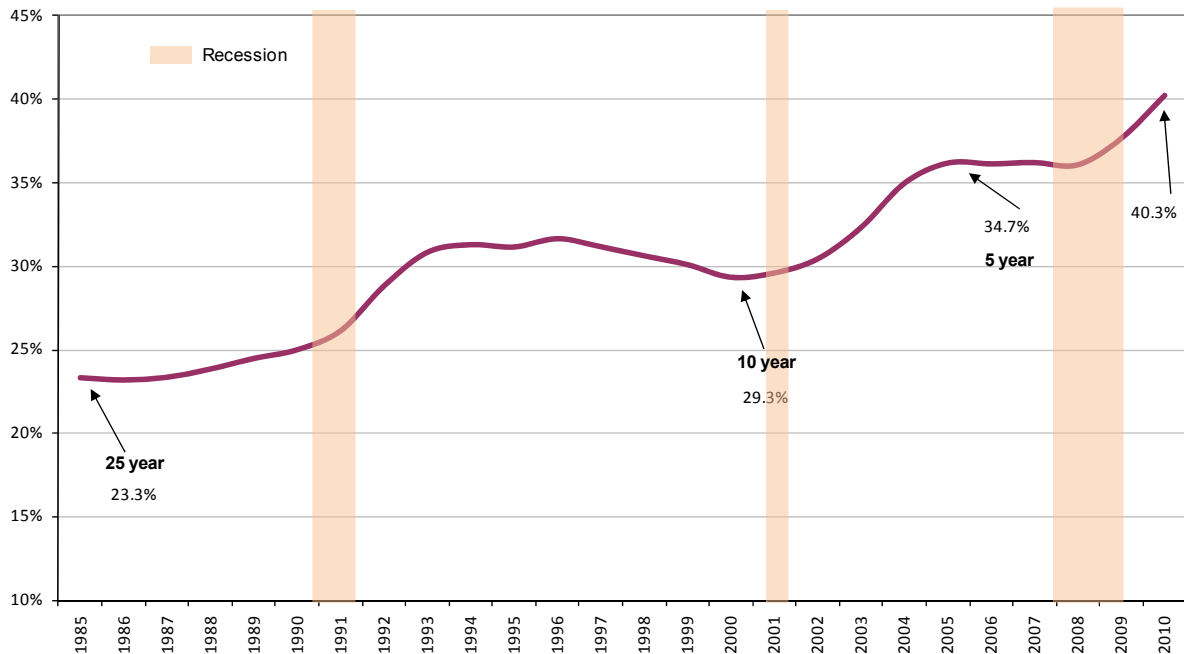
2. **Demographic trends in the U.S. mean that an increasing number of low-income students who traditionally have not attended college will need to enroll in postsecondary education and earn baccalaureate degrees in order to meet workforce demand.**

A major component of meeting national workforce demand is increasing the number of low- and moderate-income students that earn degrees in high-demand fields by removing barriers to college access and success. However, while bachelor’s degree attainment rates have increased for high-income students, from 38 percent in 1975 to 82 percent in 2009, low-income students have seen only a one percent increase in bachelor’s degree attainment rates (from 7 percent to 8 percent) over the same time period.<sup>2</sup>

3. **At the same time that the ranks of low-income students seeking access to college are increasing, declining state appropriations for postsecondary education and cuts to state need-based aid are leaving students with an increasing share of the financial burden of attending college.**

Public postsecondary institutions, which enroll about 80 percent of students, generate revenues primarily from a combination of state appropriations and tuition. Net tuition increases occur faster during economic recessions when state and local revenue fails to keep pace with enrollment growth (a 35 percent increase over the last 10 years) and inflation<sup>3</sup> (See Figure 1). A recession beginning in 2008 dramatically reduced state revenue and ended the growth in state and local support achieved between 2004 and 2008.<sup>4</sup> Declines in state appropriations to higher education vary by state, as much as 27 percent in the case of Rhode Island. Overall, the nation has seen a 3.2 percent decrease in appropriations per student (See Figure 2).

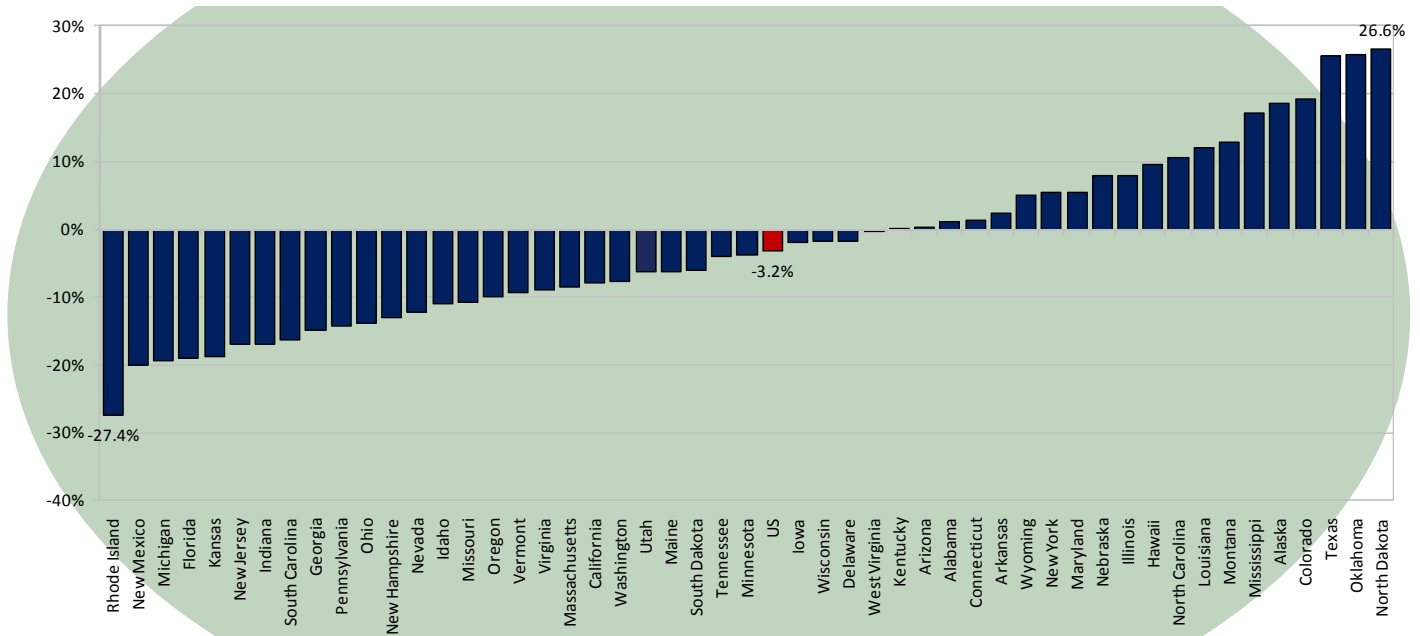
**Figure 1: Net Tuition as a Percent of Public Higher Education Total Educational Revenue, U.S., Fiscal 1985-2010**



Note: Net Tuition revenue used for capital debt service is included in net tuition revenue, but excluded from total educational revenue in calculating the above figures.

Source: State Higher Education Executive Officers (SHEEO). *State Higher Education Finance FY 2010*.

**Figure 2: Net Tuition as a Percent of Public Higher Education Total Educational Revenue  
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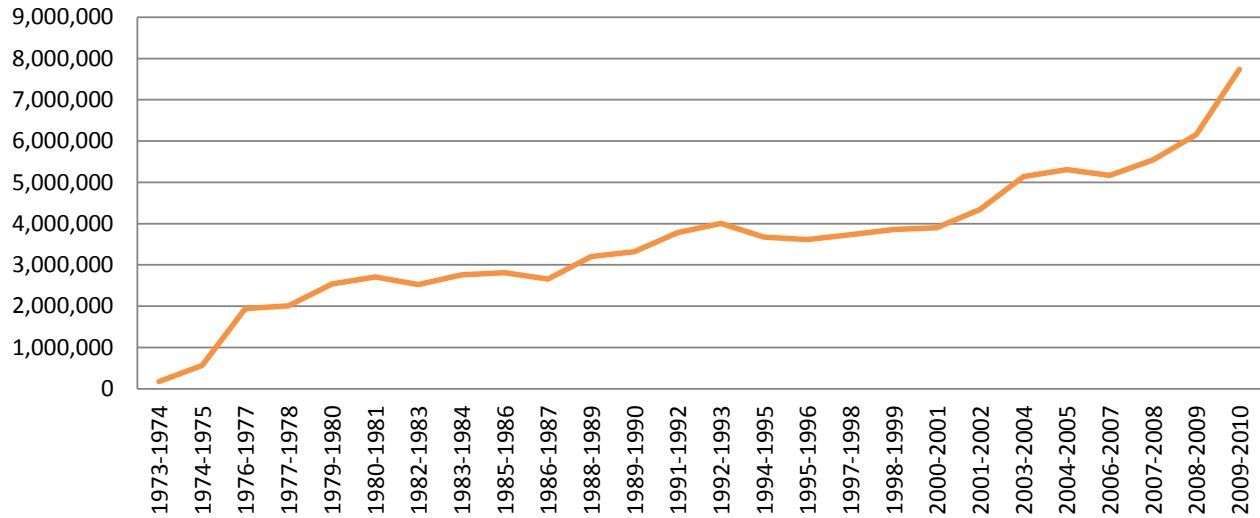
Source: State Higher Education Executive Officers (SHEEO). *State Higher Education Finance FY 2010*.

#### 4. The Federal Government has made a substantial commitment to serving low-income students, marked by a dramatic expansion of the Pell Grant Program over the last decade.

Over the last decade, the federal government has expanded the Pell Grant Program. Much of the growth of Pell is attributable to:

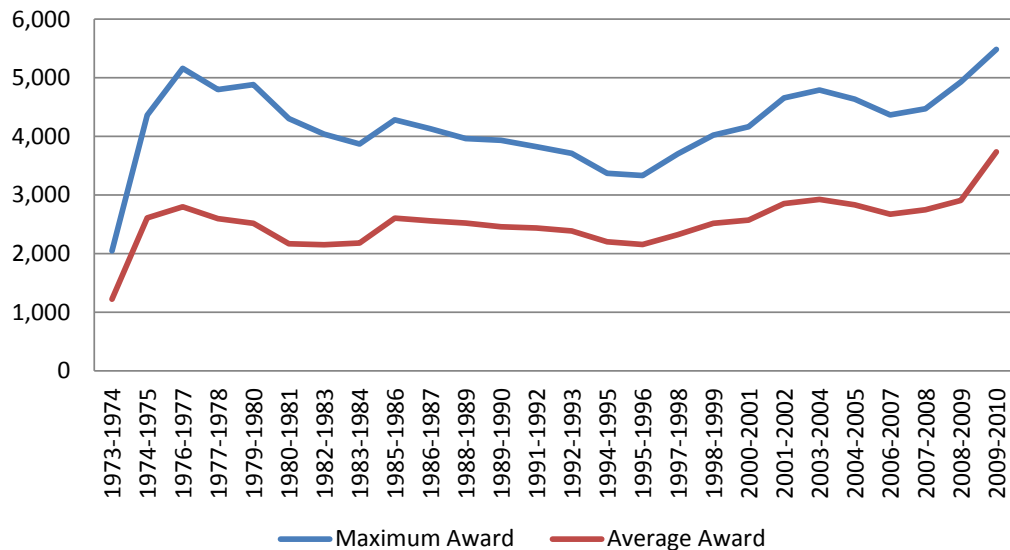
1. *The growing demand.* Since the program's inception, the number of Pell Grant recipients has increased drastically. Over 7.7 million students received Pell Grants in 2009-2010, more than double the awards in 1990 (See Figure 3). 25.5 percent of these students were adults over the age of 30.<sup>5</sup> In particular the 2008 recession expanded the pool of applicants qualifying for an award, as many individuals who ordinarily would be a part of the workforce instead returned to college.
2. *Distribution of federal stimulus money.* The Pell Grant Program received a boost in 2009 following the \$787 billion American Recovery and Reinvestment Act (ARRA). ARRA allocated \$15.6 billion in supplemental funding to the Pell Grant Program, substantially increasing the base maximum award.<sup>6</sup> However, at the end of FY 2011, the ARRA funds will expire.
3. *Expansion of benefits to students.* Legislative changes increased benefits for more students. Since FY 2007, the Pell Grant maximum award has climbed from \$4,310 to \$5,550—a 29 percent increase due mostly to the 2009 ARRA monies (See Figure 4). Additionally, an increase in the annual income eligibility threshold for the maximum Pell Grant (from \$20,000 to \$30,000) expanded the pool of applicants who qualify for the maximum award.

**Figure 3: Number of Federal Pell Grant Recipients**



Source: US Department of Education 2008-2009 Federal Pell Grant End-of-Year Report.  
Table 1: Federal Pell Grant Program: Summary of Statistics for Cross-Year Reference.

**Figure 4: Maximum and Average Pell Grant Awards (in constant 2011 dollars)**

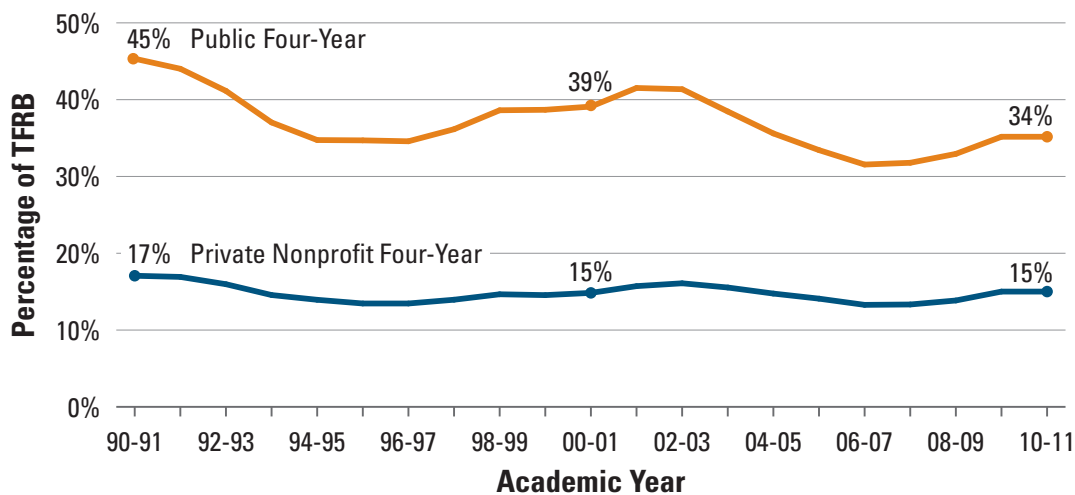


Source: US Department of Education 2008-2009 Federal Pell Grant End-of-Year Report.  
Table 1: Federal Pell Grant Program: Summary of Statistics for Cross-Year Reference.

**5. Pell Grants are the largest source of need-based grant aid for students, but despite the program’s recent expansion, its purchasing power has still declined.**

Over the past decade tuition and fees at public 4-year colleges and universities have increased at an average rate of 5.6 percent per year beyond the rate of general inflation. The result: The maximum Pell Grant for 2010-2011 (\$5,550) now only covers 34 percent of published tuition, fees, room, and board at public 4-year institutions and 15 percent at private 4-year institutions<sup>7</sup> (See Figure 5).

**Figure 5: Maximum Pell Grant as a Percentage Tuition & Fees and Room & Board 1990-91 to 2010-11**



Source: College Board Advocacy & Policy Center. *Trends in Student Aid 2010*.

**6. Current legislative proposals calling for disproportionate cuts to the Pell program compared to other Federal programs, or the elimination of other important Title IV student aid programs to save Pell, will encourage large numbers of low-income students to drop out of postsecondary education.**

The Pell Grant Program is facing drastic cuts in next year’s federal budget negotiations. The House resolution, introduced by Rep. Paul Ryan (R-WI), calls for a return of federal appropriations for Pell to “pre-stimulus” levels. This could reduce the maximum grant by as much as 45 percent, to \$3,040, denying Pell to 1.4 million students.<sup>8</sup> Other plans include accumulating savings through cuts to other Title IV student aid programs in order to save the Pell Grant, such as reducing funding for the Supplemental Educational Opportunity Grant (SEOG). BHEF opposes such plans that disproportionately reduce the pool of student aid available for low-income students.

1. Carnevale, A.P., Smith, N., & Strohl, J. (2010). *Help wanted: Projections of jobs and education requirements through 2018*. Washington, DC: The Center on Education and the Workforce.
2. The Education Trust. *An Overview of the Racial and Socioeconomic Inequities in National Higher Education*, October 12, 2010, slide 6.
3. State Higher Education Executive Officers (SHEEO). *State Higher Education Finance FY 2010*.
4. Total public appropriations for higher education increased rapidly from 2004-2005 to 2007-2008, but declined in 2008-2009 and again in 2009-2010.
5. *2009-2010 Federal Pell Grant End-of-Year Report*. U.S. Department of Education; College Board Advocacy & Policy Center: *Trends in Student Aid 2010*.
6. Total Recovery Act \$787 Billion. (January 12, 2011). *Education Week*. Retrieved May, 4 2011, from <http://www.edweek.org/ew/articles/2011/01/13/16stimulus.h30.html?r=1361742391>.
7. College Board Advocacy & Policy Center. *Trends in Student Aid 2010*.
8. Committee on Education and the Workforce, Democrats. *GOP Budget Would Deny Pell Grants to 1.4 million students, New Data Show*. Retrieved June 8, 2011, from <http://democrats.edworkforce.house.gov/newsroom/2011/04/gop-budget-would-deny-pell-gra.shtml>.