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Pell Grants: Options for Reducing Costs in the Short Run

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By [Sandy Baum](#) and [Michael McPherson](#)

Like many others who believe that the federal government bears significant responsibility for removing financial barriers to postsecondary success for low- and moderate-income students, we have long been supporters of a well funded Pell Grant program. Many students struggle to meet college expenses and the weak economy is exacerbating the problems. But the Pell Grant program is unlikely to escape untouched from the current budget-cutting fervor in Congress. We believe that some approaches to reducing the cost of the program in the near term would be more damaging than others, and that it might even be possible to improve the effectiveness of these federal grants.

We are convinced that it's time to take an in-depth look at Pell, and the College Board asked Sandy to assemble a team to undertake this effort. This requires collecting a lot of data, sifting through the evidence, considering a lot of different perspectives, and thinking carefully about the potential unintended consequences of any changes. It requires time. But we don't think that researchers—who tend to take a different approach than most people involved in nitty-gritty policy decisions—should sit out the short-term discussion that is underway right now.

The two of us, together with five of our colleagues (Susan Dynarski, Art Hauptman, Bridget Long, Judith Scott-Clayton and Sarah Turner) wrote a letter to Gaston Caperton, president of the College Board, with some ideas for cost-saving measures that we think Congress should consider if they resort to short-term fixes for the program. (See the complete letter at <http://advocacy.collegeboard.org/college-affordability-financial-aid/student-aid-reform/news/suggestions-pell-grant-reform-prominent->)

We approached the question of how best to save money in the Pell program from the perspective of incentives. The program should be designed to encourage behaviors that will facilitate both access and success. Our first suggestion is to define full-time enrollment to correspond to on-time completion:

Congress should consider adjusting the allocation of Pell Grants so that maximum awards correspond to incentives for students to complete degrees in a timely manner.

Under current rules, students must be enrolled for at least 12 credit hours during a semester to qualify for a full-time Pell Grant. However, typical minimum institutional requirements necessitate enrolling for 15 credit hours per semester in order to complete a bachelor's degree in four years, or an associate degree in two years. Over 40 percent of Pell recipients are registered for 12-14 credit hours. They are considered full-time, but have little chance of completing their degrees in the "standard" time. If the rules change, students who are enrolled for 12 credits in the fall and spring semesters would not use up their full Pell eligibility for the year and could get more funding in the summer—even without the recently terminated "second Pell" option. There is considerable evidence to suggest that under such rules, many students would actually increase their enrollment to 15 credit hours per term.

Some of the other suggestions we made might not, in and of themselves, save large amounts of money relative to the overall size of the Pell program. But they would reduce expenditures to some extent, and they would rationalize the program and improve its support for student success. Should Pell Grants really be available for nine years of full-time undergraduate study? Should two-thirds of all recipients really be eligible for the maximum grant—as though their circumstances are all the same—or should we differentiate more among the students?

There are very likely other ways we could reduce the cost of the Pell program in the short run that would be more equitable and more efficient than a large across-the-board cut to all recipients. We hope our letter will move this conversation forward in a constructive way.

The Rethinking Student Aid study group, which we chaired under the auspices of the College Board, proposed radical simplification of Pell. That would include determining eligibility based only on income and family size, using financial data from the IRS, and providing a simple look-up table so students would know their grant eligibility well in advance. We continue to favor this approach. But we intend to think about other approaches and address some of the challenging questions relating to the role of Pell Grants in providing educational opportunities.

We hope that others will join us in taking this opportunity to increase our understanding of the program's strengths and weaknesses and to think about options for more structural reforms over the longer run.

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