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Special Issue 2016
Reauthorization of the Higher Education Act

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Higher Education in Review (print edition) welcomes manuscripts that employ qualitative, quantitative, or mixed methods; literature reviews that disclose relevant gaps in existing research on a relevant topic; theoretical analyses of important issues in higher education; policy analysis papers; reports of preliminary findings from a larger project (e.g., a dissertation); and historical papers. Submitted papers should have a clearly specified research question and a theoretical or conceptual framework, employ appropriate methods, and contribute new knowledge to the body of the higher education literature. Submissions are accepted year-round, with annual publication in the Spring/Summer.

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HIGHER
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Part One

ARTICLES

Editor's Introduction

It is my distinct honor to welcome our readers to our 2016 Special Edition of *Higher Education in Review* (HER) on the reauthorization of the Higher Education Act. Each year, HER prints a volume of our journal consisting of high quality work that is written by graduate students from across the country. While our print edition remains the pillar of HER, we decided to create an additional outlet for our journal this past year. Given the visibility of higher education in the national and political discourse, and due to the importance of the looming reauthorization of the Higher Education Act, HER has created a special edition to tackle some of the most important issues facing higher education today.

The Special Edition on the Reauthorization of the Higher Education Act (HEA) consists of six chapters that focus on separate issues that are vital to higher education and are covered by the HEA. The goal of each chapter is to provide a background on the topic and its history within the HEA, review relevant literature that could inform policymakers on the topic, and provide recommendations for the current reauthorization process. The resulting special edition consists of six insightful chapters on the topics of 1) the history and legacy of the HEA, 2) federal loan policy, 3) federal grant policy, 4) education abroad programs, 5) online education, and 6) for-profit institutions.

Readers may notice that most of the authors in this edition are from the Penn State Higher Education program. In the early volumes of HER, it was common to see manuscripts written by students from the program, but over time, this has become less common. As the Editor of HER, I wanted to create an outlet for the students of our program to add to the higher education literature through our journal, in addition to working as staff on the editorial board, which culminated in our first special edition. However, as the HEA covers more potential topics than our students could cover, we also reached out to several colleagues with significant expertise to fill in gaps in several topic areas. The review process was also different compared to our print edition, which consists of double-blind reviews by an internal board, consisting of graduate students, and an external board, consisting of PhD-holding faculty and practitioners. Given that the scope of this volume was to provide policy implications and because all of the authors were known at the beginning of the process, we chose to have the manuscripts vetted through faculty advising and a peer-review process between the authors of the chapters.

A huge debt of gratitude is owed to all of the authors and faculty advisers involved in the process, for ensuring high quality and provocative chapters that could aid in policymaking. I would also like to thank Rachel Montgomery, my

fellow co-editor for Volume 13, and Kayla Johnson, our Associate Editor for Production, who have been working closely with me to ensure the success of this volume. Finally, I would like to thank the Center for the Study of Higher Education and the Higher Education program at Penn State University for their steadfast support of our student-run journal.

Mark R. Umbricht
Editor

"We have opened the road": A Brief History of the Higher Education Act

David Brown

University of Kentucky

"We have opened the road."

The 50 years since the passage of public law 89-329, better known as the Higher Education Act of 1965, have seen a significant reconsideration of the role and value of a college education in American society. The public, private industry, and government entities at the local, state, and federal levels have responded in their own ways to increases in both the perceived need and demand for higher education. In the public mind, a college degree embodies the ideals of social mobility; it is often seen as the minimum price of admission to enter—or remain a part of—the middle and upper classes. A workforce of individuals that are credentialed (or, as some scholars such as David Labaree (1997) have suggested, over-credentialed) in ever-increasing numbers, have helped reinforce the economic advantages of going to college. Even as student loan debt increases and economic conditions leave some college graduates unemployed or under-employed, the benefits are apparent. A 2014 Pew Research Center study found that early career workers (those aged 25-32) who possessed only a high school diploma could expect to earn just 62% of the median annual earnings of their peers who held college degrees ("The Rising Cost of Not Going to College," 2014). Governments, tasked with weighing civic interests against those of individuals and industry, have had to make hard choices about allocating resources.

Though federal legislation had reached into the sphere of higher education prior to 1965—notably through the Morrill Act in 1862 and the Agricultural College Act of 1890, which established the nation's land-grant colleges, and the Servicemen's Readjustment Act of 1944 (known as the "GI Bill")—a significant, coordinated approach to higher education at the federal level that would actively foster broad access was lacking. The Higher Education Act (HEA) of 1965 changed that; its passage marked the beginning of a new era—one that continues to the present as Congress considers the act's most recent reauthorization.

Brown, D. (2016). "We have opened the road": A Brief History of the Higher Education Act. *Higher Education in Review, 12*, 1–7.

To understand the legacy of this legislation, one must look at its intent. In keeping with the other facets of President Lyndon B. Johnson's Great Society programs, the Higher Education Act was envisioned as a vehicle for increasing opportunities for traditionally underserved groups, such as racial and ethnic minorities and the economically disadvantaged, to gain access to higher education. In his remarks prior to the bill's signing on November 8, 1965 on the campus of his alma mater, Southwest Texas State College (now Texas State University), President Johnson articulated his vision of the complementary responsibilities of the government and individuals; the government would provide the opportunity for an education, but it was up to individuals to pursue it. His remarks, excerpts of which appear below, convey his belief that education in general—and higher education in particular—held the promise of lifting individuals out of economic and intellectual poverty. Said President Johnson:

> In a very few moments, I will put my signature on the Higher Education Act of 1965. The President's signature upon this legislation passed by this Congress will swing open a new door for the young people of America. For them, and for this entire land of ours, it is the most important door that will ever open—the door to education.
>
> And this legislation is the key which unlocks it.
>
> To thousands of young men and women, this act means the path of knowledge is open to all that have the determination to walk it.
>
> It means a way to deeper personal fulfillment, greater personal productivity, and increased personal reward. This bill, which I will make law, is an incentive to stay in school.
>
> It means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States and not be turned away because his family is poor. […]
>
> So to thousands of young people education will be available. And it is a truism that education is no longer a luxury. Education in this day and age is a necessity. […]
>
> And in my judgment, this Nation can never make a wiser or a more profitable investment anywhere. […]
>
> This bill that I am signing will help our colleges and our universities add grasp to their reach for new knowledge and enlightenment.

> From this act will also come a new partnership between campus and community, turning the ivory towers of learning into the allies of a better life in our cities.
>
> So, when we leave here this morning, I want you to go back and say to your children and to your grandchildren, and those who come after you and follow you—tell them that we have made a promise to them. Tell them that the truth is here for them to seek. And tell them that we have opened the road and we have pulled the gates down and the way is open, and we expect them to travel it. ("Remarks," 1965)

Half a century later, the idealism that Lyndon Johnson expressed that November day in 1965 carries on. One is struck by the terms the President affixed to education—fulfillment, reward, necessity, investment—and how those same terms permeate today's policy discussions about higher education. Yet while the idealism and promise of college as a "path of knowledge" to a brighter future live on, so too do the conditions that the Higher Education Act was meant to combat. Income disparities remain pronounced in American society; barriers to higher education for minorities, immigrants and their children, and the poor prevent too many individuals from pursuing their dreams, and the gulf that separates the affluent and the indigent continues to grow. Against these challenges Congress has amended and reauthorized the Higher Education Act numerous times; each iteration is both a response to changing social, demographic, and market forces that affect higher education and a course-correction towards the highest ideals the act was meant to achieve. The following section highlights the HEA's origins and some of the significant developments to emerge from reauthorizations of the law, many of which are discussed in more detail in subsequent chapters in this volume.

The HEA Takes Shape

The National Defense Education Act (NDEA), passed in 1958 in the wake of the Soviet Union's launch of the Sputnik satellite the previous year, heralded a new era of federal interest and involvement in higher education. Caught off-guard by the Soviets' achievement and the technological superiority it suggested, federal officials began to acknowledge the link between science education, defense, and national morale. In response, the NDEA channeled federal resources into programs, including many in higher education, aimed at helping the United States regain its status—real or perceived—as the world's preeminent power. One significant provision of the NDEA was the creation of National Direct Student Loans (now known as Perkins Loans), a move that

presaged later efforts by the federal government to provide financial aid to the college-going public.

Building upon the precedent set by the passage of the NDEA, President Johnson envisioned a federal role in providing more Americans access to higher education. Relying on the recommendations of an education task force that included such luminaries as sociologist David Reisman and University of California president Clark Kerr, Johnson shepherded the Higher Education Act of 1965 through a receptive, Democrat-controlled Congress. Divided into eight parts (titles), the HEA provided resources to a number of higher education entities, including campus libraries and historically black colleges and universities (see Forest and Kinser (2005) for a more detailed examination of the HEA's initial titles and their respective components).

Because the Higher Education Act of 1965 was an authorizing statute, Congress is required to periodically reassess and reauthorize its programs. Since its passage in 1965, the Higher Education Act has been amended and reauthorized several times: 1968 (Public Law (P.L.) 90-575), 1972 (P.L. 92-318), 1976 (P.L. 94-482), 1980 (P.L. 96-374), 1986 (P.L. 99-498), 1992 (P.L. 102-325), 1998 (P.L. 105-244) and 2008 (P.L. 110-315). From these legislative actions have come many of the features of today's higher education landscape; for instance, the Higher Education Amendments of 1972 gave us Basic Education Opportunity Grants (BEOGs) and Title IX. BEOGs, renamed "Pell Grants" in 1980 in honor of Democratic Senator Claiborne Pell of Rhode Island, were an important innovation in that they made student financial aid portable; students could take their Pell Grant funds to the institution of their choosing. Because the money from such grants followed the student to which it was awarded, colleges and universities devoted renewed attention to their efforts to entice students to enroll at their respective campuses. Students who were enrolled full time at accredited institutions and who maintained good academic standing could qualify for a maximum of $1,250—an amount that adjusted for inflation would be the 2015 equivalent of over $7,100 (Thelin, 2007; "CPI Inflation Calculator," 2015).

The 1980 amendments added Parent Loans for Undergraduate Students (PLUS loans) to increase students' options for shifting some of the debt burden for their educations to their families, 1992's amendments gave rise to unsubsidized Stafford loans and direct lending by the government to students, and the 1998 amendments saw the creation of another assistance vehicle for low incomes students: Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP). A significant piece of federal legislation beyond the HEA that bears mentioning is the Middle Income Student Assistance Act (MISAA). Passed in 1978, the MISAA made guaranteed subsidized loans available to students apart from income or need—a measure that would sow the seeds of a massive growth in student borrowing (and debt) in the decades that followed.

The HEA's most recent reauthorization, in 2008, was accomplished with the passage of the Higher Education Opportunity Act (HEOA). Among other provisions, it increased access to higher education for individuals with intellectual disabilities by making them eligible for Pell Grants and Federal Work-Study programs, increased Pell Grant amounts for other eligible students, and attempted to add transparency to the process by which institutions set and raise tuition prices.

Shaped by the shifting winds of political will and evolving social values, the HEA's eight titles look much different in their present form than they did fifty years ago. Title I (General Provisions) contains provisions and definitions related to the act; among other things, this title determines eligibility for participation in HEA programs by defining what entities are considered institutions of higher education (IHEs). Title II (Teacher Quality Enhancement) deals with the recruitment, training, and retention of teachers; one important aspect covered is teacher education programs and the reporting requirements for those programs. Title III (Institutional Aid) is a significant funding mechanism for minority-serving institutions; Historically Black Colleges and Universities (HBCUs), as well as Asian American, Native American, and Hispanic-serving institutions, receive support through Title III programs.

Outlining the federal student aid programs such as Pell Grants, Direct Loans, and Work-Study Programs, Title IV (Student Assistance) is one of the HEA's most enduring influences on federal education policy. Its programs have provided access to untold numbers of students who would otherwise have lacked the financial means to participate in higher education, even as it has sown the seeds of student debt. Title V (Developing Institutions), mirroring some of the same functions as Title III, focuses on support to Hispanic-serving institutions. Title VI (International Education Programs) is dedicated to bolstering institutions' efforts to provide foreign language instruction and opportunities for students and researchers to travel abroad. Title VII (Graduate and Postsecondary Improvement Programs) sustains graduate education and encourages institutions to pursue new and creative approaches to postsecondary education, while Title VIII (Additional Programs) comprises a variety of programs, many of which are narrowly focused to support the success of specific groups, such as veterans ("The Higher Education Act," 2014).

Looking Back, Looking Forward

Given the benefit of hindsight and armed with the knowledge that a college education—or at least the credential to which it leads—has become an increasingly important tool for upward mobility in the American economy of the twenty-first century, the Higher Education Act of 1965 is a piece of legislation

that has affected the lives of millions of Americans—and one fraught with effects that scholars continue to attempt to unravel. Fifty years into its existence, the HEA and its subsequent amendments have expanded educational opportunities even as they have also expanded students' and graduates' collective debt. The HEA's two-fold legacy of access and debt continues to shape higher education policy discussions at all levels, from students struggling with how to pay for college to legislators wrangling over policies that affect millions of individuals. Debates about education as a public good versus a private good have coincided with a shift in the types of aid students receive; starting with the Middle Income Student Assistance Act (MISAA) in 1978, federal policy began to favor loans rather than grants (see Gladieux, King, and Corrigan (2005) for a more extensive explanation of this shift). As the nation's collective student loan debt approaches $1.2 trillion ("Household Debt," 2015), difficult questions on how, or if, the federal government ought to take a more active role in shaping the economics of higher education are playing out on campuses and in legislative chambers across the country.

While Congress debates the current reauthorization of the Higher Education Act, scholars continue to scrutinize and debate the opportunities and potential pitfalls of the federal government's higher education policies and their potential for improving access, retention, and completion of college degrees. Jones (2013) noted that,

> public policies and programs have spurred tremendous expansion and improvement in college access and completion over time. Improvements in degree attainment rates for students from lower-income families and among most all racial, ethnic, and age groups (Berube, 2010) are attributable, at least in part, to public policies and legislation that removed barriers to and encouraged participation in postsecondary education. (pp. 3-4)

The chapters that follow in this volume examine the ways in which the latest reauthorization of the Higher Education Act and the policy considerations that underlay it can continue in helping to achieve these ends.

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Modifying the Federal Loan Guarantee Provision in the Higher Education Act of 1965: An Overview of Federal Loan Policies that Have Transitioned Higher Education from the Social Good

Daniel A. Collier

University of Illinois Urbana-Champaign

Richard Herman

University of Illinois Urbana-Champaign

The federal loan guarantee provision found in the Higher Education Act of 1965 was instrumental in encouraging banks to write smaller loans to help middle class Americans go to college and therefore, was influential in massifying America's higher education system. While this provision was created with the best of intentions, the modifications of this policy and subsequent practices has led the funding of higher education away from social coffers and towards those linked with privatization. This document explores the transition from grants and scholarships towards loans, defunding of public institutions, introduction of unsubsidized loans, payment schemes, and the stripping of bankruptcy protections. Essentially, the authors argue these modifications promoted increased reliance on loans, therefore promoting a private-like "aid" that has moved higher education from the social good. The article concludes with various suggestions for policymakers and grassroots organizers designed to reduce policies that promote personalized debt and pull higher education back towards the social good.

Keywords: student loans, privatization, Higher Education Act, bankruptcy

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Introduction

> *America is no longer the land of opportunity. Nothing illustrates what has happened more vividly than the plight of today's twenty-year-olds. Instead of starting a new life, fresh with enthusiasm and hope, many of them confront a world of anxiety and fear. Burdened with student loans that they know they will struggle to repay and that would not be reduced even if they were bankrupt, they search for good jobs in a dismal market.*
> *– Joseph Stiglitz (2013, p. 332)*

Whereas the federal loan guarantee—adopted through the authorization of the Higher Education Act of 1965—was once envisioned as the linchpin that supported America's booming growth and prosperity, and as a means to provide individuals with the opportunity to achieve greater upward mobility, the contemporary student loan system has been modified by a series of privatized policies that together with the withdrawal of federal grants and scholarships and state support of tertiary education has stripped higher education of its long-standing reputation of being predominantly perceived as a social good. To illustrate such assertions, this article explores several influential changes made to the federal loan guarantee that transitioned the financing of higher education away from the social coffers, thusly shifting the program towards privatization – which has led to younger adults being labeled as "The Indentured Generation" (Austin, 2013). Now, with student loan debt trending well above $1 trillion dollars, just over 40 million Americans owe as much in student loan debt as the annual GDP of Mexico—the 15th largest economy (Owens, 2015).

Transitioning Higher Education from Social Good to Privatized Good

After World War II the U.S. was in need of a more highly skilled workforce. Due to this need, the country promoted a socio-political agenda that aligned with the demand to increase economic prosperity through development of business and scientific advancement knowledge (U.S. Department of Education, 2012). Although this agenda was heavily promoted, the government was unable to persuade banks and other private lenders to write loans for students until the federal loan guarantee provisions found in the Higher Education Act [HEA] of 1965 (Best & Best, 2014; Williams, 2004). Generally, this guarantee eliminated the risk for banks to write student loans to individuals with no established credit or collateral because the federal government would ensure payment of the loan upon default, death, disability, or bankruptcy (Cervantes, et al., 2005). With the guarantee in place, banks willingly wrote student loans, which quickly became the most profitable and safest form of investment that private lenders could make (Williams, 2004).

While the original federal loan guarantee was envisioned to open access to higher education for many Americans—a process President Johnson (1965) once called the, "most important door that will ever open; the door to education,"—the practice and modifications of the policy almost immediately led to various social and financial issues (Best & Best, 2014). Relatively soon after passing the HEA of 1965, financial aid bundles transitioned away from taxpayer supported grant and scholarship dominated packages towards loan heavy packages, an unintended consequence as implied by Francis Keppel (1987), the former U.S. Commissioner of Education and Chairman of the National Student Aid Coalition:

> As I can recall, those of us who testified in favor of the Higher Education Act of 1965 did not expect the amounts disbursed as loans to increase so rapidly, or to take so large a part in each student's financial aid…We conceived of a package of grants, loans, and work-study, reasonably balanced so as to leave students and their families with manageable debt at the end of higher education." (p. 58-59)

Transitions from grant and scholarship dominated financial aid packages have been instrumental in shifting higher education conversations and policies from the social benefit towards a privatized good paradigm (Keppel, 1987; Slaughter & Rhoades, 2004), thus placing greater emphasis on providing increased student loans. Where in the HEA of 1965 loans were the smallest portion of the federal aid budget (Best & Best, 2014), by 2010 loans had become the dominant form of allocation (Dynarski & Scott-Clayton, 2013).

Additionally, as the federal government reduced purchasing power of grants and aid programs not associated to loans, state governments—pressed by other needs: K-12, pensions, prisons and Medicare—adopted strategies which led to reduced financial commitment to their respective public institutions (Slaughter & Rhoades, 2004). Often, any discussion of long-term economic return on investment of higher education (McMahon, 2009) gave way to immediate state financial needs (Hovey, 1999). From 1989 to 2013, the average state appropriations to public institutions per $1,000 in personal income declined from $9.74 to $5.42 (Baum & Ma, 2014a) and at least for those attending four-year public institutions, family income devoted to attendance has greatly increased (Delbanco, 2015). Such financial deterioration led to significant impacts on public universities who were inextricably led to (vastly) increase tuition as a means of covering the diminution of state funds and therefore promoted increased student loan debts (Alexander, 2011). Although raising tuition has been "effective" in regards to overcoming diminished state funding the consequences have been momentous in terms of how public institutions are now funded; in 2012 aggregate tuition and fees overcame state appropriations as the

dominant revenue source across the whole public system (U.S. Government Accountability Office, 2014).

At the same time, while students were compelled to be more reliant on student loans, the government introduced unsubsidized loans in the early 1990s (Gladieux, 1995). With subsidized loans the federal government assumes responsibility for paying the interest as the student was in school or if the loan was in deferment; however, with unsubsidized loans the government evaded paying the interest and either the student would pay the interest during school or the debt would continue to rise (Gladieux & Hauptman, 1995). The growth of unsubsidized loans has been prolific. From 2003 to 2013, these loans expanded by 108% and doubled subsidized loans in yearly aid awarded (Baum & Ma, 2014b). With interest rates higher than inflation, Quirk (2013) stated that, "The federal government is in effect levying a new tax on college students in a program that already raises an obscene amount of money for the Treasury and is jeopardizing the financial future of a whole generation of young Americans" (p. 34). Curiously, while unsubsidized loans are now dominant there seems to be little research conducted and published on various effects these loans have on debtors. Even historic examinations of these loans appear to be absent.

Systemic transitions towards loan dominant schemes, shifting costs to students, and pushing the cost of loan interest onto individuals has created a system where students are now forced to pay, borrow, or be pushed out of the marketplace of public higher education (Alexander, 2011; Slaughter & Rhoades, 2004). Unfortunately, the increased reliance on student loans has been linked to various severe social and economic consequences. For example, the current policies have been found to: (1) prey on students hailing from lower SES (Elliott & Nam, 2013; Houle, 2014; Kim, Chatterjee, & Kim, 2012), (2) disadvantage minority students (Goldrick-Rab, Kelchen, & Houle, 2014; Kim, DesJardins, & McCall, 2009; Perna, 2000; Perna & Titus, 2005), (3) hinder savings (Egoian, 2013; Elliot, Grinstein-Weiss, & Nam, 2013), (4) affect abilities to purchase major durable goods (e.g., houses and cars) (Palacios & Wolf, 2014; Yi, 2014), and (5) modify family planning behaviors (Gicheva, 2013; Stone, Van Horn, & Zukin, 2012). Student loan debt has become so pervasive that the largest growth of this debt is occurring in students hailing from higher SES families (Fry, 2014); therefore suggesting that the costs of college are even out of reach for the more financially fortunate students. In totality, movement from strategies that aligned with tax dollars supporting higher education through grants and scholarship as well as through state supported revenues directly to public institutions has pushed more people towards being reliant on student loans, and reliance on this form of private-like aid has supported increases in college costs (Lucca, Nadauld, & Shen, 2015).

The Current Loan System

The current structure of the federal loan system has experienced significant modification since the HEA of 1965. Whereas the initial system positioned the federal government as the entity who would guarantee loans to private lenders, the contemporary system—adopted through H.R. 3221, The Student Aid and Fiscal Responsibility Act of 2009-2010 [SAFRA]—has placed the federal government as the guaranteeing entity, lender, and collector. The general details of SAFRA are simple. First, the law removed the Federal Family Education Loan Program [FFEL], essentially halting governmental guarantees to private lenders, although the harsh bankruptcy process still basically guarantees the money for private lenders. Next, SAFRA also transitioned the Perkins Loans to the Direct Loan (H.R. 3221, 2009). For various reasons, these policy shifts have forced private lenders to accept a smaller footprint in the student loan racket (Best & Best, 2014).

Now that the federal government owns and collects debt for itself, the government has greater autonomy in creating new repayment options. These options generally align with either being traditional mortgage-type fixed repayment and tax-like income-based repayment [IBR] schemes. The standard and extended plans are fixed payment schemes, where a student will pay a fixed amount for either ten years (standard) or twenty-five years (extended). Because the fixed payment plans are generally rigid and do not take into consideration societal or personal economic circumstances, this style of repayment is argued to favor higher earners and people with lower balances (Carlsson, 1970; Edminston, Brooks, & Shepelwich, 2013; Harrison, 1995). Additionally, the rigidity of this scheme obviously contributes to delinquencies and defaults, which hold various life-long severe financial ramifications (Blumenstyk, 2010; Cunningham & Kienzl, 2011).

Many of the other primary repayment schemes offered through the government are income-based in nature. While not everyone will qualify for IBR schemes, these types of repayment plans are still wildly under-utilized (Hillman, 2013; 2014) and under-examined by researchers. In 2012, only 1.5 million borrowers were found to be enrolled in the IBR and income-contingent programs, with many of those enrolled being automatically placed into the programs after defaulting (Nelson, 2012). This means that many of the people enrolled in IBR schemes have already had their finances principally ruined before automatically being enrolled in a program that would debatably eliminate student loan default (Hillman, 2013). However, because standard repayment is the initial plan that all borrowers are immediately placed into upon entering repayment, defaults persist as borrowers are generally unaware of their options (Bremer, 2014), which at best the lead author believes to be an unethical practice due to how the government utilizes IBR options after default has occurred.

Although income-based repayment schemes offer distinct benefits, there are some concerns levied on this option. Aligning with privatization, one critique is that a student with above average debt and a low paying job could effectively pay the monthly payment and after years could only make minimal progress into the principal at which time the remaining debt would be forgiven, a policy that Best & Best (2014) suggested creates, "no incentive for borrowers not to borrow as much as possible—because each additional dollar of debt will likely be forgiven" (p. 96). Johnstone (2009) also critiqued IBR repayment schemes, indicating that while the monthly payments ease the burden for many, the way it has been set up in the U.S. is problematic due to the subsidy at the end of the payment period, being the costs of the forgiveness. He also argued that this type of repayment does not save costs, as the government needs to create processes and hire people to confirm salary and make adjustments to individual's payments. In response, Hillman (2013) suggested that since IBR would essentially eliminate defaults, the financial and human resources the government currently uses to attempt to reclaim delinquent and defaulted balances could be transitioned towards confirming salary and adjusting payment; therefore, likely negating several of Johnstone's concerns over governmental structure. To this day IBR schemes are a topic of heavy debate.

While the federal government has been active in developing various routes of repayment, there is one policy the government has been distinctly unwavering on: bankruptcy. Since 1976, Congress has severely hamstrung the process of bankruptcy for student loan debt (Hancock, 2009; Pardo & Lacey, 2009). Under the influence of financial lobbyists (Best & Best, 2014; Stiglitz, 2013), Congress marketed to the public that loss of this process would protect taxpayer investment (Pardo & Lacey, 2009). In combination with rhetoric that elicited public concern over widespread abuse of the loan system (Booker, 2010), Congress was able to strip bankruptcy protections, even though governmental research suggested that at the time not even 1% of all federally insured student loans were discharged in bankruptcy and concluded that funds lost via bankruptcy were insignificant to the government (Pardo & Lacey, 2009).

Contrary to widespread belief, student loan debts can be discharged in bankruptcy. However, this debt is extraordinarily hard to discharge, as the debtor must adhere to a set of narrow circumstances that were never defined by Congress (Pardo & Lacey, 2009). The "test" to define the narrow circumstances—undue hardship—is the *Brunner Test* (Brunner v. New York State Higher Education Services Corp, 1987). Basically, *Brunner* determines if the debtor is able maintain a minimal standard of living, if there is evidence of long-term financial difficulty, and whether or not the debtor had made enough effort to repay. While the courts created the *Brunner Test* to promote the uniformity that Congress either lacked the foresight to create or disregarded, the test unintentionally, "prevents many debtors, that have no way of overcoming their debt, from obtaining the relief and 'fresh start' intended in the Bankruptcy

Code" (Booker, 2010, p. 277), because the set of circumstances is often judged differently therefore producing uneven applications (Hancock, 2009; Pardo & Lacey, 2009).

Such disparity in application has led to rulings that people who would traditionally be candidates for bankruptcy with other assets are not eligible for such with student loans. One example is the case of Monica Stitt, a middle aged, unemployed, disabled woman who earns about $10,000 per year through social security and public assistance. In Stitt's case, the court ruled she was ineligible to discharge the debt because she did not achieve the required level of good-faith effort to repay her debts. However, the judge did suggest she could enter into an IBR program where she would likely have to pay zero dollars due to her low income and after twenty-five years—at the age of 70—the debts would be forgiven (Rochelle & Kitroeff, 2015). To be clear, Stitt would be meeting her debt obligation as defined by the government plan by paying nearly zero dollars all while her student loan debts will increase because her obligation will never touch the principal, which then would be forgiven with a large tax penalty that she will likely never be able repay.

Recommendations and Conclusions

This paper barely scratches the surface of all of the changes and issues associated with the modern student loan system. However brief, the modifications presented, we believe, are some of the more important adjustment to the student loan system and are alterations that will have long-lasting effects on at least two generations of Americans. With that said, the student loan system is not inherently bad or good; it is simply flawed and the various modifications to the system are generally nothing more than mere quick fix responses to the larger issues (Best & Best, 2014,) or political desires of powerful influencers which are able to gain greater sway (Stiglitz, 2013) than the 40 million indebted borrowers. While the belief that, theoretically, student loans are appropriate instruments to ensure some level of personal buy-in to the system may be fitting, the practices and policies which have over-burdened many individuals and incentivized both state and federal governments to transfer ownership of financing higher education from collective coffers to the individuals are quickly becoming the lasting legacies of this program. These policies have created profound economic issues that we are only beginning to understand—like the estimated loss of $83 billion for the housing industry in 2014 (Palacios & Wolf, 2014)—and various social issues already mentioned.

Because these loans have become variously and increasingly problematic, we argue that legislatures should hold deeper conversations surrounding placement in IBR schemes as the default plan, moderation of unsubsidized loans, reverting the student aid back towards a grant and scholarship heavy package, and developing solutions towards easing current debt

loads—a process that Best & Best (2014) indicate is often overlooked due to low political and legal obligations to do so.

First, we argue that it should be standard practice to place everyone entering repayment into an Income-Based Repayment scheme as the default and then allow people to enroll in the mortgage-like plans after the fact. It is entirely inappropriate for the government—an entity primarily responsible for protecting the citizens of the society—to encourage financial ruination before placing them into the very same program that would prevent such. Legislatures could enact this suggestion under the guise of trying to eliminate defaults and protecting taxpayer money, an argument already utilized to strip bankruptcy protections. Although President Obama is currently exploring new policies and executive decrees surrounding IBR (Mitchell, 2015), if Congress were to place this suggestion into a future HEA authorization it would be law and not subjected to the urges of future Presidents.

Second, curtail unsubsidized loans. Often, governmental representatives are on record stating Americans must obtain degrees for the nation, all while creating a program that essentially places people who cannot afford to pay for school in a position to accept a loan that drives them deeper into debt every day they are working towards that very goal. Because the ownership of the balance and interest, even while in school, is on the individual, we are not entirely positive this style of loan can any longer truly be considered "aid" as it is like calling a mortgage housing "aid." It is not; mortgages are investments by one entity into an individual whom they believe will repay that debt while making money on that investment. As unsubsidized loans essentially work under the same premise, we cannot fully see this style of loan as "aid" for college. Therefore, we suggest that Congress should explore ways to once again make subsidized loans the primary mode of operation, even for graduate school loans.

Thirdly, make bankruptcy as easy to discharge as other assets. As bankruptcy is universally known as the protection for a "fresh start," there should be no special rules that inhibit people like Stitt from discharging this debt. At minimum, we believe that Congress should carefully construct a law that specifically defines the circumstances on how student loan debts could be discharged in bankruptcy. The courts should not be encouraged to interpret a test as they see fit. However, that would be the minimal effort Congress should engage in. Truly, because of the issues stated with unsubsidized loans and in general the transition towards privatization, the consumer—the student, as it is—should be granted the same level of bankruptcy protections as found with other private assets.

Finally, choose to return the purchasing power of grants and scholarships and find ways to reduce current loan debts. It is imperative that we back away from over-reliance on student loans as it is causing long-lasting harm to both individuals and the nation. We understand that our last suggestion will be critiqued with variations of "where will the money come from." To counter that

narrative, we believe that the U.S. has revenue streams it could divert from one sector to pay for higher education. For example, why not choose to remove subsidies to corporations and modify tax-code loopholes? It has been estimated that the average U.S. family spends $6,000 per year funding corporate subsidies (Buchheit, 2013). Research conducted by The Cato Institute (2012) estimates that U.S. taxpayers provide $100 billion in annual direct subsidies to corporations (DeHaven, 2012). And while these entities enjoy the gift of public funds, large corporations effectively pay a 19.4% tax-rate—profoundly less than the expected 35%—and for nearly one hundred of the largest corporations the effective tax-rates are under 10% (McIntyre, Gardner, & Phillips, 2014).

As these rent-seekers are obviously taking public funds while not repaying society as expected, they are being allowed to abdicate their roles in supporting the social good (Stiglitz, 2013). We argue that the government needs to take steps to readjust these policies and confiscate the subsidies to fund a grant and scholarship heavy aid package and help reduce current student loan debts. With proper planning and discipline such revenue should be more than enough to cover higher education tuition and help relieve current student loan debts.

In a future HEA, Congress could theoretically enact such a policy. However, we fully comprehend this suggestion is highly unlikely due to the power that wealth influences in today's political atmosphere and because of the depth and effort Congress would have to engage in to so widely modify these various policies. Yet, radical ideas must be promoted to sponsor radical systemic changes.

While Congress may never willingly explore this option, potentially a grassroots movement could help stimulate at least a deep debate. Possibly this movement has already begun as President Obama has been promoting tuition-less community college. Bernie Sanders is promoting a similar program for all public institutions (Weissmann, 2015), and Hillary Clinton is advertising her own "tuition-free" plan (Marans, 2015). While it is unknown if any of these plans will prevail or if one of the latter two individuals will become the next President, obviously there is mounting political pressure to engage in this conversation. We believe this pressure will mount into the 2016 election cycle; therefore, Congress should at least be debating the viability of frameworks and funding options because the "Indentured Generation(s)"—X and Millenials—have gained more shared power than Baby Boomers, whose influence diminishes annually (Teixeira, Frey, & Griffin, 2015).

The first three suggestions we promote are stepping stones to take higher education away from privatization policies and return it to the social good; the last firmly takes it back. Some proposals may be easier to envision and pass while others would understandably have a harder time. However, we believe that in lieu of a complete overhaul of governmental funding of higher education each of these proposals will help Congress debate and potentially adopt obvious solutions to issues that are profoundly affecting the U.S. and many of its citizens.

As student loan debts trend towards $2 trillion and more deeply infiltrate all levels of SES, Congress is going to be increasingly pressured to reflect on both financially proper and people-oriented ethical practices.

Optimistically, future reauthorizations will display that Congress has thoughtfully explored the benefits and pitfalls of the modern student loan system and will hopefully create policies that bring higher education finances back towards the sphere of the social good while minimizing risks to individuals interested in obtaining a post-secondary degree.

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Helping Low-Income and Middle-Income Students: Pell Grants and the Higher Education Act

Mark Umbricht

Pennsylvania State University

The federal Pell Grant program created by the Higher Education Act of 1965 is considered the foundational funding for low- and middle-income students. Due to a number of factors, including the Great Recession and changes in eligibility, costs for the Pell Program have skyrocketed in the past ten years, which has been characterized by some as a reckless expansion of the program. In addition, some policymakers have questioned the use and cost effectiveness of the Pell Grant program to increase access and completion rates for low- and middle-income students. This paper argues that the vast majority of rigorous studies agree that the Pell Grant has increased both access and completion, particularly for low-income students. Therefore, policymakers should not significantly scale back the program, but should consider additional ways in which the Pell Grant can be modified and leveraged to increase access and completion rates to a higher degree.

Keywords: Pell Grant, Higher Education Act, access, completion

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Introduction

The cost of tuition and fees at the average college has risen at a significant rate over the past thirty years, expanding at twice the rate of health care and four times the rate of inflation. Data from the College Board (2016) indicates that tuition and fees have increased 139% at private, non-profit institutions, 141% at public two-year institutions, and an incredible 222% at public four-year institution since 1985. While rising tuition and fees may not be detrimental to students on their own, financial aid has not kept pace. In particular, the maximum Pell Grant award in 1985 paid for 150% of tuition and fees at the average four-year institution, but only accounted for 62% of tuition and fees in 2014. This means students are forced to either find additional forms of grants and scholarships, or take out loans to finance their education. As institutional tuition policy is not within the bounds of the Higher Education Act, one potential way to make college more affordable for students is to make adjustments to the largest federal grant program, the Pell Grant.

The Federal Pell Grant is a form of student aid to students that is allocated based on financial need. The Pell Grant differs from student loans, which must be repaid, and work-study, where students must work to be compensated, and remains the preferred source of federal aid by students because of this. The Pell Grant is the largest grant program in the country, awarding grants to over 8.5 million students across the country totaling over $31 billion in expenses, and is the second largest aid program to student loans (U.S. Department of Education, 2015). To put the Pell Grant in context, it is imperative to understand the major changes to the program within the Higher Education Act of 1965 (HEA).

History of the Pell Grant

In his history and assessment of federal student aid policy for the 30th anniversary of the HEA, Gladieux (1995) notes that the Pell Grant, as we know it today, was not in the original HEA. Rather than allocating funds directly to students, the Educational Opportunity Grants found in the original HEA offered funds to institutions to identify and recruit students with exceptional financial need. It was not until the third version of the HEA in 1972 that the financial aid system as we know it today was created. This reauthorization expanded the type of assistance available to students, adding Basic Educational Opportunity Grants to the previously administered Educational Opportunity Grants, National Defense Student Loans, and Work-Study programs. The goal of the Basic Grant was to assure access to low-income students by providing funds directly to students, rather than to institutions, in order to allow student choice among programs and institutions (Gladieux, 1995). The grant was later renamed the Pell Grant in

1980 after Senator Claiborne Pell, who fought for the creation of the Basic Educational Opportunity Grants.

In 1973, the first year the Pell Grant was offered, the maximum Pell Grant was $452, while the average Pell Grant was only $270, providing aid to 176,000 students for a total of over $47 million dollars. Two years later, the maximum level and the average Pell Grant nearly tripled to $1,400 and $632 respectively (U.S. Department of Education, 2015). Over time, the Pell Grant has grown significantly in size and scope, and now provides aid to over 8.6 million low- and middle-income students across the United States. Since its inception in 1973, the Pell Grant has acted as a floor of financial support for low-income students. However, Zumeta (2001) argues that in the 1970s and 1980s politicians and their constituents began to question why federal grant and loan programs were not supporting middle- and upper-class students, leading to the Middle-Income Assistance Act of 1978, which broadened the eligibility requirements to middle class families.

While the Pell Grant program received much support in the 1970s, the 1980s were characterized by a call for a smaller role for the federal government. Growth in Pell Grant expenditures slowed dramatically and even declined slightly in 1986, with federal loans beginning to take the forefront of federal student aid (Fuller, 2014). The trend of rising student loan funds accelerated at an unprecedented rate in the 1990s, shifting the burden of college tuition from the federal government and the public, in the form of grants, to individuals and their families, in the form of loans that require repayment (Best & Best, 2013; Heller & Geiger, 2011; Slaughter & Rhoades, 2004).

Federal loans continued to grow in comparison to grants in the 2000s, a trend exacerbated by tuition increases and declining state support during the Great Recession. Despite significant increases in the Pell maximum in 2000 and 2008, the purchasing power of the Pell Grant has been declining since 1990. Using constant 2013 dollars, the Pell Grant maximum of $4,100 in 1990 covered 120% of tuition or 45% of tuition including room and board, while the $5,550 maximum in 2012 covered only 63% of tuition and 30% of tuition and fees at the average public four-year institution (Baum & Ma, 2014). The decreased purchasing power from the Pell Grant has driven students to take on additional debt in the form of student loans. While the growth of student loans will be covered in more detail in a separate chapter, it is important to note that student loan debt surpassed one trillion dollars in 2013 and has only grown since then (Weinberg, 2013; Denhart, 2013).

The Pell Grant has been a seminal piece of student financial aid since its inception in 1972, providing funds to low- and middle-class students that are not required to be paid back. While the Pell Grant has declined in its purchasing power and prevalence over time, it still accounts for 18% of student aid from all sources and remains a staple for many students.

Research on the Effectiveness of the Pell Grant

The premise of lowering costs to increase access makes sense from an economic perspective; federal grants lower the cost to attend college, and unlike loans, do not have future repayment associated with them. By lowering the cost to the student and increasing affordability, additional students may choose to attend a postsecondary institution to pursue a degree or certificate. In a similar vein, it is theorized that the presence of financial aid can also increase the likelihood of completion because students who do not have enough funds to pay for college will likely drop out. This is a significant assumption made about the Pell that must be validated by rigorous educational studies. As Dynarski and Scott-Clayton (2013) argue, the significant increases in government expenditures over time has led to additional calls to understand the effectiveness of student aid, as the government could be subsidizing students to do what they would have done in the absence of federal aid. A large number of studies have examined the effects of grant aid on the access and outcomes of students in higher education. This section will examine the literature on financial aid in relation to access and outcomes, with a focus on studies that examine Pell Grants in particular.

Research on the Impact of Pell Grants

Before delving into the research on Pell Grants, it is imperative to discuss the intended purpose of the Pell Grant. The goal of the Pell Grant is to function as the foundational financial aid source for undergraduates with financial need (Mercer, 2008), implying the true purpose of the Pell Grant is to provide funding to encourage access, persistence, and graduation. Simply put, without the Pell Grant needy students must either find additional sources of aid, take on student loan debt, or not attend postsecondary education. Therefore, this section will examine research regarding the Pell Grant's role in the access, persistence, and completion of students, which has become a source of contention among policymakers. While the Pell Grant's use in lowering potential student debt is an important purpose, the concept of debt will be covered fully in a subsequent chapter in this volume.

A review of literature on the Pell Grant's impact on access, persistence, and completion yields interesting trends, in part, because much of the early literature is inconclusive. From a research methods perspective the creation of a government program, such as the Pell Grant, provides an excellent quasi-experimental study. Several researchers have examined differences in access and completion rates during the 1970s, when the Pell Grant program was introduced, finding little evidence of significant effects (Kane, 2003). Hansen (1983) was the first to examine enrollment rates of dependents between 18 and 24 using data from the Current Population Survey in 1971 and 1978. The findings indicated that the presence of the Pell Grant did little, if anything, to increase access rates

by 1978. A later study by Kane (1994) confirmed the results using additional years of data and expanding the number of variables. As Dynarski (1999) argues, the failure to find a significant effect on enrollment rates stemming from the introduction of the Pell Grant program is a persistent puzzle.

Effects of the Pell Grant on access. A number of studies have examined the effect of total financial aid or grants on access and outcomes, without disaggregating by type of aid (e.g., federal, state, institutional). A seminal review of literature found that a $1,000 decline in net price of college leads to a 3-5% increase in attendance of 18-24-year-old students (Leslie & Brinkman, 1986). An updated review found similar results; decreases in financial aid were associated with declines in enrollment, and enrollments were more sensitive to grants than loans or work-study, but the sensitivity changed based on the institution and student types examined. Namely, low-income and African American students were more sensitive to changes in tuition and aid, as were students at community colleges (Heller, 1997). A review of literature found that studies conducted in the 2000s generally show a positive and significant effect for the impact of aid on college access, and studies with null or negative impacts of aid are generally attributed to model misspecification or the lack of good aid measures. Similarly, rigorous studies on the impact of aid on completion tended to show a positive relationship (Goldrick-Rab, Harris, & Trostel, 2009). While these reviews are important to provide context, their focus is to examine the impact of changes in net price rather than solely in Pell Grant awards. As some studies have found responses to the Pell program may be smaller than other forms of financial aid such as other grants or work-study, it is important to examine studies that focus on the impact of the Pell Grant (Leslie and Brinkman, 1987; Dynarski & Scott-Clayton, 2006).

Few studies have focused solely on the relationship between Pell Grants and access. Taking advantage of larger than normal increases in the Pell Grant between 1996 and 2005, which provided a natural experiment, one study found that Pell Grants increased participation among low-income high school graduates at public institutions. The increased participation significantly decreased gaps in enrollment rates between low-income and middle-income students (Mundel, 2005). A later review of literature on the topic argued that most studies of the Pell Grant program yielded inconclusive results, or found no disproportionate increase in college going for high school graduates. However, this was likely due to some methodological issues, such as a lack of consistence in measurable variation in the Pell Grant, which creates a natural experiment (Mundel, 2008).

While this review generally found inconclusive results for students in general, some studies that examined sub-populations of students have yielded results that are more conclusive. One such study examined non-traditional students, defined as students that are older than traditionally aged or who are independent. Using a difference-in-difference framework, the study found non-

traditional students who were Pell eligible were 4% more likely to attend college during the 1970s and 1980s (Seftor & Turner, 2002). A second study examined the impact of Pell Grants at less than four-year institutions in the state of California, finding that enrollment at public and for-profit two-year institutions increased as the Pell grant maximum rose (Cellini, 2009).

Most studies of the impact of grants on enrollment show positive and significant trends, with earlier research indicating that the Pell Grant had a smaller impact compared to other grant types such as state and institutional grants. Studies exclusively examining the Pell Grant have generally had inconclusive results, though some studies of sub-groups have shown positive effects. In addition, recent studies employing quasi-experimental methods have indicated the Pell Grant has been successful at increasing the enrollment of low-income students.

Impact of the Pell Grant on persistence and completion. Research on the impact of Pell Grants on persistence and completion can be categorized into two categories: studies that use descriptive statistics and regression methods, and studies that use advanced, quasi-experimental methodologies, which is a recent development in the literature.

A recent review of literature on the impact of any type of grant argued that most studies report either positive or non-significant findings, suggesting that grants may have some impact on the likelihood of persistence for college students. The study also noted that the more rigorous the study, the greater the impact on the likelihood of persistence (Hossler et al., 2009). One such study, an NCES report, examined the persistence of low- and middle-income students by Pell Grant receipt. Using descriptive statistics and multivariate regression, the study generally found no difference in three-year persistence after accounting for a student's college preparation. However, students with low-test scores were more likely to persist if they received a Pell Grant, and students at non-profit, four-year, private institutions were less likely to persist if they received a Pell Grant (Wei & Horn, 2002). Another study using regression methods found an insignificant impact of Pell Grants on persistence after controlling for a battery of background and first-year performance variables (Dowd, 2004).

Around the mid-2000s, researchers began to question the validity of studies that used descriptive statistics and regression to examine persistence among college students. As one researcher argued, these studies did not control for the relationship between aid eligibility and outcomes, resulting in inconsistent findings (Alon, 2005). To avoid this problem, quasi-experimental methods are required to separate the effects of eligibility from the effects of the amount of aid. Alon (2005) confirmed his hypothesis and found that aid eligibility significantly decreased the likelihood of graduation, but the amount of aid received by a student was positively related to graduation. This implies that previous studies confounded these effects, resulting in inconsistent and sometimes negative

results. In reality, students that were eligible for aid tended to be less likely to graduate, with or without aid, and the amount of aid significantly increased graduation rates.

Several notable studies have used advanced techniques to account for the differences between eligibility and amount of grant aid. One such study used an instrumental variable approach to analyze data from the state of Ohio, finding that Pell Grants increased first-year persistence. However, the models were sensitive to specification, meaning the results should be taken with caution (Bettinger, 2004). A later study employing the same methods, but without the same specification sensitivity, used a national sample to examine persistence by family income levels and had similar conclusions. The study found Pell Grants were particularly important for lower-middle class students, or those that were in the 2nd income quartile, indicating that a $1,000 increase in Pell Grant aid was associated with a 9% increase in persistence (Alon, 2011). Other research has indicated that the effects of the Pell Grant could vary among different student demographics, such as race/ethnicity. One study using event history modeling found that all types of aid, such as Pell Grants, federal loans, and merit aid, had a significant impact on reducing the risk of dropping out, but the Pell Grant had the greatest impact. However, the impact of the Pell was stronger for minority and low-income students compared to white and higher income students (Chen & DesJardins, 2010).

These studies are vital as much debate surrounding the Pell Grant since its inception has questioned both the levels of funding and its impact. The literature is clear that when rigorous studies are conducted, the vast majority of research indicates that Pell Grants have a significant and positive impact on access and outcomes for students, particularly for low-income and minority students. Higher levels of grant aid are associated with additional access and higher likelihood of persistence and completion. With these previous findings in mind, we turn our attention to the debate surrounding the current reauthorization of the Higher Education Act.

Recommendations for the Reauthorization of the Higher Education Act

Republican plan for the Pell Grant. Senate Republicans and Democrats have different views when it comes to Pell Grants and the reauthorization of the Higher Education Act. In a 2014 white paper, Senate Republicans announced their priorities for the reauthorization. They argued, "It is unclear whether these [federal] aid programs are helping students complete their postsecondary education," adding that the programs were originally created to create access for low-income individuals (House Committee on Education and the Workforce, 2013, p. 4). They argued for a flexible Pell Grant program, which would allow students to draw on the funds as needed over a six-year period, addressing the needs of the contemporary student that attends classes on a

non-traditional schedule. The flexible Pell program would incentivize continuous enrollment, as well as higher retention and graduation rates for all students in the Pell Grant program. The Republicans argued against a "recklessly expanded" Pell Grant, stating that the program must be put back on stable footing, implying that a decrease in awards would ensure the stability of the program for years to come. One difficulty with the Republican's plan is that they are incorrect in their assertion that there is no evidence that the Pell Grant is successful in helping students complete their programs. As noted in the previous section, rigorous studies of the Pell Grant have generally found increases in persistence and completion for students receiving the grant. In reference to the reckless expansion of the Pell Grant, while raising the cap of the program could certainly be debated, as it provides funding to those with higher incomes, raising the maximum award in 2008 was sorely needed. The purchasing power of the Pell Grant had declined significantly while tuition rose, which led to a reliance on student loans around the time of the Great Recession. Without a Pell that rises with cost of living and tuition prices, the affordability of institutions can become an obstacle.

Democrat plan for the Pell Grant. Senate Democrats released an outline of their priorities, which is less specific compared to the Republican plan, but in general argued for an increase in college affordability. A majority of the Democrats' priorities involve student loans and debt, but they did call for the reinstatement of year-round Pell Grants to enable students to get their degrees faster and an extension of inflation adjustments in the maximum award (Harkin, 2013). The Democrats would prefer that the Pell Grant funding levels and eligibility requirements remain stable for the next reauthorization. One new proposal put forth by Democratic presidential candidates is the idea of debt-free college plans. These plans would eliminate the need for grants and loans, making college access affordable for all, but they come with a steep price tag. For example, Senator Bernie Sanders' plan would cost $70 billion per year just to cover tuition for all students. Even proposals targeting only more needy students would cost approximately $30 billion per year, making it difficult to pass in the current legislative environment.

Recommendations for the Pell Grant. My first recommendation is to reinstate year-round Pell Grants, as students taking summer courses tend to graduate at higher rates and in less time (Adelman, 2006; Offenstein, Moor, & Shulock, 2010). To help offset these costs and to ensure the Pell Program is true to its original purpose of assisting poor students, I would recommend altering the EFC ceiling. Currently, the EFC ceiling is set to 90% of the maximum Pell Grant. This means every time the Pell Grant maximum rises, the number of students qualifying for the Pell Grant increases, which is part of the reason that the number of recipients and Pell Grant award dollars spiked during the Great

Recession. I would recommend two changes to the EFC ceiling: moving back to an EFC ceiling that is set at 95% of the current maximum, and disassociating the EFC ceiling with the Pell Grant maximum. As a CBO (2013) study pointed out, approximately two-thirds of the increase in Pell Grant recipients during the Great Recession happened because of the rule tying the maximum Pell award to the EFC ceiling. If the EFC ceiling was not directly tied to changes in the Pell maximum, the amount of awards per student (through raising the Pell Grant maximum) could rise without greatly expanding the program. These moves would slightly lower the Pell Grant expenditures while also allowing for increases in the Pell Grant maximum—and subsequently raising the purchasing power—that are not necessarily tethered to increases in the number of recipients. Discussions of both the maximum award and the income threshold for eligibility are important conversations, but tying them together means that any discussion of increasing the amount that students can receive automatically causes growth in the number of recipients, making increases significantly more costly over time. This would help to limit the growth or even slightly decrease the expenditures for the Pell Grant without simply decreasing the amount students receive (Kantrowitz, 2011).

Finally, I would advocate for stricter academic eligibility requirements for continuing eligibility. Currently, Satisfactory Academic Progress (SAP) requires students to be above a GPA threshold, which is set by the institution prior to two academic years, and is a 2.0 GPA once the student has attended for two full academic years. In line with President Obama's eligibility requirements for his free community college plan, a GPA requirement for Pell should be implemented at 2.5 for all semesters and 2.8 by the 60th credit earned in four-year programs[1]. Requiring students to maintain a GPA will ensure that Pell Grants are provided to the students that are willing to work for their financial aid, and will encourage both course and degree completion. As Dynarski and Scott-Clayton (2013) argue in their review of financial aid literature, programs with academic incentives (such as a GPA requirement) increased retention, credit accumulation, and completion, whereas programs without incentives showed less conclusive evidence with many studies showing no positive influence on persistence and completion.

Conclusion

The Pell Grant has served as a foundational piece of student financial aid for low-income students since its inception in 1972. Since 1972, the program has grown substantially in size and scope, providing aid for over 6.5 million low- and

[1] Rather than at the second academic year like the SAP, using a credit-based system would not punish part-time students for performing poorly in one or two classes out of the eight they may take in the first two academic years.

middle-income students, while growing to a $31 billion dollar expenditure for the federal government. However, the purchasing power of the Pell Grant has fallen substantially as tuition at postsecondary institutions has outpaced growth in the grant. Research on the effectiveness of Pell Grants, when conducted in a rigorous manner, shows that they are effective at increasing access and persistence among recipients. It is for this reason that policymakers should consider reinstating summer Pell Grant funding, which could increase year-round attendance and bolster graduation rates. To help offset this cost, it would be beneficial to the stability of the program to tighten the EFC ceiling from 90% of the maximum Pell Grant to 95%, which was the standard until 2006-2007. In addition, adding stricter GPA requirements would encourage credit accumulation and completion. These practical changes to the Pell Grant could ensure its stability for future years without cutting off access to low-income students, and subsequently lead to completion rates for this student group.

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