

Aug. 12, 2019

Purchasing power of the Pell Grant falls as college costs skyrocket

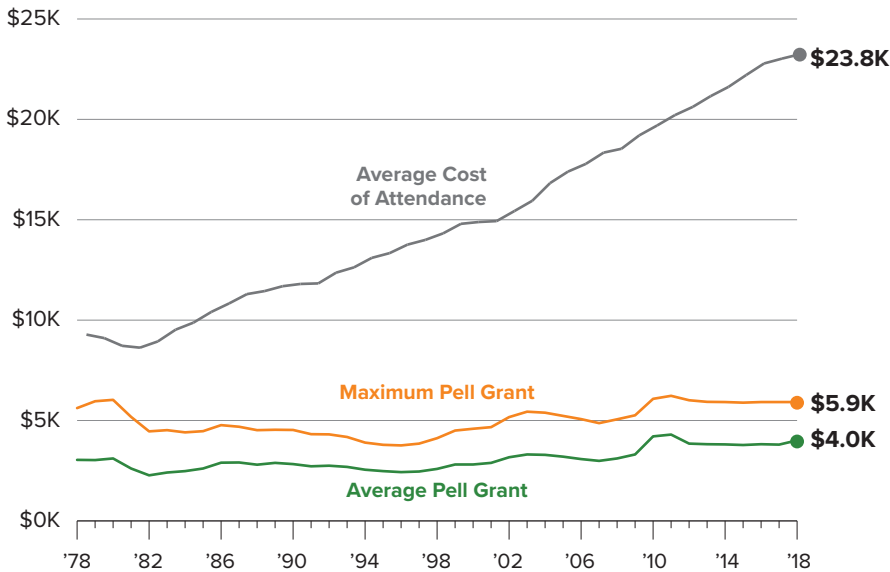
BY PIA DESHPANDE, POLITICO PRO DATAPOINT

The Pell Grant is back in the 2020 campaign. Democratic presidential hopefuls Joe Biden, Pete Buttigieg, Elizabeth Warren, Amy Klobuchar and Julián Castro have all supported expansions to the current Pell Grant system. Castro, in particular, has proposed increasing the maximum Pell Grant to \$10,000.

Education analysts told POLITICO that the Pell Grant's purchasing power has continually decreased over the past 40 years. Although the grant was founded to help make college more financially accessible to students, both the average and maximum Pell Grant awards have not kept pace with the rising cost of attending college. In 1980, the maximum Pell Grant covered 67 percent of the average cost of attendance, while it only covered 25 percent of costs in 2018.

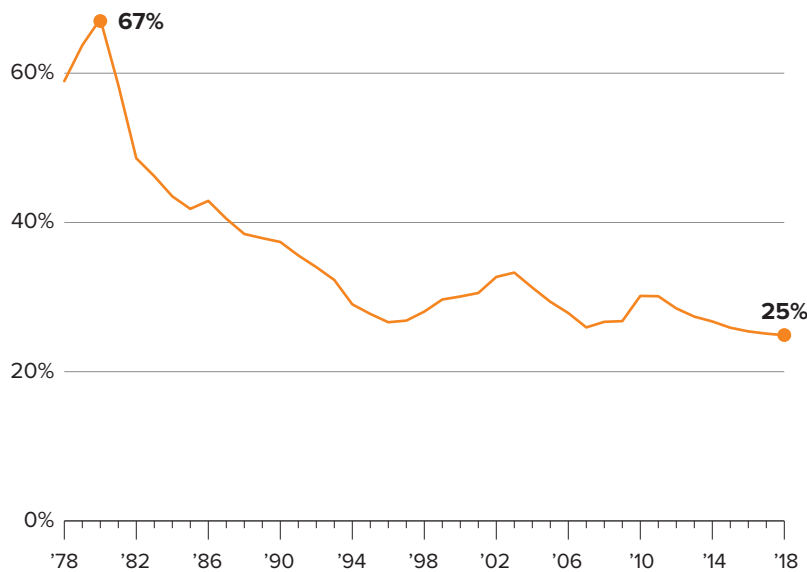
Pell Grant awards have not kept pace with average cost

IN 2017 DOLLARS ADJUSTED FOR INFLATION



Percentage of college costs covered by maximum Pell Grant

MAXIMUM PELL GRANT AS A PERCENTAGE OF AVERAGE COLLEGE COSTS



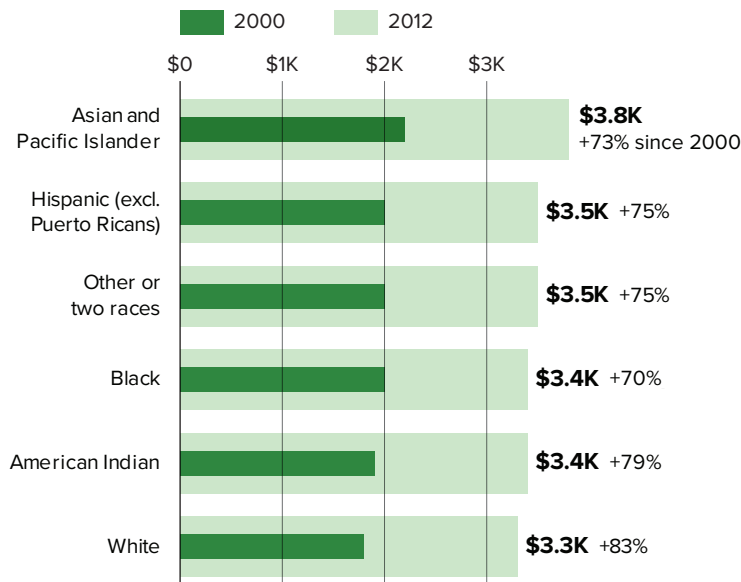
Note: College costs are weighted by undergraduate total full-time enrollment at all types of institutions, as reported by NCES. College costs include tuition, fees, and room and board. The maximum Pell Grant is the highest amount allowed by law. The average Pell Grant awarded each year is lower than the maximum, because most students are not granted the maximum amount.

Pell Grants are serving more students across all demographic groups, but gains vary

Since 1999, the percentage of undergraduates awarded a Pell Grant of any amount increased from 22 percent to 41 percent in 2012, the most recent data available. This includes an increase across all racial and ethnic populations, with American Indian students experiencing the largest increase — from 31 percent in 2000 to 54 percent in 2012.

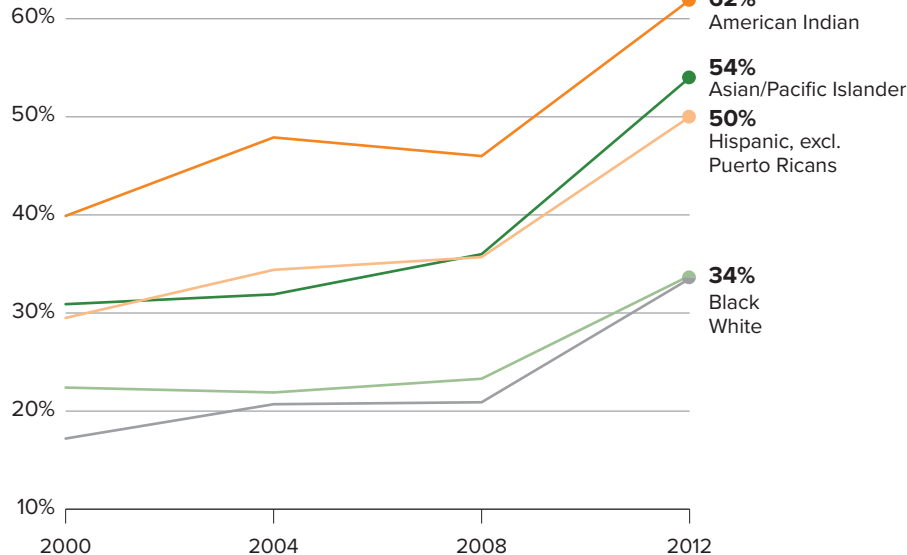
The average grant amount has also increased from \$1,900 to \$3,400 over the same time period. Asian and Pacific Islander students saw the greatest gains, receiving an average grant of \$2,200 in 2000 to \$3,800 in 2012.

Average Pell Grant award by race/ethnicity



Percentage of students awarded a Pell Grant

AS A PERCENTAGE OF ALL UNDERGRADUATE STUDENTS



Pell Grant recipients are more likely to take on loan debt and face unemployment after graduating

Students who received a Pell Grant before they graduated college in 2016 were more likely to be unemployed and take out loans than their non-Pell counterparts.

According to experts, Pell Grant recipients are poorer than the average undergrad, meaning that attending college will often require taking out loans, even with the grant. However, some of the discrepancy may also be explained by the Pell Grant's lowered purchasing power.

To continue receiving the grant each year, students must remain enrolled at their institution and finish within six years.

Undergraduates who receive Pell Grants take out more student loans

PERCENTAGE OF UNDERGRADUATES WHO HAVE TAKEN OUT LOANS, ONE YEAR AFTER GRADUATION



Pell Grant recipients are twice as likely to be unemployed after graduating



Sources: 2018 and 2019 Indicators of Higher Education Equity in the United States: Historical Trend Report, The Pell Institute for the Study of Opportunity in Higher Education, Council for Opportunity in Education, Alliance for Higher Education and Democracy of the University of Pennsylvania; National Center for Education Statistics: Baccalaureate and Beyond (B&B:16/17) and Table 330.10; CollegeBoard Trends: Maximum and Average Pell Grants over Time

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