

# Build Back Better's Investments in Pell + College Completion Are a Win for Students and Community Colleges



**Tamara Hiler**  
Former Director of Social Policy, Education & Politics  
[@TamaraHiler](https://twitter.com/TamaraHiler)



**Michelle Dimino**  
Deputy Director of Education  
[@MichelleDimino](https://twitter.com/MichelleDimino)

From day one on the campaign trail, President Biden has been steadfast in his promise to make education beyond high school more affordable, more accessible, and higher quality for all Americans. And after months of negotiations with Congressional Democrats, the Build Back Better Act has delivered on this pledge by making a **\$40 billion investment** in our higher education and workforce development systems. Even while tuition-free community college did not make it through in this package, the Build Back Better Act serves up a major policy win for students and community colleges. That's because the bill raises the maximum Pell Grant award by \$550 for more than five million eligible students, including DREAMERS, and—for the first time ever—creates a pot of federal funding dedicated to college completion known as the College Completion Fund. Combined, these two investments will serve as a critical springboard to helping millions of students afford to go to college *and* ensuring the institutions they attend have adequate resources to help

them make it across the finish line to a degree or credential. Here are four reasons we think the framework is a huge higher ed win:

## **1. A major boost to the Pell Grant helps restore its purchasing power and makes community college free for students who need it most.**

Pell Grants help over seven million low- and middle-income students pay for college each year—but while the maximum Pell Grant used to cover 80% of the costs of attending a four-year public college, it now covers just 30% of those costs. A substantial increase to the maximum grant award is a key first step in restoring the purchasing power of the federal government’s primary student aid program and serves as a major down payment toward a shared goal of ultimately doubling the Pell Grant. While the Biden Administration works toward making community college tuition-free, an analysis published by Third Way earlier this year also shows that a sizable increase to the maximum Pell Grant will help them advance toward that goal for Pell students in nearly every state: Increasing the maximum Pell Grant by \$550 (to \$7,045) will fully cover the average cost of in-state tuition and fees at public community colleges in 48 states for students receiving the maximum award (and cover more than 90% of costs for students in the other two states). On its own, the \$550 increase in the Build Back Better Act represents the largest year-over-year increase to the Pell Grant in a decade—and there’s an opportunity on the horizon to further enhance that impact with an additional \$400 increase to the maximum Pell award through the appropriations process.

## **2. These investments extend beyond tuition assistance to help students afford the full cost of college.**

Increases to the Pell Grant will serve as a critical first step to ensure true college affordability for students with the greatest financial need and support their persistence and completion. That’s because Pell Grant funding can be used to cover non-tuition costs up to the total cost of attendance, like transportation, room and board, and textbooks—expenses that have a huge impact on students’ ability to persist in college but wouldn’t be covered by some free college proposals that focus only on tuition charges. In addition, the grant dollars in the College Completion Fund will allow states to invest directly in student supports like high-touch advising, tutoring, career services, and childcare—all investments that rigorous research has shown to dramatically improve post-enrollment outcomes. These targeted approaches to student success come with a high price tag attached, but are proven to yield powerful results, like doubling community college graduation rates within three years and increasing six-year bachelor’s degree attainment by nearly 9 percentage points.

### **3. Pairing Pell dollars with completion funding bolsters the entire higher education pipeline—especially for underserved student populations.**

A \$500 million investment in a first-of-its-kind College Completion Fund to scale evidence-based programs to improve retention and completion paired with increases and eligibility changes to the Pell Grant signal a major shift in federal higher education policy focus from simply getting students to college to making sure they successfully get *through* college and earn a degree. The competitive grant formula in the Build Back Better Act will prioritize proposals that center the needs of students from low-income backgrounds, students of color, students with disabilities, first-generation students, and student parents. This shift is desperately needed, as colleges graduate only about half of all students they enroll, and outcomes are even worse for underserved student populations. Today, fewer than 15% of students from low-income backgrounds get a four-year degree, while more than 60% of wealthy students do. Six years after entering college in 2014, 41.9% of Black students and 49.6% of Latino students had completed degrees compared to 67.7% of white students—a completion gap of over 18 points that creates long-term disparities in debt, wealth accumulation, and economic security. By including a state grant component in the College Completion Fund specifically focused on the schools that serve most low-income students and students of color, the federal government is acknowledging for the first time that these schools need additional resources to support student success.

### **4. The new completion fund will have an outsized impact on community colleges and their students.**

Given the funding mechanisms outlined in the Build Back Better Act, community colleges will surely be among the biggest recipients of additional Pell dollars and grants through the College Completion Fund. Despite serving more than one-third of all undergraduate students, community colleges face a revenue gap of \$78 billion compared to four-year public institutions. That gap translates to significantly fewer resources to invest in student success, compounding inequities across the higher education system given that these schools serve a high proportion of low-income students, students of color, first-generation students, and students who work while enrolled. In fall 2019, community college enrollment accounted for 56% of Native American undergraduates, 53% of Hispanic undergraduates, 43% of Black undergraduates, and 38% of Asian undergraduates. Thirty-seven percent of students came from families earning less than \$20,000, and nearly 70% from families earning less than \$50,000. New funding for retention and completion efforts would support these student populations in attaining a college degree—including those who may be incentivized to enroll in community college due to eligibility for a larger Pell award.

## **Conclusion**

For higher education advocates, there is a lot to like in the Build Back Better Act. Rather than taking a piecemeal approach to either increasing access and affordability or focusing on retention and completion, the bill delivers a comprehensive approach to shoring up both ends of the postsecondary pipeline through historic investments in the Pell Grant program and a new College Completion Fund. And as [recent polling](#) released by Third Way indicates, voters across the ideological spectrum welcome this kind of holistic fix with open arms: 82% of voters in Frontline districts agree with the statement that, “We must address our challenges in higher education from all angles. That means we shouldn’t only focus on making higher education more affordable, but we must also make sure programs are in place that improve graduation rates, so that students are able to earn a living and support their families.” The ball remains in Congress’ court to finalize this deal so that students and families can begin to immediately reap the benefits of an investment of this magnitude and the promise of an improved higher education system for all.

#### TOPICS

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