

Creating a “Title I” for Higher Ed



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The federal government invests nearly \$30 billion in the Pell Grant program to help approximately 7 million low- and moderate-income students attend college every year. ¹ This type of federal investment is necessary to ensure that all students—regardless of their family’s financial standing—have the opportunity to receive a quality education beyond high school, a prospect that stands to benefit society as a whole, since college graduates face lower unemployment, are able to earn more to care for their families, pay more in taxes, are healthier, and are more civically engaged. ²

Yet our higher education system currently functions as a voucher system, with federal financial aid investments following each student at the same level regardless of where they attend. That means even though we recognize in other contexts that a concentration of poverty makes good outcomes more difficult to achieve, institutions who take more low-income students receive no additional supports—leaving them insufficiently resourced to fully meet their students’ academic and basic needs. Yale or George Washington University receive the same size grant check from the government if a low-income student enrolls as

RECEIVE THE SAME SIZE GRANT CHECK FROM THE GOVERNMENT AS A LOW-INCOME STUDENT ENJOYS AS does a historically black college with little or no endowment and a student body whose academic challenges are exacerbated by persistent racism and wealth inequality. Yet we expect the same results. This is a distinct departure from how we fund our K-12 schools, where the Title I funding formula structure recognizes that schools and districts educating higher concentrations of low-income students require additional supports and resources to do so effectively.

Schools who take a very high proportion of Pell students simply need more support to provide their student population the full panoply of services they may need to succeed. Instead, right now, a significant number of our country's highest-need students end up at institutions that have inadequate supports to help them get both to *and* through college. That's why we need a new higher education fund that supplements our current one-size-fits-all allocation of higher education funding in order to better recognize and support the institutions who are truly doing their part to help more Pell students reap the benefits of a college degree. Higher education is supposed to be the great equalizer, but in order to keep that promise, the federal government cannot continue to ignore the fact that some students may need more and different supports to get to graduation than others.

The Problem

There is an unequal distribution of Pell students across institutions.

Similar to our nation's K-12 school system, not all institutions are doing their fair share to serve low- and moderate-income students. When looking at data from the Department of Education (Department), we see that there is wide variation in both the number and percentage of Pell students that institutions serve.³ For example, at four-year institutions alone, we see that while the average share of Pell students is 32%, some schools have Pell shares well above 80% (like Kentucky's Berea College), while others have shares hovering around 10% (like North Carolina's Elon University).⁴ And too many elite colleges, often the ones with resources to spare, fail to do their fair share to recruit, enroll, and graduate low-income students. For example, Raj Chetty's Opportunity Insights project found that there are 38 institutions that actually have more students from the top 1 percent of the income scale than from the *entire bottom* 60 percent.⁵ And institutions have little reason to improve this practice, as there are currently no federal incentives to encourage institutions to take in a greater percentage of low-income students. Because if you're getting the same tuition check for a wealthy student as you are for a low-income student who may need more wrap-around support after enrollment, why would you choose the latter?

Our current system is not doing enough to graduate low-income students.

Because of these large distribution disparities, we see that Pell students often end up

BECAUSE OF THESE LARGE DISTRIBUTION DISPARITIES, WE SEE THAT PELL STUDENTS OFTEN END UP concentrated within institutions that are under-resourced and have poorer outcomes, including lower graduation rates, post-enrollment earnings, and loan repayment rates.⁶ According to a report released by Third Way earlier this year, fewer than half of first-time, full-time Pell Grant recipients attending a four-year college actually graduate, a rate that is 18 percentage points lower than non-Pell recipients.⁷ And when looking specifically at Pell graduation rates at four-year institutions, we see that “Pell-Serving Institutions” (PSIs)—those serving an above-average share of Pell students—have institutional graduation rates ten percentage points lower than four-year institutions nationwide.⁸ As a result, Pell students are more likely to find themselves in the worst-case scenario: taking on student loans to start college but never finishing—increasing their likelihood of being unable to repay their debts.

It requires more resources to support students in high concentrations of poverty.

Low-income students have the same basic needs as their wealthier peers—food, clothing, shelter, health care, and books—and all students deserve equal access to those resources. providing *equal* resources to all students may not always be *equitable*, especially if low-income students don’t always have access to an equal distribution of these basic needs prior to attending college.⁹ In fact, previous research in the K-12 system has found that it is more expensive to educate concentrations of low-income students due to higher student and teacher attrition rates and the need for additional in-school resources like disability or other social services.¹⁰ This concept remains true in higher education, especially for Pell students, who according to the Center on Budget and Policy Priorities, “are more likely to be older, a member of a racial or ethnic minority group, financially independent, and a first-generation college student.”¹¹ These factors can all make it harder for Pell students to earn a degree, particularly if they are required to work and attend school at the same time in order to make ends meet.¹² As a result, institutions who accept low-income students may need to assume additional costs to reasonably meet their students’ needs, including supplemental expenses incurred for closing any incoming academic gaps that persist from underfunded K-12 schools in low-income areas.

Our current distribution of funding does nothing to recognize institutions taking in higher concentrations of Pell students.

The federal government disburses financial aid directly to students, who serve as conduits for passing that funding along to an eligible institution of their choosing. That means the amount of federal funding an institution receives—including the Pell Grant funding that is designated for low- and moderate-income students—is dependent on the amount of federal funding its student body brings with them, rather than receiving that money directly from the federal government itself.¹³ And that amount only goes to reduce the price students pay or borrow, rather than to provide institutions with the additional funding that might be needed

follow, rather than to provide institutions with the additional funding that might be needed to support a large number or proportion of low-income students. This funding model looks very different than our K-12 system, which allocates federal funding directly to local education agencies (LEAs)—and ultimately schools—through a weighted formula that takes into account the number and percentage of children within an LEA who come from low-income families.¹⁴ The Title I formula ensures that more funding goes to the school districts that have greater concentrations of low-income students, recognizing that a dollar of funding in a wealthy school goes farther than that same dollar in a school with greater aggregate needs.

Of course, almost no such comparable recognition exists in higher education. Harvard University (which served 1,049 Pell students—or 11% of its student body—last year) gets the same amount of federal funding for taking in a Pell Grant recipient as does Ivy Tech Community College of Indiana (which had a Pell population of 31,534 or 40% of its student body, last year).¹⁵ And while each individual Pell student deserves comparable access to a grant regardless of where they choose to go to school, our postsecondary funding structures must also recognize that it's harder to adequately support the needs of larger concentrations of Pell students than it is to get a class full of high-income students with plenty of outside resources and support to graduation. Simply put, the federal government must supplement individual Pell funding by providing additional resources to institutions that are serving a greater share of students with financial need.

The Solution

To address the fact that institutions serving high concentrations of low-income students require additional resources beyond what the Pell Grant provides, Congress should create a new “Title I” for higher education, allocated based on a formula that takes into account the number and proportion of low-income students they serve. Mirroring the current grant structure of Title I funding in the *Elementary and Secondary Education Act* (ESEA), institutions could be eligible for this new funding if they meet a minimum eligibility count and/or have a minimum percentage of their student populations receiving Pell grant support.¹⁶ Similar to Title I funding, this money should only be eligible for non-proprietary institutions, since taxpayer dollars dedicated to improving student achievement should not be used to pay shareholders. To determine eligibility, the Department of Education could set the following parameters:

Basic Grants

- To qualify for a Basic Grant, an institution must have at least 100 students who receive a federal Pell Grant.

Concentration Grants

- To qualify for a Concentration Grant, an institution must meet the Basic Grant eligibility

- To qualify for a Concentration Grant, an institution must meet the Basic Grant eligibility requirements and have an above-average percent and number of federal Pell Grant recipients (as determined on an annual basis by the Secretary of Education) enrolled in its student body population.

Targeted Grants

- To qualify for a Targeted Grant, an institution must meet the Basic Grant and Concentration Grant eligibility requirements and enroll an above-average percent of students with an Expected Family Contribution (EFC) of zero, as determined by completion of the Free Application of Federal Student Aid (FAFSA).

To ensure that these funds are going directly to the students on campus who need them the most, the Department of Education could also stipulate how this funding may be used on campus to boost student success. This could include increased funding for emergency grants, instructional supports and tutoring, food security programs, family/dependent care, academic counseling, keeping housing open during breaks, funding for textbooks and other supplies, or other evidence-based programs that have demonstrated their ability to boost completion rates for low-income student populations.

Moreover, in addition to the funding that would provide dollars to institutions serving a high number or proportion of low-income students on the front end, Congress could set aside additional funding to provide Bonus Grants to institutions that are *graduating* a high number of their eligible student population. This proposal could look similar to the “Pell Bonus” idea first championed by former Senator Tom Harkin (D-IA) in his last attempt to reauthorize the *Higher Education Act* prior to leaving office, or the “College and Opportunity Graduation Bonus” program championed by former President Barack Obama.¹⁷ This funding stream would be designed to provide a clear incentive to encourage institutions to take in a greater share of Pell students and provide them with the resources or supports they need to help them succeed.

Critiques and Responses

This unnecessarily complicates higher education funding.

It’s true that our current formula for allocating Pell Grants directly to students is a fairly simple and straightforward way to ensure that low-income students receive funding to attend an institution of their choice. However, our current system does nothing to address the additional resources required for institutions to support large numbers or proportions of Pell recipients. This new funding stream would in no way change the existing Pell Grant formula or distribution process but would simply provide supplemental funding to institutions based on a funding formula that gives institutions credit for the number and percentage of Pell students that institution serves. And paralleling the Title I system in our K-12 federal law, this funding

that institution serves. And paralleling the Title I system in our K-12 federal law, this funding would be allocated directly from Congress each year to qualifying institutions, providing no additional burden on institutions to seek out or apply for this funding on their own.

This new funding stream would be expensive.

Congress would have to determine through the authorization and appropriations processes how much money to invest to support this additional funding stream. But while this investment may appear expensive on the front end, enrolling and graduating more low-income students would pay dividends for years to come in the form of greater tax revenue and a reduced reliance on social safety net programs. For example, bachelor's degree holders have median incomes \$17,249 higher than those students with "some college" and no degree.¹⁸ And those who start college and don't finish are over two times as likely to be living in poverty as their bachelor degree-holding peers. If more low-income students graduate, taxpayers will be better off.¹⁹

The focus should be not just on enrolling, but graduating, high shares of Pell students.

It's clear that not all institutions are created equal when it comes to how well they serve the low-income students they enroll, with some institutions doing a far better job (often with more limited resources) than others.²⁰ Targeted funding alone is not the only component of making sure low-income students can succeed, and we would not want to send additional tax dollars to institutions that are making students worse off. That is why an investment like this must be paired with stronger accountability measures that ensure federal dollars from this funding stream and others only go to institutions that are getting good outcomes for their students. We also need to have additional mechanisms in place to shut off the valve of federal funding when institutions or programs are not serving students well. And because policies work better when they combine both carrots and sticks, policymakers should craft this new funding stream to include Bonus Grants aimed at those schools that both take in a substantial proportion of Pell students *and* demonstrate positive graduation, earning, and loan outcomes.

Conclusion

Our higher education funding structures are insufficient to ensuring more low-income students make it to and through college. That's why Congress must adequately recognize and reward institutions serving an above-average number and proportion of Pell students through additional funding that goes directly to institutions themselves. The Title I formula in higher education serves as a helpful template for higher education to replicate in that it rightfully recognizes that schools serving higher concentrations of students in poverty require additional resources.

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