

Q&A: Expanding Pell Grants to Shorter-Term Programs



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With Congress rolling full steam ahead towards a reauthorization of the *Higher Education Act (HEA)*, workforce development remains a priority for policymakers from both parties. Some have proposed to extend eligibility for Pell Grants to shorter-term programs that traditionally would not qualify for them, with the goal of equipping low- and middle-income Americans with the skills they need to succeed in the 21st century workforce. We know that most good jobs in today’s economy require education beyond high school, though many do not require a four-year degree. We also know that federal law has for too long assumed that the “marketplace” of higher education would be sufficient to ensure that students only use federal grants and loans at programs and institutions that give them a good return on investment—yet too often students are left degreeless or with a credential that doesn’t yield a real return in the job market. This memo answers frequently asked questions about expanding Pell eligibility to shorter-term programs and explores both the reasons proponents are supportive of doing so and the concerns raised by those who are cautious about such an

supportive of doing so and the concerns raised by those who are cautious about such an expansion.

What are Pell Grants, and what kinds of programs do they cover now?

Congress created Pell Grants to increase access to and reduce the cost of higher education for low- and moderate-income students, and in the most recent academic year, the federal government spent \$28.2 billion on the program.¹ The amount of each grant varies based on the financial situation of the student, ranging from \$600 to \$6,195 for full-time students in the 2019–2020 academic year, and part-time students can receive prorated amounts.² Pell Grants are commonly used for students to enroll in associates and bachelor's degree programs (41.4% and 46.7% respectively).³ Some shorter certificate programs are also already Pell-eligible. Certificate programs have varying lengths, but Pell Grants currently can be used at programs as short as 600 clock hours or 16 semester credit hours over a minimum of 15 weeks of instructional time, or less than two-thirds of an academic year.⁴ If programs have a 70% job placement and 70% completion rate, students can currently use federal loans—but not Pell Grants—at eligible programs as short as 10 weeks. For graduate and professional programs that short, students can use both grants and loans, provided programs require that students have an associate's degree or equivalent.⁵

What is the impetus behind making shorter-term programs eligible for Pell Grants?

Advocates for expanding Pell Grants to programs less than 15 weeks in length point to demand from both potential students and employers for training programs that could quickly equip someone for a high-skill, high-wage, in demand job. These kinds of programs could be particularly attractive to working adults in low-skill jobs looking for the next step in their career, or to those who might have lost their job after years working in a given career or industry, such as a retail worker in a rural community where the business has closed or a manufacturing worker whose job has been replaced by automation. Advocates note that the *Workforce Innovation and Opportunity Act (WIOA)* which was intended to cover these kinds of short job training programs is chronically underfunded, its programs are limited, and the money it provides is insufficient to cover the costs of programs demanded by both workers and employers.⁶ Additionally, not all Americans are eligible to receive the funds under *WIOA*, which can limit those workers' access to short-term training programs (for example, to be eligible for most, you must be unemployed or underemployed). Proponents see tapping into Pell funding, which is intended to be a targeted educational benefit guaranteed to low- and moderate-income Americans, as a way to significantly increase access to short-term job training programs for those who need them.

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What kinds of programs would be covered by “short-term Pell”?

There are several proposals in Congress to expand Pell Grants to shorter programs, including some that would fund programs as short as 150 clock hours and a minimum instructional period to eight weeks. This could expand the use of Pell to fields that do not require a college education, but in which employers are experiencing labor shortages, such as truck driving, the skilled trades, and some entry-level care and retail occupations. Many short-term vocational programs are already eligible for Pell Grants, but several recent proposals would lower the threshold for how long those programs need to be in order to qualify as higher/vocational education programs eligible for federal aid. Some proposals also expand eligibility to programs that don't count for college credit at either a two or four year institution, worrying that requiring programs to go through the approval process for credit makes it too hard to get a program up and running in the time needed by employers in a changing job market.

What results do shorter-term programs yield for students?

The data on short-term programs are limited, especially programs as short as eight weeks. Georgetown's Center on Education and the Workforce found solid wage gains of 20% for certificate holders compared to high school graduates without any postsecondary education.⁷ However, the same study cited smaller wage gains of just 10% for men and 3% for women for programs of less than one year.⁸ The authors cautioned that program length by itself was not determinative, but must be seen in conjunction with other factors like field of study and whether someone ends up employed in-field. For example, a certificate graduate working in-field earns nearly as much as an associate's degree holder (just 4% less).⁹ On the flip side, the median certificate graduate *not* working in-field barely out-earns a high school graduate (a mere 1% more). And specific fields matter too. For example, nearly two-thirds of business and office management certificate holders worked in-field, compared to only 15% of those with IT certificates.¹⁰ That same research shows that, on average, certificate holders do better than those with only a high school diploma and earn about the same as those with “some college, no degree”—meaning those who enrolled in college but left without a credential of any kind.¹¹

It's also worth noting that this definition of “short-term certificate” typically includes programs with up to one year of instructional time, which means that many of these evaluated programs are already eligible for Pell Grants. We are unaware of any meaningful data available on programs that are currently too short to be eligible for Pell to see if they are paying off at the same rate. The U.S. Department of Education under the Obama Administration did authorize an experiment expanding Pell eligibility to shorter-term programs, but the results have not yet been evaluated or published.¹² State programs like Virginia's Fast Forward initiative have generated positive labor market outcomes for participants—particularly for

initiative have generated positive labor market outcomes for participants—particularly for those who complete truck driving and welding programs—but those kinds of programs are not apples-to-apples comparisons because the state is able to target the funding and track outcomes, neither of which would be possible with the Pell Grant program. By contrast, Pell Grants are used in a voucher style, where students can attend any eligible program they wish across the country.

What does it mean to be “stackable”?

Short-term programs may or may not be “stackable,” meaning that once a student earns a certificate, they can use it for credits toward a degree, should they choose to do so. A credential may also be considered stackable if multiple credentials are building a set of skills and may lead to a certification. The idea behind stackable programs is that students can earn a credential that allows them to immediately go into the workforce, but also return to earn a higher level degree (or other credential) that will further increase their employability and earning potential. It is important to make sure that students who enroll in shorter programs aren’t dissuaded from getting a higher-level degree, as research shows degrees give people a more consistent earnings bump across their lifetimes. Proposals to permit non-credit programs to access higher education dollars in the same way as programs where students earn credits could make it even harder for these credentials to stack towards a degree for students.

Who typically attends certificate programs?

Certificate programs are often appealing to low-income students who could benefit from a quick return on investment of time and money if it would give them the ability to find a good-paying job. These programs also enroll a disproportionate number of people of color than other students who also pursued higher education. African-Americans and Latinos today are overrepresented in certificate programs of all lengths. Data shows that African-American women, in particular, receive the lowest wages and the smallest wage premium from the credential.¹³ There’s also a disparity when it comes to gender. Men of all races receive a 27% wage premium from certificates, compared to women who receive a 16% premium.¹⁴ And men with certificates are employed at a rate seven percentage points higher than women.¹⁵ All of this data is for credentials of any length, not limited to short term certificate programs. So while wage gains for some certificate programs are promising, there is very little data on the efficacy of short-term programs. That is why some worry that allowing more abbreviated programs to receive Pell could divert underserved populations of students from degree programs that would provide, on average, a better chance of earning higher wages over their lifetime.

Are there good examples of short-term programs currently in existence?

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THERE IS WIDE VARIATION IN THE QUALITY OF TRAINING PROGRAMS, JUST AS THERE IS IN THE QUALITY OF higher education across the board. Short-term Pell proponents point to the success of programs like Virginia's New Economy Workforce Grant, which provides targeted funding to programs deemed to be in high-demand fields by the state workforce board.¹⁶ Wage results are still early for this new program, but so far they have shown increases ranging from 25 to 50%.¹⁷ However, this program is a pay-for-performance model which operates very differently than the Pell Grant. In this model, students pay one-third of the cost and the state covers the next two-thirds: one when the student completes the program and the final third when the student completes a workforce certificate after the training. Moreover, the Virginia grants are carefully targeted to specific fields, whereas depending on the design of the policy, Pell Grants could be open to programs in virtually any field, regardless of whether a student could reasonably expect to make a family-sustaining wage in that field.

What are the potential risks of opening up Pell Grants to short-term programs?

We already have quality problems in higher education, and federally-funded programs and institutions often fail to serve students well or provide them—or taxpayers—a return on their investment. And we know from past experience that once you open access to federal student aid, it's hard to turn off that spigot. While data on the shortest of short-term programs is hard to come by, earnings data for students enrolled in Gainful Employment programs released by the Department of Education showed that of nearly 6,000 certificate programs, 67% left the average graduate failing to out earn someone with just a high school diploma.¹⁸ Even in our current system, over 400 federally-funded programs left graduates earning below the federal poverty line (not to mention those who weren't able to graduate). A few states have also released data giving us a glimpse at the outcomes of some existing programs. In Kentucky, we can see that certificate holders at all two-year institutions all earned less than \$23,000 per year three years later.¹⁹ In Georgia, outcomes vary by field with a median salary of \$18,997 for communications technologies certificate holders and \$23,716 for business certificate holders.²⁰ If programs already eligible to receive Pell Grants are not showing a consistent return on investment, sending more federal aid dollars to new programs without strict guardrails for quality could risk students using up their grant eligibility with little to show for it.

What guardrails could be put in place to ensure short-term programs provide sufficient return on investment for students?

Proposals to extend Pell to short-term programs have included a variety of possible requirements to ensure the programs that gain access to federal aid are providing real value to students. Some reference *WIOA* to determine the "career pathways" that programs would be aimed at preparing students to fill. Some call for state or local workforce boards to define

aimed at preparing students to fill. Some call for state or local workforce boards to define high-need fields to which these short programs would be limited. Others require these programs to be geared towards jobs that are high-wage and/or high-skill (*quality* from the perspective of the potential student) or high-need (*quality* from the perspective of a potential employer). It should be noted that those two tests are very different. Some jobs, such as Certified Nursing Assistants, could be high-need but low-wage. Others have suggested only funding short-term programs with a record of success based on student outcomes—like completion, in-field job placement, and earnings. These kinds of guardrails are crucial, especially given that the U.S. Department of Education is in the process of tossing out the Gainful Employment rule that previously restricted federal dollars from flowing to programs that left graduates worse off than when they enrolled.

Are there other concerns people have raised about using Pell for short-term programs?

Many opponents of extending Pell eligibility to short-term training programs say that Pell is not the best source of funding for this kind of activity. Because these programs are often trade-related or meant to fill in gaps in the labor market, they say that WIOA is the more natural place for them to get support. While our current workforce system is routinely underfunded, some would argue it is a system better equipped to identify high-quality programs in high-need fields than the voucher-style Pell Grant. Others worry that the existing data shows poor outcomes for certificate programs already eligible for Pell, and that there is no evidence these shorter programs will produce better results. One alternative that has been put on the table to address the lack of data around the return on investment from these shorter programs would be to study the issue and fully evaluate the experiment conducted by the Obama Administration, or even to do a larger pilot to ensure quality results for taxpayers and students, before opening up the entire \$30 billion in Pell funds to shorter-term programs.

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ENDNOTES

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