THIRD WAY

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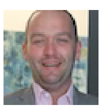
Short-Term Pell Guardrails to Protect Students and Taxpayers



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Expanding Pell Grants to very short-term programs has been a hot topic over the past several years, and the 118 th Congress has wasted no time in introducing a variety of legislative proposals that would allow Pell Grants to be used by qualified students enrolling in programs as short as eight weeks. Even with bipartisan interest in expanding the Pell Grant to short-term programs, there is hearty disagreement on how to do so—most notably around mechanisms to ensure newly-eligible programs serve the best interests of students and taxpayers.

Currently, Pell Grants are available for qualified students to use for programs as short as 15 weeks. An important consideration in deciding whether taxpayers should finance even shorter-term programs using Pell dollars is the limited available data on their utility, labor market outcomes, and overall return on investment (ROI) for students and taxpayers.[1] An experimental pilot study commissioned by the Institute of Education Sciences within the Department of Education failed to look at whether there were positive returns on labor market outcomes for students enrolling in very short-term Pell Grant programs. This is concerning given that expanded access to Pell may lead more students to pursue these short credentials on the promise of better job opportunities. [2] Graduates from short-term, 15-week programs that are already eligible for Pell earn just $30,000 or less, with typical earnings $10,000 to $20,000 lower per year for Black, Latino, and women graduates—not to mention the roughly 40% who are unemployed after earning their credential. [3]

Lawmakers may feel comfortable crossing their fingers and hoping for success with short-term Pell Grants, but absent clear evidence showing the effectiveness of 15-week programs—let alone those half that length—doing so could put students' welfare and taxpayers' investment at risk. The Pell Grant is the federal government's main tool to support low- to moderate-income students in accessing college and a middle-class lifestyle. To avoid diluting the power of the Pell Grant, Congress must ensure effective guardrails that protect students, demonstrate positive outcomes, and make good use of taxpayer money. Below, we highlight specific guardrails that could help protect students and taxpayers in any expansion of Pell to very short-term programs.

Which Programs and Students Should Be Eligible for Short-Term Pell?

Short-term Pell proposals must begin by wrestling with two key questions: which programs would be eligible, and which students would qualify. The lifetime amount of Pell Grant funding students can access for their postsecondary education is capped, so there must be a clear benefit for students from using their limited Pell benefits. Congress has an imperative to do its due diligence before allowing very short-term programs access to taxpayer dollars through the Pell Grant and ensure there will be positive returns to students and taxpayers—not just to institutions of higher education—before making substantial changes to the main mechanism Congress uses to support low-income students. To do this, short-term Pell legislation could:

Exclude Programs at For-Profit Institutions

Bad institutional actors aren't limited to any one sector. But given the documented history of abuse in the for-profit sector following similar expansions of federal financial aid in the past, extra attention to quality and ROI at for-profit institutions is warranted to protect students. [4] Recently, nearly $400 million in federal COVID-19 relief funding went to support the Veteran Rapid Retraining Assistance Program (VRRAP)—a huge sum of taxpayer dollars to support veterans' education. Some of these funds went toward short-term programs, and much of it was sucked up by for-profit training providers that provided no career benefits to students. As of August 1, 2022, *The Washington Post* cited that of the 6,800 veterans enrolled in the program (created by Congress to serve 17,250), only 397 had landed new jobs as a result—a "success" rate of less than 6%. [5] With a short-term Pell extension, there's a lot that we don't know, including limited information on the ROI for students who enroll and whether such programs leave a student better off at the conclusion. [6] What we do know is there's a risky history of predatory practices by for-profit institutions every time they have new access to taxpayer dollars. This fact becomes more important in the short-term Pell context, as the funding required for short-term Pell far exceeds the $400 million provided to the VRRAP program. The Pell Grant program is far too important to allow history to repeat itself to the detriment of students and taxpayers, and Congress should consider the extent of these past abuses and turn a critical eye to opening more Pell dollars to for-profit schools.

Exclude Fully Online Programs

There has been increased interest in online programs as a point of access and equity for students, including the growing population of non-traditional aged and part-time students. [7] Technology allows colleges to create and prop up online programs with relative ease—but also allow predatory, low-value programs to be scaled up much more quickly and marketed to students across the country. This is especially true in the era of online program managers (OPMs)—for-profit companies with which hundreds of schools already contract services and that have faced allegations of aggressive recruitment practices and mixed results on quality. [8] In the short-term training space, much of the learning needs to be hands-on to ensure workers have the experience they need in careers like phlebotomists, truck drivers, and health aides, rendering online instruction ineffective at best and outright harmful at worst. Supporters of short-term Pell often cite apprenticeships as a comparable model, but apprenticeships overwhelmingly require in-depth, in-person training alongside skilled professionals in the field. Incentivizing the recruitment of students into unproven online programs would be a risky bet, and eligibility guardrails should be designed to prevent potential abuse by rapidly proliferating, low-quality, high-enrollment online programs with new access to short-term Pell dollars.

Exclude Programs That Have Been in Operation for Less than Two Years

The ease and speed at which new short-term training programs can be established may not be problematic by default, but it's certainly hard to make the case that such programs be called effective without sufficient time and data to support that conclusion. One way to address that concern would be to require that programs be in operation for at least two years prior to becoming eligible for participation in short-term Pell. Without outcomes reporting from past years of operation, there is simply no proof of good student outcomes, leaving taxpayers to send blank checks to programs unable to answer basic questions about whether it benefits students. The longer a program operates prior to short-term Pell participation, the more data would become available to ensure positive outcomes and show that institutions are upholding their end of the bargain—and not leaving students worse off than if they'd never enrolled. Excluding programs that have been in operation for less than two years, and requiring new programs to show evidence of positive student outcomes before accessing federal aid is common sense and a no-brainer when it comes to being good stewards of government resources.

Exclude Students with a Bachelor's or Higher Degree

The purpose of the Pell Grant is to support undergraduate students who have high financial need and have not yet earned a bachelor's degree. [9] Permitting students who already have a degree to use Pell in this manner risks diluting the power of the grant and could take opportunity away from future students working toward their first credential, as Pell resources are finite.

What Student Outcomes Should Eligible Programs Be Required to Demonstrate?

The power of the Pell Grant lies in advancing access and equity for students. As such, student outcomes must be at the center of the conversation when determining what programs become newly Pell-eligible. Opening the door to increased Pell access makes students even more vulnerable for abuse and exploitation by predatory programs feeding off Pell dollars, strengthening the case for strong accountability metrics for both programs and institutions. Short-term Pell could track low-income students—who are mostly Black and Latino—away from other higher education opportunities that would allow them to earn degrees that provide an entry to the middle class. With the growing push of White students to bachelor-level credentials over two-year programs, the influx of low-quality, very-short-term credentials, including those offered by predatory actors, could accelerate this trend. Short-term Pell risks disproportionately recruiting students of color away from longer-term programs that have a demonstrated payoff, which could widen the gap in educational attainment and economic mobility. [10]

Programs Should Have to Pass a High School Earnings Threshold

The number one reason a student pursues postsecondary education today is to climb the income ladder, and any expansion of the Pell Grant to short-term programs should include clear metrics for demonstrating that they deliver strong earnings for students. Unfortunately, some short-term Pell proposals either overlook this issue entirely or only require a positive increase with minimal percentage gains overall (a metric that could be easily gamed by predatory programs recruiting unemployed students). For example, some proposals suggest an "earnings gain" measure. But a 20% earnings bump for someone earning $7 per hour only raises their income to $8.40 per hour—a "gain" that, in reality, still puts someone in poverty-level work, which is surely not the promise students are seeking from a postsecondary credential. A high school earnings threshold is an intuitive and popular approach for showing a program's economic value, demonstrating that most students are better off than if they had never attended a program, and it is a metric that cannot easily be gamed by predatory institutions. [11]

Programs Should Demonstrate Strong Career Outcomes

Most short-term Pell proposals set requirements for job placement rates. Although "job placement" sounds like a great outcome measure, here is the quiet part that must be said out loud: placement rates are hard to quantify, frequently unreliable, and easily gamed by institutions. [12] Lawmakers have most frequently proposed a 70% job placement rate for short-term Pell programs, but there is no national standard for measurement of job placement rates that are self-reported by institutions; a federally-calculated job placement rate would be equally challenging for the Department of Education to undertake. At best, the job placement rate is a metric that institutions collect themselves, and the students most likely to respond to a survey about job placement are the ones placed with a good job—leading to flawed, often overinflated data. [13] Given the financial incentive for programs interested in short-term Pell eligibility to meet any job placement rate standard and how easy this measure can be for them to game, any proposals must include clear requirements on how these placement rates are measured and how they will be calculated with integrity.

Programs Should Provide Clear Connections to Industry and Education Pathways

Some current short-term Pell proposals position eligible programs as those that prepare students for "high-skill, high-wage, or in-demand careers." To consider this a guardrail for quality, however, these bills should substitute "and" for "or" in that clause, ensuring that programs provide for *all* these criteria simultaneously. Mandating that the programs students are preparing to enter will require a high level of skill, lead to high wages, *and* be in-demand in the local labor market to be eligible for short-term Pell would help lower the risk of students entering in-demand but low-paying jobs or preparing for high-skill jobs that may not be in-demand in their area.

In this vein, Congress should also require eligible programs to meet all applicable licensure requirements. Many professions with programs that could be eligible for short-term Pell (like nursing assistants, personal care services, or legal services) have career-specific licensure requirements set by the state, and one baseline measure of program quality is a requirement for curriculum alignment with state licensure requirements. [14] Opening up Pell Grant funding to programs without a clear connection to licensure (and very high pass rates) could leave students with a meaningless credential that is no more than a waste of their time and our money.

Finally, these programs need to prepare students to not only succeed in their chosen industries but also allow them to transfer their credits into longer postsecondary credentials if they choose to down the line. This means that all short-term Pell programs should have stackable, portable, and transferrable credentials—qualities that are the bare minimum in meeting the best interest of students, providing a pathway in the future to a longer-term credential that is likely to have a higher labor market return. If institutions do not allow short-term Pell credentials to transfer into a longer program within the same field, what does that say about the value of that short-term program? Ensuring credential transferability is a signal of quality to the employer while making the earned credential even more valuable to students—particularly when combined with an earnings threshold—wherever their futures may take them.

Programs Should Demonstrate Solid Spending on Instruction

The percentage of tuition revenue an institution spends on instruction is one measure of the priority placed on student learning and success.[15] Using an instructional spending screen to promote quality assurance is the equivalent of an agreement between the student and the institution about how their tuition check is used, providing extra assurance to know that this taxpayer money is going toward education as it is intended. Some short-term Pell proposals require institutions to spend at least 50% of tuition revenue within the first four years of a program's operation on instruction—a smart and tangible way to ensure that the program is a good steward of taxpayer resources and worthy of receiving government grants intended for higher education.

Conclusion

We know that the Pell Grant is one of the most powerful tools in the federal policy toolbox to make strides toward access and equity in higher education and to help students reach and stay within the middle class. Because of its power, Congress must be careful about introducing new actors and programs into the pool of Pell eligibility, particularly when the data on their success rates for students are inconclusive or non-existent. To know if short-term Pell is worth the investment, we need additional information on student outcomes in programs shorter than 15 weeks.

The current proposals for short-term Pell that have been introduced provide some guardrails for students and taxpayers, but is the appropriate time to test a safety mechanism after the car is already on the road? Guardrails cannot exist in isolation and must work with each other along the roadway to ensure safety for all—no individual provision does enough on its own to ensure students won't be left worse off than if they never enrolled. Without adequate protections for quality, short-term Pell is a short-term solution to a larger workforce development problem, and it could place the most vulnerable students at risk for predatory action by programs that cannot or will not deliver on what they promise.

TOPICS

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