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ISSUE BRIEF:

Pell Grants for short-term programs: The benefits and drawbacks

Recommendations:

1. Ensure short-term Pell-eligible programs offer credit and aren't a dead end.
2. Tie funding to outcomes.
3. Cap funding.
4. Emphasize partnerships with local industry.
5. Incentivize states to participate.

EXECUTIVE SUMMARY

The strength of the U.S. higher education system is its diversity. Americans have multiple pathways to extend learning beyond high school, pursue a fulfilling career, and earn a living wage. Most seeking higher education will choose a four-year higher education institution. In 2016-17, post-secondary institutions awarded 2 million bachelor's degrees, vs. 1 million associate degrees and 945,000 nondegree certificates.[1]

But while the bachelor's degree still produces a good return on investment for the majority of students, many others seeking to enter the workforce are turning to alternative methods of securing credentials due to rising college costs and labor market changes that require new skills.[2] Between 2000 and 2017, the number of certificates awarded below the associate's level increased by 71 percent, a growth rate that outpaces every other post-secondary credential.[3] Meanwhile, the National Skills Coalition predicts that nearly 50 percent of the job openings in the U.S. over the next several years will be middle-skill (requiring some post-secondary education but not a four-year degree).[4]

Most certificates or industry-recognized credentials are conferred by community colleges, private for-profit schools, industry associations and private certifying bodies.[5] Certificate programs focus on specific occupational skills and are typically shorter in length than the two-year associate degree. In 2014–15, 24 percent of all credentials awarded by community colleges were certificates of less than one year.[6] These programs vary greatly in length, but for students to secure federal student loans to pay for the credential, the program must be at least 300 hours of instruction during a minimum of 10 weeks.

Similarly, to be eligible for federal Pell Grants, a form of need-based federal financial aid that currently can be as much as $6,195 annually and does not need to be paid back, certificate programs must be at least 600 hours or 16 semester credit hours over a minimum of 15 weeks.[7] Graduate and professional students may use Pell Grants for programs as short as 300 hours and eight semester hours.

Certificates can be used as a standalone qualification to gain the skills needed to land a job or a promotion, or they can be used as a stackable credential on the path to a college degree or to supplement an existing degree. Professions with the highest use of certificate programs are in health care, the trades (construction, mechanic/repair technologies) and business and finance, with smaller percentages given out in STEM fields, personal care, public and social services, and teaching.[8]

Although certificates and industry-recognized credentials can offer students a faster, cheaper track to career, these programs can still be out of reach for students with the greatest financial need. Recognizing that short-term certificate seekers often have no solution but to pay out-of-pocket or enroll in a longer than necessary program just to receive federal aid, in recent years there has been growing momentum among business leaders, higher education groups, student advocates and policymakers to expand Pell usage to shorter-term programs. But as of yet, Congress has not passed legislation to authorize the change, as they grapple with concerns about rapid expansion and quality of certificate programs, depletion of Pell surplus, reaching the limits of Pell eligibility, opening federal higher education financing to bad actors, and a host of other concerns. With the reauthorization of the Higher Education Act underway, it's time to take a closer look.

An idea many years in the making

The idea of expanding Pell Grants to short-term job training programs isn't new. The Clinton administration, for example, considered creating "skills grants" for this purpose to be distributed by the U.S. Department of Labor.[9] In 2013, the Rethinking Pell Grants Study Group suggested creating a new "Pell Grant A" for adult students aged 25 and over. While these new grants could be used for any type of education, the intent was geared toward vocational training, since older students tend to pursue certificate programs in greater numbers than students entering higher education right out of high school.[10]

Most recently, the Jumpstarting our Businesses by Supporting Students (JOBS) Act of 2019 proposes opening Pell to job training programs at higher education institutions that have a minimum duration of eight weeks, lead to industry-recognized credentials and certificates, and meet the needs of the local workforce. Under the proposed JOBS Act, certificate seekers who meet the standard Pell eligibility requirements could receive up to $3,097, or half the amount of the maximum Pell award. (Individual Pell eligibility amounts are calculated by the federal government based on the student and parent information provided on the Free Application for Federal Student Aid, or FAFSA.) A second bill, the Pell Grant Flexibility Act, takes a similar, but slower, approach, by enacting short-term Pell on a pilot basis at up to 100 higher education institutions over a period of five years.

Multiple benefits

At first glance, the merits of short-term Pell (also referred to as workforce Pell), seem undeniable. At a time when college costs regularly outpace inflation, concerns over student debt are at an all-time high, and the skills gap threatens our economy, vocational training is a cost-efficient alternative for students who seek a different route to good-paying jobs and upward mobility. Allowing Pell Grants to be used for shorter programs would give students an added layer of flexibility as they make their higher education and career plans. The issue has drawn support from a diverse coalition of business groups, education trade associations, and student advocates. The Business Roundtable, in its support for the JOBS Act, said, "(I)t is time for federal financial aid and federal higher education policy to meet learners where they are."[11] The national organization Young Invincibles, meanwhile, points out that "(w)ith tuition skyrocketing and the country facing a more than $1.5 trillion debt crisis, many students are looking for ways to gain marketable skills. They also want flexibility in how they can use their precious federal aid dollars to make the best choices for their needs."[12] Lawmakers on both sides of the aisle also support the idea, likely spurred by voters. The National Skills Coalition reports that 86 percent of voters are in favor of making federal financial aid available to people seeking skills training — not just those seeking college degrees.[13]

The JOBS Act would also make sure programs support in-demand career pathways or registered apprenticeship programs that meet local or regional workforce needs, and would require credentials to be approved by both the U.S. Department of Education and the state workforce board. Higher education institutions offering short-term programs eligible for Pell would also be required to provide institutional credit articulation so students could pursue further education if they wish. Under institutional credit articulation, a school provides a student who has completed a noncredit program with the equivalent academic credit that may be applied to a subsequent credit-bearing certificate or degree program at the same institution. And, the JOBS Act would allow the U.S. Departments of Labor and Education to share data on metrics like students' median earnings and program completion, allowing for better tracking of performance outcomes.

Drawbacks of expanding Pell

Expanding Pell to short-term programs raises many issues that warrant a closer look. First, without a firm framework in place, training programs of questionable quality and rigor could be given access to millions of dollars in federal funding. The perils of expanding federal dollars to higher education institutions not acting in the best interest of students are well documented. In nearly every decade since the GI Bill of 1944, Congress has instituted accountability measures and safeguards to prevent against fraud and abuse by "bad actors" in the higher education sector looking to benefit from federal grants and loans at the expense of students.[14]

Too many students have fallen prey to deceptive advertising, enrolled in institutions, and handed over their Pell Grant dollars, only to learn that the school overpromised but underdelivered with low-quality classes, instructors or job placement services. Expansion of Pell could incentivize similar bad behavior, as Mary Alice McCarthy, director of the Center on Education and Skills at the New America Foundation, wrote in *The Hill:* "There is every reason to expect that if the JOBS Act becomes law, institutions will respond by creating many new eight-week and noncredit training programs. Some of these might lead to good outcomes for students. Many will not …History also teaches us that students will enroll in these new programs, potentially in large numbers and with the hope of completing a college program that will lead to a good job in 'weeks not years'. We also know that the students most likely to enroll will be among our most vulnerable citizens: first-generation students, many older, low-income, already working, and disproportionately from communities of color."[15]

The success or failure of short-term job training programs can only be viewed through one lens: is the student better off for having completed the program? While one can argue that traditional higher education prepares students not only for their first job but also for their career over a lifetime, as well as enriches and broadens students minds overall and helps them to be better citizens, that is not the goal of short-term job training. These programs are designed with the specific goal of preparing students to enter a particular occupation with a defined set of skills. As such, these programs must be measured in terms of how many of their students find work in their designated field upon completion of the program. The JOBS Act does put in place a data-sharing agreement to monitor student outcomes in job placement and median earnings, but it doesn't go the extra step of withdrawing Pell eligibility from programs that don't produce results.

Without these guardrails, taxpayer dollars could prop up programs taking advantage of the exact students federal aid was created to help in the first place.

Another potential pitfall of expanding Pell to workforce development is the price tag. The higher cost of opening Pell to more students could tempt lawmakers to raid the Pell "surplus." For the past several years, the

Pell program has had a surplus, or reserve fund, due to fluctuations in the economy and college enrollment. Lawmakers can choose to pile up the reserves year-over-year, saving it as insurance against future years when Pell may hit a deficit. Or, they may suggest using it for other priority programs unrelated to education; for example, the Trump administration has proposed using excess Pell funding to support NASA.[16] While using the Pell surplus to fund its expansion to short-term programs would be preferable to diverting it to non-educational priorities, it could also result in lower overall Pell awards for all students in the future if Congressional appropriations don't keep pace with college costs. In fact, at a time when the purchasing power of the Pell has been severely diminished because of skyrocketing college costs, policymakers instead should be looking toward increasing the maximum Pell award through higher appropriations funding overall.[17] The Pell Grant is a vital lifeline for financially needy students pursuing *all* forms of higher education; any expansion in recipients should be accompanied by a commensurate increase in funding. We shouldn't shortchange students on more traditional education paths in favor of those seeking job training, and vice-versa. Robbing Peter to pay Paul is not a strategy conducive to achieving our nation's education and workforce goals.

To keep costs under control, the American Association of Community Colleges (AACC) has proposed funding short-term Pell as part of the base costs through the regular appropriation process, but capping it for each institution at an amount equal to 2 percent of its previous year's Pell Grant expenditures. Under the proposal, students would still have to demonstrate financial need as they do for the regular Pell, but support for living expenses would be restricted. For example, if students at XYZ college received a total of $10 million in Pell Grants for the 2019-20 academic year, then in the following year XYZ college would be allocated $200,000 to provide to otherwise Pell-eligible students in programs that are less than 600 hours in length. The AACC predicts the added expense to be $600 million annually, adding, "This proposal recognizes that any expansion of Pell Grant eligibility must be acutely cost-sensitive, even with the current program surplus. The cost of this new eligibility is capped up front. While it would add to program costs, the maximum expenditure would be known in advance, thereby eliminating the budget uncertainty that has plagued the program."[18] If an institution did not use all the funding allocated for short-term Pell, it could carry over 15 percent to the next year but the remaining dollars would be returned to the federal government.

Another interesting facet of the AACC plan is opening short-term Pell to students who already hold a bachelor's degree. Under current regulation, graduate students, as well as bachelor's degree holders looking to round out their education with additional skills training, are ineligible for the Pell Grant, as that form of federal financial aid is targeted toward helping the financially neediest students access higher education for the first time. But as automation, artificial intelligence and globalization dramatically transform the U.S. labor market, experts increasingly agree that the model of "one-and-done" higher education, where students earn a degree, enter the working world and never look back, is swiftly giving way to "lifelong learning." Twenty-first century learners and workers will live in a world where education will be ongoing; they may complete a period of education only to follow it up with supplemental shorter-course skills refreshers, or they may piece together a series of stackable credentials as their career demands. Opening the Pell Grant to short-term programs will accommodate this shift in education patterns but may require an increase in the total number of semesters in which a student can receive a Pell Grant, as proposed under the Pell Grant Preservation and Expansion Act.[19] Currently, Pell Grants are typically only available to undergraduate students for a total lifetime limit of 12 semesters.[20]

Of course, the challenge will be ensuring expanded Pell receives adequate funding. Our federal budget must reflect our national priorities, so that all Americans have the financial opportunity to take advantage of lifelong learning. It's long past time for the U.S. to reaffirm our national commitment to higher education as a public good that produces a thriving labor market – not a private good whose cost must be borne solely by the individual.

The way forward

As policymakers debate the best path forward on workforce Pell, several aspects of current proposals on the table can be combined to create an effective policy responsive to the needs of students, employers and government alike:

1. **Ensure short-term Pell-eligible programs offer credit and aren't a dead end.** Perhaps the biggest concern over short-term Pell is ensuring equity in our nation's education pathways. In the 21st century, it should no longer be career training or traditional college; in many instances, students will pursue both options simultaneously. Short-term certificates can offer students a faster track to career, but the track shouldn't dead-end there. If we are going to invest federal dollars in these programs, students must be able to obtain credit and apply it toward an additional credential in the future if they wish.

2. **Tie funding to outcomes.** Simply creating the mechanism by which job placement and earnings data can be measured and shared won't be enough. Any legislation to expand Pell must include strong language to restrict funding to only those programs that produce positive outcomes for students.

3. **Cap funding.** Similarly, the AACC proposal to limit short-term Pell to 2 percent of an institution's prior-year Pell expenditure would provide an opportunity to slowly test this funding strategy without stressing the Pell surplus.

4. **Emphasize partnerships with local industry.** Short-term Pell programs and curriculums should be designed with local workforce needs in mind. Partnerships between higher education institutions and employers should be prioritized. Resulting credentials must be recognized by employers and have value in the job market.

5. **Incentivize states to participate.** The obligation to invest in education for the nation's students doesn't fall to the federal government alone. States, which by-and-large have disinvested in higher education funding across the board since the Great Recession, have an important role to play making sure students can get the education they need to fill regional workforce needs. States could be incentivized to invest their own dollars toward a state grant that supplemented short-term Pell if the federal government promised to match a percentage of their funding, thereby greatly expanding the program's local reach.

If Congress is not convinced about the merits of expanding Pell, there are some intermediate steps that can be taken to get funding into the hands of students looking to expand their education and training with short-term programs.

Implement on a pilot basis, but shorten the pilot. Given all the questions surrounding short-term Pell (how effective certificate programs are, how to ensure against bad actors, how will we pay for it), expanding it first as a pilot makes sense, as proposed by the Pell Flexibility Act. Shortening the timeframe from five years to three would help address employers' urgent need to fill the skills gap.

Create a new grant type or explore WIOA opportunities. Another alternative to Pell expansion is to create an alternative grant specifically for short-term education and training programs. This could be created within the Higher Education Act or as part of the Workforce Innovation and Opportunity Act (WIOA), overseen by the U.S. Department of Labor.

Conclusion

With a skills gap roiling our nation's workforce, we must find the best ways to increase federal financial support for students pursuing diverse forms of higher education. The benefits of expanding Pell may well outweigh the risks, but policymakers should still proceed with caution. Any expansion must prevent against bad actors taking advantage of students and taxpayers, as well as not endanger funding for traditional college access.

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