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Keeping up with the American Dream: An Analysis of the Federally Mandated Pell Grantto Ensure Educational Equality

Timothy J. Chessher

Keeping up with the American Dream: An Analysis of the Federally Mandated Pell Grant to Ensure Educational Equality

* Symposium Editor, Seton Hall Legislative Journal, J.D. Candidate at Seton Hall University School of Law. Financial aid became important to me when my Grandmother's mantra for my college application process became "don't take out loans!" The words became so ingrained that through law school, with few small exceptions, I have remained debt-free, fully funding my own education through grants, scholarships and work-study. I can think of no better way to memorialize my experience than by sharing what I learned with others through this note. Thank you to my late Grandmother for always pushing me to achieve my dreams, to my husband for always cheering for me, my mentors, Prof. Paula A. Franzese and Prof. Michael Simkovic, for your guidance and wisdom. To all other family and friends, I could not have done this without you either.

I. Introduction

The Federal Pell Grant is a means-tested federal grant designated for needy college students in the US.[1] Means-testing in the educational grant context evaluates a family's income to determine eligibility for grants.[2] Currently, means-testing for the Pell Grant is based on a Congress mandated formula, which seeks to ensure that students whose families are in the lowest income bracket receive the largest grants.[3] In 2015-2016, the maximum yearly Pell Grant award was $5,775.[4] As part of the Higher Education Act of 1965, the Pell Grant was originally designed to cover at a minimum seventy-five percent of college attendance costs when combined with family contribution, student contribution and programs like federal work study.[5] In 1975, the Pell Grant actually covered approximately eighty-four percent of institutional cost of attendance for those receiving the grant.[6] By 2007, the Pell Grant covered only thirty-four

[1] Phyllis C. Smith, *The Elusive Cap and Gown: The Impact of Tax Policy on Access to Higher Education for Low-Income Individuals and Families*, 10 BERKELEY J. AFR.-AM. L. & POL'Y 181, 192-93 (2008)
[2] *See id.*; *see also* Thomas J. Kane, *Beyond Tax Relief: Long-Term Challenges in Financing Higher Education*, Nat'l Tax J. 335, 339 (1997).
[3] *See* U.S. DEPARTMENT OF EDUCATION OFFICE OF POSTSECONDARY EDUCATION, 2012-2013 FEDERAL PELL GRANT PROGRAM END-OF-YEAR REPORT 2 (2013).
[4] FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION, https://studentaid.ed.gov/sa/types/grants-scholarships/pell (last visited Sept. 23, 2015)
[5] Smith, *supra* note 1, at 193.
[6] *Id.* at 201.

percent of yearly tuition at universities.[7] The reason the Federal Pell Grant currently covers a smaller percentage of average college attendance costs is due in large part to increases in tuition.[8] For example, in constant 2012-2013 dollars, the average yearly cost of attendance at a four-year university in the US rose from $9,823 per year in 1975 to $23,872 per year in 2013.[9] The Pell Grant has not kept pace.[10] For example, whereas average yearly education costs rose by over $10,500 from 1985 to 2009 (in 2012-2013 dollars), the average Pell Grant award rose only $439 during that time period, when calculated in 2012-2013 dollars.[11] It is argued that the reason education costs have increased so much is that the value of receiving education has increased in tandem.[12] The value of the yearly Pell Grant increase should keep up, which can be done by improving of the means testing formula and Pell Grant amounts so that educational value received is measured per student rather than per student who can *afford* a higher value education. If the value of receiving a higher education degree is increasing, it is more important than ever to help provide students from lower-income backgrounds the resources to take advantage of higher education opportunities. There is no time to ignore low-income students when education quality and importance are at stake.[13] This note argues that means-testing Federal Pell Grants does not

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[7] *Id.*
[8] *See id.* at 197-98.
[9] *Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting postsecondary institutions, by level and control of institution: 1963-64 through 2012-13*, NAT'L CTR. FOR EDUC. STATISTICS, http://nces.ed.gov/programs/digest/d13/tables/dt13_330.10.asp (last visited Sept. 23, 2015).
[10] *See generally* Smith, *supra* note 1.
[11] Smith, *supra* note 1, at 200; U.S. DEPARTMENT OF EDUCATION OFFICE OF POSTSECONDARY EDUCATION, 1985-86 FEDERAL PELL GRANT PROGRAM END-OF-YEAR REPORT 1-2 (1986) (average Pell Grant award amount is $1,279 for academic year 1985-86); DEPARTMENT OF EDUCATION OFFICE OF POSTSECONDARY EDUCATION, 2008-2009 FEDERAL PELL GRANT PROGRAM END-OF-YEAR REPORT 9 (2013) (average Pell Grant award amount is $2,971 for academic year 2008-09); CPI INFLATION CALCULATOR, http://data.bls.gov/cgi-bin/cpicalc.pl (last visited Sept. 23, 2015) (The 1985-86 average Pell Grant value of $1,279 is equal to $2,729 in 2012. The 2008-09 average Pell Grant value of $2,971 is equal to $3,168 in 2012. Subtracting $2,729 from $3,168, the increase from 1985 to 2008 in 2012 dollars is $439.).
[12] *See* Michael Simkovic, *A Value-Added Perspective on Higher Education*, U.C. IRVINE L. REV. (forthcoming 2016) (manuscript at 10) (on file with author).
[13] *See generally id.*

do enough to help students pay for college, and should be expanded to reach more students. Part II provides background on the critical need for expanded reach of the Federal Pell Grant. Part II further explains the current methods of providing financial education, and how the Pell Grant is falling behind in relation to the evolution of other forms of financial aid. Part III provides a proposition of how to achieve Federal Pell Grant progression for both low-income families, in order to minimize overall student debt. Part IV addresses relevant concerns regarding expansion of means testing for the Federal Pell Grant.

II. Background

A. Student Debt and Loans

There are currently three main types of federal financial aid for college: (1) grants; (2) work study; and (3) loans.[14] There are additional types of financial aid, which include tax credits, aid for military service, Americorps community service work aid, as well as scholarships.[15] In the 2012-2013 academic year, approximately 85% of full time students at four-year colleges received some type of financial aid.[16] In 2013, seven out of ten college graduates graduated with loans.[17] On average such students accumulated approximately $30,000 in debt, with some colleges reporting average debt for students at $71,350.[18] These numbers are compared with student loan debt of 1995-96, where the average debt per student borrower was $12,000 and student borrowers accounted for only 52%.[19] The overall starting salary for college graduates in

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[14] FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION, https://studentaid.ed.gov/sa/types (last visited Sept. 24, 2015).
[15] *Id.*
[16] *Fast Facts*, NAT'L CTR. FOR EDUC. STATISTICS, https://nces.ed.gov/fastfacts/display.asp?id=31 (last visited Sept. 24, 2015).
[17] *Project on Student Debt,* The Institute for College Access & Success, *http://ticas.org/posd/map-state-data-2015.*
[18] *Id.*
[19] Jacqueline E. King, *Student Borrowing: Is there a Crisis?, in* STUDENT LOAN DEBT: PROBLEMS AND PROSPECTS 2-3 (Jerry S. Davis & Jamie P. Merisotis eds., 1997); *see also* CPI INFLATION CALCULATOR, *supra* note 11 ($12,000 in 1997 is equal to $18,078 in constant 2012 dollars. This means that when adjusted for inflation, the average

1993 was $23,000, and though the starting salary for 2013 college graduates was $45,327, when adjusted for inflation, the salary has increased by only $7,000.[20] Each year the amount of student debt taken on by graduates increases at a rate greater than the rate of starting salaries.[21] From 2013 to 2015, the average amount of student debt has increased by approximately $5,000.[22] Furthermore, in recent years, only 60% of college graduates with loans were making regular loan payments after one year of the start of their loan repayment period.[23] If student debt continues to rise at the same or higher rate without Congressional action or higher starting salaries, there could be great consequences and more student loan defaults.

B. Higher Education Act of 1965 and Succeeding Amendments

The Higher Education Act of 1965 was enacted to "strengthen the educational resources of [] colleges and universities and to provide financial assistance for students in postsecondary and higher education."[24] The Act was passed in response to success of the National Defense Education Act of 1958 ("NDEA").[25] Originally, the NDEA was a bill enacted during the height of the Cold War to incentivize college students to pursue science and technology programs.[26]

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student debt has increased by over $10,000 in approximately seventeen years, and the cost to students attending college has increased at a rate far exceeding inflation.)

20 King, *supra* note 19, at 3; *Salary Survey: Average Starting Salary for Class of 2013 Grads Increases 2.4 Percent*, NATIONAL ASSOCIATION OF COLLEGES AND EMPLOYERS, http://www.naceweb.org/s09042013/salary-survey-average-starting-class-2013.aspx (last visited September 24, 2015); *see* CPI INFLATION CALCULATOR, *supra* note 11 (starting salary of $23,000 in 1993 is equal to $37,080 dollars in 2013, which is approximately $7,000 lower than average starting salary of college graduates in 2013).

21 Jeffrey Sparshott, *Congratulations Class of 2015. You're the Most Indebted Ever (For Now)*, WALL ST. J. REAL TIME ECON. BLOG, http://blogs.wsj.com/economics/2015/05/08/congratulations-class-of-2015-youre-the-most-indebted-ever-for-now/ (last visited Sept. 25, 2015).

22 *Id.*

23 Robert C. Cloud & Richard Fossey, *Facing the Student-Debt Crisis: Restoring the Integrity of the Federal Student Loan Program*, 40 J. C. & U. L. 467, 469 (2014)

24 HIGHER EDUCATION ACT OF 1965, Pub. L. No. 89-329, 79 Stat. 1219 (1965).

25 *See generally* PAMELA EBERT FLATTAU ET AL., THE NATIONAL DEFENSE EDUCATION ACT OF 1958: SELECTED OUTCOMES I-1 to II-10 (2007) ("In 1958, the U.S. Congress enacted the National Defense Education Act (NDEA) (P.L. 85-864) to ensure the security of the Nation through the 'fullest development of the mental resources and technical skills of its young men and women…' Title II of the NDEA established the National Defense Student Loan (NDSL) . . . [and] spurred the creation of federal- and university-funded college loan programs that still exist today."

26 *Id.* at ES-1, I-1.

Such innovation was spurred by competition the Soviet Union's contemplation of sending the Sputnik into space.[27] The NDEA included the National Defense Student Loan program ("NDSL") to stimulate public lending for those wishing to participate in science and technology programs, and to provide public loans for those who could not acquire them.[28] Part of the purpose of the NDSL was to "provide assurance that no student of ability [would] be denied an opportunity for higher education because of financial need."[29] Response to the NDSL was generally positive though funding was not enough to cover the cost of education at a public or private educational institution.[30] Nine out of ten borrowers participating in the program, many from low-income families, depended on the loans to start or continue college.[31] The popularity of the NDSL and the accessibility it provided led to the passage of the Higher Education Act of 1965, which further provided new loan programs (the Stafford Loan) for students from low-income families.[32]

Passed during the Civil Rights era, the Higher Education Act of 1965 also prohibited racial or ethnic discrimination if universities were to receive federal aid.[33] Subsequently, Congress passed the 1972 Education Amendments, which prohibited gender discrimination in higher education.[34] The goals of these acts were to "increase diversity . . . [and] equal opportunity" in education.[35] Of additional importance, Congress enacted amendments to the Higher Education Act in 1992, which liberalized need analysis, increased loan maximums, and

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[27] *Id.*
[28] *Id.* at II-1.
[29] *Id.* at II-5.
[30] *Id*. at II-4, II-6.
[31] *Id*.
[32] Cloud, *supra* note 23, at 473.
[33] *See* HIGHER EDUCATION ACT OF 1965, Pub. L. No. 89-329, 79 Stat. 1219 (1965); Amanda Harmon Cooley, *Promissory Education: Reforming the Federal Student Loan Counseling Process to Promote Informed Access and to Reduce Student Debt Burdens*, 46 CONN. L. REV. 119, 130 (2013).
[34] *Id.* at 131.
[35] *Id.*

created the Unsubsidized Stafford Loan.[36] The Higher Education Opportunity Act of 2008 was the most recent major amendment, and reauthorizes Pell Grants, TRIO programs for pre-college students from disadvantaged backgrounds, STEM (Science, Technology, Engineering, and Mathematics) grants, and grants to improve international education.[37] The financial aid system does not assist only those with extreme need, but with the advancement of technology and engineering in a global market, middle class families too are provided with grant incentives in higher education.[38] The current state of financial aid remains consistent with the goals of financial aid from the era of the NDEA by providing grants for science and technology to economically advance the nation's economy and ensure that no one is denied access to higher education because they cannot pay.[39] Furthermore, goals of financial aid in preventing racial, ethnic and gender discrimination remain cornerstones of financial aid remain consistent with those originally inspired by the Civil Rights Act of 1965.[40]

C. Problems with the Current Pell Grant Means-Testing Formula

Eligibility for the Federal Pell grant is determined by a Congress mandated formula, which considers the extent to which a student's family can contribute to paying for expenses of higher education.[41] Family contribution, also known as Expected Family Contribution ("EFC") today, is determined by filling out the Free Application for Federal Student Aid ("FAFSA") form.[42]

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[36] STUDENT LOAN DEBT: PROBLEMS AND PROSPECTS 2-3 (Jerry S. Davis & Jamie P. Merisotis eds., 1997).
[37] Julie Margetta Morgan, *Consumer Driven Reform of Higher Education: A Critical Look at New Amendments to the Higher Education*, 17 J.L. & POL'Y 531, 541 (2009).
[38] *See id.*
[39] FLATTAU, *supra* note 25, at II-5.
[40] *Id.*
[41] *See* Kane, *supra* note 2, at 339; *see also* U.S. DEPARTMENT OF EDUCATION OFFICE OF POSTSECONDARY EDUCATION, *supra* note 3.
[42] *Expected Family Contribution (EFC)*, FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION, https://fafsa.ed.gov/help/fftoc01g.htm (last visited on Sept. 25, 2015); *see also* FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION, *https://studentaid.ed.gov/sa/fafsa/next-steps/how-calculated* (last visited Sept. 25, 2015).

The EFC is calculated with a formula based on a number of factors, including: (a) income of the student, spouse and student's parents: (b) number of household family members; (c) number of dependent family members in post-secondary education at time of financial aid application ;(d) student's marital status; (e) assets of student, spouse, and student's parents: (f) unusual medical expenses of student, spouse or student's parents; (g) any additional expenses incurred by dual employment of students' parents or student and spouse; and (h) tuition paid on behalf of parents' dependent children, or student and spouse's dependent children.[43] If a student is independent, the factors are the same, except information about student's parents is excluded.[44] These factors limit access to the Federal Pell Grant. In addition, as tuition prices increase to upwards of $50,000 per year, the maximum Pell Grant award of $5,775 per year does little to combat growing costs of attendance at universities.[45] The Higher Education Act and amendments have shifted financial aid focus from grants to loans in the past forty years.[46] If average student loan debt continues to increase at a rate of $5,000 per graduate every two years, students will be underwater, and the current $1.2 trillion total student debt mass would go, at least partially, unpaid.[47] Loans have helped provide education for low-income students in the past, but the Expected Family Contribution formula has not changed since 1992, and well overdue for an upgrade.[48]

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[43] HIGHER EDUCATION AMENDMENTS OF 1986, Pub. L. No. 99–498 § 401(f), 100 Stat 1268 (1986); HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992).
[44] HIGHER EDUCATION AMENDMENTS OF 1986, Pub. L. No. 99–498 § 401(f), 100 Stat 1268 (1986); HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992).
[45] Morgan, *supra* note 37, at 542-43; *see* FEDERAL STUDENT AID, AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION, *supra* note 3 (maximum Pell Grant award per year per student is $5,775).
[46] Morgan, *supra* note 37, at 541.
[47] Sparshott, *supra* note 21 (average student debt per person has increased by $5,000 from 2013 to 2015); Chris Denhart, *How the $1.2 Trillion College Debt Crisis is Crippling Students, Parents and the Economy*, FORBES, http://www.forbes.com/sites/specialfeatures/2013/08/07/how-the-college-debt-is-crippling-students-parents-and-the-economy/ (last visited Sept. 25, 2015).
[48] *Compare* HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992), *with* HIGHER EDUCATION OPPORTUNITY ACT, Pub. L. No. 110-315 § 401(f), 122 Stat. 3078 (2008) (§ 401(f) has not changed from the 1992 amendments to the most newly revised version of the Higher Education Act, the Higher

D. The Effect of the Federal Pell Grant on Students (and Particularly Students of Families in the Lowest Income Brackets)

The current Pell Grant amount is insufficient.[49] Students of lower income families are more sensitive about the cost of attendance.[50] A recent study suggested that if grant aid increases by $1,000, probability of college attendance increased by 3.6%.[51] The study was further applied to students of low-income families, which found that a $1,000 price increase of tuition decreased college enrollment at two-year public institutions by 4.5%, but decreased enrollment of students at four-year institutions by only 0.8%.[52] Since two-year public higher education institutions enroll disproportionate numbers of lower income students when compared to public four-year institutions, the study concluded that price sensitivity for lower income students was a general phenomenon.[53]

Additionally, per year of education an individual pursues after high school, wages increase by 11%.[54] On average, a four-year college degree increased the lifetime earnings of an individual by 40%.[55] These numbers suggest that as little as $1,000 could determine whether or not individuals decide to attend college, and thus increase their overall lifetime earnings by up to 40%.[56] One study shows that increasing the Pell Grant by $1,000 can increase the amount of credits a first-year student in college earns by one credit.[57] Furthermore, the study noted that the

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Education Opportunity Act of 2008. Therefore, the need analysis and Congress mandated formula for Pell Grant eligibility, and overall Expected Family Contribution (EFC) has remained the same for 23 years.).

[49] Rachel B. Rubin, The Pell and the Poor: A Regression-Discontinuity Analysis of On-Time College Enrollment, 52 (no. 7) Research in Higher Education 675, 675 (2011).

[50] *Id.*

[51] Kerry A. Ryan, *Access Assured: Restoring Progressivity in the Tax and Spending Programs for Higher Education,* 38 SETON HALL L. REV. 1, 12 (2008).

[52] *Id.*

[53] *Id.*

[54] Michael Simkovic, *Risk-Based Student Loans*, 70 Wash & Lee Rev. 527, 539 (2013).

[55] *Id.*

[56] *See* Ryan, *supra* note 51, at 12; Simkovic *supra* note 54, at 539.

[57] Benjamin M. Marx & Lesley J. Turner, *Borrowing Trouble? Student Loans, the Cost of Borrowing, and Implications for the Effectiveness of Need-Based Grant Aid*, 2 (Nat'l Bureau of Econ. Research, Working Paper No. 20850, 2015). The study suggests that, on average, students receiving Pell Grants with similar amounts of unmet

most debt-averse students were likely to be first generation college students.[58] An important conclusion of the study is that, for community colleges in particular, schools can and should control the amount of loans that students take out when listing financial aid available to students in their financial aid package.[59] This would reduce the amount of loans that students take out, and could maximize the use of Pell Grant funds at lower cost schools.[60] This is not to say that if loans were available and required for student enrollment they could not be taken out (though some schools do not participate in the public student loan program, requiring students to seek private loans), but simply that loans should be limited to reduce debt for the most debt averse students.[61] The Pell Grant's maximum of $5,775 covers more of the cost of education at a two-year college, but at the most elite four-year universities, where tuition and fees can easily exceed $50,000 per year, the Pell Grant does little to equalize educational opportunity.[62]

E. Tax Credits

In the 1990s, tax credits in the form of the Hope Scholarship and the Lifetime Learning Credits became a way to ensure that the middle class did not bear the burden of more liberalized

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need at CUNY, the focus group for the study, borrow (much) less than the average Pell Grant receiving students at public schools across the nation, with borrowing rates of 4% for CUNY students and 63% for the national average Pell Grant recipient. *Id.* at 13-14. The study also found that students at CUNY students whose SAT scores compared to the average national Pell Grant recipient population were more likely to be younger, classified as dependent, Hispanic, and without parents who attended college, of first or second generation immigrant backgrounds, and *more debt averse*. *See id.* at 14. That CUNY students were more debt averse was attributed to whether or not and how schools informed their students about loans—the more students were told that they could borrow loans (and with higher amounts), the more they borrowed, whereas alternative methods of informing about financial aid produced less borrowing. *Id.* Furthermore, the possibility that CUNY and the national Pell Grant recipient attending a public university or college has the same or similar level of debt aversion was inconclusively studied, but should not be ruled out. *Id.* at 32.

[58] Marx, *supra* note 57, at 14.

[59] *Id.* at 34.

[60] *Id.*

[61] *Id.*

[62] *See Tuition and Fees*, VASSAR COLLEGE (2015), https://admissions.vassar.edu/financial-aid/tuition.html (Tuition and fees for the 2015-2016 school year are $50,550); *see also Cost of Attendance*, Sarah Lawrence College (2015), https://www.sarahlawrence.edu/financial-aid/undergraduate/cost-of-attendance.html (Tuition and fees for the 2015-2016 school year are $51,034).

Pell Grant need analysis.[63] The Hope Scholarship Credit provides up to a $1,650 federal tax credit based on the cost of tuition and fees.[64] The other federal tax credit available to students and families is the Lifetime Learning Credit, which allows a tax credit of 20% for up to $10,000 in yearly tuition costs.[65] If taxpayer has taken a tuition payment deduction, the tax credits are unavailable.[66] Further, a taxpayer may take one tax credit per student.[67] This simplified version of an educational tax system is but a small part of the complex tax incentives for education that confuse student and parent taxpayers.[68] Furthermore, cumbersome requirements for the credits might outweigh any benefits received.[69] Complex requirements for tax incentives cause tax credits to fail in reaching target taxpayers.[70] Of such taxpayers, the lowest-income taxpayers are the least likely to understand complex tax incentive provisions.[71] Tax provisions can be helpful, but rarely the simplest and most effective way to equalize financial aid.

F. Complexity of the Current Need Based Formula

The Federal Formula for determining Estimated Financial Contribution ("EFC") is currently predicated on the following factors for independent and dependent students: (a) income of the student, spouse and student's parents; (b) number of household family members; (c) number of dependent family members in post-secondary education at time of financial aid

[63] Ryan, *supra* note 51, at 8.
[64] Deborah H. Schenk & Andrew L. Grossman, *The Failure of Tax Incentives for Education*, 61 TAX L. REV. 295, 299 (2008).
[65] *Id.*
[66] *Id.* at 300.
[67] *Id.* at 151.
[68] Sean M. Stegmaier, *Tax Incentives for Higher Education in the Internal Revenue Code: Education Tax Expenditure Reform and the Inclusion of Refundable Tax Credits*, 37 SW. U. L. REV. 135, 151 (2008).
[69] *Id.* at 152-53 ("Taxpayers themselves must navigate the[] provisions' highly complex eligibility requirements . . . [and] must consider and analyze the following: the interaction among the various provisions, the expiring nature of some of the incentives, which incentives will provide the greatest benefit, different definitions for similar concepts throughout the provisions, different income limitations, and the various recordkeeping requirements. This complexity likely results in many taxpayers' making suboptimal choices on their returns, and thus not taking full advantage of the tax benefits available to them.")
[70] *Id.* at 151
[71] *Id.*

application; (d) student's marital status; (e) assets of student, spouse, and student's parents; (f) unusual medical expenses of student, spouse or student's parents; (g) any additional expenses incurred by dual employment of students' parents or student and spouse; and (h) tuition paid on behalf of parents' dependent children, or student and spouse's dependent children.[72] Need can be calculated then by subtracting the EFC based on the factors above from cost of attendance ("COA"), which includes tuition, fees, books, supplies, room, board, transportation, and any miscellaneous expenses a student is expected to incur per year in college.[73] Then, based on further income adjustments and assets calculations for students and families, which include the "adjusted available income" that can be paid from cash assets, income and accounts for contribution to student's COA in college, financial aid can be determined.[74] This formula is complex with many individual and interweaving factors, but it can be simplified to mean that families sending a student to school are expected to pay no more for qualifying educational expenses than 47% of their adjusted gross income ("AGI") per year and 5.64% of their includable assets, including cash assets, net worth of non-retirement investments, and adjusted business assets.[75] Still, the simplified version is complex because it requires calculation after calculation of various data elements, which lead experts to critique the methodology as inaccessible to many students and families not versed in complex financial aid methodology employed by the federal government.[76]

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[72] HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992).
[73] Ryan, *supra* note 51, at 16.
[74] *Id.* at 17-18.
[75] *Id.* at 18.
[76] *See generally* SANDY BAUM & JUDITH SCOTT-CLAYTON, THE HAMILTON PROJECT, REDESIGNING THE PELL GRANT PROGRAM FOR THE TWENTY-FIRST CENTURY 10-11 (2013) (The complexity and bureaucracy of the Pell application process can impose significant barriers to participation, and can undermine program effectiveness by filtering out the students in greatest need. . . . The Pell program's burdensome eligibility and application process urgently needs reform. . . . [In a study,] low-income families who visited a tax preparation center . . . received both personalized information about eligibility for financial aid and personal assistance with completing the FAFSA. . . . The full treatment cost less than $100 per participant" and increased "immediate college entrance rates by 24

There are two current exceptions to the often burdensome EFC formula. The first exception is similar to the EFC formula, but does not include assets, in the Adjusted Gross Income.[77] Specifically, the first exception can be claimed for dependent students in 2015-2016 when:

> the parents' combined AGI (for tax filers) or income earned from work (for non filers) was less than $50,000; and either:
>
> (1) the parents were not required to file an IRS Form 1040,
>
> (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act (see Chapter 2 for a description of dislocated worker) . . . .[78]

Independent students can claim the exception for a simplified formula the same as independent students, except that "parents" in the above criteria are replaced with "student and spouse."[79] The second exception can be claimed when an independent student (and spouse) or the parents of a dependent student have an annual income of less than $24,000, whereby the EFC is automatically zero.[80] It should be noted that even if an EFC is automatically zero, this does not mean that a student will receive grants that cover the student's entire expense of college, but simply that the student will receive a financial aid package of loans, grants, and work study to attend a college if the student gains admittance.[81]

III. Proposal to Reform the Pell Grant Model

A. Specific Changes and Impacts of the Proposal

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percent" compared with those who received only a brochure.); *see also* SANDY BAUM ET AL., COLLEGEBOARD ADVOCACY & POLICY CTR., RETHINKING PELL GRANTS 13 (2013) ("While [complexity of] the application process is likely the biggest hurdle for students, the complexity of the formula for determining Pell eligibility is also an issue. Because so many data elements enter into the formula and because it involves so many opaque calculations, it is *virtually impossible* for students and families to predict the level of funding they will receive.") (emphasis added).

[77] Ryan, *supra* note 51, at 19.

[78] 20 U.S.C.S. § 1087ss(b)-(c) (LexisNexis 2015); FEDERAL STUDENT AID, FEDERAL STUDENT AID HANDBOOK 2015-2016, 35-36 (2015).

[79] 20 U.S.C.S. § 1087ss(b)-(c) (LexisNexis 2015); FEDERAL STUDENT AID, *supra* note 78, at 35-36

[80] FEDERAL STUDENT AID, *supra* note 78, at 36; *see also* https://aspe.hhs.gov/2015-poverty-guidelines#threshholds ($24,000 correlates with the national poverty threshold of $24,250 annual gross income for a family of four).

[81] *See generally* FEDERAL STUDENT AID, *supra* note 78 (types of financial aid include loans and grants, as well as work-study grants).

This note argues that in order to lower the amount of debt currently faced by students and graduates at large, increase awareness of federal financial aid programs, and cast a wider net to reach additional students, especially students from low-income families, financial aid procedures must be altered in three ways: 1) For the first exception the threshold annual gross income for independent students and parents of dependent students should be raised to $100,000 as long as total assets reported do not exceed $385,000; 2) the threshold for automatic zero EFC in the second exception should be raised to $40,000; and 3) the Pell Grant maximum award amount should be raised to $9,410 subject to the cost of attendance per school (no student should be able to attain grants in an amount higher than the cost of tuition and fees).[82] The proportionality of allocation for Pell Grant amounts can remain the same, though the amount of Pell Grant would shift accordingly per relative COA and EFC.[83] These changes should be accompanied by greater counseling for prospective and entering college students in order to ensure students are fully aware of the best financial aid options per student.[84] Such changes will also spark a greater

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[82] *See* 20 U.S.C.S. § 1087ss(b)-(c) (LexisNexis 2015) (the automatic zero EFC threshold is currently set at $24,000); *see also* FEDERAL STUDENT AID, *supra* note 78, at 36 (the current threshold is $50,000 for annual gross income, and does not include the proffered condition); *compare* James R. Healey, *Average New Car Price Zips 2.6% to $33,560*, USA TODAY, (May 4, 2015) http://www.usatoday.com/story/money/cars/2015/05/04/new-car-transaction-price-3-kbb-kelley-blue-book/26690191/, *and* U.S. CENSUS BUREAU, MEDIAN AND AVERAGE SALES PRICES OF NEW HOMES SOLD IN UNITED STATES 13 (2016), *available at* https://www.census.gov/construction/nrs/pdf/uspricemon.pdf, *with* Quentin Fottrell, *Most Americans Have Less than $1000 in Savings*, MARKETWATCH (Dec. 23, 2015), http://www.marketwatch.com/story/most-americans-have-less-than-1000-in-savings-2015-10-06 (The average cost of a new car is $33,560, the average cost of a new home is approximately $349,000, 62% of Americans have less than less than $1000 in their savings accounts (20% do not even have a savings account). Adding these three numbers together is about $385,000 that the average American with a new car, a house, and a savings account can have in assets, not including additional business assets, and other previously attained assets); *What's the Price Tag for a College Education*, COLLEGE DATA http://www.collegedata.com/cs/content/content_payarticle_tmpl.jhtml?articleId=10064 (last visited Mar. 25, 2016) (The average cost of tuition and fees for state residents attending public college in 2015-2016 was $9,410, and does not include room and board, books and supplies, transportation, or personal and miscellaneous fees which cost approximately $15,000 per year).

[83] INFORMATION FOR FINANCIAL AID PROFESSIONALS, FEDERAL PELL GRANT PROGRAM 1-2 (2015), *available at* https://ifap.ed.gov/dpcletters/attachments/GEN1502Attach.pdf.

[84] *See* BAUM & SCOTT-CLAYTON, *supra* note 76, at 10-11; s*ee also* Empowering Students Through Enhanced Financial Counseling Act, H. R. 3179, 114th Cong. § 2 (2015) (The bill enhances awareness of financial aid for students via enhanced counseling and will accompany a proposal to enhance accessibility to financial aid, particularly for students from lower-income families.).

discussion about the Federal Pell Grant as an option for financial aid through increased word of mouth awareness.[85] These new changes would alleviate much debt aversion, alter lifetime wages for a large number of students from low-income backgrounds by enhancing awareness of educational funding, and increase tax revenues by taxing such students who normally would not have enrolled in college at higher rates.

In advocating for an alteration of the current Pell Grant formulas, this note stresses that there has not been reform of the Federal Pell Grant means-test formula for twenty-three years.[86] This note also posits that increased wages of individuals who can afford to attend college will increase future tax revenues by sending more low-income students to college, cutting spending, and likely increasing tax rates for a time.[87] After a certain point, a program that encourages higher wages across the US begins to pay for itself by increasing productivity, wages and tax revenues as a result. Until that point, funding through taxes is required to enhance educational opportunity.

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[85] *See* Sara Godrick-Rab, *Promoting Academic Momentum at Community Colleges: Challenges and Opportunities*, 9 (Cmty. Coll. Research Ctr., Working Paper No. 5, 2007). Low-income parents of high school students who report having no information about the costs of attending college overestimate the actual cost by 228%. *Id.* Such inaccuracies regarding college cost likely discourage students of low-income families from attending college. *Id.* Furthermore, such students from low-income families often rely solely on guidance counselors in order to learn about college costs because most in the students' inner circle have not attended college. *Id.* In addition to relying on guidance counselors, peer counseling can be a great resource in helping students understand and access financial aid for college. William G. Tierney & Kristan M. Venegas, *Fictive Kin & Social Capital: The Role of Peer Groups in Applying and Paying for College*, 49 AM. BEHAV. SCIENTIST 1687, (2006). Peers who learn state and federal financial aid requirements can counsel their peers, "reinforce" knowledge provided on a daily basis, and provide at least a "mild antidote to [the] severe problem" of lack of knowledge about financial aid. *Id.* at 1693, 1698, 1700.

[86] *Compare* HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992), *with* HIGHER EDUCATION OPPORTUNITY ACT, Pub. L. No. 110-315 § 401(f), 122 Stat. 3078 (2008) (EFC formula is the same between the 1992 amendments when it changed, and the Higher Education Opportunity Act of 2008, which was the last effective alteration of the Higher Education Act.).

[87] Kyle Pomerlau, *2016 Tax Brackets,* TAX FOUNDATION (Oct. 14, 2015), http://taxfoundation.org/article/2016-tax-brackets (The current tax rates increase proportionately from 10% for those making up to $9,270 (single) or $18,550 (married) up to 39.6% for those making $415,050+ (single) or $466,950+ (married)—more income equals more tax generated.); *see also* Michael Simkovic, *The Knowledge Tax*, 82 U. Chi. L. Rev. 1981, 1996 (2015) (tax revenue is an assumed externality of education).

Ensuring that the Pell Grant is less stigmatized as a viable form of paying for college, and increasing the number of students who can access and apply the Pell Grant for educational costs will encourage students from lower-income families to believe they too can afford college.[88] Decrease in the net cost of college attendance by $1,000 via grant aid has been shown to increase probability of college enrollment by 3.6%.[89] The statistic suggests that students, no matter their or their family's tax bracket, react positively to a net decrease in cost of attendance at colleges.[90] It is important then that we increase the amount of students reached so that college will be viewed as more accessible for every student.

B. Student Debt

The current student debt for the US stands at over $1.2 trillion outstanding in unpaid loans.[91] Furthermore, little has been done to provide grants and greater access to higher education for most impoverished students.[92] As Pell Grants accounted for less of students' overall cost of college attendance from 1970s to the 2000s, the gap of college attendance between the most impoverished and middle class students increased.[93] It may be helpful to reform loans to address student debt.[94] One model for achieving this is a Risk-Based Student Loan Model, which would encourage choosing majors in college that increase salary potential upon entering the work force, and thus allow those students to better pay back loans.[95] A Risk-Based Student Loan Model may incentivize students to refrain "from borrowing heavily to attend expensive education programs of dubious value, while encouraging the most promising students

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[88] *See* Ryan, *supra* note 51, at 12 (increases in the cost of education over time decrease the amount of lower-income students who enroll in college).
[89] *Id.* at 12.
[90] *See id.*
[91] Denhart, *supra*, note 47.
[92] *See* Smith, *supra*, note 1, at 199-201.
[93] *See id* at 201.
[94] *See generally* Michael Simkovic, *Risk-Based Student Loans*, 70 Wash & Lee Rev. 527, 590 (2013).
[95] *See generally id.*

to borrow what they need to complete valuable degrees."[96] One exception to this concerns those students who choose a liberal arts education, and seek to attend graduate school in the future to increase earning potential and ability to pay back loans.[97] It is indisputably important to enhance student decision making about college and majors. It is of additional importance, however, to address accessibility of college to students before they enter college with greater focus on students in the lowest income brackets.[98] Students who believe they cannot afford to take on such substantial loans, no matter the major they would be able to choose, are not as incentivized to attend college in the first place.[99] Therefore, we must not only decrease the amount of student loans required to attend college, but also connect students who qualify for financial aid with measures of greater affordability to further their enrollment.

An alternate solution to reforming student loans is to increase the number of students who receive Federal Pell Grants by enhancing the amount of students eligible for Pell Grant by modifying the means test formula. One study shows that increasing the amount of Pell Grant by one dollar decreases the amount of student loan borrowing by $1.80.[100] Though reforming student loans could help to reduce the amount of student loans, the current amount of student debt is too big for student loans to take on alone.[101] The 2015 average student debt per person has climbed to $35,000.[102] If debt per person continues to climb at the same rate, approximately

[96] *Id.* at 590.
[97] *Id.* at 582-83.
[98] *See generally* Smith, *supra*, note 1.
[99] *See* Godrick-Rab, *supra* note 85, at 9 (parents are likely to overestimate the cost of attendance by over 200% if they have not received adequate information about college and COA—this likely leads to a negative correlation with student incentives to attend college).
[100] Marx & Turner, *supra* note 57, at 2.
[101] *See generally* Simkovic, *supra* note 94 (discussing that overall student debt can be reduced by implementing a risk-based student loan model contingent on students choosing majors that will increase their career profitability or increase their student loan burden if they do not choose a college major that is more likely to enhance their career profitability.).
[102] Sparshott, *supra* note 21.

$5,000 per two years, average student debt could be in excess of $60,000 per student in ten years.[103] This statistic should be alarming. Current tax credits might offset some of the debt, but not enough.[104] Furthermore, students and families are probably confused about whether or not to take a tax credit.[105] The Pell Grant then, seems an underutilized method to further offset the student debt. Further, in considering that the Pell Grant formula has not been updated since 1992, the grant is likely no longer serving the same purpose it served 23 years ago.[106] The next step is to update the means testing formula so that it better serves today's educational funding requirements to help solve debt per student and debt aversion, reach more students, and specifically more economically disadvantaged students, in order to revive the original purpose of the means-testing formula for federal financial aid.[107]

C. Reforming Student Debt through Subsidized Student Loans

An additional potential reform on the table is to alleviate the current student debt, as proposed by Secretary Hillary Clinton in August 2015 during campaign for President of the United States.[108] The plan seeks in part to increase the subsidized student loan cap, and provide students with lower interest rates for student loans.[109] It will also "encourage[]" states to offer no-loan options for attending college funded by federal tax dollars.[110] However, it remains to be seen if Hillary Clinton will even become president to implement the plan. Further still, if she

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[103] *See Id.*
[104] *See* Ryan, *supra* note 51, at 9 (the maximum tax credit a family can currently receive each year of college is $2,500 per student); *see also* Sparshott, *supra* note 21 (the average student debt is currently $35,000).
[105] Stegmaier, *supra* note 68, at 152-53.
[106] HIGHER EDUCATION AMENDMENTS OF 1992, Pub. L. No. 102-305 § 401(f), 106 Stat. 448 (1992); *see also* Smith, *supra* note 1 at 201.
[107] FLATTAU, *supra* note 25, at II-5 (The original purpose of the NDSL, which later became the Higher Education Act of 1965, was to ensure that education could be attained by all seeking it.).
[108] Patrick Hedger, *Hillary's Student-Loan Plan Is a Desperate Gimmick for the Millennial Vote*, NATIONAL REVIEW (Aug. 17, 2015, 4:00AM), http://www.nationalreview.com/article/422606/hillary-clinton-student-loan-plan.
[109] *Id.*
[110] *Id.*

does win, it is unclear as to whether or not she could garner the support of Congress to pass the plan. If the average student debt could be $60,000 per student by 2025, it could be devastating if the plan did not go in effect until say, the second term.[111] It might take eight years for education to be reformed at all if someone else becomes President.[112] Additionally, for every dollar the federal government raises the cap on subsidized loans, there is a seventy percent increase per dollar in tuition.[113] Critics of the plan also allege that increasing student loans with federal tax dollars will simply shift the tax burden to a business, a student's future employer, which may further increase unemployment and thereby create a crisis of its own.[114] It is also important to note that for every dollar increase of unsubsidized student loan amount, student tuition increases by 30 cents.[115] For every dollar increase in Pell Grant awarded, the correlating tuition increase is 55 cents.[116] Considering that the nation is currently in trillions of dollars of debt, Secretary Clinton's plan to increase the unsubsidized student loan amount is a likely option because tuition does not rise as much.[117] However, as this note vehemently argues, increasing the unsubsidized student loan amount to cover the costs of attendance continues to feed student debt, rather than most effectively minimizing it.[118] As student debt increases rapidly year by year, it makes most sense to reform is the Pell Grant because tuition would be cheaper than for an increase in

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[111] *See* Sparshott, *supra* note 21.
[112] *See* Betsy Mayotte, *Explore How Presidential Candidates Stand on Student Loan Debt*, STUDENT LOAN RANGER (Oct. 28, 2015, 10:00AM), http://www.usnews.com/education/blogs/student-loan-ranger/2015/10/28/explore-how-presidential-candidates-stand-on-student-loan-debt.
[113] DAVID O. LUCCA ET AL., CREDIT SUPPLY AND THE RISE IN COLLEGE TUITION: EVIDENCE FROM THE EXPANSION IN FEDERAL STUDENT AID PROGRAMS 3 (2015).
[114] *See* Hedger, *supra* note 108.
[115] LUCCA, *supra* note 113, at 3.
[116] *Id.*
[117] Stephen Dinan, *Federal Debt Hits $19 trillion; New Record Set*, The Washington Times (Feb. 01, 2016) http://www.washingtontimes.com/news/2016/feb/1/federal-debt-hits-19-trillion-new-record-set/ (The current U.S. debt is $19 trillion.)
[118] *See* Marx & Turner, *supra* note 57, at 2. Increasing Pell Grants by $1.00 decreases student loan borrowing by $1.80, and for every dollar increase of Pell Grant awarded, tuition rises by 55 cents. *Id.*; *see also* LUCCA, *supra* note 112, at 3. Combining these two nets a decrease in student loans of 25 cents per dollar. *See id,; see also* Marx & Turner, *supra* note 57, at 2.

subsidized debt, and would not add to the student debt crisis as would an increase in unsubsidized student loan amounts.

D. Reform of Tax Credits

Another option is to increase or reform the tax credit system for families and students paying for higher education by replacing the multiple tax credit system with a single credit system.[119] Though the proposal does not include revenue in its analysis, it argues that current tax credits do not reach taxpayers they seek.[120] Furthermore a single system would allow more families to take advantage of tax rebate problems, thereby decreasing university Cost of Attendance for all families.[121] It would also be available in advance, unlike current tax credits that do not provide students or families with funds until a year or more after tuition and fees are due.[122] While certain tax reforms may alleviate some of the expense burdens on families in lower and middle income tax brackets, tax credits and reforms to tax credit systems do not alleviate the student loan crisis down the line.[123] Tax credits for education stop when enrollment stops.[124] Furthermore tax credits have been applied to student and family income taxes since 1997, yet the debt crisis continues to grow.[125] Additionally, students and families in the lowest income brackets only received 11% of the tax related savings in 2004 as compared to 41% of tax related savings for those in the $100,000 to $160,000 annual income bracket.[126] Such data suggests that though tax credits work to alleviate some costs of education, reform is required to

[119] Stegmaier, *supra* note 68, at 153.
[120] *Id.*
[121] *Id.* at 162-68.
[122] *Id.*
[123] *See* Sparshott, *supra* note 21. Even with the availability of tax credits, for the average graduating student with $35,000 of student debt, a previously untaken tax credit of $2500 per year ($10,000 over four years of college) would certainly help, but would decrease average student debt to $25,000 which is still very high. *See id.; see also* Ryan, *supra* note 51, at 9.
[124] *Id.* at 165.
[125] *See* Ryan, *supra* note 51, at 9.
[126] *Id.* at 32.

reach students of families from lower income brackets, as are additional methods of financial aid to reach all students.

E. Greater Advertising Leads to Awareness

One of the most important features of raising the income threshold to $100,000 for claiming a simplified formula exception, changing the automatic zero EFC provision, and increasing the maximum Pell Grant amount is providing greater awareness of the program to low-income students. This is important due to the disproportionate number of whites as opposed to minorities in poverty, as well as the disproportionate number of whites and minorities receiving degrees. In 2012, poverty rates among minorities in the US were higher than that for white counterparts.[127] For instance, whereas whites constituted 9.7% of those impoverished in the US in 2012, Blacks and Hispanics combined constituted 53% of the impoverished in the US during that time.[128] This is relevant because the percentage of whites graduating college is higher than the percentage of minorities graduating from college, and the issue must be addressed.[129] Whites attained 72.9% of the total Bachelor's degrees in the US, whereas African American and Hispanics attained approximately 19% of the Bachelor degrees in the US.[130] Considering that African Americans and Hispanics make up approximately 30% of the US population, and whites make up 62%, the inequalities in percentages of minorities attaining Bachelor's degrees when compared to those of whites attaining Bachelor's degrees is notable.[131]

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[127] *See Who is Poor*?, INSTITUTE FOR RESEARCH ON POVERTY, http://www.irp.wisc.edu/faqs/faq3.htm.
[128] *Id.* (The 53%, who are impoverished blacks and Hispanics, does not include "whites," who are not "Non-Hispanic Whites" that constitute 12.7% of those impoverished in the U.S.—the number of impoverished blacks and Hispanics in 2012 could be as high as 65%).
[129] Degrees Conferred by Sex and Race, NATIONAL CENTER FOR EDUCATION STATISTICS (2012), https://nces.ed.gov/fastfacts/display.asp?id=72.
[130] *Id.*
[131] *Quick Facts: United States*, UNITED STATES CENSUS BUREAU (2015), http://quickfacts.census.gov/qfd/states/00000.html (The 30% of blacks and Hispanics does not include whites who may be of Hispanic or Latino origin, which could mean that Blacks and Hispanics constitute 45% of the U.S. population.).

Considering too the percentage of each race in poverty, much must be done to open education to low-income, minority students.

By enhancing awareness of financial aid for minority populations through greater advertising, this note posits that word of mouth awareness will be particularly effective. For instance, especially inherent in identities of many African Americans is a sense of oral tradition.[132] An African American legal scholar, a graduate of Harvard College and Harvard Law, though a high achiever in "visualist" American culture (that which places much focus on the visual, written word) has discussed how she "cannot believe in the privilege of the written word . . . for what would that say about the relative importance of things" held deepest in her heart, things "taught to [her] by unlettered men and women . . . or giggled about on the phone with a friend?"[133] Something similar can be said about Hispanic law professors who may "come from traditions in which individuals have been markedly empowered by speech and disempowered by silence," where the "spoken word itself has carried greater weight" than in "visualist" American culture.[134] It is one thing to see something written on paper, but something completely different to hear it from word of mouth of a friend.

The concept of oral tradition applies equally to advertising for Pell Grants, and increasing awareness of federal financial aid for minority students from low-income backgrounds. To reach students from low-income families who may be Hispanic or African American, a way to enhance awareness is to get people talking.[135] People would certainly talk about the increased Pell Grant amount of $9,410.[136] Such awareness can close the Bachelor's degree gap between whites and

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[132] Bernard J. Hibbitts, *Making Sense of Metaphors: Visuality, Aurality, and the Reconfiguration of American Legal,* 16 CARDOZO L. REV. 229, 279 (1994).
[133] *Id.* at 331 (citing Odeana R. Neal, *The Making of a Law Teacher*, 6 BERKELEY WOMEN'S L.J. 128, 132 (1990)).
[134] *Id.* at 332.
[135] *See generally* Tierney & Venegas, *supra* note 85 (Peers can serve as financial aid counselors).
[136] *See* Godrick-Rab, *supra* note 85 at 9 (wealthier students rely on most around them to enhance their awareness of college and financial aid, while lower-income students rely primarily on guidance counselors).

minorities, which would lead to lower levels of poverty for minorities. Such talk would help to create greater awareness about financial aid options for low-income students, and alleviate issues regarding what one scholar calls the "Elusive Cap and Gown," or the lack of access to education that some minority students face when seeking to finance higher education.[137]

IV. Potential Criticisms (and Responses) Plans to Increase Pell Grant Accessibility

The counter-arguments to increasing accessibility to Pell Grants by raising the income levels of requirements for the simplified version of the means-testing formula are that taxes and tuition will increase, and the program might not reach students from lower-income families as much as it should. This note will address each of those counterpoints in turn. Whereby it is possible that some of these concerns are justified, there is a vast disparity between the nation's wealthiest and the nation's poorest, which leads to serious consequences in US economic growth. Joseph Stiglitz discusses the impact of income disparities best:

> Inequality leads to lower growth and less efficiency. Lack of opportunity means that [the] most valuable asset — [the] people — is not being fully used. Many at the bottom, or even in the middle, are not living up to their potential, because the rich, needing few public services and worried that a strong government might redistribute income, . . . cut taxes and curtail government spending. This leads to underinvestment in infrastructure, *education* and technology, impeding the engines of growth.[138]

Economic disparities derive from issues in higher education, and issues in education further derive from inability to pay for higher education.[139]

A. The Concern of Increasing Taxes and Tuition

[137] *See* Smith, *supra* note 1, at 181, 183 ("Higher education has been elusive for people of African descent throughout the greater part of United States history.").
[138] Joseph E. Stiglitz, *The High Price of Inequality*, THE GUARDIAN (June 5, 2012, 11:09AM), http://www.theguardian.com/business/2012/jun/05/price-of-inequality-united-states.
[139] *See generally* Simkovic, *supra* note 94 (increases in education levels increase the overall lifetime earnings of workers)

Rather than discussing how taxes would increase if grants increase, more people receive grants, and the federal government further subsidizes education, this note emphasizes that tax revenues would increase as income levels generally rise.[140] The US taxes wages more than any other form of income capital.[141] Public expenditures to increase worker's wages provide higher future tax revenues than public expenditures to increase private capital.[142] It was previously noted that a college degree increases lifetime earnings of a worker by forty percent.[143] Furthermore, increasing the Pell Grant by even a trivial amount encourages more students of low-income backgrounds to attend college.[144] Investing in the Pell Grant and lifetime earnings of low-income students by sending more students, and more low-income students to college increases tax brackets of those students, which increases taxes paid in the long run.[145] Such investment increases vitality of the US economy, as well as the overall education level and lifetime earnings of individuals from low-income families, providing enhanced benefits for all.

Furthermore, the government can find a way to fund education as a top priority without increasing taxes. President George W. Bush cut federal government spending by $18 billion to fund the College Cost Reduction and Access Act Debt, which would use part of the spending for Pell Grants.[146] President Clinton signed the Taxpayer Relief Act of 1997 ("TRA"), which provided for the Hope Scholarship and Lifetime Learning Credits tax credits, and was expected

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[140] Michael Simkovic, *Risk-Based Student Loans*, 70 WASH. & LEE L. REV. 527, 547 (2013).
[141] *Id.*
[142] *Id.*
[143] *Id.* at 539.
[144] Travis L. Packer, Comment, *College Cost Reduction and Access Act: A Good Step, but Only a Step*, 12 N.C. BANKING INST. 221, 227 (2008).
[145] *See* Simkovic, *supra* note 140 at 539. Income is increased per additional year of post-secondary education received. *Id.* Tax revenues are generated at greater rates with greater levels of education. Simkovic, *supra* note 87, at 1996. This suggests that both the economy and individuals are better off when individuals attain higher levels of education. *See id.; see also* Simkovic, *supra* note 140, at 539.
[146] Packer, *supra* note 144, at 227.

to cost taxpayers $31.6 billion.[147] This is to say that funding education is critical, and though it might cost some money, Pell Grants could be funded through cutting the budget, spending, and if it came to it, higher taxes. In essence, the program would pay for itself over time in overall economic growth and tax revenues.[148] Debt aversion and defaulting student loans, currently at 40%, could be effectively curtailed, leading to greater productivity and innovativeness.[149]

B. The Concern that this Proposal Will Not Reach the Low-Income Students it Seeks

The Pell Grant program, though available to lower-income students is not well known to many such students or their families.[150] The Higher Education Authorization Act of 2015 seeks to better inform students about their financial aid options.[151] However, the bill seeks to better inform students about their financial aid options *after they are admitted* to school.[152] The Reauthorization Act does little to improve information channels for students prior to applying to schools.[153] Suffice it to say, there is a valid concern that this note's re-envisioned and enhanced Pell Grant formula and maximum amount would not reach the students it seeks because the

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[147] Ryan, *supra* note 51, at 8-9.

[148] *See* Simkovic, *supra* note 87, at 1996, 1988 (Tax revenues as an assumed externality of education. Furthermore, "investments in education increase the rate of economic growth, likely by improving productivity and accelerating the pace of innovation").

[149] *See* Cloud, *supra* note 23, at 468-69; *see also* Simkovic, *supra* note 87, at 1988 ("Other recent studies with higher-quality data generally find a causal link between education and growth. The level of education that is most relevant to growth seems to depend on the current level of development and technology. Primary and secondary education appear to be more important for developing economies that are further from the technological frontier, while investment in postsecondary education appears to be a more important driver of growth for high-income, advanced economies such as those of the United States and Western Europe. Returns to higher education are typically high and positive.").

[150] *See* BAUM, *supra* at note 76, at 10-11 (the complexity of the FAFSA and Federal formula for the Pell Grant render financial aid often inaccessible to students); *see generally* Empowering Students Through Enhanced Financial Counseling Act, H. R. 3179, 114th Cong. § 2 (2015) (The counseling process should be amended to be simpler and in a more understandable manner, which further suggests that the process is not very simple or clear now. Furthermore, the Pell Grant amounts, procedures and terms should be explained to students during financial counseling.).

[151] *Id.*

[152] *See Id.*

[153] *See generally id.*

current Pell Grant is not.[154] Nonetheless, if more students receive increased Pell Grant awards, word will travel fast.[155] Debt averse students will be better informed by word of mouth prior to applying to college so that they can decide they can afford it sooner.[156] The Higher Education Opportunity Act of 2008 authorized a the creation of a Net Price Calculator to determine how much financial aid students would be entitled to receiving based on family income status.[157] The College Board currently has many calculators to estimate the cost of attendance, EFC, or other financial aid related request.[158] Such nifty devices available to calculate the cost of college do not necessarily make waves in accessing students, but likely would be effective if combined with a new Pell Grant proposal—people would talk *and* want to learn more about education costs.[159]

V. Conclusion

As Professor Paula A. Franzese of Seton Hall University School of Law so aptly exclaims to first year law students in Property class, the "promise of inclusion works!"[160] Not only does it work in Property, but inclusion works in financial aid as well. Including students from low-income backgrounds in the financial aid process earlier, in greater abundance, and in a way that acknowledges debt aversion can dramatically improve the rates that lower-income

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[154] *See* BAUM, *supra* at note 76, at 10-11 (discussing the complexity of financial aid, and its failure to reach students); *see also* BAUM & JUDITH SCOTT-CLAYTON (discussing the complexity of the Pell application process, which poses barriers to participation in the grant program).
[155] *See* Godrick-Rab, *supra* note 85, at 9 (Though most in the inner circle of wealthier students have attended college, most in the inner circle of lower-income students have not. Low-income students rely primarily on guidance counselors for information about college, and wealthier students rely on nearly everyone. Nonetheless, peer counselors *can* be a great resource.); *see also* Tierney & Venegas, *supra* note 85, at 1692 ("[W]ell-informed and concerned peers are able to guide and influence behaviors of their similar-aged cohort…").
[156] *See generally* Tierney & Venegas, *supra* note 85 (discussing the importance of creating a "Fictive Kin" grouping of future college students connected by enhanced knowledge of financial aid).
[157] 22 U.S.C. § 1015a(h)(1)-(3) (2008).
[158] *Tools & Calculators*, THE COLLEGE BOARD, https://bigfuture.collegeboard.org/pay-for-college/tools-calculators (last visited Jan. 29, 2016).
[159] *Id.*
[160] *See generally* Paula A. Franzese, *Mount Laurel III: The New Jersey Supreme Court's Judicious Retreat*, 18 SETON HALL L. REV. 30 (1988) (discussing the power of inclusionary policies).

students enroll in college. Loans and tax credits cannot fully incentivize if the Pell Grant is not doing its part, and the Pell Grant formula for assessing need cannot continue to go unchanged since 1992. To avoid altering the ways our students receive financial aid would be a tremendous disservice that fails to appreciate the diverse needs of today's youth. We owe it to our future.