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Latinos & Pell Grants: Reassessing Impact and Efficacy for the next generation of Latino students

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Abstract

Latinos in higher education are increasing not only in representation, but also as a growing sector of students who necessitate financial assistance to persist in college. The federal Financial Aid program, specifically the Pell Grant, has become the life-line for low-income students ensuring in part the mitigation of various finance-related issues in higher education. At its largest-to-date funding level, the Pell Grant serves over 9.7 million students at a price tag of \$23 billion dollars while meeting only about 31% of the cost of college tuition. This paper will address the current state of affairs for Latinos in higher education and the impact Pell Grant programs have had on their pursuit of degrees. Lastly, analysis and policy recommendations will be provided to best address the looming shortfalls of a vital program that helps ensure the success of the next generation of Latino scholars.

Introduction

Gone are the days when the United States held acclaim as the leader with the most educated populace. Although the U.S. ranks 5th in the world for 25–64 year olds with a postsecondary education, it ranks 16th in attainment among those aged 25–34, signifying a gap in our youth's educational attainment¹. Only high school graduates from wealthy families are certain to attend a university, while just over

half of the bottom quartile set foot in an institution of higher education. Only about half of college students graduate within 6 years; for low-income students, the completion rate in the same time period is closer to 25 percent².

Higher education, in theory, is lauded as the ideal model for progressive social equalization. Yet, the reality is that although it can be perceived as the medium for upward social mobility; gaps in access and attainment, when disaggregated by ethnicity or social status reveal a differing and disparaging picture. Rising and exorbitant tuition prices coupled with rates of poverty and financial instability reduce the ability for low-income students, specifically Latinos, to not only afford college but more so, complete it³. The Federal Financial Aid system, a complex and haphazard funding system, has been slow to meet the growing demands of the neediest students and a burgeoning middle class. In 2002, Federal Student Aid totaled \$72 billion, a decade later in an attempt to meet the financial shortcomings, funding rocketed \$102 billion to a total of \$174 billion in form of awards/loans⁴.

The Federal Pell Grant program, now the single largest grant aid program for postsecondary education, ensures access for low-and-moderate-income graduate students. In fiscal year 2013, the Pell Grant program was funded at 23 billion dollars.

Out of all undergraduate students, 27 percent or 9.7 million students, receive a Pell Grant award to offset tuition costs⁵. In 2012–2013, the maximum Pell Grant award a student received was \$5,563⁵⁶. Forty years ago, when the Federal Pell Grant was instituted, the typical college student paid the equivalent of \$526 per year in tuition and fees with the Pell Grant covering over 70 percent of the cost; today, the Pell Grant will only cover 31 percent of attendance at an average four-year public institution⁷⁸. Enrollment in postsecondary education has increased between 2005 and 2011 by 22 percent while tuition has increased three-fold in the last ten years⁹. Issues of access, affordability, and quality education are becoming increasingly complex and a solution must be ascertained in order to avoid future decimation of the educational mastery of the American populace.

This paper will focus on one of the fastest growing groups of students in higher education and one that faces greater challenges in terms of access, completion, and means of affordability. The issues impacting Latinos and the role financial aid and Pell Grant play in their access and retention in higher education will be a major focus of this paper. In addition, this paper will address the critical state of Latinos in higher education while recommending key changes to current policy in order to ameliorate the issues faced by this unique group of students.

The cost of attending college has far outpaced the ability of families to pay for college with the sticker price growing at four times the rate of inflation in the last three decades¹².

Soaring Costs of Education & Impact on Enrollment

More than half of all Latino students enrolled in college are in 2-year public colleges (51%) with dismal completion rates hovering around 22 percent¹⁰. Increasing the educational attainment of Latinos must become the number one priority not only due to the increasing number of high school graduates but also to reduce disparities related to race/ethnicity/class¹¹. The cost of attending college has far outpaced the ability of families to pay for college with the sticker price growing at four times the rate of inflation in the last three decades¹². Even with the existence of student aid only 55 percent of low income students attend college after high school in comparison to the nearly 80 percent of their high-income counterparts¹³. Further exacerbating the harsh reality of low income students, only 23 out of 100 low income high school students obtain a postsecondary degree compared to 46 out of 100 of their high-income counterparts¹⁴. Latinos represent the most disadvantaged of student groups, proving to be one of the most salient challenges in their completion of a college degree¹⁵. From 2001 to 2011, the number of Latinos with a bachelor's degree or higher education increased 80 percent from 2.1 million to 3.8 million¹⁶. Yet, the achievement gap is still more than prevalent; by 2012, only 14 percent of all U.S. Latinos over the age of 25 had bachelor's degrees, compared to 34 percent of whites¹⁷. Between 2010 and 2025, as the predominantly white baby boomer population exits the U.S. workforce, the population of working-age Latinos is projected to increase by 13.5 million¹⁸. Because of the weak condition of the nation's economy and projected shortfalls in funding for public retirement programs, increasing the educational attainment, economic productivity, and civic engagement of Latinos should be a national priority¹⁹.

A 2009 Pew Hispanic Center survey found a major stressor in completion for Latino students was not due to cultural or academic issues rather it was due to the pressure to support their families financially, creating a limited set of choices between pursuing a degree and working full time²⁰. In order to meet the exorbitant financial demands of completing a college education, many students have increasingly begun to rely on subsidized loans and even more so on private high-interest and predatory loans. There was an approximate 16 percent increase and 12 percent increase among black and Hispanic students, respectively, that took out private loans, from the 2003–04 to 2007–08 school years²¹. Student college loan debt is now higher than all credit card debt; nationwide, student debt is at \$867 billion compared to credit card debt at \$704 billion²². A typical low-income student must finance more than 72% of his or her family's annual income in order to attend a four-year institution after all sources of aid have been granted²³.

Tuition costs are well above the average family income that 63 percent of Pell Grant recipients must resort to take out loans in order to finance their education²⁴. Latinos have higher unmet need or what is defined as the remaining cost to a student after all aid in forms of scholarships or loans has been applied. In public four-year institutions, 76 percent of their college costs; while at the community college, 72 percent of their costs go unmet²⁵. Furthermore, topping unmet need, the surmounting levels of tuition hikes directly impact completion rates for students. A single \$1000 increase in tuition decreases the enrollment rate of low-income students by an estimated 5% more than middle and high-income students. ²⁶For every \$1000 decrease in price, college-going rates increase by about 3 to 5 percentage points²⁷.

Pell Grant Impact

Although more than 9 million Americans utilize Pell Grants to pay for college the Pell's effectiveness is slowly being eroded due to increases in college tuition over the years²⁸. On a more positive note, under-matching or what can be defined as going to a less-selective and more affordable college, going part-time, or not enrolling at all, due to financial or perceived ability, Pell Grants have proven to be of great aid. Pell Grants have a positive impact on low-income students switching to more selective and expensive institutions with an increase in Pell awards; thus, curving under-matching²⁹. Research shows that as Pell Grant amounts increase the likelihood of low-income students dropping out decreases, thus closing the achievement gaps between minority students and whites³⁰.

Research states that for the lowest-income quartile of first-time students between 2003–2004, 59.7% of Pell recipients had attained a degree or were persisting by spring 2009 compared to 48.3% of non-Pell recipients. Within the second income quartile, 67.3% of Pell recipients graduated or persisted, compared to 62.8% in the non-Pell group³¹. Furthermore, Pell Grants reduce dropout rates more so than Stafford Loans, Perkins Loans, and merit aid; whilst, having a higher statistically significant impact on Latinos³².

At the community college, Pell was linked to increasing student success, transfer-readiness, transferring to a four-year, and earning an associate's degree³³. In 2010–2011, the community college had the highest representation of Pell recipients with 3.5 million out of the total 9.5 million³⁴. Eighty percent of Pell recipients at the community college level in 2009–2010 had family incomes at or below 150% of the poverty threshold. Further highlighting the economic disparities and exacer-

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bated need of resources, 80 percent of Pell recipients at the community college level report family incomes at or below 150 percent the poverty level³⁵.

The reality for Latinos in higher education is quite bleak if the system is unable to meet this population's unique demands of financial assistance and access. Continued support must be provided with legislators attempting to ameliorate the prevalent issues impacting their recruitment and completion of a higher education. Outlined below are key recommendations to guide and inform the next steps of policy and how it can facilitate an easier process for Latino students in higher education.

Recommendations

The federal Pell Grant program aims to alleviate financial barriers to low-income students. As the last 50 years have passed, it has had a significant impact in diversifying the face of higher education. Yet, its purchasing power has declined as tuition rises, institutional competitiveness utilizes Pell funds to attract the not always neediest of students, and a for-profit sector of higher education manipulates a system to their benefit at the expense of students. Below are four recommendations which require policy intervention, varying degrees of expense, and commitment from both governmental agencies and institutions of higher education.

1. The current Pell Grant program must be provided with safe haven as the only program that impacts and aids low-income students by making it an entitlement. The inability of the Pell Grant program to keep up with rising tuition costs has deteriorated its purchasing power. In making the Pell Grant program a true entitlement program it will alleviate year to year debates over fund-

ing and provide a consistent message to students and parents as to the aid they would receive on a yearly basis^{36,37}. Furthermore, making the Pell Grant an entitlement will mitigate any additional spending and ensure that students are given an equitable chance at succeeding in college. Policy makers and legislators would have to redirect 60 percent of the funding of Pell from the appropriations process to the mandatory funding side of the federal budget which funds the remaining 40 percent of the Pell Grant currently³⁸. Although this policy recommendation might seem an insurmountable feat in the current fiscal climate, providing legislation to make Pell Grant programs an entitlement would ensure a guaranteed commitment to meeting the mission of the Pell Grant and alleviate constant debates over the declining purchasing power of the Pell due to the market forces.

2. The current Pell Grant award fails to meet its initial mission of providing assistance to students. At its current award, the Pell Grant only covers \$5,645 or what ranges from 64% to 19% depending on the institution tuition level. According to the New America Foundation report released this year increasing funding by \$800 over the next 10 years would ensure growing competitiveness with inflation and radical tuition hikes³⁹. This increase would amount to a total award of \$6,830 in fiscal year 2022 and would ensure that the rising costs of tuition are met by a sound incremental rise in Pell Grant aid⁴⁰. Ultimately, this plan would result in a \$94.4 billion dollar expenditure to ensure that the Pell Grant remains a viable resource for students⁴¹.
3. Restore year-round Pell Grant so students are able to utilize summer term to finish degrees in a timelier manner. Fis-

cal year 2011 saw the elimination of the summer Pell Grant program bringing cost savings around \$4.1 billion dollars a year⁴². Yet, the reality is that this cut to the Pell Grant program impacted many students both at the community college level and the four-year institutions—close to 800,000 is the estimate⁴³. In California alone, 13,000 students utilized this second grant to pay for summer courses and speed up their time to degree. A survey by the Council for the Study of Community Colleges reported a boost in enrollment due in part to the Pell summer grant by 15 percent across the system⁴⁴. It is evident that time to degree and facing financial issues, students need the most assistance and the summer Pell would provide that year-round subsidy that would allow for them to finish their degrees in a more timely manner and not have to face bottleneck courses throughout the year. Legislation needed to reinstate this program would have to take into account added offset costs to the existing program and continued assessment of accountability and impact.

4. Funding the cost of higher education for all students is not the complete answer. The reality is that financial literacy plays an important role in students and families making sense of the huge cost and investment that it is to pursue higher education. Pre-collegiate and continual financial literacy programs are necessary to prepare and educate families for the growing costs that are tied with higher education. Educating parents and students of the expected costs since high school will create a sense of awareness to the sticker price of attending a college or university. Providing students with real numbers for the different sectors in higher education, putting into account the diversity of needs

for different students, and outlining the pros and cons of different types of aid such as loans and scholarships will better inform students and make them savvy investors in their education. Recommendations such as linking IRS to the Federal Aid Financial Student Application would allow families to have an idea early on of their expected contribution and possible costs in funding their student's education and providing another medium for financial literacy⁴⁵.

Conclusion

In a time of fiscal austerity, budget cuts and any proposition of allotment of funds in the range of billions would seem ludicrous and impulsive. Yet, the reality is that American innovation is driven by an educated populace and today, Latinos are a critical mass of that populace. In order to harness their purchasing and intellectual talent, an investment must be made to ensure their success and in turn America's success. Programs like the Pell Grant have undoubtedly provided the foundation for millions of low-income Americans to attain an education and improve their well-being. Time must be allotted to reassess the efficiency and impact of the Pell Grant program and refocus its purchasing power to aid those that are in the most need of assistance. These policy recommendations are just that, recommendations. Certainly, numerous organizations, policymakers, and academics will weigh on the pros and cons to any of these policy proposals as well as provide their own yet, what must be ensured is that dialogue continues with real and timely policy application to curtail the loss massive loss of talent due to the exorbitant cost of higher education.

Endnotes

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