

Beyond Pell:

A Next-Generation Design for Federal Financial Aid

The Reimagining Aid Design and Delivery (RADD) Consortium for Higher Education Grants and Work-Study Reform Oct. 2014

Our current financial aid system has it backward: It focuses most of its benefits on helping students *after* they enroll in college, offering tax breaks and options that will help keep loan payments at 10 percent of annual income. But these benefits do nothing for the students who can't afford college up front and their families who are often forced to take on burdening levels of debt to pay for college. Why not flip the system, so that students reap the benefits of financial aid at the time that is most crucial — at the start of college?

We propose that full-time, low-income students (i.e., maximum Pell Grant recipients, or those students in families with an income of \$23,000 or less) should not have to pay or borrow more than 10 percent of their families' income each year for college. There are three ways our government can encourage this:

1. A New Federal Block Grant Program. Federal matching grants could be given to states that are providing funding, per full-time student, at a level equal to between 50 percent and 150 percent of the maximum Pell Grant (currently \$2,823 and \$8,468). See more details in [A Proposed Federal Matching Program to Stop the Privatization of Public Higher Education](#), by the American Association of State Colleges and Universities.
2. A Pell Grant Matching Program. Institutions that create an affordability guarantee — that no maximum Pell Grant recipient will spend more than 10 percent of family income on tuition, fees, and other academic expenses — would get additional Pell Grant funding, above what institutions without the guarantee receive.
3. A New, Flexible Federalism for Higher Education. States would have to maintain an affordability guarantee in order to receive federal funding for higher education. They could do this by increasing their own funding to institutions, creating their own need-based financial aid programs, or simply mandating that institutions meet the guarantee as a condition of receiving state support.

Beyond Pell Grants and need-based financial aid, the government can also increase college access and success for low-income students in other ways:

- By clarifying the definitions and requirements behind the Free Application for Federal Student Aid, which is required of all students who want financial aid. Read more in [Breaking With Tradition: Making Federal Grant Aid Work for Today's Students](#), by the New America Foundation.

- By modernizing the work-study program to include more employer outreach and to dedicate a percentage of all positions to students with demonstrated financial need. Read more in [*A Federal Work-Study Reform Agenda to Better Serve Low-Income Students*](#), by the Young Invincibles.
- By identifying minimum performance measures (based on graduation rates and low-income student enrollment) for any four-year college or university. Read more in [*Tough Love: Bottom-Line Quality Standards for Colleges*](#), by The Education Trust.

Together, these proposals form a new structure and process for our nation's financial aid system, making it a better tool for driving improvement and increasing opportunity for all students — but particularly those who stand to benefit the most from financial aid.

To read the full report, visit www.edtrust.org.