

THE GRIT GRANT: AN EQUITY- AND OUTCOMES-BASED FEDERAL  
FINANCIAL AID PROGRAM TO ACCELERATE POSTSECONDARY  
ATTAINMENT FOR LOW-INCOME STUDENTS

by  
Mark S. Evans

A capstone project submitted to Johns Hopkins University in conformity with the requirements  
for the degree of Master of Arts in Public Management

Baltimore, Maryland  
April, 2020

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## **Abstract**

One of the most pressing problems in higher education is the postsecondary socioeconomic attainment gap. While national postsecondary attainment rates in the U.S. have gradually risen over the past several decades, this trend obscures the substantially lower rates of attainment among low-income students and masks the widening socioeconomic attainment gap during the past 20 years. This gap imposes substantial disproportionate costs upon low-income students, their children, and society. It further impedes the ability of local governments and educational institutions to effectively meet workforce demands for skilled labor.

Based upon a review of the research, this paper describes the primary factors that influence attainment of low-income students, in addition to several of the prominent federal, state, and institutional interventions that seek to narrow the gap. While evidence indicates that many of the performance- and needs-based financial aid interventions have some positive effect on attainment for low-income students, they generally lack equity-based measures that can lead to regressive outcomes, lack incentives to effectively align the behaviors of students and institutions with shared attainment goals, and commonly fail to incorporate the cognitive and non-cognitive needs of students.

To address these limitations, this paper recommends that Congress approve the discretionary funding of a three-year trial to develop a proof-of-concept for a new federal financial aid program called the Grit Grant with a specific policy goal of accelerating postsecondary attainment for low-income students, and that would complement the current Federal Pell Grant and incorporate policy features from successful case studies. Using cost-benefit analysis as a primary policy evaluative method of efficiency, this paper concludes that the Grit Grant program would likely result in a positive Social Return on Investment (SROI), and also receive bipartisan political support for many of its policy features.

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DATE: 2/15/2020

TO: Representative Bobby Scott, Chairman, Committee on Education and Labor, United States  
House of Representatives

FROM: Mark Evans

SUBJECT: A Proposed Postsecondary Federal Financial Aid Program called the Grit Grant to  
Accelerate Postsecondary Attainment for Low-Income Students

### **Action-Forcing Event**

The National Student Clearinghouse Research Center (NSCRC), a U.S. nonprofit organization focused on tracking and analyzing longitudinal education data and outcomes, issued a report on October 30<sup>th</sup>, 2019 indicating that 36 million college students started their postsecondary educational journey, but decided to withdraw from college without completing a credential.<sup>1</sup> This student population, designated as Some College, No Degree (SCND), rose by 24 percent from roughly 29 million students in 2013 to 36 million students by 2018, and is expected to continue climbing.<sup>2</sup> Furthermore, although overall postsecondary credential attainment has steadily increased year-over-year, the rate of attainment is slowing.<sup>3</sup> These trends prompted the Lumina Foundation, a private nonprofit that seeks to address problems in access and attainment in higher education, to declare: “The nation faces an urgent and growing need for talent. To meet that need, many more people must earn college degrees, workforce credentials, industry certifications and other high-quality credentials.”<sup>4</sup>

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<sup>1</sup> Doug Shapiro, Mikyung Ryu, Fay Huie, and Qing Liu, “Some College, No Degree, A 2019 Snapshot for the Nation and 50 States, Signature Report No. 17,” National Student Clearinghouse Research Center (2019).

<sup>2</sup> Ibid., p. 2.

<sup>3</sup> Doug Shapiro, Mikyung Ryu, Fay Huie, and Qing Liu, and Y. Zheng, “Completing College 2019 National Report, Signature Report 18,” National Student Clearinghouse Research Center (2019), pp. 2 and 7.

<sup>4</sup> “A Stronger Nation: Learning Beyond High School Builds American Talent, National Report 2019,” Lumina Foundation (2020), p. 1.

## Statement of the Problem

To meet the growing workforce demand for skilled labor, one of the most pressing problems in higher education is the postsecondary socioeconomic attainment gap,<sup>5</sup> which represents the statistical difference in postsecondary credential attainment between high-income families versus low-income families. Focusing solely on the gradual improvement in the overall national average attainment rate over the past several decades obscures the substantially lower rate among low-income students. These students are designated as low-socioeconomic status (SES) by the National Center of Education Statistics (NCES)<sup>6</sup> and Pell-eligible status by the U.S. Department of Education (ED),<sup>7</sup> and experience a bachelor's degree attainment rate of 13 percent compared to 62 percent for high-income students.<sup>8</sup> Despite attempts to remedy this problem at the federal, state, and institutional levels, the gap between high- and low-income students has considerably widened over the most recent 20 years from roughly 30 basis points in the year 2000, to 49 basis points by the year 2018.<sup>9</sup>

This gap represents a direct personal cost on low-income students who fail to achieve some level of postsecondary credential attainment because they forego substantial benefits. These include economic, mental, social, and health benefits to the students themselves, to their families, and to future generations. Drawing on data from NCES, bachelor's degree and associate degree workers earned an annual average income of \$51,800 and \$38,900 respectively, compared with

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<sup>5</sup> M. Cahalan, L. W. Perna, M. Yamashita, J. Wright-Kim, and N. Jiang, "2019 Indicators of Higher Education Equity in the United States: Historical Trend Report," The Pell Institute for the Study of Opportunity in Higher Education, Council for Opportunity in Education (COE), and Alliance for Higher Education and Democracy of the University of Pennsylvania (PennAHEAD) (2019), p. 4.

<sup>6</sup> SES is calculated by NCES based upon a score that is comprised of a student's household income, parental occupation, and education level. SES data is disaggregated into quintiles and those students falling in the bottom two SES quintiles are generally designated as low-SES. See: "High School Longitudinal Study of 2009 (HSL:09)," U.S. Department of Education, National Center for Education Statistics (2018).

<sup>7</sup> "FSA Handbook, Volume 1 – Student Eligibility," U.S. Department of Education, Federal Student Aid (2019).

<sup>8</sup> M. Cahalan, L. W. Perna, M. Yamashita, J. Wright-Kim, and N. Jiang, "2019 Indicators of Higher Education Equity in the United States: Historical Trend Report," p. 120.

<sup>9</sup> Ibid., p. 121.

high school completers who only earned an average income of \$32,000.<sup>10</sup> Similarly, bachelor's degree holders will earn roughly \$400,000 more over their lifetimes compared to high school completers.<sup>11</sup> Employment rates for workers with postsecondary credentials are also superior: young adults with a bachelor's or associate degree experience an employment rate averaging 86 and 79 percent respectively, compared with 72 percent for high school completers.<sup>12</sup> Higher levels of postsecondary attainment also result in less food and housing insecurity, and provide greater levels of physical and mental health.<sup>13</sup>

Looking deeper at the socioeconomic attainment gap shows that these benefits remain out of reach for low-income students at a much higher rate compared to high-income students regardless of the type of institution attended, selectivity of the institution, credential level, or credential type. For example, students from high-income families complete bachelor's degrees at a rate 4.8 times greater than students from low-income families, and students comprising the lowest SES quintiles experience significantly lower levels of undergraduate postsecondary attainment across all credential levels compared with those in the upper SES quintiles as seen in Figure 1.<sup>14</sup> A similar pattern emerges for low-income students whether they attend two-year or four-year colleges and for any level of undergraduate postsecondary credential.<sup>15</sup>

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<sup>10</sup> J. McFarland, B. Hussar, J. Zhang, X. Wang, K. Wang, S. Hein, M. Diliberti, E. Forrest Cataldi, F. Bullock Mann, and A. Barner, "The Condition of Education 2019," U.S. Department of Education, National Center for Education Statistics (2019), p. 247.

<sup>11</sup> Jennifer Ma, Matea Pender, and Meredith Welch, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society," *Trends in Higher Education Series*, CollegeBoard (2019), p. 8.

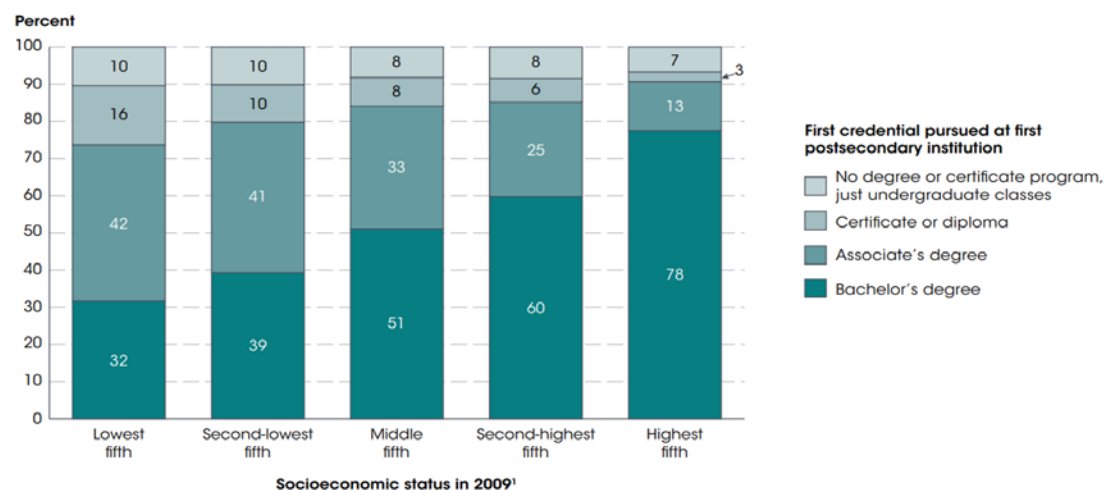
<sup>12</sup> J. McFarland, B. Hussar, J. Zhang, X. Wang, K. Wang, S. Hein, M. Diliberti, E. Forrest Cataldi, F. Bullock Mann, and A. Barner, "The Condition of Education 2019," U.S. Department of Education, National Center for Education Statistics (2019), p. 252.

<sup>13</sup> Jennifer Ma, Matea Pender, and Meredith Welch, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society," *Trends in Higher Education Series*, CollegeBoard (2019), pp. 9, 13, and 33.

<sup>14</sup> "High School Longitudinal Study of 2009 (HSL:09), Base Year and Second Follow-up," *Digest of Education Statistics*, U.S. Department of Education, National Center for Education Statistics (2018), table 302.44.

<sup>15</sup> B. Backes, H.J. Holzer, and E.D. Velez, "Is it worth it? Postsecondary education and labor market outcomes for the disadvantaged," *IZA J Labor Policy* 4, no. 1 (2015).

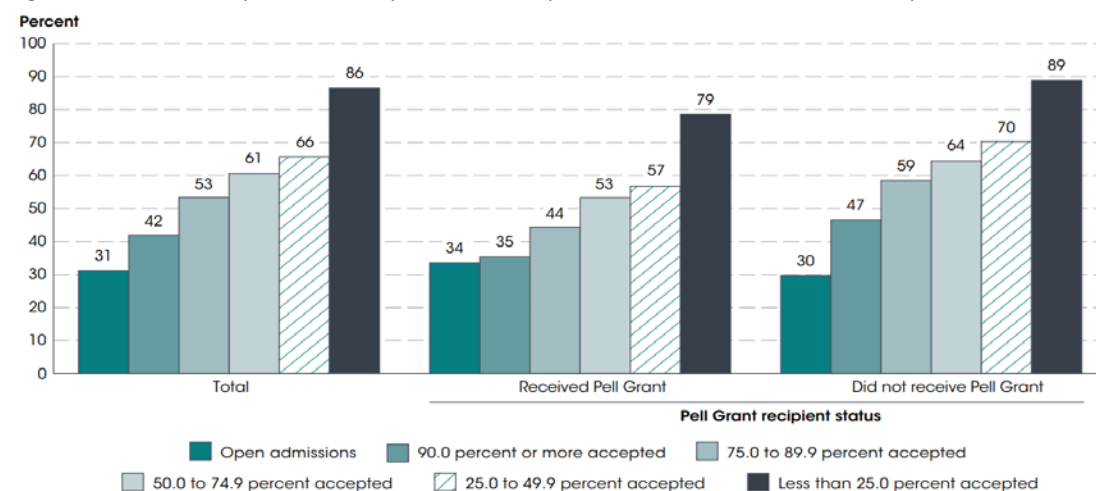
**Figure 1: Percentage Distribution of Students' First Credential Pursued at First Postsecondary Institution by Socioeconomic Status**



<sup>1</sup> Socioeconomic status was measured by a composite score of parental education and occupations and family income in 2009.

This pattern also emerges when comparing the completion rates within eight years for Pell-eligible versus non-Pell-eligible students at four-year institutions as seen in Figure 2.<sup>16</sup>

**Figure 2: Students' Completion Rates by Pell Grant Recipient Status of Student and Selectivity of Institution**



NOTE: The 2009 entry cohort includes all degree/certificate-seeking undergraduate students who entered a degree-granting institution between July 1, 2009, and June 30, 2010. For 4-year institutions, the cohort includes only bachelor's degree-seeking students. Student completion status is determined as of August 31 of the year indicated; for example, within 8 years after the student's 2009-10 entry into the reporting institution means by August 31, 2018. Completion rates include only those awards that were conferred by the reporting institution (i.e., the institution that the student entered in 2009-10); excludes awards conferred by institutions to which the student later transferred.

In addition to the disproportionately high costs of the achievement gap to low-income students directly, the economic costs to society for students who fail to complete a postsecondary credential are significant. The College Board estimates that students who earn a bachelor's degree

<sup>16</sup> "High School Longitudinal Study of 2009 (HSL:09), Base Year and Second Follow-up," *Digest of Education Statistics*, U.S. Department of Education, National Center for Education Statistics (2018), table 326.27.



will pay \$7,100 more in taxes per year because of increased earnings compared to high school completers, which doesn't include the additional savings from reduced welfare benefits such as unemployment, food stamps, and public housing subsidies.<sup>17</sup> Students with higher levels of postsecondary credential attainment are also more likely to be covered by employer-provided health insurance, which reduces public health expenditures for programs such as Medicaid and decreases community health care costs generally.<sup>18</sup> Finally, students with any level of postsecondary attainment also engage in civic activities at a much higher rate compared to high school completers.<sup>19</sup> These activities include higher rates of voting, volunteerism for local community organizations, and donations to nonprofit organizations.

## History and Background

Postsecondary credential attainment has been a priority for institutions and policymakers since the early 20<sup>th</sup> century, motivated by a belief that higher education is a valuable public good that acts as an engine for upward economic mobility and an equalizer of income and employment.<sup>20</sup> Based upon constitutional principles of limited federal oversight and primary governance at the state level, higher education in the U.S. has evolved into a unique blend of institutions. One institutional structure in particular that has fostered steady growth in postsecondary attainment for low-income students has been community colleges.<sup>21</sup> The development of these colleges was driven in part by local employer demand for a trained labor force, a trend referred to as the *vocationalization* of U.S. higher education,<sup>22</sup> and has resulted in a higher percentage of low-income students enrolling in vocationally-specific programs at

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<sup>17</sup> Jennifer Ma, Matea Pender, and Meredith Welch, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society," *Trends in Higher Education Series*, College Board (2019), pp. 17 and 35.

<sup>18</sup> "Health Insurance Coverage Status and Type of Coverage by Selected Characteristics," U.S. Census Bureau (2017), table HI-01.

<sup>19</sup> Jennifer Ma, Matea Pender, and Meredith Welch, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society," *Trends in Higher Education Series*, College Board (2019), pp. 40-41.

<sup>20</sup> Peter D. Eckel and Jacqueline E. King, "An Overview of Higher Education in the United States: Diversity, Access and the Role of the Marketplace," American Council on Education (2004), p. 3.

<sup>21</sup> *Ibid.*, p. 16.

<sup>22</sup> J. M. Beach, *Gateway to Opportunity: A History of the Community College in the United States*, Sterling: Stylus Publishing, LLC (2011), p 120.

community colleges over the past century.<sup>23</sup> More recently during the past 20 years, this trend has accelerated as the percentage of low-income<sup>24</sup> undergraduate students has increased from 21 percent to 31 percent – an increase of roughly 2.7 million students.<sup>25</sup> Part of this growth was also driven by the low-cost, state-subsidized tuition rates offered by community colleges, combined with less restrictive enrollment requirements for in-state residents.<sup>26</sup>

Less selective institutions such as community colleges that serve a higher percentage of low-income students have a significant influence on the postsecondary attainment gap (known as institutional effects), but also face significant barriers.<sup>27</sup> One of these barriers includes financial constraints as a consequence of state funding formulas that tend to be regressive, resulting in more selective, flagship state universities receiving higher per pupil funding.<sup>28</sup> Hence resources at less selective schools tend to be more restricted, resulting in less academic support, difficulty attracting higher-quality faculty, and delays in student course registration and progression.<sup>29</sup> These institutions also face financial constraints in providing important equalizing services targeted to low-income students such as academic advisement, development and remediation courses, and counseling services that can substantively influence attainment rates.<sup>30</sup> Evidence also supports the importance of institutional advisement to assist low-income students with personal goal setting and career pathways planning (referred to as *guided pathways*), which can help

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<sup>23</sup> Jesper J. Rözer and Herman G. Van de Werfhorst, "Achievement inequalities and the impact of educational institutions," University of Amsterdam (2019), p. 10.

<sup>24</sup> Designated as *in poverty* rather than *low-income* in this report: Kayla Fontenot, Jessica Semega, and Melissa Kollar, "Current Population Reports, Income and Poverty in the United States: 2017," U.S. Census Bureau (2018), pp. 260-263.

<sup>25</sup> Richard Fry and Anthony Cilluffo, "A Rising Share of Undergraduates are From Poor Families, Especially at Less Selective Colleges," Pew Research Center (2019), p. 4.

<sup>26</sup> J. M. Beach, *Gateway to Opportunity: A History of the Community College in the United States*, Sterling: Stylus Publishing, LLC (2011), p. 125.

<sup>27</sup> Harry J. Holzer and Sandy Baum, "Making College Work: Pathways to Success for Disadvantaged Students," Brookings Institution (2017), p. 37.

<sup>28</sup> *Ibid.*, p. 45.

<sup>29</sup> The inability to provide adequate support for low-income students by under-resourced institutions is an outcome referred to as *undermatching*: *Ibid.*, p. 46.

<sup>30</sup> "Increasing College Opportunity for Low-Income Students: Promising Models and a Call to Action," Executive Office of the President (2014), pp. 36-47.

reduce the number of undeclared majors, increase students' self-awareness and sense of purpose, and accelerate postsecondary credential completion.<sup>31</sup>

State policymakers in recent years also have sought to address the attainment gap for low-income students with initiatives such as free college tuition, state supplemental grants, and outcomes-based funding (OBF) schemes. The majority of states have adopted some type of free or reduced-tuition college plan for low-income students, also referred to as *college promise programs*.<sup>32</sup> Many of these programs focus at the undergraduate level for the first two years of college and target improvement in outcomes such as academic achievement, attainment rates, and pace to completion. Current evidence suggests these programs can help improve postsecondary attainment, but generally only when combined with institutional factors such as supplemental funding to cover non-tuition related expenses, clear communication and guidance on how to qualify for a program, and institutional support such as remedial coursework.<sup>33</sup> One of the limitations of these programs is they restrict the funding to tuition and fees only, or are designated as "last-dollar scholarships," which can negatively influence attainment rates by failing to adequately cover the secondary costs of college such as housing, food, childcare, healthcare, and transportation.<sup>34</sup> There is also evidence that suggests college promise programs can be regressive if a smaller percentage of eligible low-income students choose to attend college compared to a higher number of eligible middle-income student participants.<sup>35</sup> Other supplemental state grant

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<sup>31</sup> Jim Palmer, "Redesigning America's Community Colleges: A Clearer Path to Student Success," *Community College Review* 44, no. 1 (2016), p. 22.

<sup>32</sup> Christopher T. Davidson, Drew T. Ashby-King, and Luke J. Sciulli, "The Higher Education Funding Revolution: An Exploration of Statewide Community College 'Free Tuition' Programs," *Community College Journal of Research and Practice* 44, no. 2 (2018), pp. 117-132.

<sup>33</sup> Laura W. Perna, Elaine W. Leigh, and Stephanie Carroll. "'Free College: A New and Improved State Approach to Increasing Educational Attainment?'" *American Behavioral Scientist* 61, no. 14 (2017), pp. 1750-1751.

<sup>34</sup> *Ibid.*, p. 1750.

<sup>35</sup> David J. Deming, "The Economics of Free College: Policy Brief 14," Economics for Inclusive Prosperity (2019), p. 5.

programs such as Arizona's AzLEAP grant,<sup>36</sup> New York's ASAP program,<sup>37</sup> and California's Cal Grant<sup>38</sup> have also been shown to provide important incentives to undergraduate students that correlate to improved undergraduate attainment rates. Additionally, more than 60 percent of states have implemented some type of OBF program for state-funded colleges that seek to align institutional incentives with student outcomes.<sup>39</sup> OBF programs such as the Tennessee Promise program motivate attainment by providing incentive grants based upon student persistence (awarded upon attainment of credit hour milestones) and credential completion, coupled with other institutional support services such as tutoring, academic advisement, and remediation courses.<sup>40</sup>

At the federal level, legislative authority related to postsecondary attainment for underserved populations is derived from the Higher Education Act of 1965 (reauthorized as the Higher Education Opportunity Act in 2008, or HEA) that provides the Title IV financial student aid programs including Direct Subsidized Loans and Pell Grants to low-income students.<sup>41</sup> The HEA also provides direct institutional funding under Title III as part of the Strengthening Institutions Program (SIP) for institutions serving a high population of low-income students (50 percent or greater) that can be used for various institutional student support purposes.<sup>42</sup> Research underscores the importance of the Title IV Pell Grant program in increasing completion rates for low-income students,<sup>43</sup> in addition to the positive combined effects of the Subsidized Loan and

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<sup>36</sup> "Investing in Need-Based State Grant Aid to Increase College Access and Attainment: A Summary of College Success Arizona's Policy Briefs on the Importance of State Grant Aid," College Success Arizona (2017).

<sup>37</sup> Diana Strumbos, Donna Linderman, and Carson C. Hicks, "Postsecondary Pathways Out of Poverty: City University of New York Accelerated Study in Associate Programs and the Case for National Policy," *The Russell Sage Foundation Journal of the Social Sciences* 4, no. 3 (2018).

<sup>38</sup> Eric Bettinger, Oded Gurantz, Laura Kawano, Bruce Sacerdote, and Michael Stevens, "The Long-Run Impacts of Financial Aid: Evidence from California's Cal Grant," *American Economic Journal* 11, no. 1 (2019), pp. 64–94.

<sup>39</sup> Anna Cielinski and Duy Pham, "Equity Measures in State Outcomes-Based Funding: Incentives for public colleges to support low-income and underprepared students," Center for Postsecondary and Economic Success (2017).

<sup>40</sup> "Tennessee Shifts Focus from Access to Success," *Community College Week* 30, no. 24 (2018), p. 8.

<sup>41</sup> "A Summary of Federal Education Laws Administered by the U.S. Department of Education," Congressional Research Service (2019).

<sup>42</sup> "The Higher Education Act (HEA: A Primer)," Congressional Research Service (2018).

<sup>43</sup> Jeffrey T. Denning, Benjamin M. Marx, and Lesley J. Turner, "ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare," *American Economic Journal* 11, no. 3 (2019), pp. 193–224.

Pell Grant programs on attainment rates.<sup>44</sup> Further modifications to the HEA over the years to address attainment include the TRIO amendments in 1968 that provide discretionary grants primarily to low-income and first generation college students,<sup>45</sup> the Family Supplemental Educational Opportunity Grant program (FSEOG) that provides incremental grants for Pell-eligible students in the lowest income brackets,<sup>46</sup> and “year-round Pell” (YRP) that allows Pell recipients to receive supplemental grants to help cover the cost of summer courses.<sup>47</sup> Research indicates that the YRP program also helps accelerate credential completion and increases the likelihood of postsecondary attainment for eligible recipients.<sup>48</sup> Despite the success of these programs on attainment outcomes, studies show that financial aid programs have failed to keep pace with the rising costs of college tuitions and secondary college expenses. For example, the percentage of average college costs covered by the maximum Pell Grant has significantly declined from 67 percent in 1980 to 25 percent in 2018 (in constant 2018 dollars).<sup>49</sup> Furthermore, two-year public colleges continue to struggle with low on-time completion rates: roughly 33 percent of community college students complete a degree within six years of starting, and only 38 percent earn a credential, which includes short-term undergraduate certificates.<sup>50</sup>

The personal characteristics of low-income students themselves (known as personal effects) also play a significant role in postsecondary attainment. These include cognitive ability, personal financial constraints,<sup>51</sup> and motivational and mindset factors (known as non-cognitive or

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<sup>44</sup> Benjamin Marx and Lesley J. Turner, “Attainment Effects of Student Loans and Pell Grants,” *AEA Papers & Proceedings* 109 (2019), pp. 223–26.

<sup>45</sup> “The TRIO Programs: A Primer,” Congressional Research Service (2018), p. 1.

<sup>46</sup> “The Higher Education Act (HEA: A Primer),” Congressional Research Service (2018), p. 11.

<sup>47</sup> “Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes,” Congressional Research Service (2016), p. 1.

<sup>48</sup> Vivian Yuen Ting Lui, “Is School out for the Summer? The Impact of Year-Round Pell Grants on Academic and Employment Outcomes of Community College Students. CCRC Working Paper No. 95,” Community College Research Center, Teachers College, Columbia University (2017).

<sup>49</sup> M. Cahalan, L. W. Perna, M. Yamashita, J. Wright-Kim, and N. Jiang, “2019 Indicators of Higher Education Equity in the United States: Historical Trend Report,” The Pell Institute for the Study of Opportunity in Higher Education, Council for Opportunity in Education (COE), and Alliance for Higher Education and Democracy of the University of Pennsylvania (PennAHEAD) (2019), pp. 86-87.

<sup>50</sup> “Restoring the American Dream,” The Century Foundation Working Group on Community College Financial Resources (2019), p. 1.

<sup>51</sup> Harry J. Holzer and Sandy Baum, “Making College Work: Pathways to Success for Disadvantaged Students,” Brookings Institute (2017), p. 40.

psychological factors).<sup>52</sup> To address financial constraints, the majority of postsecondary students work while attending college, although it's more common for students attending community colleges to work.<sup>53</sup> Two of the primary reasons that motivate low-income students to work during college include concerns over food and housing insecurity,<sup>54</sup> and financial aid funding levels that fail to cover all the costs of attending college.<sup>55</sup> For those students who address these concerns by prioritizing work tasks over academic activities, research suggests they will experience lower educational attainment.<sup>56</sup> Regarding the individual motivational and mindset barriers, postsecondary attainment decreases when students are unable to connect the value of their chosen postsecondary credential and current course work with their future career and personal goals (known as *expectancy-value mindset theory*),<sup>57</sup> and when they demonstrate negative mindset views of self-efficacy and personal effort (known as *implicit theories of ability*).<sup>58</sup> These perceptions and mindsets lead to lower levels of student motivation, personal effort, and academic performance, which negatively impacts attainment.

Several nonprofit organizations and policy think tanks also support initiatives to close the socioeconomic equity gap in postsecondary attainment including the Bill & Melinda Gates Foundation, Achieving the Dream, Third Way, the American Association of Community

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<sup>52</sup> Susan P. Farruggia, Cheon-woo Han, Lakeshia Watson, Thomas P. Moss, and Bette L. Bottoms, "Noncognitive Factors and College Student Success," *Journal of College Student Retention: Research, Theory & Practice* 20, no. 3 (2018), pp. 308-327.

<sup>53</sup> Daniel Douglas and Paul Attewell, "Assessing the Impact of Student Work During College," Rutgers Education and Employment Research Center (2018), p. 6.

<sup>54</sup> K. Broton and S. Goldrick-Rab, "The Dark Side of College (Un)Affordability: Food and Housing Insecurity in Higher Education," *Change: The Magazine of Higher Learning* 48, no. 1 (2016), pp. 16-25.

<sup>55</sup> S. Goldrick-Rab, "Paying the Price: College Costs, Financial Aid, and the Betrayal of the American Dream," Chicago: University of Chicago Press (2016). Also see: Harry J. Holzer and Sandy Baum, "Making College Work: Pathways to Success for Disadvantaged Students," Brookings Institute (2017), p. 45.

<sup>56</sup> Brecht Neyt, Eddy Omey, Dieter Verhaest, and Stijn Baert, "Does Student Work Really Affect Educational Outcomes? A Review of the Literature," *IZA Institute of Labor Economics*, no. 11023 (2017), p. 19.

<sup>57</sup> Jenny Nagaoka, Camille A. Farrington, Melissa Roderick, Elaine Allensworth, Tasha Seneca Keyes, David W. Johnson, and Nicole O. Beechum, "Readiness for College: The Role of Noncognitive Factors and Context," University of Chicago Consortium on Chicago School Research (CCSR), *Voices in Urban Education* 38 (2013), p. 50. Also see: Carol S. Dweck, Gregory M. Walton, and Geoffrey L. Cohen, "Academic Tenacity: Mindsets and Skills that Promote Long-Term Learning," Bill & Melinda Gates Foundation (2014), p. 6.

<sup>58</sup> Ibid., p. 50. Also see: Susan P. Farruggia, Cheon-woo Han, Lakeshia Watson, Thomas P. Moss, and Bette L. Bottoms, "Noncognitive Factors and College Student Success," *Journal of College Student Retention: Research, Theory & Practice* 20, no. 3 (2018), p. 321.

Colleges, and Completing College America.<sup>59</sup> Another particularly influential nonprofit, the Lumina Foundation, has been promoting a national postsecondary attainment goal of 60 percent by 2025 based upon the educational policy agenda of former President Obama.<sup>60</sup> Over 40 states having followed suite, establishing statewide postsecondary attainment goals of 60 percent or higher by the year 2025.

### **Policy Proposal**

To narrow the socioeconomic attainment gap in higher education, it is proposed that a new federal undergraduate college grant program be considered titled the Grit Grant Program (GGP). The GGP would require authorization at the federal level by amending Titles III and IV of the HEA with initial approval by the House Committee on Education and Labor. This grant program will provide Pell-eligible students in the lowest income brackets with additional funding up to \$1,500 per academic year, with a matching amount to the nonprofit (public and private) institutions that serve these students. The institutions must also qualify under the Title III Part A, Strengthening Institutions Program (SIP), which requires that at least 50 percent of the institution's students are receiving needs-based aid.<sup>61</sup> This ensures that GGP funds are allocated to institutions with the highest percentage of low-income students and targets students with the greatest need. Funds will be allocated on a discretionary basis during an initial three year proof-of-concept period to measure effectiveness, after which it can be considered for larger scale implementation if deemed successful. The policy goal of the Grit Grant program is to increase the number of low-income students who finish college, which complements the Pell Grant's policy goal to help low-income students access college.<sup>62</sup> Success in achieving the GGP's policy goal will be based upon three key performance metrics, which will be calculated at the student, institutional, and aggregate program levels:

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<sup>59</sup> "Postsecondary Success: Partner & Learning Networks," Bill & Melinda Gates Foundation (2020).

<sup>60</sup> "Increasing College Degree Attainment in America," U.S. Department of Education (2009).

<sup>61</sup> "The Higher Education Act (HEA: A Primer)," Congressional Research Service (2018), p. 5.

<sup>62</sup> "Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes," Congressional Research Service (2016), p. 12.

1. Increase the percentage and volume of low-income students who earn any level of accredited postsecondary credential (including undergraduate certificates, associate degrees, or bachelor's degrees).
2. Accelerate the on-time completion of a postsecondary credential for low-income students.
3. Realize a positive Social Return on Investment (SROI), calculated as the present value of taxes paid post-graduation by participating graduates and the estimated savings in public expenditures, compared to the total value of grants funded to these graduates.

The Grit Grant Program design is unprecedented at the federal level in higher education because it provides persistence (i.e., grit) incentives focused on outcomes including credits earned and on-time completion. Unlike current Title IV student financial aid programs that are needs based and Title III institutional funding programs that are formula based, the GGP provides both students and institutions with economic incentives from rewards that are dispersed when students successfully complete each semester and earn increments of credits depending upon whether they are full- or part-time. Full-time students must earn a minimum of 12 credits per semester (6 credits for part-time students), but can earn a larger GGP award if they take 15 credits (9 credits for part-time students). Students who take summer courses also earn a prorated Grit Grant that complements the year-round Pell (YRP) program. Thus, by incentivizing a higher per-semester credit load and summer courses, the GGP seeks to incentivize on-time completion. Additionally, credits earned during the student's college experience based upon the institution's credit-granting policies such as Advanced Placement (AP), the IB program, CLEP exams, and practicum experiences for-credit (such as summer internships or high quality on-the-job training) may qualify towards GGP awards. These progress-based awards are derived from a research-backed equity framework currently being utilized by several state OBF programs.<sup>63</sup> The GGP is also

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<sup>63</sup> Anna Cielinski and Duy Pham, "Equity Measures in State Outcomes-Based Funding: Incentives for public colleges to support low-income and underprepared students," Center for Postsecondary and Economic Success (2017), p. 8.



limited to eight semesters maximum (or 120 credits) to incentivize accelerated completion of an undergraduate credential, in contrast to Pell Grant awards that are available for up to 12 semesters of full-time school.<sup>64</sup> Finally, the GGP couples reward incentives with a consequence: if the student and institution receive GGP funds but the student fails to complete their postsecondary credential by withdrawing (excluding students who transfer out), 10 percent of the GGP funds received will be converted to a loan that the student and institution must repay, combined with interest that begins accruing from the date of conversion. The interest amount would be calculated similar to a Federal Student Loan.

For students to qualify for the GGP, they must fulfill needs-based requirements in addition to the credit hour progress requirement. Students must be eligible for the federal Pell Grant program and fall within the lowest Pell income quartile based upon Estimated Family Contribution (EFC). Students must also maintain other Pell requirements such as satisfactory academic progress (SAP) with a minimum 2.0 GPA, and enroll in a sufficient number of credit hours each term.<sup>65</sup> GGP awards follow the same frequency as the Pell Grant award year, except that the timing of GGP disbursements occur after the completion of earning the required credit hour increment. GGP funds are also not restricted to tuition and fees so that recipients can use the funds for expenses such as housing, food, transportation, childcare, and healthcare if needed.

For institutions to qualify for funding under the Grit Grant Program, they must also meet needs-based and performance-based requirements. Similar to the student performance requirement, institutions receive rewards as they help students complete the credit hour increments, and the institutions must also qualify under Title III Part A as a SIP school. Institutions have two additional performance requirements, the first of which is to provide a mandatory career and academic advisement session with newly enrolled and eligible GGP

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<sup>64</sup> “Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes,” Congressional Research Service (2016), p. 23.

<sup>65</sup> “Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes,” Congressional Research Service (2016), pp. 3-4.

students to assist them in declaring a major, documenting personal career goals, educating the student on the GGP, and providing financial counseling on the opportunity costs of delaying graduation. This initial advisement session should be followed by regular and substantive advisement support thereafter, all of which must be documented in writing or electronically. The second additional institutional performance requirement is that GGP funds must be used to provide direct student support services. To meet this requirement, institutions can allocate these funds to IPEDS spending categories including instruction, student services, and academic support.<sup>66</sup> To measure this, institutions must meet a basic maintenance-of-service threshold where per-pupil spending for these categories are sustained at prior year levels at a minimum. The selection of support services is at the discretion of the institution and may include remedial and developmental courses (including ESL courses), academic advisement and personalized tutoring, mental health counseling, or other holistic “wraparound” student services.<sup>67</sup> Spending of GGP funds can also complement existing institutional projects that have been approved under Title III Part A, if the project has a direct goal to increase efforts related to student persistence and attainment.<sup>68</sup>

The calculation of the Grit Grant equals 50 percent of the student’s Pell award, half of which is allocated to the student and the other half is awarded to the institution for student support services. For example, if a full-time student qualifies for a Pell Grant award of \$6,000 for the 2020–21 award year,<sup>69</sup> they would also receive a Grit Grant maximum of \$1,500 (half of \$6,000 divided by two) based upon completing two 15-credit semesters, while the institution would receive the other \$1,500. If the student earned 12 credits per semester, they would receive a prorated Grit Grant award of \$1,200 per year (or 80 percent of the maximum amount, calculated

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<sup>66</sup> Integrated Postsecondary Education Data System (IPEDS), National Center for Education Statistics (2020).

<sup>67</sup> "Implementing a Holistic Student Supports Approach: Four Case Studies," *Achieving the Dream* (2018), p. 16.

<sup>68</sup> “List of funded projects: FY 2019, Title III Part A Programs – Strengthening Institutions,” U.S. Department of Education (2019).

<sup>69</sup> Note the current maximum Pell for the 2020-21 award year is \$6,325. See: “Federal Pell Grant Program: Payment Schedules for Determining Full-Time Scheduled Awards in the 2020-2021 Award Year,” *Information for Financial Aid Professionals (IFAP)*, U.S. Department of Education (2020), p. 1.

as 12 credits divided by 15 credits). Grit Grants for summer courses would be calculated on a pro-rata basis as a percentage of the YRP award. Using this same example, if the student is enrolled in an associate degree program and withdraws after completion of their first year, then \$150 (or 10 percent) of the total award disbursed to both the student and the institution would be converted to a loan payable to the federal government.

Estimating the total cost of the GGP on an annual basis is based upon the 225 institutions that are currently participating in the Title III SIP program,<sup>70</sup> derived from IPEDS data which provides the total number of Pell-eligible students and the average Pell award amount (for both full- and part-time students). Based on the most recent data available from the 2017-2018 academic year, the annual GGP cost would be roughly \$63 million in awards for students and another \$63 million in awards to institutions. This estimate assumes an overall average decline in enrollment by 1.3 percent annually over the prior two years based upon recent enrollment trends,<sup>71</sup> and targets the lowest 25 percent of Pell-eligible students. Other factors that may impact this estimate include changes in student body compositional characteristics, withdrawal rates, transfer rates, and re-enrollment rates. To fund the GGP program without a federal budgetary impact, consideration can be given to drawing down on the current Pell Grant program surplus, which was estimated at \$7.4 billion at the end of the 2019 academic year.<sup>72</sup>

Implementation and oversight of the GGP would utilize existing agencies and resources. The program would be overseen by ED, while the student and institutional requirements would be reviewed by the institution's auditor during the annual FSA audit, as well as the institution's accreditor during accreditation site visits and periodic renewals. Because GGP funding is calculated as a percentage of the student's Pell award, no additional technical updates to the FAFSA are necessary. ED will also oversee development of digital and printed educational

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<sup>70</sup> "Title III Part A Programs – Strengthening Institutions: FY 2019," U.S. Department of Education (2019).

<sup>71</sup> "Fall 2019: Current Term Enrollment Estimates," National Student Clearinghouse Research Center (2019).

<sup>72</sup> "The Pell Grant Program: Summary," Congressional Budget Office (2019).

materials and resources to ensure qualified GGP students and institutions can fully comprehend the program requirements, rewards, and consequences. Reporting data on the GGP can be captured with minor modifications to IPEDS reports.

### **Policy Analysis**

One of the significant advantages of the proposed Grit Grant Program is the ability of policy analysts to measure how efficiently funds are utilized with a Social Return on Investment (SROI) metric, which compares the costs of the program relative to the additional societal benefits derived from increased attainment rates. The SROI can be calculated by estimating the present value of GGP graduates' taxes paid to federal, state, and local governments, in addition to estimating the present value of savings in welfare, public health, and criminal justice costs. This cost-benefit evaluative method was used to analyze the efficiency of a similar program offered by the College of New York (CUNY) known as the Accelerated Study in Associate Programs (ASAP).<sup>73</sup> Many of the programmatic characteristics of ASAP resemble the GGP such as ASAP's primary goal to improve educational outcomes for low-income students by providing financial incentives and wraparound services.<sup>74</sup> The ASAP program has undergone significant evaluation from several studies that evidence it increases attainment,<sup>75</sup> with one of the more recent studies indicating that ASAP cohorts achieved a graduation rate 25.6 percent higher than non-ASAP cohorts over a three-year time period.<sup>76</sup> Using cost-benefit analysis, it was estimated the present value of all taxes paid by associate degree graduates starting at age 23 was \$165,400

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<sup>73</sup> Henry M. Levin and Emma García, "Accelerating Community College Graduation Rates: A Benefit-Cost Analysis," *Journal of Higher Education* (2017).

<sup>74</sup> Diana Strumbos, Donna Linderman, and Carson C. Hicks, "Postsecondary Pathways Out of Poverty: City University of New York Accelerated Study in Associate Programs and the Case for National Policy," *The Russell Sage Foundation Journal of the Social Sciences* 4, no. 3 (2018), pp. 103 and 107.

<sup>75</sup> Mark Schneider and Kim Clark, "Completion Reforms that Work: How Leading Colleges Are Improving the Attainment of High-Value Degrees," *Third Way* (2018), p. 7. Also see: Michael J. Weiss, Alyssa Ratledge, Colleen Sommo, and Himani Gupta, "Supporting Community College Students from Start to Degree Completion: Long-Term Evidence from a Randomized Trial of CUNY's ASAP," *American Economic Journal: Applied Economics* 11 (2019), pp. 253-297.

<sup>76</sup> Diana Strumbos, Donna Linderman, and Carson C. Hicks, "Postsecondary Pathways Out of Poverty: City University of New York Accelerated Study in Associate Programs and the Case for National Policy," *The Russell Sage Foundation Journal of the Social Sciences* 4, no. 3 (2018), p. 104.

greater than those who only completed high school as shown in Table 1 (in 2010 dollars at a discount rate of 3.5 percent).<sup>77</sup>

**Table 1:** Lifetime Taxes from Earnings, City, Property, and Sales Tax by Educational Attainment (present value at age 3 years at 3.5% discount rate)

	High School Completers	Associate Degree Recipients	Associate Minus High School
Total tax	<b>233,300</b>	<b>398,700</b>	<b>165,400</b>
<i>By type of tax:</i>			
Federal Income Tax Liability After All Credits	45,700	106,300	60,600
State Income Tax Liability After All Credits	23,600	45,500	21,900
FICA (OASDI & HI, Employee & Employer)	98,000	147,600	49,600
City Income Tax (Net)	26,800	40,300	13,500
Property Tax	7,500	11,300	3,800
NYC Sales Tax	16,000	24,100	8,100
NY State Sales Tax	15,700	23,600	7,900

Source: Earnings' taxes calculated based on American Community Survey (ACS) 2008–2010 and National Bureau of Economic Research (NBER)-Taxesim, Version 9.0, in constant 2010 dollars.

Note. FICA = Federal Insurance Contributions Act; OASDI = Old-Age, Survivors, and Disability Insurance; HI = Hospital Insurance. Productivity increase of income (the tax base) is 1.5% per year. City income, property, NYC sales, and NY state taxes are calculated based on ACS 2005–2010 and city and state sources (see Levin & García, 2013, Table A1). Monetary values have been rounded to the closest hundred-dollar value. Totals may not sum to total due to rounding.

The study also calculated \$40,600 as the present value of the savings in reduced public health, welfare, and criminal justice expenditures for associate degree graduates compared to high school completers. Hence the total present value for one additional associate degree graduate compared to a high school completer was estimated at \$205,500 as shown in Table 2.<sup>78</sup>

<sup>77</sup> Henry M. Levin and Emma García, “Accelerating Community College Graduation Rates: A Benefit-Cost Analysis,” *Journal of Higher Education* (2017), p. 11.

<sup>78</sup> Henry M. Levin and Emma García, “Accelerating Community College Graduation Rates: A Benefit-Cost Analysis,” *Journal of Higher Education* (2017), p. 15.

**Table 2:** Generation of Total Fiscal Benefits to the Taxpayer per Degree (present value of lifetime benefits at age 23 years)

	Per Additional Associate Degree
Total Public Benefits	<b>\$205,500</b>
<i>By area category of benefits:</i>	
Tax Revenues From Income <sup>a</sup>	\$145,600
Property and Sales Taxes	\$19,800
Public Savings:	
Health Expenditures <sup>b</sup>	\$5,000
Welfare and Public Assistance	\$6,000
Criminal Justice	\$29,100

*Note.* (a) Includes federal, state, Federal Insurance Contributions Act, and city income taxes; (b) includes Medicare, Medicaid, VA, TRICARE, other federal, state, and local sources, and other public. In constant 2010 dollars.

Using the CUNY ASAP present value estimate and a range of possible attainment rate outcomes, an estimate of the SROI can be determined for the GGP by first adjusting the ASAP figure upward to reflect current real incomes, which are 7.2 percent higher in 2018 (the most recently available income data) compared to 2010.<sup>79</sup> This figure is then adjusted downward to reflect the national average income, which is 9.5 percent lower than the average income in New York.<sup>80</sup> This yields a present value benefit of roughly \$200,800 per associate degree graduate. Next, this amount is multiplied by the number of additional students expected to complete based upon implementation of the GGP. Using a conservative attainment increase of five percent, this would yield roughly 3,000 additional graduates from SIP institutions, generating a total societal benefit of \$602 million (or 3,000 multiplied by \$200,800) with an SROI of 478 percent (calculated as \$602 million divided by the GGP total estimated cost of \$126 million). Put differently, for every dollar invested in the GGP program, an estimated marginal societal benefit of \$4.78 is generated. Using a more aggressive attainment rate improvement assumption of 10 percent (which is substantially lower than the ASAP improvement rate of 25.6 percent), this would yield roughly 6,000 additional graduates with an estimated societal benefit of \$1.2 billion

<sup>79</sup> “2018 American Community Survey,” U.S. Census Bureau, (2019).

<sup>80</sup> *Ibid.*, p. 1.

and a SROI of 956 percent. In other words, using a 10 percent attainment increase assumption, for every dollar spent on the GGP program, a marginal societal benefit of \$9.56 is generated. These estimates are in line with calculations published in a Federal Reserve Bank of Boston report that estimated each dollar spent by the government on a college graduate results in \$7.46 in financial benefits to society from increased taxes and reduced social program costs over the length of a graduate's lifetime.<sup>81</sup> Two of the drawbacks of this GGP SROI calculation include that it doesn't adjust the SROI downward for those GGP graduates who earn a shorter-term undergraduate certificate instead of an associate degree, nor does it adjust for cohorts with an average age older than 23. Shorter-term certificates combined with cohorts with an older average age will reduce the present value of future societal benefits and reduce the SROI accordingly. On the other hand, this calculation doesn't reflect the number of low-income students who may choose to continue on and earn a bachelor's degree, which would be associated with higher lifetime earnings and would increase the SROI accordingly. Finally, there is some risk that institutions may not implement the GGP effectively or attainment rates may fail to improve during the three-year trial, which could result in a negligible, or possibly negative, SROI.

In addition to the societal benefits, the GGP will likely provide supplementary economic benefits to eligible students directly, besides the benefits of improved income and employment prospects. One of the likely impacts of the GGP is the crowding-out effect that GGP awards will have on student debt such as Title IV Federal Student Loans, resulting in students and graduates with lower debt loads. A study conducted by the National Bureau of Economic Research found that for students who would likely take on student debt in the absence of a Pell Grant, one additional dollar of Pell Grant resulted in a reduction in borrowing by roughly \$1.80.<sup>82</sup> A similar conclusion was drawn by the Tennessee Promise Program, which provides low-income students

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<sup>81</sup> Philip A. Trostel, "High Returns: Public Investment in Higher Education," Federal Reserve Bank of Boston (2008), p. 32.

<sup>82</sup> Benjamin M. Marx and Lesley J. Turner, "Borrowing Trouble? Student Loans, the Cost of Borrowing, and Implications for the Effectiveness of Need-Based Grant Aid," National Bureau of Economic Research, Working Paper 20850 (2015), p. 3.

with financial awards that cover shortfalls in tuition and fees not covered by Pell, coupled with mentoring and advisement support.<sup>83</sup> The program found that 17 percent fewer undergraduate students took out federal loans, and the average federal loan per participating student declined by 12 percent.<sup>84</sup> Accordingly, students who participate in the GGP program will likely graduate with lower debt loads, and even those GGP recipients who choose to withdraw prior to completing a credential will have lower debt burdens as well. Another likely economic benefit to GGP students directly is accelerated on-time completion rates, which is associated with a lower cost of college and reduced student debt burdens, combined with lower opportunity costs. For example, research from one study suggests that a one-year delay in graduation from four years to five years yields an estimated economic cost to the student of between \$95,000 and \$115,000 (in 2010 dollars), calculated as the present value of a graduate's annual salary and the tuition cost of one additional year of college, among other variables.<sup>85</sup>

Another important assumption of the GGP is that incentives are needed to align the behaviors of both students and institutions with outcomes such as attainment. One of the scholarly criticisms of the current Title IV financial aid programs is they fail to fully incorporate knowledge from disciplines such as behavioral economics and cognitive psychology into their program designs.<sup>86</sup> Research indicates that current Title IV programs incentivize some institutions to accept higher numbers of low-income students that qualify for larger amounts of federal financial aid, but offer little incentive or accountability to provide the institutional support services required to help these students achieve outcomes, also referred to as *undermatching*.<sup>87</sup> Similar to the proposed GGP, many state financial aid programs seek to address these incentive

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<sup>83</sup> "Tennessee Promise Annual Report," Tennessee Higher Education Commission and Tennessee Student Assistance Corporation (2017).

<sup>84</sup> Ibid., p. 12.

<sup>85</sup> Suzanne K. Hayes, "Student Employment and the Economic Cost of Delayed College Graduation," *Journal of Business & Leadership: Research, Practice, and Teaching*, Vol. 6, no. 1, Article 14.

<sup>86</sup> Sandy Baum and Saul Schwartz, "Student Aid, Student Behavior, and Educational Attainment," The George Washington University Graduate School of Education and Human Development (2013).

<sup>87</sup> Ibid., p. 20.



problems by leveraging Outcomes-Based Funding (OBF) programs that reward institutions for achieving equity-based outcome measures.<sup>88</sup> Effectively-designed equity measures ensure that rewards are targeted to low-income students and mitigate against the risk that institutions will increase admission selectivity, resulting in marginalization of low-income students who have greater need of remedial support.<sup>89</sup> For example, the state of Colorado's OBF program provides institutions with bonuses based upon completed credit hours and conferred credentials for Pell-eligible students.<sup>90</sup> Nevada's OBF program also rewards institutions with a bonus for degree completion of Pell-eligible students,<sup>91</sup> while Montana's OBF program rewards institutions for retention and graduation of low-income students.<sup>92</sup> To mitigate the risk of increasing admission selectivity, these state OBF programs also contain provisions that provide funding for student support services such as the completion of remedial courses for underserved populations and acceptance of a greater percentage of academically underprepared students. Similarly, the GGP program mitigates against the risk of increasing admission selectivity by targeting the bottom quartile of Pell-eligible students and restricting institutional rewards to financial spending categories that directly relate to support services that will benefit low-income students. In terms of student incentives, current federal financial aid programs also provide little incentive to achieve on-time credential completion, and even provide incentives to some students to take out more federal loan debt than they can reasonably expect to repay.<sup>93</sup> Similar to OBF programs, the GGP program addresses these incentives by requiring periodic advisement and financial counseling on the economic costs of delayed graduation, and by allowing the student flexibility to use GGP funds for expenses such as healthcare, housing, and food that would otherwise require a

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<sup>88</sup> Anna Cielinski and Duy Pham, "Equity Measures in State Outcomes-Based Funding: Incentives for public colleges to support low-income and underprepared students," Center for Postsecondary and Economic Success (2017).

<sup>89</sup> *Ibid.*, p. 2.

<sup>90</sup> "HB 14-1319 Funding Allocation Model Final Report," Colorado Commission on Higher Education (2015).

<sup>91</sup> "Higher Education Funding Formula Summary," Nevada System of Higher Education (2015).

<sup>92</sup> "MUS Performance Funding: History, Goals, Description, & Results," Montana University System (2016).

<sup>93</sup> Sandy Baum and Saul Schwartz, "Student Aid, Student Behavior, and Educational Attainment," (2013), p. 19.

student loan to cover, or would require the student to take on longer working hours that may impinge upon academic activities.

One of the possible drawbacks of using reward-based incentives for postsecondary attainment is that the amount of GGP awards for both students and institutions (including the penalty loan conversion percentage for withdrawal) may not be sufficient enough to motivate behavior changes. Based upon the average Pell award per student of \$4,245 (which includes part- and full-time students) at SIP institutions for the most recent award year,<sup>94</sup> the average GGP award would be \$1,061 per student per year and another \$1,061 per institution per year, which amounts would be lower for part-time students and higher for full-time students. For comparison purposes, annual average incentive-based awards from state OBF and grant programs are illustrative. For example, the average low-income student award amount for the Tennessee Promise Program during the most recently reported academic year was \$1,548,<sup>95</sup> while the average retention grant awarded by Georgia State University was \$900 per year.<sup>96</sup> For CUNY ASAP full-time students, the annual average award was \$3,700, while a similar ASAP program in Ohio averaged \$3,000 per year.<sup>97</sup> Indiana's OBF program averages an award of roughly \$2,500 per institution per year for credential completion, while student awards range from \$250 to \$1,000 for completing increments of 15 credits (or \$500 to \$2,000 per student per year).<sup>98</sup> Hence the GGP award amount appears to fall roughly within a similar range compared to these state incentive based programs. Another incentive that seeks to deter students from withdrawing is the GGP penalty that converts 10 percent of the total amount awarded to a loan for early withdrawal, which is similar to the loan conversion consequence of Federal TEACH Grants if the grant

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<sup>94</sup> "Title III Part A Programs – Strengthening Institutions: FY 2019," U.S. Department of Education (2019).

<sup>95</sup> "Tennessee Promise: 2019 Annual Report," Tennessee Higher Education Commission (2019), p. 23.

<sup>96</sup> Martin Kurzweil and Derek Wu, "Building a Pathway to Student Success at Georgia State University," Ithaka Research (2015), p. 8.

<sup>97</sup> Diana Strumbos, Donna Linderman, and Carson C. Hicks, "Postsecondary Pathways Out of Poverty: City University of New York Accelerated Study in Associate Programs and the Case for National Policy," *The Russell Sage Foundation Journal of the Social Sciences* 4, no. 3 (2018), p. 112.

<sup>98</sup> "Performance Funding Per-Unit Payments," Indiana Commission for Higher Education (2020).

recipient doesn't meet service requirements. A study of the TEACH program, which provides grants to postsecondary students majoring in education and teaching, concluded that 63 percent of these grants ended up converting to loans for several reasons including poor communication with teachers post-graduation and lack of clarity and difficulty in meeting service requirements.<sup>99</sup> This highlights the importance of clearly communicating the GGP program requirements to each newly enrolled GGP student and advising them of the consequences of early withdrawal. Another potential drawback of the GGP penalty is the cost associated with servicing converted loans. In the event a student withdraws early, the total amount converted to a loan may range from roughly \$50 to \$300, or higher. Due to the small size of these loans, the effort and cost required to service and collect these loans may exceed the amount of the loan. Furthermore, these loans may discourage students from re-enrolling in the future.

One of the integral institutional requirements of the GGP is that SIP institutions provide career and academic advisement with eligible students, along with other important wraparound support services. There is extensive research devoted to the significance of these institutional supports, starting with the importance of helping a newly enrolled student define their personal and career goals, declare a major, and fully comprehend their academic pathway. Research suggests that students who are provided individual advisement in the selection of a major that aligns with their personal goals and interests and who understand the longer-term career implications, are more highly motivated and purpose-driven.<sup>100</sup> Similarly, students who clearly understand how their major, courses, and academic pathway are aligned with their career goals are 63 percent more likely to agree that their education was worth the cost and was valuable.<sup>101</sup> This builds upon extensive research indicating that increases in non-cognitive factors such as a student's sense of value and positive mindset have a substantial positive influence on grit,

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<sup>99</sup> Elizabeth Barkowski, "Study of the Teacher Education Assistance for College and Higher Education (TEACH) Grant Program," U.S. Department of Education (2018), pp. 11, 71, and 74.

<sup>100</sup> "College, On Purpose," Completing College America (2019), pp. 3-5.

<sup>101</sup> "Survey: Career Relevance Boosts Positive Perceptions of Higher Education," National Association of Student Financial Aid Administrators (2018).

retention, and completion.<sup>102</sup> Ongoing advisement is also vital in reducing poor decision-making, avoiding unnecessary credit accumulation and related costs, and achieving on-time graduation. For example, the Tennessee Promise program contains a state-sponsored service called Tennessee Reconnect Navigator that provides free ongoing career advisement to college students, career exploration tools, financial tools that provide cost estimates, and academic advisement in selecting a major.<sup>103</sup> Georgia State University (GSU) implemented a Graduation and Progression System (GPS) for students that provides a career map from job data sources such as Burning Glass for each chosen major. In addition to recurring student advisement sessions each semester, the GPS system prompts advisors to proactively intervene based upon a data-driven alerts system. Implementation of the GPS advising system has coincided with substantive increases in retention and progression rates.<sup>104</sup> Another longitudinal study of the North Carolina Covenant program concluded that state financial aid programs targeting low-income students were not sufficient by themselves to improve progress and completion rates. After the Covenant program was later modified in 2007 to include both financial incentives and non-financial institutional supports, the study concluded that this more holistic approach resulted in statistically significant improvements in credit accumulation and on-time completion rates for participating low-income students.<sup>105</sup> The institutional supports included individual faculty mentoring, peer counseling from previous Covenant participants, academic and career workshops, and community events. One final example of the importance of wraparound support for low-income students is CUNY's ASAP program, which provides mandatory periodic advisement sessions, a structured course sequence map for each major, tutoring and remedial courses, dedicated career counseling, year-round

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<sup>102</sup> Susan P. Farruggia, Cheon-woo Han, Lakeshia Watson, Thomas P. Moss, and Bette L. Bottoms, "Noncognitive Factors and College Student Success," *Journal of College Student Retention: Research, Theory & Practice* 20, no. 3 (2018), pp. 320-323.

<sup>103</sup> "Tennessee Reconnect Navigator," State of Tennessee (2019).

<sup>104</sup> Martin Kurzweil and Derek Wu, "Building a Pathway to Student Success at GSU," Ithaka Research (2015), p. 12.

<sup>105</sup> Charles T. Clotfelter, Steven W. Hemelt, and Helen F. Ladd, "Multifaceted Aid for Low-income Students and College Outcomes: Evidence from North Carolina," National Bureau of Economic Research, Working Paper 22217 (2017), pp. 30-31.

course availability, and financial counseling that emphasizes the opportunity costs of delaying graduation.<sup>106</sup> As noted earlier, these institutional wraparound services combined with financial incentives were associated with a 25 basis point increase in CUNY's graduation rates. On the other hand, one of the potential risks that could impair the effectiveness of the GGP program is if institutions spend GGP funds for support services, but the services aren't targeted enough, or the services are poorly implemented, resulting in a negligible impact on attainment. Also, because of potential fluctuations or possible cuts in state education budgets, another potential risk of the GGP is if institutions fail to meet the spending maintenance-of-service thresholds in the required IPEDS spending categories.

One of the other potential criticisms of the GGP program is that SIP institutions may choose to increase their tuition rates and reduce the amount of institutional aid directed at low-income students in an effort to capture a larger percentage of the student portion of the Grit Grant. There has been extensive research devoted to the idea that increasing federal student aid such as Student Loans and Pell Grants induce tuition increases and reductions in institutional aid (commonly referred to as the *Bennett Hypothesis*), which is also one of the primary arguments against increasing federal student aid programs.<sup>107</sup> However, in context of the GGP program, this research has several limitations, the first of which is that nearly all the studies focus on the needs-based Federal Title IV programs and needs-based institutional aid, rather than the tuition effects of performance-based or merit-based aid. For example, one of the few studies that analyzed the institutional tuition effects of merit-based aid found that public and private institutions reduced their tuition rates when state-funded, merit-based aid increased, and the institutions increased competition for high-ability students in order to qualify for this aid.<sup>108</sup> This conclusion supports

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<sup>106</sup> Diana Strumbos, Donna Linderman, and Carson C. Hicks, "Postsecondary Pathways Out of Poverty: City University of New York Accelerated Study in Associate Programs and the Case for National Policy," *The Russell Sage Foundation Journal of the Social Sciences* 4, no. 3 (2018).

<sup>107</sup> Veronique De Rugy and Jack Salmon, "Reevaluating the Effects of Federal Financing in Higher Education," Mercatus Center, George Mason University (2019), p. 6.

<sup>108</sup> Bradley R. Curs and Luciana Dar, "Do Institutions Respond Asymmetrically to Changes in State Need- and Merit-Based Aid?" Association for the Study of Higher Education (2010).

the idea that performance-based incentives can lead to positive tuition effects for students, and reinforces the importance of using equity outcome measures in the GGP's design to mitigate against the risk of institutions increasing their admission selectivity of low-income students. Other limitations of the body of research on the Bennett Hypothesis are that the studies don't effectively control for variables associated with institutions' provision of wraparound support services nor the changing spending patterns driven by updates to state funding formulas, and they tend to focus analysis at the aggregate level rather than the institutional or student level. Therefore, the GGP program will provide an opportunity during the three-year trial period to effectively measure and evaluate the tuition effects of performance-based funding at institutional and student levels while controlling for other potential institution- and state-specific intervening variables to the extent possible.

One final potential criticism of the GGP is that current estimates of the cost are difficult to predict and may vary widely based upon enrollment trends of low-income students at SIP institutions and the percentage of students who qualify for Pell Grants. These types of fluctuations are driven by many variables including economic conditions, availability and promotion of college financing schemes, and the personal attributes of students. For instance, the percentage of undergraduate students receiving Pell Grants increased from 26 percent in 2009 to 38 percent in 2012, resulting in a program deficit because the projected costs based on enrollment exceeded the amount appropriated.<sup>109</sup> From 2012 to 2019, the percentage of Pell recipients has steadily declined to 31%, resulting in a large budget surplus. Thus, although the estimated cost of the GGP three-year trial is roughly \$126 million per year, this cost may increase substantially if the number of low-income student enrollment at SIP institutions increases faster than expected.

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<sup>109</sup> "Trends in Student Aid," College Board (2019).

## Political Analysis

The proposed Grit Grant Program would likely appeal to congressional democratic members of the House because GGP policies complement the democratic proposal to reauthorize the HEA known as the College Affordability Act (CAA), which was advanced along party lines by the House Committee on Education and Labor on October 18, 2019 with unanimous support from the democratic majority and unanimous opposition by the republican minority.<sup>110</sup> The CAA illustrates one of the key positions of democratic policymakers related to postsecondary attainment, which is the importance of expanding the amount of Pell Grant awards for low-income students by increasing federal spending.<sup>111</sup> As noted in the Congressional Budget Office (CBO) estimate below in Table 3, the CAA would increase spending on the Pell Grant program by roughly \$100 billion through the year 2024.<sup>112</sup>

**Table 3:** Estimated Budgetary Effects of H.R. 4674

By Fiscal Year, Billions of Dollars											2020-2024	2020-2029
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029		
<b>Increases and Decreases (-) in Direct Spending</b>												
Pell Grants												
Estimated Budget Authority	*	4.6	6.2	7.6	9.0	10.4	11.9	13.7	15.3	17.1	27.4	95.9
Estimated Outlays	*	1.2	5.0	6.6	8.0	9.3	10.8	12.4	14.1	15.8	20.7	83.1
<b>Increases in Spending Subject to Appropriation</b>												
Pell Grants												
Estimated Authorization	0	19.7	28.6	29.6	30.1	n.e.	n.e.	n.e.	n.e.	n.e.	108.0	n.e.
Estimated Outlays	0	5.1	21.8	28.8	29.7	22.3	0.3	n.e.	n.e.	n.e.	85.4	n.e.

Components may not sum to totals because of rounding; n.e. = not estimated; \* = between -\$50 million and \$50 million.  
Estimated outlays after 2024 are derived from authorizations prior to 2025.

Hence from a cost perspective, the GGP would likely appeal to democratic policymakers because of the relatively small price tag for the three year trial, estimated at roughly \$126 million per year, and because the GGP policy goals complement the Pell Grant program and the primary policy

<sup>110</sup> "H.R. 4674 – The College Affordability Act," 116<sup>th</sup> U.S. Congress, House (2019).

<sup>111</sup> "H.R. 4674, the College Affordability Act: Proposed Reauthorization of the Higher Education Act, Summary of Major Provisions," Congressional Research Service (2020), pp. 2, 9, and 14.

<sup>112</sup> "H.R. 4674 Cost Estimate," Congressional Budget Office (2019), p. 2.

goal of the CAA: “to provide students the opportunity to graduate on-time and transition to a successful career.”<sup>113</sup>

The GGP proposal would also likely appeal to republican members of the House including the Ranking Member, Virginia Foxx, because GGP policies align with the republican proposal to reauthorize the HEA known as the PROSPER Act (PA), which was advanced along party lines during the 115<sup>th</sup> Congress by the House Committee on Education and Labor on December 13, 2017 with unanimous support from the republican majority and unanimous opposition by the democratic minority.<sup>114</sup> Similar to the CAA proposal, the republican PA also proposes continued support for low-income students by increasing funding for the Pell Grant program by roughly \$74.5 billion through the year 2022 as shown in Table 4,<sup>115</sup> and by implementing a new federal financial aid program for low-income students called IMPACT Grants.<sup>116</sup>

**Table 4:** Estimated Budgetary Effects of H.R. 4508

	By Fiscal Year, Millions of Dollars					
	2018	2019	2020	2021	2022	2018-2022
Increases and Decreases (-) in Direct Spending						
Pell Grants						
Estimated Budget Authority	822	999	1,144	1,278	1,391	5,634
Estimated Outlays	309	1,007	807	1,175	1,307	4,605
Increases and Decreases (-) in Spending Subject to Appropriation						
Pell Grants						
Estimated Authorization Level	322	14,017	23,910	24,962	25,679	88,890
Estimated Outlays	87	4,016	16,551	24,095	25,145	69,894

In contrast to House democrats, the PA proposes reducing costs in other HEA programs to offset the increases in Pell and IMPACT funding so that the net impact to the federal budget is neutral, which includes eliminating subsidies on Federal Loans and phasing out grant programs such as

<sup>113</sup> “H.R. 4674 – The College Affordability Act,” 116<sup>th</sup> U.S. Congress, House (2019), p. 1.

<sup>114</sup> “H.R. 4508 – PROSPER Act,” 115<sup>th</sup> U.S. Congress, House (2017).

<sup>115</sup> “H.R. 4508 Cost Estimate,” Congressional Budget Office (2019), pp. 6 and 26.

<sup>116</sup> “H.R. 4508, the PROSPER Act: Proposed Reauthorization of the Higher Education Act,” Congressional Research Service (2018), p. 44.



FSEOG and TEACH.<sup>117</sup> In other words, republican policymakers are generally opposed to net increases to federal financial aid programs similar to those proposed by the CAA, which they describe as excessively costly and untenable.<sup>118</sup> Hence it seems likely that republican policymakers would favor a grant program such as the GGP that targets low-income students; however, approval of the GGP by republicans would likely require compromise by reducing funding for another federal financial aid program. For example, perhaps a compromise could be made by allowing the FSEOG program to be reauthorized, albeit for a lower amount with a portion of these savings reallocated to fund the GGP trial, another portion to fund the republican IMPACT Grant program, and part of the funding for one or more of the new democratic CAA programs. Policymakers could then measure and analyze all of these programs over time to evaluate which programs have the most substantial impact on student attainment and outcomes.

One of the significant House bipartisan policy positions of both the democratic CAA and republican PA proposals is they support the establishment of new performance-based grant programs targeting low-income students similar to the GGP proposal. The PA performance-based program is called the Pell Grant Bonus, which is a form of portable aid that directly awards Pell Grant recipients an additional \$300 per academic year for students who earn a minimum of 30 credits.<sup>119</sup> The CAA proposal is also called the Pell Bonus program, but differs by providing bonus awards directly to institutions who enroll at least 25 percent of Pell-eligible students and for achieving on-time completion of bachelor's degrees. While these policies are laudable, one of the limitations of CAA's Pell Bonus is that it focuses exclusively on bachelor's degree attainment rather than any postsecondary credential, and PA's Pell Bonus doesn't provide a pro-rata bonus if a student takes less than 30 credits per year. Another potential limitation of the CAA's Pell Bonus program is that it targets all Pell-eligible students rather than the lowest income Pell students,

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<sup>117</sup> "The Higher Education Act (HEA: A Primer)," Congressional Research Service (2018), p. 29

<sup>118</sup> "Press Release: Democrats' College #unAffordability Act Costs Billions," 116<sup>th</sup> Congress, Republicans, Committee on Education & Labor (2019).

<sup>119</sup> "H.R. 4508, the PROSPER Act: Proposed Reauthorization of the Higher Education Act," Congressional Research Service (2018), p. 10.

which may result in slightly regressive outcomes that benefit Pell students in higher income brackets more.<sup>120</sup> The GGP would therefore help policymakers address these limitations by providing institutional and student incentives for all credential types, providing bonus awards for credits on a pro-rata basis, and by targeting the lowest quartile of Pell students.

Another important bipartisan House policy position of both the PA and CAA is the importance of evaluating the performance of financial aid programs. For example, PA's Pell Bonus requires the Government Accountability Office (GAO) to conduct comparative research over a 30-month period to analyze whether Pell Bonus recipients complete their credentials at a higher rate and/or on-time, and whether they graduate with a lower debt burden. Similarly, CAA's Pell Bonus, Student Success Fund, and Remedial Education Grants require evaluation of whether these substantively improve course and degree completion.<sup>121</sup> These examples provide some indication that policymakers will value the GGP policy goals and evaluative metrics such as the institutional- and student-level SROI cost-benefit metrics.

Another noteworthy bipartisan House policy position of both the PA and CAA is the requirement that students receive financial counseling periodically. For example, the PA proposes a modification to the HEA so that all students (including Pell recipients) receive financial counseling annually, rather than student borrowers only at the beginning of their program.<sup>122</sup> Similarly, the CAA proposes a modification to the HEA that requires institutions to provide student borrowers with annual financial counseling, although it doesn't require Pell recipients to receive counseling. The GGP provides a bipartisan compromise of both the PA and CAA by also requiring ongoing counseling to ensure students are educated on the terms and requirements of the financial aid programs they qualify for, but it goes a step further by requiring institutions to

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<sup>120</sup> Jason Delisle, "The Pell Grant proxy: A ubiquitous but flawed measure of low-income student enrollment," *Evidence Speaks Reports* 2, no.26, Brookings Institute (2017), p. 10.

<sup>121</sup> "H.R. 4674, the College Affordability Act: Proposed Reauthorization of the Higher Education Act, Summary of Major Provisions," Congressional Research Service (2020), pp. 18-19.

<sup>122</sup> "H.R. 4508, the PROSPER Act: Proposed Reauthorization of the Higher Education Act," Congressional Research Service (2018), p. 29.

explain to students the opportunity costs of delaying graduation in order to incentivize on-time completion.

Another democratic policy perspective that appears to align with the GGP is the importance of providing low-income students with additional support and wraparound services. For example, two of the CAA's newly proposed institutional grant programs called the Student Success Fund and Remedial Education Grants seek to incentivize institutions to provide evidence-based practices such as financial advisement and remedial support to improve graduation rates for low-income students.<sup>123</sup> The Student Success Fund also requires a federal-state partnership that would require states to fund a portion of the program that incrementally increases each year. Based on these similarities, it appears likely that the GGP would receive House democratic support for its institutional requirements to provide wraparound services. However, one potential criticism of the GGP is that it represents federal overreach by not requiring state funding commitments and not providing opportunity for greater participation and decision-making at the state level. On the other hand, with any federal-state partnership, there is risk that states may choose to not fund their portion, or choose to fund their portion initially but reduce their commitment in later years due to unforeseeable events such as state budget cuts.

Another notable House republican policy stance that is generally viewed more favorably is "portable aid" such as Pell Grants, which are available across a wide range of postsecondary institutions, thus providing students a variety of choices.<sup>124</sup> This highlights one of the republican criticisms of the federal FSEOG program that it's overly complex and limits student choice by providing funds directly to participating institutions, which then choose how these funds are allocated to students.<sup>125</sup> Consequently, one of the likely criticisms of the GGP program by republicans is that only SIP institutions are eligible to participate, and hence GGP funds are non-

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<sup>123</sup> Ibid., pp. 18-19.

<sup>124</sup> "H.R. 4674, the College Affordability Act: Proposed Reauthorization of the Higher Education Act, Summary of Major Provisions," Congressional Research Service (2020), pp. 3.

<sup>125</sup> "PROSPER ACT Bill Summary," House Republicans, Committee on Education and Labor (2018), p. 3.

portable during the three-year trial. Also, both democrats and republicans may feel that the GGP should be expanded to include all Title III Minority Serving Institutions (MSIs) during the trial period. This assertion is based upon continued bipartisan funding support for MSIs as demonstrated by the recent passage of the FUTURE Act on December 19, 2019, which provides permanent mandatory funding to MSIs.<sup>126</sup> SIP funding, on the other hand, is believed to be duplicative by some republican policymakers who recommend it get consolidated into the MSI grant program as proposed in the President's FY 2021 budget request for ED.<sup>127</sup> On the other hand, targeting a smaller recipient pool during the GGP trial period is advantageous because it helps keep costs down and allows for the creation of a proof-of-concept. If the trial is deemed successful, the GGP program can then be scaled up and made widely available across all institutions and Pell-eligible students as a form of portable aid.

From a congressional Senate perspective, both republican Senator Lamar Alexander, Chairman, and Democratic Senator Patty Murray, Ranking Member, of the U.S. Senate Committee on Health, Education, Labor and Pensions (HELP) have expressed a desire to compromise on a comprehensive reauthorization of the HEA to improve outcomes for low-income students and underserved populations, although negotiations are still ongoing.<sup>128</sup> For example, both senators have successfully worked in a bipartisan manner to recently pass an amendment of the HEA known as the FUTURE Act, which provides permanent funding for Historically Black Colleges and Universities (HBCUs) and simplifies the FAFSA application for financial aid.<sup>129</sup> One of the primary goals of simplifying the FAFSA was to improve outcomes for low-income students based upon research that shows the poorest quintile of students is 127 percent more likely to attend college if they complete the FAFSA and understand the financial

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<sup>126</sup> "H.R 5363 – Future Act," 116<sup>th</sup> U.S. Congress, Senate (2019).

<sup>127</sup> "FY 2021 Budget Summary," U.S. Department of Education (2020), pp. 45 and 57.

<sup>128</sup> Lauren Camera, "Senate Negotiators Slog through Higher Education Act Updates," U.S. News (2019).

<sup>129</sup> "H.R 5363 – Future Act," 116<sup>th</sup> U.S. Congress, Senate (2019).

benefits available to them.<sup>130</sup> Both senators also worked in a bipartisan manner to reauthorize the Elementary and Secondary Education Act of 1965 as the Every Student Succeeds Act (ESSA).<sup>131</sup> Although not targeted to postsecondary education, ESSA illustrates the importance that both senators place on improving educational attainment by identifying interventions for schools receiving Title I funding with low graduation rates.<sup>132</sup> ESSA requires a standard definition of graduation and enhanced reporting metrics for specific student sub-groups such as low-income, race, and ESL students, and mandates that schools with low graduation rates provide a detailed plan for state support and improvement.<sup>133</sup> This provides some evidence to suggest that both senators will favor the performance-based metrics of the GGP and the institutional requirements to provide holistic support targeted for low-income students.

Both Senator Alexander's and Senator Murray's personal viewpoints also appear to support GGP policies. For example, Senator Alexander has openly expressed the significance of improving postsecondary attainment and also recognizes the value of student counseling as a vital factor in boosting attainment for low-income, rural students: "It's not just about money – they need help. If [postsecondary institutions] really want to improve graduation rates, counselors are the solution."<sup>134</sup> He has also emphasized the importance of holding institutions accountable to ensure students are receiving an education that is worth the cost, and that ED uses measures of institutional accountability for student success that can be clearly understood and consistently applied.<sup>135</sup> Senator Murray also expressed the vital importance to provide benefits that address the needs of low-income students, including: "federal benefit programs to help with the costs of food,

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<sup>130</sup> Peyton Lofton, "Here is one bipartisan way to make college more affordable," *Washington Examiner* (2019). Also see: Chairman's News Room (2019).

<sup>131</sup> "S. 1177 – Every Student Succeeds Act," 114<sup>th</sup> U.S. Congress, Senate (2015).

<sup>132</sup> "The Every Student Succeeds Act: Accountability for Schools with Low Graduation Rates," Congressional Research Service (2018).

<sup>133</sup> *Ibid.*, pp. 1-4.

<sup>134</sup> "Clarksville Online: Lamar Alexander Says Ayers Foundation Has Discovered 'Secret Sauce' for Raising College Graduation Rates," Lamar Alexander Press Room (2019).

<sup>135</sup> Lamar Alexander, "Opening Statement on Strengthening Accountability to Protect Students and Taxpayers," Senate Committee on Health, Education, Labor and Pensions. Accountability Hearing (2019).

housing, healthcare, and more.”<sup>136</sup> Senator Murray aligns with increasing institutional accountability for student success, including graduation and employment.<sup>137</sup> Hence it seems likely that both would support the GGP requirements that institutions provide financial counseling and wraparound support to low-income students as conditions of qualifying for funding, in addition to GGP measures of student success such as on-time completion rates broken out by socioeconomic status and institutional SROI. On the other hand, Senator Alexander may express concern over the increased cost and align with republicans who seek to reduce the amount of funding for other financial aid programs. Also, either or both senators may express concern that the GGP program lacks a federal-state partnership.

Regarding the federal Executive branch, President Trump’s FY 2020 and 2021 budget requests for ED are illustrative, in addition to the published educational policy priorities of the current democratic presumptive presidential nominee, Joe Biden. Similar to many of the proposals contained in the PROSPER Act, the president’s budget requests for both years contain recommendations to reduce the number of federal financial aid programs including FSEOG, while increasing the level of funding for the Pell Grant program.<sup>138</sup> In both budgets, the president also requested funding to improve data collection, build evidence, and improve evaluation of postsecondary programs similar to the evaluation model used by ESSA.<sup>139</sup> There is also a budget request for mandatory appropriations under the bipartisan FUTURE Act targeted to MSIs, in addition to \$196 million of discretionary funding for the 2021 fiscal year.<sup>140</sup> These requests provide some indication that the current president would likely favor a program such as the GGP that targets institutions serving underprivileged students, derives funding from discretionary

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<sup>136</sup> Patty Murray, “Statement on the Need for More Accessible Student Aid,” Senate Committee on Health, Education, Labor and Pensions. Higher Education Reauthorization Act Hearing (2019).

<sup>137</sup> Patty Murray, “Statement on the Department of Education’s Inspector General’s Recommendations to Strengthen Accountability Measures,” Ranking Member’s Newsroom (2018).

<sup>138</sup> “FY 2020 Budget Summary,” U.S. Department of Education (2019), p. 33, and “FY 2021 Budget Summary,” U.S. Department of Education (2020), p. 38.

<sup>139</sup> “FY 2020 Budget Summary,” p. 39, and “FY 2021 Budget Summary,” p. 44.

<sup>140</sup> “FY 2021 Budget Summary,” U.S. Department of Education (2020), p. 44.

sources, and requires evidence-based research and evaluation prior to scaling-up. On the other hand, similar to Senate and House republicans, compromise regarding the cost of the GGP will likely be required, perhaps by reducing funding for the FSEOG program and allocating a portion of these savings to the CAA proposals, the IMPACT Grant program, and the GGP trial. The presumptive democratic nominee, Joe Biden, has also outlined several postsecondary policy priorities related to attainment that align with features of the GGP including increasing targeted funding to MSI's, doubling the amount of the federal Pell Grant, and implementing new federal grant programs that seek to increase graduation rates for low-income students by helping them cover non-tuition expenses and providing holistic support services.<sup>141</sup> Therefore, similar to House and Senate democrats, it appears likely that Mr. Biden would support the GGP policy proposal.

With respect to the viewpoints of the American public regarding postsecondary attainment for underprivileged students, there appears to be widespread support for federal and state policies that decrease the cost of college, accelerate completion, and lower debt burdens for students upon graduation. For example, a Harvard poll indicates that among younger Americans ages 18-29, 51% favor reduced cost or tuition-free public college for families earning less than \$125,000 per year.<sup>142</sup> Other research that analyzed a nationwide survey of Americans found that 70 percent support state and federal policies that provide targeted financial aid to low-income students, and 75 percent believe that the cost of college is the largest barrier to completion.<sup>143</sup> These appear to suggest that public opinion of a federally-sponsored financial aid program for low-income students such as the GGP would be favorably received.

With regards to nonprofit higher education leaders, their perspectives of the GGP would likely be mixed because the GGP program targets SIP-eligible institutions. Hence organizations such as the National College Access Network, the American Association of Community Colleges,

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<sup>141</sup> "The Biden Plan for Education Beyond High School," (2020).

<sup>142</sup> "Harvard IOP Youth Poll," Harvard Kennedy School, Institute of Politics (2019).

<sup>143</sup> "College Affordability Survey," Demos and Lake Partners Research (2018).

and the Association of Public and Land-grant Universities would most likely respond based upon their SIP eligibility. In other words, those institutions who qualify under SIP will likely view the GGP favorably, while those that cannot offer the GGP program due to non-SIP status may view it unfavorably, similar to the varied responses of these groups to targeted institutional aid contained in the CAA proposal.<sup>144</sup>

There also several nonprofit organizations and policy think tanks that focus on improving postsecondary attainment for underserved populations that would likely support the proposed GGP. One prominent nonprofit organization comprised of financial aid practitioners known as the National Association of Student Financial Aid Administrators (NASFAA) has proposed policy recommendations that align with GGP, CAA, and PA policies such as providing Pell students with a Super Pell bonus award that is based on enrolling in more than 12 credits per semester, ensuring effective design of financial programs aimed at improving low-income students and low-resource institutions, and reducing student indebtedness.<sup>145</sup> Research conducted by the Brookings Institute also appears to support the GGP's equity-based program design by suggesting that financial aid programs are vital for college persistence and attainment, but increases to federal aid programs for the lowest income students should be designed using an equity framework.<sup>146</sup> The Bipartisan Policy Center also recently issued a report with support from the Lumina Foundation and the Bill & Melinda Gates Foundation that provides several federal policy recommendations including redesigning the FSEOG program so that it better meets the financial needs of low-income students such as child care and emergency expenses, increasing Pell Grant awards to institutions who successfully serve a higher percentage of low-income students, providing outcomes data of graduates including income and employment status broken out by demographics, and standardizing the definitions of institutional IPEDS spending categories to

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<sup>144</sup> Andrew Kreighbaum, "House Dems' Vision for Higher Ed," *Inside Higher Ed* (2019).

<sup>145</sup> "Making Financial Aid Work for All – Higher Education Act Reauthorization Priorities," NASFAA (2019), pp. 2-5.

<sup>146</sup> Elizabeth M. Levesque, "Improving Community College Completion Rates by Addressing Structural and Motivational Barriers," Brookings Institute (2018).



ensure accuracy and consistency of data reporting.<sup>147</sup> Finally, the Lumina Foundation also provides policy recommendations similar to the GGP such as federal programs that help cover the costs of college outside of tuition, increasing the flexibility of student aid programs to help address individualized student needs, and focusing more on educational outcomes rather than primarily on institutional characteristics.<sup>148</sup>

## **Recommendation**

I recommend that you sponsor an amendment to the HEA for consideration by the House and the House Committee on Education and Labor that establishes authority to run a three-year trial of the Grit Grant Program to provide performance-based funding to the lowest-income students and the SIP institutions that serve them. Although the higher education system in America has long been extolled as the “great equalizer” of income and employment opportunities for graduates, it hasn’t always lived up to this standard, particularly for low-income students as evidenced by the widening postsecondary socioeconomic attainment gap and low on-time completion rates.<sup>149</sup> It’s therefore vital that we implement a new financial aid program founded upon an equity framework that directly addresses this gap by providing incentives that align the behaviors of low-income students and the institutions that serve them with a common attainment goal. This program must also go beyond financial incentives to incorporate important student persistence and performance requirements, along with institutional requirements that provide students with necessary wraparound support services. Because current financial aid programs such as the Pell Grant lack these important characteristics, the GGP will provide an urgently needed complement.

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<sup>147</sup> “A New Course for Higher Education: Strengthening Access, Affordability, and Accountability,” Bipartisan Policy Center (2020), pp. 82, 91, 97 and 98.

<sup>148</sup> “Federal Policy Priorities,” Lumina Foundation (2019), p. 3.

<sup>149</sup> M. Cahalan, L. W. Perna, M. Yamashita, J. Wright-Kim, and N. Jiang, “2019 Indicators of Higher Education Equity in the United States: Historical Trend Report,” The Pell Institute for the Study of Opportunity in Higher Education, Council for Opportunity in Education (COE), and Alliance for Higher Education and Democracy of the University of Pennsylvania (PennAHEAD) (2019), p. 1.

One of the biggest anticipated obstacles to obtaining bipartisan support for the proposed GGP will likely be the cost of the trial, which will be particularly challenging for republican members of congress. I'm highly confident, however, that a compromise can be made if both parties agree to reallocate a portion of discretionary funding from another federal financial aid program so that the net impact to the federal budget would be neutral. Accordingly, I suggest reducing the FSEOG institutional allocation to fund the GGP trial, which would require roughly \$126 million annually from the FSEOG budget of \$840 million, or 15 percent.<sup>150</sup> Even though both programs are intended to assist the lowest income students with the greatest need, the FSEOG program has several limitations that the GGP directly addresses, including the lack of performance-based evaluative criteria and the lack of institutional and student incentives. This compromise would allow the FSEOG program to continue operating at 85 percent capacity while allowing concurrent completion of an evidence-based proof-of-concept for the GGP. At the end of the GGP trial, outcomes data such as course and credential completion rates can be compared between GGP and FSEOG cohorts to determine which financial program, if any, provides statistically improved results.

Perhaps the most important potential longer-term impact of the GGP will be the benefits provided to the students themselves, their families, and future generations. For each additional student who is able to complete an associate degree with GGP support, they can expect to earn an extra \$9,600 in income on average per year for the remainder of their lives compared to high school completers.<sup>151</sup> If this same student goes on to earn a bachelor's degree, they can expect to earn conservatively another \$400,000 over the course of their career.<sup>152</sup> The benefits are not

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<sup>150</sup> "The Higher Education Act (HEA: A Primer)," Congressional Research Service (2018), p. 29.

<sup>151</sup> Jennifer Ma, Matea Pender, and Meredith Welch, "Education Pays 2019: The Benefits of Higher Education for Individuals and Society," *Trends in Higher Education Series*, CollegeBoard (2019), p. 17.

<sup>152</sup> *Ibid.*, p. 8.

limited to income only: students with a college degree can expect better physical and mental health, greater employment security, and even improved life expectancy.<sup>153</sup>

The short-term benefits to GGP-eligible students are also significant. Students will receive important funding needed to help cover the secondary costs associated with college such as housing, food, healthcare, and childcare. By helping cover basic necessities, these students will experience greater security during school while becoming more empowered to persist and graduate. GGP students will also receive valuable institutional support services that will help them develop a growth mindset, a greater sense of purpose, and a stronger sense of ownership and value for the education they receive.

From a performance measurement perspective, the GGP introduces new metrics at the student and institutional levels to gain deeper insight into student outcomes. The Social ROI metric would give policymakers the ability to evaluate the efficiency of GGP investment and help to clearly and simply communicate the value of the GGP based upon a positive net present value, which can also provide justification for ongoing investment to policymakers. The institutional maintenance-of-service spending thresholds will ensure that GGP dollars are spent in ways that directly support student success. Finally, the GGP's equity-based program design ensures that the lowest income students with the greatest need receive funding first, and provides incentives to institutions to increase their percentage of low-income student enrollment.

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<sup>153</sup> Philip Trostel and Margaret Chase Smith, "It's Not Just the Money – The Benefits of College Education to Individuals and Society," The Lumina Foundation (2019), pp. 1-2.

### **Curriculum Vitae**

Mark S. Evans was born and raised in Salt Lake City, Utah. He attended Brigham Young University in Provo, Utah, and earned a bachelor's degree in Accounting while completing an internship with General Electric (GE). After graduation, he took a position with Deloitte as a Certified Public Accountant in Los Angeles while working on several Fortune 500 companies and nonprofit clients. He later transitioned to the higher education sector, working for a private university in several positions including Controller, Dean of Admissions, Interim Dean of Undergraduate Business Programs, and currently serves as the Chief Marketing & Communications Officer. He is also Partner and Co-Founder of a learning experience company specializing in online higher education and corporate training settings. His primary areas of interest include closing the equity gaps in higher education and improving the level of self-efficacy for corporate learners.