



Wheelhouse

The Center for
Community College
Leadership and
Research

Research Brief

Volume 3, Number 3
April 2018

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Money Left on the Table

An Analysis of Pell Grant Receipt Among Financially-Eligible Community College Students in California

FINANCIAL BARRIERS MAKE IT HARDER for many students to pursue and persist in higher education.¹ While numerous financial aid programs have been shown to improve student outcomes, the complexity of the financial aid system in the U.S. limits its effectiveness.² Much attention has been paid to the length and complexity of the Free Application for Federal Student Aid (FAFSA), which is required for all federal financial aid programs.³ Less attention has been devoted, however, to barriers to financial aid receipt that remain even after students successfully complete the FAFSA.

This brief summarizes results from a 2017 study examining receipt of Pell Grant aid among California community college (CCC) students. We find that more than twenty percent of students who successfully apply for aid, demonstrate financial eligibility and enroll in the required number of units still do not receive Pell Grant aid. Our calculations indicate that failure to receive Pell Grant aid among seemingly eligible students results in over \$100 million being “left on the table” in only a single semester. Furthermore, Pell take-up rates vary widely by campus, even after controlling for student and campus characteristics.

Background and Context

The Pell Grant program is the largest CCC financial aid program by dollar amount disbursed. In 2015-16, more than 471,000 students (20% of all students enrolled) in the CCC system received \$1.62 billion in Pell Grant aid. In addition to Pell Grants and other federal aid programs, California offers extensive state aid to assist community college students. The largest program (by number of students) is the Board of Governors (BOG) fee waiver program, which covers enrollment fees for low-income students. In 2015-16, over 1 million students received BOG waiver funds representing over 43 percent of total enrollment, and expenditures on BOG total \$803 million.⁴ In contrast to the Pell Grant, applying for the BOG fee waiver is a simple process, and nearly all

TOPLINES

- > Over 20 percent of CA community college students who appear eligible for Pell Grant aid do not receive a Pell Grant.
- > Forgone Pell awards to eligible but non-receiving students total nearly \$130 million statewide in a single semester.
- > Pell Grant take-up rates vary widely across campuses statewide, even after controlling for student and campus characteristics, suggesting a crucial role for campus-level policies and practices.

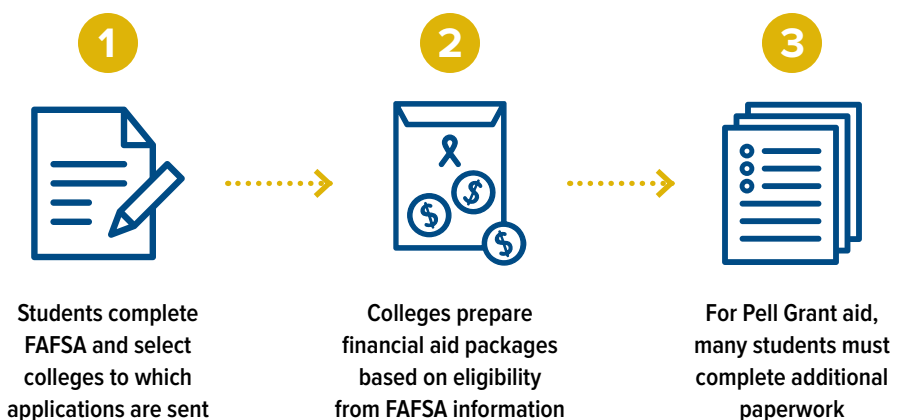
seemingly Pell-eligible students receive fee waivers. This implies that CCC students do not need to use Pell Grant aid to pay for tuition, and instead can use it to pay for books and other living expenses. Effectively, the Pell Grant program operates as a “conditional cash transfer” program in this context. That is, on the condition that students enroll in a CCC campus and take enough units, students receive cash assistance in the form of Pell Grant aid. Despite not having to pay tuition because of BOG fee waivers, Pell Grant aid may still be critical for low-income students, as they face significant living costs, notably for housing. The current maximum Pell Grant award for 2017-18 is \$5,920, which is a large sum relative to the incomes of Pell-eligible students and can be used for any living costs students face.

This brief focuses on CCC students who, on the basis of financial need and enrolled credits, appear to be eligible for Pell Grant aid. Although these results are only directly applicable to California community college students, much of the post-FAFSA paperwork students must complete reflects federal policies, and the patterns we document may be found in community colleges in other states and possibly in four-year universities as well. Moreover, California community colleges comprise the largest system of higher education in the nation, and serve large numbers of students from disadvantaged backgrounds, making the findings highly significant in their own right.

Pell Grant Application Timeline

Pell Grant eligibility is determined by a multi-step process that considers financial need, enrollment status, and cost of attendance,⁵ which includes tuition/fees, books/supplies, room, board and dependent care. First, all students need to complete the Free Application for Federal Student Aid (FAFSA) and select desired college to which the aid applications are sent. The FAFSA requires them to provide a Social Security number, tax returns, bank account balances, and records of individual and family investments. Previous research has found that the length and complexity of the FAFSA has negative effects on aid application and college enrollment.⁶

Colleges are then responsible for preparing financial aid packages based on eligibility determined by the FAFSA information. However, before receiving Pell Grant aid, many students are required to complete additional paperwork, part of a process called “verification”. This additional paperwork may become the hurdle that prevents financially needy students from receiving Pell Grant aid, despite having completed the FAFSA and enrolled in the required number of units to be eligible for aid.



An additional barrier may exist in the form of misunderstandings about the federal aid students are entitled to receive, especially in a California context where state fee waivers result in students paying little out-of-pocket tuition cost.⁷ Students may not realize that with their tuition already covered, the Pell Grant can be used to cover living costs and reduce the need to work, which could allow them to focus more squarely on their studies and progress toward degree, certificate or transfer.

After completing the FAFSA, the U.S. Department of Education (ED) calculates a student's Expected Family Contribution (EFC) to determine financial eligibility for the Pell Grant. If a student's EFC is below the maximum EFC for that given year, she or he is eligible for a Pell Grant. The size of the Pell Grant one can receive depends both on a student's EFC and the number of units enrolled. As EFC increases, the largest Pell Grant one can receive declines. Students also receive smaller Pell Grants if they enroll less than full time (12 units).⁸

The ED sends information from the FAFSA and EFC to colleges selected by students on their FAFSA. Colleges then use this information to prepare financial aid packages that they offer to students. The ED also requires that colleges verify that the information students submit is accurate, and flags applications that require further verification. Colleges must contact applicants flagged for verification and request additional information from them. Items required for verification can include income, pensions and IRA payments, household size, the number of family members in college, high school completion status, and statement of educational purpose. Students cannot receive any Pell aid until the verification process is complete. Colleges are only required to verify up to 30 percent of students flagged, but many colleges choose to verify all students flagged.⁹

The Pell Grant can be used to cover living costs and reduce the need to work, which could allow students to focus more squarely on their studies and progress toward degree, certificate or transfer.

Findings

1. Pell Receipt

More than 20 percent of seemingly eligible CCC students do not receive Pell Grants. Table 1 shows that among students who did not receive a Pell Grant, the average award they would have received in fall 2014 (calculated based on their number of units enrolled, EFC, and the Pell Grant award formula) is \$1,822. Thus in this *one semester alone*, students in our sample appear to have left more nearly \$130 million “on the table”.

Table 1
Pell take-up and “money left on the table.”

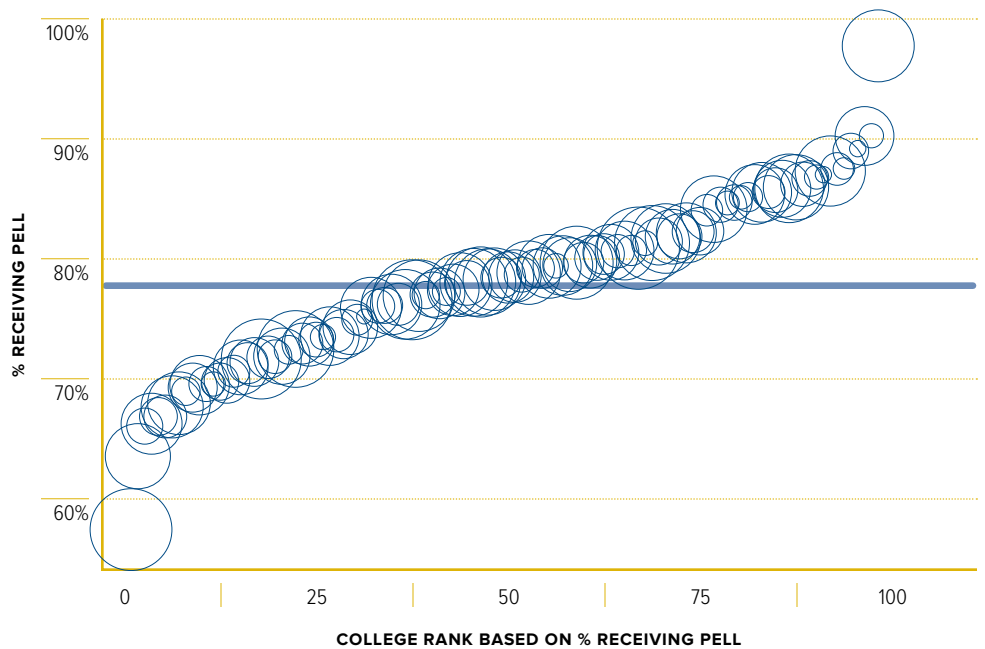
	Full Sample	Students Who Did Not Receive Pell Grants
Number of Students	319,578	70,974
Percent Receive Pell	77.8%	0%
Expected Average Pell \$ in Fall 2014	\$2,143.69	(\$1,822.36)
Expected Total Pell \$ in Fall 2014	\$685,077,697	(\$129,340,499)

Note: This table is based on our sample of students enrolled in fall 2014 who were seemingly Pell-eligible. Of the 319,578 students in this sample, 70,974 (22%) did not receive Pell Grant aid. The “Expected average Pell \$ in Fall 2014” is equal to the aid these students are expected to receive based on their EFC, units enrolled, and the Pell Grant award formula (i.e., it does not reflect actual Pell Grant aid received). The “Expected Total Pell \$ in Fall 2014” is the product of the number of students and the expected average Pell Grant in fall 2014. Dollar amounts in parentheses indicate Pell Grants not awarded to seemingly eligible students.

2. Campus Differences

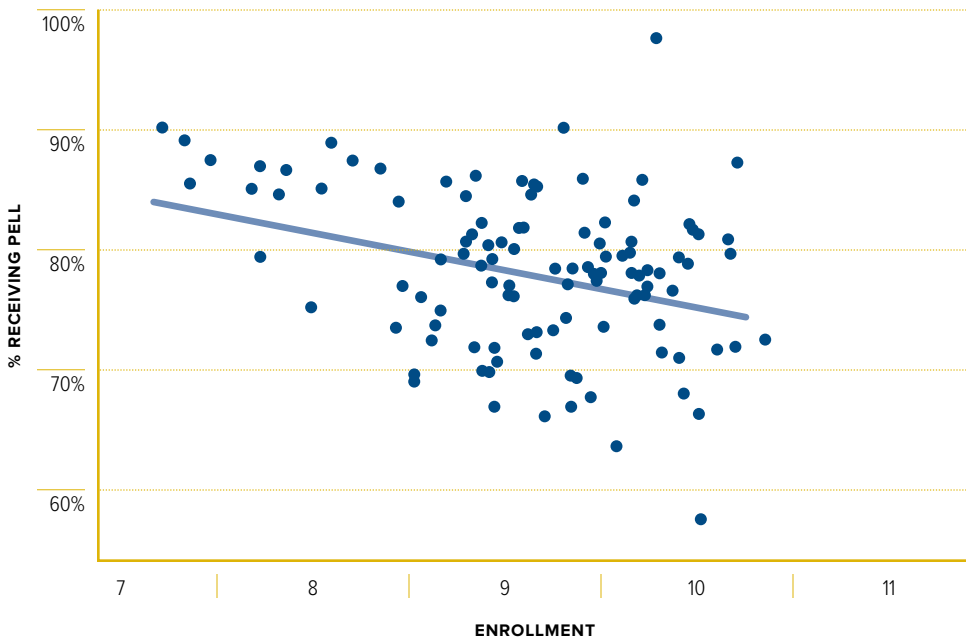
The proportion of students in our sample receiving Pell Grants varies widely by campus. Figure 1 shows that some campuses have take-up rates among seemingly eligible students above 90 percent while in others it is well below 70 percent. This variation is only weakly related to campus-level student characteristics, suggesting that institution-specific policies play a large role in driving differences in take-up rate across campuses. Figures 2 and 3 show this variation by campus size and EFC, respectively, illustrating the weak relationship between college and student characteristics and take-up rates by campus.

Figure 1
Campus Pell take-up rates.



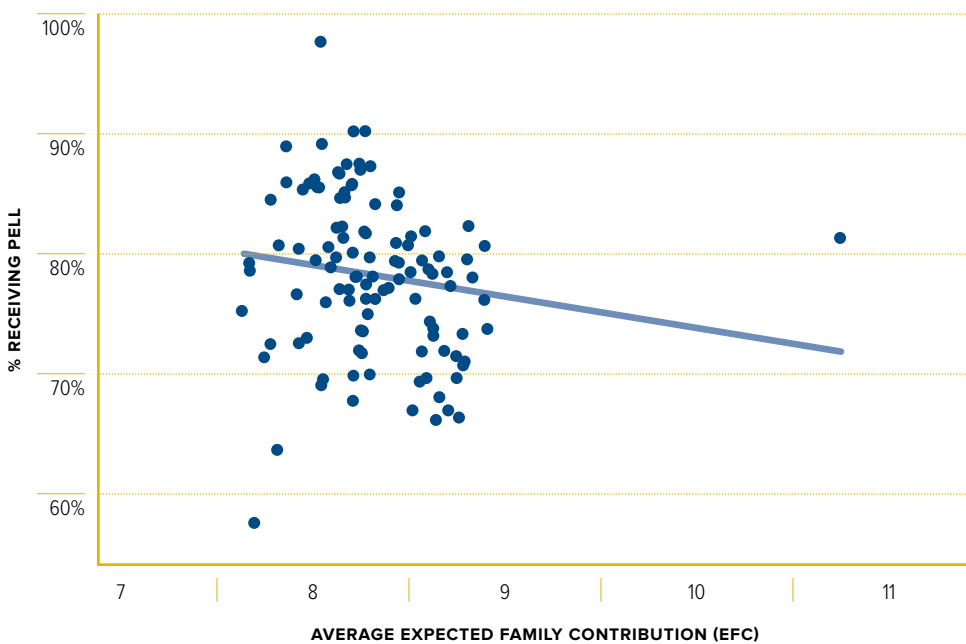
The radius of each circle represents the relative number of observations for each campus-level take-up rate. The blue horizontal line depicts the overall percent of seemingly eligible students who received Pell Grant aid in fall 2014. The sample consists of financially-eligible students enrolled in 6+ credits in fall 2014 who were age 18-49. Campuses on the quarter system excluded (about 2% of the sample).

Figure 2
Campus level Pell take-up rate by campus size.



The horizontal axis depicts the natural logarithm of enrollment at each campus; scaled in this way, changes in the horizontal axis are approximate percentage changes in enrollment. For instance, a change from 9 to 9.25 would represent approximately a 25 percent change in enrollment. The sample consists of financially-eligible students enrolled in 6+ credits in fall 2014 who were age 18-49. Campuses on the quarter system excluded (about 2% of the sample). The blue line depicts the linear fit, which is statistically at the 5% level.

Figure 3
Campus level Pell take-up rates by EFC.



The horizontal axis depicts the average EFC of students in our sample, which is a measure of financial need among financial aid applicants at each college. For context, students with EFC above \$5,157 in 2014-15 are not eligible for Pell Grant aid, and students with EFC are eligible for the maximum Pell Grant. The sample consists of financially-eligible students enrolled in 6+ credits in fall 2014 who were age 18-49. Campuses on the quarter system excluded (about 2% of the sample). The blue line depicts the linear relationship between average EFC and Pell receipt.

Analysis, Questions and Considerations

These findings show that more than 20 percent of California community college students who appear eligible for Pell Grant aid do not receive it. While the lowest income students are more likely to receive Pell Grants than less needy (but still eligible) students, we still find that many of the neediest students (those with zero EFC) do not receive Pell Grants. Take-up rates also vary widely by campus. Student demographics and campus size explain only a small portion of this variation.

Our calculations suggest that the total Pell Grant aid these students would have received is nearly \$130 million in one semester alone. This aggregate figure may be conservative for several reasons. First, students may increase their course load when they realize their Pell award will increase accordingly, such that the expected Pell Grant we calculate may be lower than the actual Pell Grant successful applicants receive. Second, this figure only represents aid not received in one semester; students also miss out on aid for spring and summer enrollment.

These results beg the question of why students leave such significant sums on the table. While it is difficult to draw definitive conclusions without further research, four factors may be at play:

- First, campus policies and advising resources may influence whether students can successfully navigate the verification process. Our finding that Pell receipt rates vary substantially across campuses suggests campus policies and practices may play an important role.
- Second, students may have incorrect or incomplete information. Because almost all students in our sample receive fee waivers, students might not know they could be eligible for additional financial assistance.
- Third, it is possible that some eligible students might be counseled to decline their current Pell award because they are entitled to no more than six years of federal aid. If they (or others) think their higher education path may take longer than six years, they may opt to save aid for a time when it could have higher value to them, helping cover higher tuition and expenses if they eventually transfer to a four-year university. However, given now low rates of completion and/or transfer among CCC students, for many this strategy may not pay off in the long run. It is important to note that we are not aware of any research in California that has quantified this problem.
- Finally, students who appear eligible in our data might actually not be eligible due to factors that we currently cannot observe. For instance, changes to EFC resulting from changes to FAFSA made during verification could render a student ineligible for Pell Grant aid despite appearing to be eligible based on the EFC we observe. Similarly, students may be ineligible due to other factors (e.g., compliance with selective service requirements) that we do not observe in our data. Assessing the significance of these possibilities requires more detailed information than what is available in the data used in our analysis.

Given these possible explanations, we encourage district and campus leaders and financial aid administrators to examine their own local data and processes to better understand Pell grant receipt on their campuses. Strengthening financial aid advising and removing any unnecessary barriers to aid receipt can improve student success.

In future work, we will examine the relative importance of each of these factors. We will seek detailed financial aid records for a subset of colleges in order to assess whether discrepancies between EFC observed in the statewide data and final EFC account for Pell non-receipt. We are exploring what practices drive cross-campus differences in Pell take-up. Finally, we plan to assess the impact of not receiving Pell Grant aid on students' academic outcomes.

This brief was written by Paco Martorell, associate professor, and Elizabeth Friedmann, postdoctoral scholar, both of the UC Davis School of Education, and is based on their research.

The research findings and analysis in this brief are those of the authors alone and do not necessarily represent the opinions of Wheelhouse funders or its board of advisors.

Wheelhouse and the authors are grateful to the College Futures Foundation for its support of this research and its dissemination.

DATA, METHODS AND LIMITATIONS FOR THIS BRIEF

Findings are drawn from a rich dataset comprised of administrative records from the CCC Chancellor's Office (CCCCO), which include the census of all California community college students enrolled from 1992-2016 across the state's community college campuses. The data include detailed information on financial aid applications, awards, and units enrolled. This study focuses on students enrolled in fall 2014 with enough units to qualify for Pell Grant aid and whose financial background as reported on the FAFSA made them financially eligible. For continuing students, we also excluded students who are likely to not meet academic requirements necessary for Pell Grant renewal. Students who did not have a high school diploma (or an equivalency degree such as the GED), or who had already received a BA degree, were excluded from the dataset as they would not have been eligible for Pell Grant aid. During the 2014-15 school year, the maximum annual Pell Grant award was \$5,730.

One potential limitation of this study is that the EFC measure in the data we used may not be the final EFC that incorporates any changes to the FAFSA that occur during verification. Since the final EFC may differ from the EFC we observe, part of the reason we see students with Pell-eligible

EFCs not receiving Pell is that their final EFC may actually leave them ineligible for Pell Grant aid. Other researchers¹⁰ have found that a significant fraction of students initially have Pell-eligible EFCs but are ultimately ineligible for Pell Grant aid after changes are made to the FAFSA during the verification process. We do not think that discrepancies between the EFC used in this analysis and final EFC fully account for Pell non-receipt for two reasons. First, CCCCCO directs campuses that "the EFC reported for each student must be the final EFC in the financial aid records," and CCCCCO staff confirmed that institutions submit financial aid variables at the end of the academic year (presumably after any changes resulting from verification would have taken place). Second, a previous study of CCC financial aid¹¹ found that very few financial aid applicants were initially eligible but then became ineligible after verification. Nonetheless, it is possible that at least some of the non-receipt we find may be attributable to students we see as financially-eligible in the data actually being ineligible based on the EFC calculated after students complete FAFSA verification. Similarly, students may be ineligible for other reasons unrelated to financial need (e.g., defaulting on a student loan or failing to comply with selective service registration requirements) that are not evident in the data we use.

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- ¹ Page, L. & Scott-Clayton, J. (2016). Improving college access in the United States: Barriers and policy responses, *Economics of Education Review* 51, 4–22.
- ² Dynarski, S. & Wiederspan, M. (2012). Student aid simplification: Looking back and looking ahead. *National Tax Journal*, 65(1), 211-234.
- ³ Bettinger, E., Long, B., Oreopoulos, P. & Sanbonmatsu, L. (2012). The role of application assistance and information in college decisions: Results from the H&R Block FAFSA experiment. *The Quarterly Journal of Economics*, 1205-1242.
- ⁴ Authors' calculation using CCC Chancellor's Office Data Mart.
- ⁵ For most CCCs, the maximum cost of attendance is high enough that it does not affect students' Pell eligibility.
- ⁶ Bettinger, et al (2012).
- ⁷ The BOG fee waivers cover the \$46/unit fee charged by CCC across the state, but does not cover small campus charges for things like student activities and student unions.
- ⁸ A student receives $\frac{3}{4}$ of her maximum Pell amount based on EFC for enrolling in 9-11 units per semester, and $\frac{1}{2}$ the maximum Pell for 6-8 units. Student enrolled in fewer than six units are not eligible for Pell grant funds.
- ⁹ Cochrane, Lamanque, & Szabo-Kubitz (2010) analyzed the verification process at 13 California community colleges for the 2007-08 academic year, tracking students from the initial application phase through the verification process until aid receipt. They found multiple points of attrition in the application process. After initially submitting the FAFSA, some applications were rejected for lacking a signature, Social Security Number or income; 17.4% of students with initially rejected FAFSAs did not resubmit (Cochrane et al, 2010). Of those who successfully resubmitted the FAFSA and received a Pell-eligible EFC, over half were flagged by the U.S. Department of Education for verification. Only 63 percent of Pell-eligible students flagged for verification ultimately received the Pell Grant, compared to 68 percent of applicants not flagged (Cochrane et al, 2010). Very few students flagged for verification were ultimately found to be ineligible for the Pell Grant, and the estimated cost burden to the institutions was over \$2 million (Cochrane et al, 2010).
- ¹⁰ Evans, B., Nguyen, T., Tener, B. & Thomas, C. (2017). Federal Pell Grant eligibility and receipt: Explaining nonreceipt and changes to EFC using national and institutional data. *Journal of Student Financial Aid*, 47(3), 4.
- ¹¹ Cochrane, D., Lamanque, A., & Szabo-Kubitz, L. (2010). After the FAFSA: How red tape can prevent eligible students from receiving financial aid. Oakland, CA: The Institute for College Access and Success.
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Wheelhouse: The Center for Community College Leadership and Research was established in 2016 to support California community college leaders through annual professional learning institutes and independent, actionable research on relevant topics and trends. Wheelhouse is supported by the University of California, Davis, the Institutional Effectiveness Partnership Initiative (California Community College Chancellor's Office), the James Irvine Foundation, the College Futures Foundation, the Evelyn and Walter Haas Jr. Fund, and the U.S. Department of Education, Institute for Education Sciences.