

THE 20% SOLUTION

Selective Colleges Can Afford to Admit More Pell Grant Recipients



2017

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GEORGETOWN UNIVERSITY



Center
on Education
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McCourt School of Public Policy

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Introduction

Low-income students have rarely had much success on college campuses. Although college enrollment rates generally have been rising for all population groups, enrollments have risen the least for low-income students. The disparity in graduation rates by economic class is stunning: more than half of students from the top quartile of family income finish college, but fewer than one in ten from the bottom quartile do.¹ The growth in wealth inequality since the 1980s is mostly due to this postsecondary education gap.² By and large, young people who earned college degrees grew wealthier, while those who did not grew poorer—especially as workplace demand in the new technologically-focused economy has shifted towards college-educated workers.

1 Bailey and Dynarski, “Inequality in Postsecondary Education,” in *Whither Opportunity?*, Duncan and Murnane, eds., 2011.

2 Goldin and Katz, “Long-Run Changes in the Wage Structure,” 2007, and Autor, “Skills, education and the rise of earnings inequality,” 2014.

The Pell Grant was created specifically to address this issue. The federal financial-assistance program gives grants to low-income recipients that can be used for tuition or other college-related costs. As the United States slipped into the Great Recession, the number of Pell Grant recipients nearly doubled, from 5.2 million in 2006-07 to 9.4 million in 2011-12.³ The number of recipients has declined since, but still nearly two of every five undergraduates in this country receive a Pell Grant.⁴

However, those Pell Grant recipients are not evenly distributed across colleges.

Just as colleges are stratified by race,⁵ they are stratified by class. At more than half of all colleges and universities, more than 50 percent of students receive Pell Grants. Many of these are for-profit colleges, but many are also community colleges and regional public universities. Meanwhile, at almost one-third of the nation's 500 most selective colleges and universities, less than 20 percent of students receive a Pell Grant. A recent report found that 38 elite colleges had more students from the families in the top 1 percent of incomes (more than \$630,000 per year) than from families in the bottom 60 percent of incomes (less than \$65,000 per year).⁶

The stratification in higher education is important because graduation rates vary widely. The open-access colleges that low-income students are most likely to attend have the lowest graduation rates (49%), while the selective colleges that wealthy students are most likely to attend have the highest graduation rates (82%).⁷ Most Pell Grant recipients attend public institutions, but they are more likely to attend two-year community colleges than four-year universities.⁸ However, only 12 percent of students who start postsecondary education at a community college will receive a Bachelor's degree within six years, but 57 percent of students who start at a four-year institution will earn a Bachelor's degree within six years.⁹ This wide variation in college completion rates is concerning when education is more than ever the chief route to economic mobility and a chance to attain at least a middle-class lifestyle.

This class divide in higher education is undergoing increasing scrutiny in Congress. One leading bipartisan proposal¹⁰ aims to create more equity in higher education by requiring all colleges and universities to enroll at least a minimum percentage of Pell Grant recipients.¹¹

In this report, we look at the potential impact on colleges of requiring that at least 20 percent of their enrollments be Pell Grant recipients. The 20-percent threshold seems to be a reasonable and attainable requirement; it is close to what would be required under the proposed legislation, and is only about half of the overall Pell Grant recipient rate (39%).

3 U.S. Department of Education, 2014-2015 Federal Pell Grant Program End of Year Report. Table 1.

4 National Center for Education Statistics, from IPEDS trend generator, <https://nces.ed.gov/ipeds/trendgenerator/tganswer.aspx?sid=8&qid=35>.

5 Carnevale, and Strohl, *Separate & Unequal*, 2013.

6 The Equality of Opportunity Project, <http://www.equality-of-opportunity.org/>

7 Carnevale and Strohl, *Separate & Unequal*, 2013.

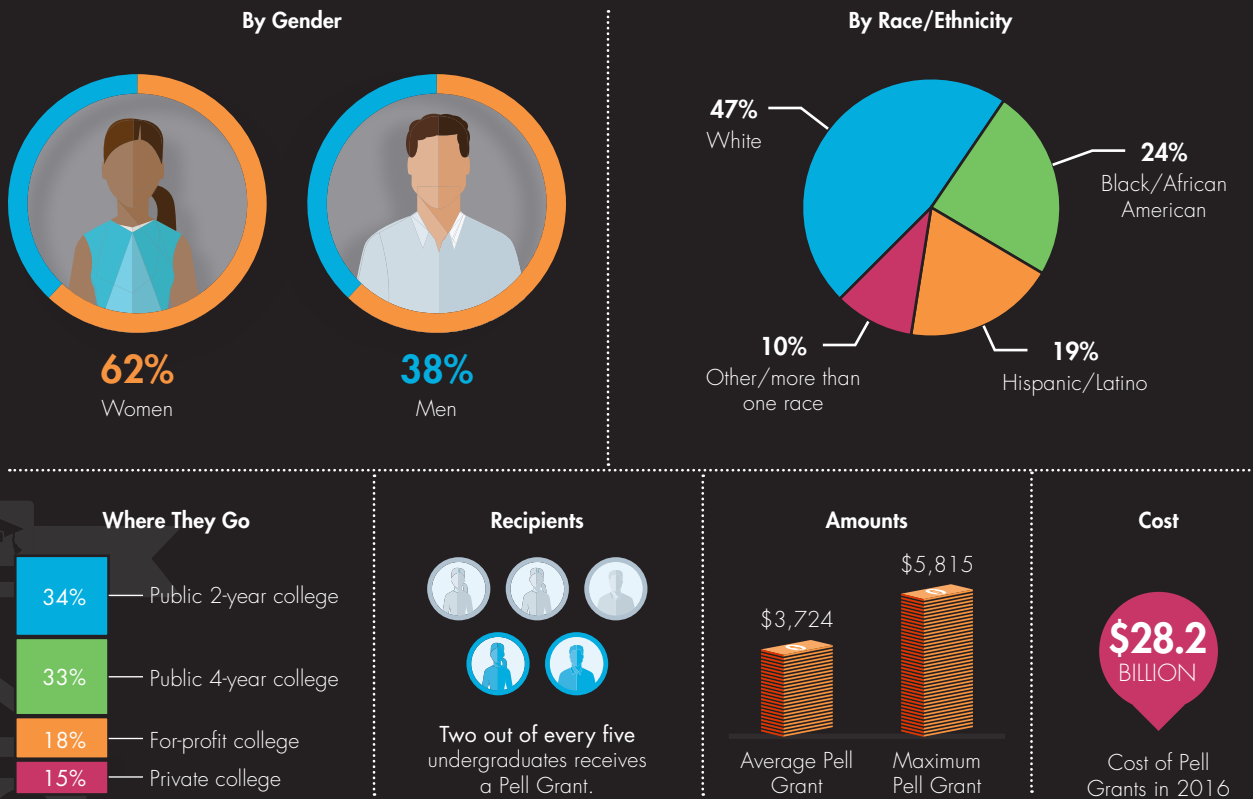
8 U.S. Department of Education, 2014-2015 Federal Pell Grant Program End of Year Report, Table 20A.

9 *Bridging the Higher Education Divide*, 12 and 30 (citing the 2004/2009 Beginning Postsecondary Student Longitudinal Study), 2013.

10 The Access, Success, and Persistence in Reshaping Education Act of 2016, sponsored by Sens. Christopher A. Coons (D-Del.) and Johnny Isakson (R-Ga.).

11 Colleges ranked in the bottom 5 percent for the proportion of Pell Grant recipients would be required to admit enough Pell-eligible students to escape that bottom 5 percent, or be fined if they want to continue to get Title IV funding. If this bill were to pass, colleges with the lowest proportion of Pell Grant recipients would likely be fighting to get out of the bottom 5 percent, and such an impact would drive up, over time, the proportion of Pell Grant recipients at all colleges to close to 20 percent.

FIGURE 1. Who receives a Pell Grant?



Sources: The College Board, Trends in Student Aid, 2016; U.S. Department of Education, Federal Pell Grant Program End-of-Year Report 2014-15, 2016; U.S. Department of Education, National Center for Education Statistics, 2011-12 National Postsecondary Student Aid Study (NPSAS:12), 2012.

We find that a total of 346 colleges and universities in the United States have enrollments in which fewer than 20 percent of students receive a Pell Grant.¹² For all of them to attain the 20-percent threshold, some 72,000 additional Pell Grant recipients would have to attend those colleges. Only about six percent of all colleges have less than 20 percent Pell Grant recipients. Notably, more than half of the shortfall of Pell Grant recipients is at the nation's 500 most selective institutions—even though they enroll only about 25 percent of all undergraduates.

The relative paucity of Pell Grant recipients at selective colleges has been documented before.¹³ Selective colleges, in their push for prestige and to maintain their all-important rankings, compete for an elite group of students. When they do let in low-income students, they do not give enough financial aid to pay the full costs of attendance.¹⁴ These selective colleges and universities have argued that they are always searching for qualified low-

12 Our analysis excludes military academies, institutions that either aren't eligible for or don't accept Title IV funding, institutions with fewer than 100 full-time-equivalent students, and colleges considered "Specialty Institutions" by Barron's Profiles of American Colleges.

13 See *Undermining Pell*, a three-part series of reports from New America.

14 Ibid.

income students, but their search can only go so far. They argue that Pell Grant recipients cannot do the academic work that is necessary for them to succeed,¹⁵ and that the institutions themselves cannot afford the increase in financial aid budgets that would be required to enable these students to attend.¹⁶ In this report, we find that both arguments are invalid:

- Just because most Pell Grant recipients are low-income does not mean they would not succeed in college. There are more than enough highly qualified Pell students—those who score above the median test score for students at selective colleges (1120 or higher on the SAT/ACT scale)—to fill all those seats at the affected selective institutions with no resulting decline in graduation rates.
- Colleges claim that their budgets are tight, but many run large budget surpluses from year to year. The 69 most selective private colleges that enroll less than 20 percent Pell Grant recipients each had an average annual budget surplus of about \$139 million over the last four years, according to the tax returns they filed with the Internal Revenue Service. In addition, these institutions have a median endowment of \$1.2 billion. While freeing up more money for need-based aid would require strategic budget reallocations, the size of these budget surpluses and endowments indicate that these colleges have more than enough resources to comply.

Other policy organizations have suggested requiring selective colleges and universities to be more economically diverse. New America, for example, has suggested giving bonuses to colleges that have both high levels of Pell Grant recipients and high graduation rates.¹⁷ The Jack Kent Cooke Foundation recommends establishing programs that would encourage more low-income students to apply to selective colleges and explicitly give more weight during the admissions process to low-income students who have overcome significant financial and cultural obstacles.¹⁸ The American Talent Initiative, launched in 2016 by 30 colleges and universities (38 additional colleges have since joined), set a goal of graduating an additional 50,000 low-income students by 2025 by admitting them to selective colleges that have average graduation rates of at least 70 percent.¹⁹

Finally, it must be noted that while increasing the number of Pell Grant recipients would diversify many colleges, particularly selective ones, by class, such a requirement would not automatically increase diversity by race or ethnicity. That is because the Pell Grant recipients who score the highest on standardized testing are overwhelmingly (81%) white.²⁰

15 Marcus and Hacker, “Here’s the Devastating Way Our College System Fails Poor Kids,” 2015.

16 See, for example, Freedman, “Why American Colleges Are Becoming a Force for Inequality,” 2015.

17 Burd, et al, *Rebalancing Resources and Incentives in Federal Student Aid*, 2013.

18 Jack Kent Cooke Foundation, *Opening College Doors to Equal Education Opportunity: Removing Barriers That Keep Most High-Achieving Students From Low Income Families Out of Top Colleges and Universities*, 2016.

19 American Talent Initiative, “What We Do,” accessed February 16, 2017, <http://americantalentinitiative.org/what-we-do/>.

20 Georgetown University Center on Education and the Workforce analysis of restricted use Educational Longitudinal Study data, 2002 (2012 update).

TABLE 1. The most selective colleges are the likeliest to have fewer than 20 percent of students who are receiving a Pell Grant.

	Additional Pell students needed to reach 20%	Number of colleges under 20%
SELECTIVE: MOST COMPETITIVE	19,959	72
Private not-for-profit, 4-year or above	17,985	69
Public, 4-year or above	1,974	3
SELECTIVE: HIGHLY COMPETITIVE	12,789	43
Private not-for-profit, 4-year or above	5,880	32
Public, 4-year or above	6,909	11
SELECTIVE: VERY COMPETITIVE	10,075	48
Private not-for-profit, 4-year or above	4,284	38
Public, 4-year or above	5,791	10
MIDDLE TIER	1,795	14
Private not-for-profit, 4-year or above	1,306	10
Public, 4-year or above	489	4
OPEN-ACCESS	27,659	169
Private for-profit, 2-year	439	17
Private for-profit, 4-year or above	963	7
Private for-profit, less-than 2-year	909	16
Private not-for-profit, 2-year	21	1
Private not-for-profit, 4-year or above	2,194	24
Private not-for-profit, less-than 2-year	106	2
Public, 2-year	18,835	64
Public, 4-year or above	1,558	8
Public, less-than 2-year	2,634	30
ALL SELECTIVE	42,823	163
MIDDLE TIER	1,795	14
OPEN-ACCESS	27,659	169
TOTAL	72,277	346

Source: Georgetown University Center on Education and the Workforce analysis of data from the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

Selective colleges generally have the smallest proportion of low-income students.

Pell Grants are the most widely used source of federal financial aid. About 39 percent of all college undergraduates received Pell Grants in 2013-14,²¹ the most recent year for which data are available. Eligibility for Pell Grants is based solely on financial need—the criteria are family income, size of family, and number of other family members in college.

No requirements exist for determining how many Pell Grant recipients must attend a particular college, so Pell Grant recipients are unevenly distributed. Pell Grant recipients disproportionately attend open-admission colleges and universities. More than 2,800 colleges and universities have student bodies in which more than half of the students receive a Pell Grant. Those institutions, in general, have low graduation rates. Pell Grant recipients, therefore, “are concentrated within a set of schools that are having poor outcomes and, thus, do very little to increase [the] economic mobility” of recipient students.²²

Meanwhile, selective colleges enroll relatively few Pell Grant recipients. We find that if every college required 20 percent of its student body to be Pell Grant recipients, a total of 346 colleges would fall short of that threshold by a collective total of more than 72,000 students. Of those 346 colleges, 163 are in the top three categories of selectivity (Table 1). Those colleges collectively would have to add 42,823 students to reach the 20-percent threshold.

In other words, if at least 20 percent of every college and university student body in the United States was required to be Pell Grant recipients, more than half of the open seats would be at the nation’s most selective colleges. Most selective colleges and universities are private, but only about 15 percent of Pell Grant recipients attend private non-profit colleges (Figure 1). High-achieving Pell Grant recipients apply less frequently than higher-income students to selective colleges because they are unlikely to have peers, teachers, counselors, or other acquaintances who went to a selective college, and, therefore will probably not be encouraged by others to apply to one.²³ Among students who were ninth graders in 2009, those from the highest income quintile were eight times more likely to go to a “most competitive” or “highly competitive” college than those from the lowest income quintile. In this cohort, only about 1 in 25 students at the most selective colleges came from the lowest income quintile.²⁴

The list of colleges that have student bodies in which less than 20 percent of students receive Pell Grants includes some of the most prestigious colleges and universities in America (Table 2). Access to the most selective colleges is important for low-income students who ordinarily would not have the opportunity to attend. These selective colleges have the highest graduation rates and, as a whole, produce graduates that earn more in the workplace on average than students who graduate from colleges that are less selective.

21 National Center for Education Statistics, from IPEDS trend generator, <https://nces.ed.gov/ipeds/trendgenerator/tganswer.aspx?sid=8&qid=35>.

22 Hiler, et al, *Incomplete: The Quality Crisis at America’s Private, Non-Profit Colleges*, 2016.

23 Hoxby and Avery, *The Missing “One-Offs:” The Hidden Supply of High-Achieving, Low-Income Students*, 2013.

24 Cahalan, et al, *Indicators of Higher Education Equity in the United States: 2017 Trend Report*, 2017, using the National Center for Education Statistics High School Longitudinal Study, 2009.

TABLE 2. Colleges and universities at which fewer than 20 percent of students have Pell Grants are some of the leading postsecondary institutions in the United States.

PRIVATE	PUBLIC
Boston College	Auburn University
Brown University	Clemson University
California Institute of Technology	College of William & Mary
Cornell University	Georgia Institute of Technology
Dartmouth College	Penn State University
Duke University	University of Colorado
Georgetown University	University of Delaware
Harvard University	University of Iowa
Massachusetts Institute of Technology	University of Maryland
Northwestern University	University of Michigan
Oberlin College	University of Nebraska
Princeton University	University of Pittsburgh
Rice University	University of Virginia
University of Chicago	University of Wisconsin
University of Notre Dame	Virginia Polytechnic Institute and State University
University of Pennsylvania	
Vanderbilt University	
Washington University in St. Louis	
Williams College	
Yale University	

Source: Georgetown University Center on Education and the Workforce analysis of data from the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

NOTE ABOUT INTERNATIONAL STUDENTS

The rates of Pell Grant recipients in this report include international students. This is the same methodology that is used by the U.S. Department of Education. Some institutions argue that international students should not be included in this equation because they are not eligible to receive Pell Grants. This is particularly noticeable at large research universities and highly selective colleges because international students are most likely to attend these institutions. In fact, if international students were not counted, selective colleges would have to open 29 percent fewer seats to Pell Grant recipients.

However, we reason that excluding international students from calculations of Pell Grant recipients could create a perverse incentive: universities could be rewarded for enrolling international students rather than American students who are eligible for a Pell Grant. In addition, excluding international students from the Pell percentages does not change our primary finding: when we calculated percentages after excluding international students, more than half the shortage of Pell Grant recipients was still at selective colleges and universities.

Why are we paying so much attention to Pell Grants?

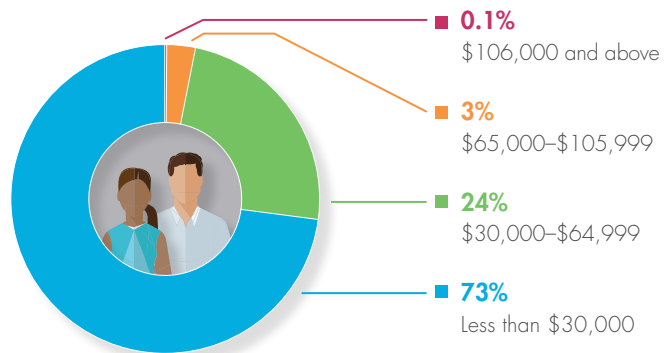
Pell Grants (formerly known as Basic Education Opportunity Grants) were created in 1972. The federal government awards almost \$30 billion annually in Pell Grants to more than 8 million undergraduates. The maximum individual award for the 2016-17 academic year is \$5,815. Pell Grants generally are only awarded to undergraduate students, although in some cases students seeking post-baccalaureate teacher certification can get a Pell Grant.²⁵

The vast majority of Pell Grant recipients come from families with very low incomes—about 73 percent have an annual income of \$30,000 or less²⁶ (Figure 2). As a result, the proportion of students receiving Pell Grants has become a widely-acknowledged proxy for how many low-income students a college or university is serving.

Graduation rates for Pell Grant recipients generally reflect the selectivity of the colleges that they attend. About 78 percent of Pell Grant recipients who attend selective colleges and universities graduate, but only 48 percent of Pell Grant recipients who attend open-access colleges do.²⁷ Those graduation rates for Pell Grant recipients are virtually the same as for non-Pell Grant recipients at the institutions they attend.

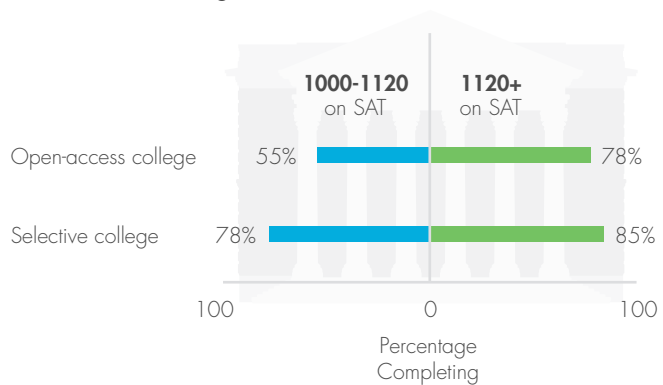
We have found in previous research that graduation rates increase with institutional selectivity when test scores are held constant.²⁸ In other words, the more selective the college, the better the chance that equally qualified students will graduate (Figure 3). For example, students

FIGURE 2. Nearly three-quarters of Pell Grant recipients are from families making less than \$30,000 per year.



Sources: Georgetown University Center on Education and the Workforce analysis of data from the National Center for Education Statistics and the National Postsecondary Student Aid Study.

FIGURE 3. All students have a better chance of graduating at more selective colleges, no matter their score on the SAT.



Note: 1120 is the median SAT score for students at selective colleges.

Source: Georgetown University Center on Education and the Workforce analysis of restricted use Educational Longitudinal Study data, 2002 (2012 update).

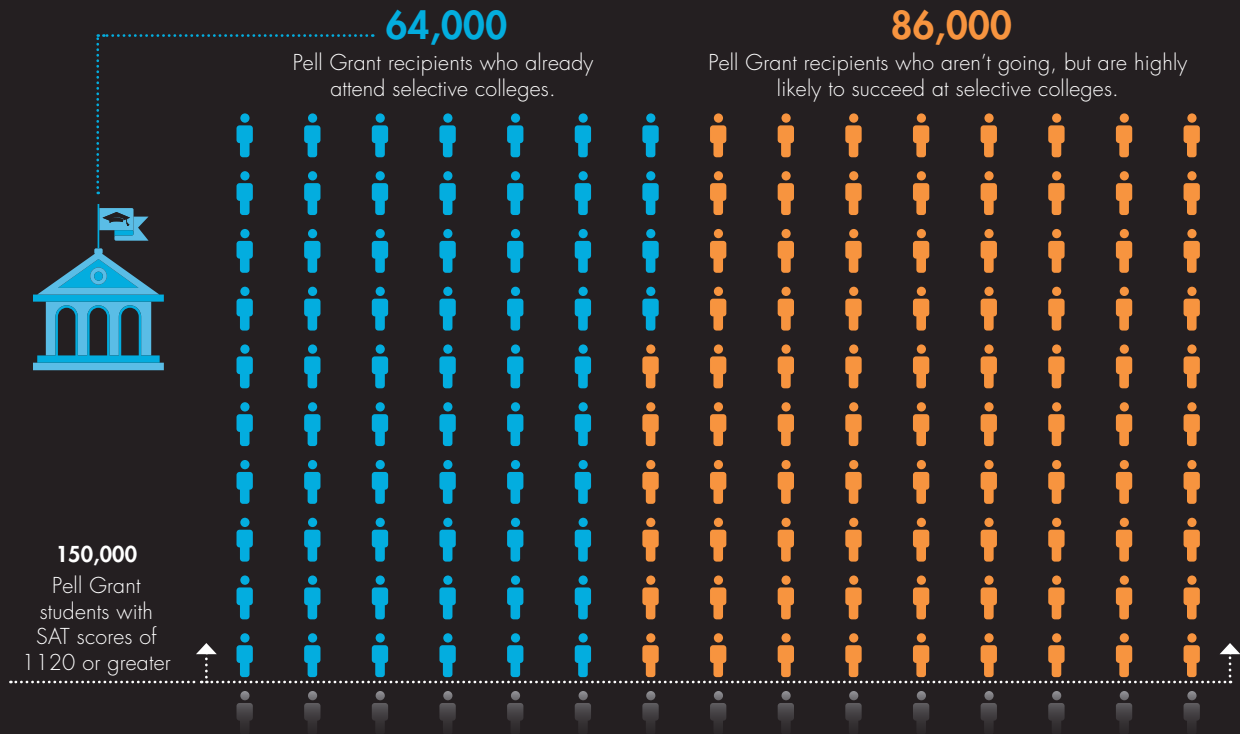
25 Federal Student Aid, U.S. Department of Education, “Federal Pell Grants,” accessed February 16, 2017, <https://studentaid.ed.gov/sa/types/grants-scholarships/pell>.

26 This includes students who are financially independent and students who are still dependents of a parent or parents.

27 Georgetown University Center on Education and the Workforce analysis of Educational Longitudinal Study of 2002, third followup (2012).

28 Carnevale and Strohl, “How Increasing College Access Is Increasing Inequality, and What to Do About It,” 2010.

FIGURE 4. About 150,000 Pell Grant recipients have SAT/ACT scores that are as high as other students at selective colleges, but more than half of those Pell Grant recipients do not attend selective colleges.



Sources: Georgetown University Center on Education and the Workforce analysis of data from Educational Longitudinal Study of 2002, third followup (2012), and the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014.

who score between 1000 and 1120 on the SAT have a very good (78%) chance of graduating from a selective college. But they have a little better than 50-50 chance (55%) of graduating from an open-access college. Why 1120? Because that is the median SAT test score of all students who attend a selective college.

We find that there are about 150,000 Pell Grant students with SAT scores of 1120 or greater. These students could be expected to succeed at selective colleges and universities without affecting the institutions' median test scores or graduation rates. These are important metrics for judging student quality in the eyes of the authors of college and university rankings.²⁹ Yet only 64,000 of these students are attending selective colleges. Another 86,000 Pell Grant recipients with SAT scores of at least 1120 are going to college, but not at selective colleges and universities (Figure 4).

²⁹ These Pell Grant recipients have scores that are above average for all students but are not equal to the average scores at the most selective colleges (those rated Most Competitive or Highly Competitive by Barron's). As a result, their inclusion might lower the average test scores in those colleges.

TABLE 3. The selective colleges and universities with the smallest percentage of Pell Grant recipients are almost all private institutions.

Lowest Pell Grant recipient enrollment shares among the nation's selective colleges			
NAME	GOVERNANCE	UNDERGRADUATE ENROLLMENT	PERCENTAGE RECEIVING PELL
Washington University in St Louis	Private	7,336	6.7%
Muhlenberg College	Private	2,448	7.8%
Elon University	Private	5,599	9.0%
Washington and Lee University	Private	1,855	9.6%
Kenyon College	Private	1,705	9.7%
Colorado College	Private	2,041	9.9%
Lafayette College	Private	2,486	10.5%
Oberlin College	Private	2,894	10.7%
Trinity College	Private	2,301	10.7%
Wake Forest University	Private	4,812	10.8%
Whitman College	Private	1,541	11.0%
University of Notre Dame	Private	8,477	11.2%
California Institute of Technology	Private	977	11.3%
Middlebury College	Private	2,495	11.3%
Colgate University	Private	2,890	11.4%
Tufts University	Private	5,180	11.4%
Dickinson College	Private	2,396	11.4%
Villanova University	Private	7,042	11.5%
University of Dayton	Private	7,975	11.6%
College of William and Mary	Public	6,189	11.6%

Note: This list excludes institutions with enrollments of less than 100 and institutions that refuse all federal funds, including Pell Grants.

Source: Georgetown University Center on Education and the Workforce analysis of data from the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

Out of the 500 most selective colleges in the United States, 163 would have to add Pell Grant students to reach the 20-percent mark.

The most selective colleges and universities with the lowest rates of Pell Grant recipients are primarily private institutions. At Washington University in St. Louis, only 6.7 percent of the undergraduates receive a Pell Grant—the lowest rate among all the nation's most selective colleges and universities (Table 3).

Some institutions would have to add as few as one student to meet the threshold, while others would be required to add hundreds of Pell-eligible students. Because public universities and private research universities have the highest enrollments, they would have to add the largest number of Pell Grant recipients to reach the 20-percent minimum threshold of Pell Grant students. The University of Wisconsin-Madison would have to

add the most students (1,469) (Table 4). In fact, the seven universities that would have to add the most students to reach 20 percent Pell grant recipients are all public institutions.

Across lower levels of selectivity, fewer than 200 colleges and universities have enrollments of less than 20 percent Pell Grant recipients.

TABLE 4. Among the nation’s selective institutions, primarily public universities would have to add the most students to reach 20-percent Pell Grant recipients.

Top 20 selective colleges that would have to add the most students to reach 20 percent Pell Grant recipients

NAME	GOVERNANCE	PERCENTAGE RECEIVING PELL	ADDITIONAL PELL STUDENTS NEEDED TO REACH 20%
University of Wisconsin-Madison	Public	15.2%	1,469
Pennsylvania State University- Main Campus	Public	16.6%	1,357
Indiana University-Bloomington	Public	16.4%	1,314
University of Michigan-Ann Arbor	Public	15.7%	1,218
University of Virginia-Main Campus	Public	12.6%	1,197
James Madison University	Public	13.9%	1,116
University of Delaware	Public	13.6%	1,080
Boston University	Private	14.2%	1,046
Washington University in St Louis	Private	6.7%	975
Miami University of Ohio	Public	13.9%	945
Northeastern University	Private	13.2%	898
Auburn University	Public	16.1%	773
University of Notre Dame	Private	11.2%	747
Harvard University	Private	13.0%	734
University of Dayton	Private	11.6%	671
University of Colorado Boulder	Public	17.5%	645
University of Pennsylvania	Private	14.4%	641
Boston College	Private	13.4%	638
University of Pittsburgh	Public	16.6%	637
Virginia Polytechnic Institute and State University	Public	17.4%	633

Note: This list does not include institutions that accept no federal funding, including Pell Grants.

Source: Georgetown University Center on Education and the Workforce analysis of data from the NCES-Barron’s Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

Contrary to popular belief, the most qualified Pell Grant recipients would do very well at selective colleges.

Some of the selective colleges have argued that Pell Grant recipients do not attend their institutions because they cannot handle the work and would be unlikely to succeed. We find, however, that there are about 86,000 students receiving Pell Grants who scored 1120 or higher on the SAT but are not attending selective colleges; more students would be available than the seats required (43,000) to meet the 20-percent minimum for all selective colleges.

The 1120 score on the SAT or the 22 equivalent on the ACT is important because these are the median standardized test scores among all students at selective institutions. Because these students score at or above the median, we project that admitting them would have no negative impact on graduation rates at the selective institutions. Nor would admitting them impact university ratings based in part on the characteristics of students who had been admitted. The greatest impact would be on the admissions priorities of the colleges themselves, particularly the most selective ones.

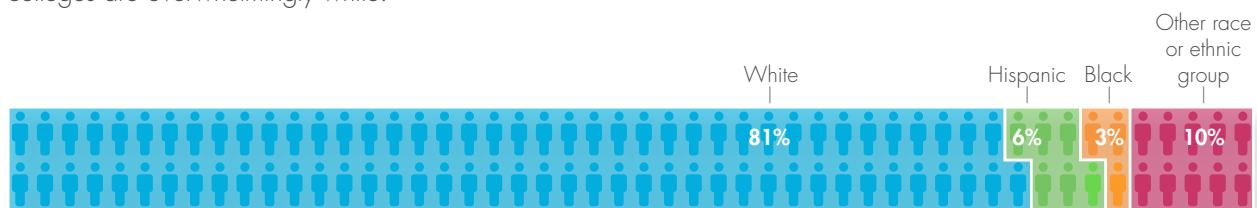
The most selective institutions would have a choice of how to meet this requirement:

1. Increase enrollment,
2. Admit fewer international students, or
3. Admit Pell-eligible students in place of students they historically would have admitted.

This choice would be difficult for several reasons. Increasing enrollment would force selective colleges to accept more applicants, making them less exclusive. In the higher-education world, an institution's exclusivity drives its desirability, and, consequently, its ranking among its peers. Universities like to emphasize their low admittance rates because they speak to the value the public places on their institutions. Colleges could choose to admit fewer international students because it would be easier to reach the 20 percent threshold without them (see box, page 8). But colleges would not like this option—these students typically pay the full tuition price and help raise the global visibility of the institution.

Many of these colleges would also be loath to admit more Pell Grant students while spurning students they traditionally admit. Many colleges and universities place great value on admitting students from families with long-established ties to their institutions, as well as students with unusually high credentials. They, like all institutions of higher education, also value students who can pay the full tuition, or a price close to it, and students from wealthy

FIGURE 5. Pell Grant recipients who scored above the median (1120) on the SAT but are not attending selective colleges are overwhelmingly white.



Source: Georgetown University Center on Education and the Workforce analysis of Educational Longitudinal Study of 2002, third follow-up (2012).

TABLE 5. Some of the most selective colleges in the country enroll more than 20 percent Pell Grant recipients.

	% OF UNDERGRADUATES WHO RECEIVE A PELL GRANT
University of California-Los Angeles	35.9
University of California-Berkeley	31.4
University of Southern California	23.4
Vassar College	23.3
Ohio State University-Columbus	22.4
Smith College	22.2
Amherst College	21.9
New York University	21.5
Columbia University	21.4
University of Missouri-Columbia	21.4
Emory University	21.3
University of North Carolina-Chapel Hill	21.3

Source: Georgetown University Center on Education and the Workforce analysis of data from the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

families who could eventually become donors.³⁰ If selective universities suddenly had to start accepting many more low-income students, they would have to reallocate some resources, spending more on financial aid and taking money away from other areas of the budget.

Bear in mind that while many selective colleges and universities say they cannot reach the 20 percent threshold for Pell Grant recipients, a dozen of their most elite competitors have shown it can be done. These colleges include perhaps the nation's most respected public university, the University of California at Berkeley, and a member of the Ivy League, Columbia University (Table 5). If these elite public and private institutions can maintain their standing while enrolling more than 20 percent Pell Grant recipients, it suggests that other elite colleges and universities can do so, too.

The 20-percent minimum requirement for Pell Grant recipients risks making some colleges, especially selective ones, less racially and ethnically diverse. That is because of the 86,000 Pell Grant recipients who scored 1120 or higher on the SAT, 81 percent are white (Figure 5).

Some selective colleges could say that to find Pell Grant recipients who meet their admission standards, they chose from only the highest performers among Pell Grant recipients, who are overwhelming white. Arguably, if some of those students were admitted, they could displace some Black/African-American or Hispanic/Latino students who otherwise would have been accepted. However, colleges are using many strategies to attract more minority students, including making standardized tests optional for applicants, and putting more emphasis on high school class rank and other factors.

This pool of 86,000 high-scoring Pell Grant recipients could expect to be heavily recruited by selective colleges should those institutions be required to reserve at least one-fifth of their enrollment for Pell Grant recipients. We would expect that, in general, the most selective colleges would admit the highest-scoring Pell Grant recipients. Then, the second tier of colleges and universities would have their choice of the remaining top Pell Grant recipients, then the third tier, and so on. This would not be uniform, of course. College students have many reasons for picking a college, but proximity to their homes, net price, and choice of majors are typically among the primary considerations.³¹ However, one result of the Pell Grant enrollment requirement could be to increase racial stratification at the most selective colleges, even as it lessens economic stratification.

30 Bok, *Higher Education in America*, 2013.

31 Hillman and Weichman, *Education Deserts: The Continued Significance of "Place" in the Twenty First Century*, 2016.

Selective colleges can afford to admit more Pell Grant recipients.

Some selective colleges have defended their small proportion of Pell Grant students by saying that if they admit more Pell Grant recipients, they would have to expand their financial aid budgets, which keeps them from spending more on other demands such as classroom and research space and pursuing outstanding professors. Some colleges have also said that accepting more students with low incomes and low test scores could potentially hurt them in influential rankings such as the one published by *U.S. News*. (The percentage of Pell Grant recipients, however, is a factor in the rankings methodology of *U.S. News*.)

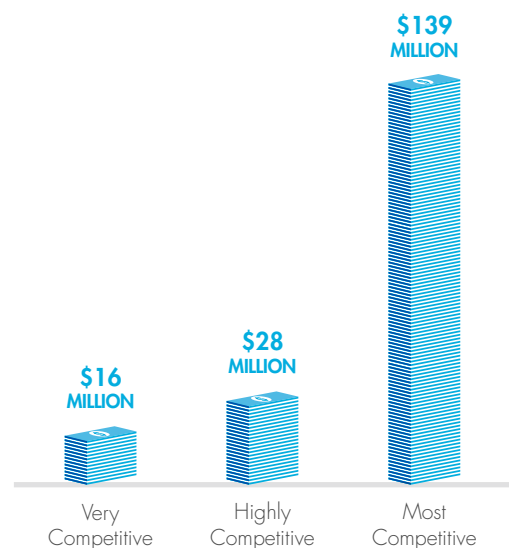
Public universities that have had their budgets cut argue that they cannot afford to make those changes. Private colleges sometimes make those same arguments, but they ring hollow. College tax returns³² show that, in general, the most competitive private colleges have plenty of assets to invest in these changes.³³ Of the 88 colleges and universities ranked “most competitive” by Barron’s, 79 are private. Sixty-nine of those 79 institutions have less than 20 percent Pell Grant recipients and had an average budget surplus of \$139 million each year from 2012-15 (Figure 6). These colleges also have a median endowment of \$1.2 billion.³⁴ Private colleges in the two next-highest tiers of selectivity also averaged budget surpluses over that four-year span, though they were not as large as those of the most competitive colleges.

Some of the best-known and most elite universities run some of the largest annual budget surpluses (Table 6), yet fewer than 20 percent of students at these colleges are Pell Grant recipients.

Universities and colleges usually don’t have uncommitted funds in their budgets. Colleges that have successfully allocated more money to financial aid typically had “strategic cost containment plans” that allowed them to reallocate money from one area of their budgets to another.³⁵ An increased enrollment of low-income students could have other budgetary impacts. Colleges may have to offer more in the way of academic and non-academic counseling. Also, if they take on more Pell Grant recipients, they may have to offer additional aid for housing and food.

But it seems likely that, despite their protestations, most of the nation’s elite universities could afford it. Consider this example: Washington University in St. Louis would have to

FIGURE 6. Selective private colleges and universities average large budget surpluses each year, particularly the most elite ones.



Source: Georgetown University Center on Education and the Workforce analysis of data from the Internal Revenue Service Form 990s filed by colleges and the NCES-Barron’s Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014.

32 Form 990s, which are required of all non-profit organizations.

33 Some of the assets may be restricted either temporarily or permanently, but the Form 990 required by the IRS is meant to track the annual levels of assets that a university or other non-profit possesses to fund its ongoing activities. Swords, et al., *How to Read the IRS Form 990 & Find Out What it Means*, 2005.

34 2016 NACUBO-Commonfund Study of Endowments.

35 Kurzweil and Brown, *Funding Socioeconomic Diversity at High Performing Colleges and Universities*, 2017.

TABLE 6. Some of the best-known and most-selective private universities in this country run large annual budget surpluses while admitting few low-income students.

Top ten largest annual average budget surpluses among colleges with an enrollment of less than 20 percent Pell Grant recipients, 2012-15

NAME	AVG. ANNUAL BUDGET SURPLUS, 2012-2015	PROPORTION OF PELL GRANT RECIPIENTS	ADDITIONAL PELL STUDENTS NEEDED TO REACH 20%
Harvard University	\$1.2 billion	13.0%	734
Yale University	\$970 million	11.9%	442
Stanford University	\$840 million	15.6%	310
University of Pennsylvania	\$740 million	14.4%	641
Mass. Institute of Technology	\$610 million	18.3%	79
University of Notre Dame	\$540 million	11.2%	747
Northwestern University	\$480 million	14.0%	557
Cornell University	\$390 million	16.3%	533
Duke University	\$250 million	14.0%	396
Rice University	\$250 million	16.6%	138

Source: Georgetown University Center on Education and the Workforce analysis of data from the Internal Revenue Service and the NCES-Barron's Admissions Competitiveness Index Data Files: 1972, 1982, 1992, 2004, 2008, 2014, and the Integrated Postsecondary Education Data System.

admit 975 more Pell Grant recipients to reach an enrollment of 20 percent Pell Grant recipients. Giving \$50,000 to each of those students in financial aid would cost the university \$49 million annually. But Washington University has run an average annual budget surplus of \$232 million over the last four years and has an endowment worth \$6.5 billion. In 2015, the university's president and provost committed to spending an additional \$25 million per year on financial aid after an internal advisory committee recommended changes to increase socioeconomic diversity. But that spending would only bring the percentage of Pell Grant recipients to 13 percent by 2020.³⁶

Harvard is another university that would have to admit a significant number of additional Pell Grant recipients (734) to meet the 20-percent threshold for Pell Grant students. Harvard ran budget surpluses of at least \$1.2 billion in 2013, 2014, and 2015, after reporting a budget shortfall of \$306 million in 2012.³⁷ Harvard also has the largest endowment of any university, worth some \$34.5 billion.

Lesser-known colleges with fewer financial resources might struggle more to meet the financial aid needs of low-income students. But the issue is one of priorities. Many colleges have shifted financial aid from need-based aid to "merit aid," giving grants and scholarships as a way of attracting students away from competitors—even if those students can afford to pay the tuition. At least seven colleges give "merit aid" to more than 20 percent of their students who have no financial need, while at the same time charging low-income students at least \$20,000 a year in net tuition.³⁸ Priorities for spending such as these help assure that the most selective colleges remain the exclusive provinces of the wealthy.

36 Fields, *Increasing Undergraduate Socioeconomic Diversity at Washington University in St. Louis: Building Capacity in the Existing University Infrastructure*, 2015.

37 This report uses four years of tax returns to give a fuller picture of recent financial performance since any institution can have a shortfall in any given year.

38 Burd, *Undermining Pell Volume II: How Colleges' Pursuit of Prestige and Revenue is Hurting Low-Income Students*, 2014.

Conclusion

Some policy makers have suggested that mandating a certain percentage of Pell Grant recipients at all colleges could be a means of equalizing opportunity in higher education. They argue that colleges that are attended almost entirely by wealthy students participate in government-backed loan and other financial aid programs and benefit from federal and local tax exemptions, and as such have an obligation to serve a greater swath of the American public.

It is important to note that the great majority of American colleges and universities would not be affected by the mandate. Only 346 of the 5,500 colleges and universities in America, or about 6 percent, would have to change their student mix as a result.

But the greatest impact would be felt at the nation's most selective colleges. They are, in fact, attended primarily by affluent students. The median enrollment of Pell Grant recipients at the nation's most selective colleges is only 14 percent. These colleges, fortunately, have the financial resources to weather the financial impact of such a policy.

We recognize that if the most selective colleges had to accept more Pell Grant students, they would be faced with difficult decisions: either increase enrollment, which would have the effect of making them less exclusive; admitting fewer international students, which could reduce tuition revenue; or give admissions preference to low-income students and leave many highly-qualified students on the outside looking in.

For Pell Grant students, such a mandate would be good news, particularly for those with the highest test scores. They potentially would have the opportunity to choose from among several selective colleges that they would never have been able to attend otherwise without either possessing extraordinary accomplishments or connections.

Although there are many tradeoffs to consider, perhaps the most important is that the best colleges and universities have the opportunity to serve more low-income students than they are currently. These students now go to colleges from which they have only about a 50-50 chance of graduating. Enrolling them at colleges from which they have close to an 80 percent chance of graduating could go a long way toward advancing equity in this country—by giving students in poor financial circumstances a far greater chance of succeeding.

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The 20% Solution: Selective Colleges Can Afford to Admit More Pell Grant Recipients can be accessed online at cew.georgetown.edu/pell20

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