Cicero Institute

Paying for Performance in the Pell Grant Program

Jennifer Dirmeyer

Joey Torsella

FEBRUARY 2020

In 2017, the federal government disbursed more than $29 billion in Pell Grants to students across the country, up from $10 billion in 2000.[1,2] To put this in perspective, the cost to taxpayers of a single year of Pell Grants now roughly equals the projected cost of the entire federal student loan program over the next decade.[3]

Despite ballooning higher education costs, which have far outpaced the rate of inflation, student outcomes have worsened. Every dollar of increase in a school's average Pell Grant is now associated with an increase in Pell student debt of more than a dollar.[4] According to the most recent data, 70% of Pell students who attended majority-Pell schools had made no progress towards repaying their debt 5 years after exiting school.[5]

Additionally, student earnings, the most obvious indicator of educational success, have stagnated or worsened over time. In 1997, a student matriculating at one of the most Pell-heavy[6] schools in the United States could expect to earn nearly $30,000 a year after 6 years; but by 2008 this figure had fallen to $26,000 a year.[7]

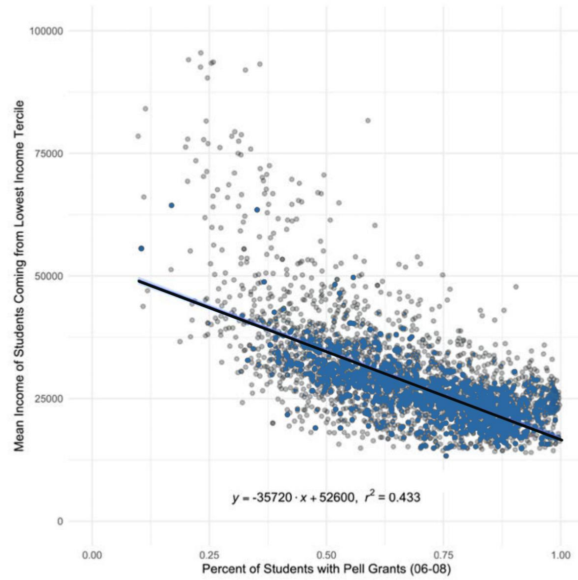


Figure 1: Median Student Income 6 years after graduation (measured in 2013-14), 2006-2008 entry cohort. Source: College Scorecard Data

How can the Pell program have grown so dramatically during such a long-term decline in student outcomes? Part of the problem is the growing cost of postsecondary education (although the purchasing power of a maximum Pell grant has been stable since 1996),[8] but another important factor is misaligned incentives between students and institutions.

The Pell Grant was established in 1965 as part of president Lyndon Johnson's Higher Education Act with the specific goal of increasing access to higher education for socioeconomically

[1] Cassandria Dortch, "Federal Pell Grant Program of the Higher Education Act: Primer," Federal Pell Grant Program of the Higher Education Act: Primer § (2018), https://fas.org/sgp/crs/misc/R45418.pdf, p. 19.

[2] "Pell Grants: Recipients, Maximum Pell and Average Pell – Research – College Board," College Board, November 1, 2019, https://research.collegeboard.org/trends/student-aid/figures-tables/pell-grants-recipients-maximum-pell-and-average-pell.

[3] The CBO projection does not use a fair-market valuation method, according to which the taxpayer costs of the loan program are much higher.

Andrew Kreighbaum, "CBO: Federal Student Loan Program Will Run Deficit," Inside Higher Ed, May 8, 2019, https://www.insidehighered.com/quicktakes/2019/05/08/cbo-federal-student-loan-program-will-run-deficit.

[4] That is, as more dollars are spent per Pell student at a school, not as more total dollars are spent. As the average Pell amount goes up, so does the average Pell student debt.

In fact, an increase of a dollar in a school's average Pell grant is associated with an increase of about 7 dollars in Pell student debt, depending on the year in question. Since the number of (full-time) yearly grants received by a student falls somewhere between 0.5-6, the increase in Pell student debt per dollar of Pell grant is some amount greater than 1.

[5] "College Scorecard Institution-Level Data," College Scorecard (Department of Education, 1996-2018), https://collegescorecard.ed.gov/data/, 2016-17 5yr Repayment Rate (weighted by # of students in repayment cohort) x 2011-12 Pell Percent.

[6] By "Pell-heavy," we refer to schools 75% of whose Title IV students receive some amount of Pell grants. Note that College ScoreCard data only includes a school's Title IV-receiving students, and students who do not receive aid are excluded from all metrics.

[7] "College Scorecard Institution-Level Data," College Scorecard (Department of Education, n.d.), https://collegescorecard.ed.gov/data/, Pell attendance data from 97/98 and 07/08 files; Mean 6yr income from 03/04 and 13/14 files; mean weighted by number of working students at 6yrs.

[8] Cassandria Dortch, "Federal Pell Grant Program of the Higher Education Act: Primer," Federal Pell Grant Program of the Higher Education Act: Primer § (2018), https://fas.org/sgp/crs/misc/R45418.pdf, p. 15.

disadvantaged students.[9] In an attempt to ensure the program lives up to its purpose, stakeholders from across the political spectrum have argued in favor of performance-based funding in the Pell Grant program,[10,11] pointing to high variability in graduation rates, long-term earnings, and loan repayment for Pell students as evidence that institutions have the ability to improve student outcomes if given the proper incentives. Critics of performance-based funding argue, however, that the value of education cannot be fully measured in earnings.[12] They also worry that attempts to hold institutions accountable will result in fewer opportunities for disadvantaged students.[13]

While it is true that postsecondary education is valuable for personal growth, the primary reason that most students pay tuition is to invest in their future economic success. Holding institutions accountable for their students' future earnings will help ensure that all students receive a quality education.

In 2017, for example, the federal government gave both College A and College B about $4,400 per student in Pell Grant funds.[14] But, while students from these schools had near-identical socioeconomic backgrounds, College B's average student income was twice as large as College A's 6 years after matriculation ($42,000 to $20,000).[15] The Pell program rewarded College A and College B equally, even though College A provided a significantly worse return for taxpayers and for the students themselves.[16] If we want to incentivize good performance, improve student outcomes, and realize the objectives of federal Pell Grants, we must structure the Pell Grant program so that institutions have a financial incentive to invest in the long-term success of their students.

Therefore, we propose the Pell for Progress reform, a program which ties the amount of institutional Pell compensation to the future earnings of its low-income students. By tying funding to future earnings, Pell for Progress will:

- create financial incentives for post-secondary institutions to adopt best practices for improving student graduation, employability, and future earnings,
- ensure institutional accountability as a qualification for Pell Grant eligibility, and
- allow private philanthropists to invest in innovations funded by the future Pell awards for successful schools.

This reform makes schools a stakeholder in their students' future success. It creates an environment where ideas for educating students are in open and productive competition with one another, and where institutions have the incentive and the

[9] Matt Aschenbrener, "Federal Financial Aid Policy: Then, Now, and in the Future," National Association of Student Personnel Administrators, March 10, 2016, https://www.naspa.org/blog/federal-financial-aid-policy-then-now-and-in-the-future.

[10] Wesley Whistle, Tamara Hiler, and Michael Itzkowitz, "Sharing the Risk for Students' and Taxpayers' Pell Grant Investment ," Third Way, June 6, 2018, https://www.thirdway.org/report/sharing-the-risk-for-students-and-taxpayers-pell-grant-investment.

[11] Ben Miller and Beth Akers, "Designing Higher Education Risk-Sharing Proposals," Center for American Progress, May 22, 2017, https://www.americanprogress.org/issues/education-postsecondary/reports/2017/05/22/432654/designing-higher-education-risk-sharing-proposals/.

[12] Peter Kahn, "The Flourishing and Dehumanization of Students in Higher Education," *Journal of Critical Realism* 16, 2017, pp. 1-15. doi: 10.1080/14767430.2017.1347444.

[13] Paul Fain, "Negative Findings on Performance-Based Funding," Inside Higher Ed, Dec. 18, 2017, https://www.insidehighered.com/quicktakes/2017/12/18/negative-findings-performance-based-funding.

[14] "Distribution of Federal Pell Grant Program Funds by Institution and Award Year," US Department of Education (ED), September 30, 2019, https://www2.ed.gov/finaid/prof/resources/data/pell-institution.html, 2017 dataset.

[15] "College Scorecard Institution-Level Data," College Scorecard (Department of Education, n.d.), https://collegescorecard.ed.gov/data/, Median Student Income, 2014-15 dataset.

[16] In addition to evidence that about 20% of each Pell grant is captured by the institution via a reduction in institutional aid (http://econweb.umd.edu/~turner/Turner_FedAidIncidence_Jan2017.pdf), Pell grants necessarily increase institutional revenue. By "rewarded," we mean these two effects.

financial ability to expand access to quality education for the most disadvantaged students.

Pell in Practice

Let's take a look at how the Pell Grant program currently works for a typical Pell student (call her Jane):

1. Application: For every year in which Jane wants aid, she has to submit a Free Application for Federal Student Aid (FAFSA) to the Department of Education.
2. Classification: The DoEd uses Jane's FAFSA to determine how much she or her family (if she is a dependent) is expected to contribute to her education. Based on this and the total cost of her education, the department determines the size of Jane's Pell Grant award.[17]
3. Award: Jane's institution is given federal funds to cover upcoming authorized disbursements (which include Jane's 1st semester Pell Grant). The school applies most of these funds as a credit to Jane's student account to cover tuition and fees on her behalf.[18]
4. Record-Keeping: The DoEd routinely collects data on Jane, including her post-collegiate income data, and pairs it with the demographic data from her FAFSA and other sources.[19]

Our reform changes the eligibility criteria for institutions who participate in the Pell Program. We propose basing eligibility on the future earnings of an institution's low-income students. Schools whose low-income students have high mean earnings 10 years post-matriculation will be given a performance bonus, while schools who underperform compared to high school threshold earnings will no longer be fully eligible to participate in the Pell Program.[20] In short, schools are compensated based on how much they improve their students' future prospects.

Pell for Progress

Levels of Eligibility

We propose revising the Pell Grant program so that eligibility is determined by the earnings ratio (ER) – the ratio of the 10-Year Mean Earnings for

[17] Cassandria Dortch, "Federal Pell Grant Program of the Higher Education Act: Primer," Federal Pell Grant Program of the Higher Education Act: Primer § (2018), https://fas.org/sgp/crs/misc/R45418.pdf, pp. 2.

[18] Cassandria Dortch, "Federal Pell Grant Program of the Higher Education Act: Primer," Federal Pell Grant Program of the Higher Education Act: Primer § (2018), https://fas.org/sgp/crs/misc/R45418.pdf, pp. 11.

[19] "Technical Documentation: College Scorecard Institution-Level Data," College Scorecard (Department of Education, November 2019), https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf, pp. 34-5.

See appendix for a discussion of the level of access that the Department of Education has to individualized student earnings data and the implications this has for the proposal.

[20] Besides indiscriminate compensation, there are several practical reasons that the Pell program – as opposed to the federal student loan program or the state-level funding programs – is the right policy lever for institutional accountability. First, the Pell program constitutes a larger direct federal expenditure than the student loan program, and its larger proportional effect on student demand makes institutional acceptance of any risk-sharing scheme more likely. Second, outcomes are poorer for the Pell student population than for the Title-IV receiving population in general, and there is more room for institutional improvement. Finally, the Pell program has a broad impact on nearly every traditional IHE. In short, the program is a good fit because it impacts students whom accountability would most benefit and it impacts institutions broadly and powerfully enough to effect serious change.

Low Income Students[21] to the High School Earnings Threshold. [22]

We propose 4 levels of institutional eligibility:

Level 0, No Eligibility: ER is below a minimum threshold and the institution will not be authorized to receive or dispense Pell Grant funding.

Level 1, Partial Funding: ER is above the minimum threshold, but below a predefined on-target threshold, and the institution will be partially funded for up to three years. Partial funding would mean that institutions would only be authorized to receive or disperse a fraction of the student's Pell award.[23] This will incentivize students to attend other institutions or require the school to cover the difference in student cost.

Level 2, Full Funding: ER is at or above the on-target threshold and the institution will continue to participate in the Pell Grant system as before.

Level 3, Bonus Funding: ER is at or above an excellent performance threshold, thereby qualifying the institution for a Pell Bonus per dollar of Pell funding they disperse to students.

Determining Accountability and Incentive Levels

The structure outlined above financially incentivizes concern in postsecondary institutions for the long term earnings of their low income students. The strength of this incentive will be determined by the cutoffs for each level of eligibility, **Accountability Thresholds**, and the percentage of partial funding or bonus grants for institutions falling within those levels, **Incentive Levels**. Lawmakers will determine the Accountability Thresholds and Incentive Levels.

Higher Accountability Thresholds will place more institutions in the lower levels of eligibility and reduce the number of institutions receiving bonus Pell grants while higher Incentive Levels will increase the financial impact of being placed in a specific eligibility level.

We propose that lawmakers determine Accountability Thresholds and Incentive Levels with consideration of institutional impact, student wellbeing, and fiscal responsibility.

Institutional Impact: The goal of Pell for Progress is to encourage institutions to experiment with policies, practices, and investments that will increase the long term earnings of their low income students. Effective motivation for an institution requires a mean earnings goal that is attainable but also aspirational. Therefore, we propose choosing Accountability Thresholds that encourage marginal institutions to change practices and Incentive Levels that result in significant financial impact for success.

Student Wellbeing: The choices that students make in postsecondary education have long term impacts on their quality of life and wellbeing. We hope to encourage students to choose career paths that will afford them earnings above those who only have high school diplomas. Therefore, we propose choosing Accountability Thresholds that

[21] The 10 Year Mean Earnings is the mean earnings of the student cohort who matriculated 10 years prior and whose family income is in tercile 1.
"Technical Documentation: College Scorecard Institution-Level Data," College Scorecard (Department of Education, March 2020), https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf, pp. 27.

[22] The Department of Education calculates the high school earnings threshold as the median earnings of high school (only) graduates between the ages of 25 and 34. "Technical Documentation: College Scorecard Institution-Level Data," College Scorecard (Department of Education, March 2020), https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf, p. 28-9.

[23] As will be discussed below, partial funding could be anywhere from 25% of the award to 75% of the award depending on policy makers' goals.

reward mean earnings higher than the high school threshold earnings.

Fiscal Responsibility: Federal funding of the Pell Grant program is premised on increasing access to high quality education for our most disadvantaged students. Therefore, we should ensure that government funding is flowing to schools which have a track record of providing this service.

Case Study: Pell for Progress in Academic Year 2016/17

Here's how the Pell for Progress reform would have impacted postsecondary institutions in the 2016/17 Academic Year. Using three-year average mean earnings data from the College Scorecard for 2014/15, 2013/14, and 2012/13[24] and the IPEDS institution-level financial data from 2016/17, we created a sample dataset of 3828 postsecondary institutions: 2018 4-Year Institutions, 1253 2-Year Institutions, and 557 less than 2-Year institutions.

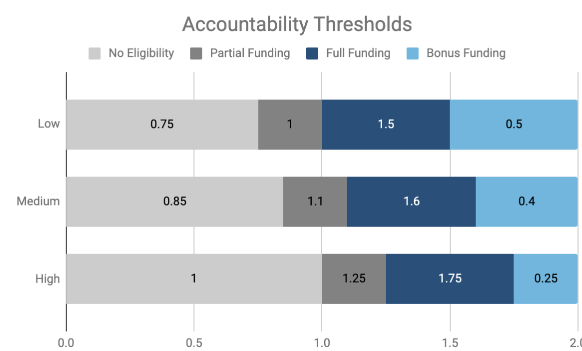
Table 1: Mean Earnings By Institution Type

	Count	10 YR Mean Earnings
All Institutions	3828	$36,109
4-Year	2018	$42,750
2-Year	1253	$30,565
Under 2-Year	557	$24,525

In 2014/15, 1080 of the 3828 institutions had mean earnings less than the high school threshold of $28,000. In fact, Under 2-Year institutions had an average mean earnings of just $24,525. This can be the result of either low graduation rates, or low paying employment prospects post-graduation. In either case, Pell for Progress would work to incentivize better outcomes for the more than 73,000 students at these institutions.

Accountability Thresholds

To determine eligibility levels for each institution, we first define the Accountability Thresholds. The choice of thresholds will have a large impact on the outcomes of the reform. Thresholds can be conceptualized as a sliding scale, with the "No Eligibility" threshold setting the minimum and the "Full Funding" threshold setting the boundary for the bonus eligibility.



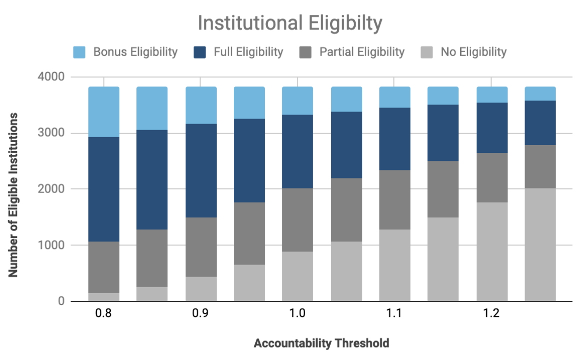
According to the chart above, low Accountability Thresholds would set the minimum threshold for partial funding at .75 ER- meaning that any institution with a 10 Year Mean Earnings of less than $21,000 would be ineligible to participate in the Pell Grant Reform, and any institution with more than $21,000 but less than $28,000 would only be eligible for partial funding. Likewise, any institution with mean earnings between $28,000 and $42,000 would receive full funding and those with mean earnings greater than $42,000 would receive a Pell Bonus Grant.

Increasing the Accountability Thresholds would result in higher mean earnings requirements for each eligibility level and, therefore, fewer

[24] We use the mean earnings data from Academic Year - 2, 3,4 in order to assure data availability.

institutions in the upper levels. Using our 2016/17 sample of institutions, the following chart shows the distribution of institutions in each eligibility level given various Accountability Threshold levels. As the Accountability Thresholds get higher, the number of institutions in the top three levels are compressed.

At the lowest levels of accountability, 143 institutions would no longer be eligible for Pell Grants and 927 institutions would be only partially funded. 905 institutions would be eligible for the bonus funding.



At higher Accountability Thresholds, more than 2000 institutions would be ineligible or partially funded, and only a few hundred institutions would receive bonus funding. The ideal Accountability Threshold is aspirational but achievable for a large proportion of institutions.

Given adequate Incentive Levels, institutions will have a financial incentive to increase the 10-year mean earnings of their low-income students and move into higher funding eligibility levels.

Incentive Levels

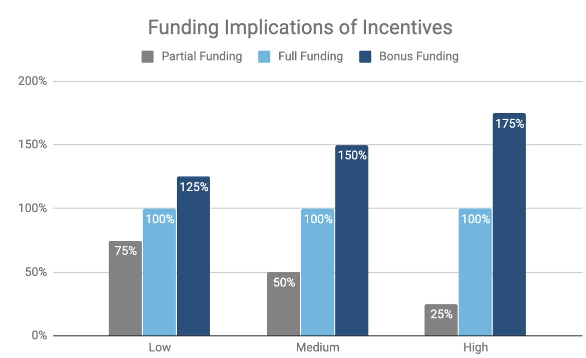
Incentive Levels refer to the financial impact of moving between eligibility levels.

While No Eligibility always means zero funding and Full Eligibility always means 100% funding, Partial Eligibility and Bonus Eligibility determine the size of the financial incentive for institutions.

High Incentive Levels mean large reductions for Partially Funded institutions and large bonuses to Bonus Funded institutions. Large funding differences between eligibility levels will give institutions more incentive to attain the next highest level.

Given a medium Accountability Threshold framework, a high Incentive Level will result in 446 institutions losing Pell funding entirely and 1052 institutions receiving only 25% of students' eligible Pell grants – resulting in an average decrease in funding of $2,664,608 per year per institution. There would also be 669 institutions eligible for the 75% bonus, resulting in an average annual increase of $6,609,424.

By comparison, a low Incentive Level, with the same medium Accountability Threshold, would result in partially funded institutions receiving 75% of a student's eligible Pell Grant total for an annual $888,203 decrease in funding. Bonus eligible institutions would receive a 25% bonus resulting in an average increase of $2,203,141 per year.



However, high Incentive Levels will also mean larger budgetary implications for the federal budget.

The high accountability/high incentive combination would have saved the Department of Education over $4 Billion in 2016/17 while the low accountability/high incentive combination would have cost the DoEd an additional $4 Billion in Pell Bonus Grants.

Table 2: DoEd Implications by Accountability Threshold and Incentive Level

DoEd Outlay Implications			
	High Incentive	Medium Incentive	Low Incentive
High Account	-$4,211,465,130	-$3,398,890,496	-$2,586,315,861
Medium Acct.	$1,302,730,052	$763,217,756	$223,705,460
Low Account	$4,201,892,217	$2,775,900,482	$1,349,908,747

The ideal Incentive Level will motivate institutions to improve student outcomes while staying within the bounds of fiscal responsibility.

Rewarding Success – Improving Outcomes

Pell for Progress will create financial opportunities for institutions which attract low-income students and support their future success. The structure of this reform will encourage improvements in three main areas: recruitment of low-income students, graduation rates, and employment opportunities.

Recruiting Low Income Students

Pell for Progress rewards institutions based on the total Pell dollars they are receiving through student enrollment. While some may be concerned that emphasizing future mean earnings would incentive institutions to avoid recruiting lower incomes students because of a tendency for those students to earn less later in life, our reform ensures that institutions are only rewarded for the low-income students they recruit and retain. Therefore, **Pell for Progress will increase opportunities for low-income students.**

Second, the amount of institutional aid a college offers students will become a better signal of the school's underlying quality. Since the Pell package is worth more to a good school than to a bad one, a good school can spend more out-of-pocket on its Pell students than a bad one. Strong financial aid packages will be more than incentives for students to attend a school: they'll also be signals to students that their prospects are better if they attend.

Graduation Rates

The 10YR Mean Earnings is calculated using the earnings of all low-income students who enrolled in the institution 10 years prior, are currently employed, and are no longer enrolled.[25] Therefore, the calculation of an institution's Earnings component of the ER in any given year will use the 10YR Mean Earnings of all low-income students who enrolled 12 years prior, including those who completed, didn't complete, or transferred out. Since completers tend to have higher earnings than non-completers, institutions are incentivized to improve graduation or successful transfer rates automatically, without incentivizing these important measures independently.

Employment Opportunities

[25] In order to allow for data collection and processing, funding eligibility for any given academic year will be determined by the ER two years prior.

One function of postsecondary education is to increase the employability and productivity of graduates. With its focus on mean earnings, Pell for Progress will encourage institutions to clear pathways for students to higher paying careers. This could mean employing strategies to increase the number of low-income students in STEM fields, improving career services centers, or improving access to alumni networks for low income students. Further, this program provides a reason for colleges to invest in their students' success for more than the time they remain in attendance. Some schools may even find it beneficial to offer vocational programs or training to Pell alumni. Others may offer more night classes or partner with corporations to tailor instruction to workforce needs.

Positive Spillover Effects

The Pell for Progress program, by allowing schools to reap the benefits of their own innovations, would set up a competition of ideas in education that would benefit students of all backgrounds. Institutional experimentation and innovation will produce knowledge of successful strategies that other institutions can emulate, creating positive spillover effects for the entire higher education sector.

Moreover, the funding structure opens up the possibility for philanthropic institutions to provide seed funding for maringal institutions to implement policies and practices which improve student earnings. As those investments bear fruit, future funding for those programs could be paid for with the increased Pell funding earned by moving up an eligibility level.

Finally, attaching financial incentives to future student earnings will encourage new data collection methods and research which support efforts to improve student outcomes. Postsecondary institutions may currently desire to invest in more intense data collection, but with little financial benefit, they may find it difficult to justify budgetary allocations to such efforts.

Conclusion

Pell for Progress provides a powerful incentive for colleges to invest in the futures of their Pell students.

Using mean earnings to determine institutional Pell eligibility will :

- encourage students to attend institutions that have a proven track record of preparing low-income students for financially lucrative careers,
- provide additional funds to institutions who are effectively preparing low-income students for the job market, so that they may expand successful programs,
- encourage creative investment in increasing retention rates, graduation rates, rates of STEM participation, career services programming, and many other services proven to increase earnings for low-income students, and
- provide philanthropic organizations the opportunity to help underperforming schools adopt best practices by funding the implementation of programs which have proven successful.

Institutional financial aid will become more than a tool for attracting students: for the best schools, attracting more Pell students and spending more on support services will become a financially beneficial investment. Schools will be encouraged to reexamine old models and adopt new, more successful, strategies.

It is time to pay for performance in the Pell Program, before we see another decade of declining outcomes and rising costs. The Pell for Progress Program would encourage a competition of educational ideas jointly benefiting students, labor markets, and institutions of higher education alike. It would give each institution a share in students' futures without compromising the existing program's progressive needs-based structure or threatening the broader FSA regulatory framework.

Pell for Progress will ensure that the Pell Grant fulfills its intended purpose – improving access to high quality postsecondary education for disadvantaged students. We owe it to our children to ensure its success.

Appendix: FAQs

Would this program encourage schools to be more selective about the Pell students they recruit?

Since the additional funding is only available as a percentage of the total Pell funding being dispersed to students, institutions will have an incentive to *increase* overall Pell student enrollment.

Would this program punish liberal arts schools and similar institutions?

Only if these institutions do worse for their students' future earnings. The earnings of many liberal arts majors are strong over the medium and long term. But if schools do not help their students find stable and fruitful employment, they will face sanctions under this program. The outcomes of students from low-income backgrounds have consistently declined over time, and many schools now produce students who earn less on average than the typical non-college attendee. Pell for Progress will sanction schools which produce students who struggle to earn a living and cannot repay their debts, but these schools – if the education is worthwhile – can just as well survive without federal subsidy. And any institution – regardless of whether or not it is a liberal arts school – will be rewarded for securing its students' economic future.

What about smaller schools, for which year-to-year performance variance is more likely to be random?

We calculate earnings as a three-year rolling average of the cohort enrolled 12, 13, and 14 years prior. This smooths out high variance and outliers.

Would this program disproportionately affect the admissions of certain demographics of Pell students?

One of the goals of Pell for Progress is to help mitigate racial and gender wage gaps by rewarding institutions who excel at preparing their students for economic success. Following the admission of any Pell student, the institution will have every incentive to provide her with the tools necessary for success despite current demographic wage gaps. That being said, we recommend that the DoEd closely monitor the effects of Pell for Progress on the admissions of black, hispanic, and female student sub-populations. If the program negatively affects the admissions of black, hispanic, or female students, then the DoEd should reform funding procedures in order to incentivize admission based on applicant merit, not on the earnings potential based on current demographic wage gaps.

If schools have to wait 10 years to see the results in student earnings, how will they know if their current practices are effective?

Institutions will be able to track many of the metrics which are ultimately correlated with 10-year earnings well before those data become available. Retention rates, graduation rates, job placement, and earnings at 6 years post-matriculation all correlate with 10 Year Mean Earnings. Institutions can monitor these metrics to estimate 10-year earnings and develop strategies to improve the key metric.

Would this program limit the number of schools available to Pell-eligible students?

Pell-eligible students will still be able to attend any school, but their Pell Grant will not be applicable at schools which are not eligible for the Pell for Progress program. This, however, is an asset for students choosing between institutions, because the amount of a student's Pell Grant which applies at a school will indicate how effective that school is at preparing its students for future economic success. In time, more schools will implement practices that improve long term earnings, increasing quality educational opportunities for Pell students.

Will there be resources available to schools who are struggling to improve their ER?

Ultimately, schools will be responsible for the improvement of their own student outcomes. We also recommend, however, that the DoEd publish a yearly review of best practices in order to provide a starting point for schools struggling to improve student outcomes.

Will ER calculations differ for 2-year institutions?

Because the 10YR Mean Earnings calculation includes not only graduates from an institution, but all students who matriculate 10 years prior, the calculations will not differ for 2-year institutions. Keeping the ER requirements constant will incentivize 2-year institutions to work for successful transfers to 4-year institutions for their Pell students. This will work to the benefit of Pell students, since a bachelor's degree has a higher earnings premium than a certificate or an associate's degree.

References

Aschenbrener, Matt. "Federal Financial Aid Policy: Then, Now, and in the Future." National Association of Student Personnel Administrators, March 10, 2016. https://www.naspa.org/blog/federal-financial-aid-policy-then-now-and-in-the-future.

"College Scorecard Institution-Level Data." College Scorecard. Department of Education, n.d. https://collegescorecard.ed.gov/data/.

"Distribution of Federal Pell Grant Program Funds by Institution and Award Year." US Department of Education (ED), September 30, 2019. https://www2.ed.gov/finaid/prof/resources/data/pell-institution.html.

Dortch, Cassandria. Federal Pell Grant Program of the Higher Education Act: Primer, Federal Pell Grant Program of the Higher Education Act: Primer § (2018). https://fas.org/sgp/crs/misc/R45418.pdf.

Fain, Paul. "Negative Findings on Performance-Based Funding." Inside Higher Ed, Dec. 18, 2017. https://www.insidehighered.com/quicktakes/2017/12/18/negative-findings-performance-based-funding.

Kahn, Peter. "The Flourishing and Dehumanization of Students in Higher Education." *Journal of Critical Realism* 16, 2017. doi: 10.1080/14767430.2017.1347444.

Kreighbaum, Andrew. "CBO: Federal Student Loan Program Will Run Deficit." Inside Higher Ed, May 8, 2019. https://www.insidehighered.com/quicktakes/2019/05/08/cbo-federal-student-loan-program-will-run-deficit.

Miller, Ben. "Building a Student-Level Data System." Publication. *Building a Student-Level Data System*. Institute for Higher Education Policy, May 2016. http://www.ihep.org/sites/default/files/uploa ds/postsecdata/docs/resources/building_a_student-level_data_system.pdf.

Miller, Ben, and Beth Akers. "Designing Higher Education Risk-Sharing Proposals." Center for American Progress, May 22, 2017. https://www.americanprogress.org/issues/education-postsecondary/reports/2017/05/22/432654/designing-higher-education-risk-sharing-proposals/.

"Pell Grants: Recipients, Maximum Pell and Average Pell – Research – College Board." College Board, November 1, 2019. https://research.collegeboard.org/trends/student-aid/figures-tables/pell-grants-recipients-maximum-pell-and-average-pell.

Rothwell, Jonathan. "Using Earnings Data to Rank Colleges: A Value-Added Approach Updated with College Scorecard Data." Brookings. Brookings, August 25, 2016. https://www.brookings.edu/research/using-earnings-data-to-rank-colleges-a-value-added-approach-updated-with-college-scorecard-data/.

"Technical Documentation: College Scorecard Institution-Level Data." College Scorecard. Department of Education, November 2019. https://collegescorecard.ed.gov/assets/FullDataDocumentation.pdf.

Whistle, Wesley, Tamara Hiler, and Michael Itzkowitz. "Sharing the Risk for Students' and Taxpayers' Pell Grant Investment." Third Way, June 6, 2018. https://www.thirdway.org/report/sharing-the-risk-for-students-and-taxpayers-pell-grant-investment.