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UNFORTUNATELY, EXPANDING PELL GRANTS LIKELY TO INCREASE COLLEGE TUITION AND FRAUD

By **Julie Borowski** on **Feb 02, 2010**

In Obama's proposed [2011 fiscal budget](#) released yesterday, he calls for a massive expansion to the Pell Grant program. The Pell Grant, given to undergraduate and some graduate students that can demonstrate financial need, will be expanded to approximately [\\$35 billion](#). It's no secret that tuition costs are soaring particularly at public colleges and universities. [According](#) to College Board:

most students and their families can expect to pay, on average, from \$172 to \$1,096 more than last year for this year's tuition and fees.

The rate at which college tuition costs are rising is astounding. The average price of a private four-college is [\\$26,273](#), an increase of 4.4 percent from the 2008-2009 school year. The average cost of a public four-year college this year is [\\$7,020](#), an increase of 6.5 percent. The average price of a two-year public college, typically community colleges, has increased 7.3 percent within the last year to [\\$2,544](#).

All college students and their families are affected by these high and escalating college costs. In order to make colleges more affordable for all students, it's vital to analyze the reasons why colleges have become so expensive within recent years. In a Cato Institute's published policy analysis "[Making Colleges More Expensive: The Unintended Consequences of Federal Aid](#)" Gary Wolfram states:

One result of federal government's student aid programs is higher tuition costs at our nation colleges and universities... the empirical evidence is consistent with that- federal loans, Pell grants and other assistance programs result in higher tuition for students.

Dr. Wolfram [explains](#) that the unintended consequences of Pell Grants are hurting college students:

The federal government's financial aid programs cause higher tuition costs, reducing the ability of some students to go to college and causing others to attend a college that is not their first choice. Basic economic theory suggests that the increase in demand for higher education brought about by the system of grants and loans will increase the price of higher education.

Judith Lee of Harvard University [found](#) that the Pell Grants are responsible for skyrocketing tuition costs:

private four year college increased listed tuition prices by more than two dollars for each dollar increase in Pell Grants, and public four-year colleges increased tuition by 97 cent for every dollar increase.

In addition, it is [reported](#) that hundreds of millions of dollars is susceptible to fraud and abuse in the Pell Grant program. [According](#) to John Boehner (R-OH):

The federal government needs to do a better job of ensuring the rights of needy students are protected against abuse and fraud in the Pell Grant program.

Despite the high cost and fraud, Obama [plans](#) to increase the program by billions of tax-payers dollars:

The Obama budget will also propose making the Pell Grant an entitlement program like Medicare and Social Security. As an entitlement, the full grant would be guaranteed to anyone eligible, and Congress would be obliged to fund the program for all who qualify.

By drastically expanding Pell Grants, college tuition prices will likely significantly rise for all while fraud will become more widespread. Unfortunately, it is likely that increasing Pell Grants will only worsen the problem of outrageous college costs.

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