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Federal Pell Grant Program of the Higher Education Act: Primer

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Federal Pell Grant Program of the Higher Education Act: Primer

The federal Pell Grant program, authorized by Title IV of the Higher Education Act of 1965, as amended (HEA; P.L. 89-329), is the single largest source of federal grant aid supporting postsecondary education students. Pell Grants, and their predecessor, Basic Education Opportunity Grants, have been awarded since 1973. The program provided approximately \$29 billion in aid to approximately 7.2 million undergraduate students in FY2017. Pell Grants are need-based aid that is intended to be the foundation for all need-based federal student aid awarded to undergraduates.

To be eligible for a Pell Grant, an undergraduate student must meet several requirements. One key requirement is that the student and his or her family demonstrate financial need. Financial need is determined through the calculation of an expected family contribution (EFC), which is based on applicable family financial information provided on the Free Application for Federal Student Aid (FAFSA). Although there is no absolute income threshold that determines who is eligible or ineligible for Pell Grants, an estimated 95% of Pell Grant recipients had a total family income at or below \$60,000 in academic year 2015-2016. Other requirements include, but are not limited to, the student not having earned a bachelor's degree and being enrolled in an eligible program at an HEA Title IV-participating institution of higher education for the purpose of earning a certificate or degree.

The maximum annual award a student may receive during an academic year is calculated in accordance with the Pell Grant award rules. The student's scheduled award is the least of (1) the total maximum Pell Grant minus the student's EFC, or (2) Cost of Attendance (COA) minus EFC. For a student who enrolls on a less-than-full-time basis, the student's maximum annual award is the scheduled award ratably reduced. For FY2019 (academic year 2019-2020), the total maximum Pell Grant is \$6,195. The COA is a measure of a student's educational expenses for the academic year. Qualified students who exhaust their scheduled award and remain enrolled beyond the academic year (e.g., enroll in a summer semester) during an award year receive a *year-round* or *summer* Pell Grant. With year-round Pell Grants, qualified students may receive up to 1½ scheduled grants in each award year. Finally, a student may receive the value of no more than 12 full-time semesters (or the equivalent) of Pell Grant awards over a lifetime.

The program is funded primarily through annual discretionary appropriations, although in recent years mandatory appropriations have played an increasing role in the program. The total maximum Pell Grant is the sum of two components: the discretionary maximum award and the mandatory add-on award. The discretionary maximum award amount is funded by discretionary appropriations enacted in annual appropriations acts, and augmented by permanent and definite mandatory appropriations provided for in the HEA. For FY2019, the discretionary appropriation is \$22.475 billion and the augmenting mandatory funds total \$1.370 billion. The mandatory add-on award amount is funded entirely by a permanent and indefinite mandatory appropriation of such sums as necessary, as authorized in the HEA. The mandatory add-on is estimated to require \$6.077 billion in FY2019. Funding provided for the Pell Grant program is exempt from sequestration.

The Pell Grant program is often referred to as a *quasi-entitlement* because for the most part eligible students receive the Pell Grant award level calculated for them without regard to available appropriations. In a given year, the discretionary appropriation level may be smaller or larger than the actual cost to fund the discretionary maximum award, despite the augmenting mandatory appropriation. When the discretionary appropriation is too small, the program carries a shortfall into the subsequent fiscal year. When the discretionary appropriation is too large, the program carries a surplus into the following fiscal year. Since FY2012, the program has maintained a surplus. The surplus has variably been used to increase Pell Grant awards, expand eligibility, and either fund other programs or reduce the national deficit.

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Introduction

The Federal Pell Grant program, authorized by Title IV-A-1 of the Higher Education Act of 1965, (HEA; P.L. 89-329), as amended, is the single largest source of federal grant aid supporting undergraduate students. The program provided approximately \$29 billion in aid to approximately 7.2 million undergraduate students in FY2017.¹ Pell Grants are need-based aid that is intended to be the foundation for all federal need-based student aid awarded to undergraduates. In award year 2015-2016, Pell Grants represented 72% of all federal undergraduate grant aid; 53% of federal, state, and institutional undergraduate need-based grant aid; and 28% of total grant aid for undergraduates coming from federal, state, institutional, and private sources.²

The discretionary statutory authority for the Pell Grant program was authorized through FY2017.³ The discretionary authorization was extended through FY2018 under the General Education Provisions Act (GEPA), although the program has continued to receive appropriations.⁴ HEA also provides permanent mandatory program appropriations.

This report provides descriptions of key elements of the Pell Grant program and information on recipient demographics, award levels, award value, program costs, and program funding.⁵ The first section of the report addresses how the program works and describes the basic process for awarding Pell Grants including the application process, student eligibility requirements, award rules and calculations, and the role of the institution of higher education (IHE) in the process. This section is followed by sections on recipient characteristics and the role the program plays in relation to other student aid.⁶ The report explains the complex Pell Grant funding streams and their implications. Finally, program costs and estimates are presented. In addition, the appendices provide historical Pell Grant award amounts (Appendix A), Pell Grant recipient counts (Appendix B), recent and future program funding (Appendix C), surplus and shortfall levels (Appendix D), and acronyms commonly used in the report (Appendix E).

Student Eligibility and Program Award Rules

This section of the report provides an overview of the structure of the Pell Grant program and the process through which grants are made to students. It describes student eligibility, underlying

¹ U.S. Department of Education, *Fiscal Year 2019 Budget*, pp. N-6–N-7.

² CRS analysis of AY2015-2016 data from the Department of Education, National Postsecondary Student Aid Study (NPSAS). This survey, which is conducted about every four or more years, was most recently conducted for award year 2015-2016.

³ The statutory authority for the Pell Grant program was most recently reauthorized through FY2017 by the Higher Education Opportunity Act of 2008 (HEOA; P.L. 110-315).

⁴ For more information on GEPA's Contingent Extension of Programs, see CRS Report R41119, *General Education Provisions Act (GEPA): Overview and Issues*.

⁵ This CRS report supersedes CRS Report 422446, *Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes*. The current report contains updated information.

⁶ Title IV of HEA authorizes several student aid programs: Pell Grant program, Iraq and Afghanistan service grants, William D. Ford Federal Direct Loan (DL) Program, Federal Supplemental Educational Opportunity Grant (FSEOG) program, and Federal Work-Study (FWS) program. See CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*; and CRS Report R40122, *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers*.

concepts and award rules for determining students' grants, and the role played by postsecondary institutions in the program.

Briefly, the Pell Grant program provides grants (i.e., aid that does not have to be repaid) to financially needy undergraduates. To apply for a Pell Grant or any HEA Title IV student aid, students must complete and submit the Free Application for Federal Student Aid (FAFSA), providing requested financial and other information.⁷ When the FAFSA is processed, the individual's expected family contribution (EFC) is calculated. The EFC is the amount expected to be contributed by the student and the student's family toward postsecondary education expenses for the upcoming academic year. After processing, each applicant receives a Student Aid Record (SAR). Each institution of higher education (IHE) designated by the applicant on the FAFSA receives an Institutional Student Information Record (ISIR). The SAR and ISIR contain the information submitted on the FAFSA and the individual's EFC.⁸

Institutions that receive valid SARs or valid ISIRs for eligible Pell Grant applicants are required to disburse Pell Grant funds to students who successfully enroll in approved coursework. Pell Grants are *portable aid*, that is, the grant aid follows students to the eligible postsecondary education institutions in which they enroll. In addition, the Pell Grant program is often referred to as a *quasi-entitlement* because for the most part eligible students receive the Pell Grant award level calculated for them without regard to available appropriations (for more on program funding, see the "Program Funding" section).⁹ The size of each student's grant is based, principally, on EFC, the total maximum Pell Grant for the award year,¹⁰ and the student's enrollment rate, but may not exceed the student's cost of attendance.

Student Eligibility

To be eligible for a Pell Grant, a student must meet requirements that apply to HEA Title IV student aid programs in general as well as requirements specific to the Pell Grant program.¹¹

Among the requirements generally applicable to the HEA Title IV student aid programs for award year (AY) 2018-2019 are the following:

- Students must be accepted for enrollment or enrolled in an eligible program at an eligible institution for the purpose of earning a certificate or degree.¹²

⁷ There are two ways to complete and submit a FAFSA for consideration of federal student aid. For instance, students and families may use *FAFSA on the Web*, which is an interactive online process. Alternatively, they may obtain a paper FAFSA from their financial aid office or other locations and submit it to the address listed on the form, although most applications are submitted electronically.

⁸ For more information on the FAFSA processes and calculation of EFC, see CRS Report R44503, *Federal Student Aid: Need Analysis Formulas and Expected Family Contribution*.

⁹ Student awards have not been reduced nor recipient caps imposed since AY1990-AY1991.

¹⁰ The Pell Grant award year begins the first day of July in a given year and ends the last day of June the following year.

¹¹ See Higher Education Act, as amended (hereinafter referred to as HEA), Section 484 (34 C.F.R. part 668, subpart C) for general requirements and Section 401 (34 C.F.R. part 690, subpart A) for Pell Grant specific requirements.

¹² An eligible program requires at least 16 semester hours (or the equivalent) offered during a minimum of 15 weeks. Alternatively, an eligible program may be at least 8 semester hours (or the equivalent) offered during a minimum of 10 weeks, if an associate's degree is required for admissions. One semester hour requires one hour of classroom or direct faculty instruction and at least two hours of out-of-class work each week for approximately 15 weeks. For information on HEA Title IV eligible programs and eligible institutions, see CRS Report R43159, *Institutional Eligibility for Participation in Title IV Student Financial Aid Programs*.

- Students must not be enrolled in an elementary or secondary school and must have a high school diploma (or equivalent).¹³
- Students must meet citizenship requirements.¹⁴
- Males must have registered with the selective service system when 18-25 years of age.
- Students must maintain satisfactory academic progress while enrolled. Satisfactory academic progress requires a minimum grade point average (or its equivalent) and passing a minimum percentage of attempted credits or hours.
- Students must not be in default on a Title IV student loan, or have failed to repay or make an arrangement to repay an overpayment on a Title IV grant or loan, or be subject to a judgment lien for a debt owed to the United States. Students must have repaid any Title IV funds obtained fraudulently.
- Students may be disqualified for an *unusual enrollment history*—receiving HEA Title IV aid at multiple schools in the same semester, or receiving aid and withdrawing before earning any credit.
- Students may be disqualified for a period of time for a federal or state conviction for possession or sale of drugs while receiving HEA Title IV student aid.¹⁵

Specific eligibility requirements for the Pell Grant program include the following:

- Students must not have already completed the curriculum requirements of a bachelor's or higher degree.¹⁶
- Students must be enrolled in non-foreign institutions.
- Students must be financially needy students as determined under the program's award rules (see below).
- Students must not be incarcerated in a federal or state penal institution.

¹³ The equivalent of a high school diploma may include a general educational development (GED) certificate; the completion of an eligible homeschool program; or the completion of one of the *ability to benefit* alternatives and either being enrolled in an eligible career pathway program or being first enrolled in an eligible postsecondary program prior to July 1, 2012. The *ability to benefit* may be demonstrated by passing an examination approved by ED to be eligible for federal student aid, or by successfully completing six credits or 225 clock hours of college work applicable to a certificate or degree offered by a postsecondary institution. A career pathway program combines occupational skills training, counseling, workforce preparation, high school completion, and postsecondary credential attainment.

¹⁴ In general, students must be U.S. citizens or permanent U.S. residents. Individuals with several other entrance statuses can qualify for aid. Individuals in the United States on a temporary basis, such as those with a student visa or an exchange visitor visa, are not eligible for federal student aid. Students with Deferred Action for Childhood Arrivals (DACA) status, conferred by the U.S. Citizenship & Immigration Services (USCIS) office in the Department of Homeland Security, are not eligible for HEA Title IV aid.

¹⁵ Periods of ineligibility for federal student aid funds are based on whether the conviction was for the sale or possession of drugs and whether the student had previous offenses. The period of ineligibility does not apply if the conviction was reversed, set aside, removed from the student's record, or received while a juvenile (unless tried as an adult), or once the student completes a qualified drug rehabilitation program. A conviction for the sale of drugs includes convictions for conspiring to sell drugs.

¹⁶ Students with a bachelor's degree may be enrolled at least half-time in a postbaccalaureate teacher education program. Half-time enrollment is at least 6 credit hours in a standard semester. A postbaccalaureate teacher education program does not lead to a graduate degree; is offered by a school that does not also offer a bachelor's degree in education; and leads to certification or licensure necessary for employment as an elementary or secondary school teacher in the state. To be eligible for a Pell Grant, the student enrolled in the postbaccalaureate teacher education program must be pursuing an initial teacher certification or licensing credential within the state.

- Students must not be subject to an involuntary civil commitment following incarceration for a sexual offense (as determined under the FBI’s Uniform Crime Reporting Program).
- Students with a *significant* intellectual disability must be accepted for enrollment or enrolled in a comprehensive transition and postsecondary program.¹⁷

Underlying Concepts and Award Rules

The amount of an eligible student’s Pell Grant award is determined on the basis of a set of award rules. In general, these award rules are designed to ensure that the neediest students (as determined by their EFC) receive the highest Pell Grant awards in each award year.¹⁸ As need decreases or EFC increases, Pell Grant awards decrease until they phase out completely. Students who demonstrate a level of need that falls between these two extremes are awarded Pell Grant aid on a sliding scale. Additionally, Pell Grant awards are prorated for students who attend on a less-than-full-time, full-year basis. An important feature of the Pell Grant award rules is that the grant is determined without consideration of any other financial assistance a student may be eligible to receive or may be receiving. This reflects the intention to make the Pell Grant the foundation of federal need-based aid in a financial aid package. The Pell Grant award level is calculated without regard to other aid that may be awarded. Other HEA federal aid is added to the aid package after the Pell Grant is awarded.

Some of the underlying concepts associated with the Pell Grant program, as well as the program’s award rules, are discussed below. In general, provisions are discussed as in effect for AY2018-2019.

Award Year

The HEA Title IV award year begins the first day of July in a given year and ends the last day of June the following year. For example, award year (AY) 2018-2019 begins July 1, 2018, and ends June 30, 2019.

Academic Year

The HEA Title IV academic year is an IHE-determined instructional unit. For credit hour programs, the academic year requires a minimum of 30 weeks of instructional time. For a clock hour program, the academic year requires a minimum of 26 weeks of instructional time. A full-time, full-academic-year student is expected to complete at least 24 semester hours, 36 quarter

¹⁷ A student with a *significant* intellectual disability has a cognitive impairment, characterized by significant limitations in intellectual and cognitive functioning and significant limitations in adaptive behavior as expressed in conceptual, social, and practical adaptive skills; and is or was eligible for a free appropriate public education under the Individuals with Disabilities Education Act. For a description of the Individuals with Disabilities Education Act, see CRS Report R41833, *The Individuals with Disabilities Education Act (IDEA), Part B: Key Statutory and Regulatory Provisions*. Comprehensive transition and postsecondary (CTP) programs are not required to lead to a recognized credential (e.g., bachelor’s degree) or adhere to the same durational requirements that regular postsecondary programs must meet (e.g., a certain number of credit-bearing clock hours). Instead, CTP programs require students with intellectual disabilities to receive curriculum advising, participate at least part-time in courses or training with students who do not have intellectual disabilities, and prepare for gainful employment. A student with a *significant* intellectual disability in a CTP program does not require a high school diploma (or equivalent) and does not have to be enrolled for the purpose of obtaining a certificate or degree. A student with a *significant* intellectual disability in a CTP program must maintain satisfactory academic progress as determined by the school for the comprehensive transition and postsecondary program.

¹⁸ HEA Section 401.

credit hours, or 900 clock hours. Each IHE establishes an academic year for each educational program. There may be more than one academic year within an award year.

Payment Period

The payment period is an academic period or period of enrollment for which Pell Grant aid is disbursed. Each academic year must have at least two payment periods. For example, an IHE on a standard semester calendar may disburse Pell Grant funds two times, once for each of two semesters: fall and spring.

Discretionary Base Maximum Award

The discretionary base maximum award is the amount specified in annual appropriations laws. For AY2018-2019, the discretionary base maximum award is \$5,035. The annual appropriations laws also establish the amount of discretionary funding available to fund the discretionary base maximum award for the program for the corresponding award year. **Table 1** presents the discretionary base maximum award for the last five years, and **Table A-1** provides a history of discretionary base maximum award amounts since AY1973-1974.

Table 1. Pell Grant Award Amounts, AY2014-2015 through AY2018-2019

Award Year (AY)	Discretionary Base Maximum Award	Mandatory Add-On Award	Total Maximum Award
2014-2015	\$4,860	\$870	\$5,730
2015-2016	4,860	915	5,775
2016-2017	4,860	955	5,815
2017-2018	4,860	1,060	5,920
2018-2019	5,035	1,060	6,095

Sources: U.S. Department of Education, Department of Education Budget Tables, *Congressional Action* tables for FY2015-FY2018, downloaded from <https://www2.ed.gov/about/overview/budget/tables.html?src=ct>.

Notes: For a history of Pell Grant award amounts since AY1973-1974, see **Table A-1**.

Mandatory Add-On Award

The mandatory *add-on* award is an amount established by the HEA. For AY2018-2019, the mandatory add-on award is \$1,060. The HEA provides permanent and indefinite mandatory appropriations to fund the mandatory add-on award. From AY2013-2014 through AY2017-2018, statutory provisions established a formula to annually modify the mandatory add-on amount to account for inflation. For AY2017-2018 and all subsequent award years, the mandatory add-on amount remains the same in accordance with statutory provisions. **Table 1** presents the mandatory add-on award for the most recent five years, and **Table A-1** provides a history of mandatory add-on award amounts when provided since AY1973-1974.

Total Maximum Award

The total maximum award amount is the maximum Pell Grant amount that a student may receive in an academic year. The total maximum award is the sum of the discretionary base maximum award and the mandatory add-on award. For AY2018-2019, the total maximum award is \$6,095.

Table 1 presents the total maximum award for the last five years, and **Table A-1** provides a history of total maximum award amounts since AY1973-1974.

Expected Family Contribution (EFC)

The EFC is a number calculated in accordance with an HEA-defined methodology that is used to establish how much the student's family is expected to contribute to the student's educational costs. The EFC is used in conjunction with COA to determine whether a student is eligible for Title IV need-based aid (aid based on the student's and the student's family's financial need).¹⁹ Generally, a student with an EFC greater than the maximum Pell Grant will not be eligible for a Pell Grant and a student with an EFC higher than their COA will not qualify for any federal need-based aid. The EFC calculation methodology differs for dependent students, independent students with no dependents other than a spouse, and independent students with one or more dependents other than a spouse. Generally speaking, an independent student is an individual who is 24 years old or meets another criterion specified in the HEA.²⁰ A student under the age of 24 cannot qualify as independent on the basis of being financially independent of his or her parents or not being claimed on the parents' tax return. The lowest EFC is \$0, and there is no maximum EFC. The EFC is determined utilizing family and financial (income and asset) information submitted by the aid applicant on the FAFSA.

Automatic (Auto) Zero EFC

Students who apply for federal student aid and meet certain qualifications automatically receive a zero EFC (\$0).²¹ The qualifications are based on either the family's reporting income being below a specified threshold or meeting other criteria.

Dependent students and independent students with dependents other than a spouse can qualify for an automatic zero EFC based on an AGI below a specified level and meeting other criteria. To qualify for an auto zero, the parents of the dependent student or the independent student (and spouse, as appropriate) must have an adjusted gross income (AGI) below a specific threshold and meet one of three additional criteria. The AGI threshold is \$25,000 for AY2018-2019.²² The additional criteria are receipt of means-tested benefits from other federal programs, eligibility to file or having filed certain federal income tax returns, and having been a dislocated worker. Independent students without dependents other than a spouse are not eligible for an automatic zero based on their financial situation.

An otherwise Pell Grant-eligible student whose parent or guardian was a member of the U.S. Armed Forces and died as a result of performing military service in Iraq or Afghanistan after

¹⁹ For more information on the federal needs analysis methodology and calculation of EFC, see CRS Report R44503, *Federal Student Aid: Need Analysis Formulas and Expected Family Contribution*. See also HEA Title IV-F.

²⁰ For HEA Title IV aid purposes, an independent student is an individual who is at least 24 years of age by December 31 of the award year; is married; is a graduate or professional student; is a veteran of the U.S. Armed Forces or is currently serving on active duty in the military; has dependents other than a spouse; has been in foster care, an orphan, or a ward of the court (anytime since the age of 13); is an emancipated minor or in legal guardianship as determined by a court; is an unaccompanied, homeless youth or self-supporting, at risk of being homeless; or is deemed independent by a financial aid officer for *other unusual circumstances*. See HEA Section 480(d).

²¹ One of the benefits of qualifying for an automatic zero EFC is that it may reduce the number of questions the student must answer when completing the FAFSA. HEA Section 479(c).

²² U.S. Department of Education, *2018-2019 Federal Student Aid Handbook*, p. AVG-40.

September 11, 2001, receives an automatic zero EFC provided the student was under 24 years old or was enrolled at an IHE at the time of the parent or guardian's death.²³

In cases where a student does not qualify for an automatic zero, the student may still qualify for a *calculated zero* EFC on the basis of the full EFC formula and information provided on the FAFSA.

Cost of Attendance (COA)

For Pell Grant award purposes, the cost of attendance (COA) is an IHE-determined measure of educational expenses for a student enrolled full-time for a full academic year. In general, it is the sum of (1) tuition and fees; (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses; (3) an allowance for room and board; and (4) for a student with dependents, an allowance for costs expected to be incurred for dependent care.²⁴ Institutions may use average costs for students at their school, rather than calculating actual expenses for each student. Average COA amounts must be based on the same category of students. For example, institutions may establish separate averages by residency: in-state or out-of-state, or housing: on-campus or off-campus.

Scheduled Award Rule

The scheduled award is the maximum Pell Grant aid a full-time, full-academic-year student can receive. In accordance with the HEA, the scheduled award is the *least* of (1) the total maximum Pell Grant minus the student's EFC, or (2) Cost of Attendance (COA) minus EFC.²⁵ Most students are awarded Pell Grant aid based on the first condition of this rule (i.e., Pell Grant Award = Total Maximum Pell Grant – EFC), since the total maximum Pell Grant award available to a student in an award year is typically less than the student's COA at the attending institution. For example, a student with a zero EFC would be eligible for a scheduled Pell Grant award that is equivalent to the total maximum award, as long as the amount did not exceed the student's COA.

Annual Award Rule

The annual award is the maximum Pell Grant aid a full-academic-year student can receive at the student's enrollment rate.²⁶ The HEA requires ED to annually publish a schedule of annual award amounts that are proportionally reduced scheduled awards for students who are not enrolled full-time for the full academic year.²⁷ In practice, ED publishes four disbursement schedules: full-time; less than full-time, but at least $\frac{3}{4}$ -time; less than $\frac{3}{4}$ -time, but at least $\frac{1}{2}$ -time; and less than

²³ For students who are not eligible for Pell Grants due to their EFC and who had a parent or guardian die as a result of military service in Iraq or Afghanistan after September 11, 2001, non-need-based grants called Iraq and Afghanistan Service Grants (IASG) are available. The amount of the IASG is the same as the Pell Grant the student would be eligible for if he or she had a zero EFC. IASG payments are adjusted like Pell Grants for students who are enrolled less than full time, but unlike Pell Grants, these non-need-based grants do not count as estimated financial assistance.

²⁴ There are exceptions and allowable additions depending on the program of study, the student's enrollment rate, whether the student has a disability, and the student's living situation. See HEA Section 472.

²⁵ The HEA prohibits the Pell Grant from exceeding the difference between the COA and the EFC. This precludes the awarding of a Pell Grant in excess of what a student might need to cover the COA after taking the EFC into account.

²⁶ The annual award for a student in a clock-hour or nonterm credit-hour program is always the scheduled award even if the student is attending less than full time.

²⁷ In recent years, ED has published the Federal Pell Grant Payment and Disbursement Schedules as a Dear Colleague Letter (DCL). For the 2018-2019 Federal Pell Grant Payment and Disbursement Schedules, see <https://ifap.ed.gov/dpclatters/GEN1804.html>.

½-time. Each schedule provides a table of annual award amounts by COA increments and EFC increments. The annual award for a student enrolled at least ½-time in a clock-hour or non-term credit-hour program is taken from the full-time disbursement schedule.

Minimum Award

The minimum Pell Grant award is the smallest annual award amount for which a student must qualify to receive a Pell Grant award. In other words, a student must qualify for at least this minimum amount to be eligible for the program. The minimum award is 10% of the total maximum award. For AY2018-2019, the minimum Pell Grant award is \$610, or 10% of \$6,095.²⁸

Alternatively, the minimum Pell Grant award may be conceptualized as a maximum EFC. To qualify for a Pell Grant award, a student's EFC must be no more than 90% of the total maximum award. In AY2018-2019, a student with an EFC above \$5,486, or 90% of \$6,095 rounded to the nearest whole number, would not be eligible for a Pell Grant.

Pell Grant Award Disbursements

Pell Grant aid awards are disbursed in each payment period for which a student is eligible. Pell Grants must be paid out in installments over the academic year. In general, the annual award amount is proportionally divided among each payment period in the academic year.²⁹ Each academic year must have at least two payment periods. For example at an IHE on a traditional semester calendar in AY2018-2019, a full-time, full-academic-year student with a zero EFC could receive \$3,047.50 in the fall semester and \$3,047.50 in the spring semester. See **Figure 1** for an example of Pell Grant award disbursements.

²⁸ The actual minimum award differs because ED uses midpoints for both the expected family contribution (EFC) and the cost of attendance (COA) in the annual award rule. ED's Federal Pell Grant Payment and Disbursement Schedules group COA and EFC in approximately \$100 increments and calculate the award levels for each increment based on the increment midpoints. For example, the full-time, full-academic-year minimum scheduled award is based on an EFC increment of \$5,401-\$5,486 with a midpoint of \$5,443 such that the minimum award is maximum COA – minimum EFC or \$652 (\$6,095 - \$5,443).

²⁹ The proportional division takes into consideration the number of weeks of each payment period and the number of full-time credit or clock hours in each payment period in comparison to the academic year definition.

Figure 1. Example of Pell Grant Award Disbursement

Student A has a zero EFC and has a COA of \$16,000. Student A is attending an IHE that is on a trimester calendar with three payment periods. Student A's scheduled award is \$6,095 because the scheduled award is the least of

- 1) The total maximum Pell Grant minus the student's EFC = $\$6,095 - 0 = \$6,095$
- or
- 2) COA minus EFC = $\$16,000 - 0 = \$16,000$.

If Student A plans to enroll $\frac{3}{4}$ -time throughout the academic year, her annual award is \$4,571.25, or $\frac{3}{4} \times \$6,095$. The Pell Grant award disbursement for each payment period or trimester (fall, winter, and spring) would be one-third of the annual award or \$1,523.75, or $\$4,571.25 \div 3$. Student A could receive \$1,523.75 in the fall, \$1,523.75 in the winter, and \$1,523.5 in the spring. If Student A actually enrolls $\frac{3}{4}$ -time in each quarter, the total Pell Grant award would be \$4,571.25, or $\$1,523.75 + \$1,523.75 + \$1,523.75$.

If Student A actually enrolls $\frac{3}{4}$ -time in the fall and $\frac{3}{4}$ -time in the winter, she could receive \$1,523.75 in the fall and \$1,523.75 in the winter. Her total Pell Grant award would be \$3,047.50, or $\$1,523.75 + \$1,523.75$.

If Student A actually enrolls $\frac{3}{4}$ -time in the fall, $\frac{1}{2}$ -time in the winter, and $\frac{3}{4}$ -time in the spring, the winter disbursement would be based on a $\frac{1}{2}$ -time annual award of \$3,047.50, or $\frac{1}{2} \times \$6,095$. Therefore, the winter disbursement would be one-third of the $\frac{1}{2}$ -time annual award or \$1,015.83, or $\$3,047.50 \div 3$. Student A could receive \$1,523.75 in the fall, \$1,015.83 in the winter, and \$1,523.75 in the spring. The total Pell Grant award would be \$4,063.33, or $\$1,523.75 + \$1,015.83 + \$1,523.75$.

Source: Example created by CRS based on provisions in the HEA and information in the Department of Education, Federal Student Aid, *Federal Student Aid Handbook 2017-2018* and *2018-2019*.

Notes: Actual award amounts differ because of rounding rules and because ED uses midpoints for both the expected family contribution (EFC) and the cost of attendance (COA) in the annual award rule. The student or IHE may have to return a portion of the actual awards if the student reduces her enrollment rate during a quarter or withdraws before the end of a quarter. Alternatively, the student may receive a larger actual award if the student increases her enrollment rate.

Year-Round (Summer) Pell Grants

Since award year 2017-2018,³⁰ qualified students may receive up to $1\frac{1}{2}$ scheduled Pell Grants, or up to 150% of the scheduled award, in each award year.³¹ To qualify for the additional funds, a Pell Grant-eligible student must be enrolled at least $\frac{1}{2}$ -time in a payment period after receiving most or all of the student's scheduled award in previous payment periods of the award year. For example at an IHE on a traditional semester calendar in award year 2018-2019, a full-time, full-academic-year student with a zero EFC could receive \$3,047.50 in the fall semester, \$3,047.50 in the spring semester, and \$3,047.50 in the summer semester. **Figure 2** provides an additional example.

³⁰ This provision was enacted by the Consolidated Appropriations Act, 2017 (P.L. 115-31).

³¹ Eligible students enrolled from July 1, 2009, to June 30, 2011, were eligible to receive so-called *year-round* Pell Grants, or up to two scheduled awards in a single award year.

Figure 2. Example of Pell Grant Award Disbursement with Year-Round (Summer) Pell Grant

Student B has an EFC of \$500 and has a COA of \$16,000. Student B is attending an IHE that is on a semester calendar. Student B's scheduled award is \$5,595 because the scheduled award is the least of

- 1) The total maximum Pell Grant minus the student's EFC = $\$6,095 - \$500 = \$5,595$
- or
- 2) COA minus EFC = $\$16,000 - \$500 = \$15,500$.

Student B plans to enroll $\frac{3}{4}$ -time in the fall semester and full-time in the spring and the summer semesters. For the fall semester, the student's annual award is reduced in accordance with his enrollment rate to \$4,196.25, or $\frac{3}{4} \times \$5,595$. The fall disbursement is half of the annual award or \$2,098.13, or $\frac{1}{2} \times \$4,196.25$. For the spring semester, the student's annual award is the scheduled award since the student is enrolled full-time. The spring disbursement is half of the annual award or \$2,797.50, or $\frac{1}{2} \times \$5,595$. Therefore for the academic year (fall and spring), Student B has received \$4,895.63, or $\$2,098.13 + \$2,797.50$, which is 87.5% of his scheduled award, or $\$4,895.63 \div \$5,595$.

For the summer semester, Student B's annual award is the scheduled award since the student is enrolled full-time. The summer disbursement is half of the annual award or \$2,797.50, or $\frac{1}{2} \times \$5,595$. Therefore for the award year (fall, spring, and summer), the student would receive \$7,693.13, or $\$2,098.13 + \$2,797.50 + \$2,797.50$, which is 137.5% of his scheduled award, or $\$7,693.13 \div \$5,595$.

Source: Example created by CRS based on provisions in the HEA and information in the Department of Education, 2017 FSA Training Conference for Financial Aid Professionals, *Session 19: A Guide to Year-Round Federal Pell Grants*, dated November-December 2017.

Notes: Actual award amounts differ because of rounding rules and because ED uses midpoints for both the expected family contribution (EFC) and the cost of attendance (COA) in the annual award rule. The student or IHE may have to return a portion of the actual awards if the student reduces her enrollment rate during a quarter or withdraws before the end of a quarter. Alternatively, the student may receive a larger actual award if the student increases her enrollment rate.

Maximum Pell Grant Lifetime Eligibility

The HEA establishes a maximum cumulative lifetime eligibility cap on Pell Grant aid.³² Over her lifetime, a student may receive the value of no more than 12 full-time semesters (or the equivalent) of Pell Grant awards or six scheduled awards.³³ Pell Grant lifetime eligibility used (LEU) at a closed school from which the student did not graduate does not count toward the lifetime cap—the eligibility used is restored.³⁴

³² The HEOA amendments introduced lifetime eligibility limitations for Pell Grants. Effective for students who received their first Pell Grant on or after July 1, 2008, cumulative Pell Grant lifetime eligibility was limited to 18 full-time semesters (or the equivalent). The Consolidated Appropriations Act, 2012 (P.L. 112-74) reduced the cumulative lifetime eligibility for Pell Grant aid from 18 semesters to 12 semesters starting in AY2012-2013. Any Pell Grant aid received prior to AY2012-2013 is included in a student's lifetime limit.

³³ For example, students who consistently enroll part-time in standard terms throughout their progression to a bachelor's degree could receive Pell Grant aid for 24 semesters, or 12 years. Students who consistently enroll full-time in standard terms throughout their degree progression to a bachelor's degree could receive Pell Grant aid for 12 semesters, or six years. This change does not affect the measurement of full-time enrollment for the purposes of federal student aid, which is currently 12 semester hours (or the equivalent for non-standard terms).

³⁴ HEA Section 437(c)(3).

Institutional Role

To be eligible for the HEA Title IV programs, including the Pell Grant program, an IHE must meet several statutory and regulatory eligibility criteria. For a description of institutional eligibility requirements, see CRS Report R43159, *Institutional Eligibility for Participation in Title IV Student Financial Aid Programs*.³⁵ The IHE may be a public or private nonprofit IHE, a private for-profit (sometimes referred to as proprietary) postsecondary institution, or a postsecondary vocational institution.

An eligible institution's role in administering the Pell Grant program primarily involves reviewing and verifying information submitted by students on the FAFSA, calculating awards, disbursing awards, adjusting awards to ensure students do not receive more assistance than they are eligible for, record keeping, and reporting to ED.

An eligible institution calculates a student's Pell Grant disbursement using the award rules. Generally, institutions credit a student's account with the Pell Grant disbursement payment to meet unpaid tuition, fees, room, and board; any remaining Pell Grant funds are paid directly to the student to cover other living expenses.

ED makes funds available to schools so that they can disburse Pell Grant awards. In addition, the Pell Grant program pays participating institutions an administrative cost allowance of \$5 per enrolled recipient.

Description of Pell Grant Recipients and Participation

This section provides descriptive statistics of Pell Grant recipients (numbers and characteristics) and the institutions that they attend. The data may inform discussion regarding the extent to which the program achieves the policy goal of improving access to higher education for financially needy individuals.

Number of Recipients

The Pell Grant program reaches a significant portion of undergraduates each year. In AY2015-2016, the latest year for which data are available, 39% of all undergraduates were estimated to have received Pell Grants.³⁶ **Table 2** shows the number of Pell Grant recipients over the most recent five years, from AY2011-2012 to AY2015-2016, as well as the annual change and annual percentage change during this time. The number of Pell Grant recipients has declined from almost 9.5 million in AY2011-2012 to over 7.5 million in AY2015-2016. **Table B-1** displays Pell Grant

³⁵ See also HEA Titles I and IV.

³⁶ CRS analysis of AY2015-2016 data from the National Postsecondary Student Aid Study (NPSAS). A CRS analysis of AY2003-2004, AY2007-2008, and AY2011-2012 NPSAS data shows that the percentage of all undergraduates estimated to have received Pell Grants in each of these academic years was 27%, 28%, and 41%, respectively.

recipients since AY1973-1974. It is important to note that myriad factors,³⁷ including the labor market, can affect the number of Pell Grant recipients in any given award year.

Table 2. Federal Pell Grant Recipients, AY2011-2012 to AY2015-2016

Award Year	Pell Grant Recipients	Change from Prior Year	% Change
2011-2012	9,444,000	136,000	1.46%
2012-2013	8,959,000	(486,000)	(5.14%)
2013-2014	8,663,000	(296,000)	(3.30%)
2014-2015	8,316,000	(347,000)	(4.0%)
2015-2016	7,660,000	(655,000)	(7.9%)

Source: U.S. Department of Education, *AY2015-2016 Pell Grant End-of-Year Report*.

Note: Recipient figures rounded to the nearest thousand. Numbers in parentheses are negative numbers. For a history of Pell Grant award amounts since AY1973-1974, see **Table B-1**.

Income of Recipients

Since Pell Grant awards are heavily dependent on EFC levels and the complex EFC formula can yield different EFCs for students with similar incomes, there is no absolute income threshold that determines who is eligible or ineligible for a Pell Grant award. Nevertheless, Pell Grant recipients are primarily low-income. In AY2016-2017, an estimated 95% of Pell Grant recipients had a total family income³⁸ at or below \$60,000.³⁹ Independent Pell Grant recipients' income is generally lower than their dependent counterparts. As a point of reference, median household income for all U.S. households with or without students was \$57,230 in 2015 and \$59,039 in 2016.⁴⁰

It is important to note, however, that a small percentage of Pell Grant awards go to mid- and high-income families. For the most part, these awards are smaller than the average Pell Grant award for all students and are typically provided to dependent students from families who have multiple students enrolled in postsecondary education at the same time.⁴¹

³⁷ Such factors include, but are not limited to, (1) amendments to the HEA that affect the federal need analysis calculation and Pell Grant award rules; (2) changes in the maximum grant level specified in annual appropriations bills; (3) trends in enrollment at postsecondary institutions; (4) demographic factors; and (5) macroeconomic and microeconomic variables.

³⁸ Total family income is defined here as the adjusted gross income (if a tax filer), any taxable income (if not a tax filer), and any non-taxable income.

³⁹ Table 70 of the *AY2016-2017 Pell Grant End-of-Year Report*.

⁴⁰ Jessica L. Semega, Kayla R. Fontenot, and Melissa A. Kollar, U.S. Census Bureau, Current Population Reports, P60-259, *Income and Poverty in the United States: 2016*, U.S. Government Publishing Office, Washington, DC, 2017.

⁴¹ According to Table 70 of the *AY2016-2017 Pell Grant End-of-Year Report*, approximately 5,907 Pell Grant recipients, or 0.1% of the total recipient population, had a family income of \$100,000 or more. In cases where the family has more than one student enrolled in or accepted to college for the award year, the EFC is reduced to account for the number of students expected to be enrolled in the upcoming year.

Distribution of Pell Grant Recipients and Funds by Institutional Type

The types of institutions in which Pell Grant recipients enroll may not reflect the overall enrollment patterns of undergraduate students who do not receive Pell Grants. For example, a larger proportion of Pell Grant recipients attend private for-profit institutions than do students not receiving Pell Grants. **Table 3** shows the AY2015-2016 enrollment distribution by institutional sector of undergraduates who do not receive a Pell Grant and undergraduates who do receive Pell Grants. Each group is disaggregated for dependent and independent students. For both independent and dependent students, the share of Pell Grant recipients attending private-for profit institutions was more than double the share of undergraduate students who do not receive Pell Grants attending such institutions. One possible explanation for this disparity is that for-profit institutions may target marketing to low-income students.⁴² Most undergraduates, whether receiving Pell Grants or not, attend public four-year or public two-year institutions. For example, over half of independent Pell Grant recipients attend either public four-year (22.0%) or public two-year (32.5%) institutions.

Table 3. Estimated Distribution of Pell Grant Recipients and Undergraduates not Receiving Pell Grants by Sector of Enrolling Institution, AY2015-2016

Type and Control of Institution	Dependent Undergraduates		Independent Undergraduates	
	% Pell Grant Recipients	% Not Receiving Pell Grant	% Pell Grant Recipients	% Not Receiving Pell Grant
Public four-year	40.5	40.2	22.0	22.9
Private nonprofit four-year	14.1	17.6	11.8	11.0
Public two-year	27.7	29.0	32.5	49.2
Private for-profit ^a	6.4	2.4	21.6	8.3
Other or more than one institution ^b	11.2	10.9	12.1	8.6
Total	100.0	100.0	100.0	100.0

Source: CRS estimates from 2015-2016 NPSAS.

Notes: Due to rounding, sum of column entries may not equal column totals.

- a. Private for-profit institutions are sometimes referred to as *proprietary* institutions.
- b. The other or more than one institution category is for students who attended an institution that is not a public four-year, private nonprofit four-year, public two-year, or private for-profit institution and for students who attended more than one eligible institution during the year.

Role of the Pell Grant

The Pell Grant is intended to function as the foundation of federal need-based aid for financially needy undergraduates. As described earlier, other financial aid received by a student is not taken

⁴² “How For-Profit Colleges Sell ‘Risky Education’ To The Most Vulnerable,” NPR, March 27, 2017; Elizabeth A. Harris, “New York City Consumer Agency Investigating Four For-Profit Colleges,” *The New York Times*, April 2, 2015; and Caroline Simon, “For-Profit Colleges’ Teachable Moment: ‘Terrible Outcomes Are Very Profitable,’” *Forbes*, March 19, 2018.

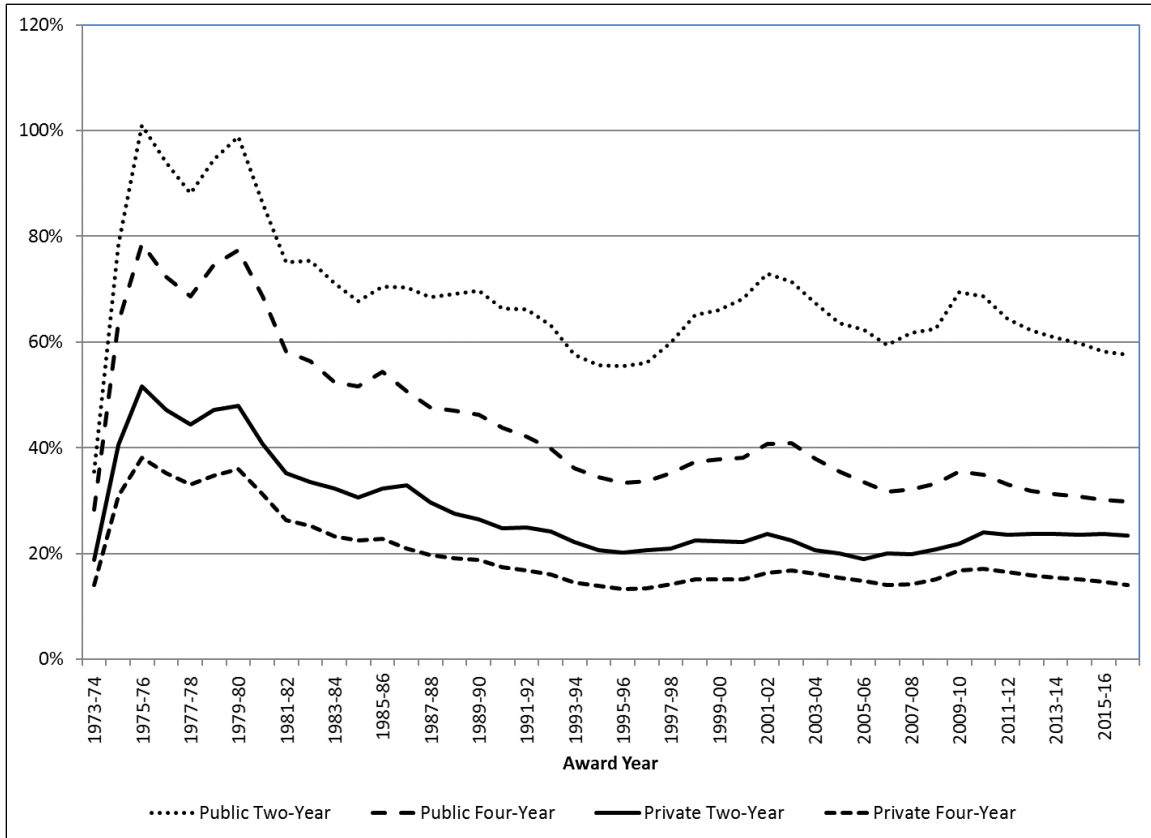
into account in determining a student's Pell Grant. This section explores the role Pell Grants and other sources of aid play in helping students meet postsecondary costs.

Purchasing Power

The total maximum Pell Grant, available to students with a zero EFC who enroll on a full-time, full-year basis, is often used as a gauge of the Pell Grant program's level of support in each year. **Figure 3** compares the total maximum grant to average undergraduate tuition, fees, room, and board charges (base educational costs) at public two-year, public four-year, private two-year, and private four-year institutions between AY1973-1974 and AY2016-2017. It is evident that the maximum was at its peak relative to these average charges during the 1970s. Since the 1990s, the extent to which the total maximum Pell Grant covers average base educational costs has been variable; however, despite some increases, the total maximum Pell Grant has lost ground relative to average base educational costs at public four-year institutions. In AY2016-2017, the total maximum grant (\$5,815) covered approximately 58% of the average base educational costs at public two-year institutions, 30% at public four-year institutions, 23% at private two-year institutions, and 14% at private four-year institutions.⁴³

⁴³ Under Section 472 of the HEA, other allowances for the cost of attendance for the purpose of awarding Pell Grant aid are provided, such as costs associated with transportation and dependent care expenses. These costs are not considered in this section of the report in order to maintain a comparable trend across institutional sectors. If these costs are included, the average amount of coverage by the Pell Grant maximum would be less for all types of institutions.

Figure 3. Percentage of Tuition, Fees, Room, and Board Covered by the Total Maximum Pell Grant, by Institutional Sector: AY1973-1974 to AY2016-2017



Source: CRS calculations using data from National Center for Education Statistics (NCES), *Digest of Education Statistics, 2017*, Table 330.10.

Notes: The purchasing power of the Pell Grant through AY1992-1993 was constrained by a statutory cap on the percentage of cost of attendance (COA) that a Pell Grant could cover. From AY1973-1974 to AY1984-1985, the cap was 50%; from AY1985-1986 to AY1992-1993, the cap was 60%. After that time there has been no absolute limit on the percentage of COA that can be covered.

It is also important to note that in all sectors of higher education, published tuition, fees, and room and board have consistently risen more rapidly than average prices in the economy for a number of years. An analysis of the purchasing power of the Pell Grant maximum award, therefore, could also include an examination of why published prices at institutions of higher education have risen at such a rapid rate and what is the role of federal student aid, including Pell Grants, in contributing to rising published prices.⁴⁴

Receipt of Pell Grants and Other Aid

The Pell Grant is intended to be the foundation of federal need-based student aid from Title IV of the HEA.⁴⁵ In AY2015-2016, an estimated 16% of Pell Grant recipients relied on a Pell Grant as

⁴⁴ For more information on college prices and potential explanations for escalating college prices, see CRS Report R43692, *Overview of the Relationship between Federal Student Aid and Increases in College Prices*.

⁴⁵ Federal need-based student aid from the HEA is defined here as Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study earnings, and Direct Subsidized Loans.

their only source of aid from all sources, and 34% of Pell Grant recipients did not receive other HEA Title IV aid funds.⁴⁶

Most Pell Grant recipients (84%) participate in other student aid programs. For those Pell Grant recipients with a zero EFC, **Table 4** shows estimates of the average percentage of cost of attendance (COA) covered by their Pell Grant award, their loans from all sources, and their total aid package in AY2015-2016, by total family income. This table allows for examination of the extent to which Pell Grants and other aid helped Pell Grant recipients with a zero EFC meet their COA.⁴⁷ **Table 4** shows, for example, that among all Pell Grant recipients, Pell Grant aid covered, on average, 27.1% of the COA and all loan sources covered, on average, an additional 20.3% of the COA for these recipients. For Pell Grant recipients, total aid from all sources supplies less than two-thirds (62.9%) of the COA, on average.

Table 4. Pell Grant Aid, Student Loans, and Total Aid from All Sources as Average Percentages of Cost of Attendance for Undergraduate Students Who Have a Zero EFC and Received a Pell Grant, by Total Family Income (2014)
(AY2015-2016)

	Pell Grant Aid as a Percentage of COA	All Loans ^a as a Percentage of COA	Total Aid ^b as a Percentage of COA
All Zero EFC Pell Grant Recipients	27.1%	20.3%	62.9%
Total Family Income (Dependent)^c			
Less than \$20,000	29.7%	15.0%	63.8%
\$20,000 to \$29,999	29.6%	15.9%	66.6%
\$30,000 to \$49,999	27.7%	14.7%	67.3%
\$50,000 or more	NR	NR	NR
Total Family Income (Independent)^d			
Less than \$20,000	25.6%	23.6%	61.7%
\$20,000 to \$29,999	25.9%	24.6%	62.2%
\$30,000 to \$49,999	25.8%	22.1%	61.8%
\$50,000 or more	25.5%	24.8%	62.2%

Source: CRS estimates from 2015-2016 NPSAS.

Notes: NR means reporting standards were not met. COA means cost of attendance.

- All loans column includes federal loans to students, state loans, institutional loans, Direct PLUS loans to parents, and other private commercial or alternative loans. Data include loan amounts for Pell Grant recipients who did not borrow as well as those who did borrow.
- Total aid includes all federal, state, institutional, and private financial aid received by the student in the form of grants, loans, work-study assistance, or other types of aid.
- Includes income of dependent student and parents.
- Includes income of independent student and spouse when applicable.

⁴⁶ CRS estimates from 2015-2016 NPSAS.

⁴⁷ The cost of attendance is the sum of tuition and fees and non-tuition expenses for students who attended only one institution. The cost is adjusted to accommodate private alternative loans that may exceed total aid (federal, state, institutional, and private financial aid received by the student in the form of grants, loans, work-study assistance, or other types of aid).

Program Funding

This section of the report reviews the latest Pell Grant program funding trends and reviews Pell Grant funding sources and procedures. As a *quasi entitlement* that makes grant payments to eligible students who apply for aid and enroll in eligible programs notwithstanding the appropriation level available in any one year, the program may operate with a surplus or shortfall of discretionary funding. Funding provided for the Pell Grant program is exempt from sequestration, pursuant to provisions included in Section 255(h) of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA, Title II of P.L. 99-177, as amended). Given the somewhat unique funding characteristics of this program, this section of the report explores funding concepts, funding levels, and insight into how shortfalls and surpluses of discretionary funding in the program have been addressed.

The Pell Grant program since approximately FY2008 has been funded through three funding streams. A discretionary appropriation is the primary source of funds for the discretionary award amounts. There are two mandatory funding streams. The smaller mandatory funding stream augments the discretionary appropriations to fund the discretionary award level. Therefore, a portion of the discretionary award level is funded through mandatory appropriations. A larger mandatory appropriation funds the mandatory add-on award amounts. Recent and historical discretionary maximum award levels and mandatory add-on award levels are shown in **Table 1** and **Appendix A**, respectively. **Appendix C** presents the three distinct funding streams and enacting legislation since FY2008.

Role of Discretionary Funding

Annual discretionary appropriation bills provide the largest portion of funding for the Pell Grant program, and this funding typically remains available for use for two fiscal years. An annual appropriation is usually available for obligation on October 1 of the fiscal year for which the appropriation is made and remains available for obligation through September 30 of the following fiscal year.⁴⁸ Thus, while FY2018 funds are provided with the purpose of supporting awards made from July 1, 2018, to June 30, 2019, these funds are available for obligation from October 1, 2017, to September 30, 2019, and may support multiple award years. This multiyear availability allows the discretionary appropriation to operate at a surplus or shortfall in any given year. As mentioned earlier, annual discretionary appropriation bills also establish the base discretionary maximum grant for each applicable award year.

Role of Mandatory Funding

Specified Mandatory Appropriations to Augment Discretionary Funding

The SAFRA Act (enacted as part of the Health Care and Education Reconciliation Act of 2010; P.L. 111-152), the FY2011 Continuing Appropriations Act (P.L. 112-10), the Budget Control Act of FY2011 (P.L. 112-25), and most recently the FY2012 Consolidated Appropriations Act (P.L. 112-74) amended the HEA to provide specified mandatory appropriations for the Pell Grant program to augment current and future discretionary appropriations. That is, these funds, while

⁴⁸ The annual appropriation for the Pell Grant program is available immediately upon enactment at any point on or after October 1. In the event the annual appropriation is not enacted at the beginning of the fiscal year, a continuing resolution typically provides prorated funding for the program until an appropriation measure is enacted.

mandatory from a budgetary perspective, can be used to pay for costs in the program for which annual discretionary appropriations are typically provided. The concept of providing advance mandatory funding to augment or supplant discretionary funding in the program is relatively new. Prior to FY2007, mandatory funding had been infrequently provided for the Pell Grant program, but usually to supplement discretionary funding to pay for accumulated funding shortfalls.⁴⁹

Permanent, Indefinite Mandatory Appropriations for the Add-On Award

The SAFRA Act also established permanent, indefinite mandatory appropriations for the program to provide for the mandatory add-on award amount in FY2010 and beyond.⁵⁰ Although the mandatory appropriations that fund add-on award amounts are available permanently for *such sums as necessary*, the amount provided for each year will be determined based on actual costs associated with the applicable add-on amount.

Summary of Recent and Projected Funding

Table 5 provides a summary of recent and projected Pell Grant program funding from FY2012 through FY2021.⁵¹ A distinction is made between discretionary appropriations, mandatory appropriations provided to augment discretionary appropriations, and mandatory appropriations provided to fund add-on award amounts. **Table 5** also displays the mandatory appropriations that have been provided through FY2021.

From a budgetary perspective, these recent mandatory appropriations have been offset largely by enacted provisions that were estimated to have resulted in savings from the federal student loan programs, which are classified as mandatory programs. Additionally, some of the mandatory appropriations provided for the program in the FY2011 Continuing Appropriations Act and FY2012 Consolidated Appropriations Act were offset by enacted provisions that resulted in mandatory savings in other aspects of the Pell Grant program.⁵²

Mandatory appropriations that will be necessary to fully fund the add-on award amount are available permanently, but the specific amount required in each year cannot be reported until the add-on amount is determined and all funds are disbursed to eligible students. ED does, however, estimate the amount of mandatory appropriations provided required to fund add-on award amounts for the current and subsequent fiscal years.

⁴⁹ For example, mandatory funding in the amount of \$4.3 billion was provided in P.L. 109-149 to pay exclusively for the accumulated funding shortfall through AY2005-2006.

⁵⁰ Prior to the SAFRA Act, the College Cost Reduction and Access Act of 2007 (CCRAA) provided annual specified mandatory appropriation levels from FY2008 to FY2017 to fund annual add-on award amounts. The SAFRA Act eliminated the specified mandatory appropriation levels for FY2010 and all subsequent years and replaced these levels with indefinite mandatory appropriations, while revising the add-on award amounts.

⁵¹ **Table D-1** in this report provides a more comprehensive history of the discretionary funding levels in the program since FY1973.

⁵² Since the enactment of the SAFRA Act, legislative changes that affect the eligibility and award rules of the Pell Grant program are measured separately on the budget ledger between discretionary and mandatory funding. That is, a distinction is made between savings or additional costs associated with funding the discretionary base maximum award and the mandatory add-on award when changes to the program are enacted. For example, eliminating eligibility for a student to receive two scheduled Pell Grant awards in one award year resulted in savings associated with both the discretionary base maximum award and the mandatory add-on award. In general, savings associated with the mandatory award was redirected back to the program as specified mandatory appropriations for future use in specified years.

Table 5. Pell Grant Funding (FY2012 to FY2021)
(dollars in millions)

Fiscal Year ^a	Funds Supporting Discretionary Award Amounts			Funds Supporting Mandatory Add-On Award Amounts	
	Discretionary Appropriation	Mandatory Appropriation	Subtotal	Mandatory Appropriation	Total Funding
2012	22,824	13,795	36,619	4,950 ^b	41,569
2013	22,778	7,587	30,365	4,854 ^c	35,219
2014	22,778	588	23,366	4,835 ^d	28,201
2015	22,475	0	22,475	5,153 ^e	27,628
2016	22,475	0	22,475	4,840 ^f	27,316
2017	22,475 ^g	1,320 ^h	23,796	5,680 ⁱ	29,476
2018	22,475	1,334 ⁱ	23,809	5,977 ^k	29,682
2019	22,475 ^g	1,370 ^l	23,845	SSAN	TBD
2020	TBD	1,430	TBD	SSAN	TBD
2021	TBD	1,145 ^m	TBD	SSAN	TBD

Source: CRS analysis of the HEA, as amended, President's budget FY2016-FY2019, and respective appropriations measures.

Notes: Totals may not add due to rounding;

TBD = to be determined;

SSAN = Such sums as necessary. In effect, this means the amount of mandatory appropriations that will be necessary to fully fund the add-on award amount specified in the HEA for a given year. In other words, mandatory funding has been available to support the add-on amount beginning in FY2010 onward permanently, but the amount required in each year is indefinite and cannot be reported until the add-on amount is determined and all funds are disbursed to eligible students.

For the specific amounts provided by enacting legislation since FY2008, see **Table C-1**.

- a. The fiscal year in this table represents the first year the funds appropriated in each column are available for use. Most funds are available for two fiscal years.
- b. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$690 in AY2012-2013, as estimated in the President's FY2016 budget.
- c. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$785 in AY2013-2014, as estimated in the President's FY2016 budget.
- d. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$870 in AY2014-2015, as estimated in the President's FY2019 budget.
- e. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$915 in AY2015-2016, as estimated in the President's FY2019 budget.
- f. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$965 in AY2016-2017, as estimated in the President's FY2019 budget.
- g. This amount reflects the annual discretionary appropriation level and excludes any rescission of the Pell Grant program cumulative surplus.
- h. This amount reflects a \$254 million rescission enacted by the Consolidated Appropriations Act, 2017 (P.L. 115-31).
- i. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$1,060 in AY2017-2018, as estimated in the President's FY2019 budget.
- j. This amount reflects a \$48 million rescission enacted by the Consolidated Appropriations Act, 2018 (P.L. 115-141).

- k. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by \$1,060 in AY2018-2019, as estimated in the President's FY2019 budget.
- l. This amount reflects a \$39 million rescission enacted by the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019 (P.L. 115-245).
- m. Additional annual mandatory appropriations in the amount of \$1,145,000,000 are also provided for each succeeding year beyond FY2021.

Discretionary Funding Shortfalls and Surpluses

The Pell Grant program is often referred to as a *quasi-entitlement* and has for the most part been operated as an appropriated entitlement. An *appropriated entitlement* is a program that receives mandatory funding in the annual appropriations acts, but the level of spending is not controlled through the annual appropriations process.⁵³ Instead, the level of mandatory spending for appropriated entitlements, like other entitlements, is based on the benefit and eligibility criteria established in law, and the amount provided in appropriations acts is based on meeting this projected level. The Pell Grant program is not an entitlement because the program is primarily funded through discretionary appropriations. In addition in the past, statutory benefit and eligibility criteria were adjusted so that spending would not exceed appropriations. Finally, annual Pell Grant discretionary appropriations are determined on the basis of estimates of program costs and other policy considerations.

To the extent that the annual appropriation may be higher or lower than actual program costs, the program may operate at a surplus or shortfall. The surplus or shortfall may accumulate over more than one year. The HEA requires that the Secretary of Education, when she has determined that the appropriated funds are insufficient to satisfy all Pell Grant entitlements,⁵⁴ notify each chamber of Congress of the funding shortfall, identifying how much more funding is needed to meet those entitlements. The Secretary can respond to a shortfall in Pell Grant funding by allocating funds from the most recently enacted appropriation to pay for obligations incurred in previous award years.⁵⁵ For example, although the FY2019 appropriation is expected to fund award year 2019-2020 program costs, the appropriation may fund award year 2018-2019 costs since obligations for these costs occur in FY2019. This permits ED to use funds from multiple fiscal years' appropriations to meet one award year's cost.

The misalignment between estimated program costs (appropriations) and actual expenditures is often related to economic and statutory changes. When the general economy weakens, postsecondary enrollment often increases and thus Pell Grant participation and cost increases.

Table 6 provides a 10-year history of funding of estimated shortfall or surplus levels, funding for the discretionary award amounts, and estimated expenditures (Appendix D provides data from FY1973 to FY2018). Although discretionary award amounts are funded by discretionary and

⁵³ For more information about appropriated entitlements, see CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*.

⁵⁴ The authorizing statute speaks of *entitlements* when it describes the award determined for a student based on the published award schedule.

⁵⁵ This response to the shortfall is only feasible if ED determines enough funds are available from the most recently enacted appropriation to meet obligations from multiple award years. A series of legal opinions at ED and other agencies in the 1990s provides the basis for the authority to use funds in an annual appropriation for multiple award years. In general, absent specific language in an annual appropriations measure limiting funds to a specific award year or purpose, the Secretary may use such funds for any award year during the period of availability specified in an appropriations measure.

mandatory appropriations, the surplus or shortfall is accounted for using only discretionary funding. The annual funding shortfall or surplus differs from the cumulative shortfall or surplus, which may accumulate over multiple award years.⁵⁶ It is also important to note that Congress may have provided a reduced appropriation level in a given year when a funding surplus was available for use from the previous year. Conversely, Congress may have provided additional appropriations in a given year to pay for an estimated funding shortfall from the previous year.

Table 6 shows a high cumulative shortfall of \$9.569 billion at the end of FY2010 and high cumulative surplus of \$11.082 billion at the end of FY2013. The FY2010 cumulative shortfall was transformed into a surplus by a complicated mix of increased funding levels that exceeded \$30 billion annually and declining expenditures. The FY2013 cumulative surplus of \$11.082 billion has decreased to an estimated \$7.410 billion surplus at the end of FY2018. Since FY2014, the annual funding has hovered near \$23 billion despite generally higher expenditures. The two subsequent sections of the report describe the policy implications of shortfalls and surpluses and the measures to address them.

Table 6. Annual and Cumulative Discretionary Funding Shortfalls in the Pell Grant Program, FY2009-FY2018

(dollars in millions)

Fiscal Year	Award Year	Annual Funding for Discretionary Award Amounts ^a	Estimated Total Expenditures ^b	Annual Surplus or (Shortfall)	Cumulative Surplus or (Shortfall)
2009	2009-2010	32,928 ^c	26,844	6,084	3,427
2010	2010-2011	17,495	30,491	(12,996)	(9,569)
2011	2011-2012	36,456 ^d	28,796	7,660	(1,909)
2012	2012-2013	36,619 ^e	27,512	9,107	7,198
2013	2013-2014	30,365 ^f	26,481	3,884	11,082
2014	2014-2015	23,366 ^g	25,320	(1,954)	9,128
2015	2015-2016	22,475	23,361	(886)	8,242
2016	2016-2017	22,475	21,788	687	8,929
2017	2017-2018	22,485 ^h	23,377	(892)	8,037
2018	2018-2019	23,809 ⁱ	24,436	(627)	7,410

Sources: Congressional Budget Office, *Pell Grant Program—CBO'S April 2018 Baseline*.

Notes: Numbers in parentheses are negative numbers. For a history of surpluses and shortfalls in the Pell Grant program since AY1973-1974, see **Table D-1**.

- This number includes annual discretionary appropriations and may include additional mandatory and discretionary funding.
- All estimates of expenditures are subject to change.
- Includes approximately \$15.6 billion in supplemental discretionary appropriations provided in the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).

⁵⁶ In general, the annual surplus or shortfall is a measure of the difference between one year's appropriation, which is typically provided for a particular award year, and the estimated expenditures for that particular award year. The cumulative surplus is a measure that, in addition to including the annual surplus or shortfall, takes into account the prior year's surplus or shortfall amount.

- d. Includes \$13.5 billion in mandatory appropriations that were provided in the SAFRA Act for general use in the program through FY2012 and \$22,956 million in discretionary appropriations provided in the FY2011 Continuing Appropriations Act.
- e. The funding sources are the FY2011 Continuing Appropriations Act that provided \$3,183 million in mandatory appropriations for general use in the program for FY2012; the Budget Control Act of 2011 (P.L. 112-25) that provided \$10 billion in mandatory appropriations for general use in the program for FY2012; and the FY2012 Consolidated Appropriations Act (P.L. 112-74) that provided \$22,824 million in discretionary appropriations for FY2012 and \$612 million in mandatory appropriations for general use in the program for FY2012.
- f. The funding sources are the Budget Control Act of 2011 (P.L. 112-25) that provided \$7 billion in mandatory appropriations for general use in the program for FY2013; and the FY2012 Consolidated Appropriations Act (P.L. 112-74) that provided \$587 million in mandatory appropriations for general use in the program for FY2013.
- g. The funding sources are the FY2012 Consolidated Appropriations Act (P.L. 112-74) that provided \$588 million in mandatory appropriations for general use in the program for FY2014; and the Consolidated Appropriations Act, 2014 (P.L. 113-76) that provided \$22,778 million in discretionary appropriations for FY2014.
- h. The funding sources are the FY2011 Continuing Appropriations Act that provided \$1.060 million in mandatory appropriations; the FY2012 Consolidated Appropriations Act (P.L. 112-74) that provided \$514 million in mandatory appropriations; and the Consolidated Appropriations Act, 2017 (P.L. 115-31) that provided \$22.475 million in discretionary appropriations, rescinded \$1.310 million of the surplus, and reduced the cumulative mandatory appropriation of \$1.574 million from the FY2011 Continuing Appropriations Act and the FY2012 Consolidated Appropriations Act to \$1.320 million.
- i. The funding sources are the FY2011 Continuing Appropriations Act that provided \$1.125 million in mandatory appropriations; the FY2012 Consolidated Appropriations Act (P.L. 112-74) that provided \$257 million in mandatory appropriations; and the Consolidated Appropriations Act, 2018 (P.L. 115-141) that provided \$22.475 million in discretionary appropriations and reduced the cumulative mandatory appropriation of \$1.382 million from the FY2011 Continuing Appropriations Act and the FY2012 Consolidated Appropriations Act to \$1.334 million.

Policy Implications and Measures to Address Funding Shortfalls

For the most part, funding shortfalls in the Pell Grant program have been recognized as common occurrences. Persistent or high funding shortfalls, as in FY2010, may be viewed as fiscally irresponsible. In essence when there is a shortfall, the program is in debt, and eventually the debt must be paid. The higher the debt level, the more difficult it is to resolve.

Generally speaking, with input from the Administration and other stakeholders, Congress adopts legislation that controls spending across the federal government and for specific programs.⁵⁷ Through the budget resolution process, a 302(b) allocation is established for each of the 12 appropriations bills. These allocations, referred to as 302(b) subdivisions, establish the maximum discretionary amount that can be spent through each bill. Therefore generally but with exceptions, individual program-level discretionary appropriations within the annual Departments of Labor, Health and Human Services, and Education, and Related Agencies appropriations bill must be balanced within its established 302(b) allocation. In other words, increased discretionary appropriations for one program may coincide with decreased discretionary appropriations for one or more other programs. Resolving a Pell Grant program shortfall may lead to a difficult decision about which program(s) to reduce discretionary funding.

Over the years, federal policymakers and Congress have taken a variety of measures to address the vexing issues associated with funding shortfalls in the Pell Grant program. The measures have

⁵⁷ For more information on the budget and appropriations process, see CRS Report R40472, *The Budget Resolution and Spending Legislation*.

included modified budget scoring, reductions in students' awards, recipient caps, reductions in program costs, and supplemental appropriations.

Reductions in Students' Awards and Recipient Caps Before 1992

From the inception of the program in 1972 until the enactment of the Higher Education Amendments of 1992 (P.L. 102-325), the Secretary of Education had statutory authority under the HEA to reduce awards to respond to a shortfall in appropriated funds.⁵⁸ Reductions were made in awards in eight years using this authority (the last in AY1990-AY1991). After this HEA authority was repealed, appropriations legislation for FY1994-FY2001 continued to provide the Secretary with reduction authority, but that authority was not used.⁵⁹ FY2002 and subsequent appropriations legislation have not included such language.

CBO Scoring Rule

Congress took steps in FY2006 to limit the possibility of large accumulated funding shortfalls in the future. H.Con.Res. 95 (109th Congress) established a permanent rule that applies to the scoring⁶⁰ of the Pell Grant program by the Congressional Budget Office (CBO). The rule provides that if the appropriation of new discretionary budget authority⁶¹ enacted for the program is insufficient to cover the full estimated costs in the upcoming year—including any funding surplus or shortfall from prior years—the budget authority counted against the bill for the program will be equal to the adjusted full cost (i.e., total need). The full estimated costs must be based on the maximum discretionary award amount and any changes to the eligibility criteria. For most discretionary programs, CBO equates the budget authority to the level provided in each appropriation bill.

As a result of the scoring rule, Congress cannot fund new programs or increase the funding of existing programs subject to discretionary appropriations while providing less funding than required for the Pell Grant program. The scoring rule, however, cannot fully account for the challenges of estimating the cost of the program. Discretionary program costs are estimated in advance of the award year they are intended to support, and based on the chosen discretionary base maximum award level and estimated program participation. The scoring rule does constrain the accumulation of the funding shortfall by requiring Congress to annually reconcile previous years' appropriation levels with updated estimates of previous years' program obligations.

⁵⁸ Some form of authority to reduce awards was available to the Secretary between the inception of the program in 1972 and the 1992 amendments. Immediately prior to its repeal in 1992, the HEA provision permitted reduction in awards only within certain limits. No award could be reduced for students whose expected family contribution (EFC) was \$200 or less (i.e., the awards for the neediest students would be protected). A schedule of reductions for other awards had to use a *single linear reduction formula* that applied uniformly. No award could be made to a student whose initial award was reduced to less than \$100 under the reduction formula. The original language creating the Basic Educational Opportunity Grants (BEOG), the predecessor to Pell Grants, in the Education Amendments of 1972 allowed for payments on a pro rata reduced basis and specified a minimum grant of \$50 whenever the program was less than fully funded.

⁵⁹ The appropriations legislation during this time period required the Secretary to reduce awards using fixed or variable percentages, or using a fixed dollar reduction, if, prior to issuing the payment schedules, he or she determined that appropriated funds could not fully fund the appropriated maximum grant. A schedule of reduced grants would then be published.

⁶⁰ CBO *keeps score* for Congress by monitoring the results of congressional action on individual authorization, appropriation, and revenue bills against budget authority and outlay targets that are specified in the concurrent resolutions.

⁶¹ Budget authority is defined as the broad responsibility conferred by Congress that empowers government agencies to spend federal funds.

Reductions in Program Costs

Given the CBO scoring rule, there are several levers that have been used to reduce or prevent an increase in Pell Grant program costs and thus reduce or eliminate a shortfall.

- The discretionary maximum award level has been reduced or not increased.
- Statutory provisions that establish Pell Grant award rules have been modified to reduce the amount of funds that some students may receive. For example, *year-round* Pell Grants were eliminated beginning in AY2011-2012.
- Statutory provisions that establish Pell Grant eligibility have been modified to reduce the number of recipients. For example, the qualifying minimum award amount was increased beginning in AY2012-2013.
- Statutory provisions that establish the calculation of EFC have been modified to reduce the numbers of students eligible for Pell Grants and other HEA Title IV need-based financial aid. For example, the income threshold for an automatic zero EFC was increased beginning in AY2012-2013 in order to reduce the number of students receiving an automatic zero EFC.
- Statutory provision that establish student eligibility for any HEA Title IV aid programs have been amended to reduce eligibility. For example, the ability of new students without a high school diploma (or equivalent) to qualify for HEA Title IV aid was temporarily eliminated from July 1, 2012, through June 30, 2014.

Supplementary Appropriations

In addition to reducing program costs or in lieu of reducing program costs to reduce or eliminate a funding shortfall, legislation has provided supplementary appropriations to address the CBO scoring rule.

- Supplementary mandatory appropriations have been provided for general use in the program, often by generating savings in the Direct Loan program that is funded by mandatory budget authority.
- Supplementary discretionary appropriations have been provided during periods of expansionary fiscal policy such as through the American Recovery and Reinvestment Act (ARRA; P.L. 111-5).

In addition to supplementary appropriations, the regular discretionary appropriations amount may be increased.

Policy Implications and Measures to Address Funding Surpluses

The policy implications of a funding surplus are very different from those of a shortfall. An increasing or high cumulative surplus may be viewed as presenting a potential opportunity. The surplus may be viewed as representing a pot of available funding. The surplus may be invested back into the Pell Grant program or it may be used to pursue other policy priorities.

There are several approaches for investing the surplus into the program.

- Appropriations levels and statutory provisions may be maintained under the assumption that Pell Grant program costs would eventually use the surplus. For example as the U.S. population grows, postsecondary enrollment and Pell Grant participation may grow.

- Award levels for Pell Grant recipients may be increased in order to increase the size of a Pell Grant. For example, the discretionary base maximum award was increased from \$4,860 in FY2009-FY2017 to \$5,035 in FY2018.
- Student eligibility for Pell Grants may be expanded. For example, increasing the discretionary base maximum award from \$4,860 in FY2009-FY2017 to \$5,035 in FY2018 also increases the number of students who are eligible.
- Statutory provisions that establish Pell Grant award rules may be modified to increase the amount of funds that some students may receive. For example, *year-round* Pell Grants were reauthorized beginning in AY2017-2018.
- Statutory provisions that establish the calculation of EFC may be modified to increase the numbers of students eligible for Pell Grants and other HEA Title IV need-based financial aid.
- Statutory provision that establish student eligibility for any HEA Title IV aid programs may be amended to increase eligibility.

Alternatively, the surplus may be used to fund or increase funding for other programs or to reduce a budget deficit. All or a portion of the surplus may be rescinded in an appropriations act. For example, the Consolidated Appropriations Act, 2017 (P.L. 115-31) included a rescission of \$1.3 billion from the Pell Grant program surplus. The rescission offsets the cost of appropriations in the act.

Estimated Program Costs for Recent and Future Years

Grant payments are made to eligible students who apply for aid and enroll in eligible programs notwithstanding the prescribed appropriation levels in any one year in such a way that some liken the program to a *quasi entitlement*. Costs for the Pell Grant program are award year-specific and are primarily affected by the number of eligible students who apply for aid and enroll in eligible programs, the total maximum award amount, and award rules. The number of eligible students may be affected by economic conditions and legislative changes to the federal need analysis methodology and award rules. As discussed earlier, the total maximum award amount is determined by both the annual appropriations act and the HEA. Other factors that contribute to changes in program costs include the cost of higher education.

The Congressional Budget Office reports and estimates program costs at least annually. **Table 7** provides a summary of current and future estimated Pell Grant program costs from AY2012-2013 through AY2021-2022, as of April 2018. Costs associated with the discretionary base maximum award and costs associated with the mandatory add-on award are specified. **Table 7** shows that the total program cost has declined from AY2012-2013 to AY2016-2017 and is estimated to increase thereafter.

From AY2012-2013 to AY2015-2016, the number of Pell Grant recipients decreased annually (**Table 2**) although the total maximum award amount increased annually since AY2013-2014 (**Table A-1**). Declining undergraduate enrollment in degree-granting postsecondary institutions from 28.2 million in AY2011-2012 to 26.3 million in AY2015-2016 is reflected in a reduction of Pell Grant recipients.⁶² The decrease in the number of Pell Grant recipients from AY2012-2013 to AY2015-2016, which is particularly evident in the decrease in costs related to the discretionary

⁶² National Center for Education Statistics (NCES), *Digest of Education Statistics 2017*, Table 308.20.

award level, outweighs the increase in the total maximum award, which is demonstrated in increased costs associated with mandatory award levels.

Program costs after AY2016-2017 are estimated to increase (**Table 7**). The increase would primarily be a result of an estimated increase in the number of Pell Grant recipients and the awarding of year-round Pell Grants. The CBO baseline does not account for any potential a change in the total maximum Pell Grant award after the AY2018-2019 discretionary maximum award increase included in the Consolidated Appropriations Act, 2018 (P.L. 115-141).

Table 7. Estimated Pell Grant Program Costs, AY2012-2013 to AY2021-2022

(dollars in billions)

Award Year (AY)	Cost Associated with Discretionary Award Levels	Cost Associated with Mandatory Award Levels	Total Program Cost
AY2012-2013	27.5	5.0	32.5
AY2013-2014	26.5	5.1	31.6
AY2014-2015	25.3	5.5	30.8
AY2015-2016	23.4	5.7	29.0
AY2016-2017	21.8	5.4	27.2
AY2017-2018	23.4	5.9	29.2
AY2018-2019	24.4	6.1	30.6
AY2019-2020	24.6	6.2	30.8
AY2020-2021	25.0	6.3	31.3
AY2021-2022	25.5	6.4	31.9

Source: Congressional Budget Office (CBO), *Discretionary Baseline, Cumulative Surplus/Shortfall, and Funding Gap of the Federal Pell Grant Program—Baseline* dated March 2012, May 2013, April 2014, March 2015, March 2016, June 2017, and April 2018.

Notes: Estimates of program costs are not adjusted for inflation and are subject to change.

Appendix A. Historical Pell Grant Award Amounts

Table A-1. Pell Grant Award Amounts, AY 1973-1974 and Subsequent Years

Award Year (AY)	Authorized Maximum Award ^a	Discretionary Base Maximum Award	Mandatory Add-On Award	Total Maximum Award	Effective Minimum Award ^b
1973-1974	\$1,400	\$452	N/A	\$452	\$50
1974-1975	1,400	1,050	N/A	1,050	50
1975-1976	1,400	1,400	N/A	1,400	200
1976-1977	1,400	1,400	N/A	1,400	200
1977-1978	1,800	1,400	N/A	1,400	200
1978-1979	1,800	1,600	N/A	1,600	50
1979-1980	1,800	1,800	N/A	1,800	200
1980-1981	1,800	1,750	N/A	1,750	150
1981-1982	1,900	1,670	N/A	1,670	120
1982-1983	2,100	1,800	N/A	1,800	50
1983-1984	2,300	1,800	N/A	1,800	200
1984-1985	2,500	1,900	N/A	1,900	200
1985-1986	2,600	2,100	N/A	2,100	200
1986-1987	2,600	2,100	N/A	2,100	100
1987-1988	2,300	2,100	N/A	2,100	200
1988-1989	2,500	2,200	N/A	2,200	200
1989-1990	2,700	2,300	N/A	2,300	200
1990-1991	2,900	2,300	N/A	2,300	100
1991-1992	3,100	2,400	N/A	2,400	200
1992-1993	3,100	2,400	N/A	2,400	200
1993-1994	3,700	2,300	N/A	2,300	400
1994-1995	3,900	2,300	N/A	2,300	400
1995-1996	4,100	2,340	N/A	2,340	400
1996-1997	4,300	2,470	N/A	2,470	400
1997-1998	4,500	2,700	N/A	2,700	400
1998-1999	4,500	3,000	N/A	3,000	400
1999-2000	4,500	3,125	N/A	3,125	400
2000-2001	4,800	3,300	N/A	3,300	400
2001-2002	5,100	3,750	N/A	3,750	400
2002-2003	5,400	4,000	N/A	4,000	400
2003-2004	5,800	4,050	N/A	4,050	400
2004-2005	5,800	4,050	N/A	4,050	400

Award Year (AY)	Authorized Maximum Award ^a	Discretionary Base Maximum Award	Mandatory Add-On Award	Total Maximum Award	Effective Minimum Award ^b
2005-2006	5,800 ^c	4,050	N/A	4,050	400
2006-2007	5,800 ^c	4,050	N/A	4,050	400
2007-2008	5,800 ^c	4,310	N/A	4,310	400
2008-2009	5,800 ^c	4,241	\$490	4,731	523 ^d
2009-2010	6,000	4,860	490	5,350	609 ^d
2010-2011	None Specified	4,860	690	5,550	555
2011-2012	None Specified	4,860	690	5,550	555
2012-2013	None Specified	4,860	690	5,550	577 ^e
2013-2014	None Specified	4,860	758	5,645	582 ^e
2014-2015	None Specified	4,860	870	5,730	587 ^e
2015-2016	None Specified	4,860	915	5,775	581 ^e
2016-2017	None Specified	4,860	955	5,815	591 ^e
2017-2018	None Specified	4,860	1,060	5,920	593 ^e
2018-2019	None Specified	5,035	1,060 ^f	6,095	611 ^e
2019-2020	None Specified	5,135	1,060 ^f	6,195	TBD

Source: HEA; appropriations acts, FY2010-FY2016; U.S. Department of Education, Department of Education Budget Tables, Congressional Action FY2013-FY2016; and U.S. Department of Education, *Federal Pell Grant Payment and Disbursement Schedules, 2009-2010 to 2014-2015*.

Notes: TBD = to be determined; N/A = not applicable.

- a. The authorized maximum award was the annual maximum Pell Grant specified for each award year in the HEA. The authorization is intended to provide guidance regarding the appropriate amount of funds to carry out the policy objectives of a program. The SAFRA Act eliminated the authorized maximum award levels from the HEA.
- b. The effective minimum award is the minimum amount of Pell Grant aid available to a student in any given year as determined by law. The effective minimum award for AY2010-2011 and all future years is equal to 10% of the total maximum award amount. Since the FY2012 Consolidated Appropriations Act eliminated the bump award beginning on July 1, 2012, the qualifying minimum award and effective minimum award are now the same.
- c. Prior to the reauthorization of the HEA by the HEOA in 2008, Congress passed measures to extend the HEA allowing for the continuation of the Pell Grant program. The last authorized maximum award specified in law prior to the HEOA was \$5,800 for AY2003-2004; therefore, the authorized maximum award is listed as \$5,800 from AY2004-2005 through AY2008-2009 in this table.
- d. This amount is the minimum amount of aid awarded to a student attending on a less-than-half-time basis.
- e. Although the statutory effective minimum is 10% of the total maximum, the actual minimum award differs because ED uses midpoints for both the EFC and COA. ED's Federal Pell Grant Payment and Disbursement Schedules group COA and EFC in approximately \$100 increments and calculate the award levels for each increment based on the increment midpoints. For example, the full-time, full-academic-year minimum scheduled award is based on an EFC increment of \$5,401-\$5,486 with a midpoint of \$5,443 such that the minimum award is maximum COA – minimum EFC or \$652 (\$6,095 - \$5,443).
- f. Under current statutory provisions, the mandatory add-on award will remain at \$1,060 permanently.

Appendix B. Federal Pell Grant Recipients, AY1973-1974 to AY2015-2016

Table B-1. Federal Pell Grant Recipients, AY1973-1974 to AY2015-2016

Award Year	Pell Grant Recipients	Annual Change	% Change
1973-1974	176,000	N/A	N/A
1974-1975	567,000	391,000	222.2%
1975-1976	1,217,000	650,000	114.6%
1976-1977	1,944,000	727,000	59.7%
1977-1978	2,011,000	67,000	3.4%
1978-1979	1,893,000	(118,000)	(5.9%)
1979-1980	2,538,000	645,000	34.1%
1980-1981	2,708,000	170,000	6.7%
1981-1982	2,709,000	1,000	0.0%
1982-1983	2,523,000	(186,000)	(6.9%)
1983-1984	2,759,000	236,000	9.4%
1984-1985	2,747,000	(12,000)	(0.4%)
1985-1986	2,813,000	66,000	2.4%
1986-1987	2,660,000	(153,000)	(5.4%)
1987-1988	2,882,000	222,000	8.3%
1988-1989	3,198,000	316,000	11.0%
1989-1990	3,322,000	124,000	3.9%
1990-1991	3,405,000	83,000	2.5%
1991-1992	3,786,000	381,000	11.2%
1992-1993	4,002,000	216,000	5.7%
1993-1994	3,756,000	(246,000)	(6.1%)
1994-1995	3,675,000	(81,000)	(2.2%)
1995-1996	3,612,000	(63,000)	(1.7%)
1996-1997	3,666,000	54,000	1.5%
1997-1998	3,733,000	67,000	1.8%
1998-1999	3,855,000	122,000	3.27%
1999-2000	3,764,000	(91,000)	(2.36%)
2000-2001	3,899,000	135,000	3.59%
2001-2002	4,341,000	442,000	11.34%
2002-2003	4,779,000	438,000	10.09%
2003-2004	5,140,000	361,000	7.55%

Award Year	Pell Grant Recipients	Annual Change	% Change
2004-2005	5,308,000	168,000	3.27%
2005-2006	5,168,000	(140,000)	(2.64%)
2006-2007	5,165,000	(3,000)	(0.06%)
2007-2008	5,543,000	378,000	7.32%
2008-2009	6,157,000	614,000	11.08%
2009-2010	8,094,000	1,937,000	31.46%
2010-2011	9,308,000	1,214,000	15.00%
2011-2012	9,444,000	136,000	1.46%
2012-2013	8,959,000	(486,000)	(5.14%)
2013-2014	8,663,000	(296,000)	(3.30%)
2014-2015	8,316,000	(347,000)	(4.01%)
2015-2016	7,660,000	(655,000)	(7.88%)

Source: U.S. Department of Education, *AY2015-16 Pell Grant End-of-Year Report*.

Note: Recipient figures rounded to the nearest thousand. Numbers in parentheses are negative numbers.

Appendix C. Program Funding: FY2008-FY2021

Table C-1. Pell Grant Annual Funding: FY2008-FY2021

(dollars in millions)

Fiscal Year^a	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Legislation														
Discretionary Appropriations														
Annual Appropriations	14,215	17,288	17,495	22,956	22,824	22,778	22,778	22,475	22,475	22,475	22,475	22,475	TBD	TBD
ARRA	—	15,640	—	—	—	—	—	—	—	—	—	—	—	—
Consolidated Appropriations Act, 2017	—	—	—	—	—	—	—	—	—	(1,310)	—	—	—	—
Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019	—	—	—	—	—	—	—	—	—	—	—	(600)	—	—
Total Discretionary	14,215	32,928	17,495	22,956	22,824	22,778	22,778	22,475	22,475	21,165	22,475	21,875	TBD	TBD
Mandatory Appropriations Provided to Augment Discretionary Appropriations														
SAFRA Act	—	—	—	13,500	—	—	—	—	—	—	—	—	—	—
FY2011 Continuing Appropriations Act	—	—	—	—	3,183	0	0	0	0	1,060	1,125	1,125	1,140	1,145 ^b
Budget Control Act of 2011	—	—	—	—	10,000	7,000	—	—	—	—	—	—	—	—
FY2012 Consolidated Appropriations Act	—	—	—	—	612	587	588	0	0	514	257	284	290	0
Consolidated Appropriations Act, 2017	—	—	—	—	—	—	—	—	—	(254)	—	—	—	—

Fiscal Year ^a	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Consolidated Appropriations Act, 2018	—	—	—	—	—	—	—	—	—	—	(48)	—	—	—
Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 and Continuing Appropriations Act, 2019	—	—	—	—	—	—	—	—	—	—	—	(39)	—	—
Total Mandatory to Augment Discretionary	—	—	—	13,500	13,795	7,587	588	0	0	1,574	1,382	1,370	1,430	1,145^c
Mandatory Appropriations Provided to Fund Add-On Award Amounts														
CCRAA	2,041 ^c	2,090	3,030	3,090	5,050	105	4,305	4,400	4,600	4,900	—	—	—	—
ARRA	—	643	831	—	—	—	—	—	—	—	—	—	—	—
FY2009 Technical Amendments to the HEA	—	—	—	—	—	153	—	152	—	—	—	—	—	—
SAFRA Act ^d	—	—	(3,861)	(3,090)	(5,050)	(258)	(4,305)	(4,452)	(4,600)	(4,900)	—	—	—	—
SAFRA Act ^d	—	—	5,300 ^e	5,560 ^f	4,950 ^g	4,854 ^h	4,835 ⁱ	5,153 ⁱ	4,840 ^k	5,680 ^l	5,977 ^m	6,103 ⁿ	SSAN	SSAN
Total Mandatory for Add-On Awards	2,041	2,733	5,300	5,560	4,950	4,854	4,835	5,153	4,840	5,680	5,977	6,103	SSAN	SSAN
Total Pell Grant Funding Excluding Surplus (Discretionary and Mandatory)														
Total Funding	16,256	35,661	22,795	42,016	41,569	35,219	28,202	27,628	27,316	29,476	29,834	29,348	TBD	TBD

Source: CRS analysis of the HEA and respective legislation.

Notes: TBD=to be determined; “—” means that no appropriations were provided beyond the initial year(s) specified. Numbers in parentheses are negative numbers.

SSAN=Such sums as necessary. In effect, this means the amount of mandatory appropriations that will be necessary to fully fund the add-on award amount specified in the HEA for a given year. In other words, mandatory funding has been available to support the add-on amount beginning in FY2010 onward indefinitely, but the specific amount required in each year cannot be reported until the add-on amount is determined and all funds are disbursed to eligible students

- The fiscal year in this table represents the first year the funds appropriated in each column are available for use. Most funds are available for two fiscal years.
- Additional annual mandatory appropriations in the amount of \$1,145,000,000 are also provided for each succeeding year beyond FY2021 per the FY2011 Continuing Appropriations Act.

- c. Includes \$11 million for the elimination of the tuition sensitivity rule in AY2007-2008.
- d. The SAFRA Act rescinded advance appropriation provided in the CCRAA, ARRA, and FY2009 Technical Amendments to the HEA. The SAFRA Act provided indefinite and permanent mandatory appropriations for the mandatory add-on award. The positive amounts shown are the actual amounts required for the mandatory add-on award.
- e. This is the amount of mandatory appropriations required for a \$690 mandatory add-on award in AY2010-2011, as reported in the President's FY2015 budget.
- f. This is the amount of mandatory appropriations required for a \$690 mandatory add-on award in AY2011-2012, as reported in the President's FY2016 budget.
- g. This is the amount of mandatory appropriations required for a \$690 mandatory add-on award in AY2012-2013, as reported in the President's FY2017 budget.
- h. This is the amount of mandatory appropriations required for a \$785 mandatory add-on award in AY2013-2014, as reported in the President's FY2018 budget.
- i. This is the amount of mandatory appropriations required for an \$870 mandatory add-on award in AY2014-2015, as reported in the President's FY2019 budget.
- j. This is the amount of mandatory appropriations required for a \$915 mandatory add-on award in AY2015-2016, as reported in the President's FY2019 budget.
- k. This is the amount of mandatory appropriations required for a \$965 mandatory add-on award in AY2016-2017, as reported in the President's FY2019 budget.
- l. This is the amount of mandatory appropriations required for a \$1,060 mandatory add-on award in AY2017-2018, as reported in the President's FY2019 budget.
- m. This is the amount of mandatory appropriations required for a \$1,060 mandatory add-on award in AY2018-2019, as reported in the President's FY2019 budget.
- n. This is the amount of mandatory appropriations required for a \$1,060 mandatory add-on award in AY2019-2020, as reported in the President's FY2019 budget.

Appendix D. Annual and Cumulative Discretionary Funding Shortfalls and Surpluses in the Pell Grant Program, FY1973-FY2018

Table D-1. Annual and Cumulative Discretionary Funding Shortfalls and Surpluses in the Pell Grant Program, FY1973-FY2018

(dollars in millions)

Fiscal Year	Award Year	Funds Available for the Discretionary Award Level	Estimated Total Expenditures ^a	Annual Surplus or (Shortfall) ^b	Cumulative Surplus or (Shortfall)
1973	1973-1974	\$122	\$48	\$74	N/A
1974	1974-1975	475	358	117	N/A
1975	1975-1976	840	926	(86)	N/A
1976	1976-1977	1,326	1,475	(149)	N/A
1977	1977-1978	1,904	1,524	380	N/A
1978	1978-1979	2,160	1,541	619	N/A
1979	1979-1980	2,431	2,357	74	N/A
1980	1980-1981	2,157	2,387	(230)	N/A
1981	1981-1982	2,604	2,300	304	N/A
1982	1982-1983	2,419	2,421	(2)	N/A
1983	1983-1984	2,419	2,797	(378)	N/A
1984	1984-1985	2,800	3,053	(253)	N/A
1985	1985-1986	3,862	3,597	265	N/A
1986	1986-1987	3,580	3,460	120	N/A
1987	1987-1988	4,187	3,754	433	N/A
1988	1988-1989	4,260	4,476	(216)	N/A
1989	1989-1990	4,484	4,770	(75)	(\$75)
1990	1990-1991	4,804	4,904	(231)	(306)
1991	1991-1992	5,376	5,772	(396)	(702)
1992	1992-1993	5,503	6,156	18	(684)
1993	1993-1994	6,462	5,621	460	(224)
1994	1994-1995	6,637	5,504	808	584
1995	1995-1996	6,147	5,466	716	1,300
1996	1996-1997	4,914	5,784	(870)	429
1997	1997-1998	5,919	6,315	(396)	33
1998	1998-1999	7,345	7,236	109	142
1999	1999-2000	7,704	7,233	471	613

Fiscal Year	Award Year	Funds Available for the Discretionary Award Level	Estimated Total Expenditures ^a	Annual Surplus or (Shortfall) ^b	Cumulative Surplus or (Shortfall)
2000	2000-2001	7,640	7,996	(356)	256
2001	2001-2002	8,756	9,985	(1,229)	(908)
2002	2002-2003	11,314 ^c	11,653	(339)	(1,247)
2003	2003-2004	11,365	12,713	(1,348)	(2,595)
2004	2004-2005	12,007	13,152	(1,145)	(3,740)
2005	2005-2006	12,365	12,695	(330)	(4,070)
2006	2006-2007	17,345 ^d	12,825	4,520	220
2007	2007-2008	13,661	14,699	(1,038)	(818)
2008	2008-2009	14,215	16,054	(1,839)	(2,657)
2009	2009-2010	32,928 ^e	26,844	6,084	3,427
2010	2010-2011	17,495	30,491	(12,996)	(9,569)
2011	2011-2012	36,456 ^f	28,796	7,660	(1,909)
2012	2012-2013	36,619 ^g	27,512	9,107	7,198
2013	2013-2014	30,365 ^h	26,481	3,884	11,082
2014	2014-2015	23,366 ⁱ	25,320	(1,954)	9,128
2015	2015-2016	22,475	23,361	(886)	8,242
2016	2016-2017	22,475	21,788	687	8,929
2017	2017-2018	22,485 ⁱ	23,377	(892)	8,037
2018	2018-2019	23,809 ^k	24,436	(627)	7,410

Sources: (1) U.S. Department of Education (ED), *AY2010-11 Federal Pell Grant Program End-of-Year Report*; (2) unpublished data provided by ED; (3) data provided by CBO in May 2013, April 2014, and March 2015; and (4) respective appropriations measures.

Notes: TBD = to be determined. N/A = not available. Numbers in parentheses are negative numbers. Data on the cumulative shortfall or surplus prior to AY1989-1990 could not be verified and therefore are not provided. Prior to 1980, the program was called the Basic Educational Opportunity Grant (BEOG) Program.

- The estimated total expenditure totals for AY1973-1974 through AY1988-1989 are taken from the U.S. Department of Education, *AY2009-10 Federal Pell Grant Program End-of-Year Report* and do not include administrative cost allowance payments to institutions. The expenditure totals for AY1989-1990 to AY2005-2006 are taken from unpublished data provided by ED and reflect administrative cost allowance payments to institutions. Estimates of all data after AY2005-2006 are provided by CBO and also include administrative cost allowance payments to institutions. All estimates of expenditures are subject to change. In years in which mandatory appropriations were available to fund the discretionary award levels, expenditures include discretionary and mandatory appropriations.
- The annual shortfall or surplus amount reflects account transfers and other adjustments and may not equal the difference between the annual appropriation and estimated total expenditures in each year.
- Includes \$1 billion in supplemental discretionary funding to pay for the FY2001 cumulative shortfall.
- Includes \$4.3 billion in mandatory funding provided in FY2006 to exclusively supplement the discretionary funding necessary to retire the cumulative funding shortfall through AY2005-2006, as originally estimated in the President's FY2006 budget. The mandatory funds that exceeded the actual cumulative funding shortfall were returned to the U.S. Department of the Treasury. The discretionary appropriation for FY2006 was \$13,045 million.

- e. Includes approximately \$15.7 billion in supplemental discretionary appropriations provided in the American Recovery and Reinvestment Act (ARRA).
- f. Includes \$13.5 billion in mandatory appropriations that were provided in the SAFRA Act for general use in the program through FY2012 and \$22,956 million in discretionary appropriations provided in the FY2011 Continuing Appropriations Act.
- g. This number includes mandatory and discretionary funding from the following sources: The FY2011 Continuing Appropriations Act provided \$3,183 million in mandatory appropriations for general use in the program for FY2012. The Budget Control Act of 2011 (P.L. 112-25) provided \$10 billion in mandatory appropriations for general use in the program for FY2012. Finally, the FY2012 Consolidated Appropriations Act (P.L. 112-74) provided \$22,824 million in discretionary appropriations for FY2012 and \$612 million in mandatory appropriations for general use in the program for FY2012.
- h. This number includes mandatory and discretionary funding from the following sources: The Budget Control Act of 2011 (P.L. 112-25) provided \$7 billion in mandatory appropriations for general use in the program for FY2013. Additionally, the FY2012 Consolidated Appropriations Act (P.L. 112-74) provided \$587 million in mandatory appropriations for general use in the program for FY2013.
- i. This number includes mandatory and discretionary funding from the following sources: The FY2012 Consolidated Appropriations Act (P.L. 112-74) provided \$588 million in mandatory appropriations for general use in the program for FY2014. The Consolidated Appropriations Act, 2014 (P.L. 113-76) provided \$22,778 million in discretionary appropriations for FY2014.
- j. This number includes mandatory and discretionary funding from the following sources: The FY2011 Continuing Appropriations Act provided \$1.060 million in mandatory appropriations; the FY2012 Consolidated Appropriations Act (P.L. 112-74) provided \$514 million in mandatory appropriations; and the Consolidated Appropriations Act, 2017 (P.L. 115-31) provided \$22.475 million in discretionary appropriations, rescinded \$1.310 million of the surplus, and reduced the cumulative mandatory appropriation of \$1.574 million from the FY2011 Continuing Appropriations Act and the FY2012 Consolidated Appropriations Act to \$1.320 million.
- k. This number includes mandatory and discretionary funding from the following sources: The FY2011 Continuing Appropriations Act provided \$1.125 million in mandatory appropriations; the FY2012 Consolidated Appropriations Act (P.L. 112-74) provided \$257 million in mandatory appropriations; and the Consolidated Appropriations Act, 2018 (P.L. 115-141) provided \$22.475 million in discretionary appropriations and reduced the cumulative mandatory appropriation of \$1.382 million from the FY2011 Continuing Appropriations Act and the FY2012 Consolidated Appropriations Act to \$1.334 million.

Appendix E. Glossary/Acronyms

ARRA	American Recovery and Reinvestment Act (P.L. 111-5)
CBO	Congressional Budget Office
CCRAA	College Cost Reduction and Access Act of 2007 (P.L. 110-84)
COA	Cost of Attendance
Direct Loan	William D. Ford Direct Loan program
ED	U.S. Department of Education
EFC	Expected Family Contribution
FAFSA	Free Application for Federal Student Aid
HEA	Higher Education Act of 1965 (P.L. 89-329), as amended
HEOA	Higher Education Opportunity Act of 2008 (P.L. 110-315)
IHE	Institution of Higher Education
ISIR	Institutional Student Information Record
NPSAS	U.S. Department of Education, National Postsecondary Student Aid Study
Private for-profit	Sometimes referred to as proprietary
SAFRA Act	Title II-A of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152)

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