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Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes

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Summary

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. The program provided approximately $31 billion to approximately 8.2 million undergraduate students in FY2015. For FY2015, the total maximum Pell Grant was funded at $5,775. The program is funded primarily through annual discretionary appropriations, although in recent years mandatory appropriations have played a smaller yet increasing role in the program. The statutory authority for the Pell Grant program was most recently reauthorized by the Higher Education Opportunity Act of 2008 (HEOA; P.L. 110-315).

Pell Grants are need-based aid that is intended to be the foundation for all federal student aid awarded to undergraduates. There is no absolute income threshold that determines who is eligible or ineligible for Pell Grants. Eligibility may be based on a combination of familial circumstance, income, and assets. Nevertheless, Pell Grant recipients are primarily low-income. In FY2011, an estimated 74% of all Pell Grant recipients had a total family income at or below $30,000. In the same year, over half of Pell Grant recipients attended public schools, and approximately two-thirds of Pell Grant assistance was received by public schools.

The Pell Grant program has garnered considerable attention over the past several years as Congress has tried to balance program funding with changes in eligibility and award rules. Legislative changes to eligibility and award rules in combination with changes in the number of students enrolling in college and applying for Pell Grant aid have led to anticipated and unanticipated changes in Pell Grant receipt and program costs. These changes have in different years resulted in funding shortfalls or surpluses. Congress has responded to recent funding needs through numerous legislative efforts in FY2010 through FY2012 by providing additional mandatory funding to augment discretionary funding for current and future years.

Most recently, the Consolidated Appropriations Act, 2016 (P.L. 114-113) provided $22.5 billion in discretionary funding for the program in FY2016. This funding is augmented by mandatory appropriations provided by the SAFRA Act (enacted as part of the Health Care and Education Reconciliation Act of 2010; P.L. 111-152). 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.

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Introduction

The Federal Pell Grant program, authorized by Title IV-A-1 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. The program provided approximately $31 billion to approximately 8.2 million undergraduate students in FY2015.[1] Pell Grants are need-based aid that is intended to be the foundation for all federal need-based student aid awarded to undergraduates. The U.S. Department of Education (ED) data suggest that in FY2015, Pell Grants constituted approximately 23% of all HEA Title IV student aid—including grants, loans, and work opportunities—that benefit postsecondary education students at all levels.[2]

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). Additional legislation, referred to in this report, includes the following:

- The American Recovery and Reinvestment Act (ARRA; P.L. 111-5) provided substantial discretionary and mandatory supplemental funding for the Pell Grant program in FY2009, and when combined with the FY2009 Omnibus Appropriations Act (P.L. 111-8), also established a $619 increase in the Pell Grant maximum award for award year[3] (AY) 2009-2010;
- The SAFRA Act (enacted as part of the Health Care and Education Reconciliation Act of 2010; P.L. 111-152) established indefinite mandatory appropriations for the Pell Grant program, changed the method by which future additional mandatory add-on amounts are determined, and provided additional mandatory funds in FY2011 for general use through the end of FY2012;[4]
- The FY2011 Continuing Appropriations Act (P.L. 112-10) amended the HEA to eliminate a provision that allowed for a student to receive two scheduled Pell Grant awards in the same year, and provided additional mandatory funds in FY2012 and select future years for general use in the program;
- The Budget Control Act of 2011 (BCA; P.L. 112-25) provided additional mandatory funds for the Pell Grant program for FY2012 and FY2013;
- The FY2012 Consolidated Appropriations Act (P.L. 112-74) amended the HEA to make several changes to the eligibility criteria and award rules for the Pell Grant program, and provided additional mandatory funds in FY2012 and select future years for general use in the program; and

[1] U.S. Department of Education, *Fiscal Year 2016 Budget*, p. O-7–O-8.

[2] Percentage calculated by CRS from data presented in U.S. Department of Education, *Fiscal Year 2016 Budget*, p. O-7–O-8. Total HEA Title IV aid excludes $27 billion in consolidation loans under which borrowers consolidate prior loans. Title IV of HEA authorizes several student aid programs: Pell Grant program, William D. Ford Federal Direct Loan (DL) Program, American Competitiveness Grant program, National Science and Mathematics Access to Retain Talent (SMART) Grant program, Federal Supplemental Educational Opportunity Grant (FSEOG) program, Leveraging Educational Assistance Partnership (LEAP) program, Federal Work-Study (FWS) program, Federal Perkins Loan program, and Grants for Access and Persistence (GAP) program. See CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*, by Alexandra Hegji and David P. Smole; 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*, by David P. Smole.

[3] 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.

[4] Similar legislation proposed in the 111th Congress as a standalone bill was entitled the Student Aid and Fiscal Responsibility Act of 2009 (H.R. 3221).

- The Consolidated and Further Continuing Appropriations Act, 2015 (P.L. 113-235) permitted individuals enrolled in career pathway programs to receive a reduced Pell Grant award.

This report reviews how the program works and provides an analysis of recent program costs and funding, recipients (numbers and characteristics), and the role the program plays in the distribution of federal student aid. In addition, this report highlights some of the current legislative issues pertaining to the program. The appendices at the end of the report describe the Pell Grant mandatory add-on calculation (**Appendix A**), Pell Grant recipient count history (**Appendix B**), and acronyms commonly used in the report (**Appendix C**).

How the Program Works

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 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 needy undergraduates. In any year, federal funding is made available to ensure that all eligible students attending eligible institutions receive Pell Grants.[5] To apply for a Pell Grant, students must complete the Free Application for Federal Student Aid (FAFSA), providing requested financial and other information, and submit it to a "central processor" under contract with ED.[6] The central processor provides each applicant with a Student Aid Record (SAR) and provides each institution of higher education (IHE) designated by the applicant with an Institutional Student Information Record (ISIR). These documents contain the information submitted on the FAFSA and the calculated expected family contribution (EFC). The EFC is the amount expected to be contributed by the student and the student's family toward postsecondary education expenses for the upcoming award year.

Pell Grants are *portable*, that is, the grant aid follows students to the eligible postsecondary education institutions in which they enroll. Institutions that receive valid SARs or valid ISIRs for eligible Pell applicants are required to disburse Pell funds to students who successfully enroll in approved coursework. The size of the grant is based, principally, on the financial resources that students and their families are expected to contribute toward postsecondary education expenses, and the discretionary base maximum award amount[7] that is set in the annual appropriations process and any additional increases to the discretionary base maximum award funded with mandatory appropriations[8] specified for each year in the HEA.

[5] As explained later in this report, if costs for the Pell Grant program exceed the prescribed appropriation level in any one year, additional funds can be allocated from the most recently enacted appropriation to pay for obligations incurred in previous award years. This process of ensuring that grant payments will be made has led some to liken the program to a "quasi entitlement."

[6] 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.

[7] The discretionary base maximum award amount is discussed later in this report.

[8] Annual increases to the discretionary base maximum award funded with mandatory appropriations are discussed later in this report.

Student Eligibility

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

Among the requirements generally applicable to federal student aid for AY2015-2016 include the following:

- Students must be accepted for enrollment or enrolled in an HEA Title IV eligible program for the purpose of earning a degree or certificate at an eligible institution.
- Students must not be enrolled in an elementary or secondary school and must either have a high school diploma (or equivalent) or on or after July 1, 2014, be enrolled in an eligible career pathway program and demonstrate an *ability to benefit* from the education or training.[9] An eligible career pathway program combines adult education with a HEA Title IV eligible program.
- Students must maintain satisfactory academic progress while enrolled in postsecondary education in order to be eligible for federal student aid. Satisfactory progress is delineated by policies developed by each participating IHE, but these policies must meet minimum federal standards.
- Students with a federal or state conviction for possession or sale of drugs while receiving HEA Title IV student aid may be disqualified for federal student aid for a period of time.[10]
- Students are ineligible if they are in default on a Title IV student loan, have failed to repay or make an arrangement to repay an overpayment on a Title IV grant or loan, or are subject to a judgment lien for a debt owed to the United States.
- Students are ineligible if they have not repaid Title IV funds obtained fraudulently.
- Students must meet citizenship requirements.[11]
- Males between 18 and 25 years of age must register with the selective service system in order to be eligible for federal student aid.

[9] P.L. 112-74 eliminated the authority for students who were otherwise Pell-eligible except that they did not have a high school diploma (or equivalent) to be considered eligible by demonstrating an *ability to benefit* from postsecondary education if they were first enrolled in an eligible program on or after 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. P.L. 113-235 authorizes otherwise Pell-eligible students who do not have a high school diploma (or equivalent) to be eligible if after July 1, 2014, if they enroll in an eligible career pathway program and demonstrate an *ability to benefit* from the education or training.

[10] 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.

[11] 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.

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

- Full-time[12] and part-time[13] undergraduates[14] in non-foreign institutions are eligible to receive Pell Grants.
- All recipients are subject to a cumulative lifetime eligibility cap on Pell Grant aid of 12 full-time semesters (or the equivalent). Prior to July 1, 2012, only students who were enrolled after July 1, 2008, were subject to a lifetime eligibility cap on Pell Grant aid of 18 full-time semesters (or the equivalent).
- The program provides assistance only to financially needy students as determined under the program's award rules (see below).
- Students with an intellectual disability must be accepted for enrollment or enrolled in a comprehensive transition and postsecondary program but do not require a high school diploma (or equivalent) and do not have to be enrolled for the purpose of obtaining a certificate or degree.[15]
- Students who are incarcerated in a federal or state penal institution are ineligible for Pell Grants.
- Students who are subject to an involuntary civil commitment following incarceration for a sexual offense (as determined under the FBI's Uniform Crime Reporting Program) are ineligible for Pell Grants.

Underlying Concepts and Award Rules

An eligible student's annual 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 the amount of their EFC) receive the highest Pell Grant awards in each award year. Conversely, students with the lowest need receive the smallest Pell Grant awards in a given award year. 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 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 a financial aid package to which other assistance is added.

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 following the enactment of the SAFRA Act (enacted as part of the Health Care and Education Reconciliation

[12] For the purposes of Pell Grant eligibility, students who are enrolled at least 12 credit hours in a standard semester are considered full-time.

[13] Students enrolled on a less-than-half-time basis (i.e., less than 6 credit hours in a standard semester) are eligible.

[14] In general, a student must be enrolled in an undergraduate course of study to receive a Pell Grant. For Pell Grant eligibility purposes, a student who has received an associate degree, or any certificate or diploma below the baccalaureate level, and who enrolls in another undergraduate program continues to be considered an undergraduate student until the student completes the curriculum requirements for a first bachelor's degree. Students enrolled on at least a half-time basis in a post-baccalaureate program required by a state for K-12 teacher certification or licensure are also eligible, as long as the program does not lead to a graduate degree and the enrolling institution does not offer a baccalaureate degree in education.

[15] A student with an intellectual disability, as defined in the HEA, must maintain satisfactory academic progress as determined by the school for this program.

Act of 2010; P.L. 111-152) and as amended by subsequent legislation and explained at the end of each heading.

Underlying Concepts

Total Maximum Award

The total maximum award amount is the maximum Pell Grant amount that a student may receive in an award year. The actual amount may be reduced in accordance with the primary award rules (described below). The total maximum award amount is the sum of the discretionary base maximum award and the mandatory "add-on" award.

Discretionary Base Maximum Award

The discretionary base maximum award is the amount specified in annual appropriations laws. The annual appropriations laws also determine the amount of discretionary funding available for the program for the corresponding award year.

Mandatory "Add-On" Award

The mandatory "add-on" award is the amount specified in the HEA by which the discretionary base maximum award amount may be increased to yield a total maximum award amount. The mandatory "add-on" award is funded though permanent mandatory appropriations.[16]

The SAFRA Act amended the HEA to establish the mandatory add-on award amount for AY2010-2011 and all subsequent award years. For AY2010-2011 through AY2012-2013, the mandatory add-on amounts were $690 in each year.

For AY2013-2014 through AY2017-2018, the mandatory add-on amount is determined according to a statutorily defined formula that allows the amount to increase with inflation. The add-on amount for AY2013-2014 was determined by (1) adjusting the total maximum award amount of $5,550 (i.e., the $4,860 discretionary base maximum award for AY2012-2013 *plus* the $690 add-on amount) for inflation—the change in the Consumer Price Index for All Urban Consumers (CPI-U) over the period from December 2011 to December 2012;[17] (2) subtracting $4,860 from this amount; and (3) rounding this amount to the nearest $5. Per this formula, the add-on amount for AY2013-2014 was $785, as published by ED.[18]

For AY2014-2015 through AY2017-2018, the mandatory add-on amount in each year is determined by (1) adjusting the previous year's *total maximum award* for inflation—the change in the CPI-U, as measured from the most recently completed calendar year before the start of each applicable award year; (2) subtracting the previous year's discretionary base maximum award; and (3) rounding this amount to the nearest $5. If in any year during this period the previous year's discretionary base maximum award is less than or equal to $4,860, then the

[16] The CCRAA first established and funded the mandatory "add-on" award for AY2008-2009 to AY2012-2013. In order to receive the add-on award under CCRAA, a student had to be eligible for the qualifying minimum award, which was defined as 5% of the discretionary base maximum award.

[17] Section 401(b)(7)(C)(iv)(I) of the HEA provides the Secretary of Education with the authority to determine the annual adjustment percentage used in the formula. The annual adjustment percentage is equal to the percentage change in the CPI-U (as published by the U.S. Department of Labor) for the most recent calendar year ending prior to the beginning of each award year.

[18] President's FY2015 Budget.

mandatory add-on amount is determined by adjusting the previous year's total maximum award amount for the change in the CPI-U, as measured from the most recently completed calendar year before the start of each applicable award year; subtracting $4,860 from this amount; and finally rounding to the nearest $5. ED calculated a mandatory add-on amount of $870 for AY2014-2015 and $915 for AY2015-2016, and estimated an amount of $985 for AY2016-2017.[19] **Appendix A** provides a mathematical expression and example of this formula for AY2014-2015 through AY2017-2018.

For AY2018-2019 and all subsequent award years, the mandatory add-on amount will be the same amount as determined for AY2017-2018 by the formula described above.

Authorized Maximum Award

Prior to the SAFRA Act, 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 authorized maximum award and total maximum award were equal in only three instances during the program's history (AY1975-1976, AY1976-1977, and AY1979-1980). In all other years, the total maximum award was less than the authorized maximum award. The elimination of the authorized maximum award levels from the HEA has no impact on the determination of maximum award levels.

Qualifying Minimum Award

The qualifying minimum Pell Grant award is the minimum amount of Pell aid on which qualification for the program is based. In other words, a student must qualify for at least this minimum amount to be eligible for the program. Under the SAFRA Act, the qualifying minimum award in AY2010-2011 and AY2011-2012 was equal to 5% of *the total maximum award*. For example, in AY2011-2012 the qualifying minimum award was $277, or approximately 5% of $5,550.

The FY2012 Consolidated Appropriations Act revised the basis for determining the qualifying minimum award. The current qualifying minimum Pell Grant award is equal to *10%* of the total maximum award. For example, in AY2015-2016 the statutory minimum award is $577, or 10% of $5,775.[20]

"Bump" Award

The so-called bump award was an additional statutory increase to the qualifying minimum Pell Grant award, ensuring that students who were eligible for the qualifying minimum award received a small increase in Pell aid.[21] In AY2010-2011 and AY2011-2012 under the SAFRA Act, the bump award could equal up to 5% of the total maximum award. For example, in AY2011-

[19] President's FY2015 Budget and Department of Education, Department of Education Budget Tables, FY 2016 Congressional Action (last updated 01/07/2016), as downloaded from http://www2.ed.gov/about/overview/budget/tables.html?src=ct on January 11, 2016.

[20] The actual minimum award differs because ED uses midpoints for both the expected family contribution (EFC) and the cost of attendance (COA) in the primary award rule.

[21] In effect, the increase to the qualifying minimum award serves to ensure that the program will not disburse grants in such small amounts that they would not be a meaningful contribution to supporting students' educational pursuits.

2012 the bump award was $277, or approximately 5% of $5,550, for students who were eligible to receive the qualifying minimum award.

The FY2012 Consolidated Appropriations Act eliminated the bump award for AY2012-2013 and future years. Therefore, no additional aid will be added to the qualifying minimum award under current award rules.

Effective Minimum Award

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.

Table 1 shows the award levels associated with the concepts discussed above—the authorized maximum award, the discretionary base maximum award, the mandatory add-on award, the total maximum award, and the effective minimum award—from 1973-1974 award year through AY2018-2019 and beyond.

Table 1. Pell Grant Award Amounts, AY1973-1974 and Subsequent Years

Award Year (AY)	Authorized Maximum Award ($)	Discretionary Base Maximum Award ($)	Mandatory Add-On Award ($)	Total Maximum Award ($)	Effective Minimum Award ($)
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

Award Year (AY)	Authorized Maximum Award ($)	Discretionary Base Maximum Award ($)	Mandatory Add-On Award ($)	Total Maximum Award ($)	Effective Minimum Award ($)
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[a]	4,050	N/A	4,050	400
2005-2006	5,800[a]	4,050	N/A	4,050	400
2006-2007	5,800[a]	4,050	N/A	4,050	400
2007-2008	5,800[a]	4,310	N/A	4,310	400
2008-2009	5,800[a]	4,241	490	4,731	523[b]
2009-2010	6,000	4,860	490	5,350	609[b]
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[c]
2013-2014	None Specified	4,860	758	5,645	582[c]
2014-2015	None Specified	4,860	870	5,730	587[c]
2015-2016	None Specified	4,860	915	5,775	581[c]
2016-2017	None Specified	4,860	TBD[d]	TBD	TBD
2017-2018	None Specified	TBD	TBD[d]	TBD	TBD
2018-2019 (and beyond)	None Specified	TBD	Same amount as in AY2017-2018	TBD	TBD

Sources: 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. 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.

b. This amount is the minimum amount of aid awarded to a student attending on a less-than-half-time basis.

c. Although the statutory effective minimum is 10% of the total maximum, the actual minimum award differs because ED uses mid-points for both the EFC and COA.

d. The mandatory add-on amount will be determined based on the formula detailed in **Figure A-1**.

Primary Award Rule

With one exception, the primary Pell Grant award rule, as revised by the SAFRA Act, is that a student's annual grant is the *least* of (1) the total maximum Pell Grant minus the student's EFC, or (2) Cost of Attendance (COA) minus EFC,[22] and is ratably reduced for a student who enrolls on a less-than-full-time basis. 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.

The exception to the primary award rule applies to students who first enroll in an HEA Title IV eligible program on or after July 1, 2015, who enroll in an eligible career pathway program, and who demonstrate an *ability to benefit* from the education or training. For such students, the Pell Grant award rule is that a student's annual grant is the *least* of (1) the discretionary maximum Pell Grant minus the student's EFC, or (2) Cost of Attendance (COA) minus EFC, and is ratably reduced for a student who enrolls on a less-than-full-time basis.

Some of the concepts that are specifically related to the primary award rule are discussed in detail below.

Expected Family Contribution (EFC)

The EFC is the amount that, according to the federal need analysis methodology, can be expected to be contributed by a student and the student's family toward the student's cost of education. This calculation is based on consideration of available income and, for some families, available assets. Basic living expenses, federal income tax liability, retirement needs, and other expenses are taken into account in this process. Different EFC formulas are applied to three different groups of students: those who are considered dependent on their parents (the EFC formula assesses the financial resources of both the parents and the dependent student); independent students with no dependents, other than a spouse (if any); and independent students with dependents other than a spouse (e.g., children).[23] The EFC determination utilizes financial information submitted by the aid applicant on the FAFSA.

Automatic Zero EFC

Students who apply for federal student aid and meet certain qualifications automatically receive a zero EFC:[24]

[22] 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.

[23] For federal student aid purposes and the calculation of the EFC, an individual is considered independent of his or her parents (i.e., parental income and assets are not considered in determining the EFC), if the individual 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."

[24] One of the benefits of qualifying for an automatic zero EFC is that it greatly reduces the response burden associated (continued...)

- Only dependent students and independent students with dependents other than a spouse can qualify for an automatic zero EFC if, in general, the parents of the dependent student or the independent student (and spouse, as appropriate) have income below a specific threshold and meet one of three additional criteria. 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 are not eligible for an automatic zero under these criteria.
- A 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 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.[25]

A student with a zero EFC would receive the total maximum Pell Grant award *if* enrolled full-time for a full year at an institution where the COA is equal to or exceeds the total maximum Pell Grant award.

The FY2012 Consolidated Appropriations Act changed the annual income threshold[26] for determining whether a student automatically qualifies for a zero EFC from $31,000 to $23,000 beginning in AY2012-2013, with thresholds in future award years indexed to inflation. The income threshold has accordingly increased to $25,000 for AY2016-2017.[27]

Maximum EFC for Pell Grant Eligibility

For AY2010-2011 and AY2011-2012 under the SAFRA Act, the maximum EFC for Pell Grant eligibility was equivalent to 95% of the total maximum Pell Grant award.

The FY2012 Consolidated Appropriations Act effectively changed the maximum eligible EFC for Pell Grant eligibility to 90% of the total maximum award beginning in AY2012-2013 by eliminating the bump award (as explained earlier). In AY2015-2016, a student with an EFC of $5,198 would receive a minimum award of $588. A student with an EFC above $5,198 would not be eligible for a Pell Grant in AY2015-2016.

Cost of Attendance (COA)

The cost of attendance (COA) is a measure of a student's educational expenses for the period of enrollment. 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;[28] and

(...continued)

with completing the FAFSA.

[25] 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.

[26] For tax filers, this threshold is based on the adjusted gross income (AGI) amount. For non-tax-filers, the threshold is based on earned income.

[27] U.S. Department of Education, *Expected Family Contribution (EFC) Formula Guide*, 2016-2017.

[28] The cost of attendance includes an allowance to cover the basic expenses incurred for board only for students living in housing provided on a military base or for which a basic living allowance is provided.

(4) for a student with dependents, an allowance for costs expected to be incurred for dependent care. For determining a student's Pell Grant award, the cost of attendance amount is based on the full-year (i.e., approximately nine months of a traditional college calendar) costs for a full-year student and must be prorated for students who attend on a less-than-full-time basis. Additionally, for the purpose of determining a student's Pell Grant award, institutions may use average costs for students at their school, rather than calculating actual expenses for each student.[29]

Year-Round Pell Grants

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[30] awards in a single award year. For example, a second scheduled Pell Grant award may have supported a summer term in addition to the regular academic year. To qualify, students were required to be enrolled on at least a half-time basis in a program of study longer than one academic year in length and to have received 100% of the first scheduled award during the academic year. This provision was enacted in the HEOA. The FY2011 Continuing Appropriations Act eliminated this provision effective July 1, 2011.

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*, by Alexandra Hegji. 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 the Pell Grant program primarily involves determining student eligibility, 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 award using the COA and enrollment status it has determined for the student, and applying these values with the student's EFC to the Pell Grant payment schedules published annually by ED. Pell Grants must be paid out in installments over the academic year. A student receives a Pell Grant only for the payment period for which he or she is enrolled. Generally, institutions credit a student's account with the Pell payment to meet unpaid tuition, fees, room, and board; any remaining Pell 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 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

[29] Average COA amounts must be based on the same category of students. For example, institutions cannot combine COA amounts for separate enrollment statuses and award aid to a student on the basis of this average.

[30] A scheduled award is defined as the maximum Pell aid a full-time student may receive for an award year based on the Pell Grant Payment and Disbursement Schedules issued by ED.

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 AY2011-2012, the latest available data, 41% of all undergraduates were estimated to have received Pell Grants.[31] During the program's first year in AY1973-1974, approximately 176,000 students received a Pell Grant award.[32] Since then, the annual number of Pell Grant recipients has risen substantially. Based on public data reported annually by ED, the number of Pell Grant recipients reached an all-time high of 9.4 million in AY2011-2012, before declining by 782,000, or 8.28%, to 8.7 million in 2013-2014. **Table 2** shows the number of Pell Grant recipients over the last five years, from AY2009-2010 to AY2013-2014, as well as the annual change and annual percentage change during this time. **Appendix B** displays Pell Grant recipients from AY1973-1974 to AY2013-2014. It is important to note that myriad factors[33] can affect the number of Pell Grant recipients in any given award year.

Table 2. Federal Pell Grant Recipients, AY2009-2010 to AY2013-2014

Award Year	Pell Grant Recipients	Change from Prior Year	% Change
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%)

Source: U.S. Department of Education, *AY2013-2014 Pell Grant End-of-Year Report*.

Note: Recipient figures rounded to the nearest thousand.

Income of Recipients

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 AY2013-2014, an estimated 61% of dependent Pell Grant recipients had a total family income[34] at or below $30,000. Independent Pell Grant recipients' income is generally lower than their dependent counterparts. In AY2013-2014, an estimated 83% of independent Pell Grant recipients had a total income at or below $30,000.[35]

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

[32] U.S. Department of Education, *AY2011-12 Pell Grant End of Year Report*, Table 1.

[33] 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; and (4) macroeconomic and microeconomic variables.

[34] 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.

[35] Data in this paragraph taken from page P-22 of U.S. Department of Education, *Justifications of Appropriation Estimates to the Congress, FY2013– FY2015*.

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.[36]

Participation Rate by Income

Although the primary purpose of the program is to aid needy undergraduate students, a significant number of low-income undergraduate students who enroll in postsecondary education do not receive a Pell Grant, primarily because they did not apply for federal financial aid.[37] **Table 3**, which presents a CRS analysis of data from the National Postsecondary Student Aid Study (NPSAS), shows the percentage of dependent and independent undergraduates from different income levels who were Pell recipients in AY2007-2008 and AY2011-2012. Two participation rates are provided for each income level and dependency status; one measuring the percentage of all undergraduate students (of the relevant dependency status) who were Pell recipients and the other providing the percentage of undergraduate aid applicants (of the relevant dependency status) who received a Pell Grant.

In all but one income category, **Table 3** shows that the percentage of undergraduates and aid applicants receiving a Pell Grant, regardless of dependency, is higher in AY2011-2012 than in AY2007-2008. For example, approximately 81.8% of all dependent undergraduates from families with total family income of less than $10,000 were Pell recipients in AY2011-2012 compared to 63.8% in AY2007-2008. Also, **Table 3** shows that receipt of Pell Grants is higher among aid applicants than among total undergraduates. In AY2011-2012, approximately 65.0% of all independent undergraduates with total income of less than $5,000 were Pell recipients, and about 81.3% of aid applicants in that income category received a Pell Grant. Finally, **Table 3** shows that, in general, as income rises, participation rates in the Pell program fall for dependent and independent students. Comparing dependent undergraduates in AY2011-2012, over 81% with total family income of less than $10,000 were Pell recipients, and less than 5% with total family income of $60,000 or more were Pell recipients.

Table 3. Estimated Pell Grant Participation by Dependency and Total Family Income, AY2007-2008 and AY2011-2012

	Estimated Percentage Receiving Pell Grants[a]			
Total Family Income[b]	All Students		All Federal Aid Applicants	
Dependent Undergraduates[c]	AY2007-2008	AY2011-2012	AY2007-2008	AY2011-2012
Less than $10,000	63.8	81.8	81.4	90.1
$10,000-$19,999	72.9	82.1	87.1	91.4
$20,000-$29,999	65.1	75.5	80.8	90.7
$30,000-$39,999	53.4	65.6	70.9	83.9

[36] According to Table 3A of the *AY2013-2014 Pell Grant End-of-Year Report,* approximately 2,671 Pell Grant recipients, or less than 0.1% of the total recipient population, had a family income above $100,000.

[37] Furthermore, some students who apply and qualify for Pell Grant aid do not enroll in postsecondary institutions. Some have labeled this measure as a "show-up" rate. According to data provided in Table 1 of the *AY2013-2014 Pell Grant End-of-Year Report,* approximately 67% of HEA Title IV applicants who applied and qualified for Pell Grant aid based on their EFC level in *AY2013-2014* actually enrolled and received a Pell Grant.

	Estimated Percentage Receiving Pell Grants[a]			
Total Family Income[b]	**All Students**		**All Federal Aid Applicants**	
Dependent Undergraduates[c]	**AY2007-2008**	**AY2011-2012**	**AY2007-2008**	**AY2011-2012**
$40,000-$49,999	32.6	63.1	49.7	77.2
$50,000-$59,999	15.7	44.2	25.9	51.9
$60,000 or more	0.3	4.3	0.6	7.0
Independent Undergraduates[d]	**AY2007-2008**	**AY2011-2012**	**AY2007-2008**	**AY2011-2012**
Less than $5,000	53.2	65.0	78.3	81.3
$5,000-$9,999	65.1	69.0	84.5	82.9
$10,000-$19,999	52.0	65.2	73.8	82.4
$20,000-$29,999	34.1	45.4	53.2	62.8
$30,000-$49,999	27.9	33.9	54.9	54.1
$50,000 or more	0.2	13.4	0.8	33.2

Source: CRS estimates of 2007-2008 and 2011-2012 data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS).

Notes: How to read Table 3: The first row shows that 81.8% of all dependent undergraduate students with a total family income of less than $10,000 received a Pell Grant in AY2011-2012, whereas 90% of dependent undergraduate students with a total family income of less than $10,000 who applied for Federal Student Aid received a Pell Grant in AY2011-2012.

a. Includes students enrolled at any intensity.

b. 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.

c. Includes income of dependent student and parents.

d. Includes income of independent student and spouse.

It is noteworthy that some low-income undergraduate students, particularly independent undergraduates, did not receive a Pell Grant in either AY2007-2008 or AY2011-2012. Of undergraduates with total family income of $10,000-$19,999, approximately 82.1% of dependents and 65.2% of independents received a Pell Grant in AY2011-2012 (**Table 3**). The discrepancy may be related to the portion of low-income undergraduate students who do not apply for federal student aid, students not following up with the school financial aid office, family assets that make them ineligible for a Pell Grant, or other factors.[38] The fact that some low-income undergraduates do not apply for aid is evidenced by the higher percentage of aid applicants receiving a Pell Grant compared to all undergraduates in the same income category. It is possible that some low-income students who did not apply for aid may have believed they were not eligible, or they may have had sufficient resources to meet their costs. At least some of those who believed they were ineligible for aid may have actually been eligible. Among other possible explanations are that very low-income students in particular find the federal financial aid application process too complex to pursue, or that such students may not be aware of the availability of federal student aid. Additionally, aid outreach efforts at low-cost institutions may

[38] The ability to speak with confidence about the income levels of students who did not file a FAFSA is adversely affected by certain data quality issues. For non-aid filers, income information is derived from surveys of students and from imputation.

be less vigorous. Furthermore, some students and family members do not wish to disclose information related to their financial resources, and thus, do not apply for aid.

Sector of Participating Institutions

Recently, there has been a renewed focus on the distribution of Pell Grant aid by sector of institution. **Table 4** shows the AY2011-2012 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. Pell Grant recipients were more likely to attend private for-profit institutions than undergraduates who did not receive a Pell Grant. For example, 8.8% of dependent Pell Grant recipients attended a private for-profit institution compared to 3.4% of undergraduates who did not receive a Pell Grant. In addition, a smaller proportion (37.3%) of independent Pell Grant recipients attended public 2-year institutions than independent undergraduates who did not receive a Pell Grant (50.7%).

Table 4. Estimated Distribution of Undergraduates and Pell Grant Recipients by Type and Control of Enrolling Institution, AY2011-2012

	Dependent Undergraduates		Independent Undergraduates	
Type and Control of Institution	% Not Receiving Pell	% Pell Grant Recipients	% Not Receiving Pell	% Pell Grant Recipients
Public four-year	38.2	36.2	20.2	19.2
Private nonprofit four-year	16.7	14.9	8.0	6.8
Public two-year	31.7	31.2	50.7	37.3
Private for-profit[a]	3.4	8.8	13.2	27.9
Other or more than one institution	10.0	8.9	7.9	8.8
Total	100.0	100.0	100.0	100.0

Source: CRS estimates from 2011-2012 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.

Role of the Pell Grant

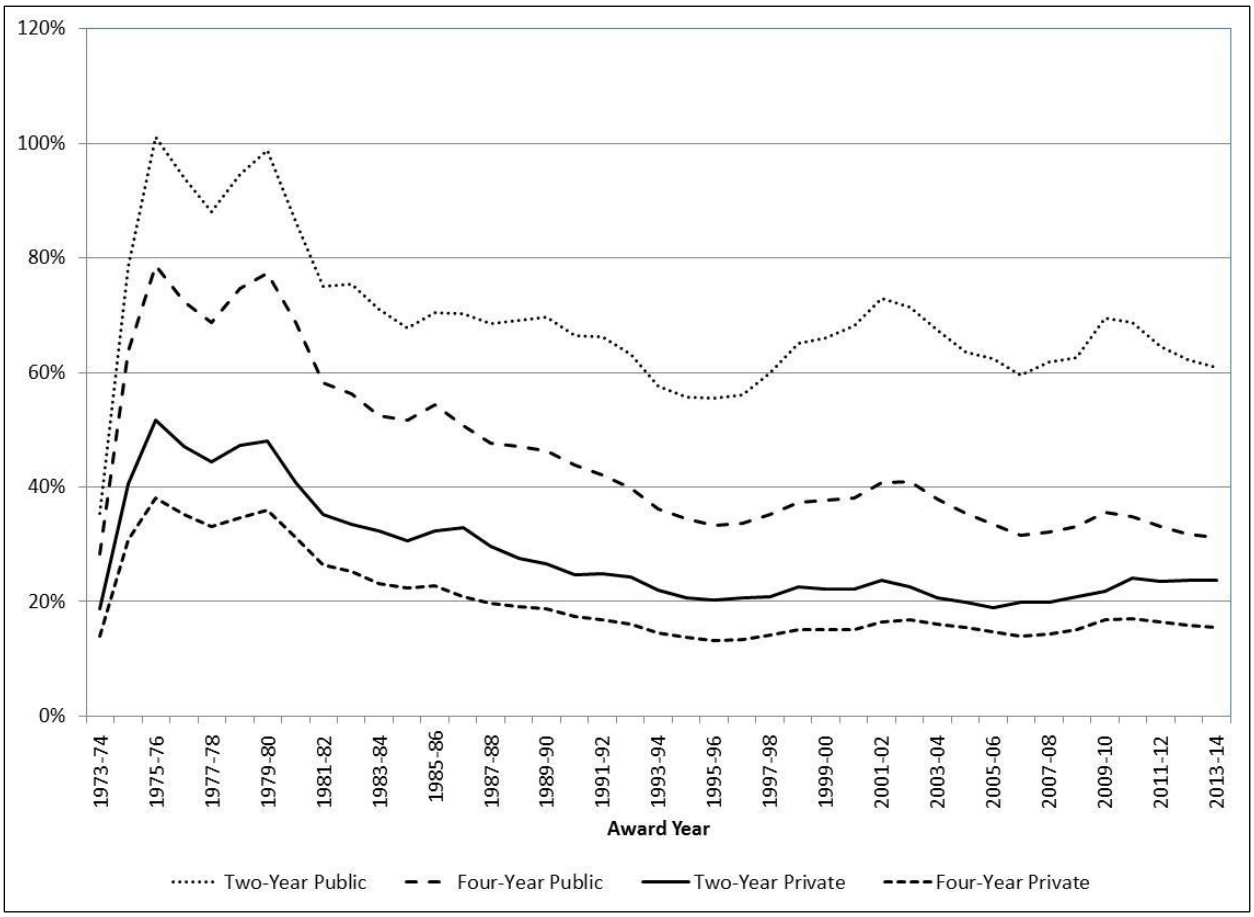
The Pell Grant is intended to function as the foundation aid for financially needy undergraduates; all other need-based and non-need-based federal student aid is to build on the Pell Grant.[39] As described earlier, other financial aid received by a student is not taken into account in determining a student's Pell Grant. How well does the Pell Grant currently function as the foundation aid? This section explores this question by analyzing the purchasing power of the Pell Grant and the distribution of other federal aid to Pell recipients.

[39] Eligibility for the Pell Grant program and annual Pell Grant maximum award levels are also used for determining eligibility or award levels in other federal programs. For example, individuals can receive a national service educational award under the Serve America Act that is equal to the annual Pell Grant maximum award.

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. In AY2013-2014, the total maximum grant ($5,645) covered approximately 61% of the average tuition, fees, room, and board at public two-year institutions, 31% at public four-year institutions, 24% at private two-year institutions, and 15% at private four-year institutions.[40] **Figure 1** compares the total maximum grant to average undergraduate tuition, fees, room, and board charges at public two-year, public four-year, private two-year, and private four-year institutions between AY1973-1974 and AY2013-2014. It is evident that the maximum was at its peak relative to these average charges during the 1970s.

Figure 1. Percentage of Tuition, Fees, Room, and Board Covered by the Total Maximum Pell Grant, by Institutional Sector: AY1973-1974 to AY2013-2014



Sources: CRS calculations using data from National Center for Education Statistics (NCES), *Digest of Education Statistics, 2013*, Table 330.10.

[40] 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.

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.

From the mid-1980s through the early 1990s, the total maximum Pell Grant lost ground relative to average tuition, fees, room, and board at public and private four-year institutions. Despite recent increases in the Pell Grant maximum award level, the coverage for AY2013-2014 is slightly below that of AY2010-2011 due to an increase in tuition, fees, room, and board at all institutions.

Another approach to measuring the purchasing power of the maximum Pell Grant is to compare its coverage of *only* the average tuition and fees published by IHEs.[41] For example, in AY2013-2014, the maximum Pell Grant covered approximately 68% of the average published in-state tuition and fees at four-year public institutions. At two-year public institutions, where students often commute to classes, the maximum Pell Grant in AY2013-2014 exceeded the average published tuition and fees at these institutions ($5,645 compared to $2,882). At for-profit institutions, where tuition and fees are typically higher, the maximum Pell Grant covered only 41% of the average published tuition and fees in AY2013-2014. Finally, at four-year private (not-for-profit) institutions, the maximum Pell Grant covered only 19% of the average published tuition and fees in AY2013-2014.[42]

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 as a percentage of the COA or tuition and fees only, 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 rising published prices.[43]

Receipt of Pell Grants and Other Federal Aid

One measure of the role that the Pell Grant plays as the foundation award is the extent to which undergraduates who received federal need-based student aid from Title IV of the HEA[44] were Pell recipients. AY2011-2012 NPSAS data suggest that Pell Grants alone may not have constituted the primary foundation for these students. In AY2011-2012, approximately 77% of undergraduate federal need-based aid recipients received Pell Grants, whereas a lower portion (67%) of undergraduate need-based aid recipients borrowed Direct Subsidized Loans from the William D. Ford Federal Direct Loan (Direct Loan) program.[45]

[41] Some analysts believe the purchasing power of the maximum Pell Grant could be measured by its coverage of tuition and fees only because some students can choose to live off campus and some living expenses, which are included as part of the student's COA, will be incurred by the student whether or not the student chooses to attend a postsecondary institution.

[42] The Pell Grant maximum award's coverage of average published tuition and fees for different types of institutions in AY2013-2014 was calculated by CRS using the average tuition and required fees published in the *Digest of Education Statistics, 2013*, Table 330.10.

[43] 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*, by Adam Stoll, David H. Bradley, and Shannon M. Mahan.

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

[45] Further, approximately 47% of federal need-based aid recipients secured Unsubsidized Direct Loans. For more (continued...)

Another approach to delineating the role of Pell Grants is to explore the extent to which Pell recipients, as a group, relied solely on the grant to meet college costs without choosing to secure other federal aid, particularly loans with their repayment obligation. In AY2011-2012, only 32.4% of Pell recipients relied on a Pell Grant as their only source of aid and many participated in other federal student aid programs, sometimes at a high rate. Among the other types of federal need-based student aid available to students, Pell recipients were most likely to also borrow Direct Subsidized Loans (over 59.8% of Pell recipients received these loans—with an average amount of $3,441).

Table 5 shows the average percentage of Pell Grant recipients' cost of attendance covered by their Pell Grant award, their loans from all sources, and their total aid package in AY2011-2012, by total family income. This table allows one to examine the extent to which Pell Grants and other aid helped Pell Grant recipients meet their cost of attendance.[46] **Table 5** shows, for example, that among all Pell Grant recipients, Pell Grant aid covered, on average, 23.6% of the cost of attendance and all loan sources covered, on average, an additional 22.7% of the cost of attendance for these recipients. For Pell Grant recipients, total aid from all sources supplies less than two-thirds (60.2%) of the cost of attendance, on average. In addition, **Table 5** illustrates that, in general, as family income for Pell Grant recipients increases, the percentage of cost of attendance covered by Pell Grants declines.

Table 5. Pell Grant Aid, Student Loans from All Sources, and Total Aid as Average Percentages of Cost of Attendance for Undergraduate Students Who Received a Pell Grant, by Total Family Income

(AY2011-2012)

	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 Pell Grant Recipients	23.6%	22.7%	60.2%
Total Family Income (Dependent)[c]			
Less than $20,000	29.4%	15.9%	63.8%
$20,000 to $29,999	28.3%	14.9%	64.3%
$30,000 to $49,999	20.0%	17.7%	60.9%
$50,000 or more	12.4%	20.6%	59.5%
Total Family Income (Independent)[d]			
Less than $20,000	24.2%	26.8%	59.7%
$20,000 to $29,999	22.5%	26.0%	56.6%
$30,000 to $49,999	22.2%	25.7%	56.1%

(...continued)

information on Unsubsidized Direct Loans, see 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*, by David P. Smole.

[46] 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).

	Pell Grant Aid as a Percentage of COA	All Loans[a] as a Percentage of COA	Total Aid[b] as a Percentage of COA
$50,000 or more	14.5%	30.9%	54.5%

Source: CRS estimates from 2011-2012 NPSAS.

a. All loans column includes federal loans to students, state loans, institutional loans, and other private commercial or alternative loans. Direct PLUS loans to parents are not included. Data includes loan amounts for Pell Grant recipients who did not borrow as well as those who did borrow.

b. 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.

c. Includes income of dependent student and parents.

d. Includes income of independent student and spouse.

Several factors, including the overall price of education, income availability, and the choice of institutional type, have an impact on the extent to which Pell Grant recipients secure Direct Loans. For Pell Grant recipients attending public two-year institutions, where the average cost of attendance is typically lower than at public four-year institutions, and particularly lower than at private four-year institutions, the propensity for borrowing was much less than for Pell Grant recipients as a whole. For AY2012-2013, 30% of Pell Grant recipients at public two-year institutions borrowed Subsidized Direct Loans, and 19% borrowed Unsubsidized Direct Loans.[47] For Pell Grant recipients attending for-profit institutions, which include less-than-two-year, two-year, and four-year institutions, the propensity to borrow was much higher. For AY2012-2013, 86% of Pell Grant recipients borrowed Subsidized Direct Loans at for-profit institutions, and 80% borrowed Unsubsidized Direct Loans.[48]

Program Costs

Costs for the Pell Grant program are award year-specific and are primarily affected by the number of students who apply for and receive aid under the program's eligibility parameters and award rules. From AY2008-2009 to AY2010-2011, the program experienced both anticipated and unanticipated increases in program costs in each award year. Beginning in AY2011-2012, program costs have declined or stabilized when compared to original estimates as a result of (1) the changes enacted in the FY2011 Continuing Appropriations Act and the FY2012 Consolidated Appropriations Act; and (2) declines in enrollment, particularly at public and private for-profit institutions. This section reviews recent trends in program costs and also presents some of the possible causes behind the changes in program costs since AY2007-2008.[49]

Current Estimates of Program Costs

Table 6 provides a summary of estimated Pell Grant program costs from AY2007-2008 through AY2014-2015 as of January 2016. Costs associated with the discretionary base maximum award

[47] To some extent, the lower rate of Direct Loan borrowing at public two-year institutions may be due to the requirement that students be enrolled at least half-time to borrow Direct Loans since a higher percentage of students enrolled in two-year IHEs are part-time students than students enrolled in public and private four-year IHEs.

[48] CRS estimates from 2011-2012 NPSAS.

[49] AY2007-2008 is used as the base year in this section since it was the last year the program was funded exclusively with discretionary appropriations.

and costs associated with the mandatory add-on award, where appropriate, are specified. **Table 6** shows that the total program cost doubled from AY2007-2008 to AY2009-2010 and increased an additional 18% in AY2010-2011. As mentioned earlier, program costs have declined since AY2010-2011 and stabilized during the past three years, due in part to changes in enrollment trends and recently enacted provisions by Congress.

Table 6. Estimated Pell Grant Program Costs, AY2007-2008 to AY2015-2016

(dollars in billions)

Award Year (AY)	Cost Associated with Discretionary Award Levels	Cost Associated with Mandatory Award Levels	Total Program Cost
AY2007-2008	14.7	N/A	14.7
AY2008-2009	16.1	2.3	18.4
AY2009-2010	26.8	3.2	30.0
AY2010-2011	30.6	5.1	35.7
AY2011-2012	28.8	5.0	33.8
AY2012-2013	27.5	5.0	32.5
AY2013-2014	26.5	5.1	31.6
AY2014-2015	25.7	5.5	31.8
AY2015-2016	25.6	5.7	31.3

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

Notes: N/A = not applicable. Estimates of program costs are not adjusted for inflation and are subject to change.

Program Cost Escalation: AY2008-2009 through AY2010-2011

In general, several factors contributed to the unprecedented escalation in program costs from AY2008-2009 to AY2010-2011 that became the focus of Congress. These factors included a combination of (1) legislative changes during these years and prior years that led to increased benefits for more students; (2) increases in the number of students enrolling in postsecondary education and applying for Pell Grant aid; and (3) a weakened economy. The following section examines the details of some of the possible reasons behind increased program costs during this time period.

Large Increase in the Discretionary Base Maximum Award

The American Recovery and Reinvestment Act (ARRA) and the FY2009 Omnibus Appropriations Act established a $619 increase ($4,241 to $4,860) in the discretionary base maximum Pell Grant award from AY2008-2009 to AY2009-2010, which represented the largest one-year increase in the base maximum award in the history of the program. Although funding provided by ARRA was treated as a temporary supplement to existing appropriations in many federal programs, the increase has been sustained in each subsequent appropriations act.

An increase to the discretionary base maximum award was estimated to cost, in general,[50] between $500 million and $700 million per $100 increase in a single award year. Moreover, an increase to the discretionary base maximum award in any year may result in additional residual baseline costs that must be absorbed in future years, absent a reduction to the discretionary maximum grant or other changes to program eligibility.

Increase in FAFSA Applications and College Enrollments

According to data provided by ED, the number of students who submitted a valid application for a Pell Grant increased 74% from AY2007-2008 to AY2010-2011.[51] Efforts by ED and Congress to simplify the web-based version of the Free Application for Federal Student Aid (FAFSA) during this time period may have been a factor contributing to increased FAFSA applications.[52] Additionally, the coordination between ED and the U.S. Department of Labor to notify Unemployment Insurance (UI) beneficiaries of their potential eligibility to receive a Pell Grant may also have contributed to increased enrollments and FAFSA applications.[53] In general, students may have been made more aware of federal financial aid as a result of efforts to promote its availability and the overall perceived benefits of higher education. All of these factors, when considered collectively, could have had a measurable impact on the costs of the program.

Economic Conditions

Economic trends during this time period may also have contributed to increased Pell Grant costs. For example, students may have chosen to enroll in college and attend at a higher intensity since the opportunity costs of forgoing employment in a weak job market are much less. More importantly, displaced workers may have found it necessary to return to college to gain new technical and vocational skills to compete in the changing job market. The financial resources of some families may have been substantially less during this time period, given higher unemployment figures, stagnant wages, and weakened investment markets.[54] Furthermore, guidance issued by ED in April and May 2009 encouraged financial aid administrators to use their professional judgment authority, pursuant to Section 479A of the HEA, to make adjustments, on the basis of adequate documentation and on a case-by-case basis, to address circumstances not reflected in the FAFSA of a recently unemployed individual.[55]

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[50] Estimates for the costs associated with a $100 increase to the discretionary base maximum award vary from award year to award year because of different eligibility parameters and other technical assumptions. The range listed here is for AY2011-2012 as of March 2010 and was provided by CBO.

[51] In most years prior to AY2008-2009, the annual Pell Grant applicant growth rate was typically between 2% and 8%. CRS analysis is based on U.S. Department of Education, *AY2012-13 Pell Grant End of Year Report*.

[52] For example, see http://www.ifap.ed.gov/eannouncements/attachments/111909FAFSAWebPrePresentation1011.ppsx.

[53] See *Training and Employment Guidance Letter No. 21-08*, issued by the U.S. Department of Labor on May 8, 2009, http://wdr.doleta.gov/directives/attach/TEGL/TEGL21-08acc.pdf.

[54] One study that demonstrates how economic trends may impact enrollment in postsecondary education for traditional-age, first-time students was conducted by the National Student Clearinghouse Research Center and is titled *National Postsecondary Enrollment Trends: Before, During, and After the Great Recession*, July 2011. Available at http://www.studentclearinghouse.info/signature/1/NSC_Signature_Report_1.pdf

[55] See *Dear Colleague Letters GEN-09-04* and *GEN-09-05* at http://ifap.ed.gov/dpcletters/attachments/GEN0904.pdf and http://ifap.ed.gov/dpcletters/attachments/GEN0905.pdf, respectively.

Legislative Changes to the Federal Need Analysis Calculation and Award Rules

Legislative changes to the federal need analysis calculation and Pell Grant award rules enacted prior to the FY2011 Continuing Appropriations Act, for the most part, benefited students and expanded eligibility for the Pell Grant program. Typically, when changes to the federal need analysis calculation and program award rules are enacted under authorizing or budget reconciliation legislation, the additional discretionary costs in the program are paid for in subsequent annual appropriations.

The award rule allowing "year-round" Pell Grants had a significant impact on program costs, in part due to the regulatory interpretation of the provision, as well as unanticipated participation (see the previous section entitled "Year-Round Pell Grants"). Regulatory interpretation required that the cross-over payment period[56] be assigned to the award year that would produce the higher Pell Grant payment amount, allowed payment of up to 200% of the scheduled award for the award year, and defined eligible individuals as those exceeding 24 credit hours (cumulatively) during the three or more terms in the award year rather than limiting eligibility to those exceeding 30 credit hours in the award year.

Some of the legislative changes to the need analysis calculation enacted prior to the FY2011 Continuing Appropriations Act that resulted in higher discretionary costs include, but are not limited to, (1) expansion of the automatic zero EFC qualification in both the Higher Education Reconciliation Act of 2005 (HERA) and the College Cost Reduction and Access Act of 2007 (CCRAA); (2) the increase in the income protection allowance levels for all students in the HERA and the CCRAA; (3) the elimination of certain untaxed income and benefits in the CCRAA; and (4) a variety of exclusions and benefits regarding the treatment of veterans education benefits, and military benefits and allowances enacted under the HEOA.[57]

Program Cost Decline and Stabilization: Post AY2010-2011

Pell Grant program costs have generally decreased since AY2010-2011. However, from AY2013-2014 to AY2014-2015 the increase in costs associated with the mandatory add-on award outweighed the decrease in costs related to the discretionary award level (**Table 6**).

Several factors have contributed to the general reduction in Pell Grant program costs since AY2010-2011. The factors include, but are not limited to,

- levelling of the discretionary base maximum award since AY2009-2010 (see **Table 1**);
- levelling of the mandatory add-on award from AY2010-2011 to AY2012-2013 (see the previous section entitled "Mandatory "Add-On" Award");
- raising the qualifying minimum award beginning in AY2012-2013 (see the previous section entitled "Qualifying Minimum Award");
- reducing the income threshold for an automatic zero beginning in AY2012-2013 (see the previous section entitled "Automatic Zero EFC");

[56] A "cross-over payment period" is a payment period that falls into two award years—beginning before July 1 and ending on or after July 1.

[57] The Higher Education Reconciliation Act of 2005 (HERA) was enacted as Title VIII-A of the Deficit Reduction Act of 2005 (P.L. 109-171). The College Cost Reduction and Access Act of 2007 (CCRAA) was P.L. 110-84.

- eliminating "year-round" Pell Grants beginning in AY2011-2012;
- reducing the cumulative lifetime eligibility for Pell Grant aid from 18 semesters to 12 semesters beginning in AY2012-2013;
- changing the *ability to benefit* eligibility allowance beginning in AY2012-2013;
- declining undergraduate enrollment since AY2010-2011;

For AY2012-2013 and future years, the cumulative lifetime eligibility for Pell Grant aid is reduced from 18 semesters to 12 semesters. Eligibility is based on the current full-time-equivalent basis.[58] Any Pell Grant aid received prior to July 1, 2012, will count towards a student's lifetime limit.

Prior to AY2012-2013, qualifying students could demonstrate an *ability to benefit* from postsecondary education to be eligible for Pell Grant aid. Qualifying students were those who did not have a high school diploma (or equivalent). An *ability to benefit* may be demonstrated by passing an examination approved by ED to be eligible for federal student aid or successfully completing six credits or 225 clock hours of college work applicable to a certificate or degree offered by a postsecondary institution. The FY2012 Consolidated Appropriations Act eliminated the ability to benefit provision for individuals who first enrolled in a program of study on or after July 1, 2012. The Consolidated and Further Continuing Appropriations Act, 2015, included provisions enabling a subset of the students who would have previously been eligible to demonstrate an *ability to benefit*—those who enroll in an eligible career pathway program after July 1, 2014, to once again be eligible to do so.

Total undergraduate fall enrollment in degree-granting postsecondary institutions has steadily declined from a high of 18.1 million in 2010 to 17.5 million in 2013.[59] The declining undergraduate enrollment is reflected in a reduction of Pell Grant recipients from 9.4 million in AY2011-2012 to 8.7 million in AY2013-2014 (**Table 2**).

Program Funding

This section reviews the latest program funding trends. Although the program is currently operating with a surplus, addressing periodic funding shortfalls contributes significantly to changes regarding eligibility and award rules, and to appropriations decisions. This section explores the concepts of and provides a historic look at discretionary funding surpluses and shortfalls in the program. Additionally, this section provides insight into how funding shortfalls in the program have been addressed in the past.

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 in which the appropriation is made and remains available for obligation through September 30 of the following

[58] 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).

[59] National Center for Education Statistics (NCES), *Digest of Education Statistics 2014*, Table 303.70.

fiscal year.[60] Thus, while FY2016 funds are provided with the purpose of supporting awards made from July 1, 2016, to June 30, 2017, these funds are available for obligation from October 1, 2015, to September 30, 2017, and may support multiple award years. As mentioned earlier, annual discretionary appropriation bills also establish the base discretionary maximum grant for each applicable award year.

Increasing Role of Mandatory Funding

Specified Mandatory Appropriations to Augment Discretionary Funding

The SAFRA Act, the FY2011 Continuing Appropriations Act, the Budget Control Act of FY2011, and most recently the FY2012 Consolidated Appropriations Act 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 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.[61]

From a budgetary perspective, these recent increases in mandatory appropriations have been offset largely by enacted provisions that have resulted in estimated 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 the Pell Grant program.[62]

Indefinite Mandatory Appropriations for the Add-On Award

The SAFRA Act also established indefinite mandatory appropriations for the program to provide for increases to the discretionary base maximum award amount in FY2010 and beyond.[63] That is, mandatory appropriations are available to fund add-on award amounts indefinitely for "such sums as necessary," but the specific amount provided for each year will be determined based on costs associated with the add-on amount specified in the SAFRA Act. For FY2013 through FY2017, the amount of the mandatory add-on award is, in part, contingent on the amount of the

[60] 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.

[61] 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.

[62] 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 would result in savings associated with both the discretionary base maximum award and the mandatory add-on award. In general, savings associated with the mandatory award can be redirected back to the program as specified mandatory appropriations for future use.

[63] 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.

discretionary base maximum award. In general, if the discretionary base maximum award increases above $4,860 in future years, add-on amounts will also increase, along with the amount of required mandatory appropriations. In contrast, the amount of required mandatory appropriations would decrease if the discretionary base maximum award falls below the level of $4,860.

Summary of Recent and Projected Funding (FY2010-FY2021)

An appropriate timeline for summarizing recent funding could commence with FY2010, since it marks the first year of the current indefinite mandatory funding sources.[64] **Table 7** provides a history of funding for the program from FY2010 to FY2016. A distinction is made between discretionary appropriations, mandatory appropriations provided to augment discretionary appropriations, and mandatory appropriations provided to fund the add-on award amounts specified in the SAFRA Act. **Table 7** also displays the mandatory appropriations that have been provided through FY2021. Mandatory appropriations that will be necessary to fully fund the add-on award amount are available 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.

[64] **Table 8** in this report provides a more comprehensive history of the discretionary funding levels in the program since FY1973.

Table 7. Pell Grant Funding (FY2010 to FY2021)

(dollars in millions)

Fiscal Year[a]	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Legislation												
Discretionary Appropriations												
Annual Appropriations	$17,495	$22,956	$22,824	$22,778	$22,778	$22,475	$22,475	TBD	TBD	TBD	TBD	TBD
Total Discretionary	**$17,495**	**$22,956**	**$22,824**	**$22,778**	**$22,778**	**$22,475**	**$22,475**	TBD	TBD	TBD	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
Total Mandatory to Augment Discretionary		**$13,500**	**$13,795**	**$7,587**	**$588**	**$0**	**$0**	**$1,574**	**$1,382**	**$1,409**	**$1,430**	**$1,145**
Mandatory Appropriations Provided to Fund Add-On Award Amounts												
SAFRA Act	$5,300[c]	$5,560[d]	$4,950[e]	$4,854[f]	$4,835[g]	$5,153[h]	SSAN	SSAN	SSAN	SSAN	SSAN	SSAN
Total Mandatory for Add-On Awards	**$5,300**	**$5,560**	**$4,950**	**$4,854**	**$4,835**	**$5,153**	**SSAN**	**SSAN**	**SSAN**	**SSAN**	**SSAN**	**SSAN**
Total Pell Grant Funding (Discretionary and Mandatory)												
Total Funding	**$22,795**	**$42,016**	**$41,569**	**$35,219**	**$28,201**	**$27,628**	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**	**TBD**

Source: CRS analysis of the HEA, as amended, President's Budget FY2015-FY2016, and respective appropriations measures.

Notes: TBD = to be determined; "—" means that no appropriations were provided beyond the initial year(s) specified.
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.

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. 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. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by $690 in AY2010-2011, as estimated in the President's FY2015 Budget.

d. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by $690 in AY2011-2012, as estimated in the President's FY2016 Budget.

e. 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.

f. 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.

g. 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 FY2016 Budget.

h. This is the amount of mandatory appropriations required to increase the discretionary base maximum grant by $915 in AY2015-2016, as estimated in the U.S. Department of Education, Department of Education Budget Tables, FY2016 Congressional Action, as updated January 7, 2016.

Discretionary Funding Shortfalls and Surpluses

The annual discretionary appropriation level and base maximum Pell Grant level are determined in advance of the award year they are intended to support, and are based on estimates of program costs at that time. The annual appropriation is determined on the basis of estimates of the program costs that are likely to be incurred at the chosen discretionary base maximum award level. To the extent those estimates of future program costs are inaccurate, the annual appropriation may be too much or too little. The HEA requires the Secretary of Education, when he has determined that the appropriated funds are insufficient to satisfy all Pell entitlements,[65] to notify each chamber of Congress of the funding shortfall, identifying how much more funding is needed to meet those entitlements.

Table 8 provides a history of annual discretionary appropriations, estimated expenditures, and estimated annual shortfall or surplus levels from FY1973 to FY2016. Beginning with FY1990, the estimated cumulative funding shortfall or surplus is also provided. The annual funding shortfall or surplus differs from the cumulative shortfall or surplus, which may accumulate over multiple award years.[66] 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 8. Annual and Cumulative Discretionary Funding Shortfalls in the Pell Grant Program, FY1973-FY2016

(dollars in millions)

Fiscal Year	Award Year	Discretionary Appropriation 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

[65] The authorizing statue speaks of *entitlements* when it describes the award determined for a student based on the published award schedule.

[66] 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.

Fiscal Year	Award Year	Discretionary Appropriation Level	Estimated Total Expenditures[a]	Annual Surplus or (Shortfall)[b]	Cumulative Surplus or (Shortfall)
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
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]	$26,846	$6,082	$3,425
2010	2010-2011	$17,495	$30,553	($13,058)	($9,633)
2011	2011-2012	$36,456[f]	$28,798	$7,658	($1,975)
2012	2012-2013	$36,619[g]	$27,543	$9,076	$7,101
2013	2013-2014	$30,365[h]	$26,472	$3,893	$10,994
2014	2014-2015	$23,366[i]	$25,715	($2,349)	$8,645
2015	2015-2016	$22,475	$25,647	($3,172)	$5,473
2016	2016-2017	$22,475	TBD	TBD	TBD

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. 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.

a. 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.

b. 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.

c. Includes $1 billion in supplemental discretionary funding to pay for the FY2001 cumulative shortfall.

d. 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.

Measures to Address Funding Shortfalls

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. Funding shortfalls in the Pell Grant program have, on infrequent occasions in the past, led to reductions in students' awards, recipient caps, the need for supplemental appropriations, or to stagnating award levels from award year to award year.

For the most part, funding shortfalls in the program have been accepted as common occurrences, but the measures employed to deal with them have varied. The relative size of the estimated funding shortfall in any given year is of particular interest to Congress, officials at ED, and student aid advocacy groups.

It is important to note that the Pell Grant program is often referred to as a "quasi-entitlement" and has for the most part been operated as an appropriated entitlement given the infrequency of reductions in students' awards or imposed recipient caps since the 1990s. Most recent funding

shortfalls in the Pell Grant program have not directly impacted eligible students' awards. This section provides a brief chronological history of the measures adopted to address funding shortfalls in the program.

Pre-2002

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.[67] Reductions were made in awards in eight years using this authority (the last in AY1990-1991). 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.[68] FY2002 and subsequent appropriations legislation have not included such language.

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.[69] This permits ED to use funds from multiple fiscal years' appropriations to meet one award year's cost.

Funding Shortfalls from FY2002 to FY2006

During the period between FY2002 and FY2006, a very large funding shortfall accumulated, culminating at $4.1 billion in AY2005-2006—approximately equivalent to one-third of the AY2005-2006 program expenditure. In short, the funding shortfall was a result of unexpected and significant growth in the number of Pell Grant applicants, driven primarily by a weakened economy, and a sustained misalignment between program cost estimates and annual appropriations. The accumulated shortfalls during this time period, however, did not result in a reduction of awards for any eligible student. The maximum grant level, on the other hand, remained stagnant at $4,050 from AY2003-2004 through AY2006-2007.

Congress responded to the accumulated shortfall in FY2006 by providing $4.3 billion in mandatory appropriations to eliminate the shortfall that had accumulated through AY2005-2006. These mandatory funds were appropriated in the FY2006 appropriations legislation for Labor, Health and Human Services, and Education (P.L. 109-149). Refer to **Table 8** for more

[67] 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.

[68] 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.

[69] 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.

information on the annual funding and expenditure levels that led to the $4.1 billion shortfall at the end of AY2005-2006.

Adoption of FY2006 CBO Scoring Rule

In addition to eliminating the AY2005-2006 funding shortfall, Congress took steps in FY2006 to limit the possibility of large accumulated funding shortfalls in the future. H.Con.Res. 95 established a permanent rule that applies to the scoring[70] of the Pell Grant program by the Congressional Budget Office (CBO). The rule provides that if the appropriations of new discretionary budget authority[71] enacted for the program are insufficient to cover the full 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 rule also states that the budget authority for the program will be based on the maximum appropriated award amount and any changes to the eligibility criteria.

Prior to the implementation of the FY2006 scoring rule, CBO accounted for budget authority in the Pell Grant program according to the level provided in each appropriation bill. While this approach is typical for most discretionary programs, the Pell Grant program is unique since it operates like an entitlement program and annual appropriations can be used to fund multiple award years. Prior to the adoption of the scoring rule, Congress could choose to 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. While the scoring rule cannot fully account for the challenges of estimating the cost of the program, it 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.

Funding Shortfalls and Surpluses (Post-Scoring Rule to FY2010)

During the period from FY2006 to FY2010, the program experienced a mix of accumulated funding shortfalls and surpluses. From FY2006 to FY2008, CBO estimates that the program's cumulative funding shortfall culminated at $2.7 billion.[72] In FY2009, American Recovery and Reinvestment Act (ARRA) and the FY2009 Omnibus Appropriations Act (P.L. 111-8) provided a combined discretionary funding level of $32.9 billion. These funds were used to

- retire the accumulated $2.7 billion funding shortfall in FY2008;[73]
- increase the discretionary base maximum award by $619 to $4,860 in AY2009-2010; and
- provide for a surplus of funds totaling $3.4 billion[74] available for use through FY2011.[75]

[70] 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.

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

[72] This estimate is current as of April 2011 and includes an annual funding surplus in FY2006 of $219 million.

[73] This estimate would have been lower at the time ARRA was enacted in January 2009.

[74] The estimated surplus resulting from ARRA and the FY2009 Omnibus Appropriations Act was estimated by CBO to be substantially higher at the time of enactment of these bills in January 2009 and March 2009, respectively. Since students did not begin applying for a Pell Grant in AY2009-2010 until early January 2009, the substantial growth in the number of applicants was not captured until after these spending measures were enacted.

In December 2009, the Consolidated Appropriations Act of FY2010 (P.L. 111-117) provided $17.5 billion in discretionary funds based on estimates of program costs for AY2010-2011 and the funding surplus in FY2009 as of March 2009. Between March 2009 and March 2010, however, the number of students applying for a Pell Grant in AY2009-2010 increased beyond historic trends as overall economic conditions continued to weaken and college enrollments increased. In March 2010, CBO published revised estimates of the program costs for AY2009-2010 and AY2010-2011, which incorporated the new economic trends and application growth not captured in the previous year's estimates. Revised estimates released by CBO in March 2011 showed a cumulative funding shortfall of $10.7 billion through the end of FY2010.

In response to this funding shortfall, the SAFRA Act provided $13.5 billion in advance mandatory appropriations for general use in the program that were made available October 1, 2010, through September 30, 2012. These mandatory appropriations were offset by changes in federal student loan programs and effectively eliminated the estimated $10.7 billion discretionary funding shortfall and created a funding surplus available in FY2011 to augment discretionary funding needs.

Responding to Additional Funding Needs: FY2011

Although additional mandatory funds were provided in the SAFRA Act for use in FY2011 to pay for the FY2010 funding shortfall and augment FY2011 discretionary funding needs, Congress was required to consider a significant "funding gap"[76] between the previous year's discretionary funding level in FY2010 of $17.5 billion and the amount needed in FY2011 to maintain the FY2010 award and eligibility parameters in FY2011. Moreover, Congress recognized the implications of a continued funding gap in discretionary appropriations for the subsequent FY2012 and took steps to address these needs in FY2011. To address these concerns, Congress took the following steps:

- In April 2011, the FY2011 Continuing Appropriations Act provided approximately $23 billion in discretionary appropriations for FY2011. In addition, a total of $8.8 billion in mandatory appropriations were provided for

(...continued)

[75] ARRA provided $15.6 billion in discretionary appropriations for use through the end of FY2011. House Conf. Report 111-004, which accompanied ARRA, states that $15.6 billion was provided for a $500 increase in the discretionary base maximum award for two years, but does not indicate the assumed base levels to which the $500 increase would be added. In effect, by extending the period of availability of funds to the end of FY2011, ARRA created a surplus of funds that would offset the costs of maintaining a $4,860 discretionary base award in AY2010-2011. *The Explanatory Statement in the Congressional Record of February 23, 2009*, which was issued in lieu of a conference report for the FY2009 Omnibus Appropriations Act, states that, combined with the funds provided in ARRA, the funds provided in the FY2009 Omnibus Appropriations Act will increase the discretionary maximum grant by $619 in AY2009-2010.

[76] The terms "funding gap" and "funding shortfall" are not synonymous. The term "funding gap" is used here to describe the amount of additional discretionary funding required above the previous year's funding level in order to fund the program at current levels. The term "funding shortfall" describes the amount of additional funding required to meet the program's obligations in an award year for which Congress has already provided funding based on program estimates for specified maximum and minimum grant levels and eligibility parameters. The program experienced significant discretionary funding gaps in recent years primarily due to a sustained misalignment between the program's cost and budget authority level. This misalignment has continued due to (1) restrictions on the available discretionary budget authority allocation within the overall Labor, HHS, and ED appropriation; and (2) mandatory funding provided to augment discretionary funding, which is not reflected in the subsequent years' baseline estimates for discretionary budget authority.

general use in the program beginning in FY2012 through FY2021,[77] of which $3.2 billion was made available for use beginning in FY2012. These appropriations were offset by estimated mandatory savings from the elimination of a provision that allowed for two scheduled Pell Grants in one award year.[78]

- In August 2011, the Budget Control Act of 2011 provided an additional $10 billion in mandatory appropriations for general use in the program beginning in FY2012 and an additional $7 billion in mandatory appropriations for general use in the program beginning in FY2013. These appropriations were offset with estimated mandatory savings from the elimination of provisions in the William D. Ford Direct Loan (DL) program.[79]

The additional mandatory funding provided above, when combined with the additional funds provided in the SAFRA Act in FY2010 for use in FY2011, resulted in an estimated $7.4 billion surplus of mandatory funds that could be used in FY2012 to augment discretionary funding needs.

FY2012 Appropriations

Despite the availability of approximately $7.4 billion in mandatory appropriations to augment discretionary funding in FY2012, Congress was required to consider an approximately $1.3 billion funding gap in FY2012. Congress responded to this $1.3 billion funding gap by amending the HEA to make changes to federal student aid programs and redirecting most of the available savings from these changes to the Pell Grant program in FY2012 and future years. Changes enacted in the FY2012 Consolidated Appropriations Act that affect the Pell Grant program are discussed below.

In December 2011, the FY2012 Consolidated Appropriations Act provided $22.8 billion in discretionary funding for the program for FY2012. The discretionary base maximum award for AY2012-2013 was $4,860, and the total maximum award for which a student was eligible in AY2012-2013 was $5,550. These amounts were unchanged from the previous award year.

The FY2012 Consolidated Appropriations Act also provided an additional $3.1 billion in mandatory funding for general use in the program from FY2012 to FY2021, of which $612 million was available beginning in FY2012. These mandatory funds were offset by the estimated mandatory savings from policy riders also included in FY2012 Consolidated Appropriations Act that made changes to federal student aid programs in the HEA.[80] Changes that were specific to the eligibility criteria and award rules for the Pell Grant program included the following:

[77] Additional annual mandatory appropriations in the amount of $1,145,000,000 would also be provided in each succeeding year beyond FY2021 under the FY2011 Continuing Appropriations Act.

[78] Provisions included in appropriations acts that affect mandatory spending programs are commonly called "changes in mandatory program spending," or CHIMPS. CHIMPS may reduce or increase mandatory outlays in the current fiscal year or future fiscal years. CHIMPS are used more frequently in other federal programs, such as certain agricultural programs. For more information, see CRS Report R41245, *Reductions in Mandatory Agriculture Program Spending*, by Jim Monke and Megan Stubbs.

[79] For more information on the Budget Control Act of 2011, see CRS Report R41965, *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon M. Mahan.

[80] For more details on the changes included in P.L. 112-74 that affect the federal student loan programs, see 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*, by David P. Smole.

- For AY2012-2013 and future years, the qualifying minimum Pell Grant award was set to 10% of the total maximum Pell Grant.
- For AY2012-2013 and future years, the cumulative lifetime eligibility for Pell Grant aid was reduced from 18 semesters to 12 semesters.

The following change affected eligibility for need-based federal student aid (e.g., Pell Grants, Subsidized Direct Loans, etc.):

- For AY2012-2013, the income threshold[81] for determining whether certain students are eligible to receive an automatic zero expected family contribution (EFC) changed from $31,000 to $23,000. Income threshold levels for future years will be indexed to inflation.

The following change affected eligibility for most federal student aid programs under Title IV of the HEA:[82]

- Students will no longer be able to qualify for federal student aid on the basis of passing an ability-to-benefit test or completing six credit hours of postsecondary work.[83] Only students who have a high school diploma (or equivalent) are eligible for federal student aid. Only students who first enroll on or after July 1, 2012, are affected by this change.

[81] For tax filers, this threshold is based on the adjusted gross income (AGI) amount. For non-tax-filers, the threshold is based on earned income. Note that only certain students are eligible to receive an automatic zero EFC and additional requirements other than the income threshold must be met.

[82] Eligibility for the following currently funded federal student aid programs under Title IV of the HEA will be affected by this change: Pell Grants, Federal Supplemental Educational Opportunity Grants (FSEOG), Federal Work-Study earnings, the William D. Ford Federal Direct Loan Program, and the Federal Perkins Loan Program.

[83] A CRS analysis of data from the National Postsecondary Student Aid Survey (NPSAS) shows that approximately .8% of all Pell Grant recipients in AY2007-08 passed an ability-to-benefit test.

Appendix A. Mathematical Expression for Calculating the Pell Grant Mandatory Add-On Award Amounts for AY2014-2015 (FY2014) Through AY2017-2018 (FY2017)

Expressed As:

IF $\mathbf{DB_{AY(n-1)}} \leq \$4{,}860$, THEN

$$\mathbf{MI_{AY(n)}} = (\mathbf{TM_{PAY(n-1)}} \times (1 + \Delta\mathbf{CPI\text{-}U_{CY(n-1)}})) - \$4{,}860$$

IF $\mathbf{DB_{AY(n-1)}} > \$4{,}860$, THEN

$$\mathbf{MI_{AY(n)}} = (\mathbf{TM_{PAY(n-1)}} \times (1 + \Delta\mathbf{CPI\text{-}U_{CY(n-1)}})) - \mathbf{DB_{AY(n-1)}}$$

WHERE

$\mathbf{DB_{AY(n-1)}}$ = Discretionary base maximum award for previous award year (n-1);

$\mathbf{MI_{AY(n)}}$ = Mandatory add-on amount for the current award year (n), rounded to the nearest $5 increment;

$\mathbf{TM_{PAY(n-1)}}$ = Total maximum Pell Grant award for previous award year (n-1); and

$\Delta\mathbf{CPI\text{-}U_{CY(n-1)}}$ = Change (increase or decrease) in CPI-U from most recently completed calendar year prior to start of current award year (n-1).

Example:

For example, consider what the mandatory add-on amount would be in AY2017-2018 if (1) the discretionary base maximum amount is $4,860 in AY2016-2017; (2) the calculated mandatory add-on amount is $985 in AY2016-2017; and (3) the change in the CPI-U from calendar year December 2015 to December 2016 is measured at 2%. This would be determined as follows:

$MI_{AY1617} = (\$4{,}860 + \$985) \times (1 + .02) - \$4{,}860$
$MI_{AY1617} = (\$5{,}845 \times 1.02) - \$4{,}860$
$MI_{AY1617} = \$5{,}962 - \$4{,}860$
$MI_{AY1617} = \$1{,}102$
MI_{AY1617} = Round $1,102 to nearest $5
$\mathbf{MI_{AY1617} = \$1{,}100}$

Source: CRS analysis of P.L. 111-152 and President's FY2015 Budget.

Appendix B. Federal Pell Grant Recipients, AY1973-1974 to AY2013-2014

Table B-1. Federal Pell Grant Recipients, AY1973-1974 to AY2013-2014

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%)

Source: U.S. Department of Education, *AY2013-14 Pell Grant End-of-Year Report*.

Note: Recipient figures rounded to the nearest thousand.

Appendix C. Acronyms

ARRA	American Recovery and Reinvestment Act (P.L. 111-5)
BCA	Budget Control Act of 2011 (P.L. 112-25)
CBO	Congressional Budget Office
CCRAA	College Cost Reduction and Access Act of 2007 (P.L. 110-84)
CPI-U	Consumer Price Index for All Urban Consumers
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
GED	General Education Development Certificate
HEA	Higher Education Act of 1965 (P.L. 89-329), as amended
HEOA	Higher Education Opportunity Act of 2008 (P.L. 110-315)
HERA	Higher Education Reconciliation Act of 2005 (Title VIII-A of the Deficit Reduction Act of 2005 (P.L. 109-171))
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)
SAR	Student Aid Record

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