

PELL GRANTS

The Federal Pell Grant Program is the “foundation” federal student aid program and provides grants to financially needy undergraduate students to help pay the costs of attending postsecondary education. Students must apply by filing a Free Application for Federal Student Aid (FAFSA). The Pell Grant is funded by both discretionary and mandatory funds and each award year Congress establishes the minimum and maximum Pell Grant award level. This occurs during the annual appropriations process when Congress approves discretionary funds for the program; for FY 2015 the Pell Grant was fully-funded during the appropriations process.

BACKGROUND: RECIPIENTS OF PELL GRANT FUNDING

In award year 2012-13 (the most recent year of available data), approximately 8.9 million undergraduates from low-income families received Federal Pell Grants, with an average award of \$3,579. According to the Department of Education’s *Pell Grant End of Year Report 2012-13*, nearly 85% of the Federal Pell Grant recipients in 2012-13 came from families with annual income of \$40,000 or less.

Number and Distribution of Pell Grant Recipients by Family Income Level, Award Year 2012-13

Family Income Level	Number	Percentage of Recipients
\$6,000 or less	2,189,575	24.4%
\$6,001 to \$15,000	1,941,541	21.7%
\$15,001 to \$20,000	1,049,442	11.7%
\$20,001 to \$30,000	1,449,745	16.2%
\$30,001 to \$40,000	960,787	10.7%
\$40,001 and over	1,367,643	15.3%
Total	8,958,713	100.0%

Source: U.S. Department of Education, *Federal Pell Grant Program End-of-year Report, 2012-2013*

Additionally, Federal Pell Grant recipients attend a wide variety of postsecondary institutions. In the 2012-13 award year, over 65% of recipients attended 2-year and 4-year public colleges and universities.

PELL IN THE 21ST CENTURY: THREE POLICY PROPOSALS

Financial aid administrators believe that there are ways to strengthen the Pell Grant program and make it more targeted and flexible, without undermining the original intent of the program—providing basic access to post-secondary education for qualified, low-income students. We offer the following policy considerations:

Provide a “Pell Promise”: Pell Promise would act as an early commitment program, teaching students as early as the 9th grade about Pell Grants by notifying them of how much Pell Grant funding they will be able to receive in the future and a guarantee of that amount toward higher education upon successful completion of high school. This would be very similar to the statement taxpayers receive from the Social Security Administration each year. An early commitment program like Pell Promise could encourage college-going behavior early by introducing a level of certainty for low-income students and incentivizing them to start planning, saving, and completing the necessary coursework early in their high school career.

Provide Students a “Pell Well” of Funds: The Pell Well would be available for students to draw-down from as needed until the student either completes the academic program or runs out of Pell funds, rather than allotting a certain amount of Pell dollars for each award year. For example, under the current structure a student attending college continuously throughout the fall, spring and summer semesters would temporarily run out of Pell funds at a certain point because there are only so many Pell dollars allowed per award year. In that so-called “gap” semester before Pell eligibility resumes, the student is faced with turning to student loans, attempting to work and attend school simultaneously, or perhaps stopping out. Reducing the number of stop outs would be a significant benefit of the Pell Well.

Under a Pell Well model, students would have continuous access to Pell funds until they attain a degree or exhaust eligibility (recently reduced to 12 semesters from 19). This concept facilitates and incentivizes retention and graduation along with affordability since it would deter unnecessary borrowing. The students who borrow most frequently tend to be low-income and working. Pell Well introduces a much-needed element of predictability, affordability, and personal flexibility into the federal student aid process.

The Pell Well concept should be coupled with the implementation of the use of prior-prior year (PPY) income data on the FAFSA. The current method of using prior-year income leaves many families unable to complete the FAFSA in a timely manner, and can lead to missed deadlines and high levels of confusion about the aid process. Using PPY income data allows the aid application process to be moved up and aligned with the college admissions process, and allows for months-earlier notification of aid eligibility. Additionally, under a PPY system, significantly more families would be able to use the IRS Data Retrieval Tool, a key part of recent FAFSA simplification efforts.

Provide a “Super Pell”: A Super Pell would incentivize students to enroll in more credit hours and graduate sooner. Currently, a full-time Pell award is based on enrollment in 12 credits. However, a student who completes 12 credits each semester is not on-pace to graduate in four years (15 credits per semester are generally necessary to achieve that benchmark). Those extra credits come with extra cost at many 2-year and public 4-year institutions that charge per credit; studies have shown that every \$1,000 increase in college price is associated with a 3-5 percent decrease in enrollment rates. Extra Pell dollars on top of the current full-time Pell award for enrollments greater than 12 credits would alleviate this added cost barrier and encourage students to complete their academic programs more quickly, furthering our nation’s college completion goals and likely leading to less lifetime student loan borrowing. It could also lead to fewer lifetime Pell dollars being spent on these students because students would receive a small amount of extra Pell funds for each term at greater than 12 credits, rather than an extra term, or year, or two years of a full scheduled award.

WHY A MODERNIZED AND FLEXIBLE PELL PROGRAM MATTERS

Today, Pell exists within a larger, more diverse student and learning environment than in its early days. The growth of nontraditional students; changes in college readiness; the expansion of innovative learning models; an increasing need for vocational education; and a renewed focus on persistence and completion, have all put pressure on the Pell Grant Program. While the program should be strengthened so that it may better meet the needs of current students, we must remember that over the course of its history Pell has offered millions of Americans the hope for a better future and upward mobility. We are hopeful that throughout this next reauthorization, and for years to come, the Pell Grant will remain the cornerstone of the federal student aid programs.