

Department of Education
FEDERAL PELL GRANTS
Fiscal Year 2011 Budget Request

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(Higher Education Act of 1965, Title IV, Part A, Subpart 1)

FY 2011 Authorization (\$000s): Indefinite¹

Budget Authority (\$000s):²

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Program funds:			
Discretionary appropriation	\$17,495,000	0	-\$17,495,000
Mandatory appropriation	3,030,000	0	-3,030,000
Proposed reclassification:			
From discretionary	-17,495,000	0	+17,495,000
To mandatory	17,495,000	0	-17,495,000
Proposed new mandatory	<u>6,463,059</u>	<u>\$34,878,000</u>	<u>+28,414,941</u>
Subtotal, current year funding	26,988,059	34,878,000	+7,889,941
Net Pell Grant Funding, all sources:			
Discretionary	0	0	0
Mandatory	<u>26,988,059</u>	<u>34,878,000</u>	<u>+7,058,941</u>
Total, Pell Grant funds	26,988,059	34,878,000	+7,058,941
Pell Grant program costs	32,337,000	34,878,000	+2,541,000

¹ Amounts appropriated for Pell Grants from the Student Financial Assistance account, shown here for comparability.

² Table reflects appropriations; the 2009 mandatory Recovery Act appropriation of \$1,474 million included an advance appropriation of \$831 million for FY 2010.

PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and middle-income undergraduate students by providing grants that, in combination with other sources of student aid, help meet postsecondary education costs. The program also promotes lifelong learning by encouraging low-income adults now in the workplace to return to school to upgrade their skills.

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The Department provides funds to participating institutions to pay all students at the institution who are eligible for a Pell Grant—a student's eligibility is not dependent on the availability of funds awarded to the institution as in the Campus-Based Programs: Supplemental Education Opportunity Grants, Work-Study, and Perkins Loans.

A Pell Grant is generally considered to be the foundation of a student's financial aid package, to which other forms of aid are added. The amount of a student's Pell Grant is dependent on the student's "expected family contribution" (EFC); cost of education, whether the student attends school full-time or part-time, and whether their program is a full academic year in length or less. Pell Grant disbursements are made to students at least once every term during the award year or at the beginning and mid-point for programs without terms.

The Pell Grant program is currently funded for 2 years; for example, funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2010 fiscal year appropriation will be used for grants in the 2010-2011 award year, which runs from July 1, 2010, through June 30, 2011. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department uses the next fiscal year's appropriations to cover the full cost.

Mandatory funding: The College Cost Reduction and Access Act (CCRAA) authorized mandatory funding to support increases to the Pell maximum award set in each fiscal year's appropriations act. Under the CCRAA, the maximum award was increased by \$490 for the 2009-2010 award year, rising to an increase of \$690 for award years 2010-2011 and 2011-2012 and \$1,090 for award year 2012-2013. Increased awards are only provided to students who are eligible to receive a Pell Grant under the maximum award set in the annual appropriations act. These increases are supported by CCRAA funding authorizations of \$3.030 billion in FY 2010, \$3.090 billion in FY 2011, and \$5.050 billion in FY 2012. The amount of the annual increases to the maximum award will be ratably increased or reduced depending on the relationship of the funding provided to estimated program costs for a given award year.

Recovery Act: The American Recovery and Reinvestment Act appropriated \$17.3 billion to support the Pell Grant program. Of this amount, \$15.6 billion was discretionary funds to retire prior year funding shortfalls and support a maximum award of \$4,860 for the 2009-2010 and 2010-2011 award years; \$1.5 billion was mandatory funding - \$643 million in FY 2009 and \$831 million in FY 2010 – to fund the estimated cost of increases to the maximum award authorized by the CCRAA for 2009-2010 and 2010-2011.

Pell Grant program scoring rule: The congressional budget resolution for fiscal year 2006 included a rule under which appropriations bills for the Pell Grant program are scored by the Congressional Budget Office for the estimated cost of the program for that year, regardless of the amount actually appropriated. In years where the appropriation exceeds the program cost as estimated at the beginning of the subsequent fiscal year, any surplus is available to reduce the appropriation needed to support that subsequent year's program costs. Conversely, in years where the appropriation is lower than the updated estimated program cost, the difference is automatically scored against the subsequent year's appropriation.

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Need analysis formula: The need analysis formula for the Title IV need-based student aid programs, stipulated in the Higher Education Act, determines financial eligibility for Pell Grants and is applied uniformly to all applicants. This formula determines a student's EFC. The fundamental elements in the formula are the student's, and in the case of dependent students their parents', income and assets (excluding the value of the family's home or farm), the family's household size, and the number of family members (excluding the student's parents) attending postsecondary institutions. The EFC is the sum of (1) a percentage of net income (remaining income after subtracting allowances for taxes and basic living expenses), and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students, and independent students with dependents. (Generally, independent students are older and do not depend on parents or guardians to pay for college.) The CCRAA made a number of changes to the need analysis rules that have the effect of broadening program eligibility and increasing program cost.

Institutional participation: Approximately 5,300 postsecondary institutions currently participate in the Pell Grant program. Institutions that lose their eligibility to participate in the loan programs due to high default rates are also precluded from participation in the Pell Grant program.

Student participation: Students may use their grants at any participating postsecondary institution. Pell Grants are disbursed to the student through the institution. The Pell Grant program is the largest source of grant aid to students under the Higher Education Act, with approximately 27 percent of all undergraduates receiving a Pell award.

Recipients must be undergraduates and cannot have received a bachelor's degree previously (with the exception of certain teacher certificate programs), and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). Less than full-time students are eligible for pro rata awards based on their enrollment status.

A student in default on a loan made under any Title IV HEA loan program, or who owes an overpayment on any other previously received Federal student aid, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

The annual award amount may vary from the statutory minimum payment up to the maximum authorized by statute for the academic year. The Higher Education Opportunity Act of 2008 enacted a minimum payment of 10 percent of the appropriated maximum award. For example, in AY 2009-2010 the minimum is \$486 with students eligible for between \$243 and \$486 receiving a "bump" to \$486. For the 2009-2010 award year, the minimum payment is effectively \$486 plus the mandatory add-on. Appropriations acts routinely set annual maximum award levels. The Higher Education Act specifies an authorized maximum award for the 2009-2010 award year of \$6,000. The authorized maximum award increases to \$8,000 by the 2014-15 award year. The FY 2010 appropriation act set the maximum award supported by discretionary funds for the 2010-2011 award year at \$4,860; the CCRAA added an additional \$690 supported by mandatory funds, for an aggregate maximum award of \$5,550.

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Award rules: The aggregate Pell Grant award is the least of:

- The maximum award (as set in annual appropriations acts) minus the EFC, plus the additional amount provided by mandatory funds, or
- The student's cost of attendance minus the EFC.

Cost of attendance: For purposes of determining the Pell Grant award, the postsecondary institution establishes the cost of attendance, using the following cost items:

- Tuition and fees;
- An allowance for books, supplies, transportation, dependent care, and miscellaneous expenses, including a reasonable allowance for the documented rental or purchase of a personal computer;
- Living allowances of:
 - the actual amount charged by the institution for room and board for students living at school,
 - an amount determined by the institution for students without dependents living at home with parents, and
 - for all other students, an amount based on the expenses reasonably incurred for room and board.

The cost of attendance for less-than-half-time students includes: tuition and fees; an allowance for books, supplies and transportation; and dependent care.

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Financial aid administrator discretion: The HEOA stipulates financial aid administrators may, on the basis of adequate documentation and on a case-by-case basis, adjust a student’s Pell Grant award by changing the cost of attendance or the value of data elements used to calculate the EFC to reflect “special circumstances,” such as the following:

- Tuition expenses at an elementary or secondary school;
- Medical or dental expenses not covered by insurance;
- Unusually high child care costs;
- Recent unemployment of an independent student or a family member;
- Changes in a student’s housing status resulting in homelessness;
- The number of parents enrolled at least half-time in a degree or certificate or other program leading to a recognized educational credential at an institution participating in the Title IV programs; or
- Other changes in a family’s income, assets, or a student’s status.

Institutional payments: The HEOA provides for payment to institutions of \$5 per Pell Grant recipient to reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are paid from the Pell Grant appropriation. In 2010-11, these payments will total \$41.7 million.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2006.....	\$17,345,230 ¹
2007.....	13,660,771
2008.....	16,256,000 ²
2009.....	19,378,000 ³
Recovery Act	17,114,000 ⁴
2010.....	20,525,000 ⁵

¹Includes \$4,300 million in mandatory funds to retire prior-year funding shortfalls.

²Includes \$2,030 million in mandatory funds to increase maximum award by \$490.

³Includes \$2,090 million in mandatory funds to increase maximum award by \$490.

⁴Includes \$15,640 million in discretionary funds and \$1,474 million in mandatory funds.

⁵Includes \$3,030 million in mandatory funds to increase maximum award by \$690.

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FY 2011 BUDGET REQUEST

The FY 2011 budget requests \$34.9 billion in mandatory funds for Pell Grants to establish a projected Pell Grant maximum of \$5,710 for the 2011-12 academic year. The Budget proposes to index the maximum grant beginning in 2011 to grow faster than inflation in future years, at a rate equal to the consumer price index plus 1 percentage point. The Budget also proposes to make funding for the Pell Grant program mandatory, rather than discretionary, and indefinite, to eliminate uncertainty and end the practice of “backfilling” billions of dollars in Pell shortfalls.

As the Administration supports the current effort to streamline the Free Application for Federal Student Aid (FAFSA) underway in Congress, the Budget also provides for simplification, including the removal of several data elements pertaining to assets and additional types of income. The combined effect of these changes would increase Pell Grant funding by \$22.8 billion through FY 2015.

To administer this proposal, the Budget would create a new mandatory appropriation account for Pell Grants in 2010, moving funding for this program out of the Student Financial Assistance account. The Budget presentation rebases the \$17.5 billion FY 2010 appropriation as mandatory and assumes the availability of an additional \$6.5 billion in mandatory funding through permanent indefinite authority. The FY 2011 request of \$34.9 billion supports all Pell Grant program costs for the 2011-2012 award year, representing a \$2.5 billion increase over program costs for 2010-2011.

The FY 2011 budget request for this program is best understood in the context of the Administration’s proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals are discussed in the **Student Aid Overview** beginning on page O-1.

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The following tables show program information consistent with actual, predicted, or requested funding levels.

Federal Pell Grants

Applicant Growth

<u>Award Year</u>	<u>Valid Applicants</u>	<u>Number</u>	<u>% Change</u>
1998-99	8,309,645	92,960	1.13%
1999-00	8,527,162	217,517	2.62%
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,811,911	200,523	1.73%
2007-08	12,299,232	487,321	4.13%
2008-09	13,883,288	1,584,056	12.88%
2009-10	16,673,485	2,790,197	20.10%
2010-11	18,609,268	1,935,783	11.61%
2011-12	19,405,523	796,255	4.28%

Sources: Through 2008-09, Award Year 2007-08 Pell Grant EOY Report and Final ELI-10 Reports.

Notes: Award Years 2009-10 through 2011-12 are estimates. A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell grant eligibility.

Maximum award: The Department proposes to increase the maximum award by the Consumer Price Index plus 1 percentage point each year beginning with the 2011-2012 award year. Under this proposal, maximum award levels are projected to be \$5,710 for award year 2011-2012, \$5,855 for 2012-2013, \$6,030 for 2013-2014, \$6,210 for 2014-2015, and \$6,395 for 2015-2016.

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Maximum Pell Grant Awards			
FY	Maximum Award	Budget Authority (\$000s)	Program Costs (\$000s)
2001	\$3,750	\$8,756,000	\$9,985,000
2002	4,000	11,314,000	11,654,000
2003	4,050	11,364,646	12,713,000
2004	4,050	12,006,738	13,152,000
2005	4,050	12,364,997	12,696,000
2006	4,050	17,345,230	12,821,000
2007	4,310	13,660,711	14,704,000
2008	4,731	16,245,000 ²	18,317,000
2009	5,350	35,661,000 ³	28,252,000 ⁶
2010	5,550	27,819,059 ⁴	32,337,000 ⁶
2011	5,710 ¹	34,878,000 ⁵	34,878,000 ⁶

¹ Projected maximum award based on proposed CPI + 1% indexing.

² Budget Authority for FY 2008 includes \$14,215 million in discretionary funds and \$2,030 million in mandatory funds provided by the College Cost Reduction and Access Act (CCRAA) for use as and add-on to the maximum award.

³ Budget Authority for FY 2009 includes \$15,640 million in ARRA funds, and \$2,733 million in mandatory funds for use as an add-on to the maximum Pell Grant award.

⁴ Budget Authority for FY 2010 includes \$17,495 million in discretionary funds (reclassified as mandatory under the budget proposal), \$3,861 in mandatory funds for use as an add-on, as well as \$6.5 billion in mandatory funding through permanent indefinite authority available under the proposal.

⁵ Mandatory budget authority requested for FY 2011.

⁶ Estimate.

Number of Recipients: Under current estimates, the 2011 level would support Pell Grant awards to 8.7 million recipients.

Aid Available: Under current estimates, the Department's FY 2011 proposal would provide \$34.8 billion in Pell Grants to students.

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PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Recipients	7,738,000	8,355,000	8,743,000
Aid available to students ¹	\$28,213,310	\$32,295,225	\$34,834,285
Maximum grant (in whole \$)	\$5,350	\$5,550	\$5,710
Minimum grant (in whole \$) ²	\$486	\$555	\$571
Average grant (in whole \$)	\$3,646	\$3,865	\$3,984

¹ Overall aid available reflects the estimated cost of the program minus administrative costs of \$5 per recipient.

² The statutory minimum award--in combination with the bump award--was 10% of the appropriated maximum award beginning in AY 2009-10, however the effective minimum was higher due to the add-on award mandated in the CCRAA; for AY 2009-10 the effective minimum award could be as high as \$976 depending on enrollment status.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, indicators and performance data and targets; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

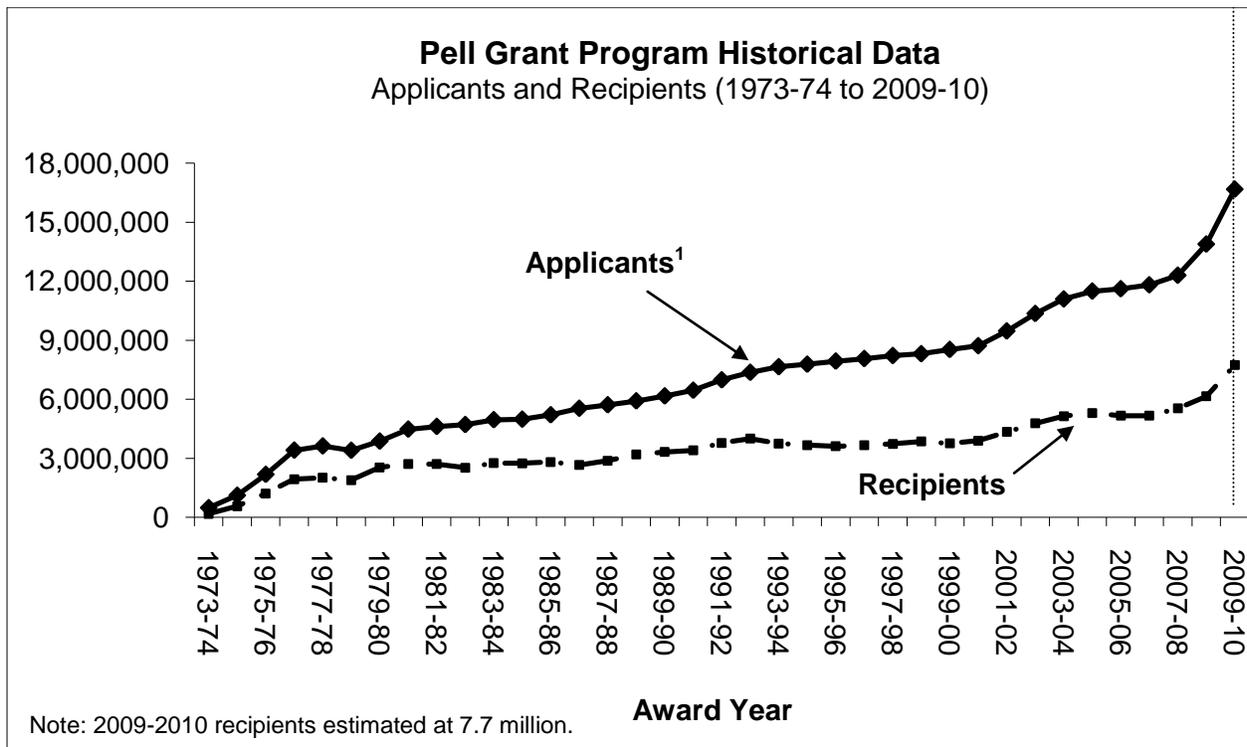
Because the Federal Pell Grant program account relies on the same performance measures, strategies and program improvement activities that apply to all the student financial assistance grant programs, Pell program performance is discussed in the **Student Aid Overview** and is not repeated here.

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Applicant and Recipient Growth: The graphs below and on the following page show applicant, recipient, and aid available trends since the inception of the Pell Grant program. Applicants are estimated at 16.3 million for award year 2009-2010; recipients at 7.7 million.

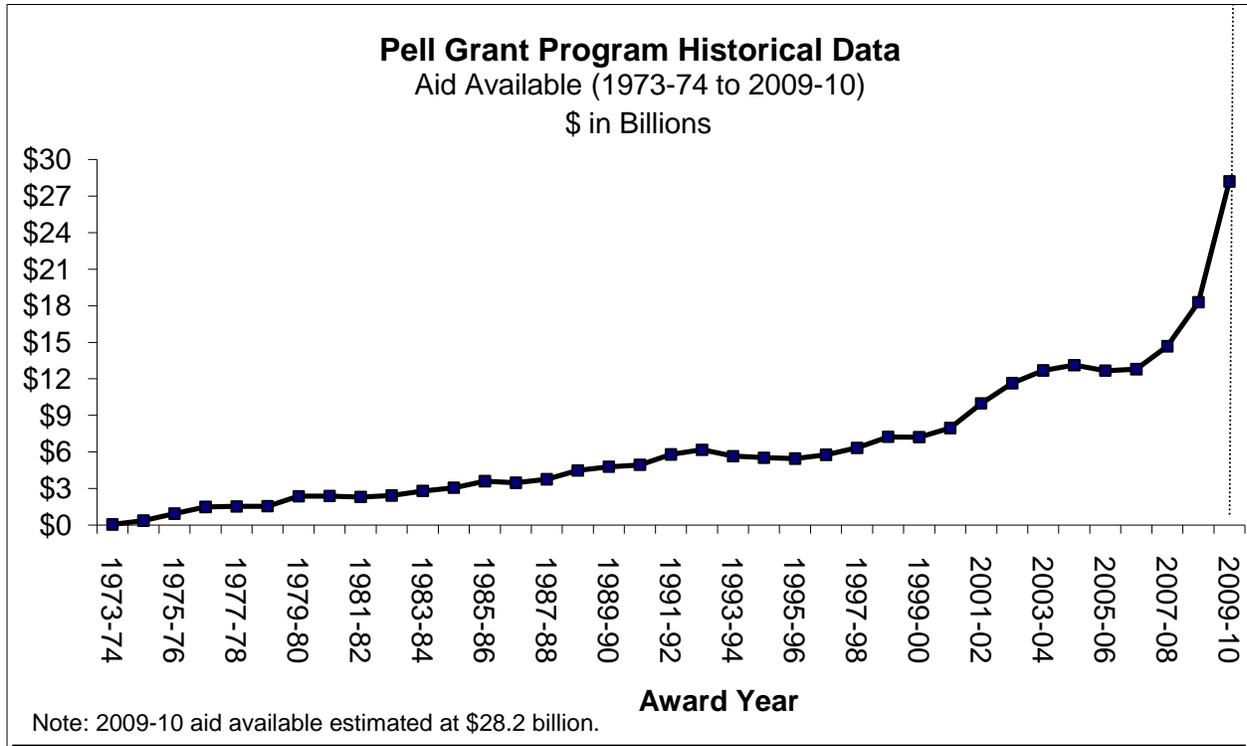
Many factors affect *applicant growth*, including demographic trends and changes in economic conditions, such as labor market demands. Factors affecting *recipient growth* include family incomes, need analysis, college costs, the level of the maximum Pell Grant award, and changes in applicant levels.



¹ Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

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Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2008-09, approximately 74 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000 and only 26 percent had incomes over \$30,000.

Distribution of Pell Grants in 2008-09			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 6,000	245,388	\$885,078,833	\$3,607
\$6,001 - \$ 9,000	134,609	\$488,992,531	3,633
\$9,001 - \$20,000	599,157	2,193,915,377	3,662
\$20,001 - \$30,000	540,283	2,161,323,855	4,000
\$30,001 +	1,005,191	2,305,405,649	2,294
Subtotal -			
Dependent	2,524,628	8,034,716,245	3,183
Independent	3,630,568	10,251,793,946	2,824
TOTAL	6,155,196	18,286,510,191	2,971

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Independent students make up more than half of the students receiving assistance under the Pell Grant program. These recipients tend to be in the lowest income groups as shown below.

Distribution of Pell Grants in 2008-09			
Income Level	Recipients	Available Aid	Average Award
Independent:			
0 - \$ 1,000	306,231	\$1,028,634,191	\$3,359
\$1,001 - \$ 3,000	227,786	769,700,299	3,379
\$3,001 - \$ 6,000	396,383	1,334,172,983	3,366
\$6,001 - \$ 9,000	409,542	1,307,515,519	3,193
\$9,001 - \$15,000	701,552	1,842,081,722	2,626
\$15,001 - \$20,000	380,326	1,081,067,773	2,842
\$20,001 - \$30,000	586,062	1,674,717,809	2,858
\$30,001 +	622,686	1,213,903,650	1,949
TOTAL	3,630,568	10,251,793,946	2,824

Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2008-2009, approximately 35 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, while approximately 24 percent of all Pell Grant recipients attended Public 2-Year schools.

Distribution of Pell Grants by Type of Institution 2008-09			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	2,149,784	\$6,416,395,830	\$2,985
Public 2-Year	1,482,002	4,337,693,536	2,927
Private	756,882	2,318,907,967	3,064
Proprietary	1,766,529	5,213,512,858	2,951
TOTAL	6,155,197	18,286,510,191	2,971