

How Congress Can Strengthen the Pell Grant Program to Make College More Affordable for Millions of Americans



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Since 1972, the federal Pell Grant program has provided need-based grant aid to more than 80 million low- and moderate-income students to help them achieve the dream of a college degree.¹

The Pell Grant program remains the federal government's **most effective investment in college affordability** — but the share of college costs covered by the grant is at an all-time low.

Big new investments in Pell are long overdue — that's why **we're urging Congress to #DoublePell** and restore the promise of the Pell program for generations to come.

Pell Grants Help Millions of Students Go to College ...

More than six million students annually depend on Pell Grants to attend and complete college.² There is clear evidence that need-based grant aid increases college enrollment and completion among low- and moderate-income students.³

Pell Grants are extremely well targeted to students with very high financial need.



88% of Pell recipients come from families with incomes at or below \$40,000.



46% of Pell recipients come from families with incomes at or below \$15,000.⁴

Pell Grants are particularly important for students of color. Sixty percent of Black students, half of Hispanic or Latino students, 45 percent of American Indian or Alaska Native students, and nearly 40 percent of Native Hawaiian/Pacific Islander students rely on Pell Grants to attend and complete college.⁵

Student Who Rely on Pell to Attend and Complete College, By Race/Ethnicity

60% Black Students	50% Hispanic or Latino Students
45% American Indian or Alaska Native Students	39% Native Hawaiian/Pacific Islander Students

... But They Don't Go Far Enough

Students from low- and moderate-income families are in critical need of additional grant aid to pay for college.

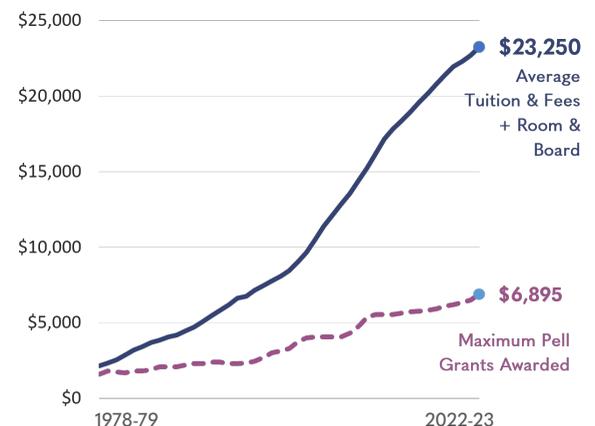
Pell Grant recipients are already more than twice as likely as other students to have student loans (68% vs. 32%).⁶ Nearly 7 out of 10 Pell Grant recipients who graduate from four-year colleges have student loans, and their average debt is \$2,069 more than non-Pell graduates.⁷

Nearly 7 out of 10 Pell Grant Recipients Who Graduated From 4-Year Colleges Have Student Loans



The Pell Grant currently covers the lowest share of college costs in its history. At its peak in 1975-76, the maximum Pell Grant covered **more than 75%** of the average cost of attending a four-year public college. The 2023-24 maximum award amount covers **just 26% of that cost.**⁸

Rise in Cost of Attendance at Public 4-Year Colleges Compared to Maximum Pell Grant



#DOUBLEPELL

How Congress Can Invest in the Pell Grant Program

Pell Grants have long enjoyed bipartisan support. The time is now to invest in our nation's neediest students and restore the grant's purchasing power. Congress must:

- » **At least double the maximum Pell Grant** so that it covers at least roughly half of the cost of attending a four-year public college. Research shows that an investment of this size is needed to make serious headway in closing income-based gaps in college enrollment and completion.

Critically, #DoublePell is needed even if lawmakers enact some type of tuition- or debt-free college program. Even if tuition and fee costs are covered, low-income students often struggle to cover other costs of attendance such as housing, transportation, food, and books; these costs remain a major roadblock to completion.⁹ Pell Grants are also flexible and enable students to access the institution of their choice, even if that institution is not covered by a state or federal affordability guarantee.

- » **Permanently restore the Pell Grant's automatic annual inflation adjustments** to provide predictable annual increases going forward and reduce future erosion of the grant's purchasing power.

Pell Grant awards were tied to inflation from 2013 through the 2017-18 award year. Without the automatic adjustment, there is an annual risk that the grant won't even keep pace with inflation.

- » **Make Pell Grants a mandatory program** to protect the program and ensure predictability for recipients.

The Pell Grant program functions like an entitlement, where every qualified student receives a grant, but largely relies on discretionary funding. Shifting to mandatory funding would eliminate the need for annual appropriations and provide for automatic adjustments in program funding based on changes in participation.

- » **Expand Pell Grant eligibility to undocumented students** to enable Deferred Action for Childhood Arrivals (DACA) beneficiaries and Temporary Protected Status (TPS) beneficiaries to more easily enroll in and complete college.

- » **Eliminate the taxation of Pell Grants.** Currently, Pell Grants are not taxed as income if they are used to pay for required tuition, fees, books, supplies, or equipment, but they are taxed as income if they are used to pay for transportation, food, housing, or other eligible costs of attendance. Therefore, if students use their Pell Grants to cover fully their tuition, fees, and books, they will have no out-of-pocket qualified expenses for claiming the American Opportunity Tax Credit (AOTC). Meanwhile, if students claim the AOTC for tuition, fees, and books paid for out of pocket, and use their Pell Grants to cover remaining costs of attendance, they may face a tax liability.

By removing the threat of any tax liability associated with Pell Grants, this complicated, confusing interaction will no longer occur and more students — particularly those at low-tuition institutions such as community colleges — will be able to benefit from both Pell Grants and the AOTC, just as students attending higher-cost institutions already do.

Endnotes

1. The White House. 2022. A Proclamation on the 50th Anniversary of the Federal Pell Grant Program. <https://bit.ly/3VnoBOG>.
2. Congressional Budget Office (CBO) May 2022 baseline projections for the Pell Grant program, available at: <https://bit.ly/3LLhspW>.
3. Denning, Jeffrey T., Benjamin M. Marx, and Lesley J. Turner. 2019. "ProPelled: The Effects of Grants on Graduation, Earnings, and Welfare." *American Economic Journal: Applied Economics*, 11 (3): 193-224, available at: <https://www.nber.org/papers/w23860.pdf>; Evans, Brent J. and Tuan D. Nguyen. 2018. "Monetary Substitution of Loans, Earnings, and Need-Based Aid in Postsecondary Education: The Impact of Pell Grant Eligibility (CEPA Working Paper No.18-05)." Retrieved from Stanford Center for Education Policy Analysis, available at: <http://cepa.stanford.edu/wp18-05>.
4. Calculations by TICAS using data from the U.S. Department of Education, 2020-21 Federal Pell Grant Program End-of-Year Report, Table 003, available at: <https://studentaid.gov/sites/default/files/fsawg/datacenter/library/2020-2021-Pell-EOY-Tables.zip>.
5. Calculations by TICAS using data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2019-20. <https://nces.ed.gov/datalab/powerstats/table/gryyvz>.
6. Calculations by TICAS using data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2019-20. <https://nces.ed.gov/datalab/powerstats/table/agpuoy>.
7. Calculations by TICAS using data from the U.S. Department of Education, National Postsecondary Student Aid Study, 2019-20. <https://nces.ed.gov/datalab/powerstats/table/saszvx> and <https://nces.ed.gov/datalab/powerstats/table/cbiarm>.
8. Calculations by TICAS using data from the College Board's 2022 Trends in College Pricing and Student Aid report, available at: <https://bit.ly/3ngJ0u0>, and U.S. Department of Education data on the maximum Pell Grant.
9. Public Policy Institute of California. 2021. Keeping College Affordable for California Students. <https://bit.ly/44HJjir>; Center for an Urban Future. 2021. Opportunity Costs: Affording the True Costs of College in NYC. <https://bit.ly/3VQbEPm>; Cengage Group. 2021. Barriers to Post-Secondary Education. <https://bit.ly/3nJ3XOr>.