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The Pell Grant Program

Postsecondary National Policy Institute

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Presentation Overview

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Pell Grant Program Overview

- The Pell grant program is the largest federal postsecondary student aid grant program.
 - Recipients must be undergraduate students who have never received a bachelor's degree (with some exceptions).
 - Eligibility and award amounts are based on a student's income and assets (or, for students who are dependents, their parents' income and assets).

- Program Projections for Award Year (AY) 2018–2019 (based on CBO's April 2018 baseline):
 - 7.5 million Pell grant recipients
 - Total maximum award of \$6,095
 - Average award of about \$4,100
 - Total federal spending of \$30.6 billion

Components of Funding for Pell Grants

Discretionary

Discretionary Funding

- Budget authority is provided by the Congress to support the Pell grant program.
- The maximum award for the discretionary component of the program (currently \$5,035, up from \$4,860 in AY 2017–2018) is set in the annual appropriation act.

Mandatory-for-Discretionary Pell Funding

- A specified amount of mandatory budget authority is available to supplement funding for the discretionary portion of the Pell grant program, as provided in the Higher Education Act (HEA).

Mandatory

Mandatory Add-On

- An unlimited amount of mandatory budget authority, the “mandatory add-on,” is available to cover the difference between the total maximum award and the discretionary maximum award set in an appropriation act.
- AY 2018–2019
 - Total maximum award = \$6,095; mandatory add-on = \$1,060

How Pell Grants Are Like Entitlements

- **Program Costs**

- Number of Pell Recipients × Average Award Amount

- **Funding Shortfalls and Surpluses**

- The difference between discretionary program costs and available budget authority (through both discretionary appropriations and the mandatory-for-discretionary funding provided in the HEA) creates either a discretionary shortfall or a surplus.
- The Pell program has had a discretionary surplus over the past six years, estimated at \$7.4 billion at the end of AY 2018–2019.

- **Pell Scoring Rule**

- Even if appropriations do not provide enough budget authority to fund Pell grants in the upcoming fiscal year, CBO's estimates for the appropriation bill include the full costs of the program.
- In its cost estimates for appropriation bills, CBO uses budget authority (adjusted for shortfalls or surpluses) or program costs—whichever amount is higher.

Discretionary Program Costs and Funding, 2006–2018

Pell Grant Program, Discretionary: Cumulative Shortfall/Surplus - CBO's April 2018 Baseline

(Budget authority, program costs, and outlays in millions of dollars, by fiscal year)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Regular Discretionary Appropriation^a	13,045	13,661	14,215	17,288	17,495	22,956	22,824	22,778	22,778	22,475	22,475	21,165	22,475
Additional Funding^b													
American Recovery and Reinvestment Act of 2009 (ARRA)	0	0	0	15,640	0	0	0	0	0	0	0	0	0
Healthcare and Education Reconciliation Act of 2010	0	0	0	0	0	13,500	0	0	0	0	0	0	0
DOD and Full-Year Cont. Appropriations Act of 2011	0	0	0	0	0	0	3,183	0	0	0	0	1,060	1,125
Budget Control Act of 2011	0	0	0	0	0	0	10,000	7,000	0	0	0	0	0
Consolidated Appropriations Act, 2012	0	0	0	0	0	0	612	587	588	0	0	514	257
Consolidated Appropriations Act, 2017	0	0	0	0	0	0	0	0	0	0	0	-254	0
Consolidated Appropriations Act, 2018	0	0	0	0	0	0	0	0	0	0	0	0	-48
Total Budget Authority for Discretionary Program	13,045	13,661	14,215	32,928	17,495	36,456	36,619	30,365	23,366	22,475	22,475	22,485	23,809
Previous Year Shortfall/Surplus		220	-818	-2,657	3,427	-9,569	-1,909	7,198	11,082	9,128	8,242	8,929	8,037
Total Available Budget Authority	13,045	13,881	13,397	30,271	20,922	26,887	34,710	37,563	34,448	31,603	30,717	31,414	31,846
Estimated Program Costs ^a	<u>12,825</u>	<u>14,699</u>	<u>16,054</u>	<u>26,844</u>	<u>30,491</u>	<u>28,796</u>	<u>27,512</u>	<u>26,481</u>	<u>25,320</u>	<u>23,361</u>	<u>21,788</u>	<u>23,377</u>	<u>24,436</u>
Cumulative Surplus (+)/Shortfall (-) ^c	220	-818	-2,657	3,427	-9,569	-1,909	7,198	11,082	9,128	8,242	8,929	8,037	7,410
Estimated Surplus going into Fiscal Year 2019													7,410

a. Regular Discretionary Appropriation includes any rescissions. The 2018 appropriation level and estimated program costs incorporate the effects of the Consolidated Appropriations Act, 2018 (P.L. 115-141), as signed by the President on March 23, 2018.

b. Most of the additional budget authority provided to support the discretionary program is classified as mandatory. Beginning in 2011, the total amount of additional funding can be found in section 401(b)7(A)(iv) of the Higher Education Act of 1965. That budget authority is used to augment the funding provided in annual appropriations for the discretionary Pell grant program.

c. The cumulative shortfall or surplus in budget authority is calculated under the Pell scoring rule, as specified in section 406 of the 2006 budget resolution (H. Con. Res. 95).

Funding for the Pell Grant Program, 2018

Discretionary	Maximum Award: \$5,035	
	Estimated Program Costs for Maximum Award	\$24.4 billion
	Regular Appropriation	\$22.5 billion
	Specified Mandatory Funding for Discretionary Awards	\$1.3 billion
	Total New Funding Available	\$23.8 billion
	Drawdown of Surplus	\$0.6 billion
Mandatory	Add-On to Maximum Award: \$1,060	
	Estimated Program Costs for Mandatory Add-On	\$6.1 billion
	Funding from Indefinite Mandatory Appropriation	\$6.1 billion
Total	Total Maximum Award: \$6,095	
	Estimated Program Costs	\$30.6 billion
	Available Funding (including cumulative surplus)	\$37.9 billion

Total Program Costs, 2018–2028

Pell Grant Program, Discretionary and Mandatory Program Costs - CBO April 2018 Baseline

(Budget authority, program costs, and outlays in millions of dollars, by fiscal year)

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2018-2023	2018-2028
Discretionary Pell Grant Program													
Assumed Discretionary Maximum Award Level^a	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035	\$5,035		
Total Spending for Discretionary Pell Grants													
Estimated Program Costs	24,436	24,587	24,984	25,490	26,116	26,501	27,091	27,812	28,460	29,265	30,081 [▼]	152,114	294,824
Estimated Outlays	23,649	24,466	24,693	25,117	25,654	26,214	26,656	27,280	27,980	28,671	29,477 [▼]	149,793	289,857
Mandatory Pell Grant Program													
Mandatory Add-on Award^b	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060	\$1,060		
Total Spending for Mandatory Pell Grant Addon													
Estimated Program Costs	6,148	6,190	6,315	6,434	6,559	6,623	6,733	6,875	7,005	7,162	7,317 [▼]	38,270	73,361
Estimated Outlays	6,026	6,158	6,223	6,346	6,467	6,575	6,652	6,770	6,908	7,046	7,202 [▼]	37,795	72,374
Total Pell Grant Program													
Total Maximum Award	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095	\$6,095		
Total Spending for Pell Grants													
Estimated Program Costs	30,584	30,777	31,300	31,924	32,676	33,124	33,824	34,687	35,465	36,427	37,399	190,384	368,185
Estimated Outlays	29,675	30,624	30,916	31,463	32,121	32,789	33,308	34,050	34,889	35,717	36,680	187,588	362,231
Total Projected Recipients (in thousands)	7,480	7,490	7,620	7,770	7,960	8,070	8,200	8,380	8,560	8,770	9,000		

Note: Table incorporates the effects of the Consolidated Appropriations Act, 2018 (P.L. 115-141), as signed by the President on March 23, 2018.

a. The maximum award level for the discretionary portion of the Pell grant program is set each year in the annual appropriation act. In the most recently enacted appropriation act, the award level was set at \$5,035.

b. Under current law, the amount of the mandatory add-on for each year over the 2018-2028 period is the same as the amount in award year 2017-2018, which was published by the Department of Education in a Dear Colleague Letter on October 18, 2016.

CBO's Baseline Projections Versus Program Costs

Because of the rules governing baseline projections, CBO's discretionary baseline is not a prediction of program costs.

Discretionary

- **Discretionary Baseline Projection**
 - Constructed like all other discretionary programs
 - Projected as current budget authority plus an increase for inflation
 - Does not reflect a projection of future program costs
- **Discretionary Program Costs**
 - Estimated on the basis of projected changes in the number of recipients and their award levels
 - Incorporated an assumption of a \$5,035 discretionary maximum award in all years

Mandatory

- **Mandatory Baseline Projection**
 - Projected as mandatory program costs
 - Incorporated an assumption of a \$5,035 discretionary maximum award in all years

Discretionary Program Costs and CBO's Baseline, 2018–2028

Pell Grant Program, Discretionary: Program Costs and Baseline - CBO's April 2018 Baseline

(Budget authority, program costs, and outlays in millions of dollars, by fiscal year)

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
BUDGET AUTHORITY NEEDED TO SUPPORT A MAXIMUM AWARD OF \$5,035 AND AVAILABLE FUNDING										
Estimated Program Cost for \$5,035 Maximum Award	24,587	24,984	25,490	26,116	26,501	27,091	27,812	28,460	29,265	30,081
Cumulative Surplus for 2006-2017 ^a	7,410	0	0	0	0	0	0	0	0	0
Mandatory-for-Discretionary Budget Authority ^b	1,409	1,430	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
Total Additional Budget Authority Needed ^c	15,768	23,554	24,345	24,971	25,356	25,946	26,667	27,315	28,120	28,936

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
COMPONENTS OF PELL GRANT PROGRAM, DISCRETIONARY BASELINE											
Maximum award ^d	\$5,035	---	---	---	---	---	---	---	---	---	---
Regular Appropriation^d											
Budget Authority	22,475	22,925	23,396	23,913	24,430	24,947	25,509	26,049	26,588	27,150	27,712
Estimated Outlays	22,336	25,044	28,614	23,605	24,048	24,565	25,094	25,649	26,189	26,734	27,296
Mandatory Funding^b											
Budget Authority	1,334	1,409	1,430	1,145	1,145	1,145	1,145	1,145	1,145	1,145	1,145
Estimated Outlays	1,311	1,354	1,414	1,353	1,148	1,145	1,145	1,145	1,145	1,145	1,145
Total Funding Available for Discretionary Pell Program											
Budget Authority	23,809	24,334	24,826	25,058	25,575	26,092	26,654	27,194	27,733	28,295	28,857
Estimated Outlays	23,647	26,398	30,028	24,958	25,196	25,710	26,239	26,794	27,334	27,879	28,441

Note: Table incorporates the effects of the Consolidated Appropriations Act, 2018 (P.L. 115-141), as signed by the President on March 23, 2018.

a. The cumulative shortfall or surplus in budget authority is calculated under the Pell scoring rule, as specified in section 406 of the 2006 budget resolution (H. Con. Res. 95).

b. Mandatory budget authority available to supplement funding for the discretionary portion of the Pell grant program, provided in section 401(b)7(A)(iv) of the Higher Education Act of 1965.

c. Estimated budget authority needed to support a maximum award level of \$5,035 under the Pell scoring rule, as specified in section 406 of the 2006 budget resolution (H. Con. Res. 95)

d. The Pell grant program is primarily a discretionary program, with an annual appropriation supporting a maximum award level set in the annual appropriations act. CBO's April 2018 baseline does not represent a projection of expected costs for the Pell grant program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2018. Outlays for future years are based on those levels of budget authority. In the most recently enacted appropriations act, the maximum award was set at \$5,035.

Additional Information

- For supplemental data on the Pell Grant program, see Congressional Budget Office, “Student Loan Programs— April 2018 Baseline” (April 2018), www.cbo.gov/publication/51310.

Appendix I: Mandatory-for-Discretionary Funding

Sec. 401

HIGHER EDUCATION ACT OF 1965

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(7) ADDITIONAL FUNDS.—

(A) IN GENERAL.—There are authorized to be appropriated, and there are appropriated (in addition to any other amounts appropriated to carry out this section and out of any money in the Treasury not otherwise appropriated) the following amounts—

(i) \$2,030,000,000 for fiscal year 2008;

(ii) \$2,090,000,000 for fiscal year 2009;

(iii) to carry out subparagraph (B) of this paragraph, such sums as may be necessary for fiscal year 2010 and each subsequent fiscal year to provide the amount of increase of the maximum Federal Pell Grant required by clauses (ii) and (iii) of subparagraph (B); and

(iv) to carry out this section—

(I) \$13,500,000,000 for fiscal year 2011;

(II) \$13,795,000,000 for fiscal year 2012;

(III) \$7,587,000,000 for fiscal year 2013;

(IV) \$588,000,000 for fiscal year 2014;

(V) \$0 for fiscal year 2015;

(VI) \$0 for fiscal year 2016;

\$1,320,000,000 ← ~~(VII) \$1,574,000,000 for fiscal year 2017;~~

\$1,334,000,000 ← ~~(VIII) \$1,382,000,000 for fiscal year 2018;~~

(IX) \$1,409,000,000 for fiscal year 2019;

(X) \$1,430,000,000 for fiscal year 2020; and

(XI) \$1,145,000,000 for fiscal year 2021 and each succeeding fiscal year.

Appendix II: Mandatory Add-On

(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts made available pursuant to clauses (i) through (iii) of subparagraph (A) of this paragraph shall be used to increase the amount of the maximum Federal Pell Grant for which a student shall be eligible during an award year, as specified in the last enacted appropriation Act applicable to that award year, by—

(i) \$490 for each of the award years 2008–2009 and 2009–2010;

(ii) \$690 for each of the award years 2010–2011, 2011–2012, and 2012–2013; and

(iii) the amount determined under subparagraph (C) for each succeeding award year.

(C) ADJUSTMENT AMOUNTS.—

(i) AWARD YEAR 2013–2014.—For award year 2013–2014, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

(I) \$5,550 or the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), whichever is greater, increased by a percentage equal to the annual adjustment percentage for award year 2013–2014, reduced by

(II) \$4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted

appropriation Act applicable to that year, whichever is greater; and

(III) rounded to the nearest \$5.

(ii) AWARD YEARS 2014–2015 THROUGH 2017–2018.—For each of the award years 2014–2015 through 2017–2018, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to—

(I) the total maximum Federal Pell Grant for the preceding award year (as determined under clause (iv)(II)), increased by a percentage equal to the annual adjustment percentage for the award year for which the amount under this subparagraph is being determined, reduced by

(II) \$4,860 or the maximum Federal Pell Grant for which a student was eligible for the preceding award year, as specified in the last enacted appropriation Act applicable to that year, whichever is greater; and

(III) rounded to the nearest \$5.

(iii) SUBSEQUENT AWARD YEARS.—For award year 2018–2019 and each subsequent award year, the amount determined under this subparagraph for purposes of subparagraph (B)(iii) shall be equal to the amount determined under clause (ii) for award year 2017–2018.

(iv) DEFINITIONS.—For purposes of this subparagraph—

(I) the term “annual adjustment percentage” as applied to an award year, is equal to the estimated percentage change in the Consumer Price Index (as determined by the Secretary, using the definition in section 478(f) for the most recent calendar year ending prior to the beginning of that award year; and

(II) the term “total maximum Federal Pell Grant” as applied to a preceding award year, is equal to the sum of—

(aa) the maximum Federal Pell Grant for which a student is eligible during an award year, as specified in the last enacted appropriation Act applicable to that preceding award year; and

(bb) the amount of the increase in the maximum Federal Pell Grant required by this paragraph for that preceding award year.

Appendix III: Pell 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 [adjusted for the cumulative shortfall/surplus], 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.

—Department of Education