

The Pell Grant Program

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Presentation Overview

- Pell Grant Program Overview
- Components of Funding for Pell Grants
- How Pell Grants Are Like Entitlements
- Program Costs and Funding
- The Congressional Budget Office's Baseline Projections Versus Program Costs

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) 2022–2023 (from CBO's May 2022 baseline):

- 5.9 million Pell grant recipients
- Total maximum award of \$6,895
- Average award of about \$4,640
- Total federal spending of \$27.4 billion

Components of Funding for Pell Grants

Discretionary

Discretionary Funding

- Budget authority is provided by the Congress to support the Pell program.
- The maximum award for the discretionary component of the program (currently \$5,835, up from \$5,435 in AY 2021–2022) 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.
- In AY 2022–2023, the total maximum award is \$6,895; the mandatory add-on is \$1,060. (In AY 2024–2025, the mandatory add-on is set to \$1,060 permanently.)

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 10 years, estimated at \$13.8 billion at the end of AY 2022–2023.

Congressional Rules Governing CBO's Pell Grant Program Estimates¹

- 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.

¹ Often referred to as the Pell scoring rule, these rules are specified in section 406 of the 2006 budget resolution (H. Con. Res. 95).

Discretionary Program Costs and Funding, 2012–2022

Pell Grant Program, Discretionary: Cumulative Shortfall/Surplus

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
BUDGET INFORMATION											
Historical Pell Grant Funding and Program Costs, 2012 to 2022											
By fiscal year, budget authority in millions of dollars											
Regular Discretionary Appropriation^a	22,824	22,778	22,778	22,475	22,475	21,165	22,475	21,875	21,975	21,975	21,425
Amount and Source of Funding Increase or Reduction (-)^b											
DoD and Full-Year Continuing Resolution											
Appropriations Act of 2011	3,183	0	0	0	0	1,060	1,125	1,125	1,140	1,145	1,145
Budget Control Act of 2011	10,000	7,000	0	0	0	0	0	0	0	0	0
Consolidated Appropriations Act, 2012	612	587	588	0	0	514	257	284	290	0	0
Consolidated Appropriations Act, 2017	0	0	0	0	0	-254	0	0	0	0	0
Consolidated Appropriations Act, 2019	0	0	0	0	0	0	-48	0	0	0	0
Labor, HHS, Education Appropriations Act, 2019	0	0	0	0	0	0	0	-39	0	0	0
FUTURE Act, 2019	0	0	0	0	0	0	0	0	25	25	25
Further Consolidated Appropriations Act, 2020	0	0	0	0	0	0	0	0	-50	0	0
Consolidated Appropriations Act, 2021	0	0	0	0	0	0	0	0	0	-28	0
Consolidated Appropriations Act, 2022	0	0	0	0	0	0	0	0	0	0	-85
Total Budget Authority for Discretionary Program	36,619	30,365	23,366	22,475	22,475	22,485	23,809	23,245	23,380	23,117	22,510
Previous Year Shortfall (-) or Surplus^c											
Total Available Budget Authority	-1,781	7,701	11,696	9,482	8,607	9,298	9,013	10,132	10,631	12,147	13,921
Estimated Program Costs	27,137	26,370	25,580	23,350	21,784	22,770	22,690	22,746	21,864	21,343	22,643
Cumulative Surplus^c	7,701	11,696	9,482	8,607	9,298	9,013	10,132	10,631	12,147	13,921	13,788
Estimated Surplus Entering Fiscal Year 2023	13,788										

a. Includes rescissions. For fiscal year 2022, the Congress appropriated \$22.5 billion and rescinded \$1,050 million.

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, 2022

Discretionary	Maximum Award: \$5,835	
	Estimated Program Costs for Maximum Award	\$22.6 billion
	Regular Appropriation	\$21.4 billion
	Specified Mandatory Funding for Discretionary Awards	\$1.1 billion
	Total New Funding Available	\$22.5 billion
	Drawdown of Surplus	\$0.1 billion
Mandatory	Add-On to Maximum Award: \$1,060	
	Estimated Program Costs for Mandatory Add-On	\$4.7 billion
	Funding From Indefinite Mandatory Appropriation	\$4.7 billion
Total	Total Maximum Award: \$6,895	
	Estimated Program Costs	\$27.4 billion
	Available Funding (including cumulative surplus)	\$41.1 billion

Total Program Costs, 2022–2032

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
PROGRAM COSTS											
By Fiscal Year, Millions of Dollars											
Discretionary Pell Grant Program Costs											
Assumed Discretionary Maximum Award (Dollars) ^d	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835	5,835
Total for Discretionary Pell Grants											
Estimated Program Costs	22,643	22,625	25,304	25,864	26,385	26,998	27,369	28,071	28,951	29,676	30,383
Estimated Outlays	21,686	22,626	23,321	25,423	25,994	26,540	27,089	27,548	28,293	29,131	29,853
Mandatory Pell Grant Program Costs											
Mandatory Add-On Award (Dollars) ^g	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060	1,060
Total for Mandatory Pell Grant Add-On											
Estimated Program Costs	4,729	4,987	5,275	5,410	5,553	5,671	5,807	5,949	6,083	6,225	6,373
Estimated Outlays	4,866	4,798	5,059	5,308	5,446	5,582	5,705	5,842	5,982	6,118	6,262
Total Pell Grant Program											
Total Maximum Award (Dollars)	6,895	6,895	6,895	6,895	6,895	6,895	6,895	6,895	6,895	6,895	6,895
Total Spending for Pell Grants											
Estimated Program Costs	27,372	27,612	30,579	31,275	31,939	32,669	33,175	34,020	35,033	35,901	36,756
Estimated Outlays	26,551	27,423	28,381	30,730	31,440	32,122	32,793	33,390	34,275	35,249	36,115
Total Projected Recipients (Thousands of people)	5,900	5,960	6,440	6,580	6,710	6,850	6,950	7,110	7,270	7,450	7,630

d. The Pell grant program is primarily a discretionary program, with an annual appropriation supporting a maximum award set in the annual appropriation act. In the most recently enacted appropriation act, the maximum award was set at \$5,835. Estimated discretionary program costs assume a \$5,835 award through 2032.

g. Under current law, the amount of the mandatory add-on for each year over the 2022–2032 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 \$5,835 discretionary maximum award in all years

Mandatory

Mandatory Baseline Projection

- Projected as mandatory program costs
- Incorporated an assumption of a \$5,835 discretionary maximum award in all years

Discretionary Program Costs and CBO's Baseline, 2022–2032

Pell Grant Program, Discretionary — CBO's May 2022 Baseline

By Fiscal Year

	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Budget Authority Needed to Support a Maximum Award of \$5,835 and Available Funding (Millions of dollars)										
Estimated Program Cost for \$5,835 Maximum Award	22,625	25,304	25,864	26,385	26,998	27,369	28,071	28,951	29,676	30,383
Estimated Cumulative Surplus, 2006 to 2022	13,788									
Mandatory-for-Discretionary Budget Authority	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>	<u>1,170</u>
Total Additional Budget Authority Needed	7,667	24,134	24,694	25,215	25,828	26,199	26,901	27,781	28,506	29,213

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032
Components of the Federal Pell Grant Program, Discretionary Baseline											
Maximum Award (Dollars)	5,835	---	---	---	---	---	---	---	---	---	---
Regular Appropriation (Millions of dollars)											
Budget authority	22,475	23,172	23,689	24,161	24,655	25,172	25,711	26,251	26,790	27,352	27,926
Estimated outlays	20,626	26,316	33,365	23,944	24,284	24,785	25,307	25,846	26,386	26,931	27,496
Rescission (Millions of dollars)											
Budget authority	-1,050	-1,083	-1,107	-1,129	-1,152	-1,176	-1,201	-1,226	-1,252	-1,278	-1,305
Estimated outlays	-284	-1,048	-1,089	-1,112	-1,135	-1,158	-1,183	-1,208	-1,233	-1,258	-1,285
Mandatory Funding (Millions of dollars)											
Budget authority	1,085	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Estimated outlays	1,129	1,109	1,169	1,170	1,170	1,170	1,170	1,170	1,170	1,170	1,170
Total Funding Available for Discretionary Pell Program (Millions of dollars)											
Budget authority	22,510	23,259	23,752	24,202	24,673	25,166	25,680	26,194	26,709	27,244	27,791
Estimated outlays	21,471	26,376	33,446	24,002	24,320	24,796	25,295	25,808	26,323	26,842	27,381

Additional Information

For supplemental data on the Pell Grant program, see Congressional Budget Office, “Details About Selected Programs, Pell Grant Program—May 2022 Baseline” (May 2022), www.cbo.gov/data/baseline-projections-selected-programs#12.

Appendix 1A: Mandatory Add-On (Pre-FAFSA Simplification)

(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 1B: Mandatory Add-On (Post-FAFSA Simplification)

(5) TOTAL MAXIMUM FEDERAL PELL GRANT.—

(A) IN GENERAL.—For award year 2023–2024, and each subsequent award year, the total maximum Federal Pell Grant award per student shall be equal to the sum of—

(i) \$1,060; and

(ii) the amount specified as the maximum Federal Pell Grant in the last enacted appropriation Act applicable to that award year.

January 14, 2022

As Amended Through P.L. 117-81, Enacted December 27, 2021

(6) FUNDS BY FISCAL YEAR.—

(A) IN GENERAL.—To carry out this section—

(i) there are authorized to be appropriated and 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) such sums as are necessary to carry out paragraph (5)(A)(i) for fiscal year 2023 and each subsequent fiscal year; and

(ii) such sums as may be necessary are authorized to be appropriated to carry out paragraph (5)(A)(ii) for each of the fiscal years 2023 through 2033.

(B) AVAILABILITY OF FUNDS.—The amounts made available by subparagraph (A) for any fiscal year shall be available beginning on October 1 of that fiscal year, and shall remain available through September 30 of the succeeding fiscal year.

(7) APPROPRIATION.—

Appendix 2A: Mandatory-for-Discretionary Funding (Pre-FAFSA Simplification)

(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
- (ii) \$2,090,000,000 for fiscal
- (iii) to carry out subparagraph, such sums as may be n 2010 and each subsequent fisc

(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;
- (VII) \$1,320,000,000 for fiscal year 2017;
- (VIII) \$1,334,000,000 for fiscal year 2018;
- (IX) \$1,370,000,000 for fiscal year 2019;
- (X) \$1,455,000,000 for fiscal year 2020; and
- (XI) \$1,170,000,000 for fiscal year 2021 and each succeeding fiscal year.

(B) INCREASE IN FEDERAL PELL GRANTS.—The amounts

Appendix 2B: Mandatory-for-Discretionary Funding (Post-FAFSA Simplification)

(7) APPROPRIATION.—

(A) IN GENERAL.—In addition to any funds appropriated under paragraph (6) and any funds made available for this section under any appropriations Act, there are authorized to be appropriated, and there are appropriated (out of any money in the Treasury not otherwise appropriated) to carry out this section, \$1,170,000,000 for fiscal year 2023 and each subsequent award year.

(B) NO EFFECT ON PREVIOUS APPROPRIATIONS.—The amendments made to this section by the FAFSA Simplification Act shall not—

(i) increase or decrease the amounts that have been appropriated or are available to carry out this section for fiscal year 2017, 2018, 2019, 2020, 2021, or 2022 as of the day before the effective date of such Act; or

(ii) extend the period of availability for obligation that applied to any such amount, as of the day before such effective date.

(C) AVAILABILITY OF FUNDS.—The amounts made available by this paragraph for any fiscal year shall be available beginning on October 1 of that fiscal year, and shall remain available through September 30 of the succeeding fiscal year.

Appendix 3: Congressional Rules Governing CBO's Estimates (Commonly Referred to as the 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