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The Pell Grant Program: Funding and Current Shortfall

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Justin Humphrey

Chief, Finance, Housing, and Education Cost Estimates Unit

For more information about the AASCU, see www.aascu.org.

Overview

- The Pell Grant Program
- Components of Funding for Pell Grants
- Shortfalls, Surpluses, and the Pell Scoring Rule
- Historical Pell Grant Funding and Program Costs
- How the Congress Addressed Previous Shortfalls

The Pell Grant Program

The Pell grant program is the largest federal program providing aid to students for their postsecondary education.

- 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) 2025–2026 (from CBO's January 2025 baseline):

- 7.4 million Pell grant recipients
- Total maximum award of $7,395
- Average award of about $5,120
- Total federal cost of $38.1 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 $6,335) 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 the annual appropriation act.
- For AY 2025–2026, the total maximum award is $7,395; the mandatory add-on is $1,060.

Shortfalls, Surpluses, and the Pell Scoring Rule

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.
- CBO estimates that the Pell program will have a discretionary shortfall of $2.7 billion at the end of AY 2025–2026.
- As a result, the program will need an appropriation of $10.3 billion more in 2026 than it did in 2025 to maintain the current award level, in CBO's estimation.

Congressional Rules Governing CBO's Pell Grant Program Estimates[1]

- 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)..

Historical Pell Grant Funding and Program Costs

Millions of dollars

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Regular Discretionary Appropriations	22,475	22,475	21,165	22,475	21,875	21,975	21,975	21,425	22,115	22,475	22,475
Appropriations Act of 2011	0	0	1,060	1,125	1,125	1,140	1,145	1,145	1,145	1,145	1,145
Consolidated Appropriations Act, 2012	0	0	514	257	284	290	0	0	0	0	0
Consolidated Appropriations Act, 2017	0	0	-254	0	0	0	0	0	0	0	0
Consolidated Appropriations Act, 2018	0	0	0	-48	0	0	0	0	0	0	0
Labor, HHS, Education Appropriations Act, 2019	0	0	0	0	-39	0	0	0	0	0	0
FUTURE Act, 2019	0	0	0	0	0	25	25	25	25	25	25
Further Consolidated Appropriations Act, 2020	0	0	0	0	0	-50	0	0	0	0	0
Consolidated Appropriations Act, 2021	0	0	0	0	0	0	-28	0	0	0	0
Consolidated Appropriations Act, 2022	0	0	0	0	0	0	0	-85	0	0	0
Consolidated Appropriations Act, 2023	0	0	0	0	0	0	0	0	-75	0	0
Consolidated Appropriations Act, 2024	0	0	0	0	0	0	0	0	0	0	2,000
Department of Education Administrative Transfer	0	0	0	0	0	0	0	-7	-61	-206	0
Total Budget Authority for Discretionary Program	22,475	22,475	22,485	23,809	23,245	23,380	23,117	22,503	23,149	23,439	25,645
Previous Year Cumulative Surplus	9,482	8,110	8,816	8,533	9,654	10,128	12,191	14,392	14,616	11,615	3,577
Total Available Budget Authority	31,957	30,585	31,301	32,342	32,899	33,508	35,308	36,895	37,765	35,054	29,222
Estimated Program Costs	23,847	21,769	22,768	22,688	22,771	21,317	20,916	22,279	26,150	31,477	31,956
Cumulative Surplus or Shortfall (-)	8,110	8,816	8,533	9,654	10,128	12,191	14,392	14,616	11,615	3,577	-2,734

Estimated Shortfall Entering Fiscal Year 2026: -2,734

HHS = Department of Health and Human Services.

How the Congress Addressed Previous Shortfalls

Previous Shortfalls

Before the upcoming year, the most recent estimated shortfall for Pell grants was in 2011. The program also had estimated shortfalls in 2010 and 2008.

How Congress Addressed Previous Shortfalls

By appropriating additional funding through, for example:

- The American Recovery and Reinvestment Act of 2009
- The Healthcare and Education Reconciliation Act of 2010

By reducing the cost of the discretionary portion of the Pell program by, for example:

- Eliminating the year-round Pell
- Capping the number of Pell grants a student can receive
- Eliminating Pell eligibility for certain students without a high school degree

And by using savings from reductions in the cost of the mandatory add-on to increase the mandatory-for-discretionary funding.

Additional Information

For supplemental data about the Pell Grant program, see Congressional Budget Office, “Details About Selected Programs, Pell Grant Program—January 2025 Baseline” (January 2025), www.cbo.gov/data/baseline-projections-selected-programs#12.

Appendix 1: 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

Appendix 2: 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.—

FAFSA = free application for federal student aid.

Appendix 3: 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.

FAFSA = free application for federal student aid.