



*April 2016*

## **New Cost Estimates Could Pave the Way for Return of Year-Round Pell**

In March, the Congressional Budget Office (CBO) released its yearly projections for the Pell Grant program. The revised cost estimates revealed a large projected surplus for the Pell Grant program over the next several fiscal years. In fiscal year (FY) 2017 alone the surplus is now estimated at \$8.7 billion. In fact, the surplus is so large that Congress could use a FY 2017 funding bill to reinstate year-round Pell Grants. Alternatively, they could opt to use the surplus to fund other priority programs outside of higher education. With overall funding likely flat-lined, higher education advocates will have to weigh in forcefully to retain surplus funds for the Pell Grant program.

### ***How did we get such a large Pell Grant surplus?***

Each year, the cost of the Pell Grant program is determined by the CBO's March baseline numbers. While they are used for budgetary and appropriations purposes, they are subject to change yearly as estimates are revised. The CBO uses a number of variables to estimate the cost of the Pell Grant program over the next decade, including enrollment projections, award levels, and changes in eligibility.

The cost of the Pell Grant program peaked in FY 2010 at around \$35 billion, with more than 9 million students receiving a Pell Grant. Today, closer to 7.7 million students receive a Pell Grant annually at a cost of around \$23 billion. The drop in recipients can be largely attributed to a stronger economy and reduced demand for postsecondary training. In addition to reduced demand, the reduction in cost can also be attributed to cuts to the Pell Grant program. In FY 2011, Congress eliminated year-round Pell Grants. The following year, Congress made several eligibility changes to the program in order to generate savings. This included the elimination of ability-to-benefit students, a reduction in the maximum number of semesters Pell is available, and changes to Expected Family Contribution. These changes had a disproportionate impact on nontraditional students, many of whom attend community college.

### ***Future Projections***

CBO projections estimate that the Pell Grant program will have an additional \$7.75 billion in surplus from the current fiscal year. According to the CBO estimates the surplus remains till 2025, assuming Congress does not divert it elsewhere and maintains current funding.

The eventual shortfall is far less than was predicted just last March. At that time the CBO estimates showed a cumulative shortfall of over \$31 billion between fiscal years 2018 and 2025 (using the same assumptions of level funding). Presently, that cumulative shortfall is just over \$5 billion, showing evidence of how much the cost estimates can shift year to year.

CBO's March baseline number for the Pell Grant program are the official numbers used for the year, and may be viewed here: <http://1.usa.gov/1MEObpd>.

**Pell Grant Program Estimates, March 2016 Baseline**  
(assumes a discretionary base award of \$4,860, and level discretionary funding)  
(in billions)

<b>Fiscal Year</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>	<b>2026</b>
<b>Discretionary Appropriations</b>	22.475	22.48	22.48	22.48	22.48	22.48	22.48	22.48	22.48	22.48
<b>Prior Year Surplus</b>	7.754	8.704	9.02	8.854	8.325	7.128	5.44	3.337	0.834	0
<b>Mandatory Funding</b>	1.574	1.382	1.409	1.43	1.145	1.145	1.145	1.145	1.145	1.145
<b>Total Available Resources</b>	31.803	32.56	32.9	32.76	31.95	30.75	29.06	26.96	24.45	23.62
<b>Estimated Program Costs</b>	23.099	23.54	24.05	24.43	24.82	25.31	25.72	26.12	26.54	26.87
<b>surplus/ shortfall</b>	8.704	9.02	8.854	8.325	7.128	5.44	3.337	0.834	-2.083	-3.245

***Year-Round Pell***

In 2011, Congress made the sweeping move to eliminate year-round Pell Grants in order to generate savings for the program. While year-round Pell was authorized in the 2008 reauthorization of the Higher Education Act, students largely did not benefit from the program until the 2009-2010 academic year. During that year approximately 1.2 million students accessed year-round Pell; receiving an additional \$1,700 in aid on average. In a 2013 report, CBO estimated the cost of year-round Pell Grants in the 2009-2010 academic year at \$2.1 billion. However, it's important to note that the Pell Grant program saw a significant increase in demand during that time period, likely contributing to that high price tag.

While year-round Pell was in existence, students were able to qualify for the additional disbursement if the award contributed to greater acceleration towards a degree or certificate. Through regulations, the Department of Education determined this to mean that students could qualify by attending at least half-time, and taking more than a full year's worth of credits though the additional semester. For example, a student who completed a combined 21 credits in the spring and fall, and intended to take an additional 6 credits in the summer would qualify for an extra Pell Grant disbursement (assuming a full academic year at an institution is 24 credits).

There is significant bipartisan interest in reinstating year-round Pell Grants. However, proposals vary in approach. Requirements such as on-track for on-time completion would be particularly problematic for the community college sector. Additionally, it is important that there is a pathway for part-time students to also qualify for access to year-round Pell Grants.

Given that the surplus exists, in part, due to reductions in awards for needy students, ACCT highly encourages Congress to use the current surplus to invest in Pell Grants and reverse recent cuts to the Pell Grant program. Providing Pell Grants beyond the normal two semesters or three quarters can increase persistence and graduation rates by forestalling summer learning loss and giving students the opportunity to complete their degrees more rapidly. Year-round Pell provides students much needed flexibility in accessing financial aid.

***How Community College Leaders Can Help***

ACCT released a statement on the Pell Grant surplus and the importance of retaining surplus funds for disadvantaged students, which may be viewed here: <http://bit.ly/22IxYsa>. Given the scale of the surplus, ACCT is concerned that Congressional appropriators may identify the Pell Grant program as a source of funds to be diverted to other priorities. We encourage community college leaders to [write their members of Congress](#) to urge them to protect the Pell Grant program, and utilize the Pell Grant surplus to facilitate the reinstatement of year-round Pell Grants.