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The Pell Grant: Foundations, Current Model, and Future Public Policy Implications

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**THE PELL GRANT: FOUNDATIONS, CURRENT MODEL, AND FUTURE
PUBLIC POLICY IMPLICATIONS**

With a spotlight on the State of Tennessee and the University of Tennessee-Knoxville

A Paper Submitted in Partial Fulfillment of the Requirements for the Distinction of

BAKER SCHOLAR

at the Howard H. Baker Jr. Center for Public Policy

Taylor K. Odle

Supervised by Dr. Sally J. McMillan

THE UNIVERSITY *of* TENNESSEE

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This work began as a project to summarize diverse reports pertaining to the federal Pell Grant program for broad consumer education. It is modeled on previous reports by the Congressional Research Service and the College Board (cited therein) and has been updated with more current financial and enrollment data. Additionally, the project was extended to include a specific descriptive analysis on Pell-eligible students in the State of Tennessee and at the University of Tennessee-Knoxville. All rights reserved. This work may not be reproduced in whole or in part, by photocopy or other means, without the written permission of the author.

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ABOUT THE AUTHOR

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Taylor has completed internships with Vanderbilt University and U.S. Senator Lamar Alexander, studied abroad in the United Kingdom and Spain, and been involved with numerous extracurricular activities during his undergraduate career. He has served as a member of the Provost's Student Advisory Council, the Faculty Senate's Undergraduate Council, the Faculty Senate's Teaching & Learning Council, the Undergraduate Council's Academic Policy Committee, the University Honors Committee, the Student Life Council, the Student Disciplinary Board, the Student Government Association, and Student Alumni Associates.

Taylor will attend Vanderbilt University's Peabody College as a Dean's Scholar pursuing a Master's of Education in Higher Education Administration with concentrations in Student Affairs and Higher Education Policy.

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SUMMARY

In 1965, Title IV of the Higher Education Act (HEA) authorized the federal Pell Grant program. This program serves as the largest source of federal financial aid granted to postsecondary education students. In FY2011, around 9.7 million undergraduate students received federal Pell Grant aid. This represented an investment totaling over \$33.5 billion.¹ Although the award may be amended from year to year, the total maximum Pell Grant is \$5,550.² The program is primarily funded through discretionary spending, but recent economic changes have warranted legislative actions. These actions have increased the role of mandatory appropriations in the program's funding. The Higher Education Opportunity Act reauthorized the program in 2008.

The Pell Grant program is intended to be the foundation of all federal financial aid. There is no absolute income level that determines the eligibility of recipients. However, students who receive the Pell Grant are primarily low-income, and, a vast majority, accounting for almost 84% of all Pell Grant recipients, had a total family income below \$30,000 in FY2010.³

Over the past few years, a great deal of attention has been turned toward the Pell Grant program. Congress has been especially engaged with the program's operation due to the ongoing need for additional program funding since FY2009, which has been driven by both anticipated and unanticipated cost increases in the program's operation. External factors to the program that contributed to this cost escalation included (1) legislative and regulatory changes affecting student benefits; (2) increases in college enrollment and Pell Grant applicants; and (3) the weakened state of the American economy. Congress provided additional mandatory funding FY2010 through FY2012 to augment discretionary funding. Additionally, the Consolidated Appropriations Act afforded \$22.8 billion to the program in FY2012 and an extra \$3.1 billion annually for general program use from FY2012 through FY2021. The federal government was able to utilize spending reductions in other student aid programs, changes to program eligibility, and amendments to the program's award rules to offset these unexpected funding measures.⁴

Many pressing issues concerning the Pell Grant program will face the current session of Congress. If Congress is to control federal spending with regard to Pell Grants and ensure that the program continues to meet its established mission – to provide the most needy undergraduate students with an avenue to obtain postsecondary education – specific measures may have to be taken with regard to program outcomes, institutional eligibility, outcome measures, and future funding needs. Federal policymakers, student aid advocacy groups, and institutions of higher education have offered diverse and viable options to redesign and sustain the Pell Grant program, including reorganization, institutional incentives, bifurcation of award types, and coordination among federal student aid programs.

The Higher Education Act is set to be reauthorized in 2014.

¹ U.S. Department of Education, Online Federal Student Aid Data Center.

² U.S. Department of Education, *FY2013 Justifications of Appropriation Estimates to the Congress*, p. 21.

³ U.S. Department of Education, *AY2009-10 Pell Grant End-of-Year Report*, Table 1.

⁴ U.S. Department of Education, *Fiscal Year 2012 Budget Summary*, p. 46.

SECTION ONE: CURRENT MODEL

PART ONE: Structure

Program Overview

At its foundation, the Pell Grant program is intended to serve undergraduate students who are in the most need of federal financial aid for postsecondary education. This support is provided in the form of grants that do not have to be repaid. In accordance with its intended mission, in any given year, federal funding will be made available to support *all* eligible students. Eligible students who would like to apply for a federal Pell Grant must submit the Free Application for Federal Student Aid (FAFSA). Students must provide all necessary financial information supporting their application and submit it to a central processor. The central processor is contracted by the Department of Education (ED) and generates a Student Aid Record (SAR) for each applicant and an Institutional Student Information Record (ISIR) for each institution, both of which contain financial information listed on the FAFSA, as well as an applicant's expected family contribution (EFC). The EFC is an amount that an individual and (if applicable) their family are expected to annually contribute toward expenses for their undergraduate education.⁵

A key aspect of the Pell Grant program that few other sources of federal financial aid hold similar is the fact that Pell Grants are portable. Grant aid goes with students to any eligible institution that they attend. The amount of a Pell Grant is based primarily on what students and (if applicable) their families are expected to contribute toward education expenses; their institution is required to disburse that specified amount of Pell aid if the student enrolls in approved coursework.

Eligibility

In order to establish and maintain eligibility for receipt of a Pell grant, student must meet specific federally mandated requirements. Additionally, recipients of Title IV aid (including the Pell Grant), must meet heightened requirements, as established by the Higher Education Act.

As of AY2012-2013, general requirements for federal student aid include:⁶

- Students must be seeking a degree or certificate at an eligible institution.
- Only students who have a high school diploma (or recognized equivalent) or complete a secondary education in a qualified home setting are eligible.
- Students must maintain satisfactory academic progress while enrolled in postsecondary education in order to be eligible for federal student aid.⁷
- Students must meet United States citizenship requirements.
- Males between 18 and 25 years of age must register with the selective service.

⁵ U.S. Department of Education, Federal Student Aid, *Grants & Scholarships: Federal Pell Grants*.

⁶ *Higher Education Act of 1965*, Public Law 89-329, Title IV.

⁷ "Satisfactory academic progress" is defined by each institution of higher education. See 34 CFR 668.34.

Specific Pell Grant eligibility requirements include:⁸

- Full-time and part-time undergraduates.⁹
- All recipients are subject to a cumulative lifetime eligibility cap on Pell Grant aid of 12 full-time semesters.
- Student who are incarcerated in a federal or state penal institution are ineligible.
- A student who qualifies for a Pell Grant is eligible to receive an automatic zero EFC if the student's parent or guardian was a member of the U.S. Armed Forces and died as a result of performing military service in Iraq or Afghanistan after September 11, 2001.

Role of the Institution

The Higher Education Act reserves eligibility for Title IV programs to certain types of institutions of higher education. Public and nonprofit institutions are all eligible, as are for-profit (proprietary) institutions and postsecondary education institutions. Eligibility to participate in the Title IV programs covers an institution's ability to receive Pell Grant aid. The college or university must also be legally authorized by its respective state to engage in the delivery of postsecondary education and be recognized by a national accrediting agency. Additionally, the institution may only admit students with the minimum of a high school diploma or an equivalent. An institution is authorized to participate in Title IV programs after they have been certified by ED. The Department reviews each school's institutional eligibility, administrative capacity, and financial responsibility.¹⁰ If approved, an institution must sign an agreement with the Department of Education outlining the rights, requirements, and responsibilities of Title IV institutions.

Included with participation in Title IV programs, an institution's primary role in the Pell Grant program is to determine student eligibility and disburse awards. Institutions may also be required to adjust student awards who may no longer be eligible to receive their previous levels of federal assistance, participate in certain activities pertaining to record keeping, and report enrollment status and academic progress to ED.¹¹ Pell funds are typically credited to a student's account and may be used to pay tuition and any other university- or education-related costs. Excess funds are typically paid to recipients to help cover living and other expenses.

It is also the duty of the institution to calculate a student's eligible Pell Grant award. This is typically done by using the cost of attendance and enrollment status for each student, combined with their EFC, compared to Pell Grant payment schedules provided by ED. The Department of Education will authorize a specific amount of funding for each eligible institution upon receipt of that institution's indicated Pell Grant need. Institutions may receive Pell funds through advance payment from ED by way of their initial authorization or through reimbursement payments. Regardless of the method of disbursement elected by the institution, ED applies an administrative cost of \$5 per enrolled student receiving Pell aid.

⁸ *Higher Education Opportunity Act of 2008*, Public Law 110-315, Section 102.

⁹ For the purposes of Pell Grant eligibility, students enrolled in at least 12 credit hours are considered full-time. Student enrolled on a less-than-half-time basis (i.e., less than 6 credit hours) are also eligible.

¹⁰ CRS Report R42011, *Department of Education Final Rules for Postsecondary Education Programs That Prepare Students for Gainful Employment in a Recognized Occupation*, by David P. Smole.

¹¹ U.S. Department of Education, *Federal Student Aid Handbook*, 2012-2013.

Recipient Population

The Pell Grant benefits a significant portion of the nation's undergraduate students each year. During the program's inception in 1973, over 176,000 students received some form of Pell aid. Since then, the number of Pell recipients each year has risen substantially. The number of Pell Grant recipients reached 9,607,000 in AY2010-2011. Then, in AY2011-2012, the number of Pell Grant recipients grew by 110,000 to 9,715,000.¹² Therefore, it is estimated that approximately 49.3% of all students in AY2011-2012 received a Pell Grant.¹³ **Table 1** shows trends in the number of Pell Grant recipients from AY2000-AY2011. It also highlights the annual change and annual percentage change in Pell Grants during this timeframe. Table 1 indicates that although the growth observed in AY2011-2012 was only 1.15%, the average annual percentage change during the three-year period directly preceding it was 19%. When reviewing these changes, it is imperative to remember that many influences impact the amount of Pell recipients per year.¹⁴

Table 1. Federal Pell Grant Recipients, AY2000-2001 to AY2011-2012

Award Year	Pell Grant Recipients	Annual Change	% Change
2000-2001	4,059,000	147,000	3.8%
2001-2002	4,528,000	469,000	11.6%
2002-2003	4,977,000	449,000	9.9%
2003-2004	5,365,000	388,000	7.8%
2004-2005	5,548,000	183,000	3.4%
2005-2006	5,415,000	(133,000)	(2.4%)
2006-2007	5,289,000	(126,000)	(2.3%)
2007-2008	5,678,000	398,000	7.5%
2008-2009	6,322,000	635,000	11.2%
2009-2010	8,342,000	2,020,000	32%
2010-2011	9,607,000	1,265,000	15.2%
2011-2012	9,715,000	110,000	1.15%

Source: U.S. Department of Education, Online Federal Student Aid Data Center.

Note: Recipient figures rounded to nearest thousand.

Income

Although no absolute income threshold exists to determine Pell Grant eligibility, in FY2010 (AY2010-2011), 59% of dependent Pell Grant recipients came from a family with an income at or below \$30,000. The income of independent Pell Grant recipients is typically lower than dependent students, such that approximately 87% of independent Pell Grant recipients had a total income at or below \$30,000 in FY2010.¹⁵ An individual is considered independent if: the individual is at least 24 years old, married, a graduate or professional student, a veteran, a

¹² U.S. Department of Education, <http://federalstudentaid.ed.gov/datacenter/programmatic.html>.

¹³ Calculated from U.S. Census Bureau Education Statistics, 2011-2012; U.S. Department of Education, Online Federal Student Aid Data Center.

¹⁴ Factors include (1) amendments to the HEA; (2) changes in appropriations bills; (3) trends in enrollment at postsecondary institutions; (4) macroeconomic and microeconomic variables; and (5) others.

¹⁵ U.S. Department of Education, *AY2009-10 Pell Grant End-of-Year Report*.

member of the armed forces, an orphan, a ward of the court, or someone with legal dependents other than a spouse, an emancipated minor or someone who is homeless or at risk of becoming homeless. Dependent students are applicants who do not meet any of the criteria to be qualified as an independent student.¹⁶

Although the Pell Grant is intended to help the most needy among undergraduate students, a small percentage of Pell Grants are awarded to mid- and high-income families. For example, 283,396 Pell Grant recipients had a family income above \$60,000 in AY2010-2011.¹⁷ This constituted approximately 3% of the total recipient population. Generally, however, these awards are smaller than aid granted to other students and are typically awarded to dependents of families who have multiple children enrolled in college.

Participation Rate

Contrary to the program's intended outcome, a significant amount of needy undergraduate students do not receive Pell Grants. This is due, principally, to their failure to apply for federal financial aid.¹⁸ For AY2007-2008, **Table 2** shows the percentage of Pell Grant recipients by dependency status and income category, compared to all federal aid applicants. Participation rates are listed for each level of dependency status and income category. The first category indicates the percentage of all undergraduate students who received a Pell Grant. The second measures the percentage of all federal aid applicants who received a Pell Grant.

For the lowest income levels of all undergraduates, approximately 62.3% of dependent individuals from families with income less than \$10,000 per year received a Pell Grant, and about 53.3% of independent individuals who received a Pell Grant had a total annual income of less than \$5,000. Of all dependent students from that same income category who applied for federal financial aid, 81.5% were Pell Grant recipients. Additionally, approximately 79.3% of independent undergraduates at that income level who applied for federal aid received Pell funding. As exhibited by Table 2, as income rises, participation rates in the federal Pell Grant program decline for both all students, regardless of dependency status.

As previously mentioned, a large number of low-income students do not receive a Pell Grant to aid in access to postsecondary education. Data from Table 2, taken in AY2007-2008, suggests that approximately 19.5% of dependent undergraduates with a total family income below \$10,000 did not receive a Pell Grant, even though they applied for federal financial aid. Likewise, the applications of 21.7% of independent undergraduate students with a total income below \$5,000 per year were not awarded Pell aid.

¹⁶ U.S. Department of Education, Federal Student Aid, *Glossary*.

¹⁷ U.S. Department of Education, *AY2010-11 Pell Grant End-of-Year Report*, Table 3-A.

¹⁸ Some students who apply for federal financial aid do not enroll in an institution of higher education; this has been coined the "show-up" rate. According to data from ED, only 73% of Pell Grant applicants who applied and qualified for aid actually enrolled and received Pell funding.

Table 2. Estimated Pell Grant Participation by Dependency and Total Family Income, AY2007-2008

Total Family Income	Estimated Percentage Receiving Pell Grants	
	All Students	All Federal Aid Applicants
<i>Dependent Undergraduates</i>		
Less than \$10,000	63.2	81.5
\$10,000-\$19,999	72.7	87.4
\$20,000-\$29,999	64.9	80.6
\$30,000-\$39,999	53.5	70.8
\$40,000-\$49,999	32.0	49.5
\$50,000-\$59,999	15.4	25.3
\$60,000 or more	2.3	4.2
<i>Independent Undergraduates</i>		
Less than \$5,000	53.3	79.3
\$5,000-\$9,999	65.5	85.2
\$10,000-\$19,999	52.3	74.1
\$20,000-\$29,999	34.8	54.2
\$30,000-\$49,999	28.2	55.5
\$50,000 or more	0.23	0.85

Source: 2007-2008 National Postsecondary Student Aid Study (NPSAS).

Note: “Estimated Percentage Receiving Pell Grants” includes student enrolled at any intensity; “Dependent Undergraduates” portion includes income of dependent student and parents; “Independent Undergraduates” portion includes income of independent student and spouse.

Enrollment Status

The proportion of Pell Grant recipients who are full-time is larger than that of non-Pell students when considering the undergraduate population as a whole. Additionally, regardless of their dependency status, Pell Grant recipients are also less likely to be enrolled part-time compared to their undergraduate, non-Pell counterparts. **Table 3** shows the distribution of all undergraduates in general and Pell recipients with regard to enrollment status.

Table 3. Estimated Distribution of Undergraduates and Pell Grant Recipients by Enrollment Status, AY2007-2008

Enrollment Status	All Students	Pell Recipients
<i>Dependent Undergraduates</i>		
Full-time	62.1%	68.8%
Part-time	18.7%	10.5%
Mixed	19.2%	20.7%
Total	100%	100%
<i>Independent Undergraduates</i>		
Full-time	31.5%	49.9%
Part-time	54.1%	28.4%
Mixed	14.4%	21.7%
Total	100%	100%

Source: 2007-2008 National Postsecondary Student Aid Study (NPSAS).

Note: “Mixed” indicates enrollment status was changed during enrollment period.

Participating Institutions

Pell Grant recipients are more likely to be enrolled at for-profit institutions than their non-Pell undergraduate counterparts. Additionally, these students are considerably less likely to be enrolled in public two-year institutions. **Table 4** shows the distribution of undergraduate dependent, independent, and Pell Grant recipients by type and control of their Title IV institution.

Table 4. Estimated Distribution of Undergraduates and Pell Grant Recipients by Type of Enrolling Institution, AY2007-2008

Type and Control of Institution	% of Total Dependent Undergraduates Enrolled	% of Dependent Pell Grant Recipients	% of Total Independent Undergraduates Enrolled	% of Independent Pell Grant Recipients
Public four-year	38.1	37.8	19.2	19.3
Private four-year	16.3	15.3	9.3	9.9
Public two-year	32.3	27.8	48.6	32.9
Proprietary	4.0	9.6	14.6	28.7
More than one institution	9.2	9.5	8.3	9.2
Total	100.0	100.0	100.0	100.0

Source: 2007-2008 National Postsecondary Student Aid Study (NPSAS).

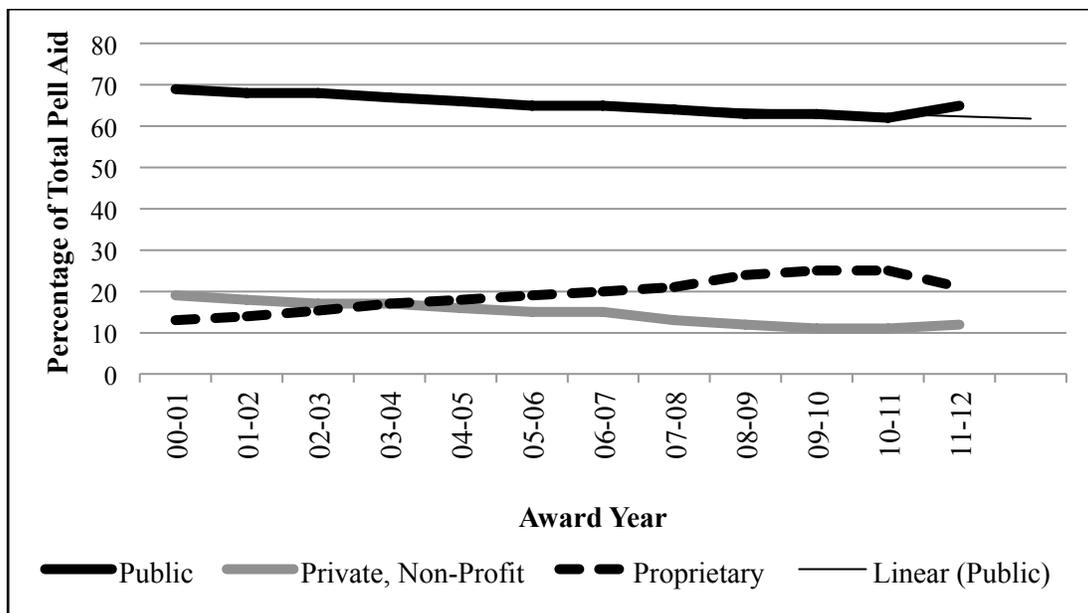
Considerable attention has been given to the specific distribution of Pell aid by institution type. Over the last several years, proprietary institutions have seen an increased proportion of Pell Grant aid that in previous years, though public institutions have remained the largest recipients of Pell aid overall. Since AY2002-2003, there has been a significant decline in the percentage of total Pell Grant aid received by public institutions. **Figure 1** illustrates a 6% drop from 68% to 62%, ending in AY2010-2011. During the illustrated timeframe, total Pell aid increased by \$24.8 billion. This increase reached its height at \$36.5 billion in 2010 from a mere \$11.7 billion in 2002. Figure 1 also illustrates a 3% increase in the share of Pell Grant aid for public institutions in AY2011-2012. Beginning in AY2002-2003, we also observe that for-profit institutions experienced a substantial increase of 15.4% in their share of total Pell aid to a peak of 25% in AY2010-2011. This share declined in AY2011-2012 to 21.5%.

Requirements for institutional participation in Title IV programs, especially for the Pell Grant, have changed over the time period covered by this graph. Many legislative amendments and regulatory actions changed institutional eligibility requirements during this time.¹⁹ For example, the Higher Education Opportunity Act amended the definition of “institution of higher

¹⁹ Federal Student Aid Handbook: Institutional Eligibility and Participation, Vol. 2. Further revisions may be found in HEAO Section 101(a) and 102(d)(1).

education,” such that: institutions were allowed to enroll homeschooled student who do not have a high school diploma or GED as regular students; eligible institutions were permitted to dually enroll secondary students as regular students; and ED was authorized to approve (or deny) the eligibility of institutions that offer a degree equivalent to a graduate or professional degree. Additionally, the definition of “proprietary institution” was amended to include institutions that provide programs leading to a bachelor’s degree in liberal arts.

Figure 1. Percentage of Total Pell Grant Aid Received by Type of Institution, AY2000-2001 to AY2011-2012



Source: U.S. Department of Education, *AY2011-12 End-of-Year Reports for the Title IV/Pell Grant Program* and the U.S. Department of Education, Online Federal Student Aid Data Center.

PART TWO: Role

Purchasing Power

In order to best gauge the Pell Grant’s level of annual support, we may look to the total maximum Pell Grant award in any particular year. Maximum Pell aid is only available to students with a zero EFC who are enrolled on a full-time basis. In AY2011-2012, the maximum Pell Grant was \$5,550. This covered approximately 65% of the average published tuition, fees, room, and board at public two-year institutions. Students at public four-year institutions saw coverage of around 33% and students at private four-year institutions saw coverage of 16%.²⁰ In AY2011-2012, regarding the coverage of additional education-related expenses, the Pell Grant only covered approximately 23% of these expenditures for enrolled students.²¹ A comparison of the maximum grant to average undergraduate tuition, fees, room, and board at varying types of institutions of higher education is shown in **Figure 2**. This graph highlights average coverage

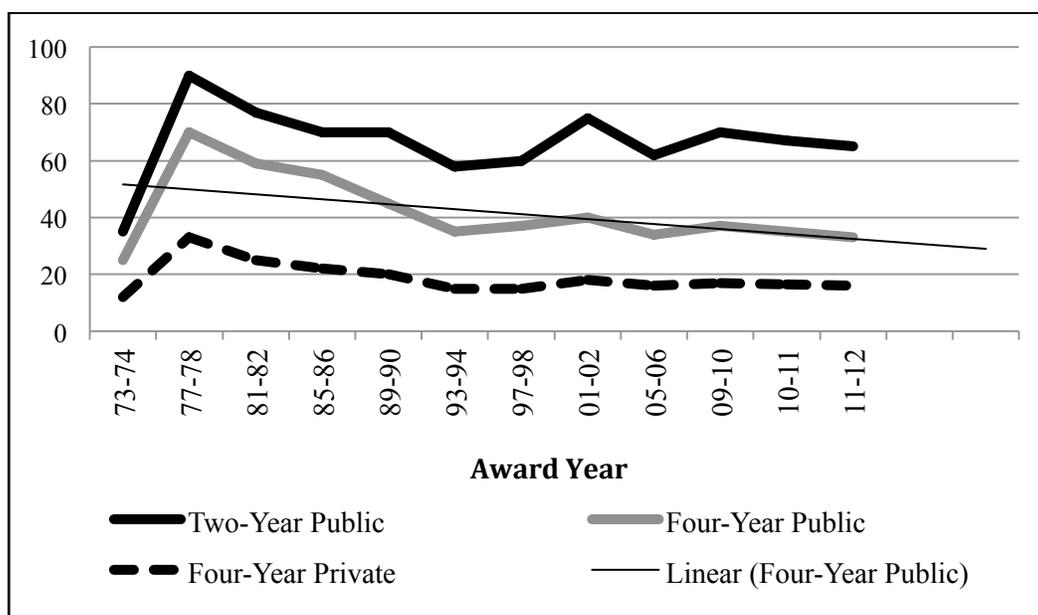
²⁰ National Center for Education Statistics (NCES), *2012 Digest of Education Statistics*, Table 349.

²¹ Calculated from The College Board, *Trends in College Pricing 2012*; NCES, *Digest of Education Statistics 2012*.

from AY1973-1974 to AY2011-2012, with a peak in coverage during the 1970s. Moving into the mid-1980s through the 1990s, the Pell Grant provided increasingly less coverage of tuition, fees, room, and board for enrolled students. Even today, despite recent legislative changes that have affected student eligibility and increased the maximum award, coverage for AY2011-2012 was slightly lower than that of AY2010-2011. During this time period, we observed an increase in published expenses among all types of institutions, yet no change in the maximum Pell Grant award from year to year.

Public policy analysts have also suggested measuring the purchasing power of the Pell Grant by comparing the maximum award to only the average tuition and fees published by institutions of higher education, without regard to the average costs of room, board, and other associated fees.²² In AY2011-2012, approximately 72% of published tuition and fees at four-year public institutions were covered by the maximum Pell award. At their two-year counterparts, the maximum Pell Grant actually exceeded the cost of tuition and fees. In AY2009-2010, the maximum Pell grant was \$5,550, compared to average tuition and fees of \$2,647. Students enrolled in private four-year institutions experience the least amount of expense coverage with the Pell Grant; the maximum award only satisfied approximately 20% of the average published tuition and fees in AY2011-2012.²³

Figure 2. Percentage of Tuition, Fees, Room, and Board Covered by Total Maximum Pell Grant, by Institution Type, AY1973-1974 to AY2011-2012



Source: National Center for Education Statistics (NCES), 2012 *Digest of Education Statistics*.

²² College Board, *Trends in College Pricing*, 2009.

²³ Calculated from The College Board, *Trends in College Pricing 2012*; NCES, *Digest of Education Statistics 2012*.

Other Federal Financial Aid

In order to best ascertain the role of the Pell Grant, we may look to the extent to which undergraduate, federal need-based aid recipients were also Pell recipients. Data from AY2007-2008 suggests that the Pell Grant aid may not have served as the foundational basis for financial aid recipients.²⁴ That year, approximately 58% of federal need-based financial aid recipients at the undergraduate level were awarded a Pell Grant. In addition, around 67% of all undergraduate need-based recipients in AY2007-2008 borrowed Stafford Subsidized Loans.²⁵

A different method to examine the intersection of the Pell Grant and other federal aid is to examine the degree to which Pell recipients, in sum, utilized only their Pell aid to meet the growing costs of college without also taking out loans that require repayment. For AY2007-2008, only 12.9% of Pell recipients relied solely upon funding from the Pell Grant to cover the education expenses. Many of these students also participated in other federal student aid programs. Pell Grant recipients, on average, are more likely to borrow Subsidized Stafford Loans. In AY2007-2008, over 56.6% of Pell recipients borrowed subsidized loans at an average amount of \$3,366.²⁶

The ability of Pell Grant recipients to obtain loans to offset the price of college is greatly affected by the overall price of education in our nation. The propensity of borrowing for Pell Grant recipients at public two-year institutions was far less than for Pell students as a whole. Generally, the average cost of attendance at two-year institutions is less than that of public four-year institutions and typically much less than a private four-year institution. At two-year public institutions in AY2007-2008, 12% of Pell recipients borrowed Unsubsidized Stafford Loans while 26% borrowed Subsidized Stafford Loans.²⁷ The propensity to seek and borrow additional federal financial aid was much greater for students attending for-profit institutions, such that 92% borrowed subsidized loans and 83% borrowed unsubsidized loans in AY2007-2008.²⁸

Subsidized and unsubsidized loans are forms of federal student aid that eligible students may use to help cover the cost of higher education, where, unlike a Pell Grant, repayment is required.²⁹ Direct Subsidized Loans are available to undergraduate students with financial need, whereas Direct Unsubsidized Loans are available to undergraduate and graduate students who do not specifically demonstrate financial need. The interest on subsidized loans is paid by ED while students are in school at least half time, for six months after graduation, and during a period of deferment, while borrowers are fully responsible for paying the interest on a Direct Unsubsidized Loan during all periods. For both loan programs, the institution of higher education determines the amount a student is eligible to borrow, which may not exceed a student's demonstrated financial need and/or the estimated amount of educational and education-related expenses.

²⁴ 2007-2008 National Postsecondary Student Aid Study (NPSAS).

²⁵ CRS Report R40122 (2008), *Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Term and Conditions for Borrowers*, by David P. Smole.

²⁶ 2007-2008 National Postsecondary Student Aid Study (NPSAS).

²⁷ 2007-2008 National Postsecondary Student Aid Study (NPSAS).

²⁸ "For-profit institutions" include less-than two-year, two-year, and four-year institutions.

²⁹ U.S. Department of Education, Federal Student Aid, *Stafford Loans*.

PART THREE: Financial Operation

Program Costs

Costs for the Pell Grant program are award-year specific and are primarily affected by the number of students who apply for and receive aid and the program's eligibility parameters and award rules. From AY2008-2009 to AY2010-2011, the program experienced both anticipated and unanticipated increases in program costs in each award year.

Table 5 provides a summary of Pell Grant program costs from AY2007-2008 through AY2012-2013. Costs associated with the discretionary base maximum award and costs associated with the mandatory add-on award, where appropriate, are specified. Table 5 shows that the total program cost doubled from AY2007-2008 to AY2009-2010 and increased an additional 18% in AY2010-2011. Due in part to changes recently enacted by Congress, program costs for the program during the last three years from AY2010-2011 to AY2012-2013 were approximately \$35.6 billion each year.

In 2007, a mandatory add-on award was established to augment the Pell Grant aid afforded to some recipients.³⁰ This authorization was effective beginning in AY2008-2009 until AY2012-2013 and the mandatory add-on amount was \$690 per year. If a student qualified for the Pell program in AY2008-2009 until AY2012-2013, they also received the mandatory add-on award. The current qualifying minimum Pell Grant award is equal to 10% of the total maximum award. In AY2012-2013 the qualifying minimum award was \$555, or 10% of \$5,550.³¹

**Table 5. Pell Grant Program Costs, AY2007-2008 to AY2012-2013
(dollars in billions)**

Award Year	Cost Associated with Discretionary Award Levels	Cost Associated with Mandatory Award Levels	Total Program Cost
AY2007-2008	\$14.7	N/A	\$14.7
AY2008-2009	\$16.1	\$2.3	\$18.4
AY2009-2010	\$26.9	\$3.2	\$30.1
AY2010-2011	\$30.5	\$5.1	\$35.6
AY2011-2012	\$30.7	\$5.0	\$35.7
AY2012-2013	\$30.6	\$5.0	\$35.6

Source: Congressional Budget Office (CBO), *Federal Pell Grant Program, Discretionary Baseline, Cumulative Surplus/Shortfall, and Funding Gap*, March 2012.

Cost Escalation

In general, several factors contributed to the unprecedented escalation in program costs from AY2008-2009 to AY2010-2011 that became the focus of Congress. For example, numerous legislative changes have amended the program to offer increased benefits for more students.

³⁰ See the College Cost Reduction and Access Act of 2007, Pub. L. 110-84.

³¹ CRS Report R42446 (2013), *Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues*, by Shannon M. Mahan.

Additionally, the number of students enrolling in institutions of higher education has greatly increased over the past several years, directly impacting the number of Pell Grant aid applications and awards. Finally, the weakened state of the American economy has greatly impacted the program's operation.

In 2009, the discretionary base maximum award of the Pell Grant was increased by \$619 from \$4,241 to \$4,860. This was authorized by both the American Recovery and Reinvestment Act and the FY2009 Omnibus Appropriations Act. This measure quantified the largest base award increase in the program's history. The Congressional Budget Office (CBO) estimates that for every \$100 increase, the Pell program experiences an amplification of costs between \$500 and \$700 million.³²

Additionally, the number of eligible students who applied for a Pell Grant in AY2008-2009 increased by 13% compared to previous years. This number further increased in subsequent years to include a total increase of 18.8%, ending in AY2009-2010. Later, in AY2010-2011, the number of valid applicants increased 6.5% over the level observed in AY2009-2010.³³ It is presumed that the simplification and increased marketing of the FAFSA by ED during this timeframe significantly contributed to the increased number in federal financial aid applications. Also during this time, the Department of Labor partnered with ED to notify unemployment insurance beneficiaries of their eligibility to receive a Pell Grant.³⁴

Finally, a portion of the Higher Education Opportunity Act allowed a student to receive up to two scheduled Pell Grants in a single award year beginning in AY2009-2010. This had a significant impact on program costs. Both the regulatory implementation of the provision and unanticipated participation served as the primary sources of increased expenditures. This provision was eliminated by a provision in July 2011, which resulted in significant savings for the program.³⁵

Program Funding

The Pell Grant program is primarily funded through annual discretionary appropriation bills. These legislative appropriations typically last for two fiscal years. As such, funds are generally made available for obligation on October 1 of the fiscal year when the appropriation was enacted and carry through to September 30 of the following fiscal year. Thus, while FY2013 funds are allocated for the purpose of fulfilling awards made from July 1, 2013 to June 30, 2014, these funds are technically available for obligation from October 1, 2012 to September 30, 2014. Therefore, these funds may be used to support awards during multiple years. Policymakers utilize annual appropriations to establish the level of Pell Grant award for each fiscal year.

³² U.S. Department of Education, *Federal Student Aid Handbook*, 2009-2010.

³³ U.S. Department of Education, Online Federal Student Aid Data Center.

³⁴ U.S. Department of Labor, *Training and Employment Guidance Letter No. 21-28*, Issued May 8, 2009.

³⁵ See FY2011 Continuing Appropriations Act, Pub. L. 111-242.

Shortfalls and Surpluses

Both the annual discretionary appropriation and the base maximum Pell award are set far in advance of the award year in which they are intended to be disbursed. These levels are both estimated by current and historic program costs, and the annual appropriation level is set based on estimates of expected program costs and the discretionary base maximum award. If any of these estimates are significantly inaccurate, appropriations may leave the program with either excess or insufficient funds. The Secretary of the Department of Education is required to notify Congress when a funding shortfall is expected, noting the amount of additional funding that will be required to satisfy students' awards.

Table 6 highlights annual discretionary appropriations, expenditures, and the annual surplus or shortfall for the Pell Grant program from FY2000 to FY2012. Table 6 also summarizes the cumulative surplus or shortfall for the program, which accumulates over multiple award years. We observe that Congress has, in the past, authorized a reduced appropriation level when the previous fiscal year ended with a surplus, such as in FY2010. Also, as in FY2011, Congress may authorize an increased appropriation level if the previous fiscal year ended in a shortfall.

**Table 6. Annual and Cumulative Discretionary Funding Shortfalls
in the Pell Grant Program, FY2000-FY2012
(dollars in millions)**

Fiscal Year	Award Year	Discretionary Appropriation Level	Estimated Total Expenditures	Annual Surplus or (Shortfall)	Cumulative Surplus or (Shortfall)
2000	2000-2001	\$7,640	\$7,996	(\$356)	\$256
2001	2001-2002	\$8,756	\$9,985	(\$1,229)	(\$908)
2002	2002-2003	\$11,314	\$11,653	(\$339)	(\$1,247)
2003	2003-2004	\$11,635	\$12,713	(\$1,348)	(\$2,595)
2004	2004-2005	\$12,007	\$13,152	(\$1,145)	(\$3,740)
2005	2005-2006	\$12,365	\$12,695	(\$330)	(\$4,070)
2006	2006-2007	\$17,345	\$12,826	\$219	\$219
2007	2007-2008	\$13,661	\$14,697	(\$1,036)	(\$817)
2008	2008-2009	\$14,215	\$16,062	(\$1,847)	(\$2,664)
2009	2009-2010	\$32,928	\$26,856	\$6,072	\$3,408
2010	2010-2011	\$17,495	\$30,541	(\$13,046)	(\$9,638)
2011	2011-2012	\$36,456	\$30,716	\$5,740	(\$3,898)
2012	2012-2013	\$36,619	\$30,634	\$5,985	\$2,087

Source: U.S. Department of Education, *AY2009-2010 Federal Pell Grant Program End-of-Year Report* and Congressional Budget Office (CBO), *March 2012 Federal Pell Grant Program Financial Performance Analysis*.

Measures to Address Shortfalls

Since the complex issues affecting the Pell Grant program have come to the attention of Congress, a variety of federal and legislative measures have been taken in attempts to ameliorate the financial burden brought on by the program's operation. Several of these steps have included

reductions in total award levels, caps on award amounts for specific recipients, additional appropriation acts, and the stagnation of award amounts from year to year.³⁶

Generally, funding shortfalls for the Pell Grant have been categorized as common occurrences, yet the methods with which federal policymakers address these occurrences vary to a great degree. A majority of the funding shortfalls experienced within the past few decades have not impacted – directly or indirectly – the award level for eligible students. Even in the midst of extreme funding shortfalls, this lack of reduction in students’ awards and hesitation to impose award caps has led to the program being deemed a “quasi-entitlement.” As such, when issues regarding the financial stability of the program’s operation arise, they are of particular interest to Congress, ED, and student advocacy groups.

SECTION TWO: FUTURE PUBLIC POLICY IMPLICATIONS

PART ONE: Federal and Legislative Considerations

The federal Pell Grant program represents a significant public investment in higher education. As such, this program continues to present funding challenges and difficult policy choices for federal policymakers. As the fiscal environment of the country remains a topic of increased scrutiny, Congress may choose to further evaluate the effectiveness and societal need for such a public investment, especially within the wake of completing priorities.

Future Funding Needs

The combination of (1) advance funding provided in FY2012 and FY2013 for use in FY2014; (2) expected reductions in program costs due to recent changes enacted by Congress; and (3) preliminary data showing a decrease in the demand for Pell Grant aid (during the current fiscal year), suggests that the program will not experience a discretionary funding gap in FY2014. Data provided by the Congressional Budget Office in March 2013 indicated the program was estimated to have a funding surplus at the end of FY2013 that will be used to pay for program costs in FY2014.³⁷ In FY2015, however, the program is likely to require significant additional funding based on discretionary funding limitations enacted in the Budget Control Act of 2011 and the lack of advance mandatory funding currently available to the program.³⁸ Congress may consider ways to address this funding gap to ensure appropriate funding is available for the program in FY2015.

Outcome Measures and Satisfactory Academic Progress

Congress may consider public policy questions that focus on the roles of Pell Grant aid in postsecondary education that go beyond the conventional measures of access and affordability.

³⁶ CRS Report R42446 (2013), *Federal Pell Grant Program of the Higher Education Act: How the Program Works, Recent Legislative Changes, and Current Issues*, by Shannon M. Mahan.

³⁷ U.S. Department of Education, *AY2011-12 Federal Pell Grant Program End-of-Year Report* and Congressional Budget Office (CBO), *March 2013 Federal Pell Grant Program Financial Performance Analysis*.

³⁸ CRS Report R41965 (2012), *The Budget Control Act of 2011*, by Bill Heniff Jr., Elizabeth Rybicki, and Shannon Mahan.

For example, Congress may choose to consider appropriate outcome measures for persistence, retention, and degree completion for students who receive Pell Grant aid. Additionally, Congress may choose to consider aggregate output measures for institutions of higher education that participate in the Pell Grant program. Finally, Congress may evaluate the current laws, regulations, and institutional policies that govern a student's satisfactory academic progress when receiving Pell Grant aid.

Rising College Costs and Pell Grant Aid

As part of a broad examination of college costs, Congress may evaluate if recent increases in the amount of Pell Grant aid available to students have made college more affordable for Pell Grant recipients, non-recipients, or both. Congress may also consider ways in which participation in the Pell Grant program may be used as an incentive for institutions of higher education to ensure that costs for postsecondary education do not substantially increase in future years.

PART TWO: Public Policy Recommendations

Federal policymakers, institutions of higher education, and student aid advocacy groups alike have consistently advocated for the development and restructuring of the Pell Grant program, not only to secure its financial stability for years to come, but to further ensure that the program is meeting its fundamentally established goal – to serve the neediest of Americans in their pursuit of postsecondary education.

Stakeholders within and connected to the Pell Grant program have identified specific downfalls currently associated with the program's operation, some of which include that (1) Pell Grants are expected to serve multiple populations with exceedingly different educational and career goals; (2) student success rates are too low; (3) the federal student aid system is unnecessarily complex; (4) Pell Grant award levels are particularly unsatisfactory for older students; and (5) one program cannot adequately serve the needs of all recipients.³⁹

Two Paths: Pell Grant Y and Pell Grant A

Both the educational needs and motivations of older adults attending institutions of higher education differ greatly from their younger counterparts. As such, Pell Grants should be customized to better meet the needs of all generations of students. Policy advocates have suggested the bifurcation of Pell awards into Pell Grant A (for older adults) and Pell Grant Y (for younger students).⁴⁰ Briefly, Pell Grant A would (1) be based on an income threshold for working adults; (2) continue throughout a student's program of study, regardless of enrollment status; (3) be combined with academic and career advising at a student's institution; and (4) provide supplementary services to assist with living costs. Pell Grant A would (1) only be based on parents' income and family size; (2) have simplified eligibility parameters; and (3) be supplemented by federally-funded education accounts. Policy proponents suggest that this differentiation would allow for federal funds to be spent in a more effective and efficient manner.

³⁹ The College Board, *Rethinking Pell Grants*, 2013, 4-5.

⁴⁰ The College Board, *Rethinking Pell Grants – In Brief*, 2013, 1-2.

Institutional Incentives

In order for the Pell Grant program to be effective, it is necessary that it foster a level of student support on the part of each institution of higher education. This is typically done through institutional incentives. Currently, little to no incentives exist that reward institutions for being consistently high performers with regard to retention, success, and graduation of Pell Grant students. Some policymakers argue that successful institutions should be recognized, supported in their efforts, and utilized as exemplar models for peer institutions. Additionally, many argue that the federal government should publicize the eligibility status of an institution to receive Title IV funds to help students make better choices about where to enroll for postsecondary education. Many policy proponents advocate for the development of a new program that would focus on supporting institutions that provide services to Pell Grant students.⁴¹ By providing subsidies for institutions based on the Pell Grants received by their students who earn a specific number of credits or who progress to second-year status (or beyond), we may create an avenue that praises and supports institutions who have developed successful methods for ensuring the continuation and success of their Pell recipients. Additionally, it has been suggested that the specific requirements for institutional eligibility should be set in a more stringent manner, directly reducing the number of institutions capable of supporting Pell students.⁴² Finally, some suggest that the federal government should offer small grants or subsidies to institutions for the purposes of exploring best practices and successful methods for recruiting, retaining, and graduating low-income students.

Education Accounts for Low-Income Children

We know that early promises of college funding have a measureable impact on college enrollment among low-income students.⁴³ Federally funded college accounts have been suggested as a way to further offset the financial burden of postsecondary education.⁴⁴ These funds may decrease the disparity among low-income families and those with more privileged circumstances. If this program was to be explored, authors of this opportunity have suggested that the federal government open college accounts for 11- or 12-year-old children whose parents' financial position would make them eligible for a Pell Grant if they were of college age. These accounts would receive annual deposits equal to a small percentage – 5 to 10 – of that year's Pell award. Once the student enrolls in a college or university, the funds would be readily available to pay for tuition, fees, and related expenses.

Coordinating Student Aid

While the revitalization of the Pell Grant program, through both federal and regulatory changes, may prove essential for its continuation, no amendments to the program will have a substantially favorable effect if the program is not thoughtfully integrated into the larger student aid financing system. From a basic perspective, Pell Grants reduce the price of college for middle- and low-

⁴¹ The College Board, *Rethinking Pell Grants*, 2013, 16.

⁴² The College Board, *Rethinking Pell Grants*, 2013, 17

⁴³ Holzer, H. (2009). "Workforce development policies as an antipoverty strategy: What do we know? What should we do?" In M. Cancian, & S. Danziger (Eds.), *Changing poverty*. New York, NY: Russell Sage Foundation.

⁴⁴ The College Board, *Rethinking Pell Grants*, 2013, 10.

income families, which increases college affordability. Increases in tuition and fees at institutions of higher education and/or reductions in other forms of federal financial aid may essentially offset or cancel any benefit the Pell Grant may provide to students.

Federal Pell Scholarship Program

As yearly enrollments for colleges and universities continue to rise, so too do annual expenditures for the Pell Grant program. In 2011, approximately 19.7 million students attended college.⁴⁵ Of these students, almost 9.72 million received a federal Pell Grant award, ranging from \$555 to \$5,550.⁴⁶ Therefore, we can estimate that around 49.3% of all undergraduates enrolled at institutions of higher education in FY2011 received a Pell Grant. This figure drastically speaks to the program's ability to support the academic pursuits of undergraduate students by providing access through a reduced financial burden, yet the program's founding intention was to serve the neediest of college students. During this time, the poverty rate across the United States was at approximately 15%.⁴⁷ Therefore, has the program overstepped its support as it funds – in part – almost half of all undergraduate students? The growth of this federal student financial aid program is unprecedented and will present substantial challenges in the coming years.

A drastic, yet potentially viable, option for the program's enhancement and salvation may include the restructuring of financial awards into scholarships or loans, rather than grants. Although this would fundamentally alter the program's operation, this avenue may provide the federal government with the ability to shift the Pell program to a self-sustaining public good, while providing both incentives to students for successful completion and consequences to students for unsatisfactory performance.

Briefly, access to funds through the Pell Scholarship program would mirror that of all federal student financial aid and would only be available for use up to 10 semesters. This assistance, however, does not have to be awarded in consecutive semesters or at the same institution. All students would be required to initiate a repayment plan for at least 50% of their scholarship with the Federal Student Aid Office no later than 7 years after receipt of their postsecondary degree. Students who permanently withdraw or who are dismissed from their university would be required to initiate a repayment plan for 100% of their scholarship applied to that institution within 5 years of their disaffiliation. Additionally, if a student's combined financial aid totals more than a student's tuition and fees, the individual scholarship amount will be adjusted and students will not receive excess funds. By transforming the Grant program to the Scholarship program, we may gain a multitude of benefits, including: incentivizing timely graduation, reducing program costs, promoting active citizenship, increasing the number of scholarship recipients, ensuring the safety and effectiveness of federal funds, and moving the program toward becoming a self-sustaining, public service initiative within 10-15 years.

Policy opponents may argue that allowing the Federal Pell Scholarship Program to provide an increasing number of students with financial aid may create an unnecessary burden and that the

⁴⁵ U.S. National Center for Education Statistics, *Statistical Abstract of the United States: 2011*, Table 215.

⁴⁶ American Association of State Colleges and Universities (AASCU), *The AASCU and the Pell Grant*.

⁴⁷ United State Census Bureau, *Income, Poverty, and Health Insurance in the United States: 2011 – Highlights*.

program should be restricted to the most needy of students. Additionally, for effective implementation, the policy revision requires continued funding for approximately 10-15 years until the program reaches a majority self-sustaining status. By mandating student scholarship repayment, the federal government may also take on additional loan risk, which could cause funding difficulties that jeopardize the continuation of the program. Furthermore, as the grant program currently does not require repayment, asking for repayment may further burden society and cause hardships upon individuals, families, and financial entities.

SPOTLIGHT: The State of Tennessee

Overall, the State of Tennessee has been home to only a small portion of the nation’s Pell Grant recipients. From FY2007-2008 to FY2011-2012, no significant changes from were observed for Tennessee’s Pell Grant population with regard to national population percentage or national dollar expenditures. **Table 7** highlights both the national percentage of Pell recipients attending institutions of higher education in the State of Tennessee, as well as total expenditures for Tennessee students compared to total national expenditures. As shown, Tennessee colleges and universities housed approximately 1.98% of the nation’s Pell recipients in AY2007-2008 and accounted for approximately 1.99% of national Pell expenditures.⁴⁸ Both of these figures have remained relatively stable through AY2011-2012.

Table 7. Summary of Pell Grant Recipients in Tennessee Compared to National Recipients, AY2007-2008 to AY2011-2012 (dollars in millions)

Award Year	Tennessee Recipients	National Recipients	Tennessee Percentage	Tennessee Expenditures	National Expenditures	Tennessee Percentage
AY2007-2008	112,853	5,687,155	1.98%	\$292	\$14,675	1.99%
AY2008-2009	117,266	6,321,906	1.85%	\$343	\$18,281	1.87%
AY2009-2010	151,734	8,341,564	1.82%	\$554	\$29,950	1.85%
AY2010-2011	175,142	9,602,177	1.82%	\$654	\$35,570	1.84%
AY2011-2012	176,092	9,715,839	1.81%	\$627	\$33,517	1.87%

Source: U.S. Department of Education, Online Federal Student Aid Data Center.

Note: Expenditure figures rounded to nearest million.

In addition to enrolling only a small amount of the nation’s Pell Grant recipients, the average amount of Pell Grants for students in the State of Tennessee has been consistently less than the national average. **Table 8** summarizes the national average Pell award from AY2007-2008 to AY2011-2012, as well as Tennessee’s average Pell Grant amount and any observed difference. On average, Pell awards granted in the State of Tennessee are about \$225 less per year than the national average. We do, however, see an extremely narrow gap between these award amounts in AY2011-2012.

⁴⁸ U.S. Department of Education, Online Federal Student Aid Data Center.

Table 8. Average Pell Grant Award in Tennessee Compared to National Average, AY2007-2008 to AY2011-2012

Award Year	National Average Pell Grant	Tennessee Average Pell Grant	Tennessee Award Difference
AY2007-2008	\$2,912	\$2,589	(\$323)
AY2008-2009	\$3,095	\$2,923	(\$172)
AY2009-2010	\$3,942	\$3,654	(\$288)
AY2010-2011	\$4,028	\$3,732	(\$296)
AY2011-2012	\$3,605	\$3,563	(\$42)

Source: U.S. Department of Education, Online Federal Student Aid Data Center and *The Federal Pell Grant Program End-of-Year Report, 2011-12.*

Note: Award amounts rounded to nearest one dollar.

The University of Tennessee-Knoxville

As both the state’s flagship and public land-grant institution, the University of Tennessee-Knoxville represents a fair amount of Pell-receiving students in the state. **Table 9** highlights the number of Pell recipients in the State of Tennessee, as well as the number of recipients enrolled at the University of Tennessee-Knoxville and its representative percentage. This table also summarizes the total Pell expenditures in the state, those at the Knoxville campus, and the campus’ total percentage. Remaining relatively stable since AY2007-2008, the University of Tennessee-Knoxville has represented approximately 4% of Pell recipients in the state and accounted for around 4.25% of Pell expenditures in the state. Although these figures seem relatively low for a public four-year institution with high enrollment numbers, it is important to note that there were approximately 134 institutions of higher education in the State of Tennessee that enrolled Pell recipients during AY2011-2012 alone.

Table 9. Summary of Pell Grant Recipients at the University of Tennessee Compared to State Recipients, AY2007-2008 to AY2011-2012

Award Year	UTK Recipients	Tennessee Recipients	UTK Percentage	UTK Expenditures	Tennessee Expenditures	UTK Percentage
AY2007-2008	4,597	112,853	4.07%	\$13,152,791	\$292,221,489	4.50%
AY2008-2009	4,619	117,266	3.94%	\$14,858,813	\$342,720,035	4.34%
AY2009-2010	5,603	151,734	3.69%	\$22,829,264	\$554,480,535	4.12%
AY2010-2011	6,779	175,142	3.87%	\$27,742,101	\$653,652,470	4.24%
AY2011-2012	6,955	176,092	3.95%	\$27,185,860	\$627,397,899	4.33%

Source: U.S. Department of Education, Online Federal Student Aid Data Center.

Note: Expenditure figures rounded to nearest one.

Unlike the relationship between the State of Tennessee and the national Pell award average, students at the University of Tennessee typically receive higher Pell awards than their statewide colleagues. On average, Pell levels at the University of Tennessee for the past five award years have been almost \$340 more than other colleges and universities within the state. **Table 10** highlights the historic state and University of Tennessee-Knoxville Pell Grant award averages from AY2007-2008 until AY2011-2012.

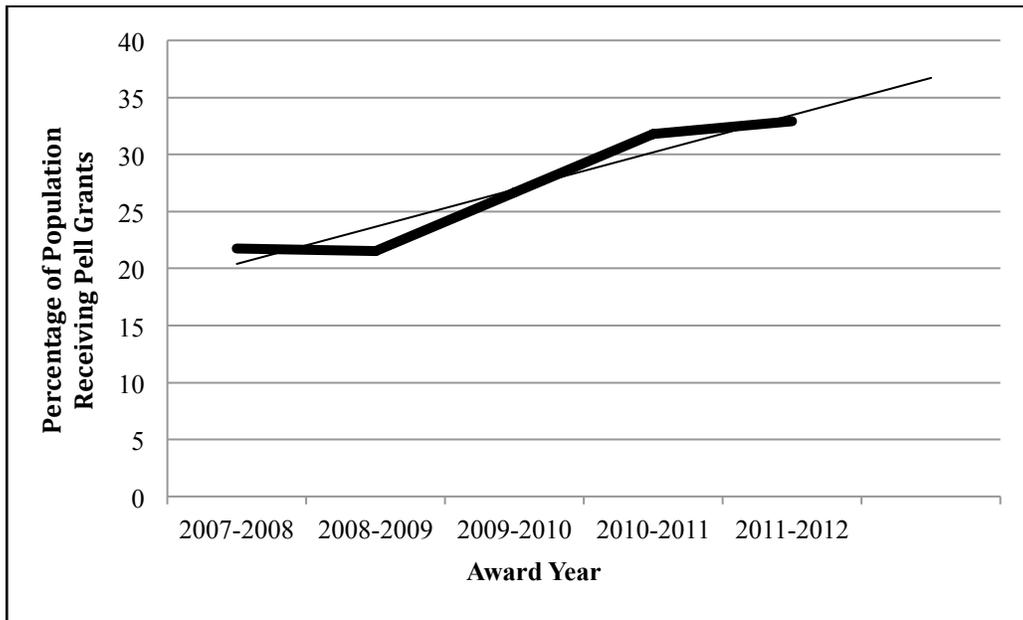
Table 10. Average Pell Grant Award at the University of Tennessee Compared to State Average, AY2007-2008 to AY2011-2012

Award Year	State Average Pell Grant	UTK Average Pell Grant	UTK Award Difference
AY2007-2008	\$2,589	\$2,861	\$272
AY2008-2009	\$2,923	\$3,217	\$294
AY2009-2010	\$3,654	\$4,074	\$420
AY2010-2011	\$3,732	\$4,092	\$360
AY2011-2012	\$3,563	\$3,909	\$346

Source: U.S. Department of Education, Online Federal Student Aid Data Center.
Note: Award amounts rounded to nearest one dollar.

Of particular interest, however, is the recent and significant growth of the percentage of students at the University of Tennessee-Knoxville receiving Pell Grants. **Figure 3** illustrates the growth of this percentage from AY2007-2008 to AY2011-2012. During FY2007, almost 22% of the student body at the University of Tennessee received some level of Pell aid. This number drastically increased in AY2009-2010 and AY2010-2011 to approximately 31%. Finally, during AY2011-2012, we note that around 33% of the University’s undergraduate population received a Pell Grant. In just five academic years, the University experienced an unprecedented change in need of federal financial aid for its undergraduate students. It is also important to note that these figures simply reflect the amount of students who currently receive Pell Grants. It would be expected that an even greater percentage of the student population is Pell-eligible.

Figure 3. Percentage of Enrolled Students Receiving Pell Grants at the University of Tennessee, AY2007-2008 to AY2011-2012



Source: U.S. Department of Education, Online Federal Student Aid Data Center; University of Tennessee Office of Institutional Research and Assessment, *Undergraduate Enrollment*.

CONCLUSION

The federal Pell Grant program provides need-based assistance to undergraduate students pursuing postsecondary degrees at qualified institutions of higher education. The Pell Grant was originally intended to serve the most needy of undergraduate students in offsetting the financial burden associated with enrollment in colleges and universities across the nation. Over the past several decades, the program has grown both in participation and expense, greatly exceeding its founding mission at a cost of billions of dollars to the federal government annually. In order for the federal Pell Grant program to continue its service to qualified undergraduate students, regulatory and legislative actions are necessary before the program becomes too much of a financial burden for the nation and its taxpayers. Changes offered by policymakers, student aid advocacy groups, and institutions of higher education include increasing eligibility parameters, incentivizing institutions that have exceptional outcomes for Pell recipients, and a reorganization of the program's operation. Regardless of political ideology, social conscientiousness, or economic philosophy, swift and direct action is needed to rescue and redevelop this "quasi-entitlement" program. The Higher Education Act of 1965, the founding legislation of the Pell Grant and other Title IV federal financial aid programs, is set to be reauthorized during the current session of Congress. Informed individuals and stakeholders should contact their congressional representatives to share their thoughts and concerns on this matter.