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## ABSTRACT

A background of the Pell Grant program (the largest in terms of appropriations of the federal student financial aid programs authorized by Title IV of the Higher Education Act as amended) is presented. Four sections are as follows: background and issues (introduction, Pell Grant program description, eligibility for Pell Grants, and profile of Pell Grant recipients); funding trends; appendix: legislative history (Education Amendments of 1972, Education Amendments of 1976 and 1977, Middle Income Student Assistance Act, Education Amendments of 1980, Omnibus Budget Reconciliation Act of 1981, and the Higher Education Amendments of 1986); and calculation of the Pell Grant expected family contribution for a dependent student. Statistics on the Pell Grant program include the following: a Pell Grant cannot exceed 60% of the total cost of attendance at an applicant's particular institutin or a maximum amount per year, whichever is less; and in academic year 1988-89 it is estimated that 3.1 million students will participate in the Pell Grant program, funded by a fiscal year 1988 appropriation of \$4.260 billion. (SM)

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# CRS Report for Congress

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## The Pell Grant Program: Background and Issues

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June 26, 1989



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# THE PELL GRANT PROGRAM

## SUMMARY

The Pell Grant program (formerly the Basic Educational Opportunity Grant (BEOG) program), is the largest in terms of appropriations of the Federal student financial aid programs authorized by title IV of the Higher Education Act as amended. The program is administered by the Department of Education's Office of Student Financial Assistance. The purpose of the Pell Grant program is to help undergraduate students from low-income families finance their postsecondary education. Pell Grants are designed to be the foundation for Federal student aid with other Federal and non Federal grant and loan programs providing additional assistance if necessary.

A Pell Grant cannot exceed 60 percent of the total cost of attendance at an applicant's particular institution or a maximum amount per year whichever is less. In academic year 1989-1990 the maximum award will be \$2,300, and the maximum is authorized to increase to \$3,100 by 1991-92.

In academic year 1988-89 it is estimated that 3.1 million students will participate in the Pell Grant program, funded by an FY 1988 appropriation of \$4.260 billion. The FY 1989 appropriation is \$4.484 billion. This is estimated to support 3 million students. From FY 1980 to FY 1989 Pell Grant funding has increased by 84 percent, and increased 27 percent when adjusted for inflation. The last major reauthorization of the Higher Education Act in 1986 amended and extended the Pell Grant program through FY 1991.

Continuing major issues related to the Pell Grant program include a series of funding issues: 1) appropriate program funding levels, 2) the diminishing purchasing power of Pell Grants, 3) funding shortfalls and 4) proposals to change Pell Grants to an entitlement program.

Pell Grant funding is a perennial issue because in spite of an increase in funding, annual appropriations are not always sufficient to meet the need of all eligible recipients, and funding shortfalls result. Also, the purchasing power of a Pell Grant has decreased as the cost of college has increased and outpaced inflation for the ninth straight year. In the 101st Congress legislation has been introduced (H.R. 2020) that would change the Pell Grant to an entitlement program.

Other issues include the equity of the process used to determine need for the Pell Grant, and adjustments to student eligibility for Ability to Benefit students and less than half-time students.

In terms of the issue of need determination or need analysis, the Pell Grant program maintains a separate method known as the Family Contribution Schedule. Some aid administrators contend that parts of the need analysis procedure are unfair to those low-income students the program is trying to help, by requiring a high level of student contribution.

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## THE PELL GRANT PROGRAM: BACKGROUND AND ISSUES

### INTRODUCTION

The Pell Grant program (formerly the Basic Educational Opportunity Grant (BEOG) program) is the largest of the major Federal student aid grant programs, authorized under title IV of the Higher Education Act, as amended. It is administered by the Department of Education's Office of Student Financial Assistance. The purpose of the Pell Grant program is to help undergraduate students from low-income families finance their postsecondary education. Pell Grants were initially designed to be the "foundation" for student aid upon which to build a student aid package by adding other non-Federal and Federal grant and loan programs to help meet the full cost of postsecondary education attendance. In academic year 1988-89 it is projected that 3.1 million students will participate in the Pell Grant program funded by an FY 1988 appropriation of \$4.260 billion.

This report is divided into two parts and an appendix. Part 1 provides a description of the current provisions of the Pell Grant program, including a summary of current participation in the Pell Grant program, a description of student and institutional eligibility, and a discussion of funding trends. Part 2 outlines some of the issues of continuing concern regarding the Pell Grant program including adequate funding levels, proposals to change Pell Grants to an entitlement program, proposals to alter student eligibility, and equity in the process for determination of need for Pell Grants. The appendix contains a brief legislative history of the Pell Grant program, and a sample case for determining need for a Pell Grant.

### PELL GRANT PROGRAM DESCRIPTION

The Pell Grant program is authorized by title IV, part A, subpart 1 (sec. 411) of the Higher Education Act (HEA), as amended.<sup>1</sup> The Pell Grant program provides grants to undergraduate students who need assistance in financing their postsecondary education. The Federal Government is the sole source of support for these grants. As part of the statutory formula used to

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<sup>1</sup>The Pell Grant program was first authorized and incorporated into the Higher Education Act by the Education Amendments of 1972. P.L. 92-318. Major provisions of part A were amended by P.L. 99-498, the Higher Education Amendments of 1986 (signed into law on Oct. 17, 1986. For further legislative history see the appendix.)

determine each student's Pell Grant, individual awards cannot exceed the least of the following:

- 1) 60 percent of the cost attendance;<sup>2</sup>
- 2) Cost of attendance minus the expected family contribution;<sup>3</sup> or
- 3) A maximum Pell Grant award minus the expected family contribution.

Maximum Pell awards vary by year as follows: For academic year 1988-89 the maximum award set through appropriations was \$2,200, and will be \$2,300 for 1989-1990. The maximum Pell award authorized in statute for 1990-91 is \$2,900, and for 1991-92 is \$3,100.

Pell Grant applicants must submit to a "need" test, that is established in the statute authorizing the Pell Grant program. This test determines the student's and his/her family's expected family contribution (EFC) to the total cost of attending a postsecondary institution (this is the same as the number generated and called the Student Aid Index (SAI)). The lower the SAI, the larger the amount of the grant the student will receive. The final size of the Pell Grant award is determined by the expected family contribution or the student aid index, the total cost of attendance, the student's enrollment status (i.e., full, half-time, less than half-time) and the type of academic calendar used, such as clock hours, semester hours, or quarter hours.

#### ELIGIBILITY FOR PELL GRANTS

Most of the student eligibility requirements for the Pell Grant program are common to other major Federal student financial aid programs authorized by title IV of the Higher Education Act.

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<sup>2</sup>Cost of attendance is defined as tuition and fees, room and board, books and supplies, transportation, and other miscellaneous expenses including child care costs and handicapped services where applicable.

<sup>3</sup>The expected family contribution (EFC) refers to the amount a student and his family can "reasonably be expected" to contribute from both income and assets in order to help meet the cost of attendance.

*Enrollment.* To be eligible for a Pell Grant, a student must be enrolled on at least a part-time basis<sup>4</sup> as a regular<sup>5</sup> undergraduate<sup>6</sup> student making satisfactory progress<sup>7</sup> in an accredited institution of postsecondary education. The student must be a U.S. citizen or eligible non citizen,<sup>8</sup> not owe a refund on a Pell Grant or a Supplemental Educational Opportunity Grant (SEOG), or not be in default on a Stafford or Perkins Loan. In addition, the student must sign a statement of educational purpose stating that funds will be used only for expenses related to attending school, and must sign a statement indicating registration with the Selective Service. Finally, in order to be eligible a student must submit to a "needs" test established in the Pell Grant statute. (See later discussion of need analysis and the Pell Grant Family Contribution Schedule.)

*Duration of Eligibility.* A student's eligibility for a Pell Grant generally extends through the period of time required to complete the first undergraduate baccalaureate course of study. This period however is limited to 5 academic years for students enrolled in undergraduate programs requiring 4 years of study or less or 6 academic years if a program requires more than 4 academic years of study.

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<sup>4</sup>Beginning in 1989-90 academic year a student may participate in the Pell Grant program on a less than half-time basis if two conditions are met. The student's SAI must be 0, and less than half-time students may participate only if there is no reduction in grants for full-time or half-time Pell Grant recipients.

<sup>5</sup>A regular student is one who enrolls in an eligible program for the purpose of obtaining a degree or certificate offered by the institution.

<sup>6</sup>Undergraduate study is defined as a program of 4-5 academic years designed to lead to a first postsecondary degree. If the program is more than 5 years (for example, a medical-field related degree such as pharmacy requiring 6 years) the first 4 academic years are considered the undergraduate years.

<sup>7</sup>Each institution has a written standard of satisfactory progress. As of July 1, 1987 a new student aid recipient must maintain a "C" average by the end of the second academic year of study, and have an academic standing consistent with an institution's graduation requirements.

<sup>8</sup>Citizen/Eligible Non Citizen includes a U.S. national (Native of American Samoa or Swain's Island included), a U.S. citizen, or a U.S. permanent resident who has an I151, I551 or I551-C (Alien Registration Receipt Card). If the individual is not in one of these categories he/she must have a Departure Record from the Immigration and Naturalization Service showing one of the following: refugee, asylum grant, Indefinite or Humanitarian parole, Cuban Haitian entrant, Conditional Entrant and other eligible non citizen with a temporary Resident Card (I-688).

*Institutional Eligibility.* A student can use his/her Pell Grant only at accredited institutions. These institutions must be accredited by a nationally recognized accrediting agency. A nationally recognized accrediting agency is one which the Secretary of Education determines to be a reliable authority on the quality of training offered by educational institutions. Accredited and therefore eligible institutions enter into an agreement with the Department of Education in order to participate in the Pell Grant program.

There are three types of institutions of higher education that are generally eligible to participate in the Pell Grant program. The first is basically a public or private nonprofit college or university offering a bachelor's degree or a 2-year program applicable toward a degree. An institution of higher education must have a degree or certificate program of at least 1 year's duration to be eligible. Second are for profit (proprietary) institutions located in and legally authorized by a State for at least 2 years to offer postsecondary education. Finally, postsecondary vocational institutions are eligible. These are public or private nonprofit institutions that have been in the business of providing postsecondary instruction for at least 2 years. The minimum program length for a proprietary institution or postsecondary vocational institution is 6 months of training leading to a degree or certificate that prepares students for employment in a recognized occupation.

*Application Process.* Pell Grants are awarded each year, and therefore, a student must apply annually to the U.S. Department of Education (ED) for each Pell award. Students may use one of several "official" application forms for Federal student aid, including the Application for Federal Student Aid or (AFSA), the Pennsylvania Higher Education Assistance Agency's form, the Illinois State Scholarship Commission's form, the College Scholarship Service's Financial Aid Form (FAF), the American College Testing Program's Family Financial Statement (FFS) or the Student Aid Application for California (SAAC). After the student applies using one of these accepted forms, the form is processed through a national processing center.

Four to 6 weeks after a student applies for a Pell Grant the student receives a Student Aid Report (SAR). The Student Aid Report (SAR) is the official notification of a student's eligibility for a Pell Grant and contains the Student Aid Index (SAI). The SAR consists of three parts. Part I is an eligibility letter to the student with selected student information on it. Part 2 is an information request form that may be used by the student to make any corrections to student information. Part 3 is a payment document which the institution (that the student attends or will attend) fills out and sends back to the Federal Pell Grant program office if the student is eligible for a Pell Grant. Student eligibility for a grant is dependent upon the SAI level that effectively denotes the expected family contribution. The SAI ranges from 0 to whatever the maximum grant level is for that award year. The Department of Education determines this number on the basis of the income and asset information that the student reports on the application. The SAI is therefore an indication and index of a student's ability to contribute to the

cost of education. As the SAI increases, the amount of the actual award decreases, and after a certain point the student is no longer eligible. Under regular procedures anyone eligible for less than \$200 does not receive a Pell Grant because the minimum size grant is \$200. Therefore, the neediest students will have an SAI of 0 and may be eligible for the maximum award depending upon their cost of attendance (the grant is limited to 60 percent of the cost of attendance). The Higher Education Amendments of 1986 specifically instructed that the student aid administrator may use his discretion to adjust the SAI to take into account individual circumstances. However, the Labor, Health and Human Services and Education Appropriations Act of FY 1989 eliminated student aid administrator discretion for altering cost of attendance and award size for Pell Grant recipients. Current legislative proposals are attempting to reinstate that discretion.

*Verification.* Schools must verify information on the student aid application for Pell Grants and other student aid as well. The student whose application is selected for verification or validation is required to submit tax returns to verify income of students and parents. The Higher Education Amendments of 1986 required that not more than 30 percent of the title IV student aid applications be verified in any given award year.

Items that generally must be verified by comparing data items on the SAR with items on the tax return for the previous year (base year) include:

- 1) adjusted gross income;
- 2) U.S. income tax paid;
- 3) number of family members in household;
- 4) number of family members attending postsecondary education on at least a half-time basis; and
- 5) untaxed income and benefits.

A study by the U.S. General Accounting Office in 1985 found that Pell Grant validation imposed costs on schools but did not necessarily reduce award errors.<sup>9</sup> According to the Department of Education's own quality control studies, underawards and overawards totaled an estimated \$649 million in 1982-83. Requiring validation meant that schools had to increase their resources for verification. At an average cost of \$14 each, the 1.66 million validations that the Department required in 1982-83 cost schools an estimated \$23 million. Although this cost represented less than 1 percent of

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<sup>9</sup>For further discussion see U.S. General Accounting Office. *Pell Grant Validation Imposes Some Costs and Does Not Greatly Reduce Award Errors: New Strategies are needed.* Report to the Honorable Paul Simon, U.S. Senate. GAO PEMD 85-10. Sept. 27, 1985.

the total Pell Grant program, the costs were not offset by the minimal amount saved from reducing student error, underawards, and overawards.

*Payment.* The student submits the SAR to the institution in which he/she is enrolled to receive the actual award payment. A student can receive a Pell Grant only after he/she has registered for classes at an institution of postsecondary education accredited for participation in the Pell Grant program.

The major method of payment for the Pell Grant program is the Regular Disbursement System (RDS).<sup>10</sup> Under the RDS a student receives Pell Grant payments from his/her postsecondary educational institution. The Department of Education advances Pell Grant funds to each eligible RDS institution. From these funds the school makes Pell Grant payments to its students.

## PROFILE OF PELL GRANT RECIPIENTS

The tables in this section provide some general background data on the students who received a Pell Grant. The latest available data are for those recipients who participated in the program in the academic year 1987-88.

Students who previously represented the traditional college going cohort, age 18-21 were not the major recipients of Pell Grants. In 1987-88 the majority (57.5 percent) of Pell Grant recipients were independent students. In fact 19 percent of all Pell Grant awards went to students over 30 years old. Less than half of the Pell Grant recipients were dependent students, dependent on their families as their primary source of income.

In 1987-88 the average family income of Pell Grant recipients was \$9,236 while approximately 18 percent had incomes over \$15,000. See table 1.

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<sup>10</sup> In previous years an Alternate Disbursement system (ADS) was used in addition to RDS. The ADS was terminated with the 1987-88 academic year. Under the ADS system a student received Pell Grant payments directly from the Department of Education generally because the institution had too small a financial aid staff to deal with the RDS.

TABLE 1. Distribution of Pell Grant Recipients  
by Family Income 1987-1988

Aided undergraduates		
Family income* 1987-88	Total no. of recipients	Percent of recipients
Less than \$1,001	234,643	8.1
\$1,001-\$3,000	345,712	12.0
\$3,001-\$6,000	704,920	24.5
\$6,001-\$9,000	465,710	15.8
\$9,001-\$15,000	528,484	18.3
\$15,001-20,000	301,016	10.4
\$20,001-30,000	268,123	9.3
\$30,001+	41,937	1.5
Total	2,881,545	100%**

\* Family income--Family income is defined as the sum of a family's adjusted gross income, non-taxable income, the amount deducted from the Federal tax return for being a working married couple, and one-half of any GI Bill benefits received by the student.

\*\* Total may not add to 100 percent due to rounding.

Source: U.S. Department of Education. *Pell Grant Program: End of Year Report, 1987-88 Award Year.*

Table 1 indicates that Pell Grant awards are reaching the lowest income students. Approximately 45 percent of Pell Grant recipients reported a family income of \$6,000 or less. Only 21 percent reported an income greater than \$15,000. There was a slight increase in average family income from the previous year. The average overall income increased from \$8,531 in 1986-87 to \$9,236 in 1987-88.

According to the National Postsecondary Student Aid Study, 45.4 percent of the 11,213,432 total undergraduates received Federal student aid in the 1986-87 academic year. Table 2 below indicates that approximately 5 percent of the undergraduates who received student aid relied solely on Pell Grants, and 8.8 percent received Pell and other grants only. In contrast, over 15 percent received loans only and 11.9 percent received Guaranteed Student Loans (GSLs) only.

TABLE 2. Unduplicated Percent of Undergraduates in the Fall of 1986 Who Were Awarded Aid for the 1986-87 School Year by Type of Aid

Type of aid	Percent awarded aid	Average amount for full-time students
Total students aided	5,098,770	\$3,813
Percent	100%	
Grants only	41.1	2,398
Pell only	5.0	1,309
Other grants only	27.4	2,311
Pell and other grants only	8.8	3,159
Grants and loans only	29.7	4,945
Loans only	15.4	2,647
GSL only	11.9	2,334
Other loans only	2.1	2,247
GSLs and other loans only	1.3	5,446
Grants, loans and work-study	8.0	6,966
Grants and work-study only	3.9	3,985
Work-Study only	.9	1,074
Loans and work-study only	.6	3,803

Source: U.S. Department of Education. Center for Education Statistics. *The 1987 National Postsecondary Student Aid Study*, portions of table 6.2

Table 2 reflects a shift from grants to loans. Only 5 percent of students had Pell Grants as compared to 11.9 percent with GSLs. According to College Board, in 1980 grants constituted 56 percent of the total dollars available for student aid, whereas loans represented 40 percent and work-study, 4 percent. In 1988 grants constituted only 47 percent of student aid dollars and loans grew to over 50 percent with work programs at 3 percent. According to some financial aid administrators establishing loans as the basis for financial aid packages can ultimately discourage low-income and minority students from participating in postsecondary education. The Higher Education Amendments of 1986 attempted to address the problem of an imbalance between grants and loans by increasing the Pell Grant maximum.

TABLE 3. Distribution of Pell Grant Recipients  
by Type of Institution

	Type of institution				
	5-year institution (one with graduate programs)	4-year institution	3 years but less than 4	2 years but less than 3	Less than 2 years
Number of Pell recipients	981,709	407,272	12,312	929,335	450,917
Percentage of recipients	34.1	14.1	.4	32.3	19.1

Source: U.S. Department of Education. *Pell Grant Program: End of the Year Report, 1987-88 Award Year.*

As table 3 indicates, the largest single category for Pell Grant recipients was the 5-year institution. However, the majority of Pell Grant recipients (51.8 percent) attended schools where the educational program was less than 4 years in duration. These schools are typically 2-year community colleges and vocational/technical institutions, many of them offering courses less than 2 years in length.

Schools offering the 2 to 3 year program represented 32 percent of all participating schools. Many of these schools are publicly supported community colleges. Private 2-year junior colleges are also represented in this category. Institutions offering 1-year but less than 2-year programs ranked third representing 19 percent of all schools in the Pell Grant program. Schools in this category tend to be proprietary institutions offering a vocational course of study. Institutions with 6-month to 1-year programs tended to be profit making institutions offering vocational programs. See table 4 for the distribution of Pell Grant funding by type of institution

As table 4 indicates, public institutions still receive the largest percentage of Pell Grant funds (54 percent). However, the proprietary sector has significantly increased its share of Pell Grant funding (25 percent).

TABLE 4. Percent Distribution of Pell Grant Funds by  
Type of Institution,  
FY 1976, 1980, 1986

Institution type	1976	1980	1986
Public	66%	60%	54%
Private	25	28	21
Proprietary	8	12	25

Source: U.S. Department of Education, FY 1990 budget document.

### FUNDING TRENDS

The Pell Grant program is the largest of the title IV Higher Education Act student aid programs in terms of Federal appropriations. (a greater number of students receive loans than Pell Grants). The level of funding for academic year 1989-1990 for the Pell Grant program is \$4.484 billion, with an estimated 3 million recipients and an average Pell Grant award of approximately \$1,460.

TABLE 6. Pell Grant Program Historical Statistics

Fiscal year	Appropriation	Recipients	Actual grant	Authorized maximum	Actual maximum
1973	\$122,000,000	176,000	\$270	\$1,400	\$452
1974	475,000,000	567,000	628	1,400	1,050
1975	840,200,000	1,217,000	761	1,400	1,400
1976	1,325,800,000	1,944,000	759	1,400	1,400
1977	1,903,900,000	2,011,000	758	1,400	1,400
1978	2,140,000,000	1,893,000	814	1,800	1,600
1979	2,431,000,000	2,537,875	929	1,800	1,800
1980	1,578,000,000	2,707,932	882	1,800	1,750
1981	2,604,000,000	2,709,076	849	1,900	1,670
1982	2,419,040,000	2,522,746	959	2,100	1,800
1983	2,419,040,000	2,758,906	1,014	2,300	1,800

TABLE 6. Pell Grant Program Historical Statistics--  
Continued

Fiscal year	Appropriation	Recipients	Average grant	Authorized maximum	Actual maximum
1984	2,800,000,000	2,747,100	\$1,111	\$2,500	\$1,900
1985	3,862,000,000	2,813,489	1,279	2,600	2,100
1986	3,579,716,000	2,659,507	1,301	2,600	2,100
1987	4,187,000,000	2,881,547	1,303	2,300	2,100
1988	4,260,430,000	3,123,000 est.	1,444	2,500	2,200
1989	4,483,915,000	3,096,000 est.	1,460	2,700	2,300
1990	4,740,000,000 <sup>reg.</sup>	3,142,000 est.	1,473	2,900	--

Source: U.S. Department of Education. *Pell Grant Program: End of Year Report, 1987-88 Award Year.*

*Funding: FY 1973-1980.* In its initial year of funding, FY 1973, appropriations for the Pell Grant were \$122 million, and the maximum Pell Grant award was set at \$1,400. Eligibility was restricted to students who began their education after July 1, 1973 as full-time freshmen. During the second year of operation, FY 1974, appropriations were \$475 million and award levels ranged from a minimum of \$50 to an actual maximum of \$1,050 for full-time freshmen and sophomores. Beginning in FY 1976, appropriations reached \$1 billion for Pell Grants and eligibility was expanded to include freshmen, sophomores, and juniors. From FY 1976 to FY 1980, appropriations increased from approximately \$1.3 billion to \$2.0 billion. As a result of changes in eligibility to expand the Pell Grant program to all undergraduates, the Pell Grant program grew dramatically in terms of appropriations, number of recipients, and in average Pell Grant awards. The number of recipients grew from 176,000 in FY 1973 to 2.8 million in FY 1980, while the average Pell award grew from \$270 to \$882, over a 200 percent increase.

*Funding: 1980-89.* Between FY 1980 and FY 1989, appropriations for the Pell Grant program increased from \$2 billion to \$4.4 billion, an increase of 120 percent. The average Pell Grant funding increased from \$882 to \$1,460. The number of students who receive Pell Grant awards slightly increased from 2.7 to 3.0 million. During this period the actual maximum Pell Grant award grew from \$1,750 in academic year 1980-81 to \$2,300 in academic year 1989-1990.

## ISSUES RELATED TO THE PELL GRANT PROGRAM: FUNDING ISSUES

Determining adequate funding for the Pell Grant program is a perennial issue. Other funding issues include the dwindling purchasing power of Pell Grants, funding shortfalls or insufficient appropriations to provide eligible students with awards, and the concept of entitlement.

*Purchasing Power.* The pattern of funding between FY 1980 and FY 1989 has resulted in two rather significant changes to the Pell Grant. First, as appropriations increased only slightly in "real terms" the individual Pell Grant represented a smaller proportion of costs of postsecondary education. In FY 1980 the maximum Pell Grant represented 50 percent of the costs of attendance at 4-year public institutions. In contrast, by FY 1989 the proportion the Pell Grant covers decreased to 35 percent. The decrease in purchasing power is even more pronounced for private institutions. Therefore, Pell Grants are covering less of the total costs of postsecondary education. Even though appropriations have increased in real terms, they have not increased enough to keep pace with average college costs which have outpaced inflation for 9 straight years.

According to a recent report from American College Testing (ACT),<sup>11</sup> Pell Grants available to most applicants have lost purchasing power since 1975-76 compared to college attendance costs that they are intended to help finance. According to the ACT report, the Pell Grant for a dependent applicant of poverty level family income attending a 4-year public institution covered 36 percent of college costs in 1975-76 and dropped to 30 percent by 1988-89 for a public 4-year institution, and for a private 4-year college the purchasing power of the grant dropped from 30 percent to 17 percent during the same time period. ACT asserts that the loss of purchasing power is due to the growth in a student's financial need as compared to the lack of available dollars from Congress. When Congress extended Pell Grant eligibility through the Middle Income Student Assistance Act and the Higher Education Amendments of 1986, funding levels for the program remained relatively static so that funding did not keep pace with increased college cost.

*Shortfalls.* In the Pell Grant program, a funding shortfall occurs when appropriations are insufficient to fund all eligible applicants, and therefore something must be done to satisfy the grant obligations. In some cases in order to provide award amounts for which students were eligible without reducing awards, funds were systematically borrowed from subsequent years appropriations to cover the shortfall. Funding to partially reduce shortfalls was provided either through supplemental appropriations or increased appropriations provided in regular appropriations acts or continuing

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<sup>11</sup>Mortenson, Thomas G. *Pell Grant Program Changes and Their Effects on Applicants Eligibility 1973-74 to 1988-89.* ACT Student Financial Aid Research Report Series. May 1988

resolutions. In several years however, award year 1980-81 and award year 1981-82, there was an award reduction, a set amount taken from all awards, and in award year 1982-83 there was also an award reduction. There were shortfalls in 1983-84, 1984-85, 1985-86 that were covered by supplemental appropriations. If the supplemental appropriation goes into effect in time and is adequate to cover award levels, then no students are eliminated from eligibility.

In 1986-87 in particular, a funding shortfall in the Pell Grant program actually caused a decline in the number of recipients. Because the FY 1986 appropriation level was insufficient to cover program costs at the \$2,100 level, awards were reduced through linear reduction.

Linear reduction ensures that the grant is reduced as the student's SAI increases, therefore protecting those at the lowest income levels. In the 1986-87 award year, applicants with an SAI greater than 1,500 did not receive an award. An FY 1986 supplemental appropriation of \$146 million was enacted (P.L. 99-349). However, a payment schedule was already in place based on linear reduction, and therefore some students had already been notified that they had lost eligibility.

*Entitlement.* One of the features that sets Pell Grants apart from other Federal student aid programs is its "quasi entitlement" nature. "Quasi entitlement" means that all students meeting certain criteria through eligibility and needs testing are guaranteed aid in a conditional sense. The amount of aid is conditional upon the appropriation level and awards are adjusted up or down according to appropriations. Also, the amount of aid is determined by financial need and educational cost.

Recently there has been some congressional interest in changing the Pell Grant program to a full entitlement program. In the 98th Congress, legislation was introduced to reauthorize the Higher Education Act. The bill introduced (H.R. 5240) would have set up the Pell Grant program as an entitlement. It was the subject of hearings but no action was taken. Congressional Budget Office (CBO) at the time estimated that the initial cost of making the Pell Grant program a full entitlement program would be at least \$6 billion annually, substantially more than current funding levels.

During the reauthorization of the Higher Education Act in 1986 some debate took place to make the Pell Grant an entitlement although no action on an entitlement was taken. However, the Higher Education Amendments of 1986 increased the maximum Pell Grant levels from \$2,100 to \$2,300 in 1987-88 up to \$3,100 in 1991-92. In the 100th Congress H.R. 4986 would have made Pell Grant an entitlement program by eliminating the provision in current law that allows the Secretary of Education to reduce Pell Grant awards if the appropriation is less than the estimated amount needed to fund the authorized program. The bill would require the Secretary to spend up to 10 percent from the subsequent year's appropriations to meet funding insufficiencies. Any funding insufficiencies above 10 percent would require a

supplemental appropriation. Pell Grants would still be subject to appropriations levels. Also as provided in this bill, the authorized maximum awards would be lowered for the remaining years so that by FY 1991 the maximum award would be \$2,500 in academic year 1991-92. According to CBO the House bill would have increased outlays by \$290 million in 1990-91 and would have added \$9.7 billion in budget authority for direct spending for entitlement programs in fiscal years 1990 and 1991.

In the 101st Congress legislative proposals similar to H.R. 4986 in the 100th Congress were introduced, (H.R. 2020), that would eliminate the 60 percentage limitation on cost of attendance for Pell Grants and would increase the maximum Pell Grant levels.

## OTHER ISSUES

*Pell Grant Need Analysis.* Need analysis is the generic term for the process of determining a student's need for financial assistance. The system calculates the total cost of education at a student's institution of postsecondary education, calculates the expected family contribution to help meet that cost, and subtracts this contribution from the total cost of education to determine the remaining need to cover postsecondary costs. The continuing controversy is whether or not the Pell Grant need analysis is too restrictive for the students it is trying to help most, i.e., the lowest income students.

The Pell Grant program maintains a separate need analysis method known as the Family Contribution Schedule (FCS), which is now defined in detail in the statute that reauthorized the Pell Grant program, the Higher Education Amendments of 1986. This need test would apply to students from families with annual adjusted incomes of over \$15,000 or for those in families with incomes below \$15,000 who do not choose to use a simplified need test.<sup>12</sup> The new need analysis system is called by its old name, the Pell Grant Family Contribution Schedule (FCS), and it became effective with the 1988-89 academic year. It differs only slightly from the FCS used for 1986-87 and 1987-88. For example, 1) it increases the offset against income for the size of the family, 2) it includes payments of State and local taxes as an offset to

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<sup>12</sup>A new simplified need analysis is authorized to be used for all title IV Higher Education Act student aid programs except State Student Incentive Grants under part F (Need Analysis (sec. 479 of the Higher Education Amendments of 1986) (P.L. 99-498)). It allows applicants in families with adjusted gross incomes equal to or less than \$15,000 a year and who file a 1040 IRS tax return form to use a simplified test to determine their eligibility for student aid. The five elements that would be used in the simplified test are 1) adjusted gross income, 2) Federal and State taxes paid, 3) untaxed income and benefits, 4) the number of family members, and 5) the number of family members in postsecondary education.

income whereas under the previous schedule only Federal taxes were allowed as an offset to income, and 3) it institutes a new and lower assessment on income for an independent student with dependents (these dependents cannot include or must be in addition to the applicant's spouse). After the expected family contribution is determined the final Pell Grant is calculated by the formula mentioned previously (see p. 2 of this report).

Need analysis takes into account both income and assets of a student and his family and the resulting calculation is the amount the student will have to contribute to his/her cost of postsecondary education. One of the issues in Pell Grant need analysis is derived from the high contribution level expected from the income and assets of students. The rationale is that since students themselves are the ones benefitting from postsecondary education that they should be willing to contribute to help pay the cost. However, the high level of contribution from income is eliminating students from Pell Grant eligibility. Some student aid administrators contend that over 50 percent of the student aid applicants are having to contribute substantially more as an expected family contribution than their available resources would warrant. Therefore, students are reluctant to apply, concerned that the need analysis will require them to contribute more than their resources will actually yield or that they will be eliminated from eligibility.

A second issue in tandem with a high contribution level on student income is a high contribution rate for both students and parents on assets, particularly non-liquid assets--such as home, farm or business. Even though these are not easily converted into cash, they are assessed as part of the need calculation at high rates. Another factor linked to assets is the double counting of income in asset computations, where earnings are counted twice, first as income, then as savings.

Finally, there is concern about the restriction on student aid administrator's discretion under the Pell Grant program. The Higher Education Amendments of 1986 provided that student aid administrator's discretion could be used in determining need for a student in special circumstances under the Pell Grant program. The Labor HHS and Education Appropriations for FY 1989 inserted language restricting the authority of the financial aid officer to alter a student's Pell Grant award by changing the expected family contribution or cost of education amount.

Proposed changes to the Pell Grant program need analysis were introduced (H.R. 4986, S. 2647) and considered in the 100th Congress. S. 2647 passed the Senate but no final action was taken by the House. In the 101st Congress, legislation passed the Senate (S. 568)<sup>13</sup> that would alter the need analysis system. S. 568 would clarify the definition of independent

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<sup>13</sup>The House of Representatives introduced H.R. 2020 on Apr. 17, 1989. The House measure incorporates provisions from the House bill in the last Congress (H.R. 4986).

student, restore discretion of financial aid administrators for the Pell Grant program to make adjustments to cost of attendance or the expected contribution, eliminate double counting of income in asset calculations, and eliminate consideration of non-liquid assets for the Pell Grant need analysis for students whose family adjusted gross income is \$30,000 or less.

A detailed description of the Pell Grant need analysis system and sample calculation of the expected family contribution for a dependent student appears in the appendix.

*Ability to Benefit.* Another issue related to the Pell Grant program is whether or not "Ability to Benefit" students should continue to be eligible to participate in the Pell Grant program. Currently, students lacking a high school diploma may receive Federal student aid if they have the "ability to benefit" from the educational program for which they seek financial assistance.<sup>14</sup>

It has been argued that some ability to benefit students are not qualified and are abusing the Pell Grant program. It has also been posited that ability to benefit students are prone to drop out and are contributing to the increasing level of student loan defaults. A General Accounting Office (GAO) report<sup>15</sup> indicated that 26 percent of students who attended proprietary schools were admitted without high-school diplomas and 61 percent of that group dropped out of postsecondary education. According to GAO these "unqualified" students were admitted as a result of "abuses" of the testing process. The 1986 Amendments attempted to clarify and make more stringent the criteria for admitting "ability to benefit" students to the Pell Grant and other student aid programs.

It is estimated that there are approximately 130,000 Pell Grant recipients who are ability to benefit students in academic year 1988-89, slightly under 5 percent of the total number of Pell Grant recipients. It is generally assumed that the majority of those students receiving student aid as a result of this provision attend proprietary institutions.

The concept of ability to benefit has been part of statute since enactment of the Education Amendments of 1976 (P.L. 94-482), which first authorized

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<sup>14</sup>For further detail and history of the "ability to benefit" provision see U.S. Library of Congress. Congressional Research Service. *A Discussion and Analysis of the Ability to Benefit Provision: Eligibility for Federal Postsecondary Student Assistance for Students Who Have Not Graduated From High School.* CRS Report for Congress No. 85-1034 EPW, by Wayne Riddle. Washington, 1985.

<sup>15</sup>U.S. General Accounting Office. *Many Proprietary Schools Do Not Comply With Department of Education's Pell Grant Program Requirements,* GAO HRD 84-17.

students at postsecondary educational institutions who lack a high school diploma or its equivalent to receive Federal student aid under title IV of the Higher Education Act. This authorization first applied only to applicants for aid at "institutions of higher education" but was later expanded under the Middle Income Student Assistance Act of 1978 (P.L. 95-566) to include "postsecondary vocational institutions" and "proprietary schools" as well. The Higher Education Amendments of 1986 added a specific definition of ability to benefit that applies to student eligibility. A student who is admitted on the basis of ability to benefit must fulfill one of the following conditions to continue as an eligible student:

- 1) pass an admissions test that measures the student's aptitude to successfully complete the program. The school must administer a nationally recognized standardized or industry developed test subject to criteria developed by the school's nationally recognized accrediting agency or association.
- 2) enroll in and successfully complete a remedial or developmental program (not to exceed 1 academic year) that is prescribed by the school. The school requires the student to enroll in a remedial or developmental program if the student is admitted on the basis of counseling given to the student before admission to the school, or because the student failed the admissions test. If the student does not successfully complete the program, he or she will no longer be eligible for Pell Grant funds or other student aid.
- 3) receive general education development (GED) prior to the students' certification or graduation from the course of study, or by the end of the first year of the course of study, whichever is earlier.

The student is eligible for aid from the Pell Grant program and other Federal student aid programs during this period, but the aid may not be used to pay for remedial coursework leading to the GED. The school must document whether the student receives the GED. If the student does not earn the GED by the end of the first year or complete the course of study, the student may no longer receive Pell Grants or other student aid funds.

In the past few years the Federal Budget has focused on "ability to benefit" students. The Secretary of Education Lauro Cavazos has announced a default reduction initiative (June 1, 1989) that would change current "ability to benefit" provisions. Ability to benefit students would be required to pass a test designed and administered by an independent third party, designated by the Secretary, before becoming eligible for aid.

*Less Than Half-Time Students.* Another issue related to the Pell Grant program is whether or not less than half-time students should be eligible for Pell Grants and how it will affect full-time Pell Grant recipients. Beginning

with academic year 1989-1990, less than half-time students will be eligible to participate in the Pell Grant program if their student aid index (see previous discussion on p. 2 of this report) qualifies them for a maximum award.

Some argue that there may be adverse effects in allowing less than half-time students into the Pell Grant program, because by increasing the pool of eligible students, awards will be less for all students. The FY 1990 budget assumes that less than half-time student eligibility will increase the number of Pell Grant recipients by 46,000. The FY 1990 budget documents indicate that less-than half time students have been taken into account in determining their budget estimate. It is not yet possible to see the effects of enlarging the pool of Pell Grant recipients.

**APPENDIX: LEGISLATIVE HISTORY****Education Amendments of 1972**

The Pell Grant program was created under P.L. 92-318, the Education Amendments of 1972, as the Basic Educational Opportunity Grant program (BEOG). It was renamed the Pell Grant program in honor of its original sponsor, Senator Claiborne Pell through the Education Amendments of 1980, P.L. 96-374. The original intent of the program as outlined in the conference report on the Education Amendments of 1972 (H. Rept. 92-1085), was to help equalize educational opportunity across income classes using the vehicle of student aid. A Senate amendment provided for the program under which students at colleges and universities from relatively low-income families were entitled to Basic Grants to assist them in pursuing a postsecondary education.

An impetus for creating the Basic Grant program was to improve student aid delivery and to bring more "equity" or at least uniformity into distribution of student aid. Previously, Federal student aid had been made available through several campus-based programs with varying standards of student eligibility determined by States' allocation formulas. Students in some States received more aid relative to their need than in other States, and within-State treatment varied among types of institutions for students with similar needs. The new Basic Grant had no State formula that would cause unequal distribution, and also provided uniform standards of eligibility for all students and to all participating institutions.

According to the Senate report accompanying the 1980 Education Amendments:

The BEOG program was enacted in 1972 to serve as a "floor" for Federal programs of student assistance. Its basic premise was that students should not have to make choices among postsecondary educational institutions on the basis of where student financial aid was available. (S. Rept. 94-882 on S. 2657.)

The Senate amendments and the final Education Amendments of 1972 first authorized a maximum grant of \$1,400 less an amount that the family could reasonably be expected to contribute toward the cost of attendance. In the original statute, the grant could not exceed 50 percent of the actual cost of attendance at an institution of postsecondary education where the student was in attendance for that year.

**Education Amendments in 1976 and 1977**

Subsequent amendments in 1976 and 1977 were relatively minor in terms of change to the Pell Grant program. The Education Amendments of 1976 (P.L. 94-482) extended the authorization for Pell Grants through FY 1979 and raised the maximum grant from \$1,400 to \$1,800 for academic year 1978-79. The Student Aid Technical Amendments of 1977 (P.L. 95-43) made clarifying

amendments to the 1976 amendments and set forth a reduction procedure to be used in computing a BEOG award when available appropriations were not sufficient to pay the maximum authorized grants.

### **Middle Income Student Assistance Act**

In 1978, the Middle Income Student Assistance Act (MISAA), P.L. 95-566, amended the Higher Education Act to broaden student aid programs to ensure that middle-income students could participate. MISAA altered the BEOG family contribution schedule so that more middle income students would qualify for a grant by decreasing the rate of assessment on parental income, and requiring a smaller family contribution, thereby resulting in a larger Pell Grant award for middle income students.

### **Education Amendments of 1980**

The Education Amendments of 1980 (P.L. 96-374) renamed the BEOG the Pell Grant in honor of the program's original sponsor, Senator Claiborne Pell. The Act also changed maximum grant levels and student eligibility, extending the program to all needy part-time undergraduates in addition to full-time undergraduates. The maximum grant levels were authorized to be increased from \$1,800 in 1981-82 to \$2,600 in 1985-86. The half-cost limitation was modified so that, as the maximum grant levels increase, Pell Grants would meet up to 70 percent of the cost of attendance when the maximum reached \$2,600.

### **Omnibus Budget Reconciliation Act of 1981**

With the passage of the Omnibus Budget Reconciliation Act of 1981 (OBRA) (P.L. 97-35) the authorization levels were restricted for most Department of Education student aid programs for FY 1982 through FY 1984. Specific authorization ceilings, which had not previously existed, were set for the Pell Grant program at \$2.65 billion for FY 1982, \$2.8 billion for FY 1983, and \$3.0 billion for FY 1984.

The authorization ceilings imposed by Omnibus Budget Reconciliation Act (OBRA) of 1981 required substantive amendments to the Pell Grant program. The legislation authorized the Secretary of Education to waive any provision of the Pell Grant program in order to meet OBRA's new authorization levels. OBRA also required that the need analysis for the Pell Grant program remain separate from other programs. The maximum Pell Grant was set at \$1,800 for the 1982-83 academic year.<sup>13</sup>

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<sup>13</sup>Prior to the next HEA authorization there were several amendments to the Pell Grant program family contribution schedule. P.L. 97-301, the Student Financial Assistance Technical Amendments of 1982 maintained the Pell Grant Family Contribution Schedule for 1983-84 with some modifications of the treatment of veterans and with an adjustment for inflation for the  
(continued...)

## The Higher Education Amendments of 1986

The Higher Education Amendments of 1986 (P.L. 99-498) extended the Pell Grant program through FY 1991 with some significant changes, increasing the maximum Pell Grant to \$2,300 in FY 1987 with an increase by increments of \$200 each year up to \$3,100 in FY 1991 (academic year 1991-92).

Included in the major changes was a new need analysis system for the Pell Grant program written into statute but still entitled by its old name, the Family Contribution schedule. In addition, a new independent student definition was put in statute that generally allows any student age 24 or older to be declared independent.<sup>14</sup>

Other major provisions include setting the cost limit so that not more than 60 percent of the cost of attendance at a recipient's postsecondary institution would be covered by Pell Grants. In determining the cost of attendance at a recipient's postsecondary institution, additional expenses for a handicapped student<sup>16</sup> as well as expenses for child care services (not to exceed \$1,000) for a student's dependent child would be taken into account. The living allowance for room, board, books, supplies, transportation and

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<sup>13</sup>(...continued)

family size offset. P.L. 98-79, the Student Loan Consolidation and Technical Amendments Act of 1983 mandated that the 1984-85 family contribution schedule continue major provisions of the 1983-84 family contribution schedule with some modifications. The Secretary of Education was instructed to update the 1983-84 schedule for economic assumptions.

<sup>14</sup>An independent student is considered "independent" if he/she is age 24 or older as of Dec. 31, 1987. If under 24 a single undergraduate student may not be claimed on parents' income tax returns for the past 2 years and must demonstrate self-sufficiency with an income of \$4,000. If he/she is a graduate, professional, or married student, that student may not be claimed as a dependent on parents' tax return in the last year (i.e., 1988 for academic year 1988-89 application.) There are other exceptions including an orphan, veteran, or ward of the court.

<sup>16</sup>An allowance may be included for the costs of special services and equipment for a handicapped student to attend school. The financial aid administrator should base the allowance on the costs of that student depending upon their handicapping condition. A student is handicapped if he or she is deaf, mentally retarded, hard of hearing, speech or language impaired, visually handicapped, seriously emotionally disturbed orthopedically impaired, or is otherwise health impaired, or has specific learning disabilities that require special education and related services. There is no fixed limit to the allowance for educational expenses related to a handicap although services or equipment provided free of charge by other assisting agencies may not be included.

miscellaneous expenses was set at \$1,700 for a student living at home with parents and \$2,300 for all other students.<sup>16</sup>

The 1986 amendments made slight changes in the calculation of eligibility. As in the previous eligibility process, each contractor processing applications furnishes the student aid administrator at his or her institution with an estimate of the Pell Grant eligibility "index" (called the Student Aid Index or SAI), which is the same as the amount that student and his/her family are expected to contribute toward the student's cost of education. The 1986 amendments stated that the administrator had discretion to recalculate the eligibility index for the student and alter the contribution if there was a change in circumstances of the student or in the data submitted.

Most of the changes to the Pell Grant program appeared in the section of the law dealing with need analysis. The need analysis system for the Pell Grant program is called the Family Contribution Schedule. The Family Contribution Schedule existed previously in regulation but is now in statute with modifications.<sup>17</sup> The Family Contribution Schedule calculates an amount the family is expected to contribute from both income and assets. There are particular changes in the need analysis system with regard to income for independent students<sup>18</sup> with dependents. Independent students with dependents will have to contribute less of their income now, as if they are dependent students.<sup>19</sup> There is a new definition of independent student that includes age criteria.<sup>20</sup> In the formula there are offsets for farm and business assets. These offsets have been increased so that families will have to contribute less from their assets. Proceeds of a sale of farm or business are excluded from consideration as income if such sale resulted from a voluntary or involuntary foreclosure, forfeiture, liquidation, or bankruptcy.

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<sup>16</sup>The statute sets the limit on the allowances for living expenses in the Pell Grant program. The living allowances for the Pell Grant program are tied by law to the maximum Pell Grant award for the award year. If the maximum Pell Grant changes in future years, these limits also change.

<sup>17</sup>The basic data elements considered in a family contribution schedule are effective income, assets, number of family members in household, number of family members who are enrolled on at least a half-time basis in a program of postsecondary education, assets, marital status of student, unusual medical expenses; and tuition paid for another dependent child in elementary/secondary education.

<sup>18</sup>See previous definition of independent student in footnote 14.

<sup>19</sup>A dependent student is defined as one who receives significant financial support from his/her parents and does not meet the definition of independent student. See previous footnote 14.

<sup>20</sup>See previous footnote 14.

## CALCULATION OF THE PELL GRANT EXPECTED FAMILY CONTRIBUTION FOR A DEPENDENT STUDENT

The paragraphs below describe the method of computing the Expected Family Contribution under the new Pell Grant family contribution schedule for a dependent student.<sup>21</sup> It is the same as computing the Student Aid Index, i.e., it is the sum of expected contributions from the parent's and student's income and assets, adjusted by number of persons in the family attending institutions of postsecondary education.

- 1) Effective Family Income is computed. This is the adjusted gross income (taxable income), plus other income, minus taxes (tax offsets for the 1988-89 academic year under the new schedule include Federal, State and local taxes whereas under the old schedule only Federal taxes were used as an offset.
- 2) The annual Discretionary Income is calculated by subtracting offsets from the effective family income, including the family size offset, unreimbursed medical and dental expenses, employment expenses, educational expenses for tuition paid for students enrolled in elementary or secondary school, and one-half of a student's veterans educational benefits. The remaining balance is treated as available discretionary income.
- 3) After all offsets are deducted, the remaining discretionary income is assessed on the basis of a sliding scale and the expected family contribution from income is determined by using an assessment rate that ranges from 11 percent of discretionary income up to \$5,000 and 25 percent of discretionary income over \$15,000.
- 4) Assets are considered separately from discretionary income. Assets include any cash, savings, real estate, investments, trust funds, farm or businesses. Debts are deducted before listing the value of the asset. Beginning in academic year 1988-89 the asset reserves are \$30,000 for home, \$25,000 for personal assets, \$80,000 for business and \$100,000 for farm, not to exceed an aggregate of \$130,000 in the case of someone with farm assets or \$110,000 for someone with business assets. If the resulting calculation is a positive number then it is multiplied by 5 percent, to determine the final contribution from assets for parents of dependent students.
- 5) Student income and assets are considered separate from parents income and assets. The treatment of taxed income for the dependent student is essentially similar to the instructions

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<sup>21</sup> See previous footnote no. 19.

previously given for the parent. The student is given a basic offset to income, which is either \$3,500 for a single student or \$5,100 for a married student. The student's discretionary income is calculated to subtracting the total offsets from total income. The student's contribution from income results when the student's discretionary income is multiplied by 75 percent.

- 6) The treatment of dependent student assets essentially parallels the treatment of parental assets, except that there is no asset reserve for student assets. Therefore the total net assets of the students are considered to be available and subject to the assessment rate for assets. The total available student assets are multiplied by an assessment rate of 33 percent to find the expected contribution from student assets.

The number that results when the contribution from parents assets, student assets, parent's discretionary income and students discretionary income are all added together is referred to both as the Expected Family Contribution (EFC) and the Student Aid Index (SAI). (See the example on p. 25 of the appendix.)

Expected Contributions Under the Pell Grant Family  
Contribution Schedule 1988-89 for Students With  
Selected Income and Family Characteristics

Example 1

Assumes a dependent student from a family of four with \$15,000 adjusted gross income with no assets, no student income and no unusual circumstances.

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<u>Adjusted Gross Income (AGI)</u>	\$15,000
 <u>Allowances</u>	
- Federal tax (estimated)	700
- State and local tax (assuming an average 8 percent of AGI)	- 1,200
= Effective Family Income	13,100
- Other Allowances (employment allowance, elementary or secondary private tuition, etc.)	
- Family Size Offset	- 10,400
= Discretionary income x assessment rate (11 percent)	2,700
= contribution from discretionary income (rounded)	300

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Expected Contributions Under the Pell Grant Family  
Contribution Schedule 1988-89 for Students With  
Selected Income and Family Characteristics--Continued

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Net Asset Value		0
Offset for personal assets x .05 assessment		\$-25,000
 Standard contribution from total available assets		 0
 Contribution from discretionary income + assets = total Expected Family Contribution from parent		   300
 + total expected family contribution from student (assumption is 0 in this instance) = total expected family contribution from student and parent		   \$300
 Student Aid Index = 300		