

Analysis Evaluates Impact of Various Pell Grant Reform Proposals

By [Hunter B. Martin, NASFAA Staff Reporter](#)

Discussions of college affordability have been more prevalent in the news as current lawmakers and Democratic presidential candidates alike put forward proposals to help more low-income students attend college. The [Pell Grant](#) program — the bedrock of the federal financial aid system — has been a target for reform.

Pell Grants have typically had strong bipartisan support, but also have a lengthy history of criticism over the amounts offered and award structure, as well as numerous advocacy pushes for reforms. Earlier this week the Urban Institute released [analysis](#) of several of the Pell Grant reform proposals and explored the costs to taxpayers and impacts on students and families.

One such proposal, a bipartisan [reform effort](#) put forth by Sens. Lamar Alexander (R-Tenn.) and Doug Jones (D-Ala.), the FAFSA Simplification Act, would simplify the Pell Grant formula. The proposed new formula would use the federal poverty level (FPL) to calculate a student's family income. Those percentages would then be used to award maximum grant awards for students with family incomes below a certain threshold, and “phases out” the grant by awarding lesser Pell Grant amounts to students with slightly higher family incomes.

However, the Pell Grant phase-out threshold ratio is higher for students who are dependent children of single parents and for students raising children. The student population that would likely see the most significant changes to their grant awards are independent students who are not raising children, versus married students with children, who are far less likely to receive a Pell Grant.

According to the Urban Institute Pell Grant [model](#), a simulator that shows how various changes to the program would impact students, the proposed changes in the FAFSA Simplification Act would increase the percentage of students who would be awarded grants from 41.8% to 42.5%.

“Based on our model, 12% of current Pell grant recipients would see their award decrease by at least \$500, and 15% would receive an award that is at least \$500 larger,” the Urban Institute wrote.

Other ideas that have gained some traction are increases to the maximum award amount, which is currently capped at \$6,195 per student, and tying the maximum award to inflation.

Several Democratic [presidential candidates](#) have presented plans to increase the maximum Pell Grant award, including Sen. Elizabeth Warren (D-Mass.), [Mayor Pete Buttigieg](#), former Secretary of Housing and Urban Development Julián Castro, former Vice President Joe Biden, and Sen. Amy Klobuchar (D-Minn.), all of whom have proposed increases ranging from \$1,000 to doubling the maximum award.

Increasing the maximum award would not only benefit individual students already receiving Pell Grants, but it would also expand the number of students who would become eligible, because award amounts are currently calculated based on the difference between the maximum award and a student's expected family contribution (EFC). This could lead to students from families who are middle- and high-income becoming eligible, according to the Urban Institute analysis.

While white students are more likely to be included under expanded eligibility, black and Hispanic students are more likely to benefit from increased maximum award amounts.

Both small increases to the Pell Grant program and vast expansions of the program would significantly increase the overall costs. The Alexander-Jones plan would increase annual Pell Grant spending by approximately \$1.2 billion, whereas [Biden's plan](#) to double the maximum grant amount would more than double the annual cost from about \$31 billion to \$66 billion, according to the Urban Institute.

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