

An Arbitrary Maximum Income Cap Would Eliminate Pell Grants for Needy Students

April 1, 2014

The House Budget Committee's Fiscal Year 2015 budget proposes consideration of an undefined maximum income cap for Pell Grants, above which students would no longer be eligible, regardless of their family size or situation.¹ ***A maximum income cap would cut off Pell Grants for students who, due to family circumstances, require financial assistance to afford college.***

The federal needs analysis formula already targets Pell Grants toward the neediest students.

The federal needs analysis formula assesses a family's ability to pay college costs based on factors such as income, family size, number of family members in college, and taxes paid.² Through its evaluation of a family's finances, the needs analysis formula targets Pell Grants and other forms of financial aid toward the neediest students.

Students with family incomes over \$50,000, for example, are typically only eligible for Pell Grants if their family's income must stretch to cover the college costs and basic needs of many people.

- **The vast majority (more than 8 out of 10) of Pell Grant recipients with family incomes over \$50,000 have families of four or larger.**³ Additionally, about half (49%) of Pell Grant recipients with family incomes over \$50,000 have families of five or larger.
- **Many Pell Grant recipients with family incomes over \$50,000 have more than one family member in college.** Three out of five (60%) dependent Pell Grant recipients with family incomes over \$50,000 have two or more family members attending college at the same time.⁴ More than one-third (35%) of independent Pell Grant recipients with family incomes over \$50,000 have two or more family members attending college at the same time.

Students with family incomes over \$50,000 compose a small share of Pell Grant recipients and Pell Grant dollars, so eliminating their eligibility would not generate much savings but would cut off Pell Grants to students who need them to attend and complete college.

- In 2011-12 (the most recent year of data available), only 8% of Pell Grant recipients had family incomes over \$50,000.⁵
- Students with family incomes over \$50,000 received only 4% of total Pell Grant dollars.⁶

Any income cap must be indexed to inflation to prevent it from cutting off more and more needy students each year. Unless it were indexed to the Consumer Price Index, a maximum income cap would lose value in real dollars over time, eliminating college grants for more needy students each year.

¹ U.S. House of Representatives, House Budget Committee, “The Path to Prosperity: Fiscal Year 2015 Budget Resolution,” http://budget.house.gov/uploadedfiles/fy15_blueprint.pdf.

² U.S. Department of Education, Federal Student Aid, “2014-15 EFC Formula Guide,” <http://ifap.ed.gov/efcformulaguide/attachments/091913EFCFormulaGuide1415.pdf>.

³ Calculations by TICAS on data from the U.S. Department of Education, Office of Postsecondary Education, “Pell End-of-Year-Report,” 2011-12, Table 71. Note that these income figures include forms of untaxed income that are not considered in the needs analysis formula.

⁴ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), 2011-12. The family income figures cited are for the parents of dependent students, and for independent students and their spouses (if applicable).

⁵ Calculations by TICAS on data from the U.S. Department of Education, Office of Postsecondary Education, “Pell End-of-Year-Report,” 2011-12, Table 71. This estimate *overstates* the number of students with family incomes above \$50,000 who receive Pell Grants, due to differences in the definition of income in available Department data and the federal needs analysis.

⁶ Calculations by TICAS on data from the U.S. Department of Education, Office of Postsecondary Education, “Pell End-of-Year-Report,” 2011-12, Table 71. This estimate *overstates* the share of funding going to students with family incomes above \$50,000, due to differences in the definition of income used in available Department data and the federal needs analysis.