

Total Pell Grant Funding Declines for First Time in Six Years

For the first time in six years, total funding for Pell Grants was lower than in the preceding year, down from \$13.6 billion in 2004-05 to \$12.7 billion in 2005-06. The average Pell Grant per recipient declined by \$120 dollars, from \$2,474 to \$2,354.

The maximum Pell Grant, which is designated for students whose resources are too limited to generate any expected contribution from their own or family funds, is \$4,050. The last time this grant level was increased was in 2003-04, when it rose by \$50.

The decline in Pell Grant funding is best explained by an adjustment to the eligibility formula relating to the amount families are assumed to be spending on state and local taxes. Because many families are now assumed to have higher after-tax incomes, individual students are eligible for smaller grants from the Pell program. In addition, the number of students receiving Pell Grants, which has grown sharply in recent years, rose by only 1.5 percent in the last academic year.

Pell Grants, the basic federal grants on which many low-income students rely to finance postsecondary education, have not kept up with college prices. The proportion of the average published price of tuition, fees, room, and board at a public four-year college or university that could be met by a Pell Grant declined from 42 percent in 2001-02 to 33 percent in 2005-06. Twenty years ago, maximum Pell Grants met nearly 60 percent of total charges in that sector.

Ten-Year Trends

Despite the decline in 2005-06, total funding for Pell Grants is 80 percent higher than a decade ago, after adjusting for inflation. Since then, the number of students who receive Pell Grants has increased by about 50 percent, from 3.6 million in 1995-96 to 5.4 million in 2005-06. Increases in participation in the program earlier in the decade were due both to higher college enrollments and to increases in the grant maximum. In addition to leading to higher grants for existing recipients, these increases make some additional students eligible.

Ten years ago, the maximum Pell Grant was \$3,006 (in 2005 dollars). It increased by 45 percent between 1995-96 and 2002-03, but declined by 7 percent over the next three years.

Pell Grants awarded in 2005-06 constituted:

- 26 percent of all grants undergraduates received;
- 13 percent of all federal student aid; and
- 9 percent of total student aid.

Total Pell Expenditures, Maximum Pell Grant, and Average Pell Grant in Constant (2005) Dollars, 1975-76 to 2005-06

