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Pell Grant Program: Major Congressional Proposals

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Pell Grant Program: Major Congressional Proposals

The Federal Pell Grant program is the largest program providing need-based grant aid to postsecondary students. In FY2023, the program made \$31 billion in grant aid available to approximately 6.5 million low-income undergraduate students. Congress has considered several legislative proposals concerning Pell Grants in recent years, and it may choose to revisit them.

This report provides a brief overview of selected proposals from prior Congresses that have the potential for being reconsidered in the upcoming years. The proposals may be grouped by theme. One theme for consideration among all of them is the amount and source (i.e., mandatory or discretionary dollars) of federal funding. In addition, the proposals may be differentiated as being budget related, expansions of the scope of the program, or tax related.

The budget proposals would be intended to address underlying structural issues within the program:

- Budget projections predict that in FY2025, the current level of annual discretionary appropriations may be insufficient to offset discretionary program costs (i.e., a *shortfall*). Various budget enforcement mechanisms may prompt Congress to increase program funding, reduce student eligibility, reduce award levels, or pursue other options to resolve the shortfall.
- For decades, Congress has considered proposals to convert the Pell Grant program from a *quasi-entitlement* to an *entitlement* funded entirely with mandatory appropriations (i.e., direct spending). Once established, entitlement funding and spending, if provided on a multiyear or permanent basis, requires no annual legislative action by Congress. The quasi-entitlement nature of Pell Grants has resulted in Congress addressing funding shortfalls from time to time.

The proposals to expand the program by increasing its utility or eligibility are varied:

- The maximum Pell Grant award has generally increased annually in an effort to provide a meaningful contribution toward the cost of higher education. Congress has considered how much to increase the maximum, how to fund the increase (i.e., through mandatory or discretionary dollars), and whether to differentiate the maximum for different categories of students.
- The House Education and Labor Committee in the 116th Congress and House Education and Workforce Committee in the 118th Congress reported bills to expand Pell Grants to students enrolled in educational programs that are too short in duration to be eligible under current law. Such awards would be termed Job Training or Workforce Pell Grants. It is generally recognized that some short programs offer an alternative credential to a bachelor's degree and lead to employment in high-skill, high-wage, or in-demand industry sectors or occupations. While the proposals concur in many aspects, there are differences in the mechanisms for ensuring federal funds only support high-quality short programs and students complete the programs and go on to remunerative employment or continued education.
- Some Members have advocated for increasing the Pell Grant lifetime eligibility—the amount of Pell Grant funds students may receive over their lifetime—to ensure recipients can complete their program of choice despite changing life circumstances.
- Proposals have been made to extend Pell Grant eligibility to students who have bachelor's degrees. Under current law, students with a bachelor's degree are ineligible, but the proposals would variously permit some of these students to use the award to pursue short educational programs or postbaccalaureate programs. The proposals are intended to further enhance students' livelihoods and economic contributions.
- Current law establishes categories of *eligible noncitizens* who may qualify for Pell Grants and other forms of federal student aid. Recent proposals would expand eligibility for federal student aid to unauthorized immigrant students who are not currently eligible, such as students who have Temporary Protected Status (TPS) or Deferred Action for Childhood Arrivals (DACA). Federal funding for such immigrants might provide a return on investment to the U.S. economy, bolster the economies of their home countries, or both.

Other proposals would endeavor to reduce federal income tax liability and tax filing complications for the families of some Pell Grant recipients. Some students and their families pay federal income tax on all or a portion of their Pell Grant award.

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Introduction

The Federal Pell Grant program as enacted in 1972 was intended to help address various issues in higher education: the financial stability of educational institutions; the division of financial responsibility between students and their families, the private sector, educational institutions, and local, state, and federal governments; and the question of whom the federal government should support to attend institutions of higher education (IHEs).¹ The primary purpose of the program today is to help make the benefits of undergraduate postsecondary education available to eligible low-income students enrolled in IHEs. It is the largest source of federal grant aid to students, providing \$31 billion to approximately 6.5 million undergraduate students in FY2023.² The Pell Grant program is the largest grant program authorized by Title IV of the Higher Education Act (HEA). (For a full description of the program, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*). Congress has considered several legislative proposals in recent years, and it may revisit versions of these proposals in the upcoming years.

This report provides a brief overview of selected recent proposals that would affect the Pell Grant program. It discusses pertinent aspects of the Pell Grant program as in effect for award year (AY) 2024-2025 and congressional arguments for and against proposals that were included in legislation upon which Congress took action beyond introduction or that garnered over 50 cosponsors in the 116th through the 119th Congresses as of March 1, 2025. Proposals specifically intended to reduce Pell Grant program costs, eligibility, or allowable uses were not contained within legislation that meets these criteria; however, some Members have put forward comprehensive HEA Title IV aid reforms that might decrease Pell Grant program costs.³ The proposals described in this report would

- modify budgetary treatment of the program,
- expand the program, or
- reduce federal tax liability and tax filing complications for Pell Grant recipients.

Budget Proposals

Budgetary treatment of the Pell Grant program has presented funding challenges and difficult policy choices for Congress, and may continue to do so. Issues are variously related to the economy (affecting the cost of higher education and student enrollment), the mix of discretionary and mandatory funding provided for the program, the program's quasi-entitlement status, and the Pell-specific budget scoring rule.

Background on Budget Structure and Process

The maximum Pell Grant award—the most aid a student may receive in an academic year—is the sum of a discretionary award and mandatory add-on award. The discretionary award is supported by discretionary appropriations and definite (i.e., a statutorily specified amount) mandatory appropriations. The mandatory add-on award is funded by indefinite (i.e., such sums as are

¹ U.S. Congress, Joint Economic Committee, *The Economics and Financing of Higher Education in the United States: A Compendium of Papers*, committee print, 91st Cong., 1st sess., October 7, 1969, pp. 543-544.

² U.S. Department of Education, Fiscal Year 2025 Budget Proposal, Student Aid Overview.

³ See, for example, U.S. Congress, House Education and the Workforce Committee, *College Affordability Act*, report to accompany H.R. 4674, 116th Cong., 2nd sess., December 28, 2020, H.Rept. 116-700, pp. 1421-1435; or CRS Report R48241, *The College Cost Reduction Act (H.R. 6951)*.

necessary) mandatory appropriations. The discretionary appropriations are provided in annual appropriations acts. The two mandatory appropriations streams are permanently established in the HEA.

The Pell Grant program is often referred to as a *quasi-entitlement* because statutorily eligible students receive their statutorily calculated award notwithstanding available appropriations. When annual discretionary appropriations do not match the cost of the discretionary awards less the definite mandatory appropriation, the program may carry a shortfall or surplus into the subsequent year. The shortfall or surplus may accumulate over multiple years.

In order to hold itself accountable for any accumulated shortfall, Congress adopted a permanent budget scoring rule for appropriations acts.⁴ The rule provides that if the appropriation of new discretionary budget authority is insufficient to cover the full cost of the discretionary awards in the upcoming year—including the definite mandatory appropriation and any cumulative funding surplus or shortfall from prior years—the budget authority for the program counted against the bill will be equal to the adjusted full cost (i.e., total need). This would have the effect of reducing the budget authority available to meet other priorities in the appropriations bill.

Potential Discretionary Funding Shortfall

The Congressional Budget Office's (CBO's) January 2025 estimate projected the Pell Grant program would accumulate a discretionary shortfall in FY2025 assuming no programmatic or budget authority changes.⁵ Congress might consider how to address the estimated shortfall, particularly if it also considers proposals to expand the program (see the "Program Expansion Proposals" section).

To resolve a shortfall, Congress may choose to reduce Pell Grant program costs and/or employ other tactics.⁶ Program costs may be reduced by several mechanisms, or a combination of mechanisms, such as decreasing student eligibility or award levels or restricting lifetime eligibility, the types of eligible educational programs, or the types of eligible IHEs. Other mechanisms for resolving a shortfall could include applying the estimated savings of reducing the costs of other programs, modifying the Pell Grant scoring rule, providing appropriations exempt from otherwise applicable budget enforcement requirements (e.g., appropriations for emergency requirements),⁷ or shifting the program exclusively to mandatory appropriations (see below).

Shifting Exclusively to Mandatory Appropriations

For decades, Congress has considered and introduced proposals to fund the federal Pell Grant program entirely with mandatory appropriations (direct spending).⁸ Prior to 2008, a dedicated mandatory funding stream was not authorized but mandatory funding had been infrequently

⁴ H.Con.Res. 95, §406.

⁵ Congressional Budget Office, *Baseline Projections: Pell Grant Program*, January 2025, <https://www.cbo.gov/system/files/2025-01/51304-2025-01-pellgrant.pdf>.

⁶ For more information on policy implications and measures to address funding shortfalls, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

⁷ For more information on such exemptions, see CRS Report R45778, *Exceptions to the Budget Control Act's Discretionary Spending Limits*.

⁸ For example, early versions of H.R. 3553 and S. 1150 (102nd Congress) would have reclassified the Pell Grant program as an entitlement.

provided for the program, usually to pay for an accumulated shortfall.⁹ The College Cost Reduction and Access Act (P.L. 110-84) initiated long term mandatory funding for the program to provide “a greater and sustainable commitment” intended “to supplement, and in no way supplant, current or future discretionary funding.”¹⁰ Approximately 18% of annual program funding was mandatory in FY2019-FY2023.¹¹ Recent proposals would have transitioned the program from a quasi-entitlement to an entitlement.¹² Entitlements constitute legal obligations of the federal government and are funded via mandatory spending. Spending on entitlements is controlled by authorization acts and not through the annual appropriations process.¹³ Entitlement spending may

- bypass the annual appropriations process with funds provided by permanent or multiyear definite (e.g., State Children’s Health Insurance Program) or indefinite (e.g., Medicare) appropriations in substantive law, or
- be funded in annual appropriations acts, as an appropriated entitlement (e.g., Post-9/11 GI Bill).¹⁴

The shift to mandatory spending would be intended to prevent Congress from having to enact legislation to avert or address a shortfall and to insulate the program from cyclical cuts and expansions in federal annual discretionary appropriations.¹⁵ There is long-standing concern in Congress, however, that mandatory spending is less easily controlled legislatively than discretionary spending, and in recent years has tended to grow more rapidly than discretionary spending.¹⁶

In addition, if the program were converted to mandatory funding only, the full estimated cost of programmatic changes in legislation would be subject to budget enforcement mechanisms for

⁹ For example, mandatory funding of \$4.3 billion was provided in P.L. 109-149 to pay exclusively for the accumulated funding shortfall through AY2005-2006.

¹⁰ U.S. Congress, House Education and Workforce Committee, *College Cost Reduction Act of 2007*, to accompany H.R. 2669, 110th Cong., 1st sess., June 25, 2007, H.Rept. 110-210; and U.S. Congress, House Committee of Conference, *College Cost Reduction and Access Act*, to accompany H.R. 2669, 110th Cong., 1st sess., September 6, 2007, H.Rept. 110-317.

¹¹ CRS analysis of the HEA and U.S. Department of Education Congressional Budget Justifications, FY2021-FY2025.

¹² See H.R. 8807 and S. 4595 (118th Congress), and H.R. 3946 and S. 2081 (117th Congress).

¹³ For more information on entitlements and entitlement spending, see CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*.

¹⁴ The entitlement spending approach may necessitate additional supplemental appropriations if the cost estimate or appropriations level fall short of the entitlement cost. For more information on entitlements and entitlement spending, see CRS Report RS20129, *Entitlements and Appropriated Entitlements in the Federal Budget Process*.

¹⁵ Representative Bobby Scott, “Scott, Hirono, Murray, Reed, Whitehouse, Pocan Introduce Bill to Double Pell Grant, Make College More Affordable,” press release, June 20, 2024, <https://bobbyscott.house.gov/media-center/press-releases/scott-hirono-murray-reed-whitehouse-pocan-introduce-bill-double-pell>; and Senator Kirsten Gillibrand, “Gillibrand Announces Legislation To Double Pell Grant, Make College More Affordable For Working Families,” press release, June 25, 2024, <https://www.gillibrand.senate.gov/news/press/release/gillibrand-announces-legislation-to-double-pell-grant-make-college-more-affordable-for-working-families/1>.

¹⁶ For more information, see CRS Report R45202, *The Federal Budget: Overview and Issues for FY2019 and Beyond*.

direct spending, including sequestration (unless exempted).¹⁷ Statutory and procedural rules restrict congressional consideration of legislation affecting direct and discretionary spending.¹⁸

Program Expansion Proposals

Pell Grants have long been considered the foundation of federal aid for financially needy undergraduate students. Recent discussions regarding the appropriate breadth of that foundation have focused on expanding the size of the award, the types of undergraduate programs, and student eligibility. As any program expansion would increase program costs, Congress may consider whether and how to pay for such increases and how to prioritize the various policy goals given student need and the overall landscape of federal student aid. (This aspect of the proposals is not addressed further below.) Some opponents of such expansions have stated they want to ensure taxpayer dollars are used for federal funding that supports only low-income students and only policies that ensure positive outcomes.¹⁹

The expansion proposals would have no effect on students otherwise eligible prior to the expansion and an expansion of the pool of eligible students would not lead to reductions in individual award amounts. In other words, regardless of enactment of the proposals, the students that would have been eligible for an award would still receive at least the same award. This is because the Pell Grant program is a *quasi-entitlement* (see description in the “Budget Proposals” section).

Maximum Award Increase

Congress has often sought to ensure Pell Grant award levels are meaningful when considered alongside a student’s family financial resources, and compared to higher education costs (see text box), which have increased faster than general inflation.²⁰ Pell Grants are intended to subsidize a student’s cost of attendance (COA)—tuition, fees, books, supplies, living expenses, and other education related expenses. Overall (with exceptions), the maximum Pell Grant award has increased annually since the program went into effect in AY1973-1974.²¹ Recent proposals would increase the maximum Pell Grant award over a period of several years. The general intent of previously proposed increases was to bolster the ability of low-income undergraduate students to afford higher education expenses without incurring excessive student loan debt.²² The primary

¹⁷ Sequestration is a budgetary mechanism that provides across-the-board reductions to enacted appropriations to achieve specified budgetary savings. Funding provided for the Pell Grant program is currently exempt from sequestration. For further information, see CRS Report R42050, *Budget “Sequestration” and Selected Program Exemptions and Special Rules*.

¹⁸ The Statutory Pay-As-You-Go Act of 2010 and House and Senate rules restrict or prohibit enactment or consideration, respectively, of legislation affecting discretionary spending limits and direct spending or revenues. These issues are beyond the scope of this report; for more information, see CRS Report R46468, *A Brief Overview of the Congressional Budget Process*.

¹⁹ For example, see U.S. Congress, House Education and Workforce Committee, “Foxx Opening Statement at Markup of Democrats’ Partisan Higher Education Bill,” press release, October 29, 2019, <https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=406710>.

²⁰ According to the U.S. Department of Labor, Bureau of Labor Statistics, college tuition and fees (in U.S. city average, all urban consumers, not seasonally adjusted) increased 1,527% from January 1978 to January 2025 compared to 408% for all items (in U.S. city average, all urban consumers, not seasonally adjusted) over the same period.

²¹ From AY1973-1974 to AY2024-2025 (52 years), the total maximum Pell Grant decreased compared to the previous year in 3 separate years and remained the same as the previous year in 14 separate years.

²² Representative Bobby Scott, “Scott, Hirono, Murray, Reed, Whitehouse, Pocan Introduce Bill to Double Pell Grant, (continued...) ”

differences among the proposals are the mechanisms to be used, the amounts of the increase, and eligibility.

Aspirational Pell Grant Value

The 1980 HEA amendments established a purpose of the Pell Grant program as meeting at least 75% of a student's COA, when combined with an expected family contribution and awards from the Federal Supplemental Educational Opportunity Grants (FSEOG) program and the Leveraging Educational Assistance Partnership Program (LEAP). The 75% target was eliminated by the 2021 HEA amendments. FSEOG is, and LEAP was, a federal program to provide need-based financial aid to students through matching grants to IHEs and states, respectively.²³ While the 75% target was in effect, the maximum Pell Grant covered a diminishing percentage of COA generally.²⁴ Also, during this period, the amount of aid made available through FSEOG and LEAP grew at a lesser rate than did Pell Grant aid. In FY2010, the final year of LEAP funding, FSEOG and LEAP provided \$1.1 billion in aid to undergraduate students, or 3% of the amount provided by Pell Grants. In total, Pell Grants, FSEOG, LEAP, and the expected family contribution did not achieve the 75% target except for some students in low cost IHEs. On average during AY2022-2023, the expected family contribution and Pell Grant aid covered less than 20% of a recipient's educational costs.²⁵

Recent proposals would have funded increased Pell Grant award amounts primarily with increased mandatory appropriations. The proposals would either (1) increase the mandatory add-on award²⁶ or (2) combine the discretionary and mandatory add-on awards into a single award paid for solely through mandatory appropriations.²⁷ From AY2013-2014 through AY2017-2018, HEA provisions increased the maximum award by increasing the mandatory add-on award.²⁸ From AY2018-2019 through AY2023-2024, annual appropriations acts increased the maximum award by increasing the discretionary award.

The proposals would have increased the maximum Pell Grant award by different amounts using different mechanisms. In some, annual adjustments would have been calculated to ensure the maximum award increased in accordance with consumer inflation.²⁹ Alternatively or in

Make College More Affordable,” press release, June 20, 2024, <https://bobbyscott.house.gov/media-center/press-releases/scott-hirono-murray-reed-whitehouse-pocan-introduce-bill-double-pell>; U.S. Congress, House Budget Committee, *Build Back Better Act*, report to accompany H.R. 5376, 117th Cong., 1st sess., September 27, 2021, H.Rept. 117-130, p. 5.

²³ LEAP was last funded in FY2010. For more information on FSEOG, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

²⁴ See Figure 5 in CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

²⁵ CRS calculation based on U.S. Department of Education, Pell End-of-Year Reports: 2022-2023, Table 060A - Distribution of Federal Pell Grant Recipients by Expected Family Contribution and Educational Cost. The highest coverage (30%) was for dependent recipients attending two-year public IHEs, and the lowest coverage (14%) was for dependent recipients attending four-year private nonprofit IHEs. Educational cost is the cost of attending for a full academic year. The expected family contribution was calculated based upon the financial strength of the student and the student's family as indicated by factors such as family income, net assets, and household size.

²⁶ See H.R. 3946 (117th Congress), H.R. 4674 (116th Congress), and H.R. 5376, as passed by the House (117th Congress). Increasing the mandatory add-on award would also increase discretionary spending because, under current award rules, eligibility would increase.

²⁷ See H.R. 8807 (118th Congress).

²⁸ The HEA provisions were enacted by the SAFRA Act (Title II, Part A of the Health Care and Education Reconciliation Act of 2010 [HCERA; P.L. 111-152]). The estimated increase in mandatory spending under the Pell Grant program was offset by terminating the authority under HEA to make loans under the Federal Family Education Loan (FFEL) program, which was estimated to reduce mandatory spending. The annual adjustments to the mandatory add-on award were calculated to ensure the maximum award increased in accordance with consumer inflation.

²⁹ See H.R. 3946 (117th Congress) and H.R. 4674 (116th Congress).

combination, in some, annual adjustments would have been increased by a set amount.³⁰ One proposal would have limited the increased amount to students enrolled in public or private nonprofit IHEs.³¹

There are two primary participation effects of an increase to the maximum Pell Grant award level: (1) previously eligible students would be able to receive a larger Pell Grant and (2) some higher-income students who were not previously eligible would be able to receive a Pell Grant.

Job Training or Workforce Pell Grants

Under current law, to receive a Pell Grant an eligible student must be pursuing an eligible educational program. Eligible programs must meet several criteria, including a minimum duration requirement measured in clock or credit hours of instruction and calendar weeks of duration. Over the last few Congresses, several bills have been introduced to expand eligibility for Pell Grants to students enrolled in educational programs that are too short in duration to be eligible under current law.³² (For a detailed description of several such bills, see CRS Report R47647, *Pell Grants for Short-Term Programs: Background and Legislation in the 118th Congress*.) There has been support for using Pell Grants as a vehicle for preparing low-income individuals for certain in-demand occupations that require short-term educational programs.³³ Such a Pell Grant expansion would have the potential to significantly increase the current federal investment in traditional workforce development programs while maintaining the portability and choice inherent in the Pell Grant program.³⁴ The short-term programs would have been intended to provide a lower-cost postsecondary option for some students and the federal government.³⁵

Areas of Policy Concurrence

The proposals discussed in this report would have shared several areas of congressional concurrence for the short programs. For example, eligible short-term programs would have typically met the following requirements:

- provided 150-599 clock hours (or equivalent credit hours) of instruction offered over 8-14 weeks;³⁶
- provided training “aligned with the requirements of high-skill, high-wage, ... or in-demand industry sectors or occupations” and lead to a recognized postsecondary credential;³⁷

³⁰ See H.R. 3946 (117th Congress), H.R. 4674 (116th Congress), and H.R. 5376, as passed by the House (117th Congress).

³¹ See H.R. 5376, as passed by the House (117th Congress).

³² See, for example, H.R. 4674 (116th Congress) and H.R. 6585 (118th Congress).

³³ H.Rept. 116-700, pp. 1431-1432; U.S. Congress, House Education and Workforce Committee, *H.R. 4674, College Affordability Act*, Opening Statement of Honorable Robert C. “Bobby” Scott, 116th Cong., 1st sess., October 29, 2019; and U.S. Congress, House Education and Workforce Committee, *Bipartisan Workforce Pell Act*, report to accompany H.R. 6585, 118th Cong., 1st sess., December 22, 2023, H.Rept. 118-337.

³⁴ H.Rept. 118-337; and Office of U.S. Senator Tim Kaine, “JOBS Act Frequently Asked Questions (FAQ),” press release, March 2021, <https://www.kaine.senate.gov/imo/media/doc/Kaine,%20Portman%20JOBS%20Act%20FAQ.pdf>.

³⁵ H.Rept. 116-700, pp. 1431-1432; and H.Rept. 118-337.

³⁶ Under current law, an eligible program requires at least 600 clock hours or 16 semester hours offered during a minimum of 15 weeks. Alternatively, an eligible program may be at least 300 clock hours or 8 semester hours offered during a minimum of 10 weeks if an associate’s degree is required for admission.

³⁷ See H.R. 4674 (116th Congress) and H.R. 6585 (118th Congress).

- provided credits acceptable toward a related certificate or degree program;
- had at least a 70% completion rate within 150% of the normal time for completion, and a 70% placement rate; and
- been approved by the U.S. Department of Education (ED) and accredited by an ED-recognized accrediting agency.

Areas of Policy Debate

There was salient policy debate over determining the desired mechanisms for ensuring (1) federal funds only support high-quality short-term programs and (2) students complete the programs and go on to remunerative employment or continued education.³⁸ All the proposals generally would have established more restrictive standards for the short-term programs than currently exist for HEA Title IV-eligible programs of longer durations, though to differing degrees. Some Members have supported multiple restrictions to ensure accountability. Others have critiqued restrictions as being duplicative, “excessive,” inequitable, or administratively “unworkable.”³⁹ Further critiques posit that applying the more restrictive standards only to short-term programs rather than all HEA Title IV-eligible programs would raise equity concerns and complicate administration.⁴⁰

The proposed quality measures could be classified as input or output metrics. Input measures can generally be assessed with available administrative data that are gathered before Pell Grant recipients enroll and presented to approving/accrediting entities. Output measures generally require the collection and evaluation of data at a later date after students have expended Pell Grant funds and exited from training programs. The proposals variously would have tried to balance the timing of the metrics and associated risks.

Potential Restrictions by Institutional Control

Although private for-profit IHEs may offer HEA Title IV-eligible programs, one proposal would have excluded such IHEs from offering short programs as one method for trying to ensure the quality of short programs. The proposed exclusion of private for-profit IHEs was a response to historical cases in which such IHEs prioritized shareholders and engaged in fraud and abuse of the HEA Title IV aid programs and students attending such IHEs had below average outcomes (e.g., job placement rates) compared to those attending public two-year colleges.⁴¹ There is evidence that students who attend private for-profit IHEs have less favorable graduation and employment outcomes than students who attend public and private nonprofit IHEs, but there is also evidence to the contrary. For example,

- the graduation rate within 150% of normal time for first-time, full-time degree-/certificate-seeking students in the 2019 entry cohort was 55% at private for-profit two-year IHEs, 30% at public two-year IHEs, and 56% at private nonprofit two-year IHEs;⁴²

³⁸ H.Rept. 116-700, pp. 1431-1432.

³⁹ H.Rept. 116-700, pp. 1422, 1431-1432; and H.Rept. 118-337.

⁴⁰ H.Rept. 116-700, pp. 1422, 1431-1432.

⁴¹ H.Rept. 116-700.

⁴² U.S. Department of Education, *Digest of Education Statistics*, November 2023, Table 326.20, “Graduation rate from first institution attended within 150 percent of normal time for first-time, full-time degree/certificate-seeking students at 2-year postsecondary institutions, by race/ethnicity, sex, and control of institution: Selected cohort entry years, 2000 through 2019.”

- in 2014, the average earnings for students who completed an undergraduate certificate or diploma program in computer and information sciences generally was \$16,978 for private for-profit IHEs, \$28,051 for public IHEs, and \$19,913 for private nonprofit IHEs;⁴³ and
- a 2018 report from the National Bureau of Economic Research found that “students who attend for-profit institutions take on more educational debt, have worse labor market outcomes, and are more likely to default than students attending similarly-selective public schools.”⁴⁴

In addition, there was criticism that private for-profit IHEs charged more in tuition than other IHEs offering similar programs. On the other hand, some stakeholders asserted that for-profit IHEs more quickly adapted educational programs to changing labor market needs and devised instructional strategies that were more responsive to student needs. Excluding private for-profit IHEs would have reduced educational program options from which students could have chosen. Some argued that the exclusion would be discriminatory and unnecessary given the other proposed student outcome measures.⁴⁵ However, the HEA already distinguishes between for-profit and nonprofit (public and private) IHEs in certain eligibility requirements.⁴⁶

Potential Outcome Metrics Based on Student Earnings

Another area of debate was the use of outcome metrics based on student earnings. Earnings data are not timely, may be unreliable, and may not necessarily measure success. Depending on the source, post-completion earnings data may not be available for over a year. The reliability of earnings data is compromised by the source(s), small cohorts, and exclusions. Defining what level of earnings signifies a high-quality program might be difficult. For example, should it be higher than for individuals with no postsecondary credential, or higher than some measure of poverty? The consequences of failing a metric may be immediate or may require multiple data points indicative of failure over a specified period, potentially increasing the number of students who may receive a Pell Grant for a poor-quality program prior to the program being barred from participation.

Potential Implementation Considerations

Another area of consideration was implementation. The proposals would have required changes to accreditation, the involvement of new entities in the HEA Title IV aid process, and new data collections and dissemination. The proposals would have established specific standards by which an accrediting agency must evaluate the short-term programs. Under current law, accrediting agencies are expected to develop standards in relation to the IHE’s mission. One proposal would have authorized ED to recognize new accrediting agencies to evaluate only short programs. The proposals would have variously required that industry or sector partnerships and/or state Workforce Innovation and Opportunity Act (WIOA) boards determine the extent to which the

⁴³ CRS calculations based on U.S. Department of Education, Gainful Employment Earnings Data, <https://studentaid.gov/data-center/school/ge#earnings-data> on November 14, 2024. This is the latest data available.

⁴⁴ Luis Armona, Rajashri Chakrabarti, and Michael F. Lovenheim, *How Does For-Profit College Attendance Affect Student Loans, Defaults and Labor Market Outcomes?*, National Bureau of Economic Research, Working Paper 25042, Cambridge, MA, September 2018, https://www.nber.org/system/files/working_papers/w25042/w25042.pdf.

⁴⁵ Alexis Gravely, “Using Pell to Police For-Profits?,” *Inside Higher Ed*, November 21, 2021.

⁴⁶ For example, HEA Section 102 authorizes private for-profit IHEs to participate only in Title IV programs, and only these institutions are required to have been legally authorized to provide (and to have continuously been providing) the same or a substantially similar educational program for at least two consecutive years.

short-term programs met specified criteria. Current law does not specify a role for such entities in determining which programs are HEA Title IV-eligible. The proposals would also have required the disclosure of specific program level information and outcomes by IHEs to students and by ED to the public that are not required under current law. Implementation of these changes would have required new processes, cooperation by the entities in their new or revised roles, and the development of new information technology systems.

Lifetime Eligibility

Under current law, students are subject to a maximum cumulative lifetime eligibility cap on Pell Grant aid: the value of no more than 12 full-time semesters (or the equivalent) of Pell Grant awards. Some Members advocated for increasing the duration of Pell Grant lifetime eligibility.⁴⁷ Reasons for an increase included ensuring financially needy students have sufficient Pell Grant support to receive awards throughout the pursuit, despite attending more than one IHE or withdrawing for reasons outside their control, and completion of their educational program of choice.⁴⁸ Increases to lifetime eligibility were considered alongside proposals to expand Pell Grant availability to more types of educational programs (e.g., graduate programs).⁴⁹

Pell Grant lifetime eligibility has been modified several times since the program's inception (see text box below). The limit has been extended with the aim of ensuring Pell Grant recipients (e.g., nontraditional students) have sufficient time to complete a degree, particularly given the increased need for many students to also borrow student loans.⁵⁰ There is a lack of consensus on whether a further extension of lifetime eligibility is needed or would be in the best interest of students. In 2007, ED reported that fewer than 1% of recipients received eight awards over an 11-year period.⁵¹ Concerns have been raised that longer periods of lifetime eligibility may be associated with potential misuse, such as recipients not actively and consistently progressing toward their degree.⁵² In some instances, lifetime eligibility may have been reduced to achieve budgetary savings.⁵³

⁴⁷ See H.R. 4674 (116th Congress); H.R. 8807 (118th Congress); and S. 4595 (118th Congress).

⁴⁸ Senator Mazie Hirono et al., "Pell Grant Preservation & Expansion Act of 2024," https://www.hirono.senate.gov/imo/media/doc/2024_pell_grant_preservation_and_expansion_act_fact_sheet.pdf.

⁴⁹ H.Rept. 116-700.

⁵⁰ U.S. Congress, House Education and Workforce Committee, *Higher Education Amendments of 1992*, 102nd Cong., 2nd sess., February 27, 1992, H.Rept. 102-447, pp. 24-26.

⁵¹ U.S. Congress, House Education and Workforce Committee, *College Opportunity and Affordability Act of 2007*, report to accompany H.R. 4137, 110th Cong., 1st sess., December 19, 2007, H.Rept. 110-500 Part 1, p. 254.

⁵² U.S. Congress, House Education and Workforce Committee, *College Opportunity and Affordability Act of 2007*, report to accompany H.R. 4137, 110th Cong., 1st sess., December 19, 2007, H.Rept. 110-500 Part 1, p. 254; and U.S. Congress, House Education and Workforce Committee, *Higher Education Amendments of 1992*, 102nd Cong., 2nd sess., February 27, 1992, H.Rept. 102-447, pp. 24-26.

⁵³ See the American Recovery and Reinvestment Act (ARRA; P.L. 111-5); FY2009 Omnibus Appropriations Act (P.L. 111-8); SAFRA Act (enacted as part of the Health Care and Education Reconciliation Act of 2010; P.L. 111-152); FY2011 Continuing Appropriations Act (P.L. 112-10); and Budget Control Act of 2011 (BCA; P.L. 112-25).

Legislative Amendments to Pell Grant Lifetime Eligibility

When the Pell Grant program was enacted in 1972, students were generally limited to four academic years, with exceptions.⁵⁴ Lifetime eligibility was generally increased to the full-time equivalent of five academic years, with exceptions,⁵⁵ until amendments in 1992 eliminated the limit.⁵⁶ Subsequently, a 2008 amendment limited receipt to 18 semesters (or the equivalent as determined by ED).⁵⁷ The 2012 appropriations act enacted the current statutory provision under which a student may receive Pell Grant awards during no more than 12 full-time semesters or six full-time full-academic years (or the equivalent in part-time part-academic year enrollment).⁵⁸ For example, one student may receive Pell Grants for six full academic years if consistently enrolled full-time, while another student may receive Pell Grants for 12 full academic years if consistently enrolled half-time.

Eligibility for Postbaccalaureate Students

Under current law, students with a bachelor's degree are ineligible for Pell Grants unless enrolled in an eligible postbaccalaureate teacher education program.⁵⁹ Several proposals would have expanded the types of students with bachelor's degrees who would be eligible to receive Pell Grant awards. The "Job Training or Workforce Pell Grants" proposals would have permitted otherwise Pell-eligible students who have received a bachelor's degree but not a postbaccalaureate degree to receive a Pell Grant while enrolled in an eligible short-term educational program. One proposal would, in some cases, have permitted graduate students who received Pell Grants as undergraduates and had not exhausted their lifetime Pell Grant eligibility to receive Pell Grants at public and nonprofit IHEs (see the "Potential Restrictions by Institutional Control" section).⁶⁰ The proposal was intended to help low-income students compete for jobs that require an advanced degree and increase the diversity of perspectives in such professions.⁶¹

As originally proposed, the Pell Grant program emphasized aid to "qualified high school graduates"⁶² and was created, in part, because of a belief that high school education alone would no longer be sufficient to improve national security, U.S. society, and the national economy; and

⁵⁴ See P.L. 92-318. The program was entitled Basic Educational Opportunity Grants. Students could receive a grant for up to five years if the institution designed the program to require five years or the institution determined the student required remedial study.

⁵⁵ See P.L. 99-498. Under the exceptions, (1) students received up to six academic years of awards if the educational program normally required more than four years, (2) institutions had authority to waive the limits for undue hardship, and (3) periods when the student pursued noncredit or remedial courses were excluded.

⁵⁶ See P.L. 102-325. Eligible students must not have completed the first undergraduate baccalaureate course of study and had to maintain satisfactory academic progress.

⁵⁷ See P.L. 110-315.

⁵⁸ See P.L. 112-74.

⁵⁹ Otherwise, eligible postbaccalaureate students pursuing an initial teacher certification or licensing credential may receive Pell Grants while enrolled at least half-time in a teacher education program that does not lead to a graduate degree, is offered by an IHE that does not also offer a bachelor's degree in education, and leads to certification or licensure necessary for employment as an elementary or secondary school teacher in the state.

⁶⁰ See H.R. 4674 (116th Congress).

⁶¹ Representative Haley Stevens, "Reps. Stevens and Gomez Introduce Bill to Expand Pell Grant Eligibility," press release, February 9, 2023, <https://stevens.house.gov/media/press-releases/rep-stevens-and-gomez-introduce-bill-expand-pell-grant-eligibility>; and Representative Kim Schrier, "Reps. Schrier, Kuster, Burchett, Upton, and Rouda Introduce Bipartisan Expanding Access to Graduate Education Act," press release, June 20, 2019, <https://schrier.house.gov/media/press-releases/rep-schrier-kuster-burchett-upton-and-rouda-introduce-bipartisan-expanding>.

⁶² H.R. 1969 (91st Congress).

to increase the universality of postsecondary education across income levels.⁶³ As originally implemented, Pell Grant eligibility was limited to students who had not earned their first baccalaureate degree.⁶⁴ In an effort to address a severe teacher shortage, HEA amendments in 1998 expanded Pell eligibility to include, on a case-by-case basis, eligible postbaccalaureate students pursuing teacher certification or licensing.⁶⁵

Eligibility for Certain Noncitizens

Under current law, HEA Title IV aid is limited to U.S. citizens, U.S. nationals, and certain non-U.S. nationals (aliens⁶⁶)—lawful permanent residents and certain eligible noncitizens who prove intent to become a citizen or permanent resident. Unauthorized aliens are not eligible for student aid.⁶⁷ Proposals to expand HEA Title IV aid eligibility to students who do not meet the current citizenship requirements have been put forward, while some Members would like to maintain the prohibition on eligibility for unauthorized aliens.⁶⁸ The legislative proposals to increase access would have selectively expanded eligibility to additional groups of non-U.S. nationals who are currently ineligible, such as students who have Temporary Protected Status (TPS) or Deferred Action for Childhood Arrivals (DACA).⁶⁹ TPS provides temporary relief from removal from the United States and work authorization to certain foreign nationals from certain designated countries experiencing armed conflict, natural disaster, or other extraordinary circumstances that prevent their safe return.⁷⁰ DACA provides temporary discretionary relief from removal from the United States and work authorization to certain foreign nationals who entered the United States as children and have no lawful immigration status.⁷¹

Supporters of these proposals contended that expanding eligibility would be expected to more closely align access to higher education with the provision of free public K-12 education to children regardless of their immigration status.⁷² In addition, supporters intended the expansion to ensure such students have the maximum opportunity to work and contribute positively to the United States economy.⁷³ Opponents of such expansion wanted to focus the program on low-income Americans (citizens).⁷⁴

⁶³ Mr. Pell, “Introduction of a Bill to Amend the Higher Education Act of 1965,” Senate, *Congressional Record*, vol. 115 (April 25, 1969), pp. 10434-10435.

⁶⁴ 45 C.F.R., Part 190 (1975).

⁶⁵ See P.L. 105-244; and Senator Feinstein, “Higher Education Amendments of 1998,” Senate, *Congressional Record*, vol. 144 (July 9, 1998), p. S7835.

⁶⁶ See 8 U.S.C. §1101(a)(3) (“The term ‘alien’ means any person not a citizen or national of the United States.”).

⁶⁷ HEA §484(a)(5).

⁶⁸ House Committee on Education & Workforce, “Biden Betrays Students, Workers in Budget Priorities,” press release, April 9, 2021, <https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=407363>.

⁶⁹ See H.R. 4674 (116th Congress); H.R. 5376 (117th Congress), as passed by the House; and H.R. 8807 and S. 4595 (118th Congress).

⁷⁰ 8 U.S.C. §1254a(a)(1), (b)(1). For more information, see CRS Report RS20844, *Temporary Protected Status and Deferred Enforced Departure*.

⁷¹ For more information, see CRS Report R46764, *Deferred Action for Childhood Arrivals (DACA): By the Numbers*.

⁷² The 1983 Supreme Court decision *Plyler v. Doe* held that the Equal Protection Clause of the Fourteenth Amendment prohibits states from denying free public education to children on account of their unlawful presence in the United States. H.Rept. 116-700, p. 363.

⁷³ See, for example, H.Rept. 116-700, p. 363.

⁷⁴ See, for example, House Education and Workforce Committee, “Foxy Opening Statement at Markup of Democrats’ Partisan Higher Education Bill,” press release, October 29, 2019, <https://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=406710>.

Congress may consider which immigration statuses are appropriate for inclusion in expanded Pell Grant eligibility based on factors that may include the length of time such individuals may remain in the United States and their prospective economic contributions. If Pell Grant eligibility were extended to unauthorized aliens, another consideration may be the extent to which the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA; P.L. 104-193) might affect their eligibility. PRWORA restricts the eligibility of non-U.S. nationals (aliens) for many federal benefit programs such as federal postsecondary education, health care, housing, and retirement benefits.⁷⁵ The federal courts have not resolved whether PRWORA restricts HEA Title IV aid eligibility for unlawfully present aliens.⁷⁶

Proposals to Reduce Federal Tax Liability

Under current law, for federal income tax purposes gross income generally does not include any amount received as a qualified scholarship (e.g., Pell Grant) by an individual who is a candidate for a degree at an educational organization, to the extent that such scholarship was used for qualified tuition and related expenses.⁷⁷ Degree candidates are students pursuing a degree at a college or university, students pursuing a certificate or degree at an accredited educational institution that is authorized to offer the program by federal or state law, and elementary and secondary school students.⁷⁸ Qualified related expenses are fees required for enrollment or attendance and required books and supplies. Scholarship amounts used to pay nonqualified education expenses (e.g., room and board) are included in gross income and thus are subject to federal income tax. For students attending IHEs with low tuition, the amount of the Pell Grant award that exceeds their qualified expenses must be included in gross income and subject to taxation.

Legislative proposals would have endeavored to reduce federal income tax liability and tax filing complications for some families of Pell Grant recipients. Specifically, the proposals would have excluded any amount received as a federal Pell Grant from gross income for federal income tax purposes.⁷⁹ The intent was primarily two-fold: it would have generally increased the real value of Pell Grants by allowing students to use their entire Pell Grant award for educational purposes without using a portion to pay taxes on the award or, in other terms, decrease tax liability.⁸⁰ These

⁷⁵ See 8 U.S.C. §1611(a), (c)(1).

⁷⁶ For more information, see the “Federal Student Aid” section in CRS Report R46510, *PRWORA’s Restrictions on Noncitizen Eligibility for Federal Public Benefits: Legal Issues*.

⁷⁷ 26 U.S.C. §117; and 26 C.F.R. §§1.117-1–1.117-4.

⁷⁸ U.S. Department of the Treasury, Internal Revenue Service, *Publication 970: Tax Benefits for Education For use in preparing 2023 Returns*, Cat. No. 25221V, January 26, 2024, p. 6.

⁷⁹ See H.R. 4173 (117th Congress) and H.R. 5376, as passed by the House (117th Congress).

⁸⁰ Representative Mark DeSaulnier, “Congressman DeSaulnier Announces Bi-Partisan Legislation to Expand Pell Grants and Eliminate Taxes on Non-Tuition Expenses,” press release, September 13, 2016, <https://desaulnier.house.gov/media-center/press-releases/congressman-desaulnier-announces-bi-partisan-legislation-expand-pell>; Representative Lloyd Doggett, “Washington Watch: Another try at tax-free Pell grants,” press release, May 4, 2023, <https://doggett.house.gov/media/in-the-news/washington-watch-another-try-tax-free-pell-grants> (hereinafter, Doggett, “Washington Watch”); Senator Chuck Grassley, “Grassley, Whitehouse Introduce Bipartisan Bill to Simplify Access to Higher Education Assistance,” press release, September 27, 2023, <https://www.grassley.senate.gov/news/news-releases/grassley-whitehouse-introduce-bipartisan-bill-to-simplify-access-to-higher-education-assistance> (hereinafter, Grassley, “Grassley, Whitehouse Introduce Bipartisan Bill”); and Letter from Ted Mitchell, President, American Council on Education, American Association of Collegiate Registrars and Admissions Officers, and American Association of Community Colleges et al. to Representative Lloyd Doggett and Representative Mike Kelly, May 5, 2023, <https://www.acenet.edu/Documents/Letter-Doggett-Kelly-Tax-Free-Pell-050523.pdf> (hereinafter, “Letter from Ted Mitchell”).

goals were in response to the perception that the costs for education-related living expenses are rising.⁸¹ Such a change would also have reduced the complicated tax filing interplay between scholarship exclusions and tax credits that requires complex calculations and knowledge for students to optimize Pell Grant reporting on their tax return.⁸² For very low-income taxpayers who have little to no income tax liabilities, the change may have little or no effect.

Pell Grants and Educational Tax Credits

A taxpayer may claim a federal education tax credit for eligible qualified higher education tuition and related expenses incurred for the enrollment of a qualified student in a qualified educational institution. The eligible amount of qualified tuition and related expenses taken into account for the credit is reduced by educational funds excluded from gross income, including applicable Pell Grant amounts. In calendar year 2023, the available federal education tax credits were the American Opportunity Credit and Lifetime Learning Credit.⁸³

The Internal Revenue Service (IRS) provides guidance to taxpayers on determining whether and to what extent their qualified scholarships are tax-free or taxable.⁸⁴ The IRS also assists taxpayers in deciding to what extent qualified scholarships should be included in or excluded from gross income and how to maximize their education-related tax benefits.⁸⁵ For some taxpayers, it is more beneficial to choose to include a portion of otherwise tax-free scholarships in income to increase their education credit and lower their total tax or increase their refund. Not all taxpayers are aware of the guidance, and not all taxpayers calculate the preferred treatment of Pell Grant and other scholarship funds for their situations.⁸⁶

Congress might consider potential consequences of eliminating federal tax liability for Pell Grant awards. It would reduce federal revenue from the tax paid on Pell Grant amounts used for nonqualified expenses and increase federal expenditures through education tax credits. Some low-income families that do not file an income tax return may benefit from outreach regarding the need to file in order to receive the refundable portion of the credit.

⁸¹ Doggett, “Washington Watch”; Grassley, “Grassley, Whitehouse Introduce Bipartisan Bill”; and “Letter from Ted Mitchell.”

⁸² See, for example, Doggett, “Washington Watch”; Grassley, “Grassley, Whitehouse Introduce Bipartisan Bill”; and “Letter from Ted Mitchell.”

⁸³ 26 U.S.C. §25A. For more information on education tax credits, see CRS Report R42561, *The American Opportunity Tax Credit: Overview, Analysis, and Policy Options*.

⁸⁴ IRS, *Topic no. 421, Scholarships, fellowship grants, and other grants*, September 13, 2024, <https://www.irs.gov/taxtopics/tc421>; and IRS, *Do I include my scholarship, fellowship, or education grant as income on my tax return?*, January 16, 2024, <https://www.irs.gov/help/ita/do-i-include-my-scholarship-fellowship-or-education-grant-as-income-on-my-tax-return>.

⁸⁵ IRS, *Publication 970: Tax Benefits for Education For use in preparing 2023 Returns*, Cat. No. 25221V, January 26, 2024, pp. 3, 5, 15-17, 25-28.

⁸⁶ Government Accountability Office (GAO), *Student Aid and Postsecondary Tax Preferences: Limited Research Exists on Effectiveness of Tools to Assist Students and Families through Title IV Student Aid and Tax Preferences*, GAO-05-684, July 2005, p. 23; and Julie-Anne Cronin and Joseph Gray-Hancuch, *Barriers to Claiming Education Tax Credits for Low-Income Students*, U.S. Department of the Treasury, Office of Tax Analysis, Working Paper 125, June 2024, <https://home.treasury.gov/system/files/131/WP-125.pdf>.

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