

The Facts on the Pell Grant Program

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Overview

The federal Pell Grant, which Congress created in 1973, helps low- and moderate-income students afford college and does not need to be repaid. Though originally designed to cover the bulk of college costs—up to 75 percent in its early years—Pell’s purchasing power has steadily declined. As of July 2025, it [covers](#) only about 25 percent of the cost to attend a four-year public college, leaving many students with a gap they are unable to cover. On average, students from the lowest-income families receive a full Pell Grant (\$7,395 for the 2025-26 academic year), yet they still often must borrow [more](#) than their peers to cover remaining costs. The Pell program is primarily funded through the annual appropriations process, but it acts as an entitlement guaranteeing aid to eligible students. This makes the program vulnerable to economic and political shifts that, whenever there is a budgetary shortfall, result in eligibility cuts.

Key Challenges

- **Eroding Purchasing Power:** [Pell Grants no longer keep pace with the rising cost of college](#). Since Pell now covers just a fraction of the cost at most public four-year institutions, low-income students are left to bridge large financial gaps through work, loans, or by foregoing basic needs. This undermines the purpose of the Pell program and disproportionately burdens economically challenged students.
- **Funding Instability:** Though the Pell Grant serves millions of students, most of its funding is not mandatory. Instead, [it relies heavily on budget negotiations in Congress and resulting discretionary appropriations](#). This precarious funding structure creates uncertainty for students and institutions alike. During funding shortfalls, Congress has typically preserved the Pell Grant program by [limiting who qualifies or scaling back benefits](#). In 2010, for example, lawmakers eliminated year-round Pell and reduced the maximum semesters students could receive the grant.
- **Risks of Expanding Pell to Very-Short-Term Programs:** [The One Big Beautiful Bill](#) will expand Pell eligibility to short-term postsecondary training programs lasting 8–14 weeks starting in July 2026. While this could create quicker pathways to economic opportunity, it also introduces significant risks. Data show that [many existing short-term programs produce poor outcomes](#), including low earnings and high unemployment. It will be important to ensure the safeguards in statute and resulting regulations aim to protect against these outcomes. Otherwise, such an expansion could waste limited funds on ineffective programs and deepen inequality by steering low-income students into low-value credentials.
- **Operational Vulnerabilities at the Department of Education:** The Office of Federal Student Aid (FSA) administers Pell grants. Recent FSA staffing reductions have impeded colleges’ ability to distribute Pell Grant money to their students. [These delays can be particularly damaging](#) for students as they start the academic year, leaving them with no money to pay for tuition, housing, and materials like textbooks.

Policy Goals

- **Restore and Protect the Pell Grant’s Purchasing Power:** Policymakers should increase the maximum Pell Grant award to better reflect the full cost of attending college, including tuition, fees, housing, books, and other essential living expenses. The goal should be to make college affordable—particularly for the lowest-income students—and minimize the necessity to borrow. Ensuring that the grant keeps pace with inflation and rising college costs will help preserve the program’s original intent.
- **Secure Sustainable, Long-Term Funding for Pell:** To safeguard students’ access to aid, Congress should prioritize policies that ensure Pell Grant funding remains stable year over year. This includes reducing the program’s reliance on discretionary appropriations and protecting it from cuts during economic downturns or budget shortfalls. Sustainable funding would allow the program to meet demand without resorting to restricting which students can receive Pell.
- **Ensure Guardrails for Any Program Expansion:** With Pell eligibility expanding to include very-short-term training programs (e.g., 8–14 weeks), policymakers should ensure the resulting funds are used only for programs that demonstrate strong labor market outcomes. This includes [monitoring upcoming rulemakings](#) related to implementing the One Big Beautiful Bill Act, and making sure that gainful employment regulations are implemented fully. [Gainful employment regulations](#) will provide another layer of oversight to these very-short programs, requiring them to ensure that their graduates will earn more than they would have with only a high school diploma.
- **Reinvest in the Department of Education’s Capacity to Administer Aid:** Policymakers should ensure the Department of Education—particularly the Office of Federal Student Aid—has the staffing, systems, and resources necessary to effectively manage and disburse Pell Grants. This includes modernizing the Common Origination and Disbursement system, the platform schools use to exchange student aid data and receive federal funds. Investments are also needed to prepare for periods of high demand (like the start of the academic year), and to ensure reliable service to students and institutions. Without sufficient operational capacity, even the best-designed aid programs can break down in practice.