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Changes to Federal Pell Grant Eligibility: The Effect of Policy and Program Changes on College Students at Public Institutions in Kentucky

By J. Cody Davidson

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Data from all 2010-2011 undergraduate students, who received a Pell Grant disbursement at Kentucky's two-year and four-year public institutions, were used to simulate the eligibility changes to the Pell Grant program in the Consolidated Appropriations Act of 2012 and from the termination of year-round Pell. Specifically, these changes: a) the number of semesters a student may receive a full-time Federal Pell Grant award reduced from 18 to 12, b) the income threshold for an automatic zero EFC reduced from \$32,000 to \$23,000, c) elimination of eligibility for students who would have received less than 10% of the maximum award, d) eligibility achieved based on passing an ability to benefit test or by completing six credit hours of postsecondary education, and e) the termination of year-round Pell affect students at two-year and four-year institutions differently. In general, more students at two-year institutions and racial minorities will be affected greatly by the Pell Grant changes. Opportunities and challenges for financial aid administrators are discussed in light of these changes and their subsequent affects.

Key Words: *Pell Grant, Pell eligibility, year-round Pell*

In 1965 federal student aid programs started for full-time college students. In 1972, the Federal Pell Grant, referred to as Pell Grant in this study, began. Since that time, the Pell Grant program has gone through many changes including: expanding to include part-time starting in 1972 and less than half-time students in 1989 as well as increasing the scope of eligibility and maximum amount awarded to students, particularly through the Middle Income Student Assistance Act of 1978 (National Association of Student Financial Aid Administrators, 2012). Over the past 10 years, the maximum Pell Grant award has steadily increased from \$3,300 in 2000-2001 to \$5,550 in 2010-2011. Also, from 2000-2001 to 2010-2011 the number of valid applicants (i.e., an undergraduate student who submits an application with sufficient data to calculate an expected family contribution [EFC] and determine Pell Grant eligibility) has increased from 8,745,584 to 17,686,165 (U.S. Department of Education, 2012). Nationally, in 2010-2011, 64% of all Pell Grant dollars (\$22,109,852,465) were disbursed to four- and two year public institutions, which included 2,171,9425 recipients at four-year institutions and 2,460,765 at two-year institutions. In 2010-

2011, there were 96,390 students at public institutions who were Pell Grant recipients in Kentucky, which accounted for \$360,535,804 in disbursements (U.S. Department of Education, Office of Postsecondary Education, 2012). During this time, the impact and importance of the Pell Grant has continually grown and played a vital role in providing access to low-income students to higher education.

Recently, the Consolidated Appropriations Act of 2012 (H.R. 3671) has decreased the scope and total awards made to students. This act specifically affected the eligibility of the Federal Pell Grant program in four ways: a) reduced the number of semesters a student may receive a full-time Federal Pell Grant award from 18 to 12, b) changed the income threshold for an automatic zero EFC from \$32,000 to \$23,000, and c) eliminated student eligibility for students who would have received less than 10% of the maximum award or d) achieved eligibility based on passing an ability to benefit (ATB) test or by completing six credit hours of postsecondary education (Association of Community College Trustees [ACCT], 2012; Kantrowitz, 2011b). Concurrent with these eligibility changes, year-round Pell, the ability for a student to receive a second scheduled Pell Grant disbursement in one academic year, was terminated (Gonzalez, 2012; Nelson, 2012a; Office of Management and Budget, OMB, 2011). This has raised concerns and prompted further research in an effort to better understand the effects of these changes (The Birmingham Times, 2012; Kantrowitz, 2011a).

The purpose of this article is to provide a descriptive analysis of how these federal changes affected students' Pell Grant awards in one state, Kentucky, based on simulating the data from the prior year awards. Data from Kentucky's 2010-2011 Pell Grants disbursements at public two-year and four-year institutions were analyzed to investigate the effect of both the eligibility changes as written in the 2012 Consolidation Appropriations Act and the termination of year-round Pell.

Program and Policy Changes to Federal Pell Grant

The Pell Grant eligibility rules written in the Consolidation Appropriations Act of 2012 and terminating year-round Pell affected different students differently. First, after July 1, 2012 eliminating the ATB has primarily affected community college students, for which Pell Grants are very important (Baime & Mullin, 2011; Kantrowitz, 2011b). In 2008, Rhoades showed that students who qualify for the Pell Grant, based on having passed the ATB test, show higher grade point averages and more total credits earned. Nonetheless, the estimated number of students who are currently receiving a Pell Grant based on ATB provisions has ranged from 100,000 (Dembicki, 2011; White, 2012) to 90,000 (CLASP, 2012) to 82,000 (Nelson, 2012a) to as few as 65,000 (ACCT, 2012). There is more agreement that this constitutes about one percent of all community college students (Dembicki, 2011; Nelson, 2012a; White, 2012). Each student who was once eligible under ATB will constitute the loss of an average Pell Grant award of \$3,932 (ACCT, 2012).

Secondly, the reduced income threshold for an automatic EFC affected dependent students and independent students who have a dependent other than a spouse (Kantrowitz, 2011b). For public institutions, Kantrowitz (2011b) estimated this change would increase the EFC by an average of \$1,400; more specifically a \$1,200 increase for students with an adjusted gross income of \$23,000 and \$1,700 increase for students with an adjusted gross income of \$32,000. The 2007-08 National Postsecondary Student Aid Study reported 14.2% of Federal Pell Grant recipients at public institutions were eligible for an automatic zero EFC and had an adjusted gross income between \$23,000 and \$32,000 (Wei, Berkner, He, & Lew, 2009). This change will have the most impact on students 150% to 190% of the poverty line (Kantrowitz, 2011b).

Thirdly, the maximum number of semesters a student is eligible for Pell Grant has been reduced from 18 to 12. The current nine year (i.e., 18 semesters) limit was first implemented in 2008. Prior to 2008 there were no limits (The Higher Education Opportunity Act, 2008). It was estimated this would affect between 100,000 (Barker, 2012; The Institute for College Access and Success [TICAS], 2011) and 63,000 (ACCT, 2012) students. The ACCT (2012) reported these students would lose an average award of \$3,905. This change will have a greater impact on the following groups: non-traditional students, African-American students, transfer students, and working-adults students who have dropped out and are now returning to college (Laitinen & Burd, 2012; Nelson, 2012b; Quizon, 2011; TICAS, 2011). Also, based on the findings of the California State University System, this change is more likely to affect four-year students. The California State University System found about four percent of its students would lose eligibility due to this change (Nelson, 2012b).

The last change as stipulated in the Consolidation Appropriations Act of 2012 required a student to be eligible for at least 10% of the Pell Grant maximum, which will affect less than five percent of Pell Grant recipients (Kantrowitz, 2011b). The ACCT (2012) reported this change will affect 3,000 students and these students will lose an average award of \$506. Before these changes, students who qualified for a Pell Grant, but their total award was less than 10% of the total maximum award, had their award rounded up to 10% of the maximum award (Kantrowitz, 2011b).

Along with these federal statutory changes, the termination of the year-round Pell also greatly affected Pell Grant recipients. Implemented for the 2009-10 award year, year-round Pell showed substantial increases in college enrollments and credit hours taken by students, particularly at community colleges (Katsinas, Hagedorn, Mensel, & Friedel, 2011). The program was first estimated to cost less than \$300 million per year; however, the program actually cost more than 10 times that amount. Also, the intent of year-round Pell was to accelerate degree completion, but the OMB reported, “the program [year-round Pell] appears to be providing significant amounts of aid to students who would have accelerated their education regardless of the second award” (p.175). Thus, to ensure retaining the maximum Pell Grant amount for eligible students, year-round Pell was terminated starting the summer 2012 (OMB, 2011).

The Federal Pell Grant Program and Student Success

The impact and effectiveness of the Pell Grant program has been measured in terms of access (Rubin, 2011; Seftor & Turner, 2002), persistence (Alon, 2011; Bettinger, 2004; Chen & DesJardins, 2008, 2010; Clergy, 2006; Dowd, 2004) and degree completion (Alon, 2011; Dowd, 2004; U.S. Department of Education, 2011; Wei & Horn, 2009). Generally speaking, financial aid increases student persistence and degree completion, but the type of aid a student receives matters (Perna, 1998). The Pell Grant is the largest need-based program administered by the U.S. Department of Education directed at low-income students and being eligible for a Pell Grant is a criteria often used by states and institutions to determine eligibility for other need-based financial aid.

Bettinger (2004) showed that Pell Grants decrease drop-out. Additional research showed specific insights regarding who benefits the most from Pell Grants; specifically, “low” and “lower-middle” income students benefit the most from Pell Grants (Alon, 2011; Chen & DesJardin, 2010; U.S. Department of Education, 2011). Among a cohort of 2003-04 first-time, beginning students who persisted to the spring of 2009 showed an 11.4 percentage point difference between Pell recipients and students who did not receive a Pell Grant in the “low” income quartile (U.S. Department of Education, 2011). Likewise, students in the “middle-low” income quartile were 4.5 percentage points more likely to persist or attain if they had received a Pell Grant. Conversely, for students in the “middle-high” and “high” income quartiles students who received a Pell Grant were less likely to persist to attain.

Similarly, Alon (2011) showed “low” (\$0-\$28,285) and “lower-middle” (\$28,290-\$50,000) income students are most sensitive to aid amounts. Alon (2011) noted, “for students coming from the poorest families (bottom income quartile) an additional \$100 in need-based grant in the first-year significantly increases the probability of first-year persistence at first institutions by about 0.002 (probit estimate) or 0.004 (IV probit estimate), on average” (p.819). Alon (2011) also found that the Pell Grant has no effect on the “highest” quartile and “if the need-based funds that entice affluent students to rich schools had been diverted to augment the aid for low-middle income students, the gap in first-year persistence would have been eliminated” (p.822).

Chen and DesJardins (2008) found, “students who do not receive a Pell Grant, low income students have higher probabilities of dropping out than their middle-income peers (56.6% vs. 15.3%, a gap of about 41.3%). However, conditional on Pell Grant recipient, the predicted probability of dropping out for low-income students is actually *lower* than that of their middle-income counterparts (20.8% vs. 25.0%)” (p.14). Thus, Pell Grants increase student persistence, but specific students benefit more than others, namely low-income and lower-middle income students. Similarly, Chen and DesJardins (2010) found Pell Grants have different effects based on racial and ethnic differences. The researchers found Pell Grants had the largest effect size on reducing dropout risks. Also, “compared to White students, minority students tended to be less likely to drop out when

awarded more Pell Grant” (Chen & DesJardins, 2010, p.195). Lastly, Chen and DesJardins (2010) found that a \$1,000 increase in Pell narrowed the dropout risk gap between Whites and minorities to the extent that there was little difference remaining.

Income for 2010-2011 Pell Grant recipients ranged from \$0 to more than \$60,000 (U.S. Department of Education, 2012). Alon’s (2011) *low-income* group (\$28,285 or less) would predominately be students who received a Pell Grant based on an automatic zero EFC. For the 2010-2011 aid year, a dependent student qualifies for an automatic zero EFC if:

- (1) anyone in the parent’s household (as defined on the FAFSA) received benefits during 2008 or 2009 from any the designated means-tested Federal benefit programs: the SSI program, the Food Stamp Program, the Free and Reduced Price Lunch program, the TANF program or WIC or the student’s parents filed or are eligible to file a 2009 IRS Form 1040A or 1040EZ (they are not require to file a 2009 From 1040), or the parents are not required to file any income tax return or the student’s parent is a dislocated worker, and
- (2) the 2009 income of the student’s parents is \$30,000 or less (The EFC Formula, 2010, p.5-6).

An independent student with dependents other than spouse may also qualify for an automatic zero EFC if anyone in the student’s household received benefits from the aforementioned programs within the same time period and if the student (and spouse if married) meets the same criteria regarding filing taxes and meet the income threshold. Independent students without dependents other than a spouse are not eligible for the automatic zero calculation (The EFC Formula, 2010). Even though a student may not meet the criteria for an automatic zero EFC, a student may still receive a zero EFC through the EFC formula. To differentiate, these are defined as calculated zero EFCs.

According to U.S. Department of Education’s Office of Postsecondary Education (2012), 97.7% of automatic zero Pell Grants were disbursed to students with family incomes of \$30,000 or less. This same family income group also represented 85% of Pell Grants disbursed based on a calculated zero EFC. Students with family incomes of \$30,000 or less represent 94% of all zero EFC students. Students with an automatic zero EFC represented 4.2 million , students, which was 45.1% of Pell Grants disbursed in 2010-2011. Also, 66% of all Pell Grant were disbursed to a student with an automatic of calculated zero EFC. Pell Grant eligibility has been previously used to define *low income* because one-half to two-thirds of Pell Grant recipients have been automatic zero EFC since the 2005-2006 aid year; thus, Davidson (2013) has suggested a zero EFC be used as a *low income* proxy. The \$20,000 to \$30,000 family income range, which will be affected by the automatic zero income threshold regulation change, represented 25.6% of all students with an automatic zero EFC and 70.5% of this group were awarded a zero EFC (U.S. Department of Education, 2012).

Conversely, 77.2% of Pell Grant recipients with an EFC of 5,001-5,273 were predominantly from families with incomes ranging from \$30,000 to more than \$60,000. This group of an EFC between 5,000-5,273 represented 63,906 students, which was 0.7% of Pell Grant recipients in award year 2010-2011. Changes to the automatic zero EFC threshold and elimination of the less than 10% of the full Pell Grant award will affect two very different groups of students. Likewise, the impact of these changes will be different these groups' successes. These changes are most significant for minority and lowest income quartile students, who comprise a significant proportion of the Pell Grant population. In summary, the purpose of this article is to provide a descriptive policy analysis of how these federal changes affected students' Pell Grant awards in Kentucky, based on simulating the data from the prior year awards.

Methodology

All data were collected from the Kentucky Council on Postsecondary Education. The Kentucky Council on Postsecondary Database System (KPEDS) does not collect Institutional Student Information Record (ISIR) data, which is the data reported on the FAFSA directly from the Central Processing System. Rather, the KPEDS financial aid information, including disbursements of financial aid, is collected from the state institutions. In effort to descriptively understand the effects of the policy and programmatic changes to the Pell Grant, the full-year disbursements from 2010-2011 were changed to simulate the new policies and changes to the program. The 2010-2011 financial aid year was selected because it was the most complete dataset available at the time, which included year-round Pell disbursements. The sample was all undergraduate students who received a Pell Grant disbursement in 2010-2011 (i.e., Fall 2010, Spring 2011, and Summer 2011) at Kentucky's two-year and four-year public institutions ($n = 97,356$). This sample eliminated undergraduate students who become graduate students in the same academic year and did not include Kentucky Community and Technical College System (KCTCS) students taking open entry/open exit courses because these students' disbursements data were not reported. Also, there were more than one thousand students who received Pell Grant disbursements at multiple institutions. These students' total Pell Grant disbursements were considered in the simulation and were reported as either a two-year or four-year student based on the first institution in which they enrolled.

There were additional criteria used in creating the simulation's sample. First, any disbursement that exceeded a student's one full year Pell Grant maximum award was reduced to one full year award. This eliminated any disbursement due to year-round Pell. Secondly, any Pell Grant disbursement for a student with an EFC greater than \$5,000 was eliminated, which were Pell Grant awards less than 10% of the maximum Pell Grant award. Thirdly, Pell Grant disbursements were used for the data simulation; however, some of the final disbursement amounts did not coincide with scheduled Pell Grant award amounts based on an EFC and hours of enrollment. The author assumed these amounts were a result of Return to Title IV calculations. These final amounts, rather than scheduled amounts, were used in the data simulation given they are the actual net amount

disbursed to the student. This gives a clearer picture of the economic impact of the regulations changes.

Dependent and independent students with children who had an EFC between \$23,000 and \$32,000 were assigned a “change” value. “Change” values were based on 100 point EFC increments (e.g., \$23,000 - \$23,999; \$24,000 - \$24,999; \$25,000 - \$25,999; etc.). For example, students with an EFC from \$23,000 to \$23,999 had a “change” value of 1,200 compared to students with an EFC from \$24,000 to \$24,999 that had a “change” value of 1,262.5. The change values were the dollar value differences based on Kantrowitz’s (2011b) calculations divided by 100 point EFC increments. Since Kantrowitz’s amounts were estimated on full-time enrollment, these “change” values were then multiplied by a “credit” value, which was based on the portion of one maximum Pell Grant award for which the student was eligible. All of these students had an automatic zero EFC; therefore, any disbursement ranging from \$1 to \$694 was assigned a “credit” of .125 because the student was only disbursed one-eighth of the total Pell Grant award for which they were eligible. The simulated Pell Grant amount was calculated by multiplying the “change” and “credit” values, which resulted in a value labeled “difference”. Then, the “difference” was subtracted from the original Pell Grant amount. Rather than adjusting the award by a standard amount, this simulation took into consideration the specific EFC, within 100 point increments, and the actual amount disbursed based on credit hours.

$$\text{Difference} = \text{Change} * \text{Credit}$$

$$\text{Simulated Pell Grant Amount} = \text{Original Pell Grant Amount} - \text{Difference}$$

Further adjustments were made to the total Pell Grant disbursements based on estimates. Dembicki (2011), Nelson (2012a), and White (2012) suggested one percent of the total number of community college students would be affected by the elimination of the ATB. There was 99,095 degree-seeking community college students enrolled in the 2010-2011 academic year. Therefore, 991 Kentucky students were used as the estimate. ACCT (2012) stated the average award for the community college students affected would be \$3,932. Also, ACCT (2012) estimated the number of students to be affected by the reduction in maximum semester from 18 to 12 was 63,000, and ATB was 65,000, the same one percent estimate was also applied to community college Pell Grant recipients. Similarly, ACCT (2012) reported these students would lose an average award of \$3,905. For four-year students, four percent was applied to the sample based on the reported effect from California State University System (Nelson, 2012b). In this sample, the average award was \$3,510 for students at two-year institutions and \$3,956 for students at four-year institutions. These averages were used in calculating estimated total Pell Grant disbursement amounts.

Limitations

Using the disbursed amount rather than the scheduled amount had a small effect on accurately simulating the data. The final number of students who were affected by the income threshold reduction from \$32,000 to \$23,000 at two-year ($n=6,198$) and four-year ($n=3,651$) institutions who had a disbursement less than the scheduled amount was small, even so, the disbursed amount was used to determine the “credit” value in data analysis. For example, a student who had an initial disbursement of \$2,775 in the fall 2010 (enrolled in 12 credit hours or more) may have had a final amount of \$704 due to Return to Title IV. In the data simulation, this student would have been credited with a new scheduled Pell Grant amount based on one-quarter of the full-year total disbursement because the final amount was within the range of a student with greater than one-eighth, but less than one-fourth of the full-year award. Thus, this is not an accurate simulation of the scheduled amount. Nonetheless, this study provided a more accurate picture of the disbursement of the Pell Grant and the financial aid process, which is affected by other regulations, such as Return to Title IV.

This analysis had no means to determine duplicated students when considering the effects of changes and estimated total dollars. For example, when simulating the data (e.g., reducing disbursement amount based on automatic zero EFC thresholds or elimination of students who were eligible for less than 10% of the maximum award amount) actual total dollar amounts were used; however, when estimated dollars (e.g., students who will no longer be eligible based on elimination of the ATB test or accruing six credit hours) were used there was no manner in determining if these students were being considered in two or more estimates. Thus, a student whose amount was lowered because they meet the new automatic zero EFC threshold criteria may also be a student that would not have been eligible based on an ATB test or accumulating six credit hours. Thus, this may have resulted in an overestimated of total dollars affected.

Lastly, the scope of this study did not include private or for-profit institutions because data was not available. To fully gauge the impact of these eligibility and programmatic changes students at all institutions of higher education should be taken into consideration. For example, ending year-round Pell and eliminating ATB has reportedly had the most impact on students at for-profit institutions, which have about three times as many ATB students as community colleges (Fuller, 2011; Dembicki, 2011).

Results *Descriptive Statistics: Sample*

Table 1 shows gender and race/ethnicity for Kentucky students who received a Pell Grant disbursement at a two-year and four-year institution. The majority of Pell Grant recipients at both four-year (58.3%) and two-year institutions (67.1%) were females. Almost twice as many Hispanic/Latino recipients were at two-year than four-year institutions. While there were more Black recipients at two-year compared to four-year institutions, Black recipients represented a larger percentage of recipients at four-year institutions than two-year institutions.

Table 1. Characteristics of Kentucky Federal Pell Grant Recipients by Public Institution Level, 2010-2011 (n = 97,356)

	Four-Year (n = 38,274)		Two-Year (n = 59,082)	
	Number	Percent	Number	Percent
Gender				
Female	22,315	58.3%	39,659	67.1%
Male	15,959	41.7%	19,377	32.8%
Race/Ethnicity				
Nonresident Alien	13	0.0%	17	0.0%
Black, Non-Hispanic Only	6,388	16.7%	8,505	14.4%
American Indian or Alaskan Native, Non-Hispanic Only	132	0.3%	222	0.4%
Asian, Non-Hispanic Only	547	1.4%	403	0.7%
Hispanic or Latino, regardless of race	800	0.2%	1,321	2.2%
White, Non-Hispanic Only	28,763	75.2%	47,177	79.9%
Race and Ethnicity Unknown	958	2.5%	475	0.8%
Two or More Races	641	1.7%	888	1.5%
Native Hawaiian or Other Pacific Islander, Non-Hispanic Only	32	0.0%	74	0.1%

Note: Missing 46 two-year student gender records.

Data Simulation: Student level

The following tables show the descriptive statistics of two-year and four-year Kentucky college students affected by the recent policy and programmatic changes to the Pell Grant program: the termination of year-round Pell (Table 2); Pell Grant award being less than 10% of the maximum Pell Grant award (Table 3); automatic zero EFC thresholds reduction from \$32,000 to \$23,000 (Table 4).

Three racial and ethnic groups Black, Hispanic/Latino, and White students at four-year institutions were disproportionately affected by termination of year-round Pell (Table 2). At four-year institutions, Black students comprised 19.8% of the affected students, which is a 3.1 percentage point increase from the sample in Table 1. Hispanic/Latino students comprised 2.4% of the affected students, which is a 2.2 percentage point increase from the sample in Table 1. White students, comprised 72.5% of the affected students, which is a 2.7 percentage point decrease from the sample in Table 1.

Table 2. Characteristics of Kentucky Federal Pell Grant Recipients Affected by Termination of Year-Round Pell, 2010-11 (*n* = 7,619)

	Four-Year (<i>n</i> = 3,877)		Two-Year (<i>n</i> = 3,742)	
	Number	Percent	Number	Percent
Gender				
Female	2,311	59.6%	2,522	67.4%
Male	1,566	40.4%	1,220	32.6%
Race/Ethnicity				
Nonresident Alien	*	*	*	*
Black, Non-Hispanic Only	767	19.8%	411	11.0%
American Indian or Alaskan Native, Non-Hispanic Only	15	0.3%	14	0.3%
Asian, Non-Hispanic Only	63	1.6%	26	0.7%
Hispanic or Latino, regardless of race	92	2.4%	76	2.0%
White, Non-Hispanic Only	2,811	72.5%	3,139	83.9%
Race and Ethnicity Unknown	60	1.5%	23	0.6%
Two or More Races	61	1.5%	49	1.3%
Native Hawaiian or Other Pacific Islander, Non-Hispanic Only	*	*	*	*

Note: * Not reported due to inadequate report size.

Also, Table 2 showed Black and White students at two-year institutions were disproportionately affected by termination of year-round Pell. Specifically, Black students comprised 11.0% of the affected students, which is a 3.4 percentage point decrease from the sample. White students comprised 83.9% of the affected students, which is a 4.0 percentage point increase from the sample.

Table 3 showed Black and White students at four-year institutions were disproportionately affected by elimination of Pell Grants being awarded for less than 10% of the maximum award. Black students comprised 9.2% of the affected students, which is a 7.5 percentage point decrease from the sample in Table 1. White students comprised 84.6% of the affected students, which is a 9.4 percentage point decrease from the sample in Table 1.

Also, Table 3 showed differences in gender for Black and White two-year college students who were disproportionately affected by elimination of Pell Grants being awarded for less than 10% of the maximum award. At two-year colleges females comprised 60.4% and males comprised 39.6% of the affected students; for females this is a 6.7 percentage point decrease and

Table 3. Characteristics of Kentucky Federal Pell Grant Recipients Affected by Less than 10% of Maximum Federal Pell Grant Award, 2010-11 (n = 980)

	Four-Year (n = 654)		Two-Year (n = 326)	
	Number	Percent	Number	Percent
Gender				
Female	370	56.6%	197	60.4%
Male	284	43.4%	129	39.6%
Race/Ethnicity				
Nonresident Alien	*	*	*	*
Black, Non-Hispanic Only	60	9.2%	26	8.0%
American Indian or Alaskan Native, Non-Hispanic Only	*	*	*	*
Asian, Non-Hispanic Only	13	2.0%	*	*
Hispanic or Latino, regardless of race	*	*	*	*
White, Non-Hispanic Only	553	84.6%	287	88.0%
Race and Ethnicity Unknown	8	1.2%	*	*
Two or More Races	*	*	*	*
Native Hawaiian or Other Pacific Islander, Non-Hispanic Only	*	*	*	*

Notes:

Missing four two-year student records.

* Not reported due to inadequate report size.

for males this is a 6.8 percentage point increase from the sample in Table 1. Black two-year students comprised 8.0% of the affected students, which is a 6.4 percentage point decrease from the sample. White students comprised 88.0% of the affected students, which is an 8.1 percentage point increase from the sample in Table 1.

Table 4 showed gender and some racial/ethnic disproportional differences that were affected by the threshold change in the automatic zero EFC. At four-year institutions, females comprised 61.7% and males comprised 38.3% of the affected students; however, females saw a 3.4 percentage point increase and while males showed a 3.4 percentage point decrease from the sample. Black students comprised 21.8% of the affected students, which is a 5.1 percentage point increase from the sample. Hispanic/Latino students comprised 2.6% of the affected students, which is a 2.4 percentage point increase from the sample. White students comprised 69.6% of the affected students, which is a 5.6 percentage point decrease from the sample. Also, Table 4 showed basically no differences in gender or race/ethnicity for students at two-year institutions.

Table 4. Characteristics of Kentucky Federal Pell Grant Recipients Affected by Automatic Zero EFC Threshold Change, 2010-11 (*n* = 9,567)

	Four-Year (<i>n</i> = 3,562)		Two-Year (<i>n</i> = 6,005)	
	Number	Percent	Number	Percent
Gender				
Female	2,198	61.7%	4,074	67.8%
Male	1,364	38.3%	1,927	32.1%
Race/Ethnicity				
Nonresident Alien	*	*	*	*
Black, Non-Hispanic Only	778	21.8%	839	14.0%
American Indian or Alaskan Native, Non-Hispanic Only	13	0.4%	17	0.3%
Asian, Non-Hispanic Only	49	1.4%	37	0.6%
Hispanic or Latino, regardless of race	94	2.6%	77	1.3%
White, Non-Hispanic Only	2,479	69.6%	4,786	79.7%
Race and Ethnicity Unknown	82	2.3%	46	0.8%
Two or More Races	66	1.9%	87	1.4%
Native Hawaiian or Other Pacific Islander, Non-Hispanic Only	*	*	15	0.3%

Note: * Not reported due to inadequate report size.

Data Simulation: Institutional level

Table 5 shows the total amount of Pell Grant dollars disbursed and average disbursement amount to Kentucky college students at two-year and four-year institutions. Table 5 showed that more Pell Grant dollars were disbursed at two-year compared to four-year institutions; however, the average award at four-year compared to two-year institutions was greater. This is likely to be due to the fact that a larger percent of students at four-year institutions enroll full-time compared to students at two-year institutions.

Tables 6 through 8 show how the recent changes to the Pell Grant program affected 2010-11 recipients attending Kentucky public colleges and universities based on the data simulation. Specifically, Table 6 shows the number of students at four- and two-year institutions that are no longer eligible for a Pell Grant based on (a) their award not being at least 10% of the maximum award, (b) elimination of ATB and (c) reducing the maximum number of semesters from 18 to 12. Table 7 shows the amount of Pell Grant disbursed at four-year and two-year institutions, which would

Table 5. Number of Federal Pell Grant Recipients, Total Amount Disbursed, and Average Amount by Two-Year and Four-Year Kentucky Institutions, 2010-11

	Students	Dollars Disbursed	Avg. Disbursement
Four-Year Institutions	38,274	\$151,418,365	\$3,956
Two-Year Institutions	59,082	\$207,376,822	\$3,510
Total	97,356	\$358,795,187	\$3,685

Table 6. Number of Students Not Eligible for a Federal Pell Grant Based on Federal Changes, 2010-11

	10% Max Pell	ATB**	Reduced Semesters**
Four-Year Institutions	654	*	1,530
Two-Year Institutions	326	991	991
Total	980	991	2,521

Notes:

* Estimates for students affected by elimination of the ATB policy were regulated to the two-year institutions because all reports only specified ATB students at community colleges (Dembicki, 2011; Nelson, 2012a; White, 2012).

**ATB and Reduced counts are based on estimates.

not have been disbursed based on (a) terminating year-round Pell and (b) regulation changes decreasing the income threshold for an automatic zero EFC. Table 8 shows the total number of students who are no longer eligible for a Pell Grant and the total amount of Pell Grant dollars that would not be disbursed.

Table 6 showed twice as many students at four-year institutions compared to two-year institutions were affected by the elimination of Pell Grants being awarded for less than 10% of the maximum award. Based on estimations, the reduction of semesters for which a student is eligible for a Pell Grant affected more students than elimination of Pell Grants being awarded for less than 10% of the maximum award and being eligible for a Pell Grant based on the ATB combined.

Overall, Table 7 showed the change in the automatic zero EFC threshold had the greatest effect on loss of Pell Grant dollars for Kentucky students at four-year and two-year institutions (\$11.2 million). Conversely, the elimination of Pell Grants being awarded for less than 10% of the maxi-

Table 7. Loss of Federal Pell Grant Amounts Based on Federal Changes by Institution Type, 2010-11

	Year Round Pell	Auto Zero EFC	10% Max Pell	ATB**	Reduced Semesters**
Four-Year Institutions	\$4,799,603	\$4,551,132	\$329,781	*	\$6,250,480
Two-Year Institutions	\$4,790,261	\$6,600,439	\$148,213	\$3,478,410	\$3,478,410
Total	\$9,589,864	\$11,151,571	\$477,994	\$3,478,410	\$9,728,890

Notes:

* Estimates for students affected by elimination of the ATB policy were regulated to the two-year institutions because all reports only specified ATB students at community colleges (Dembicki , 2011; Nelson, 2012a; White, 2012).

** ATB and Reduced dollar amounts are based on estimates.

Table 8. Number of Ineligible Students and Loss of Federal Pell Grant Amount Based on Federal Changes by Institution Type, 2010-11

	Ineligible Students	Loss of Pell Grant
Four-Year Institutions	2,184	\$15,930,996
Two-Year Institutions	2,308	\$18,495,733
Total	4,492	\$34,426,729

Note: Number of *Ineligible Student* is based on estimates of students affected by elimination of ATB and Reduced Semesters and actual number of students affected by 10% of Max Pell. *Pell Dollars Lost* is calculated based on actual and estimated amounts.

mum award had the least effect on loss of Pell Grant dollars for two-year and four-year students (\$477,994). Termination of year-round Pell had very similar impact on the amount of Pell Grant dollars loss (\$4.8 million) when comparing two-year and four-year institutions. However, differences occurred when two-year Kentucky institutions saw a greater loss than four-year institutions due to the change in the automatic zero EFC threshold. Yet, the reduction of the total number of semesters had a greater effect on total dollars at four-year institutions than two-year institutions.

Based on the simulation, Kentucky college students at two-year institutions were more affected than students at four-year institutions (Table 8). In fact, two-year institutions would have seen 100 fewer eligible students and almost 2.5 million dollar Pell Grant loss than at four-year institutions. The total amount of Pell Grant dollars not disbursed due to these programmatic and policy changes would be \$34,426,729, which is 9.6% of the total Pell Grant disbursed in the state of Kentucky in 2010-2011 academic year.

Discussion

These findings showed that all five policy and program changes, on a student-level, effected students at two-year and four-year institutions differently based on gender and race/ethnicity and would have constituted a 9.6% reduction in the total Pell Grant dollars disbursed in the state of Kentucky for the 2010-2011 academic year. These findings have various implications for financial aid practitioners and institutional leadership. The following discussion summarizes the major findings from this study's examination of four policy and program changes to the Pell Grant program as well as provides practical implications.

Elimination of Year-Round Pell. This study found the termination of year-round Pell negatively affected Black and Hispanic/Latino students, but positively affected White students disproportionately more at four-year institutions. Conversely, termination of year-round Pell negatively affected White students, but positively affected Black students disproportionately more at two-year institutions. Students' ability to accelerate through degree programs and accrue credits at a faster rate has shown to increase persistence and degree completion rates. The elimination of year-round Pell may impede course taking patterns, particularly, summer enrollment course for students who have already exhausted their full Pell Grant award in the preceding fall and spring terms. If institutions are going to encourage and advise students to enroll in summer courses, it may be necessary for institutions to set aside scholarship and other institutional grant funds to compensate for these added costs. Federal Supplemental Educational Opportunity Grants (FSEOG) and work-study opportunities could become more important to students in this particular term. Alternatively, institutions could explore varying tuition costs for summer course to encourage enrollment.

Elimination of Less than 10% of Maximum Pell Grant Award. Federal Pell Grants not awarded to students who were once eligible for 10% less than the maximum amount negatively affected White students, but positively affected Black students disproportionately more at four-year institutions. The inverse occurred at two-year institutions with this program change negatively affected Black students, but positively affected White students. Also, males were affected disproportionately more at two-year institutions than females. Compared to other programmatic and policy changes to the Pell Grant program, this change had the smallest total dollar effect on students. Also, the literature review showed that students, who would have received 10% of the maximum Pell Grant, compared to "low" (\$0-\$28,285) incomes (Alon, 2011) were fewer students and less sensitive to Pell Grant changes.

Nonetheless, one area of concern for these students is the loss of their Pell Grant eligibility, which may be a criterion for additional institutional or state need-based aid. For example, the state of Kentucky has a need-based program called the College Access Program (CAP) grant. For students to be eligible for the award they must also be Pell Grant eligible. Even though Pell Grant amounts decrease based on EFC, CAP grant amounts are not. CAP grant awards are solely based on credit hours; students must be enrolled in at least six credit hours and students enrolled in 12 or more

hours are not awarded additional aid. The maximum CAP grant for the 2010-2011 academic year was \$1,900, which is the same as a student with a zero EFC. Therefore, this change may not affect a large amount of Pell Grant dollars for each student; it may have a larger effect on the students total grant awards.

Decrease of Automatic Zero EFC Threshold. The change in the automatic zero EFC threshold directly affects the highest portion of the “low” (\$0-\$28,285) and the lowest portion of the “lower-middle” (\$28,290-\$50,000) income groups as defined by Alon (2011), who noted these students are most sensitive to Pell Grant changes. This study found that this change negatively affected Black and Hispanic/Latino students, but positively affected White students disproportionately more at four-year institutions. Also, females were affected disproportionately more at four-year institutions than males. However, the data simulation showed little difference for students at two-year institutions. Thus, his threshold change could have the greatest impact on student persistence, particularly for Black and Hispanic/Latino Students at four-year institutions. Nationally, these two groups of students have lower rates of persistence and educational attainment compared to White students (Carter, 2006; Ross, et al., 2012). Practically speaking, four-year institutions should consider compensating for this loss of funding through additional aid as well as other institutional programmatic strategies. Persistence is a highly-researched area of higher education and many campus-based programs and policies, particularly with regard to financial aid, have been shown to increase persistence rates among Black and Hispanic/Latino students (Carter, 2006; Crisp & Nora, 2010). If institutions have not already begun to implement some of these policies and strategies, they may become more immediately important given these findings.

Reduction of Semesters and Elimination of the Ability to Benefit. Specific data was not able to be derived regarding the student-level impact of elimination of the ATB or the reduction of the Pell Grant from 18 to 12 semesters; however, estimates and suggestions imply that these changes will have a greater impact on adult (Laitinen & Burd, 2012) and race/ethnicity minority students (TICAS, 2011). Reduction of the Pell Grant from 18 to 12 semesters could have a large effect on student degree intent, course-taking patterns, and articulation agreements. Since Pell Grant funds are more restricted, institutions are now more responsible to help students clarify a degree pathway and for directing students into classes that will lead to graduation. With increased levels of transfer and student flow, articulation agreements and forming degree pathways becomes more important at state policy making levels. This will necessitate institutions to work more closely together to ensure students are aware of transfer options and that credits are accepted upon transferring to a different institution.

Likewise, with the elimination of the ATB, community colleges will need to work more closely and form stronger relationships with GED providers, ensuring students complete a GED and make a smooth transition to college. This may require financial aid offices to proactively provide financial aid literacy to this unique student population.

Conclusion

In 2010-2011, over 17.6 million undergraduate students completed the FAFSA, which is the only way to determine eligibility for a Pell Grant. Recent changes to the Pell Grant program have limited eligibility and amount of aid for students. Data from all 2010-2011 undergraduate students, who received a Pell Grant disbursement at Kentucky's two- and four-year public institutions, were used to simulate the changes to the Pell Grant program in the Consolidated Appropriations Act of 2012 and from the termination of year-round Pell. Based on this simulation, more students would lose their Pell Grant eligibility and a greater total amount of Pell Grant dollars were lost due to the Pell Grant changes at two-year compared to four-year institutions. On a student level, Black and Hispanic/Latino students were disproportionately more affected by the program changes than White students. To best serve these underrepresented students, institutions should seek to find alternative grant funding for particular gender and underrepresented race/ethnicity groups. This can be done through institutional grant aid. Also, financial aid officers should work with other college departments, professions, faculty and students to educate everyone the impact these changes may have on short-term and long-term educational goals for students.

Nexus: Connecting Research to Practice

- “Low” and “lower-middle” income students are most affected by Pell Grants policy and program changes. Therefore, to maintain current or increase levels of student success among low- and lower-middle income students, institutions will need to find alternative grant funding to replace this loss in Pell Grant funding.
- Pell Grants have different effects on students based on gender and race/ethnicity differences. Minority students are less likely to drop out when awarded more Pell Grant dollars compared to White students. Therefore, as institutions seek to find additional funding, these funds must also be directed to particular groups of students to have the greatest impact on student success.
- Financial aid officers can play a vital role with other institutional offices, such as academic advising and community college transfer centers as well as other educational entities, such as GED providers to help educate both professional staff and students on how these Pell Grant policy and programmatic changes can impact student success.

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