

## COLLEGE GRANT AID

**T**he federal government provides grant aid for higher education through its Pell Grant and Federal Supplemental Education Opportunity Grant (FSEOG) programs.

To apply for these grants, students must complete the Free Application for Federal Student Aid (FAFSA), available from the U.S. Department of Education, which asks for information from the student and their parents about their assets and income as reported in their federal tax returns. This data is used to calculate the expected family contribution (EFC) for the student's education expenses, as based on Department of Education guidelines. The difference between expected expenses and EFC is eligible for support under the Pell Grant program, to a maximum of \$4,310 per year. The proposed federal budget for fiscal year 2008 suggests this be increased to \$4,600 in 2008 and \$200 more per year thereafter to a ceiling of \$5,400 in 2012.

The EFC is a function of student and parental assets, excluding retirement and primary residence assets, and income, based on both taxable and nontaxable income (e.g., nontaxable interest or Roth IRA or pension distributions) and pretax retirement contributions made in the current year. Pell Grant aid is available to students whose parents' FAFSA assets, excluding retirement and primary residence assets, are below \$40,000–\$60,000 (a sliding scale based on age) and whose FAFSA income is below \$25,300 (assuming there are four people in the household, one child in college, and both parents earn income). For such a family, this corresponds to an adjusted gross income (AGI) of approximately \$55,000. Nearly three-quarters of U.S. taxpayers fall below this limit. Above this limit, Pell Grant aid declines to zero as taxable income approaches \$53,800 (AGI of approximately \$76,000).

Those eligible for a Pell Grant may also be eligible for an FSEOG grant of \$100 to \$4,000. The amount available and basis for awarding FSEOG grants varies by institution: Some award like amounts to all Pell-eligible students, while others use a sliding scale based on FAFSA income. The proposed 2008 federal budget would eliminate FSEOG grants.

A myriad of other federal, state, and private grant aid programs provide support that is conditional on previous academic performance or interests. Many states also have grant programs to supplement Pell and FSEOG aid. The authors' analysis includes only grants a student is entitled to that are affected by family income.

Private colleges also provide need-based grant aid based on available funding from endowments and donations. Their eligibility calculations are roughly similar to those used for federal grants; however, the amount of aid can be much larger (one-third of tuition for those at the lowest end of the income/asset scale is not uncommon). Aid levels vary widely by school.