

Federal Pell Grant Changes From the One Big Beautiful Bill Act: Brief for Campus Leadership

The One Big Beautiful Bill Act (OBBBA) was signed into law on July 4, 2025. This legislation contains provisions that reshape student financial aid, including changes to Pell Grant eligibility and the expansion of Pell Grant eligibility to certain short-term programs.

Pell Grant Eligibility Changes Effective with the 2026-27 Academic Year

The changes related to the FAFSA (SAI cap and inclusion of foreign income) are already live on the 2026-27 FAFSA

- **No more “Pellionaires”:**
 - o Closes the so-called “Pellionaire loophole” that allowed students and families with low incomes, but significant assets, to receive Pell Grants.
 - o Students with an SAI equal to or greater than 14,790 (twice the maximum Pell Grant) are ineligible to receive a Pell Grant.
 - o Some current students who received Pell Grants for the past two years through this loophole will lose eligibility in 2026-27.
- **No Pell Grant for students fully covered by non-federal grants and scholarships:**
 - o Students who receive grants or scholarships from non-federal sources (institutional, state, or private) that cover their entire cost of attendance (COA) are ineligible to receive a Pell Grant, even if otherwise eligible for the program.
 - o Previously, a Pell-eligible student whose full COA was covered by non-federal sources could still receive a Pell Grant in addition to the non-federal aid.
 - o This change will affect student-athletes on full-ride scholarships, as well as other students whose institutional, state, and/or private aid meet or exceed full COA.
 - o Institutions can reduce non-federal aid to below the COA to preserve Pell Grant eligibility.
- **Inclusion of foreign income in Pell determinations:**
 - o Foreign income is now included in the adjusted gross income (AGI) used to calculate Pell Grant eligibility on the FAFSA.
 - o Families already listed foreign income on the FAFSA, but financial aid administrators previously had to manually review and determine if adding the foreign income to the AGI would make the student ineligible to receive the maximum Pell Grant.
 - o This change to the FAFSA makes this an automated process.
 - o Some students and families with foreign income who received a Pell Grant for the past two years will lose eligibility in 2026-27.

Changes to the law will cause some current Pell Grant recipients to lose eligibility for this funding in 2026-27. While the number of students is likely to be small, the change will still be impactful for them.

Creation of the Optional Workforce Pell Grant Program, Effective July 1, 2026

- o Pell Grant eligibility is expanded to certain short-term, career-focused programs.
- o Eligible programs must be 150-600 clock hours and run at least 8 weeks but fewer than 15 weeks.
- o Not all short-term programs will be eligible to participate in the Pell Grant program. There are certain program requirements, including:
 - The program must be approved by the state governor as aligned with in-demand jobs and meeting employers’ needs.
 - The program must have been offered by the institution for at least one year.
 - The program must meet performance benchmarks, including having at least a 70% completion rate and at least a 70% job placement rate within 180 days.
- o This change is intended to support workforce development and expand Pell eligibility to previously ineligible non-traditional educational pathways.
- o These changes provide new access to Pell Grants for short-term programs; however, the specific Pell Grant amounts will be proportionally smaller because they are calculated based on program length.

Institutional Considerations and Potential Challenges

- **Students who were previously eligible for Pell Grants may not be eligible in the 2026-27 academic year and beyond.**
 - o Potential reductions in Pell eligibility for certain populations, like full-ride student athletes or students with SAIs equal to or greater than 14,790.
 - o Need for clear, effective communication to students and parents regarding eligibility changes.
 - o Review and evaluation of institutional aid packaging practices to accommodate Pell Grant changes.
- **Current or new programs may be eligible for Pell Grant funding with the introduction of the Workforce Pell program.**
 - o Assess how workforce programs might align with institutional goals.
 - o Effective implementation will require cross-campus coordination, communication, and planning.
 - o New administrative processes may be needed to support short-term program timelines.
 - o Operational and compliance responsibilities may increase, including program approval, benchmark monitoring, and reporting requirements, adding to the administrative burden for involved departments.
 - o A short implementation runway and yet-to-be-developed approval process will make it very difficult for institutions to implement Workforce Pell for 2026-27.

Resources

- NASFAA One Big Beautiful Bill Act [web center](#)
- o NASFAA Chart: [Federal Student Aid Changes from the One Big Beautiful Bill Act](#)
- o NASFAA articles: [Trump Signs Sprawling Reconciliation Package Into Law, Here’s How it Impacts Higher Ed](#) and [Consensus Reached: AHEAD Committee Approves ED’s Workforce Pell Package](#)