Federal Education Programs—CBO's Estimate of the President's Fiscal Year 2020 Budget

Most of the assistance that the federal government provides to students comes through its student loan programs and the Federal Pell Grant Program.

Under the William D. Ford Direct Loan Program, the federal government provides education loans to undergraduate and graduate students and to the parents of undergraduate students. In the direct loan program, the federal government serves as the lender for all borrowers but contracts with private entities to service those loans. The current program offers four types of loans:

- **Subsidized loans** are need-based loans for undergraduate students. No interest accrues while the borrower is enrolled or during other deferment periods, and borrowing is limited by a student's class level and dependency status.
- **Unsubsidized loans** are non–need-based loans for undergraduate and graduate students. Interest accrues from origination, and borrowing is limited by a student's class level and dependency status.
- **PLUS parent loans** are non–need-based loans for parents of dependent undergraduates. Interest accrues from origination, and borrowing is limited only by the cost of attendance.
- **GradPLUS loans** are non–need-based loans for graduate students. Interest accrues from origination, and borrowing is limited only by the cost of attendance.

The Federal Pell Grant Program provides low-income students with access to funding for postsecondary education at four-year colleges and universities, for-profit schools, two-year colleges, and institutions that specialize in occupational training. Grants are awarded on the basis of financial need and academic course load. The program has three sources of funding: discretionary budget authority, which provides the largest portion and supports a maximum award set in the annual appropriation act; mandatory budget authority, which is specified in the Higher Education Act; and a "mandatory add-on," which is automatically added, on the basis of a formula, to the discretionary portion of each award.

Federal Education Programs—CBO's Estimate of the President's Fiscal Year 2020 Budget
Millions of Dollars, by Fiscal Year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Increases or Decreases (-) in Direct Spending Outlays												
Federal Student Loan Programs, using FCRA Procedures[a]												
Create a single income-driven student loan repayment plan [b, c]	-790	-1,935	-2,865	-3,635	-4,575	-5,480	-6,320	-7,290	-8,035	-8,455	-13,800	-49,380
Eliminate standard repayment cap [c]	-185	-470	-680	-820	-995	-1,150	-1,290	-1,400	-1,505	-1,545	-3,150	-10,040
Use combined AGI to calculate loan payments for taxpayers who are married and filing separately [c]	-15	-35	-50	-65	-85	-100	-115	-135	-150	-155	-250	-905
Eliminate subsidized student loans [c]	-455	-1,240	-1,805	-2,145	-2,480	-2,885	-3,210	-3,430	-3,560	-3,685	-8,125	-24,895
Eliminate the Public Service Loan Forgiveness program [c]	-415	-1,010	-1,435	-1,770	-2,150	-2,570	-2,920	-3,275	-3,620	-3,760	-6,780	-22,925
Enact student loan risk sharing						Not Estimated						
Eliminate account maintenance fee payments to guaranty agencies	-92	-82	-74	-67	-60	-54	-49	-44	-39	-35	-375	-596
Subtotal	-1,952	-4,772	-6,909	-8,502	-10,345	-12,239	-13,904	-15,574	-16,909	-17,635	-32,480	-108,741
Federal Pell Grant Program												
Reduce improper payments in Pell grants						Not Estimated						
Move Iraq-Afghanistan Service Grants into the Pell grant program	*	*	*	*	-1	-1	-1	-1	-1	-1	-2	-6
Expand Pell grants to short-term programs	8	30	34	40	44	48	50	52	54	55	156	415
Reallocate mandatory Pell grant funding to support short-term programs	-8	-30	-34	-40	-44	-48	-50	-52	-54	-55	-156	-415
Subtotal	0	0	0	0	-1	-1	-1	-1	-1	-1	-2	-6
Total	-1,952	-4,772	-6,909	-8,502	-10,346	-12,240	-13,905	-15,575	-16,910	-17,636	-32,481	-108,747

Components may not sum to totals because of rounding; AGI = adjusted gross income; FCRA = Federal Credit Reform Act of 1990; * = between -$500,000 and zero

This table does not include the proposal to establish Education Freedom Scholarships.

[a] Under FCRA rules, the present value of expected future cash flows is calculated by discounting those cash flows using the rates on U.S. Treasury securities with similar terms to maturity. Present value is a single number that expresses a flow of current and future income (or payments) in terms of an equivalent lump sum received (or paid) at a specific time. The present value depends on the discount rate used to translate future cash flows into current dollars.

[b] The single income-driven repayment plan proposal has sizeable interactive effects with the proposals to eliminate subsidized loans and the Public Service Loan Forgiveness program. Those interactions are included in this line.

[c] For these estimates, CBO assumes that the policies will be effective for student loan borrowers with no outstanding federal student loan balances as of July 1, 2020.

Federal Education Programs—CBO's Estimate of the President's Fiscal Year 2020 Budget
Millions of Dollars, by Fiscal Year

	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Increases or Decreases (-) in Direct Spending Outlays												
Federal Student Loan Programs, using Fair-Value Estimating Procedures[a]												
Create a single income-driven student loan repayment plan [b, c]	-485	-1,205	-1,780	-2,275	-2,860	-3,435	-3,960	-4,545	-5,030	-5,370	-8,605	-30,945
Eliminate standard repayment cap [c]	-160	-415	-605	-745	-905	-1,070	-1,245	-1,380	-1,495	-1,535	-2,830	-9,555
Use combined AGI to calculate loan payments for taxpayers who are married and filing separately [c]	-15	-35	-50	-65	-80	-95	-110	-125	-140	-150	-245	-865
Eliminate subsidized student loans [c]	-350	-945	-1,380	-1,645	-1,905	-2,230	-2,480	-2,660	-2,765	-2,855	-6,225	-19,215
Eliminate the Public Service Loan Forgiveness program [c]	-315	-760	-1,090	-1,350	-1,640	-1,960	-2,230	-2,510	-2,775	-2,885	-5,155	-17,515
Enact student loan risk sharing						Not Estimated						
Eliminate account maintenance fee payments to guaranty agencies	-92	-82	-74	-67	-60	-54	-49	-44	-39	-35	-375	-596
Subtotal	-1,417	-3,442	-4,979	-6,147	-7,450	-8,844	-10,074	-11,264	-12,244	-12,830	-23,435	-78,691
Federal Pell Grant Program												
Reduce improper payments in Pell grants						Not Estimated						
Move Iraq-Afghanistan Service Grants into the Pell grant program	*	*	*	*	-1	-1	-1	-1	-1	-1	-2	-6
Expand Pell grants to short-term programs	8	30	34	40	44	48	50	52	54	55	156	415
Reallocate mandatory Pell grant funding to support short-term programs	-8	-30	-34	-40	-44	-48	-50	-52	-54	-55	-156	-415
Subtotal	0	0	0	0	-1	-1	-1	-1	-1	-1	-2	-6
Total	-1,417	-3,442	-4,979	-6,147	-7,451	-8,845	-10,075	-11,265	-12,245	-12,831	-23,436	-78,697

Components may not sum to totals because of rounding; AGI = adjusted gross income; * = between -$500,000 and zero

This table does not include the proposal to establish Education Freedom Scholarships.

[a] Under the fair-value estimating procedures, estimates are based on market values—market prices or approximations of market prices when directly comparable figures are unavailable—which more fully account for the cost of the risk the government incurs. The fair-value approach accounts for the cost of market risk, which Federal Credit Reform Act procedures using Treasury rates, do not.

[b] The single income-driven repayment plan proposal has sizeable interactive effects with the proposals to eliminate subsidized loans and the Public Service Loan Forgiveness program. Those interactions are included in this line.

[c] For these estimates, CBO assumes that the policies will be effective for student loan borrowers with no outstanding federal student loan balances as of July 1, 2020.