



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

November 14, 2007

S. 1642 **Higher Education Amendments of 2007**

*As ordered reported by the Senate Committee on Health, Education, Labor,
and Pensions on July 10, 2007*

SUMMARY

S. 1642 would reauthorize and amend most postsecondary education programs under the Higher Education Act of 1965 through 2013. Under the General Education Provisions Act, those authorizations would automatically be extended through 2014. The bill also would create several new programs and amend several other acts, including the Education of the Deaf Act of 1986 and the United States Institute of Peace Act. The bill would authorize the appropriation of such sums as may be necessary to carry out those programs.

CBO estimates that enacting S. 1642 would increase direct spending by \$75 million in 2008 and would have a negligible effect on such spending over the 2008-2012 and 2008-2017 periods. Assuming the appropriation of the necessary funds, CBO estimates that implementing S. 1642 would increase discretionary outlays by \$1.9 billion in 2008 and \$53.2 billion over the 2008-2012 period.

S. 1642 contains an intergovernmental mandate as defined in the Unfunded Mandates Reform Act (UMRA) because it would preempt certain state contract laws as they apply to Perkins educational loans. CBO estimates that the costs, if any, to state governments to comply with the preemption would be minimal and would not exceed the annual threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation). The bill contains no private-sector mandates, as defined in UMRA.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated budgetary impact of S. 1642 is shown in Table 1. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

TABLE 1. ESTIMATED BUDGETARY IMPACT OF S. 1642

	By Fiscal Year, in Millions of Dollars					2008- 2012
	2008	2009	2010	2011	2012	
CHANGES IN DIRECT SPENDING ^a						
Estimated Budget Authority	*	*	*	*	*	*
Estimated Outlays	75	*	-50	-25	*	*
CHANGES IN SPENDING SUBJECT TO APPROPRIATION						
Title I						
Estimated Authorization Level	4	3	3	3	3	16
Estimated Outlays	1	2	2	3	3	11
Title II						
Estimated Authorization Level	87	90	96	103	113	490
Estimated Outlays	4	64	82	94	101	346
Title III						
Estimated Authorization Level	463	480	505	539	585	2,573
Estimated Outlays	23	339	435	498	530	1,826
Title IV						
Estimated Authorization Level	8,462	10,062	11,798	13,687	14,386	58,396
Estimated Outlays	1,509	8,351	10,330	12,192	13,812	46,195
Title V						
Estimated Authorization Level	112	116	123	133	146	631
Estimated Outlays	6	82	106	122	130	445
Title VI						
Estimated Authorization Level	126	131	138	149	164	708
Estimated Outlays	6	92	118	136	146	500
Title VII						
Estimated Authorization Level	154	160	169	183	201	866
Estimated Outlays	8	113	145	167	179	611
Title VIII						
Estimated Authorization Level	347	355	376	406	445	1,930
Estimated Outlays	17	254	323	371	398	1,363
Title IX						
Estimated Authorization Level	362	375	404	428	460	2,029
Estimated Outlays	282	350	385	414	442	1,873
Total						
Estimated Authorization Level	10,117	11,773	13,614	15,631	16,503	67,638
Estimated Outlays	1,857	9,646	11,925	13,998	15,742	53,169

Note: * = between -\$500,000 and \$500,000; components may not sum to totals because of rounding.

a. In addition, S. 1642 would affect direct spending by less than \$500,000 over the 2008-2017 period.

BASIS OF ESTIMATE

For this estimate, CBO assumes that S. 1642 will be enacted by the end of calendar year 2007 and that sufficient funds will be appropriated for each program. For current programs that would be reauthorized in their current form, CBO assumes continued funding at their 2007 levels and adjusts for inflation in future years.

Direct Spending

The bill would make several changes to eligibility rules for the Academic Competitiveness and SMART Grant programs, and to the calculations of the needs analysis and rules for student and institutional eligibility for the federal student loan programs. For both the Academic Competitiveness Grant and SMART Grant Programs, the bill would adjust how a student's academic year is determined and expand eligibility to part-time students. Currently, only full-time students are eligible for grants. Appropriations for those programs are capped at specified amounts and the Secretary has the authority to reduce award levels to stay within the appropriation. CBO estimates these changes would increase outlays by \$75 million in fiscal year 2008 and would reduce outlays by the same amount in future years. There would be no net impact on federal spending over the 2008-2017 period. All other changes to direct spending programs would have a negligible effect on outlays.

The changes to eligibility also would affect discretionary spending in the Pell Grant program but those changes would affect discretionary spending. (If appropriations for the Department of Education for fiscal year 2008 are enacted prior to the enactment of S. 1642, any changes to the Pell Grant program for 2008 would result in direct spending in 2008.)

Spending Subject to Appropriation

The bill would reauthorize and amend many of the discretionary programs previously authorized by the Higher Education Act of 1965 and would create a number of new discretionary programs. For most of those programs, the bill would authorize the appropriation of such sums as may be necessary for each year through 2013. However, authorizations would automatically be extended through 2014 based on rules set forth in the General Education Provisions Act. S. 1642 also would introduce several new programs and amend several other acts, including the Education of the Deaf Act of 1986 and the United States Institute of Peace Act. In total, CBO estimates that implementing this legislation would increase outlays by \$1.9 billion in 2008 and \$53.2 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title I: General Provisions. Title I would create several programs designed to provide grants to institutions for the development of information systems. CBO estimates that providing those grants would increase outlays by \$1 million in 2008 and \$11 million over the 2008-2012 period, assuming the availability of appropriated funds.

Title II: Teacher Quality Enhancement. Title II would reauthorize and amend a program that provides grants to eligible partnerships of state and local educational agencies, schools, businesses, and nonprofit education organizations for teacher recruitment and professional development. CBO estimates that reauthorizing title II would increase outlays by \$4 million in 2008 and \$346 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title III: Institutional Aid. The bill would reauthorize and amend institutional aid programs and would create several new programs that would offer further institutional aid. Title III programs are designed to give financial assistance to institutions of higher education that serve a high percentage of minority students with low income and to help those institutions develop and improve the quality of education they offer students. Implementing title III would increase outlays by \$23 million in 2008 and \$1.8 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title IV: Student Assistance. S. 1642 would reauthorize and revise the current student assistance programs, including Pell Grants, and also would create new student assistance programs to provide financial assistance to specific populations of students pursuing higher education. The estimated costs for Pell Grants are based on current law including recent changes under Public Law 110-84, which was enacted on September 27, 2007. CBO estimates that reauthorizing title IV would increase outlays by \$1.5 billion in 2008 and \$46.2 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title V: Developing Institutions. Title V would reauthorize the Developing Institutions program, which provides grants to institutions that serve Hispanic students to help those institutions expand and improve educational opportunities for Hispanic Americans. CBO estimates that reauthorizing title V would increase outlays by \$6 million in 2008 and \$445 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title VI: International Education Programs. Title VI would reauthorize and revise the international education programs. Those programs provide for the development of programs, centers, fellowships, and research projects that allow more citizens to gain knowledge about other world regions and expertise in foreign languages and international affairs. CBO estimates that reauthorizing those programs would increase outlays by \$6 million in 2008 and \$500 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title VII: Graduate and Postsecondary Improvement Programs. Title VII would reauthorize and amend programs that would establish national graduate fellowships that are designed to attract students to complete advanced degrees in areas of national need. CBO estimates that reauthorizing this title would increase outlays by \$8 million in 2008 and \$611 million over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title VIII: Miscellaneous. S. 1642 would add title VIII to the Higher Education Act of 1965. New programs under that title would provide financial assistance to institutions of higher education to develop their capacity to serve specific populations of students, organizations working to expand their educational programs, and students pursuing certain areas of study. CBO estimates that implementing title VIII would increase outlays by \$17 million in 2008 and \$1.4 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

Title IX: Amendments to Other Laws. Title IX would make amendments to laws other than the Higher Education Act of 1965. The amendments would affect the Education of the Deaf Act of 1986, the United States Institute of Peace Act, the Higher Education Act of 1998, and the Indian Postsecondary Education programs run by the Bureau of Indian Affairs. CBO estimates that implementing title IX would increase outlays by \$282 million in 2008 and \$1.9 billion over the 2008-2012 period, assuming appropriation of the necessary amounts.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

S. 1642 contains an intergovernmental mandate as defined in UMRA because it would preempt certain state contract laws as they apply to Perkins educational loans. Some states allow loan repayment agreements and other contracts to be broken if the borrower was a minor when the contract was signed. This defense has been used by some borrowers of education loans. If this bill is enacted, those state laws would no longer apply to contracts for Perkins loans. CBO estimates that the costs, if any, to state governments to comply with that preemption would be minimal and would not exceed the annual threshold established in UMRA (\$66 million in 2007, adjusted annually for inflation). The provision would benefit public and private colleges and universities that are trying to collect repayments on loans that would otherwise be disputed under state law.

In general, state, local, and tribal governments would benefit from the continuation and expansion of existing programs and the creation of new programs that provide federal assistance for higher education programs. The bill contains no private-sector mandates, as defined in UMRA.

COMPARISON WITH S. 1642 AS PASSED BY THE SENATE

S.1642 as passed by the Senate on July 24, 2007, includes several amendments made to the version of bill as reported on July 10, 2007. The amendments would make changes to programs under title I and title IV and add new programs under title VIII and title IX. Assuming appropriation of the estimated amounts, CBO estimates that S. 1642 as passed by the Senate would increase discretionary outlays by an additional \$16 million in 2008 and by \$1.3 billion over the 2008-2012 period, as shown in Table 2. The amendments in the version passed by the Senate would have a negligible effect on direct spending and would not affect revenues.

TABLE 2. CHANGES IN SPENDING UNDER S. 1642 AS PASSED BY THE SENATE

	By Fiscal Year, in Millions of Dollars					2008-2012
	2008	2009	2010	2011	2012	
CHANGES IN SPENDING SUBJECT TO APPROPRIATION ^a						
Title I						
Authorization Level	*	*	0	0	0	1
Estimated Outlays	*	*	0	0	0	1
Title IV						
Authorization Level	57	59	63	68	74	321
Estimated Outlays	3	42	54	62	66	227
Title VIII						
Authorization Level	234	238	247	262	282	1,262
Estimated Outlays	12	171	216	245	258	901
Title IX						
Authorization Level	35	36	39	42	46	197
Estimated Outlays	2	26	33	38	41	139
Total						
Authorization Level	326	333	348	371	402	1,781
Estimated Outlays	16	238	303	345	365	1,268

Note: * = between -\$500,000 and \$500,000; components may not sum to totals because of rounding.

a. Changes are relative to S. 1642 as ordered reported on July 10, 2007.

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