



CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

August 6, 2009

H.R. 1777

A bill to make technical changes to the Higher Education Act of 1965, and for other purposes

*As cleared by the Congress on June 23, 2009,
and signed by the President on July 1, 2009*

SUMMARY

H.R. 1777 (enacted as Public Law 111-39) amends the Higher Education Act of 1965, and makes changes to the federal student loan programs. Additionally, the law directly appropriates more money for the mandatory portion of the Federal Pell Grant Program and creates a new mandatory grant program.

CBO estimates that H.R. 1777 will reduce direct spending by \$3 million over the 2009-2014 and \$1 million over the 2009-2019 periods. The law will not affect revenues.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated impact of H.R. 1777 on direct spending is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment, and social services).

BASIS OF ESTIMATE

As required under the Federal Credit Reform Act of 1990, most of the costs of the student loan programs are estimated on a net-present-value basis.

	By Fiscal Year, in Millions of Dollars											2009-	2009-
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2014	2019
CHANGES IN DIRECT SPENDING													
Rehabilitation Loans													
Estimated Budget Authority	-190	25	27	-10	-15	-10	-17	-15	-15	-10	-10	-173	-240
Estimated Outlays	-205	30	27	*	-15	-10	-15	-15	-15	-15	-10	-173	-243
Loan Eligibility for Veterans													
Estimated Budget Authority	3	5	*	*	*	*	*	*	*	*	*	8	8
Estimated Outlays	3	5	*	*	*	*	*	*	*	*	*	8	8
Pell Grants													
Budget Authority	0	0	0	0	153	0	52	0	0	0	0	153	205
Estimated Outlays	0	0	0	0	41	110	16	37	1	0	0	151	205
Scholarships for Veterans' Dependents													
Estimated Budget Authority	0	2	2	3	3	3	3	3	4	4	4	13	31
Estimated Outlays	0	1	2	2	3	3	3	3	4	4	4	11	29
Total Changes													
Estimated Budget Authority	-187	32	29	-7	141	-7	38	-12	-11	-6	-6	1	4
Estimated Outlays	-202	36	29	2	29	103	4	25	-10	-11	-6	-3	-1

Note: * = between -\$500,000 and \$500,000.

Student Loans

In the federal student loan programs, the law will make two changes to rehabilitation loans by:

- Allowing guaranty agencies, during economic downturns, to assign defaulted loans eligible for rehabilitation to the U.S. Department of Education for collection, and
- Permitting private lenders who currently hold guaranteed loans that have been rehabilitated to sell those loans to the federal government through September 30, 2010.¹

¹ Rehabilitation loans are defaulted loans on which borrowers have returned to full repayment status, as defined under federal rules, and are eligible to have their credit ratings restored. Under prior law, those loans could only be sold to a private lender.

Based on data from the U.S. Department of Education and several student loan organizations, CBO estimates those two provisions affecting rehabilitated loans will reduce federal spending by \$243 million over the 2009-2019 period.

In addition, the law will alter the eligibility for certain veterans and their dependents for federal student loans. Based, in part, on data from the National Postsecondary Student Aid Study, CBO estimates those changes will increase direct spending by \$8 million over the 2009-2019 period.

Grant Programs

H.R. 1777 increases the appropriation for the mandatory portion of the Federal Pell Grant Program by \$153 million in fiscal year 2013 and \$52 million in 2015. CBO estimates this change will increase direct spending by \$205 million over the 2009-2019 period.

Finally, the law creates the Scholarships for Veterans' Dependents Program, which will give grants to students who meet specified criteria and whose parent or guardian was killed in Iraq or Afghanistan after September 11, 2001. Those grants will be awarded in a similar manner and at the same award level as Pell grants. Based on deployment and casualty statistics published by the Defense Manpower Data Center and postsecondary enrollment information from the U.S. Department of Education, CBO estimates this program will increase direct spending by \$29 million over the 2009-2019 period.

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