



CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

August 12, 2005

S. 731

Tribal Colleges and Universities Teacher Loan Forgiveness Act

*As ordered reported by the Senate Committee on Indian Affairs
on June 29, 2005*

S. 731 would authorize student loan forgiveness for faculty at tribal colleges and universities. For teachers at these institutions, the bill would specify that the Secretary of Education repay or cancel a certain percentage of their outstanding student loans for each year of teaching (up to five years) with a \$15,000 limit on the total amount of forgiveness. It also would exclude the amounts paid or canceled under this program from gross income for federal income tax purposes. CBO estimates that enacting the bill would result in a negligible amount of direct spending annually until 2015 when the costs would reach \$1 million; spending subject to appropriation would be less than \$500,000 annually for the entire 2006-2015 period. The Joint Committee on Taxation (JCT) estimates the bill would have no impact on revenues.

The bill would authorize the Secretary of Education to repay or cancel 15 percent of the faculty members' loans in each of the first and second full years of teaching, 20 percent in each of the third and fourth years, and 30 percent in the fifth year. The forgiveness would apply to loans under the Federal Family Education Loan program, the William D. Ford Direct Loan program, and the Perkins loan program. These provisions would apply prospectively; only students who take out their first loans after the bill's enactment could potentially take advantage of the program. Based on data on the number of new faculty at tribal colleges and on the borrowing history for new teachers, CBO estimates that over the next decade about 100 new teachers would become eligible under this program.

CBO has reviewed sections 1, 2, and 3 of S. 731 and determined that they contain no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act; JCT reports that section 4 (the portion of the bill that relates to the income tax treatment of the loan forgiveness) also does not contain any mandates. The bill would impose no costs on state, local, or tribal governments.

The CBO staff contact for this estimate is Deborah Kalcevic. This estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.