

March 3, 2008

**MEMORANDUM**

**TO:** Interested Parties

**FROM:** Deborah Kalcevic  
Justin Humphrey

**SUBJECT:** CBO March 2008 Baseline Projections for the Student Loan and Grant Programs.

Attached are nine tables that detail the costs, loan volumes, and subsidy rates for both the guaranteed and direct student loan programs for the March 2008 CBO Baseline as well as a table that details the major federal student grant programs. Below each table is summarized:

Table 1. Includes the cost projection for each budget account associated with the student loan programs--the numbers shown are those in the CBO computer runs for Function 500.

Table 2. Includes the loan volume and subsidy rate projections for all guaranteed and direct student loans.

Table 3. Includes the loan volume and subsidy rate projections for the guaranteed student loans.

Table 4. Includes the loan volume and subsidy rate projection for the direct student loans.

Table 5. Includes the detailed components of the federal student loan subsidy rates for fiscal year 2009.

Table 6. Includes the estimates of consolidation loan volume implicit in the estimated subsidy costs of both guaranteed and direct student loans.

Table 7. Includes the Student Aid Administration expenditures.

Table 8. Includes the interest rate forecasts used in the projections of student loan costs.

Table 9. Includes the estimates of the Pell, Academic Competitiveness, and SMART grant programs.

For your information, below is a summary of the definitions of budget authority, program obligations, and outlays as they apply to the student loan program subsidy or "program" accounts:

**Subsidy Budget Authority:** Subsidy budget authority figures express what total subsidy costs would be if all the loans for which an application was received during a year were made. But all loans are seldom made--only about 90 percent. This is because prospective borrowers either do not show up for school or decide not to take the loan.

**Subsidy Obligations:** Subsidy obligations are the costs associated with all loans for which there actually will be at least one cash disbursement [shown on the attached tables as Net Annual Loan Volume]. Typically, the subsidy obligation estimates are not included on budget tables.

**Subsidy Outlays:** Subsidy outlays reflect the subsidy obligations adjusted for the timing of the loan dollar disbursements. Because of the multiple disbursement requirements and the timing of the academic school year calendars compared to the federal fiscal year, only about two-thirds of the dollars are disbursed to the borrowers during the first fiscal year. The remaining dollars are disbursed in the following year.

# Table 1

Mar-08

## CBO March 2008 BASELINE BUDGET ACCOUNT TOTALS: STUDENT LOAN PROGRAM BASELINE

		(by fiscal year, in millions of dollars)										
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Guaranteed Loan Program	<b>BA</b>	-193	3,523	5,585	6,881	5,924	4,610	4,622	4,621	4,649	4,679	4,707
Program (Subsidy) Account	<b>OP</b>	1,240	324									
<b>91-0231-01-502 BA01,BA03,BA04</b>	<b>OL</b>	671	2,400	4,220	5,586	5,438	4,392	3,987	3,986	3,996	4,016	4,035
Guaranteed Loan Program	<b>BA</b>	0	0	0	0	0	0	0	0	0	0	0
Liquidating Account	<b>OP</b>	0	0									
<b>91-0230-01-502 BA02</b>	<b>OL</b>	-615	-553	-496	-447	-403	-365	-350	-300	-250	-200	-150
Student Aid Administration	<b>BA</b>	696	711	726	743	760	778	796	814	834	854	874
[discretionary]	<b>OP</b>	228	295									
<b>91-0202-01-502 AA01,AA02,AA04</b>	<b>OL</b>	604	679	719	732	749	767	785	802	822	841	861
Direct Loan Program	<b>BA</b>	2,483	-2,385	-801	101	-355	-747	-815	-885	-963	-1,045	-1,131
Program (Subsidy) Account	<b>OP</b>	-338	-631									
<b>91-0243-01-502 BA04,BA05,BA06</b>	<b>OL</b>	3,068	-2,038	-1,125	-153	-191	-552	-699	-761	-828	-901	-977
Federal Student Loan	<b>BA</b>	-142	-170	-184	-213	-337	-271	-250	-225	-220	-215	-210
Reserve Fund	<b>OP</b>	0	0									
<b>91-4257-03-502 BD01</b>	<b>OL</b>	-142	-170	-184	-213	-337	-271	-250	-225	-220	-215	-210
Student Aid Administration	<b>BA</b>	0	0	0	0	0	0	0	0	0	0	0
[mandatory]	<b>OP</b>	65	0									
<b>91-0202-01-502 BA01</b>	<b>OL</b>	65	0	0	0	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>BA</b>	<b>2,844</b>	<b>1,679</b>	<b>5,326</b>	<b>7,512</b>	<b>5,992</b>	<b>4,370</b>	<b>4,352</b>	<b>4,325</b>	<b>4,300</b>	<b>4,273</b>	<b>4,240</b>
	<b>OP</b>	<b>1,195</b>	<b>-13</b>									
	<b>OL</b>	<b>3,651</b>	<b>318</b>	<b>3,133</b>	<b>5,505</b>	<b>5,257</b>	<b>3,971</b>	<b>3,473</b>	<b>3,501</b>	<b>3,520</b>	<b>3,541</b>	<b>3,560</b>

Note: Fiscal year 2008 credit reestimates and loan modifications included in the above estimates:

Guaranteed Loan Program	<b>BA</b>	<b>-1,577</b>
Program (Subsidy) Account	<b>OP</b>	<b>0</b>
<b>91-0231-01-502 BA03, BA04</b>	<b>OL</b>	<b>-1,577</b>
Direct Loan Program	<b>BA</b>	<b>4,718</b>
Program (Subsidy) Account	<b>OP</b>	<b>0</b>
<b>91-0243-01-502 BA05,BA06</b>	<b>OL</b>	<b>4,718</b>

# TABLE 2

Mar-08

## TOTAL GUARANTEED AND DIRECT LOAN PROGRAMS, March 2008 Baseline

	(by fiscal year)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>TOTAL ALL NEW LOANS [ New Guaranteed and Direct Loans ] a/</b>											
Net Annual Loan Volume (Mil \$)	69,144	73,168	77,105	80,386	83,694	87,092	90,576	94,015	97,809	101,787	105,873
Net Number of Loans (000)	14,962	15,496	15,972	16,338	16,701	17,089	17,473	17,827	18,226	18,636	19,046
Average Loan Amount	\$4,621	\$4,722	\$4,828	\$4,920	\$5,011	\$5,096	\$5,184	\$5,274	\$5,367	\$5,462	\$5,559
Subsidy Rate b/ c/	-0.17%	2.20%	6.14%	8.29%	6.54%	4.65%	4.49%	4.34%	4.20%	4.07%	3.94%
<b>SUBSIDIZED STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	29,514	30,834	32,048	32,938	33,792	34,657	35,510	36,299	37,196	38,117	39,064
Net Number of Loans (000)	7,867	8,129	8,349	8,518	8,678	8,850	9,016	9,164	9,335	9,509	9,686
Average Loan Amount	\$3,752	\$3,793	\$3,839	\$3,867	\$3,894	\$3,916	\$3,939	\$3,961	\$3,985	\$4,009	\$4,033
Subsidy Rate b/ c/	12.61%	16.25%	21.33%	25.12%	21.28%	17.29%	17.31%	17.33%	17.36%	17.41%	17.44%
<b>UNSUBSIDIZED STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	28,387	30,036	31,578	32,964	34,295	35,604	36,927	38,211	39,633	41,109	42,642
Net Number of Loans (000)	6,014	6,218	6,406	6,562	6,719	6,888	7,055	7,210	7,384	7,562	7,744
Average Loan Amount	\$4,720	\$4,830	\$4,929	\$5,024	\$5,104	\$5,169	\$5,234	\$5,300	\$5,368	\$5,437	\$5,507
Subsidy Rate b/ c/	-7.32%	-5.14%	-1.22%	0.27%	0.33%	0.14%	0.15%	0.16%	0.19%	0.23%	0.27%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	3,016	3,420	3,838	4,233	4,655	5,114	5,614	6,149	6,711	7,314	7,876
Net Number of Loans (000)	238	265	294	325	358	392	430	470	512	558	596
Average Loan Amount	\$12,688	\$12,884	\$13,034	\$13,033	\$13,020	\$13,046	\$13,070	\$13,091	\$13,110	\$13,109	\$13,219
Subsidy Rate b/ c/	-22.00%	-19.98%	-16.30%	-14.94%	-14.89%	-15.05%	-15.04%	-15.03%	-15.00%	-14.96%	-14.93%
<b>PARENT LOANS [ New Guaranteed and Direct Loans ]</b>											
Net Annual Loan Volume (Mil \$)	8,228	8,878	9,642	10,251	10,952	11,717	12,525	13,356	14,270	15,247	16,291
Net Number of Loans (000)	843	883	923	934	946	959	972	982	995	1,008	1,021
Average Loan Amount	\$9,757	\$10,049	\$10,451	\$10,974	\$11,578	\$12,214	\$12,886	\$13,595	\$14,343	\$15,131	\$15,964
Subsidy Rate b/ c/	-21.36%	-20.94%	-17.81%	-16.61%	-16.67%	-17.02%	-17.02%	-17.01%	-16.99%	-16.96%	-16.94%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2008 federal cost associated with the \$69,144 million in new loan volume would be -\$118 million or .17% of the new loan volume [ $\$69,144 * -.0017 = -\$118$ ]. In other words, the federal government will save on average less than one cent for each new dollar loaned in 2008.

c. Subsidy rates were calculated using the CBO March 2008 interest rate forecast.

TABLE 3

Mar-08

## TOTAL GUARANTEED LOAN PROGRAMS, March 2008 Baseline

	(by fiscal year)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>TOTAL ALL NEW LOANS [ New Guaranteed Loans Only ] a/</b>											
Net Annual Loan Volume (Mil \$)	54,988	58,203	61,346	63,972	66,618	69,335	72,122	74,875	77,911	81,093	84,357
Net Number of Loans (000)	11,469	11,881	12,247	12,531	12,814	13,115	13,414	13,690	14,001	14,321	14,640
Average Loan Amount	\$4,794	\$4,899	\$5,009	\$5,105	\$5,199	\$5,287	\$5,377	\$5,469	\$5,565	\$5,663	\$5,762
Subsidy Rate b/ c/ d/	3.13%	6.16%	8.73%	10.16%	8.57%	6.65%	6.49%	6.33%	6.19%	6.06%	5.93%
<b>SUBSIDIZED STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	23,170	24,206	25,159	25,858	26,528	27,208	27,877	28,497	29,201	29,924	30,668
Net Number of Loans (000)	5,979	6,178	6,345	6,474	6,596	6,726	6,852	6,965	7,095	7,227	7,362
Average Loan Amount	\$3,875	\$3,918	\$3,965	\$3,994	\$4,022	\$4,045	\$4,068	\$4,091	\$4,116	\$4,141	\$4,166
Subsidy Rate b/ c/ d/	16.04%	20.42%	24.06%	27.11%	23.62%	19.52%	19.53%	19.56%	19.60%	19.65%	19.69%
<b>UNSUBSIDIZED STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	22,993	24,329	25,578	26,700	27,779	28,839	29,911	30,951	32,102	33,298	34,540
Net Number of Loans (000)	4,691	4,850	4,997	5,118	5,241	5,373	5,503	5,624	5,759	5,898	6,040
Average Loan Amount	\$4,902	\$5,016	\$5,119	\$5,217	\$5,300	\$5,368	\$5,435	\$5,503	\$5,574	\$5,646	\$5,718
Subsidy Rate b/ c/ d/	-3.83%	-0.90%	1.68%	2.48%	2.53%	2.36%	2.37%	2.39%	2.42%	2.47%	2.51%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	2,654	3,009	3,377	3,725	4,097	4,501	4,940	5,411	5,905	6,436	6,931
Net Number of Loans (000)	209	234	259	286	315	345	378	413	450	491	524
Average Loan Amount	\$12,688	\$12,884	\$13,034	\$13,033	\$13,020	\$13,046	\$13,070	\$13,091	\$13,110	\$13,109	\$13,219
Subsidy Rate b/ c/ d/	-20.11%	-17.63%	-14.81%	-13.90%	-13.85%	-13.99%	-13.99%	-13.98%	-13.94%	-13.90%	-13.87%
<b>PARENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	6,171	6,658	7,231	7,688	8,214	8,788	9,393	10,017	10,702	11,435	12,218
Net Number of Loans (000)	590	618	646	654	662	671	680	688	696	705	714
Average Loan Amount	\$10,454	\$10,767	\$11,198	\$11,758	\$12,404	\$13,087	\$13,807	\$14,566	\$15,367	\$16,212	\$17,104
Subsidy Rate b/ c/ d/	-18.01%	-17.10%	-15.62%	-15.22%	-15.33%	-15.71%	-15.71%	-15.70%	-15.67%	-15.63%	-15.60%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2008 federal cost associated with the \$54,988 million in new loan volume would be \$1,721 million or 3.13% of the new loan volume [ $\$54,988 * .0313 = \$1,721$ ]. In other words, the federal government will spend on average about 3 cents for each new dollar loaned in 2008.

c. Subsidy rates for guaranteed loans do include some federal administrative costs associated with disbursing and collecting loans. Other administrative costs are included on a cash basis in another budget account.

d. The subsidy rates were calculated using the CBO March 2008 interest rate forecast.

TABLE 4

Mar-08

## TOTAL DIRECT LOAN PROGRAMS, March 2008 Baseline

	(by fiscal year)										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>TOTAL ALL NEW LOANS [ New Direct Loans Only ] a/</b>											
Net Annual Loan Volume (Mil \$)	14,156	14,964	15,759	16,414	17,076	17,757	18,454	19,139	19,898	20,693	21,517
Net Number of Loans (000)	3,493	3,616	3,725	3,807	3,888	3,974	4,059	4,137	4,225	4,315	4,406
Average Loan Amount	\$4,053	\$4,138	\$4,231	\$4,311	\$4,392	\$4,468	\$4,546	\$4,627	\$4,710	\$4,796	\$4,884
Subsidy Rate b/ c/ d/	-13.00%	-13.19%	-3.92%	0.97%	-1.36%	-3.18%	-3.31%	-3.45%	-3.59%	-3.73%	-3.87%
<b>SUBSIDIZED STUDENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	6,344	6,628	6,889	7,080	7,263	7,449	7,633	7,802	7,995	8,193	8,397
Net Number of Loans (000)	1,888	1,951	2,004	2,044	2,083	2,124	2,164	2,199	2,240	2,282	2,325
Average Loan Amount	\$3,360	\$3,397	\$3,438	\$3,463	\$3,487	\$3,507	\$3,527	\$3,547	\$3,569	\$3,590	\$3,612
Subsidy Rate b/ c/ d/	0.07%	1.04%	11.38%	17.85%	12.73%	9.16%	9.17%	9.18%	9.20%	9.21%	9.22%
<b>UNSUBSIDIZED STUDENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	5,394	5,707	6,000	6,263	6,516	6,765	7,016	7,260	7,530	7,811	8,102
Net Number of Loans (000)	1,323	1,368	1,409	1,444	1,478	1,515	1,552	1,586	1,624	1,664	1,704
Average Loan Amount	\$4,076	\$4,172	\$4,257	\$4,339	\$4,408	\$4,464	\$4,520	\$4,577	\$4,636	\$4,695	\$4,756
Subsidy Rate b/ c/ d/	-22.21%	-23.19%	-13.56%	-9.14%	-9.05%	-9.34%	-9.34%	-9.33%	-9.32%	-9.32%	-9.31%
<b>GRADPLUS STUDENT LOANS [ New Guaranteed Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	362	410	461	508	559	614	674	738	805	878	945
Net Number of Loans (000)	29	32	35	39	43	47	52	56	61	67	71
Average Loan Amount	\$12,688	\$12,884	\$13,034	\$13,033	\$13,020	\$13,046	\$13,070	\$13,091	\$13,110	\$13,109	\$13,219
Subsidy Rate b/ c/ d/	-35.82%	-37.22%	-27.18%	-22.55%	-22.47%	-22.77%	-22.77%	-22.77%	-22.76%	-22.76%	-22.76%
<b>PARENT LOANS [ New Direct Loans Only ]</b>											
Net Annual Loan Volume (Mil \$)	2,057	2,219	2,410	2,563	2,738	2,929	3,131	3,339	3,567	3,812	4,073
Net Number of Loans (000)	253	265	277	280	284	288	292	295	298	302	306
Average Loan Amount	\$8,131	\$8,375	\$8,709	\$9,145	\$9,648	\$10,179	\$10,738	\$11,329	\$11,952	\$12,609	\$13,303
Subsidy Rate b/ c/ d/	-31.43%	-32.43%	-24.39%	-20.76%	-20.71%	-20.96%	-20.96%	-20.96%	-20.96%	-20.95%	-20.95%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2008 federal cost associated with the \$14,156 million in new loan volume would be -\$1,840 million or -13% of the new loan volume [ $\$14,156 \times -.1300 = -\$1,840$ ]. In other words, the federal government will save on average about 13 cents for each new dollar loaned in 2008.

c. The subsidy rates for direct loans do not include most federal administrative costs associated with disbursing and collecting the loans. Those costs are included on a cash basis in another budget account.

d. Subsidy rates were calculated using the CBO March 2008 interest rate forecast.

# TABLE 5

Mar-08

## Detail of the Fiscal Year Values for the 2009 Federal Subsidy Rates 1/

[Note: the Federal Subsidy Rates are Shown in Percent for Each Dollar Loaned]

### Guaranteed Subsidized Loans:

	Fees	-1.92%
	In-School Interest Costs	16.19%
1./	Special Allowance Payments	2.02%
	Net Federal Claim Payments	1.54%
	Other	2.59%
	<b>Total Subsidy Rate</b>	<b>20.42%</b>

### Direct Subsidized Loans:

	Fees	-0.84%
	Disbursement	99.23%
	Principal Repaid	-52.71%
	Interest Paid	-39.14%
	Other	-5.50%
	<b>Total Subsidy Rate</b>	<b>1.04%</b>

### Guaranteed Unsubsidized Loans:

	Fees	-1.96%
	In-School Interest Costs	0.21%
1./	Special Allowance Payments	-2.86%
	Net Federal Claim Payments	1.73%
	Other	1.99%
	<b>Total Subsidy Rate</b>	<b>-0.90%</b>

### Direct Unsubsidized Loans:

	Fees	-0.84%
	Disbursement	99.24%
	Principal Repaid	-61.82%
	Interest Paid	-52.70%
	Other	-7.07%
	<b>Total Subsidy Rate</b>	<b>-23.19%</b>

### Guaranteed GradPLUS Loans:

	Fees	-4.29%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	-15.18%
	Net Federal Claim Payments	1.05%
	Other	0.78%
	<b>Total Subsidy Rate</b>	<b>-17.63%</b>

### Direct GradPLUS Loans:

	Fees	-2.48%
	Disbursement	99.18%
	Principal Repaid	-62.43%
	Interest Paid	-62.61%
	Other	-8.89%
	<b>Total Subsidy Rate</b>	<b>-37.22%</b>

### Guaranteed Parent Loans:

	Fees	-4.01%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	-16.09%
	Net Federal Claim Payments	2.08%
	Other	0.91%
	<b>Total Subsidy Rate</b>	<b>-17.10%</b>

### Direct Parent Loans:

	Fees	-2.48%
	Disbursement	99.16%
	Principal Repaid	-52.12%
	Interest Paid	-61.46%
	Other	-15.53%
	<b>Total Subsidy Rate</b>	<b>-32.43%</b>

1./ Due to changes in the economic forecast, subsidy rates are substantially different for years later than 2009.

2./ The loan consolidation fee is included with the special allowance payments because it offsets interest paid to lenders. For Parent and GradPLUS loans that are consolidated, that fee more than offsets the special allowance payments. Rebates to the government when borrower interest rates exceed the lender rates are also included.

TABLE 6

Mar-08

## CBO March 2008--ANNUAL NEW CONSOLIDATION LOAN VOLUME IMPLICIT IN THE BASELINE FORECAST \* a/

	(by fiscal year, in millions of dollars)																				
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual											
Guaranteed Loan Consolidation Volume	3,354	4,920	6,588	9,413	22,906	35,223	36,094	54,575	72,512	46,941	16,865	17,855	19,168	20,417	21,566	22,673	23,773	24,867	25,982	27,139	28,352
Direct Loan Consolidation Volume	2,428	7,973	5,418	7,773	8,902	6,680	7,713	15,765	19,386	3,484	5,727	6,056	6,393	6,733	7,061	7,368	7,666	7,961	8,261	8,563	8,875
Total Consolidation Volume	5,781	12,893	12,007	17,186	31,808	41,903	43,808	70,340	91,897	50,425	22,592	23,911	25,561	27,150	28,627	30,041	31,439	32,828	34,242	35,702	37,227

\*. Note: CBO considers loan consolidation under Section 502(5)(C) of the Federal Credit Reform Act of 1990 to be a repayment choice of borrowers when calculating the loan program subsidies rather than a newly disbursed loan at the time of the consolidation. Thus, the above volume for new annual consolidations are those implicit in our forecast of borrower repayment choices for our baseline subsidy estimates of the original loans. The Department of Education treats consolidation loans as new loans for its subsidy calculation.

a. Components may not sum to totals due to rounding.

# TABLE 7

Mar-08

## STUDENT AID ADMINISTRATION--March 2008 Baseline

(by fiscal year, in millions of dollars)

		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Discretionary Funding	BA	696	711	726	743	760	778	796	814	834	854	874
	OT	604	679	719	732	749	767	785	802	822	841	861
Mandatory Funding	BA	0	0	0	0	0	0	0	0	0	0	0
	OT	65	0	0	0	0	0	0	0	0	0	0
TOTAL	BA	<b>696</b>	<b>711</b>	<b>726</b>	<b>743</b>	<b>760</b>	<b>778</b>	<b>796</b>	<b>814</b>	<b>834</b>	<b>854</b>	<b>874</b>
	OT	<b>669</b>	<b>679</b>	<b>719</b>	<b>732</b>	<b>749</b>	<b>767</b>	<b>785</b>	<b>802</b>	<b>822</b>	<b>841</b>	<b>861</b>



# TABLE 8

Mar-08

CBO March 2008 Baseline Forecast

## HISTORICAL INTEREST RATES BY FISCAL YEAR

### BER 91-Day Treasury Bill Rate: a/b/

1981	15.25%
1982	12.09%
1983	8.69%
1984	9.89%
1985	8.16%
1986	6.63%
1987	5.81%
1988	6.39%
1989	8.42%
1990	7.92%
1991	6.17%
1992	3.89%
1993	3.07%
1994	3.78%
1995	5.65%
1996	5.21%
1997	5.17%
1998	5.12%
1999	4.55%
2000	5.73%
2001	4.53%
2002	1.78%
2003	1.13%
2004	1.12%
2005	2.69%
2006	4.57%
2007	4.86%

### BER 3-Month Commercial Paper Rate: a/b/

1981	15.00%
1982	12.80%
1983	8.87%
1984	10.12%
1985	8.39%
1986	7.08%
1987	6.37%
1988	7.32%
1989	9.07%
1990	8.26%
1991	6.61%
1992	4.08%
1993	3.31%
1994	4.00%
1995	5.98%
1996	5.50%
1997	5.59%
1998	5.66%
1999	5.15%
2000	6.37%
2001	5.04%
2002	1.88%
2003	1.25%
2004	1.26%
2005	2.99%
2006	4.94%
2007	5.38%

## PROJECTIONS OF INTEREST RATES BY FISCAL YEAR

### BER 91-Day Treasury Bill Rate: a/b/

2008	2.49%
2009	2.17%
2010	4.18%
2011	4.76%
2012+	4.77%

### BER 3-Month Commercial Paper Rate: a/b/

2008	3.15%
2009	2.53%
2010	4.60%
2011	5.20%
2012+	5.21%

### Discount Rate--10-Year Zero Coupon Bond c/

2011	5.21%
------	-------

a. Because the costs of the student loan programs are estimated on a net present value basis, the interest rate forecast for 2012+ is the rate which has the most impact on the federal cost of loans disbursed over the forecast period.

b. BER stands for bond equivalency rate.

c. The cash flows of the student loan programs are discounted using a matrix of different zero coupon bonds. The rate shown here is the forecast for a 10-year zero coupon bond for fiscal year 2011. It is shown here for illustrative purposes.

TABLE 9

Mar-08

## FEDERAL PELL GRANT, SMART GRANT, AND ACADEMIC COMPETITIVENESS GRANT PROGRAM, March 2008 Baseline

(by fiscal year, budget authority, obligation level, and outlays in millions)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
--	------	------	------	------	------	------	------	------	------	------	------

## PELL GRANT PROGRAM, DISCRETIONARY PORTION ONLY

## CBO MARCH BASELINE a/

Obligation Level c/	14,448	14,694	14,954	15,243	15,532	15,821	16,124	16,427	16,745	17,063	17,395
Budget Authority	14,215	14,457	14,713	14,997	15,281	15,565	15,864	16,162	16,475	16,788	17,115
Outlays	14,404	14,514	14,761	15,029	15,318	15,607	15,900	16,203	16,510	16,828	17,150

## ESTIMATED PROGRAM COSTS USING A \$4,310 MAXIMUM AWARD LEVEL b/

Obligation Level c/	16,136	16,853	17,216	17,950	18,116	18,493	18,789	19,124	19,307	19,700
Outlays	14,903	16,313	16,944	17,411	17,988	18,217	18,570	18,877	19,170	19,411
Participants	5,757,703	5,948,749	6,063,722	6,227,454	6,319,393	6,486,264	6,613,794	6,745,878	6,834,276	6,976,811
Average award	\$2,803	\$2,833	\$2,839	\$2,882	\$2,867	\$2,851	\$2,841	\$2,835	\$2,825	\$2,824

## ESTIMATED CUMULATIVE SHORTFALL

(by fiscal year, in millions)

	2006	2007	2008
Budget Authority	13,045	13,661	14,215
Obligation Level	<u>12,818</u>	<u>14,409</u>	<u>14,448</u>
Cumulative Surplus/Shortfall	227	-521	-754

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
--	------	------	------	------	------	------	------	------	------	------	------

## SMART GRANT AND ACADEMIC COMPETITIVENESS GRANT PROGRAM

## CBO MARCH BASELINE

Obligation Level	640	750	880	0	0	0	0	0	0	0	0
Budget Authority	395	960	1,010	0	0	0	0	0	0	0	0
Outlays	586	653	765	773	9	0	0	0	0	0	0

a. Under the CBO March baseline, the obligated level is calculated by inflating the fiscal year 2008 obligation level (which are actual program costs) and budget authority is calculated by inflating the budget authority appropriated for fiscal year 2008. Outlays are based on the obligation level rather than on budget authority.

b. The current maximum award level for fiscal year 2008 (academic year 2008-2009) is \$4,241. The President's budget proposes raising that level to \$4,310. Funding for the Pell Grant Program and the maximum award level are subject to appropriations.

c. Obligation levels do not include the budget authority necessary to cover the cumulative shortfall.