



## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

June 23, 2017

### **S. 458**

### **Native Educator Support and Training Act**

*As ordered reported by the Senate Committee on Indian Affairs on May 17, 2017*

#### **SUMMARY**

S. 458 would amend the Higher Education Act of 1965 to authorize funds for grant programs at the Department of Education (ED). Those grants provide scholarships for postsecondary students who agree to teach in schools that meet certain criteria, such as those with a significant number of Native American students. The bill also would authorize grants for programs that train teachers on Native American languages and for support to educators who are Native American or teach Native Americans and are working to obtain teacher certification or other credentials. Finally, S. 458 would expand forgiveness of federal student loans for certain elementary and secondary school teachers.

CBO estimates that implementing the legislation would cost \$245 million over the 2018-2022 period, assuming appropriation of the necessary amounts. In addition, CBO estimates that enacting the provisions to expand loan forgiveness would increase direct spending by \$300 million over the 2018-2022 period and \$425 million over the 2018-2027 period; therefore, pay-as-you-go procedures apply. Enacting S. 458 would not affect revenues.

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

S. 458 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA).

#### **ESTIMATED COST TO THE FEDERAL GOVERNMENT**

The estimated budgetary effect of S. 458 is shown in the following table. The costs of this legislation fall within budget function 500 (education, training, employment and social services).

|  | By Fiscal Year, in Millions of Dollars |      |      |      |      |      | 2017-2022 |
|--|--|------|------|------|------|------|-----------|
|  | 2017                                   | 2018 | 2019 | 2020 | 2021 | 2022 |           |
| <b>INCREASES IN SPENDING SUBJECT TO APPROPRIATION</b>                      |  |      |      |      |      |      |           |
| Estimated Authorization Level  | 0                                      | 47   | 50   | 52   | 54   | 55   | 259       |
| Estimated Outlays  | 0                                      | 36   | 49   | 52   | 54   | 55   | 245       |
| <b>INCREASES IN DIRECT SPENDING<sup>a</sup></b>                            |  |      |      |      |      |      |           |
| Estimated Authorization Level  | 0                                      | 215  | 20   | 25   | 25   | 25   | 310       |
| Estimated Outlays  | 0                                      | 210  | 20   | 20   | 25   | 25   | 300       |
| <hr style="border-top: 1px dashed black;"/>                                |  |      |      |      |      |      |           |
| <b>Memorandum: Increase in Direct Spending Under Fair-Value Procedures</b> |  |      |      |      |      |      |           |
| Estimated Budget Authority   | 0                                      | 195  | 20   | 20   | 20   | 20   | 275       |
| Estimated Outlays  | 0                                      | 190  | 20   | 20   | 20   | 20   | 270       |

Notes: Numbers may not add to totals because of rounding.

a. Enacting the bill would have direct spending effects beyond 2022. In total, CBO estimates that enacting the bill would increase direct spending by \$425 million over the 2018-2027 period.

## **BASIS OF ESTIMATE**

For purposes of this estimate, CBO assumes that S. 458 will be enacted at the beginning of fiscal year 2018 and that spending will follow historical patterns.

### **Spending Subject to Appropriation**

CBO estimates that implementing the bill would cost \$245 million over the 2018-2022 period, assuming appropriation of the estimated amounts.

**Indian Education Scholarship and Fellowship Programs.** S. 458 would permanently authorize the appropriation of such sums as may be necessary for scholarship and fellowship programs for:

- Postsecondary students who agree to teach in elementary and secondary schools overseen by the Bureau of Indian Education (BIE) or those that enroll a significant number of Native American students,

- Native American postsecondary students who agree to teach in elementary and secondary schools overseen by BIE or those that are categorized as low-income, and
- Native American graduate students who agree to teach in elementary and secondary schools overseen by BIE or those that enroll a significant number of Native American students or are classified as tribally controlled schools.

In fiscal year 2017, BIE allocated \$35 million for scholarships and adult education programs for Native Americans. Assuming a similar level of funding and accounting for anticipated inflation, CBO estimates implementing that provision would cost about \$175 million over the 2018-2022 period. Students who fail to fulfill the terms of the scholarships would be required to return those scholarship funds. However, CBO expects that any repayment of those funds would not occur until after fiscal year 2022.

**Native American Language Teacher Training Program.** S. 458 would authorize the appropriation of such sums as may be necessary for fiscal years 2018 through 2022 for grants to improve the teaching of Native American languages and to support community efforts to maintain or revitalize the use of those languages. That authorization would automatically be extended one year, through 2023, under the General Education Provisions Act. In fiscal year 2017, the Department of Health and Human Services allocated \$11 million for programs to support Native American languages. Assuming a similar level of funding and accounting for anticipated inflation, CBO estimates that implementing that provision would cost about \$55 million over the 2018-2022 period.

**National Board Certification Incentive Program.** S. 458 would authorize grants to reimburse eligible educators who are Native American or teach Native Americans for some of the costs of obtaining teacher certifications or credentials from the National Board for Professional Teaching Standards. The bill would provide for annual compensation of between \$5,000 and \$10,000 for those educators. BIE is currently funding a similar program to assist educators with obtaining their certification or credential. Assuming ED were to implement this program in a similar manner, CBO estimates that implementing this provision would cost about \$15 million over the 2018-2022 period.

### **Direct Spending**

S. 458 would allow more people to have their federal student loans forgiven or their Perkins loans cancelled.

**Forgiveness of Federal Student Loans.** Under current law, teachers who meet the necessary requirements have several options for loan forgiveness. Borrowers who teach for five consecutive years at an eligible elementary or secondary school and meet other requirements are eligible for up to \$5,000 of loan forgiveness. Borrowers who meet those requirements and teach mathematics or science in a secondary school or teach special

education are eligible for up to \$17,500 in loan forgiveness. Finally, teachers who meet the requirements for public service loan forgiveness are eligible to have the remaining balance on their student loans forgiven if they make 10 years of qualifying payments while teaching full time.

S. 458 would expand the categories of borrowers who would be eligible for loan forgiveness of up to \$17,500, including:

- Teachers at schools under the control of the BIE;
- Teachers in school districts with a high enough concentration of Native American students to be eligible for formula grants disbursed by the Office of Indian Education at ED; and
- Teachers who are members of an Indian tribe and teach at schools defined as low-income by ED.

*Federal Credit Reform Act Estimating Procedures.* As required under the Federal Credit Reform Act of 1990 (FCRA), most of the costs of the federal student loan programs are estimated on a net-present-value basis. Under FCRA, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on U.S. Treasury borrowing. (For example, the cash flow for a one-year loan is discounted using the Treasury rate for a one-year zero-coupon note.) The estimated changes to the costs of loans originated prior to enactment of legislation are shown in the year the bill is enacted.

CBO analyzed administrative data from BIE and ED and survey data from several studies conducted by the National Center for Education Statistics at ED, including the Common Core of Data, the National Postsecondary Student Aid Study, and the Schools and Staffing Survey. Based on that analysis, CBO estimates that between 10,000 and 15,000 future borrowers each year would take advantage of the expanded loan forgiveness in the bill. In addition, CBO estimates that roughly 100,000 borrowers with outstanding student loans also would choose to take advantage of this loan forgiveness. As a result, CBO estimates that S. 458 would increase direct spending in the student loan programs by \$300 million over the 2018-2022 period and \$425 million over the 2018-2027 period. (The cost of loan forgiveness for borrowers with outstanding loans would be recorded in the year of enactment.)

*Fair-Value Estimating Procedures.* Section 3105 of the Conference Report of the Concurrent Resolution on the Budget for Fiscal Year 2016 (S. Con. Res. 11) requires that any CBO cost estimate of a student loan provision under FCRA procedures also include an estimate of the provision's costs measured on a fair-value basis.

Under the fair-value approach, estimates are based on market values—market prices when those prices are available or approximations of market prices when directly comparable figures are unavailable—which more fully account for the cost of the risk the government takes on. To account for this risk, CBO discounts the same projected cash flows as under FCRA but uses a market-based discount rate.<sup>1</sup> Using the fair-value approach, CBO estimates that the increase in direct spending would be \$270 million over the 2018-2022 period and \$370 million over the 2018-2027 period.

**Cancellation of Federal Perkins Loans.** Under current law, institutions of higher education originate Perkins loans from a revolving fund that includes both institutional and federal funds. A portion of the repayments of those loans are scheduled to be returned to the federal government. As a result, canceling the Perkins loans would reduce the funds returned to the federal government and result in an increase in direct spending.

The bill would expand the cancellation of Federal Perkins Loans to those borrowers who are full-time teachers in Native American language immersion programs or at schools overseen by BIE. However, under current law, teachers at schools classified as low-income are eligible for Perkins loan cancellation, and ED currently categorizes all BIE schools as low-income. In addition, CBO projects that expanding cancellation for teachers in immersion programs for Native American languages would affect only a small number of borrowers. Thus, CBO estimates that enacting S. 458 would result in only a negligible increase in direct spending for the Perkins loan program over the 2018 to 2027 period.

## PAY-AS-YOU-GO CONSIDERATIONS

The Statutory Pay-As-You-Go Act of 2010 establishes budget-reporting and enforcement procedures for legislation affecting direct spending or revenues. The net changes in outlays that are subject to those pay-as-you-go procedures are shown in the following table.

**CBO Estimate of Pay-As-You-Go Effects for S. 458 as ordered reported by the Senate Committee on Indian Affairs on May 17, 2017**

|                                    | By Fiscal Year, in Millions of Dollars |      |      |      |      |      |      |      |      |      |      | 2017-<br>2022 | 2017-<br>2027 |
|------------------------------------|--|------|------|------|------|------|------|------|------|------|------|---------------|---------------|
|                                    | 2017                                   | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2026 | 2027 |               |               |
| <b>NET INCREASE IN THE DEFICIT</b> |  |      |      |      |      |      |      |      |      |      |      |               |               |
| Pay-As-You-Go Effects              | 0                                      | 210  | 20   | 20   | 25   | 25   | 25   | 25   | 25   | 25   | 25   | 300           | 425           |

1. For more details on fair-value accounting, see [www.cbo.gov/publication/45383](http://www.cbo.gov/publication/45383) and [www.cbo.gov/publication/43027](http://www.cbo.gov/publication/43027).

## **INCREASE IN LONG-TERM NET DIRECT SPENDING AND DEFICITS**

CBO estimates that enacting the legislation would not increase net direct spending or on-budget deficits by more than \$5 billion in any of the four consecutive 10-year periods beginning in 2028.

## **INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT**

S. 458 contains no intergovernmental or private-sector mandates as defined in UMRA. State, local, and tribal governments would benefit from the scholarships, loan forgiveness, and training programs established by the bill for educators who commit to teaching in Native American schools. Any costs to the state, local, or tribal governments would result from complying with conditions of assistance.

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