

Federal Education Programs—CBO’s Estimate of the President’s Fiscal Year 2019 Budget

Most of the assistance that the federal government provides to students comes through its student loan programs and the federal Pell Grant Program.

Under the William D. Ford Direct Loan Program, the federal government provides education loans to undergraduate and graduate students and to the parents of undergraduate students. In the direct loan program, the federal government serves as the lender for all borrowers but contracts with private entities to service those loans. The current program offers four types of loans:

- **Subsidized loans** are need-based loans for undergraduate students. No interest accrues while the borrower is enrolled or during other deferment periods, and borrowing is limited by a student’s class level and dependency status.
- **Unsubsidized loans** are non-need-based loans for undergraduate and graduate students. Interest accrues from origination, and borrowing is limited by a student’s class level and dependency status.
- **PLUS parent loans** are non-need-based loans for parents of dependent undergraduates. Interest accrues from origination, and borrowing is limited only by the cost of attendance.
- **GradPLUS loans** are non-need-based loans for graduate students. Interest accrues from origination, and borrowing is limited only by the cost of attendance.

The Federal Pell Grant Program provides low-income students with access to funding for postsecondary education at four-year colleges and universities, for-profit schools, two-year colleges, and institutions that specialize in occupational training. Grants are awarded on the basis of financial need and academic course load. The program has three sources of funding: discretionary budget authority, which provides the largest portion and supports a maximum award set in the annual appropriation act; mandatory budget authority, which is specified in the Higher Education Act; and a “mandatory add-on,” which is automatically added, on the basis of a formula, to the discretionary portion of each award.

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Millions of Dollars, by Fiscal Year

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2019-2023	2019-2028
Increases or Decreases (-) in Direct Spending Outlays												
Federal Student Loan Programs												
Create a single income-driven student loan repayment plan ^{a, b}	-855	-2,285	-3,425	-4,385	-5,300	-6,235	-7,310	-8,505	-9,630	-10,480	-16,250	-58,410
Eliminate subsidized student loans ^b	-390	-1,090	-1,600	-1,900	-2,160	-2,485	-2,780	-2,955	-3,075	-3,185	-7,140	-21,620
Eliminate Public Service Loan Forgiveness ^b	-370	-845	-1,170	-1,515	-1,940	-2,395	-2,865	-3,360	-3,815	-4,120	-5,840	-22,395
Eliminate account maintenance fee payments to guaranty agencies	-90	-81	-73	-66	-59	-53	-48	-43	-39	-35	-369	-587
Federal Pell Grant Program												
Move Iraq-Afghanistan Service Grants into the Pell Grant program	*	-1	-1	-1	-1	-2	-2	-2	-2	-2	-4	-14
Expand Pell Grants to short-term programs	7	27	32	36	39	42	43	45	47	49	141	367
Reallocate mandatory Pell funding to support short-term programs	-7	-27	-32	-36	-39	-42	-43	-45	-47	-49	-141	-367
Set discretionary maximum award at \$4,860 ^c	<u>-19</u>	<u>-67</u>	<u>-56</u>	<u>-52</u>	<u>-48</u>	<u>-46</u>	<u>-43</u>	<u>-43</u>	<u>-42</u>	<u>-39</u>	<u>-242</u>	<u>-455</u>
Total	-1,724	-4,369	-6,325	-7,919	-9,508	-11,216	-13,048	-14,908	-16,603	-17,861	-29,845	-103,481

Components may not sum to totals because of rounding; * = between -\$500,000 and zero

^a The single income-driven repayment plan proposal has sizeable interactive effects with the proposals to eliminate subsidized loans and Public Service Loan Forgiveness. Those interactions are included in this line.

^b For these estimates, CBO assumes that the policies will be effective for student loan borrowers with no outstanding federal student loan balances as of July 1, 2019.

^c The President's budget was released before the enactment of the Consolidated Appropriations Act, 2018, on March 23, 2018, which set the discretionary maximum award for 2018 at \$5,035. The President's budget sets the discretionary maximum award at \$4,860 for 2019 to 2028.