

March 5, 2010

MEMORANDUM

TO: Interested Parties

FROM: Deborah Kalcevic
Justin Humphrey

SUBJECT: CBO March 2010 Baseline Projections for the Student Loan and Pell Grant Programs.

Attached are seven tables that detail the costs, loan volumes, and subsidy rates for both the guaranteed and direct student loan programs for the March 2010 CBO Baseline as well as a table that details the Pell grant program. There are two additional tables that detail the President's 2011 proposals for the mandatory education 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 2010.

Table 6. Includes the Student Aid Administration expenditures.

Table 7. Includes the interest rate forecasts used in the projections of student loan costs.

Table 8. Includes the estimates of the Pell grant program.

Table 9. Includes the estimates of the President's proposal for the Pell grant program.

Table 10. Includes the estimates of the President's 2011 proposal for all mandatory education 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 all or part of 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

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CBO March 2010 BASELINE BUDGET ACCOUNT TOTALS: STUDENT LOAN PROGRAM BASELINE

		(by fiscal year, in millions of dollars)										
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Guaranteed Loan Program	BA	-14,472	797	2,145	2,453	3,336	4,041	4,537	4,942	5,096	5,236	5,388
Program (Subsidy) Account	OP	-263	-2,332									
91-0231-01-502 BA01,BA03,BA04	OL	-14,550	-194	1,403	2,013	2,617	3,291	3,791	4,174	4,386	4,512	4,635
Guaranteed Loan Program	BA	0	0	0	0	0	0	0	0	0	0	0
Liquidating Account	OP	0	0									
91-0230-01-502 BA02	OL	-456	-407	-354	-311	-273	-236	-208	-181	-157	-138	-121
Student Aid Administration	BA	870	881	892	905	920	938	958	979	1,000	1,021	1,044
[discretionary]	OP	391	388									
91-0202-01-502 AA01,AA02,AA04	OL	861	863	884	897	911	927	946	966	987	1,008	1,030
Direct Loan Program	BA	-12,870	-10,158	-10,922	-10,472	-8,586	-6,364	-4,965	-3,333	-3,278	-3,390	-3,533
Program (Subsidy) Account	OP	-1,473	-2,911									
91-0243-01-502 BA04,BA05,BA06	OL	-10,254	-9,048	-9,508	-9,441	-8,172	-6,309	-4,854	-3,482	-3,005	-3,061	-3,183
Federal Student Loan	BA	-191	-143	-79	-28	-28	-50	-143	-171	-194	-219	-244
Reserve Fund	OP	0	0									
91-4257-03-502 BD01	OL	-191	-143	-79	-28	-28	-50	-143	-171	-194	-219	-244
Student Aid Administration	BA	784	772	752	758	807	873	953	1,039	1,127	1,214	1,275
[mandatory]	OP	193	196									
91-0202-01-502 BA01	OL	781	775	757	757	795	857	933	1,018	1,105	1,192	1,260
TOTAL	BA	-25,879	-7,851	-7,212	-6,384	-3,552	-562	1,339	3,457	3,751	3,861	3,931
	OP	-1,152	-4,659									
	OL	-23,809	-8,153	-6,897	-6,113	-4,150	-1,520	464	2,324	3,122	3,294	3,377

Note: Fiscal year 2010 credit reestimates included in the above estimates:

Guaranteed Loan Program	BA	-7,402
Program (Subsidy) Account	OP	0
91-0231-01-502 BA03, BA04	OL	-7,402
Direct Loan Program	BA	-2,583
Program (Subsidy) Account	OP	0
91-0243-01-502 BA05,BA06	OL	-2,583

TABLE 2

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TOTAL GUARANTEED AND DIRECT LOAN PROGRAMS, March 2010 Baseline

	(by fiscal year)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL ALL NEW LOANS [New Guaranteed and Direct Loans] a/											
Net Annual Loan Volume (Mil \$)	108,505	115,671	118,867	119,466	121,433	124,461	127,590	130,781	134,943	139,223	144,247
Net Number of Loans (000)	22,511	23,479	23,742	23,532	23,648	23,999	24,400	24,860	25,522	26,202	27,033
Average Loan Amount	\$4,820	\$4,927	\$5,007	\$5,077	\$5,135	\$5,186	\$5,229	\$5,261	\$5,287	\$5,314	\$5,336
Subsidy Rate b/ c/ d/	-14.55%	-7.70%	-7.12%	-6.53%	-4.42%	-2.25%	-0.91%	0.45%	0.54%	0.50%	0.45%
SUBSIDIZED STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	39,667	41,405	42,083	42,111	42,519	43,048	43,786	44,737	45,854	47,002	48,182
Net Number of Loans (000)	10,139	10,502	10,597	10,540	10,578	10,645	10,763	10,934	11,139	11,347	11,560
Average Loan Amount	\$3,912	\$3,943	\$3,971	\$3,995	\$4,020	\$4,044	\$4,068	\$4,091	\$4,117	\$4,142	\$4,168
Subsidy Rate b/ c/ d/	5.15%	13.82%	10.70%	8.34%	10.23%	12.18%	13.41%	14.62%	14.75%	14.78%	14.78%
UNSUBSIDIZED STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	52,278	55,692	56,962	56,505	57,109	58,690	60,186	61,586	63,701	65,888	68,820
Net Number of Loans (000)	11,066	11,560	11,663	11,482	11,525	11,775	12,026	12,285	12,707	13,143	13,728
Average Loan Amount	\$4,724	\$4,818	\$4,884	\$4,921	\$4,955	\$4,984	\$5,004	\$5,013	\$5,013	\$5,013	\$5,013
Subsidy Rate b/ c/ d/	-21.36%	-14.58%	-11.57%	-9.16%	-6.85%	-4.52%	-3.06%	-1.62%	-1.47%	-1.45%	-1.44%
GRADPLUS STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	6,441	7,451	8,274	9,157	10,042	10,928	11,803	12,627	13,526	14,450	15,350
Net Number of Loans (000)	392	441	494	535	583	633	683	730	780	831	882
Average Loan Amount	\$16,420	\$16,876	\$16,737	\$17,126	\$17,210	\$17,261	\$17,291	\$17,305	\$17,337	\$17,383	\$17,410
Subsidy Rate b/ c/ d/	-39.00%	-30.41%	-26.69%	-23.83%	-21.29%	-18.75%	-17.16%	-15.60%	-15.44%	-15.42%	-15.40%
PARENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	10,119	11,124	11,548	11,693	11,763	11,795	11,815	11,830	11,862	11,883	11,896
Net Number of Loans (000)	914	975	987	975	962	946	929	912	896	880	864
Average Loan Amount	\$11,077	\$11,409	\$11,695	\$11,987	\$12,227	\$12,471	\$12,721	\$12,975	\$13,235	\$13,499	\$13,769
Subsidy Rate b/ c/ d/	-38.53%	-34.11%	-31.46%	-29.11%	-26.47%	-23.61%	-21.82%	-19.93%	-19.74%	-19.73%	-19.73%

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 2011 federal cost associated with the \$115,670 million in new loan volume would be -\$8,903 million or -7.70% of the new loan volume [$\$115,670 \times -.0770 = -\$8,903$]. In other words, the federal government will save on average about 7 cents for each new dollar loaned in 2011.

c. Subsidy rates for guaranteed loans do NOT include federal administrative costs associated with disbursing and collecting loans. The administrative costs are included in the budget on a cash basis.

d. Subsidy rates were calculated using the CBO March 2010 interest rate forecast.

TABLE 3

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TOTAL GUARANTEED LOAN PROGRAMS, March 2010 Baseline

	(by fiscal year)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL ALL NEW LOANS [New Guaranteed Loans Only] a/											
Net Annual Loan Volume (Mil \$)	59,324	54,171	49,690	47,256	48,127	49,471	50,855	52,256	54,075	55,950	58,150
Net Number of Loans (000)	12,995	11,848	10,868	10,287	10,341	10,494	10,669	10,870	11,157	11,451	11,807
Average Loan Amount	\$4,565	\$4,572	\$4,572	\$4,594	\$4,654	\$4,714	\$4,766	\$4,807	\$4,847	\$4,886	\$4,925
Subsidy Rate b/ c/ d/	-11.16%	0.35%	2.63%	3.31%	4.87%	5.95%	6.59%	7.04%	6.96%	6.85%	6.73%
SUBSIDIZED STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	21,817	19,564	17,780	16,844	17,008	17,219	17,514	17,895	18,341	18,801	19,273
Net Number of Loans (000)	5,957	5,424	4,987	4,743	4,760	4,790	4,843	4,920	5,012	5,106	5,202
Average Loan Amount	\$3,663	\$3,607	\$3,565	\$3,551	\$3,573	\$3,595	\$3,616	\$3,637	\$3,659	\$3,682	\$3,705
Subsidy Rate b/ c/ d/	8.23%	20.96%	20.37%	17.68%	19.10%	20.16%	20.84%	21.30%	21.37%	21.43%	21.45%
UNSUBSIDIZED STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	30,223	28,150	26,123	24,721	24,985	25,677	26,331	26,944	27,869	28,826	30,109
Net Number of Loans (000)	6,195	5,595	5,074	4,743	4,760	4,864	4,967	5,074	5,248	5,429	5,670
Average Loan Amount	\$4,879	\$5,032	\$5,148	\$5,213	\$5,249	\$5,279	\$5,301	\$5,310	\$5,310	\$5,310	\$5,310
Subsidy Rate b/ c/ d/	-18.04%	-6.62%	-2.36%	0.45%	2.27%	3.62%	4.47%	5.08%	5.17%	5.21%	5.24%
GRADPLUS STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	3,996	4,134	4,243	4,521	4,958	5,396	5,827	6,235	6,679	7,135	7,579
Net Number of Loans (000)	261	268	277	296	323	350	378	404	432	460	488
Average Loan Amount	\$15,317	\$15,421	\$15,306	\$15,282	\$15,358	\$15,403	\$15,430	\$15,442	\$15,471	\$15,512	\$15,536
Subsidy Rate b/ c/ d/	-38.12%	-25.13%	-20.45%	-17.28%	-15.19%	-13.56%	-12.54%	-11.76%	-11.66%	-11.62%	-11.58%
PARENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	3,289	2,322	1,545	1,169	1,176	1,180	1,182	1,183	1,186	1,188	1,190
Net Number of Loans (000)	583	562	529	505	498	490	481	472	464	456	447
Average Loan Amount	\$5,639	\$4,134	\$2,919	\$2,315	\$2,361	\$2,408	\$2,456	\$2,506	\$2,556	\$2,607	\$2,659
Subsidy Rate b/ c/ d/	-36.04%	-24.40%	-19.59%	-16.47%	-14.47%	-13.40%	-12.75%	-12.34%	-12.25%	-12.21%	-12.17%

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 2011 federal cost associated with the \$55,171 million in new loan volume would be \$190 million or .35% of the new loan volume [$\$54,171 * -.0035 = \190]. In other words, the federal government will save on average less than once cent for each new dollar loaned in 2011.

c. Subsidy rates for guaranteed loans do NOT include federal administrative costs associated with disbursing and collecting loans. The administrative costs are included in the budget on a cash basis.

d. Subsidy rates were calculated using the CBO March 2010 interest rate forecast.

TABLE 4

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TOTAL DIRECT LOAN PROGRAMS, March 2010 Baseline

	(by fiscal year)										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
TOTAL ALL NEW LOANS [New Direct Loans Only] a/											
Net Annual Loan Volume (Mil \$)	49,181	61,500	69,178	72,210	73,305	74,990	76,735	78,524	80,867	83,273	86,097
Net Number of Loans (000)	9,516	11,630	12,874	13,246	13,307	13,505	13,731	13,990	14,365	14,751	15,226
Average Loan Amount	\$5,168	\$5,288	\$5,373	\$5,452	\$5,509	\$5,553	\$5,588	\$5,613	\$5,629	\$5,645	\$5,655
Subsidy Rate b/ c/ d/	-18.65%	-14.79%	-14.11%	-12.97%	-10.51%	-7.67%	-5.89%	-3.93%	-3.76%	-3.77%	-3.80%
SUBSIDIZED STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	17,850	21,841	24,303	25,266	25,511	25,829	26,272	26,842	27,512	28,201	28,909
Net Number of Loans (000)	4,182	5,078	5,610	5,797	5,818	5,855	5,919	6,014	6,126	6,241	6,358
Average Loan Amount	\$4,268	\$4,301	\$4,332	\$4,359	\$4,385	\$4,412	\$4,438	\$4,463	\$4,491	\$4,519	\$4,547
Subsidy Rate b/ c/ d/	1.37%	7.42%	3.62%	2.11%	4.32%	6.86%	8.45%	10.17%	10.34%	10.35%	10.34%
UNSUBSIDIZED STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	22,055	27,541	30,840	31,784	32,124	33,013	33,855	34,642	35,832	37,062	38,711
Net Number of Loans (000)	4,872	5,965	6,589	6,739	6,765	6,912	7,059	7,211	7,458	7,714	8,057
Average Loan Amount	\$4,527	\$4,617	\$4,681	\$4,716	\$4,749	\$4,776	\$4,796	\$4,804	\$4,804	\$4,804	\$4,804
Subsidy Rate b/ c/ d/	-25.91%	-22.73%	-19.37%	-16.63%	-13.95%	-10.85%	-8.92%	-6.84%	-6.64%	-6.64%	-6.64%
GRADPLUS STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	2,446	3,316	4,032	4,636	5,084	5,532	5,975	6,393	6,848	7,315	7,771
Net Number of Loans (000)	131	173	217	239	261	283	305	326	349	371	394
Average Loan Amount	\$18,610	\$19,126	\$18,563	\$19,409	\$19,505	\$19,562	\$19,596	\$19,613	\$19,649	\$19,701	\$19,732
Subsidy Rate b/ c/ d/	-40.44%	-37.00%	-33.26%	-30.23%	-27.24%	-23.80%	-21.66%	-19.34%	-19.12%	-19.12%	-19.12%
PARENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	6,830	8,802	10,003	10,524	10,586	10,616	10,634	10,647	10,676	10,695	10,706
Net Number of Loans (000)	330	413	458	470	464	456	448	440	432	424	417
Average Loan Amount	\$20,677	\$21,297	\$21,830	\$22,376	\$22,823	\$23,280	\$23,745	\$24,220	\$24,705	\$25,199	\$25,703
Subsidy Rate b/ c/ d/	-39.72%	-36.68%	-33.29%	-30.51%	-27.81%	-24.74%	-22.83%	-20.77%	-20.57%	-20.57%	-20.57%

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 2011 federal cost associated with the \$61,500 million in new loan volume would be -\$9,093 million or -14.79% of the new loan volume [$\$61,500 * -.1479 = -\$9,093$]. In other words, the federal government will save on average about 15 cents for each new dollar loaned in 2011.

c. Subsidy rates for guaranteed loans do NOT include federal administrative costs associated with disbursing and collecting loans. The administrative costs are included in the budget on a cash basis.

d. Subsidy rates were calculated using the CBO March 2010 interest rate forecast.

TABLE 5

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Detail of the Fiscal Year Values for the 2011 Federal Subsidy Rates 1/

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

Guaranteed Subsidized Loans:

Fees	-1.01%
In-School Interest Costs	12.85%
1./ Special Allowance Payments	4.35%
Net Federal Claim Payments	1.32%
Other	3.45%
Total Subsidy Rate	20.96%

Guaranteed Unsubsidized Loans:

Fees	-1.02%
In-School Interest Costs	0.21%
1./ Special Allowance Payments	-8.79%
Net Federal Claim Payments	1.95%
Other	1.02%
Total Subsidy Rate	-6.62%

Guaranteed GradPLUS Loans:

Fees	-4.00%
In-School Interest Costs	0.33%
1./ Special Allowance Payments	-20.96%
Net Federal Claim Payments	1.69%
Other	-2.17%
Total Subsidy Rate	-25.13%

Guaranteed Parent Loans:

Fees	-3.82%
In-School Interest Costs	0.00%
1./ Special Allowance Payments	-22.10%
Net Federal Claim Payments	1.56%
Other	-0.06%
Total Subsidy Rate	-24.40%

Direct Subsidized Loans:

Fees	-0.50%
Disbursement	99.49%
Principal Repaid	-68.16%
Interest Paid	-23.58%
Other	0.16%
Total Subsidy Rate	7.42%

Direct Unsubsidized Loans:

Fees	-0.50%
Disbursement	99.51%
Principal Repaid	-78.35%
Interest Paid	-43.48%
Other	0.10%
Total Subsidy Rate	-22.73%

Direct GradPLUS Loans:

Fees	-2.49%
Disbursement	99.46%
Principal Repaid	-78.52%
Interest Paid	-55.46%
Other	0.00%
Total Subsidy Rate	-37.00%

Direct Parent Loans:

Fees	-2.49%
Disbursement	99.45%
Principal Repaid	-74.08%
Interest Paid	-59.55%
Other	0.00%
Total Subsidy Rate	-36.68%

1./ Due to changes in the economic forecast, subsidy rates are substantially different for years later than 2011.

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

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STUDENT AID ADMINISTRATION--March 2010 Baseline

Mandatory Administrative Costs

(by fiscal year, in millions of dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Guaranteed Loans:											
Administrative Account:											
BA	763	748	726	721	759	818	890	967	1,044	1,118	1,169
OL	760	752	731	722	749	803	872	947	1,024	1,100	1,156
Reserve Account:											
BA	34	34	39	47	55	62	35	43	51	58	66
OL	34	34	39	47	55	62	35	43	51	58	66
Direct Loans:											
BA	21	24	27	37	48	55	63	73	83	95	106
OL	21	23	26	35	45	53	61	70	81	92	104
Subtotal, Mandatory:											
BA	818	805	792	805	862	935	988	1,082	1,178	1,272	1,342
OL	815	808	796	804	849	918	968	1,061	1,156	1,250	1,326

Discretionary Administrative Costs

(by fiscal year, in millions of dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
BA	870	881	892	905	920	938	958	979	1,000	1,021	1,044
OL	861	863	884	897	911	927	946	966	987	1,008	1,030

TOTAL ADMINISTRATIVE COSTS

(by fiscal year, in millions of dollars)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
BA	1,688	1,686	1,684	1,710	1,782	1,873	1,946	2,061	2,178	2,293	2,386
OL	1,676	1,671	1,680	1,701	1,760	1,845	1,914	2,027	2,143	2,258	2,356

NOTE: Components may not sum to totals due to rounding.

TABLE 7

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CBO March 2010 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%
2008	2.18%
2009	0.21%

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%
2008	3.43%
2009	0.85%

PROJECTIONS OF INTEREST RATES BY FISCAL YEAR

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

2010	0.18%
2011	0.47%
2012	1.53%
2013	2.78%
2014	3.76%
2015	4.23%

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

2010	0.27%
2011	0.57%
2012	1.69%
2013	3.04%
2014	4.07%
2015	4.59%

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

2015	5.10%
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a. Because the costs of the student loan programs are estimated on a net present value basis, the interest rate forecast for the outyears 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 2015. It is shown here for illustrative purposes.

TABLE 8

Mar-10

FEDERAL PELL GRANT PROGRAM, March 2010 Baseline

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

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
PELL GRANT PROGRAM, DISCRETIONARY PORTION ONLY											
CBO MARCH BASELINE a/											
<i>Regular Appropriation</i>											
Budget Authority	17,495	17,652	17,827	18,020	18,230	18,510	18,825	19,157	19,489	19,822	20,160
Outlays	19,367	23,013	17,760	17,878	18,075	18,303	18,592	18,911	19,243	19,576	19,910
<i>Stimulus</i>											
Budget Authority	0	0	0	0	0	0	0	0	0	0	0
Outlays	6,792	2,498	48	0	0	0	0	0	0	0	0
<i>Total</i>											
Budget Authority	17,495	17,652	17,827	18,020	18,230	18,510	18,825	19,157	19,489	19,822	20,160
Outlays	26,159	25,511	17,808	17,878	18,075	18,303	18,592	18,911	19,243	19,576	19,910
ESTIMATED PROGRAM COSTS USING A \$4,860 MAXIMUM AWARD LEVEL											
Obligation Level b/	28,459	30,518	30,916	30,778	31,205	31,687	32,206	32,726	33,217	33,833	34,535
Outlays	26,159	28,985	30,605	30,875	30,895	31,331	31,823	32,341	32,853	33,378	34,016
ESTIMATED CUMULATIVE SHORTFALL/SURPLUS											
	(by fiscal year, in millions)										
	2006	2007	2008	2009 c/	2010						
Budget Authority	13,045	13,661	14,215	32,928	17,495						
Estimated Obligation Level	<u>12,826</u>	<u>14,704</u>	<u>16,062</u>	<u>25,437</u>	<u>28,459</u>						
Cumulative Surplus/Shortfall	219	-824	-2,671	4,820	-6,144						

a. The CBO March baseline does not represent a projection of expected costs for the Pell grant program. As with all other discretionary programs, the budget authority is calculated by inflating the budget authority appropriated for fiscal year 2010. Outlays for future years are based on these levels of budget authority.

b. Obligation level is not adjusted to reflect the higher budget authority needed due to the cumulative funding shortfall.

c. Budget authority for fiscal year 2009 includes appropriations from both the Fiscal Year 2009 Omnibus Appropriations Act and the American Recovery and Reinvestment Act of 2009.

TABLE 9

Mar-10

PRESIDENT'S PROPOSAL FOR FEDERAL PELL GRANT PROGRAM, March 2010 Baseline

	(by fiscal year, budget authority and outlays in millions)												
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2010-2015	2010-2020
Discretionary Spending													
Discretionary Pell Grant Program: March Baseline													
Budget Authority	17,495	17,652	17,827	18,020	18,230	18,510	18,825	19,157	19,489	19,822	20,160	107,734	205,187
Outlays	26,159	25,511	17,808	17,878	18,075	18,303	18,592	18,911	19,243	19,576	19,910	123,734	219,966
Discretionary Pell Grant Program: President's Proposal													
Budget Authority	17,495	0	0	0	0	0	0	0	0	0	0	17,495	17,495
Outlays	24,500	16,321	223	0	0	0	0	0	0	0	0	41,044	41,044
Total Impact on Discretionary Spending													
Budget Authority	0	-17,652	-17,827	-18,020	-18,230	-18,510	-18,825	-19,157	-19,489	-19,822	-20,160	-90,239	-187,692
Outlays	-1,659	-9,190	-17,585	-17,878	-18,075	-18,303	-18,592	-18,911	-19,243	-19,576	-19,910	-82,690	-178,922
Mandatory Spending													
Projected Maximum Award	\$5,550	\$5,735	\$5,865	\$5,995	\$6,125	\$6,270	\$6,440	\$6,630	\$6,830	\$7,035	\$7,250		
Convert Program to Mandatory Spending and Inflate Maximum Award													
Budget Authority	4,569	36,464	37,693	38,858	40,315	42,122	44,224	46,562	49,033	51,797	54,880	200,021	446,518
Outlays	1,234	13,135	36,477	37,995	39,240	40,788	42,672	44,835	47,206	49,754	52,602	168,869	405,937
Makes changes to needs analysis formula													
Budget Authority	0	285	329	386	436	505	585	675	855	898	947	1,940	5,900
Outlays	0	77	294	344	399	454	526	609	723	865	911	1,567	5,200
Fund the current discretionary funding shortfall													
Budget Authority	6,144	0	0	0	0	0	0	0	0	0	0	6,144	6,144
Outlays	1,659	4,424	61	0	0	0	0	0	0	0	0	6,144	6,144
Eliminate current mandatory Pell addon													
Budget Authority	-3,554	-3,090	-5,050	-258	-4,305	-4,452	-4,600	-4,900	-4,900	-4,900	-4,900	-20,709	-44,909
Outlays	-960	-3,396	-3,624	-3,737	-1,399	-4,304	-4,490	-4,680	-4,897	-4,900	-4,900	-17,420	-41,287
Total Impact on Mandatory Spending													
Budget Authority	7,159	33,659	32,971	38,987	36,446	38,175	40,210	42,338	44,987	47,796	50,927	187,396	413,653
Outlays	1,933	14,240	33,208	34,602	38,240	36,938	38,707	40,763	43,032	45,719	48,613	159,160	375,995

TABLE 10

President's 2011 Mandatory Education Proposals: (outlays by fiscal year, in millions of dollars) 1./

CBO Reestimate of the President's Proposals:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2010-2015</u>	<u>2010-2020</u>
Pell Grant Entitlements	1,933	14,240	33,208	34,602	38,240	36,938	38,707	40,763	43,032	45,719	48,613	159,160	375,995
100% Direct Lending	-810	-5,720	-7,540	-7,360	-7,185	-6,835	-6,555	-6,230	-6,240	-6,500	-6,815	-35,450	-67,790
IBR	1,260	480	510	485	475	465	465	460	470	485	505	3,675	6,060
HBCU	13	140	232	255	255	255	255	255	255	255	255	1,150	2,425
Graduation Promise Grants	20	140	260	380	260	140	0	0	0	0	0	1,200	1,200
Early Learning Challenge Fur	31	456	588	899	966	1,000	1,000	1,000	1,000	1,000	1,000	3,940	8,940
Access and Completion	42	683	653	700	700	534	142	47	0	0	0	3,311	3,500
Community Colleges/AGI	3	140	790	965	1,358	793	950	950	950	950	950	4,048	8,798
Perkins Loan	0	-816	-901	96	20	204	340	448	496	508	500	-1,396	897
Other/Interactions	-35	-120	-110	-85	-80	-70	-65	-55	-50	-55	-55	-500	-780
Total	2,456	9,623	27,690	30,937	35,009	33,424	35,239	37,639	39,913	42,362	44,953	139,138	339,244

1. The format of this table is the same as the format for the President's Proposals included in Table S-8 of the Budget of the US Government Fiscal Year 2011.