

March 17, 2011

MEMORANDUM

TO: Interested Parties

FROM: Deborah Kalcevic
Justin Humphrey

SUBJECT: CBO March 2011 Baseline Projections for the Student Loan and Pell Grant Programs.

Attached are five tables that detail the costs, loan volumes, and subsidy rates for the direct student loan program for the March 2011 CBO Baseline as well as three tables that detail the Pell grant program. There is an additional table that detail the President's 2012 proposals for the mandatory postsecondary 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 the direct student loans.

Table 3. Includes the detailed components of the federal student loan subsidy rates for fiscal year 2012.

Table 4. Includes the Student Aid Administration expenditures.

Table 5. Includes the interest rate forecasts used in the projections associated with current and outstanding student loans.

Table 6. Includes the March 2011 baseline for the Pell Grant Program

Table 7. Includes the program costs for the Pell Grant Program assuming a maximum discretionary award level of \$4,860.

Table 8. Includes the estimates of the President's proposal for the Pell Grant Program.

Table 9. Includes the estimates of the President's 2012 proposal for all mandatory postsecondary 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 2011 BASELINE BUDGET ACCOUNT TOTALS: STUDENT LOAN PROGRAM BASELINE

		(by fiscal year, in millions of dollars)										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Guaranteed Loan Program	BA	-24,493	0	0	0	0	0	0	0	0	0	0
Program (Subsidy) Account	OP	0	0									
91-0231-01-502 BA01,BA03,BA04	OL	-24,493	0	0	0	0	0	0	0	0	0	0
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	-221	-148	-96	-60	-35	-18	-2	0	0	0	0
Student Aid Administration [discretionary]	BA	870	882	898	916	934	954	977	1,001	1,025	1,049	1,073
	OP	354	0									
91-0202-01-502 AA01,AA02,AA04	OL	824	846	873	900	923	942	963	986	1,010	1,034	1,058
Direct Loan Program	BA	-27,296	-19,396	-17,098	-13,032	-9,120	-5,164	-3,711	-3,828	-3,918	-4,079	-4,272
Program (Subsidy) Account	OP	-5,034	-6,916									
91-0243-01-502 BA04,BA05,BA06	OL	-24,803	-17,919	-15,902	-12,851	-9,365	-5,899	-3,849	-3,468	-3,560	-3,683	-3,846
Federal Student Loan Reserve Fund	BA	343	284	237	201	145	160	171	173	182	183	77
	OP	0	0									
91-4257-03-502 BD01	OL	343	284	237	201	145	160	171	173	182	183	77
Student Aid Administration [mandatory]	BA	738	642	609	574	540	517	508	509	519	285	275
	OP	210	211									
91-0202-01-502 BA01	OL	719	654	616	582	547	521	508	507	514	389	308
TOTAL	BA	-49,838	-17,587	-15,354	-11,341	-7,501	-3,533	-2,056	-2,145	-2,192	-2,561	-2,847
	OP	-4,470	-6,704									
	OL	-47,631	-16,282	-14,272	-11,228	-7,785	-4,294	-2,208	-1,802	-1,853	-2,077	-2,403

Note: Fiscal year 2011 credit reestimates included in the above estimates:

Guaranteed Loan Program	BA	-24,493
Program (Subsidy) Account	OP	0
91-0231-01-502 BA03, BA04	OL	-24,493
Direct Loan Program	BA	-5,689
Program (Subsidy) Account	OP	0
91-0243-01-502 BA05,BA06	OL	-5,689
Total Student Loan Program	BA	-30,182
Program (Subsidy) Account	OP	0
91-0243-01-502 BA05,BA06	OL	-30,182

TABLE 2

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TOTAL DIRECT LOAN PROGRAMS, March 2011 Baseline

	(by fiscal year)										
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
TOTAL ALL NEW LOANS [New Loans Only] a/											
Net Annual Loan Volume (Mil \$)	110,874	113,532	114,291	116,268	119,125	122,061	125,041	128,987	133,036	137,750	142,659
Net Number of Loans (000)	22,804	23,053	22,868	22,985	23,322	23,709	24,156	24,791	25,444	26,237	27,061
Average Loan Amount	\$4,862	\$4,925	\$4,998	\$5,058	\$5,108	\$5,148	\$5,176	\$5,203	\$5,229	\$5,250	\$5,272
Subsidy Rate b/ c/ d/	-17.30%	-15.16%	-13.28%	-9.98%	-6.85%	-3.83%	-2.72%	-2.72%	-2.70%	-2.71%	-2.74%
SUBSIDIZED STUDENT LOANS [New Loans Only]											
Net Annual Loan Volume (Mil \$)	42,926	43,686	43,732	44,171	44,732	45,509	46,508	47,685	48,894	50,138	51,416
Net Number of Loans (000)	10,707	10,801	10,742	10,781	10,850	10,969	11,144	11,353	11,565	11,782	12,003
Average Loan Amount	\$4,009	\$4,044	\$4,071	\$4,097	\$4,123	\$4,149	\$4,173	\$4,200	\$4,228	\$4,255	\$4,284
Subsidy Rate b/ c/ d/	1.69%	0.02%	-0.66%	2.38%	5.25%	8.00%	9.02%	9.06%	9.12%	9.15%	9.16%
UNSUBSIDIZED STUDENT LOANS [New Loans Only]											
Net Annual Loan Volume (Mil \$)	49,317	49,997	49,710	50,321	51,718	52,995	54,144	55,992	57,904	60,469	63,148
Net Number of Loans (000)	10,621	10,715	10,549	10,589	10,819	11,049	11,287	11,674	12,075	12,612	13,173
Average Loan Amount	\$4,643	\$4,666	\$4,712	\$4,752	\$4,780	\$4,796	\$4,797	\$4,796	\$4,795	\$4,794	\$4,794
Subsidy Rate b/ c/ d/	-25.27%	-20.56%	-16.91%	-13.32%	-9.92%	-6.67%	-5.46%	-5.42%	-5.37%	-5.35%	-5.35%
GRADPLUS STUDENT LOANS [New Loans Only]											
Net Annual Loan Volume (Mil \$)	7,508	8,303	9,158	10,015	10,882	11,744	12,562	13,450	14,356	15,250	16,203
Net Number of Loans (000)	500	548	601	653	707	761	813	868	923	978	1,037
Average Loan Amount	\$15,007	\$15,140	\$15,245	\$15,328	\$15,385	\$15,427	\$15,455	\$15,497	\$15,548	\$15,587	\$15,624
Subsidy Rate b/ c/ d/	-37.96%	-33.04%	-29.18%	-25.41%	-21.87%	-18.49%	-17.25%	-17.19%	-17.11%	-17.06%	-17.01%
PARENT LOANS [New Loans Only]											
Net Annual Loan Volume (Mil \$)	11,122	11,546	11,691	11,761	11,794	11,813	11,828	11,860	11,882	11,894	11,892
Net Number of Loans (000)	975	988	976	962	946	929	912	896	880	864	847
Average Loan Amount	\$11,405	\$11,691	\$11,983	\$12,222	\$12,467	\$12,716	\$12,971	\$13,230	\$13,495	\$13,764	\$14,040
Subsidy Rate b/ c/ d/	-41.30%	-36.39%	-32.60%	-28.95%	-25.47%	-22.14%	-20.93%	-20.93%	-20.93%	-20.93%	-20.93%

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 2012 federal cost associated with the \$113,532 million in new loan volume would be -\$17,215 million or -15.16% of the new loan volume [$\$113,532 * -.1516 = -\$17,215$]. In other words, the federal government will save on average about 15 cents for each new dollar loaned in 2012.

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 2011 interest rate forecast.

TABLE 3

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Detail of the Fiscal Year Values for the 2012 Federal Subsidy Rates 1/
[Note: the Federal Subsidy Rates are Shown in Percent for Each Dollar Loaned]

Direct Subsidized Loans:

Fees	-0.50%
Disbursement	99.50%
Principal Repaid	-67.35%
Interest Paid	-31.88%
Other	0.26%
Total Subsidy Rate	0.02%

Direct Unsubsidized Loans:

Fees	-0.50%
Disbursement	99.49%
Principal Repaid	-81.91%
Interest Paid	-37.81%
Other	0.17%
Total Subsidy Rate	-20.56%

Direct GradPLUS Loans:

Fees	-2.49%
Disbursement	99.46%
Principal Repaid	-79.47%
Interest Paid	-50.55%
Other	0.00%
Total Subsidy Rate	-33.04%

Direct Parent Loans:

Fees	-2.49%
Disbursement	99.40%
Principal Repaid	-74.73%
Interest Paid	-58.58%
Other	0.00%
Total Subsidy Rate	-36.39%

1./ Due to changes in the economic forecast, subsidy rates are substantially different for years later than 2012.

TABLE 4

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STUDENT AID ADMINISTRATION--March 2011 Baseline**MANDATORY ADMINISTRATIVE COSTS:**

		(by fiscal year, in millions of dollars)										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Outstanding Guaranteed Loans:												
Administrative Account	BA	505	428	373	322	271	229	198	175	157	123	96
	OL	544	447	387	335	284	240	206	180	162	131	103
Retaining Servicing Jobs	BA	25	0	0	0	0	0	0	0	0	0	0
	OL	22	11	4	1	0	0	0	0	0	0	0
Default Prevention (included in the Federal Student Loan Reserve Account)	BA	34	35	35	35	35	1	1	1	1	1	0
	OL	34	35	35	35	35	1	1	1	1	1	0
Subtotal	BA	563	462	408	357	306	230	199	176	158	124	96
	OL	599	492	425	371	319	241	207	182	163	132	103
Direct Loans:												
Administrative Account	BA	24	28	46	58	71	86	104	123	143	163	179
	OL	23	27	42	55	68	83	100	118	138	158	175
Direct Loan Transition	BA	0	0	0	0	0	0	0	0	0	0	0
	OL	16	5	2	0	0	0	0	0	0	0	0
Nonprofit Servicers	BA	184	186	190	193	197	202	206	211	218	0	0
	OL	115	164	182	191	195	199	203	208	214	99	30
Subtotal	BA	208	215	236	251	268	288	310	335	362	163	179
	OL	154	197	226	246	263	282	303	327	353	257	205
Total Mandatory	BA	771	677	644	609	574	518	509	510	520	287	275
	OL	753	689	651	617	582	522	510	508	515	390	308

DISCRETIONARY ADMINISTRATIVE COSTS

		(by fiscal year, in millions of dollars)										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	BA	870	882	898	916	934	954	977	1,001	1,025	1,049	1,073
	OL	824	846	873	900	923	942	963	986	1,010	1,034	1,058

TOTAL ADMINISTRATIVE COSTS

		(by fiscal year, in millions of dollars)										
		2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
	BA	1,641	1,559	1,542	1,525	1,508	1,472	1,486	1,511	1,545	1,336	1,348
	OL	1,577	1,535	1,524	1,517	1,505	1,464	1,473	1,494	1,525	1,424	1,366

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

TABLE 5

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CBO March 2011 Baseline Forecast

HISTORICAL INTEREST RATES BY FISCAL YEAR

<u>BER 91-Day Treasury Bill Rate: a/b/</u>		<u>BER 3-Month Commercial Paper Rate: a/b/</u>	
1981	15.25%	1981	15.00%
1982	12.09%	1982	12.79%
1983	8.69%	1983	8.87%
1984	9.89%	1984	10.11%
1985	8.16%	1985	8.39%
1986	6.63%	1986	7.08%
1987	5.81%	1987	6.37%
1988	6.39%	1988	7.32%
1989	8.42%	1989	9.07%
1990	7.92%	1990	8.26%
1991	6.17%	1991	6.61%
1992	3.89%	1992	4.08%
1993	3.06%	1993	3.31%
1994	3.78%	1994	4.00%
1995	5.65%	1995	5.98%
1996	5.21%	1996	5.50%
1997	5.17%	1997	5.59%
1998	5.12%	1998	5.66%
1999	4.55%	1999	5.15%
2000	5.73%	2000	6.37%
2001	4.53%	2001	4.87%
2002	1.78%	2002	1.88%
2003	1.13%	2003	1.25%
2004	1.12%	2004	1.26%
2005	2.75%	2005	2.99%
2006	4.57%	2006	4.93%
2007	4.86%	2007	5.38%
2008	2.18%	2008	3.43%
2009	0.21%	2009	0.85%
2010	0.12%	2010	0.28%

PROJECTIONS OF INTEREST RATES BY FISCAL YEAR

<u>BER 91-Day Treasury Bill Rate: a/b/</u>		<u>BER 3-Month Commercial Paper Rate: a/b/</u>	
2011	0.20%	2011	0.25%
2012	0.86%	2012	0.94%
2013	2.24%	2013	2.35%
2014	3.41%	2014	3.57%
2015	3.95%	2015	4.24%
2016	4.32%	2016	4.68%

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

2016	5.25%
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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 2016. It is shown here for illustrative purposes.

TABLE 6

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FEDERAL PELL GRANT PROGRAM, DISCRETIONARY BASELINE, CUMULATIVE SURPLUS/SHORTFALL, AND FUNDING GAP, March 2011 Baseline
(by fiscal year, budget authority, obligation level, and outlays in millions)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
PELL GRANT PROGRAM, DISCRETIONARY PORTION ONLY													
CBO MARCH BASELINE a/													
<i>Regular Appropriation</i>													
Maximum award	\$4,860	\$4,860	\$4,860	---	---	---	---	---	---	---	---	---	---
Budget Authority	17,288	17,495	23,162	23,417	23,787	24,181	24,575	25,015	25,525	26,057	26,567	27,100	27,632
Outlays	12,675	19,396	20,318	21,111	23,255	23,890	24,284	24,690	25,148	25,663	26,190	26,706	27,238
<i>Healthcare and Education Reconciliation Act of 2010 b/</i>													
Budget Authority	0	0	13,500	0	0	0	0	0	0	0	0	0	0
Outlays	0	0	11,366	2,107	28	0	0	0	0	0	0	0	0
<i>American Recovery and Reinvestment Act of 2009</i>													
Budget Authority	15,640	0	0	0	0	0	0	0	0	0	0	0	0
Outlays	6,300	8,651	647	42	0	0	0	0	0	0	0	0	0
<i>Total</i>													
Budget Authority	32,928	17,495	36,662	23,417	23,787	24,181	24,575	25,015	25,525	26,057	26,567	27,100	27,632
Outlays	18,975	28,047	32,331	23,260	23,283	23,890	24,284	24,690	25,148	25,663	26,190	26,706	27,238

ESTIMATED DISCRETIONARY CUMULATIVE SHORTFALL/SURPLUS

	(by fiscal year, in millions)					
	2006	2007	2008	2009	2010	2011
Regular Discretionary Appropriation	13,045	13,661	14,215	17,288	17,495	23,162
Healthcare and Education Reconciliation Act of 20	0	0	0	0	0	13,500
American Recovery and Reinvestment Act of 2009	0	0	0	15,640	0	0
Total Available Budget Authority	13,045	13,661	14,215	32,928	17,495	36,662
Estimated Program Costs	<u>12,826</u>	<u>14,697</u>	<u>16,069</u>	<u>26,883</u>	<u>31,595</u>	<u>34,497</u>
Cumulative Surplus/Shortfall (-)	219	-817	-2,671	3,374	-10,726	-8,561

ESTIMATED GAP FOR 2012 BETWEEN BUDGET AUTHORITY NEEDED TO SUPPORT A MAXIMUM AWARD OF \$4,860 AND THE CBO BASELINE

	2012
Estimated 2012 Program Costs for \$4,860	34,994
Cumulative Shortfall	-8,561
Total Budget Authority Needed for 2012	43,555
Budget Authority in CBO Baseline for 2012	<u>23,417</u>
Gap Between 2012 Program Costs and Baseline	20,138

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 2011. Outlays for future years are based on these levels of budget authority.

b. Budget authority provided in the Healthcare and Education Reconciliation Act of 2010 is classified as mandatory. However, the funding is being used to augment the funding provided in annual appropriations to support the discretionary Pell grant program.

TABLE 7

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FEDERAL PELL GRANT PROGRAM, PROGRAM COSTS ASSUMING A MAXIMUM DISCRETIONARY AWARD OF \$4,860, March 2011 Baseline

	(by fiscal year, budget authority and outlays in millions)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
Discretionary Pell Grant Program													
Assumed Discretionary Maximum Award Level a/	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860	\$4,860		
Discretionary Pell Grant Program													
Program Costs	34,497	34,994	34,685	35,105	35,497	36,076	36,529	37,064	37,531	38,075	38,558	210,853	398,609
Outlays	32,331	34,602	34,905	34,801	35,207	35,649	36,192	36,669	37,184	37,673	38,200	207,496	393,414
Mandatory Pell Grant Program													
Projected Additional Mandatory Award b/	\$690	\$690	\$760	\$850	\$955	\$1,070	\$1,200	\$1,200	\$1,200	\$1,200	\$1,200		
Total Federal Spending for Mandatory Pell Grants													
Program Costs	5,807	5,844	6,432	7,313	8,388	9,600	11,053	11,233	11,360	11,526	11,633	43,384	100,190
Outlays	5,173	5,808	6,003	6,664	7,594	8,704	9,981	11,087	11,266	11,404	11,553	39,947	95,238
Total Pell Grant Program													
Total Maximum Award	\$5,550	\$5,550	\$5,620	\$5,710	\$5,815	\$5,930	\$6,060	\$6,060	\$6,060	\$6,060	\$6,060		
Total Federal Spending for Pell Grants													
Program Costs	40,303	40,838	41,117	42,418	43,885	45,676	47,582	48,297	48,891	49,601	50,191	254,237	498,799
Outlays	37,505	40,410	40,908	41,465	42,801	44,354	46,173	47,756	48,450	49,077	49,753	247,443	488,652
Total Projected Recipients (in thousands)	9,880	9,910	9,950	10,160	10,420	10,660	10,980	11,170	11,330	11,520	11,670		

a/ The maximum award level for the discretionary portion of the Pell Grant Program is set each year in the annual appropriations act. In the most recently enacted appropriations act, it was set at \$4,860.

b/ The additional mandatory award level is based on a maximum discretionary award level of \$4,860. If the discretionary award level were set at a different amount, the mandatory award level would also change.

Note: The estimated program costs include savings from the proposed FAFSA-IRS Data Retrieval Process (GEN-11-03) and the proposed and final rules on "gainful employment" (75 Fed. Reg. 66665 and 75 Fed. Reg. 43616). If timing on the implementation of these policies were changed, it would change CBO's estimate of program costs.

TABLE 8

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CBO'S REESTIMATE OF THE PRESIDENT'S PROPOSAL FOR FEDERAL PELL GRANT PROGRAM, March 2011 Baseline

	(by fiscal year, budget authority and outlays in millions)												
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
Discretionary Pell Grant Program													
Discretionary Pell Grant Program: CBO March 2011 Baseline a/													
Budget Authority	36,662	23,417	23,787	24,181	24,575	25,015	25,525	26,057	26,567	27,100	27,632	157,637	290,518
Outlays	32,331	23,260	23,283	23,890	24,284	24,690	25,148	25,663	26,190	26,706	27,238	151,737	282,682
President's Proposal to Provide Additional Discretionary Spending to Sustain a Maximum Discretionary Award Level of \$4,860													
Budget Authority	0	8,359	6,048	6,027	5,995	6,014	5,846	5,741	5,633	5,564	5,435	32,443	60,662
Outlays	0	2,257	7,652	6,065	6,019	6,001	5,968	5,819	5,713	5,615	5,530	27,993	56,638
President's Proposal to Provide Additional Mandatory Spending to Sustain a Maximum Discretionary Award Level of \$4,860													
Budget Authority	0	8,561	1,700	1,800	1,900	2,000	2,100	2,200	2,250	2,300	2,350	15,961	27,161
Outlays	0	8,216	804	1,710	1,826	1,926	2,026	2,126	2,213	2,263	2,313	14,482	25,423
Total Additional Proposed Spending For Discretionary Pell Grants (as compared to the CBO baseline) b/													
Budget Authority	0	16,920	7,748	7,827	7,895	8,014	7,946	7,941	7,883	7,864	7,785	48,404	87,823
Outlays	0	10,473	8,456	7,775	7,845	7,927	7,994	7,945	7,925	7,878	7,843	42,475	82,061
Total Spending For Discretionary Pell Grants c/													
Budget Authority	36,662	40,337	31,535	32,008	32,470	33,029	33,471	33,998	34,450	34,963	35,417	206,041	378,340
Outlays	32,331	33,733	31,739	31,665	32,128	32,616	33,142	33,609	34,115	34,584	35,081	194,212	364,743
Mandatory Pell Grant Program													
Mandatory Pell Grant Program: CBO March 2011 Baseline													
Budget Authority	5,807	5,844	6,432	7,313	8,388	9,600	11,053	11,233	11,360	11,526	11,633	43,384	100,190
Outlays	5,173	5,808	6,003	6,664	7,594	8,704	9,981	11,087	11,266	11,404	11,553	39,947	95,238
President's proposals to eliminate disbursements multiple of Pell Grants in a Single Award Year (Year-round Pell) and Changes Needs Analysis Calculations (FAFSA Simplification) b/													
Budget Authority	0	-425	-488	-567	-673	-799	-943	-974	-971	-988	-973	-2,952	-7,801
Outlays	0	-115	-438	-509	-595	-706	-836	-950	-973	-976	-984	-2,362	-7,081
Total Spending For Mandatory Pell Grants													
Budget Authority	5,807	5,419	5,944	6,746	7,715	8,802	10,110	10,259	10,389	10,538	10,660	40,433	92,389
Outlays	5,173	5,694	5,565	6,156	7,000	7,998	9,144	10,137	10,293	10,428	10,570	37,586	88,157
Impact on Mandatory and Discretionary Spending													
Total Impact on Discretionary Spending (as compared to CBO's baseline)													
Budget Authority	0	8,359	6,048	6,027	5,995	6,014	5,846	5,741	5,633	5,564	5,435	32,443	60,662
Outlays	0	2,257	7,652	6,065	6,019	6,001	5,968	5,819	5,713	5,615	5,530	27,993	56,638
Total Impact on Mandatory Spending (as compared to CBO's baseline) d/													
Budget Authority	0	8,136	1,212	1,233	1,227	1,201	1,157	1,226	1,279	1,312	1,377	13,009	19,360
Outlays	0	8,101	366	1,201	1,231	1,220	1,190	1,176	1,239	1,287	1,329	12,120	18,342

a. The CBO baseline does not represent a projection of future expected costs for the discretionary portion of the Pell Grant Program at the most recently appropriated maximum award level. As with all other discretionary programs, projected outlays are based on an inflation of the budget authority provided for fiscal year 2011 (\$23.2 billion). As a result, additional funding is needed above what is in CBO's baseline to continue to support a maximum award level of \$4,860.

b. This estimate assumes that the President's proposal to eliminate "year-round" Pell grants would not be enacted until after July 1, 2010, and, thus would not result in savings for academic year 2011-2012. If it were enacted prior to July 1, CBO would increase its estimate of savings for fiscal year 2011.

c. The President's proposal to eliminate multiple Pell disbursements in a single award year (year-round Pell) and change needs analysis calculations (FAFSA Simplification) reduce the cost of the discretionary Pell Grant Program. As a result, total program costs for a maximum award of \$4,860 are lower under the President's proposal than under current law (see table 6 for program costs for a maximum award level of \$4,860 under current law). The table below shows the annual discretionary savings for these policies, assuming a maximum award level of \$4,860.

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2011-2016	2011-2021
Budget Authority	0	-3,217	-3,150	-3,097	-3,027	-3,047	-3,058	-3,065	-3,082	-3,112	-3,141	-15,538	-30,995
Outlays	0	-869	-3,167	-3,136	-3,079	-3,033	-3,050	-3,060	-3,069	-3,090	-3,119	-13,283	-28,671

d. Includes mandatory spending intended to supplement the discretionary program.

TABLE 9

CBO's Reestimate of the President's 2012 Mandatory Proposals for Postsecondary Education: (outlays by fiscal year, in millions of dollars) 1./

CBO Reestimate of the President's Proposals:

	<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>2021</u>	<u>2011-2016</u>	<u>2011-2021</u>
Pell Grant Mandatory Appropriations	---	8,216	804	1,710	1,826	1,926	2,026	2,126	2,213	2,263	2,313	14,482	25,423
Eliminate Graduates from Subsidized Loans	---	-650	-1,670	-1,990	-1,940	-1,900	-1,900	-1,935	-1,980	-2,030	-2,080	-8,150	-18,075
Debt Conversion 2/	---	-1,786	-13	-9	-6	-4	-5	-5	-5	-4	-3	-1,818	-1,839
Year-Round Pell and FAFSA Simplification	---	-115	-438	-509	-595	-706	-836	-950	-973	-976	-984	-2,362	-7,081
New Perkins Loan Program	---	-390	-830	-725	-635	-450	-340	-315	-315	-315	-315	-3,030	-4,630
Overhaul Teach Grants	---	24	118	104	95	95	78	-38	-50	-55	-55	435	315
College Completion Incentive Grants	---	2	42	220	288	300	291	93	15	0	0	852	1,251
Accelerate the Perkins Loan Recall	---	-334	223	27	39	56	62	65	74	60	60	10	332
Total	---	4,966	-1,764	-1,172	-928	-682	-623	-959	-1,021	-1,057	-1,064	418	-4,305

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 2012. It includes only reestimates of the President's postsecondary education proposals and does not include additional mandatory funding requested for elementary and secondary education.

2. Provide borrowers a one-time incentive to covert outstanding guaranteed loans to direct loans.