Congressional Budget Office
Cost Estimate

May 10, 2024

At a Glance

H.R. 6951, College Cost Reduction Act

As ordered reported by the House Committee on Education and the Workforce on January 31, 2024

By Fiscal Year, Billions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	-32.3	-91.7	-185.5
Revenues	0	0	0
Decrease (-) in the Deficit	-32.3	-91.7	-185.5
Spending Subject to Appropriation (Outlays)	*	-0.3	-1.8

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	Yes
		Mandate Effects	
		Contains intergovernmental mandate?	Yes, Under Threshold
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains private-sector mandate?	No

Estimates are relative to CBO's May 2023 baseline; * = between zero and $50 million.

The bill would

- Replace existing income-driven repayment (IDR) plans with a new IDR plan for federal student loans originated after June 30, 2024
- Prohibit the adoption of new regulations that would increase costs for the student loan program or markedly affect the economy
- Eliminate PLUS loans to parents and graduate students and amend annual and aggregate limits on borrowing in other types of loans
- Require postsecondary institutions to make payments to the federal government, based on the repayment of student loans by students at each institution
- Repeal certain regulations concerning student loans and postsecondary institutions
- Impose intergovernmental mandates by preempting state and local laws on federal student loan servicers

Estimated budgetary effects would mainly stem from

- Eliminating existing IDR plans
- Eliminating PLUS loans to parents and graduate students and instituting new limits on student loan borrowing
- Repealing certain regulations and preventing future administrative actions related to student loans
- Reduced borrowing in response to payments required of postsecondary institutions

Areas of significant uncertainty include

- Students' and institutions' responses to new incentives and penalties under the bill

Detailed estimate begins on the next page.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

Bill Summary

H.R. 6951 would amend the Higher Education Act of 1965, making changes to federal student aid programs. Specifically, the bill would modify the William D. Ford Federal Direct Loan Program by changing repayment terms, loan limits, and requirements for institutional eligibility. The bill also would limit the administrative authority of the Department of Education, repeal certain regulations, create a new institutional grant program funded through payments from postsecondary institutions, and increase data collection and reporting requirements for postsecondary institutions that receive federal aid.

Estimated Federal Cost

The estimated budgetary effect of H.R. 6951 is shown in Table 1. The costs of the legislation fall within budget functions 500 (education, training, employment, and social services) and 700 (veterans benefits and services).

Table 1.
Estimated Budgetary Effects of H.R. 6951

	By Fiscal Year, Billions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2028	2024-2033
	Decreases in Direct Spending												
Estimated Budget Authority	-34.1	-13.6	-16.2	-19.0	-20.1	-20.4	-20.5	-20.6	-21.5	-21.7	n.e.	-103.0	-207.7
Estimated Outlays	-32.3	-12.0	-13.7	-16.2	-17.5	-18.4	-18.4	-18.6	-19.0	-19.4	n.e.	-91.7	-185.5
	Increases or Decreases (-) in Spending Subject to Appropriation												
Estimated Authorization	*	*	-0.1	-0.2	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	n.e.	-0.5	-2.0
Estimated Outlays	*	*	*	-0.1	-0.2	-0.2	-0.3	-0.3	-0.3	-0.4	n.e.	-0.3	-1.8

Components may not sum to totals because of rounding; n.e. = not estimated; * = between -$50 million and $50 million.

Basis of Estimate

For this estimate, CBO assumes that H.R. 6951 will be enacted near the middle of calendar year 2024. Estimates are based on information from a variety of sources, including the National Center for Education Statistics, National Student Loan Data System, and National Postsecondary Student Aid Study as well as data supplied by the Department of Education from applications for federal student aid.

CBO estimates that enacting H.R. 6951 would reduce direct spending by $91.7 billion over the 2024-2028 period and by $185.5 billion over the 2024-2033 period. Implementing the

bill would reduce spending subject to appropriation by $0.3 billion over the 2024-2028 period and $1.8 billion over the 2024-2033 period.

The estimates are relative to CBO's May 2023 baseline, updated for subsequently enacted legislation and most administrative actions. On April 17, 2024, the Administration published a notice of proposed rulemaking that describes new ways in which the Secretary of Education may cancel all or part of a borrower's outstanding federal loan debt.[1] CBO has not completed an estimate of the proposed rule, so the effects of that policy are not incorporated into this estimate. We expect that incorporating the proposed rule would, on net, reduce the overall estimated savings of enacting H.R. 6951.

Budgetary Treatment of Federal Student Loans and Pell Grants
CBO estimates that enacting H.R. 6951 would affect spending both for the federal direct student loan program and for the Federal Pell Grant Program. Those programs are treated differently in the federal budget than most other federal programs.

Federal Direct Student Loan Program. As required by the Federal Credit Reform Act of 1990 (FCRA), the costs of the federal student loan program are estimated on a net-present-value basis. A present value is a single number that expresses a flow of current and future payments or receipts in terms of an equivalent lump sum paid or received at a specific time. The value depends on the rates of interest, known as the discount rates, used to translate future cash flows into current dollars. FCRA specifies those discount rates as the rates on Treasury securities with similar terms to maturity. As required by FCRA, changes to the estimated costs of outstanding student loans are shown in the year of enactment. The administrative costs of the student loan program are estimated on a cash basis.

Federal Pell Grant Program. Pell grants provide need-based aid to undergraduate students; they are funded by discretionary and direct spending. For the 2024-2025 academic year, which begins on July 1, 2024, the maximum award a student can receive is $6,335. The maximum award amount, and the amount of discretionary funding, are set in the annual appropriation act. CBO's estimate of the program's costs is based on an assumption that the maximum award will stay the same through 2033.

The program also has direct spending authority to support a "mandatory add-on," which increases the award amount by $1,060 above the discretionary maximum: For the 2024-2025 academic year, the total maximum award is $7,395. The costs of the mandatory and discretionary components of Pell grants under the bill are discussed separately in the sections on "Direct Spending" and "Spending Subject to Appropriation."

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1. See Office of Postsecondary Education, Department of Education, "Student Debt Relief for the William D. Ford Federal Direct Loan Program (Direct Loans), the Federal Family Education Loan (FFEL) Program, the Federal Perkins Loan (Perkins) Program, and the Health Education Assistance Loan (HEAL) Program," notice of proposed rulemaking, 89 *Fed. Reg.* 27564 (April 17, 2024), https://tinyurl.com/3db2cpxe.

Direct Spending
CBO estimates that enacting the bill would decrease direct spending, on net, by $185.5 billion over the 2024-2033 period (see Table 2). Those reductions include changes to the cost of federal student loans and the mandatory add-on portion of Pell grants.

Loan Repayment. Under H.R. 6951 the Department of Education would offer borrowers two repayment plans for loans originated after June 30, 2024: the currently available 10-year repayment plan and a new income-driven repayment (IDR) plan. The bill would eliminate all other plans, including the Saving on a Valuable Education (SAVE) Plan, which is the IDR plan that was created administratively in 2023.

The new IDR plan would:

- Set payments at 10 percent of discretionary income (defined as the amount of a borrower's income that is above 150 percent of the federal poverty guidelines). Under the SAVE Plan, borrowers pay between 5 percent and 10 percent of their income above 225 percent of the federal poverty guidelines.
- Waive 100 percent of unpaid accrued interest when a borrower's calculated payment does not cover accrued interest; the same is true for the current SAVE Plan.
- Match 50 percent of the monthly amount paid by borrowers who meet income criteria and apply that match to the outstanding principal balance; the SAVE Plan has no such match.
- Forgive any outstanding loan balance after the borrower repays the amount that would have been owed under a current 10-year repayment plan (regardless of the amount of time required to repay such loans). Under the SAVE Plan, outstanding balances generally are forgiven after 20 or 25 years of repayment; for smaller balances, forgiveness can occur after 10 years, no matter how much of the balance has been repaid.

CBO estimates that about half of the loan volume originated after June 30, 2024, would be repaid through the bill's IDR plan. In contrast, CBO estimates, roughly 70 percent of loan volume would be repaid under the SAVE Plan and other current-law IDR plans. Borrowers repaying their loans would pay more, on average, under the bill than under current law. CBO estimates that implementing the changes to repayment plans would reduce direct spending for student loans by $127.3 billion over the 2024-2033 period.[2]

2. For information on CBO's modeling, see Nadia Karamcheva, Jeffrey Perry, and Constantine Yannelis, *Income-Driven Repayment Plans for Student Loans,* Working Paper 2020-02 (Congressional Budget Office, April 2020), www.cbo.gov/publication/56337. For earlier SAVE Plan estimates, see below, "Previous CBO Estimates."

Table 2.
Estimated Direct Spending Effects Under H.R. 6951

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Loan Repayment												
Budget Authority	-11,576	-12,683	-13,843	-15,285	-15,148	-15,282	-15,178	-15,022	-15,526	-15,611	-68,535	-145,154
Outlays	-10,185	-11,157	-12,080	-13,256	-13,390	-13,408	-13,329	-13,261	-13,505	-13,728	-60,068	-127,299
Limit Regulatory Authority												
Budget Authority	-19,853	-1,219	-1,248	-1,286	-1,315	-1,344	-1,373	-1,403	-1,432	-1,454	-24,921	-31,927
Outlays	-19,364	-1,071	-1,098	-1,129	-1,158	-1,184	-1,210	-1,237	-1,263	-1,285	-23,820	-29,999
Loan Limits												
Budget Authority	0	-322	279	-1,746	-2,754	-3,028	-2,979	-3,304	-3,881	-4,284	-4,543	-22,019
Outlays	0	-222	60	-1,010	-2,189	-2,618	-2,749	-3,008	-3,328	-3,667	-3,361	-18,731
Risk-Sharing Payments and PROMISE Grants[a]												
Budget Authority	0	-528	-1,494	-2,146	-2,385	-2,418	-2,481	-2,490	-2,610	-2,563	-6,553	-19,115
Outlays	0	-325	-1,035	-1,707	-2,143	-2,603	-2,575	-2,615	-2,612	-2,548	-5,210	-18,163
Eliminate Origination Fees and Capitalization												
Budget Authority	2,248	2,259	2,353	2,443	2,511	2,571	2,634	2,699	2,633	2,698	11,814	25,049
Outlays	1,729	2,005	2,090	2,172	2,233	2,286	2,341	2,400	2,382	2,399	10,229	22,037
Regulatory Changes												
Budget Authority	-4,665	-24	142	211	274	263	252	240	233	216	-4,062	-2,858
Outlays	-4,370	-269	67	141	169	162	152	142	132	119	-4,262	-3,555
Other Provisions												
Budget Authority	3	51	89	132	171	171	172	172	175	174	446	1,310
Outlays	3	34	68	105	143	157	157	157	160	160	353	1,144
Interactions												
Budget Authority	-282	-1,179	-2,463	-1,360	-1,408	-1,329	-1,590	-1,521	-1,045	-847	-6,692	-13,024
Outlays	-86	-993	-1,799	-1,471	-1,168	-1,175	-1,227	-1,183	-998	-812	-5,517	-10,912
Total, Direct Spending												
Budget Authority	-34,125	-13,645	-16,185	-19,037	-20,054	-20,396	-20,543	-20,629	-21,453	-21,671	-103,046	-207,738
Outlays	-32,273	-11,998	-13,727	-16,155	-17,503	-18,383	-18,440	-18,605	-19,032	-19,362	-91,656	-185,478

Budget authority and outlays are estimated relative to CBO's May 2023 baseline, adjusted for subsequent legislation and administrative actions other than the April 17, 2024, proposed rule on debt cancellation. CBO's May 2023 baseline uses a 5-year budget window of 2024 to 2028 and a 10-year budget window of 2024 to 2033.

PROMISE = Promoting Real Opportunities to Maximize Investments and Savings in Education.

The estimates shown for risk-sharing payments and PROMISE grants incorporate interactions with the bill's other student loan policies and include the effects of institutional responses. See Table 4 for more details.

Limit Regulatory Authority. H.R. 6951 would limit the authority of the Department of Education to issue regulations that would increase the cost of federal student loans or that would have economically significant effects (that is, that would have an annual effect on the economy of $100 million or more or that would adversely affect the economy in a material way). CBO's baseline includes costs that reflect the possibility of future administrative actions that would increase the cost to the government of federal student loans. Therefore, CBO estimates that enacting this provision would decrease direct spending for student loans by $30.0 billion over the 2024-2033 period.

Loan Limits. H.R. 6951 would eliminate parent PLUS loans, which are offered to parents of dependent undergraduate students, and grad PLUS loans, which are offered to graduate students and students enrolled in professional programs. The bill would generally eliminate such loans to new borrowers beginning on July 1, 2025, and would eliminate the program altogether by 2028. Beginning on July 1, 2025, the bill also would amend loan limits for unsubsidized graduate and undergraduate loans. CBO estimates that, in total, those provisions would reduce direct spending by $18.7 billion (see Table 3).

Table 3.
Estimated Direct Spending Effects of Loan Limits Under H.R. 6951

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Eliminate Parent PLUS Loans												
Budget Authority	0	494	1,227	1,865	2,088	2,110	2,142	2,172	2,178	2,221	5,674	16,497
Outlays	0	274	865	1,473	1,810	1,895	1,920	1,948	1,962	1,988	4,422	14,135
Eliminate Grad PLUS Loans and Amend Limits for Unsubsidized Graduate Loans												
Budget Authority	0	-1,008	-1,848	-4,763	-6,098	-6,278	-6,422	-6,607	-7,007	-7,309	-13,717	-47,340
Outlays	0	-606	-1,405	-3,351	-5,078	-5,617	-5,757	-5,909	-6,196	-6,501	-10,440	-40,420
Amend Limits for Unsubsidized Undergraduate Loans												
Budget Authority	0	192	900	1,152	1,256	1,140	1,301	1,131	948	804	3,500	8,824
Outlays	0	110	600	868	1,079	1,104	1,088	953	906	846	2,657	7,554
Total, Loan Limits												
Budget Authority	0	-322	279	-1,746	-2,754	-3,028	-2,979	-3,304	-3,881	-4,284	-4,543	-22,019
Outlays	0	-222	60	-1,010	-2,189	-2,618	-2,749	-3,008	-3,328	-3,667	-3,361	-18,731

Budget authority and outlays are estimated relative to CBO's May 2023 baseline, adjusted for subsequent legislation and administrative actions other than the April 17, 2024, proposed rule on debt cancellation. CBO's May 2023 baseline uses a 5-year spending window of 2024 to 2028 and a 10-year budget window of 2024 to 2033.

Eliminate Parent PLUS Loans. In CBO's May 2023 baseline projections, in 2025, parents will borrow approximately $11 billion in PLUS loans, and, on average, the federal government will earn, on a net-present-value basis, about 16 cents for every dollar it lends. On that basis, CBO estimates that eliminating parent PLUS loans would increase direct spending by $14.1 billion over the 2024-2033 period.

Eliminate Grad PLUS Loans and Amend Limits for Unsubsidized Graduate Loans. In addition to eliminating grad PLUS loans, H.R. 6951 would increase annual limits on borrowing for graduate students, on average, while decreasing aggregate limits. Specifically, the bill would allow graduate students to take out unsubsidized loans up to the median annual cost of their program, with an aggregate maximum of $100,000, or $150,000 if the borrower is enrolled in a graduate professional program. Under the bill, the total amount of financial assistance, including grants and loans, could not exceed the borrower's annual cost of attendance. Under current law, graduate students may borrow up to $20,500 each year in unsubsidized loans, with a total aggregate cap for most borrowers of $138,500. They can borrow up to the cost of attendance under the grad PLUS loan program, which does not have an aggregate cap.

CBO analyzed current borrowing patterns using data from the National Postsecondary Student Aid Study and National Student Loan Data System and expects that borrowing would increase in the unsubsidized program as a result of the higher limits in the bill. CBO expects that borrowers who borrowed the most under current law, including the use of PLUS loans, were more likely to increase borrowing.

Under current law, CBO estimates that borrowers will take out approximately $15 billion in grad PLUS loans in 2025, increasing to about $17 billion in 2028. Without access to those loans, CBO expects that by 2029, students who would have taken out grad PLUS loans under current law would increase their graduate unsubsidized borrowing, resulting in a nearly 20 percent increase in graduate unsubsidized loan volume under H.R. 6951.

CBO estimates that eliminating grad PLUS loans and amending unsubsidized loan limits for graduate borrowers would reduce direct spending by $40.4 billion over the 2024-2033 period.

Amend Limits for Unsubsidized Undergraduate Loans. CBO estimates that enacting H.R. 6951 would increase the total amount of unsubsidized loans to undergraduate students.

Under current law, annual and aggregate limits on unsubsidized loans are set based on the borrower's class level and dependency type. H.R. 6951 would set the annual limit at the median cost of college for the program the borrower is enrolled in, which is higher than the current limits, on average. The bill also would require that total financial assistance not exceed the student's cost of attendance and would set an aggregate cap at $50,000 on the amount a student may borrow—an increase for dependent students but a decrease for

independent students.[3] Using methods that are similar to those used to analyze the bill's effects on graduate loan loans, CBO expects that borrowers who borrow the most under current law, including in parent PLUS loans, would be likely to increase borrowing under the bill's higher limits.

H.R. 6951 also would allow institutions to cap loan amounts for some or all students. Using information from financial aid associations and other sources with knowledge of student aid programs, along with data from the National Postsecondary Student Aid Study, CBO expects that, under the bill's new loan limits, this provision would limit some of the otherwise expected increase in lending.

CBO estimates that amending loan limits and allowing institutions the flexibility to cap limits for undergraduate students would, on net, increase lending by about 10 percent and direct spending by $7.6 billion over the 2024-2033 period.

Risk-Sharing Payments and PROMISE Grants. Under H.R. 6951, postsecondary institutions could be required to make annual payments, called risk-sharing payments, in order to participate in the federal student loan program. Those payments would be the main source of funding for the Promoting Real Opportunities to Maximize Investments and Savings in Education (PROMISE) grants, which would be made to eligible postsecondary education institutions to help improve affordability and promote success for students. (Other funding for PROMISE grants would come from funds that postsecondary institutions return to the federal government, under title IV of the Higher Education Act, when students withdraw from their programs.)

CBO estimated the amounts in risk-sharing payments on a cash basis rather than using FCRA procedures because those annual payments are based on cohorts of loans and are not tied directly to, or made on behalf of, any individual loan. Loan cohorts consist of groups of loans from borrowers who exit a program in the same year. CBO also estimated the effects of those provisions as if all other provisions in the bill were enacted simultaneously. For example, the estimate for the amount of risk-sharing payments incorporates an assumption that borrowers would no longer be eligible for the current SAVE Plan, that PLUS loans would no longer be available, and that new loan limits would be in place. CBO estimates that, in total, the risk-sharing payments and their effects on institutional participation, and the PROMISE grant program, including other sources of funding, would reduce direct spending by $18.2 billion over the 2024-2033 period (see Table 4).

3. Under current law, $31,000 is the aggregate limit for undergraduate dependent students; $57,500 is the limit for undergraduate independent students. No student can have more than $23,000 in subsidized loans. H.R. 6951 would not change annual or aggregate limits on subsidized loans.

Table 4.
Estimated Direct Spending Effects of Risk-Sharing Payments and PROMISE Grants Under H.R. 6951

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Risk-Sharing Payments												
Budget Authority	0	0	0	-8	-151	-798	-1,336	-1,893	-2,348	-2,709	-159	-9,243
Outlays	0	0	0	-8	-151	-798	-1,336	-1,893	-2,348	-2,709	-159	-9,243
Reduction in Institutional Participation in Federal Student Aid Programs												
Student Loans												
Budget Authority	0	-521	-1,467	-2,107	-2,342	-2,371	-2,430	-2,434	-2,550	-2,502	-6,437	-18,724
Outlays	0	-323	-1,031	-1,675	-1,992	-2,080	-2,124	-2,145	-2,214	-2,217	-5,021	-15,801
Pell Grants Mandatory Add-On												
Budget Authority	0	-7	-38	-57	-61	-65	-69	-74	-78	-79	-163	-528
Outlays	0	-2	-15	-42	-58	-62	-66	-70	-75	-78	-117	-468
PROMISE Grants												
Budget Authority	0	0	0	8	151	798	1,336	1,893	2,348	2,709	159	9,243
Outlays	0	0	0	0	40	319	933	1,475	2,007	2,438	40	7,212
Return of Title IV Funds for Student Loans and the Pell Grant Mandatory Add-On												
Budget Authority	0	0	11	18	18	18	18	18	18	18	47	137
Outlays	0	0	11	18	18	18	18	18	18	18	47	137
Total, Risk-Sharing Payments and PROMISE Grants												
Budget Authority	0	-528	-1,494	-2,146	-2,385	-2,418	-2,481	-2,490	-2,610	-2,563	-6,553	-19,115
Outlays	0	-325	-1,035	-1,707	-2,143	-2,603	-2,575	-2,615	-2,612	-2,548	-5,210	-18,163

Budget authority and outlays are estimated relative to CBO's May 2023 baseline, adjusted for subsequent legislation and administrative actions other than the April 17, 2024, proposed rule on debt cancellation. CBO's May 2023 baseline uses a 5-year spending window of 2024 to 2028 and a 10-year budget window of 2024 to 2033.

Risk-Sharing Payments. Under H.R. 6951, some institutions would be required to make annual payments to the Department of Education to participate in the federal student loan program. Those payments would be recorded as offsetting receipts, that is, as a reduction in direct spending. An institution's risk-sharing payment would be based on a formula that considers the amount of loan payments in a cohort that are waived, matched, or forgiven in the new IDR plan or that borrowers fail to make in a timely manner, as well as the total cost of a program for borrowers who complete that program, and borrowers' future earnings.

CBO calculated risk-sharing payments based on our estimates of repayment in IDR plans and information from the College Scorecard database (which gathers data on institutional costs, graduation and employment rates, and student loan borrowing), and the Integrated Postsecondary Education Data System. CBO also analyzed delinquency and default rates using data in the National Student Loan Data System.

CBO anticipates that the first risk-sharing payments would be made by institutions late in fiscal year 2027, after the Department of Education issues new rules, and that the department would apply the requirements prospectively on loans made beginning in the 2026-2027 award year. We expect that initially, risk-sharing payments would be small but would increase as more borrowers entered repayment on loans originated after June 30, 2026. CBO estimates that by 2033, risk-sharing payments would be $2.7 billion and would continue to increase after that year. In total, CBO estimates that the risk-sharing payments would reduce direct spending by $9.2 billion over the 2024-2033 period.

Reduction in Institutional Participation in Federal Student Aid Programs. Given the high cost of risk-sharing payments to institutions and the considerable uncertainty about that cost over the lifetime of any given loan, CBO expects that some institutions would take action to avoid making those payments: Some would choose not to participate in the federal student loan program, others would close certain institutional programs, and still others would close altogether. Based on information from associations of schools and from people with knowledge of postsecondary financial aid programs, CBO estimates that enacting this provision would reduce projected loan volume by about one-third.

CBO estimates that, after incorporating all of the bill's provisions, one dollar of student loan volume would cost the federal government, on average, about 11 cents. On that basis, CBO estimates that the reduction in loan volume would reduce direct spending by $15.8 billion over the 2024-2033 period.

CBO expects that decisions by institutions to avoid risk-sharing payments also would affect federal spending for the Pell grant mandatory add-on. In general, institutions that leave the federal student loan program would be expected to continue to participate in the Pell grant program. However, based on the literature included as part of the Department of Education's rulemaking on gainful employment and financial transparency (see "Regulatory Changes" below for more information), CBO expects that some students enrolled in programs or schools that close as a result of the bill's risk-sharing requirements would not reenroll in other programs. Thus, CBO estimates that enacting the risk-sharing provision would reduce spending for the Pell grant mandatory add-on by $468 million over the 2024-2033 period.

PROMISE Grants. H.R. 6951 would institute PROMISE grants, funded by institutional risk-sharing payments and federal student aid funds that must be returned to the federal government when students withdraw. To be eligible for a grant, an institution would need to guarantee the total amount of tuition and fees (net of institutional aid, but excluding federal

aid), that a student can be charged for completion of a program, for a maximum of six years while the student is enrolled.

Under the bill's grant formula, an eligible institution could receive up to $5,000 for each student receiving federal financial aid each year, depending on the availability of funds. Along with additional criteria, the formula compares students' earnings after completion of a program to the cost of tuition, and it makes an adjustment for the amount an institution receives in federal work-study funds and funds for Federal Supplemental Educational Opportunity Grants.

CBO expects that PROMISE grants would be awarded as funds become available. Using information from the College Scorecard database and the Integrated Postsecondary Education Data System and considering estimated risk-sharing payments, CBO estimates that PROMISE grants would increase direct spending by $7.2 billion over the 2024-2033 period.

Return of Title IV Funds for Student Loans and the Pell Grant Mandatory Add-On. H.R. 6951 would allow the Department of Education to reallocate federal student aid that is returned to the government under title IV to PROMISE grants. CBO estimates that enacting this provision would increase direct spending for student loans because the provision would change the underlying subsidy rate of those loans. Funding PROMISE grants with returned funds from the mandatory add-on for Pell grants also would increase direct spending because the underlying Pell grant is not subject to appropriation. In total, CBO estimates that using those returned funds for PROMISE grants would increase direct spending by $137 million over the 2024-2033 period.[4]

Eliminate Origination Fees and the Capitalization of Interest. H.R. 6951 would eliminate origination fees and capitalization of interest for all federal student loans. CBO estimates that enacting those provisions would increase direct spending by $22.0 billion in total over the 2024-2033 period (see Table 2). The two components of that cost are detailed below.

- Under current law, the origination fee for unsubsidized federal student loans is 1 percent; the fee for PLUS loans is 4 percent.[5] CBO estimates that eliminating those fees would increase direct spending by $18.2 billion over the 2024-2033 period.

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4. The costs of this provision for student loans are estimated on a net-present-value basis using FCRA procedures. However, CBO expects that the amounts available to fund PROMISE grants would be available to the Department of Education to disburse on a cash basis as they are received.
5. The Budget Control Act of 2011 requires automatic reductions in the cost of certain mandatory programs. For student loans, the savings are achieved by increasing origination fees above the percentages specified in the Higher Education Act. CBO's estimates of this provision are based on those higher origination fees, but the fees described in the text do not include that additional amount.

- The bill also would prohibit the capitalization of outstanding interest (that is, adding interest to a loan's principal balance). Under current law, interest is capitalized when a borrower exits deferment, which increases the total amount of interest the loan accrues. CBO estimates that eliminating capitalization would increase direct spending by $3.8 billion over the 2024-2033 period.

Regulatory Changes. H.R. 6951 would repeal or modify regulations related to federal student aid. In total, enacting those provisions would reduce direct spending by $3.6 billion over the 2024-2033 period, CBO estimates (see Table 5).

Modify the Borrower Defense Rule. H.R. 6951 would partially repeal a rule that made it easier for a borrower to discharge loans as a result of a school's misconduct, including, for example, misrepresentation of student outcomes. Based on an analysis of loan volume at schools that were or are under investigation for issues that could fall under that rule, and using data from the Department of Education, CBO estimates that enacting the change would reduce direct spending by $9.8 billion over the 2024-2033 period.

Repeal the Closed-Schools Rule. H.R. 6951 would repeal a rule that established a standard process for discharging loans made to borrowers who attended schools that closed, thus increasing the likelihood of loan discharge for those borrowers. Using information from the Department of Education, CBO estimates that repealing the rule would reduce direct spending by $4.9 billion over the 2024-2033 period.

Repeal the Gainful Employment and Financial Transparency Rules. The bill would repeal rules that established a maximum debt-to-earnings ratio that students enrolled at for-profit institutions and in certain non-degree-granting programs at two-year institutions would need to meet for the programs to remain eligible for federal student aid (referred to as the gainful employment rule). Based on a literature review, CBO estimates that repealing the rules would increase both student borrowing and the number of Pell grant recipients by about 2 percent. On that basis, CBO estimates that enacting the provision would increase direct spending by $9.1 billion over the 2024-2033 period: $8.3 billion for student loans and $0.8 billion for the Pell grant mandatory add-on.

Repeal the 90/10 Rule. H.R. 6951 would repeal the requirement that for-profit institutions receive no more than 90 percent of their revenue from federal financial aid, including veterans' education benefits. CBO anticipates that repealing the rule would allow schools whose revenue comes primarily from federal sources to expand enrollment and that the schools closest to the 90 percent threshold would be the most likely to do so. CBO estimates that enacting this provision would increase direct spending by about $2.0 billion over the 2024-2033 period: $1.7 billion for increased student loan volume, $270 million for the Pell grant mandatory add-on, and $25 million for veterans' education benefits.

Table 5.
Estimated Direct Spending Effects of Regulatory Changes Under H.R. 6951

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases or Decreases (-) in Direct Spending											
Modify the Borrower Defense Rule												
Budget Authority	-3,505	-736	-767	-800	-816	-833	-850	-868	-883	-901	-6,624	-10,959
Outlays	-3,217	-642	-669	-698	-718	-733	-748	-764	-778	-793	-5,944	-9,760
Repeal the Closed-Schools Rule												
Budget Authority	-1,478	-400	-420	-439	-449	-455	-461	-465	-474	-481	-3,186	-5,522
Outlays	-1,328	-347	-364	-382	-393	-399	-405	-409	-416	-423	-2,814	-4,866
Repeal the Gainful Employment and Financial Transparency Rules												
Student Loans												
Budget Authority	251	913	1,028	1,035	1,042	1,049	1,057	1,064	1,074	1,081	4,269	9,594
Outlays	147	613	889	929	936	942	949	956	963	971	3,514	8,295
Pell Grants Mandatory Add-On												
Budget Authority	23	85	98	99	99	100	101	101	102	103	404	911
Outlays	6	39	88	98	99	99	100	101	102	102	330	834
Repeal the 90/10 Rule												
Student Loans												
Budget Authority	38	98	180	285	359	362	365	368	374	377	960	2,806
Outlays	22	58	106	168	212	214	216	218	221	223	566	1,658
Pell Grant Mandatory Add-On												
Budget Authority	7	15	22	29	37	38	38	38	38	35	110	297
Outlays	2	9	16	24	31	37	38	38	38	37	82	270
Veterans' Education Benefits												
Budget Authority	*	2	2	3	3	3	3	3	3	3	10	25
Outlays	*	2	2	3	3	3	3	3	3	3	10	25
Change in Ownership												
Budget Authority	-1	-1	-1	-1	-1	-1	-1	-1	-1	-1	-5	-10
Outlays	-2	-1	-1	-1	-1	-1	-1	-1	-1	-1	-6	-11
Total Regulatory Changes												
Budget Authority	-4,665	-24	142	211	274	263	252	240	233	216	-4062	-2,858
Outlays	-4,370	-269	67	141	169	162	152	142	132	119	-4262	-3,555

Budget authority and outlays are estimated relative to CBO's May 2023 baseline, adjusted for subsequent legislation and administrative actions other than the April 17, 2024, proposed rule on debt cancellation. CBO's May 2023 baseline uses a 5-year spending window of 2024 to 2028 and a 10-year budget window of 2024 to 2033.

* = between zero and $500,000.

Change in Ownership. The bill would require institutions undergoing a change in ownership or conversion from for-profit to nonprofit status to pay an administrative fee equal to a specified portion of their revenue. CBO estimates that enacting the provision would decrease direct spending by $11 million over the 2024-2033 period.

Other Provisions. H.R. 6951 also would make other, smaller changes to the federal student aid system that would affect direct spending. CBO estimates that enacting those provisions would increase direct spending by $1.1 billion over the 2024-2033 period (see Table 6).

Table 6.
Estimated Direct Spending Effects of Other Provisions Under H.R. 6951

	By Fiscal Year, Millions of Dollars											
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2024-2028	2024-2033
	Increases in Direct Spending											
Accrediting Agencies												
Student Loans												
Budget Authority	0	28	59	94	126	126	127	126	129	130	307	945
Outlays	0	17	43	73	103	112	112	112	114	115	236	801
Pell Grants Mandatory Add-on												
Budget Authority	0	7	14	22	29	29	29	30	30	28	72	218
Outlays	0	2	9	16	24	29	29	29	30	29	51	197
Loan Rehabilitation[a]												
Budget Authority	3	15	15	15	15	15	15	15	15	15	63	138
Outlays	3	15	15	15	15	15	15	15	15	15	63	138
Farm and Small Business Exemptions												
Budget Authority	0	1	1	1	1	1	1	1	1	1	4	9
Outlays	0	*	1	1	1	1	1	1	1	1	3	8
Total, Other Provisions												
Budget Authority	3	51	89	132	171	171	172	172	175	174	446	1,310
Outlays	3	34	68	105	143	157	157	157	160	160	353	1,144

Budget authority and outlays are estimated relative to CBO's May 2023 baseline, adjusted for subsequent legislation and administrative actions other than the April 17, 2024, proposed rule on debt cancellation. CBO's May 2023 baseline uses a 5-year spending window of 2024 to 2028 and a 10-year budget window of 2024 to 2033.

* = between -$500,000 and $500,000.

a. Because the costs of loan rehabilitation are administrative, they are estimated on a cash basis.

Accrediting Agencies. The bill would amend the requirements for accrediting agencies, private educational associations that develop evaluation criteria and conduct peer evaluations for accrediting postsecondary institutions and conferring eligibility to participate in federal

student aid programs. CBO expects that enacting this provision would allow more postsecondary institutions to become eligible for federal aid programs. We estimate that the change would increase direct spending by about $1 billion over the 2024-2033 period: $801 million for student loans and $197 million for the Pell grant mandatory add-on.

Loan Rehabilitation. The bill would allow borrowers who default on their loans to be eligible for a second rehabilitation loan, which allows borrowers to exit default by making nine on-time payments. Under current law, borrowers can rehabilitate their loans just once.[6] CBO estimates that enacting this provision would increase the cost of administering student loans by $138 million over the 2024-2033 period; administrative costs are estimated on a cash rather than an accrual basis.

Farm and Small Business Exemptions. The bill would exclude certain farm and small business assets from calculations for a student's eligibility for the Pell grant program. CBO estimates that enacting this provision would increase spending for the Pell grant mandatory add-on by $8 million over the 2024-2033 period.

Interactions Among Provisions. The direct spending effects of simultaneously enacting all provisions in H.R. 6951 would differ from the sum of each provision's effects relative to CBO's baseline. CBO estimates that those interactions, if combined, would decrease direct spending by an additional $10.9 billion over the 2024-2033 period (see Table 2).

For example, the cost of eliminating origination fees in PLUS loans is captured both in CBO's estimate of the provision to eliminate origination fees and in the estimate to eliminate the PLUS loan program. That difference, and other similar differences, are included in CBO's estimate of the bill's interactions. (Most provisions presented here were estimated relative to current law. However, the risk-sharing payments and PROMISE grant provisions were estimated relative to CBO's baseline adjusted to include the effects of all other policies in H.R. 6951. The estimate of these provisions contains some interactions not shown in the "Interactions" row in Table 2.)

Spending Subject to Appropriation

Using information about current or similar programs and activities, CBO estimates that implementing H.R. 6951 would decrease spending subject to appropriation by $330 million over the 2024-2028 period (see Table 1). That estimate includes a reduction in costs for the discretionary portion of the Pell grant program, partially offset by the costs of other provisions in the bill. Any spending would be subject to the availability of appropriated funds.

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6. The Fresh Start Program temporarily eliminated the need for borrowers in default to rehabilitate their loans and does not qualify as a rehabilitation loan. That program ends September 30, 2024.

Pell Grants. CBO estimates that implementing H.R. 6951 would, on net, decrease the cost of the discretionary portion of the Pell grant program (the affected provisions are described above in "Direct Spending") by $518 million over the 2024-2028 period (see Table 7).

Table 7.
Estimated Changes in Spending Subject to Appropriation for Pell Grants Under H.R. 6951

	By Fiscal Year, Millions of Dollars					
	2024	2025	2026	2027	2028	2024-2028
	Increases and Decreases (-) in Spending Subject to Appropriation					
Repeal the Gainful Employment and Financial Transparency Rules[a]						
Estimated Authorization	0	441	496	501	505	1,943
Estimated Outlays	0	115	451	497	502	1,565
Risk-Sharing Payments						
Estimated Authorization	0	-37	-190	-287	-309	-823
Estimated Outlays	0	-10	-77	-214	-292	-593
Repeal 90/10 Rule[a]						
Estimated Authorization	0	70	105	140	176	491
Estimated Outlays	0	18	78	114	149	359
Accrediting Agencies						
Estimated Authorization	0	34	68	103	138	343
Estimated Outlays	0	9	43	77	112	241
Return of Title IV Funds						
Estimated Authorization	0	0	14	24	24	62
Estimated Outlays	0	0	14	24	24	62
Farm and Small Business Exemptions						
Estimated Authorization	0	4	4	4	4	16
Estimated Outlays	0	1	4	4	4	13
Interactions[a]						
Estimated Authorization	0	-545	-669	-744	-819	-2,777
Estimated Outlays	0	-142	-572	-688	-763	-2,165
Total Changes						
Estimated Authorization	0	-33	-172	-259	-281	-745
Estimated Outlays	0	-9	-59	-186	-264	-518

a. Because the Congress has already enacted appropriations for fiscal year 2024, any additional costs for the discretionary portion of the Pell grant program in that year would come from existing appropriations funds and be treated as additional direct spending. However, CBO estimates that, on net, enacting H.R. 6951 would not increase the cost of the discretionary portion of the program in fiscal year 2024.

That decrease in costs would result from the following changes:

- Repealing the gainful employment and financial transparency rules would increase spending by $1.6 billion over the 2024-2028 period and by $4.1 billion over the 2024-2033 period.

- Implementing risk-sharing payments would reduce institutional participation in the federal student aid program, which would reduce spending by $593 million over the 2024-2028 period and by $2.4 billion over the 2024-2033 period.
- Repealing the 90/10 rule would increase spending by $359 million over the 2024-2028 period and by $1.3 billion over the 2024-2033 period.
- Changing requirements for institutional accreditation agencies would increase spending by $241 million over the 2024-2028 period and by $941 million over the 2024-2033 period.
- Funding PROMISE grants with title IV funds returned to the government would increase spending by $62 million over the 2024-2028 period and by $184 million over the 2024-2033 period.
- Excluding certain farm and small business assets from the calculation for Pell grants would increase spending by $13 million over the 2024-2028 period and by $33 million over the 2024-2033 period.
- The interactions between the effects of the new risk-sharing payments and several other provisions in the bill would reduce spending by $2.2 billion over the 2024-2028 period and by $6.3 billion over the 2024-2033 period. Those other provisions include the repeal of the gainful employment and financial transparency rules, the 90/10 rule and new requirements for accreditation agencies.

Other Changes in Discretionary Spending. Using information about the costs of similar programs and based on feedback from the Department of Education, CBO estimates that implementing the other provisions in H.R. 6951 would cost $188 million over the 2024-2028 period and $421 million over the 2024-2033 period (see Table 8).

CBO estimates that implementing the bill would result in the following additional costs:

- The bill would authorize the appropriation of $45 million annually over the 2026-2031 period for the Postsecondary Student Success Grants program. That authorization would automatically be extended for one year by the General Education Provisions Act. Those grants would support activities to increase the participation, retention, and completion rates among high-need students, including low-income and special education students. CBO estimates that implementing the provision would cost $126 million over the 2024-2028 period and $315 million over the 2024-2033 period.

Table 8.
Estimated Changes in Other Spending Subject to Appropriation Under H.R. 6951

	By Fiscal Year, Millions of Dollars					
	2024	2025	2026	2027	2028	2024-2028
	Increases in Spending Subject to Appropriation					
Postsecondary Student Success Grants						
Authorization	0	0	45	45	45	135
Estimated Outlays	0	0	36	45	45	126
Postsecondary Student Data System						
Estimated Authorization	5	11	11	7	7	41
Estimated Outlays	5	8	10	9	7	39
College Scorecard Database						
Estimated Authorization	4	4	4	2	2	16
Estimated Outlays	3	4	4	3	2	16
Financial Aid Offers						
Estimated Authorization	2	2	2	1	1	8
Estimated Outlays	1	2	2	1	1	7
Total Changes						
Estimated Authorization	11	17	62	55	55	200
Estimated Outlays	9	14	52	58	55	188

- The bill would require the Department of Education to create the Postsecondary Student Data System to provide information on college costs, enrollment patterns, and federal aid programs. CBO estimates that implementing the provision would cost $39 million over the 2024-2028 period and $71 million over the 2024-2033 period.
- The bill would require the Department of Education to update the College Scorecard database. Based on feedback from the department, CBO estimates that implementing the provision would cost $16 million over the 2024-2028 period and $26 million over the 2024-2033 period.
- The bill would direct the Department of Education to develop a standard financial aid offer form to be used by postsecondary institutions. CBO estimates that implementing the provision would cost $7 million over the 2024-2028 period and $9 million over the 2024-2033 period.

Uncertainty

CBO's estimates for H.R. 6951 are uncertain in a variety of areas. In particular, the ways in which students, postsecondary institutions, and the Department of Education would respond to the bill's provisions, especially the new institutional risk-sharing payments, are difficult to predict. That difficulty is attributable in part to information that is redacted or missing from the College Scorecard database. To the extent possible, CBO imputed data to fill in missing values and checked for consistency across different approaches to imputation. CBO

generally aims to estimate effects that are in the middle of the distribution of potential outcomes.

CBO's projections for current-law spending also are uncertain. For example, final rulemaking for the new SAVE Plan was completed only in 2023. Participation data are limited and incomplete because more recent borrowers may still be weighing their repayment options. Actual participation in the SAVE Plan or in the bill's IDR proposed plan may be higher or lower than CBO estimates.

Changes to the underlying economy also could significantly affect the bill's costs. Fluctuations in interest rates, for example, would change the cost of the student loan program. A sudden change in unemployment rates could affect postsecondary enrollment or the income of borrowers in IDR plans, which would change the cost of federal student aid.

Despite that uncertainty, in CBO's assessment, the direction of the budgetary effects of most of the bill's provisions is clear. In particular, the changes to the federal student loan program would, on net, almost certainly decrease federal costs significantly.

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 Table 9.

Table 9.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 6951, the College Cost Reduction Act, as Ordered Reported by the House Committee on Education and the Workforce on January 31, 2024

	By Fiscal Year, Billions of Dollars												
	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2024-2028	2024-2033
	Net Decrease in the Deficit												
Pay-As-You-Go Effect	-32.3	-12.0	-13.7	-16.2	-17.5	-18.4	-18.4	-18.6	-19.0	-19.4	n.e.	-91.7	-185.5

n.e. = not estimated.

Increase in Long-Term Net Direct Spending and Deficits

CBO estimates that enacting H.R. 6951 would not increase net direct spending or deficits in any of the four consecutive 10-year periods beginning in 2034.

Mandates

H.R. 6951 would preempt state and local laws relating to certain requirements and other restrictions on originating, servicing, or collecting amounts due on federal student loans issued under title IV of the Higher Education Act as defined in the Unfunded Mandates Reform Act (UMRA). Those laws include, but are not limited to, state requirements that a servicer of student loans obtain a license to operate in a state; several states charge annual fees for those licenses. Using information from the Nationwide Multistate Licensing System and data from the Department of Education on the number of student loans, CBO estimates that the intergovernmental cost of this mandate is about $2 million a year, well below the threshold established in UMRA ($100 million in 2024, adjusted annually for inflation).

The bill would impose a new fee on postsecondary education institutions that participate in the federal student loan program. Those costs would be conditions of participation in a voluntary federal program and thus would not be a mandate as defined by UMRA.

The bill contains no private-sector mandates.

Previous CBO Estimates

CBO has provided other information concerning the costs of the SAVE Plan. On September 18, 2023, CBO transmitted a cost estimate for H.J. Res. 88, a joint resolution providing for Congressional disapproval under chapter 8 of title 5, United States Code, of the rule submitted by the Department of Education relating to “Improving Income Driven Repayment for the William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program.” On March 13, 2023, CBO sent letter to the Honorable Virginia Foxx and the Honorable William Cassidy, M.D., concerning the costs of the proposed income-driven repayment plan for student loans.

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