

Department of Education

STUDENT AID OVERVIEW

Fiscal Year 2018 Budget Request

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Federal Student Aid Programs (Higher Education Act of 1965, Title IV)

(dollars in thousands)

FY 2018 Authorization: Indefinite

Budget Authority:

	<u>2017</u> <u>Ann. CR</u>	<u>2017</u> <u>Appropriation</u>	<u>2018</u>	<u>Change</u> <u>from Ann. CR</u>
Grants and Work Study:				
Pell Grants				
Discretionary funding	\$22,432,626	\$22,475,352	\$22,432,626	0
Mandatory funding	<u>7,897,676¹</u>	<u>7,950,676¹</u>	<u>7,055,000¹</u>	<u>-842,676</u>
Subtotal, Pell Grants	30,330,302	30,426,028	29,487,626	-842,676
Federal Supplemental				
Educational Opportunity				
Grants	731,736	733,130	0	-731,736
Federal Work Study	987,847	989,728	500,000	-487,847
Iraq and Afghanistan Service				
Grants	442	442	499	57
TEACH Grants ²	<u>153,342³</u>	<u>153,342³</u>	<u>24,572³</u>	<u>-128,770</u>
Total, Grants and Work-Study	1,873,367	1,876,642	525,071	-1,209,884

NOTE: Table reflects discretionary and mandatory funding.

¹ Amounts appropriated for Pell Grants for 2017 and 2018 include mandatory funding provided in the Higher Education Act, as amended, to fund both the base maximum award and add-on award.

² TEACH Grants is operated as a credit program. Amounts reflect the new loan subsidy, or the net present value of estimated future costs.

³ The FY 2017 amount includes a net upward reestimate of \$138.4 million due primarily to assumptions pertaining to the number of grants that will convert to loans. The amount for FY 2018 reflects new loan subsidy.

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	2017 <u>Ann. CR</u>	2017 <u>Appropriation</u>	<u>2018</u>	<u>Change from Ann. CR</u>
Net Loan Subsidy, Loans¹				
Federal Family Education Loans (FFEL)	10,785,834 ²	10,785,834 ²	-443,409 ³	-11,229,243
Federal Direct Student Loans	26,833,498 ⁴	26,833,498 ⁴	-10,662,798	-37,496,296

NOTE: Table reflects discretionary and mandatory funding.

¹ Total net subsidy in any fiscal year reflects the estimated net cost of the loan program for that fiscal year. It includes both positive and negative subsidies and upward and downward impacts of re-estimates and modifications of existing loans. A negative subsidy occurs when the present value of cash inflows to the Government is estimated to exceed the present value of cash outflows. Negative subsidy is reported (as negative outlays) to a negative subsidy receipt account.

² Budget authority for FFEL does not include the FFEL Liquidating account. Amount for 2017 reflects a net upward reestimate of \$10,785,834 thousand due to revised assumptions related to collection activities. This amount also includes ECASLA reestimates.

³ The 2018 amount includes a modification to reflect the policy proposal to eliminate Account Maintenance Fees.

⁴ Amount for 2017 includes a net upward reestimate of \$28,430,232 thousand, primarily due to revised assumptions related to collection activities and increased participation in income-driven repayment plans. A modification of \$364,394 thousand is also included to reflect new closed school regulations.

FY 2018 BUDGET PROPOSAL

The Federal student aid programs provide grant, loan, and work-study assistance to help students afford a postsecondary education and find employment, which is one of the most important investments America can make in its future. These funds enable millions of Americans to obtain the significant and lifelong benefits of a higher education. The fiscal year (FY) 2018 Budget for the Federal student aid programs focuses on simplifying funding for college, while continuing to help make college more affordable. These proposals address student debt by simplifying student loan repayment and redirecting inefficiencies in the student loan program to prioritize expedited debt relief for undergraduate borrowers. The Budget also signals a commitment to working with Congress to develop a proposal to hold institutions of higher education responsible for their use of taxpayer dollars. In addition, the Administration supports incentives that will help students to accelerate progress toward their degrees by attending school year-round, thereby increasing their likelihood of on-time completion.

The 2018 request makes available \$134.2 billion in new Federal student aid in fiscal year 2018, including \$29 billion in Pell Grants and nearly \$105 billion in student loans. More than 12 million students will use these resources in their efforts to complete college.

This overview discusses the Administration's proposed package of initiatives and reforms that will not only better target aid to students, but also improve student success. Current student aid programs are described in detail under the **Student Financial Assistance** account, the **TEACH Grants** account, and the **Student Loans Overview**. The administrative costs associated with the student aid programs are presented in the **Student Aid Administration** account.

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STUDENT AID REFORM PROPOSALS

Protect Pell Grants

Pell Grants are the foundation of a student's financial aid package, to which other forms of aid are added. This Budget would fully fund the Pell Grant program in 2018, with a maximum award of \$5,920 in award year 2018-2019.

Support Year-Round Pell

Currently, full-time students who want to accelerate their studies, but exhaust their Pell Grant eligibility during an award year, are unable to receive Pell aid for additional coursework during an institution's academic calendar—such as a summer semester. The Budget **supports year-round Pell Grant eligibility, allowing students the opportunity to earn a third semester of Pell Grant funding during an award year**. Eligible students will be able to receive up to 150 percent of their regular Pell Grant award, allowing students to complete their degrees on time or faster. This proposal would boost Pell grant aid disbursed by \$1.5 billion in award year 2018-2019 to approximately 900,000 students.

Simplify Campus-Based Aid Programs

Most of the roughly 6,500 institutions of higher education that participate in the Federal Pell Grant and/or Federal Student Loan programs also participate in one or more of the Federal Campus-Based Aid programs. While all schools are eligible to participate in the campus-based aid programs, antiquated statutory formulas with stringent hold-harmless provisions have resulted in institutional allocations that are not well-targeted to the students who need the aid the most. The President's 2018 Budget proposes **to reform student eligibility in Federal Work Study (FWS) program** to ensure funds go to the undergraduate students who would benefit the most. The President's 2018 Budget also proposes **to eliminate the Supplemental Educational Opportunity Grant (SEOG) program**, which is largely duplicative with the Pell Grant program and does not deliver need-based aid in the most-targeted way.

Student Loan Policies

The 2018 Budget addresses student debt by simplifying student loan repayment and redirecting inefficiencies in the student loan program to prioritize expedited debt relief for undergraduate borrowers.

All policies referenced for student loans would apply to loans originated on or after July 1, 2018, with an exception for students who borrowed their first loans prior to July 1, 2018 and who are borrowing to complete their current course of study. These policies together would save approximately \$143 billion over ten years.

Simplify Student Loan Repayment

In recent years, income-driven repayment (IDR) plans, which offer borrowers the option of making affordable monthly payments based on factors such as income and family size, have grown in popularity. However, choosing and enrolling in the right repayment plan is overly

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complicated by the numerous and complex repayment plans authorized and required by law to be offered to borrowers.

The 2018 Budget proposes to greatly simplify student loan repayment by consolidating 5 IDR plans into a single plan. The single IDR plan would set a borrower's monthly payment at 12.5 percent of discretionary income, while eliminating the standard repayment cap to ensure that high-income, high-balance borrowers make payments commensurate with their income.

Married borrowers who file separately would have their payment determined based on their combined income. For borrowers with undergraduate student debt only, any balance remaining after 15 years of repayment would be forgiven. For borrowers with any graduate debt, any balance remaining after 30 years of repayment would be forgiven.

To support this streamlined pathway to debt relief for undergraduate borrowers, and to generate savings that help put the Nation on a more sustainable fiscal path, the Budget eliminates the Public Service Loan Forgiveness program. In addition, the 2018 Budget proposes to eliminate subsidized student loans. All new undergraduate student loans would be unsubsidized.

The Budget retains teacher loan forgiveness programs in order to incentivize more high-quality teachers to teach in high-need schools and subjects.

Higher Education Accountability

Earning a college degree is one of the most important investments students can make in their future and remains a gateway to the middle class. Federal student grants and loans play a key role in helping students afford to enroll in and successfully complete college. However, some colleges do not hold up their end of the bargain, and they lack adequate incentives to support their students in graduating, finding a good job, and repaying their loans. A better system would create shared responsibility for success among students, schools, and the federal government to ensure students do not take on debt that they cannot afford to repay – leaving taxpayers on the hook for the costs of loan default or forgiveness. The Administration looks forward to working with Congress to address these issues.

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STUDENT AID PROGRAMS OUTPUT MEASURES

Aid Available to Students (dollars in millions)

<u>Output Measures</u>	<u>2016</u>	<u>2017</u> <u>Annualized CR</u>	<u>2018</u>
Pell Grants	\$26,862	\$26,899	\$28,807
Supplemental Educational Opportunity Grants	993	991	0
Federal Work Study	1,096	1,094	554
Iraq and Afghanistan Service Grants	0.432	0.484	0.559
New Student Loans:			
Stafford Loans	22,423	22,565	14,528
Unsubsidized Stafford Loans	50,643	51,651	64,439
Parent PLUS Loans	12,934	13,343	14,308
Grad PLUS Loans	9,461	9,891	11,486
Perkins Loans	782	782	0
TEACH Grants ¹	<u>91</u>	<u>93</u>	<u>101</u>
Subtotal, New Student Loans	96,334 ²	98,325 ²	104,862 ²
Total	125,287	127,309	134,224

NOTES: Detail may not add to total aid available due to rounding.

Shows total aid generated by Department programs, including Perkins Loan capital from institutional revolving funds, and institutional matching funds generated by the SEOG and Work-Study programs

¹ For budget and financial management purposes, this program is operated as a loan program under the Federal Credit Reform Act of 1990.

² Excludes loans issued to consolidate existing loans (Consolidation Loans), which total \$45,633 million in 2016, \$46,927 million in 2017, and \$48,201 million in 2018.

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Number of Student Aid Awards (in thousands)

<u>Output Measures</u>	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Pell Grants	7,213	7,143	7,281
Supplemental Educational Opportunity Grants	1,530	1,527	0
Federal Work-Study	635	634	333
Iraq and Afghanistan Service Grants	N/A ¹	N/A ¹	N/A ¹
New Student Loans:			
Stafford Loans	6,894	6,934	4,081
Unsubsidized Stafford Loans	8,858	8,954	9,899
Parent PLUS Loans	1,005	1,020	1,070
Grad PLUS Loans	562	572	620
Perkins Loans	316	253	0
TEACH Grants	<u>32</u>	<u>32</u>	<u>33</u>
Subtotal, New Student Loans	17,667 ²	17,765 ²	15,703 ²
Total	27,045	27,069	23,317

NOTE: Detail may not add to total due to rounding.

¹ N/A denotes number of recipients will not exceed 500.

² Excludes loans issued to consolidate existing loans.

Number of Postsecondary Students Aided by Department Student Aid Programs

	<u>2016</u>	<u>2017 Annualized CR</u>	<u>2018</u>
Unduplicated Count (in thousands)	11,869	11,899	12,220

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Program Performance Information

PERFORMANCE MEASURES

This section presents selected program performance information, including, for example, the Government Performance Results Modernization Act (GPRM) goals, objectives, measures and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2018 and future years, as well as the resources and efforts invested by those served by this program.

Because Federal student assistance grant and loan programs rely on the same program data, performance indicators and strategies that apply to these programs are grouped here in the Student Aid Overview and are not repeated in justifications for the **Student Financial Assistance** program account, or in the **Student Loans Overview**.

Goal: To help ensure access to high-quality postsecondary education by providing financial aid in the form of grants, loans, and work-study in an efficient, financially sound, and customer-responsive manner.

Objective: *Ensure that low- and middle-income students will have the same access to postsecondary education that high-income students do.*

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year.

Submeasure: *The percentage of high school graduates ages 16-24 enrolling immediately in college following high school.*

Year	Target: Total Percentage Enrolled	Actual: Total Percentage Enrolled
2013	68%	65.9%
2014	68	68.4
2015	68	69.2
2016	68	
2017	68	
2018	68	

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Year	Target: Percentage point difference between high-income and low-income high school graduates ages 16-24 enrolling immediately in college	Actual: Percentage point difference between high-income and low-income high school graduates ages 16-24 enrolling in college
2013	25.25%	33.00%
2014	25.00	25.80
2015	24.75	14.00
2016	24.50	
2017	24.00	
2018	22.50	

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year.

Submeasure: The percentage of high school graduates ages 16-24 enrolling immediately in college following high school.

Year	Target: Percentage point difference between White and Black high school graduates ages 16-24 enrolling immediately in college	Actual: Percentage point difference between White and Black high school graduates ages 16-24 enrolling immediately in college
2013	6.00%	12.10%
2014	5.75	-2.50
2015	5.50	15.70
2016	5.25	
2017	5.25	
2018	5.25	

Year	Target: Percentage point difference between White and Hispanic high school graduates ages 16-24 enrolling immediately in college	Actual: Percentage point difference between White and Hispanic high school graduates ages 16-24 enrolling immediately in college
2013	8.75%	9.00%
2014	8.50	2.50
2015	8.25	2.40
2016	8.00	
2017	8.00	
2018	8.00	

Additional information: The overall enrollment rate in postsecondary education following high school has increased steadily from 2013 to 2015, and the actual rate now exceeds the target. The gap between high- and low-income students who enrolled immediately in college after high school dropped to 14 percentage points in 2015—below the target goal of 24.75 percentage points. Based on previous year data, 2015 marks the first year this metric has met its target

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goal. The Department believes its commitment to the Student Financial Assistance programs will continue to encourage and allow more low-income students to enroll in college—and provide them the means to remain in school—than would be the case in the absence of the Federal student financial assistance programs.

The gap between White and Black high school graduates enrolling in college immediately after high school reached 15.70 percentage points in 2015, above the target goal of 5.50 percentage points. However, in 2014, more Black high school graduates enrolled in college immediately after high school than White high school graduates, leading to a reversal in the normal gap between these two groups for the first time.

The gap between White and non-White Hispanic high school graduates who enroll immediately in college continued to decline in 2014 and 2015. In 2013, the gap was 9.00 percentage points and slightly below the target of 8.75 percentage points; in 2014, the gap was significantly lower at 2.50 percentage points and significantly lower than the target goal of 8.50 percentage points. In 2015, the gap declined to 2.40 percentage points and again was significantly lower than the target goal of 8.25 percentage points. The Department remains committed to furthering equal educational opportunity, and will continue to pursue policies to support this important goal.

Data for the measures is taken from the Digest of Education Statistics (Digest), published annually by the National Center for Education Statistics (NCES). Refer to the technical information provided in the Digest by NCES when interpreting year-to-year changes in the data. Fiscal year 2016 data will be available in mid- 2017.

Objective: Ensure that more students will persist in postsecondary education and attain degrees and certificates.

Measure: Graduation rate: Graduation rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in graduation rates between minority and non-minority students will decrease.

Submeasure: The percentage of first-time, full-time degree seeking students graduating within 150 percent of the normal time required.

Year	Target: Students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Students graduating with a 4-year degree within 150 percent of the normal time required
2013	63%	59.4%
2014	64	59.6
2015	65	
2016	66	
2017	66	
2018	66	

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Year	Target: Students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Students graduating with a less-than-4-year degree within 150 percent of the normal time required
2013	43%	27.9%
2014	44	29.1
2015	45	
2016	46	
2017	46	
2018	46	

Measure: Graduation rate: Graduation rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in graduation rates between minority and non-minority students will decrease.

Submeasure: The percentage of first-time, full-time degree seeking students graduating within 150 percent of the normal time required.

Year	Target: Percentage point difference between White and Black first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Black first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required
2013	16.2%	22.2%
2014	16.0	22.3
2015	15.8	
2016	15.6	
2017	15.6	
2018	15.6	

Year	Target: Percentage point difference between White and Hispanic first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Hispanic first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required
2013	9.0%	10.4%
2014	8.7	9.7
2015	8.6	
2016	8.5	
2017	8.5	
2018	8.5	

Measure: Graduation rate: Graduation rates for all first-time, full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in graduation rates between minority and non-minority students will decrease.

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Submeasure: The percentage of first-time, full-time degree seeking students graduating within 150 percent of the normal time required.

Year	Target: Percentage point difference between White and Black first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Black first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required
2013	5.4%	8.9%
2014	5.3	8.3
2015	5.2	
2016	5.1	
2017	5.1	
2018	5.1	

Year	Target: Percentage point difference between White and Hispanic first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Hispanic first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required
2013	0.9%	-0.8%
2014	0.8	0.1
2015	0.8	
2016	0.7	
2017	0.7	
2018	0.7	

Additional Information: The percentage of first-time, full-time degree-seeking students graduating with a 4-year degree within 150 percent of the normal time slightly increased from 59.4 percent in 2013 to 59.6 percent in 2014. Similarly, the percentage for students completing a less-than-4-year degree increased from 27.9 percent in 2013 to 29.1 percent in 2014. The graduation rates for both 2-and-4-year degree levels observed in 2015 were below the target goals established for this measure.

Changes from 2013 to 2014 in the completion gaps for 4-year degree programs between White and Black students and between White non-Hispanic and Hispanic students were very minimal (less than 1 percentage point). The gaps observed in 2014 for both comparison groups, however, remain larger than the target goals established in 2014 and future years.

From 2013 to 2014, the difference between the percentages of White and Black students at less-than-4-year degree programs decreased by .6 percentage points to 8.3 percentage points—outside of the goal of 5.3 percentage points. In both 2013, Hispanic students graduated from degree programs within 150 percent of the normal time at less than 4-year programs at a

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slightly higher rate than White non-Hispanic students (29.9 percent compared to 29.1 percent), but the rates were close to even in 2014.

Data for the measures supporting this objective are collected through the Graduation Rate Survey (GRS) conducted as part of the annual Integrated Postsecondary Student Aid Study (IPEDS). Fiscal year 2015 data will be available in 2017. The Department will continue to evaluate current performance measures and, where appropriate, revise these measures and goals.

PROGRAM IMPROVEMENT EFFORTS

The Department is exploring ways to gather detailed program and student outcome data for program-specific measures that will provide reliable indicators of program effectiveness.

EFFICIENCY MEASURES

The Department is reassessing the efficiency measures for the individual student financial aid programs. The results of this reassessment will reflect proposed program changes and be incorporated into future budget requests.