

Department of Education

STUDENT AID OVERVIEW

Fiscal Year 2019 Budget Request

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

(dollars in thousands)

FY 2019 Authorization: Indefinite

Budget Authority:

	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>	<u>Change from</u> <u>Annualized CR</u>
Grants and Work Study:			
Pell Grants			
Discretionary funding	\$22,322,722	\$22,475,352	152,630
Mandatory funding	<u>7,359,000¹</u>	<u>7,486,000¹</u>	<u>127,000</u>
Subtotal, Pell Grants	29,681,722	29,961,352	279,630
Federal Supplemental Educational Opportunity Grants	728,151	0	-728,151
Federal Work Study	983,007	200,000	-783,007
Iraq and Afghanistan Service Grants	463	0	-463
TEACH Grants ²	<u>74,947³</u>	<u>39,931³</u>	<u>-35,016</u>
Total, Grants and Work-Study	31,468,290	30,201,283	-1,267,007

NOTE: Table reflects discretionary and mandatory funding.

¹ Amounts appropriated for Pell Grants for 2018 and 2019 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 2018 amount includes a net upward reestimate of \$44.8 million due primarily to assumptions pertaining to the number of grants that will convert to loans. The amount for FY 2019 reflects new loan subsidy.

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	2018 <u>Annualized CR</u>	<u>2019</u>	Change from <u>Annualized CR</u>
Net Loan Subsidy, Loans¹			
Federal Family Education Loans (FFEL)	2,309,656 ²	-655,510 ³	-2,965,166
Federal Direct Student Loans	-14,976,659 ⁴	-8,534,746	6,441,913

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 reestimates 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 2018 reflects a net upward reestimate of \$2.3 billion primarily due to revised assumptions related to prepayments and updated interest rate assumptions. This amount also includes reestimates related to the Ensuring Continued Access to Student Loans (ECASLA) Act.

³ The 2019 amount includes a modification to reflect the policy proposal to eliminate Account Maintenance Fees.

⁴ Amount for 2018 includes a net downward reestimate of \$11.5 billion, primarily due to updated discount rates (i.e., the collection of interest rates used to calculate the present value of cash flows), increased participation in Income-Driven Repayment (IDR) plans, and technical changes to how loans in IDR plans are modeled. The 2018 amount also reflects a modification of \$60.8 million to forgive accrued interest on borrower defense claims that have been denied and pending for more than one year.

FY 2019 BUDGET PROPOSAL

The Federal student aid programs provide grant, loan, and work-study assistance to help students afford a postsecondary education, find employment in today's workforce, and realize the lifelong benefits of a higher education. The Administration's fiscal year 2019 Budget for the Federal student aid programs focuses on simplifying funding for college and addressing the unique needs of today's students. The 2019 Budget supports expanding Pell Grant eligibility for short-term programs and reforming the Federal Work Study program to support workforce and career-oriented training opportunities for low-income undergraduate students. The Budget also includes proposals that address student debt by simplifying student loan repayment and redirecting inefficiencies in the student loan program to prioritize expedited debt relief for undergraduate borrowers. These proposals would support congressional efforts to reauthorize the Higher Education Act (HEA) to address student debt and higher education costs while reducing the complexity of student financial aid. The 2019 request makes available \$129.5 billion in new Federal student aid in fiscal year 2019, including \$30 billion in Pell Grants and \$99 billion in student loans.⁵ More than 11 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.

⁵ Excludes consolidation loans.

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STUDENT AID REFORM PROPOSALS

Protect Pell Grants and Iraq and Afghanistan Service Grants

Pell Grants are the foundation of a student's financial aid package to which other forms of aid are added. The Administration's 2019 Budget would **fully fund the Pell Grant program in 2019 and provide for a \$5,920 maximum award in 2019-2020**, while ensuring the program remains on stable financial footing. The Budget would also move the Iraq and Afghanistan Service Grants (IASG) program to the Pell Grant program. This change will help to ensure the children of our fallen service members receive a full aid award, exempt from cuts due to sequestration, and without any other changes to the program's benefits or eligibility.

Expand Pell Grant Eligibility to Short-Term Programs

Students often face many obstacles in choosing the best education option available for them. Students that attend some postsecondary programs are not eligible to receive federal student aid due to time and program length requirements. Federal law should facilitate, not impede, students exploring and accessing those options. To that end, this Budget proposes **to expand Pell Grant eligibility to institutions that offer high quality short-term programs**, with sufficient guardrails in place to balance students' needs with protecting taxpayers' interests.

Reform Campus-Based Aid Programs

Most of the roughly 6,000 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 institutions are eligible to participate in the campus-based 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.

Consistent with the President's call to bolster effective workforce development programs, the Budget proposes **to reform the Federal Work Study (FWS) program** from a model that mostly provides subsidized employment as a form of federal aid for higher income undergraduate and graduate students to one that supports workforce and career-oriented training opportunities for low-income undergraduate students. The Budget proposes to reform the institutional allocation formula in order to focus scarce funds to institutions based, in part, on the enrollment of Pell Grant recipients. Institutions could fund individual students through subsidized employment, paid internships, or other placements, provided they are career or academically relevant. Schools could also fund broader programs serving multiple students that provide exposure to or build preparedness for careers. The President's 2019 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 a well-targeted way.

Student Loan Policies

The 2019 Budget addresses student debt by simplifying student loan repayment and redirecting inefficient subsidies in the student loan program to ensure a more sustainable fiscal path, while prioritizing expedited relief for undergraduate borrowers.

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All policies referenced for student loans would apply to loans originated on or after July 1, 2019, with an exception for students who borrowed their first loans prior to July 1, 2019 and who are borrowing to complete their current course of study. These policies together would save approximately \$203 billion over ten years.

Simplify Student Loan Repayment and Student Loan Programs

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

The 2019 Budget proposes **to greatly simplify student loan repayment** by consolidating five 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 payments determined based on both their and their spouse's 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 further improve the implementation and effectiveness of IDR, the Budget proposes auto-enrolling severely delinquent borrowers and instituting a process for borrowers to consent to share income data for multiple years. To facilitate these program improvements, and to reduce improper payments, the Budget proposes to streamline the Department of Education's ability to verify applicants' income data held by the Internal Revenue Service (IRS).

While retaining teacher loan forgiveness programs in order to incentivize more high-quality teachers to teach in high-need schools and subjects, the Budget proposes eliminating inefficient subsidies to help put the Nation on a more sustainable fiscal path and prioritize expedited debt relief for undergraduate borrowers. These proposals include **eliminating Public Service Loan Forgiveness, Subsidized Stafford loans, and the payment of Account Maintenance Fees to guaranty agencies.**

Higher Education Accountability

Investing in higher education generally provides strong value for students and taxpayers. However, some institutions consistently fail to deliver a quality education that enables students to successfully repay Federal student loans—leaving borrowers and taxpayers holding the bill. A better system would require postsecondary institutions accepting taxpayer funds to share a portion of the financial risk associated with student loans, in consideration of the actual loan repayment rate to ensure that the substantial taxpayer investment in higher education continues to provide strong value for students and the economy. The Administration plans to work with Congress to address these issues.

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Reauthorizing the Higher Education Act (HEA)

The Administration looks forward to working with the Congress to encourage colleges, universities, and other educational institutions to offer every student an accessible, affordable, and innovative education tailored to their needs that prepares them for lifelong learning and success. The Administration's principles for an HEA reauthorization include:

- expand Pell Grant eligibility for short-term programs;
- reform Federal student loan and repayment options;
- recalibrate the grant allocation process;
- ensure institutional accountability;
- reduce regulatory burdens;
- improve transparency;
- offer administrative updates and financial flexibility; and
- promote free speech on college campuses.

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STUDENT AID PROGRAMS OUTPUT MEASURES

Aid Available to Students (dollars in millions)

<u>Output Measures</u>	<u>2017</u>	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>
Pell Grants	\$29,031	\$29,621	\$30,174
Supplemental Educational Opportunity Grants	993	986	0
Federal Work Study	1,096	1,089	221
Iraq and Afghanistan Service Grants	0.455	0.490	0
Subtotal, New Grant Aid	31,120	31,696	30,395
New Student Loans:			
Stafford Loans	21,542	21,627	17,181
Unsubsidized Stafford Loans	49,816	51,134	56,833
Parent PLUS Loans	12,513	13,217	13,824
Grad PLUS Loans	9,942	10,697	11,176
Perkins Loans	743	0	0
TEACH Grants ¹	<u>91</u>	<u>92</u>	<u>99</u>
Subtotal, New Student Loans	94,647 ²	96,767 ²	99,113 ²
Total	125,767	128,462	129,508

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. Aid available may differ from appropriated amounts for a given fiscal year.

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 \$48.8 billion in 2017, \$50.3 billion in 2018, and \$51.8 billion in 2019.

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Number of Student Aid Awards

(in thousands)

<u>Output Measures</u>	<u>2017</u>	2018 <u>Annualized CR</u>	<u>2019</u>
Pell Grants	7,168	7,399	7,632
Supplemental Educational Opportunity Grants	1,530	1,519	0
Federal Work-Study	635	631	133
Iraq and Afghanistan Service Grants	N/A ¹	N/A ¹	N/A ¹
Subtotal, New Grant Aid	9,333	9,549	7,765
New Student Loans:			
Stafford Loans	6,181	6,198	4,934
Unsubsidized Stafford Loans	8,064	8,153	8,487
Parent PLUS Loans	933	960	989
Grad PLUS Loans	565	588	602
Perkins Loans	338	0	0
TEACH Grants	<u>34</u>	<u>34</u>	<u>34</u>
Subtotal, New Student Loans	16,115 ²	15,933 ²	15,046 ²
Total	25,448	25,482	22,811

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>2017</u>	2018 <u>Annualized CR</u>	<u>2019</u>
Unduplicated Count (in thousands)	11,163	11,336	11,448

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Program Performance Information

PERFORMANCE MEASURES

This section presents selected program performance information, including, for example, the Government Performance Results Act (GPRA) 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 2019 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.

Year	Target: Total Percentage Enrolled	Actual: Total Percentage Enrolled
2014	68	68.4
2015	68	69.2
2016	68	69.8
2017	68	
2018	68	
2019	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
2014	25.00	25.80
2015	24.75	14.00
2016	24.50	17.10
2017	24.00	
2018	22.50	
2019	22.00	

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
2014	5.75	-2.50
2015	5.50	15.70
2016	5.25	12.40
2017	5.25	
2018	5.25	
2019	5.00	

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
2014	8.50	2.50
2015	8.25	2.40
2016	8.00	-2.30
2017	8.00	
2018	8.00	
2019	7.00	

Additional information: The overall enrollment rate in postsecondary education following high school has increased steadily from 2013 to 2016, and the actual rate now exceeds the targets set over the last few years. The gap between high- and low-income students who enrolled immediately in college after high school dropped to 14 percentage points in 2015, marking the first year this metric met its target. Although this gap ticked up to 17.1 percentage points in 2016, this metric still met the target of 24.50 percentage points. The Department believes its commitment to the Student Financial Assistance programs and proposed reforms in the 2019 Budget will continue to encourage and allow more low-income students to enroll in college and other training programs—and provide them the means to remain in school—than would be the case in the absence of the Federal student financial assistance programs.

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The gap between White and Black high school graduates enrolling in college immediately after high school reached 12.40 percentage points in 2016, above the target of 5.25 percentage points, but lower than the gap of 15.70 percentage points observed in 2015. In 2014, the percentage of high school graduates enrolled in college immediately after high school was higher for Black high school graduates than White high school graduates, leading to a reversal in the gap between these two groups for the first time.

The metric that measures the gap between White and non-White Hispanic high school graduates who enroll immediately in college continues to meet or exceed its targets. In 2016, the percentage of non-White high school graduates enrolling in college immediately after high school was higher than the percentage of White high school graduates for the first time. The gap measured in 2014 and 2015, while reversed, was significantly lower than the targets in these years. The Department remains committed to furthering equal educational opportunity and will continue to pursue policies to support this important goal.

Data for the measures are 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 2017 data will be available in mid-2018.

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.

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
2014	64	59.6%
2015	65	59.4
2016	66	59.8
2017	66	
2018	66	
2019	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
2014	44	27.9%
2015	45	29.1
2016	46	32.8
2017	46	
2018	46	
2019	46	

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
2014	16.0	22.3%
2015	15.8	23.8
2016	15.6	24.2
2017	15.6	
2018	15.6	
2019	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
2014	8.7	9.7%
2015	8.6	9.7
2016	8.5	9.5
2017	8.5	
2018	8.5	
2019	8.5	

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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
2014	5.3	8.9%
2015	5.2	8.3
2016	5.1	9.1
2017	5.1	
2018	5.1	
2019	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
2014	0.8	-0.8%
2015	0.8	0.4
2016	0.7	2.5
2017	0.7	
2018	0.7	
2019	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 increased slightly from 59.4 percent in 2015 to 59.8 percent in 2016. The percentage of students completing a less-than-4-year degree increased from 29.1 percent in 2015 to 32.8 percent in 2016. The graduation rates for both 2-and-4-year degree levels observed in 2016 were below the targets established for this measure.

The completion gap between White and Black students who were enrolled in 4-year degree programs increased slightly from 2015 to 2016 (23.8 percentage points to 24.2 percentage points). The gap observed in 2016 remains larger than the targets established in 2016 and future years.

From 2015 to 2016, the difference between the percentages of White and Black students at less-than-4-year degree programs increased by .8 percentage points to 9.1 percentage points —outside of the goal of 5.1 percentage points. In 2014, Hispanic students graduated within 150 percent of the normal time at less-than-4-year programs at a slightly higher rate than White non-Hispanic students (29.9 percent compared to 29.1 percent), but the gap reversed in 2015 and 2016 with White non-Hispanic students graduating at a higher rate (by .4 percentage points and 2.5 percentage points, respectively, compared to Hispanic students).

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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 2017 data will be available in late 2018. 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.