CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE

November 23, 2005

S. 1614
Higher Education Amendments of 2005

As reported by the Senate Committee on Health, Education, Labor, and Pensions on November 17, 2005

SUMMARY

S. 1614 would make numerous changes to federal higher education programs, including the student and parent-loan programs. CBO estimates that enacting the bill would reduce direct spending by $4.0 billion in 2006, $9.7 billion over the 2006-2010 period, and $28.6 billion over the 2006-2015 period.

The bill also would authorize spending for numerous higher education programs—including the Pell Grant program—but that spending would be subject to appropriation. CBO estimates the Pell Grant provisions would authorize funding of $17.9 billion in 2006 and $106 billion over the 2006-2010 period. Implementing those provisions would cost $87 billion in outlays over the five-year period. CBO has not completed an estimate of the potential cost of the other provisions for which spending would depend on future appropriation action.

The legislation contains no intergovernmental or private-sector mandates as defined by the Unfunded Mandates Reform Act (UMRA). The bill would benefit states and institutions of higher education and any costs they incur would result from complying with conditions of federal assistance.

MAJOR PROVISIONS

Provisions addressing the student aid programs (Title X, Part A) with significant budget effects include:

- Changing parent-loan interest rates and the formulas used to calculate lender yields;

- Imposing limits on when the separate formula for lender yields for loans supported with certain tax-exempt funding would apply;

- Changing the insurance provided to lenders and the fees charged by lenders;

- Reducing borrower origination fees and requiring collection of a 1 percent fee from guaranty agencies;

- Increasing the loan limits for first-year, second-year, and graduate students, as well as allowing graduate students to borrow under the parent-loan program;

- Cancelling the repayment of student loans for certain teachers and creating a new loan forgiveness program for certain public service workers with direct loans; and

- Establishing two new programs that would supplement the Pell Grant program during the 2006-2010 period.

Title X, Part B also would extend certain forms of relief to students and schools affected by Hurricane Katrina, which would have the effect of increasing direct spending by about $100 million in 2006.

Other changes to the higher education programs (other than in Title X) would increase overall direct spending (by less than $100 million over the next five years) by postponing the recall of Perkins loan funds and expanding eligibility for student aid in several ways. The other portions of the bill also would authorize new discretionary spending for Pell Grants and other higher education programs.

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The estimated effects of S. 1614 on direct spending and on the Pell Grant program are shown in Table 1. (CBO has not completed an estimate for the numerous other higher education programs that are subject to annual appropriation.) The costs and savings from this legislation would fall within budget functions 500 (education, employment, training, and social services).

BASIS OF ESTIMATE

For this estimate, CBO assumes the bill will be enacted in December 2005.

TABLE 1. BUDGETARY EFFECTS OF S. 1614, HIGHER EDUCATION AMENDMENTS OF 2005

	By Fiscal Year, in Millions of Dollars					
	2006	2007	2008	2009	2010	2006-2010
Changes in Direct Spending						
Title X, Part A: Education Provisions						
Estimated Budget Authority	-3,468	-1,439	-1,701	-2,072	-2,363	-11,043
Estimated Outlays	-4,160	-960	-1,275	-1,601	-1,882	-9,878
Title X, Part B: Hurricane Katrina Higher Education Recovery						
Estimated Budget Authority	105	0	0	0	0	105
Estimated Outlays	105	0	0	0	0	105
Subtotal, Title X						
Estimated Budget Authority	-3,363	-1,439	-1,701	-2,072	-2,363	-10,938
Estimated Outlays	-4,055	-960	-1,275	-1,601	-1,882	-9,773
Other Higher Education Act Amendments						
Estimated Budget Authority	11	16	20	20	20	87
Estimated Outlays	6	11	20	20	20	77
Total Changes						
Estimated Budget Authority	-3,352	-1,423	-1,681	-2,052	-2,543	-10,851
Estimated Outlays	-4,049	-949	-1,255	-1,581	-1,862	-9,696
Changes in Spending Subject to Appropriation [a]						
Pell Grants						
Estimated Authorization Level	17,869	19,770	21,198	22,625	24,095	105,556
Estimated Outlays	4,288	17,967	20,075	21,512	22,949	86,792

a. CBO has not estimated the provisions other than those affecting Pell Grants.

Direct Spending—Title X, Part A: Education Provisions

Title X, Part A contains some provisions that would reduce direct spending and others that would increase costs. On net, these changes would reduce outlays by $4.2 billion in 2006, $9.9 billion during the 2006-2010 period, and $31.5 billion over the 2006-2015 period.

Major Education Provisions That Decrease Spending. The major changes in Title X, Part A that would decrease direct spending include new formulas for lender yields, a higher interest rate for parent borrowers, a new fee on the guaranty agencies, increased fees on some lenders, and reduced insurance for lenders. CBO estimates that savings from these changes would total $4.7 billion in 2006, $19.5 billion over five years, and $44.8 billion over 10 years, mostly in the guaranteed loan program (see Table 2).

Borrower Interest Rates and Lender-Yield Formulas. The bill would change some of the formulas used to compute what borrowers owe to lenders and what lenders receive from or pay the government under the guaranteed loan program. Borrower rates on new student and parent loans are scheduled to switch from a variable-rate formula to a fixed rate (6.8 percent for students and 7.9 percent for parents) in July 2006; the bill would not change these rates for student loans, but would raise the fixed rate for parent loans to 8.5 percent.

The lender-yield formulas for student and parent loans would continue to be based on a variable-rate formula, but the bill would no longer allow the borrowers' rates to serve as the minimum for the lender yield. Under current law, lenders receive the higher of the lender-yield formula or the rate paid by borrowers, but the bill would require lenders to rebate the difference between the two rates to the government when the borrower rate is higher.

The combination of these changes to borrowers and lenders would save an estimated $2.9 billion in 2006, $15.1 billion over the 2006-2010 period, and $36.2 billion through 2015.

Changes in "9.5 Percent" Loans. Another change in the payment formulas for lenders would affect loans that are funded with financing based on tax-exempt bonds issued between 1980 and 1993. Historically, these loans have had a different formula for determining payments to lenders. Specifically, the formula for the special allowance payments to the holders of these loans was 50 percent of the sum of the 91-day Treasury bill rate plus 3.5 percentage points or 9.5 percent, whichever was higher. In recent years, the 9.5 percent rate was higher. Consequently, these have come to be referred to as "9.5 percent" loans.

Legislation in 2004 modified the policy for most new loans from tax-exempt lenders during the October 2004 to December 2005 period, changing the lender formula to conform to the rates paid to other lenders. Under current law, the formula on new loans will revert back to the pre-October 2004 structure. S. 1614 would continue the practice currently in place (instead of allowing it to expire at the end of December 2005). This policy would save an estimated $705 million in 2006, $1.4 billion over the 2006-2010 period, and $2.3 billion over the 2006-2015 period.

TABLE 2. DIRECT SPENDING EFFECTS OF TITLE X, PART A - EDUCATION PROVISIONS

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Major Provisions Reducing Spending												
Changes in Borrower Interest Rates and Lender Yields												
Estimated Budget Authority	-3,530	-3,050	-3,455	-3,785	-4,050	-4,305	-4,560	-4,820	-5,090	-5,175	-17,870	-41,820
Estimated Outlays	-2,920	-2,385	-2,965	-3,280	-3,525	-3,760	-3,990	-4,225	-4,470	-4,720	-15,075	-36,240
Changes to Certain Loans Financed with Tax-Exempt Bonds												
Estimated Budget Authority	-800	-195	-200	-200	-200	-205	-210	-210	-215	-215	-1,595	-2,650
Estimated Outlays	-705	-170	-175	-175	-175	-180	-185	-190	-190	-195	-1,400	-2,340
Changes in Borrower Insurance Premiums and Guaranty Agency Fees												
Estimated Budget Authority	-240	-330	-280	-305	-335	-365	-395	-430	-470	-500	-1,490	-3,650
Estimated Outlays	-240	-330	-280	-305	-335	-365	-395	-430	-470	-500	-1,490	-3,650
Changes in Lender Insurance												
Estimated Budget Authority	-410	-135	-140	-145	-155	-160	-165	-175	-180	-180	-985	-1,845
Estimated Outlays	-375	-105	-120	-130	-130	-140	-145	-150	-155	-165	-860	-1,615
Changes in Lender Fees												
Estimated Budget Authority	-445	-55	-60	-60	-60	-65	-70	-70	-75	-75	-680	-1,035
Estimated Outlays	-425	-45	-50	-50	-55	-55	-60	-60	-65	-65	-625	-930
Subtotal												
Estimated Budget Authority	-5,425	-3,765	-4,135	-4,495	-4,800	-5,100	-5,400	-5,705	-6,030	-6,145	-22,620	-51,000
Estimated Outlays	-4,665	-3,035	-3,590	-3,940	-4,220	-4,500	-4,775	-5,055	-5,350	-5,645	-19,450	-44,775
Major Provisions Increasing Spending												
Changes in Borrower Origination Fees												
Estimated Budget Authority	110	365	505	520	540	550	570	585	600	615	2,040	4,960
Estimated Outlays	65	240	395	450	465	480	490	505	520	530	1,615	4,140
Increased Loan Limits												
Estimated Budget Authority	180	515	515	530	555	575	590	615	635	655	2,295	5,365
Estimated Outlays	105	355	455	465	480	500	515	530	550	570	1,860	4,525
ProGAP and SMART Grants Programs												
Budget Authority	1,897	1,901	1,899	1,898	1,897	0	0	0	0	0	9,492	9,492
Estimated Outlays	455	1,860	1,900	1,899	1,898	1,442	38	0	0	0	8,012	9,402
Subtotal												
Estimated Budget Authority	2,187	2,781	2,919	2,948	2,992	1,125	1,160	1,200	1,235	1,270	13,827	19,817
Estimated Outlays	625	2,455	2,750	2,814	2,843	2,422	1,043	1,035	1,070	1,100	11,487	18,157

(Continued)

TABLE 2. CONTINUED

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Other Provisions with Measurable Effects												
Estimated Budget Authority	-35	-147	-134	-119	-99	-91	-94	-99	-99	-99	-534	-1,016
Estimated Outlays	8	-142	-124	-124	-104	-91	-91	-96	-101	-96	-486	-961
Interaction Effects												
Estimated Budget Authority	-195	-308	-351	-406	-456	-484	-521	-566	-591	-601	-1,716	-4,499
Estimated Outlays	-128	-238	-311	-351	-401	-429	-464	-494	-519	-549	-1,429	-3,884
Total Changes												
Estimated Budget Authority	-3,468	-1,439	-1,701	-2,072	-2,363	-4,550	-4,855	-5,170	-5,485	-5,575	-11,043	-36,678
Estimated Outlays	-4,160	-960	-1,275	-1,601	-1,882	-2,598	-4,287	-4,610	-4,900	-5,190	-9,878	-31,463

NOTE: ProGAP = Provisional Grant Assistance; SMART = National Science and Mathematics Access to Retain Talent.

Borrower Insurance Premiums and Guaranty Agency Fees. Under current law, guaranty agencies may charge student and parent borrowers of guaranteed loans an insurance premium of up to 1 percent. These premiums show up as part of the offsetting collections in the student loan reserve account. In recent years, many agencies have waived part or all of the premium, thereby reducing these receipts, which are recorded on the budget as offsets to direct spending. The bill would eliminate this premium and replace it with a 1 percent fee that the guaranty agencies would have to provide from their nonfederal resources.

CBO estimates that the net effect of these changes, which would become effective on April 1, 2006, would reduce direct spending by $240 million in 2006, $1.5 billion over the 2006-2010 period, and $3.7 billion over the 2006-2015 period.

Federal Lender Insurance. S. 1614 would reduce the portion of defaulted loans for which lenders are reimbursed. The reimbursements are paid from a federal student loan reserve account consisting of separate reserve accounts for the various guaranty agencies. Under current law, lenders are generally reimbursed for 98 percent of the outstanding balances on loans that go into default. Lenders who meet certain requirements are classified as exceptional lenders, and they receive 100 percent insurance.

S. 1614 would reduce the 98 percent insurance level to 97 percent, and would eliminate the exceptional lender designation. For those lenders losing exceptional lender status, the insurance rate would drop from 100 percent to 97 percent. CBO estimates that these changes would reduce outlays by $375 million in 2006, $860 million over the 2006-2010 period, and $1.6 billion through 2015.

The bill also would reduce the rate at which the federal government replenishes the reserve fund. However, these transfers are intrabudgetary transactions and have no effect on total federal spending or revenues.

Lender Fees. The legislation would increase fees charged lenders on consolidation loans from 0.5 percent of the loan principal to 1.0 percent. The additional fees would save an estimated $425 million in 2006, $625 million over the 2006-2010 period, and $930 million over the 2006-2015 period.

Major Education Provisions Increasing Spending. The provisions in Title X, Part A that would result in the largest increases in spending are changes to origination fees paid by borrowers, increases in loan limits, and funding for two new programs to supplement the Pell Grant program. CBO estimates that these provisions would cost $11.5 billion over the 2006-2010 period and $18.2 billion over the 2006-2015 period.

Borrower Origination Fees. S. 1614 would reduce borrower origination fees for both subsidized and unsubsidized student loans. Currently, origination fees for guaranteed loans are 3.0 percent (there is also an insurance premium of up to 1.0 percent). In the direct loan program, the origination fee is also 3.0 percent (although in practice, the Department of Education generally charges 1.5 percent up front and another 1.5 percent if the borrower fails to make timely payments).

Origination fees for student borrowers in the guaranteed loan program would drop to 2.5 percent in July 2007 under the legislation. In the direct loan program, S. 1614 would replace the required 3.0 percent fee with a fee of up to 2.5 percent to be determined by the Secretary of Education. CBO assumes that, under the Secretary's discretion, the direct loan fee could vary from year-to-year but would average 1.25 percent. CBO estimates that these changes would increase outlays by $1.6 billion over the 2006-2010 period and by $4.1 billion over the 2006-2015 period.

Increased Loan Limits. The bill would increase the maximum amount of subsidized loans for first- and second-year students from $2,625 and $3,500, respectively, to $3,500 and $4,500. In addition, the legislation would increase the limit for unsubsidized loans for each year of graduate school from $10,000 to $12,000. To conform the aggregate borrowing limits to the latter changes, the limit on unsubsidized loans for most borrowers would be increased by $10,000. Graduate students also would be permitted to borrow through the parent-loan program. In addition, students who require further undergraduate course work to qualify for a graduate program or to gain a professional license or certification would be eligible for higher borrowing levels. CBO estimates that these increases would boost aggregate student loan borrowing from both the direct and guaranteed loan programs, and as a result, would increase direct spending by $1.9 billion over the 2006-2010 period and by $4.5 billion over the 2006-2015 period.

ProGAP and SMART Grant Programs. S. 1614 would provide a total of $9.5 billion for fiscal years 2006 through 2010 for two programs that would supplement the Pell Grant program: the Provisional Grant Assistance (ProGAP) program and the National Science and Mathematics Access to Retain Talent (SMART) grants program. CBO estimates that outlays from these appropriations would amount to $455 million in 2006, $8.0 billion over the 2006-2010 period, and $9.5 billion over the 2006-2015 period.

The ProGAP program would give approximately $1.45 billion in additional aid each academic year from 2006 through 2010 to students who are eligible for the Pell Grant program and who have submitted their student aid applications by June 30 for the upcoming academic year. The Department of Education would award these funds in the same manner as under the current Pell Grant program.

The National SMART grants program would give $450 million in additional aid each academic year from 2006 through 2010 to Pell Grant recipients in their third or fourth year at an institution of higher education with a major in mathematics, science, technology, engineering, or a foreign language deemed critical to the national security of the United States. Recipients would be eligible for up to $1,500 for each academic year.

CBO estimates outlays for the ProGAP and National SMART grants programs based on the historical outlay rates of the Pell Grant program.

Other Provisions With Measurable Effects. S. 1614 contains numerous provisions that would have much smaller budgetary effects than those described above. Among them are changes in loan cancellation programs and the eligibility for interest deferments. Other provisions with some estimated budget effects during the 2006-2010 period include changes in the income protection allowance for students and in the disbursement requirements for certain loans for schools with low default rates. Taken together, CBO estimates that these provisions would cost $8 million in 2006, but would reduce direct spending by $486 million over the 2006-2010 period and by $961 million over the 2006-2015 period.

Interactions Among Education Provisions. The overall reductions in direct spending that Part A would yield are significantly larger than the sum of the individual provisions because many of those provisions interact. For example, the lender-yield and borrower interest rate changes save even more when the increased loan volume from the changes in loan limits is considered. However, those same loan limit increases boost the costs of the provisions that reduce borrowers' fees. On balance, the interactions among the various provisions would generate additional estimated savings of $128 million in 2006, $1.4 billion over the 2006-2010 period, and $3.9 billion over the 2006-2015 period.

Direct Spending—Title X, Part B: Hurricane Katrina Higher Education Recovery

S. 1614 the legislation would provide relief to certain student loan borrowers and educational institutions that were adversely affected by Hurricane Katrina. CBO estimates that the total costs of this relief would be $105 million in fiscal year 2006 (with no effect after this year).

The largest portions of the costs are attributable to two policies: (1) the cancellation of repayment for all student loans that were disbursed for cancelled enrollment periods at post-secondary schools that were closed, and (2) the requirement that lenders provide up to one year of forbearance on student and parent loans for borrowers affected by the hurricane and that borrowers in a grace period or deferment period could remain in that status through June 2006. CBO estimates, based on data provided by the Department of Education, that the costs of cancelling repayments for the loans that had been disbursed for schools that closed as a result of the storm would be $64 million.

CBO estimates that the subsidy costs for the deferments and forbearance on loans for borrowers affected by Hurricane Katrina would amount to about $30 million. Data were not available to precisely estimate the numbers of borrowers and amount of outstanding principal that could be affected by this policy. CBO used demographic and economic data from the Census Bureau for the jurisdictions covered by the major disaster designation for Hurricane Katrina to help estimate the potential number of affected borrowers. CBO estimates that student loan indebtedness for affected borrowers in the affected areas is roughly $5 billion. The estimated gross costs for requiring that lenders provide certain deferment and forbearance benefits were reduced to reflect the likely use of existing authority for deferment and forbearance of payments for interest and principal for economic hardship.

S. 1614 would also waive the requirement for the return of federal student aid in cases where the storm resulted in a cancelled period of enrollment, and would exclude any disbursements for cancelled enrollment periods from the aggregate loan and grant aid limits for affected students. In addition, student borrowers at schools affected by Hurricane Katrina would be allowed to retain in-school status even if they do not attend another school. Together, these three provisions would cost an estimated $11 million in 2006.

Direct Spending—Other Amendments to the Higher Education Programs

S. 1614 would reauthorize—through 2011—the Higher Education Act of 1965. Some portions of title IV of the bill would affect direct spending, including the postponement of the recall of Perkins Loan balances and changes in the eligibility for student loans. In total, CBO estimates that enacting this subtitle would increase direct spending by $6 million in 2006, $77 million over the 2006-2010 period, and $2.7 billion over the 2006-2015 period (see Table 4).

Distance Education. Current law limits participation in the Title IV aid programs for institutions that provide more than 50 percent of their education or training courses through distance education. S. 1614 would eliminate those restrictions for institutions that meet certain criteria.

TABLE 4. DIRECT SPENDING EFFECTS OF OTHER AMENDMENTS TO THE HIGHER EDUCATION ACT

	By Fiscal Year, in Millions of Dollars											
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2006-2010	2006-2015
Distance Education												
Estimated Budget Authority	0	0	5	5	5	5	5	10	10	10	15	55
Estimated Outlays	0	0	5	5	5	5	5	5	10	10	15	50
Perkins Loan Revolving Fund												
Estimated Budget Authority	0	0	0	0	0	0	361	675	696	800	0	2,532
Estimated Outlays	0	0	0	0	0	0	361	675	696	800	0	2,532
Eligibility Restrictions for Certain Drug Offenders												
Estimated Budget Authority	10	15	15	15	15	15	20	20	20	20	70	165
Estimated Outlays	5	10	15	15	15	15	15	15	15	15	60	135
Other Provisions												
Estimated Budget Authority	*	*	*	*	*	*	*	*	*	*	*	*
Estimated Outlays	*	*	*	*	*	*	*	*	*	*	*	*
Total Changes												
Estimated Budget Authority	11	16	20	20	20	20	386	705	726	830	87	2,754
Estimated Outlays	6	11	20	20	20	20	381	695	721	825	77	2,719

NOTE: * = Less than $500,000.

For a school to become an approved institution, it must meet an extensive set of institutional eligibility requirements. In addition, proprietary and postsecondary vocational institutions are restricted by a two-year rule that states that an institution must be legally authorized to give, and has been giving, postsecondary instruction for at least two consecutive years. Therefore, costs in the first two years would be insignificant. After that, new and expanded institutions would cause costs to rise by $15 million for the 2008-2010 period and by $50 million over the 2008-2015 period.

Perkins Loan Revolving Fund. Under current law, schools participating in the Perkins Loan program are required to return to the government the federal share of any balances they hold beginning in 2012. S. 1614 would delay that date until 2020.

Based on data from the Department of Education, CBO estimates that the recall of the federal share would total—under current law—about $2.5 billion over the 2012-1015 period. Consequently, the delay that would result from enacting the bill would reduce federal collections by that amount.

Eligibility Restrictions for Certain Drug Offenders. Under current law, students are barred from receiving federal financial assistance if they have been convicted of any drug offense. The period of ineligibility lengthens with the number of convictions and depends on whether the convictions were for the sale or possession of the drugs. If the student participates and successfully completes a drug rehabilitation program, the period of ineligibility is shortened. S. 1614 would limit applicability of these restrictions to students with convictions that occur while the student is receiving federal aid. In addition, the Secretary could not require that applicants for financial aid report their convictions.

Based on data on federal financial-aid applications, CBO estimates that about 28,000 students are denied aid under the current restrictions. CBO estimates that this provision would increase annual student loan borrowing by $110 million to $140 million over the next 10 years. This borrowing would increase the costs of the student loan program by $5 million in 2006, $60 million over the 2006-2010 period, and $135 million over the 2006-2015 period.

Spending Subject to Appropriation

S. 1614 would reauthorize the Pell Grant program through 2012. For 2006, CBO estimates that the authorization would total $17.9 billion and that approximately 5.9 million students would participate in the program, compared with an estimated 5.3 million in 2005. CBO estimates that S. 1614 would authorize the appropriation of $105.6 billion over the 2006-2010 period, with estimated outlays of $86.8 billion over that period.

If S. 1614 is enacted before fiscal year 2006 appropriations for the Department of Education, than these costs would be treated as discretionary—subject to appropriation. But if appropriations precede enactment of S. 1614, than any increase in spending from the level set by appropriations for 2006 could constitute new direct spending.

The bill would authorize a maximum award level of $5,100 for 2006, which CBO estimates would result in approximately 5.9 million Pell participants. It would increase the maximum award level by $300 for each year after 2006, up to $6,300 for 2010 (the bill does not specify maximum award levels for 2011 or 2012). S. 1614 would also raise the minimum and "bump" award levels to 5 percent and 10 percent of the appropriated maximum award level, respectively. The minimum award level, currently set at $200, is used to determine eligibility for a Pell Grant. The bump award level, currently set at $400, is the lowest award amount that a student actually receives, so any student eligible for between $200 and $399 currently receives $400.

In addition, the bill would allow students enrolled year-round in two-year and four-year programs to receive multiple awards in one academic year, limit the total period for which a student is eligible for Pell Grants to 18 semesters, and eliminate tuition sensitivity. The tuition sensitivity provision limits the award level if a student's tuition is below a specific level.

Finally, the bill would make certain changes to the eligibility formula, many of which would not take effect until July 2007. These include raising the income protection allowance, reducing the asset conversion rate, raising the income level at which a family is not expected to pay a portion of education costs, and altering the eligibility restrictions for those students with drug convictions. These changes were discussed in more detail in the previous section.

Besides the Pell Grant program, S. 1614 would amend and extend the authorization for numerous existing higher education programs and would establish new ones. These programs include teacher quality enhancement grants; aid to historically black, hispanic, Indian, and other special institutions; campus-based grant aid; international education; as well as various scholarships and fellowships. The bill also would reauthorize a set of outreach and support programs (formally referred to as the Federal TRIO programs) intended to assist disadvantaged students make academic progress from middle school through post-baccalaureate programs. For all the programs, the bill would authorize the appropriation of such sums as may be necessary through fiscal year 2011. Under the General Education Provisions Act, the authorization for these programs would automatically be extended for one additional year (2012) if necessary. In fiscal year 2005, funding for these programs totaled over $4 billion.

ESTIMATED IMPACT ON STATE, LOCAL, AND TRIBAL GOVERNMENTS

S. 1614 contains no intergovernmental mandates as defined by UMRA. The bill would provide assistance to states and institutions of higher education affected by Hurricane Katrina. The bill also would authorize funding for student aid and higher education programs, much of which would go to public institutions of higher education. Any costs to those institutions or to state, local, or tribal governments would result from complying with conditions for receiving federal assistance.

ESTIMATED IMPACT ON THE PRIVATE SECTOR

The provisions of S. 1614 do not contain any private-sector mandates as defined by UMRA.

PREVIOUS CBO ESTIMATES

CBO has transmitted a number of cost estimates earlier this year for legislation that would affect higher education programs.

CBO has provided estimates for the reconciliation recommendations of the Senate Committee on Health, Education, Labor, and Pensions on October 24, 2005. The education provisions in that legislation, incorporated by the Senate Committee on the Budget in S. 1932, are identical to those in S. 1614 and thus have the same estimated budgetary effects. S. 1932, as passed by the Senate on November 3, 2005, contained provisions that would have reduced borrower origination fees more than in S. 1614, as well as create a one-time mandatory program for elementary and secondary education funding for students displaced by Hurricane Katrina.

CBO also provided estimates for H.R. 609, the College Access and Opportunities Act of 2005, as ordered reported by the House Committee on Education and the Workforce on September 16, 2005, and for the reconciliation recommendations of the House Committee on Education and the Workforce on October 31, 2005. Those pieces of legislation contain many of the same provisions as in S. 1614, but also would make different changes to borrower interest rates, lender and borrower fees, mandatory administrative expenses, and payments to guaranty agencies.

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