Congressional Budget Office
Cost Estimate

December 10, 2019

At a Glance

H.R. 4674, College Affordability Act

As ordered reported by the House Committee on Education and Labor on October 31, 2019

By Fiscal Year, Billions of Dollars	2020	2020-2024	2020-2029
Direct Spending (Outlays)	91.6	160.8	331.9
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	91.6	160.8	331.9
Spending Subject to Appropriation (Outlays)	*	148.9	not estimated

Statutory pay-as-you-go procedures apply?	Yes	**Mandate Effects**	
Increases on-budget deficits in any of the four consecutive 10-year periods beginning in 2030?	> $5 billion	Contains intergovernmental mandate?	Yes, Under Threshold
		Contains private-sector mandate?	Yes, Under Threshold

* = less than $50 million.

The bill would

- Increase direct spending for federal student loan programs by $169.9 billion over the 2020-2029 period
- Increase direct spending for the Federal Pell Grant Program by $83.1 billion over the 2020-2029 period
- Increase direct spending for other higher education programs by $78.8 billion over the 2020-2029 period
- Amend and permanently reauthorize the discretionary portion of the Pell grant program, which would increase spending subject to appropriation by $85.4 billion over the 2020-2024 period

Estimated budgetary effects would primarily stem from

- Amending repayment options for federal student loan programs, eliminating origination fees, creating a subsidized loan program for graduate students, and expanding eligibility for Public Service Loan Forgiveness
- Increasing the maximum Pell grant and indexing the total to inflation
- Appropriating funds for America's College Promise, a grant program that would require participating states to eliminate tuition and fees at public two-year institutions

Areas of significant uncertainty include

- Projecting future enrollment in postsecondary education and participation in the federal student aid programs
- Anticipating responses of students, postsecondary education institutions, and states to changes in the bill
- Projecting future incomes of borrowers in income-driven repayment and interest rates on student loans

Detailed estimate begins on the next page.

See also *CBO's Cost Estimates Explained*, www.cbo.gov/publication/54437;
How CBO Prepares Cost Estimates, www.cbo.gov/publication/53519; and *Glossary*, www.cbo.gov/publication/42904.

Bill Summary

H.R. 4674 would reauthorize the Higher Education Act of 1965 and amend student and institutional eligibility for several major student aid programs, including the William D. Ford Federal Direct Loan Program and the Federal Pell Grant Program. The bill also would reauthorize funding for most other federal higher education programs.

Estimated Federal Cost

The estimated budgetary effect of H.R. 4674 is shown in Table 1. The costs of the legislation fall within budget functions 050 (national defense) and 500 (education, training, employment, and social services).

Table 1.
Estimated Budgetary Effects of H.R. 4674

	By Fiscal Year, Billions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Increases and Decreases (-) in Direct Spending												
Student Loans												
Estimated Budget Authority	91.7	9.2	10.7	10.5	10.1	10.2	9.9	10.1	9.6	9.5	132.2	181.5
Estimated Outlays	89.8	6.9	9.6	9.5	9.3	9.2	9.1	9.1	8.8	8.7	125.1	169.9
Pell Grants												
Estimated Budget Authority	*	4.6	6.2	7.6	9.0	10.4	11.9	13.7	15.3	17.1	27.4	95.9
Estimated Outlays	*	1.2	5.0	6.6	8.0	9.3	10.8	12.4	14.1	15.8	20.7	83.1
Other Mandatory Programs												
Estimated Budget Authority	1.8	1.4	5.2	7.2	9.0	10.9	12.1	14.6	17.9	18.6	24.6	98.8
Estimated Outlays	1.8	-1.3	2.5	5.0	7.0	8.9	10.7	12.3	14.7	17.3	15.0	78.8
Total: Direct Spending												
Estimated Budget Authority	93.5	15.2	22.1	25.3	28.1	31.5	34.0	38.4	42.9	45.2	184.2	376.2
Estimated Outlays	91.6	6.8	17.1	21.1	24.3	27.4	30.5	33.8	37.7	41.7	160.8	331.9
Increases in Spending Subject to Appropriation												
Pell Grants												
Estimated Authorization	0	19.7	28.6	29.6	30.1	n.e.	n.e.	n.e.	n.e.	n.e.	108.0	n.e.
Estimated Outlays	0	5.1	21.8	28.8	29.7	22.3	0.3	n.e.	n.e.	n.e.	85.4	n.e.
Additional College Affordability Grants												
Estimated Authorization	0.0	2.8	8.9	15.6	19.4	n.e.	n.e.	n.e.	n.e.	n.e.	46.7	n.e.
Estimated Outlays	0.0	0.6	3.5	8.9	14.7	14.4	3.7	1.0	n.e.	n.e.	27.6	n.e.
Other Discretionary Programs												
Estimated Authorization	0.6	11.8	12.3	12.9	13.4	n.e.	n.e.	n.e.	n.e.	n.e.	50.9	n.e.
Estimated Outlays	*	1.7	9.6	11.7	12.9	11.6	2.4	0.8	n.e.	n.e.	35.9	n.e.
Total: Discretionary Spending												
Estimated Authorization	0.6	34.2	49.8	58.0	63.0	n.e.	n.e.	n.e.	n.e.	n.e.	205.6	n.e.
Estimated Outlays	*	7.4	34.9	49.3	57.3	48.3	6.4	1.7	n.e.	n.e.	148.9	n.e.

Components may not sum to totals because of rounding; n.e. = not estimated; * = between -$50 million and $50 million.
Estimated outlays after 2024 are derived from authorizations prior to 2025.

Basis of Estimate

For this estimate, CBO assumes that H.R. 4674 will be enacted by July 1, 2020, which coincides with the upcoming 2020-2021 academic year. CBO estimates that enacting the bill would increase direct spending by $91.6 billion in 2020, $160.8 billion over the 2020-2024 period, and $331.9 billion over the 2020-2029 period. CBO's estimates are based on analysis of data from a variety of sources, including the National Student Loan Data System, data on applications for federal student aid from the Department of Education, and the National Postsecondary Student Aid Study.

H.R. 4674 would reauthorize and create many discretionary programs for higher education through fiscal year 2026. Although almost all of the underlying authorizations have expired, many of the programs have continued to receive appropriations. Most of the authorizations would automatically be extended through 2027 under the General Education Provisions Act. The bill also would amend several other laws, including the U.S. Institute of Peace Act and the Tribally Controlled Colleges and Universities Assistance Act. CBO estimates that implementing H.R. 4674 would cost $148.9 billion over the 2020-2024 period, assuming appropriation of the necessary amounts. The largest amount ($85.4 billion) would result from reauthorizing and amending the discretionary portion of the Pell grant program.

Direct Spending

CBO estimates that over the 2020-2029 period, enacting H.R. 4674 would increase direct spending by $331.9 billion.

Federal Student Loan Programs. The federal government provides loans to undergraduate and graduate students and to the parents of undergraduates under the William D. Ford Direct Loan Program, which was created in 1994. The government serves as the lender for all borrowers but contracts with private entities to service the loans.[1] CBO estimates that in fiscal year 2020, the federal government will make about 16 million new loans to students and parents, totaling about $100 billion. Under the technical and economic assumptions that underlie CBO's May 2019 baseline, we project that mandatory and discretionary spending for the federal student loan programs will total $31.5 billion over the 2019-2029 period.[2]

As required by the Federal Credit Reform Act of 1990 (FCRA), CBO estimates most of the costs of the federal student loan programs on a net-present-value basis. A present value is a single number that expresses a flow of current and future payments in terms of an equivalent lump sum received or paid today. Under credit reform, the present value of all loan-related cash flows is calculated by discounting those expected cash flows to the year of disbursement, using the rates for comparable maturities on Treasury securities. (For example,

1. Before July 1, 2010, the federal government also provided loan guarantees to financial institutions for student loans made through the Federal Family Education Loan Program. The Health Care and Education Reconciliation Act of 2010 required loans originated after July 1, 2010, to be in the direct loan program.
2. See also *Student Loan Programs—CBO's May 2019 Baseline*. https://www.cbo.gov/system/files/2019-05/51310-2019-05-studentloan.pdf

the cash flow for a one-year loan is discounted using the rate for a one-year, zero-coupon Treasury note.)[3] As required by FCRA, changes to the estimated costs of outstanding student loans are shown in the year of enactment; for this estimate, CBO assumes H.R. 4674 will be enacted in fiscal year 2020. The costs for the federal administration of student loans are estimated on a cash basis. The major provisions affecting direct spending for student loans are described below. In total direct spending for those loans would total $169.9 billion over the 2020-2029 period.

Borrowers' (Student and Parents) Repayment Options. Under current law, borrowers select a loan repayment plan from the following options:

- Standard (or default) repayment plan—borrowers under the standard repayment plan make fixed monthly payments for 10 years.
- Extended repayment or consolidation plans—in certain circumstances, borrowers may extend the repayment of a loan for up to 30 years.
- Income-driven repayment (IDR) plans—student borrowers may use these plans, such as the PAYE (Pay as You Earn) Repayment Plan and the REPAYE (Revised Pay as You Earn) Repayment Plan, to make monthly payments. Those payments are calculated as a percentage of income, and borrowers usually make payments for 20 or 25 years, with total forgiveness of outstanding balances at the end of that term. Payments for most new borrowers are set at 10 percent of discretionary income, and there is no limit on the amount that may be forgiven. Parent borrowers can only use the Income-Contingent Repayment Plan, which requires higher payments for a longer period of time than most income-driven repayment plans for students.

H.R. 4674 would eliminate those repayment plans and replace them with two new plans: a fixed-repayment plan (the default plan) and an income-driven repayment plan. Current borrowers could remain in their plan or switch into one of the two new plans.

Under the bill, the fixed-repayment plan would allow borrowers to make monthly payments for 10, 15, 20, or 25 years, depending on the amount of their debt when entering repayment.

Under the income-driven repayment plan, borrowers would pay 10 percent of their discretionary income, defined as any amount above 250 percent of the federal poverty level.[4] That percentage would be reduced by 10 percentage points for every $1,000 that single

3. A second approach to estimating the costs of federal credit programs is called fair value. Fair value estimates are based on market values—market prices when those prices are available or approximations of market prices when directly comparable figures are unavailable—which more fully account for the cost of the risk the government takes on in its credit programs. To account for that risk, CBO discounts the same projected cash flows as under FCRA but uses a market-based discount rate. CBO has not completed an estimate of the loan provisions in H.R. 4674 using fair-value estimating procedures. For more details on fair-value accounting, see Congressional Budget Office, *Fair-Value Estimates of the Cost of Federal Credit Programs in 2019* (June 2018) www.cbo.gov/publication/54095.

4. In 2019, the federal poverty level is $12,490 for a single person or $25,750 for a family of four.

borrowers' adjusted gross income exceeded $80,000 or for every $2,000 that married borrowers' income exceeded $160,000. Any loan balance remaining after 20 years would be forgiven.

Based on borrower data from the NSLDS and income projections derived from the CBO Long-Term model, CBO estimates that amending the repayment plans would increase direct spending by $42.0 billion for student borrowers and by $26.8 billion for parent borrowers over the 2020-2029 period (see Table 2). CBO expects that the majority of that increase would be for outstanding student loans because borrowers with lower incomes (who are most likely to see lower payments and more forgiveness of outstanding balances) would probably switch into the new income-driven repayment plan. However, as borrowers' incomes rise over time and more borrowers exceed the income at which reductions in the discretionary income level occur, CBO expects that the costs of the new IDR plans would decline.

Table 2.
Estimated Effects on Direct Spending Outlays Under H.R. 4674

	By Fiscal Year, Billions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
Federal Student Loans												
Student Repayment Options	43.0	1.5	1.0	0.5	0.5	-0.5	-0.5	-1.0	-1.0	-1.5	46.5	42.0
Parent Repayment Options	8.2	2.1	2.1	2.1	2.2	2.1	2.1	2.0	2.0	2.0	16.6	26.8
Subsidized Graduate Loan Program	0.0	1.4	2.3	2.4	2.4	2.5	2.6	2.7	2.7	2.8	8.5	21.8
Origination Fees	0.0	0.8	1.6	1.9	2.0	2.1	2.2	2.3	2.3	2.4	6.4	17.7
PSLF for Borrowers Who Consolidate	16.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	16.0	16.0
Borrower Defense to Repayment Rule	0.5	1.1	1.3	1.4	1.4	1.4	1.5	1.6	1.6	1.7	5.7	13.5
Refinancing Loans												
Federal Loans	13.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	13.3	13.3
Private Loans	*	-2.5	-1.2	-1.0	-0.3	*	*	*	*	*	-5.0	-5.0
Administrative Costs	*	*	*	*	*	*	*	*	*	*	0.1	0.3
Other Loan Policies and Interactions	8.8	2.5	2.4	2.2	1.0	1.5	1.2	1.6	1.2	1.3	17.0	23.6
Subtotal	89.8	6.9	9.6	9.5	9.3	9.2	9.1	9.1	8.8	8.7	125.1	169.9
Pell Grants												
Increase the Mandatory Add-on	0.0	1.0	4.0	5.2	6.4	7.6	8.9	10.4	11.9	13.5	16.5	68.7
Other Pell Grant Policies and Interactions	*	0.2	1.0	1.4	1.6	1.7	1.9	2.0	2.2	2.3	4.3	14.4
Subtotal	*	1.2	5.0	6.6	8.0	9.3	10.8	12.4	14.1	15.8	20.7	83.1
Other Mandatory Programs												
America's College Promise[a]	0.0	0.3	1.6	3.2	4.5	6.2	7.9	9.4	11.8	14.3	9.7	59.3
Other Mandatory Program Policies	1.8	-1.6	0.9	1.8	2.5	2.7	2.8	2.8	2.9	2.9	5.4	19.5
Subtotal	1.8	-1.3	2.5	5.0	7.0	8.9	10.7	12.3	14.7	17.3	15.0	78.8
Total, Direct Spending	91.6	6.8	17.1	21.1	24.3	27.4	30.5	33.8	37.7	41.7	160.8	331.9

Components may not sum to totals because of rounding; PSLF = Public Service Loan Forgiveness;* = between -$50 million and $50 million.

a. CBO estimates this provision would increase direct spending for Pell grants by $900 million and decrease spending on student loans by $1.1 billion over the 2021-2029 period. Those totals are included above under the headings for "Federal Student Loans" and "Pell grants."

Subsidized Graduate Loan Program. Under current law, graduate students can borrow up to $20,500 annually in unsubsidized loans, which accrue interest from the date of origination. Under H.R. 4674, borrowers attending public and private, not-for-profit institutions would be eligible to borrow up to $8,500 of that annual amount in subsidized loans, which would not accrue interest while the borrower is enrolled at least half-time or during certain periods of deferment.

Under current law, CBO projects that graduate students will incur about $340 billion worth of loans over the 2021-2029 period. Based on the amount of borrowing in the subsidized loan program for graduate students that existed until 2012, CBO expects that approximately 35 percent of that projected loan amount would move to the subsidized loan program. As a result, CBO estimates this provision would increase direct spending by $21.8 billion over the 2021-2029 period.

Origination Fees. Under current law, borrowers with subsidized and unsubsidized loans pay an origination fee of 1 percent of the loan amount. The fee for parent and GradPLUS loans is 4 percent.[5] H.R. 4674 would eliminate all origination fees, which increases the cost of those loans, resulting in an increase in direct spending of $17.7 billion over the 2021-2029 period, CBO estimates.

Public Service Loan Forgiveness for Borrowers who Consolidate. Under current law, to be eligible for the Public Service Loan Forgiveness (PSLF) Program, borrowers' loans must be in the federal direct loan program and a borrower must be making payments to an eligible repayment plan, such as an income-driven repayment plan. Borrowers who have Family Federal Education Loans or who are making payments in extended repayment or other repayment plans are not eligible for the program.

H.R 4674 would allow borrowers who consolidate their loans under one of the new repayment plans to count their previous payments under other prepayment plans toward the 120 payments required for PSLF. Using data from the Government Accountability Office and information about borrowers who have certified their employment for the PSLF Program, CBO estimates that enacting the provision would increase direct spending by $16.0 billion in 2020 because it would change the cost of outstanding loans.

Borrower Defense to Repayment Rule. Under current law, borrowers who demonstrate financial harm from an institution's false or misleading statements may apply to have their loans discharged under what is known as the borrower defense to repayment.

H.R. 4674 would expand eligibility to borrowers who have attended an institution that made a substantial misrepresentation and allow a legal representative to bring defense claims on behalf of a group of borrowers. Based on the loan volume at schools that are under

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. The origination fees described in the text do not include this additional amount.

investigation for cases that could fall under borrower defense to repayment, CBO estimates that enacting those provisions would increase direct spending by $13.5 billion over the 2020-2029 period.

Refinancing Loans. Under H.R. 4674, eligible borrowers could apply to have the Department of Education refinance outstanding federal direct or guaranteed student loans or private loans at interest rates specified in the bill. The interest rates under the policy would be equal to the interest rates that apply to new federal loans issued in academic year 2019-2020. The department would have the authority to limit refinancing to borrowers who meet income requirements or debt-to-income ratios that it established. For private loans, the bill would prohibit borrowers from refinancing any loan that is in default and require that borrowers be current on their payments for the previous six months.

According to the Department of Education, the total amount in outstanding federal student loans or loan guarantees stands at nearly $1.5 trillion. More than three-quarters of the federal student loan volume is in federal direct loans; the remainder is for federally guaranteed loans issued before July 1, 2010. Using data from the National Student Loan Data System, CBO estimates that borrowers who account for about 40 percent of the outstanding loan volume would not benefit from refinancing because the interest rates on many recently originated federal loans are lower than or equal to those specified in the bill. CBO expects that more than half of the outstanding loans that would benefit would be refinanced, but borrowers' participation would be greatest for loans with higher current interest rates and more years left to repay. The federal government would receive less in interest income over the life of loans that were refinanced at lower rates. In total, CBO estimates that allowing students to refinance federal direct and guaranteed loans would increase direct spending by $13.3 billion.

According to MeasureOne, a private-sector firm that analyzes education data, about $123 billion is currently outstanding in private student loans that are not federally guaranteed. CBO estimates that a little less than half of that loan volume would be refinanced under the bill, and using the procedures specified in FCRA to estimate the cost of loans, CBO estimates that the interest earned by the government on those loans would be greater than the cost to finance them on a net-present-value basis. Accordingly, CBO estimates that borrowers' refinancing of those private student loans would reduce direct spending by $5.0 billion over the 2020-2029 period for those administrative costs.

The cost of administering formerly private and guaranteed student loans would create additional mandatory spending, which is recorded on a cash basis. Based on the costs of administering existing loans, CBO estimates that direct spending would increase by $250 million over the 2020-2029 period.

Other Loan Policies and Interactions. H.R. 4674 would make other changes to federal student loan programs, including amending the list of professions that would make borrowers eligible for the PSLF Program, reducing the instances in which outstanding interest is capitalized (added to the loan's principal to determine interest owed), and automatically discharging loans for borrowers who attended an institution that closed while they were enrolled. CBO estimates that those changes would increase direct spending by $16.1 billion over the 2020-2029 period. Interactions among all the numerous provisions related to student loans would increase direct spending by an additional $7.5 billion.

Federal Pell Grant Program. The Pell grant program was created in 1972 to provide need-based grants to postsecondary undergraduate students. Pell grants are not repaid by students, and they constitute the largest source of federal grant aid for postsecondary education. In the upcoming academic year 2019-2020, CBO projects that 7.1 million students will receive Pell grants that average $4,200 each, at a total federal cost of about $30 billion.

Although Pell grants are paid for in part with direct spending, their funding is mainly provided in annual discretionary appropriations with a mandatory set-aside that supports the discretionary portion of the Pell grant program.[6] Additional direct spending is provided automatically on the basis of a formula to support a "mandatory add-on" that increases the award amount above the maximum set in the annual appropriation act. For the 2020-2021 academic year, which begins July 1, 2020, the total maximum grant will be $6,195. Of that, $5,135 will be supported with discretionary funds and the mandatory set-aside, and $1,060 will be supported through the mandatory add-on. Those awards are the amounts that were the grant levels in the 2019-2020 academic year. The current continuing resolution (Public Law 116-69) will expire on December 20, 2019. However, because CBO scores continuing resolutions on an annualized basis, CBO has assumed that those award amounts will be the same for the 2020-2021 academic year.

Because funding for Pell grants comes from mandatory and discretionary sources, the budgetary effects of changes made to Pell grants in H.R. 4674 are discussed in two sections of this estimate. Changes to the mandatory add-on are discussed in this section, and discretionary-funding effects are discussed under "Spending Subject to Appropriation."

Increase the Mandatory Add-On. H.R. 4674 would increase the mandatory add-on by $625 (raising the grant amount from $1,060 to $1,685) to increase the 2021 total maximum Pell grant to $6,820. Beginning in 2022, the total maximum grant would increase annually with inflation, and any required change would be reflected by an increase in the mandatory add-on award. In 2029, CBO estimates that the total maximum award would be $8,250; the average award would increase by $1,420 (or about 33 percent). In addition to increasing the average award, CBO estimates that enacting this provision would increase the number of grant recipients in 2029 by about 390,000 and would increase direct spending by $68.7 billion over the 2020-2029 period.

Other Pell Grant Policies and Interactions. H.R. 4674 would make several other changes to the Pell grant program that, in general, would expand eligibility (and thus increase the

6. Provided in section 401(b)7(A)(iv) of the Higher Education Act.

number of recipients) or increase award amounts. The bill would provide grants to previously ineligible students who meet certain criteria and are enrolled in nonproprietary institutions. That group includes graduate students, incarcerated students, and students enrolled in short-term programs. H.R. 4674 also would change the Free Application for Federal Student Aid, the application process, the formula for determining eligibility, and lifetime eligibility.

H.R. 4674 also would place new regulations on proprietary schools, which CBO estimates would reduce the number of recipients.

CBO estimates that considered together, including America's College Promise (as described below), these other provisions would increase the number of Pell grant recipients by about 1 million (or 11 percent) in 2029 and increase direct spending by $6.8 billion over the 2020-2029 period. Interactions among all the numerous provisions related to Pell grants would further increase direct spending by $7.6 billion.

In total, CBO estimates that implementing H.R. 4674 would increase the number of Pell grant recipients by 1.4 million in 2029, or 16 percent, and increase direct spending by $83.1 billion over the 2020-2029 period.

Other Mandatory Programs. In addition to Pell grants, H.R. 4674 would amend and extend funding for current and expired mandatory programs and appropriate funding for several new grant programs, the largest of which is the America's College Promise grant program.

America's College Promise. Beginning in 2021, H.R. 4674 would appropriate specified amounts for annual grants to help states eliminate resident tuition and fees at public two-year institutions. All told, $75 billion would be provided over the 2021-2029 period, of which CBO estimates $59 billion would be spent. Ultimately, CBO estimates, most states would participate in the grant program.

CBO assumes that the elimination of tuition and fees at two-year institutions also would indirectly affect other federal spending on education. CBO estimates that this provision would increase spending for Pell grants because eliminating tuition and fees at these institutions would cause more students to enroll and some of them would be eligible for Pell grants. However spending for student loans would decrease because the elimination of tuition and fees would result in less borrowing. CBO estimates that as a result of this provision, federal costs for the mandatory portion of the Pell grant program would increase by about $900 million over the 2021-2029 period and that direct spending on student loans would be reduced by $1.1 billion over that period.

Other Mandatory Program Policies. H.R. 4674 would increase direct spending for various other programs. For example, it would amend the TEACH grant program; extend funding for existing but expired mandatory grant programs, including those for Historically Black Colleges and Universities and minority-serving institutions; and create new programs, such as the Institutional Pell Bonuses program. CBO estimates that those provisions would increase direct spending by $19.5 billion over the 2021-2029 period.

Spending Subject to Appropriation

CBO estimates that implementing H.R. 4674 would cost $148.9 billion over the 2020-2024 period, assuming appropriation of the necessary amounts—$205.6 billion—and spending consistent with historical patterns.

The bulk of that spending would be for the Federal Pell Grant Program ($85.4 billion over the 2020-2024 period) and grants to support students' unmet need ($27.6 billion over the 2020-2024 period). In addition, the bill would authorize funds for other grant programs for post-secondary students and institutions.

Federal Pell Grant Program. The Pell grant program is by far the largest grant program authorized by the Higher Education Act, and although it receives some mandatory funding, most spending for the program is subject to annual appropriation. As shown in Table 3, CBO estimates that H.R. 4674 would cost $85.4 billion over the 2020-2024 period.

Beginning in fiscal year 2021, H.R. 4674 would permanently authorize the appropriation of such sums as may be necessary for the Pell grant program. CBO estimates that reauthorizing the program with no other changes would require the appropriation of $91.4 billion with resulting outlays of $72.2 billion over the 2020-2024 period. (The estimated cost of this reauthorization represents the cost of the discretionary program—under the assumption that the maximum grant would be $5,135—minus previously appropriated funds and mandatory funds that support the discretionary portion of the Pell grant program provided in section 401(b)7(A)(iv) of the Higher Education Act of 1965.) Because the maximum student award under the discretionary portion of the program is set in annual appropriation acts, CBO assumes that the maximum award that is funded with discretionary spending would be $5,135 in each year over the 2020-2029 period. That is the amount in the most recent appropriation act and CBO has no basis for estimating a different amount in future years.

The bill would make other changes to Pell grants (see Federal Pell Grant Program under the "Direct Spending" heading). CBO estimates that the total additional discretionary cost of implementing those provisions would be $13.3 billion over the 2020-2024 period.

Additional College Affordability Grants. H.R. 4674 would authorize the appropriation of whatever amounts are necessary to fund the federal share of grants to states to cover eligible students' unmet need or finance tuition waivers. Unmet need is defined as the cost of college attendance, after accounting for expected family contribution and all grant aid. Grants would only be provided to states that have provided all eligible grants under the bill's America's College Promise program for community college grants.

Table 3.
Spending Subject to Appropriation in H.R. 4674, by Title

	By Fiscal Year, Millions of Dollars					
	2020	2021	2022	2023	2024	2020-2024
			Increases in Spending Subject to Appropriation			
Title IV: Student Assistance						
Pell Grants						
Estimated Authorization	0	19,660	28,626	29,592	30,121	108,000
Estimated Outlays	0	5,115	21,795	28,787	29,718	85,415
Additional College Affordability Grants						
Estimated Authorization	0	2,812	8,888	15,558	19,439	46,698
Estimated Outlays	0	562	3,465	8,866	14,697	27,590
Other						
Estimated Authorization	0	7,745	8,222	8,713	9,198	33,877
Estimated Outlays	0	1,381	6,592	7,894	8,744	24,610
Title III: Institutional Aid						
Estimated Authorization	0	1,194	1,223	1,253	1,282	4,953
Estimated Outlays	0	62	873	1,109	1,244	3,289
Title VII: Graduate and Postsecondary Improvement Programs						
Estimated Authorization	0	1,108	1,102	1,106	1,111	4,426
Estimated Outlays	0	58	808	1,004	1,106	2,976
Title II: Teacher Quality Enhancement						
Estimated Authorization	569	624	637	650	664	3,144
Estimated Outlays	30	125	559	629	646	1,989
Title V: Developing Institutions						
Estimated Authorization	0	465	476	488	500	1,930
Estimated Outlays	0	24	340	432	485	1,281
Title X: Amendments to Other Laws						
Estimated Authorizations	0	325	329	332	335	1,321
Estimated Outlays	0	17	238	299	331	884
Title VIII: Additional Programs						
Estimated Authorization	0	177	177	178	178	710
Estimated Outlays	0	9	129	161	178	478
Title VI: International Education Programs						
Estimated Authorization	0	125	128	131	134	519
Estimated Outlays	0	7	91	116	130	344
Title I: General Provisions						
Authorization Level	0	15	15	15	15	60
Estimated Outlays	0	1	11	14	15	40
Total						
Estimated Authorization	569	34,250	49,824	58,017	62,978	205,637
Estimated Outlays	30	7,360	34,901	49,312	57,293	148,896

Components may not sum to totals because of rounding.

Participating states could receive federal assistance to cover the unmet need of eligible students enrolled at least half-time in in-state public, two- or four-year institutions. After providing grants to students at public institutions, states could expand the grant program to cover the unmet need of students at nonprofit private institutions in the state.

For this estimate, CBO assumes that, over the next five years, states would choose to cover the unmet need of Pell grant recipients, as prioritized in the bill, but would not provide further grants for other students in the state, cover tuition waivers, or expand the grant program to private institutions. CBO estimates that implementing this provision would require the appropriation of $46.7 billion over the 2020-2024 period and would cost $27.6 billion over the same period.

Other Spending Subject to Appropriation. H.R. 4674 also would amend and extend the authorizations for many existing programs under the Higher Education Act and other acts, such as the Tribally Controlled Colleges and Universities Act, and authorize new programs. As shown in Table 1, CBO estimates that implementing the bill would require appropriation of $50.9 billion over the 2020-2024 period, which CBO estimates would increase spending by $35.9 billion over the same period. Table 3 shows CBO's estimates of spending subject to appropriation by title.

Uncertainty

CBO's budgetary estimates are uncertain for a variety of reasons. For example, the ways in which students, institutions of higher education, federal agencies, and states would respond to this bill's provisions are all difficult to predict. In producing these estimates, CBO has tried to estimate outcomes that are likely to be roughly correct on average.

In fact, CBO's projections for current-law spending also are uncertain. For example, in 2017, the first group of student borrowers became eligible for the Public Service Loan Forgiveness Program. But data about that group are limited and therefore cannot yet be used to confidently project future participation. Actual participation, and the resulting budgetary changes from expanding the PSLF program, may be higher or lower than CBO's 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 and a sudden change in rates of employment could affect postsecondary enrollment or the income of borrowers in income-driven repayment programs, which would increase or decrease the cost of all 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. For example, the changes to the federal student loan programs and the Pell grant program would, on net, almost certainly increase federal costs by a very significant amount.

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 4.

Table 4.
CBO's Estimate of the Statutory Pay-As-You-Go Effects of H.R. 4674, the College Affordability Act, as Ordered Reported by the House Committee on Education and Labor on October 31, 2019

	By Fiscal Year, Billions of Dollars											
	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2020-2024	2020-2029
	Net Increase in the Deficit											
Pay-As-You-Go Effect	91.6	6.8	17.1	21.1	24.3	27.4	30.5	33.8	37.7	41.7	160.8	331.9

Increase in Long-Term Deficits

CBO estimates that enacting H.R. 4674 would increase on-budget deficits by more than $5 billion in all of the four consecutive 10-year periods beginning in 2030.

Mandates

H.R. 4674 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA). CBO estimates that the aggregate cost of complying with the mandates would fall below the annual thresholds established in UMRA ($82 million and $164 million, respectively, in 2019, adjusted annually for inflation).

Mandate That Applies both to Public and to Private Entities

The bill would require institutions of higher education to establish an office of accessibility. That office would provide information to students with disabilities about their legal rights and accommodations provided by the school, and specify the documentation needed to establish that a student is a person with a disability.

Under current law, all institutions of higher education must provide accommodations to students with disabilities. Further, universities that receive federal funding are required to appoint a coordinator for disability services. CBO expects that institutions receiving federal assistance would incur minimal costs to comply with the bill's requirement to establish an office that centralizes activities already taking place. Institutions that do not receive federal assistance may incur higher costs to establish an office of accessibility; however, using information from industry sources, CBO estimates that the number of affected institutions would be very small.

Mandate That Applies to Private Entities Only

The bill would require financial institutions to report to federal agencies and the Congress information related to their portfolio of education loans. Lenders already provide most of the information to credit bureaus and other private data repositories; therefore, CBO estimates the cost to comply with the new reporting requirement would be small.

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