

March 20, 2009

MEMORANDUM

TO: Interested Parties

FROM: Deborah Kalcevic
Justin Humphrey

SUBJECT: CBO March 2009 Baseline Projections for the Student Loan and Grant Programs.

Attached are eight tables that detail the costs, loan volumes, and subsidy rates for both the guaranteed and direct student loan programs for the March 2009 CBO Baseline as well as two tables that detail the major federal student grant programs. Below each table is summarized:

Table 1. Includes the cost projection for each budget account associated with the student loan programs--the numbers shown are those in the CBO computer runs for Function 500.

Table 2. Includes the loan volume and subsidy rate projections for all guaranteed and direct student loans.

Table 3. Includes the loan volume and subsidy rate projections for the guaranteed student loans.

Table 4. Includes the loan volume and subsidy rate projection for the direct student loans.

Table 5. Includes the detailed components of the federal student loan subsidy rates for fiscal year 2010.

Table 6. Includes the estimates of consolidation loan volume implicit in the estimated subsidy costs of both guaranteed and direct student loans.

Table 7. Includes the Student Aid Administration expenditures.

Table 8. Includes the interest rate forecasts used in the projections of student loan costs.

Table 9. Includes the estimates of the Pell grant program.

Table 10. Includes the estimates of Pell and other grant programs.

For your information, below is a summary of the definitions of budget authority, program obligations, and outlays as they apply to the student loan program subsidy or "program" accounts:

Subsidy Budget Authority: Subsidy budget authority figures express what total subsidy costs would be if all the loans for which an application was received during a year were made. But all loans are seldom made--only about 90 percent. This is because prospective borrowers either do not show up for school or decide not to take all or part of the loan.

Subsidy Obligations: Subsidy obligations are the costs associated with all loans for which there actually will be at least one cash disbursement [shown on the attached tables as Net Annual Loan Volume]. Typically, the subsidy obligation estimates are not included on budget tables.

Subsidy Outlays: Subsidy outlays reflect the subsidy obligations adjusted for the timing of the loan dollar disbursements. Because of the multiple disbursement requirements and the timing of the academic school year calendars compared to the federal fiscal year, only about two-thirds of the dollars are disbursed to the borrowers during the first fiscal year. The remaining dollars are disbursed in the following year.

Table 1

Mar-09

CBO March 2009 BASELINE BUDGET ACCOUNT TOTALS: STUDENT LOAN PROGRAM BASELINE

		(by fiscal year, in millions of dollars)										
		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Guaranteed Loan Program	BA	-29,969	-1,916	3,979	5,110	5,040	5,816	6,252	6,497	6,679	6,762	6,798
Program (Subsidy) Account	OP	-116	-2,897									
91-0231-01-502 BA01,BA03,BA04	OL	-26,993	-4,314	2,657	4,119	4,428	4,848	5,336	5,612	5,794	5,902	5,954
Guaranteed Loan Program	BA	0	0	0	0	0	0	0	0	0	0	0
Liquidating Account	OP	0	0									
91-0230-01-502 BA02	OL	-574	-528	-490	-445	-407	-375	-344	-314	-286	-255	-229
Student Aid Administration	BA	813	766	773	780	787	797	810	826	843	860	878
[discretionary]	OP	295	360									
91-0202-01-502 AA01,AA02,AA04	OL	734	774	772	778	783	791	802	816	832	849	867
Direct Loan Program	BA	-5,230	-4,867	-3,458	-2,812	-2,137	-1,500	-1,093	-885	-653	-631	-679
Program (Subsidy) Account	OP	-531	-1,462									
91-0243-01-502 BA04,BA05,BA06	OL	-3,754	-4,365	-3,383	-2,615	-2,030	-1,461	-1,043	-806	-608	-530	-550
Federal Student Loan	BA	-136	-150	-176	-209	-137	-251	-276	-300	-328	-360	-394
Reserve Fund	OP	0	0									
91-4257-03-502 BD01	OL	-136	-150	-176	-209	-137	-251	-276	-300	-328	-360	-394
Student Aid Administration	BA	1,097	1,106	1,102	1,119	1,179	1,261	1,362	1,475	1,592	1,708	1,767
[mandatory]	OP	261	274									
91-0202-01-502 BA01	OL	1,084	1,104	1,103	1,115	1,164	1,240	1,337	1,447	1,563	1,679	1,752
TOTAL	BA	-33,424	-5,062	2,220	3,988	4,733	6,123	7,055	7,614	8,133	8,339	8,370
	OP	-91	-3,725									
	OL	-29,639	-7,479	483	2,743	3,801	4,792	5,812	6,456	6,968	7,286	7,400

Note: Fiscal year 2009 credit reestimates and loan modifications included in the above estimates:

Guaranteed Loan Program	BA	-18,924
Program (Subsidy) Account	OP	0
91-0231-01-502 BA03, BA04	OL	-18,326
Direct Loan Program	BA	120
Program (Subsidy) Account	OP	0
91-0243-01-502 BA05,BA06	OL	120

TABLE 2

Mar-09

TOTAL GUARANTEED AND DIRECT LOAN PROGRAMS, March 2009 Baseline

	(by fiscal year)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL ALL NEW LOANS [New Guaranteed and Direct Loans] a/											
Net Annual Loan Volume (Mil \$)	83,212	89,177	93,998	97,788	101,305	104,673	107,772	110,756	113,574	116,701	119,930
Net Number of Loans (000)	15,982	16,681	17,169	17,606	18,021	18,406	18,743	19,065	19,373	19,739	20,115
Average Loan Amount	\$5,207	\$5,346	\$5,475	\$5,554	\$5,622	\$5,687	\$5,750	\$5,809	\$5,863	\$5,912	\$5,962
Subsidy Rate b/ c/ d/	-18.16%	-7.02%	0.21%	1.78%	2.21%	3.27%	3.80%	3.99%	4.15%	4.04%	3.85%
SUBSIDIZED STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	33,164	35,204	36,567	37,727	38,692	39,635	40,508	41,384	42,285	43,341	44,428
Net Number of Loans (000)	8,517	8,935	9,209	9,433	9,618	9,797	9,955	10,113	10,274	10,467	10,663
Average Loan Amount	\$3,894	\$3,940	\$3,971	\$3,999	\$4,023	\$4,046	\$4,069	\$4,092	\$4,116	\$4,141	\$4,167
Subsidy Rate b/ c/ d/	-1.61%	10.89%	19.79%	18.06%	15.52%	16.60%	17.24%	17.59%	17.89%	17.97%	17.98%
UNSUBSIDIZED STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	38,070	41,013	43,607	45,265	46,742	48,064	49,143	50,038	50,690	51,401	52,123
Net Number of Loans (000)	6,441	6,677	6,847	7,012	7,188	7,340	7,462	7,569	7,654	7,761	7,870
Average Loan Amount	\$5,911	\$6,142	\$6,369	\$6,455	\$6,503	\$6,548	\$6,586	\$6,611	\$6,623	\$6,623	\$6,623
Subsidy Rate b/ c/ d/	-25.77%	-14.67%	-8.05%	-3.92%	-1.25%	0.12%	0.91%	1.33%	1.71%	1.81%	1.81%
GRADPLUS STUDENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	4,527	5,182	5,712	6,335	7,034	7,754	8,526	9,351	10,209	11,119	12,072
Net Number of Loans (000)	317	353	387	427	470	515	563	614	667	724	784
Average Loan Amount	\$14,279	\$14,661	\$14,749	\$14,846	\$14,964	\$15,047	\$15,132	\$15,230	\$15,304	\$15,366	\$15,399
Subsidy Rate b/ c/ d/	-48.68%	-32.59%	-24.21%	-19.70%	-16.70%	-15.19%	-14.32%	-13.86%	-13.45%	-13.36%	-13.38%
PARENT LOANS [New Guaranteed and Direct Loans]											
Net Annual Loan Volume (Mil \$)	7,452	7,778	8,112	8,462	8,837	9,219	9,595	9,983	10,390	10,839	11,308
Net Number of Loans (000)	707	716	725	734	745	754	762	770	778	788	798
Average Loan Amount	\$10,545	\$10,861	\$11,187	\$11,523	\$11,868	\$12,224	\$12,591	\$12,969	\$13,358	\$13,758	\$14,171
Subsidy Rate b/ c/ d/	-43.84%	-34.94%	-28.82%	-25.82%	-23.40%	-21.94%	-21.12%	-20.70%	-20.32%	-20.23%	-20.24%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2010 federal cost associated with the \$89,177 million in new loan volume would be \$6,256 million or -7.02% of the new loan volume [$\$89,177 * -.0702 = -\$6,256$]. In other words, the federal government will save on average about 7 cents for each new dollar loaned in 2010.

c. Subsidy rates for guaranteed loans do NOT include federal administrative costs associated with disbursing and collecting loans. The administrative costs are included in the budget on a cash basis.

d. Subsidy rates were calculated using the CBO March 2009 interest rate forecast.

TABLE 3

Mar-09

TOTAL GUARANTEED LOAN PROGRAMS, March 2009 Baseline

	(by fiscal year)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL ALL NEW LOANS [New Guaranteed Loans Only] a/											
Net Annual Loan Volume (Mil \$)	62,099	64,616	66,271	68,937	71,443	73,842	76,055	78,187	80,201	82,433	84,739
Net Number of Loans (000)	11,247	11,741	12,086	12,397	12,691	12,965	13,205	13,436	13,655	13,916	14,184
Average Loan Amount	\$5,521	\$5,503	\$5,483	\$5,561	\$5,629	\$5,695	\$5,759	\$5,819	\$5,873	\$5,924	\$5,974
Subsidy Rate b/ c/ d/	-16.14%	-2.38%	5.54%	6.66%	6.25%	6.88%	7.09%	7.07%	7.00%	6.81%	6.56%
SUBSIDIZED STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	24,541	25,347	25,597	26,409	27,084	27,745	28,356	28,969	29,599	30,339	31,099
Net Number of Loans (000)	5,962	6,254	6,446	6,603	6,733	6,858	6,969	7,079	7,192	7,327	7,464
Average Loan Amount	\$4,116	\$4,053	\$3,971	\$3,999	\$4,023	\$4,046	\$4,069	\$4,092	\$4,116	\$4,141	\$4,167
Subsidy Rate b/ c/ d/	0.28%	15.28%	24.94%	23.26%	19.70%	20.40%	20.78%	20.98%	21.12%	21.16%	21.16%
UNSUBSIDIZED STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	28,584	30,008	31,070	32,251	33,304	34,245	35,015	35,652	36,117	36,624	37,138
Net Number of Loans (000)	4,589	4,757	4,878	4,996	5,121	5,230	5,317	5,393	5,453	5,530	5,607
Average Loan Amount	\$6,229	\$6,308	\$6,369	\$6,455	\$6,503	\$6,548	\$6,586	\$6,611	\$6,623	\$6,623	\$6,623
Subsidy Rate b/ c/ d/	-23.48%	-9.67%	-2.30%	1.17%	3.19%	4.15%	4.66%	4.92%	5.11%	5.16%	5.16%
GRADPLUS STUDENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	3,671	4,102	4,413	4,862	5,399	5,951	6,543	7,177	7,836	8,534	9,265
Net Number of Loans (000)	243	271	297	327	361	396	432	471	512	555	602
Average Loan Amount	\$15,085	\$15,123	\$14,845	\$14,846	\$14,964	\$15,047	\$15,132	\$15,230	\$15,304	\$15,366	\$15,399
Subsidy Rate b/ c/ d/	-48.89%	-29.78%	-20.55%	-16.50%	-14.03%	-12.86%	-12.23%	-11.91%	-11.66%	-11.61%	-11.63%
PARENT LOANS [New Guaranteed Loans Only]											
Net Annual Loan Volume (Mil \$)	5,303	5,159	5,192	5,416	5,656	5,900	6,141	6,389	6,650	6,937	7,237
Net Number of Loans (000)	452	458	464	470	477	483	488	493	498	504	511
Average Loan Amount	\$11,726	\$11,257	\$11,187	\$11,523	\$11,868	\$12,224	\$12,591	\$12,969	\$13,358	\$13,758	\$14,171
Subsidy Rate b/ c/ d/	-43.05%	-31.38%	-24.66%	-23.17%	-21.79%	-20.83%	-20.39%	-20.18%	-20.05%	-20.02%	-20.05%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2010 federal cost associated with the \$64,616 million in new loan volume would be -\$1,536 million or -2.38% of the new loan volume [$\$64,616 \times -.0238 = -\$1,536$]. In other words, the federal government will save on average about 2 cents for each new dollar loaned in 2010.

c. Subsidy rates for guaranteed loans do NOT include federal administrative costs associated with disbursing and collecting loans. The administrative costs are included in the budget on a cash basis.

d. The subsidy rates were calculated using the CBO March 2009 interest rate forecast.

TABLE 4

Mar-09

TOTAL DIRECT LOAN PROGRAMS, March 2009 Baseline

	(by fiscal year)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
TOTAL ALL NEW LOANS [New Direct Loans Only] a/											
Net Annual Loan Volume (Mil \$)	21,113	24,560	27,727	28,851	29,863	30,831	31,718	32,569	33,373	34,267	35,191
Net Number of Loans (000)	4,735	4,940	5,082	5,209	5,329	5,440	5,537	5,630	5,718	5,823	5,931
Average Loan Amount	\$4,459	\$4,972	\$5,456	\$5,538	\$5,604	\$5,667	\$5,728	\$5,785	\$5,837	\$5,885	\$5,933
Subsidy Rate b/ c/ d/	-24.13%	-19.22%	-12.53%	-9.90%	-7.46%	-5.36%	-4.07%	-3.40%	-2.71%	-2.60%	-2.68%
SUBSIDIZED STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	8,623	9,857	10,970	11,318	11,608	11,891	12,152	12,415	12,685	13,002	13,328
Net Number of Loans (000)	2,555	2,680	2,763	2,830	2,886	2,939	2,987	3,034	3,082	3,140	3,199
Average Loan Amount	\$3,375	\$3,677	\$3,971	\$3,999	\$4,023	\$4,046	\$4,069	\$4,092	\$4,116	\$4,141	\$4,167
Subsidy Rate b/ c/ d/	-6.98%	-0.40%	7.79%	5.93%	5.79%	7.73%	8.97%	9.66%	10.36%	10.53%	10.55%
UNSUBSIDIZED STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	9,486	11,005	12,537	13,014	13,438	13,818	14,129	14,386	14,573	14,778	14,985
Net Number of Loans (000)	1,852	1,920	1,968	2,016	2,066	2,110	2,145	2,176	2,200	2,231	2,263
Average Loan Amount	\$5,123	\$5,733	\$6,369	\$6,455	\$6,503	\$6,548	\$6,586	\$6,611	\$6,623	\$6,623	\$6,623
Subsidy Rate b/ c/ d/	-32.67%	-28.30%	-22.29%	-16.53%	-12.25%	-9.89%	-8.39%	-7.56%	-6.72%	-6.51%	-6.50%
GRADPLUS STUDENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	856	1,080	1,300	1,473	1,635	1,803	1,982	2,174	2,374	2,585	2,807
Net Number of Loans (000)	74	82	90	99	109	120	131	143	155	168	182
Average Loan Amount	\$11,617	\$13,137	\$14,432	\$14,846	\$14,964	\$15,047	\$15,132	\$15,230	\$15,304	\$15,366	\$15,399
Subsidy Rate b/ c/ d/	-47.82%	-43.27%	-36.67%	-30.25%	-25.49%	-22.87%	-21.21%	-20.30%	-19.37%	-19.15%	-19.15%
PARENT LOANS [New Direct Loans Only]											
Net Annual Loan Volume (Mil \$)	2,149	2,619	2,920	3,046	3,181	3,319	3,454	3,594	3,740	3,902	4,071
Net Number of Loans (000)	254	258	261	264	268	272	274	277	280	284	287
Average Loan Amount	\$8,446	\$10,157	\$11,187	\$11,523	\$11,868	\$12,224	\$12,591	\$12,969	\$13,358	\$13,758	\$14,171
Subsidy Rate b/ c/ d/	-45.80%	-41.96%	-36.21%	-30.52%	-26.27%	-23.90%	-22.42%	-21.62%	-20.80%	-20.59%	-20.59%

a. Totals exclude consolidation loans. Components may not sum to totals due to rounding.

b. The subsidy rate is the net present value of the future federal cash flows associated with the loan dollars disbursed to borrowers each year. For example, the 2010 federal cost associated with the \$24,560 million in new loan volume would be \$4,720 million or -19.22% of the new loan volume [$\$24,560 \times -.1922 = -\$4,720$]. In other words, the federal government will save on average about 19 cents for each new dollar loaned in 2010.

c. Subsidy rates for direct loans do NOT include federal administrative costs associated with disbursing and collecting loans. They are included in the budget on a cash basis.

d. The subsidy rates were calculated using the CBO March 2009 interest rate forecast.

TABLE 5

Mar-09

Detail of the Fiscal Year Values for the 2010 Federal Subsidy Rates 1/

[Note: the Federal Subsidy Rates are Shown in Percent for Each Dollar Loaned]

Guaranteed Subsidized Loans:

	Fees	-1.21%
	In-School Interest Costs	13.51%
1./	Special Allowance Payments	0.95%
	Net Federal Claim Payments	1.09%
	Other	0.94%
	Total Subsidy Rate	15.28%

Guaranteed Unsubsidized Loans:

	Fees	-1.21%
	In-School Interest Costs	0.22%
1./	Special Allowance Payments	-7.03%
	Net Federal Claim Payments	1.65%
	Other	-3.29%
	Total Subsidy Rate	-9.67%

Guaranteed GradPLUS Loans:

	Fees	-4.00%
	In-School Interest Costs	0.32%
1./	Special Allowance Payments	-17.56%
	Net Federal Claim Payments	1.42%
	Other	-9.96%
	Total Subsidy Rate	-29.78%

Guaranteed Parent Loans:

	Fees	-3.36%
	In-School Interest Costs	0.00%
1./	Special Allowance Payments	-20.08%
	Net Federal Claim Payments	1.23%
	Other	-9.17%
	Total Subsidy Rate	-31.38%

Direct Subsidized Loans:

	Fees	-0.50%
	Disbursement	99.53%
	Principal Repaid	-71.24%
	Interest Paid	-28.53%
	Other	0.34%
	Total Subsidy Rate	-0.40%

Direct Unsubsidized Loans:

	Fees	-0.50%
	Disbursement	99.54%
	Principal Repaid	-82.32%
	Interest Paid	-45.26%
	Other	0.23%
	Total Subsidy Rate	-28.30%

Direct GradPLUS Loans:

	Fees	-2.49%
	Disbursement	99.50%
	Principal Repaid	-82.53%
	Interest Paid	-57.75%
	Other	0.00%
	Total Subsidy Rate	-43.27%

Direct Parent Loans:

	Fees	-2.49%
	Disbursement	99.49%
	Principal Repaid	-77.97%
	Interest Paid	-60.68%
	Other	-0.31%
	Total Subsidy Rate	-41.96%

1./ Due to changes in the economic forecast, subsidy rates are substantially different for years later than 2010.

2./ The loan consolidation fee is included with the special allowance payments because it offsets interest paid to lenders. For Parent and GradPLUS loans that are consolidated, that fee more than offsets the special allowance payments. Rebates to the government when borrower interest rates exceed the lender rates are also included.

TABLE 6

Mar-09

CBO March 2009--ANNUAL NEW CONSOLIDATION LOAN VOLUME IMPLICIT IN THE BASELINE FORECAST * a/

	(by fiscal year, in millions of dollars)										Preliminary
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Guaranteed Loan Consolidation Volume	3,353	4,918	6,589	9,412	22,907	35,223	36,082	54,589	72,541	47,268	9,270
Direct Loan Consolidation Volume	2,428	7,973	5,418	7,773	8,902	6,680	7,713	15,765	19,385	3,508	5,840
Total Consolidation Volume	5,781	12,891	12,007	17,184	31,809	41,903	43,795	70,355	91,927	50,776	15,110
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Guaranteed Loan Consolidation Volume	1,421	1,550	1,681	1,792	1,888	1,976	2,058	2,135	2,207	2,275	2,343
Direct Loan Consolidation Volume	14,590	16,093	17,861	19,453	20,818	21,981	22,998	23,911	24,746	25,527	26,281
Total Consolidation Volume	16,012	17,643	19,541	21,245	22,706	23,957	25,056	26,046	26,953	27,803	28,624

*. Note: CBO considers loan consolidation under Section 502(5)(C) of the Federal Credit Reform Act of 1990 to be a repayment choice of borrowers when calculating the loan program subsidies rather than a newly disbursed loan at the time of the consolidation. Thus, the above volume for new annual consolidations are those implicit in our forecast of borrower repayment choices for our baseline subsidy estimates of the original loans. The Department of Education treats consolidation loans as new loans for its subsidy calculation.

a. Components may not sum to totals due to rounding.

TABLE 7

Mar-09

STUDENT AID ADMINISTRATION--March 2009 Baseline

Mandatory Administrative Costs [Formerly in the subsidy rates]

(by fiscal year, in millions of dollars)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Guaranteed Loans:											
Administrative Account:											
BA	1,075	1,082	1,075	1,089	1,145	1,224	1,322	1,431	1,544	1,655	1,710
OL	1,061	1,080	1,077	1,085	1,131	1,204	1,297	1,404	1,516	1,627	1,696
Reserve Account:											
BA	51	51	60	70	80	90	50	61	72	84	96
OL	51	51	60	70	80	90	50	61	72	84	96
Direct Loans:											
BA	23	25	26	30	34	37	40	44	48	53	57
OL	22	24	26	29	33	36	39	43	47	52	56
Subtotal, Mandatory:											
BA	1,148	1,157	1,162	1,189	1,259	1,351	1,412	1,537	1,665	1,792	1,863
OL	1,134	1,155	1,163	1,184	1,244	1,330	1,387	1,508	1,636	1,763	1,848

Discretionary Administrative Costs

(by fiscal year, in millions of dollars)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
BA	813	766	773	780	787	797	810	826	843	860	878
OL	734	774	772	778	783	791	802	816	832	849	867

TOTAL ADMINISTRATIVE COSTS

(by fiscal year, in millions of dollars)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
BA	1,961	1,923	1,935	1,969	2,046	2,148	2,222	2,363	2,508	2,652	2,741
OL	1,868	1,929	1,935	1,962	2,027	2,121	2,189	2,324	2,468	2,612	2,715

NOTE: Components may not sum to totals due to rounding.

TABLE 8

Mar-09

CBO March 2009 Baseline Forecast

HISTORICAL INTEREST RATES BY FISCAL YEAR**BER 91-Day Treasury Bill Rate: a/b/**

1981	15.25%
1982	12.09%
1983	8.69%
1984	9.89%
1985	8.16%
1986	6.63%
1987	5.81%
1988	6.39%
1989	8.42%
1990	7.92%
1991	6.17%
1992	3.89%
1993	3.07%
1994	3.78%
1995	5.65%
1996	5.21%
1997	5.17%
1998	5.12%
1999	4.55%
2000	5.73%
2001	4.53%
2002	1.78%
2003	1.13%
2004	1.12%
2005	2.69%
2006	4.57%
2007	4.86%
2008	2.18%

BER 3-Month Commercial Paper Rate: a/b/

1981	15.00%
1982	12.80%
1983	8.87%
1984	10.12%
1985	8.39%
1986	7.08%
1987	6.37%
1988	7.32%
1989	9.07%
1990	8.26%
1991	6.61%
1992	4.08%
1993	3.31%
1994	4.00%
1995	5.98%
1996	5.50%
1997	5.59%
1998	5.66%
1999	5.15%
2000	6.37%
2001	5.04%
2002	1.88%
2003	1.25%
2004	1.26%
2005	2.99%
2006	4.94%
2007	5.38%
2008	3.43%

PROJECTIONS OF INTEREST RATES BY FISCAL YEAR**BER 91-Day Treasury Bill Rate: a/b/**

2009	0.28%
2010	0.76%
2011	1.60%
2012	2.71%
2013	3.79%
2014	4.49%

BER 3-Month Commercial Paper Rate: a/b/

2009	1.10%
2010	1.09%
2011	1.97%
2012	3.07%
2013	4.15%
2014	4.85%

Discount Rate--10-Year Zero Coupon Bond c/

2014	5.20%
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a. Because the costs of the student loan programs are estimated on a net present value basis, the interest rate forecast for the outyears is the rate which has the most impact on the federal cost of loans disbursed over the forecast period.

b. BER stands for bond equivalency rate.

c. The cash flows of the student loan programs are discounted using a matrix of different zero coupon bonds. The rate shown here is the forecast for a 10-year zero coupon bond for fiscal year 2014. It is shown here for illustrative purposes.

TABLE 9

Mar-09

FEDERAL PELL GRANT PROGRAM, March 2009 Baseline

	(by fiscal year, budget authority, obligation level, and outlays in millions)									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019

PELL GRANT PROGRAM, DISCRETIONARY PORTION ONLY

ESTIMATED PROGRAM COSTS USING A \$4,360 MAXIMUM AWARD LEVEL

Obligation Level a/	22,069	23,548	24,173	24,184	25,154	25,459	25,867	26,229	26,574	27,047
Outlays	22,545	22,476	23,702	24,170	24,446	25,227	25,566	25,961	26,319	26,698
Participants	7,690,000	8,110,000	8,200,000	8,270,000	8,570,000	8,750,000	8,940,000	9,110,000	9,280,000	9,470,000
Average award	\$2,870	\$2,900	\$2,950	\$2,920	\$2,930	\$2,910	\$2,890	\$2,880	\$2,860	\$2,860

ESTIMATED PROGRAM COSTS USING A \$4,860 MAXIMUM AWARD LEVEL

Obligation Level a/	25,037	26,683	27,342	27,387	27,958	28,855	29,341	29,771	30,186	30,738
Outlays	23,347	25,459	26,844	27,348	27,541	28,195	28,978	29,452	29,879	30,331
Participants	7,750,000	8,180,000	8,260,000	8,360,000	8,600,000	8,850,000	9,060,000	9,230,000	9,430,000	9,640,000
Average award	\$3,230	\$3,260	\$3,310	\$3,280	\$3,250	\$3,260	\$3,240	\$3,220	\$3,200	\$3,190

ESTIMATED CUMULATIVE SURPLUS

	(by fiscal year, in millions)			
	2006	2007	2008	2009
Budget Authority	13,045	13,661	14,215	32,928 b/
Estimated Obligation Level	<u>12,828</u>	<u>14,685</u>	<u>15,979</u>	<u>22,815</u>
Cumulative Surplus/Shortfall	217	-807	-2,571	7,542

a. Obligation levels are not adjusted to reflect the lower budget authority needed due to the cumulative funding surplus.

b. Budget authority for fiscal year 2009 includes appropriations from both the Fiscal Year 2009 Omnibus Appropriations Act and the American Recovery and Reinvestment Act of 2009.

TABLE 10

Mar-09

FEDERAL PELL GRANT, SMART GRANT, AND ACADEMIC COMPETITIVENESS GRANT PROGRAM, March 2009 Baseline

	(by fiscal year, budget authority, obligation level, and outlays in millions)										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PELL GRANT PROGRAM, DISCRETIONARY PORTION ONLY											
CBO MARCH BASELINE a/											
<i>Regular Appropriation</i>											
Obligation Level b/	20,105	20,286	20,407	20,527	20,628	20,809	21,070	21,392	21,734	22,055	22,417
Budget Authority	17,288	17,444	17,547	17,651	17,737	17,893	18,118	18,394	18,688	18,965	19,276
Outlays	16,919	10,111	25,774	20,513	20,553	20,676	20,877	21,154	21,481	21,817	22,150
<i>With Stimulus</i>											
Obligation Level b/	22,815	---	---	---	---	---	---	---	---	---	---
Budget Authority	15,640	0	0	0	0	0	0	0	0	0	0
Outlays	893	13,989	0	0	0	0	0	0	0	0	0
<i>Total</i>											
Budget Authority	32,928	17,444	17,547	17,651	17,737	17,893	18,118	18,394	18,688	18,965	19,276
Outlays	17,812	24,100	25,774	20,513	20,553	20,676	20,877	21,154	21,481	21,817	22,150
Participants	7,110,000										
Average award	\$3,210										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
(by fiscal year, budget authority, obligation level, and outlays in millions)											

SMART GRANT AND ACADEMIC COMPETITIVENESS GRANT PROGRAM

CBO MARCH BASELINE

Obligation Level	790	950	0	0	0	0	0	0	0	0	0
Budget Authority	960	1,010	0	0	0	0	0	0	0	0	0
Outlays	631	807	834	10	0	0	0	0	0	0	0

a. Under the CBO March baseline, the obligated level is calculated by inflating the fiscal year 2009 obligation level (which are actual program costs) and budget authority is calculated by inflating the budget authority appropriated for fiscal year 2009. Outlays are based on the obligation level rather than on budget authority.

b. Obligation levels are not adjusted to reflect the lower budget authority needed due to the cumulative funding surplus.