Ensuring Pell Grant Proposal is Paid For

Amendment Purpose: This amendment ensures that expanded Pell Grant benefits rely on realized "savings" projected to result from the move to 100% Direct Lending and not on deficit spending.

Well Statement: The amendment requires the Pell Grant "add on" (i.e., the mandatory addition above the discretionary award base) to be reduced each year by an amount that reflects any increased Direct Loan program costs.

Background:

- This amendment ensures that expanded Pell Grant benefits rely on realized "savings" that are projected to result from the move to 100% Direct Lending and not on deficit spending. The amendment does this by requiring the Pell Grant "add on" (i.e., the mandatory addition above the discretionary award base) to be reduced each year by an amount that reflects any increased Direct Loan program costs.

- More specifically, the mandatory Pell Grant addition would be reduced by unexpected costs that show up in the Direct Loan program. Each year costs of the Direct Loan program are re-estimated. In virtually every year since the Direct Loan program was established, OMB has re-estimated program costs **upward**.

- According to the FY 2011 budget, the projected total lifetime cost of the $292 billion in outstanding Direct Loans issued since 1994 is **$6.1 billion dollars**.[1] This $6.1 billion figure does not represent re-estimate costs for 100% of federal student loan volume - only the $292 billion in Direct Loans issued since 1994. CBO projects the Direct Loan program will issue $1.4 trillion in loans over the next ten years.

- Since the Pell Grant proposal relies on "savings" that result from the move to 100% Direct Lending, funds supporting the Pell Grant addition should be reduced when savings do not materialize.

- The amendment would require the Direct Loan program re-estimates to be factored into the calculation of the mandatory Pell Grant addition.

Possible Points of Order: Not Aware of any at this time.

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[1] The Appendix, Budget of the United States Government, Fiscal Year 2011 U.S. Department of Education, http://www.whitehouse.gov/omb/budget/fy2011/assets/edu.pdf.