

Department of Education

STUDENT AID OVERVIEW

Fiscal Year 2022 Budget Request

CONTENTS

	<u>Page</u>
Federal Student Aid Programs.....	O-1
FY 2022 Budget Proposal.....	O-2
Student Aid Reform Proposals.....	O-2
Student Aid Programs Output Measures	O-4
Program Performance Information.....	O-6

STUDENT AID OVERVIEW

FEDERAL STUDENT AID PROGRAMS

(Higher Education Act of 1965, Title IV)

(dollars in thousands)

FY 2022 Authorization: Indefinite

Budget Authority:

	<u>2021</u> <u>Appropriation</u>	<u>2022¹</u> <u>Request</u>	<u>Change from</u> <u>2021 to 2022</u>
Grants and Work Study:			
Pell Grants			
Discretionary funding	\$22,475,352	\$25,475,352	\$3,000,000
Mandatory funding	<u>6,554,000²</u>	<u>15,197,000²</u>	<u>+8,643,000</u>
Subtotal, Pell Grants	29,029,352	40,672,352	+11,643,000
Federal Supplemental Educational			
Opportunity Grants	880,000	880,000	0
Federal Work Study	1,190,000	1,190,000	0
Iraq and Afghanistan Service Grants	551	783	+232
TEACH Grants ³	<u>144,467⁴</u>	<u>82,090⁴</u>	<u>-62,378</u>
Total, Grants and Work-Study	31,244,370	42,825,225	+11,580,855
Net Loan Subsidy, Loans:⁵			
Federal Family Education Loans (FFEL)	5,996,360 ⁶	0	-5,996,360
Federal Direct Student Loans ⁷	92,457,962 ⁸	8,628,771	-83,829,191
Free and Subsidized Tuition:			
Free Community College	0	14,312,447	14,312,447
Advancing Affordability for Students	0	4,640,778	4,640,778

NOTE: Table reflects discretionary and mandatory funding.

¹ Numbers in the FY 2022 column reflect Pell Grant and TEACH proposals included in the American Families Plan and FY 2022 Discretionary Budget.

² Amounts appropriated for Pell Grants for 2021 and 2022 include mandatory funding provided in the Higher Education Act, as amended, to fund both the base maximum award and add-on award.

³ TEACH Grants is operated as a credit program. Amounts reflect the new loan subsidy, or the net present value of estimated future costs.

⁴ The FY 2021 amount includes a net upward reestimate of \$75.1 million and a net upward modification of \$42.1 million, reflecting costs related to the extension of COVID-19 emergency relief measures on Federal student loans through Sept. 30, 2021, and the cost of updated program regulations to improve the certification process and reduce grant to loan conversions. The amount for FY 2022 reflects new loan subsidy.

⁵ Total net subsidy in any fiscal year reflects the estimated net cost of the loan program for that fiscal year. It includes both positive and negative subsidies and upward and downward impacts of reestimates and modifications of existing loans. A negative subsidy occurs when the present value of cash inflows to the Government is estimated to exceed the present value of cash outflows. Negative subsidy is reported (as negative outlays) to a negative subsidy receipt account.

⁶ Budget authority for FFEL does not include the FFEL Liquidating account. Amount for 2021 reflects a net upward reestimate of \$3.2 billion and an upward modification of \$2.8 billion. This amount also includes reestimates related to the Ensuring Continued Access to Student Loans Act (ECASLA).

⁷ Totals include discretionary TEPFLF amounts of \$50 million in FY 2021 and \$25 million in FY 2022.

STUDENT AID OVERVIEW

⁸Amount for 2021 includes a net upward reestimate of \$52.8 billion, primarily due to updated IDR income assumptions. In addition, other factors impacting the reestimate include updates to the repayment plan assumption model. The DL net modification of \$36.3 billion in FY 2021 reflects costs related to the extension of COVID-19 emergency relief measures on federal student loans through Sept. 30, 2021 and permit borrowers who work for employers that engage in religious instruction, worship services, or proselytizing to qualify for Public Service Loan Forgiveness so long as they meet the applicable standards.

FY 2022 BUDGET PROPOSAL

The Federal student aid programs provide grant, loan, and work-study assistance to help students afford a postsecondary education, find employment in today's workforce, and realize the lifelong benefits of a higher education. As part of the Administration's priority to ensure all students have an accessible and affordable path to a degree, the budget request sets a maximum Pell award at \$8,370 for the 2022-23 award year as a down payment on the President's commitment to double the grant. The request supports expanding student aid eligibility to students who are Deferred Action for Childhood Arrivals recipients, commonly known as DREAMers. The fiscal year 2022 request makes available \$135 billion in new Federal student aid in fiscal year 2022, including nearly \$41 billion in Pell Grants and \$92 billion in student loans (excluding consolidation loans). Over 10 million students will use these resources in their efforts to complete postsecondary education.

This overview discusses the Administration's proposed package of initiatives and reforms that will not only better target aid to students but will also improve student success. Current student aid programs are described in detail under the **Student Financial Assistance** account, the **TEACH Grants** account, and the **Student Loans Overview**. The costs and reforms associated with administering the student aid programs are presented in the **Student Aid Administration** account.

STUDENT AID REFORM PROPOSALS

Doubling Pell Grants

Pell Grants have been the foundation of low- and moderate-income students' financial aid for decades; however, the value has diminished as college costs continue to rise. The Administration's fiscal year 2022 budget would set a maximum award of \$8,370 for award year 2022-23, an increase of \$1,875 over the previous year. This includes a \$400 increase in the maximum award in discretionary funding and a \$1,475 increase in mandatory spending proposed in the American Families Plan proposal. This historic increase is a down payment on the President's commitment to doubling the grant in future years.

Expand Eligibility for Title IV Aid to DACA Recipients

To qualify for Title IV federal financial aid students must either be a citizen or a permanent resident of the United States, among other requirements. The Budget proposes to expand eligibility for Pell Grants and Campus-Based Aid to DACA recipients. The Administration would also like to work with Congress to ensure these students are eligible for Federal student loans.

STUDENT AID OVERVIEW

TEACH Grants

As part of the American Families Plan, the Budget proposes to double the grant amount from \$4,000 to \$8,000 per year for juniors, seniors, and graduate students who have committed to a teaching major. The Budget would also expand the TEACH Grant program to cover the cost of comprehensive preparation programs for early childhood and remove the GPA requirement to provide more equitable access to the program. The Administration also seeks reforms that would reduce the likelihood and harm of grant-to-loan conversions.

Free Community College

Through the American Families Plan, the Budget includes two new higher education programs that reduce tuition and fees for eligible students. While these programs operate differently from the individual-level benefits provided by Title IV Federal financial aid, these are important investments in the Administration's efforts to make college affordable and accessible to all students. The Budget proposes a partnership between the Federal government and States, tribes, and territories to ensure that first-time students and workers wanting to reskill can enroll in a community college to earn a degree or credential for free. If all States, territories, and Tribes participate, about 5.5 million students would pay \$0 in tuition and fees.

Advancing Affordability for Students

The other American Families Plan proposal to reduce tuition and fees would provide grants to eligible four-year Historically Black College and Universities, Tribal Colleges and Universities, and minority-serving institutions such as Hispanic-serving institutions and Asian American and Native American Pacific Islander-serving institutions to tackle longstanding inequities in postsecondary education and make the U.S. more competitive on the global stage. The Budget proposes funding for these grants that will provide two years of subsidized tuition for eligible students from families earning less than \$125,000.

Student Loan Policies

The Administration looks forward to working with Congress on changes to the Higher Education Act that eases the burden of student debt, including through improvements to the Income Driven Repayment (IDR) and Public Service Loan Forgiveness (PSLF) programs.

STUDENT AID OVERVIEW

STUDENT AID PROGRAMS OUTPUT MEASURES

Aid Available to Students

(dollars in millions)

<u>Output Measures</u>	<u>2020</u>	<u>2021</u>	<u>2022¹</u>
Pell Grants	\$27,133	\$28,063	\$40,910
Supplemental Educational Opportunity Grants	1,169	1,190	1,190
Federal Work Study	1,214	1,224	1,224
Iraq and Afghanistan Service Grants	0.534	0.608	0.783
Subtotal, New Grant Aid	29,517	30,477	43,325
New Student Loans:			
Stafford Loans	17,841	17,986	17,903
Unsubsidized Stafford Loans	48,434	49,625	50,102
Parent PLUS Loans	10,529	10,651	10,783
Grad PLUS Loans	11,643	12,221	12,472
TEACH Grants ²	<u>78</u>	<u>79</u>	<u>172</u>
Subtotal, New Student Loans	88,525 ³	90,563 ³	91,433 ³
Total	118,042	121,040	134,758

NOTES:

Detail may not add to total aid available due to rounding. Does not include Free Community College or Advancing Affordability for Students, as the Department would not operate these programs as a student-level benefit.

Shows total aid generated by Department programs, including institutional matching funds generated by the SEOG and Work-Study programs. Aid available may differ from appropriated amounts for a given fiscal year.

¹ Numbers in the FY 2022 column reflect Pell Grant and TEACH Grant proposals included in the American Families Plan and FY 2022 Discretionary Budget.

² For budget and financial management purposes, this program is operated as a loan program under the Federal Credit Reform Act of 1990.

³ Excludes loans issued to consolidate existing loans (Consolidation Loans), which total \$30.4 billion in 2020, \$36.7 billion in 2021, and \$39.5 billion in 2022.

STUDENT AID OVERVIEW

<u>Output Measures</u>	<u>2020</u>	<u>2021</u>	<u>2022¹</u>
<u>Number of Student Aid Awards</u> (in thousands)			
Pell Grants	6,303	6,456	7,312
Supplemental Educational Opportunity Grants	1,663	1,692	1,692
Federal Work-Study	645	651	651
Iraq and Afghanistan Service Grants	N/A ²	N/A ²	N/A ²
Subtotal, New Grant Aid	8,611	8,799	9,655
New Student Loans:			
Stafford Loans	5,105	5,137	5,098
Unsubsidized Stafford Loans	7,209	7,317	7,310
Parent PLUS Loans	725	716	713
Grad PLUS Loans	614	627	641
TEACH Grants	<u>25</u>	<u>25</u>	<u>39</u>
Subtotal, New Student Loans	13,679 ³	13,823 ³	13,801 ³
Total	22,291	22,622	23,456

NOTE:

Detail may not add to total due to rounding. Does not include Free Community College or Advancing Affordability for Students, as the Department would not operate these programs as a student-level benefit.

¹ Numbers in the FY 2022 column reflect Pell Grant and TEACH proposals included in the American Families Plan and FY 2022 Discretionary Budget.

² N/A denotes number of recipients will not exceed 500.

³ Excludes loans issued to consolidate existing loans.

Number of Postsecondary Students Aided by Federal Student Aid Programs

	<u>2020</u>	<u>2021</u>	<u>2022</u>
Unduplicated Count (in thousands)	9,534	9,681	10,090

STUDENT AID OVERVIEW

PROGRAM PERFORMANCE INFORMATION

Performance measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data. Achievement of program results is based on the cumulative effect of the resources provided in previous years, and those requested in fiscal year 2022 and future years, as well as the resources and efforts invested by those served by this program. The Department will be reviewing GPRA program performance goals, objectives, and measures for Federal student assistance for possible revision in future years to ensure alignment with Administration policy.

Because Federal student assistance grant and loan programs rely on the same program data, performance indicators and strategies that apply to these programs are grouped here in the Student Aid Overview and are not repeated in justifications for the **Student Financial Assistance** program account or in the **Student Loans Overview**.

Goal: To help ensure access to high-quality postsecondary education by providing financial aid in the form of grants, loans, and work-study in an efficient, financially sound, and customer-responsive manner.

***Objective:** Ensure that low- and moderate-income students will have the same access to postsecondary education that high-income students do.*

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income students and students of color and White students graduating high school will decrease each year.

Year	Target: Total Percentage Enrolled	Actual: Total Percentage Enrolled
2017	68%	66.7%
2018	68	69.1
2019	68	66.2
2020	68	
2021	68	
2022	68	

STUDENT AID OVERVIEW

Year	Target: Percentage point difference between White and Black high school graduates ages 16-24 enrolling immediately in college	Actual: Percentage point difference between White and Black high school graduates ages 16-24 enrolling immediately in college
2017	5.25%	9.70%
2018	5.25	6.40
2019	5.25	18.20
2020	5.00	
2021	5.00	
2022	5.00	

Year	Target: Percentage point difference between White and Hispanic high school graduates ages 16-24 enrolling immediately in college	Actual: Percentage point difference between White and Hispanic high school graduates ages 16-24 enrolling immediately in college
2017	8.00%	8.10%
2018	8.00	5.40
2019	8.00	4.60
2020	7.00	
2021	7.00	
2022	7.00	

Additional information: The overall enrollment rate in postsecondary education following high school fell below the target of 68 percent in 2019. The Department believes its commitment to the Student Financial Assistance programs and proposed reforms in the Administration’s fiscal year 2022 budget request will continue to encourage and allow more low-income students to enroll in postsecondary education programs — and provide them the means to remain in school — than would be the case in the absence of the Federal student financial assistance programs.

After two years of decreasing gaps, meaning the metric was closer to reaching the target, the gap between White and Black high school graduates enrolling in college immediately after high school rose to 18.20 percentage points in 2019, well above the target of 5.25 percentage points.

The metric that measures the gap between White and non-White Hispanic high school graduates who enroll immediately in college spiked to 8.10 percentage points in 2017, which was slightly above its target; however, the gap has decreased to 4.60 percentage points in 2019. The Department remains committed to furthering equal educational opportunity and will continue to pursue policies to support this important goal.

Data for the measures above are taken from the Digest of Education Statistics¹ (Digest), published annually by the National Center for Education Statistics (NCES). Refer to the technical information provided in the Digest by NCES when interpreting year-to-year changes in the data.

¹ <https://nces.ed.gov/programs/digest/>

STUDENT AID OVERVIEW

Objective: *Ensure that more students will persist in postsecondary education and attain degrees and certificates.*

Measure: Graduation rate: Graduation rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in graduation rates between students of color and White students will decrease, as will the gap between students receiving Pell and those not receiving need-based Title IV aid.

Year	Target: Students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Students graduating with a 4-year degree within 150 percent of the normal time required
2017	66%	60.8%
2018	66	62.8
2019	66	63.8
2020	66	
2021	66	
2022	66	

Year	Target: Students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Students graduating with a less-than-4-year degree within 150 percent of the normal time required
2017	46%	33.9%
2018	46	34.8
2019	46	35.7
2020	46	
2021	46	
2022	46	

Year	Target: Percentage point difference between White and Black first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Black first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required
2017	15.6%	24.6%
2018	15.6	23.5
2019	15.6	22.3
2020	15.6	
2021	15.6	
2022	15.6	

STUDENT AID OVERVIEW

Year	Target: Percentage point difference between White and Hispanic first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Hispanic first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required
2017	8.5%	9.4%
2018	8.5	9.2
2019	8.5	8.8
2020	8.5	
2021	8.5	
2022	8.5	

Year	Target: Percentage point difference between White and Black first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Black first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required
2017	5.1%	8.3%
2018	5.1	7.4
2019	5.1	7.1
2020	5.1	
2021	5.1	
2022	5.1	

Year	Target: Percentage point difference between White and Hispanic first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required	Actual: Percentage point difference between White and Hispanic first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required
2017	0.7%	2.9%
2018	0.7	4.7
2019	0.7	4.5
2020	0.7	
2021	0.7	
2022	0.7	

STUDENT AID OVERVIEW

Year	Target: Percentage point difference between first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required who received a Pell Grant and those who did not	Actual: Percentage point difference between first-time, full-time students graduating with a 4-year degree within 150 percent of the normal time required who received a Pell Grant and those who did not
2017		19.8%
2018		18.5
2019		18.5
2020	TBD	
2021	TBD	
2022	TBD	

Year	Target: Percentage point difference between first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required who received a Pell Grant and those who did not	Actual: Percentage point difference between first-time, full-time students graduating with a less-than-4-year degree within 150 percent of the normal time required who received a Pell Grant and those who did not
2017		0.6%
2018		0.8
2019		2.0
2020	TBD	
2021	TBD	
2022	TBD	

Additional Information: The percentage of first-time, full-time degree-seeking students graduating with a 4-year degree within 150 percent of the normal time increased from 62.8 percent in 2018 to 63.8 percent in 2019. The percentage of students completing a less-than-4-year degree increased from 34.8 percent in 2018 to 35.7 percent in 2019. The graduation rates for both 2- and 4-year degree levels observed in 2019 were below the targets established for this measure, 46 percent and 66 percent, respectively.

The completion gap between White and Black students who were enrolled in 4-year degree programs decreased slightly from 2018 to 2019 (23.5 percentage points to 22.3 percentage points). The gap observed in 2019 remains larger than the targets established in 2019 and future years. The completion gap between Pell recipients and non-Pell recipients remained steady from 2018 to 2019 (at 18.5 percentage points). The overall 150 percent completion rate for students receiving Pell grants who were enrolled in 4-year degree programs was 51.6 percent in 2019.

From 2018 to 2019, the difference between the percentages of White and Black students graduating from less-than-4-year degree programs within 150 percent of the normal time decreased by 0.3 percentage points to 7.1 percentage points — outside of the goal of 5.1 percentage points. In 2018, Hispanic students graduated within 150 percent of the normal time at less-than-4-year programs at a lower rate than White non-Hispanic students with a gap of 4.7

STUDENT AID OVERVIEW

percentage points, and the gap slightly decreased in 2019, with White non-Hispanic students graduating at a higher rate by 4.5 percentage points compared to Hispanic students. From 2018 to 2019, the difference between the percentages of Pell recipients and non-Pell recipients graduating from less-than-4-year degree programs within 150 percent of the normal time increased but remains at a small difference of 2.0%. The overall 150 percent completion rate for students receiving Pell grants who were enrolled in less-than-4-year degree programs was 34.9 percent in 2019.

Data for the measures supporting this objective are collected through the Graduation Rate Survey conducted as part of the annual Integrated Postsecondary Student Aid Study (IPEDS). Some figures were revised to match IPEDS tables including completion data for Pell recipients, which has recently been made available. The Pell graduation rate is a new measure, and the Department plans to establish targets in the near future. The Department will continue to evaluate current performance measures and, where appropriate, revise these measures and goals.

Program Improvement Efforts

The Department is exploring ways to gather detailed program and student outcome data for program-specific measures that will provide reliable indicators of program effectiveness.

Efficiency Measures

The Department is reassessing the efficiency measures for the individual student financial aid programs. The results of this reassessment will reflect proposed program changes and be incorporated into future budget requests.