

# Department of Education

## FY16 Budget Summary

February 2, 2015

The Administration is requesting \$70.7 billion in discretionary spending for the Department of Education, an increase of \$2.6 billion, or nearly 5.4 percent, above the FY15 level.

### **Student Financial Aid Overview**

**Pell Grants:** The FY16 discretionary request of \$22.5 billion for Pell Grants would support 8.4 million students with the scheduled increase in current law in the maximum Pell award by the Consumer Price Index from \$5,775 in award year 2015–2016, to \$5,915 in award year 2016–2017.

The Budget proposes reinvesting savings from the new Perkins Loan program and the legislative savings from reforming income-based repayment plans in student aid spending, and specifically, in extending CPI indexing of the maximum Pell Grant award beyond 2017.

In addition, the budget would make a number of reforms to the Pell Grant including the following:

- First, it would strengthen academic progress requirements in the Pell Grant program in order to encourage students to complete their studies on time. (Department staff has indicated that the Department has specific SAP proposals for the purposes of the HEA Reauthorization, which are not included in the budget.)
- Second, it would allow those students enrolled in eligible career pathways programs who recently had the Ability to Benefit provision restored to receive the maximum Pell Grant award, which would allow adults without a high school diploma to gain the knowledge and skills they need to secure a good job. The 2015 expansion made these students eligible only for partial Pell awards.
- Third, it would limit the receipt of additional Pell disbursements by recipients who repeatedly enroll in postsecondary programs and obtain aid but do not earn any academic credits.
- Fourth, the Budget would move Iraq and Afghanistan Service Grants to the Pell Grant program to avoid further award reductions as a result of sequestration and ensure our veterans' children receive the full, non-sequestered Pell award for which they are eligible.

Similar to last year, the FY16 budget includes \$647 million for the College Opportunity and Graduation Bonus program, a mandatory program that would reward colleges that successfully enroll and graduate a significant number of low- and moderate-income students on time.

### **Campus-Based Aid**

The FY16 budget would flat fund campus-based student aid programs, but proposes a new allocation formula (the same proposal as in the FY15 budget).

The budget proposes to reform Federal allocations in the campus-based programs to target those institutions that “enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt.”

- **Federal Work-Study:** \$989.7 million, the same as FY15.
- **Supplemental Educational Opportunity Grants (SEOG):** \$733 million, the same as FY15.
- **Perkins Student Loan Program:** As in the FY15 budget, the FY16 budget proposes to restructure the Perkins Loan Program to allow for significantly increased lending authority. The proposal would provide \$8.5 billion in new loan volume annually—eight-and-a-half times the current annual Perkins volume—and reach students at up to 2,700 additional postsecondary education institutions.

Savings from this proposal, estimated at \$6 billion in outlays over 10 years, would be redirected to the Pell Grant program. Under the Administration’s proposal, unsubsidized Perkins Loans would carry the same annually determined fixed interest rate as the rate proposed for unsubsidized Stafford Loans. Perkins loan limits for both undergraduate and graduate students would remain at their current levels.

Under the plan, the Department of Education, rather than institutions, would service Perkins Loans, and lending authority would be allocated among institutions in the same manner as other campus-based programs. As noted above, the request also would change the institutional allocation formula: directing funds toward institutions that enroll and graduate higher numbers of Pell-eligible students, and that offer an affordable and quality education that enables their graduates to repay their educational debt.

### **Higher Education Programs**

- **TRIO Programs:** \$859.8 million in discretionary funding, \$20 million above FY15. The McNair Post Baccalaureate Achievement program would receive \$30.7 million, .4 million above FY15.
- **GEAR UP:** \$301.6 million, the same as FY15.
- **Student Aid Administration:** \$1.6 billion, an increase of \$185 million above FY15.
- **First in the World Competition:** \$200 million, under the Fund for the Improvement of Postsecondary Education (FIPSE), a \$140 million increase, for competitive awards to support scaling up of innovative, promising, and evidence-based strategies to improve postsecondary completion rates and rigorous evaluation to test the effectiveness of these strategies when implemented in varied settings and when delivered to a wide range of students. The Administration plans to set aside up to 30 percent of the funds available (approximately \$60

million at the requested level) for the competition to support the implementation of projects at Minority Serving Institutions).

### **Graduate Education**

**Graduate Assistance in Areas of National Need (GAANN):** \$29.3 million, the same as FY15.

**International Education and Foreign Languages Studies (IEFLS):** \$76.2 million, a proposed \$4 million increase above FY15.

The proposed \$2 million increase, or 3 percent, for Domestic Programs in FY16 would support new awards to help American students develop proficiency in critical foreign languages, specifically those spoken in the Asia-Pacific and Sub-Saharan Africa regions. The proposed \$2 million increase, or 28 percent, for Overseas Programs in 2016 would improve the capacity of school districts to teach global competencies by providing opportunities for groups of K-12 teachers, principals, and administrators from a single district to study a different culture and/or a global issue together through summer study abroad.

### **Research and Data Collection**

- **Institute for Education Sciences:** \$675.9 million, an increase of 101.9 million above FY15.
- **Ratings System Funding:** Unlike last year, no funding or mention of the ratings system was included in the budget.

### **Educational Innovation**

**Advanced Research Projects Agency-Education (ARPA-ED):** up to \$50 million to pursue developments of breakthrough educational technology (in the Investing in Innovation i3 fund).

### **Student Loans**

#### **Pay As You Earn (PAYE):**

In October 2011, the Administration announced the Pay As You Earn (PAYE) initiative to accelerate the new terms of the Income-Based Repayment (IBR) plan as modified in the Health Care and Education Reconciliation Act, and in 2012 those benefits were extended to certain eligible borrowers through regulation. The Budget recommends using any resulting savings from its 2016 proposal to help students and expand college access, including by indexing the maximum Pell Grant award to inflation beyond 2017. The 2016 Budget would simplify income-driven repayment by making modified PAYE the only income-driven repayment plan for borrowers who originate their first loan on or after July 1, 2016. Students who borrowed their first loans prior to July 1, 2016, would continue to be able to select among the existing repayment plans (for plans for which they now qualify and for loans originated through their current course of study), in addition to the modified PAYE.

The budget also proposes the reforms above as legislative changes for future loans, in addition to the following changes:

- Capping Public Sector Loan Forgiveness (PSLF) at the aggregate loan limit for independent undergraduate students to protect against institutional practices that may further increase student indebtedness, while ensuring the program provides sufficient relief for students committed to public service; and
- Preventing payments made under non-income driven repayment plans from being applied toward PSLF to ensure that loan forgiveness is targeted to students with the greatest need.

### **Office of Civil Rights**

The budget includes \$130.7 million for the OCR, an increase of \$30.7 million over the FY15 level. About \$26.3 million, or 86 percent, of the requested increase is for staff pay and benefits for 754 FTE. Specifically, an increase of 200 FTE in the Office for Civil Rights (OCR) to address staffing shortages and the increased workload to address increased Title IX investigations regarding sexual violence on college campuses. The increased FTE will allow for a better ratio of cases per staff, which will ensure more robust monitoring efforts and reduce the time needed to resolve cases. Additionally, an increase of 3 FTE in the Office of Inspector General (OIG) is requested for continual support on audit, investigation, and inspection activities.