

## Discrepancies in the Education Appendix to the FY2010 Budget

Mark Kantrowitz

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### OVERVIEW

The White House released the appendices to the President's FY2010 budget on May 7, 2009.<sup>1</sup> This report summarizes several discrepancies on pages 377-399 of the education appendix. It does not review the rest of the education appendix or other appendices to the FY2010 budget.

These discrepancies are relevant to the debate concerning cost savings from FFELP versus 100% Direct Lending. Some of the discrepancies are favorable to Direct Loans and some are favorable to FFELP. Policymakers should carefully consider the potential impact of these discrepancies on public policy including estimates of cost savings under the 100% Direct Lending and alternative “permanent ECASLA” proposals.

### DISCREPANCIES IN DIRECT LOAN SUBSIDY FIGURES FOR FY2008-FY2010

The following table contains the Direct Loans data from the “Student Loan Program Costs: Comparative Analysis including Program and Administrative Expenses (expressed as percentages)” table from page 389 of the education appendix to the FY2010 budget.

Direct Loans	2008 est.	2009 est.	2010 est.
New Loans			
Subsidized Stafford	9.76	-2.88	-0.21
Unsubsidized Stafford	-11.26	-28.46	-27.90
PLUS	-13.84	-28.60	-28.48
Subtotal, new loan subsidy	-3.20	-0.19	-0.18
Federal administrative costs	2.70	2.80	1.75
Subtotal, new loans	-0.50	2.61	1.57
Consolidation Loans			
Loan subsidy	4.74	-12.88	-14.73
Federal administrative costs	0.51	0.40	0.38
Subtotal, consolidation loans	5.25	-12.48	-14.35
New and Consolidation Loans			
Loan subsidy	-2.04	-5.29	-3.70
Federal administrative costs	3.31	3.20	2.13
Total, Direct Loans	1.27	-2.09	-1.57

The FY2009 and FY2010 figures for *Subtotal, new loan subsidy* (highlighted in pink) are incorrect by an order of magnitude, as those figures are clearly inconsistent with the individual Stafford and PLUS loan new loan figures in the three lines above. This discrepancy leads to cascading errors in the *Subtotal, new loans*, *New and Consolidation Loans* and *Total, Direct Loans* lines (highlighted in yellow).

<sup>1</sup> [www.whitehouse.gov/omb/budget/fy2010/assets/edu.pdf](http://www.whitehouse.gov/omb/budget/fy2010/assets/edu.pdf)

The correct figures are -18.57 in FY2009 and -17.66 in FY2010, calculated by weighting the figures for new Stafford and PLUS loans by the corresponding net commitment figures in the “Summary of Loans Available” table on page 387 of the appendix, excerpted below. It appears that the appendix failed to properly convert these figures from decimals to percentages.

<b>Direct Loans</b>	<b>2008 actual</b>	<b>2009 est.</b>	<b>2010 est.</b>
Subsidized Stafford	\$7,380	\$8,464	\$19,940
Unsubsidized Stafford	\$7,628	\$9,596	\$23,709
PLUS	\$3,205	\$3,776	\$9,718
Subtotal	\$18,213	\$21,836	\$53,367
Consolidation	\$28,188	\$16,431	\$19,564
Total, Direct Loans	\$46,401	\$38,267	\$72,930
Total, All Loans	\$112,967	\$103,254	\$112,026

In addition, the *Federal administrative costs* totals in the *New and Consolidation Loans* section (highlighted in blue) is the sum of the corresponding *Federal administrative costs* lines for *New Loans* and *Consolidation Loans*. That is not correct and does not follow prior budget practice, as the figures should be a weighted average. The correct federal administrative cost totals should be 1.77 and 1.38 for FY2009 and FY2010, respectively, weighted according to net commitments for the program. While the 3.31 figure for FY2008 does not appear to be a sum as with the FY2009 and FY2010 figures (the sum would have been 3.21), it is still not correct. The weighted average figure is 1.37.

There is also a discrepancy in the *Loan subsidy* figure in the *New and Consolidation Loans* section for FY2008 (highlighted in orange), which leads to a cascading error in the *Total, Direct Loans* figure for FY2008. The *Loan subsidy* figure should be the weighted average of the -3.20 *Subtotal, new loan subsidy* figure for *New Loans* and the 4.74 *Loan subsidy* figure for *Consolidation Loans*. That weighted average is 1.62, not -2.04. (The correct figure for *Total, Direct Loans* is 2.99.) This discrepancy does not seem to have been caused by swapping consolidation loan volume with new loan volume or substituting figures from the “Direct loan levels supportable by subsidy budget authority” table on page 385, although that comes close. It appears that the 4.74 *Loan subsidy* figure for *Consolidation Loans* may have been subtracted from the 2.70 figure for *Federal administrative costs* for *New Loans*.

There is also a discrepancy when comparing budget lines 132001-132004 on page 385 with the corresponding figures on page 389. Page 385 is based on loan levels supportable by budget authority figures while page 389 should be based on net loan commitment figures. It is reasonable to expect these lines to match for FY2009 and FY2010, since the budget authority should be based on net loan commitment figures. Indeed, there is a perfect match for FY2009. However, while budget lines 132001, 132002 and 132003 match the corresponding figures for FY2010, the 132004 budget line for FY2010 is -14.64 while the corresponding figure on page 389 is -14.73. The source of this small discrepancy is unclear.

## CORRECTED DIRECT LOAN SUBSIDY FIGURES

Adjusting the “Student Loan Program Costs: Comparative Analysis including Program and Administrative Expenses (expressed as percentages)” table from page 389 to correct for these discrepancies<sup>2</sup> yields the following corrected table.

<b>Direct Loans</b>	<b>2008 est.</b>	<b>2009 est.</b>	<b>2010 est.</b>
<b>New Loans</b>			
Subsidized Stafford	9.76	-2.88	-0.21
Unsubsidized Stafford	-11.26	-28.46	-27.90
PLUS	-13.84	-28.60	-28.48
Subtotal, new loan subsidy	-3.20	-18.57	-17.66
Federal administrative costs	2.70	2.80	1.75
Subtotal, new loans	-0.50	-15.77	-15.91
<b>Consolidation Loans</b>			
Loan subsidy	4.74	-12.88	-14.64
Federal administrative costs	0.51	0.40	0.38
Subtotal, consolidation loans	5.25	-12.48	-14.35
<b>New and Consolidation Loans</b>			
Loan subsidy	1.62	-16.13	-16.85
Federal administrative costs	1.37	1.77	1.38
Total, Direct Loans	2.99	-14.36	-15.47

The impact of these corrections yields an increase in the *Total, Direct Loans* figures for FY2008 of 1.72 and decreases of 12.27 and 13.90 for FY2009 and FY2010, respectively.

## DISCREPANCIES IN FFELP LOAN SUBSIDY FIGURES FOR FY2008-FY2010

The following table contains the FFELP Loans data from the “Student Loan Program Costs: Comparative Analysis including Program and Administrative Expenses (expressed as percentages)” table from page 389 of the education appendix to the FY2010 budget.

<b>FFEL</b>	<b>2008 est.</b>	<b>2009 est.</b>	<b>2010 est.</b>
<b>New Loans</b>			
Subsidized Stafford	6.65	7.08	13.24
Unsubsidized Stafford	-9.01	-6.33	-4.57
PLUS	-9.34	-7.52	-8.11
Subtotal, new loan subsidy	-2.76	-1.53	0.02
Federal administrative costs	0.53	0.52	0.54
Subtotal, new loans	-2.23	-1.01	0.56
<b>Consolidation Loans</b>			
Loan subsidy	-8.78	-5.89	-5.70
Federal administrative costs	0.04	0.04	0.04
Subtotal, consolidation loans	-8.74	-5.85	-5.66
<b>New and Consolidation Loans</b>			
Loan subsidy	-3.60	-1.59	-0.08
Federal administrative costs	0.57	0.56	0.58
Total, FFEL	-3.03	-1.03	0.50

<sup>2</sup> The correction for the FY2010 *Loan subsidy* for *Consolidation Loans* discrepancy from -14.73 to -14.64 changed the *Subtotal, consolidation loans* from -14.35 to -14.26, the *Loan subsidy* for *New and Consolidation Loans* from -16.87 to -16.85, and the *Total, Direct Loans* from -15.49 to -15.47.

As with the Direct Loan figures, the *Federal administrative costs for New and Consolidation Loans* (highlighted in blue) are the sum of the corresponding figures for *New Loans* and *Consolidation Loans* instead of a weighted sum. This leads to cascading errors in the *Total, FFEL* lines (highlighted in yellow). Weighting the figures based on net loan commitments yields corrected figures of 0.46, 0.51 and 0.53.

The *Loan subsidy* figure for *New and Consolidation Loans* (highlighted in pink) has a slight discrepancy probably due to a rounding error. The weighted sum is -3.59 instead of -3.60.

The FY2008 figures on page 389 appear to include ECASLA and the FY2009 and FY2010 figures (highlighted in orange) do not. The FY2009 figures, for example, are an exact match for the “Guaranteed loan subsidy (in percent)” figures in budget lines 232001-232999 on page 392. Those figures do not include the impact of ECASLA, which is itemized separately in budget lines 115002-133999 on page 392. While the FY2010 figures are not an exact match for the budget lines 232001-232999, that difference is attributable to the Obama administration’s proposal to replace the FFELP program with 100% Direct Lending in the last quarter of FY2010.

It is reasonable for the budget to exclude the impact of ECASLA for FY2010 because the ECASLA liquidity facilities sunset at the end of the 2009-2010 academic year under current law. But it is not reasonable to exclude the impact of ECASLA in the Program Cost table on page 389 for FY2009 since ECASLA is still active during that fiscal year. Omitting ECASLA in FY2009 leads to lower costs for subsidized Stafford loans and higher costs for unsubsidized Stafford loans and PLUS loans, and also omits revenue from the FFB Conduit Liquidity Guarantee.

It is possible that the budget is attributing the savings from ECASLA to the Direct Loan program instead of the FFEL program. There is insufficient detail in the budget to determine whether this is or is not the case since the 133999 budget lines on page 385 exceed the 133999 budget lines on page 392 and so could include the ECASLA savings. The change in the 132999 budget lines on page 385 from FY2008 to FY2009 is consistent with the year-over-year decrease in the federal government’s cost of funds depending on the economic assumptions and the assumed average life of a loan. That makes it less likely that the ECASLA savings were attributed to the Direct Loan program, but it is not possible to determine this definitively without additional detail.

## **CORRECTED FFELP LOAN SUBSIDY FIGURES**

Adjusting the “Student Loan Program Costs: Comparative Analysis including Program and Administrative Expenses (expressed as percentages)” table from page 389 for these discrepancies yields the following corrected table. The revenue from the FFB Conduit Liquidity Guarantee has been excluded from the overall totals for *New and Consolidation Loans* for FY2009.

<b>FFEL</b>	<b>2008 est.</b>	<b>2009 est.</b>	<b>2010 est.</b>
New Loans			
Subsidized Stafford	6.65	9.65	13.24
Unsubsidized Stafford	-9.01	-17.80	-4.57
PLUS	-9.34	-15.99	-8.11
Subtotal, new loan subsidy	-2.76	-7.43	0.02
Federal administrative costs	0.53	0.52	0.54
Subtotal, new loans	-2.23	-6.91	0.56
Consolidation Loans			
Loan subsidy	-8.78	-5.89	-5.70
Federal administrative costs	0.04	0.04	0.04
Subtotal, consolidation loans	-8.74	-5.85	-5.66
New and Consolidation Loans			
Loan subsidy	-3.59	-7.41	-0.08
Federal administrative costs	0.46	0.51	0.53
Total, FFEL	-3.13	-6.90	0.45

The impact of these corrections yields decreases in the *Total, FFEL* figures of 0.10 for FY2008, 5.87 for FY2009 and 0.05 for FY2010.

## **ADDITIONAL DISCREPANCIES**

There are also discrepancies between the "Student Loan Program Costs: Comparative Analysis including Program and Administrative Expenses (expressed as percentages)" table on pages 388-389 and the "Student Loan Program Costs: Comparative Analysis Including Program and Administrative Activities (expressed as percentages)" table on page 389. There are also discrepancies when these figures are compared with corresponding budget lines on pages 385 and 392.

The Direct Loans discrepancies are as follows:

- The *Loan subsidy* figures are -2.04, -5.29 and -3.70 for *New and Consolidation Loans* for FY2008, FY2009 and FY2010, respectively, in the Direct Loans section of the Expenses table, but -1.27, -16.30 and -16.99 in the Activities table. Part of the discrepancy for FY2009 and FY2010 is probably attributable to the decimal placement errors in the *Subtotal, new loan subsidy* figures discussed previously.
- The *Total, Direct Loans* figures are 1.27, -2.09, -1.57 for FY2008, FY2009 and FY2010, respectively, in the Expenses table but 2.04, -13.10 and -14.86 in the Activities table. These errors are a consequence of the errors in the *Loan subsidy* figures.
- The totals before federal administrative costs for Direct Loans in the Activities table do not match the 132999 budget lines for weighted average subsidy rates on page 385. Specifically, page 385 lists -1.97 for FY2008 and -16.29 for FY2010 while the Activities table lists -1.27 and -16.99, respectively. The FY2009 figures are both -16.30. The FY2008 discrepancies are probably due to the differences between budget authority and actual figures, but the FY2009 and FY2010 figures should match.

The FFEL discrepancies are as follows:

- The FY2009 FFEL *Federal administrative costs* figure is 0.56 in the *New and Consolidation Loans* section of the Expenses table but 0.57 in the Activities table. The FY2008 and FY2010 figures match in both tables. (The FY2008, FY2009 and FY2010 figures for Direct Loans also match in both tables.)
- The FY2010 FFEL *Loan subsidy* figure is -0.08 in the Expenses table but 1.34 in the Activities table. The FY2008 and FY2009 figures match in both tables.
- The FY2009 *Total, FFEL* figure is -1.03 in the Expenses table but -1.02 in the Activities table. The FY2010 figure is 0.50 in the Expenses table but 1.92 in the Activities table. The FY2008 figures match in both tables.
- The totals before federal administrative costs for FFEL in the Activities table do not match the 232999 budget lines for weighted average subsidy rates on page 392. Specifically, page 392 lists -0.01 and 1.41 for FY2008 and FY2010 while the Activities table lists -3.60 and 1.34, respectively. The FY2009 figures are both -1.59. The FY2008 discrepancies are probably due to the differences between budget authority and actual figures, but the FY2009 and FY2010 figures should match.

The FY2009 and earlier budgets do not exhibit similar discrepancies. For example, the corresponding figures in the Expenses and Activities tables match perfectly in the FY2009 budget but not in the current FY2010 budget.