



National Association of Student  
Financial Aid Administrators

# Student Aid & the Federal Budget

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PASFAA

October 25, 2021

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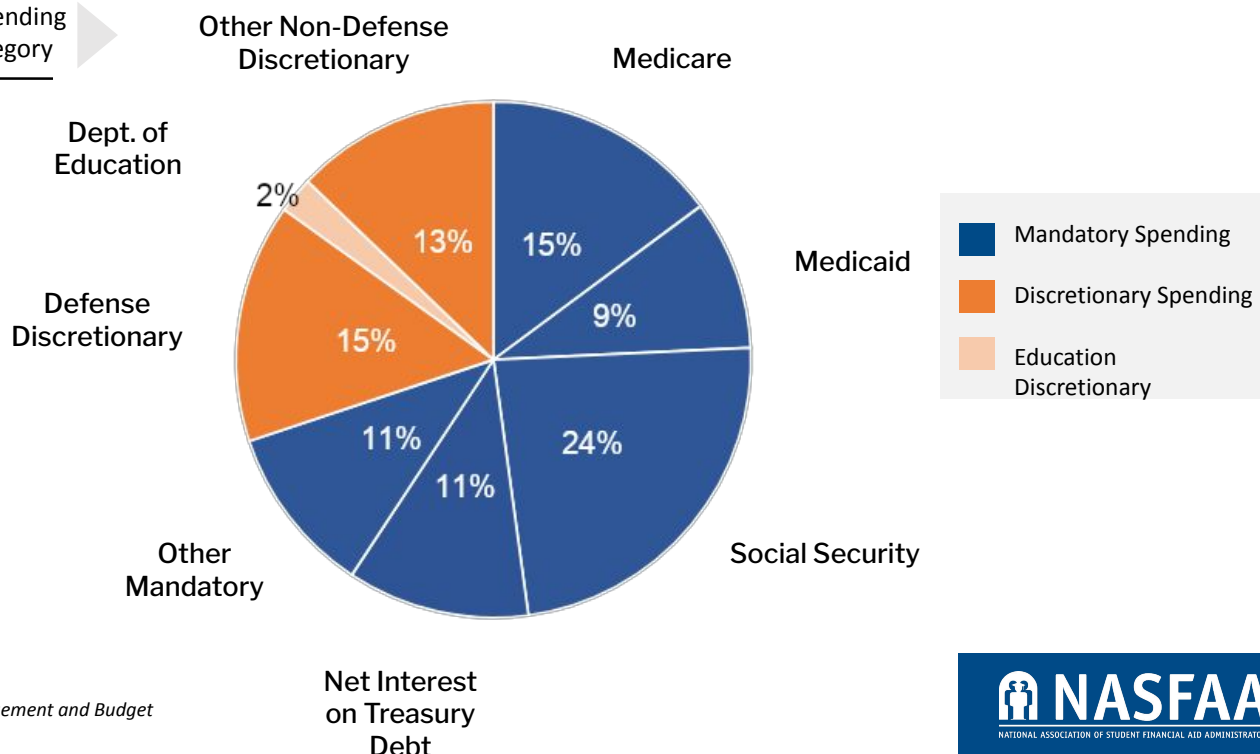
## Agenda

- Budget 101: Nuts and Bolts
- Federal Budget & Appropriations: Step by Step
- Current Budget Politics
- Budget Update
  - What happened for FY 2021?
  - Where are we going in FY 2022?
- NASFAA and the Federal Budget



# Budget 101: Federal Spending

U.S. Federal Spending  
in 2017, by Category

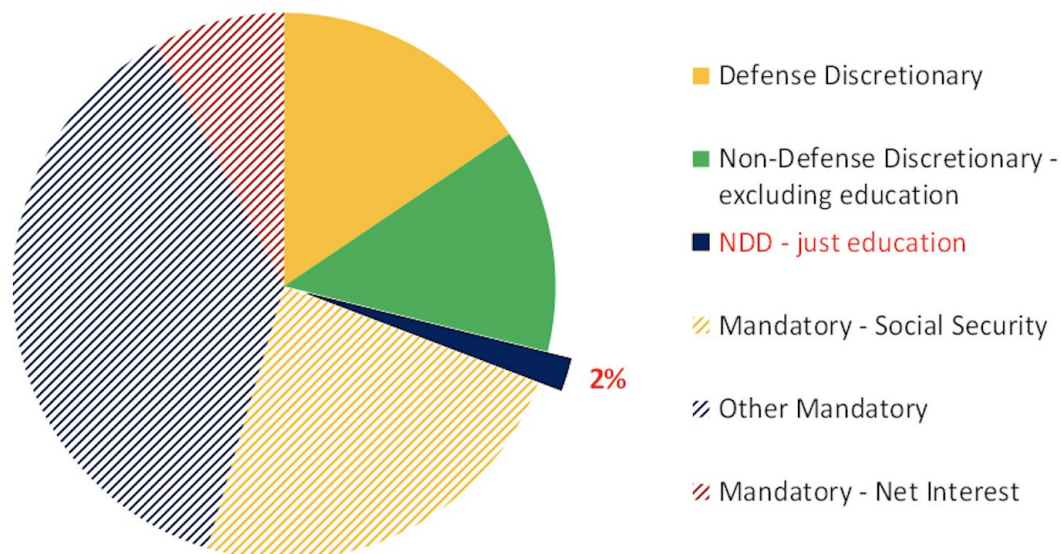


Source: U.S. Office of Management and Budget

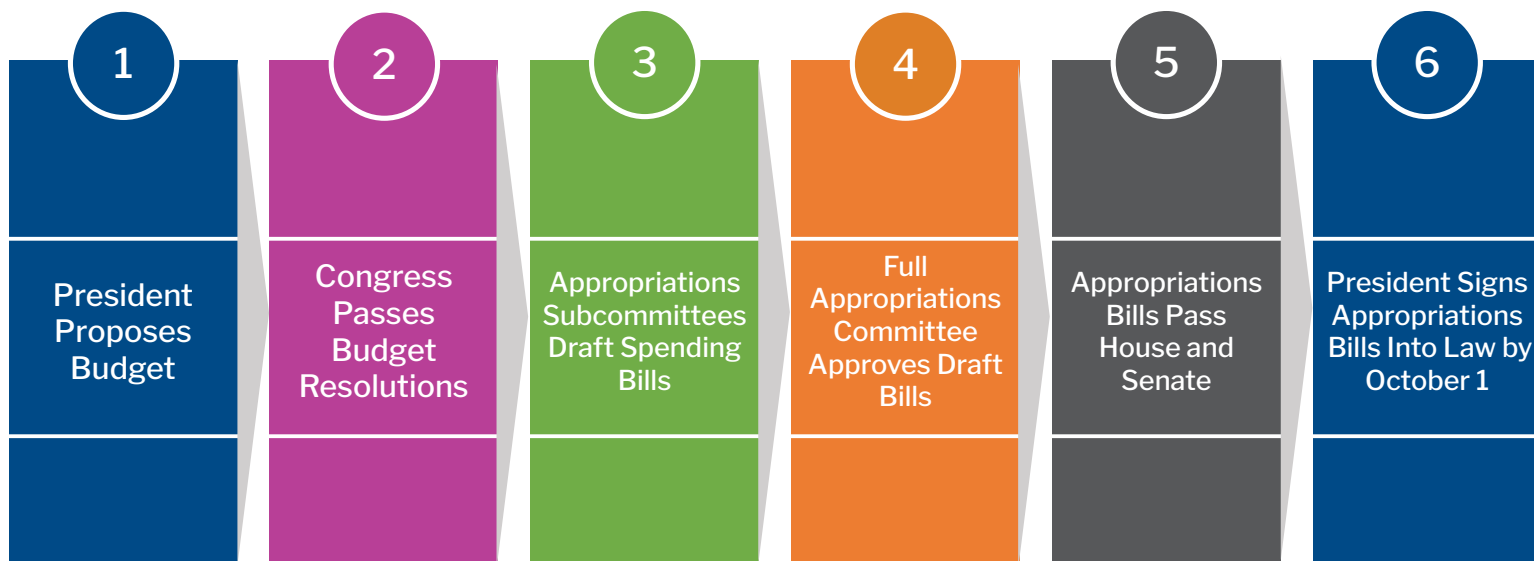


## FY 2021 Federal Budget

**Education Accounts for Less Than 2% of Annual Federal Spending**



# How the Process *Should* Work ...



## Step 1: President's Budget Request

- Preparation begins in the fall with the Office of Management & Budget (OMB)
- Released in early February
- Sent to Congressional Budget Committees



## Step 2: Budget Resolution

- Congressional Budget Committees review president's budget request and typically make opinion statements
- Committees then draft budget resolutions
- Budget resolutions are *non-binding* policy documents that serve as a marker for high level budget priorities in each chamber
- Not many specific numbers in resolution; more text



## Steps 3-5: Appropriations Process

- Appropriators are funders; they assign dollar values to specific programs
- Federal spending is broken down into 12 separate spending categories by topic area = 12 separate appropriations subcommittees
- Appropriations bills must be cleared through each chamber's applicable subcommittee and full committee
- Then, the bills go to the floor. If passed, the bill must be reconciled with the other chamber's version.

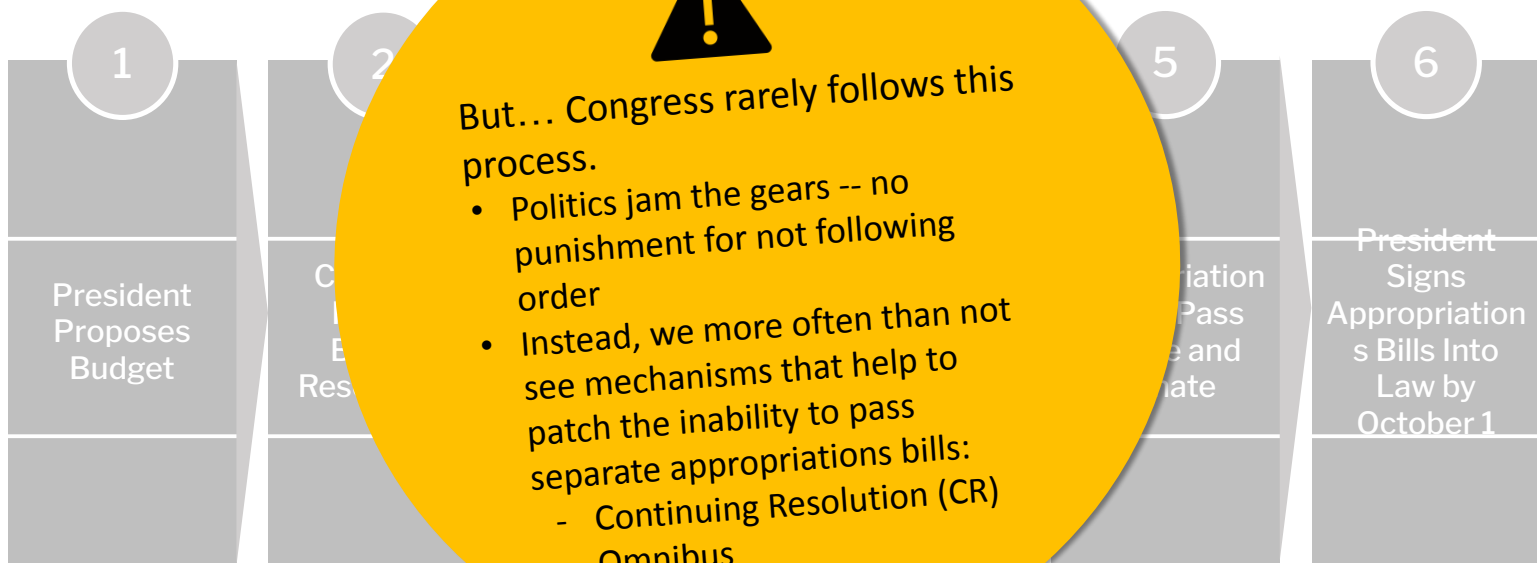


# Step 6: New Fiscal Year

- The federal fiscal year (FY) runs from October 1 through September 30
- All appropriations bills must be passed and signed by the President by October 1 or the federal government cannot continue to operate
- Lack of action on setting spending levels by October 1 can lead to a government shutdown



## How the Process Works ...





# Why is this problematic?

- Operating outside of the established process creates an incredible amount of unpredictability—this unpredictability is particularly problematic for financial aid offices
- Late action from Congress can have ripple effects on the Department of Education, causing delays for things like Pell schedules.
- Failing to complete the budget process does not allow for committee experts to thoughtfully and carefully debate spending levels for the issues they are most well versed in, leaving little time for the democratic process



## Student Aid & the Budget

- Funding for student aid falls into the Labor, Health, Human Services, and Education Appropriations Subcommittee (Labor-H)
- This is always a very complex bill because so many important programs share the same pot of funds.
  - Because of that, the Labor-H is often one of the last bills to go through the appropriations process.
- Most student aid funds are “forward funded”, meaning they fund the following award year
  - Ex: FY 2022 funds the 2022-23 award year



# Student Aid & the Budget

The federal budget includes both “mandatory” and “discretionary” spending. Student aid programs fall into both categories.

## Mandatory Spending

Governed by formulas or criteria set forth in enacted law, rather than by periodic appropriations

- Student Loans
- TEACH Grant
- Iraq-Afghanistan Service Grant
- “Add-on” Pell Funding

## Discretionary Spending

Governed by annual or other periodic appropriations

- Pell Grant
- FSEOG
- FWS



# Current Trends in Budget Politics

## • Overarching Theme of Deficit Reduction

- When a new policy idea is discussed, the first question asked is “How much will it cost?” and what other item in the budget will “offset” any new cost?

## • Budget Politics Dictating Policy

- E.g. Elimination of grad school subsidy; reduction in Pell Grant semester eligibility, etc.

## • Sequestration

- Ten year cutting mechanism, impacting nearly all of Title IV programs



# What is “sequestration” and is it still in effect?

- Sequestration is a cutting mechanism designed to achieve roughly \$1 trillion in savings over a decade
- Is it still in effect? Yes and No:
  - The sequester on discretionary spending ended with FY 2021.
  - The sequester on mandatory spending has been extended through FY 2030.
  - With mandatory sequestration still in place, student loan origination fees, the Iraq-Afghanistan Service Grant (IASG), and TEACH Grants will continue to be impacted.



## ► Budget Update: FY 2021 & FY 2022





# Final FY 2021 Appropriations

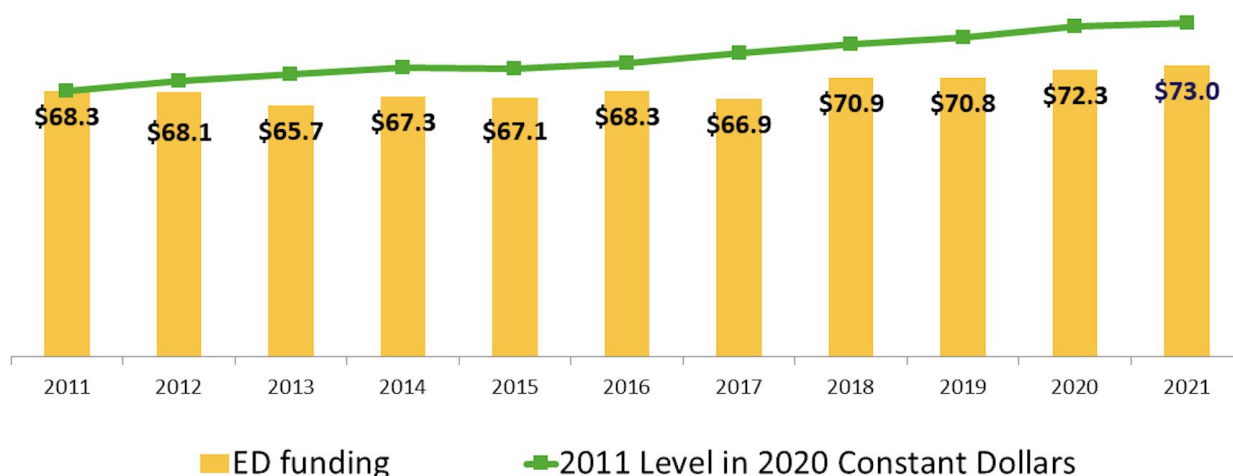
Congress finalized FY 2021 appropriations with the passage of the Consolidated Appropriations Act in December 2020. The omnibus included:

- \$73.5 billion in discretionary funding appropriated for the Department of Education
  - \$785 million increase over FY 2020
- \$150 increase to the maximum Pell Grant award
  - New maximum for 2021-22 award year is \$6,495
- \$25 million increase for campus-based aid programs
  - FWS - \$1.19 billion (\$10 million increase)
  - FSEOG - \$880 million (\$15 million increase)



## Education Gets Small Increase for 2021 But is Still \$7 Billion Below 2011 Level in Inflation-Adjusted Terms

(Department of Education Discretionary Funding in Billions of Dollars)



## Education Gets Small Increase for FY 2021: Still \$7 Billion Below 2011 Level in Inflation-Adjusted Terms

(Department of Education Discretionary Funding in Billions of Dollars)



2017, 2019, 2020 & 2021 Senate and Final bill totals reflect rescissions of Pell Grant funds

12/21/20

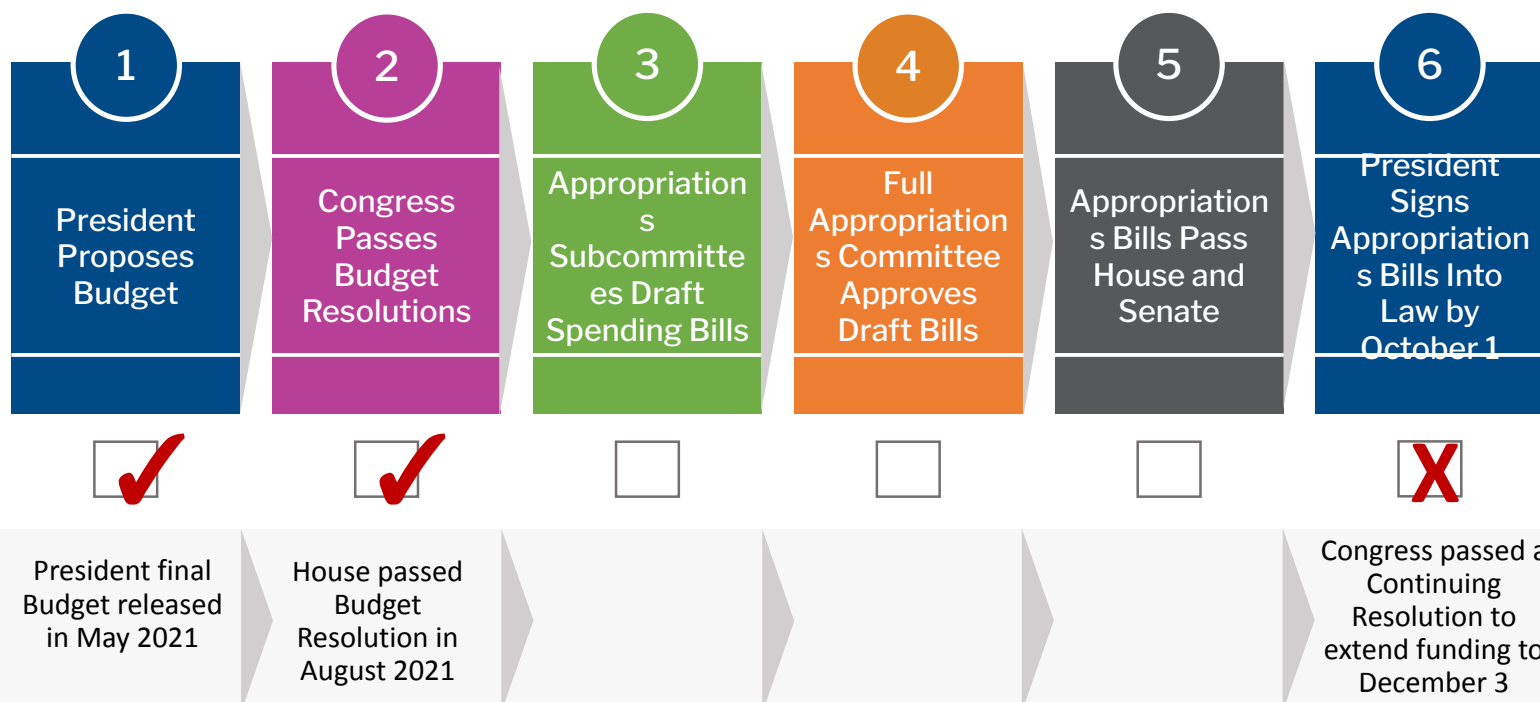


## Looking Ahead to FY 2022

- Because the annual discretionary spending caps under the Budget Control Act end after FY 2021, Congress is not limited in how much it increases discretionary spending for FY 2022.
- Earmarks will return for the first time since being outlawed in 2011, but the process will be reformed.
- FY 2022 appropriations are happening while Congress is also working on the bipartisan infrastructure deal, a second budget reconciliation package, and the looming debt ceiling.
- Uncertainty in budget climate underscores importance of increased advocacy on the values of the federal student aid programs



# FY 2022 Appropriations Process



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## President Biden's FY 2022 Budget Funding Provisions:



### Maximum Pell Grant

Boosts maximum Pell grant for AY 22-23 to \$8,370, an \$1875 increase over AY 21-22. Includes a \$400 increase in discretionary funding and \$1,475 increase proposed in the American Families Plan.



### Discretionary Pell Funding

Includes a \$3 billion increase in discretionary funding for the Pell Grant program.



### Federal Supplemental Educational Opportunity Grant (FSEOG)

Maintains FY21 funding level of \$880 million.



### Federal Work Study (FWS)

Maintains FY21 funding level of \$1.19 billion.

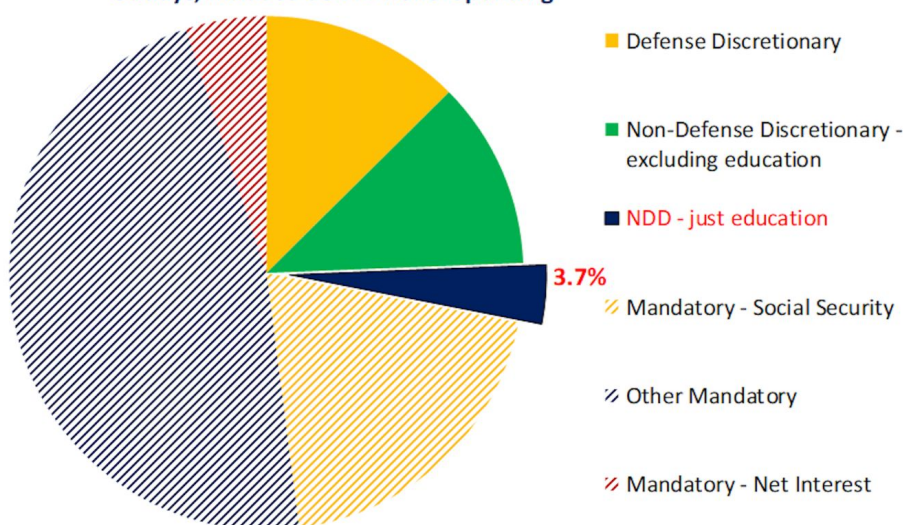
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## Additional Provisions:

- \$102.8 billion for ED, a 41% (\$29.8 billion) increase over FY21.
- Extends Pell eligibility to DACA recipients.
- No rescission from the Pell Grant program's reserve funds.
- Pell increase represents a "significant first step" to deliver on the president's goal to double the grant.
- No debt cancellation proposal.
- Reiterates free community college proposal and MSI/HBCU investment included in American Families Plan.

## Education Accounts for 3.7% of President's 2022 Budget

Outlays, Includes COVID-Relief Spending



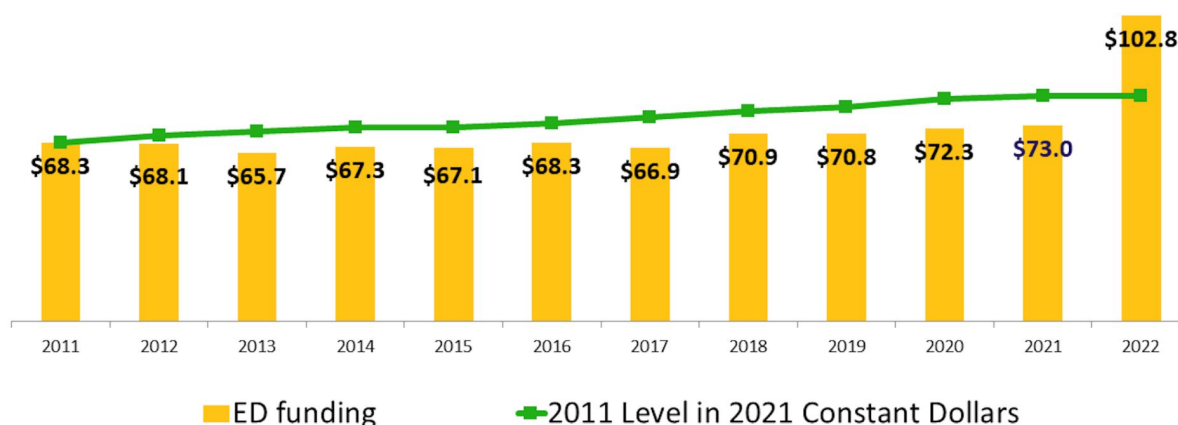
**Increase funding to 5 cents of ever federal dollar!**  
**#5Cents4Edfunding**

SOURCE: CEF based on FY2022 OMB Budget



## Biden's FY 2022 Budget Request

**President's Record Increase for FY 2022 Would Finally Raise Education Above the 2011 Level in Inflation-Adjusted Terms**  
 (Department of Education Discretionary Funding in Billions of Dollars)

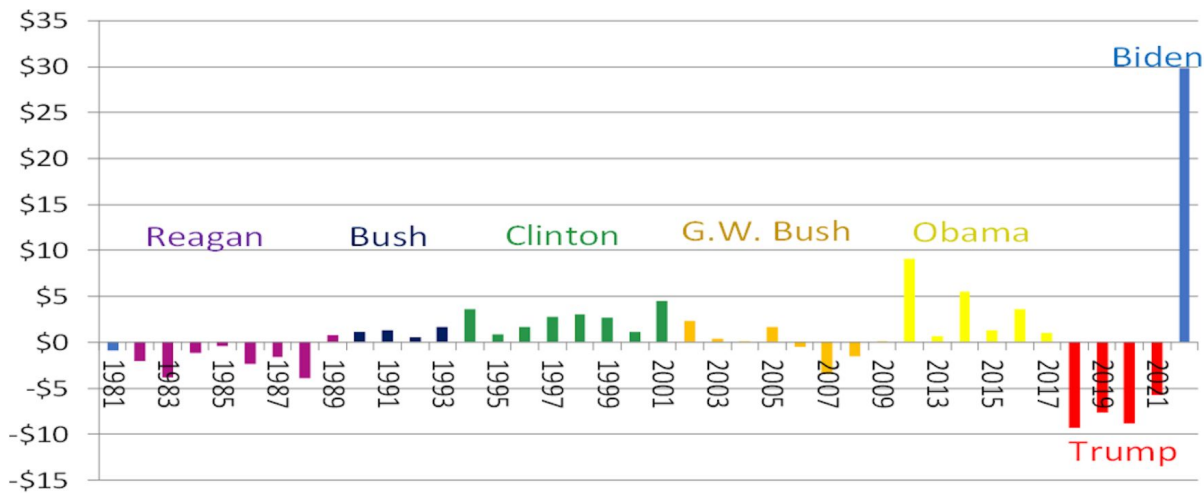


2017, 2019, 2020, and 2021 totals reflect rescissions of Pell Grant funds



# President Requests Record Increase in Regular Education Funding for FY 2022

Requested change in Dept. of Education regular discretionary funding vs. prior year, in billions



Includes regular, not emergency funding. Does not include FY 2010 request versus FY 2009, which included \$97 billion in Recovery Act funds, or FY 2011 request that requested all Pell grant resources as mandatory spending.

Source: Department of Education 2022 request and budget history tables



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## Comparing FY 2022 Proposals

	House FY 2022 Labor-H Proposal	Senate FY 2022 Labor-H Proposal	Biden Administration's FY 2022 Budget Request
<b>Total Discretionary Funding for ED</b>	<b>\$102.8 billion</b> (41% increase)	<b>\$98.2 billion</b> (\$24.9 billion increase)	<b>\$102.8 billion</b> (41% increase)
<b>2022-23 Maximum Pell Grant</b>	<b>\$400 increase</b> (\$6,895)	<b>\$400 increase</b> (\$6,895)	<b>\$400 increase</b> (\$6,895)
<b>SEOG</b>	<b>\$1.03 billion</b> (\$148 million increase)	<b>\$905 million</b> (\$25 million increase)	<b>\$880 million</b> (no increase)
<b>FWS</b>	<b>\$1.43 billion</b> (\$244 million increase)	<b>\$1.23 billion</b> (\$40 million increase)	<b>\$1.19 billion</b> (no increase)





# NASFAA and the Federal Budget

- NASFAA's Policy and Federal Relations Team continuously monitors how student aid programs fare in the federal budget and frequently publishes updates in *Today's News*
- NASFAA regularly advocates for healthy funding levels to the administration and to Congress

[ABOUT](#) [PELL VOICES](#) [NEWSROOM](#)[#DOUBLEPELL](#)[RESOURCES](#)[TAKE ACTION](#)

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HELP BRING ABOUT REAL CHANGE

**Millions of students across the country are in critical need of additional grant aid to pay for college.**

[FIND RESOURCES](#)[TAKE ACTION](#)[doublepell.org](https://doublepell.org)

**FIGURE 1: MAXIMUM PELL GRANT AWARD IN CURRENT AND INFLATION-ADJUSTED DOLLARS, 2009-10 TO 2019-20**



Source: U.S. Department of Education, Federal Pell Grant Program End-of-year Report, 2017-2018; FSA data from website, 2020. Inflation-adjusted to 2019 dollars calculated by NASFAA, using the Consumer Price Index (CPI-U) for the July beginning the academic year.



**TABLE 3. SHARE OF COLLEGE EXPENSES COVERED BY 2021-22 MAXIMUM PELL GRANT & DOUBLED MAXIMUM PELL GRANT**

Sector (living arrangement)	Total Cost of Attendance (COA)	Percent of COA Covered by 2020-21 Maximum Pell Grant	Percent of COA Covered by Maximum Pell Grant if Doubled to \$13,000
Public 2-year (in-state, living off campus not with family)	\$20,803	31.2%	62.5%
Public 2-year (in-state, living off campus with family)	\$11,320	57.4%	114.9%
Public 4-year (in-state, living on campus)	\$25,048	25.9%	51.9%
Private 4-year (living on campus)	\$43,873	14.8%	29.6%

Notes: Cost of attendance data reflects averages costs during the 2019-20 academic year. Analysis uses Integrated Postsecondary Education Data System (IPEDS) data on student charges for the 2019-20 academic year, and the 2021-22 maximum Pell Grant of \$6,495. Within IPEDS approximately 190 schools are classified as four-year institutions even though they primarily award associate degrees. This table classifies those schools as two year institutions.



# NASFAA Funding Coalitions

NASFAA holds membership in several coalitions that advocate for student aid programs in the federal budget



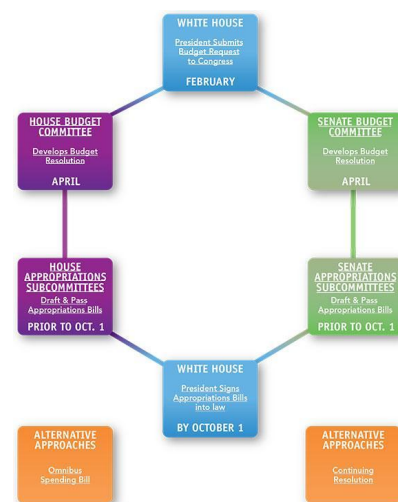
## #DOUBLEPELL



# NASFAA Online Resources

## Federal Budget & Appropriations Page

- Interactive chart on the federal budget process
- Budget and appropriations news archive from *Today's News*



## Off the Cuff Podcast

Weekly podcast with NASFAA staff and colleagues on student aid policy



# Advocacy Opportunities

## ▲ Volunteer!

Work with and support NASFAA's policy team:



## ▲ Stay Informed

Read NASFAA's *Today's News* and Policy and Advocacy Webpages on [nasfaa.org](https://nasfaa.org)

## ▲ Write and Visit Your Member of Congress

- Share your advocacy efforts with NASFAA, so we can support and assist you
- New education committee members mean new states in the mix!



NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS