THE EDUCATION DEPARTMENT'S $311 BILLION BUDGET MISTAKE

NEW ANALYSIS by a government watchdog finds that the Department of Education (ED) **radically underestimated the true cost** of the federal student loan program. While originally expected to generate revenue for the federal government, the nonpartisan Government Accountability Office analysis finds that ED underestimated the cost of the federal Direct Loan program **by $311 billion.**

ED'S BUDGET WAS OFF BY MORE THAN $300 BILLION.

WHAT HAPPENED:

For years, **ED vastly underestimated the true cost of the federal Direct Loan program.** Between 1997 and 2021, ED expected these loans to generate more than $100 billion in government revenue.

- Researchers wrote about the flaws in ED's budget model for years—**ED did nothing to address these concerns.**

Federal student loans issued during this period actually cost taxpayers $200 billion—meaning **ED's faulty budgeting was off by more than $10 billion a year on average.**

ED's budget is consistently wrong due to incorrect assumptions about:

- **The number of borrowers** who would choose to enroll in Income-Driven Repayment (IDR).
- **The income growth for borrowers** repaying loans through IDR.
- **The probability** that borrowers would default on their loans.
- **The effects of new programs** enacted by Congress and ED.

WHY IT MATTERS:

ED's faulty budgeting paved the way for **regressive student loan policies that are poorly targeted and costly to taxpayers.**

- ED made changes to IDR plans without a complete understanding of how much those policies would cost. We now know **those changes were immensely expensive**—costing billions more than anticipated.

WHO'S IMPACTED:

Faulty budgeting misled taxpayers, students, and Congress.

- **Taxpayers** were promised that money spent on these programs would be returned; instead, ED blindly spent billions more than anticipated.
- Reckless spending on student loan programs allowed colleges to raise tuition prices, making college more expensive for **students and families.**
- **Policymakers** enacted changes to the student loan repayment options believing costs would be minimal.

GOING FORWARD:

ED must **be transparent with taxpayers and Congress so that any policy changes going forward are made with an accurate picture of the costs and implications.**

Current IDR programs already cost taxpayers hundreds of billions of dollars more than anticipated; these programs should be reined in to protect taxpayers.

Policymakers should be extremely concerned by ED's faulty budget modeling for future student loan reforms.

- **None of the costs of any of Biden's illegal waivers** that have resulted in billions of loan forgiveness **have been incorporated into the costs of the Direct Loan program.**
- **Biden's soon-to-be proposed changes to IDR will only make the program more expensive.**

Policymakers need comprehensive solutions to address the underlying reasons for ballooning college costs to:

- **Hold** schools accountable for poor student outcomes.
- **Ensure** a college degree delivers on its promise.
- **Streamline** loan repayment to protect students and taxpayers.

BOTTOM LINE: The Left's argument that the federal government is "profiting off student loans" is WRONG. Taxpayers are footing the bill for federal student loans to the tune of hundreds of billions of dollars.