

Department of Education
STUDENT FINANCIAL ASSISTANCE

Fiscal Year 2009 Budget Request

CONTENTS

	<u>Page</u>
Appropriations Language.....	N-1
Analysis of Language Provisions and Changes.....	N-2
Amounts Available for Obligation.....	N-3
Obligations by Object Classification.....	N-3
Summary of Changes.....	N-4
Authorizing Legislation.....	N-6
Appropriations History.....	N-8
Summary of Request.....	N-10
Activities:	
Federal Pell grants.....	N-21
Federal supplemental educational opportunity grants.....	N-33
Federal work-study.....	N-38
Federal Perkins loans:	
Federal capital contributions.....	N-46
Loan cancellations.....	N-46
Leveraging educational assistance partnership.....	N-53
State Table.....	N-57

STUDENT FINANCIAL ASSISTANCE

(including [rescission] cancellation)

For carrying out [subparts] subpart 1[, 3, and 4] of part A and [,] part C [and part E] of title IV of the Higher Education Act of 1965, ¹ [\$16,114,317,000] \$17,179,492,000, which shall remain available through September 30, [2009] 2010.²

The maximum Pell Grant for which a student shall be eligible during award year [2008-2009] 2009-2010 shall be [\$4,241] \$4,310.³

Of the unobligated funds available under section 401A(e)(1)(C) of the Higher Education Act of 1965, [\$525,000,000] \$652,000,000 are [rescinded]permanently cancelled.⁴ (*Department of Education Appropriations Act, 2008*)

Note.—Each language provision that is followed by a footnote reference is explained in the Language Analysis and Changes document which follows the appropriation language.

STUDENT FINANCIAL ASSISTANCE

Analysis of Language Provisions and Changes

Language Provision	Explanation
<p>¹ For carrying out [subparts] <u>subpart 1</u>[, 3, and 4] of part A <u>and</u> [,] part C[and part E] of title IV of the Higher Education Act of 1965 ...</p>	<p>This language eliminates the legislative citations for the Supplemental Educational Opportunity Grant, Leveraging Educational Assistance Partnerships, and Federal Perkins Loan programs, as funding is not requested for these programs for fiscal year 2009.</p>
<p>²... which shall remain available through September 30, [2009] <u>2010</u>.</p>	<p>This language sets the availability of funds provided under the account through the end of fiscal year 2010.</p>
<p>³ The maximum Pell Grant for which a student shall be eligible during award year [2008-2009] <u>2009-2010</u> shall be [\$4,241] <u>\$4,310</u>.</p>	<p>This language sets the maximum Pell Grant award supported by discretionary funding for award year 2009-2010 at \$4,310. Additional mandatory funding provided in the College Cost Reduction and Access Act would increase this maximum award by \$490, to a total of \$4,800.</p>
<p>⁴Of the unobligated funds available under section 401A(e)(1)(C) of the Higher Education Act of 1965, [\$525,000,000] <u>\$652,000,000</u> are [rescinded]<u>permanently cancelled</u>.</p>	<p>This language cancels \$652,000,000 in unobligated funds from the Academic Competitiveness Grants/SMART Grant program.</p>

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation
(\$000s)

	2007	2008	2009
Discretionary appropriation:			
Appropriation	\$15,542,456	\$16,114,317	\$17,831,551
Across-the-board reduction	<u>0</u>	<u>-33,181</u>	<u>0</u>
Subtotal, discretionary			
Appropriation	15,542,456	16,081,136	17,831,551
Mandatory appropriation			
Funding for elimination of tuition			
sensitivity award rule	0	11,000	0
Increase in Pell Grant maximum	<u>0</u>	<u>2,030,000</u>	<u>2,090,000</u>
Subtotal, mandatory appropriation	0	2,041,000	2,090,000
Subtotal, discretionary and			
mandatory budget appropriation	15,542,456	18,122,136	19,921,551
Unobligated balance, start of year	2,693,382	2,190,888	3,032,200
Recovery of prior-year obligations	422,668	0	0
Unobligated balance, expiring	-223,561	0	0
Unobligated balance, end of year	<u>-2,190,888</u>	<u>-3,032,200</u>	<u>-6,301,883</u>
Total, direct obligations	16,244,057	17,280,824	16,651,868

Obligations by Object Classification
(\$000s)

	2007	2008	2009
Grants, subsidies and contributions...	\$16,244,057	\$17,280,824	\$16,651,868

STUDENT FINANCIAL ASSISTANCE

Summary of Changes (\$000s)

2008	\$18,122,136
2009	<u>19,921,551</u>
Net change	+1,799,415

	<u>2008 base</u>	<u>Change from base</u>
Increases:		
<u>Program:</u>		
Increase to fund estimated Pell Grant program costs for the 2009-2010 award year at a maximum award of \$4,310.	\$14,215,000	+\$2,636,059
Increase in mandatory funding to support \$490 increase in maximum Pell Grant for the 2009-2010 award year.	2,030,000	<u>+60,000</u>
Subtotal, increases		+2,696,059
 Decreases:		
<u>Program:</u>		
Decrease reflecting one-time 2008 mandatory funding for elimination of Pell Grant tuition-sensitivity award rule.	11,000	-11,000
Decrease to eliminate funding for Supplemental Educational Opportunity Grants, which is duplicative of the Pell Grant program.	757,465	-757,465
Decrease to eliminate funding for Perkins Loan cancellations due to proposed elimination of the Perkins Loan program.	64,327	-64,327

STUDENT FINANCIAL ASSISTANCE

Summary of Changes (\$000s)

	<u>2008 base</u>	<u>Change from base</u>
<u>Decreases:</u>		
<u>Program:</u>		
Decrease to eliminate funding for Leveraging Educational Assistance Partnerships, which is structurally flawed.	\$63,852	<u>-\$63,852</u>
Subtotal, decreases		-896,644
Net change		+1,799,415

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation (\$000s)

Activity	2008 Authorized	2008 Estimate	2009 Authorized	2009 Request
Federal Pell grants (<i>HEA-IV-A-1</i>)	Indefinite	\$14,215,000	To be determined ¹	\$16,851,059
Additional Funds (<i>HEA-IV-A-1</i>)	\$2,041,000	2,041,000	\$2,090,000	2,090,000
Institutional payments (<i>HEA-IV-G-489</i>) ⁴	Indefinite		To be determined ²	
Federal supplemental educational opportunity grants (<i>HEA-IV-A-3</i>)	Indefinite	757,465	To be determined ³	0
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		To be determined ³	
Federal work-study (<i>HEA-IV-C</i>)	Indefinite	980,492	To be determined ²	980,492
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		To be determined ²	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ⁶	Indefinite		To be determined ²	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		To be determined ²	
Federal Perkins loans (<i>HEA-IV-E</i>)				
Loan cancellations	Indefinite	64,327	To be determined ³	0
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		To be determined ³	
Leveraging educational assistance partnerships (<i>HEA-IV-A-4</i>) ⁷	Indefinite	63,852	To be determined ³	0
<u>Unfunded authorizations:</u>				
Federal Perkins loans (<i>HEA-IV-E</i>)				
Federal capital contributions	Indefinite	0	To be determined ³	0
Loan forgiveness for child care providers (<i>HEA-IV-B-428K</i>)	Indefinite	0	To be determined ³	0

STUDENT FINANCIAL ASSISTANCE
Authorizing Legislation -- Continued
(\$000s)

Activity	2008 Authorized	2008 Estimate	2009 Authorized	2009 Request
<u>Unfunded authorizations (cont.):</u>				
Academic achievement incentive scholarships (HEA-IV-A, Chapter 3)	Indefinite	_____0	To be determined ³	_____0
Total definite authorization	\$2,041,000		\$2,090,000	
Total appropriation		\$18,122,136		\$19,921,551
Portion of request subject to reauthorization				980,492

Note: HEA refers to the Higher Education Act of 1965, as amended.

¹ This program was reauthorized through FY 2017 by the College Cost Reduction and Access Act (P.L. 110-084).

² The Higher Education Act expires March 31, 2008. This program is expected to be authorized in FY 2008 through appropriations language. Reauthorizing legislation is sought for FY 2009.

³ The Higher Education Act expires March 31, 2008. This program is expected to be authorized in FY 2008 through appropriations language. The Administration is not seeking reauthorizing legislation.

⁴ Payments to institutions based on a \$5 per Pell Grant recipient calculation reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are reserved from the Pell Grant appropriation.

⁵ Institutions are authorized to use up to 5 percent of the first \$2,750 thousand of expenditures for the Supplemental Educational Opportunity Grant, Work-Study, and Perkins Loan programs for administrative expenses; plus 4 percent of expenses in excess of this amount but less than \$5,500 thousand; plus 3 percent of expenses above \$5,500 thousand.

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation -- Continued

⁶ Institutions are authorized to use not more than 10 percent or \$50 thousand of their Work-Study allocations for the costs of establishing or expanding programs to locate or develop jobs, including community service jobs, for currently enrolled students.

⁷ When the LEAP appropriation in any fiscal year exceeds \$30,000 thousand, the excess is reserved for activities authorized under Special LEAP.

STUDENT FINANCIAL ASSISTANCE

Appropriations History (\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2000	\$9,183,000	\$6,973,000	\$8,321,600	\$9,445,000 ¹
2000 Advance for 2001	0	2,286,000	1,176,400	0
2000 Rescission	0	0	0	-70,283 ²
2001	10,258,000	10,150,000	10,649,000	10,674,000
2002	11,674,000	12,410,100	12,284,100	12,285,500
2002 Supplemental	1,276,000	0	0	1,000,000
2002 Supplemental (2003)	0	0	0	-950
2003	12,767,500	13,171,610	13,515,000	13,363,072
2004	14,518,500	14,247,432	14,174,115	14,007,296
2005	14,698,622	14,755,794	14,859,694 ³	14,265,749
2006	19,771,798	19,583,752	19,403,795	19,255,404 ⁴
2007	14,490,057	N/A ⁵	N/A ⁵	14,487,735 ⁵
2008	16,419,492	17,464,883	18,409,883	18,122,136 ⁶
2009	19,921,551 ⁷			

¹ Includes \$10 million in emergency funds for SEOG for victims of Hurricanes Dennis and Floyd pursuant to Department of Education Appropriations Act, 2000, as enacted by section 1000(a)(4) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).

² Rescission of \$70.283 million pursuant to Miscellaneous Appropriations, 2000, as enacted by section 1000(a)(5) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).

³ Reflects Senate Committee action.

⁴ Includes a reapportionment of \$28 million that expired at the end of fiscal year 2005. Pursuant to Section 2(c) of the National Disaster Student Aid Fairness Act (P.L. 109-86), these funds were made available for an additional fiscal year ending September 30, 2006. Reflects a rescission of \$131.770 million (P.L. 109-149). Includes \$4,300 million in mandatory funds to retire the projected funding shortfall.

⁵ This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

⁶ Includes \$2,011 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

⁷ Includes \$2,090 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

(in thousands of dollars)			2007 Annual	2008	2009	Change from 2008 Appropriation	
Office, Account, Program and Activity	Category Code	CR Operating Plan	Appropriation	President's Request	Amount	Percent	
Student Financial Assistance							
1. Federal Pell grants (HEA IV-A-1):							
(a) Pell grants	D	13,660,711	14,215,000	16,851,059	2,636,059	18.5%	
(b) Mandatory increase in Pell Grant maximum award	M	0	2,030,000	2,090,000	60,000	3.0%	
(c) Elimination of tuition sensitivity in AY 2007-2008	M	0	11,000	0	(11,000)	-100.0%	
Appropriation		13,660,711	16,256,000	18,941,059	2,685,059	16.5%	
Discretionary	D	13,660,711	14,215,000	16,851,059	2,636,059	18.5%	
Mandatory	M	0	2,041,000	2,090,000	49,000	2.4%	
Prior year funding surplus (shortfall)	D	227,230	(521,059)	(732,059)	(211,000)	40.5%	
Current year funding surplus/shortfall (non-add)	D	(521,059)	(732,059)	0	732,059	-100.0%	
Total, resources available		13,887,941	15,734,941	18,209,000	2,474,059	15.7%	
Discretionary program costs	D	14,409,000	14,426,000	16,119,000	1,693,000	11.7%	
Mandatory program costs related to increasing maximum award	M	0	2,030,000	2,090,000	60,000	3.0%	
Mandatory program costs related to elimination of tuition sensitivity in AY 2007-2008	M	0	11,000	0	(11,000)	-100.0%	
Subtotal, program costs		14,409,000	16,467,000	18,209,000	1,742,000	10.6%	
Maximum award (in whole dollars)							
Discretionary		\$4,310	\$4,241	\$4,310	\$69	1.6%	
Mandatory add-on		\$0	\$490	\$490	\$0	0.0%	
Total		\$4,310	\$4,731	\$4,800	\$69	1.5%	
Recipients (in thousands)		5,428	5,578	5,764	186	3.3%	
2. Campus-based programs:							
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	770,933	757,465	0	(757,465)	-100.0%	
(b) Federal work-study (HEA IV-C)	D	980,354	980,492	980,492	0	0.0%	
(c) Federal Perkins loan cancellations (HEA IV-E):	D	65,471	64,327	0	(64,327)	-100.0%	
Subtotal, Campus-based programs		1,816,758	1,802,284	980,492	(821,792)	-45.6%	
3. Leveraging educational assistance partnerships (HEA IV-A-4)							
Total	D	64,987	63,852	0	(63,852)	-100.0%	
Total							
Discretionary	D	15,542,456	18,122,136	19,921,551	1,799,415	9.9%	
Mandatory	M	0	2,041,000	2,090,000	49,000	2.4%	
Outlays		14,926,585	16,845,906	18,620,398	1,774,492	10.5%	
Discretionary	D	14,926,585	16,283,473	16,594,398	310,925	1.9%	
Mandatory	M	0	562,433	2,026,000	1,463,567	260.2%	

NOTES: Category Codes are as follows: D = discretionary program; M = mandatory program.
FY 2008 detail may not add to totals due to rounding.

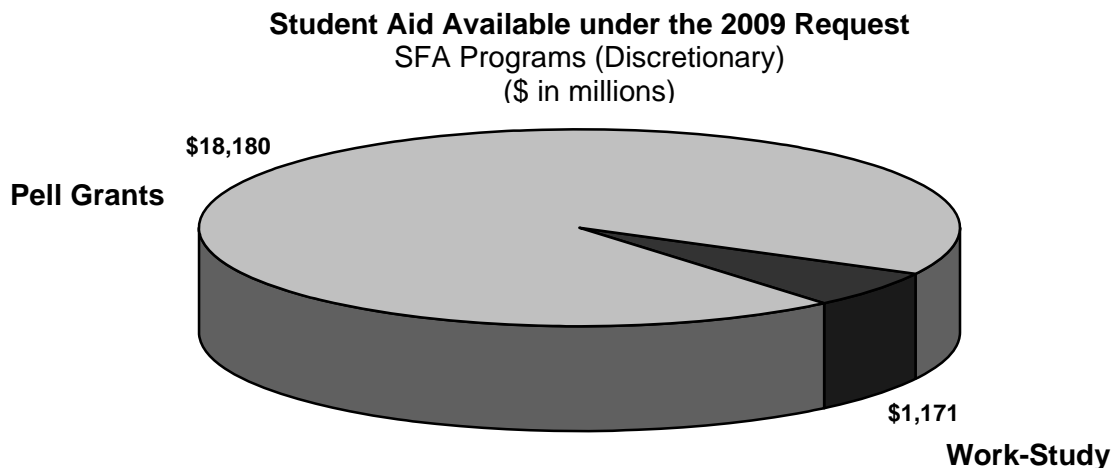
STUDENT FINANCIAL ASSISTANCE

Summary of Request

Pell Grants and Work-Study form the foundation of the Federal commitment to foster opportunities for all Americans to reap the benefits of a higher education. As a Nation, our ability to compete in the increasingly global, technology-driven 21st century economy depends on maintaining a highly educated, flexible, and productive workforce.

In 2007, President Bush signed the College Cost Reduction and Access Act, which implemented a creative new approach first proposed in the FY 2006 Budget to use mandatory funding to dramatically increase funding for Pell Grants. The FY 2009 Budget builds on this historic accomplishment—and the President's consistent commitment to the Pell Grant program, which has more than doubled in size under his Administration—by proposing a \$2.6 billion increase in discretionary Pell Grant funds.

The FY 2009 budget request for this account is \$19.922 billion, \$17.832 billion in discretionary funding and \$2.090 billion in mandatory funding. Under this request, total aid available to students (based on new budget authority, and any required matching funds, less allowable administrative costs) would be \$19.4 billion. The SFA programs would provide student aid awards to more than 6.6 million students.



STUDENT FINANCIAL ASSISTANCE

Summary of Request

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

Because Federal student assistance grant and loan programs rely on the same program data, performance indicators and strategies that apply to the Student Financial Assistance account, as well as to the Federal Family Education Loan and Federal Direct Student Loan programs discussed in the **Student Loan Overview**, are reviewed in this Summary of Request and are not repeated under the requests for each program. The Department is in the process of exploring ways to gather detailed program and student outcome data that will support program-specific measures. The FY 2009 Budget includes funds under the Institute of Education Sciences to help States develop student-level data that could support the development of these measures for the student aid programs.

To improve the practical use of performance information, the Office of Management and Budget, in collaboration with other Federal agencies including the Department of Education, developed the Program Assessment Rating Tool (PART), comprised of assessment criteria on program performance and management. The PART establishes a high, “good government” standard of performance and is used to rate programs in an open, public fashion.

In preparing the 2009 Budget, the Department used the PART to review all programs in the Student Financial Assistance account. The PART assessment in 2002-2003 identified the Pell Grant program as “Adequate” in providing need-based aid to help students pay for undergraduate education. The assessment identified program strengths and weaknesses that are being used to guide future Pell Grant program improvements. The Work-Study received a rating of “Results Not Demonstrated” pending the development of program-specific goals and measures.

PART findings of either “Results Not Demonstrated” or “Ineffective” in 2002-2003 support the FY 2009 Budget proposals to eliminate the Supplemental Educational Opportunity Grant (“Results Not Demonstrated”), Perkins Loan (“Ineffective”) and Leveraging Educational Assistance Partnerships (“Results Not Demonstrated”) programs.

Actual program performance data displayed for a number of Measures differ from that provided in earlier justifications to reflect updated analyses and a reassessment of previous data sources and methodologies.

STUDENT FINANCIAL ASSISTANCE

Summary of Request

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 middle-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 and minority and non-minority high school graduates will decrease each year.

Targets and Performance Data

The percentage of high school graduates ages 16-24 enrolling immediately in college

Year	Target	Actual
	Total Percentage Enrolled	Total Percentage Enrolled
2004		66.7
2005		68.6
2006	68.0	
2007	68.0	
2008	68.0	
2009	68.0	
	Difference in the percentage of low- and high-income high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of low- and high-income high school graduates ages 16-24 enrolling immediately in college
2004	29.0	29.8
2005	28.0	27.6
2006	27.0	
2007	26.75	
2008	26.5	
2009	26.25	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year. (Continued)

Targets and Performance Data

The percentage of high school graduates ages 16-24 enrolling immediately in college

Year	Target	Actual
	Difference in the percentage of Black and White high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of Black and White high school graduates ages 16-24 enrolling immediately in college
2004	8.6	6.3
2005	8.0	17.5
2006	7.5	
2007	7.25	
2008	7.0	
2009	6.75	
	Difference in the percentage of Hispanic and White high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of Hispanic and White high school graduates ages 16-24 enrolling immediately in college
2004	11.9	7.0
2005	11.0	19.2
2006	10.5	
2007	10.25	
2008	10.0	
2009	9.75	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Assessment of Progress: Progress is not being made in reducing the enrollment gap between White and Hispanic students and White and Black students; the Department is considering possible reasons for this lack of progress. The Department believes proposed FY 2008 budget policies increasing Pell Grant aid, which were included in the College Cost Reduction and Access Act of 2007, will help reduce these gaps.

Progress is being made in increasing the overall enrollment rate and reducing the gap between low- and high-income students; data for this measure is taken from the Current Population Survey conducted annually by the Census Bureau and published in the Condition of Education.

STUDENT FINANCIAL ASSISTANCE

Summary of Request

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

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease.

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Students completing a 4-year degree	Students completing a 4-year degree
2004	54.0	56.4
2005	55.0	55.0
2006	56.0	56.4
2007	57.0	
2008	58.0	
2009	59.0	
	Students completing a less than 4-year degree	Students completing a less than 4-year degree
2004	34.0	32.6
2005	35.0	31.4
2006	36.0	31.0
2007	37.0	
2008	38.0	
2009	39.0	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease. (Continued)

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Difference in the percentage of Black and White full-time students completing a 4-year degree within 150 percent of the normal time required	Difference in the percentage of Black and White full-time students completing a 4-year degree within 150 percent of the normal time required
2004	19.4	18.5
2005	19.0	18.3
2006	18.5	18.1
2007	18.1	
2008	17.7	
2009	17.5	
	Difference in the percentage of Hispanic and White full-time students completing a 4-year degree within 150 percent of the normal time required	Difference in the percentage of Hispanic and White full-time students completing a 4-year degree within 150 percent of the normal time required
2004	13.6	12.4
2005	13.0	13.4
2006	12.5	13.3
2007	12.0	
2008	11.5	
2009	11.0	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease. (Continued)

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Difference in the percentage of Black and White full-time students completing a less than 4-year program within 150 percent of the normal time required	Difference in the percentage of Black and White full-time students completing a less than 4-year program within 150 percent of the normal time required
2004	7.2	7.3
2005	7.0	5.5
2006	6.5	5.4
2007	6.3	
2008	6.1	
2009	6.0	
	Difference in the percentage of Hispanic and White full-time students completing a less than 4-year program within 150 percent of the normal time required	Difference in the percentage of Hispanic and White full-time students completing a less than 4-year program within 150 percent of the normal time required
2004	3.4	1.3
2005	3.0	1.6
2006	2.5	1.5
2007	2.1	
2008	1.7	
2009	1.5	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Assessment of Progress: Completion rates increased moderately between 2003 and 2004 among students in 4-year institutions and less-than-4-year programs. During the same period, the gap between completion rates among White and Black students at 4-year schools and between White and Hispanic students at both types of schools declined. The gap for Black students in less than 4-year institutions increased from 2003 to 2004. The Department is in the process of reassessing out-year targets for some measures in light of actual experience.

Data on this measure is collected through the Graduation Rate Survey (GRS) conducted as part of the annual Integrated Postsecondary Student Aid Study (IPEDS).

Efficiency Measures

The Department has established unit administrative costs as the appropriate efficiency measures for student financial aid programs, which have the common goal of helping low- and middle-income Americans pay the increasingly high cost of obtaining a postsecondary education. Given this shared goal, an analysis of the cost of providing student aid gives Department policymakers and managers a key measure with which to compare the efficient use of Government funding across a variety of delivery mechanisms. In addition, the program-specific unit cost analysis is part of a more comprehensive cost accounting system used by managers at the Department's Federal Student Aid (FSA) office, which has primary responsibility for administering the student aid programs, to monitor operational costs, identify potential processing improvements, and assess the impact of system and organizational refinements.

The unit costs presented below, which are based on FSA financial data, reflect lifetime unit costs associated with aid awarded in a given fiscal year, or cohort. For example, for the student loan programs, the unit cost reflects the cost of originating loans in the current year and all future costs associated with servicing these loans, forecast out to the year the final loan is retired. Costs in future years were then discounted back to the current year using OMB economic assumptions from the FY 2007 President's Budget to determine the overall cost in current dollars of administering that cohort of awards. For example, for the 2002 cohort discounted future administrative costs for Pell Grants total \$79.6 million. For grant programs, future costs typically extend for 3 years, beginning with the year of award; for student loan programs, costs can extend as much as 40 years. Unit costs are calculated for a given cohort by dividing total costs by the number of loan borrowers or grant originations. (Unit costs for the LEAP program are artificially high because of the small number of awards under this program, which makes awards to States rather than individual students.) The Department is in the process of reviewing more recent data; at this point, there is no indication that updated measures will differ significantly from those presented below.

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Unit Costs of Student Financial Assistance Programs

<u>Programs</u>	<u>2002 Cohort</u>	<u>2003 Cohort</u>	<u>2004 Cohort</u>
Pell Grant Costs	\$79,635,965	\$108,673,909	\$116,644,210
Number of Pell Grant Recipients	4,531,811	4,955,521	5,341,782
Unit Costs	\$17.57	\$21.93	\$21.84
SEOG Costs	\$19,042,069	\$21,941,069	\$20,322,492
Number of SEOG Originations	1,295,089	1,354,724	1,354,724
Unit Costs	\$14.70	\$16.20	\$15.00
Work-Study Costs	\$10,026,412	\$11,756,677	\$11,192,049
Number of Work Study Originations	740,602	759,161	759,161
Unit Costs	\$13.54	\$15.49	\$14.74
LEAP/SLEAP Costs	\$46,031	\$141,087	\$269,849
Number of LEAP/SLEAP Disbursements	53	49	52
Unit Costs	\$868.51	\$2,879.33	\$5,189.40
Perkins Loan Costs	\$9,299,287	\$11,072,861	\$10,795,735
Number of Perkins Loan Originations	660,899	728,966	728,966
Unit Costs	\$14.07	\$15.19	\$14.81

As noted above, these unit costs are based on detailed data from FSA's activity-based cost system, which uses a series of allocation algorithms to generate reports by program, by organizational unit, or by business process for all activities for a given fiscal year. This system, which focuses on expenditures, was applied to annual obligation data to establish baseline costs for each fiscal year. Lifetime costs for each cohort were then calculated based on these baselines.

While program-specific unit cost rates are not yet fully incorporated into the Department's decision-making process, FSA managers have been using activity-based unit cost data for some time to measure operational performance, assist in the preparation of the budget materials, manage and measure contract costs or performance, and assess the benefits of process improvement investments.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants
(Higher Education Act of 1965, Title IV, Part A, Subpart 1)

FY 2009 Authorization (\$000s): Indefinite¹

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Program funds:			
Discretionary funds	\$14,215,000	\$16,851,059	+\$2,636,059
Mandatory funds to support \$490 add-on to maximum award	2,030,000	2,090,000	+60,000
Mandatory funds to support elimination of tuition sensitivity in AY 2007-08	<u>11,000</u>	<u>0</u>	<u>-11,000</u>
Total current year funding	16,256,000	18,941,059	+2,685,059

¹ The Higher Education Act expires March 31, 2008. The Pell Grant program, however, was reauthorized separately through FY 2017 by the College Cost Reduction and Access Act (P.L. 110-084).

PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and middle-income undergraduate students by providing grants that, in combination with other sources of student aid, help meet postsecondary education costs. The program also promotes lifelong learning by encouraging low-income adults now in the workplace to return to school to upgrade their skills.

The Department provides funds to participating institutions to pay all students at the institution who are eligible for a Pell Grant—a student's eligibility is not dependent on the availability of funds awarded to the institution as in the Campus-Based Programs.

A Pell Grant is generally considered to be the foundation of a student's financial aid package, to which other forms of aid are added. The amount of a student's Pell Grant is dependent on the student's "expected family contribution" (EFC); cost of education, whether the student attends school full-time or part-time, and whether their program is a full academic year in length or less. Pell Grant disbursements are made to students at least once every term during the award year or at the beginning and mid-point for programs without terms.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The Pell Grant program is funded for 2 years. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2008 fiscal year appropriation will be used for grants in the 2008-2009 award year, which runs from July 1, 2008, through June 30, 2009. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department is allowed to use future appropriations to cover the full cost.

Mandatory funding: The College Cost Reduction and Access Act (CCRAA), signed by President Bush in September 2007, authorized mandatory funding to support increases to the maximum award set in each year's appropriations act. Under the CCRAA, the maximum award was to be increased by \$490 for award years 2008-2009 and 2009-2010, rising to \$1,090 for award year 2012-2013. Increased awards are only provided to students who are eligible to receive a Pell Grant under the maximum award set in the annual appropriations act. These increases are supported by \$2.030 billion in FY 2008, \$2.090 billion in FY 2009, \$3.030 billion in FY 2010, \$3.090 billion in FY 2011, and \$5.050 billion in FY 2012. The amount of the annual increases to the maximum award will be ratably increased or reduced depending on the relationship of the funding provided to estimated program costs for a given award year. In 2008, the Administration may propose technical changes to clarify that mandatory and discretionary funding are available for the same period in order to ensure streamlined program operations.

Pell Grant program scoring rule: The congressional budget resolution for fiscal year 2006 included a new rule under which appropriations bills for the Pell Grant program are scored by the Congressional Budget Office for the estimated cost of the program for that year, regardless of the amount actually appropriated. In years where the appropriation exceeds the program cost as estimated at the beginning of the subsequent fiscal year, any surplus is available to reduce the appropriation needed to support that subsequent year's program costs. Conversely, in years where the appropriation is lower than the updated estimated program cost, the difference is automatically scored against the subsequent year's appropriation.

Need analysis formula: The need analysis formula for the Title IV need-based student aid programs, stipulated in the Higher Education Act, determines financial eligibility for Pell Grants and is applied uniformly to all applicants. This formula determines a student's EFC. The fundamental elements in the formula are the student's, and in the case of dependent students their parents', income and assets (excluding the value of the family's home or farm), the family's household size, and the number of family members (excluding the student's parents) attending postsecondary institutions. The EFC is the sum of (1) a percentage of net income (remaining income after subtracting allowances for taxes and basic living expenses), and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students, and independent students with dependents. (Generally, independent students are older and do not depend on parents or guardians to pay for college.) The CCRAA made a number of changes to the need analysis rules that have the effect of broadening program eligibility and increasing program cost.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Institutional participation: Approximately 5,200 postsecondary institutions currently participate in the Pell Grant program. Institutions that lose their eligibility to participate in the loan programs due to high default rates are also precluded from participation in the Pell Grant program for the same period of time.

Student participation: Students may use their grants at any participating postsecondary institution. Pell Grants are disbursed to the student through the institution. The Pell Grant program is the largest source of grant aid to students under the Higher Education Act.

Recipients must be undergraduates and cannot have received a bachelor's degree (with the exception of certain teacher certificate programs) and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). Less than full-time students are eligible for pro rata awards based on their enrollment status.

A student in default on a loan made under any Title IV HEA loan program, or who owes an overpayment on any other previously received Federal student aid, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

The annual award amount may vary from the statutory minimum payment of \$400 up to the maximum authorized by statute for the academic year. Appropriations acts routinely set annual maximum award levels. The Higher Education Act specifies an authorized maximum award for the 2003-2004 award year of \$5,800. Pending reauthorization, no maximum is specified for subsequent years. The FY 2008 appropriation act set the maximum award supported by discretionary funds for the 2008-2009 award year at \$4,241; the CCRAA added an additional \$490 supported by mandatory funds, for an aggregate maximum award of \$4,731.

Award rules: The aggregate Pell Grant award is the least of:

- The maximum award (as set in annual appropriations acts) minus the EFC, plus the additional amount provided by mandatory funds, or
- The student's cost of attendance minus the EFC.

The CCRAA eliminated a third award rule, effective retroactively to July 1, 2007, under which awards were limited for students at some schools with low tuition costs.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Cost of attendance: For purposes of determining the Pell Grant award, the postsecondary institution establishes the cost of attendance, using the following cost items:

- Tuition and fees;
- An allowance for books, supplies, transportation, dependent care, and miscellaneous expenses, including a reasonable allowance for the documented rental or purchase of a personal computer;
- Living allowances of:
 - the actual amount charged by the institution for room and board for students living at school,
 - an amount determined by the institution for students without dependents living at home with parents, and
 - for all other students, an amount based on the expenses reasonably incurred for room and board.

The cost of attendance for less-than-half-time students includes: tuition and fees; an allowance for books, supplies and transportation; and dependent care.

Financial aid administrator discretion: The HEA stipulates financial aid administrators may, on the basis of adequate documentation and on a case-by-case basis, adjust a student's Pell Grant award by changing the cost of attendance or the value of data elements used to calculate the EFC to reflect "special circumstances." These circumstances, which were expanded under the CCRAA, include:

- Tuition expenses at an elementary or secondary school;
- Medical or dental expenses not covered by insurance;
- Unusually high child care costs;
- Recent unemployment of an independent student or a family member;
- Changes in a student's housing status resulting in homelessness;
- The number of parents enrolled at least half-time in a degree or certificate or other program leading to a recognized educational credential at an institution participating in the Title IV programs; or
- Other changes in a family's income, assets, or a student's status.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Institutional payments: The HEA provides for payment to institutions of \$5 per Pell Grant recipient to reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are paid from the Pell Grant appropriation. In 2007-08, these payments will total \$27.1 million.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004	\$12,006,738
2005	12,364,997
2006	17,345,230 ¹
2007	13,660,771
2008	16,256,000 ²

¹Includes \$4,300 million in mandatory funds to retire prior-year funding shortfalls.

²Includes \$2,030 million in mandatory funds to increase the Pell Grant maximum award by up to \$490 and \$11 million to support the elimination of the tuition sensitivity award rule.

FY 2009 BUDGET REQUEST

The FY 2009 budget request for Pell Grants is \$18.941 billion, \$2.685 billion over the FY 2008 appropriation. This request includes \$16.851 billion in discretionary funding to support a maximum award of \$4,310 for award year 2009-2010, restoring the discretionary maximum award to the 2007-2008 award year level. When combined with the \$490 mandatory increase provided under the CCRAA, the funding provided under the Budget will support a \$4,800 maximum award. The proposed increase sets the Pell Grant program back on the 5-year path to a \$5,400 maximum award in award year 2012-2013, consistent with the President's proposal in the 2008 Budget.

While Pell Grants have been very successful in expanding access to postsecondary education for low-income students, the Administration plans to work with Congress to increase the program's effectiveness and improve its overall operation. Accordingly, the 2009 Budget includes the following proposals:

- Pell Grants would be made available year-round at eligible 2- and 4-year degree granting institutions, giving students a more convenient option for accelerating their studies and promptly completing their education.
- As a further incentive for timely completion, and to eliminate an area of potential abuse, Pell Grant eligibility would be limited to the equivalent of 16 semesters.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

In addition to supporting a higher discretionary maximum award, the proposed \$2.685 billion increase also funds increased program costs related to expanded eligibility stemming from need analysis and award rule changes included in the CCRAA. Total recipients are estimated to increase by 186,000 from award year 2008-2009 to award year 2009-2010. In addition, many recipients will qualify for larger awards than would have been the case under the pre-CCRAA program eligibility and award rules.

Lastly, a portion of the discretionary increase would retire a funding shortfall related to the 2008-2009 award year. As noted above, the 2006 Budget proposed and the budget resolution included a rule—deemed to remain in force in FY 2009 and future years—under which appropriations bills are scored for estimated Pell Grant program costs, rather than the budget authority level. Under current estimates, \$732 million in additional budget authority must be provided in FY 2009 to reduce the 2008-2009 funding shortfall.

FY 2007-2009 Pell Grant Costs and Funding Sources

(in thousands of dollars)

	2007	2008	2009
	<u>Appropriation</u>	<u>Appropriation</u>	<u>Request</u>
Resources:			
Discretionary Appropriation	\$13,660,711	\$14,215,000	\$16,851,059
Mandatory Appropriation	0	2,041,000	2,090,000
Prior Year Surplus (+)/Shortfall (-)	<u>+227,230</u>	<u>-521,059</u>	<u>-732,059</u>
Total Resources	13,887,941	15,734,941	18,209,000
Program Costs:			
Discretionary Program Cost	14,409,000	14,426,000	16,119,000
Mandatory Program Cost	<u>0</u>	<u>2,030,000</u>	<u>2,090,000</u>
Total Program Cost	14,409,000	16,456,000	18,209,000
Year End Surplus (+)/Shortfall (-)	-521,059	-732,059	0

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The following tables show program information consistent with actual, predicted, or requested funding levels.

Federal Pell Grants

<u>Award Year</u>	<u>Valid Applicants</u>	<u>Applicant Growth</u>	
		<u>Number</u>	<u>% Change</u>
1996-97	8,064,889	129,553	1.63%
1997-98	8,216,685	151,796	1.88%
1998-99	8,309,645	92,960	1.13%
1999-00	8,527,162	217,517	2.62%
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,769,079	157,691	1.36%
2007-08	12,135,729	366,650	3.12%
2008-09	12,458,058	322,329	2.66%
2009-10	12,659,454	201,396	1.62%

Sources: Through 2006-07, Award Year 2005-06 Pell Grant EOY Report and Final ELI-10 Reports.

Notes: Award Years 2007-08 through 2009-10 are estimates. A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell grant eligibility.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Maximum Award: The Department proposes to restore the maximum award to \$4,310 for award year 2009-10 through discretionary funding. Combined with the mandatory funding provided in the CCRAA, however, the aggregate maximum award would increase to \$4,800 in award year 2009-10. For every \$100 increase in the maximum award in award year 2009-10, estimated program costs would increase by approximately \$440 million.

Maximum Pell Grant Awards			
FY	Maximum Award	Budget Authority (\$000s)	Program Costs (\$000s)
2002	\$4,000	\$11,314,000	\$11,654,000
2003	4,050	11,364,646	12,714,000
2004	4,050	12,006,738	13,156,000
2005	4,050	12,364,997	12,703,000
2006	4,050	17,345,230	12,818,000
2007	4,310	13,660,711	14,409,000 ¹
2008	4,731	16,256,000 ²	16,456,000 ¹
2009	4,800	18,941,059 ³	18,209,000 ¹

¹ Estimate.

² Budget Authority for FY 2008 includes \$14,215 million in discretionary funds and \$2,030 million in mandatory funds provided by the College Cost Reduction Act for use as an add-on to the maximum award.

³ The Budget Authority request for FY 2009 includes a discretionary funding level of \$16,851 million to fund a \$4,310 maximum award in AY 2009-10, the increased costs associated with the CCRAA, and a projected \$732 million prior year shortfall. Also included is \$2,090 million in mandatory funds provided by the CCRAA for a \$490 add-on to the maximum award.

Number of Recipients: Under current estimates, the 2009 level would support Pell Grant awards to 5.8 million recipients.

Aid Available: Under current estimates, the Department's FY 2009 proposal would provide \$18.2 billion in Pell Grants to students.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Recipients	5,428,000	5,578,000	5,764,000
Aid available to students ¹	\$14,381,860	\$16,428,110	\$18,180,180
Maximum grant (in whole \$)	\$4,310	\$4,731	\$4,800
Minimum grant (in whole \$) ²	\$400	\$400	\$400
Average grant (in whole \$)	\$2,650	\$2,945	\$3,154

¹ Overall aid available reflects the estimated cost of the program minus administrative costs of \$5 per recipient.

² The statutory minimum award--in combination with the bump award--remains at \$400. Beginning in AY 2008-09, however, the effective minimum award will be higher due to the add-on award mandated in the CCRAA; for AY 2008-09, the effective minimum could be as high as \$890, depending on a student's enrollment status.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, indicators and performance data and targets; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

Because the programs in the **Student Financial Assistance** account rely on the same performance data, performance measures and strategies that apply to all of the programs are discussed in the **Summary of Request** and are not repeated here.

Follow-up to PART Findings and Recommendations

The Pell Grant program was reviewed in 2003 as part of the PART process, receiving a rating of "Adequate." The review cited the program's clear purpose and status as the foundation of need-based student aid, as well as the Department's strong overall strategic planning efforts. At the same time, the review noted low-income and minority students continue to attend college at significantly lower rates than other students, program management could be improved, and Pell Grants, like other need-based student aid, is open to abuse by students who under-report their income. The review found that the program makes a unique contribution by providing a stable foundation of need-based aid to help all eligible students pay for undergraduate education.

PART recommendations focused on the need to develop additional performance measures linked to student persistence and graduation; the Department is examining ways to gather data at the required level of detail needed to inform useful measures. The FY 2008 Budget included funds under the Institute of Education Sciences to develop student-level data that would support the development of these measures. The FY 2009 Budget includes funds under the Institute of

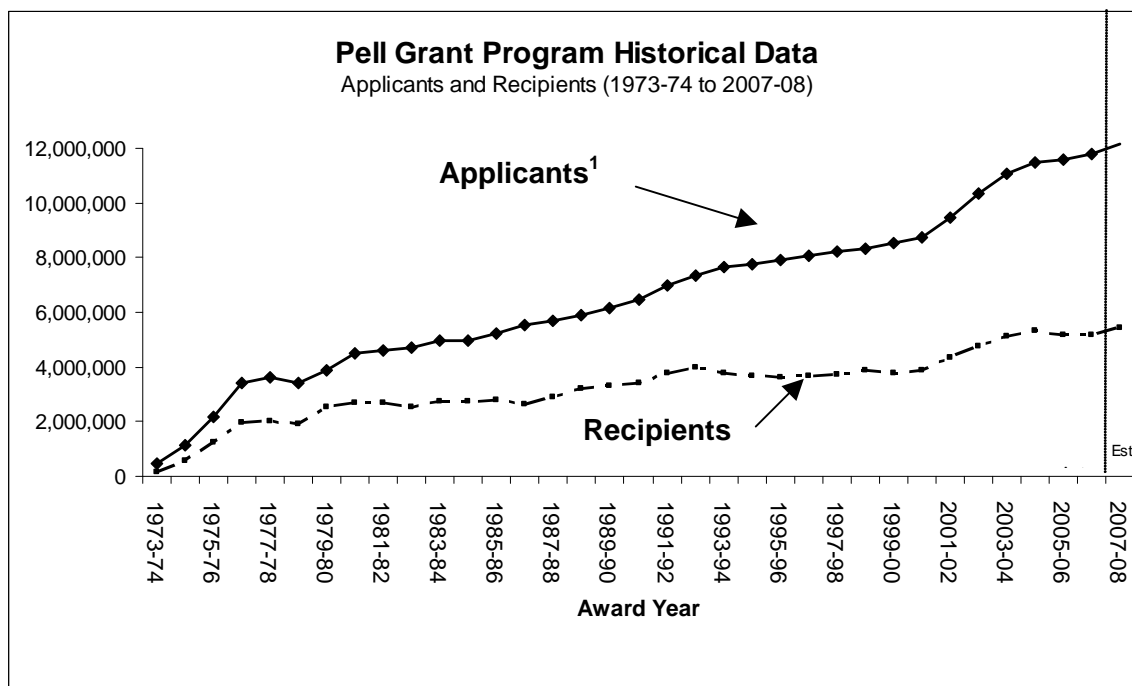
STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Education Sciences to help States develop student-level data that could support the development of these measures.

Applicant and Recipient Growth: The graphs below and on the following page show applicant, recipient, and aid available trends since the inception of the Pell Grant program. Applicants are estimated at 12.1 million for award year 2007-08; recipients at 5.4 million.

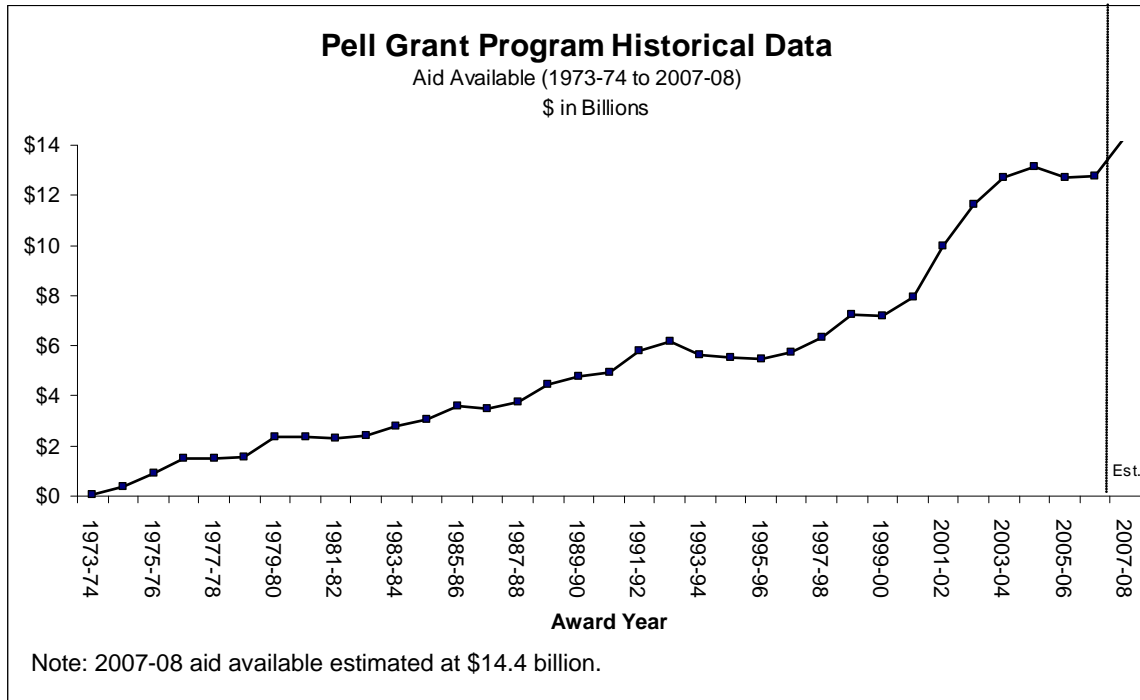
Many factors affect *applicant growth*, including demographic trends and changes in economic conditions, such as labor market demands. Factors affecting *recipient growth* include family incomes, need analysis, college costs, the level of the maximum Pell Grant award, and changes in applicant levels.



¹ Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants



Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2006-2007, approximately 74 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000 and only 26 percent had incomes over \$30,000.

Distribution of Pell Grants in 2006-07			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 6,000	125,476	\$405,633,847	\$3,233
\$6,001 - \$ 9,000	85,708	\$271,630,151	3,169
\$9,001 - \$20,000	436,664	1,418,062,228	3,247
\$20,001 - \$30,000	555,233	1,702,997,908	3,067
\$30,001 +	907,182	1,719,124,547	1,895
Subtotal -			
Dependent	2,110,264	5,517,448,680	2,615
Independent	3,048,875	7,275,755,625	2,386
TOTAL	5,159,139	12,792,204,305	2,480

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Independent students make up more than half of the students receiving assistance under the Pell Grant program. These recipients tend to be in the lowest income groups as shown below.

Distribution of Pell Grants in 2006-07			
Income Level	Recipients	Available Aid	Average Award
Independent:			
0 - \$ 1,000	231,357	\$672,333,433	\$2,906
\$1,001 - \$ 3,000	207,677	601,684,827	2,897
\$3,001 - \$ 6,000	357,172	1,023,089,079	2,864
\$6,001 - \$ 9,000	358,791	962,291,602	2,682
\$9,001 - \$15,000	604,519	1,305,371,933	2,159
\$15,001 - \$20,000	322,923	800,545,963	2,479
\$20,001 - \$30,000	526,294	1,249,004,966	2,373
\$30,001 +	440,141	661,433,822	1,503
TOTAL	3,048,875	7,275,755,625	2,386

Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2006-2007, approximately 31 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, while approximately 34 percent of all Pell Grant recipients attended Public 2-Year schools.

Distribution of Pell Grants by Type of Institution 2006-07			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	1,599,838	\$4,305,550,386	\$2,691
Public 2-Year	1,746,048	3,950,298,482	2,262
Private	766,152	2,037,152,689	2,659
Proprietary	1,047,101	2,499,202,748	2,387
TOTAL	5,159,139	12,792,204,305	2,480

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants (Higher Education Act of 1965, Title IV, Part A, Subpart 3)

FY 2009 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Program funds	\$757,465	0	-\$757,465

¹ The Higher Education Act expires March 31, 2008. This program was authorized in FY 2008 through appropriations language. The Administration is not seeking reauthorizing legislation.

PROGRAM DESCRIPTION

The Federal Supplemental Educational Opportunity Grant (SEOG) program provides need-based grant aid to eligible undergraduate students to help reduce financial barriers to postsecondary education. Federal funding allocations for this purpose are awarded to qualifying postsecondary institutions under a statutory formula. Unlike the Pell Grant program, the SEOG program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

The SEOG program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2008 fiscal year appropriation will be used for the 2008-2009 award year, which runs from July 1, 2008, through June 30, 2009.

Institutional participation: Roughly 3,800 postsecondary institutions receive funds under the SEOG program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 SEOG program base guarantee and pro rata share, and then on the basis of the aggregate need of the eligible undergraduate students in attendance.

Institutional matching: Participating institutions are required by statute to contribute at least 25 percent of the SEOG award amounts. In other words, the institution provides one dollar for every three Federal dollars. The institutional share can be met using the institution's own resources, State grants, or funds from foundations or other charitable organizations.

Student participation: Students qualify for grants of up to \$4,000 by demonstrating financial need under a statutory need analysis system. By statute, institutions must give first priority for awards to students with demonstrated "exceptional need" (students with the lowest expected family contribution at the institution) who are also Pell Grant recipients. Remaining awards are then available for students with exceptional need who are not Pell Grant recipients.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

In addition, if the institution's SEOG allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students.

Recipients must be undergraduates and cannot have received a bachelor's degree and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). A student already in default on a loan made under any Title IV, HEA loan program, however, or who owes an overpayment on any other previously received Federal student aid, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

Institutional administrative provisions:

- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allotment from Perkins loans to SEOG or Work-Study (or both) and up to 25 percent of Work-Study to SEOG. Up to 10 percent of an institution's SEOG funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year, and up to 10 percent of an institution's SEOG funds may remain available for the next fiscal year.
- Reallocation of funds. Excess funds available because of under-utilization by institutions are reallocated to other institutions in accordance with program regulations. An institution returning more than 10 percent of its allocation will have its subsequent allocation reduced the same amount.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004	\$770,455
2005	778,720
2006	775,462 ¹
2007	770,933
2008	757,465

¹ Includes a mandatory reappropriation of \$4.5 million in expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

FY 2009 BUDGET REQUEST

The Administration requests no funds for the SEOG program. Program funds provided to institutions through an outdated allocation formula that provides fewer resources to public institutions of higher education, which a larger percentage of low-income students attend. In 2005, though nearly 70 percent of Pell Grant recipients enrolled in public institutions, students at these schools received only 46 percent of the SEOG funds.

SEOG awards are not optimally allocated based on a student's financial need. Though institutions are required by statute to give "priority" in awarding SEOG funds to Pell-eligible students, there is no requirement that the size of these awards be tied to the need of the student. Institutions are given the discretion to provide larger SEOG awards to students that do not exhibit the highest need.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Recipients	1,277,310	1,254,995	0
Aid available to students ¹	\$975,865	\$958,816	0
Average award (whole \$)	\$764	\$764	0

¹ Aid available includes budget authority, institutional matching funds, transfers from Perkins Loans and Federal Work-Study, minus administrative costs.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and the resources and efforts invested by those served by this program. As discussed above, the Administration is not requesting funds for the SEOG program, preferring to simplify the Federal student aid system by concentrating grant assistance in the larger, more broadly available Pell Grant program.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

Follow-up to PART Findings and Recommendations

The SEOG program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." The review found the program to be redundant of the larger Pell Grant program, and PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. Partly in response to these findings, the FY 2009 Budget proposes to eliminate the SEOG program.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG Funds by Student Status and Income Level:

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of SEOG funds to dependent and independent students at various income levels in 2005-2006. In 2005-2006, 67 percent of dependent SEOG recipients had family income levels under \$30,000 and over 80 percent of independent SEOG recipients had family income levels under \$20,000.

Distribution of SEOG in 2005-2006			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	52,548	\$48,780,434	\$928
\$6,000 - \$11,999	72,554	61,714,880	851
\$12,001 - \$23,999	202,601	187,983,226	928
\$24,000 - \$29,999	97,275	99,034,367	1,018
\$30,000 +	205,791	225,061,704	1,634
Subtotal – Dependent	630,769	\$622,574,611	\$987
Independent	788,286	\$461,770,072	\$586
TOTAL	1,419,055	\$1,084,344,683	\$764

Distribution of SEOG to Independent Undergraduates in 2005-2006			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	118,702	\$82,463,590	\$695
\$2,000 - \$ 3,999	82,053	51,218,422	624
\$4,000 - \$ 7,999	157,900	95,715,362	606
\$8,000 - \$11,999	109,681	62,234,534	567
\$12,000 - \$15,999	94,198	51,737,715	549
\$16,000 - \$19,999	75,071	39,262,856	523
\$20,000 +	150,681	79,137,593	525
TOTAL	788,286	\$461,770,072	\$586

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG Funds by Type of Institution:

The distribution of SEOG assistance to institutions is controlled by a statutory distribution formula. The distribution of SEOG among different types of institutions has remained relatively constant over time, with the majority of funding focused on students attending 4-year institutions.

The following table shows the distribution of SEOG to students attending different types of institutions in 2005-2006.

Distribution of SEOG by Type of Institution 2005-2006			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	405,598	\$344,668,494	\$850
Public 2-Year	354,400	160,299,507	452
Private	340,098	431,333,440	1,268
Proprietary	318,959	148,043,242	464
TOTAL	1,419,055	\$1,084,344,683	\$764

STUDENT FINANCIAL ASSISTANCE

Federal work-study

(Higher Education Act of 1965, Title IV, Part C)

FY 2009 Authorization (\$000s): To be determined ¹

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Program funds	\$980,492	\$980,492	0

¹ The Higher Education Act expires March 31, 2007. This program was authorized in FY 2008 through appropriations language. Reauthorizing legislation is sought for FY 2009.

PROGRAM DESCRIPTION

The Federal Work-Study program ensures access to postsecondary education and lifelong learning by assisting needy undergraduate and graduate students in financing postsecondary education costs through part-time employment. Federal funds for this purpose are distributed to qualifying institutions whose financial aid administrators select qualified needy students for employment. Students may be employed by the institution itself; by a Federal, State, or local public agency or private nonprofit organization; or by a private for-profit organization.

The Work-Study program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2008 fiscal year appropriation will be used for the 2008-2009 award year, which runs from July 1, 2008 through June 30, 2009.

Institutional participation: Roughly 3,300 institutions participate in the Work-Study program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 Work-Study program base guarantee and pro rata share, and then on the basis of the aggregate need of the eligible undergraduate students in attendance. The Work-Study program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

If an institution is a proprietary school employing its own students, this employment must be: (1) on campus, except that at least 7 percent of the total funds granted must be used to compensate students employed in community services; (2) related, to the maximum extent practicable, to the student's educational objectives; and (3) related to providing student services. The employment tasks of Work-Study students, however, must not involve the solicitation of potential students to enroll in the school.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Institutional matching: In general, participating institutions or other employers must contribute at least 25 percent of a student's part-time earnings (or 50 percent in the case of private-for-profit employers). The Federal share may be up to 90 percent for students employed at a private nonprofit organization or a federal, state, or local public agency that would otherwise be unable to afford the costs of employing those students. Employment at the school itself is not eligible. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the Federal Work Study program. In addition, the Secretary may authorize through regulations, a Federal share in excess of 75 percent based on the determination that it is necessary for the advancement of the program.

Institutional administrative provisions: Institutions may use their allocations to support a variety of Work-Study activities, as described below:

- Community service. An institution must use at least 7 percent of its Federal allocation for payments to students employed in community service activities. Other Work-Study jobs that qualify as community service activities include community-accessible childcare and assistance for disabled students. The eligible institution, at its discretion, may count any contribution made by the employer toward the non-Federal share of the student's compensation.
- Tutoring and literacy activities. An institution must include at least one tutoring or family literacy project as part of its community service activities. Under this requirement, priority is to be given to the employment of Work-Study recipients as reading tutors in schools that are participating in a reading reform project designed to train teachers to teach reading on the basis of scientifically-based research on reading, and which is funded under the Elementary and Secondary Education Act of 1965, as amended. In 2005-2006, the last year data was collected, over 43,500 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. Work-Study funds may not be used to pay any employee who would otherwise be employed by the private organization.
- Job Location and Development. An institution may use not more than 10 percent or \$50,000 of its Work-Study allocation, for the administrative expenses associated with the establishment or expansion of a Job Location and Development (JLD) program, which locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

- Work Colleges. A “Work College” is an institution that requires all resident students to participate in a work-learning program as an integral part of the institution’s educational philosophy. These colleges are authorized to receive special awards in addition to their regular Work-Study allocations to support such programs. Work Colleges must match Federal allocations on a dollar-for-dollar basis. In addition, Work Colleges may transfer all of their regular Work-Study, and Perkins FCC allotments for use under the Work Colleges program.
- Administrative costs. Each institution’s administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allocation from Perkins loans Federal capital contributions to SEOG or Work-Study (or both) and up to 25 percent of Work-Study to SEOG. Up to 10 percent of an institution’s Work-Study funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year. In addition, up to 10 percent of an institution’s Work-Study funds may, at the discretion of the institution, remain available for the next fiscal year.
- Reallocation. If funds become available because of under-utilization by institutions, excess funds are reallocated only to other institutions that used at least 5 percent of their Work-Study allocations to compensate students employed in tutoring in reading and family literacy activities in the preceding year. Reallocated funds must be used to support student employment in community service activities.

Student participation: Students qualify for Work-Study awards by demonstrating financial need under the general statutory need analysis system for the Federal student financial assistance programs. Hourly earnings must not be less than the current Federal minimum wage.

In addition, if the institution’s allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students. Recipients must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution, and must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). A student already in default on a loan made under any Title IV, HEA loan program, or who owes an overpayment on any other previously received Federal student aid, however, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004	\$998,502
2005	990,257
2006	999,523 ¹
2007	980,354
2008	980,492

¹ Includes a mandatory reappropriation of \$19.2 million in expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

FY 2009 BUDGET REQUEST

The FY 2009 budget requests \$980.5 million for Work-Study, the same as the FY 2008 level. When combined with institutional contributions, this will provide over \$1.2 billion in aid to 793,000 in award year 2009-2010. The following tables show program information consistent with requested funding levels.

Work-Study is an important part of the Department's postsecondary access and retention strategy. Furthermore, the program leverages Federal funds, as private employers pay at least 50 percent of a student's Work-Study wages, and public employers pay at least 25 percent (institutions are allowed to use a small portion of their appropriations for administrative costs). Leveraging funds allows more students to derive benefits from a given level of Federal funding.

Work-Study is a unique form of student financial assistance in that it does not just provide students with funds for college. Work-Study provides students with practical work experience—an opportunity to learn general job-related skills and explore career opportunities. Work-Study recipients learn time-management skills, the importance of planning, how to set priorities, and other skills that are attractive to employers. The Work-Study program encourages institutions to relate Work-Study jobs to students' academic studies. Studies show that the positive impact of work on academic performance increases when work is more closely related to course of study.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Recipients	792,439	792,554	792,554
Aid available to students ¹	\$1,171,225	\$1,171,395	\$1,171,395
Average award (whole \$)	\$1,478	\$1,478	\$1,478

¹ Aid available includes budget authority and employer-matching funds, minus administrative costs, transfers to SEOG, or reservations of funds for the next year.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

Follow-up to PART Findings and Recommendations

The Work-Study program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. The Administration has proposed adjusting this formula to better target aid on the neediest students. The PART also recommended that program-specific performance measures and goals be developed for this program; the Department is examining ways to gather data at the required level of detail needed to inform useful measures. The FY 2009 Budget includes funds under the Institute of Education Sciences to help States develop student-level data that could support the development of these measures.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study Funds by Student Status and Income Level:

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) illustrate the distribution of Work-Study funds to dependent students and the distribution to independent students at various income levels for 2005-2006.

Distribution of Work-Study in 2005-2006			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	19,800	\$27,760,210	\$1,402
\$6,000 - \$11,999	24,276	33,819,363	1,393
\$12,001 - \$23,999	72,247	103,878,655	1,438
\$24,000 - \$29,999	46,551	67,472,086	1,449
\$30,000 +	357,790	469,158,389	1,634
Subtotal - Dependent	520,664	\$702,088,703	\$1,348
Independent:			
Undergraduate	140,209	\$227,216,699	\$1,621
Graduate	50,034	121,155,895	2,421
TOTAL	710,907	\$1,050,461,297	\$1,478

Distribution of Work-Study to Independent Undergraduates in 2005-2006			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	26,285	\$41,611,595	\$1,583
\$2,000 - \$ 3,999	16,544	26,648,308	1,611
\$4,000 - \$ 7,999	30,609	51,085,416	1,669
\$8,000 - \$11,999	20,403	33,914,741	1,662
\$12,000 - \$15,999	13,639	22,619,538	1,658
\$16,000 - \$19,999	9,152	14,663,671	1,602
\$20,000 +	23,577	36,673,430	1,555
TOTAL	140,209	\$227,216,699	\$1,621

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study Funds by Type of Institution:

The Work-Study program is a campus-based program and the distribution of funds to institutions is controlled by a statutory distribution formula. As a result, the distribution of Work-Study assistance among different types of institutions has remained relatively constant over time. The table below shows the distribution of Work-Study to students attending different types of institutions in 2005-2006.

Distribution of Work-Study by Type of Institution 2005-2006			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	243,006	\$375,634,371	\$1,546
Public 2-Year	94,174	148,621,439	1,578
Private	350,177	480,949,629	1,373
Proprietary	23,550	45,255,858	1,922
TOTAL	710,907	\$1,050,461,297	\$1,478

Community Service Activities:

The Work-Study program has a long tradition of providing opportunities for students to perform community service activities—supporting an important cooperative link between students, colleges and the local community. At least 7 percent of an institution's Work-Study allotment must be used to pay students employed in community service jobs, unless the institution obtains a waiver from the Department.

Participating colleges and universities are to ensure that at least one project provides services to both children and their parents. Family literacy programs emphasize preparing parents to read to their own children.

To encourage students to tutor in math and reading the Department has waived the usual 25 percent institutional contribution, allowing Work-Study funds to pay up to 100 percent of the wages for students who tutor children in mathematics, or reading, or who serve in family literacy programs.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study Funds to Students in Community Service Activities:

The table below shows the distribution of Work-Study assistance to students employed in community service activities in 2005-2006.

Distribution of Work-Study to Students in Community Service Activities in 2005-2006			
Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	44,784	\$70,596,180	\$1,576
Public 2-Year	16,830	26,755,826	1,590
Private	55,685	76,363,032	1,371
Proprietary	3,798	7,753,774	2,042
TOTAL	121,097	\$181,468,812	\$1,499

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans: (a) Federal capital contributions (b) Loan cancellations
 (Higher Education Act of 1965, Title IV, Part E)

FY 2009 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	<u>\$64,327</u>	<u>0</u>	<u>-\$64,327</u>
Total	64,327	0	-64,327

¹ The Higher Education Act expires March 31, 2008. This program was authorized in FY 2008 through appropriations language. The Administration is not seeking reauthorizing legislation.

PROGRAM DESCRIPTION

The Federal Perkins Loan program provides long-term, low-interest loans to financially needy undergraduate and graduate students to help meet their higher education costs. Loans are made from Federal revolving funds held at institutions composed of: (1) newly appropriated Federal capital contributions (FCC); (2) institutional matching funds equaling at least one-third of the FCC; (3) payments on prior-year student loans; and (4) reimbursements for loans cancelled in exchange for specific types of teaching, or military or public service.

The Perkins Loan program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2008 fiscal year appropriation will be used for the 2008-2009 award year, which runs from July 1, 2008 to June 30, 2009.

Institutional participation: Roughly 1,900 postsecondary institutions make loans under the Perkins Loan program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 Perkins Loan program FCC base guarantee and pro rata share, and secondly on the basis of the aggregate need of the eligible students in attendance. The Perkins Loan program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

Institutional matching: Institutions contribute one-third of the FCC in institutional matching funds.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Default rate provisions: A school's FCC allocation is reduced to zero when the institution's cohort default rate reaches 25 percent. If a school's cohort default rate is less than 25 percent, it qualifies for the full allocation amount pursuant to the statutory formula. In general, a school's participation in the program is terminated if its default rate exceeds 50 percent for three consecutive years. As of June 30, 2006, the latest data available, the FY 2005 national cohort default rate is 8.10 percent.

Institutional administrative provisions:

- Loan Servicing and collections. Schools are responsible for making loans, servicing, and collections; including the establishment of repayment schedules and borrower counseling. Most servicing and collection activities are performed by private contractors employed by the schools. Collections on existing loans are estimated to be \$1.1 billion in award year 2007.
- Loan Rehabilitation. Institutions participating in the Perkins Loan program are required to establish a loan rehabilitation program for all defaulted borrowers. Loan rehabilitation allows the institution to eliminate the loan from default rate calculations. In order to rehabilitate a defaulted loan, borrowers are required to make 12 consecutive on-time monthly payments to the institution. A loan can only be rehabilitated once. The first payment of the dictated 12-month cycle is considered the first payment of a new 10-year payment cycle. Once the loan is rehabilitated, the institution must update the borrower's loan status with any credit bureau to which the default was reported.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its FCC allotment from Perkins loans to SEOG or Work-Study, or both.
- Reallocation of funds. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions based on a statutory formula. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Student participation: Students qualify for loans by demonstrating financial need under the statutory Federal student aid need analysis system. An eligible borrower is a needy undergraduate, graduate, or professional student enrolled at an eligible postsecondary institution. In addition, if the institution's Perkins loans allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students. However, a student already in default on a loan made under any Title IV, HEA loan program, or who owes an overpayment on any other previously received Federal student aid, may not borrow under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

A borrower makes no principal repayments during in-school, grace, and deferment periods, and interest is neither paid nor accrued during these periods. During the repayment period (which normally may not exceed 10 years), interest is charged at a 5 percent annual rate. The maximum annual amount a student can borrow under the Perkins Loan program is \$4,000 for undergraduates and \$6,000 for graduate and professional students; \$40,000 for the combination of undergraduate and graduate study; \$20,000 for students who have completed 2 years of undergraduate education, but have not received a bachelor's degree; and \$8,000 for all other students.

Loan cancellations: In order to reduce the loan burden on Perkins loan borrowers who enter certain fields of public service, all or a portion of the repayment obligation on Perkins loans is canceled in exchange for specified periods of such service. Perkins loan balances are also canceled in the event of a borrower's death, or total and permanent disability.

Since October 8, 1998 (the date of enactment of the Higher Education Amendments of 1998), Perkins loan holders qualify for public service cancellation benefits for service on or after that date, regardless of whether these terms were included in their original promissory notes.

In general, school's revolving funds are reimbursed for 100 percent of the principal and accrued interest of the loan canceled.

The areas of public service that qualify for cancellation include:

- Teaching in low-income areas and in special education, math, science, foreign language, bilingual education, and any other fields where State education agencies determine a shortage of qualified teachers exists.
- Full-time staff work in a preschool program under the Head Start Act.
- Military service in areas of hostilities and imminent danger.
- Peace Corps and ACTION service.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

- Law enforcement/corrections officer service.
- Nurses and medical technicians providing health care services, professional providers of qualified early intervention services; and employees of qualified child/family service in low-income communities.

Funding levels for the past 5 fiscal years were as follows:

	<u>Federal Capital Contributions</u> (\$000s)	<u>Loan Cancellations</u> (\$000s)
2004	\$98,764	\$66,665
2005	0	66,132
2006	4,731 ¹	65,471
2007	0	65,471
2008	0	64,327

¹ Mandatory reappropriation of expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

FY 2009 BUDGET REQUEST

The 2009 Budget requests no funding for Perkins capital contributions or loan cancellations. Perkins Loans are offered by institutions with a long history of program participation, rather than by institutions that enroll the largest share of financially needy students. In addition to finding the program poorly targeted, the 2004 PART analysis determined that Perkins loans are duplicative of the Federal Direct Loan and FFEL programs. With the number of Perkins Loan institutions declining and with less than 3 percent of students enrolled in postsecondary education receiving Perkins Loans each year, the Administration believes the Federal share of funds held by this small group of institutions would better be invested in higher loan limits in the FFEL and Direct Loan programs, for which students are eligible regardless of the institution they attend.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2007</u>	<u>2008</u>	<u>2009</u>
New loan recipients	504,337	503,835	0
Loan volume ¹ (\$000s)	\$1,104,497	\$1,103,398	0
Average loan (whole \$)	\$2,190	\$2,190	0

¹ Loan volume includes budget authority and institutional matching funds minus administrative costs.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

The Perkins Loan program is one of the three campus-based student aid programs that provide institutions with flexibility in developing financial aid packages that best meet the needs of their students. This versatility is intended to promote the SFA programs' objective of providing an appropriate combination of grant, loan, and work-study funds to enable students from low- and middle-income levels to successfully complete their postsecondary education goals. That said, the Perkins Loan program, which distributes just over \$1 billion in annual aid, is arguably duplicative of the over \$60 billion in aid available through the FFEL and Direct Loan programs.

Follow-up to PART Findings and Recommendations

The Perkins Loan program was reviewed in 2003 as part of the PART process, receiving a rating of "Ineffective." The review found the program to be redundant of the larger FFEL and Direct Loan programs, and PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. Partly in response to these findings, the Budget proposes to eliminate the Perkins Loan program.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins Loans by Student Status and Income Levels:

The tables below (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of Perkins loans to dependent students and the distribution of Perkins loans to independent students at various income levels in 2005-2006.

Distribution of Perkins in 2005-2006			
Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - \$ 5,999	14,222	\$28,682,966	\$2,017
\$6,000 - \$11,999	16,901	34,075,757	2,016
\$12,001 - \$23,999	58,909	118,507,047	2,012
\$24,000 - \$29,999	41,545	83,457,246	2,009
\$30,000 +	332,331	650,538,554	1,634
Subtotal Dependent	463,908	\$915,261,570	\$1,973
Independent:			
Undergraduate	156,608	\$299,403,055	\$1,912
Graduate	107,084	378,851,555	3,538
TOTAL	727,600	\$1,593,516,180	\$2,190

Distribution of Perkins to Independent Undergraduates in 2005-2006			
Income Level	Recipients	Available Aid	Average Loan
0 - \$ 1,999	23,703	\$46,629,081	\$1,967
\$2,000 - \$ 3,999	13,151	25,885,311	1,968
\$4,000 - \$ 7,999	26,639	51,507,593	1,934
\$8,000 - \$11,999	20,532	39,133,478	1,906
\$12,000 - \$15,999	17,211	31,156,129	1,810
\$16,000 - \$19,999	11,831	22,804,693	1,928
\$20,000 +	43,541	82,286,770	1,890
TOTAL	156,608	\$299,403,055	\$1,912

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins Loans by Type of Institution:

The Perkins Loan program is a campus-based program and distribution of new capital funds to institutions is controlled by a statutory formula. The distribution of Perkins Loan assistance among different types of institutions has remained relatively constant over time.

The table below illustrates the sector distribution of Perkins loans to students in 2005-2006:

Distribution of Perkins by Type of Institution 2005-2006			
Institution Type	Recipients	Available Aid	Average Loan
Public 4-Year	348,971	\$729,692,923	\$2,091
Public 2-Year	9,398	16,109,873	1,714
Private	338,438	799,416,917	2,362
Proprietary	30,793	48,296,467	1,568
TOTAL	727,600	\$1,593,516,180	\$2,190

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

(Higher Education Act of 1965, Title IV, Part A, Subpart 4)

FY 2009 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Program funds	\$63,852 ²	0	-\$63,852

¹ The Higher Education Act expires March 31, 2008. This program was authorized in FY 2008 through appropriations language. The Administration is not seeking reauthorizing legislation.

² Includes \$33.9 million for Special LEAP pursuant to HEA section 415A(b)(2), which states that when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP authorized under section 415E.

PROGRAM DESCRIPTION

The Leveraging Educational Assistance Partnership (LEAP) program encourages State investment in need-based grant and work-study assistance to eligible postsecondary students. Federal contributions leverage a minimum dollar-for-dollar match from the State. Federally supported grants and job earnings are limited to \$5,000 per award year for full-time students. Until FY 1999, the program was known as the State Student Incentive Grant (SSIG) program. Federal LEAP appropriations in excess of \$30 million are reserved for a separate program Special Leveraging Educational Assistance Partnership (Special LEAP). Federal contributions to Special LEAP leverage a minimum two-dollars-for-a-dollar match from the State.

LEAP is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2008 fiscal year appropriation will be used for the 2008-2009 award year, which runs from July 1, 2008 through June 30, 2009.

State participation: By law, each State's allocation is based on its relative share of the total national population of students eligible to participate in the program, except that no State is to receive less than it received in 1979, when the appropriation was \$76.75 million. If LEAP appropriations are below this level, each State is allocated an amount proportional to the amount of funds it received in 1979. If a State does not use all of its allocation, the excess funds are distributed to other States in the same proportion as the original distribution. "Eligible students" are defined for the purposes of the State allocation formula as those who attend institutions eligible to participate in a State's program. If a State's allocation is based in part on the financial need demonstrated by students who are independent students or attending the

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

institution less than full-time, a “reasonable proportion” of the State’s allocation must be made available to such students.

State matching and maintenance of effort requirement: States must, at a minimum, match LEAP grants dollar-for-dollar with State funds provided through direct State appropriations for this purpose. They must administer the program under a single State agency agreement and meet maintenance-of-effort criteria (based on the average annual aggregate expenditures for the preceding three fiscal years or the average annual expenditure per full-time equivalent student for those years). States may use up to 20 percent of their LEAP allocation in support of campus-based work-learning jobs that provide community services.

Special LEAP: When the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for Special LEAP. Funds under Special LEAP are allocated to States under the same statutory formula as LEAP grants. States must meet certain maintenance of effort criteria (based on the aggregate expenditures per student or aggregate by the State, from non-Federal sources in the second preceding fiscal year) and match the Federal funds on a 2-to-1 basis, ensuring that the Federal share of the cost of authorized activities is not more than 33 $\frac{1}{3}$ percent. Funds awarded to a State under Special LEAP may be used to pay the Federal share of the cost of the following authorized activities:

- Making awards that supplement grants received under the LEAP programs by eligible students who demonstrate financial need;
- Providing grants under the LEAP programs to additional eligible students who demonstrate financial need;
- Providing scholarships for eligible students who demonstrate financial need and who desire to enter a program of study leading to a career in information technology; mathematics, computer science, or engineering; teaching or another field determined by the State to be critical to the State’s workforce needs; or demonstrate merit or academic achievement;
- Making awards that supplement community service work-study awards received under the LEAP by eligible students who demonstrate financial need;
- Provide community service work-study awards under the LEAP to additional eligible students who demonstrate financial need.

Institutional participation: All public or private nonprofit institutions of higher education in a State are eligible to participate in the LEAP program unless specifically excluded by the State’s constitution or by a State law enacted before October 1, 1978.

Student participation: Students must demonstrate need under a need analysis system established by the State and approved by the Secretary in order to qualify for a LEAP grant or work-learning job. States have broad discretion in establishing other student eligibility

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

requirements. Participating States make awards to full-time students, and 25 States also make awards to part-time students. Ten States serve graduate as well as undergraduate students.

Funding levels for the past 5 fiscal years were as follows:

	(\$000s)
2004	\$66,172
2005	65,643
2006	64,987
2007	64,987
2008	63,852

Note—Prior to 1999, the program was authorized as the State Student Incentive Grant (SSIG) program. Amounts include \$36.2 million in 2004, \$35.6 million in 2005, \$35.0 million in 2006 and 2007, and \$33.9 million in 2008 for Special LEAP, pursuant to HEA section 415A(b)(2), which states that when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP authorized under section 415E.

FY 2009 BUDGET REQUEST

The Administration requests no funds for the LEAP program, since Federal assistance is no longer needed to encourage States to provide need-based grant and work-study assistance. When the program was first authorized as the SSIG program in 1972, 28 States had undergraduate need-based grant programs. Today all but one State have need-based student grant programs. State grant levels have expanded greatly over the years, and most States significantly exceed the statutory matching requirements. For academic year 2006-2007, for example, estimated State matching funds totaled nearly \$1 billion. This is more than \$950 million over the level generated by a dollar-for-dollar match, and far more than would be required even under the 2-for-1 match under Special LEAP. This suggests a considerable level of State commitment, regardless of Federal expenditures, which is not expected to diminish absent LEAP program funding.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2007</u> ¹	<u>2008</u>	<u>2009</u>
Recipients	164,961	161,555	0
Aid available to students ²	\$164,961	\$161,555	0
Maximum grant (whole \$)	\$5,000	\$5,000	0
Average grant (whole \$)	\$1,000	\$1,000	0

¹ Estimate assumes Special LEAP funds are used to increase grant awards.

² Reflects the program's statutory dollar-for-dollar State matching requirement for Federal funding up to \$30 million, and a 2-to-1 match for Federal funding in excess of \$30 million. State contributions above the dollar-for-dollar and 2-to-1 matches, which are not reflected, significantly increase the number of grant recipients, the amount of available aid, and the average award.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and the resources and efforts invested by those served by this program. As discussed above, the Administration is not requesting funds for the LEAP program, since the PART process has long noted structural problems with the LEAP program that limit its effectiveness in encouraging all States to expand their investment in need-based student aid and the Administration prefers to simplify the Federal student aid system by concentrating grant assistance in the larger, more broadly available Pell Grant program.

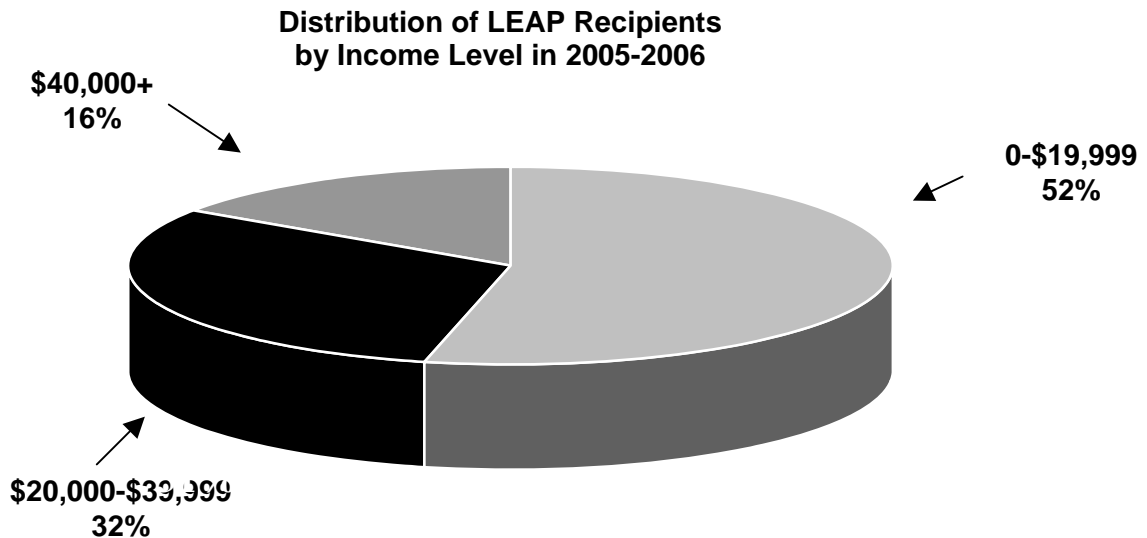
Because the programs in the Student Financial Assistance account rely on the same performance data, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

Follow-up to PART Findings and Recommendations

The LEAP program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." The review found the program to be duplicative of other Federal, State, and local student aid programs. Partly in response to these findings, the FY 2009 Budget proposes to eliminate the LEAP program.

Distribution of LEAP Recipients By Income Level:

As the chart below illustrates, LEAP-supported grant programs serve the neediest students. Over half of Federal LEAP funds leverage financing of awards for students with a family income under \$20,000 a year. LEAP funding utilized for work-study programs finances almost 5,000 community service work-study positions. The chart below shows the percentage of total LEAP recipients by income level in 2004-2005.



STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

State or Other Area	2007 Actual	2008 Estimate	2009 Estimate	Change from 2008 Estimate
Alabama	449,887	442,030	0	(442,030)
Alaska	128,872	126,621	0	(126,621)
Arizona	516,525	507,505	0	(507,505)
Arkansas	191,201	187,862	0	(187,862)
California	10,712,192	10,525,120	0	(10,525,120)
Colorado	894,348	878,730	0	(878,730)
Connecticut	899,329	883,624	0	(883,624)
Delaware	207,000	203,385	0	(203,385)
District of Columbia	587,543	577,282	0	(577,282)
Florida	2,049,846	2,014,049	0	(2,014,049)
Georgia	526,880	517,679	0	(517,679)
Hawaii	124,237	122,067	0	(122,067)
Idaho	152,025	149,370	0	(149,370)
Illinois	3,656,753	3,592,893	0	(3,592,893)
Indiana	1,627,720	1,599,294	0	(1,599,294)
Iowa	326,195	320,498	0	(320,498)
Kansas	840,423	825,746	0	(825,746)
Kentucky	994,060	976,700	0	(976,700)
Louisiana	430,488	422,970	0	(422,970)
Maine	234,750	230,650	0	(230,650)
Maryland	553,374	543,710	0	(543,710)
Massachusetts	975,541	958,505	0	(958,505)
Michigan	1,254,112	1,232,211	0	(1,232,211)
Minnesota	1,266,606	1,244,487	0	(1,244,487)
Mississippi	255,921	251,452	0	(251,452)
Missouri	597,525	587,090	0	(587,090)
Montana	224,390	220,471	0	(220,471)
Nebraska	583,553	573,362	0	(573,362)
Nevada	151,475	148,830	0	(148,830)
New Hampshire	283,724	278,769	0	(278,769)
New Jersey	2,134,610	2,097,332	0	(2,097,332)
New Mexico	413,178	405,962	0	(405,962)
New York	6,879,868	6,759,721	0	(6,759,721)
North Carolina	1,516,072	1,489,596	0	(1,489,596)
North Dakota	81,278	79,859	0	(79,859)
Ohio	3,226,910	3,170,557	0	(3,170,557)
Oklahoma	881,961	866,559	0	(866,559)
Oregon	1,045,481	1,027,223	0	(1,027,223)
Pennsylvania	3,577,033	3,514,565	0	(3,514,565)
Rhode Island	361,807	355,489	0	(355,489)
South Carolina	708,536	696,162	0	(696,162)
South Dakota	0	0	0	0
Tennessee	1,317,899	1,294,884	0	(1,294,884)
Texas	4,439,845	4,362,310	0	(4,362,310)
Utah	599,552	589,082	0	(589,082)
Vermont	204,419	200,849	0	(200,849)
Virginia	1,733,490	1,703,217	0	(1,703,217)
Washington	1,846,804	1,814,552	0	(1,814,552)
West Virginia	591,132	580,809	0	(580,809)
Wisconsin	1,365,902	1,342,049	0	(1,342,049)
Wyoming	50,713	49,827	0	(49,827)
American Samoa	5,813	5,711	0	(5,711)
Guam	20,792	20,429	0	(20,429)
Northern Mariana Islands	994	977	0	(977)
Puerto Rico	271,231	266,494	0	(266,494)
Virgin Islands	14,755	14,497	0	(14,497)
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	0	0	0	0
Total	64,986,570	63,851,677	0	(63,851,677)

