

Volume VI, Section 2 – Funding Methods

Current Funding Level (CFL)

The Current Funding Level is one of the mechanisms to assist and ensure schools are reporting disbursement records on a timely basis. The CFL is the total (cumulative award year to date) amount of funding authorization given to a school at any point of time, and is a subset of the school ceiling amount (SCA). The available balance, or the amount the school can draw/receive, is its CFL minus net drawdowns. A separate CFL is maintained for each program by award year. A school's CFL may be adjusted upwards and/or downwards based on reported disbursements and other activity throughout the year.

Business Rules:

- 1) The CFL can be increased by FSA to reflect the needs of a school.
- 2) The current CFL for a school, each cash transaction, and the amount of that cash transaction that has been substantiated can be viewed on the COD web site.
- 3) If a school determines that the CFL is not at an appropriate level, the school can contact their customer service representative and request that FSA increase their CFL.
- 4) Depending on the school's funding method, when a school's total accepted actual disbursement records exceed net drawdowns, funds are either:
 - a) Transmitted (pushed) automatically to the school's bank account, OR
 - b) Made available for the school to draw down through GAPS
- 5) If drawdowns are not substantiated fully within a prescribed period of time, the school's access to cash may be restricted.
- 6) Schools are contacted by a Customer Service Representative as soon as it appears that the school is having difficulty substantiating drawdowns in a timely manner.

- 7) If access to cash is to be restricted, schools will receive electronic warning notices and/or letters from Customer Service and/or FSA.

Funding Methods

There are two methods for delivering cash to schools:

- Advanced Funded
- Pushed Cash/Just-In-Time

Advanced Funded

Under the Advanced Funded delivery method, schools initiate draw down requests through the Grant Administration and Payment System (GAPS). Schools may only draw down cash up to their available balance. The available balance is the difference between the school's CFL and their net drawdown amount for a given award year and program. The U.S. Treasury transmits funds electronically to a school's bank account.

Note: All schools who participate in the ACG and National SMART Grant Programs will be placed in the Advanced Funded funding method status. The COD System will assign a stop pay monitoring status of HCM1, HCM2, and Reimbursement to any school participating in the ACG and National SMART Grant Programs who have a stop pay monitoring status for the Pell Program.

Pushed Cash

Under the Pushed Cash/Just-In-Time funding delivery method, a school has cash deposited in its bank account based on actual disbursements that are submitted and accepted by the COD System. For Direct Loans, an origination record and accepted MPN is required before an actual disbursement is accepted and cash pushed to the school.

Funding Controls

Schools' ability to receive cash to fund their Pell Grants, ACG Grants, National SMART Grants, and Direct Loans is contingent upon submitting actual disbursement records fully and timely to substantiate, or account for, the cash already received. The business rules associated with the two (2) funding methods (Advanced Funded and Pushed Cash/Just-In-Time) and the three (3) review statuses (HCM1, HCM2, and Reimbursement) are listed below:

Advanced Funded

Under Advanced Funded, schools can submit actual disbursement records in advance of, on, or after the disbursement date.

Business Rules:

- 1) Schools can initiate drawdowns through GAPS up to their amount of available CFL.
- 2) At the beginning of each award year, a school's initial CFL amount is calculated for Pell Grants and Direct Loans on the basis of the school's prior year disbursement history.
- 3) Beginning with the 2007-2008 Award Year, Advance Funded schools will not receive an initial CFL for ACG and National SMART Grant Programs prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
- 4) Each drawdown a school receives must be substantiated with actual disbursements submitted and accepted by the COD System.
 - a) Upon acceptance of an actual disbursement, the COD System calculates whether or not the CFL needs to be increased.
- 5) Actual disbursement records can be submitted within the following parameters:
 - a) For the Pell Grant Program, up to 30 calendar days prior to the disbursement date.
 - b) For the ACG and National SMART Grant Programs, up to seven (7) calendar days prior to the disbursement date.
 - c) For the Direct Loan Program, up to seven (7) calendar days prior to the disbursement date.
- 6) Actual disbursements are applied to substantiate drawdowns on a first-in/first-out basis.
- 7) The CFL may change throughout the year as the school transmits actual disbursement information on a "timely basis" and the COD System accepts the disbursements. A school's CFL can be decreased according to the program specific requirements and/or activity.

- 8) For Direct Loan, a school approved for the Advanced Funding method may request to be switched to the Pushed Cash funding method.
- 9) For Direct Loan, Reimbursement schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

Pushed Cash/Just-In-Time

Schools in the Pell Just-In-Time pilot program are extended certain regulatory relief not provided to other schools. Direct Loan schools that are Pushed Cash share similar business rules.

Business Rules:

- 1) Schools have cash deposited in their bank account based on actual disbursements that are submitted to and accepted by the COD System.
- 2) Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
- 3) Schools do not get a CFL until the COD System accepts and posts actual disbursements records.
- 4) Cash can be deposited in the school's bank account by the disbursement date of an accepted and posted actual disbursement.
- 5) The school must return cash when a downward adjustment to a disbursement amount is made or the school's cash exceeds the amount of net accepted and posted disbursements in order to have a zero ending cash balance.

Cash Monitoring 1 (HCM1)

A school can be placed on Cash Monitoring 1 (HCM1) review status by FSA. Under the HCM1 review status, schools may draw down cash through GAPS or have direct cash payment deposited in its bank account based on actual disbursements submitted to and accepted by the COD System.

Business Rules:

- 1) For Pell Grant, ACG, and National SMART Grant, the Cash Monitoring1 (HCM1) funding control uses the Advanced Funded delivery method.
 - a) Upon acceptance of actual disbursements, schools can initiate drawdowns through GAPS up to the amount of their available CFL.
- 2) For Direct Loan, schools placed on Cash Monitoring1 (HCM1) will continue to use the same funding method (Advanced Funded or Pushed Cash) they had prior to being placed on HCM1.

- 3) For Pell Grant, the school does not have a CFL until the COD System accepts and posts actual disbursements.
 - a) The school's CFL will equal its net accepted actual disbursements.
- 4) Beginning with the 2007-2008 Award Year, HCM1 schools will not receive an initial CFL for the ACG and National SMART Grant Programs prior to having records accepted by COD. The school is given an initial CFL when their first disbursement is accepted and posted by COD.
- 5) For Direct Loan, a school on HCM1 that is Advanced Funded will receive an initial CFL based on their prior year's disbursement history.
- 6) Actual disbursements can be submitted up to seven (7) calendar days before the disbursement date.
- 7) Schools placed on HCM1 are required to submit documentation of disbursements as directed by FSA.
- 8) For Direct Loan, HCM1 schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

Cash Monitoring 2 (HCM2)

A school is placed on Cash Monitoring 2 (HCM2) by FSA. Under the HCM2 funding control, the FSA School Participation Team (SPT) initiates a drawdown through GAPS on behalf of a school or direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by the FSA School Participation Team.

Business Rules:

- 1) For Pell Grant, Cash Monitoring 2 (HCM2) uses the Pushed Cash funding method.
 - a) The FSA School Participation Team initiates the drawdown through GAPS upon review of required documentation.
- 2) For ACG and National SMART Grant, Cash Monitoring 2 (HCM2) uses the Advanced Funding delivery method.
 - a) The FSA School Participation Team initiates the drawdown through GAPS upon review of required documentation.
- 3) For Direct Loan, Cash Monitoring 2 (HCM2) uses the Pushed Cash funding method.
 - a) Cash is deposited in the school's bank account based on accepted actual disbursements released by the FSA School Participation Team (Action Queue).
- 4) Actual disbursements can be submitted on or after the disbursement date.

- 5) Direct Loan and Pell Grant schools receive the first CFL when the first disbursement record for that award year is accepted and posted by COD.
- 6) ACG and National SMART Grant schools do not receive an initial CFL prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
- 7) Schools placed on HCM2 are required to submit documentation of disbursements as directed by FSA.
- 8) For Direct Loan, HCM2 schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

Reimbursement

Under the Reimbursement review status, the FSA School Participation Team initiates a drawdown through GAPS on behalf of a school or direct cash payments are deposited in the school's bank account based on actual disbursements submitted to and accepted by the COD System and released by the FSA School Participation Team.

Business Rules:

- 1) For Pell Grant, schools on Reimbursement use the Advanced Funded delivery method.
 - a) The FSA School Participation Team initiates the drawdown through GAPS upon review of required documentation.
- 2) For ACG and National SMART Grant, schools on Reimbursement use the Advanced Funded delivery method.
 - a) The FSA School Participation Team initiates the drawdown through GAPS upon review of required documentation.
- 3) For Direct Loan, schools on Reimbursement use the Pushed Cash funding delivery method.
 - a) Cash is deposited in the school's bank account based on accepted actual disbursements released by the FSA School Participation Team (Action Queue).
- 4) Actual disbursements can be submitted on or after the disbursement date.
- 5) Pell Grant, Direct Loan, ACG and National SMART Grant schools on a Reimbursement review status do not receive an initial CFL prior to having records accepted by COD. The school is given an initial CFL when their first disbursement record is accepted and posted by COD.
- 6) Schools placed on Reimbursement are required to submit documentation of disbursements as directed by FSA.

- 7) For Direct Loan, Reimbursement schools are required to have an accepted origination record and accepted MPN before COD will accept actual disbursements.

Relationship between Direct Loan Processing Options and Funding Methods

	Receives an Initial CFL > 0 before submission of any actual disbursements	Initiates drawdown through GAPS	Actual disbursements can be accepted up to 7 days before the disbursement date
Advanced Funded	X	School	X
Advanced Funded with HCM1 Review Status	X	School	X
Pushed Cash		COD	X
Pushed Cash with HCM1 Review Status		COD	X
Pushed Cash with HCM2 Review Status		COD (based on records released from Action Queue by SPT)	
Pushed Cash with Reimbursement Review Status		COD (based on records released from Action Queue by SPT)	

Relationship between Pell Processing Options and Funding Methods

	Pell Standard (Account type=Obligate only) Submits actual disbursements up to 30 calendar days in advance	Pell Just-In-Time (Account type=Obligate/Pay) Submits actual disbursements up to 7 calendar days in advance
Advanced Funding May receive an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through GAPS	X	
Pushed Cash Receives no CFL prior to submission of actual disbursements Direct cash payment deposited in school's bank account based on accepted and posted actual disbursements		X
Cash Monitoring 1 (HCM1) Receives no CFL prior to submission of actual disbursements School initiates drawdown through GAPS		X
Cash Monitoring 2 (HCM2) Receives no CFL prior to submission of actual disbursements The School Participation Team initiates drawdown through GAPS upon review of required documentation	X	X
Reimbursement Receives no CFL prior to submission of actual disbursements The School Participation Team initiates drawdown through GAPS upon review of required documentation	X	X

Relationship between ACG and National SMART Grant Processing Options and Funding Methods

	Receives an Initial CFL > 0 before submission of any actual disbursements School initiates drawdown through GAPS	Will not receive an Initial CFL before submission of any actual disbursements
Advanced Funded		X
Advanced Funded with HCM1 Review Status		X
Advanced Funded with HCM2 Review Status		X*
Advanced Funded with Reimbursement Review Status		X*

*The School Participation Team initiates drawdown through GAPS upon review of required documentation