

# Archived Information

Department of Education  
STUDENT AID ADMINISTRATION  
Fiscal Year 2009 Budget Request

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## STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, and 4 of part A, and parts B, C, D and E of title IV of the Higher Education Act of 1965, [\$708,216,000] \$714,000,000, which shall remain available until expended.<sup>1</sup> (*Department of Education Appropriations Act, 2008*)

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

**STUDENT AID ADMINISTRATION**

**Analysis of Language Provisions and Changes**

Language Provision	Explanation
<sup>1</sup> ...which shall remain available until expended.	This language extends the availability of funds provided under the account until expended, consistent with the treatment of mandatory administrative funds prior to the Higher Education Reconciliation Act of 2005.

**STUDENT AID ADMINISTRATION**

**Amounts Available for Obligation  
(\$000s)**

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	2007	2008	2009
Discretionary authority:			
Appropriation	\$719,914	\$708,216	\$714,000
Across-the-board reduction	<u>0</u>	<u>-12,373</u>	<u>0</u>
Subtotal, appropriation	719,914	695,843	714,000
Enacted reduction	-500	0	0
Transfer to Office of the Inspector General	<u>-1,464</u>	<u>0</u>	<u>0</u>
Subtotal, adjusted discretionary appropriation	717,950	695,843	714,000
Unobligated balance, end of year	<u>-259</u>	<u>0</u>	<u>0</u>
Total, direct obligations	717,691	695,843	714,000

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## STUDENT AID ADMINISTRATION

### Budget Authority by Object Classification (\$000s)

Object Class	2007 Estimate	2008 Appropriation	2009 Request	Change From 2008 TO 2009	
11.10	Full-time permanent	\$93,848	\$108,254	\$111,270	\$3,016
11.31	Full-time temporary	3,459	0	0	0
11.32	Part-time	515	0	0	0
11.33	Consultants	221	0	0	0
11.51	Overtime	22	75	75	0
11.52	Awards	1,594	2,453	2,453	0
11.80	Other Compensation	0	0	0	0
	Compensation subtotal	99,659	110,782	113,798	3,016
12.00	Benefits	25,256	28,727	29,823	1,096
13.10	Benefits for former personnel	0	0	0	0
	Comp/benefits subtotal	124,915	139,509	143,621	4,112
21.00	Travel	3,057	4,144	4,563	419
23.10	Rental Payments to GSA	14,791	15,142	15,535	393
23.31	Communications	6,779	3,398	5,742	2,344
23.32	Postage/fees	277	464	464	0
	Subtotal 23	21,847	19,004	21,741	2,737
24.00	Printing & Reproduction	6,882	7,569	7,569	0
25.10	Advisory and Assistance Svcs	6,118	4,800	4,449	(351)
25.21	Other Services	34,927	45,959	49,103	3,144
25.22	Training/Tuition/Contracts	1,468	3,916	3,944	28
25.30	Goods/Services from Gov't	10,893	11,814	12,205	391
25.40	Operations/Maint of Facilities	4	200	200	0
25.70	Operations/Maint of Equipment	866	55	55	0
25.72	IT Services/Contracts	502,299	456,325	463,971	7,646
	Subtotal 25	556,575	523,069	533,927	10,858
26.00	Supplies	545	679	739	60
31.10	IT Equipment/Software	3,640	502	1,145	643
31.30	Other Equipment	3	330	0	(330)
	Subtotal 31	3,643	832	1,145	313
32.00	Building Alterations	226	1,037	695	(342)
41.23B	Admin Expense Allowance	0	0	0	0
43.10	Interest and Dividends	1	0	0	0
	Total Direct Obligations	717,691	695,843	714,000	18,157

**STUDENT AID ADMINISTRATION**

**Summary of Changes**  
(\$000s)

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2008.....	\$695,843
2009.....	<u>714,000</u>
Net change.....	+18,157

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	<u>2008 base</u>	<u>Change from base</u>
<b>Increases:</b>		
<u>Built-in:</u>		
Increase in personnel compensation for the enacted 3.5 percent 2008 pay raise and proposed 2.9 percent FY 2009 pay raise	\$108,254	+\$3,016
Increase in benefits for the Department's share of health, retirement, and other benefits	28,727	+1,096
Increase in GSA rental payments due to anticipated rate increases and tax escalation	15,142	+393
<u>Program:</u>		
Increase in communications for Student Aid Administration's share of increased network costs	3,398	+2,344
Increase in other services primarily for changes related to the reauthorization of the Higher Education Act	45,959	+3,144
Increase in information technology contracts primarily due to purchase of enterprise software licenses	456,325	+7,646
Increase in goods and services from the government due to increased building security related costs	11,814	+391
Increase in IT equipment	502	+643
Increase in travel for greater program integrity and compliance oversight	4,144	+419
Increase in supplies	679	+60
Increase in training	3,916	<u>+28</u>
Subtotal, increases		+19,180

**STUDENT AID ADMINISTRATION**

**Summary of Changes—Continued**  
(\$000s)

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	<u>2008 base</u>	<u>Change from base</u>
<b>Decreases:</b>		
<u>Program:</u>		
Decrease in advisory & assistance contracts due to reduced need for project management support	\$4,800	-\$351
Decrease in building alterations due to completion of Boston and Denver regional office locations	1,037	-342
Decrease in other equipment due to completion of Boston and Denver regional office locations	330	<u>-330</u>
Subtotal, decreases		-1,023
Net change		+18,157

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## STUDENT AID ADMINISTRATION

### Authorizing Legislation (\$000s)

Activity	2008 Authorized	2008 Estimate	2009 Authorized	2009 Request
Student aid administration (Higher Education Act of 1965, section 141(j))	Indefinite	\$695,843	Indefinite <sup>1</sup>	\$714,000
Total definite authorization	0		0	
Total appropriation		695,843		714,000
Portion of request subject to reauthorization				714,000

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<sup>1</sup> 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.

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## STUDENT AID ADMINISTRATION

### Appropriations History (\$000s)

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	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2003	\$936,386	\$105,388	\$105,388	\$104,703
2004	947,010	120,010	104,703	116,727
2005	934,639	120,247	121,000	119,084
2006	939,285	124,084	120,000	118,800
2007	733,720	N/A <sup>1</sup>	N/A <sup>1</sup>	719,914 <sup>1</sup>
Rescission (P.L. 110-28)				-500
Transfer (P.L. 110-05)				-1,464
2008	708,216	708,216	708,216	695,843
2009	714,000			

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<sup>1</sup> 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.

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## STUDENT AID ADMINISTRATION

### Significant Items in FY 2008 Appropriations Reports

#### Latino Students Facing Hurdles on College Entrance and Accessing Financial Aid

House: Latino students attending college as the first members of their families seeking a higher education face hurdles understanding the college entrance process and accessing financial aid with which their parents have little or no experience. The Committee therefore urges the Department to launch information campaigns designed to educate Hispanic communities about the college application and funding processes, as well as provide them with a detailed guide describing the financial aid available to them.

Response: Federal Student Aid's information campaign aimed at Hispanics includes the following Spanish language publications and other Spanish language information sources:

- *Cómo costear los estudios postsecundarios: Guía de programas federales de ayuda estudiantil (Funding Education Beyond High School: The Guide to Federal Student Aid)*. This booklet is an overview of the Federal student aid application process and contains detailed steps for taking action during each phase of the student financial aid process.
- *Empiece aquí, y llegará lejos: Dinero para los estudios superiores (Start Here, Go Further: Money for Higher Education)*. This video program follows a high school student, his mother and his cousin as they learn about Federal student aid; explains the benefits of college education, points out that the Federal Government offers aid to help pay for college and suggests places to look for scholarships to make college even more affordable.
- Spanish versions of all other Federal Student Aid publications, including brochures, posters, flyers and bookmarks covering topics such as financial aid fraud and identity theft, dependency status when completing the FAFSA, the application process, where to get information online and by phone, and what documents are needed to prepare to fill out the FAFSA.
- Spanish version of *Counselors and Mentors Handbook on Federal Student Aid (Ayuda federal para estudiantes: manual del orientador y mentor)* explains Federal aid programs and the application process so that counselors can help students through the process.
- Informational Web site at [www.federalstudentaid.ed.gov](http://www.federalstudentaid.ed.gov) with an "Español" option so students and/or parents can learn about Federal aid online in whichever language is most comfortable for them.
- Toll-free hotline at 1-800-4-FED-AID with Spanish-speaking customer service representatives.

## STUDENT AID ADMINISTRATION

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Student aid administration  
(Higher Education Act of 1965, I-D, section 458)

FY 2009 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2008</u>	<u>2009</u>	<u>Change</u>
Personnel costs	\$139,509	\$143,621	+\$4,112
Non-personnel costs	<u>556,334</u>	<u>570,379</u>	<u>+14,045</u>
Total	695,843	714,000	+18,157
FTE employees	1,140	1,140	0

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### PROGRAM DESCRIPTION

Student Aid Administration provides funds to help students and families pay for the costs of education beyond high school and to administer the Federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended. The Title IV programs collectively represent the Nation's largest source of financial aid for postsecondary students.

The Offices of Postsecondary Education (OPE) and Federal Student Aid are primarily responsible for administering the Federal student financial assistance programs. OPE is responsible for formulating policy for the student financial assistance programs and administering other Federal postsecondary education programs. In addition, a number of other Department offices—such as the Office of Management, Office of Planning, Evaluation and Policy Development, Office of the General Counsel, Office of the Chief Information Officer, and Office of the Chief Financial Officer—also contribute to the administration of the student assistance programs.

The Higher Education Amendments of 1998 established Federal Student Aid as the Federal Government's first performance-based organization (PBO) to improve service to students, parents, schools, and other program participants; to reduce student aid program administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems. Since Federal Student Aid became a PBO in 1998, it has increased the cost efficiency of processing and delivering student financial aid and has improved customer service, particularly in areas where customers need to interact with Federal Student Aid's systems.

In FY 2007, Federal Student Aid delivered or supported the delivery of approximately \$82 billion in grant, work-study, and loan assistance to almost 11 million postsecondary students and their families. These students attend approximately 6,200 active institutions of postsecondary education accredited by dozens of agencies. Students receive loans from approximately 3,100 lenders with 35 agencies guaranteeing those loans.

## STUDENT AID ADMINISTRATION

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The Federal Pell Grant Program helps ensure financial access to postsecondary education by providing grant aid to low- and middle-income undergraduate students. The Academic Competitiveness Grant (ACG) and the National Science and Mathematics Access to Retain Talent (SMART) Grant programs were created to assist full-time, Pell-eligible, U.S. citizens attending degree-granting institutions. The ACG program provides grants to first and second-year full-time undergraduates who have completed a rigorous high school curriculum. The National SMART Grant Program provides grants of up to \$4,000 to third- and fourth-year undergraduates studying full time and majoring in certain high needs fields.

The Department's Campus-Based programs--the Federal Supplemental Educational Opportunity Grant, the Federal Work-Study, and the Federal Perkins Loan Programs--provide funds directly to eligible institutions, enabling them to offer grants, employment, and low-interest loans based on student need.

There are two State formula grant programs. The Leveraging Educational Assistance Partnership (LEAP) program makes Federal funds available to assist States in providing student financial assistance programs for individuals with substantial financial need. The Special Leveraging Educational Assistance Partnership (SLEAP) program makes Federal funds available to States to supplement some LEAP purposes.

The William D. Ford Direct Loan Program and the Federal Family Education Loan Program account for nearly all of the remainder of the Department's financial assistance for postsecondary education. Loans can either be subsidized or unsubsidized. For a subsidized loan, the Federal Government pays the loan's interest while the student is in school and during qualified periods of grace and deferment. For an unsubsidized loan, the student borrower is responsible for paying the interest on the loan. Loans to parents of students are also available.

The William D. Ford Federal Direct Loan Program lends funds directly to students through participating schools. The program is funded by borrowings from the U.S. Treasury, as well as an appropriation for subsidy costs. In 2007, the Department made \$16.5 billion in loans to 2.9 million recipients.

Students and parents can obtain loans through private lenders in the Federal Family Education Loan Program. Loan guaranty agencies insure the funds, and are, in turn, reinsured by the Federal government. In 2007, the Department guaranteed \$98.3 billion in loans to 13.2 million recipients.

The College Cost Reduction and Access Act of 2007 established, effective the 2008-2009 award year, the Teacher Education Assistance for College and Higher Education (TEACH) grant. The TEACH grant will provide up to \$4,000 a year in grant assistance to students who plan on becoming teachers and meet certain specified requirements. During FY 2008, the Department will develop regulations and policies to implement the TEACH grant for the 2008-2009 award year, beginning July 1, 2008.

## STUDENT AID ADMINISTRATION

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

	(\$000s)
2004.....	\$116,727
2005.....	119,084
2006.....	118,800
2007.....	717,691
2008.....	695,843

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Note: In addition to the amounts shown here, fiscal years 2004, 2005 and 2006 included \$600 million each in mandatory funding from the Federal Direct Student Loan Administration account (HEA section 458).

### FY 2009 Priorities

The Department's highest priorities for Student Aid Administration in 2009 are:

- 1. Program compliance and oversight**
- 2. Efficient and cost-effective delivery and stewardship of student financial aid**
- 3. Implementation of a new acquisition strategy**

#### Program Compliance and Oversight

In light of recent Office of the Inspector General (OIG) and General Accountability Office (GAO) reports, Federal Student Aid's top priority for 2009 is increased program compliance and oversight. The 2009 budget request ensures that the Department's organizational focus and staffing levels reflect commitment to and alignment with these activities. The Department has already begun taking key steps to support this priority.

In 2007, Federal Student Aid created the Program Compliance service area to house Federal Student Aid's oversight and monitoring functions. The office is charged with promoting accountability in the administration of Title IV student financial assistance and strengthening program integrity by improving school and lender Title IV compliance. The Program Compliance area is responsible for oversight, monitoring, and enforcement activities for approximately 6,200 postsecondary institutions and approximately 3,100 lenders, loan holders, servicers, and secondary markets, including 35 guaranty agencies.

The Department also created an Inducements Workgroup to monitor complaints and inquiries about inducements in the Federal Family Education Loan Program (FFELP). Inducements include misleading marketing materials, commissions for application referrals, and incentives for placement on preferred lender lists. The Workgroup will ensure that complaints regarding inducements are reviewed, and that legal decisions are consistent. Using the data in its own information systems, the Department has also taken the initiative in trying to identify potential cases of inducements.

Federal Student Aid began FY 2008 with 999 on-board full time equivalent staff, 57 less than its budgeted allocation of 1,056. Federal Student Aid plans to focus current hiring on the Program

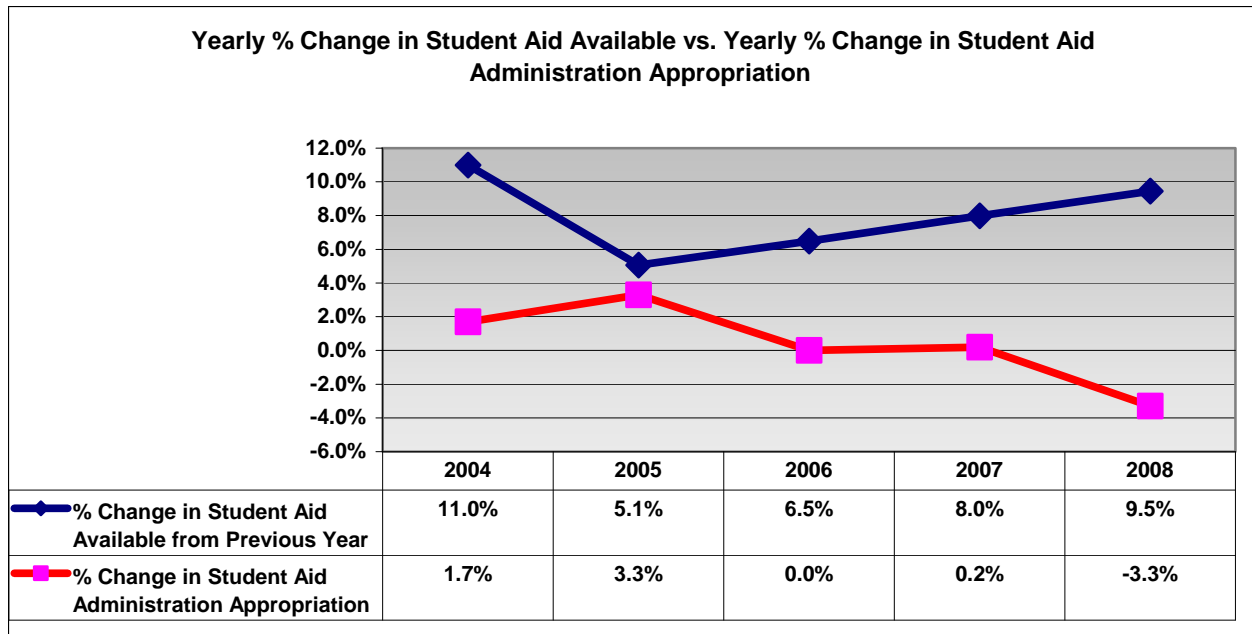
## STUDENT AID ADMINISTRATION

Compliance office, with an additional 32 FTE making up a substantial portion of Federal Student Aid's overall hiring plans. Total FTE for Student Aid Administration is 1,140, which includes 84 FTE for staff outside of Federal Student Aid.

Another strategy for improving program compliance and oversight is the Integrated Partner Management contract. This system will support the compliance and oversight priorities by streamlining and consolidating institution interactions and providing an end-to-end view of Federal Student Aid's entire institutional eligibility and oversight functions (e.g., processing of eligibility applications).

### Delivery and Stewardship of Student Financial Aid

Federal Student Aid's main function is to administer the entire student aid process: processing student aid applications; awarding and disbursing Pell Grants; Academic Competitiveness and SMART Grants; TEACH Grants; Campus-Based Aid; Direct Student Loans; guaranteeing and making subsidy payments for Federal Family Education Loans, servicing Direct Student Loan borrowers; collecting defaulted loans; and processing Direct Loan Consolidation loans. To perform this function, Federal Student Aid uses contractors to process over 14 million Free Applications for Federal Student Aid (FAFSA) to determine a student's eligibility for the Federal financial aid. This information is shared with the student and schools. While much of the application process is automated and accomplished over the Internet, the high volume of processing requires large contracts. Federal Student Aid also uses contracts for making grants, originating and servicing loans, and for collecting on defaulted loans.



As the chart above shows, the volume of student aid has increased over time while the appropriation for Student Aid Administration has remained steady or declined. To ensure that students continue to receive the vital aid they need to pursue postsecondary education, the Department has focused on achieving greater efficiencies and cost savings.

## STUDENT AID ADMINISTRATION

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The 2009 budget request ensures that Federal Student Aid can pursue essential system and business process integration measures necessary to lower overall costs while improving program integrity and system security, as well as the quality and accessibility of Federal Student Aid's products and services.

The FY 2009 request includes \$21.8 million for ADvance development, which will reengineer the front-office functions of aid awareness, application origination and disbursement business processes and systems, supports this priority. Two other development initiatives, Common Services for Borrowers (CSB) and Student Aid History Management (SAHM) are currently in the planning phase.

### Acquisition Strategy

Federal Student Aid planned to replace multiple legacy systems and contracts with single solutions and single contracts, in particular the ADvance and CSB development projects. While these contracts reduced the operating costs of legacy operations, they required single vendors to provide competency in multiple business capabilities (e.g., call center operations, software development) across a single business process. This broad requirement did not allow Federal Student Aid to procure the best match of vendors and expertise. In addition, the lack of post-award competition led to price, quality, and innovation problems, and prevented a quick transition of services, potentially putting business operations at risk. To increase the competitive environment and reduce the risk of a single point of failure, Federal Student Aid adopted a strategy of multi-vendor contract vehicles to replace the single, large contracts. These contracts are expected to be awarded starting in 2008, and funding requested for development efforts in 2009 will utilize the multi-vendor contract vehicles.

### FY 2009 BUDGET REQUEST

The Department requests \$714.0 million to administer the Federal student aid programs in FY 2009, \$18.2 million—or 2.6 percent—more than the FY 2008 appropriation. This request reflects the enactment of the Higher Education Reconciliation Act of 2005 (HERA), which consolidated in a discretionary account funds previously made available from both discretionary and mandatory sources.

Of the requested Student Aid Administration increase of \$18.2 million in FY 2009, roughly \$15.0 million is attributable to the following:

1. Pay raises—both the enacted 3.5 percent raise for 2008 and the proposed 2.9 percent 2009 raise (+\$4.1 million),
2. One-time effects of accelerating computer network contract costs (+\$8.0 million),
3. Purchase of enterprise software licenses formerly provided under the Virtual Data Center contract (+\$13.3 million), and
4. Lower development costs for ADvance and Integrated Partner Management (-\$10.4 million).

## STUDENT AID ADMINISTRATION

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### Pay Raises

The Department is requesting \$4.1 million to cover Governmentwide pay raises for personnel funded by the Student Aid Administration account. If funds are not provided for the pay raise, the Department's plans for hiring needed program compliance and oversight staff will be severely compromised.

### Acceleration of Contract Costs

In 2007, in anticipation of reduced funding levels, the Department competed and awarded a new computer network contract, the Education Department Utility for Communications, Applications, and Technology Environment (EDUCATE). The new contract centralized computer network and telecommunications services from a variety of sources and providers into a single contract and produced significant cost savings. In addition, the Department was able to accelerate obligations for the EDUCATE contract into 2007, resulting in a one-time budget reduction in 2008. To cover the fixed cost of this contract, \$8.0 million will need to be restored in 2009.

### Enterprise Software Licenses

Through 2007, most of Federal Student Aid's enterprise software licenses were provided under the Virtual Data Center (VDC) contract; this is the large computer platform for many Federal student aid functions. At the end of 2007, Federal Student Aid began purchasing software directly from vendors to achieve cost savings and exercise greater control over software assets. The additional cost of purchasing these licenses has been offset by lower costs of the VDC contract. While no funds are requested in 2008, \$13.3 million is requested in 2009 for needed software maintenance agreements.

### Lower Development Costs

The Department is requesting \$10.4 million less for ADVance Development and Integrated Partner Management in 2009. Development of the Integrated Partner Management project is expected to be completed in early 2009. The following table divides student aid operating costs for FY 2008 and FY 2009 into major spending categories.

### **Student Aid Administration – Spending by Activity** (in millions of dollars)

	<u>FY 2008</u>		<u>FY 2009</u>	
	<u>Request</u>	<u>Percent of Total</u>	<u>Request</u>	<u>Percent of Total</u>
Personnel Compensation & Benefits	\$139.5	20.1%	\$143.6	20.1%
Information Technology Contracts	461.6	66.3%	472.6	66.2%
Other Activities	<u>94.7</u>	<u>13.6%</u>	<u>97.8</u>	<u>13.7%</u>
Total SAA	695.8	100.0%	714.0	100.0%

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## STUDENT AID ADMINISTRATION

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**Personnel Compensation and Benefits** The Department requests \$143.6 million in FY 2009 for personnel compensation and benefits (PC&B) related to student aid administration. This is an increase of \$4.1 million over the FY 2008 appropriation. The Department's request provides funding for 1,140 FTE, no change from FY 2008. Personnel compensation and benefits account for 20.1 percent of the Department's total SAA request in FY 2009. The increase in pay from FY 2008 will support the enacted 3.5 percent 2008 and proposed 2.9 percent 2009 Governmentwide pay raises.

**Information Technology Contracts** The Department requests \$472.6 million in FY 2009, or 66.2 percent of overall student aid administration costs, for private-sector contracts to process applications for student aid; to make payments to students, schools, guaranty agencies and lenders; to originate and service Direct loans; and to collect defaulted loans. This FY 2009 request represents an increase of \$11.0 million over the FY 2008 appropriation level.

**Other Activities** These activities include non-information technology contracts, interagency agreements, travel, training, postage, supplies, equipment, rent, and guard services. The Department requests \$97.8 million for these activities. This category of spending comprises 13.7 percent of the total request in FY 2009.

### Strategic Goals and Objectives

Several key strategic drivers influence the Department's Student Aid Administration budget request.

These drivers include:

- its customers' needs,
- the Department's Strategic Plan,
- the President's Management Agenda (PMA), and
- the General Accounting Office (GAO) and Inspector General report recommendations.

Given these drivers, Federal Student Aid has 5 core strategic objectives for continuous improvement:

1. Integrate Federal Student Aid systems and provide new technology solutions;
2. Improve program integrity to facilitate access to postsecondary education, while reducing vulnerability of the Federal student financial assistance programs to fraud, waste, abuse and mismanagement;
3. Reduce program administration costs;
4. Improve human capital management;
5. Improve products and services to provide better customer service.

Over the last several years, Federal Student Aid has focused on innovations for upgrading student aid delivery and servicing operations, vendor and contract management, budgeting and cost control, and financial and operational management while providing quality customer service. The largest information technology contracts requested for FY 2009 – Common

## STUDENT AID ADMINISTRATION

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Services for Borrowers, Front End Business Integrations (both operation and development), the Virtual Data Center, Common Origination and Disbursement, and Integrated Partner Management – all support the strategic objectives for the programs supported by the Student Aid Administration Account.

### Major Information Technology Projects

At 66.2 percent of the total FY 2009 request, spending for information technology contracts represents the largest category of spending in the Student Aid Administration account. The majority of these funds will provide for the continued processing of requests for student financial assistance and the delivery of that aid to students.

The Department is requesting \$472.6 million for information technology contracts in FY 2009. Of this total — 74.7 percent, or \$353.1 million — will support the core business functions of efficient, cost-effective delivery of student financial aid as well as investments in the systems that support those core functions. The following contracts support these functions:

	(millions)
Common Services for Borrowers	\$184.0
ADvance Operations	64.9
ADvance Development	21.8
Virtual Data Center	24.9
Common Origination and Disbursement	42.8
Integrated Partner Management	5.5
Financial Management System	<u>9.2</u>
Total	353.1

Each major information technology project is highlighted in the following section, along with the strategic objective or objectives it supports.

#### Common Services for Borrowers - \$184.0 million

##### Strategic Objective

**3: Reduce program administration costs**

**5: Improve products and service to provide better customer service**

Of the \$464.0 million requested for IT spending, \$184.0 million will support Common Services for Borrowers. Funding for the Common Services for Borrowers (CSB) contract will support the operation of the Direct Loan Servicing System, Debt Collection System, Loan Consolidation System, and the Conditional Disability Services System. Common Services for Borrowers provides a full range of servicing functions on student loans: processing of payments by students in repayment status, interactive assistance for students on their loans, and debt collection. Services include call centers, payment processing, non-financial processing, as well as system maintenance and enhancements.

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### **ADvance Operations - \$64.9 million**

**Strategic Objective**                    **1: Integrate Federal Student Aid systems and provide new technology solutions**

ADvance Operations include the Central Processing System (CPS), Federal Student Aid Information Center, (FSAIC), and Editorial Services. CPS provides a centralized system for processing the Free Application for Federal Student Aid (FAFSA). CPS processes each submitted FAFSA through a series of data checks, formula calculations, and verification data matched with other Federal agency databases. The widespread acceptance of FAFSA on the Web as the preferred method of applying for Federal Student Aid has substantially increased the efficiency and accuracy with which Federal Student Aid processes applications.

Federal Student Aid provides customer service through large information centers operated under the FSAIC and Editorial Services. The FSAIC responds to 8.5 million inquiries annually from students, parents, and financial aid professionals concerning Title IV programs. The Editorial Services information center responds to approximately 200,000 written inquiries annually.

### **ADvance Development - \$21.8 million**

**Strategic Objective**                    **1: Integrate Federal Student Aid systems and provide new technology solutions**

**5: Improve products and services to provide better customer service**

The \$21.8 million request for ADvance Development will fund a business process redesign to integrate business functions to improve customer services, data quality, and overall program integrity.

The development will allow Federal Student Aid to deliver the same high quality services its customers have come to expect, with greater simplicity and efficiency. A common data architecture will be used across the enterprise, while reusable code and risk mitigating processes will support streamlined development, maintenance, and operations.

### **Virtual Data Center (VDC) - \$24.9 million**

**Strategic Objective**                    **1: Integrate Federal Student Aid systems and provide new technology solutions**

**3: Reduce program administration costs**

The \$24.9 million requested for the Virtual Data Center will support a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. Funding of the VDC will ensure continued high quality technical and operational support of the infrastructure and systems where the Title IV delivery applications reside. The VDC is a large central site that hosts 144



## STUDENT AID ADMINISTRATION

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### Financial Management System (FMS) - \$9.2 million

**Strategic Objective**                    **2: Improve program integrity to facilitate access to postsecondary education, while reducing vulnerability of the Federal student financial assistance programs to fraud, waste, abuse and mismanagement.**

FMS consolidates and manages all financial transactions from Federal Student Aid's feeder systems. FMS facilitates reconciliation and internal program management and reporting. It tracks and manages payment processing for direct loan originations and processes refunds to borrowers for overpaid loans and payments to the lender and guarantee agency communities. It also performs complex validations and reasonability checks to minimize erroneous payments.

The 2009 request of \$9.2 million will complete the following requirements:

- Archiving - remove FY 2005 financial data from the FMS production database. This annual activity removes older fiscal year data and stores it in a solution that provides on-line access to the data.
- ADvance - address the interface changes required to support the development and implementation of the ADvance system.

### Other Information Technology Contracts

#### Enterprise Software Licenses - \$13.3 million

Through FY 2007, the VDC contractor provided much of Federal Student Aid's infrastructure software. However, the new VDC contract, beginning in FY 2008, does not provide for software license acquisition and maintenance. Instead, Federal Student Aid has elected to purchase software directly from software vendors, using General Services Administration and other Federal contracting vehicles. This will provide Federal Student Aid the flexibility to continue to drive down software costs while exercising better control over software assets.

#### Enterprise Information System (EIS) - \$7.1 million

The Department's request for \$7.1 million in support for the EIS will improve data quality and standardization and provide a consolidated, integrated view of Federal Student Aid operational data to customers and business stakeholders. The EIS will integrate organization data (e.g., schools, lenders, servicers, and guaranty agencies), person data (e.g., applicants, students, and borrowers) and aid data (e.g., loans and grants) into a single data warehouse. The EIS will provide a variety of key functional, reporting, and analytical capabilities using this data.

Phase I of the EIS, scheduled to be implemented August of 2008, will implement data integration services, providing the foundation for the Enterprise Data Warehouse (EDW). Data integration services will enable Federal Student Aid to: acquire and manage summary level operational and performance data; integrate analytic data; manage metadata; validate and cleanse data; and report on data quality.

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The \$7.1 million FY 2009 request supports development of Phase II of the EIS. Phase II is targeted for February 2009. This phase includes the development of the Enterprise Data Warehouse (EDW), Enterprise Analytics and Reporting (EA&R), as well as completion of the requirements for Student Aid History Management (SAHM). It also includes modifying existing systems to report to the Operational Data Storage (ODS) and EDW.

Student Aid History Management (SAHM) will serve as the successor to the National Student Loan Data System (NSLDS). SAHM will use the ODS to perform key operational activities throughout the financial aid life cycle. SAHM will be used to: monitor aid eligibility, receive student enrollment updates from schools and their servicers, calculate Cohort Default Rates and provide loan-level and aggregate data to support fee calculations and determination of financial report reasonability, process program award-level data, and provide access to an integrated student view of financial aid history.

### **Integrated Technical Architecture/Enterprise Application Integration (ITA/EAI) - \$7.5 million**

ITA facilitates the exchange of data from Federal Student Aid's data partners (e.g., Schools, lenders, guaranty agencies, loan servicers) and among the various student aid systems, acting as a data "traffic cop." The \$7.5 million requested for this project supports continued operations and promotes efficient development efforts.

### **Enterprise Data Management (EDM) - \$2.1 million**

EDM provides information services and data technology expertise to project managers and systems architects. The \$2.1 million EDM effort ensures that data standards are maintained across development efforts. EDM has standardized 90 percent of COD data and has published it in an on-line repository so that other development efforts can access and use the data.

### **Security Architecture (SA) - \$4.5 million**

Security Architecture ensures secure operation of Title IV information systems. The \$4.5 request in 2009 will support the procurement, configuration, connectivity testing, application integration, maintenance, and production support of Federal Student Aid's security architecture. The security architecture prevents unauthorized access to protected information, web based applications, and e-business infrastructure.

### **Enterprise Architecture (EA) - \$5.5 million**

The Enterprise Architecture project ensures that information technology projects are aligned with business strategy and that Federal Student Aid's technology investments result in systems that are interoperable and non-duplicative.

### **Gateway - \$1.0 million**

Federal Student Aid currently has a store-and-forward mailbox, called the Student Aid Internet Gateway (SAIG), for data exchanges with schools, lenders, guaranty agencies, and other

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entities. Currently, SAIG allows more than 9,000 customers to transmit data to Federal Student Aid, using their local Internet Service Provider, reducing costs.

### **E-Authentication - \$2.3 million**

Funding for e-Authentication of \$2.3 million will enable customers to use identity credentials other than those currently provided by Federal Student Aid. The e-Authentication Initiative is part of the PMA and one of 25 e-Government initiatives. The Department committed to this initiative by signing an e-Authentication Implementation Memorandum of Understanding with the General Services Administration, managing partner for the E-Authentication initiative. Federal Student Aid has supported this commitment by completing its security architecture (SA) on September 30, 2005, and will integrate the Campus-Based application with the e-Authentication service in FY 2008.

### **National Student Loan Data System (NSLDS) - \$8.6 million**

Congress mandated the creation of the NSLDS in the Higher Education Amendments and required the system to include information regarding Title IV aid. The requirements include capturing the number of loans and grants made, and providing for the electronic exchange of data between program participants and the system. Information concerning the characteristics of borrowers and the extent of student loan indebtedness on a statistically valid sample of borrowers is also collected for research, budget formulation, and policy analysis. NSLDS is used to calculate cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculate statutory guaranty agency payments. Enhancements to this system planned for FY 2009 will address cohort default rate reporting, NSLDS website functionality, and improvements to the transfer student monitoring process. Of the \$8.6 million total funding requested for NSLDS, \$600,000 will support these enhancements.

### **Outreach/Communication Strategy - \$2.0 million**

Federal Student Aid's communication strategy seeks to help all Americans understand the benefits of postsecondary education, raise awareness of Federal financial assistance programs, and improve the consistency of all the Department's print and electronic communications across 12 web sites and 23 publications. FY 2009 funding will target underrepresented populations in additional markets and launch a national, multi-media public service campaign focusing on eliminating barriers that prevent students from applying for financial aid.

### **Printing - \$7.6 million**

Publications and materials for student aid recipients, promote the Department's mission of equal access to education. One of Federal Student Aid's measures of success is the continued availability and distribution of printed materials to students and schools, so that students, parents, and the general public know that Federal student aid information is free and broadly available. Publications such as Funding Education Beyond High School (formerly The Student Guide and Funding Your Education) and student aid application forms are instrumental in promoting Federal Student Aid's mission and constitute the greatest part of the printing budget.

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### EDPubs - \$6.8 million

EDPubs distributes printed materials to the Department's student financial aid customers. In FY 2006, Federal Student Aid refreshed its distribution lists of high schools and libraries, nearly doubling the numbers on its mailing list—from 48,000 to 84,000. The Department expects the distribution lists to continue to expand. It is also expected that there will be increases in both postage rates and fuel charges incurred to deliver publications.

### Major SAA contracts

The following table provides a list of Student Aid Administration contracts in excess of \$5 million.

**Student Aid Contracts Exceeding \$5 Million  
(\$ in 000s)**

Name	Description	Vendor	Vendor Location	FY 2009 Funding
Common Services for Borrowers	Servicing and consolidation of direct student loans, and defaulted loans collection	ACS Education Solutions	Rockville, MD; Greenville, SC; Utica, NY Washington, DC Montgomery, AL; Bakersfield, CA	\$184,000
ADvance	Integration of application processing, aid awareness, and eligibility determination	Vangent Inc	Coralville, Iowa; Montgomery, AL Arlington, VA; Phoenix, AZ	\$64,885
Common Origination and Disbursement	Disbursement of Pell Grants and Direct Loans	Accenture LLP	Utica, NY; Washington, DC; Niagara Falls, NY; Columbus, GA	\$42,913
Virtual Data Center	Data center for student financial aid systems.	Perot Systems	Plano, TX	\$21,904



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### Student Aid Contracts Exceeding \$5 Million (\$ in 000s)

Name	Description	Vendor	Vendor Location	FY 2009 Funding
Enterprise Software Licenses	Maintenance for software licenses for Financial Management System and database operations.	IBM, Mythics Inc	Plano, TX	\$13,264
Financial Management System	Accounting system for Federal student aid transactions	EDS Corp	Washington, DC	\$9,179
National Student Loan Data System	Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting	Applied Engineering Management	Arlington, VA	\$9,771
Integrated Technical Architecture/Enterprise Application Infrastructure	Integration of operational data from multiple student aid systems to facilitate data exchange	Phoenix Programming Services	Kensington, MD; Washington, DC	\$7,500
Enterprise Information System	Data warehouse holding student aid transaction information for purposes of reporting, analysis, and other key functions.	Not yet determined		\$7,100
Enterprise Architecture	Maintenance of enterprise architecture that aligns the organization's technology portfolio with existing OMB requirements, IG audits, and ED's strategic plan	Vangent, Inc.	Coralville, Iowa; Washington, DC	\$5,500

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### Student Aid Contracts Exceeding \$5 Million (\$ in 000s)

Name	Description	Vendor	Vendor Location	FY 2009 Funding
Integrated Partner Management	Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other Federal student aid partners.	Perot Systems	Fairfax, VA	\$5,498

### Non-Federal Student Aid Support Activities

In addition to funds directly allocated to Federal Student Aid to manage student aid programs, \$83.9 million of the FY 2009 request is allocated to Departmental offices other than Federal Student Aid for central support activities, such as rent and central computer services; and for student-aid related activities managed by other Department offices, such as financial management systems operations related to student aid, or Office of the General Counsel support on student aid regulations.

Funding for department-wide financial management systems related to student aid will total \$16.3 million—roughly straightlined from \$16.2 million in FY 2008—to support operations and enhancement of the Oracle-based general ledger system.

Rent payments to the General Services Administration for Federal Student Aid occupied space will total \$15.5 million for FY 2009, up slightly from \$15.1 million in FY 2008.

Combined funding for central computer services and telecommunications will total \$27.9 million in 2009, supporting normal activities and enhancements to the Department's network operations. This is a marginal increase from the \$26.3 million for these activities in FY 2008.

The FY 2009 request also supports 84 FTE and a number of small contracts outside Federal Student Aid. These FTE include personnel in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer/Chief Information Officer; and Office of Planning, Evaluation, and Policy Development that work extensively on the FFEL and Direct Loan programs. Contract costs reflect activities such as the preparation of the loan portion of the Department's audited financial statement.

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### PROGRAM PERFORMANCE INFORMATION

#### Performance Measures

This section presents selected program performance information, including, for example, GPRA goals, objectives; measures, 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.

**Goal: Establish management excellence.**

**Objective:** *Deliver Federal student aid to students and parents effectively and efficiently*

Measure: Direct administrative unit costs for origination and disbursement of student aid.		
<b>Targets and Performance Data</b>		
<i>Total unit cost per transaction (whole dollars)</i>		
<b>Year</b>	<b>Target</b>	<b>Actual</b>
2006	\$4.24	\$4.02
2007	4.25	3.68*
2008	4.15	
2009	4.00	

Note: Unit costs are derived from the Department's Activity-Based Management Program using direct administrative costs. They do not include administrative overhead or investment/development costs.

\*As of 10/31/07

**Assessment of Progress:** Federal Student Aid has maintained a flat operating budget while supporting continued increases in program volume and workload. Federal Student Aid's ability to manage and control operating expenses is based on a philosophy of good fiscal management and continuous process improvement practices that increase productivity and operational efficiencies. Specifically in 2007, Federal Student Aid continued to expand the use of its ABC model to facilitate the reduction of administrative costs and identify process improvement opportunities. Additionally, Federal Student Aid continues to improve financial management of Federal Student Aid contracts through integration of performance, budget, and acquisition processes.

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**Objective:** *Deliver Federal student aid to students and parents effectively and efficiently*

Measure: Customer service level of the American Customer Satisfaction Index for FAFSA on the Web		
Targets and Performance Data		
<i>Customer service level</i>		
Year	Target	Actual
2006	80%	80%
2007	82%	80%
2008	83%	
2009	84%	

Note: Data are from the American Consumer Satisfaction Index scores and are obtained through the CFI Group.

**Assessment of Progress:** In FY 2007, *FAFSA on the Web* continued to score an 80, a high score by ACSI standards, but missed its performance target by a couple of points. *FAFSA on the Web* faces continually challenging expectations from Web-based customers that now comprise more than 90 percent of total applicants. An improved PIN Number replacement process to be implemented in 2008 should result in a higher percentage next year.

**Objective:** *Deliver Federal student aid to students and parents effectively and efficiently*

Measure: Pell Grant improper payments rate		
Targets and Performance Data		
<i>Improper payments rate</i>		
Year	Target	Actual
2006	3.48%	3.54%
2007	3.48%	4.11%
2008	3.48%	
2009	3.41%	

**Assessment of Progress:** These data are estimated from a sampling of records from Federal Student Aid's applicant file compared against statistical averages from the IRS. The improper payment rate has two parts (over- and under-awards), which are added together to estimate the overall rate. The 2007 over-award estimate shows no statistically significant change from 2006. However, the change for under-awards is statistically significant. Research and recommended actions to reduce under-awards will be developed in 2008.

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**Objective:** *Deliver Federal student aid to students and parents effectively and efficiently*

Measure: Direct Loan recovery rate		
<b>Targets and Performance Data</b>		
<i>Recovery rate</i>		
<b>Year</b>	<b>Target</b>	<b>Actual</b>
2006	19.00%	19.02%
2007	19.50%	20.08%
2008	19.75%	
2009	20.00%	

Note: The recovery rate equals the sum of collections on defaulted loans divided by the outstanding defaults.

Measure: FFEL Recovery Rate		
<b>Targets and Performance Data</b>		
<i>Recovery Rate</i>		
<b>Year</b>	<b>Target</b>	<b>Actual</b>
2006	19.30%	19.40%
2007	19.50%	19.61%
2008	19.50%	
2009	19.75%	

Note: The recovery rate equals the sum of collections on defaulted loans divided by the outstanding defaults.

**Assessment of Progress:** Targets for these measures were met in fiscal years 2006 and 2007.

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### Follow-up on PART Findings and Recommendations

The PART process identified Student Aid Administration in the 2002 PART assessment as “Adequate,” noting, “The program is the single largest source of postsecondary grant aid, awarding funds to eligible students based on a statutory formula that takes into account family income and educational costs. The program makes a unique contribution by providing a stable foundation of need-based aid for all eligible students.” Specific recommendations and corresponding actions taken are discussed below.

Recommendation: Complete development of a unit-cost framework and meaningful efficiency targets.

Actions Taken: Reported as Completed in FY 2008. Federal Student Aid has finalized the FY 2004 and 2005 activity-based costing (ABC) models, providing a 4-year baseline of data. ABC data has been used to align resources with strategic objectives and performance goals. Federal Student Aid has also incorporated ABC efficiency targets in their FY 2005 – FY 2010 Federal Student Aid Strategic Plan in the area of unit cost reduction. Federal Student Aid has upgraded ABC software with improved analysis and reporting tools.

Recommendation: Utilize developed unit-cost framework to make budgetary and management decisions.

Actions Taken: Federal Student Aid will develop and formalize internal processes through which unit-cost and efficiency data are thoughtfully considered and used as a primary driver in budget formulation and management decisionmaking. Additionally, Federal Student Aid will continue regularly using the unit-cost framework to set ambitious near and long-term targets while allowing appropriate opportunities for adjustment to address changing legislative or administrative priorities.

Recommendation: Improve program oversight and compliance.

Actions Taken: Stemming from Federal Student Aid's recent development experience with ADvance and Common Services for Borrowers, Federal Student Aid has adjusted its acquisition strategy to increase the competitive environment, increase product quality, and reduce the risk of a single point of failure. In 2008, Federal Student Aid will hire additional contract monitoring personnel, tighten internal controls, regularly work with other agencies to identify best practices, and formalize evaluation of the strategy's effectiveness.

Recommendation: Implement a new data strategy that yields more timely and accurate financial and program data.

Actions Taken: In FY 2008, Federal Student Aid committed to further defining their Data Strategy, taking into account the particular data needs of ED program and policy officials in order to facilitate program oversight and evaluation, budgetary formulation and execution, and strategic decision-making. Federal Student Aid will develop plans to incorporate these new data elements into system development requirements (in particular NSLDS and its replacement

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system, SAHM, when operational) and subsequent forms and information collections requiring OMB clearance.

Recommendation: Better integrate data into decision-making, including the development of a more comprehensive approach to eliminating program fraud and error.

Actions Taken: Reported as Completed in FY 2006.

Recommendation: Improve contract oversight and performance management.

Actions Taken: Stemming from Federal Student Aid's recent development experience with ADvance and CSB, Federal Student Aid has adjusted its acquisition strategy to increase the competitive environment, increase product quality, and reduce the risk of a single point of failure. In 2008, Federal Student Aid will hire contract-monitoring personnel and regularly work with other agencies to identify best practices and formalize evaluation of the strategy's effectiveness.

Recommendation: Maintain progress on system integration efforts.

Actions Taken: In FY 2008, Federal Student Aid will continue efforts to integrate the aid delivery processes and systems while utilizing its newly implemented acquisition strategy and revised sequencing plan. Federal Student Aid will also continue to work towards the continued implementation of their Integrated Partner Management (IPM) solution.

The ADvance initiative—to reengineer aid awareness, application origination, and disbursement business processes and systems—will continue forward, but with a different development strategy. This acquisition strategy is described on page Z-14. Two other initiatives, Common Services for Borrowers (CSB) and Student Aid History Management (SAHM), are currently in the planning phase, with work to be conducted under Data Strategy in FY 2008 to fully define development strategies to deploy the CSB and SAHM solutions. Additional detail on CSB and SAHM is provided on pages Z-17 and Z-21, respectively.

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## Federal Student Aid Organizational Structure

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