SESSION 3 Overall Fiscal Procedures for Campus-Based Programs: Funding Process, Nonfederal Share, and Transferring Funds

INSTRUCTOR'S OVERVIEW

(50 MINUTES)

A. The Funding Process (25 Minutes)
   1. Applying for Funds
   2. Allocation Process
   3. Receiving Funds
   4. Proper Use of Funds

B. Federal and Nonfederal Funding Shares (10 Minutes)
   1. Federal Supplemental Educational Opportunity Grant (FSEOG)
   2. Federal Work-Study (FWS)
   3. Federal Perkins Loan

C. Administrative Cost Allowance (ACA) (5 Minutes)

D. Transferring Funds Between Programs (5 Minutes)

E. Carry Forward/Carry Back (5 Minutes)

MAIN OBJECTIVES

◊ Participants will be able to describe the main steps in applying for campus-based program funding.

◊ Using a lab exercise, participants will be able to calculate nonfederal shares and appropriate administrative cost allowances (ACAs) for a variety of typical situations.

REFERENCES

Detailed information on this topic can be found in:

◊ *The Blue Book*, Chapter 3 - Key Fiscal Procedures in Title IV Campus-Based Programs

◊ *The 1995-96 Federal Student Financial Aid Handbook*, Chapter 6 - Federal Perkins Loan Program

◊ *The 1995-96 Federal Student Financial Aid Handbook*, Chapter 7 - Federal Work-Study Program

◊ *The 1995-96 Federal Student Financial Aid Handbook*, Chapter 8 - Federal Supplemental Educational Opportunity Grant Program

This session will discuss fiscal matters that pertain solely to Title IV campus-based programs. The three federal campus-based programs were discussed earlier in Session 1 of this workshop. They are:

- ◊ Federal Supplemental Educational Opportunity Grant (FSEOG),
- ◊ Federal Work-Study (FWS), and
- ◊ Federal Perkins Loan.

This information will be important if your institution participates in, or plans to participate in, any or all of these programs.

This session will answer questions for you such as:

- ◊ How does my institution apply for campus-based program funds?
- ◊ What allowances are available for the school's administrative costs?
- ◊ Does the institution have to make any nonfederal contribution to the programs?
- ◊ How much of the federal allocation is available for awards to students?
- ◊ If a school finds its allocation for one program is too large and the allocation for another is too small, does it have any flexibility?

Instructor's Notes

Note to Instructor: Participants from schools that do not participate in these programs might want to review this session for information in case their schools decide to reconsider the federal programs in which they participate. The minimum allocation in campus-based programs is $5,000.

Instructor's Notes

This session contains a lab exercise that will allow you to practice managing campus-based funds. It also will allow you to do calculations that are important in determining administrative cost allowances and the amount of an institution's nonfederal share under each program.

A. THE FUNDING PROCESS

1. Applying for Funds

Title IV campus-based program funds are allocated by the U.S. Department of Education (ED) to postsecondary institutions. Schools then administer these funds for their students, doing so on behalf of ED and in accordance with applicable laws and regulations.

These programs are referred to as campus-based because they are managed by schools—not by ED. As noted earlier, there are three campus-based programs: (OH 1)

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- ◊ Federal Supplemental Educational Opportunity Grant (FSEOG),
- ◊ Federal Work-Study (FWS), and
- ◊ Federal Perkins Loan.

The campus-based programs function as follows:

- ◊ Funds are allocated directly to participating schools by ED.

Instructor's Notes

- ◊ Schools determine the awards to be made to students.
- ◊ Schools disburse funds to students.
- ◊ Schools perform all administrative tasks and report to ED on their management of the programs.

To receive campus-based funds, eligible schools must apply for the funds on an annual basis.

Postsecondary institutions must also report annually on their use of Title IV campus-based funds.

One combined report accomplishes both of these tasks—the Fiscal Operations Report and Application to Participate (FISAP).

The FISAP will be covered in more detail in Session 6 of this workshop. Here, we'll be discussing the significance of completing the FISAP to receive funds for campus-based programs.

The FISAP must be submitted for each award year that the institution wishes to receive funds.

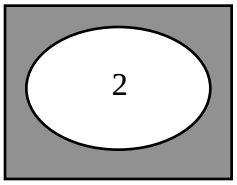
Institutions are required to apply for funds using the Electronic FISAP—the paper version has been discontinued. Electronic FISAP packages and instruction booklets are distributed to eligible institutions no later than August 1 of each year, and the completed FISAP must be submitted to ED by October 1.

Instructor's Notes

The first section of the FISAP, which schools use to apply for funds, asks about:

- ◊ the amount of funds the school is requesting for making awards to students and covering its administrative costs,
- ◊ the number of students enrolled at the school, including eligible aid applicants,
- ◊ the school's tuition and fees, and
- ◊ the school's expenditures of Federal Pell Grant funds, state grants, and scholarship funds.

As you can see on the overhead, obtaining these types of federal financial aid funds is a multi-step process. (OH 2)



Step 1: The institution submits an Electronic FISAP to ED no later than October 1.

Step 2: Also by October 1, the institution signs and mails the FISAP signature and compliance certification pages. These are the only paper items required and should be included with the FISAP submission packet to ED or mailed separately if the FISAP is transmitted by modem.

Note to Instructor:
Compliance certification pag
include drug-free workplace
anti-lobbying, and debarme
certification statements.

Step 3: During November and December, an edit and review process involves both ED and the school.

Instructor's Notes

- By November 15, ED sends institutions an edit report responding to the exact data submitted by schools on their FISAP transmissions.

- Although there are edits built into the Electronic FISAP program that schools use, these edit reports are more detailed. They include any discrepancies ED found in the institutions' data.

- On receiving the edit report, schools have the opportunity to fix any errors and change data if necessary to resolve discrepancies. The edit reports, with or without corrections, must be returned to ED by December 15.

[10 minutes so far]

- The edited FISAPs are processed by ED and funding levels are determined.

2. Allocation Process

Allocation refers to the funds available to schools for each campus-based program in which they participate.

Once FISAP edits have been reconciled, program funding levels are computed by ED. This is determined by:

◊ the participating institution's need for each program as determined by statutory formulas for FSEOG, FWS, and Federal Perkins Loan funds,

◊ the amount requested by the institution,

◊ the amount appropriated by Congress each year for each campus-based program, and

◊ the amount a school might have deobligated the prior year.*

Now let's continue with Step 4 of the funding process.

Step 4: By February, the school is notified of its tentative funding level.

Step 5: In March, the institution is notified of its initial (final) allocation. Pages 79 and 80 in *The Blue Book* shows an example of the "Official Notice of Funding" that ED sends to the institution. (OH 3)

Please take a moment and review pages 79 and 80.

» Pause a minute to allow time for the participants to find their places in *The Blue Book*.

This notice is a school's authorization to spend **up to** the amount of federal funds listed for each campus-based program for which it has requested funds.

3. Receiving Funds

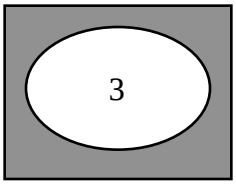
The final steps in the funding process deal with receiving funds.

Step 6: The institution may start drawing down allocated federal funds at the start of the award year, which is July 1.

The institution draws funds from ED's Payment Management System, ED/PMS. Drawdown procedures will be discussed in detail in Session 4.

Instructor's Notes

*If a school deobligates 10% or more of its final allocation, the allocation for that program for the next award year will be reduced by that same amount—unless the school can show just cause for under–utilizing the funds.



Instructor's Notes

Step 7: In late September, the school, if eligible, may receive a supplemental allocation through the reallocation process.

The Blue Book, pages 81 and 82, shows an example of the "Official Notice of Funding" for a supplemental allocation. (OH 4)

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Please turn to pages 81 and 82 in *The Blue Book*.

» Pause a minute to allow time for the participants to find their places in *The Blue Book*.

The "Official Notice of Funding" for a supplemental allocation looks quite similar to the first notice the school receives in March, but it will include detailed information only on programs where funding is being increased. The amount of increase is shown in the column labeled "Adjustment."

The new, increased total award amount is shown in the column labeled "Adjusted Award."

These additional allocations are drawn from a pool of money made available after institutions deobligate money from their prior year's allocations that they did not spend. Deobligation occurs during the months of June and July. Additional allocations are distributed shortly after that to eligible schools.

Note to Instructor:
Deobligation is discussed in more detail in Session 4.

Are there any questions about the funding process?

[15 minutes so far]

4. Proper Use of Funds

There are statutorily defined, permissible uses of funds for each campus-based program.

Instructor's Notes

FSEOG funds can be used in two ways:

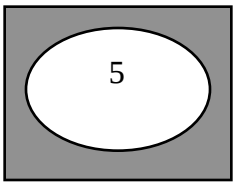
- ◊ as grants to eligible students and
- ◊ as an administrative cost allowance (ACA).

The Federal Work-Study Program is more complex, because two different programs are included under the FWS allocation:

- ◊ One of these is the FWS Program for currently enrolled students working at on-campus and off-campus jobs, including community-service jobs.
- ◊ The other is the Job Location and Development (JLD) Program, which is intended to locate and develop off-campus jobs, including community-service jobs, for all currently enrolled students.

FWS funds only can be used in the following ways: (OH 5)

- ◊ as the federal share of wages paid to students working in regular FWS jobs;
- ◊ as the federal share of wages to students employed in community-service jobs;



Note to Instructor:
Beginning in the 1994-95 award year, schools were required to spend at least 5% of their total FWS allocation to fund community-service jobs.

Instructor's Notes

- ED can waive this requirement if it determines that enforcing the requirement would create a hardship for students at the school. A request for the waiver must be submitted in writing to ED.

◊ as JLD Program expenses, up to a maximum of 10% of the FWS annual allocation **or** $50,000, whichever is less;

◊ as an administrative cost allowance (ACA) for all FWS and other campus-based program expenditures, including expenses incurred for community-service jobs;

◊ to carry forward up to 10% of the FWS annual allocation to the following award year;

◊ to carry back up to 10% of the award year's FWS annual allocation for FWS use during any part of the prior award year;

Note to Instructor: Carry forward and carry back are discussed in detail later in this session.

◊ to carry back an additional amount of an award year's FWS annual allocation for paying the federal share of wages earned by FWS students for services performed after the end of the school's academic year but before July 1 of the succeeding award year;*

*This refers to summer employment.

- The wages must have been earned after the end of the school's academic year and through June 30, the end of the award year.

- Please note that in these cases, the federal share will originally have to be paid from nonfederal sources, which can then be reimbursed with federal funds starting July 1.

Instructor's Notes

◊ and to transfer to the FSEOG Program.

- Up to 25% of the FWS annual allocation for the current award year can be transferred for use in the FSEOG Program.

- However, funds transferred to FSEOG but not spent must be returned to the FWS account by the end of the award year.

As the annual allocation is the basis for transfer and carry-forward/carry-back calculations, it is important to be clear about how this term is defined.

◊ The annual allocation for a campus-based program is the amount of federal funds in the original "Official Notice of Funding" letter **plus** any supplemental allocation received after that.

◊ It does not include any additional funds from transfer and carry-forward/carry-back activities.

The Federal Perkins Loan Program also has restrictions on how its funds can be used. (OH 6)

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The funds may be used:

◊ as loans to students;

◊ as administrative cost allowance (ACA);

◊ as transfer funds to the other campus-based programs;

- Transfers may be made to FSEOG, to FWS, or divided between the two programs.

Instructor's Notes

- The total transfer amount cannot exceed 25% of the annual allocation.

- Funds transferred to the other programs but not spent must be returned to the Perkins Loan fund by the end of the award year (June 30).

◊ as allowable collection costs and litigation expenses;

◊ to repay short-term, interest-free loans made by the school to its Federal Perkins Loan fund (overmatches); **and**

◊ as capital distributions by the school (liquidation of the Federal Perkins Loan fund).

B. FEDERAL AND NONFEDERAL FUNDING SHARES

The total amount that a school may spend on any campus-based program is a dollar figure that must include both federal and nonfederal funds.

Each program has different rules that determine what share of the total amount may come from federal funds and what share of the total amount must come from nonfederal funds.

Note to Instructor:
This nonfederal share formerly was referred to as "matching requirement."

Instructor's Notes

1. Federal Supplemental Educational Opportunity Grant (FSEOG)

Total FSEOG expenditures must contain a 25% nonfederal share.

There are three methods by which an institution may meet the 25% nonfederal share requirement for FSEOG:

- ◊ on an individual FSEOG recipient basis,
- ◊ on an aggregate basis, **or**
- ◊ on a fund-specific basis.

Please see *The Blue Book*, Section 3.2.1, Page 72. (OH 7)

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Let's look first at the **individual-FSEOG-recipient basis** method.

Using this method, a school calculates and documents on a student-by-student basis the portion of a student's FSEOG award that comes from federal funds and the portion that comes from nonfederal funds.

The institution provides its nonfederal share along with the federal share so that each individual student's total FSEOG award consists of :

- ◊ 25% nonfederal dollars and
- ◊ 75% federal dollars.

Instructor's Notes

For example, Sally Smith is awarded a $1,000 FSEOG by University A. Using this calculation method, the award would consist of:

- ◊ $250 (25% of $1, 000) in nonfederal dollars and
- ◊ $750 (75% of $1, 000) in federal dollars.

The second method of calculating nonfederal funding is by using an **aggregate basis**. In this method, the institution calculates and documents the aggregate (combined) total of federal **and** nonfederal dollars awarded to all FSEOG recipients.

This total must include the appropriate portions of federal funds and nonfederal funds.

The total of all FSEOG funds awarded must be 75% federal dollars and 25% nonfederal dollars.

For example, if a school awards a total of $50,000 in FSEOG funds, it must be sure that $37,500 (75%) comes from federal funds and $12,500 (25%) comes from nonfederal funds. (OH 8)

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The third method of calculating the nonfederal share of FSEOG funds is the fund-specific basis. In using this method, the institution establishes a fund specific to FSEOG into which it deposits federal FSEOG funds and the required 25% nonfederal share.

Once this pool of FSEOG funds is established, awards are made to students from this "mixed" fund.

Instructor's Notes

In all cases, the nonfederal share of FSEOG funds may come from sources other than the school's own funds. Allowable nonfederal sources of this funding include institutional grants and scholarships, tuition or fee waivers, state scholarships or grants, **or** foundation or other charitable organization funds.

◊ State scholarships and grants used as part of the nonfederal share cannot include State Student Incentive Grants (SSIGs).

· Further details on the eligible state funds for the nonfederal share are in *The 1995-96 Federal Student Financial Aid Handbook*, Chapter 8.

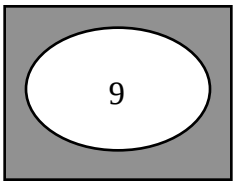
◊ The nonfederal share of FSEOG funds cannot exceed 25%.

[30 minutes so far]

2. Federal Work-Study (FWS)

An institution's federal allocation of FWS funds provides up to 75% of the school's total allowable FWS expenditures. Schools must provide at least 25% from nonfederal sources.

For example, if a school received $120,000 in federal FWS funds, it would have to provide $40,000 in nonfederal funds. (OH 9) A total of $160,000 would then be available for FWS earnings to students.



◊ Schools are allowed to provide more than the required minimum 25% nonfederal share.

◊ For FWS jobs with private, for-profit organizations, the federal share of wages paid to students must not exceed 50% of their pay. Thus, the school and/or employer must provide a nonfederal share of at least 50%.

Nonfederal FWS funds may come from any resource available to a school.

◊ A school may pay the nonfederal share from its own funds, outside funds from an off-campus employer, or a combination of both types of funds.

◊ If a student works in a community-service job for a private, nonprofit organization, that organization may pay up to the total 25% nonfederal share of the student's wages.

◊ Schools may also pay the nonfederal share to students in the form of non-cash contributions of services and equipment, such as tuition and fees, room and board, and books, **or** wages may be paid from other nonfederal fund sources.

Are there any questions?

3. Federal Perkins Loan

The amount of new Federal Perkins Loan Program funds provided to an institution by the federal government is called the federal capital contribution (FCC).

Instructor's Notes

Note to Instructor:
The school and/or the employer may contribute a nonfederal share that exceeds the required 50%.

Note to Instructor:
Maintaining good FWS Program communication among the business office, payroll department, and financial aid office is a must. Remind participants that they will need to review their institutional payroll policies with the FWS regulations and make adjustments where necessary.

Instructor's Notes

The nonfederal share that the school must provide is called the institutional capital contribution (ICC).

The ICC must equal or exceed one-third ($33^1/_3$%) of the FCC **or** one-quarter (25%) of the combined FCC and ICC.

For example, if a school receives an FCC of $3,000, it would be required to provide an ICC of at least $1,000 ($33\ ^1/_3$% of $3,000), for a combined total amount of $4,000. (OH 10)

◊ The ICC of $1,000 is $33\ ^1/_3$% of the FCC of $3,000, and 25% of the combined FCC and ICC of $4,000.

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Note to Instructor:
Schools participating in the Expanded Lending Option (ELO) are required to provide an ICC that matche the FCC dollar for dollar. This is a 50% nonfederal share and a 100% match.

The total amount of Federal Perkins Loan funds allocated to a school for a specific award year is equal to the FCC **plus** the ICC.

◊ This allocated amount is different than the amount indicated on the school's allocation letter as its approved Level of Expenditure (LOE).

- The allocated amount represents "new" money added to a school's established Federal Perkins Loan fund and is used to make loans to students.

- The LOE is the maximum dollar amount that ED allows a school to expend from its loan fund for the award year. This includes all authorized expenditures for the program, such as all loans to students, ACA, and collection costs.

  ♦ The LOE includes the total of ICC, FCC, and funds available from the school's collection of Federal Perkins Loans in repayment.

Note to Instructor:
To increase its LOE, a school goes through the appropriate ED regional administrator.

Before we continue, does anyone have any questions about the Federal Perkins Loan Program?

Instructor's Notes

[35 minutes so far]

C. ADMINISTRATIVE COST ALLOWANCE (ACA)

Institutions can receive an administrative cost allowance (ACA) for their participation in campus-based programs. This is intended to help offset the costs incurred in administering these programs.

This ACA is considered part of the institution's total campus-based program expenditures and is calculated on an annual basis.

- ◊ It is subtracted from the federal allocation received by the school.
- ◊ It is not an additional amount given to the school.

Schools may claim an ACA to help them defray costs associated with administering Title IV campus-based programs, such as salaries, furniture, travel, supplies, audits, equipment, and computer costs.

ACA may also be used to pay service fees charged by banks for maintaining campus-based program accounts and for expenses related to meeting federal student consumer information requirements.

Note to Instructor:
The administrative cost allowances for the Pell Grant Program and Direct Loan Program are payment made directly to the school on the basis of the number of Pell Grant recipients and number of Direct Loan borrowers, respectively. A Dear Colleague letter was anticipated at the time this edition was written that would explain the payment of these funds electronically

Instructor's Notes

Please turn to Section 3.3, page 76, in *The Blue Book*.

Schools calculate their ACA by using the total expenditures for the campus-based programs in which they participate. This may include one, two, or all three campus-based programs.

For the ACA calculation, "expenditures" include both the federal and nonfederal shares of:

◊ FSEOG awards disbursed to students, including both the 75% federal and 25% nonfederal shares;

◊ FWS wages paid to students, including both the 75% federal and 25% nonfederal shares; and

◊ Federal Perkins Loans advanced to students.

The ACA is calculated as follows:

◊ 5% of the total annual campus-based expenditures up to $2,750,000, **plus**

◊ 4% of the annual campus-based expenditures in excess of $2,750,000 and less than $5,500,000, **plus**

◊ 3% of the annual campus-based expenditures in excess of $5,500,000.

- For an example, let's look at the overhead. (OH 11) If a school has FSEOG expenditures of $20,000, FWS expenditures of $37,500, and Federal Perkins Loan expenditures of $29,000, the total campus-based expenditures are $86,500.

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Instructor's Notes

- Since the total campus-based expenditures are below $2,750,000, the school calculated its ACA by taking 5% of $86,500. Thus, the school's ACA is $4,325.

Once the ACA is calculated, the school can deduct its ACA from any one or a combination of any of the following sources, as long as funds were expended in the program during the award year:

◊ its annual FSEOG allocation, and/or

◊ its annual FWS allocation, and/or

◊ the cash on hand in the Federal Perkins Loan fund.

Schools can draw down ACA funds at the same time they receive funds to pay students awards **or** they can wait until the end of the award year to draw down the ACA. Keep in mind that taking the ACA reduces the total dollars available to make student awards.

ACA payments are reported on the FISAP. A worksheet is provided in the FISAP instructions to help schools with ACA calculations.

Are there any questions about the ACA?

[40 minutes so far]

D. TRANSFERRING FUNDS BETWEEN PROGRAMS

Instructor's Notes

"Transfer" refers to moving funds among current award year allocations.

As of July 1, 1993, schools may no longer transfer FSEOG funds to any other campus-based program. Previously, these transfers were permitted, but no more.

Please turn in *The Blue Book* to Section 3.4.1, page 77. (OH 12)

12

The principal transfer rules are as follows:

◊ Schools may transfer up to 25% of their FWS annual allocations to FSEOG.

- This 25% maximum is on the basis of a school's current award year allocation and includes both original and supplemental allocations.

- Additionally, FWS funds transferred to FSEOG must be counted as federal funds when determining the required nonfederal share for FSEOG.

◊ Schools may transfer up to 25% of their new Federal Perkins Loan FCC to:

- FSEOG only, **or**

- FWS only, **or**

- a combination of both FSEOG and FWS.

Note to Instructor: The transfers are reported on the FISAP. Session 6 will cover the FISAP in detail, including transfer rules.

Instructor's Notes

- ♦ If a school transfers to FSEOG and FWS, both transfers combined must not exceed the 25% maximum.

After being transferred, funds must be spent in accordance with the requirements of the program to which they have been transferred.

Any transferred funds that are not spent by the end of the award year in which the transfer was made **must** be returned to the original program.

The 25% calculation is determined on the basis of the annual allocation for the program. This is true whether your school uses all of its annual federal allocation or deobligates some of it.

- ◊ For example, even if your institution deobligates some of its FWS funds, it may still transfer up to 25% of its FWS annual allocation amount to FSEOG.

Note to Instructor:
Deobligation of funds will be discussed in detail in Session 4.

[45 minutes so far]

E. CARRY FORWARD/CARRY BACK

Please turn in *The Blue Book* to Section 3.4.2, page 78. (OH 13)

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A school may carry forward FWS funds to the next award year. Similarly, if a school needs additional funds to pay FWS wages in the current award year, the school may carry back FWS funds from the next award year's allocation.

Instructor's Notes

Only FWS allows schools to carry forward/carry back funds.

Schools are allowed to:

- ◊ carry forward up to 10% of the preceding year's FWS allocation to cover expenditures in the current award year,
- ◊ carry forward up to 10% of the current year's FWS allocation to cover expenditures in the next award year,
- ◊ carry back up to 10% of the current year's FWS allocation to cover expenditures incurred at any time in the preceding award year, and
- ◊ carry back up to 10% of the next year's FWS allocation to cover expenditures incurred at any time in the current award year.

Schools may also use the next year's FWS allocation to pay wages to students for hours worked after the end of the academic year through June 30 of the current award year (summer jobs), as we discussed earlier.

Before we begin the lab exercise, are there any questions about the transfer of funds and carry forward/carry back?

Now we're ready for the lab. The lab exercise will give you the opportunity to calculate the appropriate nonfederal shares and administrative cost allowances for a sample school.