LAB A ESTIMATING FUNDS AVAILABLE FOR AWARDS

Lab Time: 30 minutes

OBJECTIVE

You will practice estimating funds available for awards for a given award year.

OVERVIEW

In this laboratory (lab) exercise, which accompanies Session 3, you will be given the opportunity to estimate the funds available for a school to make awards under the three campus-based programs. In addition, you will calculate the administrative cost allowance (ACA) that the school can receive on the basis of its actual disbursements, earnings, and loans advanced to students.

The solutions are provided at the end of the lab exercise.

INSTRUCTIONS

Your campus has just received its "Official Notice of Funding" for the 1995-96 award year. You and the director of financial aid have been asked by the president to review the funding levels and to project:

- the total amount available for student awards under each campus based program,
- the required nonfederal share for each campus-based program, and
- the administrative cost allowance (ACA).

Step 1: Review the figures provided on the "Official Notice of Funding" in Step 2. As you can see, your school has been allocated funding under the Federal Supplemental Educational Opportunity Grant (FSEOG) Program and the Federal Work-Study (FWS) Program. Your allocation for the Federal Perkins Loan Program is provided in Step 5.

Calculate the total amount available for student awards under each of the campus-based programs using the following assumptions and the worksheet below.

- **Assumption 1**: Funds will be used only in the programs for which they are originally allocated (no transfers or carry forward/carry back).
- **Assumption 2**: The minimum nonfederal share will be used for all programs.
- **Assumption 3**: The ACA is on the basis of 5% of the first $2,750,000 of campus-based program expenditures.
- **Assumption 4**: The total estimated ACA for all programs will be taken from the Perkins Loan Fund.

Step 2: Calculate the required nonfederal share and the total amount available for student awards under FSEOG and FWS. We will calculate these amounts for the Perkins Loan Fund in Step 5. Use the worksheet below.

	"Official Notice of Funding" (Federal Share)	**Nonfederal Share**	**Total Available Funds**
FSEOG	$180,000 (75%)	$_____ (25%)	$_____ (100%)
FWS	$240,000 (75%)	$_____ (25%)	$_____ (100%)

Step 3: After reviewing the total dollar figures available for student awards, the president wants to award more grants to students. She asks if there is a way to increase the amount available for FSEOG awards? And, if there is, by how much will they increase?

Recalculate the figures for FSEOG and FWS students awards and the nonfederal share using the following assumption:

- **New Assumption**: Transfer the allowed maximum from FWS to FSEOG.

	Funding Transferred	New Federal Share	Total Available to Award
FSEOG	$_____	$_____	$_____
FWS	$_____	$_____	$_____

Step 4: Calculate the ACA for FSEOG and FWS on the basis of the projected dollars available for student awards and earnings (Step 3).

	Allowable ACA
FSEOG (5% of the projected student awards	$_____
FWS (5% of the projected student earnings)	$_____

Step 5: Calculate the nonfederal share and the estimated amount available to lend under the Perkins Loan Fund. Your federal capital contribution (FCC) is $140,000 and the total ACA for all three campus-based programs is to be taken from the Perkins Loan Fund. Use the following assumption and the worksheet on the next page.

- **Assumption 1**: $100,000 is available from collections and interest earned.

Federal Perkins New FCC		$ 140, 000
Less Estimated ACA for FWS and FSEOG	**(-)**	$_____
Remaining FCC (75% Federal Share)	**(=)**	$_____
Nonfederal Share (25% Nonfederal Share)	**(+)**	$_____
Available from Collections and Interest Earned	**(+)**	$_____
TOTAL Available for Loans and ACA	**(=)**	$_____
Federal Perkins ACA (see calculation below)	**(-)**	$_____
TOTAL Perkins Funds Available to Lend	**(=)**	$_____

Use the following calculation to determine the Federal Perkins ACA.

- Let L = Funds available for loans
- If ACA is 5%, then Federal Perkins ACA = .05L
- L + .05L = 1.05L = Total Available for Loans and ACA
- .05L = Federal Perkins ACA

Step 6: Review the solutions at the end of the lab exercise.

SOLUTIONS

Step 1: N/A

Step 2:

	"Official Notice of Funding" (Federal Share)	Nonfederal Share	Total Awards to Students
FSEOG	$180,000 (75%)	$60,000 (25%)	$240,000 (100%)
FWS	$240,000 (75%)	$80,000 (25%)	$320,000 (100%)

Calculating FSEOG funds available for awards

- Let S = Funds available for grants
- S is unknown, to be calculated
- .75S = $180,000 (Federal allocation)
- S = $180,000 ÷ .75 = $240, 000 (FSEOG funds available for grants)
- .75S = Federal share of grants to students
- .25S = Nonfederal share of grants to students

Calculating FWS funds available for awards

- Let W = Funds available for wages
- W is unknown, to be calculated
- .75W = $240,000 (Federal allocation)
- W = $240,000 ÷ .75 = $320, 000 (FWS funds available for wages)
- .75W = Federal share of wages
- .25W = Nonfederal share of wages

Step 3:

	Funding Transferred	New Federal Share	Total Available to Award
FSEOG	(+) $60,000	$240,000	$320,000
FWS	(-) $60,000	$180,000	$240,000

Calculating FSEOG funds available for awards after transferring in $60,000 (25% of the FWS allocation) from FWS to FSEOG

- FSEOG authorization *plus* transfer from FWS = $180,000 + $60,000 = $240,000
- Let S = FSEOG funds available for grants
- S is unknown, to be calculated
- .75S = $240,000 (Federal allocation *plus* transfer from FWS)
- S = $240,000 ÷ .75 = $320,000 (FSEOG funds available for grants)
- .75S = Federal share of grants to students
- .25S = Nonfederal share of grants to students

Calculating FWS funds available for awards after transferring $60,000 (25% of the FWS allocation) to FSEOG

- FWS authorization *minus* transfer to FSEOG = $240,000 - $60,000 = $180,000
- Let W = FWS funds available for wages
- W is unknown, to be calculated
- .75W = $180,000 (Federal allocation *minus* transfer to FSEOG)

- W = $180,000 ÷ .75 = $240, 000 (FWS funds available for wages)
- .75W = Federal share of wages
- .25W = Nonfederal share of wages

Step 4:

	Allowable ACA
FSEOG (5% of the projected student awards)	$16,000
FWS (5% of the projected student earnings)	$12,000

FSEOG allowable ACA

- .05 x FSEOG funds available for grants = ACA
- .05 x $320,000 = $16,000

FWS allowable ACA

- .05 x FWS funds available for wages = ACA
- .05 x $240,000 = $12,000

Step 5:

Federal Perkins New FCC		**$140,000**
Less Estimated ACA for FWS and FSEOG	**(-)**	**$ 28,000**
Remaining FCC (75% Federal Share)	**(=)**	**$112,000**
Nonfederal Share (25% Nonfederal Share) (see calculation on next page)	**(+)**	**$ 37,333**
Available from Collections and Interest Earned	**(+)**	**$100,000**
TOTAL Available for Loans and ACA	**(=)**	**$249,333**
Federal Perkins ACA (see calculation on next page)	**(-)**	**$ 11,873**
TOTAL Perkins Funds Available to Lend	**(=)**	**$237,460**

Use the following calculation to determine the Federal Perkins nonfederal share:

- Let N = total contribution (FCC + ICC)
- N = $112,000 ÷ .75 = $149,333 = total contribution
- School's ICC is 25% = .25 x $149,333 = $37,333

Use the following calculation to determine the Federal Perkins ACA.

- Let L = funds available for loans
- If ACA is 5%, then Federal Perkins ACA = .05L
- L + .05L = 1.05L = Total Available for Loans and ACA
- 1.05L = $249,333
- L = $249,333 ÷ 1.05 = $237,460
- .05L = Federal Perkins ACA = $11,873