

Department of Education
STUDENT FINANCIAL ASSISTANCE
Fiscal Year 2010 Budget Request

CONTENTS

	<u>Page</u>
Appropriations Language	Q-1
Analysis of Language Provisions and Changes	Q-2
Amounts Available for Obligation	Q-3
Obligations by Object Classification	Q-5
Summary of Changes	Q-6
Authorizing Legislation	Q-7
Appropriations History	Q-9
Summary of Request	Q-10
Activities:	
Federal supplemental educational opportunity grants	Q-12
Federal work-study	Q-17
Federal Perkins loans:	
Federal capital contributions	Q-24
Loan cancellations	Q-24
Leveraging educational assistance partnership	Q-30
College access and completion fund	Q-36
State Table	Q-38

STUDENT FINANCIAL ASSISTANCE

(including [deferral]cancellation of funds)

For carrying out subparts [1,] 3[, and 4 of part A, and part C [and part E] of title IV of the Higher Education Act of 1965,¹ [\$19,156,973,000] \$1,801,809,000, which shall remain available through September 30, [2010] 2011.²

[The maximum Pell Grant for which a student shall be eligible during award year 2009-2010 shall be \$4,860.]³

Of the funds made available under section 401A(e)(1)(D) of the Higher Education Act of 1965, [\$887,000,000 shall not be available until October 1, 2009] \$511,000,000 is permanently cancelled.⁴ (Department of Education Appropriations Act, 2009.)

NOTE

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

STUDENT FINANCIAL ASSISTANCE

Analysis of Language Provisions and Changes

Language Provision	Explanation
<p>¹ For carrying out subparts [1,] 3[,] and 4 of part A, <u>and</u> part C [and part E] of title IV of the Higher Education Act of 1965...</p>	<p>This language eliminates the legislative citations for the Pell Grant and Federal Perkins Loan programs, both of which the Budget proposes to be funded with mandatory appropriations for fiscal year 2010.</p>
<p>²... which shall remain available through September 30, [2010] <u>2011</u>.</p>	<p>This language sets the availability of funds provided under the account through the end of fiscal year 2011.</p>
<p>³ [The maximum Pell Grant for which a student shall be eligible during award year 2009-2010 shall be \$4,860.]</p>	<p>This eliminates language setting the maximum Pell Grant. This language is no longer needed under the Budget's proposal to fund the program fully through mandatory appropriations.</p>
<p>⁴Of the funds made available under section 401A(e)(1)(D) of the Higher Education Act of 1965, [\$887,000,000 shall not be available until October 1, 2009,] <u>\$511,000,000 is permanently cancelled</u>.</p>	<p>This language cancels \$511,000,000 in unobligated funds from the Academic Competitiveness Grants/SMART Grant program.</p>

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation (\$000s)

	2008	2009	2010
Discretionary appropriation:			
Regular appropriation	\$16,114,317	\$19,156,973	\$1,801,809
Across-the-board reduction	<u>-33,181</u>	<u>0</u>	<u>0</u>
Subtotal, discretionary appropriation	16,081,136	19,156,973	1,801,809
Recovery Act Supplemental (PL 111-5):			
For Federal Pell Grants	0	15,640,000	0
For Work Study	<u>0</u>	<u>200,000</u>	<u>0</u>
Subtotal, adjusted discretionary appropriation	16,081,136	34,996,973	1,801,809
Comparative transfers to <u>Federal Pell Grants</u>:			
From regular appropriation	-14,215,000	-17,288,000	0
From Recovery Act	<u>0</u>	<u>-15,640,000</u>	<u>0</u>
Subtotal, comparable adjusted discretionary appropriation	1,866,136	2,068,937	1,801,809
Mandatory appropriation:			
Regular appropriation	2,041,000	2,090,000	3,530,000
Proposed rescission	<u>0</u>	<u>0</u>	<u>-3,030,000</u>
Subtotal, mandatory appropriation	2,041,000	2,090,000	500,000
Recovery Act Supplemental (PL 111-5)	<u>0</u>	<u>643,000</u>	<u>831,000</u>
Subtotal, adjusted mandatory appropriation	2,041,000	2,733,000	1,331,000
Comparative transfers to <u>Federal Pell Grants</u>:			
From regular appropriation	-2,041,000	-2,090,000	0
From Recovery Act	<u>0</u>	<u>-643,000</u>	<u>-831,000</u>
Subtotal, comparable regular mandatory appropriation	0	0	500,000

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation - continued
(\$000s)

	2008	2009	2010
Subtotal, comparable adjusted mandatory appropriation	<u>0</u>	<u>0</u>	<u>\$500,000</u>
Subtotal, comparable adjusted discretionary and mandatory budget appropriation	\$1,866,136	\$2,068,937	2,301,809
Unobligated balance, start of year	2,190,888	483,322	2,711,198
Recovery Act unobligated balance, start of year	0	0	8,616,402
Recovery of prior-year obligations	45,981	0	0
Unobligated balance, expiring	-28	0	0
Unobligated balance, end of year	-483,322	-2,711,198	-454,350
Recovery Act unobligated balance, end of year	0	-8,616,402	-7,647,650
Comparative transfers:			
Unobligated balance, start of year to <u>Federal Pell Grants</u>	-2,187,976	-481,481	-2,711,198
Recovery Act unobligated balance, start of year to <u>Federal Pell Grants</u>	0	0	-8,616,402
Recovery of prior-year obligations to <u>Federal Pell Grants</u>	-37,600	0	0
Unobligated balance, end of year to <u>Federal Pell Grants</u>	481,481	2,711,198	454,350
Recovery Act unobligated balance, end of year to <u>Federal Pell Grants</u>	<u>0</u>	<u>8,616,402</u>	<u>7,647,650</u>
Total, direct obligations	1,875,560	2,070,778	2,301,809

STUDENT FINANCIAL ASSISTANCE

Obligations by Object Classification
(\$000s)

	2008	2009	2010
Grants, subsidies and contributions...	\$1,875,560	\$2,070,778	\$2,301,809

STUDENT FINANCIAL ASSISTANCE

Summary of Changes
(\$000s)

2009	\$1,868,973
2009 Recovery Act (non-add)	(200,000)
2010	<u>2,301,809</u>
Net change	+432,836

	<u>2009 base</u>	<u>Change from base</u>
Increases:		
<u>Program:</u>		
Increase in mandatory funding to support proposed College Access and Completion Fund.	0	<u>+\$500,000</u>
Subtotal, increases		+500,000
 Decreases:		
<u>Program:</u>		
Decrease to reflect proposal to shift Perkins Loans to a mandatory credit basis, with cancellations funded from the Federal share of repayments on existing loans.	67,164	<u>-67,164</u>
Subtotal, decreases		-67,164
Net change		+432,836

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation ¹ (\$000s)

Activity	2009 Authorized	2009 Estimate	2010 Authorized	2010 Request
Federal supplemental educational opportunity grants (<i>HEA-IV-A-3</i>)	Indefinite	\$757,465	Indefinite	\$747,465
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		Indefinite	
Federal work-study (<i>HEA-IV-C</i>)	Indefinite	980,492	Indefinite	980,492
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		Indefinite	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ⁶	Indefinite		Indefinite	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		Indefinite	
Federal Perkins loans (<i>HEA-IV-E</i>)				
Loan cancellations	Indefinite	67,164	Indefinite	0
Institutional payments (<i>HEA-IV-G-489</i>) ⁵	Indefinite		Indefinite	
Leveraging educational assistance partnerships (<i>HEA-IV-A-4</i>) ⁷	Indefinite	63,852	Indefinite	63,852
College access and completion fund (Proposed legislation)	0	0	To be determined	500,000
Recovery Act—Federal work-study (non-add)	0	(200,000)	0	0
<u>Unfunded authorizations:</u>				
Federal Perkins loans (<i>HEA-IV-E</i>)				
Federal capital contributions	Indefinite	0	Indefinite	0

STUDENT FINANCIAL ASSISTANCE
Authorizing Legislation – Continued¹
(\$000s)

Activity	2009 Authorized	2009 Estimate	2010 Authorized	2010 Request
<u>Unfunded authorizations (cont.):</u>				
Academic achievement incentive scholarships (HEA-IV-A, Chapter 3)	Indefinite	_____0	Indefinite	_____0
Total definite authorization				
Total appropriation		\$1,868,973		\$2,301,809

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

¹ Reflects FY 2010 Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts beginning in FY 2010.

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

³ Institutions are authorized to use not more than 10 percent, or \$50 thousand, of their Work-Study allocations for the cost of establishing or expanding programs to locate or develop jobs, including community service jobs, for currently enrolled students.

⁴ When the LEAP appropriation in any fiscal year exceeds \$30,000 thousand, the excess is reserved for activities authorized under Special LEAP or Grants for Access and Persistence, a new program created by the Higher Education Opportunity Act of 2008 that will replace Special LEAP after a 2-year transition period during which States may choose to participate in either program.

STUDENT FINANCIAL ASSISTANCE

Appropriations History (\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2001	\$10,258,000	\$10,150,000	\$10,649,000	\$10,674,000
2002	11,674,000	12,410,100	12,284,100	12,285,500
2002 Supplemental	1,276,000	0	0	1,000,000
2002 Supplemental (2003)	0	0	0	-950
2003	12,767,500	13,171,610	13,515,000	13,363,072
2004	14,518,500	14,247,432	14,174,115	14,007,296
2005	14,698,622	14,755,794	14,859,694 ¹	14,265,749
2006	19,771,798	19,583,752	19,403,795	19,255,404 ²
2007	14,490,057	N/A ³	N/A ³	15,542,456 ³
2008	16,419,492	17,464,883	18,409,883	18,122,136 ⁴
2009	19,921,551 ⁵	21,291,136 ^{5,6}	20,851,809 ^{5,6}	21,246,973 ⁵
Recovery Act Supplemental (P.L. 111-5)(non-add)	0	17,600,000	13,930,000	16,483,000
2010	2,301,809 ⁷			

¹Reflects Senate Committee action.

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

³This 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.

⁴Includes \$2,011 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

⁵Includes \$2,090 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

⁶The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriation bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

⁷Reflects FY 2010 Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts beginning in FY 2010.

DEPARTMENT OF EDUCATION FISCAL YEAR 2010 PRESIDENT'S REQUEST

(in thousands of dollars)						
Office, Account, Program and Activity	Category Code	2008 Appropriation	2009 Appropriation	2010 President's Budget	Change from 2009 Appropriation	
					Amount	Percent
Student Financial Assistance						
1. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	757,465	757,465	757,465	0	0.0%
(b) Federal work-study (HEA IV-C)	D	980,492	980,492	980,492	0	0.0%
(c) Federal Perkins loan cancellations (HEA IV-E): ²	D	64,327	67,164	0 ¹	(67,164)	-100.0%
Subtotal, Campus-based programs		1,802,284	1,805,121	1,737,957	(67,164)	-3.7%
2. Leveraging educational assistance partnerships (HEA IV-A-4)	D	63,852	63,852	63,852	0	0.0%
3. College access and completion fund (proposed legislation)	M	0	0	500,000	500,000	---
Total		1,866,136	1,868,973	2,301,809	432,836	23.2%
Discretionary	D	1,866,136	1,868,973	1,801,809	(67,164)	-3.6%
Mandatory	M	0	0	500,000	500,000	---
Outlays		1,847,901	1,913,883	1,899,829	(14,054)	-0.7%
Discretionary	D	1,847,901	1,913,883	1,799,829	(114,054)	-6.0%
Mandatory	M	0	0	100,000	100,000	---
Student Financial Assistance, Recovery Act						
1. Federal work-study (HEA IV-C)	D	0	200,000	0	(200,000)	-100.0%
Total	D	0	200,000	0	(200,000)	-100.0%
Outlays	D	0	42,200	87,600	45,400	107.6%
Federal Perkins Loan Program						
1. New loans subsidies (proposed legislation)	M	0	0	0	0	---
2. New net loan subsidies (non-add)	M	0	0	(497,710)	(497,710)	---
Total, Federal Perkins loan program amount	M	0	0	0	0	---
Outlays	M	0	0	(288,338)	(288,338)	---

¹ The FY 2010 Budget proposes to restructure Federal Perkins Loans as a mandatory credit program.

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

STUDENT FINANCIAL ASSISTANCE

Summary of Request

The United States has long been a global leader in postsecondary education, but recently this advantage has slipped. While the U.S. ranks 7th in terms of the percentage of 18-24 year olds enrolled in college, it ranks 15th in terms of the number of certificates and degrees awarded. There is an opportunity gap as well. Today, high-school graduates from the wealthiest families are virtually certain to continue on to higher education; while just over half in the poorest bottom quarter attend.

The President's 2010 Budget makes a historic commitment to increasing college access and success by dramatically expanding financial aid while making it simpler, more reliable, and more efficient. The FY 2010 Budget provides guaranteed funding for Pell Grants and indexes the grant above ordinary inflation. (As part of this proposal, funding for Pell Grants is moved to a dedicated mandatory appropriations account, details on which are provided in the justification for **Federal Pell Grants**, beginning on page P-1.) It also modernizes and expands the Perkins Loan program; while this proposal is discussed in this justification, funding for Perkins Loans in 2010 and subsequent years would be provided through a mandatory credit reform program account. Lastly, the budget includes \$500 million in 2010 and \$2.5 billion over 5 years for a new mandatory College Access and Completion Fund to encourage partnerships to explore effective ways to encourage needy students to enter and complete postsecondary education.

The FY 2010 budget request for this account is \$2.302 billion, \$433 million over the comparable 2009 level. This includes \$1.802 billion in discretionary funds for the Supplemental Educational Opportunity Grant, Work-Study, and Leveraging Educational Assistance Partnership programs and \$500 million in mandatory funds for a new College Access and Completion Fund. These funds, in combination with those requested in other accounts for the Federal Pell Grant and Perkins Loan programs, would provide \$36.7 billion in aid to help students pursue a postsecondary education, \$7.7 billion above the comparable level for 2009. (Total aid available is based on new budget authority and any required matching funds, less allowable administrative costs.) Together with Pell Grants and Perkins Loans, programs in the SFA account would provide student aid awards to nearly 7.6 million students.

The FY 2010 budget request for programs in the Student Financial Assistance account is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals, as well as program performance information that applies to all student assistance programs, are discussed in the **Student Aid Overview** beginning on page O-1.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

(Higher Education Act of 1965, Title IV, Part A, Subpart 3)

FY 2009 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Program funds	\$757,465	\$757,465	0

PROGRAM DESCRIPTION

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

The SEOG program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2009 fiscal year appropriation will be used for the 2009-2010 award year, which runs from July 1, 2009, through June 30, 2010.

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

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

Student participation: Students qualify for grants of up to \$4,000 by demonstrating financial need under a statutory need analysis system. By statute, institutions must give first priority for awards to students with demonstrated "exceptional need" (students with the lowest expected family contribution at the institution) who are also Pell Grant recipients. Remaining awards are then available for students with exceptional need who are not Pell Grant recipients. Approximately 6 percent of undergraduates receive SEOG awards.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

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

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

Institutional administrative provisions:

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Funding levels for the past 5 fiscal years were:

	(\$000s)
2005	\$778,720
2006	775,462 ¹
2007	770,933
2008	757,465
2009	757,465

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

FY 2010 BUDGET REQUEST

The Administration requests \$757 million for the SEOG program in FY 2010, the same as the FY 2009 level. The FY 2010 budget request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals are discussed in the Student Aid Overview beginning on page O-1.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Recipients	1,258,289	1,258,289	1,258,289
Aid available to students ¹	\$958,816	\$958,816	\$958,916
Average award (whole \$)	\$762	\$762	\$762

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

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2010 and future years, and the resources and efforts invested by those served by this program.

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG Funds by Student Status and Income Level:

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of SEOG funds to dependent and independent students at various income levels in 2006-2007. In 2006-2007, 65 percent of dependent SEOG recipients had family income levels under \$30,000 and nearly 80 percent of independent SEOG recipients had family income levels under \$20,000.

Distribution of SEOG in 2006-2007			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	50,047	\$46,974,697	\$939
\$6,000 - \$11,999	69,001	59,006,821	855
\$12,001 - \$23,999	197,008	182,209,473	925
\$24,000 - \$29,999	102,885	102,112,168	992
\$30,000 +	224,024	236,323,038	1,055
Subtotal – Dependent	642,965	\$626,626,197	\$975
Independent	774,246	\$453,882,397	\$586
TOTAL	1,417,211	\$1,080,508,594	\$762

Distribution of SEOG to Independent Undergraduates in 2006-2007			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	108,604	\$76,103,989	\$701
\$2,000 - \$ 3,999	77,505	48,753,617	629
\$4,000 - \$ 7,999	155,638	93,931,096	604
\$8,000 - \$11,999	105,444	59,915,221	568
\$12,000 - \$15,999	90,600	50,370,186	556
\$16,000 - \$19,999	73,725	39,094,156	530
\$20,000 +	162,730	85,714,132	527
TOTAL	774,246	\$453,882,397	\$586

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG Funds by Type of Institution:

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

The following table shows the distribution of SEOG to students attending different types of institutions in 2006-2007.

Distribution of SEOG by Type of Institution 2006-2007			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	410,882	\$347,256,985	\$845
Public 2-Year	336,756	152,884,941	454
Private	328,113	423,974,869	1,292
Proprietary	341,460	156,391,799	458
TOTAL	1,417,211	\$1,080,508,594	\$762

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

FY 2010 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Program funds	\$980,492	\$980,492	0
Recovery Act appropriation	200,000	0	-\$200,000

PROGRAM DESCRIPTION

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

The Work-Study program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2009 fiscal year appropriation will be used for the 2009-2010 award year, which runs from July 1, 2009, through June 30, 2010.

Institutional participation: Roughly 3,400 institutions participate in the Work-Study program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 Work-Study program base guarantee and pro rata share, and then on the basis of the aggregate need of the eligible undergraduate students in attendance. The Work-Study program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

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

- Community service. An institution must use at least 7 percent of its Federal allocation for payments to students employed in community service activities. Other Work-Study jobs that qualify as community service activities include community-accessible childcare and assistance for disabled students. The HEOA expanded the definition of community service to include emergency preparedness and response. The eligible institution, at its discretion, may count any contribution made by the employer toward the non-Federal share of the student's compensation.
- Tutoring and literacy activities. An institution must include at least one tutoring or family literacy project as part of its community service activities. Under this requirement, priority is to be given to the employment of Work-Study recipients as reading tutors in schools that are participating in a reading reform project designed to train teachers to teach reading on the basis of scientifically-based research on reading, and which is funded under the Elementary and Secondary Education Act of 1965, as amended. In 2006-2007, the last year data was collected, over 36,000 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. Work-Study funds may not be used to pay any employee who would otherwise be employed by the private organization.
- Job Location and Development. An institution may use not more than 10 percent or \$75,000 of its Work-Study allocation, for the administrative expenses associated with the establishment or expansion of a Job Location and Development (JLD) program, which locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

- Work Colleges. A “Work College” is an institution that requires all resident students to participate in a work-learning-service program as an integral part of the institution’s educational philosophy. These colleges are authorized to receive special awards in addition to their regular Work-Study allocations to support such programs. Work Colleges must match Federal allocations on a dollar-for-dollar basis. In addition, Work Colleges may transfer all of their regular Work-Study, and Perkins Federal Capital Contribution allotments for use under the Work Colleges program.
- Administrative costs. Each institution’s administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allocation from Perkins loans Federal Capital Contributions to SEOG or Work-Study (or both) and up to 25 percent of its Work-Study allocation to SEOG. Up to 10 percent of an institution’s Work-Study funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year. In addition, up to 10 percent of an institution’s Work-Study funds may, at the discretion of the institution, remain available for the next fiscal year.
- Reallocation. If funds become available because of under-utilization by institutions, excess funds are reallocated only to other institutions that used at least 5 percent of their Work-Study allocations to compensate students employed in tutoring in reading and family literacy activities in the preceding year. Reallocated funds must be used to support student employment in community service activities.
- Disasters. The HEOA adds a provision under which an eligible institution located in an area affected by a major disaster, as determined by the Secretary, may make Work-Study payments to disaster-affected students, for the period of time (not to exceed one academic year) in which the students were prevented from fulfilling their Work-Study obligations due to the disaster. Payment may be made in an amount equal to or less than the amount a student would have been paid had the student been able to complete the work obligation necessary to receive Work-Study funds. Payment may not be made to any student who was not eligible for Work-Study or was not completing the work obligation necessary to receive payment prior to the major disaster. Any payment made must meet matching requirements, unless such matching requirements are waived by the Secretary.

Student participation: Students qualify for Work-Study awards by demonstrating financial need under the general statutory need analysis system for the Federal student financial assistance programs. Hourly earnings must not be less than the current Federal minimum wage. Approximately 6 percent of undergraduates participate in Work-Study.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

The American Recovery and Reinvestment Act of 2009 included \$200 million in funding for the Work-Study program. These funds will be obligated in 2009; they will be used to augment the normal Work-Study allocation to schools for the 2009-2010 academic year.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2005	\$990,257
2006	999,523 ¹
2007	980,354
2008	980,492
2009	980,492
Recovery Act.....	200,000

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

FY 2010 BUDGET REQUEST

The Administration requests \$980 million for the Work-Study program in FY 2010, the same as the FY 2009 level. The FY 2010 budget request for this program is best understood in the context of the Administration’s proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals are discussed in the Student Aid Overview beginning on page O-1.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Recipients	780,563	944,881	780,563
Aid available to students ¹	\$1,170,845	\$1,417,322	\$1,170,845
Average award (whole \$)	\$1,500	\$1,500	\$1,500

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2010 and future years, and the resources and efforts invested by those served by this program.

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

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

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) illustrate the distribution of Work-Study funds to dependent students and the distribution to independent students at various income levels for 2006-2007.

Distribution of Work-Study in 2006-2007			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	18,599	\$25,950,184	\$1,395
\$6,000 - \$11,999	22,925	33,039,020	1,441
\$12,001 - \$23,999	67,819	98,816,504	1,457
\$24,000 - \$29,999	44,213	64,711,871	1,464
\$30,000 +	360,352	478,747,610	1,329
Subtotal - Dependent	513,908	\$701,265,189	\$1,365
Independent:			
Undergraduate	132,536	\$218,999,278	\$1,652
Graduate	48,490	122,017,853	2,516
TOTAL	694,934	\$1,042,282,320	\$1,500

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study to Independent Undergraduates in 2006-2007			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	23,689	\$38,432,467	\$1,622
\$2,000 - \$ 3,999	15,735	25,513,689	1,621
\$4,000 - \$ 7,999	29,183	49,237,464	1,687
\$8,000 - \$11,999	18,977	32,651,288	1,721
\$12,000 - \$15,999	12,606	21,345,918	1,693
\$16,000 - \$19,999	8,825	14,593,637	1,654
\$20,000 +	23,521	37,224,815	1,583
TOTAL	132,536	\$218,999,278	\$1,652

Distribution of Work-Study Funds by Type of Institution:

The Work-Study program is a campus-based program and the distribution of funds to institutions is controlled by a statutory distribution formula. As a result, the distribution of Work-Study assistance among different types of institutions has remained relatively constant over time. The table below shows the distribution of Work-Study to students attending different types of institutions in 2006-2007.

Distribution of Work-Study by Type of Institution 2006-2007			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	237,695	\$371,612,103	\$1,563
Public 2-Year	88,888	142,527,992	1,603
Private	344,888	481,032,139	1,395
Proprietary	23,463	47,110,086	2,008
TOTAL	694,934	\$1,042,282,320	\$1,500

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Community Service Activities:

The Work-Study program has a long tradition of providing opportunities for students to perform community service activities—supporting an important cooperative link between students, colleges and the local community. At least 7 percent of an institution's Work-Study allotment must be used to pay students employed in community service jobs, unless the institution obtains a waiver from the Department. Nationally, 15 percent of Work-Study funds are used for community service.

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

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

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

The table below shows the distribution of Work-Study assistance to students employed in community service activities in 2006-2007.

Distribution of Work-Study to Students in Community Service Activities in 2006-2007			
Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	44,576	\$69,362,493	\$1,556
Public 2-Year	15,466	25,351,303	1,639
Private	54,996	76,968,657	1,400
Proprietary	3,936	8,024,711	2,039
TOTAL	118,974	\$179,707,164	\$1,510

STUDENT FINANCIAL ASSISTANCE

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

FY 2010 Authorization (\$000s): (Legislation sought)

Budget Authority (\$000s):

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	\$67,164	0	-\$67,164
 New loan subsidies ¹	<u>0</u>	<u>-\$497,710</u>	<u>-497,710</u>
 Total	67,164	-497,710	-430,546

¹ Legislation is sought for 2010 to shift Perkins Loan to a mandatory credit program. (Institutions would continue to be compensated for Perkins Loan cancellations, but from Federal collections on outstanding Perkins Loans rather than discretionary appropriations.) New loan subsidies, which would be appropriated through a new Federal Perkins Loan Program account, reflect the net present value of estimated Federal non-administrative lifetime costs for loans made in a given fiscal year. A negative number indicates estimated revenues exceed estimated costs.

PROGRAM DESCRIPTION

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

The Perkins Loan program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2009 fiscal year appropriation will be used for the 2009-2010 award year, which runs from July 1, 2009, to June 30, 2010.

Institutional participation: Roughly 1,700 postsecondary institutions make loans under the Perkins Loan program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 Perkins Loan program FCC base guarantee and pro rata share, and secondly on the basis of the aggregate need of the eligible students in attendance. The Perkins Loan program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

Default rate provisions: A school's FCC allocation is reduced to zero when the institution's cohort default rate reaches 25 percent. If a school's cohort default rate is less than 25 percent, it qualifies for the full allocation amount pursuant to the statutory formula. In general, a school's participation in the program is terminated if its default rate exceeds 50 percent for three consecutive years. As of June 30, 2007, the latest data available, the FY 2006 national cohort default rate is 7.81 percent.

Institutional administrative provisions:

- Loan Servicing and collections. Schools are responsible for making loans, servicing, and collections; including the establishment of repayment schedules and borrower counseling. Most servicing and collection activities are performed by private contractors employed by the schools. Collections on existing loans are estimated to be \$1.1 billion in award year 2008-2009.
- Loan Rehabilitation. Institutions participating in the Perkins Loan program are required to establish a loan rehabilitation program for all defaulted borrowers. Loan rehabilitation allows the institution to eliminate the loan from default rate calculations. In order to rehabilitate a defaulted loan, borrowers are required to make 12 consecutive on-time monthly payments to the institution. A loan can only be rehabilitated once. The first payment of the dictated 12-month cycle is considered the first payment of a new 10-year payment cycle. Once the loan is rehabilitated, the institution must update the borrower's loan status with any credit bureau to which the default was reported.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its FCC allotment from Perkins loans to SEOG or Work-Study, or both.
- Reallocation of funds. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions based on a statutory formula. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

A borrower makes no principal repayments during in-school, grace, and deferment periods, and interest is neither paid nor accrued during these periods. During the repayment period (which normally may not exceed 10 years), interest is charged at a 5 percent annual rate. Maximum loans amounts were increased by the HEOA. The maximum annual amount a student can borrow under the Perkins Loan program is \$5,500 for undergraduates and \$8,000 for graduate and professional students; \$60,000 for the combination of undergraduate and graduate study; \$27,500 for students who have completed 2 years of undergraduate education, but have not received a bachelor's degree; and \$11,000 for all other students.

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

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

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

The areas of public service that qualify for cancellation include:

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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

- Service as a law enforcement/corrections officer or public defender.
- Nurses and medical technicians providing health care services, professional providers of qualified early intervention services; and employees of qualified child/family service in low-income communities.

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

	<u>Federal Capital Contributions</u> (\$000s)	<u>Loan Cancellations</u> (\$000s)
2005	0	\$66,132
2006	\$4,731 ¹	65,471
2007	0	65,471
2008	0	64,327
2009	0	67,164

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

FY 2010 BUDGET REQUEST

The Administration proposes to expand and restructure the Perkins Loan program as a mandatory credit program. The Administration proposes an expanded, modernized Perkins Loan program with nearly \$6 billion a year in new loan volume—six times the current Perkins volume, reaching up to 2.6 million students at as many as 2,700 additional postsecondary education institutions.

The FY 2010 budget request for this program is best understood in the context of the Administration’s proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals are discussed in the Student Aid Overview beginning on page O-1.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2008</u>	<u>2009</u>	<u>2010</u>
New loan recipients	494,576	494,576	2,585,939
Loan volume ¹ (\$000s)	\$1,103,398	\$1,103,398	\$5,769,231
Average loan (whole \$)	\$2,231	\$2,231	\$2,231

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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2010 and future years, and the resources and efforts invested by those served by this program.

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

Distribution of Perkins Loans by Student Status and Income Levels:

The tables below (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of Perkins loans to dependent students and the distribution of Perkins loans to independent students at various income levels in 2006-2007.

Distribution of Perkins in 2006-2007			
Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - \$ 5,999	14,020	\$29,425,162	\$2,099
\$6,000 - \$11,999	16,418	33,998,636	2,071
\$12,001 - \$23,999	56,079	115,732,924	2,064
\$24,000 - \$29,999	40,313	82,945,151	2,058
\$30,000 +	342,926	688,081,585	2,007
Subtotal Dependent	469,756	\$950,183,458	\$2,023
Independent:			
Undergraduate	151,628	\$298,208,335	\$1,967
Graduate	104,020	369,793,388	3,555
TOTAL	725,404	\$1,618,185,181	\$2,231

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins to Independent Undergraduates in 2006-2007				
Income Level	Recipients	Available Aid	Average Loan	
0 - \$ 1,999	21,865	\$43,835,660	\$2,005	
\$2,000 - \$ 3,999	12,561	25,317,685	2,016	
\$4,000 - \$ 7,999	26,096	50,111,796	1,920	
\$8,000 - \$11,999	19,538	37,991,739	1,945	
\$12,000 - \$15,999	16,219	31,493,686	1,942	
\$16,000 - \$19,999	11,584	22,812,540	1,969	
\$20,000 +	43,765	86,645,229	1,980	
TOTAL	151,628	\$298,208,335	\$1,967	

Distribution of Perkins Loans by Type of Institution:

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

The table below illustrates the sector distribution of Perkins loans to students in 2006-2007:

Distribution of Perkins by Type of Institution 2006-2007			
Institution Type	Recipients	Available Aid	Average Loan
Public 4-Year	349,456	\$743,204,579	\$2,127
Public 2-Year	9,317	15,929,875	1,710
Private	337,986	808,189,137	2,391
Proprietary	28,645	50,861,590	1,776
TOTAL	725,404	\$1,618,185,181	\$2,231

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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

FY 2009 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Program funds	\$63,852 ¹	\$63,852 ¹	0

¹Under HEA section 415A(b)(2), when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP or, beginning in FY 2009, Grants for Access and Persistence (GAP). (GAP was created by the Higher Education Amendments of 2008 and will replace Special LEAP after a 2-year transition period in which States can choose between the 2 programs.) For both 2009 and 2010, \$33.9 million is authorized for Special LEAP/GAP.

PROGRAM DESCRIPTION

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

LEAP is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2009 fiscal year appropriation will be used for the 2009-2010 award year, which runs from July 1, 2009, through June 30, 2010.

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

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

State matching and maintenance of effort requirement: States must, at a minimum, match LEAP grants dollar-for-dollar with State funds provided through direct State appropriations for this purpose. They must administer the program under a single State agency agreement and meet maintenance-of-effort criteria (based on the average annual aggregate expenditures for the preceding 3 fiscal years or the average annual expenditure per full-time equivalent student for those years). States may use up to 20 percent of their LEAP allocation in support of campus-based work-learning jobs that provide community services.

Special LEAP: The HEOA created the Grants for Access and Persistence program (described below) and eliminated the Special LEAP program; during a 2-year transition period beginning in 2009, States can choose to continue to participate in Special LEAP rather than the new GAP. When the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for Special LEAP (or, beginning in 2009, GAP). Funds under Special LEAP are allocated to States under the same statutory formula as LEAP grants. States must meet certain maintenance of effort criteria (based on the aggregate expenditures per student or aggregate by the State, from non-Federal sources in the second preceding fiscal year) and match the Federal funds on a 2-to-1 basis, ensuring that the Federal share of the cost of authorized activities is not more than 33 $\frac{1}{3}$ percent. Funds awarded to a State under Special LEAP may be used to pay the Federal share of the cost of the following authorized activities:

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

Grants for Access and Persistence (GAP): The HEOA eliminated the Special LEAP program as of 2009 and created GAP. (For 2 years after the date of enactment of the HEOA, States may choose to continue to participate in Special LEAP rather than GAP.) As with Special LEAP, when the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for GAP.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

The GAP program is intended to:

- expand or enhance partnerships with institutions of higher education; early information and intervention, mentoring, or outreach programs; private corporations; philanthropic organizations; and other interested parties, including community-based organizations, to provide coordination and cohesion among Federal, State, and local governmental and private efforts that provide financial assistance to help low-income students attend an institution of higher education;
- provide need-based grants for access and persistence to eligible low-income students;
- provide early notification to low-income students of the students' eligibility for financial aid; and
- encourage increased participation in early information and intervention, mentoring, and outreach programs.

States applying for GAP funding must form partnerships with not less than one public and one private degree-granting institution of higher education; not less than one philanthropic organization or private corporation; and new or existing early information and intervention, mentoring, or outreach programs. All partners must be located in the State applying for the GAP funding. State funding applications must include a description of and organizational structure for planned partnership activities, an assurance that matching funds would be provided and description of the sources of these funds, and an assurance that funds would be used to supplement rather than supplant existing Federal and State activities. In allocating GAP funds, the Department is required to ensure that awards for States that continue to meet the specifications of a previous application are not less than the amount received in the previous year.

The Federal share of the cost of GAP activities is 66 percent for States whose partnerships include institutions whose combined full-time enrollment represent a majority of all students attending institutions of higher education in the State; the Federal share drops to 57 percent for States not meeting this requirement. The non-Federal share of the cost of GAP activities can be provided in cash or in-kind contributions such as the provision of room and board, transportation passes, or other activities that help a student meet the cost of attendance at an institution of higher education.

States receiving GAP funds must establish partnerships to award grants to eligible low-income undergraduate students.

- Grants must at least equal the average undergraduate tuition and mandatory fees at the public institutions of higher education in the State where the student resides that are of the same type of institution as the student attends; less other Federal and State aid the student receives.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

- To be eligible to receive a grant, students must meet not less than two of the following criteria, with priority given to students meeting all the criteria:
 - An expected family contribution equal to zero, as determined under the Federal need analysis formula or a comparable alternative established by the State under the LEAP program;
 - Eligibility for the maximum State award under the LEAP program; or
 - Current or past participation in a Federal, State, institutional, or community early outreach program, as recognized by the State agency administering the GAP program.
- Students who receive a GAP grant in one year must continue to receive grants until they complete their undergraduate education, provided funding is available and the student continue to meet eligibility criteria in subsequent years. (States may impose reasonable time limits for degree completion.)

States receiving GAP funds also must annually notify low-income students in grades 7 through 12 in the State, and their families, of their potential eligibility for student financial assistance, including an access and persistence grant, to attend an institution of higher education.

States participating in GAP may reserve not more than 2 percent of the funds awarded under the program for related administrative functions.

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

Student participation: Students must demonstrate need under a need analysis system established by the State and approved by the Secretary in order to qualify for a LEAP grant or work-learning job. States have broad discretion in establishing other student eligibility requirements. Participating States make awards to full-time students, and 25 States also make awards to part-time students. Ten States serve graduate as well as undergraduate students.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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

	(\$000s)
2005	\$65,643
2006	64,987
2007	64,987
2008	63,852
2009	63,852

Note—Amounts include \$35.6 million in 2005, \$35.0 million in 2006 and 2007, and \$33.9 million in 2008 and 2009 for Special LEAP/Grants for Access and Persistence (GAP), pursuant to HEA section 415A(b)(2), which states that when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP authorized under section 415E. (The Higher Education Opportunity Act of 2008 replaced Special LEAP with GAP beginning in 2009; States may choose between the programs during a 2-year transition period.)

FY 2009 BUDGET REQUEST

The Administration requests \$63.8 million for the LEAP program in FY 2010, the same as the FY 2009 level. The FY 2010 budget request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals are discussed in the Student Aid Overview beginning on page O-1.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2008</u>	<u>2009</u> ¹	<u>2010</u> ¹
Recipients	161,556	161,556	161,556
Aid available to students ²	\$161,556	\$161,556	\$161,556
Maximum grant (whole \$)	\$5,000	\$5,000	\$5,000
Average grant (whole \$)	\$1,000	\$1,000	\$1,000

¹ Estimate assumes States choose to participate in Special LEAP in 2009 and 2010, and that Special LEAP funds are used for grant awards.

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

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

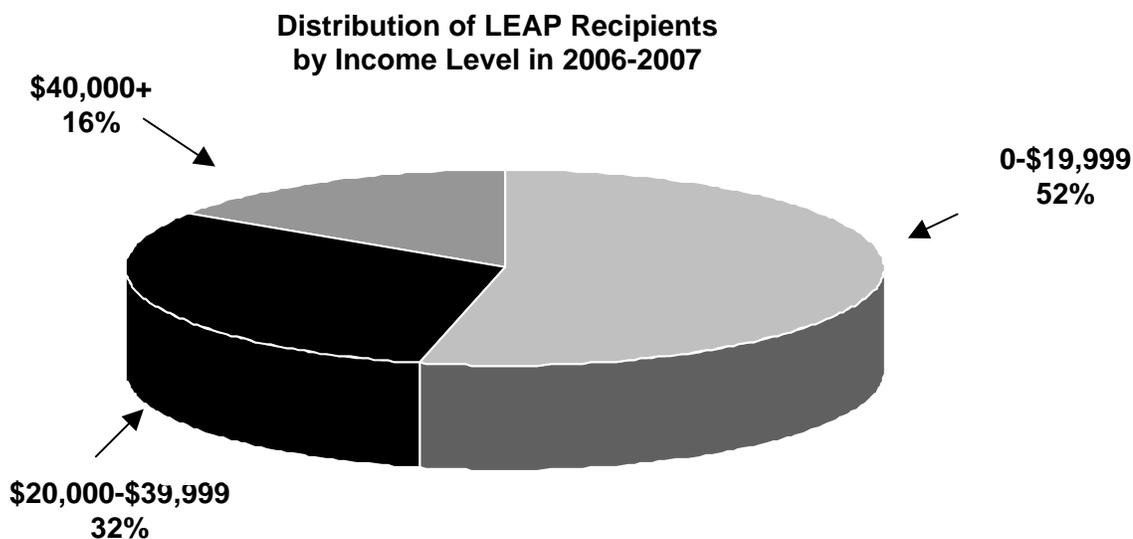
PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2010 and future years, and the resources and efforts invested by those served by this program.

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

Distribution of LEAP Recipients By Income Level:

As the chart below illustrates, LEAP-supported grant programs serve the neediest students. Over half of Federal LEAP funds leverage financing of awards for students with a family income under \$20,000 a year. LEAP funding utilized for work-study programs finances almost 5,000 community service work-study positions. The chart below shows the percentage of total LEAP recipients by income level in 2006-2007.



STUDENT FINANCIAL ASSISTANCE

College Access and Completion Fund
(Legislation sought)

FY 2010 Authorization (\$000s): To be determined

Budget Authority (\$000s):

	<u>2009</u>	<u>2010</u>	<u>Change</u>
Program funds	0	\$500,000	+\$500,000

FY 2010 BUDGET REQUEST

The FY 2010 Budget Request includes a 5-year, mandatory \$2.5 billion investment in improving degree attainment rates in higher education and identifying and promoting what works in helping needy students get a degree. To succeed in the global economy, the nation must do better at enrolling students in higher education and helping them graduate. Today, high-school graduates from the wealthiest families are virtually certain to continue on to higher education, while just over half of graduates from the poorest families do.

Even when Americans can afford to begin their postsecondary education, they too often are not able to finish. Only about half of college students graduate within 6 years; for low-income students, the completion rate is closer to 25 percent. Among students with the highest test scores, 74 percent of high-income students get 4-year degrees, but only 29 percent of needy students do. These statistics are troubling, since research shows completing college yields benefits key to lifelong earnings.

There is currently little national focus on increasing college completion, although many programs address the general issue. To encourage efforts to increase enrollment, particularly among low-income families, the Leveraging Educational Assistance Partnership (LEAP) program currently provides States roughly \$64 million a year to foster investment in need-based aid; beginning in 2009, the newly created Grants for Access and Persistence program will allow States to focus some of these funds on efforts to encourage college completion. Programs like TRIO and GEAR-UP provide a broad array of outreach and student support services, while some States and nonprofit organizations also conduct college outreach and information efforts with funds they receive through guaranty agency entitlements in the Federal Family Education Loan (FFEL) Program.

These and other efforts have yielded promising research on how to increase college enrollment and completion. The proposed College Access and Completion Fund program would expand that knowledge base by allowing States to test, evaluate and bring to scale experiments in encouraging completion. This Federal-State partnership builds on ideas Congress included in the Higher Education Opportunity Act, such as the state Grants for Access and Persistence program designed to complement LEAP.

STUDENT FINANCIAL ASSISTANCE

College Access and Completion Fund

Engaging States through this program increases the likelihood the effort will drive practical, real-world results for students, families, and schools, since State and local governments provide the bulk of the operating funds for public colleges, which enroll 76 percent of undergraduate students.

Method of Allocation: The method of allocating funds to States and national activities will be developed in consultation with Congress. Grantees would have considerable flexibility in the types of programs that can be funded, with an emphasis on programs with data for evaluation and improvement. Schools may also benefit from the current Experimental Sites authority, which allows regulatory waivers for programs to improve persistence. The Administration also intends to reach out to the philanthropic community as potential partners. States could set aside a portion of their funding to continue college outreach and information activities now provided through FFEL subsidies.

PROGRAM OUTPUT MEASURES

Program output measures will be determined after funding allocation and other specific program provisions are developed. Measures could include the number of awards and the average size and duration of program activities.

STUDENT FINANCIAL ASSISTANCE

Leveraging Educational Assistance Partnership

State or Other Area	2008 Actual	Recovery Act Estimate	2009 Estimate	2010 Estimate	Change from 2009 Estimate
Alabama	442,030	0	442,033	442,033	0
Alaska	126,621	0	126,622	126,622	0
Arizona	507,505	0	507,507	507,507	0
Arkansas	187,862	0	187,863	187,863	0
California	10,525,120	0	10,525,173	10,525,173	0
Colorado	878,730	0	878,734	878,734	0
Connecticut	883,624	0	883,628	883,628	0
Delaware	203,385	0	203,386	203,386	0
District of Columbia	577,282	0	577,285	577,285	0
Florida	2,014,049	0	2,014,059	2,014,059	0
Georgia	517,679	0	517,681	517,681	0
Hawaii	122,067	0	122,068	122,068	0
Idaho	149,370	0	149,371	149,371	0
Illinois	3,592,893	0	3,592,911	3,592,911	0
Indiana	1,599,294	0	1,599,302	1,599,302	0
Iowa	320,498	0	320,500	320,500	0
Kansas	825,746	0	825,750	825,750	0
Kentucky	976,700	0	976,705	976,705	0
Louisiana	422,970	0	422,972	422,972	0
Maine	230,650	0	230,652	230,652	0
Maryland	543,710	0	543,713	543,713	0
Massachusetts	958,505	0	958,509	958,509	0
Michigan	1,232,211	0	1,232,217	1,232,217	0
Minnesota	1,244,487	0	1,244,493	1,244,493	0
Mississippi	251,452	0	251,453	251,453	0
Missouri	587,090	0	587,093	587,093	0
Montana	220,471	0	220,472	220,472	0
Nebraska	573,362	0	573,365	573,365	0
Nevada	148,830	0	148,830	148,830	0
New Hampshire	278,769	0	278,771	278,771	0
New Jersey	2,097,332	0	2,097,343	2,097,343	0
New Mexico	405,962	0	405,965	405,965	0
New York	6,759,721	0	6,759,756	6,759,756	0
North Carolina	1,489,596	0	1,489,604	1,489,604	0
North Dakota	79,859	0	79,859	79,859	0
Ohio	3,170,557	0	3,170,573	3,170,573	0
Oklahoma	866,559	0	866,563	866,563	0
Oregon	1,027,223	0	1,027,228	1,027,228	0
Pennsylvania	3,514,565	0	3,514,583	3,514,583	0
Rhode Island	355,489	0	355,490	355,490	0
South Carolina	696,162	0	696,166	696,166	0
South Dakota	0	0	0	0	0
Tennessee	1,294,884	0	1,294,890	1,294,890	0
Texas	4,362,310	0	4,362,332	4,362,332	0
Utah	589,082	0	589,085	589,085	0
Vermont	200,849	0	200,850	200,850	0
Virginia	1,703,217	0	1,703,226	1,703,226	0
Washington	1,814,552	0	1,814,562	1,814,562	0
West Virginia	580,809	0	580,812	580,812	0
Wisconsin	1,342,049	0	1,342,055	1,342,055	0
Wyoming	49,827	0	49,828	49,828	0
American Samoa	5,711	0	5,712	5,712	0
Guam	20,429	0	20,429	20,429	0
Northern Mariana Islands	977	0	977	977	0
Puerto Rico	266,494	0	266,496	266,496	0
Virgin Islands	14,497	0	14,497	14,497	0
Freely Associated States	0	0	0	0	0
Indian set-aside	0	0	0	0	0
Undistributed (non-State allocations)	0	0	0	0	0
Total	63,851,677	0	63,852,000	63,852,000	0