

Department of Education
STUDENT AID ADMINISTRATION
Fiscal Year 2011 Budget Request

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STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, 4, [and] 9, and 10¹ of part A, and parts B, C, D, and E of title IV of the Higher Education Act of 1965, [\$870,402,000, which shall remain available until expended]² \$1,170,231,000: *Provided*, That unobligated balances of funds provided under this paragraph at the end of fiscal year 2011 not needed for fiscal year 2011 shall remain available until expended to invest in Federal Student Aid information technology hardware and software infrastructure, including related equipment and non-payroll administrative expenses associated with this information technology infrastructure.³ (*Department of Education Appropriations Act, 2010.*)

NOTE

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

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Analysis of Language Provisions and Changes

Language Provision	Explanation
¹ ...[and] <u>9, and 10</u>	This language, which provides funds for subpart 10 of part A of title IV of the Higher Education Act of 1965, is included.
² [\$870,402,000, which shall remain available until expended]	This language, which provided for funds to be available until expended, without any conditions on the use of such funds, is deleted.
³ <u>Provided, That unobligated balances of funds provided under this paragraph at the end of fiscal year 2011 not needed for fiscal year 2011 shall remain available until expended to invest in Federal Student Aid information technology hardware and software infrastructure, including related equipment and non-payroll administrative expenses associated with this information technology infrastructure</u>	This language provides for the availability of funds to remain available until expended, but limits the use of such funds for investment in information technology infrastructure including related equipment and associated non-payroll administrative expenses. This language is necessary in order to provide transparency in the management and costs associated with student aid administrative expenses.

STUDENT AID ADMINISTRATION

Amounts Available for Obligation (\$000s)

	2009	2010	2011
Discretionary authority:			
Appropriation	\$753,402	\$870,402	\$1,170,231
Recovery Act supplemental (PL 111-5)	<u>60,000</u>	<u>0</u>	<u>0</u>
Subtotal, adjusted discretionary appropriation	813,402	870,402	1,170,231
Unobligated balance, start of year	609	56,261	0
Recovery Act unobligated balance, start of year	0	31,184	0
Recovery of prior-year obligations	27,174	0	0
Unobligated balance, end of year	-56,261	0	0
Recovery Act unobligated balance, end of year	<u>-31,184</u>	<u>0</u>	<u>0</u>
Subtotal, direct obligations	724,924	926,663	1,170,231
Subtotal, Recovery Act direct obligations	<u>28,816</u>	<u>31,184</u>	<u>0</u>
Total, direct obligations	753,740	957,847	1,170,231

STUDENT AID ADMINISTRATION

Obligations by Object Classification (\$000s)

Object Class	2009	2010	2011
11.10 Full-time permanent	\$104,080	\$120,886	\$156,683
11.31 Full-time temporary	2,928	0	0
11.32 Part-time	604	0	0
11.33 Consultants	93	0	0
11.51 Overtime	61	75	75
11.52 Awards	2,574	3,310	3,510
Compensation subtotal	110,340	124,271	160,268
12.00 Benefits	28,252	31,680	39,243
Comp/benefits subtotal	138,592	155,951	199,511
21.00 Travel	2,180	3,688	3,812
22.00 Transportation	11	0	0
23.10 Rental Payments to GSA	16,880	16,703	17,380
23.31 Communications	5,020	2,395	130
23.32 Postage/fees	23	464	464
Subtotal 23	21,923	19,562	17,974
24.00 Printing & Reproduction	3,009	2,961	3,631
25.10 Advisory and Assistance Svcs	6,624	4,684	5,092
25.21 Other Services	20,387	32,469	30,958
25.22 Training/Tuition/Contracts	1,588	2,677	3,170
25.30 Goods/Services from Gov't	23,616	23,097	18,158
25.40 Operations/Maint of Facilities	174	202	250
25.71 Operations/Maint of Equipment	57	54	33
25.72 IT Services/Contracts	503,650	679,173	883,302
25.72 IT Services/Contracts, Recovery	28,816	31,184	0
Subtotal 25	584,912	773,540	940,963
26.00 Supplies	292	504	578
31.10 IT Equipment/Software	2,714	1,341	3,312
32.00 Building Alterations	96	300	450
43.10 Interest and Dividends	11	0	0
Subtotal, obligations	724,924	926,663	1,170,231
Subtotal, Recovery obligations	28,816	31,184	0
Total, obligations	753,740	957,847	1,170,231

STUDENT AID ADMINISTRATION

Summary of Changes
(\$000s)

2010.....	\$870,402
2011.....	<u>1,170,231</u>
Net change	+299,829

	<u>2010 base</u>	<u>Change from base</u>
Increases:		
<u>Built-in:</u>		
Increase in personnel compensation for the Governmentwide 2.0 percent 2010 pay raise and proposed 1.4 percent 2011 pay increase.	\$120,886	+\$7,649
Increase in benefits for the Department's share of health, retirement, and other benefits.	31,680	+673
Increase in GSA rental payments due to anticipated rate increases and tax escalation.	16,703	+677
<u>Program:</u>		
Increase in personnel compensation and benefits for 263 additional FTE to implement the loan purchase programs, as well as address ongoing deficiencies in the areas of oversight of ongoing programs and monitoring program compliance of participants.	152,566	+35,038
Increase in information technology contracts primarily for increased servicing costs needed to effectively manage the loan purchase programs and anticipated volume increase in the Federal Direct Loan program.	622,912	+260,390
Increase in IT equipment/software	1,341	+1,971
Increase in printing	2,961	+670

STUDENT AID ADMINISTRATION

Summary of Changes (\$000s)

	<u>2010 base</u>	<u>Change from base</u>
Increases:		
<u>Program:</u>		
Increase in training	\$2,677	+\$493
Increase in advisory & assistance contracts	4,684	+408
Increase in awards	3,310	+200
Increase in building alterations	300	+150
Increase in travel	3,688	+124
Increase in supplies	504	+74
Increase in maintenance/operations of facilities	202	<u>+48</u>
Subtotal, increases		+308,565
Decreases:		
<u>Program:</u>		
Decrease in goods and services from the Government	23,097	-4,939
Decrease in communications	2,395	-2,265
Decrease in other services	32,469	-1,511
Decrease in maintenance/operations of equipment	54	<u>-21</u>
Subtotal, decreases		-8,736
Net change		+299,829

STUDENT AID ADMINISTRATION

Authorizing Legislation
(\$000s)

Activity	2010 Authorized	2010 Estimate	2011 Authorized	2011 Request
Student aid administration (Higher Education Act of 1965, section 141(i))	<u>Indefinite</u>	<u>\$870,402</u>	<u>Indefinite</u>	<u>\$1,170,231</u>
Total definite authorization	0		0	
Total appropriation		870,402		1,170,231

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STUDENT AID ADMINISTRATION

Appropriations History (\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2003	\$936,386	\$105,388	\$105,388	\$104,703
2004	947,010	120,010	104,703	116,727
2005	934,639	120,247	121,000	119,084
2006	939,285	124,084	120,000	118,800
2007	733,720	N/A ¹	N/A ¹	719,914 ¹
Rescission (PL 110-28)				-500
Transfer (PL 110-05)				-1,464
2008	708,216	708,216	708,216	695,843
2009	764,000	714,000 ²	704,843 ²	753,402
Recovery Act supplemental (PL 111-5)	0	50,000	0	60,000
2010	870,402	870,402	870,402 ³	870,402
2011	1,170,231			

¹ This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

² The levels for the House and Senate allowances reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

³ The level for the Senate allowance reflects Committee action only.

DEPARTMENT OF EDUCATION FISCAL YEAR 2011 PRESIDENT'S REQUEST

(in thousands of dollars)

Office, Account, Program and Activity	Category Code	2009 Appropriation	2010 Appropriation	2011 President's Budget	Change from	
					2010 Appropriation	2010 Appropriation
			Amount	Amount	Amount	Percent
Student Aid Administration (HEA I-D and IV-D, section 458)						
1. Student aid administration:						
(a) Salaries and expenses	D	521,771	534,763	673,404	138,641	25.9%
(b) Servicing Activities	D	231,631	335,639	496,827	161,188	48.0%
Total	D	753,402	870,402	1,170,231	299,829	34.4%
Outlays						
	D	748,000	738,000	998,000	260,000	35.2%
Student Aid Administration, Recovery Act (HEA I-D and IV-D, section 458)						
1. Salaries and expenses						
	D	60,000	0	0	0	---
Outlays						
	D	1,000	59,000	0	(59,000)	-100.0%

NOTE: Category Codes are as follows: D = discretionary program, M = mandatory program.

STUDENT AID ADMINISTRATION

Student aid administration

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

FY 2011 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Salaries and Expenses:			
Personnel costs	\$155,951	\$199,511	+\$43,560
Non-personnel costs, excluding Loan servicing activity costs	<u>378,812¹</u>	<u>473,893</u>	<u>+95,081</u>
Subtotal, salaries and expenses	534,763	673,404	+138,641
Loan servicing activity costs	<u>335,639²</u>	<u>496,827</u>	<u>+161,188</u>
Total, student aid administration	870,402	1,170,231	+299,829
FTE employees	1,194	1,457	+263

¹ Total non-personnel costs, excluding loan servicing, are \$409,174 thousand in FY 2010. This amount includes \$30,362 thousand in Student Aid Administration carryover funds in addition to FY 2010 appropriated funds.

² Total loan servicing costs are \$399,531 thousand in FY 2010. This amount includes \$6,808 thousand in Federal Direct Student Loans Administration carryover funds, \$25,900 thousand in Student Aid Administration carryover funds, and \$31,184 thousand in Student Aid Administration, Recovery Act carryover funds in addition to FY 2010 appropriated funds.

PROGRAM DESCRIPTION

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

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

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

During the 2008–2009 award year, Federal Student Aid delivered or supported the delivery of approximately \$142 billion in grant, work-study, and loan assistance to almost 16.2 million postsecondary students and their families. These students attend approximately 6,200 active institutions of postsecondary education accredited by dozens of agencies. Students receive loans from approximately 2,900 lenders with 35 agencies guaranteeing those loans.

The Federal Pell Grant Program is the foundation for Federal financial assistance. It helped ensure financial access to postsecondary education by disbursing \$18.3 billion in Pell Grants to 6.2 million low- and middle-income undergraduate students during the 2008–2009 award year. The maximum Pell Grant award was \$4,731 for the 2008–2009 award year, and is \$5,350 for the 2009–2010 award year.

The Iraq and Afghanistan Service Grants become effective July 1, 2010, and will provide non-need-based grants for students whose parent or guardian was a member of the Armed Forces who died in Iraq or Afghanistan as a result of performing military service after September 11, 2001. Service Grants are equal to the maximum Pell Grant for a given award year.

The Academic Competitiveness Grant (ACG) and the National Science and Mathematics Access to Retain Talent (SMART) grant programs are created to assist Pell-eligible, U.S. citizens attending degree-granting institutions. The ACG program provides grants to first and second-year undergraduates who have completed a rigorous high school curriculum. During the 2008–2009 award year, \$343 million in ACG awards were disbursed to 452,000 students. The National SMART grant program provides grants of up to \$4,000 to third- and fourth-year undergraduates majoring in certain fields of science, mathematics, technology, engineering or critical foreign languages. For the 2008–2009 award year, \$201 million in National SMART grants were disbursed to approximately 71,000 students. These programs will expire in FY 2011.

The Department's Campus-Based programs--the Federal Supplemental Educational Opportunity Grant, the Federal Work-Study, and the Federal Perkins Loan Programs--provide funds directly to eligible institutions, enabling them to offer grants, employment, and low-interest loans based on student need. During the 2008–2009 award year, approximately \$3.5 billion was disbursed through 2.8 million campus-based awards. The Budget supports legislation that has passed the House and is pending in the Senate that would make campus-based, low-interest loans more widely available through a new modernized Federal Direct Perkins Loan program, which would make available \$6 billion for the 2011–2012 award year.

Federal Student Aid administers two State formula grant programs. The Leveraging Educational Assistance Partnership (LEAP) program makes Federal funds available to assist

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States in providing student financial assistance programs for individuals with substantial financial need. The Special Leveraging Educational Assistance Partnership (SLEAP) program makes Federal funds available to States to supplement a third of the cost of their LEAP programs. The Higher Education Opportunity Act of 2008 (HEOA) eliminated the SLEAP program beginning in the 2011–2012 award year and created the Grants for Access and Persistence (GAP) program. After the date of enactment of the HEOA, States only had the option of participating in SLEAP during the 2009–2010 award year; however, there is an option to participate in either SLEAP or GAP during the 2010–2011 award year and during the 2011–2012 award year GAP will be the only option. As with SLEAP, when the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for GAP. During the 2008–2009 award year, about \$162 million in LEAP grants were distributed to approximately 162,000 students.

The College Cost Reduction and Access Act of 2007 (CCRRA) established the Teacher Education Assistance for College and Higher Education (TEACH) grant. The TEACH grant provides up to \$4,000 a year in grant assistance to students who agree to teach in high-poverty schools for at least four years within eight years of their graduation. During the 2008–2009 award year, 15,000 grants totaling almost \$37 million were disbursed.

The William D. Ford Federal Direct Loan Program and the Federal Family Education Loan (FFEL) Program account for the remainder of the Department's financial assistance for postsecondary education. The Federal Direct Loan Program lends funds directly to students through participating schools by providing subsidized and unsubsidized loans; interest on subsidized loans is paid by the Government during qualified periods of in-school, grace, and deferment, while interest on unsubsidized loans is not paid by the Government, but accrues at the time of disbursement and is paid by the borrower. In addition, Federal Plus loans provide parents the ability to borrow on behalf of their undergraduate children and allow graduate students the opportunity to borrow additional funds. The program is funded by borrowings from the U.S. Treasury, as well as an appropriation for subsidy costs. In FY 2009, the Department made \$29.7 billion in loans (not including consolidations) to 3.1 million recipients.

The FFEL Program provides the same eligibility requirements and loan limits as the Federal Direct Loan Program; however, instead of funds being directly disbursed by the Government to borrowers, lenders provide funds to borrowers, which are insured by loan guaranty agencies and then reinsured by the Government. In FY 2009, the Department guaranteed approximately \$67 billion in loans (not including consolidations) to 6.5 million recipients.

As a result of uncertainty in the financial markets, the Ensuring Continued Access to Student Loans Act of 2008, (PL 110-227) (ECASLA) provided the Department a mechanism whereby private lenders maintained access to capital needed to make Federal student loans. Under the ECASLA authority, the Department has implemented four programs since July 1, 2008, to ensure students and families have access to FFEL loans through the 2009–2010 award year:

- Loan Participation Purchase Program under which the Department bought an interest in 2008–2009 loans.
- Loan Purchase Commitment Program under which lenders sold the Department 2008–2009 loans.

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- Short-Term Purchase Program under which lenders sold the Department \$1 billion in 2007–2008 loans; this program ended in February 2009.
- Asset-Backed Commercial Paper Conduit under which the Department guarantees it will purchase 2004–2005 through 2008–2009 loans used to support commercial paper issuances.

The Department purchased approximately \$48.5 billion in 2008–2009 loans through the 2008–2009 Loan Participation and Loan Purchase Commitment Programs. The Loan Participation Purchase Program and the Loan Purchase Commitment Program are also available for loans disbursed during the 2009–2010 academic year. Detailed information on these programs is available online at <http://Federalstudentaid.ed.gov/ffelp>.

The American Recovery and Reinvestment Act of 2009 provided Student Aid Administration an additional \$60 million to support loan servicing. In FY 2009, \$20 million was used for loan servicing for ECASLA and \$8.8 million was used for the National Student Loan Data System. In FY 2010, the remaining \$31.2 million will be used for loan servicing by the Title IV Additional Servicers.

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

	(\$000s)
2006	\$118,800
2007	717,691
2008	695,843
2009	753,402
Recovery Act.....	60,000
2010.....	870,402

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

FY 2011 Priorities

The Department has identified the following immediate goals for Student Aid Administration:

- Deliver high quality services to customers.
- Provide operational excellence at the right cost structure.
- Protect the American taxpayers with strong governance and oversight of schools, lenders, borrowers, GA's, and vendors.
- Ensure the operational integrity of the Federal student aid ecosystem.
- Protect the Department's information, intellectual, and physical assets.
- Build strong working relationships with all key stakeholders.

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The FY 2011 budget request supports each of these immediate goals. Specific priorities in FY 2011 include:

1. Effectively managing substantial increases in origination and servicing volume.
2. Staffing Federal Student Aid with the personnel necessary to achieve its goals and accomplish its mission.
3. Simplifying the student financial aid delivery process.
4. Redesigning and improving information systems.

Effectively managing substantial increases in origination and servicing volume

The number of borrowers serviced by the Department has doubled within the last year due largely to volume purchased through ECASLA. In addition, pending legislation would dramatically increase the Department's origination and servicing volume by transitioning all new Federal student loan volume to the Direct Loan Program. To provide adequate servicing capacity, in June 2009, the Department entered into performance-based contracts with four companies: American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA); Great Lakes Education Loan Services; Nelnet, Inc.; and Sallie Mae Corporation to service a portion of the Federal student loan portfolio. Together, these performance-based contracts are referred to as the Title IV Additional Servicers (TIVAS).

TIVAS began servicing purchased loans under ECASLA starting in September 2009 and will originate and service 100 percent of all new Direct Loans starting August 2010. TIVAS provide the Department with necessary capacity to support the increase in the number of loans owned by the Department and to ensure borrowers receive the assistance they need to manage their Federal student loans effectively. The incumbent servicing contract, Common Services for Borrowers (CSB), will continue to service the existing Direct Loan portfolio. In addition, CSB will service new Federal Direct Loan borrowers through July 2010.

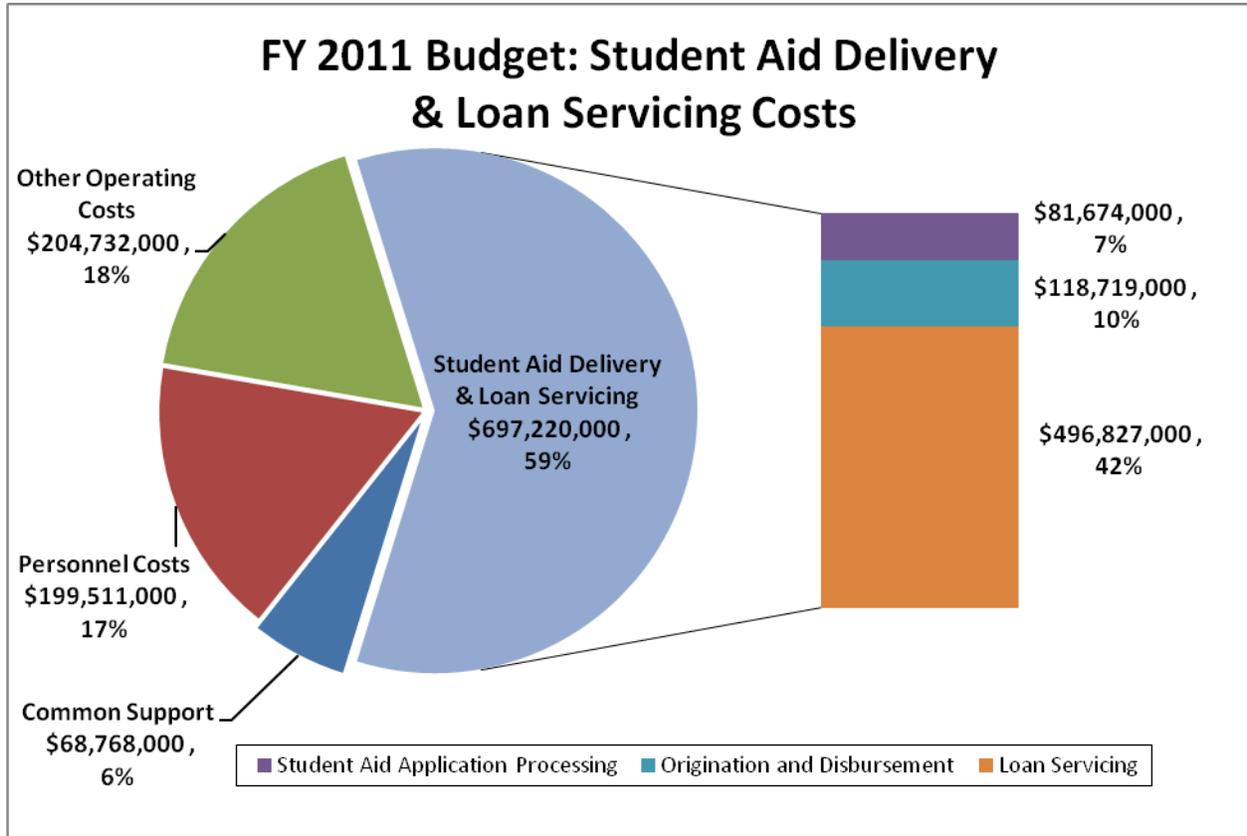
TIVAS' contracts are constructed to foster savings through implementation of a low pricing schedule which also encourages the vendor to keep borrowers in repayment. TIVAS' contracts encourage competition by allowing the Department to allocate loan volume based on customer satisfaction and default aversion. For instance, borrowers will be surveyed and servicers with an excellent performance rating on customer satisfaction as well as low default rates will be awarded additional loan volume. In addition, TIVAS will be required to be in compliance with Federal requirements or risk losing their current loan volume.

The 2011 budget request includes \$697.2 million in costs associated with student aid application processing, loan origination, disbursement, and loan servicing. Application processing costs (\$81.7 million) are included in the Front End Business Integration Operations (FEBO) contract, while the costs to originate and disburse loans are covered by the Common Origination and Disbursement (COD) contract (\$118.7 million). Loan servicing costs of \$496.8 million are largely split between CSB and TIVAS.

The following chart compares these essential student aid delivery and servicing costs to the rest of the Student Aid Administration budget request. In the future, student aid delivery and loan servicing costs may comprise an even larger percentage of the total of the budget as more

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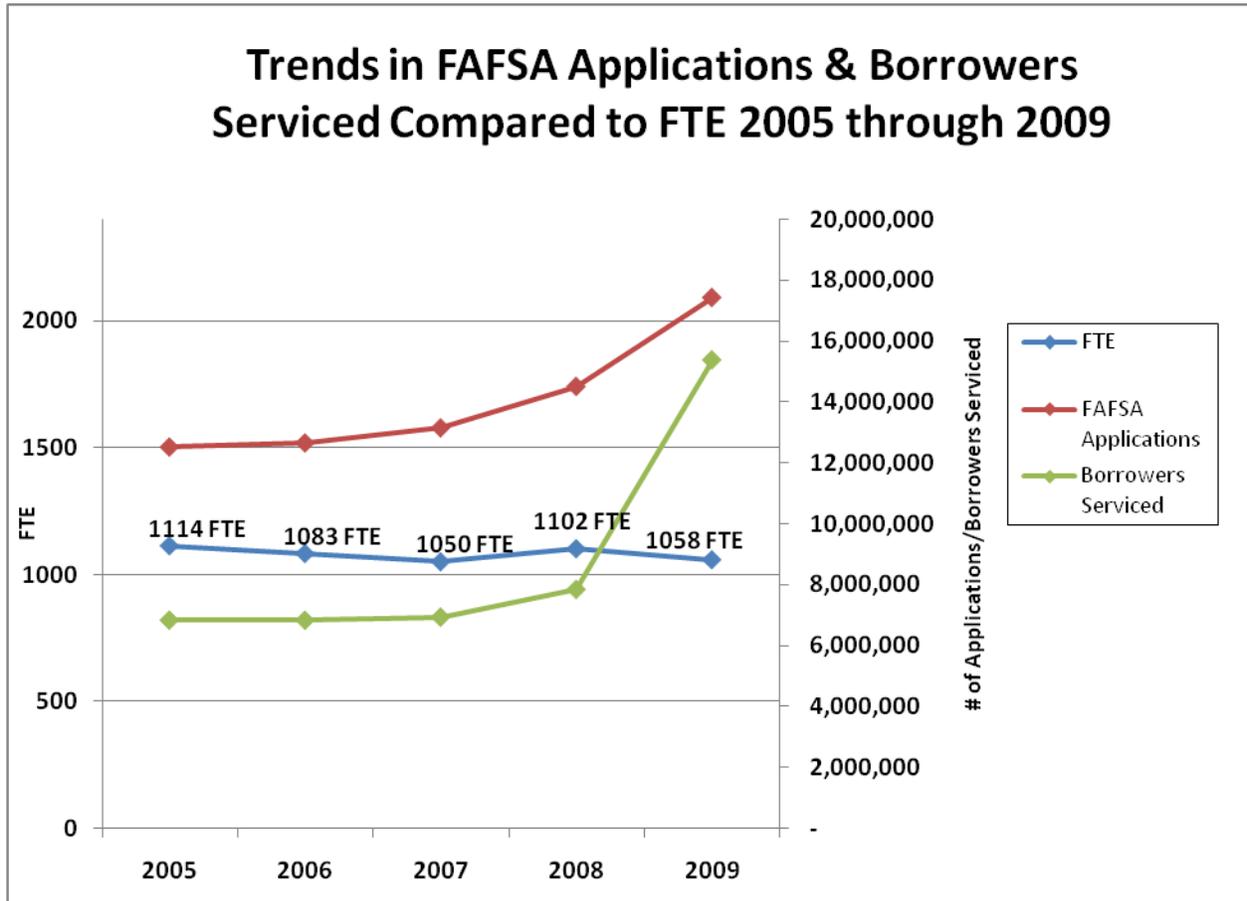
students continue to apply for student aid and the Department takes on an increasing loan servicing responsibility.



Staffing FSA with the personnel necessary to achieve its goals and accomplish its mission

In recent years, the Department has managed to meet increases in student aid administration operating costs while reducing FTE. In fact, annual FTE usage for the Student Aid Administration account has decreased from 1,114 in 2005 to 1,058 in 2009. These decreases have occurred while the Department's responsibilities have grown, from increases in student aid applications processed and loans originated and serviced to the creation of completely new programs such as Academic Competitiveness Grants/SMART and the ECASLA loan purchase programs. However, while the Department has been able to largely manage the increased workload, personnel losses have come at some cost—insufficient capacity to provide adequate programmatic and contractor oversight, as well as a growing inability to keep up with the changes necessary to not only implement major new policy initiatives, but ensure the integrity of existing operations. The following chart compares recent increases in student aid volume with the personnel available to manage and oversee it.

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The FY 2010 FTE usage is 1,194. The requested FTE usage increase is 263, reflecting planned hiring of 182 staff in FY 2011. Expected on-board staff will be 1,499 by the end of FY 2011. Most of the anticipated hiring can be classified into a few broad categories.

Direct Loans and ECASLA

Pending legislation before Congress would increase the number of Direct Loan schools from 1,800 to 6,000 and result in approximately 5.8 million new Federal Direct Loan borrowers for academic year 2010–2011. In addition, ECASLA has increased the complexity of Federal Student Aid’s oversight responsibilities. The Department’s FY 2011 request is for 28 additional staff to support the enhanced need for Federal Direct Loan program administration, school reconciliation support, school training resources, call center oversight, ECASLA audits, and funding/payment validation for ECASLA lenders.

Program and Contract Oversight

Recent Government Accountability Office and Department of Education Inspector General reports have been critical of the Department’s oversight of Federal Student Aid

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programs. The Department is requesting an additional 64 staff to increase the level of oversight activities—for example, by increasing program reviews of schools and lenders by 57 percent. Each staff member is responsible for approximately 2–4 program reviews depending on the type of the program.

Financial and Performance Management

The Department is requesting an additional 15 staff to perform risk and internal review activities, validate that corrective actions identified in GAO and OIG reports are complete or in-process, monitor performance measures in annual and strategic plans to improve overall organization performance, and procure and manage the increasing contract workload.

Human Resources Management

In order to significantly increase hiring capacity, as well as manage the growing workforce, the Department is requesting an additional 14 staff for human resources management. These personnel will be performing a wide variety of human resources activities such as staffing, employee/labor relations, training evaluation, orientation, and physical security.

The remainder of the requested staff (61) will perform a variety of functions: such as 1) re-implementing the Federal Employee Salary Offset Program, in order to improve collections of delinquent Federal debt (9 additional staff), 2) enhancing communications with Federal Student Aid participants (10 additional staff), 3) continuing the implementation of Federal Student Aid initiatives (3 additional staff), 4) providing essential performance testing, change management, operations management, data quality management, and data governance of student aid systems (39 additional staff).

Simplifying the Aid Delivery Process

The recent reauthorization of the Higher Education Act requires the Department to simplify the financial aid process. Specifically, Congress directed the Department to: make the Free Application for Federal Student Aid (FAFSA) more consumer-friendly by making questions on the FAFSA easy for applicants to read and understand; develop a simplified form for students from low-income backgrounds; and establish a pilot program that uses submitted tax information to inform dependent students of possible Federal aid award amounts by the fall of their senior year.

The FY 2011 budget request will be used to support data analysis and define high level requirements for the simplification approach laid out in the Report to Congress on Efforts to Simplify the Free Application for Federal Student Aid (FAFSA). These activities will ensure that Federal Student Aid is eliminating barriers and decreasing the difficulty in the application process by providing the necessary resources to students and parents.

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Redesigning and Improving Information Systems

The Department is continuing to integrate information systems supporting the Federal student financial assistance programs. These projects are necessary in order to provide efficient access to data, reduce data inconsistency, improve oversight, and ensure effective data security. Considering the projected growth of borrowers serviced by the Department, and the accompanying increase in data residing on Department systems, it is critical to ensure that data is available for use and protected. In 2011, major Department systems integration efforts include Integrated Partner Management, Comprehensive Security Program, Person Record Management System, National Student Loan Data System, and Gateway.

Integrated Partner Management (IPM)

Through process reengineering and automation, IPM will provide improved eligibility, enrollment, and oversight processes used to manage schools, school servicers, lenders, lender servicers, guarantee agencies, private collection agencies, State agencies, Federal agencies, accrediting agencies, auditors, and owners of institutions that are publicly traded as they administer Title IV financial aid. By consolidating these disparate systems into one solution, IPM will reduce duplicate and conflicting data storage, complex system architectures, excessive file exchange activities, and the lack of a centralized view of our partners, ensuring all customers and employees have access to the same current institutional eligibility and oversight data. In 2011, \$7.7 million is being requested for this systems integration effort.

Comprehensive Security Program (CSP)

The Department is requesting \$5 million for a comprehensive security program which encompasses all planned security and privacy safeguard activities in addition to those already provided by primary services contracts to the Department. The Comprehensive Security Program consists of the following four initiatives: Cyber Security Team, Trusted Internet Connection, Managed Security Services Program, and Security and Privacy Support. The Comprehensive Security Program will protect Federal Student Aid data and systems from increasingly sophisticated and effective malicious exploits and hidden persistent threats by: monitoring security measures, consolidation of network traffic through the Trusted Internet Connection which is mandated by OMB and the Department of Homeland Security, continual surveillance with national defense tools, and a centralized point of contact for security issues through the Security and Privacy Support initiative which complies with the Federal Information Security Management Act and requires reporting security status to OMB quarterly.

Person Record Management (PRM)

The Department is requesting \$4.9 million to develop a master data hub that consolidates information about a person's demographic data throughout the student aid cycle. This is Phase II of a multi-year effort to create a centralized system of record that will integrate person-specific data between systems and improve tracking information. PRM will serve as the master record of a person's demographic information. This initiative will make it easier to track a person's information, avoid identity conflicts, and also prevent overpayment of Federal student aid by accurately identifying aid recipients.

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National Student Loan Data System (NSLDS) - Reengineering

The Department is requesting \$1.3 million to continue the reengineering of NSLDS. The Department plans to initiate an extensive multiple phase reengineering effort over the next several years in order to replace the current NSLDS and move to a more integrated NSLDS starting in FY 2010. This effort will improve the management and monitoring of borrowers' financial aid history by developing and implementing consistent data standards. The new system is imperative for improving data quality and standardization. In addition, these changes will improve productivity and enable NSLDS to become a central source of data for researchers and staff in order to manage and perform extensive analyses on the student aid portfolio.

Gateway

In 2011, Gateway will replace Student Aid Internet Gateway (SAIG). This replacement is needed since the SAIG technology is outdated and unable to effectively guard against security threats. Gateway will provide improved security, real-time data transfer and enhanced communication with Federal Student Aid's external partners. In 2011, \$0.7 million is being requested to implement Gateway and \$1.5 million to sustain SAIG during the period of transition.

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FY 2011 BUDGET REQUEST

The Department requests \$1.170 billion to administer the Federal Student Aid programs in FY 2011, a net increase of \$300 million—or 34.4 percent—more than the expected FY 2010 appropriation, primarily due to increased application, origination, and servicing costs. These expenses are necessary in order to manage the higher loan volume, ensure the operational integrity of Federal Student Aid systems, and provide high quality service to students and parents.

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

	<u>FY 2010</u>	<u>Percent</u>	<u>FY 2011</u>	<u>Percent</u>
	<u>Appropriation</u>	<u>of Total</u>	<u>Request</u>	<u>of Total</u>
Personnel Compensation & Benefits	\$156.0	18.0%	\$199.5	17.0%
Information Technology Contracts (Loan Servicing)	335.6	38.5%	496.8	42.5%
Information Technology Contracts (Non-Servicing)	287.3	33.0%	386.5	33.0%
Other Non-Servicing Activities	<u>91.5</u>	<u>10.5%</u>	<u>87.4</u>	<u>7.5%</u>
Total SAA	870.4	100.0%	1,170.2	100.0%

Personnel Compensation and Benefits The Department requests \$199.5 million in FY 2011 for personnel compensation and benefits (PC&B) related to student aid administration, an increase of \$43.5 million over the FY 2010 appropriation. The request provides funding for 1,457 FTE, an increase of 263 from FY 2010. The additional FTE are needed to manage the FFEL loans purchased through ECASLA, ensure adequate capacity to originate 100 percent of all new loans through the Federal Direct Loan program, and meet the need for more oversight and compliance of schools, lenders, and guarantee agencies. Personnel compensation and benefits account for 17.0 percent of the Department's total request in 2011.

Information Technology Contracts (Loan Servicing) Loan servicing costs of \$496.8 million are presented separately from other student aid administration operating costs to provide greater transparency on the main driver of the overall budget request. Loan servicing costs account for 42.5 percent of the total request in 2011.

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Information Technology Contracts (Non-Servicing) The Department requests \$386.5 million in FY 2011, or 33.0 percent of overall student aid administration costs, mainly for private-sector contracts to effectively manage the financial aid application, origination, and disbursement processes and provide quality service to students and parents.

Other Activities Other activities include non-information technology contracts, interagency agreements, communications, travel, training, postage, supplies, and equipment. The Department requests \$87.4 million for these activities. The 2011 request is a decrease of \$4.1 million from 2010, due to anticipated decreases in goods and services from the Government and communications. This category comprises 7.5 percent of the total request in 2011.

Major Information Technology Projects

The Department is requesting \$883.3 million for Information technology projects in 2011, 75.5 percent of the total request. This is an increase of \$260.4 million over the FY 2010 appropriation. The majority of the funds are needed for the processing of requests for student financial assistance and the delivery of aid to students. Of this amount, \$779.3 million, 88.2 percent, will support the core business functions of student aid application, origination, and disbursement processes and loan servicing during the entire life of the loan.

The following contracts directly support these functions:

	(\$ in millions)
Common Services for Borrowers and Title IV Additional Servicers (TIVAS)	\$496.8
Common Origination and Disbursement	118.7
Front End Business Integration Operations	81.7
Virtual Data Center	58.0
National Student Loan Data System	10.3
Integrated Partner Management	7.7
Financial Management System	<u>6.1</u>
Total	779.3

Each major information technology project is highlighted in the following section.

Common Services for Borrowers (CSB) and Title IV Additional Servicers (TIVAS) \$496.8 million

CSB and the TIVAS provide a full range of servicing functions on student loans such as processing of payments by students in repayment status, debt collection, and loan consolidation. Customer services range from call centers to system maintenance and enhancements. The performance-based deliverable pricing structure of the contracts encourages the contractor to avert borrower delinquency, and move delinquent borrowers to repayment status. The FY 2011 request reflects increased funding needs due to projected increases in servicing volume. The major driver of the increase in volume is the result of pending legislation that would shift to originate all new loans through the Federal Direct Loan program beginning in July 2010.

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In June 2009, the Department contracted with four additional loan servicers to handle anticipated increases in servicing volume. The use of TIVAS will ensure adequate servicing capacity to handle the increased servicing volume, as well as foster improved performance through competition.

Common Origination and Disbursement (COD) - \$118.7 million

The COD system enables approximately 6,200 eligible institutions of higher education to originate and disburse approximately \$41 billion of Title IV Federal Student Aid funds. These funds are disbursed to approximately 9.6 million eligible students/recipients each award year under the Federal Direct Loan program, Federal PELL, ACG/SMART, and TEACH grant programs. The COD system also provides a help desk and customer service center to assist institutions with processing data and managing their administration of Federal Direct Loans and grants.

Front End Business Integration (FEBI) - \$81.7 million

FEBI includes the Central Processing System (CPS), Federal Student Aid Information Center (FSAIC), and Editorial Services. CPS provides a centralized system for processing the Free Application for Federal Student Aid (FAFSA) and determining aid eligibility. CPS processes each submitted FAFSA through a series of data checks, formula calculations, and verification data matched with other Federal agency databases. The widespread (over 98 percent) acceptance of FAFSA on the Web as the preferred method of applying for Federal student aid has substantially increased the efficiency and accuracy with which Federal Student Aid processes over 16 million applications annually. CPS also sends eligibility notifications to applicants, schools, and State agencies.

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

Virtual Data Center (VDC) - \$58.0 million

The VDC supports a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. The VDC is a large central site at Dell/Perot Systems that hosts 75 applications necessary to deliver student financial aid. The operation of a consolidated data center creates economies of scale for hosting systems and other core services, resulting in lower costs. Funding of the VDC will ensure continued high quality technical and operational support of the infrastructure and systems where the Title IV delivery applications reside.

National Student Loan Data System (NSLDS) - \$10.3 million

Congress mandated the creation of the NSLDS in the Higher Education Amendments and required the system to include detailed information regarding Title IV aid. The requirements include capturing the number of loans and grants made and providing for the electronic

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exchange of data between program participants and the system. The FY 2011 funding request is for the operational and maintenance costs associated with NSLDS. NSLDS is a system that stores and collects borrower data from borrowers, schools, lenders, and guaranty agencies. This comprehensive information is essential for calculating student loan indebtedness of borrowers, budget formulation, portfolio management and policy analysis. NSLDS is used to calculate cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculate statutory guaranty agency payments. NSLDS collects an extensive amount of information on borrowers in order to ensure that information is consistent and data quality is accurate for proper analyses. NSLDS will be reengineered over the next several years.

Integrated Partner Management (IPM) - \$7.7 million

Through process reengineering and automation, IPM will provide improved eligibility, enrollment, and oversight processes used to manage interactions with schools, school servicers, lenders, lender servicers, guarantee agencies, private collection agencies, State agencies, Federal agencies, accrediting agencies, and auditors as they administer Title IV financial aid. These processes are currently scattered among the following disparate systems: Application for Approval to Participate in Federal Student Financial Aid Programs; eZ-Audit; Electronic Records Management; Postsecondary Education Participants System; Participation Management portion of the Student Aid Internet Gateway; and Financial Management System. By consolidating these into one solution, IPM will reduce duplicate and conflicting data storage, complex system architectures, excessive file exchange activities, and the lack of a centralized view of our partners, ensuring all customers and employees have access to the same current institutional eligibility and oversight data. The funding request is for both the operation of IPM and development.

Financial Management System (FMS) - \$6.1 million

FMS consolidates and manages all Federal Student Aid program transactions from Federal Student Aid's feeder systems. FMS facilitates reconciliation and internal program management and reporting. The system tracks and manages payment processing for Federal Direct Loan originations and processes refunds to borrowers for overpaid loans and payments to lenders and guarantee agencies. It also performs validations and reasonability checks to minimize erroneous payments.

Other Information Technology Contracts

Enterprise Software Licensing - \$18.5 million

Federal Student Aid purchases software directly from software vendors to leverage enterprise license agreements within Federal Student Aid, the Department, and other Federal agencies. This strategy provides Federal Student Aid the flexibility to continue to drive down software costs while exercising better control over software assets. The license agreements support all of the systems hosted at the Virtual Data Center. The funding request also includes technical support and renewal of maintenance agreements for all Federal Student Aid and VDC supported software. The request also includes second year maintenance costs for software purchased in FY 2010.

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Integrated Technical Architecture (ITA) - \$5.3 million

ITA facilitates the exchange of data from Federal Student Aid's data partners (e.g., schools, lenders, guaranty agencies, and loan servicers) and among the various student aid systems.

Comprehensive Security Program - \$5.0 million

The Comprehensive Security Program protects Federal Student Aid data and systems from increasingly sophisticated and effective malicious exploits and hidden persistent threats. It works in collaboration with new Governmentwide programs to use enhanced tools and services in Federal Student Aid. In FY 2011, all traffic into and out of the Virtual Data Center and the Department EDUCATE environments will be monitored. The Comprehensive Security Program includes the following initiatives:

- **Cyber Security Team:** independently monitors the continuous security measures that are to be followed by the contractors who operate Federal Student Aid systems and ensures contractors remedy security deficiencies promptly.
- **Trusted Internet Connection (TIC):** mandated by OMB and Department of Homeland Security (DHS). TIC consolidates Internet and external network traffic into a portal that is monitored continuously by special computers supplied by the United States-Computer Emergency Readiness Team (US-CERT), DHS. US-CERT provides agency specific information about confirmed or suspected threats and on-going exploits so corrective action as directed by DHS may be taken.
- **Managed Security Services Program:** adds round-the-clock surveillance, with special national defense tools, and forensic analysis of hidden threats, to the comprehensive security program.
- **Security and Privacy Support:** provides a centralized point of contact and response for security and privacy issues across Federal Student Aid for those managing IT infrastructure and for those who work with personally identifiable information. Through this initiative Federal Student Aid certifies system security officers, tracks security incident responses, and maintains secure accredited systems.

Person Record Management System (PRM) - \$4.9 million

PRMS will create a single non-Social Security Number-based identifier and a single master set of demographic data for all students, parents, and borrowers interacting with Federal Student Aid systems. This will reduce data inconsistency, increase data quality, and facilitate the tracking of a person's data throughout the student aid lifecycle (awareness, application, disbursement, and repayment).

Enterprise Integration Services - \$3.5 million

The Enterprise Integration Services project, formally referred to as Enterprise Architecture, ensures that information technology projects are aligned with business strategy and that Federal

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Student Aid's technology investments result in systems that are interoperable and non-duplicative.

Integrated Student View - \$3.5 million

The Integrated Student View will integrate 15 student Web sites into one Web site. Users will have better access to information from various Federal Student Aid systems such as COD, CPS, NSLDS, and DLSS.

Gateway and SAIG - \$2.2 million

Federal Student Aid currently uses a store-and-forward mailbox, called Student Aid Internet Gateway (SAIG), to exchange data with schools, lenders, guaranty agencies, and other entities. SAIG allows more than 9,000 customers to transmit data to Federal Student Aid over the Internet.

In FY 2011, Federal Student Aid will replace SAIG with Gateway. The goal of Gateway is to provide improved security, real time data transfer, and enhanced communication with Federal Student Aid's external partners. Gateway will provide a single secure access point for Federal Student Aid and external partners to exchange data and utilize shared services. All inbound and outbound information will flow through Gateway. The FY 2011 request is asking for \$0.7 million to implement Gateway and \$1.5 million to sustain SAIG during the transition.

Enterprise Data Management (EDM) - \$1.8 million

Federal Student Aid is engaged in a long-term effort to integrate its processes, data, and systems. To better support these business objectives, Federal Student Aid has established the EDM program. EDM consistently defines data and makes standardized data available across the enterprise by providing information services and data technology expertise to business owners, project managers, and architects. EDM ensures that data standards are maintained across development efforts. As an example, EDM standardized 90 percent of COD data and has published it in an Intranet repository so that other development efforts can access and use the data.

Enterprise Performance Testing (EPT) - \$1.8 million

EPT isolates and identifies software or infrastructure defects that can only be identified when the system is operating under normal and/or peak production loads. The EPT team designs and implements automated performance tests that simulate these production operating loads. Without EPT services, defects that would be identified during performance testing would be introduced into the production environment, potentially disrupting the operation of the system and breaching personally identifiable information.

Communication Strategy Outreach - \$1.6 million

Federal Student Aid's communication strategy seeks to help all Americans understand the benefits of postsecondary education, raise awareness of Federal financial assistance programs and Federal Student Aid resources, and improve the consistency of all Federal Student Aid's

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print and electronic communications across the various web sites and publications. Federal Student Aid incorporates national, multi-media Public Service Announcements targeted to students and parents. The FY 2011 request targets outreach to underrepresented populations in additional markets and supports expansion of the National Training for Counselors and Mentors program.

eCampus-Based - \$1.5 million

The eCampus-Based system addresses the congressionally mandated activities of providing Campus-Based funds to eligible Title IV institutions. The Federal Direct Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant Programs are referred to as Campus-Based programs because the Department allocates these funds to participating institutions for students who need financial aid to meet the costs of postsecondary education. The eCampus-Based system uses Web-based technologies, which improve service, reduce improper payment of student aid, and strengthen financial management and internal controls by providing relevant and timely information in the management of day-to-day operations.

Enterprise Portal - \$1.4 million

The Enterprise Portal provides a single, managed environment that all developers can share to deliver new web capabilities such as personalization, collaboration, profile management, content management, alerts, and workflow. This infrastructure allows developers to use a shared information technology environment to build personalized views targeted to different customer segments. Federal Student Aid's long-term vision migrates 73 web sites into a portal environment which will simplify the online experience for all users. The views will evolve iteratively, where developers will release the initial view and continually provide enhancements throughout the year. The FY 2011 request will enable Federal Student Aid to deliver additional releases of functions and views to support the maturing business areas and systems.

Security Architecture - \$1.1 million

Security Architecture ensures secure operation of Title IV information systems. The request in 2011 will support the procurement, configuration, connectivity testing, application integration, maintenance, and production support of the hardware/software tools that constitute Federal Student Aid's security architecture. These authentication and authorization tools enable Federal Student Aid to prevent unauthorized access to protected information, web based applications, and e-business infrastructure.

The future vision for security architecture is to provide consistent access control, authorization, and auditing across the Federal Student Aid enterprise. It is envisioned that all major business systems will utilize this infrastructure. The project realizes several benefits, including reductions in application development, maintenance, hardware/software costs, as well as the establishment of a common set of technical standards and reusable business processes.

Major SAA contracts

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

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

Name	Description	Vendor	Vendor Location	FY 2011 Funding
Common Services for Borrowers and Title IV Additional Servicers	Servicing and consolidation of direct student loans, servicing FFEL loans, and defaulted loans collection	ACS Education Solutions	Rockville, MD Greenville, TX Utica, NY Washington, DC Montgomery, AL Bakersfield, CA	\$496.8
		AES/PHEAA	Harrisburg, PA Mechanicsburg, PA	
		Great Lakes Education Loan Services, Inc.	Madison, WI Eau Claire, WI Aberdeen, SD Columbus, OH Saint Paul, MN Boscobel, WI Rocky Hill, CT	
		Nelnet Servicing, LLC	Lincoln, NE Aurora, CO Jacksonville, FL Boise, ID Lincolnshire, IL Highlands Ranch, CO Fishers, IN Appleton, MN Wymore, NE Keller, TX Pleasant Dale, NE Utica, NE Gering, NE Parker, CO	
		Sallie Mae Corporation	Reston, VA Wilkes-Barre, PA Fisher, IN Lynn Haven, FL Killeen, TX	

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Student Aid Contracts Exceeding \$5 Million (\$ in millions) (Continued)

Name	Description	Vendor	Vendor Location	FY 2011 Funding
Common Origination and Disbursement	Disbursement of Pell Grants and Direct Loans	Accenture LLP	Utica, NY Washington, DC Niagara Falls, NY Columbus, GA	\$118.7
Front-End Business Integration	Integration of application processing, aid awareness, and eligibility determination	Vangent Inc (formerly Pearson)	Coralville, Iowa Montgomery, AL Arlington, VA Phoenix, AZ	\$81.7
Virtual Data Center	Data center for student financial aid systems.	Dell/Perot Systems	Plano, TX	\$58.0
Enterprise Software Licensing	Maintenance for software licenses for Financial Management System and database operations.	Various	Various	\$18.5
National Student Loan Data System	Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting	Briefcase Systems Development, Inc.	Great Falls, VA	\$10.3

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Student Aid Contracts Exceeding \$5 Million (\$ in millions) (Continued)

Name	Description	Vendor	Vendor Location	FY 2011 Funding
Integrated Partner Management	Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other Federal Student Aid partners.	TBD	TBD	\$7.7
Financial Management System	Accounting system for Federal Student Aid transactions	Avineon, Inc.	Arlington, VA	\$6.1
Integrated Technical Architecture	Integration of operational data from multiple student aid systems to facilitate data exchange	Phoenix Programming Services	Baltimore, MD Rockville, MD Washington, DC	\$5.3

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Non-Federal Student Aid Support Activities

In addition to funds directly allocated to Federal Student Aid to manage student aid programs, \$82.8 million of the FY 2011 request is allocated to Departmental offices other than Federal Student Aid for central support activities, such as rent and central computer services; and for student-aid related activities managed by other Department offices, such as financial management systems operations related to student aid, or Office of the General Counsel support on student aid regulations.

Funding for Departmentwide financial management systems related to student aid will total \$13.2 million, a small decrease from \$13.7 million in FY 2010.

Rent payments to the General Services Administration for Federal Student Aid occupied space will total \$17.4 million for FY 2011, an increase from \$16.7 million in FY 2010.

Combined funding for central computer services and telecommunications will total \$18.5 million in 2010, supporting routine activities and enhancements to the Department's network operations. This is a decrease from \$21.2 million for these activities in FY 2010.

The 2011 request also supports 91 FTE and a number of small contracts outside Federal Student Aid. These FTE include staff in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer/Chief Information Officer; and Office of Planning, Evaluation, and Policy Development that work extensively on the FFEL and Federal Direct Loan programs. Contract costs reflect activities such as the preparation of the student loan portion of the Department's audited financial statement.

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PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, Government Performance Results Act goals, objectives; measures, and performance data and targets; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

Goal: Establish management excellence.

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

Measure: Direct administrative unit costs for origination and disbursement of student aid.		
Targets and Performance Data		
<i>Total unit cost per transaction (whole dollars)</i>		
Year	Target	Actual
2006	\$4.24	\$4.02
2007	4.25	4.03
2008	4.15	3.65
2009	4.00	3.60
2010	4.00	
2011	4.00	

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

Assessment of Progress: Federal Student Aid's ability to manage and control operating expenses is based on a philosophy of good fiscal management and continuous process improvement practices that increase productivity and operational efficiencies. Federal Student Aid continued to make good use of its Activity Based Cost model to facilitate the reduction of administrative costs and identify process improvement opportunities. Additionally, Federal Student Aid continues to improve financial management of contracts through integration of performance, budget, and acquisition processes. In FY 2009, Federal Student Aid made significant process in its efforts to reduce administrative unit costs. At \$3.60, the actual transaction unit cost for origination and disbursement was significantly lower than the target amount in 2009.

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

Measure: Customer service level of the American Customer Satisfaction Index for FAFSA on the Web.		
Targets and Performance Data		
<i>Customer service level</i>		
Year	Target	Actual
2006	80	80
2007	82	80
2008	83	83
2009	84	84
2010	85	
2011	85	

Note: Data are from the American Consumer Satisfaction Index scores are obtained through the Claes Fornell International (CFI) Group. Scores are reported as an index score (on 100 point scale). For example, a score of 84 is considered excellent as no private or public sector group has ever scored above 90. These are not percentage based scores.

Assessment of Progress: In FY 2009, *FAFSA on the Web* met its performance target with a score of 84. *FAFSA on the Web* faces continually challenging expectations from Web-based customers comprising more than 99 percent of total applicants. In 2008, directly after completing their on-line aid application, student aid applicants were asked about their experience through an electronic surveying capability. The new capability allowed Federal Student Aid to obtain opinions directly and expand the sample universe, yielding more accurate results.

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

Measure: Pell Grant improper payments rate.		
Targets and Performance Data		
<i>Improper payments rate</i>		
Year	Target	Actual
2006	3.48%	3.54%
2007	3.48%	4.11%
2008	3.48%	3.69%
2009	3.41%	3.50%
2010	3.35%	
2011	3.28%	

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Assessment of Progress: These data are estimated from a sampling of records from Federal Student Aid's applicant file compared against statistical averages from the Internal Revenue Service (IRS). The improper payment rate has two parts (over- and under-awards), which are added together to estimate the overall rate. Federal Student Aid did not reach its goal in 2009. Federal Student Aid will continue to make refinements to the application process, based on the results of the FAFSA/IRS Data Statistical Study that will ultimately lead to a lower level of improper payments. Federal Student Aid also hopes to reduce improper payments through the joint effort with the IRS to use tax return data for applications.

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

Measure: Direct Loan recovery rate.		
Targets and Performance Data		
<i>Recovery rate</i>		
Year	Target	Actual
2006	19.00%	19.02%
2007	19.50%	20.08%
2008	19.75%	21.00%
2009	20.00%	18.00%
2010	20.25%	
2011	20.50%	

Note: The recovery rate equals the sum of collections on defaulted loans in the current year divided by the outstanding defaults from all years.

Measure: FFEL recovery rate.		
Targets and Performance Data		
<i>Recovery Rate</i>		
Year	Target	Actual
2006	19.30%	19.40%
2007	19.50%	19.61%
2008	19.50%	23.60%
2009	19.75%	19.70%
2010	20.00%	
2011	20.25%	

Note: The recovery rate equals the sum of collections on defaulted loans in the current year divided by the outstanding defaults from all years.

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Assessment of Progress: Targets for these measures were not met in FY 2009. These targets were hampered by the economic conditions and specifically for FFEL, the inability of the guaranty agencies to sell all their rehabilitated loans. Had they been able to sell their loans, they would have exceeded the target.

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Federal Student Aid Organizational Structure

