Department of Education

STUDENT FINANCIAL ASSISTANCE

Fiscal Year 2012 Budget Request

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STUDENT FINANCIAL ASSISTANCE

For carrying out subparts 1 and 3 of part A, and part C of title IV of the Higher Education Act of 1965, $30,338,016,000, which shall remain available through September 30, 2013.[1]

The maximum Pell Grant for which a student shall be eligible during award year 2012-2013 shall be $4,860.

NOTES

A regular 2011 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-322, Dec. 22, 2010; 124 Stat 3518) that provides funding through March 4, 2011. The amounts included for fiscal year 2011 in this budget reflect the annualized levels provided by the continuing resolution.

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
[1] … which shall remain available through September 30, 2013.	This language sets the availability of funds provided under the account through the end of fiscal year 2013.

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation
($000s)

	2010	2011 CR	2012
Discretionary appropriation:			
Appropriation	$22,326,809	0	$30,338,016
Across-the-board reduction	-3,030,000	0	0
Annualized CR (PL 111-322)	0	$24,963,809	0
Subtotal, adjusted discretionary appropriation	19,296,809	24,963,809	30,338,016
Mandatory appropriation:	6,130,831	18,718,366	12,606,211
Appropriation, permanently reduced	-831,000	0	0
Subtotal, adjusted mandatory appropriation	5,299,831	18,718,366	12,606,211
Subtotal, discretionary and mandatory appropriation	24,596,640	43,682,175	42,944,227
Unobligated balance, start of year	2,429,052	153,011	11,434,000
Unobligated balance, start of year, Recovery Act	7,785,691	0	0
Recovery of prior-year obligations	83,703	0	0
Unobligated balance transferred to Student Aid Administration	-18,000	0	0
Unobligated balance, expiring	-789	0	0
Unobligated balance, end of year	-153,011	-11,434,000	-16,514,000
Total, direct obligations	34,723,286	32,401,186	37,864,227

Note: A regular 2011 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-322, Dec. 22, 2010; 124 Stat 3518) that provides funding through March 4, 2011. The amounts included for fiscal year 2011 in this budget reflect the annualized levels provided by the continuing resolution.

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Obligations by Object Classification
($000s)

	2010	2011 CR	2012
Grants, subsidies and contributions ...	$26,928,207	$32,401,186	$37,684,227
Grants, subsidies, and contributions, Recovery Act..............................	7,795,079	0	0
Total, obligations..........................	34,723,286	32,401,186	37,684,227

Note: A regular 2011 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 111-322, Dec. 22, 2010; 124 Stat 3518) that provides funding through March 4, 2011. The amounts included for fiscal year 2011 in this budget reflect the annualized levels provided by the continuing resolution.

STUDENT FINANCIAL ASSISTANCE

Summary of Changes
($000s)

2011 CR	$43,682,175
2012	42,944,227
Net change	-737,948

	2011 CR base	Change from base
Increases:		
Program:		
Increase in discretionary funding needed to support the Pell Grant program	$23,162,000	+$5,438,059
Increase in mandatory funding to support Iraq and Afghanistan Service Grants	182	+29
Increase in mandatory funding needed for the creation of the College Completion Incentive grants program	0	+50,000
Subtotal, increases		+5,488,088
Decreases:		
Program:		
Decrease in mandatory funding needed to support the Pell Grant program	18,718,184	-6,162,184
Decrease to eliminate funding for the Leveraging Educational Assistance Partnership program, which is structurally flawed	63,852	-63,852
Subtotal, decreases		-6,226,036
Net change		-737,948

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation
($000s)

Activity	2011 CR Authorized	2011 CR Estimate	2012 Authorized	2012 Request
Federal Pell grants *(HEA-IV-A-1)*:				
Federal Pell grants (HEA-IV-A-1) (discretionary)	Indefinite	$23,162,000	Indefinite	$28,600,059
Federal Pell grants (SAFRA-II-A-2101) (mandatory)	Indefinite	5,218,184	Indefinite	4,895,000
Federal Pell grants (SAFRA-II-A-2101) (mandatory)	$13,500,000	13,500,000	0	0
Federal Pell grants (mandatory) [1]	0	0	0	7,661,000
Federal supplemental educational opportunity grants *(HEA-IV-A-3)*	Indefinite	757,465	Indefinite	757,465
Institutional payments *(HEA-IV-G-489)* [2]	Indefinite		Indefinite	
Federal work-study *(HEA-IV-C)*	Indefinite	980,492	Indefinite	980,492
Institutional payments *(HEA-IV-G-489)* [2]	Indefinite		Indefinite	
Institutional payments for Job Location and Development centers *(HEA-IV-C-446)* [3]	Indefinite		Indefinite	
Work colleges *(HEA-IV-C-448)*	Indefinite		Indefinite	
Leveraging educational assistance partnerships *(HEA-IV-A-4)* [4]	Indefinite	63,852	Indefinite	0
Iraq and Afghanistan Service Grants *(HEA-IV-A-1)*	Indefinite	182	Indefinite	211
College Completion Incentive Grants (Legislation sought)	0	0	be determined	50,000
<u>Unfunded authorizations</u>:				
Federal Perkins loans *(HEA-IV-E)*				
Federal capital contributions	Indefinite	0	Indefinite	0
Academic achievement incentive scholarships *(HEA-IV-A, Chapter 3)*	Indefinite	0	Indefinite	0

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation -- Continued
($000s)

Activity	2011 Authorized	2011 Estimate	2012 Authorized	2012 Request
Unfunded authorizations (cont.):				
Federal Perkins loans *(HEA-IV-E)*				
Loan cancellations	Indefinite	0	Indefinite	0
Institutional payments *(HEA-IV-G-489)* [2]	Indefinite	0	Indefinite	0
Total definite authorization	$13,500,000		0	
Total discretionary appropriation		$24,963,809		$33,338,016
Total mandatory appropriation		18,718,366		12,606,211

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

[1] The President's Budget 2012 provides for the appropriation of mandatory savings from Student Loan programs into the Pell Grant program.

[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
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]	14,487,735 [3]
2008	16,419,492	17,464,883	18,409,883	18,122,136 [4]
2009	19,921,551	21,291,136 [5,6]	20,851,809 [5,6]	21,246,973 [5]
Recovery Act Supplemental (P.L. 111-5)	0	17,600,000	13,930,000	17,314,000
2010	1,801,809 [7]	19,634,905	19,296,809 [1]	19,296,809
2011	1,737,957 [7]	24,963,809 [8]	24,899,957 [1]	24,963,809 [9]
2012	30,338,016			

[1] The level for the Senate allowance reflects Committee action only.

[2] Includes 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.

[3] 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.

[4] Includes $2.011 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

[5] Includes $2.090 million in mandatory funding for Pell Grants pursuant to the College Cost Reduction and Access Act of 2007 (P.L. 109-084).

[6] The 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.

[7] Reflects Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts.

[8] The level for the House allowance reflects the House-passed full-year continuing resolution.

[9] The level for appropriation reflects continuing resolution (P.L. 111-322) passed December 22, 2010.

(in thousands of dollars)

Account, Program and Activity	Category Code	2010 Appropriation	2011 CR Annualized	2012 President's Budget	2012 President's Budget Compared to 2011 CR: Amount	2012 President's Budget Compared to 2011 CR: Percent
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1):						
(a) Discretionary Pell grants	D	17,495,000	23,162,000	28,600,059	5,438,059	23.5%
(c) Mandatory Pell grants	M	5,299,816	5,218,184	4,895,000	(323,184)	-6.2%
(d) SAFRA funding	M	0	13,500,000	0	(13,500,000)	-100.0%
(e) Additional funding - President's Budget 2012 Proposal [1]	M	0	0	7,661,000	7,661,000	---
Subtotal		22,794,816	41,880,184	41,156,059	(724,125)	-1.7%
Discretionary	D	17,495,000	23,162,000	28,600,059	5,438,059	23.5%
Mandatory	M	5,299,816	18,718,184	12,556,000	(6,162,184)	-32.9%

Federal Pell Grants Information	Category Code	2010 Appropriation	2011 CR Annualized	2012 President's Budget	Amount	Percent
Discretionary appropriation	D	17,495,000	23,162,000	28,600,059	5,438,059	23.5%
Prior year surplus/(shortfall)	D	3,376,941	(10,723,059)	(5,035,059)	5,688,000	-53.0%
Mandatory appropriation	M	5,299,816	5,218,184	4,895,000	(323,184)	-6.2%
Prior year surplus/(shortfall)	M	(708,000)	(372,184)	0	372,184	-100.0%
Mandatory funding to reduce discretionary need*	M	0	13,500,000	7,661,000	(5,839,000)	-43.3%
Total resources		25,463,757	30,784,941	36,121,000	5,336,059	17.3%
Current law discretionary program costs	D	31,595,000	34,391,000	35,426,000	1,035,000	3.0%
Policy change, 2012 President's Budget	D	0	(3,417,000)	(4,200,000)	(783,000)	22.9%
Total, discretionary program costs		31,595,000	30,974,000	31,226,000	252,000	0.8%
Current law mandatory program costs	M	4,964,000	5,375,000	5,471,000	96,000	1.8%
Policy change, 2012 President's Budget	M	0	(529,000)	(576,000)	(47,000)	8.9%
Total, mandatory program costs		4,964,000	4,846,000	4,895,000	49,000	1.0%
Total, program costs		36,559,000	35,820,000	36,121,000	301,000	0.8%
Current Year Surplus/(Shortfall)	D	(10,723,059)	(5,035,059)	0	5,035,059	-100.0%
Current Year Surplus/(Shortfall)	M	(372,184)	0	0	0	---
Total, surplus/(shortfall)		(11,095,243)	(5,035,059)	0	5,035,059	-100.0%
Maximum award (in whole dollars)						
Base Award		4,860	4,860	4,860	0	0.0%
Mandatory add-on		690	690	690	0	0.0%
Total maximum award		5,550	5,550	5,550	0	0.0%
Recipients (in thousands)		8,873	9,413	9,614	201	2.1%

* *SAFRA provided $13,500,000 thousand of mandatory funds for FY 2011 to reduce discretionary needs. The President's 2012 Budget also includes a mandatory appropriation of $7,661,000 thousand in FY 2012.*

[1] *The President's Budget 2012 provides the appropriation of mandatory savings from Student Loan programs into the Pell Grant program.*

(in thousands of dollars) Account, Program and Activity	Category Code	2010 Appropriation	2011 CR Annualized	2012 President's Budget	2012 President's Budget Compared to 2011 CR: Amount	2012 President's Budget Compared to 2011 CR: Percent
Student Financial Assistance (continued)						
2. 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)	D	0	0	0	0	---
Subtotal, Campus-based programs		1,737,957	1,737,957	1,737,957	0	0.0%
3. Leveraging educational assistance partnerships (HEA IV-A-4)	D	63,852	63,852	0	(63,852)	-100.0%
4. Iraq and Afghanistan service grants (HEA IV-A-10)	M	15	182	211	29	15.9%
5. College completion incentive grants (proposed legislation)	M	0	0	50,000	50,000	---
Total		24,596,640	43,682,175	42,944,227	(737,948)	-1.7%
Discretionary	D	19,296,809	24,963,809	30,338,016	5,374,207	21.5%
Mandatory	M	5,299,831	18,718,366	12,606,211	(6,112,155)	-32.7%

NOTES: -Category Codes are as follows: D = discretionary program; M = mandatory program.
-The FY 2011 level for appropriated funds is an annualized amount provided under the fourth Continuing Resolution (P.L. 111-322).

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 5th in terms of proportion of 25-64 year olds with a postsecondary education, it ranks 9th in attainment among the younger generation, those aged 25-34. 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 FY 2012 Budget commits itself to the Administration's goal of leading the world in college completion rates by the year 2020, namely by providing students with grants and other aid to help students pay for college. It also modernizes and expands the Perkins Loan program.

The FY 2012 budget request for the Student Financial Assistance account is $30.34 billion, $5.4 billion above the FY 2011 annualized CR level. The budget request includes $28.6 billion in discretionary funds for Pell grants, with the remainder of the request for campus-based programs. Mandatory funding in 2012 includes $211,000 for the Iraq and Afghanistan Service Grants program, and $50 million for a new College Completion Incentive Grants program, described in further detail below. Additionally, $12.56 billion in mandatory funds are included in the 2012 budget for the Pell Grant program, of which $7.7 billion would be new funding.

Funds requested for programs in the Student Financial Assistance account, which includes those requested for the Federal Pell Grants and Perkins Loan programs, would provide almost $42.4 billion in aid to help students pursue a postsecondary education. (Total aid available is based on new budget authority and any required matching funds, less allowable administrative costs.) Taken together, Pell Grants, Perkins Loans, and programs in the SFA account would provide student aid awards to over 13.8 million students.

The FY 2012 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.

Federal Pell grants
(Higher Education Act of 1965, Title IV, Part A, Subpart 1)

FY 2012 Authorization ($000s): Indefinite

Budget Authority ($000s):[1]

	2011 CR	2012	Change
Program funds:			
Discretionary appropriation	$23,162,000	$28,600,059	+$5,438,059
Mandatory appropriation	5,218,184	4,895,000	-323,184
SAFRA Funding	13,500,000	0	-13,500,000
Mandatory Savings Appropriated to Pell	0	7,661,000	+7,661,000
Subtotal, current year funding	41,880,184	41,156,059	-724,125
Net Pell Grant Funding, all sources:			
Discretionary	23,162,000	28,600,059	+5,438,059
Mandatory	18,718,184	12,556,000	-6,162,184
Total, Pell Grant funds	41,880,184 [2]	41,156,059	-724,125
Pell Grant program costs	35,820,000	36,121,000	+301,000

[1] Table reflects appropriations; the 2010 Student Aid and Fiscal Responsibility Act (SAFRA) appropriation of $13,500 million helps reduce discretionary need.

[2] Funding levels in FY 2011 represent the annualized continuing resolution levels of the 4th Continuing Appropriations Act, 2011 (P.L. 111-322).

PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and middle-income undergraduate students by providing grants that help meet postsecondary education costs. The program also promotes lifelong learning by providing resources for low-income adults now in the workplace to return to school to upgrade their skills.

The Department provides funds to participating institutions to pay all students at the institution who are eligible for a Pell Grant – a student's eligibility is not dependent on the availability of funds awarded to the institution as in the Campus-Based Programs: Supplemental Education Opportunity Grants, Work-Study, and Perkins Loans.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

A Pell Grant is generally considered to be the foundation of a student's financial aid package, to which other forms of aid are added. The amount of a student's Pell Grant is dependent on the student's "expected family contribution" (EFC); cost of education, whether the student attends school full-time or part-time, and whether their program is a full academic year in length or less. Pell Grant disbursements are made to students at least once every term during the award year or at the beginning and mid-point for programs without terms.

The Pell Grant program is currently funded for 2 years; for example, 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 2011 fiscal year appropriation will be used for grants in the 2011-2012 award year, which runs from July 1, 2011, through June 30, 2012. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department uses the next fiscal year's appropriations to cover the full cost.

<u>Recent and projected funding</u>: The Pell Grant program is the single largest source of grant aid for postsecondary education and the centerpiece of President Obama's strategy to support students in higher education toward successful completion of a postsecondary credential. The program operates as an entitlement to eligible students once the maximum grant, award rules, and payment schedule are established. The Higher Education Act does not provide for the denial of an award to any student who meets the qualifying conditions, nor does it allow the Secretary to reduce any student's award level.

Discretionary program costs of the Pell Grant program have more than doubled since 2008, increasing from $16.1 billion in 2008-2009 to an expected $34.4 billion in award year 2011-2012. In the same period, the number of recipients is expected to grow from 6.2 million in 2008 to a projected 9.4 million in 2011, a 52 percent increase. The growth in Pell program costs since 2008 can be attributed to four major causes:

1. The growth in the number of eligible students, which accounts for 40 percent of the program's growth (a total of $7.7 billion). There has been a continued increase in students applying for, and attending, college which has increased as economic conditions have worsened;
2. Legislative changes to the need analysis formula, which has produced $2.7 billion in costs and increased the program by 14 percent. Some of these changes include the automatic zero expected family contribution provision, and the income protection allowance;
3. The creation of the "two Pells" grant program in 2008, adding $4.2 billion in costs (and increasing the program by 22 percent). The Administration and the Congressional Budget Office underestimated the effect of this change which allows certain students, beginning in the 2009-2010 award year, to get additional Pell Grant funding; and,
4. An increase in the maximum Pell Grant award of $619, provided in the American Recovery and Reinvestment Act and the regular 2009 appropriation. This impact began in the 2009-2010 academic year, and has led to $4.8 billion in costs, and accounts for 25 percent of program growth.

Federal Pell grants

The table below outlines the impact of each of these causes:

Pell Grant Program Discretionary Costs by Award Year ($ in millions)					
	2008-09	2009-10	2010-11	2011-12	2012-13
$4,241 Maximum Award	$16,069	$20,020	$22,734	$23,803	$23,741
Need Analysis Change		1,634	1,948	2,434	2,684
Year-Round		1,518	2,525	3,417	4,191
$619 Increase		3,711	4,388	4,737	4,809
$4,860 Maximum – Current Law		26,883	31,595	34,391	35,426

Pell Grant recipients are eligible in each of years 2010, 2011 and 2012 for a maximum grant of $5,550, of which $690 in 2011 is funded under a separate mandatory appropriation. In comparison, the maximum grant in 2008 was $4,731.

End-of-year Pell Grant reporting for the 2009-2010 award year indicates program costs are higher than previous estimates, particularly for the first-year implementation of the year-round Pell Grant provision. Nearly $1.5 billion of the discretionary expenditures for the 2009-2010 award year were due to this provision alone.

The result of these higher-than-projected costs is a shortfall in the discretionary appropriation. This shortfall amount, a projected $10.7 billion at the end of the 2010-2011 award year, is funded through borrowing from the subsequent fiscal year's appropriation. The current law baseline assumes $36.7 billion will be appropriated in 2011 for discretionary costs ($23.2 billion from the regular discretionary appropriation and $13.5 billion provided by SAFRA); of this, $10.7 billion is being used to fund the prior year's funding shortfall, leaving only $26 billion to pay for the $34.4 billion in 2011 program costs. Continuing to fund the program in this fashion – without intervention through programmatic changes or additional funding sources – would lead to a projected shortfall at the end of the 2012-2013 award year of $20.4 billion. If there is a 2012 shortfall of this magnitude, there will be insufficient funding available in future years to borrow and continue to allow the program to operate.

The table below expresses the differences between current law and the budget proposals' impacts on funding for the Pell Grant program:

Federal Pell grants

Pell Grant Program ($ in millions)	Budget Proposal			Current Law	
	2010	2011	2012	2011	2012
Discretionary Program Cost	$31,595	$30,974	$31,226	$34,391	$35,426
Incoming Surplus/(Shortfall)	3,377	(10,723)	(5,035)	(10,723)	(8,452)
BA Needed	28,218	41,697	36,261	45,114	43,878
Funding for Discretionary Costs					
ARRA/SAFRA Funding	-	13,500	-	13,500	-
Regular Appropriation	17,495	23,162	*28,600*	23,162	*23,486*
Mandatory Savings Appropriated to Pell	-	-	*7,661*	-	-
BA Provided	17,495	36,662	*36,261*	36,662	23,486
Accumulated Surplus/(Shortfall)	(10,723)	(5,035)	-	(8,452)	(20,392)
Mandatory Program Cost	4,964	4,846	4,895	5,375	5,471
Incoming Surplus/(Shortfall)	(708)	(372)	-	(372)	-
BA Needed	5,672	5,218	4,895	5,003	5,471
Funding for Mandatory Costs					
BA Provided	5,300	5,218	4,895	5,003	5,471
Accumulated Surplus/(Shortfall)	(372)	-	-	-	-

The Pell Grant program grows the most in years when the number of students attending higher education increases. For the years 1997 through 2008 the average growth of the program was 4.5 percent. Since that time, economic conditions have helped to increase this growth rate significantly. From 2008 to 2009 the growth rate grew to its highest point in 30 years – rising to 31.5 percent, due in part to increased numbers of students attending school for re-training and more individuals with time available to take classes. There also have been changes in the schools providing higher education with new or expanded distance-education classes (education by computer) and more flexible location and class time programs. These changes have been most evident in the proprietary sector but affect all school types. If the historic growth rate of 4.5 percent had remained through 2012, a projected 7.3 million students would receive Pell Grants in the 2012-2013 award year at a discretionary cost of $27.3 billion - $8.5 billion less than the current estimate. However, growth has exceeded even these historic trends, a difference which may be due to the response of colleges to the increased demand produced by the changing economic environment.

In addition to the unusually high growth in students applying for Federal Student Aid, there have also been major statutory changes contributing to the increased costs of the Pell program. The College Cost Reduction and Access Act (CCRAA) changed the EFC determination by increasing the income threshold at which students receive an automatic zero EFC from $20,000 to $30,000; increasing the Income Protection Allowance (which is the amount of income that is withheld from the calculation); and by removing several other types of income from consideration (such as the Earned Income credit, the Additional Child tax credit, Temporary Assistance for Needy Families, and Social Security benefits received).

Pell Grants are the single largest source of grant aid for postsecondary education and the centerpiece of President Obama's strategy to support students in higher education to successfully complete their postsecondary credential. Thanks to the landmark investments in Pell since the beginning of this Administration, this year over 9 million students will receive Pell Grants worth up to $5,550. But because the Pell Grant program is growing rapidly, tough choices are needed to protect the $5,550 maximum grant within a Government wide commitment to fiscal responsibility.

Pell program costs have risen since 2008, primarily because there are more eligible students due to growing enrollment and greater financial need. In addition, Congress enacted legislation in 2008 allowing students to receive two Pell Grants in one academic year (or "year-round Pell") and giving more students eligibility for the maximum scholarship. Also, since that time the size of the maximum grant has grown by over $800. In 2012, the Pell Grant program will face a financing gap of $20.7 billion beyond the expected 2011 CR funding level of $23.2 billion due to these rising costs and because, in past years, one-time funding was used as a temporary solution and shortfalls have accumulated.

To protect the $5,550 maximum Pell grant and put the program on solid financial footings, the Budget includes a set of proposals that will bring program costs and funding into alignment. These changes would retain many of the benefits gained in recent years – such as the increase in the maximum Pell Grant award, and the higher income threshold for automatic qualification for the maximum Pell award – while significantly reducing both current and long-term Pell Grant costs. These proposed changes are difficult but necessary to ensure the fiscal integrity of the program.

- **Eliminate the "two Pells" (or "year-round" Pell) provision**, which allows qualifying students to receive two Pell Grants in a single award year. This provision began in July 2009 and is estimated to add almost $8 billion to Pell Grant costs in fiscal years 2011 and 2012. The Budget proposes suspending the "two Pell" Grant provision effective the 2011-2012 award year. The Department of Education will continue to examine whether there are steps to help students complete their degrees more quickly in a fiscally responsible way.
- **Streamline the FAFSA** by removing data elements pertaining to assets and additional types of income.

Secondly, the Budget proposes three changes to the student loan programs:

- **End in-school interest subsidy for graduate and professional loans:** Experts believe that this costly subsidy fails to encourage more students to enroll and is not well targeted to borrowers who will struggle repaying their loans after leaving school. The savings from eliminating this benefit will be redirected to fully funding the Pell Grant program.

- **Help "Split Borrowers" with new Opportunity for Debt Conversion:** The Budget includes a proposal to allow students whose loans are split between Department contractors and FFEL lenders to convert existing FFEL debt and move it to the Department of Education. Terms and conditions of the borrower's loans would not change, and they would not have to consolidate their loans in order to convert. Borrowers have the ability to choose whether to convert, but if they do choose to participate, they will receive a benefit of up to 2 percent of their loan balance.
- **Expand and Improve the Perkins Loan Program:** Beginning July 1, 2012, the Administration proposes an expanded, modernized Perkins Loan program with nearly $8.5 billion a year in new loan volume – eight and a half times the current Perkins volume, reaching over 3 million students at as many as 2,700 additional postsecondary education institutions when fully implemented. Rather than operating through institutional revolving funds, Perkins Loans will be originated and serviced by the Federal Government at a 6.8 percent interest rate. The Administration intends that the new formula will encourage institutions to raise completion rates and offer need-based aid to prevent excessive indebtedness.

Budget savings associated with these loan savings would be appropriated to the Pell Grant program over the next 10 years. These changes and other adjustments in the student aid programs will provide over $48.6 billion to the Pell program over 10 years.

<u>Mandatory funding:</u> The CCRAA authorized mandatory funding to support increases to the Pell maximum award set in each fiscal year's appropriations act. The mandatory provision was later amended by the Student Aid and Fiscal Responsibility Act (SAFRA). Under the SAFRA, the maximum award was increased by $690 for award years 2010-2011 through 2012-2013 and by the Consumer Price Index (CPI) from 2013 to 2017.

<u>Pell Grant program scoring rule</u>: The congressional budget resolution for fiscal year 2006 included a rule under which appropriations bills for the Pell Grant program are scored by the Congressional Budget Office for the estimated cost of the program for that year, regardless of the amount actually appropriated. In years where the appropriation exceeds the program cost as estimated at the beginning of the subsequent fiscal year, any surplus is available to reduce the appropriation needed to support that subsequent year's program costs. Conversely, in years where the appropriation is lower than the updated estimated program cost, the difference is automatically scored against the subsequent year's appropriation.

Given the nature of the program, it is reasonable to consider Pell Grants an individual entitlement for purposes of budget analysis and enforcement, and in the past two Budgets, the Administration requested that Pell Grants be converted into a mandatory program. Congress has chosen to continue treating the portion funded in annual appropriations acts as discretionary, continuing that budget authority for Pell Grants against the appropriations allocations established annually under §302 of the Congressional Budget Act. This year the Budget maintains this treatment.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The total cost of Pell Grants can fluctuate from year to year, even with no change in the maximum Pell Grant award, and the fluctuations have increased along with the recent increase in Pell funding. One drawback of treating Pell Grants as discretionary is that aggregate targets for discretionary funding may be set with reference to some previous year's funding level without accounting for substantial fluctuations in Pell Grant funding.

While the Budget shows the Administration's commitment to controlling these costs and making the Federal student aid programs more efficient, it would be unwise for the budgetary treatment of Pell Grants to force continual cuts in need-based postsecondary education aid that would undermine the Nation's long-term economic success. For this reason, the Administration will work with Congress to consider other scorekeeping or enforcement approaches for the Pell Grant program.

Need analysis formula: The need analysis formula for the Title IV need-based student aid programs, stipulated in the Higher Education Act, determines financial eligibility for Pell Grants and is applied uniformly to all applicants. This formula determines a student's EFC. The fundamental elements in the formula are the student's (and in the case of dependent students, their parents') income and assets (excluding the value of the family's home or farm), the family's household size, and the number of family members (excluding the student's parents) attending postsecondary institutions. The EFC is the sum of (1) a percentage of net income (remaining income after subtracting allowances for taxes and basic living expenses), and (2) a percentage of net assets (assets remaining after subtracting an asset protection allowance). Different assessment rates and allowances are used for dependent students, independent students, and independent students with dependents. The CCRAA made a number of changes to the need analysis rules that have the effect of broadening program eligibility and increasing program cost.

Institutional participation: Approximately 5,300 postsecondary institutions currently participate in the Pell Grant program. Institutions that lose their eligibility to participate in the loan programs due to high default rates are also precluded from participation in the Pell Grant program.

Student participation: Students may use their grants at any participating postsecondary institution. Pell Grants are disbursed to the student through the institution. The Pell Grant program is the largest source of grant aid to students under the Higher Education Act, with approximately 27 percent of all undergraduates receiving a Pell award.

Recipients must be undergraduates and cannot have received a bachelor's degree previously (with the exception of certain teacher certificate programs), 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). Less than full-time students are eligible for pro rata awards based on their enrollment status.

A student 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 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 annual award amount may vary from the statutory minimum payment up to the maximum authorized by statute for the academic year. The Higher Education Opportunity Act of 2008 enacted a minimum payment of 10 percent of the appropriated maximum award. For example, in AY 2010-2011 the minimum is $555 with students eligible for between $278 and $555 receiving a "bump" to $555. Appropriations acts routinely set annual maximum award levels. The FY 2010 appropriation act set the maximum award supported by discretionary funds for the 2010-2011 award year at $4,860; the CCRAA added an additional $690 supported by mandatory funds, for an aggregate maximum award of $5,550. The 2011-2012 award is also set at a maximum $5,550, with the same split between discretionary and mandatory funds. Additionally, the SAFRA allowed for the maximum award to be indexed to $5,550 plus the CPI in the 2013-2014 award year; for award years 2014-2015 through 2017-2018, the award will be equal to the prior year's maximum award plus the CPI.

<u>Award rules</u>: The aggregate Pell Grant award is the least of:

- The maximum award (as set in annual appropriations acts) plus the additional amount provided by mandatory funds, minus the EFC, or
- The student's cost of attendance minus the EFC.

<u>Cost of attendance</u>: For purposes of determining the Pell Grant award, the postsecondary institution establishes the cost of attendance, using the following cost items:

- Tuition and fees;
- An allowance for books, supplies, transportation, dependent care, and miscellaneous expenses, including a reasonable allowance for the documented rental or purchase of a personal computer;
- Living allowances of:
    - the actual amount charged by the institution for room and board for students living at school,
    - an amount determined by the institution for students without dependents living at home with parents, and
    - for all other students, an amount based on the expenses reasonably incurred for room and board.

The cost of attendance for less-than-half-time students includes: tuition and fees; an allowance for books, supplies and transportation; and dependent care.

Federal Pell grants

Financial aid administrator discretion: The HEOA stipulates financial aid administrators may, on the basis of adequate documentation and on a case-by-case basis, adjust a student's Pell Grant award by changing the cost of attendance or the value of data elements used to calculate the EFC to reflect "special circumstances," such as the following:

- Tuition expenses at an elementary or secondary school;
- Medical or dental expenses not covered by insurance;
- Unusually high child care costs;
- Recent unemployment of an independent student or a family member;
- Changes in a student's housing status resulting in homelessness;
- The number of parents enrolled at least half-time in a degree or certificate or other program leading to a recognized educational credential at an institution participating in the Title IV programs; or
- Other changes in a family's income, assets, or a student's status.

Institutional payments: The HEOA provides for payment to institutions of $5 per Pell Grant recipient to reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are paid from the Pell Grant appropriation. In 2011-12, these payments will total $47.1 million.

Because of the structure of the Pell Grant program, annual funding levels may not equal annual expenditures. Funding levels for the past 5 fiscal years were:

	($000s)
2007	$13,660,771
2008	16,256,000 [1]
2009	19,378,000 [2]
Recovery Act	17,114,000 [3]
2010	22,794,816 [4]
2011	41,880,184 [5]

[1] Includes $2,030 million in mandatory funds to increase maximum award by $490.
[2] Includes $2,090 million in mandatory funds to increase maximum award by $490.
[3] Includes $15,640 million in discretionary funds and $1,474 million in mandatory funds.
[4] Includes $5,300 million in mandatory funds to increase maximum award by $690.
[5] Includes $5,218 million in mandatory funds to increase maximum award by $690 and $13,500 million in SAFRA funds.

FY 2012 BUDGET REQUEST

The Administration has repeatedly fought for higher Pell Grant funding, helping to boost the maximum award and to provide grants to an additional 3 million students. It is committed to sustaining the highest ever $5,550 maximum Pell Grant award despite rising program costs within a Government wide freeze on domestic spending. To support this goal, the Administration requests $41.156 billion in FY 2012, $724 million less than the FY 2011 annualized CR level. This request includes $28.600 billion in discretionary funding and $7.661 billion in mandatory funding to cover the program costs associated with maintaining a $4,860 base maximum award in the 2012-13 award year and the prior year shortfall. The remaining $4.895 billion included in the 2012 Pell funding is mandatory funds provided through the permanent indefinite authority enacted under the SAFRA. $4.895 billion is the cost of increasing the maximum award from $4,860 to $5,550 in AY 2012-13.

The Pell Grant program faces a financing gap of $20 billion in 2012 because costs in earlier years exceeded estimates, the past use of one-time funding for Pell, and rising costs of the program. There are more students eligible for Pell grants than ever, due to growing enrollment and greater financial need. Further, provisions enacted since 2008 – allowing students to get two Pell grants in 1 year and changes to the need analysis formula that made more students eligible for the maximum scholarship – as well as the larger size of the maximum awards themselves, have further facilitated increasing program costs. Also, because previous efforts to address these growing costs have included short term fixes or one time funding increases, they did not provide sustainable means to fund the increases in the long term. Each of these factors has contributed to the current cost of maintaining funding for the Pell grant program.

President Obama's 2012 budget protects students by protecting the $5,550 maximum award and putting the program on a sustainable foundation for years to come, while making the tough choices needed to pay for these benefits. The FY 2012 request of $41.156 billion supports all Pell Grant program costs for the 2012-2013 award year. This program cost level is an increase of $301 million over program costs for 2011-2012.

The package of reforms necessary to sustain Pell Grant funding includes the elimination of the ability for certain students to receive a second Pell Grant in an award year. The cost of this extra Pell Grant has far exceeded expectations, raising questions about whether it is achieving the goal of accelerating students' degree completion in a fiscally responsible way. Given the cost, the Department will eliminate this policy while continuing to explore more fiscally responsible alternatives for helping students complete their degrees more quickly.

This package also supports efforts to streamline the Free Application for Federal Student Aid (FAFSA), including the removal of several data elements pertaining to assets and additional types of income. The combined effect of these changes would decrease Pell Grant program costs by $6 million through FY 2016.

The FY 2012 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.

PELL GRANT PROGRAM HISTORICAL DATA

Applicant and Recipient Growth: The graphs below and on the following page show applicant, recipient, and aid available trends since the inception of the Pell Grant program. Applicants are estimated at 17.9 million for award year 2010-2011; recipients at 8.9 million.

Many factors affect *applicant growth*, including demographic trends and changes in economic conditions, such as labor market demands. Factors affecting *recipient growth* include family incomes, need analysis, college costs, the level of the maximum Pell Grant award, and changes in applicant levels.

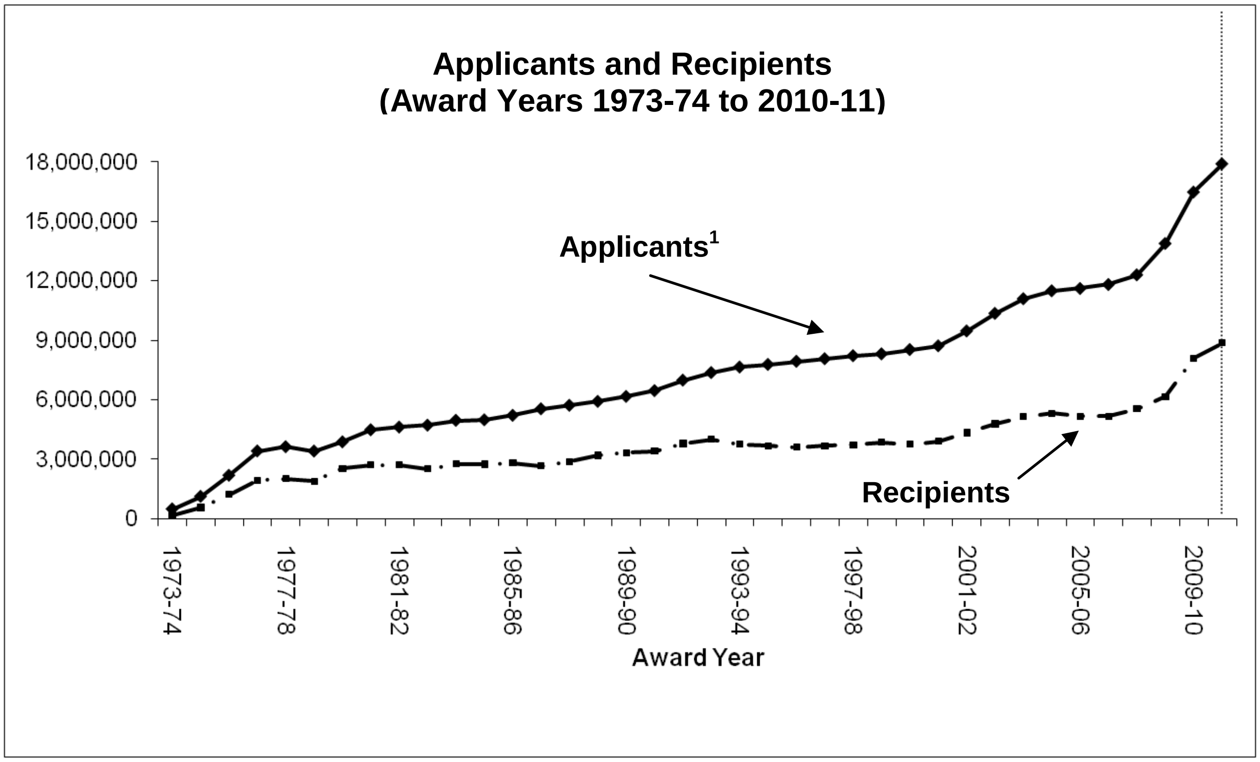
The following tables show program information consistent with actual, predicted, or requested funding levels.

Federal Pell Grants Applicant Trends

		Applicant Growth	
Award Year	**Valid Applicants**	**Number**	**% Change**
1998-99	8,309,645	92,960	1.13%
1999-00	8,527,162	217,517	2.62%
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,811,911	200,523	1.73%
2007-08	12,299,232	487,321	4.13%
2008-09	13,883,288	1,584,056	12.88%
2009-10	16,482,495	2,599,207	18.72%
2010-11	17,907,495	1,425,000	8.65%
2011-12	18,900,303	992,808	5.54%
2012-13	19,309,143	408,840	2.16%

Sources: Through 2009-10, Award Year 2008-09 Pell Grant EOY Report and Final ELI-10 Reports.
Notes: Award Years 2010-11 through 2012-13 are estimates. A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell grant eligibility.

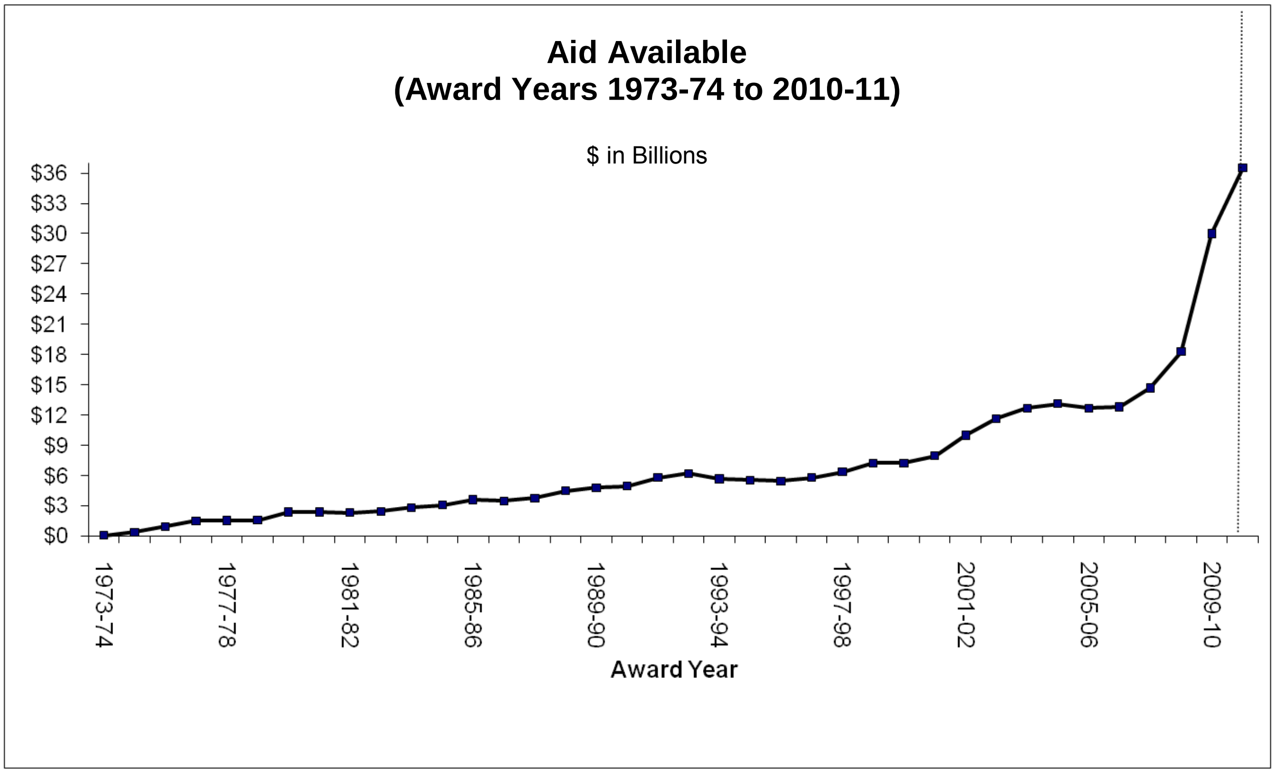
Federal Pell grants



[1] Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

<u>Number of Recipients</u>: Under current estimates, the 2012 level would support Pell Grant awards to 9.6 million recipients.

Federal Pell grants



Aid Available: Under current estimates, the Department's FY 2012 proposal would provide $36.073 billion in Pell Grants to students.

Maximum award: The Department proposes to maintain the maximum award at $4,860 for award year 2012-13 through discretionary and mandatory funding. The costs of providing a $5,550 maximum award that exceed the costs of providing a $4,860 maximum will be covered by permanent mandatory indefinite funding as provided through SAFRA.

Award Year	Maximum Award	Aid Available ($m)	Recipients
2007-08	$4,310	$14,676	5,542,893
2008-09	4,731	18,290	6,155,197
2009-10	5,350	29,992	8,095,000
2010-11	5,550	36,515	8,873,000
2011-12	5,550	35,773	9,413,000
2012-13	5,550	36,073	9,614,000

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Maximum Pell Grant Awards			
FY	Maximum Award	Budget Authority ($000s)	Program Costs ($000s)
2002	$4,000	$11,314,000	$11,654,000
2003	4,050	11,364,646	12,713,000
2004	4,050	12,006,738	13,152,000
2005	4,050	12,364,997	12,696,000
2006	4,050	17,345,230	12,821,000
2007	4,310	13,660,711	14,704,000
2008	4,731	16,245,000 [1]	18,321,000
2009	5,350	35,661,000 [2]	30,032,000 [3]
2010	5,550	22,794,816 [4]	36,559,000 [3]
2011	5,550	41,880,184 [5]	35,820,000 [3]
2012	5,550	41,156,059 [6]	36,121,000 [3]

[1] Budget Authority for FY 2008 includes $14,215 million in discretionary funds and $2,030 million in mandatory funds provided by the College Cost Reduction and Access Act (CCRAA) for use as an add-on to the maximum award.

[2] Budget Authority for FY 2009 includes $15,640 million in ARRA funds, and $2,733 million in mandatory funds for use as an add-on to the maximum Pell Grant award.

[3] Estimate.

[4] Budget Authority for FY 2010 includes $17,495 million in discretionary funds and $5,300 million in mandatory funds for the increase in the maximum award.

[5] Budget Authority for FY 2011 includes $23,162 million in discretionary funds, $5,218 million in mandatory funds for the increase in the maximum award, and $13,500 million in mandatory funds from SAFRA to reduce discretionary need.

[6] Budget Authority requested for FY 2012 includes $28,600 in discretionary funds, $7,661 million in mandatory funds to reduce discretionary need, and $4,895 million in mandatory funds for the increase in the maximum award.

Federal Pell grants

Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2009-10, approximately 76 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to $30,000 and only 24 percent had incomes over $30,000.

Distribution of Pell Grants in 2009-10			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - $ 6,000	471,890	$2,082,771,620	$4,414
$6,001 - $ 9,000	141,983	641,210,059	4,516
$9,001 - $20,000	723,292	3,308,095,963	4,574
$20,001 - $30,000	673,152	3,050,604,935	4,532
$30,001 +	1,183,626	3,434,926,241	2,902
Subtotal -			
Dependent	3,193,943	12,517,608,818	3,919
Independent	4,901,055	17,475,400,492	3,566
TOTAL	8,094,998	29,993,009,310	3,705

Independent students make up more than half of the students receiving assistance under the Pell Grant program. These recipients tend to be in the lowest income groups as shown below.

Distribution of Pell Grants in 2009-10			
Income Level	Recipients	Available Aid	Average Award
Independent:			
0 - $ 1,000	668,935	$2,632,670,423	$3,936
$1,001 - $ 3,000	303,023	1,217,289,690	4,017
$3,001 - $ 6,000	485,757	1,938,126,662	3,990
$6,001 - $ 9,000	488,290	1,927,083,892	3,947
$9,001 - $15,000	893,900	3,121,851,495	3,492
$15,001 - $20,000	595,214	1,899,413,715	3,191
$20,001 - $30,000	684,184	2,568,201,103	3,754
$30,001 +	781,752	2,170,763,512	2,777
TOTAL	4,901,055	17,475,400,492	3,566

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2009-2010, approximately 28 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, while approximately 34 percent of all Pell Grant recipients attended Public 2-Year schools. Over the last 15 years this distribution has changed, most noticeably in regards to proprietary schools. In the 1994-1995 award year approximately 13 percent of total Pell aid available went to students at proprietary institutions; in the 2009-2010 award year that figure was 25 percent.

Distribution of Pell Grants by Type of Institution 2009-10

Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	2,206,270	$8,381,066,097	$3,799
Public 2-Year	2,864,634	10,156,804,613	3,546
Private	988,408	3,859,922,134	3,905
Proprietary	2,035,683	7,595,216,463	3,731
TOTAL	8,094,995	29,993,009,307	3,705

Over the period of 2008 to 2009, 2-year schools saw their Pell Grants increase by $4.8 billion, or 91 percent. In comparison, increases at traditional 4-year schools were $2.9 billion (54 percent), and at proprietary schools were $2.4 billion (47 percent). The follow table shows program costs and recipients by sector. (Program costs are listed in millions of dollars; recipients in thousands.)

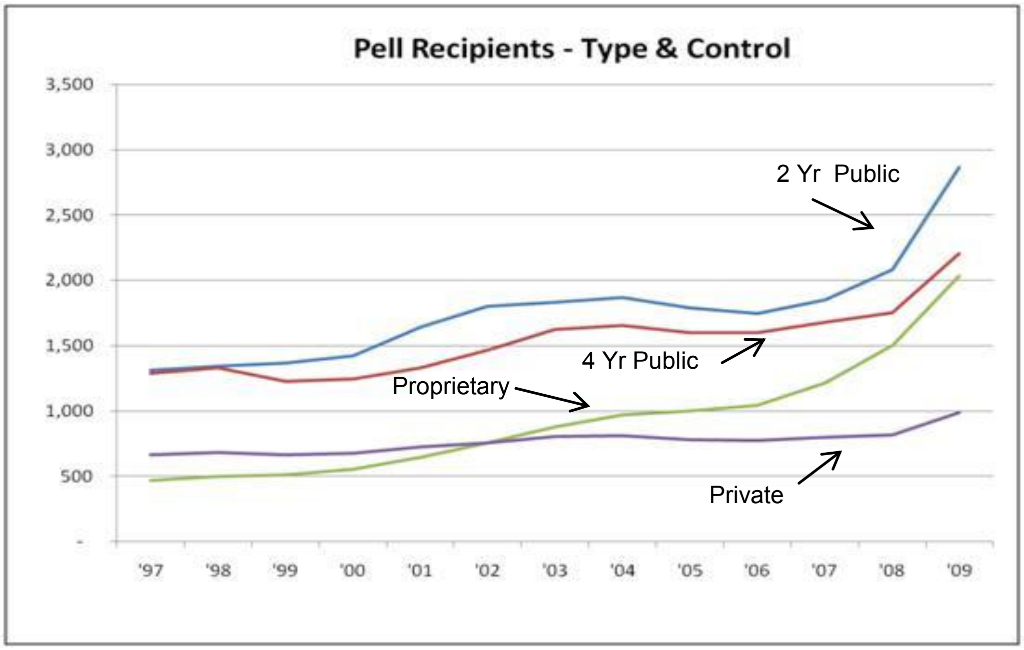
Pell Grant Cost by Institutional Type and Award Year

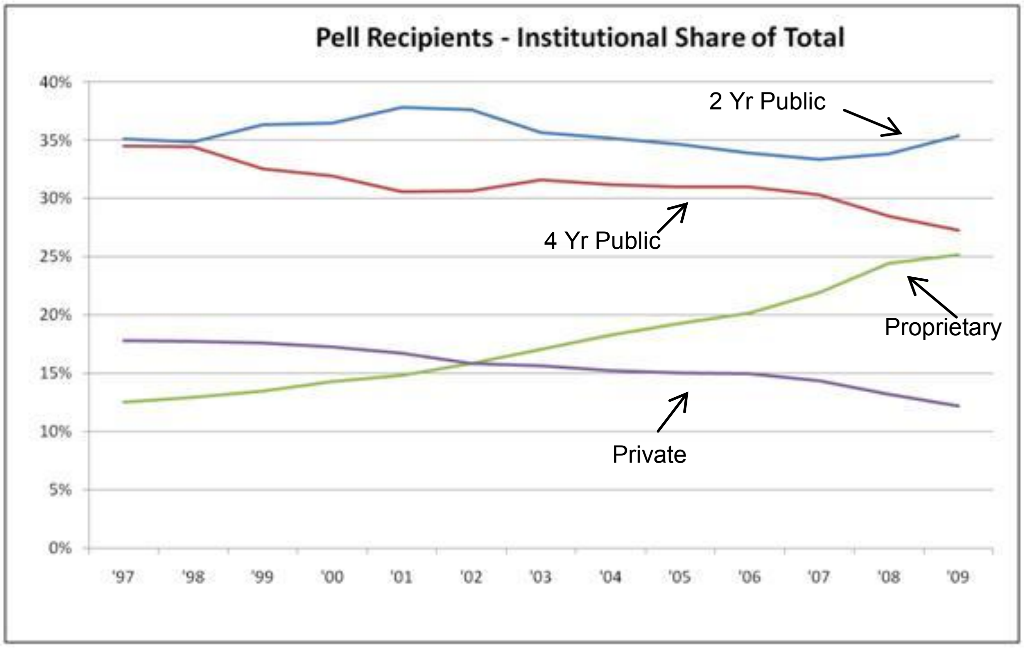
	2008-09		2009-10		2010-11		2011-12		2012-13		2012 vs 2008	
	Cost	Recipients	Cost	Recipients	Cost	Recipients	Cost	Recipients	Cost	Recipients	Cost	Recipients
Public 4 yr	5,453	1,752	8,394	2,206	10,254	2,413	11,067	2,547	11,382	2,575	5,928	823
Public 2 yr	5,335	2,084	10,169	2,865	12,342	3,144	13,437	3,335	13,819	3,405	8,485	1,321
Private	2,357	815	3,864	988	4,681	1,077	5,050	1,138	5,193	1,158	2,836	343
Proprietary	5,176	1,503	7,604	2,036	9,282	2,239	10,212	2,393	10,503	2,476	5,327	973
	18,321	6,154	30,032	8,095	36,559	8,873	39,766	9,413	40,897	9,614	22,576	3,460

Note: Program cost represent total discretionary and mandatory amounts under current law.

Federal Pell grants

The following two charts show for the years 1997-2009, total Pell recipients (in thousands) by type and control of institution, and the institutional share (percentage) of total Pell recipients.





Federal Pell grants

PROGRAM OUTPUT MEASURES ($000s)

	2010	2011 CR	2012
Recipients	8,873,000	9,413,000	9,614,000
Aid available to students [1]	$36,514,635	$35,772,935	$36,072,930
Maximum grant (in whole $)	$5,550	$5,550	$5,550
Minimum grant (in whole $)	$555	$555	$555
Average grant (in whole $)	$4,115	$3,800	$3,752

[1] Overall aid available reflects the estimated cost of the program minus administrative costs of $5 per recipient.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, indicators 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 2012 and future years, and the resources and efforts invested by those served by this program.

Because the Federal Pell Grant program account relies on the same performance measures, strategies and program improvement activities that apply to all the student financial assistance grant programs, Pell program performance is discussed in the **Student Aid Overview** and is not repeated here.

Federal supplemental educational opportunity grants
(Higher Education Act of 1965, Title IV, Part A, Subpart 3)

FY 2012 Authorization ($000s): Indefinite

Budget Authority ($000s):

	2011 CR	2012	Change
Program funds	$757,465 [1]	$757,465	0

[1] Funding levels in FY 2011 represent the annualized continuing resolution levels of the 4th Continuing Appropriations Act, 2011 (P.L. 111-322).

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 2011 fiscal year appropriation will be used for the 2011-2012 award year, which runs from July 1, 2011, through June 30, 2012.

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.

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.

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 allotment from Perkins loans to SEOG or Work-Study (or both) and up to 25 percent of Work-Study 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 it subsequent allocation reduced same amount.

Federal supplemental educational opportunity grants

Funding levels for the past 5 fiscal years were:

	($000s)
2007	$770,933
2008	757,465
2009	757,465
2010	757,465
2011 CR	757,465

FY 2012 BUDGET REQUEST

The Administration requests $757 million for the SEOG program in FY 2012, the same as the FY 2011 annualized CR level. The FY 2012 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, student assistance policy proposals are discussed in greater detail in the **Student Aid Overview** beginning on page O-1.

While institutions receiving SEOG allocations have considerable flexibility in awarding these funds to students, they are required to give priority to Pell Grant recipients and other students with exceptional need. The Federal share of these grants cannot exceed 75 percent of the total grant. The FY 2012 request would generate $959 million in available aid for an estimated 1.3 million awards.

PROGRAM OUTPUT MEASURES ($000s)

	2010	2011 CR	2012
Recipients	1,339,129	1,339,129	1,339,129
Aid available to students[1]	$958,816	$958,816	$958,816
Average award (whole $)	$716	$716	$716

[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 2012 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 **Student Aid Overview** and are not repeated here.

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 2008-2009. In 2008-2009, 63 percent of dependent SEOG recipients had family income levels under $30,000 and nearly 78 percent of independent SEOG recipients had family income levels under $20,000.

Distribution of SEOG in 2008-2009

Income Level Dependent:	Recipients	Available Aid	Average Award
0 - $ 5,999	52,358	$45,048,356	$860
$6,000 - $11,999	70,494	56,491,587	801
$12,000 - $23,999	194,497	169,274,019	870
$24,000 - $29,999	101,702	94,638,561	931
$30,000 +	250,070	253,597,498	1,044
Subtotal – Dependent	669,121	619,050,021	925
Independent	782,092	420,262,587	537
TOTAL	1,451,213	1,039,312,608	716

Federal supplemental educational opportunity grants

Distribution of SEOG to Independent Undergraduates in 2008-2009			
Income Level	Recipients	Available Aid	Average Award
0 - $ 1,999	113,817	$69,242,834	$608
$2,000 - $ 3,999	75,224	42,676,811	567
$4,000 - $ 7,999	151,584	84,149,683	555
$8,000 - $11,999	103,829	54,882,318	529
$12,000 - $15,999	90,200	46,296,513	513
$16,000 - $19,999	73,862	36,894,599	500
$20,000 +	173,576	86,119,829	496
TOTAL	782,092	420,262,587	537

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 distribution of aid by institutional type has varied by less than plus or minus 2.6 percent for each category over the last 5 years.

The following table shows the distribution of SEOG to students attending different types of institutions in 2008-2009.

Distribution of SEOG by Type of Institution 2008-2009				
Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	407,771	$333,364,801	$818	32.1%
Public 2-Year	323,954	144,585,576	446	13.9%
Private	322,098	399,977,929	846	38.5%
Proprietary	397,390	161,384,302	406	15.5%
TOTAL	1,451,243	1,039,312,608	716	100.0%

Note: Percents may not total to 100% due to rounding.

Federal work-study
(Higher Education Act of 1965, Title IV, Part C)

FY 2012 Authorization ($000s): Indefinite

Budget Authority ($000s):

	2011 CR	2012	Change
Program funds	$980,492 [1]	$980,492	0

[1] Funding levels in FY 2011 represent the annualized continuing resolution levels of the 4th Continuing Appropriations Act, 2011 (P.L. 111-322).

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 2011 fiscal year appropriation will be used for the 2011-2012 award year, which runs from July 1, 2011 through June 30, 2012.

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.

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. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the Federal Work Study Program. Employment at the school itself is not eligible. 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 2008-09, the last year data was collected, almost 37,000 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.

Federal work-study

- Work Colleges. A "Work College" is an institution that requires all resident students to participate in a work-learning 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 FCC 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 Work-Study 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.

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 7 percent of undergraduates participate in 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 were 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)
2007	$980,354
2008	980,492
2009	980,492
Recovery Act	200,000
2010	980,492
2011 CR	980,492

FY 2012 BUDGET REQUEST

The FY 2012 budget requests $980 million for the Work-Study program in FY 2012, the same as the FY 2011 annualized CR level. This level of funding will generate nearly $1.2 billion in available aid to support almost 714,000 part-time jobs for students, helping to meet the educational costs of undergraduate and graduate students.

The FY 2012 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, policy proposals are discussed in greater detail in the **Student Aid Overview** beginning on page O-1.

PROGRAM OUTPUT MEASURES ($000s)

	2010	2011 CR	2012
Recipients	713,060	713,060	713,060
Aid available to students [1]	$1,170,845	$1,170,845	$1,170,845
Average award (whole $)	$1,642	$1,642	$1,642

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

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 2012 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 **Student Aid Overview** 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 2008-2009.

Distribution of Work-Study in 2008-2009			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - $ 5,999	17,414	$26,508,567	$1,522
$6,000 - $11,999	20,645	32,524,682	1,575
$12,000 - $23,999	60,722	97,024,680	1,598
$24,000 - $29,999	39,280	62,913,905	1,602
$30,000 +	370,671	538,708,311	1,490
Subtotal - Dependent	508,732	757,680,145	1,489
Independent: Undergraduate	119,804	224,888,032	1,877
Graduate	49,379	130,671,263	2,646
TOTAL	677,915	1,113,239,440	1,642

Federal work-study

Distribution of Work-Study to Independent Undergraduates in 2008-2009				
Income Level		Recipients	Available Aid	Average Award
0	- $ 1,999	20,113	$38,652,249	$1,922
$2,000	- $ 3,999	13,603	25,349,481	1,864
$4,000	- $ 7,999	25,136	47,867,726	1,904
$8,000	- $11,999	17,651	33,405,887	1,893
$12,000	- $15,999	12,039	23,427,583	1,946
$16,000	- $19,999	8,417	16,319,772	1,939
$20,000	+	22,845	39,865,334	1,745
TOTAL		119,804	224,888,032	1,877

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, varying by no greater than plus or minus 1.3 percent for each category over the last 5 years. The table below shows the distribution of Work-Study to students attending different types of institutions in 2008-2009.

Distribution of Work-Study by Type of Institution 2008-2009				
Institution Type	Recipients	Available Aid	Average Award	Percent of Work-Study Aid
Public 4-Year	230,007	$393,816,358	$1,712	35.4%
Public 2-Year	80,111	143,260,964	1,788	12.9%
Private	343,603	517,289,398	1,442	46.4%
Proprietary	24,194	58,872,720	2,433	5.3%
TOTAL	677,915	1,113,239,440	1,642	100.0%

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 2008-2009.

Distribution of Work-Study to Students in Community Service Activities in 2008-2009

Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	44,253	$73,268,884	$1,656
Public 2-Year	14,616	26,358,244	1,803
Private	57,942	84,418,082	1,411
Proprietary	5,016	10,421,536	2,078
TOTAL	121,827	194,466,746	1,596

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

FY 2012 Authorization ($000s): (Legislation sought)

Budget Authority ($000s):

	2011 CR	2012	Change
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	0	0	0
New loan subsidies [1]	0	-$1,240,798	-$1,240,798
Total	0	-1,240,798	-1,240,798

[1] Legislation is sought for 2012 to shift Perkins Loans 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 proposed for the 2012 fiscal year appropriation would be used for the 2012-2013 award year, which runs from July 1, 2012 to June 30, 2013.

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.

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 3 consecutive years. As of September 2009, the latest data available, the FY 2007 national cohort default rate is 6.7 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 billion in award year 2010-2011.

- 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.

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 loan 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.

- 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:

	Federal Capital Contributions ($000s)	Loan Cancellations ($000s)
2007	0	$65,471
2008	0	64,327
2009	0	67,164
2010	0	0
2011 CR	0	0

FY 2012 BUDGET REQUEST

The Administration proposes to expand and modernize the Perkins Loan program as a mandatory credit program. Beginning July 1, 2012, the Administration proposes an expanded, modernized Perkins Loan program with $8.5 billion a year in new loan volume – eight and a half times the current Perkins volume, reaching over 3 million students at as many as 2,700 additional postsecondary education institutions, when fully implemented. Rather than operating through institutional revolving funds, Perkins Loans will be originated and serviced by the Federal Government through a mandatory credit reform program account, at a 6.8 percent interest rate. The Administration intends that the new formula will encourage institutions to control costs and offer need-based aid to prevent excessive indebtedness. Schools will continue to have discretion with regard to student eligibility.

Mandatory loan subsidy costs associated with this program would be shown in a new Federal Perkins Loan program account.

Because the FY 2012 budget request for the proposed new Perkins Loan program is best understood in the context of the Administration's proposals for the student aid programs as a whole, program-specific funding information and policy proposals are discussed in the **Student Aid Overview** beginning on page O-1.

Federal Perkins loans

PROGRAM OUTPUT MEASURES ($000s)

	2010[1]	2011 CR[1]	2012
Loan recipients	493,244	493,244	2,148,189
Loan volume[2] ($000s)	$970,705	$970,705	$4,227,635
Average loan (whole $)	$1,968	$1,968	$1,968

[1] For 2010 and 2011, each participating institution uses its revolving fund to continue originating new loans.
[2] Loan volume includes budget authority and institutional matching funds 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 2012 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 **Student Aid Overview** 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 2008-2009.

Distribution of Perkins in 2008-2009			
Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - $ 5,999	10,296	$18,057,230	$1,754
$6,000 - $11,999	11,166	20,811,086	1,864
$12,000 - $23,999	36,325	67,606,223	1,861
$24,000 - $29,999	24,988	46,029,431	1,842
$30,000 +	245,316	437,995,455	1,792
Subtotal Dependent	328,091	590,499,425	1,823
Independent: Undergraduate	92,362	167,716,752	1,816
Graduate	68,038	202,913,517	2,982
TOTAL	488,491	961,129,694	1,968

Federal Perkins loans

Distribution of Perkins to Independent Undergraduates in 2008-2009			
Income Level	Recipients	Available Aid	Average Loan
0 - $ 1,999	13,653	$24,892,809	$1,823
$2,000 - $ 3,999	7,453	13,627,922	1,829
$4,000 - $ 7,999	15,177	28,040,097	1,848
$8,000 - $11,999	11,580	20,538,198	1,774
$12,000 - $15,999	9,587	17,186,085	1,793
$16,000 - $19,999	7,413	13,529,196	1,825
$20,000 +	27,499	49,902,445	1,815
TOTAL	92,362	167,716,752	1,816

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, although the time period 2007-2008 to 2008-2009 has seen the greatest variation, as the distribution of available aid between public 4-year institutions and private institutions went from 44.1 percent and 51.2 percent in 2007-2008, to 40.8 percent and 55 percent in 2008-2009.

The table below illustrates the sector distribution of Perkins loans to students in 2008-2009:

Distribution of Perkins by Type of Institution 2008-2009				
Institution Type	Recipients	Available Aid	Average Loan	Percent of Perkins Aid
Public 4-Year	214,520	$391,858,778	$1,827	40.8%
Public 2-Year	6,561	11,993,405	1,828	1.3%
Private	247,449	528,928,606	2,538	55.0%
Proprietary	19,961	28,348,905	1,420	2.9%
TOTAL	488,491	961,129,694	1,968	100.0%

Leveraging educational assistance partnership
(Higher Education Act of 1965, Title IV, Part A, Subpart 4)

FY 2012 Authorization ($000s): Indefinite

Budget Authority ($000s):

	2011 CR	2012	Change
Program funds	$63,852 [1, 2]	0	-$63,852

[1] Under 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 2011 and 2012, $33.9 million is authorized for Special LEAP/GAP.

[2] Funding levels in FY 2011 represent the annualized continuing resolution levels of the 4th Continuing Appropriations Act, 2011 (P.L. 111-322).

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 2-to-1 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 2011 fiscal year appropriation will be used for the 2011-2012 award year, which runs from July 1, 2011 through June 30, 2012.

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.

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 three 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 $^{1}/_{3}$ 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;
- Provide 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.

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.

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 continues 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.

Leveraging educational assistance partnership

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

	($000s)
2007	$64,987
2008	63,852
2009	63,852
2010	63,852
2011 CR	63,852

Note— Amounts include $35.0 million in 2007, and $33.9 million in 2008 and 2009 for Special LEAP/Grants for Access and Persistence (GAP).

FY 2012 BUDGET REQUEST

The 2012 Budget does not include funding for the LEAP program. FY 2011 funds available for LEAP under the FY 2011 annualized CR total $63.8 million. The Administration requests no funds for the LEAP program in FY 2012. When the program was first authorized as the State School Improvement Grants program in 1972, only 28 States had undergraduate need-based grant programs. Today all but one State has some type of need-based student grant program. State grant levels have increased greatly over the years, and now most States significantly exceed the statutory matching requirements. For academic year 2008-2009, for example, estimated State matching funds totaled nearly $1 billion. This is more than $950 million over the level generated by a dollar-for-dollar match, and far more than would be required even under the 2-for-1 match under Special LEAP. Despite current fiscal challenges, the trend of investments suggests a considerable level of State commitment, even absent Federal LEAP program funding. The Administration will continue to look for other methods of ensuring continued investment in student grant aid, even amidst current State budget challenges.

PROGRAM OUTPUT MEASURES ($000s)

	2010 [1]	2011 CR [1]	2012
Recipients	161,556	161,556	0
Aid available to students[2]	$161,556	$161,556	0
Maximum grant (whole $)	$5,000	$5,000	0
Average grant (whole $)	$1,000	$1,000	0

[1] Estimate assumes States choose to participate in Special LEAP in 2010 and 2011, and that Special LEAP funds are used to increase 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.

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 2012 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 **Student Aid Overview** and are not repeated here.

Iraq and Afghanistan service grants
(Higher Education Act of 1965, Title IV, Part A, Subpart 1)

FY 2012 Authorization ($000s): Indefinite

Budget Authority ($000s):

	2011 CR	2012	Change
Program funds	$182	$211	+$29

PROGRAM DESCRIPTION

The Iraq and Afghanistan Service Grants program, which became effective on July 1, 2010, 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. Students are not required to be eligible for a Pell Grant in order to receive a Service Grant; however, the student must be 24 years old or younger; or, if older than 24, must have been enrolled in an institution of higher education at the time of the parent or guardian's death.

Service Grants are equal to the maximum Pell Grant for a given award year, which is projected to be $5,550 for the 2011-2012 award year. Service Grants are excluded from the total "estimated financial assistance" used to determine a student's eligibility for other Title IV Federal financial aid. In combination with other student aid, however, the Service Grant may not result in a student's awards exceeding their cost of attendance.

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

	($000s)
2007...	0
2008...	0
2009...	0
2010...	$15
2011 CR	182

FY 2012 BUDGET REQUEST

The Administration's 2012 budget includes mandatory funding for Iraq and Afghanistan Service Grants in the amount of $211,000, an increase of $29,000 from FY 2011. The first Service Grants were made in award year 2010-2011. Fewer than 1,000 awards are expected to be made with FY 2012 funds during academic year 2012-2013.

Iraq and Afghanistan service grants

PROGRAM OUTPUT MEASURES ($000s)

	2010	2011 CR	2012
Recipients	* [1]	* [1]	* [1]
Aid available to students	$180	$232	$235
Maximum grant (whole $)	$5,550	$5,550	$5,550
Average grant (whole $)	$4,816	$4,816	$4,815

[1] Recipients estimated to number fewer than 1,000.

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 2012 and future years, and the resources and efforts invested by those served by this program.

The Iraq and Afghanistan service grants program will begin making awards in the 2011-2012 award year, so as yet, no performance data is available. However, because the programs in the Student Financial Assistance account rely on the same performance data, when available, the Iraq and Afghanistan Service Grants performance measures, strategies, and program improvement activities will be discussed in the **Student Aid Overview** and not repeated here.

College completion incentive grants
(Legislation sought)

FY 2012 Authorization ($000s): To be determined

Budget Authority ($000s):

	2011 CR	2012	Change
Program funds	0	$50,000	+$50,000

PROGRAM DESCRIPTION

With the growing investment in Pell Grants, it is more important than ever to ensure that Federal student aid dollars are being used efficiently and effectively. The Administration proposes to create a College Completion Incentive Grants program which would provide payments to schools as a positive incentive to encourage better outcomes for students. The program will encourage States to lay the foundation for increasing the number of students who graduate from college. It will reward institutions of all types that are helping achieve the President's 2020 goal, and it will put in place positive incentives for schools to achieve better outcomes in the future. Finally, it will provide new and better information to parents and students to promote transparency and help them choose wisely among their postsecondary options.

Participating States would be required to lay the foundation for institutional efforts by adopting goals for increasing graduation rates and numbers and closing gaps; aligning high school graduation requirements with participating institutions' expectations for academic preparation; creating stronger articulation agreements and facilitating transfers; and matching Federal funds or providing their own performance-based funding for institutions. All public institutions in the State would be mandatory participants. Private nonprofit and for-profit institutions that participate in the graduation goals, entrance expectations, articulation and transfer programs, State longitudinal data systems, and measurement of success indicators would also be eligible for funding.

Once a State is accepted as part of the program, the Department of Education and State would collaborate on determining which institutions within the State produce strong results for low-income students, including graduation and employment. The amount of funding received by an institution would be dependent on student success outcomes, such as the number of students who complete their program, the number of graduates who are placed in jobs with minimal salaries, and other metrics developed in coordination with States. The funding could be used for a range of assistance and service activities for students authorized by Title IV of the Higher Education Act, to help more students enroll in and complete their education, and find meaningful employment.

College completion incentive grants

The Secretary of Education would establish, via regulation, the methodology for measuring performance on the success indicators, the minimum conditions State performance systems must meet to qualify, and how the Federal allocations are determined.

FY 2012 BUDGET REQUEST

The Administration requests $50 million in mandatory funding for the first year of College Completion Incentive Grants. These funds would be used to distribute grants to those States meeting requirements for participation; no more than 25 States are expected in the initial year. Proposed legislation would appropriate $300 million annually for the years 2013-2016 when additional States would enter the program.

PROGRAM OUTPUT MEASURES ($000s)

	2010	2011 CR	2012
Recipients (States)	0	0	25
Aid available to students	0	0	$50,000
Average grant (whole $)	0	0	$2,000