

**Department of Education**  
**STUDENT FINANCIAL ASSISTANCE**  
**Fiscal Year 2013 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 HEA, [\$24,538,521,000] \$24,685,281,000, which shall remain available through September 30, [2013] 2014:<sup>1</sup> Provided, That, of amounts provided under this heading, \$1,522,000,000 shall also be available for Pell Grants for award year 2014-2015.<sup>2</sup>

The maximum Pell Grant for which a student shall be eligible during award year [2012-2013] 2013-2014<sup>3</sup> shall be \$4,860. (*Department of Education Appropriations Act, 2012.*)

### NOTE

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

## STUDENT FINANCIAL ASSISTANCE

### Analysis of Language Provisions and Changes

Language Provision	Explanation
<sup>1</sup> ... which shall remain available through September 30, [2013] <u>2014</u> :	This language sets the availability of funds provided under the account through the end of fiscal year 2014.
<sup>2</sup> <u>Provided, That, of amounts provided under this heading, \$1,522,000,000 shall also be available for Pell Grants for award year 2014-2015.</u>	This language recognizes that funds appropriated in 2013 are available for award year 2014-2015.
<sup>3</sup> The maximum Pell Grant for which a student shall be eligible during award year [2012-2013] <u>2013-2014</u> shall be \$4,860.	This language sets the maximum Pell Grant award for award year 2013-2014.

**STUDENT FINANCIAL ASSISTANCE**

**Amounts Available for Obligation**

(dollars in thousands)

Appropriations and Adjustments	2011	2012	2013
Discretionary appropriation:			
Appropriation	\$24,719,957	\$24,538,521	\$24,685,281
Across-the-board reduction (P.L. 112-10)	-49,440	0	0
Across-the-board reduction (P.L. 112-74)	<u>0</u>	<u>-3,240</u>	<u>0</u>
Subtotal, appropriation	24,670,517	24,535,281	24,685,281
Mandatory appropriation	<u>19,060,183</u>	<u>18,748,479</u>	<u>13,294,334</u>
Subtotal, discretionary and mandatory appropriation	43,730,700	43,283,760	37,979,615
Unobligated balance, start of year	153,147	1,006,021	11,228,946
Recovery of prior-year obligations	309,323	0	0
Unobligated balance, expiring	-1,567	0	0
Unobligated balance, end of year	<u>- 1,006,021</u>	<u>-11,228,946</u>	<u>-10,857,646</u>
Total, direct obligations	43,185,582	33,060,835	38,350,915

**Obligations by Object Classification**

(dollars in thousands)

Object Class	2011	2012	2013
Grants, subsidies, and contributions...	\$43,185,582	\$33,060,835	\$38,350,915

**STUDENT FINANCIAL ASSISTANCE**

**Summary of Changes**

(dollars in thousands)

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2012 .....	\$43,283,760
2013 .....	<u>37,979,615</u>
Net change .....	-5,304,145

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<b>Increases:</b>	<u>2012 base</u>	<u>Change from base</u>
<u>Program:</u>		
Increase in Work-Study discretionary funding.	\$976,682	+\$150,000
Increase in mandatory funding to support Iraq and Afghanistan Service Grants.	<u>295</u>	<u>+39</u>
Subtotal, increases		+150,039

<b>Decreases:</b>	<u>2012 base</u>	<u>Change from base</u>
<u>Program:</u>		
Decrease in mandatory funding provided to support the Pell Grant program.	<u>\$18,748,184</u>	<u>-\$5,454,184</u>
Subtotal, decreases		-5,454,184
Net change		-5,304,145

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## STUDENT FINANCIAL ASSISTANCE

### Authorizing Legislation

(dollars in thousands)

Activity	2012 Authorized	2012 Estimate	2013 Authorized	2013 Request
Federal Pell grants ( <i>HEA-IV-A-1</i> ):				
Federal Pell grants ( <i>HEA-IV-A-1</i> ) (discretionary)	Indefinite	\$22,824,000	Indefinite	\$22,824,000
Federal Pell grants (mandatory)	Indefinite	4,953,184	Indefinite	5,707,000
Federal Pell grants (mandatory) <sup>1</sup>	Indefinite	13,795,000	Indefinite	7,587,000
Federal supplemental educational opportunity grants ( <i>HEA-IV-A-3</i> )	Indefinite	734,599	Indefinite	734,599
Institutional payments ( <i>HEA-IV-G-489</i> ) <sup>2</sup>	Indefinite		Indefinite	
Federal work-study ( <i>HEA-IV-C</i> )	Indefinite	976,682	Indefinite	1,126,682
Institutional payments ( <i>HEA-IV-G-489</i> ) <sup>2</sup>	Indefinite		Indefinite	
Institutional payments for Job Location and Development centers ( <i>HEA-IV-C-446</i> ) <sup>3</sup>	Indefinite		Indefinite	
Work colleges ( <i>HEA-IV-C-448</i> )	Indefinite		Indefinite	
Iraq and Afghanistan Service Grants ( <i>HEA-IV-A-1</i> )	Indefinite	295	Indefinite	334
<u>Unfunded authorizations:</u>				
Federal Perkins loans ( <i>HEA-IV-E</i> )				
Federal capital contributions	Indefinite	0	Indefinite	0
Academic achievement incentive scholarships ( <i>HEA-IV-A, Chapter 3</i> )	Indefinite	0	Indefinite	0

## STUDENT FINANCIAL ASSISTANCE

### Authorizing Legislation -- Continued (dollars in thousands)

Activity	2012 Authorized	2012 Estimate	2013 Authorized	2013 Request
Unfunded authorizations (continued):				
Federal Perkins loans:				
Loan cancellations ( <i>HEA-IV-E</i> )	Indefinite	0	Indefinite	0
Institutional payments ( <i>HEA-IV-G-489</i> ) <sup>2</sup>	Indefinite	0	Indefinite	0
Total discretionary appropriation		\$24,535,281		\$24,685,281
Total mandatory appropriation		18,748,479		13,294,334

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

<sup>1</sup> Mandatory funding provided for discretionary program costs.

<sup>2</sup> 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.

<sup>3</sup> 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.

## STUDENT FINANCIAL ASSISTANCE

### Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2004	\$14,518,500	\$14,247,432	\$14,174,115	\$14,007,296
2005	14,698,622	14,755,794	14,859,694 <sup>1</sup>	14,265,749
2006	19,771,798	19,583,752	19,403,795	19,255,404 <sup>2</sup>
2007	14,490,057	N/A <sup>3</sup>	N/A <sup>3</sup>	14,487,735 <sup>3</sup>
2008	16,419,492	17,464,883	18,409,883	18,122,136 <sup>4</sup>
2009	19,921,551	21,291,136 <sup>5,6</sup>	20,851,809 <sup>5,6</sup>	21,246,973 <sup>5</sup>
Recovery Act Supplemental (P.L. 111-5)	0	17,600,000	13,930,000	17,314,000
2010	1,801,809 <sup>7</sup>	19,634,905	19,296,809 <sup>1</sup>	19,296,809
2011	1,737,957 <sup>7</sup>	18,475,492 <sup>8</sup>	24,899,957 <sup>1</sup>	24,670,517
2012	30,338,016	22,367,521 <sup>9</sup>	24,670,517 <sup>9</sup>	24,535,281
2013	24,685,281			

<sup>1</sup> The level for the Senate allowance reflects Committee action only.

<sup>2</sup> Includes a reappropriation 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.

<sup>3</sup> 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.

<sup>4</sup> 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).

<sup>5</sup> 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).

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

<sup>7</sup> Reflects Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts.

<sup>8</sup> The level for the House allowance reflects the House-passed full-year continuing resolution.

<sup>9</sup> the level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

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U.S. DEPARTMENT OF EDUCATION FISCAL YEAR 2013 PRESIDENT'S BUDGET

(in thousands of dollars)					2013 President's Budget Compared to 2012 Appropriation	
Account, Program and Activity	Category Code	2011 Appropriation	2012 Appropriation	2013 President's Budget	Amount	Percent
<b>Student Financial Assistance</b>						
1. Federal Pell grants (HEA IV-A-1):						
(a) Discretionary Pell grants	D	22,955,996	22,824,000	22,824,000	0	0.000%
(b) Mandatory Pell grants	M	5,560,000	4,953,184	5,707,000	753,816	15.219%
(c) Mandatory funding for discretionary program costs	M	13,500,000	13,795,000	7,587,000	(6,208,000)	-45.002%
Subtotal		42,015,996	41,572,184	36,118,000	(5,454,184)	-13.120%
Discretionary	D	22,955,996	22,824,000	22,824,000	0	0.000%
Mandatory	M	19,060,000	18,748,184	13,294,000	(5,454,184)	-29.092%

<b>Federal Pell Grants Information</b>						
Discretionary appropriation	D	22,955,996	22,824,000	22,824,000	0	0.000%
Prior year surplus/(shortfall)	D	(9,635,059)	(3,895,063)	2,032,937	5,928,000	-152.193%
Mandatory appropriation	M	5,560,000	4,953,184	5,707,000	753,816	15.219%
Prior year surplus/(shortfall)	M	(489,184)	52,816	0	(52,816)	-100.000%
Mandatory funding to reduce discretionary need	M	13,500,000	13,795,000	7,587,000	(6,208,000)	-45.002%
Total resources		31,891,753	37,729,937	38,150,937	421,000	1.116%
Discretionary program costs	D	30,716,000	30,691,000	30,922,000	231,000	0.753%
Mandatory program costs	M	5,018,000	5,006,000	5,707,000	701,000	14.003%
Total, program costs		35,734,000	35,697,000	36,629,000	932,000	2.611%
Discretionary program current year surplus/(Shortfall)	D	(3,895,063)	2,032,937	1,521,937	(511,000)	-25.136%
Mandatory current year surplus/(Shortfall)	M	52,816	0	0	0	---
Total, surplus/(shortfall)		(3,842,247)	2,032,937	1,521,937	(511,000)	-25.136%
Maximum award (in whole dollars)						
Base Award		4,860	4,860	4,860	0	0.000%
Mandatory add-on		690	690	775	85	12.319%
Total maximum award		5,550	5,550	5,635	85	1.532%
Recipients (in thousands)		9,703	9,607	9,748	141	1.468%

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

U.S. DEPARTMENT OF EDUCATION FISCAL YEAR 2013 PRESIDENT'S BUDGET

(in thousands of dollars)		Category Code	2011 Appropriation	2012 Appropriation	2013 President's Budget	2013 President's Budget Compared to 2012 Appropriation	
Account, Program and Activity						Amount	Percent
<b>Student Financial Assistance (continued)</b>							
2. Campus-based programs:							
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)		D	735,990	734,599	734,599	0	0.000%
(b) Federal work-study (HEA IV-C)		D	978,531	976,682	1,126,682	150,000	15.358%
Subtotal, Campus-based programs			1,714,521	1,711,281	1,861,281	150,000	8.765%
3. Iraq and Afghanistan service grants (HEA IV-A-10)		M	183	295	334	39	13.220%
Total			43,730,700	43,283,760	37,979,615	(5,304,145)	-12.254%
Discretionary		D	24,670,517	24,535,281	24,685,281	150,000	0.611%
Mandatory		M	19,060,183	18,748,479	13,294,334	(5,454,145)	-29.091%
<b>Federal Perkins Loan Program</b>							
1. New loan subsidies (proposed legislation)		M	0	0	0	0	---
2. New net loan subsidies (non-add)		M	0	0	(1,378,545)	(1,378,545)	---
Total, Federal Perkins loan program amount			0	0	0	0	---

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

## STUDENT FINANCIAL ASSISTANCE

### Summary of Request

The United States has long been a global leader in postsecondary education, but this advantage has slipped. While the U.S. ranks 5th in terms of the proportion of 25-64 year olds with a postsecondary education, it ranks 16<sup>th</sup> in attainment among 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 of the bottom quartile attend. Even when high-school graduates can afford to begin higher education, they all too often fail to complete postsecondary education. Only about half of college students graduate within 6 years; for low-income students, the completion rate in the same time period is closer to 25 percent.

The President's fiscal year 2013 Budget is focused on the issue of college affordability and completion, in accordance with the President's vision of leading the world in college attainment by 2020. The Budget outlines a path for reforming campus-based aid programs to promote the interest of students by distributing federal funds to colleges that provide the best value to students – not only by enrolling financially-needy students, but ensuring they persist to completion and at reasonable costs.

The total fiscal year 2013 budget proposed for the Student Financial Assistance (SFA) account is \$37.9 billion, of which the discretionary request is \$24.7 billion, \$150 million higher than the fiscal year 2012 level. This discretionary request includes \$22.8 billion for Pell grants, with the remainder of the request for the campus-based programs: Supplemental Educational Opportunity Grants and Work-Study. \$13.3 billion in mandatory funds are included in the 2013 budget for the Pell Grant program, of which \$7.6 billion is directed to reduce discretionary program costs, and an additional \$334,000 in mandatory funding for the Iraq and Afghanistan Service Grants program.

Supplementing the grant funds described above, the Budget also provides access to additional campus-based funds that will assist students in paying for their education, through an expanded Perkins loan program. This reform of the current program, which is set to expire in 2014, will ensure students have continuous access to Perkins loans through that transition. Part of the restructuring of the program means an increased number of students will be able to access these funds, as the program will expand to serve a greater number of institutions (up to 2,700 more than the existing program), and provide additional funds at eight and a half times the current volume.

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 \$39.8 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 nearly 12.5 million students.

The fiscal year 2013 budget request for programs in the Student Financial Assistance account is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals, as well as program performance information that applies to all student assistance programs, are discussed in the **Student Aid Overview** beginning on page O-1.

## STUDENT FINANCIAL ASSISTANCE

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### Federal Pell grants

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

(dollars in thousands)

FY 2013 Authorization: Indefinite

Budget Authority:<sup>1</sup>

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Program funds:			
Discretionary appropriation	\$22,824,000	\$22,824,000	0
Mandatory appropriation	4,953,184	5,707,000	+\$753,816
Mandatory funding for discretionary program costs	<u>13,795,000</u>	<u>7,587,000</u>	<u>-6,208,000</u>
Subtotal, current year funding	41,572,184	36,118,000	-5,454,184
Pell Grant program costs	35,697,000	36,629,000	+932,000

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<sup>1</sup> Table reflects appropriations and mandatory budget authority in support of program costs for each fiscal year.

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### PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and moderate-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.

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.

Budget authority in the Pell Grant program is available 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 proposed for fiscal year

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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2013 would be used for grants in the 2013-2014 award year, which runs from July 1, 2013, through June 30, 2014. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department uses the next fiscal year's appropriation to cover the full cost.

Recent and projected funding: The Pell Grant program is the single largest source of grant aid for postsecondary education – the centerpiece of President Obama's strategy to make sure students can afford to seek higher education and successfully complete a postsecondary credential. Thanks to the landmark investments in Pell Grants since the beginning of the Administration, in 2013 over 9.7 million students will receive Pell Grants worth up to \$5,635. 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, primarily because there are more eligible students due to growing enrollment and greater financial need. 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 Grant program. For example, Congress enacted the College Cost Reduction and Access Act (CCRAA), which changed the EFC determination by increasing the income threshold at which students receive an automatic zero EFC from \$20,000 to \$30,000, with adjustments for inflation; increased the Income Protection Allowance (which is the amount of income representing basic living expenses that is withheld from the calculation); and removed 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). To help address the funding needs for the Pell Grant program, the Budget Control Act of 2011 provided \$10 billion for fiscal year 2012 and \$7 billion for fiscal year 2013 in reappropriated mandatory funds for discretionary program costs.

More recently, to further address program cost issues, the Consolidated Appropriations Act, 2012, made several statutory changes to the Pell Grant program that are estimated to produce a savings of more than \$750 million in fiscal year 2013. These changes, which become effective on July 1, 2012, include:

- Changing the EFC determination by decreasing the income threshold at which students receive an automatic zero EFC from \$32,000 to \$23,000;
- Denying eligibility for Pell Grants to those students who previously qualified by passing an "Ability to Benefit" test and instead restricting eligibility to individuals who have a high school diploma, GED, or are home schooled;
- Reducing the duration for which students are eligible for Pell Grants from a maximum of 18 full-time semesters, or its equivalent, to 12 semesters, or its equivalent; and,
- Requiring students be eligible for 10 percent of the maximum grant (previously was 5 percent) to earn the minimum award.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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Mandatory funding: 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. The maximum Pell Grant is expected to increase from the 2012-2013 award year level of \$5,550 to \$5,635 for the 2013-2014 award year as a result of the CPI provision.

The budget provides sufficient resources to fully fund the \$5,635 maximum Pell award in the 2013-2014 award year. To ensure the program remains on solid financial footing for the 2014-2015 award year, the Budget proposes three reforms in the student loan programs: expanding and reforming the Perkins loan program; limiting the duration of the in-school interest subsidy on Stafford loans to 150 percent of the normal time required for students to complete their educational programs; and, reducing excessive payments to guaranty agencies who rehabilitate defaulted student loans. These important reforms will address the growing costs of the Pell Grant program while still ensuring that aid is available to the neediest college students.

Pell Grant program scoring rule: 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 2010 and 2011 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 the scoring of budget authority for Pell Grants against the appropriations allocations established annually under §302 of the Congressional Budget Act. Like the 2012 Budget, this Budget maintains this treatment.

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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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Institutional participation: Approximately 5,400 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 Grant.

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. (However, as noted above, the Consolidated Appropriations Act, 2012, will no longer permit individuals to qualify for a Pell Grant by passing an ability to benefit test, effective as of July 1, 2012.) 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 (HEOA) enacted a minimum payment of 10 percent of the appropriated maximum award. For example, in award year (AY) 2011-2012, the minimum is \$555, with students eligible for between \$278 and \$554 receiving a "bump" to \$555. As mentioned above, per the Consolidated Appropriations Act, 2012, beginning in AY 2012-2013, students who do not qualify for the 10 percent minimum grant will no longer receive a Pell award. Appropriations acts routinely set annual maximum award levels. The fiscal year 2012 appropriation act set the maximum award supported by discretionary funds for the 2012-2013 award year at \$4,860; the CCRAA added an additional \$690 supported with mandatory funds, for an aggregate maximum award of \$5,550. The 2013-2014 maximum award is scheduled to be \$5,635.

Award rules: The aggregate Pell Grant award is the lessor 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.

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

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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- 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.

Financial aid administrator discretion: The Higher Education Act 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 any of the Title IV programs; or
- Other changes in a family's income, assets, or a student's status.

Institutional payments: The HEA 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 2012-13, these payments will total \$48 million.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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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:

(dollars in thousands)

2008 .....	\$16,256,000 <sup>1</sup>
2009 .....	17,288,000 <sup>2</sup>
Recovery Act .....	17,114,000 <sup>3</sup>
2010 .....	22,794,816 <sup>4</sup>
2011 .....	42,015,996 <sup>5</sup>
2012 .....	41,572,184 <sup>6</sup>

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<sup>1</sup> Includes \$2,030 million in mandatory funds to increase maximum award by \$490.

<sup>2</sup> Includes \$2,090 million in mandatory funds to increase maximum award by \$490.

<sup>3</sup> Includes \$15,640 million in discretionary funds and \$1,474 million in mandatory funds.

<sup>4</sup> Includes \$5,300 million in mandatory funds to increase maximum award by \$690.

<sup>5</sup> Includes \$5,560 million in mandatory funds to increase maximum award by \$690 and \$13,500 million in SAFRA funds.

<sup>6</sup> Includes \$4,953 million in mandatory funds to increase maximum award by \$690 and \$13,795 million in additional mandatory funds provided in legislation to reduce discretionary need.

### FY 2013 BUDGET REQUEST

Since taking office, this Administration has repeatedly fought for higher Pell Grant funding, and its efforts have helped to generate another boost in the maximum award, and to provide grants to an additional 3 million students. In its continued support of the program, the Administration requests \$22.8 billion in discretionary funding, the same level as 2012. This discretionary request, plus \$13.3 billion in mandatory funding establishes the total 2013 Pell funding level at \$36.1 billion. The mandatory request includes \$7.6 billion to cover the program costs associated with maintaining the \$4,860 base maximum award in the 2013-14 award year, and \$5.7 billion to support a vital increase in the add-on to the base award, raising the new discretionary plus mandatory maximum award to \$5,635.

In addition, the 2013 Budget proposes a series of reforms to the student loan programs. Savings resulting from these reforms, plus surplus Pell Grant discretionary budget authority, will be redirected to the Pell Grant program, and are sufficient to fund the program through the 2014-2015 award year, which otherwise would face a \$9 billion shortfall. The Administration believes early action must be taken to keep the Pell Grant program on a sound footing, and that reforms such as those included in the Budget are necessary to maintain this critical investment in opening the doors of opportunity to all Americans and strengthening our Nation's competitiveness.

The fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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### PELL GRANT PROGRAM HISTORICAL DATA

Applicant and Recipient Growth: The graphs on the following pages show applicant, recipient, and aid available trends since the inception of the Pell Grant program. Applicants are estimated at 18.6 million for award year 2011-2012; recipients at 9.7 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**

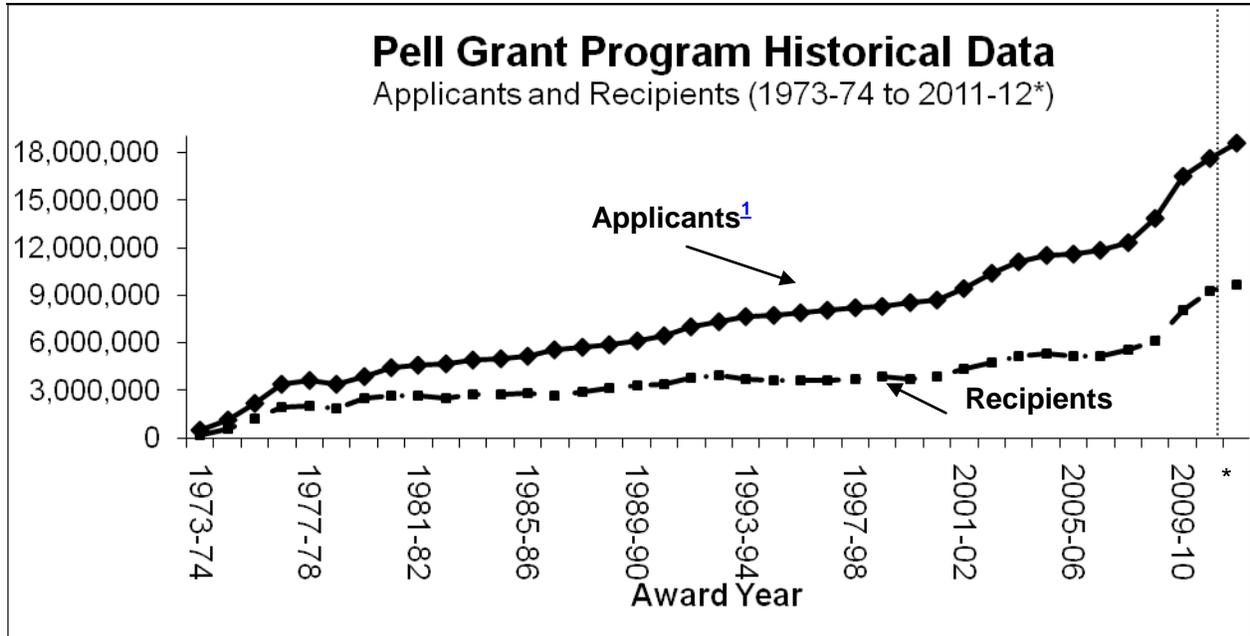
Award Year	Valid Applicants	Applicant Growth: Number	Applicant Growth: % Change
1999-00	8,527,162	217,517	2.62%
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	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	17,625,778	1,143,283	6.94%
2011-12	18,565,366	939,588	5.33%
2012-13	18,960,887	385,521	2.13%
2013-14	19,249,442	288,555	1.52%

Sources: Through 2010-11, Award Year 2009-10 Pell Grant EOY Report and Final ELI-10 Reports.

Notes: Award Years 2011-12 through 2013-14 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

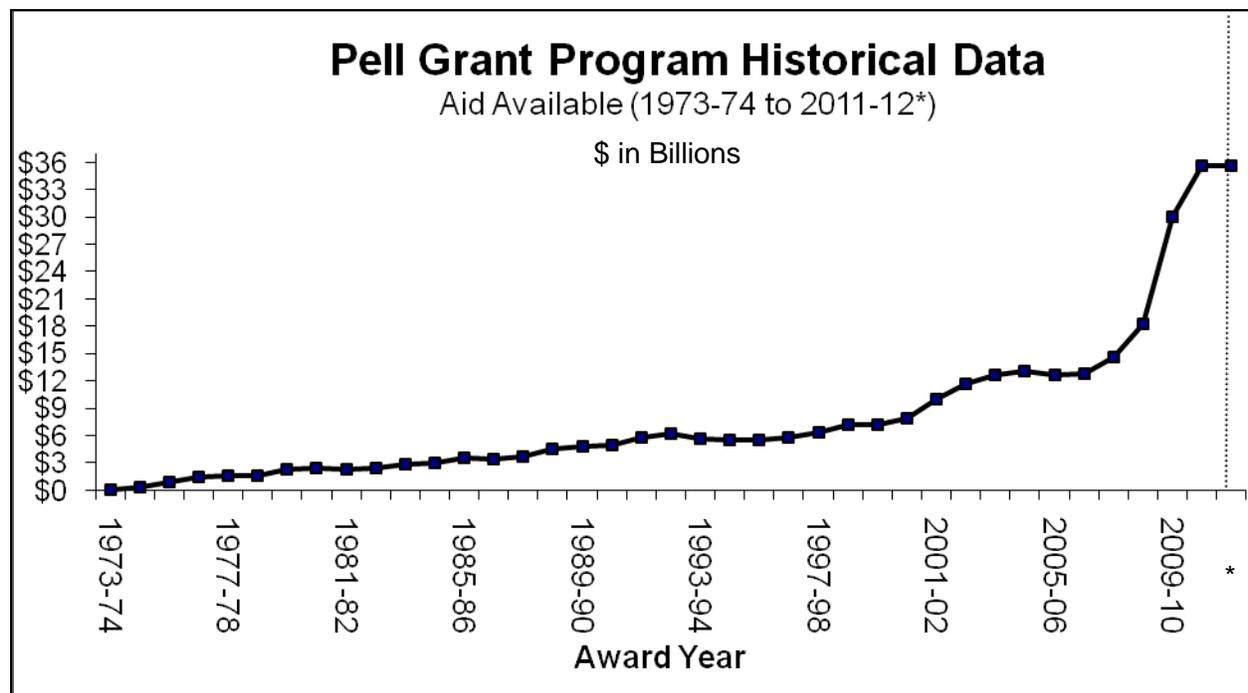


<sup>1</sup> Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

Number of Recipients: Under current estimates, the 2013 level would support Pell Grant awards to 9.7 million recipients.

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants



Aid Available: Under current estimates, the Department’s fiscal year 2013 proposal would provide \$36.6 billion in Pell Grants to students.

Maximum award: The Department proposes to maintain the base maximum award at \$4,860 for award year 2013-14 through discretionary and mandatory funding. The costs of providing a \$5,550 maximum award (and in award year 2013-2014, a \$5,635 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 (\$ in millions)	Recipients
2008-09	\$4,731	\$18,290	6,155,197
2009-10	5,350	29,996	8,089,702
2010-11	5,550	35,641	9,303,000
2011-12	5,550	35,685	9,703,000
2012-13	5,550	35,649	9,607,000
2013-14	5,635	36,580	9,748,000

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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#### Maximum Pell Grant Awards

FY	Maximum Award	Budget Authority (dollars in thousands)	Program Costs (dollars in thousands)
2004	\$4,050	\$12,006,738	\$13,152,000
2005	4,050	12,364,997	12,696,000
2006	4,050	17,345,230	12,823,000
2007	4,310	13,660,711	14,697,000
2008	4,731	16,245,000 <sup>1</sup>	18,318,000
2009	5,350	35,661,000 <sup>2</sup>	30,006,000
2010	5,550	22,794,816 <sup>3</sup>	35,687,000 <sup>4</sup>
2011	5,550	42,015,996 <sup>5</sup>	35,734,000 <sup>4</sup>
2012	5,550	41,572,184 <sup>6</sup>	35,697,000 <sup>4</sup>
2013	5,635	36,118,000 <sup>7</sup>	36,629,000 <sup>4</sup>

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<sup>1</sup> 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.

<sup>2</sup> Budget Authority for FY 2009 includes \$15,640 million in American Recovery and Reinvestment Act of 2009 (ARRA) funds, and \$2,733 million in mandatory funds for use as an add-on to the maximum Pell Grant award.

<sup>3</sup> Budget Authority for FY 2010 includes \$17,495 million in discretionary funds and \$5,300 million in mandatory funds to increase the maximum grant.

<sup>4</sup> Estimate.

<sup>5</sup> Budget Authority for FY 2011 includes \$22,956 million in discretionary funds, \$13,500 million in mandatory funds for discretionary program costs, and \$5,560 million in mandatory funds to increase the maximum grant.

<sup>6</sup> Budget Authority for FY 2012 includes \$22,824 million in discretionary funds, \$4,782 million in mandatory funding to increase the maximum grant, and \$13,795 million in mandatory funds to reduce discretionary need as provided in the Budget Control Act of 2011.

<sup>7</sup> Budget Authority requested for FY 2013 includes \$22,824 million in discretionary funding, \$5,707 million in mandatory funding to increase the maximum grant, and \$7,587 million in mandatory funds for discretionary purposes.

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## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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#### 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 2010-11, approximately 74 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000.

#### **Distribution of Pell Grants in 2010-2011**

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 6,000	506,315	\$2,320,668,897	\$4,583
\$6,001 - \$ 9,000	149,395	697,139,085	4,666
\$9,001 - \$20,000	813,194	3,838,294,477	4,720
\$20,001 - \$30,000	763,369	3,561,785,040	4,666
\$30,001 +	1,530,806	4,521,303,608	2,954
Subtotal -			
Dependent	3,763,079	14,939,191,107	3,970
Independent	5,539,472	20,701,322,209	3,737
<b>TOTAL</b>	<b>9,302,551</b>	<b>35,640,513,316</b>	<b>3,831</b>

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 to Independent Undergraduates in 2010-2011**

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,000	943,357	\$3,849,486,253	\$4,081
\$1,001 - \$ 3,000	315,227	1,320,325,720	4,188
\$3,001 - \$ 6,000	470,370	1,962,724,528	4,173
\$6,001 - \$ 9,000	497,680	2,064,396,055	4,148
\$9,001 - \$15,000	983,250	3,707,932,124	3,771
\$15,001 - \$20,000	675,232	2,176,975,118	3,224
\$20,001 - \$30,000	762,069	2,869,659,956	3,766
\$30,001 +	892,287	2,749,822,455	3,082
<b>TOTAL</b>	<b>5,539,472</b>	<b>20,701,322,209</b>	<b>3,737</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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#### 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 2010-2011, approximately 29 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 with proprietary schools. In the 1994-1995 award year approximately 13 percent of total Pell aid available went to students at proprietary institutions; in the 2010-2011 award year that figure was 24 percent.

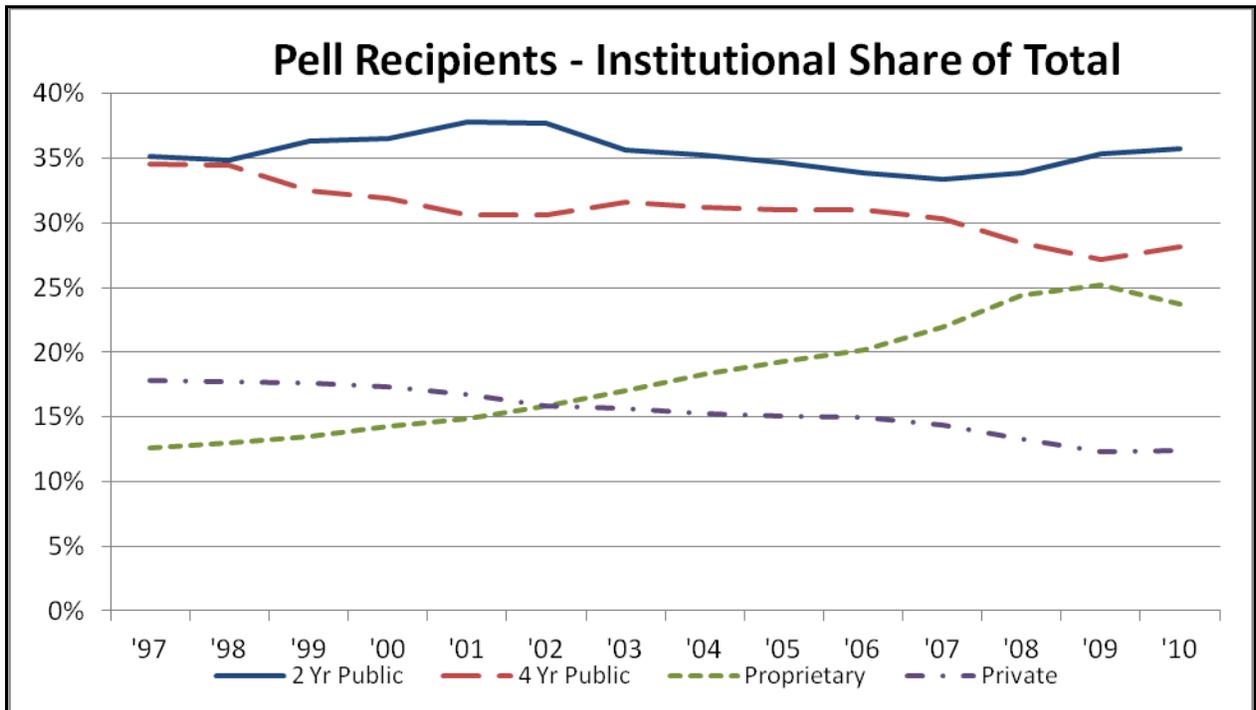
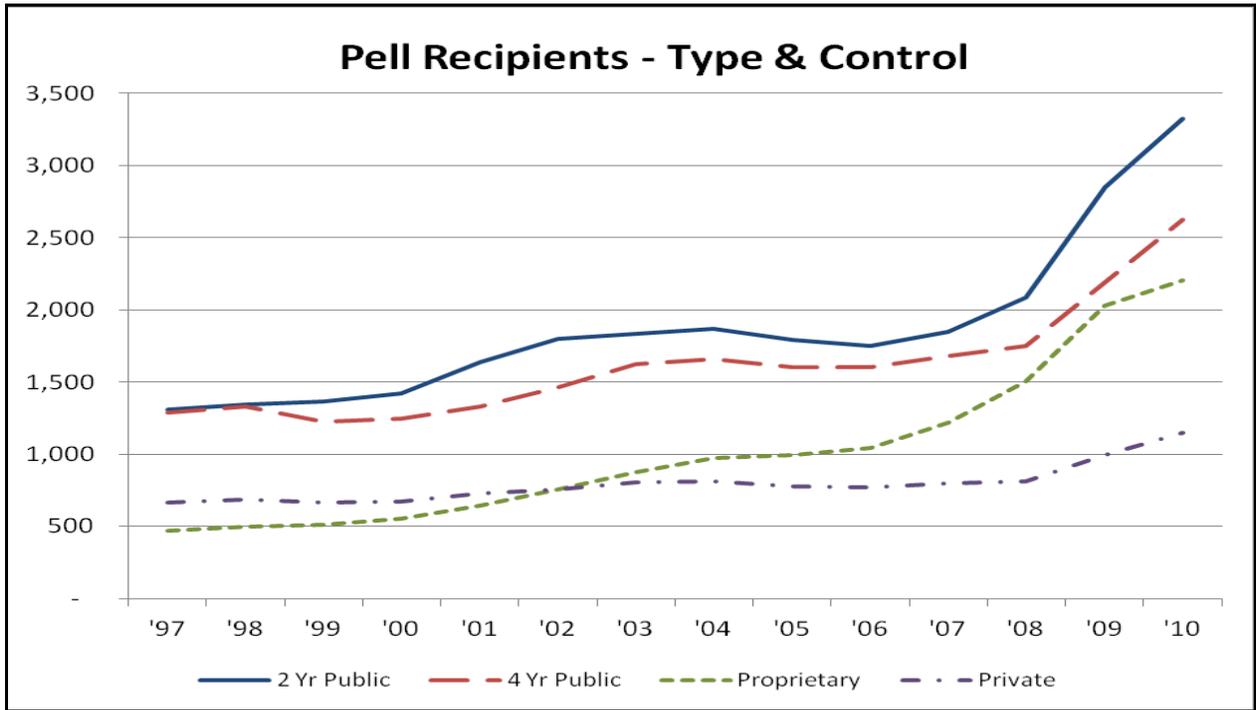
#### **Distribution of Pell Grants by Type of Institution 2010-2011**

Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	2,622,452	\$10,178,729,066	\$3,881
Public 2-Year	3,323,961	12,173,375,683	3,662
Private	1,151,619	4,683,038,551	4,066
Proprietary	2,204,519	8,605,370,016	3,904
<b>TOTAL</b>	<b>9,302,551</b>	<b>35,640,513,316</b>	<b>3,831</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

The following two charts show for the years 1997-2010 total Pell recipients (in thousands) by type and control of institution, and the institutional share (percentage) of total Pell recipients.



## STUDENT FINANCIAL ASSISTANCE

### Federal Pell grants

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#### **PROGRAM OUTPUT MEASURES** (dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Recipients	9,703,000	9,607,000	9,748,000
Aid available to students <sup>1</sup>	\$35,685,485	\$35,648,965	\$36,580,260
Maximum grant (in whole dollars)	\$5,550	\$5,550	\$5,635
Minimum grant (in whole dollars)	\$555	\$555	\$555
Average grant (in whole dollars)	\$3,678	\$3,711	\$3,753

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<sup>1</sup> 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 fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

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### Federal supplemental educational opportunity grants

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

(dollars in thousands)

FY 2013 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>Change</u>
\$734,599	\$734,599	0

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### 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 proposed for fiscal year 2013 would be used for the 2013-2014 award year, which runs from July 1, 2013, through June 30, 2014.

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 (a hold harmless basis), and then on the basis of the aggregate need of the eligible undergraduate students in attendance. Current hold harmless provisions grossly distort the allocation of funding among institutions than would otherwise be the case.

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

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

## STUDENT FINANCIAL ASSISTANCE

## Federal supplemental educational opportunity grants

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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, for students enrolled prior to July 1, 2012, 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 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 SEOG funds may, at the discretion of the institution, be used for expenditures for the preceding fiscal year, and up to 10 percent of an institution's SEOG funds may remain available for the next fiscal year.
- Reallocation of funds. Excess funds available because of under-utilization by institutions are reallocated to other institutions in accordance with program regulations. An institution returning more than 10 percent of its allocation will have its subsequent allocation reduced by the same amount.

Funding levels for the past 5 fiscal years were:

(dollars in thousands)

2008 .....	\$757,465
2009 .....	757,465
2010 .....	757,465
2011 .....	735,990
2012 .....	734,599

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

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#### **FY 2013 BUDGET REQUEST**

The Administration requests \$734.6 million for the SEOG program in fiscal year 2013, level-funded with the amount provided in fiscal year 2012. The Budget additionally proposes to alter the allocation formula. Lower-priced public and private institutions that enroll and graduate higher numbers of Pell-eligible students and restrain tuition increases would benefit the most by this change. Allocations to participating institutions that fail to maintain these commitments would be redirected to better-performing institutions.

The fiscal year 2013 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.

The fiscal year 2013 request would generate \$930 million in available aid for an estimated 1.4 million awards.

#### **PROGRAM OUTPUT MEASURES** (dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Recipients	1,392,575	1,389,943	1,389,943
Aid available to students <sup>1</sup>	\$931,633	\$929,872	\$929,872
Average award (whole dollars)	\$669	\$669	\$669

<sup>1</sup> 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 fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

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#### 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 2009-2010. In 2009-2010, 64 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 2009-2010**

Income Level	Recipients	Available Aid	Average Award
<b>Dependent:</b>			
0 - \$ 5,999	97,731	\$78,411,973	\$802
\$6,000 - \$11,999	68,669	55,965,512	815
\$12,000 - \$23,999	188,542	160,876,470	853
\$24,000 - \$29,999	97,449	86,081,408	883
\$30,000 +	256,079	241,053,955	960
Subtotal – Dependent	708,470	622,389,318	863
Independent	884,997	444,169,535	502
<b>TOTAL</b>	<b>1,593,467</b>	<b>1,066,558,853</b>	<b>669</b>

#### **Distribution of SEOG to Independent Undergraduates in 2009-2010**

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	176,846	\$93,169,383	\$527
\$2,000 - \$ 3,999	75,543	40,594,782	537
\$4,000 - \$ 7,999	150,864	79,188,098	525
\$8,000 - \$11,999	105,368	51,742,895	491
\$12,000 - \$15,999	98,562	46,848,555	475
\$16,000 - \$19,999	79,593	37,790,365	475
\$20,000 +	198,121	94,835,457	479
<b>TOTAL</b>	<b>884,997</b>	<b>444,169,535</b>	<b>502</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal supplemental educational opportunity grants

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#### 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 remained relatively constant over the last 5 years; proprietary institutions have seen the most growth, with its share growing by only 3.3 percentage points over that time.

The following table shows the distribution of SEOG to students attending different types of institutions in 2009-2010.

#### **Distribution of SEOG by Type of Institution 2009-2010**

Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	434,947	\$337,038,415	\$775	31.6%
Public 2-Year	343,109	145,793,363	425	13.7%
Private	345,826	408,210,330	806	38.3%
Proprietary	469,585	175,516,745	400	16.5%
<b><i>TOTAL</i></b>	<b>1,593,467</b>	<b>1,066,558,853</b>	<b>669</b>	<b>100.0%</b>

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

## STUDENT FINANCIAL ASSISTANCE

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### Federal work-study

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

(dollars in thousands)

FY 2013 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>Change</u>
\$976,682	\$1,126,682	+\$150,000

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### 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 proposed for fiscal year 2013 would be used for the 2013-2014 award year, which runs from July 1, 2013 through June 30, 2014.

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.

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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Employment at the school itself is not eligible for the 90 percent match. 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.
- 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 Federal Capital Contribution allotments for use under the Work Colleges program.

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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- 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 added 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 independent students or students 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, for students enrolled prior to July 1, 2012, 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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The ARRA 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:

	(dollars in thousands)
2008 .....	\$980,492
2009 .....	980,492
Recovery Act .....	200,000
2010 .....	980,492
2011 .....	978,531
2012 .....	976,682

### FY 2013 BUDGET REQUEST

As with the Perkins Loan and SEOG programs, the Budget proposes to reform the Federal Work-Study allocation formula to target and incent funding toward institutions that enroll and graduate relatively higher numbers of Pell-eligible students as well as offer lower tuition prices and fees (net price) and/or contain growth in tuition and fees.

The fiscal year 2013 budget requests \$1.13 billion for the Work-Study program in fiscal year 2013, \$150 million more than the fiscal year 2012 level. This additional request would provide Federal Work-Study funding to institutions opting to participate in an enhanced Work-Study partnership with prospective employers. To increase students' employment prospects, institutions would collaborate with employers to provide students with Work-Study opportunities that are meaningfully aligned with students' academic programs and career aspirations. The request will generate nearly \$1.35 billion in available aid to support almost 794,000 part-time jobs for students, helping to meet the educational costs of undergraduate and graduate students and to expand their future employment prospects.

The fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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#### **PROGRAM OUTPUT MEASURES** (dollars in thousands)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Recipients	684,370	683,029	793,424
Aid available to students <sup>1</sup>	\$1,163,428	\$1,161,150	\$1,348,820
Average award (whole dollars)	\$1,700	\$1,700	\$1,700

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

#### **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 fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

#### 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 2009-2010.

#### Distribution of Work-Study in 2009-2010

Income Level	Recipients	Available Aid	Average Award
<b>Dependent:</b>			
0 - \$ 5,999	33,747	\$55,627,478	\$1,648
\$6,000 - \$11,999	23,910	40,134,418	1,679
\$12,000 - \$23,999	69,292	115,458,706	1,666
\$24,000 - \$29,999	38,026	63,172,958	1,661
\$30,000 +	377,590	568,426,732	1,550
<b>Subtotal - Dependent</b>	<b>542,565</b>	<b>842,820,292</b>	<b>1,615</b>
<b>Independent:</b>			
Undergraduate	133,479	256,305,372	1,920
Graduate	57,339	147,592,684	2,574
<b>TOTAL</b>	<b>733,383</b>	<b>1,246,718,348</b>	<b>1,700</b>

#### Distribution of Work-Study to Independent Undergraduates in 2009-2010

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	30,931	\$56,731,278	\$1,834
\$2,000 - \$ 3,999	15,380	28,854,724	1,876
\$4,000 - \$ 7,999	26,432	53,321,261	2,017
\$8,000 - \$11,999	17,270	34,070,146	1,973
\$12,000 - \$15,999	12,176	23,823,173	1,957
\$16,000 - \$19,999	8,314	16,224,223	1,951
\$20,000 +	22,976	43,280,567	1,884
<b>TOTAL</b>	<b>133,479</b>	<b>256,305,372</b>	<b>1,920</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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#### 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 1.4 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 2009-2010.

**Distribution of Work-Study by Type of Institution 2009-2010**

Institution Type	Recipients	Available Aid	Average Award	Percent of Work-Study Aid
Public 4-Year	243,208	\$430,654,338	\$1,771	34.5%
Public 2-Year	85,486	164,775,899	1,928	13.2%
Private	377,243	587,951,914	1,559	47.2%
Proprietary	27,446	63,336,197	2,308	5.1%
<b>TOTAL</b>	<b>733,383</b>	<b>1,246,718,348</b>	<b>1,700</b>	<b>100.0%</b>

#### 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. Allowable activities, such as family literacy programs, emphasize preparing parents to read to their own children.

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

## STUDENT FINANCIAL ASSISTANCE

### Federal work-study

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#### 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 2009-2010.

#### **Distribution of Work-Study to Students in Community Service Activities in 2009-2010**

Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	46,346	\$81,562,186	\$1,760
Public 2-Year	15,356	30,048,180	1,957
Private	65,186	98,147,446	1,407
Proprietary	5,536	12,169,985	2,175
<b>TOTAL</b>	132,424	221,927,797	1,676

## STUDENT FINANCIAL ASSISTANCE

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### Federal Perkins loans

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

(dollars in thousands)

FY 2013 Authorization: (Legislation sought)

Budget Authority:

	<u>2012</u>	<u>2013</u>	<u>Change</u>
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	0	0	0
New loan subsidies <sup>1</sup>	<u>0</u>	<u>-\$1,378,545</u>	<u>-\$1,378,545</u>
Total	0	-1,378,545	-1,378,545

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<sup>1</sup> Legislation is sought for 2013 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.

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## 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 available in fiscal year 2013 would be used for the 2013-2014 award year, which runs from July 1, 2013 to June 30, 2014.

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

## STUDENT FINANCIAL ASSISTANCE

## Federal Perkins loans

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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 2011, the latest data available, the fiscal year 2009 national cohort default rate is 8.8 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 2011-2012.
- 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 reporting agency to which the default was reported.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its FCC allotment from Perkins loans to SEOG or Work-Study, or both.
- Reallocation of funds. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions based on a statutory formula. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

Student participation: Students qualify for loans by demonstrating financial need under the statutory Federal student aid need analysis system. An eligible borrower is an undergraduate, graduate, or professional student with demonstrated financial need enrolled at an eligible

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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postsecondary institution. In addition, if the institution's Perkins loan 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, the schools' share of their 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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

(dollars in thousands)

	<u>Federal Capital Contributions</u>	<u>Loan Cancellations</u>
2008 .....	0	\$64,327
2009 .....	0	67,164
2010 .....	0	0
2011 .....	0	0
2012 .....	0	0

### FY 2013 BUDGET REQUEST

The Administration proposes to expand and modernize the Perkins Loan program as a mandatory credit program. Beginning July 1, 2013, the new Perkins Loan program, when fully implemented, would support \$8.5 billion a year in new loan volume – eight and a half times the current Perkins volume, expanding institutional participation by up to an additional 2,700 postsecondary education institutions. 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 enroll high numbers of Pell-eligible recipients, ensure high levels of completion among such recipients, and set responsible tuition policies to control costs imposed on students, thereby preventing excessive student indebtedness. Schools will continue to have discretion with regard to student eligibility. Existing provisions, such as the institution's ability to transfer or reallocate Perkins Loan funds to other campus-based programs would no longer apply. Mandatory loan subsidy costs associated with this program would be shown in a new Federal Perkins Loan program account.

Because the fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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#### PROGRAM OUTPUT MEASURES

##### Federal Perkins Loans

	<u>2011</u> <sup>1</sup>	<u>2012</u> <sup>1</sup>	<u>2013</u> <sup>1</sup>
Loan recipients	524,139	524,139	524,139
Loan volume <sup>2</sup> (dollars in thousands)	\$970,705	\$970,705	\$970,705
Average loan (whole dollars)	\$1,852	\$1,852	\$1,852

##### Unsubsidized Perkins Loans (proposed)

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Loan recipients	—	—	935,832
Loan volume (dollars in thousands)	—	—	\$4,163,742
Average loan (whole dollars)	—	—	\$4,454

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<sup>1</sup> Each participating institution uses its revolving fund to continue originating new loans.

<sup>2</sup> 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 fiscal year 2013 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.

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

#### 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 2009-2010.

#### Distribution of Perkins in 2009-2010

Income Level	Recipients	Available Aid	Average Loan
<b>Dependent:</b>			
0 - \$ 5,999	15,883	\$27,162,924	\$1,710
\$6,000 - \$11,999	11,692	20,477,609	1,751
\$12,000 - \$23,999	36,007	62,390,248	1,733
\$24,000 - \$29,999	21,238	36,224,251	1,706
\$30,000 +	206,950	356,413,980	1,722
<b>Subtotal Dependent</b>	<b>291,770</b>	<b>502,669,012</b>	<b>1,723</b>
<b>Independent:</b>			
Undergraduate	91,480	151,724,925	1,659
Graduate	74,765	163,912,995	2,796
<b>TOTAL</b>	<b>441,870</b>	<b>818,306,932</b>	<b>1,852</b>

#### Distribution of Perkins to Independent Undergraduates in 2009-2010

Income Level	Recipients	Available Aid	Average Loan
0 - \$ 1,999	16,837	\$28,364,606	\$1,685
\$2,000 - \$ 3,999	7,207	12,754,099	1,770
\$4,000 - \$ 7,999	13,694	23,847,338	1,741
\$8,000 - \$11,999	9,924	16,863,620	1,699
\$12,000 - \$15,999	8,678	14,343,519	1,653
\$16,000 - \$19,999	6,950	11,721,416	1,687
\$20,000 +	28,190	43,830,327	1,555
<b>TOTAL</b>	<b>91,480</b>	<b>151,724,925</b>	<b>1,659</b>

## STUDENT FINANCIAL ASSISTANCE

### Federal Perkins loans

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#### 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, varying by no greater than plus or minus 5.2 percent for each category over the last 5 years.

The table below illustrates the sector distribution of Perkins loans to students in 2009-2010:

#### **Distribution of Perkins by Type of Institution 2009-2010**

Institution Type	Recipients	Available Aid	Average Loan	Percent of Perkins Aid
Public 4-Year	203,031	\$348,260,619	\$1,715	42.6%
Public 2-Year	4,753	8,864,255	1,865	1.1%
Private	210,909	437,728,102	2,075	53.5%
Proprietary	23,177	23,453,956	1,012	2.9%
<b>TOTAL</b>	<b>441,870</b>	<b>818,306,932</b>	<b>1,852</b>	<b>100.0%</b>

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

## STUDENT FINANCIAL ASSISTANCE

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### Iraq and Afghanistan service grants

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

(dollars in thousands)

FY 2013 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>Change</u>
\$295	\$334	+\$39

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### 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 \$5,635 for the 2013-2014 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:

(dollars in thousands)

2008 .....	0
2009 .....	0
2010 .....	\$15
2011 .....	183
2012 .....	295

### FY 2013 BUDGET REQUEST

The Administration's 2013 budget includes mandatory funding for Iraq and Afghanistan Service Grants in the amount of \$334,000, an increase of \$39,000 from fiscal year 2012. The first Service Grants were made in award year 2010-2011. Fewer than 1,000 awards are expected to be made with fiscal year 2013 funds during academic year 2013-2014.

## STUDENT FINANCIAL ASSISTANCE

### Iraq and Afghanistan service grants

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#### PROGRAM OUTPUT MEASURES

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Recipients	<u>1</u>	<u>1</u>	<u>1</u>
Aid Available to students (dollars in thousands)	\$293	\$330	\$391
Maximum grant (whole dollars)	\$5,550	\$5,550	\$5,635
Average grant (whole dollars)	\$4,418	\$4,428	\$4,476

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<sup>1</sup> 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 fiscal year 2013 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, 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.