

Department of Education
STUDENT AID ADMINISTRATION
Fiscal Year 2014 Budget Request

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STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, 9, and 10¹ of part A, and parts B, C, D, and E of title IV of the HEA, \$1,050,091,000, to remain available until September 30, 2015.²

NOTES

A full-year 2013 appropriation for this account was not enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175). The amounts included for 2013 reflect the annualized level provided by the continuing resolution.

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

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Analysis of Language Provisions and Changes

Language Provision	Explanation
<p>¹ <u>For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, 9, and 10...</u></p>	<p>Subpart 10 is added to the language to include the specific subpart authorization for the Iraq and Afghanistan Service Grant program.</p>
<p>² <u>...to remain available until September 30, 2015.</u></p>	<p>This language provides for appropriated funds to remain available for 2 years.</p>

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Amounts Available for Obligation
(dollars in thousands)

Appropriation and Adjustments	2012	2013	2014
Discretionary appropriation:			
Appropriation.....	\$1,045,363	\$1,043,387	\$1,050,091
Across-the-board reduction (P.L. 112-74)	-1,976	0	0
Across-the-board increase (P.L. 112-175).....	<u>0</u>	<u>6,386</u>	<u>0</u>
Subtotal, appropriation	1,043,387	1,049,773	1,050,091
Transfer from Department of Health and Human Services for Health Education Assistance Loan Program	<u>0</u>	<u>0</u>	<u>3,000</u>
Subtotal, adjusted discretionary appropriation	1,043,387	1,049,773	1,053,091
Mandatory appropriation:			
Not-For-Profit Servicing	<u>276,731</u>	<u>385,897</u>	<u>434,447</u>
Subtotal, discretionary and mandatory appropriation	1,320,118	1,435,670	1,487,538
Unobligated balance, start of year.....	2,513	72,032	0
Recovery of prior-year obligations.....	22,379	0	0
Unobligated balance expiring	-20,000	0	0
Unobligated balance, end of year.....	<u>-72,032</u>	<u>0</u>	<u>0</u>
Total, direct obligations	1,252,978	1,507,702	1,487,538

STUDENT AID ADMINISTRATION

Obligations by Object Classification
(dollars in thousands)

Object Class	2012	2013	2014
Personal Compensation and Benefits:			
Full-time permanent.....	\$134,716	\$137,468	\$138,268
Full-time temporary	248	0	0
Part-time.....	823	0	0
Overtime.....	38	76	76
Awards	1,847	1,600	1,600
Benefits	38,720	38,612	39,733
Benefits for former personnel	<u>121</u>	<u>0</u>	<u>0</u>
Subtotal.....	176,513	177,756	179,677
Travel.....	2,472	2,807	2,855
Transportation of Things	4	0	0
Rental payments to GSA and others	13,717	18,836	19,440
Communications, utilities, and miscellaneous charges.....	588	464	464
Printing and reproduction	2,573	2,014	1,441
Contractual services and supplies:			
Advisory and assistance services.....	8,588	2,484	4,843
Other services	638,954	817,310	789,924
Training and tuition.....	997	2,503	2,800
Purchases of goods and services.....	23,366	18,165	20,042
Operations and maintenance of facilities	196	100	440
Research and Development	460	0	0
Operations and maintenance of equipment	3	30	30
Information technology services and contracts	<u>381,437</u>	<u>464,290</u>	<u>463,775</u>
Subtotal.....	1,054,001	1,304,882	1,281,854
Supplies and materials	239	197	269
Equipment.....	2,704	316	538
Building Alterations.....	<u>167</u>	<u>430</u>	<u>1,000</u>
Total, direct obligations	1,252,978	1,507,702	1,487,538

STUDENT AID ADMINISTRATION

Summary of Changes (dollars in thousands)

2013.....	\$1,043,387 ¹
2014.....	<u>1,050,091</u>
Net change	+6,704

¹ Excludes a 0.612 percent across-the-board increase of \$6,386 thousand in FY 2013 provided by P.L. 112-175.

Increases:	<u>2013 base</u>	<u>Change from base</u>
<u>Built-in:</u>		
Increase in personnel compensation primarily for a proposed Governmentwide one percent pay raise.	\$137,468	+\$800
Increase in benefits for the Department's share of health, retirement, and other benefits.	38,612	+1,121
Increase in GSA rental payments due to anticipated rate increases and tax escalation.	18,836	+604
<u>Program:</u>		
Increase in information technology contracts due to an increase in operations and maintenance of Common Origination and Disbursement and procurement of core contracts.	415,714	+39,061
Increase in National Student Loan Data System for system enhancements.	0	+9,000
Increase funding in advisory & assistance services due to additional contract specialist support.	2,484	+2,359
Increase in goods and services from the Government due to increase in background investigations.	18,165	+1,877
Increase in building alterations.	430	+570
Increase in operations and maintenance of facilities.	100	+340
Increase in training.	2,503	+297
Increase in equipment.	316	+222

STUDENT AID ADMINISTRATION

Summary of Changes—Continued (dollars in thousands)

Increases:	<u>2013 base</u>	<u>Change from base</u>
<u>Program:</u>		
Increase in supplies.	\$197	+\$72
Increase in travel necessary for compliance reviews.	2,807	<u>+48</u>
Subtotal, increases		+56,371
Decreases:	<u>2013 base</u>	<u>Change from base</u>
<u>Program:</u>		
Decrease in other services due to expiration of Common Servicers for Borrowers contract and the anticipation of the Front End Business Integration and Loan Consolidation recomplete efforts being completed.	\$401,571	-\$49,094
Decrease in printing.	2,014	<u>-573</u>
Subtotal, decreases		-49,667
Net change		+6,704

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Authorizing Legislation
(dollars in thousands)

Activity	2013 Authorized	2013 Estimate	2014 Authorized	2014 Request
Student aid administration (Higher Education Act of 1965, I-D and IV-D, section 458)	<u>Indefinite</u>	<u>\$1,043,387</u>	<u>Indefinite</u>	<u>\$1,050,091</u>
Total definite authorization	0	1,043,387	0	1,050,091
Total discretionary appropriation		1,043,387		1,050,091
Total mandatory appropriation		385,897		434,447
Total appropriation		1,429,284		1,484,538
Total appropriation including 0.612 percent ATB discretionary increase		1,049,773		

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Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2005	\$934,639	\$120,247	\$121,000	\$119,084
2006	939,285	124,084	120,000	118,800
2007	733,720	N/A ¹	N/A ¹	719,914 ¹
Rescission (P.L. 110-28)	0	0	0	-500
Transfer (P.L. 110-05)	0	0	0	-1,464
2008	708,216	708,216	708,216	695,843
2009	764,000	714,000 ²	704,843 ²	753,402
Recovery Act Supplemental (P.L. 111-5) (non-add)	(0)	(50,000)	(0)	(60,000)
2010	870,402	870,402	870,402 ³	870,402
Rescission (P.L. 111-226)	0	0	0	-82,000
2011	1,170,231	994,600 ⁴	1,048,078 ³	992,012 ⁵
2012	1,095,418	992,012 ⁶	1,045,363 ⁶	1,043,387
2013	1,126,363	1,043,387 ⁷	1,126,363 ⁷	1,049,773 ⁸
2014	1,050,091 ⁹			

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

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

³ The levels for the Senate allowance reflect Committee action only.

⁴ The levels for the House allowance reflect the House-passed full-year continuing resolution.

⁵ The level for appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

⁶ The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

⁷ The levels for the House and Senate allowance reflect action on the regular annual 2013 appropriation bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.

⁸ The amount shown includes the 0.612 percent across-the-board increase provided by P.L. 112-175, in effect through March 27, 2013.

⁹ Excludes \$3,000 thousand transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.

STUDENT AID ADMINISTRATION

Significant Items in FY 2013 Appropriations Reports

SAA Obligation Plan for Mandatory and Discretionary Funds

Senate: Report 112-176. The Senate directs the Department to continue to provide quarterly reports detailing its obligation plan by quarter for spending mandatory and discretionary funding for student aid administrative activities broken out by servicer, activity and funding source.

Response: The Department will continue to provide the requested quarterly reports as directed to the Committees on Appropriations of the House of Representatives and the Senate.

[Click here for accessible version.](#)

(in thousands of dollars)

Account, Program and Activity	Category Code	2012	2013	2014	2014 President's Budget Compared to 2012 Appropriation	
		Appropriation	Appropriation	President's Budget	Amount	Percent
Student Aid Administration (HEA ID and IV-D, section 458)						
1. Salaries and expenses	D	682,221	699,770	733,224	51,003	7.476%
2. Servicing activities	D	361,166	343,617	316,867	(44,299)	-12.266%
3. Health education assistance loan program (non-add) ¹	D	0	0	3,000	3,000	---
Subtotal		1,043,387	1,043,387	1,050,091	6,704	0.643%
4. Not-for-profit servicers	M	276,731	385,897	434,447	157,716	56.993%
Total		1,320,118	1,429,284	1,484,538	164,420	12.455%
Discretionary ¹	D	1,043,387	1,043,387	1,050,091	6,704	0.643%
Mandatory	M	276,731	385,897	434,447	157,716	56.993%
Across-the-board 0.612% increase applied to discretionary appropriation, provided in P.L. 112-175.			6,386			
Total, Discretionary		1,043,387	1,049,773	1,050,091	6,704	0.643%

NOTES: D = discretionary program, M = mandatory program; FY = fiscal year

FY 2013 discretionary appropriation amounts are based on P.L. 112-175, the Continuing Appropriations Resolution, 2013, that provided appropriations through March 27, 2013. FY 2013 mandatory amounts are either specifically authorized levels, or are based on FY 2013 President's Budget Policy, updated for more recent estimates of mandatory costs, or FY 2014 President's Budget Policy, as applicable.

Detail may not add to totals due to rounding.

¹ Excludes budget authority transfer in FY 2014 of \$3,000 thousand for the Health Education Assistance Loan (HEAL) program, the program administrative authority for which is proposed to be transferred from HHS to Education, per Sec. 519 of P.L. 112-74, the Department of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act of 2012, as amended.

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Student Aid Administration

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

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2013</u>
Salaries and Expenses:				
Personnel costs	\$176,426	\$177,756	\$179,676	+\$1,920
Non-personnel costs, excluding loan servicing costs	<u>505,795</u>	<u>522,014</u>	<u>553,548</u>	<u>+31,534</u>
Subtotal, salaries and expenses ¹	682,221	699,770	733,224	+33,454
Loan servicing activity discretionary costs	<u>361,166</u>	<u>343,617</u> ²	<u>316,867</u> ³	<u>-26,750</u>
Total, discretionary costs ⁴	1,043,387	1,043,387 ⁵	1,050,091	+6,704
Not-For-Profit servicing mandatory costs	<u>276,731</u>	<u>385,897</u> ⁶	<u>434,447</u> ⁷	<u>+48,550</u>
Total, mandatory costs	276,731	385,897	434,447	+48,550
Total, student aid administration ⁸	1,320,118	1,429,284	1,484,538	+55,254
FTE employees	1,325	1,326	1,321	-5

¹ The changes from 2012 to 2014 in Student Aid Administration (SAA) Salaries and Expenses discretionary costs are: for Personnel costs, +\$3,250 thousand; for Non-personnel costs – excluding loan servicing costs, +\$47,753 thousand; and for the Salaries and Expenses subtotal, +\$51,003 thousand.

² Includes \$205,876 thousand in servicing costs for Title IV Additional Servicer (TIVAS) servicing contracts, \$121,476 thousand in servicing costs for the Common Services for Borrowers servicing contract, \$6,478 thousand in servicing costs for Department-held Perkins Loans, \$5,000 thousand for Debt Management Collection System (DMCS) development costs, \$3,000 thousand for TIVAS development costs, \$1,511 thousand for Teacher Education Assistance for College and Higher Education (TEACH) grants servicing costs, and \$276 thousand for a customer satisfaction survey required for TIVAS servicer volume allocation.

³ Includes servicing costs of \$248,680 thousand for TIVAS servicing contracts, \$57,872 thousand for DMCS servicing costs, \$4,083 thousand for Department-held Perkins Loans servicing, \$3,500 thousand for TIVAS development costs, \$2,420 thousand for Teacher Education Assistance for College and Higher Education (TEACH) grants servicing, and \$312 thousand for a customer satisfaction survey required for TIVAS servicer volume allocation.

⁴ The changes from 2012 to 2014 in SAA for Loan servicing activity discretionary costs are -\$44,299 thousand, and for Total discretionary costs, +\$6,704 thousand.

⁵ Excludes 0.612 percent across-the-board discretionary increase provided in P.L. 112-175. All 2013 discretionary numbers in this congressional justification exclude this increase, which totals \$6,386 thousands for the SAA account.

⁶ Includes \$355,059 thousand in servicing costs for Not-For-Profit (NFP) servicing contracts, \$14,105 thousand for one-time set up fees for new NFP servicers, \$9,698 thousand in systems development costs to implement new NFP servicers, \$6,000 thousand for Not-For-Profit TIVAS development costs, and \$1,035 thousand for a customer satisfaction survey required for NFP servicer volume allocation.

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⁷ Includes \$421,947 thousand in servicing costs for NFP servicing contracts, \$5,882 thousand for one-time set up fees for new NFP servicers, \$5,500 thousand in system development costs for NFP TIVAS, and \$1,118 thousand for a customer satisfaction survey required for NFP servicer volume allocation.

⁸ The change from 2012 to 2014 in total funding for the SAA account, including discretionary and mandatory costs, is +\$164,420 thousand.

PROGRAM DESCRIPTION

Student Aid Administration provides funds to administer the Federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended. The Title IV programs, which provide funds to help students and families pay for the cost of postsecondary education, are the Nation's largest source of financial aid for postsecondary students. The account provides funding to administer the student aid lifecycle, including: educating students and families about the process for obtaining aid; processing millions of student financial aid applications; disbursing billions of aid dollars; administering billions of dollars in existing guaranteed loans; servicing tens of millions of accounts; and partnering with schools, financial institutions, and guaranty agencies to prevent fraud, waste, and abuse.

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

The Higher Education Amendments of 1998 established Federal Student Aid as the Federal Government's first performance-based organization (PBO) to improve service to students, parents, schools, and other program participants; to reduce student aid administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems.

The Federal Pell Grant Program is the foundation for Federal financial assistance. It helps ensure financial access to postsecondary education—disbursing \$32.8 billion to 9.0 million low- and middle-income undergraduate students during the 2012-2013 award year, with an average award of \$3,658. The maximum Pell Grant award has grown from \$4,731 for the 2008–2009 award year to \$5,350 for the 2009–2010 award year; \$5,550 for the 2010–2011, 2011-2012, and 2012-2013 award years. The maximum award \$5,645 for the 2013-2014 award year and is projected to be \$5,785 for the 2014-2015 award year.

The William D. Ford Federal Direct Loan (DL) Program and Federal Family Education Loan (FFEL) Program are the main drivers of Federal Student Aid's workload. The DL program lends funds directly to students and their families through participating schools by providing subsidized and unsubsidized loans. The DL program is funded by borrowing from the U.S. Treasury, as well as by an appropriation for subsidy costs. See the **Student Loans Overview** and **Student Aid Overview** for details on Student Loan programs in the 2014 Budget.

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The FFEL Program provided the same eligibility requirements and loan limits as the Federal Direct Loan Program; however, instead of funds being directly disbursed by the Government to borrowers, lenders provided funds to borrowers, which were insured by loan guaranty agencies and then reinsured by the Government.

As a result of uncertainty in the financial markets, the Ensuring Continued Access to Student Loans Act of 2008 (ECASLA), P.L. 110-227, provided a mechanism that provided access to capital to private lenders for making Federal student loans. Under the ECASLA authority, the Department implemented four programs to ensure students and families had access to FFEL loans through the 2009-2010 award year. Federal Student Aid continues to administer these programs, which continue to affect Federal Student Aid's workload. The ECASLA efforts increased the loan servicing workload, in effect doubling the volume of loans serviced by the Department's private sector contractors at the time. More information about these programs is available online at: <http://Federalstudentaid.ed.gov/ffelp>.

SAFRA (Student Aid and Fiscal Responsibility Act), Title II, Part A of the Health Care Education Reconciliation Act, 2010, required all new Federal student loans to be originated through the Direct Loan program and serviced by the Department of Education effective July 1, 2010. Although all new loans are made through the DL program, Federal Student Aid continues to administer the FFEL program, while lenders and guaranty agencies continue to service and collect outstanding loans from the FFEL portfolio. In FY 2014, the Department will provide \$112 billion in new Direct Loans, excluding Consolidations.

Federal Student Aid uses a variety of means to meet the servicing capacity required to service ECASLA and DL loan volume, more detail on which is provided on pages AA-15 through AA-17. Servicing activities are funded both by discretionary funds and mandatory funds (as provided by SAFRA for eligible Not-For-Profit (NFP) servicers).

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

	(dollars in thousands)
2009	\$753,402
Recovery Act	60,000
2010	788,402
2011	992,012
2012	1,043,387
2013	1,043,387 ¹

¹ Excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

FY 2014 BUDGET REQUEST

The Administration requests \$1.050 billion in discretionary resources to administer the Federal student financial assistance programs in FY 2014, a net increase of \$6.704 million—or 0.64 percent—over the FY 2013 level. This request includes \$733 million for student aid administration activities and \$317 million for loan servicing activities. In addition, the Budget

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includes \$3 million in transferred budget authority for administering the Health Education Loan Program (HEAL), for a total of \$1.053 billion in discretionary budget authority. The 2014 Budget includes appropriations language to transfer the HEAL Program from the Secretary of Health and Human Services (HHS) to the Secretary of Education (ED).

The discretionary funds requested in the 2014 Budget are necessary to: manage and service the student loan portfolio, to address anticipated increases in loan volume; maintain operations for student aid application processing, origination and disbursement functions, as well as the student aid IT system hosting; and manage the acquisition strategy for Federal Student Aid's core contracts for origination and disbursement and system hosting.

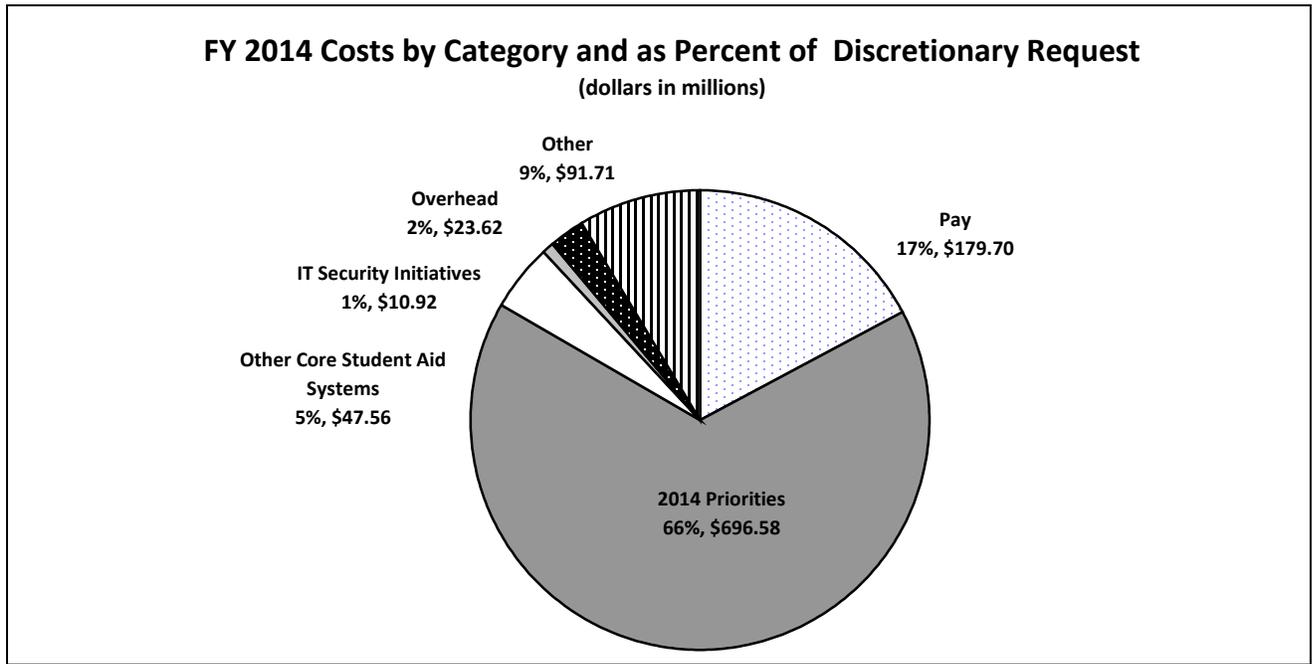
The 2014 Budget also includes \$434.4 million in mandatory funding for Not-For-Profit (NFP) loan servicing activities.

FY 2014 Budget Costs by Category

The following chart, shown on page AA-15, provides for each FY 2014 cost category the funding level and percentage share of the FY 2014 Budget. Eighty-three percent of the proposed SAA budget supports 2014 Federal Student Aid priorities and pay. FY 2014 SAA's major priorities are: effectively servicing the growing student loan portfolio; maintaining continual and uninterrupted operations for student aid application processing, origination and disbursement functions, and IT system hosting; and procuring and developing systems to replace expiring core student aid systems.

Other core student aid systems (e.g., National Student Loan Data System, FSA's accounting system), matching agreements (e.g., Social Security Administration), and IT security initiatives account for 6 percent of the request. The remaining 11 percent includes overhead and the "Other" category, which contains central support (e.g. rent, background investigations), central information technology (e.g., the Department's EDCAPS financial systems), Web site interfaces, contract specialist support, and other activities that support FSA's mission.

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The sections below show, by cost category, the major projects and their associated FY 2014 budget funding levels. Only the major drivers of the SAA budget request within each cost category are discussed in detail.

Costs within the Overhead cost category and some of the costs in the Other category are presented on page AA-31. The Pay request of \$179.7 million would cover the personnel compensation and benefits costs of 1,321 FTE, 1,230 FTE in Federal Student Aid, and 91 FTE in the non-Federal Student Aid offices as delineated on page AA-31.

FY 2014 Priorities – \$696.6 million

Effectively servicing the student loan portfolio: **\$316.9 million** in discretionary funding;
\$434.4 million in mandatory funding

The FY 2014 budget request includes a total of \$316.9 million for discretionary loan servicing costs (\$248.7 million for operations and maintenance for loan servicers, \$57.9 million for Debt Management Collection System (DMCS) operations, \$4.0 million for Department-held Perkins Loans servicing costs, \$3.5 million for system development costs, \$2.4 million for Teacher Education Assistance for College and Higher Education (TEACH) grant operations, and \$312,000 for customer service satisfaction surveys required for loan volume allocation between the Title IV Additional Servicers (TIVAS). The servicing cost estimate takes into account overall loan volume, repayment status of the borrower, and the timing of loan delivery. Loan servicing costs are presented separately from other student aid administration operating costs to provide greater transparency on the main driver of FSA's cost.

The FY 2014 Budget also includes \$434.4 million for mandatory loan servicing. This amount includes \$427.8 million for Not-For-Profit (NFP) servicing costs, \$5.5 million for continual system

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development costs required for servicing student loans, and \$1.1 million for customer satisfaction surveys to allocate loans between the four TIVAS servicers.

Currently, the Department contracts with 16 servicers, through the Common Services for Borrowers (CSB) contract, the Title IV Additional Servicers (TIVAS) contract, and the Not-For-Profit (NFP) Servicers contract. The sole CSB servicer, Xerox, and two of the TIVAS servicers, Sallie Mae and Nelnet, which are For-Profit, are funded with discretionary budget authority. The CSB contract will expire in December 2013 and all loans serviced by CSB are expected to be transferred to other servicers.

SAFRA provides mandatory budget authority to fund administrative costs of eligible NFP loan servicers. Two TIVAS servicers, American Education Services/Pennsylvania Higher Education Assistance Agency (AES/PHEAA) and Great Lakes Education Loan Services, are classified as NFP servicers, but receive compensation based on the terms of the TIVAS contract. The Department also has obtained additional servicing support through its new NFP Servicers contracts. The new NFP servicers are allocated a minimum of 100,000 borrower accounts each, although future allocations may vary based on performance. As of February 2013, 11 servicers (Missouri Higher Education Loan Authority, ESA/EDFinancial, Cornerstone, Aspire, Granite State, Oklahoma Student Loan Authority, EdManage, Vermont Student Assistance Corporation, KSA Servicing, EDGEducation Loans, and Council for South Texas Economic Progress (COSTEP)) service loans under the new NFP Servicers contracts.

The tables on page AA-17 detail the discretionary budget authority for the TIVAS For-Profit servicers, mandatory budget authority for the NFP servicers, and the major assumptions driving servicing costs for Department-held Federal student loans. Servicing costs are largely determined by volume (average borrower accounts per month) and the average negotiated contractual unit costs. Average borrower accounts per month are calculated by the distribution of new unique borrower accounts to one of the multiple service contractors. The average unit cost to service each borrower is derived by contractual pricing schedules based on different borrower statuses (e.g., in-school, in-grace/current repayment, deferment/forbearance, and delinquency). Differences in distribution among loan statuses affect overall unit costs due to different pricing for different statuses (e.g., in-repayment borrowers cost more to service than in-school borrowers).

The increases in average unit cost from 2012 to 2013, and 2013 to 2014, under the NFP servicers, are partly due to the maturity of the 100 percent Direct Loan portfolio as more loans shift from in-school to in-repayment, and the assumption that borrowers will be shifted from the CSB servicer to new NFP servicers, in accordance with Section 2212 of the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152, 124 Stat. 1029). By comparison, the unit costs for the For-Profit servicers will likely decrease between 2013 and 2014, because the current CSB servicer unit costs are higher for this portfolio than the TIVAS For-Profit Servicers' unit costs.

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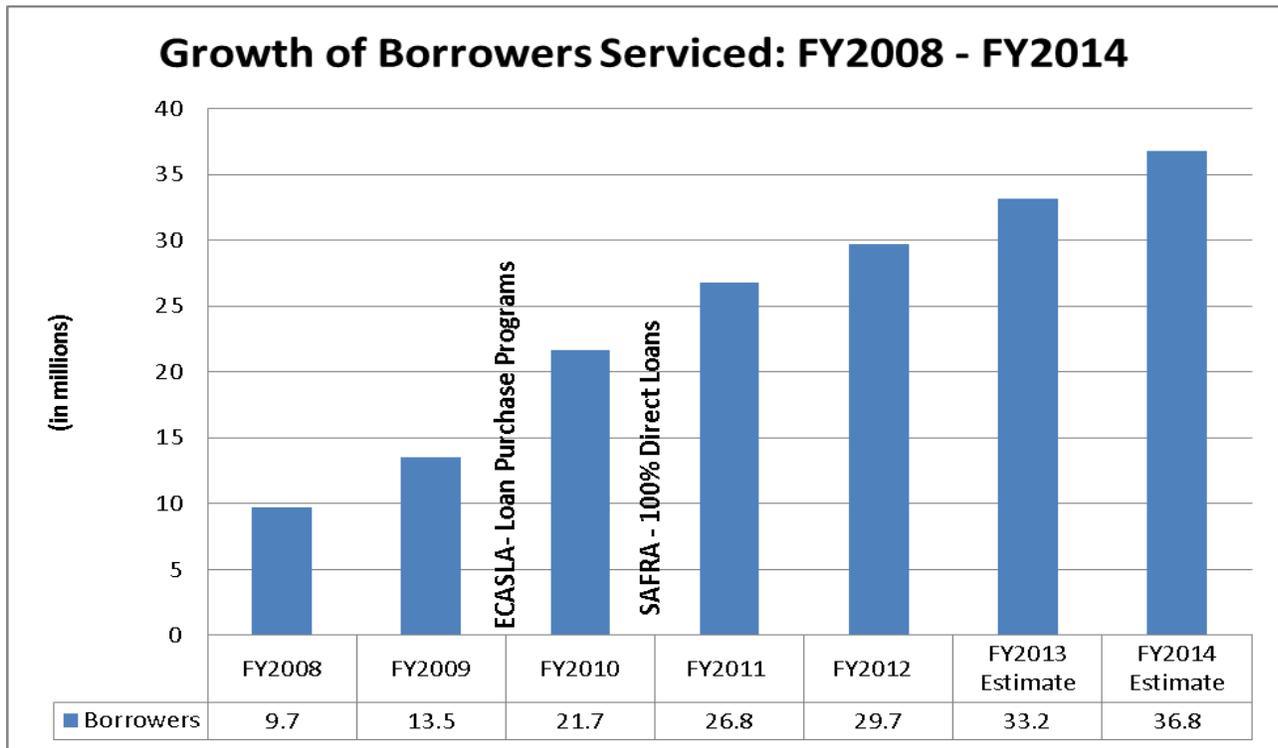
For-Profit Servicers' Discretionary Budget Authority: Major Assumptions Driving Servicing Costs			
	2012	2013	2014
For-Profit Volume (Borrowers)	18,613,305	16,613,609	17,736,571
For-Profit Average Unit Cost per Month (whole dollars)	\$1.56	\$1.65	\$1.45
Number of Servicing Months	12	12	12
For-Profit Loan Servicing Cost (dollars in millions)	\$349	\$329	\$309
For-Profit Other Servicing Costs (Development and Customer Surveys) (dollars in millions)		\$8	\$4
For-Profit Department-held Perkins Loan Servicing Cost (dollars in millions)		\$7	\$4
Total For-Profit Loan Servicing Cost (dollars in millions)	\$349 ¹	\$344	\$317

¹ Amounts are actual obligations and may differ from total budget authority.

Not-For-Profit Servicers' Mandatory Budget Authority: Major Assumptions Driving Servicing Costs			
	2012	2013	2014
Not-For-Profit Volume (Borrowers)	11,086,907	16,549,824	19,042,873
Not-For-Profit Average Unit Cost per Month (whole dollars)	\$1.67	\$1.78	\$1.84
Number of Servicing Months	12	12	12
Not For-Profit Loan Servicing Cost (dollars in millions)	\$222	\$355	\$422
Not For-Profit Loan One-Time Set-Up Fees (dollars in millions)	\$32	\$14	\$6
Not-For-Profit Other Servicing Costs (Development and Customer Surveys) (dollars in millions)	\$3	\$17	\$6
Total Not For-Profit Loan Servicing Cost (dollars in millions)	\$257 ¹	\$386	\$434

¹ Amounts are actual obligations and may differ from total budget authority.

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Since the Department implemented the ECASLA program in FY 2009 and became the sole originator of Federal student loans in FY 2010, the number of borrowers has increased significantly from 9.7 million in FY 2008 to an estimated 36.8 million in FY 2014, a 279 percent increase.

Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting: **\$350.7 million** in discretionary funds

The budget request includes \$350.7 million for student aid application processing, origination and disbursement functions, and IT system hosting, an increase of \$10.5 million over FY 2013. Like servicing, these costs are driven by loan volume. As more students apply for and receive aid, the costs increase for processing Free Applications for Federal Student Aid (FAFSA), originating and disbursing student loans, and maintaining the necessary IT infrastructure to prevent interrupted service to borrowers and student loan information from being lost.

Included in this request are key FSA operational costs:

- Front End Business Integration (FEBI) (\$87.2 million), including operations and maintenance (\$81.6 million), and school products and services (\$5.6 million);
- Common Origination and Disbursement (COD) (\$159.4 million); and
- IT system costs (\$104.1 million), including the operation and maintenance of the data center, software licenses, and the technical architecture and system support for FSA applications.

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Federal Student Aid renegotiated the FEBI contract in FY 2012. The renegotiation resulted in contract components that are severable and a price per FAFSA application that is based on a firm-fixed-price tiered schedule. A predetermined tier is established before the next contract year. Applications are counted during the contract year regardless of the application year. FEBI's operations and maintenance per applicant includes: FAFSA applications and all related communications; Central Processing System (CPS) for application processing, eligibility determination, and support functions; Federal Student Aid Information Center (FSAIC) call center support; and necessary changes to the FAFSA application for each new award year. In addition to operations and maintenance, FEBI school products and services provide the school administrator with necessary tools such as EDEXpress, Financial Aid Administrators Access, Participation Management, and COD Ancillary Services.

Strategically planning the acquisition process and including procurement of systems:
\$29.0 million in discretionary funds

Federal Student Aid's core operations and IT systems hosting are supported through several large contracts: FEBI, Common Origination and Disbursement, CSB, and Virtual Data Center. All of these contracts are scheduled to expire between fiscal years 2014 and 2016. FSA is implementing a multi-year acquisition strategy for all these contracts to ensure operational continuity while leveraging the competitive procurement process to increase efficiency, simplify operations, and reduce costs.

Procuring these systems in FY 2014 will ensure that the Department is able to originate and disburse loans and host core systems without interruption to service when the current contracts expire. The request for these activities includes procurement related costs including acquisition strategy assistance and development costs.

The FY 2014 request for these procurement activities is \$29 million, an increase of \$3 million over FY 2013. The table below shows the projected funding levels for the major student aid procurement contracts for fiscal years 2013 and 2014, and the contract expiration dates.

FY 2014 Requested funding and the supported procurement activities follow:

Funding for Major Student Aid Procurement Activity (dollars in millions)			
Acquisition	FY 2013	FY 2014	Contract Expiration Date
Common Services for Borrowers: Direct Loan Consolidation System	\$5.0	0.0	December 2013
Common Origination and Disbursement	0.0	\$26.0	September 2015
Front End Business Integration	20.0	0.0	January 2015
Virtual Data Center	1.0	3.0	August 2016
Total	\$26.0	\$29.0	

Common Origination and Disbursement (COD): \$26.0 million.

The COD system processes origination and disbursement records for Pell Grants, TEACH Grants, Iraq/Afghanistan Service Grants, and Direct Loans (Stafford, Unsubsidized Stafford, PLUS and Graduate PLUS). Together these loan programs will provide an estimated \$161 billion in financial aid, excluding Direct Consolidation Loans, to students and parents in FY

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2014. The COD contract includes system operations and maintenance activities, a call center, the StudentLoans.gov Web site, and customer service to assist institutions with processing data and managing their loan administration activities.

The current COD contract expires in September 2015. During FY 2014, FSA will solicit a new procurement for the COD system; the request provides the funding necessary for new system set-up and development costs.

Virtual Data Center: \$3.0 million

The Virtual Data Center (VDC) is a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. The VDC is a large central site that hosts 56 applications necessary to deliver student financial aid. The current VDC contract expires in August FY 2016. FSA will begin procuring a new data center in FY 2013. The request of \$3 million in FY 2014 will provide specialized contractor support to develop the acquisition strategy and prepare acquisition documents, including the Performance Work Statement, Service Level Agreements, the Solicitation, and an Independent Government Cost Estimate. Contractor support will produce technical exhibits and evaluation factors for the solicitation that will enable the Source Selection Panel to evaluate offers received.

Other Core Student Aid Administration Systems – \$47.6 million

National Student Loan Data System (NSLDS): \$21.0 million in discretionary funding, which includes \$9.0 million for system upgrades

NSLDS includes detailed information regarding Title IV aid, such as the number of loans and grants made, and provides for the electronic exchange of data between program participants and the system. NSLDS stores and collects borrower data from borrowers, schools, lenders, and guaranty agencies and integrates data on student aid applicants and recipients. This comprehensive information is essential for calculating student loan indebtedness of borrowers, budget formulation, portfolio management, and policy analysis. NSLDS is also used to calculate cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculate statutory guaranty agency payments.

In addition to ongoing NSLDS operations and maintenance, FSA is undertaking a major effort to further improve enrollment reporting and monitor persistence and completion among Federal student aid recipients. The Department requests \$9 million for this work, which will include upgrades in three areas: data enhancement, system integration, and data quality.

Federal Student Aid Administration Interagency Agreements: \$7.4 million in discretionary funding

The Department enters into agreements with other Government agencies for the purpose of ensuring Federal student aid eligibility, locating borrowers who have defaulted on their Federal student loans, and providing services to simplify the aid process. Below is the listing of these agencies and the agreements:

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Department of Housing and Urban Development: This allows the Department to provide information on student loan defaulters to the Credit Alert Interactive Voice Response System which is used to determine eligibility for Federal housing loans. Borrowers who are ineligible for housing loans due to student loan defaults will frequently pay off their defaulted student loan to obtain the housing loan.

Department of Treasury, Financial Management Service: Through the Federal Employee Salary Offset Program, the Financial Management Service shares information with the Department regarding employees whose Federal pay is or could potentially be offset through the Treasury Offset Program and other services due to student loan defaults.

Internal Revenue Service (IRS): The Department has three interagency agreements with IRS.

1. FAFSA Data Share Project: This agreement simplifies the FAFSA completion process by allowing the applicant to directly transfer tax return information, needed to determine an applicant's expected family contribution, to the appropriate FAFSA data fields. Applicants will be able to retrieve this data after passing an authentication process.
2. Taxpayer Address Request Program: This agreement allows the Department to obtain the address of borrowers who have defaulted on their Federal student loans or owe the Department for grant overpayment.
3. Income-Based Repayment (IBR) Plan Data Share: This agreement allows borrowers to directly connect with IRS to retrieve their Adjusted Gross Income (AGI) in order to complete the IBR application, allowing an accurate income-based calculation of monthly payment amounts. Like the use of the FAFSA Data Share Project, this direct transfer of information simplifies the application process for the borrower by reducing the amount of time the borrower spends retrieving the information. The IBR Plan Data Share also presents only applicable questions and data fields to the borrower, potentially reducing the amount of questions shown to the borrower.

Social Security Administration (SSA): This agreement assists in ensuring student aid eligibility by matching Title IV applicants against SSA's master file for Social Security and citizenship verification.

Department of Homeland Security, United States Citizenship and Immigration Services: This agreement assists in ensuring student aid eligibility by verifying the immigration status of non-citizen applicants.

Department of Health and Human Services: Through the National Directory of New Hires program, the Department is able to obtain new hire, quarterly wage, and unemployment insurance information on borrowers who have defaulted on their Federal student loans or who owe the Department for grant overpayment. This agreement assists the Department in locating borrowers who have defaulted on their student loans

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or students who owe grant overpayments with the goal of placing them into repayment status.

Financial Management System (FMS): \$7.1 million, in discretionary funding

FMS consolidates and manages all financial transactions from FSA's feeder systems. FMS facilitates reconciliation and internal program management and reporting. The system tracks and manages payment processing for Federal Direct Loan originations and Pell Grant awards, and processes refunds to borrowers for overpaid loans and payments to lenders and guaranty agencies. It also performs validations and reasonability checks to minimize erroneous payments. The 2014 request supports the operations and maintenance of the system.

Integrated Partner Management (IPM): \$7.0 million, in discretionary funding

During FY 2014, IPM will be operational, consolidating processes scattered among six disparate systems: Lender Application Process, Financial Statements and Compliance Audits, Participation Management, Electronic Application, Postsecondary Education Participation, and Electronic Records Management. IPM will simplify and reduce duplicate and conflicting data storage, complex system architectures, and excessive file exchange activities. IPM will provide a centralized view of Federal Student Aid, ensuring that all customers and employees have access to the same current institutional eligibility and oversight data. In addition, IPM will provide better data accuracy, information security through a single point of access, and effective oversight to target enforcement efforts.

eCampus-Based: \$1.8 million, in discretionary funding

The eCampus-Based system automates the administration of the Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant programs. The system determines institutional funding needs and allocation levels based on data from the Fiscal Operations Report and Application to Participate; collects funding data to inform subsequent reallocations; maintains cumulative Perkins Loan funding histories; calculates institutional cohort default rates; catalogs low-income elementary and secondary schools for use in determining eligibility for teacher cancellation benefits; and identifies delinquent or defaulted Perkins loan borrowers. Funds in 2014 will primarily support the operation and maintenance of the system.

IT Security Initiatives – \$10.9 million

IT Security: \$10.9 million, in discretionary funding

FSA takes seriously the ongoing security threats to operations and the real risks of compromising student private personal information. In addition to specific security requirements in FSA's system and application contracts, FSA has specific initiatives to mitigate security risks:

Enterprise Identity Management System (EIMS): \$3.4 million

The Enterprise Identity Management System addresses the issue of fragmented user account management and inconsistent methods of identity authentication. There is an increased security risk that borrowers face when they log in to FSA systems by using their social security number and PIN. EIMS will mitigate this security risk by requiring a

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username/password combination. EIMS will also improve interoperability between agencies using PIV credentials and improve partner communities' interaction with FSA systems by consolidating multiple access logins, which will provide a consistent personal authentication while eliminating the use of a user's social security number.

System Security Authorizations: \$3.0 million

This initiative provides basic security that is critical for ensuring that all FSA applications and general support systems are secured from malicious exploits and threats. Security authorizations and annual testing are mandated by the Federal Information Security Management Act and are required to be performed before system upgrades are implemented. Continuous testing must be completed to maintain system security authorization. In addition, an official re-authorization is required every 3 years for 50 systems supporting Federal Student Aid.

Internet Protocol version 6 (IPv6): \$1.6 million

In order to comply with the Federal CIO memorandum on IPv6, FSA needs to operationally upgrade internal client applications that communicate with public Internet servers and support enterprise networks to be compatible with IPv6 by the end of FY 2014. FSA will also ensure that procurements of IT networks comply with Federal Acquisition Regulation requirements for use of IPv6 capabilities. The goal in transitioning to an IPv6 capable environment is to provide enhanced technology services to improve business and efficiency. By enhancing the network from IPv4, this will enable the support and ensure uninterrupted service for continual growth among student and parent users who have an updated IPv6 Web address.

Two-Factor Authentication: \$1.5 million

Two-Factor Authentication increases the security of FSA systems by requiring two forms of authentication to allow user access. The first authentication mechanism is the user ID and password and the second mechanism is a token which generates a one-time password. Stronger authentication decreases the risk of fraud and unauthorized access to privileged data and is particularly important for remote users of FSA systems. Since FY 2011, remote Federal Student Aid and Department employees have utilized two-factor authentication for system access. Currently, FSA is enabling two-factor authentication for partner facing applications and distributing tokens to Foreign and Domestic Postsecondary Schools.

These funds will be used to distribute tokens to partner financial institutions (Guaranty Agencies, NFPs, TIVAS, and Payment Collection Agencies) and provide continued operation and maintenance of this service, token replacement, and helpdesk support.

Trusted Internet Connection: \$1.0 million

Federal Student Aid works with the Department's Chief Information Officer to consolidate ED's Internet connections and comply with the OMB mandate to implement a Trusted Internet Connection initiative. The Internet connection consolidation will reduce external access points and allow for the standardization of monitoring devices and easier identification of potentially malicious traffic. Compliance with this mandate is monitored by Department of Homeland Security and a component of our Nation's defense against cyber terrorism.

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Security Operations Center: \$0.4 million

The security operations center provides independent monitoring and analysis needed to protect the VDC infrastructure, systems and data from vulnerabilities. The Security Operation Center will automate the security sensors on approximately 1,500 servers housed at the VDC and communicate real-time information regarding suspicious events. The real-time information will enable Federal Student Aid to react timely to suspicious activity. The center is operated by a contracted Managed Security Service.

Other – \$91.7 million

The “Other” category includes projects aimed at supporting FSA’s mission. A portion of the projects are administered by Federal Student Aid. The remaining projects are administered by the non-Federal Student Aid offices and are described on page AA-31. In addition to Conference Management below, costs in the Other category include Web site interfaces and contract specialist support.

Conference Management: \$2.6 million, in discretionary funding

Conference management supports the annual Federal Student Aid Fall Conference and Federal Student Aid’s participation in national financial aid related conferences (e.g., National Association of Student Financial Aid Administrators). Federal Student Aid uses these conferences to train over 6,500 financial aid professionals and disseminate information about Title IV programs. This training is part of FSA’s school oversight and responsibility and increases the integrity of the Federal student aid programs while ensuring appropriate stewardship of taxpayer resources. Some of the sessions during the conference specifically address waste, fraud, abuse, and mismanagement of Title IV funds. Over the last 5 years, FSA has reduced overall conference costs by 50 percent through consolidating 4 individual conferences into 1 large conference. This reduction was achieved without impacting customer experience and jeopardizing the quality of the training.

The FY 2014 request will support the warehousing and inventory management of conference equipment, materials, and supplies at the contractor site in Lawrence, Kansas. The request will also provide on-site contractor support, IT technical support, video recording, Web posting, and hosting of conference sessions. Approximately \$1.5 million of the request supports the hotel fee and includes the contingent liability fee that covers any potential cancellation costs. After the fall conference, FSA expects to deobligate at least \$700,000 for the liability fee.

System Application Matrix

The two system matrixes, shown on page AA-25, illustrate the interdependencies between the major student aid system applications for the core business functions and the end user. The first chart shows each system application, its projected costs for 2013 and 2014, and core business functions supported by each system application. The second chart shows the interdependencies between all system applications and the four end users—school, students, financial partners, and the Department.

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System Applications and Core Business Functions Interdependencies

System Application	2013 Cost (dollars in millions)	2014 Cost (dollars in millions)	Student Aid Application Processing	Origination and Disbursement	Student Loan Servicing
CSB, TIVAS, DMCS, and Perkins Loan Servicing; Development; and Customer Surveys	\$343.6 ¹	\$316.9 ¹		X	X
Common Origination and Disbursement	149.7	159.4	X	X	X
Front End Business Integration and FAFSA Operations	92.8	87.2	X	X	
Virtual Data Center	57.1	61.0	X	X	X
Enterprise Software Licenses	21.8	25.6	X	X	X
National Student Loan Data System	12.2	21.0 ²	X	X	X
Integrated Partner Management	1.4	7.0		X	
Financial Management System	6.8	7.1		X	X
Total Discretionary Costs	685.4	685.2			

¹ Amount reflects only discretionary request.

² Amount includes \$9 million for NSLDS system upgrades.

Systems Applications and End Users

System Application	School	Student	Financial Partners	Department of Education
CSB, TIVAS, new NFP Servicers, and DMCS	X	X	X	X
Common Origination and Disbursement	X	X		X
Front End Business Integration and FAFSA Operations	X	X		X
Virtual Data Center				X
Enterprise Software Licenses				X
National Student Loan Data System	X	X	X	X
Enterprise Information Technology Integration				X
Integrated Partner Management	X		X	X
Financial Management System	X		X	X

Note: Financial Partners include lenders and guaranty agencies.

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Student Aid Contracts Projected to Exceed \$5 Million in FY 2014 (dollars in millions) (Continued) *denotes vendor headquarters					
Contract	Description	Vendor	Vendor Location	FY 2013 Funding	FY 2014 Funding
New NFP Servicers		Missouri Higher Education Loan Authority	Chesterfield, MO* Columbia, MO		
		ESA/Edfinancial	Knoxville, TN		
		Aspire Resources Inc.	West Des Moines, IA		
		Cornerstone	Salt Lake City, UT		
		New Hampshire Higher Education Corporation	Concord, NH* Manchester, NH Pembroke, NH Penacook, NH		
		Oklahoma Student Loan Authority	Oklahoma City, OK		
		EdManage	Columbia, SC		
		Kentucky Higher Education Loan Corporation	Louisville, KY* Frankfort, KY		
		Vermont Student Assistance Corporation	Winooski, VT		
		COSTEP	McAllen, TX		
		EDGEducation Loans	Raleigh, NC		

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Student Aid Contracts Projected to Exceed \$5 Million in FY 2014

(dollars in millions)

(Continued)

*denotes vendor headquarters

Contract	Description	Vendor	Vendor Location	FY 2013 Funding	FY 2014 Funding
Debt Management Collection System		TBD	TBD		
Common Origination and Disbursement	Disbursement of Pell Grants and Direct Loans.	Accenture LLP	Phoenix, AZ Alexandria, VA Arlington, VA Bloomfield, CT Bozeman, MT Buffalo, NY Cincinnati, OH Columbus, GA Herndon, VA Lawrence, KS Monticello, KY Montgomery, AL North Tonawanda, NY Phenix City, AL Philadelphia, PA San Antonio, TX Utica, NY Washington, DC	\$149.7	\$159.4
Front-End Business Integration	Integration of application processing, aid awareness, and eligibility determination.	Vangent Inc.	Fairfax, VA Alexandria, VA Arlington, VA Coralville, IA Herndon, VA Las Cruces, NM Lawrence, KS Phoenix, AZ Rockville, MD Washington, DC	\$92.8	\$87.2

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Student Aid Contracts Projected to Exceed \$5 Million in FY 2014					
(dollars in millions)					
(Continued)					
*denotes vendor headquarters					
Contract	Description	Vendor	Vendor Location	FY 2013 Funding	FY 2014 Funding
Virtual Data Center	Data center for student financial aid systems.	Perot Systems	Plano, TX Asburn, VA Fairfax, VA Herndon, VA	\$57.1	\$61.0
Enterprise Software Licensing	Maintenance for software licenses for Financial Management System and database operations.	Various	Various	\$21.8	\$28.6
National Student Loan Data System	Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting.	Briefcase Systems Development Inc.	Great Falls, VA Alexandria, VA Arlington, VA Coralville, IA Herndon, VA Venice, FL	\$12.2	\$21.0 ²
Enterprise Information Technology Integration	Integration of operational data from multiple student aid systems to facilitate data exchange.	Phoenix Programming Services	Rockville, MD Alexandria, VA Herndon, VA Kensington, MD Lawrence, KS	\$7.0	\$7.0
Integrated Partner Management	Integration of institutional eligibility determination and oversight of schools, lenders, guaranty agencies and other FSA partners.	BSC Systems/ Creative/ Ideas Simple Solutions, Inc./ 2020 Co., LLC/ Quality Software Services, Inc.	Washington, DC	\$1.4	\$7.0

² Amount includes \$9 million for NSLDS system upgrades.

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Student Aid Contracts Projected to Exceed \$5 Million in FY 2014

(dollars in millions)

(Continued)

*denotes vendor headquarters

Contract	Description	Vendor	Vendor Location	FY 2013 Funding	FY 2014 Funding
Financial Management System	Accounting system for FSA transactions.	Avineon, Inc.	Washington, DC Lawrence, KS Alexandria, VA Herndon, VA	\$6.8	\$7.1
FAFSA Enhancements	Provides for the annual release, enhancements resulting from survey results and comments and simplification of the FAFSA.	Vangent Inc./GDIT	Coralville, IA	\$5.6	\$5.6

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Non-Federal Student Aid Support Activities

Other and Overhead – \$91.7 million and \$23.7 million, respectively (discretionary funds)

In addition to funds directly allocated to Federal Student Aid to manage student aid programs, \$91.5 million of the FY 2014 request is allocated to departmental offices for central support activities, such as rent and central computer services; and for student-aid related activities managed by other department offices, such as financial management systems operations, and Office of the General Counsel.

Funding for Departmentwide financial management systems related to student aid will total \$15.1 million in FY 2014. There is no increase from FY 2013.

Rent payments to the General Services Administration for Federal Student Aid occupied space will total \$19.4 million for FY 2014, a slight increase from \$18.8 million in FY 2013.

Combined funding for central computer services and telecommunications will total \$22.2 million in FY 2014. This will support normal activities and enhancements to the Department's network operations. There is no increase for these activities from FY 2013.

Other non-pay central support services related to student aid will total \$20.8 million in FY 2014, an increase from \$18.2 million, the expected support level in FY 2013. These include contract costs such as the preparation of the loan portion of the Department's audited financial statement and overhead costs such as background investigations. The increase is due to additional security background investigations for new Not-For-Profit servicers.

In addition to 1,321 FSA full-time staff, the FY 2014 request also funds the salaries and benefits of 91 FTE outside Federal Student Aid who perform student-aid related activities. These personnel are located in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer/Chief Information Officer; and Office of Planning, Evaluation, and Policy Development.

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PROGRAM PERFORMANCE INFORMATION

Performance Measures

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 program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2014 and future years, as well as the resources and efforts invested by those served by this program.

In December 2011, Federal Student Aid (FSA) released a revised strategic plan, *Federal Student Aid: Strategic Plan, Fiscal Years 2012-16*. In the plan, FSA established the following five goals and performance indicators to measure the delivery of Federal student aid. Some of these indicators were in the prior year strategic plan (Fiscal Years 2011-2015) and had baselines and targets created in FY 2010. FSA modified and replaced other prior year indicators in the *Fiscal Years 2012-16* strategic plan to improve measurement and success in achieving the five strategic goals.

Goal: Provide superior service and information to students and borrowers.

Measure: Proportion of first-time FAFSA filers among high school seniors.

Year	Target	Actual
2010	Baseline	49.5%
2011	>= 49.5%	52.0%
2012	>=52%	54.0%
2013	No Lower than Prior Year	
2014	No Lower than Prior Year	

Additional Information: By June 2012, FSA had already exceeded its 2012 target of 52 percent, the second year that the target has been exceeded. FSA has aggressively tried to increase the number of students completing the FAFSA. During FY 2012, FSA expanded the FAFSA Completion Tool to accelerate the delivery of data to all high schools using improved data analytics capacity within FSA's Customer Experience Office. The new tool allows FSA for the first time to publish FAFSA completion data aggregated by high school, and to update the data every 2 weeks. As a result any high school in the country with more than five FAFSAs completed can see their completion totals. This includes over 24,000 high schools in all 50 States, DC and all U.S. Territories. Since 2011, the site has logged over 25,000 unique visitors.

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Measure: Proportion of first-time FAFSA filers among workforce aged 25+ with no college.

Year	Target	Actual
2010	Baseline	3.9%
2011	>=3.9%	3.8%
2012	>=3.6%	3.7%
2013	No Lower than Prior Year	
2014	No Lower than Prior Year	

Additional Information: FSA attained its performance goal in FY 2012, with about 3.7 percent of the workforce over 25 years of age, who have never attended college before, submitting a FAFSA during the 2011-2012 application cycle.

Measure: Proportion of first-time FAFSA filers among low-income students.

Year	Target	Actual
2011	Baseline	57%
2012	>=57%	63%
2013	No Lower than Prior Year	
2014	No Lower than Prior year	

Additional information: The Department will measure the percentage of original FAFSA filers who come from low-income households. This measure looks at the effectiveness of FSA's outreach in getting low-income students to file a FAFSA application for the first time. The baseline was set in FY 2011 and FSA's target is to maintain or increase these percentages each year. In FY 2012, FSA exceeded its goal.

Measure: Proportion of first-time FAFSA filers aged 19-24 among those in the population who are high school graduates with no college.

Year	Target	Actual
2011	Baseline	27.0%
2012	>=27%	28.4%
2013	No Lower than Prior Year	
2014	No Lower than Prior Year	

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Additional information: To include the universe of first-time FAFSA filers, FSA will also measure the percentage of original FAFSA filers aged 19-24 who are high school graduates with no college. The baseline was set in FY 2011 and FSA exceeded its target in FY 2012.

Measure: Customer service level of American Customer Satisfaction Index for entire aid lifecycle.

Year	Target	Actual
2010	Baseline	74.0
2011	74	78.0
2012	78	78.5
2013	78	
2014	78	

Note: Customer Satisfaction Scores for the Entire Life Cycle are based upon ACSI scores from the application, in-school, and servicing experiences of students and borrowers. Data is weighted based upon the intensity of the experience to the overall life cycle and the number of students within each category of the life cycle.

Additional Information: To measure overall customer satisfaction level throughout the student aid lifecycle, FSA calculates a weighted score based on the American Customer Satisfaction Index (ACSI) surveys of applicants, students in school, and borrowers in repayment. This metric measures how FSA is simplifying its information and making it easier for its customers to obtain and use that information. FSA's goal is to continue to improve the aggregate ACSI score yearly.

Goal: Work to ensure that all participants in the system of postsecondary education funding serve the interest of students from policy to delivery.

Measure: Ease of Doing Business School Survey (1-100 Scale).

Year	Target	Actual
2011	Baseline	72
2012	>=72	74
2013	No Lower than Prior Year	
2014	No Lower than Prior Year	

Additional Information: FSA works closely with postsecondary institutions to provide millions of students with Federal student aid. Successfully delivering aid through a complex system depends on FSA's ability to work well with its institutional, financial, and State partners, and to provide adequate oversight to ensure that participants are complying with program requirements. To ensure that all participants in the postsecondary education funding system can easily access the information they need, FSA conducts a quarterly survey with postsecondary institutions and partners to gauge the "ease of doing business with FSA." The

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baseline was set in FY 2011 and FSA's goal is to maintain or improve survey results each year. In FY 2012, it surpassed its goal.

Measure: Percent of borrowers >90 days delinquent.

Year	Target	Actual
2011	Baseline	9.9%
2012	<=10%	9.7%
2013	No Higher than Prior Year	
2014	No Higher than Prior Year	

Note: The borrower delinquency rate is defined as the average number of borrowers each year who are 91-270 days delinquent in the year ending June 30, divided by the average number of borrowers in repayment for the year (does not include in-school or in-grace loan statuses).

Additional information: During FY 2011, FSA evaluated other possible ways to measure the extent to which postsecondary institutions and partners are actively supporting the interest of students and borrowers. As a result, FSA developed a new delinquency metric: the percent of borrowers serviced by the Not-For-Profit (NFP) and For-Profit TIVAS servicers and new NFPs who are greater than 90 days delinquent. Currently, TIVAS servicers handle over 15 million borrower accounts, including Direct Loans and Department-held FFEL loans. TIVAS should help borrowers to stay current on their loans because borrowers who do not become delinquent avoid default. TIVAS can also help borrowers with severely delinquent loans take steps to avoid defaulting on their loans.

Goal: Develop efficient processes and effective capabilities that are among the best in the public and private sector.

Measure: Aid Delivery Cost per Application.

Year	Target	Actual
2011	Baseline	\$9.89
2012	\$10.90	\$10.52
2013	Expect increase	
2014	Expect increase	

Note: Data for this measure is derived from FSA's Activity Based Costing model, which is updated on a quarterly basis, and reconciled to FSA's Statement of Net Cost, ensuring all costs assigned to FSA are included in the cost model. Specifically, the measure is defined as the total direct cost to process FAFSAs and originate aid in the year ending June 30, divided by the number of original FAFSAs processed in the year.

Additional information: In FY 2011, FSA developed two measures to gauge the efficiency and effectiveness of the student aid lifecycle. The first one is the Aid Delivery Cost per Application. Throughout FY 2011, FSA improved aid delivery by automating and simplifying

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processes, such as simplifying the FAFSA application to make it easier to navigate and complete.

Measure: Loan Servicing Cost per Borrower.

Year	Target	Actual
2011	Baseline	\$18.15
2012	\$19.64	\$18.49
2013	Expect increase	
2014	Expect increase	

Note: Data for this measure is derived from FSA's Activity Based Costing model, which is updated on a quarterly basis, and reconciled to FSA's Statement of Net Cost, ensuring all costs assigned to FSA are included in the cost model. Specifically, the measure is defined as the total direct costs for servicing in the year ending June 30, divided by the average number of borrowers in servicing for the year.

Additional information: The second measure to gauge the efficiency and effectiveness of the student aid lifecycle is the Loan Servicing Cost per Borrower. Servicing costs will increase for two reasons. First, more of the Direct Loan borrowers will move from the low-cost in-school status to the more expensive repayment status as the Direct Loan portfolio matures. In addition, as more higher-cost non-TIVAS NFP servicers come on board the unit cost of borrowers at all statuses will result in higher overall costs to the government.

Goal: Ensure program integrity and safeguard taxpayers' interest

Measure: Direct Loan Default Rate.

Year	Target	Actual
2010	Baseline	12.2%
2011	<=12.2%	11.3%
2012	<=11.3%	9.7%
2013	No Higher than Prior Year	
2014	No Higher than Prior year	

Note: The default rate is defined as the average balance of loans serviced by FSA that are 270 days or more past due and loans serviced in debt collection during the year, divided by the average balance of loans serviced by FSA (does not include in-school or in-grace loan statuses).

Additional Information: FSA exceeded this performance goal in FY 2012, for the second year in a row, by keeping the 2012 loan default rate at about 9.7 percent of the total dollar amount, including principal and interest, of the Direct Loan portfolio (excludes in-school and in-grace loans). The Direct Loan portfolio includes all unpaid accounts in the default collection system since the program began, as well as recent defaults that are delinquent more than 270 days. Loans are never charged off and are rarely discharged in a bankruptcy. FSA will continue to

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pursue and increase collections through its loan servicers and collection agencies by using tools such as wage garnishment and IRS offset.

In addition to the Loan Default Rate, FSA will measure its performance on managing two other metrics, Improper Payment Rate and Collection Rate. Improper payments occur when funds go to the wrong recipient, the recipient receives the incorrect amount of funds, documentation is not available to support a payment, or the recipient uses funds improperly. FSA is developing a methodology, baseline, and targets for the strategic plan in consultation with the Office of Management and Budget.

The Collection Rate will measure FSA's success in collecting on its outstanding portfolio of roughly \$443 billion in Direct Loans, Government-held FFEL and Perkins loans, and unassigned FFEL defaulted loans. In establishing a baseline and targets for future years, FSA will need to assess the impact of economic fluctuations; changes in the nature of the Government-held portfolio under 100 percent Direct Loans; and trends in the use by borrowers of options such as income-based or other flexible repayment plans, deferments, and forbearances, all of which can reduce or delay repayment amounts. Over the next year, FSA will develop appropriate targets for this metric.

Goal: Strengthen Federal Student Aid's performance culture and become one of the best places to work in the Federal Government.

Measure: FSA Morale Index (Subset of Questions from Governmentwide Employee Viewpoint Survey) - Percentage of positive responses to survey.

Year	Target	Actual
2011	Baseline	58%
2012	>=58%	
2013	No Lower than Prior Year	
2014	No Lower than Prior Year	

Additional Information: The FSA Morale Index was developed from a subset of seven Employee Viewpoint Survey (EVS) questions that FSA considered most likely to be impacted by internal Department actions. FSA will focus its *First Class* employee engagement program objectives to match areas of concerns identified in the EVS.

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