

Department of Education
STUDENT FINANCIAL ASSISTANCE
Fiscal Year 2014 Budget Request

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STUDENT FINANCIAL ASSISTANCE

For carrying out subparts 1, 3, and 10¹ of part A, and part C of title IV of the Higher Education Act of 1965, \$24,685,281,000, which shall remain available through September 30, 2015:² *Provided, That, of amounts provided under this heading, \$3,022,000,000 shall also be available for Pell Grants for award year 2015-2016.³*

The maximum Pell Grant for which a student shall be eligible during award year 2014-2015⁴ shall be \$4,860.

NOTES

A regular 2013 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 112-175, as amended). The amounts included for 2013 in this budget reflect the Administration's 2013 policy proposals.

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
¹ <u>For carrying out subparts 1, 3, and 10 of part A...</u>	Subpart 10 is added to the language to include the specific subpart authorization for the Iraq and Afghanistan Service Grant program.
² <u>... which shall remain available through September 30, 2015:</u>	This language sets the availability of funds provided under the account through the end of fiscal year 2015.
³ <u>Provided, That, of amounts provided under this heading, \$3,022,000,000 shall also be available for Pell Grants for award year 2015-2016.</u>	This language recognizes that funds specified, appropriated in 2014, are available for award year 2015-2016.
⁴ <u>The maximum Pell Grant for which a student shall be eligible during award year 2014-2015 shall be \$4,860.</u>	This language sets the maximum Pell Grant award for award year 2014-2015.

STUDENT FINANCIAL ASSISTANCE

Appropriation Adjustments and Transfers

(dollars in thousands)

Appropriations/Adjustments/Transfers	2012	2013	2014
Discretionary:			
Appropriation.....	\$24,538,521	\$24,535,281	\$24,685,281
Across-the-board reduction (P.L. 112-74)	-3,240	0	0
Across-the-board increase (P.L. 112-175).....	<u>0</u>	<u>+150,156</u>	<u>0</u>
Total, adjusted discretionary appropriation....	24,535,281	24,685,437	24,685,281
Mandatory:			
Appropriation.....	<u>18,745,180</u>	<u>12,441,432</u>	<u>7,044,231</u>
Total, discretionary and mandatory appropriation.....	43,280,461	37,126,869	31,729,512

STUDENT FINANCIAL ASSISTANCE

Summary of Changes

(dollars in thousands)

2013	\$36,976,713 ¹
2014	<u>31,729,512</u>
Net change	-5,247,201

¹ Excludes 0.612 percent across-the-board increase of \$150,156 in FY 2013 provided in P.L. 112-175.

Increases:	<u>2013 base</u>	<u>Change from base</u>
<u>Program:</u>		
Increase in Work-Study discretionary funding.	<u>\$976,682</u>	<u>+\$150,000</u>
Subtotal, increases		+150,000
 Decreases:		
<u>Program:</u>		
Decrease in mandatory funding to support Iraq and Afghanistan Service Grants.	\$248	<u>-\$17</u>
Decrease in mandatory funding provided to support the Pell Grant program.	<u>12,441,184</u>	<u>-5,397,184</u>
Subtotal, decreases		-5,397,201
Net change		-5,247,201

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation

(dollars in thousands)

Activity	2013 Authorized	2013 Estimate	2014 Authorized	2014 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	4,854,184	Indefinite	6,456,000
Federal Pell grants (mandatory) ¹	Indefinite	7,587,000	Indefinite	588,000
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>) ²	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>) ²	Indefinite		Indefinite	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ³	Indefinite		Indefinite	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		Indefinite	
Iraq and Afghanistan Service Grants (<i>HEA-IV-A-1</i>)	Indefinite	248	Indefinite	231
Federal Perkins loans (<i>HEA-IV-E</i>) (Legislation sought) ⁴				
Federal capital contributions	Indefinite	0	Indefinite	0
Loan cancellations (<i>HEA-IV-E</i>)	Indefinite	0	Indefinite	0
Institutional payments (<i>HEA-IV-G-489</i>) ²	Indefinite	0	Indefinite	0
<u>Unfunded authorizations:</u>				
Academic achievement incentive scholarships (<i>HEA-IV-A, Chapter 3</i>)	Indefinite	<u>0</u>	Indefinite	<u>0</u>
Total definite authorization	0		0	

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation -- continued

(dollars in thousands)

Activity	2013 Authorized	2013 Estimate	2014 Authorized	2014 Request
Total discretionary appropriation		\$24,535,281		\$24,685,281
Total mandatory appropriation		12,441,432		7,044,231
Total appropriation including 0.612 percent ATB discretionary increase		24,685,437		
Total appropriation		37,126,869		31,729,512

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

¹ Mandatory funding provided for discretionary program costs.

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

³ Institutions are authorized to use not more than 10 percent, or \$50 thousand, of their Work-Study allocations for the cost of establishing or expanding programs to locate or develop jobs, including community service jobs, for currently enrolled students. The Federal share cannot exceed 90 percent.

⁴ Legislation is sought in 2014 to shift Perkins Loans to a mandatory credit program. New loan subsidies would be appropriated through a new, separate Unsubsidized Perkins Loan program account. Current Perkins Loan program authorization expires September 30, 2014.

STUDENT FINANCIAL ASSISTANCE

Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2005	\$14,698,622	\$14,755,794	\$14,859,694 ¹	\$14,265,749
2006	19,771,798	19,583,752	19,403,795	19,255,404 ²
2007	14,490,057	N/A ³	N/A ³	14,487,735 ³
2008	16,419,492	17,464,883	18,409,883	18,122,136 ⁴
2009	19,921,551	21,291,136 ^{5,6}	20,851,809 ^{5,6}	21,246,973 ⁵
Recovery Act Supplemental (P.L. 111-5)	0	17,600,000	13,930,000	17,314,000
2010	1,801,809 ⁷	19,634,905	19,296,809 ¹	19,296,809
2011	1,737,957 ⁷	18,475,492 ⁸	24,899,957 ¹	24,670,517
2012	30,338,016	22,367,521 ⁹	24,670,517 ⁹	24,535,281
2013	24,685,281	24,535,281 ¹⁰	24,535,281 ¹⁰	24,685,437 ¹¹
2014	24,685,281			

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

² 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.

³ This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

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

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

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

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

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

⁹ The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

¹⁰ The level for the House and Senate allowances reflect action on the regular annual 2013 appropriations bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.

¹¹ The amount shown includes the 0.612 percent across-the-board increase provided by P.L. 112-175, in effect through March 27, 2013.

STUDENT FINANCIAL ASSISTANCE

Significant Items in FY 2013 Appropriations Reports

Federal Work-Study Program

- Senate: Report 112-176: The committee recognizes that community service opportunities allow students to gain work experience and develop skills that they may be able to use in future careers and encourages the Department to bolster these opportunities at participating Federal Work-Study institutions. The Committee expects the Department to provide the same funding from the Federal Work-Study program appropriation in fiscal year 2013 as in the prior year for the Work Colleges program authorized under section 448 of the HEA.
- Response: At the time the Budget was prepared, funding for fiscal year 2013 (which would support academic year 2013-14) remained uncertain due to lack of a final appropriation, as well as the impact of the sequester, which reduced overall funding for the Work-Study program by 5 percent. However, the Department considers maintaining its investment in student aid among its highest priorities, and will do what it can to maintain the investment made in prior years.

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(in thousands of dollars)						
Account, Program and Activity	Category Code	2012 Appropriation	2013 Appropriation	2014 President's Budget	2014 President's Budget Compared to 2012 Appropriation	
					Amount	Percent
Student Financial Assistance						
1. Federal Pell grants (HEA N-A-1):						
(a) Discretionary Pell grants	D	22,824,000	22,824,000	22,824,000	0	0.000%
(b) Mandatory Pell grants	M	4,950,000	4,854,184	6,456,000	1,506,000	30.424%
(c) Mandatory funding for discretionary program costs	M	13,795,000	7,587,000	588,000	(13,207,000)	-95.738%
Subtotal		41,569,000	35,265,184	29,868,000	(11,701,000)	-28.148%
Discretionary	D	22,824,000	22,824,000	22,824,000	0	0.000%
Mandatory	M	18,745,000	12,441,184	7,044,000	(11,701,000)	-62.422%
<i>Across-the-board 0.612% increase applied to discretionary appropriation, provided in P.L. 112-175.</i>			139,683			
Total, Discretionary		22,824,000	22,963,683	22,824,000	0	0.000%
Federal Pell Grants Information						
Discretionary appropriation	D	22,824,000	22,824,000	22,824,000	0	0.000%
Prior year surplus/(shortfall)	D	(1,968,063)	6,378,937	8,525,937	10,494,000	-533.215%
Mandatory appropriation	M	4,950,000	4,854,184	6,456,000	1,506,000	30.424%
Prior year surplus/(shortfall)	M	276,816	655,816	0	(276,816)	-100.000%
Mandatory funding to reduce discretionary need	M	13,795,000	7,587,000	588,000	(13,207,000)	-95.738%
Total resources		39,877,753	42,299,937	38,393,937	(1,483,816)	-3.721%
Discretionary program costs	D	28,272,000	28,264,000	28,916,000	644,000	2.278%
Mandatory program costs	M	4,571,000	5,510,000	6,456,000	1,885,000	41.238%
Total, program costs		32,843,000	33,774,000	35,372,000	2,529,000	7.700%
Discretionary program current year surplus/(Shortfall)	D	6,378,937	8,525,937	3,021,937	(3,357,000)	-52.626%
Mandatory current year surplus/(Shortfall)	M	655,816	0	0	(655,816)	-100.000%
Total, surplus/(shortfall)		7,034,753	8,525,937	3,021,937	(4,012,816)	-57.043%
Maximum award (in whole dollars)						
Base Award		\$4,860	\$4,860	\$4,860	0	0.000%
Mandatory add-on		\$690	\$785	\$925	235	34.058%
Total maximum award		\$5,550	\$5,645	\$5,785	235	4.234%
Recipients (in thousands)		8,965	9,171	9,373	408	4.551%

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.

(in thousands of dollars)						
Account, Program and Activity	Category Code	2012 Appropriation	2013 Appropriation	2014 President's Budget	2014 President's Budget Compared to 2012 Appropriation	
					Amount	Percent
Student Financial Assistance (continued)						
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	734,599	734,599	734,599	0	0.000%
(b) Federal work-study (HEA IV-C)	D	976,682	976,682	1,126,682	150,000	15.358%
Subtotal, Campus-based programs		1,711,281	1,711,281	1,861,281	150,000	8.765%
3. Iraq and Afghanistan service grants (HEA IV-A-10)	M	180	248	231	51	28.333%
<i>Across-the-board 0.612% increase applied to discretionary appropriation, provided in P.L. 112-175.</i>			10,473			
Total		43,280,461	37,126,869	31,729,512	(11,550,949)	-26.689%
Discretionary	D	24,535,281	24,685,437	24,685,281	150,000	0.611%
Mandatory	M	18,745,180	12,441,432	7,044,231	(11,700,949)	-62.421%
Federal Perkins Loan Program ¹						
1. New loan subsidies (proposed legislation)	M	0	0	0	0	---
2. New net loan subsidies (non-add)	M	0	0	(1,408,498)	(1,408,498)	---
Total, Federal Perkins loan program amount		0	0	0	0	---

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 Negative outlays are deposited in designated receipt accounts and are shown in General Fund Receipts.

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 14th 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 six in ten college students at 4-year schools 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 2014 Budget focuses on 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 2014 Budget proposed for the Student Financial Assistance (SFA) account is \$37.1 billion, of which the discretionary request is \$24.7 billion, \$150 million higher than the fiscal year 2013 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. \$7.0 billion in mandatory funds are included in the 2014 Budget for the Pell Grant program, of which \$588 million is directed to reduce discretionary program costs. An additional \$231,000 in mandatory funding will support grants under the Iraq and Afghanistan Service Grants program.

Supplementing the SFA grant funds described above, the 2014 Budget provides access to additional campus-based funds that will assist students in paying for their education, through an expanded Federal 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. Restructuring the program means an increased number of students will be able to access Perkins Loan 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 all programs in the Student Financial Assistance account would provide almost \$38.5 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, these programs would provide student aid awards to nearly 12.2 million students.

The fiscal year 2014 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 P-1.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority:¹

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2013</u>
Program funds:				
Discretionary appropriation ²	\$22,824,000	\$22,824,000	\$22,824,000	0
Mandatory appropriation	4,950,000	4,854,184	6,456,000	+\$1,601,816
Mandatory funding for discretionary program costs	<u>13,795,000</u>	<u>7,587,000</u>	<u>588,000</u>	<u>-6,999,000</u>
Subtotal, current year funding ²	41,569,000	35,265,184	29,868,000 ³	-5,397,184
Pell Grant program costs ²	32,843,000	33,774,000	35,372,000	+1,598,000

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

² The change from 2012 to 2014 in the Pell discretionary appropriation, Pell current year funding subtotal, and Pell Grant program costs is 0, -\$11,701,000 thousand, and +\$2,529,000 thousand, respectively.

³ Excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

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 the students' 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.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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 2014 would be used for grants in the 2014-2015 award year, which runs from July 1, 2014, through June 30, 2015. 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 ensure that 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 2014 nearly 9.4 million students will receive Pell Grants worth up to \$5,785. 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.

Recent efforts to address program cost issues include the Consolidated Appropriations Act, 2012, which made several statutory changes to the Pell Grant program that were estimated to produce a savings of more than \$750 million in fiscal year 2013. These changes, which became 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;
- Restricting Pell eligibility to individuals who have a high school diploma, GED, or are home schooled, and denying eligibility to those students who previously would have qualified by passing an "Ability to Benefit" test (students enrolled prior to July 1, 2012 are grandfathered in);
- Reducing the maximum duration for which students are eligible for Pell Grants from 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.

Mandatory funding: The College Cost Reduction and Access Act (CCRAA) authorized mandatory funding to support increases to the Pell maximum award set in each fiscal year's appropriations act. The Health Care and Education Reconciliation Act (HCERA) amended that provision and increased the maximum award 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 2013-2014 award year level of \$5,645 to \$5,785 for the 2014-2015 award year, as a result of the CPI provision.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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. 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 2013 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.

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). Less than full-time students are eligible for pro rata awards based on their enrollment status.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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.

Annual award amount: 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) 2012-2013, the minimum is \$555. Students who do not qualify for the 10 percent minimum grant do not receive a Pell award. Appropriations acts routinely set annual maximum award levels. The fiscal year 2013 appropriation act set the maximum award supported by discretionary funds for the 2013-2014 award year at \$4,860; the total maximum Pell Grant amounts to \$5,645 for the 2013-2014 award year as a result of the CPI provision established by the SAFRA. The total 2014-2015 maximum award is projected to be \$5,785.

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:

- 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.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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 2013-14, these payments will total \$46 million.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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

	(dollars in thousands)
2009.....	\$17,288,000 ¹
Recovery Act	17,114,000 ²
2010.....	22,794,816 ³
2011.....	42,015,996 ⁴
2012.....	41,569,000 ⁵
2013.....	35,265,184 ⁶

¹ Includes \$2,090 million in mandatory funds to increase maximum award by \$490.

² Includes \$15,640 million in discretionary funds and \$643 million in mandatory funds.

³ Includes \$5,300 million in mandatory funds to increase maximum award by \$690.

⁴ Includes \$5,560 million in mandatory funds to increase maximum award by \$690 and \$13,500 million in SAFRA funds.

⁵ Includes \$4,950 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.

⁶ Includes \$4,854 million in mandatory funds to increase maximum award by \$785 and \$7,587 million in additional mandatory funds provided in legislation to reduce discretionary need. Excludes the 0.612 percent across-the-board increase provided in P.L. 112-175.

FY 2014 BUDGET REQUEST

Since taking office, this Administration has repeatedly fought for higher Pell Grant funding, and its efforts have helped to generate another increase 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 2013. This discretionary request, plus \$7.0 billion in mandatory funding, establishes the total 2013 Pell funding level at \$29.9 billion. The mandatory request includes \$588 million to cover the program costs associated with maintaining the \$4,860 base maximum award in the 2014-15 award year, and \$6.5 billion to support a vital increase in the add-on to the base award, raising the new discretionary plus mandatory maximum award to \$5,785.

In addition, the 2014 Budget proposes a series of reforms to the student loan programs, which are described in the **Student Aid Overview** and **Student Loans Overview**, beginning on pages P-1 and S-1, respectively. Savings resulting from these reforms will be redirected to the Pell Grant program, which, when added to surplus Pell Grant discretionary budget authority from the prior year, are sufficient to fund the program through the 2015-2016 award year, averting an otherwise \$3.3 billion shortfall. The Administration believes preemptory 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. To ensure the program remains on a solid financial footing for the 2015-2016 award year, the 2014 Budget proposes two reforms in the student loan programs: expanding and reforming the Perkins Loan program; and, reducing excessive payments to guaranty agencies that rehabilitate defaulted student loans. These important reforms will help ensure that aid remains available to the neediest college students.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The fiscal year 2014 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 P-1.

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 18.3 million for award year 2012-2013; recipients at 9.0 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

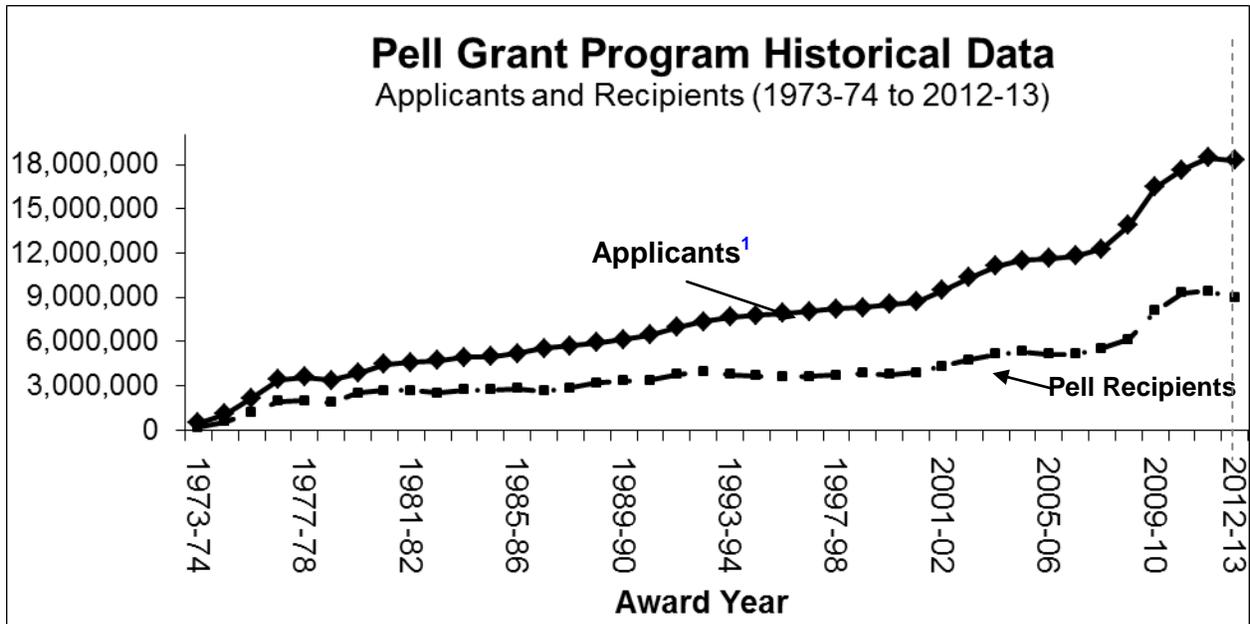
Award Year	Valid Applicants	Applicant Growth: Number	Applicant Growth: Percent Change
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,811,911	200,523	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	18,458,701	832,923	4.73%
2012-13	18,259,819	-198,882	-1.08%
2013-14	18,316,668	56,849	0.31%
2014-15	18,658,404	341,736	1.87%

Sources: Through 2011-12, Award Year 2010-11 Pell Grant EOY Report and Final ELI-10 Reports.

Notes: Award Years 2012-13 through 2014-15 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

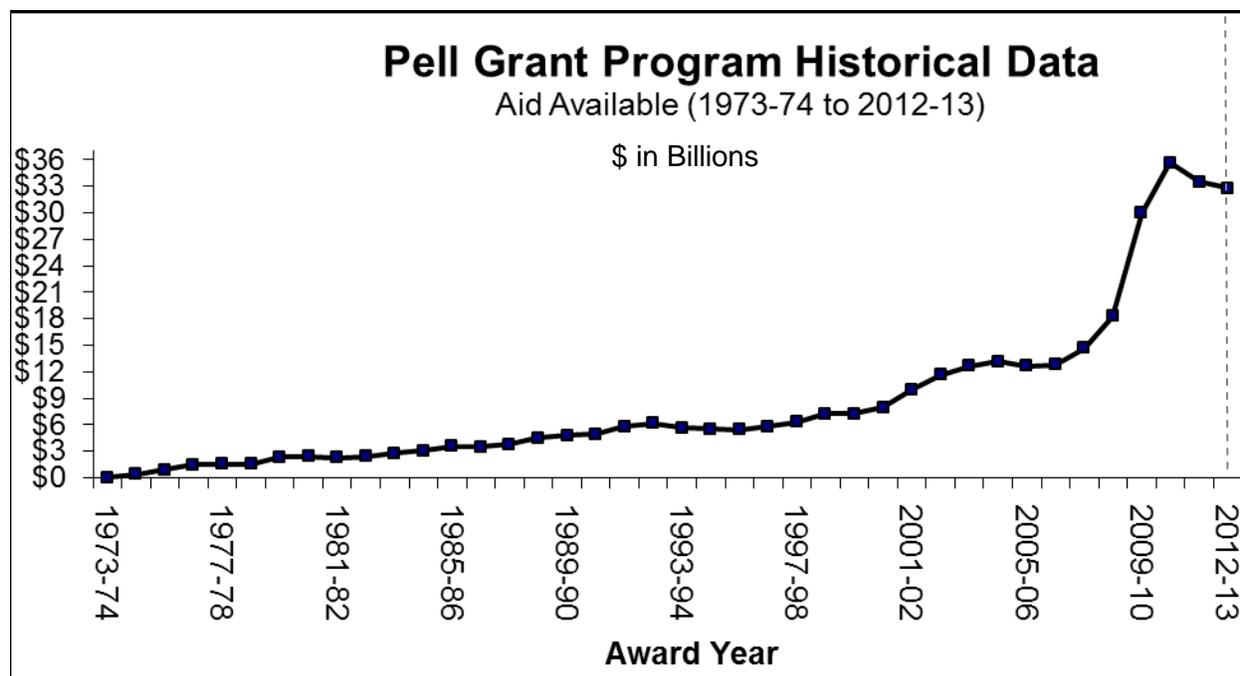


¹ Applicants reflect those applying for all Federal student financial assistance, including those receiving only non-need based student loans.

Number of Recipients: Under current estimates, the 2014 level would support Pell Grant awards to 9.4 million recipients.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants



Aid Available: Under current estimates, the Department’s fiscal year 2014 proposal would provide \$35.3 billion in Pell Grants to students.

Maximum award: The Department proposes to maintain the base maximum award at \$4,860 for award year 2014-15 through discretionary and mandatory funding. The costs of providing a \$5,645 maximum award (and in award year 2014-2015, a \$5,785 maximum award) that exceed the costs of providing a \$4,860 maximum will be covered by permanent mandatory indefinite funding as provided through HCERA.

Award Year	Maximum Award	Aid Available (dollars in millions)	Recipients
2009-10	\$5,350	\$29,962	8,089,702
2010-11	5,550	35,666	9,305,091
2011-12	5,550	33,516	9,438,939
2012-13	5,550	32,798	8,965,000
2013-14	5,645	33,728	9,171,000
2014-15	5,785	35,325	9,373,000

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Maximum Pell Grant Awards

FY	Maximum Award	Budget Authority (dollars in thousands)	Program Costs (dollars in thousands)
2005	\$4,050	\$12,364,997	\$12,696,000
2006	4,050	17,345,230	12,823,000
2007	4,310	13,660,711	14,700,000
2008	4,731	16,245,000 ¹	18,315,000
2009	5,350	35,661,000 ²	30,002,000
2010	5,550	22,794,816 ³	35,713,000
2011	5,550	42,015,996 ⁴	33,563,000 ⁵
2012	5,550	41,569,000 ⁶	32,843,000 ⁵
2013	5,645	35,265,148 ⁷	33,774,000 ⁵
2014	5,785	29,868,000 ⁸	35,372,000 ⁵

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

² Budget Authority for FY 2009 includes \$15,640 million in 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.

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

⁴ Budget Authority for FY 2011 includes \$23,162 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.

⁵ Estimate.

⁶ Budget Authority for FY 2012 includes \$22,824 million in discretionary funds, \$4,950 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.

⁷ Budget Authority requested for FY 2013 includes \$22,824 million in discretionary funding, \$4,854 million in mandatory funding to increase the maximum grant, and \$7,587 million in mandatory funds for discretionary purposes.

⁸ Budget Authority requested for FY 2014 includes \$22,824 million in discretionary funding, \$6,456 million in mandatory funding to increase the maximum grant, and \$588 million in mandatory funds for discretionary purposes.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2011-12, 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 2011-2012

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 6,000	539,250	\$2,304,745,497	\$4,274
\$6,001 - \$ 9,000	146,580	639,867,704	4,365
\$9,001 - \$20,000	850,757	3,733,578,484	4,389
\$20,001 - \$30,000	797,489	3,485,146,515	4,370
\$30,001 +	1,522,713	4,219,024,363	2,771
Subtotal -			
Dependent	3,856,789	14,382,362,563	3,729
Independent	5,582,149	19,133,612,428	3,428
TOTAL	9,438,938	33,515,974,991	3,551

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 2011-2012

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,000	1,035,673	\$3,855,090,371	\$3,722
\$1,001 - \$ 3,000	297,254	1,127,476,625	3,793
\$3,001 - \$ 6,000	435,516	1,656,453,151	3,803
\$6,001 - \$ 9,000	476,206	1,823,249,303	3,829
\$9,001 - \$15,000	995,116	3,510,109,610	3,527
\$15,001 - \$20,000	684,141	2,033,620,565	2,973
\$20,001 - \$30,000	761,973	2,535,349,600	3,327
\$30,001 +	896,270	2,592,263,203	2,892
TOTAL	5,582,149	19,133,612,428	3,428

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2011-2012, approximately 29 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, and approximately 35 percent went to students attending Public 2-Year schools.

Over the last 15 years, the grant distribution has changed most noticeably with proprietary schools. In the 1996-1997 award year approximately 12.5 percent of total Pell aid available went to students at proprietary institutions; in the 2011-2012 award year that figure was 22 percent.

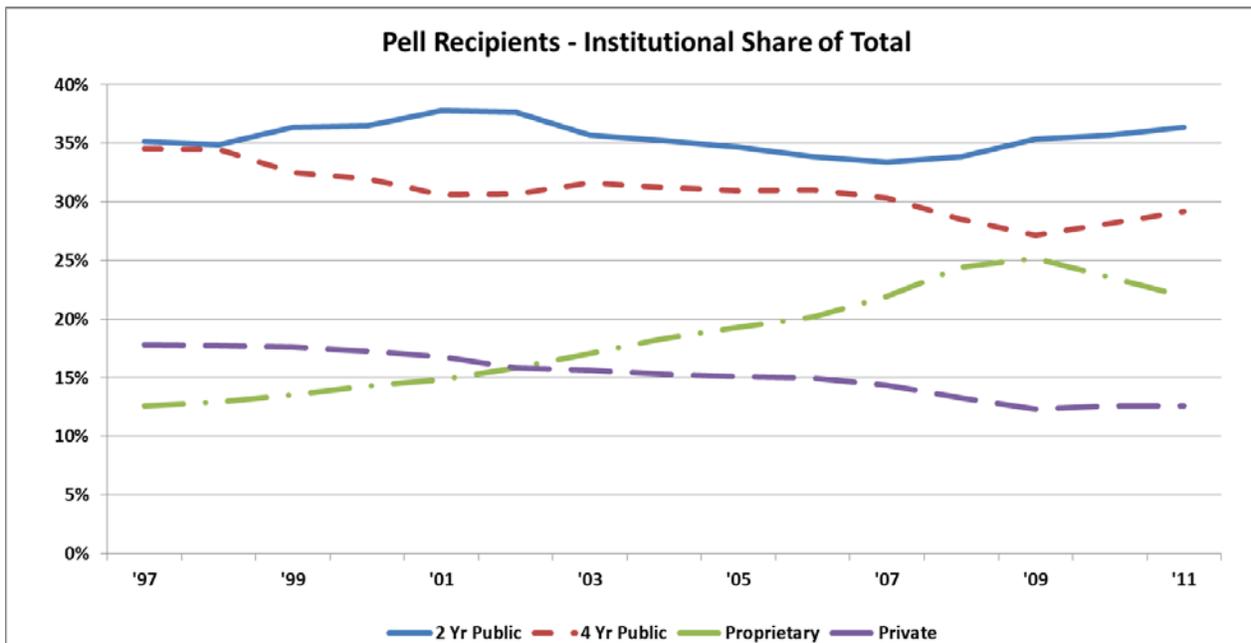
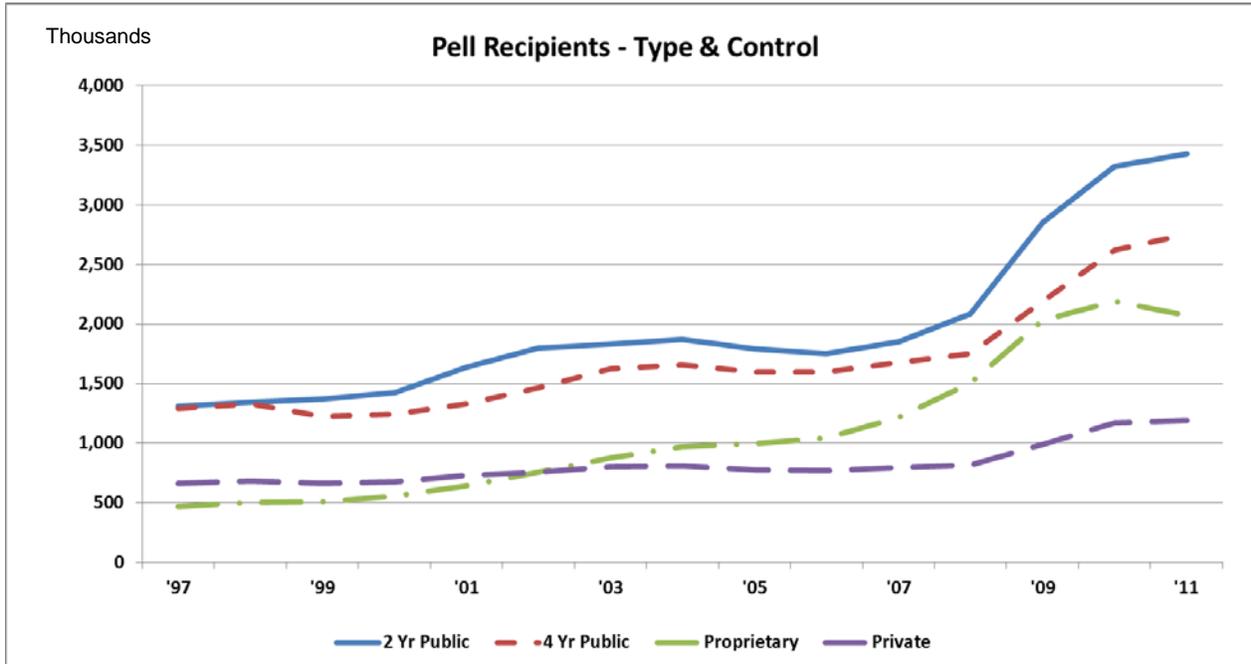
Distribution of Pell Grants by Type of Institution 2011-2012

Institution Type	Recipients	Available Aid	Average Award	Percent of Pell Aid
Public 4-Year	2,753,148	\$9,852,944,216	\$3,579	29.4%
Public 2-Year	3,428,942	11,781,972,629	3,436	35.2%
Private	1,187,415	4,537,309,901	3,821	13.5%
Proprietary	2,069,435	7,343,748,245	3,549	21.9%
TOTAL	9,438,938	33,515,974,991	3,551	100.0%

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The following two charts show for the years 1997-2011 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

PROGRAM OUTPUT MEASURES (dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Recipients	8,965,000	9,171,000	9,373,000
Aid available to students ¹	\$32,798,175	\$33,728,145	\$35,325,135
Maximum grant (in whole dollars)	\$5,550	\$5,645	\$5,785
Minimum grant (in whole dollars)	\$555	\$555	\$555
Average grant (in whole dollars)	\$3,658	\$3,678	\$3,769

NOTE: 2013 excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

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

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, indicators and performance data and targets; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2014 and future years, as well as 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

Federal supplemental educational opportunity grants

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

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2012</u>
\$734,599	\$734,599	\$734,599 ¹	0

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

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 2014 would be used for the 2014-2015 award year, which runs from July 1, 2014, through June 30, 2015.

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. The current hold harmless provisions grossly distort the allocation of funding among institutions than would otherwise be the case, preventing a more equitable distribution of funds to institutions based on student need.

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

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 9 percent of undergraduates receive SEOG awards.

In addition, if any part of the institution’s SEOG allocation determination to students 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: (1) a high school diploma (or its equivalent), or, (2) 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), or, (3) have successfully completed six credits. 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.

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Federal supplemental educational opportunity grants

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2009	\$757,465
2010	757,465
2011	735,990
2012	734,599
2013	734,599 ¹

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

FY 2014 BUDGET REQUEST

The Administration requests \$734.6 million for the SEOG program in fiscal year 2014, 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 2014 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 P-1.

The fiscal year 2014 request, in conjunction with institutional matching funds, would generate \$982 million in available aid for an estimated 1.6 million awards.

PROGRAM OUTPUT MEASURES (dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Recipients	1,583,862	1,583,862	1,583,862
Aid available to students ¹	\$981,994	\$981,994	\$981,994
Average award (whole dollars)	\$620	\$620	\$620

NOTE: 2013 excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

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

PROGRAM PERFORMANCE INFORMATION

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

2014 and future years, as well as the resources and efforts invested by those served by this program.

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

Distribution of 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 2010-2011. In 2010-2011, 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 2010-2011

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	91,018	\$68,802,064	\$756
\$6,000 - \$11,999	66,563	51,276,318	770
\$12,000 - \$23,999	193,484	154,715,721	800
\$24,000 - \$29,999	102,297	83,222,058	814
\$30,000 +	259,888	222,349,323	856
Subtotal – Dependent	713,250	580,365,484	814
Independent	920,150	432,242,621	470
TOTAL	1,633,400	1,012,608,105	620

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG to Independent Undergraduates in 2010-2011

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	234,511	\$115,818,483	\$494
\$2,000 - \$ 3,999	68,829	34,349,159	499
\$4,000 - \$ 7,999	138,757	67,731,085	488
\$8,000 - \$11,999	109,928	50,759,402	462
\$12,000 - \$15,999	92,003	41,110,374	447
\$16,000 - \$19,999	74,883	33,152,520	443
\$20,000 +	201,239	89,321,598	444
TOTAL	920,150	432,242,621	470

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 due to this formula and the base guarantee, with the majority of funding going to students attending public institutions. The distribution of aid by institutional type has remained relatively constant over the last 5 years; proprietary institutions have seen the most growth in their share, but despite growing enrollments, their share has grown 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 2010-2011.

Distribution of SEOG by Type of Institution 2010-2011

Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	426,091	\$312,765,279	\$734	30.9%
Public 2-Year	343,729	144,349,375	420	14.3%
Private	355,537	377,696,781	1,062	37.3%
Proprietary	508,043	177,796,670	350	17.6%
TOTAL	1,633,400	1,012,608,105	620	100.0%

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2012</u>
\$976,682	\$976,682	\$1,126,682 ¹	+\$150,000

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

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 funding for the Work-Study program is available for 2 years. 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 requested for fiscal year 2014 would be used for the 2014-2015 award year, which runs from July 1, 2014 through June 30, 2015.

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 service activities; (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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

employers). The Federal share may be up to 90 percent for students employed at a private nonprofit organization or a Federal, State, or local public agency that would otherwise be unable to afford the costs of employing those students. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the Federal Work Study Program.

Employment at the school itself is not eligible 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 2010-11, the last year data was collected, almost 39,000 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 \$50,000, 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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

regular Work-Study allocations to support such programs. Work Colleges must match Federal allocations on a dollar-for-dollar basis. In addition, Work Colleges may transfer all of their regular Work-Study, and Perkins Federal Capital Contribution allotments for use under the Work Colleges program.

- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins Loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allocation from Perkins Loans Federal Capital Contributions to SEOG or Work-Study (or both) and up to 25 percent of 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 or have successfully completed six credits).

STUDENT FINANCIAL ASSISTANCE

Federal work-study

A student already in default on a loan made under any Title IV, HEA loan program, or who owes an overpayment on any other previously received Federal student aid, however, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

The 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)
2009	\$980,492
Recovery Act	200,000
2010	980,492
2011	978,531
2012	976,682
2013	976,682 ¹

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

FY 2014 BUDGET REQUEST

As with the SEOG and Perkins Loan 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 2014 budget requests \$1.13 billion for the Work-Study program, \$150 million above 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, with the goal of doubling the number of students participating over 5 years. To increase students' employment prospects, institutions would collaborate with employers to provide students with Work-Study jobs that are meaningfully aligned with students' academic programs and career aspirations. The request will generate nearly \$1.35 billion in available aid to support more than 809,000 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 2014 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 P-1.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

PROGRAM OUTPUT MEASURES (dollars in thousands)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Recipients	696,612	696,612	809,125
Aid available to students ¹	\$1,161,950	\$1,161,950	\$1,349,620
Average award (whole dollars)	\$1,668	\$1,668	\$1,668

NOTE: 2013 excludes 0.612 percent across-the-board increase provided in P.L. 112-175.

¹ 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 2014 and future years, as well as 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 2010-2011.

Distribution of Work-Study in 2010-2011

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	32,287	\$52,246,666	\$1,618
\$6,000 - \$11,999	24,053	39,782,880	1,654
\$12,000 - \$23,999	71,203	116,849,370	1,641
\$24,000 - \$29,999	39,220	63,932,077	1,630
\$30,000 +	368,463	541,481,405	1,470
Subtotal - Dependent	535,226	814,292,398	1,521
Independent:			
Undergraduate	129,341	248,457,115	1,921
Graduate	53,860	135,458,944	2,515
TOTAL	718,427	1,198,208,457	1,668

Distribution of Work-Study to Independent Undergraduates in 2010-2011

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	37,028	\$69,371,116	\$1,873
\$2,000 - \$ 3,999	13,673	25,722,928	1,881
\$4,000 - \$ 7,999	23,190	46,288,757	1,996
\$8,000 - \$11,999	16,500	33,440,786	2,027
\$12,000 - \$15,999	11,026	21,608,100	1,960
\$16,000 - \$19,999	7,651	14,234,600	1,860
\$20,000 +	20,273	37,790,828	1,864
TOTAL	129,341	248,457,115	1,921

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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 2010-2011.

Distribution of Work-Study by Type of Institution 2010-2011

Institution Type	Recipients	Available Aid	Average Award	Percent of Work-Study Aid
Public 4-Year	233,393	\$412,452,697	\$1,767	34.4%
Public 2-Year	79,545	151,417,534	1,904	12.6%
Private	377,236	567,136,816	1,503	47.3%
Proprietary	28,253	67,201,410	2,379	5.6%
TOTAL	718,427	1,198,208,457	1,668	100.0%

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

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 2010-2011.

Distribution of Work-Study to Students in Community Service Activities in 2010-2011

Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	44,501	\$80,669,919	\$1,813
Public 2-Year	14,447	28,010,200	1,939
Private	63,388	91,876,915	1,449
Proprietary	5,363	12,917,722	2,409
TOTAL	127,699	213,474,756	1,672

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

(dollars in thousands)

FY 2014 Authorization: (Legislation sought)

Budget Authority:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2013</u>
Federal Perkins loans:				
(a) Capital contributions	0	0	0	0
(b) Loan cancellations	0	0	0	0
New loan subsidies ¹	<u>0</u>	<u>0</u>	<u>-\$1,408,498</u>	<u>-\$1,408,498</u>
Perkins Total Net Subsidy	0	0	-1,408,498	-1,408,498

¹ Legislation is sought for 2014 to shift Perkins Loans to a mandatory credit program. (Institutions would continue to be compensated for Perkins Loan cancellations, but from Federal collections on outstanding Perkins Loans rather than discretionary appropriations.) New loan subsidies, which would be appropriated through a new Federal Perkins Loan Program account, reflect the net present value of estimated Federal non-administrative lifetime costs for loans made in a given fiscal year. A negative number indicates estimated revenues exceed estimated costs.

PROGRAM DESCRIPTION

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

The funding for the Perkins Loan program is available for 2 years. 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. The Administration's 2014 Budget proposes new legislation to modernize and expand the Perkins Loan program as a mandatory credit program to replace the current program as of July 1, 2014. Funds available in fiscal year 2014 would be used for the 2014-2015 award year, which runs from July 1, 2014 to June 30, 2015. The authority for schools to make loans with their current institutional resources will expire at the end of fiscal year 2014. Starting in 2016, the remaining funds will revert to the Federal Government.

Institutional participation: Roughly 1,700 postsecondary institutions make loans under the current Perkins Loan program. As mandated by statute, funds are distributed to institutions first

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

on the basis of the institution's fiscal year 1999 Perkins Loan program FCC base guarantee and pro rata share, and, secondly, on the basis of the aggregate need of the eligible students in attendance. The Perkins Loan program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

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

Default rate provisions: A school's FCC allocation is reduced to zero when the institution's cohort default rate reaches 25 percent. If a school's cohort default rate is less than 25 percent, it qualifies for the full allocation amount pursuant to the statutory formula. In general, a school's participation in the program is terminated if its default rate exceeds 50 percent for 3 consecutive years. As of September 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 2012-2013.
- 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 9 consecutive on-time monthly payments to the institution. A loan can only be rehabilitated once. The first payment of the dictated 9-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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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 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, or serve full-time on the faculty at a tribal college or university.
- 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 VISTA service.

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Federal Perkins loans

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

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

	(dollars in thousands)	
	Federal Capital Contributions ¹	Loan Cancellations
2009	0	\$67,164
2010	0	0
2011	0	0
2012	0	0
2013	0	0

¹ Federal Capital Contributions were last funded in fiscal year 2004.

FY 2014 BUDGET PROPOSAL

The Administration proposes to expand and modernize the Perkins Loan program as a mandatory credit program. This legislative proposal will not only improve the existing Perkins Loan program, it will also replace the current program which, without Congressional intervention, will expire at the end of fiscal year 2014, and in which Perkins funds will be recalled to the Federal Government in 2016. Consequently, it is critically important that a new and reformed Perkins loan program be enacted.

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 and expand 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, beginning July 1, 2014. Under the Administration's proposal, Unsubsidized Perkins Loans would carry the same annually-determined, fixed interest rate as that proposed for Unsubsidized Stafford Loans: that is, interest rates would be determined based on the then-prevailing 10-year Treasury Note plus an add-on of 293 basis points. Loan limits for both undergraduate and graduate students would remain the same as in the current Perkins program. To increase loan availability, interest on the loans would accrue while students are in school.

In addition, the new Perkins program would include a new formula for allocating Unsubsidized Perkins lending authority among institutions of higher education in order to encourage institutions to enroll high numbers of Pell-eligible recipients, ensure high levels of program 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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

transfer or reallocate Perkins Loan funds to other campus-based programs – SEOG and Work-Study – and current statutory formulas, 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 2014 budget proposal for the 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 P-1.

PROGRAM OUTPUT MEASURES

Federal Perkins Loans

	<u>2012</u> ¹	<u>2013</u> ¹	<u>2014</u> ¹
Loan recipients	460,576	460,576	460,576
Loan volume ² (dollars in thousands)	\$981,994	\$981,994	\$981,994
Average loan (whole dollars)	\$1,860	\$1,860	\$1,860
Participating Institutions	1,700	1,700	1,700

Unsubsidized Perkins Loans (proposed)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Loan recipients	—	—	751,173
Loan volume (dollars in thousands)	—	—	\$4,113,423
Average loan (whole dollars)	—	—	\$5,476
Participating Institutions	—	—	4,400 ³

¹ Each participating institution uses its revolving fund to continue originating new loans.

² Loan volume includes budget authority and institutional matching funds minus administrative costs.

³ Estimated maximum institutional participation level.

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 2014 and future years, as well as 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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

that apply to all of the programs are discussed in the **Student Aid Overview** and are not repeated here.

Distribution of Perkins Loans by Student Status and Income Levels:

The tables below (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of Perkins loans to dependent students and the distribution of Perkins loans to independent students – both undergraduate and graduate – at various income levels in 2010-2011.

Distribution of Perkins in 2010-2011

Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - \$ 5,999	16,303	\$28,120,551	\$1,725
\$6,000 - \$11,999	12,893	21,966,098	1,704
\$12,000 - \$23,999	39,402	66,769,288	1,695
\$24,000 - \$29,999	23,453	39,284,728	1,675
\$30,000 +	213,614	363,125,917	1,689
Subtotal – Dependent	305,665	519,266,582	1,695
Independent:			
Undergraduate	93,135	155,074,694	1,665
Graduate	61,776	182,447,783	2,953
TOTAL	460,576	856,789,059	1,860

Distribution of Perkins to Independent Undergraduates in 2010-2011

Income Level	Recipients	Available Aid	Average Loan
0 - \$ 1,999	21,062	\$35,476,296	\$1,684
\$2,000 - \$ 3,999	7,083	11,943,604	1,686
\$4,000 - \$ 7,999	13,289	22,524,931	1,695
\$8,000 - \$11,999	10,955	18,223,521	1,663
\$12,000 - \$15,999	8,496	14,130,225	1,663
\$16,000 - \$19,999	6,582	10,900,393	1,656
\$20,000 +	25,668	41,875,724	1,631
TOTAL	93,135	155,074,694	1,665

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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 2010-2011:

Distribution of Perkins by Type of Institution 2010-2011

Institution Type	Recipients	Available Aid	Average Loan	Percent of Perkins Aid
Public 4-Year	225,748	\$381,505,628	\$1,690	44.5%
Public 2-Year	3,412	6,365,980	1,866	0.7%
Private	212,215	448,589,990	2,114	52.4%
Proprietary	19,201	20,327,461	1,059	2.4%
TOTAL	460,576	856,789,059	1,860	100.0%

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

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

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

(dollars in thousands)

FY 2014 Authorization: Indefinite

Budget Authority:

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>Change from 2013</u>
\$180	\$248	\$231	-\$17

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 \$5,785 for the 2014-2015 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)
2009	0
2010	\$15
2011	183
2012	180
2013	248

FY 2014 BUDGET PROPOSAL

The Administration's 2014 budget includes mandatory funding for Iraq and Afghanistan Service Grants in the amount of \$231,000, a decrease of \$17,000 from fiscal year 2013. The first Service Grants were made in award year 2010-2011. Fewer than 1,000 awards are expected to be made with fiscal year 2014 funds during academic year 2014-2015.

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

PROGRAM OUTPUT MEASURES

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Recipients	1	1	1
Aid Available to students (dollars in thousands)	\$257	\$225	\$268
Maximum grant (whole dollars)	\$5,550	\$5,645	\$5,785
Average grant (whole dollars)	\$4,759	\$4,884	\$4,963

¹ Recipients estimated to number fewer than 1,000.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2014 and future years, as well as 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.

Distribution of Iraq and Afghanistan Service Grant Funds by Type of Institution:

The data provided in the table below shows the distribution of Iraq and Afghanistan service grants to students attending different types of institutions in award year 2010-2011, which was, it is important to note, the first year the program awarded grants to students.

Distribution of IASG by Type of Institution 2011-2012

Institution Type	Recipients	Available Aid	Average Loan	Percent of IASG Aid
Public 4-Year	26	\$132,506	\$5,096	75.0%
Public 2-Year	3	5,266	1,755	3.0%
Private	6	27,750	4,625	15.7%
Proprietary	2	11,100	5,550	6.3%
TOTAL	37	176,622	4,774	100.0%

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