

Department of Education
STUDENT FINANCIAL ASSISTANCE
Fiscal Year 2016 Budget Request

CONTENTS

	<u>Page</u>
Appropriations Language	P-1
Analysis of Language Provisions and Changes.....	P-2
Appropriation, Adjustments and Transfers	P-3
Summary of Changes	P-4
Authorizing Legislation.....	P-5
Appropriations History.....	P-7
Significant Items in FY 2015 Appropriations Reports.....	P-8
Summary of Request	P-9
Federal Pell grants	P-12
Federal supplemental educational opportunity grants.....	P-26
Federal work-study.....	P-31
Federal Perkins loans.....	P-38
Iraq and Afghanistan service grants.....	P-45

STUDENT FINANCIAL ASSISTANCE

For carrying out subparts 1 [, 3, and 10] and 3 of part A, and part C of title IV of the HEA, [\$24,486,210,000,] \$24,198,210,000 which shall remain available through September 30, [2016] 2017.¹ Provided, That, of amounts provided under this heading, \$2,124,056,000 shall also be available for Pell Grants for award year 2017-2018.²

The maximum Pell Grant for which a student shall be eligible during award year [2015-2016] 2016-2017³ shall be \$4,860. (*Department of Education Appropriations Act, 2015*).

NOTE

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

STUDENT FINANCIAL ASSISTANCE

Analysis of Language Provisions and Changes

Language Provision	Explanation
<p>¹ ... which shall remain available through September 30, [2016] <u>2017</u>:</p>	<p>This language sets the availability of funds provided under the account through the end of fiscal year 2017. It also removes Subpart 10, which refers to the Iraq and Afghanistan Service Grant program, which the 2016 President's Budget proposes to end and consolidate it into the Pell Grant program.</p>
<p>² <u>Provided, That, of amounts provided under this heading, \$2,124,056,000 shall also be available for Pell Grants for award year 2017-2018.</u></p>	<p>This language recognizes that the funds specified, appropriated in 2016, are available for award year 2017-2018.</p>
<p>³ The maximum Pell Grant for which a student shall be eligible during award year [2015-2016] <u>2016-2017</u> shall be \$4,860.</p>	<p>This language sets the maximum Pell Grant award for award year 2016-2017.</p>

STUDENT FINANCIAL ASSISTANCE

Appropriation, Adjustments and Transfers

(dollars in thousands)

Appropriations/Adjustments/Transfers	2014	2015	2016
Discretionary:			
Appropriation.....	\$24,486,210	\$24,198,210	\$24,198,210
Mandatory:			
Appropriation.....	<u>5,423,763</u>	<u>6,079,871</u>	<u>6,460,396</u>
Total, discretionary and mandatory appropriation	29,909,973	30,278,081	30,658,606

STUDENT FINANCIAL ASSISTANCE

Summary of Changes

(dollars in thousands)

2015		\$30,278,081																														
2016		<u>30,658,606</u>																														
Net change		+380,525																														
<p><u>Mandatory</u></p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;">Increases:</th> <th style="text-align: center; width: 20%;"><u>2015 base</u></th> <th style="text-align: center; width: 20%;"><u>Change from base</u></th> </tr> <tr> <th style="text-align: left;"><u>Program:</u></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Increase in mandatory funding provided to support the Pell Grant program.</td> <td style="text-align: right;">\$6,079,531</td> <td style="text-align: right;">+\$380,469</td> </tr> <tr> <td style="padding-left: 20px;">Increase in mandatory funding to support Iraq and Afghanistan Service Grants as part of the Pell Grant program.</td> <td style="text-align: right; border-bottom: 1px solid black;">0</td> <td style="text-align: right; border-bottom: 1px solid black;">+396</td> </tr> <tr> <td style="text-align: right; padding-right: 20px;">Subtotal, increases</td> <td></td> <td style="text-align: right;">+380,865</td> </tr> </tbody> </table> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; width: 60%;">Decreases:</th> <th style="text-align: center; width: 20%;"><u>2015 base</u></th> <th style="text-align: center; width: 20%;"><u>Change from base</u></th> </tr> <tr> <th style="text-align: left;"><u>Program:</u></th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 20px;">Decrease in mandatory funding to support Iraq and Afghanistan Service Grants.</td> <td style="text-align: right; border-bottom: 1px solid black;">\$340</td> <td style="text-align: right; border-bottom: 1px solid black;">-\$340</td> </tr> <tr> <td style="text-align: right; padding-right: 20px;">Subtotal, decreases</td> <td></td> <td style="text-align: right;">-340</td> </tr> </tbody> </table> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="text-align: right; width: 60%;">Net Change</td> <td></td> <td style="text-align: right;">380,525</td> </tr> </table>			Increases:	<u>2015 base</u>	<u>Change from base</u>	<u>Program:</u>			Increase in mandatory funding provided to support the Pell Grant program.	\$6,079,531	+\$380,469	Increase in mandatory funding to support Iraq and Afghanistan Service Grants as part of the Pell Grant program.	0	+396	Subtotal, increases		+380,865	Decreases:	<u>2015 base</u>	<u>Change from base</u>	<u>Program:</u>			Decrease in mandatory funding to support Iraq and Afghanistan Service Grants.	\$340	-\$340	Subtotal, decreases		-340	Net Change		380,525
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STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation

(dollars in thousands)

Activity	2015 Authorized	2015 Estimate	2016 Authorized	2016 Request
Federal Pell grants (<i>HEA-IV-A-1</i>):				
Federal Pell grants (<i>HEA-IV-A-1</i>) (discretionary)	Indefinite	\$22,475,352	Indefinite	\$22,475,352
Federal Pell grants (mandatory)	Indefinite	6,079,531	Indefinite	6,460,396
Federal supplemental educational opportunity grants (<i>HEA-IV-A-3</i>)	Indefinite	733,130	To be determined	733,130
Institutional payments (<i>HEA-IV-G-489</i>) ¹	Indefinite		To be determined	
Federal work-study (<i>HEA-IV-C</i>)	Indefinite	989,728	To be determined	989,728
Institutional payments (<i>HEA-IV-G-489</i>) ¹	Indefinite		To be determined	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ²	Indefinite		To be determined	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		To be determined	
Iraq and Afghanistan Service Grants (<i>HEA-IV-A-10</i>) ³	Indefinite	340	Indefinite	0
Federal Perkins loans (<i>HEA-IV-E</i>) ⁴				
Federal Perkins loans (Proposed legislation)	0	0	To be determined	0
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>) ¹	Indefinite	0	Indefinite	0
<u>Unfunded authorizations:</u>				
Academic achievement incentive scholarships (<i>HEA-IV-A, Chapter 3</i>)	<u>Indefinite</u>	<u>0</u>	<u>Indefinite</u>	<u>0</u>
Total definite authorization	0		0	

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation -- continued

(dollars in thousands)

Activity	2015 Authorized	2015 Estimate	2016 Authorized	2016 Request
Total discretionary appropriation		\$24,198,210		\$24,198,210
Total mandatory appropriation		6,079,871		6,460,396
Total appropriation		30,278,081		30,658,606

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

¹ 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.

² 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.

³ Legislation is sought in 2016 to make the Iraq and Afghanistan Service Grants program a non-sequesterable program by consolidating it into the Pell Grant program.

⁴ Legislation is sought in 2016 to reform the Perkins Loans program. New loan subsidies would be appropriated through a new, separate Unsubsidized Perkins Loan program account. The current Perkins Loan program was authorized through September 30, 2014. Because Congress did not enact legislation extending or repealing the authorization of the program before that date, the program was extended for 1 year, through September 30, 2015, under section 422(a) of the General Education Provisions Act (GEPA).

STUDENT FINANCIAL ASSISTANCE

Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2007	\$14,490,057	N/A ¹	N/A ¹	\$14,487,735 ¹
2008	16,419,492	\$17,464,883	\$18,409,883	18,122,136 ²
2009	19,921,551	21,291,136 ^{3, 4}	20,851,809 ^{3, 4}	21,246,973 ³
Recovery Act Supplemental (P.L. 111-5)	0	17,600,000	13,930,000	17,314,000
2010	1,801,809 ⁵	19,634,905	19,296,809 ⁶	19,296,809
2011	1,737,957 ⁵	18,475,492 ⁷	24,899,957 ⁶	24,670,517
2012	30,338,016	22,367,521 ⁸	24,670,517 ⁸	24,535,281
2013	24,685,281	24,535,281 ⁹	24,535,281 ⁹	24,400,122
2014	24,685,281	N/A ¹⁰	24,536,210 ⁶	24,486,210
2015	24,486,210	N/A ¹⁰	24,233,210 ¹¹	24,198,210
2016	24,198,210			

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 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).

³ 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).

⁴ The levels for the House and Senate allowance reflect action on the regular annual 2009 appropriations bill, which proceeded in the 110th Congress only through the House Subcommittee and the Senate Committee.

⁵ Reflects Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts.

⁶ The level for the Senate allowance reflects Committee action only.

⁷ The level for the House allowance reflects the House-passed full-year continuing resolution.

⁸ The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

⁹ 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.

¹⁰ The House allowance is shown as N/A because there was no Subcommittee action.

¹¹ The level for the Senate allowance reflects Senate Subcommittee action only.

STUDENT FINANCIAL ASSISTANCE

Significant Items in FY 2015 Appropriations Reports

Pell Grant Program

Manager's
Statement:

The Committee directs the Department to submit a report to the House and Senate Appropriations Committees, no later than 120 days after the enactment of this Act, on enrollment and graduation information for Pell Grant recipients included in the National Student Loan Data System (NSLDS) Enrollment Reporting roster files for the 2013-2014 Pell Grant Award Year. The Department is also directed to continue to provide enrollment and graduation information to the House and Senate Appropriations Committees in the future as more robust and useful information becomes available.

Since Pell Grant recipient enrollment and graduation information was not included in the NSLDS Enrollment Reporting roster files as a separate category for an institution's Pell Grants-only recipients until the 2012-2013 Pell Grant Award Year, it is understood that six year graduation cohort rates will not be available for analysis until 2019. While understanding the limitation of the data, the report should continue to include enrollment and graduation information for Pell Grant recipients by each institution of higher education. The report should also include an updated plan to minimize the burden of recent changes to the NSLDS Enrollment Reporting roster files on institutions of higher education, an updated proposal to improve the tracking of enrollment and graduation rates for students that transfer and nontraditional students, and strategies to increase enrollment and improve graduation rates for Pell Grant recipients.

Response: The Department will comply with this directive.

DEPARTMENT OF EDUCATION FISCAL YEAR 2016 PRESIDENT'S BUDGET

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(in thousands of dollars)

Account, Program and Activity	Category Code	2014 Appropriation	2015 Appropriation	2016 President's Budget	2016 President's Budget Compared to 2015 Appropriation Amount	Percent
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1):						
(a) Discretionary Pell grants	D	22,778,352	22,475,352	22,475,352	0	0.000%
(b) Mandatory Pell grants ¹	M	4,835,469	6,079,531	6,460,396	380,865	6.265%
(c) Mandatory Funding for Discretionary Program Costs	M	588,000	0	0	0	---
Subtotal, Federal Pell grants		28,201,821	28,554,883	28,935,748	380,865	1.334%
Discretionary	D	22,778,352	22,475,352	22,475,352	0	0.000%
Mandatory	M	5,423,469	6,079,531	6,460,396	380,865	6.265%

Federal Pell Grants Program Information (memorandum entry):

Discretionary appropriation	D	22,778,352	22,475,352	22,475,352	0	0.000%
Prior year surplus/(shortfall)	D	10,994,000	8,520,352	5,343,704	(3,176,648)	-37.283%
Mandatory appropriation	M	4,835,469	6,079,531	6,460,396	380,865	6.265%
Prior year surplus/(shortfall)	M	0	(363,531)	0	363,531	-100.000%
Mandatory funding for discretionary program costs	M	588,000	0	0	0	---
Total resources		39,195,821	36,711,704	34,279,452	(2,432,252)	-6.625%
Discretionary program costs	D	25,840,000	25,652,000	25,695,000	43,000	0.168%
Mandatory program costs	M	5,199,000	5,716,000	6,460,396	744,396	13.023%
Total, program costs		31,039,000	31,368,000	32,155,396	787,396	2.510%
Discretionary program current year surplus/(shortfall)	D	8,520,352	5,343,704	2,124,056	(3,219,648)	-60.251%
Mandatory program current year surplus/(shortfall)	M	(363,531)	0	0	0	---
Total, surplus/(shortfall)		8,156,821	5,343,704	2,124,056	(3,219,648)	-60.251%
Maximum award (in whole dollars)						
Base award		\$4,860	\$4,860	\$4,860	0	0.000%
Mandatory add-on		\$870	\$915	\$1,055	140	15.301%
Total maximum award		\$5,730	\$5,775	\$5,915	140	2.424%
Recipients (in thousands)		8,173	8,237	8,376	139	1.688%

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

Accounts are shown under the administering office that has primary responsibility for most programs in that account; however, there may be some programs that are administered by another office.

For mandatory programs, the levels shown in the 2014 Appropriation column reflect the 7.2 percent sequester that went into effect October 1, 2013, and the levels shown in the 2015 Appropriation column reflect the 7.3 percent sequester that went into effect October 1, 2014, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

Detail may not add to totals due to rounding.

¹ The 2016 President's Budget column reflects the budget proposal to end the current Iraq and Afghanistan Service Grant program and consolidate it into the Pell Grant program.

DEPARTMENT OF EDUCATION FISCAL YEAR 2016 PRESIDENT'S BUDGET

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Student Financial Assistance (continued)

2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	733,130	733,130	733,130	0	0.000%
(b) Federal work-study (HEA IV-C)	D	974,728	989,728	989,728	0	0.000%
Subtotal, Campus-based programs		1,707,858	1,722,858	1,722,858	0	0.000%
3. Iraq and Afghanistan Service Grants (P.L. 111-39) ¹						
	M	294	340	0	(340)	-100.000%
Total		29,909,973	30,278,081	30,658,606	380,525	1.257%
Discretionary	D	24,486,210	24,198,210	24,198,210	0	0.000%
Mandatory	M	5,423,763	6,079,871	6,460,396	380,525	6.259%

Federal Perkins Loan Program

1. New loan subsidies (proposed legislation)	M	0	0	0	0	---
2. New net loan subsidies (non-add)	M	0	0	(876,857)	(876,857)	---
Total, Federal Perkins loan program amount		0	0	0	0	---

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

Accounts are shown under the administering office that has primary responsibility for most programs in that account; however, there may be some programs that are administered by another office.

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Detail may not add to totals due to rounding.

¹ The 2016 President's Budget column reflects the budget proposal to end the current Iraq and Afghanistan Service Grant program and consolidate it into the Pell Grant program.

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 12th in attainment among those aged 25-34 (Organisation for Economic Co-operation and Development, 2014). There is a significant opportunity gap as well. Today, 80 percent of high-school graduates from the wealthiest families pursue higher education, while just over half of the bottom quartile attend college (Census Bureau, Current Population Survey, 2013). Even when high-school graduates can afford to begin higher education, they all too often fail to complete postsecondary education. Less than 6 in 10 first-time full-time college students at 4-year schools graduate within 6 years (NCES, Condition of Education 2014).

The President's fiscal year 2016 Budget focuses on advancing college access, affordability and completion, in accordance with the President's vision of leading the world in college attainment. The Budget outlines a path for making community college free for responsible students while promoting key reforms to help more students complete postsecondary education, simplifying the application for Federal student aid and income-driven repayment, rewarding colleges that successfully enroll and graduate a significant number of low- and moderate-income students on time, and reforming campus-based aid programs by distributing Federal funds to colleges that provide the best value to students – not only by enrolling financially-needy students, but also ensuring they graduate and at a reasonable cost.

The total fiscal year 2016 Budget proposed for the Student Financial Assistance (SFA) account is nearly \$30.7 billion, \$381 million higher than the fiscal year 2015 level. The budget request includes a discretionary request of \$24.2 billion: \$22.5 billion for Pell grants, with the remainder of the request for Supplemental Educational Opportunity Grants and Work-Study. Nearly \$6.5 billion in mandatory funds are provided in the 2016 Budget for the Pell Grant program.

The 2016 Budget provides access to additional campus-based funds through an expanded Federal Perkins Loan program. This proposed expansion and reform of the current program means more students will be able to receive Perkins Loans, as the program will serve a greater number of institutions (up to 2,700 more than the existing program). The reformed Perkins program will also 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 \$39 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 more than 11.7 million students. In addition, the request would provide \$4.1 billion in aid in 2016 to an estimated 731,000 students through an expanded Perkins loan program.

The fiscal year 2016 budget request for programs in the Student Financial Assistance account is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, program-specific funding information and policy proposals, as well as program performance information that applies to all student assistance programs, are discussed in the **Student Aid Overview**, beginning on page O-1.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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

(dollars in thousands)

FY 2016 Authorization: Indefinite

Budget Authority:¹

	<u>2015</u>	<u>2016</u>	<u>Change</u>
Program funds:			
Discretionary appropriation	\$22,475,352	\$22,475,352	0
Mandatory appropriation	<u>6,079,531</u>	<u>6,460,396</u>	<u>+380,865</u>
Subtotal, current year funding	28,554,883	28,935,748	+380,865
Pell Grant program costs	31,368,000	32,155,000	+787,000

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

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 provide aid to 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 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 student's program is a full academic year in length or less. Pell Grant disbursements are made to a student at least once every term during the award year or at the beginning and mid-point for programs without terms.

Budget authority in the Pell Grant program is available for 2 fiscal 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

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

fiscal year 2016 would be used for grants in the 2016-2017 award year, which runs from July 1, 2016, through June 30, 2017. 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 higher education and successfully attain a postsecondary credential. Thanks to the landmark investments in Pell Grants since the beginning of the Administration, in 2015 more than 8.2 million students will receive Pell Grants worth up to \$5,775. 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.

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 2014-2015 award year level of \$5,730 to \$5,775 for the 2015-2016 award year, as a result of the CPI provision.

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 budget authority needed to fund the program for that year, or the requested budget authority, whichever is greater. If 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, if 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 2015 Budget, this Budget presents the portion of the Pell Grants provided in annual appropriations act as discretionary funding.

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

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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. For award year 2014-2015, the income threshold at which a dependent student receives an automatic zero EFC determination is \$24,000.

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 41 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). The Consolidated and Further Continuing Appropriations Act, 2015 restored the provision allowing students who lack a high school diploma, GED, or home schooling, to pass an Ability to Benefit test to be eligible for a Pell Grant. This provision applies only to students who first enroll in an eligible career pathways program on or after July 1, 2014. In addition, students who enroll on or after July 1, 2015 will not be eligible for the mandatory add-on to the \$4,860 base maximum award.

Less than full-time students are eligible for pro rata awards based on their enrollment status. As of July 1, 2012, students are only eligible for Pell Grants for 12 semesters (or its equivalent) of full-time enrollment.

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) 2014-2015, the minimum is \$573. Students who do not qualify for 10 percent of the maximum grant do not receive a Pell award. Appropriations acts set annual maximum award levels. The fiscal year 2015 appropriation act set the maximum award supported by discretionary funds for the 2015-2016 award year at \$4,860. With the CPI provision established by the HCERA, the 2014 maximum award rose to \$5,730. The total maximum Pell Grant award will be \$5,775 for the 2015-2016 award year as a result of the CPI provision. The total 2016-2017 maximum award is also expected to increase with inflation.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The aggregate Pell Grant award is the lesser 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.

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;

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

- 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 2015-2016, these payments will total \$28.55 million.

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

	(dollars in thousands)
2011	\$42,015,996 ¹
2012	41,569,000 ²
2013	35,219,536 ³
2014	28,201,821 ⁴
2015	28,554,883 ⁵

¹ Includes \$5,560 million in mandatory funds to increase maximum award by \$690 and \$13,500 million in HCERA funds.

² 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.

³ 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.

⁴ Includes \$4,835 million in mandatory funds to increase maximum award by \$870 and \$588 million in additional mandatory funds provided in legislation to reduce discretionary need.

⁵ Includes \$6,080 million in mandatory funds to increase maximum award by \$915.

FY 2016 BUDGET REQUEST

Since taking office, this Administration has repeatedly sought higher Pell Grant funding, and its efforts have increased the Pell maximum award, and provided grants to an additional 3 million students. In its continued support of the program, the Administration requests \$22.5 billion in discretionary funding, the same level as 2015. This discretionary request, plus \$6.5 billion in mandatory funding, establishes the total 2016 Pell funding level at \$28.9 billion. The mandatory request supports an increase in the add-on to the base maximum award of \$4,860, raising the discretionary plus a mandatory maximum award that will increase with inflation.

The budget provides mandatory funding to continue indexing the maximum Pell Grant award to inflation beyond 2017. The automatic inflationary increases, secured by the Administration in the SAFRA Act, are scheduled to expire after the 2017-2018 award year. Additionally, the 2016 Budget proposes to make several small reforms to the Pell Grant program:

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

- First, it would strengthen academic progress requirements in the Pell Grant program in order to encourage students to complete their studies on time.
- Second, it would allow those students enrolled in eligible career pathways programs who are eligible under the recently restored Ability to Benefit provision to get the maximum Pell Grant award, which would allow adults without a high school diploma to gain the knowledge and skills they need to secure a good job. The expansion in 2015 only provided these students with partial Pell awards.
- Third, it would prevent additional Pell disbursements to recipients who repeatedly enroll and obtain aid but do not earn any academic credits.
- Fourth, the Budget would move Iraq and Afghanistan Service Grants to the Pell Grant program to ensure to our veterans' children receive the full, non-sequestered Pell award for which they are eligible.
- And finally, the Administration supports the simplification of the Free Application for Federal Student Aid (FAFSA). The Budget proposes eliminating questions related to assets, non-IRS untaxed income, non-IRS income exclusions, and other income adjustments, which have been shown to confuse students.

The 2016 Budget Request for GPRA Data/HEA Program Evaluation would support pilot and demonstration programs and evaluations of alternative strategies relating to programs under the HEA, including the Pell Grant program, in ways that promote student persistence and academic success and could accelerate progress toward an affordable high-quality postsecondary degree or certificate.

In addition, the 2016 Request proposes to reform and expand the existing Perkins Loan program, as well as end the current Iraq Afghanistan Service Grants program, consolidating it into the Pell Grant program. Both of these policies are discussed in greater detail later in this document, and the **Student Aid Overview**, beginning on page O-1. Savings resulting from the reform to Perkins Loans will be reinvested in student aid spending, specifically to extend CPI indexing in the Pell Grant program beyond 2017.

Finally, the Budget proposes to include other Federal student aid programs, such as the Department of Defense tuition assistance program and Department of Veterans' Administration GI Bill benefits in the 90 percent portion of the 90/10 requirement for institutions. This proposal is discussed in additional detail in the **Student Aid Overview**. The fiscal year 2016 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**.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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 17.3 million for award year 2014-2015; recipients at 8.2 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
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	18,294,947	-163,754	-0.89%
2013-14	17,915,446	-379,501	-2.07%
2014-15	17,340,530	-574,916	-3.21%
2015-16	17,105,101	-235,429	-1.36%
2016-17	17,450,128	345,027	2.02%

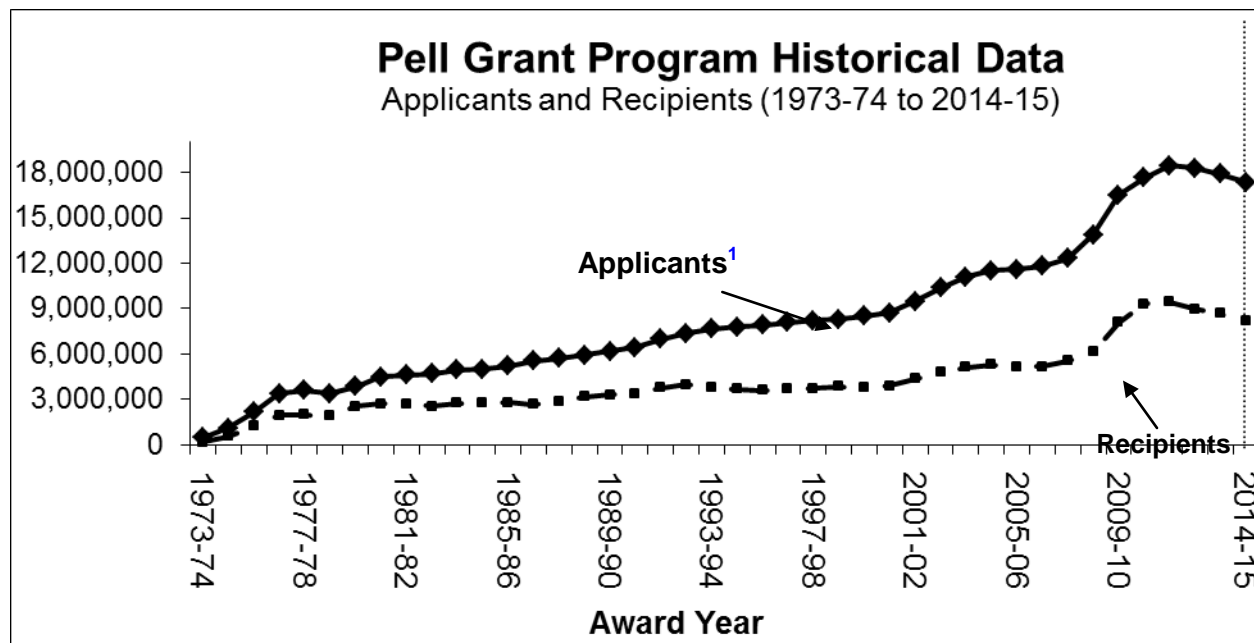
Sources: Through 2013-14, Award Year 2012-13 Pell Grant EOY Report and Final ELI-10 Reports.

NOTES: Award Years 2014-15 through 2016-17 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

Pell Historical Data (continued):



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 2016 level would support Pell Grant awards to 8.4 million recipients.

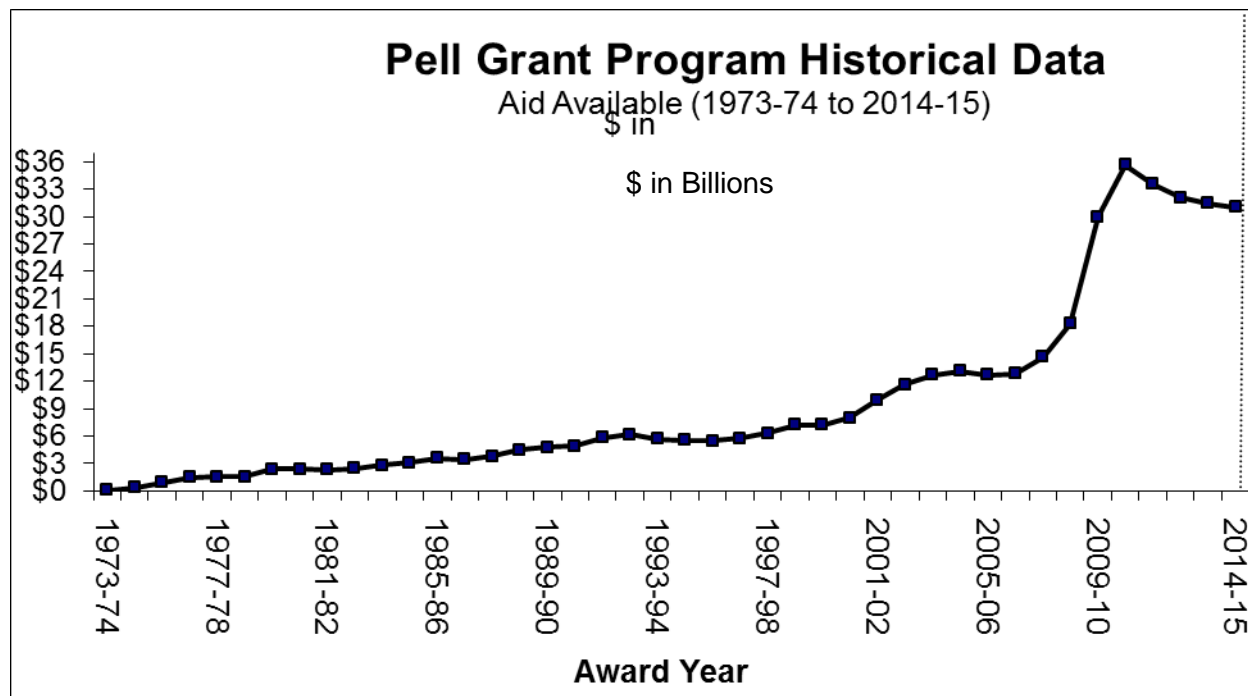
STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Pell Historical Data (continued):

Aid Available:

Under current estimates, the Department's fiscal year 2016 proposal would provide \$32.1 billion in Pell Grants to students.



Maximum award:

The Department proposes to maintain the base maximum award at \$4,860 for award year 2016-2017 through discretionary and mandatory funding. The cost of providing the mandatory add-on that increases the maximum award to \$5,775 in the 2015-2016 award year is funded by permanent mandatory indefinite funding as provided through HCERA.

Award Year	Maximum Award	Aid Available (dollars in millions)	Recipients
2011-12	\$5,550	\$33,562	9,439,578
2012-13	5,550	32,048	8,956,000
2013-14	5,645	32,352	8,861,000
2014-15	5,730	30,998	8,173,000
2015-16	5,775	31,327	8,237,000
2016-17	5,915	32,113	8,376,000

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Pell Historical Data (continued):

Pell Maximum Award, Budget Authority and Program Costs

Fiscal Year	Maximum Award	Budget Authority (dollars in thousands)	Program Costs (dollars in thousands)
2007	\$4,310	\$13,660,711	\$14,699,000
2008	4,731	16,245,000 ¹	18,309,000
2009	5,350	35,661,000 ²	29,994,000
2010	5,550	22,794,816 ³	35,702,000
2011	5,550	42,015,996 ⁴	33,598,000
2012	5,550	41,569,000 ⁶	32,093,000 ⁵
2013	5,645	35,219,536 ⁷	31,467,000 ⁵
2014	5,730	28,201,821 ⁸	31,039,000 ⁵
2015	5,775	28,554,883 ⁹	31,368,000 ⁵
2016	5,915	28,935,352 ¹⁰	32,155,000 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 for FY 2013 includes \$22,778 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 for FY 2014 includes \$22,778 million in discretionary funding, \$4,835 million in mandatory funding to increase the maximum grant, and \$588 million in mandatory funds for discretionary purposes.

⁹ Budget Authority for FY 2015 includes \$22,475 million in discretionary funding, and \$6,080 million in mandatory funding to increase the maximum grant.

¹⁰ Budget Authority requested for FY 2016 includes \$22,475 million in discretionary funding, and \$6,460 million in mandatory funding to increase the maximum grant.

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 2013-14, approximately 73 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000.

Distribution of Pell Grants in Academic Year 2013-2014

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$6,000	573,974	\$2,463,344,412	\$4,292
\$6,001 - 9,000	138,082	602,404,420	4,363
9,001 - 20,000	862,292	3,832,592,786	4,445
20,001 - 30,000	752,162	3,323,709,588	4,419
30,001 +	1,499,986	4,573,687,608	3,049
Subtotal -			
Dependent	3,826,496	14,795,738,814	3,867
Independent	4,832,153	16,627,784,734	3,441
TOTAL	8,658,649	31,423,523,548	3,629

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 Academic Year 2013-2014

Income Level	Recipients	Available Aid	Average Award
0 - \$1,000	834,666	\$3,094,074,787	\$3,707
\$1,001 - 3,000	247,545	947,421,432	3,827
3,001 - 6,000	374,541	1,436,684,637	3,836
6,001 - 9,000	402,058	1,517,438,971	3,774
9,001 - 15,000	865,665	3,092,154,765	3,572
15,001 - 20,000	608,483	1,840,191,461	3,024
20,001 - 30,000	667,934	2,161,628,644	3,236
30,001 +	831,261	2,538,190,037	3,053
TOTAL	4,832,153	16,627,784,734	3,441

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 2013-2014, approximately 32 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, and approximately 34 percent went to students attending Public 2-Year schools.

Over the last 15 years, the grant distribution has changed most noticeably was proprietary schools. In the 1998-1999 award year, approximately 13 percent of total Pell Grant aid available went to students at proprietary institutions; in the 2013-2014 award year that figure was 20 percent.

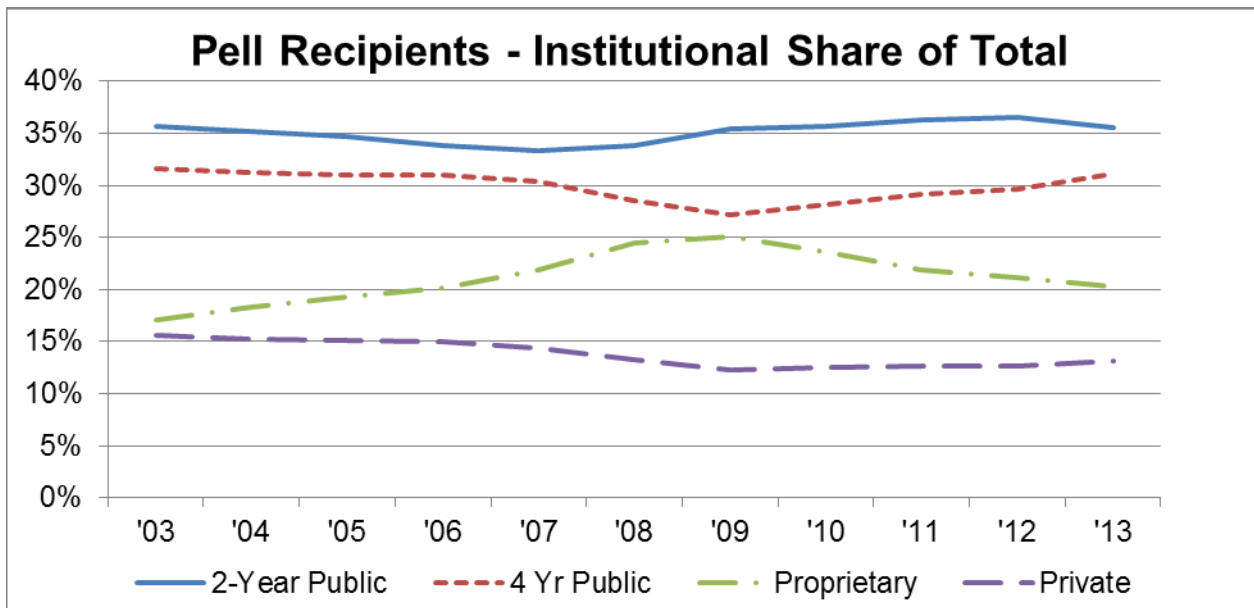
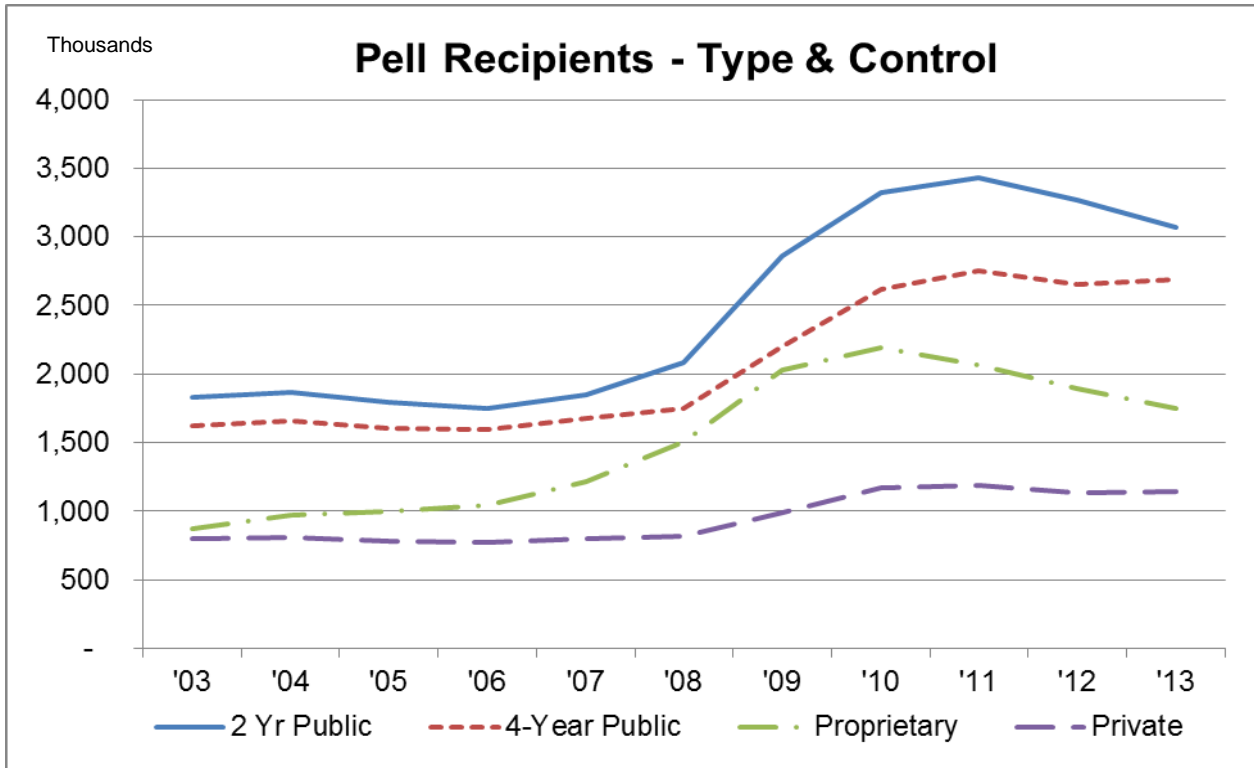
Distribution of Pell Grants by Type of Institution in Academic Year 2013-2014

Institution Type	Percent of Pell Aid	Available Aid	Recipients	Average Award
Public 4-Year	31.8%	\$10,000,285,999	2,692,248	\$3,714
Public 2-Year	34.0%	10,690,360,645	3,072,829	3,479
Private	14.2%	4,450,793,666	1,140,544	3,902
Proprietary	20.0%	6,282,083,238	1,753,028	3,584
TOTAL	100.0%	31,423,523,548	8,658,649	3,629

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The following two charts show, for the years 2003-2013, 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>Measures</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Recipients	8,173,000	8,237,000	8,376,000
Aid available to students ¹	\$30,998,135	\$31,326,815	\$32,113,120
Maximum grant (in whole dollars)	\$5,730	\$5,775	\$5,915
Minimum grant (in whole dollars)	\$573	\$578	\$592
Average grant (in whole dollars)	\$3,792	\$3,803	\$3,833

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 2016 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 2016 Authorization: To be determined ¹

Budget Authority:

<u>2015</u>	<u>2016</u>	<u>Change</u>
\$733,130	\$733,130	0

¹ The GEPA extension expires September 30, 2015; reauthorizing legislation is sought for FY 2016.

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 funding provided for the SEOG 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 proposed for fiscal year 2016 would be used for the 2016-2017 award year, which runs from July 1, 2016, through June 30, 2017.

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 provision distorts the allocation of funding among institutions so that institutions receive more funds than if the funds were solely distributed to institutions based on student financial 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 awards to students with demonstrated "exceptional need" (students with the lowest EFCs at the

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

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, or who are newly enrolled on or after July 1, 2014, 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.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2011	\$735,990
2012	734,599
2013	696,175
2014	733,130
2015	733,130

FY 2016 BUDGET REQUEST

The Administration requests \$733.1 million for the SEOG program in fiscal year 2016, the same level as in fiscal year 2015. The 2016 Request additionally proposes to alter the allocation formula to target those institutions that enroll and graduate higher numbers of Pell-eligible students, offer affordable education, and offer quality education and training such that graduates obtain employment and repay their educational debt. Allocations to participating institutions that fail to maintain these commitments would be redirected to better-performing institutions.

The fiscal year 2016 Budget Request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, student assistance policy proposals are discussed in greater detail in the **Student Aid Overview**, beginning on page O-1.

The fiscal year 2016 request, in conjunction with institutional matching funds, would generate \$976.5 million in available aid for an estimated 1.6 million awards.

PROGRAM OUTPUT MEASURES (dollars in thousands)

<u>Measures</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Recipients	1,629,489	1,629,489	1,629,489
Aid available to students ¹	\$976,513	\$976,513	\$976,513
Average award (whole dollars)	\$599	\$599	\$599

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 2016 and future years, as well as the resources and efforts invested by those served by this program.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

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 2012-2013. These tables include the most recent distributional data available, which may not match directly with the data provided in the Program Output Measures section.

In 2012-2013, 70 percent of dependent SEOG recipients had family income levels under \$30,000 and 77 percent of independent SEOG recipients had family income levels under \$20,000.

Distribution of SEOG in Academic Year 2012-2013

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$5,999	120,954	\$87,278,679	\$722
\$6,000 - 11,999	77,041	55,949,312	726
12,000 - 23,999	221,543	164,353,071	742
24,000 - 29,999	89,224	69,167,141	775
30,000 +	217,358	175,245,412	831
Subtotal – Dependent	726,120	551,993,615	799
Independent	906,634	425,341,991	469
TOTAL	1,632,754	977,335,606	599

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG to Independent Undergraduates in Academic Year 2012-2013

Income Level	Recipients	Available Aid	Average Award
0 - \$1,999	248,896	\$123,744,384	\$497
\$2,000 - 3,999	59,315	29,971,747	505
4,000 - 7,999	118,756	58,262,580	491
8,000 - 11,999	115,452	53,563,050	464
12,000 - 15,999	87,038	38,289,679	440
16,000 - 19,999	72,730	31,176,930	429
20,000 +	204,447	90,333,621	443
TOTAL	906,634	425,341,991	469

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 across 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 institution type has remained relatively constant over the last 5 years.

The following table shows the distribution of SEOG to students attending different types of institutions in 2012-2013.

Distribution of SEOG by Type of Institution in Academic Year 2012-2013

Institution Type	Percent of SEOG Aid	Available Aid	Recipients	Average Award
Public 4-Year	31.2%	\$304,439,450	436,927	\$697
Public 2-Year	17.3%	168,742,087	417,536	404
Private	34.9%	340,971,037	348,934	810
Proprietary	16.7%	163,183,032	429,357	409
TOTAL	100.0%	977,335,606	1,632,754	599

NOTE: Percentages may not total to 100 percent due to rounding.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

(dollars in thousands)

FY 2016 Authorization: To be determined ¹

Budget Authority:

<u>2015</u>	<u>2016</u>	<u>Change</u>
\$989,728	\$989,728	0

¹ The GEPA extension expires September 30, 2015; reauthorizing legislation is sought for FY 2016.

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 are distributed to qualifying institutions whose financial aid administrators select qualified students with financial need for employment. Students may be employed by the institution; 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 fiscal 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 2016 would be used for the 2016-2017 award year, which runs from July 1, 2016 through June 30, 2017.

Institutional participation: Roughly 3,400 institutions participate in the Work-Study program. Funds are distributed to institutions based on a statutory formula, first on the basis of the institution's fiscal year 1999 Work-Study program base guarantee and pro rata share, and then based on 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 employers). The Federal share may be up to 90 percent for students employed at a private

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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.

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, or who are newly enrolled on or after July 1, 2014, 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 of Education or the successful completion of six academic program credits).

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.

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.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

- 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. This program locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.
- Work Colleges. A “Work College” is an institution that requires all resident students to participate in a work-learning program as an integral part of the institution’s educational philosophy. These colleges are authorized to receive special awards in addition to their regular Work-Study allocations to support such programs. Work Colleges must match Federal allocations on a dollar-for-dollar basis. In addition, Work Colleges may transfer all of their regular Work-Study, and Perkins Federal Capital Contribution allotments for use under the Work Colleges program.
- 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 1 academic year) in which the students were prevented from fulfilling their Work-Study

STUDENT FINANCIAL ASSISTANCE

Federal 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.

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2011	\$978,531
2012	976,682
2013	925,595
2014	974,728
2015	989,728

FY 2016 BUDGET REQUEST

As with the SEOG and Perkins Loan programs, the 2016 Budget Request proposes to reform the Federal Work-Study allocation formula to allocate resources to those institutions that enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt.

The fiscal year 2016 Budget Requests \$989.7 million for the Work-Study program, level with the fiscal year 2015 amount. The request will generate nearly \$1.18 billion in available aid to support more than 692,000 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 2016 Request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, policy proposals are discussed in greater detail in the **Student Aid Overview**, beginning on page O-1.

PROGRAM OUTPUT MEASURES (dollars in thousands)

<u>Measures</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Recipients	692,482	703,138	703,138
Aid available to students ¹	\$1,158,522	\$1,176,350	\$1,176,350
Average award (whole dollars)	\$1,673	\$1,673	\$1,673

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in fiscal year 2016 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 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 2012-2013. These tables include the most recent distributional data available, which may not correspond directly with the data provided in the Program Output Measures section.

Distribution of Work-Study in Academic Year 2012-2013

Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$5,999	40,410	\$66,120,799	\$1,636
\$6,000 - 11,999	24,929	42,096,331	1,689
12,000 - 23,999	74,482	125,284,587	1,682
24,000 - 29,999	36,436	60,497,525	1,660
30,000 +	346,555	510,502,761	1,457
Subtotal - Dependent	522,812	804,502,003	1,533
Independent:			
Undergraduate	122,091	235,326,932	1,927
Graduate	48,997	121,014,736	2,470
TOTAL	693,900	1,160,843,671	1,673

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study to Independent Undergraduates in Academic Year 2012-2013

Income Level	Recipients	Available Aid	Average Award
0 - \$1,999	38,115	\$70,809,991	\$1,858
\$2,000 - 3,999	11,924	22,580,085	1,894
4,000 - 7,999	20,190	41,020,047	2,032
8,000 - 11,999	15,154	31,148,788	2,055
12,000 - 15,999	10,571	21,088,403	1,995
16,000 - 19,999	7,032	13,717,733	1,951
20,000 +	19,105	34,961,885	1,820
TOTAL	122,091	235,326,932	1,927

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 formula. As a result, the distribution of Work-Study assistance across different types of institutions has remained relatively constant over time. The table below shows the distribution of Work-Study to students attending different types of institutions in 2012-2013.

Distribution of Work-Study by Type of Institution in Academic Year 2012-2013

Institution Type	Percent of Work-Study Aid	Available Aid	Recipients	Average Award
Public 4-Year	34.2%	\$396,896,465	223,276	\$1,778
Public 2-Year	13.0%	150,994,527	77,042	1,960
Private	47.1%	547,094,231	365,562	1,285
Proprietary	5.7%	65,858,448	28,020	2,229
TOTAL	100.0%	1,160,843,671	693,900	1,673

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Community Service Activities:

The Work-Study program has a long tradition of providing opportunities for students to perform community service activities—supporting an important cooperative link between students, colleges and the local community. At least 7 percent of an institution's Work-Study allotment must be used to pay students employed in community service jobs, unless the institution obtains a waiver from the Department. Nationally, 15 percent of Work-Study funds are used for jobs in community service.

Participating colleges and universities must ensure that at least one eligible 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.

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 2012-2013.

Distribution of Work-Study to Students in Community Service Activities in Academic Year 2012-2013

Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	42,550	\$61,475,848	\$1,757
Public 2-Year	14,157	24,755,261	1,961
Private	58,962	67,570,636	1,173
Proprietary	4,902	9,177,847	2,162
TOTAL	120,571	162,979,592	1,655

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

(dollars in thousands)

FY 2016 Authorization: (Proposed legislation)

Mandatory Budget Authority:

	<u>2015</u>	<u>2016¹</u>	<u>Change</u>
New loan subsidies ²	<u>0</u>	<u>-\$876,857</u>	<u>-\$876,857</u>
Perkins Total Net Subsidy	0	-876,857	-876,857

¹ Legislation is sought for 2016 to shift Perkins Loans to a mandatory credit program. (Institutions would continue to be compensated for Perkins Loans cancellations, but from Federal collections on outstanding Perkins Loans rather than discretionary appropriations.)

² New loan subsidies, which in the Perkins proposal 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) 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. However, no Federal Capital Contributions have been made since 2006.

The funding for the Perkins Loan program is available for 2 fiscal 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 Perkins Loan program was authorized through September 30, 2014. However, because Congress did not enact legislation extending or repealing the authorization of the program before that date, the authority for schools to make Federal Perkins Loans ended on September 30, 2014; that authority was then extended through September 30, 2015, under section 422(a) of the General Education Provisions Act (GEPA). Starting in 2016, the remaining institutional funds will revert to the Federal Government. The Administration's 2016 Budget proposes new legislation to reform and expand the Perkins Loan program to replace the current program as of July 1, 2016.

However, Section 461(b)(2) of the HEA includes a narrow "grandfathering" provision that allows schools to make Perkins Loans to borrowers who received a disbursement on or before June 30, 2015, for up to 5 additional years (through September 30, 2020). To be eligible, a student must also be enrolled at the same institution where, and in the same academic program for

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

which, his or her last Perkins Loan disbursement was received. In addition, a Perkins Loan can be made to an otherwise eligible grandfathered student to meet all or some of the student's unmet need only after the student has been awarded all Direct Subsidized Loan aid for which the student is eligible.

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

Institutional matching: Institutions contribute one-third of the FCC in 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 2014, the latest data available, the fiscal year 2011 national cohort default rate is 13.7 percent.

Institutional administrative provisions:

- Loan Servicing and collections. Schools are responsible for making loans, servicing, and collections, including the establishment of repayment schedules and borrower counseling. Most servicing and collection activities are performed by private contractors employed by the schools. Collections on existing loans are an estimated \$1 billion in award year 2014-2015.
- Loan Rehabilitation. Participating institutions 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 nine consecutive on-time monthly payments to the institution. 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. A loan can only be rehabilitated once.
- 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.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

- Transferability of funds. An institution may transfer up to 25 percent of its FCC allotment from Perkins loans to SEOG or Work-Study, or both.
- Reallocation of funds. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions based on a statutory formula. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

- 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.
- 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:

	(dollars in thousands)	
	Federal Capital Contributions ¹	Loan Cancellations
2011	0	0
2012	0	0
2013	0	0
2014	0	0
2015	0	0

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

FY 2016 BUDGET PROPOSAL

The Administration proposes to expand and reform the Perkins Loan program. This legislative proposal will not only improve the existing Perkins Loan program, it will replace the current program which was authorized through September 30, 2014 (and extended for 1 year, through September 30, 2015), 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. The savings generated from this proposal would be reinvested in student aid spending, and specifically to continue indexing the Pell Grant to inflation beyond 2017.

Rather than operating through institutional revolving funds, Perkins Loans would be originated and serviced by the Federal Government, beginning July 1, 2016. Under the Administration’s proposal, Unsubsidized Perkins Loans would carry the same annually-determined, fixed interest rate as Unsubsidized Stafford Loans and would accrue interest as other Unsubsidized loans do. Loan limits for both undergraduate and graduate students would remain the same as in the current Perkins program.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

In addition, the new Perkins program would include a new formula for allocating lending authority among institutions of higher education. This formula would target those institutions that enroll and graduate higher numbers of Pell-eligible students, and offer affordable and quality education and training such that graduates can obtain employment and repay their educational debt. Schools will continue to have discretion with regard to student eligibility. Existing provisions, such as the institution's ability to transfer or reallocate Perkins Loan funds to other campus-based programs – 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 2016 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 O-1.

PROGRAM OUTPUT MEASURES

Measures

<u>Federal Perkins Loans</u>	<u>2014</u> ¹	<u>2015</u> ¹	<u>2016</u> ¹
Loan recipients	501,621	501,621	313,257
Loan volume ² (dollars in thousands)	\$1,010,264	\$1,010,264	\$613,044
Average loan (whole dollars)	\$2,014	\$2,014	\$1,957
Participating Institutions	1,500	1,500	1,500 ³
<u>Unsubsidized Perkins Loans (proposed)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Loan recipients	—	—	730,626
Loan volume (dollars in thousands)	—	—	\$4,113,423
Average loan (whole dollars)	—	—	\$5,630
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.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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 2016 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 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 2012-2013. These tables include the most recent distributional data available, which may not correspond directly with the data provided in the Program Output Measures section.

Distribution of Perkins in Academic Year 2012-2013

Income Level	Recipients	Loan Volume	Average Loan
Dependent:			
0 - \$5,999	24,080	\$44,851,898	\$1,863
\$6,000 - 11,999	15,835	28,944,844	1,828
12,000 - 23,999	48,891	89,080,243	1,822
24,000 - 29,999	25,638	45,883,021	1,790
30,000 +	219,661	405,556,212	1,856
Subtotal – Dependent	334,105	614,316,218	1,832
Independent:			
Undergraduate	100,540	176,501,409	1,756
Graduate	66,970	219,446,644	3,277
TOTAL	501,615	1,010,264,271	2,014

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins to Independent Undergraduates in Academic Year 2012-2013

Income Level	Recipients	Available Aid	Average Loan
0 - \$1,999	25,126	\$44,191,954	\$1,759
\$2,000 - 3,999	7,372	13,122,111	1,780
4,000 - 7,999	13,758	24,378,089	1,772
8,000 - 11,999	12,178	21,401,592	1,757
12,000 - 15,999	9,115	15,572,307	1,708
16,000 - 19,999	7,251	12,466,153	1,719
20,000 +	25,740	45,369,203	1,746
TOTAL	100,540	176,501,409	1,756

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. Compared to 5 years ago (academic year 2008-2009), the distribution of Perkins Loan assistance among different types of institutions has changed to a large degree: new Perkins Loan volume at Public 4-year institutions has increased by 12.4 percent over 5 years ago, and increased at Proprietary institutions by 15.6 percent over the same period, while volume has decreased by 58.6 percent at Public 2-year institutions.

The table below illustrates the sector distribution of Perkins loans to students in 2012-2013:

Distribution of Perkins by Type of Institution Academic Year 2012-2013

Institution Type	Percent of Perkins Aid	Loan Volume	Recipients	Average Loan
Public 4-Year	43.6%	\$440,613,240	242,973	\$1,813
Public 2-Year	0.5%	4,960,036	2,554	1,942
Private	52.7%	531,912,313	235,461	2,185
Proprietary	3.2%	32,778,682	20,627	2,685
TOTAL	100.0%	1,010,264,271	501,615	2,014

NOTE: Percentages may not total to 100 percent due to rounding.

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

(Higher Education Act of 1965, Title IV, Part A, Subpart 10)

(dollars in thousands)

FY 2016 Authorization: Indefinite

Mandatory Budget Authority:

<u>2015</u>	<u>2016¹</u>	<u>Change</u>
\$340	0	-\$340

¹ The 2016 request reflects the President's Budget policy to end the current Iraq and Afghanistan Service Grants program and consolidate it into the Pell Grant program. The estimated 2016 budget authority for Iraq and Afghanistan Service Grants is \$396 thousand.

PROGRAM DESCRIPTION

The Iraq and Afghanistan Service Grants program provides non-need-based grants to 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 \$5,775 in the 2015-2016 award year, and will increase with inflation for the 2016-2017 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. As with Pell Grant eligibility, students are limited to 12 semesters of full-time enrollment.

Funding levels for the past 5 fiscal years were:

	(dollars in thousands)
2011	\$183
2012	180
2013	236
2014	294
2015	340

FY 2016 BUDGET PROPOSAL

The Administration's 2016 Budget proposes to end the current Iraq Afghanistan Service Grants (IASG) program and consolidate it into the Pell Grant program. As a result of sequestration, the current IASG program has, since award year 2012-2013, annually reduced the maximum grant

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

for which recipients are eligible. This policy would allow these students to receive the full, equivalent Pell Grant (which is not subject to sequestration). The first Service Grants were made in award year 2010-2011. Fewer than 1,000 awards are expected to be made with fiscal year 2016 funds during academic year 2016-2017.

PROGRAM OUTPUT MEASURES

<u>Measures</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Recipients	1	1	1
Aid Available to students (dollars in thousands) ²	\$331	\$376	0
Maximum grant (whole dollars) ³	\$5,317	\$5,381	0
Average grant (whole dollars)	\$4,940	\$5,013	0 ⁴

¹ Recipients estimated to number fewer than 1,000.

² Aid available is the amount of funding available for new IASG awards to students in any single academic year. This amount differs from budget authority because 1 fiscal year spans across 2 academic years. For instance, total aid available in fiscal year 2014 is comprised of portions of both academic year 2013-2014 (ending June 30) and 2014-2015 (beginning July 1). Amount of aid available in fiscal year 2016 reflects Budget policy to move IASG to the Pell Grant program. In 2016, aid available is estimated to be \$476 million.

³ Maximum grant amounts reflect impact of sequestration. Amount of maximum grant in 2016 reflects Budget policy to move IASG to the Pell Grant Program.

⁴ Amount of average grant in 2016 reflects Budget policy to move IASG to the Pell Grant program.

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 2016 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.

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service

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 2013-2014.

Distribution of IASG by Type of Institution 2013-2014

Institution Type	Percent of IASG Aid	Available Aid	Recipients	Average Award
Public 4-Year	62.8%	\$182,765	38	\$4,810
Public 2-Year	11.1%	32,365	7	4,624
Private	23.7%	69,080	16	4,318
Proprietary	2.4%	6,984	2	3,492
TOTAL	100.0%	291,194	63	4,720

NOTE: Percentages may not total to 100 percent due to rounding.