

Department of Education
STUDENT FINANCIAL ASSISTANCE
Fiscal Year 2019 Budget Request

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STUDENT FINANCIAL ASSISTANCE

NOTES

A full-year 2018 appropriation for this account was not enacted at the time the budget was prepared; therefore, the budget assumes this account is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115-56, as amended). The amounts included for 2018 reflect the annualized level provided by the continuing resolution.

No appropriations language is included for this account. All programs in this account for fiscal year 2019 are authorized under the expired Higher Education Act of 1965, as amended; when new authoring legislation is enacted, appropriations language for these programs will be proposed.

STUDENT FINANCIAL ASSISTANCE
Appropriation, Adjustments and Transfers
(dollars in thousands)

Appropriation/Adjustments/Transfers	2017	2018 Annualized CR	2019
Discretionary:			
Appropriation	\$24,198,210	0	\$22,675,352
Annualized CR(P.L.115-56, as amended)....	<u>0</u>	<u>\$24,033,880</u>	<u>0</u>
Total, discretionary appropriation	24,198,210	24,033,880	22,675,352
Mandatory:			
Appropriation	<u>7,000,801</u>	<u>7,359,463</u>	<u>7,486,000</u>
Total, discretionary and mandatory appropriation	31,199,011	31,393,343	30,161,352

STUDENT FINANCIAL ASSISTANCE

Summary of Changes (dollars in thousands)

2018 Annualized CR	\$31,393,343
2019	<u>30,161,352</u>
Net change.....	-1,231,991

	<u>2018 Annualized CR</u>	<u>Change from base</u>
<u>Increases:</u>		
<u>Program:</u>		
Increase in discretionary funding to reflect the President's Budget request to fund the Pell Grant program at the FY 2017 enacted level.	\$22,322,722	+\$152,630
Increase in indefinite mandatory funding required for the add-on to the maximum Pell Grant due to higher estimated program costs, including the cost associated with the short-term training policy proposal.	5,977,000	+126,000
Increase in specified mandatory funding for use in the Pell Grant program due to amount provided in the HEA for FY 2019.	1,382,000	+27,000
Subtotal, increases		+305,630
<u>Decreases:</u>		
<u>Program:</u>		
Decrease in discretionary funding to reflect the elimination of the Supplemental Education Opportunity Grant (SEOG) program.	728,151	-728,151
Decrease in discretionary funding to reflect changes to the Federal Work Study Program.	983,007	-783,007
Decrease in specified mandatory funding in the HEA to offset the short-term training policy proposal for the Pell Grant program.	1,382,000	-26,000
Decrease in mandatory funding to reflect the elimination of the Iraq and Afghanistan Service Grant (IASG) program.	463	-463
Subtotal, decreases		-1,537,621
Net change		-1,231,991

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation
(dollars in thousands)

Activity	2018 Authorized	2018 Annualized CR	2019 Authorized	2019 Request
Federal Pell grants (HEA-IV-A-1):				
Federal Pell grants (discretionary)	Indefinite	\$22,322,722	To be determined	\$22,475,352
Federal Pell grants (mandatory).....	Indefinite	7,359,000	To be determined	7,486,000
Federal supplemental educational opportunity grants (HEA-IV-A-3)	0 ¹	728,151	0 ¹	0
Federal Work-Study (HEA-IV-C)	0 ¹	983,007	To be determined	200,000
Iraq and Afghanistan Service Grants (HEA-IV-A-10) ..	Indefinite	463	To be determined	0
<u>Unfunded authorizations</u>				
Academic achievement incentive scholarships (HEA- IV-A, Chapter 3)	Indefinite	0	To be determined	0
Total discretionary appropriation		24,033,880		22,675,352
Portion of the discretionary request subject to reauthorization.....		1,711,158		22,675,352
Total mandatory appropriation.....		7,359,463		7,486,000
Total appropriation		31,393,343		30,161,352

¹ The GEPA extension expired September 30, 2015; the program was authorized in 2018 through appropriations language. Reauthorizing legislation is not sought for fiscal year 2019.

STUDENT FINANCIAL ASSISTANCE

Appropriations History (dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2010	1,801,809 ¹	19,634,905	19,296,809 ²	19,296,809
2011	1,737,957 ¹	18,475,492 ³	24,899,957 ²	24,670,517
2012	30,338,016	22,367,521 ⁴	24,670,517 ⁴	24,535,281
2013	24,685,281	24,535,281 ⁵	24,535,281 ⁵	24,400,122
2014	24,685,281	N/A ⁶	24,536,210 ²	24,486,210
2015	24,486,210	N/A ⁶	24,233,210 ⁷	24,198,210
2016	24,198,210	23,828,210 ⁸	24,129,352 ⁸	24,198,210
2017	24,198,210	22,888,210 ⁹	24,198,210 ⁹	24,198,210 ⁹
2018	22,932,626	24,198,210 ¹⁰	24,198,210 ¹⁰	24,033,880 ¹⁰
2019	22,675,352			

¹ Reflects Budget proposal to shift funding for Pell Grants and Perkins Loans to their own, separate accounts.

² The level for the Senate allowance reflects Committee action only.

³ The level for the House allowance reflects the House-passed full-year continuing resolution.

⁴ The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.

⁵ 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.

⁶ The House allowance is shown as N/A because there was no Subcommittee action.

⁷ The level for the Senate allowance reflects Senate Subcommittee action only.

⁸ The levels for House and Senate allowances reflect action on the regular annual 2016 appropriations bill, which proceeded in the 114th Congress only through the House Committee and Senate Committee.

⁹ The levels for the House and Senate allowances reflect Committee action on the regular annual 2017 appropriations bill; the Appropriation reflects the Consolidated Appropriations Act, 2017.

¹⁰ The levels for the House reflect floor action on an Omnibus appropriation bill; Senate allowances reflect Committee action on the regular annual 2018 appropriations bill; the Appropriation reflects the annualized Continuing Resolution level.

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DEPARTMENT OF EDUCATION FISCAL YEAR 2019 PRESIDENT'S BUDGET
(in thousands of dollars)

	Category Code	2017 Appropriation	2018 Annualized CR	2019 President's Budget	2019 President's Budget Compared to 2018 Annualized CR Amount	Percent
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1):						
(a) Discretionary Pell grants ¹	D	22,475,352	22,322,722	22,475,352	152,630	0.68%
(b) Mandatory Pell grants	M	5,680,400	5,977,000	6,103,000	126,000	2.11%
(c) Mandatory Funding for Discretionary Program Costs	M	1,320,000	1,382,000	1,383,000	1,000	0.07%
Subtotal, Federal Pell grants		29,475,752	29,681,722	29,961,352	279,630	0.94%
Discretionary	D	22,475,352	22,322,722	22,475,352	152,630	0.68%
Mandatory	M	7,000,400	7,359,000	7,486,000	127,000	1.73%
Federal Pell Grants Program Information (memorandum entry):						
Discretionary appropriation	D	23,246,000	23,681,000	24,109,000	428,000	1.81%
Mandatory appropriation	M	5,821,000	5,977,000	6,103,000	126,000	2.11%
Total, program costs		29,067,000	29,658,000	30,212,000	554,000	1.87%
Base award		\$4,860	\$4,860	\$4,860	0	0.00%
Mandatory add-on		\$1,060	\$1,060	\$1,060	0	0.00%
Total maximum award		\$5,920	\$5,920	\$5,920	0	0.00%
Recipients (in thousands)		7,168	7,399	7,632	233	3.15%
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	733,130	728,151	0	(728,151)	-100.00%
(b) Federal work-study (HEA IV-C)	D	989,728	983,007	200,000	(783,007)	-79.65%
Subtotal, Campus-based programs		1,722,858	1,711,158	200,000	(1,511,158)	-88.31%
3. Iraq and Afghanistan service grants (P.L. 111-39) ¹	M	401	463	0	(463)	-100.00%
Total		31,199,011	31,393,343	30,161,352	(1,231,991)	-3.92%
Discretionary	D	24,198,210	24,033,880	22,675,352	(1,358,528)	-5.65%
Mandatory	M	7,000,801	7,359,463	7,486,000	126,537	1.72%

NOTES: D = discretionary program; M = mandatory program
Detail may not add to totals due to rounding.

For most mandatory programs, with the exception of Pell Grants, Credit Liquidating, and Credit Reestimates, the levels shown in the 2017 Appropriation column reflects the 6.9 percent reduction that went into effect on October 1, 2016, and the levels shown in the 2018 Annualized CR column reflects the 6.6 percent reduction that went into effect on October 1, 2017, pursuant to the Budget Control Act of 2011 (P.L. 112-25).

The 2017 appropriation reflects the cancellation of \$1.3 billion of unobligated balances and the 2019 President's Budget includes a proposed cancellation of \$1.6 billion of unobligated balances in the Pell Grant program.

¹ The 2017 Appropriation and 2019 President's Budget columns reflects the budget proposal to end the current Iraq and Afghanistan Service Grant program and consolidate it into the Pell Grant program.

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Summary of Request

A full-year fiscal year 2018 appropriation was not enacted at the time the fiscal year 2019 Budget was prepared; therefore, the Budget assumes the Department is operating under the Continuing Appropriations Act, 2018 (Division D of P.L. 115–56, as amended). The amounts included for fiscal year 2018 reflect the annualized level provided by the continuing resolution.

The fiscal year 2019 Budget request will provide \$129.5 billion in new grants, loans, and work-study assistance to help students pay for postsecondary education and compete for new jobs in the expanding economy. Overall, funds requested for all programs in the Student Financial Assistance account would provide \$30.4 billion in aid¹ and 7.8 million student aid awards. The 2019 Budget takes steps to redirect and expand federal student aid to students with the most need so they can obtain the skills and education required in today's workforce.

The total 2019 Budget proposed for the Student Financial Assistance (SFA) account is \$30.1 billion, approximately \$1.2 billion lower than the FY 2018 Annualized Continuing Resolution level (CR level). The Budget request includes a discretionary request of \$22.6 billion: \$22.4 billion for Pell grants and \$200 million for Federal Work-Study (FWS). Nearly \$7.5 billion in mandatory funds are provided in the 2019 Budget for the Pell Grant program.

The Administration's 2019 Budget proposal protects Pell Grant funding in fiscal year 2019 and ensures the program remains on a stable footing, while also proposing to rescind \$1.6 billion in unobligated discretionary funds from prior years. Under the 2019 Budget proposal, the Pell Grant maximum award in award year 2019-20 will be \$5,920, the same level as the previous award year. The Budget also proposes to expand Pell Grant eligibility to institutions that offer high-quality short-term programs that provide students with a credential, certification, or license in a high-demand field.

The 2019 Budget would also reform campus-based programs by focusing limited resources on bolstering effective workforce development opportunities for students with the most need. The 2019 Budget proposes to reduce the funding of the FWS program to \$200 million in fiscal year 2019, a reduction of \$783 million, or 79% compared to the fiscal year 2018 annualized CR level. The Budget also proposes to reform the FWS program to support workforce and career-oriented training opportunities for low-income undergraduate students who can benefit the most. The 2019 Budget would also save \$728 million in fiscal year 2019 by eliminating the Supplemental Education Opportunity Grant (SEOG) program, which currently allows institutions to provide grant aid to students that do not always have the greatest need for assistance and is duplicative of the better-targeted Pell Grant program.

The 2019 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**.

¹ Total aid available is based on new budget authority and any required matching funds, less allowable administrative costs.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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

(dollars in thousands)

FY 2019 Authorization: To be determined

Budget authority¹

	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>	<u>Change from</u> <u>Annualized CR</u>
Program funds:			
Discretionary appropriation	\$22,322,722	\$22,475,352	+\$152,630
Mandatory appropriation	5,977,000	6,103,000	+126,000
Mandatory appropriation for discretionary program costs ²	<u>1,382,000</u>	<u>1,383,000</u>	<u>+1,000</u>
Subtotal, current year funding	29,681,722	29,961,352	+279,630
Pell Grant program costs	29,658,000	30,212,000	+554,000

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

² The Higher Education Act (HEA) provides \$1,409,000 thousand in mandatory funding to be used for discretionary program costs in FY 2019. The budget proposes to use \$26,000 thousand of this funding to support student aid policy proposals included in the Budget.

STUDENT FINANCIAL ASSISTANCE

Federal Pell Grants

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 so that low- and moderate-income adults now in the workplace can return to school to upgrade their skills.

The Department provides funds to participating institutions to deliver aid to all students at the institution who are eligible for a Pell Grant. Unlike Campus-Based Programs (Supplemental Education Opportunity Grants, Work-Study), a student's eligibility is not dependent on the availability of funds awarded to the institution.

A Pell Grant is the foundation of a student's financial aid package, to which other forms of aid are added. The amount of a student's Pell Grant is dependent on the student's "expected family contribution" (EFC), cost of education, whether the student attends school full time or part time, and whether the students' program is a full academic year in length or less. Pell Grant disbursements are made to 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 fiscal year 2019 would be used for grants in the 2019-20 award year, which runs from July 1, 2019, through June 30, 2020. 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 and helps ensure low-income students can afford higher education and successfully attain a postsecondary credential. In 2019, nearly 7.6 million students are expected to receive Pell Grant awards up to \$5,920. 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. Absent congressional action, the add-on award amount for award year 2018-19 and future years will not be inflated by the CPI and will remain at the award year 2017-2018 level.

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

STUDENT FINANCIAL ASSISTANCE

Federal Pell Grants

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 section 302 of the Congressional Budget Act. Similar to the 2018 Budget, this Budget presents the portion of Pell Grants provided in the 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 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 2018-19, the income threshold at which a dependent student receives an automatic zero EFC determination is \$25,000.

Institutional participation: Approximately 4,800 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 39 percent of all undergraduates receiving a Pell Grant.

Recipients must be undergraduates and cannot have received a bachelor's degree previously (with the exception of certain teacher certificate programs), and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution.

Students must also have a high school diploma (or its equivalent), or be homeschooled. Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program prior to July 1, 2012, may receive a Pell Grant by meeting one of the ability-to-benefit (ABT) alternatives. These alternatives include: (1) passing an independently administered Department-approved ability-to-benefit test; (2) completing at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) completing a State process approved by the Secretary of Education.

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Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program on or after July 1, 2012, can only become eligible through one of the ABT alternatives described above if they are enrolled in an eligible career pathway program as defined in section 484(d)(2) of the HEA.

Less than full-time students are eligible for pro rata awards based on their enrollment status. As of July 1, 2012, students are eligible for Pell Grants for a maximum of 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) 2017-18, the minimum is \$592. Students who do not qualify for at least 10 percent of the maximum grant do not receive a Pell award. Appropriations acts set annual maximum award levels. The 2018 Annualized CR level supports a maximum award of \$4,860 in award year 2018-19.¹ With the mandatory add-on award established by the HCERA, the maximum award will remain at \$5,920 for award year 2018-19.

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.

¹ Although the 2018 Annualized CR does not specify the discretionary maximum award level for award year 2018-19, the discretionary funding level provided for FY 2018 supports a discretionary maximum award of \$4,860 in award year 2018-19.

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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;
- 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 award year 2018-19, these payments will total \$37 million.

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

Fiscal Year	(dollars in thousands)
2014.....	28,201,821 ¹
2015.....	27,628,285 ²
2016.....	27,315,713 ³
2017.....	29,475,752 ⁴
2018.....	29,681,722 ⁵

¹ 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.

² Includes \$5,153 million in mandatory funds to increase maximum award by \$915.

³ Includes \$4,840 million in mandatory funds to increase maximum award by \$965.

⁴ Includes \$5,680 million in mandatory funds to increase maximum award by \$1,060 and \$1,320 million in additional mandatory funds provided in legislation to reduce discretionary need.

⁵ Includes \$5,977 million in mandatory funds to increase maximum award by \$1,060 and \$1,382 million in additional mandatory funds provided in legislation to reduce discretionary need.

FY 2019 BUDGET REQUEST

The Administration's 2019 Budget requests \$22.4 million in discretionary funding for the Pell Grant program, an increase of \$153 million over the 2018 Annualized CR level, to restore funding to the fiscal year 2017 level. This discretionary request, plus \$7.5 billion in mandatory funding, establishes the total fiscal year 2019 Pell funding level at \$29.9 billion. The mandatory request supports an add-on award of \$1,060 to the base maximum award of \$4,860, resulting in a total maximum award of \$5,920 in award year 2019-20.

The Budget proposes to expand Pell Grant eligibility to institutions that offer high-quality, short-term programs that provide students with a credential, certification, or license in a high-demand field. Students often face many obstacles in choosing the best education option available for them. Students that attend some postsecondary programs are not eligible to receive federal student aid due to time and program length requirements. Federal law and regulations should be updated to facilitate, not impede, students from acquiring the skills needed in today's workforce. This proposal would help low-income or out-of-work individuals access training programs that provide them with the skills needed to secure well-paying jobs in high-demand fields more quickly than traditional 2-year or 4-year degree programs.

The 2019 Budget includes a \$1.6 billion cancellation of unobligated balances in the Pell Grant program. In recent years, enrollment and costs have continued to decline as the economy has improved, and funding provided previously has lasted longer than anticipated. With the cancellation of unobligated balances in fiscal year 2019 and expanded benefits to students enrolling in short-term training programs, the program is still expected to have sufficient discretionary funds until 2024. A cancellation of unobligated balances in fiscal year 2018, such as that proposed in the 2018 Budget, could bring this date forward by one to two years.

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The 2019 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 also are discussed in the **Student Aid Overview**.

PELL GRANT PROGRAM HISTORICAL DATA

Applicant and Recipient Growth:

The graphs on the following pages show the latest applicant, recipient, and aid available trends for the Pell Grant program. Applicants are estimated at 16.3 million for award year 2019-20, or an increase of 400,000 compared to award year 2018-19. Recipients are estimated at 7.6 million in award year 2019-20, or an increase of 200,000 over award year 2018-19.

Many factors affect applicant growth, including demographic trends and changes in economic conditions, such as labor market demands. These factors, combined with efforts in recent years to streamline the application process, such as the Data Retrieval Tool (DRT) and the ability to report prior-prior year tax information, may contribute to an increase in applicants in the next few years. 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.

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Federal Pell Grants

Federal Pell Grants Applicant Trends¹

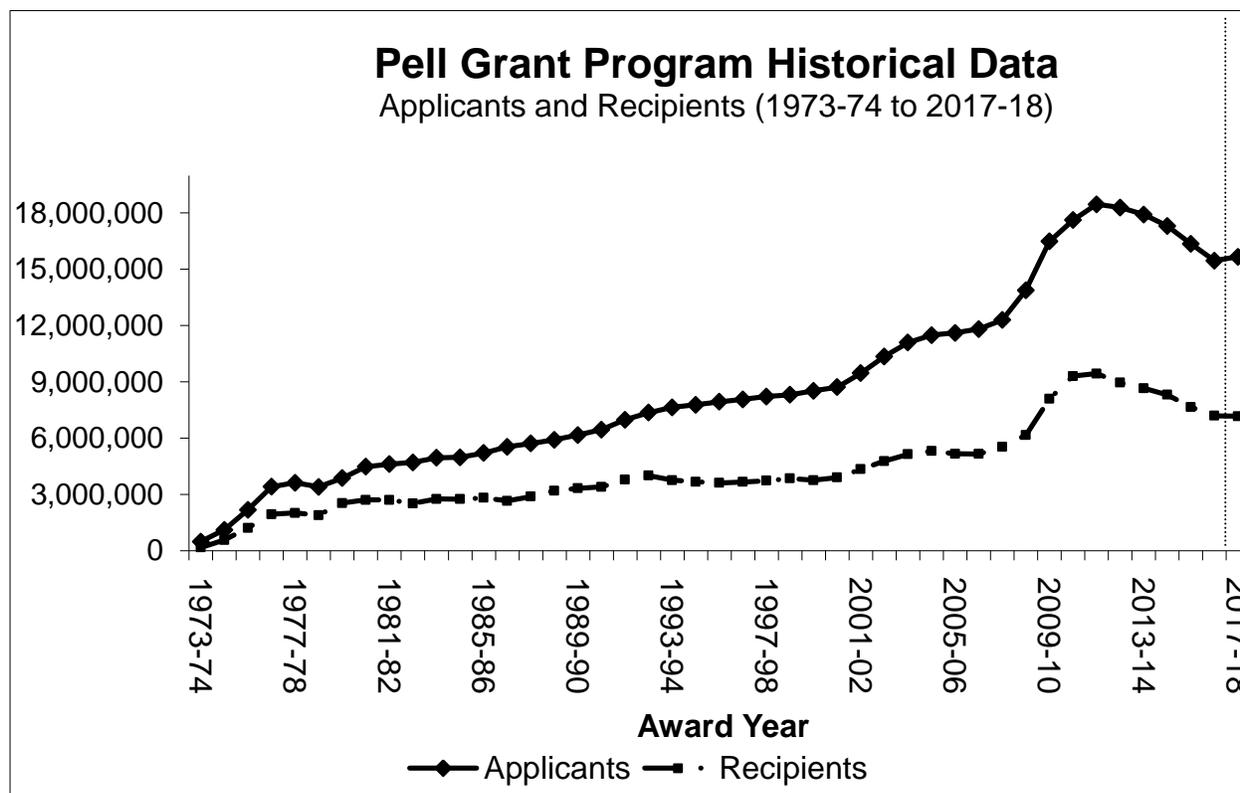
Award Year	Valid Applicants ²	Applicant Growth: Number	Applicant Growth: Percent Change
2003-04	11,093,506	738,981	7.14%
2004-05	11,539,497	445,991	4.02%
2005-06	11,611,388	71,891	0.62%
2006-07	11,811,911	200,523	1.73%
2007-08	12,299,232	487,321	4.13%
2008-09	13,883,288	1,584,056	12.88%
2009-10	16,482,495	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	17,312,207	-603,239	-3.37%
2015-16	16,362,617	-949,590	-5.49%
2016-17	15,462,153	-900,464	-5.50%
2017-18	15,661,189	199,036	1.29%
2018-19	15,925,864	264,675	1.69%
2019-20	16,322,418	396,554	2.49%

¹ Applicant data through award year (AY) 2016-17 are considered final and are taken from internal operational reports. Applicant data for award years 2017-18 through 2019-20 are estimates and are subject to change.

² A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell Grant eligibility.

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

Number of Recipients:

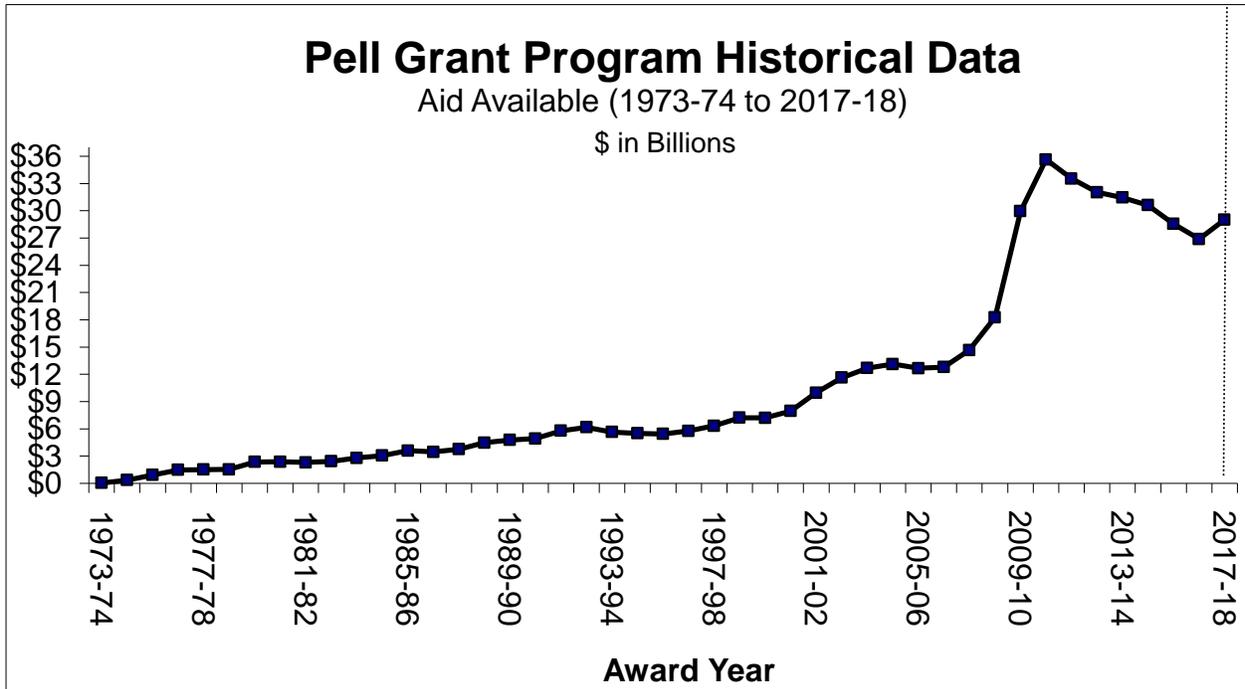
Under current estimates, the 2019 level would support Pell Grant awards to 7.6 million recipients.

Aid Available:

Under current estimates, the Administration's fiscal year 2019 proposal would provide \$30.1 billion in Pell Grants to students.

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Federal Pell Grants



Maximum award:

The Administration proposes to maintain the base maximum award at \$4,860 for award year 2019-20 through discretionary and mandatory funding. The cost of providing the mandatory add-on that increases the maximum award to \$5,920 in award year 2019-20 is funded by permanent mandatory indefinite funding as provided through HCERA.

Pell Maximum Award, Aid Available, and Recipients

Award Year	Maximum Award	Aid Available (dollars in millions)	Recipients
2014-15	5,730	30,619	8,311,831
2015-16	5,775	28,555	7,657,845
2016-17	5,825	26,886	7,192,391
2017-18	5,920	29,031	7,168,000
2018-19	5,920	29,621	7,399,000
2019-20	5,920	30,174	7,632,000

STUDENT FINANCIAL ASSISTANCE

Federal Pell Grants

The following table shows the Pell Grant maximum award levels, budget authority by type, and program costs for fiscal years 2010 to 2019.

Pell Maximum Award Levels, Budget Authority, and Program Costs

(Dollars in Thousands, Except for Maximum Award Levels)

FY	Maximum Award	Discretionary Budget Authority	Mandatory Budget Authority	Mandatory for Discretionary Budget Authority	Total Budget Authority	Program Cost
2010	\$5,550	\$17,495,000	\$5,299,816	\$0	\$22,794,816	\$35,699,000
2011	5,550	22,955,996	5,560,000	13,500,000	42,015,996	33,594,000
2012	5,550	22,824,000	4,950,000	13,795,000	41,569,000	32,084,000
2013	5,645	22,778,352	4,854,000	7,587,000	35,219,352	31,502,000
2014	5,730	22,778,352	4,835,469	588,000	28,201,821	30,661,000
2015	5,775	22,475,352	5,152,933	0	27,628,285	28,593,000
2016	5,825	22,475,352	4,840,361	0	27,315,713	26,922,000 ¹
2017	5,920	22,475,352	5,680,000	1,320,000	29,474,752	29,067,000 ¹
2018	5,920	22,322,722	5,977,000	1,382,000	29,681,722	29,658,000 ¹
2019	5,920	22,475,352	6,103,000	1,383,000	29,961,352	30,212,000 ¹

¹ Estimate.

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 2016-2017, approximately 69 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000.

Distribution of Pell Grants to Dependent Undergraduates in 2016-17

Income Level	Recipients	Available Aid	Average Award
0 - \$6,000	465,885	\$2,071,978,827	\$4,447
\$6,001 - \$9,000	107,313	491,568,015	4,581
\$9,001 - \$20,000	738,272	3,367,852,993	4,562
\$20,001 - \$30,000	686,608	3,100,813,182	4,516
\$30,001 +	1,512,922	5,169,450,521	3,417
Total Dependent	3,511,000	14,201,663,538	4,045

STUDENT FINANCIAL ASSISTANCE

Federal Pell Grants

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 2016-17

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,000	572,560	\$2,175,949,196	\$3,800
\$1,001 - \$ 3,000	173,019	671,518,364	3,881
\$3,001 - \$ 6,000	255,124	976,424,702	3,827
\$6,001 - \$ 9,000	276,313	1,039,662,917	3,763
\$9,001 - \$15,000	638,692	2,288,730,966	3,583
\$15,001 - \$20,000	465,073	1,412,251,470	3,037
\$20,001 - \$30,000	554,477	1,737,139,489	3,133
\$30,001 +	745,742	2,369,015,358	3,177
Total Independent	3,681,000	12,670,692,462	3,442
All Undergraduates	7,192,000	26,872,356,000	3,736

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 2016-2017, approximately 39 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, and approximately 30 percent went to students attending Public 2-Year schools.

Over the lifetime of the Pell Grant program, the share of Pell Grant aid to proprietary institutions has changed significantly. For example, in the 2009-2010 award year, approximately 25 percent of total Pell Grant aid went to students at proprietary institutions; in the 2015-2016 and 2016-17 award years those figures were 17 and 15 percent, respectively.

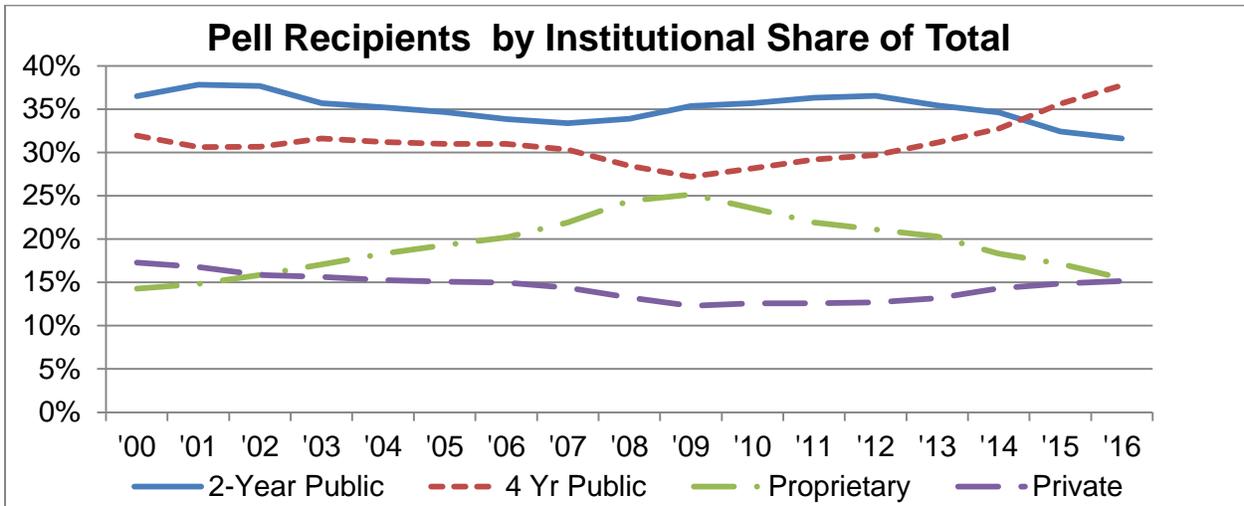
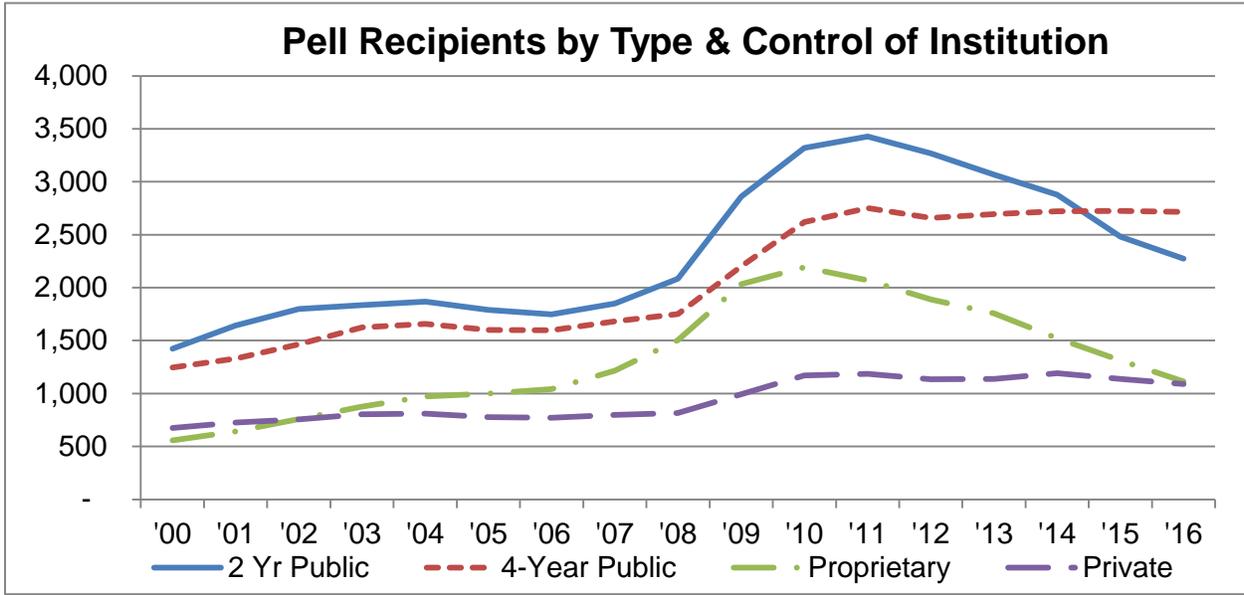
Distribution of Pell Grants by Type of Institution in 2016-17

Institution Type	Recipients	Available Aid	Average Award	Percent of Pell Aid
Public 4-Year	2,715,465	\$10,479,305,394	\$3,859	39.0%
Public 2-Year	2,273,446	7,952,508,949	3,498	29.6
Private	1,088,534	4,390,258,161	4,033	16.3
Proprietary	1,114,555	4,050,283,496	3,634	15.1
Total	7,192,000	26,872,356,000	3,736	100.0

STUDENT FINANCIAL ASSISTANCE

Federal Pell Grants

The following two charts show, for the award years 2000-2001 to 2016-2017, 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>Output Measures</u>	<u>2017</u>	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>
Recipients	7,168,000	7,399,000	7,632,000
Aid available to students ¹	\$29,031,160	\$29,621,005	\$30,173,840
Maximum grant (in whole dollars)	\$5,920	\$5,920	\$5,920
Minimum grant (in whole dollars) ²	\$592	\$592	\$592
Average grant (in whole dollars)	\$4,050	\$4,003	\$3,954

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

² The minimum grant reflects the statutory minimum, but the actual minimum grant published by the Department may be slightly higher due to the calculation methodology used in the payment schedule.

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 2019 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 2019 Authorization: 0¹

Budget authority:

<u>2018</u> <u>Annualized CR</u>	<u>2019</u>	<u>Change from</u> <u>Annualized CR</u>
\$728,151	0	-\$728,151

¹ The GEPA extension applies through September 30, 2015; reauthorizing legislation is not sought in fiscal year 2019.

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 are awarded to qualifying postsecondary institutions under a statutory formula. Unlike the Pell Grant program, the SEOG program is operated 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 available for the current fiscal year 2018 will be used for the 2018-19 award year, which runs from July 1, 2018, through June 30, 2019.

Institutional participation: Roughly 3,700 postsecondary institutions receive funds under the SEOG program. Under the statutory formula, 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 certain institutions receive more funds than if the funds were solely distributed based on their students' financial need.

Institutional matching: Participating institutions are required by statute to contribute at least 25 percent of the SEOG award amounts. 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 the needs analysis formula used for Federal student aid. Institutions must give first priority for awards to students with demonstrated "exceptional need" (students with the lowest Expected Family Contributions (EFCs) at the institution) who are also Pell Grant recipients.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grant

Remaining awards are then available for students with exceptional need who are not Pell Grant recipients. 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 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, cannot have received a bachelor's degree, and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Approximately 9 percent of undergraduates receive SEOG awards.

Recipients must also have a high school diploma (or its equivalent) or be homeschooled. Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program prior to July 1, 2012, may receive a SEOG funds by meeting one of the ability-to-benefit (ABT) alternatives. These alternatives include: (1) passing an independently administered Department-approved ability-to-benefit test; (2) completing at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) completing a State process approved by the Secretary of Education.

Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program on or after July 1, 2012, can only become eligible through one of the ABT alternatives described above if they are enrolled in an eligible career pathway program as defined in section 484(d)(2) of the HEA.

Students already in default on a Federal student loan or who owe an overpayment on any other previously received Federal student aid may not receive a SEOG unless they repay the debt in full, or makes satisfactory repayment arrangements.

Institutional administrative provisions:

- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for both campus-based programs (SEOG, and Work-Study). 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 these programs.
- Transferability of funds. An institution may transfer up to 25 percent of Work-Study funds 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. Under The Hurricanes Harvey, Irma, and Maria Education Relief Act of 2017 (Hurricane Education Relief Act of 2017), the Secretary was provided authority to

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

waive reallocation rules; excess SEOG funds were reallocated to institutions that were directly affected by the 2017 hurricanes or located in disaster areas.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2014.....	733,130
2015.....	733,130
2016.....	733,130
2017.....	733,130
2018.....	728,151

FY 2019 BUDGET REQUEST

Currently, Federal Supplemental Educational Opportunity Grants (SEOG) awards are not optimally allocated based on a student's financial need, despite being a need-based program. Although the Higher Education Act (HEA) requires that participating institutions give priority in awarding SEOG funds to Pell-eligible students, there is no requirement that the size of these awards be tied to the need of the student. As a result, institutions are given the discretion to provide larger SEOG awards to students who do not exhibit the highest need. As shown in the tables below, the average SEOG award increased as income levels increased for dependent students. Furthermore, provisions in the SEOG funding allocation formula also distort the targeting of aid. For example, according to the distribution tables for Pell Grant aid presented earlier, about 69% of Pell recipients attend public 4-year or public 2-year institutions, while only 57% of SEOG funds go to these institutions. Moreover, the SEOG program is part of a complex and confusing array of federal aid programs that could benefit from better targeting of aid to needy students. In award year 2018-19, the Department of Education is expected to pay institutions more than \$13.9 million dollars to administer the SEOG program—dollars that could be better targeted directly to needy students.

The 2019 Budget Request proposes to eliminate the SEOG program beginning in award year 2019-20, which would result in a savings of \$728 million compared to the 2018 Annualized CR level.

The 2019 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**.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2017</u>	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>
Recipients	1,530,180	1,519,464	0
Aid available to students ¹	\$992,875	\$986,132	\$0
Average award (in whole dollars)	\$649	\$649	\$0

¹ Aid available includes budget authority, institutional matching funds, transfers from Perkins Loans and Federal Work-Study programs, 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 2017 and the future as well as the resources and efforts invested by institutions.

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

Distribution of SEOG Funds by Student Status and Income Level:

The following tables (structured to compare across the programs in the SFA account) show the distribution of SEOG funds to dependent and independent students at various income levels in 2015-2016. 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 2015-2016, 68 percent of dependent SEOG recipients had family income levels under \$30,000 and 74 percent of independent SEOG recipients had family income levels under \$20,000.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG to Dependent Undergraduates in 2015-16

Income Level	Recipients	Available Aid	Average Award
0 - \$5,999	119,801	\$88,467,073	\$738
\$6,000 - \$11,999	73,999	56,526,938	764
\$12,000 - \$23,999	221,628	172,320,208	778
\$24,001 - \$29,999	91,655	74,434,234	812
\$30,000 +	235,138	202,162,879	860
Total Dependent	742,221	593,911,332	800

Distribution of SEOG to Independent Undergraduates in 2015-16

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	197,245	\$106,050,391	\$538
\$2,000 - \$ 3,999	50,665	28,203,081	557
\$4,000 - \$ 7,999	101,886	54,936,349	539
\$8,000 - \$11,999	105,384	53,191,599	505
\$12,000 - \$15,999	70,667	32,915,699	466
\$16,000 - \$19,999	59,574	27,133,417	455
\$20,000 +	202,538	96,533,010	477
Total Independent	787,959	398,963,546	506
All Undergraduates	1,530,180	992,874,878	649

Distribution of SEOG Funds by Type of Institution:

The distribution of SEOG assistance to institutions is controlled by a statutory formula. The distribution of SEOG across different types of institutions has remained relatively constant over time due to this formula and the base guarantee. 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 2015-2016. The majority of funding goes to students attending public institutions.

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Federal supplemental educational opportunity grants

Distribution of SEOG by Type of Institution in 2015-16

Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	471,514	\$342,112,492	\$726	34.5%
Public 2-Year	398,276	171,176,007	430	17.2
Private	356,025	360,183,227	1,012	36.3
Proprietary	304,365	119,403,152	392	12.0
Total	1,530,180	992,874,878	649	100.0

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 2019 Authorization: To be determined¹

Budget authority:

	<u>2018</u> <u>Annualized CR</u>	<u>2019</u>	<u>Change from</u> <u>Annualized CR</u>
	\$983,007	\$200,000	-\$783,007

¹ The GEPA extension applies through September 30, 2015; reauthorizing legislation is sought for FY 2019.

PROGRAM DESCRIPTION

The Federal Work-Study (FWS) 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 eligible 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 FWS 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 2019 would be used for the 2019-20 award year, which runs from July 1, 2019 through June 30, 2020.

Institutional participation: Approximately 3,200 institutions participate in the FWS program. Funds are distributed to institutions based on a statutory formula. The formula starts with the institution's fiscal year 1999 FWS program base guarantee and pro rata share, and bases the allocation on the aggregate need of the eligible undergraduate students in attendance. The FWS program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

STUDENT FINANCIAL ASSISTANCE

Federal work study

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 FWS program students, however, must not involve the solicitation of potential students to enroll in the school.

Institutional matching: In general, participating institutions or other employers must contribute at least 25 percent of a student's part-time earnings (or 50 percent in the case of private-for-profit employers). The Federal share may be up to 90 percent for students employed at a private nonprofit organization or a Federal, State, or local public agency that would otherwise be unable to afford the costs of employing those students. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the FWS program; in addition, the school may not own, operate, or control the organization, and the school must select the organization or agency on a case-by-case basis.

Student participation: Students qualify for FWS program awards by demonstrating financial need under the 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 the FWS program.

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. Students must also have a high school diploma (or its equivalent), or be homeschooled. Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program prior to July 1, 2012, may receive FWS program funds by meeting one of the ability-to-benefit (ABT) alternatives. These alternatives include: (1) passing an independently administered Department-approved ability-to-benefit test; (2) completing at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by the institution; or (3) completing a State process approved by the Secretary of Education.

Students who did not have a high school diploma or were not homeschooled and first enrolled in an eligible program on or after July 1, 2012, can only become eligible through one of the ABT alternatives described above if they are enrolled in an eligible career pathway program as defined in section 484(d)(2) of the HEA.

Students who have defaulted on a Federal student loan or who owe an overpayment on any other previously received Federal student aid, however, may not receive additional funds under the program unless they repay the debt in full, or make 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, including:

STUDENT FINANCIAL ASSISTANCE

Federal work study

- 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 2015-16, the last year data was collected, almost 39,000 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. FWS program 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 up to 10 percent of its FWS program allocation, or a maximum of \$50,000, whichever is less, for 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 FWS program 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 FWS program 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 these programs.
- Transferability of funds. An institution may transfer up to 25 percent of its allocation from Perkins Loans Federal Capital Contributions to SEOG or FWS (or both) and up to 25 percent of FWS to SEOG. Up to 10 percent of an institution's FWS program funds may, at

STUDENT FINANCIAL ASSISTANCE

Federal work study

the discretion of the institution, be used for expenditures for the preceding fiscal year. In addition, up to 10 percent of an institution’s FWS program 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 FWS program 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. Under the Hurricane Education Relief Act of 2017, excess FWS were first allocated to institutions that were located in FEMA-declared disaster areas, and then to institutions that enrolled a significant number of students that live in the FEMA-declared disaster areas.

- Disasters. The Higher Education Opportunity Act added a provision under which an eligible institution located in an area affected by a major disaster, as determined by the Secretary, may make FWS 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 FWS 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. The Hurricane Education Relief Act of 2017 provided the Secretary authority to waive reallocation rules and to extend the deadline by which funds were reallocated in the campus-based programs due to Hurricanes Harvey, Irma, and Maria.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2014.....	974,728
2015.....	989,728
2016.....	989,728
2017.....	989,728
2018.....	983,007

FY 2019 BUDGET REQUEST

The Administration’s 2019 Budget proposes to reduce federal funds for the FWS program beginning in award year 2019-20 and significantly reform the program from a model that mostly provides subsidized employment as a form of financial aid for higher income undergraduate and graduate students to one that supports workforce and career-oriented training opportunities for low-income undergraduate students. Under the Budget proposal, institutions could fund individual students through subsidized employment, paid internships, or other placements, provided they are career or academically relevant. Institutions could also fund broader programs serving multiple students that provide exposure to or build preparedness for careers. The 2019 Budget would also reform the allocation formula to focus scarce funds on institutions enrolling high numbers of Pell Grant recipients, while providing students with access to part-time employment that provides the training and skills to meet the needs of today’s workforce. As shown in the tables below, among dependent students, those with family incomes at or above

STUDENT FINANCIAL ASSISTANCE

Federal work study

\$30,000 received 66% of FWS funds compared to 34% of FWS funds going to students with family incomes below \$30,000. Independent students, who typically have lower family incomes, received 51% of all Pell Grant aid, but only received 18% of FWS funds.

The 2019 Budget requests \$200 million for the FWS program, a reduction of \$783 million compared to the 2018 Annualized CR level. The request will generate nearly \$221.5 million in available aid to support more than 133,000 part-time career-oriented jobs for students, helping to meet the educational costs of undergraduate students and to expand their future employment prospects.

The 2019 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**.

PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2017</u>	<u>2018 Annualized CR</u>	<u>2019</u>
Recipients	634,931	630,728	133,073
Aid available to students ¹	\$1,096,080	\$1,088,637	\$221,491
Average award (in whole dollars)	\$1,726	\$1,726	\$1,664

¹ Aid available includes budget authority, institutional matching funds, transfers from Perkins Loans and Federal Work-Study programs, 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 2019 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, performance measures, strategies, and program improvement activities that apply to all of the programs, that information is discussed in the **Student Aid Overview** and is 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 2015-2016. These tables

STUDENT FINANCIAL ASSISTANCE

Federal work study

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 to Dependent Undergraduates in 2015-16

Income Level	Recipients	Available Aid	Average Award
0 - \$5,999	35,566	\$59,527,748	\$1,674
\$6,000 - \$11,999	22,106	38,508,671	1,742
\$12,000 - \$23,999	67,299	116,128,734	1,726
\$24,001 - \$29,999	32,585	55,322,190	1,698
\$30,000 +	334,373	516,273,160	1,544
Total Dependent	491,929	785,760,503	1,597

Distribution of Work-Study to Independent Undergraduates and Graduates in 2015-16

Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	28,596	\$54,507,547	\$1,906
\$2,000 - \$ 3,999	9,603	18,624,754	1,939
\$4,000 - \$ 7,999	16,197	33,540,008	2,071
\$8,000 - \$11,999	12,985	27,469,821	2,116
\$12,000 - \$15,999	8,687	18,077,794	2,081
\$16,000 - \$19,999	5,593	11,207,727	2,004
\$20,000 +	16,323	31,962,772	1,958
Total Independent	97,984	195,390,423	1,994
Graduate Students	45,018	114,929,515	2,553
All Students	634,931	1,096,080,441	1,726

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 2015-2016.

STUDENT FINANCIAL ASSISTANCE

Federal work study

Distribution of Work-Study (WS) by Type of Institution in 2015-16

Institution Type	Recipients	Available Aid	Average Award	Percent of WS Aid
Public 4-Year	219,471	\$412,182,917	\$1,878	37.6%
Public 2-Year	68,592	142,752,037	2,081	13.0
Private	328,368	496,824,725	1,513	45.3
Proprietary	18,500	44,320,762	2,396	4.0
Total	634,931	1,096,080,441	1,726	100.0

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

Community Service Activities:

The Work-Study program has a long tradition of providing opportunities for students to perform community service activities. 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, 17 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 2015-2016.

Distribution of Work-Study to Students in Community Service Activities by Type of Institution in 2015-16

Institution Type	Recipients	Available Aid	Average Award	Percent of WS Aid
Public 4-Year	40,751	\$75,542,508	\$1,854	40.6%
Public 2-Year	12,657	26,296,345	2,078	14.1
Private	52,779	77,356,397	1,466	41.6
Proprietary	2,963	6,766,843	2,284	3
Total	109,150	185,962,093	1,704	100.0

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 2019 Authorization: 0

Mandatory Budget Authority:

<u>2018</u> <u>Annualized CR</u>	<u>2019</u>	<u>Change</u>
\$463	0	-\$463

PROGRAM DESCRIPTION

The Iraq and Afghanistan Service Grants (IASG) 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 \$5,920 in the 2017-18 award year. However, due to sequestration, IASG award amounts have been reduced in prior years and are subject to sequestration in the current year. Award amounts for any IASG first disbursed on or after Oct. 1, 2017, and before Oct. 1, 2018, will be reduced by 6.6 percent, or \$391 for a student receiving the maximum award. 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:

Fiscal Year	(dollars in thousands)
2014.....	294
2015.....	370
2016.....	384
2017.....	401
2018.....	463

FY 2019 BUDGET PROPOSAL

The 2019 Budget proposes to move the Iraq and Afghanistan Service Grant program into the Pell Grant program to ensure the children of our fallen service members receive a full aid award, exempt from cuts due to sequestration, and without any other changes to the program’s benefits or eligibility. The 2019 Budget proposal would allow these students to receive the full, equivalent

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

Pell Grant (which is not subject to sequestration). The first IASG recipient awards were given in award year 2010-2011 to fewer than 1,000 recipients.

PROGRAM OUTPUT MEASURES

(dollars in thousands)

<u>Output Measures</u>	<u>2017</u>	<u>2018 Annualized CR</u>	<u>2019</u>
Recipients	(1)	(1)	0
Aid available to students (dollars in thousands) ²	\$455	\$490	\$0
Maximum grant (whole dollars) ³	\$5,529	\$5,529	\$0
Average grant (whole dollars)	\$5,016	\$5,015	\$0

¹ Recipients estimated to number fewer than 500.

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 FY 2018 is comprised of portions of both academic year 2017-2018 (ending June 30) and 2018-19 (beginning July 1). Amount of aid available in 2019 reflects Budget policy to move IASG to the Pell Grant program. In 2019, aid available is estimated to be \$566 thousand.

³ Maximum grant amounts for 2017 and 2018 reflect impact of sequestration. The amount of the maximum grant in 2019 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 2019 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 grants

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 2016-2017.

Distribution of IASG by Type of Institution in 2016-17

Institution Type	Recipients	Available Aid	Average Award	Percent of IASG Aid
Public 4-Year	53	\$238,679	\$4,503	62%
Public 2-Year	10	34,647	3,465	9
Private	19	102,814	5,411	27
Proprietary	2	8,815	4,408	2
Total	84	384,955	4,583	100

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