

Department of Education
STUDENT FINANCIAL ASSISTANCE
Fiscal Year 2011 Budget Request

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STUDENT FINANCIAL ASSISTANCE

(INCLUDING [DEFERRAL] CANCELLATION¹ OF FUNDS)

For carrying out subparts [1,] 3 [, and 4] and 10 of part A, and part C [and part E] of title IV of the Higher Education Act of 1965, ² [\$19,296,809,000] \$1,738,197,000, which shall remain available through September 30, [2011] 2012.³

[The maximum Pell Grant for which a student shall be eligible during award year 2010-2011 shall be \$4,860.]⁴

Of the funds made available under section 401A(e)(1)[(D)](E) of the Higher Education Act of 1965, [\$561,000,000 shall not be available until October 1, 2010] \$597,000,000 is hereby permanently cancelled.⁵ (*Department of Education Appropriations Act, 2010*)

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

STUDENT FINANCIAL ASSISTANCE

Analysis of Language Provisions and Changes

Language Provision	Explanation
¹ (INCLUDING [DEFERRAL] <u>CANCELLATION OF FUNDS</u>)	This language indicates that a cancellation of funds is included in the appropriations language.
² For carrying out subparts [1,] 3 [, and 4] <u>and 10</u> of part A, <u>and part C</u> [and part E] of title IV of the Higher Education Act of 1965...	<p>This language eliminates the legislative citations for the Federal Pell Grant (subpart 1), Leveraging Educational Assistance Partnerships (subpart 4), and Federal Perkins Loan programs (part E), as discretionary funding is not requested for these programs for fiscal year 2011.</p> <p>This language also incorporates subpart 10, which authorizes funding for the Iraq and Afghanistan Service Grants.</p>
³ ... which shall remain available through September 30, [2011] <u>2012</u> .	This language sets the availability of funds provided under the account through the end of fiscal year 2012.
⁴ [The maximum Pell Grant for which a student shall be eligible during award year 2010-2011 shall be \$4,860.]	This language is deleted as the 2011 Budget proposes to create a new mandatory appropriation account for Federal Pell Grants in 2010, moving funding for this program out of the Student Financial Assistance account.
⁵ Of the funds made available under section 401A(e)(1)[(D)](<u>E</u>) of the Higher Education Act of 1965, [\$561,000,000 shall not be available until October 1, 2010] <u>\$597,000,000 is permanently cancelled</u> .	This language cancels \$597,000,000 in unobligated funds from the Academic Competitiveness Grants/SMART Grant program.

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation (\$000s)

	2009	2010	2011
Discretionary appropriation:			
Regular appropriation	\$19,156,973	\$19,296,809	\$1,737,957
Recovery Act Supplemental (PL 111-5):			
For Federal Pell Grants	15,640,000	0	0
For Work Study	200,000	0	0
Transfer to <u>Career, Technical, and Adult Education</u> for Adult Education State Grants (P. 111-32)	<u>-45</u>	<u>0</u>	<u>0</u>
Subtotal, adjusted discretionary appropriation	34,996,928	19,296,809	1,737,957
Comparative transfers to <u>Federal Pell Grants</u>:			
From regular appropriation	-17,288,000	-17,495,000	0
From Recovery Act	<u>-15,640,000</u>	<u>0</u>	<u>0</u>
Subtotal, comparable adjusted discretionary appropriation	2,068,928	1,801,809	1,737,957
Mandatory appropriation:			
Regular appropriation	2,090,000	3,030,232	240
Recovery Act Supplemental (PL 111-5)	<u>643,000</u>	<u>831,000</u>	<u>0</u>
Subtotal, adjusted mandatory appropriation	2,733,000	3,861,232	240
Comparative transfers to <u>Federal Pell Grants</u>:			
From regular appropriation	-2,090,000	-3,030,000	0
From Recovery Act	<u>-643,000</u>	<u>-831,000</u>	<u>0</u>
Subtotal, comparable mandatory appropriation	-2,733,000	-3,861,000	0

STUDENT FINANCIAL ASSISTANCE

Amounts Available for Obligation - continued (\$000s)

	2009	2010	2011
Subtotal, comparable adjusted mandatory appropriation	<u>0</u>	<u>\$232</u>	<u>\$240</u>
Subtotal, comparable discretionary and mandatory budget appropriation	\$2,068,928	1,802,041	1,738,197
Unobligated balance, start of year	483,322	2,429,206	0
Recovery Act unobligated balance, start of year	0	7,785,699	0
Recovery of prior-year obligations	68,017	0	0
Unobligated balance, expiring	0	0	0
Unobligated balance, end of year	-2,429,206	0	0
Recovery Act unobligated balance, end of year	-7,785,699	0	0
Comparative transfers:			
Unobligated balance, start of year to <u>Federal Pell Grants</u>	-481,481	-2,399,962	0
Recovery Act unobligated balance, start of year to <u>Federal Pell Grants</u>	0	-7,785,699	0
Recovery of prior-year obligations to <u>Federal Pell Grants</u>	-62,723	0	0
Unobligated balance, end of year to <u>Federal Pell Grants</u>	2,399,962	0	0
Recovery Act unobligated balance, end of year to <u>Federal Pell Grants</u>	<u>7,785,699</u>	<u>0</u>	<u>0</u>
Total, direct obligations	2,046,819	1,831,285	1,738,197

STUDENT FINANCIAL ASSISTANCE

Obligations by Object Classification
(\$000s)

	2009	2010	2011
Grants, subsidies and contributions ...	\$1,846,819	\$1,831,285	\$1,738,197
Grants, Recovery Act supplemental...	<u>200,000</u>	<u>0</u>	<u>0</u>
Total, obligations	2,046,819	1,831,285	1,738,197

STUDENT FINANCIAL ASSISTANCE

Summary of Changes
(\$000s)

2010	\$1,802,041
2011	<u>1,738,197</u>
Net change	-63,844

	<u>2010 base</u>	<u>Change from base</u>
Increases:		
<u>Program:</u>		
 Increase in mandatory funding to support Iraq and Afghanistan Service Grants.	 \$232	 <u>+\$8</u>
 Subtotal, increases		 +8
 <u>Decreases:</u>		
<u>Program:</u>		
 Decrease to eliminate funding for the Leveraging Educational Assistance Partnership program, which is structurally flawed.	 63,852	 <u>-63,852</u>
 Subtotal, decreases		 -63,852
 Net change		 -63,844

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation¹
(\$000s)

Activity	2010 Authorized	2010 Estimate	2011 Authorized	2011 Request
Federal supplemental educational opportunity grants (<i>HEA-IV-A-3</i>)	Indefinite	\$757,465	Indefinite	\$757,465
Institutional payments (<i>HEA-IV-G-489</i>) ²	Indefinite		Indefinite	
Federal work-study (<i>HEA-IV-C</i>)	Indefinite	980,492	Indefinite	980,492
Institutional payments (<i>HEA-IV-G-489</i>) ²	Indefinite		Indefinite	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ³	Indefinite		Indefinite	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		Indefinite	
Leveraging educational assistance partnerships (<i>HEA-IV-A-4</i>) ⁴	Indefinite	63,852	Indefinite	0
Iraq and Afghanistan Service Grants (<i>HEA-IV-A-10</i>)	Indefinite	232	Indefinite	240
<u>Unfunded authorizations:</u>				
Federal Perkins loans (<i>HEA-IV-E</i>)				
Federal capital contributions	Indefinite	0	Indefinite	0
Academic achievement incentive scholarships (<i>HEA-IV-A, Chapter 3</i>)	Indefinite	0	Indefinite	0

STUDENT FINANCIAL ASSISTANCE
Authorizing Legislation -- Continued
(\$000s)

Activity	2010 Authorized	2010 Estimate	2011 Authorized	2011 Request
<u>Unfunded authorizations (cont.):</u>				
Federal Perkins loans (HEA-IV-E)				
Loan cancellations	Indefinite	0	Indefinite	0
Institutional payments (HEA-IV-G-489) ²	Indefinite	<u>0</u>	Indefinite	<u>0</u>
Total definite authorization	0		0	
Total appropriation		\$1,802,041		\$1,738,197

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

¹ Reflects FY 2011 Budget proposal to shift funding for Pell Grants and Perkins Loans to their own separate accounts beginning in FY 2011.

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

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

⁴ When the LEAP appropriation in any fiscal year exceeds \$30,000 thousand, the excess is reserved for activities authorized under Special LEAP or Grants for Access and Persistence, a new program created by the Higher Education Opportunity Act of 2008 that will replace Special LEAP after a 2-year transition period during which States may choose to participate in either program.

STUDENT FINANCIAL ASSISTANCE

Appropriations History (\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2002	\$11,674,000	\$12,410,100	\$12,284,100	\$12,285,500
2002 Supplemental	1,276,000	0	0	1,000,000
2002 Supplemental (2003)	0	0	0	-950
2003	12,767,500	13,171,610	13,515,000	13,363,072
2004	14,518,500	14,247,432	14,174,115	14,007,296
2005	14,698,622	14,755,794	14,859,694 ¹	14,265,749
2006	19,771,798	19,583,752	19,403,795	19,255,404 ²
2007	14,490,057	N/A ³	N/A ³	14,487,735 ³
2008	16,419,492	17,464,883	18,409,883	18,122,136 ⁴
2009 Recovery Act Supplemental (P.L. 111-5)	19,921,551 0	21,291,136 ^{5,6} 17,600,000	20,851,809 ^{5,6} 13,930,000	21,246,973 ⁵ 17,314,000
2010	2,301,809 ⁷	19,634,905	19,296,809 ⁸	19,296,809
2011	21,737,957 ⁷			

¹ Reflects Senate Committee action.

² Includes a reappropriation of \$28 million that expired at the end of fiscal year 2005. Pursuant to Section 2(c) of the National Disaster Student Aid Fairness Act (P.L. 109-86), these funds were made available for an additional fiscal year ending September 30, 2006. Reflects a rescission of \$131,770 million (P.L. 109-149). Includes \$4,300 million in mandatory funds to retire the projected funding shortfall.

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

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

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

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

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

⁸ The level for the Senate allowance reflects Committee action only.

DEPARTMENT OF EDUCATION FISCAL YEAR 2011 PRESIDENT'S REQUEST

(in thousands of dollars)		2009				2010		2011		Change from	
Office, Account, Program and Activity	Category Code	Appropriation	Appropriation	Appropriation	Appropriation	President's Budget	Amount	Percent	2010 Appropriation	Amount	Percent
Student Financial Assistance											
1. Campus-based programs:											
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	757,465	757,465	757,465	757,465	0	0	0.0%	0	0	0.0%
(b) Federal work-study (HEA IV-C)	D	980,492	980,492	980,492	980,492	0	0	0.0%	0	0	0.0%
(c) Federal Perkins loan cancellations (HEA IV-E) ²	D	67,164	0	0	0	0	0	—	0	0	—
Subtotal, Campus-based programs											
		1,805,121	1,737,957	1,737,957	1,737,957	0	0	0.0%	0	0	0.0%
2. Leveraging educational assistance partnerships (HEA IV-A-4)											
	D	63,852	63,852	63,852	63,852	0	(63,852)	-100.0%	0	(63,852)	-100.0%
3. Iraq and Afghanistan Service Grants (HEA IV-A-10)											
	M	0	232	232	240	240	8	3.4%	8	8	3.4%
Total		1,868,973	1,802,041	1,802,041	1,738,197	1,738,197	(63,844)	-3.5%	(63,844)	(63,844)	-3.5%
Discretionary	D	1,868,973	1,801,809	1,801,809	1,737,957	1,737,957	(63,852)	-3.5%	(63,852)	(63,852)	-3.5%
Mandatory	M	0	232	232	240	240	8	3.4%	8	8	3.4%
Outlays											
Discretionary	D	16,081,000	16,904,000	16,904,000	1,854,000	1,854,000	(15,050,000)	-89.0%	(15,050,000)	(15,050,000)	-89.0%
Mandatory	M	14,153,000	16,841,000	16,841,000	1,622,000	1,622,000	(15,219,000)	-90.4%	(15,219,000)	(15,219,000)	-90.4%
Total		1,928,000	63,000	63,000	232,000	232,000	169,000	268.3%	169,000	169,000	268.3%
Student Financial Assistance, Recovery Act											
1. Federal work-study (HEA IV-C)											
	D	200,000	0	0	0	0	0	—	0	0	—
Outlays											
Discretionary	D	7,104	7,677	7,677	2,684	2,684	(4,993)	-65.0%	(4,993)	(4,993)	-65.0%
Mandatory	M	6,555	6,873	6,873	2,563	2,563	(4,310)	-62.7%	(4,310)	(4,310)	-62.7%
Total		549	804	804	121	121	(683)	-85.0%	(683)	(683)	-85.0%

NOTES: Category Codes are as follows: D = discretionary program; M = mandatory program.

This table presents appropriations on a basis comparable to the President's fiscal year 2011 budget. In the President's 2011 Budget, Pell Grants are funded through a separate mandatory Federal Pell Grants account, which includes Pell funds for fiscal years 2009-2011. However, on this table, outlays are displayed on a non-comparable basis. Therefore, the Student Financial Assistance (SFA) and SFA Recovery Act accounts include both discretionary and mandatory outlays associated with Pell Grants appropriations made to SFA from fiscal year 2009 and prior years.

STUDENT FINANCIAL ASSISTANCE

Summary of Request

The United States has long been a global leader in postsecondary education, but recently this advantage has slipped. While the U.S. ranks 7th in terms of the percentage of 18-24 year olds enrolled in college, it ranks 15th in terms of the number of certificates and degrees awarded. There is an opportunity gap as well. Today, high-school graduates from the wealthiest families are virtually certain to continue on to higher education; while just over half in the poorest bottom quarter attend.

The President's 2011 Budget makes a historic commitment to increasing college access and success by dramatically expanding financial aid while making it simpler, more reliable, and more efficient. The FY 2011 Budget provides guaranteed funding for Pell Grants and indexes the grant above ordinary inflation. (As part of this proposal, funding for Pell Grants is moved to a dedicated mandatory appropriations account, details of which are provided in the justification for **Federal Pell Grants**, beginning on page P-1.) It also modernizes and expands the Perkins Loan program; while this proposal is discussed in this justification, funding for Perkins Loans in 2011 and subsequent years would be provided through a mandatory credit reform program account.

The FY 2011 budget request for this account is \$1.738 billion, \$63.8 million below the comparable 2010 level. This budget request is almost entirely discretionary funds for the Supplemental Educational Opportunity Grant and Work-Study programs. \$240,000 in mandatory funds are included for the Iraq and Afghanistan Service Grants program, which will make its awards in the 2010-2011 award year. Funds in the Student Financial Assistance account, in combination with those requested in the Federal Pell Grants and Perkins Loan program accounts, would provide \$39.6 billion in aid to help students pursue a postsecondary education, \$3.0 billion above the comparable level for 2010. (Total aid available is based on new budget authority and any required matching funds, less allowable administrative costs.) Taken together, Pell Grants, Perkins Loans, and programs in the SFA account would provide student aid awards to nearly 12 million students.

The FY 2011 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 supplemental educational opportunity grants

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

FY 2011 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Program funds	\$757,465	\$757,465	0

PROGRAM DESCRIPTION

The Federal Supplemental Educational Opportunity Grant (SEOG) program provides need-based grant aid to eligible undergraduate students to help reduce financial barriers to postsecondary education. Federal funding allocations for this purpose are awarded to qualifying postsecondary institutions under a statutory formula. Unlike the Pell Grant program, the SEOG program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

The SEOG program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2010 fiscal year appropriation will be used for the 2010-2011 award year, which runs from July 1, 2010, through June 30, 2011.

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, and then on the basis of the aggregate need of the eligible undergraduate students in attendance.

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

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

In addition, if the institution's SEOG allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students.

Recipients must be undergraduates and cannot have received a bachelor's degree and must be enrolled with the purpose of obtaining a degree or certificate at an eligible institution. Students must also have a high school diploma (or its equivalent) or a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). A student already in default on a loan made under any Title IV, HEA loan program, however, or who owes an overpayment on any other previously received Federal student aid, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

Institutional administrative provisions:

The Administration's 2011 Budget proposes to expand and modernize the Perkins Loan program. Current institutional administrative provisions for the Perkins Loan program, as well as the other campus-based programs, are explained below.

- 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 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 same amount.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Funding levels for the past 5 fiscal years were:

	(\$000s)
2006.....	\$775,462 ¹
2007.....	770,933
2008.....	757,465
2009.....	757,465
2010.....	757,465

¹ Includes a mandatory reappropriation of \$4.5 million in expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

FY 2011 BUDGET REQUEST

The Administration requests \$757 million for the SEOG program in FY 2011, the same as the FY 2010 level. The FY 2011 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.

While institutions receiving SEOG allocations have considerable flexibility in awarding these funds to students, they are required to give priority to Pell Grant recipients and other students with exceptional need. The Federal share of these grants cannot exceed 75 percent of the total grant. The FY 2011 request would generate \$959 million for an estimated 1.5 million awards.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Recipients	1,302,740	1,302,740	1,302,740
Aid available to students ¹	\$958,816	\$958,816	\$958,816
Average award (whole \$)	\$736	\$736	\$736

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 FY 2011 and future years, and 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 2007-2008. In 2007-2008, 63 percent of dependent SEOG recipients had family income levels under \$30,000 and nearly 78 percent of independent SEOG recipients had family income levels under \$20,000.

Distribution of SEOG in 2007-2008			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	61,719	\$56,647,995	\$918
\$6,000 - \$11,999	70,059	57,813,667	825
\$12,000 - \$23,999	195,935	174,910,191	893
\$24,000 - \$29,999	100,701	95,399,966	947
\$30,000 +	247,455	250,188,060	1,011
Subtotal – Dependent	675,869	\$634,959,879	\$939
Independent	774,377	\$433,066,930	\$559
TOTAL	1,450,246	\$1,068,026,809	\$736

Distribution of SEOG to Independent Undergraduates in 2007-2008			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	123,688	\$80,790,390	\$653
\$2,000 - \$ 3,999	74,244	44,208,829	595
\$4,000 - \$ 7,999	148,111	84,672,268	572
\$8,000 - \$11,999	100,328	54,278,780	541
\$12,000 - \$15,999	87,438	45,760,686	523
\$16,000 - \$19,999	71,116	36,661,665	516
\$20,000 +	169,452	86,694,312	512
TOTAL	774,377	\$433,066,930	\$559

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

Distribution of SEOG Funds by Type of Institution:

The distribution of SEOG assistance to institutions is controlled by a statutory distribution formula. The distribution of SEOG among different types of institutions has remained relatively constant over time, with the majority of funding focused on students attending 4-year institutions. The distribution of aid by institutional type has varied by less than plus or minus 5 percent for each category over the last 5 years.

The following table shows the distribution of SEOG to students attending different types of institutions in 2007-2008.

Distribution of SEOG by Type of Institution 2007-2008				
Institution Type	Recipients	Available Aid	Average Award	Percent of SEOG Aid
Public 4-Year	413,537	\$345,066,403	\$834	32.3%
Public 2-Year	333,309	146,394,211	439	13.7%
Private	331,521	412,505,831	1,244	38.6%
Proprietary	371,879	164,060,364	441	15.3%
TOTAL	1,450,246	\$1,068,026,809	\$736	100.0%

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

FY 2011 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Program funds	\$980,492	\$980,492	0

PROGRAM DESCRIPTION

The Federal Work-Study program ensures access to postsecondary education and lifelong learning by assisting needy undergraduate and graduate students in financing postsecondary education costs through part-time employment. Federal funds for this purpose are distributed to qualifying institutions whose financial aid administrators select qualified needy students for employment. Students may be employed by the institution itself; by a Federal, State, or local public agency or private nonprofit organization; or by a private for-profit organization.

The Work-Study program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2010 fiscal year appropriation will be used for the 2010-2011 award year, which runs from July 1, 2010 through June 30, 2011.

Institutional participation: Roughly 3,400 institutions participate in the Work-Study program. As mandated by statute, funds are distributed to institutions first on the basis of the institution's fiscal year 1999 Work-Study program base guarantee and pro rata share, and then on the basis of the aggregate need of the eligible undergraduate students in attendance. The Work-Study program is administered by institutional financial aid administrators who have substantial flexibility in determining student awards.

If an institution is a proprietary school employing its own students, this employment must be: (1) on campus, except that at least 7 percent of the total funds granted must be used to compensate students employed in community services; (2) related, to the maximum extent practicable, to the student's educational objectives; and (3) related to providing student services. The employment tasks of Work-Study students, however, must not involve the solicitation of potential students to enroll in the school.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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. Employment at the school itself is not eligible. The 90 percent Federal share is limited to no more than 10 percent of the students paid under the Federal Work Study program. In addition, the Secretary may authorize through regulations, a Federal share in excess of 75 percent based on the determination that it is necessary for the advancement of the program.

Institutional administrative provisions: Institutions may use their allocations to support a variety of Work-Study activities, as described below:

- Community service. An institution must use at least 7 percent of its Federal allocation for payments to students employed in community service activities. Other Work-Study jobs that qualify as community service activities include community-accessible childcare and assistance for disabled students. The HEOA expanded the definition of community service to include emergency preparedness and response. The eligible institution, at its discretion, may count any contribution made by the employer toward the non-Federal share of the student's compensation.
- Tutoring and literacy activities. An institution must include at least one tutoring or family literacy project as part of its community service activities. Under this requirement, priority is to be given to the employment of Work-Study recipients as reading tutors in schools that are participating in a reading reform project designed to train teachers to teach reading on the basis of scientifically-based research on reading, and which is funded under the Elementary and Secondary Education Act of 1965, as amended. In 2007-08, the last year data was collected, over 35,000 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. Work-Study funds may not be used to pay any employee who would otherwise be employed by the private organization.
- Job Location and Development. An institution may use not more than 10 percent or \$75,000 of its Work-Study allocation, for the administrative expenses associated with the establishment or expansion of a Job Location and Development (JLD) program, which locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

- 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 FCC 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 adds a provision under which an eligible institution located in an area affected by a major disaster, as determined by the Secretary, may make Work-Study payments to disaster-affected students, for the period of time (not to exceed one academic year) in which the students were prevented from fulfilling their Work-Study obligations due to the disaster. Payment may be made in an amount equal to or less than the amount a student would have been paid had the student been able to complete the work obligation necessary to receive Work-Study funds.

Student participation: Students qualify for Work-Study awards by demonstrating financial need under the general statutory need analysis system for the Federal student financial assistance programs. Hourly earnings must not be less than the current Federal minimum wage. Approximately 7 percent of undergraduates participate in Work-Study.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

In addition, if the institution's allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less-than-full-time, then a reasonable portion of the allocation must be made available to such students. Recipients must be 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 a demonstrated ability to benefit from the training offered by the institution (as shown by a passing score on a test approved by the Department). A student already in default on a loan made under any Title IV, HEA loan program, or who owes an overpayment on any other previously received Federal student aid, however, may not receive additional funds under the program unless he or she repays the debt in full, or makes satisfactory repayment arrangements with the holder of the debt.

The American Recovery and Reinvestment Act of 2009 included \$200 million in funding for the Work-Study program. These funds will be obligated in 2009; they will be used to augment the normal Work-Study allocation to schools for the 2009-2010 academic year.

Funding levels for the past 5 fiscal years were:

(\$000s)

2006.....	\$999,523 ¹
2007.....	980,354
2008.....	980,492
2009.....	980,492
Recovery Act	200,000
2010.....	980,492

¹ Includes a mandatory reappropriation of \$19.2 million in expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

FY 2011 BUDGET REQUEST

The FY 2011 budget requests \$980 million for the Work-Study program in FY 2011, the same as the FY 2010 level. This level of funding will generate nearly \$1.2 billion to support almost 770,000 part-time jobs for students, helping to meet the educational costs of undergraduate and graduate students.

The FY 2011 budget request for this program is best understood in the context of the Administration's proposals for the student aid programs as a whole. Accordingly, policy proposals are discussed in greater detail in the **Student Aid Overview** beginning on page O-1.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Recipients	930,001	768,271	768,271
Aid available to students ¹	\$1,417,322	\$1,170,845	\$1,170,845
Average award (whole \$)	\$1,524	\$1,524	\$1,524

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

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2011 and future years, and the resources and efforts invested by those served by this program.

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study Funds by Student Status and Income Level:

The following tables (structured to provide a common basis of comparison among the programs in the SFA account) illustrate the distribution of Work-Study funds to dependent students and the distribution to independent students at various income levels for 2007-2008.

<u>Distribution of Work-Study in 2007-2008</u>			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	22,273	\$33,497,826	\$1,504
\$6,000 - \$11,999	21,252	32,173,313	1,514
\$12,000 - \$23,999	63,067	96,689,380	1,533
\$24,000 - \$29,999	39,764	61,054,154	1,535
\$30,000 +	377,998	503,305,295	1,332
Subtotal - Dependent	524,354	\$726,719,968	\$1,386
Independent:			
Undergraduate	125,609	\$214,081,442	\$1,704
Graduate	47,732	\$122,290,553	\$2,562
TOTAL	697,695	\$1,063,091,963	\$1,524

<u>Distribution of Work-Study to Independent Undergraduates in 2007-2008</u>			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	23,820	\$40,363,032	\$1,695
\$2,000 - \$ 3,999	14,032	23,800,762	1,696
\$4,000 - \$ 7,999	25,674	45,773,570	1,783
\$8,000 - \$11,999	19,356	31,563,745	1,631
\$12,000 - \$15,999	11,893	20,935,698	1,760
\$16,000 - \$19,999	8,123	14,185,602	1,746
\$20,000 +	22,711	37,459,033	1,649
TOTAL	125,609	\$214,081,442	\$1,704

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study Funds by Type of Institution:

The Work-Study program is a campus-based program and the distribution of funds to institutions is controlled by a statutory distribution formula. As a result, the distribution of Work-Study assistance among different types of institutions has remained relatively constant over time, varying by no greater than plus or minus 1.3 percent for each category over the last 5 years. The table below shows the distribution of Work-Study to students attending different types of institutions in 2007-2008.

Distribution of Work-Study by Type of Institution 2007-2008				
Institution Type	Recipients	Available Aid	Average Award	Percent of Work-Study Aid
Public 4-Year	232,050	\$377,790,964	\$1,628	35.5%
Public 2-Year	83,384	140,311,439	1,683	13.2%
Private	358,019	494,324,820	1,381	46.5%
Proprietary	24,242	50,664,740	2,090	4.7%
TOTAL	697,695	\$1,063,091,963	\$1,524	100.0%

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 community service.

Participating colleges and universities are to ensure that at least one project provides services to both children and their parents. Family literacy programs emphasize preparing parents to read to their own children.

To encourage students to tutor in math and reading the Department has waived the usual 25 percent institutional contribution, allowing Work-Study funds to pay up to 100 percent of the wages for 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 2007-2008.

Distribution of Work-Study to Students in Community Service Activities in 2007-2008			
Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	44,141	\$68,633,318	\$1,555
Public 2-Year	15,086	25,481,616	1,689
Private	55,447	77,681,826	1,401
Proprietary	4,645	9,005,649	1,939
TOTAL	119,319	\$180,802,409	\$1,515

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans: (a) Federal capital contributions (b) Loan cancellations (Higher Education Act of 1965, Title IV, Part E)

FY 2011 Authorization (\$000s): (Legislation sought)

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	0	0	0
New loan subsidies ¹	<u>0</u>	<u>-\$101,496</u>	<u>-\$101,496</u>
Total	0	-101,496	-101,496

¹ Legislation is sought for 2011 to shift Perkins Loans to a mandatory credit program. (Institutions would continue to be compensated for Perkins Loan cancellations, but from Federal collections on outstanding Perkins Loans rather than discretionary appropriations.) New loan subsidies, which would be appropriated through a new Federal Perkins Loan Program account, reflect the net present value of estimated Federal non-administrative lifetime costs for loans made in a given fiscal year. A negative number indicates estimated revenues exceed estimated costs.

PROGRAM DESCRIPTION

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

The Perkins Loan program is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2010 fiscal year appropriation will be used for the 2010-2011 award year, which runs from July 1, 2010 to June 30, 2011.

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

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

Default rate provisions: A school's FCC allocation is reduced to zero when the institution's cohort default rate reaches 25 percent. If a school's cohort default rate is less than 25 percent, it qualifies for the full allocation amount pursuant to the statutory formula. In general, a school's participation in the program is terminated if its default rate exceeds 50 percent for 3 consecutive years. As of September 2009, the latest data available, the FY 2007 national cohort default rate is 6.7 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 estimated to be \$1 billion in award year 2009-2010.
- Loan Rehabilitation. Institutions participating in the Perkins Loan program are required to establish a loan rehabilitation program for all defaulted borrowers. Loan rehabilitation allows the institution to eliminate the loan from default rate calculations. In order to rehabilitate a defaulted loan, borrowers are required to make 12 consecutive on-time monthly payments to the institution. A loan can only be rehabilitated once. The first payment of the dictated 12-month cycle is considered the first payment of a new 10-year payment cycle. Once the loan is rehabilitated, the institution must update the borrower's loan status with any credit bureau to which the default was reported.
- Administrative costs. Each institution's administrative cost allowance is based upon its expenditures for all three campus-based programs, excluding the amount of Perkins loans assigned to the Department. Under a statutory formula, an institution may use up to 5 percent of the first \$2.75 million of its program expenditures; plus up to 4 percent of expenditures greater than \$2.75 million but less than \$5.5 million; and up to 3 percent of expenditures greater than \$5.5 million during an award year to meet administrative costs associated with the SEOG, Work-Study, and Perkins loan programs.
- Transferability of funds. An institution may transfer up to 25 percent of its FCC allotment from Perkins loans to SEOG or Work-Study, or both.
- Reallocation of funds. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions based on a statutory formula. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Student participation: Students qualify for loans by demonstrating financial need under the statutory Federal student aid need analysis system. An eligible borrower is a needy undergraduate, graduate, or professional student enrolled at an eligible postsecondary institution. In addition, if the institution's Perkins loans 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, school's revolving funds are reimbursed for 100 percent of the principal and accrued interest of the loan canceled.

The areas of public service that qualify for cancellation include:

- Teaching in low-income areas and in special education, math, science, foreign language, bilingual education, and any other fields where State education agencies determine a shortage of qualified teachers exists.
- Full-time staff work in a preschool program under the Head Start Act.
- Military service in areas of hostilities and imminent danger.
- Peace Corps and ACTION service.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

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

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

	<u>Federal Capital Contributions</u> (\$000s)	<u>Loan Cancellations</u> (\$000s)
2006	\$4,731 ¹	\$65,471
2007	0	65,471
2008	0	64,327
2009	0	67,164
2010	0	0

¹ Mandatory reappropriation of expired 2005 funds pursuant to the National Disaster Student Aid Fairness Act (P.L. 109-86).

FY 2011 BUDGET REQUEST

The Administration proposes to expand and restructure the Perkins Loan program as a mandatory credit program. Beginning July 1, 2011, the Administration proposes an expanded, modernized Perkins Loan program with nearly \$6 billion a year in new loan volume – six times the current Perkins volume, reaching up to 2.4 million students at as many as 2,700 additional postsecondary education institutions, when fully implemented. Rather than operating through institutional revolving funds, Perkins Loans will be originated and serviced by the Federal Government. The Administration intends that the new formula will encourage institutions to control costs and offer need-based aid to prevent excessive indebtedness. Schools will continue to have discretion with regard to student eligibility.

Mandatory loan subsidy costs associated with this program would be shown in a new Federal Perkins Loan program account.

Because the FY 2011 budget request for the proposed new Perkins Loan program is best understood in the context of the Administration’s proposals for the student aid programs as a whole, program-specific funding information and policy proposals are discussed in the **Student Aid Overview** beginning on page O-1.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Loan recipients	520,530	490,139	1,224,880
Loan volume ¹ (\$000s)	\$1,106,126	\$1,041,545	\$2,602,869
Average loan (whole \$)	\$2,125	\$2,125	\$2,125

¹ Loan volume includes budget authority and institutional matching funds minus administrative costs.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2011 and future years, and the resources and efforts invested by those served by this program.

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

Distribution of Perkins Loans by Student Status and Income Levels:

The tables below (structured to provide a common basis of comparison among the programs in the SFA account) show the distribution of Perkins loans to dependent students and the distribution of Perkins loans to independent students at various income levels in 2007-2008.

<u>Distribution of Perkins in 2007-2008</u>			
Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - \$ 5,999	14,985	\$29,702,220	\$1,982
\$6,000 - \$11,999	15,163	29,291,437	1,932
\$12,000 - \$23,999	47,871	96,122,022	2,008
\$24,000 - \$29,999	33,371	66,103,504	1,981
\$30,000 +	317,801	608,106,211	1,924
Subtotal Dependent	429,191	\$829,325,394	\$1,965
Independent:			
Undergraduate	134,990	\$258,290,587	\$1,913
Graduate	86,781	\$295,824,099	\$3,409
TOTAL	650,962	\$1,383,440,080	\$2,125

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins to Independent Undergraduates in 2007-2008				
Income Level	Recipients	Available Aid	Average Loan	
0 - \$ 1,999	20,873	\$41,394,021	\$1,983	
\$2,000 - \$ 3,999	10,713	21,141,124	1,973	
\$4,000 - \$ 7,999	21,491	41,618,953	1,937	
\$8,000 - \$11,999	16,454	31,222,918	1,898	
\$12,000 - \$15,999	13,982	26,455,248	1,892	
\$16,000 - \$19,999	10,710	20,243,606	1,890	
\$20,000 +	40,767	76,214,717	1,870	
TOTAL	134,990	\$258,290,587	\$1,920	

Distribution of Perkins Loans by Type of Institution:

The Perkins Loan program is a campus-based program and distribution of new capital funds to institutions is controlled by a statutory formula. The distribution of Perkins Loan assistance among different types of institutions has remained relatively constant over time, varying by no greater than plus or minus 3.3 percent for each category over the last 5 years.

The table below illustrates the sector distribution of Perkins loans to students in 2007-2008:

Distribution of Perkins by Type of Institution 2007-2008				
Institution Type	Recipients	Available Aid	Average Loan	Percent of Perkins Aid
Public 4-Year	300,370	\$610,192,239	\$2,031	44.1%
Public 2-Year	7,379	12,766,410	1,730	0.9
Private	310,876	708,657,120	2,786	51.2
Proprietary	32,337	51,824,311	1,603	3.7
TOTAL	650,962	\$1,383,440,080	\$2,060	100.0%

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

(Higher Education Act of 1965, Title IV, Part A, Subpart 4)

FY 2011 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Program funds	\$63,852 ¹	0	-\$63,852

¹ Under HEA section 415A(b)(2), when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP or, beginning in FY 2009, Grants for Access and Persistence (GAP). (GAP was created by the Higher Education Amendments of 2008 and will replace Special LEAP after a 2-year transition period in which States can choose between the 2 programs.) For both 2010 and 2011, \$33.9 million is authorized for Special LEAP/GAP.

PROGRAM DESCRIPTION

The Leveraging Educational Assistance Partnership (LEAP) program encourages State investment in need-based grant and work-study assistance to eligible postsecondary students. Federal contributions leverage a minimum dollar-for-dollar match from the State. Federally supported grants and job earnings are limited to \$5,000 per award year for full-time students. Until FY 1999, the program was known as the State Student Incentive Grant (SSIG) program. Federal LEAP appropriations in excess of \$30 million are reserved for a separate program Special Leveraging Educational Assistance Partnership (Special LEAP). Federal contributions to Special LEAP leverage a minimum two-dollars-for-a-dollar match from the State.

LEAP is a 2-year funded program. Funds become available for obligation on October 1 of the fiscal year in which they are appropriated and remain available through September 30 of the following fiscal year. Funds from the 2010 fiscal year appropriation will be used for the 2010-2011 award year, which runs from July 1, 2010 through June 30, 2011.

State participation: By law, each State's allocation is based on its relative share of the total national population of students eligible to participate in the program, except that no State is to receive less than it received in 1979, when the appropriation was \$76.75 million. If LEAP appropriations are below this level, each State is allocated an amount proportional to the amount of funds it received in 1979. If a State does not use all of its allocation, the excess funds are distributed to other States in the same proportion as the original distribution. "Eligible students" are defined for the purposes of the State allocation formula as those who attend institutions eligible to participate in a State's program. If a State's allocation is based in part on the financial need demonstrated by students who are independent students or attending the institution less than full-time, a "reasonable proportion" of the State's allocation must be made available to such students.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

State matching and maintenance of effort requirement: States must, at a minimum, match LEAP grants dollar-for-dollar with State funds provided through direct State appropriations for this purpose. They must administer the program under a single State agency agreement and meet maintenance-of-effort criteria (based on the average annual aggregate expenditures for the preceding three fiscal years or the average annual expenditure per full-time equivalent student for those years). States may use up to 20 percent of their LEAP allocation in support of campus-based work-learning jobs that provide community services.

Special LEAP: The HEOA created the Grants for Access and Persistence program (described below) and eliminated the Special LEAP program; during a 2-year transition period beginning in 2009, States can choose to continue to participate in Special LEAP rather than the new GAP. When the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for Special LEAP (or, beginning in 2009, GAP). Funds under Special LEAP are allocated to States under the same statutory formula as LEAP grants. States must meet certain maintenance of effort criteria (based on the aggregate expenditures per student or aggregate by the State, from non-Federal sources in the second preceding fiscal year) and match the Federal funds on a 2-to-1 basis, ensuring that the Federal share of the cost of authorized activities is not more than 33 $\frac{1}{3}$ percent. Funds awarded to a State under Special LEAP may be used to pay the Federal share of the cost of the following authorized activities:

- Making awards that supplement grants received under the LEAP programs by eligible students who demonstrate financial need;
- Providing grants under the LEAP programs to additional eligible students who demonstrate financial need;
- Providing scholarships for eligible students who demonstrate financial need and who desire to enter a program of study leading to a career in information technology; mathematics, computer science, or engineering; teaching or another field determined by the State to be critical to the State's workforce needs; or demonstrate merit or academic achievement;
- Making awards that supplement community service work-study awards received under the LEAP by eligible students who demonstrate financial need;
- Provide community service work-study awards under the LEAP to additional eligible students who demonstrate financial need.

Grants for Access and Persistence (GAP): The HEOA eliminated the Special LEAP program as of 2009 and created GAP. (For 2 years after the date of enactment of the HEOA, States may choose to continue to participate in Special LEAP rather than GAP.) As with Special LEAP, when the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for GAP.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

The GAP program is intended to:

- expand or enhance partnerships with institutions of higher education; early information and intervention, mentoring, or outreach programs; private corporations; philanthropic organizations; and other interested parties, including community-based organizations, to provide coordination and cohesion among Federal, State, and local governmental and private efforts that provide financial assistance to help low-income students attend an institution of higher education;
- provide need-based grants for access and persistence to eligible low-income students;
- provide early notification to low-income students of the students' eligibility for financial aid; and
- encourage increased participation in early information and intervention, mentoring, and outreach programs.

States applying for GAP funding must form partnerships with not less than one public and one private degree-granting institution of higher education; not less than one philanthropic organization or private corporation; and new or existing early information and intervention, mentoring, or outreach programs. All partners must be located in the State applying for the GAP funding. State funding applications must include a description of and organizational structure for planned partnership activities, an assurance that matching funds would be provided and description of the sources of these funds, and an assurance that funds would be used to supplement rather than supplant existing Federal and State activities. In allocating GAP funds, the Department is required to ensure that awards for States that continue to meet the specifications of a previous application are not less than the amount received in the previous year.

The Federal share of the cost of GAP activities is 66 percent for States whose partnerships include institutions whose combined full-time enrollment represent a majority of all students attending institutions of higher education in the State; the Federal share drops to 57 percent for States not meeting this requirement. The non-Federal share of the cost of GAP activities can be provided in cash or in-kind contributions such as the provision of room and board, transportation passes, or other activities that help a student meet the cost of attendance at an institution of higher education.

States receiving GAP funds must establish partnerships to award grants to eligible low-income undergraduate students.

- Grants must at least equal the average undergraduate tuition and mandatory fees at the public institutions of higher education in the State where the student resides that are of the same type of institution as the student attends; less other Federal and State aid the student receives.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

- To be eligible to receive a grant, students must meet not less than two of the following criteria, with priority given to students meeting all the criteria:
 - An expected family contribution equal to zero, as determined under the Federal need analysis formula or a comparable alternative established by the State under the LEAP program;
 - Eligibility for the maximum State award under the LEAP program; or
 - Current or past participation in a Federal, State, institutional, or community early outreach program, as recognized by the State agency administering the GAP program.

- Students who receive a GAP grant in one year must continue to receive grants until they complete their undergraduate education, provided funding is available and the student continue to meet eligibility criteria in subsequent years. (States may impose reasonable time limits for degree completion.)

States receiving GAP funds also must annually notify low-income students in grades 7 through 12 in the State, and their families, of their potential eligibility for student financial assistance, including an access and persistence grant, to attend an institution of higher education.

States participating in GAP may reserve not more than 2 percent of the funds awarded under the program for related administrative functions.

Institutional participation: All public or private nonprofit institutions of higher education in a State are eligible to participate in the LEAP program unless specifically excluded by the State's constitution or by a State law enacted before October 1, 1978.

Student participation: Students must demonstrate need under a need analysis system established by the State and approved by the Secretary in order to qualify for a LEAP grant or work-learning job. States have broad discretion in establishing other student eligibility requirements. Participating States make awards to full-time students, and 25 States also make awards to part-time students. Ten States serve graduate as well as undergraduate students.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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

	(\$000s)
2006.....	\$64,987
2007.....	64,987
2008.....	63,852
2009.....	63,852
2010.....	63,852

Note— Amounts include \$35.0 million in 2006 and 2007, and \$33.9 million in 2008 and 2009 for Special LEAP/Grants for Access and Persistence (GAP), pursuant to HEA section 415A(b)(2), which states that when the appropriation for LEAP exceeds \$30 million the excess shall be reserved to carry out Special LEAP authorized under section 415E. (The Higher Education Opportunity Act of 2008 replaced Special LEAP with GAP beginning in 2009; States may choose between the programs during a 2-year transition period.)

FY 2011 BUDGET REQUEST

The 2011 Budget does not include funding for the LEAP program in FY 2011. FY 2010 funds available for LEAP totaled \$63.8 million. The Administration requests no funds for the LEAP program, since Federal assistance is no longer needed to encourage States to provide need-based grant and work-study assistance. When the program was first authorized as the State School Improvement Grants program in 1972, only 28 States had undergraduate need-based grant programs. Today all but one State has need-based student grant programs. State grant levels have expanded greatly over the years, and now most States significantly exceed the statutory matching requirements. For academic year 2006-2007, for example, estimated State matching funds totaled nearly \$1 billion. This is more than \$950 million over the level generated by a dollar-for-dollar match, and far more than would be required even under the 2-for-1 match under Special LEAP. This suggests a considerable level of State commitment, regardless of Federal expenditures, which is not expected to diminish absent LEAP program funding.

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u> ¹	<u>2010</u> ¹	<u>2011</u>
Recipients	161,556	161,556	0
Aid available to students ²	\$161,556	\$161,556	0
Maximum grant (whole \$)	\$5,000	\$5,000	0
Average grant (whole \$)	\$1,000	\$1,000	0

¹ Estimate assumes States choose to participate in Special LEAP in 2009 and 2010, and that Special LEAP funds are used to increase grant awards.

² Reflects the program's statutory dollar-for-dollar State matching requirement for Federal funding up to \$30 million, and a 2-to-1 match for Federal funding in excess of \$30 million. State contributions above the dollar-for-dollar and 2-to-1 matches, which are not reflected, significantly increase the number of grant recipients, the amount of available aid, and the average award.

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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 FY 2011 and future years, and the resources and efforts invested by those served by this program.

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

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

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

FY 2011 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

	<u>2010</u>	<u>2011</u>	<u>Change</u>
Program funds	\$232	\$240	+\$8

PROGRAM DESCRIPTION

The Iraq and Afghanistan Service Grants program, which becomes effective on July 1, 2010, will provide non-need-based grants for students whose parent or guardian was a member of the Armed Forces who died in Iraq or Afghanistan as a result of performing military service after September 11, 2001. To qualify for these grants, students are not required to be eligible for a Pell Grant; must be 24 years old or younger; or, if older than 24, must have been enrolled in an institution of higher education at the time of the parent or guardian’s death.

Service Grants are equal to the maximum Pell Grant for a given award year, which is projected to be \$5,550 for the 2010-2011 award year. Service Grants are excluded from the total “estimated financial assistance” used to determine a student’s eligibility for other Title IV Federal financial aid. In combination with other student aid, however, the Service Grant may not result in a student’s awards exceeding their cost of attendance.

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

	(\$000s)
2006.....	0
2007.....	0
2008.....	0
2009.....	0
2010.....	\$232

FY 2011 BUDGET REQUEST

The Administration requests \$240,000 in mandatory funding for FY 2011, an increase of \$8,000 from FY 2010. The first Service Grants are expected to be made in award year 2010-2011. Pending a review of this new program’s implementation and outreach effectiveness, no new policies are proposed for this program.

STUDENT FINANCIAL ASSISTANCE

Iraq and Afghanistan service grants

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Recipients	0	* 1	* 1
Aid available to students	0	\$232	\$240
Maximum grant (whole \$)	0	\$5,550	\$5,710
Average grant (whole \$)	0	\$4,539	\$4,690

¹ Recipients estimated to number fewer than 1,000.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data, and an assessment of the progress made toward achieving program results. Achievement of results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2011 and future years, and the resources and efforts invested by those served by this program.

The Iraq and Afghanistan service grants program will begin making awards in the 2010-2011 award year, so as yet, no performance data is available. However, 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.