

Archived Information

Department of Education

STUDENT FINANCIAL ASSISTANCE

Fiscal Year 2008 Budget Request

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For carrying out subpart 1 of part A, and part C of title IV of the Higher Education Act of 1965, as amended, \$14,203,492,000, which shall remain available through September 30, 2009.¹

The maximum Pell Grant for which a student shall be eligible during award year 2008-2009 shall be \$4,050.

NOTES

A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

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

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Analysis of Language Provisions and Changes

Language Provision	Explanation
¹ <u>... which shall remain available through September 30, 2009.</u>	This language sets the availability of funds provided under the account through the end of fiscal year 2009.
² <u>The maximum Pell Grant for which a student shall be eligible during award year 2008-2009 shall be \$4,050.</u>	This language set the maximum Pell Grant award for award year 2008-2009. The Administration intends to provide mandatory funds through authorizing language that would increase the 2008-2009 maximum award to \$4,600.

STUDENT FINANCIAL ASSISTANCE

**Amounts Available for Obligation
(\$000s)**

	2006	2007	2008
Discretionary appropriation:			
Appropriation	\$15,077,752	0	\$14,203,492
Across-the-board reduction	-150,778	0	0
CR annual rate	<u>0</u>	<u>\$14,487,735</u>	<u>0</u>
Subtotal, discretionary authority	14,926,974	14,487,735	14,203,492
Mandatory appropriation:			
Pell grant shortfall retirement	4,300,000	0	0
Campus-based reappropriation	28,429	0	0
Increase in Pell Grant maximum	<u>0</u>	<u>0</u>	<u>2,216,000</u>
Subtotal, mandatory authority	4,328,429	0	2,216,000
Subtotal, discretionary and mandatory appropriation	19,255,403	14,487,735	16,419,492
Unobligated balance, start of year	22,893	2,693,382	3,000,946
Recovery of prior-year obligations	132,600	0	0
Unobligated balance, expiring	-46	0	0
Unobligated balance, end of year	<u>-2,693,382</u>	<u>-3,000,946</u>	<u>-3,814,586</u>
Total, direct obligations	16,717,468	14,180,171	15,605,872

**Obligations by Object Classification
(\$000s)**

	2006	2007	2008
Grants, subsidies and contributions...	\$16,717,468	\$14,180,171	\$15,605,872

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Summary of Changes (\$000s)

2007	\$14,487,735
2008	<u>16,419,492</u>
Net change	+1,931,757

	<u>2007 base</u>	<u>Change from base</u>
Increases:		
<u>Program:</u>		
Increase to fund estimated Pell Grant program costs for the 2008-2009 award year at a maximum award of \$4,050.	\$12,606,713	+\$616,287
Increase to raise Pell Grant maximum award to \$4,600 for the 2008-2009 award year (mandatory funds).	0	<u>+2,216,000</u>
Subtotal, increases		+2,832,287
<u>Decreases:</u>		
<u>Program:</u>		
Decrease to eliminate funding for Supplemental Educational Opportunity Grant program, which is duplicative of the larger and better targeted Pell Grant program.	770,591	-770,591
Decrease to eliminate funding for Perkins Loan cancellations due to proposed elimination of the Perkins Loan program.	65,471	-65,471
Decrease to eliminate funding for Leveraging Educational Assistance Partnership, which is structurally flawed.	64,468	<u>-64,468</u>
Subtotal, decreases		-900,530
Net change		+1,931,757

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation
(\$000s)

Activity	2007 Authorized	2007 Estimate	2008 Authorized	2008 Request
Federal Pell grants (<i>HEA-IV-A-1</i>)	Indefinite	\$12,606,713	To be determined ¹	\$15,439,000
Institutional payments (<i>HEA-IV-G-489</i>) ³	Indefinite		To be determined ¹	
Federal supplemental educational opportunity grants (<i>HEA-IV-A-3</i>)	Indefinite	770,591	To be determined ²	0
Institutional payments (<i>HEA-IV-G-489</i>) ⁴	Indefinite		To be determined ²	
Federal work-study (<i>HEA-IV-C</i>)	Indefinite	980,492	To be determined ¹	980,492
Institutional payments (<i>HEA-IV-G-489</i>) ⁴	Indefinite		To be determined ¹	
Institutional payments for Job Location and Development centers (<i>HEA-IV-C-446</i>) ⁵	Indefinite		To be determined ¹	
Work colleges (<i>HEA-IV-C-448</i>)	Indefinite		To be determined ¹	
Federal Perkins loans (<i>HEA-IV-E</i>)				
Loan cancellations	Indefinite	65,471	To be determined ²	0
Institutional payments (<i>HEA-IV-G-489</i>) ⁴	Indefinite		To be determined ²	
Leveraging educational assistance partnerships (<i>HEA-IV-A-4</i>) ⁶	Indefinite	64,468	To be determined ²	0
<u>Unfunded authorizations:</u>				
Federal Perkins loans (<i>HEA-IV-E</i>)				
Federal capital contributions	Indefinite	0	To be determined ²	0
Loan forgiveness for child care providers (<i>HEA-IV-B-428K</i>)	Indefinite	0	To be determined ²	0

STUDENT FINANCIAL ASSISTANCE

Authorizing Legislation -- Continued
(\$000s)

Activity	2007 Authorized	2007 Estimate	2008 Authorized	2008 Request
<u>Unfunded authorizations (cont.):</u>				
Academic achievement incentive scholarships (HEA-IV-A, Chapter 3)	Indefinite	_____0	To be determined ²	_____0
Total definite authorization	0		To be determined ²	
Total appropriation		\$14,487,735		\$16,419,492

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

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. Reauthorizing legislation is sought for FY 2008.

² The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. The Administration is not seeking reauthorizing legislation.

³ Payments to institutions based on a \$5 per Pell Grant recipient calculation reimburse institutions for a share of the cost of administering the Pell Grant program. Funds for these payments are reserved from the Pell Grant appropriation.

⁴ 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.

⁵ Institutions are authorized to use not more than 10 percent or \$50 thousand of their Work-Study allocations for the costs of establishing or expanding programs to locate or develop jobs, including community service jobs, for currently enrolled students.

⁶ When the LEAP appropriation in any fiscal year exceeds \$30,000 thousand, the excess is reserved for activities authorized under Special LEAP.

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Appropriations History (\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1997	\$7,359,407	\$6,630,407	\$6,642,830 ¹	\$7,560,407
1998	9,263,407 ²	9,046,407 ³	8,495,641 ⁴	8,978,934
1999	9,203,000 ⁵	9,672,654	10,172,551 ⁵	9,348,000 ⁶
2000	9,183,000	6,973,000	8,321,600	9,445,000 ⁷
2000 Advance for 2001	0	2,286,000	1,176,400	0
2000 Rescission	0	0	0	-70,283 ⁸
2001	10,258,000	10,150,000	10,649,000	10,674,000
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 ⁹
2007	14,490,057			14,487,735 ¹⁰
2008	16,419,492			

¹ Reflects Senate Committee action.

² Assumes use of \$96.25 million in prior year funding for Pell grant awards.

³ Does not assume use of any prior year surplus for the Pell Grant program.

⁴ Senate-passed bill requires that \$96 million in prior year unobligated balances from the Pell Grant program be used as follows: \$35 million for SSIG; \$60 million for Educational Infrastructure under the School improvement programs account; and \$1 million for the National Institute of Literacy under the Vocational and Adult Education account. This use of prior-year balances for purposes other than Pell Grants is counted as a reduction in new budget authority in the year of enactment.

⁵ Excludes \$40 million in collections transferred from the Federal Perkins Loan Revolving Fund account, for new Federal Capital Contributions.

STUDENT FINANCIAL ASSISTANCE

Appropriations History—Continued

⁶ The Higher Education Amendments of 1998 repealed the Federal Perkins Loan Revolving Fund account and required the remittance to Treasury of \$53 million previously deposited into the account. The 1999 appropriation for Perkins Loans included an additional \$40 million to replace the funding remitted to Treasury.

⁷ Includes \$10 million in emergency funds for SEOG for victims of Hurricanes Dennis and Floyd pursuant to Department of Education Appropriations Act, 2000, as enacted by section 1000(a)(4) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).

⁸ Rescission of \$70.283 million pursuant to Miscellaneous Appropriations, 2000, as enacted by section 1000(a)(5) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).

⁹ Includes a reapportionment 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.

¹⁰ A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

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Significant Items in FY 2007 Appropriations Reports

Perkins Loan Forgiveness

Senate: The Committee requests that the Department of Education implement measures to better publicize that this loan forgiveness program is available to individuals in multiple fields identified in the Higher Education Act.

Response: The Department has taken a number of steps to broaden awareness of the Perkins Loan forgiveness program. Detailed information is available on each borrower's promissory note, and is discussed as part of loan counseling discussions conducted by the borrower's school. In addition, Perkins Loan forgiveness provisions are detailed in the Department's student guide, as well as on its website at http://studentaid.ed.gov/students/publications/repaying_loans/2003_2004/english/loan-discharge-cancellation.htm. As implementation continues on initiatives such as Common Services for Borrowers, the Department will explore ways to use new approaches to inform borrowers of these valuable benefits.

DEPARTMENT OF EDUCATION FISCAL YEAR 2008 PRESIDENT'S REQUEST

(in thousands of dollars)						
Account, Program, and Activity	Category Code	2006 Appropriation	2007 Current Estimate	2008 President's Request	2008 President's Request Compared to 2007 Current Level	
					Amount	Percent
Student Financial Assistance						
1. Federal Pell grants (HEA IV-A-1):						
(a) Pell grants	D	13,045,230	12,606,713	13,223,000	616,287	4.9%
(b) Incremental increase in Pell Grant maximum award to \$4,600 (proposed legislation)	M	0	0	2,216,000	2,216,000	---
(c) Retirement of prior-year shortfall	M	4,300,000	0	0	0	---
Appropriation		17,345,230	12,606,713	15,439,000	2,832,287	22.5%
Discretionary	D	13,045,230	12,606,713	13,223,000	616,287	4.9%
Mandatory	M	4,300,000	0	2,216,000	2,216,000	---
Prior year funding surplus (shortfall)	D	0	138,616	(235,438)	(374,054)	-269.8%
Total, resources available		17,345,230	12,745,329	15,203,562	2,458,233	19.3%
Discretionary program costs related to maintaining a \$4,050 maximum award	D	12,906,614	12,980,767	12,987,377	6,610	0.1%
Mandatory program costs related to increasing maximum award to \$4,600	M	0	0	2,216,000	2,216,000	---
Mandatory program costs related to retirement of prior-year shortfall	M	4,300,000	0	0	0	---
Subtotal, program costs		17,206,614	12,980,767	15,203,377	2,222,610	17.1%
Maximum award (in whole dollars)		\$4,050	\$4,050	\$4,600	\$550	13.6%
Recipients (in thousands)		5,165	5,274	5,474	200	3.8%
2. Campus-based programs:						
(a) Federal supplemental educational opportunity grants (HEA IV-A-3)	D	770,933	770,591	0	(770,591)	-100.0%
(b) Federal work-study (HEA IV-C)	D	980,354	980,492	980,492	0	0.0%
(c) Federal Perkins loan cancellations (HEA IV-E):	D	65,471	65,471	0	(65,471)	-100.0%
(d) Reappropriation of funds in response to Hurricanes Katrina and Rita (non-add)	M	28,429 ¹	0	0	0	---
Subtotal, Campus-based programs		1,816,758	1,816,554	980,492	(836,062)	-46.0%
3. Leveraging educational assistance partnerships (HEA IV-A-4)	D	64,987 ²	64,468	0	(64,468)	-100.0%
Total	D	19,226,975	14,487,735	16,419,492	1,931,757	13.3%
Discretionary	D	14,926,975	14,487,735	14,203,492	(284,243)	-2.0%
Mandatory	M	4,300,000	0	2,216,000	2,216,000	---
Outlays		14,709,764	14,200,229	14,777,224	576,995	4.1%
Discretionary	D	14,689,764	14,191,969	14,245,215	53,246	0.4%
Mandatory	M	20,000	8,260	532,009	523,749	6340.8%

¹ A reappropriation of amounts that expired at the end of fiscal year 2005: \$4,529 thousand for Federal Supplemental Educational Opportunity Grants, \$19,169 thousand for Federal Work Study, and \$4,731 thousand for Federal Perkins Loan Capital Contributions. Pursuant to Section 2(c) of the National Disaster Student Aid Fairness Act (P.L. 109-86), such funds were made available for an additional fiscal year ending September 30, 2006.

² Includes \$34,987 thousand in fiscal year 2006 for Special LEAP, pursuant to HEA Section 415A(b)(2) which states that when the appropriation for LEAP exceeds \$30,000 thousand, the excess shall be reserved to carry out Special LEAP, authorized under HEA Section 415E.

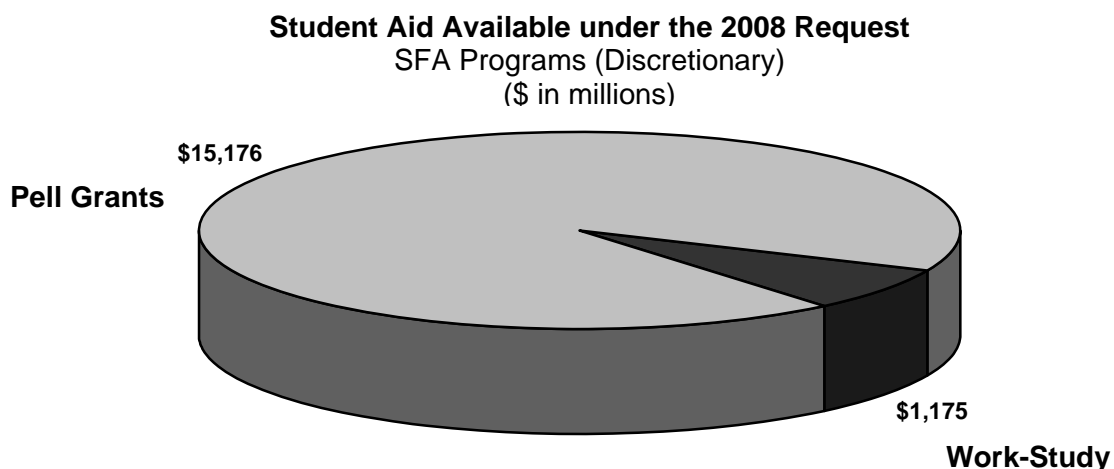
STUDENT FINANCIAL ASSISTANCE

Summary of Request

Pell Grants and Work-Study form the foundation of the Federal commitment to foster opportunities for all Americans to reap the benefits of a higher education. As a Nation, our ability to compete in the increasingly global, technology-driven 21st century economy depends on maintaining a highly educated, flexible, and productive workforce.

The FY 2008 Budget request for these programs is best understood in the context of the Administration's comprehensive reform proposals for the student aid programs. Accordingly, program-specific funding information and policy proposals are discussed in the **Student Aid Overview**, beginning on page N-1.

The FY 2008 budget request for the SFA account is \$16.419 billion, \$14.203 billion in discretionary funding and \$2.216 billion in mandatory funding. Under this request, total aid available to students (based on new budget authority, and any required matching funds, less allowable administrative costs) would be \$16.4 billion. The SFA programs would provide student aid awards to more than 5.4 million students.



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Summary of Request

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information including GPRA goals, objectives, measures and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2008 and future years, and the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account are designed to work together, performance indicators and strategies that apply to all of the programs are discussed in this Summary of Request and are not repeated under the requests for each program. The Department is in the process of exploring ways to gather detailed program and student outcome data that will support program-specific measures.

To improve the practical use of performance information, the Office of Management and Budget, in collaboration with other Federal agencies including the Department of Education, developed the Program Assessment Rating Tool (PART), comprised of assessment criteria on program performance and management. The PART establishes a high, "good government" standard of performance and is used to rate programs in an open, public fashion.

In preparing the 2008 Budget, the Administration used the PART to review all programs in the SFA account. The PART assessment in 2002-2003 identified the Pell Grant program as "adequate" in providing need-based aid to help students pay for undergraduate education. The assessment identified program strengths and weaknesses that are being used to guide future Pell Grant program improvements.

PART findings in 2002-2003 support the FY 2008 Budget proposals to eliminate the Supplemental Educational Opportunity Grant, Perkins Loan and Leveraging Educational Assistance Partnerships programs.

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Summary of Request

Goal: To help ensure access to high-quality postsecondary education by providing financial aid in the form of grants, loans, and work-study in an efficient, financially sound, and customer-responsive manner.

Objective: Ensure that low- and middle-income students will have the same access to postsecondary education that high-income students do.

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year.

Targets and Performance Data

The percentage of high school graduates ages 16-24 enrolling immediately in college

Year	Target	Actual
	Total Percentage Enrolled	Total Percentage Enrolled
2003		63.9
2004		66.7
2005		68.6
2006	68.0	
2007	68.0	
2008	68.0	
	Difference in the percentage of low- and high-income high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of low- and high-income high school graduates ages 16-24 enrolling immediately in college
2003		27.3
2004	29.0	27.0
2005	28.0	27.0
2006	27.0	
2007	26.75	
2008	26.5	

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Summary of Request

Measure: College enrollment rates: Postsecondary education enrollment rates will increase each year for all students, while the enrollment gap between low- and high-income and minority and non-minority high school graduates will decrease each year. (Continued)

Targets and Performance Data

The percentage of high school graduates ages 16-24 enrolling immediately in college

Year	Target	Actual
	Difference in the percentage of Black and White high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of Black and White high school graduates ages 16-24 enrolling immediately in college
2003		8.7
2004	8.6	8.6
2005	8.0	8.6
2006	7.5	
2007	7.25	
2008	7.0	
	Difference in the percentage of Hispanic and White high school graduates ages 16-24 enrolling immediately in college	Difference in the percentage of Hispanic and White high school graduates ages 16-24 enrolling immediately in college
2003		7.6
2004	11.9	7.5
2005	11.0	7.5
2006	10.5	
2007	10.25	
2008	10.0	

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Summary of Request

Assessment of Progress: Progress is being made in increasing overall enrollment, while enrollment gaps between low- and high-income, White and Hispanic, and White and Black students are holding steady. The Department believes proposed FY 2008 budget policies to improving access through increased grant aid will help reduce these gaps. Data listed below differs from OMB's PARTWeb system, as updates became available after that system closed.

Objective: *Ensure that more students will persist in postsecondary education and attain degrees and certificates.*

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease.

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Students completing a 4-year degree	Students completing a 4-year degree
2003		54.3
2004	54.0	55.0
2005	55.0	55.0
2006	56.0	56.4
2007	57.0	
2008	58.0	
	Students completing a less than 4-year degree.	Students completing a less than 4-year degree.
2003		30.6
2004	34.0	31.1
2005	35.0	31.4
2006	36.0	31.0
2007	37.0	
2008	38.0	

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Summary of Request

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease. (Continued)

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Difference in the percentage of Black and White full-time students completing a 4-year degree within 150 percent of the normal time required.	Difference in the percentage of Black and White full-time students completing a 4-year degree within 150 percent of the normal time required.
2003		18.8
2004	19.4	18.6
2005	19.0	18.3
2006	18.5	18.1
2007	18.1	
2008	17.7	
	Difference in the percentage of Hispanic and White full-time students completing a 4-year degree within 150 percent of the normal time required.	Difference in the percentage of Hispanic and White full-time students completing a 4-year degree within 150 percent of the normal time required.
2003		13.8
2004	13.6	13.6
2005	13.0	13.4
2006	12.5	13.3
2007	12.0	
2008	11.5	

STUDENT FINANCIAL ASSISTANCE

Summary of Request

Measure: Completion rate: Completion rates for all full-time, degree-seeking students in 4-year and less than 4-year programs will improve, while the gap in completion rates between minority and non-minority students will decrease. (Continued)

Targets and Performance Data

The percentage of full-time degree seeking students completing within 150 percent of the normal time required

Year	Target	Actual
	Difference in the percentage of Black and White full-time students completing a less than 4-year program within 150 percent of the normal time required.	Difference in the percentage of Black and White full-time students completing a less than 4-year program within 150 percent of the normal time required.
2003		5.6
2004	7.2	5.5
2005	7.0	5.5
2006	6.5	5.4
2007	6.3	
2008	6.1	
	Difference in the percentage of Hispanic and White full-time students completing a less than 4-year program within 150 percent of the normal time required.	Difference in the percentage of Hispanic and White full-time students completing a less than 4-year program within 150 percent of the normal time required.
2003		1.6
2004	3.4	1.6
2005	3.0	1.6
2006	2.5	1.5
2007	2.1	
2008	1.7	

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Summary of Request

Assessment of Progress: Completion rates increased slightly between 2005 and 2006 among students in 4-year programs; for students enrolled in less-than-4-year programs, rates decreased slightly but were still higher than in 2003. During the same period, the gap between completion rates among White and Black students at all schools and between White and Hispanic students at less-than-4-year programs declined.

STUDENT FINANCIAL ASSISTANCE

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

FY 2008 Authorization (\$000s): To be determined ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Program funds:			
Pell grants (discretionary funds to support cost of \$4,050 max. award)	\$12,606,713	\$13,223,000	+\$616,287
Pell grants (mandatory funds to support cost of increasing max. award to \$4,600, requested under proposed legislation)	<u>0</u>	<u>2,216,000</u>	<u>+2,216,000</u>
Total current year funding	12,606,713	15,439,000	+2,832,287

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. Reauthorizing legislation is sought for FY 2008.

PROGRAM DESCRIPTION

The Federal Pell Grant program helps ensure access to postsecondary education for low- and middle-income undergraduate students by providing grants that, in combination with other sources of student aid, help meet postsecondary education costs. The program also promotes lifelong learning by encouraging low-income adults now in the workplace to return to school to upgrade their skills.

The Department provides funds to participating institutions to pay all students at the institution who are eligible for a Pell Grant—a student's eligibility is not dependent on the availability of funds awarded to the institution as in the Campus-Based Programs.

A Pell Grant is generally considered to be the foundation of a student's financial aid package, to which other forms of aid are added. The amount of a student's Pell Grant is dependent on the student's "expected family contribution" (EFC); cost of education, whether the student attends school full-time or part-time, and whether their program is a full academic year in length or less. Pell Grant disbursements are made to students at least once every term during the award year or at the beginning and mid-point for programs without terms.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The Pell Grant program is funded 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 from the 2007 fiscal year appropriation will be used for grants in the 2007-2008 award year, which runs from July 1, 2007, through June 30, 2008. If Pell Grant costs for a given academic year exceed the corresponding appropriation, the Department is allowed to use future appropriations to cover the full cost.

Pell Grant program scoring rule: The congressional budget resolution for fiscal year 2006 included a new rule under which appropriations bills for the Pell Grant program are scored by the Congressional Budget Office for the estimated cost of the program for that year, regardless of the amount actually appropriated. In years where the appropriation exceeds the program cost as estimated at the beginning of the subsequent fiscal year, any surplus is available to reduce the appropriation needed to support that subsequent year's program costs. Conversely, in years where the appropriation is lower than the updated estimated program cost, the difference is automatically scored against the subsequent year's appropriation.

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. (Generally, independent students are older and do not depend on parents or guardians to pay for college.)

Institutional participation: Over 6,000 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 for the same period of time.

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.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Recipients must be undergraduates and cannot have received a bachelor's degree (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 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). Less than full-time students are eligible for pro rata awards based on their enrollment status.

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.

The annual award amount may vary from the statutory minimum payment of \$400 up to the maximum authorized by statute for the academic year. Appropriations acts routinely set annual maximum award levels. The Higher Education Act specifies an authorized maximum award for the 2003-2004 award year of \$5,800. Pending reauthorization, no maximum is specified for subsequent years. Based on the 2007 continuing resolution level, the maximum award for the 2007-2008 award year is \$4,050.

Award rules: The Pell Grant award is the least of:

- The maximum award minus the EFC,
- The student's cost of attendance minus the EFC, or
- In any year for which an appropriation act provides a maximum award in excess of \$2,700, the sum of: (1) \$2,700 plus one-half the difference between the maximum award and \$2,700; and (2) the lesser of: (a) the remaining one-half of the difference between the maximum award and \$2,700, or (b) the sum of the student's tuition, fees, and allowances as determined by the institution, for dependent care and disability-related expenses. In the case of an institution that only charges fees in lieu of tuition as of October 1, 1998, fees that would normally constitute tuition may be used by the institution to determine the amount of tuition charged.

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;

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- 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 HEA 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 a family member;
- 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 the Title IV programs; or
- Other changes in a family's income, assets, or a student's status.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

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 2006-07, these payments will total \$25.8 million.

Funding levels for the past 5 fiscal years were

(\$000s)

2003	\$11,364,646 ¹
2004	12,006,738 ²
2005	12,364,997 ³
2006	17,345,230 ^{4 5}
2007	12,606,713

¹ Includes a supplemental appropriation of \$1,000 million.

² Reflects a rescission of \$74.354 million (P.L. 108-7).

³ Reflects a rescission of \$71.260 million (P.L. 108-99).

⁴ Reflects a rescission of \$99.718 million (P.L. 108-447).

⁵ Includes \$4,300 million in mandatory funds to retire prior-year funding shortfalls.

FY 2008 BUDGET REQUEST

The Administration requests \$15.439 billion to support the Pell Grants in 2008, \$13.223 billion in discretionary funds to support the estimated cost of maintaining a \$4,050 maximum award and \$2.216 billion in mandatory funds to support increasing the maximum award to \$4,600 for the 2008-2009 award year, the largest increase in over 30 years, and a down payment on a 5-year commitment to raise the maximum award to \$5,400 by 2012.

This request is best understood in the context of the Administration's comprehensive reform proposals for the student aid programs. Accordingly, program-specific funding information and policy proposals are discussed in the **Student Aid Overview** beginning on page N-1.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Pell Grant Funding Sources and Program Costs (In thousands of dollars)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Change From 2007</u>
Discretionary Appropriation	\$13,045,230	\$12,606,713	\$13,223,000	+\$616,287
Mandatory Appropriation	<u>0</u>	<u>0</u>	<u>2,216,000</u>	<u>+2,216,000</u>
Total Appropriation	13,045,230	12,606,713	15,439,000	+2,832,287
Discretionary Program Cost	12,906,614	12,980,767	13,223,000	+6,610
Mandatory Program Cost	<u>0</u>	<u>0</u>	<u>2,216,000</u>	<u>+2,216,000</u>
Total Program Cost	12,906,614	12,980,767	15,439,000	+2,222,610
Surplus/(shortfall) ¹	138,616	(235,438)	0	+235,438

¹Under a scoring rule adopted by Congress as part of the FY 2006 Budget Resolution, when Pell Grant appropriations for a given fiscal year exceed the estimated program costs for that year, any surplus funds may be used to reduce the need for new appropriations to support program costs in the following year.

In FY 2006, \$4.300 billion in mandatory budget authority was appropriated to retire a cumulative prior-year funding shortfall. The shortfall through FY 2006 was estimated at \$4.081 billion; the \$219 million unneeded balance of the \$4.3 billion appropriation expired at the end of 2006 and will be cancelled at the end of 2010. It is not available for other uses. Consistent with the scoring rule discussed on page O-23, the Budget assumes \$139 million in unneeded FY 2006 discretionary budget authority will be available to support program costs in FY 2007; conversely, the Budget estimates assume that FY 2007 program costs will exceed available funding by \$235 million. The FY 2008 request includes funds to retire this shortfall.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

The following tables show program information consistent with requested funding levels.

Federal Pell Grants

<u>Award Year</u>	<u>Valid Applicants</u>	<u>Applicant Growth</u>	
		<u>Number</u>	<u>% Change</u>
1995-96	7,935,336	158,167	2.03%
1996-97	8,064,889	129,553	1.63%
1997-98	8,216,685	151,796	1.88%
1998-99	8,309,645	92,960	1.13%
1999-00	8,527,162	217,517	2.62%
2000-01	8,745,584	218,422	2.56%
2001-02	9,505,099	759,515	8.68%
2002-03	10,354,525	849,426	8.94%
2003-04	11,093,506	738,981	7.14%
2004-05	11,494,488	400,982	3.61%
2005-06	11,569,570	75,082	0.65%
2006-07	11,751,631	182,061	1.57%
2007-08	12,045,342	293,711	2.50%
2008-09	12,375,649	330,307	2.74%

Sources: Through 2005-06, Award Year 2004-05 Pell Grant EOY Report and Final ELI-10 Reports.

Notes: Award Years 2006-07 through 2008-09 are estimates. A valid applicant is an undergraduate student who submits an application with sufficient data to calculate an EFC and determine Pell grant eligibility.

The Budget assumes the applicant growth rate, which was unusually low in the 2005-06 award year, will gradually return to historical norms. Nearly 90 percent of all applicants expected for the current 2006-07 award year have now been processed. Based on trends to date, applicants increased 1.6 percent in 2006-07 over the previous year, compared to a .7 percent increase in award year 2005-06. Applicant growth rates in award years 2007-08 and 2008-08 are projected at 2.5 percent and 2.7 percent, respectively. If actual applicant growth rates exceed these estimates, projected Pell Grant program costs could significantly increase above budget estimates.

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Federal Pell grants

Maximum Award: The Administration proposes to increase the maximum award to \$4,600 for award year 2008-09. For every \$100 increase in the maximum award, estimated program costs would increase by approximately \$400 million.

Maximum Pell Grant Awards			
FY	Maximum Award	Budget Authority (\$000s)	Program Costs (\$000s)
1999	\$3,125	\$7,704,000	\$7,218,390
2000	3,300	7,639,717 ¹	7,965,965 ²
2001	3,750	8,756,000	9,996,485 ²
2002	4,000	11,314,000 ³	11,656,559
2003	4,050	11,364,646 ⁴	12,731,000
2004	4,050	12,006,738 ⁵	13,140,000
2005	4,050	12,364,997 ⁷	12,718,000 ⁶
2006	4,050	17,477,000 ⁸	12,907,000 ⁶
2007	4,050	12,606,713 ⁹	12,981,000 ⁶
2008	4,600	15,439,000 ¹⁰	15,203,000 ⁶

¹ Reflects a rescission of \$60.283 million pursuant to the Department of Education Appropriations Act, 2000, as enacted by section 1000(a)(5) of the Consolidated Appropriations Act, 2000 (P.L. 106-113).

² Reflects use of surplus funds from prior years to fully fund the maximum award level.

³ Includes supplemental appropriation of \$1,000 million.

⁴ Reflects a rescission of \$74.354 million (P.L. 108-7).

⁵ Reflects a rescission of \$71.260 million (P.L. 108-199).

⁶ Estimate.

⁷ Reflects a rescission of \$99.718 million (P.L. 108-447).

⁸ Reflects a rescission of \$131.770 million (P.L. 109-149). Includes \$4,300 million in mandatory funds to retire the projected funding shortfall.

⁹ Assumes the use of \$138 million in unused FY 2006 funds under budget resolution scoring rule described on page O-23.

¹⁰ Budget authority for 2008 includes \$13,223 million to retire a \$235 million shortfall from the previous year and support the cost of maintaining a \$4,050 maximum award with proposed policies and \$2.216 million in mandatory funds to support the cost of increasing the maximum award to \$4,600.

Number of Recipients: Under current estimates, the 2008 level would support Pell Grant awards to 5.5 million recipients.

Aid Available: Under current estimates, the 2008 level would provide \$15.176 billion in Pell Grants to students.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

PROGRAM PERFORMANCE INFORMATION

To improve the practical use of performance information, the Office of Management and Budget, in collaboration with other Federal agencies including the Department of Education, has developed the Program Assessment Rating Tool (PART), comprised of assessment criteria on program performance and management.

Because the programs in the Student Financial Assistance account are designed to work together, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

Follow-up to PART Findings and Recommendations

The Pell Grant program was reviewed in 2003 as part of the PART process, receiving a rating of "Adequate." The review cited the program's clear purpose and status as the foundation of need-based student aid, as well as the Department's strong overall strategic planning efforts. At the same time, the review noted low-income and minority students continue to attend college at significantly lower rates than other students, program management could be improved, and Pell Grants, like other need-based student aid, is open to abuse by students who under-report their income. The review found that the program makes a unique contribution by providing a stable foundation of need-based aid to help all eligible students pay for undergraduate education.

PART recommendations focused on the need to develop additional performance measures inked to student persistence and graduation; the Department is examining ways to gather data at the required level of detail needed to inform useful measures. The FY 2008 Budget includes funds under the Institute of Education Sciences to develop student-level data that would support the development of these measures.

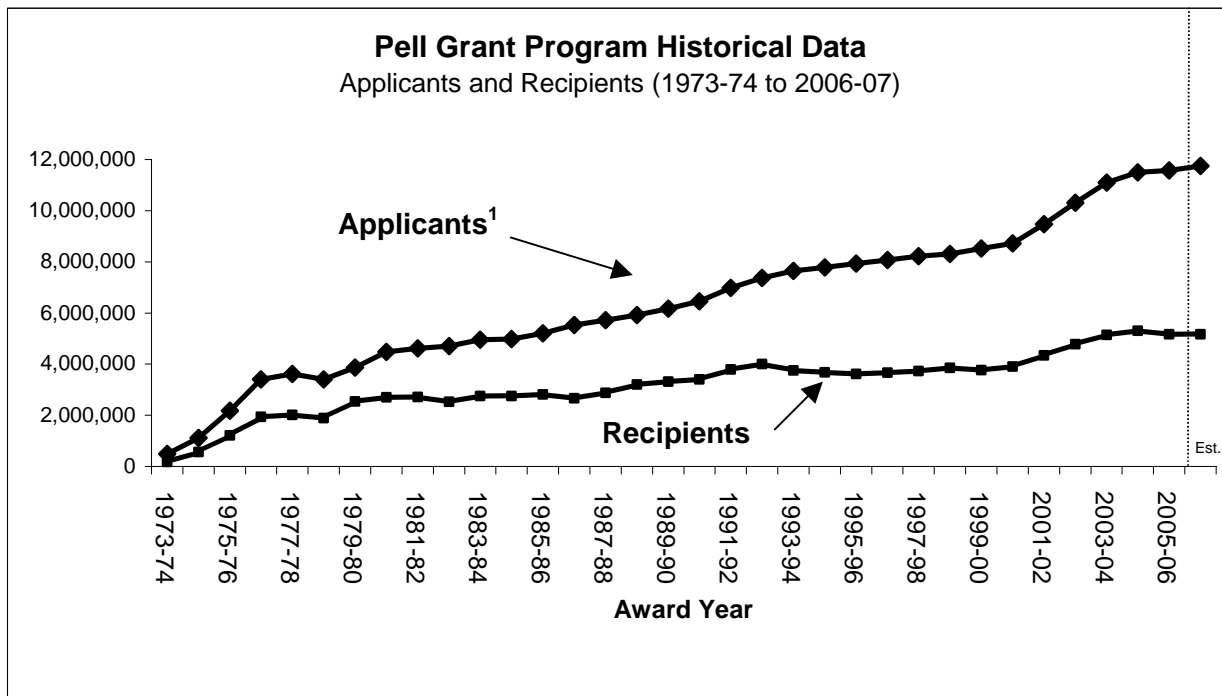
Applicant and Recipient Growth:

The graphs on the following page show applicant, recipient, and aid available trends since the inception of the Pell Grant program.

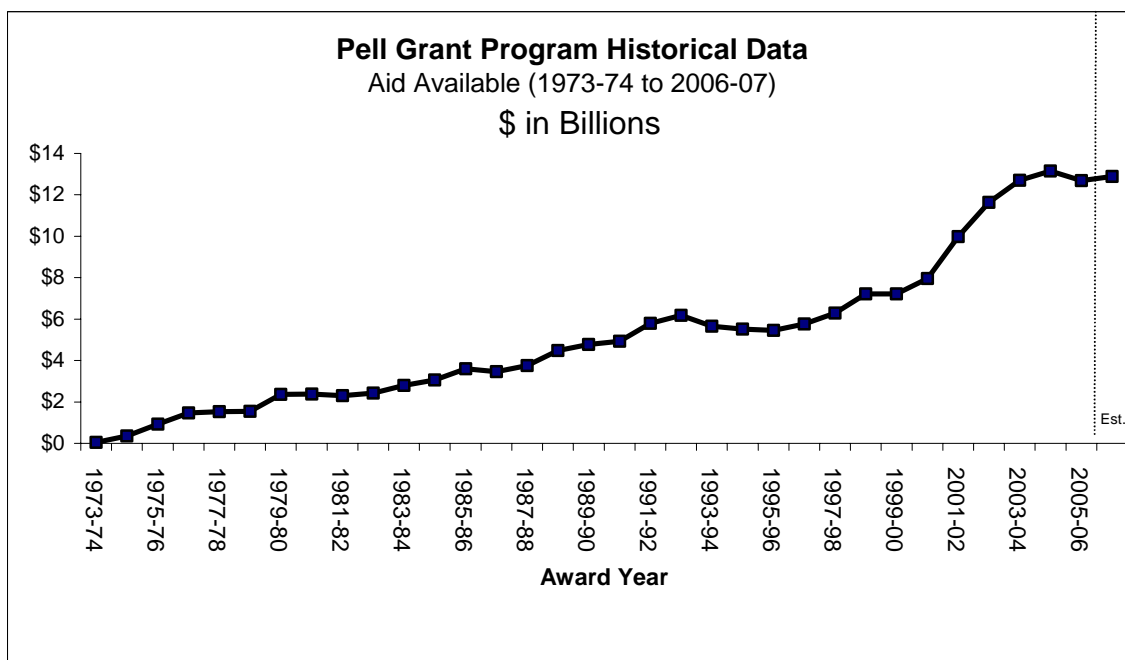
Many factors affect *applicant growth*, including demographic trends and changes in economic conditions, such as labor market demands. Factors affecting *recipient growth* include family incomes, need analysis, college costs, the level of the maximum Pell Grant award, and changes in applicant levels.

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants



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



STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Distribution of Pell Grants by Student Status and Income Level:

The tables below illustrate the distribution of Pell Grant funds to dependent and independent students at various income levels. In 2005-2006, approximately 79 percent of all Pell Grant recipients (including independent students) had incomes less than or equal to \$30,000 and only 21 percent had incomes over \$30,000.

Distribution of Pell Grants in 2005-2006			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 6,000	196,283	\$617,788,257	\$3,147
\$6,001 - \$ 9,000	118,489	377, 226,636	3,184
\$9,001 - \$20,000	532,022	1,692,311,526	3,181
\$20,001 - \$30,000	581,116	1,578,696,936	2,717
\$30,001 +	691,563	1,189,444,204	1,720
Subtotal - Dependent	2,119,474	5,455,467,558	2,574
Independent	3,045,968	7,236,429,596	2,376
TOTAL	5,165,441	12,691,897,154	2,456

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 Students in 2005-06			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,000	245,264	\$713,468,155	\$2,909
\$1,001 - \$ 3,000	211,546	612,706,893	2,896
\$3,001 - \$ 6,000	361,849	1,035,878,606	2,863
\$6,001 - \$ 9,000	359,753	951,670,314	2,645
\$9,001 - \$15,000	612,502	1,316,695,846	2,150
\$15,001 - \$20,000	315,353	786,937,324	2,495
\$20,001 - \$30,000	531,609	1,226,365,430	2,307
\$30,001 +	408,091	\$592,707,028	1,452
TOTAL	3,045,968	\$7,236,429,596	2,376

STUDENT FINANCIAL ASSISTANCE

Federal Pell grants

Distribution of Pell Grants by Type of Institution:

The table below shows the distribution of Pell Grants to students attending different types of institutions. In 2005-2006, approximately 31 percent of the total aid available for Pell Grants went to students attending Public 4-Year schools, while approximately 34 percent of all Pell Grant recipients attended Public 2-Year schools.

Distribution of Pell Grants by Type of Institution 2005-2006			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	1,596,793	\$3,936,778,111	\$2,465
Public 2-Year	1,789,476	4,288,410,209	2,396
Private	771,035	2,026,111,780	2,628
Proprietary	1,008,137	2,440,597,054	2,421
TOTAL	5,165,441	12,691,897,154	2,456

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Recipients	5,165,377	5,274,349	5,477,881
Aid available to students ¹	\$12,880,787	\$12,954,395	\$15,175,820
Maximum grant (in whole \$)	\$4,050	\$4,050	\$4,600
Minimum grant (in whole \$)	\$400	\$400	\$400
Average grant (in whole \$)	\$2,494	\$2,456	\$2,770

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

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants (Higher Education Act of 1965, Title IV, Part A, Subpart 3)

FY 2008 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Program funds	\$770,591	0	-\$770,591

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. The Administration is not seeking reauthorizing legislation.

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 two-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 2007 fiscal year appropriation will be used for the 2007-2008 award year, which runs from July 1, 2007, through June 30, 2008.

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.

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:

- 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. If funds become available because of under-utilization by institutions, excess funds are reallocated to other institutions in accordance with program regulations. If an institution returns more than 10 percent of its allocation, that institution's allocation is reduced by that same amount the next year.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2003.....	\$760,028
2004.....	770,455
2005.....	778,720
2006.....	775,462 ¹
2007.....	770,591

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).

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

FY 2008 BUDGET REQUEST

Funds in the SEOG program are provided to institutions through an outdated allocation formula that provides fewer resources to public institutions of higher education, which a larger percentage of low-income students attend. In 2005, though nearly 70 percent of Pell Grant recipients enrolled in public institutions, students at these schools received only 46 percent of the SEOG funds.

SEOG awards are not optimally allocated based on a student's financial need. Though institutions are required by statute to 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. Institutions are given the discretion to provide larger SEOG awards to students that do not exhibit the highest need.

Savings from this termination will augment significant increases in need-based aid broadly available to all eligible students, regardless of the institutions they attend. The FY 2008 request is best understood in the context of the Administration's comprehensive reform proposals for the student aid programs. Accordingly, policy proposals are discussed in the **Student Aid Overview** beginning on page N-1.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information 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 the resources and efforts invested by those served by this program. As discussed in the **Student Aid Overview**, the Administration is not requesting funds for the SEOG program, preferring to simplify the Federal student aid system by concentrating grant assistance in the larger, more broadly available Pell Grant program.

Because the programs in the Student Financial Assistance account are designed to work together, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

Follow-up to PART Findings and Recommendations

The SEOG program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." The review found the program to be redundant of the larger Pell Grant program, and PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. Partly in response to these findings, the FY 2008 Budget proposes to eliminate the SEOG program.

STUDENT FINANCIAL ASSISTANCE

Federal supplemental educational opportunity grants

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 2004-2005. In 2004-2005, 65 percent of dependent SEOG recipients had family income levels under \$30,000 and nearly 80 percent of independent SEOG recipients had family income levels under \$20,000.

Distribution of SEOG in 2004-2005			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	53,270	\$46,595,270	\$875
\$6,000 - \$11,999	70,513	59,551,825	845
\$12,001 - \$23,000	198,494	182,952,331	922
\$24,000 - \$29,999	99,020	99,465,938	1,005
\$30,000 +	220,068	236,550,242	1,075
Subtotal – Dependent	641,365	625,115,606	975
Independent	767,287	440,527,861	574
TOTAL	1,408,652	1,065,643,467	756

Distribution of SEOG to Independent Undergraduates in 2004-2005			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	118,971	\$79,875,245	\$671
\$2,000 - \$ 3,999	77,780	48,046,852	618
\$4,000 - \$ 7,999	149,401	89,127,821	597
\$8,000 - \$11,999	105,549	58,613,101	555
\$12,000 - \$15,999	92,244	49,555,399	537
\$16,000 - \$19,999	74,145	38,441,195	518
\$20,000 +	149,197	76,868,248	515
TOTAL	767,287	440,527,861	574

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 following table shows the distribution of SEOG to students attending different types of institutions in 2004-2005.

Distribution of SEOG by Type of Institution 2004-2005			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	401,591	\$333,735,082	\$831
Public 2-Year	352,045	153,845,854	437
Private	347,444	438,262,464	1,261
Proprietary	307,572	139,800,067	455
TOTAL	1,408,652	1,065,643,467	756

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Recipients	1,290,826	1,290,254	0
Aid available to students ¹	\$975,864	\$975,432	0
Average award (whole \$)	\$756	\$756	0

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

STUDENT FINANCIAL ASSISTANCE

Federal work-study

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

FY 2008 Authorization (\$000s): To be determined ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Program funds	\$980,492	\$980,492	0

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. Reauthorizing legislation is sought for FY 2008.

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 two-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 2007 fiscal year appropriation will be used for the 2007-2008 award year, which runs from July 1, 2007 through June 30, 2008.

Institutional participation: Roughly 3,300 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 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 2004-2005, the last year data was collected, over 41,295 Work-Study students were employed as reading tutors.
- Private sector. An institution may use up to 25 percent of its Work-Study allocation to match earnings of students working for private for-profit organizations. Students must, to the maximum extent practicable, be placed in jobs that are academically relevant to their course of study. Work-Study funds may not be used to pay any employee who would otherwise be employed by the private organization.
- Job Location and Development. An institution may use not more than 10 percent or \$50,000 of its Work-Study allocation, for the administrative expenses associated with the establishment or expansion of a Job Location and Development (JLD) program, which locates and develops off-campus full- or part-time jobs or community service jobs for currently enrolled students. The Federal share of the JLD program costs cannot exceed 80 percent.

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.

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.

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.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Funding levels for the past 5 fiscal years were:

	(\$000s)
2003.....	\$1,004,428
2004.....	998,502
2005.....	990,257
2006.....	999,523 ¹
2007.....	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 2008 BUDGET REQUEST

The FY 2008 budget requests \$980.5 million for Work-Study, the same as the FY 2007 level. When combined with institutional contributions, this will provide over \$1.1 billion in aid to 880,000 in award year 2008-2009. A broad discussion of the Administration's overall proposals for the student aid programs is provided in the **Student Aid Overview** beginning on page N-1. The following tables show program information consistent with requested funding levels.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2008 and future years, and the resources and efforts invested by those served by this program.

Because the programs in the Student Financial Assistance account are designed to work together, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

The Work-Study program and the other Campus-Based programs provide institutions with flexibility in developing financial aid packages that best meet the needs of their students. This versatility promotes the SFA programs' objective of providing an appropriate combination of grants, loans, and work-study assistance to enable students from low- and middle-income levels to fulfill their postsecondary education goals.

Work-Study is an important part of the Department's postsecondary access and retention strategy. Furthermore, the program leverages Federal funds, as private employers pay at least 50 percent of a student's Work-Study wages, and public employers pay at least 25 percent (institutions are allowed to use a small portion of their appropriations for administrative costs). Leveraging funds allows more students to derive benefits from a given level of Federal funding.

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Work-Study is a unique form of student financial assistance in that it does not just provide students with funds for college. Work-Study provides students with practical work experience—an opportunity to learn general job-related skills and explore career opportunities. Work-Study recipients learn time-management skills, the importance of planning, how to set priorities, and other skills that are attractive to employers. The Work-Study program encourages institutions to relate Work-Study jobs to students' academic studies. Studies show that the positive impact of work on academic performance increases when work is more closely related to course of study.

Follow-up to PART Findings and Recommendations

The Work-Study program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. The Administration has proposed adjusting this formula to better target aid on the neediest students. The PART also recommended that program-specific performance measures and goals be developed for this program; the Department is examining ways to gather data at the required level of detail needed to inform useful measures. The FY 2008 Budget includes funds under the Institute of Education Sciences to develop student-level data that would support the development of these measures.

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 2004-2005.

Distribution of Work-Study in 2004-2005			
Income Level	Recipients	Available Aid	Average Award
Dependent:			
0 - \$ 5,999	44,424	\$28,270,281	\$636
\$6,000 - \$11,999	25,531	35,237,523	1,380
\$12,001 - \$23,000	75,523	107,127,682	1,418
\$24,000 - \$29,999	49,091	69,270,204	1,411
\$30,000 +	370,205	479,399,099	1,295
Subtotal - Dependent	564,774	719,304,789	1,274
Independent:			
Undergraduate	196,292	237,191,011	1,208
Graduate	49,737	125,529,836	2,524
TOTAL	810,803	1,082,025,636	1,335

STUDENT FINANCIAL ASSISTANCE

Federal work-study

Distribution of Work-Study to Independent Undergraduates in 2004-2005			
Income Level	Recipients	Available Aid	Average Award
0 - \$ 1,999	27,838	\$43,691,252	\$1,569
\$2,000 - \$ 3,999	17,399	28,096,412	1,615
\$4,000 - \$ 7,999	31,752	51,907,873	1,635
\$8,000 - \$11,999	21,266	34,906,856	1,641
\$12,000 - \$15,999	14,481	23,374,325	1,614
\$16,000 - \$19,999	9,969	15,796,771	1,585
\$20,000 +	73,587	39,417,522	536
TOTAL	196,292	237,191,011	1,208

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. The table below shows the distribution of Work-Study to students attending different types of institutions in 2004-2005.

Distribution of Work-Study by Type of Institution 2004-2005			
Institution Type	Recipients	Available Aid	Average Award
Public 4-Year	326,665	\$390,279,933	\$1,195
Public 2-Year	99,857	153,643,987	1,539
Private	360,818	493,739,905	1,368
Proprietary	23,463	44,361,811	1,891
TOTAL	810,803	1,082,025,636	1,335

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.

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 2004-2005.

Distribution of Work-Study to Students in Community Service Activities in 2004-2005			
Type of Institution	Recipients	Available Aid	Average Award
Public 4-Year	48,998	\$74,662,710	\$1,524
Public 2-Year	24,903	28,402,341	1,141
Private	57,937	81,272,828	1,403
Proprietary	3,920	7,810,198	1,992
TOTAL	135,758	192,148,077	1,415

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Recipients	880,000	880,127	880,127
Aid available to students ¹	\$1,174,800	\$1,174,970	\$1,174,970
Average award (whole \$)	\$1,335	\$1,335	\$1,335

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

STUDENT FINANCIAL ASSISTANCE

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

FY 2008 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Federal Perkins loans:			
(a) Capital contributions	0	0	0
(b) Loan cancellations	<u>\$65,471</u>	<u>0</u>	<u>-\$65,471</u>
Total	65,471	0	-65,471

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. The Administration is not seeking reauthorizing legislation.

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 two-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 2007 fiscal year appropriation will be used for the 2007-2008 award year, which runs from July 1, 2007 to June 30, 2008.

Institutional participation: Roughly 1,900 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 three consecutive years. As of June 30, 2005, the latest data available, the FY 2004 national cohort default rate is 8.12 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 \$1.515 million in award year 2005.
- 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. The maximum annual amount a student can borrow under the Perkins Loan program is \$4,000 for undergraduates and \$6,000 for graduate and professional students; \$40,000 for the combination of undergraduate and graduate study; \$20,000 for students who have completed 2 years of undergraduate education, but have not received a bachelor's degree; and \$8,000 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

- Law enforcement/corrections officer service.
- 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>	<u>Loan Cancellations</u>
	(\$000s)	(\$000s)
2003	\$99,350	\$67,061
2004	98,764	66,665
2005	0	66,132
2006	4,731 ¹	65,471
2007	0	65,471

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

FY 2008 BUDGET REQUEST

The 2008 Budget requests no funding for Perkins capital contributions or loan cancellations. Perkins Loans are offered by institutions with a long history of program participation, rather than by institutions that enroll the largest share of financially needy students. In addition to finding the program poorly targeted, the 2004 PART analysis determined that Perkins loans are duplicative of the Federal Direct Loan and FFEL programs. With the number of Perkins Loan institutions declining and with less than 3 percent of students enrolled in postsecondary education receiving Perkins Loans each year, the Administration believes the Federal share of funds held by this small group of institutions would be better invested in higher loan limits in the FFEL and Direct Loan programs, for which students are eligible regardless of the institution they attend.

The FY 2008 request is best understood in the context of the Administration’s comprehensive reform proposals for the student aid programs. Accordingly, policy proposals are discussed in the **Student Aid Overview** beginning on page N-1. The following tables show program information consistent with requested funding levels.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information 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 the resources and efforts invested by those served by this program.

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Because the programs in the Student Financial Assistance account are designed to work together, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

The Perkins Loan program is one of the three campus-based student aid programs that provide institutions with flexibility in developing financial aid packages that best meet the needs of their students. This versatility is intended to promote the SFA programs' objective of providing an appropriate combination of grant, loan, and work-study funds to enable students from low- and middle-income levels to successfully complete their postsecondary education goals. That said, the Perkins Loan program, which distributes roughly \$1 billion in annual aid, is arguably duplicative of the nearly \$50 billion FFEL and Direct Loan programs, particularly in the current interest rate environment.

Follow-up to PART Findings and Recommendations

The Perkins Loan program was reviewed in 2003 as part of the PART process, receiving a rating of "Results Not Demonstrated." The review found the program to be redundant of the larger FFEL and Direct Loan programs, and PART recommendations highlighted drawbacks in the program's allocation formula, which is based in large part on the extent of an institution's historical program participation rather than on the distribution of needy students. Partly in response to these findings, the Budget proposes to eliminate the Perkins Loan program.

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 2004-2005.

Distribution of Perkins in 2004-2005			
Income Level	Recipients	Available Aid	Average Loan
Dependent:			
0 - \$ 5,999	13,780	\$27,501,525	\$1,996
\$6,000 - \$11,999	16,770	33,608,713	2,004
\$12,001 - \$23,000	59,583	118,883,295	1,995
\$24,000 - \$29,999	42,961	84,816,250	1,974
\$30,000 +	348,555	683,435,201	1,961
Subtotal Dependent	481,649	948,244,984	1,969
Independent:			
Undergraduate	153,616	300,631,331	1,957
Graduate	113,470	402,884,453	3,551
TOTAL	748,735	1,651,760,768	2,206

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

Distribution of Perkins to Independent Undergraduates in 2004-2005				
Income Level	Recipients	Available Aid	Average Loan	
0 - \$ 1,999	23,014	\$46,253,649	\$2,010	
\$2,000 - \$ 3,999	12,782	24,932,836	1,951	
\$4,000 - \$ 7,999	26,553	51,951,314	1,957	
\$8,000 - \$11,999	20,902	39,875,245	1,908	
\$12,000 - \$15,999	16,471	31,986,937	1,942	
\$16,000 - \$19,999	11,913	23,508,534	1,973	
\$20,000 +	41,981	82,122,816	1,956	
TOTAL	153,616	300,631,331	1,957	

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.

The table below illustrates the sector distribution of Perkins loans to students in 2004-2005.

Distribution of Perkins by Type of Institution 2004-2005			
Institution Type	Recipients	Available Aid	Average Loan
Public 4-Year	359,438	\$743,449,617	\$2,068
Public 2-Year	10,399	18,386,027	1,768
Private	353,149	840,497,558	2,380
Proprietary	25,749	49,427,566	1,920
TOTAL	748,735	1,651,760,768	2,206

STUDENT FINANCIAL ASSISTANCE

Federal Perkins loans

PROGRAM OUTPUT MEASURES (\$000s)

	<u>2006</u>	<u>2007</u>	<u>2008</u>
New loan recipients	514,385	500,679	0
Loan volume ¹ (\$000s)	\$1,134,733	\$1,104,497	0
Average loan (whole \$)	\$2,206	\$2,206	0

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

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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

FY 2008 Authorization (\$000s): 0 ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
Program funds	\$64,468 ²	0	-\$64,468

¹ The Higher Education Act expires June 30, 2007. This program is expected to be authorized in FY 2007 through appropriations language. The Administration is not seeking reauthorizing legislation.

² Includes \$34.5 million for Special LEAP 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.

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 two-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 2007 fiscal year appropriation will be used for the 2007-2008 award year, which runs from July 1, 2007 through June 30, 2008.

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

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

institution less than full-time, a “reasonable proportion” of the State’s allocation must be made available to such students.

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: When the appropriation for LEAP exceeds \$30 million in any fiscal year, the excess is reserved for Special LEAP. 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.

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

STUDENT FINANCIAL ASSISTANCE

Leveraging educational assistance partnership

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.

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

	(\$000s)
2003	\$66,565
2004	66,172
2005	65,643
2006	64,987
2007	64,468

Note—Prior to 1999, the program was authorized as the State Student Incentive Grant (SSIG) program. Amounts include \$36.6 million in 2003, \$36.2 million in 2004, \$35.6 million in 2005, \$35.0 million in 2006, and \$34.5 million for 2007 for Special LEAP, 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.

FY 2008 BUDGET REQUEST

The Administration requests no funding for the LEAP program. This request, which continues Administration policy for the last 6 years, reflects PART findings that the program is clearly duplicative, given the existence of multiple Federal, State, institutional, and private student financial assistance programs which together provide over \$1 billion in annual aid to students. The FY 2008 request is best understood in the context of the Administration's comprehensive reform proposals for the student aid programs. Accordingly, policy proposals are discussed in the **Student Aid Overview** beginning on page N-1.

PROGRAM PERFORMANCE INFORMATION

This section presents selected program performance information 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 the resources and efforts invested by those served by this program. As discussed in the **Student Aid Overview**, the Administration is not requesting funds for the LEAP program, since the PART process has long noted structural problems with the LEAP program that limit its effectiveness in encouraging all States to expand their investment in need-based student aid and the Administration prefers to simplify the Federal student aid system by concentrating grant assistance in the larger, more broadly available Pell Grant program.

Because the programs in the Student Financial Assistance account are designed to work together, performance measures and strategies that apply to all of the programs are discussed in the Summary of Request and are not repeated here.

STUDENT FINANCIAL ASSISTANCE

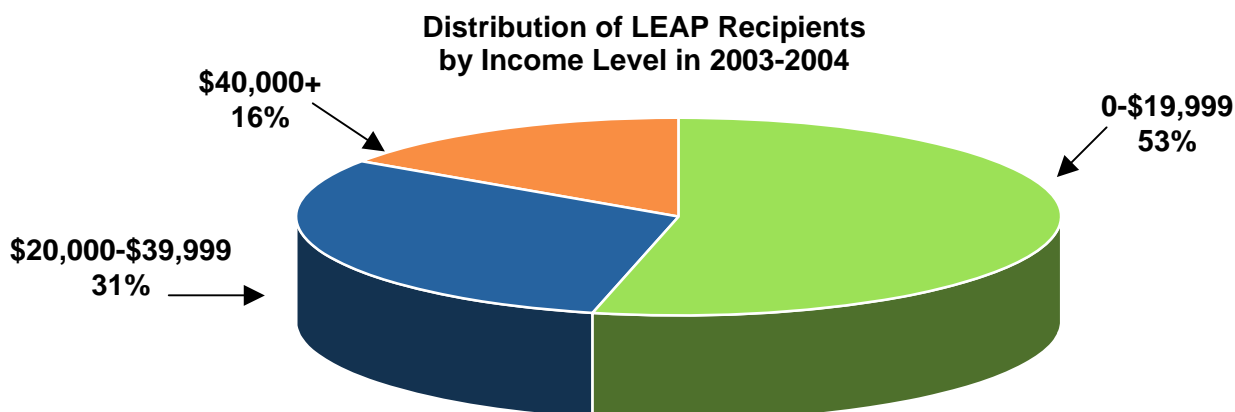
Leveraging educational assistance partnership

Follow-up to PART Findings and Recommendations

The LEAP program was reviewed in 2003 as part of the PART process, receiving a rating of “Results Not Demonstrated.” The review found the program to be duplicative of other Federal, State, and local student aid programs. Partly in response to these findings, the FY 2008 Budget proposes to eliminate the LEAP program.

Distribution of LEAP Recipients By Income Level:

As the chart below illustrates, LEAP-supported grant programs serve the neediest students. Over half of Federal LEAP funds leverage financing of awards for students with a family income under \$20,000 a year. LEAP funding utilized for work-study programs finances almost 5,000 community service work-study positions. The chart below shows the percentage of total LEAP recipients by income level in 2003-2004.



PROGRAM OUTPUT MEASURES (\$000s)

	<u>2006</u> ¹	<u>2007</u>	<u>2008</u>
Recipients	164,960	164,960	0
Aid available to students ²	\$164,960	\$164,960	0
Maximum grant (whole \$)	\$5,000	\$5,000	0
Average grant (whole \$)	\$1,000	\$1,000	0

¹ Estimate assumes 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

State or Other Area	2006 Actual	2007 Estimate	2008 Estimate	Change from 2007 Estimate
Alabama	449,887	446,294	0	(446,294)
Alaska	128,872	127,843	0	(127,843)
Arizona	516,525	512,400	0	(512,400)
Arkansas	191,201	189,674	0	(189,674)
California	10,712,191	10,626,643	0	(10,626,643)
Colorado	894,348	887,206	0	(887,206)
Connecticut	899,329	892,147	0	(892,147)
Delaware	207,000	205,347	0	(205,347)
District of Columbia	587,543	582,851	0	(582,851)
Florida	2,049,846	2,033,476	0	(2,033,476)
Georgia	526,880	522,673	0	(522,673)
Hawaii	124,237	123,244	0	(123,244)
Idaho	152,025	150,811	0	(150,811)
Illinois	3,656,753	3,627,550	0	(3,627,550)
Indiana	1,627,720	1,614,721	0	(1,614,721)
Iowa	326,195	323,590	0	(323,590)
Kansas	840,423	833,711	0	(833,711)
Kentucky	994,060	986,122	0	(986,122)
Louisiana	430,488	427,051	0	(427,051)
Maine	234,750	232,875	0	(232,875)
Maryland	553,374	548,954	0	(548,954)
Massachusetts	975,541	967,750	0	(967,750)
Michigan	1,254,112	1,244,097	0	(1,244,097)
Minnesota	1,266,606	1,256,491	0	(1,256,491)
Mississippi	255,921	253,878	0	(253,878)
Missouri	597,525	592,754	0	(592,754)
Montana	224,390	222,598	0	(222,598)
Nebraska	583,553	578,892	0	(578,892)
Nevada	151,475	150,265	0	(150,265)
New Hampshire	283,724	281,458	0	(281,458)
New Jersey	2,134,610	2,117,563	0	(2,117,563)
New Mexico	413,178	409,878	0	(409,878)
New York	6,879,868	6,824,925	0	(6,824,925)
North Carolina	1,516,072	1,503,964	0	(1,503,964)
North Dakota	81,278	80,629	0	(80,629)
Ohio	3,226,910	3,201,139	0	(3,201,139)
Oklahoma	881,961	874,917	0	(874,917)
Oregon	1,045,481	1,037,132	0	(1,037,132)
Pennsylvania	3,577,033	3,548,467	0	(3,548,467)
Rhode Island	361,807	358,918	0	(358,918)
South Carolina	708,536	702,878	0	(702,878)
South Dakota	0	0	0	0
Tennessee	1,317,899	1,307,374	0	(1,307,374)
Texas	4,439,845	4,404,389	0	(4,404,389)
Utah	599,552	594,764	0	(594,764)
Vermont	204,419	202,787	0	(202,787)
Virginia	1,733,490	1,719,646	0	(1,719,646)
Washington	1,846,804	1,832,056	0	(1,832,056)
West Virginia	591,132	586,411	0	(586,411)
Wisconsin	1,365,902	1,354,994	0	(1,354,994)
Wyoming	50,713	50,308	0	(50,308)
American Samoa	5,813	5,767	0	(5,767)
Guam	20,792	20,626	0	(20,626)
Northern Mariana Islands	994	986	0	(986)
Puerto Rico	271,231	269,064	0	(269,064)
Virgin Islands	14,755	14,638	0	(14,638)
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	0	0	0	0
Total	64,986,569	64,467,586	0	(64,467,586)