Archived Information

Department of Education

STUDENT AID ADMINISTRATION

Fiscal Year 2008 Budget Request

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STUDENT AID ADMINISTRATION

For Federal administrative expenses to carry out part D of title I, and subparts 1, 3, and 4 of part A, and parts B, C, D and E of title IV of the Higher Education Act of 1965, as amended, $708,216,000, which shall remain available until expended. [1]

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 Analysis of Language Provisions and Changes document which follows the appropriation language.

STUDENT AID ADMINISTRATION

Analysis of Language Provisions and Changes

Language Provision	Explanation
[1]…which shall remain available until expended.	This language extends the availability of funds provided under the account until expended, consistent with the treatment of mandatory administrative funds prior to the Higher Education Reconciliation Act of 2005.

STUDENT AID ADMINISTRATION

Amounts Available for Obligation
($000s)

	2006	2007	2008
Discretionary appropriation:			
Appropriation	$120,000	0	$708,216
Across-the-board reduction	-1,200	0	0
CR Annual Rate	0	$718,483	0
Subtotal, discretionary appropriation	118,800	718,483	708,216
Unobligated balance expiring..................	-65	0	0
Mandatory appropriation:			
Comparative transfer from:			
William D. Ford Direct Student Loan Program, Program Account	600,000	0	0
Subtotal, comparable budget authority	718,735	718,483	708,216
Comparative transfers:			
Unobligated balance, start of year from William D. Ford Federal Direct Loan Program, Program Account	26,659	0	0
Recovery of prior-year obligations from William D. Ford Federal Direct Loan Program, Program Account	9,017	0	0
Unobligated balance, end of year from William D. Ford Federal Direct Loan Program, Program Account	-27,814	0	0
Total, direct obligations	726,597	718,483	708,216

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Obligations by Object Classification
($000s)

	Object Class	2006	2007	2008	CHANGE FROM 2007 to 2008
11.10	Full-time permanent	90,428	104,023	108,041	4,018
11.31	Full-time temporary	3,369	0	0	0
11.32	Part-time	671	0	0	0
11.33	Consultants	142	0	0	0
11.51	Overtime	72	75	75	0
11.52	Awards	2,201	2,420	2,420	0
11.80	Other Compensation	0	0	0	0
	Compensation subtotal	96,883	106,518	110,536	4,018
12.00	Benefits	25,048	27,525	28,812	1,287
13.10	Benefits for former personnel	120	0	0	0
	Comp/benefits subtotal	122,051	134,043	139,348	5,305
21.00	Travel	3,292	3,885	3,853	(32)
22.00	Transportation of things	169	0	0	0
23.10	Rental Payments to GSA	12,332	14,504	14,430	(74)
23.31	Communications	7,754	7,018	6,896	(122)
23.32	Postage/fees	323	450	464	14
	Subtotal 23	20,409	21,972	21,790	(182)
24.00	Printing & Reproduction	7,408	7,209	7,569	360
25.10	Advisory and Assistance Svcs	5,546	2,545	2,570	25
25.21	Other Services	19,166	31,014	33,511	2,497
25.22	Training/Tuition/Contracts	2,885	4,040	3,679	(361)
25.23	Field Readers	0	0	0	0
25.30	Goods/Services from Gov't	14,298	12,805	12,068	(737)
25.40	Operations/Maint of Facilities	1	180	200	20
25.50	Research & Development	0	0	0	0
25.71	Operations/Maint of Equipment	406	149	146	(3)
25.72	IT Services/Contracts	518,718	496,923	480,670	(16,253)
	Subtotal 25	561,020	547,656	532,844	(14,812)
26.00	Supplies	656	634	637	3
31.10	IT Equipment/Software	8,490	778	758	(20)
31.30	Other Equipment	500	725	330	(395)
	Subtotal 31	8,990	1,503	1,088	(415)
32.00	Building Alterations	2,548	1,581	1,087	(494)
41.10	Grants	0	0	0	0
41.23B	Admin Expense Allowance	0	0	0	0
43.10	Interest and Dividends	54	0	0	0
	Total	726,597	718,483	708,216	(10,267)

STUDENT AID ADMINISTRATION

Summary of Changes
($000s)

2007..	$718,483
2008..	708,216
Net change..................................	-10,267

	2007 base	Change from base
Increases:		
Built-in:		
Increase in personnel compensation primarily for the proposed 2.2 percent FY 2007 and FY 2008 pay increases, and two additional paid days in 2008	$104,023	+$4,018
Increase in benefits for the Department's share of health, retirement, and other benefits	27,525	+1,287
Program:		
Increase in other services due to higher costs of mail fulfillment, external communications and outreach	31,014	+2,497
Increase in printing due to outreach efforts, and to support for accessibility to education goal	7,209	+360
Increase in advisory and assistance for contract specialist support	2,545	+25
Increase in operations/maintenance of facilities	180	+20
Increase in postage	450	+14
Increase in supplies	634	+3
Subtotal, increases		+8,224

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Summary of Changes--Continued
($000s)

	2007 base	Change from base
Decreases:		
Program:		
Decrease in information technology services due to reduced development costs associated with modernization	$469,923	-$16,253
Decrease in goods and services from Government due to reduced need for external human capital support in FSA	12,805	-737
Decrease in building alterations due to completion of planned improvements in Headquarters and regional office space	1,581	-494
Decrease in other equipment due to implementation of phased procurement plan	725	-395
Decrease in training	4,040	-361
Decrease in communications due to reduced local and long distance rates	7,018	-122
Decrease in rent	14,504	-74
Decrease in travel due to additional program oversight and training activities	3,885	-32
Decrease in information technology equipment/ software due to need to replace equipment	$778	-20
Decrease in operations/maintenance of equipment	149	-3
Subtotal, decreases		-18,491
Net change		-10,267

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Authorizing Legislation
($000s)

Activity	2007 Authorized	2007 Estimate	2008 Authorized	2008 Request
Student aid administration *(Higher Education Act of 1965, section 141(j))*	Indefinite	$718,483	Indefinite [1]	$708,216
Total definite authorization				
Total appropriation		718,483	0	708,216

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

STUDENT AID ADMINISTRATION

Appropriations History
($000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2003	$936,386	$105,388	$105,388	$104,703
2004	947,010	120,010	104,703	116,727
2005	934,639	120,247	121,000	119,084
2006	939,285	124,084	120,000	118,800
2007	733,720			718,483[1]
2008	708,216			

[1] 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.

Student aid administration
   (Higher Education Act of 1965, section 141(j))

FY 2008 Authorization ($000s): Indefinite [1]

Budget authority ($000s):

	2007	2008	Change
Personnel costs	$134,043	$139,348	+$5,305
Non-personnel costs [2]	584,440	568,868	-15,572
Total	718,483	708,216	-10,267
FTE employees	1,132	1,132	0

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

[2] Does not include payments for FFEL guaranty agency account maintenance fees, which are discussed in the **Student Loans Overview** beginning on page Q-1. The HERA reclassifed these payments, previously funded from this account, as FFEL subsidy costs beginning in FY 2007.

PROGRAM DESCRIPTION

In FY 2008 the Department of Education will provide over $90 billion in Federal student aid grants and loans to over 11 million students, parents, and consolidation loan borrowers. In awarding this aid, the Department and its contractors will interact on a daily basis with over 6,000 schools, 3,200 lenders, 35 guaranty agencies, and dozens of accrediting agencies, participants in the secondary market for student loans, and other organizations. Primary responsibility for administering the Federal student financial assistance programs rests with the Office of Postsecondary Education (OPE) and Federal Student Aid (FSA).

OPE is responsible for formulating policy for the student financial assistance programs and administering other Federal postsecondary education programs. In addition, a number of other Department offices—such as the Office of Management; Policy, Evaluation, and Policy Development; Secretary; General Counsel; Chief Information Officer; and Chief Financial Officer—also contribute to the administration of the postsecondary education programs.

The Higher Education Amendments of 1998 established FSA as the Federal Government's first performance-based organization to improve service to students, parents, schools, and other program participants; to reduce student aid program administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems.

Prior to the Higher Education Reconciliation Act of 2005 (HERA), funding to support student aid administrative activities was provided through two main sources: 1) mandatory funds appropriated under Section 458 of the Higher Education Act (HEA), and 2) a discretionary

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Student Aid Administration appropriation. The HERA merged these two sources
into a single discretionary account, beginning in FY 2007. The HERA also reclassified account
maintenance fees to FFEL guaranty agencies, previously paid through the mandatory Section
458 account, as FFEL costs. Accordingly, these fees are discussed in the **Student Loans
Overview**, beginning on page Q-1.

Department staff and contractors supported by this account focus on five major activities, each
of which is fundamental to the smooth operation and fiscal security of the Federal student aid
programs.

- **Aid Application.** The Department processes approximately 14 million applications for
  Federal student aid each year. Activities in this area, which currently involve multiple
  systems, are being integrated along with other, related business processes as part of the
  ADvance project, discussed in more detail below.

- **Origination and Disbursement.** This process, which will support over $32.7 billion in
  new grant and Direct Loan funds and an additional $4.9 billion in Direct Consolidation
  Loans in FY 2008, includes the Direct Loan origination system, the Pell Grant and
  campus-based systems, and supporting staff costs, as well as systems and staff
  supporting the disbursement of interest, default, and other non-administrative payments
  to FFEL lenders and guaranty agencies. These systems are also being integrated as
  part of the ADvance initiative.

- **Direct Loan Servicing.** The Direct Loan portfolio is currently $97 billion, with over 17
  million student and parent loans outstanding; these numbers are expected to grow to
  $109 billion and 19 million accounts by the end of 2008. Servicing these loans is the
  Department's largest single administrative cost. These activities, along with defaulted
  loan collection, are being integrated into a single, more efficient system under the
  Common Services for Borrowers initiative.

- **Defaulted Loan Collection.** The Department currently works with private collection
  contractors to collect a portfolio of over $15 billion defaulted FFEL and Direct Loans.
  Activities include the Stafford/Perkins Data System contract, interagency agreements
  supporting skip-tracing and other collection tools, and associated staff costs.

- **Program Eligibility.** The Department is responsible for certifying that over 6,000
  schools meet the statutory eligibility requirements to participate in the Federal student
  aid programs. This process, which is integral to safeguarding the Government's
  investment in student aid, involves over 350 Department staff and associated contract,
  travel, and other support costs.

FY 2008 BUDGET REQUEST

The Administration requests $708.2 million to administer the Federal student aid programs in FY 2008, $10.3 million—or 1.4 percent—less than the 2007 level. This request reflects the enactment of the Higher Education Reconciliation Act of 2005 (HERA), which consolidated in a discretionary account funds previously made available from both discretionary and mandatory sources. There are no additional funds available from mandatory funding from Section 458 of the Higher Education Act Amendments of 1998 as of the start of FY 2007.

The greatest portion of the funds requested support Federal Student Aid's business operations. Business operations comprise 58 percent, or $327.8 million, of the total non-personnel request. Of that total, 58 percent will fund borrower services, primarily in the form of the continued operation and enhancement of the Common Services for Borrowers contract, and 38 percent will fund applications operations and delivery services, mostly for operation and enhancement of student financial aid application, origination, and disbursement contracts. The remainder of the business operations funds will support financial partner services.

The Department has made progress on developing a true activity-based cost model for administration of the student aid programs. Currently, the model is able to allocate student aid administration expenses to specific business processes and student aid programs, allowing the Department to determine the cost of individual activities or programs and facilitating efforts to set cost reduction targets and to compare actual performance to budget targets. The Department is still working to utilize the activity-based cost model for purposes of cost projections.

Funding for Basic Operations

The following table divides student aid operating costs for FY 2007 and FY 2008 into major spending categories.

Student Aid Administration – Spending by Activity
(in millions of dollars)

	FY 2007		FY 2008	
	Request	Percent of Total	Request	Percent of Total
Information Technology Contracts	$496.9	69.2%	$480.7	67.9%
Personnel Compensation & Benefits	134.0	18.6%	139.3	19.7%
Other Activities	87.6	12.2%	88.2	12.4%
Total SAA	718.5	100.0%	708.2	100.0%

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Information Technology Contracts The Administration requests $480.7 million in FY 2008, or 67.9 percent of overall student aid administration costs, for private-sector contracts to process applications for student aid and payments to students, schools, guaranty agencies, and lenders; and to originate and service Direct loans; and to collect defaulted loans. Within the Department, these contracts are administered by Federal Student Aid (FSA). Over the past several years, the Department has made significant investments in technological enhancements to accommodate continued workload increases within current budget constraints.

Personnel Compensation and Benefits The Administration requests $139.3 million in FY 2008 for personnel compensation and benefits related to student aid administration. This is an increase of $5.3 million over FY 2007. The Administration's request would provide funding for 1,132 FTE, no change from FY 2007.   Personnel compensation and benefits account for 19.7 percent of the Administration's total SAA request in FY 2008. The increase in pay from FY 2007 will support built-in cost factors such as the proposed 3.0 percent pay increase in 2008, two additional pay days in 2008, and growth in the Federal cost of employee benefits.

Other Activities These activities include non-information technology contracts, interagency agreements, travel, training, postage, supplies, and equipment. The request includes $88.2 million for these activities. This category of spending comprises 12.5 percent of the total request in FY 2008.

Non-Personnel Request by FSA Operational Area

Of the total for non-personnel costs of $568.9 million, $503.0 is directly attributable to FSA. The balance of non-personnel spending is allocated to departmental offices outside of FSA that also provide valuable support for student financial assistance programs. More detail on non-FSA support activities is provided on page Y-22.

The following section provides an accounting of both funding level and the percentage share of non-personnel spending in FSA by operational area. The narrative section for each operational area includes the major projects and their funding levels for the area. The additional spending that makes up the total spending for each area will support smaller contracts, travel, training, supplies, and equipment.

FSA FY 2008 Non-Personnel Operational Areas
(in millions of dollars)

I. Chief Operating Officer	$5.6
II. Business Operations	327.8
III. Program Compliance	12.5
IV. Student Aid Awareness and Applicant Services	19.1
V. Chief Information Officer	116.5
VI. Chief Financial Officer	10.0
VII. Enterprise Performance Management Services	6.2
VIII. Communications and Administration	5.3
Total	503.0

FY 2008 Functional Areas

- Communication and Administration 1%
- Enterprise Performance Management 1%
- Chief Financial Officer 2%
- Chief Information Officer 23%
- Chief Operating Officer 1%
- Student Aid Awareness and Applicant Svs 4%
- Program Compliance 2%
- Business Operations 66%
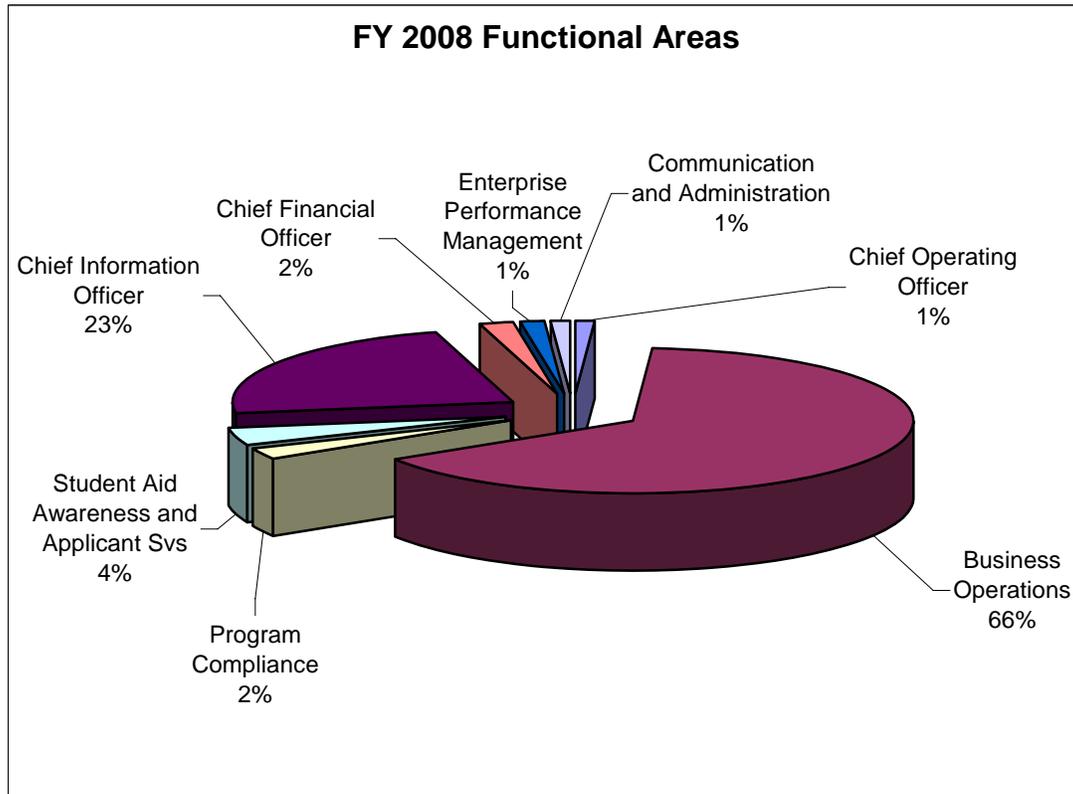
I. CHIEF OPERATING OFFICER - $5.6 million

The Office of the Chief Operating Officer (COO) has the primary responsibility to manage Federal Student Aid as a performance-based organization. The majority of the FY 2008 request for this operational area—$5.0 million—will be used to implement future changes to the Higher Education Act and enactment of budget proposals.

II. BUSINESS OPERATIONS - $327.8 million

Business Operations is responsible for serving the needs of student aid recipients and schools in the form of origination, disbursement, and servicing of student aid comprised of Federal Student Loan applications, Pell Grants, Campus-Based, and Direct Loans. The office also oversees the collection of defaulted loans that have been subrogated to the Department.

Business Operations is comprised of three sub-organizations: Application Operations and Delivery Services, Financial Partners Services, and Borrower Services.

FY 2008 FSA Business Operations

Borrower Services
59%

Application
Operations and
Delivery Services
38%

Financial Partners
3%
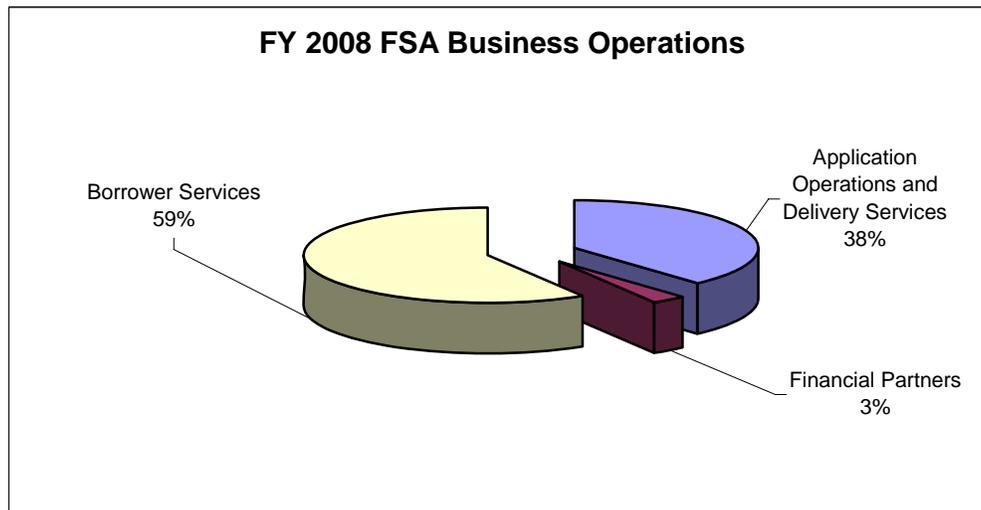
Application Operations & Delivery Services – $126.0 million

Application Operations & Delivery Services is responsible for managing the operations and information technology systems that deliver Title IV aid to students and schools. The FY 2008 request will support ADvance, Common Origination and Disbursement, and the Campus-Based system contracts. Non-Federal training is also included in this function.

ADvance Operations - $64.6 million
ADvance operations include the continued management of several legacy systems: Central Processing System (CPS), the Federal Student Aid Information Center (FSAIC), and the Editorial Services Contract (ESC).

CPS provides a centralized system for processing applications for students seeking Federal financial aid from Title IV programs. CPS processes each submitted Free Application for Federal Student Aid (FAFSA) through a series of data checks, formula calculation, and verification checks of databases with other Federal agencies. The widespread acceptance of *FAFSA on the Web* as the preferred method of applying for Federal student aid has substantially increased the efficiency and accuracy with which applications are processed. Moreover, the consequent migration from paper-based to electronic applications inspired by the introduction of *FAFSA on the Web* now saves the Department approximately $23 million annually in processing costs and over $4 million in annual printing and postage costs.

Federal Student Aid provides customer service through its large information centers operated under the FSAIC and ESC. These centers respond to 8.5 million inquiries annually from students, parents, and financial aid professionals concerning Title IV programs.

Recent contract negotiations resulted in savings of approximately $30 million in operating costs over the next 4 years. Information on ADvance development funding is provided later under V. CHIEF INFORMATION OFFICER, page Y-18.

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Common Origination and Disbursement - $53.2 million
The Common Origination and Disbursement (COD) system enables over 6,000 Title IV eligible institutions of higher education to originate and disburse almost $33 billion of Title IV Federal financial aid funds. These funds are then disbursed to approximately 6 million eligible students/recipients each award year under the Federal Pell Grant Program and the Federal Direct Student Loan Program. In addition, the COD system also provides Web-enabled direct loan electronic promissory note capability and a direct loan bulk promissory note and publication fulfillment center.

Campus-Based System- $4.0 million
The Work-Study, Supplemental Educational Opportunity Grant, and Perkins Loan programs are collectively referred to as the "Campus-Based" programs. Grants in these programs are made directly to participating institutions, which have considerable flexibility to package awards to best meet the needs of their students. Requested funding supports the system that processes applications for Campus-Based funds, calculates award amounts, and distributes funding to the institutions. FY 2008 funds will also support the required transition/integration to ADvance, Integrated Partner Management (IPM), and Federal Student Aid's Enterprise Analytics.

Non-Federal Training - $1.9 million
Training for external customers includes tutorials for financial aid personnel on the use of Federal Student Aid EDExpress software to process financial aid with the Department and an interactive video-conference system providing schools with an overview of changes to Federal Student Aid delivery systems.

<u>Financial Partners Services</u> - $10.3 million

Financial Partners Services works with lenders and guaranty agencies to ensure their payments are timely and accurate, and to develop and implement policies and procedures for the Federal Family Education Loan Program. Financial Partners Services is also responsible for providing support and communications to State education agencies to ensure a network of effective and satisfied State agency partners.

Of the total FY 2008 funding request, $8.3 million will support the congressionally mandated National Student Loan Data System (NSLDS). Funds are also needed to support the Data Mart operations.

National Student Loan Data System - $8.3 million
Congress mandated the creation of the NSLDS in the Higher Education Act of 1986, and required the system to include information regarding Title IV aid. The requirements include capturing the number of loans made, insured, or guaranteed; grants; and providing for the electronic exchange of data between program participants and the system. Information concerning the characteristics of borrowers and the extent of student loan indebtedness on a statistically valid sample of borrowers is also collected for research, budget formulation, and policy analysis. NSLDS is used to calculate cohort default rates, prevent fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, and calculate statutory guaranty agency payments.

Data Mart Operations - $.5 million
FY 2008 funding for Data Mart Operations will provide Federal staff and program participants with on-line, integrated, and timely information and decision support capabilities in the areas of risk management, customer relationship management, compliance management, and portfolio management. These funds will also support the interface with the Virtual Data Center partners for information shared through file transfer processes.

Borrower Services - $191.5 million

Borrower Services is responsible for servicing loans to Federal student borrowers. This responsibility includes account maintenance, payment processing, loan consolidation, entitlement processing, default collection activity, providing quality customer service, and designing cost-effective operational alternatives. Of the total FY 2008 funding for this operational area, $188.5 million supports Common Services for Borrowers and various interagency agreements primarily used for matching and hearings services related to collection activity for defaulted loans.

Common Services for Borrowers - $188.5 million
Federal Student Aid initiated re-engineering of the core business processes associated with the post-enrollment period of student aid in the Common Servicing for Borrowers (CSB) solution, consolidating into a single, integrated system the Direct Loan Servicing System, Debt Management and Collection System, Direct Loan Consolidation System, and Conditional Disability Discharge Tracking System.

CSB's projected savings are still estimated to be approximately $1 billion over the potential 10-year period of the contract, servicing loans to over 9.2 million borrowers. This $1 billion projection is the difference between the cost of the current CSB contract and what the legacy contracts were projected to have cost for the same period.

III. PROGRAM COMPLIANCE - $12.5 million

The Program Compliance office is responsible for providing integrated oversight and management improvement services to institutions; managing systems and operations used to determine eligibility; and conducting program and financial reviews of schools, guarantee agencies, and FFEL lenders, and related agencies or organizations.

The Program Compliance office is divided into three sub-organizations: School Eligibility, Financial Partner Eligibility and Oversight, and Integrated Partner Management.

The majority of the funds requested for Program Compliance will support the electronic collection of financial statements of compliance audits from schools, and Federal Student Aid's management information repository for all entities associated with Title IV. The request will also support the final phase of the Integrated Partner Management solution.

Integrated Partner Management System - $6.5 million
Funding for this initiative will support Phase II development and implementation of IPM, operations and maintenance for the implemented Phase I development, and Independent Verification and Validation requirements contracts.

IPM will provide improved eligibility, enrollment, and oversight processes used to manage partner entities (i.e., schools, school servicers, lenders, lender servicers, guarantee agencies, private collection agencies, State agencies, Federal agencies, accrediting agencies, auditors, and owners) as they administer Title IV financial aid for students.

EZ-Audit - $2 million
The 6,100 institutions participating in the Title IV programs are required to submit annual financial statements and/or compliance audits to the Department. Federal Student Aid reviews audits and financial statements to assess compliance and financial responsibility in accordance with Department regulations. EZ-Audit is a web-based application that provides a single electronic point of submission for financial statements and compliance audits from schools -- and facilitates the processing of these through the Schools Eligibility Channel (SEC). The goals of EZ-Audit are to: identify instantly if there is a problem with an incoming report, route the identified problem reports to a School Participation Team in the shortest possible time frame for action, and create an electronic environment that facilitates the SEC resolution process using technology.

Postsecondary Education Participants System (PEPS) - $1.3 million
PEPS is Federal Student Aid's management information repository for all institutions associated with Title IV programs. PEPS maintains eligibility data for schools, lenders, guarantors, and servicers. This enables Program Compliance and Financial Partners to resolve issues pertaining to eligibility and compliance with Department policy and procedures. In addition, PEPS provides various data feeds to Federal Student Aid's Delivery Systems to ensure consistency of Title IV eligibility data across the enterprise.

IV. STUDENT AID AWARENESS & APPLICANT SERVICES - $19.1 million

This operational area serves to ensure that students and their families are aware of, have access to, and have applied for postsecondary financial assistance. Of the total FY 2008 request, $17.4 million will support the implementation of Federal Student Aid's communication strategy and the development, production, and delivery of millions of applications and publications.

Communication Strategy - $3.6 million
The Communications Strategy seeks to help all Americans understand the benefits of postsecondary education, raise awareness of Federal financial assistance programs, and improve the consistency of all the Department's print and electronic communications.

Federal Student Aid's communications strategy has begun to demonstrate results, establishing a common look and feel across 12 web sites and 23 publications. In

addition, Federal Student Aid is beginning production of television, radio, print, and Web-based public service announcements to promote awareness of the benefits of postsecondary education and encourage eligible individuals to take action. FY 2008 funding will build on the momentum created in FY 2007. Plans are to continue the production and distribution of new television, radio, print, and web public service announcements.

Printing - $7.6 million
Publications and materials printed by Federal Student Aid promote the Department's mission of equal access to education. Through Federal Student Aid's "Start Here. Go Further." campaign, the measure of success is the continued availability and distribution of printed materials to students and schools, so that students, parents and the general public know that Federal student aid information is free and broadly available.

EDPubs - $6.3 million
EDPubs distributes printed materials to the Department's student financial aid customers. With an increased outreach campaign, the EDPubs distribution list has nearly doubled since FY 2006—from 48,000 to 84,000.

V. CHIEF INFORMATION OFFICER - $116.5 million

The Chief Information Officer (CIO) is responsible for promoting the effective use of technology to achieve Federal Student Aid's strategic objectives through sound technology planning and investments, integrated technology architectures and standards, effective systems development, and production support. In addition, the CIO also manages the integration of all business process re-engineering and systems implementations across the enterprise to ensure that the developed and deployed capabilities align with the enterprise business architecture and meet Federal Student Aid's performance goals. Funds requested for CIO are divided evenly between the office's two principal responsibilities: Information Framework and Architecture and Enterprise Integration.

Information Framework and Architecture - $48.9 million
CIO projects that support the office's responsibility for Information Framework and Architecture include the Virtual Data Center, Integrated Technical Architecture/Enterprise Application Integration (ITA/EAI) and Security Architecture.

Virtual Data Center - $39.4 million
The Virtual Data Center (VDC) provides a single computing environment for hosting the systems that support the Title IV programs. Users of the VDC include students and parents, schools, third party servicers, guaranty agencies, State agencies, lenders, and financial aid administrators who need access to Federal Student Aid's federally mandated systems and Title IV services. Continued funding of the VDC will mean continued high quality technical and operational support of the infrastructure and systems where the Title IV delivery applications reside.

Integrated Technical Architecture/Enterprise Application Integration (ITA/EAI) - $5.5 million

The ITA/EAI initiative provides vital enterprise architecture and infrastructure technologies and associated technical support. ITA/EAI supports a total of 32 systems and applications used by Federal Student Aid, students and parents, schools, third party servicers, guaranty agencies, State agencies, lenders, financial aid administrators, and others stakeholders associated with the delivery of Federal student financial aid, with new systems and applications migrating to ITA/EAI architecture every year.

ITA comprises three core architecture domains: internet, integration, and infrastructure. This project promotes efficiency and performance during developmental efforts, providing application maintenance and production support for products rolled-out under the ITA, and upgrading ITA products identified by Enterprise Architecture Management and approved by Architecture Working Group.

EAI architecture addresses the Federal Student Aid Business Channels' needs to access common data and business processes across disparate systems. The technical services provided by the EAI architecture support students, schools, and financial partners by enabling Federal Student Aid systems to exchange information via common, reusable methods.

The FY 2008 budget includes an increase for transition to an upgraded infrastructure developed as part of our Enterprise Data Strategy. This is estimated to be a one-time cost for parallel hosting of the current and upgraded infrastructure. The long-term costs of the enhanced infrastructure will be lower than the costs for the current environment.

Security Architecture - $2 million

Security Architecture provides tools, technologies, and protocols to ensure secure operation of Title IV systems. This project includes the procurement, configuration, connectivity testing, application integration, and maintenance and production support of the tools, both hardware and software, that constitute the security architecture. These authentication and authorization tools enable Federal Student Aid to control user access to protected information, web-based applications and e-business infrastructure.

Enterprise Integration - $50.0 million

The 1998 reauthorization of the Higher Education Act that led to the establishment of Federal Student Aid as a Performance-Based Organization defined three principal goals with respect to integration of Federal Student Aid's systems: to integrate the information systems supporting the Federal student financial assistance programs; to implement an open, common, integrated system for the delivery of student financial assistance under Title IV; and to develop and maintain a student financial assistance system that contains complete, accurate, and timely data to ensure program integrity.

Federal Student Aid has been actively working to integrate its business operations and systems since 1999. To date, numerous integration initiatives have been completed including the implementation of the Common Origination and Disbursement (COD) system, while others are well underway including the Data Strategy Initiative.

In the COD system, the Department has integrated the processes and systems supporting the origination and disbursement of Direct Loans and Pell Grants. This integration process included the development, in cooperation with the Postsecondary Electronic Standards Council (PESC) and the financial aid community, of an integrated Extensive Markup Language (XML)-based Common Record format for both Direct Loans and Pell Grants. The Data Strategy initiative is an overall approach toward data to ensure that accurate and consistent data is available to and exchanged among Federal Student Aid and Federal Student Aid's customers, partners, and compliance and oversight organizations. To date, the Data Strategy initiative has produced a business-focused Target State Vision (TSV) for Federal Student Aid, accompanied by a sequencing plan that depicts the major activities and initiatives that are required to implement each component of the TSV.

Federal Student Aid is now in the process of transitioning to the TSV by acquiring or implementing a set of major business solutions, including:

> ADvance,
> Common Services for Borrowers (CSB),
> Integrated Partner Management, and
> The Information Framework and Student Aid History Management.

The work that has been completed so far on ADvance and CSB is informing future procurements by providing Federal Student Aid with a more precise definition of the TSV and by highlighting the most critical areas for integration as Federal Student Aid begins to roll out the major integration initiatives.

Federal Student Aid anticipates that all the major components of the current evolution of the TSV will be complete by FY 2010.

> **ADvance Development - $27.8 million**
> Federal Student Aid has undertaken a business process redesign approach to ADvance, bringing business functions together to improve customer services, data quality, and overall program integrity. When completed, ADvance will deliver the same high quality services Federal Student Aid's customers have come to expect with greater simplicity and efficiency. This benefit is driven by revised processes supported by more flexible technology, adherence to standards that are used across the enterprise such as common data architecture, and the consolidation of functions across multiple areas.
>
> Since the development portion of the ADvance contract awarded in February 2005 was terminated in April 2006, ADvance is currently in the planning phase and developing an acquisition strategy for the re-procurement of the development of the ADvance solution. The procurement of another contractual vehicle for the development of the ADvance solution is planned in FY 2007. The Operations portions of legacy systems (covering Application and Eligibility, FAFSA on the Web, CPS, the Federal Student Aid Information Center, Editorial Services and Ombudsman support) continue.
>
> ADvance will develop a solution that integrates the current functions supported by COD (Origination, Disbursement, and School Funds Management) with the functions supported by the current operations listed above.

Federal Student Aid currently projects that the new solution will be brought online in calendar year 2009, but this will be dependent on the acquisition strategy, procurement timeline, and proposed implementation plans.

Enterprise Data Strategy/Information Framework and Student Aid History Management - $13 million
This integrated system will eventually replace the legacy NSLDS. The new framework and solution will ensure that accurate and consistent data is exchanged among Federal Student Aid's application systems and its employees, customers, and partners, as well as with compliance and oversight organizations.

In FY 2008, Federal Student Aid will begin to focus on the design and development of the Information Framework/Student Aid History Management solution.

Enterprise Integration Support - $3 million
Enterprise Integration Support provides core integration support services and technical resources to support the continuing integration and improvement of Federal Student Aid systems and business processes. This investment will continue to provide enterprise oversight of the multiple business integration initiatives underway at Federal Student Aid and improve systems integrity, providing better service to internal and external customers.

Federal Student Aid Portals - $1.4 million
The web portal strategy continues on-going system integration and web improvement efforts in order to take an enterprise approach to creating a unified and integrated web presence for the 72 Federal Student Aid internally and externally facing web sites. The portal strategy will focus on providing Federal Student Aid employees, customers, and partners with seamless access to consolidated information and services.

E-Authentication - $3 million
The goal of E-Authentication is to enable our customers to use other, non-departmental identity credentials to access Federal Student Aid applications. This sharing of identity credentials across multiple applications limits the proliferation of identifiers and passwords that can result in poor security or high identity management costs. In FY 2008, the E-Authentication project will promote full-scale implementation with the ability to support a large number of users.

Student Aid Internet Gateway - $0.5 million
The Student Aid Internet Gateway (SAIG) is a store-and-forward mailbox for data exchanges with schools and other delivery partners that do business with Federal Student Aid. Currently, SAIG supports more than 9,000 customers and over 45,000 destination points. The SAIG system allows customers to transmit data using their local Internet Service Provider to reduce transmission costs to Federal Student Aid.

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VI. CHIEF FINANCIAL OFFICER - $10.0 million

The Chief Financial Officer (CFO) serves as the financial advisor to the Chief Operating Officer. FSA's CFO, in partnership with the Department's Office of the Chief Financial Officer (OCFO), develops and implements sound, value-added financial management policies, procedures, systems, and program controls, which enable the organization to strengthen internal controls and provide Congress and other constituents both summary and detailed accounting on Federal Student Aid grant, loan, and operational activities. While the Chief Financial Officer's past success in these areas is evident in the removal of student aid programs from the GAO High-Risk list in FY 2005, CFO continues to work to improve student aid management and program integrity.

Of the total FY 2008 budget request for FSA's CFO, $7.9 million will support Federal Student Aid's Financial Management System (and required enhancements), which consolidates and manages all Federal Student Aid program transactions from Federal Student Aid's feeder systems.

> **Financial Management System - $7.9 million**
> Federal Student Aid's Financial Management System (FMS) consolidates and manages all Federal Student Aid program transactions from Federal Student Aid's feeder systems (e.g., COD, CSB). FMS facilitates reconciliation and internal program management and reporting, processes over $854 million a month in guaranty agency and lender payments, and approximately $225 million in annual refunds to borrowers for overpaid loans. FMS itself serves as a feeder system to the Department's core financial management system for external financial reporting.
>
> In FY 2008, Federal Student Aid expects to complete the following requirements to integrate FMS with other FSA systems:
>
> > **ADvance** – address the FMS interface changes that will be required to support the retirement of the Common Origination and Disbursement (COD) system and the development and production implementation of the ADvance system. This initiative is expected to maintain the existing transaction flows while improving the interface internal controls.
> >
> > **Grants Management Re-design (G5)** - address the FMS interface changes that will be required to support the retirement of the Grants Administration and Payment System (GAPS) and the development and production implementation of the G5 system. This initiative is expected to maintain the existing transaction flows while improving the interface internal controls.
> >
> > **Common Services for Borrowers (CSB)** – address the FMS interface changes that will be required to support the development and production implementation of the CSB system. This initiative is expected to consolidate the existing transaction flows while improving the interface internal controls.
> >
> > **Financial Management System Enhancements -** Federal Student Aid gathered from the FFEL community numerous requirements for improvements to the Form

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2000 and Lender Reporting System (LaRS). By implementing many of these new requirements, the Department expects to improve controls, while improving customer satisfaction with the process of completing and submitting FFEL data. Additional enhancements are also expected to further improve controls and system performance.

VII. ENTERPRISE PERFORMANCE MANAGEMENT SERVICES - $6.2 million

Enterprise Performance Management Services provides advice on all systems integration, reengineering, and re-platforming projects; efficient and economic acquisition of products and services; contract performance measures and measurement; performance plan monitoring; internal review; audit resolution; risk assessment; risk management strategy; and monitoring Federal Student Aid performance in high-risk issue areas. Of the total FY 2008 request, $2.2 million will provide for contract specialist support.

Contract Specialist Support - $2.2 million
In April 2005, the Secretary delegated to Federal Student Aid the responsibility for the planning, solicitation, award, and management of procurements related to the support and management of student aid delivery. This necessitated Federal Student Aid establishing a contract specialist workforce. Federal Student Aid has asked for and received approval to hire additional Federal staff to fill its contracting specialist needs and is in the process of filling those positions. However, because of competition from other larger agencies such as DHS, DoD, and IRS, which have a considerable number of contract specialist vacancies to fill, it has been difficult to fill Federal Student Aid's contract specialist positions. In response, FSA has utilized contract support to help perform this vital function.

VIII. COMMUNICATIONS AND ADMINISTRATION - $5.3 million

The Communications and Administration office is responsible for managing all activities within Federal Student Aid related to internal and external communications, conference management, human resources administration, employee development, and facilities management. Of the total FY 2008 request, $2.5 million is requested for contractual support in the areas of conference management ($1.7 million) and process improvements in human capital support ($0.8 million).

Non-FSA Support Activities

In addition to funds directly allocated to FSA to manage student aid programs, $76.8 million of the FY 2008 request is allocated to departmental offices other than FSA for central support activities chargeable to FSA (e.g., rent, central computer services) and student-aid related activities managed by offices other than FSA (e.g. financial management systems operations related to student aid, Office of the General Counsel support on student aid regulations). Of this $76.8 million, $11 million will support personnel compensation for employees outside of FSA and $65.8 million is for non-pay activities.

Funding for Department-wide financial management systems related to student aid will total $15.6 million—up from $14.9 million in FY 2007—to support operations and enhancement of the Oracle-based general ledger system, as well as the ongoing implementation of Oracle 11i.

Rent payments to the General Services Administration for FSA-occupied space will total $14.4 million for FY 2008, down slightly from $14.5 million in FY 2007.

Funding for central computer services used by FSA will total $10.3 million in 2008, supporting normal activities and enhancements to the Department's network operations. FSA's central communications costs are projected to decrease slightly in 2008, to $6.5 million from $6.6 million in FY 2007.

The FY 2008 request also supports 76 FTE and a number of small contracts outside FSA. These FTE include personnel in the Office of Postsecondary Education; Office of Management; Office of the General Counsel; Office of the Chief Financial Officer/Chief Information Officer; and Office of Planning, Evaluation, and Policy Development that work extensively on the FFEL and Direct Loan programs. Contract costs reflect activities such as the preparation of the loan portion of the Department's audited financial statement.

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents 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.

Goal: Establish management excellence.

Objective: Reduce student aid programs high risk.

Measure: By 2003, Federal Student Aid will leave the GAO High-Risk List.		
Leave the High-Risk List		
Year	**Target**	**Actual**
2003	Off GAO High-Risk List	On GAO High-Risk List
2004	No High-Risk Report	No High-Risk Report
2005	Off GAO High-Risk Report	Off GAO High-Risk List
2006	Off GAO High-Risk Report	No High-Risk Report
2007	Off GAO High-Risk Report	
2008	Off GAO High-Risk Report	

Assessment of Progress: The Department has achieved this objective, as GAO did not include the student aid programs in its most recent biennial high-risk report, issued in January 2005. The Department will continue to work with GAO staff to address any concerns and keep them apprised of continuing efforts to improve student aid management and program integrity. The next report will be issued January 2007.

Objective: Increase default recoveries.

Measure: Default Recovery Rate (Baseline =7.8%)		
Default recovery rate (ED Recoveries/ED Held Portfolio)		
Year	**Target**	**Actual**
	Default recovery rate	Default recovery rate
2003	7.6%	9.5%
2004	9.5%	10.1%
2005	9.5%	10.8%
2006	9.5%	11.0%
2007	9.5%	
2008	9.5%	

Assessment of Progress: The recovery rate is defined as total collections, less consolidations, divided by the outstanding portfolio of Department-held defaulted loans as of the end of the previous fiscal year. As of September 30, 2006, $2.1 billion of the $18.9 billion in defaulted loans held by the Department at the end of FY 2006 were recovered, for a default recovery rate of 11.0 percent. The default recovery rate has steadily improved each of the past 4 years, meeting the performance target each year.

STUDENT AID ADMINISTRATION

Objective: Reduce Pell overpayments.

Measure: Reduce Pell Grant overpayments.		
Pell Grant overpayments		
Year	**Target**	**Actual**
	$ overpayments	$ overpayments
2003	3.1% or under	3.1%
2004	3.1% or under	2.8%
2005	3.1% or under	2.4%
2006	3.1% or under	Unavailable
2007	3.1% or under	
2008	3.1% or under	

Assessment of Progress: Pell Grant overpayments occur when recipients are awarded grants in excess of the amount for which they are eligible under statutory need analysis calculations. The Internal Revenue Service (IRS) Research staff and Federal Student Aid staff continue to perform annual aggregated statistical studies that compare certain FAFSA-reported income data with data applicants and their families reported to the IRS to determine erroneous Pell Grant Payment percentages. The Department met the 2005 target. Data for 2006 will be available in spring 2007.

Numerous strategies have been implemented to reduce erroneous Pell Grant payments, including using applicant data from the Central Processing System (CPS), Pell payment data from the Common Origination and Disbursement (COD) system, and IRS data to refine and improve verification selection criteria to better identify applicants who are likely to have made income-reporting errors on their FAFSA. In addition, the Department continues to review program management reports to identify and analyze fields on the FAFSA that are frequently corrected and, therefore, potentially most error-prone. FAFSA questions that applicants and their families have had difficulty understanding have been clarified on the 2006–07 FAFSA, and Department Web applications have been updated to highlight potential mistakes before application data are submitted. Additional steps were taken to inform students and parents who estimate income information on the FAFSA that they must compare FAFSA answers to tax returns and promptly make any necessary changes to FAFSA data to avoid losing or having to repay Federal student aid they have received.

STUDENT AID ADMINISTRATION

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Objective: *Modernize Student Financial Assistance Programs.*

Measure: Improve timeliness of FSA major system reconciliations to the general ledger.		
Days Reconciled after the End of the Month		
Year	**Target**	**Actual**
2003	40 days through March; 30 days through September	35 days through March; 25 days through August
2004	30 days	21 days
2005	30 days	14 days through June 2005
2006	30 days	14 days through June 2006
2007	30 days	
2008	30 days	

Assessment of Progress: Through June 2006, FSA reconciliations have all been completed within the 30-day target. On average, major accounts are reconciled in 14 days.

Objective: *Improve and integrate FSA delivery systems.*

Measure: Integration of FSA systems.		
Percentage of Integration Targets Met		
Year	**Target**	**Actual**
	Integration Targets Met	Integration Targets Met
2003	100%	100%
2004	100%	100%
2005	100%	85%
2006	100%	91%
2007	100%	
2008	100%	

Assessment of Progress: The Department has made considerable progress in furthering its FSA system integration goals. The Integration Sequencing Plan continues to be reviewed and

updated based on input from the Data Strategy initiative, budget formulation activities, and the Investment Planning and Review process. Work continues on development of the Common Services for Borrowers (CSB) system, ADvance, the Integrated Partner Management (IPM) solution, and the Information Framework (IF) solution.

Follow-up on PART Findings and Recommendations

The PART process identified Student Aid Administration in the spring 2006 PART assessment as "Adequate," noting, "The program is the single largest source of postsecondary grant aid, awarding funds to eligible students based on a statutory formula that takes into account family income and educational costs. The program makes a unique contribution by providing a stable foundation of need-based aid for all eligible students." Specific recommendations and corresponding actions taken are discussed below.

Recommendation: Complete development of a unit-cost framework and meaningful efficiency targets.

Actions Taken: Since February 2005, the Federal Student Aid activity-based management (ABM) initiative has been extremely successful in developing a unit cost framework that provides valuable information to Federal Student Aid managers. Included among the ABM accomplishments of the past 18 months are the following:

- Finalized the FY 2004 and FY 2005 activity based costing (ABC) models. The completion of these models now provides a baseline of 4 years of ABC data, from FY 2002 through FY 2005.

- Starting with FY 2005, the ABC model has been using quarterly data, allowing for more frequent data analysis and identification of the relationship between workloads and timing of expenses.

- ABC data has been incorporated into the FY 2007 and FY 2008 budget justification for Federal Student Aid, to inform the budget process by aligning the requested resources with strategic objectives and performance goals. The ABC data serves as the link between program funding levels and outcomes or results.

- Incorporated ABC efficiency targets in the FY 2005–FY 2010 Federal Student Aid Strategic Plan. The performance plan states that unit cost reduction for four business processes, between FY 2005 and FY 2006, will serve as the baseline.

- In June 2006, Federal Student Aid acquired, and is in the process of implementing, an upgraded ABM software system. The new software system will provide powerful reporting tools that will allow managers to directly access the system, and run customized reports. In addition, the new software will provide for upgraded performance based budgeting capabilities, allowing managers to perform scenario analyses, based on changes in workloads, drivers, or resources.

Recommendation: Implement a new data strategy that yields more timely and accurate financial and program data.

Actions Taken: The Department has completed market research and procurement documents in preparation to compete amongst various vendors a solicitation to build and operate the Information Framework (also known as the Enterprise Information System (EIS). The EIS will deploy the Information Framework, which is a portion of the Data Strategy Target State Vision. The EIS includes Shared Functions, Common Data Architecture (CDA), Enterprise Analytics and Research (EA&R), and Student Aid History Management (SAHM), which is the replacement of the legacy National Student Loan Database System (NSLDS) application system.

The business requirements of the Information Framework were derived from the recommendations proposed by the Data Strategy project that included improving the accuracy of Federal Student Aid common data; reducing redundancy of information processes; improving timeliness of information; improving accessibility of information; and improving reporting and research capabilities to make better business decisions.

Recommendation: Better integrate data into decision-making, including the development of a more comprehensive approach to eliminating program fraud and error.

Actions Taken: Department senior and program managers use various reports to make better-informed decisions. The use of these reports helped move the Department from red to green on the current status of the Financial Performance initiative and move from red to yellow on the current status of the Eliminating Improper Payments initiative on the President's Management Agenda.

The Department is undertaking a number of efforts to reduce program fraud and error. Within FSA, a risk management and internal review group has been formed to oversee risk management activities. The group will ensure effective internal controls are in place and establish a standard methodology for assessing and reporting on risk throughout FSA.

Recommendation: Improve contract oversight and performance management.

Actions Taken: In late FY 2005, the Secretary established a contracting activity within Federal Student Aid and delegated that authority to the COO in order to improve contract management.

In FY 2006, Federal Student Aid concentrated on enhancing the performance of the acquisition workforce. This included hiring highly experienced personnel while developing and training existing personnel to comply with current direction from the Office of Federal Procurement Policy (OFPP). Federal Student Aid also did an internal evaluation of the acquisition workforce against GAO-05-218G, Framework for Assessing the Acquisition Function at Federal Agencies, and is working to address identified issues.

Recommendation: Maintain progress on system integration efforts.

Actions Taken: The Integration Sequencing Plan continues to be reviewed and updated based on input from the Data Strategy, budget formulation, and the Investment Planning and Review processes. The Target State Vision documentation has been reviewed and updated to provide more detail.   Work continues on development of CSB and ADvance. A solicitation for Integrated Partner Management (IPM) has been released and a development contract is almost at the award stage. Federal Student Aid is also working to create several shared technology

resources that can be built once and then reused many times in a common manner by the enterprise. These enterprise assets include an enterprise Web portal, an Enterprise Service Bus (ESB), and enterprise security architecture. A prototype for the enterprise web portal is under development. FSA is developing the acquisition strategy and documents for the ESB. The infrastructure for the enterprise security architecture is in place and is being piloted with one of FSA's application system.