CAMPUS-BASED AID 101
A Primer on the SEOG, Federal Work-Study, and Perkins Loans Programs
March 2, 2004
Association of American Universities
ACRONYMS & TERMS

- SEO
- Base Guarantee
- FCC
- Campus Allocations
- Revolving Fund
- FWS
- COA
- Fair Share
- Institutional Match
- EFC
HEA TITLE IV — STUDENT ASSISTANCE

- **PART A** — Grants to Students In Attendance at Institutions of Higher Education
- **PART B** — Federal Family Education Loan Program
- **PART C** — Federal Work-Study Programs
- **PART D** — William D. Ford Federal Direct Loan Program
- **PART E** — Federal Perkins Loans
- **PART F** — Need Analysis
- **PART G** — General Provisions Relating to Student Assistance Programs
- **PART H** — Program Integrity
Federal Supplemental Educational Opportunity Grants (SEOG), Federal Work-Study (FWS), and Federal Perkins Loans — are collectively known as the campus-based programs because they are administered directly by the campus financial aid office at each participating school. Not all schools participate in the programs.

The amount a student receives from each of program depends on her/his financial need, the amount of other aid s/he receives, and the availability of funds at her/his school.

Unlike the Pell Grant program, which provides funds to every eligible student, the campus-based programs provide a certain amount of funds for each participating school to award each year. When the funds are gone, then no further awards that year.
Institutions must match a portion of their allocation under each of these programs.

In the early 1970’s, nearly half of all student aid was provided by the campus-based aid programs. In academic year 2001-2, it was only 3.4%.

Undergraduates can participate in each of these programs, while graduate students are eligible for FWS and Perkins Loans.

In FY02, an estimated $918 million in SEOGs was awarded to more than 1.2 million students; an estimated 970,000 students earned over $1.2 billion in the FWS program; and an estimated 715,000 students will borrowed approximately $1.2 billion in Perkins Loans.
FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT (SEOG)

- Authorized by HEA Title IV, Part A, Subpart 3, Sec. 413.
- Provides supplemental grants to the most needy Pell recipients (those with the lowest Expected Family Contribution - EFC).
- 25% institutional matching requirement.
- $4,000 maximum award, $100 minimum award.
- Institutions are provided flexibility to carryover up to 10% of their allocation for use in a succeeding fiscal year.
- Limited funds from FWS and Perkins can roll into SEOG.
- Current authorization = $675 million for FY99 and such sums as may be necessary for succeeding fiscal years.
- FY04 Appropriation = $770 million.
FEDERAL WORK-STUDY

- Authorized by HEA Title IV, Part C, Sec. 441.
- Supports part-time work for needy undergraduate and graduate students.
- Awarded on basis of need as determined by an institution’s financial aid office.
- 25% employer (not institutional) matching requirement.
- Employment may consist of work for the institution; non-profit organizations; federal, state, or local government; and for-profit organizations.
- 7% Community Service Requirement - requires that seven percent of the funds go to support community service work, with certain on-campus jobs counting toward this requirement and varying match requirements depending on the type of service.
Earnings from FWS employment are considered “excludable income” for income tax purposes.

There is no maximum award amount.

25% of funds can be rolled into SEOG.

Job Location and Development Programs – 10% of allocation can be used to help locate jobs.

FWS authorizes funding to support comprehensive work-learning programs at so-called “Work Colleges.”

Current authorization = $1 billion for FY99 and such sums as may be necessary for succeeding fiscal years.

FY04 Appropriation = $999 million
FEDERAL PERKINS LOANS

- Authorized by HEA Title IV, Part C, Sec. 461.
- Campus-based: institution originates, administers, and collects loan.
- Loans originate from a campus revolving fund that is funded each year with federal capital contributions (FCC), institutional match dollars, cancellation refunds from U.S. Department of Education, and repayments from borrowers.
- 25% institutional match to new FCC.
- Awarded on basis of need.
- 5% interest rate set by statute.
- Loan forgiveness for many categories public service, including Peace Corps, nursing, and teaching.
FEDERAL PERKINS LOANS
(continued)

- No interest while in school or during 9 month grace period.
- Annual Loan Limits:
  - Undergraduate - $4,000
  - Graduate - $6,000
- 25% of Perkins allocation can be rolled into SEOG.
- Current authorization = $250 million for FY99 and such sums as may be necessary for succeeding fiscal years.
- FY04 Appropriation = $99 million in FCC, $67 million for cancellations (loan forgiveness).
In the late 1970s, the allocation formula for Campus-Based (CB) funding changed to take into account both past expenditures at each institution and the need for additional funds as measured against that of other institutions.

Under the formula institutions were guaranteed a portion of the amount spent in a previous, or base, year. This was called the conditional guarantee, and is now also referred to as the base guarantee.

The intent of the change seems to have been to hold harmless the original participants in the CB programs, while allowing access to CB funds for newer participants based on relative need, or fair share.

With each reauthorization of the Higher Education Act of 1965, the base year that is used as the reference in the formula gets moved forward in time. Currently, the reference base year is 1999-2000.

Because approved funding for the CB programs can fluctuate yearly, base guarantees are adjusted proportionately if the funds available are less than the national total of base guarantees.
Institutional base guarantees are adjusted to be proportional to the ratio of funds available for the program to the national total of institutions’ base guarantees - known as an institution’s adjusted base guarantee.

Provided that sufficient funds are appropriated, institutions that participated in the program in FY99 or earlier receive 100% of their FY99 allocation.

Institutions that began participating after FY99, but which are not first or second time participants receive a base guarantee that is the greater of 90% of the amount they received in their second year of participation, or $5000.

Institutions participating in SEOG for their first or second year receive the greatest of $5000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation.

After allocations are made for adjusted base guarantees, any remaining funds are allocated to institutions proportionately according to their eligible amount of need (fair share) is calculated by subtracting the sum of aid provided under Pell Grant and LEAP from the aggregate financial need of the institution’s undergraduates.
FWS CAMPUS ALLOCATIONS

- Institutional base guarantees are adjusted to be proportional to the ratio of funds available for the program to the national total of institutions’ base guarantees - known as an institution’s adjusted base guarantee.
- Provided that sufficient funds are appropriated, institutions that participated in the program in FY99 receive 100% of their FY99 allocation.
- Institutions that began participating after FY99, but which are not first or second time participants receive a base guarantee that is the greater of 90% of the amount they received in their first year of participation, or $5000.
- Institutions participating in FWS for their first or second year receive the greatest of $5000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation.
- After allocations are made for adjusted base guarantees, excess funds are allocated to institutions’ proportionate share of excess eligible need. Excess eligible need is the amount by which an institution’s share of self-help need (fair share) exceeds its base guarantee.
- Self-help need is calculated separately for undergraduate and graduate students according to formulas that take into account the COA at the institution and the EFC of a representative sample of students.
PERKINS CAMPUS ALLOCATIONS

- Allocations are calculated using a two-stage process somewhat similar to that used by SEOG and FWS.
- Funds are first allocated according to institutions’ previous year’s allocations (base guarantee), and any remaining are allocated according to institutions’ share of excess eligible amounts of student need (fair share).
- Unlike formulas for SEOG and FWS, Perkins Loan allocation formulas also include a default penalty applicable to institutions with large proportions of borrowers defaulting on their Perkins loans.
ARGUMENTS FOR CHANGING THE ALLOCATION FORMULAS

- Currently allocation formulas provide disproportionately larger share of funding to schools that have long operated campus-based aid programs.

- Demographic trends in student attendance and need.

- Insufficient appropriations to provide funds to new and recent program participants.

- More schools seek to participate in the program.
“The current statutory formulas allocating campus-based funding have historically distributed a disproportionate share of funding to schools that have participated in the program the longest. Since these longstanding participants do not have a higher proportion of needy students than other institutions, these formulas have been identified as inequitable by the Administration's Program Assessment Rating Tool (PART). Accordingly, the request proposes to phase in revised allocation formulas beginning in 2005.”

– Source: FY2005 Department of Education Budget Briefing Book
NASFAA RECOMMENDATIONS ON ALLOCATION FORMULAS

Campus-Based Programs Allocation Formulas [Sections 413D, 442, 462]

- Recommendations:
  A. Phase-out the base guarantee by 20% for each of five successive fiscal years.
  B. Modify the fair share portion of the process by: 1) Increasing the allowance for books and supplies in the average cost of attendance determination from $450 to $800 for Fiscal Year 2004 and adjust it by the change in CPI each succeeding year. 2) Extending the income categories to reflect the distribution of EFCs relative to the average cost of attendance.
  C. Direct the Secretary to conduct a study of alternative measurements of institutional need for campus-based funds considering factors such as, but not limited to, distribution of EFCs, state grants, institutional grants, the distribution of full-time and part-time students, and tuition discounts.
  D. Mandate that for participation in the SEOG Program a school must participate in another Campus-based Program.
The campus-based allotment formulas, through the base guarantee based on fiscal year 1999 allotments, have suppressed the allocation of funds to institutions with a growing student population and do not reasonably reflect the proportions of needy students at many institutions. A gradual phase-out of the base guarantee will permit a redistribution of funds to reflect more accurately the distribution of student need among institutions. The modifications for the book and supplies allowance will provide a more current estimate of the costs in the formula. The extension of the income bands will permit a more equitable assessment of institutional need by permitting a fairer representation of the distribution of EFCs for middle- and upper middle-income families in the calculation of institutional need. The current bands are capped at $60,000+ and $20,000+ for dependent and independent students and compress the representation of the EFCs. An extension of the bands to a cap of about $120,000 and $40,000 would provide for a more refined computation of institutional need. The study and report by the Secretary will allow for community discussion of the formulas to permit progress toward the development of a more equitable allotment process.
Allocation of Funds [Section 413D(a)(4)(A)-(B)]

- **Recommendation:** Delete these two provisions affecting campus allocations.
- **Rationale:** Eliminating these two provisions in the allocation formula allows new money to go to schools with the highest number of Pell eligible students, rather than basing the allocation on graduation or transfer rates.
ARGUMENTS FOR MAINTAINING ALLOCATION FORMULAS

- Long-term under-funding of the programs is driving proponents of change. With greater appropriations there would enough funds so that schools seeking to participate or to increase their participation could do so.
- Pell Grant and Federal Student Loans = Access
  Campus-Based Aid programs = Choice
- By law, ALL campus-based aid program funds benefit the neediest.
- Campus-based aid funds do not make institutions richer, since institutional match dollars and all dollars go to students.
- The current formulas preserve the consideration of unmet need.
- A formula change would prove disruptive and increase and decrease campus-based aid for students at different campuses in every state.
- Many institutions have made substantial contributions over time to these programs and they have set up the infrastructure to support Perkins loan administration to students.
Department of Education Campus-Based Aid Programs Appropriations
Perkins Loans, Federal Work-Study and SEOG

FY1993 - FY2004

Perkins Loans
Federal Work-Study
Supplemental Educational Opportunity Grant
2002-03 APPROPRIATIONS
TOP PARTICIPANTS

- CUNY – Central
- DeVry University
- New York University
- University of Southern California
- Penn State
- University of Pennsylvania
- Inter-American University of Puerto Rico
- Columbia University
- Boston University
- University of Michigan
- Northeastern University
- Northwestern University
- Rutgers University
- Cornell University
- Temple University
- University of Wisconsin – Madison
- Harvard University
- University of Puerto Rico
- Long Island University
- UCLA
- Ohio State University
- Miami Dade Community College
- Syracuse University
- University of Miami
- Georgetown University
- University of Pittsburgh
- University of Washington
- St. John’s University
- University of Minnesota
- Yale University
- University of California at Berkeley
- Johnson and Wales University
- University of Texas at Austin
- University Southern Mississippi
- Massachusetts Institute of Technology
- Michigan State University
- Duke University
- Arizona State University

AAU members in bold & italics
WHAT WOULD THE IMPACT BE ON YOUR CAMPUS?

Contact your campus undergraduate and graduate financial aid office and ask:

- What would be the impact on your university if the campus allocation formulas were changed to eliminate the base guarantees and the programs were to instead make allocations on a “fair share” basis?
- What would be the impact if the allocations were made based on a Pell awards based formula?
- What would the impact be the on amount of funds available to provide to students?
- How many students would receive less/more aid?