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Campus-Based Student Financial Aid Programs Under the Higher Education Act

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December 28, 2016

Congressional Research Service
7-5700
www.crs.gov
RL31618

Summary

Three Higher Education Act (HEA) student financial aid programs—the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program—collectively are referred to as the campus-based programs. The campus-based programs were reauthorized under the Higher Education Opportunity Act (HEOA;P.L. 110-315), which amended and extended authorization for programs funded under the HEA. The campus-based programs' authorizations, along with many other provisions under the HEA, were set to expire at the end of FY2014 and were automatically extended through FY2015 under Section 422 of the General Education Provisions Act (GEPA). The FSEOG and FWS programs were then extended beyond FY2015 under a series of appropriations measures, most recently through April 28, 2017, under the FY2017 Further Continuing and Security Assistance Act (P.L. 114-254). The Perkins Loan program was amended and its continued operation extended through FY2017 under the Federal Perkins Loan Program Extension Act of 2015 (P.L. 114-105).

Under the campus-based programs, federal funding is provided to institutions of higher education for the provision of need-based financial aid to students. Institutions participating in the programs are required to provide matching funds equal to approximately one-third of the federal funds they receive. The campus-based programs are unique among the need-based federal student aid programs in that the mix and amount of aid awarded to students are determined by each institution's financial aid administrator according to institution-specific award criteria (which must be consistent with federal program requirements), rather than according to nondiscretionary award criteria, such as those applicable for Pell Grants and Direct Subsidized Loans.

Each program provides students with a distinct type of aid. The FSEOG program provides grant aid only to undergraduate students. The FWS program provides undergraduate, graduate, and professional students the opportunity for paid employment in a field related to their course of study or in community service. The Perkins Loan program provides low-interest loans with favorable terms and conditions to undergraduate, graduate, and professional students.

Funding is provided to institutions separately for each program according to formulas that take into account both the allocation institutions received in past years (their base guarantee) and their proportionate share of eligible students' need that is in excess of their base guarantee (their fair share increase). From these funds, institutions' financial aid administrators award aid to eligible students who have financial need.

The programs are among the oldest of the federal postsecondary aid programs; however, they now operate amid a host of other aid programs and tax benefits, some of which are not need-based. At present, a relatively small proportion of all students receive campus-based financial aid.

This report describes the FSEOG, FWS, and Federal Perkins Loan programs. It also presents historical information on appropriations provided for the programs and the federal student aid that has been made available to students through the programs.

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Introduction

Three postsecondary student financial aid programs authorized under the Higher Education Act of 1965 (HEA) are collectively referred to as the campus-based programs—the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program. The campus-based programs are unique among the need-based federal student aid programs in that federal funds are awarded to institutions of higher education (IHEs) according to formulas that take into account past institutional awards and the aggregate financial need of students attending the institutions. The mix and amount of aid students receive under the programs are determined by each institution's financial aid administrator according to institution-specific award criteria, rather than according to nondiscretionary award criteria, such as those applicable for Pell Grants and Direct Subsidized Loans.[1]

The FSEOG and FWS programs were most recently amended and extended under the Higher Education Opportunity Act (HEOA; P.L. 110-315), which reauthorized the programs that are part of the HEA.[2] Minor changes were made to these programs. The HEOA also amended and extended the Perkins Loan program, making several changes to it, including increases to loan limits and an expansion of loan cancellation benefits. The campus-based programs' authorizations, along with many other provisions under the HEA, expired at the end of FY2014. However, Section 422 of the General Education Provisions Act (GEPA)[3] automatically extended the programs' authorizations through FY2015. The FSEOG and FWS programs were then extended beyond FY2015 under a series of appropriations measures, most recently through April 28, 2017, under the FY2017 Further Continuing and Security Assistance Appropriations Act (P.L. 114-254). The Perkins Loan program was amended and its continued operation extended through FY2017 under the Federal Perkins Loan Program Extension Act of 2015 (P.L. 114-105).[4]

This report begins by providing a brief description of each of the campus-based programs, including the terms under which such financial aid is awarded to students and the procedures under which federal funds are allocated to institutions for that purpose.[5] It then provides historical information on federal funds appropriated for each of the programs, an analysis of the number and types of students served, and selected program statistics.

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[1] Institutions are required to establish written procedures for selecting recipients of campus-based financial aid. These selection procedures must meet the requirements of each campus-based program and must be kept on file at each institution. Consistent with the availability of funds, institutions must make campus-based aid reasonably available to all eligible students demonstrating financial need.

[2] For additional information on the HEOA and the reauthorization of the HEA, including amendments to the campus-based programs, see CRS Report RL34654, *The Higher Education Opportunity Act: Reauthorization of the Higher Education Act*, by David P. Smole et al.

[3] For additional information on GEPA, see CRS Report R41119, *General Education Provisions Act (GEPA): Overview and Issues*, by Rebecca R. Skinner and Jody Feder.

[4] For additional information on the extension of other HEA programs, see CRS Report R44206, *FY2016 Extension of the Higher Education Act: An Overview*, by David P. Smole and Alexandra Hegji.

[5] The allocation procedures for each of the three campus-based programs are described in greater detail in CRS Report RL32775, *The Campus-Based Financial Aid Programs: A Review and Analysis of the Allocation of Funds to Institutions and the Distribution of Aid to Students*, by David P. Smole.

Program Descriptions

This part of the report provides a description of each of the three HEA campus-based financial aid programs—the FSEOG program, the FWS program, and the Federal Perkins Loan program. Program descriptions explain the purpose of each program and the terms under which aid is provided to students. They also include a brief explanation of how federal funds are allocated to institutions for the purpose of providing aid to students.

Federal Supplemental Educational Opportunity Grants

The FSEOG program authorizes the Secretary of Education (the Secretary) to grant funds to IHEs for the purpose of providing financial assistance to undergraduate students with exceptional financial need to aid them in obtaining the benefits of postsecondary education. The FSEOG program is authorized by Title IV, Part A, Subpart 3 of the HEA. It first was incorporated into the HEA under the Education Amendments of 1972 (P.L. 92-318). Prior to authorization of the FSEOG program, Education Opportunity Grants, authorized under the HEA of 1965 (P.L. 89-329), served a similar purpose.

From the funds allotted to them by the Secretary, institutions award FSEOG aid to eligible students as part of their financial aid packages. Institutions are required to award FSEOG aid first to students with exceptional financial need, as determined according to the HEA need analysis provisions,[6] with priority going to students receiving Pell Grants. Institutions may establish categories of students for purposes of packaging FSEOG awards. For example, "categories may be based on class standing, enrollment status, program, date of application, or a combination of factors."[7] Categorization of awards may not be used to arbitrarily deny FSEOG aid to students, for example by establishing a policy of awarding aid on a first-come, first-served basis.

FSEOG aid consists of a federal share, not to exceed 75% (except if the Secretary determines that a larger share is necessary to further the purpose of the program), and a nonfederal share of at least 25%.[8] The nonfederal share is required to be funded through the institution's resources, such as institutional grants and scholarships, tuition or fee waivers, state scholarships, and foundation or other charitable organization funds. The Department of Education (ED) has determined that all state scholarships and grants can be counted toward meeting the nonfederal share, except for any portion of those awards that may be attributable to federal funds.[9]

[6] Per HEA Title IV, Subpart F—*Need Analysis*, a student's financial need is calculated as the cost of attendance, minus the expected family contribution (EFC)—the amount that a student's family is expected to contribute toward the student's education, and minus the estimated financial assistance (EFA) not received under HEA Title IV (this includes scholarships, grants, loans, veterans' education benefits (Section 480(c)), national service educational awards, and post-service benefits under Title I of the National and Community Service Act of 1990.

[7] U.S. Department of Education, *2016-2017 Federal Student Aid Handbook,* vol. 3—*Calculating Awards & Packaging*, p. 3-135. (Hereinafter cited as ED, *2016-2017 FSA Handbook*).

[8] Institutions designated as eligible under the Strengthening Institutions Program (HEA §311), Developing Hispanic Serving Institutions Program (HEA §501), Strengthening American Indian Tribally-Controlled Colleges and Universities Program, Strengthening (HEA §316), Strengthening Alaska Native and Native Hawaiian-Serving Institutions Program (HEA §317), Strengthening Historically Black Colleges and Universities Program (HEA §323), or the Strengthening Historically Black Graduate Institutions Program (HEA §326) are exempt from the matching requirement. Institutions must reapply for the exemption annually; *2016-2017 FSA Handbook,* vol. 6—*The Campus-Based Programs,* pp. 6-19 through 6-20.

[9] ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, pp. 6-19 through 6-20. For instance, prior to FY2014-FY2015, the Grants for Access and Persistence (GAP) program provided federal matching funds to states to (continued...)

Unlike the other two campus-based programs, students are eligible to receive FSEOG aid only during the period required to complete a first undergraduate baccalaureate course of study. The maximum FSEOG award amount per academic year is the lesser of the student's financial need or $4,000. In the case of a student studying abroad, and if the cost of studying abroad exceeds the cost of studying at the student's home institution, the FSEOG award may be increased to a maximum of $4,400. The minimum value of an FSEOG award is $100 per year. For students enrolled for less than a full academic year, the value of FSEOG awards must be proportionately reduced. Institutions are required to award a "reasonable proportion" of FSEOG aid to independent students[10] and to those who are enrolled less than full-time, if the institution's allocation of FSEOG funds was based in part on the financial need of such students.[11] Students do not repay FSEOG awards.[12]

Allocation of Funds to Institutions

The federal share of FSEOG funds is allocated to IHEs according to procedures prescribed in the authorizing statute. Funds are first allocated to institutions in proportion to the amount they received in previous years, with priority going to institutions that participated in the program in FY1999 or earlier. Next, funds are allocated to those institutions that began participating after FY1999, but which are not first- or second-time participants. Following this, funds are allocated to institutions that are first- or second-year participants.[13]

Provided that sufficient funds are appropriated, institutions that participated in the FSEOG program in FY1999 or earlier receive 100% of their FY1999 allocation. This is referred to as their base guarantee. Institutions that began participating after FY1999, but that are not first- or second-time participants receive a base guarantee that is the greatest of 90% of the amount they received in their second year of participation or $5,000. Institutions participating in the FSEOG program for their first or second year receive as their base guarantee the greatest of $5,000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation. However, if an institution began participating in FSEOG after FY1999 and received a larger allocation in its second year of participation than in its first, it is allocated 90% of the amount it received in its second year of participation. Institutions' base guarantees are adjusted to be proportional to the ratio of total funds available for the FSEOG program to the national total of institutions' base guarantees. This amount is called an institution's adjusted base guarantee.[14]

After allocating institutions their adjusted base guarantee, any remaining FSEOG funds are allocated to institutions proportionately according to their eligible amount of need that is greater than their adjusted base guarantee. An institution's eligible amount of need, or fair share, is calculated by subtracting the sum of aid provided under the Pell Grant program from the

(...continued)

provide need-based grants to low-income students, among other activities. HEA §415E. The amount of state or institutional grants attributable to this source of funding would not be considered as part of the nonfederal share under FSEOG.

10 An independent student is one who is not considered dependent upon his parents' income for financial aid purposes.

11 Students enrolled less than half-time are eligible for aid under each of the campus-based programs.

12 HEA, §§413A-413C (20 U.S.C. §S 1070b through 1070b-2).

13 HEA, §413D (20 U.S.C. §1070b-3).

14 In instances where total funds available is greater than or equal to the national total of base guarantees, then the base guarantee and the adjusted base guarantee would be equal.

aggregate financial need of the institution's undergraduate students.[15] Undergraduate student financial need is determined through a formula that takes into account the cost of attendance (COA) at the institution and the expected family contribution (EFC) of a representative sample of students.[16] Institutions with a fair share amount of need that is greater than their FSEOG adjusted base guarantee are considered to have an excess eligible amount of need. These institutions receive an allocation greater than their base guarantee, which is called their fair share increase. Institutions' total allotments are the sum of their adjusted base guarantee and their total fair share increase.[17]

Other FSEOG Funding Provisions

Institutions are provided flexibility to carry over up to 10% of their allocation for use in a succeeding fiscal year to carry out the FSEOG program. They also may carry back funds to make grants to students prior to the beginning of the fiscal year, but after the end of the prior academic year. The Secretary is authorized to reallocate any excess funds returned by institutions. An institution returning more than 10% of its allocation will have its next year's allocation reduced by the amount returned, unless the Secretary determines it would be contrary to the interest of the program. Finally, the Secretary is authorized to allocate up to 10% of funds appropriated in excess of $700 million for the programs under HEA Title IV, Part A,[18] to institutions from which 50% or more of Pell Grant recipients either graduate or transfer to four-year institutions.

Federal Work-Study Programs[19]

The purpose of Federal Work Student programs (FWS) is to provide part-time employment to undergraduate, graduate, and professional students in need of earnings to pursue their course of study and to encourage student participation in community service activities. FWS programs are authorized under the HEA at Title IV, Part C. They first were authorized under the Economic Opportunity Act of 1964 (P.L. 88-452) and administered by the U.S. Department of Labor's Office of Economic Opportunity. In 1968, under P.L. 90-575, authority for the FWS programs was transferred to Title IV of the HEA.

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[15] The fair share component of the FSEOG formula also would account for funding students at the IHE received through the Academic Competitiveness (AC) Grant, National Science and Mathematics Access to Retain Talent (SMART) Grant, and Leveraging Educational Assistance Partnership (LEAP) programs; however funding has not been appropriated for these programs for several years.

[16] ED has calculated a table of EFCs used in the campus-based funding process. The table includes average EFCs within 14 income bands for dependent and independent undergraduates, and for graduate and first-professional students. The EFC for students is based on information from the second preceding fiscal year. EFCs from this table, rather than the actual EFCs of students at a particular institution, are entered into the allocation formula. See ED, *EFC Procedures 2016-2017*, at http://ifap.ed.gov/eannouncements/attachments/20162017EFCProceduresStdEFCs.pdf.

[17] Institutions may receive both an initial fair share increase and an additional fair share increase, the latter based on the reallocation of excess funds returned by other institutions (described in the next section).

[18] HEA Title IV, Part A—Grants to Students in Attendance at Institutions of Higher Education, includes the following programs: Pell Grants, the TRIO programs, GEAR-UP, Academic Achievement Incentive Scholarships, FSEOG, LEAP, Migrant and Seasonal Farmworker Programs, the Robert C. Byrd Honors Scholarship Program, Child Care Access Means Parents in School, Learning Anytime Anywhere Partnerships, and TEACH Grants.

[19] This report covers only FWS programs authorized under Part C of the HEA. The LEAP program provides federal funds that can be used by states to support state work-study programs. The Department of Veterans Affairs also administers the Veterans Administration Student Work-Study Allowance Program (VASWSAP) for veterans and eligible persons. Authorization for this program is codified at 38 U.S.C. §§3485 and 3537.

An institution's financial aid administrator is responsible for awarding FWS aid to eligible students. Unlike the FSEOG and Perkins Loan programs, in which aid is required to be awarded first to students with exceptional financial need, FWS aid may be provided to any student demonstrating financial need. Awards typically are based on factors such as each student's financial need, the availability of FWS funds, and whether a student requests FWS employment and is willing to work.[20] Students receive their award as compensation for the hours they have worked. Earnings from FWS employment are considered "excludable income" in determining a student's financial need for the subsequent year. Awards are based on a combination of factors such as a student's financial need, financial aid available from other sources, the wage rate, and how many hours per week the student can work. There is no maximum award amount.[21]

FWS Employment

FWS employment may consist of work for the institution of higher education a student attends; a private nonprofit organization; a federal, state, or local public agency; or a private for-profit organization. Conditions applicable to all types of FWS employment include that it:

> (A) will not result in the displacement of employed workers or impair existing contracts for services;
>
> (B) will be governed by such conditions of employment as will be appropriate and reasonable in light of such factors as type of work performed, geographical regions, and proficiency of the employee;
>
> (C) does not involve the construction, operation, or maintenance of so much of any facility as is used or is to be used for sectarian instruction or as a place for religious worship; and
>
> (D) will not pay any wage to students employed ... [through the FWS program] that is less than the current federal minimum wage as mandated by Section 6(a) of the Fair Labor Standards Act of 1938.[22]

In addition to the above requirements, students working for private for-profit organizations must be employed in jobs that are academically relevant to their pursuits. Furthermore, such students cannot be employed under FWS if they otherwise would have been employed by the organization. Students employed by proprietary institutions that they also attend either must be employed on-campus in jobs that provide student services directly related to the student's education or in community service jobs. Proprietary institutions cannot employ FWS students in jobs that involve the solicitation of other students to attend the institution. Employment by private for-profit organizations must be arranged between the sponsoring institution and the for-profit organization.

FWS Community Service Employment

Since FY2000, institutions participating in FWS have been required to use at least 7% of their FWS allocation to compensate students employed in community service jobs, including 100% of any excess FWS funds they receive through reallocation of other institutions' unspent FWS

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[20] U.S. Department of Education, Office of the Under Secretary, Planning and Evaluation Service, Postsecondary, Adult, and Vocational Education Division, *The National Study of the Operation of the Federal Work-Study Program: Summary Findings from the Student and Institutional Surveys* (Washington, DC: 2000), p. 57.

[21] HEA, §441 et seq. (42 U.S.C. §2751 et seq.)

[22] HEA, §443(b)(1) (42 U.S.C. §2753(b)(1)).

funds.[23] In meeting the 7% requirement, institutions are required to ensure that they are operating at least one tutoring or family literacy project in service to the community. Institutions may use up to 10% of the funds they receive for administrative expenses under Section 489 of the HEA and attributable to the FWS program for the operation of their FWS community service-learning programs. The HEA defines community service as follows:

> COMMUNITY SERVICES.—For purposes of this part, the term "community services" means services which are identified by an institution of higher education, through formal or informal consultation with local nonprofit, governmental, and community-based organizations, as designed to improve the quality of life for community residents, particularly low-income individuals, or to solve particular problems related to their needs, including:
>
> (1) such fields as health care, child care (including child care services provided on campus that are open and accessible to the community), literacy training, education (including tutorial services), welfare, social services, transportation, housing and neighborhood improvement, public safety, emergency preparedness and response, crime prevention and control, recreation, rural development, and community improvement;
>
> (2) work in a project, as defined in Section 101(20) of the National and Community Service Act of 1990 (42 U.S.C. §12511(20));
>
> (3) support services to students with disabilities, including students with disabilities who are enrolled at the institution; and
>
> (4) activities in which a student serves as a mentor for such purposes as—
>
> (A) tutoring;
>
> (B) supporting educational and recreational activities; and
>
> (C) counseling, including career counseling.[24]

Tutoring and family literacy projects include those that employ students as reading tutors of children who are of preschool age or who are in elementary school or family literacy projects. In many instances, FWS jobs in tutoring and family literacy projects count toward an institution's 7% community service requirement. However, this may not always be the case. For instance, ED has determined that if FWS students are employed as tutors in an institution's daycare center and the center is not open and accessible to the community, then the job could not be counted toward satisfying the institution's 7% community service requirement.[25]

Civic Education and Participation Activities

The HEOA amended the FWS programs to establish new categories of employment for participating students. To the extent practicable, IHEs must give priority to the employment of students participating in FWS projects that educate or train the public about evacuation, emergency response, and injury prevention strategies relating to natural disasters, terrorist acts, and other emergencies. Institutions may also use FWS funds to employ students in projects that teach civics in schools, raise awareness about government functions or resources, or increase

[23] From FY1994 through FY1999, institutions were statutorily required to use 5% of their FWS allocation to compensate students employed in community service jobs.

[24] HEA, §441(c) (42 U.S.C. §2751(c)).

[25] ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, pp. 6-59 through 6-71.

civic participation. Institutions also must ensure that participating students are appropriately trained to carry out these activities.[26]

Federal and Nonfederal Shares of Compensation

Under the FWS programs, students are compensated with a combination of federal funding and a matching amount provided either by the institution or the employer. The share of compensation that may be provided through federal funding varies according to the type of FWS employment. For most FWS jobs, the maximum federal share of compensation is 75%; however, in certain instances, the federal share may be higher (see **Table 1**). For employment in the private for-profit sector, the federal share of compensation is limited to 50%. An institution's matching share of compensation may come from any source (other than FWS) and may be paid in the form of services, such as tuition, room, board, or books provided by the institution. **Table 1** highlights the maximum federal share of compensation for the various types of FWS employment.

Table 1. FWS Requirements for Federal Share of Compensation

Type of FWS Employment	Maximum Federal Share	Specific Requirements
FWS—In general	75%	General requirement
Private nonprofit or government agency other than the institution	May exceed 75%, but may not exceed 90%, consistent with regulations	Employer selected for student on case-by-case basis and otherwise would be unable to afford cost of employment; no more than 10% of the institution's FWS students are employed in jobs for which the federal share exceeds 75%
Regulatory exception[a]	100%	Determination by the Secretary that federal share in excess of 75% is necessary to further the purpose of the FWS program or designation by the Secretary as an institution eligible to participate in HEA Title III or Title V programs[b]
Private for-profit sector	50%	Employing for-profit organization must provide the nonfederal share of compensation
Tutoring and Literacy Projects	100%	Priority given to employment of students in projects funded under the Elementary and Secondary Education Act (ESEA)
Work-Colleges	50%	Separate funding authorization; institution must match dollar-for-dollar with nonfederal funds
Civic education and participation activities	100%	Projects must teach civics in school, raise awareness of government functions or resources, or increase civic participation

Source: HEA, §§395, 443, 444, 447, 448, 525 (20 U.S.C. §§1098d, 1103d; 42 U.S.C. §§2753, 2754, 2756a, 2756b); and ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, pp. 6-17 through 6-18.

a. The statute requires that these exceptions be specified according to regulations issued by the Secretary.

b. Applicable for schools designated as eligible schools under the Developing Hispanic Serving Institutions Program, the Strengthening Institutions Program, the Strengthening American Indian Tribally Controlled Colleges and Universities Program, the Strengthening Alaska Native and Native Hawaiian-Serving Institutions Program, the Strengthening Historically Black Colleges and Universities Program, and the Strengthening Historically Black Graduate Institution Programs. See 34 C.F.R. 675.26(d).

[26] HEA, §443(e) (42 U.S.C. §2753(e)).

Off-Campus Community Service Employment

The HEOA established an FWS Off-Campus Community Service Employment program with a separate authorization of appropriations. Under the program, the Secretary is authorized to make grants to IHEs otherwise participating in the FWS programs to supplement off-campus community service employment. Recipient institutions must use funds to recruit and compensate students for community service employment and may use funds to compensate students for travel and training directly related to their community service employment. In awarding grants to institutions, the Secretary is required to give priority to institutions whose students would be employed in community service related to early childhood education and the preparation for emergencies and natural disasters.[27]

Flexibility in Making Payments to Disaster-Affected Students

Institutions located in areas affected by a major disaster may continue to make FWS payments to students affected by the disaster. During the award year, the students must have earned FWS aid and, as a result of the disaster, become unable to fulfill their work-study obligation and been unable to be reassigned to another work-study job. Disaster-affected students may receive FWS compensation for no more than one academic year. Payments to disaster-affected students also must meet maximum federal matching requirements, unless waived by the Secretary.[28]

Job Location and Development Programs

Institutions may use up to the lesser of 10% of their FWS allocation or $75,000 to establish or expand a job location and development program operated either by the institution or jointly with another institution. The program must locate and develop jobs, including community service jobs, for currently enrolled students. Jobs located and developed should be compatible with students' scheduling needs and complement their educational and vocational goals. The federal share of funds used to operate the program cannot exceed 80%. Job location and development programs cannot be used to find jobs at the institution, nor should they be used to find jobs for students after graduation.[29]

Work Colleges

The FWS programs authorize funding to support comprehensive work-learning-service programs at select institutions called "work colleges." Work colleges are public and private nonprofit, four-year, degree-granting institutions with a commitment to community service. They require students to participate in comprehensive work-learning-service programs that contribute to their education and the welfare of the broader community. Specifically, at least half of full-time students must participate in a comprehensive work-learning-service program for at least five hours per week, or at least 80 hours per each period of enrollment. In work colleges, all resident students must be required to participate in work-learning-service programs that are an integral and stated part of the institution's educational philosophy and program; participation by all resident students must be required for enrollment and graduation. Work-learning-service must be included as part of students' college records, and there must be consequences for nonperformance

[27] HEA, §447(b) (20 U.S.C. §2756a(b)).

[28] HEA, §445(d)(1) (20 U.S.C. §2755(d)(1)).

[29] HEA, §446 (42 U.S.C. §2756).

or failure in the work-learning-service program that are similar to the consequences for failure in the regular academic program.

The Work Colleges program contains its own authorization of appropriations. Institutions also may transfer funds from their regular FWS program allocation and their Perkins Loan federal capital contributions allocation to the Work Colleges program. Authorized activities under the Work Colleges program include providing support to students participating in work-learning-service programs; promoting the work-learning-service experience in postsecondary education; carrying out traditional FWS and job location and development programs; developing, administering, and assessing comprehensive work-learning-service programs; coordinating and carrying out joint projects to promote work-learning-service; and carrying out comprehensive longitudinal studies of work-learning-service programs.[30]

Allocation of Funds to Institutions

Similar to the FSEOG program, FWS funds are allocated to IHEs according to statutorily prescribed procedures. Funds are allocated first to institutions based on previous years' allocations, with priority going to institutions that participated in the program in FY1999. These institutions are eligible to receive 100% of their FY1999 allocation as their base guarantee.[31] Institutions that began participating after FY1999, but that are not first- or second-time participants, receive a base guarantee that is the greatest of 90% of the amount they received in their first year of participation, or $5,000. Institutions participating in the FWS program for their first or second year receive as their base guarantee the greatest of $5,000, 90% of an amount proportional to that received by comparable institutions, or 90% of what the institution received in its first year of participation. However, if an institution began participating in FWS after FY1999 and received a larger allocation in its second year of participation than in its first, it is allocated 90% of the amount it received in its second year of participation. If sufficient funds are not appropriated, then institutions' awards are reduced proportionately, resulting in an amount called their adjusted base guarantee.

Funds greater than the amount required to meet institutions' base guarantee are allocated according to institutions' proportional share of excess eligible need. For the FWS program, 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 students and graduate and professional students according to formulas that take into account the cost of attendance at the institution and the approximate EFCs of students attending the institution. Institutions whose grants are based, in part, on the need of independent students or those attending less than full-time are required to assist these students through FWS employment with a reasonable portion of the FWS grant. The Secretary is authorized to allocate up to 10% of funds appropriated for FWS that are in excess of $700 million to institutions from which 50% or more of Pell Grant recipients either graduate or transfer to four-year institutions.

Institutions are provided flexibility to carry over up to 10% of their FWS funds for use in a succeeding fiscal year to carry out the FWS program. If an institution neither uses funds in the year for which they were granted nor carries them over to the next fiscal year, the Secretary may, in the next succeeding fiscal year, reallocate them to other institutions within the same state. Up

[30] HEA, §448 (42 U.S.C. §2756b).

[31] This is equal to the sum of its FY1999 (award year 1999-2000) base guarantee, plus its initial award year 1999-2000 pro rata increase, plus the additional FWS funds the institution received from the $17 million set aside that year for allocation to institutions that certified that they graduated or transferred at least 50% of their Pell Grant recipients.

to 10% of an institution's allocation may be granted by the Secretary for the purpose of making grants to students prior to the beginning of the fiscal year, but after the end of the prior academic year. The Secretary also is required to reallocate any excess funds returned by institutions to eligible institutions that in the previous fiscal year used at least 5% of their FWS allocation to compensate students employed in tutoring in reading or family literacy activities. Reallocated funds must be distributed to such institutions according to their excess eligible need. Institutions returning more than 10% of their allocation may, at the discretion of the Secretary, be subject to having their next year's allocation reduced by the amount returned.[32]

Federal Perkins Loans

The Federal Perkins Loan program authorizes IHEs to capitalize revolving loan funds for the purpose of making low-interest loans to students with exceptional financial need. The Federal Perkins Loan program is authorized under the HEA at Title IV, Part E. It supersedes Title II—Loans to Students in Institutions of Higher Education—of the National Defense Education Act of 1958 (P.L. 85-864), which was incorporated into the HEA through the Education Amendments of 1972 (P.L. 92-318). Previously, these loans were known as National Defense Student Loans (Defense Loans) and National Direct Student Loans (NDSLs).

Historically, institutions capitalized their revolving Perkins Loan funds with a combination of federal and institutional capital contributions (FCCs and ICCs, respectively). Institutions applied to ED for FCC funds, which were allocated according to procedures similar to those used for the FSEOG and FWS programs. Each institution's ICC was required to equal one-third of the FCC. After making loans, institutions recapitalized their loan funds by depositing the principal and interest repaid by students who borrowed under the program, as well as any other charges or earnings associated with the operation of the program.

The authorization of appropriations for the Secretary to make new FCCs to institutional revolving loan funds and for IHEs to award new Perkins Loans to students expired on October 1, 2015. The Federal Perkins Loan Extension Act of 2015 (the Extension Act; P.L. 114-105) extended IHEs' ability to make new Perkins Loans to eligible students through September 30, 2017, but prohibited additional appropriations beyond FY2015 for the purpose of making new Perkins Loans. It also prohibited an automatic extension of the program under the General Education Provisions Act (GEPA). In addition, the Extension Act amended several Perkins Loan program provisions relating to student eligibility to receive new Perkins Loans and the distribution of Perkins Loan fund assets upon the program's conclusion.[33] At the same time, the Extension Act retained many program provisions. Where relevant, changes made to the Perkins Loan program by the Extension Act are discussed below.

Award Procedures and Terms of Perkins Loans

Institutions are required to establish written selection procedures for awarding Perkins Loans to eligible students and to keep them on file at the institution. Loans must be made reasonably available to all eligible students, to the extent that funds are available, and IHEs are required to give priority to students with exceptional financial need.

[32] HEA, §442 (42 U.S.C. §2752).

[33] For additional information on the Federal Perkins Loan Extension Act of 2015 (P.L. 114-105), see CRS Report R44343, *The Federal Perkins Loan Program Extension Act of 2015: In Brief*, by Alexandra Hegji.

Undergraduate students (including those seeking an additional undergraduate degree, if they are otherwise eligible), and graduate and professional students are eligible to borrow from the institutions they attend under the Perkins Loan program. Students studying abroad in programs approved for academic credit by participating institutions also may receive Perkins Loans. Under the terms of the program, the maximum amount a student may borrow per academic year is $5,500 for undergraduate students and $8,000 for graduate and professional students. The maximum aggregate amount that a student may borrow is limited to $27,500 in unpaid principal for undergraduate students who have completed two years of study, but who have not completed their baccalaureate degree; $60,000 for graduate and professional students; and $11,000 for any other students. Both the annual and aggregate loan limits may be increased by up to 20% for students studying abroad in approved programs. If the amount of an institution's FCC is based in part on independent students or those studying less than full-time, then these students must be provided with a reasonable portion of the Perkins Loans made by the institution.

The Extension Act neither amended nor repealed the basic Perkins Loan student eligibility criteria described above. However, it did limit IHEs' abilities to award new Perkins Loans to eligible students. Specifically, IHEs may award new Perkins Loans through the following time periods and in the following manner:

1. **Through September 30, 2017:** IHEs may award new Perkins Loans to new undergraduate Perkins Loan borrowers who, on the date of disbursement of the new Perkins Loan, have no outstanding balance of principal or interest on a Perkins Loan from the institution. IHEs must first award Direct Subsidized Loans and Direct Unsubsidized Loans to such students before awarding a new Perkins Loan.[34]
2. **Through September 30, 2017:** IHEs may award new Perkins Loans to current undergraduate Perkins Loan borrowers who, on the date of disbursement of the new Perkins Loan, have an outstanding balance of principal or interest on a Perkins Loan from the institution. IHEs must first award Direct Subsidized Loans to such students before awarding a new Perkins Loan.

The Extension Act also authorized IHEs to award new Perkins Loans through October 1, 2016, to graduate students who had previously borrowed Perkins Loans from the same IHE.[35] This provision has expired and IHEs are no longer authorized to award new Perkins Loans to graduate student borrowers.

Interest on Perkins Loans is fixed at a rate of 5% per year.[36] However, no interest accrues prior to a student beginning repayment, nor while repayment is suspended during deferment (described below). Borrowers must begin repaying Perkins Loans nine months after they no longer are enrolled at least half-time and must complete repayment within 10 years after beginning repayment. Institutions may establish incentive repayment programs in which they may reduce

[34] Prior to the Extension Act, IHEs had the discretion to award Perkins Loans to eligible students before or after they awarded Direct Subsidized Loans, and they were required to award Perkins Loans to eligible students before they awarded Direct Unsubsidized Loans. See U.S. Department of Education, Office of Federal Student Aid, *2016-2017 Federal Student Aid Handbook,* vol. 3, pp. 141-142.

[35] Through September 30, 2016. IHEs were permitted to award new Perkins Loans to certain graduate borrowers who had received a Perkins Loan prior to October 1, 2015, from the institution. Only IHEs that had most recently made Perkins Loans to graduate students prior to October 1, 2015, were authorized to make new Perkins Loans to those students to support their completion of an academic program.

[36] Loans made prior to July 1, 1981, were at 3%; loans made between July 1, 1981, and September 30, 1981, were at 4%; and loans made on or after October 1, 1981, are at 5%.

the interest rate by up to one percentage point in instances where a student makes 48 consecutive payments. In addition, if a student repays a Perkins Loan in full prior to the end of the repayment period, an institution may discount the loan balance owed by up to 5% at the time the repayment is made. However, institutions may not use either federal or institutional funds from the Perkins revolving loan fund to absorb the costs of incentive repayment programs and must reimburse the fund on a quarterly basis for any lost income.

Deferment

In general, deferment is a period during which a borrower is not required to make payments on the loan balance and during which interest does not accrue. A Perkins Loan borrower is granted a deferment if the borrower

- is enrolled at least half-time at an eligible institution;
- is pursuing a graduate fellowship or rehabilitation training program approved by the Secretary (excluding medical internship and residency programs);
- is seeking, but unable to find, full-time employment (for up to three years);
- is serving on active duty in the military or is performing qualifying National Guard duty during a war or other military operation or national emergency, and for 180 days following such service;
- is experiencing an economic hardship (for up to three years);
- is engaged in a type of service that makes the borrower eligible for loan cancellation (discussed later); or
- is a member of the National Guard, of another reserve component of the Armed Forces, or of the Armed Forces in retired status, who was called to active duty service while enrolled, or within six months after being enrolled, at an eligible institution (for up to 13 months following the completion of such service or re-enrollment).[37]

Borrowers are not required to request deferment in writing but must provide the institution with information necessary to document their deferment status. They also are not required to resume making payments until six months following the completion of any of the periods described above for which they are exempted from making payments. Time in deferment does not count toward the 10-year repayment period.[38]

Forbearance

In general, forbearance is a temporary suspension or postponement of payments during which interest continues to accrue. A borrower may be granted forbearance from paying principal and interest or principal only if the borrower's debt burden, due to HEA student financial assistance loans, is greater than or equal to 20% of the borrower's gross income or if the institution determines that forbearance should be granted for other reasons. Examples include service in AmeriCorps or for reasons due to a "national military mobilization or other national

[37] See ED, 2016-2017 FSA Handbook, vol. 6—*The Campus-Based Programs*, pp. 6-144 through 6-149.

[38] HEA, §464(c)(2)(A) (20 U.S.C. §1087dd(c)(2)(A)).

emergency."[39] Forbearance may be granted for a period of up to one year at a time and may be renewed for a total period of up to three years.[40]

Loan Cancellation

Individuals who have engaged in the following types of public service are eligible to have part or all of their loans cancelled:[41]

- full-time elementary or secondary school teacher employed at a public school, private nonprofit school, or location operated by an educational service agency, in which low-income students are more than 30% of the total enrollment;[42]
- full-time staff member employed in a Head Start preschool program or a prekindergarten or child care program that is licensed or regulated by the state;
- full-time special education teacher employed in a public or nonprofit elementary or secondary school system (including a system of an educational service agency) or a professional provider of Individuals with Disabilities Education Act (IDEA) early intervention services in a public or nonprofit program;
- member of the U.S. Armed Forces serving in an area of hostilities;
- Peace Corps or AmeriCorps VISTA volunteer;[43]
- full-time law enforcement or corrections officer employed in a local, state, or federal law enforcement or corrections agency or full-time attorney employed in a public defender organization;
- full-time teacher of mathematics, science, foreign languages, bilingual education, or other shortage subject area (as determined by the state education agency);
- full-time nurse or medical technician[44] providing health care services;
- full-time employee of a public or private nonprofit agency serving high-risk children from low-income communities and their families;
- full-time firefighter serving in a local, state, or federal fire department or district;
- full-time faculty member at a Tribal College or University;
- librarian with a master's degree in library science employed in an elementary or secondary school eligible for assistance under ESEA, Title I-A, or in a public library serving a geographic area that contains such a school; or
- full-time speech language pathologist with a master's degree and working exclusively with schools eligible for assistance under ESEA, Title I-A.

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[39] ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, p. 6-140.

[40] HEA, §464(e) (20 U.S.C. §1087(e)).

[41] HEA, §465(a) (20 U.S.C. §1087ee(a)).

[42] Teacher cancellations may be granted only to individuals teaching in schools serving children from low-income families and that are listed in the *Directory of Designated Low-Income Schools for Teacher Cancellation Benefits*.

[43] Borrowers who have received a national service education award for volunteer service with AmeriCorps under Title I-D of the National and Community Service Act of 1990 are not eligible for loan cancellation benefits for the same volunteer service.

[44] For additional information on the definition of "medical technician" see U.S. Department of Education, Office of Postsecondary Education, Dear Colleague Letter CB-08-14, "Medical Technician Loan Cancellation Benefit in the Federal Perkins Loan Program," December 8, 2008, at http://ifap.ed.gov/dpcletters/attachments/CB0814Attach.pdf.

Perkins Loan cancellation is based on both the number of years of service an individual has completed and a rate of cancellation applicable to the particular type of service. **Table 2** presents the percentage of the principal of Perkins Loans that is canceled for each year of service in an activity eligible for Perkins Loan cancellation. The terms of the program prescribe that the amount of principal and interest canceled for public service shall not be considered income for purposes of the Internal Revenue Code (IRC) of 1986.

The Secretary is required to reimburse institutions for Perkins Loans canceled for students engaged in public service.[45] Funds for reimbursing institutions for loan cancellations may not come from the appropriation designated for FCCs. Rather, funds for the reimbursement of Perkins Loan cancellations are appropriated under a separate authorization from funds for Perkins Loan FCCs. Each year, the Secretary is required (to the extent feasible), to reimburse institutions within three months after they file their applications for reimbursement of campus-based funds.

Table 2. Perkins Loan Cancellation Rates by Type of Service

	Percentage of Perkins Loan Principal Canceled Per Year of Service			
Type of Service	**1st and 2nd Years**	**3rd and 4th Years**	**5th Year and Later**	**Max. Total**
Full-time elementary or secondary school teacher in a designated low-income school	15	20	30	100
Full-time staff member in preschool, prekindergarten, or child care program	15	15	15	100
Full-time special education teacher/IDEA professional provider	15	20	30	100
Member of Armed Forces in area of hostilities	15	20	30	100
Peace Corps or AmeriCorps VISTA volunteer	15	20	N/A	70
Full-time law enforcement/corrections officer or public defender	15	20	30	100
Full-time math, science, foreign language, bilingual education, or other shortage subject area teacher	15	20	30	100
Full-time nurse or medical technician	15	20	30	100
Full-time employee of agency serving high-risk children and their families	15	20	30	100
Full-time firefighter	15	20	30	100
Full-time faculty member at a Tribal College or University	15	20	30	100
Librarian with a master's degree in an ESEA, Title I-A, school	15	20	30	100
Full-time speech language pathologist with a master's degree working in an ESEA, Title I-A, school	15	20	30	100

Source: HEA, §465 (20 U.S.C. §1087ee).

[45] HEA, §465(b) (20 U.S.C. §1087ee).

Loan Discharge

Institutions must discharge a borrower's liability to repay Perkins Loans if the borrower dies or becomes totally and permanently disabled, as determined according to regulations issued by the Secretary.[46] Collections may be resumed if a borrower whose loan has been discharged subsequently receives a loan under HEA, Title IV, if the borrower earns income in excess of the poverty line, or if the Secretary determines the resumption of collections is necessary. Institutions are not reimbursed by the Secretary for losses due to the discharge of Perkins Loans.

Loan Default and Rehabilitation

In general, a Perkins Loan is considered to be in default if the borrower has failed to comply with the terms of the promissory note or failed to make payments on a loan for 240 days (for a loan repayable monthly) or 270 days (for a loan repayable quarterly). The cohort default rate for an institution is defined as the percentage of current and former students entering repayment in that award year on Perkins Loans received for attendance at that institution and who default on their loans before the end of the following award year.[47] For institutions with less than 30 students entering repayment in any year, the cohort default rate is calculated over a three-year period.

A borrower who has defaulted on a loan may rehabilitate the loan by making nine consecutive on-time payments. Rehabilitated borrowers are returned to regular repayment status, begin a new 10-year repayment schedule, and have the default removed from their credit history. A borrower may rehabilitate a loan only once.

Allocation of Funds to Institutions

Prior to the Extension Act's repeal of the authorization of appropriations for FCCs, FCCs were allocated to IHEs according to procedures using a two-stage process somewhat similar to that used for the FSEOG and FWS programs. Although the Extension Act neither amended nor repealed the allocation formula, new FCCs cannot be made without additional appropriations. The following paragraphs describe the HEA-prescribed Perkins Loan program allocation procedures.

Under the statutorily prescribed procedures, funds were allocated according to institutions' previous year's allocations (base guarantee), and any remaining funds were allocated according to institutions' share of excess eligible amounts of student need (fair share increase). Unlike the formulas for the FSEOG and FWS programs, however, the Perkins Loan allocation formulas also included a *default penalty* applicable to institutions with large proportions of borrowers defaulting on their Perkins Loans. The default penalty was used to limit the awarding of Perkins Loan FCCs only to institutions with cohort default rates below a maximum threshold. Institutions with a cohort default rate of less than 25% were assigned a default penalty of "1" and those with a default rate of 25% or greater were assigned a default penalty of "0." The FCC for institutions with a "0" default penalty was reduced to $0 in the following cycle of allocations.

According to the allocation formulas, FCC funds first were allocated to IHEs according to their previous year's allocations with priority going to institutions that participated in the Perkins Loan program in FY1999. These institutions were eligible to receive 100% of their FY1999

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[46] For additional information on the discharge of Perkins Loans, see ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, pp. 6-165 through 6-167.

[47] HEA, §462(g) (42 U.S.C. §1087bb(g)).

allocation.[48] Institutions that began participating in the Perkins Loan program after FY1999, but that were not first- or second-time participants, were eligible to receive 100% of the amount they received in their first year of participation. Those institutions that began participating after FY1999, and that were first or second time participants, generally were eligible to be awarded either 90% of the amount they received in the previous year or 90% of the amount awarded to comparable institutions on a per-student basis. However, if an institution began participating in the Perkins Loan program after FY1999 and received a larger allocation in its second year of participation than in its first, it was allocated 90% of the amount it received in its second year of participation if this was a larger amount than it would otherwise receive. The minimum grant amount was $5,000.

After allocating funds according to institutions' previous year's allocations, any remaining FCC funds were allocated based on each institution's fair share of excess eligible student need. This was the amount by which an institution's share of eligible self-help need exceeded the amount already allocated to it according to its base guarantee. Like the FWS program, self-help need was calculated separately for undergraduate students and for graduate and professional students according to formulas that take into account the institution's COA and the approximate EFCs of students attending the institution. However, for the Perkins Loan program, an institution's eligible amount of need was the amount of the institution's self-help need, minus the institution's collections (defined as the amount the institution collected in the second year prior to the award year, multiplied by 1.21), multiplied by its cohort default penalty (either 1 or 0).

The Secretary was authorized to reallocate any excess Perkins Loan funds returned by institutions. Eighty percent of those funds had to be reallocated to institutions according to their excess eligible amounts of student need, while the remaining 20% could be reallocated according to regulations established by the Secretary. An institution returning more than 10% of its allocation had its subsequent year's allocation reduced by the amount returned, unless waived by the Secretary as contrary to the interest of the program.

Distribution of Assets from Perkins Loan Funds

Upon ending participation in the Perkins Loan program, institutions are required to begin a distribution of assets from their revolving loan funds.[49] In doing so, an institution must repay the Secretary a portion of the balance of its loan funds that is proportional to the amount of FCCs. In many instances, this percentage could range between 85% and 90% of an institution's Perkins Loan fund.[50]

The Extension Act amended numerous provisions related to the timing and distribution of assets of IHEs' Perkins Loan funds following the program's expiration. As amended by the Extension Act, HEA Section 466 specifies that IHEs will be required to return Perkins Loan fund assets in the following manner:

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[48] According to the Department of Education's *Explanation of Tentative Funding Level Worksheets: 2016-2017 Award Period* for the campus-based programs, this is equal to the institution's award year 1999-2000 conditional guarantee, multiplied by its award year 1999-2000 cohort default penalty factor, multiplied by a 60.77% reduction factor.

[49] ED, *2016-2017 FSA Handbook*, vol. 6—*The Campus-Based Programs*, p. 6-119.

[50] U.S. Department of Education, Office of Postsecondary Education, *Dear Colleague Letter CB-00-05, Enclosure 1*. Institutions participating in the Perkins Loan program typically have received FCCs throughout the duration of their participation in the program. From the inception of the program through the 1992-1993 award year, the federal share was 90%. In the 1993-1994 award year, the federal share was 70%. Since the 1994-1995 award year the federal share has been 75%.

- **Capital Distribution.** Beginning October 1, 2017, each participating IHE will be required to return to the Secretary the federal share of its Perkins Loan funds.
- **Distribution of Late Collections.** After September 30, 2017, each participating IHE will be required to return to the Secretary the federal share of any borrower payments or collections in principal and interest on outstanding Perkins Loans.
- **Distribution of Excess Capital.** If prior to October 1, 2017, a participating IHE or the Secretary determines that the liquid assets in the IHE's Perkins Loan fund exceed the amount required for Perkins Loans or other purposes, in the foreseeable future, the IHE will be required to return to the Secretary the federal share of the excess capital.

Under each of these provisions, the Secretary's share to be returned is to equal an amount of the loan fund, late collections, or excess capital proportional to the amount of ED's overall FCCs, and IHEs are to retain the remaining amounts.

Transfer of Funds Between Campus-Based Programs

Institutions have flexibility to transfer funds between the campus-based programs in which they participate. They may transfer up to a total of 25% of their allotment under the Federal Perkins Loan program for use in the FSEOG or FWS programs, or both. Institutions may transfer up to 25% of their allotment under the FWS program for use in the FSEOG or Federal Perkins Loan program, or both. Institutions also may transfer up to 25% of their FSEOG allocation for use in the FWS programs. As noted earlier, work colleges also may transfer up to 100% of their Perkins Loan FCC or FWS allocation to their Work Colleges program.

For award year (AY) 2014-2015, based on data reported to ED, 1,228 institutions transferred a total of approximately $87.4 million from the FWS to the FSEOG program; 296 institutions transferred a total of approximately $6 million from the FSEOG to the FWS program; and 15 institutions transferred a total of approximately $1.7 million from the FWS to the Perkins Loan program.[51] In prior years when Perkins Loan FCCs were appropriated, some institutions also transferred funds from the Perkins Loan program to the FSEOG and FWS programs.

Administrative Costs

Institutions participating in the campus-based programs are entitled to an administrative cost allowance to cover the expenses of administering the programs. Administrative cost allowances are determined according to the following schedule:

- 5% of the institution's first $2.75 million in campus-based expenditures; plus
- 4% of the institution's campus-based expenditures greater than $2.75 million and less than $5.5 million; plus
- 3% of the institution's campus-based expenditures in excess of $5.5 million.

In calculating administrative costs, institutions include both federal and institutional expenditures.[52] Institutions take their administrative cost allowances out of federal funds allocated

[51] U.S. Department of Education, Office of Postsecondary Education, *Federal Campus-Based Programs Data Book 2016*, Table 17. http://www2.ed.gov/finaid/prof/resources/data/databook2016/databook2016.html (hereinafter cited as ED, *Federal Campus-Based Programs Data Book, 2016*).

[52] HEA, §489 (20 U.S.C. §1096); ED, *2016-2017 FSA Handbook*, vol. 6—*Campus-Based Programs*, pp. 6-23 to 6-24.

for the FSEOG and FWS programs and from cash on hand in their revolving loan funds for the Perkins Loan program. Institutions have some discretion in determining how to allocate administrative costs across the three campus-based programs. Administrative cost allowances as claimed for the campus-based programs are shown in **Table 3**.

Table 3. Administrative Cost Allowances for the Campus-Based Programs

(AY2014-2015)

Campus-Based Program	Administrative Cost Allowance
FSEOG	$14,523,797
FWS	$48,620,639
Perkins Loans	$54,037,622
Total	$117,182,058

Source: U.S. Department of Education, Office of Postsecondary Education, *Federal Campus-Based Programs Data Book 2016*, Table 11.

Funding and Participation Data

This section presents budget information on past funding levels for the campus-based programs and program information including the number of institutions participating in each program, the number of students awarded aid and average award amounts, and the distribution of campus-based aid according to student and institutional characteristics.

Funding for the Campus-Based Programs

Appropriation figures for the campus-based programs are presented in **Table 4** for the past decade. Funding for the FSEOG program decreased by approximately 10% from FY2007 to FY2013, before experiencing an increase of 5% in FY2014. In recent years, the program's funding has remained level at about $730 million. In FY2009, an additional $200 million was provided for the FWS under the American Recovery and Reinvestment Act (ARRA; P.L. 111-5). Funding for the FWS Off-Campus Community Service program, which was established under the HEOA, was only provided for FY2010. Discretionary appropriations were last provided for Perkins Loan FCCs in FY2004; and funding was last provided for Perkins Loan Cancellations in FY2009.

Table 4. Campus-Based Program Funding: Appropriations for FY2007-FY2017

(in thousands of dollars)

Fiscal Year	FSEOG	FWS	FWS Off-Campus Community Service	Perkins Loan FCCs	Perkins Loan Cancellations
FY2007	770,933	980,354	—	0	65,471
FY2008	757,465	980,492	—	0	64,327
FY2009[a]	757,465	1,180,492	0	0	67,164
FY2010	757,465	980,492	750	0	0
FY2011	735,990	978,531	0	0	0
FY2012	734,599	976,682	0	0	0
FY2013[b]	696,175	925,595	0	0	0
FY2014	733,130	974,728	0	0	0
FY2015	733,130	989,728	0	0	0
FY2016	733,130	989,728	0	0[c]	0
FY2017[d]	729,494	984,819	0	0	0

Sources: U.S. Department of Education, "Department of Education Fiscal Year 2017 Congressional Action Table" at http://www2.ed.gov/about/overview/budget/budget17/17action.pdf; and historical tables.

a. The FWS program received $200 million in American Recovery and Reinvestment Act of 2009 funds. (ARRA; P.L. 111-5)

b. The FY2013 appropriation reflect the final amount appropriated, including the spending reduction authorized by the Budget Control Act of 2011 (BCA; P.L. 112-25), commonly referred to as "sequestration."

c. The Federal Perkins Loan Program Extension Act of 2015 (P.L. 114-105) repealed the authorization of appropriations to enable the Secretary to make FCCs to IHEs' Perkins Loan funds and explicitly prohibited additional appropriations beyond FY2015 under the HEA or any other act for purposes of making new Perkins Loans.

d. The FY2017 Further Continuing and Security Assistance Act (P.L. 114-254) provides funding for the campus based programs through April 28, 2017. Amounts include a 6.9% reduction authorized by the Budget Control Act of 2011 (commonly referred to as sequestration), and a 0.496% across-the-board reduction pursuance to the Continuing Appropriations Act, 2017 (P.L. 114-223).

Under each of the campus-based programs, federal funds are generally required to be matched by the participating institution (or the employer under FWS, if other than the institution). As previously described, under each of the programs, the institutional match generally is one-third the amount of the federal share (however, in the FWS program, the required match can be as high as one-half of the federal share or as low as zero, depending on the type of employment). Because of the matching requirements, the campus-based programs leverage federal funding to provide an amount of student financial aid that is greater than the amount of federal funds appropriated for each program.

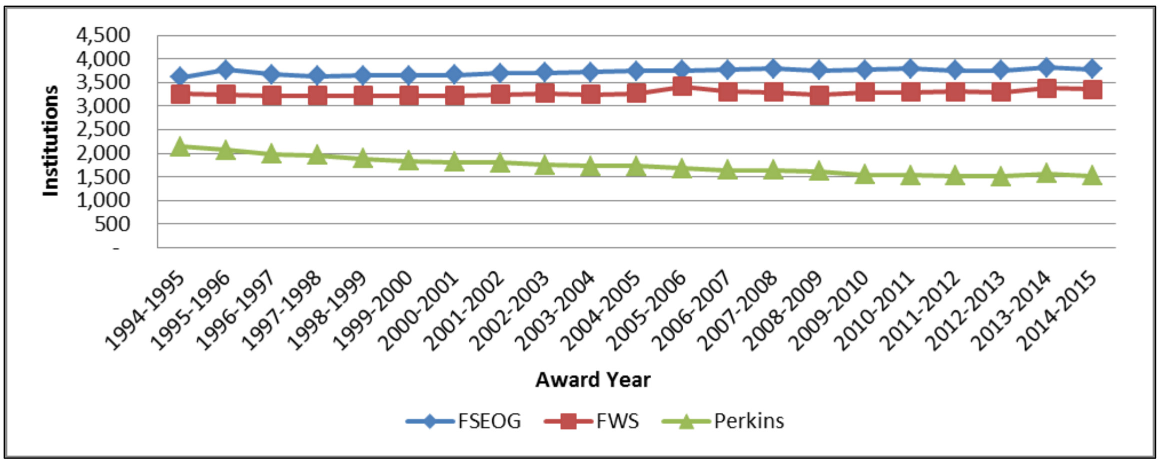
Institutional Participation

In AY2014-2015, the number of postsecondary institutions that participated in HEA Title IV financial aid programs was 7,438.[53] Approximately 51% of Title IV institutions awarded FSEOG aid, 45% employed students in FWS, and 21% of Title IV institutions advanced loans under the Perkins Loan program. While fewer institutions of all types participate in the Perkins Loan program than in either FSEOG or FWS, far fewer two-year and proprietary institutions participate in the Perkins Loan program than the other two programs.[54] It is possible that these lower levels of participation are due to factors such as the administrative burden of administering a revolving loan fund and the generally higher cohort default rates of students who attend these types of institutions.

Figure 1 displays the number of institutions participating in each of the campus-based programs since AY1994-1995. Over the past 20 years, institutional participation in FSEOG and FWS has been relatively steady. Institutional participation in the Perkins Loan program has, in general, continued a pattern of decline that has occurred over the past quarter century; however, it did experience a 4% increase in AY2013-2014.

Figure 1. Institutions Participating in the Campus-Based Programs

(AY1994-1995 through AY2014-2015)



Source: ED, *Federal Campus-Based Programs Data Book 2016*; and prior editions.

Students Served and Average Aid Amounts

This section presents information on the number of students being served and the average award amounts for each of the three campus-based programs based on program data from ED. To facilitate comparison of student award amounts over time, these data have been adjusted to 2014 dollars according to the consumer price index for all urban consumers (CPI-U).

[53] National Center for Education Statistics, *Integrated Postsecondary Education Data System*, http://nces.ed.gov/ipeds/.

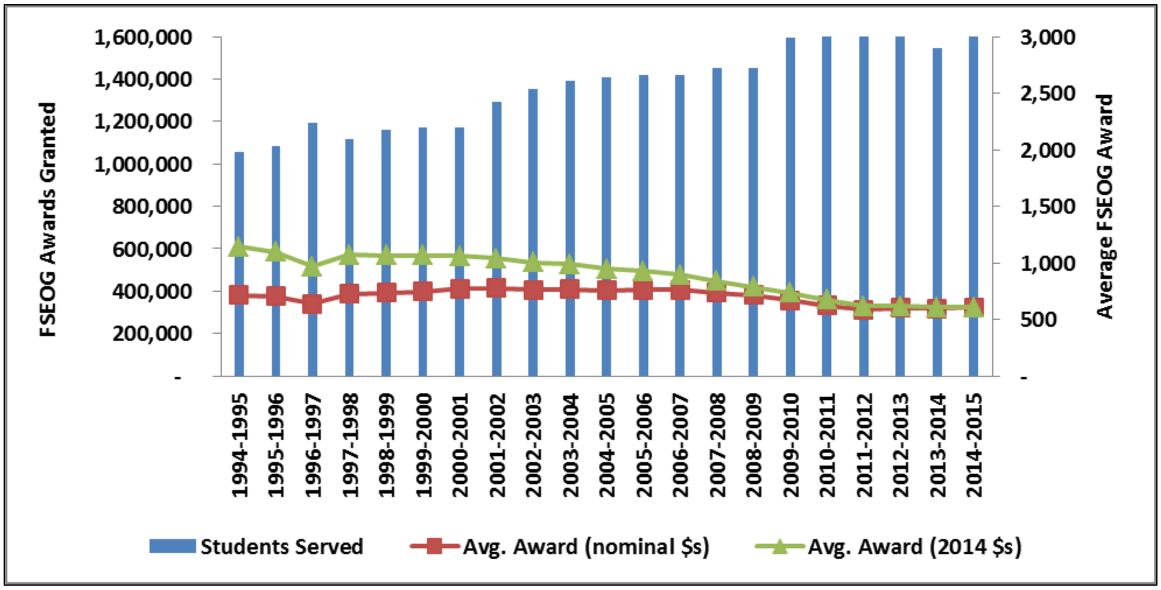
[54] ED, *Federal Campus-Based Programs Data Book 2016*.

FSEOG

Federal Supplemental Education Opportunity Grant program data on the number of students granted awards and the average award amount since AY1994-1995 (in constant 2014 dollars and nominal dollars) are presented in **Figure 2**. Once the smallest of the three campus-based programs in terms of the number of students served, the FSEOG program has grown steadily since its inception in AY1967-1968 to become the largest today. More than 1.4 million students have received annual awards through FSEOG since AY2004-2005. The average amount of aid provided per student under the FSEOG program is the lowest among the three campus-based programs. The average award amount reached a maximum of $778 in AY2001-2002, and steadily declined to $598 by 2013-2014. In constant dollars, average award amounts have declined by approximately 22% since AY2001-2002.

Figure 2. FSEOG: Number of Students Receiving Awards and Average Award Amounts

(AY1994-1995 through AY2014-2015)



Source: ED, Federal Campus-Based Data Book 2016, and prior editions.

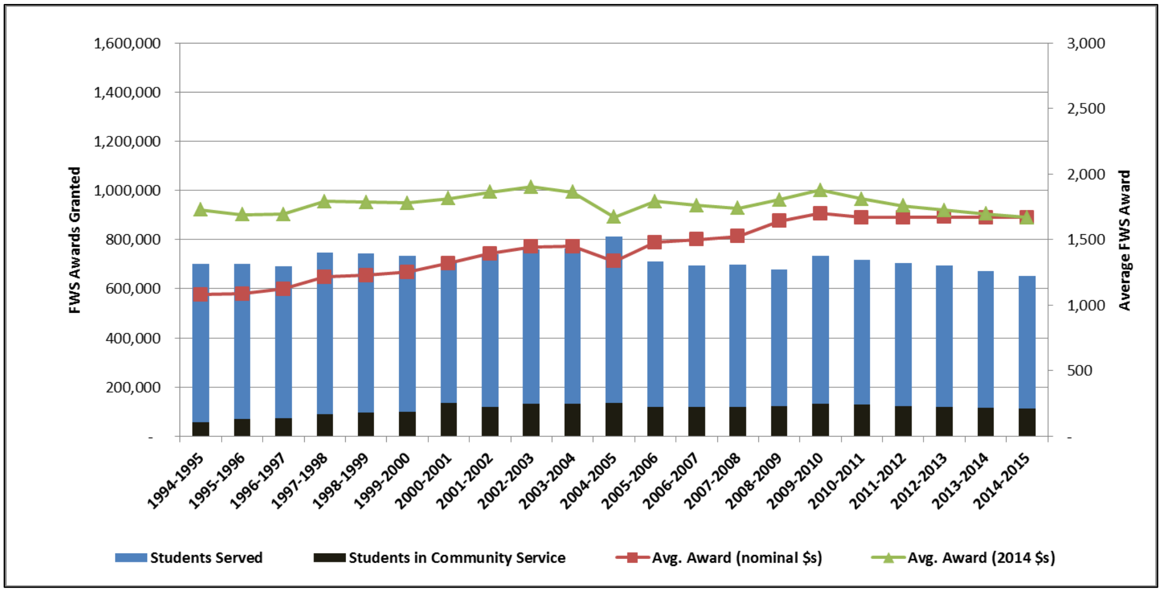
FWS

Federal Work Study program data are presented in **Figure 3**. On average, approximately 700,000 students are served annually through FWS. Over the past two decades, the average FWS award has increased (in nominal dollars) from $1,084 in AY1993-1994 to $1,669 in AY2013-2014; however, in constant dollars, compensation amounts have remained level.

From AY1994-1995 through AY1999-2000, institutions participating in the FWS program were required to expend at least 5% of their initial and supplemental FWS allocations to compensate students employed in community service jobs. Beginning with AY2000-2001, institutions must expend 7% of their FWS allotment on community service and operate at least one tutoring or family literacy project. Since the community service requirements have been in place, ED reports that the number of students employed in community service increased from 58,596 in AY1994-1995 to 117,468 in AY2013-2014. The darkly shaded portion of the bars in **Figure 3** indicates the number of students employed in community service.

Figure 3. FWS: Number of Students Receiving Awards and Average Award Amounts

(AY1994-1995 through AY2014-2015)



Source: ED, *Federal Campus-Based Data Book 2016*; and prior editions.

Success in meeting the community service requirements is determined by dividing the total funds used to compensate students employed in community service jobs by the institution's total FWS allocation; and by determining whether the institution expended part of its allocation to compensate students for community service employment as reading tutors or for family literacy activities. Institutions may apply to the Secretary for a waiver from either or both of the FWS community service requirements. There is no explicit penalty for failing to meet the requirement. Information on the expenditure of FWS funds that IHEs allocated for community service in AY2009-2010 has been reported by the U.S. Department of Education and is available from the Corporation for National and Community Service. Overall, participating IHEs spent 19% of their allocations to compensate students employed in community service jobs.[55]

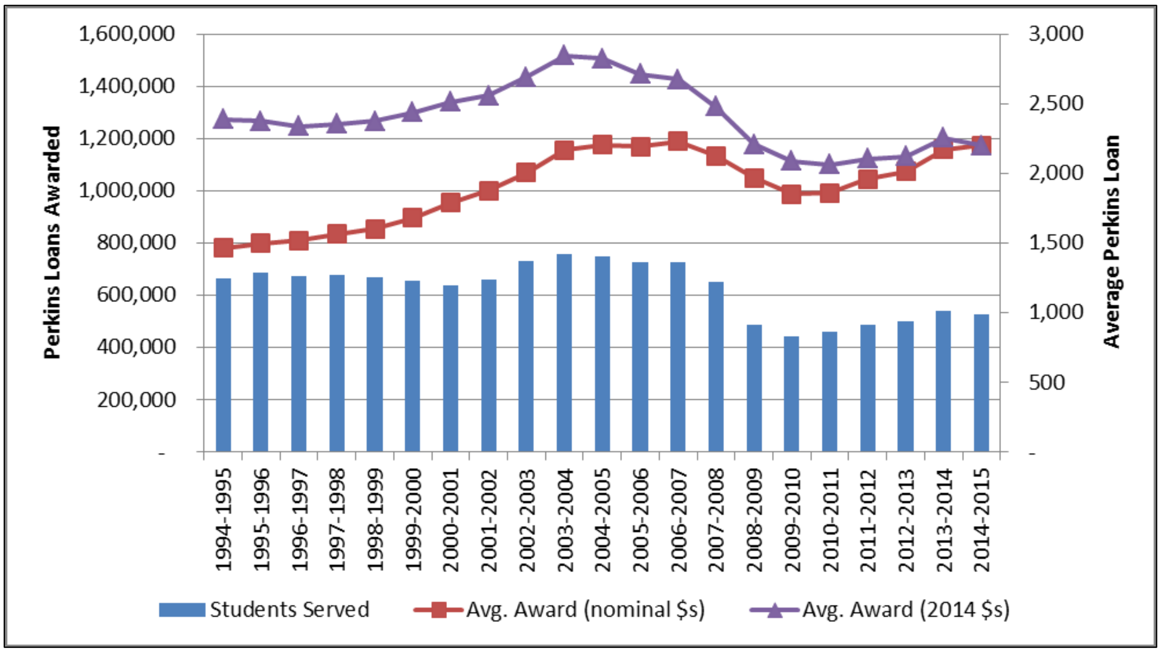
[55] Corporation for National and Community Service, *Annual Financial Report: Fiscal Year 2010*, **Table 3**, (continued...)

Perkins Loans

Historical data on the Perkins Loan program are provided in **Figure 4**. Between AY1994-1995 and AY2007-2008, the annual number of students served ranged from approximately 640,000 to 760,000. In AY2008-2009, the number of Perkins Loans dropped to approximately 490,000, representing nearly a 13% drop from AY2007-2008. However, between AY2012-2013 and AY2013-2014, the number of students served increased by approximately 7.5%, to approximately 540,000. Average Perkins Loan amounts, measured in constant dollars, have fluctuated over the past two decades. By AY2003-2004, average Perkins Loan amounts reached a maximum (in constant dollars) of $2,846. However, by AY2010-2011, average Perkins Loan amounts had decreased to a low of $2,062. The AY2014-2015 average Perkins Loan amount was $2,198.

Figure 4. Perkins Loans: Number of Students Receiving Awards and Average Award Amounts

(AY1994-1995 through AY2014-2015)



Source: ED, *Federal Campus-Based Data Book 2016;* and prior editions.

During AY2014-2015, about $1.2 billion in Perkins Loans were made to approximately 528,000 students. Some IHEs continue to service previously made Perkins Loans, but have stopped making new loans.

Perkins Loans cohort default rates (see previous discussion of Perkins Loans default and rehabilitation) declined from a high of 12.95% for the AY1995-1996 cohort to 7.81% for the AY2005-2006 cohort, before increasing again beginning with the AY2006-2007 cohort (see **Table 5**). Perkins Loan cohort default rates have been above 10% since AY2007-2008. Four-year

(...continued)

http://www.nationalservice.gov/sites/default/files/documents/11_1115_final_fy_10_afr_0.pdf.

Note: data are not reported on tutoring and family literacy projects.

institutions typically have the lowest cohort default rates, while those of two-year and proprietary institutions are much higher.

Table 5. Perkins Loan Cohort Default Rates

(AY1995-1996 through AY2013-2014)

Year Borrowers Entered Repayment	Cohort Default Rate
AY1995-1996	12.95
AY1996-1997	12.48
AY1997-1998	11.54
AY1998-1999	10.61
AY1999-2000	9.99
AY2000-2001	8.35
AY2001-2002	8.85
AY2002-2003	8.29
AY2003-2004	8.12
AY2004-2005	8.10
AY2005-2006	7.81
AY2006-2007	8.32
AY2007-2008	10.04
AY2008-2009	10.08
AY2009-2010	10.45
AY2010-2011	11.09
AY2011-2012	10.67
AY2012-2013	11.27
AY2013-2014	10.78

Sources: ED, *Federal Campus-Based Programs Data Book 2016,;* and prior editions.

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Acknowledgments

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