Congressional Research Service

The Campus-Based Financial Aid Programs: A Review and Analysis of the Allocation of Funds to Institutions and the Distribution of Aid to Students

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January 25, 2007

Congressional Research Service
7-....
www.crs.gov
RL32775

CRS Report for Congress
Prepared for Members and Committees of Congress

Summary

The Federal Supplemental Educational Opportunity Grant, Federal Work-Study, and Federal Perkins Loan programs are collectively referred to as the campus-based financial aid programs largely because participating institutions play a central role in their operation, and because the aid they make available to students comprises federal funds matched in part with institutional funds. In recent years, the programs have been criticized because a large share of funding is allocated to institutions on the basis of amounts received in prior years for "base guarantees" as opposed to being allocated exclusively on the basis of aggregate student financial need. They also have been criticized because the current funding procedures allow institutions that receive proportionately greater funding on a per-student basis to provide larger awards to students with higher incomes than can be provided to lower-income students at institutions that receive less funding. In recent Congress bills have been introduced to modify the funding procedures by gradually phasing out base guarantee funding and requiring all campus-based funding to be allocated to institutions according to existing need-based "fair share" formulas.

This report describes and analyzes (a) the process through which federal funds are allocated to institutions under the campus-based programs, (b) the potential for allocating all campus-based funding according to the existing need-based formulas, and (c) the current distribution of aid to students. It will be updated to track legislative proposals addressing the campus-based allocation procedures. Major findings presented in the report include the following:

- Under each program, the majority of funds are allocated to institutions on the basis of amounts received in prior years, while only a modest amount are allocated according to aggregate student financial need as calculated according to "fair share" formulas.
- Under the need-based formulas, the cost of attendance at an institution is the dominant factor in determining institutional need.
- Much greater amounts of institutional need are calculated on a per-student basis at high-cost institutions than at low-cost institutions.
- At low-cost institutions, institutional need comprises limited amounts of aggregate student need attributable to large numbers of predominately low-income students, while at high-cost institutions, it tends to comprise greater amounts of need attributable to a smaller number of mostly middle- and upper-income students.
- It is estimated that if the allocation procedures were to be modified so that funding was allocated entirely on the basis of institutions' proportionate share of institutional need, more institutions would receive allocation increases than would receive allocation decreases.
- Larger proportions of students at higher-cost institutions receive campus-based aid, and receive larger awards, than do comparable students at lower-cost institutions; however, average awards at higher-cost institutions cover a smaller percentage of costs.

Contents

Figures

Tables

Contacts

Three need-based Federal Student Aid (FSA) programs authorized under the Higher Education Act of 1965, as amended (HEA)[1]—the Federal Supplemental Educational Opportunity Grant (FSEOG) program, the Federal Work-Study (FWS) program, and the Federal Perkins Loan program—are collectively referred to as the campus-based financial aid programs. The programs are called the campus-based programs largely because participating institutions of higher education (IHEs) have a significant role in administering the programs and because they must use institutional funds to match the federal funds they receive for the operation of the programs. In contrast to other need-based FSA programs in which aid is awarded to students according to non-discretionary criteria, the financial aid administrators of participating IHEs have discretion in determining the mix and amount of aid individual students receive from funds made available under the programs. The FSEOG program allows IHEs to provide grant aid to undergraduate students who have not yet earned a first baccalaureate degree. The FWS program supports undergraduate and graduate students through subsidized part-time employment. Under the Perkins Loan program, IHEs use federal capital contributions (FCCs) to help establish revolving loan funds from which they make low-interest loans to undergraduate and graduate students. Over $3.8 billion in financial aid is awarded annually to students under the three programs.

The programs are popular with many IHEs and financial aid administrators because of the flexibility they provide to tailor aid to meet the specific needs of students and for the ability to shift funds between programs. The programs have come to be criticized, however, for the way in which the majority of funding provided for the programs is allocated to institutions in proportion to the amount they received in previous award years, as opposed to being allocated entirely according to the aggregate financial need of the students attending each institution. The programs have also been criticized because the current distribution of funds allows institutions that receive proportionately more funding on a per-student basis to give larger campus-based awards to more students and to students with higher incomes than can be awarded at other institutions.[2]

Some have proposed modifying the campus-based programs' funding procedures to gradually phase out the current practice of allocating the majority of funds to institutions on the basis of the amounts they received in prior years and to require that all funding eventually be provided in proportion to the aggregate financial need of students at participating institutions.[3] Others have expressed concern that amending the allocation procedures without also providing increased funding for the campus-based programs overall might result only in making more aid available to needy students at some institutions at the expense of needy students at those institutions that would experience funding decreases.[4] In the 109th Congress, H.R. 609, as introduced in the

[1] 20 U.S.C. §§ 1001 *et seq.* Authorization to fund the programs expired at the end of fiscal year (FY) 2003; however, funding was authorized for FY2004 under the extension in authorization provided under the General Education Provisions Act (GEPA), and has subsequently been incrementally extended through June 30, 2007 under a series of Higher Education Extension Acts (P.L. 108-366, P.L. 109-81, P.L. 109-150, P.L. 109-212, P.L. 109-238, and P.L. 109-292). The 110th Congress will likely consider proposals to amend and extend the HEA.

[2] See, for example, Stephen Burd, "Unfair Advantage? Elite Private Colleges Say They Will Fight to Protect Federal Aid That Other Institutions Want for Needy Students," *The Chronicle of Higher Education*, Aug. 15, 2003; and Greg Winter, "Rich Colleges Receiving Richest Share of U.S. Aid," *The New York Times*, Nov. 9, 2003.

[3] See for example, National Association of Student Financial Aid Administrators (NASFAA), *Higher Education Act Reauthorization Recommendations*, May 22, 2003, pp. 41-42, at http://www.nasfaa.org/Publications/2003/senaterecs052203.doc, visited Jan. 19, 2006.

[4] Letter from Association of American Universities to Honorable John Boehner, Chairman, House Committee on Education and the Workforce, and Honorable Buck McKeon, Chairman, House Subcommittee on 21st Century Competitiveness, May 26, 2004, at http://www.aau.edu/education/HR4283ComLet.pdf, visited Jan. 19, 2006.

House, would have amended the allocation procedures for the campus-based programs to gradually phase out provisions that provide for the allocation of funds on the basis of the amounts institutions' received in prior years so that eventually all funds would be allocated to institutions on the basis of their aggregate student financial need.[5] However, these provisions were removed during consideration of the bill, and H.R. 609 as passed by the House would have retained the current allocation procedures. The Senate bill to reauthorize the HEA in the 109th Congress, S. 1614, also would have retained the current allocation procedures. While the 110th Congress will likely consider bills to amend and extend the HEA, it is unclear whether substantive changes to the allocation procedures to the campus-based programs will be proposed. (Additional information on the campus-based programs, including a history of appropriations and basic program data for each of the three programs, and a review and analysis of proposals to amend the programs under bills that would reauthorize the HEA can be found in CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*, by (name red acted).)

This report describes and analyzes the process through which federal funds are currently allocated to IHEs under the campus-based programs and also examines the subsequent distribution of aid to recipients of awards provided under the programs. The report begins with a brief overview of the procedures used to allocate funds to IHEs under each of the three programs. This includes a discussion of the development of the allocation procedures and significant changes to them over the history of the programs. Next, the report analyzes the allocation of funds to IHEs according to the current allocation procedures, focusing on key aspects of these procedures that largely affect the distribution of funds to institutions. The report then discusses issues related to the campus-based programs that may be considered as the 110th Congress debates reauthorization of the HEA. In particular, it examines how the distribution of funds to institutions might be affected should the current allocation procedures for the programs be amended to phase out the allocation of funds on the basis of prior year allocations in favor of providing institutions with funding entirely on the basis of aggregate student need, as had been proposed in prior Congresses. The report concludes with a review and analysis of the distribution of campus-based financial aid to different types of students at participating IHEs and an examination of the role that the current allocation procedures may have in affecting the distribution of aid.[6]

Overview of the Allocation Formulas for the Campus-Based Financial Aid Programs

Under each of the campus-based programs, the U.S. Department of Education (ED) allocates funds to participating IHEs according to a complex two-stage procedure. These allocation procedures are specified in the authorizing statute of each program. While there are slight differences between programs, the allocation procedures all share the same basic framework. In the first stage, an IHE that is a continuing participant in a program receives funding based on what it received in prior years. This is commonly referred to as the **base guarantee**. In general,

[5] See H.R. 609, *The College Access and Opportunity Act of 2005*; and the Administration's Department of Education FY2006 Budget Summary. A similar bill, H.R. 4283, *The College Access and Opportunity Act of 2004*, was introduced in the 108th Congress.

[6] This report presents analysis of the campus-based programs using allocations data for AY2004-AY2005 and program participation data for AY2002-AY2003.

an IHE's base guarantee is equal to some portion of the funds it received in FY1999; however, there are also procedures for allocating a base guarantee to IHEs that began participating in a campus-based program after FY1999.

In the second stage, any funds remaining after the allocation of base guarantees are allocated to IHEs according to need-based formula allocation procedures. Under the allocation formulas for the programs, each IHE receives funding in proportion to its share of the national total of **institutional need** that is in excess of the amount it received as its base guarantee. (Institutional need is a program-specific measure of the total financial need of all eligible students at an IHE). Under each of the formulas, ED determines the amount of funds each IHE would receive if the entire appropriation for the program were to be allocated in proportion to its share of the national total of institutional need (supposing that no funds were allocated for base guarantees). This amount is referred to as an institution's **fair share**. If an IHE's fair share is greater than its base guarantee, it has a **shortfall** in funding and is eligible to receive additional funding—a **fair share increase**—to help reduce its shortfall. An IHE's total allocation is the sum of its base guarantee and its fair share increase. **Figure 1** summarizes the allocation procedures for the campus-based programs.

Figure 1. Summary of the Allocation Procedures for the Campus-Based Financial Aid Programs

1. Base guarantee allocation:

a) *base guarantee* = institution specific amount based on allocation in previous years

2. Fair share allocation:

a) *fair share* = [(institutional need) / (national total of institutional need)]

x

[funds appropriated]

b) *shortfall* = [(fair share)—(base guarantee)]

c) *fair share increase* = [(shortfall) / (national total of shortfalls)]

x

[(funds appropriated)—(national total of base guarantees)]

3. Total allocation:

a) *total allocation* = [(base guarantee) + (fair share increase)]

Sources: HEA §§ 413D, 442, and 462.

The basic structure for allocating campus-based program funding to institutions—first for base guarantees, and then for fair share increases—can be traced back to procedures developed in the late 1970's and first put into place for the 1979-1980 award year.[7] Funding for the campus-based programs previously was allocated according to a different two-stage procedure in which funds first were apportioned on a state-by-state basis according to the student population in each state, and then sub-allocated to IHEs on the basis of the student need at institutions within each state

[7] U.S. Department of Education, Office of Postsecondary Education, *A Report on the State and Institutional Funding Process for Campus-Based Student Financial Assistance Programs*, Dec. 12, 1983, pp. 4-5.

according to a procedure called the *panel review process*. Under the panel review process, institutions would apply to receive a share of the funds allocated to their state based on the projected financial need of their students. A regional panel would then review the institutions' applications and determine the amount of funding each IHE would receive. In the mid-1970s, the panel review process became subject to criticism for being too complex and time-consuming, and for leading to inequities in the distribution of aid to students.[8] In response, the U.S. Office of Education convened a panel of experts to study and make recommendations on how to allocate funds to IHEs under the campus-based programs.[9] The panel's recommendations led to the implementation of new allocation procedures. Over time, these procedures have been modified slightly; however, the same basic structure remains.

At the time the new allocation procedures were adopted, it was decided that in the first year of their implementation, IHEs would first be allocated funds in amounts comparable to what they had received in the past. Called the *conditional guarantee*, this was the precursor to the current base guarantee. Funds remaining after the allocation of conditional guarantees would be allocated according to the fair share formulas. In the first year of implementation, conditional guarantees were to be set at the greater of the amount of funds IHEs had expended in either the 1977-1978 or 1978-1979 award years. The next year, they were to receive 90% of that amount. In subsequent years, conditional guarantees were to be gradually reduced until ultimately all funds were allocated according to the fair share allocation procedures.[10] Ultimately, however, conditional guarantees—now called base guarantees—were not phased out.[11] The majority of the funds appropriated for each of the three campus-based programs continues to be allocated for institutional base guarantees. (It is important to note that as appropriations increase, a greater proportion of funding becomes available for fair share increases, while a decrease in appropriations results in proportionally more funding being allocated for base guarantees.)

The capacity of an IHE to award campus-based aid to eligible students is directly related to the amount of funds it receives. The major factors determining each IHE's allocation are its base guarantee, its cost of attendance (COA), the number of FSA applicants, and the expected family contributions (EFCs) of those students. The remainder of this first part of the report describes the major components of the campus-based allocation procedures.[12]

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[8] See, for example, General Accounting Office, Report to the Special Subcommittee on Education, House Committee on Education and Labor, *Administration fo the Office of Education's Student Financial Aid Program*, Apr. 4, 1974, pp. 26-34, at http://161.203.16.4/f0302/095923.pdf, visited Jan. 19, 2006. (Hereafter cited as GAO, *Administration of the Office of Education's Student Financial Aid Program*.)

[9] U.S. Office of Education, *Final Report of the Panel of Experts to Design a New Funding Process to Commissioner Ernest L. Boyer*, June 1979. (Hereafter cited as ED, *Final Report of the Panel of Experts*.)

[10] Ibid., pp. 18, 22, and 78.

[11] For a brief history of the campus-based allocation procedures, see Robert Purnell Huff, "The Evolution of the Process of Allocating Federal Campus-based Student Financial Aid to Postsecondary Education Institutions," *NASFAA Journal of Student Financial Aid*, 34 no. 2, 2004, pp. 35-42, at http://www.nasfaa.org/Annualpubs/Journal/Vol34n2/Huff.pdf, visited Jan. 19, 2006. (Hereafter cited as Huff, *The Evolution of the Process of Allocating Federal Campus-Based Student Financial Aid to Postsecondary Education Institutions*.)

[12] The allocation procedures are specified at HEA §§ 413D, 442, and 462 (42 U.S.C. §§ 1070b-3, 2752, and 1087bb). Participating institutions are required to submit information used in the allocation of funds and to report their use of funds on the *Fiscal Operations Report and Application to Participate* (U.S. Department of Education, Office of Postsecondary Education, Campus-Based Operations, ED Form 646-1, OMB no. 1845-0030).

Base Guarantee Allocations

Under each of the campus-based programs, all participating institutions are eligible to receive a base guarantee. Because most institutions' base guarantees are equal to a portion of the amount of funds they received in prior award years, it is often stated that the procedures for determining base guarantees favor long-term participants over new entrants to the programs. More precisely, the base guarantee component of the allocation procedures gives a funding advantage to an institution with a base guarantee that is greater than its fair share. Base guarantees are determined according to the following procedures:

- First, from the funds appropriated for any of the programs, each IHE that participated in that particular program in FY1999 is allocated a base guarantee equal to 100% of the sum of (a) its FY1999 base guarantee and (b) its FY1999 *pro rata*, or proportional, share of the funds that remained after the allocation of all base guarantees.[13]
- Next, those IHEs that began participation in the program after FY1999, but which are not first- or second-time participants, are allocated a base guarantee equal to the greater of $5,000, or 90% of the amount they received in their second year of participation (100% in the case of Perkins Loan FCCs).
- Finally, IHEs that are participating in the program for their first or second year receive a base guarantee equal to the greatest of (a) $5,000, (b) 90% of the per-pupil amount allocated to and used by comparable institutions[14] in the second preceding fiscal year, multiplied by the number of students at the IHE, or (c) 90% of what the IHE received in its first year of participation.

However, notwithstanding the second and third of these steps, if an institution began participating in the program after FY1999 and received a larger allocation in its second year of participation than in its first, its base guarantee is equal to 90% of the allocation it received in its second year of participation. In cases where the annual appropriation is insufficient to award IHEs their full base guarantee according to any one of the abovementioned steps, base guarantees that are to be allocated according to that step are proportionally reduced and no funds are to be allocated to institutions under any subsequent stages of the allocation procedures.

Fair Share Allocations

Under each of the programs, after the allocation of base guarantees, any funds remaining from the annual appropriation are allocated to IHEs for fair share increases according to formula-based procedures. The first step in the fair share allocation procedures involves determining each IHE's institutional need. This is referred to as **FSEOG need** for the FSEOG program, **self-help need** for

[13] Prior to the enactment of the Higher Education Amendments of 1998 (P.L. 105-244), IHEs received base guarantees in each program equal to 100% of the total amount they were allocated for FY1985. They also received a *pro rata share*, which was an amount proportional to their base guarantee, allocated from one quarter of the funds that remained from the annual appropriation after the allocation of all base guarantees. A history of base guarantee funding can be found in Huff, *The Evolution of the Process of Allocating Federal Campus-based Student Financial Aid to Postsecondary Education Institutions,* pp. 40-41.

[14] Each year, ED determines the amount allocated to comparable institutions by calculating the average federal program expenditures per enrolled student for each of the three programs for six types of institutions: cosmetology, business, trade and technical, art schools, other proprietary, and non-proprietary.

the FWS program, and **adjusted self-help need** for Perkins Loan FCCs. While the calculation of institutional need differs slightly across programs, in general it is an expression of the relationship between the average cost of attendance (COA) at an institution and the average expected family contributions (EFCs) of the students who are FSA applicants in attendance at that institution. The primary components of the formulas and how they enter into the calculation of institutional need are described below.

Cost of Attendance

Under the formulas for each of the programs, an IHE's COA is calculated by first dividing the total tuition and fees received by that institution over the course of the award year two years prior to the one for which funds are being allocated, by the total number of students in attendance at the institution at any time during that same year;[15] and then adding to that amount a living cost allowance and an allowance for books and supplies. COA is calculated on the basis of a nine-month academic calendar. For award year (AY) 2004-2005, the living cost allowance was $6,105 and the allowance for books and supplies was $450.[16] Adjustments are made to account for average time in attendance for IHEs with non-traditional calendars, although this adjustment does not take into account whether students attend on a full-time or part-time basis. COA also is calculated separately for undergraduate students and for graduate and professional students.

Expected Family Contribution

Under the fair share formulas, composite EFCs are assigned to students according to their status as either undergraduate or graduate and professional students, their status as dependent or independent students (although no distinction is made between independent students with dependents other than a spouse, and those without), and where they fit within a series of income bands established by ED. These composite EFCs are used in lieu of the actual EFCs that are calculated for individual students on the basis of their completion of the Free Application for Federal Student Assistance (FAFSA).[17] As part of the allocation procedures, each year ED calculates average EFCs for undergraduate dependent and independent students, and graduate and professional students in each income band using the FAFSA full applicant database. The Table of EFCs is shown in **Table 1**.

[15] A simple headcount of students is used in calculating COA, as opposed to full-time equivalent (FTE) students. It thus represents the cost of attendance of the average student. In IHEs where there is a sizable part-time student population, this can result in the calculated COA being substantially less than the COA of a full-time student.

[16] While the cost of tuition and fees is institution specific, the allowances for living costs and books and supplies are determined according to statutory provisions and are common for all participating IHEs The living cost allowance is determined according to HEA §413D(b)(3)(C), and adjusts from year to year. The allowance for books and supplies is statutorily set at $450. Each of these amounts is based on a nine-month academic year. H.R. 609 and S. 1614 would both increase the allowance for books and supplies to $600.

[17] For a discussion of need analysis and EFCs, see CRS Report RL32083, *Federal Student Aid Need Analysis: Background and Selected Simplification Issues*, by (name redacted) and James B. Stedman.

Table 1. Table of EFCs Used in the Campus-Based Allocation Procedures: AY2004-AY2005

Undergraduate				Graduate & Professional (Independent)	
Dependent		Independent			
Income category	EFC	Income category	EFC	Income category	EFC
Automatic zero	$0	Automatic zero	$0	Automatic zero	$0
$0 to $2,999	$537	$0 to $999	$46	$0 to $999	$317
$3,000 to $5,999	$177	$1,000 to $1,999	$27	$1,000 to $1,999	$382
$6,000 to $8,999	$168	$2,000 to $2,999	$30	$2,000 to $2,999	$384
$9,000 to $11,999	$241	$3,000 to $3,999	$29	$3,000 to $3,999	$407
$12,000 to $14,999	$312	$4,000 to $4,999	$30	$4,000 to $4,999	$498
$15,000 to $17,999	$530	$5,000 to $5,999	$41	$5,000 to $5,999	$519
$18,000 to $23,999	$993	$6,000 to $7,999	$264	$6,000 to $7,999	$826
$24,000 to $29,999	$1,764	$8,000 to $9,999	$633	$8,000 to $9,999	$1,456
$30,000 to $35,999	$2,727	$10,000 to $11,999	$925	$10,000 to $11,999	$2,072
$36,000 to $41,999	$3,699	$12,000 to $13,999	$1,193	$12,000 to $13,999	$2,686
$42,000 to $47,999	$4,733	$14,000 to $15,999	$1,374	$14,000 to $15,999	$3,221
$48,000 to $53,999	$5,984	$16,000 to $17,999	$1,529	$16,000 to $17,999	$3,640
$54,000 to $59,999	$7,435	$18,000 to $19,999	$1,690	$18,000 to $19,999	$4,083
$60,000 and above	$19,579	$20,000 and above	$5,501	$20,000 and above	$11,835

Source: U.S. Department of Education, Office of Postsecondary Education, Campus-Based Programs Branch, *Campus-Based Tentative Funding Levels. Attachment C: Expected Family Contribution Averages*, CB-04-01, Jan. 23, 2004.

Institutional Need

In general, institutional need is an expression of the relationship between an institution's COA and the calculated EFCs of the students at that institution who have applied for FSA aid. It represents the aggregate financial need of students at the institution. Institutional need is obtained by performing a series of calculations involving the relationship between COA and EFC for each of the various categories of students, and then summing the results of these calculations to arrive at a figure representative of the aggregate financial need of all students at the IHE. The procedures used in calculating institutional need for each of the three programs are summarized below.[18]

[18] The procedures used in allocating funds to institutions under the campus-based programs are specified in U.S. Department of Education, Office of Postsecondary Education, Campus-Based Operations Branch, Dear Partner Letter CB-04-01, *Campus-Based Tentative Funding Levels. Attachment A: Explanation of Worksheets*, Jan. 23, 2004, at http://www.ifap.ed.gov/dpcletters/CB0401.html, visited Jan. 19, 2006.

FSEOG Need

The calculation of FSEOG need is based only on information reported about students eligible to participate in the program—undergraduate students who have not yet earned a first baccalaureate degree. For each participating IHE, institutional FSEOG need is calculated as follows:

- **Step 1:** For each undergraduate student income category in the Table of EFCs (see **Table 1**), subtract EFC from 75% of the average undergraduate COA.[19] Then take the greater of this amount, or $0. (The results are approximations of the financial need of students in each income category.)
- **Step 2:** For each undergraduate student income category, multiply the number of students in that income category by the corresponding results obtained in **Step 1**.
- **Step 3:** Sum the results of **Step 2** across all undergraduate income categories.
- **Step 4:** Subtract the total amount of Pell Grant aid and Leveraging Education Assistance Partnership/Special Leveraging Education Assistance Partnership (LEAP/SLEAP) program aid received by students at the institution from the result obtained in **Step 3**. The resulting amount is FSEOG Need.

FSEOG Need represents the aggregate financial need of the undergraduate FSA applicants at an institution who are eligible to participate in the FSEOG program. FSEOG Need is specific to the FSEOG program and is the difference between students' estimated EFCs and 75% of their institution's average undergraduate COA, summed across all students, minus the Pell Grant and LEAP/SLEAP aid available to students at the IHE. FSEOG Need thus shows the amount of aid that would need to be provided to students at an institution so that 75% of their cost of attendance, in the aggregate, could be met by the combination of their expected family contribution and federal grant aid (i.e, Pell Grants, LEAP/SLEAP, and FSEOG). The formula is based on the assumption that 25% of need would be met by other sources.

Self-Help Need

Self-Help Need is used in the fair-share allocation formula for the FWS program. Its calculation is based on information reported for all students eligible to participate in the program. For each participating IHE, Self-Help Need is calculated as follows:

- **Step 1:** Calculate 25% of the average undergraduate COA.
- **Step 2:** For each undergraduate student income category in the Table of EFCs (see **Table 1**), subtract EFC from the average undergraduate COA. Take the greater of this amount, or $0.

[19] At the time the fair share allocation formulas were developed, data from a nationwide study showed that for undergraduates, approximately 70% of college costs were being met by a combination of EFC, scholarships, and grants, while approximately 30% of costs were being met by self-help aid (loans and employment). The panel of experts responsible for developing the formulas decided that to maintain consistency with these ratios, Supplemental Educational Opportunity Grants would provide grant aid up to the point of meeting 70% of college costs, while funding for the other two programs would provide aid to meet up to 30% of college costs. When the formulas were implemented, these percentages were revised to 75% and 25%, respectively.

- **Step 3:** For each undergraduate student income category, multiply the number of students in that income category by the lesser of the results obtained in either **Step 1** or **Step 2** for the corresponding income category.
- **Step 4:** Sum the results obtained in **Step 3** across all undergraduate student income categories.
- **Step 5:** For each graduate and professional student income category in the Table of EFCs (see **Table 1**), subtract EFC from the average graduate and professional COA. Take the greater of this amount, or $0.
- **Step 6:** For each graduate and professional student income category, multiply the number of students in that category by the corresponding results obtained in **Step 5**.
- **Step 7:** Sum the results obtained in **Step 6** across all graduate and professional student income categories.
- **Step 8:** Sum the results obtained in **Step 3** and **Step 6**. This amount is an institution's Self-Help Need.

Self-Help Need represents the aggregate financial need of all FSA applicants at an institution who are enrolled in programs eligible for campus-based aid. Self-Help Need is the lesser of either 25% of an institution's average undergraduate COA, or the difference between undergraduate students' estimated EFCs and their institution's average undergraduate COA, summed across all undergraduate students; plus the difference between graduate and professional students' estimated EFCs and their institution's average graduate and professional student COA, summed across all graduate and professional students. Self-Help Need is a composite figure that expresses different characterizations of need for undergraduate students than it does for graduate and professional students. For undergraduate students, it shows the amount of aid that would need to be provided so that an amount up to 25% of undergraduate students' cost of attendance, in the aggregate, could be met by the combination of their EFC and FWS aid. For graduate and professional students, it shows the amount of aid that would need to be provided so that the *entire* difference between students' EFCs and their institution's COA could be met by FWS aid.

Adjusted Self-Help Need

Adjusted Self-Help Need is used in the formula for allocating FCCs to institutions under the Perkins Loan program. It is calculated similarly to Self-Help Need, except for being adjusted as indicated below.

- **Step 1** through **Step 8:** Same as for Self-Help Need.
- **Step 9:** Multiply the IHE's collections on previously awarded Perkins Loans in the second year prior to the year in which funds are to be allocated by 1.21.
- **Step 10:** Subtract the result obtained in **Step 9** from the result obtained in **Step 8**.
- **Step 11:** If the IHE has a cohort default rate[20] that equals or exceeds 25%, then multiply the result obtained in **Step 10** by 0; otherwise, multiply it by 1. This amount is an institution's Adjusted Self-Help Need.

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[20] The cohort default rate for an institution is defined as the percentage of current and former students entering (continued...)

Adjusted Self-Help Need expresses aggregate student need for IHEs that are participating in the Perkins Loan program and which are requesting FCCs in a similar manner as does Self-Help Need for the FWS program, except that it adjusts an institution's need by accounting for collections that are expected to be made on outstanding Perkins Loans. It is noteworthy that for IHEs participating in both the FWS and Perkins Loan programs, Self-Help Need and Adjusted Self-Help Need, respectively, each measure what is essentially the 'same' student need.

Fair Share Procedures

The calculations to determine an institution's fair share of funding, its fair share shortfall, and its fair share increase are relatively straightforward compared with the calculation of institutional need. As was shown in **Figure 1**, for any of the campus-based programs, an institution's fair share is the amount of the annual appropriation an institution would receive if all funds were allocated in the same proportion as the ratio of institutional need relative to the national total of the institutional need of all participating IHEs. An institution's fair share shortfall is the difference between its fair share amount and the amount it received as a base guarantee. Funds remaining after the allocation of base guarantees are allocated as fair share increases. IHEs receive fair share increases in proportion to their share of the national total of shortfalls.[21]

Total Allocation

In general, an institution's total allocation is the sum of its base guarantee and its fair share increase. However, subsequent to the allocation of base guarantees and fair share increases, small adjustments may be made to IHEs' allocations. These include allocation reductions as a penalty for the underutilization of funds in prior award years and the reallocation of such funds to other IHEs with remaining funding shortfalls.

Analysis of the Allocation of Funds to Institutions Under the Campus-Based Programs

This part of the report analyzes the allocation of funds to IHEs according to the current campus-based allocation procedures. This analysis draws upon information from both the Fiscal Operations Report and Application to Participate (FISAP) and from 2004-2005 award year (FY2004) allocations data.[22] The two major components of the allocation procedures are analyzed: the base guarantee and the fair share increase. The primary unit of analysis used throughout the remainder of the report is categories of institutions grouped by average COA. Cost

(...continued)

repayment on Perkins Loans received for attendance at that institution who default on their loans before the end of the following award year. For institutions with less than 30 students entering repayment in any year, the cohort default rate is calculated over a three-year period. 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).

[21] Since some IHEs may request less than their fair share, funds may remain after the allocation of fair share increases. Any remaining funds are allocated to IHEs that continue to have a shortfall through a second iteration of the fair share procedures. Funds received through this second iteration are called *additional* fair share increases.

[22] Allocations for AY2004-2005 are based on data from AY2002-2003 that were reported by IHEs on the FISAP.

of attendance is used as the primary unit of analysis because, as a variable in the fair share allocation formulas, COA has an important impact in affecting the allocation of funds to institutions. Later, it will be shown that there are also large differences among categories of institutions, grouped by COA, in the percentage of students awarded campus-based aid and in average award amounts.

Institutional COA as a Unit of Analysis

Categories of institutions grouped by COA are the primary unit of analysis used in this report. These categories were created by simply ranking all the IHEs that participate in one or more of the campus-based programs in descending order according to their average COA, and then grouping them into quintiles containing approximately equal numbers of institutions.[23] The top quintile of IHEs was further subdivided into two subgroups, with the top subgroup containing the top 5% of IHEs ranked according to COA, and the other subgroup containing the next 15%. **Table 2** shows the number and percent of IHEs in each COA category. It also shows the distribution of institutions within each category by sector.

Table 2. Institutions Participating in the Campus-Based Programs, Categorized by COA and Sector: AY2004-2005

Category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
COA	Less than $7,500	$7,500 to $8,999	$9,000 to $11,499	$11,500 to $16,499	$16,500 to $25,999	$26,000 and above	
Institutions	798	805	775	792	605	194	3,969
(% of total)	20.1%	20.3%	19.5%	20.0%	15.2%	4.9%	100%
Distribution by sector							
Public 2-yr.	576	375	15	4	3	0	973
Public 4-yr.	9	148	272	102	18	1	550
Private 2-yr.	17	23	45	58	21	2	166
Private 4-yr.	8	18	138	397	513	187	1,261
Proprietary	188	241	305	231	50	4	1,019

Sources: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, FISAP data, Feb. 27, 2004.

The relationship between institutional sector and COA is noteworthy. As might be expected, most public two-year IHEs are in the two lowest cost categories and the majority of private four-year IHEs are in the high-cost and very high-cost categories. However, some private four-year IHEs

[23] Each quintile contains approximately, but not exactly, the same number of institutions, because cut points between categories were rounded to the nearest hundred dollars for ease of presentation. Thus, each grouping consists of institutions with COAs falling within specified ranges. The number of IHEs within each COA category varies from program to program, because the various institutions have elected to participate in different combinations of programs (program participation by institutional COA category is shown in **Table 12**). Finally, since COA is calculated separately for undergraduate students and graduate and professional students, a weighted average of the two is used in this analysis.

are middle cost, and a few are low cost. Public four-year and proprietary institutions are distributed somewhat evenly across the lower-middle to upper-middle cost categories. Since the allocation formulas are based in large part on an institution's COA, yet do not take into account its sector, it is expected that the use of COA as a unit of analysis will lead to more telling observations about how the allocation formulas affect the amount of funds IHEs receive and ultimately, the distribution of aid to students attending those institutions.

Base Guarantee

As explained earlier, under current law, IHEs participating in the campus-based programs receive a base guarantee that bears a direct relationship to the amount of funding they received in prior years. At the time the fair share allocation formulas were introduced, it was anticipated that base guarantees would eventually be phased out, and that this would be done gradually in a manner that would not result in wild fluctuations in the amount of funds institutions received. For the FSEOG program, provisions to phase out the base guarantee were even included as part of the authorizing statute for a period of time. Under the Higher Education Amendments of 1980 (P.L. 96-374), the allocation procedures were amended to call for a 20% decrease in each institution's base guarantee for every $20 million appropriated for the program in excess of $400 million. However, the Higher Education Act Technical Amendments of 1982 (P.L. 97-301) prevented this provision from being implemented. Since then, base guarantees have remained a part of the allocation procedures for each of the campus-based programs.[24]

Under the Higher Education Amendments of 1986 (P.L. 99-498) the campus-based allocation procedures were amended to provide IHEs with base guarantees equal to 100% of their 1985 allocation. The revised allocation procedures also provided that after base guarantees were awarded, 25% of the funds remaining from each program's appropriation were then allocated (as *pro rata shares*) to IHEs in amounts proportional to their base guarantees. Only 75% of the funds remaining after the allocation of base guarantees were allocated according to the fair share formulas. Under the Higher Education Amendments of 1998 (P.L. 105-244), the procedures for determining base guarantees were revised again. These procedures (described earlier in this report) remain in effect.

Prior to the Higher Education Amendments of 1986, the campus-based allocation procedures had specified that funds would first be apportioned to states, primarily on the basis of the population in each state, prior to being allocated to IHEs. Thus, an IHE's allocation depended in part on the state in which it was located. Since the 1986 Amendments, ED has allocated funds directly to IHEs and the state in which an institution is located has not played a direct role in funding allocations. However, the legacy of the base guarantee allocation procedures has had the effect of perpetuating the distribution of funds to IHEs in a manner that to an extent reflects the distribution of the student age population across states and IHE's institutional need as they existed years ago. Given that institutions have grown at different rates, and so has the aggregate financial need of their students, some institutions' base guarantees may be close to or even exceed their fair share of funds, while other's base guarantees may represent only a fraction of their fair share. Often, IHEs have grown faster in some parts of the country than in others.

[24] P.L. 97-301 effectively established base guarantees (at the time, referred to as *conditional guarantees*) set at the FY1981 funding level, for each of the three programs, for FY1983 through FY1985.

Table 3 shows (a) the total number of IHEs participating in each of the campus-based programs, (b) the number of IHEs with base guarantees that are greater than their fair share, and (c) the number that are eligible to receive a fair share increase above their base guarantee allocation. The table also shows (d) the percentage of total program funding that is allocated for base guarantees. Totals are provided for each program, as well as by COA categories, and by state.

The table shows that the majority of the funding provided for each of the campus-based programs is allocated to meet institutions' base guarantees. In the FWS program, two-thirds of funding goes to base guarantees and for the Perkins Loan program, over 92% of funding is provided to meet base guarantees. There does not appear to be a strong relationship between institutional COA and whether IHEs receive funding only according to base guarantee procedures, or if they also receive a fair share increase. However, in each of the programs, middle-cost IHEs receive a somewhat greater proportion of their funding for base guarantees than do IHEs on average. Also, under the FSEOG program, very high-cost IHEs are allocated a much greater proportion of their funding for base guarantees than are IHEs on average.

When examining the proportion of funds allocated for base guarantees by state, **Table 3** shows wide variation in the FSEOG and FWS programs. In some states, more than 90% of funding goes toward meeting base guarantees, while in others base guarantees comprise less than half of total allocations. This degree of variation may have resulted in part because in some states, IHEs may have seen considerable growth in institutional need since the base guarantee procedures were implemented, whereas in others, base guarantee funding meets or exceeds total institutional need for most institutions.

In the Perkins Loan program, more than 90% of funds are allocated for base guarantees in all but a few states. This is likely because, in contrast to the other two campus-based programs, appropriations for Perkins Loan FCCs have decreased substantially since the early 1980s. When appropriations decrease, base guarantees comprise a greater proportion of total funding. Through FY2004, funds remained available for Perkins Loan FCC base guarantees and fair share increases, despite declining appropriations, largely because a considerable number of institutions have ceased participation in the program. Had this not occurred, it is likely that funds would have been available only for the allocation of base guarantees. (No funds were appropriated for Perkins Loan FCCs for FY2005 nor FY2006.)

Given that more than half of funds appropriated for the campus-based programs are allocated for base guarantees, if base guarantees were to be reduced or phased out so that all funds were allocated according to the fair share formulas, there could be a noticeable shift in the distribution of funds allocated to IHEs. Any change in the distribution of funds to IHEs would be due to the application of the fair share formulas. The fair share formulas are analyzed in the next section.

Table 3. Institutions for Which the Base Guarantee Is Greater Than Its Fair Share Versus Institutions Receiving a Fair Share Increase; and Percent of Total Funding Allocated for Base Guarantees, by COA Category and State, by Program: (AY2004-2005)

	FSEOG				FWS				Perkins Loans (FCC)			
	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]
Category	Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase	
Total	3,804	1,025	2,779	59.2%	3,359	983	2,376	66.2%	1,392	607	785	92.6%
COA Category												
1. Low cost	784	282	502	52.5%	640	159	481	61.1%	42	24	18	96.0%
2. Lower-mid cost	798	204	594	56.6%	623	164	459	70.0%	137	55	82	91.6%
3. Middle cost	755	199	556	60.4%	614	225	389	76.9%	270	123	147	94.6%
4. Upper-mid cost	735	181	554	56.6%	703	224	479	68.2%	344	153	191	91.9%
5. High cost	562	123	439	59.8%	592	180	412	60.3%	436	179	257	92.3%
6. Very high cost	170	36	134	71.0%	187	31	156	57.4%	163	73	90	91.6%
State												
Alabama	63	11	52	53.7%	61	20	41	75.7%	14	5	9	87.9%
Alaska	7	4	3	90.1%	6	4	2	94.7%	0	N/A	N/A	N/A
Arizona	59	17	42	48.0%	45	10	35	69.8%	14	3	11	85.3%
Arkansas	45	15	30	60.3%	40	22	18	87.0%	12	7	5	97.5%
California	401	97	304	53.0%	343	64	279	55.9%	125	52	73	92.5%
Colorado	62	15	47	54.9%	54	11	43	64.5%	29	14	15	95.8%
Connecticut	54	16	38	70.4%	44	10	34	65.3%	14	6	8	91.2%
Delaware	9	1	8	70.6%	8	1	7	83.9%	1	1	0	100.0%
District of Columbia	13	4	9	55.3%	12	0	12	36.1%	7	2	5	81.4%

Category	FSEOG				FWS				Perkins Loans (FCC)			
	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]
	Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase	
Florida	157	34	123	44.7%	130	25	105	49.7%	34	8	26	73.2%
Georgia	109	12	97	41.8%	109	25	84	56.6%	21	5	16	92.3%
Hawaii	17	8	9	90.6%	13	4	9	94.7%	3	3	0	100.0%
Idaho	11	7	4	74.6%	11	2	9	75.0%	6	5	1	99.4%
Illinois	152	42	110	52.4%	135	29	106	52.1%	57	21	36	90.8%
Indiana	62	10	52	58.3%	56	12	44	59.4%	37	21	16	93.2%
Iowa	72	20	52	60.2%	58	20	38	64.7%	33	20	13	95.6%
Kansas	60	27	33	83.4%	53	29	24	85.0%	26	21	5	96.9%
Kentucky	51	11	40	45.6%	37	23	14	76.8%	32	14	18	93.8%
Louisiana	59	18	41	51.2%	39	14	25	78.8%	16	7	9	96.2%
Maine	32	19	13	95.3%	27	16	11	95.8%	16	8	8	98.5%
Maryland	62	16	46	66.1%	59	19	40	68.5%	22	9	13	91.1%
Massachusetts	124	51	73	85.0%	103	42	61	83.1%	56	22	34	93.3%
Michigan	92	33	59	69.3%	86	29	57	67.8%	26	16	10	98.0%
Minnesota	90	30	60	77.7%	82	37	45	77.3%	41	25	16	93.4%
Mississippi	34	9	25	65.6%	33	13	20	85.7%	10	3	7	98.4%
Missouri	85	16	69	55.7%	81	19	62	62.3%	40	16	24	91.0%
Montana	21	5	16	58.1%	21	11	10	93.0%	7	3	4	98.5%
Nebraska	36	10	26	71.2%	30	9	21	73.6%	16	8	8	98.9%
Nevada	13	1	12	40.9%	11	0	11	54.0%	4	0	4	90.8%
New Hampshire	24	7	17	80.2%	22	9	13	82.2%	15	5	10	95.8%

Category	FSEOG				FWS				Perkins Loans (FCC)			
	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]
	Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase	
New Jersey	87	24	63	57.9%	57	19	38	68.4%	16	7	9	91.7%
New Mexico	22	13	9	76.6%	21	12	9	88.1%	10	6	4	93.8%
New York	263	64	199	49.4%	245	70	175	55.0%	115	35	80	88.8%
North Carolina	120	26	94	66.8%	119	28	91	68.4%	42	20	22	94.7%
North Dakota	21	11	10	93.5%	21	11	10	95.4%	14	6	8	95.4%
Ohio	137	25	112	54.7%	117	21	96	65.2%	68	28	40	89.7%
Oklahoma	61	23	38	66.4%	53	22	31	75.7%	15	5	10	97.2%
Oregon	49	26	23	87.9%	44	18	26	82.7%	29	15	14	93.5%
Pennsylvania	191	30	161	55.6%	168	30	138	62.1%	87	25	62	90.9%
Puerto Rico	60	8	52	48.3%	56	15	41	82.1%	6	4	2	98.3%
Rhode Island	17	5	12	58.0%	13	4	9	68.0%	9	3	6	87.8%
South Carolina	58	7	51	49.8%	54	15	39	73.9%	22	10	12	95.4%
South Dakota	21	11	10	87.6%	22	14	8	95.2%	11	8	3	99.0%
Tennessee	99	30	69	50.4%	95	26	69	62.4%	33	19	14	91.5%
Texas	205	47	158	50.1%	168	44	124	67.8%	49	22	27	95.4%
Utah	19	11	8	66.4%	17	7	10	71.1%	11	9	2	97.9%
Vermont	22	16	6	93.7%	22	12	10	88.0%	10	4	6	95.2%
Virginia	95	18	77	57.7%	87	31	56	68.5%	36	14	22	91.0%
Washington	69	19	50	84.5%	67	17	50	77.7%	26	9	17	93.9%
West Virginia	33	13	20	69.3%	30	13	17	86.6%	17	4	13	96.7%

Category	FSEOG				FWS				Perkins Loans (FCC)			
	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]	Institutions[a]			Pct. of total funding allocated for base guarantees[b]
	Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase		Total	Base guarantee >= fair share	Eligible for fair share increase	
Wisconsin	61	30	31	88.4%	56	20	36	80.8%	30	23	7	96.9%
Wyoming	9	2	7	55.4%	9	2	7	66.9%	2	1	1	95.4%
Outlying Areas	9	0	9	22.4%	9	3	6	89.3%	0	N/A	N/A	N/A

Source: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, Campus-Based Programs Allocation Data, Apr. 2, 2004.

Note: N/A. Not applicable.

a. Includes only those institutions for which information necessary for the calculation of COA has been reported. Institutions for which this information is not available are generally first or second year program participants.

b. Institutional base guarantee as a percentage of total institutional funding allocations prior to allocation reductions for the underutilization of funds and the reallocation of underutilized funds from prior award years.

Fair Share Increases

Under the fair share formulas, IHEs are eligible to receive fair share increases to help reduce the shortfall between their base guarantee and their fair share of funds. Earlier in this report, it was shown that an institution's fair share is the amount of funds it would receive if the total appropriation were allocated entirely on the basis of institutional need. It was also explained that institutional need is an expression of the relationship between the average cost of attendance (COA) at an institution and the average expected family contributions (EFCs) of the FSA applicants who are students at that institution. This section examines the relationship between COA and EFC in detail and shows how this affects the amount of funds IHEs receive for fair share increases.

Average Student EFCs Used in Fair Share Formulas

When the fair share formulas were developed, a *uniform methodology* was adopted in which average EFCs are calculated for categories of students grouped by income bands and dependency status, in lieu of using actual EFCs of the students at each institution.[25] This procedure was adopted, in part, because it could be administratively burdensome for institutions to collect and report EFCs for each student in attendance and because it is presumed that students with the same dependency status and with comparable incomes will have similar EFCs.[26] In implementing the fair-share formulas, ED calculates average EFCs for students categorized into 14 income bands. Students who have received an automatic zero EFC based on the information reported in their FAFSA, are assigned an EFC of $0.[27] (The Table of EFCs is shown in **Table 1**). The income bands used in the Table of EFCs are determined administratively by ED and have been adjusted only a few times since the formulas were first implemented. The last revision to the income bands occurred in 1994 for the 1995-1996 award year, when the highest income bands were raised to $60,000 and above for dependent students, and to $20,000 and above for independent students; and some lower income bands were consolidated.[28]

Since the relationship between an institution's COA and students' average EFCs determines its institutional need, it is important that the average EFCs for each income band reflect as closely as possible the actual EFCs of students at participating institutions. It appears, however, that with the growth in incomes that has occurred over the years, the current income bands used in the fair

[25] U.S. Office of Education, *Final Report of the Panel of Experts*, pp. 72-74.

[26] Presumably it might now be feasible for IHEs to collect and report information on students' actual EFCs. However, the current practice of determining campus-based funding allocations prior to the start of each award year still necessitates that fair share allocations be based on the characteristics of the students that attended participating IHEs in prior award years.

[27] At present, a dependent student receives an automatic zero EFC if neither the student nor his or her parents were required to file an IRS Form 1040 and the parents' combined adjusted gross income or earned income is less than $16,000. An independent student with dependents other than a spouse receives an automatic zero EFC if the student (and his or her spouse, if applicable) was not required to file an IRS Form 1040 and the student's (and spouse's) combined adjusted gross income or earned income is $16,000 or less. The FISAP data analyzed in this report includes eligible students attending participating institutions in AY2002-2003, in which the income cut-off to receive an automatic zero was $13,000.

[28] U.S. Department of Education. *Dear Financial Aid Administrator Letter*. CB-94-9. May 1994. Previously, the highest income band was $45,000 and above for undergraduate dependent students, and $15,000 and above for undergraduate independent students, and for graduate and professional students.

share formulas may no longer be as reliable a proxy of actual student EFCs for upper-income students as they once were because so many students are in the highest income category. At many institutions—particularly high-cost institutions—students in the highest income category often comprise the largest group of students. At low-cost IHEs, students in the higher-income categories do not contribute to the tabulation of institutional need because their composite EFC is typically greater than the IHE's COA. However, at high-cost institutions, the need calculated for students in the upper income bands often constitutes the majority of institutional need.

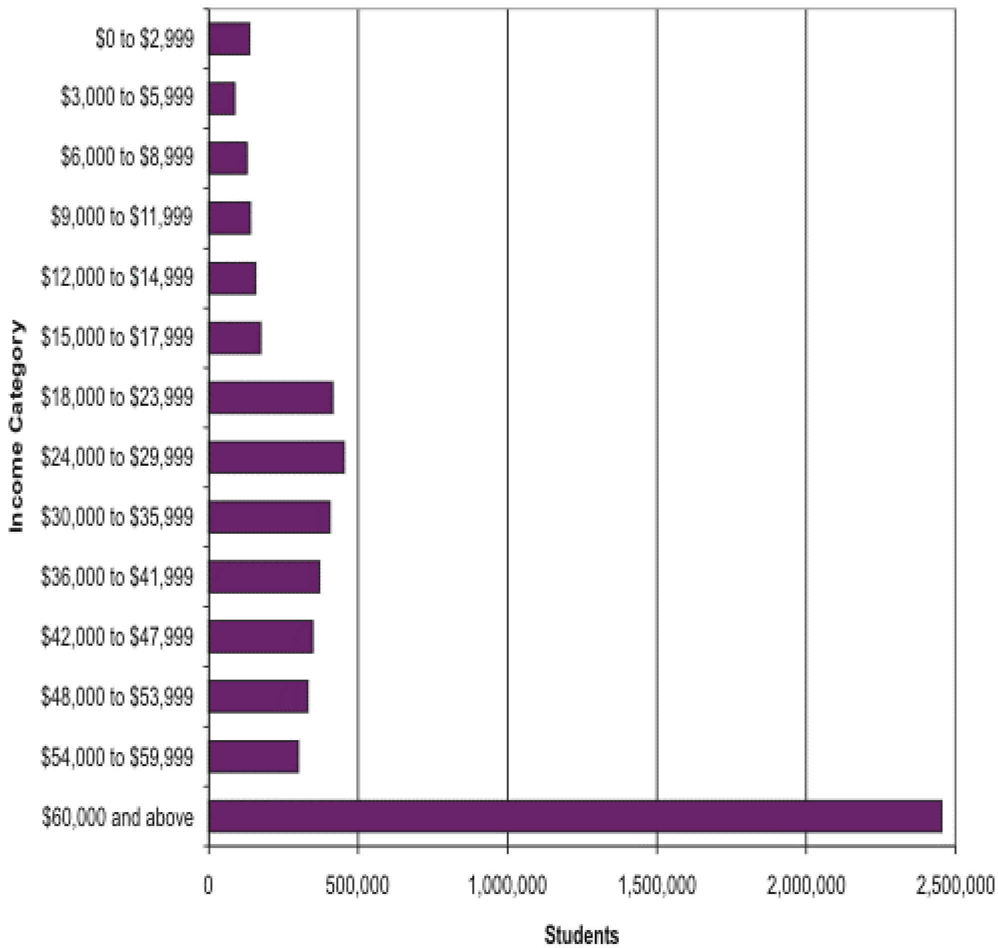
The table of EFCs also does not take into account whether independent students have their own dependents. (In general for FSA purposes, independent students with dependents and those without are categorized separately.) Since slightly more than half of undergraduate students are classified as independent for FSA purposes, and with the significant effect that having dependents typically has on lowering students' EFCs, calculating average EFCs for independent students without taking into account whether they have their own dependents may result in average EFCs that mask or cancel out the differences in EFCs that exist for independent students with dependents and those without dependents. This could affect the calculation of institutional need if independent students with dependents and those without dependents are unevenly distributed across institutions. For example, if independent students with dependents attend certain institutions in greater (or lower) proportions than do independent students without dependents, then the practice of combining all independent students as a single group could result in lower (or higher) amounts of institutional need being calculated for them than otherwise might occur if independent students were treated separately.[29]

Figure 2 shows estimates based on data from the 2004 National Postsecondary Student Aid Survey (NPSAS) of the number of undergraduate dependent students in each of the income bands of the Table of EFCs used in the campus-based formulas.[30] The distribution of students is concentrated at the middle- and upper-income categories, with the most students in the highest income band. This distribution suggests that a more accurate reflection of upper-income students EFCs could be obtained if additional income bands were added for dependent students from families with incomes above $60,000.

[29] Analysis of NPSAS 2004 data shows that within some of the income categories used in the Table of EFCs, the proportion of undergraduate independent students with dependents versus the proportion of undergraduate independent students without dependents differs across institutional sectors.

[30] NPSAS 2004 data presented in **Figure 2** and **Figure 3** are filtered to include only students who applied for federal aid. This represents an approximation of the population that completed a FASFA, which is the population used by ED in preparing the Table of EFCs. This is a larger population than that of students who attend institutions participating in the campus-based programs. Since not all FAFSA filers ultimately attend a postsecondary institution, there may be differences between the NPSAS sample and the complete FAFSA database.

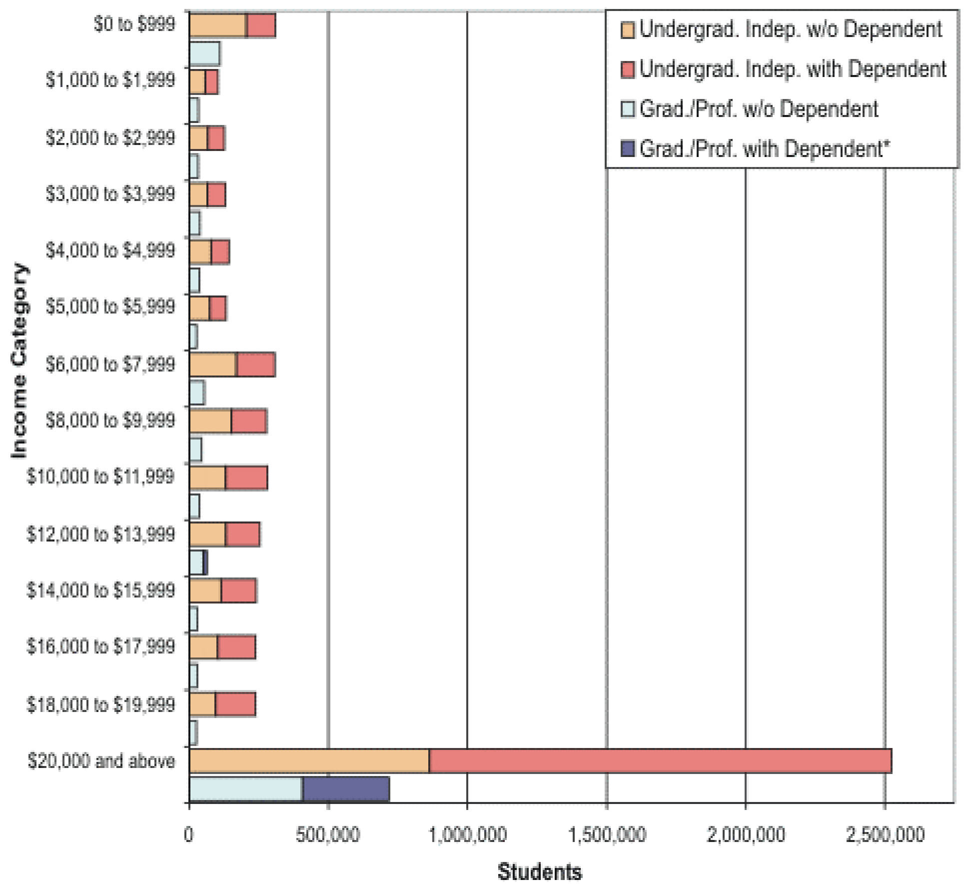
Figure 2. Estimated Distribution of Dependent Students Who Applied for Federal Aid Across Income Categories in Table of EFCs: 2003-2004



Source: U.S. Department of Education. National Center for Education Statistics. NPSAS 2004. Undergraduate Students.

Figure 3 shows estimates of the number of independent undergraduate students, and graduate and professional students in each of the income bands used in the Table of EFCs (**Table 1**). However, unlike the Table of EFCs, it also distinguishes between independent students with dependents (both undergraduate, and graduate and professional) and those without. **Figure 3** shows that independent students are concentrated in the highest income band. It also shows that independent students with dependents and those without dependents are distributed unevenly across income bands. Similar to the case with dependent students, it appears that more accurate calculations of average EFCs might be obtained for independent students if the top income band were broken up into multiple categories. In addition, given the uneven distribution of independent students with and without dependents across the various income bands, it appears that better approximations of students' actual EFCs could be made if average EFCs were calculated separately for independent students with and without dependents.

Figure 3. Estimated Distribution of Independent Students Who Applied for Federal Aid Across Income Categories in Table of EFCs: 2003-2004



Source: U.S. Department of Education. National Center for Education Statistics. NPSAS 2004. Undergraduate Students; and Graduate and First Professional Students.

Note: *Too small to be reported for all categories except $12,000 to $13,999, and $20,000 and above.

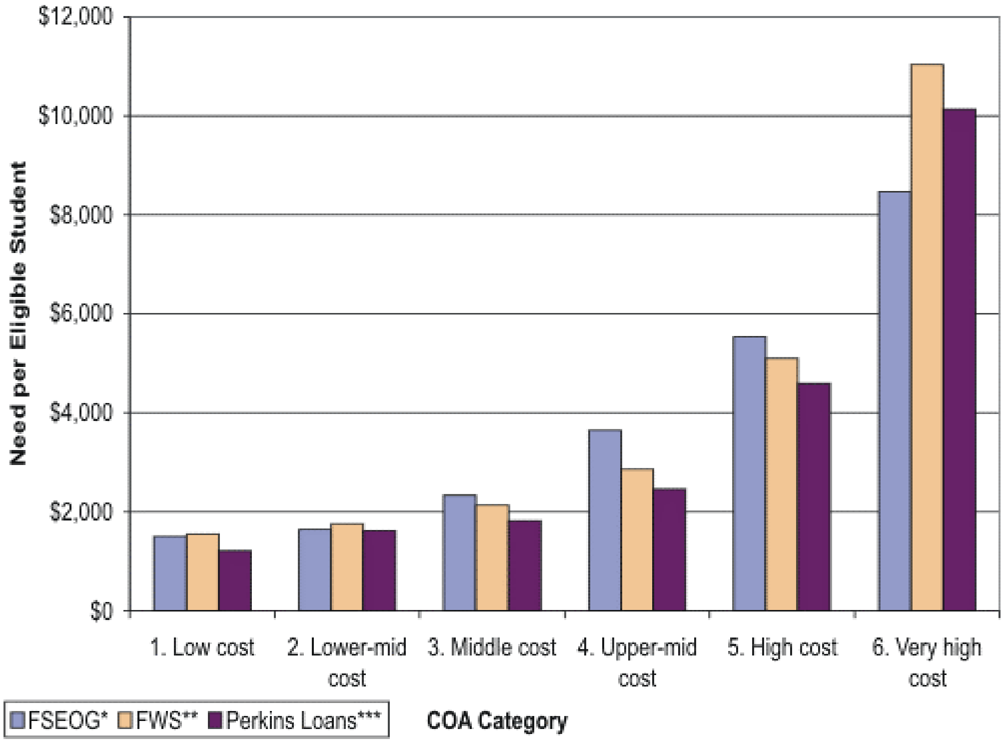
Average Need Per Student

While at any particular institution, students with the lowest incomes may be the primary recipients of campus-based aid, the amount of institutions' allocations as determined under the campus-based fair share formulas, by design, is based on the aggregate need of *all* students eligible for FSA aid at the institution. In the current postsecondary education environment in which college costs have been rising rapidly in recent years, it is not uncommon under the fair share formulas for institutional need at higher-cost IHEs to be comprised largely of the financial need of middle- and upper-income students, whereas at lower-cost IHEs, institutional need is comprised primarily of the financial need of lower- and middle-income students. In many instances, students attending high-cost institutions who are from upper-income families have more financial need than students attending lower-cost institutions who are from lower-income families.

Institutional need is the sum of the financial need of the students attending any particular IHE. The critical factor in the calculation of institutional need is the relationship between institutional

COA and students' composite EFCs. At lower-cost IHEs, upper-income students' composite EFCs are often so high relative to COA that under the formulas, they do not contribute to institutional need. However at higher-cost IHEs, the relationship between the EFC assigned to students in the highest-income band and COA often still results in financial need being calculated for those students. Combined with the even greater need calculated for lower-income students, this can result in very high amounts of institutional need being calculated for high-cost IHEs. **Figure 4** shows the average amount of need calculated under the fair share formulas for each program, by category of institution, on a per-student basis.

Figure 4. Average Amount of Need Calculated per Eligible Student According to the Fair Share Formulas, by COA Category: AY2004-2005



Source: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004).

Notes: *FSEOG need; **Self-help need; ***Adjusted self-help need.

Figure 4 demonstrates that on a per-student basis, the largest amounts of need are calculated for IHEs with the highest COAs. While it is not surprising that students with any given EFC will have more need if they attend institutions with high COAs than if they attend lower-cost institutions, the effect that this has on the distribution of aid to institutions and the subsequent availability of aid to students attending these institutions is striking. This is especially so, because as will be shown later in this report, low- and middle-income students constitute the greatest proportion of students at low-cost institutions, and upper-income students make up the greatest proportion of those attending high-cost institutions. The design of the fair share formulas, however, results in significantly greater amounts of need being calculated for students at high-cost institutions than for students at low-cost institutions. In many instances, significantly more need is calculated for upper-income students at high-cost institutions than for students with very low EFCs who attend low-cost institutions. This highlights a very important concept about need-based financial aid—need is relative to the COA at the institution a student attends.

Relationship Between Student Need and Maximum Award Amounts

The fair share allocation procedures were developed to ensure that campus-based funding would be allocated to IHEs objectively on the basis of need. However, since COAs are so high at some institutions, the amount of need calculated on a per-student basis at higher-cost institutions often far exceeds the maximum amount authorized to be awarded to students under the FSEOG and Perkins Loan programs (see **Table 4**). (There is no specific maximum award amount in the FWS program.) Thus, if sufficient federal funding were to be made available to provide institutions with allocations equal to their institutional need, some conceivably would be unable to distribute it all as campus-based aid to students because of statutory limitations on maximum award amounts and because of the requirement that federal funds must be matched with institutional funds (generally according to a 3:1 ratio).

Table 4. Maximum Award Amounts by Program

			Perkins Loans[b]	
Program	**FSEOG[a]**	**FWS**	**Undergraduate**	**Grad./Prof.**
Maximum Award	$4,000	student's unmet need	$4,000	$6,000

Sources: HEA, §§413B, 413C, 443,463, 464.

a. Maximum award may be increased to $4,400 for students studying abroad.

b. Maximum award may be increased by 20% for students studying abroad.

Tabulation of Institutional Need

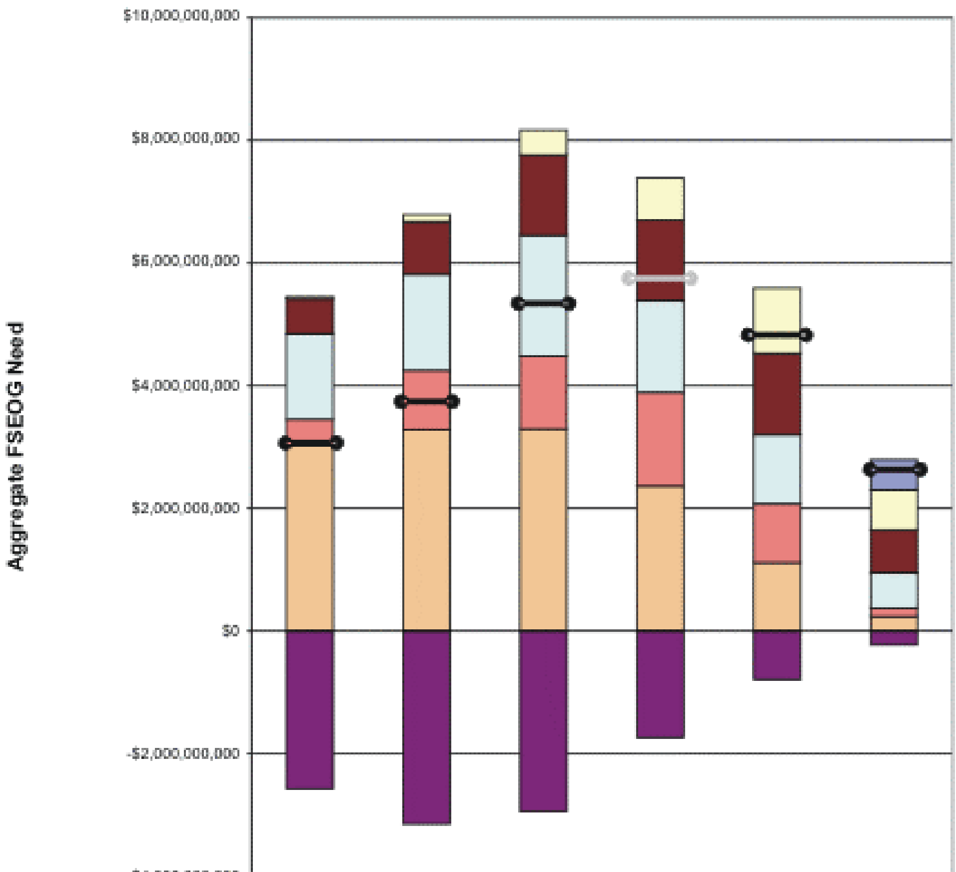
It was just shown that there are stark differences between institutions with high and low COAs in the amount of need calculated on a per-student basis. This section shows that there are also significant differences between categories of IHEs in how the aggregate financial need of different types of students contributes to the tabulation of institutional need. The tabulation of institutional need is examined for each of the three campus-based programs below.

FSEOG Need

Figure 5 shows for each of the categories of IHEs grouped by COA how FSEOG Need is the aggregate financial need attributable to different types of students. It also shows the effect that subtracting total Pell Grant and LEAP/SLEAP aid awarded to students has in the determination of FSEOG need. Each column represents the aggregate financial need of students attending IHEs in each category. Shaded areas within each column represent the portion of aggregate financial need attributable to different types of students. The area in the negative portion of the graph represents Pell Grant and LEAP/SLEAP aid awarded to students at IHEs in each category. Total aggregate FSEOG need per category is indicated by the black bars. (This shows the result of subtracting Pell Grant and LEAP/SLEAP aid from aggregate student financial need.) The table at the bottom of the figure shows dollar amounts of aggregate financial need attributable to different types of students, as well as total Pell Grant and LEAP/SLEAP aid.

Upon examination, it is evident that undergraduate independent students, particularly those with incomes of less than $16,000, have the greatest amount of need in the aggregate and that the need calculated for these students represents the greatest portion of total need at the lowest-cost institutions. It is also apparent that significant amounts FSEOG need are calculated for undergraduate dependent students in the highest income band only at institutions with the highest COAs. In each successively higher-cost group of institutions, proportionately greater amounts of need are calculated for students in the higher income bands, while lesser amounts are calculated for students in the lower income bands.

Figure 5. Aggregate FSEOG Need Attributable to Eligible Students by Type and Income, by COA Category: AY 2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
Dependent: $60,000 and above	$1,000	$0	$12,000	$0	$688,000	$492,974,000
Dependent: $42,000 to $59,999	$30,361,000	$112,463,000	$403,001,000	$690,803,000	$1,065,276,000	$647,746,000
Dependent: $24,000 to $41,999	$567,870,000	$859,644,000	$1,307,349,000	$1,312,269,000	$1,326,693,000	$699,869,000
Dependent: $0 to $24,000	$1,396,792,000	$1,565,210,000	$1,976,237,000	$1,495,904,000	$1,128,341,000	$577,506,000
Independent: $16,000 and above	$424,657,000	$967,098,000	$1,188,269,000	$1,531,803,000	$958,191,000	$137,128,000
Independent: $0 to $15,999	$3,028,352,000	$3,282,656,000	$3,293,847,000	$2,358,378,000	$1,113,979,000	$236,192,000
Pell Grant & LEAP/SLEAP aid	-$2,570,180,000	-$3,144,642,000	-$2,942,074,000	-$1,733,552,000	-$787,798,000	-$224,527,000

Aggregate FSEOG need

COA Category

Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Figure 5 also shows how the amount of need calculated for students is offset by the amount of the Pell Grant and LEAP/SLEAP aid students receive. (Nearly all of the aid shown in the Pell Grant and LEAP/SLEAP category is Pell Grant aid). With Pell Grants serving as the foundation of need-based aid for low-income students, it is not surprising that Pell Grants are received in the greatest amounts by students attending the lowest-cost IHEs, which are attended by low-income students in the greatest proportions.[31] With few students at high-cost schools receiving Pell Grants, FSEOG need at these IHEs is affected only slightly by the subtraction of Pell Grant aid. The comparatively small amount of LEAP/SLEAP aid is distributed relatively evenly across categories of IHEs and FSEOG need is not disproportionately affected by its subtraction in any category of institutions.

As previously mentioned, the formula for calculating FSEOG need was designed with the presumption that 75% of college costs would be met through the combination of students' EFC, scholarships, and grants (in the current formula, EFC and federal grants). Pell Grant and LEAP/SLEAP aid are subtracted from the amount of aggregate student need calculated in the formula to ensure that FSEOG funding is provided to supplement Pell Grant and other gift aid, but not duplicate it. Since the time when the formulas were last amended, **higher education tax benefits** (e.g., the Hope and Lifetime Learning Tax Credits, and the Higher Education Deduction) have evolved as a new type of federal financial assistance that shares an essential characteristic with gift aid—namely, that students' (or their parents') receipt of the credits is not conditioned on any non-academic obligation (e.g., repayment of funds, or a service requirement). Gift aid and tax benefits may be referred to as **obligation-free aid**.[32] The FSEOG need formula, however, does not contain any provision that would account for the receipt of higher education tax benefits by eligible students.

The different treatment of the various types of obligation-free aid could be of concern when considering their effect on the calculation of FSEOG need. Pell Grants are targeted to low-income students who disproportionately attend low-cost institutions, while the Hope and Lifelong Learning higher education tax credits are primarily beneficial to middle- and upper-income students. Since Pell Grants (and LEAP/SLEAP aid) are subtracted from the student need computed under the FSEOG need formula and Hope and Lifelong Learning tax credits are not, this may affect how closely FSEOG need, as calculated, represents actual aggregate student need. While it appears that subtracting out tax credit aid might make the FSEOG need formula more equitable than it currently is in determining aggregate student need—especially when distinguishing between institutions attended by students with different incomes—there does not appear to be any easy way for IHEs to gather and report the value of tax credits on the FISAP for use in the allocation of funds.

FWS Self-Help Need

In the FWS program, the aggregate amount of institutional self-help need tabulated for different types of students differs noticeably between categories of IHEs. **Figure 6** shows that in the

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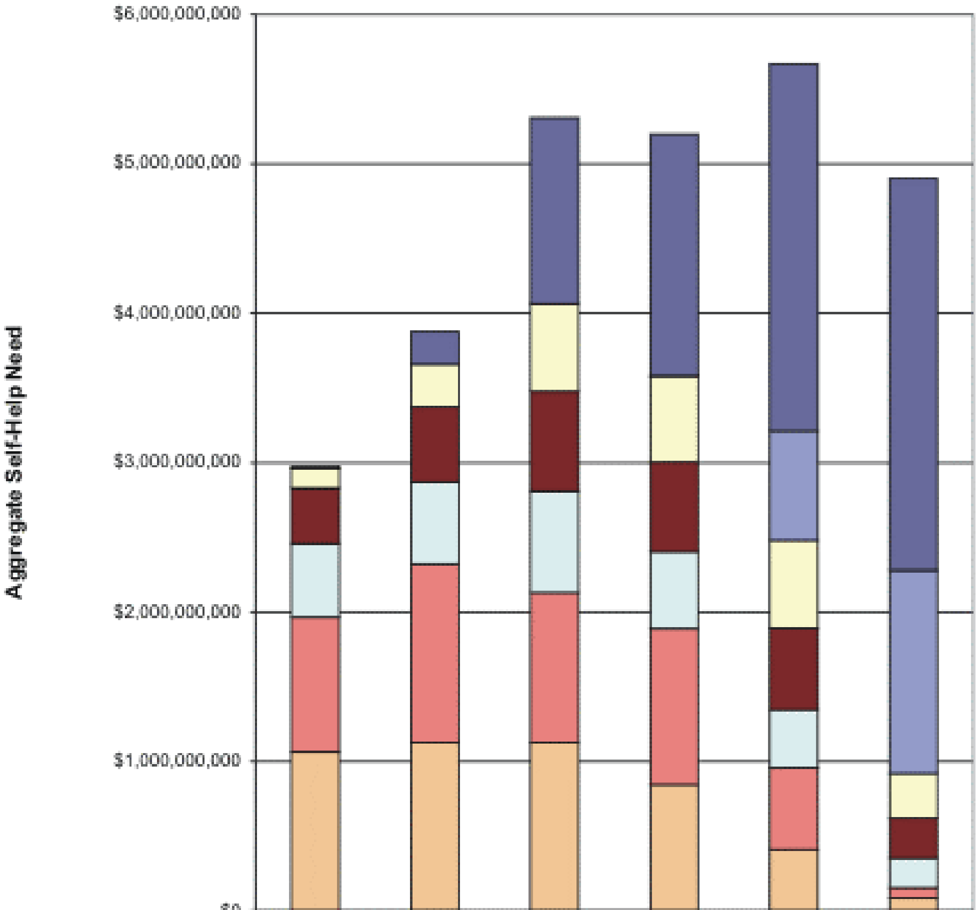
[31] The actual number of eligible applicants by income and dependency status is shown for each category of IHEs in **Table 8**, which appears later in this report.

[32] For a more thorough discussion of obligation-free aid, especially the Hope and Lifelong Learning higher-education tax credits, see CRS Report RL31484, *Higher Education Tax Credits: Targeting, Value, and Interaction with Other Federal Student Aid*, by James B. Stedman and (name redacted); and CRS Report RL31129, *Higher Education Tax Credits and Deduction: An Overview of the Benefits and Their Relationship to Traditional Student Aid*, by (name redacted).

category of institutions with the lowest COAs, more than 80% of all self-help need is attributable to either undergraduate independent students or to undergraduate dependent students who are from families with incomes below $24,000. Conversely, in the category of IHEs with the highest COAs, less than 8% of self-help need is attributable to these types of students, while more than 80% is attributable to either dependent undergraduate students from families with incomes above $60,000 or to graduate and professional students. (For purposes of comparison, it is important to note that the two highest cost categories of IHEs account for the top 5% and 15% of IHEs, respectively, based on COA, while the other four categories each account for 20% of IHEs.) **Figure 6** clearly shows that at high-cost IHEs very little self-help need is attributable to undergraduate independent students and lower-income dependent students, while the vast majority of self-help need is attributable to upper-income dependent and graduate and professional students.

A major reason why such large amounts of self-help need are calculated for the highest-cost IHEs has to do with the treatment of graduate and professional students in the formula for calculating self-help need. For undergraduate students, self-help need is calculated by multiplying the number of students in each income band by the *minimum of either* (a) 25% of the IHE's average undergraduate COA or (b) the difference between undergraduate COA and the EFC taken from the Table of EFCs for students in that income band. However, for graduate and professional students, self-help need is calculated exclusively by multiplying the number of students in each income band by the difference between graduate and professional student COA and the EFC taken from the Table of EFCs for students in each respective income band. For undergraduate students, 25% of COA is often the lesser of the two amounts and thus serves to limit the amount of self-help need calculated for undergraduate students. For graduate and professional students, the difference between COA and EFC is often quite large—especially at higher-cost IHEs. With higher-cost IHEs often having large graduate programs, this characteristic of the self-help need formula contributes to high-cost institutions having large amounts of institutional need. This in turn provides them with higher funding allocations.

Figure 6. Aggregate FWS Self-Help Need Attributable to Eligible Students by Type and Income, by COA Category: AY2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
Graduate & Professional	$14,860,000	$219,336,000	$1,243,370,000	$1,615,625,000	$2,454,459,000	$2,621,633,000
Dependent: $60,000 and above	$1,000	$0	$6,000	$2,164,000	$733,978,000	$1,359,643,000
Dependent: $42,000 to $59,999	$129,992,000	$286,524,000	$587,040,000	$576,741,000	$588,864,000	$298,772,000
Dependent: $24,000 to $41,999	$371,362,000	$500,474,000	$666,352,000	$599,161,000	$543,180,000	$267,951,000
Dependent : $0 to $24,000	$494,980,000	$549,338,000	$680,729,000	$516,458,000	$390,230,000	$196,715,000
Independent: $16,000 and above	$900,099,000	$1,195,242,000	$1,004,470,000	$1,041,760,000	$545,364,000	$70,260,000
Independent: $0 to $15,999	$1,065,246,000	$1,127,628,000	$1,126,203,000	$846,602,000	$412,642,000	$86,922,000

COA Category

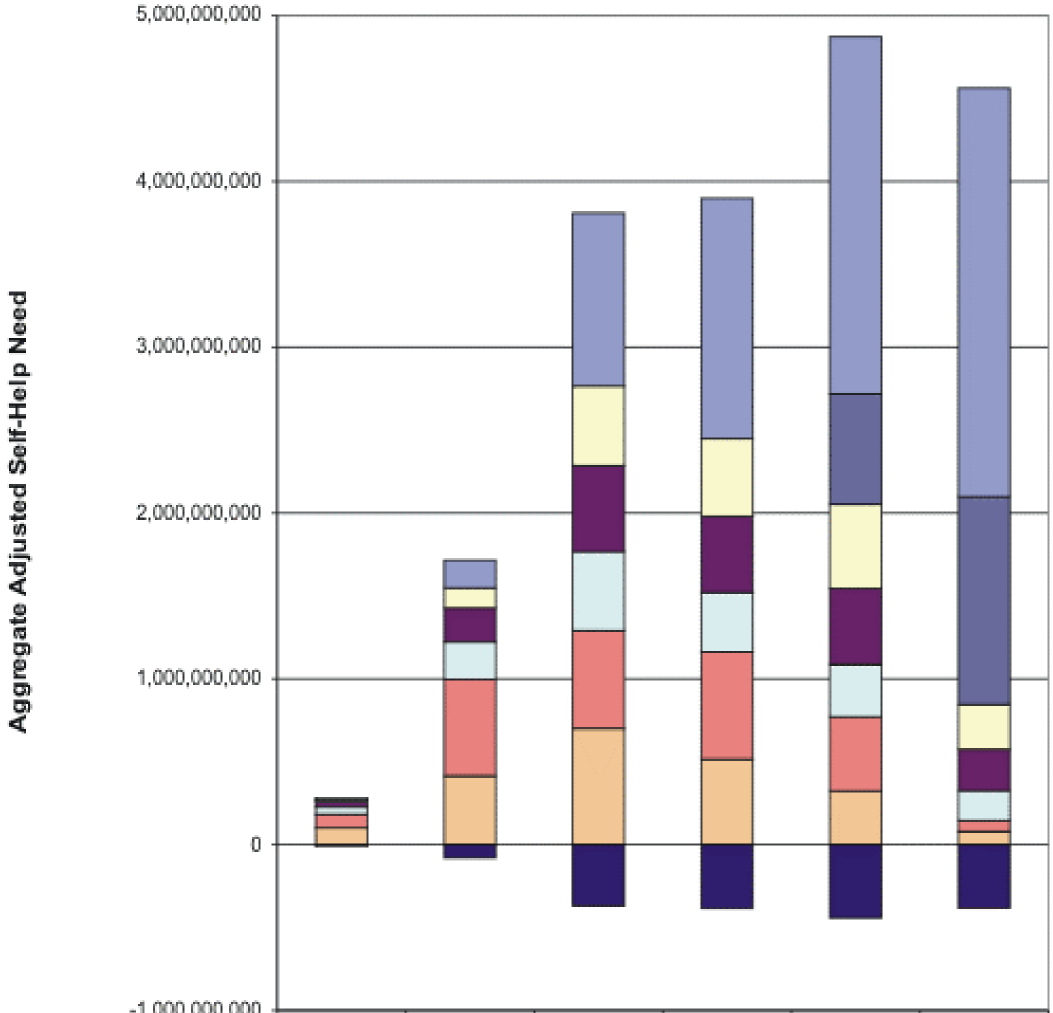
Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Perkins Loan Adjusted Self-Help Need

In the tabulation of institutional need for the Perkins Loan program, **Figure 7** shows that similar to the FWS program, there is also wide variation across categories of IHEs in the amount of institutional need attributable to different categories of students. However, in the Perkins Loan program, an even greater proportion of adjusted self-help need is accounted for by students attending higher-cost IHEs than is in the FWS program. (This occurs in part because, as was shown in **Table 1**, relatively few low-cost IHEs participate in the Perkins Loan program.)

Mirroring the FWS program, the majority of institutional need tabulated at high-cost IHEs is attributable to upper-income undergraduate students and graduate and professional students. The provision for adjusting self-help need by subtracting projected collections has a somewhat greater impact on middle- and higher-cost IHEs than on low-cost IHEs, largely because middle- and higher-cost institutions have larger loan portfolios.

Figure 7. Aggregate Perkins Loan Adjusted Self-Help Need Attributable to Eligible Students by Type and Income, by COA Category: AY2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
Graduate & Professional	4,060,000	167,735,000	1,043,433,000	1,449,347,000	2,153,209,000	2,464,611,000
Dependent: $60,000 and above	0	0	1,000	376,000	666,250,000	1,250,956,000
Dependent: $42,000 to $59,999	12,692,000	121,220,000	478,729,000	468,934,000	507,457,000	274,378,000
Dependent: $24,000 to $41,999	33,536,000	204,252,000	519,568,000	457,763,000	457,046,000	246,772,000
Dependent: $0 to $23,999	42,920,000	224,717,000	474,995,000	359,644,000	316,951,000	181,138,000
Independent: $16,000 and above	83,445,000	582,835,000	591,738,000	645,650,000	447,350,000	65,383,000
Independent: $0 to $15,999	100,626,000	414,279,000	700,356,000	516,678,000	324,038,000	79,646,000
Projected collections	-8,436,000	-81,613,000	-369,182,000	-385,257,000	-441,700,000	-382,276,000

COA Category

Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Summary

In this second part of the report, it was shown that the majority of the funding provided for the campus-based programs currently is allocated to institutions on the basis of their base guarantees, while a comparatively smaller, but still significant, portion of funding is allocated for fair share increases. Depending on the degree to which the number of students attending any particular institution and the COA at that institution have changed since the current base guarantees were established, base guarantee funding may be greater than, less than, or equal to that IHE's fair share of the nationwide total of funds available for allocation. Since proposals have been made to phase out base guarantees and require all campus-based funding to be allocated to IHEs on the basis of institutional need, the tabulation of institutional need was analyzed. This analysis has shown that the per-student amount of institutional need calculated for IHEs depends to a large extent on their COA. Significantly, on a per-student basis, greater amounts of institutional need are calculated for high-cost institutions than for low-cost institutions. This occurs despite higher-cost IHEs also generally having student bodies with higher EFCs.

Consideration of Proposals to Phase Out Funding of Institutional Base Guarantees

It has just been shown that at present, the majority of funding provided for the campus-based programs is allocated for base guarantees. Slightly more than 40% of funding is available for allocation according to fair share criteria for the FSEOG program, one-third for the FWS program, and less than 8% for Perkins Loan FCCs. With most funding being devoted to meeting institutional base guarantees, it might be expected that should the funding of base guarantees be phased out so that all funds would be allocated through the fair share formulas, shifts in the distribution of funds across institutions would occur. This part of the report estimates and analyzes the prospect of eliminating base guarantees in favor of allocating all campus-based funding according to the existing fair share formulas. This is done for each of the three campus-based programs following the framework used throughout this report—categories of institutions grouped by COA.[33]

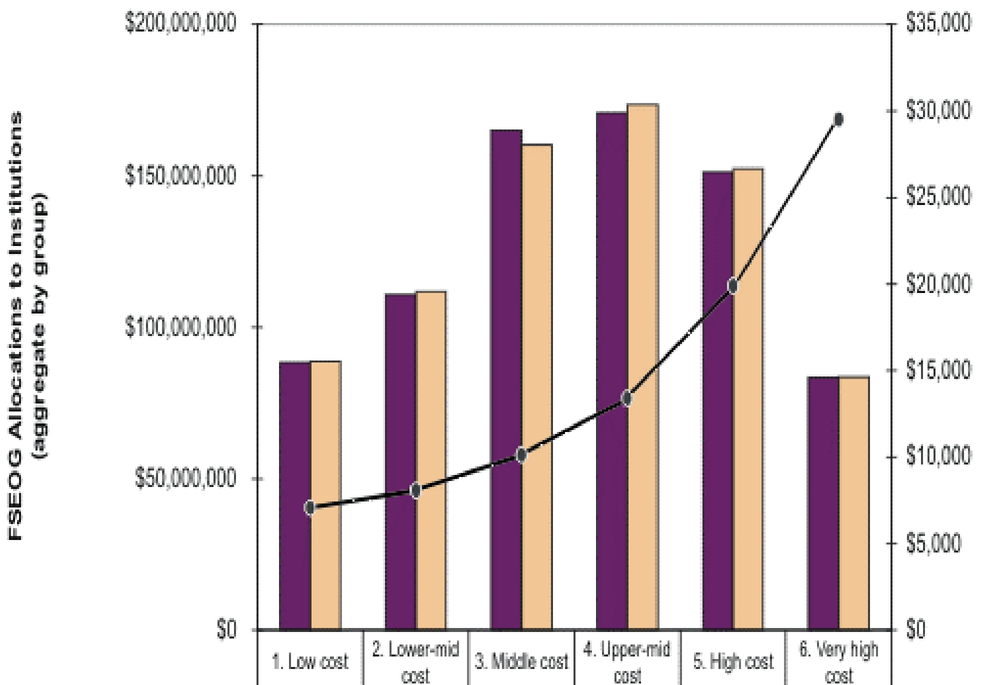
FSEOG Allocations

Figure 8 shows a comparison of AY2004-2005 FSEOG allocations and estimates of what IHEs might receive under the FSEOG program if all FSEOG funding were to be allocated according to fair share procedures. A comparison with the information presented in **Figure 5** on institutional need by COA category shows that, in the aggregate, AY2004-2005 allocations and estimated

[33] The following assumptions are made in this analysis: (a) only IHEs that requested funds for the 2004-2005 award year and that reported information on the FISAP necessary for the calculation of fair share increases are included; (b) estimates are based on each institution's request for funds for the 2004-2005 award year, even if it would have been eligible for a fair share increase that would bring its total allocation above the amount it requested; (c) the estimation of allocations to institutions also does not take into account any allocation reductions for an IHE's underutilization of funds, nor allocation increases due to the reallocation of such funds; and (d) no attempt has been made to adjust for any changes that might occur in future award years in COAs, EFCs, the mix of students attending institutions, changes in aggregate Pell Grants and LEAP/SLEAP aid (for the FSEOG program), or changes in projected collections or default rates (for the Perkins Loan program).

allocations based entirely on fair share procedures both roughly follow the distribution of aggregate institutional need across categories of IHEs. However, **Figure 8** shows that there would be some redistribution of funds across categories of IHEs. Most notably, if funding for base guarantees were to be eliminated, middle-cost institutions (category 3) as a group would receive almost $5 million less in funding, while upper middle-cost institutions (category 4) would receive almost $3 million in additional funding. It is estimated that smaller changes in funding levels would occur for other categories of IHEs. Since approximately 40% of FSEOG funding is currently provided for fair share increases and because these fair share increases are designed to close any gaps that exist between the amount of funding an IHE receives for its base guarantee and the amount it would be entitled to receive if all funding were allocated according to fair share procedures, it may not be surprising that the elimination of base guarantees would result in only a modest redistribution of funds across categories of institutions.

Figure 8. Comparison of FSEOG Allocations to IHEs Under Current Procedures and Estimated Allocations with Elimination of Base Guarantees, by Groups of Institutions, ranked by COA: AY2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
FSEOG: current procedures^	$88,439,000	$110,758,000	$165,064,000	$170,765,000	$151,239,000	$83,438,000
FSEOG: no base guarantee*	$88,751,000	$111,887,000	$160,232,000	$173,510,000	$152,454,000	$83,621,000
Median COA	$7,068	$8,078	$10,134	$13,413	$19,893	$29,523
Institutions	784	798	755	735	562	170

Institutions Grouped by COA Category

Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); and U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Notes: Does not include allocation reductions and the reallocation of underutilized funds.
^ Actual.
* Estimated.

A cursory look at **Figure 8** might suggest that eliminating base guarantees in favor of allocating all FSEOG funding according to fair share procedures would not have a significant effect on the distribution of funds. However, looking only at categories of institutions may mask the effects of changes in the allocation procedures on individual institutions. When examining the number of IHEs in each category that would experience a change in funding and the direction of that change, it is found that a considerable amount of churning would likely occur across all categories of IHEs. **Table 5** shows estimates of the number of IHEs in each category that would experience an increase, no change, or a decrease in funding. Perhaps of most significance is that if funding for base guarantees were eliminated, vastly more institutions in each COA category would experience an increase in funding than would experience a decrease. However, the number of IHEs that would experience a decrease in funding is greatest in the low-cost category, and declines across categories as COA increases. Since more institutions would experience funding increases than decreases, this also means that *on average*, funding increases would be less for those institutions receiving more funds than would be funding decreases for those institutions losing funds. (Estimations of potential funding changes for individual institutions are beyond the scope of this report.)

Table 5. Counts of Institutions by COA Category According to Estimated Change in FSEOG Allocation With Elimination of Base Guarantee

Category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
COA	**Less than $7,500**	**$7,500 to $8,999**	**$9,000 to $11,499**	**$11,500 to $16,499**	**$16,500 to $25,999**	**$26,000 and above**	
Increase	442	510	472	481	415	131	2,451
No change	74	95	98	85	37	5	394
Decrease	268	193	185	169	110	34	959
Total	784	798	755	735	562	170	3,804

Sources: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, FISAP data, Feb. 27, 2004; and U.S. Department of Education, Office of Postsecondary Education, Campus-Based Programs Allocation Data, Apr. 2, 2004.

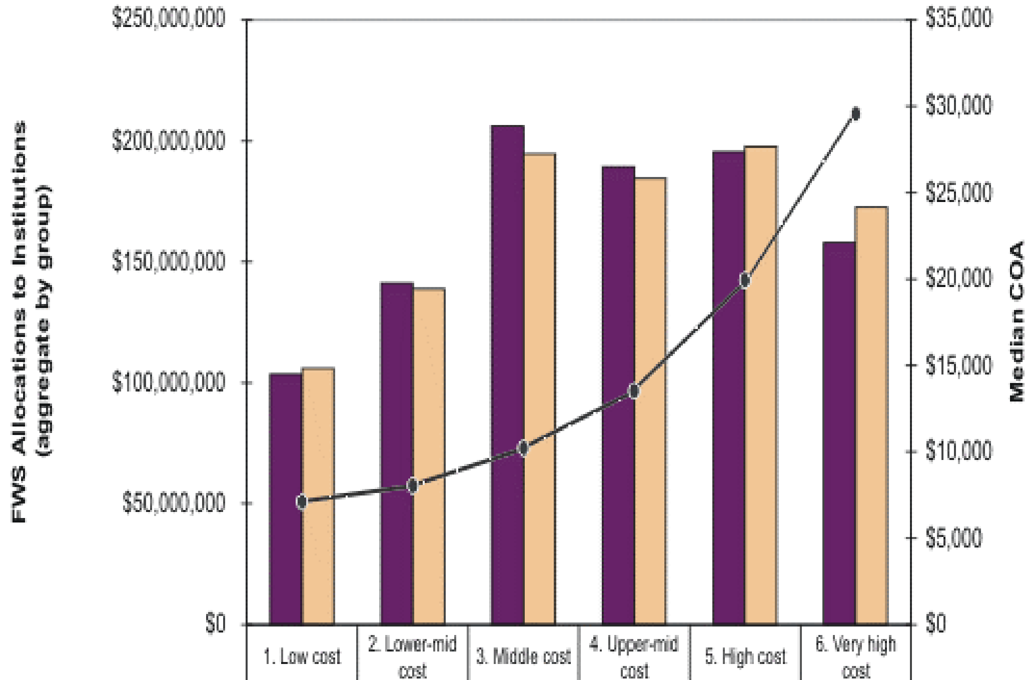
Note: In most instances where institutions would receive no change in their allocation, this is because the amount requested is less than the institution would be entitled to receive according to fair share criteria. These institutions likely would receive increased funding if requested.

FWS Allocations

Under the FWS program, approximately two-thirds of the funds available are allocated for base guarantees and one-third for fair share increases. With a somewhat greater percentage of funding currently allocated for base guarantees than under the FSEOG program, it might be expected that if base guarantees were to be eliminated, there would be a more noticeable shift than estimated for the FSEOG program in the distribution of funds. **Figure 9** shows a comparison across COA categories of AY2004-2005 FWS allocations and estimates of what IHEs might receive if all FWS funding were to be allocated according to fair share procedures. The figure shows that overall, middle-cost (category 3) and upper middle-cost (category 4) IHEs would experience sizable decreases in funding, while very high-cost (category 6) IHEs would experience a sizable funding increase. (Smaller changes in funding would occur in the other categories.)

Given that approximately two-thirds of FWS funding is currently allocated for base guarantees, it might be expected that there could also be a greater degree of churning within each category in the amount of funds estimated to be received than was found for the FSEOG program. **Table 6** shows estimates of the number of IHEs in each category that would experience an increase, no change, or a decrease in funding if base guarantees were to be eliminated. The table shows that in each category, while more IHEs would experience an increase than a decrease in funding, the numbers are not as skewed as for the FSEOG program. Still, greater proportions of high-cost and very high-cost IHEs would experience funding increases if base guarantees were eliminated than would IHEs in any of the other categories.

Figure 9. Comparison of FWS Allocations to IHEs Under Current Procedures and Estimated Allocations with Elimination of Base Guarantees, by Groups of Institutions, ranked by COA: AY2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
FWS: current procedures^	$103,501,000	$141,174,000	$206,203,000	$189,278,000	$195,583,000	$157,975,000
FWS: no base guarantee*	$105,952,000	$138,814,000	$194,628,000	$184,565,000	$197,653,000	$172,600,000
Median COA	$7,111	$8,041	$10,205	$13,543	$19,944	$29,562
Institutions	640	623	614	703	592	187

Institutions Grouped by COA Category

Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); and U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Notes: Does not include allocation reductions and the reallocation of underutilized funds.
^ Actual.
* Estimated.

Table 6. Counts of Institutions by COA Category According to Estimated Change in FWS Allocation with Elimination of Base Guarantee

Category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
COA	**Less than $7,500**	**$7,500 to $8,999**	**$9,000 to $11,499**	**$11,500 to $16,499**	**$16,500 to $25,999**	**$26,000 and above**	
Increase	355	343	293	367	357	127	1,842
No change	145	138	117	130	94	39	663
Decrease	140	142	204	206	141	21	854
Total	640	623	614	703	592	187	3,359

Sources: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, FISAP data, Feb. 27, 2004; and U.S. Department of Education, Office of Postsecondary Education, Campus-Based Programs Allocation Data, Apr. 2, 2004.

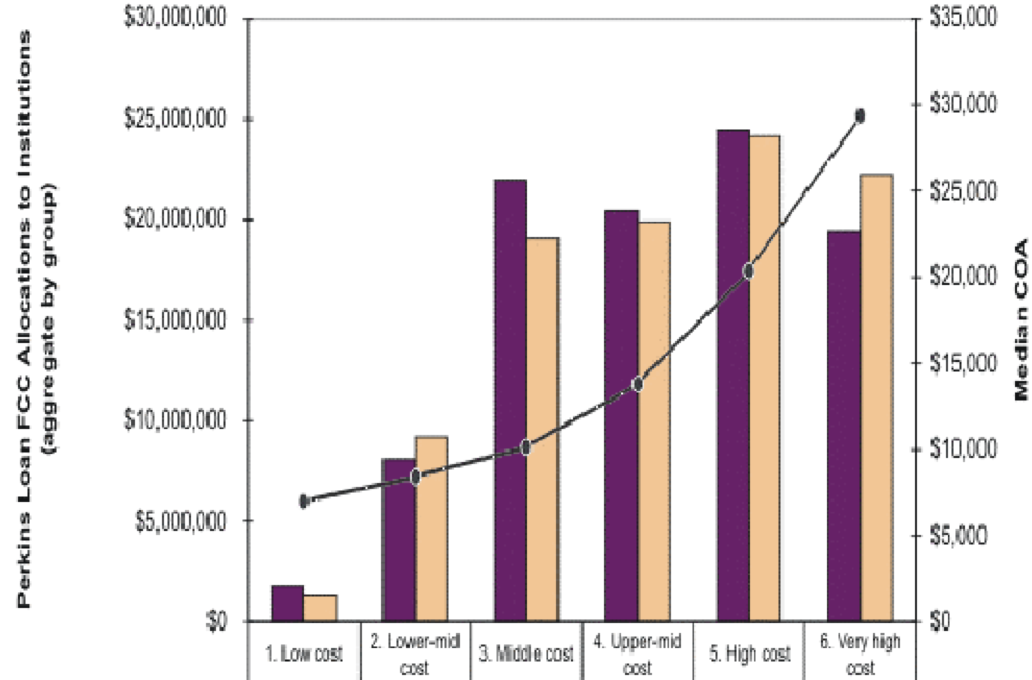
Note: In most instances where institutions would receive no change in their allocation, this is because the amount requested is less than it would be entitled to receive according to fair share criteria. These institutions likely would receive increased funding if requested.

Perkins Loan FCCs

Under the Perkins Loan program, more than 92% of funding for FCCs was allocated for institutional base guarantees in AY2004-2005, the last year in which funds were appropriated for FCCs. Since only a small amount was allocated for fair share increases, it should be expected that if base guarantees were to be eliminated, the redistribution of FCC allocations (compared with past allotments) would be greater than for the other two programs. **Figure 10** shows a comparison across categories of institutions of AY2004-2005 FCC allocations and estimated FCC allocations based on the elimination of the base guarantee. If base guarantees were to be eliminated, it is estimated that in the aggregate, lower middle-cost IHEs (category 2) and very high-cost IHEs (category 6) would experience increases in funding, while across the other categories, aggregate funding would decrease.

Table 7 shows estimates of the number of IHEs in each category that would experience an increase, no change, or a decrease in allocations for FCCs if base guarantees were to be eliminated. Unlike the other two programs, the number of IHEs that would experience funding increases relative to the number that would experience decreases is not as great, and in one category—low-cost IHEs—more institutions would experience a decrease than an increase. Consistent with the other two programs, across COA categories, the greatest proportions of institutions that would experience allocation increases are high-cost and very high-cost IHEs.

Figure 10. Comparison of Perkins Loan FCC Allocations to IHEs Under Current Procedures and Estimated Allocations with Elimination of Base Guarantees, by Groups of IHEs, ranked by COA: AY2004-2005



	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost
FCC: current procedures^	$1,794,000	$8,086,000	$21,947,000	$20,427,000	$24,444,000	$19,436,000
FCC: no base guarantee*	$1,304,000	$9,193,000	$19,051,000	$19,899,000	$24,163,000	$22,230,000
Median COA	$6,989	$8,412	$10,144	$13,807	$20,360	$29,371
Institutions	42	137	270	344	436	163

Institutions Grouped by COA Category

Sources: CRS calculations; U.S. Department of Education. Office of Postsecondary Education. FISAP data (Feb. 27, 2004); and U.S. Department of Education. Office of Postsecondary Education. Campus-Based Programs Allocation Data (Apr. 2, 2004).

Notes: Does not include allocation reductions and the reallocation of underutilized funds.
^ Actual.
* Estimated.

Table 7. Counts of Institutions by COA Category According to Estimated Change in Perkins Loan FCC Allocation with Elimination of Base Guarantee

Category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
COA	Less than $7,500	$7,500 to $8,999	$9,000 to $11,499	$11,500 to $16,499	$16,500 to $25,999	$26,000 and above	
Increase	16	78	149	195	266	94	798
No change	3	5	5	5	11	4	33
Decrease	23	54	116	144	159	65	561
Total	42	137	270	344	436	163	1,392

Sources: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, FISAP data, Feb. 27, 2004; and U.S. Department of Education, Office of Postsecondary Education, Campus-Based Programs Allocation Data, Apr. 2, 2004.

Note: In most instances where institutions would receive no change in their allocation, this is because the amount requested is less than the institution would be entitled to receive according to fair share criteria. These institutions likely would receive increased funding if requested.

Summary

In this part of the report, estimates were presented of shifts that might occur in the distribution of campus-based funding allocations across categories of IHEs should changes be made to phase out base guarantee funding in favor of allocating funding entirely according to fair share criteria. These estimates showed that since it is often higher-cost IHEs that currently receive less than their "fair share" as calculated according to the allocation procedures, these institutions in the aggregate would receive increased allocations if funding were to be allocated solely according to existing fair share procedures. Since the fair share formulas calculate greater amounts of need on a per-student basis for IHEs with high costs than low costs, this is not surprising.

The estimates presented in this part were based on the prospect of eliminating base guarantees in favor of allocating all funding according to the existing fair share formulas. In general, it is estimated that this would result in more IHEs experiencing allocation increases than decreases, although across categories of institutions, higher-cost IHEs would experience allocations increases in the greatest proportions. If proposals were also made to modify the calculation of institutional need in some way, this could also affect the distribution of funds. For example, if the amount of FSEOG need or adjusted self-help need calculated on a per-student basis under fair share formulas were to be limited to the federal share of FSEOG or Perkins Loan awards, respectively, the amount of institutional need calculated on a per-student basis would vary significantly less across IHEs based on their cost of attendance. Additionally, more accurate calculations of aggregate student need might also be obtained if the income categories used in the Table of EFCs were revised upward to better reflect the incomes current FSA applicants. Thus, more significant changes in the distribution of funds across institutions could be brought about by both phasing out the funding for institutional base guarantees and by reexamining and modifying the fair share allocation procedures.

Distribution of Campus-Based Aid to Students

This last part of the report explores the distribution of aid to students under the campus-based programs. The framework developed earlier in the report—participating IHEs grouped into categories based on their average COA—is used to show the differences that exist between IHEs in the proportion of students with different incomes and dependency status that receive campus-based awards and the value of their awards. The distribution of awards is shown and briefly described for each of the three programs, and for combined aid awarded through all the programs.

FSEOG Aid

The distribution of FSEOG aid awarded to students is presented in **Table 8**. The table shows for all students combined and for categories of students grouped by income bands and dependency status, the total number of eligible aid applicants, the number and percent awarded FSEOG aid, and average award amounts. This information is presented for each COA category of IHEs. Very high-cost IHEs award FSEOG grants averaging $2,460 to 20.0% of students who applied for federal aid. This compares with low-cost IHEs which provide 12.2% of federal aid applicants with FSEOG aid; however, grants at these IHEs average only $432, or less than one-fifth of the average amount provided to students at very high-cost institutions. When viewed as a percentage of median COA by category, FSEOG grants at very high-cost IHEs cover 8.3% of COA, while grants at low-cost IHEs cover 6.1% of COA.

Table 8. Distribution of FSEOG Aid to Students Attending Institutions Participating in the FSEOG Program, by Student Type and Income, by COA Category: AY2002-2003

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5 High cost	6. Very high cost	Total
Median COA	**$7,068**	**$8,078**	**$10,134**	**$13,413**	**$19,893**	**$29,523**	**$9,905**
Institutions	**784**	**798**	**755**	**735**	**562**	**170**	**3,804**
All students							
Total FSEOG aid	$99 mil.	$135 mil.	$219 mil.	$224 mil.	$204 mil.	$149 mil.	$1.03 bil.
Aid applicants	1,917,279	2,214,390	2,241,813	1,551,039	867,656	302,927	9,095,104
Aid recipients	230,780	288,291	345,943	269,201	156,455	60,637	1,351,307
Pct. received aid	12.0%	13.0%	15.4%	17.4%	18.0%	20.0%	14.9%
Average award	$432	$469	$633	$832	$1,304	$2,460	$763
Undergraduate dependent: $60,000 and above							
Aid applicants	146,660	299,293	621,887	512,090	390,453	181,135	2,151,518
Aid recipients	475	844	3,141	4,293	3,892	2,538	15,183
Pct. received aid	0.3%	0.3%	0.5%	0.8%	1.0%	1.4%	0.7%
Average award	$346	$597	$906	$930	$1,183	$2,010	$1,134

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5 High cost	6. Very high cost	Total
Median COA	**$7,068**	**$8,078**	**$10,134**	**$13,413**	**$19,893**	**$29,523**	**$9,905**
Institutions	**784**	**798**	**755**	**735**	**562**	**170**	**3,804**
Undergraduate dependent: $42,000 to $59,999							
Aid applicants	121,411	174,826	234,444	172,203	114,466	40,056	857,406
Aid recipients	2,722	5,679	15,878	18,976	19,999	9,778	73,032
Pct. received aid	2.2%	3.2%	6.8%	11.0%	17.5%	24.4%	8.5%
Average award	$419	$556	$787	$896	$1,262	$2,266	$1,112
Undergraduate dependent: $24,000 to $41,999							
Aid applicants	211,284	245,844	264,586	179,284	106,635	36,010	1,043,643
Aid recipients	17,214	29,113	54,661	57,816	50,233	22,767	231,804
Pct. received aid	8.1%	11.8%	20.7%	32.2%	47.1%	63.2%	22.2%
Average award	$435	$495	$773	$922	$1,356	$2,494	$1,045
Undergraduate dependent: $0 to $23,999							
Aid applicants	284,411	271,887	276,056	155,879	77,372	26,504	1,092,109
Aid recipients	45,749	60,857	86,665	66,895	39,166	18,031	317,363
Pct. received aid	16.1%	22.4%	31.4%	42.9%	50.6%	68.0%	29.1%
Average award	$456	$497	$707	$936	$1,522	$2,735	$895
Undergraduate independent: $16,000 and above							
Aid applicants	541,142	651,623	389,988	287,262	100,507	8,194	1,978,716
Aid recipients	52,869	64,198	51,078	34,926	12,313	1,224	216,608
Pct. received aid	9.8%	9.9%	13.1%	12.2%	12.3%	14.9%	10.9%
Average award	$406	$447	$503	$661	$849	$1,791	$515
Undergraduate independent: $0 to $15,999							
Aid applicants	612,371	570,917	454,852	244,321	78,223	11,028	1,971,712
Aid recipients	111,751	127,600	134,520	86,295	30,852	6,299	497,317
Pct. received aid	18.2%	22.4%	29.6%	35.3%	39.4%	57.1%	25.2%
Average award	$434	$455	$554	$742	$1,165	$2,165	$593

Sources: CRS Calculations; ED, FISAP data, Feb. 27, 2004.

Table 8 also shows that as institutional COA increases, IHEs are able to give larger FSEOG awards to greater proportions of students across almost all income bands. Perhaps what is most striking, however, is that at very high-cost IHEs, a greater percentage of undergraduate dependent students from families with incomes as high as between $42,000 and $60,000 receive FSEOG aid than do students in any income range in the two lowest-cost categories of IHEs. The average FSEOG awards provided to students at the highest-cost IHEs are also approximately four times as great as the amount received by students at low-cost IHEs. These findings are particularly noteworthy because IHEs are required to award FSEOG aid first to students with exceptional financial need (defined as having the lowest EFCs at the institutions), with priority going to recipients of Pell Grants.[34] Thus, at some higher-cost IHEs, even after awarding FSEOG aid to all eligible Pell Grant recipients, there often remain sufficient funds to allow FSEOG aid to be provided to eligible students higher up the income ladder. At lower-cost IHEs, this typically is not the case.

Given that at each participating institution, priority in the awarding of FSEOG aid must go to Pell Grant recipients, it may be interesting to see how the distribution of FSEOG aid compares with the distribution of Pell Grant aid. **Table 9** shows for both programs, the total amount of aid awarded, the number of aid recipients, and average award amounts, by COA category. In the Pell Grant program, the largest amounts of total aid are awarded to the largest numbers of students at lower- and middle-cost IHEs. Less than 10% of Pell Grant aid goes to students attending IHEs in the high-cost and very high-cost categories. Average Pell Grant award amounts increase slightly across categories of IHEs as COA increases.

Table 9. Comparison of Pell Grant Awards and FSEOG Awards for Institutions Participating in the FSEOG program, by COA Category: AY2002-2003

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$7,068**	**$8,078**	**$10,134**	**$13,413**	**$19,893**	**$29,523**	**$9,905**
Institutions	**784**	**798**	**755**	**735**	**562**	**170**	**3,804**
Pell Grants							
Total aid	$2.51 bil.	$3.04 bil.	$2.74 bil.	$1.66 bil.	$0.75 bil.	$0.21 bil.	$10.91 bil.
Recipients	1,157,431	1,323,866	1,108,451	683,267	302,572	81,515	4,657,102
Avg. award	$2,172	$2,297	$2,471	$2,424	$2,467	$2,593	$2,342
FSEOG awards							
Total aid	$0.10 bil.	$0.14 bil.	$0.22 bil.	$0.22 bil.	$0.20 bil.	$0.15 bil.	$1.03 bil.
Recipients	230,780	288,291	345,943	269,201	156,455	60,637	1,351,307
Avg. award	$432	$469	$633	$832	$1,304	$2,460	$763

Sources: CRS Calculations; U.S. Department of Education, Pell Grant recipient data file, Sept. 10, 2004; and ED, FISAP data, Feb. 27, 2004.

In the FSEOG program, the greatest number of aid recipients are at middle-cost institutions. However, both the number of students receiving FSEOG aid relative to the number receiving Pell Grants and average FSEOG award amounts increase steadily with average COA. At low-cost IHEs, one-fifth as many students receive FSEOG awards as receive Pell Grants, and the average award amount is approximately one-fifth the amount of the average Pell Grant. At very high-cost IHEs, approximately three-fourths as many students receive FSEOG awards as receive Pell Grants, and average award amounts are approximately 95% of the amount of the average Pell Grant. The data in **Table 9** show that under the Pell Grant program, a relatively even amount of aid is awarded to eligible students, largely irrespective of the institution they attend (although Pell Grant recipients tend to be concentrated in low- and middle-cost IHEs). In contrast under the

[34] HEA, § 413C(c)(2)(A) [20 U.S.C. § 1070b-2(c)(2)(A)].

FSEOG program, the proportion of students awarded grants and the average grant amount tend to vary according to the COA of the institution the students attend, with students at very high-cost institutions receiving the largest awards.

FWS Aid

Information on the distribution of FWS aid to students is presented in **Table 10**. Undergraduate students receive FWS award amounts that range on average between $1,093 and $1,673, varying by institutional COA and student dependency and income categories. In many instances, graduate and professional students receive substantially greater award amounts than undergraduates receive, especially at very high-cost IHEs where awards average $2,961. When examining the distribution of aid to different types of students—both within and across categories of institutions—**Table 10** shows that average aid per student differs only modestly (the exception being for graduate and professional students), while the proportion of students receiving awards varies widely.

Table 10. Distribution of FWS Aid to Students Attending Institutions Participating in the FWS Program, by Student Type and Income, by COA Category: AY2002-2003

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$7,111**	**$8,041**	**$10,205**	**$13,543**	**$19,944**	**$29,562**	**$10,669**
Institutions	**640**	**623**	**614**	**703**	**592**	**187**	**3,359**
All students							
Total FWS aid	$102 mil.	$143 mil.	$216 mil.	$213 mil.	$228 mil.	$191 mil.	$1.09 bil.
Aid applicants	1,915,336	2,206,169	2,488,661	1,819,092	1,110,771	444,114	9,984,143
Aid recipients	67,535	94,776	151,529	146,290	177,409	120,053	757,592
Pct. received aid	3.5%	4.3%	6.1%	8.0%	16.0%	27.0%	7.6%
Average award	$1,517	$1,511	$1,426	$1,459	$1,287	$1,590	$1,445
Graduate and professional students							
Aid applicants	2,781	70,161	248,726	236,627	220,284	135,279	913,858
Aid recipients	30	1,406	6,978	8,797	15,166	15,423	47,800
Pct. received aid	1.1%	2.0%	2.8%	3.7%	6.9%	11.4%	5.2%
Average award	$1,026	$2,067	$2,344	$2,545	$2,301	$2,961	$2,557
Undergraduate dependent: $60,000 and above							
Aid applicants	144,574	299,936	626,589	515,999	392,868	183,685	2,163,651
Aid recipients	1,093	4,187	18,143	27,498	59,944	50,432	161,297
Pct. received aid	0.8%	1.4%	2.9%	5.3%	15.3%	27.5%	7.5%
Average award	$1,404	$1,368	$1,267	$1,205	$1,093	$1,289	$1,202

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$7,111**	**$8,041**	**$10,205**	**$13,543**	**$19,944**	**$29,562**	**$10,669**
Institutions	**640**	**623**	**614**	**703**	**592**	**187**	**3,359**
Undergraduate dependent: $42,000 to $59,999							
Aid applicants	120,636	174,732	234,904	172,955	115,126	40,354	858,707
Aid recipients	3,653	8,886	23,748	27,272	35,217	19,584	118,360
Pct. received aid	3.0%	5.1%	10.1%	15.8%	30.6%	48.5%	13.8%
Average award	$1,397	$1,488	$1,354	$1,317	$1,164	$1,407	$1,309
Undergraduate dependent: $24,000 to $41,999							
Aid applicants	210,013	244,791	263,074	179,381	107,246	36,227	1,040,732
Aid recipients	9,670	17,592	34,448	33,276	33,974	18,507	147,467
Pct. received aid	4.6%	7.2%	13.1%	18.6%	31.7%	51.1%	14.2%
Average award	$1,388	$1,517	$1,377	$1,377	$1,225	$1,483	$1,373
Undergraduate dependent: $0 to $23,999							
Aid applicants	282,098	268,561	270,813	154,691	77,958	26,576	1,080,697
Aid recipients	14,636	21,282	33,954	26,216	20,186	12,414	128,688
Pct. received aid	5.2%	7.9%	12.5%	16.9%	25.9%	46.7%	11.9%
Average award	$1,301	$1,410	$1,339	$1,445	$1,341	$1,549	$1,389
Undergraduate independent: $16,000 and above							
Aid applicants	547,601	591,592	397,647	306,461	112,702	9,862	1,965,865
Aid recipients	10,806	11,033	7,318	5,418	2,986	686	38,247
Pct. received aid	2.0%	1.9%	1.8%	1.8%	2.6%	7.0%	1.9%
Average award	$1,589	$1,449	$1,496	$1,640	$1,246	$1,354	$1,507
Undergraduate independent: $0 to $15,999							
Aid applicants	607,633	556,396	446,908	252,978	84,587	12,131	1,960,633
Aid recipients	27,647	30,390	26,940	17,813	9,936	3,007	115,733
Pct. received aid	4.5%	5.5%	6.0%	7.0%	11.7%	24.8%	5.9%
Average award	$1,669	$1,602	$1,513	$1,653	$1,459	$1,673	$1,595

Sources: CRS Calculations; ED, FISAP data, Feb. 27, 2004.

Compared with the distribution of FSEOG awards, there is significantly less variation across categories of IHEs in the value of FWS awards provided to students and somewhat greater variation in the proportion of students receiving FWS aid. The modest variation across IHEs in award amounts is likely due in large part to the nature of the program being that aid is provided as compensation for part-time employment and because award amounts are dependent upon the number of hours worked and the hourly wage rate. A national study of the FWS program found that during the 1997-1998 award year, students receiving FWS awards worked an average of 11 hours per week and earned an average wage of $6.10 per hour. Approximately one-third earned the minimum wage of $5.15 per hour and only 30% earned more than $6.00 per hour. The study found only small variations across institutions when controlling for institution type and control, and for institution size and location.[35]

Across COA categories, as institutional COA increases, the percentage of students receiving FWS aid also increases, while the proportion of the COA the award covers declines. At low-cost IHEs, while only 3.5% of eligible students received FWS aid, the average award of $1,517 covered 21.3% of median COA. At very high-cost IHEs, 27.0% of eligible applicants received awards; however, the average award of $1,590 covered only 5.4% of median COA.

Perkins Loan Aid

The distribution of Perkins Loan aid to students is presented in **Table 11**. Across student types and categories of IHEs, the distribution of aid is quite similar to that for the FWS program. Award amounts vary only slightly across COA categories for any student type. Graduate and professional students are awarded substantially larger loans, consistent with the maximum loan amount being higher for graduate and professional students than it is for undergraduates. For any of the various student types, much higher proportions of students attending high-cost and very high-cost IHEs are awarded Perkins Loan aid than are students at low- to middle-cost IHEs. This pattern becomes readily apparent when making comparisons across both COA categories and student types—20.6% of undergraduate dependent students attending very high-cost institutions who are from families with incomes of $60,000 and above receive Perkins Loan aid, a proportion greater than in any of the income bands shown for the low-, lower middle-, and middle-cost categories of IHEs. Still, for Perkins Loan recipients who attend low-cost IHEs, their awards cover, on average, 25.4% of median COA, whereas for Perkins Loans awarded to students attending very high-cost IHEs, the average award covers only 8.4% of median COA.

Table 11. Distribution of Perkins Loan Aid to Students Attending IHEs Participating in the Perkins Loan Program, by Student Type and Income, by COA Category: AY2002-2003

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$6,978**	**$8,374**	**$10,158**	**$13,754**	**$20,170**	**$29,609**	**$13,807**
Institutions	**83**	**220**	**366**	**439**	**492**	**184**	**1,784**
All students							
Total Loan aid	$11 mil.	$81 mil.	$331 mil.	$349 mil.	$380 mil.	$301 mil.	$1.45 bil.
Aid applicants	342,970	1,200,052	2,145,517	1,516,997	1,027,186	444,549	6,677,271
Aid recipients	6,254	42,469	177,029	192,924	185,522	121,001	725,199
Pct. received aid	1.8%	3.5%	8.3%	12.7%	18.1%	27.2%	10.9%
Average award	$1,770	$1,902	$1,873	$1,811	$2,050	$2,484	$2,004

[35] 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,* 2000, pp. 16, C-17, C-50.

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$6,978**	**$8,374**	**$10,158**	**$13,754**	**$20,170**	**$29,609**	**$13,807**
Institutions	**83**	**220**	**366**	**439**	**492**	**184**	**1,784**
Graduate and professional students							
Aid applicants	3,333	62,466	236,465	220,392	210,381	137,135	870,172
Aid recipients	16	3,610	21,434	20,532	27,750	29,192	102,534
Pct. received aid	0.5%	5.8%	9.1%	9.3%	13.2%	21.3%	11.8%
Average award	$3,132	$2,405	$2,788	$2,688	$3,335	$3,796	$3,189
Undergraduate dependent: $60,000 and above							
Aid applicants	22,826	172,317	598,035	476,872	370,259	183,153	1,823,462
Aid recipients	105	1,799	16,941	25,492	46,656	37,817	128,810
Pct. received aid	0.5%	1.0%	2.8%	5.3%	12.6%	20.6%	7.1%
Average award	$1,766	$1,680	$1,650	$1,707	$1,735	$1,982	$1,790
Undergraduate dependent: $42,000 to $59,999							
Aid applicants	21,846	94,153	219,058	152,651	107,096	40,170	634,974
Aid recipients	273	3,431	25,926	30,664	34,812	17,983	113,089
Pct. received aid	1.2%	3.6%	11.8%	20.1%	32.5%	44.8%	17.8%
Average award	$1,716	$1,742	$1,738	$1,783	$1,814	$2,073	$1,827
Undergraduate dependent: $24,000 to $41,999							
Aid applicants	41,640	129,322	238,516	151,936	98,166	36,035	695,615
Aid recipients	420	5,053	35,329	39,617	35,529	18,085	134,033
Pct. received aid	1.0%	3.9%	14.8%	26.1%	36.2%	50.2%	19.3%
Average award	$1,741	$1,775	$1,756	$1,762	$1,857	$2,122	$1,835
Undergraduate dependent: $0 to $23,999							
Aid applicants	66,237	136,395	227,737	121,856	69,397	26,400	648,022
Aid recipients	546	3,998	24,898	28,335	20,040	11,922	89,739
Pct. received aid	0.8%	2.9%	10.9%	23.3%	28.9%	45.2%	13.8%
Average award	$1,836	$1,796	$1,772	$1,739	$1,915	$2,169	$1,848
Undergraduate independent: $16,000 and above							
Aid applicants	81,975	346,454	288,432	216,495	99,649	9,792	1,042,797
Aid recipients	2,049	9,537	17,887	19,635	7,782	1,776	58,666
Pct. received aid	2.5%	2.8%	6.2%	9.1%	7.8%	18.1%	5.6%
Average award	$1,820	$1,869	$1,750	$1,534	$1,875	$2,250	$1,731
Undergraduate independent: $0 to $15,999							
Aid applicants	105,113	258,945	337,274	176,795	72,238	11,864	962,229
Aid recipients	2,845	15,041	34,614	28,649	12,953	4,226	98,328

COA category	1. Low cost	2. Lower-mid cost	3. Middle cost	4. Upper-mid cost	5. High cost	6. Very high cost	Total
Median COA	**$6,978**	**$8,374**	**$10,158**	**$13,754**	**$20,170**	**$29,609**	**$13,807**
Institutions	**83**	**220**	**366**	**439**	**492**	**184**	**1,784**
Pct. received aid	2.7%	5.8%	10.3%	16.2%	17.9%	35.6%	10.2%
Average award	$1,724	$1,936	$1,771	$1,631	$1,910	$2,210	$1,791

Sources: CRS Calculations; ED; FISAP data (Feb. 27, 2004).

Combinations of Campus-Based Awards

Institutions may participate in any or all of the three campus-based programs. The largest number of IHEs participate in the FSEOG program, followed by the FWS program. Approximately half as many IHEs participate in the Perkins Loan program as in the other two. **Table 12** shows the number of institutions participating in the various combinations of programs across categories of IHE, grouped by COA. Across all COA categories, more than three-quarters of IHEs participate in both the FSEOG and FWS programs. Within the two highest-cost categories of institutions, more than three quarters participate in all three programs. Eligible students may receive campus-based awards under any of the campus-based programs in which their institution participates (however, only undergraduate students pursuing a first baccalaureate course of study may receive FSEOG aid). Thus, students attending institutions participating in all three programs have the advantage of being able to access a larger pool of campus-based aid. This tends to favor students attending higher-cost institutions.

In this section, the combinations of campus-based aid awarded to students under the three programs is analyzed according to institutional COA. Only institutions participating in all three campus-based programs are included in the analysis so that comparisons can be made between IHEs that would be able to award aid to students under each of the three programs, consistent with applicable program requirements. (Higher-cost institutions participate in all three programs in the greatest percentages—see **Row g.** in **Table 12**.) Information on the number of eligible applicants, the number receiving campus-based awards, and the percent receiving aid and average award amounts by program are presented in **Table 13** for each COA category.

Table 12. Participation of Institutions in the Campus-Based Financial Aid Programs (number and percent), by Institutional COA: AY2004-2005

Category	1. Low cost	2. Lower-mid-cost	3. Middle cost	4 .Upper-mid cost	5. High cost	6. Very high cost	All IHEs
COA	**Less than $7,500**	**$7,500 to $8,999**	**$9,000 to $11,499**	**$11,500 to $16,499**	**$16,500 to $25,999**	**$26,000 and above**	
a. FSEOG only	150	166	144	60	10	3	533
	18.8%	20.6%	18.6%	7.6%	1.7%	1.5%	13.4%
b. FWS only	13	7	14	37	15	2	88
	1.6%	0.9%	1.8%	4.7%	2.5%	1.0%	2.2%

Category	1. Low cost	2. Lower-mid-cost	3. Middle cost	4 .Upper-mid cost	5. High cost	6. Very high cost	All IHEs
COA	**Less than $7,500**	**$7,500 to $8,999**	**$9,000 to $11,499**	**$11,500 to $16,499**	**$16,500 to $25,999**	**$26,000 and above**	
c. Perkins only	1	0	2	4	2	3	12
	0.1%	0.0%	0.3%	0.5%	0.3%	1.5%	0.3%
d. FSEOG & FWS	552	412	251	256	88	5	1,564
	69.2%	51.2%	32.4%	32.3%	14.5%	2.6%	39.4%
e. FSEOG & Perkins	7	16	15	25	1	1	65
	0.9%	2.0%	1.9%	3.2%	0.2%	0.5%	1.6%
f. FWS & Perkins	0	0	4	16	26	19	65
	0.0%	0.0%	0.5%	2.0%	4.3%	9.8%	1.6%
g. FSEOG, FWS & Perkins	75	204	345	394	463	161	1,642
	9.4%	25.3%	44.5%	49.7%	76.5%	83.0%	41.4%
h. Total	798	805	775	792	605	194	3,969
	100%	100%	100%	100%	100%	100%	100%

Source: CRS calculations; U.S. Department of Education, Office of Postsecondary Education, FISAP data, Feb. 27, 2004.

This analysis shows that among students attending IHEs participating in all three campus-based programs, at low-cost institutions, only 15.3% of students received any type of campus-based aid with the average total award being $1,086. At very high-cost institutions, 44.0% of students received campus-based aid, with total awards averaging $3,228. When examining all students as a group, both the proportion of students receiving aid and average aid amounts increased steadily with COA across categories of institutions. At low-cost institutions, the average award covered 15.4% of the median COA, while at very high-cost institutions, the average combined award covered 10.9% of the median COA.

Graduate and professional students, who may receive aid only under the FWS and Perkins Loan programs, received larger awards on average than did undergraduate students in any category. Both the percentage of students receiving aid and average award amounts increase consistently with institutional COA. In the very high-cost category of institutions, 37.2% of undergraduate dependent students from families with incomes of $60,000 and above receive some form of campus-based aid, with the average total award being $2,127. Both the percentage of students receiving aid and the average award amount are greater for students in this category than for any undergraduate student category in both the low-cost and lower middle-cost categories of IHEs.

Table 13. Distribution of Campus-Based Financial Aid to Students Attending Institutions Participating in All Three Campus-Based Programs, by Student Type and Income, by COA Category: (AY2002-2003)

Group:	1. Low cost		2. Lower-mid cost		3. Middle cost		4. Upper-mid cost		5. High cost		6. Very high cost	
Median COA:	**$7,068**		**$8,082**		**$10,142**		**$13,508**		**$19,939**		**$29,669**	
Institutions:	**75**		**204**		**345**		**394**		**463**		**161**	
All students												
Aid applicants[a]		340,761		1,105,650		2,130,945		1,480,253		1,008,646		429,251
CBFA award recipients		51,967		186,182		423,964		362,530		331,653		188,704
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	11.9%	$540	13.1%	$548	13.4%	$738	15.9%	$926	17.9%	$1,339	20.0%	$2,465
FWS	4.5%	$1,575	4.9%	$1,616	6.3%	$1,435	8.6%	$1,426	16.4%	$1,262	27.0%	$1,551
Perkins Loans	1.8%	$1,769	3.8%	$1,903	8.2%	$1,869	12.8%	$1,800	17.8%	$1,992	26.9%	$2,430
Total (unduplicated)	15.3%	$1,086	16.8%	$1,286	19.9%	$1,656	24.5%	$1,947	32.9%	$2,281	44.0%	$3,228
Graduate and Professional												
Aid applicants[a]		2,511		62,466		232,159		211,829		191,995		121,940
CBFA award recipients		40		4,634		24,894		24,450		26,763		29,425
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
FWS	1.1%	$997	2.0%	$2,049	2.7%	$2,389	3.4%	$2,625	5.6%	$2,361	9.6%	$2,979
Perkins Loans	0.5%	$2,510	5.7%	$2,396	8.6%	$2,830	9.1%	$2,630	11.2%	$3,225	19.5%	$3,829
Total (unduplicated)	1.6%	$1,451	7.4%	$2,402	10.7%	$2,871	11.5%	$2,846	13.9%	$3,552	24.1%	$4,284
Undergraduate dependent: $60,000 and above												
Aid applicants[a]		22,797		171,132		597,268		470,539		370,230		183,150
CBFA award recipients		377		4,871		31,704		44,316		86,463		68,126
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	0.3%	$533	0.3%	$622	0.5%	$937	0.8%	$989	1.0%	$1,182	1.4%	$2,011
FWS	1.1%	$1,594	1.8%	$1,413	2.9%	$1,274	5.5%	$1,200	15.7%	$1,092	27.4%	$1,290

Group:	1. Low cost		2. Lower-mid cost		3. Middle cost		4. Upper-mid cost		5. High cost		6. Very high cost	
Median COA:	**$7,068**		**$8,082**		**$10,142**		**$13,508**		**$19,939**		**$29,669**	
Institutions:	**75**		**204**		**345**		**394**		**463**		**161**	
Perkins Loans	0.5%	$1,766	1.0%	$1,677	2.8%	$1,649	5.4%	$1,706	12.6%	$1,735	20.6%	$1,982
Total (unduplicated)	1.7%	$1,641	2.8%	$1,552	5.3%	$1,659	9.4%	$1,758	23.4%	$1,721	37.2%	$2,127
Undergraduate dependent: $42,000 to $59,999												
Aid applicants[a]		21,819		93,563		218,620		149,673		107,089		40,160
CBFA award recipients		1,420		10,512		48,288		51,061		57,946		28,673
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	2.5%	$480	3.6%	$572	6.7%	$818	11.3%	$931	18.1%	$1,270	24.5%	$2,267
FWS	3.8%	$1,459	6.2%	$1,579	10.3%	$1,365	16.8%	$1,302	31.6%	$1,163	48.5%	$1,409
Perkins Loans	1.3%	$1,716	3.6%	$1,738	11.8%	$1,738	20.4%	$1,781	32.5%	$1,814	44.8%	$2,073
Total (unduplicated)	6.5%	$1,357	11.2%	$1,614	22.1%	$1,813	34.1%	$2,009	54.1%	$2,192	71.4%	$3,030
Undergraduate dependent: $24,000 to $41,999												
Aid applicants[a]		41,568		128,593		237,856		148,337		98,161		36,023
CBFA award recipients		5,260		25,464		82,620		77,127		66,945		30,644
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	7.4%	$527	12.3%	$556	20.3%	$814	32.7%	$975	48.6%	$1,378	63.5%	$2,495
FWS	5.8%	$1,350	8.7%	$1,635	13.4%	$1,388	20.1%	$1,349	33.0%	$1,221	51.1%	$1,485
Perkins Loans	1.0%	$1,743	3.9%	$1,780	14.8%	$1,755	26.5%	$1,761	36.2%	$1,857	50.2%	$2,122
Total (unduplicated)	12.7%	$1,070	19.8%	$1,411	34.7%	$1,754	52.0%	$2,026	68.2%	$2,552	85.1%	$3,994
Undergraduate dependent: $0 to $23,999												
Aid applicants[a]		66,074		135,523		227,053		118,076		69,389		26,378
CBFA award recipients		13,492		40,557		86,870		60,756		43,345		21,506
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	14.5%	$563	25.2%	$578	30.2%	$787	42.5%	$1,033	51.0%	$1,574	68.5%	$2,739
FWS	7.2%	$1,207	9.4%	$1,558	13.0%	$1,356	18.9%	$1,410	27.1%	$1,338	46.8%	$1,551

Group:	1. Low cost		2. Lower-mid cost		3. Middle cost		4. Upper-mid cost		5. High cost		6. Very high cost	
Median COA:	**$7,068**		**$8,082**		**$10,142**		**$13,508**		**$19,939**		**$29,669**	
Institutions:	**75**		**204**		**345**		**394**		**463**		**161**	
Perkins Loans	0.8%	$1,836	2.9%	$1,804	11.0%	$1,772	23.8%	$1,740	28.9%	$1,915	45.2%	$2,169
Total (unduplicated)	20.4%	$898	29.9%	$1,151	38.3%	$1,580	51.5%	$2,170	62.5%	$2,740	81.5%	$4,377
Undergraduate independent: $16,000 and above												
Aid applicants[a]		81,590		267,393		284,403		210,751		99,587		9,777
CBFA award recipients		9,937		32,850		43,590		36,570		16,691		2,656
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	9.8%	$511	9.9%	$515	11.3%	$608	11.1%	$753	12.0%	$882	15.0%	$1,804
FWS	2.0%	$1,846	1.8%	$1,533	2.0%	$1,476	1.9%	$1,604	2.6%	$1,195	6.8%	$1,365
Perkins Loans	2.5%	$1,822	3.4%	$1,869	6.2%	$1,751	9.1%	$1,529	7.8%	$1,868	18.2%	$2,250
Total (unduplicated)	12.2%	$1,073	12.3%	$1,135	15.3%	$1,311	17.4%	$1,421	16.8%	$1,612	27.2%	$2,667
Undergraduate independent: $0 to $15,999												
Aid applicants[a]		104,402		246,980		333,586		171,048		72,195		11,823
CBFA award recipients		21,441		67,294		105,998		68,250		33,500		7,674
Aid by program	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**	**recipients**	**avg. award**
FSEOG[b]	18.2%	$544	22.8%	$539	26.7%	$679	35.0%	$849	39.9%	$1,212	57.7%	$2,187
FWS	5.1%	$1,945	6.2%	$1,694	6.6%	$1,523	8.1%	$1,600	12.3%	$1,427	24.6%	$1,693
Perkins Loans	2.7%	$1,725	6.0%	$1,939	10.3%	$1,770	16.5%	$1,633	17.8%	$1,903	35.7%	$2,209
Total (unduplicated)	20.5%	$1,185	27.2%	$1,246	31.8%	$1,427	39.9%	$1,694	46.4%	$2,063	64.9%	$3,602

Sources: CRS Calculations; ED, FISAP data, Feb. 27, 2004; ED, Campus-Based Programs Allocation Data, Apr. 2, 2004.

a. Students eligible for financial need under one or more of the campus-based programs, including graduate and professional students.

b. FSEOG students receiving FSEOG aid as a percentage of only those undergraduate students eligible for FSEOG aid.

Summary and Conclusions

The procedures currently used to allocate funds to institutions under the campus-based programs were developed several decades ago in response to concerns that had been raised about the inequitable distribution of funds. When these procedures were developed, it was envisioned that funds would be allocated according to a series of formulas designed to provide each institution with funding in proportion to its fair share of aggregate student need. To ease the transition to the new formula-based fair share method of allocating funds, for a limited period, IHEs were to receive a conditional or base guarantee of funding proportional to the amount they had received in a base year. However, instead of being phased out over time, base guarantees remain the primary method for allocating the majority of the funds appropriated for the campus-based programs. In recent years, proposals again have been made to phase out funding for base guarantees and to transition to the allocation of funds to institutions entirely on the basis of their fair share of aggregate student need.

To facilitate an understanding of the potential consequences of modifying the current procedures for allocating funds to institutions, this report has set out to explain in detail the functioning of the current allocation procedures and the resulting distribution of aid to students. Throughout the report, the distribution of funding to institutions and the distribution of aid to students was explored by grouping institutions into categories in rank order of their costs of attendance. It was shown that under each of the campus-based programs the majority of funding is currently allocated to institutions on the basis of their institutional base guarantees. In each of the programs, there is only modest variation across categories of institutions in the proportion of total funding allocated to institutions on the basis of their base guarantees, while there is somewhat more variation across institutions grouped by states. Most of the funding provided for the FSEOG and FWS programs is allocated according to institutional base guarantees, and nearly all is for the Perkins Loan program.

An analysis of the calculation of institutional need has shown that institutional COA plays a critical role in determining the amount of aggregate need calculated under the fair share formulas for any particular IHE. Since COA varies widely across institutions, vastly different amounts of need can be calculated on a per-student basis depending on the characteristics of the institution. In many instances, for high-cost institutions the average amount of need calculated on a per-student basis greatly exceeds the maximum award amount, and exceeds the federal share by an even greater amount. When examined in the aggregate for categories of institutions, it was shown that at low-cost institutions, institutional need is largely the aggregate need of undergraduate independent students and low-income dependent students; whereas at higher-cost institutions, institutional need is largely the aggregate need of upper-income undergraduate dependent students and graduate and professional students. It was also noted that for the FSEOG program, aggregate student need is offset by Pell Grant aid (which is targeted primarily at low-income students), while no adjustments are made for higher education tax benefits (which are beneficial primarily to middle- and upper-income students).

The prospect of eliminating the allocation of funds for institutional base guarantees in favor of providing all funding on the basis of fair share criteria was also examined. It was found that in the FSEOG program, there would only be a modest redistribution of funds across categories of IHEs based on COA. Nonetheless, there would be a considerable amount of churning in the allocation of funds within categories, and more institutions would receive an increase in funding than a decrease. For the FWS and Perkins Loan programs, if funds were to be allocated entirely on the basis of the fair share formulas, very high-cost IHEs, as a category, would receive a funding increase, due to the high aggregate need of their student bodies. Overall, however, more IHEs would receive allocation increases than decreases if base guarantees were eliminated.

Analysis of the distribution of aid to students revealed that despite there being a strong correlation between a student's family income and the cost of attendance at the institution a student attends, larger proportions of students at high-cost institutions receive campus-based aid than students at low-cost institutions. In the FSEOG program, award amounts are larger at high-cost IHEs than at low-cost ones, while in the FWS and Perkins Loan programs, awards tend to be of similar values across institutions and student groups. Higher-cost institutions are more likely to participate in all three campus-based programs than are lower-cost institutions. However, even when examining only institutions that participate in all three programs, it is revealed that higher-cost institutions are able to give larger awards to a higher proportion of their students than are lower-cost institutions.

The findings presented in this report highlight an important characteristic of need based financial aid—that student financial need is relative to the COA at the institution a student attends. A middle- or upper-income student attending a higher-cost institution may have financial need, whereas a similarly situated student attending a low-cost institution might have no financial need. Under the campus-based programs, this has resulted in higher-cost institutions having greater institutional need, on a per-student basis, than lower-cost institutions. In turn, this has allowed higher-cost IHEs to provide larger awards—even to students with higher incomes—than could be provided by lower-cost IHEs. Still, at higher-cost IHEs, these substantially larger campus-based awards typically cover a much smaller portion of COA than do awards at lower-cost IHEs.

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