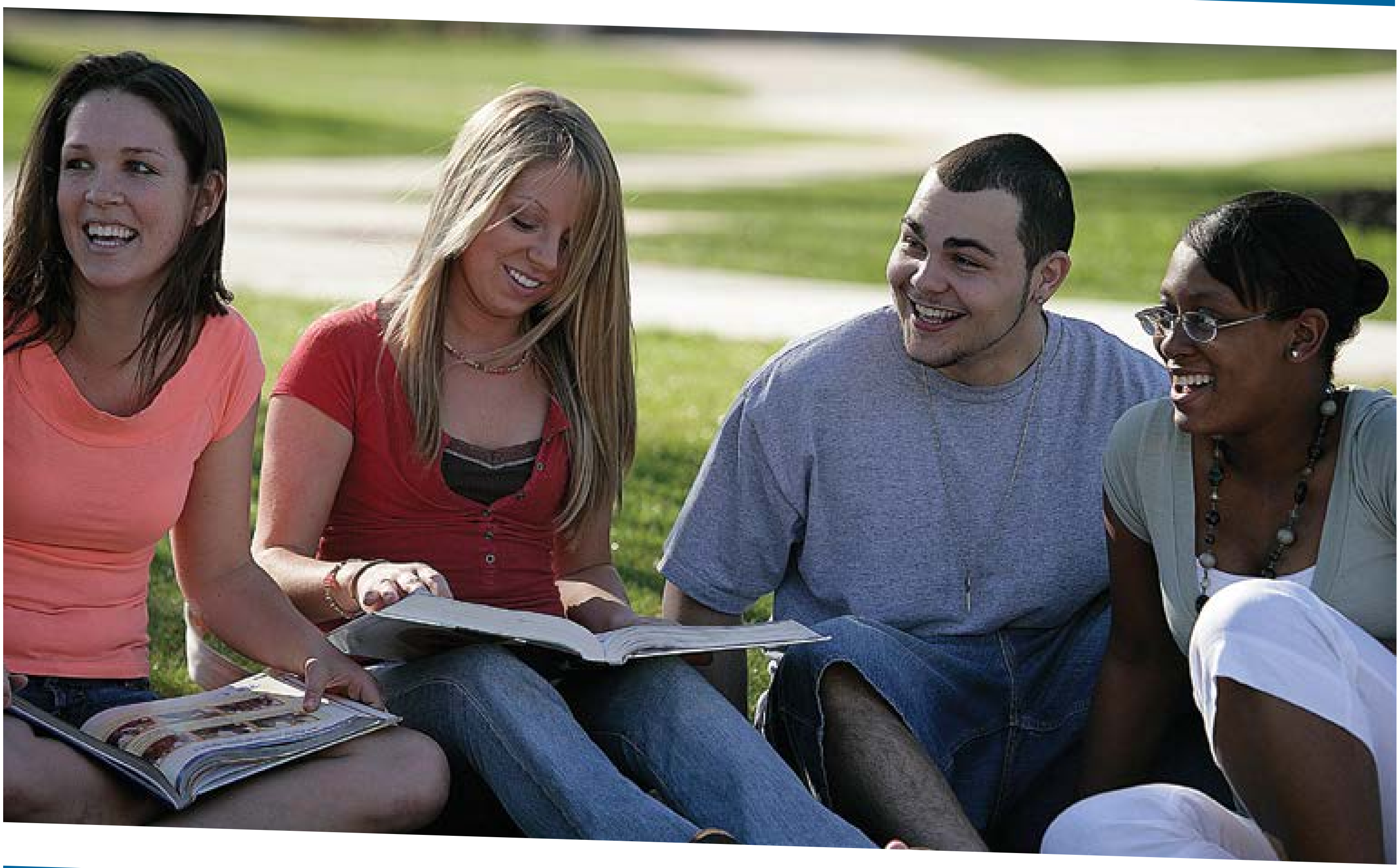
NASFAA TASK FORCE REPORT



THE CAMPUS-BASED FORMULA

NASFAA ADVOCACY

NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues, and is committed to diversity throughout all activities.

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Introduction

The primary purpose of the NASFAA Campus-Based Aid Allocation Task Force was to examine the formula by which congressional appropriations for the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Perkins Loan programs are distributed to schools, and, in consultation with appropriate groups, develop proposals for changes to the allocation formula as part of the Association's reauthorization recommendations.

The task force was charged to produce proposals for incorporation into NASFAA's recommendations for the reauthorization of the Higher Education Act that—

- More accurately and equitably reflect the comparative need of the student populations of schools applying for campus-based aid allocations;
- Evaluate the efficacy of current reallocation rules for released funds;
- Give new participating schools a fairer chance to obtain funding; and
- Include an assessment of the shifts in funding among current program participants that would result from recommended formula change(s).

The guiding principles of the Campus-Based Aid Allocation Task Force were to:

- Promote fairness and equity for students across all sectors of postsecondary education;
- Promote policies that address the needs of disadvantaged students;
- Recommend policies that accommodate the diversity of academic delivery models; and
- Support recommendations with research and data analysis.

The task force comprised a geographically diverse group of 13 NASFAA members from all types of postsecondary institutions, with a particular emphasis on the inclusion of members representing schools with the full range of campus-based aid allocations.

The task force conducted its work between October 2013 and June 2014, and its recommendations were accepted and approved by the NASFAA Board of Directors in June 2014.

Executive Summary

The National Association of Student Financial Aid Administrators (NASFAA) Campus-Based Aid Allocation Task Force was convened by the NASFAA Board of Directors to develop recommendations for changes, as part of the Association's reauthorization recommendations, to the allocation formula by which congressional appropriations for the FSEOG, FWS, and Perkins Loan programs are distributed to schools. The task force comprised a geographically diverse group of 13 NASFAA members from all types of postsecondary institutions, with a particular emphasis on the inclusion of members representing schools with the full range of campus-based aid allocations.

Based on the research and discussions the task force developed, and the NASFAA Board accepted and endorsed, the recommendations detailed in this report:

1. Reconstruct the income bands used to determine institutional need for campus-based programs to more accurately report student need.

The Fair Share formula used to determine an institution's allocation of campus-based funds, first calculates each recipient institution's need for funding, and then aggregates those individual amounts to establish the national need for program funds. The current schema is largely insensitive to income changes in the lower income levels and not sensitive enough at the higher income levels. In addition, the income levels themselves have not kept pace with national average income levels.

2. Eliminate the Base Guarantee and include phase-in protection so that no institution has a decrease or increase of more than 10% per year.

The base guarantee of funding, currently based on FY 1999 expenditures, was intended to be a temporary measure to mitigate losses to individual institutions as a result of radical fluctuations in funding. Due to the static nature of the formula, for most schools, the prior year expenditure is linked to its program participation in the 1970's. Thus, today's allocation of campus-based funds largely reflects a 40-year-old distribution of program funds.

This situation is inequitable because growing schools, serving needier student populations, cannot increase their funding because other institutions' funding levels are largely protected.

The task force recommends eliminating the base guarantee portion of the allocation. Thus, allocations would be based only on a fair share formula. To avoid large swings in allocations from year to year, a phase-in protection would ensure that no institution's allocation would increase or decrease by more than 10% per year.

3. Restructure the FSEOG formula to be based on the amount of Pell funding received by the institution, including a phase-in provision whereby no institution has a decrease or increase of more than 10% per year.

The task force recommends that the fair share formula for FSEOG funding be based on the amount of Pell Grant funds an institution's students receive rather than the current institutional need formula that is largely based on the cost of attendance. The formula would take into account each school's total of Pell grant funds received relative to total Pell grants funds awarded nationally. This formula change will direct more of the federal grant funds to the poorest students.

4. Increase the percent of self-help assumed in the undergraduate institutional need calculation of the Federal Work-Study and Perkins Loan formulas to 35% self-help, including a phase-in provision whereby no institution has a decrease or increase of more than 10% per year.

For Federal Work-Study and the Perkins Loan programs, the formula to calculate institutional need assumes 25% of the cost of attendance is financed via self-help aid for all undergraduate students.

While the task force believes that the underlying cost/need formula in the current fair share formula is an appropriate method to allocate funds for these programs, data demonstrate that the current self-help percentage is much closer to 35%. The task force recommends that the 25% assumption for self-help be updated to 35%, along with a 10% phase-in provision.

About NASFAA

The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization that represents more than 20,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. NASFAA member institutions serve nine out of every ten undergraduates in the United States. Based in Washington, DC, NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. For more information, visit www.nasfaa.org.

Campus-Based Aid Allocation Basics

The three campus-based federal student aid programs we are familiar with today began over 50 years ago with the creation of the National Defense Student Loan Program (now known as the Perkins Loan Program), followed by the College Work-Study Program (now Federal Work-Study) and the Educational Opportunity Grant (now the Supplemental Educational Opportunity Grant) Program. These programs are called "campus-based" because the funds are allocated directly to participating institutions based on an institutional need formula, and the institutions then determine which of their students receive the funds as well as their award amounts.

The amount each institution receives is based on two principles: a "fair share formula" which primarily calculates the amount of funds students at each institution need based on institutional cost and student incomes, and a "base guarantee" that ensures that participating institutions receive at least as much as was received in prior years. As a result, most of the funding is dedicated to maintaining traditional funding levels at specific institutions and does not reflect the national data on which the fair share formula is based. The funding pattern for the campus-based programs has largely not reflected growth and shifts among and across institutions in the student need for these programs. Consequently, the following recommendations are primarily concerned with changing the way that funds in the campus-based programs are allocated to institutions so that the funds become more targeted to low-income, needy students.

Historical Background

The 1958 National Defense Education Act provided funds to colleges under the low-interest National Defense Student Loan Program for students who demonstrated financial need. In 1964, the Economic Opportunity Act included the College (Federal) Work-Study program, followed in 1965 by the Higher Education Act that established the Educational Opportunity Grant Program (renamed Supplemental Educational Opportunity Program or SEOG in 1972). Initially, the majority of the funding of these three programs was based on statutory state-by-state allotment formulas. Regional panels were then convened by the U.S. Office of Education. Their function was to review funding applications from colleges and, within the funding level allocated to each state in that region, determine the amount awarded to each institution.

It soon became evident that a more objective funding system was needed. In 1977, the U.S. Office of Education appointed a Panel of Experts, chaired by Dr. Robert Huff, to review the funding allocation process. Their 1979 recommendations included the following recommendations and established the current Fair Share funding formula:

1. Determine an institution's need for SEOG funds by calculating 70% of the institution's cost minus the sum of the aggregate family contribution, BEOG (now called Pell Grant), state aid received and 50% of institutional aid programs.
2. Determine an institution's need for College Work-Study (now called Federal Work-Study) and Perkins loan funds by calculating 30% of cost of attendance for undergraduates. If graduate students are included, calculate their costs minus EFC.

Because extensive computer modeling was not available at that time, the panel was uncertain of the actual outcomes and concerned that instituting the Fair Share formula could result in wide shifts in funding. Therefore, the panel recommended that a minimum funding level, or "conditional guarantee," be established to grandfather in funding levels for institutions currently receiving funding in the program. Under the guarantee, no institution participating in the programs would receive less funding than they received in the prior year.

These recommendations were adopted and, with several modifications mandated by Congress, have been used ever since to distribute campus-based funding. However, notable parts of the recommendations were never enacted. Most importantly, their plan included a phasing out of the conditional guarantee over several years so that eventually all funds would be distributed on the Fair Share formula method. They also recommended "continued and intensive testing … to simulate the results which would occur by making changes in the formula or its definitions for the future."

Unfortunately, because of the decrease in funding to these programs the portion of the national funds guaranteed to certain institutions has increased rather than decreased, limiting the effect of the fair share formula. In addition, the proposal for on-going research and modeling to determine appropriate funding mechanisms was never implemented in a way that could help shape legislative changes in funding structures. Consequently, the fair share formula that was supposed to provide an objective funding mechanism for the campus-based programs to all institutions has been muted by the effects of guaranteeing funding levels to specific institutions and the vision of making funds available to the neediest students has not been realized. In its 2002 recommendations to Congress, NASFAA offered several proposals, including phasing out the base guarantee over a five-year period and adjusting the cost of attendance and income categories in the Fair Share formula. The campus-based allocation formula was not addressed when reauthorization finally occurred in 2008.

The allocation formula has again been raised as a possible reauthorization topic, specifically the need for equitable distribution of the campus-based programs (FSEOG, FWS, and Perkins Loan) among Title IV-participating institutions, based on the need of their eligible student populations. NASFAA's Reauthorization Task Force (RTF) pointed out the need to reassess the viability of the current allocation formulas in its Preliminary Report to the Membership issued in July 2013. Subsequently, NASFAA's Campus-Based Aid Allocation Task Force was formed to more fully develop that recommendation.

Recommendations

After careful consideration of the prior proposals concerning the campus-based funding allocation formulas, historical and current data, and simulations that looked at the impact of various proposals on institutions, states and types of institutions, the task force offers the following recommendations for Board consideration:

Recommendation 1

Recommendation:

- **Reconstruct the income bands used to determine institutional need for campus-based programs to report student need more accurately by collapsing the lower income levels into fewer ranges and expanding the number of higher income levels. ED should annually compare the income grid to actual FAFSA data and adjust the income levels as needed to reflect changes in income among FAFSA filers.**

Rationale:
The Fair Share formula used to determine an institution's allocation of campus-based funds, first calculates each recipient institution's need for funding, and then aggregates those individual amounts to establish the national need for program funds. The institutional need analysis formula uses standard average figures in calculating a fair share of FSEOG, FWS, and Federal Perkins Loan funds by developing an average Expected Family Contribution (EFC) for the number of students reported by institutions on their Fiscal Operations Report and Application to Participate (FISAP) in each of a series of income bands. For the FSEOG calculation, data are provided for undergraduate dependent and independent students. The self-help component used to determine FWS and Perkins Loan funding includes data for graduate students as well. The income grids used by institutions to report this information have changed very little over the years. In 1992, dependent student income was reported on sixteen levels ranging from $0 to $45,000. As listed below, currently there are fourteen categories ranging from $0 to $60,000. The top band has increased just 33% in 22 years.

Table 1: EFCs Used in Campus-Based Funding for the 2013–14 Award Year

Income Category	Dependent Undergraduate Student EFC
$0 – 2,999	202
$3,000 – 5,999	159
$6,000 – 8,999	147
$9,000 – 11,999	131
$12,000 – 14,999	129
$15,000 – 17,999	160
$18,000 – 23,999	240
$24,000 – 29,999	446
$30,000 – 35,999	1,446
$36,000 – 41,999	2,450
$42,000 – 47,999	3,444
$48,000 – 53,999	4,630
$54,000 – 59,999	5,890
$60,000 and over	22,839

Table 1: EFCs Used in Campus-Based Funding for the 2013–14 Award Year

Income Category	Independent Undergraduate EFCs	Graduate Student EFCs
$0 – 999	$8	$145
$1,000 – 1,999	11	190
$2,000 – 2,999	15	213
$3,000 – 3,999	17	211
$4,000 – 4,999	14	227
$5,000 – 5,999	18	241
$6,000 – 7,999	19	269
$8,000 – 9,999	36	318
$10,000 – 11,999	260	717
$12,000 – 13,999	534	1,260
$14,000 – 15,999	846	1,883
$16,000 – 17,999	1,151	2,404
$18,000 – 19,999	1,442	2,930
$20,000 and over	5,077	11,068

However, during this same period, average income almost doubled from $14,847 in 1992 to $28,281 in 2012. (US Census Bureau Historical Income Tables). In addition, the income levels are not distributed in a way that reflects reasonable changes in need when correlated with the EFC used in the federal student aid need analysis. The first eight income levels equate to an EFC range of 0 – 446, while the remaining six levels equate to EFC levels of 1,446 to 22,839. The result is a schema that is largely insensitive to income changes in the lower income levels, i.e. there is little variation in EFCs at the lower incomes, and not sensitive enough at the higher income levels. In addition, the income levels themselves have not kept pace with national average income levels.

Because individual students are reported in their current income bands and not by EFC, the task force was unable to perform any simulations for this recommendation.

Recommendation 2

Recommendation:

- **Eliminate the Base Guarantee. Include phase-in protection so that no institution has a decrease or increase of more than 10% per year.**

When the Panel of Experts recommended instituting a "fair share" formula to allocate campus-based funds in order to avoid radical fluctuations in funding, they also recommended a "conditional guarantee" mechanism, based on FY 1999 expenditures, to mitigate losses to individual institutions. This was intended as a temporary measure to be phased out as funding levels stabilized but the phase-out never occurred. In fact, the only time conditional guarantees were reduced (by 10 percent) was the second year (1980-81) of the new formula. Due to the static nature of the formula, for most schools, the prior year expenditure is linked to its program participation in the 1970's. Thus, today's allocation of campus-based funds largely reflects a 40-year-old distribution of program funds. In 2005, the Congressional Research Service provided an extensive report on the campus-based formula. They noted that various drafts of the HEA Amendments of 1980, 1998 and 2008 included proposals to phase out the funding guarantees but were never enacted, although it was generally conceded that eliminating funding guarantees would produce a fairer system. Instead, the effect of decreased appropriations has been an increase in the proportion of guaranteed funds over any fair share calculations. Approximately 30% of institutions receiving FSEOG funding have a base guarantee amount that is higher than their calculated fair share allocation. This discrepancy is even higher in the Federal Work-Study program.

This situation is inequitable because growing schools, serving needier student populations, cannot increase their funding because other institutions' funding levels are largely protected. Even though over 20% percent of the FWS appropriations are distributed on the basis of institutional need, most of that funding (95 percent) is accounted for by the institutions that began participating in the program before 1986. Another effect of the base guarantee is that schools with declining enrollments have not necessarily experienced a corresponding decline in campus-based funding. In fact, a few schools that do not qualify for any amount of fair share funds still receive an allocation due to their guarantee. Consequently during the 2013–14 award year, approximately two-thirds of the campus-based appropriations were allocated to institutions to cover the base guarantees, with only the remaining funds allocated according to institutional "fair share" need calculations.

The Congressional Research Service report concluded that eliminating base guarantees would result in more institutions of higher education (IHE) experiencing allocation increases than decreases, although across categories of institutions, higher cost IHEs would experience allocations increases in the greatest proportions. To ameliorate the impact of eliminating the current guarantees, we recommend that no school's total campus-based funding be increased or decreased by more than 10% in any year. This will allow institutions the ability to predict and plan their funding from year to year and prevent large funding reductions that might be harmful to an institution.

A fair distribution of funds assumes a system that is flexible enough to accommodate shifts in the need for those funds, which is the concept behind the fair share formula. However, too much shift can result in unstable programs at individual institutions. Sudden shifts can result in a loss of funding to enrolled students, jeopardizing their ability to complete their programs. Although the impact on individual campuses has wide variations, the following charts depict the aggregate effect on types of institutions if all base guarantees were eliminated and funds allocated solely on the fair share formula.

Table 2: FSEOG – Comparison of Current Allocations and Effect of $0 Base Guarantee (BG) – Phased-out at 10% per Year

Sector	Current Allocation – 100% BG plus Fair Share	90% BG plus Fair Share (Year 1)	80% BG plus Fair Share (Year 2)	0% BG – 100% Fair Share (Year 10)	10-year Change in Funds	10-Year % Change in Funds
2-year private	4,158,339	4,200,211	4,271,088	4,141,411	(16,928)	-0.41%
4-year private	227,850,247	219,910,342	212,623,487	182,584,658	(42,265,589)	-18.55%
2-year proprietary	39,677,449	41,362,572	43,004,392	44,614,369	4,936,920	+12.44%
4-year proprietary	56,356,359	60,679,703	63,407,639	67,546,070	11,189,711	+19.86%
2-year public	147,468,723	155,826,004	163,597,343	172,774,101	25,305,378	+17.16%
4-year public	220,097,880	214,129,066	208,515,030	186,606,472	(33,491,408)	-15.22%

Table 3: FWS – Comparison of Current Allocations and Effect of $0 Base Guarantee – Phased-out at 10% per Year

Sector	Current Allocation -100% BG plus Fair Share	90% BG plus Fair Share (Year 1)	80% BG plus Fair Share (Year 2)	0 % BG - 100% Fair Share (Year 10)	10-year Change in Funds	10-year % Change in Funds
2-year private	3,724,099	3,789,756	3,869,070	3,532,949	191,150	+5.13%
4-year private	363,332,167	364,616,157	366,210,515	339,300,663	(24,031,504)	-6.61%
2-year proprietary	18,049,283	19,148,348	20,145,865	20,160,588	6,812,464	+37.74%
4-year proprietary	39,711,387	43,417,683	46,781,130	47,553,984	7,842,597	+19.75%
2-year public	149,366,373	153,580,374	157,713,623	154,067,532	4,701,159	+3.15%
4-year public	345,521,263	335,163,014	324,913,616	289,200,953	(56,320,310)	-16.30%

Table 4: FSEOG – Comparison of Current Allocations and Effect of $0 Base Guarantee – Phased-out at 10% per Year with 10% cap on Allocation Adjustments

Sector	Current Allocation – 100% BG plus Fair Share	90% BG plus Fair Share (Year 1)	80% BG plus Fair Share (Year 2)	Change in funds – Current to Year 1	% Change in Funds
2-year private	4,158,339	4,200,210	4,271,087	41,871	+1.01%
4-year private	227,850,247	219,910,341	212,623,487	(7,939,906)	-3.48%
2-year proprietary	39,677,449	41,362,571	43,004,392	1,685,122	+4.25%
4-year proprietary	56,356,359	60,079,702	63,407,639	3,723,343	+6.61%
2-year public	147,468,723	155,826,004	163,597,343	8,357,281	+5.67%
4-year public	220,097,880	214,129,066	208,515,030	(5,968,814)	-2.71%

Table 5: FWS – Comparison of Current Allocations and Effect of $0 Base Guarantee – Phased-out at 10% per Year with 10% cap on Allocation Adjustments

Sector	Current Allocation -100% BG plus Fair Share	90% BG/ Fair Share / 10% Cap (Year 1)	80% BG / Fair Share / 10% Cap (Year 2)	Change in funds – Current to Year 1	% change in funds - Current to Year 1
2-year private	3,724,099	3,763,824	3,825,837	101,738	+2.73%
4-year private	363,332,167	362,853,038	363,978,422	646,255	+0.18%
2-year proprietary	18,049,283	18,157,161	19,260,109	1,210,826	+6.71%
4-year proprietary	39,711,387	40,324,166	43,951,219	4,239,832	+10.68%
2-year public	149,366,373	149,317,777	153,734,516	4,368,143	+2.92%
4-year public	345,521,263	345,403,289	335,070,831	(10,450,432)	-3.02%

Notes:

1. As a general matter regarding its administration and management of grant programs, both discretionary and formula, ED never allocates more funds to schools than they request. Current institutional funding requests are accounted for in the simulations. We are assuming that some schools whose fair share allocation would increase under this proposal will increase their funding requests in future years, but since future funding requests are unknown, that assumption is not reflected in the simulations.
2. If all available funds are not allocated under the formula ED generally makes those remaining funds available to institutions through the reallocation process.

Recommendation 3

Recommendation:

- **Restructure the FSEOG formula to be based on the amount of Pell funding received by the institution, including a phase-in provision whereby no institution has a decrease or increase of more than 10% per year.**

Campus-based funding is based on a ratio of meeting need with 75% grant aid and 25% self-help. For the SEOG program, the formula calculates 75% of aggregate undergraduate cost of tuition and fees minus aggregate family contributions based on income ranges and the amount of Pell Grant and certain state grants received by students. Because the formula starts with the cost of attendance, need is based on tuition. High-cost schools demonstrate higher need for campus-based funds than low-cost schools, even if the student populations and income levels are identical. Although funds are always directed to students with need, high need students at high tuition schools may not be low-income students. It is NASFAA's belief that students from the lowest income families should have priority for federal student aid funds regardless of where they choose to attend college.

Therefore, we recommend that the fair share formula for FSEOG funding be based on the amount of Pell Grant funds an institution's students receive rather than the current institutional need formula that is largely based on the cost of attendance. The formula would take into account each school's total of Pell Grant funds received relative to total Pell Grants funds awarded nationally. In the current formula, an institution's fair share is its relative need multiplied by the FSEOG appropriation. Under the proposed formula, an institution's fair share would be its relative Pell funding multiplied by the FSEOG appropriation. This formula change will direct more of the federal grant funds to the poorest students. We believe this is a more appropriate approach to FSEOG allocations for the following reasons:

1. The intent of the Federal Supplemental Educational Opportunity Grant is to supplement the Pell Grant Program and provide additional funds to students who qualify for Pell Grants and have the greatest need. This is evidenced by the rule that an institution must award funds first to Pell Grant recipients with the lowest EFC.
2. Granting funds to institutions based on tuition costs, but requiring the institution to award the funds to students based on EFC produces an inconsistent system. A high cost institution may be able to demonstrate a high level of need without having a large number of very low-income students. Conversely, a low cost institution may serve only the lowest income populations who are highly in need of financial aid but not be able to show a high level of institutional need.

Sector-based simulations showing the impact of recommendation 3 are shown in tables 6 and 7 below.

Table 6: FSEOG – Calculated Based on Pell Expenditures instead of Institutional Need without Adjustment Cap

Sector	Current Allocation – 100% BG plus Fair Share	100% BG/Fair Share/Pell as Need	90% BG phase-out/ Fair Share/Pell as Need (Year 1)	80% BG plus Fair Share (Year 2)	Change in Funds - Current to Year 1	% Change in Funds - Current to Year 1
2-year private	4,158,339	4,812,246	4,880,885	4,960,925	722,546	+17.38%
4-year private	227,850,247	204,558,252	190,808,381	177,143,090	(37,041,866)	-16.26%
2-year proprietary	39,677,449	39,637,775	41,686,391	43,792,823	2,009,182	+5.06%
4-year proprietary	56,356,359	44,606,594	47,188,376	49,906,680	(9,167,983)	-16.27%
2-year public	147,468,723	164,373,967	175,503,569	185,600,861	28,034,846	+19.01%
4-year public	220,097,880	237,363,843	235,109,907	233,630,973	15,012,027	+6.82%

Table 7: FSEOG – Calculated based on Pell Expenditures instead of Institutional Need with 10% cap on Allocation Adjustments

Sector	Current Allocation – 100% BG plus Fair Share	100% BG/Fair Share/Pell as Need/10% cap	90% BG phase-out/Fair Share/Pell as Need/10% cap (Year 1)	80% BG phase-out/ Fair Share/Pell as Need/10% cap (Year 2)	Change in Funds –Current to Year 1	% Change in Funds – Current to Year 1
2-year private	4,158,339	4,799,194	4,864,286	4,941,299	705,947	+16.98%
4-year private	227,850,247	204,457,863	190,909,124	177,239,054	(36,941,123)	-16.21%
2-year proprietary	39,677,449	39,545,333	41,537,124	43,586,626	1,859,675	+4.69%
4-year proprietary	56,356,359	45,421,524	47,996,060	50,589,170	(8,360,299)	-14.83%
2-year public	147,468,723	164,422,058	175,574,786	185,773,940	28,106,063	+19.06%
4-year public	220,097,880	236,778,009	234,381,464	232,990,684	14,283,584	+6.49%

Recommendation 4

Recommendation:

- **Increase the percent of self-help assumed in the undergraduate institutional need calculation of the Federal Work-Study and Perkins Loan formulas to 35% self-help, including a phase-in provision whereby no institution has a decrease or increase of more than 10% per year.**

The formula for the Federal Work-Study and Perkins Loan Programs is based on both graduate and undergraduate student data. The formula to calculate institutional need assumes 25% of the cost of attendance for all undergraduate students minus the aggregate undergraduate family contributions (EFC) plus 100% of graduate student cost of attendance minus the aggregate graduate student family contributions (EFC).

We believe that the basic cost/need formula in the current fair share formula is appropriate for these programs. However, data demonstrates that the expectation that only 25% of an undergraduate's cost of attendance is financed via self-help that was established in 1980 is outdated. Data from the 2011–12 National Postsecondary Student Aid Study (NPSAS) show that the current self-help percentage is much closer to 35%. Therefore, we are recommending that the formula be amended to increase the self-help percentage in the calculation for undergraduates from 25% to 35%. The assumption of 100% for graduate students would not change.

Sector-based simulations showing the impact of recommendation 4 are shown in table 8 below.

Table 8: FWS without Base Guarantee & Undergraduate Need Calculated at 35% Self-help & 10% cap on Allocation Adjustments

Sector	Current Allocation – 100% BG/ Fair Share/Self-Help 25% of Need	100% BG/Fair Share/Self-Help 35% of Need /10% cap	90% BG phase-out/ Fair Share/Self-Help 35% of Need/ 10% cap (Year 1)	Year 1 Change in Funds	Year 1 % Change in Funds
2-year private	3,724,099	3,714,727	3,679,241	(44,858)	-1.20%
4-year private	363,332,167	353,414,262	349,522,963	(13,809,204)	-3.80%
2-year proprietary	18,049,283	19,430,200	18,178,248	128,965	+0.71%
4-year proprietary	39,711,387	41,920,418	40,604,513	893,126	+2.25%
2-year public	149,366,373	159,905,864	152,050,101	2,683,728	+1.80%
4-year public	345,521,263	341,421,898	318,656,057	(26,865,206)	-7.78%

Note: If all available funds are not allocated under the formula ED reruns the allocation formula or makes funds available through the reallocation process.

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