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Federal Campus-Based Student Aid Programs: A New Approach

"Campus Flex" Will Better Serve Students, Institutions, and Taxpayers

The federal campus-based programs consist of the Federal Perkins Loan Program, Federal Supplemental Educational Opportunity Grants (FSEOG) and the Federal Work-Study Program (FWS). Each was created to work as a secondary or additional form of aid for students with need. The programs differ from Pell Grants and Stafford or PLUS loans because they require institutional contributions and are managed by the institution the student attends.

COHEAO strongly believes the three campus-based programs give aid administrators the flexibility to provide critical funding for low- and moderate-income students, tailored to the individual. Campus aid administrators are the ones best positioned to assess the needs of their students.

In an effort to uphold the goals of campus-based flexibility while simplifying the campus-based programs, COHEAO proposes a new approach called Campus Flex. Campus Flex simplifies the campus-based aid programs but recognizes that all three play extremely important roles in making sure the aid is provided to students who need it most and in the format that best benefits the individual.

The campus-based programs can be modified to better serve the needs of an evolving student population. The current Title IV programs are designed to meet the needs of what is often described as the "traditional student," meaning 18-24 year olds attending a residential college. This student may be "traditional," but is in no way commonplace on college campuses, and Congress should modify existing programs to account for this new reality.

Building on the existing structure and providing aid administrators with additional flexibility, the campus-based programs can be improved to increase retention and foster a culture of completion. With a few tweaks to current law, these programs could easily serve as emergency aid designed to help students remain in school and complete their program of study.

Campus Flex offers flexible allocation of funds between the campus-based aid programs giving administrators the ability to provide more consistency in financial aid packages for students as they move through their college careers. It would also modify the existing programs to better leverage campus-based aid as a tool for retention and completion.

Campus Flex would:

- Authorize One Single Appropriation: Historically, FWS, FSEOG and the Perkins Loan program each have had their own line item. In the Campus Flex proposal, Congress would provide campuses with one appropriation for the three campus-based programs.

- Allow the Campus-Based Aid Programs to Better Serve Students as Emergency Aid. Campus Flex will expand aid administrators' discretion to provide campus-based funds to low and moderate-income students, particularly in cases of emergency aid. By reducing the regulatory burdens faced by aid administrators today when they exercise professional judgment, Campus Flex would allow more institutions to provide more students with emergency aid, which will improve retention and completion rates.

- Consolidate the Allocation Formulas: Currently, each campus based aid program has its own, somewhat different allocation formula. Campus Flex simplifies the programs by shifting to only one allocation formula. The controversial "base guaranty" in the federal formulas for allocating appropriated funds for the campus-based programs to participating campuses is phased out so that newer campuses or campuses that have grown substantially in size are no longer disadvantaged.

- Retain Characteristics, Purpose and Function for Each Program: The individual purpose and structure of each of the campus-based programs is maintained. However, the programs' authorizing sections in three different Parts of Title IV of the Higher Education Act would be consolidated into one Part.

- Allow Institutions of Higher Education to Determine the Allocation Between Programs: Campus aid administrators would determine the allocation of appropriated funds among the three campus-based programs according to their students' needs for that academic year. Campus Flex expands the transfer now permitted between programs by allowing the transfer of Perkins Loan interest collections to SEOG and FWS. This gives aid administrators the ability to modify their allocations of limited campus-based program funding in order to meet the varying, individual needs of their students.

- Align the Perkins Loan Grace Period with Larger Federal Programs: Perkins Loans would retain their current characteristics, except that the post-separation grace period would be reduced from nine months to six months to be consistent with other federal loans.

- Consolidate the List of Approved Cancellations: Currently, Perkins Loans are cancelled if a student enters certain public service careers. Over the years, the list of approved careers has grown significantly. COHEAO suggests updating the list to best reflect the original purpose of the Act. Campus Perkins Loan revolving funds would still be reimbursed for cancelled loans.