School Requirements

CHAPTER 1

The Higher Education Act of 1965 (HEA), as amended, describes the Federal Supplemental Educational Opportunity Grant (FSEOG) Program allocation process in detail; those procedures are not repeated in the regulations. Funds are allocated directly to schools according to the statutory formulas in section 413D of the Act. Schools receive their disbursements in periodic installments either in advance or as reimbursements. The U.S. Department of Education ***reallocates*** *funds to a school in a manner that best carries out the purposes of the FSEOG Program.*

PROGRAM PARTICIPATION AGREEMENT

A school that wants to participate in any Student Financial Assistance (SFA) Program must sign a Program Participation Agreement with the Secretary. (See *Volume 2 - Institutional Eligibility and Participation* for more general information about the Program Participation Agreement.)

The agreement provides that the school must use FSEOG funds it receives for a program solely for the purposes of the FSEOG Program and that the school must administer the FSEOG program in accordance with the Higher Education Act (HEA) of 1965, as amended, and the General Provisions regulations.

CASH MANAGEMENT

A school must maintain funds received for its administration of the FSEOG Program in accordance with the cash management provisions of 34 CFR 668.163. The provisions are discussed in volume 2.

ALLOCATION OF FUNDS

As discussed in the *Volume 4 - Campus-Based Programs Common Provisions*, if a school returns more than 10 percent of its allocation for a given award year, the Department will reduce the school's allocation for the second succeeding award year by the dollar amount returned. The Department may waive this provision for a specific school if it finds that enforcement would be contrary to the interest of the program. The Department considers enforcement to be contrary to the interest of the program only if the school returned more than 10 percent of its allocation due to circumstances that are beyond the school's control and that are not expected to recur. The information a school provided on its *Fiscal Operations Report and Application to Participate* (FISAP) for the 1998-99 award year will determine the amount of reduction, if any, of the school's allocation for the 2000-2001 award year.

Allocation of Funds Cite
34 CFR 673.4

Waiver of 25% Requirement Cite
34 CFR 676.21(b)

FEDERAL SHARE AND NONFEDERAL SHARE

The federal share of FSEOGs made by a school may not exceed 75 percent of the total FSEOGs. The school must contribute a nonfederal share (also called “institutional share”) of 25 percent. However, the Department may waive the nonfederal share requirement and may authorize for an award year a federal share of 100 percent to a school that 1) is designated as an eligible institution under the Strengthening Institutions Program or the Strengthening Historically Black Colleges and Universities Program and 2) requests the waiver (the increased Federal share) on the FISAP for that award year.

The nonfederal share of FSEOGs must be made from the school’s own resources. These resources may include

- institutional scholarships and grants,
- waivers of tuition or fees,
- state scholarships and grants, and
- funds from foundations or other charitable organizations.

Including State Scholarships in Nonfederal Share Cite
34 CFR 676.21(c)

Including State Scholarship Example
Tina receives a grant of $675 from a state with a percentage of 96.26. Delgado Broadcasting School multiplies 96.26 percent by $675, resulting in $650, which is the portion of the grant that may be used to meet the nonfederal share requirement for a $2,600 FSEOG award ($1,950 is the federal share of the FSEOG award).

The Department has determined that all state scholarships and grants, **except** for the Leveraging Educational Assistance Partnership (LEAP) (formerly the State Student Incentive Grant [SSIG] Program) and the Special Leveraging Educational Assistance Partnership (SLEAP) programs are eligible funds that may be used to meet the nonfederal share requirement of FSEOGs. LEAP and SLEAP grants, for this purpose, are defined as the federal LEAP allocation plus the minimum required state matching amount. The remaining state grants are not considered LEAP or SLEAP grants.

Dear Colleague Letter CB-00-13, issued in September 2000, provided a chart indicating what percentage of each state’s scholarships could be used to provide the nonfederal share of FSEOG’s for the 2000-2001 award year. The Department computed the percentages in the chart on the basis of information furnished by the respective states regarding expected expenditures for state scholarships and grants for the 2000-2001 award year, and by using the 2000-2001 SSIG allocation data and required matching information. A similar chart for the 2001-2002 award year will be issued in a Dear Colleague Letter later in 2001. Each school can apply the appropriate state percentage to the state scholarships and grants its students receive to determine the total amount of state scholarships and grants that may be used to meet the FSEOG nonfederal share requirement.

As a variance from use of the percentages indicated in the chart, if a school has specific knowledge that a state scholarship or grant—irrespective of its name—is considered to be the required state matching portion of a LEAP or SLEAP grant, that scholarship or grant may not be used to meet the FSEOG nonfederal share. Also, if a school has documented knowledge that a state scholarship or grant is not comprised of LEAP or SLEAP monies (federal or state), 100 percent of the scholarship or grant may be used as the FSEOG nonfederal share.

The 2000-2001 nonfederal share requirement of 25 percent (unless the school qualifies for a waiver) may be met by one of three methods. In the following discussion of these methods, you should note that for a student to meet the definition of an FSEOG recipient, some portion of the grant awarded the student must have come from the FSEOG federal dollars. Also, by the time the FSEOGs are disbursed (regardless of what point in the award period the disbursements are made), the required match must have been accomplished; that is, the school's own resources must have been disbursed before or at the time the federal dollars are disbursed. However, it is important to note that outside resources[1] can be used to match FSEOGs even if the funds are received at a later date, provided that the school has written information about funds that the noninstitutional agency or organization is awarding to the student involved. The written information must be kept on file at the school.

The three methods a school may use to meet its nonfederal share follow:

1 Individual FSEOG recipient basis—the school provides its share to an individual FSEOG recipient together with the federal share; that is, each student's total FSEOG would consist of 25 percent nonfederal resources and 75 percent federal dollars for the 2000-2001 award year.

2 Aggregate basis—the school ensures that the sum of all funds awarded to FSEOG recipients in the 2000-2001 award year comprises 75 percent FSEOG federal funds and 25 percent nonfederal resources. For example, if a school awards a total of $60,000 to FSEOG recipients in 2000-2001, it has to ensure that $45,000 comes from FSEOG federal funds and $15,000 comes from nonfederal resources; if there are 100 FSEOG recipients, the entire $15,000 nonfederal resource requirement can be met by awarding a total of $15,000 in nonfederal resources to four FSEOG recipients. However, each FSEOG recipient must receive some FSEOG federal funds.

3 Fund-specific basis—the school establishes an "FSEOG fund" into which it deposits FSEOG federal funds and the required 25 percent nonfederal share. Awards to FSEOG recipients then are made from the fund.

ADMINISTRATIVE COST ALLOWANCE (ACA)

When a school calculates its administrative cost allowance for the 2000-2001 award year, the school must include in its calculation the full amount of its FSEOGs—both the 75 percent federal share and the required 25 percent nonfederal share. However, a school that

Administrative Cost Allowance Cite
34 CFR 673.7

1. For example, state scholarships and foundation or other charitable organization funds.

chooses to provide more than a 25 percent institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25 percent in its FISAP or in the calculation of its administrative cost allowance. If the Department has granted a school a waiver of its required nonfederal share, that school may calculate its administrative cost allowance only on the full federal portion. For additional information about the administrative cost allowance, refer to volume 4.

CARRY FORWARD/CARRY BACK

Carry Forward/Carry Back Cites
HEA Section 413E
34 CFR 676.18

A school may spend up to 10 percent of its current year's FSEOG allocation (initial and supplemental) in the **following** award year (carry forward). If the school carried forward funds to be spent in the following award year, the school must report that amount on the FISAP. For example, if a school carried forward 10 percent of its Federal Work-Study (FWS) 2000-2001 allocation to be spent in 2001-2002, the school must report this amount on the October 2001 FISAP, in Part V of the Fiscal Operations Report for 2000-2001. Before a school may spend its current year's allocation, it must spend any funds carried forward from the previous year.

A school is also permitted to spend up to ten percent of its current year's FSEOG allocation (initial and supplemental) for expenses incurred in the prior award year (carry back). The official allocation letter for a specific award period is the school's authority to exercise this option.

Also, a school is permitted to spend any portion of its current year's FSEOG allocation (initial and supplemental) to make awards to students for payment periods that begin on or after May 1 of the prior award year but end prior to the start of the current award year (carry back for summer). This carry back authority for summer FSEOG awards is in addition to the authority to carry back 10 percent of the current year's FSEOG allocation for use during the previous award year.

TRANSFER OF FUNDS

The HEA prohibits the transfer of FSEOG Program funds to any other program. Since the 1993-94 award year, schools have been prohibited from transferring FSEOG funds to the FWS Program. However, a school may transfer up to 25 percent of its FWS allocation and 25 percent of its Federal Perkins Federal Capital Contribution (FCC) allocation to the FSEOG Program.

A school that transfers funds to the FSEOG Program from FWS during an award year must transfer any unexpended funds **back** to the FWS Program at the end of the award year. The same requirement exists for Perkins Loan FCC funds transferred to the FSEOG Program.

FISCAL PROCEDURES AND RECORDS

Requirements for maintaining and accounting for Student Financial Assistance (SFA) program funds are included in 34 CFR 668.163. The cash management requirements that apply in general to SFA programs (those in the General Provisions) are discussed in volume 2. The cash management requirements common to the campus-based programs (those in the FWS, FSEOG, and Perkins Loan regulations) are discussed in volume 4.

In addition to following the fiscal procedures and records requirements mentioned in volume 2 and volume 4, a school must meet the following requirements, which are included in the FSEOG regulations:

- A school must establish and maintain an internal control system of checks and balances that insures that no office can both authorize FSEOG payments and disburse FSEOG funds to students.
- A school must establish and maintain program and fiscal records that are reconciled at least monthly.
- Each year a school must submit a FISAP and other information the Department requires. The information must be accurate and must be provided on the form and at the time specified by the Department.

Fiscal Procedures and Records Requirements Cites
34 CFR 676.19(b)
34 CFR 668.24
34 CFR 668.163

Cash Management Cite
34 CFR 668.163