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## CHAPTER 8 FEDERAL SUPPLEMENTAL EDUCATIONAL OPPORTUNITY GRANT PROGRAM

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## Introduction

The purpose of the Federal Supplemental Educational Opportunity Grant (FSEOG) Program is to encourage schools to provide grants to exceptionally needy undergraduate students to help pay for their postsecondary education. This provision is in Section 413C(c)(2) of the Higher Education Act of 1965, as amended. Giving priority to applicants with exceptional financial need, schools selecting FSEOG recipients must use the selection criteria discussed in Section 1 of this chapter.

### RECENT CHANGES TO THE FSEOG PROGRAM

Part 673 has been added to the regulations as “Part 673—General Provisions for the Federal Perkins Loan Program, Federal Work-Study Program, and Federal Supplemental Educational Opportunity Grant Program,” published in the **Federal Register** (Part IV) on November 27, 1996. Part 673 consolidates common provisions of the campus-based programs (formerly found in Parts 674, 675, and 676), and eliminates duplicate provisions for each program. The regulations, which are effective July 1, 1997, are discussed in the Introduction to Chapter 5.

Requirements for maintaining and accounting for Student Financial Assistance (SFA) program funds are included in regulations published in the **Federal Register** November 29, 1996 and become effective July 1, 1997. The new cash management requirements that apply specifically to the campus-based programs are discussed in Chapter 5, Section 3. The new provisions that apply to all SFA programs are discussed in detail in Chapter 3, Section 3. Section 3 of this chapter also provides information on fiscal procedures and records.

The late disbursement provision of the new cash management regulations applies specifically to the FSEOG Program and the Federal Perkins Loan Program. Regulations regarding late disbursements of an FSEOG were removed from 34 CFR 676.16(e), and revised regulations for late disbursements of FSEOGs and Federal Perkins Loans are now in 34 CFR 668.164(g). A school may make a late disbursement of a Perkins Loan and/or an FSEOG to an ineligible student if the student became ineligible solely because the student is no longer enrolled at the school for the award

**34CFR 673.1**



**New Part 673  
of 34CFR**

**Cash  
management  
regulations**

**Recordkeeping  
requirements:  
34CFR  
668.24 &  
34CFR  
676.19**

year. Before the student dropped out, the school must have received a Student Aid Report (SAR) or Institutional Student Information Record (ISIR) for the student with an official Expected Family Contribution (EFC) and must have awarded the student the Perkins Loan or FSEOG. The school may make that late disbursement only if the funds are used to pay for educational costs that the school determines the student incurred for the period in which the student was enrolled and eligible, and the school must make the late disbursement no later than 90 days after the date the student became ineligible because he or she was no longer enrolled.

New recordkeeping requirements for all SFA programs were published in the **Federal Register** November 27, 1996 and become effective July 1, 1997. These regulations specify the length of time records must be kept and the formats in which they must be kept. These new requirements as they apply in general to all SFA programs are discussed in Chapter 3, Section 7. For information on how these requirements apply specifically to the campus-based programs, see Chapter 5, Section 3.

# Section 1

## Selecting Recipients

### GENERAL ELIGIBILITY REQUIREMENTS

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To receive a Federal Supplemental Educational Opportunity Grant (FSEOG), a student must meet the applicable eligibility requirements listed in Chapter 2, Section 1, “Student Eligibility.” In addition, an eligible recipient must be an undergraduate student and must have financial need.

An undergraduate student is defined under the FSEOG Program as a student who is enrolled in an undergraduate course of study at an institution of higher education and who

- ◇ has not earned a bachelor’s degree or first professional degree and
- ◇ is in an undergraduate course of study that usually does not exceed four academic years or is enrolled in a four- to five-academic-year program designed to lead to a first degree.<sup>1</sup>

A student who has earned a bachelor’s or first professional degree is **not** eligible to receive an FSEOG to pursue an **additional** undergraduate degree,<sup>2</sup> based on the above definition of undergraduate student.

A school must make FSEOG funds reasonably available (to the extent of available funds) to all eligible students.

**FSEOG  
undergraduate  
student  
definition—  
34CFR 676.2**

**No FSEOG  
for additional  
undergraduate  
degree**

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<sup>1</sup> A student enrolled in a program of any other length is considered an undergraduate student for only the first four academic years of that program.

<sup>2</sup> Note that the definition of undergraduate student in the FSEOG regulations differs from the definition in the Federal Perkins Loan and FWS program regulations (see 34 CFR 674.2 and 675.2). The definition of undergraduate student in the Federal Perkins Loan and FWS program regulations does permit a person with a bachelor’s or first professional degree to receive aid from those programs to pursue an additional undergraduate degree.

**First  
selection  
group**

**Second  
selection  
group**

## **PRIORITY ORDER FOR FSEOG AWARDS**

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In determining the priority order in which students will be awarded FSEOG funds in any given award year, a school must first choose those students with exceptional financial need—that is, those with the lowest Expected Family Contributions (EFCs) who will also receive Federal Pell Grants in that award year. We will refer to this group of students as the “first selection group.”

If the school has FSEOG funds remaining after awarding FSEOG funds to the entire first selection group, the school must next award FSEOG funds to those eligible students with the lowest EFCs who will not receive Federal Pell Grants in that award year. We will refer to this group of students as the “second selection group.”

## **FEDERAL PELL GRANT ELIGIBILITY**

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A student who will also receive a Federal Pell Grant in that award year is a student who has demonstrated Pell Grant eligibility for the same award year based upon

- ◇ a *Student Aid Report* (SAR) the student submits to the school,
- ◇ electronic SAR information the school receives from the Central Processing System (CPS), or
- ◇ a manual calculation.

The school must keep the appropriate Pell Grant eligibility information on file. If the school determines a student’s Pell Grant eligibility by one of the above methods and awards an FSEOG based on that determination but the FSEOG recipient does not actually receive a Pell Grant during the award year, the school relied on the demonstrated eligibility in good faith and, thus, is not required to recover the FSEOG funds.

If a student is enrolled in a payment period that begins in one award year and ends in the next<sup>3</sup> and if the student is among those students with the lowest EFCs who will also receive Pell Grants **in that payment period**, the student has met the first-selection-group requirements (**for that payment period only**) regardless of the award year to which his or her Pell Grant payment period is attributed.

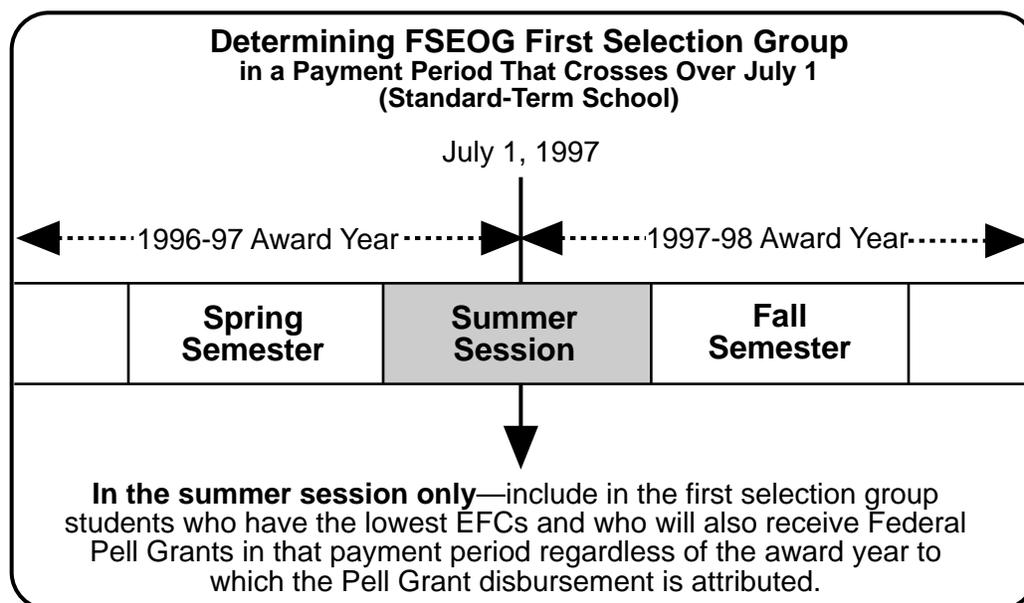
For example, Fred and Ethel are enrolled at Trumbull University in a program that begins in June 1997 and ends in August 1997, and both are

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<sup>3</sup>The payment period begins before July 1 of any year and ends after July 1 of that same year.

**If payment  
period  
crosses  
July 1—  
“Dear  
Colleague”  
letter  
CB 91-8,  
dated  
May 1991**

among those students with the lowest EFCs who will also receive Pell Grants **in that payment period**. Even though Fred is receiving a 1996-97 Pell Grant disbursement for that payment period and Ethel is receiving a 1997-98 Pell Grant disbursement for that payment period, both students have met the first-selection-group requirements for that payment period.



“Payment period” is defined as a semester, trimester, or quarter; for a school not using those academic periods, it is the period between the beginning and the midpoint or between the midpoint and the end of an academic year.

**34CFR  
676.10(b)**

***LESS-THAN-FULL-TIME AND INDEPENDENT STUDENTS***

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A school must offer at least 5% of its FSEOG allocation to less-than-full-time and independent students if the school’s FSEOG Program allocation is directly or indirectly based in part on the financial need of these students and if the financial need of all such students exceeds 5% of the total financial need of all students at the school. Additional information is in Chapter 5, Section 1. Determination of whether a school must offer at least 5% of its 1997-98 allocation to these students is based on eligible aid applicant data filed for the 1995-96 award year. For subsequent award year allocations, determinations will be governed by data filed for the second preceding award year. This provision is not applicable for FSEOG if the school received an FSEOG allocation of \$5,000 or less. A school cannot exclude less-than-half-time students from its definition of less-than-full-time students.

## MAKING FSEOGs AVAILABLE THROUGHOUT THE YEAR

A school must develop written selection procedures to ensure that FSEOG recipients are selected on the basis of the lowest EFC and Pell Grant priority requirements over the entire award year in accordance with the selection provisions found in 34CFR 676.10. For a school that enrolls students as often as monthly or weekly, FSEOG funds can be reserved for use throughout that award year (on the basis of institutional experiences from previous periods), and selection practices can be applied in a manner that would assure a reasonable consistency over the entire award year.

## ESTABLISHING CATEGORIES OF STUDENTS

The school is allowed to establish categories of students to be considered for FSEOG awards as a means of administering its packaging policies. Categories may be based on class standing, enrollment status, program, date of application, or a combination of factors. By establishing these categories, the school is attempting to ensure that the students in each category have an opportunity to be awarded FSEOG funds. The percentage or dollar amount of funds assigned to each category is also at the school's discretion; there is no requirement to make that amount proportional to the need of students in a particular category or even to the number of students in the category.

***Prohibition  
against  
excluding  
certain  
groups of  
students***

Categorization may not be used to exclude certain students or groups of students from consideration. If the school knows that its funds are so limited as to effectively exclude year after year categories that come later in the sequence, the school may not be in compliance with the "reasonably available" provision. This principle would not apply to a category made up of students whose applications are received after a specific deadline; there is no requirement to reserve funds for late applicants although the school is not precluded from doing so.

***Prohibition  
against EFC  
cutoffs or  
professional  
judgment***

A school would not be in compliance with the Higher Education Act of 1965 (HEA), as amended, and with the FSEOG regulations were it to award FSEOGs on a first-come, first-served basis or were it arbitrarily to set expected EFC benchmarks (cutoffs) from below which it would select FSEOG recipients. Such a practice might exclude otherwise eligible students from the selection process. Furthermore, professional judgment is not an appropriate means of attempting to resolve the indicated circumstance; professional judgment is applicable only to making an adjustment or adjustments to an expected EFC or to a cost of attendance amount, not as a means to circumvent the FSEOG selection policy.

# Section 2

## Payments to Students

### MINIMUM AND MAXIMUM AWARD AMOUNTS

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A school may award a Federal Supplemental Educational Opportunity Grant (FSEOG) in an amount the school determines a student needs to continue his or her studies for an academic year. A student's minimum allowable award for an academic year may be reduced proportionately if the student is enrolled for less than an academic year. An FSEOG may not be less than \$100 and may not exceed \$4,000 for a full academic year unless the student has reasonable costs of study abroad that exceed the cost of attendance at the home school. The maximum amount of the FSEOG may be increased from \$4,000 to as much as \$4,400 for a student participating in a study-abroad program that is approved for credit by the home school.

### GENERAL DISBURSEMENT REQUIREMENTS

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A school must disburse FSEOG funds to a student or the student's school account in accordance with the revised cash management regulations published in the **Federal Register** November 29, 1996 and effective July 1, 1997. The new cash management requirements that apply specifically to the campus-based programs are discussed in Chapter 5, Section 3. The new provisions that apply to all SFA programs are discussed in detail in Chapter 3, Section 3.

If a student withdraws (officially or unofficially) or is expelled before the first day of classes, the school must return to the FSEOG account any funds that were paid to the student. A student who does not begin class attendance is deemed to have withdrawn. If a student drops out **after** receiving his or her FSEOG but before the end of the payment period, the school determines the amount of any refund and repayment as discussed in Chapter 3, Section 4.

**Enrollment  
for less than  
an academic  
year**

**FSEOG for  
study abroad**

**Revised cash  
management  
provisions—  
34CFR  
668.164**

## ***FREQUENCY OF DISBURSEMENTS***

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Beginning July 1, 1997, a school that is awarding an FSEOG for a full academic year must advance a portion of the grant during each payment period, **even if it does not use standard academic terms**. Previously, a school was required to advance a portion of an FSEOG during each payment period only if the school used standard academic terms. A school that did not use standard academic terms was required to advance funds at least twice during the academic year—once at the beginning and once at the midpoint. Thus, for the purpose of the frequency of FSEOG disbursements, the standardization of disbursement rules across the SFA programs represents no change for schools using standard academic terms.

In general, to determine the amount of each disbursement, a school will divide the total FSEOG award by the number of payment periods the student will attend. The definition of payment period is in 34 CFR 668.4. For a school that measures progress in credit hours and has academic terms, a payment period is defined as a term (a semester, trimester, quarter, or nonstandard term). The definition of payment period for a school that does not have academic terms or a school that measures progress in clock hours is discussed in detail in Chapter 3, Section 3.

A school may advance funds **within** a payment period in whatever installments it determines will best meet the student's needs. However, if the total amount awarded a student under the FSEOG Program is less than \$501 for an academic year, only one payment is necessary.

## ***UNEVEN COSTS/UNEQUAL DISBURSEMENTS***

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If the student incurs uneven costs or receives uneven resources during the year and needs extra funds in a particular payment period, a school may make unequal FSEOG disbursements. The school may also make unequal disbursements under the Federal Perkins Loan Program. For a discussion of uneven costs and unequal disbursements, see Chapter 6, Section 2.

## ***LATE DISBURSEMENTS***

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***Late payment conditions—  
34CFR  
668.164(g)***

Regulations regarding late disbursements of FSEOGs were removed from 34 CFR 676.16(e), and revised regulations for late disbursements of FSEOGs and Federal Perkins Loans are now in 34CFR 668.164(g). See the Introduction to this chapter for an explanation of the FSEOG late disbursement requirements.

## *FSEOG OVERAWARDS AND OVERPAYMENTS*

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To determine if a student has received an FSEOG overaward or overpayment, a school must follow the procedures in 34 CFR 673.5. (New Part 673 of 34 CFR, published in the **Federal Register** November 27, 1996 and effective July 1, 1997, eliminates duplicate provisions and consolidates common provisions of the campus-based programs.) A list of resources and a discussion of overawards and overpayments are included in Chapter 5, Section 2, "Resources and Overawards."

## *COORDINATION WITH BUREAU OF INDIAN AFFAIRS GRANTS*

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To determine the amount of an FSEOG for a student who is also eligible for an educational grant from the Bureau of Indian Affairs (BIA), a school must coordinate the awards according to the provisions of 34 CFR 673.6, discussed in Chapter 5, Section 2, "Resources and Overawards."



# Section 3

## Program Funds

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.

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 published in the **Federal Register** November 29, 1996 and effective July 1, 1997. The provisions are discussed in Chapter 3, Section 3.

As discussed in the Introduction to Chapter 5, if a school returns more than 10% 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% 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 1995-96 award year will determine the amount of reduction, if any, of the school's allocation for the 1997-98 award year.

### **FEDERAL SHARE AND NONFEDERAL SHARE**

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The federal share of FSEOGs made by a school may not exceed 75% of the total FSEOGs. The school must contribute a nonfederal share (also called "institutional share") of 25%. However, the Department may waive the nonfederal share requirement and may authorize for an award year a federal share of 100% to a school that 1) is designated as an eligible

**Allocation of funds—  
34CFR 673.4**

**Cash Management**

**Allocation reduction for returned funds in previous award year**

**Waiver of 25% requirement**

**Sources of nonfederal share**

institution under the Strengthening Institutions Program or the Strengthening Historically Black Colleges and Universities Program and 2) requests 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**

The Department has determined that all state scholarships and grants, **except** for State Student Incentive Grants (SSIGs), are eligible funds that may be used to meet the nonfederal share requirement of FSEOGs. SSIGs, for this purpose, are defined as the federal SSIG allocation plus the minimum required state matching amount. The remaining state grants are not considered SSIGs.

**Percent of state scholarships that may be used as nonfederal share—  
Dear Colleague letter  
CB-96-16,  
August 1996**

Dear Colleague Letter CB-96-16, issued in August 1996, provided a chart indicating what percentage of each state's scholarships could be used to provide the nonfederal share of FSEOG awards for the 1996-97 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 1996-97 award year, and by using the 1996-97 SSIG allocation data and required matching information. A similar chart for the 1997-98 award year will be issued in a Dear Colleague letter in August 1997. 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.

For example, a student receives a grant of \$600 from a state with a percentage of 92.35. The school multiplies 92.35% by \$600, resulting in \$554, which is the portion of the grant that may be used to meet the nonfederal share requirement for a \$2,300 FSEOG award (\$1,746 is the federal share of the FSEOG award).

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 an SSIG, 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 SSIG monies (federal or state),

100% of the scholarship or grant may be used as the FSEOG nonfederal share.

The 1997-98 nonfederal share requirement of 25% (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<sup>1</sup> 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% nonfederal resources and 75% federal dollars for the 1997-98 award year.
2. Aggregate basis—the school ensures that the sum of all funds awarded to FSEOG recipients in the 1997-98 award year comprises 75% FSEOG federal funds and 25% nonfederal resources. For example, if a school awards a total of \$60,000 to FSEOG recipients in 1997-98, 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% nonfederal share. Awards to FSEOG recipients then are made from the fund.

**Definition of FSEOG recipient**

**Three methods of meeting institutional share**

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<sup>1</sup>For example, state scholarships and foundation or other charitable organization funds.

## **ADMINISTRATIVE COST ALLOWANCE**

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When a school calculates its administrative cost allowance for the 1997-98 award year, the school must include in its calculation the full amount of its FSEOGs—both the 75% federal share and the required 25% nonfederal share. However, a school that chooses to provide more than a 25% institutional share to FSEOG recipients may not include an FSEOG institutional share in excess of 25% 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 Chapter 5, Section 3.

## **TRANSFER OF FUNDS FROM FSEOG PROHIBITED**

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### **Transferring funds to FSEOG**

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 Federal Work-Study (FWS) Program. However, a school may transfer up to 25% of its FWS allocation and 25% 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**

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### **Cash management— 34CFR 668.163**

Requirements for maintaining and accounting for Student Financial Assistance (SFA) program funds are included in 34 CFR 668.163 of the cash management regulations published in the **Federal Register** November 29, 1996, effective July 1, 1997. The cash management requirements that apply in general to SFA programs (those in the General Provisions) are discussed in Chapter 3, Section 3. The cash management requirements specific to the campus-based programs (those in the FWS, FSEOG, and Perkins Loan regulations) are discussed in Chapter 5, Section 3.

### **Recordkeeping requirements— 34CFR 668.24 & 676.19**

New recordkeeping requirements for all SFA programs were published in the **Federal Register** (Part IX) November 27, 1996 and become effective July 1, 1997. Revised was 34 CFR 668.24, and amended was 34 CFR 676.19, which now states that a school must follow the recordkeeping requirements in the General Provisions and those in the FSEOG regulations. The recordkeeping requirements that apply in general to SFA

programs (those in the General Provisions) are discussed in Chapter 3, Section 7. The recordkeeping requirements specific to the campus-based programs (those in the FWS, FSEOG, and Perkins Loan regulations) are discussed in Chapter 5, Section 3. Information on FWS payroll records is provided in Section 3 of this chapter.

In addition to following the fiscal procedures and records requirements mentioned in Chapter 3, Sections 3 and 7, in Chapter 5, Section 3, and in Section 3 of this chapter, 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 Fiscal Operations Report 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—  
34CFR  
676.19***

