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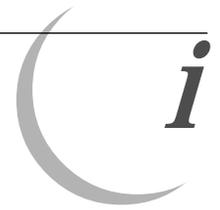
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Introduction



The three programs covered in this Reference are administered at the state level. Students must meet state eligibility criteria to receive assistance or benefits from these programs.

THE STATE GRANT PROGRAMS

The three state grant programs are:

- Leveraging Educational Assistance Partnership (LEAP) Program (formerly known as the State Student Incentive Grant [SSIG] Program)
- Robert C. Byrd Honors Scholarship (Byrd Scholarship) Program
- Paul Douglas Teacher Scholarship (Douglas Scholarship) Program

The Higher Education Amendments of 1998 renamed the SSIG Program the LEAP Program. The LEAP Program, covered in Chapter 1, provides grants to states to help those states provide need based grant and work-study assistance to eligible postsecondary students. When program funding does not exceed \$30 million, which is the case for 1999-2000, states must use their LEAP funds in the same way they used their SSIG funds in previous years.

Under the Byrd Scholarship Program, covered in Chapter 2, the Secretary makes grants to states to enable those states to award scholarships to high school seniors who have demonstrated outstanding academic achievement and who show promise of continued academic achievement. (Scholarship recipients are called Byrd Scholars.)

Chapter 3 covers the Douglas Scholarship Program. Congress has not authorized funding for new scholarships since the beginning of the 1996-97 year. However, each former scholarship recipient must continue to fulfill the scholarship agreement he or she made upon receipt of the scholarship. Chapter 3 contains the details of this agreement.

LEAP Program Cites

*Title IV, Part A, Subpart 4 of the Higher Education Act of 1965, as amended.
Program regulations are found under 34 CFR 692.*

Byrd Program Cites

*Title IV, Part A, Subpart 6 of the Higher Education Act of 1965, as amended.
Program regulations are found under 34 CFR 654.*

Douglas Program Cites

*Title V, Part C, Subpart 1 of the Higher Education Act, as amended.
Program regulations are found under 34 CFR 653 and 682.*

GEAR UP Cite

GEAR UP is authorized under Section 403 of the Higher Education Amendments of 1998 (P.L. 105-244).

SLEAP Cite

SLEAP is authorized under Section 407(c) of the Higher Education Amendments of 1998 (P.L. 105-244)

NEW PROGRAMS

The Higher Education Amendments of 1998 created two programs: Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP) and Special Leveraging Educational Assistance Partnership (SLEAP).

GEAR UP replaces the National Early Intervention Scholarship and Partnership (NEISP) Program. GEAR UP comprises two component programs that provide competitive grants aimed at improving early college preparation for lower-income students. The State grant component provides funding directly to states, and the Partnership grant component provides funding to partnerships of colleges, local schools, and at least two community organizations or entities. Such organizations are businesses, philanthropic organizations, state agencies, or other community based organizations. You can obtain more information on GEAR UP by contacting its web site at

<http://www.ed.gov/gearup>

The SLEAP Program will be run as an additional component to LEAP (described on the previous page) when funding levels for LEAP exceed \$30 million per year. Since LEAP funding for 1999-2000 is below \$30 million, there is not sufficient funding to run the SLEAP component for 1999-2000. More information on SLEAP as it becomes available will be posted on the financial aid professionals web site at

<http://ifap.ed.gov>

Leveraging Educational Assistance Partnership (LEAP) Program

The LEAP Program helps states provide grants to students who demonstrate substantial financial need, enabling those student to attend postsecondary school.

PROVIDING FUNDS TO STATES

Under the LEAP Program, the Secretary of Education (the Secretary) provides states with funds to establish a state grant program assisting students who demonstrate substantial financial need. States must, at a minimum, match LEAP grants dollar for dollar with state funds provided through direct state appropriations. These state programs carry a variety of names that do not necessarily include the name “LEAP” in program titles. The LEAP Program provides funds to the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, American Samoa, Guam, and the Northern Mariana Islands.

School and Student Inquiries

Because state programs vary, student and school inquiries about LEAP and other state grant, scholarship, and work-study assistance should be directed to the state higher education agency that administers the program in their state. You can find this list electronically by going to the following web site:

<http://search.ed.gov>

At that site, key in “state higher education agencies.”

To help financial aid administrators understand the variety of state practices, this section describes some of the conditions and regulations that affect state program operations.

MATCHING REQUIREMENTS

Each eligible participating state receives an annual LEAP allotment (formula grant) from the Department based on the state’s eligible postsecondary education enrollment. The federal allotments must be matched by funds appropriated by the state, and this matching must represent an increase in the state-appropriated grant and work-study expenditure over the amount spent during an established base year (defined as the second year before the state began participating in the

LEAP Program). The state must maintain its matching LEAP Program expenditures at a level not less than the average for the preceding three fiscal years, or at the level of the average per full-time equivalent student for those years. LEAP Program expenditures used in matching the federal allotment must be the net amount of expenditures and should not include any refunded or returned amounts that were not actually expended.

Matching in Auditable Dollar Amounts

Matching must be in auditable dollar amounts. Tuition waivers or remissions may be considered grants only if money actually changes hands from state to school to student, and if this transfer can be documented as a cash transaction in the appropriate records at each level.

COMMUNITY SERVICE-LEARNING JOB PROGRAM

Each award year, a state may use up to 20% of its allotment for a community service-learning job program. The student must receive compensation for work, not a grant. The job program must be administered by postsecondary schools in the state, and each student employed under the program must be employed in work for the public interest. The employer may be a school; a federal, state, or local public agency; or a private nonprofit organization. An arrangement must be established between the school and the agency or organization.

Schools, in consultation with local nonprofit, governmental, and community-based organizations, identify jobs (in direct service, planning, or applied research) that are designed to improve the quality of life for residents (particularly low-income residents) of the community served. Each community service-learning job must

- provide the participating student with a job related to his or her educational or vocational program or goals;
- be governed by conditions of employment that are considered appropriate and reasonable, based on such factors as type of work performed, geographic region, and proficiency of the employee;
- pay at least the current federal minimum wage as mandated by the Fair Labor Standards Act of 1938 (but may not use the subminimum wage);
- not displace employed workers or impair existing contracts for service; and
- not involve the construction, operation, or maintenance of any part of a facility used or to be used for religious worship or sectarian instruction.

Funding Reallocation

Basic LEAP allotments not used by one state are reallocated to other qualified states. Within the constraints of federal appropriations, states are free to schedule their own funding cycles for students, but funds may not be carried over from one fiscal year to the next. However, the funds may be used for the summer term if the term falls within the program year (July 1 through June 30) for which the funds were appropriated.

ADMINISTRATIVE PATTERNS

A state may choose different ways to administer its program. The state may choose to use centralized administration, decentralized administration, or a combination of both. Whichever method is used, a state must use all federal funds and state matching funds for student awards. (A state is not permitted to use either federal funds or state matching funds to help defray administrative costs.)

Centralized Administration

Most states, particularly those with well-established state student assistance programs, use centralized administration. In centralized administration, a single state agency receives and processes student applications, notifies students of awards, verifies attendance, makes disbursements, and keeps complete records on all student awards.

Decentralized Administration

In other states, particularly those with relatively new state programs, the designated state agency delegates certain functions to participating schools. This is called decentralized administration. In these cases, funds available through the state agency are generally suballocated to eligible schools on the basis of enrollment or need formulas. The schools recommend potential LEAP recipients to the state agency, which approves individual awards from these fund allotments. In states that use decentralized administration, funds awarded under these programs are still considered to be state aid and not institutional aid.

Location of Student Files

In the centrally administered state programs, actual student files are located in the state agency. In decentralized state administration, which requires schools to process much of the student information, the financial aid administrator gives the state agency the information needed for formal approval of individual student awards. In either case, to monitor the use of LEAP funds, schools examine student files to verify that recipients met all eligibility criteria and received the correct award amount.

SCHOOL PARTICIPATION

Within the limits of federal statutes and regulations, states determine eligibility standards in terms of their own fiscal, constitutional, and statutory restraints. See *SFA Handbook: Institutional Eligibility and Participation* for details about federal limits on school participation.

**Relevant Eligibility Requirements
Cite**

*Subpart C of the General Provisions
regulations (34 CFR 668.31-39)*

Schools that are licensed by their state agency as clock-hour institutions must use clock hours to determine a student's eligibility for SFA funds. (See *SFA Handbook: Institutional Eligibility and Participation*.)

All nonprofit institutions of higher education in a state are eligible to participate, except when participation violates the state's constitution or a state law enacted before October 1, 1978. While states are not required to include proprietary (for-profit) schools in their state programs, most recent LEAP (formerly SSIG) participation figures show that 26 states made LEAP awards available to students attending such schools.

Other Factors Affecting Participation

School participation may also be affected when some states suballocate available LEAP funds to the various types of schools on the basis of enrollment, need, the availability of other non-LEAP aid, and other relevant criteria. In such instances, money not claimed for student awards at one school may be reclaimed by the state and reassigned to other schools.

STUDENT ELIGIBILITY

Student eligibility criteria for receiving aid from the LEAP Program differ among states depending on constitutional, statutory, or policy restrictions. (Some states have legislated formulas for determining student eligibility and the amount of assistance given to individual students.) However, to be eligible for assistance under the LEAP Program, all students must meet the relevant eligibility requirements and must demonstrate substantial financial need as determined in accordance with the states' criteria as approved by the Secretary. The standards that states may use to determine need are discussed in more detail in the subsection on Student Application Procedures and Awards beginning on page 8 of this chapter.

General Eligibility Requirements

The relevant eligibility requirements of Subpart C are summarized briefly below. These requirements are covered in greater detail in *SFA Handbook: Student Eligibility*. In general, the student must

- be either a U.S. citizen or an eligible noncitizen,
- be enrolled as a regular student in an eligible program at an eligible school,
- have a high school diploma or its recognized equivalent (or be beyond the age of compulsory school attendance in the state where the school is located and have passed an independently administered test approved by the Department),
- be maintaining the satisfactory academic progress standards in his or her course of study,

- sign a Statement of Educational Purpose and a Certification Statement on Overpayments and Default, and
- register with the Selective Service, if required.

A student is not eligible for SFA funds if he or she

- is enrolled in an elementary or secondary school;
- has borrowed in excess of the annual or aggregate limits for the SFA loan programs; or
- is in default on a student loan or owes an overpayment on a student grant from the SFA Programs.

If, however, a student owes a refund on a LEAP overpayment, that student would still be eligible to receive additional SFA funds as long as he or she meets all other eligibility requirements and as long as the school can eliminate the overpayment by adjusting financial aid payments (other than Federal Pell Grants) in the same award period in which the overpayment occurred.

Other Factors Determining a Student's Eligibility

Other factors that determine whether a student is eligible for a LEAP award include the state's definition of substantial financial need, the method of determining maximum awards, and the costs that can be covered. Some states limit awards to cover only the cost for tuition and fees; some states include allowances for room, board, and other costs. Some have allowances for commuters. Many state grant programs exclude part-time students and those who attend schools outside the state. Some states have reciprocal arrangements with neighboring states, so that students may receive LEAP funds from their home states even though the students are enrolled in schools in other states. LEAP funds may be awarded to students participating in programs of study abroad that are approved for credit by the home school.

Independent or Less-Than-Full-Time Students

A state's LEAP independent student program funding should be comparable to the overall state program if the entire state program is not contained in the state's LEAP Program. To the extent practicable, the proportion of LEAP funds awarded to independent students in the LEAP Program must be the same proportion of funds awarded to independent students in the state program (or programs) of which the state's LEAP Program is a part.

If a state awards grants to independent or less-than-full-time students, it must allocate a reasonable portion of funds for these awards. The Secretary will determine if the allocation is reasonable on a case-by-case basis, if necessary.

If the state's allocation is based on a formula that includes the financial need of independent or less-than-full-time students, the state must ensure that those students receive a reasonable proportion of LEAP funds.

STUDENT APPLICATION PROCEDURES AND AWARDS

The student must apply to his or her state agency either directly or indirectly through the school. Every award requires the official state agency's formal approval, based on a determination of need. You can find a list of these agencies at the web site listed on page 3 of this chapter.

Maximum Award

The maximum award that a student may receive is \$5,000 per academic year. The maximum award is reduced proportionately for students who attend part time. Many states set maximum awards under \$5,000.

Most states limit LEAP awards to undergraduates attending at least halftime. However, at each state's option, graduate, less-than-half-time, and other nontraditional students may also be eligible to receive LEAP awards. States may decide whether to make individual LEAP awards that vary according to student need or to give a set amount to all students who meet the established need criteria.

Determining Substantial Need

Student recipients are selected annually on the basis of substantial need, according to criteria established by the state and approved by the Department. A state may define need in terms of income, Expected Family Contribution (EFC), or relative need, as measured by cost of attendance minus available resources. Regardless of which need analysis system the state selects, the designated state agency is responsible for final approval of individual student recipients, thus allowing each state to develop consistent methods in awarding aid to candidates statewide.

Need Analysis Systems

Most states measure need by using a single need analysis system for all applicants (the Federal Needs Analysis Methodology). However, in decentralized programs—where schools recommend student candidates for awards subject to the designated state agency's approval—student applications may be processed according to the need analysis systems used by the various schools. In any event, the designated state agency has final authority for selecting recipients who meet the need criteria under standards established for the statewide program.

Dependency Criteria

As discussed in *SFA Handbook: Student Eligibility*, a dependent student who applies for aid from any of the SFA Programs must include parental information on the application. An independent

student need only include his or her financial information (and, if married, that of a spouse). The criteria a student must meet to apply as an independent student appear in *SFA Handbook: Student Eligibility*.

The Department may approve, on a case-by-case basis, a state's criteria if they vary from those listed in *FSFA Handbook: Student Eligibility*. The state must show that it had good reason to use different criteria. This option to approve different criteria began in the 1995-96 award year.

Alternative Criteria for Determining Dependency Status

States that wish to use variant definitions for "independent student" must provide information concerning their definition when applying for program funds. The information should include a justification, with accompanying supporting documentation, showing why a variant definition should be approved. For example, a state may want to use its own definition because the state may incur excessive costs if required to use the federal definition.

In approving a state's "independent student" definition, the Department might also consider the extent to which the new definition imposes additional data requirements beyond those provided for by the federal definition and the Federal Needs Analysis Methodology.

A state's definition might not totally differ from the federal definition. For example, a state might use the federal definition but might delete the professional judgment provision.

Cost of Applying

To award a student state aid, a state may require that student to provide applicant information on the Free Application for Federal Student Aid (FAFSA) or on another free form. In addition, the state may require a student to provide supplemental information on a fee-based supplemental form. If there is a fee for submitting and processing the state information on the supplemental form, the fee must be payable to the state, regardless of whether the information may also be used for institutional aid. Decentralized state grant programs (under which schools participating in the state LEAP programs award state grant funds) must consider state grant funds as state aid and not institutional aid.

FISCAL AND REPORTING RELATIONSHIPS BETWEEN SCHOOLS AND THE STATE AGENCY

State agencies responsible for administering LEAP funds must document their decisions and disbursements in their own central records, in school records, or in both. Variations of student/school rosters are often sent back and forth between the state agency and the schools to verify attendance, provide information related to student need, document disbursement of funds to students or to student accounts, guard against overawards, and help provide required records and reports.

In general, fiscal and reporting relationships between participating schools and the state agencies vary according to whether the states' programs are administered in a centralized or decentralized manner, or in a combined manner. In any case, the state agency must be held accountable for the disbursement of federal funds and for making the required reports to the Department. States are given considerable leeway in demonstrating fiscal responsibility related to administration of the LEAP Program. However, participating schools must meet the federal standards of fiscal responsibility described in *SFA Handbook: Institutional Eligibility and Participation*.

At a minimum, even schools using the most centralized administrations must

- assure that students will meet satisfactory academic standards,
- document the status of grant refunds, and
- document the status of loan defaults.

A school must also document student acknowledgment of awards if funds are paid to the school on behalf of the recipient; furthermore, the school must cooperate in packaging aid to avoid overawards.

In decentralized systems (in which the state agency depends on the school to help screen applicants) school records must also include need analysis documentation to justify formal approval of individual awards by the official state agency.

Individual student awards are subject to approval by the designated state agency. Schools may not transfer awards from one student to another without that agency's approval. Schools and state agencies should maintain regular communication so that any funds that become available later in the year will be used for qualified students.

The state agency requires certain school reports to document the disbursement of federal funds to student recipients. The school reports also provide information needed to improve efficiency in the operation of state programs and to provide data for state budgets and for annual reports to the Department.

Recovered Funds Must be Redistributed

All funds (federal plus state) recovered from overawards should be redistributed to other qualified students during the applicable award period unless records for the period have been closed. If these funds are not reissued to qualified students, the state must return the recovered federal portion to the Department.

School Reports Must Document Fund Disbursement

The actual form and content of school reports vary from state to state, depending upon the size and maturity of the state programs, among other factors. There are no standard formats or channels for these school reports. For example, information about recipients by income level may come either from the central office records or from the schools. Communication may follow established procedures or may be developed through cooperative efforts of state and school representatives.

Robert C. Byrd Honors Scholarship Program

Under this program, the Secretary of Education (the Secretary) makes available, through grants to the states, scholarships to exceptionally able students for study at postsecondary schools in order to recognize and promote student excellence and achievement.

APPLYING FOR A SCHOLARSHIP

To apply for a scholarship, a student follows the application procedures established by the State Educational Agency (SEA) in the state in which he or she is a legal resident. A “state” is any of the 50 states, the District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, Virgin Islands, Northern Mariana Islands, and the Freely Associated States (Federated States of Micronesia, Republic of the Marshall Islands, and the Republic of Palau). The SEA is the state board of education (or other agency in the state) that is primarily responsible for the supervision of public elementary and secondary schools. You can find a list of contacts for these agencies (in PDF format) at the following web site:

<http://www.ed.gov/offices/OPE/OHEP/idues/byrd.html>

A scholar may attend any public or private nonprofit institution of higher education, proprietary institution of higher education, or postsecondary vocational institution as defined in *FSFA Handbook: Institutional Eligibility and Participation*. A student who is attending a secondary school outside of his or her state of residency must apply for a Byrd Scholarship through the SEA of his or her state of residency. This would include a student who was attending a U.S. Department of Defense overseas school or an out-of-state boarding school.

STATE ESTABLISHES SCHOLARSHIP SELECTION CRITERIA

The SEA establishes procedures for selecting the scholars after consulting with school administrators, school boards, teachers, counselors, and parents. Before each state’s selection criteria and application procedures are implemented, they are reviewed and approved by the Department.

Selection Criteria Designed to Meet State Funding Allotments

Each SEA designs its own selection criteria and procedures to ensure that it selects scholars for each award period for which funds are received according to the following allotments:

- Each state selects no fewer than the number of scholars allotted to that state by the Secretary under the statutory formula.
- The District of Columbia, the Commonwealth of Puerto Rico, Guam, American Samoa, Virgin Islands, the Northern Mariana Islands, and the Freely Associated States (the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau) select no fewer than 10 scholarships from each of these jurisdiction's residents.
- All participating states select enough scholars to award all funds allotted for scholarships for each award period.

In addition, the SEA selects scholars

- solely on the basis of demonstrated outstanding academic achievement and promise of continued achievement;
- in such a way that each part of the state, the District of Columbia, and Puerto Rico is represented fairly; and
- regardless of
 - △ whether the secondary schools they attend are within or outside the scholars' states of legal residence;
 - △ whether the postsecondary schools they plan to attend are public or private or are within or outside their states of legal residence;
 - △ the scholars' sex, race, color, national origin, religion, disability, or economic background; and
 - △ the scholars' education expenses or financial need, except that the total amount of financial aid awarded to a scholar for a year of study may not exceed the scholar's total cost of attendance.

ELIGIBILITY TO RECEIVE SCHOLARSHIP

To receive a Byrd Scholarship, each student must meet the criteria listed below during the same secondary academic year in which the student submits the scholarship application. The student must

- graduate from a public or private secondary school or receive the recognized equivalent of a high school diploma as recognized by the state in which the student resides, and

- have applied or been accepted for enrollment at an institution of higher education as a full-time student.

Note that the “recognized equivalent of a high school diploma” means

- a General Education Development (GED) Certificate, or
- a state certificate received by a student after the student has passed a state-authorized examination that the state recognizes as the equivalent of a high school diploma.

A full-time student is one who is enrolled at an institution of higher education and who is carrying a full-time academic workload as determined by the school under standards applicable to all students enrolled in the same program.

In addition to the two eligibility requirements listed above, a student is eligible to be selected as a scholar if he or she

- is a legal resident of the state to which he or she is applying for a scholarship;
- is a U.S. citizen or national, or provides evidence from the U.S. Immigration and Naturalization Service (INS) that he or she is

Δ a permanent resident of the United States; or

Δ in the United States for other than a temporary purpose and has the intention of becoming a citizen or permanent resident;

- is a citizen of the Freely Associated States (Federated States of Micronesia, the Republic of the Marshall Islands, or the Republic of Palau);
- is not ineligible to receive assistance as a result of default on a federal student loan or other obligation, in accordance with the Education Department General Administrative Regulations (34 CFR 75.60);
- is registered with the Selective Service if required in accordance with the Student Assistance General Provisions regulations (34 CFR 668); and
- is planning to pursue a course of study at an institution of higher education.

A scholar is deemed to be “pursuing a course of study” if he or she is enrolled as a full-time student, as determined by the school he or she is attending under standards applicable to all students enrolled in the same course of study.

Initial Scholarship Awards

Students can receive up to \$1,500 for one year of study. A year of study under current Byrd regulations means the period of time during which a full-time student at an institution of higher education is expected to complete the equivalent of one year of coursework (as defined by the school).

CONTINUING ELIGIBILITY CRITERIA

Awards can be renewed for up to three additional years, provided that funds are appropriated and students remain eligible. A scholar continues to be eligible for scholarship funds as long as he or she continues to

- meet the citizenship/permanent resident requirements listed on the previous page,
- be enrolled as a full-time student at an institution of higher education, and
- maintain the satisfactory academic progress standards of the school in accordance with the Student Assistance General Provisions (34 CFR 668).

Byrd Scholarships are awarded for a period of not more than four years for the first four years of study. If the Byrd Scholar completes his or her undergraduate course of study in three years, that scholar is eligible to receive scholarship funds for only those three years of undergraduate study.

Full-time Attendance Waiver Example

Wendy F. enrolls full time for the fall semester and enrolls half time for the spring semester. During the spring semester, Wendy's full-time enrollment requirement has been waived. Wendy would then be eligible for half of her full scholarship for the fall ($\$1,500 \times 1/2 = \750). Because Wendy will be attending half time in the spring and her full-time attendance requirement has been waived, she will be eligible to receive half of the remaining \$750 ($\$750 \times 1/2 = \375).

Part-Time Enrollment Allowed After First Year

Byrd Scholars must be enrolled full time for the first year of study. If, after the first year of study, the SEA determines that unusual circumstances justify waiving the full-time attendance requirement, the scholar may enroll part time and continue to receive a scholarship payment.

The SEA must prorate any payment for a scholar enrolled part time according to the scholar's enrollment status for the academic period during which he or she

- continues to be enrolled part time, and
- remains otherwise eligible for the award.

Scholarship Suspension

A scholar who fails to meet any of the eligibility requirements within an award year will have his or her scholarship suspended by the SEA. The scholar's eligibility remains suspended until the scholar is able to demonstrate to the satisfaction of the SEA that he or she meets these requirements. Once the suspension period reaches 12 months, the scholar's eligibility for that scholarship is terminated.

In exceptional circumstances (defined by the SEA) the scholar's 12-month suspension period may be extended without terminating the scholar's eligibility.

Scholars May Postpone Or Interrupt Enrollment

A state agency may permit a scholar to postpone or interrupt his or her enrollment at a postsecondary school for up to 12 months, beginning on

- the date the scholar otherwise would have enrolled in the school after the state agency awarded him or her the scholarship or
- the date the scholar interrupts enrollment.

Each state agency establishes standards to determine when it will approve a period of postponement or interruption for a scholar. If the state does approve the postponement or interruption, it must document the scholar's subsequent enrollment.

A scholar who postpones or interrupts his or her enrollment is not eligible to receive scholarship funds during the period of postponement or interruption. Upon enrollment or re-enrollment at an institution of higher education, the scholar resumes eligibility to receive scholarship payments. Note that these periods of postponement or interruption are not considered in calculating the scholar's period of suspension. Thus, any period of postponement or interruption will not be counted against the scholar in calculating the 12 months of suspension.

Scholar May Not Use Funds to Attend a Foreign School

Note that a Byrd Scholar may not use his or her scholarship to attend a foreign school. The scholar must attend an eligible postsecondary education institution that is located in one of the 50 states, the District of Columbia, Puerto Rico, the Virgin Islands, Guam, the Northern Mariana Islands, American Samoa, and the Freely Associated States (the Federated States of Micronesia, the Republic of the Marshall Islands, and the Republic of Palau).

However, a scholar who is studying abroad through an institution (home school) that meets the definition of higher education and is located in a state (as described in the previous paragraph) is considered to be eligible to receive funds as long as he or she is

- enrolled at the home school; and
- receives credit from the home school.

ALLOCATION FORMULA

The Secretary uses the formula illustrated below to assign Byrd Scholarships to each participating state:

FORMULA

Number of scholarships made to the individual state	=	That individual state's ages 5-17 population
Number of scholarships made to all states	=	All states' ages 5-17 population

The population figures used in this formula are determined from the most recently available data from the Bureau of the Census.

PACKAGING OF BYRD SCHOLARSHIP WITH OTHER SFA FUNDS

Under Byrd regulations that took effect in September 1993, the SEA must ensure that the total amount of federal financial aid awarded to the Byrd Scholar does not exceed the scholar's total cost of attendance. If any federal loans are part of the scholar's financial aid package, they must be reduced prior to reducing the Byrd Scholarship. If the scholar is receiving a Pell Grant, though, the Byrd Scholarship must be reduced prior to reducing the Pell Grant. Section 419 J of the Higher Education Act, as amended, states that a Federal Pell Grant must not be reduced on the basis of the receipt of a Byrd Scholarship.

Paul Douglas Teacher Scholarship Program

Students who have received scholarships under this program enter into a teaching agreement with their state agency. If that agreement is not fulfilled, the student must repay the scholarship.

PROGRAM NO LONGER AWARDS NEW SCHOLARSHIPS

As stated in the introduction of this reference, funding for new scholarships under the Paul Douglas Teacher Scholarship Program has not been authorized since the beginning of the 1996-97 award year. However, students who received scholarships through the 1995-96 award year must continue to fulfill the scholarship agreement they entered into with their state agencies (to teach upon completion of their degree program).

SCHOLARSHIP TEACHING AGREEMENT

This chapter covers the scholarship teaching agreement in detail (for example, how many years the scholarship recipient must teach depending on the number of scholarships received) and explains the repayment procedures that apply if the agreement is not fulfilled. Any individual who received a scholarship entered into an agreement with his or her state agency stating that upon completing his or her degree program, he or she will teach

- full time in any state at the public or private nonprofit preschool, elementary, or secondary level in a school; or
- full time in a private nonprofit institution, children with disabilities or with limited English proficiency.

Determining Full-Time Teaching Status

In determining that a scholar has taught full time, the chief state school officer (CSSO),¹ school principal, or a designee of these officials should consider the following:

- Any activities required to support classroom teaching, such as testing and evaluation of students, a reasonable allowance for “prep time,” or other required activities may be considered in addition to classroom hours.

1. The CSSO is the highest ranking educational official for elementary and secondary education in the state.

- Full-time substitute teaching may be credited toward the teaching obligation, provided that the scholar teaches a minimum of one term each school year. Credit for one term or more of teaching will be prorated if it is less than a full school year.
- Scholars who are technically classified as part time but whose teaching schedule is the equivalent to the typical full-time teacher may receive credit as having taught full time.
- If a scholar teaches less than a full school year, then teaching during summer school may be credited toward the teaching obligation. Other conditions contained in this section apply to teaching summer school.
- A teaching contract is not required in the employment situations listed previously in order to receive credit toward the teaching obligation.
- Scholars who are still teaching may receive credit previously denied for prior years under the liberalized conditions of this section. The state is encouraged to advise scholars of these changes so that the scholar may request review of teaching credit by the state or request a revised teaching certification form (or forms) for reevaluation by the school principal or CSSO's office.

Activities not acceptable as credit toward the teaching obligation include

- serving as a teacher's assistant or teacher's aide,
- serving a teaching internship (student teaching), and
- teaching overseas (including in U.S. Department of Defense Dependent schools).

Furthermore, volunteer activities may not be credited in classifying the scholar as teaching full time.

REDUCED TEACHING REQUIREMENT

The requirement to teach two years for each year of scholarship assistance is reduced by half if the scholar teaches on a full-time basis in a teacher shortage area that is designated as such by the Secretary of Education (the Secretary). States may propose for the Secretary's consideration teacher shortage areas at the preschool, elementary, and secondary school levels.

Also, if a scholar teaches full time and also teaches at least one class per day in a teacher shortage area, the scholar may receive the reduction of teaching obligation allowed for teaching in a shortage area. (This liberalization does not apply to Stafford or SLS loan deferments.)

ESTABLISHING A TEACHER SHORTAGE AREA

Both the Douglas Program regulations and the FFEL Program regulations cover what a teacher shortage area is. Douglas Scholars teaching in a shortage area may obtain certification in one of two ways:

- If the CSSO in the state where the scholar is teaching has previously notified the Secretary that a listing of teacher shortage areas will be provided to the school principal, then the school principal can certify that the scholar is

△ teaching full time and

△ teaching in a federally approved teacher shortage area.

- If the CSSO in the state where the scholar is teaching did not delegate certification authority to the school principals, then the CSSO's office will provide the certification.

The FFEL regulations also describe other procedures necessary to establish teacher shortage areas. The teacher shortage areas are designated on an annual basis. However, a scholar who teaches in an area designated as a teacher shortage area in one year will continue to qualify for the teaching reduction even if that area is not designated as a teacher shortage area in subsequent years. In this case, the scholar must provide the state agency with a statement from the principal of the school in which he or she is teaching. This statement must certify that he or she continues to be employed as a full-time teacher in the same area in which he or she was teaching when the teaching obligation was originally reduced.

When establishing a teacher shortage area, the Secretary must give special consideration to

- areas in which emergency teacher certifications are being used to correct teacher shortages, and
- states that have retirement laws permitting early retirement.

REPAYMENT OF SCHOLARSHIP IF STATE AGENCY/ SCHOLAR AGREEMENT IS NOT FULFILLED

If the state finds that a Douglas Scholar has not complied with the scholarship agreement or is no longer pursuing a course of study leading to certification as a teacher at the public or private nonprofit preschool, elementary, or secondary level, the scholar must repay the amount of the scholarship received. The repayment is prorated according to the fraction of the teaching obligation not completed (as determined by the state agency).

Repayment Includes Interest

A Scholar who goes into repayment is responsible for paying a simple, annual interest charge on the outstanding principal, and all reasonable collection costs as determined by the state agency. The state

Teacher Shortage Area Cites

A teacher shortage area is described in 34 CFR 653.51 of the Douglas Program regulations. The term "teacher shortage area" is defined in 34 CFR 682.210(q)(5) through (7) of the Federal Family Education Loan Program (FFELP) regulations.

agency capitalizes (adds to the principal balance) any accrued interest at the time it establishes the scholar's repayment schedule. By statute, the interest rate charged must be the greater of the rate charged to new borrowers under the Stafford Loan Program or the rate charged to new borrowers under the PLUS Program. At the time this handbook went to print the rate was 8.26 percent. Rates are adjusted annually on July 1. For 1999-2000, the rate will be adjusted on July 1, 1999.

Simple interest accrues from the date of the initial scholarship payment if the state agency has determined that the scholar

- is no longer pursuing a course of study leading to certification as a teacher at the preschool, elementary, or secondary level; or
- has completed a course of study leading to certification as a teacher at the preschool, elementary, or secondary level, but never taught.

If the scholar only fulfilled part of the teaching obligation for a scholarship period,² interest will accrue from the day *after* the last day of that period for which the teaching obligation was fulfilled.

Repayment Procedures and Repayment Exceptions

The scholarship must be repaid in monthly or quarterly payments that cover principal, interest, and collection costs, according to a schedule established by the state. The minimum yearly repayment is \$1,200 or the unpaid balance (whichever is less). The scholarship must be completely repaid within 10 years after the scholar enters repayment status, and the state may require the scholar to repay more than the minimum yearly repayment if needed to complete the entire repayment within the 10 year period.

The state agency does not consider the scholar to be in violation of the repayment schedule if he or she meets one of the exceptions to repayment listed beginning at the bottom of this page. To qualify for an exception, the scholar must notify the state agency of his or her claim and provide supporting documentation as required by the state agency. If the scholar qualifies under any of the exceptions, he or she will not be required to make any payments--*nor will interest accrue*--on the outstanding balance. The state agency will notify the scholar about its decision.

To qualify for an exception the scholar must be

- engaged in a full-time course of study at a postsecondary institution;
- serving up to a maximum of three years as an active duty member of the armed forces of the United States;

2. The scholarship period is the original postsecondary academic year for which the scholarship was awarded.

- serving as a member of the Peace Corps or VISTA for a period of not more than three years;
- temporarily totally disabled for a period not to exceed three years (as established by sworn affidavit of a qualified physician);
- seeking but unable to find full-time employment for a single period not to exceed 12 months;
- unable to secure employment for a period not to exceed 12 months while caring for a disabled child, spouse, or parent; or
- unable to satisfy the terms of the repayment schedule while seeking but unable to find full-time employment as a teacher in a public or private nonprofit preschool, elementary, or secondary school for a single period not to exceed 27 months.

The state agency shall extend the 10-year scholarship repayment period by a period equal to the length of time a scholar

- meets any of the “exceptions to repayment” conditions previously listed, or
- is unable to complete the scholarship repayments within this ten year period because of his or her financial condition (as established to the state’s satisfaction).

A scholar may potentially qualify for more than one of the above repayment exceptions, provided that the exception is adequately documented as determined by the state agency. Scholars residing overseas may apply for any of the exceptions listed, but the scholar must provide documentation deemed acceptable by the state.

Canceling the Borrower’s Repayment Obligation

The state agency shall cancel a scholar’s repayment obligation if the state determines

- on the basis of a sworn affidavit by a qualified physician, that the scholar is unable to teach on a full-time basis because he or she is totally and permanently disabled; or
- on the basis of a death certificate or other evidence, conclusive under state law, that the scholar has died.