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CHIEF OPERATING OFFICER

January 2006

P-06-01

Subject: 2006-2007 Federal Pell Grant Payment and Disbursement Schedules

Summary: The attachments to this letter contain the 2006-2007 Award Year Federal Pell Grant Program Payment and Disbursement Schedules – Regular and Alternate. The letter describes when an institution must determine a student's Pell Grant award using the Alternate Schedules and when it can use the Regular Schedules.

Dear Colleague:

Enclosed are the Regular and Alternate Payment and Disbursement schedules for determining Federal Pell Grant awards for the 2006-2007 award year—July 1, 2006, to June 30, 2007. Each schedule consists of four separate tables: full-time, three-quarter-time, half-time, and less-than-half-time. We indicate below when you must use the Alternate schedules. As you can see, the maximum Federal Pell Grant award for the 2006-2007 award year remains at \$4,050.

On December 30, 2005, the President signed the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149) that establishes the maximum Federal Pell Grant award for the 2006-2007 award year at \$4,050 and, with the minimum award continuing to be \$400, sets the maximum Expected Family Contribution (EFC) that a student may have to be eligible to receive a Federal Pell Grant at 3850. We used these amounts (and related statutory provisions) to develop the attached payment and disbursement schedules.

Institutions must use the Alternate Schedules, which were developed to comply with the "tuition sensitivity" provision of section 401(b)(3) of the Higher Education Act of 1965, as amended (HEA), as discussed below, to determine the 2006-2007 Federal Pell Grant award for a student only if all of the following are true:

- The total of the student's tuition and any dependent care or disability related expenses included in his or her Cost of Attendance (COA) is less than \$675;
- The student's EFC is 700 or less; and
- The student's total COA is \$3,400 or higher.

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For these purposes, COA components are the costs for a full-time student for a full academic year. In addition, an institution that charged only fees in lieu of tuition as of October 1, 1998, may include in its determination of tuition those fees that would normally constitute tuition even if those charges are not specifically labeled tuition.

Institutions must use the Regular Schedules to determine the 2006-2007 Federal Pell Grant award for all other students.

Regarding the "tuition sensitivity" provision of the HEA, section 401(b)(3) modifies the rules for determining a student's Federal Pell Grant award when the Federal Pell Grant maximum award exceeds \$2,700. This provision provides that the maximum scheduled Federal Pell Grant for a student is the sum of:

- \$2,700; plus
- One-half of the difference between \$2,700 and the maximum award; plus
- The lesser of:
 - The remaining one-half of the difference; or
 - The amount of the student's tuition plus an allowance determined by the institution as described in sections 472(8) and 472(9) of the HEA if the student has dependent care or disability related expenses.

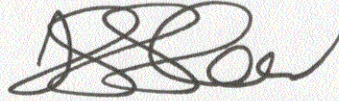
Accordingly, any student whose 2006-2007 tuition plus any allowance included in the COA for dependent care or disability related expenses equals or exceeds \$675 (one-half of the difference between the 2006-2007 maximum award of \$4,050 and \$2,700) must have his or her Federal Pell Grant award determined using the Regular Payment and Disbursement Schedules. The components used in the Federal Pell Grant COA must always be costs for a full-time student for a full academic year. An institution that charged only fees in lieu of tuition as of October 1, 1998, may include in its determination of tuition, fees that would normally constitute tuition even if those charges are not specifically labeled tuition.

Students whose COA tuition component plus any dependent care or disability related expenses (as discussed above) is less than \$675 are eligible for an award that is generally reduced by the difference between \$675 and the amount of those charges. Because of the details of the award formula, the "tuition sensitivity" provision does not affect any student whose 2006-2007 EFC is 701 or higher or whose full-time, full-year COA is less than \$3,400. A complete, separate set of Alternate Schedules is provided because the distribution of the tuition sensitivity reduction is not consistent across the tables.

We appreciate your continued support in making Federal Pell Grant assistance available to students. If you have any questions regarding the enclosed payment and disbursement schedules, please contact our Research and Customer Care Center staff. Staff is available Monday through

Friday between the hours of 9:00 AM and 5:00 PM (Eastern Time) at 1-800-433-7327. After hours calls will be accepted by an automated voice response system. Callers leaving their names and phone numbers will receive a return call the next business day. Alternatively, you may fax an inquiry to the Research and Customer Care Center at (202) 275-5532, or e-mail the Care Center at fsa.customer.support@ed.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'T. Shaw', with a stylized flourish at the end.

Theresa S. Shaw
Chief Operating Officer

Enclosures