



College Student Aid Commission – Administrative Costs of State-Funded Programs

The Iowa College Student Aid Commission (ICSAC) is responsible for overseeing State programs that provide scholarships and grants to students pursuing higher education, helping high school students prepare for higher education, and ensuring that postsecondary institutions in the State that have students qualifying for State financial aid meet established standards.

The Commission provides information for students, parents, financial lending institutions, schools, teachers, and borrowers. Information is provided for academic preparation, planning for and choosing a college, financing for college, tax incentives, assistance with forms and applications, and lender services. The Commission administers the federal Gear Up Program to prepare low-income and minority children to enter and succeed in postsecondary education. The Commission also works in cooperation with the Department of Education and local school districts to provide programs that assist middle and high school students in educational choices and career selection.

The Commission oversees 15 State-funded scholarship, grant, and loan forgiveness programs, receiving General Fund appropriations totaling \$64.5 million in FY 2013. None of the appropriations include an allowance for the costs of administering the programs; the entire appropriation is expended as student aid. Administration includes developing administrative rules for the programs, establishing and communicating policies to stakeholders, establishing parameters for and evaluating student eligibility, maintaining records and data systems, collecting forgivable loans made to students that do not fulfill service requirements, grant writing, and report filing.

Federal Student Loan Guaranty Agency

Until October 2012, the ICSAC served as the State's guaranty agency for the Federal Family Education Loan Program (FFELP). The FFELP was a public-private partnership that encouraged banks and other private lenders to provide student loans, while the federal government, through ICSAC, guaranteed each loan. Students now borrow directly from the U.S. Department of Education through the Direct Loan Program.

The FFELP was discontinued effective July 1, 2010, when origination of new loans ceased, but the Commission continued in the role of guaranty agency for previously issued loans that remain outstanding.

As the guaranty agency, the ICSAC used federal dollars to offer default aversion and loan rehabilitation services. When a borrower defaults or a FFELP loan becomes dischargeable for other reasons, such as the death or permanent disability of the borrower, the guaranty agency uses federal dollars to reimburse the lender and then attempts to collect on the defaulted loan. The agency is paid fees from the federal government for these activities. In addition to using those fees for administration of the FFELP, the Commission used the funds to subsidize the administration of State-funded student financial aid programs.

Effective October 1, 2012, the Commission transferred the FFELP loan portfolio, estimated at \$2.4 billion, to Great Lakes Higher Education Guaranty Corporation. Under the 10-year agreement with Great Lakes, the Commission will receive a portion of annual net collection revenues from the portfolio — an average of 84.0% annually. However, the total amount of collection revenue will decline each year as loans are discharged and the portfolio balance declines.

More Information

College Student Aid Commission: <http://www.iowacollegeaid.gov/index.html>

Iowa General Assembly: <http://www.legis.iowa.gov/index.aspx>

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Administrative Costs and Funding

As a result of the FFELP portfolio transfer, the Commission eliminated 10.0 FTE positions that had been working directly with the portfolio, leaving the Commission with 37.0 FTE positions. The positions did not work with State-funded student financial aid programs, and the reduction in staff did not reduce administrative costs associated with State-funded programs.

Prior to the transfer, the Commission had been using the FFELP revenues for the majority of its administrative funding, supplementing an annual General Fund appropriation for administration of State-funded programs. For FY 2012 and FY 2013, the General Fund appropriation was \$233,000, while the Commission estimated actual administration costs for State-funded programs at \$844,000, a difference of \$611,000; i.e., State funds are covering less than one-third of the cost of administering State student aid programs. **Table 1** shows the administrative costs and FTE positions required for each of the State-funded programs.

While the Commission will continue to receive revenue from the FFELP portfolio through FY 2022 under the agreement with Great Lakes, the amount of annual revenue will continue to decline. If no action is taken to reduce administrative costs for State-funded programs or increase the State appropriation, the Commission will eventually face a funding shortfall.

**Table 1
Administration of State-Funded Student Aid Programs
FY 2012**

<u>Program</u>	<u>Cost to Administer</u>
All Iowa Opportunity Foster Care Grant	\$ 80,777
All Iowa Opportunity Scholarship	121,045
Barber & Cosmetology Arts & Sciences Tuition Grant	23,988
Iowa Grant	31,676
National Guard Educational Assistance	80,777
Teacher Shortage Loan Forgiveness	60,643
Tuition Grant - For Profit	12,140
Tuition Grant - Nonprofit	131,235
Vocational-Technical Tuition Grant	6,882
Health Care Professional Recruitment	31,105
Registered Nurse and Nurse Educator Loan Forgiveness	20,376
Discontinued Forgivable Loan Programs	83,542
Postsecondary Registration*	159,729
	<u>\$ 843,915</u>
<p>Cost to administer includes salaries, as well as rent, utilities, server costs, programming, and other overhead expenses.</p> <p>* Postsecondary Registration (or consumer protection) is a State-mandated responsibility of the Commission. No funding is appropriated for this purpose. Registration fees paid by colleges are deposited to the General Fund.</p>	
<p>Source: College Student Aid Commission, Financial Statements - July 31, 2012</p>	