Department of Education

STUDENT AID ADMINISTRATION

Fiscal Year 2020 Budget Request

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For Federal administrative expenses to carry out part D of title I, and subparts 1 [,3] <u>and</u> 9 [,and 10] of part A, and parts B, C, D, and E of title IV of the HEA, and subpart 1 of part A of title VII of the Public Health Service Act [1] [$1,678,943,000] <u>$1,812,000,000</u>, to remain available through September 30,[2020] <u>2021</u> [2] [:*Provided*, That the Secretary shall allocate new student loan borrower accounts to eligible student loan servicers on the basis of their performance compared to all loan servicers utilizing established common metrics, and on the basis of the capacity of each servicer to process new and existing accounts: [3] *Provided further,* That for student loan contracts awarded prior to October 1, 2017, the Secretary shall allow student loan borrowers who are consolidating Federal student loans to select from any student loan servicer to service their new consolidated student loan: [4] *Provided further*, That in order to promote accountability and high-quality service to borrowers, the Secretary shall not award funding for any contract solicitation for a new Federal student loan servicing environment, including the solicitation for the FSA Next Generation Processing and Servicing Environment as amended by the Department of Education on February 20, 2018, unless such an environment provides for the participation of multiple student loan servicers that contract directly with the Department of Education to manage a unique portfolio of borrower accounts and the full life-cycle of loans from disbursement to pay-off with certain limited exceptions, and allocates student loan borrower accounts to eligible student loan servicers based on performance: [5] *Provided further*, That such servicers described in the previous proviso shall be evaluated based on their ability to meet contract requirements, future performance on the contracts, and history of compliance with applicable consumer protections laws: [6] *Provided further*, That to the extent Federal Student Aid (FSA) permits student loan servicing subcontracting, FSA shall hold prime contractors accountable for meeting the requirements of the contract, and the performance and expectations of subcontractors shall be accounted for in the prime contract and in the overall performance of the prime contractor: [7] *Provided further*, That FSA shall ensure that the Next Generation Processing and Servicing Environment contracts incentivize more support to borrowers at risk of being distressed: [8] *Provided further*, That the Secretary shall provide quarterly briefings to the Committees on Appropriations and Education and the Workforce of the House of Representatives and the Committees on Appropriations and Health, Education, Labor, and Pensions of the Senate on general progress related to solicitations for Federal student loan servicing contracts].[9] *(Department of Education Appropriations Act, 2019.)*

NOTE

Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document which follows the appropriation language

STUDENT AID ADMINISTRATION

Analysis of Language Provisions and Changes

Language Provision	Explanation
[1] ... part D of title I, and subparts 1 [,3] and 9 [,and 10]	The fiscal year 2020 request proposes to move the Iraq and Afghanistan Service Grants program to the Pell Grant program. SEOG is proposed to be eliminated.
[2] to remain available through September 30,[2020] 2021	This language provides for appropriated funds to remain available for 2 years.
[3] ... [:*Provided*, That the Secretary shall allocate new student loan borrower accounts to eligible student loan servicers on the basis of their performance compared to all loan servicers utilizing established common metrics, and on the basis of the capacity of each servicer to process new and existing accounts]	This language would allow the Secretary to allocate new student loan accounts to additional student loan servicers. This language is eliminated because the Department expects to award contracts incorporating these requirements prior to the end of fiscal year 2019.
[4] ... [*Provided further,* That for student loan contracts awarded prior to October 1, 2017, the Secretary shall allow student loan borrowers who are consolidating Federal student loans to select from any student loan servicer to service their new consolidated student loan]	This language would allow consolidated student loan borrowers to select from any student loan servicer. This language is eliminated because as a result of new procurements the Department does not expect to award new loan consolidations in fiscal year 2020 through contracts awarded prior to October 1, 2017.

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Language Provision	Explanation
[5] ... [*Provided further*, That in order to promote accountability and high-quality service to borrowers, the Secretary shall not award funding for any contract solicitation for a new Federal student loan servicing environment, including the solicitation for the FSA Next Generation Processing and Servicing Environment as amended by the Department of Education on February 20, 2018, unless such an environment provides for the participation of multiple student loan servicers that contract directly with the Department of Education to manage a unique portfolio of borrower accounts and the full life-cycle of loans from disbursement to pay-off with certain limited exceptions, and allocates student loan borrower accounts to eligible student loan servicers based on performance:]	This language would restrict the Secretary from awarding servicing contracts for new Federal student loan servicing environment, including Next Generation Processing and Servicing Environment, unless there are specific exceptions. This language is eliminated because the Department expects to award contracts incorporating these requirements prior to the end of fiscal year 2019.
[6] ... [*Provided furthe*r, That such servicers described in the previous proviso shall be evaluated based on their ability to meet contract requirements, future performance on the contracts, and history of compliance with applicable consumer protections laws:]	This language would allow servicers to be evaluated based performance and compliance with consumer protection laws. This language is eliminated because the Department expects to award contracts incorporating these requirements prior to the end of fiscal year 2019.
[7] ... [*Provided further*, That to the extent Federal Student Aid (FSA) permits student loan servicing subcontracting, FSA shall hold prime contractors accountable for meeting the requirements of the contract, and the performance and expectations of subcontractors shall be accounted for in the prime contract and in the overall performance of the prime contractor]	This language would allow FSA to permit student loan servicing subcontracting but hold the prime contractors accountable for subcontractors performance. This language is eliminated because the Department expects to award contracts incorporating these requirements prior to the end of fiscal year 2019.
[8] ... [*Provided further*, That FSA shall ensure that the Next Generation Processing and Servicing Environment contracts incentivize more support to borrowers at risk of being distressed:]	This language would require FSA to ensure that the Next Gen contract provides for increased support to distressed borrowers. This language is eliminated because the Department expects to award contracts incorporating these requirements prior to the end of fiscal year 2019.

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Language Provision	Explanation
[9] ... [*Provided further*, That the Secretary shall provide quarterly briefings to the Committees on Appropriations and Education and the Workforce of the House of Representatives and the Committees on Appropriations and Health, Education, Labor, and Pensions of the Senate on general progress related to solicitations for Federal student loan servicing contracts.]	This language would require the Secretary to provide quarterly briefings to Congress related to Federal student loan servicing contracts. This language is eliminated because the Department expects to have completed the solicitation process prior to the end of fiscal year 2019.

STUDENT AID ADMINISTRATION

Amounts Available for Obligation
(dollars in thousands)

Appropriation and Adjustments	2018	2019	2020
Discretionary appropriation:			
Appropriation	$1,678,943	$1,678,943	$1,812,000
Unobligated balance, start of year	2,814	2,171	0
Recovery of prior-year obligations	12,266	0	0
Unobligated balance expiring	-171	0	0
Unobligated balance, end of year	-2,171	0	0
Subtotal, adjusted discretionary appropriation	1,691,681	1,681,114	1,812,000

STUDENT AID ADMINISTRATION

Obligations by Object Classification
(dollars in thousands)

	Object Class	2018 Actual	2019 Appropriation	2020 Request	Change from 2019 to 2020
11.10	Full-time permanent	$163,034	$164,954	$165,616	$662
11.31	Full-time temporary	1,025	0	0	0
11.32	Part-time	947	0	0	0
11.33	Consultants	0	0	0	0
11.51	Overtime	246	76	105	29
11.52	Awards	2,818	2,798	2,798	0
11.80	Other Compensation	117	0	0	0
	Subtotal, Personnel Comp.	168,187	167,828	168,519	691
12.00	Benefits	53,042	53,601	53,797	196
13.10	Benefits for Former Personnel	176	241	241	0
	Subtotal, Per. Comp & Ben.	221,405	221,670	222,557	887
21.00	Travel	1,746	2,294	2,721	427
22.00	Transportation of things	24	0	0	0
23.10	Rental payments to GSA	19,757	20,476	20,375	-101
23.31	Communications	25	0	0	0
23.32	Postage/fees	12	22	22	0
	Subtotal, 23	19,794	20,498	20,397	-101
24.00	Printing and reproduction	119	79	64	-15
25.10	Advisory and assistance services	3,095	5,409	7,672	2,263
25.21	Other services	986,851	916,118	780,768	-133,179
25.22	Training/Tuition/Contracts	625	1,290	2,123	833
25.30	Goods/Services from Gov't	59,086	44,778	42,224	-2,554
25.40	Operations/Maint of Facilities	0	0	0	0
25.71	Operations/Maint of Equipment	7	0	32	32
25.72	IT Services/Contracts	396,028	468,782	733,009	264,227
	Subtotal, 25	1,445,692	1,436,377	1,565,828	131,622
26.00	Supplies	328	47	294	247
31.10	IT Equipment/Software	212	149	139	-10
31.30	Other Equipment	134	0	0	0
	Subtotal, 31	346	149	139	-10
32.00	Building Alterations	2,226	0	0	0
43.10	Prompt payment interest	1	0	0	0
	Total, Obligations	1,691,681	1,681,114	1,812,000	133,057

STUDENT AID ADMINISTRATION

Summary of Changes
(dollars in thousands)

2019	$1,678,943
2020	1,812,000
Net change	+133,057

Increases:	2019 Appropriation	Change from Base
Built-in:		
Increase in Personnel Compensation and Benefits for one extra paid day in FY 2020 and estimated increased fixed benefits rates.	$221,670	+$887
Program:		
Increase in travel.	2,294	+427
Increase in advisory and assistance services.	5,409	+2,263
Increase in Training/Tuition/Contracts	1,290	+833
Increase in operations and maintenance of equipment	0	32
Increase in contracted IT services primarily for Next Gen Legacy Core Processing	468,782	+264,227
Increase in supplies.	47	+247
Subtotal, increases		+268,916
Decreases:		
Built-in:		
Decrease in rental payments to GSA.	20,476	-101
Program:		
Decrease primarily due to transitioning to the Next Generation Processing and Servicing Environment	913,947	-133,179
Decrease in printing and reproduction	79	-15
Decrease in goods and services from the Government.	447,778	-2,554
Decrease in IT equipment/software	149	-10
Subtotal, decreases		-135,859
Net Change		133,057

STUDENT AID ADMINISTRATION

Authorizing Legislation
(dollars in thousands)

Activity	2019 Authorized	2019 Appropriation	2020 Authorized	2020 Request
Student aid administration *(Higher Education Act of 1965, I-D*	0[1]	$1,678,943	To be determined[2]	$1,812,000
Total appropriation		1,678,943		1,812,000
Portion of request not authorized				1,812,000

[1] The program was authorized in 2018 through appropriation language.
[2] The GEPA extension expired September 30, 2015; reauthorizing legislation is sought for fiscal year 2019.

STUDENT AID ADMINISTRATION

Appropriations History
(dollars in thousands)

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2011	1,170,231	994,600[1]	1,048,078[1]	992,012[1]
2012	1,095,418	992,012[2]	1,045,363[2]	1,043,387
2013	1,126,363	1,043,387[3]	1,126,363[3]	978,924[4]
2014	1,050,091[5]	N/A[6]	1,044,301	1,166,000[7]
2015	1,446,924[8]	N/A[6]	1,446,924[9]	1,396,924
2016	1,581,854[8]	1,446,924[10]	1,361,700[10]	1,551,854
2017	1,631,990[11]	1,551,854[12]	1,546,854[12]	1,576,854[12]
2018	$1,697,711[13]	$1,697,711[13]	$1,576,854[13]	$1,678,943[13]

[1] The levels for the House allowance reflects the House-passed full-year continuing resolution; Senate allowance reflects Committee action only; the Appropriation reflects the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).
[2] The level for the House allowance reflects an introduced bill; the level for the Senate allowance reflects Senate Committee action only.
[3] The levels for the House and Senate allowance reflect action on the regular annual 2013 appropriation bill, which proceeded in the 112th Congress only through the House Subcommittee and the Senate Committee.
[4] Total transfer $9,888 thousand to Program Administration, Office for Civil Rights and Office of Inspector General.
[5] Excludes $2,807 thousand proposed for transfer from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.
[6] The House allowance is shown as N/A because there was no Subcommittee action.
[7] Excludes $996 thousand transferred from Department of Health and Human Services to Department of Education for the Health Education Assistance Loan program.
[8] The Bipartisan Budget Act of 2013 eliminated mandatory funding for the Not-for-Profit (NFP) servicing costs, which were previously not reflected in this table. Starting in fiscal year 2015, the estimate reflects total cost to service loans, discretionary funding and what was previously considered mandatory funding.
[9] The level for the Senate allowance reflects Senate Subcommittee action only.
[10] The levels for House and Senate allowances reflect action on the annual 2016 appropriations bill, which proceeded in the 114th Congress only through the House Committee and Senate Committee.
[11] The Bipartisan Budget Act of 2013 eliminated mandatory funding for the Not-for-Profit (NFP) servicing costs, which were previously not reflected in this table. Starting in fiscal year 2015, the estimate reflects total cost to service loans, discretionary funding and what was previously considered mandatory funding.
[12] The levels for the House and Senate allowances reflect Committee action on the regular annual 2017 appropriations bill; the Appropriation reflects the Consolidated Appropriations Act, 2017.
[13] The levels for the House reflect floor action on an Omnibus appropriation bill; Senate allowances reflect Committee action on the regular annual 2018 appropriations bill; the Appropriation reflects the Consolidated Appropriations Act, 2018 (P.L. 115-141).

STUDENT AID ADMINISTRATION

Year	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2019	1,772,000	1,678,943[1]	1,678,943[1]	1,678,943[1]
2020	1,812,000			

[1] The levels for the House and Senate allowance reflect Committee action on the regular annual 2019 appropriations bill; the Appropriation reflects enactment of the Department of Defense and Labor, Health and Human Services, and Education Appropriations Act, 2019 (P.L. 115-245).

STUDENT AID ADMINISTRATION

Significant Items in FY 2019 Appropriations Reports

Quarterly Loan Servicing Activity Report

Senate	The Committee directs the Department to continue to provide quarterly reports detailing its obligation plan by quarter for student aid administrative activities broken out by servicer and activity and detailing performance metrics, total loan volume and number of accounts, broken out by servicer and for each private collection agency. Further, any reallocation of funds between administrative costs and servicing activities within this account should be treated as a reprogramming of funds, and the Committee should be notified in advance of any such changes.
Response	The Department will continue to provide the requested quarterly reports on administrative obligations.

Disclosure Requests

Senate	The Committee directs the Secretary to respond to “Enforcement Disclosure” requests under the Statement of Record Notice for the Direct Loan Program (Common Services For Borrowers, 18-11-16) within 10 days of receipt and to public and post on a publicly accessible website and a detailed explanation of the policy that governs such a disclosure. Further, the Committee encourages the Secretary to make available publicly available on its website a detailed list of all individual requests made to the Department under the “Enforcement Disclosure” provision.
Response	The Department is evaluating how best to respond to the request.

Small Business Credit Subcontracting

Senate	The Department shall coordinate the identification of all prime and subcontracts awarded to State and nonprofit entities under Title IV program contracts to the Small Business Administration so that subcontract reporting may be appropriately monitored. Five years after publication of this report, the Small Business Administration, in coordination with the Department of Education, shall examine the impact of this provision to small businesses in Title IV programs.
Response	The Department is evaluating how best to respond to the request.

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DEPARTMENT OF EDUCATION FISCAL YEAR 2020 PRESIDENT'S BUDGET

(in thousands of dollars)

		Cat Code	2018 Appropriation	2019 Appropriation	2020 President's Budget	2020 President's Budget Compared to 2019 Appropriation Amount	2020 President's Budget Compared to 2019 Appropriation Percent
Student Aid Administration (HEA I-D)							
1.	Salaries and expenses	D	781,327	852,974	1,281,281	428,307	50.21%
2.	Servicing activities[1]	D	897,616	825,969	530,719	(295,250)	-35.75%
	Total		**1,678,943**	**1,678,943**	**1,812,000**	**133,057**	**7.93%**

NOTES: D = discretionary program; M = mandatory program

Detail may not add to totals due to rounding.

[1] The 2018 Appropriation column reflects actual obligations and the 2019 Appropriation column reflects updated servicing reestimates.

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(Higher Education Act of 1965, I-D)

(dollars in thousands)

FY 2020 Authorization: To be determined[1]

Budget Authority:

	2019	2020	Change
Personnel Comp. & Ben. Costs	$221,670	$222,557	+$887
Non-Personnel Costs, excluding Loan Servicing Costs	631,304	1,058,724	+427,420
Subtotal, Salaries and Expenses	852,974	1,281,281	+428,307
Loan Servicing Costs	825,969[2]	530,719	-295,250
Total, Student Aid Administration	1,678,943	1,812,000	+133,057
FTE	1,480	1,480	0

[1] The GEPA extension expired September 30, 2015; reauthorizing legislation is sought for fiscal year 2019.

[2] The 2019 appropriation column reflects the July 2018 reestimate of $825,969 thousand.

PROGRAM DESCRIPTION

Student Aid Administration (SAA) provides funds to administer the Federal student financial assistance programs authorized under Title IV of the Higher Education Act (HEA) of 1965, as amended.

The Title IV programs, which provide funds to help students and families pay for the cost of postsecondary education, are the Nation's largest source of financial aid for postsecondary students. The account provides funding to administer the student aid lifecycle, including: educating students and families about the process for obtaining Federal aid and repaying student loans; processing approximately 19.7 million student financial aid applications; disbursing nearly $147 billion in Direct Loans, including consolidation loans and approximately $30 billion in Pell grants a year; administering a loan portfolio of nearly $1.4 trillion; and protecting students and taxpayers by ensuring that Federal resources are used appropriately.

STUDENT AID ADMINISTRATION

The Higher Education Amendments of 1998 established Federal Student Aid (FSA) as the Federal Government's first performance-based organization to improve service for students, parents, schools, and other program participants; to reduce student aid administration costs; to increase the accountability of the officials responsible for administering program operations; and to integrate the student aid processing and delivery systems.

The Offices of Postsecondary Education (OPE), the Office of the Under Secretary (OUS), and FSA oversee and administer the Federal student financial assistance programs. OPE formulates policy for these student financial assistance programs and administers other Federal postsecondary education programs. In addition, other Department offices—Office of the Chief Information Officer (OCIO); Office of the General Counsel (OGC); Office of Planning, Evaluation, and Policy Development (OPEPD) and Office of Finance and Operations (OFO)—contribute to the policy formulation, administration and oversight of the student aid programs.

The Federal Pell Grant Program is the foundation of a low-or moderate-income student's financial aid package. The program provides financial assistance to students attending postsecondary education programs disbursing approximately $28.0 billion to 6.6 million low-and middle-income undergraduate students during the 2018–2019 award year, with an average award of $4,274. The maximum Pell Grant award for the 2019–2020 award year is $6,195.

The William D. Ford Federal Direct Loan (DL) Program drives a significant portion of FSA's workload. The DL program lends funds directly to students and their families through participating schools. In fiscal year 2020, the Department will originate $100.2 billion in new Direct Loans, excluding Consolidation Loans. See the **Student Loans Overview** and **Student Aid Overview** for details on Student Loan programs in the fiscal year 2019 request. The Federal Family Education Loan (FFEL) Program is similar to the DL Program except private lenders provided those funds, which are insured by loan guaranty agencies and then reinsured by the Government.

SAFRA (Student Aid and Fiscal Responsibility Act), Title II, Part A of the Health Care Education Reconciliation Act, 2010, ended the FFEL program's authority to originate new Federal student loans. Since July 1, 2010, the Department has originated and serviced all new Federal student loans through the DL program. FSA continues to administer the FFEL program, while lenders and guaranty agencies continue to service and collect some outstanding loans in the FFEL portfolio. FSA services the government-held FFEL program loans and DL program loans through the use of private contractors.

Funding levels for the past 5 fiscal years were:

Fiscal Year	(dollars in thousands)
2015	1,396,924
2016	1,551,854
2017	1,576,854
2018	1,678,943
2019	1,678,943

FY 2020 BUDGET REQUEST

The Administration requests $1.8 billion for fiscal year 2020 in the SAA account to administer the Federal student aid programs an increase of $133.0 million over fiscal years 2018 and 2019 appropriations. The requested funds are necessary to manage and service the student loan portfolio, including: anticipated increases in loan volume and costs associated with transitioning to the Next Generation Financial Services Environment; maintaining operations for student aid application processing, origination and disbursement functions, and student aid information technology (IT) system hosting; and enhancing IT security.

Highlights of the fiscal year 2020 Request include:

1) **Next Generation Financial Services Environment (Next Gen)** totals $502.0 million, an increase of $383.0 million over the fiscal year 2019 appropriation.

2) **Loan servicing activities** totals $531.0 million, $295 million less than below the fiscal year 2019 appropriation. These costs are directly tied to the transition to the Next Generation Financial Services Environment.

3) **Maintaining continual operations for student aid application processing, origination and disbursement functions, and IT system hosting** total $289.2 million, an increase of $1.4 million over the fiscal year 2019 appropriation. These costs are necessary for maintaining core operations of the student aid life cycle including student aid application processing and origination and disbursement functions.

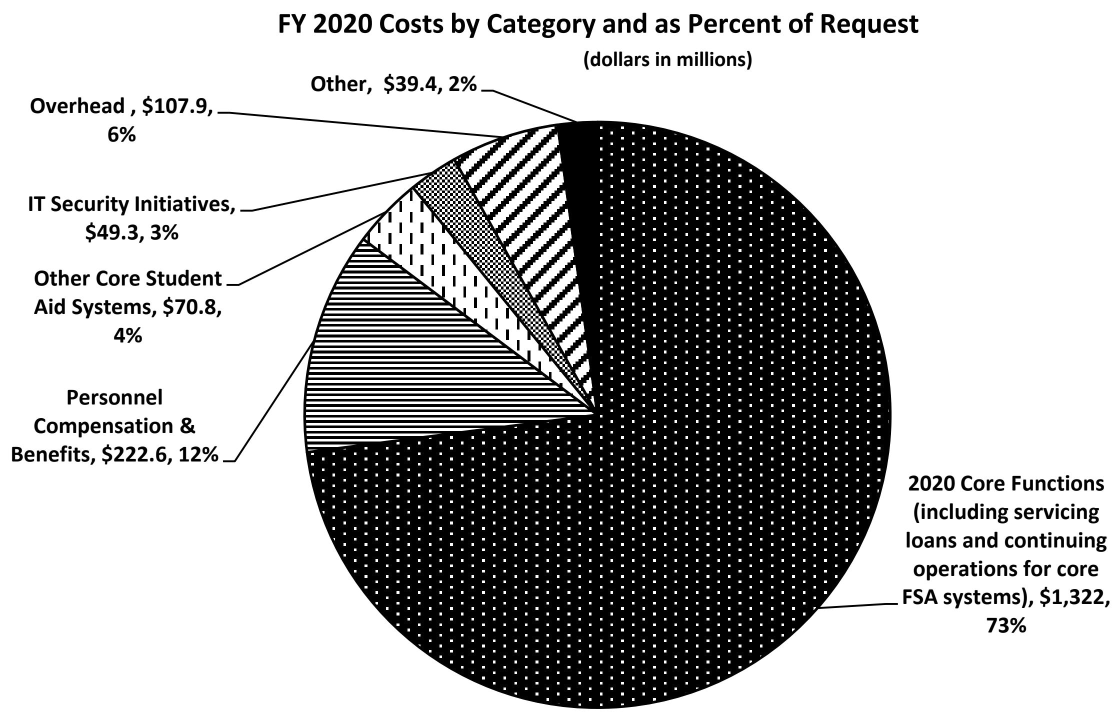
4) **Federal Student Aid IT security** totals $49.3 million, an increase of $10.4 million over the fiscal year 2019 appropriation. The net increased costs are crucial to protecting borrowers' personal information and to enhance cybersecurity initiatives to protect against security breaches.

Fiscal Year 2020 Budget Costs by Category

SAA groups investments by category. The chart below provides the funding level for each budget cost category and the percentage share of the fiscal year 2020 budget request.

- Seventy-three percent of the proposed SAA budget supports the Core Functions of Federal Student Aid operational activities. Federal Student Aid's major operational activities include: effectively servicing the growing student loan portfolio and operations for student aid application processing, origination and disbursement functions, and IT system hosting.
- Twelve percent of the request includes $222.6 million to cover the Personnel Compensation and Benefits (PC&B) costs of 1,480 Full-Time Equivalent (FTE) Employment; 1,349 FTE in Federal Student Aid and 131 FTE in the non-Federal Student Aid offices. The fiscal year 2020 FTE request is the same as fiscal year 2019 appropriation.

- Six percent includes overhead for central support (e.g., rent and background investigations), central information technology (e.g., the Department's EDCAPS financial systems and PIVOT IT hosting) and the Other category that includes Web site interfaces, contract specialist support, and other activities to carry out FSA's mission
- Four percent of the request includes other core student aid systems (e.g., National Student Loan Data System and FSA's accounting system), interagency agreements (e.g., IRS Data Retrieval), and IT security initiatives, including FSA's increased cybersecurity efforts.



Fiscal Year 2020 Federal Student Aid Core Functions: $1,322 million

Next Gen FSA - Building the Future of Financial Aid: $502.0 million, an increase of $383.0 million over the fiscal year 2019 appropriation

The Department is pursuing an innovative strategy to deliver Federal student aid services and information to our customers. Next Gen FSA will create an improved, world-class customer experience for FSA's millions of customers, while creating a more agile, flexible model that will streamline FSA's existing operations. Next Gen FSA will improve the integrity of the Title IV programs and transform how we provide oversight of organizations that support our shared mission. Requested funding increases for fiscal year 2020 primarily reflect the anticipated retirement of the current loan servicing contracts and the shift of core processing and business operations activities to new contracts awarded under Next Gen FSA.

The key to the Next Gen FSA transformation will be a comprehensive, FSA-branded customer engagement layer that will create an environment where the Department's customers will receive clear, consistent information and readily accessible self-service options at every stage of the student aid lifecycle. On February 20, 2019, FSA awarded a contract for services collectively known as Digital and Customer Care (DCC). This contract, valued at $86.7 million in fiscal year 2019, $111.6 million in fiscal year 2020, and up to $577 million over eight years if all options are exercised, will implement the Next Gen FSA engagement layer, transforming FSA into a trusted source of information and greatly simplifying the process of assisting customers in applying for and receiving postsecondary financial assistance and choosing the best options for managing their student debt. DCC includes more specifically:

Digital: The DCC contract will deliver the enterprise-wide, FSA-branded digital platform featuring a mobile-first, mobile-complete, and mobile-continuous customer solution. The platform will be FSA's "digital front door" for all customer interactions, consolidating multiple customer-facing websites and expanding the functionality available in the myStudentAid mobile app.

Customer Care: The DCC contract will consolidate and enhance customer care capabilities across phone, chat, chatbot, email, text, and social channels onto a single platform enabling an omni-channel experience; the experience will include a single toll-free number for students, parents, and borrowers. The capabilities will be managed by a centralized command center that will onboard and oversee all FSA contact centers and ensure quality customer care.

Communications: The DCC contract will streamline customer communications and outreach so that customers receive consistent and personalized information about their financial aid and repayment options through the customers' preferred communication channel.

The new solutions delivered by the DCC contract, which will begin to come online later in 2019 will integrate with other Next Gen components and/or legacy systems. FSA will leverage the latest in middleware, processing, data storage and security to create a more efficient, cost-effective technical infrastructure. While Federal student loans are complex, the Department believes that leveraging modern commercial engagement and technical capabilities is likely to reduce FSA's operating costs once the solution is fully implemented. For example, moving toward a self-service model common in commercial financial services—which emphasizes customer-friendly mobile, digital, and interactive voice response technology over the labor-intensive live phone calls and traditional hard-copy mail that dominate current FSA customer interactions—could significantly reduce costs while improving customer satisfaction and outcomes.

In fiscal year 2020, FSA will continue the transition to the new Next Gen FSA platform and implement new business process operations (approximately $400 million) and also fund annual and pro-rated O&M costs as the new systems are implemented (approximately $100 million). As loan servicer accounts are migrated from legacy systems to the new platform, O&M costs for legacy systems and operations will decline, and will end when the transition to the Next Gen FSA platform is complete. After conversion to the new systems is completed, legacy O&M costs will be entirely replaced with the annual O&M costs for the new systems.

The myStudentAid mobile app implemented in August 2016 is a new FSA platform designed to deliver a world-class customer experience throughout the student financial aid lifecycle. As the cornerstone of the Next Generation FSA effort, the mobile app leverages a mobile-first, mobile-complete, mobile-continuous digital platform to provide customers with an easier and more seamless interaction with FSA services; allow customers to receive FSA support through the channel that is most appropriate for their needs; enhance FSA omni-channel engagement strategy; and leverage experiences created using a human-centered design approach, informed by a holistic understanding of customer data and customer feedback, and continuously improved through iterative testing. The move to a mobile-phone platform is especially important with efforts to reach low-income students across the country. A study conducted by Pew Research Center[1] indicates that low-income students are much more likely to have access to a smartphone than they are to a laptop or desktop computer connected to the internet. The myStudentAid mobile app features the new and improved FAFSA and other student aid resources. Future plans include building capabilities and functionalities for FSA customers to not only manage their student aid but also receive proactive engagement and financial literacy guidance.

Servicing the student loan portfolio: $531.0 million, $295 million less than the fiscal year 2019 appropriation

The fiscal year 2020 Request is $531 million for loan servicing costs of $295 million less than the fiscal year 2019 appropriation. The reductions are directly tied to transitioning to the Next Generation Financial Services Environment.

Currently, the Department contracts with nine servicers to provide borrower services for the Federal Direct Loan and TEACH Grant programs, as well as for federally held loans originated under the Federal Family Education Loan program. Two additional servicers provide services for the Perkins Loan program and default management. All servicers are funded entirely with discretionary budget authority. In addition, the costs necessary to service the HEAL program are included in the total servicing request for fiscal year 2020.

The servicing costs are driven in part based on the overall loan volume, the combination of repayment statuses in the loan portfolio, and the timing of loan delivery. As such, cost estimates are very sensitive to changes in the total number of borrowers being serviced and the distribution of accounts across loan statuses. Loan servicers are currently paid a unit cost per borrower account that they service. Unit costs are structured to incentivize servicers to keep borrower accounts in repayment current. Servicers are compensated more for accounts that are actively repaying. Conversely, servicers are paid less for accounts that are not actively repaying (in-school, deferment, and forbearance status) and incrementally paid even less as accounts shift further into non-payment, i.e., delinquency status. As the total number of borrower accounts being serviced increases and as more borrowers move into active repayment (current status), servicing costs will increase accordingly. FSA closely analyzes performance and costs of the servicing contractors to ensure that its estimates are as accurate

[1] http://www.pewresearch.org/fact-tank/2017/03/22/digital-divide-persists-even-as-lower-income-americans-make-gains-in-tech-adoption/

as possible and to evaluate whether its servicing contracts are appropriately incentivizing servicers to keep borrowers in good standing.

Maintaining operations for student aid application processing, origination, and disbursement functions and IT system hosting: $289.0 million, an increase of $27.4 million over the fiscal year 2019 appropriation

Included in this request are key FSA operational costs:

- Title IV Origination and Disbursement System (TIVODS) ($118.3 million);

- Application and Eligibility Determination System (AEDS) ($36.2 million) and Customer Contact Center ($36.0 million) including operations and maintenance of the development and processing of FAFSA. FSA Customer Contact Recompete efforts ($1.2 million) and the Customer Engagement Management System ($4.9 million); and

- IT system costs ($87.2 million) including the operation and maintenance of the Next Generation Data Center ($56.6 million), software licenses ($21 million), and the technical architecture and system support for FSA applications ($9.6 million).

  <u>Title IV Origination and Disbursement System (TIVODS): $118.3 million, a decrease of $3.6 million</u>

  FSA expects to originate and disburse more than $118.3 billion in Pell Grants (HEA, Title IV, Part A, Subpart 1) and Direct Loans (HEA, Title IV, Part D) including loan consolidations in fiscal year 2020. The Common Origination and Disbursement (COD) System, via the Title IV Origination and Disbursement (TIVOD) contract, originates and disburses this aid to approximately 6,000 schools and millions of student recipients. The system also supports interfaces to other systems to verify borrower eligibility and provide loan consolidation, borrower counseling, financial reporting, and program oversight. The system automates administration of the Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Perkins Loan, and Federal Work Study programs; determines institutional funding needs and allocation levels based on data from the Fiscal Operations Report and Application to Participate; collects funding data to inform subsequent reallocations; maintains cumulative Perkins Loan funding histories; calculates institutional cohort default rates; updates the list of qualifying schools at which TEACH recipients and others looking for certain loan forgiveness benefits need to teach at to maintain eligibility. FSA has restructured the TIVOD contract activities to reduce overall costs in fiscal year 2020 from fiscal year 2019, while operating and maintaining current essential services.

  <u>Application and Eligibility Determination System (AEDS) and Customer Contact Center: $83.6 million, increase of $21.9 million</u>

  AEDS includes:

  - $36.2 million for FAFSA development and processing operations and maintenance (O&M) ($9.6 million more than the 2019 appropriation);

- $37 million for FSA Customer Contact Center operations with FSA Feedback System ($11.0 million more than the 2019 appropriation); and
- $10.4 million Customer Engagement Management System (CEMS) ($1.3 million less than the 2019 appropriation).

AEDS O&M funds FAFSA filing, online and paper, systems and services, including application processing, determination of aid eligibility, and development of the upcoming annual application. In addition to these contracted services, AEDS O&M funds increased hardware and software support during FAFSA peak processing months. Funding also supports the AED contract recompete, which will include contact award and transition costs.

The FSA Customer Contact Center ensures that customers, both student applicants and schools, have accessible, accurate, timely, and professional responses to their inquiries via their preferred method of communication. Funding also supports call center operational support for the Ombudsman's Group including call intake, casework, and customer response services for new and existing contacts to the Federal Student Aid Ombudsman Group.

The fiscal year 2020 budget request also supports O&M costs for Customer Engagemetn Management System (CEMS), which registers feedback and complaints by public users. After the complaint is registered, the complaint is then sent to the Ombudsman for the Ombudsman to reach out to the submitter for resolution.

<u>Next Generation Data Center (NGDC): Fiscal year 2020 request of $56.6 million, an increase of $5 million over the fiscal year 2019 appropriation.</u>

The NGDC is a single computing environment for data and transaction processing, network communication services, infrastructure, and tools required to deliver financial aid. NGDC hosts 59 system applications and incorporates security best practices using a hybrid cloud solution. The fiscal year 2020 request supports NGDC O&M, with an increase to fund data center security enhancements, and provides the NGDC telecommunication foundation for FSA systems and call centers.

<u>Enterprise Software Licenses: Fiscal year 2020 request of $21 million, an increase of $3.0 million over the fiscal year 2019 appropriation.</u>

Enterprise Software Licenses supports maintenance renewal agreements for all FSA and NGDC supported software. This program consolidates similar software licenses with different renewal dates under one agreement and reduces licensing duplication for FSA. Centralizing procurements and renewals of software licenses promotes cost savings through quantity discounts and reduction of contracts used for maintenance renewals.

<u>Enterprise Architecture & Engineering (EAE): Fiscal year 2020 request of $9.6 million, an increase of $1.2 million over the 2019 appropriation.</u>

EAE provides a full range of technical architecture and engineering functions that provide FSA with the necessary services and support needed to plan, maintain, and develop its enterprise architecture. Engineering services include Enterprise IT Architecture (EITA), middleware architecture services, and Enterprise Performance Testing (EPT) services. Architecture services include Enterprise Architecture (EA) and Technical Architecture Services (TAS).

- EITA provides critical technology platform and technical support services, including integrated technical architecture and middleware architecture. EITA provides product support services, including root cause analysis and resolution of middleware-related production issues for FSA's mission-critical applications. Middleware services reduce security vulnerabilities within the FSA system architecture.
- EPT provides performance testing analysis services that ensure FSA's applications are configured appropriately. It also makes sure that sufficient capacity is deployed during production for each mission critical application within the NGDC.
- EA provides FSA stakeholders—senior managers, application leads, investment decision makers—with essential IT architecture information and tools, for use in evaluation and acquisition of new solutions.
- TAS provides IT engineering expertise to ensure technical solutions meet FSA's technical requirements, represent industry best practices, and implement FSA’s IT engineering processes that evaluate and improve design standards.

Other Core Student Aid Administration Systems: $70.8 million, an increase of $6.7 million over the fiscal year 2019 appropriation

<u>Federal Student Aid Administration Interagency Agreements: $17.9 million, $1.9 million less than the fiscal year 2019 appropriation.</u>

The Department enters into agreements with other Government agencies for the purpose of verifying Federal student aid eligibility and accessibility and providing services to simplify the aid process. Currently the Department has agreements with Department of Treasury, Internal Revenue Service (IRS), Social Security Administration (SSA), Department of Homeland Security, Health Resources and Services Administration, Government Printing Office, and Department of Commerce.

An agreement with the IRS allows FSA and IRS to collaborate on a data retrieval tool, the IRS Data Retrieval Tool, which retrieves specific tax return information for authenticated users of the Department’s online FAFSA form (fafsa.gov) and the Income Driven Repayment plans (IDR) online applications. The tool provides users a convenient option to securely transfer encrypted tax return information to the online FAFSA form and or IDR applications for determining student eligibility for federal student aid and loan repayment options.

National Student Loan Data System (NSLDS): $13.5 million, $1.5 million less than the fiscal year 2019 appropriation

NSLDS maintains detailed administrative data on the provision of Title IV aid, such as the number of loans and grants made, and provides for the electronic exchange of data between program participants and the system. NSLDS collects and stores data from borrowers, schools, lenders, and guaranty agencies and integrates data on student aid applicants and recipients. The Department uses this comprehensive data to effectively administer the student loan and grant programs by preventing fraud and abuse through pre-screening and post-screening for Title IV aid eligibility, calculating statutory guaranty agency payments, and calculating higher education accountability measures. NSLDS data is integrated into the Enterprise Data Warehouse and Analytics project, which improves the Department's portfolio management, policy analysis, and budget formulation capabilities. As part of FSA's overarching strategy to maintain modern systems, the fiscal year 2020 request supports the operations and maintenance of the system and enhancements. The fiscal year 2020 decrease is due to reduced costs of continuing operations.

Enterprise Data Warehouse Analytics (EDWA): $7.8 million, an increase of $925,000 over the 2019 appropriation

EDWA provides enterprise-wide data management and analytics to centralize FSA lifecycle data, and the fiscal year 2020 request supports ongoing development and O&M. EDWA allows the Department to access timely, accurate, consistent, and repeatable data for improved analytics, insights, and reporting; and allows FSA to responsibly expand data available for research without compromising the administration of the Federal student aid programs. This work aligns with the principles of Next Gen FSA, and all EDWA work will be integrated into, and further expanded under, Next Gen. The platform is a critical tool that will allow the Department to respond to recommendations on how to improve the program and policy modeling from Congressional staff, the Government Accountability Office, the Office of the Inspector General, and external policymakers. EDWA offers the opportunity for significant return on investment via data-driven insights to improve program management, retirement of redundant systems, and alleviation of strain currently placed on NSLDS and other operational systems.

EDWA recently included the development of a new Machine Learning Model located in operations to better target applicants selected for income verification and could prevent approximately $100 million in improper payments each year. EDWA has also automated FSA's Annual Risk Assessment, the annual process wherein schools are selected for program reviews, taking it from a manual, time-consuming process that was at risk of human error to an automated statistically rigorous product and process.

In fiscal year 2020, FSA plans to develop and expand dashboards and products including the Annual Risk Assessment; and to conduct research on modeling efforts to further inform the management of the Title IV programs as well as identify potential cost savings. FSA also plans to expand and modernize the FSA Data Center and continue to augment EDWA with new data sets as necessary to facilitate these efforts. The fiscal year 2020 request supports continual operations and maintenance and development work.

Financial Management System (FMS): $6.5 million, an increase of $102,000 over the fiscal year 2019 appropriation

FMS consolidates and manages all financial transactions from FSA's feeder systems. FMS facilitates reconciliation and internal program management and reporting. The system tracks and manages payment processing for Federal Direct Loan originations and Pell Grant awards, and it processes refunds to borrowers for overpaid loans and payments to lenders and guaranty agencies. It also performs validations and reasonability checks to minimize erroneous payments. The fiscal year 2020 request supports the operations and maintenance of the system.

Next Generation Partner Participation and Oversight (Next Gen PPO): $6.4 million

Next Gen PPO is a critical initiative to design and implement a full technology solution to support FSA processes, which assure regulatory compliance of both higher education institutions and financial institution partners. The new solution will replace the legacy system and increase efficiency and effectiveness, transparency, and responsiveness and ease of doing business with FSA. The design will include integrated systems and state of the art tools to support enhanced business processes. Next Gen PPO is replacing Postsecondary Education Participation System (PEPS) and eZAudit and will leverage capabilities being built by Next Gen Servicing such as the common integrated database system, single sign-on for partners and employees, and robust cyber security protection. However, some of the capabilities required to support the program compliance processes are unique. This investment will provide the resources to identify, design, pilot, build, test, and implement those capabilities.

Borrower Defense: $3.4 million, $151,000 less than the fiscal year 2019 appropriation

The Borrower Defense initiative provides operations and maintenance support for Borrower Defense to Loan Repayment applications and includes the necessary software, platform, and licenses, as well as technology integrations to help process the applications. It authenticates users on the Customer Engagement Management System (CEMS), a cloud platform solution, and supports multiple other products used by internal users and borrowers such as Service Console, SHIELD product, and Customer and Partner Community Portals. In addition, the initiative provides support for customers in the borrower defense to repayment application lifecycle including bilingual support via phone, email and physical mail; Quality Assurance processes for intake and post-processing discharges; and message templates and knowledge to support customer inquiries. Borrower Defense provides on-demand access to NSLDS data, which is used to trigger operational tasks and reporting on borrowers with defense applications. The ability to automatically update student loan data is crucial to quickly responding to borrower inquiries, expediting borrower defense student applications, increasing efficiencies in operational tasks, and providing up-to-date reporting.

myStudentAid Mobile Platform: $5.0 million, an increase of $1.7 million over the fiscal year 2019 appropriation

The myStudentAid mobile app is an entirely new platform for FSA to deliver a world-class customer experience throughout the student financial aid lifecycle. The mobile app leverages a mobile-first, mobile-complete, mobile-continuous digital platform to provide customers with an easier and more seamless interaction with FSA services; allows customers to receive FSA support through the channel that is most appropriate for their needs; enhances FSA omni-channel engagement strategy; and leverages experiences created using a human-centered design approach, informed by a holistic understanding of customer data and customer feedback, and continuously improved through iterative testing.

The move to a mobile-phone platform is important with efforts to reach low-income students across the country. A study conducted by Pew Research Center[1] indicates that low-income students are much more likely to have access to a smartphone than a laptop or desktop computer connected to the internet. The myStudentAid mobile app features the new and improved FAFSA and other student aid resources. Future plans include building capabilities and functionalities for FSA customers to manage their student aid and proactive engagement with financial literacy guidance.

Participation Management (PM): $3.1million, an increase of $542,000 over the 2019 appropriation

PM is FSA's central system for managing partner organization enrollment in FSA data exchange services. Virtually all schools, third-party servicers, guaranty agencies, Federal loan servicers, FSA External Partners, State Agencies, and other organizations use PM to enroll in services provided by FSA systems such as National Student Loan Data System (NSLDS), TIVODS, Financial Management System (FMS), Student Aid Internet Gateway (SAIG), Identity Management System (AIMS), CPS, FAA Access, Total and Permanent Disability (TPD) Discharge, and Debt Management and Collections System (DMCS). Without PM, enrollment in FSA data services would be severely impaired as FSA's process for managing that access would be fragmented.

The fiscal year 2020 request supports ongoing operations, maintenance, and customer support to manage collecting and integrating service enrollment information, and sharing that information in a timely manner across FSA systems. The fiscal year 2020 increase is for a recompete effort.

[1] http://www.pewresearch.org/fact-tank/2017/03/22/digital-divide-persists-even-as-lower-income-americans-make-gains-in-tech-adoption/

<u>eZ-Audit: $2.0 million, an increase of $97,000 over the fiscal year 2019 appropriation</u>

eZ-Audit is a web based applications that provides a single point of submission for over 6,000 institutions to electronically submit financial statements and compliance audits and facilitates the processing to instantly identify problems with incoming reports. If an issue is identified, the report is routed to the appropriate teams in the shortest possible time in order to support the regulatory requirement of completing audit determination reviews within 180 days. eZ-Audit assists FSA with enhancing its program integrity, improving oversight of institutions (domestic and foreign), third-party servicers, and financial institutions participating in the Title IV program, and improving accountability to meet the mandated deadlines. Increase costs are for development costs.

<u>Office of Inspector General (OIG) Fraud Referral: $1.8 million, an increase of $200,000 over the fiscal year 2019 appropriation.</u>

The OIG Fraud Referral Initiative streamlines FSA's receipt process to determine if fraudulent activities occurred and whether there was an appropriate resolution. This effort is fully responsive to OIG requests for coordination on these referrals. In fiscal year 2019, FSA will implement workflow and case management capabilities to perform analysis of all OIG fraud referrals within the existing CEMS infrastructure. In fiscal year 2020, FSA will enable a more comprehensive data-driven analytics across all OIG fraud referrals and allow for better tracking of referrals.

<u>Postsecondary Education Participation System (PEPS): $1.2 million</u>

PEPS is a repository of data for entities participating in the Title IV Programs. PEPS is used by FSA, institutions of higher education, the Office of Postsecondary Education, the Office of the Inspector General, the Government Accountability Office, state departments of education, guaranty agencies, regional and national accreditors, and state licensing agencies to resolve eligibility and compliance issues within the Department’s policy and procedures and to obtain data extracts for updates to other systems.

<u>Email and Text Services: $1.2 million, an increase of $115,000 over the fiscal year 2019 appropriation</u>

Email and Text Services allows for improved outreach to student aid applicants, parents, and borrowers by consolidating disparate email systems into one system that sends timely, personalized, and FSA branded communications. The increase is for operations and maintenance.

<u>EDExpress (EDE): $1.0 million, an increase of $132,000 over the fiscal year 2019 appropriation</u>

EDE Suite is a "school product" software suite provided to schools at no cost for their use in originating, disbursing, and packaging direct loans and grants for students. EDE Suite significantly eases the school's process of interacting with TIVODS to submit awards by automating most of the tasks involved in building the XML Common Record file that TIVODS requires for origination and disbursement of student aid.

The EDE Suite also provides valuable reconciliation functionality to participating Title IV schools, allowing them to compare their internal organizational award databases against the TIVODS database for direct loan and grant awards to identify discrepancies that require further attention. Without FSA's continued support for this product, schools would be forced to seek technical support from private market software products at additional cost, develop their own products, or be unable to participate in Title IV programs due to their inability to submit records to TIVODS. The increase supports operations and maintenance of the system and contract recompete costs.

IT Security Initiatives: $49.3 million

FSA takes seriously the ongoing security threats to operations and the real risks of compromising borrowers' personal information. FSA works collaboratively with OCIO to ensure compliance with the Federal Information Technology Acquisition Reform Act (FITARA). In addition to verifying that security requirements are being met in individual system and service contracts, FSA has specific initiatives to mitigate security risks.

<u>Cybersecurity (CS) initiatives: $36.3 million, an increase of $8.8 million over the fiscal year 2019 appropriation</u>

Cybersecurity (CS) initiatives mitigate critical, high, and moderate vulnerabilities that affect FSA on an enterprise-wide scale. Instead of a single point solution or application-specific problems, CS initiatives fund remediation activities and enterprise solutions as indicated by industry best practices, the Department of Homeland Security, and Office of Inspector General audit findings. CS initiatives include implementing foundational security technologies that augment or add new capabilities to protect business functions such as loan servicing and delivery of grants and loans to students and institutes of higher education. These broad initiatives include reducing the types and numbers of insecure Internet connections from student to FSA systems, thus protecting the privacy and integrity of student financial and personal information.

The increase in fiscal year 2020 is for ongoing efforts on the Department of Homeland Security Continuous Diagnostic Monitoring (DHS CDM Program) compliance and functionality. The CDM Program provides FSA (led by the Department) with capabilities and tools that identify cybersecurity risks in real-time, prioritize risks based on potential impacts, and enable FSA stakeholders to prioritize and mitigate the most significant problems. FSA will also implement key data security controls, which will improve data protection to better secure sensitive information across a number of major applications and high-value assets. Additionally, FSA will support the increased number of system authorizations and ongoing security authorization systems.

<u>System Security Authorizations (SSA): $8.7 million, an increase of $1.1 million over the fiscal year 2019 appropriation</u>

SSA provides the basic security critical to ensure all FSA applications and general support systems are secured from malicious exploits and threats. Security authorizations and annual testing are mandated by the Federal Information Security Management Act and must be performed before new systems are launched or system upgrades are implemented. Continuous testing must be completed to maintain system security authorization. In addition, an official re-authorization is required every 3 years for 62 FSA systems.

The fiscal year 2020 request will continue to support ongoing operations and external support to protect FSA’s infrastructure and applications to ward off new threats and continue to defend against previous known threats. The increase is for continuing operation costs.

<u>Security Operations Center: $4.3 million, an increase of $537,000 over the fiscal year 2019 appropriation</u>

The Security Operations Center provides independent monitoring and analysis needed to protect the NGDC infrastructure, systems, and data from vulnerabilities. The Security Operation Center will automate the security sensors on approximately 1,500 servers housed at the NGDC and communicate real-time information regarding suspicious events. The real-time information enables FSA to react timely to suspicious activity and make timely reports to DHS.

The Office of the Chief Information Officer and FSA are aligning technologies and services common to operating environments managed by each respective office. This effort will be substantially complete in fiscal year 2019 once a single contract is awarded that incorporates the new tiered structure for response. In fiscal year 2020, FSA will continue to link external systems into the Security Operation Center to obtain a comprehensive evaluation of threats to FSA networks and data.

Other: $39.4 million

This category includes projects aimed at supporting FSA's mission. Costs include, but are not limited to the following projects and investments:

<u>Information Dissemination: $3.5 million, an increase of $863,000 over the fiscal year 2019 appropriation</u>

Information Dissemination is a cross-organizational outreach initiative to increase all students’ awareness of and access to postsecondary education and federal financial aid. This initiative provides students, parents, and borrowers user-informed tools and resources to: understand the benefits of college; demystify the process of planning, preparing, and paying for college; encourage responsible borrowing and debt management; and create financially empowered consumers.

Attestation Services: $3.0 million, $884,000 less than the fiscal year 2019 appropriation

The Attestation Services will provide required support for various non-audits and reviews to ensure that FSA is accurately and appropriately compensating its various service providers. These activities require a CPA firm's highest level of assurance on an organization's financial statements and internal control system including, performance and compliance reviews, cost estimation and pricing analysis, contractual compliance, and proposal examinations services. Attestation Services will enable FSA to properly evaluate a wide range of proposed and existing contract actions supporting Title IV activities.

Conference Management: $2.7 million, an increase of $255,000 over the fiscal year 2019 appropriation

Conference Management supports the annual Federal Student Aid Fall Conference and FSA's participation in national financial aid related conferences (e.g., National Association of Student Financial Aid Administrators). FSA uses these conferences to train over 6,500 financial aid professionals and disseminate information about Title IV programs. This training is part of FSA's school oversight and responsibility and increases the integrity of the Federal student aid programs while ensuring appropriate stewardship of taxpayer resources. Some conference sessions specifically train against waste, fraud, abuse, and mismanagement of Title IV funds.

Integrated Student Experience: $2.2 million, $99,000 less than the fiscal year 2019 appropriation

Integrated Student Experience supports a simpler and single portal for students, parents, and borrowers regarding information related to financial aid, applying for federal student aid, repaying student loans, and navigating through the college decision-making process. As the NextGen Digital and Customer Care (DCC) solution is implemented, this portal and accompanying funding will be subsumed in the DCC activity.

A-123 Requirements: $1.3 million, an increase of $66,000 over the fiscal year 2019 appropriation.

This project ensures that FSA has sufficient internal controls to achieve its objectives and is in compliance with Federal Manager's Financial Integrity Act (FMFIA) and OMB Circular A-123. It supports management's annual assurance on the effectiveness of these controls and includes coordination of Improper Payment Act related requirements.

Experimental Site Initiatives (ESI) Evaluations: $500,000 level funded with the 2019 appropriation

The ESI authority has potential as a vehicle to test the impact of making targeting modifications to statutory and regulatory framework that govern the FSA system, and thereby, inform policymakers both in Congress and the Administration. Evaluation of these initiatives is needed to determine the effectiveness of the experiments. In fiscal year 2019, the Department will evaluate the impact of the ESI on loan counseling practices that can help students make the decisions that are right for them. Funding in fiscal year 2020 will continue to allow the Department to evaluate ongoing or upcoming initiatives.

Non-Federal Student Aid Support Activities

The SAA account supports activities in addition to the funds directly allocated to Federal Student Aid to manage student aid programs. The fiscal year 2020 request for non-FSA activities is $134.2 million, $107.9 million in Overhead and $26.3 million in non-FSA personnel compensation and benefits, $500,000 less than the fiscal year 2019 appropriation. This request supports departmental support activities, such as central computer services and financial management systems operations, rent, legal and policy expertise, and other overhead.

Rent payments to the General Services Administration for FSA-occupied space will total $20.4 million for fiscal year 2020, $101,000 less than the fiscal year 2019 appropriation.

Combined funding for central computer services and telecommunications will total $33.1 million in fiscal year 2020, $3.9 million less than the fiscal year 2019 appropriation. The Departmentwide financial management systems, which is supported by this account is $19.9 million, an increase of $2.4 million over the fiscal year 2019 appropriation.

Other non-pay central support services including background investigations, guard services, security, and departmental training and development courses will total $26.7 million in fiscal year 2020, an increase of $60,000 over the fiscal year 2019 appropriation.

Non-Federal Student Aid Full-Time Equivalent (FTE) Employment

The Administration requests for SAA in fiscal year 2020 a total of 1,480 FTE, the same as the fiscal year 2019 appropriation. In addition to 1,349 FSA full-time staff, the fiscal year 2020 request also provides $23.9 million for the salaries and benefits of 131 FTE outside FSA who perform student-aid related activities and are located in the Office of Finance and Operations, the Office of Chief Information Officer; Office of the General Counsel; Office of Postsecondary Education; Office of Planning, Evaluation, and Policy Development, and the Office of the Under Secretary.

Student Loan Modeling Investment

One key activity managed by the Office of Finance and Operations is Student Loan Modeling. The fiscal year 2020 request is $3.2 million, an increase of $869,000 over the fiscal year 2019 appropriation. The Student Loan Modeling investment provides support for developing cost estimates and budgetary impacts of student loan policies affecting the $1.4 trillion current portfolio. Given the magnitude of the portfolio, cost estimates of the student loan programs are vitally important. The Department's financial reporting, informed policy making, and effective monitoring of Government borrowing by Treasury all rely on accurate cost estimates. This investment is critical for the projection of future cost estimates and will support 1) continued development of the microsimulation model, 2) credit and modeling analysis, and 3) validation support for credit models.

Microsimulation Model Development

In order to more accurately estimate student loan costs, to provide more detailed analysis of program effects, and better inform student loan policy, one of the major goals of this investment is to develop and implement a borrower-based microsimulation model. This model will consist of multiple components, most significantly the Servicer Emulator (which will process borrower and loan events to calculate cash flows) and the Event Generator (which will simulate borrower and loan events). Full development of this model is expected to be highly complex and rely on a combination of Department, interagency, and vendor support.

- Servicer Emulator: The Department currently has an interagency agreement with the Department of Treasury to develop a borrower-based (i.e., microsimulation) cash flow model. The Servicer Emulator piece of the model replicates the events and actions that occur during the life of a loan. The fiscal year 2020 request of $470,000, an increase of $15,000 over the fiscal year 2019 appropriation, will be utilized to continue to fund this agreement. During fiscal year 2019, the focus is on continual testing of the Servicer Emulator, processing borrower and loan events in parallel with the inputs of the current cash flow model. Differences between the current model and the Servicer Emulator will be reconciled, explained, and validated. Functionality will also be added to address rehabilitated loans. In fiscal year 2020, the focus will be to finalize testing, with a goal of operationalizing the Servicer Emulator for the fiscal year 2021 President’s Budget cycle.

- Event Generator: In fiscal year 2019, the Department is issuing a Request for Information (RFI) in order to: 1) identify potential vendors; 2) identify potential frameworks for model development; and 3) help craft a request for procurement, model design, and model development strategy. The RFI will be used to inform a planned award in fiscal year 2019 for initial Event Generator model design. The model design will produce a framework for the ultimate development of the Event Generator. In fiscal year 2020, the Department expects to begin model development; the fiscal year 2020 request of $1,450,000 will be utilized to fund the first phase of this development.

Credit and Modeling Analysis and Support

The Department has engaged contractor support to address various credit, modeling, and documentation needs, as well as continued support of the current cash flow model. For example, during fiscal year 2018, vendor support was used to analyze the budgetary effects of income recertification in Direct Student Loans, which addressed a GAO recommendation. In fiscal year 2019, the Department plans to address several audit recommendations such as developing a comprehensive catalog of data elements used in its cost estimation models. In both fiscal years 2019 and 2020, vendor support will also be provided to maintain the current cash flow model as well as assist in preparation and support of the Agency Financial Report. In addition, the request includes funds needed for SAS licenses and server maintenance. The fiscal year 2020 request for these activities is $522,000 $51,000 less than the fiscal year 2019 appropriation.

Validation Support for Credit Models

Independent model validation was included as a key recommendation in the Independent Auditor's Report on the Department's 2016 Agency Financial Report. A robust validation program is also central to identifying and mitigating model risk. The fiscal year 2020 request, $758,000, is an increase of $305,000 over the fiscal year 2019 appropriation. In fiscal year 2018, models validated included the Student Loan Model and Income-Driven Repayment (IDR) cash flow model. In fiscal year 2019, planned validation activities include Deferment and Forbearance rate assumption, Default rate assumption, other key assumption updates, and the Servicer Emulator. Funds requested in fiscal year 2020 will support continued validation of the Department's credit models. The specific credit models validated will be determined on a priority basis using an assessment of model risk.

System Application Matrix

The two system matrixes, shown in the charts below, illustrate the interdependencies between the major student aid system applications for the core business functions and the end user. The first chart shows each system application, its projected costs for fiscal years 2019 and 2020, and core business functions supported by each system application. The second chart shows the interdependencies between all system applications and the four end users: schools, students, financial partners, and the Department of Education.

System Application	2019 Appropriation (dollars in millions)	2020 Request (dollars in millions)	Student Aid Application Processing	Origination and Disbursement	Student Loan Servicing
Loan Servicing	$826.0	$531.0		X	X
NextGen	$109.0	477.0	X		X
Title IV Origination and Disbursement System	121.5	118.3	X	X	X
Application and Eligibility Determination System; FSA Customer Contact Center; and Customer Engagement Management System	83.8[1]	83.7 [1]	X	X	
Next Generation Data Center	43.2	46.5	X	X	X
Enterprise Software Licenses	18.5	21.0	X	X	X
National Student Loan Data System	15.0[1]	13.5	X	X	X
Financial Management System	6.4	6.5		X	
Total Discretionary Costs	**1,223.4**	**1,297.5**			

[1] Amount includes reengineering and recompete efforts.

Systems Applications and End Users

System Application	School	Student	Financial Partners	Department of Education
Loan Servicing	X	X	X	X
NextGen	X	X		X
Title IV Origination and Disbursement System	X	X		X
Application and Eligibility Determination System	X	X		X
Next Generation Data Center				X
Enterprise Software Licenses				X
National Student Loan Data System	X	X	X	X
Financial Management System			X	X
Integrated Partner Management	X		X	X

Note: Financial Partners include lenders and guaranty agencies.

Major SAA Contracts

The following tables provide a list of Student Aid Administration contracts in fiscal years 2019 and 2020.

Contracts: Loan Servicing
Description: Servicing and consolidation of direct student loans, Perkins loans, TEACH grants, servicing FFEL loans, and defaulted loans
FY 2019 Appropriation: $ 826.0 million
FY 2020 Request: $ 531.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
PHEAA	Harrisburg, PA* Chester, PA Mechanicsburg, PA Pittsburgh, PA State College, PA
Great Lakes Education Loan Services Inc.	Madison, WI* Eagan, MN Aberdeen, SD Plano, TX

Vendor	Vendor Locations
	Boscobel, WI Eau Claire, WI Stevens, Point, WI Rocky Hill, CT
Nelnet Servicing LLC	Lincoln, NE* Aurora, CO Highlands Ranch, CO Omaha, NE Houston, TX Boise, ID
Navient	Wilmington, DE* Reston, VA Fishers, IN Muncie, IN Newark, DE Wilkes-Barre, PA
Missouri Higher Education Loan Authority	Chesterfield, MO* Columbia, MO Washington, DC
HESC/EdFinancial	Knoxville, TN* North Charleston, SC Mansfield, OH Mechanicsburg, PA Rose Hill, KS
Cornerstone	Salt Lake City, UT*
New Hampshire Higher Education Corporation (Granite State)	Concord, NH*
Oklahoma Student Loan Authority	Oklahoma City, OK*
Maximus Federal Services, Inc.	Reston, VA* Frederick, MD Falls Church, VA Greenville, TX Utica, NY Washington, DC
Educational Computer Systems	Warrendale, PA* Coraopolis, PA Pittsburg, PA

Contract: Title IV Origination and Disbursement System (TIVODS)
Description: Disbursement of Pell Grants and Direct Loans
FY 2019 Appropriation: $ 121.5 million
FY 2020 Request: $ 118.3 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Accenture LLP	Arlington, VA* Columbus, GA Monticello, KY Niagara Falls, NY Piscataway, NJ San Antonio, TX Washington, DC

Contracts: Application and Eligibility Determination System (AEDS); FSA Customer Contact Center; and the Customer Engagement Management System
Description: Integration of application processing, aid awareness, and eligibility determination; call center services; and Customer Engagement Management System operations
FY 2019 Appropriation: $ 27.0 million
FY 2020 Request: $ 36.2 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
General Dynamics One Source	Fairfax, VA* Coralville, IA Lawrence, KS Washington, DC Montgomery, AL Herndon, VA Broomfield, CO Rockville, MD Hattiesburg, MS Westminster, CO
Senture	London, KY* Monticello, KY
Enterprise Services, LLC	Montgomery, AL El Paso, TX London, KY Monticello, KY Hattiesburg, MS

Contract: Next Generation Data Center
Description: Data center for student financial aid systems
FY 2019 Appropriation: $ 43.2 million
FY 2020 Request: $ 46.5 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
DXC Enterprise Services	Herndon, VA* Boise, ID Clarksville, VA Colorado Springs, CO Washington, DC

Contract: Enterprise Software Licensing
Description: Maintenance for software licenses for Financial Management System and database operations
FY 2019 Appropriation: $ 18.0 million
FY 2020 Request: $ 21.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Various	Various

Contract: National Student Loan Data System
Description: Loan-level database to verify student eligibility, calculate institutional default rates, pay guaranty agency fees, track enrollment for loan servicing, and support credit reform accounting
FY 2019 Appropriation: $ 15.1 million
FY 2020 Request: $ 13.0 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Briefcase Systems Development, Inc.	Arlington, VA* Coralville, IA Venice, FL Lawrence, KS

Contract: Financial Management System
Description: Accounting system for transactions
FY 2019 Appropriation: $ 6.4 million
FY 2020 Request: $ 6.5 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Avineon, Inc.	McLean, VA* Washington, DC

Contract: System Security Authorization
Description: Basic security for all FSA applications and general support systems
FY 2019 Appropriation: $ 7.6 million
FY 2020 Request: $ 8.7 million
Vendors: *denotes vendor headquarters for loan servicers

Vendor	Vendor Locations
Blue Canopy	Reston, VA*

PROGRAM PERFORMANCE INFORMATION

Performance Measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. At the beginning of fiscal year 2016, Federal Student Aid (FSA) released its current strategic plan, *Federal Student Aid: Strategic Plan, Fiscal Years 2015–19* which described the organization's current goals and objectives. FSA's performance indicators were updated this year to account for improvements in data collection and analysis that allowed for more accurate and better-aligned metrics.

Strategic Goal A: Improve quality of service for customers across the entire student aid life cycle.

Measure: Percent of first-time FAFSA filers among high school seniors.

Year	Target	Actual
2015	59.1–61.1	60.5
2016	59.5–61.5	57.5
2017	56.5–58.5	60.2
2018	66.4–68.4	67.4
2019	67.0-69.0	
2020	TBD	

Note: The methodology for calculating this metric is changing in fiscal year 2018 to account for the fact that many high school seniors are 19 years of age. The previous methodology was undercounting high school seniors, since it was based on an age of 18 years.

Additional information: FSA met its target for this metric with a result of 67.4 percent.

FSA provides a weekly update of total FAFSAs filed for every high school in the United States with five or more FAFSAs completed. Schools use this data to increase their FAFSA completion rates. FSA believes that these data when combined with awareness and outreach efforts resulted in an increase in the number of high school seniors who file a FAFSA. In fiscal year 2018, FSA efforts were supplemented by a nationwide FAFSA Completion Contest sponsored by the National College Access Network and the Kresge Foundation and significant FAFSA completion efforts in populous states such as Florida and Texas.

In fiscal year 2018, FSA discovered that its previous definition of high school senior was outdated, causing the calculation of this metric to be flawed. FSA changed its methodology used to calculate this metric; however, for comparative purposes only, FSA simulated target would be 60.2 percent and its simulated result, 60.8 percent using the previous methodology.

The denominator is the number of graduating high school seniors according to the most recent projection by National Center for Education Statistics. The numerator is based on the number of applications for first-time filers during the first nine (twelve beginning fiscal year 2017) months of the application cycle that are, as of September 30 of the first year of the application cycle, complete (not rejected). First-time filers are defined as incoming freshmen, with or without previous college attendance; reporting high school diploma attainment, and who attended a high school in the 50 states and Washington D.C. For fiscal years up to and including 2017, applicants also had to be age 18 or less as of June 30 of the first year of the application cycle; for subsequent fiscal years beginning 2018, applicants had to be age 19 or less as of October 15 of the first year of the application cycle. Data are based on last transaction on file as of September 30, 2018. Data include all applications submitted listing high schools in the 50 US states and DC. Applications from seniors at Department of Defense Education Activity schools in other geographic areas are excluded.

Measure: Persistence among first-time filing aid recipients.

Year	Target	Actual
2015	78.6–80.6	79.5
2016	78.5–80.5	79.7
2017	78.7–80.7	82.6
2018	81.6–83.6	82.5
2019	82.0–84.0	
2020	TBD	

Additional information: FSA met its target for this metric with a result of 82.5 percent.

Moving the FAFSA start date back three months (from January 1st to October 1st) provided more time for federal student aid recipients to file a renewal FAFSA. The increased time—provided by the expanded FAFSA calendar—has resulted in more first-time filers returning to file a FAFSA for their next school year beginning in fiscal year 2017.

Measure: Customer visits to StudentAid.gov.

Year	Target	Actual
2015	>=32.7	43.3
2016	>=43.4	47.2
2017	>=43.3	44.3
2018	>=43.3	44.5
2019	>=150.0	
2020	TBD	

Additional information: FSA continued to exceed its target for this metric again in fiscal year 2018 with a result of 44.5 million customer visits.

FSA's performance on this metric is a testament to the success of its effort to consolidate disparate sites and systems into a single, integrated student experience. Since its launch in 2012, StudentAid.gov has evolved into FSA's primary information interface for federal student aid tools, resources, and services.

Measure: Social media channel subscribership.

Year	Target	Actual
2015	>=368,000	454,066
2016	>= 454,000	528,251
2017	>= 500,000	584,241
2018	>= 590,000	607,241
2019	>= 615,000	
2020	TBD	

Additional information: FSA exceeded its target with more than 607,241 subscribers.

FSA exceeded its target for this metric for the fifth year in a row, with subscribers to FSA's Facebook, Twitter, and YouTube social media channels. In today's information age, digital media techniques are becoming increasingly critical for effective customer engagement. Within the past several years, FSA has aggressively leveraged social media tools to drive awareness, uncover insights, engage and interact with students and borrowers, and drive traffic to FSA's websites. This metric helps track FSA's progress in this domain

Measure: Customer service level of American Customer Satisfaction Index for entire aid lifecycle (1–100 Scale).

Year	Target	Actual
2015	Prior to revised metric	77.2
2016	Prior to revised metric	70.4
2017	69.4–71.4	69.9
2018	68.9–70.9	70.6
2019	70.0–72.0	
2020	TBD	

Additional information: FSA meet its target for this metric with a result of 70.6.

The fiscal year 2018 score of 70.6 is higher than the fiscal year 2017 score of 69.9 and indicates small improvements across three groups of borrowers that span the student aid lifecycle. The most heavily weighted of these measures is borrowers who are currently having their loans serviced – this is the largest segment of the population served by FSA (FSA has over 42 million borrowers) and therefore accounts for 70 percent of the measure. Nearly 25 percent of this metric is made up of scores collected by FAFSA applicants (roughly 18 million FAFSAs are filed each year) and the smallest component of the metric is the 5 percent of the measure that accounts for students still in school who are receiving Title IV funds. Together, the three measures span the three major parts of the student aid lifecycle.

Strategic Goal B: Proactively manage the student aid portfolio to mitigate risk.

Measure: Improper Payment Rate.

Year	Target	Actual
2015	1.65%	2.38%
2016	N/A	4.85
2017	4.85	4.97
2018	4.97	4.95
2019	4.95	
2020	TBD	

Additional information: FSA met its target for this metric with a blended improper rate for the Direct Loan and Pell Grant programs of 4.95 percent.

The Improper Payment Rate metric is a single 'blended' rate that divides aggregated estimated improper payments for all programs identified as risk-susceptible for that year by aggregated estimated program outlays. In fiscal year 2015 and fiscal year 2016, FSA identified the Pell Grant and Direct loan programs as risk-susceptible. FSA convened a working group in 2016 with OIG and OMB participating in an advisory capacity to identify, evaluate, and implement improvements to the baseline estimation methodology to address improper payment risks not previously incorporated.

The underlying improper payment estimates were calculated using an alternative methodology. Although FSA strives for zero improper payments, there continue to be improper payments. In designing controls, FSA must strike the right balance between providing timely and accurate payments to grant recipients and students, while at the same time ensuring that controls are not too costly and burdensome to students and schools. Additionally, FSA must rely on controls established by intermediaries, such as schools, who make payments to students on behalf of FSA. In 2017, over 96 percent of the estimated improper payments were a result of administrative or process errors made by other parties. FSA continues to assess risks associated with improper payments and establish effective internal controls designed to prevent, detect, reduce, and recover improper payments.

The fiscal year 2020 request includes proposals to further reduce the risk of improper payments, particularly in the Pell Grant program. Additionally, FSA is improving its own processes to address and identify improper payments.

- ***Except Education from Section 6103 for Certain Student Aid Programs.*** One of the primary causes of improper payments in the Pell Grant program is failure to verify financial data accurately. The budget proposes to except the Department from restrictions of Section 6103 of the Internal Revenue Code to allow the Department to more easily receive income tax data from the IRS, thereby simplifying and improving the accuracy of FAFSA filing by prepopulating certain fields. This exception will also allow borrowers to more easily recertify their income to stay enrolled in Income Driven Repayment IDR plans. This proposal would reduce discretionary program costs by $782 million and mandatory outlays by $177 million over 10 years.
- ***Improve Pell Fraud Prevention.*** The Budget proposes to bar someone from receiving

another Pell Grant if they have been awarded three consecutive Pell Grants without earning any credits. This will prevent the fraudulent practice of people going from school to school, enrolling long enough to receive a reimbursement but not pursuing any credits. This proposal would reduce discretionary program costs by $163 million and mandatory outlays by $38 million over 10 years.

- ***Improve Selection for Verification.*** The Department is in the process of strengthening its use of administrative data to create a smarter system for selecting students for verification. By selecting for verification reviews those applicants with greater likelihood of incorrect information, this proposal will improve schools' ability to detect and prevent improper payments. In addition, it will help ensure students and schools bear the burden of verification only when necessary, balancing the need to protect taxpayers and access to student aid for those who need it most.
- ***Better Target Program Reviews.*** The Department will strengthen its use of administrative data to target FSA's program compliance reviews on schools with higher risk of improper payments. This proposal should increase both the number of improper payments FSA identifies and the amounts it recovers.
- ***Take Enforcement Actions against Noncompliant Schools.*** The Department has the authority to issue fines or take other enforcement actions to penalize schools for noncompliance. Enforcement actions currently are determined based on the type and level of severity, as well as the Department's ability to execute successfully based on available resources. The Department will consider how it may use this authority to incentivize schools to put the necessary controls into place to reduce improper payments, particularly for those schools that neglect their responsibilities.

Other information:

The fiscal year 2015 improper payment target and actual rates reported in the table over reflect the corrected improper payment rates for fiscal year 2015 as determined by the Improper Payments Elimination and Recovery Act (IPERA) Compliance Audit Report published by the Office of Inspector General (OIG) May 10, 2016. The corrected improper payment rates are prepared in accordance with the alternative sampling and estimation methodology approved by OMB as of October 20, 2015. The rate reported in FSA's *Fiscal Year 2015 Annual Report* was 1.44 percent.

At the time fiscal year 2016 targets were set, it was known that the estimation methodology would change to address improper payment risks not previously incorporated, but not the impact. Accordingly, no target was set for this measure for fiscal year 2016.

In 2018, FSA developed a statistically valid methodology that is being implemented in fiscal year 2019 to estimate the Pell Grant and Direct Loan program improper payment rates. The statistically valid methodology is based on a random sample from the over 5,000 annual compliance audits from the universe of schools rather than a sample from 100-300 annual program reviews from a limited number of schools. The primary advantages of the new methodology are a larger random sample and reduced volatility of estimates. The new methodology is expected to provide a more accurate estimate of the Pell Grant and Direct Loan program improper payment rates.

Measure: Percent of borrowers >90 days delinquent.

Year	Target	Actual
2015	10.4%	9.8%
2016	9.9	8.8
2017	7.4	8.3
2018	8.18	7.4
2019	8.02	
2020	TBD	

Additional information: FSA meet its target with a result of 7.4 percent.

During fiscal year 2018, FSA launched the Next Gen FSA. The vision of Next Gen FSA is to transform FSA to provide a world-class student aid customer experience, using industry best-in-class financial services technologies, to provide better outcomes for student and greater value to taxpayers. Borrowers, in particular, will benefit from fully designed, single contact center platform allowing them to easily contact FSA by phone, chat, and other channels, in order to receive accurate and consistent information that addresses their needs. Through direct engagement, seamless customer connections, single contact capability, and uniform data management, it is anticipated that fewer borrowers will experience periods of delinquency.

Borrower-based data are collected from Title IV Additional Services (TIVAS) and Not-for Profit (NFP) invoices. FSA calculates the average number of borrowers serviced by TIVAS and NFPs who are between 91 and 270 days delinquent in the year ending June 30 each year and divides this number by the average number of borrowers in active repayment for the year. This calculation was adjusted in fiscal year 2015 to better measure all pre-default accounts more than 90 days delinquent relative to all accounts where payments are anticipated.

Strategic Goal C: Improve operational efficiency and flexibility.

Measure: Aid Delivery Cost per Application.

Year	Target	Actual
2015	12.28	10.73
2016	13.11	11.53
2017	11.46	10.68
2018	12.16	8.83
2019	11.99	
2020	TBD	

Additional information: FSA met its target for this metric with a result of $8.83.

FSA continues to focus on reducing costs and increasing efficiencies within the federal student aid process. During fiscal year 2018, aid delivery cost per application was approximately 27 percent lower than the fiscal year 2018 target, and approximately 17 percent below the fiscal year 2017 result.

The cost data for this metric are derived from general ledger data uploaded to FSA's Activity-Based Costing model, which is updated on a quarterly basis and reconciled to FSA's Statement of Net Cost, ensuring all costs assigned to FSA are included in the cost model. The FAFSA volumes are derived from the CPS, FSA's system for processing student aid applications.

Measure: Outstanding Direct Loan Portfolio in Current Repayment Status.

Year	Target	Actual
2015	Prior to revised metric	
2016	85.3%	85.4%
2017	84.9–85.9	85.7
2018	85.0–86.0	86.5
2019	85.0–86.0	
2020	TBD	

Additional information: FSA met its target for this metric with a result of 86.5 percent.

FSA has taken a number of steps over the past few years to create incentives for federal loan servicers to help borrowers understand their repayment options and other benefits in order to successfully manage their student loan debt more effectively. It has conducted outreach to borrowers to increase awareness of income-based repayment plans. FSA believes the results related to this metric reflect the success of these efforts.

The metric is calculated using the Direct Loan Portfolio by Delinquency Status Report published by the FSA Data Center using data provided by NSLDS. It is the outstanding principal and interest balance of "current" Direct Loans in the active repayment status divided by the total principal and interest balance of Direct Loans in an active repayment status at the non-default servicers. The metric result is calculated as a four-quarter moving average as of September 30 of the current fiscal year. This allows FSA to account for changes relating to seasonality and indirect factors that could be false indicators of change.

Strategic Goal D: Foster trust and collaboration among stakeholders.

Measure: Ease of Doing Business with FSA (1–100 Scale).

Year	Target	Actual
2015	75.9–77.9	75.8
2016	74.3–77.3	72.3
2017	71.3–73.3	73.4
2018	71.9–74.9	74.5
2019	73.4–75.4	
2020	TBD	

Additional information: FSA met its target for this metric with a result of 74.5.

The fiscal year 2018 score for the "Ease of Doing Business" item on the Schools Partners survey was 74.5, the upper end of the target range (71.9–74.9) for this score. The School Partners Survey reaches out to Financial Aid Administrators across the nation who work and interact with FSA. This score comes from the August 2018 survey of Financial Aid Administrators and was the sole measurement for fiscal year 2018. A survey of 10 to 12 questions, regarding the ease of doing business with FSA, is sent to schools quarterly. The questions focus on the ease of use of FSA's major delivery and information systems. The score is based on 1,548 responses, which resulted from 5,468 invitations sent (a 28.3 percent response rate). FSA feels that the increased score is indicative of improvements that it continues to make at its call centers, improvements and greater awareness of the Financial Aid Toolkit, which allows a growing number of Financial Aid Administrators to "self-serve" through accessing the many resources available in the toolkit, and use of our updated websites, including StudentAid.gov.

Measure: Percentage of contract dollars competed by FSA.

Year	Target	Actual
2015	87.7–89.7%	90.3%
2016	89.3–91.3	92.9
2017	89.3–91.3	95.2
2018	89.3–91.3	96.8
2019	95.8–97.8	
2020	TBD	

Additional information: FSA exceeded this metric with a final score of 96.8 percent.

FSA exceeding the target for this performance metric in fiscal year 2018 is the result of FSA's commitment to competitively award a high percentage of contract dollars each year, driving value for taxpayers through a competitive acquisition process.

Measure: Collection Rate (non-default and default).

Year	Target	Actual
2015	36.56	51.58
2016	51.79	53.07
2017	51.68	59.69
2018	59.24	62.15
2019	53.30	
2020	TBD	

Additional information: FSA met its target for this metric with a result of $62.15.

Four main components led to the increase in the fiscal year 2018 Collection Rate Metric. Actual Loan Servicing costs are lower in part because the estimated $15.7 million in servicer recompete costs have not yet been realized. The Actual Default Collection costs are higher because a 3.5 percent decrease was realized instead of the estimated decrease of 9.2 percent. The Private Collection Agency (PCA) costs are lower than projected due to the new 'flat rate' pricing paid to PCAs being fully implemented in fiscal year 2018 and Actual Collections were 6 percent lower than projected.

Collections are defined as the total amount of principal collected on both current and defaulted debt during the 12-month period ending June 30 of each year. Costs include the total direct costs calculated for loan servicing plus debt collections for the same period using FSA's Activity-Based Costing process. The cost data are derived from FSA's Activity-Based Costing model (Default Collections and Loan Servicing) and PCA spending. A program from the general ledger captured the amount of collections and repayment.

Strategic Goal E: Strengthen Federal Student Aid's performance culture and become one of the best places to work in the Federal Government.

Measure: FSA Employee Engagement Index (Subset of Questions from Governmentwide Employee Viewpoint Survey)—Percentage of positive responses to survey.

Year	Target	Actual
2015	66.7–68.7	67.9
2016	66.9–68.9	67.4
2017	65.4–69.4	69.7
2018	67.7–72.7	62.0
2019	61.0–63.0	
2020	TBD	

Additional information: FSA did not met its target with a result of 62.0 percent.

FSA experienced significant shifts in management; restructuring of its workflow and business units; and significant policy changes to employees' work/life balance in fiscal year 2018. FSA believes that these changes caused a dramatic decrease to its scores particularly under the Leaders Lead subsection of the Employee Engagement Index (EEI). The Leaders Lead subsection decreased from 59 percent in fiscal year 2017 to 44 percent with a change differential of fifteen percentage points in fiscal year 2018. These questions focused on employees' perception of senior leaders' integrity, honesty, and commitment to the workforce.

Even with the significant changes in leadership, FSA's employee engagement team coordinated with business units to deliver meaningful programs (under the FSA First Class initiative). These programs were designed to (1) increase employees' awareness of FSA's mission and priorities; (2) help employees map their own work to the organization's mission; and (3) increase employees knowledge about other areas within FSA outside of their own business unit. Implementing strategic initiatives directly assisted to sustain the scores within the 60 percentile in positive responses associated with the EEI questions.

The EEI is calculated as the average of positive response percentages to a predetermined set of questions in the annual FEVS: questions numbered 3, 4, 6, 11, 12, 47, 48, 49, 51, 52, 53, 54, 56, 60, and 61. These questions can be found as part of the FY 2018 FEVS results located at fedview.opm.gov.