

# DEPARTMENT OF EDUCATION

## OFFICE OF ELEMENTARY AND SECONDARY EDUCATION

### Federal Funds

#### General and special funds:

#### EDUCATION FOR THE DISADVANTAGED

For carrying out title I of the Elementary and Secondary Education Act of 1965 ("ESEA") and section 418A of the Higher Education Act of 1965, \$14,184,000,000, of which \$6,632,199,000 shall become available on July 1, 2004, and shall remain available through September 30, 2005, and of which \$7,383,301,000 shall become available on October 1, 2004, and shall remain available through September 30, 2005, for academic year 2004–2005: Provided, That \$7,172,971,000 shall be for basic grants under section 1124, of which up to \$3,500,000 shall be available to the Secretary of Education on October 1, 2003, to obtain updated educational-agency-level census poverty data from the Bureau of the Census: Provided further, That \$1,365,031,000 shall be for concentration grants under section 1124A: Provided further, That \$3,018,499,000 shall be for targeted grants under section 1125: Provided further, That \$793,499,000 shall be for education finance incentive grants under section 1125A: Provided further, That \$9,500,000 shall be to carry out part E of Title I, of which up to \$1,000,000 shall be available to the Secretary of Education to provide technical assistance to State and local educational agencies concerning part A of Title I.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107–229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

#### Program and Financing (in millions of dollars)

Identification code 91–0900–0–1–501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Direct program:			
Grants to local educational agencies:			
Local educational agency formulas:			
00.01 Basic grants .....	8,655	7,211	7,173
00.02 Concentration grants .....	1,350	1,365	1,365
00.03 Targeted grants .....	2,018	2,018	3,018
00.04 Education finance incentive grants formula .....	794	794	794
Reading first:			
00.05 Reading first State grants .....	366	1,340	1,050
00.06 Early reading first .....	1	149	100
00.07 Even start .....	249	220	175
00.08 Literacy through school libraries .....	13	12	28
00.09 State agency programs .....	444	452	444
00.10 Comprehensive school reform .....	226	245	245
00.11 Evaluation .....	9	9	9
00.12 Close up fellowships .....	2	2	2
00.13 Advanced placement .....	22	22	22
00.14 Dropout prevention programs .....	10	10	10
00.16 Migrant education projects .....	38	38	28
10.00 Total new obligations .....	11,385	13,875	14,184
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	163	490	490
22.00 New budget authority (gross) .....	11,722	13,385	14,184
22.10 Resources available from recoveries of prior year obligations .....	2	2	2
23.90 Total budgetary resources available for obligation .....	11,887	13,875	14,184
23.95 Total new obligations .....	–11,385	–13,875	–14,184
23.98 Unobligated balance expiring or withdrawn .....	–12	–12	–12
24.40 Unobligated balance carried forward, end of year .....	490	490	490
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	4,964	6,002	6,801
55.00 Advance appropriation .....	6,758	7,383	7,383
70.00 Total new budget authority (gross) .....	11,722	13,385	14,184

Change in obligated balances:			
72.40 Obligated balance, start of year .....	3,972	6,082	8,051
73.10 Total new obligations .....	11,385	13,875	14,184
73.20 Total outlays (gross) .....	–9,247	–11,906	–13,201
73.40 Adjustments in expired accounts (net) .....	–25	–25	–25
73.45 Recoveries of prior year obligations .....	–2	–2	–2
74.40 Obligated balance, end of year .....	6,082	8,051	9,034

Outlays (gross), detail:			
86.90 Outlays from new discretionary authority .....	5,890	6,576	6,616
86.93 Outlays from discretionary balances .....	3,357	5,330	6,585
87.00 Total outlays (gross) .....	9,247	11,906	13,201

Net budget authority and outlays:			
89.00 Budget authority .....	11,722	13,385	14,184
90.00 Outlays .....	9,248	11,906	13,201

Additional net budget authority and outlays to cover cost of fully accruing retirement:			
99.00 Budget authority .....	3	3	3
99.01 Outlays .....	3	3	3

Note.—Excludes \$22 million in budget authority in 2004 for activities transferred to Department of Education:

Office of Innovation and Improvement, Innovation and Improvement .....	2004 est. 22
--	-----------------

Comparable amounts for 2002 (\$22 million) and 2003 (\$22 million) are included above.

#### SUMMARY OF PROGRAM LEVEL

(in millions of dollars)

	2002–2003 academic year	2003–2004 academic year	2004–2005 academic year
New Budget Authority .....	4,964	6,002	6,801
Advance appropriation .....	7,383	7,383	7,383
Total program level .....	12,347	13,385	14,184

Change in advance appropriation from the previous year ..... +625 .....

*Grants to local educational agencies.*—Funds are allocated through four formulas—Basic Grants, Concentration Grants, Targeted Grants and Education Finance Incentive Grants—for local programs that provide extra academic support to help raise the achievement of eligible students in high-poverty communities, or, in the case of schoolwide programs, help all students in high-poverty schools to meet challenging State academic standards. States must annually assess participating students in at least reading and mathematics, and school districts must identify for improvement, and provide assistance to, schools that for two consecutive years fail to make adequate yearly progress toward helping all groups of students reach the proficient level on the State assessments. Districts must provide students attending such schools the choice of attending another public school that is not identified for improvement. After three years of failure, students who remain in the school would be permitted to use Title I funds to obtain supplemental educational services from a public- or private-sector provider. Schools that continue to fail to meet State standards would be subject to progressively stonger corrective actions and, after six years of failure, reconstitution under a restructuring plan.

*Reading first State grants.*—Funds provide assistance to State and local educational agencies in establishing reading programs for students in grades K–3 that are grounded in scientifically based reading research, in order to ensure that every student can read at grade level or above by the end of third grade.

*Early reading first.*—Funds provide assistance to support local efforts, through competitive grants, to enhance the school readiness of young children, particularly those from

General and special funds—Continued

EDUCATION FOR THE DISADVANTAGED—Continued

low-income families, through scientific, research-based strategies and professional development that are designed to enhance the verbal skills, phonological awareness, letter knowledge, pre-reading skills, and early language development of children ages three through five.

*Even start.*—Funds support formula grants to States, which award grants for local projects to partnerships of local educational agencies and other organizations to operate projects integrating early childhood education, adult literacy, parenting education, and interactive literacy activities between parents and their children into “family literacy” programs for low-income families with children under age eight.

*Literacy through school libraries.*—Funds support competitive grants to local educational agencies to provide students with increased access to up-to-date school library materials and professional certified library media specialists.

*State agency migrant program.*—Funds support formula grants to States for educational services to children of migratory farmworkers and fishers, with resources and services focused on children who have moved within the past 36 months.

*State agency neglected and delinquent program.*—Funds support formula grants to States for educational services to children and youth under age 21 in State neglected, delinquent, or adult correction facilities.

*Evaluation.*—Funds support national activities to evaluate Title I programs and a national assessment of Title I’s effectiveness in helping States, school districts, and schools raise the overall achievement of disadvantaged students and narrow the achievement gap. A portion of funds would support technical assistance to help States and local educational agencies carry out Part A of Title I.

*Migrant education projects.*—Funds support grants to institutions of higher education and other nonprofit agencies that assist migrant students to earn a high school equivalency certificate or to complete their first year of college.

Object Classification (in millions of dollars)

Identification code 91-0900-0-1-501	2002 actual	2003 est.	2004 est.
24.0 Printing and reproduction .....	1	1	1
25.1 Advisory and assistance services .....	8	40	40
25.2 Other services .....	20	25	25
25.3 Other purchases of goods and services from Government accounts .....	3	3	3
41.0 Grants, subsidies, and contributions .....	11,353	13,806	14,115
99.9 Total new obligations .....	11,385	13,875	14,184

IMPACT AID

For carrying out programs of financial assistance to federally affected schools authorized by title VIII of the Elementary and Secondary Education Act of 1965, \$1,015,500,000, of which \$867,500,000 shall be for basic support payments under section 8003(b), \$40,000,000 shall be for payments for children with disabilities under section 8003(d), \$45,000,000 shall be for construction under section 8007 and shall remain available through September 30, 2005, \$55,000,000 shall be for Federal property payments under section 8002, and \$8,000,000, to remain available until expended, shall be for facilities maintenance under section 8008: Provided, That children described in section 8003(a)(1)(D)-(G) shall not be considered in determining the eligibility of a local educational agency for a payment, or the amount of such a payment, under section 8003(b) or (d).

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration’s 2003 policy proposals.

Program and Financing (in millions of dollars)

Identification code 91-0102-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Payments for federally connected children:			
00.01 Basic support payments .....	983	983	868
00.02 Supplemental payments for children with disabilities .....	50	50	40
00.03 Payments for heavily impacted districts .....	4		
00.91 Subtotal, payments for federally connected children .....	1,037	1,033	908
01.01 Facilities maintenance .....	12	12	8
02.01 Construction .....	15	52	45
03.01 Payments for Federal property .....	55	55	55
10.00 Total new obligations .....	1,119	1,152	1,016
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	14	38	27
22.00 New budget authority (gross) .....	1,144	1,141	1,016
23.90 Total budgetary resources available for obligation .....	1,158	1,179	1,043
23.95 Total new obligations .....	-1,119	-1,152	-1,016
24.40 Unobligated balance carried forward, end of year .....	38	27	27
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	1,144	1,141	1,016
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	215	202	162
73.10 Total new obligations .....	1,119	1,152	1,016
73.20 Total outlays (gross) .....	-1,125	-1,191	-1,036
73.40 Adjustments in expired accounts (net) .....	-7		
74.40 Obligated balance, end of year .....	202	162	142
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	981	999	886
86.93 Outlays from discretionary balances .....	144	192	150
87.00 Total outlays (gross) .....	1,125	1,191	1,036
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	1,144	1,141	1,016
90.00 Outlays .....	1,125	1,191	1,036

Impact Aid helps to replace the lost local revenue that would otherwise be available to educate federally connected children. The presence of certain students living on Federal property, such as students who are military dependents or who reside on Indian lands, can place a financial burden on local educational agencies that educate them. The property on which the children live and their parents work is exempt from local property taxes, denying local educational agencies access to the primary source of revenue used by most communities to finance education.

*Basic support payments.*—Payments will be made on behalf of approximately 270,000 federally connected students enrolled in about 750 local educational agencies to assist them in meeting their operation and maintenance costs. Average per-student payments will be approximately \$3,200.

*Payments for Children with Disabilities.*—Payments in addition to those provided under the Individuals with Disabilities Education Act will be provided on behalf of approximately 35,000 federally connected students with disabilities in about 740 local educational agencies. Average per-student payments will be approximately \$1,140.

*Facilities maintenance.*—Funds are used to provide emergency repairs for school facilities that serve military dependents and are owned by the Department of Education. Funds are also used to transfer the facilities to local educational agencies.

*Construction.*—Formula payments will be provided to approximately 170 local educational agencies with large proportions of federally connected students. Payments will be made on behalf of about 140,000 students who are military dependents or who reside on Indian lands. In addition, approxi-

mately 25 construction grants will be awarded competitively to local educational agencies.

*Payments for Federal Property.*—Payments are made to approximately 250 local educational agencies in which real property owned by the Federal Government represents 10 percent or more of the assessed value of real property in the local educational agency.

**Object Classification** (in millions of dollars)

Identification code 91-0102-0-1-501	2002 actual	2003 est.	2004 est.
21.0 Travel and transportation of persons .....	1	1	1
25.3 Other purchases of goods and services from Government accounts .....	1	1	1
41.0 Grants, subsidies, and contributions .....	1,117	1,150	1,014
99.9 Total new obligations .....	1,119	1,152	1,016

**SCHOOL IMPROVEMENT PROGRAMS**

*For carrying out school improvement activities authorized by titles II, part B of title IV, part A of title V, subpart 1 of part A of title VI, and parts B and C of title VII of the Elementary and Secondary Education Act of 1965 ("ESEA"); the McKinney-Vento Homeless Assistance Act; and the Civil Rights Act of 1964, \$5,042,834,000, of which \$3,540,500,000 shall become available on July 1, 2004, and remain available through September 30, 2005, and of which \$1,435,000,000 shall become available on October 1, 2004, and shall remain available through September 30, 2005, for academic year 2004-2005: Provided, That \$390,000,000 shall be for subpart 1 of part A of title VI of the ESEA.*

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing** (in millions of dollars)

Identification code 91-1000-0-1-501	2002 actual	2003 est.	2004 est.
<b>Direct program:</b>			
<b>Obligations by program activity:</b>			
Improving teacher quality:			
00.01 Improving teacher quality State grants .....	1,672	2,878	2,850
00.02 National activities .....	35	15	15
00.03 Mathematics and science partnerships .....	13	13	13
00.04 Troops-to-teachers .....	18	20	.....
00.05 Transition to teaching .....	35	39	.....
00.06 National writing project .....	14	.....	.....
00.07 Civic education .....	27	.....	.....
00.08 Teaching of traditional American history .....	100	50	.....
Educational technology:			
00.09 Educational technology State grants .....	682	716	701
00.10 Ready-to-learn television .....	22	22	.....
00.11 Preparing tomorrow's teachers to use technology .....	63	.....	.....
00.12 21st Century community learning centers .....	984	1,016	600
School choice and innovation:			
00.13 State grants for innovative programs .....	384	388	385
00.14 Charter schools grants .....	200	200	.....
00.15 Credit enhancement for charter school facilities .....	.....	100	.....
00.16 Voluntary public school choice .....	25	25	.....
00.17 Magnet schools assistance .....	110	110	.....
00.18 Choice demonstration fund .....	.....	50	.....
00.19 Fund for the Improvement of Education .....	618	224	.....
Safe and drug-free schools and communities:			
00.20 State grants .....	470	478	330
00.21 National programs .....	255	192	.....
00.22 State assessments .....	368	406	390
00.23 Education for homeless children and youth .....	50	51	50
00.24 Education for Native Hawaiians .....	31	18	18
00.26 Alaska Native education equity .....	24	14	14
00.27 Training and advisory services .....	7	7	7
00.28 Rural education .....	162	.....	.....
00.29 Class size reduction .....	1,154	.....	.....
00.30 School renovation grants .....	375	.....	.....
00.31 Eisenhower professional development State grants .....	1	.....	.....
00.32 Charter schools financing demonstrations .....	25	.....	.....
00.33 Consolidated technical assistance centers .....	9	.....	.....
00.34 Comprehensive school reform .....	74	1	.....
01.00 Total direct program .....	8,007	7,033	5,373
09.01 Reimbursable program .....	61	.....	.....

10.00 Total new obligations .....	8,068	7,033	5,373
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	414	249	.....
22.00 New budget authority (gross) .....	7,907	6,784	5,373
23.90 Total budgetary resources available for obligation .....	8,321	7,033	5,373
23.95 Total new obligations .....	-8,068	-7,033	-5,373
23.98 Unobligated balance expiring or withdrawn .....	-4	.....	.....
24.40 Unobligated balance carried forward, end of year .....	249	.....	.....

**New budget authority (gross), detail:**

<b>Discretionary:</b>			
40.00 Appropriation .....	6,072	5,019	3,608
42.00 Transferred from other accounts .....	9	.....	.....
43.00 Appropriation (total discretionary) .....	6,081	5,019	3,608
55.00 Advance appropriation .....	1,765	1,765	1,765
68.10 Spending authority from offsetting collections: Change in uncollected customer payments from Federal sources (unexpired) .....	61	.....	.....
70.00 Total new budget authority (gross) .....	7,907	6,784	5,373

**Change in obligated balances:**

72.40 Obligated balance, start of year .....	3,771	8,142	7,422
73.10 Total new obligations .....	8,068	7,033	5,373
73.20 Total outlays (gross) .....	-3,609	-7,753	-7,070
73.40 Adjustments in expired accounts (net) .....	-27	.....	.....
74.00 Change in uncollected customer payments from Federal sources (unexpired) .....	-61	.....	.....
74.40 Obligated balance, end of year .....	8,142	7,422	5,725

**Outlays (gross), detail:**

86.90 Outlays from new discretionary authority .....	1,261	1,575	1,488
86.93 Outlays from discretionary balances .....	2,348	6,178	5,582
87.00 Total outlays (gross) .....	3,609	7,753	7,070

**Offsets:**

Against gross budget authority only:			
88.95 Change in uncollected customer payments from Federal sources (unexpired) .....	-61	.....	.....

**Net budget authority and outlays:**

89.00 Budget authority .....	7,846	6,784	5,373
90.00 Outlays .....	3,609	7,753	7,070

*Note.*—Excludes \$1,201 million in budget authority in 2004 for activities transferred to Department of Education:

	(in millions of dollars)	2004 est
Office of Innovation and Improvement, Innovation and Improvement .....		785
Office of Safe and Drug-Free Schools, Safe Schools and Citizenship Education .....		416
Comparable amounts for 2002 (\$1,642 million) and 2003 (\$1,345 million) are included above.		

**SUMMARY OF PROGRAM LEVEL**

	(in millions of dollars)		
	2002-2003 Academic Year	2003-2004 Academic Year	2004-2005 Academic Year
New Budget Authority .....	6,072	5,019	3,608
Advance Appropriation .....	1,765	1,765	1,435
Total program level .....	7,837	6,784	5,043
Change in advance appropriation over previous year .....			-330

**Improving teacher quality.—**

*Improving teacher quality State grants.*—Funds support State and school district activities to prepare, train, and recruit high-quality teachers to improve student achievement.

*National activities.*—Funds support competitive grants to improve the knowledge and skills of early childhood educators who work in communities that have high concentrations of children living in poverty.

*Mathematics and science partnerships.*—Funds support State and local efforts to improve students' academic achievement in mathematics and science by promoting strong teaching skills for elementary and secondary

General and special funds—Continued

SCHOOL IMPROVEMENT PROGRAMS—Continued

school teachers, including integrating teaching methods based on scientifically-based research and technology into the curriculum.

*Educational technology State grants.*—Funds support formula grants to States, which target funds to high-poverty school districts, to acquire computers, connections, software, and teacher training to enable schools to integrate technology effectively into curricula.

*21st Century community learning centers.*—Funds support formula grants to States, which award subgrants to communities to provide academic enrichment opportunities and related services to students, primarily students who attend high-poverty schools, and their families during before-school, after-school, weekend, and summer hours.

*State grants for innovative programs.*—Funds support formula grants to States and local educational agencies to help implement innovative strategies for improving student achievement.

*State assessments.*—Funds support formula grants to States to develop and implement the new assessments, and related accountability efforts, that States would use to test all children annually in grades 3–8 in reading and mathematics.

*Education for homeless children and youth.*—Funds support formula grants to States to provide educational and support services that enable homeless children and youth to attend and achieve success in school.

*Education for Native Hawaiians.*—Funds provide supplemental education services to Native Hawaiians in areas such as family-based education, special education, gifted and talented education, higher education, curriculum development, teacher training and recruitment, and community-based learning.

*Alaska Native education equity.*—Funds provide supplemental education services to Alaska Natives in areas such as educational planning, curriculum development, teacher training, teacher recruitment, student enrichment, and home-based instruction for pre-school children. Grants also go to organizations specified in the law.

*Training and advisory services.*—Funds support grants to regional equity assistance centers that provide technical assistance to school districts in addressing equity in education related to issues of race, gender, and national origin.

Object Classification (in millions of dollars)				
Identification code		2002 actual	2003 est.	2004 est.
91–1000–0–1–501				
	Direct obligations:			
24.0	Printing and reproduction .....	1	1	1
25.1	Advisory and assistance services .....	9	49	20
25.2	Other services .....	50	75	21
25.3	Other purchases of goods and services from Government accounts .....	4		
41.0	Grants, subsidies, and contributions .....	7,943	6,908	5,331
99.0	Direct obligations .....	8,007	7,033	5,373
99.0	Reimbursable obligations .....	61		
99.9	Total new obligations .....	8,068	7,033	5,373

INDIAN EDUCATION

For expenses necessary to carry out, to the extent not otherwise provided, title VII, part A of the Elementary and Secondary Education Act of 1965, \$122,368,000.

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107–229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

Program and Financing (in millions of dollars)				
Identification code		2002 actual	2003 est.	2004 est.
91–0101–0–1–501				
	<b>Obligations by program activity:</b>			
00.01	Grants to local educational agencies .....	97	97	97
00.02	Special programs for Indian children .....	20	20	20
00.03	National activities .....	3	5	5
10.00	Total new obligations .....	120	122	122
	<b>Budgetary resources available for obligation:</b>			
22.00	New budget authority (gross) .....	120	122	122
23.95	Total new obligations .....	–120	–122	–122
	<b>New budget authority (gross), detail:</b>			
	Discretionary:			
40.00	Appropriation .....	120	122	122
	<b>Change in obligated balances:</b>			
72.40	Obligated balance, start of year .....	132	145	143
73.10	Total new obligations .....	120	122	122
73.20	Total outlays (gross) .....	–104	–124	–122
73.40	Adjustments in expired accounts (net) .....	–3		
74.40	Obligated balance, end of year .....	145	143	143
	<b>Outlays (gross), detail:</b>			
86.90	Outlays from new discretionary authority .....		6	6
86.93	Outlays from discretionary balances .....	104	118	116
87.00	Total outlays (gross) .....	104	124	122
	<b>Net budget authority and outlays:</b>			
89.00	Budget authority .....	120	122	122
90.00	Outlays .....	104	124	122

The Indian Education program supports the efforts of local educational agencies and tribal schools to improve teaching and learning for the Nation's American Indian and Alaska Native Children.

*Grants to local educational agencies.*—Formula grants support local educational agencies in their efforts to reform elementary and secondary school programs that serve Indian students, with the goal of ensuring that such programs assist participating students in meeting the same academic standards as all other students. In 2002, the Department made 1,189 formula grants to local educational agencies and tribal schools serving more than 465,000 students.

*Special programs for Indian Children.*—The Department makes competitive awards for demonstration projects in early childhood education, professional development grants, American Indian Teacher Corps grants, and grants for the American Indian Administrator Corps. The professional development awards in this activity are designed to improve the quality of teachers and administrators in school districts with concentrations of Indian students.

*National activities.*—Funds support research, evaluation, data collection, and related activities.

Object Classification (in millions of dollars)				
Identification code		2002 actual	2003 est.	2004 est.
91–0101–0–1–501				
25.2	Other services .....	2	4	5
41.0	Grants, subsidies, and contributions .....	118	118	117
99.9	Total new obligations .....	120	122	122

READING EXCELLENCE

Program and Financing (in millions of dollars)				
Identification code		2002 actual	2003 est.	2004 est.
91–0011–0–1–501				
	<b>Obligations by program activity:</b>			
00.01	Reading Excellence .....	201		
10.00	Total new obligations .....	201		
	<b>Budgetary resources available for obligation:</b>			
21.40	Unobligated balance carried forward, start of year .....	6		

22.00	New budget authority (gross)	195		
23.90	Total budgetary resources available for obligation	201		
23.95	Total new obligations	-201		

**New budget authority (gross), detail:**

Discretionary:				
55.00	Advance appropriation	195		

**Change in obligated balances:**

72.40	Obligated balance, start of year	449	447	137
73.10	Total new obligations	201		
73.20	Total outlays (gross)	-200	-310	-105
73.40	Adjustments in expired accounts (net)	-4		
74.40	Obligated balance, end of year	447	137	31

**Outlays (gross), detail:**

86.90	Outlays from new discretionary authority	1		
86.93	Outlays from discretionary balances	199	310	105
87.00	Total outlays (gross)	200	310	105

**Net budget authority and outlays:**

89.00	Budget authority	195		
90.00	Outlays	200	310	105

**Reading Excellence.**—This program has been replaced by the Reading First program in the Education for the Disadvantaged account. Amounts in these schedules reflect balances that are spending out from prior-year appropriations.

**Object Classification** (in millions of dollars)

Identification code 91-0011-0-1-501	2002 actual	2003 est.	2004 est.
24.0	Printing and reproduction	2	
25.2	Other services	6	
25.3	Other purchases of goods and services from Government accounts	1	
41.0	Grants, subsidies, and contributions	192	
99.9	Total new obligations	201	

**EDUCATION REFORM**

**Program and Financing** (in millions of dollars)

Identification code 91-0500-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
01.01	Small learning communities	103	
10.00	Total new obligations	103	

**Budgetary resources available for obligation:**

21.40	Unobligated balance carried forward, start of year	103	
23.95	Total new obligations	-103	

**Change in obligated balances:**

72.40	Obligated balance, start of year	2,464	781	80
73.10	Total new obligations	103		
73.20	Total outlays (gross)	-1,768	-701	-80
73.40	Adjustments in expired accounts (net)	-18		
74.40	Obligated balance, end of year	781	80	

**Outlays (gross), detail:**

86.93	Outlays from discretionary balances	1,768	701	80
-------	-------------------------------------	-------	-----	----

**Net budget authority and outlays:**

89.00	Budget authority			
90.00	Outlays	1,768	701	80

Programs in this account have been transferred to the School Improvement account or discontinued. Amounts in these schedules reflect balances that are spending out from prior-year appropriations.

**Object Classification** (in millions of dollars)

Identification code 91-0500-0-1-501	2002 actual	2003 est.	2004 est.
25.1	Advisory and assistance services	2	

25.2	Other services	5	
41.0	Grants, subsidies, and contributions	96	
99.9	Total new obligations	103	

**CHICAGO LITIGATION SETTLEMENT**

**Program and Financing** (in millions of dollars)

Identification code 91-0220-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01	Direct program activity		1
10.00	Total new obligations (object class 41.0)		1

**Budgetary resources available for obligation:**

21.40	Unobligated balance carried forward, start of year	1	1
23.95	Total new obligations		-1
24.40	Unobligated balance carried forward, end of year	1	

**Change in obligated balances:**

72.40	Obligated balance, start of year	2	1
73.10	Total new obligations		1
73.20	Total outlays (gross)	-1	-2
74.40	Obligated balance, end of year	1	

**Outlays (gross), detail:**

86.93	Outlays from discretionary balances	1	2
-------	-------------------------------------	---	---

**Net budget authority and outlays:**

89.00	Budget authority		
90.00	Outlays	1	2

Funds made available under this account were reappropriated by the Supplemental Appropriations Act, 1987 (Public Law 100-71) from funds enjoined in *United States of America v. Board of Education of the City of Chicago*. The funds were reappropriated for the specific purpose of settling this case. The funds are used by the Chicago Board of Education to implement Project CANAL (Creating A New Approach to Learning), the project approved by the court to support the Board's desegregation efforts.

**OFFICE OF INNOVATION AND IMPROVEMENT**

**Federal Funds**

**General and special funds:**

*INNOVATION AND IMPROVEMENT*

*For carrying out activities authorized by part G of title I, parts C and D of title II, and parts B, C, and D of title V of the Elementary and Secondary Education Act of 1965, \$807,400,000.*

**Program and Financing** (in millions of dollars)

Identification code 91-0204-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Innovation for teacher quality:			
00.01	Troops-to-teachers		25
00.02	Transition to teaching		49
00.03	Teaching of traditional American history		100
School choice and flexibility:			
00.04	Charter schools grants		220
00.05	Credit enhancement for charter school facilities		100
00.06	Voluntary public school choice		25
00.07	Magnet schools assistance		110
00.08	Choice incentive fund		75
00.09	FIE programs of national significance		35
00.10	Reading is fundamental/inexpensive book distribution		24
00.11	Ready-to-learn television		22
00.12	Advanced placement		22
10.00	Total new obligations		807

**Budgetary resources available for obligation:**

22.00	New budget authority (gross)		807
-------	------------------------------	--	-----

**General and special funds—Continued**

*INNOVATION AND IMPROVEMENT—Continued*

**Program and Financing (in millions of dollars)—Continued**

Identification code 91–0204–0–1–501	2002 actual	2003 est.	2004 est.
23.95 Total new obligations .....			–807
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....			807
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....			807
73.20 Total outlays (gross) .....			–40
74.40 Obligated balance, end of year .....			767
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....			40
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			807
90.00 Outlays .....			40

*Improving teacher quality.—*

*Troops-to-teacher.*—Funds assist eligible members of the armed forces to obtain certification as teachers and to become highly qualified teachers.

*Transition to teaching.*—Funds support competitive grants to establish programs to recruit and retain highly qualified mid-career professionals and recent college graduates as teachers in high-need schools.

*Teaching of traditional American history.*—Funds support competitive grants to school districts for activities to improve history instruction and provide professional development for teachers in American history.

*School choice and flexibility.—*

*Charter school grants.*—Funds support competitive grants to State educational agencies and charter schools to support the planning, design, initial implementation, and dissemination of information regarding charter schools. These schools are created by teachers, parents, and members of the community, and are exempt from certain local, State, and Federal regulations.

*Credit enhancement for charter school facilities.*—Funds support competitive grants to State and local governments, nonprofit entities, and public and nonprofit consortia, to assist charter schools in acquiring, leasing, and renovating school facilities.

*Voluntary public school choice.*—Funds support competitive grants to State educational agencies and local educational agencies to implement programs that provide students, particularly students who attend low-performing schools, with expanded school choice options.

*Magnet schools assistance.*—Funds support competitive grants to local educational agencies to establish and operate magnet school programs that are part of an approved desegregation plan.

*Choice incentive fund.*—Funds will support grants to States, local educational agencies, and community-based nonprofit organizations with a proven record for securing educational opportunities for children. These grants will support efforts to increase the capacity of high-quality public and private schools to serve additional students through activities such as creating partnerships to fund private school choice programs; and designing incentives to provide tax benefits to individuals and organizations that donate funds to help low-income parents meet the costs of private school tuition.

*FIE programs of national significance.*—Funds support nationally significant projects to improve the quality of elementary and secondary education in order to help all children

meet challenging State content and student achievement standards.

*Reading is fundamental/inexpensive book distribution.*—Funds support reading motivation activities, including the distribution of free books to children.

*Ready-to-learn television.*—Funds support the development, distribution, and production of educational video and accompanying materials and services for preschool children, elementary school children, and their parents to facilitate student academic achievement.

*Advanced placement.*—Funds support grants to States to pay test fees for low-income students if they are enrolled in an Advanced Placement course and competitive grants to State educational agencies, local educational agencies, and national nonprofit educational entities to expand access for low-income individuals to Advanced Placement classes.

*Note.*—Includes \$807 million in budget authority in 2004 for activities previously financed from Department of Education:

	(in millions of dollars)	2002 actual	2003 est.
Office of Elementary and Secondary Education, School improvement programs .....		918	675
Office of Elementary and Secondary Education, Education for the disadvantaged .....		22	22

**Object Classification (in millions of dollars)**

Identification code 91–0204–0–1–501	2002 actual	2003 est.	2004 est.
25.1 Advisory and assistance services .....			2
25.2 Other services .....			25
25.3 Other purchases of goods and services from Government accounts .....			1
41.0 Grants, subsidies, and contributions .....			779
99.9 Total new obligations .....			807

**OFFICE OF SAFE AND DRUG-FREE SCHOOLS**

*Federal Funds*

**General and special funds:**

*SAFE SCHOOLS AND CITIZENSHIP EDUCATION*

*For carrying out civic and physical education activities, safe and drug-free schools and communities programs, and partnerships in character education programs authorized by subpart 3 of part C of title II, part A of title IV, and subparts 1 and 3 of part D of title V of the Elementary and Secondary Education Act of 1965, \$756,250,000, of which \$92,017,000 shall become available on July 1, 2004 and remain available through September 30, 2005, and of which \$330,000,000 shall become available on October 1, 2004 and shall remain available through September 20, 2005 for academic year 2004–2005: Provided, That of the funds available to carry out subpart 3 of part C of title II, up to \$11,500,000 may be used to carry out section 2345: Provided further, That \$422,017,000 shall be available for subpart 1 of part A of title IV and \$272,233,000 shall be available for subpart 2 of part A of title IV, of which \$10,000,000, to remain available until expended, shall be for the Project School Emergency Response to Violence program to provide education-related services to local educational agencies in which the learning environment has been disrupted due to a violent or traumatic crisis.*

**Program and Financing (in millions of dollars)**

Identification code 91–0203–0–1–501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Safe and drug-free schools and communities:			
00.01 State grants .....			92
National programs:			
00.02 Mentoring program .....			100
00.03 Other national programs .....			172
00.91 Subtotal, Safe and drug-free schools and communities .....			364
01.01 Character education .....			25
02.01 Civic education .....			27
03.01 Physical education initiative .....			10

10.00	Total new obligations .....	426
<b>Budgetary resources available for obligation:</b>		
22.00	New budget authority (gross) .....	426
23.95	Total new obligations .....	-426
<b>New budget authority (gross), detail:</b>		
Discretionary:		
40.00	Appropriation .....	426
<b>Change in obligated balances:</b>		
73.10	Total new obligations .....	426
73.20	Total outlays (gross) .....	-38
74.40	Obligated balance, end of year .....	388
<b>Outlays (gross), detail:</b>		
86.90	Outlays from new discretionary authority .....	38
<b>Net budget authority and outlays:</b>		
89.00	Budget authority .....	426
90.00	Outlays .....	38

Note.—Includes \$416 million in budget authority in 2004 for activities previously financed from Department of Education:

	2002 actual	2003 est.
Office of Elementary and Secondary Education, School Improvement Programs .....	724	669

**SUMMARY OF PROGRAM LEVEL**

(in millions of dollars)

	2002-2003 Academic Year	2003-2004 Academic Year	2004-2005 Academic Year
New budget authority .....	0	0	426
Advance appropriation .....	0	0	330
Total program level .....	0	0	756
Change in advance appropriation over previous year .....	0	0	+330

*Safe and drug-free schools and communities.*—

*State Grants.*—Funds provide formula grants to States to support research-based drug and violence-prevention programs and to implement strategies to improve school safety.

*National Programs.*—Funds support national activities to prevent violence and the illegal use of drugs among, and to promote safety and discipline for, students.

*Mentoring program.*—Funds provide grants to local education agencies and community-based organizations for mentoring programs serving at-risk youth in conjunction with the efforts of the USA Freedom Corps.

*Character Education.*—Funds provide grants to support the design and implementation of character education programs in the Nation's elementary and secondary schools.

*Civic Education.*—Funds support a grant to the nonprofit Center for Civic Education to promote civic competence and responsibility and improve the quality of civics and government education through coursework and curricula on the history and principles of the Constitution of the United States; and grants to eligible organizations for cooperative education exchange programs to improve the quality of civic and economic education in emerging democracies through exemplary curriculum and teacher training programs for educators. These activities complement civics programs coordinated by the USA Freedom Corps.

*Physical Education Initiative.*—Funds will support activities to promote increased physical fitness among youth.

**Object Classification** (in millions of dollars)

Identification code 91-0203-0-1-501	2002 actual	2003 est.	2004 est.
24.0 Printing and reproduction .....			1
25.1 Advisory and assistance services .....			3
25.2 Other services .....			12
41.0 Grants, subsidies, and contributions .....			410
99.9 Total new obligations .....			426

**OFFICE OF ENGLISH LANGUAGE ACQUISITION**

**Federal Funds**

**General and special funds:**

ENGLISH LANGUAGE ACQUISITION

*For carrying out title III, part A of the Elementary and Secondary Education Act of 1965, \$665,000,000, of which \$541,000,000 shall become available on July 1, 2004, and shall remain available through September 30, 2005.*

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing** (in millions of dollars)

Identification code 91-1300-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Language acquisition State grants .....	403	482	541
00.02 Bilingual education instructional services .....	120	91	54
00.04 Bilingual education professional development .....	129	104	70
10.00 Total new obligations .....	652	677	665
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....		12	
22.00 New budget authority (gross) .....	664	665	665
23.90 Total budgetary resources available for obligation .....	664	677	665
23.95 Total new obligations .....	-652	-677	-665
24.40 Unobligated balance carried forward, end of year .....	12		
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	665	665	665
41.00 Transferred to other accounts .....	-1		
43.00 Appropriation (total discretionary) .....	664	665	665
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	603	833	1,003
73.10 Total new obligations .....	652	677	665
73.20 Total outlays (gross) .....	-414	-507	-803
73.40 Adjustments in expired accounts (net) .....	-9		
74.40 Obligated balance, end of year .....	833	1,003	865
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	4	33	33
86.93 Outlays from discretionary balances .....	410	474	770
87.00 Total outlays (gross) .....	414	507	803
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	664	665	665
90.00 Outlays .....	414	507	803

*Language acquisition State grants.*—This program provides formula grants to States and discretionary professional development grants to improve services for limited English proficient and immigrant students. States are accountable for demonstrating that limited English proficient students are learning English and meeting the same high State standards as all other students. The statute also authorizes evaluation, and requires funding for a national information clearinghouse on English language acquisition. The statute also continues discretionary grants for bilingual instructional services and bilingual professional development grants made under the antecedent statute.

**Object Classification** (in millions of dollars)

Identification code 91-1300-0-1-501	2002 actual	2003 est.	2004 est.
25.2 Other services .....	2	5	5
41.0 Grants, subsidies, and contributions .....	650	672	660
99.9 Total new obligations .....	652	677	665

**OFFICE OF SPECIAL EDUCATION AND REHABILITATIVE SERVICES**

*Federal Funds*

**General and special funds:**

SPECIAL EDUCATION

For carrying out parts B, C, and D of the Individuals with Disabilities Education Act, \$10,690,104,000, of which \$5,337,533,000 shall become available for obligation on July 1, 2004, and shall remain available through September 30, 2005, and of which \$5,072,000,000 shall become available on October 1, 2004, and shall remain available through September 30, 2005, for academic year 2004-2005: Provided, That the amount for section 611(c) of the Act shall be equal to the amount available for that section during fiscal year 2003, increased by the amount of inflation as specified in section 611(f)(1)(B)(ii) of the Act.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-0300-0-1-501	2002 actual	2003 est.	2004 est.
<b>Direct program:</b>			
<b>Obligations by program activity:</b>			
State grants:			
00.01 Grants to States .....	7,530	8,546	9,529
00.02 Preschool grants .....	390	390	390
00.03 Grants for infants and families .....	435	474	447
00.91 Subtotal, State grants .....	8,355	9,410	10,366
National activities:			
01.01 State improvement .....	52	97	44
01.02 Research and innovation .....	78	78	78
01.03 Technical assistance and dissemination .....	53	53	53
01.04 Personnel preparation .....	90	90	90
01.05 Parent information centers .....	26	26	26
01.06 Technology and media services .....	37	33	33
01.91 Subtotal, National activities .....	336	377	324
02.00 Total Direct Program .....	8,691	9,787	10,690
10.00 Total new obligations .....	8,691	9,787	10,690
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	116	99	
22.00 New budget authority (gross) .....	8,673	9,688	10,690
22.10 Resources available from recoveries of prior year obligations .....	3		
23.90 Total budgetary resources available for obligation .....	8,792	9,787	10,690
23.95 Total new obligations .....	-8,691	-9,787	-10,690
23.98 Unobligated balance expiring or withdrawn .....	-1		
24.40 Unobligated balance carried forward, end of year .....	99		
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	3,601	4,616	5,618
55.00 Advance appropriation .....	5,072	5,072	5,072
70.00 Total new budget authority (gross) .....	8,673	9,688	10,690
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	4,469	6,137	8,194
73.10 Total new obligations .....	8,691	9,787	10,690
73.20 Total outlays (gross) .....	-7,000	-7,730	-9,657
73.40 Adjustments in expired accounts (net) .....	-20		
73.45 Recoveries of prior year obligations .....	-3		
74.40 Obligated balance, end of year .....	6,137	8,194	9,227
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	3,269	3,491	3,511
86.93 Outlays from discretionary balances .....	3,731	4,239	6,146
87.00 Total outlays (gross) .....	7,000	7,730	9,657
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	8,673	9,688	10,690
90.00 Outlays .....	7,000	7,730	9,657

**SUMMARY OF PROGRAM LEVEL**

(In millions of dollars)

	2002-2003 academic year	2003-2004 academic year	2004-2005 academic year
Current Budget Authority .....	3,601	4,616	5,618
Advance appropriation .....	5,072	5,072	5,072
Total program level .....	8,673	9,688	10,690
Change in advance appropriation from the previous year .....			

**State Grants:**

**Grants to States.**—Formula grants are provided to States to assist them in providing special education and related services to children with disabilities ages 3 through 21.

**Preschool grants.**—Formula grants provide additional funds to States to further assist them in providing special education and related services to children with disabilities ages 3 through 5 served under the Grants to States program.

The goal of both of these programs is to improve results for children with disabilities by assisting State and local educational agencies to provide children with disabilities with access to high quality education that will help them meet challenging standards and prepare them for employment and independent living.

**Grants for infants and families.**—Formula grants are provided to assist States to implement statewide systems of coordinated, comprehensive, multi-disciplinary interagency programs to provide early intervention services to children with disabilities, birth through age 2, and their families.

The goal of this program is to help States provide a comprehensive system of early intervention services that will enhance child and family outcomes.

**National activities:**

These activities include research, demonstration, personnel preparation, technical assistance, grants to States to promote systems change, and other activities to support State efforts to improve results for children with disabilities under the State Grants programs.

The goal of National Activities is to link States, school systems, and families to best practices to improve results for infants, toddlers, and children with disabilities.

The General Education Provisions Act extension for Grants for Infants and Families and National Activities programs applies through September 30, 2003; authorizing legislation is required.

Performance data related to program goals include:

Number of children served in first quarter of fiscal year (in thousands):	2002 actual	2003 est.	2004 est.
Ages 3 through 21 .....	6,483	6,580	6,672
Ages 3 through 5 .....	617	633	648
Birth through 2 .....	247	260	273

**Educational Environment**

Percent of children ages 6 through 21 provided special education in:	1998-1999 actual	1999-2000 actual	2000-2001 actual
Regular classrooms .....	47.4	47.3	46.5
Resource rooms .....	28.4	28.3	29.8
Separate classes .....	20.1	20.3	19.5
Separate schools .....	2.9	2.9	3.0
Residential facilities .....	.7	.7	.7
Home or hospital .....	.5	.5	.5

**Status of Exiting Students**

Percent of students with disabilities aged 14-21 leaving school:	1998-1999 actual	1999-2000 actual	2000-2001 actual
Graduated with a diploma .....	57.4	56.2	57.0
Graduated through certification .....	11.2	11.4	11.0
Dropped out of school .....	28.9	29.4	29.4
Reached maximum age and other .....	2.5	3.0	2.5

**Object Classification (in millions of dollars)**

Identification code 91-0300-0-1-501	2002 actual	2003 est.	2004 est.
<b>Direct obligations:</b>			
25.2 Other services .....	23	21	21

25.3	Other purchases of goods and services from Government accounts .....	1		
41.0	Grants, subsidies, and contributions .....	8,666	9,766	10,669
99.0	Direct obligations .....	8,690	9,787	10,690
99.5	Below reporting threshold .....	1		
99.9	Total new obligations .....	8,691	9,787	10,690

86.97	Outlays from new mandatory authority .....	1,927	1,831	1,868
86.98	Outlays from mandatory balances .....	525	542	781
87.00	Total outlays (gross) .....	2,853	3,143	3,003

**Offsets:**

Against gross budget authority and outlays:				
88.00	Offsetting collections (cash) from: Federal sources	-2	-2	-2

**Net budget authority and outlays:**

89.00	Budget authority .....	2,946	3,002	3,003
90.00	Outlays .....	2,852	3,141	3,001

**REHABILITATION SERVICES AND DISABILITY RESEARCH**

For carrying out, to the extent not otherwise provided, the Rehabilitation Act of 1973 and the Helen Keller National Center Act, \$3,002,913,000: Provided, That funds available under the Vocational Rehabilitation State Grants program may be used by State Vocational Rehabilitation agencies to pay for the fiscal year 2004 continuation costs of projects funded in fiscal year 2002 under title VI, Part A of the Rehabilitation Act.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-0301-0-1-506	2002 actual	2003 est.	2004 est.	
<b>Obligations by program activity:</b>				
Direct program:				
00.01	Vocational rehabilitation State grants .....	2,481	2,616	2,669
00.02	Vocational rehabilitation incentive grants .....		30	
00.03	Client assistance State grants .....	12	12	12
00.04	Training .....	40	42	43
00.05	Demonstration and training programs .....	21	17	24
00.06	Migrant and seasonal farmworkers .....	2		
00.07	Recreational programs .....	3		
00.08	Protection and advocacy of individual rights .....	15	15	18
00.09	Projects with industry .....	22		
00.10	Supported employment State grants .....	38		
00.11	Independent living .....	110	117	117
00.12	Program improvement .....	1	1	1
00.13	Evaluation .....	1	1	1
00.14	Helen Keller National Center .....	9	9	9
00.15	National Institute on Disability and Rehabilitation Research .....	110	110	110
00.16	Assistive technology .....	24	52	15
00.17	Access to Telework Fund .....		20	
01.00	Total direct program .....	2,889	3,042	3,019
09.01	Reimbursable program .....	2	2	2
10.00	Total new obligations .....	2,891	3,044	3,021
<b>Budgetary resources available for obligation:</b>				
Unobligated balance carried forward, start of year:				
21.40	Unobligated balance carried forward, start of year .....		56	16
21.40	Unobligated balance carried forward, start of year .....			
22.00	New budget authority (gross) .....	2,948	3,004	3,005
23.90	Total budgetary resources available for obligation .....	2,948	3,060	3,021
23.95	Total new obligations .....	-2,891	-3,044	-3,021
24.40	Unobligated balance carried forward, end of year .....	56	16	
<b>New budget authority (gross), detail:</b>				
Discretionary:				
40.00	Appropriation .....	464	386	334
Mandatory:				
60.00	Appropriation .....	2,482	2,616	2,669
Discretionary:				
68.00	Spending authority from offsetting collections: Offsetting collections (cash) .....	2	2	2
70.00	Total new budget authority (gross) .....	2,948	3,004	3,005
<b>Change in obligated balances:</b>				
72.40	Obligated balance, start of year .....	1,043	1,070	971
73.10	Total new obligations .....	2,891	3,044	3,021
73.20	Total outlays (gross) .....	-2,853	-3,143	-3,003
73.40	Adjustments in expired accounts (net) .....	-11		
74.40	Obligated balance, end of year .....	1,070	971	989
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new discretionary authority .....	77	271	235
86.93	Outlays from discretionary balances .....	324	499	119

Vocational rehabilitation State grants.—The basic State grants program provides Federal matching funds to State vocational rehabilitation (VR) agencies to assist individuals with physical or mental impairments to become gainfully employed. Services are tailored to the specific needs of the individual. Priority is given to serving those with the most significant disabilities. Current law requires that between 1.0 percent and 1.5 percent of the funds appropriated for the VR State grants program be set aside for Grants for Indians in 2004.

The table below presents national data on selected performance measures for the VR State grants program. The data are based on the number of individuals whose service records were closed in fiscal years 2000 (377,170) and 2001 (385,235).

**CONSUMER OUTCOMES (CASES CLOSED)**

	2000 actual	2001 actual
Individuals achieving employment outcomes .....	236,137	233,692
Percent with significant disabilities .....	87.0%	88.0%
Employment outcomes as a percent all of individuals receiving services	62.6%	60.7%

The 2004 budget request reflects a multi-year Administration effort to reform job training programs, target resources to programs with documented effectiveness, and eliminate funding for duplicative and overlapping programs. Consistent with this crosscutting reform, the budget consolidates funding for three programs in this account (Supported Employment State Grants, Projects with Industry, and the Migrant and Seasonal Farmworkers program) within the Vocational Rehabilitation State Grants program.

Vocational rehabilitation incentive grants.—Incentive grants will be used to encourage State VR agencies to improve their performance in helping individuals with disabilities obtain competitive employment. Grants will be awarded to State VR agencies based on program performance. The Administration plans to carry out 2004 activities with any remaining 2003 funds.

Client assistance State grants.—Formula grants are made to States to provide assistance in informing and advising clients and applicants of benefits available under the Rehabilitation Act and, if requested, to pursue legal or administrative remedies to ensure the protection of the rights of individuals with disabilities.

Training.—Grants are made to States and public or non-profit agencies and organizations, including institutions of higher education, to increase the number of skilled personnel available for employment in the field of rehabilitation and to upgrade the skills of those already employed.

Demonstration and training programs.—Grants are made for programs that expand and improve the provision of rehabilitation services or that further the purposes of the Rehabilitation Act.

Protection and advocacy of individual rights.—Formula grants are made to State protection and advocacy systems to protect the legal and human rights of individuals with disabilities.

Independent living.—Grants are awarded to States and non-profit agencies to assist individuals with significant disabilities in their achievement of self-determined independent living goals. Grants are also awarded to provide support services

**General and special funds—Continued**

**REHABILITATION SERVICES AND DISABILITY RESEARCH—Continued**

to older blind individuals to increase their ability to care for their own needs.

*Program improvement.*—Funds are used to promote broad-based planning and coordination, improve accountability, and enhance the Department’s ability to address critical areas of national significance in achieving the goals of the Rehabilitation Act. Examples of program improvement activities include technical assistance, dissemination, and performance measurement activities.

*Evaluation.*—Studies are conducted to evaluate the impact and effectiveness of various programs authorized under the Rehabilitation Act.

*Helena Keller National Center for Deaf-Blind Youths and Adults.*—The Center provides services to deaf-blind youths and adults and provides training and technical assistance to professional and allied personnel at its national headquarters center and through its regional representatives and affiliate agencies.

*National Institute on Disability and Rehabilitation Research.*—The Institute carries out a comprehensive and coordinated program of rehabilitation research and related activities. Through grants and contracts, it supports the conduct and dissemination of research aimed at improving the lives of individuals with disabilities. The Institute also promotes the development and utilization of new technologies to assist these individuals in achieving greater independence and integration into society.

*Assistive technology loan program.*—Grants are made to States to establish alternative financing programs to increase access to assistive technology for individuals with disabilities. The Administration plans to carry out 2004 activities with the remaining fiscal year 2003 funds.

*Access to telework fund.*—Federal matching funds are awarded to States to provide loans for individuals with disabilities to purchase computers and other equipment so that they can telework from home.

**Object Classification (in millions of dollars)**

Identification code 91–0301–0–1–506	2002 actual	2003 est.	2004 est.
<b>Direct obligations:</b>			
25.1 Advisory and assistance services .....	8	8	8
25.2 Other services .....	2	2	2
25.5 Research and development contracts .....	2	1	1
41.0 Grants, subsidies, and contributions .....	2,876	3,031	3,009
99.0 Direct obligations .....	2,888	3,042	3,019
99.0 Reimbursable obligations .....	2	2	2
99.5 Below reporting threshold .....	1		
99.9 Total new obligations .....	2,891	3,044	3,021

**SPECIAL INSTITUTIONS FOR PERSONS WITH DISABILITIES**

**AMERICAN PRINTING HOUSE FOR THE BLIND**

*For carrying out the Act of March 3, 1879, as amended (20 U.S.C. 101 et seq.), \$14,000,000.*

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107–229, as amended). The amounts included for 2003 in this budget reflect the Administration’s 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91–0600–0–1–501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Direct program activity .....	14	14	14
10.00 Total new obligations (object class 41.0) .....	14	14	14

<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	14	14	14
23.95 Total new obligations .....	–14	–14	–14
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	14	14	14
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	5	6	1
73.10 Total new obligations .....	14	14	14
73.20 Total outlays (gross) .....	–13	–19	–14
74.40 Obligated balance, end of year .....	6	1	1
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	9	13	13
86.93 Outlays from discretionary balances .....	4	6	1
87.00 Total outlays (gross) .....	13	19	14
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	14	14	14
90.00 Outlays .....	13	19	14

The Federal appropriation supports the production of free educational materials for students below the college level who are blind, research related to developing and improving products, and advisory services to consumer organizations on the availability and use of materials. In 2002, the portion of the Federal appropriation allocated to educational materials represented approximately 62.6 percent of the Printing House’s total sales. The full appropriation represented approximately 60.9 percent of the Printing House’s total budget.

**NATIONAL TECHNICAL INSTITUTE FOR THE DEAF**

*For the National Technical Institute for the Deaf under titles I and II of the Education of the Deaf Act of 1986 (20 U.S.C. 4301 et seq.), \$50,781,000, of which \$367,000 shall be for construction and shall remain available until expended, and of which not less than \$1,000,000, to remain available until expended, shall be used for the endowment program as authorized under section 207.*

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107–229, as amended). The amounts included for 2003 in this budget reflect the Administration’s 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91–0601–0–1–502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Operations .....	50	49	50
00.02 Construction .....	5	2	
00.03 Endowment .....		1	1
10.00 Total new obligations (object class 41.0) .....	55	52	51
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	55	52	51
23.95 Total new obligations .....	–55	–52	–51
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	55	52	51
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....			4
73.10 Total new obligations .....	55	52	51
73.20 Total outlays (gross) .....	–55	–47	–51
74.40 Obligated balance, end of year .....		4	4
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	55	47	48
86.93 Outlays from discretionary balances .....			3
87.00 Total outlays (gross) .....	55	47	51
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	55	52	51

90.00	Outlays .....	55	47	51
-------	---------------	----	----	----

This residential program provides postsecondary technical and professional education for people who are deaf to prepare them for employment, provides training, and conducts applied research into employment related aspects of deafness. In 2002, Federal appropriations represented 81 percent of the Institute's operating budget. The request includes funds for the Endowment Grant program. The request also includes funds for a construction project to upgrade academic facilities and enhance dormitory facilities.

GALLAUDET UNIVERSITY

*For the Kendall Demonstration Elementary School, the Model Secondary School for the Deaf, and the partial support of Gallaudet University under titles I and II of the Education of the Deaf Act of 1986 (20 U.S.C. 4301 et seq.), \$94,446,000, of which not less than \$1,000,000 shall be used for the endowment program as authorized under section 207: Provided, That such \$1,000,000 is available until expended.*

*Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.*

Program and Financing (in millions of dollars)

Identification code 91-0602-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Operations .....	97	93	93
00.02 Endowment .....		1	1
10.00 Total new obligations (object class 41.0) .....	97	94	94
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	97	94	94
23.95 Total new obligations .....	-97	-94	-94
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	97	94	94
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....			6
73.10 Total new obligations .....	97	94	94
73.20 Total outlays (gross) .....	-97	-88	-94
74.40 Obligated balance, end of year .....		6	6
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	97	88	88
86.93 Outlays from discretionary balances .....			6
87.00 Total outlays (gross) .....	97	88	94
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	97	94	94
90.00 Outlays .....	97	88	94

This institution provides undergraduate and continuing education programs for persons who are deaf, and graduate programs related to deafness for students who are deaf and students who are hearing. The University also conducts basic and applied research and provides public service programs for persons who are deaf and persons who work with them.

Gallaudet operates two elementary and secondary education programs on the main campus of the University. The Kendall Demonstration Elementary School serves students who are deaf from infancy through age 15, and the Model Secondary School for the Deaf serves high school age students who are deaf. Both schools also develop and disseminate information on effective educational techniques and strategies for teachers and professionals working with students who are deaf or hard of hearing.

In 2002, the Federal appropriation represented 65.6 percent of the University's total revenue, which also includes Federal

financial aid, vocational rehabilitation, Endowment Grant income, and competitive grants and contracts, and 97.3 percent of the revenue related to the elementary and secondary schools. The request also includes funds for the Endowment Grant program.

OFFICE OF VOCATIONAL AND ADULT EDUCATION

Federal Funds

General and special funds:

VOCATIONAL AND ADULT EDUCATION

*Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.*

Program and Financing (in millions of dollars)

Identification code 91-0400-0-1-501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Vocational education:			
Annual appropriations:			
Vocational education:			
00.01 State grants .....	1,179	1,182	791
00.02 National programs .....	18	12	12
00.03 Occupational and employment information .....	9	2	
00.04 Tribally controlled postsecondary vocational institutions .....	6	7	
00.05 Tech-prep education State grants .....	108	108	
00.06 Tech-prep demonstration .....	5	5	
00.91 Total, Vocational education .....	1,325	1,316	803
Adult education:			
01.01 State grants .....	571	589	
01.02 National Institute for Literacy .....	6	7	6
01.03 National leadership activities .....	14	9	9
01.91 Total, adult education .....	591	605	15
02.01 State grants for incarcerated youth offenders .....	20		
03.01 Literacy programs for prisoners .....	5	5	
10.00 Total new obligations .....	1,941	1,926	818
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	65	56	27
22.00 New budget authority (gross) .....	1,934	1,898	791
23.90 Total budgetary resources available for obligation .....	1,999	1,954	818
23.95 Total new obligations .....	-1,941	-1,926	-818
23.98 Unobligated balance expiring or withdrawn .....	-1		
24.40 Unobligated balance carried forward, end of year .....	56	27	
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	1,143	1,107	
55.00 Advance appropriation .....	791	791	791
70.00 Total new budget authority (gross) .....	1,934	1,898	791
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	1,496	1,652	1,650
73.10 Total new obligations .....	1,941	1,926	818
73.20 Total outlays (gross) .....	-1,778	-1,929	-1,803
73.40 Adjustments in expired accounts (net) .....	-7		
74.40 Obligated balance, end of year .....	1,652	1,650	666
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	814	651	554
86.93 Outlays from discretionary balances .....	964	1,278	1,249
87.00 Total outlays (gross) .....	1,778	1,929	1,803
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	1,934	1,898	791
90.00 Outlays .....	1,778	1,929	1,803

Summary of Budget Authority and Outlays

(in millions of dollars)

	2002 actual	2003 est.	2004 est.
Enacted/requested:			
Budget Authority .....	1,934	1,898	791

**General and special funds—Continued**

VOCATIONAL AND ADULT EDUCATION—Continued

**Summary of Budget Authority and Outlays—Continued**

(in millions of dollars)

	2002 actual	2003 est.	2004 est.
Outlays .....	1,778	1,929	1,803
Legislative proposal, not subject to PAYGO:			
Budget Authority .....			800
Outlays .....			82
<b>Total:</b>			
Budget Authority .....	1,934	1,898	1,591
Outlays .....	1,778	1,929	1,885

**SUMMARY OF PROGRAM LEVEL**

(in millions of dollars)

	2002–2003 academic year	2003–2004 academic year	2004–2005 academic year
New Budget Authority .....	1,143	1,107	800
Advance appropriation .....	791	791	791
<b>Total program level .....</b>	<b>1,934</b>	<b>1,898</b>	<b>1,591</b>

Change in advance appropriation from the previous year .....

*Vocational and adult education.*—The Administration is working with Congress to develop legislation reauthorizing programs included in the Carl D. Perkins Vocational and Technical Education Act of 1998 and the Adult Education and Family Literacy Act. When new authorizing legislation is enacted resources for the affected programs will be requested.

**Object Classification** (in millions of dollars)

Identification code 91–0400–0–1–501	2002 actual	2003 est.	2004 est.
<b>Direct obligations:</b>			
11.3 Personnel compensation: Other than full-time permanent .....	1	1	1
25.1 Advisory and assistance services .....	3	3	3
25.2 Other services .....	4	3	3
25.3 Other purchases of goods and services from Government accounts .....	16	14	9
25.5 Research and development contracts .....	18	17	10
41.0 Grants, subsidies, and contributions .....	1,898	1,887	791
99.0 Direct obligations .....	1,940	1,925	817
99.5 Below reporting threshold .....	1	1	1
99.9 Total new obligations .....	1,941	1,926	818

**Personnel Summary**

Identification code 91–0400–0–1–501	2002 actual	2003 est.	2004 est.
<b>Total compensable workyears:</b>			
1001 Civilian full-time equivalent employment .....	16	20	18

VOCATIONAL AND ADULT EDUCATION

(Legislative proposal, not subject to PAYGO)

The resources in this schedule are proposed for later transmittal under proposed legislation to reform the Carl D. Perkins Vocational and Technical Education Act of 1998 (Perkins) and the Adult Education and Family Literacy Act (AEFLA). The reforms would promote stronger accountability for results by linking grantee funding to success in achieving student outcomes.

*Secondary and technical education.*—The proposed reforms to Perkins would create a coordinated high school and technical education improvement program. The program would support and extend the goals of Title I of the Elementary and Secondary Education Act (ESEA) by requiring States and LEAs to focus more intensively on improving student outcomes, such as academic achievement, and ensuring that students are being taught the necessary skills to make successful

transitions from high school to college and college to the workforce. States would reserve a portion of their formula allocations to, among other things, implement assessments consistent with ESEA Title I accountability requirements to track academic performance and ensure that high school students are graduating with the necessary proficiency in core academic areas. States would have the flexibility to transfer funds to support education-related activities under ESEA Title I. States would also make competitive grants to community and technical colleges to help raise student academic achievement and provide students with high-quality training leading to successful employment outcomes.

*Adult literacy.*—The proposal would amend the current statute to increase the focus on building stronger skills in basic reading, math, and English acquisition for adults who need to strengthen weak literacy skills or want to earn their high school diploma or its recognized equivalent (the GED). Proposed amendments would revise current accountability provisions to create specific local accountability requirements for demonstrating student gains in reading, math, and English language acquisition, with rewards for high performing programs. Each State would develop and implement educational standards to guide local programs in creating a clear sequence of adult literacy activities leading to high school-level proficiency. The proposal would require that teachers be trained in the use of research-validated instructional practices in reading, math and English fluency, and that programs integrate the use of technology-facilitated learning to accelerate student learning. In addition, the proposal would strengthen employer partnerships and the participation of community- and faith-based organizations to expand availability of essential reading, math, and English acquisition instruction, particularly for low-wage working adults.

**Program and Financing** (in millions of dollars)

Identification code 91–0400–2–1–501	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Secondary and technical education State grants .....			209
00.02 Adult basic and literacy education State grants .....			584
10.00 Total new obligations (object class 41.0) .....			793
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....			800
23.95 Total new obligations .....			–793
24.40 Unobligated balance carried forward, end of year .....			7
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....			800
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....			793
73.20 Total outlays (gross) .....			–82
74.40 Obligated balance, end of year .....			712
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....			82
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			800
90.00 Outlays .....			82

**OFFICE OF POSTSECONDARY EDUCATION**

*Federal Funds*

**General and special funds:**

HIGHER EDUCATION

For carrying out, to the extent not otherwise provided, section 121 and titles II, III, IV, V, VI, and VII of the Higher Education Act of 1965, as amended (“HEA”), section 117 of the Carl D. Perkins

*Vocational and Technical Education Act, and the Mutual Educational and Cultural Exchange Act of 1961, \$1,904,438,000, of which \$2,000,000 for interest subsidies authorized by section 121 of the HEA shall remain available until expended: Provided, That \$10,000,000, to remain available through September 30, 2005, shall be available to fund fellowships for academic year 2005–2006 under part A, subpart 1 of title VII of said Act, under the terms and conditions of part A, subpart 1: Provided further, That \$1,000,000 is for data collection and evaluation activities for programs under the HEA, including such activities needed to comply with the Government Performance and Results Act of 1993: Provided further, That notwithstanding any other provision of law, funds made available in this Act to carry out title VI of the HEA and section 102(b)(6) of the Mutual Educational and Cultural Exchange Act of 1961 may be used to support visits and study in foreign countries by individuals who are participating in advanced foreign language training and international studies in areas that are vital to United States national security and who plan to apply their language skills and knowledge of these countries in the fields of government, the professions, or international development: Provided further, That up to one percent of the funds referred to in the preceding proviso may be used for program evaluation, national outreach, and information dissemination activities: Provided further, That the funds provided for title II of the HEA shall be allocated notwithstanding section 210 of said Act: Provided further, That the funds provided for part B of title VII of the HEA may be used, at the discretion of the Secretary of Education, to fund continuation awards under title VII, part D of said Act.*

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107–229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91–0201–0–1–502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Aid for institutional development:			
00.01	74	76	76
00.02	18	18	19
00.03	6	7	4
00.04	206	213	224
00.05	49	51	53
00.06	9	8	8
00.91	362	373	384
Other aid for institutions:			
01.01	86	89	94
01.02	98	103	103
01.03	181	39	39
01.04	7		
01.05	7	10	2
01.06			6
01.91	379	241	244
Assistance for students:			
02.01	803	803	803
02.02	285	285	285
02.03	41	41	41
02.04	10	10	10
02.05	31	31	31
02.06	4		
02.07	1		
02.08	22	15	15
02.91	1,197	1,185	1,185
03.01	88	90	90
04.01	1	1	1
05.01	2		
10.00	2,029	1,890	1,904
<b>Budgetary resources available for obligation:</b>			
21.40	19	17	10

22.00	New budget authority (gross)	2,028	1,883	1,904
23.90	Total budgetary resources available for obligation	2,047	1,900	1,914
23.95	Total new obligations	–2,029	–1,890	–1,904
23.98	Unobligated balance expiring or withdrawn	–2		
24.40	Unobligated balance carried forward, end of year	17	10	10
<b>New budget authority (gross), detail:</b>				
Discretionary:				
40.00	Appropriation	2,031	1,883	1,904
41.00	Transferred to other accounts	–3		
43.00	Appropriation (total discretionary)	2,028	1,883	1,904
<b>Change in obligated balances:</b>				
72.40	Obligated balance, start of year	2,396	2,702	2,491
73.10	Total new obligations	2,029	1,890	1,904
73.20	Total outlays (gross)	–1,687	–2,100	–1,905
73.40	Adjustments in expired accounts (net)	–34		
74.40	Obligated balance, end of year	2,702	2,491	2,491
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new discretionary authority	68	97	97
86.93	Outlays from discretionary balances	1,619	2,003	1,808
87.00	Total outlays (gross)	1,687	2,100	1,905
<b>Net budget authority and outlays:</b>				
89.00	Budget authority	2,028	1,883	1,904
90.00	Outlays	1,687	2,100	1,905

*Note.*—Includes \$6 million in budget authority in 2004 for activities previously financed from the Department of Education:

	(in millions of dollars)	2002 actual	2003 est.
Office of Vocational and Adult Education		6	6

**Aid for institutional development.—**

**Strengthening institutions.**—Funds support planning and development grants for improving academic programs and financial management at schools that enroll high proportions of disadvantaged students and have low per-student expenditures.

**Strengthening tribally controlled colleges and universities.**—Funds support grants to American Indian tribally controlled colleges and universities with scarce resources to enable them to improve and expand their capacity to serve Indian students.

**Strengthening Alaska Native and Native Hawaiian-serving institutions.**—Funds support Alaska Native and Native Hawaiian-serving institutions to enable them to improve and expand their capacity to serve Alaska Native and Native Hawaiian students.

**Strengthening historically black colleges and universities.**—Funds support grants to help historically black undergraduate institutions to improve and expand their capacity to serve students, and to strengthen management and fiscal operations.

**Strengthening historically black graduate institutions.**—Funds support grants to help historically black graduate institutions to improve and expand their capacity to serve students, and to strengthen management and fiscal operations.

**Minority science and engineering improvement.**—Funds support grants to predominantly minority institutions to help them make long-range improvements in science and engineering education and to increase the participation of minorities in scientific and technological careers.

**Other aid for institutions.—**

**Developing Hispanic-serving institutions.**—Funds support Hispanic-serving institutions to enable them to improve and expand their capacity to serve students.

**International education and foreign language studies programs.**—Funds promote the development and improvement of international and foreign language programs.

**Fund for the improvement of postsecondary education.**—Funds support a broad range of postsecondary reform and improvement projects, as well as international consortia pro-

**General and special funds—Continued**

**HIGHER EDUCATION—Continued**

grams and projects previously funded under HEA Title VII, Part D to improve education for students with disabilities.

*Interest subsidy grants.*—Funds meet mandatory interest subsidy costs of construction loan commitments made prior to 1974.

*Tribally controlled postsecondary vocational and technical institutions.*—Funds support the operation and improvement of tribally controlled postsecondary vocational institutions, to ensure continued and expanded educational opportunities for Indian students.

*Assistance for students.*—

*Federal TRIO programs.*—Funds support postsecondary education outreach and student support services through 5 major programs designed to help individuals from disadvantaged backgrounds enter and complete college and graduate studies.

*Gaining early awareness and readiness for undergraduate programs.*—Funds support early college preparation and awareness activities at the State and local levels to ensure that low-income elementary and secondary school students are prepared for and pursue postsecondary education.

*Byrd honors scholarships.*—Funds support merit-based scholarships to students who have demonstrated outstanding academic achievement and who show promise of continued academic excellence for study at an institution of higher education.

*Javits fellowships.*—Funds support fellowships to students of superior ability who have financial need and who are pursuing doctoral degrees in the arts, humanities, and social sciences.

*Graduate assistance in areas of national need.*—Funds support fellowships to graduate students of superior ability who have financial need and who are from traditionally underrepresented backgrounds for study in areas of national need.

*Child care access means parents in school.*—Funds support a program designed to bolster the participation of low-income parents in postsecondary education through the provision of campus-based child care services.

*Other aid.*—

*Teacher quality enhancement.*—Funds support programs that seek to make lasting changes in the ways our Nation recruits, prepares, licenses, and supports teachers.

*GPRA data/HEA program evaluation.*—Funds support data collection and evaluation activities for programs under the Higher Education Act of 1965, including such activities needed to comply with the Government Performance and Results Act of 1993.

**Object Classification (in millions of dollars)**

Identification code 91-0201-0-1-502	2002 actual	2003 est.	2004 est.
<b>Direct obligations:</b>			
25.1 Advisory and assistance services .....	3	4	4
25.2 Other services .....	5	5	5
25.3 Other purchases of goods and services from Government accounts .....	2	2	2
41.0 Grants, subsidies, and contributions .....	2,018	1,879	1,893
99.0 Direct obligations .....	2,028	1,890	1,904
99.5 Below reporting threshold .....	1		
99.9 Total new obligations .....	2,029	1,890	1,904

**HOWARD UNIVERSITY**

For partial support of Howard University (20 U.S.C. 121 et seq.), \$237,474,000, of which not less than \$3,600,000 shall be for a matching endowment grant pursuant to the Howard University Endowment Act (Public Law 98-480) and shall remain available until expended.

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-0603-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 General support .....	207	211	207
00.02 Howard University Hospital .....	30	30	30
10.00 Total new obligations (object class 41.0) .....	237	241	237
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	4	4	
22.00 New budget authority (gross) .....	237	237	237
23.90 Total budgetary resources available for obligation .....	241	241	237
23.95 Total new obligations .....	-237	-241	-237
24.40 Unobligated balance carried forward, end of year .....	4		
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	237	237	237
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....		4	15
73.10 Total new obligations .....	237	241	237
73.20 Total outlays (gross) .....	-234	-230	-237
74.40 Obligated balance, end of year .....	4	15	15
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	234	223	223
86.93 Outlays from discretionary balances .....		7	14
87.00 Total outlays (gross) .....	234	230	237
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	237	237	237
90.00 Outlays .....	234	230	237

Howard University is a private, nonprofit educational institution consisting of 12 schools and colleges. Federal funds are used to provide partial support for university programs as well as for the teaching hospital facilities. In 2002, direct Federal appropriations for general support represented approximately 59 percent of the university's revenue.

**COLLEGE HOUSING AND ACADEMIC FACILITIES LOANS PROGRAM ACCOUNT**

For Federal administrative expenses authorized under section 121 of the Higher Education Act of 1965, \$774,000 to carry out activities related to existing facility loans entered into under the Higher Education Act of 1965.

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**HISTORICALLY BLACK COLLEGE AND UNIVERSITY CAPITAL FINANCING PROGRAM ACCOUNT**

The aggregate principal amount of outstanding bonds insured pursuant to section 344 of title III, part D of the Higher Education Act of 1965 shall not exceed \$355,000,000, and the cost, as defined in section 502 of the Congressional Budget Act of 1974, of such bonds shall not exceed zero.

For administrative expenses to carry out the Historically Black College and University Capital Financing Program entered into pursuant to title III, part D of the Higher Education Act of 1965, as amended, \$210,000.

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing** (in millions of dollars)

Identification code 91-0241-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.09 Federal administration .....	1	1	1
10.00 Total new obligations (object class 99.5) .....	1	1	1
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	1	1	1
23.95 Total new obligations .....	-1	-1	-1
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	1	1	1
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....		1	
73.10 Total new obligations .....	1	1	1
73.20 Total outlays (gross) .....	-1	-1	-1
74.40 Obligated balance, end of year .....	1		
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	1	1	1
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	1	1	1
90.00 Outlays .....	1	1	1

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program** (in millions of dollars)

Identification code 91-0241-0-1-502	2002 actual	2003 est.	2004 est.
<b>Direct loan levels supportable by subsidy budget authority:</b>			
115001 Historically Black Colleges and Universities .....	44	268	227
115901 Total direct loan levels .....	44	268	227
<b>Direct loan subsidy (in percent):</b>			
132001 Historically Black Colleges and Universities .....	0.00	0.00	0.00
132901 Weighted average subsidy rate .....	0.00	0.00	0.00
<b>Direct loan subsidy budget authority:</b>			
133001 Historically Black Colleges and Universities .....			
133901 Total subsidy budget authority .....			
<b>Direct loan subsidy outlays:</b>			
134001 Historically Black Colleges and Universities .....			
134901 Total subsidy outlays .....			
<b>Direct loan downward reestimate subsidy budget authority:</b>			
137001 Downward reestimates subsidy budget authority .....			
137901 Total downward reestimate budget authority .....			
<b>Direct loan downward reestimate subsidy outlays:</b>			
138001 Downward reestimates subsidy outlays .....			
138901 Total downward reestimate subsidy outlays .....			
<b>Administrative expense data:</b>			
351001 Budget authority .....	1	1	
358001 Outlays from balances .....			
359001 Outlays from new authority .....	1		

The College Housing and Academic Facilities Loans Program and the Historically Black College and University Capital Financing Program are administered separately, but are consolidated for presentation purposes.

*College Housing and Academic Facilities Loans Program.*—Funds for this activity pay the Federal costs for administering the College Housing and Academic Facilities Loans (CHAFL), College Housing Loans (CHL), and Higher Education Facilities Loans (HEFL) programs. Prior to 1994, these programs provided financing for the construction, reconstruction, and renovation of housing, academic, and other educational facilities. Although no new loans have been awarded since fiscal year 1993, costs for administering the outstanding loans will remain through 2030.

*Historically Black College and University Capital Financing Program.*—The Historically Black College and University (HBCU) Capital Financing Program provides HBCUs with access to capital financing for the repair, renovation, and construction of classrooms, libraries, laboratories, dormitories, instructional equipment, and research instrumentation. The Higher Education Amendments of 1992 granted the Department authority to enter into insurance agreements with a private for-profit Designated Bonding Authority to guarantee no more than \$375,000,000 in outstanding principal and unpaid accrued interest combined. The bonding authority issues the loans and maintains an escrow account in which 5 percent of each institution's principal is deposited. This amount is estimated to be sufficient to cover all potential delinquencies and defaults. No subsidy appropriations are required. The 2004 budget provides funds for continuing Federal administrative activities only.

**Personnel Summary**

Identification code 91-0241-0-1-502	2002 actual	2003 est.	2004 est.
Total compensable workyears:			
1001 Civilian full-time equivalent employment .....	7	7	7

**COLLEGE HOUSING AND ACADEMIC FACILITIES LOANS FINANCING ACCOUNT**

**Program and Financing** (in millions of dollars)

Identification code 91-4252-0-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.02 Interest paid to Treasury .....	2	1	1
10.00 Total new obligations (object class 43.0) .....	2	1	1
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross) .....	2	1	1
23.95 Total new obligations .....	-2	-1	-1
<b>New financing authority (gross), detail:</b>			
Mandatory:			
69.00 Offsetting collections (cash) .....	3	2	2
69.47 Portion applied to repay debt .....	-1	-1	-1
69.90 Spending authority from offsetting collections (total mandatory) .....	2	1	1
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....	2	1	1
73.20 Total financing disbursements (gross) .....	-2	-1	-1
87.00 Total financing disbursements (gross) .....	2	1	1
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
88.00 Federal sources .....	-1		
Non-Federal sources:			
88.40 Interest repayments .....	-1	-1	-1
88.40 Principal repayments .....	-1	-1	-1
88.90 Total, offsetting collections (cash) .....	-3	-2	-2
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....	-1	-1	-1
90.00 Financing disbursements .....	-1	-1	-1

The College Housing and Academic Facilities Loans Financing Account records all cash flows to and from the Government resulting from direct loans made in fiscal years 1992 and 1993.

**General and special funds—Continued**

**COLLEGE HOUSING AND ACADEMIC FACILITIES LOANS FINANCING ACCOUNT—Continued**

**Status of Direct Loans (in millions of dollars)**

Identification code 91-4252-0-3-502	2002 actual	2003 est.	2004 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans			
1150 Total direct loan obligations			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	25	25	24
1251 Repayments: Repayments and prepayments		-1	
1290 Outstanding, end of year	25	24	24

**Balance Sheet (in millions of dollars)**

Identification code 91-4252-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross	25	25	24	24
1405 Allowance for subsidy cost (-)	-2	-2	-2	-2
1499 Net present value of assets related to direct loans	23	23	22	22
1999 Total assets	23	23	22	22
<b>LIABILITIES:</b>				
2103 Federal liabilities: Debt	23	23	22	22
2999 Total liabilities	23	23	22	22
4999 Total liabilities and net position	23	23	22	22

**COLLEGE HOUSING AND ACADEMIC FACILITIES LOANS LIQUIDATING ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 91-0242-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.02 Interest paid to Treasury	14	14	13
10.00 Total new obligations (object class 43.0)	14	14	13
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year	3	5	
22.00 New budget authority (gross)	13	7	13
22.10 Resources available from recoveries of prior year obligations	3	11	
22.40 Capital transfer to general fund		-1	
22.60 Portion applied to repay debt		-8	
23.90 Total budgetary resources available for obligation	19	14	13
23.95 Total new obligations	-14	-14	-13
24.40 Unobligated balance carried forward, end of year	5		
<b>New budget authority (gross), detail:</b>			
Mandatory:			
60.00 Appropriation	2	7	5
69.00 Offsetting collections (cash)	56	43	40
69.27 Capital transfer to general fund	-2	-3	-1
69.47 Portion applied to repay debt	-43	-40	-31
69.90 Spending authority from offsetting collections (total mandatory)	11		8
70.00 Total new budget authority (gross)	13	7	13
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year	21	12	
73.10 Total new obligations	14	14	13
73.20 Total outlays (gross)	-20	-14	-13
73.45 Recoveries of prior year obligations	-3	-11	
74.40 Obligated balance, end of year	12		

**Outlays (gross), detail:**

86.97 Outlays from new mandatory authority	13	7	13
86.98 Outlays from mandatory balances	7	7	
87.00 Total outlays (gross)	20	14	13

**Offsets:**

Against gross budget authority and outlays:

Offsetting collections (cash) from:

Non-Federal sources:

88.40 Repayments of principal	-41	-29	-27
88.40 Interest received on loans	-15	-14	-13
88.90 Total, offsetting collections (cash)	-56	-43	-40

**Net budget authority and outlays:**

89.00 Budget authority	-43	-36	-27
90.00 Outlays	-36	-29	-27

The College Housing and Academic Facilities Loans Liquidating Account records all cash flows to and from the Government resulting from direct loans made prior to 1992. This account includes loans made under the College Housing and Academic Facilities Loans, College Housing Loans, and Higher Education Facilities Loans programs, which continue to be administered separately.

**Status of Direct Loans (in millions of dollars)**

Identification code 91-0242-0-1-502	2002 actual	2003 est.	2004 est.
<b>CHAFL LIQUIDATING</b>			
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year	117	109	106
1231 Disbursements: Direct loan disbursements	1		
1251 Repayments: Repayments and prepayments	-9	-3	-3
1290 Outstanding, end of year	109	106	103

**HIGHER EDUCATION FACILITIES LOANS**

Cumulative balance of direct loans outstanding:

1210 Outstanding, start of year	24	22	21
1251 Repayments: Repayments and prepayments	-2	-1	-2
1290 Outstanding, end of year	22	21	19

**COLLEGE HOUSING LOANS**

Cumulative balance of direct loans outstanding:

1210 Outstanding, start of year	284	254	230
1251 Repayments: Repayments and prepayments	-30	-24	-22
1290 Outstanding, end of year	254	230	208

**Statement of Operations (in millions of dollars)**

Identification code 91-0242-0-1-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>CHAFL LIQUIDATING:</b>				
0111 Revenue	9	15	9	9
0112 Expense	-35	-17	-21	-14
0115 Net income or loss (-)	-26	-2	-12	-5
<b>HIGHER EDUCATION FACILITIES LOANS:</b>				
0121 Revenue	3	3	3	2
0122 Expense	-2	-1	-1	-1
0125 Net income or loss (-)	1	2	2	1
<b>COLLEGE HOUSING LOANS:</b>				
0131 Revenue	40	38	31	29
0132 Expense	-91	-39	-40	-29
0135 Net income or loss (-)	-51	-1	-9	
0191 Total revenues	52	56	43	40
0192 Total expenses	-128	-57	-62	-44
0195 Total income or loss (-)	-76	-1	-19	-4
0199 Total comprehensive income	-76	-1	-19	-4

**Balance Sheet** (in millions of dollars)

Identification code 91-0242-0-1-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:				
1601 Direct loans, gross .....	425	385	357	330
1602 Interest receivable .....	6	6	6	5
1699 Value of assets related to direct loans .....	431	391	363	335
1999 Total assets .....	431	391	363	335
<b>LIABILITIES:</b>				
Federal liabilities:				
2103 Debt .....	236	192	143	112
2104 Resources payable to Treasury .....	195	199	220	223
2999 Total liabilities .....	431	391	363	335
4999 Total liabilities and net position .....	431	391	363	335

**HISTORICALLY BLACK COLLEGE AND UNIVERSITY CAPITAL FINANCING DIRECT LOAN FINANCING ACCOUNT**

**Program and Financing** (in millions of dollars)

Identification code 91-4255-0-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Direct Loan Awards .....	44	40	40
00.02 Interest paid to Treasury .....	2	2	5
10.00 Total new obligations (object class 43.0) .....	46	42	45
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross) .....	54	42	45
22.10 Resources available from recoveries of prior year obligations .....	14		
22.60 Portion applied to repay debt .....	-2		
22.70 Balance of authority to borrow withdrawn .....	-20		
23.90 Total budgetary resources available for obligation .....	46	42	45
23.95 Total new obligations .....	-46	-42	-45
<b>New financing authority (gross), detail:</b>			
Mandatory:			
67.10 Authority to borrow .....	50	40	40
69.00 Offsetting collections (cash) .....	4	3	6
69.47 Portion applied to repay debt .....		-1	-1
69.90 Spending authority from offsetting collections (total mandatory) .....	4	2	5
70.00 Total new financing authority (gross) .....	54	42	45
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	30	20	39
73.10 Total new obligations .....	46	42	45
73.20 Total financing disbursements (gross) .....	-42	-23	-46
73.45 Recoveries of prior year obligations .....	-14		
74.40 Obligated balance, end of year .....	20	39	38
87.00 Total financing disbursements (gross) .....	42	23	46
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Non-Federal sources:			
88.40 Interest repayments .....	-2	-2	-5
88.40 Principal repayments .....	-2	-1	-1
88.90 Total, offsetting collections (cash) .....	-4	-3	-6
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority .....	50	39	39
90.00 Financing disbursements .....	37	20	40

The Federal Financing Bank (FFB) purchases bonds issued by the HBCU Designated Bonding Authority. Under the policies governing Federal credit programs, bonds purchased by

the FFB and supported by the Department of Education with a letter of credit create the equivalent of a Federal direct loan. HBCU bonds are also available for purchase by the private sector, and these will be treated as loan guarantees. However, the Department anticipates that all HBCU loans will be financed by the FFB.

**Status of Direct Loans** (in millions of dollars)

Identification code 91-4255-0-3-502	2002 actual	2003 est.	2004 est.
Position with respect to appropriations act limitation on obligations:			
1111 Limitation on direct loans .....	296	268	227
1142 Unobligated direct loan limitation (-) .....	-252	-228	
1150 Total direct loan obligations .....	44	40	227
Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year .....	31	69	89
1231 Disbursements: Direct loan disbursements .....	40	21	41
1251 Repayments: Repayments and prepayments .....	-2	-1	-1
1290 Outstanding, end of year .....	69	89	129

**Balance Sheet** (in millions of dollars)

Identification code 91-4255-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
Federal assets: Fund balances with Treasury .....				
	30	20	39	38
Net value of assets related to post-1991 direct loans receivable:				
1401 Direct loans receivable, gross .....	31	69	89	129
1402 Interest receivable .....	3	3		4
1499 Net present value of assets related to direct loans .....	31	72	92	133
1999 Total assets .....	61	92	131	171
<b>LIABILITIES:</b>				
Federal liabilities:				
2102 Interest payable .....		3	3	4
2103 Debt .....	61	89	128	167
2999 Total liabilities .....	61	92	131	171
4999 Total liabilities and net position .....	61	92	131	171

**Trust Funds**

**NATIONAL SECURITY EDUCATION TRUST FUND**  
(Legislative proposal, not subject to PAYGO)

**Program and Financing** (in millions of dollars)

Identification code 91-8261-2-7-054	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 National Security Education Trust Fund .....			8
10.00 Total new obligations .....			8
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....			8
23.95 Total new obligations .....			-8
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.26 Appropriation (trust fund) .....			8
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....			8
73.20 Total outlays (gross) .....			-2
74.40 Obligated balance, end of year .....			6
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....			2
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			8

NATIONAL SECURITY EDUCATION TRUST FUND—Continued

Program and Financing (in millions of dollars)—Continued

Identification code 91-8261-2-7-054	2002 actual	2003 est.	2004 est.
-------------------------------------	-------------	-----------	-----------

90.00 Outlays .....			2
---------------------	--	--	---

The budget proposes moving this program from the Department of Defense.

Object Classification (in millions of dollars)

Identification code 91-8261-2-7-054	2002 actual	2003 est.	2004 est.
-------------------------------------	-------------	-----------	-----------

11.1 Personnel compensation: Full-time permanent .....			1
25.2 Other services .....			1
41.0 Grants, subsidies, and contributions .....			6
99.9 Total new obligations .....			8

Personnel Summary

Identification code 91-8261-2-7-054	2002 actual	2003 est.	2004 est.
-------------------------------------	-------------	-----------	-----------

Total compensable workyears:			
1001 Civilian full-time equivalent employment .....			7

OFFICE OF STUDENT FINANCIAL ASSISTANCE

Federal Funds

General and special funds:

STUDENT FINANCIAL ASSISTANCE

For carrying out subparts 1, and 3 of part A, part C and part E of title IV of the Higher Education Act of 1965, as amended, \$14,518,500,000, which shall remain available through September 30, 2005.

The maximum Pell Grant for which a student shall be eligible during award year 2004-2005 shall be \$4,000: Provided, That notwithstanding section 401(g) of the Act, if the Secretary determines, prior to publication of the payment schedule for such award year, that the amount included within this appropriation for Pell Grant awards in such award year, and any funds available from the fiscal year 2003 appropriation for Pell Grant awards, are insufficient to satisfy obligations, the Secretary may reduce the amount paid for each such award by either a fixed or variable percentage, or by a fixed dollar amount, as determined in accordance with a schedule of reductions established by the Secretary for this purpose.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

Program and Financing (in millions of dollars)

Identification code 91-0200-0-1-502	2002 actual	2003 est.	2004 est.
-------------------------------------	-------------	-----------	-----------

Obligations by program activity:

Federal Pell grants:			
01.01 Federal Pell grants .....	11,639	9,980	10,805
Campus-based aid:			
02.01 Federal supplemental educational opportunity grants (SEOG) .....	727	726	725
02.02 Federal work-study .....	1,024	1,012	1,011
02.03 Federal Perkins loans: Federal capital contributions .....	102	100	
02.05 Federal Perkins loans: Loan cancellations .....	68	68	68
02.91 Subtotal, Campus-based activities .....	1,921	1,906	1,804
03.01 Leveraging educational assistance partnership .....	67		
04.01 Loan forgiveness for child care providers .....	1	1	
10.00 Total new obligations (object class 41.0) .....	13,628	11,887	12,609

Budgetary resources available for obligation:

21.40 Unobligated balance carried forward, start of year .....	1,288	1,026	1,906
22.00 New budget authority (gross) .....	13,286	12,768	14,519
22.10 Resources available from recoveries of prior year obligations .....	81		

23.90 Total budgetary resources available for obligation .....	14,655	13,794	16,425
23.95 Total new obligations .....	-13,628	-11,887	-12,609
23.98 Unobligated balance expiring or withdrawn .....	-1		
24.40 Unobligated balance carried forward, end of year .....	1,026	1,906	3,816

New budget authority (gross), detail:

Discretionary:			
40.00 Appropriation .....	13,286	12,768	14,519

Change in obligated balances:

72.40 Obligated balance, start of year .....	7,153	8,226	6,761
73.10 Total new obligations .....	13,628	11,887	12,609
73.20 Total outlays (gross) .....	-12,369	-13,352	-13,366
73.40 Adjustments in expired accounts (net) .....	-103		
73.45 Recoveries of prior year obligations .....	-81		
74.40 Obligated balance, end of year .....	8,226	6,761	6,004

Outlays (gross), detail:

86.90 Outlays from new discretionary authority .....	4,250	4,389	4,985
86.93 Outlays from discretionary balances .....	8,119	8,963	8,381
87.00 Total outlays (gross) .....	12,369	13,352	13,366

Net budget authority and outlays:

89.00 Budget authority .....	13,286	12,768	14,519
90.00 Outlays .....	12,369	13,352	13,366

Status of Direct Loans (in millions of dollars)

Identification code 91-0200-0-1-502	2002 actual	2003 est.	2004 est.
-------------------------------------	-------------	-----------	-----------

Cumulative balance of direct loans outstanding:			
1210 Outstanding, start of year .....	384	321	284
1251 Repayments: Repayments and prepayments .....	-78	-39	-42
Write-offs for default:			
1263 Direct loans .....	-20	-22	-23
1264 Other adjustments, net .....	35	24	24
1290 Outstanding, end of year .....	321	284	243

<sup>1</sup>Includes in all years institutional matching share of defaulted notes assigned from institutions to the Education Department.

The Administration's 2004 budget for the SFA account is \$14.519 billion. Together with matching funds (less allowable administrative costs), this level of funding would provide nearly 7.5 million awards totalling more than \$17 billion in available aid.

**Federal Pell Grants.**—Undergraduate students establish eligibility for these grants under award and need determination rules set out in the authorizing statute and the annual appropriations act.

The Administration proposes \$12.715 billion for Pell Grants in the 2004 Budget.

In recent years, the number of Pell Grant recipients has grown much faster than historical trends would predict (as has college enrollment overall). Specifically, from 2000 to 2002, the number of Pell recipients increased by nearly 25 percent, compared with a 5 percent growth rate from 1997 to 1999. Much of this unanticipated increase was due to more independent students receiving Pell Grants (generally, independent students are older students who do not depend on their parent or guardian to pay for college). Many of these students attend community colleges and career training institutions and predominantly use Pell Grants and other student aid to help pay for job training or retraining. So, while Pell Grants remain the single largest source of grant aid for traditional college students, they are also the single largest source of federal support for persons in need of training or retraining for new careers.

As a result of this unexpected growth, as well as a \$700 increase in the maximum grant from 2000 to 2002, Pell Grant appropriations for the past few years have been insufficient to fully cover annual program costs. This budget provides \$12.7 billion for Pell Grants to retire the shortfall related to the 2002-2003 award year and maintain a \$4,000 maximum award for the growing numbers of students eligible for Pell Grants.

As part of the Administration's efforts to keep the Pell Grant program on a solid financial foundation, the budget also proposes to allow the Internal Revenue Service to match income data on student aid applications with the applicant's tax data to ensure that students do not receive awards in excess of the amount for which they are eligible. This is one component of the Administration's effort to reduce erroneous payments government-wide. This proposal is projected to save \$638 million in Pell Grant costs over 2003–2004, significantly reducing existing funding shortfalls.

**Campus-based programs.**—The Federal Supplemental Educational Opportunity Grants, Federal Work-Study, and Federal Perkins Loan programs are called the "campus-based" programs because participating institutions are responsible for administering the programs on their own campuses. These programs provide aid administrators with considerable flexibility in the packaging of financial aid awards to best meet the needs of students.

**Federal Supplemental Educational Opportunity Grants (SEOG).**—Federal funds are awarded by formula to qualifying institutions, which use these funds to award grants to undergraduate students. While institutions have discretion in awarding these funds, they are required to give priority to Pell Grant recipients and other students with exceptional need. The Federal share of such grants may not exceed 75 percent of the total grant. The Administration proposes \$725 million for the SEOG program in 2004. This level of funding would provide approximately \$918 million in available aid to an estimated 1.2 million needy students.

**Federal Work-Study.**—Federal funds are awarded by formula to qualifying institutions, which develop and provide part-time jobs for eligible undergraduate and graduate students with demonstrated need. Hourly earnings under the program must be at least equal to the Federal minimum wage. Federal funding in most cases pays 75 percent of a student's hourly wages, with the remaining 25 percent paid by the employer. The Administration proposes \$1.011 billion for the Work-Study program, which will provide \$1.2 billion in aid to over one million students.

**Perkins Loan Program.**—Institutions award low-interest loans from institutional revolving funds, which are comprised of Federal Capital Contributions, institutional matching funds, and student repayments on outstanding loans. The Administration proposes no new budget authority for the Perkins loan program in 2004. Repayments of existing Perkins Loans into Federal revolving funds held at institutions will continue to support more than \$1 billion in new Perkins Loans in 2004. In addition, given the existence of the Federal Family Education Loan and Ford Direct Student Loan programs, as well as the current interest rate environment, including the statutory shift to a fixed rate of 6.8 percent for most student loans beginning in 2006, additional Federal capital contributions are not necessary to assure the availability of affordable aid for students.

**Perkins Loan Program—Cancellations.**—Under the Perkins Loan cancellation program, institutional revolving funds are reimbursed for indebtedness canceled as a result of a borrower engaging in certain public service activities, as specified in the Higher Education Act. Amendments to the Higher Education Act in 1992 and 1998 greatly expanded the number of borrowers with loans eligible for cancellation. The Administration's budget proposal for Perkins Loan cancellations is \$67.5 million.

**Funding Tables.**—The following tables display student aid funds available, the number of aid awards, average awards, and the unduplicated count of recipients from any Federal student aid program. The tables include the aid from programs in the Student Financial Assistance account, as well as aid from the Federal Family Education Loan (FFEL) program, and the William D. Ford Federal Direct Loan program.

Loan amounts reflect the capital actually loaned, not the Federal cost of those loans. The data in these tables include the effects of matching funds wherever applicable.

**AID FUNDS AVAILABLE FOR POSTSECONDARY EDUCATION AND TRAINING**

	(in thousands)		
	2002	2003	2004
Pell grants .....	11,619,188	11,479,134	11,405,127
Student loans:			
Guaranteed student loans:			
Stafford loans .....	13,441,179	14,559,712	15,340,294
Unsubsidized Stafford loans .....	11,975,791	13,440,125	14,673,794
PLUS .....	3,188,637	3,536,521	3,930,767
Direct student loans:			
Stafford loans .....	5,764,737	6,177,087	6,476,364
Unsubsidized Stafford loans .....	4,480,553	4,988,117	5,394,484
PLUS .....	1,443,527	1,598,059	1,765,358
Consolidation:			
FFEL .....	22,693,425	16,985,715	12,998,927
Direct Loans .....	8,844,598	7,425,136	6,097,974
Student loans, subtotal .....	71,832,446	68,710,471	66,677,961
Work-study .....	1,212,993	1,212,993	1,212,993
Supplemental educational opportunity grants .....	917,722	917,722	917,722
Perkins loans .....	1,264,889	1,264,889	1,136,684
Leveraging educational assistance partnership .....	171,000	.....	.....
Loan forgiveness for child care providers .....	1,000	1,000	.....
<b>Total aid available .....</b>	<b>87,019,237</b>	<b>83,586,208</b>	<b>81,350,486</b>

**NUMBER OF AID AWARDS**

	(In thousands)		
	2002	2003	2004
Pell grants .....	4,639	4,740	4,814
Guaranteed student loans:			
Stafford loans .....	3,084	3,269	3,269
Unsubsidized Stafford loans .....	2,199	2,330	2,330
PLUS .....	334	353	353
Consolidation .....	308	222	222
Direct student loans:			
Stafford loans .....	1,324	1,399	1,399
Unsubsidized Stafford loans .....	878	929	929
PLUS .....	153	161	161
Consolidation .....	357	256	256
Work-study .....	1,073	1,073	1,073
Supplemental educational opportunity grants .....	1,189	1,189	1,189
Perkins loans .....	707	707	635
Leveraging Educational Assistance Partnership .....	171	0	0
<b>Total awards .....</b>	<b>16,416</b>	<b>16,626</b>	<b>16,628</b>

Note: Detail may not add to totals due to rounding.

\*Fewer than 500 recipients

**AVERAGE AID AWARDS**

	(In whole dollars)		
	2002	2003	2004
Pell grants .....	2,505	2,422	2,369
Guaranteed student loans:			
Stafford loans .....	3,391	3,402	3,414
Unsubsidized Stafford loans .....	4,120	4,180	4,219
PLUS .....	7,894	8,359	8,854
SLS .....	0	0	0
Consolidation .....	31,246	29,712	29,845
Direct student loans:			
Stafford loans .....	3,603	3,680	3,693
Unsubsidized Stafford loans .....	3,999	4,114	4,144
PLUS .....	7,692	8,181	8,659
Consolidation .....	24,286	21,926	21,996
Work-study .....	1,135	1,135	1,135
Supplemental educational opportunity grants .....	772	772	772
Perkins loans .....	1,790	1,790	1,790
Leveraging Educational Assistance Partnership .....	1,000	0	0

**NUMBER OF STUDENTS AIDED**

	(In thousands)		
Unduplicated student count .....	8,385	8,855	9,241

The following table displays institutional administrative costs paid from program funds.

**General and special funds—Continued**

**STUDENT FINANCIAL ASSISTANCE—Continued**

**ADMINISTRATIVE PAYMENTS TO INSTITUTIONS**

(In thousands of dollars)

	2002	2003	2004
Pell grants .....	23,195	23,700	24,070
Work-study .....	75,815	75,815	75,815
Supplemental educational opportunity grants .....	36,709	36,709	36,709
Perkins loans .....	50,596	50,596	45,467

The following table displays the status of defaulted Perkins loans held by the Department and by institutions.

**DEFAULTED PERKINS LOANS**

(In millions of dollars)

	2002 actual	2003 est.	2004 est.
Outstanding defaulted loans, beginning of year:			
Assigned defaulted loans <sup>1</sup> .....	384	321	284
Unassigned defaulted loans <sup>2</sup> .....	956	960	963
New defaulted loans .....	155	149	155
Collections on assigned loans .....	-78	-39	-42
Collections on unassigned loans .....	-107	-112	-117
Write-offs for assigned loans .....	-20	-22	-23
Write-offs for unassigned loans .....	-10	-10	-9
Outstanding defaulted loans, end of year .....	1,280	1,247	1,210

<sup>1</sup> Permanently assigned to the Federal Government for collection.

<sup>2</sup> Unassigned loans at institutions.

**STUDENT AID ADMINISTRATION**

For Federal administrative expenses to carry out part D of title I, subparts 1, 3, and 4 of part A; and parts B, C, D, and E of title IV of the Higher Education Act of 1965, as amended, \$947,010,000, which shall remain available through September 30, 2005, of which not more than \$195,000,000 shall be for account maintenance fees for fiscal year 2004 that are payable to guaranty agencies under part B and are calculated in accordance with section 458 of the Act.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-0202-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Student aid administration .....		932	947
10.00 Total new obligations .....		932	947
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....		932	947
23.95 Total new obligations .....		-932	-947
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....		932	947
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....			333
73.10 Total new obligations .....		932	947
73.20 Total outlays (gross) .....		-599	-834
74.40 Obligated balance, end of year .....		333	446
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....		599	608
86.93 Outlays from discretionary balances .....			226
87.00 Total outlays (gross) .....		599	834
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....		932	947
90.00 Outlays .....		599	834
<b>Additional net budget authority and outlays to cover cost of fully accruing retirement:</b>			
99.00 Budget authority .....		4	4
99.01 Outlays .....		4	4

The Department of Education manages Federal student aid programs that will provide over \$67 billion in Federal student aid grants and loans to over 8 million students and parents in 2004. Primary responsibility for administering these programs lies with the Office of Postsecondary Education and the performance-based Office of Student Financial Assistance (SFA). SFA was created by Congress in 1998 with a mandate to improve service to students and other student aid program participants, reduce the cost of student aid administration, and improve accountability and program integrity.

The Department's student aid administrative activities are funded from four main sources: (1) funds appropriated on a permanent basis under section 458 of the Higher Education Act; (2) a portion of the Department's general Program Administration funds; (3) a discretionary appropriation partially supporting administrative activities associated with the Federal Family Education Loan (FFEL) program; and (4) permanent funds from the Direct Loan program subsidy account supporting the origination of Direct Consolidation Loans. Student aid administrative funds totaled \$932 million in the 2003 President's Budget, \$195 million of which supported the payment of account maintenance fees to FFEL guaranty agencies.

The budget for 2004 includes \$947 million for student aid administration. In order to improve accountability and simplify program oversight and operations, the Administration is proposing to consolidate funding for student aid administrative activities into a single discretionary account. Funding levels for this account will be based on a workload-based methodology consistent with the goals of the performance-based organization.

**Object Classification (in millions of dollars)**

Identification code 91-0202-0-1-502	2002 actual	2003 est.	2004 est.
<b>Personnel compensation:</b>			
11.1 Full-time permanent .....		83	86
11.5 Other personnel compensation .....		2	3
11.9 Total personnel compensation .....		85	89
12.1 Civilian personnel benefits .....		19	19
21.0 Travel and transportation of persons .....		3	4
23.1 Rental payments to GSA .....		16	16
23.3 Communications, utilities, and miscellaneous charges .....		53	55
24.0 Printing and reproduction .....		9	9
25.1 Advisory and assistance services .....		7	7
25.2 Other services .....		31	39
25.3 Other purchases of goods and services from Government accounts .....		7	9
25.7 Operation and maintenance of equipment .....		502	499
26.0 Supplies and materials .....		1	1
31.0 Equipment .....		3	3
32.0 Land and structures .....		1	2
41.0 Grants, subsidies, and contributions .....		195	195
99.9 Total new obligations .....		932	947

**Personnel Summary**

Identification code 91-0202-0-1-502	2002 actual	2003 est.	2004 est.
<b>Total compensable workyears:</b>			
1001 Civilian full-time equivalent employment .....		1,115	1,115

**FEDERAL STUDENT LOAN RESERVE FUND**

**Program and Financing (in millions of dollars)**

Identification code 91-4257-0-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
01.02 Obligations, non-federal .....	4,477	4,911	5,780
10.00 Total new obligations .....	4,477	4,911	5,780
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	2,462	1,169	1,071

22.00	New budget authority (gross) .....	4,269	4,813	5,684
22.40	Capital transfer to general fund .....	-1,085		
23.90	Total budgetary resources available for obligation .....	5,646	5,982	6,755
23.95	Total new obligations .....	-4,477	-4,911	-5,780
24.40	Unobligated balance carried forward, end of year .....	1,169	1,071	975

**New budget authority (gross), detail:**

69.00	Mandatory: Offsetting collections (cash) .....	4,269	4,813	5,684
-------	---	-------	-------	-------

**Change in obligated balances:**

73.10	Total new obligations .....	4,477	4,911	5,780
73.20	Total outlays (gross) .....	-4,477	-4,911	-5,780

**Outlays (gross), detail:**

86.97	Outlays from new mandatory authority .....	4,269	4,813	5,684
86.98	Outlays from mandatory balances .....	208	98	96
87.00	Total outlays (gross) .....	4,477	4,911	5,780

**Offsets:**

88.00	Against gross budget authority and outlays: Offsetting collections (cash) from: Federal sources .....	-3,919	-4,497	-5,300
88.40	Non-Federal sources .....	-350	-316	-384
88.90	Total, offsetting collections (cash) .....	-4,269	-4,813	-5,684

**Net budget authority and outlays:**

89.00	Budget authority .....			
90.00	Outlays .....	209	98	96

The Higher Education Amendments of 1998 clarified that reserve funds held by public and non-profit guaranty agencies participating in the Federal Family Education Loan (FFEL) program are Federal property. These reserves are used to pay default claims from FFEL lenders and fees to support agency efforts to successfully avert defaults. The Federal Government reimburses these reserves for default claim payments. In addition, optional borrower guarantee fees are deposited into the reserves (agencies may charge borrowers up to 1 percent of loan principal as a guarantee fee). The following schedules reflect the balances in these guaranty agency funds.

**Statement of Operations (in millions of dollars)**

Identification code 91-4257-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
0101 Revenue .....	3,826	4,269	4,813	5,684
0102 Expense .....	-3,595	-4,477	-4,911	-5,780
0105 Net income or loss (-) .....	231	-208	-98	-96

**Balance Sheet (in millions of dollars)**

Identification code 91-4257-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	2,462	1,169	1,071	975
1999 Total assets .....	2,462	1,169	1,071	975
<b>NET POSITION:</b>				
3300 Cumulative results of operations .....	2,462	1,169	1,071	975
3999 Total net position .....	2,462	1,169	1,071	975
4999 Total liabilities and net position .....	2,462	1,169	1,071	975

**Object Classification (in millions of dollars)**

Identification code 91-4257-0-3-502	2002 actual	2003 est.	2004 est.
41.0 Grants, subsidies, and contributions .....	418	253	271
42.0 Insurance claims and indemnities .....	4,059	4,658	5,509
99.9 Total new obligations .....	4,477	4,911	5,780

**Credit accounts:**

**FEDERAL DIRECT STUDENT LOAN PROGRAM, PROGRAM ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 91-0243-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.05 Upward Restimate Principal .....		3,721	
00.06 Interest on Upward Reestimate .....		870	
00.09 Student Loan Administrative Expenses .....	800		
10.00 Total new obligations .....	800	4,591	
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year .....	15	14	
22.00 New budget authority (gross) .....	780	4,591	
22.10 Resources available from recoveries of prior year obligations .....	19		
22.40 Capital transfer to general fund .....		-14	
23.90 Total budgetary resources available for obligation .....	814	4,591	
23.95 Total new obligations .....	-800	-4,591	
24.40 Unobligated balance carried forward, end of year .....	14		

**New budget authority (gross), detail:**

40.00 Discretionary: Appropriation .....		-795	-795
Mandatory:			
Appropriation:			
60.00 Appropriation .....	780	795	795
60.00 Appropriation (indefinite)—Upward reestimate .....		4,591	
62.50 Appropriation (total mandatory) .....	780	5,386	795
69.00 Offsetting collections (cash) .....	722	488	919
69.27 Capital transfer to general fund .....	-722	-488	-919
69.90 Spending authority from offsetting collections (total mandatory) .....			
70.00 Total new budget authority (gross) .....	780	4,591	

**Change in obligated balances:**

72.40 Obligated balance, start of year .....	340	302	70
73.10 Total new obligations .....	800	4,591	
73.20 Total outlays (gross) .....	-819	-4,822	-80
73.45 Recoveries of prior year obligations .....	-19		
74.40 Obligated balance, end of year .....	302	70	-10

**Outlays (gross), detail:**

86.90 Outlays from new discretionary authority .....		-510	-511
86.93 Outlays from discretionary balances .....			-193
86.97 Outlays from new mandatory authority .....	578	5,100	511
86.98 Outlays from mandatory balances .....	241	232	273
87.00 Total outlays (gross) .....	819	4,822	80

**Offsets:**

88.00 Against gross budget authority and outlays: Offsetting collections (cash) from: Federal sources .....	-722	-488	-919
--	------	------	------

**Net budget authority and outlays:**

89.00 Budget authority .....	58	4,103	-919
90.00 Outlays .....	97	4,334	-839

**Additional net budget authority and outlays to cover cost of fully accruing retirement:**

99.00 Budget authority .....			
99.01 Outlays .....			

**Summary of Budget Authority and Outlays**

(in millions of dollars)

Enacted/requested:	2002 actual	2003 est.	2004 est.
Budget Authority .....	58	4,103	-919
Outlays .....	97	4,334	-839
Legislative proposal, subject to PAYGO:			
Budget Authority .....			53
Outlays .....			53
Total:			
Budget Authority .....	58	4,103	-866
Outlays .....	97	4,334	-786

**Credit accounts—Continued****FEDERAL DIRECT STUDENT LOAN PROGRAM, PROGRAM ACCOUNT—  
Continued****Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in  
millions of dollars)**

Identification code 91-0243-0-1-502	2002 actual	2003 est.	2004 est.
Direct loan levels supportable by subsidy budget authority:			
115001 Stafford .....	5,722	6,613	6,933
115002 Unsubsidized Stafford .....	4,626	5,497	5,946
115003 PLUS .....	1,491	1,732	1,914
115004 Consolidated .....	9,325	7,497	6,161
115901 Total direct loan levels .....	21,164	21,339	20,954
Direct loan subsidy (in percent):			
132001 Stafford .....	3.63	0.29	-0.12
132002 Unsubsidized Stafford .....	-12.05	-12.38	-14.91
132003 PLUS .....	-8.89	-12.83	-14.72
132004 Consolidated .....	-3.78	2.59	1.13
132901 Weighted average subsidy rate .....	-3.95	-3.23	-5.28
Direct loan subsidy budget authority:			
133001 Stafford .....	208	19	-8
133002 Unsubsidized Stafford .....	-557	-681	-887
133003 PLUS .....	-133	-222	-282
133004 Consolidated .....	-353	194	70
133901 Total subsidy budget authority .....	-835	-690	-1,107
Direct loan subsidy outlays:			
134001 Stafford .....	247	73	.....
134002 Unsubsidized Stafford .....	-501	-578	-748
134003 PLUS .....	-119	-175	-241
134004 Consolidated .....	-349	191	70
134901 Total subsidy outlays .....	-722	-489	-919
Direct loan upward reestimate subsidy budget authority:			
135001 Stafford .....	.....	1,538	.....
135002 Unsubsidized Stafford .....	.....	3,141	.....
135003 PLUS .....	.....	603	.....
135004 Consolidated .....	.....	73	.....
135901 Total upward reestimate budget authority .....	.....	5,355	.....
Direct loan upward reestimate subsidy outlays:			
136001 Stafford .....	.....	1,538	.....
136002 Unsubsidized Stafford .....	.....	3,141	.....
136003 PLUS .....	.....	603	.....
136004 Consolidated .....	.....	73	.....
136901 Total upward reestimate outlays .....	.....	5,355	.....
Direct loan downward reestimate subsidy budget authority:			
137001 Stafford .....	.....	-32	.....
137004 Consolidated .....	.....	-732	.....
137901 Total downward reestimate budget authority .....	.....	-764	.....
Direct loan downward reestimate subsidy outlays:			
138001 Stafford .....	.....	-32	.....
138004 Consolidated .....	.....	-732	.....
138901 Total downward reestimate subsidy outlays .....	.....	-764	.....
Student loan administrative expense data:			
351001 Budget authority .....	804	.....	.....
359001 Outlays .....	819	232	80

The Federal Government operates two major student loan programs: the Federal Family Education Loan (FFEL) program—formerly the Guaranteed Student Loan (GSL) program—and the William D. Ford Federal Direct Loan (Direct Loan) program. For 2004, the President is committed to improving the efficiency of both programs and allowing individual institutions to choose which of these two programs best meets their needs and the needs of their students.

This summary section outlines the structure of these two programs, highlights their differences and similarities, and provides text tables displaying program cost data; loan volume, subsidy, default, and interest rates; and other descriptive information. As part of his 2004 budget, the President is proposing a change to the loan forgiveness provisions of the Direct Loan and FFEL programs. This proposal is discussed as part of this program description.

From its inception in 1965 through 2001, the FFEL program has provided over \$347 billion in loans to postsecondary students and their parents. Since July 1, 1994, the Direct Loan program has provided \$92 billion in new and consolidation loans to students and parents. Taken together, the FFEL and Direct Loan programs will make more than \$44 billion in new loans available in 2003. Because funding for these two programs is provided on a permanent indefinite basis, for budget purposes they are considered separately from other Federal student financial assistance programs. The FFEL and Direct Loan programs should be viewed in combination with these other programs, however as part of the overall Federal effort to ensure access to higher education.

Loan capital in the FFEL program is provided by private lenders. State and private nonprofit guaranty agencies act as agents of the Federal Government, providing a variety of services including collection of some defaulted loans, default avoidance activities, and counseling to schools, students, and lenders. The Government provides substantial payments to these guaranty agencies. The Government also pays interest subsidies to lenders for certain borrowers, as well as most costs associated with loan defaults and other write-offs.

The Direct Loan program was created by the Student Loan Reform Act of 1993. Under this program, the Federal Government provides loan funds to postsecondary institutions directly or through an alternative originator. The Direct Loan program began operation in academic year 1994–1995 with 7 percent of overall loan volume and is expected to account for 30 percent in academic year 2002–2003. All eligible institutions are free to participate in either the Direct Loan or FFEL program.

The Direct Loan and FFEL programs share many basic elements. Each program offers four types of loans: Stafford, Unsubsidized Stafford, PLUS for parents, and Consolidation. Evidence of financial need is required for a student to receive a subsidized Stafford loan. The other three loan programs are available to borrowers at all income levels. Loans can be used only to meet qualified educational expenses.

The borrower interest rate for new Stafford Loans equals the 91-day Treasury bill rate plus 1.7 percent during in-school, grace, and deferment periods, and the 91-day Treasury bill plus 2.3 percent at all other times, with a cap of 8.25 percent, adjusted annually. Interest payments for these loans are fully subsidized by the Government while a student is in school and during grace and deferment periods. Unsubsidized Stafford loans carry the same borrower interest rate as Stafford loans, but have no interest subsidy. For new PLUS loans, the borrower interest rate equals the 91-day Treasury bill rate plus 3.1 percent, with a cap of 9 percent and no interest subsidy.

In the FFEL program, lenders may receive an interest subsidy, called a special allowance, from the Government to ensure a guaranteed rate of return on their loans. Special allowance payments vary by loan type, are determined quarterly, and are based on current borrower interest rates and market-yield formulas. For new Stafford and Unsubsidized Stafford loans, for example, the Federal Government must pay lenders a special allowance if the average 3-month commercial paper rate for a given quarter plus 2.34 percent—or 1.74 percent during in-school, grace, or deferment periods—is higher than the current interest rate charged borrowers.

Consolidation loans allow borrowers to combine loans made under Title IV of the Higher Education Act—FFEL, Direct Loans, and Perkins Loans—as well as some loans made under the Public Health Service Act. The interest rate for new FFEL and Direct Consolidation loans equals the weighted average of the interest rate on the loans consolidated, rounded up to the nearest one-eighth of one percent. Lenders may choose to offer a lower rate. Interest rates for all new FFEL and Direct Consolidation Loans are capped at 8.25 percent.

FFEL borrowers pay an origination fee to the Government equal to 3 percent of principal, and are also liable for a guaranty agency insurance premium of up to 1 percent of principal. Guaranty agencies have the option of waiving this premium and FFEL lenders have the option of paying some or all of a borrower's origination fee for Stafford Loan borrowers. Direct Loan borrowers are charged an origination fee equal to 3 percent of principal, which partially offsets Federal program operation costs. Borrowers in both programs may be offered financial incentives to encourage prompt repayment.

Loan limits are also identical across the two programs. In addition, loans made under both programs are discharged when borrowers die, are totally and permanently disabled, or, under some circumstances, declare bankruptcy.

Under both programs, new borrowers after October 1, 1998, who are employed as teachers in schools serving low-income populations for five consecutive, complete school years, qualify for up to \$5,000 in loan forgiveness. The Administration is proposing to increase this benefit to a maximum of \$17,500 for mathematics, science, and special education teachers considered highly qualified under criteria established in the No Child Left Behind Act of 2001.

Borrowers under Direct Loans may choose from among five repayment plans including income-contingent repayment ("pay-as-you-can"), under which annual repayment amounts vary based on the income of the borrower and the amount borrowed, and payments can be made over 25 years. Borrowers may switch between repayment plans at any time. (Income-contingent repayment is not available to Direct PLUS borrowers).

FFEL borrowers may choose from among four repayment plans. Repayment periods under standard, graduated, and income-sensitive repayment may not exceed 10 years. An extended repayment plan of up to 25 years is available for new borrowers with outstanding loans totalling more than \$30,000. FFEL borrowers may change repayment plans annually.

Student loan program administration activities are supported from a variety of sources, including a permanent appropriation authorized under Section 458 of the Higher Education Act, a small discretionary appropriation partially supporting FFEL program administration, a portion of funds appropriated under the Department's discretionary Program Administration account, and subsidy funds associated with the origination of Direct Consolidation Loans. In order to improve accountability and simplify the funding process for these administrative activities, the President is proposing to create a unified, discretionary Student Aid Administration account.

The following tables display performance indicators and program data; including projected overall Direct Loan and FFEL costs; loan volume, number of loans, and average loan amount; descriptive data, and program activity under the President's budget and legislative request.

Consolidation .....	(348,767)	191,199	69,623
Reestimate of Prior Year Costs .....	0	4,590,922	0
Non-Contractual Modifications <sup>2</sup> .....	0	0	44,167
Total, Direct Loans .....	(721,929)	4,102,790	(865,900)
Administration			
FFEL <sup>3</sup> .....	48,836	0	0
Student Aid <sup>4</sup> .....	780,063	0	0
Subtotal, Administration .....	828,899	0	0
Total, FFEL and Direct Loans .....	3,890,834	6,851,267	4,857,339
<b>Program Cost Outlays</b>			
FFEL			
Liquidating <sup>1</sup> .....	(1,493,940)	(675,015)	(548,878)
Program:			
Regular .....	2,806,338	3,161,836	3,505,515
Consolidation .....	984,049	2,596,007	2,049,157
Reestimate of Prior Year Costs .....	0	(2,979,866)	0
Non-Contractual Modifications <sup>2</sup> .....	0	0	103,057
Subtotal, Program .....	3,790,387	2,777,976	5,657,728
Total, FFEL .....	2,296,447	2,102,961	5,108,851
Direct Loans			
Program			
Regular .....	(373,162)	(679,331)	(979,690)
Consolidation .....	(348,767)	191,199	69,623
Reestimate of Prior Year Costs .....		4,590,922	
Non-Contractual Modifications <sup>2</sup> .....			44,167
Total, Direct Loans .....	(721,929)	4,102,790	(865,900)
Administration			
FFEL <sup>3</sup> .....	46,382	12,410	3,403
Student Aid <sup>4</sup> .....	819,233	231,602	80,402
Subtotal, Administration .....	865,615	244,012	83,805
Total, FFEL and Direct Loans .....	2,440,133	6,449,764	4,326,755

<sup>1</sup> Liquidating account reflects loans made prior to 1992.  
<sup>2</sup> Reflects the cost or savings associated with policy changes that would affect the terms of existing loans.  
<sup>3</sup> Reflects annual discretionary appropriation.  
<sup>4</sup> Supports account maintenance fee payments to FFEL guaranty agencies, Direct Loan origination and servicing, and a range of administrative activities such as application printing, mailing, and processing that are common to all Federal student financial assistance programs.

**Summary of Loans Available (net commitments in millions of dollars)<sup>1</sup>**

	2002 actual	2003 est.	2004 est.
FFEL:			
Stafford .....	13,441	14,560	15,340
Unsubsidized Stafford .....	11,976	13,440	14,674
PLUS .....	3,189	3,537	3,931
Subtotal .....	28,606	31,536	33,945
Consolidation .....	22,693	16,986	12,999
Total, FFEL .....	51,299	48,522	46,944
Direct Loans:			
Stafford .....	5,765	6,177	6,476
Unsubsidized Stafford .....	4,481	4,988	5,394
PLUS .....	1,444	1,598	1,765
Subtotal .....	11,689	12,763	13,636
Consolidation .....	8,845	7,425	6,098
Total, Direct Loans .....	20,533	20,188	19,734
Total, All Loans .....	71,832	68,710	66,678

<sup>1</sup> Net commitments equal gross commitments minus loan cancellations.

**Number of Loans (In thousands)**

	2002 actual	2003 est.	2004 est.
FFEL:			
Stafford .....	3,964	4,280	4,493
Unsubsidized Stafford .....	2,907	3,215	3,478
PLUS .....	404	423	444
Subtotal .....	7,274	7,919	8,415
Consolidation .....	726	572	436
Total, FFEL .....	8,001	8,490	8,851
Direct Loans:			
Stafford .....	1,600	1,678	1,754
Unsubsidized Stafford .....	1,120	1,213	1,302
PLUS .....	188	195	204
Subtotal .....	2,908	3,086	3,259
Consolidation .....	364	339	277
Total, Direct Loans .....	3,272	3,425	3,537

**Funding Levels (in thousands of dollars)**

	2002 actual	2003 est.	2004 est.
<b>Program Cost</b>			
FFEL			
Liquidating <sup>1</sup> .....	(527,874)	(673,304)	(548,878)
Program:			
Regular .....	3,324,164	3,769,228	4,093,939
Consolidation .....	987,575	2,632,419	2,075,121
Reestimate of Prior Year Costs .....	0	(2,979,866)	0
Non-Contractual Modifications <sup>2</sup> .....	0	0	103,057
Subtotal, Program .....	4,311,738	3,421,781	6,272,117
Total FFEL .....	3,783,864	2,748,477	5,723,239
Direct Loans			
Program			
Regular .....	(373,162)	(679,331)	(979,690)

**Credit accounts—Continued**

**FEDERAL DIRECT STUDENT LOAN PROGRAM, PROGRAM ACCOUNT—Continued**

**Number of Loans (In thousands)—Continued**

	2002 actual	2003 est.	2004 est.
Total, All Loans	11,273	11,915	12,387

**Average Loan Size (in whole dollars)**

	2002 actual	2003 est.	2004 est.
<b>FFEL:</b>			
Stafford	3,391	3,402	3,414
Unsubsidized Stafford	4,120	4,180	4,219
PLUS	7,894	8,359	8,854
Weighted Average, without Consolidations	3,932	3,982	4,034
Consolidation	31,246	29,711	29,845
Weighted Average, FFEL	6,412	5,715	5,304
<b>Direct Loans:</b>			
Stafford	3,603	3,680	3,693
Unsubsidized Stafford	3,999	4,114	4,144
PLUS	7,692	8,181	8,659
Weighted Average, Without Consolidations	4,020	4,135	4,184
Consolidation	24,286	21,926	21,996
Weighted Average, Direct Loans	6,275	5,894	5,580
Weighted Average, All Loans	6,372	5,766	5,383

**Summary of Subsidy Rates, Default and Interest Rates**

	2002 actual	2003 est.	2004 est.
<b>Subsidy Rates (in percent)<sup>1</sup></b>			
<b>FFEL:</b>			
Stafford	16.41%	16.55%	17.75%
Unsubsidized Stafford	6.21%	5.70%	5.03%
PLUS	4.72%	3.61%	3.26%
Consolidation	5.73%	15.30%	15.76%
Weighted Average, FFEL	8.96%	12.00%	11.85%
<b>Direct Loans:</b>			
Stafford	3.63%	0.29%	-0.02%
Unsubsidized Stafford	-12.05%	-12.38%	-14.79%
PLUS	-8.89%	-12.83%	-14.72%
Consolidation	-3.78%	2.59%	1.13%
Weighted Average, Direct Loans	-3.94%	-3.23%	-5.22%
<b>Default Rates (in percent)<sup>2</sup></b>			
<b>FFEL:</b>			
Stafford	16.26	16.38	16.46
Unsubsidized Stafford	14.31	14.37	14.47
PLUS	9.52	9.49	9.53
Consolidated	20.53	20.52	20.51
Weighted Average, FFEL	17.27	16.77	16.38
<b>Direct Loans:</b>			
Stafford	14.48	14.60	14.66
Unsubsidized Stafford	13.17	13.26	13.36
PLUS	8.89	8.88	8.89
Consolidation	31.09	31.98	33.31
Weighted Average, Direct Loans	20.95	20.21	19.55
<b>Borrower Interest Rates (in percent)<sup>3</sup></b>			
<b>FFEL:</b>			
Stafford	6.62	6.66	6.68
Unsubsidized Stafford	6.62	6.66	6.68
PLUS	6.31	6.39	6.84
Consolidation (reflects Sub and Unsub Stafford Only)	5.50	4.10	4.40
<b>Direct Loans:</b>			
Stafford	6.62	6.66	6.68
Unsubsidized Stafford	6.62	6.66	6.68
PLUS	6.31	6.39	6.84
Consolidation (reflects Sub and Unsub Stafford only)	5.48	4.10	4.43

<sup>1</sup>Subsidy rates represent the Federal portion of non-administrative costs—principally interest subsidies and defaults—associated with each borrowed dollar. For example, a \$1,000 loan with Federal subsidy costs of \$100 would have a subsidy rate of 10 percent.

<sup>2</sup>Default rates displayed in this table, which reflect projected defaults over the life of a loan cohort, are used in developing program cost estimates. The Department uses other rates based on defaults occurring in the first three years of repayment to determine institutional eligibility to participate in Federal loan programs. These three-year rates tend to be lower than those included in this table.

<sup>3</sup>These represent average borrower interest rates during repayment for a typical borrower under standard repayment over the life of the loan.

**Composition of Loan Collections (In thousands of dollars)**

	2002 actual	2003 est.	2004 est.
<b>FFEL:</b>			
Collections by Guaranty Agencies <sup>1</sup>	2,611,594	1,404,685	1,616,222
Collections by Department of Education <sup>2</sup>	956,991	741,378	723,687
Internal Revenue Service Tax Refund Offsets	723,283	757,509	837,102
Total, FFEL	4,291,868	2,903,571	3,177,011
<b>Direct Loans:</b>			
Collections by Department of Education <sup>2</sup>	362,890	589,264	768,158
Internal Revenue Service Tax Refund Offsets	42,387	127,483	176,377
Total, Direct Loans	405,278	716,747	944,535
Total, FFEL and Direct Loan	4,697,146	3,620,318	4,121,546

<sup>1</sup>These figures show collections net of the amount agencies are allowed to retain under the provisions of the Higher Education Act of 1965. Agencies may retain 24 percent of most collections, and 18.5 percent of amounts collected through the consolidation of existing defaulted loans.

<sup>2</sup>These figures include amounts subsequently paid to Department contract collections agencies; contract collection costs total \$158 million for 2002 (\$102 million for FFEL and \$56 million for Direct Loans); \$211 million for 2003 (\$117 million for FFEL and \$94 million for Direct Loans); and \$237 million for 2004 (\$115 million for FFEL and \$122 million for Direct Loans).

**Projected Participation in Repayment Plans<sup>1</sup> (in percent)**

	2002 actual	2003 est.	2004 est.
<b>Direct Loans<sup>1</sup></b>			
<b>Standard</b>			
Percent of Loan Volume <sup>2</sup>			
Stafford	73.25	73.25	73.25
Unsubsidized Stafford	69.96	69.96	69.96
PLUS	73.52	73.52	73.52
Consolidation	19.81	19.40	18.80
Subsidy Rate (in percent)			
Stafford	4.21	1.46	1.14
Unsubsidized Stafford	-11.56	-11.11	-13.52
PLUS	-7.23	-10.33	-12.18
Consolidation	0.92	4.19	2.70
<b>Graduated<sup>3</sup></b>			
Percent of Loan Volume <sup>2</sup>			
Stafford	19.02	19.02	19.02
Unsubsidized Stafford	20.65	20.65	20.65
PLUS	20.12	20.12	20.12
Consolidation	17.74	17.40	16.91
Subsidy Rate (in percent)			
Stafford	2.08	-2.93	-3.27
Unsubsidized Stafford	-14.09	-16.10	-18.64
PLUS	-14.37	-20.09	-22.08
Consolidation	2.96	10.44	7.19
<b>Extended<sup>3</sup></b>			
Percent of Loan Volume <sup>2</sup>			
Stafford	6.18	6.18	6.18
Unsubsidized Stafford	7.73	7.73	7.73
PLUS	6.36	6.36	6.36
Consolidation	20.10	19.62	18.92
Subsidy Rate (in percent)			
Stafford	2.53	-2.26	-2.59
Unsubsidized Stafford	-13.56	-15.36	-17.88
PLUS	-12.83	-18.80	-20.79
Consolidation	2.71	9.97	6.82
<b>Income-Contingent</b>			
Percent of Loan Volume <sup>2</sup>			
Stafford	1.55	1.55	1.55
Unsubsidized Stafford	1.67	1.67	1.67
Consolidation	42.35	43.58	45.38
Subsidy Rate (in percent)			
Stafford	0.15	-5.66	-5.57
Unsubsidized Stafford	-0.13	-5.84	-5.73
Consolidation	-12.13	-4.58	-4.14

<sup>1</sup>For modeling purposes, all FFEL borrowers are assumed to have chosen Standard repayment. For Direct Loans, no data is included for the Alternative repayment plan, since borrowers are not expected to participate in this plan due to the flexibility available under the other options. Income-contingent repayment is not available for Direct PLUS borrowers.

<sup>2</sup>Percent of Loan Volume represents aggregate data. Individual borrowers may move between plans over time.

<sup>3</sup>Maximum terms under the Extended and Graduated repayment plans reflect the following "classes" based on borrower debt levels.

Debt Level	Maximum Term (in years)	Percent of Volume Within Direct Extended and Graduated Plans (Stafford) FY 03
Below \$10,000	12	13.00
\$10,000-\$20,000	15	34.97
\$20,000-\$40,000	20	36.81
\$40,000-\$60,000	25	10.65
Above \$60,000	30	4.57

The Higher Education Amendments of 1998 broadened the availability of alternative repayment plans in the FFEL pro-

gram. As noted in the table above, data on the extent to which FFEL borrowers will take advantage of these plans is not yet available.

Consistent with the Federal Credit Reform Act of 1990, the Office of Management and Budget establishes procedures for the estimation of subsidy rates for the Federal student loan programs. Subsidy costs for each loan type are estimated separately and, because costs can vary widely within a program depending on the characteristics of the individual borrower, cost estimates are aggregated from data for homogeneous groups within risk categories.

Risk categories for Stafford and Unsubsidized Stafford Loans are based on the type of school attended by the borrower. Since PLUS loan borrowers are all parents, they are assumed to share similar risk profiles and are grouped together in a single category. For Consolidation Loans, risk categories distinguish between standard Consolidation Loans—in which borrowers in repayment consolidate a number of outstanding loans—and loans consolidated out of default.

Default rates are a major cause of differences in subsidy between risk categories. The default rates in the following tables reflect estimates of the percent of borrowers who will default over the lifetime of the loans. These estimates are revised annually based on an analysis of default trends. Within each risk group, it is assumed that borrowers choosing similar repayment plans will have similar default rates, regardless of whether they borrow under the FFEL or Direct Loan program.

**FFEL RISK CATEGORIES: STAFFORD LOANS**

Subsidy Rate (as a percentage of loan commitments)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	20.06	21.21	22.63
Category 2: 4 year college, 3rd and 4th year students	14.86	15.26	16.56
Category 3: 2 year college, all students	17.80	17.75	18.83
Category 4: Proprietary school, all students	12.78	9.74	10.47
Category 5: Graduate students	15.89	15.80	16.94

Gross Default Rates (in percent)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	20.35	20.38	20.38
Category 2: 4 year college, 3rd and 4th year students	12.63	12.62	12.62
Category 3: 2 year college, all students	31.41	31.43	31.48
Category 4: Proprietary school, all students	45.51	45.36	45.39
Category 5: Graduate students	8.12	8.11	8.12

**UNSUBSIDIZED STAFFORD LOANS**

Subsidy Rate (as a percentage of loan commitments)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	7.65	7.10	6.59
Category 2: 4 year college, 3rd and 4th year students	5.57	5.49	4.97
Category 3: 2 year college, all students	10.79	8.16	7.45
Category 4: Proprietary school, all students	10.48	5.89	5.17
Category 5: Graduate students	4.63	4.83	4.01

Gross Default Rates (in percent)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	20.30	20.39	20.32
Category 2: 4 year college, 3rd and 4th year students	11.70	11.69	11.69
Category 3: 2 year college, all students	27.68	27.66	27.68
Category 4: Proprietary school, all students	35.56	35.45	35.43
Category 5: Graduate students	8.21	8.20	8.20

**PLUS LOANS**

Subsidy Rate (as a percentage of loan commitments)			
	2002 actual	2003 est.	2004 est.
All PLUS Loans	4.72	3.61	3.26

Gross Default Rates (in percent)			
	2002 actual	2003 est.	2004 est.
All PLUS Loans	9.52	9.49	9.53

**DIRECT LOAN RISK CATEGORIES: STAFFORD LOANS**

Subsidy Rate (as a percentage of loan commitments)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	6.92	4.28	4.14
Category 2: 4 year college, 3rd and 4th year students	2.13	-1.17	-1.41
Category 3: 2 year college, all students	5.64	2.88	2.22
Category 4: Proprietary school, all students	2.97	-1.97	-3.07
Category 5: Graduate students	3.16	-0.69	-1.05

Gross Default Rates (in percent)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	19.75	19.84	19.85
Category 2: 4 year college, 3rd and 4th year students	12.35	12.34	12.34
Category 3: 2 year college, all students	31.40	31.37	31.41
Category 4: Proprietary school, all students	44.94	44.82	44.84
Category 5: Graduate students	7.95	7.94	7.95

**UNSUBSIDIZED STAFFORD LOANS**

Subsidy Rate (as a percentage of loan commitments)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	-10.58	-11.38	-13.63
Category 2: 4 year college, 3rd and 4th year students	-12.58	-12.68	-15.03
Category 3: 2 year college, all students	-5.36	-8.33	-11.06
Category 4: Proprietary school, all students	-3.24	-8.15	-11.14
Category 5: Graduate students	-13.95	-13.48	-15.95

Gross Default Rates (in percent)			
Risk Categories:	2002 actual	2003 est.	2004 est.
Category 1: 4 year college, 1st and 2nd year students	19.56	19.56	19.59
Category 2: 4 year college, 3rd and 4th year students	11.44	11.43	11.43
Category 3: 2 year college, all students	27.36	27.34	27.36
Category 4: Proprietary school, all students	34.93	34.81	34.79
Category 5: Graduate students	8.05	8.05	8.05

**PLUS LOANS**

Subsidy Rate (as a percentage of loan commitments)			
	2002 actual	2003 est.	2004 est.
All PLUS Loans	-8.89	-12.83	-14.72

Gross Default Rates (in percent)			
	2002 actual	2003 est.	2004 est.
All PLUS Loans	8.89	8.88	8.89

**Selected Program Costs and Offsets<sup>1</sup> (in thousands of dollars)**

	2002 actual	2003 est.	2004 est.
<b>FFEL:</b>			
<b>Interest costs:</b>			
Interest benefits:			
FFEL Liquidating	40,896	463	0
FFEL Program	2,129,956	1,060,641	1,274,592
Total	2,170,852	1,061,104	1,274,592
Special allowance			
FFEL Liquidating	19,418	12,282	6,065
FFEL Program	201,410	688,624	2,542,307
Total	220,827	700,906	2,548,372
<b>Default costs and offsets:</b>			
Default claims:			
FFEL Liquidating	76,997	24,203	4,899
FFEL Program	2,796,593	4,045,386	4,804,998
Total	2,873,571	4,069,589	4,809,898
Net default collections:			
FFEL Liquidating	1,796,498	791,883	619,794
FFEL Program	2,495,370	2,111,688	2,557,217
Total	4,291,868	2,903,571	3,177,011
Contract collection costs:			
FFEL Liquidating	82,896	57,190	44,185
FFEL Program	19,345	60,196	71,025
Total	102,240	117,386	115,210
Death, disability, and bankruptcy costs:			
FFEL Liquidating	24,849	30,793	18,874
FFEL Program	421,474	557,375	659,644
Total	446,323	588,168	678,518
<b>Fees:</b>			
Borrower origination fees	776,458	917,090	997,342
Lender origination fee	210,694	237,915	231,238
Sallie Mae offset fee	41,065	43,400	39,300

**Credit accounts—Continued**

**FEDERAL DIRECT STUDENT LOAN PROGRAM, PROGRAM ACCOUNT—Continued**

**Selected Program Costs and Offsets<sup>1</sup> (in thousands of dollars)—Continued**

	2002 actual	2003 est.	2004 est.
Consolidation loan holder fees .....	382,578	668,261	748,847
<b>Direct Loans</b>			
Borrower origination fees .....	333,810	388,502	418,860
Net default Collections .....	405,278	716,747	944,535
Contact Collection Costs .....	56,202	93,808	122,288
<b>Administrative Costs<sup>2</sup></b>			
<b>Federal administration:</b>			
FFEL .....	48,836	0	0
Student Aid Management (SAM) <sup>3</sup> .....	780,063	0	0
<b>Guaranty agency administrative payments:</b>			
Account Maintenance Fee (included in SAM) .....	180,000	195,000	195,000
Loan Issuance and Processing Fee .....	194,206	234,795	155,589

Details may not sum to totals due to rounding.

<sup>1</sup> This table represents explicit cash flows in the FFEL and Direct Loan financing accounts. Examples of these flows would include payments of FFEL interest benefits, default claims, and discharge claims, or collections on FFEL or Direct Loan defaults, all of which involve explicit events that are reflected in the Department's financial systems as they occur. Non-events, such as Direct Loan interest benefits, defaults, or discharges, involve payments that are not received, and hence not recorded in the Department's financial systems in the same way. For that reason, these non-events are not included in this table.

<sup>2</sup> For 2003, no funds are requested for loan administration, as these costs would be part of the proposed discretionary Student Aid Administration account.

<sup>3</sup> A number of expenses related to the administration of the student assistance programs are paid out of Student Aid Management funds. One of these expenses, account maintenance fee payments to guaranty agencies, is shown as a separate line.

**Object Classification (in millions of dollars)**

Identification code 91-0243-0-1-502	2002 actual	2003 est.	2004 est.
<b>Personnel compensation:</b>			
11.1 Full-time permanent .....	43		
11.3 Other than full-time permanent .....	1		
11.5 Other personnel compensation .....	2		
11.9 Total personnel compensation .....	46		
12.1 Civilian personnel benefits .....	10		
21.0 Travel and transportation of persons .....	4		
23.1 Rental payments to GSA .....	11		
23.3 Communications, utilities, and miscellaneous charges .....	46		
24.0 Printing and reproduction .....	7		
25.1 Advisory and assistance services .....	4		
25.2 Other services .....	31		
25.3 Other purchases of goods and services from Government accounts .....	8		
25.6 Training .....	5		
25.7 Operation and maintenance of equipment .....	445		
26.0 Supplies and materials .....	1		
31.0 Equipment .....	3		
32.0 Land and structures .....	3		
41.0 Grants, subsidies, and contributions .....	176	4,591	
99.9 Total new obligations .....	800	4,591	

**Personnel Summary**

Identification code 91-0243-0-1-502	2002 actual	2003 est.	2004 est.
<b>Total compensable workyears:</b>			
1001 Civilian full-time equivalent employment .....	621		

**FEDERAL DIRECT STUDENT LOAN PROGRAM, PROGRAM ACCOUNT  
(Legislative proposal, subject to PAYGO)**

**Program and Financing (in millions of dollars)**

Identification code 91-0243-4-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.03 Modification .....			44
10.00 Total new obligations (object class 41.0) .....			44
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....			44
23.95 Total new obligations .....			-44

**New budget authority (gross), detail:**

60.00 Mandatory:			
Appropriation (modification) .....			44
69.00 Offsetting collections (cash) .....			-9
69.27 Capital transfer to general fund .....			9
69.90 Spending authority from offsetting collections (total mandatory) .....			
70.00 Total new budget authority (gross) .....			44

**Change in obligated balances:**

73.10 Total new obligations .....			44
73.20 Total outlays (gross) .....			-44

**Outlays (gross), detail:**

86.97 Outlays from new mandatory authority .....			44
--	--	--	----

**Offsets:**

88.00 Against gross budget authority and outlays: Offsetting collections (cash) from: Federal sources .....			9
--	--	--	---

**Net budget authority and outlays:**

89.00 Budget authority .....			53
90.00 Outlays .....			53

**Additional net budget authority and outlays to cover cost of fully accruing retirement:**

99.00 Budget authority .....			
99.01 Outlays .....			

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)**

Identification code 91-0243-4-1-502	2002 actual	2003 est.	2004 est.
<b>Direct loan levels supportable by subsidy budget authority:</b>			
115001 Stafford .....			
115002 Unsubsidized Stafford .....			
115003 PLUS .....			
115004 Consolidated .....			
115901 Total direct loan levels .....			
<b>Direct loan subsidy (in percent):</b>			
132001 Stafford .....			0.03
132002 Unsubsidized Stafford .....			0.03
132003 PLUS .....			0.00
132004 Consolidated .....			0.00
132901 Weighted average subsidy rate .....			0.06
<b>Direct loan subsidy budget authority:</b>			
133001 Stafford .....			7
133002 Unsubsidized Stafford .....			7
133003 PLUS .....			
133004 Consolidated .....			
133005 Modification .....			44
133901 Total subsidy budget authority .....			58
<b>Direct loan subsidy outlays:</b>			
134001 Stafford .....			4
134002 Unsubsidized Stafford .....			5
134003 PLUS .....			
134004 Consolidated .....			
134005 Modification .....			44
134901 Total subsidy outlays .....			53
<b>Student loan administrative expense data:</b>			
351001 Budget authority .....			
359001 Outlays .....			

**FEDERAL DIRECT STUDENT LOAN PROGRAM, FINANCING ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 91-4253-0-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
<b>Direct loans:</b>			
01.01 Stafford .....	5,709	6,613	6,933
01.02 Unsubsidized Stafford .....	4,560	5,497	5,946
01.03 PLUS .....	1,454	1,732	1,914
01.04 Consolidated .....	9,195	7,496	6,160
01.91 Subtotal, direct loans obligations .....	20,918	21,338	20,953
<b>Payment for consolidations:</b>			
02.01 Interest rate rebate, Stafford .....	80	91	96

02.02	Interest rate rebate, Unsubsidized Stafford .....	62	72	79
02.03	Interest rate rebate, PLUS .....	19	23	26
02.91	Direct Program by Activities—Subtotal (1 level)	161	186	201
03.01	Consolidation loans—Payment of Orig. Services .....	28	24	22
04.01	Payment of contract collections .....	56	94	122
05.01	Interest payment to Treasury .....	5,716	5,297	6,042
08.01	Other obligations:			
	Obligation of negative subsidy .....	835	689	1,107
10.00	Total new obligations .....	27,714	27,628	28,447
<b>Budgetary resources available for obligation:</b>				
21.40	Unobligated balance carried forward, start of year	3	499	
22.00	New financing authority (gross) .....	28,210	27,130	28,447
22.10	Resources available from recoveries of prior year obligations .....	8		
22.60	Portion applied to repay debt .....	-8		
23.90	Total budgetary resources available for obligation	28,213	27,629	28,447
23.95	Total new obligations .....	-27,714	-27,628	-28,447
24.40	Unobligated balance carried forward, end of year .....	499		
<b>New financing authority (gross), detail:</b>				
Mandatory:				
67.10	Authority to borrow .....	21,996	21,529	22,060
69.00	Offsetting collections (cash) .....	14,502	15,538	13,118
69.47	Portion applied to repay debt .....	-8,288	-9,937	-6,731
69.90	Spending authority from offsetting collections (total mandatory) .....	6,214	5,601	6,387
70.00	Total new financing authority (gross) .....	28,210	27,130	28,447
<b>Change in obligated balances:</b>				
72.40	Obligated balance, start of year .....	4,240	5,404	4,532
73.10	Total new obligations .....	27,714	27,628	28,447
73.20	Total financing disbursements (gross) .....	-26,542	-28,501	-28,191
73.45	Recoveries of prior year obligations .....	-8		
74.40	Obligated balance, end of year .....	5,404	4,532	4,788
87.00	Total financing disbursements (gross) .....	26,542	28,501	28,191
<b>Offsets:</b>				
Against gross financing authority and financing disbursements:				
Offsetting collections (cash) from:				
Federal sources:				
Payments from program account:				
88.00	Upward reestimate .....		-3,721	
88.00	Upward reestimate, interest .....		-870	
88.25	Interest on uninvested funds .....		-972	
Non-Federal sources:				
Stafford loans:				
88.40	Repayment of principal, Stafford .....	-4,207	-2,455	-2,945
88.40	Interest received on loans, Stafford .....	-504	-1,022	-1,226
88.40	Origination Fees, Stafford .....	-164	-182	-192
88.40	Other fees, Stafford .....	-14		
88.40	Repayment of principal, Unsubsidized Stafford .....	-3,196	-1,681	-2,077
88.40	Interest received on loans, Unsubsidized Stafford .....	-475	-722	-898
88.40	Origination Fees, Unsubsidized Stafford .....	-125	-145	-159
88.40	Other fees, Unsubsidized Stafford .....	-10		
88.40	Repayment of principal, PLUS .....	-1,156	-616	-739
88.40	Interest received on loans, PLUS .....	-241	-308	-384
88.40	Origination Fees, PLUS .....	-45	-62	-68
88.40	Other fees, PLUS .....	-4		
88.40	Payment of principal, Consolidation .....	-2,522	-1,616	-2,023
88.40	Interest received on loans, Consolidation .....	-859	-2,138	-2,407
88.40	Other fees, Consolidation .....	-8		
88.90	Total, offsetting collections (cash) .....	-14,502	-15,538	-13,118
<b>Net financing authority and financing disbursements:</b>				
89.00	Financing authority .....	13,708	11,592	15,329
90.00	Financing disbursements .....	12,039	12,963	15,073

**Status of Direct Loans (in millions of dollars)**

Identification code 91-4253-0-3-502		2002 actual	2003 est.	2004 est.
<b>STAFFORD</b>				
Position with respect to appropriations act limitation on obligations:				
1111	Limitation on direct loans .....			
1131	Direct loan obligations exempt from limitation .....	5,709	6,613	6,933

1150	Total direct loan obligations .....	5,709	6,613	6,933
Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	26,488	27,470	31,023
1231	Disbursements: Direct loan disbursements .....	5,059	6,062	6,397
1251	Repayments: Repayments and prepayments .....	-4,207	-2,455	-2,945
1261	Adjustments: Capitalized interest .....	169		
1264	Write-offs for default: Other adjustments, net .....	-39	-54	-59
1290	Outstanding, end of year .....	27,470	31,023	34,416

**UNSUBSIDIZED STAFFORD**

Position with respect to appropriations act limitation on obligations:				
1111	Limitation on direct loans .....			
1131	Direct loan obligations exempt from limitation .....	4,560	5,497	5,946
1150	Total direct loan obligations .....	4,560	5,497	5,946

Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	17,170	18,515	22,120
1231	Disbursements: Direct loan disbursements .....	3,951	4,827	5,288
1251	Repayments: Repayments and prepayments .....	-3,196	-1,682	-2,077
1261	Adjustments: Capitalized interest .....	618	495	445
1264	Write-offs for default: Other adjustments, net .....	-28	-35	-40
1290	Outstanding, end of year .....	18,515	22,120	25,736

**PLUS**

Position with respect to appropriations act limitation on obligations:				
1111	Limitation on direct loans .....			
1131	Direct loan obligations exempt from limitation .....	1,454	1,732	1,914
1150	Total direct loan obligations .....	1,454	1,732	1,914

Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	4,003	4,279	5,175
1231	Disbursements: Direct loan disbursements .....	1,225	1,546	1,708
1251	Repayments: Repayments and prepayments .....	-1,156	-616	-739
1261	Adjustments: Capitalized interest .....	226		
1264	Write-offs for default: Other adjustments, net .....	-19	-34	-39
1290	Outstanding, end of year .....	4,279	5,175	6,105

**CONSOLIDATED**

Position with respect to appropriations act limitation on obligations:				
1111	Limitation on direct loans .....			
1131	Direct loan obligations exempt from limitation .....	9,195	7,497	6,161
1150	Total direct loan obligations .....	9,195	7,497	6,161

Cumulative balance of direct loans outstanding:				
1210	Outstanding, start of year .....	22,884	29,807	35,524
1231	Disbursements: Direct loan disbursements .....	9,228	7,436	6,106
1251	Repayments: Repayments and prepayments .....	-2,522	-1,617	-2,023
1261	Adjustments: Capitalized interest .....	312		
1264	Write-offs for default: Other adjustments, net .....	-95	-102	-127
1290	Outstanding, end of year .....	29,807	35,524	39,480

**Balance Sheet (in millions of dollars)**

Identification code 91-4253-0-3-502		2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>					
1101	Federal assets: Fund balances with Treasury .....	603	970	4,532	4,788
Net value of assets related to post-1991 direct loans receivable:					
1401	Direct loans receivable, gross .....	70,313	80,070	93,842	105,737
1402	Interest receivable .....	2,616	2,661	6,088	7,047
1405	Allowance for subsidy cost (-) .....	1,739	2,115	2,158	2,119
1499	Net present value of assets related to direct loans .....	74,668	84,846	102,088	114,903
1901	Other Federal assets: Other assets .....	2,497	3,769		
1999	Total assets .....	77,768	89,585	106,620	119,691
<b>LIABILITIES:</b>					
Federal liabilities:					
2101	Accounts payable .....	579	87	5,531	3,272
2103	Debt .....	77,189	89,498	101,089	116,419
2999	Total liabilities .....	77,768	89,585	106,620	119,691
<b>NET POSITION:</b>					

**Credit accounts—Continued**

**FEDERAL DIRECT STUDENT LOAN PROGRAM, FINANCING ACCOUNT—Continued**

**Balance Sheet (in millions of dollars)—Continued**

Identification code 91-4253-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
3999 Total net position				
4999 Total liabilities and net position	77,768	89,585	106,620	119,691

As required by the Federal Credit Reform Act of 1990, this non-budgetary account records all cash flows to and from the Government resulting from Direct Loans. The amounts in this account are a means of financing and are not included in the budget totals.

**FEDERAL DIRECT STUDENT LOAN PROGRAM, FINANCING ACCOUNT  
(Legislative proposal, subject to PAYGO)**

**Program and Financing (in millions of dollars)**

Identification code 91-4253-4-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
05.01 Interest payment to Treasury			-1
Other obligations:			
08.01 Obligation of negative subsidy			-14
10.00 Total new obligations			-15
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross)			-18
23.95 Total new obligations			15
24.40 Unobligated balance carried forward, end of year			-3
<b>New financing authority (gross), detail:</b>			
Mandatory:			
67.10 Authority to borrow			-14
69.00 Offsetting collections (cash)			44
69.27 Capital transfer to general fund			-3
69.47 Portion applied to repay debt			-45
69.90 Spending authority from offsetting collections (total mandatory)			-4
70.00 Total new financing authority (gross)			-18
<b>Change in obligated balances:</b>			
73.10 Total new obligations			-15
73.20 Total financing disbursements (gross)			15
87.00 Total financing disbursements (gross)			-15
<b>Offsets:</b>			
Against gross financing authority and financing disbursements:			
Payments from program account:			
88.00 Offsetting collections (cash) from: Modification			-44
<b>Net financing authority and financing disbursements:</b>			
89.00 Financing authority			-62
90.00 Financing disbursements			-59

**FEDERAL FAMILY EDUCATION LOAN PROGRAM ACCOUNT**

**Program and Financing (in millions of dollars)**

Identification code 91-0231-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.02 Guaranteed Loan Net Subsidy	4,312	6,402	6,131
Administrative expenses:			
00.09 Administrative expenses due to limitations	49		
10.00 Total new obligations	4,361	6,402	6,131
<b>Budgetary resources available for obligation:</b>			
21.40 Unobligated balance carried forward, start of year	2	2	

22.00 New budget authority (gross)	4,361	6,402	6,131
22.40 Capital transfer to general fund		-2	
23.90 Total budgetary resources available for obligation	4,363	6,402	6,131
23.95 Total new obligations	-4,361	-6,402	-6,131
23.98 Unobligated balance expiring or withdrawn	-1		
24.40 Unobligated balance carried forward, end of year	2		

**New budget authority (gross), detail:**

<b>Discretionary:</b>			
40.00 Appropriation	50		
40.71 Reduction pursuant to P.L. XXX-XX	-1		
43.00 Appropriation (total discretionary)	49		
<b>Mandatory:</b>			
60.00 Appropriation	4,312	6,402	6,131
69.00 Offsetting collections (cash)—downward reestimate		2,980	
69.27 Capital transfer to general fund		-2,980	
69.90 Spending authority from offsetting collections (total mandatory)			
70.00 Total new budget authority (gross)	4,361	6,402	6,131

**Change in obligated balances:**

72.40 Obligated balance, start of year	870	1,393	2,024
73.10 Total new obligations	4,361	6,402	6,131
73.20 Total outlays (gross)	-3,837	-5,770	-5,536
73.40 Recoveries of prior yr obligations	-1		
74.40 Obligated balance, end of year	1,393	2,024	2,619

**Outlays (gross), detail:**

86.90 Outlays from new discretionary authority	38		
86.93 Outlays from discretionary balances	9	12	3
86.97 Outlays from new mandatory authority	2,935	4,794	4,425
86.98 Outlays from mandatory balances	855	964	1,108
87.00 Total outlays (gross)	3,837	5,770	5,536

**Offsets:**

Against gross budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources		-2,980	

**Net budget authority and outlays:**

89.00 Budget authority	4,361	3,422	6,131
90.00 Outlays	3,837	2,790	5,536

**Summary of Budget Authority and Outlays**

(in millions of dollars)

Enacted/requested:	2002 actual	2003 est.	2004 est.
Budget Authority	4,361	3,422	6,131
Outlays	3,837	2,790	5,536
Legislative proposal, subject to PAYGO:			
Budget Authority			141
Outlays			125
<b>Total:</b>			
Budget Authority	4,361	3,422	6,272
Outlays	3,837	2,790	5,661

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program (in millions of dollars)**

Identification code 91-0231-0-1-502	2002 actual	2003 est.	2004 est.
<b>Guaranteed loan levels supportable by subsidy budget authority:</b>			
215001 Stafford	14,305	16,534	17,423
215002 Unsubsidized Stafford	13,092	15,584	17,023
215003 PLUS	3,470	4,004	4,451
215004 Consolidated	17,235	17,205	13,167
215901 Total loan guarantee levels	48,102	53,327	52,064
<b>Guaranteed loan subsidy (in percent):</b>			
232001 Stafford	16.41	16.55	17.64
232002 Unsubsidized Stafford	6.21	5.70	4.92
232003 PLUS	4.72	3.61	3.26
232004 Consolidated	5.73	15.30	15.76
232901 Weighted average subsidy rate	8.96	12.00	11.78
<b>Guaranteed loan subsidy budget authority:</b>			
233001 Stafford	2,347	2,736	3,073
233002 Unsubsidized Stafford	813	888	838
233003 PLUS	164	145	145

233004 Consolidated .....	988	2,632	2,075
233901 Total subsidy budget authority .....	4,312	6,401	6,131
Guaranteed loan subsidy outlays:			
234001 Stafford .....	2,054	2,287	2,616
234002 Unsubsidized Stafford .....	632	740	740
234003 PLUS .....	120	135	128
234004 Consolidated .....	984	2,596	2,049
234901 Total subsidy outlays .....	3,790	5,758	5,533
Guaranteed loan upward reestimate subsidy budget authority:			
235002 Unsubsidized Stafford .....		343	
235003 PLUS .....		80	
235004 Consolidated .....		32	
235901 Total upward reestimate budget authority .....		455	
Guaranteed loan upward reestimate subsidy outlays:			
236002 Unsubsidized Stafford .....		343	
236003 PLUS .....		80	
236004 Consolidated .....		32	
236901 Total upward reestimate subsidy outlays .....		455	
Guaranteed loan downward reestimate subsidy budget authority:			
237001 Stafford .....		-2,643	
237002 Unsubsidized Stafford .....		-207	
237003 PLUS .....		-5	
237004 Consolidated .....		-509	
237005 SLS .....		-71	
237901 Total downward reestimate subsidy budget authority .....		-3,435	
Guaranteed loan downward reestimate subsidy outlays:			
238001 Stafford .....		-2,643	
238002 Unsubsidized Stafford .....		-207	
238003 PLUS .....		-5	
238004 Consolidated .....		-509	
238005 SLS .....		-71	
238901 Total downward reestimate subsidy outlays .....		-3,435	
Administrative expense data:			
351001 Budget authority .....	49		
359001 Outlays .....	46	12	3

As required by the Federal Credit Reform Act of 1990, this program account records the subsidy costs associated with Federal Family Education Loans (FFEL), formerly guaranteed student loans (GSL), committed in 1992 and beyond, as well as certain administrative expenses of the program. Administrative expenses include discretionary expenses for salaries, expenses and overhead of employees working directly on the program. Consistent with the Administration's proposal to consolidate student aid administrative activities in a single discretionary account, these expenses are not reflected for 2003 and 2004. For a discussion of this proposal, see the narrative description above in the Student Aid Administration account. Beginning with the 1993 cohort, mandatory administrative costs, specifically contract collection costs, are included in the FFEL subsidy estimates of each year's cohort. Subsidy amounts are estimated on a net present value basis. A description of the FFEL program and accompanying tables are included under the Federal Direct Student Loan program account.

**Object Classification** (in millions of dollars)

Identification code 91-0231-0-1-502	2002 actual	2003 est.	2004 est.
Personnel compensation:			
11.1 Full-time permanent .....	23		
11.5 Other personnel compensation .....	1		
11.9 Total personnel compensation .....	24		
12.1 Civilian personnel benefits .....	5		
23.1 Rental payments to GSA .....	3		
23.3 Communications, utilities, and miscellaneous charges .....	2		
25.2 Other services .....	1		
25.3 Other purchases of goods and services from Government accounts .....	1		
25.7 Operation and maintenance of equipment .....	12		

31.0 Equipment .....	1		
41.0 Grants, subsidies, and contributions .....	4,312	6,402	6,131
99.9 Total new obligations .....	4,361	6,402	6,131

**Personnel Summary**

Identification code 91-0231-0-1-502	2002 actual	2003 est.	2004 est.
Total compensable workyears:			
1001 Civilian full-time equivalent employment .....	320		

**FEDERAL FAMILY EDUCATION LOAN PROGRAM ACCOUNT**  
(Legislative proposal, subject to PAYGO)

**Program and Financing** (in millions of dollars)

Identification code 91-0231-4-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.02 Guaranteed Loan Net Subsidy .....			141
10.00 Total new obligations (object class 41.0) .....			141
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....			141
23.95 Total new obligations .....			-141
<b>New budget authority (gross), detail:</b>			
Mandatory:			
60.00 Appropriation .....			141
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....			141
73.20 Total outlays (gross) .....			-125
74.40 Obligated balance, end of year .....			16
<b>Outlays (gross), detail:</b>			
86.97 Outlays from new mandatory authority .....			125
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....			141
90.00 Outlays .....			125

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program** (in millions of dollars)

Identification code 91-0231-4-1-502	2002 actual	2003 est.	2004 est.
Guaranteed loan levels supportable by subsidy budget authority:			
215001 Stafford .....			
215002 Unsubsidized Stafford .....			
215003 PLUS .....			
215004 Consolidated .....			
215901 Total loan guarantee levels .....			
Guaranteed loan subsidy (in percent):			
232001 Stafford .....			0.03
232002 Unsubsidized Stafford .....			0.04
232003 PLUS .....			0.00
232004 Consolidated .....			0.00
232901 Weighted average subsidy rate .....			0.07
Guaranteed loan subsidy budget authority:			
233001 Stafford .....			19
233002 Unsubsidized Stafford .....			19
233003 PLUS .....			
233004 Consolidated .....			
233005 Modification .....			103
233901 Total subsidy budget authority .....			141
Guaranteed loan subsidy outlays:			
234001 Stafford .....			11
234002 Unsubsidized Stafford .....			11
234003 PLUS .....			
234004 Consolidated .....			
234005 Modification .....			103
234901 Total subsidy outlays .....			125
Guaranteed loan upward reestimate subsidy budget authority:			
235002 Unsubsidized Stafford .....			

**Credit accounts—Continued**

**FEDERAL FAMILY EDUCATION LOAN PROGRAM ACCOUNT—Continued**

**Summary of Loan Levels, Subsidy Budget Authority and Outlays by Program**  
(in millions of dollars)—Continued

Identification code 91-0231-4-1-502	2002 actual	2003 est.	2004 est.
235003 PLUS			
235004 Consolidated			
235901 Total upward reestimate budget authority			
Guaranteed loan upward reestimate subsidy outlays:			
236002 Unsubsidized Stafford			
236003 PLUS			
236004 Consolidated			
236901 Total upward reestimate subsidy outlays			
Guaranteed loan downward reestimate subsidy budget authority:			
237001 Stafford			
237002 Unsubsidized Stafford			
237003 PLUS			
237004 Consolidated			
237005 Downward reestimate			
237901 Total downward reestimate subsidy budget authority			
Guaranteed loan downward reestimate subsidy outlays:			
238001 Stafford			
238002 Unsubsidized Stafford			
238003 PLUS			
238004 Consolidated			
238005 Downward reestimate subsidy outlays			
238901 Total downward reestimate subsidy outlays			
Administrative expense data:			
351001 Budget authority			
359001 Outlays			

**FEDERAL FAMILY EDUCATION LOAN PROGRAM, FINANCING ACCOUNT**

Note.—The financing account includes all cash flows to and from the Government from guaranteed student loans committed after 1991.

**Program and Financing (in millions of dollars)**

Identification code 91-4251-0-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
<b>Stafford loans:</b>			
01.01 Interest benefits	2,130	1,061	1,275
01.02 Special allowance	97	344	1,089
01.03 Default claims	1,363	1,525	1,691
01.04 Death, disability, and bankruptcy claims	144	148	160
01.05 Teacher loan forgiveness, other write-offs		3	3
01.07 Contract collection costs	11	36	41
01.08 Loan Processing Fee	120	107	70
01.09 Vol Flex Agree Perf. Fee	50		
01.91 Subtotal, Stafford loans	3,915	3,224	4,329
<b>Unsubsidized Stafford loans:</b>			
02.02 Special allowance	66	272	911
02.03 Default claims	752	894	1,104
02.04 Death, disability, and bankruptcy claims	88	89	103
02.05 Teacher loan forgiveness, other write-offs		3	3
02.07 Contract collection costs	4	8	11
02.08 Loan Processing Fee	66	101	68
02.09 Vol Flex Agree Perf. Fee	25		
02.91 Subtotal, Unsubsidized Stafford loans	1,001	1,367	2,200
<b>PLUS loans:</b>			
03.02 Special allowance	4	33	33
03.03 Default claims	94	201	225
03.04 Death, disability, and bankruptcy claims	53	77	88
03.07 Contract Collection Costs	1	1	1
03.08 Loan Processing Fee	8	26	18
03.09 Vol Flex Agree Perf. Fee	8		
03.91 Subtotal, PLUS loans	168	338	365
<b>SLS loans:</b>			
04.02 Special allowance		1	
04.03 Default claims	66	15	6
04.04 Death, disability and bankruptcy claims	10	6	5

04.07 Contract collection costs	1	6	7
04.08 Vol Flex Agree Perf. Fee	2		
04.91 Subtotal, SLS loans	79	28	18
<b>Consolidation loans:</b>			
05.02 Special allowance	34	40	509
05.03 Default claims	522	1,410	1,779
05.04 Death, disability, and bankruptcy claims	126	237	303
05.07 Contract collection costs	2	9	12
05.08 Vol Flex Agree Perf. Fee	50		
05.91 Subtotal, Consolidations loans	734	1,696	2,603
08.02 Payment of downward reestimate to Program acct		2,206	
08.04 Interest on downward reestimate		774	
08.91 Downward Reestimate- Subtotal (1 level)		2,980	
10.00 Total new obligations	5,897	9,633	9,515

**Budgetary resources available for obligation:**

21.40 Unobligated balance carried forward, start of year	5,092	7,305	7,964
22.00 New financing authority (gross)	8,110	10,292	10,742
23.90 Total budgetary resources available for obligation	13,202	17,597	18,706
23.95 Total new obligations	-5,897	-9,633	-9,515
24.40 Unobligated balance carried forward, end of year	7,305	7,964	9,191

**New financing authority (gross), detail:**

<b>Mandatory:</b>			
69.00 Offsetting collections (cash)	8,110	10,292	10,742

**Change in obligated balances:**

72.40 Obligated balance, start of year	1,252	1,382	2,257
73.10 Total new obligations	5,897	9,633	9,515
73.20 Total financing disbursements (gross)	-5,767	-8,758	-9,542
74.40 Obligated balance, end of year	1,382	2,257	2,230
87.00 Total financing disbursements (gross)	5,767	8,758	9,542

**Offsets:**

Against gross financing authority and financing disbursements:

**Offsetting collections (cash) from:**

**Federal sources:**

**Payments from program account:**

88.00 Stafford loans	-2,054	-2,287	-2,616
88.00 Unsubsidized Stafford	-632	-740	-740
88.00 PLUS loans	-120	-135	-128
88.00 Consolidated loans	-984	-2,596	-2,049
88.25 Interest on uninvested funds	-416	-556	-636

**Non-Federal sources:**

**Student Loans: Stafford, Unsubsidized Stafford, PLUS, SLS & Consolidation:**

88.40 Stafford recoveries on defaults	-1,304	-1,101	-1,245
88.40 Stafford origination fees	-420	-498	-529
88.40 Stafford Sallie Mae offset fees	-21	-22	-19
88.40 Stafford Other Fees	-62		
88.40 Unsubsidized Stafford recoveries on defaults	-488	-397	-508
88.40 Unsubsidized Stafford origination fees	-375	-453	-502
88.40 Unsubsidized Stafford Sallie Mae offset fees	-13	-16	-15
88.40 Unsubsidized Stafford Other Fees	-24		
88.40 PLUS recoveries on defaults	-117	-95	-113
88.40 PLUS origination fees	-101	-119	-132
88.40 PLUS Sallie Mae offset fees	-5	-5	-5
88.40 PLUS Other Fees	-5		
88.40 SLS recoveries on defaults	-131	-115	-109
88.40 SLS Sallie Mae offset fees			
88.40 SLS Other Fees	-6		
88.40 Consolidation recoveries on defaults	-344	-404	-582
88.40 Consolidation origination fees	-91	-85	-65
88.40 Consolidated loan holders fee	-383	-668	-749
88.40 Consolidation Other Fees	-14		

88.90 Total, offsetting collections (cash)	-8,110	-10,292	-10,742
--	--------	---------	---------

**Net financing authority and financing disbursements:**

89.00 Financing authority			
90.00 Financing disbursements	-2,343	-1,534	-1,200

Status of Guaranteed Loans (in millions of dollars)

Identification code 91-4251-0-3-502	2002 actual	2003 est.	2004 est.
<b>STAFFORD</b>			
Position with respect to appropriations act limitation on commitments:			
2111			
2131			
2150			
2199			
Cumulative balance of guaranteed loans outstanding:			
2210			
2231			
2251			
Adjustments:			
2261			
2263			
2264			
2290			
Memorandum:			
2299			
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310			
2331			
2351			
2361			
2364			
2390			
<b>UNSUBSIDIZED STAFFORD</b>			
Position with respect to appropriations act limitation on commitments:			
2111			
2131			
2150			
2199			
Cumulative balance of guaranteed loans outstanding:			
2210			
2231			
2251			
Adjustments:			
2261			
2263			
2264			
2290			
Memorandum:			
2299			
Addendum:			
Cumulative balance of defaulted guaranteed loans that result in loans receivable:			
2310			
2331			
2351			
2361			
2364			
2390			
<b>PLUS</b>			
Position with respect to appropriations act limitation on commitments:			
2111			
2131			
2150			

2199	Guaranteed amount of guaranteed loan commitments	3,470	4,004	4,451
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	9,625	10,529	11,663
2231	Disbursements of new guaranteed loans	2,618	3,400	3,785
2251	Repayments and prepayments	-1,493	-2,001	-2,180
Adjustments:				
2261	Terminations for default that result in loans receivable	-95	-188	-225
2263	Terminations for default that result in claim payments	-126	-77	-88
2290	Outstanding, end of year	10,529	11,663	12,955
Memorandum:				
2299	Guaranteed amount of guaranteed loans outstanding, end of year	10,529	11,663	12,955
Addendum:				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year	189	208	291
2331	Disbursements for guaranteed loan claims	95	188	225
2351	Repayments of loans receivable	-117	-95	-113
2361	Write-offs of loans receivable	-6	-10	-13
2364	Other adjustments, net	47		
2390	Outstanding, end of year	208	291	390
<b>SLS</b>				
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	1,856	1,276	869
2251	Repayments and prepayments	-504	-378	-283
Adjustments:				
2261	Terminations for default that result in loans receivable	-66	-23	-8
2263	Terminations for default that result in claim payments	-10	-6	-5
2290	Outstanding, end of year	1,276	869	573
Memorandum:				
2299	Guaranteed amount of guaranteed loans outstanding, end of year	1,276	869	573
Addendum:				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year	614	554	459
2331	Disbursements for guaranteed loan claims	66	23	8
2351	Repayments of loans receivable	-131	-115	-109
2361	Write-offs of loans receivable	-4	-3	-3
2364	Other adjustments, net	9		
2390	Outstanding, end of year	554	459	355
<b>CONSOLIDATED</b>				
Position with respect to appropriations act limitation on commitments:				
2111	Limitation on guaranteed loans made by private lenders			
2131	Guaranteed loan commitments exempt from limitation	17,235	17,205	13,167
2150	Total guaranteed loan commitments	17,235	17,205	13,167
2199	Guaranteed amount of guaranteed loan commitments	17,235	17,205	13,167
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year	32,383	49,434	60,712
2231	Disbursements of new guaranteed loans	20,106	17,013	13,003
2251	Repayments and prepayments	-2,476	-4,199	-5,372
Adjustments:				
2261	Terminations for default that result in loans receivable	-526	-1,299	-1,753
2263	Terminations for default that result in claim payments	-53	-237	-303
2290	Outstanding, end of year	49,434	60,712	66,287
Memorandum:				
2299	Guaranteed amount of guaranteed loans outstanding, end of year	49,434	60,712	66,287
Addendum:				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year	1,116	1,404	2,285
2331	Disbursements for guaranteed loan claims	526	1,299	1,753

**Credit accounts—Continued**

**FEDERAL FAMILY EDUCATION LOAN PROGRAM, FINANCING ACCOUNT—Continued**

**Status of Guaranteed Loans (in millions of dollars)—Continued**

Identification code 91-4251-0-3-502	2002 actual	2003 est.	2004 est.
2351 Repayments of loans receivable .....	-344	-404	-582
2361 Write-offs of loans receivable .....	-8	-14	-22
2364 Other adjustments, net .....	114		
2390 Outstanding, end of year .....	1,404	2,285	3,434

**Balance Sheet (in millions of dollars)**

Identification code 91-4251-0-3-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....	6,531	8,687	7,964	9,191
Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:				
1501 Defaulted guaranteed loans receivable, gross .....	5,339	6,098	7,841	9,969
1502 Interest receivable .....	1,287	1,732	1,871	2,020
1505 Allowance for subsidy cost (-) .....	1,830	-2,580	-3,147	-3,839
1599 Net present value of assets related to defaulted guaranteed loans .....	8,456	5,250	6,565	8,150
1901 Other Federal assets: Other assets .....	336	339		
1999 Total assets .....	15,323	14,276	14,529	17,341
<b>LIABILITIES:</b>				
2101 Federal liabilities: Accounts payable .....	2,827	2,706	3,537	6,899
2204 Non-Federal liabilities: Liabilities for loan guarantees .....	12,496	11,570	10,992	10,442
2999 Total liabilities .....	15,323	14,276	14,529	17,341
4999 Total liabilities and net position .....	15,323	14,276	14,529	17,341

As required by the Federal Credit Reform Act of 1990, this nonbudgetary account records all cash flows to and from the Government resulting from Federal Family Education Loans (FFEL), formerly guaranteed student loans (GSL), committed in 1992 and beyond. The amounts in this account are a means of financing and are not included in the budget totals.

**FEDERAL FAMILY EDUCATION LOAN PROGRAM FINANCING ACCOUNT**  
(Legislative proposal, subject to PAYGO)

**Program and Financing (in millions of dollars)**

Identification code 91-4251-4-3-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Stafford loans:			
01.05 Teacher loan forgiveness, other write-offs .....			1
10.00 Total new obligations .....			1
<b>Budgetary resources available for obligation:</b>			
22.00 New financing authority (gross) .....			123
23.95 Total new obligations .....			-1
24.40 Unobligated balance carried forward, end of year .....			122
<b>New financing authority (gross), detail:</b>			
Mandatory:			
69.00 Offsetting collections (cash) .....			128
69.27 Capital transfer to general fund .....			-5
69.90 Spending authority from offsetting collections (total mandatory) .....			123
<b>Change in obligated balances:</b>			
73.10 Total new obligations .....			1
73.20 Total financing disbursements (gross) .....			-1
87.00 Total financing disbursements (gross) .....			1

**Offsets:**

Against gross financing authority and financing disbursements:			
Offsetting collections (cash) from:			
Payments from program account:			
Federal sources:			
88.00	Stafford loans .....		-11
88.00	Unsubsidized Stafford .....		-11
88.00	Modification .....		-103
88.25	Interest on uninvested funds .....		-3
88.90	Total, offsetting collections (cash) .....		-128
<b>Net financing authority and financing disbursements:</b>			
89.00	Financing authority .....		-5
90.00	Financing disbursements .....		-127

**Balance Sheet (in millions of dollars)**

Identification code 91-4251-4-3-502	2001 actual	2002 actual	2003 est.	2004 est.
<b>ASSETS:</b>				
1101 Federal assets: Fund balances with Treasury .....				122
Net value of assets related to post-1991 acquired defaulted guaranteed loans receivable:				
1501 Defaulted guaranteed loans receivable, gross .....				
1502 Interest receivable .....				
1505 Allowance for subsidy cost (-) .....				
1599 Net present value of assets related to defaulted guaranteed loans .....				
1901 Other Federal assets: Other assets .....				
1999 Total assets .....				122
<b>LIABILITIES:</b>				
2101 Federal liabilities: Accounts payable .....				122
2204 Non-Federal liabilities: Liabilities for loan guarantees .....				
2999 Total liabilities .....				122
4999 Total liabilities and net position .....				122

**FEDERAL FAMILY EDUCATION LOAN LIQUIDATING ACCOUNT**

Note.—The following tables display the liquidating account, which includes all cash flows to and from the Government from guaranteed student loan commitments prior to 1992.

**Program and Financing (in millions of dollars)**

Identification code 91-0230-0-1-502	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
Stafford loans:			
01.01	Interest benefits, net of origination fees .....	41	1
01.02	Special allowance net of origination fees .....	16	12
01.03	Default claims .....	14	21
01.04	Death, disability, and bankruptcy claims .....	18	22
01.07	Contract collection costs .....	70	48
01.91	Subtotal, Stafford loans .....	159	104
PLUS/SLS loans:			
02.01	Default claims .....	63	3
02.02	Death, disability, and bankruptcy claims .....	7	9
02.05	Contract collection costs .....	13	9
02.06	Interest benefits, net of origination fees .....	3	
02.91	Subtotal, PLUS/SLS loans .....	86	21
10.00	Total new obligations .....	245	125
<b>Budgetary resources available for obligation:</b>			
21.40	Unobligated balance carried forward, start of year .....	146	1,033
22.00	New budget authority (gross) .....	1,277	125
22.40	Capital transfer to general fund .....	-146	-1,033
23.90	Total budgetary resources available for obligation .....	1,277	125
23.95	Total new obligations .....	-245	-125
24.40	Unobligated balance carried forward, end of year .....	1,033	
<b>New budget authority (gross), detail:</b>			
Mandatory:			
69.00	Offsetting collections (cash) .....	1,805	798
69.27	Capital transfer to general fund .....	-528	-673

69.90	Spending authority from offsetting collections (total mandatory) .....	1,277	125	74
<b>Change in obligated balances:</b>				
72.40	Obligated balance, start of year .....	65	-2	
73.10	Total new obligations .....	245	125	74
73.20	Total outlays (gross) .....	-312	-123	-74
74.40	Obligated balance, end of year .....	-2		
<b>Outlays (gross), detail:</b>				
86.97	Outlays from new mandatory authority .....	247	125	74
86.98	Outlays from mandatory balances .....	65	-2	
87.00	Total outlays (gross) .....	312	123	74
<b>Offsets:</b>				
Against gross budget authority and outlays:				
Offsetting collections (cash) from:				
Federal student loans:				
Non-Federal sources:				
88.40	Fed collections on defaulted loans, Stafford .....	-568	-303	-231
88.40	Federal collections on bankruptcies, Stafford .....	-5	-5	-3
88.40	Offsets against Federal tax refunds, Stafford .....	-429	-206	-172
88.40	Reimbursements from guaranty agencies, Stafford .....	-465	-131	-101
88.40	Other Collections/Fees, Stafford .....	-53		
88.40	Sallie Mae Offset Fee .....	-2		
88.40	Federal collections on defaulted loans, PLUS/SLS .....	-133	-60	-45
88.40	Federal collections on bankruptcies, PLUS/SLS .....	-1	-2	-1
88.40	Offsets against Federal tax refunds, PLUS/SLS .....	-32	-55	-42
PLUS/SLS loans:				
88.40	Reimbursements from guaranty agencies, PLUS/SLS .....	-117	-36	-28
88.90	Total, offsetting collections (cash) .....	-1,805	-798	-623
<b>Net budget authority and outlays:</b>				
89.00	Budget authority .....	-528	-673	-549
90.00	Outlays .....	-1,494	-675	-549

**Status of Guaranteed Loans (in millions of dollars)**

Identification code 91-0230-0-1-502	2002 actual	2003 est.	2004 est.	
<b>STAFFORD LOANS</b>				
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year .....	3,612	2,052	1,028
2251	Repayments and prepayments .....	-1,512	-973	-573
Adjustments:				
2261	Terminations for default that result in loans receivable .....	-27	-20	-6
2263	Terminations for default that result in claim payments .....	-21	-31	-19
2290	Outstanding, end of year .....	2,052	1,028	430
<b>Memorandum:</b>				
2299	Guaranteed amount of guaranteed loans outstanding, end of year .....	2,052	1,028	430
<b>Addendum:</b>				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year .....	12,095	10,887	10,155
2331	Disbursements for guaranteed loan claims .....	27	21	7
2351	Repayments of loans receivable .....	-1,470	-339	-261
2361	Write-offs of loans receivable .....	-432	-389	-363
2364	Other adjustments, net .....	667	-25	-16
2390	Outstanding, end of year .....	10,887	10,155	9,522
<b>PLUS/SLS LOANS</b>				
Cumulative balance of guaranteed loans outstanding:				
2210	Outstanding, start of year .....	881	672	547
2251	Repayments and prepayments .....	-82	-104	-104
Adjustments:				
2261	Terminations for default that result in loans receivable .....	-121	-13	-1
2263	Terminations for default that result in claim payments .....	-6	-8	-5

2290	Outstanding, end of year .....	672	547	437
<b>Memorandum:</b>				
2299	Guaranteed amount of guaranteed loans outstanding, end of year .....	672	547	437
<b>Addendum:</b>				
Cumulative balance of defaulted guaranteed loans that result in loans receivable:				
2310	Outstanding, start of year .....	2,026	2,041	1,953
2331	Disbursements for guaranteed loan claims .....	121	12	1
2351	Repayments of loans receivable .....	-282	-66	-49
2361	Write-offs of loans receivable .....	-29	-29	-28
2364	Other adjustments, net .....	205	-5	-3
2390	Outstanding, end of year .....	2,041	1,953	1,874

**Statement of Operations (in millions of dollars)**

Identification code 91-0230-0-1-502	2001 actual	2002 actual	2003 est.	2004 est.	
<b>Stafford:</b>					
0111	Revenue .....	868	1,467	645	507
0112	Expense .....	-296	-159	-104	-61
0115	Net income or loss (-) .....	572	1,308	541	446
<b>PLUS/SLS:</b>					
0121	Revenue .....	156	282	153	116
0122	Expense .....	-45	-86	-21	-13
0125	Net income or loss (-) .....	111	196	132	103
0191	Total revenues .....	1,024	1,749	798	623
0192	Total expenses .....	-341	-245	-125	-74
0195	Total income or loss (-) .....	683	1,504	673	549
0199	Total comprehensive income .....	683	1,504	673	549

**Balance Sheet (in millions of dollars)**

Identification code 91-0230-0-1-502	2001 actual	2002 actual	2003 est.	2004 est.	
<b>ASSETS:</b>					
1101	Federal assets: Fund balances with Treasury .....	191	1,031	928	835
Net value of assets related to pre-1992 direct loans receivable and acquired defaulted guaranteed loans receivable:					
1701	Defaulted guaranteed loans, gross ....	14,160	12,928	12,108	11,396
1702	Interest receivable .....	1,740	1,284	948	700
1703	Allowance for estimated uncollectible loans and interest (-) .....	-14,533	-13,175	-11,944	-10,828
1704	Defaulted guaranteed loans and interest receivable, net .....	1,367	1,037	1,112	1,268
1799	Value of assets related to loan guarantees .....	1,367	1,037	1,112	1,268
1901	Other Federal assets: Other assets .....	62	62	62	62
1999	Total assets .....	1,620	2,130	2,102	2,165
<b>LIABILITIES:</b>					
2104	Federal liabilities: Resources payable to Treasury .....		2,007		
Non-Federal liabilities:					
2201	Accounts payable .....	8	14	23	38
2204	Liabilities for loan guarantees .....	1,612	109	2,079	2,127
2999	Total liabilities .....	1,620	2,130	2,102	2,165
4999	Total liabilities and net position .....	1,620	2,130	2,102	2,165

<sup>1</sup> Excludes interest and premium collections on insured loans.

As required by the Federal Credit Reform Act of 1990, this liquidating account records, for this program, all cash flows to and from the Government resulting from guaranteed student loans committed prior to 1992. This account is shown on a cash basis. All new loan activity in this program for 1992 and beyond is recorded in corresponding program and financing accounts.

**Credit accounts—Continued**

**FEDERAL FAMILY EDUCATION LOAN LIQUIDATING ACCOUNT—  
Continued**

Object Classification (in millions of dollars)				
Identification code		2002 actual	2003 est.	2004 est.
91-0230-0-1-502				
25.2	Other services .....	83	57	44
33.0	Investments and loans .....	77	24	5
41.0	Grants, subsidies, and contributions .....	60	13	6
42.0	Insurance claims and indemnities .....	25	31	19
99.9	Total new obligations .....	245	125	74

**INSTITUTE OF EDUCATION SCIENCES**

*Federal Funds*

**General and special funds:**

INSTITUTE OF EDUCATION SCIENCES

For carrying out activities authorized by Public Law 107-279, \$375,915,000, of which \$185,000,000 shall remain available for obligation through September 30, 2005.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code		2002 actual	2003 est.	2004 est.
91-1100-0-1-503				
Direct program:				
<b>Obligations by program activity:</b>				
Research and statistics:				
00.01	Research, development, and dissemination .....	122	175	185
00.02	Statistics .....	85	95	95
00.03	Regional educational laboratories .....	67	68	.....
00.04	Assessment .....	111	95	96
00.06	Fund for the Improvement of Education .....	1	.....	.....
00.07	Technical assistance providers .....	44	.....	.....
00.08	Eisenhower National Clearinghouse for Mathematics and Science Education .....	5	.....	.....
01.00	Total direct program .....	435	433	376
09.01	Reimbursable program .....	6	6	6
10.00	Total new obligations .....	441	439	382
<b>Budgetary resources available for obligation:</b>				
21.40	Unobligated balance carried forward, start of year .....	1	.....	.....
22.00	New budget authority (gross) .....	441	439	382
23.90	Total budgetary resources available for obligation .....	442	439	382
23.95	Total new obligations .....	-441	-439	-382
<b>New budget authority (gross), detail:</b>				
Discretionary:				
40.00	Appropriation .....	444	433	376
41.00	Transferred to other accounts .....	-9	.....	.....
43.00	Appropriation (total discretionary) .....	435	433	376
Spending authority from offsetting collections:				
68.00	Offsetting collections (cash) .....	.....	12	6
68.10	Change in uncollected customer payments from Federal sources (unexpired) .....	6	-6	.....
68.90	Spending authority from offsetting collections (total discretionary) .....	6	6	6
70.00	Total new budget authority (gross) .....	441	439	382
<b>Change in obligated balances:</b>				
72.40	Obligated balance, start of year .....	876	683	429
73.10	Total new obligations .....	441	439	382
73.20	Total outlays (gross) .....	-625	-699	-439
73.40	Adjustments in expired accounts (net) .....	-3	.....	.....
74.00	Change in uncollected customer payments from Federal sources (unexpired) .....	-6	6	.....
74.40	Obligated balance, end of year .....	683	429	372
<b>Outlays (gross), detail:</b>				
86.90	Outlays from new discretionary authority .....	132	113	98

86.93	Outlays from discretionary balances .....	493	586	341
87.00	Total outlays (gross) .....	625	699	439

**Offsets:**

Against gross budget authority and outlays:				
88.00	Offsetting collections (cash) from: Federal sources .....	.....	-12	-6
Against gross budget authority only:				
88.95	Change in uncollected customer payments from Federal sources (unexpired) .....	-6	6	.....

**Net budget authority and outlays:**

89.00	Budget authority .....	435	433	376
90.00	Outlays .....	625	687	433

*Research and Statistics.—*

*Research, development, and dissemination.*—Funds support the National Center for Education Research, which oversees a diverse portfolio of directed research, field-initiated studies, research and development centers, and inter-agency initiatives. Funds also support dissemination activities that provide parents, teachers, and schools with valid information on effective educational practice.

*Statistics.*—Funds support the Department's statistical data collection activities, which are conducted by the National Center for Education Statistics (NCES). NCES collects, analyzes, and disseminates statistics on education at all levels, from preschool through postsecondary and adult education, including statistics on international education activities.

*Assessment.*—Funds support the National Assessment of Educational Progress (NAEP). NAEP administers assessments to samples of students in order to gather reliable information about educational attainment in important academic areas. Funds support collection and reporting of national, State, and long-term trend information, including the conduct of biennial State NAEP in reading and mathematics at grades 4 and 8.

**Object Classification (in millions of dollars)**

Identification code		2002 actual	2003 est.	2004 est.
91-1100-0-1-503				
Direct obligations:				
Personnel compensation:				
11.1	Full-time permanent .....	1	1	1
11.3	Other than full-time permanent .....	1	1	1
11.9	Total personnel compensation .....	2	2	2
24.0	Printing and reproduction .....	1	1	1
25.1	Advisory and assistance services .....	1	3	3
25.2	Other services .....	95	93	93
25.3	Other purchases of goods and services from Government accounts .....	19	17	17
25.5	Research and development contracts .....	121	105	39
25.7	Operation and maintenance of equipment .....	2	2	2
41.0	Grants, subsidies, and contributions .....	193	209	218
99.0	Direct obligations .....	434	432	375
99.0	Reimbursable obligations .....	6	6	6
99.5	Below reporting threshold .....	1	1	1
99.9	Total new obligations .....	441	439	382

**Personnel Summary**

Identification code		2002 actual	2003 est.	2004 est.
91-1100-0-1-503				
Total compensable workyears:				
1001	Civilian full-time equivalent employment .....	14	15	15

**DEPARTMENTAL MANAGEMENT**

*Federal Funds*

**General and special funds:**

PROGRAM ADMINISTRATION

For carrying out, to the extent not otherwise provided, the Department of Education Organization Act, including rental of conference rooms in the District of Columbia and hire of three passenger motor vehicles, \$434,494,000, of which \$13,644,000, to remain available until expended, shall be for building alterations and related expenses for the relocation of Department staff to Potomac Center Plaza in Washington, D.C.

Note.—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229), as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing** (in millions of dollars)

Identification code 91-0800-0-1-503	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Program administration .....	421	412	434
09.01 Reimbursable program .....	1	1	1
10.00 Total new obligations .....	423	413	435
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	423	413	435
23.95 Total new obligations .....	-423	-413	-435
23.98 Unobligated balance expiring or withdrawn .....	-2		
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	424	412	434
40.71 Reduction pursuant to P.L. 107-116 .....	-1		
40.73 Reduction pursuant to P.L. 107-206 .....	-5		
42.00 Transferred from other accounts .....	4		
43.00 Appropriation (total discretionary) .....	423	412	434
Spending authority from offsetting collections:			
68.00 Offsetting collections (cash) .....		1	1
68.10 Change in uncollected customer payments from Federal sources (unexpired) .....	1		
68.90 Spending authority from offsetting collections (total discretionary) .....	1	1	1
70.00 Total new budget authority (gross) .....	424	413	435
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	133	122	116
73.10 Total new obligations .....	423	413	435
73.20 Total outlays (gross) .....	-417	-419	-416
73.40 Adjustments in expired accounts (net) .....	-16		
74.00 Change in uncollected customer payments from Federal sources (unexpired) .....	-1		
74.10 Change in uncollected customer payments from Federal sources (expired) .....	2		
74.40 Obligated balance, end of year .....	122	116	135
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	324	315	329
86.93 Outlays from discretionary balances .....	93	104	87
87.00 Total outlays (gross) .....	417	419	416
<b>Offsets:</b>			
Against gross budget authority and outlays:			
88.00 Offsetting collections (cash) from: Federal sources	-3	-1	-1
Against gross budget authority only:			
88.95 Change in uncollected customer payments from Federal sources (unexpired) .....	-1		
88.96 Portion of offsetting collections (cash) credited to expired accounts .....	2		
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	422	412	434
90.00 Outlays .....	415	418	415
<b>Additional net budget authority and outlays to cover cost of fully accruing retirement:</b>			
99.00 Budget authority .....	11	11	11
99.01 Outlays .....	11	11	11

The Program Administration account includes the direct Federal costs of providing grants and administering elementary and secondary education, Indian education, English language acquisition, higher education, technical and adult education, and special education programs, and programs for persons with disabilities. It also supports assessment, statistics, and research activities.

In addition, this account includes the cost of providing centralized support and administrative services, overall policy development, and strategic planning for the Department. Included in the centralized activities are rent and mail services; telecommunications; contractual services; financial management and accounting, including payments to schools, education agencies and other grant recipients, and preparation of auditable financial statements; information technology services; personnel management; personnel security; budget formulation and execution; program evaluation; legal services; congressional and public relations; and intergovernmental affairs.

Included in this account is the Department of Education's costs to relocate Department staff to Potomac Center Plaza, including costs for building alterations, furniture, information technology equipment and services, and telecommunications, to remain available until expended. This account also provided funds for the renovation of the Department's main headquarters building which was completed in 1998.

Also included in this account are contributions from the public. Activities supported include Presidential Scholars, Satellite Town Meetings, School Recognition, and the Gifts and Bequests Miscellaneous Fund.

*Reimbursable program.*—Reimbursements to this account are for providing administrative services to other agencies, recycling activities, and in-kind travel.

Note.—Excludes \$54 million in budget authority in 2003 and \$68 million in 2004 for activities proposed to be transferred to the Student Aid Administration account. The comparable amount for 2002 (\$57 million) is included above.

**Object Classification** (in millions of dollars)

Identification code 91-0800-0-1-503	2002 actual	2003 est.	2004 est.
<b>Direct obligations:</b>			
Personnel compensation:			
11.1 Full-time permanent .....	173	188	194
11.3 Other than full-time permanent .....	25	10	10
11.5 Other personnel compensation .....	5	4	4
11.9 Total personnel compensation .....	203	202	208
12.1 Civilian personnel benefits .....	43	42	44
21.0 Travel and transportation of persons .....	6	5	5
23.1 Rental payments to GSA .....	30	32	34
23.3 Communications, utilities, and miscellaneous charges .....	12	11	11
24.0 Printing and reproduction .....	5	4	3
25.1 Advisory and assistance services .....	3	5	5
25.2 Other services .....	24	22	23
25.3 Other purchases of goods and services from Government accounts .....	15	11	12
25.7 Operation and maintenance of equipment .....	63	58	72
26.0 Supplies and materials .....	2	2	2
31.0 Equipment .....	14	15	10
32.0 Land and structures .....	1	3	3
99.0 Direct obligations .....	421	412	432
99.0 Reimbursable obligations .....	1	1	1
99.5 Below reporting threshold .....	1		2
99.9 Total new obligations .....	423	413	435

**Personnel Summary**

Identification code 91-0800-0-1-503	2002 actual	2003 est.	2004 est.
Total compensable workyears:			
1001 Civilian full-time equivalent employment .....	2,589	2,464	2,464

**General and special funds—Continued**

**OFFICE FOR CIVIL RIGHTS**

*For expenses necessary for the Office for Civil Rights, as authorized by section 203 of the Department of Education Organization Act, \$91,275,000.*

*Note.*—A regular 2003 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts included for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-0700-0-1-751	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Civil rights .....	79	86	91
10.00 Total new obligations .....	79	86	91
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	80	86	91
23.95 Total new obligations .....	-79	-86	-91
23.98 Unobligated balance expiring or withdrawn .....	-1		
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	80	86	91
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	17	15	21
73.10 Total new obligations .....	79	86	91
73.20 Total outlays (gross) .....	-79	-81	-90
73.40 Adjustments in expired accounts (net) .....	-2		
74.40 Obligated balance, end of year .....	15	21	23
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	69	71	75
86.93 Outlays from discretionary balances .....	10	10	15
87.00 Total outlays (gross) .....	79	81	90
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	80	86	91
90.00 Outlays .....	79	81	90
<b>Additional net budget authority and outlays to cover cost of fully accruing retirement:</b>			
99.00 Budget authority .....	3	3	3
99.01 Outlays .....	3	3	3

The Office for Civil Rights is responsible for ensuring that no person is unlawfully discriminated against on the basis of race, color, national origin, sex, disability, or age in the delivery of services or the provision of benefits in programs or activities of schools and institutions receiving financial assistance from the Department of Education. The authorities under which the Office for Civil Rights operates are Title VI of the Civil Rights Act of 1964 (racial and ethnic discrimination), Title IX of the Education Amendments of 1972 (sex discrimination), section 504 of the Rehabilitation Act of 1973 (discrimination against individuals with a disability), the Age Discrimination Act of 1975, and the Americans with Disabilities Act of 1990.

**Object Classification (in millions of dollars)**

Identification code 91-0700-0-1-751	2002 actual	2003 est.	2004 est.
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent .....	46	49	50
11.3 Other than full-time permanent .....	2	2	3
11.9 Total personnel compensation .....	48	51	53
12.1 Civilian personnel benefits .....	11	11	11
21.0 Travel and transportation of persons .....	1	1	1
23.1 Rental payments to GSA .....	6	7	7
23.3 Communications, utilities, and miscellaneous charges .....	2	2	2
25.2 Other services .....	1	1	2
25.3 Other purchases of goods and services from Government accounts .....	2	1	2

25.7 Operation and maintenance of equipment .....	6	8	7
31.0 Equipment .....	1	2	2
99.0 Direct obligations .....	78	84	87
99.5 Below reporting threshold .....	1	2	4
99.9 Total new obligations .....	79	86	91

**Personnel Summary**

Identification code 91-0700-0-1-751	2002 actual	2003 est.	2004 est.
Total compensable workyears:			
1001 Civilian full-time equivalent employment .....	698	714	714

**OFFICE OF THE INSPECTOR GENERAL**

*For expenses necessary for the Office of the Inspector General, as authorized by section 212 of the Department of Education Organization Act, \$48,137,000.*

*Note.*—A regular 2003 appropriations for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 107-229, as amended). The amounts include for 2003 in this budget reflect the Administration's 2003 policy proposals.

**Program and Financing (in millions of dollars)**

Identification code 91-1400-0-1-751	2002 actual	2003 est.	2004 est.
<b>Obligations by program activity:</b>			
00.01 Inspector General .....	39	41	48
10.00 Total new obligations .....	39	41	48
<b>Budgetary resources available for obligation:</b>			
22.00 New budget authority (gross) .....	39	41	48
23.95 Total new obligations .....	-39	-41	-48
<b>New budget authority (gross), detail:</b>			
Discretionary:			
40.00 Appropriation .....	39	41	48
<b>Change in obligated balances:</b>			
72.40 Obligated balance, start of year .....	9	9	11
73.10 Total new obligations .....	39	41	48
73.20 Total outlays (gross) .....	-37	-39	-44
73.40 Adjustments in expired accounts (net) .....	-1		
74.40 Obligated balance, end of year .....	9	11	16
<b>Outlays (gross), detail:</b>			
86.90 Outlays from new discretionary authority .....	31	33	37
86.93 Outlays from discretionary balances .....	6	6	7
87.00 Total outlays (gross) .....	37	39	44
<b>Net budget authority and outlays:</b>			
89.00 Budget authority .....	39	41	48
90.00 Outlays .....	37	39	44
<b>Additional net budget authority and outlays to cover cost of fully accruing retirement:</b>			
99.00 Budget authority .....	1	1	1
99.01 Outlays .....	1	1	1

The Inspector General is responsible for the quality, coverage, and coordination of audit and investigation functions relating to Federal education activities. The Inspector General has the authority to inquire into all activities of the Department including those performed under Federal education contracts, grants, or other agreements. Under the Chief Financial Officers Act of 1990, the Inspector General is also responsible for internal reviews of the Department's financial systems and audits of its financial statements.

**Object Classification (in millions of dollars)**

Identification code 91-1400-0-1-751	2002 actual	2003 est.	2004 est.
Direct obligations:			
Personnel compensation:			
11.1 Full-time permanent .....	19	22	22

11.3	Other than full-time permanent .....			1
11.5	Other personnel compensation .....	1		
11.9	Total personnel compensation .....	20	22	23
12.1	Civilian personnel benefits .....	5	6	6
21.0	Travel and transportation of persons .....	2	2	2
23.1	Rental payments to GSA .....	3	3	3
23.3	Communications, utilities, and miscellaneous charges .....	1	1	1
25.1	Advisory and assistance services .....	2	3	7
25.2	Other services .....	1		1
25.3	Other purchases of goods and services from Government accounts .....	1	1	1
25.7	Operation and maintenance of equipment .....	2	2	3
31.0	Equipment .....	1		1
99.0	Direct obligations .....	38	40	48
99.5	Below reporting threshold .....	1	1	
99.9	Total new obligations .....	39	41	48

**Personnel Summary**

Identification code 91-1400-0-1-751	2002 actual	2003 est.	2004 est.
Total compensable workyears:			
1001 Civilian full-time equivalent employment .....	276	285	285

**GENERAL FUND RECEIPT ACCOUNTS**

(in millions of dollars)

	2002 actual	2003 est.	2004 est.
Offsetting receipts from the public:			
91-291500 Repayment of loans, capital contributions, higher education activities .....	39	50	50
General Fund Offsetting receipts from the public .....	39	50	50

**GENERAL PROVISIONS**

SEC. 301. No funds appropriated in this Act may be used for the transportation of students or teachers (or for the purchase of equipment for such transportation) in order to overcome racial imbalance in any school or school system, or for the transportation of students

or teachers (or for the purchase of equipment for such transportation) in order to carry out a plan of racial desegregation of any school or school system.

SEC. 302. None of the funds contained in this Act shall be used to require, directly or indirectly, the transportation of any student to a school other than the school which is nearest the student's home, except for a student requiring special education, to the school offering such special education, in order to comply with title VI of the Civil Rights Act of 1964. For the purpose of this section an indirect requirement of transportation of students includes the transportation of students to carry out a plan involving the reorganization of the grade structure of schools, the pairing of schools, or the clustering of schools, or any combination of grade restructuring, pairing or clustering. The prohibition described in this section does not include the establishment of magnet schools.

SEC. 303. No funds appropriated under this Act may be used to prevent the implementation of programs of voluntary prayer and meditation in the public schools.

(TRANSFER OF FUNDS)

SEC. 304. Not to exceed 3 percent of any discretionary funds (pursuant to the Balanced Budget and Emergency Deficit Control Act of 1985, as amended) which are appropriated for the Department of Education in this Act may be transferred between appropriations, but no such appropriation shall be increased by more than 10 percent by any such transfer: Provided, That the Appropriations Committees of both Houses of Congress are notified at least 15 days in advance of any transfer.

SEC. 305. (a) DISCRETIONARY FUNDING.—Section 458(a)(1) of the Higher Education Act of 1965 (2 U.S.C. 1087h(a)(1)), is amended—

(1) in the matter preceding subparagraph (A), by striking “there shall be available to the Secretary, from funds not otherwise appropriated, funds to be obligated for—” and inserting in lieu thereof, “there are authorized to be appropriated to carry out this section such sums as may be necessary, for—”;

(2) in subparagraph (B), by striking the comma at the end thereof and inserting in lieu thereof a period; and

(3) by striking the flush language at the end thereof.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall be effective for fiscal year 2004 and succeeding fiscal years.

SEC. 306. Section 1202 of the Elementary and Secondary Education Act of 1965 is amended by inserting the following subsection at the end thereof:

“(g) SUPPLEMENT, NOT SUPPLANT.—State or local educational agency shall use funds received under this subpart only to supplement the level of non-Federal funds that, in the absence of funds under this subpart, would be expended for activities authorized under this subpart, and not to supplant those non-Federal funds.”.

