

DEPARTMENT OF EDUCATION

Federal Pell Grant, Federal Perkins Loan, Federal Work-Study, Federal Supplemental Educational Opportunity Grant, Federal Family Education Loan, and William D. Ford Federal Direct Loan Programs; Updates to Tables Used in the Need Analysis Methodology for the 1997-98 Award Year

AGENCY: Department of Education.
ACTION: Notice.

SUMMARY: The Secretary of Education announces the annual updates to the tables included in the need analysis methodology that will be used to calculate expected family contributions for the 1997-98 award year under the Federal Pell Grant, campus-based (Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant), Federal Family Education Loan and William D. Ford Federal Direct Loan programs. These programs are known collectively as the Title IV, HEA programs. The Secretary takes this action under the authority of sections 477 and 478 of the Higher Education Act of 1965, as amended (HEA).

FOR FURTHER INFORMATION CONTACT: Ms. Edith Bell, Program Specialist, General Provisions Branch, Policy Development Division, U.S. Department of Education, 600 Independence Avenue, S.W. (Room 3053, ROB-3), Washington, D.C. 20202-5444, telephone (202) 708-7888. Deaf and hearing impaired individuals may call the Federal Information Relay Service at 1-800-877-8339 between 8 a.m. and 8 p.m., Eastern time, Monday through Friday.

SUPPLEMENTARY INFORMATION: The need analysis methodology, referred to as the "Federal Needs Analysis Methodology," is set forth in Subpart F of Title IV of

the HEA. It is used to determine a student's eligibility for assistance under the Title IV, HEA programs.

Federal Needs Analysis Methodology

Part F of Title IV of the HEA specifies the criteria, data elements, calculations, and tables used in the computation of expected family contributions for the Title IV, HEA programs. Section 478 of Part F requires the Secretary to adjust annually for inflation four of the tables included in Part F: the Income Protection Allowance, the Adjusted Net Worth of a Business or Farm, the Education Savings and Asset Protection Allowance, and the Assessment Schedules and Rates. The inflation changes are based, in general, upon the reported annual inflation increase set forth in the Consumer Price Index for All Urban Consumers that is issued by the United States Department of Labor.

For award year 1997-98, the Secretary is charged with updating the tables for income protection allowances, adjusted net worth of a business or farm, and the assessment schedules and rates to account for inflation that took place in calendar year 1996. However, the Secretary must publish these updated tables by June 1, 1996. Therefore, the Secretary must update the tables based upon an estimate of the increase in the Consumer Price Index for All Urban Consumers for that period.

The Secretary estimates that the Consumer Price Index for All Urban Consumers will rise 3.3 percent during calendar year 1996. In making this estimate, the Secretary assumed that the rate of increase for calendar year 1996 will be the same as that reported for calendar year 1995.

The table in section 1 reflects the changes in the income protection allowances. This change reflects a consumer price increase of 3.3 percent rounded to the nearest \$10.

The table in section 2 reflects the changes in the adjusted net worth of a farm or business. This change reflects a consumer price increase of 3.3 percent rounded to the nearest \$5,000.

The table in section 3 reflects the changes in the education savings and asset protection allowance. This change reflects a consumer price increase of 3.3 percent rounded to the nearest \$100.

The table in section 4 reflects the changes in the assessment schedules and rates. This change reflects a consumer price increase of 3.3 percent rounded to the nearest \$100.

Section 477(b)(5) of the HEA requires the Secretary to increase the amount specified for the Employment Expense Allowance to account for inflation based upon increases in the Bureau of Labor Statistics budget of the marginal costs for a two-earner compared to a one-earner family for meals away from home, apparel and upkeep, transportation, and housekeeping services. Therefore, the table in section 5 reflects that change.

The table in section 6, statutory allowances for State and other taxes, has not been revised, but is included for informational purposes.

The following sections set forth the above described tables.

1. Income Protection Allowance

This statutory allowance represents the amount of reasonable living expenses that would be associated with the maintenance of an individual or family. The allowance is offset against the family's income and varies by family size and family members in college. The income protection allowances for parents of dependent students and independent students with dependents other than a spouse for the award year 1997-98 are:

Family size (including student)	Number in college				
	1	2	3	4	5
2	\$11,750	\$9,740			
3	14,630	12,630	\$10,620		
4	18,070	16,060	14,060	\$12,050	
5	21,320	19,310	17,310	15,300	\$13,300
6	24,940	22,930	20,930	18,920	16,920

For each additional family member add \$2,810.
For each additional college student subtract \$2,000.

2. Adjusted Net Worth (NW) of a Business or Farm

A portion of the full net value of a farm or business is excluded from the calculation of an expected contribution since: (1) the income produced from

such assets is already assessed in another part of the formula; and (2) the formula protects a portion of the value of the assets. The portion of these assets included in the contribution calculation is computed according to the following schedule. This statutory schedule is

used for parents of dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

If the net worth of a business or farm is—	Then the adjusted net worth is:
Less than \$1	\$0.
\$1 to \$85,000	\$0 + 40% of NW.
\$85,001 to \$250,000	\$34,000 + 50% of NW over \$85,000.
\$250,001 to \$420,000	\$116,500 + 60% of NW over \$250,000.
\$420,001 or more	\$218,500 + 100% of NW over \$420,000.

3. Education Savings and Asset Protection Allowance

This statutory allowance protects a portion of net worth (assets less debts) from being considered available for postsecondary educational expenses. There are three asset protection allowance tables—one for parents of dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse.

DEPENDENT STUDENTS

If the age of the older parent is	And there are	
	Two parents	One parent
	then the education savings and asset protection allowance is—	
25 or less
26	2,400	1,700
27	4,700	3,300
28	7,100	5,000
29	9,500	6,600
30	11,800	8,300
31	14,200	10,000
32	16,600	11,600
33	18,900	13,300
34	21,300	14,900
35	23,700	16,600
36	26,000	18,300
37	28,400	19,900
38	30,800	21,600
39	33,100	23,200
40	35,500	24,900
41	36,400	25,400
42	37,300	26,000
43	38,300	26,500
44	39,300	27,100
45	40,300	27,800
46	41,300	28,300
47	42,400	29,000
48	43,400	29,700
49	44,500	30,400
50	45,900	31,200
51	47,100	31,900
52	48,300	32,700
53	49,800	33,500
54	51,300	34,300
55	52,600	35,100
56	54,200	36,100
57	55,900	36,900
58	57,600	38,000
59	59,600	39,100
60	61,400	40,000
61	63,200	41,100
62	65,400	42,300

DEPENDENT STUDENTS—Continued

If the age of the older parent is	And there are	
	Two parents	One parent
63	67,700	43,500
64	70,000	44,900
65 and over	72,400	46,100

INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE

If the age of the student is	And the student is	
	Married	Single
	then the education savings and asset protection allowance is—	
25 or less
26	2,400	1,700
27	4,700	3,300
28	7,100	5,000
29	9,500	6,600
30	11,800	8,300
31	14,200	10,000
32	16,600	11,600
33	18,900	13,300
34	21,300	14,900
35	23,700	16,600
36	26,000	18,300
37	28,400	19,900
38	30,800	21,600
39	33,100	23,200
40	35,500	24,900
41	36,400	25,400
42	37,300	26,000
43	38,300	26,500
44	39,300	27,100
45	40,300	27,800
46	41,300	28,300
47	42,400	29,000
48	43,400	29,700
49	44,500	30,400
50	45,900	31,200
51	47,100	31,900
52	48,300	32,700
53	49,800	33,500
54	51,300	34,300
55	52,600	35,100
56	54,200	36,100
57	55,900	36,900
58	57,600	38,000
59	59,600	39,100
60	61,400	40,000
61	63,200	41,100
62	65,400	42,300
63	67,700	43,500
64	70,000	44,900
65 and over	72,400	46,100

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE

If the age of the student is	And the student is	
	Married	Single
	then the education savings and asset protection allowance is—	
25 or less

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE—Continued

If the age of the student is	And the student is	
	Married	Single
26	2,400	1,700
27	4,700	3,300
28	7,100	5,000
29	9,500	6,600
30	11,800	8,300
31	14,200	10,000
32	16,600	11,600
33	18,900	13,300
34	21,300	14,900
35	23,700	16,600
36	26,000	18,300
37	28,400	19,900
38	30,800	21,600
39	33,100	23,200
40	35,500	24,900
41	36,400	25,400
42	37,300	26,000
43	38,300	26,500
44	39,300	27,100
45	40,300	27,800
46	41,300	28,300
47	42,400	29,000
48	43,400	29,700
49	44,500	30,400
50	45,900	31,200
51	47,100	31,900
52	48,300	32,700
53	49,800	33,500
54	51,300	34,300
55	52,600	35,100
56	54,200	36,100
57	55,900	36,900
58	57,600	38,000
59	59,600	39,100
60	61,400	40,000
61	63,200	41,100
62	65,400	42,300
63	67,700	43,500
64	70,000	44,900
65 and over	72,400	46,100

4. Assessment Schedules and Rates

Two separate assessment schedules—one for dependent students, and one for independent students with dependents other than a spouse—are used in determining the expected family contribution toward educational expenses from family financial resources.

For dependent students, the expected parental contribution is derived from an assessment of the parents' adjusted available income (AAI). For independent students with dependents other than a spouse, the expected contribution is derived from an assessment of the family's AAI. The AAI represents a measure of financial strength which considers both income and assets. The statutory assessment schedules are as follows:

DEPENDENT STUDENTS	
If AAI is—	Then the contribution is—
Less than —\$3,409 ...	—\$750.
—\$3,409 to \$10,500	22% of AAI.
\$10,501 to \$13,200 ...	\$2,310 + 25% of AAI over \$10,500.
\$13,201 to \$15,900 ...	\$2,985 + 29% of AAI over \$13,200.
\$15,901 to \$18,500 ...	\$3,768 + 34% of AAI over \$15,900.
\$18,501 to \$21,200 ...	\$4,652 + 40% of AAI over \$18,500.
\$21,201 or more	\$5,732 + 47% of AAI over \$21,200.

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE	
If AAI is—	Then the contribution is—
Less than —\$3,409 ...	—\$750.
—\$3,409 to \$10,500	22% of AAI.
\$10,501 to \$13,200 ...	\$2,310 + 25% of AAI over \$10,500.

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE—Continued	
If AAI is—	Then the contribution is—
\$13,201 to \$15,900 ...	\$2,985 + 29% of AAI over \$13,200.
\$15,901 to \$18,500 ...	\$3,768 + 34% of AAI over \$15,900.
\$18,501 to \$21,200 ...	\$4,652 + 40% of AAI over \$18,500.
\$21,201 or more	\$5,732 + 47% of AAI over \$21,200.

5. *Employment Expense Allowance*

This allowance for employment-related expenses, which is used for the parents of dependent students and for married independent students with dependents, recognizes additional expenses incurred by working spouses and single-parent households. The allowance is based upon the marginal differences in costs for a two-earner

family compared to a one-earner family for meals away from home, apparel and upkeep, transportation, and housekeeping services.

The employment expense allowance for parents of dependent students, married independent students without dependents other than a spouse, and independent students with dependents other than a spouse is the lesser of \$2,700 or 35 percent of earned income.

6. *Allowance for State and Other Taxes*

The statutory allowance for state and other taxes protects a portion of the parents' and student's income from being considered available for postsecondary education expenses. There are four tables for state and other taxes, one each for parents of dependent students, dependent students, independent students without dependents other than a spouse, and independent students with dependents other than a spouse.

PARENTS OF DEPENDENT STUDENTS

If parents' state or territory of residence is	And parents' total income is—	
	Less than \$15,000 or	\$15,000 or more
	then the percentage is—	
Wyoming, Tennessee, Nevada, Alaska, Texas	3	2
Louisiana, Florida, Washington, South Dakota	4	3
Alabama, Mississippi	5	4
North Dakota, Illinois, Connecticut, New Mexico, Missouri, West Virginia, Arizona, Indiana, Oklahoma, Arkansas	6	5
New Hampshire, Pennsylvania, Colorado, Georgia, Kansas, Kentucky, Idaho	7	6
North Carolina, Virginia, Delaware, South Carolina, Ohio, Utah, Nebraska, Montana, California, New Jersey, Iowa, Vermont, Hawaii	8	7
Massachusetts, Rhode Island, Michigan, Minnesota, Maine, Maryland	9	8
District of Columbia, Wisconsin, Oregon	10	9
New York	11	10
Other	4	3

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE

If student's state or territory of residence is	And student's total income is—	
	Less than \$15,000 or	\$15,000 or more
	then the percentage is—	
Wyoming, Tennessee, Nevada, Alaska, Texas	3	2
Louisiana, Florida, Washington, South Dakota	4	3
Alabama, Mississippi	5	4
North Dakota, Illinois, Connecticut, New Mexico, Missouri, West Virginia, Arizona, Indiana, Oklahoma, Arkansas	6	5
New Hampshire, Pennsylvania, Colorado, Georgia, Kansas, Kentucky, Idaho	7	6
North Carolina, Virginia, Delaware, South Carolina, Ohio, Utah, Nebraska, Montana, California, New Jersey, Iowa, Vermont, Hawaii	8	7
Massachusetts, Rhode Island, Michigan, Minnesota, Maine, Maryland	9	8
District of Columbia, Wisconsin, Oregon	10	9
New York	11	10
Other	4	3

DEPENDENT STUDENTS

If student's state or territory of residence is	The percentage is—
Alaska, Texas, South Dakota, Wyoming, Washington, Tennessee, Nevada	0
Florida, New Hampshire	1
Connecticut, Louisiana, Illinois, North Dakota	2
Mississippi, Arizona, Alabama, Pennsylvania, New Jersey, Missouri	3
Nebraska, Indiana, Colorado, New Mexico, Oklahoma, Kansas, West Virginia, Rhode Island, Virginia, Georgia, Arkansas, Vermont, Michigan	4
Montana, Idaho, Utah, Kentucky, Massachusetts, California, North Carolina, South Carolina, Ohio, Iowa, Delaware, Maine, Wisconsin	5
Oregon, Maryland, Minnesota, Hawaii	6
District of Columbia, New York	7
Other	2
	2

INDEPENDENT STUDENTS WITHOUT DEPENDENTS OTHER THAN A SPOUSE

If student's state or territory of residence is	The percentage is—
Alaska, Texas, South Dakota, Wyoming, Washington, Tennessee, Nevada	0
Florida, New Hampshire	1
Connecticut, Louisiana, Illinois, North Dakota	2
Mississippi, Arizona, Alabama, Pennsylvania, New Jersey, Missouri	3
Nebraska, Indiana, Colorado, New Mexico, Oklahoma, Kansas, West Virginia, Rhode Island, Virginia, Georgia, Arkansas, Vermont, Michigan	4
Montana, Idaho, Utah, Kentucky, Massachusetts, California, North Carolina, South Carolina, Ohio, Iowa, Delaware, Maine, Wisconsin	5
Oregon, Maryland, Minnesota, Hawaii	6
District of Columbia, New York	7
Other	2

Dated: May 29, 1996.
David A. Longanecker,
Assistant Secretary for Postsecondary Education.
(Catalog of Federal Domestic Assistance
Numbers: 84.007 Federal Supplemental

Educational Opportunity Grant; 84.032
Federal Family Education Loan Program;
84.033 Federal Work-Study Program; 84.038
Federal Perkins Loan Program; 84.063

Federal Pell Grant Program; 84.268 William
D. Ford Federal Direct Loan Program)
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