

**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; Revision of the Need Analysis Methodology for the 1996-97 Award Year**

**AGENCY:** Department of Education.  
**ACTION:** Notice.

**SUMMARY:** The Secretary of Education announces the annual update to the tables used in the need analysis methodology that an institution of higher education must use in calculating expected family contributions for the 1996-97 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. The Secretary takes this action under the authority of Title IV 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, DC. 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 is used to determine student eligibility for

assistance under Title IV of the HEA. This methodology, referred to as the Federal Needs Analysis Methodology, is used to calculate the expected family contribution (EFC) for the Federal Pell Grant, the 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. This methodology is established by statute.

**Federal Needs Analysis Methodology**

Part F of Title IV of the HEA specifies the criteria, data elements, calculations, and tables for the computation of expected family contributions for the Federal Pell Grant, campus-based, Federal Family Education Loan, and William D. Ford Federal Direct Loan programs. In addition, section 478 requires the Secretary to adjust four of the tables—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—each award year to take into account inflation for the 12 months between December 31 of the previous year and December 31 of the current year. The changes are based, in general, upon increases in the Consumer Price Index.

For the award year 1996-97, the Secretary is charged with updating the income protection allowances, adjusted net worth of a business or farm, and the assessment schedules and rates to account for inflation that took place between December 1994 and December 1995. However, since the Secretary must publish these tables before December 1995, the increases in the tables must be based upon a percentage equal to the

estimated percentage increase in the Consumer Price Index for all Urban Consumers for 1994. The Secretary estimates that the increase in the Consumer Price Index for all Urban Consumers for the period December 1994 through December 1995 will be 3.0 percent. The updated tables for the 1996-97 award year are set forth in sections 1, 2, and 4.

The Secretary must also revise, for each award year, the table on asset protection allowance as provided for in section 478(d) of the HEA. The Education Savings and Asset Protection Allowance table for the award year 1996-97 has been updated below in section 3.3.

Section 477(b)(5) also 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 Secretary is increasing this allowance as described in section 5.

The HEA provides for the following annual updates:

*1. Income Protection Allowance*

This allowance is 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. The income protection allowances for parents of dependent students and independent students with dependents other than a spouse for the award year 1996-97 are:

Family size (including student)	Number in College				
	1	2	3	4	5
2 .....	\$11,480	\$9,510	.....	.....	.....
3 .....	\$14,290	\$12,340	\$10,380	.....	.....
4 .....	\$17,650	\$15,690	\$13,740	\$11,770	.....
5 .....	\$20,830	\$18,860	\$16,910	\$14,950	\$12,990
6 .....	\$24,360	\$22,400	\$20,450	\$18,480	\$16,530

For each additional family member add \$2,750.  
For each additional college student subtract \$1,950.

*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 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 \$80,000 .....	0+40% of NW.
80,001 to \$245,000 .....	32,000+50% of NW over \$80,000.
245,001 to \$410,000 .....	114,500+60% of NW over \$245,000.
410,001 or more .....	213,500+100% of NW over \$410,000.

**3. Education Savings and Asset Protection Allowance**

This 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 .....	0	0
26 .....	2,300	1,600
27 .....	4,600	3,300
28 .....	7,000	4,900
29 .....	9,300	6,500
30 .....	11,600	8,200
31 .....	13,900	9,800
32 .....	16,200	11,400
33 .....	18,600	13,100
34 .....	20,900	14,700
35 .....	23,200	16,300
36 .....	25,500	18,000
37 .....	27,800	19,600
38 .....	30,200	21,200
39 .....	32,500	22,900
40 .....	34,800	24,500
41 .....	35,500	25,000
42 .....	36,400	25,600
43 .....	37,300	26,100
44 .....	38,300	26,700
45 .....	39,200	27,200
46 .....	40,300	27,900
47 .....	41,300	28,600
48 .....	42,300	29,300
49 .....	43,700	29,800
50 .....	44,800	30,500
51 .....	45,900	31,300
52 .....	47,400	32,000
53 .....	48,500	33,000
54 .....	50,100	33,700
55 .....	51,600	34,500
56 .....	53,200	35,500
57 .....	54,800	36,400
58 .....	56,500	37,400
59 .....	58,200	38,300
60 .....	60,000	39,400
61 .....	62,100	40,500
62 .....	64,300	41,700
63 .....	66,200	42,900
64 .....	68,400	44,100
65 and older .....	70,800	45,500

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	0	0
26	2,300	1,600
27	4,600	3,300
28	7,000	4,900
29	9,300	6,500
30	11,600	8,200
31	13,900	9,800
32	16,200	11,400
33	18,600	13,100
34	20,900	14,700
35	23,200	16,300
36	25,500	18,000
37	27,800	19,600
38	30,200	21,200
39	32,500	22,900
40	34,800	24,500
41	35,500	25,000
42	36,400	25,600
43	37,300	26,100
44	38,300	26,700
45	39,200	27,200
46	40,300	27,900
47	41,300	28,600
48	42,300	29,300
49	43,700	29,800
50	44,800	30,500
51	45,900	31,300
52	47,400	32,000
53	48,500	33,000
54	50,100	33,700
55	51,600	34,500
56	53,200	35,500
57	54,800	36,400
58	56,500	37,400
59	58,200	38,300
60	60,000	39,400
61	62,100	40,500
62	64,300	41,700
63	66,200	42,900
64	68,400	44,100
65 and older	70,800	45,500

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	0	0
26	2,300	1,600
27	4,600	3,300
28	7,000	4,900
29	9,300	6,500
30	11,600	8,200
31	13,900	9,800
32	16,200	11,400
33	18,600	13,100
34	20,900	14,700
35	23,200	16,300

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE—Continued

If the age of the student is	And the student is	
	Married	Single
		Then the education savings and asset protection allowance is—
36	25,500	18,000
37	27,800	19,600
38	30,200	21,200
39	32,500	22,900
40	34,800	24,500
41	35,500	25,000
42	36,400	25,600
43	37,300	26,100
44	38,300	26,700
45	39,200	27,200
46	40,300	27,900
47	41,300	28,600
48	42,300	29,300
49	43,700	29,800
50	44,800	30,500
51	45,900	31,300
52	47,400	32,000
53	48,500	33,000
54	50,100	33,700
55	51,600	34,500
56	53,200	35,500
57	54,800	36,400
58	56,500	37,400
59	58,200	38,300
60	60,000	39,400
61	62,100	40,500
62	64,300	41,700
63	66,200	42,900
64	68,400	44,100
65 and older	70,800	45,500

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.

INDEPENDENT STUDENTS	
If AAI is—	Then the contribution is—
Less than —\$3,409 ..	—\$750.
\$3,409 to \$10,300 .....	22% of AAI.

INDEPENDENT STUDENTS—Continued

If AAI is—	Then the contribution is—
\$10,301 to \$12,900 ...	\$2,266 +25% of AAI over \$10,300.
\$12,901 to \$15,500 ...	\$2,916 +29% of AAI over \$12,900.
\$15,501 to \$18,100 ...	\$3,670 +34% of AAI over \$15,500.
\$18,101 to \$20,700 ...	\$4,554 +40% of AAI over \$18,100.
\$20,701 or more .....	\$5,594 +47% of AAI over \$20,700.

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE

If AAI is—	Then the contribution is—
Less than —\$3,409 ..	—\$750.
\$3,409 to \$10,300 .....	22% of AAI.
\$10,301 to \$12,900 ...	\$2,266 +25% of AAI over \$10,300.
\$12,901 to \$15,500 ...	\$2,916 +29% of AAI over \$12,900.
\$15,501 to \$18,100 ...	\$3,670 +34% of AAI over \$15,500.

INDEPENDENT STUDENTS WITH DEPENDENTS OTHER THAN A SPOUSE—Continued

If AAI is—	Then the contribution is—
\$18,101 to \$20,700 ...	\$4,554 +40% of AAI over \$18,100.
\$20,701 or more .....	\$5,594 +47% of AAI over \$20,700.

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 \$2,600 or 35 percent of earned income.

**6. Allowance for State and Other Taxes**

This 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 of 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

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

(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; William D. Ford Federal Direct Loan Program, 84.268)

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*Assistant Secretary for Postsecondary Education*

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