

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

AGENCY: Federal Student Aid, Department of Education.

ACTION: Notice of revision of the Federal need analysis methodology for the 2004–2005 award year.

SUMMARY: The Secretary of Education announces the annual updates to the tables that will be used in the statutory “Federal Need Analysis Methodology” to determine a student’s expected family contribution (EFC) for award year 2004–2005 under Part F of Title IV of the Higher Education Act (HEA) of 1965, as amended (Title IV, HEA Programs). An EFC is the amount a student and his or her family may reasonably be expected to contribute toward the student’s postsecondary educational costs for purposes of determining financial aid eligibility. The Title IV, HEA Programs include the Federal Pell Grant, campus-based (Federal Perkins Loan, Federal Work-Study, and Federal Supplemental Educational Opportunity Grant Programs), Federal Family Education Loan, and William D. Ford Federal Direct Loan Programs.

FOR FURTHER INFORMATION CONTACT: Ms. Edith Bell, Management and Program Analysis, U.S. Department of Education, Union Center Plaza, 830 First Street, NE., Washington, DC 20202. Telephone: (202) 377–3231. If you use a telecommunications device for the deaf (TDD), you may call the Federal

Information Relay Service (FIRS) at 1–800–877–8339.

Individuals with disabilities may obtain this document in an alternative format (e.g., Braille, large print, audiotape or computer diskette) on request to the contact person listed in the preceding paragraph.

SUPPLEMENTARY INFORMATION: Part F of Title IV of the HEA specifies the criteria, data elements, calculations, and tables used in the Federal Need Analysis Methodology EFC calculations.

Section 478 of Part F of the HEA 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. The changes are based, in general, upon increases in the Consumer Price Index.

For the award year 2004–2005 the Secretary is charged with updating the income protection allowance, adjusted net worth of a business or farm, and the assessment schedules and rates to account for inflation that took place between December 2002 and December 2003. However, since the Secretary must publish these tables before December 2003, 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 2002. The Secretary estimates that the increase in the Consumer Price Index for all Urban Consumers for the period December 2002 through December 2003 will be 2.2 percent. The updated tables are in sections 1, 2, and 4 of this notice.

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 2004–2005 has been updated in section 3 of this notice.

Section 477(b)(5) of Part F of the HEA 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-worker compared to a one-worker family for meals away from home, apparel and upkeep, transportation, and housekeeping services. However, the Secretary has determined that the magnitude of the marginal differences in the applicable employment expenses adjusted for inflation does not support increasing the amount of the Employment Expense Allowance. Furthermore, because the statute does not provide for a reduction in this allowance, it will remain the lesser of \$3,000 or 35% of the earned income for the 2004–2005 award year.

The HEA provides for the following annual updates:

1. *Income Protection Allowance.* This allowance is the amount of living expenses associated with the maintenance of an individual or family that may be offset against the family’s income. It varies by family size. The income protection allowance for the dependent student is \$2,420. The income protection allowances for parents of dependent students and independent students with dependents other than a spouse for award year 2004–2005 are:

Family size	Number in college				
	1	2	3	4	5
2	13,700	11,350
3	17,060	14,730	12,380
4	21,070	18,720	16,390	14,050
5	24,860	22,510	20,180	17,840	15,510
6	29,070	26,730	24,400	22,060	19,730

For each additional family member add \$3,280.

For each additional college student subtract \$2,330.

The income protection allowances for independent students and independent students without dependents other than a spouse for award year 2004–2005 are:

Marital status	Number in college	
Single	1	\$5,490
Married	2	5,490

Marital status	Number in college	
Married	1	8,780

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 these 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, independent students without