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FEDERAL STUDENT AID

Recent Changes to Eligibility Requirements and Additional Efforts to Promote Awareness Could Increase Academic Competitiveness and SMART Grant Participation



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Highlights of [GAO-09-343](#), a report to congressional requesters

Why GAO Did This Study

The Academic Competitiveness (AC) and National Science and Mathematics Access to Retain Talent (SMART) Grants were established by the Deficit Reduction Act of 2005. The grants provide merit-based financial aid to certain low-income college students eligible for Federal Pell Grants and are administered by the Department of Education (Education). In the first year of implementation, participation was lower than expected. GAO was asked to determine (1) factors affecting AC and SMART Grant student participation; (2) challenges colleges face in administering the grant programs; and (3) the extent to which Education has assisted states and colleges with implementation. To address these objectives, GAO analyzed data on AC, SMART, and Pell Grants, and interviewed officials from Education and 12 state education agencies, administrators from 42 selected colleges, and several national associations.

What GAO Recommends

GAO recommends that Education (1) develop a strategy to increase awareness of these grant programs among states and high schools, and (2) use existing forums to facilitate the sharing of effective practices among states and colleges to help mitigate some of the administrative challenges of verifying the grants' requirements. Education agreed with these recommendations.

To view the full product, including the scope and methodology, click on [GAO-09-343](#). For more information, contact George Scott at (202) 512-7215 or scottg@gao.gov.

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Recent Changes to Eligibility Requirements and Additional Efforts to Promote Awareness Could Increase Academic Competitiveness and SMART Grant Participation

What GAO Found

Student participation in the AC and SMART Grant programs was affected by eligibility requirements and a short implementation time line, though participation rates varied somewhat depending on characteristics of states and colleges. Unlike most other federal financial aid programs, to be eligible for these grants, students must demonstrate both financial need and academic merit and meet additional requirements such as U.S. citizenship and full-time enrollment. According to financial aid administrators GAO interviewed, the requirement to complete a rigorous program of study in high school was one of the biggest barriers to AC Grant participation, while Education's requirement to take at least one course each semester in the student's SMART-eligible major, such as science, technology, and math, was the biggest barrier to SMART Grant participation. A relatively short implementation time line also affected some colleges' ability to identify eligible students. Administrators expect that recent legislative changes taking effect in July 2009 will expand eligibility and thus increase participation in both grant programs.

Financial aid administrators reported that certain AC and SMART Grant eligibility requirements were difficult to verify. For AC Grants, the most challenging requirement to verify was that students completed a rigorous program of study in high school. To verify this requirement, administrators generally had to manually review transcripts to ensure the courses taken aligned with one of several rigorous programs recognized by Education. For SMART Grants, Education's requirement that students take one course in their SMART-eligible major each semester was often cited as challenging for administrators to verify and entailed reliance on other academic departments. In addition, for both programs, many administrators said that it was difficult to determine if students were enrolled in an appropriate academic year to qualify for the grant programs. While recent legislation will change several eligibility requirements, these modifications are unlikely to address administrators' most difficult task of verifying rigor. Thus, some administrators expect their workload to increase as more students will need to be reviewed for grant eligibility.

Education has provided guidance and training to colleges to help them implement the AC and SMART Grant programs, but outreach to promote awareness of the grants to state education agencies, high schools, and students has been limited. Only a few state officials GAO interviewed reported that they were provided with information or promotional materials about the grant programs. Many college financial aid administrators reported that they found Education's assistance useful and responsive to their needs, but some said that more outreach to high schools was necessary to increase grant program participation. Without additional outreach to promote the grants among high school students and Pell-eligible college students, Education may not be able to achieve its goal to double the number of AC and SMART Grants awarded by the 2010-2011 funding cycle. Agency officials told GAO they had no plans to promote the programs, since the grants will sunset at the conclusion of the 2010-2011 academic year.

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Abbreviations

AC	Academic Competitiveness
AP	Advanced Placement
Education	Department of Education
FAFSA	Free Application for Federal Student Aid
GPA	grade point average
IB	International Baccalaureate
IFAP	Information for Financial Aid Professionals
NT4CM	National Training for Counselors and Mentors
SMART	National Science and Mathematics Access to Retain Talent
SSI	State Scholars Initiative
STEM	science, technology, engineering, and mathematics

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United States Government Accountability Office
Washington, DC 20548

March 25, 2009

The Honorable Edward M. Kennedy
Chairman
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Christopher J. Dodd
Chairman
Subcommittee on Children and Families
Committee on Health, Education, Labor, and Pensions
United States Senate

The Honorable Sherrod Brown
United States Senate

The Honorable Tom Harkin
United States Senate

The Honorable Bernard Sanders
United States Senate

In recent years, there has been growing concern about the quality of education in the United States and its effect on our country's competitiveness in the world economy. Although more than 60 percent of secondary school¹ graduates enter 2- and 4-year institutions of higher education (colleges), recent data indicate that over 20 percent of incoming freshmen are enrolled in at least one remedial course. Further, only about one-third of 25- to 29-year-olds in the United States earn a bachelor's degree or higher.² While there are many influencing factors, research shows that the preparation students receive in high school, particularly in math, English, and science, is one of the best predictors of their success in college and the workplace. Without emphasis on these subject areas,

¹In this report, "secondary school" is used synonymously with "high school" unless otherwise noted.

²U.S. Department of Education, National Center for Education Statistics, Institute of Education Sciences, *The Condition of Education 2008*, NCES 2008-031 and *Community Colleges: Special Supplement to the Condition of Education 2008*, NCES 2008-033 (Washington, D.C., 2008).

students entering colleges across the United States are falling behind their counterparts in other countries. In 2006, Congress created two new grant programs for full-time students attending degree-granting institutions—the Academic Competitiveness (AC) and National Science and Mathematics Access to Retain Talent (SMART) Grants—which provide merit-based financial aid to certain low-income college students eligible for Federal Pell Grants.³ The AC Grant program provides grants to eligible first- and second-year undergraduates who have completed a rigorous course of study in high school. The SMART Grant program provides grants to eligible third- and fourth-year undergraduates who major in certain designated technical fields, such as science, technology, engineering, mathematics, or critical foreign languages. Both grant programs are administered by the Department of Education (Education).

The AC and SMART Grant programs were established by the Deficit Reduction Act of 2005, which was signed into law in February 2006. Approximately \$4.5 billion was appropriated for both programs for fiscal years 2006 through 2010, and absent an extension, these programs are set to expire at the end of academic year 2010-2011. Under this Act, both the AC and SMART Grant programs require students to be eligible for a Pell Grant, be a U.S. citizen, and attend college full-time.⁴ For AC Grants, in addition to demonstrating completion of a rigorous program of study in high school, both first- and second-year students must have graduated from high school after a certain date, and second-year students must also have a cumulative grade point average (GPA) of at least 3.0 or the equivalent. For SMART Grants, third- and fourth-year college students must major in particular fields of study and maintain a 3.0 GPA (or the equivalent) in the coursework for their major. As such, these grant programs require students to demonstrate both financial need and academic merit, unlike most other federal student aid programs which are need-based only.

³The Federal Pell Grant Program provides need-based grants to low-income undergraduate and certain postbaccalaureate students to promote access to postsecondary education. Thus, students need to demonstrate financial need to qualify for the grants.

⁴With the passage of the Ensuring Continued Access to Student Loans Act of 2008 (Pub. L. No. 110-227), as amended by the Higher Education Opportunity Act (Pub. L. No. 110-315), eligibility requirements for the programs will be amended to include, among other things, half-time and noncitizen students, and certain students in certificate programs lasting a year or more at a degree-granting institution.

In the first year of implementation, which was academic year 2006-2007, the number of grants awarded was about 25 percent lower than expected for both AC and SMART Grants, and resulted in Education awarding \$450 million in grants, compared with the \$790 million appropriated for fiscal year 2006. Furthermore, program participation has varied widely across states, with a higher percentage of Pell Grant recipients receiving these grants in some states than in others. To address questions regarding the lower-than-expected participation rate and the varied rate of participation among states and colleges, we focused on the (1) factors that affected student participation in the AC and SMART Grant programs, (2) challenges colleges face in administering the two grant programs, and (3) extent to which Education has assisted states and colleges with implementing the two grant programs.

To conduct our work, we analyzed data provided by Education on AC, SMART, and Pell Grants to determine state participation rates for the AC and SMART Grant programs. We determined these data to be sufficiently reliable for the purposes of this report. Using grant data from academic year 2006-2007, we identified states with relatively high and low AC and SMART Grant participation rates. We selected seven states based on their grant participation rates, as well as on geographic location, number of colleges, and number of Pell Grants awarded. Our selected states were Arizona, Georgia, Massachusetts, Michigan, North Dakota, Rhode Island, and Utah. For the AC Grant program, Massachusetts, North Dakota, and Rhode Island had high participation rates, and Arizona, Michigan, and Utah had low participation rates. Participation rates for the SMART Grant program were high in Massachusetts, North Dakota, and Utah and were low in Arizona, Georgia, and Rhode Island.

Within these seven states, we selected a nonprobability sample of 42 colleges based on whether

- the AC and SMART Grant participation rates were high or low;
- the college offered 2-year or 4-year degree programs;
- the college was public, private for-profit, or private nonprofit; and
- the college was in an urban, suburban, or rural setting.

For each state, we spoke with financial aid administrators from the selected colleges and with officials from key state education agencies to obtain information related to the three research objectives. We conducted

interviews in-person in four states and by phone in the remaining three states. Although many revised eligibility requirements for the two programs will take effect in July 2009—such as to include students attending part-time⁵ and those enrolled in certificate programs, among others—our work focused on implementation and participation efforts under the original eligibility requirements.

In addition, we interviewed Education officials and reviewed relevant documentation, as well as interviewed representatives from four national higher education associations and two school counselor associations. Appendix I provides a more detailed description of our study's scope and methodology. We conducted this performance audit from April 2008 to March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results in Brief

Student participation in the AC and SMART Grant programs was affected by eligibility requirements and a short implementation time line, and participation rates varied somewhat depending on characteristics of states and colleges, according to the financial aid administrators and state officials we interviewed. To be eligible for these grant programs, students must demonstrate both financial need and academic merit. For AC Grants, many financial aid administrators we contacted reported that the merit-based eligibility requirements—such as taking rigorous curricula in high school—were generally the most difficult for students to meet. According to some state officials and administrators, low-income students may not have access to or are less likely than other students to take rigorous curricula. For SMART Grants, Education's requirement that students take at least one course each semester in their SMART-eligible major posed a barrier for some students. In some cases, students who completed all required courses in their SMART-eligible major prior to their senior year became ineligible to receive the grant that year. Student participation was also affected by a short implementation time line, hindering colleges' efforts to identify potentially eligible students and resulting in delayed awards to some students. In addition, participation rates varied among

⁵Throughout the report, part-time means at least half-time.

states and colleges and may have been attributable to state characteristics such as the extent to which states' high schools offered rigorous curricula. Likewise, characteristics of colleges, such as whether they are 2- or 4-year, could affect participation. For example, 2-year institutions such as community colleges are more likely to enroll older, part-time students who are not eligible for AC Grants. Similarly, the number of SMART-eligible majors a college offers can affect the number of students receiving these grants. Recent legislative changes that become effective in July 2009 will amend the eligibility requirements and are expected to increase student participation in both grant programs.

Financial aid administrators reported that certain AC and SMART Grant eligibility requirements were difficult to verify. The AC Grant eligibility requirement most often cited was that a student completed a rigorous program of study in high school. To verify this requirement, administrators had to manually review high school transcripts to ensure the courses taken aligned with one of several programs of study deemed rigorous by Education. Because of the time-consuming nature of this verification process, many administrators reportedly worked extra hours or had to rely on other offices, such as admissions, to review transcripts. While the process of reviewing transcripts was generally reported as challenging, not all colleges experienced difficulty. A few colleges said that verifying rigor was fairly straightforward, since their admission requirements closely aligned with one of the rigorous programs of study. While generally easier to administer than the AC Grant program, Education's SMART Grant requirement that students take one course in their SMART-eligible major each semester was often reported as challenging to verify. Some administrators told us that verifying this requirement entailed coordination with other departments; others commented that it required a manual review of students' schedules. In addition, for both programs, many administrators said that it was difficult to determine if students were enrolled in an appropriate academic year to qualify for the grant programs. Because "academic year" under the AC and SMART Grant programs is used differently than for some other federal student aid programs, some administrators reportedly found it confusing to implement. Some administrators we interviewed expect their workload to increase when legislative changes take effect in July 2009, since more students will likely need to be reviewed for grant eligibility.

Education has provided guidance and training to colleges to help them implement the AC and SMART Grant programs, but outreach to promote the grants to states, high schools, and students has been limited. When the grant programs were implemented in 2006, Education provided written

guidance to financial aid administrators, incorporated AC and SMART Grant information in training sessions at regional and national financial aid conferences, and posted information to the agency's Information for Financial Aid Professionals (IFAP) Web site. Many administrators we interviewed told us that they found Education's assistance useful and responsive to their needs. However, some state officials, administrators, and school counselor association representatives we spoke with said that additional outreach from Education to promote awareness of the grants is necessary. Education's primary contact with states involved obtaining information on the states' rigorous curricula to determine whether they met the definition of a "rigorous program of study" for the AC Grant program. Education's outreach to high schools—including counselors—was limited as well, even though according to representatives from one national school counselor association and a report issued by Education, counselors could play a pivotal role in promoting awareness among high school students while they still have the opportunity to take the courses necessary to qualify for the grants. For example, representatives from school counselor associations told us that their members had minimal knowledge of the grant programs until recently and had not received any guidance, training, or promotional materials about the grant programs from Education. Agency officials told us they had no plans to promote the programs at the high school level in light of their pending expiration at the conclusion of academic year 2010-2011.

To maximize student participation in the AC and SMART Grant programs while minimizing the administrative challenges faced by colleges, we are recommending that the Secretary of Education take appropriate and timely steps, in light of the programs' scheduled sunset in 2010-2011, to promote awareness of the grant programs among states and high schools and to facilitate the sharing of effective practices to mitigate challenges of some eligibility requirements, especially the completion of a rigorous high school program. In its written comments on a draft of the report, Education concurred with our recommendation to develop a strategy to increase awareness of both grant programs and also agreed to provide a forum for sharing effective practices. Education's comments are provided in appendix IV.

Background

The Higher Education Reconciliation Act of 2005, part of the Deficit Reduction Act of 2005, created two new grant programs for Pell-eligible college students: the Academic Competitiveness (AC) Grant and the National Science and Mathematics Access to Retain Talent (SMART)

Grant. The AC and SMART Grant programs were supported with approximately \$4.5 billion⁶ in appropriations over 5 years:

- \$790 million for fiscal year 2006,
- \$850 million for fiscal year 2007,
- \$920 million for fiscal year 2008,
- \$960 million for fiscal year 2009, and
- \$1.01 billion for fiscal year 2010.

Education's Projections of Program Participation

Education did not have readily available data to develop reliable projections and, therefore, used data from several longitudinal studies as a proxy to estimate the level of participation for both grant programs. As a result, during the 2006-2007 academic year, actual participation in both grant programs was lower than Education had projected. Education awarded about 306,000 of the 420,000 projected AC Grant awards and about 63,200 of the 80,000 projected SMART Grant awards. During the 2007-2008 academic year, about 396,800 AC Grants and 65,100 SMART Grants were awarded, compared with Education's initial estimates of 460,000 AC Grants and 80,000 SMART Grants (see table 1).

Table 1: Projected and Actual Program Participation for Academic Years 2006-2007 and 2007-2008

Dollars in millions				
	Projected awards ^a		Actual awards	
	Number of grants awarded	Amount awarded	Number of grants awarded	Amount awarded
Award year 2006-2007				
AC Grants	420,000	\$340	306,043	\$242
SMART Grants	80,000	310	63,165	206
Total	500,000	650	369,208	448

⁶Congress subsequently rescinded \$525 million of unobligated fiscal year 2008 funds. In the 2009 omnibus, Congress further declared that \$887 million of fiscal year 2009 funds are not available until October 1, 2009.

Dollars in millions				
	Projected awards ^a		Actual awards	
	Number of grants awarded	Amount awarded	Number of grants awarded	Amount awarded
Award year 2007-2008				
AC Grants	460,000	390	396,793	307
SMART Grants	80,000	310	65,118	204
Total	540,000	\$700	461,914	\$511

Source: Department of Education.

^a71 Fed. Reg. 64402, 64416-64417.

In developing the projections, Education used data from longitudinal studies such as the National Postsecondary Student Aid Study and National Assessment of Education Progress High School Transcript Study. This analysis allowed Education to estimate the percentage of Pell recipients that may be eligible for the grants and the average amount of their awards. Specifically, Education used a student's level of math courses completed as a proxy for a rigorous high school program. Using this data element, Education predicted a certain percentage of students that would likely qualify for an AC Grant. To project the number of students eligible for SMART Grants, Education also used data from the National Center for Education Statistics, including the number of students who were currently enrolled in SMART-eligible majors and their GPAs.

AC and SMART Grant Eligibility Requirements

To be eligible for an AC or SMART Grant, a student must qualify for a Federal Pell Grant and meet additional specific criteria (see table 2). Eligible AC Grant students can receive up to \$750 in their first year of college and up to \$1,300 in their second year. The SMART Grant program awards up to \$4,000 in each year to eligible third- and fourth-year students who are majoring in science (physical, life, or computer); technology; engineering; mathematics; or certain foreign languages considered critical to the national security of the United States.

Table 2: Current Statutory Eligibility Requirements for AC and SMART Grant Programs

Statutory eligibility requirements	AC Grants	SMART Grants
Eligible for a Pell Grant	x	x
United States citizen	x	x
Full-time student	x	x
Enrolled or accepted for enrollment in the first or second academic year of an undergraduate program at a 2- or 4-year degree-granting institution	x	
First-year students must have completed after January 1, 2006, a rigorous secondary school program of study	x	
Second-year students must have completed after January 1, 2005, a rigorous secondary school program of study	x	
Completion of a rigorous secondary school program of study	x	
A second-year student must have obtained a cumulative GPA of at least 3.0 or the equivalent at the end of the first academic year	x	
Enrolled or accepted for enrollment in the third or fourth academic year of an undergraduate program at a 4-year degree-granting institution		x
Pursuing a major in <ul style="list-style-type: none"> • science (physical, life, and computer science) • technology • engineering • mathematics • a critical foreign language^a 		x
Third- or fourth-year student has obtained a cumulative GPA average of at least 3.0 or the equivalent in the coursework required for the student's major		x
Take at least one course in the student's SMART-eligible major each payment period ^b		x

Source: GAO analysis of legislation and Education's guidance.

^aThe Secretary of Education develops a list of critical foreign languages in consultation with the Director of National Intelligence that includes Arabic, Chinese, Iranian/Persian, Russian, and other languages considered critical to the national security of the United States.

^bThis requirement is not statutory; it is based on guidance provided by Education. Throughout the report, the term "semester" will be used as a substitution for "payment period."

Rigorous Program of Study for AC Grants

A key requirement of the AC Grant program is that students complete a rigorous high school program of study recognized by the Secretary of Education. Although the statute requires a rigorous program of study, Education has the flexibility to define this requirement.⁷ In implementing

⁷With the passage of recent legislation, states will, as of July 1, 2009, have increased control over designating rigorous high school programs of study.

the grant programs, the Secretary designated the following four ways for students to satisfy this requirement:

1. *Participating in the State Scholars Initiative (SSI)*. To achieve recognition, students in participating states must complete all state-mandated high school graduation requirements, as well as the following coursework: 4 years of English; 3 years of mathematics (including algebra I, algebra II, and geometry); 3 years of laboratory science (biology, chemistry, and physics); 3.5 years of social studies (chosen from U.S. and world history, world geography, economics, and government); and 2 years of a language other than English.
2. *Completing a curriculum similar to the SSI*. The requirements of this option are slightly less demanding than those of the SSI, with more flexibility in meeting the mathematics, science, and social science requirements, and a reduced language requirement.
3. *Completing an existing advanced, honors, or other approved program*. In most cases, the approved programs are unique to a state.
4. *Completing at least two Advanced Placement (AP) or International Baccalaureate (IB) courses*. Students must receive a test score of 3.0 or higher (out of 5.0) on the AP exam or 4.0 or higher (out of 7.0) on the IB exam.

Of these options, the first three require checking the students' high school transcripts, and the fourth requires obtaining students' scores on AP and IB exams.

Grant Application Process

Students who are potentially eligible for an AC Grant award begin the grant application process by submitting the Free Application for Federal Student Aid (FAFSA) to Education. Paper filers receive a comment on their Student Aid Report directing them to answer additional questions regarding their eligibility—specifically, whether they completed a rigorous high school program of study—either online or by calling the Federal Student Aid Information Center. Students using FAFSA online, representing over 95 percent of total application volume,⁸ are given the opportunity to respond to these questions at the time they file. If it appears

⁸U.S. Department of Education, *Federal Student Aid 2008 Annual Report*.

the applicant might qualify for an AC Grant, Education notifies the colleges listed on their FAFSA. The colleges must then obtain and review documentation to support the student's statements. For SMART Grants, financial aid offices primarily rely on queries of student databases to identify Pell recipients that may be eligible for a SMART Grant. Other eligibility requirements, such as verifying a student's major and GPA, are determined using existing student databases.

Eligibility Requirements and a Short Implementation Time Line Affected Overall Participation, Which Varied among States and Colleges

Certain eligibility requirements affected overall student participation in the AC and SMART Grant programs. Unlike most other federal student aid programs, these grants require students to be both Pell-eligible and to meet specified merit criteria. However, according to financial aid administrators, the merit-based criteria posed the greatest barrier to students. Additionally, a short implementation time line affected some colleges' efforts to identify eligible students, resulting in delayed grant awards to some students. Although these factors affected participation rates overall, rates varied among states and colleges depending on their characteristics. However, recent legislative changes that will broaden eligibility are expected to increase student participation.

Several Eligibility Requirements Affected Student Participation

Student participation in the AC and SMART Grant programs was affected by several eligibility requirements, including academic merit, U.S. citizenship, and full-time enrollment. Unlike the requirements for most other federal financial aid programs, to be eligible for AC and SMART Grants, students must demonstrate both financial need and academic merit. According to a recent report issued by Education, the merit-based eligibility requirements represent a shift in federal aid policy from the purely need-based standards used in most other Title IV programs.⁹

For AC Grants, the majority of state officials and financial aid administrators we interviewed considered the merit-based eligibility requirements to be the most difficult for students to meet. Specifically, as shown in figure 1, maintaining a 3.0 GPA was the most prevalent barrier, cited by administrators at 29 of the 42 colleges we interviewed. As a result, many students became ineligible for a second-year AC Grant. For example,

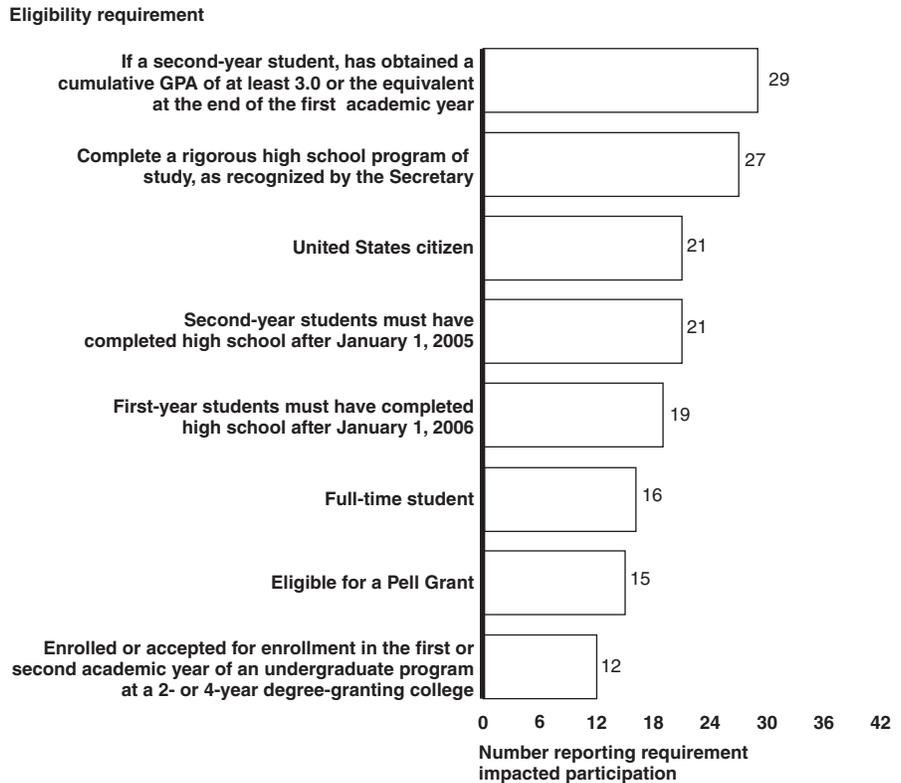
⁹U.S. Department of Education, Office of Planning, Evaluation, and Policy Development, Policy and Program Studies Service, *Academic Competitiveness and National SMART Grant Programs: First-Year Lessons Learned* (Washington, D.C., 2009).

at one college we visited, about 90 percent of first-year AC Grant recipients lost eligibility for the second year of funding because they failed to maintain a 3.0 GPA. The second most common barrier, cited by administrators at 27 of the 42 colleges we interviewed, was completion of a rigorous high school curriculum. One reason for this, according to some administrators, is that Pell-eligible students do not always have access to or may be less likely than other students to enroll in rigorous programs in high school.

Beyond the academic merit components of the AC Grant eligibility requirements, several others were difficult for students to meet and affected participation. Administrators at about half of the colleges we interviewed said the requirement to have graduated from high school after January 1, 2006, for first-year recipients and January 1, 2005, for second-year recipients impacted participation by disqualifying students (such as older students) who are not recent high school graduates. Administrators at about half of the colleges we interviewed also noted that requiring U.S. citizenship disqualified some students, particularly at colleges with large noncitizen, permanent resident populations who were eligible for other federal student aid programs. Likewise, the requirement to be enrolled full-time disqualified some students. One administrator noted that Pell Grant recipients may be more likely than others to work while attending college, necessitating enrollment on a part-time rather than a full-time basis. A recent report issued by Education also noted that low-income students sometimes have to work while also attending college, which could result in part-time enrollment.¹⁰

¹⁰U.S. Department of Education, *Academic Competitiveness and National SMART Grant Programs: First-Year Lessons Learned*.

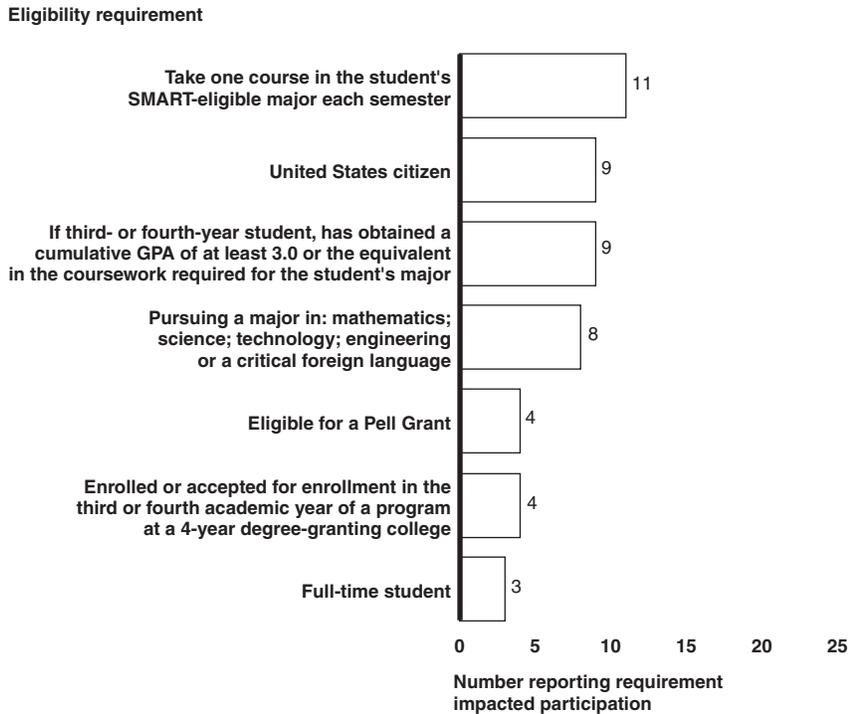
Figure 1: Number of Colleges Reporting AC Grant Requirements as Barriers to Student Participation



Source: GAO interviews with financial aid administrators at 42 colleges.

Among SMART Grant requirements, Education’s requirement of enrollment in at least one course each semester in the student’s SMART-eligible major was the most frequently mentioned barrier for students to meet and was cited by administrators at 11 of the 25 4-year colleges we interviewed (see fig. 2). In some cases, students who completed all required courses in their SMART-eligible major prior to their senior year became ineligible because they were taking electives unrelated to their major. Although maintaining a 3.0 GPA and being a U.S. citizen did not seem to be as problematic for SMART recipients, these requirements tied as the second most frequently mentioned barrier affecting participation, with administrators at 9 of 25 colleges citing them.

Figure 2: Number of Colleges Reporting SMART Grant Requirements as Barriers to Student Participation



Source: GAO interviews with financial aid administrators at 25 4-year colleges.

Legislation enacted in May 2008 will expand AC and SMART Grant eligibility to include eligible students who are noncitizens and students attending college part-time (see table 3). In addition, certain students in certificate programs¹¹ lasting a year or more at a degree-granting college will be eligible for AC Grants. Also, states, instead of Education, will be responsible for determining what constitutes a rigorous high school program of study. Some of the administrators we spoke with speculated that the number of AC and SMART Grant recipients would increase as a result of the revised eligibility requirements. Several administrators from 2-year colleges, such as community colleges, commented that their students, in particular, would benefit from the revised eligibility requirements. A few financial aid administrators at colleges with a substantial number of noncitizen, permanent residents in their student

¹¹A certificate program is a program of at least a year for which the college awards a certificate, as opposed to a bachelor's degree.

body, such as one college in Arizona that we visited, expected that eliminating the U.S. citizenship requirement would directly contribute to an increase in the number of grants they award.

Table 3: Recent Legislative Changes Amending Eligibility Requirements for AC and SMART Grant Programs

Statutory eligibility requirements	Legislative changes to take effect July 1, 2009
Requirements for AC and SMART Grants	
Eligible for a Pell Grant	No change.
United States citizen	The requirement that the student must be a U.S. citizen will be removed.
Full-time student	Eligibility will be expanded to include students enrolled or accepted for enrollment on at least a half-time basis.
Additional Requirements for AC Grants	
Enrolled or accepted for enrollment in the first or second academic year of an undergraduate program at a 2- or 4-year degree-granting institution	(1) "Academic year" will be changed to "year." (2) Eligibility will be expanded to include first-year students enrolled in certificate programs of at least 1 year, and second-year students enrolled in certificate programs of at least 2 years, at degree-granting institutions.
First-year students must have completed, after January 1, 2006, a rigorous secondary school program of study	While the general requirement of a rigorous program will remain, some of the details will be changed (see below).
Second-year students must have completed, after January 1, 2005, a rigorous secondary school program of study	No change.
Completion of a rigorous secondary school program of study	Under current law, for students who complete the rigorous program before July 1, 2009, such programs must be recognized by the Secretary. After the amendment, for this same group of students, the programs must simply be recognized by a designated state official and reported to the Secretary
A second-year student must have obtained a cumulative GPA of at least 3.0 or the equivalent at the end of the first academic year	No change.
Additional Requirements for SMART Grants	
Enrolled or accepted for enrollment in the third or fourth academic year of an undergraduate program at a 4-year degree-granting institution	(1) "Academic year" will be changed to "year." (2) Will add an additional year of SMART eligibility for students in the fifth year of a certified 5-year program.
Pursuing a major in <ul style="list-style-type: none"> • science (physical, life, and computer science) • technology • engineering • mathematics • a critical foreign language 	(1) Current law requires that students be "pursuing a major" that is SMART-eligible; the new amendment will require that students be "certified by the institution to be pursuing" such a major. (2) Language referring to "critical foreign language" will be simplified. (3) A separate possible set of eligibility requirements will be added for certain third- and fourth-year students who are not permitted (in their curriculum) to declare a major, which can be met instead of the current requirement.

Statutory eligibility requirements	Legislative changes to take effect July 1, 2009
Third- or fourth-year student has obtained a cumulative GPA of at least 3.0 or the equivalent in the coursework required for the student's major	No change.
Take at least one course in the student's SMART-eligible major each payment period ^a	No change.

Source: GAO analysis of legislation and Education's guidance.

^aThis requirement is not statutory; it is based on guidance provided by Education.

A Short Implementation Time Line Impeded Some Colleges' Ability to Identify Eligible Students and Delayed Grant Awards

Another factor that limited participation in both grant programs was a relatively short implementation time line that precluded many colleges from identifying potentially eligible students and resulted in delayed awards to some students. Although Education was able to issue Interim Final Regulations just 5 months after the enactment of the authorizing legislation (as shown in table 4), much quicker than for previous federal student aid programs, college administrators we interviewed still found the condensed time line challenging.

Table 4: Time Line for Initial Year of AC and SMART Grant Programs, Academic Year 2006-2007

Date	Key event
February 8, 2006	Legislation authorizing grant programs enacted.
April 5, 2006	Education introduced the programs to colleges and explained process for administering grants.
May 2, 2006	Education introduced the programs to states, announced guidelines on how students become eligible for the grants, and explained details related to the rigorous high school program of study (AC) and specific major requirements (SMART).
June 1, 2006	Deadline for states to establish and submit to the Secretary of Education alternative rigorous high school programs of study.
July 3, 2006	Interim final regulations issued, effective for academic year 2006-2007.
July-August 17, 2006	Comment period on interim final regulations.
November 1, 2006	Interim final regulations adopted as final.

Source: U.S. Department of Education, *Academic Competitiveness and National SMART Grant Programs: First-Year Lessons Learned*.

Colleges that offered an eligible program and participated in the Pell Grant program were required to award these grants for the 2006-2007 academic year, which began in September 2006. Within this time frame, colleges had to develop new processes and procedures for identifying students and verifying their eligibility, but some colleges may not have been able to identify all eligible students based on the FAFSA. According to Education,

colleges are required to review AC Grant eligibility for students who self-identify on the FAFSA that they are potentially AC Grant-eligible based on citizenship status, high school graduation date, family income, and responses to questions about high school courses taken. However, legislation for the grant programs was enacted in February 2006, after students had already begun filing their FAFSA applications for the 2006-2007 academic year. Furthermore, Education did not add questions addressing rigorous high school courses to the FAFSA until July 2006. Although Education attempted to notify students who had already completed the FAFSA that they might be eligible for the AC Grant, some potentially eligible students who did not go back and self-certify may have been missed by colleges.

To quickly implement the AC and SMART Grant programs, Education issued interim final regulations in July 2006. However, a few administrators noted that some colleges waited until the regulations were adopted as final in November 2006 to make grant awards, which may have resulted in delayed awards to some students. For example, one administrator said that because Education's guidance changed frequently and was somewhat unclear, the college was hesitant to administer the program until regulations were finalized.

Differences in States' High School Curricula and Some College Characteristics Could Explain Varying Participation Rates

While participation was lower than expected, some of the state officials and financial aid administrators we interviewed believe that the varied rate of participation among states and colleges could be partly due to their different characteristics. The state characteristics mentioned by some of the state officials and administrators we interviewed included the following:

- **Rigorous curriculum.** Access to rigorous curriculum differs among states and even within some states. For example, a state official in Arizona, which had a relatively low AC Grant participation rate, mentioned that some students in rural parts of the state may not have opportunities to take rigorous curricula.
- **Promotion of rigor.** Many of the state officials we interviewed reported that the efforts states are taking to promote rigor in high schools could impact AC Grant participation rates. Ten of 12 state officials described specific state efforts to increase rigor, ranging from the development of core curriculum and graduation requirements to increasing access to AP courses.

-
- **Graduation requirements.** A few state officials reported that high school graduation requirements could impact AC participation rates. For example, one state official in Michigan, which had a relatively low AC Grant participation rate, explained that the state only recently implemented a core curriculum high school graduation requirement in an attempt to increase the rigor of high school curricula. In contrast, Massachusetts, which had a relatively high AC participation rate, already requires students to pass a rigorous standardized test to graduate from high school. State officials noted that this makes it more likely a student from Massachusetts would meet the AC Grant rigor requirement, compared to students from other states.
 - **Collaboration between state agencies.** The amount of collaboration between state education agencies that oversee secondary and postsecondary education could impact AC Grant participation rates. For example, a state official in Massachusetts noted that the state Department of Elementary and Secondary Education and Board of Higher Education work collaboratively, which could have positively impacted participation rates.
 - **Efforts to increase awareness.** The degree to which states are making efforts to increase awareness of the AC and SMART Grant programs could impact participation rates. For example, some states with ongoing efforts to inform high schools and students of the AC Grant program and related eligibility requirements, like Rhode Island, which has a relatively high AC participation rate, had higher participation rates. Further, officials in some states also mentioned ongoing efforts to promote SMART Grants and inform high school students about science, technology, engineering, and mathematics (STEM) fields to increase the likelihood that these fields are chosen in college. For example, in Utah, which has a relatively high SMART Grant participation rate, one state official noted that several STEM centers have been created to help promote these fields to high school students.
 - **Student characteristics.** The characteristics of students who attend colleges within a state could impact AC and SMART Grant participation rates. For example, in Utah, which had a relatively low AC Grant participation rate, some state officials and administrators explained that male students often go on 2-year religious missions at the age of 19 and enroll in college upon their return. Many of these students will not meet the AC Grant high school graduation date requirement, which could result in lower AC Grant participation rates at Utah colleges compared to colleges in other states. As another example, one administrator noted that participation rates for Arizona, which were relatively low for both AC and

SMART Grant awards, could have been affected by the many students attending college part-time because they cannot afford to attend college full-time.

The college characteristics mentioned by some of the state officials and administrators we interviewed included the following:

- **Type (2- or 4-year).** Several administrators explained that students at community colleges are often older and attend part-time, so they would not meet the AC Grant high school graduation date or full-time enrollment requirements—a finding that is echoed in a recently issued Education report.¹²
- **Admission policies.** As one administrator noted, students at colleges with admission requirements that match the AC Grant rigor requirement might be more likely to receive a grant. For example, one state official in Rhode Island noted that the State Scholars program and AC Grant rigor requirements align with the admission requirements of some Rhode Island colleges. In contrast, another administrator noted that colleges with open admission policies are likely to attract students who are less likely to have completed a rigorous course of study in high school.
- **Identification of eligible students.** Although, according to Education, colleges are required to review only students who self-certify on the FAFSA as being potentially AC Grant-eligible, some administrators noted that colleges are likely to miss other eligible Pell recipients if administrators do not review all Pell recipients for eligibility. For example, one administrator explained that her college was able to identify many more AC-eligible students by running a query on the student database to review all students for eligibility, as opposed to only reviewing eligibility for students who self-identify on the FAFSA as potentially AC Grant-eligible.
- **Availability of SMART majors and courses.** The availability of SMART-eligible majors at colleges and the availability of major courses each semester could impact SMART Grant participation rates. For example, an administrator at a college in Utah attributed the relatively high SMART Grant participation rate at that college to the fact that all of the major programs of study offered by the college were SMART-eligible.

¹²S. Provasnik and M. Planty, *Community Colleges: Special Supplement to The Condition of Education 2008*, NCES 2008-033, National Center for Education Statistics, Institute of Education Sciences (Washington, D.C., 2008).

Administrators Reported That Certain Eligibility Requirements Were Challenging to Verify

Most financial aid administrators we spoke to said that certain eligibility requirements for both grant programs were challenging to verify and required a combination of manual and automated processes. While eligibility verification processes varied, they generally involved running database queries and using eligibility checklists. At some colleges, verifying student eligibility required additional effort, such as having to obtain additional student information and involving other departments in the verification process. Several administrators noted that the grant programs increased their workload, but additional staff were generally not hired to help administer them. However, some administrators reported working extra hours or redistributing some of their responsibilities to other staff members.

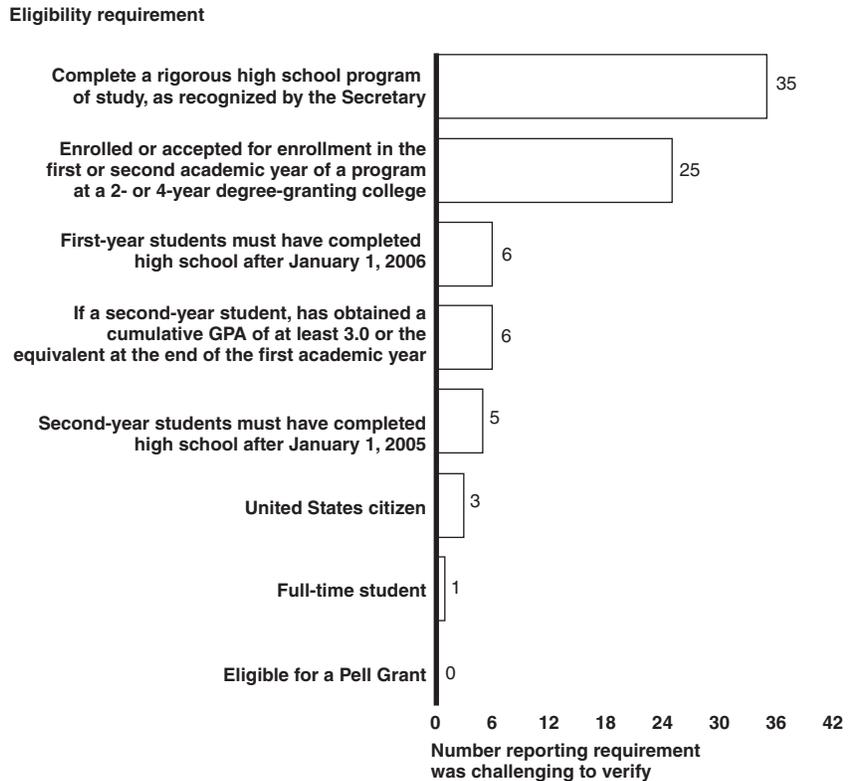
For AC Grants, the eligibility requirement most difficult for the administrators to verify— cited by administrators at 35 of the 42 colleges we interviewed (see fig. 3)—was if a student completed a rigorous program of study in high school. Because students could have met this requirement by completing a number of recognized rigorous high school programs of study, administrators had to be familiar with and potentially check all of the rigorous programs associated with the state in which the student attended high school.¹³ Verifying that a student completed a rigorous program of study usually required that administrators review the student's high school transcript to ensure the required courses were taken. Administrators at 31 colleges we interviewed mentioned that this was either a manual or time-consuming process. Two administrators added that transcripts were difficult to interpret since they are not uniformly formatted and course titles are sometimes abbreviated. As a result, they had to contact high schools to clarify courses listed on the transcripts. Some administrators told us that they found opportunities to exchange information with other colleges helpful in administering the grant programs. Two administrators commented that additional in-person workshops hosted by Education would provide colleges with a good venue to share best practices. For example, Texas and Florida annotate students' high school transcripts if they have completed a rigorous program of

¹³For the 2006-2007 and 2007-2008 academic years, Education nationally recognized three high school programs as rigorous: the SSI, a set of courses similar to the SSI, and AP or IB courses and test scores. In addition to these three programs, Education approved as rigorous at least one other program in 40 states and approved more than one program in 22 states for the 2006-2007 academic year.

study.¹⁴ In Georgia, all colleges are given a list of students who complete the Hope Scholars program, which meets the AC Grant rigor requirement. Also, state officials in Rhode Island told us about their plans to designate high school diplomas with a seal indicating that students completed a program with a certain level of rigor. A few administrators we spoke with suggested that Education could ease the difficulty faced by colleges by encouraging states to indicate on high school transcripts if a student completed a rigorous program of study, or by having each state provide colleges with a list of students who completed a rigorous program. While the process of reviewing transcripts was generally reported as challenging, not all colleges experienced difficulty. A few colleges said that verifying rigor was fairly straightforward, since their admission requirements closely aligned with one of the accepted rigorous programs of study for the AC Grant.

¹⁴U.S. Department of Education, *Academic Competitiveness and National SMART Grant Programs: First-Year Lessons Learned*.

Figure 3: Number of Colleges Reporting AC Grant Requirements as Challenging to Verify

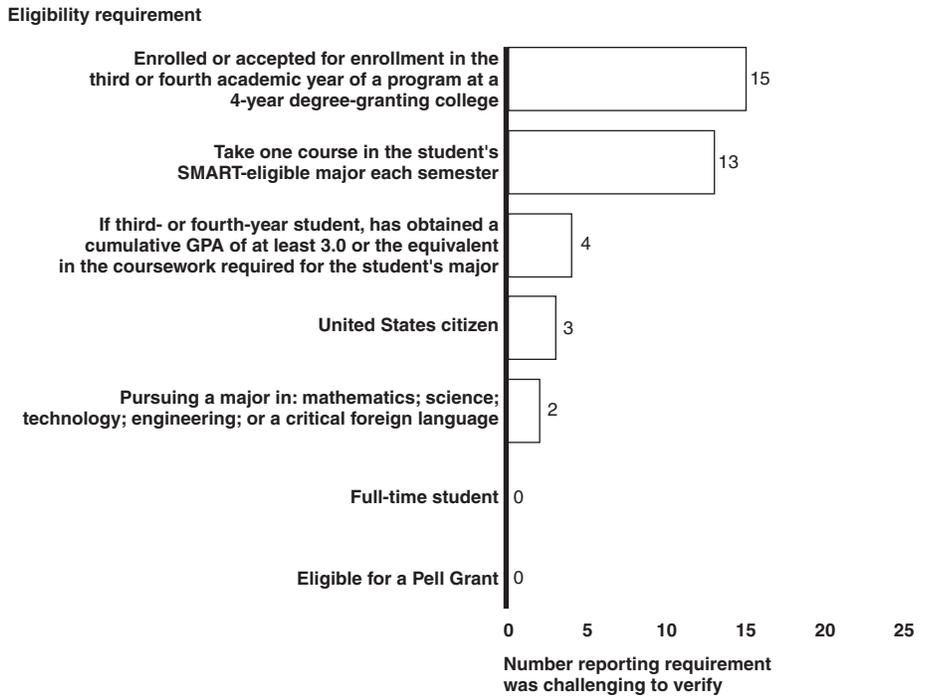


Source: GAO interviews with financial aid administrators at 42 colleges.

In addition to manually reviewing transcripts, some of the other challenges colleges encountered in verifying the rigor requirement included obtaining final high school transcripts, adopting new administrative responsibilities, and coordinating with other departments. Administrators at several colleges, particularly community colleges, said that they had to obtain high school transcripts for students who were potentially eligible for the AC Grant because the college does not regularly require that students submit them. Further, many colleges we interviewed reported that financial aid personnel were responsible for reviewing transcripts—an uncommon task for their department. However, at many colleges, financial aid administrators relied on other departments, often the admissions office, to review transcripts. In such situations, new collaborative working relationships had to be established and high levels of coordination maintained.

While administrators we interviewed reported that the SMART Grant program was generally easier to administer than the AC Grant program, many still found certain SMART requirements challenging to verify. Administrators at 13 of the 25 colleges we interviewed about SMART Grants found it difficult to verify that grant recipients were taking one course in their SMART-eligible major course of study each semester (see fig. 4). The regulations simply state that students must enroll in the courses necessary to complete the degree program and to fulfill the requirements for their SMART-eligible major. However, guidance from Education stipulated that students could receive a SMART Grant only if they were enrolled in at least one course that met the requirements of their SMART-eligible major. Some administrators we interviewed told us that verifying enrollment in specific courses entailed a manual review of student's schedules and, in some instances, required coordination with other departments, such as the registrar's office. Administrators at one college we interviewed suggested that this requirement be revised so satisfactory academic progress toward a degree in a SMART-eligible major would be acceptable, a standard similar to a Pell Grant program's requirement.

Figure 4: Number of Colleges Reporting SMART Grant Requirements as Challenging to Verify



Source: GAO interviews with financial aid administrators at 25 colleges.

In addition, for both the AC and SMART Grant programs, verifying the requirement that students be enrolled in a certain academic year at a degree-granting college was challenging, according to administrators, because it was difficult to determine which academic year a student was considered under the grant programs' regulations. According to Education's regulations, progression from one academic year to the next generally depends on both the number of credit hours and weeks of instructional time a student received. Because "academic year" under the AC and SMART Grant programs is used differently than for some other federal student aid programs, some administrators reportedly found it confusing to implement. In addition, several administrators reported that determining academic year was a manual process and was particularly difficult for students who had earned college credit prior to enrolling, such as through AP testing or by previously attending college.

Recent legislative changes to the AC and SMART Grant programs will modify several eligibility requirements. Some of the changes may benefit college administrators, such as changing (in many instances) the use of the

phrase “academic year” to the word “year.” According to Education officials, this change will allow colleges to use their own standards for determining a student’s grade level progression. However, the eligibility changes are unlikely to address colleges’ most difficult task of verifying rigor, since students can continue to meet this AC Grant requirement by completing one of several rigorous programs, most of which require a review of students’ high school transcripts. Further, some of the administrators we spoke with anticipate that the number of grant awards—and consequently their workload—will increase. Until Education issues regulations and guidance that will help administrators implement the changes, it is premature to suggest exactly how colleges will be affected. Education officials told us they have drafted the new regulations, which will take effect on July 1, 2009.

Education Provided Assistance Primarily to Colleges, but Efforts to Promote the Grant Programs to States and High Schools Have Been Limited

Overall, colleges found Education’s guidance and training helpful, but some financial aid administrators would like additional assistance. Additionally, state officials, administrators, and school counselor association representatives reported that Education’s efforts to promote awareness of the grants were limited. While Education’s goal is to double participation in the grant programs by the 2010-2011 academic year, from the number of grants awarded for the 2006-2007 academic year, the agency currently has no plans to promote further awareness of the grants at the high school level.

Colleges Found Education’s Guidance and Training Helpful, and Would Like Ongoing Assistance

Overall, financial aid administrators we interviewed found Education’s guidance and training useful and responsive to their needs, and some administrators indicated they would like continued assistance. Education’s guidance included a series of instructional letters that were posted to the agency’s IFAP Web site, which according to Education, financial aid administrators are required to use and monitor for updates. Between 2006 and 2008, Education issued at least 15 letters with specific implementation guidance for these grant programs. For example, one letter issued in May 2006 detailed the ways high school students can meet the rigor requirement for an AC Grant, and another provided a list of SMART-eligible majors. A letter posted in October 2006 provided guidance to determine a student’s academic year for both grant programs.

Since June 2006, Education has offered a number of training opportunities related to the AC and SMART Grant programs, primarily for financial aid administrators.¹⁵ Training provided by Education on the AC and SMART Grant programs included live instructor-led sessions on the Internet (Webinars), as well as workshops and conference presentations. Information presented at these sessions ranged from general to specific information about verifying eligibility for both programs, including defining a student's academic year; reviewing eligibility for transfer students; verifying that students meet the AC Grant rigor requirement; and determining that a student is enrolled in a SMART-eligible major. In addition, Education has provided ongoing Web training for financial aid administrators, accessible anytime through Education's IFAP Web site. Education officials also noted that 23 regional training officers¹⁶ are available to help administrators implement federal student aid programs, including the AC and SMART Grant programs, and some of the administrators we interviewed mentioned that their regional Education contacts were particularly helpful answering questions about these grants.

A few financial aid administrators noted that Education's assistance has dropped off over time, and several administrators expressed a desire for ongoing guidance and training for both programs. A few administrators also said they would have benefited from more targeted training opportunities. For example, one administrator from a 2-year college said it would be useful to receive targeted training for the unique challenges facing 2-year colleges. Such challenges include the number of part-time students and open enrollment policies. Additionally, some of the administrators noted that although the IFAP Web site contains much information about AC and SMART Grants, a better search engine and organizational structure would make it less difficult to find specific pieces of information. Two administrators suggested that Education provide explicit notification to administrators when revised regulations are posted to the IFAP Web site. Education officials stated that they recently updated the IFAP Web site, which should make it easier to search for specific

¹⁵According to Education officials, training opportunities included AC and SMART Grant-specific sessions or modules at about 150 workshops for financial aid professionals with some 9,000 attendees; 53 nationwide workshops with more than 1,700 attendees; and Webinars with 4,505 online attendees.

¹⁶According to Education, regional training officers are responsible for assisting college financial aid administrators with administering AC and SMART Grants, among other federal student aid programs.

information, including information relevant to the AC and SMART Grant programs.

Education's Efforts to Promote the Grants to States and High Schools Were Limited

The AC Grant program was designed to encourage high school students to take rigorous curricula in high school, thus making it more likely that they will be successful in college. To meet the AC Grant rigor requirement, students need to be aware of the course requirements for completing a rigorous high school program of study. However, some state officials reported that additional outreach from Education to increase awareness of the grant programs at the state level is necessary. Some financial aid administrators and representatives from one school counselor association also reported that they would like Education to conduct additional outreach to promote awareness of the grants to high schools and students. We found that Education's initial contact with state educational agencies about these grant programs was limited to informing states about the grants and requesting information on each state's rigorous curriculum to determine whether it met Education's definition of a rigorous high school program of study. This notification consisted of one letter from the Secretary of Education introducing the programs to states and detailing the grant eligibility requirements and a conference call with state officials designed to describe the grant programs.¹⁷

Officials at 7 of the 12 state agencies we interviewed reported that they were asked to provide information on their state's rigorous curriculum to Education to determine whether it met the definition of a rigorous program of study for the AC Grant program. However, only a few state agencies reported that they were provided with information about the grant programs or given promotional materials to share with high schools and students. Nevertheless, officials from three of the states we interviewed reported that their states were taking steps to promote the grant programs to schools or described deliberate efforts by the state to promote the AC or SMART Grant programs. Beyond general information listed on state education department Web sites and shared with districts about the rigor requirement, only a few officials were able to describe specific ways in which states reached out to high schools. Some examples of state efforts to inform high schools about the grant programs include

¹⁷The Secretary of Education sent a letter about the AC and SMART Grant programs to Chief State School Officers and State Higher Education Agencies on May 2, 2006.

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- communicating with school districts about the AC Grant through a monthly e-mail message and sharing information on the AC Grant eligibility requirements with all school counselors in middle and high schools across the state;
 - sharing information on state initiatives, including any related to the AC Grants, across districts and hosting sessions on the AC Grant in collaboration with a school counselor association;
 - discussing AC and SMART Grants during training for high school counselors; and
 - having school liaisons distribute information on the grant programs to schools and send notification letters about the programs to school principals and superintendents.

Similar to Education's outreach to states to promote the grant programs, the agency's efforts to promote the grant programs at the high school level were also limited. The training Education provided consisted of one national training session, some state sessions, and information about the AC and SMART Grant programs posted to Education's Web site for high school guidance counselors. In March 2007, for example, Education hosted a Webinar, for which about 1,000 high school and TRIO¹⁸ counselors registered and which was advertised to members of several school counselor associations, to provide general information about the grant programs and a counselor's role in promoting them. In addition, basic program and eligibility information about these grant programs was incorporated into the National Training for Counselors and Mentors (NT4CM) half-day training session cosponsored by Education's Federal Student Aid and several counselor advocacy groups and was offered in 17

¹⁸The Federal TRIO Programs are educational opportunity outreach programs designed to prepare students from disadvantaged backgrounds for programs of postsecondary education. TRIO includes six outreach and support programs targeted to serve and assist low-income, first-generation college students and students with disabilities to progress through the academic pipeline from middle school to postbaccalaureate programs. TRIO also includes a training program for directors and staff of TRIO projects and a dissemination partnership program to encourage the replication or adaptation of successful practices of TRIO projects at institutions and agencies that do not have TRIO grants.

states during the 2007-2008 academic year.¹⁹ Education also includes information on the grant programs in its regular student financial aid publications. Despite Education's efforts, representatives from one school counselor association we spoke with said the majority of its members know little about college financial aid, do not generally use Education's Web site resources for counselors, and consider the AC Grant program to be complex. Likewise, a senior official from another counselor group noted that its members had minimal knowledge of the grant programs until recently and have not received any information about the grant programs or associated training from Education. As noted by representatives from one national school counselor association and in a report recently issued by Education, high school counselors could play a pivotal role in promoting awareness of the grant programs among high school students while they still have the opportunity to take the courses necessary to qualify for the grants.

Although some of the administrators and state officials we interviewed cited the importance of additional promotion to schools and students to increase program awareness at the high school level in order to increase grant participation rates at the college level, Education currently has no plans to conduct additional outreach at the high school level. Education officials stated that they were reluctant to promote the grants because the programs are scheduled to sunset after the 2010-2011 academic year and added that there was little value in encouraging current high school students to fulfill grant requirements in case the programs expired by the time the students reached college.

Conclusions

The AC and SMART Grant programs were designed to encourage students to take rigorous courses in high school, thus making it more likely that they will succeed in college, and to pursue certain designated college majors. To that end, Education plays a key role in ensuring the grants are awarded to as many eligible students as possible. While both programs are currently scheduled to sunset after the 2010-2011 academic year, Education's goal is to double the number of AC and SMART Grant recipients by the 2010-2011 academic year, from the number awarded

¹⁹NT4CM, a new initiative launched in fall 2007, is designed to reach high school students, through their school counselors, with the information they need about postsecondary financial aid. To accomplish this, NT4CM encourages state financial aid associations to partner with their state's designated guarantee agency and other college access professionals to coordinate NT4CM workshops in their state.

during the 2006-2007 academic year. While the revised eligibility requirements are likely to increase student participation, they may not be sufficient by themselves. Without additional outreach to promote awareness of the two programs to potentially eligible students, such as current high school juniors and seniors and Pell-eligible college students, the agency may not achieve its goal.

To ensure that students know about the grants and are familiar with their specific eligibility requirements well before enrolling in college, it may be most effective to promote the grants at the high school level. By doing so, informed students who plan ahead and take rigorous coursework in high school may be eligible for an AC Grant. Similarly, making Pell-eligible college students aware of SMART Grant funding may influence their decision to major in science, technology, engineering, math, a critical foreign language, or other SMART-eligible majors. Further, recent legislative changes revising the eligibility requirements could help more students receive grants if they are aware of the specific requirements.

College financial aid administrators we interviewed reported that the two grant programs are complex and difficult for them to administer. However, some colleges have implemented effective strategies in doing so. In addition, some state education agencies have taken steps to assist colleges in verifying the AC requirement that students complete a rigorous program of study. Increased opportunities to share these practices among the higher education community could help mitigate the difficulty that many colleges currently experience in verifying the requirements, and thereby, lessen the strain on their resources.

Recommendations for Executive Action

To increase student participation in the AC and SMART Grant programs while minimizing the administrative challenges faced by colleges, we recommend that the Secretary of Education take appropriate and timely steps, in light of the programs' scheduled sunset in the 2010-2011 academic year, to further assist states and colleges in implementing the grant programs by taking the following two actions:

1. Develop a strategy to increase awareness of the AC and SMART Grant programs among states and high schools. This strategy could include developing promotional materials about the grant programs and disseminating information about actions states are taking to promote awareness of the grant programs.

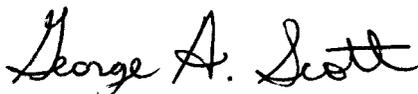
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2. Use existing forums, such as annual financial aid conferences, to provide states and colleges with formal opportunities to share and learn about effective practices that can help mitigate some of the challenges of verifying the AC and SMART Grant requirements, especially the completion of a rigorous high school program.

Agency Comments and Our Evaluation

We provided a draft of this report to officials at Education for their review and comment. Education's comments are reproduced in appendix IV. In its comments, Education concurred with our recommendation to develop a strategy to increase awareness of both the AC and SMART Grant programs by developing plans for outreach opportunities to high school students and for training and informational materials for counselors and state grant officers. Education also agreed to use existing forums, such as annual financial aid conferences, to allow colleges to share effective practices.

We are sending copies of this report to the Secretary of Education and relevant congressional committees. In addition, this report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have any questions concerning this report, please contact me at (202) 512-7215 or scottg@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Major contributions to this report are listed in appendix V.



George A. Scott
Director, Education, Workforce,
and Income Security Issues

Appendix I: Objectives, Scope, and Methodology

Our objectives were to (1) identify factors that affected student participation in the Academic Competitiveness (AC) and National Science and Mathematics Access to Retain Talent (SMART) Grant programs, (2) describe challenges colleges face in administering these grant programs, and (3) assess the extent of the Department of Education's (Education) efforts to assist states and colleges with implementation of the grant programs.

To answer these questions, we reviewed relevant federal laws, including the Deficit Reduction Act of 2005, the Higher Education Opportunity Act, and the Ensuring Continued Access to Student Loans Act of 2008, as well as related regulations set forth by Education. Although many revised eligibility requirements for the two programs will take effect in July 2009, such as to include students attending part-time and those enrolled in certificate programs, among others, our work focused on implementation and participation efforts under the original eligibility requirements.

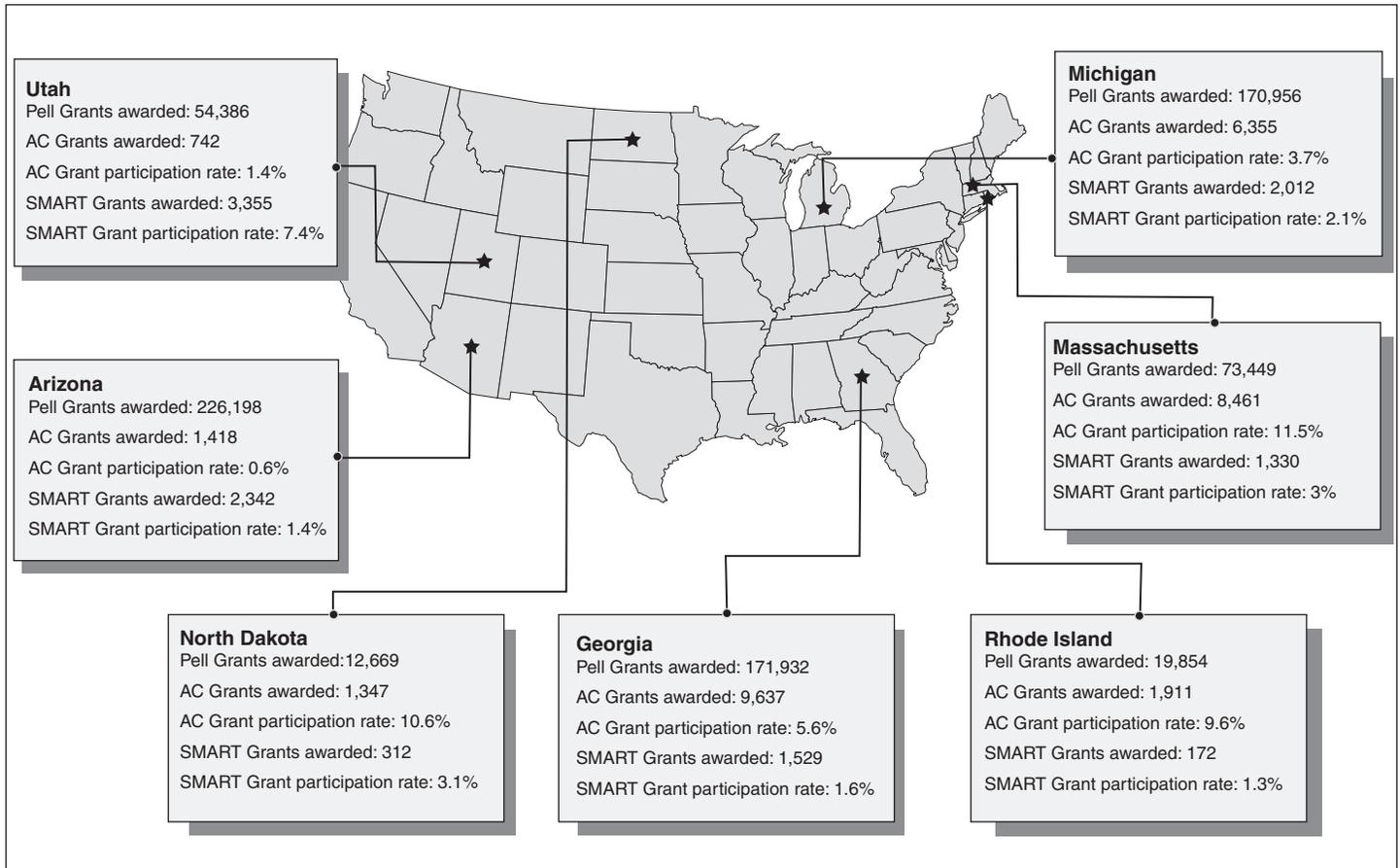
We also analyzed data provided by Education on AC, SMART, and Pell Grant recipients and disbursements for the 2006-2007 and 2007-2008 academic years. We determined these data to be sufficiently reliable for the purposes of this report by testing it for accuracy and completeness, reviewing documentation about the data and systems used to produce them, and interviewing agency officials knowledgeable about the data. We used these data to calculate state participation rates for the AC and SMART Grant programs.¹ Based on grant data from academic year 2006-2007, we identified states with relatively high and low AC and SMART Grant participation rates.² High and low AC and SMART participation rates were determined by states with the 10 highest and 10 lowest participation rates. We selected seven states based on these grant participation rates, as well as on geographic location, number of colleges, and number of Pell Grants awarded. Our selected states were Arizona, Georgia, Massachusetts, Michigan, North Dakota, Rhode Island, and Utah (see fig. 5). North Dakota, Massachusetts, and Rhode Island had relatively high AC Grant participation rates, and Arizona, Michigan, and Utah had relatively

¹The AC Grant participation rate was calculated by dividing the number of AC Grants awarded by the number of Pell Grants awarded. The SMART Grant participation rate was calculated by dividing the number of SMART Grants awarded by the number of Pell Grants awarded at 4-year institutions.

²We used grant data from the 2006-2007 academic year to determine state participation rates, since data from the 2007-2008 academic year were not finalized at the time of our selection.

low AC Grant participation rates. Participation rates for the SMART Grant program were relatively high in North Dakota, Massachusetts, and Utah and were relatively low in Georgia, Arizona, and Rhode Island.

Figure 5: AC and SMART Grant Participation Rates of Selected States



Source: GAO analysis of 2006-2007 academic year AC, SMART, and Pell Grant data provided by Education.

Within these seven states, we selected a nonprobability sample of 42 colleges based on whether

- the AC and SMART Grant participation rates were high or low;
- the college offered 2-year or 4-year degree programs;

- the college was public, private for-profit, or private nonprofit; and
- the college was in an urban, suburban, or rural setting.

For each state, we spoke with financial aid administrators from the selected colleges and with officials from key state education agencies to obtain information pertaining to all the three research objectives. (See apps. II and III for a full list of the colleges and state education agencies.) We conducted interviews in-person in Arizona, Massachusetts, Rhode Island, and Utah and by phone in Georgia, Michigan, and North Dakota.

To gain a broader perspective on the grant programs, we interviewed representatives from four national higher education associations and two national associations of school counselors. These associations include the American Association of Collegiate Registrars and Admissions Staff; American Council on Education; American Association of Community Colleges; National Association of Student Financial Aid Administrators; American School Counselor Association; and National Association for College Admission Counseling.

To help assess how Education assisted states and colleges with implementing the grant programs, we interviewed Education officials and reviewed relevant documentation, including correspondence sent to states; training presentations made to college administrators; and Inspector General and other relevant reports, including Education's report, *Academic Competitiveness and SMART Grant Programs: First-Year Lessons Learned*.

We conducted this performance audit from April 2008 to March 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Colleges Interviewed in Selected States

Selected states	Colleges interviewed
Arizona	American Indian College of the Assemblies of God
	Arizona State University
	Bryman Institute
	Glendale Community College
	Northern Arizona University
	Pima Community College
	Tohono O'odham Community College
	University of Arizona
	University of Phoenix
Georgia	American Intercontinental University
	Emory University
	Georgia Perimeter College
	Gwinnett College
	Mercer University
	Savannah State University
	University of Georgia
	Young Harris College
Massachusetts	Marian Court College
	Mount Wachusett Community College
	New England Institute of Art
	Northeastern University
	Salter College
	University of Massachusetts Amherst
Michigan	Baker College
	Kalamazoo Valley Community College
	Michigan State University
North Dakota	Jamestown College
	Minot State University
	North Dakota State College of Science
	North Dakota State University
	Rasmussen College
	United Tribes Technical College
	University of North Dakota

Appendix II: Colleges Interviewed in Selected States

Selected states	Colleges interviewed
Rhode Island	Community College of Rhode Island
	Johnson & Wales University
	Rhode Island College
	University of Rhode Island
Utah	Brigham Young University
	Latter Day Saints Business College
	Neumont University
	Salt Lake Community College
	Utah State University

Source: GAO selection based on information provided by Education.

Appendix III: State Education Agencies Interviewed in Selected States

Selected states	State education agencies interviewed
Arizona	Arizona Board of Regents Arizona Department of Education
Georgia	Georgia Department of Education
Massachusetts	Massachusetts Department of Higher Education Massachusetts Department of Elementary and Secondary Education
Michigan	Michigan Department of Education
North Dakota	North Dakota Department of Public Instruction North Dakota University System
Rhode Island	Rhode Island Department of Elementary and Secondary Education Rhode Island Office of Higher Education
Utah	Utah State Office of Education/Utah Higher Education Assistance Authority Utah System of Higher Education

Source: GAO identification of education agencies in selected states based on information provided by Education and state education agencies.

Appendix IV: Comments from the Department of Education



March 6, 2009

Mr. George Scott
Director, Education, Workforce, and Income Security Issues
Government Accountability Office
441 G Street, NW
Washington, DC 20548

Dear Mr. Scott:

In accordance with 31 U.S.C. 720, I am writing to respond to recommendations made in the Government Accountability Office (GAO) report, "Federal Student Aid: Recent Changes to Eligibility Requirements and Additional Efforts to Promote Awareness Could Increase Academic Competitiveness and SMART Grant Participation" (GAO-09-343). This report focused on factors affecting Academic Competitiveness and SMART Grant participation, challenges faced by colleges in administering the programs, and assistance provided by the Department of Education to states and colleges.

Federal Student Aid (FSA) appreciates the opportunity to respond to the GAO report and appreciates the need to promote awareness and to ensure colleges and states understand the requirements around these grants. Since the inception of the Academic Competitiveness and SMART Grant programs in 2006, the Department has sought to disseminate information about the programs and promote their use in meeting the educational expenses of low-income students. Information about these programs has been provided on the Department's Web sites since 2006 and has been included in Funding Education Beyond High School: The Guide to Federal Student Aid since 2007. Including information on these programs in this widely disseminated publication a year earlier would clearly have been helpful but could not be accomplished because the programs were created long after the Guide was published.

In addition, the Department includes detailed information on the Academic Competitiveness and SMART Grant programs in the Handbook for Counselors and Mentors on Federal Student Aid: A Guide for Those Advising Students About Financial Aid for Postsecondary Education. The Handbook is widely used by high school guidance counselors along with others as they explain the financial aid programs to students and families.

The Department also sponsors the National Training for Counselors and Mentors (NT4CM) initiative, along with the National Association of Student Financial Aid Administrators, the National Council of Higher Education Loan Programs, the National Association for College Admission Counseling, and the American School Counselor Association. During the 2009-10 award year, NT4CM is expanding its reach by increasing the number of training sessions and

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participating states to advance its mission to provide free training, information, resources, and tools regarding federal, state, and local financial aid programs for counselors and mentors working with students and their families.

Recommendation 1: *Develop a strategy to increase awareness of the AC and SMART Grant programs among states and high schools. This strategy could include developing promotional materials about the grant programs and disseminating information about actions states are taking to promote awareness of the grant programs.*

Response: FSA concurs with this recommendation and will increase awareness of both the Academic Competitiveness Grant and SMART Grant programs by developing plans for outreach opportunities to high school students and for training and informational materials for counselors and state grant officers.

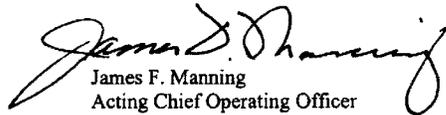
As noted in the draft report, these programs expire after the 2010-11 award year. This makes promotion of these programs, whether to states, local educational agencies, or students, problematic as we can only say definitively that these programs exist today and will for the next two years.

Recommendation 2: *Use existing forums, such as annual financial aid conferences, to provide states and colleges with formal opportunities to share and learn about effective practices that can help mitigate some of the challenges of verifying the AC and SMART Grant requirements, especially the completion of a rigorous high school program.*

Response: FSA will use its annual Title IV conference to allow colleges to share effective practices.

Again, I appreciate the opportunity to respond to the GAO report. If you or your staff has any questions regarding our response, please contact William Leith at (202) 377-3676.

Sincerely,


James F. Manning
Acting Chief Operating Officer

Appendix V: GAO Contact and Staff Acknowledgments

GAO Contact

George Scott, (202) 512-7215 or scottg@gao.gov

Staff Acknowledgments

Meeta Engle and Debra Prescott (Assistant Directors) and Susan Chin (Analyst in Charge) managed this assignment. Jennifer McDonald, Kathryn O'Dea, and Helen Wong made significant contributions to this report. In addition, Kate Van Gelder provided writing assistance, Alex Galuten and Doreen Feldman provided legal assistance, and Luann Moy assisted with the methodology.

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