



# REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION

## Investment in Human Capital

Human capital investments are those expenses included in net cost for general public education and training programs that are intended to increase or maintain national economic productive capacity.

Federal Student Aid administers need-based financial assistance programs for students pursuing postsecondary education. Federal grants, loans and work-study funding are available to eligible undergraduate and graduate students through the following programs:

- The **FFEL Program** operates with state and private nonprofit guaranty agencies to provide loan guarantees and interest supplements through permanent budget authority on loans by private lenders to eligible students.
- The **Direct Loan Program** is a direct-lending program in which loan capital is provided to students by the federal government through borrowings from the U.S. Treasury.
- The **Pell Grant Program** awards direct grants through participating institutions to undergraduate students with financial need. Participating institutions either credit the appropriated funds to the student's school account or pay the student directly once per term.
- **Campus-Based Programs** include the SEOG, Work-Study, and Perkins Programs. Grants in these programs are made directly to participating institutions, which have considerable flexibility to package awards to best meet the needs of their students.
- Signed into law this year, the **ACG** and the **SMART Programs** are available to encourage eligible students to take more challenging courses in high school and to pursue college majors in high demand in the global economy.

Expenses incurred for human capital investments consisted of the following for FY 2006 and the preceding four years:

(Dollars in Millions)	2006	2005	2004	2003	2002
Direct Loan Subsidy	\$6,655	\$5,211	\$(543)	\$4,716	\$877
Guaranteed Loan Subsidy	\$28,062	\$9,863	\$8,516	\$2,509	\$3,988
Grant Programs	\$15,447	\$15,070	\$14,943	\$13,836	\$12,256
Salaries & Administrative	\$172	\$164	\$186	\$179	\$207
<b>Total</b>	<b>\$50,336</b>	<b>\$30,308</b>	<b>\$23,102</b>	<b>\$21,240</b>	<b>\$17,328</b>

Federal Student Aid's programs link with the overall initiatives of the Department in enhancing education—a fundamental stepping stone to higher living standards for American citizens. Education is key to national economic growth. But education's contribution is more than increased productivity and incomes. Education improves health, promotes social change and opens doors to a better future for children and adults.

In the past, economic outcomes, such as wage and salary levels, have been determined by the educational attainment of individuals and the skills employers expect of those entering the labor force. Recently, both individuals and society as a whole have placed increased emphasis on educational attainment as the workplace

has become increasingly technological and employers now seek employees with the highest level of skills. For prospective employees, the focus on higher-level skills means investing in learning or developing skills through education. Like all investments, developing higher-level skills involves costs and benefits.

Returns, or benefits, of investing in education come in many forms. While some returns accrue for the individual, others benefit society and the nation in general. Returns related to the individual include higher earnings, better job opportunities, and jobs that are less sensitive to general economic conditions. Returns related to the economy and society include reduced reliance on welfare subsidies, increased participation in civic activities and greater productivity.

Over time, the returns of developing skills through education have become evident. Statistics illustrate the rewards of completing high school and investing in postsecondary education.