



UNITED STATES DEPARTMENT OF EDUCATION

THE SECRETARY

In the Matter of

**COLORADO SCHOOL
OF TRAVEL,**

Respondent

**Docket Number 94-174-SP
Student Financial Assistance
Proceeding**

DECISION OF THE SECRETARY

This matter comes before the Secretary on appeal by the Colorado School of Travel (CST) of the initial decision issued by the administrative judge (AJ) on June 14, 1995. Based upon a September 1, 1994, final audit determination (FAD) and submissions related thereto, the AJ concluded, among other things, that CST violated certain Pell Grant regulations as promulgated under Title IV of the Higher Education Act of 1965, as amended. The AJ Decision (AJ Dec.) at 5. Consequently, the AJ ordered CST to remit \$4,700 in disallowed Pell Grants to the United States Department of Education (Department). *Id.*

CST timely filed an appeal on July 12, 1995, asking the Secretary to reverse the AJ's decision. CST's Letter of Appeal (CST Appeal) at 2. On August 16, 1995, the Department's Office of Student Financial Assistance Programs (SFAP) filed a timely response to CST's appeal, asking the Secretary to affirm the initial decision. SFAP's Opposition to Respondent's Appeal to the Secretary (SFAP Response) at 5. For the reasons outlined below, I reverse the AJ's decision, in part, and release CST from its present monetary liability.

BACKGROUND AND PROCEDURAL HISTORY

CST, located in Lakewood, Colorado, provides training for all facets of the travel industry. AJ Dec. at 1. CST has an enrollment of approximately 25 students. *Id.* CST operates on a credit hour basis, and its academic year consists of 36 credit hours, which amounts to 30 calendar weeks. *Id.*

The school participates in the Pell Grant program. *Id.* Pursuant to 34 C.F.R. § 690.3(b), an institution like CST must make Pell Grant disbursements in two installments, and the second installment must be made subsequent to a student's completion of the first half of an academic year, as measured in this case by credit hours (i.e., $36 \text{ credit hours} / 2 = 18 \text{ credit hours}$). The FAD alleged, among other things, that CST improperly disbursed the second portion of Pell Grant payments to five students after they reached the academic calendar year's midpoint (i.e., $30 \text{ calendar weeks} / 2 = 15 \text{ calendar weeks}$). *Id.* at 2.

CST timely appealed the FAD and, thereafter, the AJ rendered a ruling wherein he upheld the foregoing allegation. See *id.* at 3. Now, CST appeals that ruling.

DISCUSSION

CST argues the initial decision is erroneous because the second Pell Grant installments were properly made to the five students. CST Appeal at 2. CST acknowledges that a student must complete 36 credit hours to complete an academic year successfully. *Id.* CST states that a student completes the 36 credit hours within 30 calendar weeks. *Id.* According to CST, the second grant installments were made to the students subsequent to their completion of the first half of the academic year; which was the 15th calendar week and/or the 18th credit hour. *Id.*

SFAP counters by arguing that, irrespective of how CST divides its academic calendar year, the applicable regulations require the school to disburse the second Pell Grant installment only after a student completes 18 credit hours, given that the school's academic year equals 36 credit hours. SFAP Response at 3. In that regard, SFAP contends CST failed to make such a showing, as mandated by 34 C.F.R. § 668.119(d). See *id.* at 5.

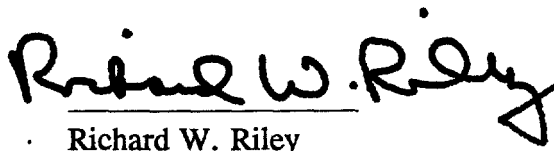
The AJ ruled that CST improperly disbursed Pell Grants to the five students, despite their completion of the academic year's 15th calendar week, because the school made the second disbursements before these students completed 18 credit hours. AJ Dec. at 3. I disagree with the AJ's application of the facts to the above regulation.

CST's academic year equals 36 credit hours, which are completed at the end of 30 calendar weeks. One half of 36 is 18, while one half of 30 is 15. In terms of the academic year, CST's credit hour midpoint (i.e., 18 credit hours) coincides with its calendar year midpoint (i.e., 15 weeks). Thus, in practice, CST implemented a Pell Grant policy which complied with 34 C.F.R. § 690.3(b).

ORDER

Accordingly, I reverse the AJ's ruling, and release CST from its present monetary liability.

So ordered this 2nd day of October 1995.


Richard W. Riley

Washington, D.C.

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