

TOPIC: FINANCIAL AID UPDATE

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I. SUMMARY

Several bills being considered by the Colorado General Assembly, coupled with increased enrollment at some institutions, have prompted discussions about the possibility of increased financial aid flexibility for institutions. Department staff will present proposed Financial Aid Allocations for Academic year 2009-2010 to the Commission at its June meeting; this agenda item provides background on current financial aid programs in advance of that meeting.

II. BACKGROUND

In June 2006, the Commission approved the Colorado College Responsibility Program (CCRP), replacing the Colorado Student Grant program as the state's primary need-based financial aid program. The Commission took this action after studying the state's financial aid program over the summer of 2005 and participating in a September 2005 work session that brought in national financial aid experts, governing board representatives and members of the community.

The CCRP targets the neediest students, defined as having an Expected Family Contribution at 150% or less of the maximum Pell Grant eligibility. Under CCRP, all eligible full-time students receive at least a minimum grant (then \$700 per year in the first year) and institutions have the option to award aid to part-time students. Institutions were required to award eligible freshmen in the first year of the program and to phase in the program for all eligible students in subsequent years. In the current award year (academic year 2008-2009), institutions are required to award all eligible freshmen and sophomores and the minimum award has been increased to \$850 for full-time enrollment.

A guiding principle of the CCRP program is to serve as many low income participants as possible and to assure students in advance of state aid at least at the minimum award amount. Other objectives that the program seeks to address include:

- Maximizing enrollment and retention: the program assumes that the number of students drive the dollars awarded to the institutions, assisting with both recruitment and retention of students;
- No preference for early enrollment: all students are guaranteed an award regardless of entry time, rather than awarding the first students to register with higher awards;
- Transferability: state student financial aid is transferable from institution to institution within an academic year. Previously, award amounts and numbers of awarded students had varied significantly among institutions. The CCRP program sought to even out those variances and institute state-wide policies;
- Lowest Income First: The program continued to target dollars to the lowest income students.

Allocation Process

The process by which the Commission allocates the financial aid appropriation to institutions takes into account an institution's the three-year average of full-time and half-time Level 1 students (the neediest). The number is converted to Full Time Equivalent students (FTEs) and adjusted to project trends; if the projection shows a decline, the three-year average FTE is used to smooth the impact on the institution.

The allocation process uses a per student award amount that is based on the average cost of attendance for each 'tier' or category (i.e., community colleges, four-year colleges, research institutions) of institution. Under this approach, the per student allocation last year was \$979 per FTE student for Tier 3 institutions, \$1194 for Tier 2 institutions and \$1328 for Tier 1 institutions (compared to FY2007-2008 amounts of \$919, \$1262 and \$1715, respectively).

The allocation process provides institutions some flexibility by using the three-year average FTE projection and by giving institutions some discretion in awards to students who are enrolled less than full-time.

Financial Aid Packaging

Financial aid packaging practices vary by institution. With the approval of the CCRP, institutions were required to cover freshmen in the first year and phase the program in to cover all students over several years, with those not under CCRP covered by the Colorado Student Grant guidelines. Some institutions chose to implement the program fully immediately.

Fiscal Year 2007-2008 was the first year CCRP grants were awarded. Table 1 shows the number of need-based recipients and the average award received in FY07-08 compared to previous years under the Colorado Student Grant program. The Colorado Student Grant program had targeted the same population of students but did not require that all eligible students be given a minimum grant. Thus, the program awarded fewer students with larger awards. While the average award amount fell under the CCRP, the number of recipients increased by 48% from FY06-07 to FY07-08.

Table 1: Need Based Aid

Fiscal Year	# of Recipients	Average Award
FY 07-08	45,885	1,234
FY 06-07	30,957	1,576
FY 05-06	27,450	1,505
FY 04-05	24,285	1,459
FY 03-04	25,646	1,459

Looking to the future, and based on student enrollment projections, department staff expects the number of recipients will continue to increase. Unless there is a corresponding increase in the state budget for financial aid, this will result in even smaller average awards.