

TOPIC: FY2011-2012 FINANCIAL AID ALLOCATION METHODOLOGY

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I. SUMMARY

The current year (FY2010-2011) financial aid allocation methodology sparked some controversy in June due to increased enrollment with no new dollars, which resulted in some schools receiving less state financial aid than in the prior year. Some of the discussion around the methodology suggested that the current model is not the best approach during the current economic conditions. This agenda item outlines the issues raised with the current methodology and the changes to State funded financial aid that will be implemented pursuant to the passage of S.B. 10-003. The Commission may choose to consider alternate allocation methodologies, or may choose to maintain the current methodology for FY 2011-2012.

II. BACKGROUND AND STAFF ANALYSIS

A number of institutions expressed concerns with the current financial aid model (adopted in 2006) during the allocation process for FY2010-2011.

Current Methodology

The current model was developed to create transparency to families while also creating a program that guaranteed aid to every low income student. The model includes a separate amount of funding designated for graduate students in high need areas (STEM fields). The General Fund appropriation includes line items for need-based aid, work-study, and categorical programs. The Commission allocates funds in each line item among the institutions according to Commission-approved policy. In FY2010-2011, need-based funds account for roughly 80% of allocated funds.

For undergraduate students, the model requires institutions to award a minimum grant of \$850 to every Level 1 student, regardless of the institution he or she chooses to attend. Institutions are not required to fund students once the state funds are depleted. The undergraduate allocation methodology considers three years of prior data and gives a flat payment to institutions for Level 1 FTE students. The amount is indexed by institution type. The bulk of need-based financial aid goes to undergraduates and all institutions participating in state funded financial aid receive an allocation.

For graduate students, the model targets aid to Level 1 students enrolled in high need programs. Based on the number of Level 1 FTE students enrolled in high need programs, institutions receive a graduate allocation that is indexed according to the cost of attendance. No minimum is imposed; awards cannot exceed \$5,000. Not all institutions that offer graduate programs receive a graduate allocation.

Work-Study aid is allocated based on a prior allocation and increased proportionally as new funds become available; work-study is now essentially block funded. Work-study aid accounts for nearly 18% of allocated funds in FY2010-2011. The remaining financial aid that is allocated to institutions is for categorical aid. The two categorical aid programs are part of the Federal Leveraging Educational Assistance Programs, or CLEAP and SLEAP. Both LEAP programs are funded in part by state funds and in part by federal funds. The allocation is based on high need students at institutions and is determined according to federal guidelines. Proprietary institutions and Area Vocational Schools have been block funded and their allocations have increased proportionally with increases to the General Fund appropriations.

Timing

One concern raised during the FY2010-2011 allocation process is the timing of the data collection for financial aid allocations. The financial aid data is submitted to the Department each year on September 15th by public institutions and October 1st by private institutions. The data includes one financial aid data from July 1st to June 30th. As a result, there is a lag in the data available for allocation.

Changes Under SB10-003

Under SB10-003 the Commission retains the authority to allocate financial aid funds and to approve institutions for participation in the state-funded financial aid program (see Appendix A for the current Commission guidelines for institutional eligibility). For public institutions and COF eligible private institutions, the legislation eliminates the authority of the Commission to establish financial aid policies and procedures. Beginning in FY2012, institutions will develop their own financial aid guidelines that must comply with state financial aid statutes and federal guidelines.

All institutions that participate in the State Funded Financial Aid programs will continue to be required to provide financial audits and Student Unit Records Data System (SURDS) data. Proprietary institutions will be required to award aid based upon the policies and procedures set forth by the Commission. State aid to proprietary institutions is slightly less than 4% of the funds available for allocation in FY2010-2011.

Public institutions seeking to raise tuition above 9% in FY2011-2012 will submit a Financial Accountability Plan (FAP) that will include ways in which the institution will protect low and middle income students from high tuition increases. Institutions that do not submit a FAP (public institutions that do not seek tuition increases above 9% and COF eligible private institutions) will not have the same accountability requirement.

Moving forward, the Commission may seek to change the financial aid allocation methodology. The Commission should keep in mind that students begin filling out their financial aid applications in January of each year and institutions begin packaging financial aid in March. The Commission generally approves financial aid allocations in June, after the Long Bill is signed. If

the Commission intends to make changes to the methodology for FY2011-2012, that should take place by the end of the calendar year to allow adequate time for planning. In addition, should it chose to make changes, the Commission will need to identify allocation principals, allow a forum for institutional feedback and look at modeling before approval.

III. STAFF RECOMMENDATIONS

This is for information only: no formal action is required.

STATUTORY AUTHORITY

C.R.S. 23-3.3-102