TOPIC: **FINANCIAL AID UPDATE**

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I. SUMMARY

For the past few months the financial aid advisory committee has been meeting to discuss FY2011-2012 financial aid allocations. Since the discussion began, the most current financial aid SURDS files have been submitted. This agenda item seeks to inform the Commission of the dramatic growth of eligible Level 1 FTE across the state and to provide an update on the progress made at those meetings prior to the recommendations that will be brought to the Commission in December.

II. BACKGROUND & STAFF ANALYSIS

Since identifying the key discussion points in August, the FY2009-2010 SURDS financial aid data has been submitted to the Department. Each year institutions submit financial aid data to the Department in September (public institutions) and October (private institutions). Once the data is received, subsets of data are sent to institutions for verification to ensure the accuracy of the data. If errors are identified, an institution my resubmit files with corrections prior to using the data for reports. Typically, by November 1st, the data is available.

While it has been known that enrollment has been growing, the rate of financial aid eligibility was unknown. Based upon preliminary analysis, the growth in eligible students is significant. Level 1 FTE has increased by nearly 27% from FY2008-2009 to FY2009-2010, an increase of nearly 19% over the prior year's increase of 8%. Overall financial aid appropriations are not expected to grow in FY2011-2012. This will result in reduced financial aid per student for the second year in a row.

The approved allocation methodology currently in place is illustrated in Model A. Department staff has created two alternative scenarios to explore possible allocation methodologies that are slightly less extreme in variation over FY2010-2011. The alternative models depict a short term approach to the financial allocation methodology. It is important to note that there could be minor adjustments in data or funding moving forward. The models estimate what the undergraduate allocations will look like under different scenarios. All three models are meant to be illustrative of how the growth in Level 1 FTE will impact the financial aid allocations in FY2011-2012. These models use the assumption that aid for graduate students, area vocational schools and proprietary institutions remain flat, although a proportional reduction is not out of the question and could be considered moving forward.

Models

The first model (Model A) uses the currently approved allocation methodology. The outcome of this model is to allocate more aid to the institutions with the largest growth in Level 1 FTE. The growth has been most aggressive at Tier 3 (community colleges) but all institutions have experienced growth in the number of Level 1 FTE. When this model was originally created, the assumption was that there would be additional General Fund dollars each year. With no new funding the model redistributes the financial aid pot to follow eligible FTE which results in smaller allocations for institutions that did not grow at the same rate as their peers. For example, if one institution's Level 1 FTE grew by 6% and the majority of other institutions grew by more than 20% the first institution could experience a smaller allocation than the prior year when there were fewer eligible students. This model is the least predictable for planning purposes.

(Models B & C) These models use the same methodology but incorporate different hold harmless provisions. Both models hold a percentage of the FY2010-2011 financial aid allocation harmless and distribute the remaining funds to acknowledge enrollment growth. The FY2011-2012 projected FTE is included in the models but is not used to make the calculation for enrollment growth. The enrollment growth adjustment is calculated by using the increase of Level 1 FTE from FY2008-2009 to FY2009-2010 reported in SURDS financial aid data. Model B uses a 90% hold harmless provision and Model C uses a 75% hold harmless provision. The outcomes of the hold harmless models seek to maintain some stability with some adjustment for enrollment growth. These models dampen the swing of the allocation dollars across the institutions while providing some predictability; however, they do not fully acknowledge the enrollment growth.

Other Considerations

For the institutions seeking to raise tuition in Financial Accountability Plans, those institutions could experience General Fund reductions and financial aid reductions at same time. A dramatic shift in the amount of state financial aid available could hinder an institutions ability to protect low and middle income students.

The current allocation methodology was created to support Colorado's College Responsibility Program (CCRP), which requires each institution to pay a base grant to all eligible Level 1 students. Under the changes in SB 10-003, the institutions will have financial aid flexibility moving forward and determine how to award the funds to students based on institutional policy.

Not all institutions have the same ability to raise tuition nor do they have the same resources available to provide institutional aid.

Financial Aid Advisory Committee

Next month, the Commission will be asked to consider recommendations to the financial aid allocation methodology. The three primary allocation discussions with the advisory committee have been around the following three areas:

- How to address the need based allocation methodology
- Financial aid graduate students

- Financial aid to proprietary institutions

Prior to viewing allocation models with current data, the conversations with financial aid advisory committee have been led with the spirit of flexibility in mind. In conversations up to this point, committee members have been leaning towards a single need based allocation that could be used for undergraduates or graduate students. Given the swings in allocations using the current methodology that conversation could change. The group is still looking at ways to account for cost using a factor for higher cost institutions and still have the funds follow students, when there are limited resources. The advisory committee has not met since the creation of the three models. The group will discuss the models prior to making final recommendations.

Regarding proprietary institutions, the group is in conflict about how to treat them for financial purposes. On one hand, the students are Colorado residents, while on the other hand the financial aid is not contributing much to the high tuition costs at proprietary institutions. Since the August meeting, Department staff has worked with the legislative liaison of the proprietary institutions to identify a financial aid representative for the advisory group. No representative for the proprietary institutions attended the advisory committee meeting in person; however, there may have been an anonymous representative on the phone. In the absence of a representative from the proprietary institutions at the meeting, several of the financial aid directors at public institutions who have previously been employed at proprietary institutions were able to lend some perspective.

Any Commissioner who would like to provide additional input prior to the formal recommendations in December, please contact Celina Duran by November 15th.

III. STAFF RECOMMENDATIONS

No recommendation at this time; this agenda item is for information only.