

TOPIC: FINANCIAL AID ALLOCATION METHODOLOGY

PREPARED BY: CELINA DURAN

I. SUMMARY

This item presents a new financial aid allocation formula for FY2013-2014 and forward for undergraduate need based aid for Commission approval. The revised Financial Aid Policy (Addendum A) and the supporting model (Addendum B) summarize different scenarios of how allocation will be employed.

II. BACKGROUND

Since the Commission's August retreat, Department staff has been tasked with presenting alternative ways to allocate state need based aid. Under the direction of the Commission, Department staff has worked for the past several months to build an allocation model that is more closely coupled the students with the highest demonstrated need, that provides predictability to students and institutions, and that is aligned with the access, retention, and completion goals found in the CCHE's Master Plan. The Commission has considered and critiqued a variety of policy options, resulting in the new method presented herein. At the December CCHE meeting, the Commission had the chance to weigh in on two near final models, one that held all institutions harmless and provided inflation (2.2%), and another that simply employed the allocation without adjustments. Commissioners supported the hold harmless approach for the first-year of implementation (FY 2013-14).

III. STAFF ANALYSIS

The goals of changing the financial aid allocation model are to direct the state's need-based financial aid to campuses in ways that support the statewide goals of access, retention and completion. A secondary goal is to provide better year-over-year predictability to campus finance officers and financial aid administrators.

The new model for undergraduate need based aid (Colorado Student Grant) includes the following components:

- Targeting allocations to Pell eligible FTE, to include both part-time and full-time students.
- Eliminating financial "tiers" among institutions (moving to "flat" or common award levels)
- Introducing progressive award "steps" to incent and promote retention and momentum.
- Introducing financial "disincentives" for continuing students that do not complete in a timely manner in second year.
- Creating greater year-over-year predictability for financial aid administrators.

- Maintaining institutional flexibility to award state grant aid to students currently receiving awards (i.e., resident students with up to 150% of the Pell EFC)
- Hold harmless provision for first year, so no institution is cut from FY 2012-2013.
- Move to one year of data rather than three years with an increase or an average, to fund actual enrollments and increase predictability from one year to the next.

According to the policy, each year the Commission will review the allocation method to determine the adjustments that may need to be made to fit changes in student progress, eligible populations, and financial aid appropriations. For example, Attachment B includes a \$200 increment, but if funding levels or enrollments were to dramatically grow or decrease, the increments could be increased or decreased in ways that ensure predictability.

The policy will go into effect upon adoption by the CCHE. Public and non-profit private institutions will continue to award state funded financial aid in accordance with guidelines approved by their governing boards as set forth in statute. Proprietary institutions allocations will be limited to Pell Eligible recipients with documented financial need until all Pell eligible students have been awarded, and then aid may be used to award other students with documented need. In 2013, per HB 12-1155, proprietary colleges and universities in Colorado will begin participating in the Department of Higher Education's Student Unit Record Data System (SURDS). Using data from this system, the department will later evaluate whether additional modifications to allocations to these institutions should be considered, though, again, no adjustments are considered in the current policy.

The current policy does not contemplate significant changes to graduate financial aid allocations, with the exception that allocations for graduate students be fitted to Pell eligible EFCs. Allocations will continue to be directed to institutions with eligible graduate students enrolled in "Critical Careers" programs including STEM and health careers, as approved by the Commission.

Department staff will continue to work with the institutions to determine whether the timeliness of the state's data collection and reporting method can be improved and how to correct any inconsistencies in the reporting of credit hour.

Finally, in response to a petition by representatives from the Area Vocation Schools, this policy counts students at these institutions as "Freshman" for allocation purposes.

IV. STAFF RECOMMENDATIONS

Department staff recommends that the Commission approve the new financial aid allocation methodology for FY 2013-2014 and beyond as described and modeled in Attachments A and B.

STATUTORY AUTHORITY

C.R.S. 23-3.3-102