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GUIDELINES FOR ADMINISTERING STATE-FUNDED STUDENT ASSISTANCE PROGRAMS

1.00 Introduction

The primary purpose of these Guidelines is to clarify the expectations of the Department of Higher Education (DHE or the Department) for the administration of state-funded student assistance programs and provide a reference guide for setting institutional procedures.

The General Assembly conferred the authority to establish financial aid policies to the Department of Higher Education. DHE policies delegate the responsibility for establishing procedures to the institutions. Consequently, institutions must develop and maintain written policies and procedures, consistent with state policy and federal statutes and publicize them to inform students about the availability and conditions of state-funded financial aid programs.

The DHE guidelines will be subject to regular update, revision, and improvement. Accordingly, they will be reviewed annually and necessary changes made to clarify intent, to implement policy revisions, to update annual data, and to incorporate new statutory provisions. They are posted on DHE's web page at <<http://highered.colorado.gov/finance/financialaid/policy/guidelines.pdf>>. Institutions should download the information as needed.

During the 2010 legislative session, the passage of SB 10-003 created financial aid flexibility for public institutions and non-profit private institutions beginning in the 2011-2012 academic year. Institutions eligible for financial aid flexibility shall administer a financial assistance program according to policies and procedures established by the governing board of the institution that align with state statute (C.R.S. §23-3.3-102, (3)).

All institutions that participate in the state funded financial aid programs must continue to comply with the guidance in sections nine (Accounting, Record Keeping, and Reporting) and ten (Audits) to remain eligible for participation.

2.00 Roles and Responsibilities

2.01 Purpose

The primary purposes of state-funded student financial aid are to provide financial resources to students who would otherwise be unable to pursue postsecondary education and to recognize and recruit outstanding students.

2.02 Administrative Roles and Responsibilities

The responsibility for appropriate use of state-funded student assistance rests with the chief executive officer of the institution. For administrative purposes the chief executive officer may delegate the responsibilities for the following functions:

- establishment of packaging policies and procedures;

- coordination of financial aid operations at the institution;
- selection of recipients for student assistance programs;
- authorization of payment for student assistance programs;
- disbursement of awards;
- maintenance of program records for student assistance programs;
- maintenance of accounting records;
- required reporting; and
- establishment of level of expenditures in grant, merit, fellowship, and work-study programs.

The designation of responsibility must accomplish a separation of program and fiscal functions. It is recommended that the chief executive officer designate the financial aid director to have responsibility for coordination of selection of all student assistance recipients; authorization of payment; maintenance of program records, undergraduate programs; and establishment of level of expenditures. It is further recommended that the chief executive officer designate the fiscal officer or business manager to have responsibility for disbursement of awards and maintenance of accounting records. Institutions are expected to administer the programs in accordance with the Statement of Ethical Principles by the National Association of Student Financial Aid Administrators, < http://www.nasfaa.org/mkt/about/Statement_of_Ethical_Principles.aspx > as follows:

***NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS
STATEMENT OF ETHICAL PRINCIPLES***

Financial aid administrators shall:

Advocate for students

- *Remain aware of issues affecting students and continually advocate for their interests at the institutional, state and federal levels.*
- *Support federal, state and institutional efforts to encourage students, as early as the elementary grades, to aspire to and plan for education beyond high school.*

Manifest the highest level of integrity

- *Commit to the highest level of ethical behavior and refrain from conflict of interest or the perception thereof.*
- *Deal with others honestly and fairly, abiding by our commitments and always acting in a manner that merits the trust and confidence others have placed in us.*
- *Protect the privacy of individual student financial records.*
- *Promote the free expression of ideas and opinions, and foster respect for diverse viewpoints within the profession.*

Support student access and success

- *Commit to removing financial barriers for those who want to pursue postsecondary learning and support each student admitted to our institution.*
- *Without charge, assist students in applying for financial aid funds.*
- *Provide services and apply principles that do not discriminate on the basis of race, gender, ethnicity, sexual orientation, religion, disability, age, or economic status.*
- *Understand the need for financial education and commit to educate students and families on how to responsibly manage expenses and debt.*

Comply with federal and state laws

- *Adhere to all applicable laws and regulations governing federal, state, and institutional financial aid programs.*
- *Actively participate in ongoing professional development and continuing education programs to ensure ample understanding of statutes, regulations, and best practices governing the financial aid programs.*
- *Encourage colleagues to participate in the financial aid professional associations available to them at the state, regional, or national level and offer assistance to other aid professionals as needed.*

Strive for transparency and clarity

- *Provide our students and parents with the information they need to make good decisions about attending and paying for college.*
- *Educate students and families through quality information that is consumer-tested when possible. This includes (but is not limited to) transparency and full disclosure on award notices.*
- *Ensure equity by applying all need-analysis formulas consistently across the institution's full population of student financial aid applicants.*
- *Inform institutions, students, and parents of any changes in financial aid programs that could affect their student aid eligibility.*

Protect the privacy of financial aid applicants

- *Ensure that student and parent private information provided to the financial aid office by financial aid applicants is protected in accordance with all state and federal statutes and regulations, including FERPA and the Higher Education Act, Section 483(a)(3)(E) (20 U.S.C. 1090).*
- *Protect the information on the FAFSA from inappropriate use by ensuring that this information is only used for the application, award, and administration of aid awarded under Title IV of the Higher Education Act, state aid, or aid awarded by eligible institutions.*

3.00 General Administration of State-Funded Financial Aid Programs

3.01 Nondiscrimination

No student may be excluded from participation in any state-funded student assistance program on the basis of gender, race, color, age, religion, national origin, marital status, or handicap.

3.02 Financial Aid Satisfactory Academic Progress

Standards of Financial Aid Satisfactory Academic Progress must be met if students are to receive state-funded student assistance. A policy must be established and implemented at each institution. Standards shall include at least the following:

- the cumulative grade point (or academic status) which must be maintained to continue to be eligible for state-funded student assistance and/or the grade point (or academic status if grade point is not calculated for the program) which must be achieved each term;

- the number or percentage of hours attributable toward a degree or certificate which must be completed each term or academic year to be eligible for state-funded student assistance;
- the maximum number of hours or terms beyond which a student may not be supported by state-funded student aid, but for undergraduate students, not to exceed a maximum of 150% of the program's undergraduate graduation requirements, or the maximum defined by institutional policy, if more restrictive;
- the penalties for failure to achieve the above standards, including whether or not a probationary period is allowed, the process for removal of the penalty and reinstatement to full eligibility, and the process to appeal any penalty or decision concerning continuation of aid;
- the procedures and timetable used to monitor each applicant/recipient's academic standing and progress; and
- the policies and procedures for monitoring repeated courses, remedial courses, and the treatment of any incremental measurement requirements.

The Standards of Financial Aid Satisfactory Academic Progress policy may specify each of these factors or may make reference to the institution's regular academic progress policy for these requirements. The minimum standard for all state-funded programs shall be the same as that established for all federally-funded student aid programs. Higher standards may be written for non-need-based state programs.

3.03 Return of Funds Upon Student Withdrawal

The institution must establish an institutional refund policy that calculates the return of Federal funds according to federal policy and determines a distribution of non-Title IV financial aid funds (Institutional and State) in a manner that serves the best interest of the institution's students.

3.04 Institutional Financial Aid Advisory Committee

The institution should establish a financial aid advisory committee whose duties include, but are not necessarily limited to, advising the financial aid director concerning policy issues.

3.05 Appeal Procedure

The institution should identify a procedure by which students can appeal decisions of the financial aid office. This appeals procedure must not result in a violation of state and/or federal laws, regulations, or policies governing student assistance programs. Information about the procedure should be included in the student consumer information material.

3.06 Student Consumer Information Requirements

The institution shall fully inform enrolled and prospective students who request such information of the opportunity to obtain financial assistance from state-funded programs.

The institution must inform financial aid applicants of the penalties for intentionally providing incorrect information. An example of a statement might be:

Individuals willfully misrepresenting information provided in applying for Colorado student aid funds are subject to penalty of Colorado law.

Institutions are to make students aware that: 1) the Colorado General Assembly is the source of state-funded student financial assistance including Colorado Student Grant funds, Colorado Graduate Grant, Colorado Work Study program.

3.07 Fraud and Abuse

Institutions are expected to take reasonable measures to prevent both student and institutional fraud or abuse of state-funded student aid programs. Such measures shall include but are not limited to:

- separation of award authorization and disbursement functions;
- collection of supporting documentation;
- establishment of procedures for resolving discrepancies in information submitted in support of an application for state-funded student aid;
- establishment of actions to be taken by the institution if discrepancies are not satisfactorily resolved, including pursuit of civil or criminal legal action if such liability exists.

When DHE staff becomes aware of possible fraud or abuse they will verify the relevant information with institutional financial aid office personnel. If fraud or abuse still appears likely, Department staff will notify the chief executive officer of the institution. Department staff will pursue appropriate civil or criminal legal action. Funds may not be disbursed to a student who has not satisfactorily resolved discrepancies identified by the institution.

3.08 Student Eligibility

The following eligibility criteria must be met; there may be more specific eligibility guidelines stated in specific program sections:

1. Be a citizen or national of the United States, be in the United States for other than a temporary purpose and intend to become a permanent resident according to federal regulations, or be a citizen of the Freely Associated States: the Federated States of Micronesia and the Republics of Palau and the Marshall Islands
2. Be a Colorado resident student
3. Be an undergraduate or graduate student based upon program guidelines (see below)
4. Be enrolled at least half-time, and in an eligible program
5. Be in good standing and demonstrate academic progress according to the institution's published policy regarding Standards of Satisfactory Progress for financial aid purposes
6. If required, be registered with the Selective Service System

- **Principal Development Scholarship Fund**

Students who qualify for a principal development scholarship from the department of education, as outlined in 22-9.5-103, C.R.S., are eligible for financial assistance through the student financial assistance programs established in 23-3.3-101 thru 23-3.3-901, C.R.S, if the following criterion is met:

- Person qualifies as an in-state student
- Person is enrolled in institution that is eligible to participate in state student financial assistance programs
- Person is enrolled in an approved program of preparation as defined in section 22-60.5-120 (8), C.R.S, for principals
[<http://highered.colorado.gov/Academics/TeacherEd/>]

In addition, Person must meet all other applicable qualifications specific to each student financial assistance program as outlined in these guidelines.

3.09 Professional Judgment

Professional judgment is the authority delegated to the Colorado financial aid administrators to exercise judgment in special circumstances when a student has substantively met the state eligibility parameters but circumstances beyond the student’s control make the student technically ineligible for state financial aid. The state relies on the financial aid administrator to make such decisions that are in the best academic interest of the student. Because professional judgment provides limited flexibility to be exercised only in special circumstances, the financial aid administrator is solely responsible for ruling on the exception and documenting the decision.

3.10 Award Limitations (Proprietary Institutions)

Program	Annual Maximum	Annual Minimum *
Colorado Student Grant <i>Level 1</i>	\$5,000	\$1000
<i>Level 2</i>	\$2,500	\$600
<i>Level 3</i>	\$ 500	\$300
Colorado Centennial Scholarship	Undefined	Undefined
Colorado Work-Study Program	Undefined	Undefined

* Annual minimums represent full-year awards. Less than full-year awards may be made for amounts less than the stated minimum on a pro-rated basis. These amounts for the Colorado Student Grant supplant amounts approved in Commission policy VI-F-5.01.04 on a provisional basis through the transition and implementation of the new financial aid program. They are valid through the next year or until Commission approval.

4.00 Need-Based Grant Programs

4.01 Application Requirements

All students seeking need-based assistance must submit a Free Application for Federal Student Aid (FAFSA). Institutions may have additional requirements.

4.02 Student Budgets

The institution shall establish standard student budgets that reflect the estimated cost of maintaining a reasonable standard of living for the student. The Department establishes parameters each February for the coming academic year. These parameters can be found in the Commission's February agenda on the DHE Web site at:

http://higher.ed.colorado.gov/Finance/FinancialAid/Policy/1415_stufabudgparms.pdf

They apply to the standard budget used in awarding aid to typical students. Use of budget figures greater than the recommended parameters must be justified by the institution in writing to DHE. An institution may choose to impose a lower budget metric by region if the reduction is supported by research.

Budget parameters are established for three basic budget categories:

- Students living with parents
- Students living in institutional housing
- All other students.

In each category the following expenses should be set:

Direct Educational Costs

- Tuition and fees
- Books and supplies
- Computer allowance (optional)

Indirect Educational Costs

- Room and board
- Personal expenses
- Transportation
- Health insurance/medical care (if applicable)
- Dependent care costs(if applicable)
- One time cost of obtaining a required first professional license or certificate
- Study abroad program costs
- Disabled student expenses
- Cooperative education program costs
- Loan fees for students receiving student loans

Direct Educational Costs:

Tuition and Fees

Institutions may use actual costs or average tuition and fees for undergraduate and graduate budgets. If a school believes its students have unusual costs in any area, those additional costs are to be justified to DHE.

Tuition charges in excess of those for regular courses may be considered to be a part of the student's budget for students enrolled in continuing education or consortium courses

if the continuing education or consortium courses are required for the student's degree program and are not reasonably available through regular course offerings.

Books and Supplies

This parameter may be adjusted for students enrolled in programs that have exceptionally high expenses.

Computer Allowance

The cost of attendance regulations in the federal Higher Education Amendments of 1998 provides for a reasonable allowance for the documented rental or purchase of a personal computer. Institutions may include in their student budget an allowance for documented rental or purchase of a student computer.

Health Insurance/Medical Care

Institutions that do not have health insurance or medical care funded through mandatory student fees may increase the student living budgets if it verified. The amount should not exceed the amount stated in the parameters.

Indirect Educational Costs:

Room and Board

The parameter for students living in institutional housing proposes to use actual cost of the housing contract as the housing and food components of the budget. This assumes that the contract covers 36 weeks and provides 20 meals per week. Additional allowances may appropriately be made if the contract covers fewer weeks or meals or includes more meals.

The housing allowance for single students living off-campus is intended to cover one-half of the rent for a modest two-bedroom apartment. If a student is living at home, rent-free with either a parent or friend, DHE establishes a modified living expense parameter to cover the cost of meals and incidentals.

Personal Expenses

The allowance for personal costs does not change according to the housing situation. It is intended to cover the cost of recreation, clothing, toiletries, laundry, life insurance, and recreational transportation.

Transportation

Local transportation costs for students living on campus are minimal. The allowance is intended to cover an annualized cost of using public transportation, or minimal costs of the operation of an automobile in rural areas.

Institutions may choose to individualize their local transportation allowance for students living with parents or in off-campus housing and provide up to 20 cents per mile. Institutions using this option should exclude the transportation allowance contained in the standard living budgets.

Institutions are strongly urged to individualize non-local transportation costs by establishing different allowances for students whose permanent home is in different parts of the state or country. To the extent feasible, those differences

should be recognized in budgets. The allowance is intended to finance two round trips home per year.

Dependent Care

Actual cost is allowed up to a maximum as stated in the parameters.

Professional license or certificate

Allowance for the one time direct costs of obtaining a first professional license or certificate for students enrolled in a program requiring such professional licensure or certification. Cost must be incurred during and not after period of enrollment.

Study abroad program costs

Reasonable costs associated with study abroad program approved for credit by the student's home institution.

Disabled student expenses

Expenses may include costs for special services, personal assistance, transportation, equipment, and supplies reasonably incurred and not provided by other agencies.

Cooperative education program costs

Reasonable costs associated with student engagement in a work experience through a cooperative education program.

Loan fees for students receiving student loans

Actual or estimated cost of required fees assessed on Federal or nonfederal student loans.

Exceptions

The existence of a standard budget does not eliminate the need for the use of professional judgment in exceptional cases. Individual students who document higher costs for non-discretionary expenses recognized by the financial aid office may have their budgets increased. Examples of such expenses are: court-ordered expenditures, costs relating to a handicap or medical condition, or required books and supplies.

It is recommended that a process be established that would identify cases representing radical departure from normal policy and provide for review of such cases by more than one person. In all cases, documentation of the basis for any exception must be maintained in the student's record.

4.03 Student Resources

The Federal Needs Analysis Methodology specified in federal law is the system to be used in evaluating student and family resources. Institutions are responsible for inclusion of all resources which institutions themselves make available to the student, or about which they know, or have reason to know, or can reasonably anticipate at the time assistance is disbursed to the student.

4.04 Packaging Policy

- * Offers of financial aid that include need-based assistance may not exceed documented student need.
- * An institution may be unable to fully fund all student need or may choose to leave selected amounts unfunded if allocations are insufficient to meet the full need of all students. Any unmet need should be recognized so the student may obtain outside resources to fund all allowable costs.
- * Full cost of attendance should also be recognized to allow the student to obtain as many outside resources as possible to fund all allowable costs.
- * An allowance for Federal Pell Grant funds a student may be entitled to receive must be included in the student's financial aid package.
- * Awards may not be made to a student who owes a repayment on grants previously received at any institution, or is in default on any loan from a student loan fund at any institution provided for in Public Law 102-325, (Higher Education Amendments of 1992).
- * Institutions should establish packaging initiatives based on their intent to provide :
 - full funding to all eligible students
 - full funding to the neediest students
 - partial funding to all eligible students
 - partial funding to the neediest students

In addition the packaging policy should indicate whether priority is given to any group of students based on entering or continuing status or year in school;

through which programs, and to what maximum amounts, the institution makes awards to less than full-time students. (Priority may be given to full-time students, but part-time students may not be specifically excluded from awards);

the philosophy by which grant, work, and loan are combined in packages of assistance and the maximum total package any one student may receive, recognizing that different policies as to proportions and maximums may exist for different categories of students (for example, lower-division vs. upper-division, full-time vs. less-than-full-time).

4.05 Award Notices

All students who submit applications for any state-funded student assistance program must be notified of the disposition made of their applications.

Students awarded state-funded student assistance must be notified of:

- * the period for which aid is offered;
- * the amount of aid offered by program, including the name of each program (acronyms should be avoided);

- * the terms and conditions of the award, including the requirements that the student must:
 - comply with the Standards of Satisfactory Academic Progress policy;
 - notify the financial aid office of any changes in financial circumstances;
- * their right to decline any portion of their financial aid package.

4.06 Award Revisions

4.06.01 If changes in circumstances create an over award, institutions must attempt to resolve the over award. Examples of resolution techniques are as follows:

Over award revisions should begin with a recalculation of the student's need, giving consideration to reasonable and necessary additional costs of education not anticipated at the time of the award and to all changes in resources.

- * The institution may bill the student for repayment of grant disbursements according to the guidelines in Chapter Twelve.
- * If aid still exceeds need, future disbursements of aid and unearned work-study should be adjusted.

If state funding changes after the original award, student awards may need to be revised due to changes in availability in funding levels.

Institutions are required to document any action taken to amend or suspend an award after the initial offer, and to clearly specify the reason for the change. Institutions are encouraged to notify students of the reason for the revision.

4.07 Documentation of Applicant-reported Information

Institutions are responsible for reviewing applicant-reported information for accuracy, completeness, and reasonableness, for documenting information which they have reason to believe may be questionable, and for resolving significant discrepancies between application information and requested documentation. Institutions are responsible for ensuring that need-based, state-funded student assistance not be awarded or disbursed to any student until that student has submitted all forms and documentation, properly completed. Forms are considered complete if they contain all required signatures and all information necessary to determine eligibility and evaluate need. The individual student record should clearly reflect all action taken on behalf of the student.

Documentation is the practice of collecting information to support applications for need-based financial aid. The practice of documentation is one that has developed out of professional concern and awareness and as a reflection of good management practice. It serves at least three diverse needs in the management of financial aid:

- * provides additional detail regarding unique circumstances affecting the student;
- * substantiates professional judgment exercised by the financial aid administrator and justifies exercise of discretionary authority;

- * is a means of determining with greater certainty and accuracy that the neediest students receive the assistance.

5.00 State Need-Based Assistance

Colorado funds two state need-based financial aid grant programs, the Colorado Student Grant Program, which consists of Colorado Undergraduate Grant Program and the Colorado Graduate Grant Program, for Colorado residents. State need-based assistance must be awarded based on eligibility limits established in the state-funded student

5.01 Colorado's Student Grant Program Overview

The Colorado Student Grant consists of two need-based financial aid grant programs funded by the State of Colorado; the Colorado Student Grant and the Colorado Graduate Grant. Grants for both programs are for Colorado residents only and awarded by institutions annually.

5.01.01 Colorado Student Grant

5.01.02 General Student Eligibility for Colorado Student Grant (CSG)

All Level 1 (as defined in 5.01.04) student aid applicants at approved private institutions will be awarded at least a minimum standardized Colorado Student Grant, as long as the student maintains financial aid eligibility for the grant. Institutions will make every effort to provide Colorado Student Grant funds to all eligible Level 1 students. Institutions can designate an awarding priority date that may be used to determine whether a student is considered an early or late applicant. Institutions will be held harmless if late applicants do not receive a Colorado Student Grant due to a lack of funds. Students concurrently enrolled in high school and college are not considered first time college freshman while they are still in high school.

In order to be eligible for the standardized state grant amount, students must be enrolled full-time. This state grant award will be given each academic semester enrolled as long as the student has completed the requirements for disbursement of federal student aid prior to the last day of the semester. Institutions are not required to fund students for semesters previously completed or fiscal years that have closed but may do so at their discretion.

It is not mandatory for institutions to fund students enrolled at least half-time. While institutions are not required they may award a Colorado Student Grant under section 5.01.04 to students enrolled at least half-time.

For Academic Year 2014-2015, the minimum grant award amount for eligible students is **\$500** per academic semester (fall and spring semesters only—summer is excluded). In other words, the minimum award for an eligible Level 1 student is \$1,000 per year. Students attending institutions other than a semester system will have the grant prorated for quarter terms excluding summer. Colorado Student Grants during the summer or interim semesters will be awarded in accordance with section 5.01.04.

If an institution has any remaining Colorado Student Grant funds after eligible incoming students receive the minimum state grant awards or if they receive a supplemental appropriation during the year, those funds can be awarded in accordance with section 5.01.04. Students must be eligible in accordance with section 3.08.

An institution may award less than the minimum grant amount if the student's unmet need is less than the amount of the minimum state grant award but greater than \$100 dollars (awarding lower amounts is at the discretion of the institution) or if the institution can award the minimum grant amount to the student through Institutional Aid or State Aid-, DTAP. In these cases, the "substituted" resource will be counted as the institution meeting the minimum state grant amount.

Summer Semester:

Institutions are not required to provide Colorado Student grant dollars for summer semesters. However, institutions may do so at their discretion with any remaining CSG funds after all eligible incoming students receive the minimum state grant awards.

5.01.03 Eligibility and Awarding limits for Colorado Student Grant for the following students:

- **Students enrolled at Proprietary**

***Students enrolled at Public and non-profit private institutions determine award limits.**

To ensure that state need-based grant dollars are directed to eligible Colorado resident students who have the least ability to pay for their education; DHE policy defines three funding levels. Using Expected Family Contribution from a valid FASFA, the institution will first award need-based dollars to Level 1 applicants. Level 2 applicants will be considered after meeting the need of all Level 1 applicants. Level 3 applicants will be considered after meeting the need of all Level 1 and Level 2 applicants. Reasonable administrative practices, such as application deadlines, are recognized as realistic and appropriate

Level 1: Students with the Least Ability to Pay

Students with an Expected Family Contribution (EFC) between zero and \$5,157* for Fiscal Year 2015

Level 2: Students with Documented Need and Moderate Ability to Pay

Students with an EFC that is \$5,158 and 200% (\$10,314) of that required for the minimum Pell grant award.

Level 3: Students with Documented Need and Average Ability to Pay

All other students who demonstrate financial need as calculated by the federal methodology.

Awarding Amounts

Colorado Student Grant	Maximum	Minimum
<i>Level 1</i>	\$5,000	\$ 1,000 *
<i>Level 2</i>	\$2,500	\$ 600 *
<i>Level 3</i>	\$ 500	\$ 300 *

*These amounts supplant amounts approved in Commission policy VI-F-5.01.04 on a provisional basis through the transition and implementation of the new financial aid program. They are valid through the next year or until Commission approval.

An institution may award less than the minimum grant amount if the student's unmet need is less than the amount of the minimum state grant award but greater than \$100 dollars (awarding lower amounts is at the discretion of the institution).

Students eligible for the minimum grant amount in section 5.01.03 are only subject the maximum limitations in this section.

5.01.04 Allocation Process

The Department will allocate Colorado Student Grant funds to participating institutions using the following methodology:

Undergraduate Need Based Aid (Colorado Student Grant)

The purposes of the Colorado Student Grant program are to provide need-based financial assistance to eligible Colorado residents as well as to encourage credit hour accumulation, persistence (including successful transfer), and timely completion. To accomplish these goals the Commission allocates state need based dollars to institutions based upon their enrollments of eligible Colorado resident students who have the least ability to pay for their education; that is, Colorado Student Grant funds will be allocated to Pell eligible FTE at state supported and non-profit private institutions, by class level (i.e., Freshmen, Sophomore, Junior, and Senior). The Commission shall differentiate awards among class levels, providing increasingly larger awards for students who progress academically. In determined allocation amounts, the Commission will use the most current, reliable data available.

The Commission allocates Colorado Student Grant funds to participating public and non-profit private institutions according to the following method:

- Freshmen students are those with 0-29 semester credit hours earned; sophomores are those with 30-59 credit hours earned; juniors are those with 60-89 credit hours earned; and seniors are those with 90 or more credit hours earned.
- Student FTE enrolled in Title IV eligible programs at Area Vocational Schools will be counted as freshmen students; all other institutions will be counted as reported.
- The Commission will annually establish a base rate for freshmen students

and incrementally larger awards based upon a student's class level. The sophomore rate must be larger than the freshmen (base) rate; the junior rate must be larger than the sophomore rate; the senior rate must be larger than the junior rate.

- The Commission will annually review the allocation method to ensure that changes to enrollment or funding levels are reasonable, predictable, and meet the objectives of this section.

5.01.05 **Colorado Graduate Grant** (“Critical Career Graduate Grant”)

5.01.06 General Student Eligibility for Colorado Graduate Grant

To be eligible to receive a Colorado Graduate Grant, the student must meet the minimum eligibility requirements listed in section 3.08.

5.01.07 Eligibility and Awarding limits for Colorado Graduate Grant (Beginning fall 2007)

In addition, to be eligible to receive a Career Graduate Grant, the student must meet the following minimum eligibility requirements:

- Be a graduate student, enrolled in an approved critical career degree program as identified by Commission staff in its Financial Aid Policy Guidelines until further action by the Commission; See approved critical career list at <http://higher.colorado.gov/Finance/FinancialAid/Forms/gradgrantlist.pdf>

Institutions are not required to fund all eligible graduate students at a minimum level. However, to ensure that state need-based dollars are directed to eligible Colorado graduate resident students who have the least ability to pay for their education; DHE policy defines three funding levels.

5.01.08 Allocation Process

The Department allocates Colorado Graduate Grant funds to participating institutions following the established methodology:

- Participating State-supported four-year institutions, and approved private institutions will receive a flat payment from the state for each level 1 student FTE enrolled in a critical career program (In-state, full time and half time, degree seeking, 9 month EFC \leq 5,157, valid FASFA, Graduate students in critical career)
- Payment based on the average of the actual COA-EFC at each eligible institution as reported in SURDS. Eligible private institutions will use the average of a comparable public institution.

5.01.10 Program Evaluation

The Department will conduct a general evaluation of Colorado's College Responsibility Program each year and conduct a comprehensive review after four

years to measure program outcomes in relation to the goals set out by the Commission. Yearly reviews will consist of comparing enrollment and retention rates from prior years. The comprehensive review will include comparisons from each year of the program along with comparisons of years prior to program implementation.

6.00 Colorado Work-Study Program

6.01 General Description

The Colorado Work-Study program is an employment program designed to allow Colorado resident undergraduate students to earn funds to assist in attending eligible educational institutions in Colorado. Employment may be in jobs at eligible Colorado educational institutions, non-profit organizations, governmental agencies, or for-profit organizations. Students with financial need, as well as those who evidence no financial need but who have a personal need for work experience, may benefit from the program. Accordingly, efforts should be made whenever possible to provide job opportunities to students which relate to their academic and career goals. Careful consideration must be used to ensure that an over award is not created when awarding Colorado Work-Study funds to students receiving need-based aid.

6.02 Financial Need Requirement and Student Eligibility Requirements

Institutions are required to use seventy percent of their initial Colorado Work-Study allocation to provide employment opportunities for students with documented financial need; the remaining 30%, or a part thereof, may be used to make awards to students with or without regard to their financial need.

Student Eligibility for Work-Based Financial Aid Program

In order to participate in the Colorado Work-Study Program, a student must meet the eligibility requirements listed in section 3.08. In addition, the student must meet the following requirements:

- Be enrolled at least half-time in an eligible program, except during vacation periods between consecutive terms of enrollment;
- * Show documented need. This criterion applies to at least 70 percent of work-based funds. The institution has the discretion to use up to 30 percent of work-based funds to award to students without regard to need.

6.03 Award Limitations

Students may be employed under Colorado Work-Study during periods of actual enrollment and vacation periods between consecutive terms of enrollment. Colorado Work-Study may be used to maintain an employment program between the end of the Spring term and the beginning of the Fall term of a traditional academic year. Need-based students are not to earn more than their documented financial need.

6.03.01 Maximum Hours of Employment

Students awarded Colorado Work-Study are encouraged to work no more than twenty hours per week when their classes are in session. They may be employed full-time during summer or other periods of non-enrollment.

Students employed full-time between the end of the Spring term and the beginning of the Fall term are expected to use their earnings, minus taxes and job related costs, including room and board, to meet educational expenses for the following year.

6.03.02 Over Earnings

Students are not to earn more than their award. However, in recognition of administrative realities, over earnings of up to \$300 do NOT constitute an over award. If other (federal or state) campus-based aid is in a student's package, a \$300 limit applies to all programs. This policy is not intended to allow initial awards in excess of need, but is to recognize occasional difficulties in the monitoring of earnings. Earnings in excess of tolerance levels are considered an over award, may not be paid from Colorado Work-Study funds, and if not able to be counted as a student's resource in subsequent periods of enrollment, will be considered an institutional liability.

6.04 Eligible Types of Employment

Students may be employed either on-campus or off-campus according to Federal Work-Study guidelines. For purposes of Colorado Work-Study, students employed at an institution's governing board are considered as "on-campus." Employing organizations and agencies must be responsible and must provide professional supervision. Discrimination by employers on the basis of sex, race, color, age, religion, national origin, marital status, or handicap is prohibited.

An institution may use up to 25% of its initial Colorado Work-Study allocation to pay the wages of students employed by private for-profit organizations, but the organizations may not hire Work-Study employees to replace regular employees.

6.05 Special Administrative Responsibilities for Off-Campus Employment

Institutions that use Colorado Work-Study funds to place students in off-campus jobs are required to obtain contracts with employing organizations and agencies. The contracts should be substantively the same as contracts used for the Federal College Work-Study program, and must contain specification as to the level of salary match required of the employer (see below). Contracts should be reviewed on an annual basis.

The financial aid office is responsible for ensuring that disbursements are made only for work performed in accordance with the written job description, with adequate supervision, and with proper documentation for the hours worked.

Visits by institutional representatives to off-campus employment sites must be made at least annually to monitor employer compliance with responsibilities as to supervision of student employees and adequate monitoring of time records.

6.06 Match Requirements

Colorado Work-Study funds may be used to provide student employment at (i) the institution, (ii) off campus at a non-profit organization, and (iii) off campus at a for profit organization. Colorado Work-Study funds may also be used to fund a portion of the required institutional match for the Federal Work-Study Program.

6.06.01 On-Campus

An institution is encouraged to establish a policy whereby on-campus employing units are required to match Colorado Work-Study funds from other sources. In the absence of such a policy, Colorado Work-Study funds may be used to pay 100% of on-campus employment compensation.

6.06.02 Off-Campus (non-profit organization)

Off-campus non-profit employers are required to contribute at least 20% of the hourly wages earned by students employed under Colorado Work-Study. The sum of the employer's match and the Colorado Work-Study funds may not exceed the total amount of student hourly wages. Institutions may at their discretion require a higher level of match, or they may elect to fund the required match on behalf of the employer through institutional funds other than Colorado Work-Study. Off-campus employers may, at the discretion of the institution, be required to pay administrative cost compensation to the institution. Such compensation should not exceed 5 percent of earnings.

Exceptions to the 20% match requirement may be granted by the DHE under special circumstances, thus allowing 100% of the earnings to be paid from Colorado Work-Study funds. However, such exceptions must be approved in writing by the DHE prior to execution of a contract with the employer. Furthermore, such exceptions generally may not extend beyond the employer's first year of participation in the program.

6.06.03 Off-Campus (for-profit organization)

A school may use up to 25% of its Colorado Work-Study allocation for an award year to pay the wages of students employed by private for-profit organizations. Colorado Work-study share of a student's wage employed by private for-profit organizations is limited to 50%. The for-profit organization must contribute the remaining 50%, plus employer taxes (such as FICA, unemployment, and Workers' Compensation).

6.06.04 Institutional Match for Federal Work-Study

Colorado Work-Study funds may be used to fund up to 25% of the total match required for the Federal College Work-Study program. Although the match does not need to be designated on a student-by-student basis, students receiving the match must be otherwise eligible for Colorado Work-Study. Schools may request an exception from DHE to exceed the 25% limit.

6.06.05 Contributions Paid to Work-Study Employee

If contributions are made to social security, worker's compensation, or any other welfare or insurance program, they must be fully funded by the employer and are in addition to the wage paid to the student.

6.07 Rates of Pay

Students shall be compensated on an hourly basis for actual time on the job at a rate commensurate with the duties and responsibilities of the position. Student wages under the Colorado Work-Study Program shall not be less than the current state minimum wage. The amount of financial need of the student is not an allowable factor in determining the rate of pay. Fringe benefits or other compensation may not be offered in lieu of or in addition to hourly pay. All students employed in like positions by the institution should be paid on a common wage scale.

6.08 Disbursement

Student employees must be paid in accordance with Federal Work-Study regulations.

6.09 Record Keeping Requirements

Records must be kept in accordance with Federal Work-Study regulations.

A separate accounting of Colorado Work-Study earnings must be submitted as a supplement to the Student Unit Record Data System (SURDS) Report on an as-needed basis. The report is no longer required annually.

7.00 Categorical Programs

Colorado supports four categorical financial assistance programs. The Department administers the programs.

7.01 Loan Matching Program

7.01.01 General Description

The Colorado General Assembly each year appropriates funds to be used at state-supported institutions for institutional capital contributions to three federal student loan programs: Perkins Loan Program, Health Professions Loan Program, and Nursing Student Loan Program.

Statutory Authority

Authority for the program is contained in 23-3.3-501, C.R.S. There is also annual appropriations legislation. There is no separate, permanent authorizing legislation.

Program Purpose

The loan-matching appropriations represent the State of Colorado's commitment to facilitating institutional participation in the federally-funded, campus-based loan programs. The state-appropriated loan-match program allows full participation in the programs by all state-supported institutions.

7.01.02 Institutional Eligibility

Area vocational/technical schools, state-supported two- and four-year institutions, including local district colleges, are eligible. Furthermore, all institutions must demonstrate effective loan collection, as specified in 9.01.05 in order to receive matching funds.

7.01.03 Institutional Compliance with Federal Policy

There are federal statutes and regulations requiring institutional capital contributions to the four loan program funds that also govern various eligibility, awarding, record keeping, collections, and accounting policies for each of the programs. Institutions are responsible for knowledge of and compliance with all applicable federal policy. When federal capital contributions are not available, loan match will not be available from state funds except as required for Health Profession loans. Institutions must notify DHE by September 15th of the amount needed for these loan matches and provide the federal documentation.

Under federal policy, the state's portion of a cancelled Perkins Loan (formerly National Direct Student Loan) is to be returned to the loan fund. State policy extends that requirement to National Defense, Health Professions, and Nursing Loans.

7.01.04 Institutional Responsibility for Pre-Loan Counseling

The following excerpt from 2010-2011 State Funded Assistance (SFA) Handbook summarizes the institution's responsibilities for pre-loan counseling:

Before a first-time Federal Direct Loan borrower takes out a loan, the school must ensure that entrance counseling is conducted—individually or in a group with other borrowers. (Entrance counseling does not have to be conducted for parent PLUS borrowers.)

Initial counseling must include: an explanation of the use of a Master Promissory Note; the importance of the repayment obligation; a description of the consequences of default; providing sample repayment schedules; familiarization with a borrower's rights and responsibilities as well as other terms and conditions. Loan (exit) counseling must also be provided before the borrower completes his or her course of study or otherwise leaves the school.

The institution is required to provide, in writing, thorough and adequate information on loans made under the Perkins Loan Program at or prior to the time it makes a loan to a student borrower. Before making its first disbursement, the institution must inform the borrower of the following:

- * his or her obligation to repay the loan;

- * to apply the proceeds only to educational expenses.

The institution must also provide the borrower the following information:

- * the name of the institution and the address to which communications and payments should be sent;
- * the principal amount of the loan;
- * the amount of any charges collected by the institution at or prior to the disbursement of the loan and whether such charges are deducted from the proceeds of the loan or paid separately by the borrower;
- * the stated interest rate on the loan amounts that may be borrowed;
- * the yearly and cumulative maximum loan amounts that may be borrowed;
- * an explanation of when repayment of the loan will be required and when the borrower will be obligated to pay interest that accrues on the loan;
- * a statement as to the minimum and maximum repayment term which the institution may impose and the minimum monthly repayment required by law;
- * a description of any penalty imposed as a consequence of default, such as liability for expenses reasonably incurred in collection attempts;
- * a statement of the total cumulative balance owed by the student to that institution; the projected level of indebtedness based on a 2- or 4- year college career; and an estimate of the projected monthly repayment given the level of indebtedness over a 2-, 4-, or 5-year college career;
- * an explanation of any special options the borrower may have for loan consolidation or other refinancing of the loan;
- * a statement that the borrower has the right to prepay all or part of the loan, at any time, without penalty;
- * a summary of the circumstances in which repayment of the loan or interest that accrues on the loan may be deferred; and a brief notice of repayment provisions for specified military service pursuant to Section 902 of the Department of Defense Authorization Act of 1981 (10 U.S.C. 214, note);
- * a definition of default and the consequences of default to the borrower, including a statement that the default may be reported to a credit bureau or credit reporting agency;
- * the effect of accepting the loan on the eligibility of the borrower for other forms of student assistance;

- * an explanation of any cost the borrower may incur in the making or collection of the loan.

All of the above information must be provided in writing as part of the application material provided, as part of the promissory note evidencing the loan, or on a separate form.

7.01.05 Institutional Responsibility for Loan Collection

In addition to pre-loan counseling, institutions are responsible for all collection efforts required by federal policy. Institutions whose default rate is greater than 15% of the average cohort default rate for institutions participating in the Federal Perkins Loan Program will not receive student loan matching funds.

7.02 Dependents Tuition Assistance Program

7.02.01 General Description

The Dependents Tuition Assistance Program (DTAP) recognizes the contributions of public servants who were killed or disabled in the line of duty. The program provides financial assistance to attend eligible institutions for dependents of a deceased or permanently disabled:

- * law enforcement officer
- * firefighter
- * member of the national guard
- * prisoner of war
- * person missing in action

Authority for the Dependents Tuition Assistance Program is contained in 23-3.3-204 and 205, C.R.S. It is supported by an annual appropriation of the Colorado General Assembly.

7.02.02 Definitions

Dependent

Any natural child born or conceived before the period of time either of said child's parents served as a prisoner of war, was declared a person missing in action, served on state active duty or authorized training duty as a Colorado national guardsman, or was permanently disabled or killed while acting to preserve the public peace, health, and safety in the capacity of police officer, sheriff, or other law enforcement officer or firefighter.

Any child lawfully adopted, or for whom formal adoption procedures were commenced, prior to the time either of said child's adoptive parents served as a prisoner of war, was declared a person missing in action, served on state active duty or authorized training duty as a Colorado national guardsman, or was permanently disabled or killed while acting to preserve the public peace, health, and safety in the capacity of police officer, sheriff, or other law enforcement officer or firefighter.

Any child in the legal custody of or for whom proceedings for custody were initiated by either of said child's parents prior to the time such parent served as a prisoner of war, was declared a person missing in action, served on state active duty or authorized training duty as a Colorado national guardsman, or was permanently disabled or killed while acting to preserve the public peace, health, and safety in the capacity of police officer, sheriff, or other law enforcement officer or firefighter.

Permanently Disabled

(1) Conditions that an eligible National Guard candidate must meet:

- * Must be permanently disabled while on state active duty, federalized active duty, or authorized training duty as a Colorado national guardsman.
- * Is considered permanently disabled if ineligible for retention as a member of the national guard; and is unable to engage in any substantial full-time, gainful activity by reason of medically determinable physical or mental impairment which can be expected to result in death or which has lasted for a continuous period of not less than 12 months and exists at the time the dependent seeks entry into an institution.

(2) Conditions which an eligible law or fire officer candidate must meet:

- * Must be permanently disabled while acting to preserve the public peace, health, and safety in the capacity of police officer, sheriff, or other law enforcement officer or firefighter.
- * Is considered permanently disabled if, as a result of the disability, is unable to perform in the position to which he or she was regularly assigned at the time he or she became disabled.

7.02.03 Student Eligibility

To be eligible to receive a Dependents Tuition Assistance Program Scholarship, the student must meet the following minimum eligibility requirements listed in section 3.08. In addition, the student must also meet the following requirements:

- Meet Dependency Requirements:
 - Age 19 and under, claimed on parent(s) Federal Tax Return
 - Age 20-22, a Dependency Affidavit
- Be under the age of 22 when accepted into the program
- Must complete a valid FAFSA each academic year
- * A program completer within 6 years or 8 semesters from date of first enrollment

- * Maintain a cumulative grade point average (GPA) of 2.5 on a 4.0 scale beginning in the 2000-01 academic year. Students have one year to achieve the 2.5 GPA after entering the program.

8.02.04 Institution Eligibility

1. State-supported two- and four-year institutions, including local district colleges and area vocational-technical schools.
2. Private colleges and universities, and private vocational (proprietary) schools who have been approved for participation by DHE.
3. Out-of-state four-year institutions.

7.02.05 Award Limitations

Maximum Amount of Award

At a Colorado public institution, dependents are eligible for tuition and the actual cost of double occupancy room and board charged for on-campus housing. Students who have applied to live in the dormitory, but have not been accepted because there is not enough space may be provided supplemental assistance at the end of the year. If a student chooses to live off-campus, they are not eligible for room reimbursement or a meal plan. If the student attends a nonresidential institution, and does not live at home, the student is eligible for tuition plus \$1,000 per semester to assist with living expenses.

At an eligible Colorado non-public school, dependents are eligible for tuition not to exceed the average tuition charged at a comparable state institution, and room and board charged by the institution not to exceed the average cost of room and board of a comparable state institution. The same benefits stated in number one above for students attending nonresidential campuses are provided.

At an out-of-state institution of higher education, dependents are eligible for the amount of tuition equivalent to the cost of tuition at a comparable Colorado public institution or the actual costs, whichever is less. Students enrolled at out-of-state institutions are not eligible for room and board.

Maximum Duration of Award

A student is eligible for Dependents Tuition Assistance for six years from the date of first enrollment or upon obtaining a bachelor's degree whichever occurs first.

7.02.06 Study Abroad

DTAP funds can be used to cover costs associated with study abroad program. Courses taken on study abroad must count toward completion of student's degree.

Dependents at Colorado public institutions are eligible for tuition not to exceed the average tuition charged by the institution at a comparable state institution plus \$1000 per semester to assist with living expenses.

Dependents at eligible Colorado non-public school are eligible for tuition not to exceed the average tuition charged by the institution at a comparable state institution. Dependents are eligible for room and board charged by the institution not to exceed the average cost of room and board of a comparable state institution or \$1000 per semester, whichever is lower.

Dependents at an out of state institution are eligible for the amount of tuition equivalent to the cost of tuition at a comparable Colorado public institution or the actual costs, whichever is less. Students enrolled at out-of-state institutions are not eligible for room and board.

7.02.07 Application Procedures

1. Dependent students of deceased or permanently disabled law enforcement officers or firefighters should submit an application and required supporting documents including proof of dependent status to DHE prior to the start of the semester.
2. The Department will notify the student and the financial aid office at the institution the student will attend if the student is eligible to receive benefits.
3. At census date, the institution will verify the student's GPA and enrollment status, including the number of hours enrolled, tuition, and room and board costs.
4. The Department will transmit the funds to the institution within 30 days from receipt of verification and notify the student that the funds have been sent

7.03 Colorado Nursing Scholarship (NOTE: THIS PROGRAM IS NOT CURRENTLY FUNDED: STUDENTS IN REPAYMENT STATUS SHOULD CONTACT THE DEPARTMENT OF HIGHER EDUCATION)

7.03.01 Purpose

The Colorado Nursing Scholarship Program is designed to provide financial assistance to individuals intending to practice nursing in Colorado. It is intended to act as an incentive to recruit nurses in rural Colorado and other geographic areas with high nursing shortages. The Colorado Nursing program is no longer funded by the legislature. The students who received Colorado Nursing Scholarships are still obligated to re-payment as described in these guidelines.

7.03.05 Repayment Procedures

At the end of the spring semester, the institution will contact the current year recipients who are not applying to renew their scholarships. During the exit interview, the institution will review the recipient's responsibilities, confirm the

terms of their financial obligations, confirm their permanent address, and provide verification forms. The institution will forward the current address information to DHE.

Nursing scholarship recipients repay the scholarships with service or actual dollars. The recipient enters repayment one month after graduation. The Department will calculate a five-year repayment schedule for each recipient who does not enter into service repayment. The repayment schedule is based on a minimum \$1,000 award; the maximum total scholarship repayment will be spread out over a maximum five-year period, with a minimum payment of \$100 per month.

Scholarship recipients that are not working as a nurse in Colorado will begin remitting monthly payments, including interest, six months after the date leaving college.

Scholarship recipients that are working as a nurse in Colorado will enter into deferment. Each June, the recipients in deferred status will submit an employment verification form. A recipient who fails to file the verification form will be responsible for the full year's loan repayment with interest.

This scholarship is awarded to individuals who plan to nurse in Colorado as an incentive to address nursing shortages. Each hour a nurse works in Colorado equates to one dollar of the scholarship, up to 2,080 hours of service, and \$910 in year two with 910 hours of service. If a nursing scholarship recipient does not work as a nurse or leaves Colorado, the recipient will begin cash repayment one month after leaving college or graduation.

Recipients are entitled to a one-year grace period under certain circumstances (e.g., maternity, educational). The Department may approve a maximum of five grace periods for an individual recipient.

8.00 Allocation of Funds

8.01 Role of the Commission in the Allocation Process

The Colorado Commission on Higher Education is responsible for establishing and approving the financial aid allocations each fiscal year. The Department, in consultation with the governing boards, will define and use the established allocation methodology to distribute the state financial aid dollars appropriated for the fiscal year to institutions that meet the eligibility criteria for participation in Colorado's financial aid programs.

8.02 Eligibility to Participate

Institutions must be approved by the Commission to participate in the Colorado State financial aid program. Previously approved institutions maintain their eligibility to participate in Colorado's state financial aid programs as long as there is no change in the institution's legal status and the institution is in compliance with DHE's policy and guidelines.

Private vocational (proprietary) schools that undergo a change of ownership or control automatically lose their eligibility to participate in state-funded student assistance programs. Institutions under new ownership must apply to participate in Colorado student aid programs and meet the conditions for new institutions [<http://higher.ed.colorado.gov/Finance/FinancialAid/policy/cche-c-3.pdf>] .

Private vocational (proprietary) schools that are purchased by an owner that is operating another institution currently participating in the Colorado state financial aid program and which is in good standing (i.e., meets all the compliance standards) may maintain eligibility at the current allocation level. To meet the requirement, the institution under change of ownership will submit an application and file an audit report prior to the next allocation.

New institutions that are approved for participation will be allocated pilot funding in their initial year of participation. New institutions that meet the performance measures for a successful first year implementation will fully participate in year two.

8.03 Allocation Process

The Department allocates need-based, merit, work-study, and the federal matching program dollars to participating institutions following the established methodology.

Need-based grants are allocated based on section 5.01.05

Work-study dollars are allocated based on the financial need of enrolled, resident undergraduate students who are reported on the SURDS financial aid file. Only needy students (budget greater than resources) are included in the allocation.

Merit-based programs are distributed based on institutional enrollment following the eligibility parameters in DHE's Financial Aid Policy.

All other state financial aid programs are awarded directly to individual students.

At its June meeting, the Commission approves the next fiscal year's allocation, noting that the institutional allocations are subject to adjustment for under-utilization or penalties for failure to comply with DHE policy.

Institutions close the prior year's fiscal allocation process by submitting the required accounting documents/ final reports and return any under-utilized funds. The Department adjusts the approved allocation by the amounts underutilized, reverted and penalties incurred for non-compliance.

The Department releases the Allocation Notices to the institutions.

9.00 Accounting, Record Keeping, and Reporting

9.01 Accounting

Accounting and record keeping activities provide accurate documentation of the use made of state funds and of the basis for program decisions. Such records are needed for documentation, audit, planning, and guidance for new or replacement personnel.

9.01.01 Fund Management Policies

Accounting activities provide an orderly flow of funds into the institution and to students, and provide the controls necessary to assure compliance with the following requirements:

- * Funds allocated to the institution for state-funded student assistance shall be used only for direct aid to students and awarded in accordance with DHE policy guidelines.
- * Program expenditures shall not exceed the dollar amount authorized for the institution as specified in Official Allocation Notices. If reductions are necessary during a fiscal year, institutions are obligated to repay any amount of that reduction that was previously paid.
- * Institutions shall maintain separate accounting records for each state-funded student assistance program (i.e., line item listed on the Allocation Notice).
- * When the Federal Government cancels government subsidized loans (e.g., Perkins or Health Professions Loans), any amounts recovered for the state share of the cancelled loans shall be returned to the loan fund to make new loans to students.
- * When the Federal Government cancels federal Nursing Loans, any amounts recovered for the state share of the cancelled loans shall be returned to DHE for deposit into the State Treasury if the institution does not actively participate in the loan program. If the institution is an active participant, the amounts recovered shall be returned to the loan fund to make new loans to students.

If an audit discloses that an institution does not adhere to these policies, it may incur penalties ranging from one-year suspension to permanent ineligibility to participate in state funded financial aid programs (penalty for failure to comply with the policy that funds allocated to the institution for state-funded student assistance shall be used only for direct aid to students).

9.01.02 Allocation Period for State-Funded Student Assistance Programs

The fund allocation period for all state-funded student assistance programs is determined by the fiscal year of the State of Colorado, July 1 through June 30. All state-funded student assistance expenditures (e.g., grants, scholarships, and loans), or services are performed (e.g., work-study) should be charged to the fiscal year in which funds are allocated. The state financial aid regulation conforms with federal student assistance expenditures regulations.

9.01.03 Disbursement of Allocated Funds

For disbursement of Colorado financial aid funds, state institutions shall be identified as those participating on COFRS. Institutions that do not participate in the COFRS system -- local district colleges, area vocational-technical schools,

private colleges, and proprietary schools -- shall be classified as non-state-supported institutions.

A. Disbursement Procedures for State Institutions

- * In August, DHE will transfer to state institutions, via wire transfer or Intergovernmental Payment Voucher (IT), fifty percent (50%) of the financial aid allocation for that year.
- * In November of each year, an institution will submit a mid-year utilization report and, if necessary, a request for adjustment to decrease the total amount of financial aid allocation for a particular financial aid program (e.g., Need-based, Merit, Work-Study).
- * In December, DHE will transfer to state institutions, via wire transfer or Intergovernmental Payment Voucher (IT), forty-five percent (45%) of the financial aid allocation.
- * On April 15, the institutions will submit the April Utilization Report.
- * The Department will transfer the balance of the financial aid allocation to the institutions who submit the April Utilization Report. The final transfer will occur after DHE has reviewed the financial aid utilization report.

B. Disbursement Procedures for Non-state-supported Institutions

- * During the first quarter of the fiscal year, August through September, non-state-supported institutions may submit a quarterly disbursement request from DHE listing the amount expended on the *Request for Payment Form* [<http://higher.ed.colorado.gov/Finance/FinancialAid/FormsforFADirectorsandAdministrators.html>]. This amount may be up to a maximum of 50 percent of the institution's total allocation for that year. The Department will transfer funds to non-state-supported institutions by issuing a state warrant payable to the institution.
- * In the third quarter of the fiscal year, i.e., January through March, non-state-supported institutions may submit monthly or quarterly disbursement requests to DHE using the *Request for Payment Form*. The amounts of the third quarter requests may total 95 percent of their annual allocation (minus any funds disbursed in the first quarter). The disbursement request must be for expended funds. The Department will transfer funds to non-state-supported institutions by issuing a state warrant payable to the institution.
- * On April 1, DHE may reduce allocations of any non-state-supported institution if the request for funds filed on or before March 30 do not meet the 95 percent utilization level.

- * In the fourth quarter (April 1 to June 15), a non-state-supported institution may submit monthly or quarterly requests for payment using the *Request for Payment Form* for the balance of its allocation. DHE may reallocate any allocation balances that are not requested by June 15.

Adjustments to Allocations

The Department recognizes that an institution may not be able to fully utilize their allocation because of variations in student enrollment. To ensure that the maximum amount of financial aid reaches students, DHE allows institutions to request and adjustment in their allocation in November and April of each fiscal year. An institution's state financial aid allocation may be adjusted in two ways: (1) releasing (de-obligating) need, merit, and work study funds, (2) increasing need, merit, and work study funds by requesting supplemental funds.

If an institution receives a refund when a student withdraws or does not claim warrants, the institution must return the excess funds to DHE unless these dollars can be re-awarded to other students within the current fiscal year. If this is not possible, institutions must return the funds to DHE by July 15. Such funds shall not be retained by the institution nor expended in the following fiscal year.

Categorical program funds (e.g., Dependents Tuition Assistance grant, nursing scholarships) are awarded to individual students. Consequently, an institution may not re-award declined awards to other applicants. The institution shall return unused funds to DHE as soon as the situation is identified. There are no penalties for returning these funds. However disbursed dollars must be returned to DHE as soon as possible but before June 30.

Institutions shall submit the *Request for Adjustment Form* to release funds or request additional funds. The Department may reallocate released or surplus financial aid funds on December 15 and May 1.

To ensure timely redistribution of released funds, DHE has established two dates to submit release requests: November 15 and April 15. However, an institution may submit a form whenever it is apparent that the institution will not fully utilize its allocation. Institutions that release unused funds after April 15 may be penalized as specified in these guidelines [penalty table]. If an institution has submitted a corrective action plan to remedy the cause for penalty, that penalty amount may be negotiated with DHE.

A. Adjustment by Requesting Additional Funds

Institutions may request additional dollars by filing the *Request for Adjustment Form*

[<http://higher.colorado.gov/Finance/FinancialAid/policy/cche-c-5.pdf>].

The request must be accompanied by (1) a Utilization Report [<http://higher.colorado.gov/Finance/FinancialAid/FormsforFADirectorsandAdministrators.html>], showing current expenditures for all state-funded student financial assistance programs and (2) a short statement justifying the increase.

Institutions are expected to file a request in November and April if they wish to be considered for an adjustment.

9.01.05 Utilization

Institutions are expected to have committed (i.e. identified eligible students and reserved funds for them) at least eighty percent (80%) of their fiscal year allocation prior to November 15. If those funds have not been committed, the institution is expected to release the excess funds on that date per 12.01.04

Institutions are expected to have disbursed at least ninety-five percent (95%) of their fiscal year allocation by April 15. If those funds have not been disbursed, the institution is expected to release the excess funds on that date per 12.01.04 C.

Institutions are expected to have utilized (i.e. expended funds to students) at least 95% of their April 15 adjusted allocation at fiscal yearend. If an institution fails to utilize 95% of those funds, the institution will be subject to a penalty and reduction of funds, unless special circumstances warrant an exception to the penalty.

Failure to Utilize Funds

Under DHE's Financial Aid Policy, an institution's eligibility is evaluated annually using specific performance measures (Section 2.02). A critical criterion is sound accounting management of the funds.

The Department may adjust the base allocation of any institution that fails to award/disburse at least 95% of its financial aid allocation by April 15, as reported in the April utilization report. The adjustment will be applied individually to the merit allocation, the need-based allocation and the work-study allocation for the current fiscal year and the succeeding year allocation. The Department may reallocate the unutilized funds to any institution that requests additional funds for these programs but the reallocation is a single year allocation.

Institutions that return funds to DHE in excess of five percent (5%), of the amount reported on their April utilization report or in excess of \$10,000, whichever is greater may be subject to a penalty in addition to a reduction in the base allocation. The penalty will equal the unused percentage of the previous year's allocation applied to the following year's allocation. An amount equal to the calculated penalty/reduction will be encumbered by DHE and will be unavailable to the institution until the process to recover funds is satisfactorily completed.

Institutions that revert funds to DHE for a previous year's under-utilization or failure to return unutilized funds will be subject to a reduction and a penalty. The institution's base allocation will be reduced by the amount reverted and adjusted by a 25 percent penalty on the balance of the allocation. Institutions that revert funds in two successive years will be ineligible to participate in the state financial aid program.

Funds returned by students for the previous fiscal year after that year's close must be returned to DHE within thirty (30) days of the student's date of withdrawal. Institutions

not returning these funds within the thirty (30) days will have the following year's allocation reduced by a corresponding amount.

The Department will inform the institution prior to August 15 of the adjustment in the allocation. The Chief Financial Officer has the exclusive authority to review any appeals for relief for extenuating circumstances and DHE's decision is final.

Exceptions to the Penalty and Reduction of Funds

Under special circumstances, an institution may request an exception to the penalty and subsequent reduction in program allocation. Such appeals will be considered only in cases where circumstances causing the under-utilization occurred were beyond the control of the chief executive officer of the institution. Institutions must file the appeal for the penalty by September 1 and address the appeal letter to the Director of Financial Aid.

Process to Re-Qualify for Full Allocation Status

Institutions subject to a penalty and reduction in funds are responsible to correct the circumstances immediately. Institutions not following the process outlined below will be ineligible to participate in the Colorado state funded financial aid program.

Institutions will submit a corrective plan that includes the following:

- Full description of institutional policies and practices.
- An explanation of the current administrative procedures for the program(s) that was associated with the penalty.
- An explanation of what caused the funds to be returned as under-utilized.
- Explanation of the institutional procedures and actions to ensure that non-compliance will not reoccur.
- Evidence that the plan and procedures are implemented.

The Department will inform the institution if the plan is acceptable within 30 days of the date that DHE receives a complete set of required documentation and indicate if the plan releases any encumbered funds. Acceptance of the plan does not entitle an institution to recover penalties or reductions in allocations.

In addition, any institution incurring penalties will be required to be audited annually for two years to determine if the corrective plan is working. The Department will confirm in writing when this condition is met.

9.01.06 Disbursement of Funds by an Institution

All Colorado Work-Study earnings must be disbursed by check, similar negotiable instrument, or by direct deposit to accounts controlled solely by the student. Failure to release work-study payments to student will result in immediate suspension of the institution.

Non-work-study funds may be disbursed to students by:

- Transfer from a student aid account to student accounts, tuition accounts, housing accounts, etc. (e.g., from the Colorado Student Grant account to the tuition,
- Income account in the student's name);
- Issuance of one check which identifies individual program amounts; or,
- Issuance of individual checks for each program.

Regardless of the method of disbursement used, accounting records must reflect disbursements by specific program to individual students.

9.01.07 Student Repayment of State Funds

When it has been determined that a student owes a repayment of state funds, the institution shall:

- * Bill the student according to institutional policy.
- * Exercise due diligence in collecting overdue repayments using follow-up procedures such as prescribed in the federal Perkins Loan regulations, including the use of a collection agency.

Student repayments of current fiscal year financial aid grants are to be returned to the student aid accounts and used for awards to other students in that same fiscal year.

Repayments received after the fiscal year shall be returned directly to DHE. Such funds shall not be reverted, retained, nor expended by the institution.

If an overpayment of grant funds to students is due to institutional error and is discovered in the current fiscal year, the total amount must be returned to the grant account as soon as known and used to make awards to eligible students in that fiscal year.

If overpayments are discovered in a succeeding fiscal year, the total amount must be returned to DHE for deposit into the State Treasury. Final reports submitted to DHE are not required to be revised to reflect repayments received after the reports have been filed.

Students are ineligible for future Colorado financial aid consideration until repayment has been completed.

Record Keeping

Schools must retain all required records for a minimum of three years from the end of the award year for which the aid was awarded and disbursed. Records related to FFEL and Direct Loan borrowers must be kept for three years from the end of the award year in which the student last attended. Federal Perkins Loan repayment records must be kept for three years from the date on which the loan was assigned to the U.S. Department of Education, cancelled, or repaid. The required record retention period may be extended if an institution has unresolved audit findings, in which case the institution must retain all records until DHE

receives written confirmation that all audit findings are resolved. The Department shall confirm that records are no longer needed for the specified period.

9.02.01 Accounting Records

Accounting records (electronic or paper) must be auditable and must provide documentation of compliance with the Department of Higher Education's policy. Such records shall include:

- * Copies of all Official Allocation Notices;
- * Copies of reimbursement documentation;
- * Vouchers, cancelled checks, or appropriate transfer documents showing disbursements to students; and
- * Ledger and subsidiary records reflecting separate accounting records for each state-funded student assistance program.

9.02.02 Program Policy Records

Program records document the basis for decisions as well as policies. Such records should be maintained and readily available to the financial aid office. Such documents should be organized in a document such as a policies and procedures manual (electronic or paper), and should include the following:

- * Documentation of the basis for the amounts of the various components of each year's standard student budget;
- * The institution's Packaging Policy in effect in a fiscal year;
- * The institution's Satisfactory Academic Progress Policy in effect in a particular fiscal year.
- * The Student Aid Refund Policy in effect for the fiscal year;
- * Official Allocation Notices for the fiscal year.

9.02.03 Student Records

A school must maintain all required records in a systematically organized manner. Unless a specific format is required, a school may keep required records in hard copy, optical disk, microform, CD-ROM, computer file, or other media formats. All other record information, regardless of the format used, must be retrievable in a coherent hard copy format (for example, an easily understandable printout of a computer file) or in a media format approved by the U.S. Department of Education.

Individual student records must be maintained for all enrolled students who file an application for student aid or receive any award from the state-funded student assistance programs. These records should be readily available to the financial aid office and contain the following:

- * Proof of application.
- * Need analysis documentation.
- * Documentation for all cases in which professional judgment is exercised.
- * Student information required for the Student Unit Record Data System (SURDS) report.

- * Record of disposition, including an award notification and student acceptance letters or forms. While record of award notifications and student acceptance letters must be maintained, copies of award notifications and student acceptance letters are not required.

All student records must reconcile with accounting records and contain documentation of revised award amounts.

Reporting

To comply with DHE's policy, an institution must file the required reports to maintain eligibility to participate in the state-funded financial aid program. These requirements must be met to provide adequate documentation of the use of the state funds for purposes of auditing and of reporting to the legislature. Failure to submit required reports on a timely basis may result in reduced allocations or termination of eligibility to participate in the state-funded student assistance programs.

A. Report of Utilization - This report [<http://higher.colorado.gov/Finance/FinancialAid/FormsforFADirectorsandAdministrators.html>] is to be submitted by all institutions and will be used to report adjustment to allocations. The report must be submitted to the DHE Office by November 15 and April 15.

B. Fiscal Report of Expenditures.

This report [<http://higher.colorado.gov/Finance/FinancialAid/FormsforFADirectorsandAdministrators.html>] must be submitted by all institutions on or before July 15. This fiscal report shall verify the amounts of state-supported student financial aid expended by the institution and be used to support the information submitted in the Student Unit Record Data System (SURDS). The fiscal report is subject to the regular audit requirement and is auditable upon demand.

C. Student Unit Record Data System (SURDS) Financial Aid File –

All institutions that receive state funds are required to submit the SURDS Financial Aid file. The report must be transmitted and received by DHE on or before September 15 for the prior fiscal year. Institutions that fail to comply with the SURDS data file specification and verification deadline will not be included in the next year's allocation

10.00 Audits

To maintain eligibility, institutions participating in the state-supported financial aid program are statutorily required to contract with an independent audit firm to conduct a compliance audit of their state-funded student assistance programs unless prior audit findings require an annual audit. To meet this performance standard, the audit shall include at minimum information on the specific points identified in DHE's adopted Audit Guide or alternate audit guide for institutions with financial aid flexibility as referenced in statute (C.R.S. §23-3.3-102, (3)). Questions about specific audit procedures and/or

reporting format should be directed to DHE. The State Auditor's Office are authorized only to collect reports and do not interpret DHE policy.

The institution shall transmit one copy of the completed audit to DHE, one copy to the State Auditor's Office, and retain at least one copy in the institution's files.

Colorado Department of Higher Education
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Colorado Office of the State Auditor
225 East 16th Avenue
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Institutions that fail to provide a complete audit report may not be eligible to participate in the current year's allocation.