

State Funded Financial Aid Overview

State funded financial aid seeks to provide access to postsecondary education to the residents of Colorado. The current policy directs the majority of financial assistance to low-income, undergraduate students while a small portion is available for graduate students. Work-study is available to students with need with a portion available to students without need.

Financial aid is decentralized in Colorado; the aid is allocated to institutions and distributed through the financial aid offices at institutions. The Department (DHE) prepares the financial aid allocations and takes them to the Commission for approval. The institutions award the funding to students using the criteria determined by the Colorado Commission of Higher Education (CCHE).

Financial aid is appropriated in the Long Bill by type; need-based, work-study and special purpose. Special purpose includes funding that is given to targeted populations. All students who receive state funded financial assistance must maintain satisfactory academic progress and be Colorado residents as defined by statute (C.R.S. Title 23, Section 7). Additional requirements are defined in the Financial Aid Guidelines posted on the DHE website: (http://higher.colorado.gov/Finance/FinancialAid/Policy/guidelines_2009.pdf)

The table below breaks out the financial aid appropriations for the current fiscal year.

2009-2010 Financial Aid	GF Appropriation
Need Based Grants	74,294,146
Work-Study	16,612,357
Special Purpose	
Required Fed Match	1,726,350
Veteran/Law Enforcement Tuition Assistance	364,922
National Guard Tuition Assistance	800,000
Native American/FLC	9,622,969
Nursing Teacher Loan Forgiveness	161,000
Teach Colorado Grant	500,000

The regulations for Special purpose programs are largely defined in statute. The statutes that define need based aid and work-study are less prescriptive. Policy decisions about how need based funding is awarded are determined by CCHE.

Special Purpose

The *Required Federal Match* funds are used for the Leveraging Educational Assistance Programs (LEAP) and the Supplemental Leveraging Educational Assistance Program (SLEAP). The U. S. Department of Education awards a portion of funding to states and the states must provide matching funds to receive the federal dollars. Colorado participates in both programs; one for the highest need students (CLEAP) and the other is for the high need students in teacher

education programs (SLEAP). The U.S. Department of Education is restructuring the CLEAP program beginning in FY2011, the new programs assumes a similar maintenance of effort by the state.

The Veterans/Law Enforcement Tuition assistance (DTAP) and the Colorado Teach programs are administered by staff at DHE. Eligibility for DTAP is determined in statute and verified with the institutions. The Colorado Teach program is administered through a Request For Proposal (RFP) process following the guidance in statute. All other special purpose programs are administered by the respective group and draw down funding through DHE.

Need Based Aid

The state funded need based aid is the largest appropriation and serves the most institutions. Currently, 50 institutions participate in state funded financial assistance and all of them receive need based allocations. Of the 50 institutions receiving need based aid, 27 are public (12 four-year and 13 community colleges), with two local district colleges. There are three area vocational schools and the remaining institutions are private (four are non-profit private colleges and 16 for profit institutions). See attached spreadsheet for FY2010 financial aid allocations by institution.

Colorado follows the federal lead in awarding need based aid to students with the lowest Expected Family Contributions (EFC). All need based aid is first awarded to the Level 1 students. A Level 1 student is defined as a student whose EFC is 150% of Pell grant eligibility and under. Once all eligible Level 1 students are awarded, institutions have flexibility to award remaining funds to students with higher EFC's. The majority of the need based aid (\$65 million) is targeted towards undergraduate students in the *Colorado's College Responsibility Grant* (CCRG). The program is in its third year of implementation and gives a small award to a large number of students.

Of the need based aid, \$5.9 million is available to graduate students (*Colorado Graduate Grant*) with need who are enrolled in high need programs. High need programs have been defined using the SMART programs and include medical professions. Not all institutions that offer graduate programs receive allocations for the Colorado Graduate Grant.

The remaining \$3 million is used for the phase out of the *Governor's Opportunity Scholarship* (GOS) that will sunset in the spring of 2012. The program was created to give large awards to a small population of students, based on EFC, and to prevent student loans. The program was discontinued to increase the number of scholarships to other students with need. As students in the GOS program graduate, any funding remaining is allocated to the CCRG program.

In FY2009, the average undergraduate, dependent, Level 1 student had an Adjusted Gross Income (AGI) of \$31,500. Regardless of the institutions a student attends, the student will receive at least \$850 for the year for full-time enrollment under current financial aid policy. In FY2009, the average dependent level 1 student received \$1500 in state need based aid. At institutions with higher tuition, the buying power for that aid is less than at institutions with lower costs. In addition to state aid, dependent Level 1 students received an average of \$3,000 in

federal grants and \$1,200 in institutional aid. Level 1 students borrowed less than their peers on average.

In 2009 for each \$1 in Pell grants spent on a resident, undergraduate student enrolled at least half-time at public institutions, state funded need based undergraduate aid was \$0.44.

Work-Study

There are 36 institutions that participate in the Colorado Work-Study program (CWS). All public institutions and non-profit private institutions participate as well as two area vocational schools and three for profit institutions. Under statute, 70% of CWS funding must be awarded to students with need and 30% may be awarded to students without need. The CWS awards subsidize employment costs to the student’s employer. Students are responsible to find employment and the employer must agree to the terms set out in the financial aid guidelines. The majority of CWS is spent at public institutions. In 2009, for every dollar of federal work study awarded to Colorado residents, CWS awarded almost two dollars to students.

Financial Aid at Public Institutions

In FY2009, \$399,326,640 in grant, scholarship and work-study funding was awarded to resident students (both undergraduate and graduate) at public institutions. State aid is approximately 23% of the total aid paid and roughly 87% of all state funded financial aid goes to public institutions. The table below breaks out the percentages of aid paid by source. This data reflects aid paid to students at all institutions participating in state funded financial assistance program. Looking at all aid types, for each \$1 of federal aid paid, state funded assistance paid roughly 55 cents.

Percentage All of Aid Paid by Source

Grant Aid Source FY 2009	Percentage of Aid Paid
Federal	41.34%
State	22.57%
Institutional	28.90%
Other	7.19%

The following tables breaks out the total grant, scholarship, and work-study aid by source at each tier and the number of records in each tier. Looking at the data, we can see that the most beneficiaries of federal grants attend community colleges (Tier 3) followed by research institutions (Tier 1). The data also reflects the advantage of institutional funds at research institutions compared to all other institutions.

The data only reflects students who have applied for federal financial aid. Approximately 90% of the students in the data completed a Free Application for Student Aid (FAFSA), meaning they have financial need or have taken federal loans. Need is calculated by taking the Cost of Attendance and subtracting the Expected Family Contribution (EFC). If a student’s EFC exceeds the Cost of Attendance, a student may still qualify for unsubsidized federal loans. The data in the table below does not capture institutional aid given to students outside of this population.

Financial Aid by Source to Colorado Resident Students (undergraduate and graduate)

Grant Aid Paid to Colorado Residents FY2009	Sum of Federal Grants	Sum of State Grants	Sum of Inst Aid	Sum of Other Scholarship	Total Dollars
Tier 1	\$ 58,210,149	\$40,407,744	\$ 98,308,406	\$21,239,088	\$218,165,387
Tier 2	\$ 43,977,129	\$23,504,436	\$ 11,412,377	\$ 3,690,010	\$ 82,583,952
Tier 3	\$ 62,879,256	\$26,220,705	\$ 5,700,206	\$ 3,777,134	\$ 98,577,301
Total	\$165,066,534	\$90,132,885	\$115,420,989	\$28,706,232	\$399,326,640

Number of Students (undergraduate and graduate, Colorado Residents)

Tier	Number of Records	Percentage of Total
Tier 1	58,268	39.82%
Tier 2	35,349	24.16%
Tier 3	52,719	36.03%
Total	146,336	

In 2009, 53,031 students received some type of state funded financial aid at public institutions. Approximately 91% of all state funded financial aid is allocated to public institutions under the current model. The model could be changed to target a smaller group of students or use other variables to determine how state aid is spent.

The FY2011 budget request proposes to reduce work-study to pay an obligation at Fort Lewis College. Other changes for FY2011 may arise through legislation. For financial aid, the way that student eligibility is determined could change in the 2010 legislative session, depending on the outcome of the flexibility legislation that is being proposed. The legislation proposes that the Department of Higher Education would continue to allocate funding, but that institutions would determine student eligibility. The current draft only addressed need based aid; changes are expected along the way.

Options to Leverage the Impact of Financial Aid

The purpose of this memorandum is to inform the strategic planning group about the nature and scope of financial aid. This memorandum does not intend to endorse any particular methodology for using or changing financial aid policy. The Department is aware; however, of some common ideas that are raised regarding changes to financial aid policy. These ideas however are by no means exhaustive.

While financial aid dollars are significant, the level of state funding that is targeted towards low income students cannot match the funding to the same population by federal dollars. To leverage the impact of state financial aid the eligibility criteria could be changed in policy by CCHE. For example, financial aid could be targeted towards students in a particular course of study, from a particular demographic or to students from middle incomes.

Recommendations could also be made for statutory changes to remove financial aid from the umbrella of the Department of Higher Education and appropriate funding directly to schools to make determinations of student eligibility for need based aid or work-study. A more aggressive

approach might be to recommend a statutory change that would limit financial aid to one line item in the budget, rather than defining aid by type (need based, work-study, or special purpose) and be appropriated as block funding to institutions with provisions to allow complete flexibility of financial aid. The institutions could then determine how much funding could go to work-study, need based aid or even create new programs that are campus based.