**Executive Summary**

This agenda item seeks Commission approval for final state-funded financial aid allocations.

**Sound Principals:**

* Staff’s recommendation follows the principled approach approved at the April Commission meeting.
* The overall principles upon which this allocation recommendation is based are:
  + Long-term formula “stability” with short-term “smoothing” as needed
  + Balanced recognition during periods of rapid growth and/or decline

**Summary of Attached Excel Workbook:**

* The attached workbook summarizes the changes in allocations that would occur if no guardrails were in place ($ and % change pre-guardrail, Columns Band C), the changes that are occurring in the staff recommended formula ($ and % change post-guardrails, Columns E and F), and the allocations that occurred last year (FY 2019-20 Final Allocation, Column G).
* Column H shows the amount per-FTE being distributed by the staff recommended formula.

**Important Reminders:**

* + The excel workbook refers only to the Undergraduate Need-Based Financial Aid Allocation Formula.
    - This is by far the largest single source of state funded aid.
  + The agenda item seeks approval of allocations for three other types of state-funded financial aid (in addition to undergraduate need-based)
    - * Graduate Need-Based Aid
      * Work-study
      * CTE Aid
  + Merit Aid has been reduced to zero by JBC action (-$5 million)
  + All other lines have been held flat from last year
* **Staff recommendation for Undergraduate Need-based Aid:** Use existing “principled formula” with application of conservative +5% -3% guardrails to institutional allocations despite much larger swings in Pell-eligible enrollments, see Columns B and D.
  + Largest institutional deltas between last year and this year:
    - **Increases:**
      * University of Northern Colorado reported a 26% increase in unweighted Pell-eligible FTE across all grade levels. The weighted allocation increase (pre guardrails) is 14%. With guardrails, the increase is capped at 5%.
      * University of Colorado Boulder reported a 2% increase in unweighted Pell-eligible FTE across all grade levels. The weighted allocation increase (pre guardrails) is 8%. With guardrails, the increase is capped at 5%.
    - **Decreases:** 
      * Adams State University reported a 13% decrease in unweighted Pell-eligible FTE across all grade levels. The weighted allocation decrease (pre guardrails) is -16%. With guardrails, the decrease is capped at -3%.
      * Morgan Community College reported a 15% decrease in unweighted Pell-eligible FTE across all grade levels. The weighted allocation decrease (pre guardrails) is -22%. With guardrails, the decrease is capped at -3%.
  + These guardrails (-3% +5%) were previously approved as part of staff’s principled approach to undergraduate need-based aid allocations for FY 2021.
  + Despite the deep cuts being made to higher education, thus far, need-based aid has been spared.

**Additional Background and Additional Information about the Formula:**

Staff believes that the existence of a data-driven formula to allocate need-based aid to institutions is a major strength of the program, by protecting it from political bargaining and lobbying and making it less vulnerable to cuts or changes based on non-data driven factors.

* + We are a decentralized aid state – meaning we provide state financial aid “block grants” based on the formula. It is up to institutions to allocate those dollars to actual students as they deem most appropriate.
  + The formula intends to incent completion per the masterplan, so it weights sophomores higher than freshmen, juniors higher than sophomores and seniors higher juniors.
* **The Formula’s “Balancing Act” – As Pell Numbers Rise and Fall:** 
  + The formula is intended to last over time and withstand any dramatic and sudden increases or decreases to Pell populations at each institution. The guardrails are what make that possible.
  + In the post-Covid economic turmoil, it wouldn’t be surprising to see Pell populations decrease at some 4 year institutions and increase at some 2 year institutions.
  + If that occurs, it will be critical to utilize guardrails then as it is now to help smooth the rate of change.
  + As such, staff expects that in subsequent years there may be a need to address a sudden increase in Pell eligible students at 2 year institutions and regional access institutions such as Adams State University.