

TOPIC: FY 2014-2015 FINANCIAL AID DISCUSSION

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I. SUMMARY

The Governor's November 1st budget request for FY2014-2015 includes increases to state funded financial aid totaling \$40 million. The majority of the financial aid request, \$30 million, is aimed at need-based aid with an increase to state funded work-study in the amount of \$5 million and restoring a state-based, merit aid program in the amount of \$5 million. The Commission is charged with allocating state financial aid funds appropriated in the Long Bill. This item presents an opportunity for initial discussion and input from the Commission concerning options for state-funded financial aid allocations later this spring.

II. BACKGROUND

Annually, the Commission approves state-funded financial aid allocations to institutions. Last year the Commission adopted a new financial aid allocation method for the state need-based aid program and this will be the first year to apply the newly adopted method. The Commission will need to consider details related to the implementation of the new model, but in essence, the new method has been established and will be used this year.

Department staff is seeking Commission input to move forward with the work-study and merit portions of the budget request. Neither work-study nor merit allocations have been reviewed in more than a decade. Brief overviews of prior allocation methods for work-study and merit aid programs are below.

Work-Study

The original allocation process for work-study was calculated by determining the amount of need (Cost of Attendance minus Expected Family Contribution) for residents at each campus and allocated the funding by the percentage of total need. Initially, new money was distributed based on FTE by campus. After the economic downturn, the allocation was adjusted proportionally for any increases or decreases.

Merit

At its funding peak (FY 2001-2002), the state funded merit program was \$14.8 million. The allocation assumed that all institutions had meritorious students on campus. A percentage of FTE was multiplied by tuition and fees to determine the ratio. The proportion of the total was the basis for the old merit allocation for each institution. An alternative method was used before based upon market value. As the appropriation increased, new dollars were allocated based upon the new method.

III. STAFF ANALYSIS

Department staff is working with stakeholder groups from both financial aid and the chief financial officers of the institutions to solicit recommendations to bring to the Commission once the process is underway. For now, Department staff is requesting input from the Commission regarding ideas for the allocation of the additional work-study and merit dollars.

The new funding provides an opportunity to evaluate the existing work-study allocation and make improvements if possible. With increases to work-study there is an administrative component required in the hiring and oversight of student workers. Not all institutions have the ability to absorb new student positions, while others may be able to add multiple positions with ease. In addition, as the economy recovers, work-study positions are not as attractive to students because there are often more lucrative off campus job opportunities. It is the intent of Department staff to work with the campuses to find the right balance.

When state funded merit aid was eliminated for FY 2009-2010 it was only \$1.5 million at the time. The program was eliminated prior to financial aid flexibility. At the time, to compensate for the cuts to the program, the Commission increased the GPA requirements to stretch limited dollars as much as possible. Under financial aid flexibility, institutions will develop guidelines for eligibility based upon their campus needs. The Commission is charged with approving an allocation method for the new merit dollars. The initial feedback from institutions is to consider completion or progress in an allocation methodology, but no specific ideas are under consideration.

The timeline for the Commission to adopt new method for allocation is somewhat flexible. However, in order to allow for robust discussion and review by the Commission and accommodate institution planning for FY 2014-2015 Department staff recommends that a decision item will be brought to the Commission in March.

IV. STAFF RECOMMENDATION

There is no recommendation at this time; this item is for discussion only.