

**TOPIC: FISCAL YEAR 2015 FINANCIAL AID
ALLOCATIONS/POLICY UPDATE**

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I. SUMMARY

Each year, pursuant to state law (C.R.S. 23-3.3-102 (2)), the Colorado Commission on Higher Education acts to allocate state-funded student financial aid, by program, to eligible institutions of higher education.

This item includes the updated financial aid policy and the proposed financial aid allocations for undergraduate need, graduate need, work-study and merit programs for FY 2014-15. The allocations were calculated using the allocation methods approved by the Commission at the March 2014 CCHE meeting.

II. BACKGROUND

The Commission's overall financial aid policy is designed to achieve three goals:

- Maximize the amount of financial aid funds available to Colorado residents;
- Direct state need-based dollars to all students with the least ability to pay; and,
- Recognize the student responsibility in paying higher education costs.

In addition, the Colorado Student Grant Program is intended to accomplish the following (CCHE Policy VI, F, Section 5.01.04):

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.

In the 2014 legislative session, the General Assembly increased need-based aid by \$30,000,000; increased work-study by \$5,000,000 and restored the state merit program to \$5,000,000. Table One (below) shows FY 2014-15 appropriations by program type compared to the previous fiscal year.

Table One: FY 2014 and FY 2015 General Fund Financial Aid Appropriations

Fiscal Year	Need	Work Study	Merit	*DTAP	Native American	Total
2014	79,258,803	16,432,328	0	420,000	14,466,230	110,577,361
2015	109,258,803	21,432,328	5,000,000	672,000	14,841,981	151,205,112
Dollar Change	30,000,000	5,000,000	5,000,000	252,000	375,751	40,627,751
% Change	37.85%	30.43%		60.00%	2.60%	36.74%

*Dependent's Tuition Assistance Program

III. STAFF ANALYSIS

1. Need-Based Aid

In January 2013, the Commission approved a new allocation method for the undergraduate need-based aid program, the Colorado Student Grant, beginning in FY 2013-14. With the new funding proposal, the Commission approved component pieces of the model for FY2014-15 in March, including a hold harmless rate of 20 percent and a maximum growth limit of 50 percent.

The method for calculating graduate need-based aid remains unchanged from prior years.

A. Colorado Student Grant

Colorado Student Grant program aid is awarded to undergraduate students with demonstrated need. Allocations are based on the number of Pell eligible students (full-time equivalent) at each institution with differential payments based upon the students' grade level. Pell eligible students are those with an expected family contribution (EFC) between \$0 and \$5,157, the amount necessary to qualify for a Federal Pell Grant. Institutions are allocated a base payment amount from the state for each Pell eligible freshman FTE enrolled. Payment amounts differ by the number of eligible FTE projected in each grade level and the rate increases as students make progress to the next grade level. The incremental increase for FY 2014-15 increased by the rate of change in the amount of funding available compared to the prior fiscal year, which make the increment \$276 per grade level. Setting the rate acts as an incentive for institutions to help retain Pell eligible student and to provide a

level of predictability from one year to the next.

With the increase to the need based appropriation, all institutions' financial aid allocation will grow at least by 20 percent above the FY 2013-14 allocation, including proprietary allocations. An upper growth limit of 50 percent is also included for greater predictability in the out years. Graduate aid increased by the same rate as the general fund increase, roughly 38 percent.

Under Senate Bill 10-003, state-supported institutions and non-profit private institutions have financial aid flexibility and will award financial aid based upon the decisions of their respective governing boards. Proprietary institutions will continue to award need based aid to students as outlined under the Department guidelines.

B. Critical Careers Funding for Graduate Students

This program allocates graduate need-based financial aid funding to students in critical career programs as identified by National Science and Mathematics Access to Retain Talent Grant Program. Critical Career Grant allocations are based on the number of Pell eligible graduate students in the list of approved programs. The amount of funding set aside for graduate grant programs \$7,699,316.

2. Work-Study Financial Aid

The General Assembly increased funding for Work Study aid in FY 2014-15 by five million dollars to \$21,432,328. The new funds are allocated to institutions based upon the number of eligible FTE at each campus. By law, 70% of the appropriation must go to need-based students; institutions can award the remainder without regard to need. Staff recommends using the same allocation method as last year.

3. Merit Aid

The General Assembly restored the state merit program in FY 2014-15 to five million dollars. The program was eliminated during the economic downturn in FY 2009-10. At the time of elimination, the program funding was \$1.5 million.

4. Categorical Financial Aid

Categorical Financial Aid covers the Native American Tuition Assistance program at Fort Lewis College and Dependents Tuition Assistance Program (DTAP) grants, which are entitlements that go directly to eligible students. Funding for these programs increased in FY 2014-15 to reflect actual use. Table Two (below) details appropriations to these categorical financial aid appropriations, by year. The Native American Tuition Assistance Program provides tuition for all eligible Native American students at Fort Lewis College under an agreement between the U.S. government and the State of

Colorado.

Table Two: Summary of State Categorical Financial Aid Programs

Type	DTAP	Native American
2014	\$420,000	\$14,466,230
2015	\$672,000	\$14,841,981

Financial Aid Policy Update:

The merit section of the financial aid policy has not been updated to reflect the changes in statute around flexibility. Attachment B includes the redlined version with changes.

IV. STAFF RECOMMENDATION

Staff recommends that the Commission approves the financial aid allocations for Fiscal Year 2014-15 as indicated in ATTACHMENT A and updates to the Financial Aid Policy in Attachment B.

STATUTORY AUTHORITY

C.R.S. 23-3.3-102 (2): Assistance program authorized - procedure - audits.

(1) The general assembly hereby authorizes the commission to establish a program of financial assistance, to be operated during any school sessions, including summer sessions for students attending institutions.

(2) The commission shall determine, by guideline, the institutions eligible for participation in the program and shall annually determine the amount allocated to each institution.

ATTACHMENTS

Attachment A FY2015 Financial Aid Allocations

Attachment B State-Funded Student Financial Aid Policy (redline version)