



Colorado Commission on Higher Education

Financial Aid Presentation





At its September 2005 meeting, the Commission heard from state and national experts on financial aid. The Commission identified five issues to study further:

1. Are the state's goals and each individual institution's financial aid policies aligned so that they are explicit, measurable and maximize successful post-secondary participation for Colorado residents?



Commission Issues

2. Should state financial aid dollars be targeted first toward high-need, highly qualified students to ensure that no academically qualified, low-income Colorado resident who wants to participate in post-secondary education is denied that opportunity due to financial barriers?



Commission Issues (Continued)

3. Does the state financial aid program reinforce the objectives of the College Opportunity Fund and College in Colorado initiatives? Does it reduce the perceived financial barriers to higher education and bring more under-represented students (and their parents) into the college information loop? Is state-provided financial aid high enough so under-represented students will know college is affordable and financial aid will be available if they transfer to another public institution?



Commission Issues (Con't)

4. To maximize the amount of funding that goes to directly aid students, does Colorado's financial aid system ensure it achieves the highest operational efficiency and effectiveness possible?
5. Is at least a portion of financial aid dollars used in ways to encourage the retention and graduation of students, particularly under-represented students? Reason: it is not enough merely to enroll students in college; it is degree completion that matters most to their long-term success.



Policy Review Impetus

This is the first comprehensive review of financial aid policies in Colorado for at least a decade or more. This review is being done now for three primary reason:

1. Higher education financing in Colorado has entered a new era with the advent of the College Opportunity Fund (COF) stipend and fee-for-service contract programs. Colorado's state financial aid programs must reinforce the goals of COF, including the provision requiring institutions to use 20% of any new funds generated from tuition for financial aid.



Policy Review Impetus (Con't)

2. Through its College in Colorado (CiC) initiative, the Commission is working to eliminate the Colorado Paradox by increasing the number of Colorado students who enroll in and graduate from a post-secondary institution. CiC is working to reduce the three main barriers to college: lack of information about how to enroll in college; lack of academic preparation; and, perceived and/or real lack of financial resources. The state's financial aid policies can play a vital role in reducing these barriers.



Policy Review Impetus (Con't)

3. In recent years, federal needs-based Pell grant funding has not increased significantly, Colorado's public colleges and universities have raised tuition substantially, and total state financial aid funding has decreased per student. Last year, the legislature, with no public debate, eliminated state funding for merit aid. All this has made ensuring the most effective use of state financial aid dollars critically important.



How Are Schools Awarding Aid?

- There is an immense variety among institutions in policies and in who sets policies regarding funding – governing boards are rarely involved
- Caps are placed on grants to allow more students to be served-they are lower than state policy allows
- There is an unspoken agreement that providing some aid to the largest number of students is the most effective way to spend state aid
- “Packaging” is often most advantageous to students who apply first
- Schools do not typically award for more than one year
- State-funded grants (with the exception of GOS) are not automatically renewed even if eligibility criteria is met
- State-funded grants do not transfer between public institutions
- There are few programs linking achievement and need



Sources of Financial Aid Colorado Provides

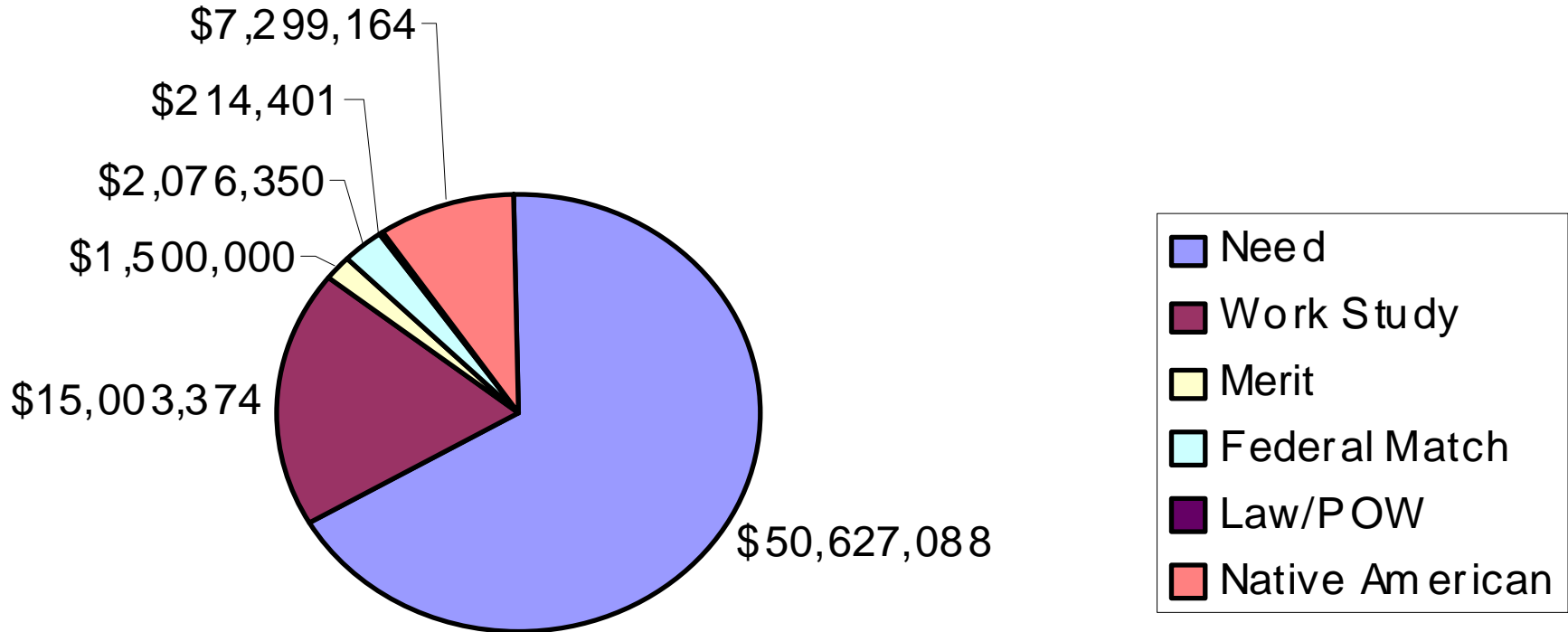
The State appropriated \$76,720,377 in state-funded student financial assistance for FY 2006, down from \$91,020,000 in 2003

Colorado has 126,000 full-time resident students eligible for COF:

- 36,298 students received state-funded financial aid in 2005, averaging \$2,153 per student – including all schools participating
- There are 70,583 Colorado students eligible for the Commission's Level 1 need-based aid at public institutions
- 44,278 of those students receive no state aid; of the lowest income students (Pell eligible), 24,912 receive no state aid

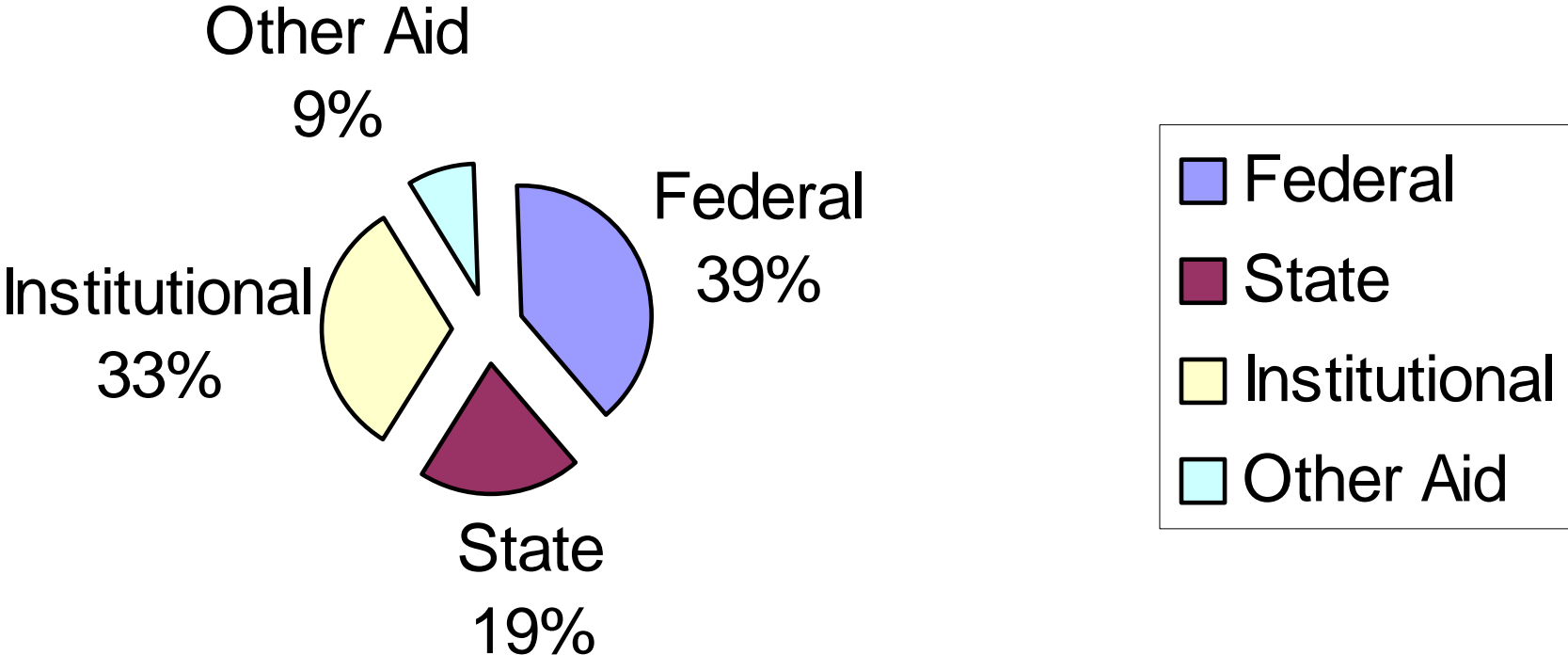
In 2006, state aid contains the following components

2005-2006 State-Funded Student Aid



Types of aid students generally receive to offset their need

Total Aid By Category





Commission Policies on State-Funded Student Aid

Need is determined by the simple formula:

$$[\text{Cost of Attendance}] - [\text{Estimated Family Contribution}] = [\text{Need}]$$

The federal Pell grant formula determines the Estimated Family Contribution (EFC), the amount the family is expected to contribute before any aid (including low interest subsidized federal loans) can be offered. Federal PLUS loans can be used to offset the family's contribution.



Types of State Aid

Colorado Student Grant is for Colorado students enrolled in an approved certificate or degree program who are Colorado residents and enrolled at least half time. The maximum grant size is \$5,000 per year. Priority is given to students whose Estimated Family Contribution (EFC) is 150% or less for Pell eligibility; adjusted gross income for those students averages \$29,700 statewide.

Colorado Graduate Grant funds graduate students enrolled in an approved degree program who are Colorado residents and enrolled at least half time with documented need. The maximum grant is \$5,000 plus tuition.



Types of State Aid

Colorado Leveraging Educational Assistance Partnership Program (CLEAP) is a federal/state partnership to stimulate expansion of grant assistance to undergraduate students with substantial financial need.

Supplemental Leveraging Educational Assistance Partnership Program (SLEAP) provides a maximum of \$5,000 per year to undergraduate or post baccalaureate students who are enrolled in teacher education. First priority must go to students in their student teaching semester. After those students are awarded, funds can go to enrolled teacher education students.



Types of State Aid

Governor's Opportunity Scholarship Program recipients receive full funding for their educational costs. Students must have high financial need as documented by an Expected Family Contribution (EFC) of "0" or a Parental Contribution (PC) of "0" from the FAFSA federal need analysis. Their package includes grant and work-study funding and cannot exceed the cost of attendance. Except in special circumstances, students cannot receive loans.

College in Colorado Scholarship will provide up to \$1,500 to cover unmet need (after all other aid and student loans are taken into account) for Pell and COF eligible students who successfully complete a pre-collegiate curriculum in high school. First awards to be given in 2008.



Types of State Aid

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. Seventy percent of an institution's work study allocation must be used for students with documented need.

Categorical Grants include Native American Tuition Assistance at Fort Lewis College and Loan Match.



Types of State Aid

Colorado Centennial Scholar awards are competitive, merit-based awards students must qualify for each year. To be eligible for an award the student must demonstrate academic excellence by achieving a 3.75 GPA at the time of award and maintaining at least a 3.5 cumulative college GPA. This aid is used to keep Colorado's brightest students in the state as well as to reward high achieving students. Merit aid has declined to \$1.5M available state-wide. In 2005, almost 50% of all merit recipients fell within Level 1 need requirements.



Sources of Financial Aid

Charts 1 and 2 illustrate the sources of financial aid distributed to Colorado students in FY2004 and FY2005.

In both years, the dependence on federal loans accounts for more than half of the total assistance, but decreased from 61% in FY2004 to 52% in FY2005.

For 2005, appropriated state financial aid increased by 1%, while other aid, which consists of employer aid, private scholarships and foundation aid, also decreased as a share of overall aid awarded to Colorado students.

The largest increase came in institutional aid that grew from 11% to 20%; a part of that increase shows as a change of reporting requirements by the Commission. State aid as a share of all sources of financial aid declined from 8% in 2003 to 7% in 2004.

Chart 1: FY 2004 Sources of Student Financial Assistance

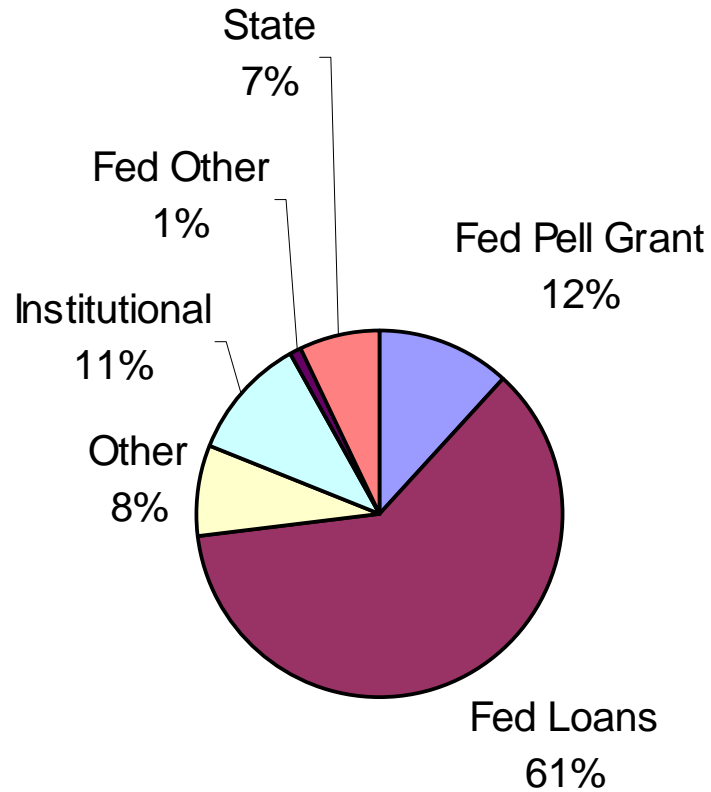
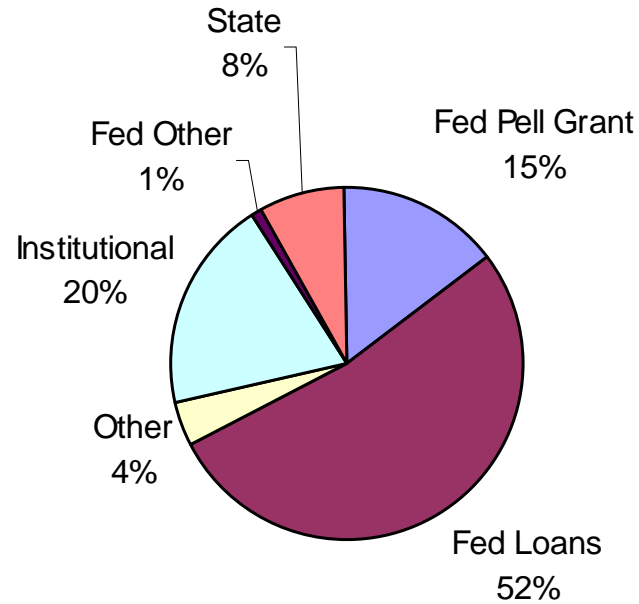


Chart 2: FY 2005 Sources of Student Financial Assistance



At the national level, according to the College Board's publication, *Trends in Student Aid 2005*, Pell as a source of funding for students increased 3% in 2004-05, after growing in the previous three years at an annual rate of about 8%. The publication also concludes that grants also continue to grow at a faster rate than borrowing for most students.

Sources of Financial Aid

Total financial aid expenditures for Colorado, a calculation that includes federal financial aid sources, institutional aid, state aid and private financial aid resources increased 57% from 2000 to 2005. The increasing pool reflects an increase in the Pell grant maximums and shows a 67% increase for Colorado students in relying on federal student loans. During this period, non-loan federal aid increased 3%. Other resources, which include employer tuition reimbursements, increased only 4%, reflecting significant decreases reported by institutions in this financial aid resource category in 2005.

Table 3: Total Expenditures on Student Financial Aid

Fiscal Year	Federal Pell Grant	Federal Loans	Federal Other	State	Institutional	Other	Total
2000	80,311,443	490,127,953	31,735,215	70,927,494	123,412,931	40,855,768	837,370,804
2001	90,902,507	529,211,031	32,446,997	78,384,486	122,568,334	52,510,244	906,023,599
2002	103,298,385	520,756,694	32,015,464	86,274,653	134,543,758	59,676,273	936,565,227
2003	126,585,894	634,957,192	33,108,532	92,750,785	148,408,762	75,402,858	1,111,214,023
2004	143,906,521	735,276,655	32,178,873	80,968,637	137,255,420	65,928,279	1,195,514,385
2005	151,545,541	817,466,069	32,658,968	78,152,438	194,265,627	42,430,273	1,316,518,916
% Change 00	89%	67%	3%	10%	57%	4%	57%

Cost of Attendance by Type of Institution

Research Institution 04-05				
COST OF ATTENDING	CSM	CSU	CU-B	UNC
Tuition and Fees	\$7,082	\$3,790	\$4,341	\$3,370
Room and Board	\$6,448	\$6,506	\$7,564	\$5,954
All Other/Books Supplies	\$1,698	\$1,698	\$1,698	\$1,698
Total	\$15,228	\$11,994	\$13,603	\$11,022

** Tuition and Fees based on 15 Credit Hours

Four-Year Institution 04-05								
COST OF ATTENDING	ASC	CSU-P	FLC	MSC	MSCD	UCCS	UCD	WSC
Tuition and Fees	\$2,603	\$3,220	\$3,060	\$2,724	\$2,781	\$4,313	\$3,978	\$2,761
Room and Board	\$5,760	\$5,912	\$5,894	\$6,501	\$7,236	\$5,998	\$7,236	\$6,705
All Other/Books Supplies	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698
Total	\$10,061	\$10,830	\$10,652	\$10,923	\$11,715	\$12,009	\$12,912	\$11,164

** Tuition and Fees based on 15 Credit Hours

Two-Year Institution 04-05													
COST OF ATTENDING	ACC	CNCC	CCA	CCD	FRCC	LCC	MCC	NEJC	OJC	PPCC	PCC	RRCC	TSJC
Tuition and Fees	\$2,165	\$2,184	\$2,118	\$2,150	\$2,249	\$2,319	\$2,162	\$2,573	\$2,175	\$2,160	\$2,227	\$2,222	\$2,349
Room and Board	\$7,236	\$4,900	\$4,344	\$7,236	\$7,236	\$4,470	\$7,236	\$5,074	\$4,176	\$7,236	\$7,236	\$7,236	\$5,328
All Other/Books Supplies	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$1,698	\$392	\$392	\$392	\$1,698
Total	\$11,099	\$8,782	\$8,160	\$11,084	\$11,183	\$8,487	\$11,096	\$9,345	\$8,049	\$9,788	\$9,855	\$9,850	\$9,375

** Tuition and Fees based on 15 Credit Hours



Financial Aid and Income Paying for COA Using Standardized COA: Income \$1 - \$24,999

4 Year Institutions

Paid by Grants:51.22%

Paid by Income:38.18%

2 Year Institutions

Paid by Grants: 45.96%

Paid by Income:37.71%



Financial Aid and Income Paying for COA Using Standardized COA: Income \$25,000 - \$44,999

4 Year Institutions

Paid by Grants: 35.92%

Paid by Income: 21.05%

2 Year Institutions

Paid by Grants: 34.18%

Paid by Income: 19.44%



Financial Aid and Income Paying for COA Using Standardized COA: Income \$45,000 – \$74,999

4 Year Institutions

Paid by Grants: 22.95%

Paid by Income: 14.79%

2 Year Institutions

Paid by Grants: 21.82%

Paid by Income: 13.15%



Average Student Loans

Student Loans 2004

2 yr Degrees	\$ 9,507
4 yr Degrees	\$17,414

Student Loans 2005

2 yr Degrees	\$ 8,707
4 yr Degrees	\$17,208

Parent (PLUS) Loans 2004

2 yr Degrees	\$ 7,149
4 yr Degrees	\$18,516

Parent (PLUS) Loans 2005

2 yr Degrees	\$ 8,021
4 yr Degrees	\$19,000



What Does It Cost to Administer Financial Aid ?

- 172 FTE state-wide, up from 131 in 2004
- \$8.5 M Personnel Costs
- \$1M non-Personnel Costs



Outsourcing Financial Aid Functions

Institutions across the country are increasingly outsourcing their enrollment management functions, including financial aid administration. Among the services provided by outsourcing firms are:

Enrollment Optimization

- Student financial aid advisement/scheduling
- Answer questions for potential and current students
- Counseling
- Completion of applications

Intake/Processing

- Processing applications
- Providing forms to students
- Document verification
- Entrance interviews
- C-Code documents



Additional Service Outsourcing Provided

Packaging/Certification

- File review and quality assurance
- Packaging
- Awards
- Certification

Disbursement

- Student eligibility reviews
- Scheduling of fund payments/cancellation

Refunds

- Calculating refunds for federal and state aid
- Accounting functions
- Funds disbursement and cancellation



Are State Policies aligned with each institution so they are measurable and maximize post-secondary participation?

- Institutions in Colorado clearly understand and follow Commission goals to focus on need-based students from the lowest income quartile
- Awarding policies vary widely between institutions and are confusing for students and parents and present barriers to the lowest income families



Should state aid funds be targeted first toward high-need, academically qualified residents to ensure no qualified student is denied access for real or perceived financial reasons?

There is no current policy built into financial aid that provides incentives to retain and graduate students; since this is a major goal with the implementation of CiC, it is important to consider options to providing these incentives

There are a variety of options that the Commission should review to determine if the current target group should include the most highly qualified or students that are well prepared.



Does the state financial aid program reinforce the objectives of the COF and CiC initiatives?

- These objectives may be thwarted by First In First Out(FIFO) policies that usually provide lower grant awards for students who are not among the early applicants for aid
- Non-transferability of grants may be a barrier to students who are the target group for the CiC program Annual awarding may also be a barrier for students in the lowest income group who are often the most hesitant to take out loans
- Differing policies among schools on whether loans are front- or back-loaded are confusing and sometimes discouraging to students



Is Colorado operating financial aid in the most efficient and effective manner possible?

- It is difficult to assess the effectiveness of the operations at each institution; \$9.5M is currently spent at public institutions to serve 129,000 students who receive 323,000 federal and/or state grants
- The Commission may want to encourage institutions to examine the efficiency and effectiveness of their operations and seriously consider outsourcing some of all functions



Is at least a portion of financial aid dollars used to encourage retention and graduation of students, especially under-represented students?

- There is no state policy tying allocation of funds to retention and graduation rates



Options

1. Centralize state aid
2. Outsource aid through phased pilot efforts with schools volunteering for that change
3. Provide specific funding amounts for students at each grade level, increasing the amount each year a student is retained
4. Add a retention/graduation policy to current financial aid policies
5. Provide guaranteed funding to need-based students that would add to the COF stipend based upon need and academic preparation/progress
6. Roll the Governor's Opportunity Scholarship Program into need-based aid



Recommendations

- Finalize the work being done on financial aid reform research in partnership with the institutions. Examine each option with use of financial aid data to determine:
 - Administrative feasibility of option
 - Integration of option with larger Commission CiC and COF goals including recruitment, retention and graduation of under represented students
 - Fiscal feasibility of option
 - Usefulness to students and families planning for college
 - Role of private and proprietary schools in policy changes