

TOPIC: FISCAL YEAR 2021-22 FINANCIAL AID ALLOCATIONS

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SUMMARY

This action item seeks approval of the Fiscal Year 2021-22 Financial Aid Allocations for the State’s undergraduate need, graduate need, work-study and career and technical education financial aid programs.

BACKGROUND

Pursuant to Colorado Revised Statutes (C.R.S.) 23-3.3-102 (2), each year the Colorado Commission on Higher Education (CCHE) allocates the state-funded, student financial aid appropriations to eligible higher education institutions. Financial aid in Colorado is decentralized; while allocations are made by the Commission, individual packaging decisions are made at the institutional level. The Commission does not make funding decisions for individual students. The CCHE’s financial aid policy, Section VI F, describes goals, aid programs and eligibility.

The financial aid policy is guided by the following three principles:

1. Maximize the amount of financial aid funds available to Colorado residents;
2. Direct state need-based dollars to students with the least ability to pay; and,
3. Recognize that students can make choices that impact what they pay, such as working or earning scholarships.

The Fiscal Affairs and Audit committee (FAA) discussed the allocations for the Colorado Student Grant, the Graduate Grant, Colorado Work-Study program, and the Career and Technical Education grant at its February, March, and April meetings.

At the time of writing, the Long Bill currently moving through the General Assembly increases need-based financial aid by 10.7 percent, or approximately \$17.5 million, for FY 2021-22. The appropriation for the Fort Lewis Native American Tuition Waiver (FLNAW), which provides payments to Fort Lewis College for Native American student tuition waivers as mandated by Section 23-52-105 C.R.S., also grew by approximately \$2.3 million based on enrollment growth. All other programs were held at FY 2020-21 levels. Table 1 shows FY 2021-22 appropriations as reflected in the Long Bill at the time of writing by program type compared to current year appropriations.

Table 1: FY 2021 and Current Long Bill FY 2022 General Fund Financial Aid Appropriations

	FY 21 Appropriation	FY 22 Appropriation	\$ Change	% Change
Undergraduate & Graduate Need	\$163,314,446	\$180,825,470	\$17,511,024	10.7%
Work Study	\$23,129,178	\$23,129,178	\$0	0%
Career and Technical Education (CTE)	\$450,000	\$450,000	\$0	0%

Dependent Tuition Assistance Program (DTAP)	\$956,000	\$956,000	\$0	0%
FLNAW	\$21,790,595	\$24,045,076	\$2,254,481	10.4%
Total	\$209,640,219	\$229,405,724	\$19,765,505	9.4%

III. STAFF ANALYSIS

The following discusses the types of state funded financial aid as currently included in the FY 2021-22 Long Appropriations Bill.

Need-Based Aid - \$180,825,470

Need-based aid is distributed via two formulas, the Completion Incentive Grant model (also referred to as the Colorado Student Grant or CSG model) and the Critical Careers Graduate Grant. Additional details on both models are available below. All models and allocations were reviewed by the institutional financial aid directors in addition to the FAA committee.

A. Completion Incentive Grant (Colorado Student Grant) - \$167,522,538

The Completion Incentive Grant Program, also referred to as the Colorado Student Grant (CSG) is awarded to undergraduate students with demonstrated financial need. The Commission initially approved this model in 2013 and first implemented the approach in FY 2013-14. Allocations are based on the number of full-time equivalent (FTE) Pell-eligible students at each institution with differential dollar allocations based on the number of FTE at each grade level. The goal of the undergraduate need-based aid model is to: incentivize institutions to meet CCHE Master Plan goals by encouraging institutions to support student progress and timely completion; target aid to the neediest students; and ensure consistent annual predictability for financial aid administrators.

The CSG allocation method provides more aid to institutions who enroll students with the highest demonstrated need by providing a set amount for each Pell-eligible FTE and increasing that amount of aid awarded to the institution incrementally by student grade-level. This is intended to incentivize institutions to improve retention and progress of Pell-eligible students.

To encourage institutions to support timely completion, the model also includes an upper limit for advanced seniors – students who have reached their Pell Lifetime Eligibility Used (LEU) as determined by federal financial aid processing documents. Institutions receive the same allocation for advanced seniors as they do for freshman students.

Stability is a key tenant of the need-based financial aid funding model. Therefore, a guardrail provision has been used every year to ensure no large fluctuations in allocations to the institutions. Typically, both lower and upper guardrails are imposed, limiting the percentage decrease or increase in allocations.

Pell-eligible students are those with an expected family contribution (EFC) between \$0 and \$5,576, which is the amount necessary to qualify for a Federal Pell Grant. Institutions are allocated an amount based on projected Pell-eligible FTE, with amounts increasing for each grade level.

In the scenario discussed with the FAA and recommended by the financial aid directors' advisory group, the starting amount allocated based on one freshman FTE increased from \$2,020 to \$2,450, and the incremental increase between grade levels remained constant at 340 dollars. This model includes a guardrail provision with a lower guardrail of +5 percent and an upper guardrail of +20 percent, which means that at minimum an institution's allocation will increase 5 percent over the prior year's allocation. The guardrail is designed to provide predictability for institutions while acknowledging enrollment shifts.

B. Critical Careers Funding for Graduate Students (Graduate Grant) - \$12,826,738

This program allocates need-based financial aid for graduate students enrolled in critical career programs as identified by National Science and Mathematics Access to Retain Talent Program. Critical Career Grant allocations are based on the number of graduate students that meet Pell-eligibility requirements and are enrolled in the list of approved programs.

Work Study Financial Aid - \$23,129,178

Colorado's Work Study Program allows students to earn funds to assist in attending eligible educational institutions. This is considered a form of "self help" assistance since the student is earning money to help meet educational costs. Employment may be in jobs at eligible Colorado educational institutions, non-profit organizations, governmental agencies, or for-profit organizations. At least 70 percent of work study funds must be awarded to students with documented financial need. FY 2021-22 funding for work study remained flat to the prior year, although some technical adjustments have been made.

Merit Aid - \$0

The JBC voted to eliminate \$5 million in merit-based funding in the FY 2020-21 Long Bill. The allocation was previously based upon the eligible FTE at each campus. This program has not been restored for FY 2021-22.

Career and Technical Education - \$450,000

HB 15-1275 was part of the package of workforce bills that passed during the 2015 legislative session. It is intended to support low-income students pursuing credentials in Career and Technical Education (CTE) programs that are too short to be eligible for a Pell grant. CTE allocations have remained the same since the program's creation; in FY 2021-22 the Department proposes updating the model to reflect actual completions data in eligible programs, with new allocations being phased in over multiple years to preserve stability in allocations from year to year.

Categorical Financial Aid – see Table 2 below

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. **Table 2** details the 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. Cost increases are tied to enrollment shifts and tuition levels. DTAP provides financial support for dependents of law enforcement, firefighters, and eligible military personnel who were injured in the line of duty. The program is authorized in state statute. The FY 2020-21 increase provided to DTAP came at the expense of the state work-study program in light of ongoing caseload growth and statutory obligations to fund this program before any other state-funded financial aid program. The FY 2021-22 DTAP allocation remains flat with the prior year.

Table 2: Summary of State Categorical Financial Aid Programs

	2019-20	2020-21	2021-22
FLNAW	\$19,626,043	\$21,790,595	\$24,045,076
DTAP	\$672,000	\$956,000	\$956,000

Proprietary Institutions

Five private for-profit institutions currently receive allocations of state financial aid. All five institutions receive a Colorado Student Grant allocation, and Rocky Mountain College of Art and Design (RMCAD) receives an additional allocation of Colorado Work Study. However, proprietary institutions do not participate directly in the funding allocation models; instead, they receive an increase (or decrease) in CSG proportional to the increase (or decrease) in the need-based aid line overall. Similarly, RMCAD receives an increase (or decrease) in work study in proportion to the overall increase (or decrease) in the work study line overall.

The legislature has included the following footnote in the Long Bill (state budget bill) regarding appropriations for state financial aid:

To ensure the most efficient and effective use of state funded financial aid resources, it is the General Assembly's intent that the Commission prioritize allocations for students attending public institutions of higher education and reduce priority for allocations for students attending for profit institutions of higher education.

Footnotes in the Long Bill do not have the force of law. Therefore, the Commission is not required to make any changes to financial aid allocations based on the footnote. However, staff recommends that the Commission consider the footnote and determine whether to make any changes to financial aid allocations to for profit institutions.

Proprietary institutions are already significantly deprioritized in financial aid allocations, as demonstrated in the below table:

	2020-21 CSG Allocation	2020-21 CSG FTE	Per FTE Allocation
Proprietary	\$761,148	4,175	\$182
Statewide	\$150,581,228	59,861	\$2,516

If the Commission elects to treat proprietary institutions in the same way as in the past, each institution would receive a 10.7 percent increase to its financial aid allocation. Alternatively, the Commission could elect to hold allocations for proprietary institutions flat, or begin the process of

decreasing and eventually eliminating financial aid allocations to the five participating proprietary schools. If past methodology is maintained, RMCAD would receive a slight adjustment to their work study allocation, in line with all other institutions in work study. Alternatively, the Commission could begin to decrease their allocation. The FAA is scheduled to discuss this issue and hear from impacted schools at its April 30 meeting; staff will provide an update on the outcome of that discussion at the full Commission meeting as it is not available at the time of writing.

The allocations in Attachment A treat proprietary institutions as they have previously been treated. Depending on how the Commission decides to act on proprietary institutions, there may be technical adjustments to the allocations, which, by request, staff could bring back to the full Commission for approval in June.

IV. STAFF RECOMMENDATION

Staff recommend approval of the Fiscal Year 2021-22 Financial Aid Allocations provided in Attachment A.

V. 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: Fiscal Year 2021-22 Financial Aid Allocations Summary