



State Council of
Higher Education for Virginia

Overview of Financial Aid and the Use of Tuition for Financial Aid

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Overview

- Review of the Allocation Methodology (“The Partnership Model”)
- Factors Driving Financial Need
- Institutional Aid
- Use of Tuition for Financial Aid

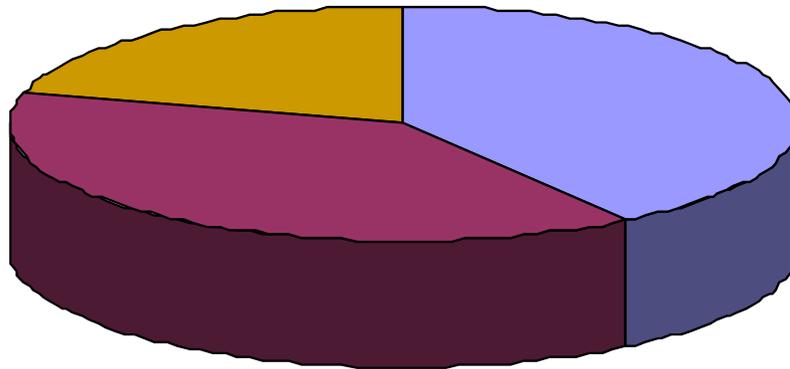


The Partnership Model

Recommends that the state fund 100% of calculated student need.

- Assigns a percentage of Cost of Attendance to other stakeholders thus recognizing the “partnership” necessary to meet student need.
- By setting aside a portion of the Cost of Attendance on the front end of the formula, this methodology directs more funds toward institutions with the neediest students.

Step 1: Build Cost of Attendance



Cost of Attendance

- Tuition & Fees – 40.5%
- Room & Board – 38.8%
- Indirect Costs – 20.7%

Tuition/Fees: Current year multiplied by the projected increase for tuition and E&G fees / non-E&G fees.

Room & Board: Current year multiplied by estimated percentage increase.

Indirect Costs: Books, supplies, transportation, and personal expense allowances. Estimate percentage increase.



Step 2: Calculate Student Need

Cost of Attendance

- 30% of COA (state “set aside”)
 - Expected Family Contribution
 - Gift Aid (all sources, except endowment)
- = Student Need

If student need is greater than tuition and fees, then reduce to tuition and fees.

Aggregate for each institution.

Institutional Need Numbers

| Institution | FY12 Funds | Partnership Model Need for FY13 |
|-------------------------------------|----------------------|---------------------------------|
| Christopher Newport University | \$4,170,020 | \$8,370,987 |
| College of William & Mary | \$2,991,549 | \$4,809,309 |
| George Mason University | \$13,905,927 | \$34,681,923 |
| James Madison University | \$6,739,671 | \$14,052,390 |
| Longwood University | \$3,779,258 | \$8,287,000 |
| Norfolk State University | \$7,001,393 | \$17,249,156 |
| Old Dominion University | \$15,003,600 | \$35,699,484 |
| Radford University | \$6,788,383 | \$12,756,281 |
| University of Mary Washington | \$1,616,233 | \$4,429,342 |
| University of Virginia | \$5,307,327 | \$9,417,918 |
| University of Virginia - Wise | \$1,911,488 | \$3,879,711 |
| Virginia Commonwealth University | \$19,064,257 | \$44,353,707 |
| Virginia Military Institute | \$799,232 | \$1,445,365 |
| Virginia State University | \$5,393,470 | \$12,982,488 |
| Virginia Tech | \$13,903,428 | \$25,637,194 |
| Four-Year Institution Totals | \$108,375,236 | \$238,052,255 |
| Richard Bland College | \$381,736 | \$1,640,277 |
| Virginia Community College System | \$32,449,179 | \$121,770,293 |
| Two-Year Institution Totals | \$32,830,915 | \$123,410,570 |
| Totals | \$141,206,151 | \$361,462,825 |





Historical Guideline Funding

Percent of VSFAP Funded and Total Appropriation By Year

| | | |
|----------------|--------------|------------------------|
| 2006-07 | 55.5% | \$95.1 million |
| 2007-08 | 60.5% | \$108.8 million |
| 2008-09 | 60.5% | \$118 million |
| 2009-10 | 60.9% | \$128 million |
| 2010-11 | 54.9% | \$128 million |
| 2011-12 | 47.8% | \$141.2 million |



Factors Driving Financial Need

Family resources are strained

- From 2008 (FY09) to 2009 (FY10), there was a **18.7%** increase in Virginia students completing the FAFSA.
- In FY09, 68,716 in-state students received a Pell grant at a public institution while in FY10 that number increased to 95,514, a **39%** increase.
- The Expected Family Contributions used in the Partnership Model declined **8.6%**.



Factors Driving Financial Need

Costs are going up

- For 2011-12, tuition and fees increased by **7.9%**.
- Room and board costs increased by **4.4%**.
- Other costs also are increasing.
 - Gas prices increased about **40%** last year.



Factors Driving Financial Need

Student need is increasing. Institutional costs are a factor, but at this time, the economy is the principal driver.

- 27% increase in the number of students demonstrating need in the formula (up from 80,044 to 101,636).
- 22.3% increase in recommended funding under the Partnership Model.
- SCHEV recommended an additional **\$18 million** in each year for 2012-14.



Introduced Bill

- With the Governor's recommendation of adding **\$6.4** million,
 - the undergraduate portion of student aid will total **\$147.6** million.
 - This will result in the percent of VSFAP recommendations funded at **40.8%**.
 - Will partially address the need of more than 100,000 eligible students, a **27%** increase over the previous year.



Institutional Aid Policy and Practices

Interaction of Programs

- Dozens of different aid programs available from federal and state government.
- Many more institutional and private programs.
- Each has a unique purpose and its own individual requirements.
- Colleges must balance these differing missions into financial aid packages for thousands of students.



Institutional Aid Policy and Practices

Awards Process

- Practices vary according to two basic principles:
 - “Spreading it thick”: Provide fewer students with higher amounts of aid.
 - “Spreading it thin”: Provide smaller awards to larger numbers of students.
- Policies vary and reflect such institutional differences as the income distribution of students and availability of resources.



Institutional Aid Policy and Practices

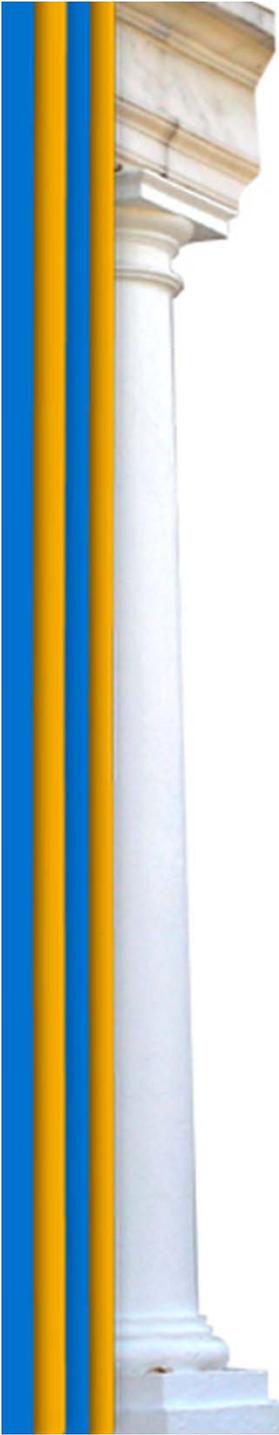
- Most institutions have internal financial aid awarding policies and strategies based on the needs of their students and available resources.
- Some institutions have made public commitments as part of their management agreements:
 - UVA: Access UVA
 - W&M: Gateway
 - Virginia Tech: Funds for the Future



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 1936, legislation establishes “unfunded scholarships” in the Code of Virginia. The program authorizes institutions, within prescribed limits, to provide student scholarships to be applied exclusively to the remission of “instructional charges” (later modified to “tuition and required fees”).
- 1991, the first time the Student Financial Assistance appropriation for an institution included support from other than the general fund. The UVA appropriation included \$1.5 million from Higher Education Operating funds (tuition revenue) for student financial assistance.
- 1999, Appropriation Act includes language directing institutions to absorb cost of “discretionary waivers.” *“It is the intent of the General Assembly that, effective July 1, 2000, any institution of higher education granting new tuition waivers to in-state or out-of-state students not authorized by the Code of Virginia must absorb the cost of any discretionary waivers.”*



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2007, the General Assembly established the Higher Education Tuition Incentive Fund. A total of \$7.2 million in general fund was authorized to institutions that limited the increase of tuition and mandatory E&G fees for in-state undergraduate students to no more than 6% for the 2007-08 academic year. Institutions were given authority to exceed the 6% limit (up to the tuition increase rates in their six-year plans) if the additional revenue is used solely to increase student financial aid for in-state undergraduates.
- 2008, the General Assembly continued the incentive fund concept with the Higher Education Tuition Moderation Incentive Fund. A total of \$17.5 million in general fund was authorized for institutions that voluntarily limited the increase of tuition and mandatory E&G fees to no more than 4% (3% for E&G operations and 1% for student financial aid) in each year of the 2009-10 biennium.



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2009, The State Council of Higher Education, recognizing that tuition increases at Virginia's public colleges and universities would be necessary to offset general fund budget reductions, recommended that institutions be required to dedicate between 5% and 30% of tuition increases (depending on each institution's circumstances) to need-based financial aid for in-state students. This range was based on practices in other states at the time.
- 2011, The Virginia Higher Education Opportunity Act of 2011 ("Top Jobs Act" or "TJ21") required the governing board of each public institution of higher education to develop and adopt a six-year plan. A part of the six-year plan requirement was the inclusion of "plans for providing financial aid to help mitigate the impact of tuition and fee increases on low-income and middle-income students and their families..."



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2011, SCHEV made the following observation: “For several years, colleges and university have set aside a portion of general tuition revenue to be used for student financial aid. Based on the institutions’ six-year plan meetings, it appears that colleges and universities increasingly are turning to tuition revenue to help address their financial aid needs. This is a significant policy issue that needs additional analysis. SCHEV recommends that the Governor and the General Assembly establish a means by which SCHEV and the colleges and universities can assess the extent of the practice; evaluate its effectiveness; and establish criteria for a fair and equitable allocation of resources.”



Tuition-Generated Student Financial Aid

The Commonwealth's Evolving Policy

- 2011, Governor's 2012-14 Introduced Budget Language: "The amount of tuition and fee revenue generated from in-state students that is used to support financial aid shall remain at the levels appropriated for this purpose in the 2012-14 biennium. The Higher Education Advisory Committee shall evaluate the appropriate use of tuition and fee revenue generated from in-state students that is used to support financial aid with the goal of enhancing affordability for low-income and middle-income students and their families."

Tuition-Generated Student Financial Aid

Tuition Revenue Budgeted for Student Financial Aid *

| Institution | 2012-13 |
|--------------|----------------------|
| GMU | \$8,491,000 |
| ODU | \$0 |
| UVA | \$59,400,000 |
| VCU | \$8,050,000 |
| VT | \$0 |
| CWM | \$13,239,970 |
| CNU | \$475,000 |
| UVA-W | \$50,000 |
| JMU | \$3,541,460 |
| LU | \$0 |
| UMW | \$750,000 |
| NSU | \$3,500,000 |
| RU | \$1,907,471 |
| VMI | \$1,700,000 |
| VSU | \$3,346,471 |
| RBC | \$0 |
| VCCS | \$5,838,954 |
| Total | \$110,290,326 |

Note: *Proposed nongeneral fund appropriations generated from tuition revenue within program 108 in the Governor's introduced budget.

Tuition and Fee Revenue for In-State Student Financial Aid

| | 2009-10 | 2010-11 | 2011-12 | | | |
|--------------|---------------------|---------------------|---------------------|---|------------------------|----------------|
| | NGF for Fin. Aid | NGF for Fin. Aid | NGF for Fin. Aid | Revenue is from E&G or Financial Aid Appropriations | Total T&F Revenue | % Aid to Total |
| GMU | \$3,150,000 | \$3,720,000 | \$3,750,000 | Program 108 | \$260,884,706 | 1.4% |
| ODU | \$3,158,004 | \$3,689,544 | \$4,689,544 | E&G | \$115,677,536 | 4.1% |
| UVA | \$14,655,050 | \$10,660,000 | \$25,079,000 | Program 108 | \$373,897,000 | 6.7% |
| VCU | \$3,750,000 | \$12,050,000 | \$8,050,000 | \$3.78m in E&G, \$4.3m in pgm108 | \$281,612,371 | 2.9% |
| VT | \$5,032,132 | \$6,078,756 | \$7,275,584 | E&G | \$340,607,776 | 2.1% |
| CWM | \$1,760,000 | \$3,100,000 | \$3,413,791 | Program 108 | \$105,557,062 | 3.2% |
| CNU | \$427,500 | \$450,000 | \$450,000 | in both E&G and 108 programs | \$29,189,650 | 1.5% |
| UVA-W | \$35,000 | \$35,000 | \$50,000 | E&G | \$7,454,689 | 0.7% |
| JMU | \$2,470,406 | \$2,966,802 | \$3,271,137 | Program 108 | \$167,289,524 | 2.0% |
| LU | \$851,055 | \$976,033 | \$1,106,711 | E&G | \$28,361,163 | 3.9% |
| UMW | \$475,000 | \$625,000 | \$725,000 | E&G | \$38,515,000 | 1.9% |
| NSU | \$1,735,049 | \$1,298,005 | \$1,298,005 | E&G | \$31,656,964 | 4.1% |
| RU | \$1,365,434 | \$1,907,471 | \$1,907,471 | Program 108 | \$55,280,939 | 3.5% |
| VMI | \$57,066 | \$60,926 | \$80,000 | in both E&G and 108 programs | \$24,001,000 | 0.3% |
| VSU | \$623,000 | \$1,503,928 | \$2,144,249 | Program 108 | \$40,833,336 | 5.3% |
| RBC | \$40,000 | \$50,000 | \$60,000 | E&G | \$4,150,000 | 1.4% |
| VCCS | \$6,393,188 | \$4,073,156 | \$4,100,000 | \$2.6m in E&G, \$1.5m in pgm 108 | \$503,698,562 | 0.8% |
| Total | \$45,977,884 | \$53,244,621 | \$67,450,492 | | \$2,408,667,278 | 2.8% |





In Summary

- Small increases in tuition for a larger group can make a meaningful difference in helping others afford college.
- At some point, contributions from the larger group create an ever greater number of students needing assistance. The added tuition and fee increases needed to maintain a level of affordability for all becomes less sustainable.



In Summary

- Where the two meet can be referred to as a “tipping point” where the larger group is no longer able to provide support to those with need.
- Institutions continue to balance competing needs to maintain access, quality and affordability within the resources available.



In Summary

- Questions?