



State Council of
Higher Education for Virginia

A Review of Student Financial Assistance

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Lee Andes
Assistant Director for Financial Aid



Student Financial Assistance

- Variously known as:
 - Virginia Student Financial Assistance Program
 - Program 108, general fund
 - Need-based state financial aid

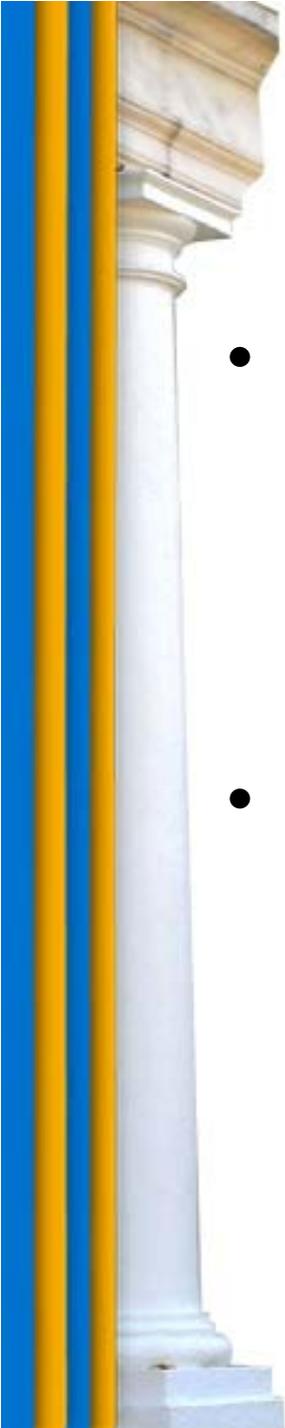
1 Appropriation = 2 Programs

- Awarded as either:
 - Virginia Commonwealth Award
 - Need-based
 - Virginia domicile
 - Enrolled at least half-time
 - Virginia Guaranteed Assistance Program
 - Need-based and Virginia domicile
 - Enrolled at full-time
 - Dependent student (initial award)
 - Minimum GPA of 2.5 high school and 2.0 college
 - **VGAP award must be higher than Commonwealth Award for students with same level of need**



Funding Model

- The role of the funding model as used by SCHEV:
 - Provides a basis for recommending funding levels for student aid
 - Provides a means of tracking annual funding progress
 - Serves as an allocation model
 - Is not an affordability measure
 - Does not determine individual student awards
 - Does not represent all of student financial need



Brief History

- SCHEV funding models use most recent student-specific data from institutions – 2010-11
 - Actual student enrollment/living behavior
 - Actual family contribution and gift aid
- Calculate projected Cost of Attendance for each student
 - Take current tuition/fees and cost items (2012-13) and project cost increases for the target year – 2013-14



Brief History

- 1985 – 2005: 50% of Remaining Need
 - Calculate student cost of attendance (COA)
 - Subtract family contribution (EFC) and gift assistance
 - Reduce to tuition and fees
 - Goal to fund at 50 percent

Brief History

- 2005-present: Partnership Model
 - Calculate student cost of attendance (COA)
 - Reduce COA by 30 percent (20% for 2-yr inst.)
 - Subtract family contribution (EFC) and gift assistance
 - Reduce to tuition and fees
 - Fund at 100 percent



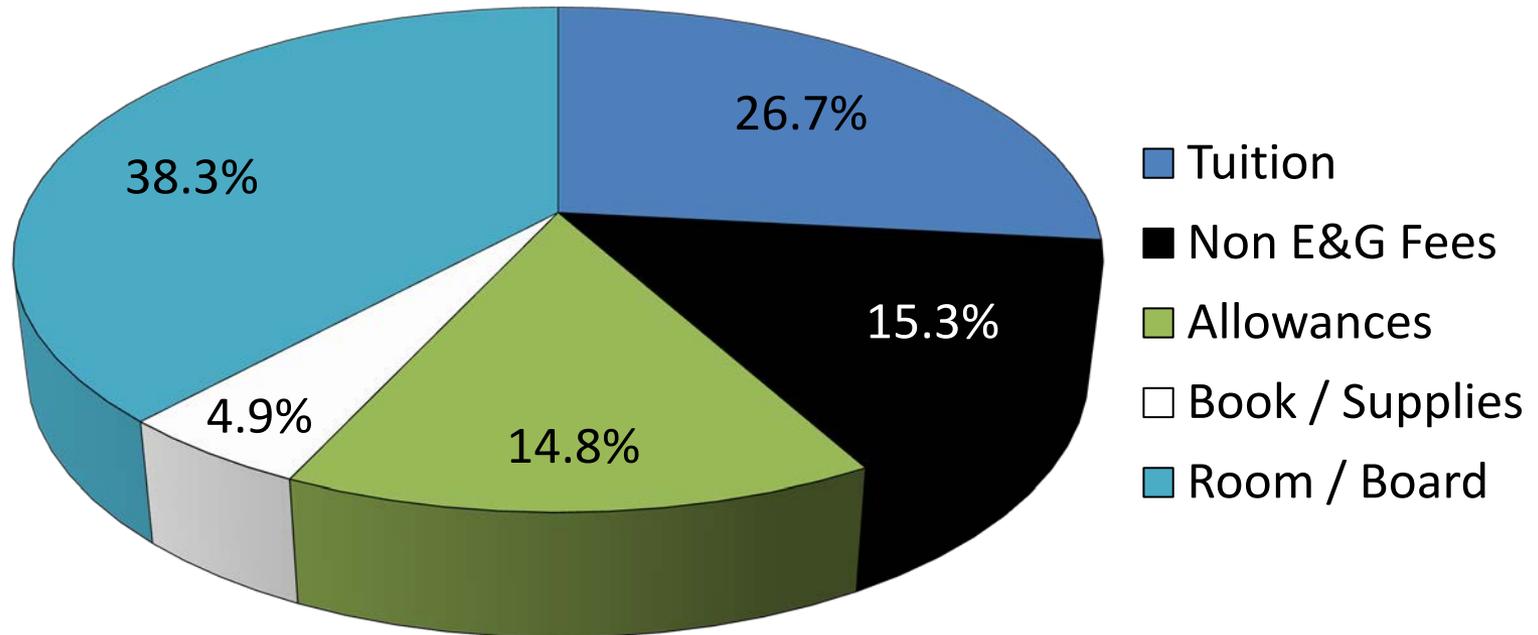
Primary Difference in Models

- Each funding model utilizes a “set aside” that recognizes there are other sources of assistance available so a portion of need is subtracted out of the calculation.
 - The “50% of Remaining Need” model carried a 50 percent “set aside” at the end of the calculation.
 - The Partnership Model has a 30/20 percent “set aside” at the beginning of the calculation.

Why the change?

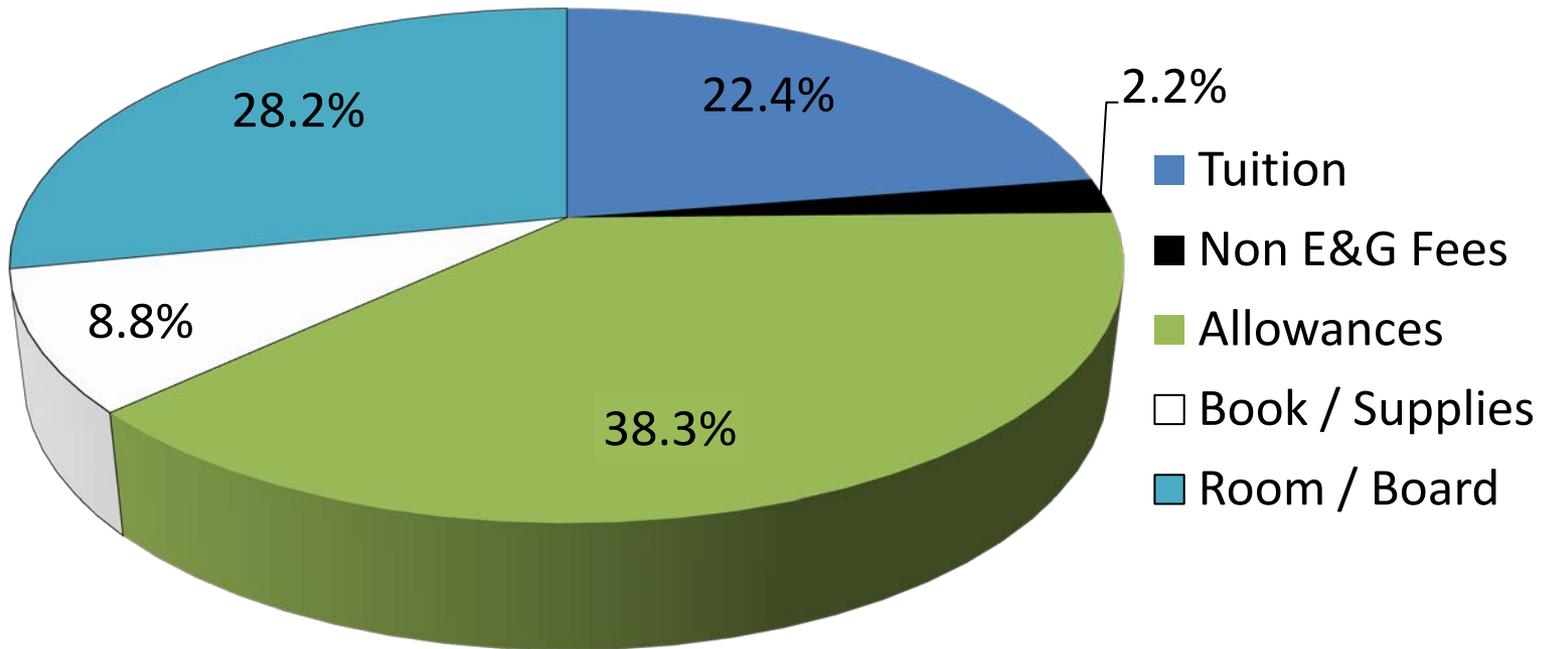
- By moving the “set aside” from the end of the calculation (RN) to the beginning (PM), the model does a superior job of allocating funds to the institutions with students having the largest financial need.
- The 30 percent reduction (20 percent for 2-year colleges) was used because it originally resulted in the same total dollars recommended under the Remaining Need model.

4-Year Institutions



- The Partnership Model subtracts 30 percent of cost of attendance off the top

2-Year Institutions



- For two-year colleges, the Partnership Model sets aside 20 percent of cost; again, in effort to maintain similar funding levels under the 50% of Remaining Need model.



Factors Impacting Need

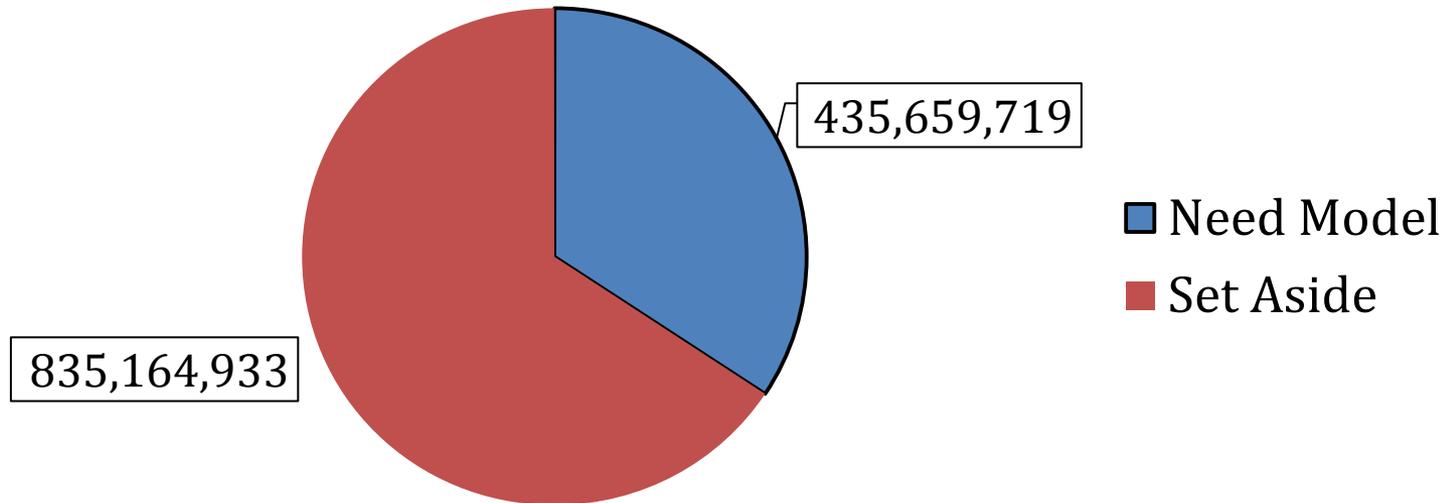
- The percent of need met by state funds continues to shrink despite frequent large infusions of funds due to:
 - Increases in tuition and fees
 - Increases to other cost factors (room/board, travel)
 - Decrease in family resources (in some recent years, the average EFC declined)
 - Increase in % students filing for need-based aid

Changes in Percent of Need Met

	VSFAP Appropriations	Percent Projected Need Met	"Projected " Number of Students with Need for the Year
2007-08	108,808,782	60.5%	67,077
2008-09	117,967,023	60.5%	64,419
2009-10	127,967,023	60.9%	66,103
2010-11	127,967,023	54.9%	71,033
2011-12	141,206,151	47.8%	80,044
2012-13	149,512,224	41.4%	101,636
2013-14	149,512,224	34.6%	117,461

Total Student Need

Total Student Need at Public Institutions, 2013-14



- Total systemic financial need (Cost of Attendance less family contribution and gift aid) = \$1.27 billion.
- After reducing costs by 30 percent and holding individual need to no more than tuition and fees, the PM model recognizes just \$435 million of total need.



Student Management of Need

- With large amounts of need unmet, how do students enroll into college?:
 - State need-based assistance
 - Self-help (loans and work study)
 - Increases from current resources (EFC, gift aid, etc)
 - Endowments (institutional endowments are not included in the calculation)
 - Hidden gift aid (cash gifts from extended family or scholarship providers)
 - Lifestyle choices (take on more roommates, share driving, living at home)
 - Reduced cost of attendance (bargain shop for books)

Student Loans

- Student loans continue to increase but its meaning is still unclear:
 - According to ProjectOnStudentDebt.com, Virginia's average debt for graduating senior borrowers increased from \$23,327 for the class of 2010 to \$24,717 in 2011 (23rd in country).
 - The “three-year default rate” has been creeping up since the recession but Virginia at 10.7% is still below the national average (13.4%).
 - In addition to increased costs, borrowing has risen along with:
 - reduction of other borrowing options,
 - increases in federal borrowing limits,
 - historically low interest rates, and
 - implementation of Income Based Repayment which assures an affordable monthly payment.

Distribution of State Funds

Increase In Tuition/Fees	Additional \$ into E&G	Additional \$ into Financial Aid	Cost to State	New % Met	Impact on Non Grant Students	Impact on Grant Students	Grant Recipients to NonGrant Recipients
7%	\$0	\$45,000,000	\$45,000,000	44.3%	(694)	(513)	181
6%	\$15,000,000	\$30,000,000	\$45,000,000	41.3%	(595)	(539)	56
5%	\$30,000,000	\$15,000,000	\$45,000,000	38.2%	(496)	(565)	(69)
4%	\$45,000,000	\$0	\$45,000,000	35.1%	(397)	(592)	(195)

- Using funds solely for either E&G or financial aid would each benefit some students at the expense of others.
- The optimal approach is a blended distribution.

Caveats

Increase In Tuition/Fees	Additional \$ into E&G	Additional \$ into Financial Aid	Cost to State	New % Met	Impact on Non Grant Students	Impact on Grant Students	Grant Recipients to NonGrant Recipients
7%	\$0	\$45,000,000	\$45,000,000	44.3%	(694)	(512.5)	-26.2%
6%	\$15,000,000	\$30,000,000	\$45,000,000	41.3%	(595)	(538.7)	-9.5%
5%	\$30,000,000	\$15,000,000	\$45,000,000	38.2%	(496)	(564.9)	13.9%
4%	\$45,000,000	\$0	\$45,000,000	35.1%	(397)	(591.6)	49.1%

- For purposes of this exercise, assumptions were made on the dollars needed to impact tuition/fees by one percent and the resulting percent increase. Actual dollars and percent increases will vary, but the relationship between the extremes and the intermediary positions should hold up and support a blended distribution.
- All numbers reflect high-level macro averages and include both 4-yr and 2-yr institutions. Actual impact at the individual student level will vary significantly by institution and even within institutions.

Budget Recommendations

The following is a summary of recommendations reflected within the Governor's Introductory Budget, unless otherwise noted:

- Virginia Student Financial Assistance Program
 - SCHEV recommends \$26.9 million in order to maintain FY13 levels of need met.
 - The Introductory Budget provides \$1.9 million.
- Virginia Tuition Assistance Grant Program (TAG)
 - SCHEV recommends that \$3.8 million of FY13 funds, projected to not be utilized in FY13, be moved to FY14.
 - This move would enable the award to be increased to \$3,100/\$1,500 for undergraduate and graduate students respectively.
- Virginia Military Survivors and Dependent Education Program
 - Dept. of Veteran's Services recommends, and SCHEV supports, that the stipend portion of the program be raised from \$1,500 to \$2,000.
 - An additional \$600,000 has been recommended to enable the stipend to keep up with cost increases.
- College Scholarship Assistance Program
 - The federal matching program has been defunded.
 - SCHEV recommends that the \$4.4 million in CSAP funds be repurposed to support student retention and graduation.

Virginia Tuition Assistance Grant Program

Annual TAG Data

Fiscal Year	Annual Award Amount	Total Unique Recipients*
2002-03	\$2,252 / \$1,725	17,173
2003-04	\$2,210 / \$1,700	17,508
2004-05	\$2,500 / \$1,900	18,509
2005-06	\$2,500 / \$1,900	19,427*
2006-07	\$2,750 / \$1,900	20,071*
2007-08	\$3,200 / \$1,900	21,202*
2008-09	\$3,190 / \$1,890	21,100
2009-10	\$3,000 / \$1,300	21,495
2010-11	\$2,600 / \$1,130	22,182*
2011-12	\$2,750 / \$1,200	22,499*
2012-13	\$2,800 / \$1,300	TBD

* Numbers include late applicants

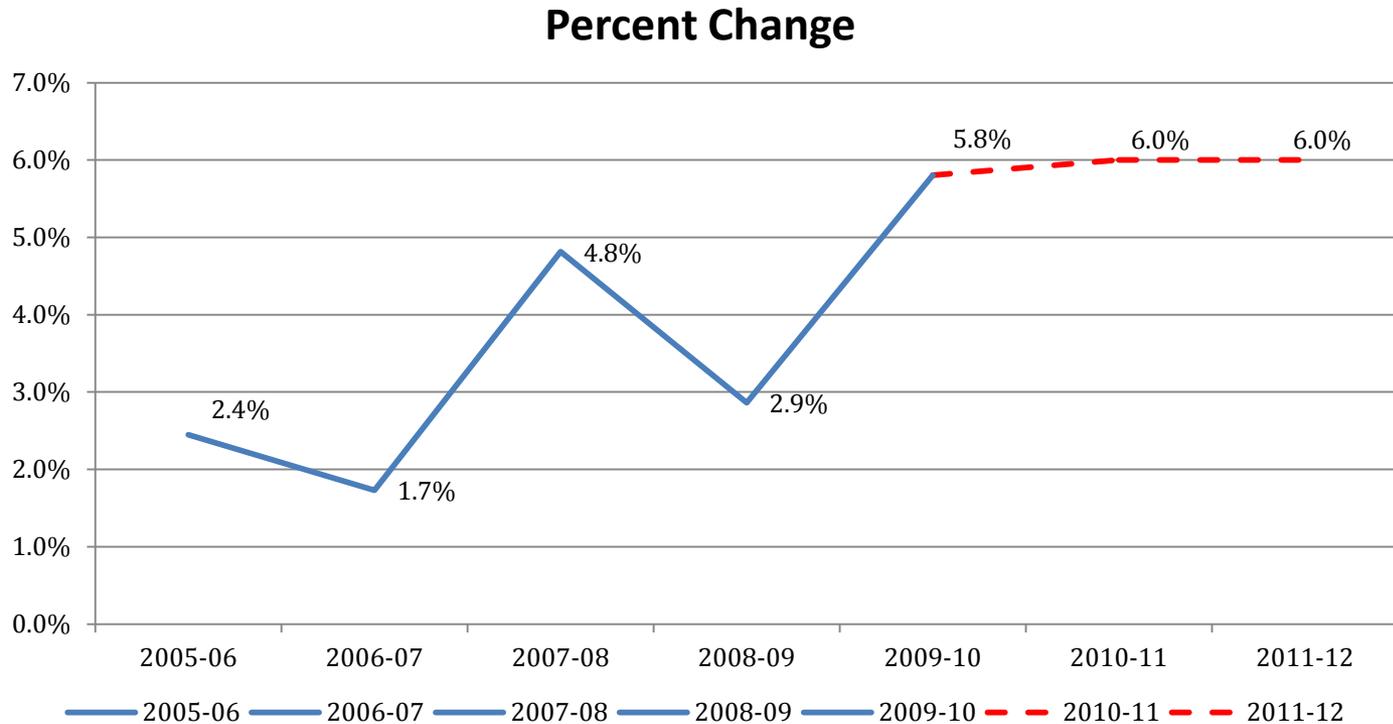
Current proposal to raise the award to \$3,100/\$1,500 for FY2014, still short of the high of \$3,200/\$1,900 in 2007-08.



TAG Funding Recommendations

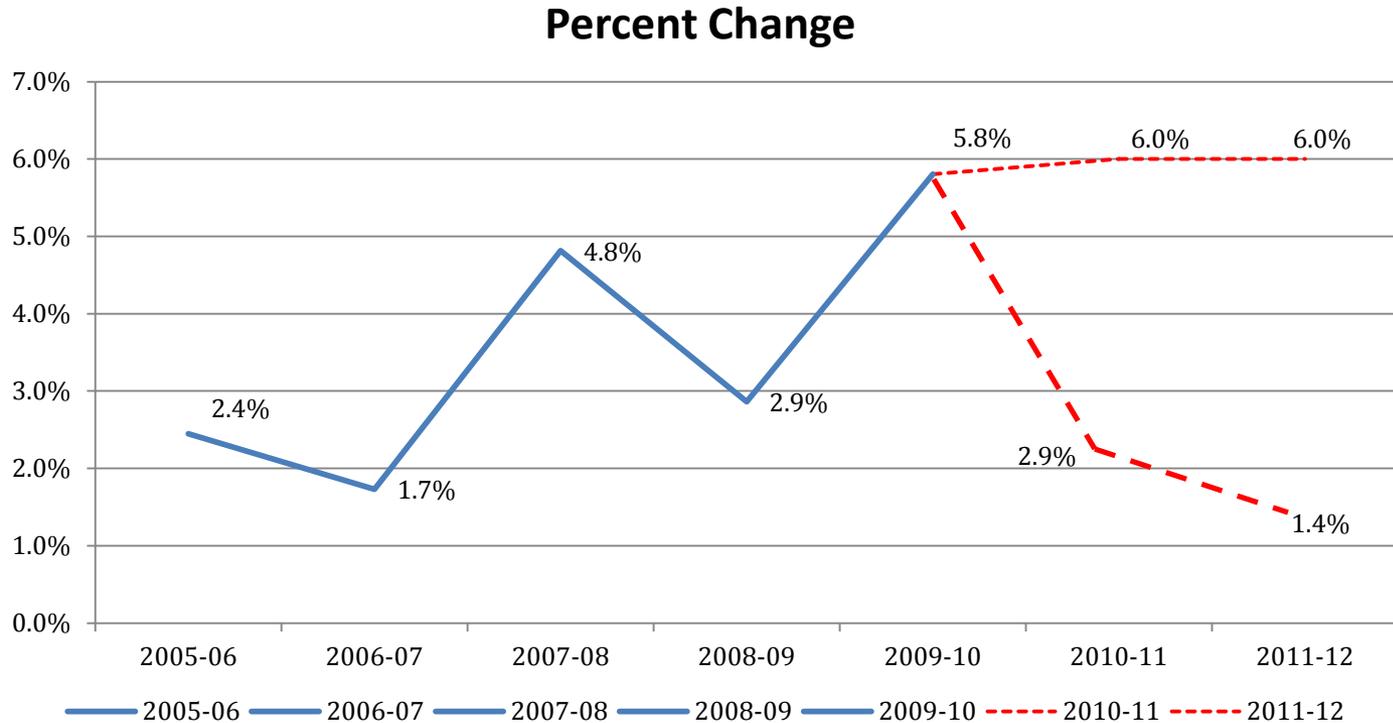
- TAG funding recommendations are based on projections of the number of students eligible for the fall term and goals for annual award amount.
- Factors such as historical trends and high school graduation rates are considered.

TAG Participation Trends



- An important part of projecting future trends, is the number of undergraduate students eligible in past fall terms. The typical percent increase ranged between 1% and 4% until 2007-08. When the increase then reached 5.8% in 2009-10 (first full academic year after the recession began) SCHEV determined this was a new trend, and not an anomaly, demonstrating a strong trend back to education during down economic times. SCHEV forecast a 6 percent increase over the next biennium.

TAG Participation Trends



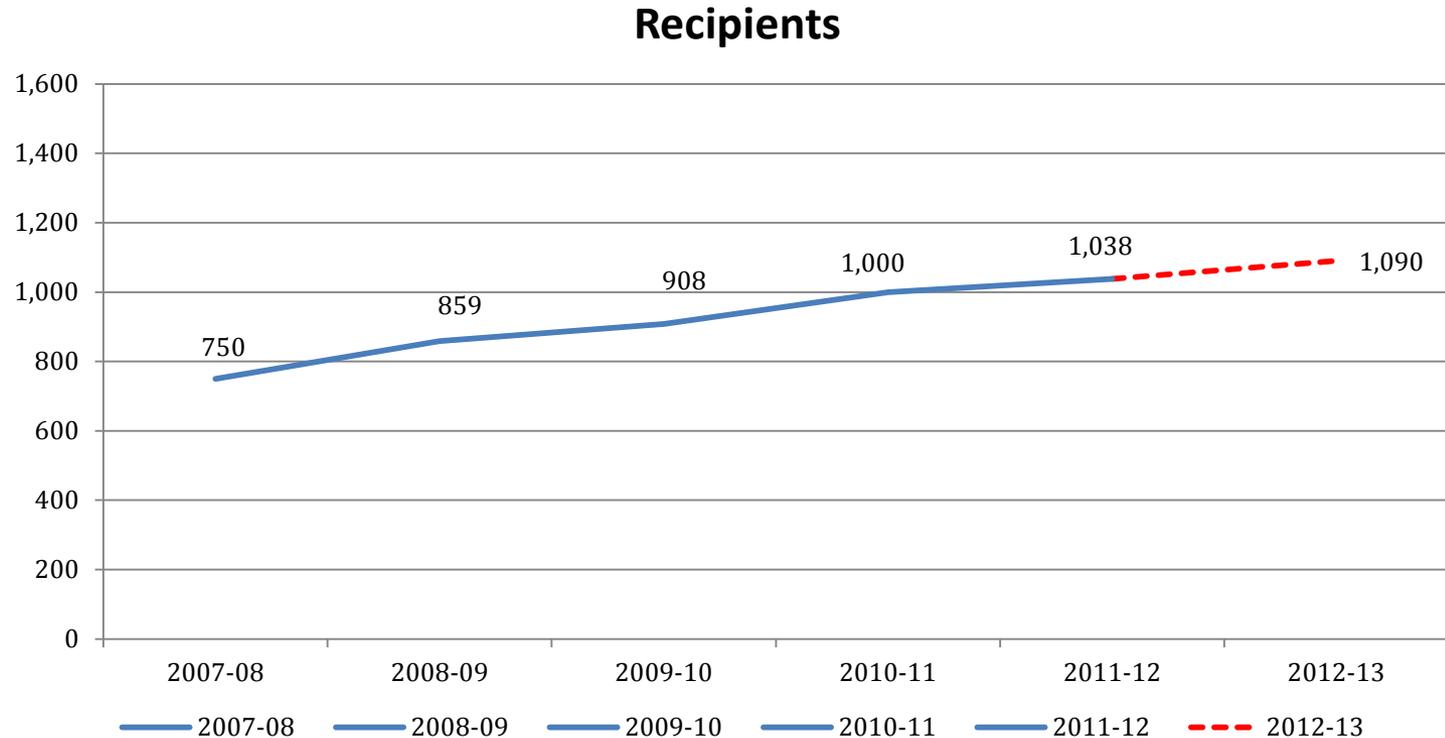
- The spike proved to be short-lived as TAG participation declined dramatically when the effects of the recession persisted over the next two years driving down college enrollment and consequently TAG utilization.



TAG Projection Adjustments

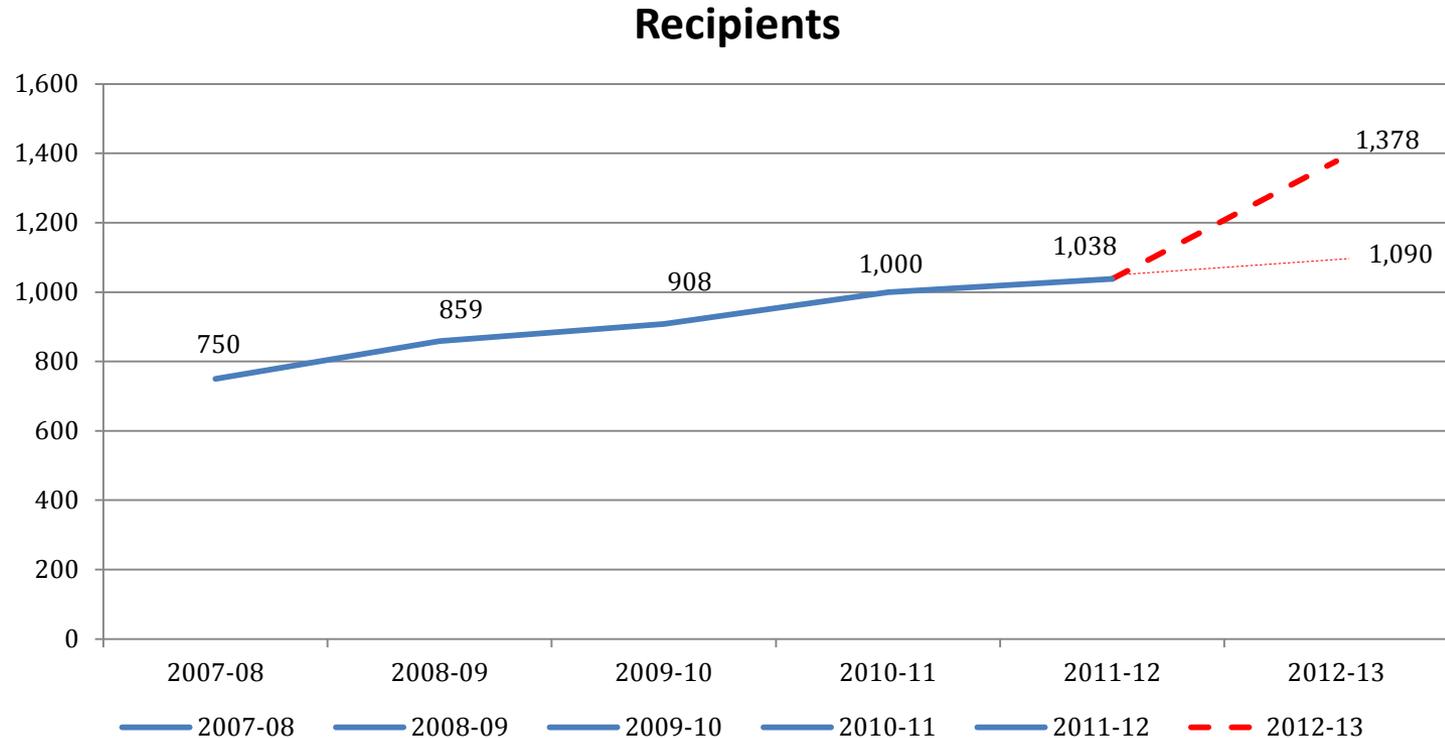
- SCHEV has adjusted for the lower participation rates in recent years, including identification of current year funds available to be transferred to FY14 (reflected in Governor's budget).
- Projections now based on 2 percent annual increase in participating students.

Virginia Military Survivors and Dependent Education Program



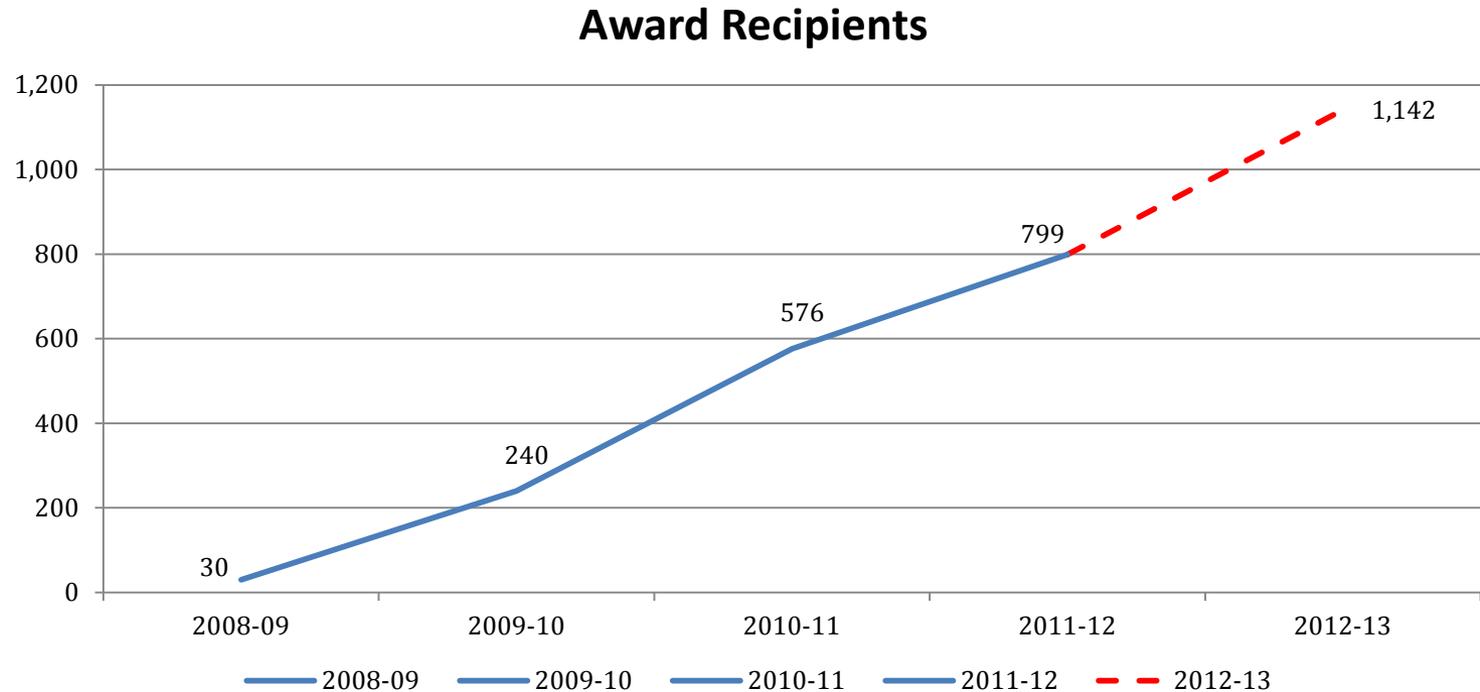
- Annual growth for the program was steady and slowing. SCHEV anticipated continuation of the trend.

Virginia Military Survivors and Dependent Education Program



- With fall numbers in and DVS reporting an additional 300 applications under review, growth could jump significantly. While we do not anticipate that all applicants will be approved or enroll, actual participation won't be known until sometime mid-spring.

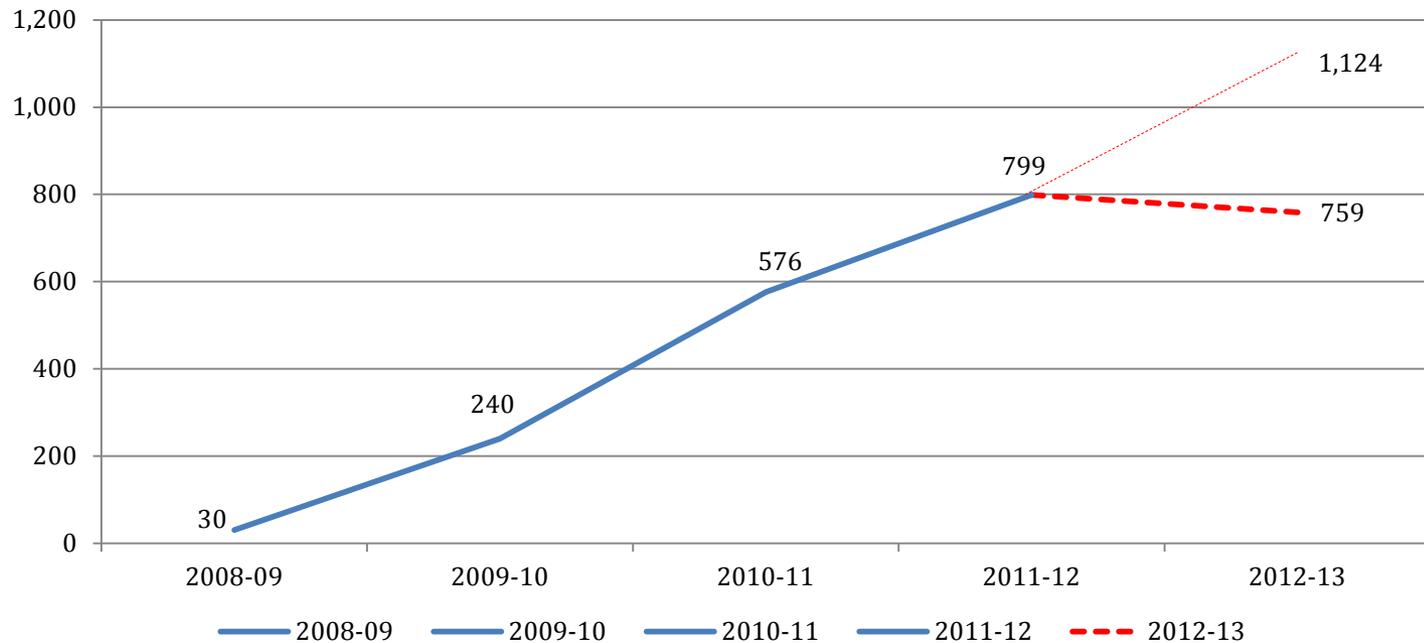
Two Year College Transfer Grant



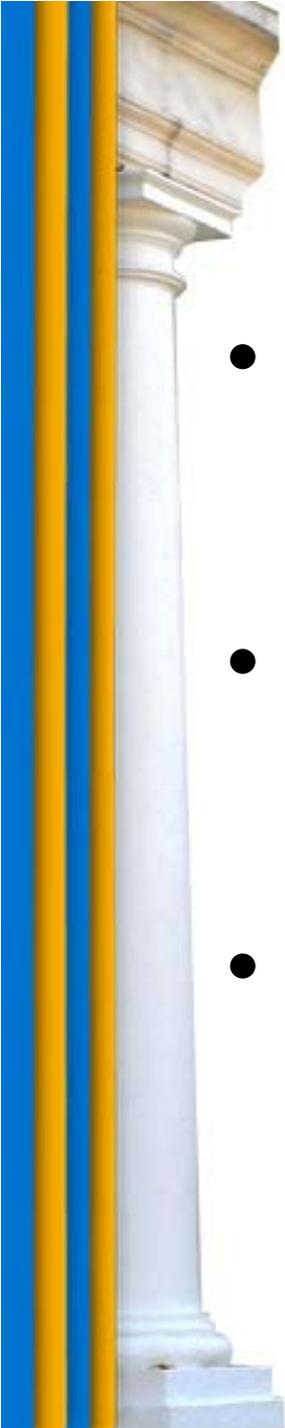
- In projecting costs for 2012-13, SCHEV assumed one more year of continued growth before leveling off and; therefore, a total of \$1.65 million needed with the maximum EFC rising to 9,000.

Two Year College Transfer Grant

Award Recipients

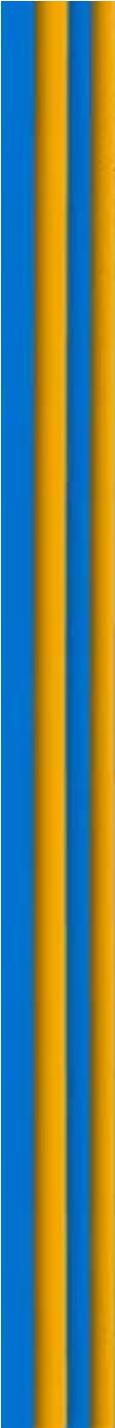


- Fall numbers indicate that growth will flatten out one year earlier than anticipated.



College Scholarship Assistance Program

- Annual funding of \$4.4 million for need-based awards at Virginia public and private non-profit institutions.
- Program created in response to federal matching dollars. That federal program is no longer funded.
- SCHEV is proposing that these funds be repurposed to support student retention and graduation.



End