REPORT OF THE FINANCIAL AID TASK FORCE

December 2012
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EXECUTIVE SUMMARY

In Arizona and across the country, higher education is seen by many as increasingly less affordable. Given the current economic situation and changes in funding allocations of federal and state based financial aid systems, affordability and access to Arizona’s public universities are at risk. In September 2011, the Arizona Board of Regents asked Regent LuAnn Leonard to chair a task force to evaluate the status financial aid at the universities, to analyze challenges they are facing and to recommend any changes or possible improvements. The task force was asked to specifically consider performance-based, student-centered financial aid programs. The Financial Aid Task Force held six meetings over the next 12 months and this report is a result of those meetings.

The Task Force identified seven key issues which were examined through literature reviews, analysis of best practices, and discussions with students. The outcomes and recommendations included in this report are the result of the collaboration of our three universities, students, Regents, and Board staff.

1. Student Performance and Productivity Incentives
2. Practices Regarding In-State Merit Financial Aid
3. ABOR Policies on Financial Aid
4. Best Practices for Student Services
5. Graduate Student Financial Aid
6. Development of a State-Based Financial Aid Program
7. Student Centered, Portable Financial Aid System

As detailed in a recent Arizona Board of Regents (ABOR) Financial Aid Report, financial aid for Arizona public university students is funded primarily through the Federal government and the university. Data from the latest National Association of State Student Grant and Aid Programs (NASSGAP) survey show that Arizona continues to be in the bottom tier of states based on the amount of state-sponsored aid per student.

Outcomes from the task force include: the implementation of financial aid literacy programs, the development of pilot programs that provide financial aid incentives to reward student performance and productivity, greater financial aid transparency to provide students with cost information, the development of a memorandum of understanding for merit based financial aid practices, and expanded collaborations between the three state universities regarding financial aid issues.

Significant changes in financial aid will require a dedicated funding stream that is centrally funded and locally administered. Increasing the amount of Arizona state-sponsored, need-linked student financial aid has great potential to improve affordability and access to a university education for Arizona families. The following report discusses the opportunity to improve the balance between State financial aid, family contribution, the universities, and the Federal government. As university student leaders shared, “through the investment of our state in our university students, Arizona families will be able to contribute to the lasting betterment of the economy and greater society.”
REPORT OF THE FINANCIAL AID TASK FORCE

Issues, Outcomes and Recommendations
December 2012

INTRODUCTION

In September 2011, Regents appointed a task force to evaluate the financial aid practices, policies and programs of the Board and the universities, to assess them in light of the Enterprise Plan and to recommend changes for the assessment. The task force, chaired by Regent LuAnn Leonard, held six meetings between September 2011 and September 2012 and this report provides the result of its work.

The task force identified the seven key issues to consider, representing a broad range of topics, some under the purview of the universities and the Board, others dependent on outside resources or significant changes. The report provides an overview of each topic and the outcomes and recommendations.

1. Student Performance and Productivity Incentives
2. Practices Regarding In-State Merit Financial Aid
3. ABOR Policies on Financial Aid
4. Best Practices for Student Services
5. Graduate Student Financial Aid
6. Development of a State-Based Financial Aid Program
7. Student Centered, Portable Financial Aid System

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ISSUE I: STUDENT PERFORMANCE AND PRODUCTIVITY INCENTIVES

- In providing direction to the task force, the Regents asked that the members consider how student incentives might be built into the financial aid process with the goal of improving student success and time to degree.

- In recent years, as resources for higher education have become scarcer, the concept of providing student incentives has emerged as a way both to improve both student outcomes (completions) and institutional productivity (insuring the best use of resources). Two examples come from the Lumina Foundation and the Brookings Institution.

- As part of its ‘Big Goal’ to increase the proportion of the population with high quality degrees and certificates to 60% by 2025, the Lumina Foundation published, Four Steps to Finishing First, a guide to higher education to increase productivity and improve quality. One of the four steps is “Student Incentives”, defined as strategic use of tuition and financial aid to incentive course and program completion. The report posits that tuition discounts and need- and merit-based financial aid policies give students more reasons to complete efficiently and is a way that limited public aid dollars should be allocated to achieve the greatest effectiveness.

- In May 2012, the Brown Center on Education Policy at the Brookings Institution issued a report, Beyond Need and Merit, Strengthening State Grant Programs. Based on their research, programs with the best return on investment integrate targeting students with financial need with appropriate expectations and support for college success. The study group for the report, chaired by student aid expert Sandy Baum, makes several recommendations including:
  - Focus resources on students whose chances of enrolling and succeeding in college will be most improved by the receipt of state support.
  - Design programs so that they not only help students gain access to college but also encourage success after they arrive.

- Both reports address state-funded financial aid programs. Should Arizona develop a state funded program beyond the small amount in AFAT, these studies could provide guiding principles for their design. In the meantime, the universities have responded to the Regents’ request, addressing incentives for institutional merit awards.

- Incentives for students are not new in higher education. The universities have always required certain performance levels in order for students to retain their merit financial aid awards. However, the universities also proposed new, innovative approaches for student incentives that are being implemented through the pilot programs, highlighted below.
• In addition, the three universities have each received grants through the non-profit organization, Live the Solution, for an innovative program which ties financial literacy and good financial practices to financial aid. Although the grant was announced after the last task force meeting, it is described below because it reflects the efforts the universities are pursuing to improve options for student access and success.

Outcomes

• Continuation Requirements for Merit Awards: Each university sets continuation for recipients of merit awards, which include minimum credits per year, a GPA, higher than required to remain in good academic standing, and maximum credits funded.

  • ASU: Students must complete 30 ASU credit hours and maintain an ASU cumulative GPA of 3.0 in order to renew their merit awards at the full dollar value. ASU implemented the “Scholarship Maintenance Plan” in spring 2012, which renews 60-80% of the merit award value based on a combination of credit hour completion and cumulative GPA ranges.

  • NAU: Merit Awards:
    President’s – 30 credit hours/semester and 3.0 GPA
    Dean’s – 30 credit hours/semester and 2.75 GPA
    Merit - 30 credit hours/semester and 2.50 GPA

  • UA: Renewal criteria is generally 3.00 cumulative GPA and 30 UA units complete per calendar year. Students may use summer and winter session to complete 30 UA units. Details for all awards available at: http://financialaid.arizona.edu/types-aid/scholarships/2012-2013-terms-and-conditions

• Pilot Programs for Student Incentives: Each university has developed pilot programs that will provide financial aid incentives to reward student performance and productivity. (Please see Appendix A)

  • ASU:
    In June 2012, ASU reviewed records for first-time full-time freshmen (2011 cohort) who entered ASU without an academic scholarship. Students who completed 24 credit hours or more with a cumulative grade point average of 3.5 or higher received a one year award.

    ASU will continue to assess ways to increase student retention and persistence through financial aid incentive during 2012-2013 focusing on student performance and productivity, especially for students without academic scholarships, with expressed financial need, who perform well academically at ASU.
• **NAU:**
  Merit award recipients are monitored by the Offices of Scholarships and Financial Aid and Educational Support Services (ESS). Students falling behind in renewal criteria will be contacted and made aware of their standing. ESS provides referrals to academic advisors to help rectify deficiencies.

• Recipients failing to meet the renewal criteria in one category will be moved to a scholarship level in-line with their academic performance. Financial consequences remain, but many students will not lose the entirety of scholarship funding.

• Recipients have the opportunity to bring academic performance up to the standards required of their original scholarship and may regain the original scholarship.

• **UA:**
  Resident students who were first-time freshman and did not initially qualify for an institutional merit award upon enrollment will be considered. The students who complete at least 30 UA units with a 3.00 cumulative GPA or higher in the 2012/13 academic year will be offered a renewable merit Bear Down Scholarship beginning fall 2013 for their remaining years of UA coursework (up to three years or 6 semesters total). The renewable award will be $1,000-$2,000.

• **Az Earn To Learn:** In conjunction with Live the Solution, Tucson, the universities have received grants for the AZ Earn to Learn, a groundbreaking new program that will provide financial education and more than $4 million in scholarships to approximately 940 low-income students who are currently pursuing or will pursue post-secondary education at one of the universities.

  To be eligible for AZ Earn to Learn, students’ families must earn less than 200 percent of the poverty line. After enrolling in the program, participants must save at least $25 per month for a minimum of six months in a special Individual Development Account (IDA) with a partner financial institution. Eligible students will receive $8 in financial aid for every $1 they save. The grants were awarded by United States Department of Health and Human Services/Assets for Independence (AFI) program to leverage existing scholarship dollars with federal money for targeted populations. (Please see Appendix B)

**Recommendations**

1. The universities should report on the progress of these programs annually to the Academic Affairs Committee.
2. The resources and expenditures for AZ Earn to Learn should be included in the annual Financial Aid Report.
ISSUE II: PRACTICES REGARDING IN-STATE MERIT FINANCIAL AID

- Merit aid is scholarship funding awarded on the basis of performance-based criteria such as high school GPA, SAT/ACT score, or demonstrated achievement in the arts or other areas deemed appropriate by the administering university. Many students receiving merit-based awards have financial need, and may receive a combination of merit and need based awards.

- The interest of the task force in how the universities award merit aid emerged partly out of a need to have a better understanding of the role of merit aid for the institutions and out of a concern that the universities, especially the UA and ASU, were competing for Arizona students through merit awards, pushing the costs of financial aid unnecessarily high.

- The UA and ASU began discussions in February 2011 to develop an approach for determining how to best manage any practices that might be influencing award decisions. They agreed at the outset than any change in practice would need to insure local flexibility in managing resources and in the ability to select the best students, since merit aid is a key management tool affecting many areas of university operations, including budget planning, recruitment practices, and efforts to assure access.

Outcomes

- Memorandum of Understanding Signed
  ASU Provost Betty Phillips and UA Provost Jacqueline Mok signed a Memorandum of Understanding (MOU), effective for Fall 2013 financial aid awards. Provisions of the MOU provide:
  1. An agreement to inform each other of the merit levels for the upcoming year and to work together to identify appropriate percentages of resident undergraduate tuition for merit scholarship awards for first-time Arizona freshmen for future years. (Please see Appendix C)
  2. Manage appeals to assure that appeal requests from parents and students for increased scholarship offers do not become a source of financially irresponsible competition. (It should be noted that the volume of such appeals declined significantly in the fall 2010 and fall 2011 recruitment cycles, and that both UA and ASU now routinely reject such appeals.)

- This option provides the universities the ability to change the specifics annually to respond to the market as well as changing circumstances in Arizona. It should be noted that, although the MOU involved only the UA and ASU, NAU with participate in this process as well.

Recommendations

- The universities should report annually to the AAC on the award levels and the agreed upon percentages for incoming students.
ISSUE III: ABOR POLICIES ON FINANCIAL AID

- The effectiveness of the Board’s policies on financial aid was one of the first topics the task force discussed: do the policies help or hinder the universities’ ability to effectively make awards; are changes needed to make them more effective? The universities reported that, most important to their management, is to have the flexibility to make best use of the resources; there was agreement that the Board’s policies, developed over the past 25 years, provide an adequate level of flexibility.

- The task force reaffirmed the value of the Board’s policy which requires that at least 50% of institutional aid must awarded to resident undergraduate based on need, and at least 30% based on merit. The policy supports the priorities of the Board that both need and merit should be considered in awarding aid and provides direction to the universities without hampering their capacity to effectively manage their resources.

- The committee also discussed the appropriateness of the purposes of financial aid as reflected in the policy. The university members pointed out that financial aid is a critical tool for the universities, not only to increase access and affordability, but it is also used to build a class, promote quality and retain students; they recommended more thoroughly defining these purposes in the policies.

- With that as a backdrop, Chair Leonard directed the System office staff to work with the universities to conduct a complete review of the Board policies on financial aid to be brought to the Academic Affairs Committee in September 2012, continuing a broader effort under the Enterprise Plan to update language, remove extraneous sections, bring policies in-line with current practice, and clearly link policies to the Enterprise Plan.

Outcomes

- The revisions to the financial aid policies will be reviewed by the Board on 2nd reading at the December 2012 meeting.
ISSUE IV: BEST PRACTICES IN STUDENT SERVICES FOR FINANCIAL AID

- Effective services for financial aid have a direct impact on how the universities will achieve the Enterprise goals related to access and success. Communicating with and assisting students regarding financial aid begin long before they enter a university and continue throughout their enrollment.

- Complex forms, confusing options, reticence to discuss income and financial situations can be barriers to obtaining the information families and students need. How well the universities communicate financial aid information has a significant impact on admissions, enrollment, and student success.

- The task force asked the universities to outline effective practices for student financial aid, to describe their services and what efforts are underway to improve them, to address collaboration activities for communicating access to financial aid and financing options to students and families and to identify how the system might be improved.

- ASU, NAU and UA participate in and are guided by the Department of Education “Quality Assurance Program,” which was authorized under Section 487A of the Higher Education Act (HEA) of 1965, as amended in 1998. The mission of the program is to help schools attain, sustain and advance exceptional student aid delivery and service excellence, and has as its core values accountability, empowerment, expertise, flexibility, innovation, partnership, program integrity and service.

- The universities necessarily operate within the limitations to federal, state and institutional-aid funding, and leverage aid programs to best meet the needs of the students in order to improve access, persistence and degree completion. Rising costs, the decline in average family income and recent federal policy changes for financial aid have placed increased importance and pressure on financial aid offices.

**Best Practices**

**Student Perspective**

NAU and the UA conducted surveys on student financial aid services to identify the key customer service areas students expect. Described in detail in Appendix ....the top 6 areas are:

1. Effective and timely communication
2. Inclusion in decision making
3. Keep the process as simple as possible
4. Keep things private
5. Keep related services in close proximity (one-stop concept)
6. Provide scholarship opportunity for continuing students who excel academically
**Perspective from experts in the field**

- Experts on financial aid and customer service recommend a number of practices related to management and training including how to manage large volumes of paperwork, how to train and organize staff, and to effectively utilize technology.

- The recommendations also encourage financial aid officers to initiate contact with students to resolve issues, rather than to wait for them to come in, a common practice in the past; and financial aid officers should become versed not only in traditional financial aid programs but also in payment plans, financial options, etc to help students minimize their costs and repayment over time.

**Communication**

- Each university has made significant efforts to simplify information and make information readily available and transparent through improved web applications, which they demonstrated to the task force.

**Tri University Collaboration**

- **A joint high school counselor event in Dallas, Texas took place in December 2011** to share opportunities available from the two large public universities in Arizona. Both UA and ASU have regional counselors in the Dallas-Fort Worth area. University representatives met with both public and private school counselors. Topics included admission, financial aid, access, scholarships, opportunities, etc.

- Fort Worth – 20 counselors attended; Dallas (Plano) – 34 counselors attended

- Continued partnerships in non-resident markets are planned.

- **A partnership between UA, ASU and NAU was established to increase access to and awareness of financial aid options available to Arizona families.**

- A Tri-University Hispanic Outreach Telethon occurred on Tuesday, January 31, 2012. All three universities (ASU, NAU, UA) worked with Telemundo to help families learn more about financial aid and College Goal Sunday. Telemundo advertised this opportunity with videos & interviews from all three universities, and then featured the event on their station from 5:00-6:00 p.m. on January 31. Following the feature all three universities opened phone lines from 6:30 p.m.-9:30 p.m. to answer questions of callers about applying for admissions and financial aid, preparing for college.
• University leadership consulted with one another to ensure consistency in a recent Flinn Foundation request.

• College Application Week December 2012. All three universities will participate and target high schools with low college going rates in their own regions to generate applications from students who might not normally apply. Representatives from each university will represent one another and help share information, regardless of institutional affiliation, to help students learn about and apply to colleges statewide.

NAU Tri-University Collaborations
• College Bowl Sundays
• AZ Earn to Learn
• College Application Week

Transparency

• Vice President Joe Biden, Secretary of Education Arne Duncan, Director of the Consumer Financial Protection Bureau (CFPB) Richard Cordray and Domestic Policy Council Director Cecilia Muñoz met in Washington, D.C., June 5, with presidents and leaders from 10 colleges, universities and state systems of higher education, including ASU, who committed to providing key financial information to all of their incoming students starting next year, using a common ‘shopping sheet’. As a result of the presentation at the task force, NAU and the UA also agreed to participate. (Please see Appendix H for the ‘shopping sheet’ form.)

Outcomes

• A set of recommendations on best practices were provided to the task force. If approved, the universities could be asked to report to the Academic Affairs Committee on the status of implementing or expanding them. (Please see Appendix D)

• The three universities will expand collaboration more on efforts to promote financial aid for prospective students. Periodic updates could be provided to the AAC

• The three universities agreed to use the common ‘shopping sheet’, promoted by Vice President Biden and Secretary Duncan, beginning with the 2013-2014 school year.

Recommendations for Best Practices

1. Each university should establish a financial aid program and method of delivery that best meets the needs of its unique student population.

2. Each university should develop and continually improve communications to be more timely, effective and understandable.
3. Each university should continue to research best financial aid practices, leveraging of aid programs and methods of delivery to meet the demands of the students.

4. The universities should consider forming Student Advisory Committees (SAC)

5. Centralize access to all scholarship information: Make information available for all campus departments in one easy-to-access location so that applying is quick and easy.

6. Consider “one-stop” models wherever practical
ISSUE V: GRADUATE STUDENT FINANCIAL AID

- The universities treat graduate students as “independent students” for financial aid purposes. For graduate students, federal student loan aid remains the largest percentage of aid available to and received by graduate and professional students. Students do not have to include parent resources on the Free Application for Federal Student Aid (FAFSA).

- They are not eligible for Pell Grants or Federal Supplemental Educational Opportunity Grants (FSEOG).

- Federal student aid has a variety of programs to help students without parental support: Unsubsidized Stafford Loans, and PLUS Loans. Most Financial Aid available to graduate students is in the form of student loans.

- As of July 1, 2012 graduate students are no longer eligible for the federal interest subsidy. All federal Stafford loans made to graduate students after July 1, 2012 are unsubsidized. For these loans, graduate students who are able to make interest payments, while still in school, would avoid the accrued interest at a fixed rate of 6.8 percent. The unsubsidized Stafford loans will also have a 1 percent origination fee starting July 1st.

- Despite limits on need-based loans, there are GradPLUS Loans allowing one to borrow over and above any grants and need-based loans one might receive. Graduate students are required to use all of the normal unsubsidized Stafford Loans before applying for a GradPLUS Loan. The GradPLUS loan, is a low, fixed interest rate student loan guaranteed by the U.S. Government and it is not need based like other Federal aid. It is similar to a private student loan with the benefit of having a fixed interest rate and federal guarantee.

- According to the Chronicle of Higher Education, “most graduate students take out loans to finance their studies. Their debt loads are increased by rising tuition costs, but without the same hope for a compensatory high salary that motivates millions of undergraduates to borrow large sums.”

- The debt is not equally distributed amongst graduate student populations. “Graduate students in the sciences receive the most financial support. They also finish their degrees the fastest. Humanities students receive lower levels of support and, thus, pay more dollars into the system. They finish more slowly and take on more debt.”

1 http://www.usnews.com/education/best-graduate-schools/top-graduate-schools/paying/articles/2012/03/13/grad-students-to-lose-federal-loan-subsidy
2 http://www.usnews.com/education/best-graduate-schools/top-graduate-schools/paying/articles/2012/03/13/grad-students-to-lose-federal-loan-subsidy
3 http://studentaid.ed.gov/PORTALSWebApp/students/english/PlusLoansGradProfstudents.jsp
4 http://chronicle.com/article/Graduate-Student-Debt-Matters/129812/
5 http://chronicle.com/article/Graduate-Student-Debt-Matters/129812/
Outcomes

At the Arizona universities, there are fellowships, internships, teaching and research assistant possibilities, and campus-based graduate-level positions. These resources are similar across the three universities. (Please see Appendix E)

1. Scholarships
   We have resources for preparing competitive scholarship applications, information on available by scholarships discipline, and more.

2. Tuition Scholarship Waivers
   Students enrolled full-time are eligible to apply for tuition scholarship waivers through their department of study. Waivers of resident tuition are available to Arizona residents and waivers of the nonresident portion of tuition are available to nonresidents of Arizona.

3. Graduate Assistantships [and Teaching Assistantships]
   Graduate assistantships are awarded on the basis of: academic merit or the ability to perform specific services, [such as] being a residence hall director or research assistant

4. Financial Aid for out-of-state students
   Certain programs qualify students from specific western states to be eligible for in-state tuition rates. Find out if you're eligible for the Western Regional Graduate Program (WRGP).

5. Active Duty Military Rates
   Northern Arizona University is honoring military personnel and veterans by offering Department of Defense Tuition Assistance rates for active duty military and National Guard personnel. The university also is offering in-state tuition for military veterans. The Department of Defense tuition assistance is $250 per credit hour for active duty military members, the National Guard and reserve forces personnel who qualify. Contact the Office of Military and Veteran Affairs to confirm your eligibility.

Other kinds of aid available at the universities include:

- Program fee scholarships
- Health insurance
- Tuition waivers for fellowship recipients
- Research waivers associated with research grants.

Recommendations

The universities should continue to support and increase graduate waivers of resident tuition for Arizona residents; waivers of the nonresident portion of tuition are available to nonresidents.

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6 http://nau.edu/GradCol/Financing/
ISSUE VI: THE DEVELOPMENT OF A STATE-BASED FINANCIAL AID PROGRAM

- Initially an information item presented at the February 7, 2011, Academic Affairs Committee meeting highlighting the most recent survey data from the National Association of State, Student and Grant Aid Programs (NASSGAP), ranking Arizona in the bottom tier for state financial aid.

- Ten state aid programs were reviewed to understand program eligibility, funding sources and administration. Results provided in Appendix F. Nationally, states struggle to keep pace with need-based grants due to budget cuts, enrollment increases, and rising levels of tuition.

- In May 2012, The Brookings Institute released a report that recommends a combination need/merit program for state based programs. The report presents the main aim of a state financial aid program should be to produce maximum return on taxpayers’ investment by increasing educational attainment of state’s citizens. This means focusing resources on students whose chances of enrolling and succeeding in college will be most improved by receipt of state support (combination of need and merit). [http://www.brookings.edu/about/centers/brown](http://www.brookings.edu/about/centers/brown)

Outcomes

- Implementing a state-based financial aid program, if deemed a priority, warrants further research, policy development and new funding sources. Flexibility in program administration is paramount, and is best facilitated by the institutions who can take into consideration the totality of federal, institutional and state aid funds on an individual student basis to meet program and funding objectives. No further action is recommended on this issue at this time.
The topic of portable financial aid, sometimes referred to as vouchers, was raised by leadership of the Arizona House of Representatives in the summer of 2011 in discussions with the universities regarding the 2012-13 budget proposals. As part of the budget transmittal request to the legislature, an initial report on portable financial aid was addressed along with along several other finance issues. When the Financial Aid Task Force was formed, it was asked to continue to review the issue. The original analysis, prepared in August 2011, is included in Appendix G.

When the original report was prepared, Colorado was the only state with a portable or voucher system (Colorado Opportunity Fund or COF), and a review of the success of the program had just been completed by the Western Interstate Commission on Higher Education (WICHE). COF was intended to make institutions accountable by forcing them to become entrepreneurial and market-driven. However, there were problems with the implementation of the model and the program's goals of compelling higher education in Colorado to become more operationally efficient and increase access to underrepresented populations were not achieved. The WICHE study outlined some of the reforms that might enhance the achievement of the program goals:

1. guarantee the vouchers value and increase state need-based financial aid
2. streamline the process for students and their families
3. and increase statewide marketing efforts of the vouchers.

In preparation for the September 2012 task force meeting, a thorough analysis was conducted on new reports, information or studies relative to this type of aid that were published between August 2011 (completion of first study) and August 2012. To date, no other state has adopted the Colorado model, and while much has been written about financial aid and state contributions to aid, there is nothing new in the literature to inform this section. The review did reveal a much greater focus on performance based financial aid.

Two major reports and their key findings used in this study were:

1. National Association of State Student Grant and Aid Programs 2010-11 Report.

The NASSGAP Report updates the comparison of state investment in aid programs. Arizona continues to rank in the bottom quarter of states in terms of state investment in aid. AFAT (Arizona Financial Aid Trust) is considered Arizona’s largest investment and accounts for almost half of the money allocated by the State of Arizona. It is important to note, however, that this aid option is student funded through a student fee rather than being fully funded by the State.
In addition to the recommendations highlighted earlier in Issue I: Student Performance and Productivity Incentives (focus resources on students whose chances of enrolling and succeeding in college will be most improved by the receipt of state support, and design programs so that they not only help students gain access to college but also encourage success after they arrive) the report provided these related summary recommendations on improving student financial aid programs:

- Consolidate and simplify by consolidating types of aid and ensuring that universities utilize tools that enable students to accurately compare the cost of attendance;

- Design programs that encourage timely completion. The application of the principals of performance funding are now being seen in pilot performance programs across the country that link aid (in some manner) to student performance (similar to Arizona and our Enterprise goals);

- Improve state grants in difficult financial times to encourage states to maintain programs rather than eliminating them, perhaps modifying them to preserve access and promote student performance.

- Portable financial aid or a voucher system is a type of funding model for higher education that may also address financial aid program. In Arizona, the university financial aid programs are student-centered since funds are awarded directly to students based on their merit, verified need or both. Most of the funds for these awards come either from federal or institutional resources.

- It should be noted that student-centered portable financial aid or a voucher system is a type of funding model for higher education that may also include financial aid program. In Arizona, the university financial aid programs are student-centered since funds are awarded directly to students based on their merit, verified need or both. Most of the funds for these awards come either from federal or institutional resources.

**Outcomes**

- A student centered portable financial aid system would require a completely different finance model for the universities, as well as a significant state investment in need-based financial aid. Since the legislature implemented a new performance based funding model for the universities, effective with the 2012-13, no further action is recommended on this issue at this time.
APPENDIX

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FINANCIAL AID INCENTIVES
STUDENT PERFORMANCE AND PRODUCTIVITY
PILOT PROGRAMS

Arizona State University (ASU) Plan

In June 2012, ASU reviewed records for first-time full-time freshmen (2011 cohort) who entered ASU without an academic scholarship. Students who completed 24 credit hours or more with a cumulative grade point average of 3.5 or higher received a one year award.

ASU will continue to assess ways to increase student retention and persistence through financial aid incentive during 2012-2013. Our focus will be on student performance and productivity, especially for students without academic scholarships, with expressed financial need, who perform well academically at ASU.

The University of Arizona (UA) Plan

Initial targeted population: Summer/fall 2012 enrolled first-time freshman students who did not receive an institutional merit award (Wildcat Excellence or Arizona Excellence). Residents and domestic non-residents are eligible.

Criteria: The students who complete at least 30 UA units with a 3.00 cumulative GPA or higher in the 2012/13 academic year will be offered a renewable merit Bear Down Scholarship beginning fall 2013 for their remaining years of UA coursework (up to three years or 6 semesters total).

Renewal criteria to keep the award will be the same as all other institutional merit awards of 30 UA units and 3.00 cumulative GPA per calendar year.

Details: Students who qualify will be offered this renewable award in the summer between their freshman and sophomore year. The award amount is TBD, but will likely be $1,000 to $2,000. Based on modeling from past years, we expect approximately 350-400 students to be offered the renewable Bear Down Scholarship.

A campus-wide marketing plan is in development to share this opportunity with all summer/fall 2012 freshman students who did not earn an initial award. Marketing of this plan will begin in October 2012 to encourage students to register for enough units, set goals and push themselves academically.
Northern Arizona University (NAU) Plan

The following is a merit scholarship program to improve retention, progression and graduation rates at Northern Arizona University. The objective of this pilot program is to provide students the opportunity to succeed and to retain scholarship funding. Though these students are recipients of merit scholarships, the FY12 ABOR Financial Aid Report in the Academic Awards section, notes that 59% of NAU undergraduates with merit scholarships also have demonstrable financial need. Thus even meritorious students depend on scholarships as a form of financial aid to help them afford a college education.

Overview: Currently eligible incoming freshmen are offered renewable merit scholarships based on academic performance in high school. To maintain their scholarships, students must maintain minimum standards of GPA and hours passed. Traditionally, a student’s academic performance has been evaluated at the end of their first year in college and retention of their scholarship was an all or nothing situation. The first year in college can be challenging as students learn new study habits and adjust to more demanding levels of in-class work and homework. Entirely revoking a student’s scholarship at the end of the first year does not take into account these first year challenges.

Data indicate that scholarship students are retained at a higher rate when awards are not revoked at the end of the first year. The following outlines a plan that expands the ability to allow students to maintain their scholarships, while meeting clear merit based standards in order to improve retention, progression to degree and timely graduation.

Pilot Program: Students will be monitored by the Office of Scholarships and Financial Aid and the Office of Educational Support Services. At the end of each semester students that appear to be falling behind in their renewal criteria will be contacted by both offices to make certain they are aware of their standing. Educational Support Services, will offer students insight into their deficiencies and provide referrals to academic advisors for help rectifying the deficiencies.

Additionally, if students fail to meet the renewal criteria for their scholarship, they will be moved to a scholarship level in line with their academic performance. Thus, while there will be financial consequences for not meeting renewal criteria, many students will not lose scholarship funding.

Students will be provided the opportunity to bring their academic performance back up to the standards required of their original scholarship and thus regain their original scholarship.
PROGRAM SUMMARY:

Live the Solution’s (LTS) “AZ Earn to Learn” (AZEL) program will provide services to limited-income Arizonans to save for college. This is accomplished through a matched savings account (also known as an individual development account, or IDA) for students to pursue postsecondary education. AZ Earn to Learn will strengthen students and families by providing them with financial knowledge to build wealth through savings and personal finance workshops.

Participants who successfully complete IDA program requirements receive an 8:1 match on savings (save $500, receive $4,000 match) for tuition costs at ASU, UA or NAU. We anticipate that more than 845 participants will complete the program and attend UA, ASU, and NAU within 2 years from program launch in fall of 2012.

The target audience is current and future students and their families who earn less than 200% above federal poverty level (FPL). Each university has a specific target population. AZEL provides financial education, asset specific training, financial coaching, and asset-specific savings accounts.

EXECUTIVE SUMMARY

Project Need:

College education is the primary mechanism of economic mobility for low-income individuals. College education is also linked to income, as well as asset growth throughout an individual’s lifetime. Unfortunately, investing in education is difficult for low-income families. This cycle is further reinforced as future generations of low-income families with no college education enter the workforce immediately after high school. In Arizona, as well as other states in the nation, low-income populations have much lower rates of college attainment. In Arizona, people in the highest income households have four-year degrees at a rate 4.3 times higher than people in the lowest income households (56% and 13%, respectively).[1]

AZEL is a solution that addresses several issues:

- Many families below 200% FPL are first generation and do not consider college education as a goal. Parents and students will receive services through financial coaching and workshops.
- Major gaps exist in college completion among low-income students, Native American and Hispanic populations. Education IDA programs are an innovative method to engage first generation, rural and non-traditional students in higher education.
- Student retention and graduation rates increase because participants will have a financial plan and emergency savings, and are less likely to drop out when they face a financial emergency.
- Without the advantage of an educated workforce, Arizona economic development suffers. Arizona has a growing need for college educated professionals; industries require a four-year degree to be minimally qualified for entry-level employment. AZEL seeks to help more students become college educated, have access to better jobs, family financial security and result in strengthened families and communities.
The LTS Education IDA program is aligned with the goals of the Arizona Board of Regents “2020 Vision”. Part of the 2020 Vision is to increase the educational attainment of Arizona citizens, which includes ensuring that low income students can overcome financial barriers and participate in college. College participation among Arizona’s low income families is significantly below the national average and likely to get even worse without strategic interventions. In 2006, only 16% of children from low-income families went to college compared to over 23% nationally.[2] Accumulation of assets is the key to the improvement of the economic condition of low-income households.

**Project Objectives:**

The program is designed to ensure program participants complete personal finance workshops, open an IDA savings account, complete college readiness training coordinated by the university, make progress towards completing their work plan and achieve their savings goal. Financial work plan goals include developing a banking relationship, identifying financial goals, establishing emergency savings adequate for needs, creating a working budget, use of fringe financial services decreased, improving credit scores, improving income and access to community resources. Upon successful completion of AZEL requirements, participant savings will be matched to pay for approved college-related expenses. The program will provide hope to students and families who may have thought a college education was unattainable, increase student retention and improve long-term savings behavior.

**PROJECT DESCRIPTION**

**Proposed Activities:**

**Preliminary groundwork:** Live the Solution began initial discussions with the three state universities to establish an IDA savings program leveraging monies that the universities had earmarked for scholarship funding for prospective students. The universities were enthusiastic about helping students save for college while gaining financial literacy skills.

Assets for Independence awarded funds to ASU, UA and NAU in the summer and fall of 2012. The total amount of federal and local funding for AZEL is over $3.6 million for the 2012 AFI grant cycle. All three universities anticipate launching AZ Earn to Learn in October 2012.

LTS has identified strategic partners and referral agencies, and is in process of securing general operating funds for AZEL (a small portion of the AFI award may be used for administration, program specific activities, case management, and data collection). LTS and the universities are working on fine tuning program design. Each university may customize their program based on desired outcomes and target audience while adhering to AFI guidelines.

**Innovative and Groundbreaking:** AZEL represents the first time in AFI’s history that a state university has applied directly to the federal program. The asset building community is excited to see the universities embrace this financial empowerment model and leverage existing scholarship funding to bring additional financial support to their communities. The potential for this program to become a national best practice for other universities is significant. The Federal Reserve Bank of San Francisco may be interested in hosting a conference to showcase the program to stakeholders and other universities from around the country to replicate this best practice model.
Target Population and Outreach: Each university will target slightly different populations, although each has to meet AFI income eligibility guideline. ASU’s initial target audience is the high school student population at the ASU Preparatory Academy and other partner schools connected to ASU’s “Future Sun Devil Families” program. UA’s target audience is high school students, students who are interested in the UA 2plus2 program, and current students enrolled at UA. NAU’s target population is high school students and transfer students with their primary focus being the Native American population. Potential IDA program participants will access the program through multiple marketing efforts facilitated through target high schools, College Depot, Arizona Commission for Postsecondary Education and USA Funds.

Program Fee: Program participants will not pay a fee to AZEL. Program costs for financial coaching, personal finance workshops, credit reports will be offset through funds raised for program administration and operations.

Participation level/responsibilities of collaborative partner(s):

AZEL will provide the overall administration, management and implementation of the program to include orientation workshops, financial coaching, monitoring, tracking, evaluation and reporting, while collaborating with community partners to help students achieve their savings goals. AZEL will also report to Office of Community Services (OCS) to provide data for the AFI program evaluation on behalf of the universities.

AZEL is in the process of identifying financial institutions across the state of Arizona as key partners for housing the IDA accounts for the participants. To date, Alliance Bank, Chase Bank, Hughes Federal Credit Union, Vantage West Credit Union, Arizona Central Credit Union, and National Bank of Arizona are in discussions with AZEL to host IDA accounts.

Each university will establish and hold a project reserve fund, provide and manage the non-federal cash contribution and federal match, and manage the distribution of match funds when participants become eligible. The universities are responsible for program marketing and outreach to refer eligible participants to the AZEL program.

Volunteer Program: AZEL will establish and manage a network of community volunteers to provide financial coaching, financial planning services to parents, and administrative assistance.

Other Services Available: Through financial coaching, students and families will identify additional resources needed to help them achieve their savings goal and become successful college students. AZEL will refer students and their families (formally and informally) to community agencies, financial education partners, credit counselors, workforce development agencies, Head Start programs, free tax prep/Earned Income Tax Credit (EITC) initiatives, appropriate benefits agencies and emergency assistance providers.

Expected Impact: The overarching goal of AZEL is to provide financial assistance to increase the number of low-income students attending Arizona four-year universities, while providing practical financial education to help them become successful students and citizens.
Participants will be impacted in the following manner:
- Empowered to take control of their finances
- Learn to make informed decisions about financial choices
- Establish adequate emergency savings
- Improve credit scores that impact many future opportunities for employment, savings on financial services and access to credit for large purchases
- Connect to community resources that can decrease expenses and provide assistance in financial crisis.

Studies show that decreased financial stress improves family relationships, health and overall success. College participation for low income Arizona families will increase, while improving Arizona economic development, decrease gaps in college completion among low-income and minority students, improve parental education, and provide more financial security and job opportunities for students who complete their four-year degree.

**Proposed Measures and Evaluation:** LTS will use “Outcome Tracker” as the electronic management system to track, monitor, and report to the universities, AFI, and funders of the program. Data collection enables LTS to measure and evaluate funding sources, monitor participant activity and savings, track services and referrals provided to participants, and identify characteristics of participants who complete versus those who exit the program. Through periodic internal program review, LTS and the universities can increase project effectiveness through data and information to assess performance and refine and improve the program. LTS will actively participate in the national evaluation of the AFI demonstration program by providing program data to that helps the Department of Health and Human Services with their program evaluation work. AZEL is also working with a 3rd party evaluator to perform a comprehensive, independent evaluation of the program. It is vital that IDA programs undergo evaluation in order to enhance program implementation and document objective outcomes. Professional evaluation will provide this groundbreaking program with critical data to better understand how students benefit from the IDA programs and how to build capacity for future program expansion.

**Overall Goals:**

Asset building is an approach to overcoming poverty. It empowers people to use sound budgeting and money management practices, address financial issues and plan for long-term success. When combined with support services and savings incentives, the asset building approach helps families set goals and progress towards financial stability. AZEL will identify students with household income at or below 200% FPL and provide the services needed to attend and graduate with a 4 year degree and elevate these families out of poverty.

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Memorandum of Understanding (MOU)
Arizona Merit Aid Practices

I. Purpose

The purpose of the MOU is to ensure that enrollment management leadership of the Arizona University System, Arizona State University (ASU) and the University of Arizona (UA), work collaboratively in keeping one another informed when setting Arizona merit aid packages for first-time freshmen.

The goal of working together is to ensure scholarship values are consistent with meeting each university's new student enrollment objectives and recognizing student academic performance within a financially responsible context. While the setting of awards is up to the discretion of the institutions, it is important that the information is shared.

Universities may change the specifics of their awards annually to respond to the market as well as changing circumstances in Arizona while striving toward the goals the Arizona Board of Regents set forth in the Enterprise Model. Merit aid is a key management tool affecting many areas of university operations, including budget planning, recruitment practices, and efforts to assure access. As a management tool in a university, local flexibility is critical.

II. Responsibilities

1. Each university will designate an enrollment management leader to share Arizona award levels with the other two institutions by September 15 of each year for the upcoming recruitment cycle. Example, by September 15, 2012, each university will share planned award levels for fall 2013.

2. Each university will cooperate to assure that appeal requests from parents and students for increased scholarship offers do not become a source of financially irresponsible competition. (It should be noted that the volume of such appeals declined significantly in recent recruitment cycles, and that each universities now routinely reject such appeals.)

3. The universities will collaborate and work together to promote the Arizona University System and promote access to and awareness of financial aid and merit options available to Arizona families.

Elizabeth D. Phillips
Executive Vice President and Provost of the University
Arizona State University

Andrew C. Comrie
Senior Vice President for Academic Affairs and Provost
The University of Arizona

8/30/2012
ARIZONA BOARD OF REGENTS
FINANCIAL AID TASK FORCE

A review of best practices regarding student perspective of services in Financial Aid.
NAU lead University

BACKGROUND

Arizona universities have as one of their goals to provide the best financial aid service possible to students. All three universities participate in the Department of Education “Quality Assurance Program,” which was authorized under Section 487A of the Higher Education Act (HEA) of 1965, as amended in 1998. The mission and vision of this program, which stresses excellence in service to students, align with the goals that the three Arizona institutions share.¹

The United States has promoted efforts to broaden the availability of university education over the course of several centuries (e.g. through the land-grant college movement, the establishment of state universities, the GI Bill, and the establishment of community colleges). However, in the late 20th and early 21st centuries, “equal opportunity has become a centerpiece of public policy towards higher education. A principal expression of this goal has been the growth of need-based student assistance. Today the federal government is by far the largest sponsor of such aid [...].”²

Similarly in Arizona, the universities remain committed to providing access to higher education and to the best of their ability also to provide this education in the most cost effective way possible. The Arizona Board of Regents supports these efforts. Nevertheless, recent legislation currently and significantly influence the ability to serve students in financial aid offices. In December 2011, new federal financial aid requirements were signed into law (Consolidated Appropriations Act, 2012). The period for which one could receive Pell funding was reduced (retroactively) from 18 semesters to 12. The expected family contribution scales shifted slightly and eliminated some students from eligibility (the highest annual income under which a student would automatically receive the maximum grant amount dropped from $30,000 to $23,000). The legislation includes a shortened application process and there are fewer funds for the 2011–2012 program (because the total does not take into account the increased numbers of students in college) and could lead to financial problems for many families.

¹“Mission: Quality Assurance helps schools Attain, Sustain, and Advance exceptional student aid delivery and service excellence. Vision: To broaden FSA’s Quality Process to serve all participating Title IV institutions by providing tools that promote better service to students, compliance, and continuous improvement in program delivery.” http://ifap.ed.gov/qahome/Default.html

In 2010, the Health Care and Education Reconciliation Act was passed and signed into law. By this legislation, the federally guaranteed student loan program was eliminated. In 2009, the American Recovery and Reinvestment Act was passed and included a number of changes to financial aid programs.3

Because of the current economic circumstances, the role of the financial aid office is more critical than ever. As the cost of education increases, there is a higher demand for financial aid, in both scholarship and need-based aid programs. Parents and families are more anxious about their ability to afford college and Financial Aid office staff face a higher volume of inquiries, more appeals, and more applications for aid. The expectations from state and federal governments, as well as families, continue to focus on access, and, as a result, the pressures that Financial Aid offices in public institutions continue to become more difficult to manage. Communication and education regarding new policies has become increasingly important as the landscape continues to change surrounding federal aid programs.

**POLICY IMPLICATIONS**

It is obvious that Financial Aid must be administered within the realm of Federal, State and ABOR guidelines. Accountability of federal programs has forced many changes in policy and practice. These changes seriously impact the lives of families in Arizona and impact service to students:

**The Provisions Affecting Pell Grants**

1. Year round Pell Grants were eliminated.
2. The maximum award remained $5,550 for 2011-2012.
3. The maximum Pell Grant eligible EFC for 2012-13 is $4,995, which is less than the EFC maximum is $5,273 for the 2011-2012 year.
4. The duration of eligibility was reduced from the equivalent of 18 full-time semesters to the equivalent of 12 full-time semesters. The clause that grandfathered students who received Pell prior to July 1, 2008 was removed. Thus, this reduction will affect all students beginning with the 2012-13 award year, not just those who received a Pell Grant for the first time on or after July 1, 2008.

**The Provisions Affecting Direct Loans**

1. The interest subsidy during the six-month grace period was eliminated for new Stafford Loans made on or after July 1, 2012, and before July 1, 2014. The repayment period still begins 6 months after the student is no longer enrolled at least half-time, but interest that accrued during those six months will be payable by the student rather than be subsidized by the federal government.
2. The in-school interest benefit on Subsidized Stafford loans for graduate students has been eliminated for new loans made on or after July 1, 2012. Graduate students will be ineligible to receive a Subsidized loan after July 1, 2012.
3. The Direct Loan Repayment Incentives were eliminated. The incentive for using automatic debit repayment provided borrowers with a 0.25 interest rate

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3 [http://www.finaid.org/educators/history.phtml](http://www.finaid.org/educators/history.phtml)
reduction and the up-front interest rebate incentive was equal to 0.5 percent of the loan amount and applied toward the 1 percent loan origination fee. For PLUS loans, the up-front interest rebate was 1.5 percent applied toward the 4 percent origination fee. Borrowers were able to keep the rebate if they made their first 12 payments on time. The language prohibits the Department of Education from authorizing or providing repayment incentives on new loans disbursed on or after July 1, 2012, except that an interest rate reduction may be provided to a borrower who agrees to automatically debited electronic payments.

4. The subsidized interest rate for Federal Direct Subsidized Loans for undergraduates will change from 3.4 percent to 6.8 percent beginning July 1, 2012.

Other changes affecting Financial Aid are new satisfactory academic progress policies. The changes below were clarified in the Federal Register final regulation on program integrity issues, these changes went into effect July 1, 2012:

- Pace of Progress (Credit Completion) - Successfully complete at least 75% of credit hours attempted
- Grade Point Average (GPA) - Maintain a minimum cumulative GPA in accordance with University Academic Standards
- Maximum Timeframe - Complete a degree within 150% of the published length of the degree
- All SAP standards are based on "cumulative" measures, including the number of credit hours accepted for transfer (for pace of progress and maximum timeframe) - NOT just one academic year
- A student is in "Good" Financial Aid standing if all three of these SAP standards are met at the end of the semester

STRATEGIC ISSUES

The universities’ goal is to provide excellent services to students, while working within the limitations to federal, state and institutional-aid funding. It continues to be necessary to leverage aid programs to best meet the needs of the students in order to improve access, persistence and degree completion.

Communicating and educating the population on financial aid becomes increasingly important in today's environment.

CURRENT TRENDS

Economic:
- There has been a decline in average family income, high unemployment or underemployment, and a decrease in asset values, which are pressuring families to make educational choices based on net cost (cost of attendance after all aid is considered) rather than fit. These choices impact retention and progress towards the degree

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4 For more detail see [http://www.nau.edu/FinAid/How-It-Works/Satisfactory-Academic-Progress/](http://www.nau.edu/FinAid/How-It-Works/Satisfactory-Academic-Progress/)
• The annual Arizona University System financial aid report notes the increase in the number of financially needy students as well as the amount of their need

**Pell Grant Eligibility**

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<th>Enrollment Increases (Fall 2006 - 2010)</th>
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| Increase in enrollment of all undergraduates | 14% |
| Increase in enrollment of Pell eligible undergraduates | 88% |
| Increase in enrollment of entering freshman | 17% |
| Increase in enrollment of Pell eligible entering freshman | 128% |

**BEST PRACTICES**

While many of the challenges facing institutions of higher education, listed above, create a difficult environment for both the university and the students, the administration of aid in a timely and responsible manner is imperative to delivering excellent service.

Institutions across the country are facing similar challenges. However, each institution has its own mission, which drives the distribution of institutional gift and merit aid. The way in which the service is delivered also varies from institution to institution. All institutions are subject to the same policies and regulations in the administration of federal aid.

Northern Arizona University and the University of Arizona recently completed financial aid student services surveys to identify the key customer service areas that students expect from a financial aid office and found the following to be the top 6 deliverables:

1) **Effective and Timely Communications**

Students want clear, concise, and timely communications in simple language. They want the costs of attending an institution to be clearly articulated. They want to communicate, and be communicated to, electronically. They want their inquiries to
be addressed in 24-48 hours. They prefer a "single point of contact," but only if that point of contact can answer their questions completely. They want an informative and interactive website, with forms that can be downloaded and preferably forms that can be completed and submitted on the web. Also desirable are easy-to-read Student Information Systems, which share clear information on aid package and notices (to-do items to get aid).

2) **Inclusion in Decision Making**  
Students want to be involved in discussions about financial aid. Establishing a Student Advisory Committee can be very productive. For example, a Student Advisory Committee (SAC) may be helpful when revising forms, when making presentations, or when creating a customer satisfaction survey.

3) **Keep the Process as Simple as Possible**  
Students want to be asked only for the information that is absolutely necessary. To that end, every form and every piece of information requested should be reviewed on an annual basis.

4) **Keep Things Private**  
Make sure the front office allows for private conversations. If this is not physically possible, staff should be trained to refer students to specialists to discuss sensitive topics.

5) **Financial Aid and the Student Accounts in Close Proximity**  
(A one-stop concept)  
Students prefer the idea of a “one-stop” model to minimize having to go from office to office to receive help and information.

6) **Scholarship Opportunities for Continuing Students**  
Continuing students who have excelled academically want the opportunity to be rewarded financially for their efforts.

Analysis by experts in the field of Financial Aid and customer service stress the following best practices:

**“1. Avoid backlogs.”**  
When financial aid offices fall behind in any step of the awarding process, whether it be verifying files, packaging aid, or certifying loans, it has a snowball effect. Families call when processes are delayed, and staff must handle those calls, which further delays processes. Therefore, keeping on top of the processing flow is critical even if it means having to hire temporary staff or pay overtime.

**2. Reduce required paperwork.**  
Review every required form you have to be sure you really need it....

**3. Train the frontline staff well.**

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6 Also see http://www.universitybusiness.com/article/customer-service-financial-aid-office
Frontline staff members are the office as far as many students and parents are concerned. They should be encouraged to go beyond the specific question asked, provided there is time. It’s also critical that these positions are filled by helpful people who provide accurate information and know when they don’t know an answer to a question...

4. Cross train with staff from both the admissions and bursar’s offices.
At many institutions, the admissions staff have been trained to handle basic financial aid questions. That training gives them the ability to make outreach calls to incoming students to walk them through their award letters and identify students who may need to talk with a financial aid counselor or submit an appeal. This not only strengthens the relationship between the admissions officer and the students they are recruiting, but it also frees financial aid staff members to address more complex questions in a timely manner. Similarly, cross training between financial aid and bursar staffs can keep the student shuffle between offices to a minimum.

5. Optimize the use of the system.
A surprising number of aid offices still package manually, rekey data into different systems rather than uploading it, keep shadow systems for data that should be tracked in the main system, and do not provide online self-service (e.g., the ability to check missing items, submit forms, view aid offers)...

6. Provide staff members time for uninterrupted processing.
Often when a staff is small, members are expected to juggle customer service tasks, such as answering the phone, with processing tasks, such as verification. Providing a schedule that allows them to alternate between being “on call” for service and focusing on processing tasks will improve both customer service and processing accuracy.

7. Review the physical setup for privacy concerns.
Students are often reluctant to go into great detail about their family circumstances in front of other students, so review the front-office setup to see if students can be afforded some privacy at the front desk. If this isn’t physically possible, train staff to be aware of this issue and refer students to a counselor to discuss sensitive topics.

8. Establish protocols for acceptable response times.
Even at peak times, the office should attempt to respond to phone calls and e-mails within 24 to 48 hours. In addition, the director should establish methods of periodically checking to ensure that the office protocols for response times are being met.

9. Don’t wait for them to come to you.
More and more financial aid offices are calling or e-mailing students to resolve issues [...] 

10. Think beyond financial aid to affordability.
Financial aid officers need to be well versed not only in traditional financial aid
programs but also in payment plans, financing options, opportunities to reduce
debt after graduation, options for shorter time to degree, and other programs
that could help students minimize their costs and pay over time […]”

KEY FINDINGS

In 2009, Northern Arizona University conducted a survey of 17,651 undergraduate
and graduate students who received financial aid. 4,303 students completed the
survey. The results suggested that NAU follows many of the best practices identified
above.

• 65.2% reported being helped in one visit
• Components of customer service were rated excellent or good in the following
categories: professionalism (92.8%), knowledge (86.9%), and helpfulness
(88.1%)
• When asked “What suggestions do you have for improving in-person service?”
29.4% provided comments to the question and indicated that NAU provided
consistent information and was efficient
• When asked “What suggestions do you have for improving service via e-mail?”
42.6% provided comments to the question and indicated timeliness of
communication
• 69.0% of all respondents indicated that printed materials they received were
somewhat or very informative

RECOMMENDATIONS

• Each university should establish a financial aid program and method of delivery
that best meets the needs of its unique student population
• Each university should develop and continually improve communications to be
more timely, effective and understandable
• Each university should continue to research best financial aid practices,
leveraging of aid programs and methods of delivery to meet the demands of the
students
• The universities should consider forming Student Advisory Committees (SAC)
• Centralize access to all scholarship information: Make information available for
all campus departments in one easy-to-access location so that applying is quick
and easy
• Consider “one-stop” models wherever practical
• Keep it simple; financial aid is very complicated, even for the professionals.
Financial aid communications, access to, and delivery of these materials should
be made as simple as possible for the consumer
BACKGROUND

For graduate students financial aid is a different world. Yet, federal student aid remains the largest percentage of aid available to and received by graduate and professional students. Typically the university will treat a graduate student as "independent" for financial aid purposes. Students do not have to include parent resources on the Free Application for Federal Student Aid (FAFSA), which means that graduate students are likely to be eligible for more financial aid. They are not however eligible for Pell Grants or Federal Supplemental Educational Opportunity Grants (FSEOG).

Federal student aid has a variety of programs to help students without parental support pay for graduate or professional education: Stafford Loans, and PLUS Loans. Most Financial Aid available to graduate students is in the form of student loans. Graduate students with financial need may take out subsidized Stafford loans. However, beginning July 1, 2012 graduate students will no longer be eligible for the federal interest subsidy. Any new federal Stafford loans taken out by graduate students will henceforth be unsubsidized. For these loans, graduate students who are able to make interest payments, while still in school, would avoid the accrued interest at a fixed rate of 6.8 percent.

The unsubsidized Stafford loans will also have a 1 percent origination fee starting July 1. Previously there was no origination fee assessed, however a “guarantee fee” was common and amounted to the same percentage. Of mixed value, is the fact that the student loan eligibility clock is reset when one enters graduate school. Despite limits need-based loans, there are GradPLUS Loans allowing one to borrow over and above any grants and need-based loans one might receive. Graduate students are required to use all of the normal subsidized and unsubsidized Stafford Loans before applying for a GradPLUS Loan (which is cost effective, because Stafford Loans remain less costly for borrowers than GradPLUS Loans -- which currently have a fixed rate of 7.9 percent). The GradPLUS loan, is a low, fixed interest rate student loan guaranteed by the U.S. Government and it is not need based like other Federal aid. It is similar to a private student loan with the benefit of having a fixed interest rate and federal guarantee.

1 http://studentaid.ed.gov/students/attachments/siteresources/gradguide.pdf
2 http://studentaid.ed.gov/PORTALSWebApp/students/english/gradstudent.jsp
3 http://www.usnews.com/education/best-graduate-schools/top-graduate-schools/paying/articles/2012/03/13/grad-students-to-lose-federal-loan-subsidy
4 http://www.usnews.com/education/best-graduate-schools/top-graduate-schools/paying/articles/2012/03/13/grad-students-to-lose-federal-loan-subsidy
5 http://studentaid.ed.gov/PORTALSWebApp/students/english/PlusLoansGradProfstudents.jsp
According to the *Chronicle of Higher Education*, “most graduate students take out loans to finance their studies. Their debt loads are increased by rising tuition costs, but without the same hope for a compensatory high salary that motivates millions of undergraduates to borrow large sums.”

The debt is not equally distributed amongst graduate student populations. “Graduate students in the sciences receive the most financial support. They also finish their degrees the fastest. Humanities students receive lower levels of support and, thus, pay more dollars into the system. They finish more slowly and take on more debt.”

### REVIEW OF FINANCIAL AID FOR GRADUATE STUDENTS at NAU/ASU/UA

At the Arizona universities, there are fellowships, internships, teaching and research assistant possibilities, and campus-based graduate-level positions. The Northern Arizona University Graduate College web page describes various forms of assistance available to graduate students. These resources are similar across the three universities.

**“Scholarships**

We have resources for preparing competitive scholarship applications, information on available by scholarships discipline, and more.

**Tuition Scholarship Waivers**

Students enrolled full-time are eligible to apply for tuition scholarship waivers through their department of study. Waivers of resident tuition are available to Arizona residents and waivers of the nonresident portion of tuition are available to nonresidents of Arizona.

**Graduate Assistantships [and Teaching Assistantships]**

Graduate assistantships are awarded on the basis of:

- academic merit or
- your ability to perform specific services, [such as] being a residence hall director or research assistant

**Financial Aid for out-of-state students**

Certain programs qualify students from specific western states to be eligible for in-state tuition rates. Find out if you're eligible for the [Western Regional Graduate Program](http://nau.edu/GradCol/Financing/). ([...](http://nau.edu/GradCol/Financing/))

**Active Duty Military Rates**

---


8. [http://nau.edu/GradCol/Financing/](http://nau.edu/GradCol/Financing/)
Attachment E
Northern Arizona University is honoring military personnel and veterans by offering Department of Defense Tuition Assistance rates for active duty military and National Guard personnel. The university also is offering in-state tuition for military veterans. The Department of Defense tuition assistance is $250 per credit hour for active duty military members, the National Guard and reserve forces personnel who qualify. Contact the Office of Military and Veteran Affairs to confirm your eligibility.

[...]

Other kinds of aid available at the universities include:
- Program fee scholarships
- Health insurance
- Tuition waivers for fellowship recipients
- Research waivers associated with research grants.
A comparison of types of aid offered at the three Arizona universities, along with our peers, can be seen in the table below.

<table>
<thead>
<tr>
<th>Arizona Institution</th>
<th>Need-based and merit-based Fellowships</th>
<th>Tuition Scholarships</th>
<th>Graduate Assistantships (typically includes stipend and health insurance and may include tuition)</th>
<th>Student Employment</th>
<th>Federal Unsubsidized Loans</th>
<th>Graduate Plus Private Loans</th>
<th>Departmental Scholarships &amp; Stipends</th>
<th>Resident Set Aside or State Grants (program fee)</th>
<th>Western Regional Graduate Program (reduced tuition program)</th>
<th>Federal Teach Grant</th>
<th>World Wide University Program</th>
<th>Department of Defense Tuition Assistance</th>
<th>State Loans</th>
<th>Need Based Funding for Veterans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Northern Arizona University</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>University of Arizona</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
<tr>
<td>Arizona State University</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
<td>X</td>
</tr>
</tbody>
</table>

**Other Institutions**

| Northern Illinois University        | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Michigan              | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Nebraska-Lincoln      | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| James Madison University            | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Iowa State University               | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Oregon                | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Oregon State University             | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Western Illinois University         | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Texas - San Antonio   | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| San Diego State University          | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Purdue University                   | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Virginia Poly-Tech & State University | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Ohio State University               | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Pittsburgh            | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| University of Wisconsin - Madison   | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Binghampton University              | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |
| Florida International University    | X                                      | X                    | X                                                                                           | X                 | X                        | X                          | X                                   | X                                           | X                                               | X                | X                           | X                             | X          | X                             |

**NOTE:** All information on UA and "other" was obtained from the institutions' website.
State Based Financial Aid Program for Arizona

The development of a state-based financial aid program and the creation of a communication strategy. Lead University: Arizona State University

BACKGROUND

To provide state-level information for the Financial Aid Task Force and its review for the development of a state-based financial aid program, we identified two sources:


2) Personal conversations with colleagues in the five states identified by ABOR as having noteworthy models of need-based state aid programs (see item 11 of the February 7, 2011, Academic Affairs agenda at http://www.azregents.edu/publicmeetings/academicaffairs.aspx).

At the national level:

- Arizona continues to rank at or near the bottom of the 50 states on all per capita measures of state-sponsored aid (see Tables 11-14 of the NASSGAP Report).
- Although total state aid for students rose by a small amount in the 2010 fiscal year, "nearly half of the states surveyed cut their need-based grants, even as demand for financial aid went up because of booming enrollments and higher tuition" (Chronicle of Higher Education, July 11, 2011, summary of the NASSGAP survey).
- In FY 2010, the total amount of aid spent on need-based grants grew faster than the amount spent on merit-based grants, a reversal of recent trends and, perhaps, an indication of escalating concerns about affordability.
- Among the states that increased grant aid, most are struggling to keep pace with increasing enrollment demand and rising levels of tuition.
### Table 1. Current State-Based Financial Aid (or Scholarship) Program

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Implementation of Awards</th>
<th>Award Value</th>
<th>Funding Source</th>
</tr>
</thead>
</table>
| California | Although need-based grants increased by about 19% for FY 2010 and there is an expectation that the state will also increase the total need-based grant level for FY 2011, the state has made eligibility changes to the income and asset ceilings of its Cal Grant Program which will restrict qualification for some renewal students. | ▪ Valid FAFSA by March 2  
▪ Complete a verified GPA form and file with California student aid commission by March 2.  
▪ Have a GPA of 3.0 in high school | There are two different types of Cal grant:  
1. Cal Grant A: Entitlement award - The Cal Grant A Entitlement award provides for tuition and fees at the California State University and the University of California, as well as tuition support at participating independent colleges and universities and career colleges. For year 2011-12, a Cal Grant A pays $12,192 at the University of California, $5,472 at California State University, and $9,708 at non-public colleges.  
2. Cal Grant Competitive awards are the same as a Cal Grant Entitlement awards, except that they are not guaranteed. Each year, 22,500 Cal Grant Competitive awards are available. Of these, 11,250 are for students who do not qualify for a Cal Grant Entitlement award, but who otherwise meet the Cal Grant requirements and apply by March 2. The remaining 11,250 awards are set aside for eligible California Community College students who meet the September 2 deadline. | Cal Grants are funded by the State of California with a small portion of funding from the Federal Government through the Leveraging Educational Assistance Partnership Program (LEAP). |
<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Implementation of Awards</th>
<th>Award Value</th>
<th>Funding Source</th>
</tr>
</thead>
</table>
| Indiana| Two years ago, Indiana cut its need-based Frank O’Bannon Grant Program by 37%. In addition, it has also raised the minimum high school GPA requirement from 2.0 to 2.5 has increased the college GPA needed for grant renewal. Program designed for legal residents of Indiana. Students in some professional degree programs not eligible for state-based aid. | • Valid FAFSA by March 10.  
• State Student Assistance Commission of Indiana (SSACI) notifies students & colleges of recipients based on student’s first-choice college listing on FAFSA.  
• Grant amounts based on 30 credit hours/academic year or 15/semester, pro-rated if below 15hours/semester or even cancelled. | Varies based on tuition/fees for college attending, type of HS diploma received and combined family income.                                                                                                                      | Funded primarily by the state.                                                                                                                                                                           |
| Florida| Florida Department of Education Office of Student Financial Assistance administers the Florida Student Assistance Grant by state statute (1009.50, 1009.51 and 1009.52). State funds appropriated by state legislature are deposited into the State Student Financial Assistance Trust Fund. It is available to resident, degree seeking undergraduate students with substantial financial need who are attending a public college (2 year or 4 year). The program is decentralized, each institution determines eligibility and award amounts. Renewal criteria include both GPA requirements and completion of 12 credit hours per term. Reduced number of years of eligibility from 7 years to 5 years.  
Programs in place:  
• Bright Futures—Academic Scholars; Medallion Scholars; Gold Seal Vocational Scholars  
• Florida Resident Access Grant  
• Access to Better Learning and Education Grant | • FAFSA required for Bright Futures.  
• Test scores required for Bright Futures Academic Scholars (1280SAT/28 ACT) and Medallion Scholars (1020SAT/22 ACT).  
• Minimum 24 credit hours. | Bright Futures dollar amount varies by program level, but is funded per credit hour (max $101/credit hour). | Bright Futures Scholarships funded by the Florida Lottery. |
<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Implementation of Awards</th>
<th>Award Value</th>
<th>Funding Source</th>
</tr>
</thead>
</table>
| Georgia   | Hope Scholarship award levels (funded by the Georgia Lottery) have been significantly reduced for most FY 2011 recipients. Some lottery funds have been re-directed, however, to the new Zell Miller Scholarship. The changes for FY 2011 have created concerns about the sufficiency of state need-based aid. | • Zell Miller Scholarship, which requires at least a 1200 SAT and 3.7 high school GPA (as well as a 3.3 college GPA for renewal).  
• Degree seeking student                                                                                      | $2000 per semester or $1333 per quarter for Full Time study or $1000 per semester or $666 per quarter for Half-Time study.                                                                 | This is funded by the state lottery system                                                                                                           |
| Minnesota | As a consequence of its “shared responsibility” approach, when the level of Pell Grants was increased a few years ago, the state decreased the level of state aid. Since then, the level of state aid has remained constant, but next year tuition will increase and institutional aid (at U Minnesota) will decrease, creating greater hardship for needy families. The Minnesota State Grant Program exists and is administered through the Decentralized Delivery System. | • Must have a valid FAFSA within 30 days from the start of the term (in the case of mini sessions, 30 days from the start of the first mini term the student is enrolled)  
• Enrolled in at least 3 credits hours at an eligible institution  
• U.S. Citizen  
• Minnesota resident  
• 8 semester limit  
• High school/GED and at least 17 years old  
• Not owe any state agency grant overpayments  
• Not be in default on student loans  
• Not be more than 30 days in arrears for child support payments  
• Be making SAP  
• Not be receiving tuition reciprocity benefits from another state while attending a Minnesota institution  
• Working on first bachelor's degree or certificate                                                                 | The grant stipend shall be based on a sharing of responsibility for covering the recognized cost of attendance by the applicant, the applicant's family, and the government. The amount of a financial stipend must not exceed a grant applicant's recognized cost of attendance, after deducting the following:  
• the assigned student responsibility of at least 46 percent of the cost of attending the institution of the applicant's choosing  
• Family Expected Contribution  
• The amount of Pell grant that the student is eligible to receive  

The minimum financial stipend is $100 per year.                                                                 | The state funds this grant program, taking into account that students are responsible for 46% of the COA. |
### Nebraska

Funded by the state lottery, a relatively small ($14.8M in FY 2011) need-based program is available to both public and private institutions. Almost all funds, though, flow to public four-year and two-year institutions, where the neediest students typically enroll. Administration of the program funds is de-centralized at the level of the institution. The amount of available funds has been stable for the past several years, and there has been no discussion of reducing funding in the future. Nebraska Opportunity Grant (formerly Nebraska State Grant) exists.

- Must have a valid FAFSA
- Other eligibility requirements are determined by institutions

Average grant amount was $960.89 in 2010-2011
Total of $14,947,663 for the entire state for 15,556 students

### Oregon

While Oregon is holding steady on state funding of the moderately generous state need-based grant program for the next biennium, that level has eroded to about 60% of just a few years ago. Last year too much money was spent in the first year (two-year funding cycle), so that this year shortages caused earlier deadlines to be imposed.

- FAFSA submitted by Feb 1, 2012
- Financial need greater than $1950
- Resident of Oregon
- Working on undergraduate first bachelor's degree
- Enrolled at least ½ time
- Not be in default on federal student loans or grants
- Not be incarcerated

2011-2012 29,000 students will receive awards up to $1950
Funded primarily by the state

### Washington

Although funding for the Washington State Need Grant Program has been increased by 16% for FY 2011, tuition at the University of Washington will increase 20%, so state grant aid will not

- Students must complete a FAFSA
- Family income equal to or less than 70% of state median
- Be a state resident

Amounts vary based on median family income (0-50%) and type of institution:
- Public Research--$9280
- Public Comprehensive--$6446

State legislature determines budgets on a biennial basis using data

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Implementation of Awards</th>
<th>Award Value</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nebraska</td>
<td>Funded by the state lottery, a relatively small ($14.8M in FY 2011) need-based program is available to both public and private institutions. Almost all funds, though, flow to public four-year and two-year institutions, where the neediest students typically enroll. Administration of the program funds is de-centralized at the level of the institution. The amount of available funds has been stable for the past several years, and there has been no discussion of reducing funding in the future. Nebraska Opportunity Grant (formerly Nebraska State Grant) exists.</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
|         | - Must have a valid FAFSA  
|         |   - Other eligibility requirements are determined by institutions |
|         | Average grant amount was $960.89 in 2010-2011  
|         |  Total of $14,947,663 for the entire state for 15,556 students |
| Oregon  | While Oregon is holding steady on state funding of the moderately generous state need-based grant program for the next biennium, that level has eroded to about 60% of just a few years ago. Last year too much money was spent in the first year (two-year funding cycle), so that this year shortages caused earlier deadlines to be imposed. |
|         | - FAFSA submitted by Feb 1, 2012  
|         |   - Financial need greater than $1950  
|         |   - Resident of Oregon  
|         |   - Working on undergraduate first bachelor's degree  
|         |   - Enrolled at least ½ time  
|         |   - Not be in default on federal student loans or grants  
|         |   - Not be incarcerated |
|         | 2011-2012 29,000 students will receive awards up to $1950 |
|         | Funded primarily by the state |
| Washington| Although funding for the Washington State Need Grant Program has been increased by 16% for FY 2011, tuition at the University of Washington will increase 20%, so state grant aid will not  
|         |   - Students must complete a FAFSA  
|         |   - Family income equal to or less than 70% of state median  
|         |   - Be a state resident |
|         | Amounts vary based on median family income (0-50%) and type of institution:  
|         |   - Public Research--$9280  
|         |   - Public Comprehensive--$6446  
|         | State legislature determines budgets on a biennial basis using data |
keep pace with tuition. The impact on middle class families is of particular concern.

- Enroll in at least 3 credit hours at an eligible institution
- Be working on first bachelor’s degree, certificate or first associates degree
- Not pursuing a degree in theology
- Not to exceed 5 years or 125% of program length
- Must not owe to another student aid program

$6751 Public Community/Technical College--$3256
Private 4-year--$8214
4-year Private/Proprietary--$4107
2-year Private/Proprietary--$1357-$2713
Dependent Care Allowance--4862

submitted by institutions from the prior year.

West Virginia

Shares a state grant program with Pennsylvania. The West Virginia Higher Education Grant. West Virginia is looking to move to a 50/50 funding model where 50% of funding is generated from student tuition and fees and 50% is from state allocations. Also have the PROMISE scholarship (covers mandatory tuition and fees equal to the lesser of $4,750) for PROMISE must have GPA of 3.0-4.0 and ACT or SAT scores set by WV higher ED policy commission.

- Students must complete a FAFSA by April 16, 2012
- High School Diploma/ GED
- Be a US citizen
- WV residency for at least 12 months
- Demonstrate financial need
- Demonstrate academic promise
- Working on first bachelor's degree
- Be enrolled full time in a WV or Pennsylvania participating institution
- May not exceed three years beyond the initial award

WV Higher Education Grant:
Maximum award amount was $2,400 (2011-2012) and can be transferred from one institution to another

Primarily state funded

<table>
<thead>
<tr>
<th>State</th>
<th>Description</th>
<th>Implementation of Awards</th>
<th>Award Value</th>
<th>Funding Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wisconsin</td>
<td>State program was growing slowly until 2011-12 with state funding approximately $55M for the universities (separate allocations for</td>
<td>Complete a FAFSA, Be a state resident, Have a high school diploma/GED</td>
<td>Wisconsin higher education grant: $250 -$3,000, Wisconsin Tuition Grant: $250 to maximum set annually by HEAB</td>
<td>½ from state ½ from institution</td>
</tr>
</tbody>
</table>
The Wisconsin Covenant, a $250 award for needy residents, was cut this year, but students currently in 8th grade through high school will ultimately receive as they were grandfathered in. The Wisconsin Higher Education Grant (WHEG) has been centrally administered in the past but allocations will go directly to institutions beginning in 2011-12. Financial aid administrators will agree to a formula for distribution.

<table>
<thead>
<tr>
<th>Enrolled in an undergraduate degree or certificate program in a non-profit institution based in Wisconsin</th>
<th>Wisconsin Covenant grant: $250-$1,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>10 semester max</td>
<td></td>
</tr>
</tbody>
</table>

Note: Attachment F
Attachment F
AZ State based aid programs as reported by NASSGAP:

<table>
<thead>
<tr>
<th>Program Description</th>
<th>Undergraduate</th>
<th>Graduate</th>
<th>Incategorized</th>
<th>Total</th>
<th>Recipients</th>
</tr>
</thead>
<tbody>
<tr>
<td>Primary Need-Based Grant Program</td>
<td>$3,662,741</td>
<td>0</td>
<td>0</td>
<td>$3,662,741</td>
<td>3,806</td>
</tr>
<tr>
<td>AZ TEAP/SEAP Program</td>
<td>$3,662,741</td>
<td>0</td>
<td>0</td>
<td>$3,662,741</td>
<td>3,806</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$3,662,741</td>
<td>0</td>
<td>0</td>
<td>$3,662,741</td>
<td>3,806</td>
</tr>
<tr>
<td>Other Grant Aid with a Need Component</td>
<td>Undergraduate</td>
<td>$16,230,118</td>
<td>0</td>
<td>$16,230,118</td>
<td>6,816</td>
</tr>
<tr>
<td>(AFAT), Arizona Financial Aid Trust</td>
<td>$16,219,091</td>
<td>11,027</td>
<td>0</td>
<td>$16,230,118</td>
<td>6,816</td>
</tr>
<tr>
<td>Arizona College Access Aid Program (ACAAP)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$16,219,091</td>
<td>11,027</td>
<td>0</td>
<td>$16,230,118</td>
<td>6,816</td>
</tr>
<tr>
<td>Grant Aid Without a Need Component</td>
<td>Undergraduate</td>
<td>$49,688</td>
<td>0</td>
<td>$49,688</td>
<td>92</td>
</tr>
<tr>
<td>(EGW) Early Graduation Scholarship Grant</td>
<td>$49,688</td>
<td>0</td>
<td>0</td>
<td>$49,688</td>
<td>92</td>
</tr>
<tr>
<td>Subtotal</td>
<td>$49,688</td>
<td>0</td>
<td>0</td>
<td>$49,688</td>
<td>92</td>
</tr>
<tr>
<td>Non Grant Programs</td>
<td>Undergraduate</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(PSE) Postsecondary Education Grant</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(PFEP) Private Postsecondary Education</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Student Financial Assistance Program</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Subtotal</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>$19,931,520</td>
<td>11,027</td>
<td>0</td>
<td>$19,942,547</td>
<td></td>
</tr>
</tbody>
</table>

Recipient counts should not be totaled across program as this may duplicate recipients.
Financial Aid Awarded Arizona University System—Five Year Review

INCREASE in total financial aid awarded ........................................................................... $745.6 M, or 75.4%
INCREASE in federal financial aid awarded ....................................................................... $129.9 M, or 175.4%
INCREASE in state financial aid awarded (inc. AFAT) ......................................................... $5.8 M, or 47.9%
INCREASE in institutional aid awarded (inc. tuition scholarships) .................................... $166.9 M, or 74.3%
INCREASE in private/other financial aid awarded ............................................................... $49.6 M, or 66.6%
INCREASE in self-help aid from student loans ................................................................... $362.7 M, or 78.6%
INCREASE in self-help aid from employment ..................................................................... $30.7 M, or 21.6%
PELL GRANT and ITS IMPACT

Arizona University System—Five Year Review

Pell Grant Eligibility

Enrolment Increases (Fall 2006 - 2010)
Arizona University System

- Increase in enrollment of all undergraduates: 14%
- Increase in enrollment of Pell eligible undergraduates: 88%
- Increase in enrollment of entering freshman: 17%
- Increase in enrollment of Pell eligible entering freshman: 128%
Questions, Considerations, Recommendations:

1. Should there be a state financial aid program in Arizona?

There should only be a state financial aid program if this means additional money for the universities for financial aid, and is not a redistribution of current budget. In many states the state based financial aid has become an entitlement and as budgets have been cut the money for the program has been maintained, or money has been taken from the universities to cover the costs of the program. This would be no help. We cannot afford a state financial aid program if it means a reduction in our budget.

2. Should the state financial aid program be need based, merit based, or some combination?

What is best depends on the policy goal, which is a political decision. If we want to keep our best and brightest in-state for college after HS graduation, then a merit-based system would be better. If we want to increase the college-going rate, then a need-based approach would be more efficient. The Brookings report [http://www.brookings.edu/about/centers/brown](http://www.brookings.edu/about/centers/brown) recommends a combination need/merit program. They state, the main aim of a state financial aid program should be to produce maximum return on taxpayers investment by increasing educational attainment of state’s citizens. This means we should focus resources on students whose chances of enrolling and succeeding in college will be most improved by receipt of state support (combination of need and merit).

3. Should specific criteria for awards and award amounts be set by the state or Regents, or should goals be set and the money allocated to universities to achieve aims set by the state and Regents?

Past experience suggests it is better to have the institutions manage the money as they can evaluate the financial need and merit of students on a case by case basis, consider the totality of funds available from federal, family, state and institution and award the amount of money needed to maximize the students success. If the state creates a program with certain criteria it becomes an entitlement, which is very difficult to change or eliminate as the times change. Or If, the federal government changes its aid award amounts or policies
we need the flexibility to adapt changing the amounts given to each of our students taking any account any change in the amount they receive from the federal government.

Thus the state and Regents should set what they want to achieve with a financial aid policy and then have the institutions report on how they met those expectations. Examples of aims the State or Regents could set include: increasing the participation rate of underserved groups, assuring that the best qualified students with financial limitations have options to attend, accelerating time to degree for enrolled students, encouraging the more talented kids to attend college in state, or incentivizing production in specific disciplines.

4. Could the money be allocated to the students?
Vouchers give money directly to the students, perhaps based on some achievement in High School, that they can spend at any in-state school. This has the same disadvantage of perhaps giving money where it is not needed as is mentioned above. Not all students need the same amount of money as they will vary in the amount they can get from the federal government or from their families.
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Arizona Higher Education Portable Tuition/Grant/Voucher Program

August 2012 Update

To update the Financial Aid Task Force section on portable financial aid (vouchers) a thorough analysis was conducted of all new reports, information or studies relative to this type of aid that were published between August 2011 (completion of first study) and August 2012. While much has been written about financial aid and state contributions to aid, there is nothing new in the literature to inform this section. The mixed results of the Colorado program coupled with continued low financial aid investments by the states provide a cautionary note relative to the continued pursuit of this type of financial aid.

Two new reports that were studied for this update include the National Association of State Student Grant and Aid Programs (NASSGAP) 2010-11 Report and the May 2012 Brookings Report.

Details of the reports are the following:

The NASSGAP Report updates the comparison of state investment in aid programs. Arizona continues to rank in the bottom quarter of states in terms of state investment in aid. AFAT (Arizona Financial Aid Trust) is considered Arizona’s largest investment and accounts for almost half of the money allocated by the State of Arizona. It is important to note, however, that this aid option is student funded through a student fee rather than being fully funded by the State.

The Brookings Report provided three key summary recommendations in their report:

- Consolidate and simplify by consolidating types of aid and ensuring that universities utilize tools that enable students to accurately compare the cost of attendance;
- Design programs that encourage timely completion. The application of the principals of performance funding are now being seen in pilot performance programs across the country that link aid (in some manner) to student performance (similar to Arizona and our Enterprise goals);
- Improve state grants in difficult financial times to encourage states to maintain programs rather than eliminating them, perhaps modifying them to preserve access and promote student performance.

Based on the thorough reanalysis of this issue and the findings from the full Student Centered Financial Aid Report as well as lack of any new information, we recommend continued caution related to this topic.

Background from the August 2011 Report

Vouchers, also called portable grants/tuition benefits, could serve as a financial aid mechanism to more clearly enumerate the state investment in higher education for students and their families. In this option, students would be granted “vouchers” based on financial need and/or performance. Vouchers could also be offered to all resident students enrolling at an Arizona public university. The vouchers would be “redeemed” as a set amount of tuition dollars.

These types of programs provide a tangible and predictable benefit that directly offsets a portion of the cost of delivery for Arizonans. Portable tuition benefits would need to be greater than existing current state per-student funding in order to offset the amount of tuition being paid by students or to lessen the unmet financial needs of students.

Colorado is home to the Colorado Opportunity Fund (COF). Colorado is the nation’s first and only state with a voucher-based approach for higher education. This program provides state funding to higher education through vouchers and fee-for service contracts to supplement mission differentiation and high cost programs. In addition to
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COF, Colorado also currently offers students need-based and work-study financial aid through state-funded financial aid programs.

In Colorado, vouchers replaced most direct funding to institutions of higher education and the state general funds allocated to some institutions fell below 10% of total funding. This program was intended to make institutions accountable by forcing them to become entrepreneurial and market-driven. However, there were problems with the implementation of the model and the program’s goals of compelling higher education in Colorado to become more operationally efficient and increase access to underrepresented populations were not achieved. A study conducted by the Western Interstate Commission on Higher Education (WICHE) outlined the following as some of the reforms that might enhance the achievement of the program goals:

- guarantee the vouchers value and increase state need-based financial aid
- streamline the process for students and their families
- and increase statewide marketing efforts of the vouchers.

A complete review of the Colorado Opportunity Fund including additional reform suggestions and a portable tuition overview can be found in Appendices 1 and 2.

For a voucher system to be a viable option within the state of Arizona, the benefit must be small to avoid a decrease in base funding and cause the need for substantial tuition increases. In addition, the opportunities should focus on Arizona’s public universities to maintain funding levels. Lastly, it is important to note that if funding is distributed based on the number of enrolled resident undergraduates, funds may need to be distributed differently among the three state universities to avoid substantial tuition increases and to hold current funding levels flat. Based on these issues, this option may be the most costly with limited results.
Portable State Student Support Overview

Student-centered financial aid programs could take many forms. One form that has been mentioned by a number of legislators is the conversion of some substantial portion of the current individual General Fund appropriations to the ABOR universities into a consolidated pool of funds that is distributed to the universities via “vouchers” held by resident students that they bring to the university of their choice. In this document, this structure is referred to as “portable state student support”.

This would be similar to concept behind the College Opportunity Fund created in Colorado in 2004. (A description and analysis of that program is included later in this document.)

Program Goals:

To properly evaluate the design and implications of a portable state student support structure, one should first understand the goals of the program. The BRB language was not specific concerning the legislative intent behind the suggestion of student-centered financial aid, so this analysis can only outline possible goals. They include:

1. **Incentivize universities to be more responsive to student needs by tying state appropriations to consumer choices.** Such incentives, of course, already exist, since to the extent that the stated level of tuition and the net cost after financial aid awards is a determinant in student decisions on where to attend, universities can compete via their tuition setting actions to try to maximize enrollment. While the distribution of net tuition revenue between the universities is subject to competition, the distribution of state resources is not in the current structure. Whether its addition to the competitive distribution pool will provide any further incentive to efficiency and consumer-focus than already exists is a debatable point.

2. **Provide a structure that assures that universities with a lower cost structure can charge lower tuition than universities with a higher cost structure.** If each student brings an equal amount of state funds via the portable state student support program, a university with a lower cost structure will be in a position to charge lower total tuition while covering its full costs than a university with a higher cost structure. Under the existing system of differential per-student allocation of state funds, if a higher cost institution receives a higher per-student state appropriation, the state, in effect, “subsidizes” the tuition rate at higher cost basis institutions. If the funding differentials are wide enough, an artificially high tuition rate could become necessary at the lower cost institution. (It should be noted that a portable state student support program that is funded from existing funds only is not a means by which system-wide levels of net tuition charges can be lowered without forcing spending cuts. Rather portable state student support is simply a different means of allocating existing state funds.)

3. **Provide an indirect pathway that could lead to greater funding equity.** The nature of the program design and how much of the funding is allocated through means other than portable state student support would determine the extent to which funding disparities are addressed.

4. **Establish mechanisms that make it more clear to students and their families that the State makes substantial contributions that offset the cost of higher education to families.** By explicitly showing the state “financial aid” component as an offset to a total tuition bill, it becomes very clear that a family is not paying the full cost of providing an education.

5. **Develop a stronger constituency for protecting funding for higher education by tying it more directly to the out-of-pocket cost to families.** This will be the case only to the extent that families see budget reductions as being directly tied to what they have to pay for tuition.
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Program Design and Policy Issues

There are a number of ways in which one could structure the distribution of the state’s General Fund appropriation that includes a portable state support plan. The following outline some of the factors to be considered.

1. **Is the program limited to the use of the existing state appropriation level?** A portable state student support plan could be used as a start for an incrementally funded state-funded financial aid program. This would drive down tuition rates if existing base funding were left in place. For purposes of this evaluation document, however, we assume that the legislative intent was to focus exclusively on a program funded from existing funds.

2. **Should portable support be equivalent at each university?** It is hard to imagine any legitimate portable state student support plan that does not include this element. Without it, it is just another way of allocating funds differentially and readjusting base allocations.

3. **What components of the universities’ mission are intended to be funded by state appropriations?** The answer will determine the amount of funding that will be available to support a portable state student support plan, and therefore, the size of the portable state student support benefits and the extent to which the structure will reallocate base funding. On the assumption that the program will be intended to, at a minimum, support undergraduate education, how will graduate education be funded? How, if at all, will research be funded? How will public service and other special mission services be funded? Will capital needs or deferred maintenance needs be funded separately?

4. **Is it acceptable to reallocate existing base funding levels between the universities?** If one has limited the available funding to the existing bases and one has determined that the size of the portable benefit will be equal at each university, then there will be a reallocation of funds between the university unless the level of funding available to support other mission elements is substantially skewed in away that preserves the existing disparities. If it is not, then the university with higher current per-student funding levels will either have to reduce its expenditure levels, raise tuition, or expand enrollment without new spending to make up for the state money that it will lose to support the portable state student support payments to students at the other universities.

5. **Should portable benefits be available for residents choosing private institutions in-state?** Providing state support to for-profit ventures seems to be easily excludable as a policy issue, but limiting the benefit to the public universities is more appropriately debatable. If the primary goal is to incentivize competition, the conclusion is more likely to be inclusive. If the primary goal is to address funding disparities in a market-oriented fashion, the conclusion is more likely to be a public-only program. One option that could be considered is a limited non-public component such as a lower portable benefit if used at a private university or a fixed proportion of the available funding that could be used at a private university. But to the extent that non-publics are included and funds are limited to existing appropriations, the result will be funding reductions to the three public universities.

6. **Should portable support be available to students choosing community colleges?** If the funding available for portable state student support is limited to existing base university funding, extending the portable state student support benefit to community colleges would simply be a means of transferring state funds from the universities to the community colleges. Such a policy would represent a sea change in the state’s higher education funding philosophy and funding structure that has been in place to date and would open a much larger policy debate. It becomes much more difficult to justify the use of property taxes as a means of supporting only the community colleges if there are also to be the potential for very significant state revenue sources available to the community colleges for the first time. If such a structure was proposed, it would be logically and philosophically consistent to identify all sources of public funds—state appropriations and property tax collections— as being the appropriate base for the pool that would be distributed through portable state student support allocations. That, of course, draws the counties into the debate. It also suggests the possibility of differential portable state student support benefits by
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county, on the assumption that any counties property tax collections should only be distributed to students from that county.

7. What happens to support levels if state budget reductions are needed? What guarantee does an incoming freshman have of ongoing support? See the discussion above Item #5 under “Possible Goals”.

Implications of Design Decisions

1. If the size of the portable state student support benefit is fixed at an equivalent level for each university, the tuition rate becomes the primary means of providing a differential in resources at an institution with a higher cost structure/basis. This could be impacted, however, by differential direct funding for capital, special program needs, or graduate programs.

2. When there are going to be changes to the base state appropriation for the universities, the choices for the means of its distribution include: performance-based incentives, increases in the size of the portable state student support benefit, increases in any direct appropriation for special programs/graduate programs/etc., decision packages, or a combination of them.

3. Because the UA funding per FTE student (for activities other then the Health Sciences Center and Cooperative Extension) is roughly $850 higher than that at ASU and NAU, any portable state student support program will redistribute funds substantially from UA to ASU and NAU, unless relatively large differences are assumed in funding that flows to the institutions for other mission elements (such as public service or graduate education).

4. A rough model was developed that assumes no shifts in enrollment patterns and with about 60% of the non-Health and non-Extension existing funding being used for a portable state student support pool (and the balance to support graduate education, public service, and deferred maintenance). In that scenario, UA would either have to suffer a loss of total funding, or raise net tuition rates to 120-125% of those at ASU and 150-175% of those at NAU to assure the same level of total available resources.

Conclusions

The incremental advantages of creating incentives for cost effectiveness to make an institution more competitive by holding down tuition are probably too small to justify to substantial disruptions to funding patterns that would result from a portable state student support program.

Because the universities already generate almost 70% of their general purpose revenue from tuition and enrollment increases that generate tuition dollars, to the extent that tuition prices determine student choices on where to attend, there is already a great deal of incentive in the structure to hold down tuition prices and maximize revenue via enrollment volume. Tying the distribution of the remaining 30% of the revenue that comes from General Fund appropriation to an enrollment-based mechanism is not likely to impact that existing incentive much.

On the other hand, the likelihood of redistribution of base funds and the pressure it will place on either tuition or base spending at UA has the potential for severe disruption and damage to the quality of a key element in the higher education structure of the state. In the face of General Fund reductions that total almost 40% since 2008, all three of the universities are struggling to maintain program quality and the ability to serve the growing demands of the state’s students and families. It would be a major disservice to exacerbate those pressures.

The university presidents’ and the Board of Regents have together recommended that any corrections to the per-student funding disparity that exists not be done via a redistribution of current state funding. Using a portable state student support program as a means of addressing disparity would violate that recommendation.
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APPENDIX 2

Overview of Colorado’s College Opportunity Fund and Critiques

In the spring of 2004, the State of Colorado passed Senate Bill 04-189 which created the Colorado Opportunity Fund (COF), the nation’s first and, to date, only voucher-based approach to financing higher education. This program arose within the context of two primary issues that Colorado had been grappling with: 1) searching for ways to increase college participation and success rates of its residents particularly amongst low-income students, underrepresented minorities, and males and 2) the existence of the Taxpayers Bill of Rights (TABOR) (WICHE, 2008). TABOR was a 1992 constitutional amendment that restricted the state’s general fund collections and expenditures that resulted in severely restricted state resources. As Colorado headed into the twenty-first century under TABOR, its higher education funding levels ranked near the bottom of all states and shortages in state direct appropriations could not be made up via increased tuition as tuition revenue was considered subject to the state revenue limitation (WICHE, 2008). Given this environment, Governor Bill Owens created a Blue Ribbon Panel on Higher Education to explore different ways for Colorado to fund higher education and the panel produced a 2003 report that recommended the state adopt an alternative means of financing the state’s colleges and universities based on educational savings accounts or stipends (Poulson & Merrifield, 2011). The panel’s recommendations also included block grants to institutions for specific activities not covered by the stipends (WICHE, 2008).

The Colorado Opportunity Fund completely replaced the traditional approach to subsidizing public higher education through direct appropriations with a combination of vouchers and “procurement contracts” for educational services (Prescott, 2010). Although the vouchers were originally designated at $4,400 when the policy was first under consideration, upon implementation the voucher value was dropped to $2,400 a year for all full-time resident students and were portable among all Colorado’s public higher education institutions and some of the private institutions. Institutions participating in the stipend programs negotiated performance contracts with the Colorado Department of Higher Education requiring the intuitions “to make progress toward agreed-upon goals relative to access and success, quality, efficient operations, and other activities in keeping with their roles and missions” (Prescott, 2010, ¶ 9). Simultaneously, fee-for-service contracts were established with higher education institutions to achieve specific state objectives such as graduate-level education, specialized education services, and professional degrees (Poulson & Merrifield, 2011). In 2007-08, these contracts provided just under $300 million to Colorado’s public institutions, which was nearly half of the combined revenue from both funding streams that year (Prescott, 2010). Overall, legislators “believed the vouchers would boost access to college…by making the state's investment in [residents] more apparent and by empowering them as ‘consumers’ to pick and choose among colleges. They also expected that COF would make institutions accountable by forcing them to become entrepreneurial and market-driven” (Prescott, 2010, ¶ 2).

As the COF vouchers replaced some direct funding to higher education institutions, state general funding allocations to some institutions fell below 10 percent of their total funding which allowed them to acquire enterprise status thus exempting them from TABOR restrictions which limited state revenue and spending. Institutions were therefore able to increase tuition without requiring cuts in other state programs and they had greater flexibility in issuing debt (Poulson & Merrifield, 2011). Once the voucher system was enacted in in the fall of 2005, students quickly realized that their out-of-pocket expenses were not reduced but rather remained at least the same as prior to the stipend. “Since the stipends were replacing direct appropriations, COF’s designers anticipated that institutions would raise their in-state tuition prices by roughly an amount equal to the stipend. In fact, institutions used their enterprise status to increase tuition beyond that amount, and many student would up with bigger bills” (Prescott, 2010, ¶ 22). Altogether, there was significant student, family, and institutional confusion in relation to how COF worked and frustration over implementation and the additional burden it caused student services offices. Additionally, the institutional performance contracts associated with the stipend program never produced institution-specific penalties if students failed to progress or graduate in a timely many nor did it produce rewards for attracting in-state and/or underrepresented students. Instead, “the performance contracts became another
bureaucratic requirement, without impacting decision making” (Poulson & Merrifield, 2011, p. 11). Finally, the fee-for-service contracts were never clearly tied to a broader, market-oriented philosophy so none of the Colorado institutions reported making curriculum, practice, or policy changes in pursuit of more fee-for-service funding (Prescott, 2010).

A 2008 evaluation report by Western Interstate Commission on Higher Education (WICHE) concluded the following about the goals of COF to exempt higher education institutions from TABOR limitations, compel higher education to become more efficient in their operations, and increase access to underrepresented populations: Despite these ambitions, the evidence suggests that COF has not succeeded in reaching these aims, other than providing for higher education to be exempted from TABOR’s revenue and spending limitations. A data analysis of student enrollment records shows that the stipend’s inception in the 2005–2006 academic year coincided with declines in the number of targeted populations enrolling in higher education. While the number of college students continued to climb rapidly throughout the nation, in Colorado overall enrollment records fell when COF went into effect. Students from underrepresented racial/ethnic and low-income backgrounds were less likely to be enrolled under COF than previously. The rate at which Colorado’s high school graduates enrolled directly at an in-state institution showed a slight decline initially, while the mixture of males and females remained steady. The enrollment of adult learners over the age of 25 generally fell more significantly than did the enrollment of traditional-age students… Among the principal findings is that the COF policy’s implementation compromised its original intent. In particular, the way the stipend and fee-for-service components of the policy are used in conjunction to protect institutions’ overall funding levels stifles their ability to incentivize institutions to enroll more targeted students or meet other identified state needs. Institutions recognize that they will not be rewarded for enrolling more students. Additionally, two-year colleges described how the requirement to authorize and determine eligibility for COF presents unique obstacles that they believe have complicated their ability to attract and enroll students from all backgrounds, but especially those from targeted populations. Focus group participants also revealed a general indifference to (if not ignorance of) the performance contracts and the expectations within them, in large part because they did not perceive there were any real rewards or penalties for performance. Consequently, the COF legislation has had a negligible effect on institutional decision-making. (p. i-ii)

The WICHE report (2008) outlined the advantages and disadvantages of COF maintaining the status quo or abandoning the initiative altogether, but also provided suggestions for amending the current policies to enhance the achievement of state goals. The following reforms were suggested (WICHE, 2008) for the three components of COF:

For the stipend component:
- Guarantee the stipend’s value and increase state need-based financial aid
- Simplify the process of authentication and authorization and streamline the COF verification of citizenship status
- Eliminate the 145 credit hour limitation
- Increase state efforts to market the stipend

For the fee-for-service funding component:
- Clearly articulate state needs to ensure they remain appropriate for Colorado as a whole (not as a collection of institutions)
- Tie a portion of the fee-for-service funding to successfully serving students, especially those from targeted populations, as measured by completed courses or degrees
- Disentangle fee-for-service funding stream from the stipend funding stream so institutions are rewarded for enrollment increases and meeting identified state needs

For the performance contracts component:
- Focus contracts on outcome measures that truly reflect performance rather than input measures
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- Link the fee-for-service payments for serving underrepresented populations to the accomplishment of explicitly identified, measurable goals related to serving student from those populations

All of WICHE’s (2008) recommended reforms were made assuming that all these actions occur in the context of a sound accountability structure. WICHE’s recommendations are considered “modest changes” by some who believe that for the voucher plan to truly work in Colorado, all direct subsidies from the state to public higher education institutions (including fee –for-service contracts) must be replaced by vouchers. All qualified institutions of higher education in the state would accept these vouchers, thus offsetting tuition for all qualified students in the state (Poulson & Merrifield, 2011).

Overall, little evidence exists that the COF plan has improved the quality of higher education within Colorado (Poulson & Merrifield, 2011), but as the original intent of the legislation was significantly compromised during the implementation process, it is not clear as to if the policy’s failures lie with its implementation alone or the philosophy underpinning it (WICHE, 2008). If the suggested reforms are enacted, it is possible that a competitive and level playing field could be created in which institutions would compete to attract voucher students thus allowing Colorado residents to exercise real choice in higher education and create a more efficient and equitable higher education system in the state (Poulson & Merrifield, 2011).

To date, Colorado continues to maintain the Colorado Opportunity Fund, but also finances two additional state-funded financial aid programs: the Colorado Student Grant program and a need-based work study program (C. Duran, personal communication, August 4, 2011). The Colorado Student Grant program is a state-funded and campus-administered program providing allocations to 2- and 4-year public non-profit and for-profit institutions. Overall, the Colorado Student Grant program allocates about $74.5 million dollars to these institutions with about a $42 million annual allocation to the four-year, public Universities (C. Duran, personal communication, August 4, 2011). An agreed upon allocation formula is then used to determine campus –specific allocations. The need formula for this grant program is flexible and at the discretion of the particular campus, but the most high-need students in the state are awarded these grants which are not linked to the University funding formula nor to the Colorado Opportunity Fund. While funding for the Colorado Student Grant program has remained stable in recent years, the increasing number of students, tuition, and need levels has had depreciated impact on students. The other state-funded financial aid program is a need-based work-study program that provides $17 million to the state and is administered in the same fashion as the Colorado Student Grant program (C. Duran, personal communication, August 4, 2011).

References


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### Grants and scholarships to pay for college

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### What will you pay for college

**Net Costs**

$X,XXX / yr

**Net Costs** = Cost of attendance minus total grants and scholarships

### Options to pay net costs

#### Work options

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#### Loan options*

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*Recommended amounts shown here. You may be eligible for a different amount. Contact your financial aid office.

### Other options

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* Payment plan offered by the institution
* Military and/or National Service benefits
* Parent PLUS Loan
* Non-Federal private education loan

### Graduation Rate

- Percentage of full-time students who graduate within 6 years: 71%

### Loan Default Rate

- This institution: 8%
- National: 9.8%

### Median Borrowing

- Students at UUS typically borrow $X,XXX in Federal loans for their undergraduate study. The Federal loan payment over 10 years for this amount is approximately $X.XXX per month. Your borrowing may be different.

### Repaying your loans

To learn about loan repayment choices and work out your Federal Loan monthly payment, go to: [http://studentaid.ed.gov/repay-loans/understand/plans](http://studentaid.ed.gov/repay-loans/understand/plans)

### For more information and next steps:

University of the United States (UUS)
Financial Aid Office
123 Main Street
Anytown, ST 12345
Telephone: (123) 456-7890
E-mail: financialaid@uus.edu

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Customized information from UUS