JLARC

JOINT LEGISLATIVE AUDIT
AND REVIEW COMMISSION

Higher Education Financial Aid Grant Programs and Awards

**Senate Finance & Appropriations
Higher Education Subcommittee**

Study topics

- Review effectiveness of student financial aid awarding policies and practices at Virginia's public four-year higher education institutions

- Review state's approach to allocating financial aid funding across public four-year institutions
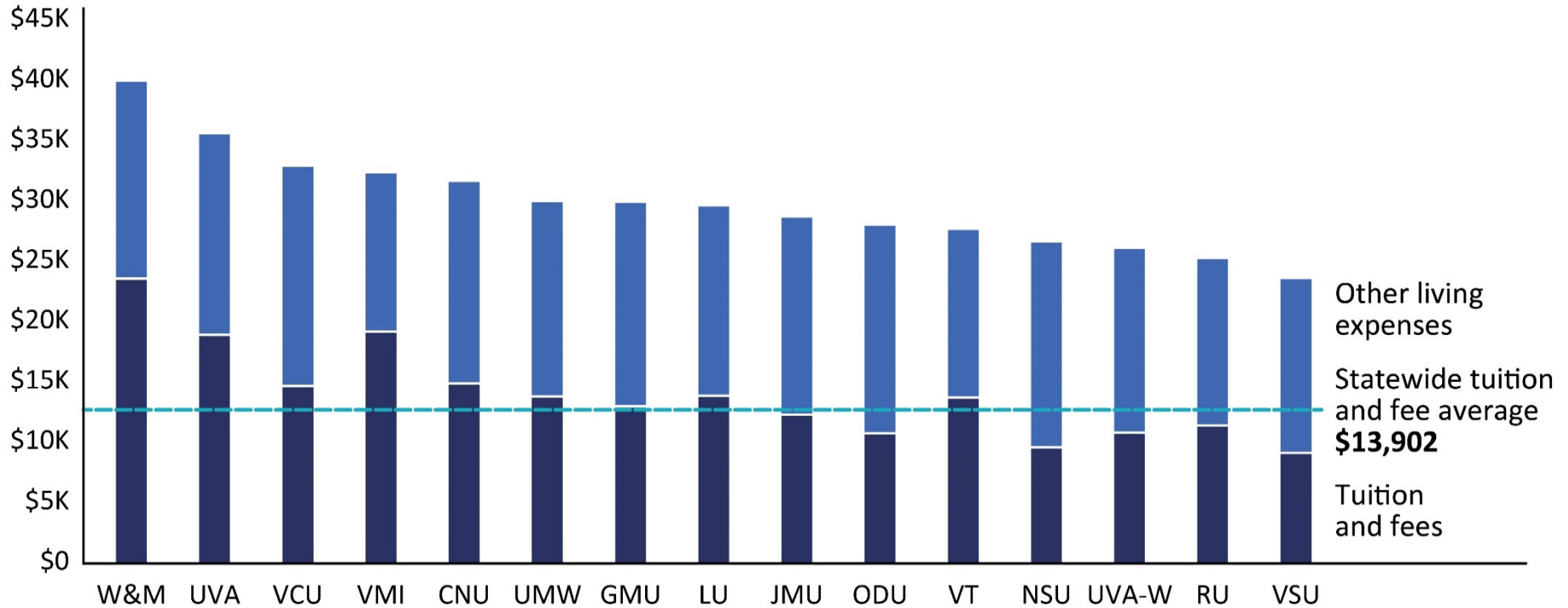
Note: Study approved by JLARC Commission January 2022.

In this presentation

Higher education costs and financial aid trends

State financial aid program requirements

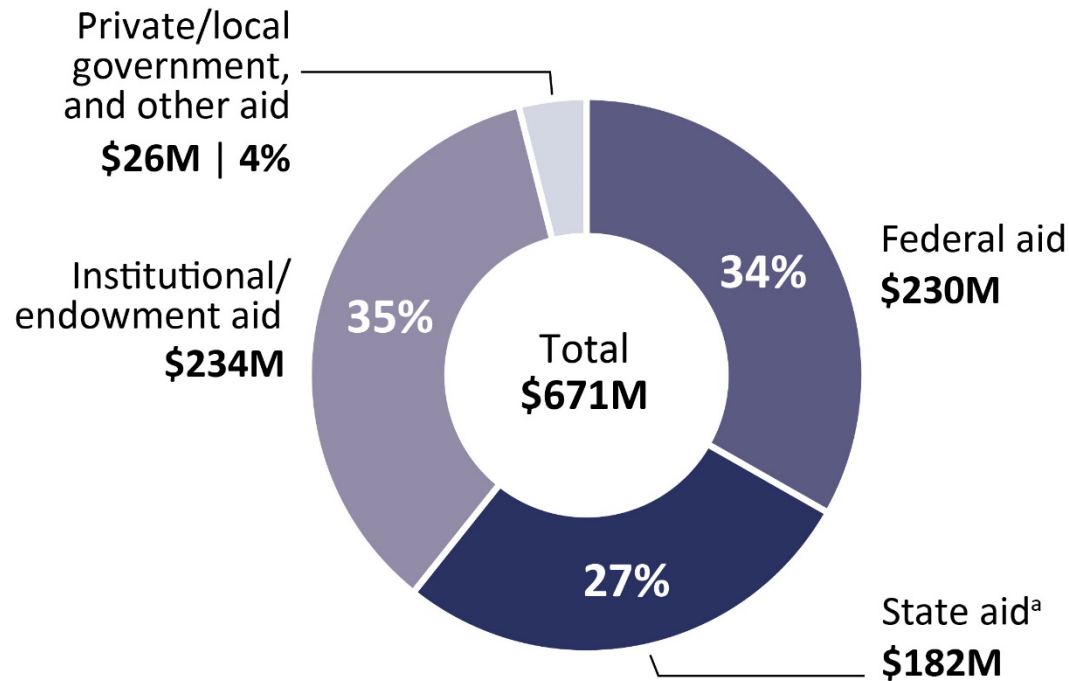Financial aid program awards & funding

Higher education costs for in-state undergraduates vary across public four-year institutions (2020-21)

Note: Other living expenses include room, board, and miscellaneous items, depending on the student.

State aid is about one-quarter of total financial aid students receive to help cover higher education costs

FINANCIAL AID AWARDS BY SOURCE

Private/local government, and other aid
$26M | 4%

Institutional/ endowment aid
$234M

35%

Total
$671M

34%

Federal aid
$230M

27%

State aid[a]
$182M

Note: Figure shows aid awarded to in-state undergraduates attending Virginia public four-year institutions (2020-21). Loans were not considered financial aid for this report because they have to be repaid.
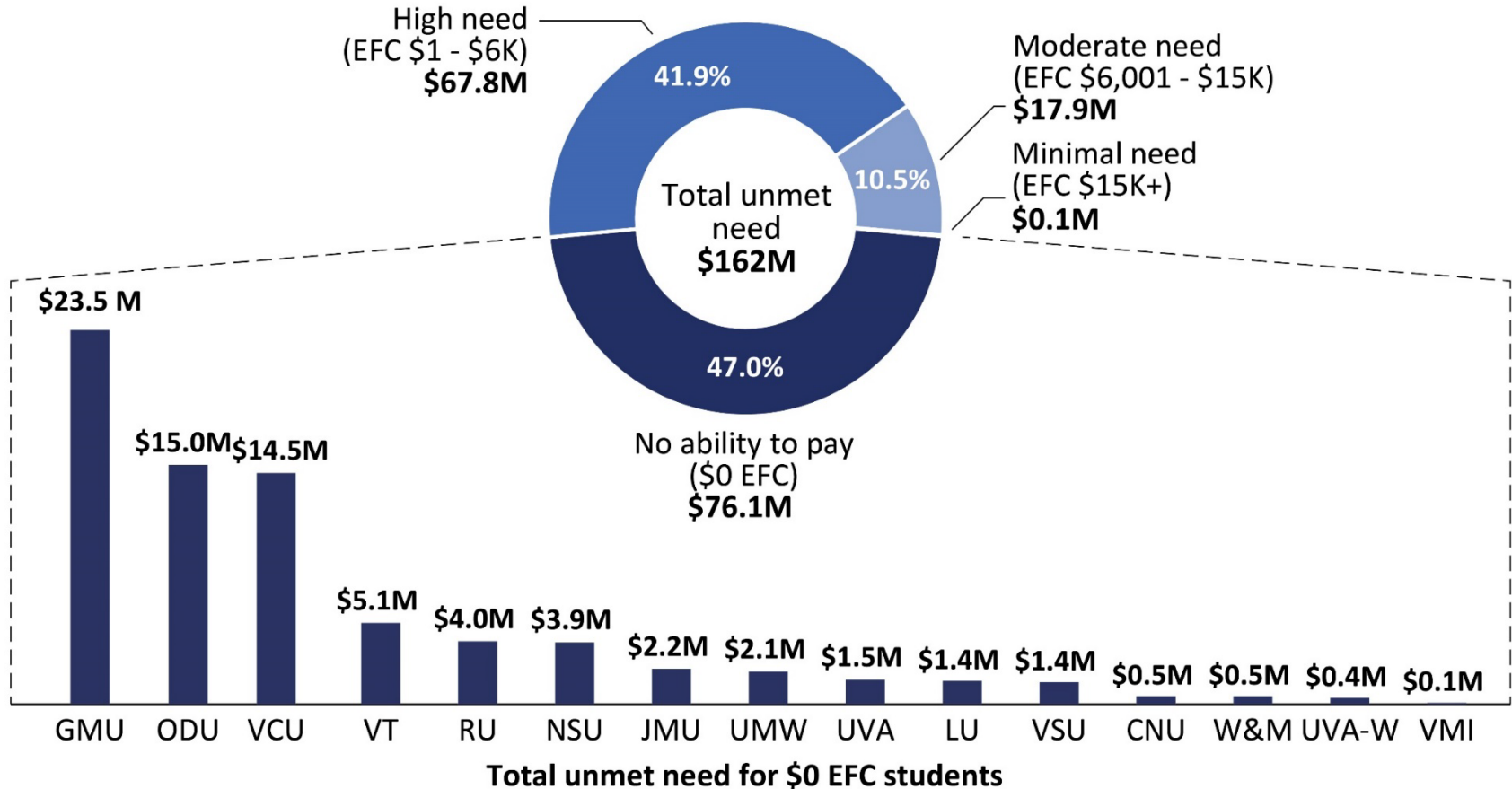
Financial aid has not kept pace with growth in student need over the past decade

- Tuition & fees increased 33% on average ($10,481 to $13,902 per student)

- Students' expected contribution to higher education costs decreased 40% on average ($2,642 to $1,582 per student)

- Number of students with no ability to pay for higher education grew 11% (19,999 to 22,164)

- Total financial aid increased nearly 50%, but not enough to meet students' needs

Note: Data is for in-state undergraduate students attending Virginia public four-year institutions 2011-12 through 2020-21.

In 2020-21, students had $162M in unmet tuition and fee needs after all financial aid was applied

High need
(EFC $1 - $6K)
$67.8M

41.9%

Moderate need
(EFC $6,001 - $15K)
$17.9M

10.5%

Minimal need
(EFC $15K+)
$0.1M

Total unmet
need
$162M

47.0%

No ability to pay
($0 EFC)
$76.1M

$23.5 M — GMU
$15.0M — ODU
$14.5M — VCU
$5.1M — VT
$4.0M — RU
$3.9M — NSU
$2.2M — JMU
$2.1M — UMW
$1.5M — UVA
$1.4M — LU
$1.4M — VSU
$0.5M — CNU
$0.5M — W&M
$0.4M — UVA-W
$0.1M — VMI

Total unmet need for $0 EFC students

Note: In-state undergraduate students attending Virginia's public four-year institutions.
EFC = expected family contribution toward higher education costs.

Many students have accumulated higher education debt to cover unmet financial need

- Majority (56 percent) of in-state undergrads who graduated in 2020–21 had debt

    - Average debt = ~$30K per student

    - Combined debt across students = $537 million

- Over half of students who enrolled at a public four-year in 2015-16 but never graduated had debt

    - Average debt = ~$13K per student

    - Combined debt across these students = $241 million

- Amount of debt owed by in-state undergrads at time of their graduation increased nearly 20% (adjusted for inflation) over past decade
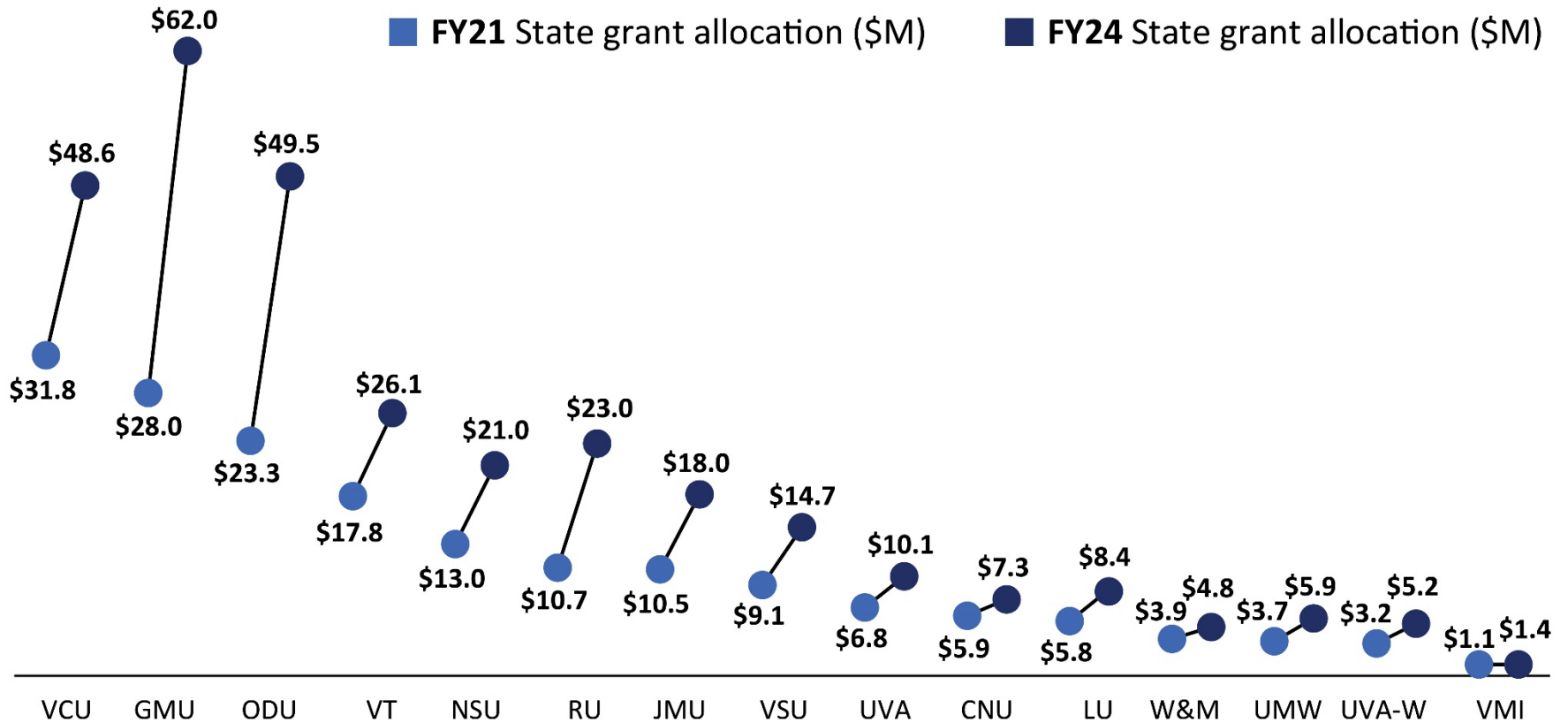
Students at public access institutions, including HBCUs, have particularly high unmet financial need and debt

- Several institutions admit large portion (≥89%) of undergraduates who apply, including low academic performers
  - GMU, ODU, VCU, NSU, and VSU
  - JLARC defined these as "access" institutions

- In-state undergraduates at access institutions had
  - nearly three-quarters ($119M) of $162M total unmet need
  - over half ($282M) of $537M total statewide debt
  - 76% average retention rate (non-access institutions = 82%)
  - 50% average 6-yr graduation rate (non-access institutions =75%)

Note: Data is for in-state undergraduate students attending Virginia public four-year institutions, academic year 2020-21.

State funding for state financial aid will increase significantly in FY24

■ **FY21** State grant allocation ($M) ■ **FY24** State grant allocation ($M)

University	FY21	FY24
VCU	$31.8	$48.6
GMU	$28.0	$62.0
ODU	$23.3	$49.5
VT	$17.8	$26.1
NSU	$13.0	$21.0
RU	$10.7	$23.0
JMU	$10.5	$18.0
VSU	$9.1	$14.7
UVA	$6.8	$10.1
CNU	$5.9	$7.3
LU	$5.8	$8.4
W&M	$3.9	$4.8
UMW	$3.7	$5.9
UVA-W	$3.2	$5.2
VMI	$1.1	$1.4

Note: State grant funding for public four-years increased $131M from $175M in FY21 to $306M in FY24.

JLARC

In this presentation

Higher education costs and financial aid trends

State financial aid program requirements

Financial aid program awards & funding

Students must meet several eligibility requirements to receive VGAP and Commonwealth Award grants

REQUIREMENTS FOR STATE AWARDS

VGAP Award

- Demonstrate **need**
- Maintain **continuous full-time enrollment** (24 credit hours)
- Progress **one "class level"** during each year of enrollment (typically 30 credit hours)
- Enter with at least a **2.5** high school GPA
- Maintain college GPA of **2.0**

Commonwealth Award

- Demonstrate **need**
- Enroll in a **minimum of 6 credit hours per semester**
- Maintain **satisfactory academic progress** (SAP)

VGAP's full-time and progression requirements prevent many students from receiving grants

- 1/4 of students (24K+) are part time and ineligible for VGAP
  - 30% had no ability to pay for higher education
  - Many attend GMU, ODU, VCU, and NSU

- Some full-time students take <30 credit hrs/year, making them ineligible because of progression requirement

- Institutions estimated over half of VGAP recipients lost eligibility because of the full-time and progression requirements

- Other states (e.g., TN, PA) and Virginia's Commonwealth Award grant provide pro-rated financial aid grants to part-time students

*Information is for in-state undergraduate students at Virginia's public four-year institutions, 2020-21.

VGAP's GPA requirements prevent some students from accessing VGAP grants

- 2.5 high school GPA requirement

  - 2% of students (2K+) had a high school GPA below 2.5

  - Institutions have own admissions standards; some admit students with lower GPAs

- 2.0 college GPA requirement

  - 5% of students (6K+) had a college GPA below 2.0; many had no ability to pay for higher education

  - Institutions already verify students' academic performance using SAP requirements* (SAP GPA minimum = 1.0 - 2.0)

  - Many other states, Virginia's Commonwealth Award, and Pell use institutions' SAP requirements for state grant eligibility

*SAP = satisfactory academic progress requirement

Recommendations

General Assembly may wish to consider allowing in-state undergraduate students who are enrolled in at least six credit hours of academic coursework at public higher education institutions to receive prorated VGAP grants.

General Assembly may wish to consider eliminating the requirement that VGAP recipients have a cumulative high school grade point average of at least 2.5.

General Assembly may wish to consider requiring VGAP recipients to meet their institution's satisfactory academic progress requirements instead of a cumulative college GPA of 2.0.

Combining Virginia's two state financial aid grant programs would have benefits

- Students would no longer have to understand two separate sets of state grant eligibility criteria and award amounts

- Financial aid staff would not have to switch students between programs as eligibility changes

- NC is currently consolidating multiple state financial aid grant programs into a single program

- Combined program should reflect Commonwealth Award eligibility requirements, which are more accessible to needy students

Recommendation

General Assembly may wish to consider eliminating VGAP and integrating it with the Virginia Commonwealth Award grant program.

In this presentation

Higher education costs and financial aid trends

State financial aid program requirements

Financial aid program awards & funding

Institutions have different policies for awarding VGAP and Commonwealth grants, as allowed by state law

- Each institution adopts its own state financial aid awarding "schedules" that stipulate:
  - Measure of students' financial need (e.g., income level, EFC, remaining need)
  - Student eligibility criteria
  - Maximum state grant awards

- State law allows institutions to use different financial aid schedules, as long as needier students receive larger state grants

Public four-year institutions awarded $37M in state grants to students with comparatively less need

- Students with <u>minimal</u> financial need (expected family contribution $15K+) received $5.8M in state grants

- Students with <u>moderate</u> financial need (expected family contribution $6,001-$15K) received $31.2M in state grants
  - Includes "missing middle" students who have large unmet need but are not eligible for Pell

- These awards addressed legitimate financial need, but more state funds could have been used to assist needier students

Note: Information is for VGAP and Commonwealth Award grants awarded to in-state undergraduates attending Virginia public four-year institutions (2020-21).

State should be more prescriptive about student eligibility for state aid to better serve neediest students

- Establishing more parameters for state aid awards would help direct limited state funding to neediest students

- Could be achieved by implementing
  - uniform statewide financial aid awarding schedule for state grants
  - restriction to prevent awarding state grants to less needy students

Recommendation

General Assembly may wish to consider establishing additional parameters for state financial aid grant awards that ensure public higher education institutions are prioritizing state grant funding to students with the most financial need.

Institutions could be required to use statewide awarding schedule for state financial aid

- State schedule would determine:
  - Level of financial need that qualifies students for state aid
  - Size of individual student aid awards

- All public institutions would be required to use same schedule, making award calculations consistent for similar students
  - Simplifies and improves predictability of state grant awards for students and families

- Would better target state funds to neediest students, but would remove institutions' discretion when awarding state aid (not institutional aid)

- Could decrease size of state grants offered at some institutions

Alternatively, institutions could be required to restrict state aid to neediest students

- Restriction would prevent institutions from awarding state grants to students with less financial need (e.g., expected family contribution $15K+)

  - More state grant dollars would be awarded to neediest students

  - Change would be incremental and would preserve some flexibility for institutions

- Restriction would improve existing system, but would not

  - Distribute more state grant funds to institutions with largest number of needy students

  - Increase consistency and understandability of state grants

JLARC staff for this report

Tracey Smith, Associate Director

Lauren Axselle, Project Leader

Landon Webber, Senior Associate Legislative Analyst