

Discussion on Financial Aid

January 24, 2023

**Higher Education Subcommittee
Senate Finance and Appropriations Committee**



**STATE COUNCIL OF HIGHER
EDUCATION FOR VIRGINIA**

Outline

- I. Trends**
- II. State Aid & Unmet Need**
- III. Pell Initiative**
- IV. Tuition Revenue for Aid**
- V. JLARC Recommendations**

Trends

Trends

- **Low-income students have higher unmet need than middle-income students.**
 - **Unmet need connected to graduation rates.**
- **State financial aid has not kept up with college prices.**
- **New formula and investment make progress in meeting student financial need.**

Trends

Low-income students receive the most state aid.

But they also have **higher** unmet need than middle and high-income students.

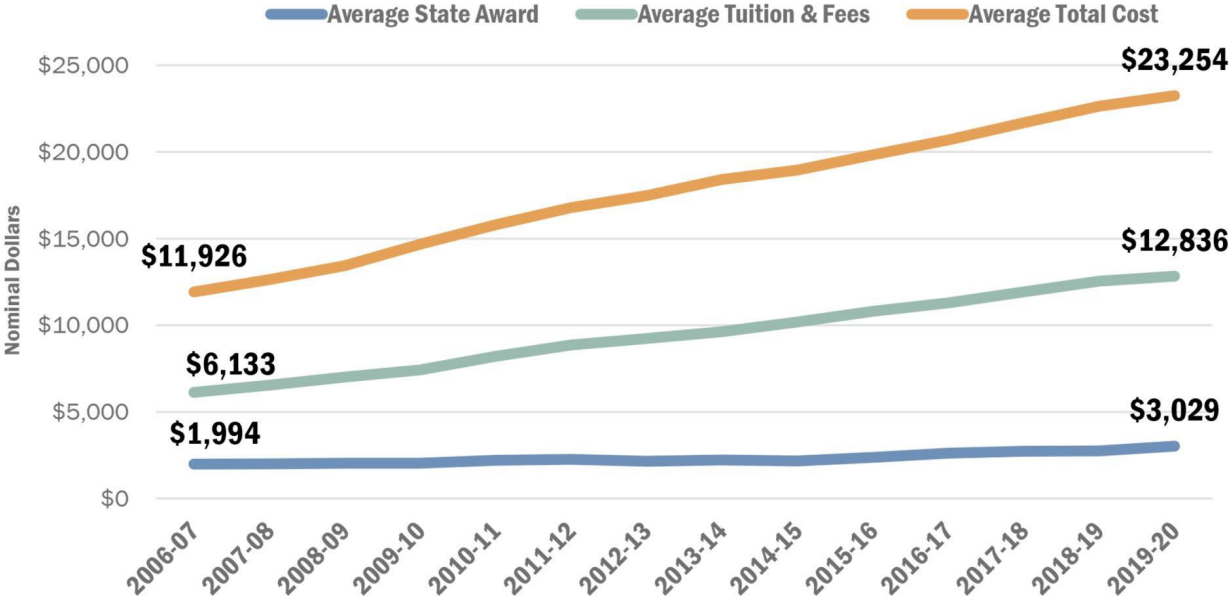
State Aid Distribution & Impact by Income Group, Four-Year Institutions (2019-20)

Income Group	Sum of State Gift Aid	Average Award	Average Net Price	Average Unmet Need
Low	\$102,275,648	\$3,082	\$13,820	\$13,175
Middle	\$63,106,320	\$2,482	\$18,894	\$11,550
High	\$12,153,845	\$699	\$24,151	\$6,445
All	\$177,535,813	\$2,336	\$17,881	\$11,092

Source: SCHEV analysis of Financial Aid file

Trends

Average Costs Outpacing State Financial Aid in Virginia



Includes tuition and awards for 4-year and 2-year public institutions.
Average state award includes students who completed a FAFSA but not receive an award. Institutions set

State Aid & Unmet Need

State Aid & Unmet Need

In 2019, SCHEV adopted a new model for unmet need to distribute funds to institutions:

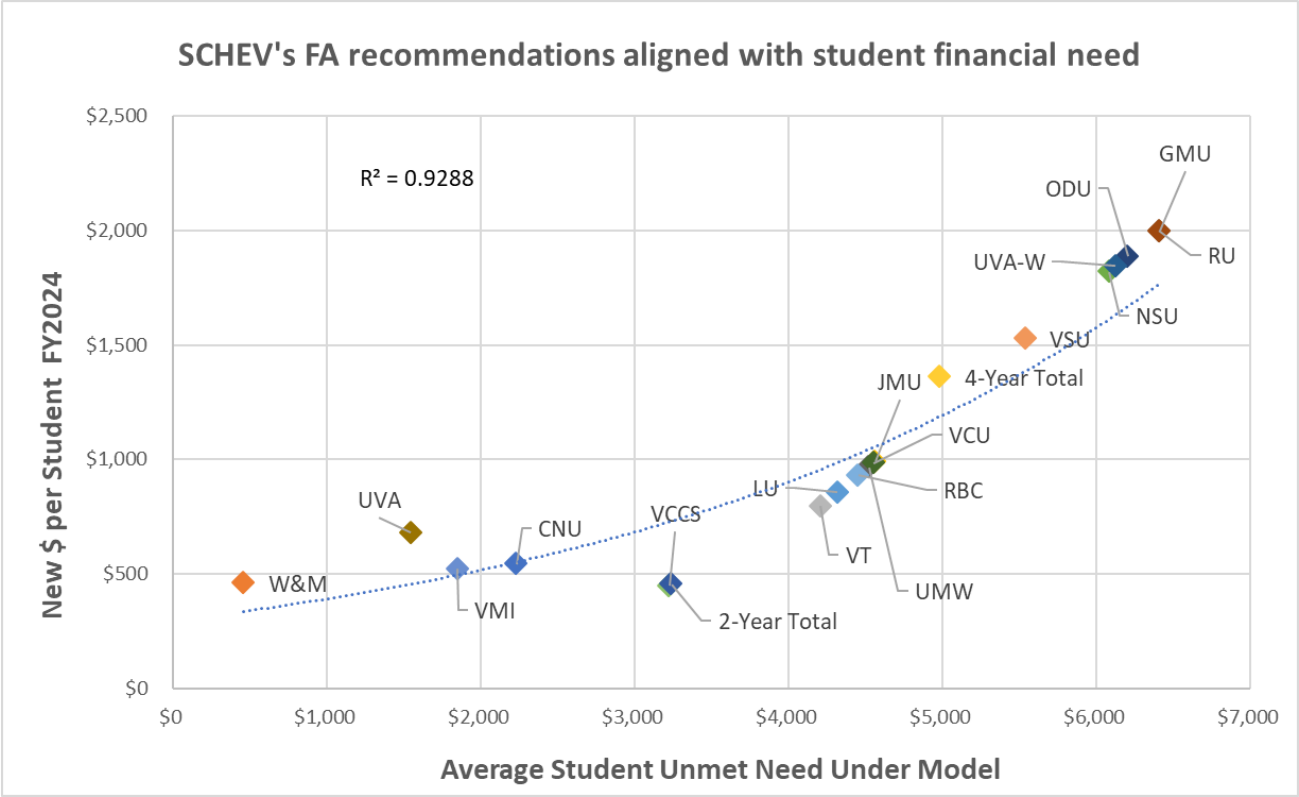
$$\text{Avg. Cost of Attendance} * 70\% - \text{Grants} \\ - \text{Expected Family Contribution}$$

Cost of attendance = Tuition & fees, books & supplies and room & board.

Resulting value cannot exceed tuition & fees.

Funding driven to institutions with the highest average unmet need.

State Aid & Unmet Need



State Aid & Unmet Need

Student unmet need (projected under model) in FY 2023: **\$673 million**

	State Aid Appropriation	State Aid Meeting Need Under the Model (%)
FY 2021	\$223,653,525	33%
FY 2022	\$253,364,325	38%
FY 2023	\$273,014,325	41%
FY 2024	\$383,014,325	57%

Initiative to Increase Pell Enrollments and Completions

Initiative to Increase Pell Enrollments and Completions

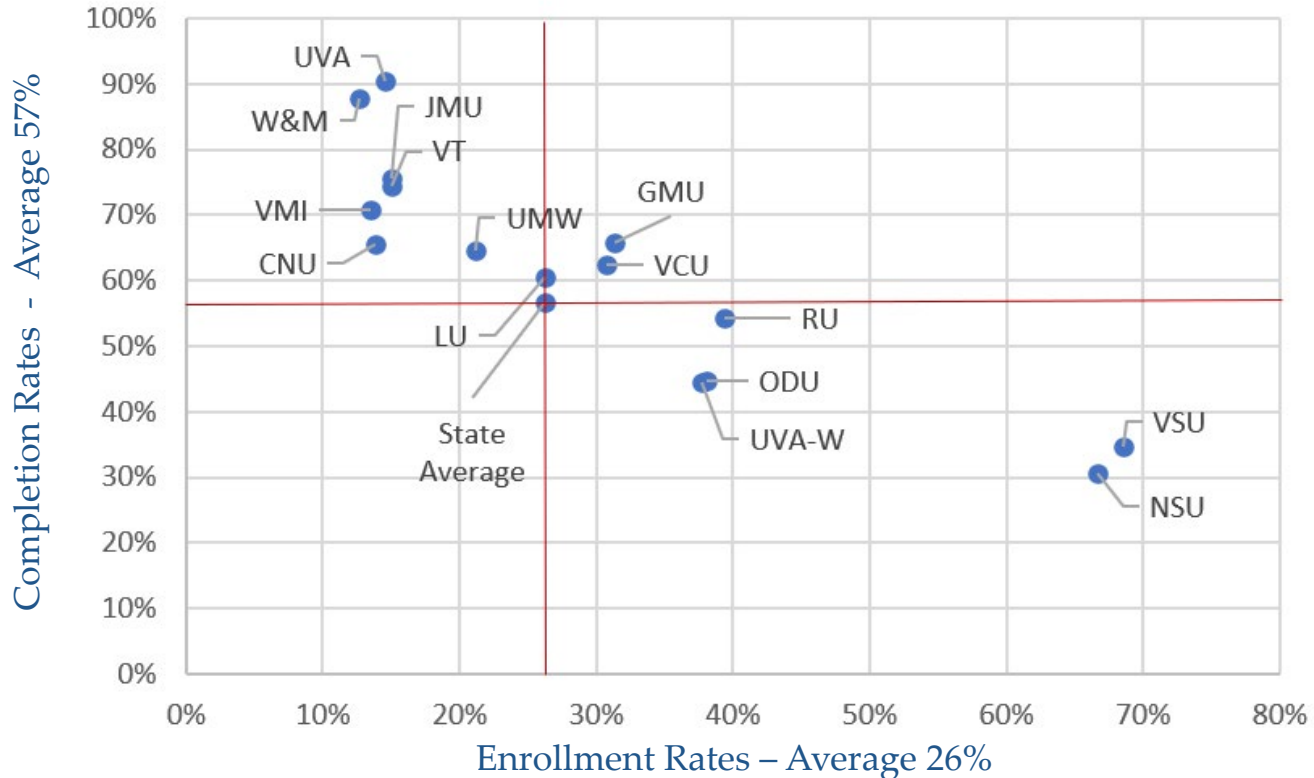
- **The Virginia Plan for Higher Education has a target to achieve 70% of population with a post-secondary degree or credential.**
- **To achieve this goal, Virginia needs to increase access and completion of under-represented populations, including low-income and Pell-eligible students.**

Initiative to Increase Pell Enrollments and Completions

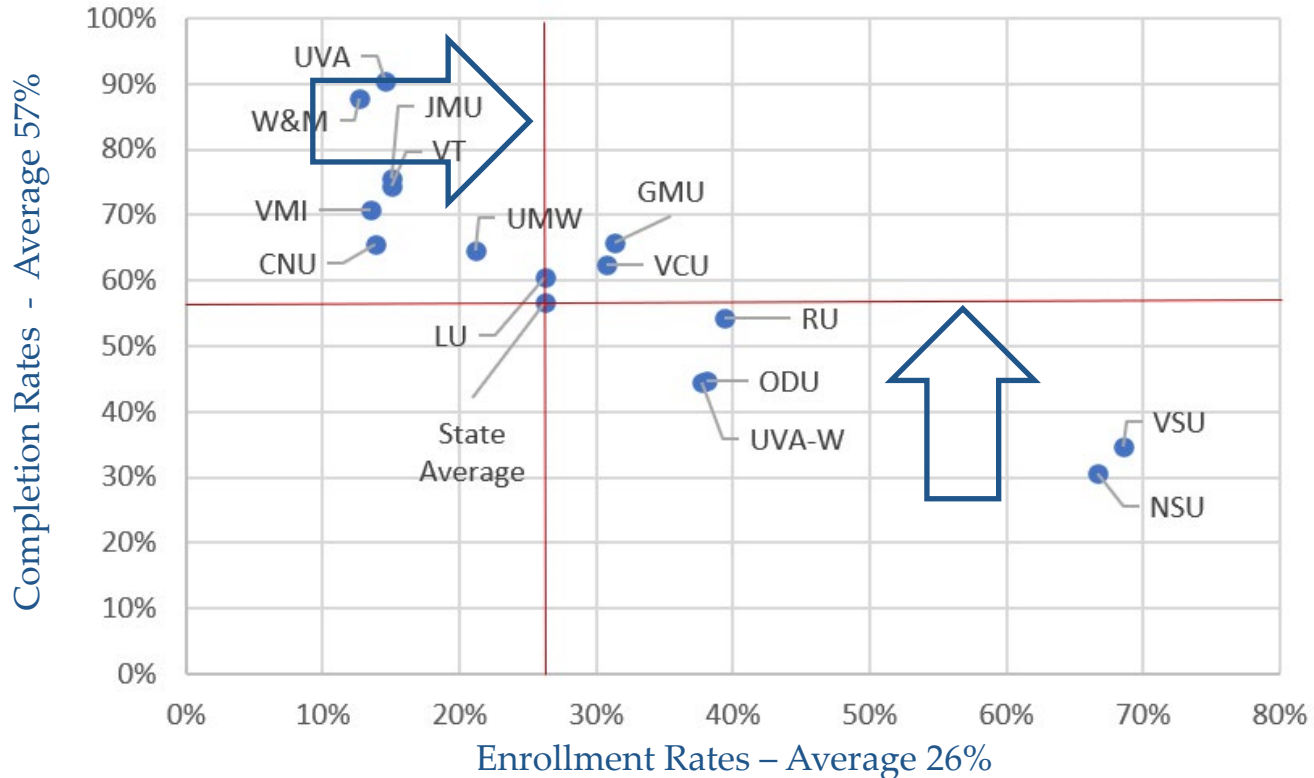
Budget bill provides SCHEV with a charge and funding:

- **\$250,000 to secure a consultant to work with institutions with below average Pell enrollment rates. SCHEV has selected HCM Strategists.**
- **\$25 million second year to fund institution initiatives to increase either Pell enrollments or Pell retention / completion rates.**

Initiative to Increase Pell Enrollments and Completions



Initiative to Increase Pell Enrollments and Completions



Initiative to Increase Pell Enrollments and Completions

Issues

- Forecasts indicate growing enrollments will be a challenge.
- This dynamic is nationwide, meaning that most institutions will be stepping up recruitment efforts, increasing competition.
- It is unknown how many unreached low-income high school students are also college-ready and college-interested.

SCHEV will prioritize initiatives that are more likely to increase college applications among under-enrolled groups.

Initiative to Increase Pell Enrollments and Completions

Expectation concerns:

Virginia ranks low in Pell enrollment rates.

However, Virginia also has a low overall poverty rate.

Are there enough potential unreached low-income students for every institution to grow?

SCHEV has charged HCM to address this question.

State Pell Enrollment Rates - IPEDS

Ranking	State	3-year avg
Avg.	United States	33%
1	District of Columbia	47%
11	North Carolina	36%
18	West Virginia	33%
30	Maryland	29%
37	Delaware	27%
41	Virginia	26%

State Poverty Rankings - US Census

Ranking	State	Percent in Poverty
Avg.	United States	12.8%
5	West Virginia	16.8%
16	North Carolina	13.5%
31	Delaware	11.5%
42	Maryland	10.3%
43	Virginia	10.3%

Initiative to Increase Pell Enrollments and Completions

- **Deliverable 1: Conduct an overview** of the higher education pipeline and **identify barriers** to the enrollment of Pell-eligible and low-income students.
- **Deliverable 2: Scan activities** that improve recruitment and retention of Pell-eligible or low-income students and **develop a matrix of activities.**
- **Deliverable 3: Development of individualized recruitment and retention plans** for low-income students.
- **Deliverable 4: Deliver final report.**

Initiative to Increase Pell Enrollments and Completions

Milestones

- HCM Strategists is currently interviewing the seven institutions with below average Pell enrollments.
- HCM is currently conducting the environmental scan to help set expectations as well as potential initiative targets.
- February – Institutions develop proposals to increase either enrollment or completion rates of Pell-eligible students.
- March – Receipt of the proposals.
- April – Notification of awards to the institutions.
- July 1 – Delivery of funds to the institutions.

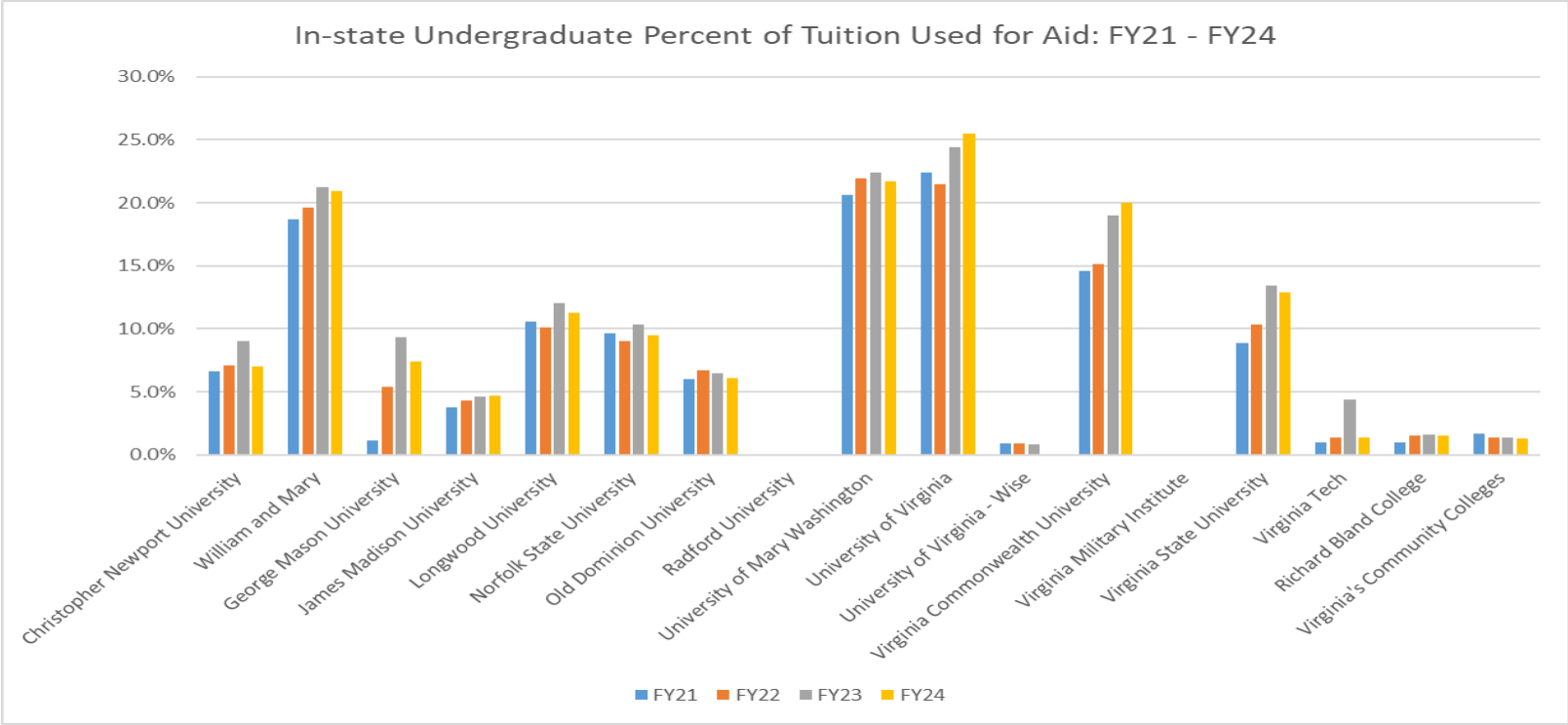
Tuition Revenue Used for Aid

Tuition Revenue Used for Aid

Virginia has three different types of programs that have a similar impact on institutional operating funds, but each has different administrative rules.

- **Tuition Revenue for Aid:** Program 108 nongeneral fund, Chapter 2 4-5.01.
Can be applied to any education cost.
Discretionary - Redirected tuition revenue.
- **Unfunded Scholarships:** § 23.1-612.
Can only be applied to tuition and fees
Applies to tuition and fees.
Discretionary - Foregone tuition revenue (discounted tuition)
- **Various tuition waivers:** Various statutory programs affecting tuition
Grants in-state tuition, reduced tuition or waived tuition.
Mandatory - Foregone (waived) tuition revenue

Tuition Revenue Used for Aid



* Does not include Unfunded Scholarships

Tuition Revenue Used for Aid

Combined, public institutions are projected to redirect over **\$166m** in tuition revenue collected from in-state undergraduate students. (An additional **\$217m** is projected to be collected from out-of-state and graduate students.)

Some institutions redirect tuition revenue from out-of-state or graduate students back to in-state undergraduates. In-state undergraduate students are expected to receive nearly **\$187m** in scholarships and grants.

2022-23 In-State Undergraduate Students	Planned Revenue	Planned Awards	In-state Undergraduate Students Net
Christopher Newport University	\$3,423,066	\$3,794,400	\$371,334
William and Mary	\$16,281,100	\$28,046,332	\$11,765,232
George Mason University	\$18,719,000	\$18,719,000	\$0
James Madison University	\$5,560,494	\$11,248,367	\$5,687,873
Longwood University	\$3,102,153	\$3,102,153	\$0
Norfolk State University	\$2,301,059	\$2,301,059	\$0
Old Dominion University	\$6,794,161	\$6,794,161	\$0
Radford University	\$0	\$1,716,724	\$1,716,724
University of Mary Washington	\$5,920,000	\$5,920,000	\$0
University of Virginia	\$48,406,000	\$48,406,000	\$0
University of Virginia - Wise	\$50,000	\$50,000	\$0
Virginia Commonwealth University	\$37,873,961	\$37,873,961	\$0
Virginia Military Institute	\$0	\$900,000	\$900,000
Virginia State University	\$2,156,102	\$2,156,102	\$0
Virginia Tech	\$10,499,358	\$10,499,358	\$0
Richard Bland College	\$60,000	\$60,000	\$0
Virginia's Community Colleges	\$5,145,069	\$5,359,447	\$214,378
	\$166,291,523	\$186,947,064	\$20,655,541

SCHEV Data

Tuition Revenue Used for Aid

Observations:

- In the aggregate, in-state undergraduate students receive back equal or greater than the funds contributed.
- Funds are contributed from all students in the form of tuition charges; however, low- and middle-income students are the primary beneficiaries of the grants.
- If the practice were to cease without alternative funding, the tuition costs would likely decline; however, the net price for low- and middle-income students would likely climb.
- Studies show that, even if the net price is higher, students place greater value on the institution providing a scholarship.

Review of JLARC Recommendations for Financial Aid

Review of JLARC Recommendations for Financial Aid

- **JLARC recommendations are generally in alignment with SCHEV.**
- **Beginning in spring 2023, SCHEV will vet the SCHEV and JLARC recommendations across stakeholders and develop strategies towards implementation of an improved state financial aid program.**

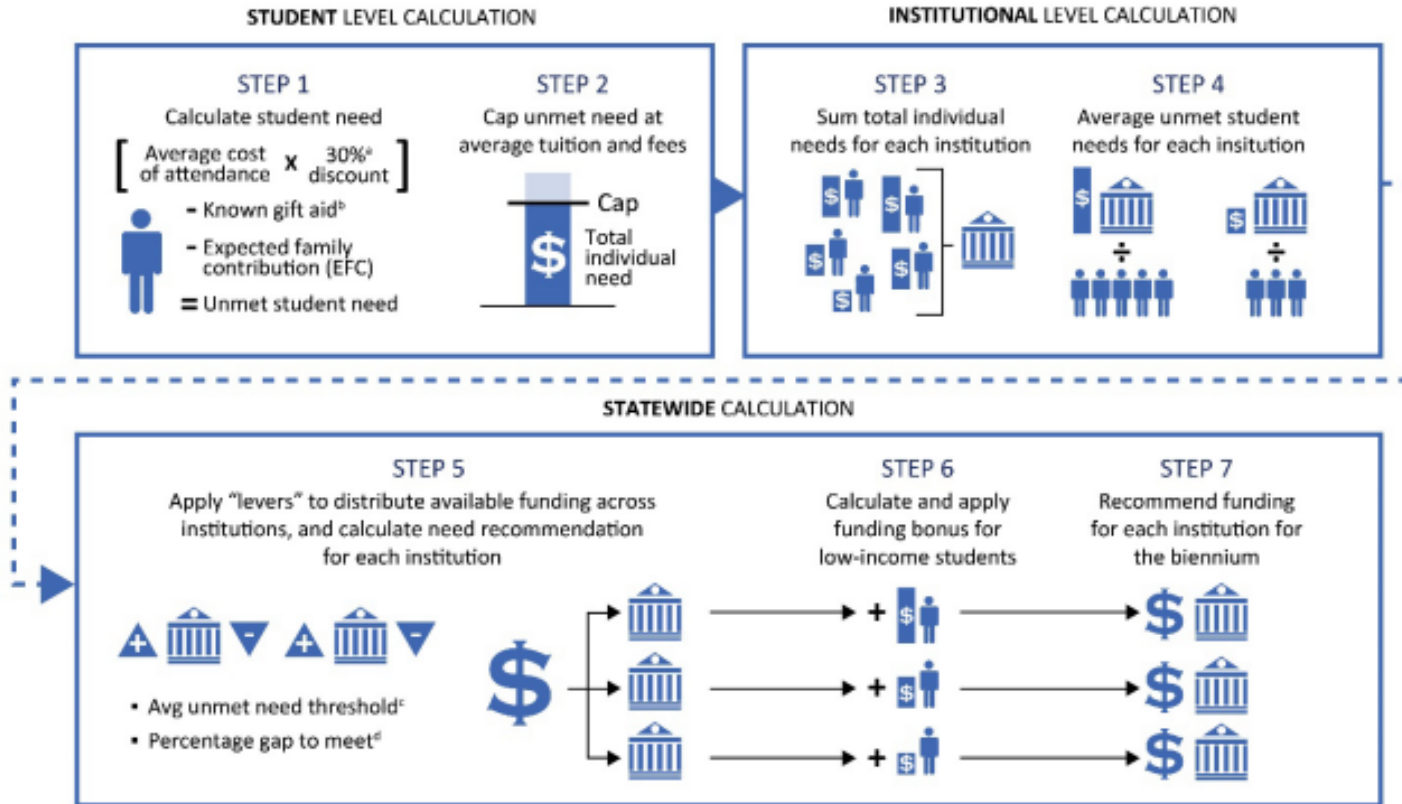
Appendix

Financial Aid

Challenge	Solution
Job openings in “middle skills” jobs, community college debt	G3: Free tuition for high demand programs WCG: Performance-based funding for noncredit industry credentials
Higher unmet need for low-income students	Redesign financial aid allocation formula
Decreasing purchasing power of state aid	Significant investment in financial aid
Institutions with low Pell enrollments & institutions with low graduation rates for low-income students.	\$25 million initiative to enhance efforts to retain and recruit low-income students.
High borrowing at HBCU’s	Virginia College Affordability Network

FIGURE 4-1

SCHEV staff complete seven steps to calculate recommended VGAP and Commonwealth Award grant funding allocations for institutions



Tuition Revenue Used for Aid

§ 4-5.01 TRANSACTIONS WITH INDIVIDUALS

b.1.a) No limitations shall be placed on the awarding of nongeneral fund appropriations made in this act to state institutions of higher education within the Items for student financial assistance other than those found previously in this paragraph and as follows:

- (i) funds derived from in-state student tuition will not subsidize out-of-state students,**
- (ii) students receiving these funds must be making satisfactory academic progress,**
- (iii) awards made to students should be based primarily on financial need, and**
- (iv) institutions should make larger grant and scholarship awards to students taking the number of credit hours necessary to complete a degree in a timely manner.**