

Contact: Diana Gonzalez

**ACCESS AND AFFORDABILITY ADVISORY COMMITTEE REPORT**

**Action Requested:** Approve the report and direct the Board Office to work with the institutions to develop an implementation plan.

**Executive Summary:** In June 2009, the Board of Regents created the Access and Affordability Advisory Committee to propose strategies which addressed the Board's goals to (1) lower the average student debt upon graduation and (2) increase the participation of low income students at the public universities in Iowa.

In order to accomplish this objective, the Advisory Committee (1) reviewed and discussed the conclusions and recommendations<sup>1</sup> identified and presented to the Board of Regents by the Student Financial Aid Task Force<sup>2</sup> in 2008; (2) reviewed and discussed the Task Force conclusions and recommendations regarding the role of student financial aid in the participation of low income students at the public universities; and (3) collected and analyzed other appropriate data and information regarding average student debt and participation of low income students at the public universities in Iowa.

The Advisory Committee developed seven proposals to respond to the Board's goals:

1. Create and adequately fund a need-based state grant program dedicated to students attending Iowa public universities.
2. Fund the Iowa Work-Study Program at no less than the FY 2000 level.
3. Develop strategies for collaborative lobbying efforts to increase federal student aid funding opportunities for Iowa public universities.
4. Maintain Iowa public university undergraduate tuition set-aside rates at no less than current levels.
5. Continue the fund-raising priority for need-based and merit-based scholarships.
6. Increase four-year graduation rates where appropriate.
7. Add financial education staff, as needed, to the universities' financial aid departments.
8. Require all undergraduate students, including transfer students, to complete a financial education component as part of their first-year experience.

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<sup>1</sup> The list of Task Force conclusions and recommendations are presented in Attachment B.

<sup>2</sup> Diana Gonzalez (Board Office), Joyce Morrow (UNI), Roberta Johnson (ISU), Mark Warner (SUI).

**Background:**

At its June 2008 meeting, the Board of Regents identified a strategic initiative to assess access and affordability at the Regent universities. The Student Financial Aid Task Force developed a two-part response to the Board's initiative. Part I, which was presented at the September 2008 Board of Regents meeting (Agenda Item 20) described and explained how the three key components that influence access and affordability, in combination, affect how students pay for their education. The three key components are cost of attendance; ability to pay; and financial aid resources (federal, state, institutional, private, other) available to students. Part II, which was presented at the December 2008 Board of Regents meeting (Agenda Item 13), summarized the key components related to student financial aid and identified conclusions and recommendations relative to the challenges and issues that affect access and affordability, especially related to student debt.

The Advisory Committee received its charge from Board President David Miles at its first meeting on June 10, 2009. Three sub-committees were subsequently created. Each sub-committee included functional and institutional representation and was chaired by a financial aid director. The sub-committees evaluated the following Task Force recommendations for their potential to affect student debt positively and/or positively affect the participation of low income students at the Regent universities and prepared seven proposals which described the intended audience, intended outcome, and plan of action.

- ◆ Ensure that the tuition set-aside program keeps pace with tuition increases. Consider increasing the eligibility of resident students to qualify for need-based tuition set-aside dollars.
- ◆ Explore with appropriate state agencies the possibility of developing loan forgiveness programs by offering tax incentives to employers who provide loan forgiveness benefits.
- ◆ Explore increased funding.
  - ⇒ Explore more state funding for grant aid programs.
  - ⇒ Advocate for increased funding for federal financial aid scholarships and grants.
- ◆ Encourage greater participation of students in a four-year graduation plan.
- ◆ Explore options with university fund-raising foundations.
  - ⇒ Partner with institution fund-raising foundations to augment the volume of private dollars available to support need-based scholarships.
- ◆ Assess the efficacy of student financial aid information provided through the institutions' website and other media and make appropriate improvements to ensure that the information provided is easy-to-access and understandable.
- ◆ Evaluate financial aid department staffing levels to determine if adequate staffing is available to provide appropriate financial counseling for students.
- ◆ Explore more state funding for grant aid programs that can directly benefit Regent university students.

The remaining Task Force recommendations, including those related to the Free Application for Federal Student Aid and the Iowa Code of Conduct, were evaluated by the financial aid directors. They prepared a report to describe how these recommendations had already been addressed by the individual institutions.

After consolidating the data analysis and recommendations made by the sub-committees, the Advisory Committee concluded that: (1) tuition at the Regent universities ranks among the lowest of its peers; (2) student demographics are not significantly different from other schools; (3) the cost of living in Iowa is among the lowest of the universities' peers.

Other factors that explain debt size and that provide an opportunity to make changes include the following: (1) endowment resources (which can be improved); (2) state policies (which need to change to provide funds to public universities because Iowa state need-based aid is lowest in the country for students attending public universities;<sup>3</sup> and (3) institutional financial aid packaging (which needs to improve to reduce the emphasis on borrowing).

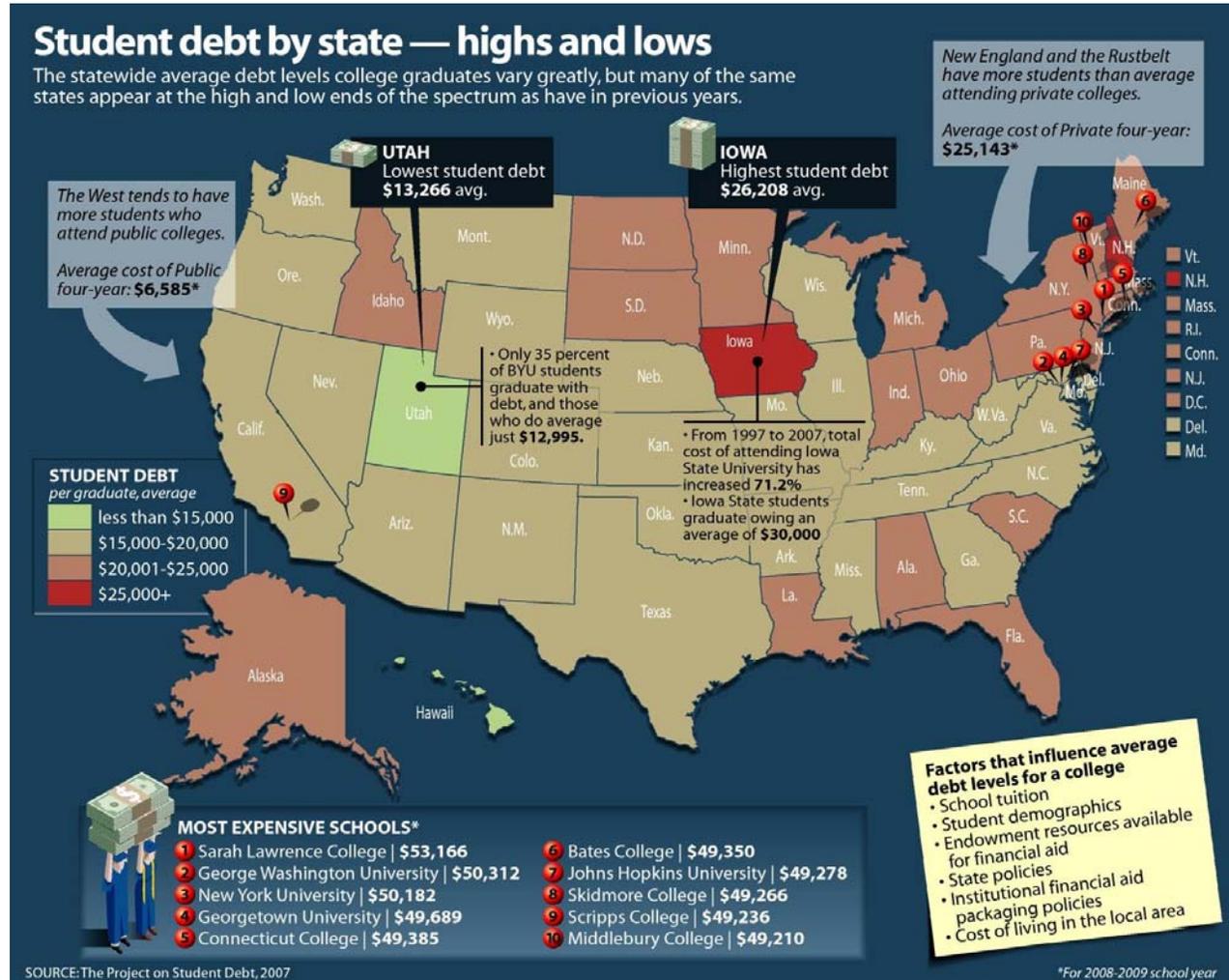
The proposals, presented on the following pages, are consistent with the three factors that explain debt size.

The Board of Regents and the Regent universities are committed to providing a high quality undergraduate education which prepares Iowa residents to compete in a global marketplace. Declining state appropriations and declining or non-existent state financial aid to students is placing a disproportionately large burden on Iowa families to finance their students' education. However, the state's economy as well as the global economy is dependent on having a well-educated and competent workforce.

The map on the following page identifies six areas that are strongly related to student debt level. State policies are a critical factor and, in Iowa, state support has been declining as can be seen in the graph on page 6 and the chart on page 7.

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<sup>3</sup> NASSGAP, 2007-08.



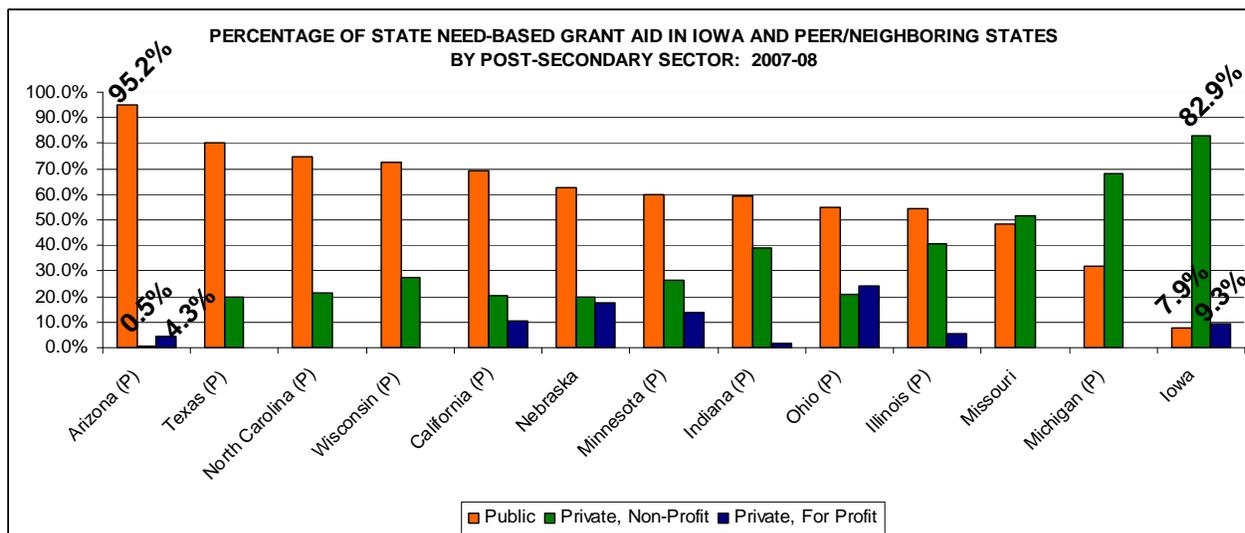
**PROPOSAL #1: CREATE AND ADEQUATELY FUND A NEED-BASED STATE GRANT PROGRAM DEDICATED TO STUDENTS ATTENDING IOWA PUBLIC UNIVERSITIES**

**Intended Audience:** Iowa residents with priority to low-income students.

**Intended Outcome:** A new need-based state grant program awarded specifically to students attending Iowa public universities.

**Plan of Action:** The Board of Regents shall advocate for a new state grant program that provides need-based grants to students attending Iowa public universities. Funding for this state grant program cannot jeopardize the general education funding support for Iowa public universities.

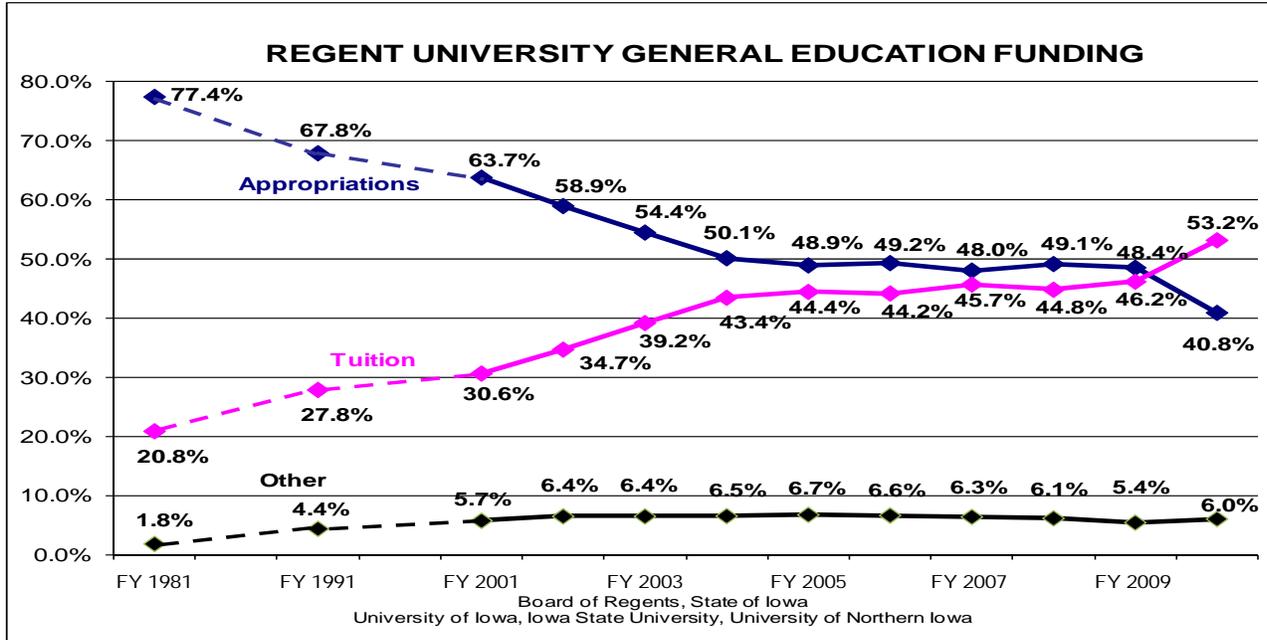
Students attending public post-secondary institutions represent the majority of post-secondary students in Iowa. The Fall 2009 enrollment at public post-secondary institutions in Iowa is 172,089, which represents approximately 73% of the total Iowa post-secondary enrollment.<sup>4</sup> Though currently there are specific need-based state grant programs dedicated to students attending independent colleges and universities and Iowa community colleges, no such state grant program is dedicated to Iowa public university students.



Source: NASSGAP 2007-08. Public includes two- and four-year post-secondary institutions. Arizona need-based grant aid to public institutions = \$11,618,208 in 2007-08; Iowa need-based grant aid to public institutions = \$4,670,164 in 2007-08.

<sup>4</sup> Source: Fall 2009 Iowa Coordinating Council for Post High School Education Enrollment Report.

The following graph reflects the 10% across-the-board budget cut imposed by Governor Culver on October 8, 2009. Total general university expenditures were reduced by the amount of the state funding cut to compute the updated percentages. Current state appropriation reductions will continue to place upward pressure on future tuition rates. It is critical that the state appropriations reductions be reversed.



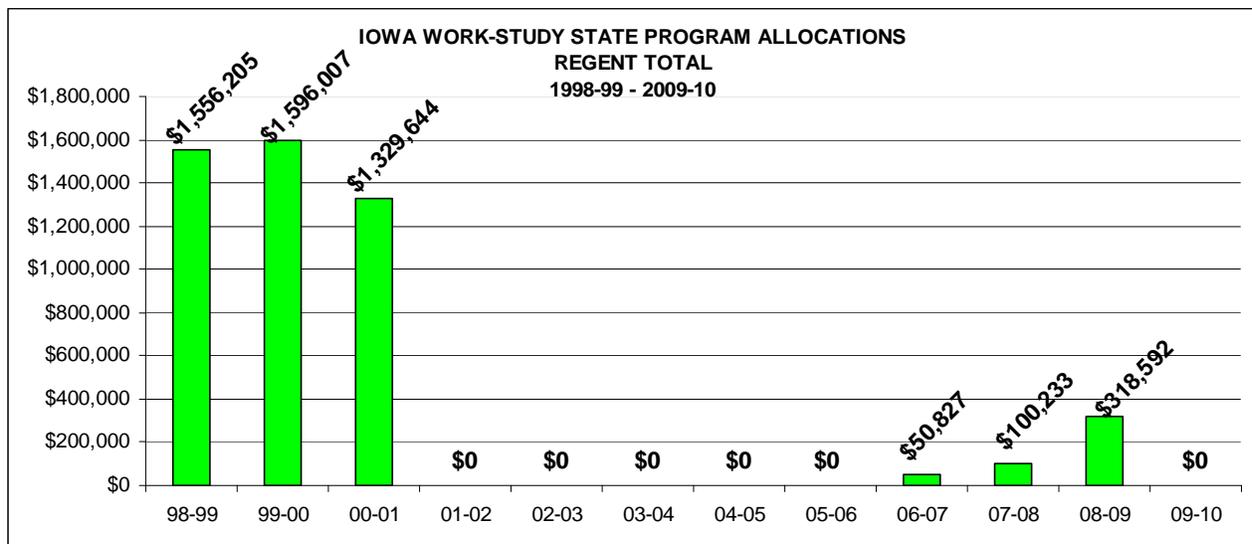
**PROPOSAL #2: FUND THE IOWA WORK-STUDY PROGRAM AT NO LESS THAN THE FY 2000 LEVEL**

**Intended Audience:** Iowa residents (priority to low-income students).

**Intended Outcome:** Increased financial support reduces reliance on loans, engages students, increases retention, reduces the need for students to work extra hours off-campus, and provides experiential learning to students.

**Plan of Action:** The Board of Regents shall advocate for state funding for the Iowa Work-Study program at no less than the FY 2000 level.

As the graph below shows, the Iowa Work-Study Program provided approximately \$1.6 million for need-based students at the Regent universities in FY 2000.<sup>5</sup> Between 2001-02 and 2005-06, no funds were appropriated by the Iowa state legislature for the work-study program. In 2008-09, the program received \$318,592 for the three Regent universities. However, in 2009-10, no funds were appropriated by the state legislature for the work-study program.



<sup>5</sup> Source: College Student Aid Commission.

**PROPOSAL #3: DEVELOP STRATEGIES FOR COLLABORATIVE LOBBYING EFFORTS TO INCREASE FEDERAL STUDENT AID FUNDING OPPORTUNITIES FOR IOWA PUBLIC UNIVERSITIES**

**Intended Audience:** Board of Regents, public university presidents, Iowa Washington delegation, financial aid directors, federal government relations directors.

**Intended Outcome:** Increased federal student assistance for students enrolled in Iowa public universities.

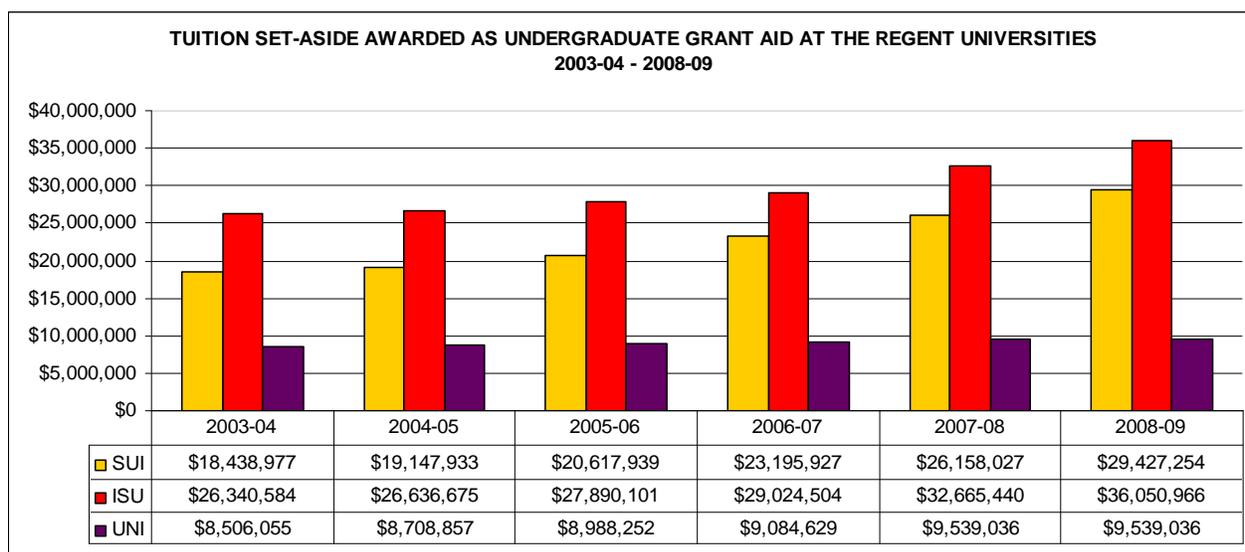
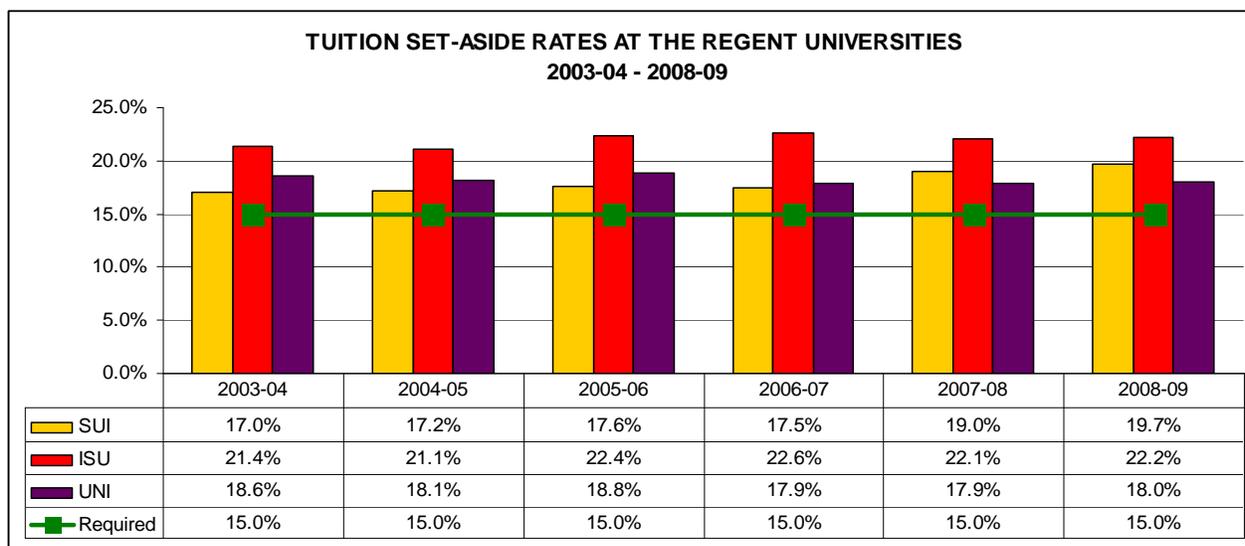
**Plan of Action:** The Board of Regents shall develop a strategy for increased collaborative and collective efforts for the benefit of the Regent Enterprise and individual universities.

**PROPOSAL #4: MAINTAIN IOWA PUBLIC UNIVERSITY UNDERGRADUATE TUITION SET-ASIDE RATES AT NO LESS THAN CURRENT LEVELS**

**Intended Audience:** Undergraduate students.

**Intended Outcome:** Greater and continued access to Iowa’s public universities through scholarships and grants.

**Plan of Action:** The Board of Regents shall continue to implement its policy (§8.02C(5i)) which directs the public universities to “provide at least the minimum required 15% gross tuition proceeds set-aside for student financial aid.” The graphs below show the tuition set-aside rates and dollars provided by the public universities between 2003-04 and 2008-09.



**PROPOSAL #5: ESTABLISH A PRIORITY TO RAISE FUNDS FOR NEED-BASED AND MERIT-BASED SCHOLARSHIPS**

**Intended Audience:** Iowa public university presidents, deans, donors, Foundation presidents.

**Intended Outcome:** Growth in the amount of private funds available to support students' financial needs.

**Plan of Action:** The Board of Regents shall encourage the public universities to continue to work with the university fund-raising foundations to give high priority to raising need-based and merit-based scholarship and grant funds.

Securing private funds to provide financial support to undergraduate students has been identified as one of the fund raising priorities at the three public universities.

- ◇ The University of Northern Iowa has set a target of raising approximately one half of their \$150,000,000 *Imagine the Impact Campaign* goal for scholarship purposes.
- ◇ At Iowa State University, student support is the largest targeted amount (\$235 million) among the four categories in its \$800 million campaign and about 4,500 students will continue to receive scholarship support through generous benefactors.
- ◇ At the University of Iowa, more than 50% of its endowment is currently directed at support of undergraduate and graduate students; it will also be a major portion of the upcoming campaign which is currently in the planning stage.

**PROPOSAL #6: INCREASE FOUR-YEAR GRADUATION RATES OF STUDENTS**

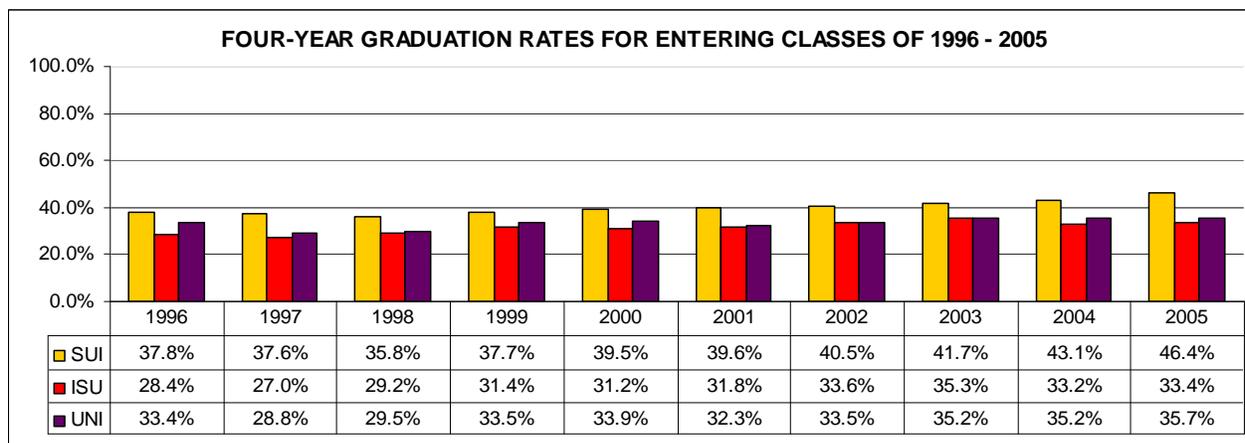
**Intended Audience:** Undergraduate students, parents, academic advisors.

**Intended Outcome:** Increased number of students who graduate in four years which could have the effect of lowering debt levels.

- ◇ At SUI, the debt level for students who graduated with debt in four years was \$21,312; for those who graduated in more than four years, the debt level was \$25,691.
- ◇ At ISU, the debt level for students who graduated with debt in four years was \$24,964; for those who graduated in more than four years, the debt level was \$35,108. ISU has two mandatory five-year programs – architecture and landscape architecture.<sup>6</sup>
- ◇ At UNI, the debt level for students who graduated with debt in four years was \$22,570; for those who graduated in more than four years, the debt level was \$27,552.

**Plan of Action:** The Board of Regents shall encourage the Iowa public universities to strengthen their efforts to promote increased four-year graduation for undergraduates where appropriate.

The following is a ten-year analysis of four-year graduation rates at the Regent universities:



<sup>6</sup> ISU has a large number of students who take at least one semester off for coop/internship experiences which makes the “four-year” plan concept difficult to implement. Therefore, shortly after the four-year plan was introduced at ISU, it was changed to an “eight semester” plan to address the complicating factor of planned terms away from campus. It should also be noted that most of the ISU advisors use the eight semester graduation plan with all students, whether they sign the agreement or not, as a course and degree planning tool. Thus, there are many students who build their programs around the four-year plan without formally entering into the agreement.

**PROPOSAL #7:** ADD FINANCIAL EDUCATION STAFF, AS NEEDED, TO THE FINANCIAL AID DEPARTMENT WHO ARE SPECIALISTS IN FINANCIAL EDUCATION AND DEBT COUNSELING FOR STUDENTS, ESPECIALLY THOSE STUDENTS WHO MUST RELY ON LOANS TO FINANCE THEIR EDUCATION

**Intended Audience:** Iowa public university administrators.

**Intended Outcome:** Sufficiently-sized and specialized staff to provide personal debt counseling and educational programming for prospective and enrolled students.

**Plan of Action:** The Board of Regents shall encourage the public university administrators to develop a staffing model to accomplish the intended outcome.

**PROPOSAL #8: REQUIRE ALL UNDERGRADUATE STUDENTS, INCLUDING TRANSFER STUDENTS, TO COMPLETE A FINANCIAL EDUCATION COMPONENT AS PART OF THEIR FIRST-YEAR EXPERIENCE**

**Intended Audience:** Iowa public university administrators, students.

**Intended Outcome:** A financially educated student population able to make better financial decisions.

**Plan of Action:** The Board of Regents shall encourage the public university presidents to strengthen their plans requiring all undergraduate students, including transfer students, to complete a financial education component as part of their first-year experience. The plan should include best practices in financial education. As can be seen from the three studies listed below, financial education provided in a variety of settings has been shown to be effective in increasing knowledge and bringing about change in financial attitudes and behaviors.

- ◇ Danes et al. (1999)<sup>7</sup> assessed the impact of a high school financial planning curriculum on the financial knowledge, behavior, and self-efficacy of 4,107 teens nationally and reported that significant changes were found in financial knowledge, behavior, and self-efficacy both immediately after studying the curriculum and three months after completing the curriculum. Approximately 50% of the teens had gains in knowledge, 33% had gains in behavior, and 40% increased their confidence in managing their money.
- ◇ Lyons et al. (2006)<sup>8</sup> examined the relationship between total number of financial education lessons completed, prior financial experience, and improvement in individuals' financial behaviors. They found that financial education resulted in improved financial behaviors.
- ◇ Kratzer et al. (1998)<sup>9</sup> conducted a study at a chemical production company to investigate the effectiveness of workplace financial education. They found that since participating in the workshops, most workers reported that they made better financial decisions, had increased confidence when making investment decisions, changed their investment strategy by appropriately diversifying or being more aggressive in their investment choices, and had an improved financial situation. Most workshop participants took positive actions to improve their financial well being and were interested in attending more workshops on a variety of topics.

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<sup>7</sup> Danes, Sharon M., Catherine Huddleston-Casas, and Laurie Boyce. "Financial Planning Curriculum for Teens: Impact Evaluation." *Financial Counseling and Planning*, Volume 10(1), 1999.

<sup>8</sup> Lyons, Angela C., Yunhee Chang, and Erik M. Scherpf. "Translating Financial Education into Behavior Change for Low-Income Populations." *Association for Financial Counseling and Planning Education* 2006.

<sup>9</sup> Kratzer, Constance Y. et al. "Financial Education in the Workplace: Results of a Research Study." *Journal of Compensation and Benefits*, Volume 14, Number 3.

**Access and Affordability Advisory Committee**

University of Iowa	Michael Currie – Student Government President Lynette Marshall – Foundation President Doug True – Vice-President for Business and Finance Mark Warner – Student Financial Aid Director
Iowa State University	Virginia Blackburn – Associate Professor, Management Tahira Hira – Executive Assistant to the President (Chair) Roberta Johnson – Student Financial Aid Director Warren Madden – Vice-President for Business and Finance Dan Saftig – Foundation President Jonathan Turk – Student Government President
University of Northern Iowa	Bill Calhoun – Foundation President Adam Haselhuhn – Student Government President Joyce Morrow – Student Financial Aid Director Tom Schellhardt – Vice-President for Business and Finance
Board of Regents Office	Diana Gonzalez – Chief Academic Officer

### **Student Financial Aid Task Force Conclusions**

- ◇ There was intense marketing of private Iowa Partnership Loans originated through the Iowa Student Loan Liquidity Corporation (ISL); frequently, the loans were marketed as the lowest-cost loans available to students even though that was not always the case. Furthermore, these marketing practices did not adequately promote federal loans or ensure that federal loan eligibility had been exhausted.<sup>10</sup>
- ◇ Median household income and median family income are lower in Iowa than for the United States and many peer states.
- ◇ Students at peer institutions are receiving more state grant aid than students at the Regent universities.
- ◇ Decreases in state appropriations for the Regent universities earlier in the decade resulted in significant increases in tuition.
- ◇ Students who do not qualify for either need-based or merit-based aid rely heavily on loan awards to finance their education.

### **Task Force Recommendations**

- ◇ Ensure that the tuition set-aside program keeps pace with tuition increases. Consider increasing the eligibility of resident students to qualify for need-based tuition set-aside dollars.
- ◇ Notify all parents of dependent students of their maximum eligibility under the Federal Parent Loan for Undergraduate Students (PLUS), a low interest federal loan that may help parents provide the financial support recommended by the FAFSA.
- ◇ Adhere to the new Iowa Code of Conduct (HF 2690) and the provisions of the Higher Education Opportunity Act, which includes provisions related to prohibited conduct, preferred lender arrangements, disclosures to borrowers, and self-certification.
- ◇ Build communication strategies to encourage new and continuing students to complete the Free Application for Federal Student Aid (FAFSA) annually.
  - ⇒ The Higher Education Reauthorization Act aims to make financial aid application processes and forms more user-friendly for students and parents. Among other changes, it calls for fewer, more understandable questions on the FAFSA, requires the U.S. Department of Education (ED) to develop a model format for institutional federal aid offer forms that institutions provide to applicants, and directs ED to develop a system through which students can receive early estimates of the amount of aid they might be eligible to receive.
  - ⇒ The College Cost Reduction and Access Act of 2007 allows the fixed interest rate for the subsidized Federal Stafford Loan for undergraduate students to decrease from the current rate of 6.8% to 3.4% by July 2011.

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<sup>10</sup> Source: Report of the Iowa Attorney General, September 2008.

- ⇒ The Act also increased the family income threshold to allow more students from low income families to qualify automatically for an expected family contribution of \$0.
- ◇ Encourage completion by all students, including transfer students, of a financial literacy component as part of their first-year experience. Provide online resources that offer money management advice and self-help tools which enable students to budget limited financial resources.
- ◇ Evaluate financial aid department staffing levels to determine if adequate staffing is available to provide appropriate financial counseling for students.
- ◇ Explore with appropriate state agencies the possibility of developing loan forgiveness programs by offering tax incentives to employers who provide loan forgiveness benefits.
- ◇ Explore more state funding for grant aid programs.
- ◇ Encourage greater participation of students in a four-year graduation plan.<sup>11</sup>
- ◇ Advocate for increased funding in federal financial aid scholarships and grants.
- ◇ Partner with institution foundations to augment the volume of private dollars available to support need-based scholarships and grants.
- ◇ Assess efficacy of student financial aid information provided through the institutions' website and other media and make appropriate improvement to ensure that the information provided is easy-to-access and understandable.
- ◇ Award federal, state, institutional, and private scholarships and grants to qualifying students before awarding loans to them.
- ◇ Encourage increased levels of support from Regent university foundations in grant and scholarship aid to students.

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<sup>11</sup> Students will be eligible to receive Pell Grants on a year-round basis to foster persistence and reduce time-to-degree as a result of the Higher Education Reauthorization.