

Contact: Diana Gonzalez

ANNUAL GOVERNANCE REPORT ON STUDENT FINANCIAL AID

Action Requested: Receive the annual governance report on student financial aid.

Executive Summary: In 2004-05, the total amount of financial aid awarded to students¹ at the Regent universities was \$692,280,349². Of the total financial aid awarded in 2004-05, 52.5% came from federal funds, 8.8% came from state funds, 30.5% came from institutional funds, and 8.2% came from other³ funds.

TOTAL STUDENT FINANCIAL AID BY FUNDING SOURCE BETWEEN 2003-04 AND 2004-05

	2003-04			2004-05		
	Amount	Awards	Avg. Award	Amount & Change from 03-04	Awards & Change from 03-04	Avg. Award & Change from 03-04
Federal	\$344,993,396	85,380	\$4,040	\$363,205,724 (+5.3%)	87,370 (+2.3%)	\$4,157 (+2.9%)
State	\$63,636,103	11,662	\$5,456	\$61,333,671 (-3.6%)	11,669 no change	\$5,256 (-3.7%)
Institutional	\$204,075,345	63,995	\$3,188	\$211,202,579 (+3.5%)	66,751 (+4.3%)	\$3,164 (-0.8%)
Other	\$48,894,699	18,263	\$2,677	\$56,538,375 (+15.6%)	19,194 (+5.1%)	\$2,945 (+10.0%)
Total	\$661,599,543	179,300	\$3,689	\$692,280,349 (+4.6%)	184,984 (+3.2%)	\$3,742 (+1.4%)

Highlights of Student Financial Aid Report:

- ◆ **Grants/Scholarships.** In 2004-05, a total of \$167,566,203 (24.2%) was awarded in the form of grants and scholarships. Of the total grants and scholarships awarded in 2004-05, 57.8% came from institutional funds; 21.2% came from federal funds; 16.6% came from other funds; and 4.4% came from state funds⁴.
- ◆ **Employment.** In 2004-05, a total of \$138,217,687 (20.0%) was awarded in the form of on-campus employment. Of the total amount awarded, 81.4% came from institutional funds and 18.6% came from federal funds. No state funds were appropriated for on-campus employment (work-study) between 2001-02 and 2004-05.
- ◆ **Loans.** In 2004-05, a total of \$386,496,459 (55.8%) was awarded in the form of loans. Of the total loans awarded in 2004-05, 78.5% came from federal funds; 14.0% came from state funds⁵; and 7.5% came from other funds.

¹ Includes undergraduates and graduates.

² Data source: Student Financial Aid Annual Reports, Iowa College Student Aid Commission.

³ Private grants, scholarships, loans, etc.

⁴ For recording purposes, the Commission includes the IMAGES awards of \$3,088,276 as state funds.

⁵ For recording purposes, the Commission includes the private loan awards of \$52,769,147 as state funds.

TOTAL STUDENT FINANCIAL AID BY TYPE BETWEEN 2003-04 AND 2004-05

	2003-04			2004-05		
	Amount	Awards	Avg. Award	Amount & Change from 03-04	Awards & Change from 03-04	Avg. Award & Change from 03-04
Grants/Scholarships	\$158,799,809	65,782	\$2,414	\$167,566,203 (+5.5%)	70,728 (+7.5%)	\$2,369 (-1.9%)
Employment	\$139,246,091	37,088	\$3,754	\$138,217,687 (-0.7%)	37,390 (-0.8%)	\$3,696 (-1.5%)
Loans	\$363,553,643	76,430	\$4,756	\$386,496,459 (+6.3%)	76,866 (+0.6%)	\$5,035 (+5.9%)
Total	\$661,599,543	179,300	\$3,689	\$692,280,349 (+4.6%)	184,525 (+2.9%)	\$3,742 (+1.4%)

◇ Undergraduate Aid. In 2004-05, a total of \$467,770,495 was awarded to undergraduates at the Regent universities.

- 52.5% came from federal funds, 12.9% came from state funds, 24.1% came from institutional funds, and 10.5% came from other funds.
- 27.4% was in the form of grants/scholarships, 10.8% was in the form of employment, and 61.8% was in the form of loans.
- Nationally, the average financial aid award per student who received aid in public four-year institutions was \$7,618 in 2003-04⁷. Regent university students received \$2,307 of financial aid in the form of grants/scholarships and \$4,316 of financial aid in the form of loans compared to \$4,019 and \$6,628 nationally.

TOTAL UNDERGRADUATE FINANCIAL AID BY FUNDING SOURCE BETWEEN 2003-04 AND 2004-05

	2003-04			2004-05		
	Amount	Awards	Avg. Award	Amount & Change from 03-04	Awards & Change from 03-04	Avg. Award & Change from 03-04
Federal	\$238,820,041	70,740	\$3,376	\$245,655,816 (+2.9%)	71,093 (+0.5%)	\$3,455 (+2.3%)
State	\$62,873,429	11,474	\$5,480	\$60,218,135 (-4.2%)	11,276 (-1.7%)	\$5,340 (-2.6%)
Institutional	\$109,852,566	47,866	\$2,295	\$112,878,412 (+2.8%)	49,294 (+3.0%)	\$2,290 no change
Other	\$41,804,888	14,906	\$2,805	\$49,018,132 (+17.3%)	15,506 (+4.0%)	\$3,161 (+12.7%)
Total	\$453,350,924	144,986	\$3,127	\$467,770,495 (+3.2%)	147,172 (+1.5%)	\$3,178 (+1.6%)

◇ Graduating Seniors Without Debt. The debt load for students is calculated based on debt incurred while in attendance at the Regent universities. In 2004-05, 41.4% of the graduating seniors at SUI graduated without debt; at ISU, 30.0% of the graduating seniors graduated without debt; and at UNI, 22.9% of the graduating seniors graduated without debt. Nationally, 34% of graduating seniors in 2003-04 graduated without debt⁸.

⁷ 2003-04 National Postsecondary Student Aid Study (NPSAS).

⁸ 2003-04 NPSAS.

- ◇ Debt Upon Graduation. The average indebtedness for those graduating with debt (all sources⁹) in 2004-05 was \$27,235 at SUI; at ISU, it was \$29,480; and at UNI, it was \$24,291. Nationally, average indebtedness in 2003-04 was \$21,814, including PLUS loans¹⁰.
- ◇ Tuition Set-Aside. The Board's tuition policy mandates that a minimum of 15% of gross tuition proceeds be set aside for student financial aid. Each university has exceeded the minimum requirements during the last several years.

TUITION SET-ASIDE BY INSTITUTION BETWEEN 2003-04 AND 2004-05

	2003-04	Percent of Total Tuition	2004-05	Percent of Total Tuition
Total Tuition Set-Aside				
SUI	\$34,372,090	17.6%	\$37,394,756	18.2%
ISU	\$36,212,919	22.6%	\$37,879,100	23.0%
UNI	\$10,283,503	18.9%	\$10,891,319	18.8%
Undergraduate Tuition Set-Aside		Percent of Total Set-Aside		Percent of Total Set-Aside
SUI	\$18,438,977*	53.6%	\$19,147,933*	51.2%
ISU	\$26,340,584*	72.7%	\$26,636,675*	70.3%
UNI	\$8,506,055*	82.7%	\$8,708,857*	80.0%

- ◇ Trends/Issues.
 - ▄ Financial aid, in the form of grants, loans, and on-campus employment, is available to all Regent university students who qualify.
 - ▄ Between 1990 and 2000, the percentage of full-time dependent undergraduates in the U.S. who received some type of financial aid grew from 54% to 71%. The percentage of full-time dependent undergraduates who borrowed increased from 30% to 45%. At public four-year institutions, the percentage of students with loans increased from 26% to 47%¹¹.
 - ▄ Funding for federal student financial aid programs has lagged behind inflation and student need for two decades. In constant dollars, campus-based aid declined by 35% between 1980-81 and 1998-99¹².
 - ▄ Reauthorization for federal student financial aid is not completed and proposed legislation threatens to reduce even further the availability of student financial aid.
 - ▄ Increases in the Pell Grant program have not kept pace with tuition increases. In 1979-80, the maximum Pell Grant covered 72.4% of costs at public universities; in 2005-06, it covered only 30.2%¹³. By 2007, it is likely to cover less than 25% of college costs¹⁴.
 - ▄ Increased funding is needed for all Iowa Grant programs, including the Iowa Grant and the State of Iowa Scholarship. In 2004-05, the total funding for these two programs was \$770,807 which represents 0.5% of all grant/scholarship programs.

⁹ Includes Parent Loan for Undergraduate Students.

¹⁰ 2003-04 NPSAS.

¹¹ National Center for Education Statistics (NCES): "Paying for College," 2004.

¹² NCES, 2004.

¹³ Postsecondary Education OPPORTUNITY, December 2005.

¹⁴ University of Iowa.

* Funds distributed through the Student Financial Aid Department.

- ☞ In 2005-06, loss of funding for the federal contribution to the Federal Perkins Loan Program caused a decrease in Perkins Loan availability and Federal Work-Study.
- ☞ Loans continue to play a major role in the student financial aid packages of Regent university students. However, loan limits in the Federal Direct Stafford loan program have remained constant during the past 10 years, leading to a greater reliance on alternative loans.
- ☞ Students have assumed more reliance on employment while in school. According to the most recent federal statistics, “74% of all full-time undergraduates worked in 1999-2000 and they averaged 25.5 hours week¹⁵.” However, studies have shown that working more than 20 hours per week can impede students’ progress toward graduation.
- ☞ Loss of significant funding for the Iowa Work-Study Program (approximately \$2 million per year before 2001-02) continues to limit the opportunities for on-campus student employment. This is contrary to studies that have shown that students who work on-campus have higher retention and persistence rates than students who work off-campus.

◇ Awarding Philosophies

- ☞ University of Iowa – “Assistance will be awarded on a first-come, first-served basis to students demonstrating financial need; assistance should be provided to as many students as possible who qualify; students with the greatest need should receive the most amount of financial aid; students with the greatest need should have a larger percent of their need met by grant/scholarship assistance. All financial aid (institutional, federal, and state) awarded through these guidelines cannot in combination exceed the individual cost of attendance.”
- ☞ Iowa State University – “To provide access to financial resources to all students who qualify in a fair, sensitive, and confidential manner. To accomplish this, aid resources are obtained, distributed, and maintained in accordance with university, state, and federal guidelines.”
- ☞ University of Northern Iowa - “In concert with the recruitment goals and objectives of the institution’s strategic plan, students who demonstrate the greatest financial need should receive the most financial aid. Due to the availability of funding, financial aid is awarded to students on a first-come, first-served basis. All financial aid awarded cannot, in combination, exceed the individual cost of attending the institution.”

◇ Institutional Initiatives. The following are examples of initiatives that the Regent universities have developed in support of student financial aid:

- ☞ The University of Iowa created Old Gold Scholarship; increased the amount of the Presidential Scholarship; increased commitment to need-based scholarships; and developed a new National Scholars Award Program. Funding for these programs will occur through reallocations and restructuring of existing programs.
- ☞ Iowa State University continued awards to assist special student populations; continued an institutional work-study program to offset the loss of the state program; and designed a new scholarship – Return to Iowa Generations Scholarship – to attract non-resident children of alumni.
- ☞ The University of Northern Iowa continued its Common Online Undergraduate Scholarship Application to be considered for a variety of scholarship opportunities and continued to offer the Tuition Opportunity Program for Iowans for needy Iowa freshmen.

◇ The Student Financial Aid Report addresses the following strategies in the Board’s Strategic Plan – “continue to improve efforts to recruit, enroll, and retain a qualified and diverse student population” (1.1.2) and “continue efforts to maintain and enhance affordability of the Regent universities” (1.2.2).

¹⁵ “Wall Street Journal,” November 5, 2002.

GLOSSARY

Expected Family Contribution (EFC). This is the amount that the student and his/her family are expected to contribute toward the student's education. If the EFC is below a certain amount, the student may be eligible for a Federal Pell Grant. The EFC data elements may be adjusted under certain circumstances, e.g., the EFC may be adjusted to consider the family's elementary and secondary tuition expenses, their medical and dental expenses not paid by insurance, unusually high child care expenses, a family member's recent unemployment, a parent's own education expenses, or other changes in a family's income, a family's assets, or a student's status.

Federal Pell Grant. A Federal Pell Grant, unlike a loan, does not have to be repaid. Pell Grants are awarded only to undergraduate students who have not earned a bachelor's or professional degree.

Federal Supplemental Educational Opportunity Grant (FSEOG). A Federal Supplemental Educational Opportunity Grant is for undergraduates with exceptional financial need, i.e., students with the lowest expected family contributions with priority given to students who receive Federal Pell Grants. An FSEOG does not have to be repaid. FSEOG awards are based on the availability of funds at the school. The student can receive between \$100 and \$4,000 a year, depending on the date of application, level of need, funding level of the school, and school's financial aid office policies.

Subsidized Loan. A subsidized loan is awarded on the basis of financial need. The student will not be charged any interest before beginning repayment or during authorized periods of deferment. The federal government subsidizes the interest during these periods.

Types of Loans. There is a variety of loan programs available to students and their parents.

- ◆ Federal Perkins Loan is a low-interest loan for students with exceptional financial need.
- ◆ Federal Stafford Loan is a simple interest, government guaranteed, no collateral loan.
- ◆ Federal PLUS (Parent Loan for Undergraduate Students) is a simple interest, government guaranteed, no collateral loan; parents are eligible for the PLUS if they meet the minimum government credit requirements.
- ◆ Partnership Loan and Parent Partnership Loan are private, non-need based loans that have flexible features, such as a choice between a fixed or variable interest rate.

Unmet/Overmet Financial Need. Unmet/overmet financial need is calculated by subtracting the expected family contributed (EFC) and the assistance (grants, scholarships, loans, and employment) provided by the institution or other sources from the cost of attendance (tuition, fees, books, and room and board).

Unsubsidized Loan. An unsubsidized loan is not awarded on the basis of need. The student will be charged interest from the time the loan is disbursed until it is paid in full.

Work-Study Funds. Work-study funds come from federal and state programs in which a maximum of 75% of the wages is covered by the federal or state program. The federal government covers 100% of the wages for students who are employed in community service positions, such as America Reads¹⁶ and America Counts¹⁷. The federal government covers 75% of the wages for students who are employed in community-based organizations; the employing organization covers the other 25% of the wages.

¹⁶ Federal initiative to improve elementary students' reading skills.

¹⁷ Federal initiative to improve elementary students' math skills.