

MEMORANDUM

To: Board of Regents
From: Board Office
Subject: Annual Governance Report on Student Financial Aid
Date: July 21, 2004

Recommended Action: Receive the report.

Executive Summary: As a result of the organizational review and subsequent recommendations adopted by the Board of Regents in 2003, the annual student financial aid report will now use the data from the financial aid tables prepared by the Iowa College Student Aid Commission (ICSAC).
 Changes in Annual Report

Amount Awarded In 2002-03, the ICSAC data show that the total financial aid distributed to students at the Regent universities was \$619,822,478.

Purpose of Report The purpose of this annual governance report is to inform the Board about financial assistance provided to students who attended the Regent universities in 2002-03, and, as such, to serve as a performance indicator.

Continuing Financial Aid Issues

- ◆ Financial aid, in the form of grants, loans, and employment, is available to all Regent university students who qualify.
- ◆ 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 ten 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 1999-00 and they averaged 25.5 hours per week."¹ However, studies have shown that working more than 20 hours per week can impede students' progress toward graduation.

¹ "Wall Street Journal," November 5, 2002.

- ◆ Major increases are needed in federal appropriations for federal campus-based programs, such as the Supplemental Educational Opportunity Grant (SEOG), Federal Work-Study, and Federal Perkins Loan.
- ◆ Increases in the Pell Grant program have not kept pace with tuition increases. In 1979, the maximum Pell Grant covered approximately 60% of college costs; in 2004, it will cover only 32%.
- ◆ Loss of funding for the Iowa Work-Study Program (approximately \$2M per year for the last three years) continues to limit the opportunities for on-campus student employment. However, studies have shown that students who work on-campus have higher retention and persistence rates than students who work off-campus.
- ◆ Increased funding is needed for all Iowa Grant programs, including the Iowa Grant, State of Iowa Scholarship, and Iowa Minority Academic Grants for Economic Success.
- ◆ Funding for Title IV student financial aid programs has lagged behind inflation and student need for two decades. In constant dollars, the Federal Pell Grant declined by 14% and campus-based aid declined by 35% between 1980-81 and 1998-99². Yet, many low- and middle-income families believe that, without financial aid, they cannot afford to send their children to college.

Link to Strategic Plan:

This report addresses the following objectives and performance indicators in the Board's Strategic Plan:

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| Objective 1.1.2 | Continue to improve efforts to recruit, enroll, and retain a qualified and diverse student population. |
| Indicator 1.1.2.3 | Total financial aid awarded to resident and nonresident undergraduate and graduate/professional students; number and percentage of resident and nonresident undergraduate and graduate/professional students receiving financial aid. |
| Objective 1.2.3 | Continue efforts to maintain and enhance affordability of the Regent universities. |
| Indicator 1.2.2.1 | Total financial aid awarded to resident and nonresident undergraduate and graduate/professional students; number and percentage of resident and nonresident undergraduate and graduate/professional students receiving financial aid. |

² Source: University of Iowa.

Analysis:
Ability to Pay

Ability to pay for college ranks as one of the most significant considerations for prospective students making college attendance decisions. However, in the last few years, students across the country have experienced: (1) significant increases in tuition; (2) decreases in relative amounts available through federal and state grants and work-study funds; and (3) financial aid packages that place higher reliance on loans and extra hours of student employment.

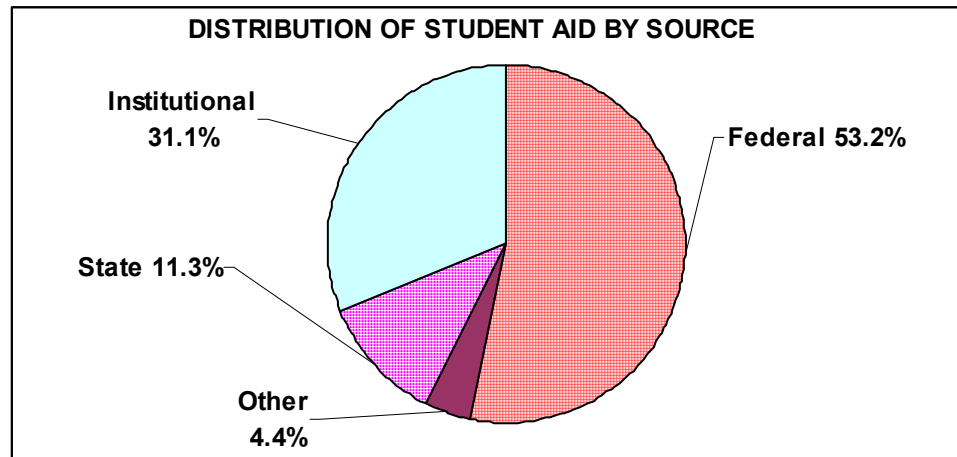
Institutional Policies

The Regent universities offer financial aid packages, using a combination of federal, state, and institutional funds, that enable students to enroll, persist, and graduate with a post-secondary education.

Student Financial Aid by Source

In 2002-03, student financial aid at the Regent universities was derived from the following sources of funds:

- ◆ Federal = \$330,100,171 (53.2%);
- ◆ State = \$70,159,590 (11.3%)³
- ◆ Institutional = \$192,520,665 (31.1%)
- ◆ Other = \$27,042,052 (4.4%)

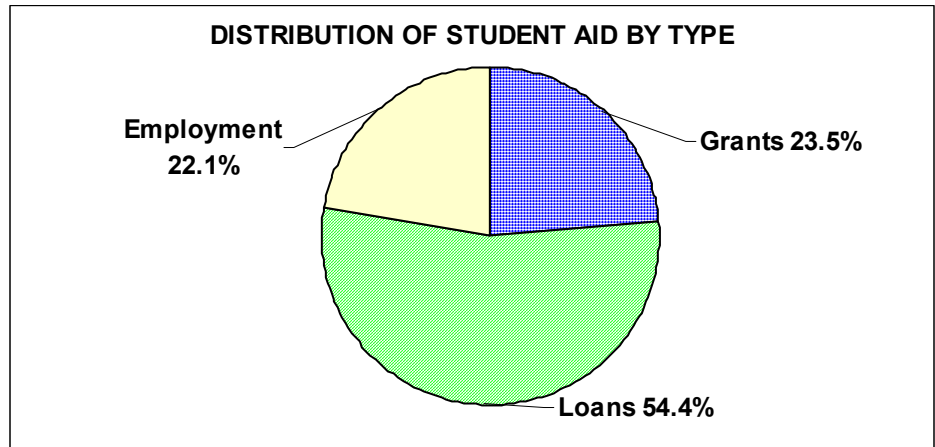


³ This includes \$64,988,875 of Partnership loans that, historically, have been classified as Institutional/Private Programs rather than State programs.

Student Financial Aid by Type

In 2002-03, student financial aid at the Regent universities was awarded in the following categories:

- ◆ Grants/Scholarships = \$145,665,925 (23.5%);
- ◆ Loans = \$337,126,075 (54.4%);
- ◆ Employment = \$137,030,478 (22.1%)



Number of Awards

In 2002-03, a total of 176,741 financial aid awards were made to Regent university students:

- ◆ Grants/scholarships = 62,680 awards (35.4%);
- ◆ Loans = 76,309 awards (43.2%);
- ◆ Employment = 37,752 awards (21.4%)

Debt Upon Graduation

Of those students who spent four years at the same Regent university and who graduated with debt, they graduated with the following average debt:

- ◆ University of Iowa - \$23,448
- ◆ Iowa State University - \$26,398
- ◆ University of Northern Iowa - \$16,693

U.S. Department of Education Study

According to a study conducted by the U.S. Department of Education in 2000, student borrowers repay only one-fourth of their loans four years after graduating, but they generally are in a position to pay off the rest over the following five years. The study also found that debt did not affect major lifestyle choices, such as getting married, buying a house, or saving money, although it did discourage enrollment in graduate school in the short-term.

Default Rates
Below National
Rates

The Regent university default rates have historically been well below national rates. The most recent average for Stafford loans is 2.4% compared to a national rate of 5.9%. The most recent average for Perkins loans is 4.5% compared to a national rate of 9.5%.

Accomplishments/Initiatives

University
of Iowa

- ◆ In 2003-04, a new internship initiative was established to encourage partnerships between technology innovators and students. Employers benefit from highly motivated and talented student employees whose wages are subsidized by University financial aid funds while students learn new and highly marketable job skills.
 - ◆ In 2004-05, the University of Iowa will reduce its Federal Work-Study employer reimbursement rates as a result of loss of State Work-Study funds and reduced funding in the Federal Work-Study Program. This should increase the number of students receiving Federal Work-Study support and help compensate for the significant loss of State Work-Study funds during the past four years.
 - ◆ In 2004-05, funds borrowed by students through private alternative educational loans (approximately \$17 million) will be disbursed to students by Electronic Funds Transfer for the first time ever, simplifying the process for SUI departments and providing the quickest access for students.
 - ◆ SUI will continue to enhance a paperless financial aid environment during the 2004-05 academic year. All institutional financial aid application documents will be available to students through Web ISIS⁴, with the option for students to complete and submit these documents electronically.
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Iowa State
University

- ◆ During 2003-04, ISU committed 20% of tuition dollars toward financial aid, higher than the 15% tuition set-aside requirement.
- ◆ Institutional funds have augmented the Federal Pell Grant funds to ensure that the neediest, full-time Iowa residents receive grant funds to support 100% of tuition and fees, benefiting 438 students in 2003-04.
- ◆ ISU created need- and merit-based awards to recruit and retain high-ability students. Of the merit-based awards, more than 70% went to students who also had financial need.
- ◆ ISU created awards to assist special student populations that are often not considered for awards, such as adult students, students with children, and transfer students. The majority of these awards were need-based.
- ◆ ISU developed an institutional work-study program to off-set the loss of state work-study funds. The awards were given only to need-based students, with an emphasis on Iowa residents.

⁴ ISIS = Iowa Student Information Services.

- ◆ In 2003-04, approximately 5,500 Pell-eligible students received more than \$13M in Federal Pell Grant funds. As the number of Federal Pell Grant recipients rises, it creates a challenge to allocate available institutional funds across a larger population. To address this and other financial aid issues, ISU conducted a comprehensive study of grant aid; recommendations will be implemented during the 2005-06 academic year.
- ◆ Procedural changes were made to maintain compliance with federally-mandated Satisfactory Academic Progress requirements. This change has resulted in identifying and referring students who are not meeting the federal standards to the University's Academic Success Center for evaluation and support, with the goal of retaining and graduating students.
- ◆ Several technological advancements have been implemented, including an on-line student employment system to streamline the administration of the work-study program, and an electronic Federal Perkins promissory note to eliminate significant amounts of paperwork.

University of
Northern Iowa

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- ◆ An increasing number of UNI students has benefited from the Iowa Forgivable Loan Program. The program grew from 14 students in 1999-00 (\$40,550) to 122 students in 2003-04 (\$335,750).
 - ◆ A Common Online Undergraduate Scholarship Application is being developed to permit students to submit one application for many scholarship opportunities. This will not only be a convenience for students but will also increase their awareness of scholarships.
 - ◆ A new online tool, called "Calculate My Aid," has been developed. This project will help families understand that a UNI education can be both affordable and a good investment.
 - ◆ The newly implemented Integrated Student Services Center gives students the opportunity to access information at one location.
 - ◆ A new recruitment program, called Tuition Opportunity Program for Iowans, has been developed for Iowa freshmen whose families are unable to contribute to their students' education.
 - ◆ A Disaster Relief Grant is now available to assist flood and tornado victims. This institutionally-funded grant has reduced the extra stress that disaster victims have faced.
 - ◆ New scholarships targeted for out-of-state recruitment have been developed to increase the number of out-of-state freshmen and transfer students at UNI.
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Effect of
Financial
Barriers

According to a report released in 2002 by the Advisory Committee on Student Financial Assistance⁵, “nearly 170,000 of the top high-school graduates from low- and moderate-income families are not enrolling in college this year because they cannot afford it.” By the end of the decade, the report says, “if enrollment stays steady and spending on the student-aid programs does not increase significantly, as many as 4.4 million ‘college qualified’ [high school] graduates will not be able to go to a four-year college, 2 million of whom will not attend any college at all.”

Federal
Legislation

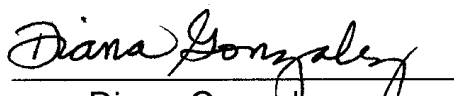
The following table shows past and proposed funding for Title IV student financial aid programs.

**FEDERAL STUDENT FINANCIAL ASSISTANCE
A COMPARISON OF FISCAL YEARS 1998–2004 AND PROPOSED 2005 FUNDING⁶**

	FY 98	FY 99	FY 00	FY 01 ⁷	FY 02	FY 03	FY 04	FY 05 ⁸
Pell Grants	\$7,345	\$7,704	\$7,025	\$8,756	\$10,314	\$11,365	\$12,007	
Maximum Pell Grant	\$3,000	\$3,125	\$3,300	\$3,750	\$4,000	\$4,050	\$4,050	
Supplemental Educational Opportunity Grants	\$614	\$619	\$799	\$691	\$725	\$760	\$770	
College Work-Study	\$830	\$870	\$930	\$1,011	\$1,011	\$1,004	\$999	
Perkins Loan	\$165	\$130	\$130	\$160	\$167.5	\$166	\$165	
Leveraging Educational Assistance Partnership	\$25	\$25	\$40	\$55	\$67	\$67	\$66	

Appendices

The appendices on pages 8-10 include the mission statements, awarding philosophies, and priorities of the student financial aid offices at the Regent universities. They provide information concerning the environment within which financial aid is administered at the Regent universities.


Diana Gonzalez

Approved: 
Gregory S. Nichols

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⁵ The Advisory Committee on Student Financial Assistance is an independent committee created by Congress to advise Congress and the Secretary of Education on student aid policy.

⁶ Dollars are in millions except for Maximum Pell Grants.

⁷ The source of the data in the last four columns is the Association of American Universities (AAU).

⁸ Different versions are still under discussion.

APPENDIX A
MISSION STATEMENTS OF REGENT UNIVERSITIES' STUDENT FINANCIAL AID OFFICES

**UNIVERSITY
OF IOWA**

The primary mission of the University of Iowa Office of Student Financial Aid is to address the financial needs of students in a way that enables student access to the University of Iowa, facilitates enrollment of a high-achieving, culturally diverse student body, and encourages optimum graduation rates.

**IOWA STATE
UNIVERSITY**

The mission of the Office of Student Financial Aid at Iowa State University is to provide and continually improve the financial aid process which facilitates the ability of students and their families to inquire, make informed decisions on the acceptance of awards, and take the best advantage of federal, state, local, and private sources of funding which will enable the student to pursue an Iowa State University education.

**UNIVERSITY
OF NORTHERN
IOWA**

The student is the most important person on the campus. Without the student there would be no need for the institution. The student is not a cold enrollment statistic but a flesh and blood human being with feelings and emotions like our own. The student is not someone to be tolerated so that we can do our own thing. The student is our thing. The student is not dependent on us. Rather, we are dependent on the student. The student is not an interruption of our work, but the purpose of it. We are not doing the student a favor by providing our service. The student is doing us a favor by giving us the opportunity to do so.

**APPENDIX B
AWARDING PHILOSOPHY OF REGENT UNIVERSITIES'
STUDENT FINANCIAL AID OFFICES**

**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**

Access to financial resources will be provided 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-serve basis. All financial aid awarded cannot, in combination, exceed the individual cost of attending the institution.

**APPENDIX C
REGENT UNIVERSITIES'
STUDENT FINANCIAL AID OFFICES PRIORITIES**

**UNIVERSITY
OF IOWA**

- ◆ Award federal, state, and institutional funds to qualified students to enable them to enroll, persist, and graduate.
 - ◆ Obtain continuing support from federal, state, institutional, and private sources to meet the increasing needs of students.
 - ◆ Assist in attracting and enrolling a high-achieving and culturally-diverse student body.
 - ◆ Maintain policies and procedures to optimize the delivery of student financial aid.
 - ◆ Improve basic money management skills of students.
 - ◆ Communicate with university departments and external agencies about changes in financial aid and the effect on the student population and the aid process.
 - ◆ Continue to enhance staff skills to serve as a general resource on financial aid issues.
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**IOWA STATE
UNIVERSITY**

The department's awarding priorities are to support the University's goals of encouraging economic, social, cultural, and academic diversity in the student body while also meeting the financial aid policies directed by the Board of Regents, State of Iowa.

**UNIVERSITY
OF NORTHERN
IOWA**

- ◆ Assist in attracting and enrolling a high-achieving and culturally-diverse student body.
- ◆ Award federal, state, and institutional funds to qualified students to enable them to enroll, persist, and graduate.
- ◆ Obtain continuing support from federal, state, institutional, and private sources to meet the increasing needs of students.
- ◆ Improve access to students in economic need.
- ◆ Communicate with university departments and external agencies about changes in financial aid and its effect on the student population and the aid process.
- ◆ Improve basic money management skills of students.
- ◆ Maintain policies and procedures to optimize the delivery of student financial aid.
- ◆ Continue to enhance staff skills to serve as a general resource on financial aid issues.
- ◆ Maintain compliance with all federal, state, and institutional regulations relating to financial aid.
- ◆ Improve and streamline services to students, taking the stress out of the financial aid process.