

Contact: Diana Gonzalez

BOARD OF REGENTS STUDENT FINANCIAL AID COMMITTEE FINAL REPORT

Actions Requested: Consider approving the Board of Regents Student Financial Aid Committee recommendations to:

- (1) create a new state-funded student financial aid program for Iowa undergraduate students who attend an Iowa public university and who demonstrate need;
- (2) request that the university foundations implement fund-raising campaigns targeted at increasing private funding for Iowa undergraduate student financial aid;
- (3) revise the accountability measure and target for Goal #1 in the Board of Regents 2010-2016 Strategic Plan to reflect the removal of current language related to the use of tuition set-aside to fund institutional grants/scholarships for Iowa undergraduate students who demonstrate need;
- (4) revise the Board of Regents Policy Manual to reflect the removal of tuition set-aside language upon creation of the state-funded student financial aid program for Iowa undergraduate students who demonstrate need.

This included requesting an additional legislative appropriation of \$39.5 million to implement a new state-funded student financial aid program for Iowa undergraduate students who attend one of the three public universities and who demonstrate need. The Board of Regents will reduce Iowa undergraduate tuition for FY 2015 by a rate commensurate with the amount of the new state-funded student financial aid program appropriated for Iowa undergraduate students attending one of the three public universities who demonstrate need.

Executive Summary: At its June 2012 meeting (Agenda Item #4), the Board of Regents created the Board of Regents Student Financial Aid Committee "to provide as comprehensive an analysis as possible about tuition set-aside, alternative funding sources for student financial aid, and policy implications." The Committee included Board Office and institutional representatives. The Committee was asked to present the preliminary report at the September 12, 2012 Board of Regents meeting and to present the final report at the October 24-25 Board meeting using Board of Regents feedback and other pertinent information.

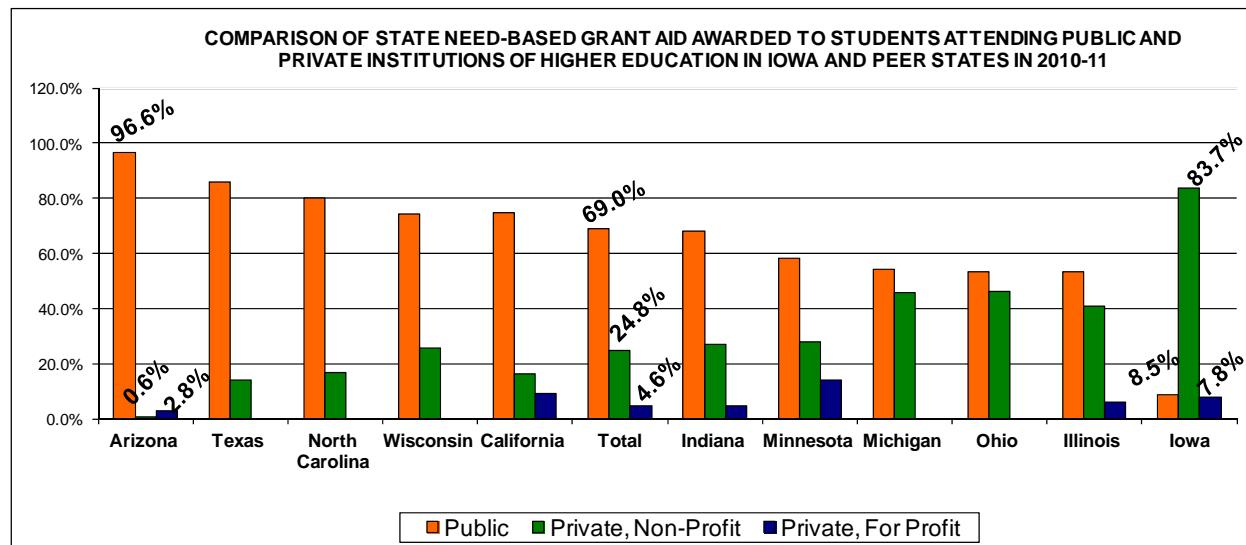
The Board charged the Committee to propose a five-year plan which would result in eliminating the use of tuition set-aside at the public universities and replace need-based grant aid for Iowa undergraduate students with alternative funding sources. In developing the plan, the Committee recognized that the plan would need to honor the student financial aid commitments made by the universities to Iowa undergraduate students who received a grant/scholarship funded by tuition set-aside.¹

The Committee presented a preliminary report at the September 12, 2012 Board of Regents meeting (Agenda Item #12) which resulted in Board approval of a new legislative request of \$39.5 million to create a new state-funded student financial aid program for Iowa undergraduate students who attend Iowa public universities and who demonstrate need. For the final report, the Board requested that the Committee identify the institutional support required for Iowa undergraduate students who do not demonstrate need and the role of the university foundations in meeting that need. The Board also requested that the Committee propose a methodology to allocate the funds provided by the state-funded need-based grant program.²

¹ Examples of such grants/scholarships include the University of Iowa's Advantage Iowa Grant; the ISU Grant at Iowa State University; and the Tuition Assistance Grant and Tuition Guarantee Program for Iowans at the University of Northern Iowa.

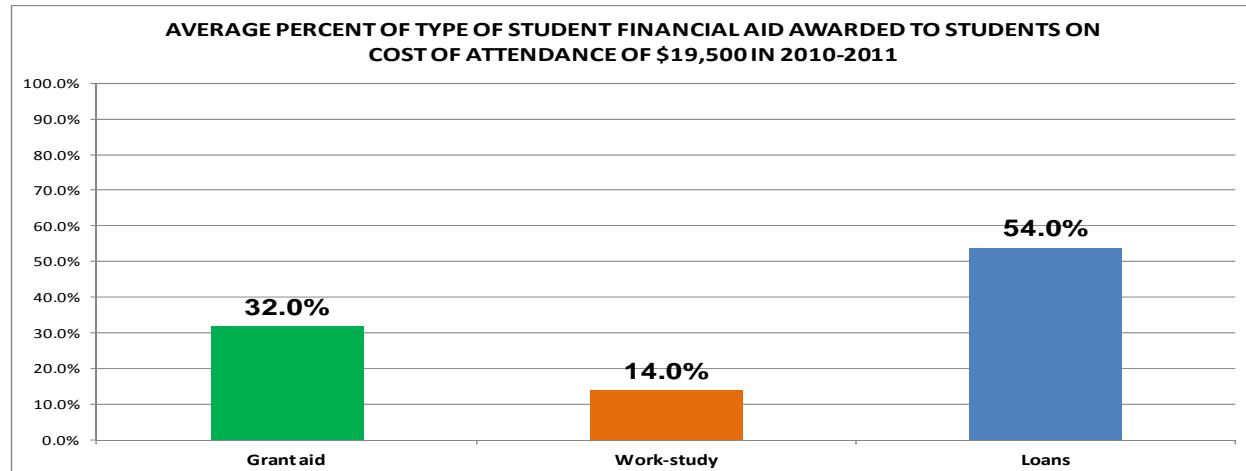
² Highlighted areas include follow-up to the September 2012 Agenda Item #12.

BACKGROUND: The Board of Regents created the tuition set-aside program to provide institutional scholarships for Iowa undergraduate students because Iowa is the only state that has no **dedicated** need-based student financial aid program available to Iowa students attending the public universities even though the state of Iowa does provide need-based grant aid for Iowa undergraduate students who attend private and for-profit postsecondary institutions in the state.



In FY 2012, there were a total of 26,304 public university students who demonstrated sufficient financial need that they would have been eligible to receive institutional financial aid had it been available; it would have required more than \$263.6 million to address that need. Unfortunately, institutional financial aid was able to serve only 14,083 Iowa undergraduate students (53.5%) who demonstrated need; they received a total of \$37.1 million of institutional financial aid which represents only 14.4% of the total needed. This financial support is used by the universities to attract and retain Iowa students and to assist them to graduate with a manageable debt load.

Students are not expected to rely solely on grant aid to pay for their education; they are also expected to work and take out loans. In FY 2012, the average Cost of Attendance at the three public universities was approximately \$19,500. The graph below shows the distribution of average aid awarded to Iowa undergraduate students who received financial aid.³



³ Source: Annual Student Financial Aid Study.

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In fact, loans continue to play a major role in the student financial aid packages of Iowa public university students although studies have shown that loans typically do not promote college enrollment especially when family income is considered. In FY 2011, approximately 86% of dependent Iowa undergraduate students who received student financial aid received loan aid at one of the public universities; the average loan aid received by students who borrowed was more than \$8,000.⁴ That number is likely to grow if institutional financial aid is discontinued.

- ❖ In FY 2011, fewer than 33% of graduating seniors who were Iowa residents graduated without debt.
- ❖ The average indebtedness for Iowa residents graduating with debt ranged from \$24,652 at the University of Iowa to \$29,035 at Iowa State University. The national average for public four-year institutions was \$21,740 in FY 2011.
- ❖ The primary recommendation proposed by *The Project on Student Debt*⁵ to reduce the burden of student debt is “**to increase access to need-based student aid.**”

The Board of Regents has adopted a number of strategies to address affordability, including limiting tuition increases despite permanent budget reductions of more than \$125.4 million to general university funds since FY 2009. In fact, the FY 2013 tuition and mandatory fees for the three public universities are second or third lowest in the universities’ respective peer groups.

Another strategy adopted by the Board was to increase the availability of institutional grant aid for Iowa undergraduate students. The practice of using institutional revenue to provide institutional scholarships is extensively used across the country by both public and private institutions of higher education.

Committee Recommendations

The Committee proposes the following recommendations to address the charge:

- ❖ Create a new state-funded student financial aid program for Iowa undergraduate students who attend an Iowa public university and who demonstrate need. This new program is intended to replace the institutional support program funded by tuition set-aside for Iowa undergraduate students currently described in Board policy §8.02C (5i).
 - ⇒ The program will be administered by the Board of Regents.
 - ⇒ To calculate the amount of funds allocated to each university, the Board Office will (1) calculate annually the demonstrated need of Iowa undergraduate students enrolled at each of the public universities; (2) determine the proportion of the total demonstrated need for Iowa undergraduate students at each university; and (3) multiply the total amount of funds available in the state-funded student financial aid program by the proportion of demonstrated need calculated for each public university. The actual distribution of funds by each university will follow federal guidelines.
 - ⇒ Qualified Iowa undergraduate students may receive financial assistance through this program for up to four years of full-time (or equivalent part-time) undergraduate study.

⁴ Source: Annual Regent Student Financial Aid Study.

⁵ This is an initiative of the Institute for College Access and Success.

- ⇒ The amount of student financial aid from this program for a qualified Iowa undergraduate student for the fall, spring, and/or summer semesters, may be up to the amount of the student's demonstrated financial need but shall not exceed the total Cost of Attendance⁶ for the semester(s) attended by that student.
- ❖ Request that the university foundations implement fund-raising campaigns targeted at increasing private funding for Iowa undergraduate student financial aid. (Attachment A)
 - ⇒ Each year, the universities provide need-based and merit-based institutional support to Iowa undergraduate students. In 2011-2012, the universities provided the following merit-based aid to Iowa undergraduate students:

| | SUI | ISU | UNI |
|------------------------------------------------------------------------------------------------------------|----------------|----------------|--------------|
| Merit-based awards in 2011-2012 for Iowa undergraduate students ⁷ | \$2,534,052 | \$3,642,587 | \$2,317,334 |
| Amount of endowment needed to generate same amount of support for Iowa undergraduate students ⁸ | \$56.5 million | \$85.7 million | \$58 million |

- ❖ Revise the accountability measure and target for Goal #1 in the Board of Regents 2010-2016 Strategic Plan to reflect the removal of current language related to the use of tuition set-aside to fund institutional grants/scholarships.
 - ⇒ *Proposed Accountability Measure.* Trend data on the total number of Iowa undergraduate students who demonstrate need and the total student financial aid awards provided to them through this program.
 - ⇒ *Proposed Target.* The Board of Regents will advocate to the Iowa Legislature for base funding for a state-funded student financial aid program for Iowa undergraduate students and incremental funding each year informed by HEPI⁹ and projected enrollment increases to assist Iowa undergraduate students with financial need at the public universities.
- ❖ Revise the Board of Regents Policy Manual to reflect the removal of tuition set-aside language upon creation of the state-funded student financial aid program for Iowa undergraduate students.
 - ⇒ Eliminate §8.02C (5i) which requires the institutions to "provide at least the minimum required 15% gross tuition proceeds set-aside for student financial aid."
 - ⇒ Establish Board of Regents student financial aid policies to implement the new state-funded student financial aid program for Iowa undergraduate students who attend the public universities and who demonstrate need.

⁶ Cost of Attendance includes tuition, fees, books, room and board, transportation, and personal expenses.

⁷ Amounts are projected.

⁸ The university foundations are currently providing student support.

⁹ Higher Education Price Index.

Five-Year Plan

The dimensions of the state-funded student financial aid program for Iowa undergraduate students who demonstrate need may need to be modified as student cohorts graduate or complete their term of eligibility and as a result of the Board's assessment. To calculate the amount for the first year of the proposed state-funded student financial aid program for Iowa undergraduate students who attend one of the three public universities and who demonstrate need, the Committee increased by 3.1% the amount of institutional grant aid awarded to Iowa undergraduate students who received aid in 2011-2012 (\$37.1 million) for FY 2013 and FY 2014. The 3.1% includes the median of HEPI of 2.6% and an enrollment increase of 0.5%.

- ❖ Year One (2012-2013)
 - ⇒ Board of Regents requests an additional legislative appropriation of \$39.5 million to implement a new state-funded student financial aid program for Iowa undergraduate students who attend one of the three public universities and who demonstrate need.¹⁰
 - ⇒ The Board of Regents requests the university foundations implement fund-raising campaigns targeted at increasing private funding for Iowa undergraduate student financial aid. (Attachment A)
 - ⇒ The Board of Regents revises its 2010-2016 Strategic Plan Goal #1 Accountability Measure and Target to eliminate reference to tuition set-aside.
 - ⇒ The Board of Regents eliminates Board Policy §8.02C (5i).
- ❖ Year Two (2013-2014) and Beyond
 - ⇒ Board of Regents reduces Iowa undergraduate tuition by a rate commensurate with the amount of additional state-funded student financial aid program appropriated for Iowa undergraduate students attending one of the three public universities effective for FY 2015. **The Board Office will closely monitor potential negative impacts of total revenues at each university that might result from off-setting tuition revenues with state financial aid receipts.**
 - ⇒ Board of Regents evaluates the additional funding appropriated by the legislature for a state-funded student financial aid program for Iowa undergraduate students at the public universities, foundation fund-raising campaigns, and institutional support to determine what additional support will be requested from the legislature for the state-funded student financial aid program.
- ❖ Year Five (2016-2017)
 - ⇒ Board of Regents directs the Board Office and the institutions to review the success of the state-funded student financial aid program for Iowa undergraduate students who attend one of the public universities and who demonstrate need and to recommend any needed changes.

¹⁰ Merit aid will be funded by private and other sources.

**PROPOSED FIVE-YEAR PLAN OF UNIVERSITY FOUNDATIONS TO INCREASE ANNUAL
FOUNDATION CONTRIBUTIONS FOR STUDENT FINANCIAL AID**

Students in Iowa have the opportunity to attend one of three very distinctive and distinguished public institutions to achieve their academic pursuits. The students who attend UNI, ISU and SUI are as distinctive and different as their respective institutions. There have long been efforts to support our students, especially Iowa students. As student enrollment increases and the demand for a high quality, affordable public education rises, the need to provide additional financial support also grows.

In response to the Board of Regents' request to fund new ways to increase student financial aid for Iowa students, the following plan is offered. Each of the three public institutions will launch scholarship and student support fundraising efforts with an emphasis on a named or branded scholarship program, which will be designed and marketed to attract Iowa students to our three universities. The goal of the named scholarship program is for each university, in the five-year period from FY 2014 through FY 2018, to increase the private gift funds available for merit and other scholarships for Iowa undergraduate students.

The public universities are prepared to embrace this joint venture. Each university will have a student support goal, emphasizing similarly named programs for each of our institutions.

Representatives from the leadership of the three universities and their fundraising operations are working together to fully determine the scope, guiding principles, practices, and specific goals. The foundations also are developing a unified name or brand along with marketing and implementation plans and anticipate having the complete plan in place in January 2013.

The foundations are excited by the possibilities that this new program will offer for Iowa undergraduate students at the three institutions. The foundations will finalize this initiative in coming weeks and months with the Board of Regents and Board Office staff members.

UNIVERSITY FOUNDATIONS CAMPAIGNS FOR STUDENT SUPPORT FUND RAISING

UNIVERSITY OF IOWA

The University of Iowa's Comprehensive Campaign, "For Iowa. Forever More." includes \$259 million for student success to be raised by the end of 2016. Of the total amount, \$135 million is targeted for undergraduate student aid. The remainder (\$124 million) is for programs and services that support student retention and timely graduation.

IOWA STATE UNIVERSITY

President Steven Leath announced a five-year, \$150 million student support initiative. President Leath has made it clear that focusing on high quality, accessible, affordable public education for Iowa students is the university's primary mission.

UNIVERSITY OF NORTHERN IOWA

The University of Northern Iowa is currently engaged in the "Imagine the Impact" Campaign. This campaign has raised more than \$150 million to date, including approximately \$60 million for scholarship support. As the "Imagine the Impact" Campaign is concluded, UNI will place a special emphasis on giving opportunities in support of student scholarships. University leadership is in the process of formulating plans for a focused scholarship/student support fundraising effort to be initiated at the conclusion of the current campaign.

**IOWA UNDERGRADUATE STUDENTS WITH NEED
2011-2012**

| | TOTAL NEED | | AMOUNT AWARDED | |
|-----------------------------|------------|---------------|----------------|--------------|
| | Students | Amount | Students | Amount |
| University of Iowa | 9,447 | \$85,173,427 | 2,295 | \$13,460,286 |
| Iowa State University | 10,097 | \$107,077,478 | 7,694 | \$17,670,539 |
| University of Northern Iowa | 6,760 | \$71,365,631 | 4,133 | \$7,603,590 |
| Total | 26,304 | \$263,616,536 | 14,122 | \$38,734,415 |