# 2007-10 Virginia Student Financial Assistance Program Funding Recommendation

| | | 2006-07 | 2007-08 | | | 2008-09 | | | 2009-10 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Institution** | **FY07 Funds** | **Partnership Model** | **Funding Goal** | **33.3% Phase-In** | **Total Funding** | **Funding Goal** | **66.7% Phase-In** | **Total Funding** | **Funding Goal** | **Full Phase-In** | **Total Funding** |
| **Christopher Newport Univ.** | $3,292,709 | $4,784,605 | $5,508,154 | $1,003,521 | $4,296,230 | $5,893,725 | $2,010,056 | $5,302,765 | $6,306,286 | $3,013,577 | $6,306,286 |
| **College of William & Mary** | $2,443,835 | $3,316,527 | $3,907,728 | $676,031 | $3,119,866 | $4,181,269 | $1,354,092 | $3,797,927 | $4,473,958 | $2,030,123 | $4,473,958 |
| **George Mason University** | $8,973,993 | $17,158,092 | $19,510,039 | $4,449,896 | $13,423,889 | $20,875,742 | $8,913,155 | $17,887,148 | $22,337,044 | $13,363,051 | $22,337,044 |
| **James Madison University** | $5,065,959 | $8,218,496 | $9,615,257 | $1,978,869 | $7,044,828 | $10,288,325 | $3,963,680 | $9,029,639 | $11,008,508 | $5,942,549 | $11,008,508 |
| **Longwood University** | $2,779,277 | $4,614,584 | $5,424,739 | $1,142,692 | $3,921,969 | $5,804,471 | $2,288,815 | $5,068,092 | $6,210,784 | $3,431,507 | $6,210,784 |
| **Norfolk State University** | $4,738,218 | $8,613,290 | $9,628,128 | $2,092,914 | $6,831,132 | $10,302,097 | $4,192,112 | $8,930,330 | $11,023,244 | $6,285,026 | $11,023,244 |
| **Old Dominion University** | $9,612,321 | $19,801,635 | $22,325,581 | $5,310,763 | $14,923,084 | $23,888,372 | $10,637,474 | $20,249,795 | $25,560,558 | $15,948,237 | $25,560,558 |
| **Radford University** | $4,997,226 | $8,831,726 | $10,319,813 | $2,270,370 | $7,267,596 | $11,042,200 | $4,547,558 | $9,544,784 | $11,815,154 | $6,817,928 | $11,815,154 |
| **Univ. of Mary Washington** | $1,184,395 | $1,813,196 | $2,147,016 | $424,150 | $1,608,545 | $2,297,307 | $849,574 | $2,033,969 | $2,458,119 | $1,273,724 | $2,458,119 |
| **University of Virginia** | $4,542,097 | $5,077,316 | $6,354,980 | $910,329 | $5,452,426 | $6,799,829 | $1,823,391 | $6,365,488 | $7,275,817 | $2,733,720 | $7,275,817 |
| **University of Virginia - Wise** | $1,353,950 | $2,586,904 | $3,007,372 | $695,700 | $2,049,650 | $3,217,888 | $1,393,490 | $2,747,440 | $3,443,140 | $2,089,190 | $3,443,140 |
| **Va. Commonwealth Univ.** | $12,195,161 | $24,391,348 | $27,576,588 | $6,452,632 | $18,647,793 | $29,506,949 | $12,924,642 | $25,119,803 | $31,572,436 | $19,377,275 | $31,572,436 |
| **Virginia Military Institute** | $691,620 | $691,940 | $811,026 | $78,896 | $770,516 | $867,798 | $158,028 | $849,648 | $928,544 | $236,924 | $928,544 |
| **Virginia State University** | $3,262,836 | $6,695,419 | $7,591,688 | $1,807,820 | $5,070,656 | $8,123,106 | $3,621,068 | $6,883,904 | $8,691,724 | $5,428,888 | $8,691,724 |
| **Virginia Tech** | $11,345,068 | $14,725,763 | $17,348,110 | $2,836,089 | $14,181,157 | $18,562,478 | $5,680,694 | $17,025,762 | $19,861,851 | $8,516,783 | $19,861,851 |
| **Four-Year Institution Totals** | **$76,478,665** | **$131,320,841** | **$151,076,219** | **$32,130,670** | **$108,609,335** | **$161,651,554** | **$64,357,828** | **$140,836,493** | **$172,967,163** | **$96,488,498** | **$172,967,163** |
| **Richard Bland College** | $261,985 | $289,527 | $347,375 | $42,732 | $304,717 | $368,218 | $85,593 | $347,578 | $390,311 | $128,326 | $390,311 |
| **Va. Community College System** | $18,322,336 | $39,753,551 | $45,576,080 | $10,951,354 | $29,273,690 | $48,310,645 | $21,935,594 | $40,257,930 | $51,209,283 | $32,886,947 | $51,209,283 |
| **Two-Year Institution Totals** | **$18,584,321** | **$40,043,078** | **$45,923,455** | **$10,994,086** | **$29,578,407** | **$48,678,862** | **$22,021,187** | **$40,605,508** | **$51,599,594** | **$33,015,273** | **$51,599,594** |
| **TOTAL** | **$95,062,986** | **$171,363,919** | **$196,999,674** | **$43,124,756** | **$138,187,742** | **$210,330,417** | **$86,379,015** | **$181,442,001** | **$224,566,757** | **$129,503,771** | **$224,566,757** |
| **Percent Met:** | **55.5%** | | | | **70.1%** | | | **86.3%** | | | **100.0%** |

Based on FY05 Student Financial Aid Data Files, FY07 Tuition/Fees Increased by 9 percent for four-year institutions and 7 percent for two-year institutions, FY07 On-campus Room/Board and Indirect Costs increased by 5 percent.
All numbers based on state funding calculations. Student need calculated by the institutions will vary.

# Virginia Student Financial Assistance Program

~ Funding Model Detail ~

## PURPOSE:

The function of the Virginia Student Financial Assistance Program (VSFAP) funding formula is to serve as a basis for recommending state financial aid funding levels and for allocating those funds among the senior public colleges and universities, Richard Bland College, and the Virginia Community College System (VCCS).

**What it does.**

- **Provides a basis for recommending state financial aid funds for public institutions**.
  State goals for financial aid determine how the funding formula is designed. The formula then determines the appropriate state funding level for each institution.
- **Provides a basis to allocate limited state funds**.
  This may be the formula's most significant function as funds have rarely been sufficient to provide full funding for any variation of the funding formula. When funding is limited, it is important to determine how to equitably divide the funds among the institutions.

**What it does not do.**

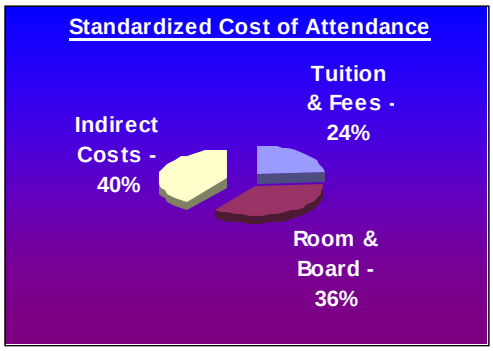
- **Does not determine the actual total "financial need" on an individual student basis or in the institutional aggregate.**
  - By law, most actual VSFAP awards to students are capped at "tuition and fees," so the funding formula similarly caps the calculated individual student need and ignores any need in excess of "tuition and fees."
  - In order to determine the relative impact tuition and fee increases have on students, SCHEV computes Cost of Attendance based on standardized indirect cost allowances. Varying methodologies in determining amounts and differences due to geography result in significant differences among the institutions when calculating indirect student cost allowances such as Books, Supplies, Transportation, and Personal Expenses. SCHEV standardizes these numbers based primarily on College Board numbers.
  - All calculations use student data and behaviors (i.e. enrollment level and Expected Family Contributions) from the latest available year of actual data and then project increases in costs; however, student data changes and actual cost increases will differ from projections.

  For the above reasons, the "actual" need, individual or aggregate, for each institution may by greater or less than the calculations demonstrate.
- **Does not determine individual student awards.**
  Virginia's decentralized financial aid system enables institutions to take into account individual student circumstances and campus demographics when determining individual student awards. This enables the institution to use information important to the awarding process, but not available at the system level, and allows for the use of different award schedules among the colleges and universities.
- **Does not provide a student affordability index.**
  - The VSFAP program supports affordability but does not directly address affordability. An affordability index requires an in-depth analysis of student resources compared to educational cost; including a study of the role of student borrowing/indebtedness and lifestyle choices. Further, no policy has been developed to describe the state definition of affordability or state affordability goals (i.e." all students should be able to afford ANY state institution" or "all students should afford at least ONE state institution").
  - In addition, state financial aid is not structured to address affordability because the maximum award is "tuition and fees" regardless of the student's calculated need in excess of that amount. Further, current funding models recommend a set percentage of state funding without determining whether the recommended allocation would be sufficient to ensure affordability for all students enrolled at the institution or whether any additional state funding is even necessary (i.e. "Is funding half of an average need of $4,000 enough?" Or "Is additional state funding necessary if the average student need is only $500?").
  - Finally, current funding models use data for students who enrolled into college. The models do not address those students who were not able to enroll due to lack of finances. If fewer low-income students enroll as costs continue to climb, then the "percent of need met" calculations may actually show improvement while masking the decreasing affordability of an institution.

## BASIC PROCESS:

State allocation formulas use institution data providing the federal Expected Family Contributions, grants, and enrollment levels from the most recent available year (normally a three-year lag, as FY05 data is used to project FY08 need). Projections are made for anticipated increases in future direct costs at each institution and for increases of standardized indirect costs. As a result, behavior and circumstances of actual students from a recent year are compared against anticipated costs in order to determine future state funding levels for each institution. Since the VSFAP awards are primarily limited to Tuition and Fees, student need for state funding calculations is capped at this amount for each institution.

**Step 1**: **Build the Cost of Attendance**
*(Percentages displayed are approximate and may vary by institution and year.)*




**Cost of Attendance Components:**

- Tuition/Fees: Take most current actual charges and multiply by the estimated percentage increase for tuition & E&G fees and non-E&G fees.
- Room & Board: estimate percentage increase.
  *The formula uses actual on-campus and estimated off-campus cost of Room & Board.*
- Indirect Costs: Books, Supplies, Transportation, and Personal Expense allowance.
  *These cost items are estimated and standardized for two-year and four-year institutions.*

**Step 2**: **Calculate Estimated Student Need**

- The student's resources are subtracted from the SCHEV Cost of Attendance (COA) on a student-by-student basis.

  **Cost of Attendance**
  - **EFC** Expected Family Contribution (adjusted to state minimum).
  - **Gift Aid** Federal, institution, and other sources (does not consider institutional endowments).
  = **Student Need** If Need exceeds Tuition and Fees, then reduce individual student need to Tuition / Fees.

- Total the need calculated for each student and aggregate for **Institutional Total Student Need.**

Note: The basic Need formula does not take into consideration student loans or work-study.

**Step 3**: Determine portion of this representative student need that should be met by VSFAP funding.

As student costs increase, additional funding is required in order to meet the growing need. Because other sources (such as the family, institution, and federal government) also have a responsibility in providing funds, the state is not obligated to cover the entire increase in student need. The question becomes "How much financial aid should be contributed by the state?" Lack of a formal state policy for meeting need has hindered the development of a universally accepted formula. The historic model is the "50% of Remaining Need" model but SCHEV has introduced other models that better address affordability, other sources of assistance, and equity of allocations to the institutions. The current Partnership Model represents the best formula to address the financial aid needs and goals for the Commonwealth.

**OBSERVATION**: Since significant need remains after EFC and gift aid, it would appear that the average student is unable to attend college. However, the numbers are deceiving, as ALL of the students in the calculations were enrolled during the academic year. Students meet this "remaining" need in a variety of ways:

1. **State Assistance** – VSFAP funding is not included in Gift Aid calculations.
2. **Self-help** – Students borrow from federal government and private resources or obtain employment.
3. **Increases from current sources** – Just as cost increases, it is anticipated that resources, including family contributions, federal, institutional, and other gift aid, will also increase in the future.
4. **Lifestyle Choices** – Students will find cost savings by cutting back in other non-education related areas.
5. **Reduced Cost of Attendance** – Students enroll part-time or otherwise may not incur the full estimated allowance for indirect costs.
6. **Hidden gift aid** - Students may receive assistance from other resources not reported to the college. A gift from a relative or church may be simply recorded by the institution as a student payment. Student and parent payments are not included in the student need calculations.
7. **Endowments** – Some students receive support from institutional endowments (private donations administered by the institution). By law, these are not included in institutional funding calculations.

## FUNDING MODELS:

**50 percent of Remaining Need** This model recommends that the state meet 50 percent of the state-calculated institution aggregate need.

- *Arbitrarily assigns 50 percent of responsibility for institution aggregate need to the state and 50 percent to other sources.*
- *Adjusts well to cost increases and changes to student demographics.*
- *Does not fairly allocate limited funds as the model is less sensitive to the average need per student.*

**Cost of Attendance**
– EFC
– Gift Aid
= Student Need

* Restrict to Tuition and Fees
* Aggregate for institution
* Multiply by 50%

**History of the Remaining Need Model:** The "50% of Remaining Need" model can be traced back to at least 1985 based on a SCHEV recommendation for funding student financial aid. The recommendation gained broad acceptance in the late 1980's.

**Partnership Model** This model recommends that the state fund 100% of calculated student need after setting aside a portion of Cost of Attendance (COA).

- *Assigns a percentage of Cost of Attendance to other resources thus recognizing the partnership needed to meet student need.*
- *Adjusts well to changes in Cost of Attendance.*
- *Directs more funds toward institutions with higher average need.*
- *The primary difference between the two models is in the placement of the state "discount" before restricting need to "Tuition/Fees."*

**Cost of Attendance**
– 30% of COA
– EFC
– Gift Aid
= Student Need

* Restrict to Tuition and Fees
* Aggregate for institution

**Reminder**: The state funding formula does not determine the individual student award. Each institution has its own Award Schedule that includes awards of full Tuition and Fees for the neediest students and a methodology for determining the VSFAP award for students with varying levels of financial need.

The following examples demonstrate the Partnership Model's (PM) treatment of various types of institutions and students. Example 1 demonstrates the fund recommendation of identical cost institutions with differing student bodies while Example 2 shows how the model treats students of very different economic means but identical need.

**Example 1** – Contrasting institutions based on average student need: Institution A = high need, Institution B = low need.

The example to the right compares two institutions whose cost of attendance is identical but the average need of the student body is quite different.

Institution A has a population made up of high need students while Institution B has a student body whose need is, on average, less than half of Institution A.

The PM model adjusts to high need students by implementing the state discount before restricting to Tuition/Fees. The resulting funding recommendations push more funding, on average, to the institution with higher need per student.

| *Tuition/Fees =* | ***Institution A*** *$4,600* | ***Institution B*** *$4,600* |
|---|---|---|
| | **Partnership Model** | **Partnership Model** |
| Avg. Cost of Attendance | $13,000 | $13,000 |
| Avg. Family Contribution | $0 | $6,000 |
| Avg. Gift Aid | $2,000 | $2,000 |
| Avg. Student Need | **$11,000** | **$5,000** |
| Avg. 30 Percent of COA | **$3,900** | **$3,900** |
| Avg. State Calculated Need | $7,100 | $1,100 |
| Restrict to Tuition/Fees | $4,600 | $1,100 |
| ***Avg. Recommended Funding*** | ***$4,600*** | ***$1,100*** |

**Example 2** – Contrasting institutions based on cause of average student need: Institution A = high cost institution / higher income students; Institution B = low cost institution / lower income students.

Student need is based on two components: institutional cost and student resources. The resulting calculated student need can be identical for two very different types of scenarios. A higher income student could have the same need as a lower income student based solely on the choice of a more expensive institution.

The PM model adjusts to higher costs institutions by basing the state discount on a percentage of institutional costs. This somewhat "levels the playing field" for lower income students and results in a funding recommendation that provides more funding to the lower cost institution ($3,700 v. $2,500) whose student body has, on average, lower income.

| *Tuition/Fees =* | ***Institution A*** *$6,000* | ***Institution B*** *$4,600* |
|---|---|---|
| | **Partnership Model** | **Partnership Model** |
| Avg. Cost of Attendance | $15,000 | $11,000 |
| Avg. Family Contribution | $6,000 | $2,000 |
| Avg. Gift Aid | $2,000 | $2,000 |
| Avg. Student Need | **$7,000** | **$7,000** |
| Avg. 30 Percent of COA | **$4,500** | **$3,300** |
| Avg. State Calculated Need | $2,500 | $3,700 |
| Restrict to Tuition/Fees | $2,500 | $3,700 |
| ***Avg. Recommended Funding*** | ***$2,500*** | ***$3,700*** |