

Joint Subcommittee on the Future Competitiveness of Virginia Higher Education

Interim Report
November 1, 2016

April Kees, Senate Finance Committee Staff
Tony Maggio, House Appropriations Committee Staff

Creation, Mission, and Organization

Joint Subcommittee Budget Language

(2015 Session, Amended 2016 Session)

R. 1. The Chairmen of the House Appropriations and Senate Finance Committees shall each appoint four members from their respective committees to a Joint Subcommittee on the Future Competitiveness of Virginia Higher Education to:

- (a) review ways to maintain and improve the quality of higher education, while providing for broad access and affordability;*
- (b) examine the impact of financial, demographic, and competitive changes on the sustainability of individual institutions and the system as a whole;*
- (c) identify best practices to make the system more efficient, including shared services, institutional flexibility, and easily accessible academic pathways;*
- (d) evaluate the use of distance education and online instruction across the Commonwealth and appropriate business models for such programs;*
- (e) review current need-based financial aid programs and alternative models to best provide for student affordability and completion;*
- (f) review the recommendations of the Joint Legislative Audit and Review Commission on the study of the cost efficiency of higher education institutions and make recommendations to their respective committees on the implementation of those recommendations;*
- (g) study the effectiveness and value of transfer students;*
- (h) evaluate the effectiveness of dual enrollment in reducing the cost of higher education; and*
- (i) study the effectiveness of preparing teachers to enter the K-12 system.*

Joint Subcommittee Language

- 2. As the Joint Subcommittee conducts its analysis, it shall consider the mission, vision, goals and strategies outlined in the statewide strategic plan for higher education developed and approved by the State Council of Higher Education for Virginia (SCHEV), and endorsed by the General Assembly in House Joint Resolution 555 of the 2015 Session of the General Assembly.*
- 3. As part of its deliberations, the Joint Subcommittee shall review alternative tuition and fee structures and programs that could result in lower costs to in-state undergraduate students.*
- 4. The Joint Subcommittee may seek support and technical assistance from the staff of the House Appropriations and Senate Finance Committees, the public institutions of higher education, the staff of the Joint Legislative Audit and Review Commission, and the staff of the State Council of Higher Education for Virginia. Other state agency or higher education representatives shall provide support upon request. At its discretion, the Joint Subcommittee may contract for consulting services.*
- 5. The members of the Joint Subcommittee shall develop a two-year workplan for the review and assessment detailed above, and provide an interim report to their respective committees by November 1, 2016 and a final report by November 1, 2017.*

Subcommittee Organization

- Four members appointed by the Chairman of each Committee.
 - House – Delegate Jones (Co-Chair), Cox, Massie and Hester.
 - Senate – Senator Norment (Co-Chair), Colgan, Saslaw and Alexander (2015)
 - Senate - Senator Norment (Co-Chair), Howell, Saslaw and Dunnavant (2016)

Meetings

(click on the hyperlinks to see the materials)

June 8, 2015

I. Welcome

II. Joint Subcommittee Discussion and Workplan

- April Kees and Tony Maggio, SFC and HAC Staff

September 14, 2015

I. Virginia Student Demographics and Trends

- SCHEV Staff

II. Virginia Plan for Higher Education

- SCHEV Staff

III. Measuring Student Success

- SCHEV Staff

October 5, 2015

I. Virginia Workforce Development Programs

- Tracey Smith, Analyst
Joint Legislative Audit & Review Commission

II. Workforce Credentials Plan

- Dr. Glenn DuBois, Chancellor
Virginia Community College System

III. Online Degree Completion

- Jeannie Brown Leonard, PhD
Dean, Student Academic Affairs-Advising, Retention and Transitions
George Mason University
- Ellen Neufeldt, Ed.D
Vice President, Student Engagement & Enrollment Services
Old Dominion University

October 11, 2016

I. Virginia Student Financial Aid Programs

- Lee Andes
Assistant Director of Financial Aid
State Council of Higher Education for Virginia

II. Student Financial Aid Programs – National Perspective

- Nate Johnson
Principal Consultant
Postsecondary Analytics, LLC

III. Online Virginia Network Progress Report

- Dr. Michelle Marks
Vice President, Academic Innovation and New Ventures
George Mason University
- Ellen Neufeldt, Ed.D
Vice President, Student Engagement & Enrollment Services
Old Dominion University

Financial Aid Background

Options for FY 2018

Need-Based Aid Allocation

Types of Aid

- Undergraduate financial aid generally falls into the following categories: grants and scholarships, loans, work-study jobs, and tax benefits.
- Aid can come from the federal government, state of residence, college or institution of attendance, and nonprofit or private organizations.
- Need-based aid generally requires that parents and students fill out the Free Application for Federal Student Aid (FAFSA) which uses a formula called the Federal Methodology (FM).
 - FM determines the estimated family contribution (EFC) which is used for eligibility for the Pell Grant and other forms of need-based aid.
 - Some types of aid (i.e. subsidized Stafford Loans) are also dependent on cost of attendance (COA) defined as:
 - *The calculated cost of attending the institution, which includes transportation, room/board, tuition/fees, supplies, books and other expenses. COA is then used to determine eligibility for financial aid.*

Federal Aid Types

- Pell Grants
- SEOG
Supplemental Educational Opportunity Grant
- TEACH
Teacher Education Assistance for College and Higher Education Grant
- Iraq/Afgan. Service Grant

Grants

- Fed. government program that provides students with part-time employment
- Colleges may also have their own programs

Work-Study

- Perkins Loan
- Direct Subsidized
- Direct Unsubsidized
- PLUS Loan (Parents)
- PLUS Loan (Graduate Students)

Loans

- American Opportunity Credit
- Lifetime Learning Credit
- Coverdell Educ. Savings Account
- 529 Plans
- Student Loan Interest Deduction
- IRA Withdrawals

Tax Benefits

Selected Virginia Aid Programs

Program	Details	Amount, Time
Commonwealth Award	<ul style="list-style-type: none"> Resident undergraduates with financial need are eligible and may also be awarded to graduate students to pay part of their college costs. Undergraduates must be enrolled at least half-time and be a citizen while graduate students must be full-time. 	<ul style="list-style-type: none"> Awards vary by institution and are subject to available funding, maximum is set at tuition and fees.
VA Guarant. Assist. Program	<ul style="list-style-type: none"> Be admitted into a Virginia public college or university and enrolled full-time in an approved program; Be a domiciliary resident of Virginia and a citizen or eligible non-citizen; Demonstrate financial need as determined by the institution; Graduate from a Virginia high school or complete an approved home school program; Have at least a cumulative high school grade point average of 2.5 on a 4.0 scale; Home school students must achieve SAT verbal & math combined score of at least 900 or ACT Comp. score of at least 19; & Classified as a dependent student for federal financial aid purposes. 	<ul style="list-style-type: none"> Actual awards vary by institution; students found to be in the neediest category will receive awards of at least tuition. Maximum award is the cost of tuition, required fees, and a book allowance.
Two-Year Transfer Grant	<ul style="list-style-type: none"> Under this program, grants shall be made to or on behalf of eligible Virginia domiciles who (i) have received an associate degree at a Virginia two-year public institution of higher education, (ii) have enrolled in a Virginia four-year public or private institution of higher education by the fall or spring following the award of the associate degree, (iii) have applied for financial aid, and (iv) have financial need, defined by an Expected Family Contribution (EFC) of no more than \$8,000 as calculated by the federal government using the family's financial information reported on the Free Application for Federal Student Aid (FAFSA) form (budget language allows the EFC to go to 12,000). Only students who maintained a cumulative grade point average of at least 3.0 on a scale of 4.0 or its equivalent while enrolled in an associate degree program at a Virginia two-year public institution of higher education shall be eligible to receive a grant under this chapter. A transfer grant incentive was established in 2015 for six institutions to increase their numbers of students using the program. 	<ul style="list-style-type: none"> Awards are \$1,000 per year. An additional \$1,000 per year shall be provided to those students pursuing undergraduate collegiate work in engineering, mathematics, nursing, teaching, or science. Additional \$1,000 incentive for some institutions.
Tuition Assistance Grant Program (TAG)	<ul style="list-style-type: none"> Be a domiciliary resident of Virginia and enrolled full-time as an undergraduate, graduate, or professional student; Be enrolled at an eligible institution pursuing an eligible degree, not in religious training or theological education; & Beginning in 2009-10, eligible graduate programs are limited to those in a health-related professional program, designated by the 51 series of programs under the NCES Classification of Instruct. Programs. 	<ul style="list-style-type: none"> Up to \$3,200 Undergraduate and up to \$2,200 Graduate for FY 2017 award.

State Need-Based Aid

- **Virginia Student Financial Assistance Program**
aka “need-based aid” or “state financial aid.”
- Directly allocated to each public institution within the budget under **Program 108.**
- Single appropriation for undergraduate aid (VSFAP) funds multiple programs.

Undergraduate Assistance

Virginia Commonwealth Award

- Began in the early 1970s, then referred to as “discretionary aid”
- Financial need
- Virginia domicile
- At least half-time enrollment
- Maximum award of “tuition & fees”

Undergraduate Assistance

Virginia Guaranteed Assistance Program

- Implemented in 1992
- Financial need
- Virginia domicile
- Incentivize specific behaviors associated with completing a college degree:
 - High school 2.5 GPA
 - Dependent status (enroll into college right out of high school)
 - Full-time enrollment (12 hours per term)
 - Continuous enrollment while in college
 - Maintain college 2.0 GPA
- Maximum award of “tuition & fees and books”
- Limited to four years of use

State Funding Model

- The “**50% of Remaining Need**” model was used prior to 2003.
- In 2001, SCHEV began working on an alternative model to improve allocation of funds to institutions having students with the greatest need. Over a period of years, and with collaboration, SCHEV created what is now referred to as the **Partnership Model**.

State Funding Model

- The Partnership Model has been in use since 2005-06.
- There continues to be interest in either tweaking or otherwise identifying a new variation of the model to be used for appropriations.
 - 2010: SCHEV requested to study the funding model with special interest in the role of indirect costs in the formula as well as housing. (available on-line under SCHEV 2010 Reports and Studies)
 - 2016: \$24.1 million increase in need-based aid for FY2018 remains unallocated to the institutions pending review of the funding model.

Virginia Need-Based Aid Calculation

- Virginia Student Financial Assistance Programs (VSFAP)
 - **VSFAP Formula**
Cost of Attendance (COA) – 30% COA – Expected Family Contribution (EFC) – Gift Aid = Student Need
 - *After building the COA for each individual student, SCHEV's current funding model, known as the Partnership Model, reduces the COA by 30 percent. This reduction acknowledges that there is an amount of the COA that is "not the state's responsibility" and that there are many partners that have an interest in supporting higher education, including federal and state governments, businesses, private organizations, and students' family.*
 - If student need exceeds tuition and fees, then the award amount is reduced to tuition and fees.

Examples of Students and Financial Aid

Example 1:

6 in family, 1 in college from Richmond, VA

COA \$24,584 (lives with parents)

- EFC \$0

financial need \$24,584

Pell \$5,550

state aid \$4,000

remaining need \$15,034

direct subsidized loan \$3,500

unsubsidized loan \$2,000

(dependent student) \$9,534

Example 2:

4 in family, 1 in college from Richmond, VA

COA \$24,261 (lives off campus)

- EFC \$10,931

financial need \$13,330

Pell \$0

state grant \$0

remaining need \$13,330

direct subsidized loan \$5,500

unsubsidized loan \$5,000

(independent student) \$2,830

- At many institutions, few students would have all of their need for aid met.

2016 Financial Aid Budget Language and Amounts

- \$24.1 million GF was appropriated for additional need-based financial aid in each year of the biennial budget.
 - Largest increase in dollars and percentage since 1993.
 - Puts funding at just under \$190 million and the percentage of need met under the Partnership Model at 33.2 percent for FY 2017.
 - The FY 2018 amount was left unallocated under SCHEV.
 - *H. Out of this appropriation, \$24,098,663 the second year from the general fund is designated for need-based in-state undergraduate financial aid. Based on the recommendations of the Joint Subcommittee on the Future Competitiveness of Virginia Higher Education, the State Council of Higher Education for Virginia will allocate these funds to each institution in fiscal year 2018.*
- The Joint Subcommittee is to provide a recommendation to the Council on how to allocate the second year amount.

Comparison of FY 2017 Allocation vs. SCHEV Recommendation

In-State Undergraduate Financial Aid Funding

Institution	2016-17 SCHEV Recommendation	2016-17 Appropriations	Difference (Appropriations vs Recommendation)	2017-18 SCHEV Recommendation*
Christopher Newport University	\$303,597	\$186,591	(\$117,006)	\$236,401
College of William and Mary	\$147,865	\$131,919	(\$15,946)	\$166,756
George Mason University	\$2,761,661	\$3,064,841	\$303,180	\$5,652,302
James Madison University	\$775,241	\$301,326	(\$473,915)	\$1,082,771
Longwood University	\$360,528	\$366,214	\$5,686	\$412,585
Norfolk State University	\$1,428,075	\$2,950,444	\$1,522,369	\$3,118,866
Old Dominion University	\$4,925,334	\$4,340,632	(\$584,702)	\$5,491,153
Radford University	\$1,933,780	\$1,685,086	(\$248,694)	\$2,271,331
University of Mary Washington	\$419,317	\$234,822	(\$184,495)	\$269,506
University of Virginia	\$470,097	\$232,735	(\$237,362)	\$296,198
University of Virginia's College at Wise	\$365,638	\$365,638	\$0	\$391,294
Virginia Commonwealth University	\$5,137,499	\$4,417,541	(\$719,958)	\$6,407,329
Virginia Military Institute	\$87,791	\$45,312	(\$42,479)	\$55,899
Virginia State University	\$1,217,876	\$1,199,616	(\$18,260)	\$1,282,364
Virginia Tech	\$590,288	\$590,288	\$0	\$1,385,454
Richard Bland College	\$46,329	\$57,911	\$11,582	\$128,627
Virginia Community College System	\$3,127,747	\$3,927,747	\$800,000	\$4,349,993
Total Public Institutions	\$24,098,663	\$24,098,663	\$0	\$32,998,829

Note: *Based on minimum 1% increase in appropriations over FY2017 or maintain FY2017 percent of need met.

SCHEV Budget Recommendations for Financial Aid in FY 2018

- The previous table shows the following:
 - The original recommendation by SCHEV from Fall 2015 (Column 1).
 - The allocation proposed by the Governor and adopted by the General Assembly in 2016 (Column 2).
 - The difference between the first two columns (Column 3).
 - SCHEV’s revised FY 2018 recommendation (Column 4).
- SCHEV staff’s revised recommendation to the Council for FY 2018 of \$33.0 million would:
 - Allow for a “hold harmless” provision.
 - Provide for a minimum 1% increase in appropriations over FY 2017 or maintain the percent of need met in FY 2017.

Staff Recommended Options for the FY 2018 Financial Aid Amount Under SCHEV

- Recommend that SCHEV allocate the amounts to the institutions to be identical to the FY 2017 appropriation.
 - This is the staff recommendation as it provides for the least disruption to the current program (unless additional funds become available).
- Recommend that SCHEV allocate the amounts to the institutions to match the original SCHEV recommendation from Fall 2015.
 - 10 institutions will experience an increase over the FY 2017 allocation.
 - 5 institutions will experience a decrease from the FY 2017 allocation.
 - 2 institutions would not experience a change in their amount from the 2017 allocation.
- Recommend that SCHEV allocate funds based on maintaining the percent need met by the FY 2017 appropriation.
 - 10 institutions will experience a decrease from the FY 2017 allocation.
 - 7 institutions will experience an increase over the FY 2017 allocation.
- Recommend that an additional amount of \$2.6 million be provided to have a “hold harmless” provision but to also grant the 10 institutions that would have received more under the SCHEV 2015 Fall recommendation their original recommended amount.
- Recommend that an additional amount of \$8.9 million be provided to match SCHEV’s 2016 Fall recommendation that would allow for a minimum 1% increase in appropriations over FY 2017 or maintain the percent of need met in FY 2017.

Other Changes for Consideration to the SCHEV Model for the 2018 Session and Beyond

- Should the 30% assumption of the Partnership Model be re-evaluated?
 - Since Tuition & All Mandatory Fees comprise about one-third of the total cost of attendance, should the percentage be higher?
- Should financial aid caps only reflect tuition costs and not the mandatory auxiliary fees since the general fund is not intended to support the auxiliary enterprise operation?
- Should the assumptions that are used to determine the cost of attendance be standardized across institutions for the various allowance costs included in the federal methodology?
- Should other gift aid be proportionally distributed across cost of attendance components before state aid requirements are calculated?
- Other considerations?