Balancing the Public Good & Private Benefit: The Role of Financial Aid

**Building The Model**

Presentation to:
South Dakota Shared Responsibility Taskforce

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Remember Where We Left Off?

• Discussed A Set of Principles for Financial Aid  
  -- *The Essence of Shared Responsibility*

• Built on Two Resource Documents
  – *States in the Driver’s Seat* (A WICHE Monograph)
  – *Beyond Need And Merit* (Sandy Baum, *The Brookings Institution*

• Presentation of the *Shared Responsibility Model*
Guiding Principles for Financial Aid Component – The Essence of Shared Responsibility

• Compelling philosophical rationale
  – KISS Principle – Keep It Simple, Stupid
• Clearly Integrated role assignments
• Establishing demand-side interventions
• As well as supply-side interventions
• Ensure strong program administration
Five Partners Share Responsibility for Meeting the Cost of Attendance

1. Each student, as the principal beneficiary, is expected to contribute toward his/her own educational costs. Sources include: earnings, savings, borrowing, or scholarships. Based on Cost of Attendance, not tuition.

2. The student’s parents contribute their share, which is determined by the federal methodology.

3. The model accounts for the federal government’s contribution (Pell, tuition tax credits, income support payments, food stamp).

4. The state grant award makes up the remaining difference.

5. The institution is responsible for any difference between the recognized COA and its own actual COA.

Recognized Cost of Attendance

- State Government
- Federal Government
- Family
- Institutional/State Merit Aid
- Student
- Private scholarship
South Dakota’s Shared Responsibility Model

Cost of Attendance

State Contribution | Federal Contribution | Parent Contribution | Student Contribution

Note: these specific models illustrate a students who is dependent and enrolled in 15+ credits
Building the Model: Cost of Attendance

• Current runs: The average of the public institutions’ tuition rates, plus a fixed cost for other direct educational costs are used for all public and private institutions.

• Reduction schedule:
  – Full-time student (15 hours+): 100%
  – Sort of full-time student (12-14 hours): 80%
  – Greater than half-time student (9-11 hours): 60%
  – Half-time student (6-8 hours): 40%
  – Less than half-time student (less than 6 hours): 20%
## Cost of Attendance

<table>
<thead>
<tr>
<th></th>
<th>15+ credits</th>
<th>12-14 credits</th>
<th>9-11 credits</th>
<th>6-8 credits</th>
<th>1-5 credits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>4 year COA</strong></td>
<td>$ 21,777</td>
<td>$ 20,055</td>
<td>$ 18,333</td>
<td>$ 16,611</td>
<td>$ 14,888</td>
</tr>
<tr>
<td><strong>2 year COA</strong></td>
<td>$ 17,701</td>
<td>$ 16,580</td>
<td>$ 15,459</td>
<td>$ 14,339</td>
<td>$ 13,218</td>
</tr>
</tbody>
</table>
Building the Model: Cost of Attendance

• Current runs: The average of the public institutions’ tuition rates, plus a fixed cost for other direct educational costs are used for all public and private institutions.

• Decision Points:
  – Fully differentiated cost recognition model
  – Average cost recognition model
  – Frugal cost recognition model
  – Treatment of costs for private institutions
Building Each Share: Student

- Who are the students today (and built into the model)
<table>
<thead>
<tr>
<th></th>
<th>All</th>
<th>SDBOR Universities</th>
<th>Private Colleges</th>
<th>Technical Institutes</th>
</tr>
</thead>
<tbody>
<tr>
<td>total # of undergrads</td>
<td>28835</td>
<td>20169</td>
<td>3416</td>
<td>5250</td>
</tr>
<tr>
<td>total # of degree-seeking</td>
<td>23021</td>
<td>100%</td>
<td>66%</td>
<td>14%</td>
</tr>
<tr>
<td>less than 6 credits</td>
<td>1059</td>
<td>5%</td>
<td>6%</td>
<td>3%</td>
</tr>
<tr>
<td>6 to less than 9 credits</td>
<td>2023</td>
<td>9%</td>
<td>8%</td>
<td>11%</td>
</tr>
<tr>
<td>9 to less than 12 credits</td>
<td>1737</td>
<td>8%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>12 to less than 15 credits</td>
<td>7555</td>
<td>33%</td>
<td>34%</td>
<td>40%</td>
</tr>
<tr>
<td>15 or more credits</td>
<td>10861</td>
<td>47%</td>
<td>44%</td>
<td>42%</td>
</tr>
</tbody>
</table>
Building Each Share:  Student

• Presumptions:
  – Employment
    • Real Full-time student (15 hours+): 80% of minimum wage for 10 hours/week for 30 weeks and 40 hours/week for 10 weeks = $4,788
    • Sort Of full-time student (12-14 hours): 80% ... For 12.5 hours/week...
    • Greater than half time (9-11 hours): 15 hours/week ...
    • Half time (6-8 hours): 17.5 hours/week ...
    • Less than half time (less than 6 hours): 20 hours/week
  – Borrowing: $4,000 per year
  – Savings, Military Benefits, & Private Scholarships: Replace Employment & Borrowing
  – Not Included: Current South Dakota Scholarship & Grants
  – What Does This look like
## Cost of Attendance and Student Contribution

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<thead>
<tr>
<th></th>
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<td><strong>Cost of Attendance</strong></td>
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<td>$13,218</td>
</tr>
<tr>
<td><strong>Student Contribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Borrowing</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$4,000</td>
<td>$4,000</td>
</tr>
<tr>
<td>Earnings</td>
<td>$4,788</td>
<td>$5,301</td>
<td>$5,814</td>
<td>$6,327</td>
<td>$6,840</td>
</tr>
<tr>
<td>4 year SC</td>
<td>$8,788</td>
<td>$9,301</td>
<td>$9,814</td>
<td>$10,327</td>
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<td>$5,301</td>
<td>$5,814</td>
<td>$6,327</td>
<td>$6,840</td>
</tr>
<tr>
<td><strong>COA-Student Contribution</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 year COA-SC</td>
<td>$12,989</td>
<td>$10,754</td>
<td>$8,519</td>
<td>$6,284</td>
<td>$4,048</td>
</tr>
<tr>
<td>2 year COA-SC</td>
<td>$12,913</td>
<td>$11,279</td>
<td>$9,645</td>
<td>$8,012</td>
<td>$6,378</td>
</tr>
</tbody>
</table>
Building Each Share: Student

• Decision Points:
  – Variants on what is included to replace work and borrowing (i.e., military, state scholarships, etc.)
  – Variants on work and borrowing expectations
    • By enrollment status (Yes or no on 15/12/9/6 breaks)
    • By type of institution (2year/4year)
  – Whether or not to count student resources from work that exceed the SC, and if so how
    • dependent students
    • Independent students, including spousal income
Building Each Share: Parents/Spouse

• Expected Parental/Spousal Contribution (PC/SC) from federal EFC
## Parent/Spouse Contribution

<table>
<thead>
<tr>
<th>Distribution by dependent status</th>
<th>Count</th>
<th>Percent</th>
<th>Families who paid their own way</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total # of Degree Seeking Undergraduates</td>
<td>23021</td>
<td>100%</td>
<td>Count</td>
</tr>
<tr>
<td>Dependent</td>
<td>17462</td>
<td>76%</td>
<td>13240</td>
</tr>
<tr>
<td>Independent, Married, Kids</td>
<td>1277</td>
<td>6%</td>
<td>1209</td>
</tr>
<tr>
<td>Independent, Married, no Kids</td>
<td>669</td>
<td>3%</td>
<td>433</td>
</tr>
<tr>
<td>Independent, not Married, Kids</td>
<td>1236</td>
<td>5%</td>
<td>0</td>
</tr>
<tr>
<td>Independent, not Married, no Kids</td>
<td>2377</td>
<td>10%</td>
<td>1084</td>
</tr>
</tbody>
</table>
Building Each Share: Federal

- Pell
- Tax Credit
Federal Contribution
Pell Grants and Tax Credits

Note: data for dependents enrolled in 15+ credits
Federal Contribution
Pell Grants and Tax Credits

Note: data for dependents enrolled in 15+ credits
Federal Contribution
Pell Grants and Tax Credits

Note: data for dependents enrolled in 15+ credits

# who did not receive a Pell
Building Each Share: Federal

- Pell
- Tax Credit

Decision Points:
- Not to include either of above
- To include other federal transfer students (food stamps, TANIF payments, housing assistance, etc.)
Building Each Share: State

- Presumption: State fills in the gap
- So, what is the state doing today, and for whom
State Contribution
Need-Based Scholarship Award

Note: data for all students
State Contribution
SD Opportunity Scholarship

Note: data for all students

Average Adjusted Gross Income

Award Amount

Count of Recipients

SD Opportunity Grant Award
SD Opportunity Grant Count
State Contribution
Need-Based and Merit Aid

Note: data for all students

- SD Need Based Scholarship Award
- SD Opportunity Grant Award
- SD Need Based Scholarship Count
- SD Opportunity Grant Count
Building Each Share:  State

- Presumption: State fills in the gap
- Decision Points:
  - State shares the gap with institutions explicitly
  - State rations funds to meet financial need
Building Each Share: Institution

• Presumption:
  – Because state fills full gap, institutional role is simply to contain costs, insuring that the presumed gap is close to the actual gap.

• Decision Points:
  – Require institutions to fill in the gap between presumed and actual.
  – Create a proportional sharing between the state and institutions
Consequences

• Rationing Options
  – First in wins, last in looses
  – Percentage Reduction in Awards
  – Percentage Increase in Parental Contribution
  – Same Amount Reduction for All
## Rationing

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Total less current SD contributions</th>
<th># of awards</th>
</tr>
</thead>
<tbody>
<tr>
<td>with no rationing</td>
<td>$30,214,539</td>
<td>$26,166,932</td>
<td>7103</td>
</tr>
<tr>
<td>reduction by 10%</td>
<td>$27,193,085</td>
<td>$23,145,478</td>
<td>7103</td>
</tr>
<tr>
<td>reduction by $635</td>
<td>$26,007,940</td>
<td>$21,960,333</td>
<td>7048</td>
</tr>
<tr>
<td>10% increase in PC</td>
<td>$29,176,971</td>
<td>$25,129,364</td>
<td>7097</td>
</tr>
</tbody>
</table>