Need-based Financial Aid

In the Montana University System

Office of the Commissioner of Higher Education
November 2016
Topics

❖ Need-based Aid
  ▪ What is it? How is it determined?

❖ Sources of Aid
  ▪ MUS and Nat’l Comparisons, Distribution of Need-based Aid

❖ Affordability Indicators
  ▪ Average aid, net price, and student debt

❖ State Aid Programs:
  ▪ Montana programs
  ▪ Approach in other states
What is it? How is it determined?

- Need-based Aid is simply... **financial aid that students receive if they have financial need.**

- Financial need is determined by a formula:

  Cost of Attendance (COA) – Expected Family Contribution (EFC)  
  = Financial Need

- Information is collected from students through the Free Application of Federal Student Aid (FAFSA) and calculation are completed by financial aid offices


Non-need-based aid is financial aid that is not based on EFC. What matters is your COA and how much other assistance you’ve been awarded so far. For instance, if your COA is $16,000 and you’ve been awarded a total of $4,000 in need-based aid and private scholarships, you can get up to $12,000 in non-need-based aid.
How is it determined?

**Cost of Attendance (COA)**
- Tuition & Fees
- Room & Board
- Books & Supplies
- Miscellaneous Expenses

**Expected Family Contribution (EFC)**
- EFC is calculated according to a formula established by law. Includes, family's taxed and untaxed income, assets, and benefits; family size and the number of family members who will attend college.

**Financial Need**
- Students can’t receive more need-based aid than the amount of their financial need.

Example:

$18,000 (COA) - $12,000 (EFC) = $6,000 (Need)

The formula used to calculate financial need is COA − EFC = Need.
EFC & Pell Grant Examples

**EXAMPLE:** family of four with one dependent child in college
(the following is intended for example purposes only)

<table>
<thead>
<tr>
<th>Adjusted Gross Income</th>
<th>EFC</th>
<th>PELL</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20,000</td>
<td>$0</td>
<td>$5,815</td>
</tr>
<tr>
<td>$30,000</td>
<td>$1,088</td>
<td>$4,765</td>
</tr>
<tr>
<td>$50,000</td>
<td>$4,224</td>
<td>$1,565</td>
</tr>
<tr>
<td>$80,000</td>
<td>$13,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

**EFC varies based on family income, size and number in college, as well as assets, and other financial indicators.**
Sources of Aid
## Primary Sources of Need-based Aid

### Federal Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pell Grant</td>
<td>$55,025,704</td>
<td>$50,790,396</td>
</tr>
<tr>
<td>Supplemental Ed Opportunity Grant (SEOG)</td>
<td>$1,949,092</td>
<td>$1,801,096</td>
</tr>
<tr>
<td>Work-Study</td>
<td>$1,890,495</td>
<td>$2,031,888</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$58,865,291</strong></td>
<td><strong>$54,623,380</strong></td>
</tr>
</tbody>
</table>

### State Sources

<table>
<thead>
<tr>
<th>Source</th>
<th>2014-15</th>
<th>2015-16</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT Higher Education Grants (MHEG)</td>
<td>$576,436</td>
<td>$0</td>
</tr>
<tr>
<td>MT Tuition Assistance Program (MTAP)/Baker</td>
<td>$1,862,294</td>
<td>$0</td>
</tr>
<tr>
<td>Work-Study</td>
<td>$863,001</td>
<td>$863,001</td>
</tr>
<tr>
<td>Governor’s Scholarship (approx. ½ need-based)</td>
<td>$1,439,623</td>
<td>$0</td>
</tr>
<tr>
<td>State SEOG match</td>
<td>$389,880</td>
<td>$389,880</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$4,782,861</strong></td>
<td><strong>$1,252,881</strong></td>
</tr>
</tbody>
</table>

The MUS relies predominately on Pell grants to support Need-based Aid.
Financial Aid Awarded

Includes all types of financial aid awarded in the MUS except loans; includes all grants, scholarships, waivers, and work study, 2015-16

Total = $132M

- Federal: $55M (93% Pell, 42%)
- Institutional Waivers: $41M (41% non-resident student discounts, 20% BOR mandated, 20% Athletic, 31%)
- Private/Inst. Other: $32M (1/3 Need-based Aid, 24%)
- State: $4M (3%)

Sources: 42% 31% 24% 3%
Financial aid dollars have grown due to an increase in Pell grants and waivers/discounts.
U.S., Total Grant Aid by Source, 2015 Dollars

Source: Trends in Student Aid 2016, College Board

National trends mirror MUS financial aid trends.
In the MUS, Pell dollars have dropped in the last five years due to enrollment declines, enrollment mix, and program changes. State aid was also cut.
Montana trails most states in the amount of dollars it contributes to need-based aid.
Need-based Aid per Student Receiving Need-based Aid

Need-based Aid includes State and Federal sources only

- $\$$ per Student
- # receiving Need-based Aid

$0$ $500$ $1,000$ $1,500$ $2,000$ $2,500$ $3,000$ $3,500$ $4,000$ $4,500$ $5,000$


39% 49% 38%

% of Undergrads Receiving Need-based Aid

Nat’l % Pell = 33%

$\$$ per student remain steady while % and # receiving aid have dropped.
FTFT Resident Cohorts: first-time, full-time residents students entering the MUS in Fall semesters

Financial Aid = all types of financial aid except loans, including all grants, scholarships, waivers, and work study

Lower Income Students = Pell grants are used as a proxy measure for low income
Financial Aid Received

Academic Year Aid Received by **First-time, Full-time Resident** Students

All Campuses

<table>
<thead>
<tr>
<th>Year</th>
<th>Avg Amount Received</th>
<th>% Receiving Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>$2,229</td>
<td>67%</td>
</tr>
<tr>
<td>2003-04</td>
<td>$2,634</td>
<td>67%</td>
</tr>
<tr>
<td>2004-05</td>
<td>$2,634</td>
<td>67%</td>
</tr>
<tr>
<td>2005-06</td>
<td>$3,654</td>
<td>73%</td>
</tr>
<tr>
<td>2006-07</td>
<td>$4,299</td>
<td>83%</td>
</tr>
</tbody>
</table>

**Financial Aid** = all types of financial aid except loans, including all grants, scholarships, waivers, and work study; **Academic Year Amounts** = amount received in Fall and Spring semesters, does not include winter or summer sessions; **Average Financial Aid** = average amount received by all students, not just those receiving aid; source: MUS Data Warehouse

**U.S. % receiving Grant Aid= 70%; Avg Amt. Received = $5,589** (4yr Public Institutions)

83% of Resident, 1st-time, FT students receive aid at an average amount of $4,300.
Percentage of Students Receiving Need-based Aid
1st-time, Full-time, Resident Students, 2015-16

Need-based Aid = Pell, SEOG, and/or NA Waiver
Non Need-based Aid = All forms of financial aid except Loans and Need-based Aid

U.S. % receiving Federal Aid = 38%

40% of FTFT residents received need-based aid.
The average FTFT resident need-based aid recipient received a total of $6,500 in aid.
Percentage of Students Receiving Pell Grants

% First-time, Full-time Resident Students Receiving Pell Grants

- 2002-03: 54%
- 2003-04: 46%
- 2004-05: 42%
- 2005-06: 46%
- 2006-07: 47%
- 2007-08: 28%
- 2008-09: 33%
- 2009-10: 36%
- 2010-11: 36%
- 2011-12: 46%
- 2012-13: 43%
- 2013-14: 46%
- 2014-15: 36%
- 2015-16: 35%

Pell eligibility criteria expanded

Average Pell for 1st-time, FT, Res.
- 02-03 = $2,696
- 15-16 = $4,123
- Nat’l Avg = $3,724

Max Pell: $4,050

AFFORDABILITY
Tuition & Fees

Academic Year Rates for **First-time, Full-time Residents**

Freezes have slowed the growth of tuition and fees.

source: OCHE, BOR approved tuition & fees

<table>
<thead>
<tr>
<th>Year</th>
<th>Flagships (UM/MSU)</th>
<th>4-year Regional (Tech, MSUB, UMW, MSUN)</th>
<th>2-year Colleges (no CC's)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006-07</td>
<td>$5,323</td>
<td>$4,642</td>
<td>$3,116</td>
</tr>
<tr>
<td>2007-08</td>
<td>$6,075</td>
<td>$5,058</td>
<td>$3,276</td>
</tr>
<tr>
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<td>$6,075</td>
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<td>$6,075</td>
<td>$5,058</td>
<td>$3,276</td>
</tr>
<tr>
<td>2015-16</td>
<td>$6,551</td>
<td>$5,414</td>
<td>$3,352</td>
</tr>
<tr>
<td>2016-17</td>
<td>$6,551</td>
<td>$5,414</td>
<td>$3,352</td>
</tr>
</tbody>
</table>

10yr %Chg

Flagships 23%
4-year Regional 17%
2-year Colleges 8%
Average Amount of Financial Aid Received

Academic Year Amounts Received by **First-time, Full-time Resident** Students

Financial Aid = all types of financial aid except loans, including all grants, scholarships, waivers, and work study

Academic Year Amounts = amount received in Fall and Spring semesters, does not include winter or summer sessions.

Average Financial = average amount received by all students, not just

Financial aid amounts per student have experienced strong and steady growth.
Net Tuition & Fees

Academic Year Amounts for **First-time, Full-time Resident** Students

Net Tuition = Academic year tuition and fees minus average amount of financial aid received by all students (not just those receiving aid).

Tuition freezes and financial aid growth produced low net tuition & fees.
Academic Year Rates for **First-time, Full-time Resident**

<table>
<thead>
<tr>
<th>Academic Year</th>
<th>Flagships</th>
<th>Regional 4-year</th>
<th>Regional 2-year Colleges</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002-03</td>
<td>$7,357</td>
<td>$9,068</td>
<td>$7,357</td>
</tr>
<tr>
<td>2003-04</td>
<td>$9,829</td>
<td>$10,982</td>
<td>$8,357</td>
</tr>
<tr>
<td>2004-05</td>
<td>$11,972</td>
<td>$12,472</td>
<td>$10,968</td>
</tr>
<tr>
<td>2005-06</td>
<td>$13,848</td>
<td>$14,348</td>
<td>$12,068</td>
</tr>
<tr>
<td>2006-07</td>
<td></td>
<td>$15,248</td>
<td>$13,172</td>
</tr>
<tr>
<td>2007-08</td>
<td></td>
<td>$16,048</td>
<td>$14,172</td>
</tr>
<tr>
<td>2008-09</td>
<td></td>
<td>$16,566</td>
<td>$14,772</td>
</tr>
<tr>
<td>2009-10</td>
<td></td>
<td>$17,066</td>
<td>$15,272</td>
</tr>
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<td>2010-11</td>
<td></td>
<td>$17,566</td>
<td>$15,772</td>
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<td>$20,066</td>
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The cost of attendance on this chart includes: **tuition and fees**, on-campus **room and board** (avg off-campus at 2-year), and **books and supplies**. "Other expenses" such as transportation, child care, and general costs of living were excluded. The amount of books and supplies was normalized across all campuses by using the System average.

**The total cost of attendance includes more than just tuition and fees.**
Overall net price has increased, largely driven by the cost of room and board.
Average Loan Amounts for MUS Bachelor's Degree Recipients
(no parent PLUS loans included; borrowing activity = 8 years prior to graduation; includes federal and non-federal loans)

Student loan debt grew from 2009 to 2014 and then leveled off.
A much higher percentage of lower income students rely on student loans.
Average Loan Amounts for MUS Bachelor's Degree Recipients, 2015-16

(average loan amounts for all students, not just those who borrowed; no parent PLUS loans included; borrowing activity = 8 years prior to graduation; includes federal and non-federal loans)

- **Total**
  - Average Loan Amount: $16,687
  - # Graduating: 4,854

- **Non-Pell Recipients**
  - Average Loan Amount: $8,695
  - # Graduating: 2,625

- **Pell Recipients**
  - Average Loan Amount: $26,099
  - # Graduating: 2,229

**Lower income students borrow over three times as much!**
Retention & Graduation Rates by Pell Status
First-time, Full-time Freshmen Entering 4-year Universities in the MUS
Retention = Fall 2014 cohort, Grad Rate = Fall 2009 cohort

Retention (1-yr)
- Pell: 67%
- Non-Pell: 79%

Graduation Rates (6-yr)
- Pell: 36%
- Non-Pell: 52%

Success rates of lower income students lag.
State Aid Programs
State Funded Need-Based Aid in MT

Montana Higher Education Grant (MHEG)

- The Montana Higher Education Grant (MHEG) is the original state appropriated need based grant program in Montana. Along with the State Work Study program, MHEG first received funding during the 1975-76 academic year under its original name, the Montana State Student Incentive Grant.

- MHEG is awarded by financial aid offices to students who demonstrated significant financial need.

- MHEG state funds are distributed to MUS Schools, Community Colleges, and Tribal Colleges. Private institutions are not eligible to receive state funds under the Montana Constitution.

- Allocations to the schools are based on the FTE Resident headcounts at each institution. The FTE Resident headcount for the fall prior to each Biennium is calculated allocations for both years.
State Funded Need-Based Aid in MT

Montana Tuition Assistance Program (Baker Grant)

- MTAP was created by the Board of Regents in 1997 as a result of the Task Force on Financial Aid Reform report, *Meeting the Challenge, Helping Montana Students Finance College*, dated April 1996.

- The goal of MTAP is to provide Montana students with financial assistance that will allow access to, and choice of, Montana's public and private institutions of higher education.

- The Montana Tuition Assistance Program (MTAP) was the largest state appropriated need based grant program in Montana, receiving just over $2 million in funding.

- MTAP awards are also known as Baker Grants in any student award documents in honor of Dr. Jeffrey D. Baker, Commissioner of Higher Education from 1993-1996.

- MTAP state funds are distributed to MUS Schools, Community Colleges, and Tribal Colleges.

- Allocations to the schools are based on Resident Student FTE at each institution.
State Funded Need-Based Aid in MT

State Work Study

- The Montana Work Study program was first introduced, along with the Montana SSIG program (currently known as MHEG), during the 1975-1976 academic year. The program receives approximately $800,000 in funding each year.

- Funds are appropriated to MUS colleges and the community colleges. Tribal and private colleges do not receive any state work-study funds.

- In order to be eligible for the Montana Work Study program a student must complete the FAFSA. Recipients must be Montana residents and accepted or enrolled full-time at the institution.

- The majority of work-study jobs are awarded based on financial need, as determined by the FAFSA. Recipients are paid an hourly rate according to the job skills required. Work is limited to an average of 20 hours per week while class is in session and 40 hours per week when classes are not in session.
Governors Best and Brightest

The purpose of the governor's postsecondary scholarship program is to provide scholarships on the basis of need and merit to Montana residents toward the cost of attendance at 2-year and 4-year postsecondary institutions and to allocate some of the scholarships to specific areas of study that promote economic development or address critical workforce shortage areas in Montana. Half of the Best and Brightest is need based and half merit based.
State Approaches to Financial Aid Management

- Merit aid versus Need-based aid
- High cost with high aid – NY, NJ, PA, NC
- Low Cost with low aid – MT, UT, SD, ID
- Centralized financial aid administration – NY, TN, IN
- Decentralized financial aid administration
Summary
Summary Bullet Points

❖ Need-based Aid

- Need-based Aid is financial aid that students receive if they have financial need.
- The formula used to calculate financial need is $COA - EFC = Need$.
- EFC varies based on family income, size and number in college, as well as assets, and other financial indicators.

❖ Sources of Aid

- The MUS relies predominately on Pell grants to support Need-based Aid.
- Financial aid dollars have grown due to an increase in Pell grants and waivers/discounts.
- National trends mirror MUS financial aid trends.
- In the MUS, Pell dollars have dropped in the last five years due to enrollment declines, enrollment mix, and program changes. State aid was also cut.
- Montana trails most states in the amount of dollars it contributes to need-based aid.
- In the past seven years, need-based aid dollars per student remain steady while % and # receiving aid have dropped.
Summary Bullet Points

Affordability Indicators

- 83% of, 1st-time, FT (FTFT) resident students received aid at an average amount of $4,300.
- 40% of FTFT residents received need-based aid.
- The average FTFT resident need-based aid recipient received a total of $6,500 in aid.
- Freezes have slowed the growth of tuition and fees.
- Financial aid amounts per student have experienced strong and steady growth.
- Tuition freezes and financial aid growth produced low net tuition & fees.
- The total cost of attendance includes more than just tuition & fees.
- Overall net price has increased, largely driven by the cost of room and board.
- Student loan debt grew from 2009 to 2014 and then leveled off.
- A much higher percentage of lower income students rely on student loans.
- Lower income students borrow over three times as much!
- Success rates of lower income students lag.