State Student Financial Aid Committee
Missouri Department of Higher Education
June 26, 2018
10:00 a.m. – 3:00 p.m.
James C. Kirkpatrick State Information Center, Room 139
Meeting Notes

Members in attendance: Amy Hager, Becky Whithaus, Charles Mayfield, Kate Hangley, Kim Cary, Trevor Foley, Vicki Mattocks, Zach Greenlee

Members in attendance by phone: Cassandra Hicks, Crystal Bruntz, Dena Norris, Sarah Bright

MDHE Staff in attendance: Leroy Wade, Kelli Reed, Amy Haller, Connie Bestgen, Joe Yan, Greta Westerwald by phone

Welcome and Introductions

Leroy Wade called the meeting to order at 10:10 a.m. and indicated the committee will meet monthly from now until October, but the group may remain active after this project is complete. Committee members introduced themselves and the agenda was reviewed. Presentations will be provided after the meeting.

Logistics

In addition to the monthly meetings, committee members will be asked to complete surveys to provide input. MDHE will share the survey results and follow up with the group as needed but Leroy and Kelli will be available in between meetings as well if members have comments or questions. Later in the process we will engage with the State Student Financial Aid Policy Task Force, possibly in a joint meeting, to ensure deliverables align with the policy recommendations.

The goal of the State Student Financial Aid Committee is to develop a set of programmatic recommendations for approval at the December Coordinating Board for Higher Education meeting. The recommendations will inform a legislative package, if applicable. The timeframe for developing the recommendations may extend beyond December if more time is needed for a quality product, or work may otherwise be required beyond the December recommendations.

MDHE's website contains information about all phases of the state financial aid review. The information for Phase One includes the policy task force's meeting notes, presentations, and a copy of the report approved by the CBHE. Similar materials from this committee will be added to the Phase Two section of the web page as they're produced.

Presentation by Dr. Brian Prescott, Vice President, National Center for Higher Education Management Systems

NCHEMS, which has been involved in many higher education policy discussions, has provided background information that should be helpful in the analysis of the state aid programs, particularly related to the populations not being served but are necessary to reach Missouri's attainment goals. NCHEMS is located in Boulder, Colorado and works closely with the nearby Western Interstate Commission for Higher Education (WICHE), State Higher Education Executive Officers (SHEEO), and Education Commission of the States (ECS) organizations. Financial aid strategies are becoming increasingly important as the number of high school graduates and institutional revenues are declining.

The data was reviewed and the following points highlighted:

- *Attainment*. The estimated 160,000 credentials that will be needed to reach the 2025 attainment goal is lower than the number included in the Blueprint because of in- out-migration trends. A model in which assumptions can be adjusted shows that to reach the attainment goal Missouri needs to increase the number of completions at community colleges and to do a better job serving adult students.

- *High School Graduates*. Currently, twenty-four out of 100 9th graders graduate with an associate or bachelor's degree in 150% of the time to degree completion. The biggest leak in the pipeline is between high school and college. There is some volatility in the number of projected high school graduates between 2016 and 2019 but the number of high school graduates has generally stagnated. While there will be modest growth beginning after 2020, the number will again decline after 2025. Institutions serving traditional-aged students should see some improvement in enrollments but the improvement will not be at 2009 peak levels. The Hispanic population of public high school graduates is growing the fastest while the white population is on the decline. The fastest growing populations are less likely to be academically and financially prepared for postsecondary education.

- *Data by County (Population Projections, Educational Attainment, Income Levels, Poverty Rates).*
    - St. Louis, Kansas City, Springfield, and the Northwest tier are the areas likely to have slower population growth in individuals aged 15-24.
    - Metropolitan areas (St. Louis, Kansas City, Springfield) and Boone County have the highest educational attainment rates while the Southeast region has the lowest. The educational attainment data is based on individuals with an associate's degree or higher.

- St. Charles has the highest median family income and Mississippi County has the lowest. The median family income in St. Charles is 2.5 times higher than in Mississippi County. It will be necessary to consider this when looking at net price. The change in median income by county looks at two five-year periods, from right before the recession to recently, and shows the state as a whole is poorer now than it was pre-recession.
- The percent of families living in poverty show trends similar to the other maps, with more poverty in Southeast Missouri and less along the I-70 corridor. The Percent of Families Living in Poverty, 2016 map is actually a five-year sample. There are more counties that have seen an increase in the rate of people living in poverty than having median income declines, and the increased poverty is more scattered across the state.

When looking at where students originate from for each institution, data show students attend locally. Previous NCHEMS work also showed that trend.

- *National context*. Nationally, Missouri is close to the middle and has a healthy private/non-profit sector. The data do not include for-profits.

  Similar to other states, Missouri has seen a big bulge in enrollment at 2-year and private/non-profit institutions, which is now on a steady decline. This is a predictable pattern, with enrollment declining when the economy improves and there is always a struggle with how to manage the volatility. However, public research institutions have seen some enrollment growth. Recently about half of states have seen an overall decline in headcount enrollment but Missouri has not.

  The IPEDS data includes only in-state first-time, full-time Title IV recipients. At public four-year institutions there was a spike in the $0-$30,000 income range that fell after the recession, while the middle three income categories grew but are now hovering around zero. This pattern was consistent across states. The higher income categories have fewer students because they do not receive Title IV aid. Many four-year institutions are using strategies to attract wealthy populations so they can capture as many tuition dollars as possible to support students at other income levels. This is seen as a stable source of revenue when there are budget cuts but at a certain point competition reduces the benefit.

  The estimate of traditional-aged students who are not enrolled is based on “squishy” data from the Census Bureau and includes students who didn’t graduate from high school, who graduated college but didn't go to high school, and who graduated high school and attended some college but dropped out or otherwise did not obtain a degree. There is a clear step down in the percentage not enrolled from the lowest to the highest income categories. Missouri has a higher proportion of students in the lowest income categories who are not enrolled than many states, indicating this is an untapped market. Indiana is about the same size as Missouri but has more financial aid. Florida, New York, Massachusetts and California have patterns of robust aid and enrollment.

Most states are not serving adults well. California is hindered by a community college system that is heavily transfer based.

Institutions are working to attract out-of-state students. When looking at the ratio of the number of students imported and exported at all institutions, Missouri is a modest net importer of students. It was noted this includes students who move rather than all students, and international students are counted as imports but not exports. When looking at public institutions, Missouri is still a net importer but at lower rates. The propensity of states to attract non-residents has increased and is a nationwide pattern. Public institutions are attracting non-residents that have traditionally gone to private institutions.

Missouri in-state tuition is pretty flat but it is important to consider cost of attendance and not just tuition and fees. In looking at public four-year institutions, Missouri ranks about the fifth lowest state in the change in cost of attendance since 2007, increasing about $600. At public two-year institutions, Missouri is in the middle with about a $925 increase, although these institutions serve needier students and the percent of change is lower than other states.

Compared to other states, the share of Pell recipients in Missouri is low at pubic research institutions, toward the middle at public four-year institutions, and better at public two-year institutions. Pell recipients graduate at lower rates than non-Pell students. The highest difference is between Pell and non-Pell students, although it is difficult to know how much of this is attributed to state aid. Providing aid to students who are likely to succeed anyway may not be the most efficient use of state funds, but this is hard to defend when there is a clear return on funding successful non-Pell students. State investments need to be made where they're most likely to have the highest return on investment.

The need/merit balance varies between states. The Hathaway Scholarship in Wyoming is a merit scholarship with a need component. California has a need-based scholarship with a merit component. Southern states follow a "need in the lead" model with merit secondary. Kentucky has both a robust need program and a robust merit program. Resources are required for merit programs to succeed. However, when there is a funding shortage, merit programs are funded because the state has made a promise to students. NASSGAP data shows Missouri is in the lower half of the nation when looking at the need/merit balance, with a healthy proportion of funding provided through merit programs. Mississippi is the only other similar state in the lower half of the nation. More than half of the states don't have a merit-based program, although this is somewhat misleading because some states have programs that combine need and merit but don't report the merit. Georgia created the Hope Scholarship with funding from the state lottery and other southern states followed, but when funding became an issue they had to increase eligibility criteria. They later relaxed the eligibility criteria but moved away from a full tuition and fee program and created the Zeller merit program as a balance. Georgia distributes approximately $30 million to families with incomes of $250,000 or more. It was noted the Georgia data is missing from the Need- and Merit-Based Grant Dollars per FTE, 2015-16 by State slide and the data will be reviewed.

Missouri is in the middle of the affordability gap at public four-year institutions nationwide. The work commitment isn't equal because of differences in state minimum wages. The amount of state grants and total cost of attendance are the only two things that really make a difference. Although New Jersey has a robust aid program, it also has high cost so it has a high unmet need. For lower income students, Pell is critical and state grants play an increasingly significant role, while institutions are backfilling at the middle income levels.

- *Cost*. Missouri's community colleges have a wide range of non-tuition expenses. The room and board data is based on a student living off-campus without family. How to define cost of attendance will be a critical issue and variations will make basing a financial aid program on cost of attendance challenging; no formula will be perfect. NCHEMS has created a "frugal" budget that considers all of the cost of attendance budgets institutions report and picks a representative one for state aid. There is a wide range of book and supply costs between two- and four-year institutions. There is also an extraordinarily wide range in other costs as well.

  There was a large bulge in the change in net price during the recession. Wealthier students' net price is always higher than lower income students'.

  The affordability profiles are a picture of the interactive model for first-time, full-time students. The $5,000 work commitment is roughly the amount a student could earn working 15 hours per week for 48 weeks per year at minimum wage. The model also assumes students with an income of $30,000 or less will receive a full Pell and uses a $21,000 cost of attendance. The combination of work, family contribution and state/federal aid covers cost of attendance for the $75,000-$110,000 income range. The affordability profile doesn't include borrowing but there is also a point at which borrowing becomes unhealthy for a student. Group discussion included the idea of establishing borrowing limits on a sliding scale by institution type. For example, no limit at 2-year institutions, some limit at 4-year institutions, etc. In addition, affordability will need to be defined. There may be a reasonable level of work and borrowing. Also, discussions have centered on the $48,000-$75,000 income range where a family contribution isn't reasonable for most families. A formulation to measure the gap will be needed when fund rationing is required and will need to address the feasibility of a family contribution in concepts and calculations. Another issue is how to calculate cost of attendance for part-time students who aren't included in this profile. Students who are attending part time are presumably working harder because they have more expenses to cover. A robust return of data is needed to support where the lines are drawn, although data isn't available to show how people cope when there's unmet need

- *Summary*. State aid has to pass through the context of what is happening with the economy and population. Affordability will be key to meeting Missouri's attainment goal. There are more low-income and underrepresented students and we need to look at ways to serve them, which may be expensive. The two-year sector serves more financially vulnerable students on average. When looking at the integrated picture of resources we need to be able to separate grants by source and state grants by program. In addition, it is important to establish reasonable family contributions, which includes separate consideration of parent and student contributions for dependent students. A reasonable amount of work/loans will also need to be defined. Data can be used to measure shortcomings and determine a rationing strategy. Finally, there needs to be a conversation about institutional aid, including how it can be used more beneficially and how it can best continue its focus on serving middle income and meritorious students. Iowa provides an example of how state and institutional aid can work together, with a requirement that institutions match state dollars at the sector level. It is important to recognize that it is both a challenge and an opportunity that the state doesn't have influence over institutional aid expenditures and we need to consider the relationship.

Discussion

The effectiveness of post-graduate outcomes like loan forgiveness programs was discussed. Research on loan-forgiveness programs is ambiguous and they're administratively burdensome. In addition, the idea that students who attend school in state are more likely to remain in-state after college graduation is untested. The problem is students that leave the state, or don't complete, can't be tracked.

It was asked which states do the best job of tracking students. Missouri does well, as do states with unit level records that are shared between the state grant agency and wage records. California has a Salary Surfer tool that assists with wage outcomes. WICHE is working on a tool but is facing a significant barrier because of individual-level state data. Washington, Oregon, Hawaii and Idaho were included in another WICHE study.

The interaction of the workforce environment and credentials needs to be considered, including allowing state aid to pay for a CNA before proceeding to college-level coursework. NCHEMS is seeing more apprenticeships. Louisiana is doing a lot in this area but not with state or federal aid. The key is to ensure the state is empowering the individual for a career and not just the first job. Stackable credentials help make a case for this but can be administratively challenging.

Policy Framework Review/Discussion

The committee needs to consider a framework for the financial aid system before evaluating the role of the current programs within that system. The approach needs to be systemic, considering how the programs, which may play different roles, will work together as a whole to move Missouri forward.

The project is a three phase initiative built around the Affordability piece of the Blueprint for Higher Education. Phase One included a policy task force comprised of a broad mix of stakeholders that looked at broad goals and set priorities, with assistance from the Education Commission of the States. The policy task force's final report was approved at the June 2018 CBHE meeting. Phase Two, to be conducted by this committee and supported by NCHEMS and state data, will operationalize the policy framework, evaluating how the existing programs fit into it and whether changes or new programs are needed. The committee's recommendations are scheduled to be presented to the CBHE for approval in December. Phase Three is administrative and/or legislative implementation of the recommendations.

The policy task force report includes three sections: vision, purpose, and 12 policy recommendations. It was a consensus based process that sought input from all of the members. The decision process was to reach unanimity when possible and to note dissenting views when unanimity wasn't possible.

The vision was reviewed. The task force's charge was to create policies for a balanced, responsive and efficient system. Funding wasn't a primary discussion point but the task force determined it was important to include in the report. The state aid programs need to be competitively funded for Missouri to retain students regardless of their other options. That the aid programs need to be transparent in operation means they need to be clear and easy to understand. Two of the most important ideas in the report are that state aid should be student centered and serve students where they are. Timely awards ensure students have the information they need when they're making decisions. The mechanics of the appropriation process makes this difficult but we need to strive to make awards as early as possible. Having programs with broad criteria that prioritize student needs addresses the dichotomy of having more programs with narrow criteria or fewer programs with broad criteria while maintaining a reasonable administrative burden. The bottom line is the state aid programs need to be more focused than they currently are on achieving Missouri's higher education and workforce goals.

The purpose was reviewed. State aid should continue to support students appropriately throughout their time in school so they can complete. Data shows the Pell Grant is effective at access but not necessarily persistence.

The policy framework doesn't include program references and is primarily viewed from the student perspective rather than the institutional perspective, although we need to maintain awareness of effects on institutions. The framework also incorporates the prioritization of need into the system as a whole. The committee's work should respect different types of programs and, to the extent we can, avoid narrow impacts on specific institutions/sectors.

The general elements of the recommendations were reviewed. The possible actions are only suggestions and aren't intended to bias the group.

- Broad-based programs need to be flexible and structured to build connections with other student assistance providers and the workforce.
- Building relationships can mean gathering input from different organizations on which to make decisions.
- Making need a high priority is important to expanding the populations we're serving.
- Loans should not be included in the program mix but work-study, which has seen legislative interest, may be an area for the committee's focus.
- Award structure reflects the task force's recommendation that aid should cover cost of attendance rather than being limited to tuition and fees.
- To get the most out of the state aid programs they need to be more sensitive to other aid. The A+/Pell interaction is one way to accomplish this, but other options should be considered.
- Award balance is about need and merit. For need-based programs there is a perennial tension between paying more students less, or paying fewer students more. The goal is to try to serve as many students as possible while keeping awards meaningful. For merit programs, award amounts must be sufficient to fulfill the promise.
- Improving access for underserved students is not just about the attainment goal. If Missouri is to compete economically with other states, we need to find ways to expand service beyond traditional students. Deadlines are often considered a barrier to these students so this may be an area for consideration.
- Regarding early awareness, research has shown that programs with additional components, such as the A+ high school criteria or simply earlier awareness of options,

have an impact. Not every program has to have this but we should consider how to build it into the system.

- When thinking about program flexibility, we need to consider how to serve students of different ages, such as paying for progress regardless of the delivery method. Approximately 10 percent of the students we pay are non-traditional but in some sectors more than 50 percent of students are enrolled part-time and more than 30 percent are outside of the traditional age group.
- When considering enrollment status we need to ensure we don't create barriers when looking at serving different enrollment options. One option might be to establish a base amount for 12 hours, with a bonus award for additional hours. Another might be prorating awards for students enrolled less than full-time. The programs need more flexibility in order to meet students where they are.
- Encouraging completion is important to help us meet our goals. How can financial aid help to raise the percentage of students who are able to complete their programs? What kind of incentives can we provide?
- Without outreach the best programs will be ineffective if no one knows about them or understands them. Student financial aid must be included when developing a more comprehensive marketing program. To this end, the committee can provide guidance to MDHE's outreach area.

Discussion

So far we have discussed multiple programs, but the possibility of a single program is not off the table. There is a spectrum of routes the committee can take when looking at program mix, from making no changes to creating all new programs, or something in between the two. It was noted that simplicity is an important part of meeting students where they are and that too many moving parts in a single program make financial aid more, not less, complicated. However, balance is a framework goal and the more programs there are, the more opportunity the legislature will have to use the appropriation process to create a balance different from the one the committee recommends.

There may be instances when there are competing priorities, such as supporting both part-time enrollment and 15 to Finish. It was asked how the committee should prioritize in those instances. It was noted that 15 to Finish doesn't necessarily reflect all student priorities and is ineffective at increasing service to the non-traditional students who are needed to meet state goals. However, the affordability profile for a part-time student might be sensitive to both by including some state aid and a higher work component. In addition, the priorities are not necessarily competing since they serve different types of students. There will be competing demands for funding, but the committee needs to focus on how to move all students forward.

The focus tends to be on the MDHE program portfolio, but there is other state aid, such as WIOA and Voc-Rehab, that needs to be considered, particularly for targeted populations. The committee needs to consider how all state programs, not just the MDHE programs, fit together, recognizing that every program cannot be the last payer. Some programs are state-administered but federally funded, so federal guidelines will have to be taken into consideration. MDHE can provide information about other programs to the committee.

Most institutions have some kind of work program, so a state work/study program will need to ensure state funds are in addition to institutional funds instead of displacing them. The Bright Flight Promise proposal tried to guard against such displacement but there may be other ways to address it.

Before looking at individual program data the committee needs to consider the system at a conceptual level. Adult students only make up about 10 percent of state aid recipients and Ross doesn't serve all of the part-time students. Deadlines are an issues for adult learners and need to be explored. One issue with reaching adult learners is they aren't linked to an academic calendar like traditional students. When there are multiple start dates instead of a traditional calendar, the admission and enrollment timeframes are extremely short. This is something to keep in mind but it will need to be balanced with available funding.

The Missouri-based affordability model provided by NCHEMS should be flexible enough to be tailored to look at different populations, such as adult learners. Such a model could create a targeted gap of unmet need and provide a good a benchmark for legislators. The model will be demonstrated at the next meeting and is expected to help us create a baseline for our assumptions that will help us decide what adjustments need to be made.

Foundational Concepts Exercise/Discussion
Several questions were discussed to begin creating a conceptual foundation for the state aid system. The questions discussed during the meeting, in addition to those that were not discussed due to time constraints, will be included in a post-meeting survey so the full committee can provide input.

1. *What are the barriers to access for underserved populations related to state aid programs?*
    - Attendance
        - Full-time requirement
        - Required immediately following high school graduation
        - Bright Flight continuous enrollment requirement
    - Marketing of eligibility criteria
        - Providing the right information to the right people at the right time
        - Underuse of community resources

- o High school counselors' difficulty in balancing provision of financial aid information with other responsibilities

- Program inflexibility
    - Lack of professional judgements for state aid
    - Lack of year round aid
    - Lack of program responsiveness
    - Difficult for stop outs to return
- Personal accountability
    - Life issues
    - College readiness

Additional Discussion

The underserved population is unaware of deadlines and they don't know what aid is available. There should be more broad-based marketing of the state programs through radio ads, social media, and community outreach to give a financial aid presentation.

First generation students/parents don't always receive financial aid information from their overtaxed high school counselors, but also don't know to ask for the information. In many instances, counselors' top priority right now focuses on mental health and not financial aid information for students.

The committee discussed the need to provide outreach at a younger age, including information about the 529 MO$T program. If the information is repeated enough, some students will retain that information and realize that college is possible. Oklahoma Promise and 21st Century Scholars link early awareness to eligibility. While high school counselors and financial aid professionals must be responsible for providing information there is a level of personal accountability on the part of the students to use the information they are given.

Journey to College feedback has been positive. The Missouri Department of Higher Education is currently involved in a project of redesigning the College and Degree search. The second part of the project involves a course transfer tracker so students know how courses will transfer at any Missouri school. The third phase of the project involves a redesign of the MDHE Student Portal. The fourth phase of the project involves creating a student workspace for students to gather all of their college information and put it in one place.

2. *What are the barriers to access for adult students related to state aid programs?*
    - Breaks in enrollments
        - Outstanding balances
        - Older grade point averages that impact renewal grade point average requirements
    - College readiness
        - Developmental coursework
        - Insufficient computer skills/WI-FI access
    - Aid Program Structure

    - Full-time enrollment requirement
    - Deadlines
    - Static grade point average requirement
    - Timing of grade point average/satisfactory academic progress check
- Successfully balancing work and family (life)

<u>Additional Discussion</u>

Some adult students face financial barriers. One of the biggest barriers is an outstanding balance at a previous institution and there are no programs to assist students with paying off these balances so they can continue their education..

Indiana, Mississippi, and Tennessee have programs to attract adult students. At some Missouri institutions students can't receive institutional aid if there is a gap in enrollment.

Developmental classes create an academic barrier. Some adult students are not computer savvy and struggle with the on-line environment. Other barriers include deadlines and college readiness. Some students don't understand how to be successful with the challenges of school, work and life.

The committee discussed a tiered, gradually-increasing approach to GPA which may be beneficial to new and adult students, who may need a couple of semesters to adjust to classes. However, the legislature may not support lowering the GPA requirement.

3. *What does "need is a priority" mean for program structure and funding?*
    - An early awareness "promise" program funded through a trust fund or other dedicated fund source
    - Funding unmet need (cost of attendance less EFC)
    - A state match for 529 plans
    - A single need/merit hybrid program
    - Consideration for merit only after need

<u>Additional Discussion</u>

There was discussion of how to define need. Suggestions included:

- Expected family contribution
- Cost of attendance less EFC
- Federal poverty level
- AGI and household size
- AGI only

EFC is a good measure but the complexity is hard for anyone, especially students and parents, outside of the financial aid industry to understand. EFC captures more than family size and AGI.

People understand the meaning of free but do not necessarily understand the meaning of merit or need. The committee discussed a “promise” program. The Oklahoma Promise provides free tuition at a public institution but there is a tuition cap if a student attends a private institution. The Oklahoma Promise AGI is capped at $50,000 and does not look at the number in a household. Kids’ Chance is currently the only program set up with a trust and dedicated funding source.

The committee discussed providing a state match for the 529 MO$T plan. It was mentioned that not all parents/families will have the resources to put money into a 529 plan even if the state could provide a match.

The committee recalled former programs administered by the MDHE. The Gallagher program was based on COA and benefitted students who attended private institutions. The College Guarantee program benefitted students attending public institutions. The Gallagher program was complicated and wasn’t predictable because the cutoff changed. As a result, many financial aid offices didn’t include the Gallagher award in a student’s award letter.

The Access Missouri program, created in 2007 to replace the Gallagher and College Guarantee programs, seems to provide a predictable framework for students.

An option could be to add a merit component to Access Missouri or a need component to a merit program in order to create one program. Separate programs increase the risk that priorities might be shifted through the appropriations process based on anecdotal evidence, undermining predictability. Currently, the funding for Missouri’s merit and need based aid programs is balanced near 50 percent. Bright Flight recipients are typically from the major metro areas, particularly white suburban areas, and not the inner city or rural areas.

Wrap Up/Future Meetings

The Foundational Concepts exercise will be continued in a survey which will be distributed in the next week. Additional questions, including ranking the ideas gathered, will also be included in a survey. The next meeting will be July 27, 2018 at the Governor’s Office Building.

Leroy thanked the committee members for their involvement.

The meeting adjourned at 3:00 p.m.