

# Need-based Financial Aid

**In the Montana University System**

# 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:

$$\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} \\ = \text{Financial Need}$$

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

<https://studentaid.ed.gov/sa/fafsa/next-steps/how-calculated#need-based>

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?

$$\text{Cost of Attendance (COA)} - \text{Expected Family Contribution (EFC)} = \text{Financial Need}$$

Tuition & Fees  
 Room & Board  
 Books & Supplies  
 Miscellaneous Expenses

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.

Students can't receive more need-based aid than the amount of their financial need.

Example:

<b>\$18,000</b>	-	<b>\$12,000</b>	=	<b>\$6,000</b>
<b>COA</b>		<b>EFC</b>		<b>NEED</b>

**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)

<u>Adjusted Gross Income</u>		<u>EFC</u>		<u>PELL</u>
\$20,000	=	\$0	=	\$5,815
\$30,000	=	\$1,088	=	\$4,765
\$50,000	=	\$4,224	=	\$1,565
\$80,000	=	\$13,000	=	\$0

**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

Award Amounts

Federal Sources	2014-15	2015-16
Pell Grant	\$55,025,704	\$50,790,396
Supplemental Ed Opportunity Grant (SEOG)	\$1,949,092	\$1,801,096
Work-Study	\$1,890,495	\$2,031,888
<b>TOTAL</b>	<b>\$58,865,291</b>	<b>\$54,623,380</b>

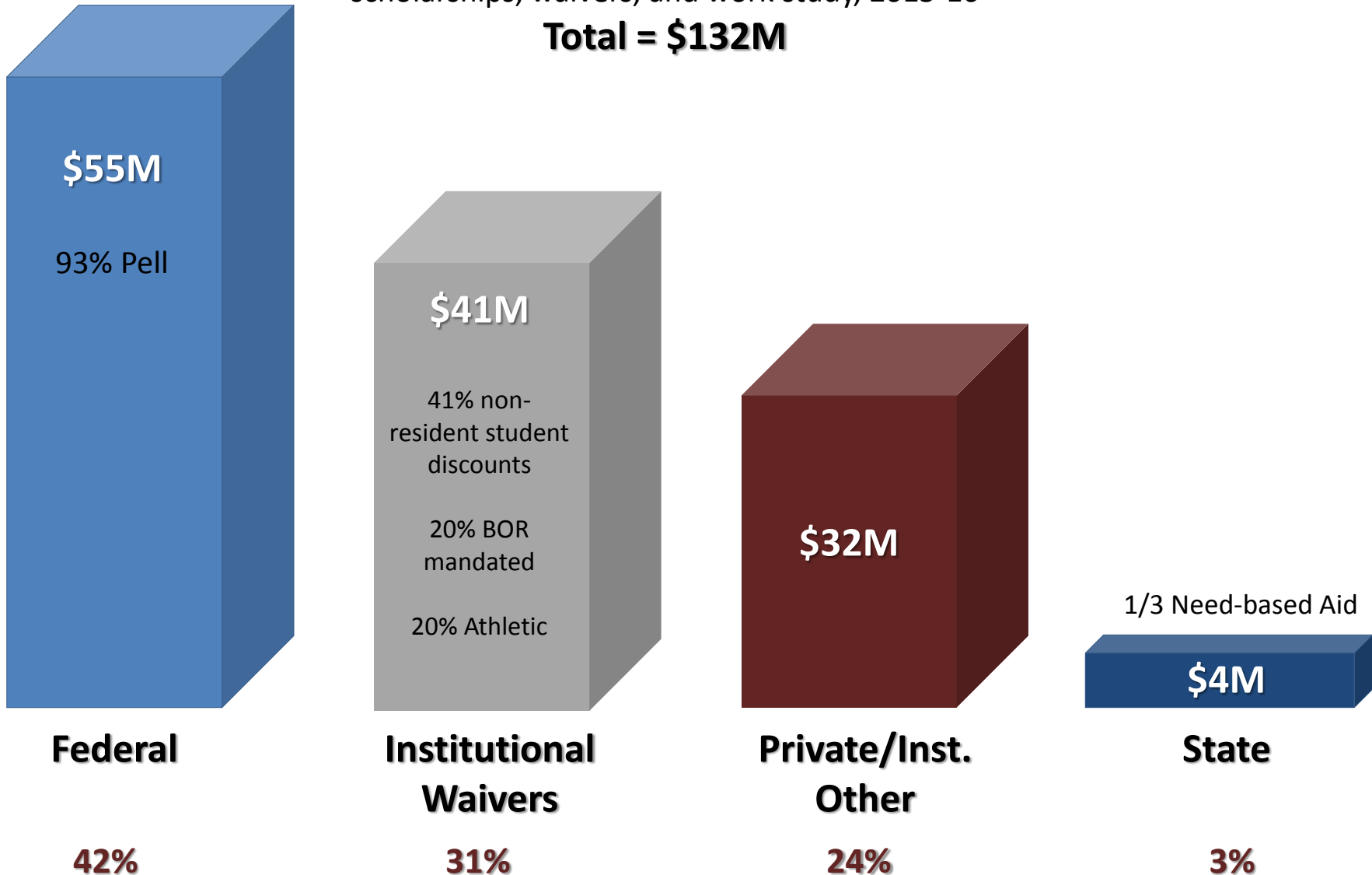
State Sources	2014-15	2015-16
MT Higher Education Grants (MHEG)	\$576,436	\$0
MT Tuition Assistance Program (MTAP)/Baker)	\$1,862,294	\$0
Work-Study	\$863,001	\$863,001
Governor's Scholarship (approx. ½ need-based)	\$1,439,623	\$0
State SEOG match	\$389,880	\$389,880
<b>TOTAL</b>	<b>\$4,782,861</b>	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

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

## Financial Aid Awarded

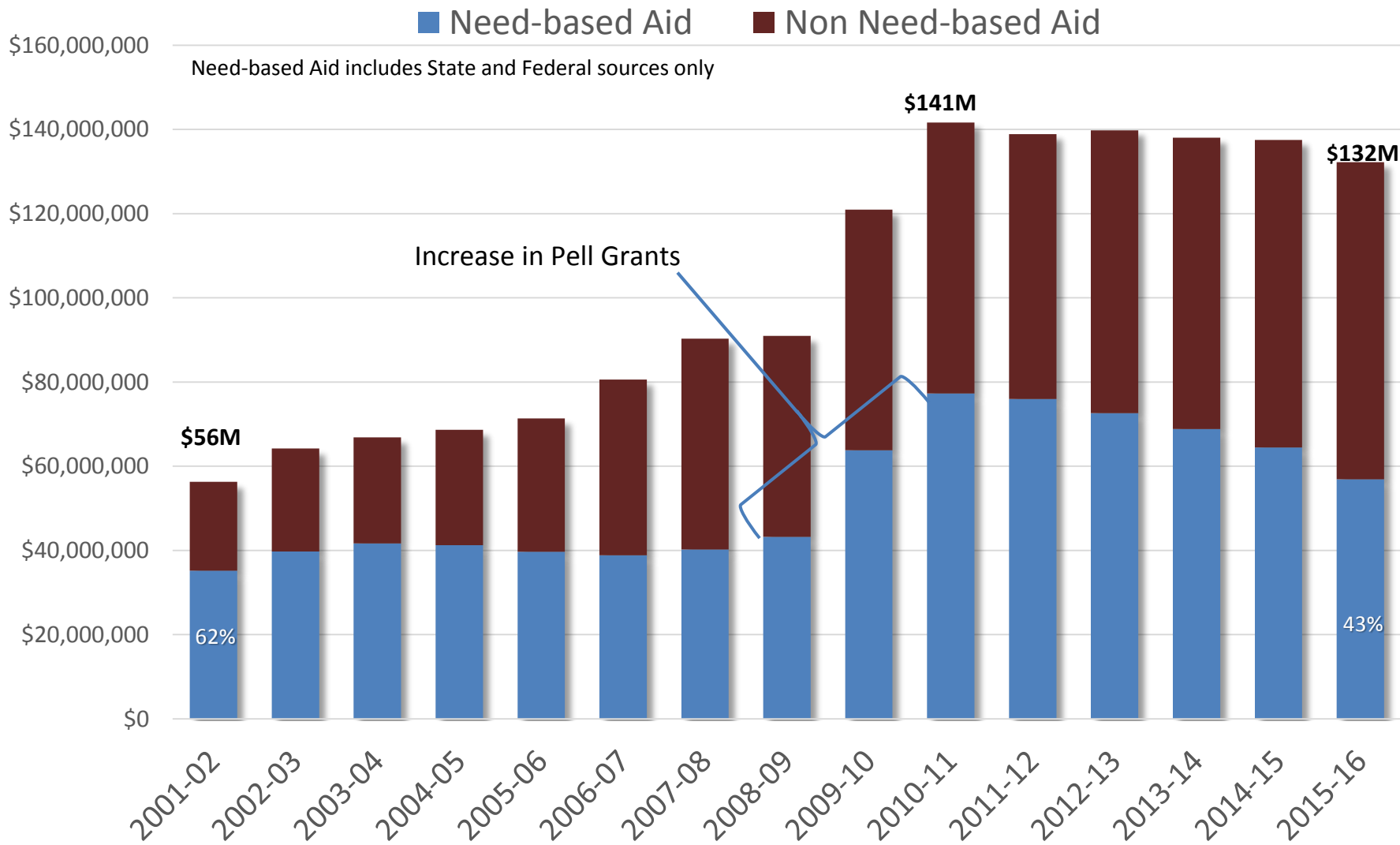
Includes all types of financial aid awarded in the MUS except loans; includes all grants, scholarships, waivers, and work study, 2015-16

**Total = \$132M**





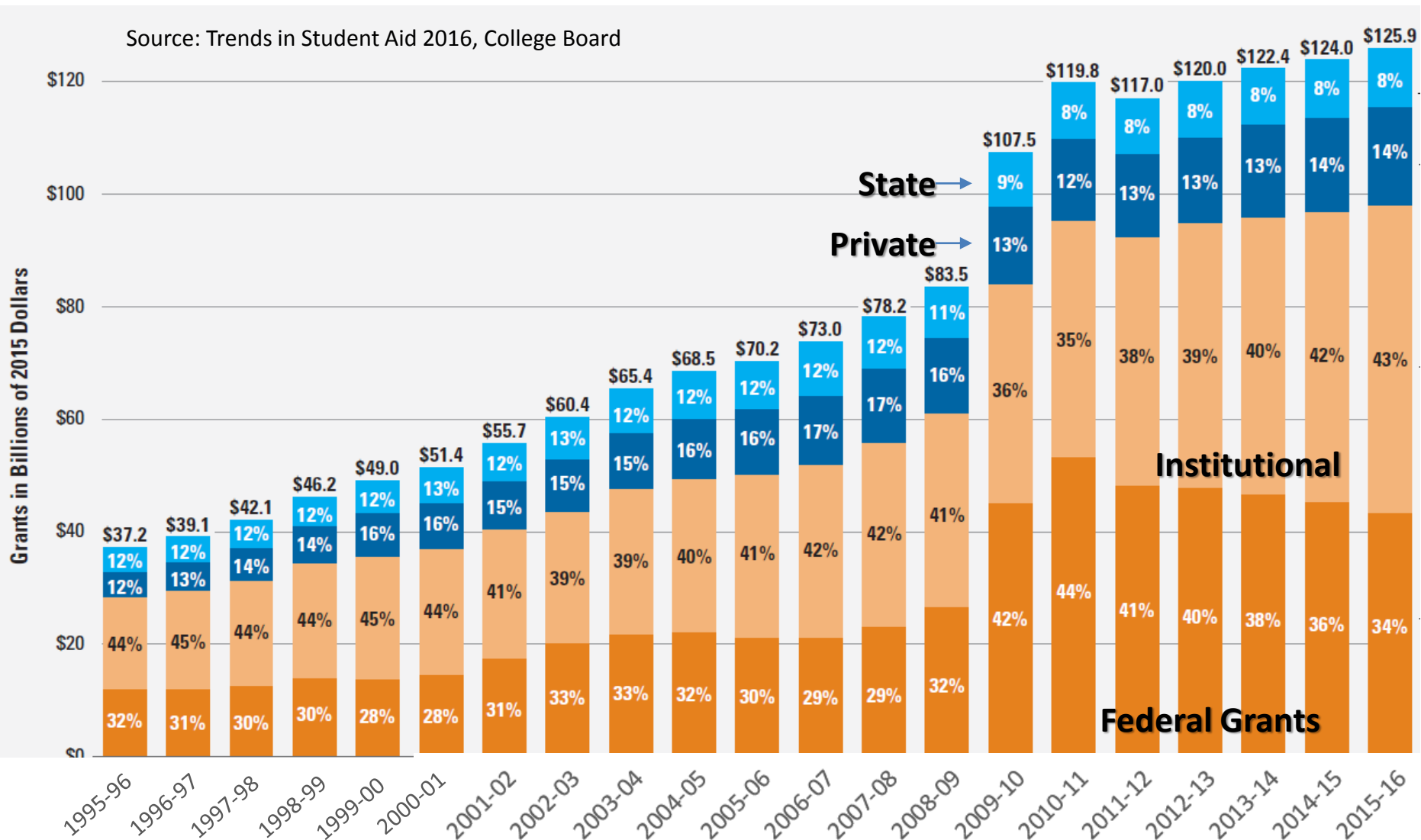
## MUS Financial Aid, Total Dollars Awarded



**Financial aid dollars have grown due to an increase in Pell grants and waivers/discounts.**

# U.S., Total Grant Aid by Source, 2015 Dollars

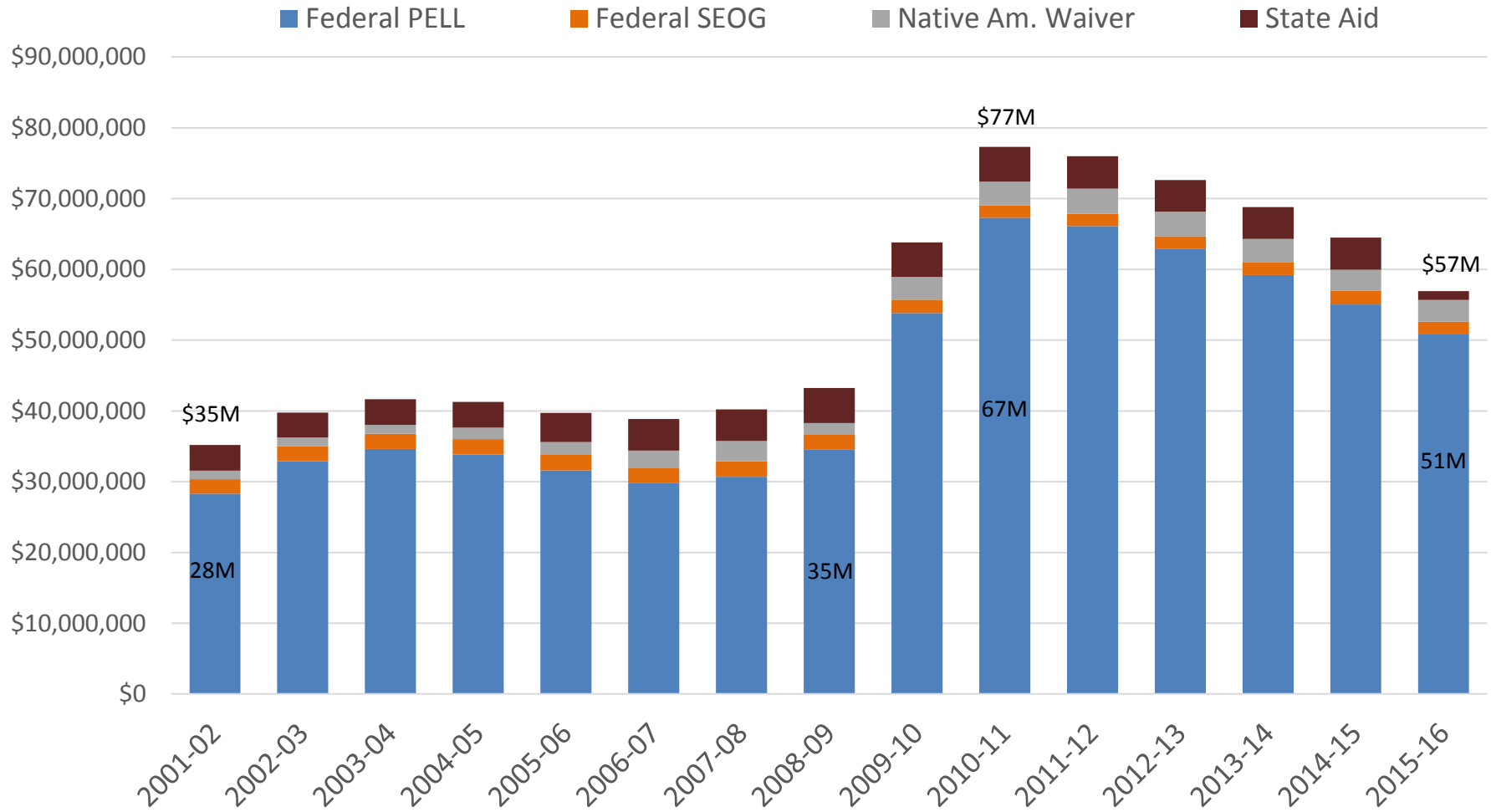
Source: Trends in Student Aid 2016, College Board



**National trends mirror MUS financial aid trends.**

# MUS Need-based Aid, Total Dollars Awarded

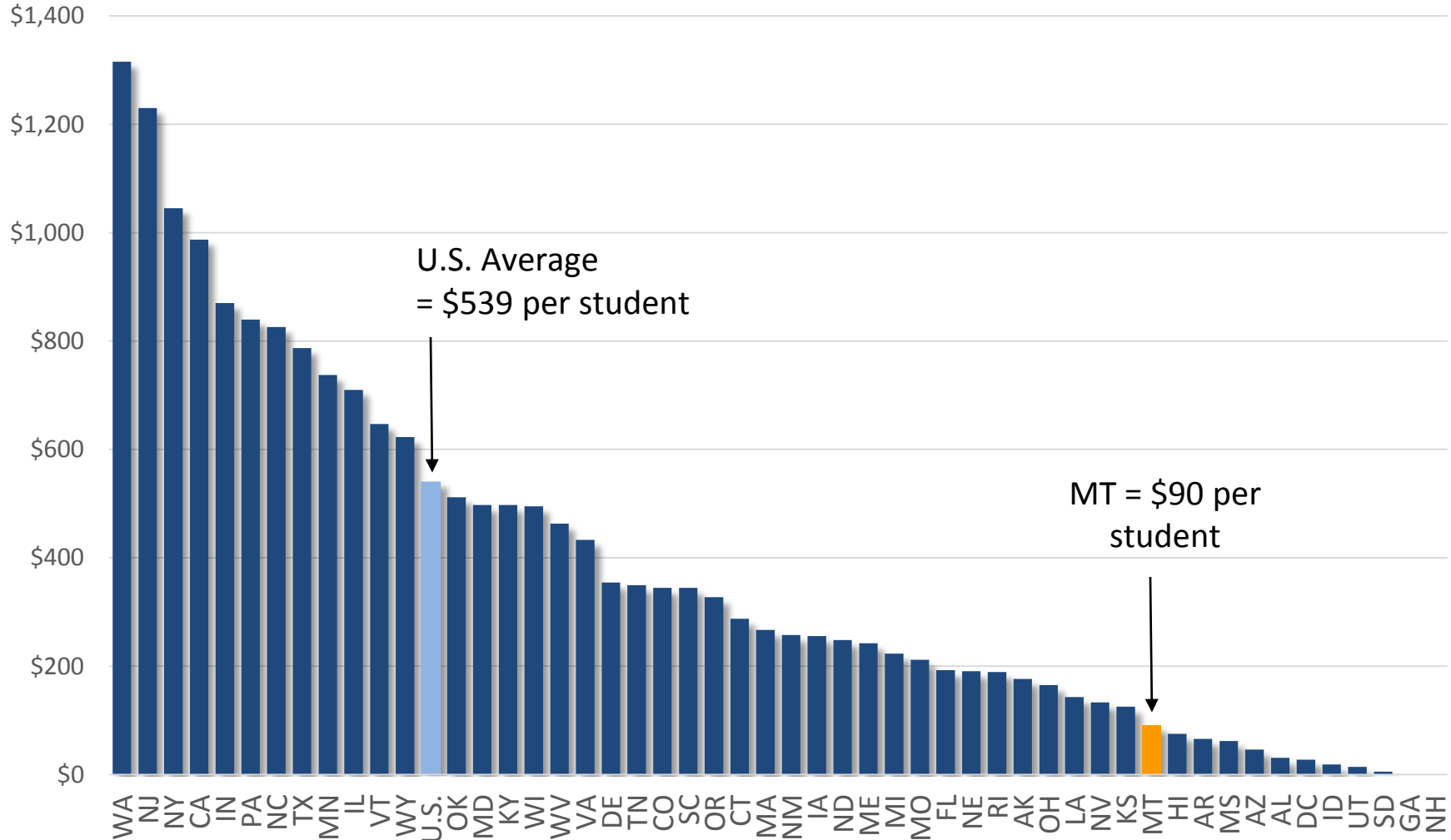
State & Federal Sources Only, 2002-2016



**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.**

## State Funded Need-based Grant Aid per Undergraduate FTE

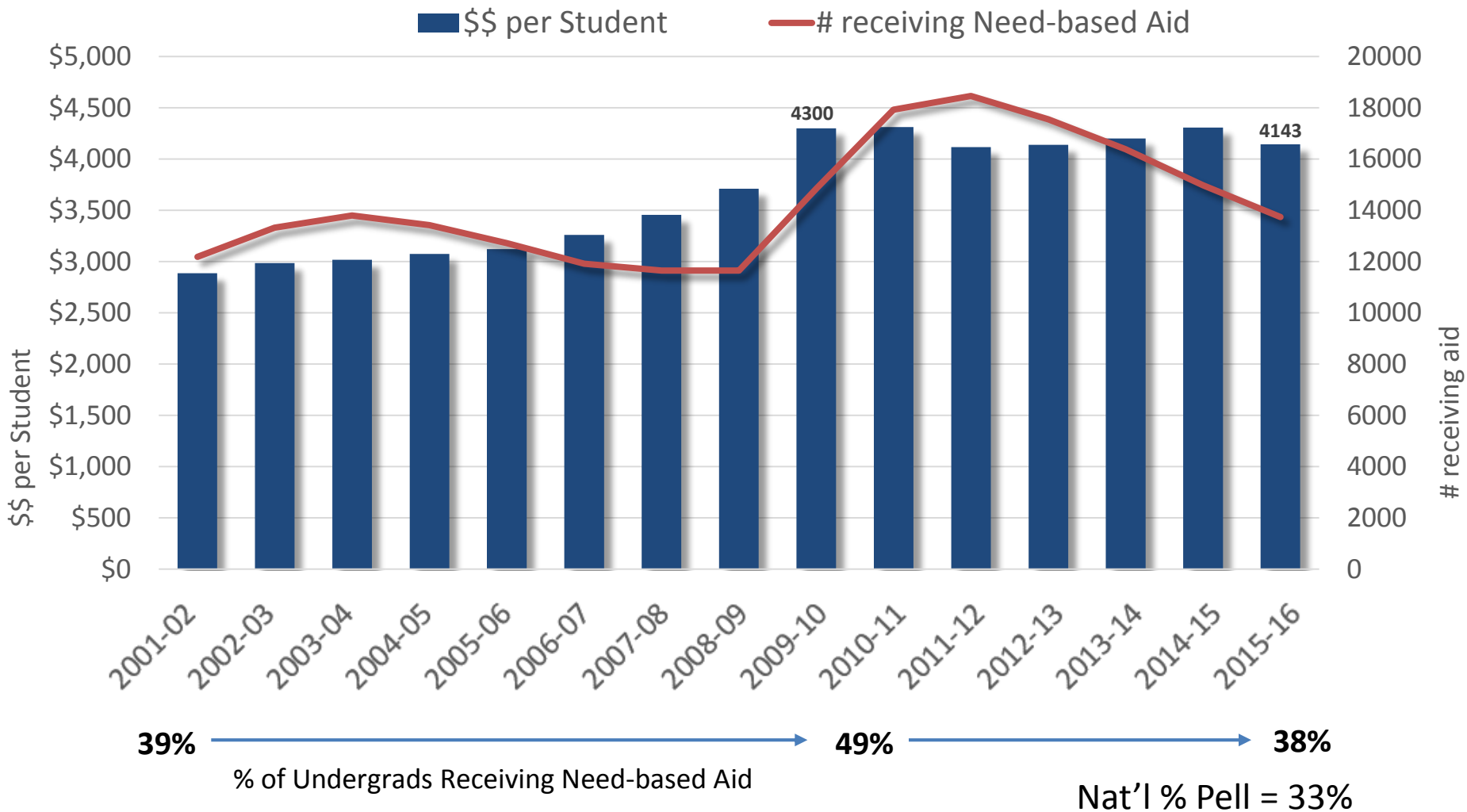
source: National Association of State Student Grant and Aid Programs, 2013-14



**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 remain steady while % and # receiving aid have dropped.**

# Affordability Indicators

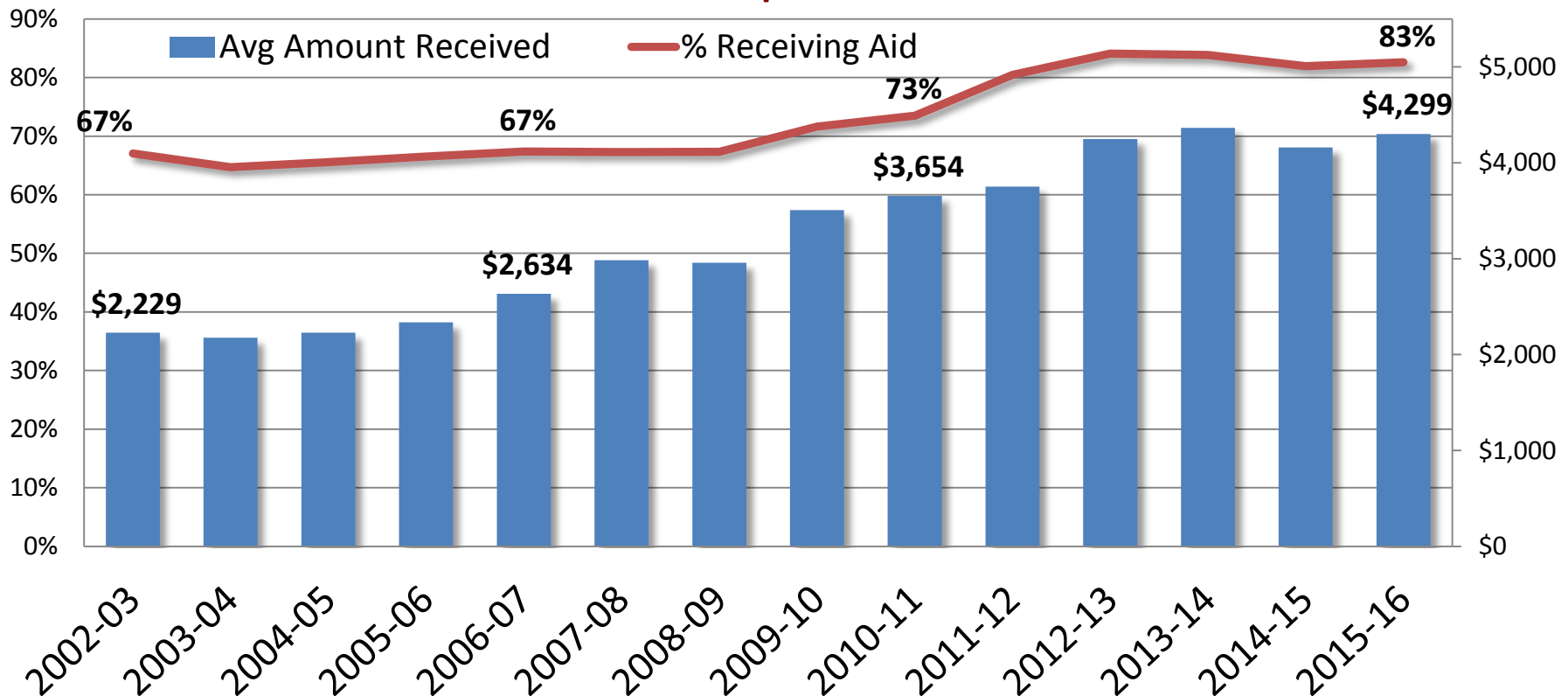
**FTFT Resident Cohorts:** first-time, full-time residents students entering the MUS in Fall semesters

**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**



**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

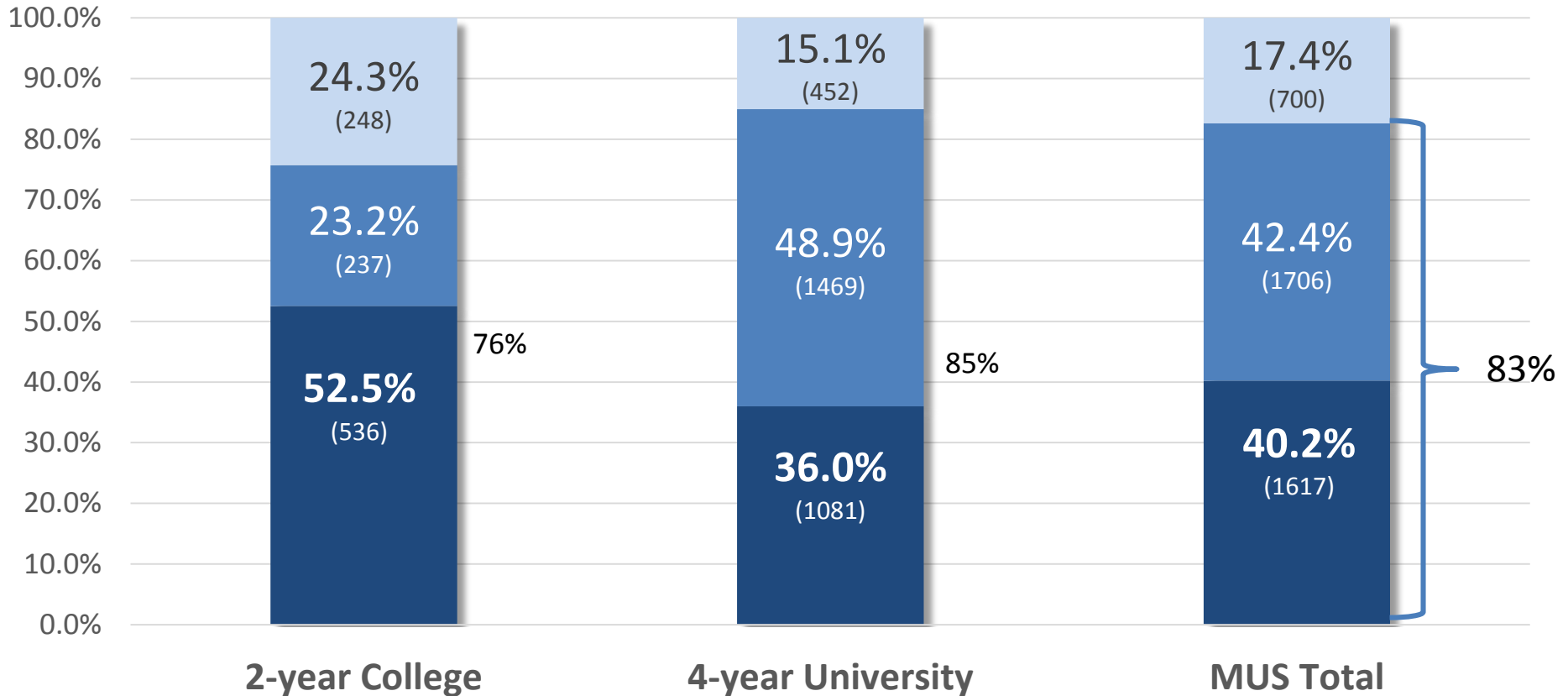
**U.S. %** receiving Grant Aid= **70%**; Avg Amt. Received = **\$5,589** (4yr Public Institutions)

**83% of Resident, 1<sup>st</sup>-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      ■ Non Need-based      ■ No Aid



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%

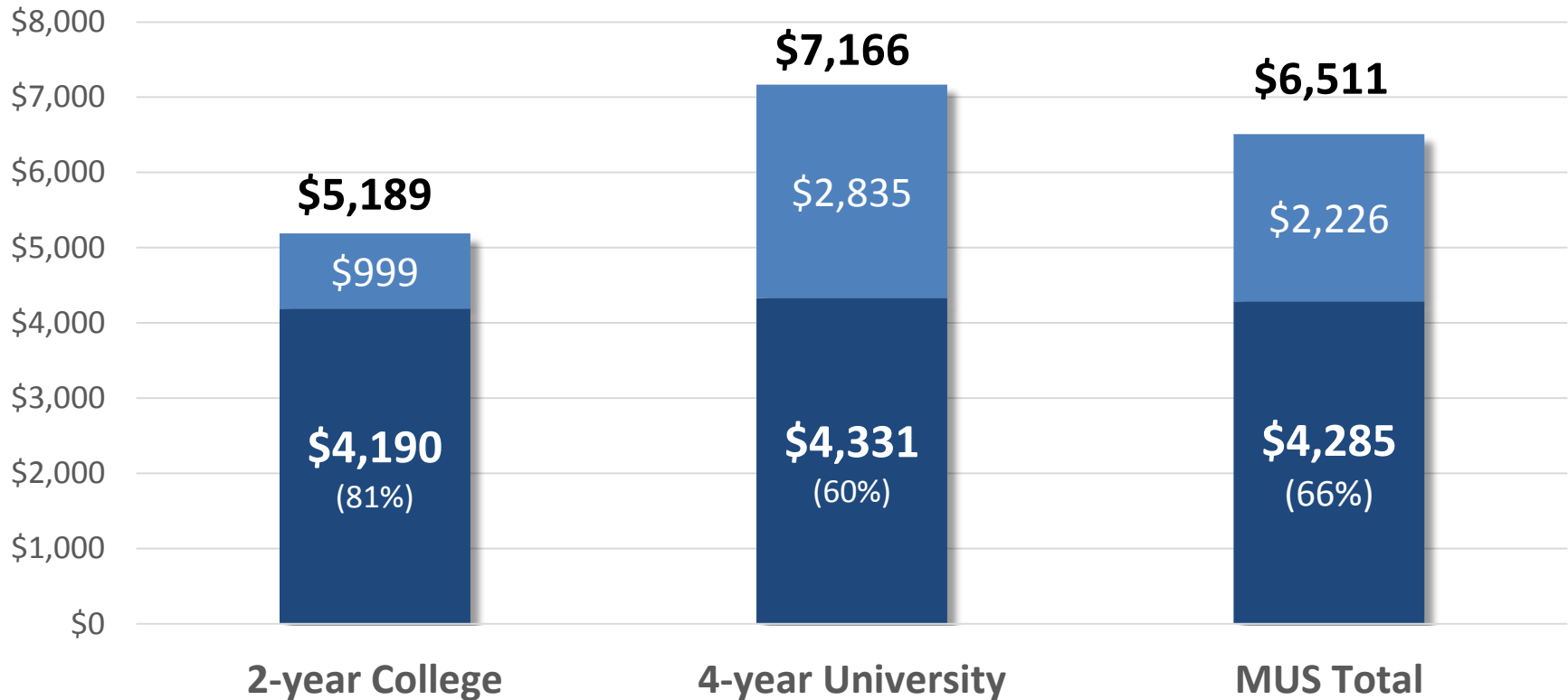
**40% of FTFT residents received need-based aid.**



## Average Aid Received by Need-based Aid Recipients

1st-time, Full-time, Resident Students, 2015-16

■ Need-based Aid      ■ Non Need-based Aid



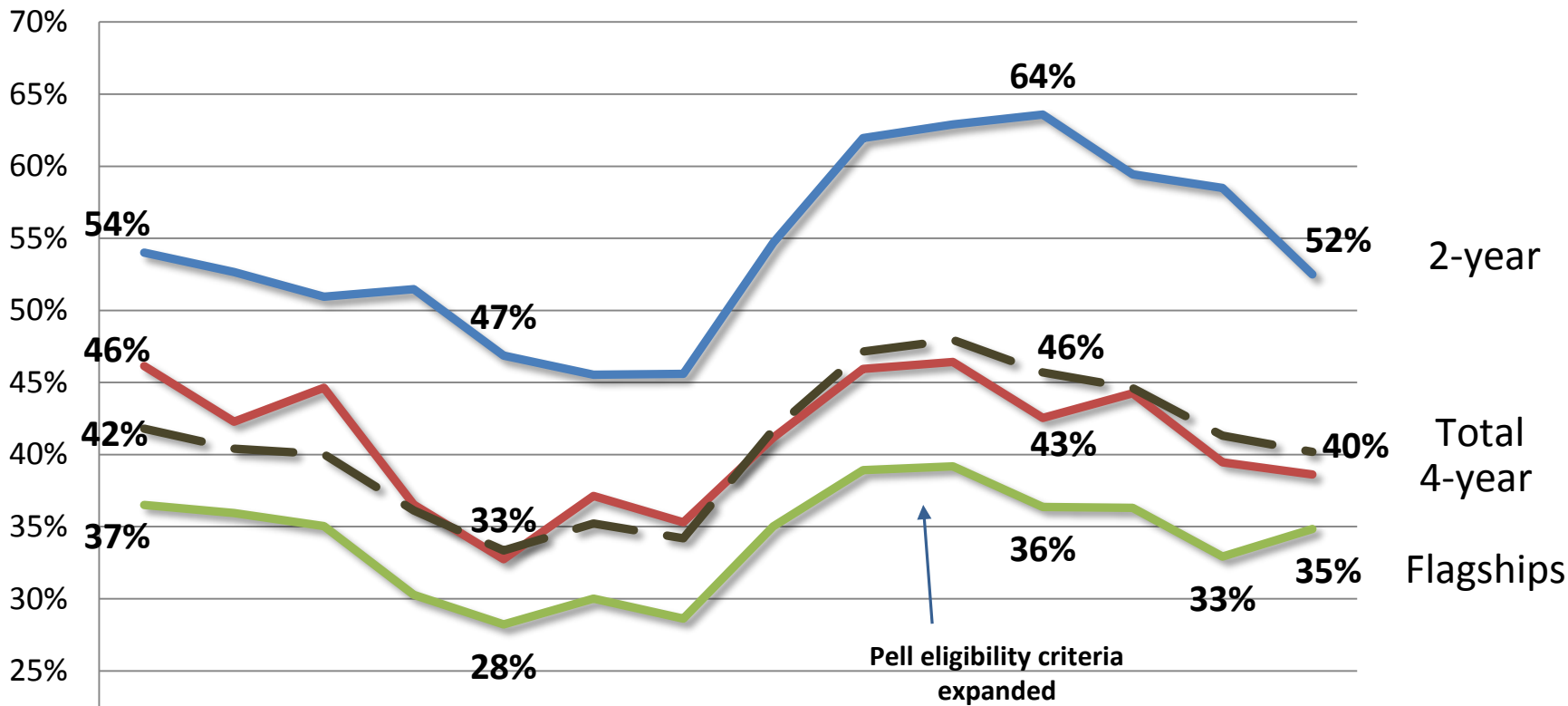
Need-based Aid = Pell, SEOG, and/or NA Waiver

Non Need-based Aid = All forms of financial aid except Loans and 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



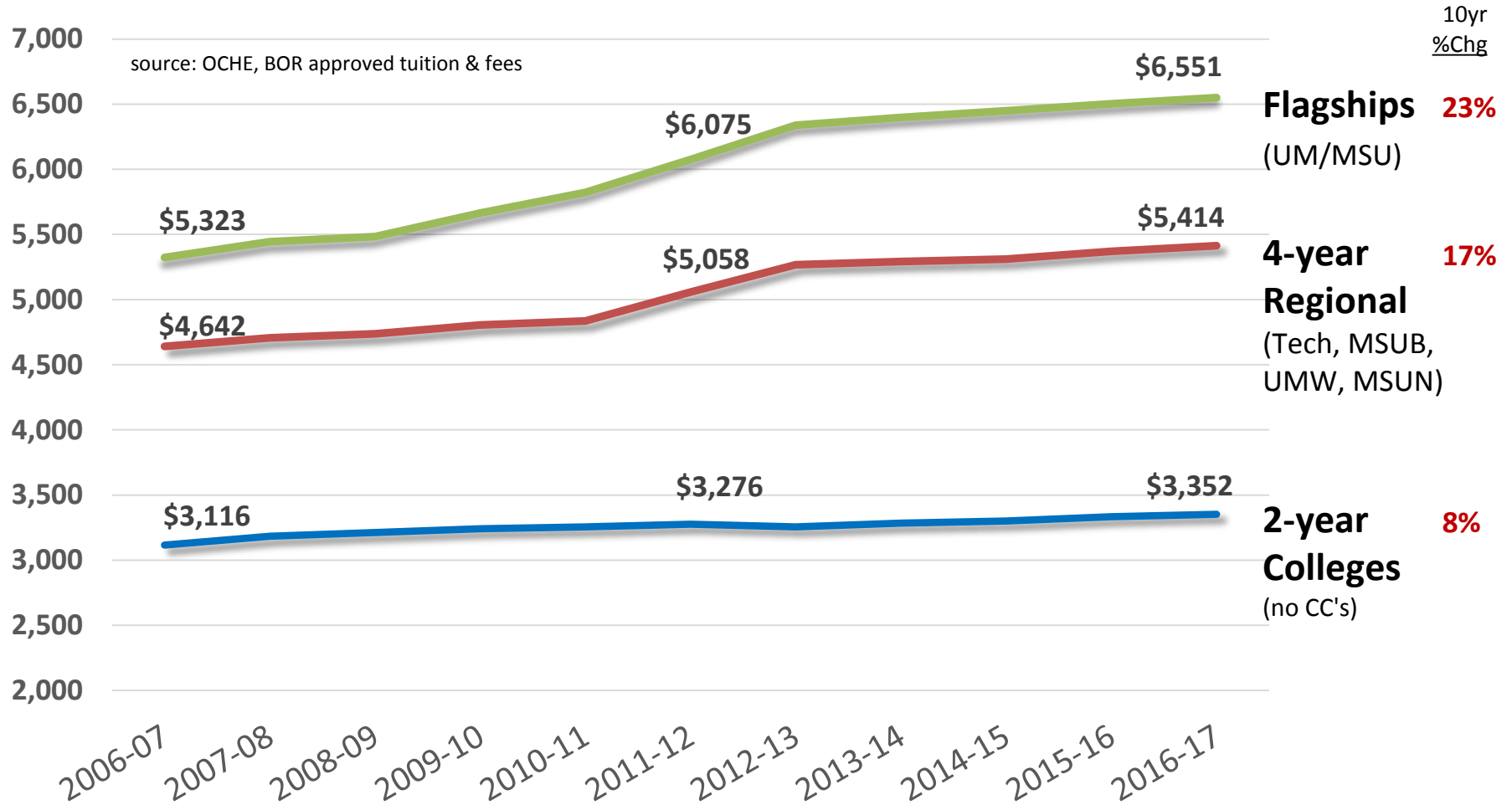
Pell eligibility criteria expanded

**Average Pell for 1<sup>st</sup>-time, FT, Res.**  
 02-03 = \$2,696  
 15-16 = \$4,123  
 Nat'l Avg = \$3,724

Max Pell: \$4,050 → \$4,050 → \$5,815

## Tuition & Fees

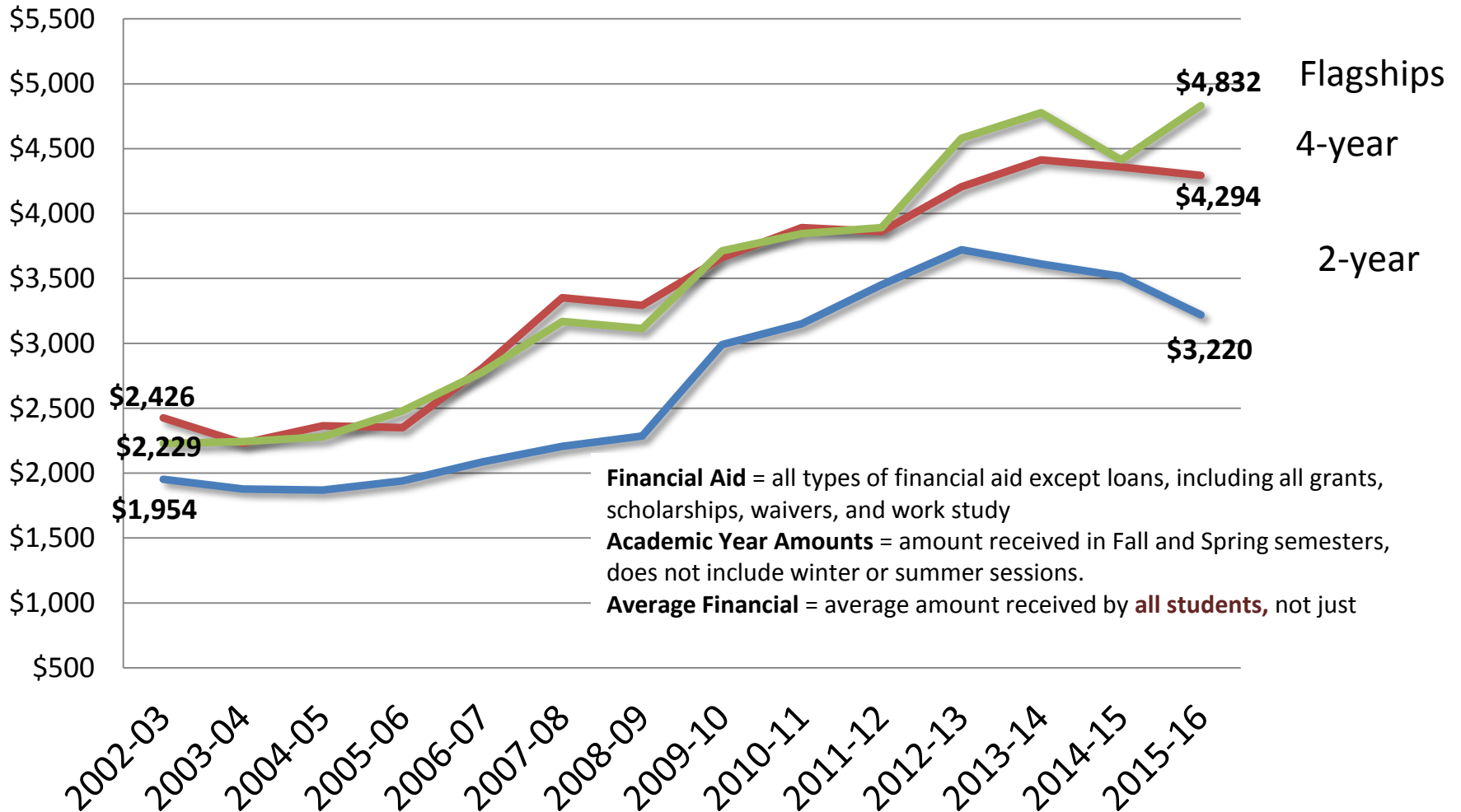
Academic Year Rates for First-time, Full-time Residents



**Freezes have slowed the growth of tuition and fees.**

## Average Amount of Financial Aid Received

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

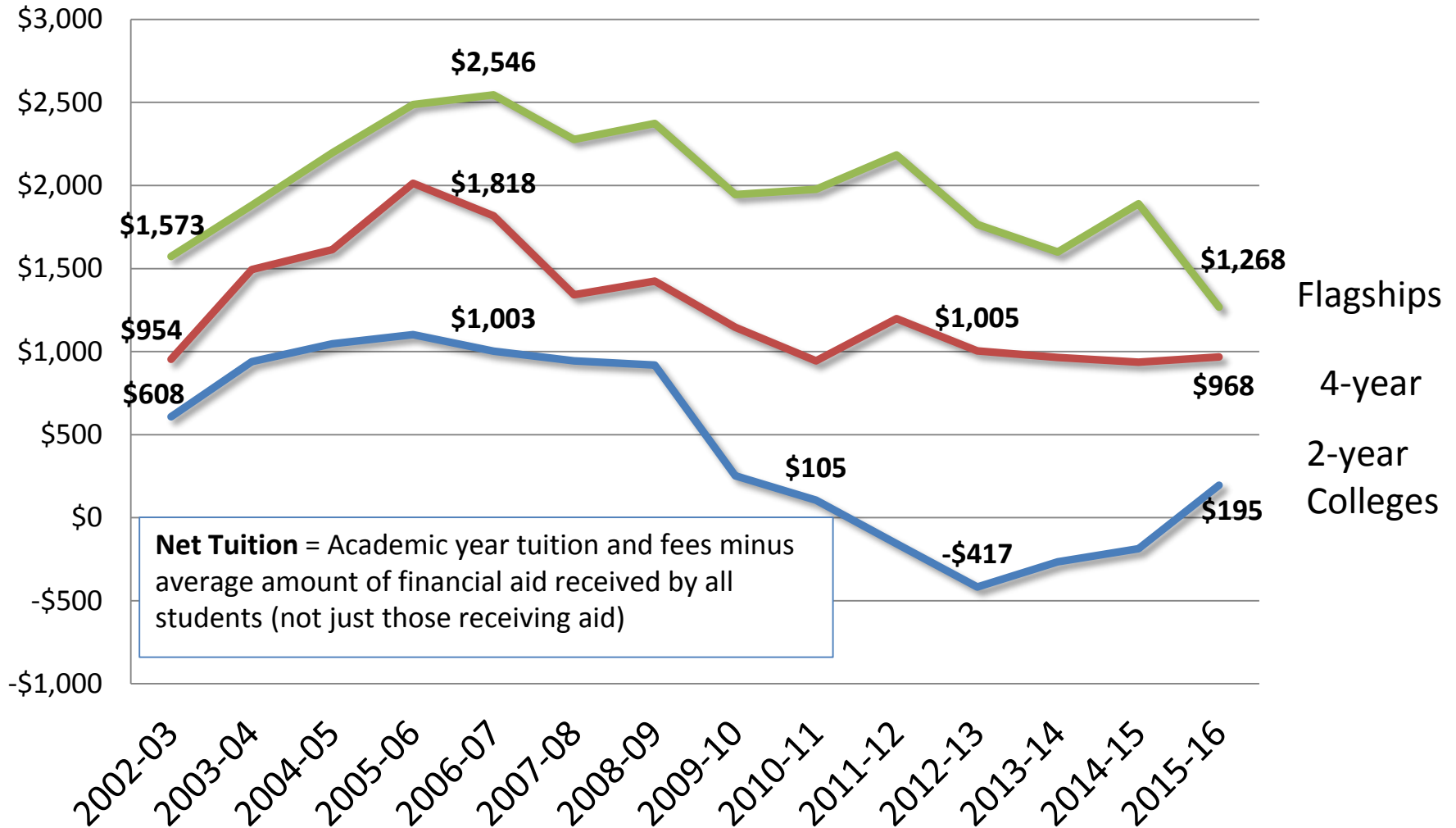


**Financial Aid** = all types of financial aid except loans, including all grants, scholarships, waivers, and work study  
**Academic Year Amounts** = amount received in Fall and Spring semesters, does not include winter or summer sessions.  
**Average Financial** = average amount received by **all students**,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

**Financial aid amounts per student have experienced strong and steady growth.**

## Net Tuition & Fees

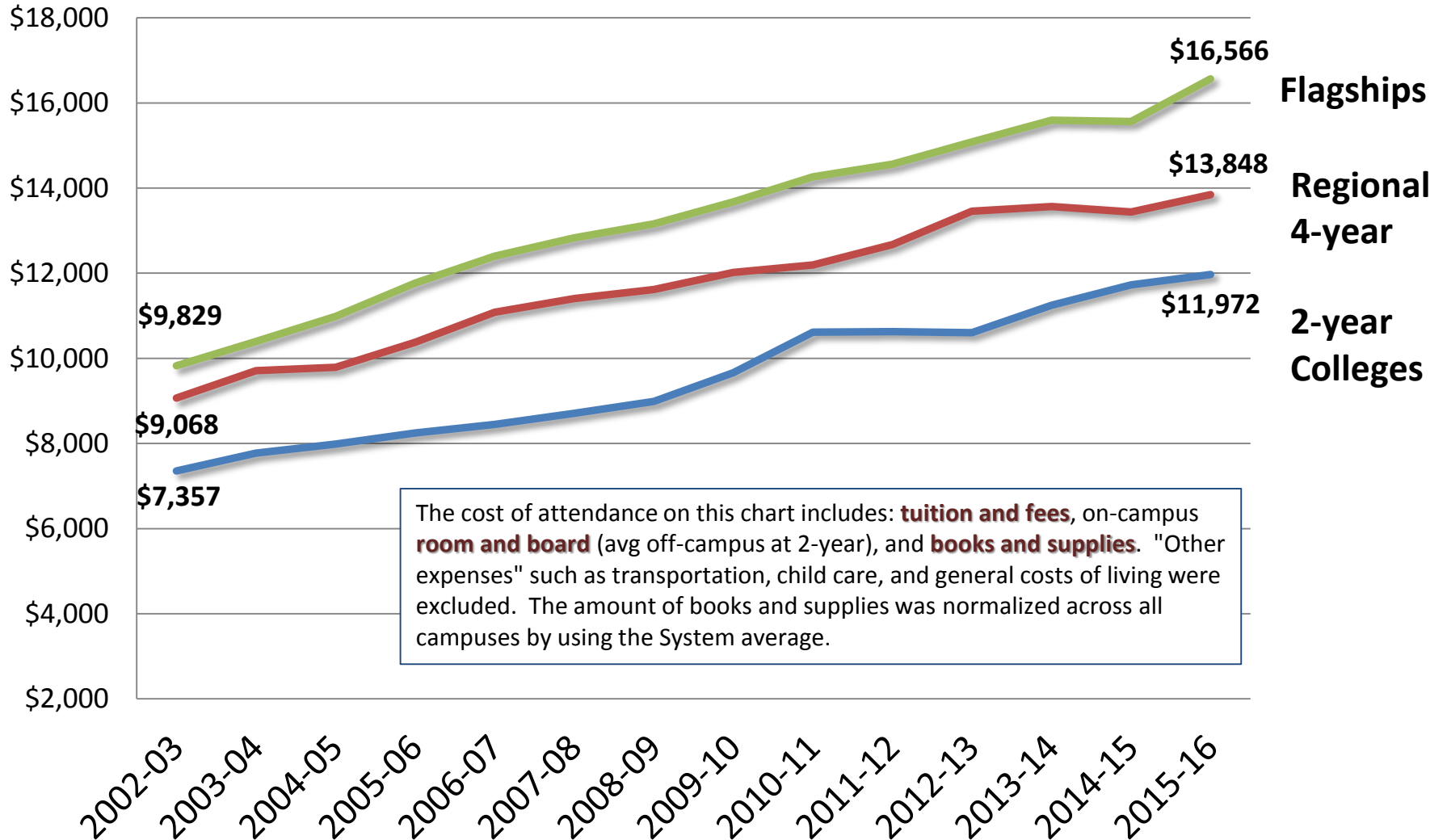
Academic Year Amounts for **First-time, Full-time Resident** Students



**Tuition freezes and financial aid growth produced low net tuition & fees.**

## Price/Cost of Attendance

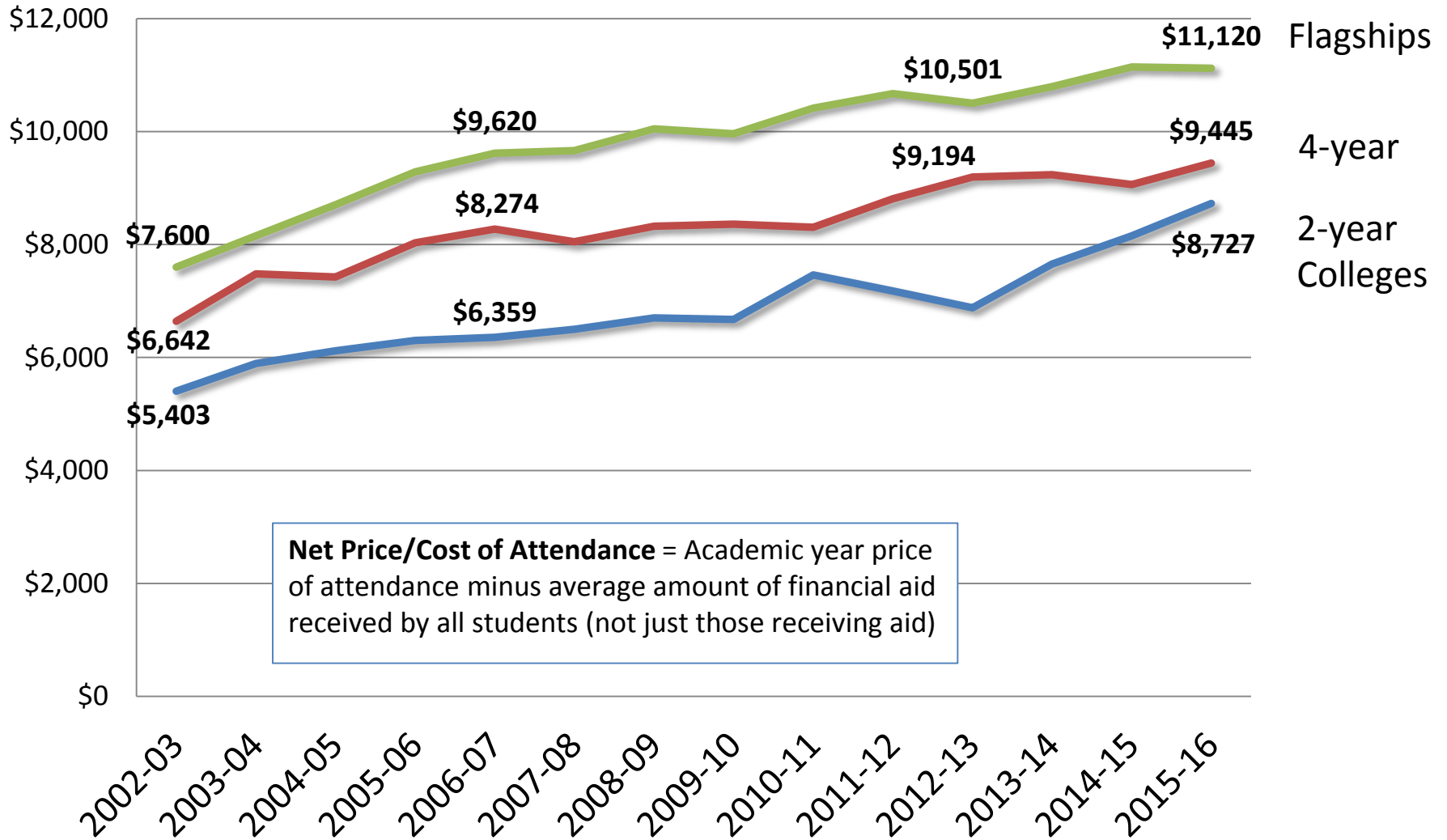
Academic Year Rates for **First-time, Full-time Resident**



**The total cost of attendance includes more than just tuition and fees.**

## Net Price/Cost of Attendance

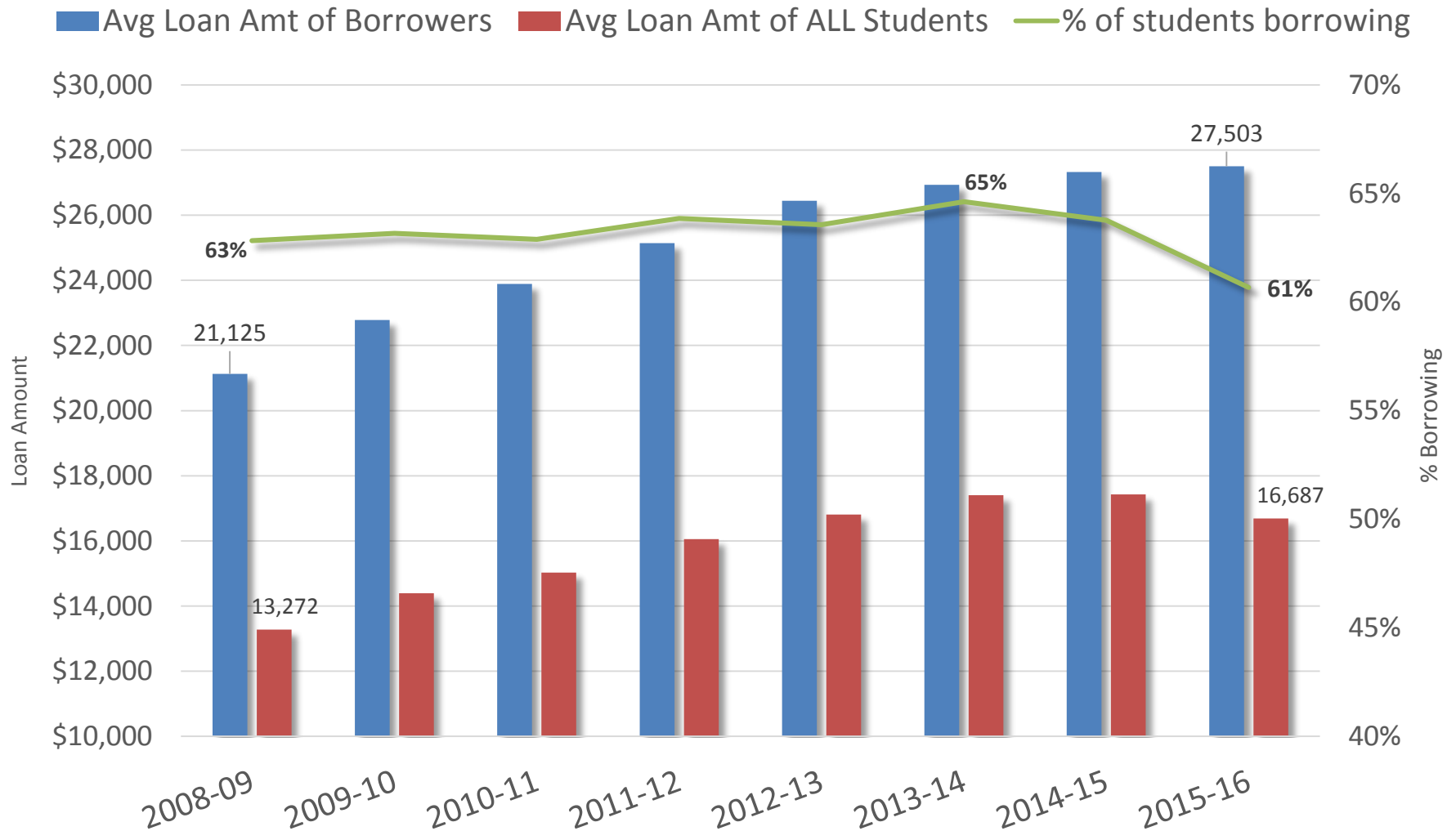
Academic Year Amounts for First-time, Full-time Resident Students



**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)

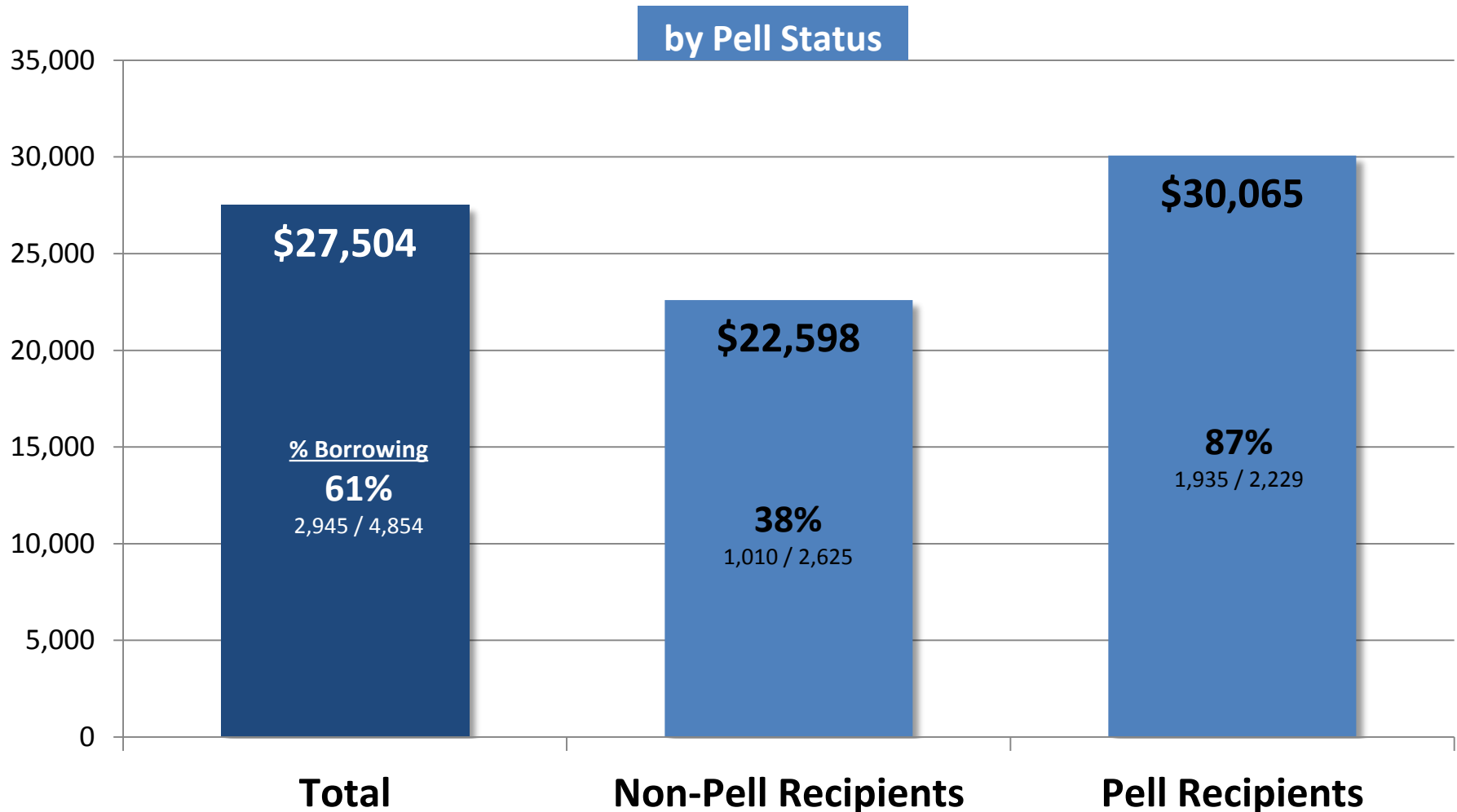


**Student loan debt grew from 2009 to 2014 and then leveled off.**



## Average Loan Amounts for MUS Bachelor's Degree Recipients, 2015-16

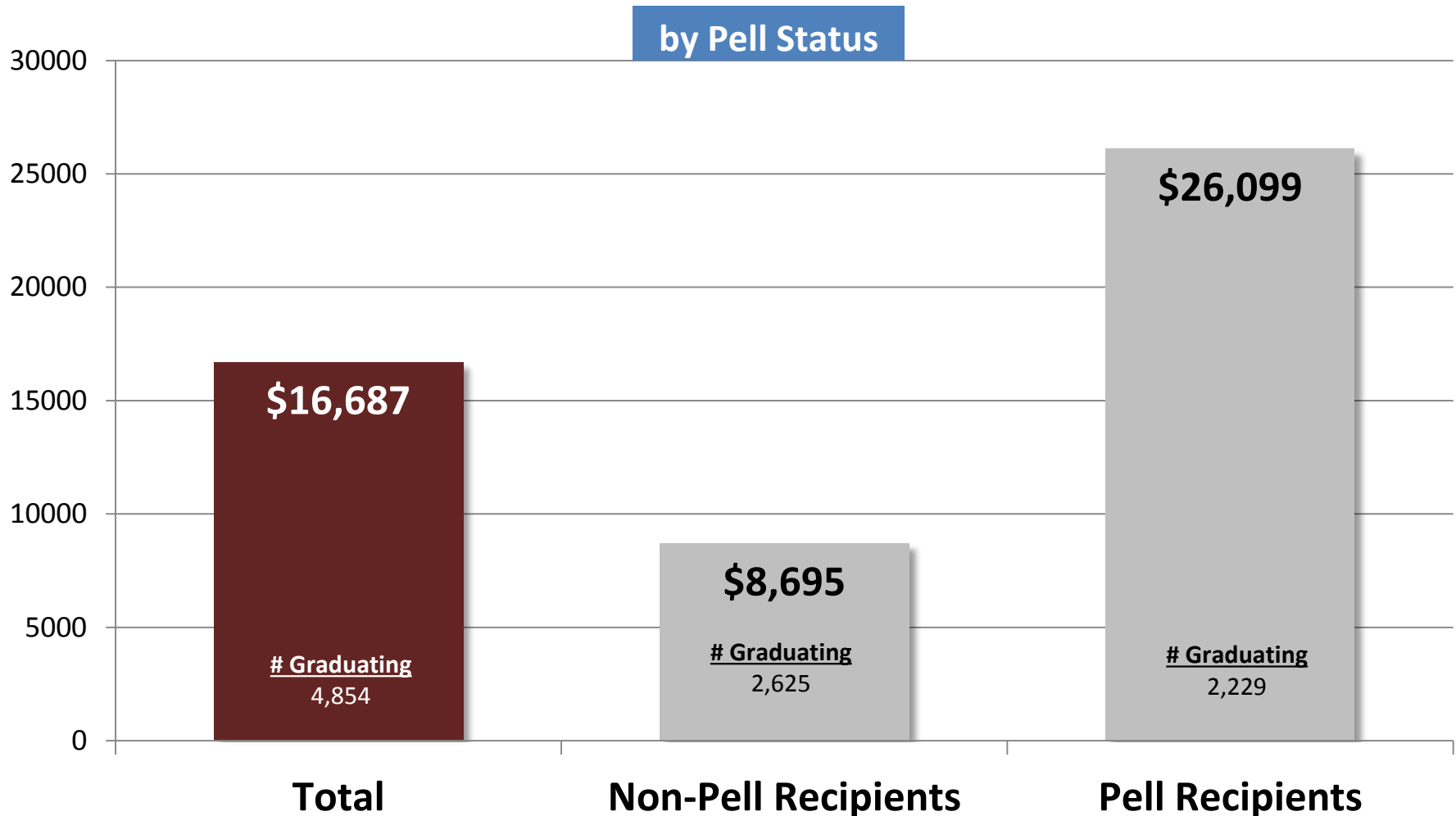
(average loan amounts *of students who borrowed*; no parent PLUS loans included; borrowing activity = 8 years prior to graduation; includes federal and non-federal loans)



**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)

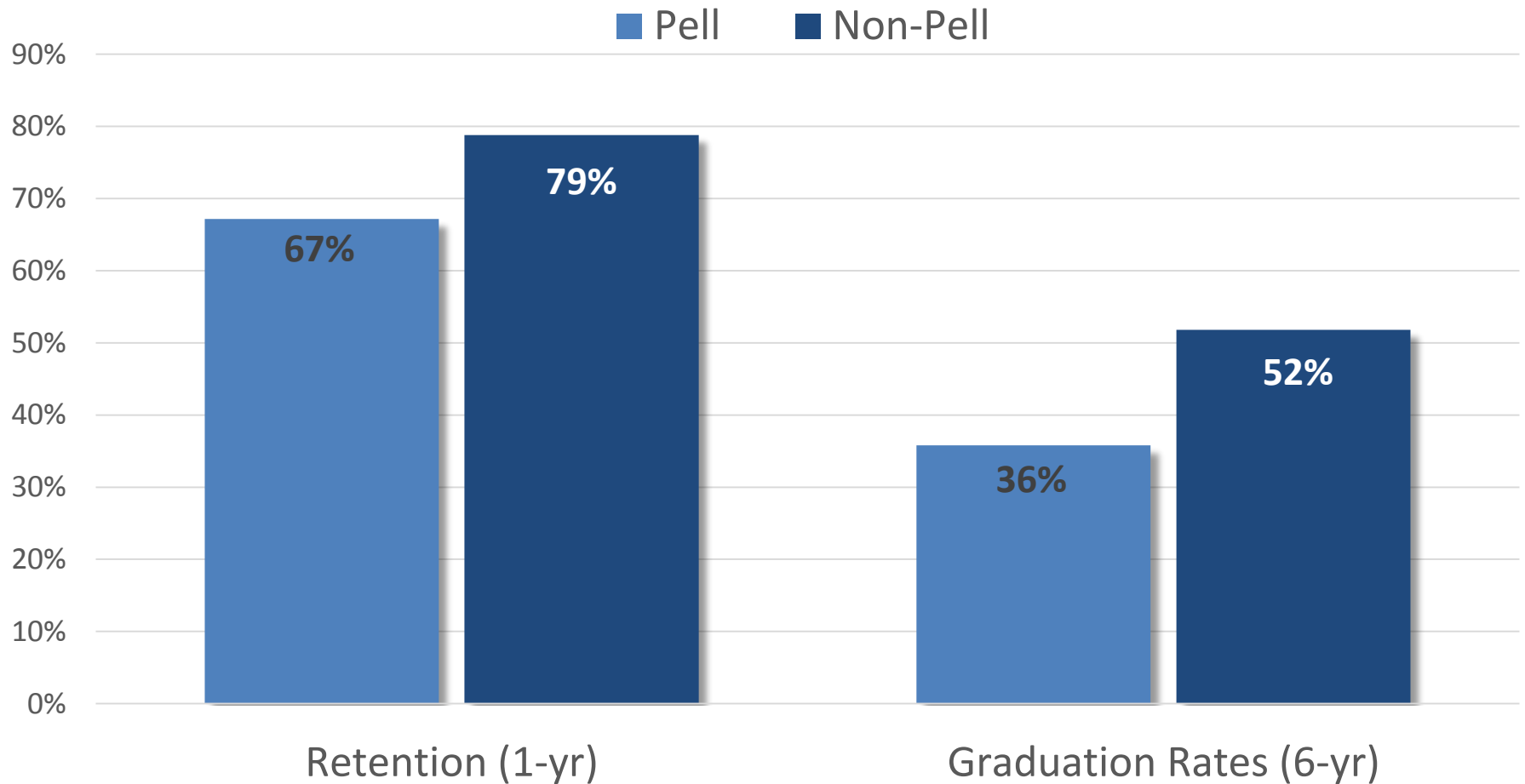


**Lower income students borrow over three times as much!**

## 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



**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 know 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.

## State Funded Need-Based Aid in MT

### 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  $COA - EFC = \text{Need}$ .
- 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.