

Financial Aid Allocation

VCU New Budget Model Task Force,

Financial Aid Working Group

Group Members & Affiliation

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Period: 2/2016-10/2016

The Financial Aid allocation working group was charged to develop an aid allocation methodology for the new budget model. (Note that this charge was to allocate costs should be *allocated* to various units and did not seek to change how aid decisions were made or the process of aid awards.) Preparation for the group was VCU high level of student aid need and increasing focus on aid, access, retention, graduation and a diverse strategic Plan). This perception of financial aid in conjunction with President Rao's original charge to develop a new budget model which "define the core values, goals and principles" highlighted the need for the group to be particularly sensitive to more than "just the numbers."

In the process the group realized that the highly distributed aid award process at VCU necessitated an overall review and analysis of current aid, oversight and sourcing. The group utilized Banner financial and student information to review the types of financial aid currently awarded by various offices responsible for awards, and the criteria for awarding of aid to students in undergraduate and graduate level programs. As it progressed, it became clear that the complexity of athletics funding and NCAA rules, would require a much more localized analysis. Given that endowments overall had not yet been incorporated into model discussions, the recommendation was to link aid to that discussion rather than to athletics. Similarly, scholarships awarded to students from gift or endowment funds or other auxiliary units were determined to be outside of the model (see Remaining Issues). Higher Education Scholarship represents funding transferred from E&G and auxiliary services to provide need-based assistance to help ensure retention and graduation of continuing students with high achievement. General state funding will be excluded from the model process since these funds are earmarked for specific initiatives and programs; therefore it will be allocated off the top. Hence, only aid from the E&G fund is addressed in this report. As is indicated in the data tables attached, E&G funding in the model working group base year (FY 2016) is \$9,000,371. Higher Education Scholarships represent \$9,000,371.

**Virginia Commonwealth University
Financial Aid Working Group**

	<u>Amount</u>	<u>Allocation Recommendation</u>
General	12,899,964	Off the Top-Discussed in this report
Merit Scholarships	<u>9,000,372</u>	Off the Top-Discussed in this report
	21,900,336	
	24,341,197	No recommendation "General Fund"- Revenue Modeling Working Group
Loans	213,819,801	No recommendation "Federal Dollars"
Financial Aid	<u>29,499,981</u>	No recommendation "Federal Dollars"
	243,319,782	
	853,505	Allocated in Research Working Group
	493,707	Will be determined when "All Funds" is added to the NBM
University	4,461,393	Will be determined when "All Funds" is added to the NBM
Centers	9,678	Will be determined when "All Funds" is added to the NBM
	13,434	Will be determined when "All Funds" is added to the NBM
	13,252	Will be determined when "All Funds" is added to the NBM
University	4,574,044	Will be determined when "All Funds" is added to the NBM
Centers	15,235	Will be determined when "All Funds" is added to the NBM
	5,078,320	Will be determined when "All Funds" is added to the NBM
restricted	<u>1,809,538</u>	Will be determined when "All Funds" is added to the NBM
	16,468,601	
	<u>306,883,421</u>	

also spent some time researching the aid allocation methodology pursued by other schools with RCM-like budget models. Available specific details regarding allocation of financial aid was sparse. However, a few common methodologies were identified (see Summary Recommendations section).

tion

Appendix A is a tabular format of the different financial aid categories that are distributed throughout the University.

Appendix B includes the Division of Strategic Enrollment Management (the University centralized UG aid award office) funding types. Those included in Appendix A

Appendix C includes the funding methodology for funds distributed through the Graduate School.

Appendix D includes all outside universities used to research methodologies.

Y OF RECOMMENDATIONS

Considered several possible aid allocation methodologies:

Allocation of the total actual student aid awards based on student credit hours mirroring the allocation of tuition. Such a methodology has the advantage of most closely aligning tuition revenue and the associated aid expense. (Specifics within this methodology (such as matching or providing a flat discount rate were not discussed). However, the schools/college would find themselves being charged for student aid with zero input or access to data about their aid need.

Allocation of the total actual student aid based on student major allocating 100% to the enrolling school. This treatment would provide units about the likely relative cost or savings of changes in enrollment for their particular student profile; however, it would raise questions about the likely relative cost or savings of changes in enrollment for their particular student profile; however, it would raise questions about transferable student transfers within the University as aid costs would transfer to the new unit with the student.

Deducting required financial aid funds, as determined by university leadership, from the initial total tuition revenue pool, including tuition differentials, but not including school-specific fees (e.g. lab fees, materials fees, program fees). This method also follows the approved treatment of aid as an offset to revenue by reducing the overall amount to be allocated to units proportionally based on their total tuition. While this allocation would still be based on anticipated total student awards, it would not align any one particular student aid cost to a particular student. Additionally, this method is blind to where students with need actually enroll, avoiding perverse incentive for the schools/college to not enroll students who have more financial need.

In consideration of the options, the group identified several criteria for any recommended allocation methodology:

For all model elements, it must be easily explained and readily understood, including audiences outside of the financial community. The methodology should not create an excessive administrative burden and come from an accessible, consistent data source.

of the above must occur in an environment meeting high and specific data security requirements (FERPA) and would not change the award process.

should recognize VCU's express strategic goal of accessibility and affordability which would point to increasing aid rather than consider it primarily as a cost factor.

In the above, the group identified a primary concern centered around the possible negative perception of a high aid allocation to individual colleges based on actual student awards. This seemed particularly problematic as the schools/college neither determined nor (under FERPA) are aware of individual student awards. Further, the effort to maximize student awards often resulted in a complex matrix of awards that make it almost impossible to determine which aid funding actually offset specific tuition credits. In addition, attempting to "recover" academic units based on what their students are awarded would be tedious due to the movement of students to other majors/schools and the impact on reducing cross-disciplinary education.

In light of these concerns, the group recommends opting against a per-unit allocation and funding aid from the initial tuition pool (option 2). The group will emphasize the need of the university as a whole to monitor and maintain appropriate financial aid funding while distributing the aid using a more transparent methodology.

Option 2

Aid is allocated to the Division of Strategic Enrollment Management (i.e. Financial Aid and Admissions) for distribution based on current methodologies. See Appendix B for methodology details.

Option 3

Deducting required financial aid funds, as determined by university leadership, from the initial total tuition revenue pool, including tuition differentials, but not including school-specific fees (e.g. lab fees, materials fees, program fees). This method also follows the approved treatment of aid as an offset to revenue by reducing the overall amount to be allocated to units proportionally based on their total tuition. While this allocation would still be based on anticipated total student awards, it would not align any one particular student aid cost to a specific school. Additionally, this method is blind to where students with need actually enroll, avoiding a perverse incentive for the schools/college to not enroll students who have more financial need.

Option 3 recommends that Undergraduate financial aid is distributed to the colleges in proportion to their guaranteed undergraduate revenue, taking it "off-the-top" so that the model is blind to where students with need actually enroll – avoids the perverse incentive for colleges to not enroll students with financial need.

Funds identified to promote doctoral education should be allocated to the central Graduate School account. The graduate funds identified for doctoral education (graduate tuition waiver) should be allocated to the central Graduate School account - essentially taking it "off-the-top". The Graduate School Dean will distribute doctoral funds to schools/college based on future plans for student enrollment, schools/college ability to fund graduate education, as well as graduation rates and time to degree completion.. Appendix C shows the funding provided to the Graduate School.

The Graduate School, schools/college provides graduate student funding utilizing E&G funds for masters and doctoral students. We were unable to determine the dollar amount.

Graduate Education (Option 3)

Deducting required financial aid funds, as determined by university leadership, from the initial total tuition revenue pool, including tuition differentials, but not including school-specific fees (e.g. lab fees, materials fees, program fees). This method also follows the approved treatment of aid as an offset to revenue by reducing the overall amount to be allocated to units proportionally based on their total tuition revenue. While this allocation would still be based on anticipated total student awards, it would not align any one particular student aid cost to a particular school. Additionally, this method is blind to where students with need actually enroll, avoiding perverse incentive for the schools/college to not enroll students who have more financial need.

Recommendation: Undergraduate financial aid is distributed to the colleges in proportion to their guaranteed undergraduate revenue, taking it "off-the-top" so that the model is blind to where students with need actually enroll – avoids the perverse incentive for colleges to not enroll students with financial need.

Comments, questions or concerns:

Comments/questions/concerns beyond your group's charge:

Are employee waivers considered a form of aid?

Appendix A

Overall Financial Aid

	Financial Aid Loans (636029)	Graduate Scholarships (636022)	Health and I nsurance Graduate (636016)	Health Insuran Post Doctoral (636015)	Scholarships & Fellowships (63601)	Stipend Gradu (636012)	Stipend Undergraduate (636017)	Undergraduate Scholarships (636027)	Gran
te	-	74,533.00	-	-	-	-	254,096.00	165,077.96	
iversity	-	-	-	-	-	-	-	4,461,393.59	4
z General	-	6,733,443.75	25,621.20	132,089.57	-	145,536.60	120,735.33	5,742,537.50	12
t Loans	213,819,801.00	-	-	-	-	-	-	-	213
cial Aid	-	-	-	-	-	-	-	29,499,981.13	29
	-	3,101,665.70	-	87,220.12	-	-	-	21,152,311.00	24
tion	-	-	-	-	-	-	-	9,000,371.50	9
ices	-	5,598.73	-	4,078.86	-	-	-	-	
	-	707,434.26	1,451.75	68,986.65	-	13,155.46	34,600.00	27,877.40	
	-	-	-	12,522.79	-	911.62	-	-	
s	-	6,502.15	-	-	-	-	6,250.00	500.00	
iversity	-	1,883,913.71	3,172.00	118,121.67	-	97,922.32	5,000.00	2,465,913.72	4
ants	-	15,234.46	-	-	-	-	-	-	
	-	3,322,542.46	83,385.51	583,482.16	-	763,826.53	86,290.66	238,793.38	5
restricted	-	281,419.51	-	30,398.15	-	4,150.00	-	1,493,569.58	1
	213,819,801.00	16,132,287.73	113,630.40	1,036,899.97	-	1,025,502.53	506,971.99	74,248,326.76	306

Appendix B

Division of Strategic Enrollment Management Major Scholarship & Financial Aid Award FY16

et is used by SEM to monitor E&G (ledger 1) funded financial aid - need based and merit based - allocated to in-state and out-of-state students. Merit based 4-ye
 :t high achieving freshman students. Awards are based on specific criteria as noted under the "Scholarship Criteria" tab. Need-based student allocations are based
 f. The Office of Admissions is responsible for awarding university scholarships to new, incoming students and the Office of Financial Aid is responsible for distributin
 Awards and distributions are made twice a year. Any merit based funding not used at the end of the year is repackaged and awarded as one-time funds to students
 and specific criteria. The purpose of this repackaging effort is to help the University with student retention and graduation efforts.

	Permanent		FY15	Revenue	Budget	Available	YTD		
	<u>Budget</u>	<u>Budget</u>	<u>Carryforward</u>	<u>Transfers</u>	<u>Adjustments</u>	<u>Balance</u>	<u>Distributions</u>	<u>*As of 9.30.16</u>	<u>Ba</u>
ision									
ergraduate Scholarships - Academic Excellence (3129)	\$285,740	\$285,740	\$ -	\$ -	\$ -	\$285,740	\$110,001		\$
resident Scholarships (1-23113)	210,000	210,000	-	-	-	210,000	58,500		
resident Recruitment Initiative (1-23136)	1,885,000	1,885,000	-	-	-	1,885,000	811,250		1,
st VA Pres Scholarships (1-23139)	962,500	962,500	-	-	-	962,500	373,911		
renewable Scholarships (1-37007)	4,586,500	4,586,500	-	-	-	4,586,500	2,079,000		2,
s - SEM Division	\$ 7,929,740	\$ 7,929,740	\$ -	\$ -	\$ -	\$7,929,740	\$3,432,662		\$4,
ture Budget)									
ergraduate Financial Aid (HS2111)	\$10,771,320	\$10,771,320	-	\$1,293,083	\$ -	\$12,064,403	\$5,712,808		\$6,
rk Study Financial Aid (HS2112)	231,000	231,000	-	119,000	-	350,000	33,804		
d - SEM Division	\$11,002,320	\$11,002,320		\$1,412,083		\$12,414,403	\$5,746,613		\$6,
M Division	\$18,932,060	\$18,932,060	-	\$1,412,083	-	\$20,344,143	\$13,046,290		\$11,
						% of	45.10%		
ips (Revenue Budget)									
idential Scholarships (1-03071)	\$1,257,651	\$1,257,651	\$ -	\$ -	\$ -	\$1,257,651	\$614,910		\$
ost Scholarships (1-03072)	4,112,536	4,112,536	-	-	-	4,112,536	2,506,294		1,
rs Scholarships (1-03073)	1,871,114	1,871,114	-	-	-	1,871,114	1,164,377		

i Scholarships	\$7,241,301	\$7,241,301	\$	-	\$	-	\$	-	\$7,241,301	\$4,285,581	2,
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ips/Financial Aid	\$26,173,361	\$26,173,361	\$	-	\$1,412,083	\$	-	\$27,585,444	\$13,464,855	\$14,
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<p>Doctoral Candidacy (1-30047) r tuition only (not fees) for ents who have advanced and are being funded as a stant. The tment/grant must provide pport. In order to be r doctoral tuition support at approved degree candidacy on file with the Graduate o the start of the current : funding is being requested e student formally begins s/dissertation/research</p>	E&G	\$1,200,000	PhD at Candidacy	Graduate GA/RA/TA – Yes (max 20 hours per week)
	\$5,586,620			

Appendix D

Research of Current Practices at Other Universities

<ul style="list-style-type: none">• The Graduate School allocates “Graduate School Fellows” stipend revenue to colleges based on Graduate School criteria. Such revenues are added to the receiving colleges’ appropriations.• Each college is charged a pro-rata share (based on tuition) of university-wide scholarships. Such scholarships include any scholarships mandated by legislation.• All remaining scholarships are at the discretion of the college and the college granting the scholarship is charged the tuition covered by the scholarship.	UF RCM Manual
<ul style="list-style-type: none">• Regular session undergraduate tuition (net of financial aid and blind to in-state vs. out-of-state proportions) will be allocated via a blended formula driven by the credit hours of degree-seeking students (off-Grounds and on-Grounds).• The proportion of undergraduate financial aid that is funded by undergraduate tuition is budgeted, and both the regular-session and summer-session undergraduate tuition pools are reduced by relevant amounts before allocation to the schools.• As of 2013-14, graduate tuition has been distributed directly to the schools of enrollment (and includes both financial aid and any out-of-state	UVA Financial Model

	differential).	
a	<ul style="list-style-type: none"> Financial Aid can be from multiple sources. Externally generated student financial aid is treated like any other sponsored revenue and is attributed fully to the ARC that enrolls the student. Internal financial aid in the form of scholarships or stipends is directly charged to the ARC that awards the student. 	Medical Univ of SC RCM Manual
ire	<ul style="list-style-type: none"> Undergraduate Gross Tuition & Financial Aid allocated to units based on weighted credit hours taught using prior 2 calendar year credit hour average Graduate Gross Tuition & Financial Aid flows directly to unit of matriculation (credit hours not weighted) 	UNH RCM Operating Manual
ity	<ul style="list-style-type: none"> Undergraduate financial aid is distributed to the colleges in proportion to their undergraduate revenue Since most of the graduate tuition on the Athens campus is waived, these revenues will be distributed directly to the colleges along with the waivers they give. Any revenue net of waivers remains with the college. This puts colleges in control of waiver decisions. Employee fee waivers are another form of scholarship where employees and their dependents receive waivers when taking courses 	Ohio Univ Budget 101
	<ul style="list-style-type: none"> For Undergraduates, a financial aid discount (37% in FY2015) is subtracted from the home school and teaching school portions of the distributed tuition to fund financial aid. For Graduate and Professional Students, student aid is determined by the home school and the expense is retained by the home school. 	UPenn RCM
	<ul style="list-style-type: none"> The costs of centrally awarded financial aid are attributed to units based on the same distribution as tuition. That is, units are assessed a charge for 	Univ of Michigan

centrally awarded financial aid on the basis of the proportion of students whose tuition flows to them.

- The Rackham School of Graduate Studies administers General Fund aid to students enrolled in Rackham programs and so the aid it awards is charged to the schools that enroll Rackham students.
- Both of these assessments are based on averaged amounts; that is, a unit is assessed a charge for financial aid calculated as if all the unit's students received the average aid package awarded to students of that type. The UB model incorporates this averaging approach rather than one based on the actual aid furnished to a unit's students for two reasons. First, we hold the view that financial aid is a university priority that should be supported across the campus. Second, our aim is to admit students based entirely on relevant academic criteria, independent of the students' financial circumstances

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