



# Higher Education Financial Aid Grant Programs and Awards

# Study mandate

- Review student financial aid at Virginia's public four-year higher education institutions
  - Assess student ability to pay and debt trends
  - Assess adequacy and equity of state financial aid funding across institutions
  - Compare and evaluate institutions' student aid policies
  - Evaluate effectiveness of state financial aid at lowering student costs
  - Evaluate impact of rising costs of higher education and student debt on Historically Black Colleges and Universities (HBCUs) and their students

Commission resolution (January 2022)

# Primary research activities

- Structured interviews
  - Staff at SCHEV and 15 public four-year higher education institutions
  - Subject-matter experts on higher education access and affordability
- Data collection and analysis
  - Trends in higher education costs, student enrollment, student ability to pay, debt, and graduation
  - Financial aid awards and funding
- Review of Virginia financial aid laws and regulations
- Review of several other states' financial aid program structures and requirements

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## In brief

Financial aid has not kept pace with rising higher education costs and students' declining ability to pay, resulting in substantial unmet need for students after all aid is applied.

Several state grant requirements prevent needy students from accessing largest grants and increase financial aid staff workload.

Separate state financial aid programs create confusion among students and increase staff workload.

Students with similar financial need receive different state grant awards, and some state grants are awarded to students with comparatively less need, because of institutions' awarding practices.

Virginia should more effectively target limited state grant funding to students with the most financial need.

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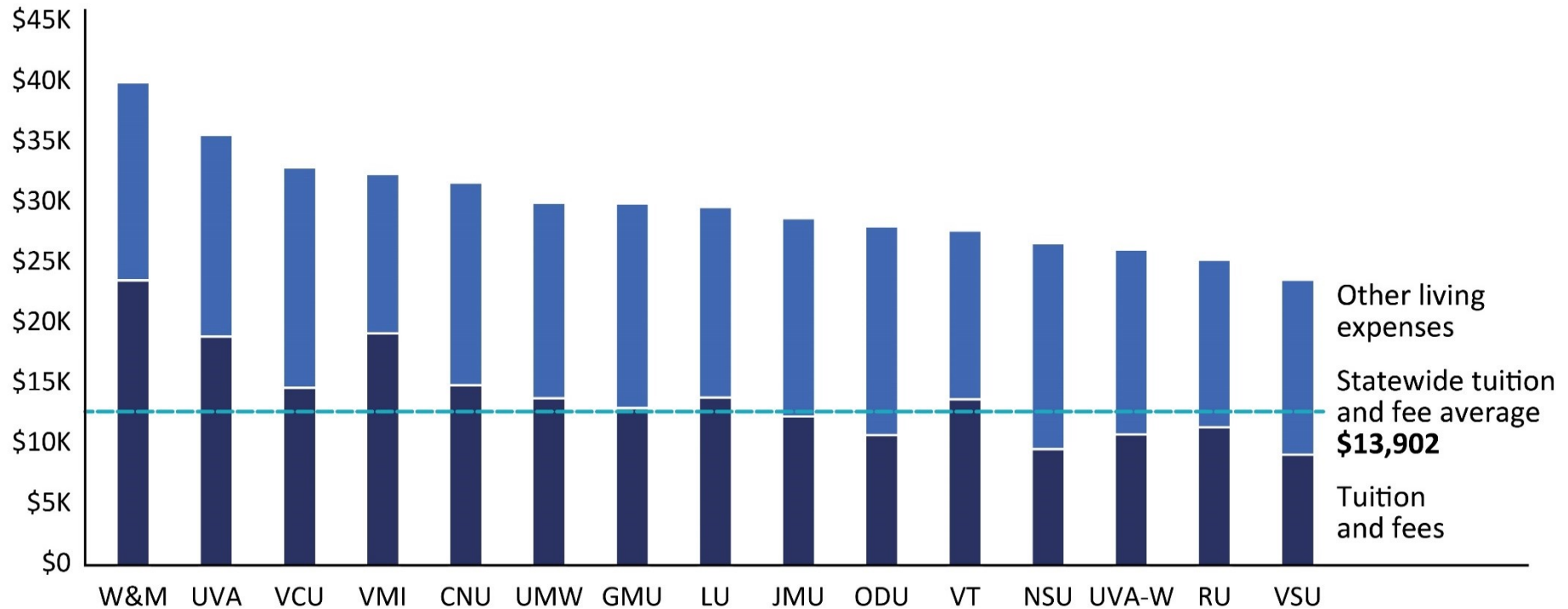
## In this presentation

### **Higher education costs and financial aid trends**

State financial aid program requirements

Financial aid program awards & funding

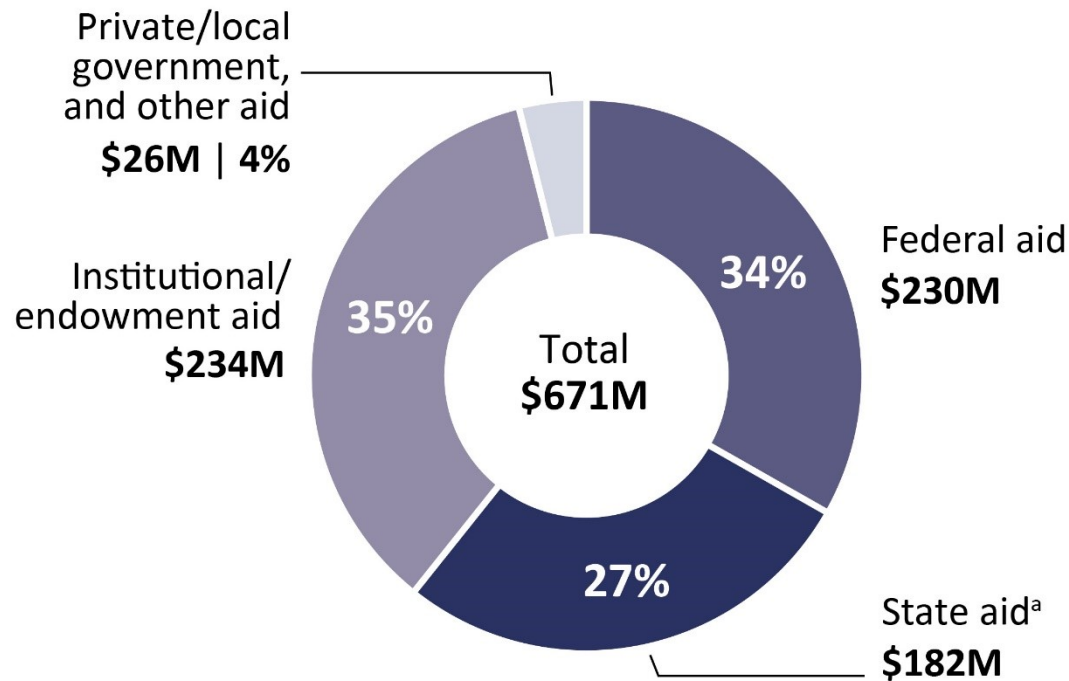
# Higher education costs for in-state undergraduates vary across public four-year institutions (2020–21)



Note: Other living expenses include room, board, and miscellaneous items, depending on the student.

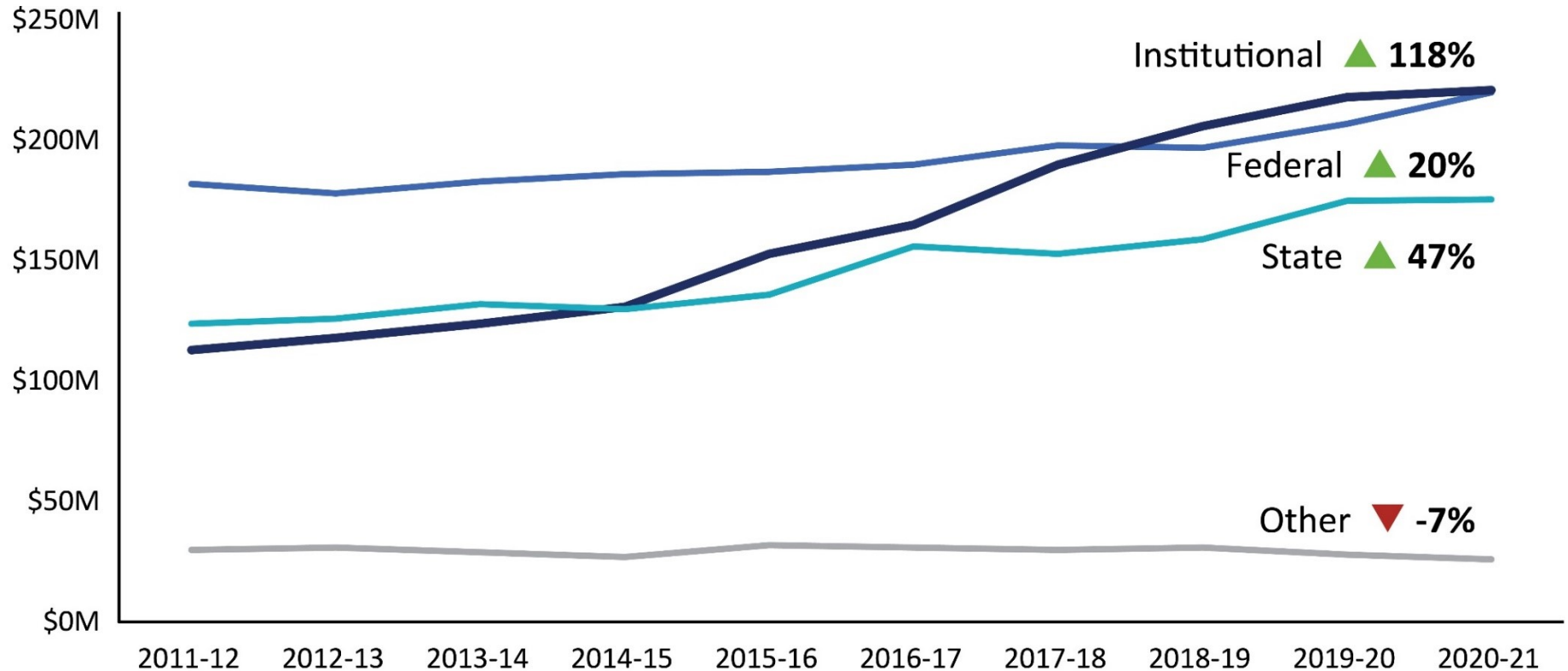
# State aid is about one-quarter of total financial aid students receive to help cover higher education costs

## FINANCIAL AID AWARDS BY SOURCE



Note: Figure shows aid awarded to in-state undergraduates attending Virginia public four-year institutions (2020–21). Loans were not considered financial aid for this report because they have to be repaid.

# All types of financial aid increased in Virginia over the past decade, but institutional aid grew most



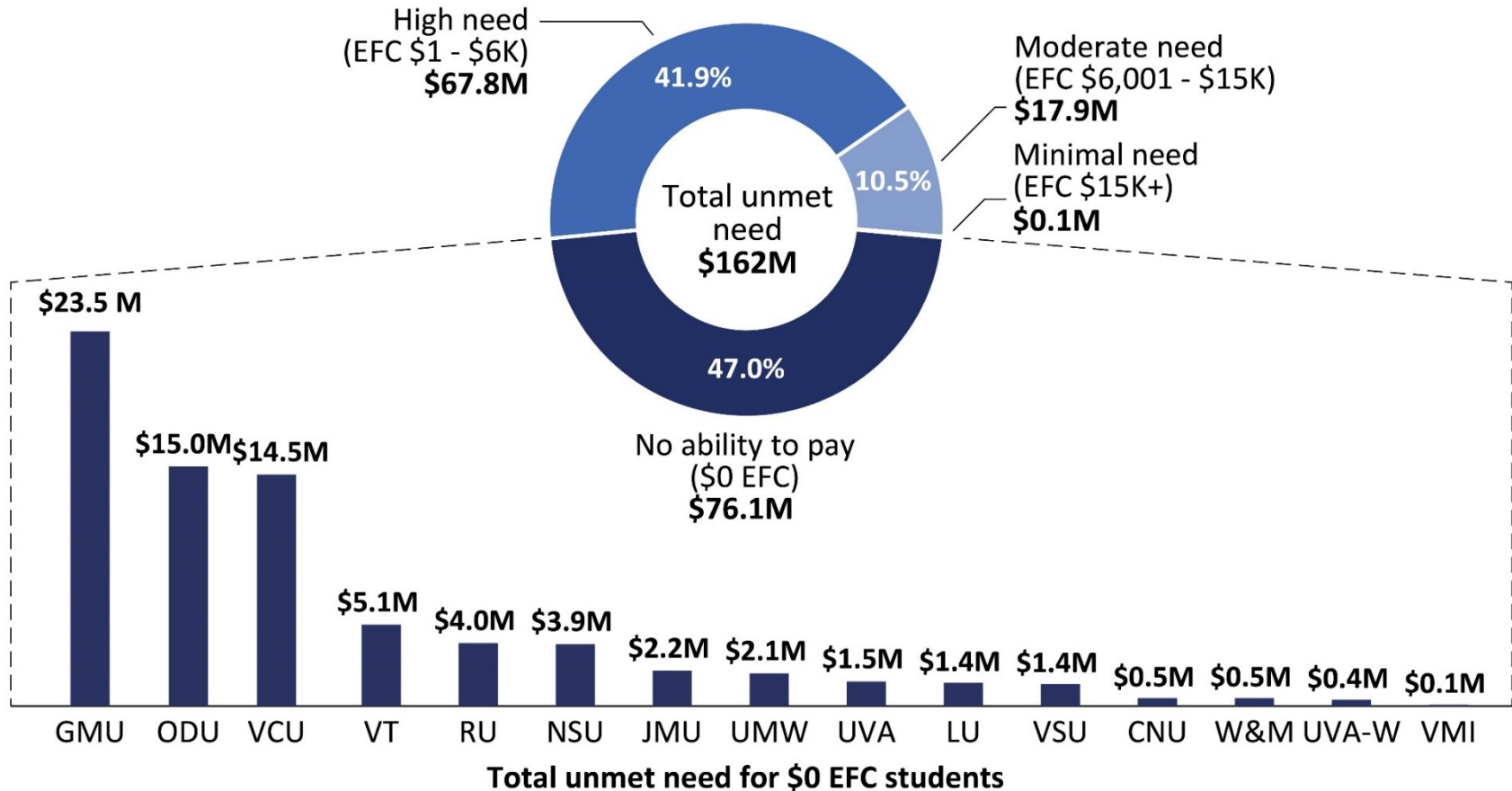
Notes: Aggregate growth in financial aid, by type, 2011–12 through 2020–21. State aid includes VGAP and Commonwealth Award grants

# Financial aid growth has not kept pace with growth in student need over the past decade

- Tuition & fees increased 33% on average (\$10,481 to \$13,902 per student)
- Students' expected contribution to higher education costs decreased 40% on average (\$2,642 to \$1,582 per student)
- Number of students with no ability to pay for higher education grew 11% (19,999 to 22,164)
- Total financial aid increased nearly 50% but not enough to meet students' needs

Note: Data is for in-state undergraduate students attending Virginia public four-year institutions 2011–12 through 2020–21.

# In 2020–21, students had \$162M in unmet tuition and fee needs after all financial aid was applied



Note: In-state undergraduate students attending Virginia's public four-year institutions.  
EFC = expected family contribution toward higher education costs.

# Many students have accumulated higher education debt to cover unmet financial need

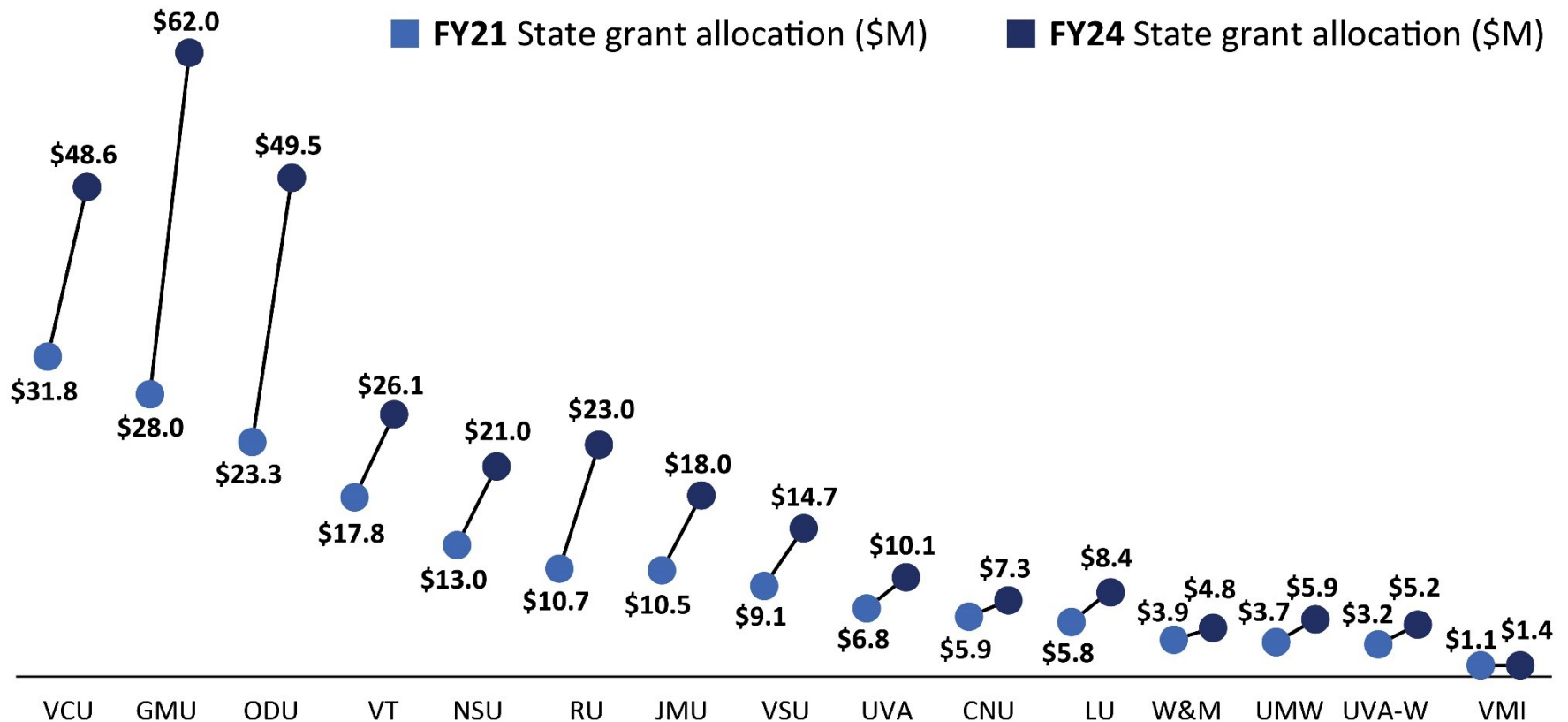
- Majority (56 percent) of in-state undergrads who graduated in 2020–21 had debt
  - Average debt = ~\$30K per student
  - Combined debt across students = \$537 million
- Over half of students who enrolled at a public four-year in 2015–16 but never graduated had debt
  - Average debt = ~\$13K per student
  - Combined debt across these students = \$241 million
- Amount of debt owed by in-state undergrads at time of their graduation increased nearly 20% (adjusted for inflation) over past decade

# Students at public access institutions, including HBCUs, have particularly high unmet financial need and debt

- Several institutions admit large portion ( $\geq 89\%$ ) of undergraduates who apply, including low academic performers
  - GMU, ODU, VCU, NSU, and VSU
  - JLARC defined these as “access” institutions
- In-state undergraduates at access institutions had
  - nearly three-quarters (\$119M) of \$162M total unmet need
  - over half (\$282M) of \$537M total statewide debt
  - 76% average retention rate (non-access institutions = 82%)
  - 50% average 6-yr graduation rate (non-access institutions = 75%)

Note: Data is for in-state undergraduate students attending Virginia public four-year institutions, academic year 2020–21.

# State funding for state financial aid will increase significantly in FY24



Note: State grant funding for public four-years increased \$131M from \$175M in FY21 to \$306M in FY24.

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Financial aid program awards & funding

# VGAP and Commonwealth Award grants are the largest state financial aid programs

State grant program	Unique students	Total awards (\$ millions)	Combined = ~\$175M 95% state aid
Virginia Guaranteed Assistance Program (VGAP)	15,892	\$94.8	
Virginia Commonwealth Award	21,047	77.4	
Two-Year College Transfer Grant Program	1,937	2.7	
GEAR UP	560	2.7	
Virginia Military Survivors & Dependents Educational Program	1,046	1.7	
Other state aid	4,110	3.6	
<b>Total</b>	<b>38,033</b>	<b>\$182.1</b>	

Notes: Data shown is for academic year 2020–21. Total awards will increase for VGAP and Commonwealth Award grants when state funding increases to \$306M in FY24.  
GEAR UP is federally funded but fully state administered.

# Students must meet several eligibility requirements to receive VGAP and Commonwealth Award grants

## REQUIREMENTS FOR STATE AWARDS

### VGAP Award

- Demonstrate **need**
- Maintain **continuous full-time enrollment** (24 credit hours)
- Progress **one “class level”** during each year of enrollment (typically 30 credit hours)
- Enter with at least a **2.5** high school GPA
- Maintain college GPA of **2.0**

### Commonwealth Award

- Demonstrate **need**
- Enroll in a **minimum of 6 credit hours per semester**
- Maintain **satisfactory academic progress** (SAP)

# States should minimize eligibility requirements for need-based financial aid, according to experts

- Need-based programs that award funds strictly on student financial need are most effective at making college accessible and affordable
- For need-based programs
  - Aid should be directed to neediest students
  - Eligibility criteria should be streamlined to limit requirements
  - Eligibility criteria should be need-based
- Experts acknowledge worthy intent of merit-based aid but emphasize it prevents aid from helping neediest students who struggle academically

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## Finding

VGAP's academic performance requirements prevent students from accessing the state's largest financial aid grants.

# VGAP's full-time and progression requirements prevent many students from receiving grants

- 1/4 of students (24K+) are part time and ineligible for VGAP
  - 30% had no ability to pay for higher education
  - Many attend GMU, ODU, VCU, and NSU
- Some full-time students take <30 credit hrs/year, making them ineligible because of progression requirement
- Institutions estimated over half of VGAP recipients lost eligibility because of the full-time and progression requirements
- Other states (e.g., TN, PA) and Virginia's Commonwealth Award grant provide pro-rated financial aid grants to part-time students

\*Information is for in-state undergraduate students at Virginia's public four-year institutions, 2020–21.

# VGAP's GPA requirements prevent some students from accessing VGAP grants

- 2.5 high school GPA requirement
  - 2% of students (2K+) had a high school GPA below 2.5
  - Institutions have own admissions standards; some admit students with lower GPAs
- 2.0 college GPA requirement
  - 5% of students (6K+) had a college GPA below 2.0; many had no ability to pay for higher education
  - Institutions already verify students' academic performance using SAP requirements\* (SAP GPA minimum = 1.0 – 2.0)
  - Many other states, Virginia's Commonwealth Award, and Pell use institutions' SAP requirements for state grant eligibility

\*SAP = satisfactory academic progress requirement

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## Recommendations

General Assembly may wish to consider allowing in-state undergraduate students who are enrolled in at least six credit hours of academic coursework at public higher education institutions to receive prorated VGAP grants.

General Assembly may wish to consider eliminating the requirement that VGAP recipients have a cumulative high school grade point average of at least 2.5.

General Assembly may wish to consider requiring VGAP recipients to meet their institution's satisfactory academic progress requirements instead of a cumulative college GPA of 2.0.

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## Finding

Having two separate state grant programs—VGAP and the Commonwealth Award program—causes confusion among students and increases the workload of financial aid staff.

## Combining Virginia's two state financial aid grant programs would have benefits

- Students would no longer have to understand two separate sets of state grant eligibility criteria and award amounts
- Financial aid staff would not have to switch students between programs as eligibility changes
- NC is currently consolidating multiple state financial aid grant programs into a single program
- Combined program should reflect Commonwealth Award eligibility requirements, which are more accessible to needy students

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## Recommendation

General Assembly may wish to consider eliminating VGAP and integrating it with the Virginia Commonwealth Award grant program.

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# Institutions have different policies for awarding VGAP and Commonwealth grants, as allowed by state law

- Each institution adopts its own state financial aid awarding “schedules” that stipulate:
  - Measure of students’ financial need (e.g., income level, EFC, remaining need)
  - Student eligibility criteria
  - Maximum state grant awards
- State law allows institutions to use different financial aid schedules, as long as needier students receive larger state grants

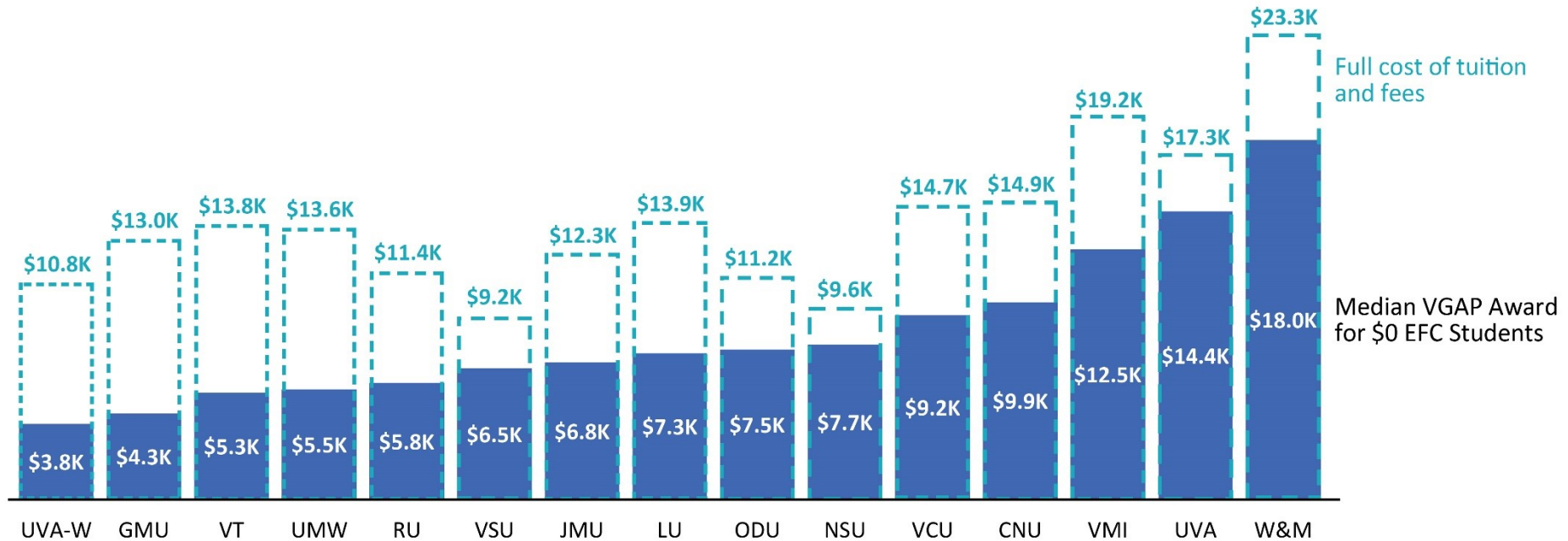
# Example: VSU's & VMI's state grant awarding schedules have different ranges of students served

VSU	
Remaining student need	Maximum VGAP award
\$17,178 and above	\$6,840
\$15,918 – \$17,177	\$6,590
\$14,658 – \$15,917	\$6,340
\$13,398 – \$14,657	\$6,090
\$12,138 – \$13,397	\$5,840
\$10,878 – \$12,137	\$5,590
\$10,877 and below	Not eligible

VMI	
Remaining student need	Maximum VGAP award
\$21,000 and above	\$12,650
\$20,000 – \$20,999	\$12,150
\$19,000 – \$19,999	\$11,650
\$18,000 – \$18,999	\$11,150
\$17,000 – \$17,999	\$10,650
\$16,000 – \$16,999	\$10,150
\$15,000 – \$15,999	\$9,650
\$14,000 – \$14,999	\$9,150
\$6,500 – \$13,999*	\$3,650 – \$8,650*
\$6,000 – \$6,499	\$3,150
\$0 – \$5,999	Not eligible

Note: Awarding schedules shown are for VGAP for academic year 2020–21. \*Eleven rows in the middle of VMI's awarding schedule were collapsed for space.

# Students with no ability to pay for higher education received wide range of VGAP awards (\$3.8K–\$18K)



Note: EFC = expected family contribution toward higher education costs. Figure shows median VGAP awards per year to \$0 EFC in-state undergraduates attending Virginia public four-year institutions (2020–21).

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## Finding

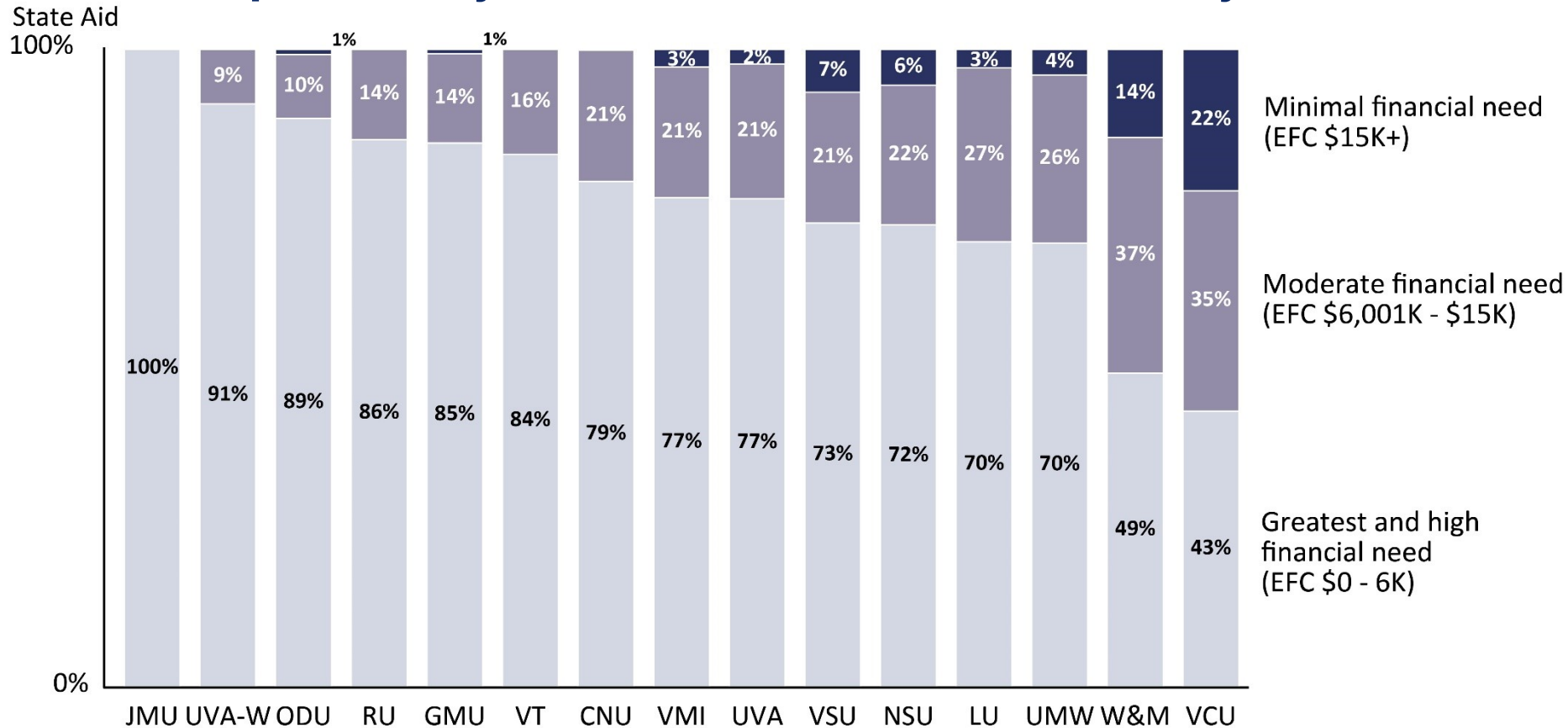
Some institutions direct state financial aid to students with comparatively less financial need, even though some needier students have remaining unmet financial need.

## Public four-year institutions awarded \$37M in state grants to students with comparatively less need

- Students with minimal financial need (expected family contribution \$15K+) received \$5.8M in state grants
- Students with moderate financial need (expected family contribution \$6,001–\$15K) received \$31.2M in state grants
  - Includes “missing middle” students who have large unmet need but are not eligible for Pell
- These awards addressed legitimate financial need, but more state funds could have assisted needier students

Note: Information is for VGAP and Commonwealth Award grants awarded to in-state undergraduates attending Virginia public four-year institutions (2020–21).

# Proportion of state aid awarded to students with comparatively less financial need varied by institution



Note: Figure shows VGAP and Commonwealth Award grants awarded to in-state undergraduates attending Virginia public four-year institutions (2020–21).

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## State should be more prescriptive about student eligibility for state aid to better serve neediest students

- Establishing more parameters for state aid awards would help direct limited state funding to neediest students
- Could be achieved by implementing
  - uniform statewide financial aid awarding schedule for state grants
  - restriction to prevent awarding state grants to less needy students

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## Recommendation

General Assembly may wish to consider establishing additional parameters for state financial aid grant awards that ensure public higher education institutions are prioritizing state grant funding to students with the most financial need.

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## Policy option

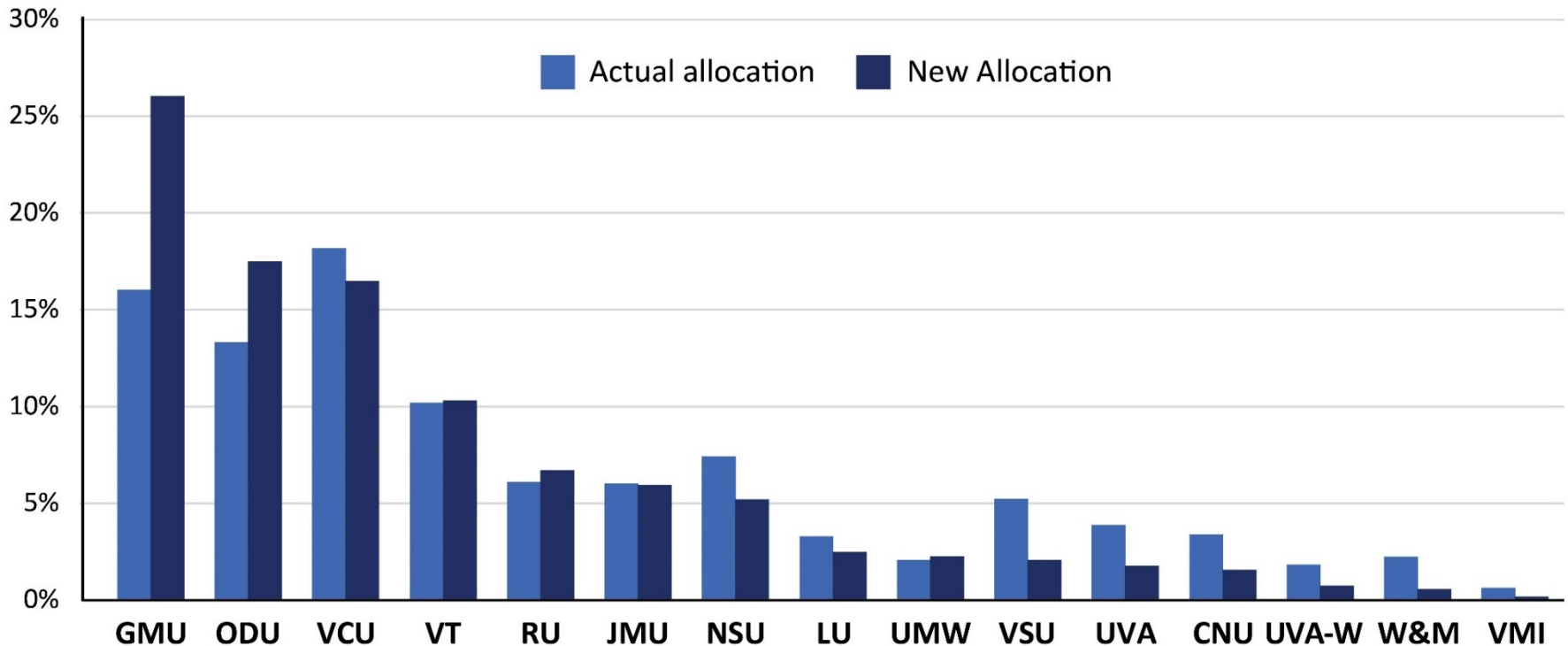
General Assembly could direct SCHEV to design and implement a statewide financial aid awarding schedule for public institutions to use for state financial aid grants that prioritizes awards to students with the greatest financial need.

# Statewide awarding schedule would specify student eligibility requirements and size of awards

- State schedule would determine:
  - Level of financial need that qualifies students for state aid
  - Size of individual student aid awards
- All public institutions would be required to use same schedule, making award calculations consistent for similar students
  - Simplifies and improves predictability of state grant awards for students and families
- Would better target state funds to neediest students but would remove institutions' discretion when awarding state aid (not institutional aid)
- Could decrease size of state grants offered at some institutions

# Statewide schedule would redistribute state funding

Proportion of total state financial aid grant funding



\*Figure based on 2020–21 student financial aid and funding data. See Appendix B in JLARC report for more information on calculations.

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## Policy option

The General Assembly could direct SCHEV to require public institutions to restrict state financial aid grants to the neediest students, measured by their expected family contribution toward higher education costs.

## Alternatively, institutions could be required to restrict state aid to neediest students

- Restriction would prevent institutions from awarding state grants to students with less financial need (e.g., expected family contribution of \$15K+)
  - More state grant dollars would be awarded to neediest students
  - Change would be incremental and would preserve some flexibility for institutions
- Restriction would improve existing system but would not
  - Distribute more state grant funds to institutions with largest number of needy students
  - Increase consistency and understandability of state grants

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## Key findings

Financial aid has not kept pace with rising higher education costs and students' declining ability to pay, resulting in substantial unmet need for students after all aid is applied.

Several state VGAP requirements prevent needy students from accessing largest grants and increase financial aid staff workload.

Separate VGAP and the Commonwealth Award programs create confusion among students and increase staff workload.

Students with similar financial need receive different state grant awards, and some state grants are awarded to students with comparatively less need, because of institutions' awarding practices.

Virginia should more effectively target limited state grant funding to students with the most financial need.

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