

Prepared Comments for State Aid Study Committee Meeting Four Presentation

Slide 1:

Slide 2:

- During our last meeting, I presented this list of recommendations to the committee.
- You asked me to come back to the committee with specific recommendations. You also challenged me to be bold and ask for exactly what I think should be changed.
- Therefore, I come to you today with a series of specific recommendations, some of which are quite bold.
- I will explain my rationale for each recommendation as well as any costs associated with each recommendation, but first I'd like to discuss the timeline related to making financial aid changes.

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- On October 1 each year, the application for the next Aid Year becomes available. The application for students enrolling in college in fall 2019 went live this past October.
- The Office and our college access partners do extensive high school outreach and counselor training from October through March each year. We are currently promoting aid for the 2019-20 academic year.
- The online application deadline for the HELP Grant and for forgivable loans is March 31 each year.
- In early to mid-April, the Office of Student Financial Aid will receive its annual appropriation from the Mississippi Legislature.
- Then the supporting document deadline for the HELP Grant and for forgivable loans is just a couple weeks later on April 30.
- From late-April to May, we finalize our budgets based on completed HELP and loan applications, projected MTAG/MESG applications, and the appropriation bill.
- Then in early June, the Postsecondary Board will approve the program budgets.
- Only then can the Office begin to make award offers in the June before school starts in August. This is not early enough to impact the college-going decisions of most students.
- Soon after we start making award offers, we switch gears and start updating the online application, our program rules, and our data systems to get ready for the next application cycle.
- We are actually already working on the 2020-21 online application, because we are completely rewriting the application for the first time since it was first created in 2003, and the process is extensive.
- After we start making award offers in June, award offers are made to MTAG and MESG students as soon as the student completes the application process even though the application and document deadlines for these two programs are September 15 and October 15.
- Based on this timeline of just one aid year, you can see that any major changes will take at least two and possibly more years to roll out, since any changes the Legislature makes to eligibility requirements, award amounts, or recipients really should not go into effect until the subsequent academic year, since students have already applied for 19-20.
- If the Legislature creates a program or changes the eligibility requirements for an existing program during this 2019 session in such a way that could exclude students currently eligible, the changes should not go into effect until the 2020-21 academic year (impacting the FY 21 budget).
- Also, our office will need time to update the application, our printed materials, our website, and our award programs.

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- That said, there are some changes that can be made immediately.
- I have organized my recommendations into three phases.
- Phase I includes changes that could be made during the 2019 Legislative Session and would impact both the FY 20 and FY 21 budgets as well as the 2019-20 and 2020-21 application cycles and award years.
- Phase II includes changes that should be fleshed out over the 2019 Calendar year, then recommended for consideration during the 2020 Legislative Session with the potential to impact both the FY 21 and FY 22 budgets as well as the 2020-21 and 2021-22 application cycles and award years.
- Finally, phase III includes changes that could add substantially more cost to the programs and therefore should be held until the 2021 Legislative Session or later.

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- Because of the timeline we reviewed earlier, there is little we can do to reduce the cost of state aid for the FY20 budget without impacting students who have already applied with the expectation of receiving aid.
- Therefore, I first urge the Legislature to commit to full funding for undergraduate grants and renewal loans for FY20 based on current projections.
- A standing commitment to full funding of grants would allow the institutions to package aid earlier and allow our office to make award offers earlier as students establish eligibility.
- In your packets you have an updated budget that shows the need for \$46.4 million in general funds and \$1.4 million in spending authority to fund the authorized grant programs in their current format.
- This request represents a \$6.7 million increase over FY19.
- I also recommend that we separate funding for undergraduate grants from other types of aid. Currently, all programs are block funded with only general priorities established in code.
- This change will allow us to be more strategic about prioritizing funding for grants. See Sections 1 and 3 of the DRAFT SFA appropriation bill for suggested language.
- Along the same lines as the previous recommendation, I recommend that we fund only undergraduate grants and renewal forgivable loans. Until any and all changes are phased in, there is not enough money to fund all programs.
- This change, like the one above, would allow us to prioritize grant funding and move toward a more strategic funding approach for loans. Look at revised sections 3 and 4, as well as the deletion of the old sections 4, 10 and 11 in the DRAFT SFA appropriation bill.
- In an effort to start prioritizing need-based aid, I recommend the addition of language to hold HELP harmless in that event we are required to prorate. This change is reflected in Section 5 of the DRAFT SFA appropriation bill.
- I recommend that we require the collection of institutional and federal aid data every year for the development of a state-specific affordability model. This language is reflected in section 6 of the DRAFT SFA appropriation bill, and I will provide more information on the affordability model a bit later in the presentation.
- Finally, I recommend that we require the FAFSA for all applicants, beginning with the 2020-2021 application. See Section 11 of the DRAFT SFA Appropriation bill.

- Currently, 89% of all state aid applicants and 91% of all state aid recipients already complete the FAFSA, so this change would impact only a small fraction of applicants and recipients, while providing us with a more complete picture of who seeks access to state aid.

Slide 6:

- As part of Phase 1, I also recommend some changes that would require general legislation during the 2019 session.
- I recommend that we move the application deadline for all programs to May 1. Currently, the HELP grant has an early deadline of March 31, while MTAG and MESG have very late deadlines of September 15. This change would represent a move toward simplification while also raising the relative priority of HELP.
- While this would likely increase the cost of HELP by providing students 1 additional month to apply, it would also decrease the cost of MTAG and MESG by shortening the application period from 1 year to about 8 months.
- I indicated in an earlier meeting that thousands of students miss out on HELP eligibility each year, because they do not know about the program or they miss the application deadline.
- You will recall that I recommended we simplify state aid by creating one grant program with scaled awards based on income.
- I recommend that we start this process by piloting an expansion of the HELP program for incoming freshmen only beginning immediately with the 2019-20 aid year. The projections are offered in the top chart here.
- To do this would cost at most an additional \$3.9 million for FY 20 for a total FY20 general fund request of \$50.3 million, or \$10.6 million over FY19.
- The cost could be less if not all students completed the additional steps needed to establish eligibility. These estimates are also reflected in the final two columns of the updated budget you have before you.
- The reason I suggest this for the current year is that eligibility would be expanded, not restricted; therefore, no students would be left without aid they were expecting. Also, no changes would be required for the application process. If implemented, we would identify the potentially eligible students and request any additional information we might need.
- To further the transition from three grants to one, I also recommend that we begin to phase out MTAG and MESG for freshmen for 2020-21.
- As I have noted throughout these meetings, the data shows that MESG does not serve its intended purpose of increasing in-state enrollment of high-achieving students. As further rationale, the grant is disproportionately awarded to white students, affluent students, and students at just two of our 30 institutions.
- While the Lifetracks report did show more favorable performance for MTAG in terms of retention and completion, MTAG is also disproportionately awarded to white students and affluent students. The financial aid directors and our college access partners have also indicated that MTAG is ineffective due to the small per person award amount.
- Phasing out MTAG and MESG would allow the state to redirect funding to expand the HELP grant OR possibly create a new program that prioritizes need.

- Prioritizing need-based aid is recommended by every major think-tank and association, including Education Commission of the States, from whom we've heard during this process, SREB, and Lumina to name just a few.
- I fully understand that this recommendation is dramatic and potentially contentious. MTAG and MESH have come to be treated much like entitlements in our state, and this recommendation may not initially garner universal support, particularly from the institutions that benefit most from these two programs.
- Nevertheless, you charged me to be bold, and as a steward of the state's resources and a representative of all students at all institutions, I do stand by this as the most fiscally responsible, equitable and socially just path forward to ensure affordable college access for *all* Mississippi students.
- I also encourage you to consider the fact that in the last couple of years, funding for the HELP grant at each institution has exceeded the amount previously received through MTAG and MESH combined. So, while this recommendation does represent a departure from the status quo, it in no way represents a reduced financial commitment for any institution.
- The bottom chart shown in the slide shows the number of impacted students and the impacted amount associated with this recommendation.
- Although my recommendation is a full phase-out of MTAG and MESH to allow for the expansion of HELP or the creation of a new need-based grant, I have provided additional data about potential savings if MTAG were to be adjusted by raising the ACT requirement or if MESH were to be capped by income.
- In the spirit of full disclosure, our truncated timeline means that the institutions have not yet had an opportunity to run numbers and fully evaluate the impact such a recommendation would have at the institutional level.
- For that reason, IF such a recommendation were to be carried out in Legislation, I would certainly support delayed implementation until the 2020-21 academic year and a repealer to allow for full consideration of the proposal.

Slide 7:

- Phase II of my recommendation would need to be carried out during this calendar year and the 2020 Legislative Session.
- I recommend that we work with Dr. Jim Fridley at the University of Washington to complete development of a Mississippi Affordability Model, which I will show you after outlining the rest of my recommendations.
- Over the last few months, I have been working with the institutional financial aid directors to explore options for redesigning state aid and to expand the HELP grant or develop a new simplified grant program.
- I recommend that we use the Affordability Model to continue that work.
- We would then bring specific recommendations to you for consideration and sponsorship during the 2020 Legislative Session.
- Also during the 2020 Legislative Session, I recommend that we continue the phase-out of MTAG and MESH.
- I further recommend that we create a loan repayment program to replace the existing forgivable loan programs, which can also be further explored over the next year.

Slide 8:

- Phase III of my recommendation would be carried out in a couple of years.
- Over calendar year 2020, we would continue to work with the institutions to determine the best strategy to expand our newly created grant program (or updated HELP program) to benefit part-time students and to accommodate year-round enrollment.
- We would be prepared to present recommendations for the 2021 Legislative Session to expand the grant program for adult/nontraditional students who cannot enroll full-time and to extend aid for summer awards.
- We would also continue to phase-out MTAG and MESH.

Slide 9:

- Let me spend some time now discussing the proposed Affordability Model.
- About two years ago, I learned about the work of Dr. Jim Fridley, a professor at the University of Washington. Dr. Fridley worked with the Washington Student Achievement Council to develop a model that WA lawmakers now use to make decisions about funding and policies for the WA state need grant, which is one of the largest and most generous state grants in the country, awarding about \$330 million each year.
- I shared information about the model with others at IHL and the community college board, and in 2016, IHL, MCCB, and SFA signed an MOU with Dr. Fridley to become the first state after Washington to develop a state-specific affordability model. Unfortunately, we were unable to collect all of the institutional and federal aid data we needed, and the project fell by the wayside for us.
- Fast forward 2 years to this study committee. Following our last meeting before the holidays, I reached back out to Dr. Fridley. He had actually completed a good bit of work on the project a couple of years ago and he has agreed to revisit the project with us.
- So, what is the purpose of the model?
 - The model is designed to help us understand college affordability in our state for our population.
 - It examines the ability of MS families at each income level to cover the cost of attendance.
 - It allows us to see how the most common sources of funds used by students and their families to pay for college add up, and how far they go toward the full bill.
 - When complete, the model will also help us review the past and potential impact of financial aid and other higher ed funding policies
- The graphs are always drawn for groups of colleges and universities in a particular state, not for individual campuses. In the snapshots I've pulled from the model for today, we'll actually be looking at research universities in Mississippi.
- The vertical axis (y-axis) of the graph shows the amount of money required to pay for one year of college. The graph shows zero at the bottom of the graph and the "gross" cost of attending one year of college at the top of the vertical axis.
- In the example here the "gross" cost of attending one year of college at a public research institution in Mississippi in 2013-14 was \$22,240.
- This includes tuition and mandatory fees of \$6,940, which is indicated with the horizontal line that is about half way up the graph as well as the non-tuition costs such as room and board, transportation, books and supplies, and some personal expenses. These costs are represented from the tuition and fees line up to the very top of the graph.

- The horizontal axis (x-axis) represents family income as a percentage of the state's median family income.
- The various colored regions on the graph represent funding from the most common sources available to students.

Slide 10:

- The model is powered by a dashboard with variable inputs.
- This slide shows a sample of what could be included in the dashboard.
- As you can see here, the model is interactive with inputs that can be adjusted to drive the affordability picture.
- As I mentioned the data elements here were taken from the 2013-14 academic year and include:
 - MS Median family income of \$57,660 (Remember that median family income is typically higher than median household income, which is only about \$38,000 in MS.)
 - Annual average tuition of \$6,940.
 - Annual non-tuition costs (which includes room and board, ect.) of \$15,290.
 - Giving us a total annual COA of \$22,240.
- We also see inputs for savings, work and debt, which can all be adjusted based on the assumptions we make.
- The dashboard shows us that right now, we are assuming that families who can save will save 5% of their income for at least 10 years and earn 1% interest on their savings. Those parameters could be adjusted to expect more or less from families.
- Similarly, we could adjust these other inputs as well.

Slide 11:

- Let's return to the model.
- The darker green represents funds from a student's or family's college savings. The model assumes that lower income families will not have disposable income that can be set aside as savings, which is why the savings line starts around \$49,000/year or 85% of median family income.
- The lighter green area represents funds from parents' or other providers' current income. This could be equated to the federal EFC, or Expected Family Contribution, if we choose to define it that way. Just as with savings, the model assumes that low-income families will not have disposable income they can contribute to the cost of college.
- The dark blue represents funds from Federal Pell Grants. You can see that these grants are available in full to Mississippi families making up to about 85% of median family income.
- The copper color represents funds from the student's own job. The model currently assumes the student works 520 hours per year or 10 hours per week for minimum wage. This can be adjusted up to account for more hours, such as full-time summer work.
- The lighter blue bar represents institutional aid. The data currently being used in this version of the model was taken from the National Postsecondary Student Aid Survey, known as NPSAS, and is not specific to our institutions.
- But, we have already started collecting institutional aid on a voluntary basis that we plan to use in the model instead of the NPSAS data, and we hope to receive support from the Legislature to continue to collect that data annually per recommendation #5.

- The pink represents funds from affordable debt, which we can define any way we wish. As I mentioned on the previous slide, it looks like we are currently defining affordable debt as 5% of a family's discretionary income, saved over 10 years at 1% interest.
- The red represents the gap in affordability. This is unaffordable debt that the parents or student will likely struggle or fail to repay. Other students will look at that gap and forego college altogether.
- Ideally, we should be trying to eliminate the red, and do our best to minimize the pink.

Slide 12:

- For the sake of comparison, this picture shows the same inputs for students at a Mississippi public regional institution.
- You can see that the picture looks different, primarily because regional institutions have less institutional aid and largely restricted their aid to low-income students.

Slide 13:

- This snapshot of affordability at the community college is more different still.
- You see that the greatest gap for community college students occurs for students around median family income.

Slide 14:

- Let's look back at the public research institution and add in funding from MESH.
- Now, from this picture, it appears that MESH makes a big impact, but don't forget that this model doesn't include actual data.
- What we expect to see with actual data is for the MESH line to start further up the income scale, since very few low income students receive MESH.

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- Now, let's remove MESH and look instead at HELP, represented by the cobalt blue line.
- The HELP grant almost completely eliminates unaffordable debt for students at public research institutions.
- By expanding the program or creating a similar program with scaled awards that extend to higher incomes we could reduce the affordability gap for more of these low-middle income students

Slide 16:

- And finally, here you can see the same picture with the addition of MTAG as this medium blue line.
- I apologize for the similarity on the colors – I didn't pick them.
- As you will recall, full Pell-eligible students cannot receive MTAG, which is why the graph appears as it does.

Slide 17:

- In closing, I will make one final recommendation, which I also made in my initial presentation in our first meeting.
- Whatever direction the committee chooses to go, we should establish and communicate a strategic purpose for state aid.
- With a purpose in hand, we can set measurable goals, and we can monitor programs for effectiveness and progress.