

Proposed Changes to Need-based Grant Program

Introduction

South Carolina must become a more educated state if it hopes to maintain its economic vitality and quality of life in a knowledge-driven economy. If our state is to significantly increase its educational levels, growth must come from a sharply improved college-going rate among students from the state's poorer families. Since these students are the ones for whom college costs pose the largest burden, the role of need-based financial aid becomes ever more critical as part of the state's higher education strategy.

In recent years, state funding for merit-based scholarships has grown to keep pace with increased numbers of eligible students, but funding for need-based grants has not. As a result, a significant imbalance exists between merit-based and need-based student aid. In 2006-07, the state's merit programs (Palmetto Fellows, LIFE, and HOPE) represented 63% of approximately \$273 million in state student-aid awarded, whereas, state need-based aid programs (CHE Need-based and Tuition Grants) represented 19% and Lottery Tuition Assistance at two-year colleges represented 18%.

South Carolina is far below the national average in need-based aid according to the most recent survey (AY 2005-06) by the National Association of State Student Grant Aid Programs. Recent CHE surveys of our colleges and universities demonstrate that a sizable affordability gap remains for our state's neediest students. Further complicating this issue of limited-funding for need-based student aid, the state-mandated methodology for distributing the available funds to public colleges and universities is not based on the distribution of the state's neediest students.

Over the last several years, the Commission has recommended increases in need-based aid and has worked hard to develop a method to change the existing distribution of these funds in a way that has the greatest impact on attendance and student retention. This short paper describes the problems in the current funding approach; describes a solution to ensure that need-based funding is allocated across public colleges and universities so as to reach the state's neediest students in the most equitable manner; and describes the funding necessary to implement the proposed solution.

How are need-based funds currently allocated?

The current legislated formula for allocating need-based funding across public colleges and universities is based on the distribution of undergraduate, degree-seeking, SC resident student headcount from the previous year. Once the funds are allocated to the public colleges and universities based on this formula, the institutions provide grants to those students demonstrating financial need per program regulations. Because the current formula does not consider the distribution across institutions of the state's neediest students, serious inequities exist relative to the amount of available funding at public colleges and universities and the number of needy students.

What is the extent of the inequity in reaching the neediest students?

A wide range of funding exists across public colleges and universities when comparing an institution's average need-based grant and the institution's in-state tuition. This ranges from a low of 4.2% of tuition and fees to a high of 16.1% of tuition and fees.

Table 1 displays the percentages used in allocating need-based funding per the current formula compared to the distribution of the state's neediest students. For the purpose of this analysis, a needy student is defined as one who received a federal Pell Grant. This definition is used consistently among states and by the federal government.

Table 1

| Public Colleges & Universities | Fall 2006 | |
|-------------------------------------|--|---|
| | Distribution of Undergraduate Enrollment (Current Formula) | Distribution of State's Neediest Students |
| | % of Undergraduate, Degree-Seeking, SC Resident Headcount | % of Undergraduate, Degree-Seeking, SC Resident Pell Recipients |
| <u>Research</u> | | |
| Clemson | 10.7% | 3.4% |
| USC | 14.7% | 7.4% |
| MUSC | 0.2% | 0.1% |
| Research Sector Total | 25.5% | 10.9% |
| <u>Comprehensive Teaching</u> | | |
| The Citadel | 1.1% | 0.4% |
| Coastal | 3.6% | 2.5% |
| College of Charleston | 6.2% | 2.5% |
| Francis Marion | 3.5% | 3.0% |
| Lander | 2.7% | 2.0% |
| SC State | 3.5% | 5.0% |
| USC Aiken | 2.5% | 2.0% |
| USC Beaufort | 0.8% | 0.6% |
| USC Upstate | 4.2% | 3.5% |
| Winthrop | 4.8% | 3.0% |
| Comprehensive Teaching Sector Total | 32.8% | 24.5% |
| <u>Two Year Regional</u> | | |
| USC Lancaster | 0.7% | 0.7% |
| USC Salkehatchie | 0.5% | 0.8% |
| USC Sumter | 0.7% | 0.8% |
| USC Union | 0.2% | 0.4% |
| Two-Year Regional Sector Total | 2.1% | 2.6% |
| <u>Technical Colleges</u> | | |
| Aiken | 1.3% | 1.8% |
| Central Carolina | 1.1% | 3.5% |
| Denmark | 1.2% | 2.2% |
| Florence-Darlington | 2.6% | 4.1% |
| Greenville | 6.7% | 8.8% |
| Horry-Georgetown | 2.1% | 4.4% |
| Midlands | 5.6% | 8.3% |
| Northeastern Tech | 0.6% | 1.2% |
| Orangeburg-Calhoun | 1.4% | 2.8% |
| Piedmont | 2.3% | 4.5% |
| Spartanburg | 2.7% | 4.0% |
| Tech. Coll Lowcountry | 0.7% | 1.9% |
| Tri-County | 2.8% | 3.4% |
| Trident | 6.0% | 8.0% |
| Williamsburg | 0.3% | 0.7% |
| York | 2.4% | 2.5% |
| Technical College Sector Total | 39.7% | 62.0% |
| Total All Sectors | 100.0% | 100.0% |

What is proposed to ensure need-based funds reach the neediest students?

Initially, the Commission and staff considered allocating funds to public colleges and universities using a fixed amount based on the weighted tuition for each sector and a fixed level of support. As we worked with the data, it became clear that a more equitable methodology for providing need-based funds is one based on the distribution of the state's neediest students relative to tuition and fees at each of the public colleges and universities. As a result, dollars are directed in an equitable manner for students. Institutions will retain the flexibility to administer funds to their students in the best possible manner with the added assurance that they are on equal footing to do so compared to the other public colleges and universities.

What do we recommend?

- The formula for the distribution of Need-based Grants should be revised from one based on undergraduate enrollment to one based on SC resident Pell Grant recipients at each public college or university.
- Eligibility for a Need-based Grant will be contingent upon receipt of a Pell Grant.
- The level of state program support should be consistent at each public college and university and should be calculated as a percent of tuition and fees to be supported.
- The current Need-based Grant maximum award of \$2,500 should be maintained.

What funding will be required?

Additional funding in the amount of \$15,340,941 is needed to implement the methodology described above in a manner that does not reduce any public college or university's current available funding. This amount is determined by using the maximum level of support currently funded per SC resident Pell recipient relative to tuition and fees or 16% (rounded) of tuition and fees. Table 2 that follows shows the proposed distribution of funding. (Note: Because a portion of funding available for the need-based grant program must be provided to the state's private colleges to supplement the Tuition Grants program, an additional \$3,505,759 will also be needed.)

Staff Recommendation: As discussed in the above paper, staff recommends that the Commission approve the recommendations outlined and discussed above and modify the FY 2008-09 budget request for additional Need-based Grant program funding accordingly.

Table 2

| Institution | Number of Resident Pell Grant Recipients, Fall 2006 | In-State Tuition & Fees, AY 2007-08 | Current | | | Proposed | | |
|-------------------------------|---|-------------------------------------|--|---|--|--|---|--|
| | | | FY 2007-08 Need-based Grant Allocation | Average per Resident Pell Grant Recipient | Average as a % of AY 2007-08 In-State Tuition & Fees | Recommended Allocation by Institution at 16% of Tuition & Fees | Average per Resident Pell Grant Recipient | Average as a % of AY 2007-08 In-State Tuition & Fees |
| Research | | | | | | | | |
| Clemson | 1,471 | \$9,870 | \$2,043,537 | \$1,389 | 14% | \$2,342,821 | \$1,593 | 16% |
| USC | 3,234 | \$8,346 | \$2,813,609 | \$870 | 10% | \$4,355,396 | \$1,347 | 16% |
| MUSC | 23 | \$10,790 | \$35,957 | \$1,563 | 14% | \$40,046 | \$1,741 | 16% |
| Comprehensive Teaching | | | | | | | | |
| The Citadel | 171 | \$7,735 | \$213,435 | \$1,248 | 16% | \$213,435 | \$1,248 | 16% |
| Coastal | 1,105 | \$7,600 | \$680,411 | \$616 | 8% | \$1,355,143 | \$1,226 | 16% |
| College of Charleston | 1,095 | \$7,778 | \$1,186,570 | \$1,084 | 14% | \$1,374,331 | \$1,255 | 16% |
| Francis Marion | 1,311 | \$7,038 | \$660,819 | \$504 | 7% | \$1,488,885 | \$1,136 | 16% |
| Lander | 846 | \$7,728 | \$509,847 | \$603 | 8% | \$1,054,986 | \$1,247 | 16% |
| SC State | 2,160 | \$7,318 | \$661,741 | \$306 | 4% | \$2,550,676 | \$1,181 | 16% |
| USC Aiken | 878 | \$7,006 | \$483,571 | \$551 | 8% | \$992,599 | \$1,131 | 16% |
| USC Beaufort | 242 | \$6,250 | \$149,128 | \$616 | 10% | \$244,064 | \$1,009 | 16% |
| USC Upstate | 1,515 | \$7,760 | \$812,713 | \$536 | 7% | \$1,897,071 | \$1,252 | 16% |
| Winthrop | 1,318 | \$10,210 | \$918,739 | \$697 | 7% | \$2,171,453 | \$1,648 | 16% |
| Two Year Regional | | | | | | | | |
| USC-Lancaster | 304 | \$4,868 | \$135,068 | \$444 | 9% | \$238,799 | \$786 | 16% |
| USC-Salkehatchie | 336 | \$4,868 | \$89,661 | \$267 | 5% | \$263,936 | \$786 | 16% |
| USC-Sumter | 346 | \$4,868 | \$128,845 | \$372 | 8% | \$271,792 | \$786 | 16% |
| USC-Union | 157 | \$4,868 | \$39,414 | \$251 | 5% | \$123,327 | \$786 | 16% |
| Technical Colleges | | | | | | | | |
| Aiken | 780 | \$3,298 | \$249,622 | \$320 | 10% | \$415,102 | \$532 | 16% |
| Central Carolina | 1,508 | \$2,920 | \$208,595 | \$138 | 5% | \$710,548 | \$471 | 16% |
| Denmark | 943 | \$2,278 | \$223,577 | \$237 | 10% | \$346,637 | \$368 | 16% |
| Florence-Darlington | 1,792 | \$3,190 | \$496,018 | \$277 | 9% | \$922,440 | \$515 | 16% |
| Greenville | 3,805 | \$3,290 | \$1,286,373 | \$338 | 10% | \$2,020,039 | \$531 | 16% |
| Horry-Georgetown | 1,919 | \$3,114 | \$398,289 | \$208 | 7% | \$964,279 | \$502 | 16% |
| Midlands | 3,598 | \$3,244 | \$1,075,934 | \$299 | 9% | \$1,883,438 | \$523 | 16% |
| Northeastern Tech | 541 | \$2,982 | \$107,409 | \$199 | 7% | \$260,324 | \$481 | 16% |
| Orangeburg-Calhoun | 1,233 | \$2,832 | \$268,062 | \$217 | 8% | \$563,463 | \$457 | 16% |
| Piedmont | 1,938 | \$3,126 | \$443,005 | \$229 | 7% | \$977,579 | \$504 | 16% |
| Spartanburg | 1,716 | \$3,194 | \$508,003 | \$296 | 9% | \$884,426 | \$515 | 16% |
| Tech. Coll Lowcountry | 844 | \$3,150 | \$140,600 | \$167 | 5% | \$429,005 | \$508 | 16% |
| Tri-County | 1,481 | \$2,976 | \$532,205 | \$359 | 12% | \$711,209 | \$480 | 16% |
| Trident | 3,476 | \$3,114 | \$1,148,078 | \$330 | 11% | \$1,746,657 | \$502 | 16% |
| Williamsburg | 294 | \$2,830 | \$56,701 | \$193 | 7% | \$134,259 | \$457 | 16% |
| York | 1,104 | \$3,124 | \$458,217 | \$415 | 13% | \$556,531 | \$504 | 16% |

| | |
|---|--------------|
| Total funding needed for public colleges and universities for proposed methodology change | \$34,504,694 |
| Current Need-based funding for public colleges and universities | \$19,163,753 |
| Additional funding required for public colleges and universities | \$15,340,941 |

NOTE: The data have been refined from previous data sets. The Pell Grant recipients have been limited to include only SC resident, degree-seeking undergraduates in order to be consistent with need-based grant award eligibility.