State Student Financial Aid Committee
Missouri Department of Higher Education
August 24, 2018
10:00 a.m. – 3:00 p.m.
James C. Kirkpatrick State Information Center, Room 139
Meeting Notes

Members in attendance: Adam Koenigsfeld, Becky Whithaus, Charles Mayfield, Christian Vachaudez, Kate Hangley, Kim Cary, Vicki Mattocks,

Members in attendance remotely: Cassandra Hicks, Dena Norris, James Green, Nick Prewett Rose Windmiller, Sarah Bright, Zach Greenlee

MDHE Staff in attendance: Leroy Wade, Kelli Reed, Amy Haller, Connie Bestgen, Jeremy Kintzel, Jude Kyoore, Greta Westerwald remotely

Guests: Paul Wagner, COPHE

Welcome and Introductions
Leroy Wade called the meeting to order at 10:15 a.m. and thanked attendees for their time. Committee members introduced themselves and the agenda was reviewed.

Review Data and Background

The data slides in the PowerPoint presentation were reviewed. Some of the data is from NCHEMS and some is from MDHE.

There are regional trends when comparing need and merit among states, with southeastern states offering more merit aid and the northeast and northern tier offering more need-based aid.

Looking at the 10 most popular programs of study by major state aid program shows the majority of A+ recipients are enrolled in General Education, while there is more diversity in program of study among Access Missouri and Bright Flight recipients. This data is based on recipients at public institutions only because unit level data is not available for independent institutions. The distribution might change if independent institution data were included.

Persistence (from one year to the next) and graduation rates by program show that state aid recipients have higher rates than non-recipients with a few exceptions. Bright Flight and Access

Missouri graduation rates are lower at 2-year institutions. The Bright Flight rate is lower based on the small number of students in that category but it is uncertain why the Access Missouri rate is lower. In addition, Access Missouri recipients graduate at lower rates than more affluent students. For Access Missouri, the eligible non-recipient category may include A+ or less-than-full-time students, although it is not clear what other reasons might prevent an otherwise eligible student from receiving an award. Persistence and graduation rates are also higher for state aid recipients when broken down by gender and race/ethnicity. For A+, transfer rates are also higher for recipients. The transfer and graduation rates cannot be added together because of duplication between the two categories.

Workforce retention is a common point of interest for Bright Flight. Retention patterns, based on state wage record data from 2012-2016, are relatively similar among Bright Flight recipients, near Bright Flight students (ACT score of 29-30) and other students. The Bright Flight retention is a little lower in the fifth and sixth years after graduation, but it does increase in later years as students often return to Missouri after being away several years. Although it is difficult to determine the impact on retention if Bright Flight didn't exist, particularly because there is no control group, it might be assumed that without Bright Flight the workforce retention rate of students scoring 31 or above on the ACT would be even lower. Based on a crosswalk of DESE's Clearinghouse data and ACT scores, approximately 90% of Missouri students who take the ACT attend in-state. However, the trend changes around the 33-34 score range, with more students attending out-of-state. It is important to keep in mind, though, that there are fewer students in the upper score ranges, with approximately 300 students scoring a 35-36 on the ACT.

For all programs, the race/ethnicity distribution shows black/African American students are well below comparison groups (non-recipients, total students). The small size of other ethnic groups makes it difficult to compare them. The age distribution underlines the need to overcome barriers for adult students such as continuous enrollment and full-time enrollment. By almost exclusively serving the 19-24 age category, the current program mix reaches only about 10% of students aged 25 and above.

State aid recipients tend to be Pell eligible. In looking at median income by program, the chart only includes dependent student information for A+ and Bright Flight because that is the primary dependency status for those programs. Both dependent and independent information is provided for Access Missouri and Ross since those programs serve more non-traditional students. Although there are only about 20 students in the dependent category for Ross, the chart shows a small number of students can have a large impact. The adjusted gross income (AGI) information is based on data from the 2016-2017 National Association of State Student Grant and Aid Programs (NASSGAP) survey. The income categories can be more finely divided to be more meaningful. Bright Flight AGI information isn't available since a substantial proportion of those students do not complete the FAFSA and, consequently, the data are not

reported to NASSGAP. Although AGI information is reported on the ACT, those data are self-reported by the student and are not considered highly reliable.

Discussion

A cross-reference of economic status with movement toward graduation was requested. This effort would highlight if there are differences in persistence and graduation rates within a program that correlate with income.

It might be interesting to marry graduation rates to overall workforce yield and to look at what percentage of recipients from each program end up in the workforce. However, a program should not be held accountable for an outcome that it wasn't designed to achieve.

Committee members are encouraged to request any data that would be helpful as discussions continue.

Connect Attributes to the Policy Framework

The following connects the work on operational attributes from the last two meetings with the policy work of the State Student Financial Aid Policy Task Force. The policy and operational attributes for each category were reviewed. The notes below reflect the ideas highlighted in the presentation.

Why offer aid?

- *Policy*: Timely completion needs to be balanced with ensuring that students who can't move at an accelerated pace aren't left behind.

- *Operational Attributes*: Bonuses might be integrated into a single program. For example, there might be a bonus for students who are in a high demand field or meet certain progression milestones. Another consideration might be how to include impactful short-term (non Title IV eligible programs with a floor of about 300 contact hours) programs. Early engagement is about helping students understand what they need to do to be college ready. Operationally this might include building a planning process into financial aid that expands the traditional four year high school plan into a six year plan that also covers the first two years of college.

- *Discussion*: None.

Who should be served?

- *Policy*: Set funding makes it difficult to expand the students who are served without compromising the students who are currently being served. In addition, Missouri must continue to recognize and encourage academic merit. Flexible programs are needed to reach a broad range of students. It is clear Access Missouri is not reaching all of the eligible students who file a FAFSA. Unit record data for public schools has been used to determine the impact deadlines and part-time enrollment have on Access Missouri receipt, but renewal GPAs have not been studied yet. It is unclear whether these students are choosing not to enroll since they can only be tracked if they're at a public institution.

- *Operational Attributes*: Bonuses might be considered. In addition, state aid needs to be flexible enough to serve students who don't maintain continuous enrollment or are in non-semester based or competency based programs. Limited professional judgement might be a useful tool since institutions often have better information than the state.

- *Discussion*: A breakdown of underserved and adult students by income level to determine how many of these students are low income was requested.

What type of aid?

- *Policy and Operational Attributes (discussed together)*: Students need flexibility to cover all costs, not just tuition and fees. Stackability ensures aid from one program doesn't restrict receipt of aid from another. However, it is important that state aid is aware of, and supplements, other aid for the largest return on investment. In addition, awards need to be high enough to achieve the desired impact.

- *Discussion*: None

When should aid be delivered?

- *Policy and Attributes (discussed together)*: Early award notification is difficult within the existing funding structure but earlier notifications, even if only estimates, may be possible. Disbursements need to be timed so students, particularly those in non-standard term programs, have access to aid when they need it. Apportioning aid over a period of time may be a solution. Another consideration might be how to incorporate summer awards.

- *Discussion*: None

Present and Discuss Potential Program Models

Tentative structures that are open to discussion include a single program, narrowly-targeted discreet programs, or a mix of discrete and combined programs.

Potential Program Attributes

- Differential awards, or bonuses that are based on weighted components and intended to address need and incentivize students towards persistence, merit, and the workforce.

- Options for addressing enrollment include prorated awards, separate program for part-time students, requiring full-time and/or continuous enrollment, allowing enrollment breaks without penalty. Questions to think about when considering these options include: Is this a good structure? Is it appropriate for a continuous enrollment requirement to tie eligibility to high school graduation? Should students returning from an enrollment gap with a low prior GPA be allowed a second chance?

- Deadline options include retaining hard deadlines, or establishing multiple deadlines with the intent to serve additional students, etc. Some states have a month to month lottery to determine which students will be awarded. Some states reserve a portion of the appropriation for late decision makers. Programs without deadlines, where students are awarded on a first come, first served basis are a fairly common approach to address funding issues but puts pressure on first-generation students who may not know if they will be awarded until fairly late in the process.

- Award Delivery options include continuing with the current semester-based award structure, or allowing for summer or year-round awards. Basing delivery on federal payment periods is also an option.

- Interaction of programs/awards is about stackability.

Discussion:

- One option to incorporate a fall/spring/summer award cycle while being mindful of the budgeting process, is to provide students with an annual award that can be used across any of the terms as best fits the individual students' needs. This concept could also fold in the concepts of part-time/proration and persistence (grade level) milestones. Varying definitions of full-time enrollment for summer terms might be addressed by establishing a floor on the number of hours in which a student must be enrolled to receive aid. Instead of requiring either full-time or part-time enrollment, the requirement might be

that students would have to be enrolled in at least a certain number of hours to be eligible.

- One way to address several of these issues would be to have a credit hour limit, similar to the 105% limit in A+. For example the annual award amount could be for a certain number of credit hours and could be divided over the credit hours however was best for the student. However, that approach might counteract the completion agenda.

- The single program proposal doesn't seem to include any of the General Assembly's concerns addressed in the Bright Flight Promise legislation.
    - o Exclusion of those ideas may affect funding for any new proposal. Outside of a tax credit, a loan forgiveness program seems to be the only way to address the goal of keeping students in Missouri after graduation. However, other states, such as Mississippi, have found that loan forgiveness programs are difficult to administer and not very effective. An MHEC study had similar findings, although research on the effectiveness of loan forgiveness programs is mixed. Research has shown an inverse relationship between the length of the obligation and effectiveness. MDHE will try to locate additional information on this topic.
    - o The majority of loan forgiveness programs in other states are designed to direct students into particular programs rather than keep them in the state so they may not be comparable.
    - o Focusing on a workforce piece in the single program might be a way to reward students for pursuing and working in high demand fields, which was one objective of the Bright Flight Promise legislation. However, the legislation was not limited to the workforce issue as it would have required a student who didn't graduate to repay the state. Financial aid can accomplish the same goal by being either a punishment or a reward.
    - o The policy task force prioritized non-loan aid, which excludes convertible scholarships.
    - o This conversation is occurring in many states. The Excelsior Grant in New York is a promise type program with little emphasis on the loan conversion piece. In addition, there is more scrutiny around the federal TEACH Grant program where more than 60 percent of awards are being converted to loans.
    - o The issue of return on investment (ROI) contributes to the focus on workforce sensitive programs. Most feel financial aid should be designed to help people who otherwise wouldn't pursue postsecondary education and thus become contributing members of society and the economy. However, it also needs to be defined in a way that allows for its measures to be in our control.
- In addition to the need vs. merit balance there is an access vs. completion dynamic that impacts enrollment options.

- o A+ allows students to use the scholarship within 48 months from high school graduation but requires full-time enrollment. This structure allows for enrollment gaps. The origin of the 48 month requirement is unknown as it was carried forward from DESE's policies. The full-time enrollment requirement was also carried forward but likely was based on a traditional student/traditional financial aid model.
- o Establishing a limit on the length of eligibility, for example ending eligibility after six years at a four year institution, recognizes the completion component and provides a budget mechanism. However, it also creates barriers for part-time students and stop outs. Each of the existing programs has eligibility limits but they are different. There must be balance between supporting part-time, adult learners without negatively impacting the correlation between enrollment and completion. Providing bonuses for full-time enrollment accomplishes this.
- o There may be a link between why students enroll part time and apply later, so there may be a single solution – differentiated awards – for serving both groups. These students would receive something while being incentivized to enroll full time to receive a larger award. Since Ross awards are based on actual tuition and fees, part-time Ross students sometimes receive more than full-time Access students. Some institutions discourage students from enrolling part-time because equal loan amounts make the funding less effective. However, this may be offset by a part-time student's employment. A definition of part-time (always part-time or part-time for a single semester, etc.) would be necessary to determine the average debt-load of a full-time vs. a part-time student.
- o MDHE data shows Access eligibility has a greater impact on full-time enrollment at 2 year institutions than at 4 year institutions.

Possible Approaches

It will likely take several years for change to occur full scale but there may be something we can do regulatorily in the interim to move in the right direction. The question is, what direction should Missouri take?

The purpose, students served, and attributes for each of three potential models were reviewed. The notes below reflect the ideas highlighted in the presentation.

Single Program Model

- To serve Middle/High School students this model might include a mentoring component, or requiring students to participate in activities and classes that prepare them for postsecondary education.

- The matrix in this model provides different pathways that pick up various award components, which are weighted using differentiated awards. Some paths include prorated awards and some have differential deadlines. Federal payment periods brings consistency and a relatively easy fit with federal programs.
- The Early Awareness component would be available for the first two years and would have need and non-need paths. A transfer award would be available for the second two years if the student met a certain milestone, such as completing the Core 42.
- Although there are advantages to a different definition of need, this model keeps an Access-like process. Awards could potentially vary over an EFC span, like Access.
- In this model merit has broader-based definition, possibly looking at multiple data points such as ACT, GPA, etc.
- Persistence would be rewarded at progression milestones. For example, a student would receive a bonus for accumulating a certain number of hours over a set period of time.
- Bonuses would be available for apprenticeships in high demand fields.

Discussion

- This model would replace the top three current programs with a single program and would be available to all Missouri students who complete the early awareness component.
- A "calculate my award" component on the student portal, similar to a net price calculator, would be helpful. MDHE is currently working on something similar for our smaller programs. This issue is how to include information, such as EFC, that may not be available to a high school student. The calculator would need to be structured in a way that could inform students of their potential eligibility without knowing all of the numbers.
- The transfer award in the Early Awareness path is a good idea but requiring completion of the core 42 might be an issue for community colleges. The concern is completion numbers will decrease significantly because students might transfer before receiving an AA degree.
  - Where to set the bar (or there is a bar at all) is an open question. Another consideration is students might miss out on the transfer opportunity. Details will need to be worked out if this model is pursued. An advantage to the core 42 is that it is well known. Schools would need to educate students about the benefits of finishing their AA degree before transferring. If core 42 is a concern it is a data problem that needs to be resolved and will be an issue regardless of whether it's incorporated into a financial aid program.

- An option might be to offer an additional incentive. For example allow students to complete a career/technical education certificate OR core 42. That would also benefit the employment piece.
    - Students in short term, high demand programs should be included.
- Some states have a more unified system than Missouri, and the Kentucky Educational Excellence Scholarship (KEES) merit program has a basic award/bonus structure, but MDHE is unaware of any state with a single program similar to this proposal.
- A single program would change the current funding landscape, where the General Assembly can establish priorities by moving funds from one program to another. There is no guarantee the full appropriations of the current three primary programs would be combined into a single appropriation for this program. There probably would have to be legislative buy-in on the front end, with the program created one year then funded the next. The statute also might be more prescriptive on the need/merit distribution. However, the General Assembly can't legislate through an appropriation bill.
- One of biggest pieces of A+ is that students are learning about it through high school. The early awareness component would address this by requiring a mentorship in the last two years in high school or a course plan.
- Cost may become a factor if the Early Awareness component is available to all students, instead of being limited to community college and vocational/technical student like the current A+ program. Fixed awards might ameliorate the cost somewhat. A balance will need to be struck between student-centered institutional choice and cost control.
- The Kauffman Foundation 529 matching program looks promising. Expectations of contributions and matches are being exceeded. "Outside of the box" ideas like this should be considered instead of simply trying to reshape the existing programs.

Two Program Model

- This approach combines need and early awareness into a single program, with a separate merit program that takes a radically different approach to integrating state merit aid with existing institutional merit aid.
- The need/early awareness program is similar to matrix model above and would continue to be stackable with merit.
- State aid administration is typically either centralized, where the state selects recipients and disburses aid, or decentralized, where institutions select recipients, disburse the aid within broad state-established guidelines, and report to state. The proposed merit program in this model would be a hybrid of these structures. The state would set broad, general criteria and allocate funding to institutions. Institutions would decide the recipients and award amounts within the parameters set by the state and would notify the state how much each awarded student will receive. The state would then disburse the requested funds to the institutions for delivery to the students. There would also be

an institutional matching requirement. This hybrid model is necessary because of limitations with independent institutions.

Discussion

- This decentralized merit approach will make it difficult for students to have the financial aid information they need when deciding where to attend. However, institutional packaging will address this and general categories could be communicated. There are several pieces students need when deciding where to attend: state, federal, and institutional aid. A solid decision can't be made until the student knows all three. There could also be a guaranteed minimum. Nebraska and several other states run all of their programs this way.
- The transition to a decentralized merit program might be difficult. In addition, one of the Gallagher Grants' weaknesses was that students couldn't rely on it.
- Institutions currently deal with unfunded mandates. A concern with the decentralized merit program is how to guard against awarding students more than the institution's allotment will allow. Apportioning the funds over time solves that problem but undermines early awareness for decision making. A constitutional change would be required for there to be guaranteed funding, which is extremely unlikely, but popular programs are likely to be funded.
- Enrollment management staff might need to be involved in the conversation because the institution will be required to predict how many qualified students will enroll.
- The decentralized merit approach will anger some students who qualify but don't receive an award at the institution's discretion.
- In the decentralized merit approach, if institutions award a pro rata amount then the program isn't any different than Bright Flight.
- The flexibility of the decentralized merit approach helps leverage both institutional and state aid to enroll the right students and help those who need the aid the most.
- Under federal matching requirements institutions that serve a certain population of Pell recipients don't have to provide the match. This approach might be considered for the decentralized merit program. However, the match is intended to ensure the state aid doesn't displace institutional aid.

Three Program Model

- This model includes an early awareness program, a combined need/merit program, and a late decision/adult program.

- The early awareness program would differentiate awards based on need and non-need. It would require full-time enrollment because students will be attending shortly after

high school. It contains the same basic award/transfer award structure as the other models. The transfer piece is intended to help the almost three quarters of students who plan to get another degree. This program also has weighted components similar to other models.

- The combined need/merit program follows the same concept presented earlier and allows for various enrollment statuses and prorated awards.

- The late decision makers program is akin to a strengthened Ross program, serving part-time students. It would have a different application process with different deadlines. The deadlines would either be longer, later, or eliminated. This program could also include independent students to serve late decision makers, including foster youth and other students who receive dependency overrides.

Discussion

- It is difficult to determine whether border states' financial aid programs are affecting migration through innovation because migration issues are often based on institutional decisions, such as whether to waive out-of-state tuition, rather than financial aid. In addition, there is significant variance in the structure and purpose of the border states' financial aid programs. Iowa's primary program is a holdover from 30 years ago. It is an equalization grant that is available almost exclusively at independent institutions. Kansas has limited financial aid. Arkansas is mostly need-based. Tennessee has the Tennessee Promise and a separate adult program. It is uncertain but unlikely that any state has a single program that combines need and merit. Programs are often created ad hoc without relating to one another. If competition is among institutions then decentralization might help, but the legislature is likely to be reluctant to adopt a decentralized model. The effectiveness of that model will have to be well documented and communicated to overcome that reluctance. MDHE will conduct more research on decentralized programs.
- The broader financial aid community, presidents, and the policy task force will be asked for input in the coming months, once the committee has determined which direction to take.
- In follow up to this meeting the committee will receive additional information about these options, including the WebEx chats, and a survey with questions in a PDF format that can be shared. The survey will provide the opportunity for more free-form thoughts on how to structure the programs.
- Pursing the first option (single program) is meaningful because now is the opportunity for bold reform. There is always opportunity for minor changes. From a funding perspective one program is wise, especially with differences in opinions about which

programs should receive the most support.   However, a single program framework will need to be flexible enough to incorporate new priorities. A well-designed matrix should accomplish that.

- Merit might be defined as ranking in the top 10% of your graduating class instead of having a hard definition. However, many high schools are moving away from class rank and are now using high school GPA cross-walked with the ACT score. GPA may be more reliable than ACT at predicting postsecondary success because it covers a broader period of time.
- The single program option is the furthest from what we have now and would allow movement toward a more conventional approach if needed. This should be the model focused on in the most detail between now and the next meeting. However, the other models won't be neglected in case the single model program dead ends.

Wrap Up/Next Meeting

The next meeting will be Wednesday, September 26, 2018 from 10:00 a.m. to 3:00 p.m. at the Governor's Office Building, Room 470. Please disregard the incorrect September 27 date in the presentation. Members were thanked for their participation, whether it was in person or remotely.

The meeting adjourned at 1:55 p.m.