

**Colorado Association of Financial Aid Administrators (CAFAA)**  
**Statement Concerning**  
**Evaluating Colorado's Financial Aid System**  
**October 17, 2005**

The CCHE Commissioners and staff held a retreat in September to discuss the effectiveness of financial aid policy in the state of Colorado and CCHE staff is currently conducting a study of institutional financial aid policies and programs. Institutions and students are integral to this review. Institutions have first hand experience with successes and potential downfalls. Students are the beneficiaries and their concerns should also be addressed. We must work together on finding solutions.

To support this collaboration, the following statements are supported by CAFAA, whose members are the financial aid professionals in Colorado. The mission of CAFAA is to provide information, promote the financial aid profession, promote communication, and to serve as a forum for expression of ideas. The comments below are intended to supplement the information prepared by CCHE and institutions during this review.

**I. Generally accepted truths:**

- CCHE policy requires institutions to direct Colorado Student Grant funds to Colorado's neediest students and SURDS data verifies that the funds are currently being awarded to these students.
- Colorado's student financial aid funds are undeniably inadequate. Making massive policy changes without a significant increase in funds is futile, since all funds are already going to the students with the most financial need.
- State support for higher education is low, with Colorado ranking 49<sup>th</sup> out of the 50 states. This puts pressure on tuition costs and further exacerbates the problem of limited financial aid.
- Colorado does not pay institutions to administer the state financial aid programs, in the manner that the federal government provides an administrative cost allowance to the institutions to administer the federal aid.
- Current state policies (for financial aid, COF and other state support) direct low-income students to community colleges, regardless of academic preparation and educational goals. This promotes access to higher education, but not necessarily choice of institution for the student. This may result in less diversity at four-year public institutions.
- The Governor's Opportunity Scholarship does not reach the students for which it is intended (i.e., students who are not planning to pursue post-secondary education due to financial barriers). Institutions generally select recipients from students who have already applied to the institution.
- The administration of the Governor's Opportunity Scholarship was initiated too late in the award year and without adequate guidelines. Care should be taken so that any future changes to financial aid programs are made in a manner that allows time for thoughtful implementation.

- Money, although an important consideration, is only one component to address when assessing a student's access to higher education. Even when funds exist, complexity and confusion can be barriers for students who are trying to obtain these funds.

## **II. Statements regarding centralization of state grant programs and/or financial aid processes**

- A cornerstone of centralization of the grant programs is the ability for students to have early knowledge of financial aid awards and guarantees of portability of the award. However, unless the state grant program is an entitlement, with significant additional funding, these benefits cannot be realized. Inadequate funding, not a lack of commitment, prohibits institutions from making early commitments to students and from providing the same level of aid for a transfer students.
- Institutions and their student populations vary greatly, and it is difficult for a centralized system to adequately address these differences. Schools vary on many levels, such as types of programs, length of programs, costs, and make up of the study body. For example, students at community colleges are more likely to apply late and funding must be available to these students later in the award cycle. Four-year institutions must make financial aid awards very early (scholarships at the point of admission and need-based aid by March) to attract the students they want and need to meet admission standards and enrollment goals. Therefore, they need to provide information to students much earlier to compete with national competitors who are attracting Colorado students.
- A centralized state grant program that has inadequate funding could result in unintended shifts in enrollment patterns as students gravitate to schools with earlier admission deadlines and earlier access to aid before funding runs out.
- Institutions and their respective campuses are in the best position to create a package of financial aid awards for their students. Schools are aware of other aid resources a student has received (or could receive) and of any unique student circumstances that need to be addressed. In addition, schools are motivated to quickly address a student's financial concerns and find solutions in order to recruit and retain students to their institutions.
- Institutions administer a variety of aid programs. Each institution applies for and must be granted permission to participate in the federal financial aid programs, and these programs must be administered by the institutions in accordance with federal rules and regulations. In addition, gift funds from private donors are given to individual institutions and are administered by the institutions. In the current process, institutions are equipped to administer the state financial aid funds at no additional cost to the state; state aid is simply another component in a process that must already be completed for other funding sources. Therefore, centralization could have higher administrative overhead due to the need for institutions to retain staff to administer federal, institutional, and private donor awards.
- Given the small amount of funding available, contracting with and paying a third party to administer the state grant funds is difficult to justify to the students of Colorado. If there is money available to pay a third party administrator, it might be better spent to increase need-based aid programs that directly benefit students.
- Due to the complexity of payroll rules and oversight issues with time reporting and supervision, it would be difficult for the work-study program to be administered centrally. This program is best managed by the individual institutions that have the human resources expertise to direct this program effectively and efficiently.
- Institutions must be able to make immediate awards to students who enroll late or experience unexpected problems during the course of their enrollment. This is especially true at

community colleges. The introduction of a third party would severely limit and quite possibly eliminate this option.

- Centralization will add complexity and confusion for the student. Families want to deal with the institution as the key contact for student issues. They want comprehensive information (housing, billing, etc.) from one source. State aid information would exist outside this process. Institutions have worked to provide seamless service to their students, everything from “one stop shopping” of student services to one financial aid application. Over the years, institutions have expended significant financial resources to put systems in place to simplify these processes for the students and their families and are finally realizing the effects of these efforts. Piecing out various programs and/or processes derails these efforts.
- All of an institution’s financial aid awards (federal, state, institutional, and private) are an integral part of an effective enrollment management policy. The effects of centralization of state aid on an institution’s ability to meet their enrollment goals need to be considered and addressed.

### **III. Recommendations**

- Redirect the Governor’s Opportunity Scholarship funds to the Colorado Student Grant program, grandfathering current recipients until graduation.
- Redirect merit-based aid (Centennial Scholars Program) into the Colorado Student Grant.
- Redirect Graduate Grant funds to the Colorado Student Grant.
- Retain the Colorado Work-study program.
- Enable schools to transfer funds between the Colorado Work-study Program and the Colorado Student Grant.
- Revise the allocation formula utilized by CCHE to distribute funds to institutions for Colorado Student Grant and Colorado Work-study so that the funds follow the policy more closely. Make changes that enable institutions to be notified of tentative allocations in advance of the signing of the long bill. Make the allocation formula public so institutions can replicate it.

We appreciate that CCHE and the Colorado legislature are reviewing the financial aid programs and looking for ways to make improvements. As financial aid administrators, we too are concerned about a student’s access to higher education. We have always strived to advocate on behalf of the students of Colorado in an effort to obtain the financial resources needed to provide access to our institutions. We ask that you consider our comments. Any members of our association are available to discuss these issues. Please call on us.

Approved by the CAFAA Board of Directors and Executive Committee on October 19, 2005.