

Financial Aid Task Force Report

September 19, 2014

I. Introduction

The declining number of high school graduates in the Northeast has intensified the competition for students among colleges and universities, both public and private. The strategic use of institutional student aid is critical for Lock Haven University to compete effectively in the current recruitment environment. Recently, the Board of Governors enacted policy changes that provide greater flexibility to PASSHE universities to use institutional resources for student scholarships. This allows the universities to compete on a more level playing field with other institutions.

In addition to the increasingly competitive environment for attracting students, Lock Haven University also faces a student demographic profile that includes a high proportion of students with financial need. Specifically, 43.9% of incoming students in AY 2013-14 were Pell eligible, which is an indicator of substantial financial need. That is an increase over the previous year's 39% and higher than the state-wide average of 38%.

In May 2014, President Fiorentino charged a Financial Aid Task Force with reviewing current financial aid and scholarship sources and practices and making recommendations on how we can leverage our financial aid resources to best serve students and impact recruitment and retention.

This document provides a summary of the current student aid programs available to Lock Haven University students and makes recommendations for program changes and expansion.

II. Sources of Aid

a. Federal Programs

Federal aid programs comprise the largest source of financial assistance for students at Lock Haven University. Federal loans totaled \$38,175,418 in FY 2013/14 and benefitted over 4,000 students. Federal grants amounted to \$8,903,399 and were awarded to over 2,000 students.

In addition, the university has received two National Science Foundation grants that provide scholarship funding for nano-science students. \$128,645 in awards were made to 26 students in FY 2013/14. One of the two grants will end on September 30, 2014 and the second one continues through June 30, 2016.

Also, the Student Support Services grant under the TRIO program provided \$9,719 in grants to 8 students.

b. State Programs

2,065 students received PHEAA grants of \$8,250,559 in FY 2013/14.

In addition, \$10,184 of aid was provided to 5 students by programs of other states.

c. Private loans

744 students received aid in the form of alternative private student loans in FY 2013/14, in a total amount of \$6,932,548.

d. Affiliated Entities

Student scholarship grants are funded by three affiliated entities: the Lock Haven University Foundation, the Clearfield Educational Foundation, and the Student Auxiliary Services, Inc.

The Lock Haven University Foundation (LHUF) is the main-fundraising affiliate of the university. In FY 2013/14, athletic scholarships of \$521,186 were granted to 229 student-athletes and other scholarships of \$277,215 were awarded to 295 recipients.

The LHUF also administers the First Quality Loan program, which provided \$15,000 in loans to 6 students in FY 2013/14.

Currently, the LHUF board has approved endowment amount for scholarships is 3%, but the board is reviewing this number for the next fiscal year with hopes of increasing it to 4%. This would provide approximately \$100,000 in additional scholarship funding. During the past fiscal year, the Foundation concentrated on increasing scholarship endowments to \$35,000 with a successful matching campaign, and increasing the number of freshmen scholarships to assist with student recruitment. Our campaign goals are to increase our endowment to \$15 million (currently at \$10.7 million with a bequest expectancy of \$1.1 million this fiscal year), increase the number of named scholarships to 250 (accomplished) and the number of freshmen scholarships to 50 (currently at 34). In the prior fiscal year, the first of a four-year campaign quiet phase with a goal of \$12.5 million, the Foundation raised over \$4 million to support Lock Haven University, the second highest year historically. The Foundation expects to launch the public phase of the campaign in July 2017.

The Clearfield Educational Foundation made 7 awards amounting to \$11,450.

The LHU SAS, Inc. scholarship program provides funding for both need-based and a merit-based scholarships through book scholarships and financial awards.

The needs-based scholarship program, introduced in FY 2013/14 is a last dollar program to be awarded after all other sources of gift aid have been exhausted. During FY 2013/14, \$38,150 was awarded to assist 55 students. (\$34,372 was award as financial scholarships and \$3,772 was awarded as book scholarships). This scholarship program also supported our summer session Jump Start and EOP students.

The merit-based program, introduced in FY 2014/15 will award recipients who have demonstrated success and engagement by being involved and/or holding leadership positions in extra-curricular campus activities, including clubs and organizations, athletics, arts, community service, etc.

Awards may range from \$500 for one semester only to \$1,000 per year, and students may reapply annually. Recipients of all scholarship programs may either be a resident or non-resident of Pennsylvania, undergraduate or graduate students, and must have a demonstrated financial need by completing a yearly FAFSA form. Additionally, all recipients must demonstrate satisfactory academic progress by maintaining a GPA of 2.5 or higher, and be in good standing with the university.

In addition, the PASSHE Foundation provided \$29,275 in scholarships to 31 students.

e. Third-party Programs

These are scholarships or grants awarded by various third parties that students bring with them to the university. These grants amounted to \$986,000 in FY 2013/14.

In addition to the foregoing, 16 students received ROTC scholarships in the amount of \$148,801 and 106 students received \$630,997 in veterans benefits in FY 2013/14.

42 students also received vocational rehabilitation grants in FY 2013/14 amounting to \$144,666.

f. Institutional Programs

The main forms of institutional student aid are tuition and fee waivers, grants or scholarships, and campus employment.

Waivers

There are two major tuition waiver programs, the Board of Governors' Scholars program and the international student waiver program. In addition, the university offers a number of Graduate Assistant tuition waivers.

The Board of Governors' Scholars program allows universities to waive tuition and fees up to the equivalent of 2% of FTE enrollment. The amount of individual waivers is limited to the residual need after other aid sources are exhausted (PHEAA, Pell, Stafford). Only Pennsylvania resident undergraduate students are eligible and factors for consideration in awarding the waivers include, but are not limited to, "minority students, academics, leadership, and performing arts" (BOG Policy 1984-08-A). At least 50% of the waivers beyond 1% must be used for students enrolled as math, science, technology, or other identified high need majors, including math and science education and teacher prep programs targeting urban and rural communities. No waivers are to be granted for athletics. The waivers are renewable if certain academic and community service criteria are met. In FY 2013/14, waivers in the amount of \$587,759 were granted to 95 students, for an average award of \$6,187. These waivers are offered to prospective first-time freshmen during the recruitment process and are renewable.

The international student tuition waiver program allows universities to waive up to 2% of the prior year total tuition and mandatory fee revenue. Waivers are available to full-time, degree-seeking students who are in the U.S. on a student visa or who have lived and worked or studied

outside the U.S. for five or more years within the decade of their enrollment at LHU. An individual needs assessment must be done for each recipient to determine the amount of the waiver. The waivers are renewable for up to eight semesters. In FY 2013/14, waivers in the amount of \$99,439 were granted to 20 students, for an average ward of \$4,971. These waivers are generally offered during the recruitment process as an inducement for the student to matriculate.

The university offers a limited number of Graduate Assistantships to enrolled graduate students which provide a tuition waiver and stipend as compensation for work performed. Waivers in the amount of \$236,028 were granted to 35 graduate students in FY 2013/14.

Staff tuition waivers amounted to \$492,268 and benefitted 105 students in FY 2013/14.

Institutional Scholarships

The current Board of Governors' policy on institutionally funded scholarships allows universities to fund both need-based and merit-based scholarships. Need-based scholarships can be funded in an amount equal to 5% of the prior year gross tuition and instructional fee revenue (\$2,273,590 for LHU based on prior year revenue). Recipients of the scholarships must be Pennsylvania residents with demonstrated financial need. Merit-based scholarships can be funded in an amount equal to 5% of the prior year gross nonresident tuition and instructional fee revenue (\$295,236), plus income from corporate sponsorships, gifts, and net revenue from camps, conferences, athletic concessions, and royalties.

Under the previous BOG policy, the university implemented the Lock Haven University Institutional Help (LHIH) program which provided grants to Pennsylvania residents with demonstrated financial need. In FY 2013/14, grants in the amount of \$132,038 were made to 119 students. These awards were generally made to existing students who had exhausted other sources of aid and still had an account balance preventing them from continuing to the next semester.

In addition, corporate sponsorship revenue from the Pepsi pouring rights contract was used to fund \$79,000 in athletic scholarships to 52 student-athletes in FY 2013/14.

Campus Employment

Student employment expense totaled \$1,849,373 across all funds (E&G, Auxiliary, and Restricted) in FY 2013/14. Of that amount, \$274,763 was funded through the federal work-study program.

III. Discussion and Recommendations Regarding Institutional Student Aid

a. Unmet need

Exhibit 1 compares the cost of attendance at Lock Haven University with the sources of federal and state aid (loans and grants) available at various levels of Expected Family Contribution. This

exhibit demonstrates that many students have unmet financial need and their ability to matriculate and persist is dependent upon closing the funding gap with alternative private loans (in addition to the federal loans they are taking out), institutional and affiliate aid, third-party aid, or employment.

b. Recruitment versus retention

In order to successfully compete for new students in the current environment, the admissions staff needs to be able to offer aid to qualified students beyond what is available from federal and state sources. The federal and state programs can be used by the student at whatever institution he or she chooses, and competing institutions are offering additional aid in the form of scholarships, which have a very strong appeal to students and parents.

Currently the following categories of student aid can be used in the recruiting process: Board of Governors' Scholars waivers, international student waivers, athletic scholarships, and LHUF freshmen scholarships. Each of these targets specific categories of students and the university lacks a program that can be used in the general recruiting process for highly qualified students.

Since the BOG waivers, international waivers, and athletic scholarships are renewable, they also are a retention tool. In addition, the SAS scholarships and the current Lock Haven Institutional Help program are focused on retention, as are many of the Lock Haven University Foundation scholarships.

c. Tuition and fee waivers

The Board of Governors' Scholars program is well established at Lock Haven University and the available funds are being awarded. The task force recommends continuing this program at the current level with consideration given to reducing the average award amount so that more students can receive aid.

The level of international waivers has declined over the past several years as has the level of international student enrollment, from 120 in FY 2006/07 to 41 in FY 2013/14. \$99,439 in waivers were used in FY 2013/14, with the value of the waivers ranging from \$2,000 per year to a full tuition waiver. For the future, as part of international recruiting the waivers will be referred to as scholarship waivers. This will allow the admissions department to leverage the waiver dollars to make students feel special and wanted. This was a recommendation by the international recruitment team and the consultant for the China initiative and it is believed that offering scholarship aid would be more effective in recruiting than reducing the international tuition sticker price. Continued cooperation between admissions, athletics and the international office will be needed to leverage waivers.

International tuition is \$17,050 for the FY 2014/15 academic year. A 25% waiver would amount to \$4,262 and reduce the effective tuition rate to \$12,788, which is below the level charged for domestic out-of-state students with GPA's above 3.25 (\$13,640). The task force recommends

increasing the international student waiver budget by up to \$200,000, with these funds being available to grant waivers of up to 25%. The task force recommends that the admissions office and international institute meet to develop a plan to grow total international enrollment (degree-seeking and guest students) from 41 to 90.

The eight FTE international waivers allocated to the athletics department would continue to be administered as they are currently.

d. Institutional scholarships

The use of institutional resources to fund scholarships has grown substantially within PASSHE, from \$636,359 awarded to 587 students in FY 2010/11 (average award of \$1,085) to \$2,626,809 awarded to 1,902 students in 2012/13 (average award of \$1,381). Institutional awards are increasingly necessary to successfully recruit students, many of whom are being offered such benefits from competing schools. It is anticipated that the volume of institutional aid will continue to grow within PASSHE given the competitive environment and the expanded policy flexibility (higher levels permitted, merit-based awards included).

\$150,000 is currently included in the FY 2014/15 budget for the Lock Haven University Institutional Help (LHIH) program (\$100,000 in the E&G budget and \$50,000 in the Auxiliary budget for housing scholarships). That is close to the amount awarded in FY 2013/14, as last dollar scholarships to support retention. No LHIH awards were made specifically to support recruitment.

The task force recommends that the current levels of LHIH funding be maintained for retention awards and that an additional pool of \$75,000 be funded in FY 2015/16 for merit-based scholarships to guarantee high-achieving students scholarship money when they apply. The incoming freshmen class in fall 2014 includes 214 students with a high school GPA of 3.5 or above and an SAT score of 1,000 or above. The goal with this additional funding would be to increase recruitment of students with those credentials by 50 by fall of 2016. These scholarships would be renewable for eight semesters provide the student maintained a GPA of 3.5 or greater and completed 30 credit hours per year. Data would be collected to determine if scholarship in-hand resulted in a better yield compared to previous years.

The task force recommends continuing to use corporate sponsorship funds from the pouring rights contract to fund athletic scholarships (\$79,000 in FY 2013/14).

e. Campus employment

As indicated on Exhibit 1, students with low Expected Family Contribution (EFC)/high financial need will often have a residual amount of unmet need after taking into account all federal and state aid. Campus employment is one way that a portion of this need can be met. The task force recommends that consideration be given to using the substantial funds expended in

campus employment (over \$1.8 million in FY 2013/14) more strategically to target students with financial need. This could entail a policy that establishes a preference for hiring students with financial need and changes to the current hiring practices.

Housing waivers

The University currently offers assistance with residence hall fees through the Lock Haven Institutional Help program. There is a separate component that is funded by the management fee earned for operating and managing the Fairview Suites facility. The housing assistance component is currently budgeted at \$50,000 per year and is targeted toward residents of Fairview Suites, taking into account the source of the funding and the financial challenge posed to some students by the relatively high rental rates.

The committee assessed adding a residence hall rental fee waiver program targeted towards residents of the traditional facilities. The Athletics department has requested the ability to offer eighteen housing waivers annually distributed across the varsity teams. Other PASSHE institutions offer housing waivers to student-athletes. At the current academic year rental rate for a traditional double occupancy room (\$5,600) that amounts to \$100,800.

However, the housing auxiliary fund is not able to support waiving rental fees at this time. Declining occupancy has put stress on the housing auxiliary fund finances. The final occupancy in fall 2013 was 199 beds below the previous year, and an additional decline of about 100 beds is anticipated for fall 2014.

The task force recommends that the University continue with the current program under LHIH at the \$50,000 level. To the extent that additional investment becomes feasible, the LHIH program should be expanded prior to introducing housing waivers. This program addresses an area of high need and aligns with the strategic objective of supporting the success of the Fairview Suites project (Strategic Plan objective 5.2).

Additionally, the task force observes that the current process for assigning students to resident halls results in many late applying students being assigned to Fairview Suites. Since students applying late tend to not have their financial aid paperwork complete, and may have missed dates to qualify for certain grants, the unintended consequence may be to place students in a residence hall that they will struggle to pay for. Additionally, as Exhibit 1 shows, students with low EFC/high need are likely to struggle with paying the higher rental rates for Fairview Suites. The task force recommends that consideration be given to changing the assignment process so that the likelihood of students being placed in a residence hall that they cannot afford is minimized.

Meal Plans

The campus dining services contract is currently out for bid. The RFP requests that bidders provide twenty 14-meal per week meal plans to be used for scholarships. At the current pricing level, this amounts to a \$55,040 value.

The task force recommends that these be allocated as follows:

Athletics – 7.

ROTC – 3.

General – 10.

Game Guarantees

In the past, the Athletics department has requested that revenues generated from guaranteed game payments be made available for scholarships. Under the revised Board of Governors policy, that is now possible, subject to Council of Trustees approval.

The task force recommends that any revenue for game guarantees be made available for athletics scholarships.

IV. Summary of Recommendations

- a. Consider changing the distribution of BOG Scholar waivers by reducing the average award amount and increasing the number of recipients.
- b. Emphasize scholarship aspect of the international tuition waivers to enhance the effectiveness of the program.
- c. Increase the budget for international tuition waivers by up to \$200,000 to be used for waivers of up to 25% of tuition, with a goal of increasing international student enrollment by 50 students over time.
- d. Increase the Lock Haven Institutional Help program budget by \$75,000 to fund renewable freshmen scholarships to highly qualified prospective students (HS GPA of 3.5 or greater, SAT score of 1,000 or greater), with a goal of increasing the number of incoming students in this group by 50 by fall 2016.
- e. Consider modifying campus student employment policy and practice to establish hiring preference for students with financial need.
- f. Consider modifying current practice and timing regarding assignment of students to residence halls to minimize misalignment with respect to ability to pay.
- g. Allocate meal plan vouchers available under the new food service contract to be awarded as student scholarships.
- h. Allocate proceeds for athletic game guarantees to athletic scholarships.

Exhibit 1

Zero EFC Student Aid	Year	Fall	Spring
PELC	5730	2865	2865
EPHEA	3414	1707	1707
SEOG	500	250	250
DSSU	3500	1750	1750
DLUU	2000	1000	1000
Perk	800	400	400
<i>Parent Plus Denial</i>	<i>4000</i>	<i>2000</i>	<i>2000</i>
TOTAL AID	19944	9972	9972
TOTAL AID - No Denial	15944	7972	7972
EFC 3096			
EPHE	3332	1666	1666
PELC	4180	2090	2090
DLSU	3500	1750	1750
DLUU	2000	1000	1000
TOTAL AID	13012	6506	6506
EFC 4652 Student Aid			
PELC	780	390	390
DLSU	3500	1750	1750
DLUU	2000	1000	1000
TOTAL AID	6280	3140	3140
EFC 10000			
DLSU	3500	1750	1750
DLUU	2000	1000	1000
TOTAL AID	5500	2750	2750

		Year	year/Aid	GAP
w/denial	Trad - 2X	18177.2	19944	1766.8
No denial	Trad - 2X	18177.2	15944	-2233.2
w/denial	Trad - 1X	19641.2	19944	302.8
No denial	Trad - 1X	19641.2	15944	-3697.2
w/denial	Suites-2X	20240.2	19944	-296.2
No denial	Suites-2X	20240.2	15944	-4296.2
w/denial	Suites-1X	21105.2	19944	-1161.2
No denial	Suites-1X	21105.2	15944	-5161.2

	Year	year/Aid	GAP
Trad - 2X	18177.2	13012	-5165.2
Trad - 1X	19641.2	13012	-6629.2
Suites-2X	20240.2	13012	-7228.2
Suites-1X	21105.2	13012	-8093.2

Trad - 2X	18177.2	6280	-11897.2
Trad - 1X	19641.2	6280	-13361.2
Suites-2X	20240.2	6280	-13960.2
Suites-1X	21105.2	6280	-14825.2

Trad - 2X	18177.2	5500	-12677.2
Trad - 1X	19641.2	5500	-14141.2
Suites-2X	20240.2	5500	-14740.2
Suites-1X	21105.2	5500	-15605.2