

***Final Report***  
***Board of Governors' Working Group***  
***on Financial Aid and Tuition***



***Working Group Members***

**Board of Governors**

Craig Souza, Chair  
Roger Aiken  
Steve Long  
Joan MacNeill  
Champ Mitchell

**Chancellors**

David Belcher  
Philip Dubois  
Randy Woodson

**October 1, 2014**

## **UNC BOARD OF GOVERNORS WORKING GROUP ON FINANCIAL AID AND TUITION**

### **Background**

The Working Group on Financial Aid and Tuition was asked to study need-based financial aid and tuition and accomplish the following:

- Reach a common understanding of need-based financial aid available to UNC students and identify any potential simplifications, including best practices from other states or programs to incorporate in North Carolina;
- Determine if establishing a maximum percentage of total base tuition revenue to be used for need-based aid, including any campus-specific needs or differences, is feasible;
- Identify any other potential revenue sources to pursue for need-based financial aid; and
- Consider ways to ensure that the most meritorious and needy students receive assistance.

The Working Group met several times between June and September 2014 and discussed the following data:

- The total need-based financial aid awarded from campus-initiated tuition increase (CITI) revenue in FY 2012-13 was \$180.3 million.
- Resident undergraduates as a group are a net recipient of this program; they received 70% of the aid awards but paid in 46% of the revenue. All other students (graduate students and nonresident undergraduates) were net payors of the program.
- Most campuses (10 of 16) are budgeted to spend less than 15% of total base tuition receipts on need-based financial aid awards. Of the six campuses spending more than 15%, four are below 18% and two are above 20%.
- The average accumulated indebtedness in 2013 of UNC graduating resident seniors with loans was \$22,229 systemwide, but varied by campus. In comparison, the average accumulated indebtedness of seniors graduating from public four-year institutions nationally was \$25,500 in 2012.
- All campuses currently require satisfactory academic progress to receive need-based financial aid from CITI.
- There are no system-wide requirements for semester limits for receiving need-based aid from CITI.

- The tuition surcharge revenue has declined as a result of UNC System efforts on reducing time-to-degree. Per G.S. 116-143.7, the UNC System charges a 50% tuition surcharge to undergraduate students on credit hours taken after four years and 140 credit hours.

## **Recommendations**

### ***Freeze and Cap***

The Working Group found that all students would benefit from restraining growth in the cost of tuition, which contributes to increases in the amount of student debt. As such, the Working Group recommended at the August meeting that the Board of Governors end the practice of linking tuition increase revenue to need-based financial aid and instead implement a 15% “Freeze and Cap” policy, whereby a maximum percentage of total base tuition revenue may be used for need-based aid. The Working Group further recommends that no fees or other charges to students be used for need-based financial aid. The Board of Governors adopted the proposal at its August 1 meeting. A summary of the proposal follows:

#### **“Freeze and Cap”**

- **A 15% maximum percentage of total base tuition revenue may be used for need-based financial aid and the tuition-funded aid budgets for campuses exceeding the cap are frozen.**
  - Campuses at or above 15% are frozen at the FY 2014-15 budgeted level of aid. So long as tuition revenue set aside for need-based aid exceeds the cap, no additional tuition revenue may be allocated for need-based financial aid. Frozen campuses, with their maximum budgeted level of aid and current percentage of total base tuition revenue, include: UNC-CH (\$67,510,860 – 20.1%), ECSU (\$1,866,687 – 20.1%), NCSU (\$45,329,221 – 17.9%), FSU (\$2,956,034 – 16.9%), WSSU (\$3,247,030 – 15.9%), and NCCU (\$6,001,776 – 15.0%).
  - Campuses below 15% are not frozen. Chancellors may increase funds for need-based aid funded from tuition revenues through management flexibility authority, so long as the total set aside for aid does not exceed the cap. Campuses with flexibility include: ASU, ECU, NCA&T, UNCA, UNCC, UNCG, UNCP, UNCW, UNCUSA, and WCU.
  - All campuses are required to report annually to the Board of Governors’ Committee on Budget and Finance on tuition used for need-based aid, with an explanation for any significant variances from the prior year.

**Example:**

	<b>Set-Aside</b>	<b>Cap</b>	<b>Outcome</b>
Campus A	20%	<b>15%</b>	Total tuition revenues used for need-based aid are frozen, no increases allowed
Campus B	16%	<b>15%</b>	Total tuition revenues used for need-based aid are frozen, no increases allowed
Campus C	<b>10%</b>	15%	Flexibility, increase allowed

**No Further Action Required**

Several items discussed by the Working Group were not recommended for further action by the Committee on Budget and Finance.

- Standardization of Tuition-Funded Need-Based Aid:
  - Satisfactory academic progress (SAP) – all campuses currently require SAP, therefore no action was needed.
  - Semester limits on receiving aid (there are no system-wide requirements) – The Chancellors discussed the importance of flexibility of this program to help students graduate, and as a result, the Working Group decided no action was needed.
- Tuition Surcharge:
  - The Working Group discussed if tuition surcharge revenue needed to be directed to a particular purpose. There has been a decline in tuition surcharge revenue, as a result of UNC System efforts on reducing time-to-degree. Given the recent positive trends, the Working Group decided no action was needed.

**Additional Study**

The Working Group also identified a number of potentially meritorious ideas and further recommends that the Board of Governors examine the following:

- Innovative approaches to providing financial assistance to students, including lower cost loans through public-private partnerships and tuition payment plans (Educational Planning, Policies and Programs).
- Availability and sustainability of funding sources (including appropriations, lottery funds, escheat funds, and private funds) for need-based aid, including an increased focus on campus fundraising strategies (Budget and Finance/Public Affairs).
- Investigating the possibility of tying system-wide financial aid funding to enrollment growth in future budget requests (Budget and Finance/Public Affairs).