

2. Recommendation of the Board of Governors Working Group on Financial Aid/Tuition .....Craig Souza

**Situation:** The Board of Governors Working Group on Financial Aid/ Tuition recommends changes to tuition set-aside for need-based financial aid.

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

- Reach a common understanding of need-based financial aid available to UNC students and identify any potential simplifications or 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.

**Assessment:** The Working Group recommends 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” proposal, whereby a maximum percentage of total base tuition revenue may be used for need-based aid.

The Working Group also recommends that the Board of Governors further study several ideas and makes recommendations on the future composition of the Working Group.

**Action:** This item requires a vote.

## **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 do the following:

- Reach a common understanding of need-based financial aid available to UNC students and identify any potential simplifications or 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.

At the meeting on June 19, 2014, the Working Group discussed the following data:

- The total need-based financial aid awarded from campus-initiated tuition increase 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 (\$125.7 million) but paid in 46% (\$83.9 million) of the revenue. Nonresident graduate students as a group are a net payor of this program; they received 1% of the aid awards (\$1.8 million) but paid in 14% (\$24.6 million) of the revenue.
- 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 of UNC graduating resident seniors with loans is \$22,229 systemwide, but varies by campus.

### **Recommendations**

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

The Working Group finds 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 recommends 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. A summary of the proposal follows on the third page of this report.

### ***Additional Study***

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

- Additional metrics for measuring a student's successful progress towards a degree and a time limit for the receipt of tuition-funded student aid. To that end, it is recommended that the Board of Governors examine the current program guidelines and innovative practices of the constituent institutions to determine if any changes are needed.
- Innovative approaches to providing financial assistance to students, including lower cost loans through public-private partnerships.
- The 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.

### ***Working Group Membership***

Finally, the Working Group recommends to the Chairman of the Board of Governors that the Working Group be allowed to complete its work. More time is needed to examine and assess the three areas of additional study identified above. We believe the Working Group can complete its tasks and report to the Board of Governors by December 31, 2014.

We further recommend that current members of the Working Group, including three Chancellors, be offered the opportunity to continue their work. In addition we believe it would be useful to add another Chancellor to the Working Group. The Working Group also finds that input will be needed from campus experts in financial aid, fundraising, and admissions on an as-needed basis.

**UNC BOARD OF GOVERNORS  
WORKING GROUP ON FINANCIAL AID/TUITION**

**“Freeze and Cap” Proposal**

- **Implement a 15% maximum percentage of total base tuition revenue that may be used for need-based financial aid and freeze the tuition-funded aid budgets for campuses exceeding the cap.**
- 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, UNCSA, 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

### Impact of Need-Based Aid Tuition Set-Aside Cap

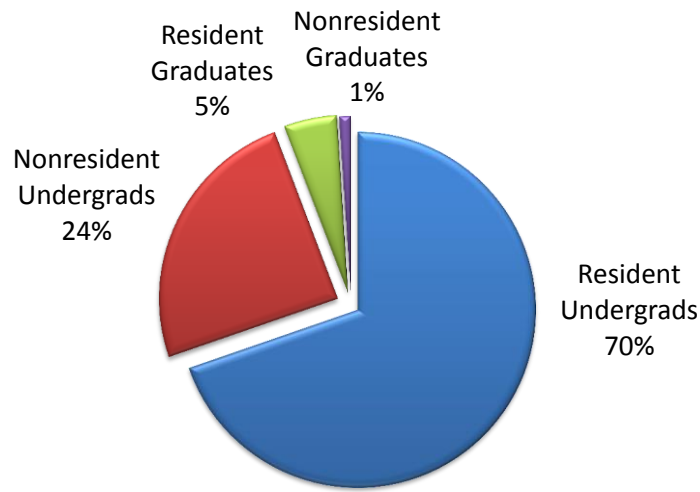
		20% Cap on Need-Based Aid from Base Tuition		17.5% Cap on Need-Based Aid from Base Tuition		15% Cap on Need-Based Aid from Base Tuition		12.5% Cap on Need-Based Aid from Base Tuition		10% Cap on Need-Based Aid from Base Tuition	
Campus	Current NBA %	% Above Cap	Aid Above Cap	% Above Cap	Aid Above Cap	% Above Cap	Aid Above Cap	% Above Cap	Aid Above Cap	% Above Cap	Aid Above Cap
ASU	14.4%	-	\$ -	-	\$ -	-	\$ -	1.9%	\$ 1,585,467	4.4%	\$ 3,647,493
ECU	13.6%	-	\$ -	-	\$ -	-	\$ -	1.1%	\$ 1,538,592	3.6%	\$ 5,118,689
ECSU	20.1%	0.1%	\$ 5,217	2.6%	\$ 237,901	5.1%	\$ 470,584	7.6%	\$ 703,268	10.1%	\$ 935,952
FSU	16.9%	-	\$ -	-	\$ -	1.9%	\$ 328,869	4.4%	\$ 766,730	6.9%	\$ 1,204,591
NCAT	12.8%	-	\$ -	-	\$ -	-	\$ -	0.3%	\$ 182,599	2.8%	\$ 1,653,328
NCCU	15.0%	-	\$ -	-	\$ -	0.0%	\$ 2,352	2.5%	\$ 1,002,256	5.0%	\$ 2,002,160
NCSU	17.9%	-	\$ -	0.4%	\$ 1,009,328	2.9%	\$ 7,340,741	5.4%	\$ 13,672,154	7.9%	\$ 20,003,568
UNCA	14.7%	-	\$ -	-	\$ -	-	\$ -	2.2%	\$ 397,223	4.7%	\$ 845,225
UNCCH	20.9%	0.9%	\$ 2,916,386	3.4%	\$ 10,990,695	5.9%	\$ 19,065,005	8.4%	\$ 27,139,314	10.9%	\$ 35,213,623
UNCC	9.5%	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
UNCG	13.9%	-	\$ -	-	\$ -	-	\$ -	1.4%	\$ 1,103,531	3.9%	\$ 3,107,990
UNCP	10.9%	-	\$ -	-	\$ -	-	\$ -	-	\$ -	0.9%	\$ 202,754
UNCW	11.7%	-	\$ -	-	\$ -	-	\$ -	-	\$ -	1.7%	\$ 1,278,614
UNCSA	10.6%	-	\$ -	-	\$ -	-	\$ -	-	\$ -	0.6%	\$ 97,646
WCU	11.5%	-	\$ -	-	\$ -	-	\$ -	-	\$ -	1.5%	\$ 592,568
WSSU	15.9%	-	\$ -	-	\$ -	0.9%	\$ 190,089	3.4%	\$ 699,579	5.9%	\$ 1,209,069
Total Above Cap		\$ 2,921,603		\$ 12,237,924		\$ 27,397,640		\$ 48,790,714		\$ 77,113,269	
Total Aid 2014-15		\$ 208,288,202		\$ 208,288,202		\$ 208,288,202		\$ 208,288,202		\$ 208,288,202	

## 2012-13 Actual Need-Based Aid Awards Granted from Base Tuition Revenue

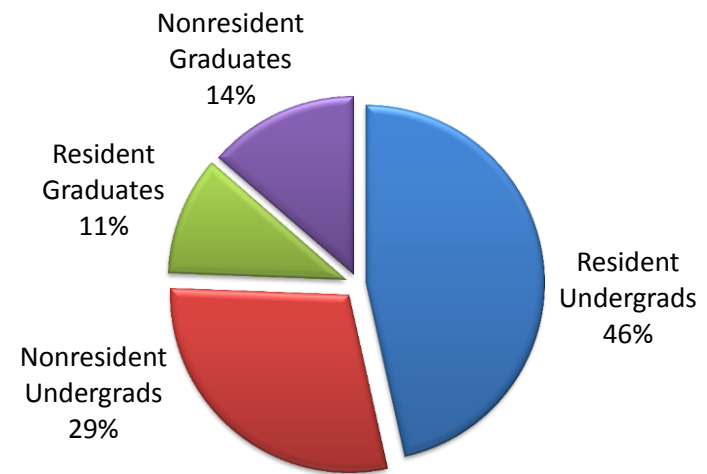
	Resident Undergraduates			Nonresident Undergraduates			Resident Graduates			Nonresident Graduates			Total Aid
	Aid To	Aid From*	Net Aid In/(Out)	Aid To	Aid From*	Net Aid In/(Out)	Aid To	Aid From*	Net Aid In/(Out)	Aid To	Aid From*	Net Aid In/(Out)	
ASU	9,000,323	6,524,048	2,476,275	331,014	2,854,805	(2,523,791)	945,112	719,937	225,175	280,128	457,787	(177,659)	10,556,577
ECU	16,362,069	9,392,320	6,969,749	1,732,499	6,333,339	(4,600,840)	622,401	2,130,780	(1,508,379)	1,500	862,030	(860,530)	18,718,469
ECSU	1,172,481	921,864	250,617	586,057	786,771	(200,714)	-	41,652	(41,652)	-	8,251	(8,251)	1,758,538
FSU	1,315,675	1,138,452	177,223	202,814	255,409	(52,595)	25,661	140,757	(115,097)	1,688	11,219	(9,531)	1,545,837
NCAT	3,633,943	1,976,659	1,657,284	1,193,445	2,151,600	(958,155)	45,915	394,409	(348,494)	57,737	408,372	(350,635)	4,931,040
NCCU	4,058,115	2,585,695	1,472,420	773,397	1,284,476	(511,079)	969,015	1,529,519	(560,504)	268,333	669,170	(400,837)	6,068,860
NCSU	28,216,638	19,903,254	8,313,384	11,465,279	7,945,125	3,520,154	917,460	4,577,136	(3,659,676)	170,066	8,343,929	(8,173,863)	40,769,443
UNCA	2,069,285	1,632,474	436,811	640,778	1,053,296	(412,518)	-	18,513	(18,513)	-	5,781	(5,781)	2,710,063
UNCCH	25,943,557	17,878,437	8,065,120	23,820,176	18,993,327	4,826,849	3,687,143	6,575,424	(2,888,281)	553,397	10,557,084	(10,003,687)	54,004,273
UNCC	8,923,591	5,049,296	3,874,295	381,160	2,382,630	(2,001,470)	302,266	850,634	(548,368)	40,011	1,364,468	(1,324,457)	9,647,028
UNCG	9,382,189	6,054,204	3,327,985	315,276	2,065,107	(1,749,831)	598,538	1,131,549	(533,011)	165,200	1,210,344	(1,045,144)	10,461,203
UNCP	2,117,230	1,659,153	458,077	3,500	241,848	(238,348)	9,035	201,120	(192,085)	-	27,644	(27,644)	2,129,765
UNCW	7,459,752	4,497,451	2,962,301	1,140,044	3,797,089	(2,657,045)	315,175	375,702	(60,527)	24,625	269,354	(244,729)	8,939,596
UNCSA	492,321	251,340	240,981	954,450	993,686	(39,236)	-	48,969	(48,969)	-	152,776	(152,776)	1,446,771
WCU	3,594,490	2,619,154	975,336	193,137	663,444	(470,307)	162,483	543,533	(381,050)	25,004	148,983	(123,979)	3,975,114
WSSU	1,939,509	1,801,481	138,028	530,977	624,216	(93,239)	13,200	176,728	(163,528)	184,523	65,784	118,739	2,668,209
Total	125,681,169	83,885,284	41,795,885	44,264,002	52,426,165	(8,162,162)	8,613,404	19,456,362	(10,842,959)	1,772,212	24,562,975	(22,790,764)	180,330,786

\* Calculated by multiplying the % of tuition revenue granted to students for need-based aid by the total tuition revenue generated from each group of students

**Aid to Students by Residency and Degree Level**



**Aid from Students by Residency and Degree Level**



Note: FY 2012-13 is the most recent year for which complete data are available on need-based aid awards granted from base tuition revenue. Figures reflected here will differ from the FY 2014-15 figures used throughout the rest of the report.

**The University of North Carolina**  
**Budgeted Base Tuition Revenue Allocated to**  
**Need-Based Financial Aid from 2009-10 to 2014-15**

<b>Institution</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>2012-13</b>	<b>2013-14</b>	<b>2014-15</b>
Appalachian State University	\$ 3,359,468	\$ 6,929,175	\$ 8,431,338	\$ 10,544,443	\$ 11,895,599	\$ 11,895,599
East Carolina University	8,057,934	11,773,609	14,957,731	18,525,561	19,725,599	19,725,599
Elizabeth City State University	567,922	1,160,798	1,379,859	1,704,690	1,861,649	1,866,687
Fayetteville State University	1,061,415	1,724,236	2,284,136	2,633,936	2,956,034	2,956,034
North Carolina A & T State University	2,835,606	4,492,021	5,020,710	6,612,542	7,536,243	7,536,243
North Carolina Central University	3,046,415	4,377,025	4,812,569	5,473,937	6,001,776	6,001,776
North Carolina State University	24,613,762	31,195,522	34,173,722	40,769,443	43,255,394	45,329,221
UNC Asheville	1,299,453	1,720,563	2,192,705	2,479,295	2,637,233	2,637,233
UNC-Chapel Hill	28,807,840	39,551,691	46,433,112	58,042,055	66,151,033	67,510,860
UNC Charlotte	4,654,906	8,045,054	9,592,165	11,275,108	11,275,108	11,275,108
UNC Greensboro	4,505,265	7,532,480	8,663,881	10,468,889	11,125,825	11,125,825
UNC Pembroke	556,685	1,267,679	2,060,644	2,378,562	2,378,562	2,378,562
UNC Wilmington	3,472,992	4,868,547	6,034,912	8,208,939	9,012,300	9,012,300
UNC School of the Arts	571,042	921,859	1,220,484	1,446,771	1,590,023	1,618,583
Western Carolina University	1,515,329	2,761,610	3,142,334	3,975,114	4,441,979	4,458,066
Winston-Salem State University	923,659	2,009,503	2,489,824	2,710,009	3,247,030	3,247,030
<b>Total</b>	<b>\$89,849,693</b>	<b>\$130,331,372</b>	<b>\$152,890,126</b>	<b>\$187,249,294</b>	<b>\$205,091,387</b>	<b>\$208,574,726</b>

*Note: Includes both undergraduate and graduate need-based financial aid.*