

# Scholarship and Tuition Grant Reserve Fund

Fiscal Year 2023



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## Scholarship and Tuition Grant Reserve Fund – FY23

Iowa Code section 261.20 requires submission of an annual report on the Scholarship and Tuition Grant Reserve Fund as follows:

*261.20(4). The commission shall annually report to the general assembly the methodology and manner in which the commission makes the determination of awards for programs for which funds are appropriated under section 261.25.*

Iowa College Aid administers the Scholarship and Grant Reserve Fund authorized in Iowa Code Section 261.20. Iowa Code requires that the Reserve Fund be used “to alleviate a current fiscal year shortfall in appropriations for scholarship or tuition grant programs that have the same nature as the programs for which the monies were originally appropriated.” Monies in this fund do not revert to the state unless the funds exceed the maximum allowed balance, which is equal to two percent of the funds appropriated to the Iowa Tuition Grant and Iowa Vocational-Technical Tuition Grant Programs.

The chart below illustrates the beginning and ending balance of the Scholarship and Grant Reserve Fund for each of the last six state fiscal years, as well as the deposits into and transfers out of the fund.

| Revenues   | FY2018         | FY2019         | FY2020         | FY2021           | FY2022         | FY2023           |
|--|----------------|----------------|----------------|------------------|----------------|------------------|
| <b>Balance Brought Forward from Prior Year</b>               | 336,494        | 498,811        | 487,573        | 397,999          | 898,627        | 882,364          |
| <b>Appropriation Ending Balance Transfers into Fund</b>      | 462,317        | 66,328         | 397,999        | 898,627          | 40,162         | 556,569          |
| <b>Total Resources</b>                                       | <b>798,811</b> | <b>565,139</b> | <b>885,572</b> | <b>1,296,626</b> | <b>938,789</b> | <b>1,438,933</b> |
| <b>Expenses</b>  | <b>FY2018</b>  | <b>FY2019</b>  | <b>FY2020</b>  | <b>FY2021</b>    | <b>FY2022</b>  | <b>FY2023</b>    |
| <b>Vocational Technical Tuition Grant</b>                    | 0              | 0              | 10,000         | 0                | 56,425         | 39,561           |
| <b>Future Ready Iowa Last-Dollar Scholarship</b>             | 0              | 0              | 477,573        | 377,999          | 0              | 352,000          |
| <b>Iowa Tuition Grant - For Profit</b>                       | 0              | 0              | 0              | 20,000           | 0              | 0                |
| <b>Teach Iowa Scholar</b>                                    | 0              | 77,566         | 0              | 0                | 0              | 0                |
| <b>Iowa National Guard Service Scholarship</b>               | 300,000        | 0              | 0              | 0                | 0              | 0                |
| <b>Total Expenses</b>  | <b>300,000</b> | <b>77,566</b>  | <b>487,573</b> | <b>397,999</b>   | <b>56,425</b>  | <b>391,561</b>   |
| <b>Ending Balance Carried Forward to Next FY</b>             | 498,811        | 487,573        | 397,999        | 898,627          | 882,364        | 1,047,372        |
| <b>Maximum Balance of Scholarship and Grant Reserve Fund</b> | 498,811        | 487,574        | 498,799        | 997,597          | 1,022,049      | 1,047,373        |

*\*House File 2643, passed during the 2020 legislative session, increased the maximum balance of the Scholarship and Tuition Grant Reserve Fund from one percent to two percent.*

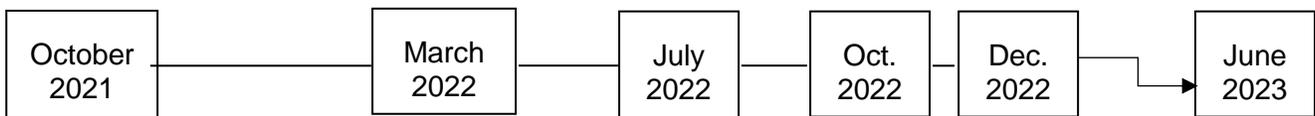
*Numbers listed may differ from actuals due to rounding cents.*

## Forecasting Methodology

Each year, staff analyzes data from the first five to six months of the 21-month Free Application for Federal Student Aid (FAFSA) application cycle to forecast future grant recipients and set awarding parameters for the Iowa Tuition Grant Programs (ITG), the Iowa Vocational Technical Tuition Grant Program (IVTG), the Skilled Workforce Shortage Tuition Grant Program (KG) and the Future Ready Iowa Last-Dollar Scholarship (LDS).

The FAFSA serves as the only application for these programs. Staff generally release awarding parameters for these programs in March, April or May prior to the academic year in which award disbursements will be made by colleges and universities. Awarding parameters determine which students will qualify for awards, and generally include the Expected Family Contribution<sup>1</sup> range, FAFSA filing deadline and maximum award<sup>2</sup>. The awarding parameters are set early in the application cycle to allow colleges and universities to inform applicants of the federal, state, institutional and private aid sources for which they qualify. This information is sent to the student in a financial aid award package. The earlier a student receives the financial aid award package, the more time the student has to analyze their college choice based on their financial resources and to secure additional financing, if necessary. Diagram 1.0 displays the 21-month FAFSA application cycle in relation to important state processing dates.

**Diagram 1.0**



## Summary of Important Dates during the FAFSA Application Cycle:

October, 2021:

Students begin completing FAFSA applications for the 2022-23 academic year.

March, 2022:

Staff generally establish awarding parameters for ITG, IVTG, KG and LDS for the upcoming academic year, if appropriations are available.

July 1, 2022:

FAFSA filing deadline for ITG, IVTG and KG.

August 1, 2022:

FAFSA filing deadline for LDS (the deadline can change from year to year).

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<sup>1</sup> The Expected Family Contribution, or EFC, is a metric computed from a completed FAFSA that is used to gauge a families' financial strength. This metric is primarily used to rank families by ability to pay in order to divert funding to the most financially needy applicants. There was not an EFC cutoff for the LDS during FY23.

<sup>2</sup> Most state programs have a statutory maximum award listed in Iowa Code. Although, if funding does not permit all eligible applicants to receive awards, staff can administratively set an annual maximum award that is lower than the statutory maximum award to ensure the appropriation is not overspent.

October 15, 2022:

College and university officials are required to report their initial fall (Term 1) ITG, IVTG, KG and LDS disbursements to Iowa College Aid. This represents the first of 6 reporting terms, each of which has preliminary and final reporting deadlines. After Term 1 disbursements are reported by colleges on or before October 15, staff has their first true picture of recipients and disbursements for the current academic year. Budget levels are analyzed to determine if adjustments need to be made. Traditionally, adjustments will not be made until after the final Term 1 reporting deadline.

December 1, 2022:

December 1 is the final reporting deadline for colleges and universities to report their fall (Term 1) ITG, IVTG, KG and LDS disbursements to Iowa College Aid. After this date, Term 1 disbursements cannot be increased. Fluctuations in disbursements will take place between the initial and final reporting deadlines in each term. After a reporting deadline, disbursements can only decrease.

June 30, 2023:

This marks the end of the 21-month FAFSA application cycle and the end of the state fiscal year.

## The Process of Establishing Award Parameters

To establish awarding parameters, staff evaluate FAFSA application data between January and March to examine application rates. Staff downloads FAFSA records from the United States Department of Education on a weekly basis. Cumulative application figures are generally dependable if received two weeks prior to the date of analysis<sup>3</sup>. If staff set awarding parameters on March 1, they are generally relying on FAFSA data received during the first 4 and ½ months of the application cycle. If staff set awarding parameters on March 14, they are generally relying on FAFSA data received during the first five months of the application cycle. For illustrative purposes, in the first five months of the 2018-19 and 2019-20 Iowa Tuition Grant application cycles, 68.75% and 66.92%<sup>4</sup> of eligible Iowa resident FAFSAs had been submitted, respectively. Awarding parameters established in the middle of March rely on about two-thirds of the application data that will be submitted over the course of the application cycle.

In setting awarding parameters, staff evaluate FAFSA application trends in relation to previous years, as well as the final application rate and expenditure outcomes<sup>5</sup> of prior years. Due to the timing of this process, a number of assumptions must be made at the time awarding parameters are set. These assumptions are listed below:

1. The number of eligible applications received to date will be approximately [x] percent of the applications we will have received on or before July 1. This assumption allows us to predict the number of eligible applications that we will have received by the state FAFSA

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<sup>3</sup> The prior week and current week FAFSA numbers will fluctuate considerably in the upcoming week(s), so staff rely on application data received two weeks prior.

<sup>4</sup> These percentages were obtained from FAFSA application records.

<sup>5</sup> The outcomes measured are typically eligible applications received on or before July 1, recipients and average award.

filing deadline of July 1. Prior year application trends are traditionally used to project this rate.

2. The number of applicants that will attend an eligible college or university and receive an award will be approximately  $[x]$  percent of the eligible applications received on or before July 1. This assumption allows us to predict the number of applicants that will receive awards in the upcoming year. Prior year applicant-to-recipient trends are generally used to project this rate. This rate is also referred to as the conversion rate.
3. The average grant award at the end of the year will be approximately  $[x]$  percent of the maximum award. This assumption allows us to predict the expenditure for the upcoming year based on the maximum award<sup>6</sup> that is administratively set for the program. Prior year figures are generally used to project this rate.
4. Changes to the Federal Methodology which calculates a student's EFC, which affects eligibility counts.

Minor discrepancies between the initial assumptions from which awarding parameters are developed and the year-end outcomes can have a drastic impact on award commitments. When staff establish the awarding parameters for ITG, if the projected average award is low by one percentage point (and all other assumptions hold true), it would create a shortfall of approximately \$575,585<sup>7</sup>. If the projected percentage of eligible applications received to date in relation to the number to be received by July 1 is low by two percentage points (which would reduce the projected number of eligible applications received on or before July 1), it would create an over-commitment of \$1,505,924<sup>8</sup>. As indicated in the examples, slight fluctuations in historical trends can have tremendous effect on program commitment levels. Ultimately, a change in consumer behavior could produce a large over-commitment in a program.

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<sup>6</sup> Each program has a statutory maximum award. If the appropriation will not fund all eligible applicants during the academic year, the maximum award for certain programs can be administratively reduced so that all eligible applicants can be funded.

<sup>7</sup> This scenario would occur if staff projected the average ITG award to be \$4,948 for 9,640 recipients, but the actual average award at year end was \$5,008.

<sup>8</sup> This scenario would occur if the eligible applications received by March were approximately 10,300, the ratio of applications received to date to the number projected to be received on or before July 1 was two percentage points high (eligible applications received to date were projected to be approximately 66.92% percent of the applications received on or before July 1; but the actual rate turns out to be 64.92%); the applicant-to-recipient ratio is exact (applicants that will attend an eligible college and receive an award will be approximately 62.68%); the projected average award is exact (82.47% of a \$6,000 maximum award, or \$4,948); and the appropriation is \$47.7 million.