

**IOWA COLLEGE STUDENT AID COMMISSION  
Scholarship and Tuition Grant Reserve Fund  
Annual Report – FY 2017**

Iowa Code, section 261.20, requires that the Iowa College Student Aid Commission submit 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.

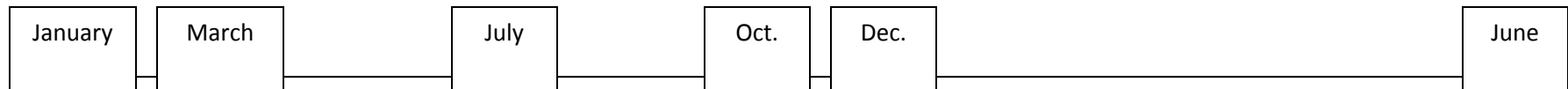
Iowa College Aid administers the Scholarship and Grant Reserve Fund authorized in Iowa Code Section 261.20. Iowa Code requires that the Reserve Fund be used “to alleviate a current fiscal year shortfall in appropriations for scholarship or tuition grant programs that have the same nature as the programs 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 one percent of the funds appropriated to the Iowa Tuition Grant and Iowa Vocational-Technical Tuition Grant Programs.

| <b>State Fiscal Year</b> | <b>July 1 Balance</b> | <b>June 30 Balance</b> | <b>Maximum Balance</b> |
|--------------------------|-----------------------|------------------------|------------------------|
| <b>2009</b>              | \$557,412.00          | \$514,180.00           | \$575,059.65           |
| <b>2010</b>              | \$514,180.00          | \$459,152.53           | \$494,944.25           |
| <b>2011</b>              | \$459,152.53          | \$230,739.53           | \$510,778.94           |
| <b>2012</b>              | \$230,739.53          | \$497,636.33           | \$497,636.33           |
| <b>2013</b>              | \$497,636.33          | \$502,636.33           | \$502,636.33           |
| <b>2014</b>              | \$502,636.33          | \$409,499.33           | \$517,636.33           |
| <b>2015</b>              | \$409,499.33          | \$426,891.33           | \$526,386.33           |
| <b>2016</b>              | \$426,891.33          | \$0.33                 | \$526,386.33           |
| <b>2017</b>              | \$0.33                | \$336,494.00           | \$531,648.66           |

## Forecasting Methodology

Each year, Commission staff analyzes data from the first 2-3 months of the 18-month FAFSA (Free Application for Federal Student Aid) 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), and the Kibbie Grant Program (KG). The FAFSA serves as the only application for these programs. Commission staff generally releases awarding parameters for these programs in March prior to the academic year that 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 18-month FAFSA application cycle in relation to important state processing dates.

**Diagram 1.0**



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

January, 2016:

Students begin completing FAFSA applications for the 2016-17 academic year.

March, 2016:

Commission staff generally set awarding parameters for ITG, IVTG, and KG for the upcoming academic year.

July 1, 2016:

FAFSA filing deadline for ITG, IVTG, and KG.

October 15, 2016:

College and university officials are required to report their initial fall (Term 1) ITG, IVTG, and KG disbursements to the Commission. This represents the first of 5 reporting terms, each of which has preliminary and final reporting deadlines. After Term 1 disbursements are reported by colleges on or before October 15, Commission staff has their first true picture of recipients and disbursements for the

<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.

<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.

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, 2016:

December 1 is the final reporting deadline for college and universities to report their fall (Term 1) ITG, IVTG, and KG disbursements to the Commission. 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, disbursement numbers can only decrease.

June 30, 2017:

This marks the end of the 18-month FAFSA application cycle and the end of the state fiscal year.

### **The Process of Setting Award Parameters**

To set awarding parameters, Commission staff evaluates FAFSA application data between January and March to examine application rates. Commission staff downloads FAFSA records from the Federal 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>. When Commission staff set awarding parameters on March 1, they are generally relying on FAFSA data received during the first 6 weeks of the application cycle. When Commission staff set awarding parameters on March 14, they are generally relying on FAFSA data received during the first 8 weeks of the application cycle. For illustrative purposes, in the first 8 weeks of the 2012-13 and 2013-14 application cycles, 29.94% and 30.09%<sup>4</sup> of Iowa resident FAFSAs had been completed, respectively. Awarding parameters established in the middle of March rely on about one third of the application data that will be submitted over the course of the application cycle.

In setting awarding parameters, staff evaluates 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 \_\_\_\_ 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 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 \_\_\_\_ 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.

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

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

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

3. The average grant award at the end of the year will be approximately \_\_\_ percent of the maximum award. This assumption allows us to predict the expenditures 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. If the projected average ITG award is low by just 1% (and all other assumptions hold true), it would create a shortfall of approximately \$500,000<sup>7</sup>. If the projected percentage of eligible applications received to date in relation to the number actually received on July 1 is high by 1% (which would reduce the projected number of eligible applications received on or before July 1), it would create an over-commitment of \$1,792,200<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 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 \$3,200 for 15,000 recipients, but the actual average award at year end was \$3,232.

<sup>8</sup> This scenario would occur if the week 7 eligible applications received were approximately 5,425, the application percentage to date was 1% high (eligible applications received to date were projected to be approximately 27.8% percent of the applications received on or before July 1; but the actual was 26.8%), the applicant-to-recipient ratio is exact (applicants that will attend an eligible college and receive an award will be approximately 77.0%), the appropriation is \$48 million.