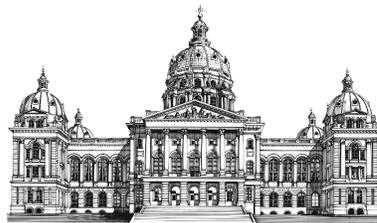


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September 13, 1996

Student Financial Aid at the Board of Regents Institutions - Update

ISSUE

Comparing the projected student financial aid approved by the Board of Regents with actual amounts expended by the institutions. This is an update of an *Issue Review* first issued on January 17, 1996. This *Review* includes data from FY 1996 not included in the previous *Issue Review*.

AFFECTED AGENCIES

Board of Regents
University of Iowa
Iowa State University
University of Northern Iowa

CODE AUTHORITY

Section 262.9, Subsection 8, Code of Iowa

BACKGROUND

The Code of Iowa requires the Board of Regents to set tuition increases at the three institutions no later than November for the following academic year. Different rates of increases are set for undergraduate residents and nonresidents, as well as graduate students. Historically, the three institutions set a goal to dedicate an amount from the tuition increase for student financial aid. In theory, this is to assist those students for whom the tuition increase may prohibit them from attending the Regents institutions.

The amount of student financial aid is determined by a percentage of student tuition revenues. Each institution uses its own process to predict the enrollment trends and then estimates tuition revenues. The set aside goals set by each of the institutions are as follows:

- University of Iowa - 16.0%.
- Iowa State University - 11.0%.
- The University of Northern Iowa - 19.0%.

The above procedure is not incorporated into the budget request developed by the institutions, approved by the Board of Regents, and submitted to the Governor for

recommendation to the General Assembly. The budget recommendation from the Governor does not include any funding increase for tuition increases that might have been adopted by the Board. As a result of this timing, the tuition revenue being considered by the General Assembly is understated by the amount of the tuition increase that was adopted by the Board.

This **Issue Review** includes only student financial aid from the general university operating budget and does not include student financial aid received from the College Student Aid Commission, federal government, affiliated organizations, or endowed funds. The calculation for this **Issue Review** subtracts the State appropriation for the Iowa Minority Grants for Economic Success (IMAGES) Program from the student financial aid data within the general university budget. The sources not included in this **Issue Review** are restricted and are accounted for by the Regents within the restricted budget rather than the general university operating budget. This includes transfers from the general university operating budget to a restricted account, as the University of Northern Iowa has done. This **Issue Review** also does not include any monies which the universities may have received from the General Assembly for financial aid for higher education access.

CURRENT SITUATION

Attachment I provides a seven-year expenditure history of student financial aid from the general university operating budgets from FY 1990 through FY 1996.

Overall

At the time the previous **Issue Review** was written, the University of Iowa and the University of Northern Iowa provided less student financial aid than the stated goal, while Iowa State University exceeded the stated goal. Since that time, the University of Iowa has altered the method of allocating student financial aid and while it still is providing less than the stated goal, it is providing more financial aid than budgeted for when applying the percentage goal compared to actual tuition revenues. It should also be noted that Iowa State University has the smallest stated goals (11.0%) while the University of Northern Iowa, which has the smallest enrollment of the three universities, has the highest stated goal (19.0%).

University of Iowa

The University of Iowa's goal is to use 16.0% of the tuition revenues for student financial aid.

Attachment I shows that:

- The budgeted amount of student financial aid compared to budgeted tuition revenues has ranged from a low of 15.16% in FY 1993 to a high of 15.41% in FY 1992. The actual amount of financial aid expended compared to actual tuition revenues results in percentages between 13.26% in FY 1990 to 14.81% in FY 1994. However, for FY 1996, the University increased this amount to 15.58%, moving in a positive direction toward the goal.
- When applying the budgeted percentage to actual tuition revenues, the University of Iowa has failed to expend approximately \$5.0 million between FY 1990 and FY 1995 from tuition revenues based upon the University's set-aside formula. Annual amounts not expended ranged from \$390,000 in FY 1993 to \$1.5 million in FY 1990. However, for FY 1996, the University exceeded the budgeted percentage to actual tuition revenues by \$200,000.

- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, the University of Iowa has failed to expend \$8.8 million between FY 1990 and FY 1996.

Iowa State University

Iowa State University's goal is to use 11.0% of its tuition revenues for student financial aid.

Attachment I shows that:

- Historically, between FY 1990 and FY 1996, Iowa State has exceeded the stated goal with budgeted financial aid compared to tuition revenues ranging between 11.37% in FY 1990 to 15.95% in FY 1996. The actual student financial aid expended compared to actual tuition revenues resulted in percentages between 11.88% in FY 1990 to 16.12% in FY 1996.
- Applying the budgeted percentage to actual tuition revenues indicates that Iowa State University has exceeded the budgeted amount by \$1.1 million between FY 1990 and FY 1996 from tuition revenues based upon the University's set-aside formula. Annual amounts exceeding the budget ranged from \$542,000 in FY 1993 to underexpending in FY 1994 by \$108,000.
- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, Iowa State University has exceeded the stated goal by \$16.1 million.

University of Northern Iowa

The University of Northern Iowa's goal is to use 19.0% of its tuition revenues for student financial aid. **Attachment I** shows that:

- Historically, between FY 1990 and FY 1996, the University of Northern Iowa has budgeted student financial aid compared to budgeted tuition revenues between 16.35% in FY 1993 and 18.61% in FY 1990. The actual student financial aid expended compared to actual tuition revenues resulted in percentages between 14.47% in FY 1995 and 17.24% in FY 1990.
- Applying the budgeted percentage to actual tuition revenues indicates that the University of Northern Iowa has failed to expend approximately \$2.3 million between FY 1990 and FY 1996 from tuition revenues based upon the University's set-aside formula. Annual amounts not expended ranged from \$100,000 in FY 1994 to \$969,000 in FY 1995. The University exceeded the student financial aid budget in FY 1993 by \$95,000.
- Comparing actual student aid from tuition revenues to the goal that was approved when tuition was increased by the Board, the University of Northern Iowa has failed to expend approximately \$4.8 million between FY 1990 and FY 1996.
- For FY 1996, the University transferred into restricted accounts, \$659,000 from the general university operating budget for financial aid (including athletic scholarships) which closes the gap of the shortfall. Similar action also occurred in FY 1995.

ALTERNATIVES

The Education Appropriations Subcommittee may wish to consider:

- Requiring the institutions of the Board of Regents to expend the stated goal amount of student financial aid from the set-aside formula on student financial aid.
- Adjusting the general university line-item appropriation by the amount of funds not expended the previous fiscal year by the institutions for student financial aid.
- Providing a separate student financial aid line-item for the universities.
- Encouraging the universities to make adjustments in the stated student financial aid goals based upon the size of the universities' general operating budgets.

BUDGET IMPACT

The formula for student financial aid set-aside from tuition revenues is an internal Regents commitment and has not been a State mandate in the past. Timing for awarding student financial aid may affect the ability to use 100.0% of what an institution may have available in funding. However for FY 1996, the University of Northern Iowa used only 82.4% of what was available from tuition revenues and the University of Iowa moved from only 91.6% in FY 1995 to 97.4% in FY 1996. Not all financial aid is based upon need and it would appear possible to adjust financial awards after the beginning of the school year based upon actual tuition revenues once known in September and January of each school year.

The institutions may use funds from the general operating budgets for student financial aid when providing assistance to teaching assistants or research assistants. This is in exchange for employment and is considered a personnel expense.

The institutions would be affected by the alternatives as it would decrease funds transferred to other categories of expenditure such as building repair or equipment at the end of a fiscal year. The alternatives would not impact the State General Fund.

UPDATE

The University of Iowa has demonstrated since the previous *Issue Review* that adjustments to student financial aid are possible within the school year. The University went from a \$678,000 under-expenditure in FY 1995 to \$200,000 more than planned in FY 1996, for an \$878,000 positive action. It should be noted however that this task is easier to accomplish when actual tuition revenues are less than budgeted as occurred in FY 1996. Yet, there were four other fiscal years during the time period reviewed that actual tuition revenues were less than budgeted and the task was not accomplished.

Iowa State University continues to adjust its student financial aid expenditures based upon actual tuition revenues. Perhaps an adjustment upward of the historical 11.0% goal would be warranted due to the past success.

The University of Northern Iowa continues to expend both less than the stated goal and less than the budgeted aid. When comparing estimated tuition revenues to actual tuition revenues, there was only one year within the seven reviewed that actual tuition revenues were less than estimated. Even without the expected adjustments because of greater-than-budgeted tuition revenues, the University of Northern Iowa has awarded \$1.5 million less in the two-year period of FY 1995 and FY 1996 than what was budgeted.

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Regents Historical Student Financial Aid Data

	FY 1990	FY 1991	FY 1992	FY 1993	FY 1994	FY 1995	FY 1996
University of Iowa							
Actual Tuition Revenue	\$ 72,568,514	\$ 71,694,219	\$ 75,669,168	\$ 81,600,512	\$ 85,518,543	\$ 92,441,383	\$ 97,058,260
Percent of Student Aid goal	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%	16.00%
Goal for Student Aid	11,610,962	11,471,075	12,107,067	13,056,082	13,682,967	14,790,621	15,529,322
Actual aid less IMAGES	9,619,092	9,602,923	10,974,166	11,980,369	12,661,687	13,554,443	15,123,040
Goal for aid not provided	\$ 1,991,870	\$ 1,868,152	\$ 1,132,901	\$ 1,075,713	\$ 1,021,280	\$ 1,236,178	\$ 406,282
Percent of Actual Tuition provided	13.26%	13.39%	14.50%	14.68%	14.81%	14.66%	15.58%
Estimated Tuition Revenue	\$ 72,659,967	\$ 74,625,583	\$ 74,429,341	\$ 81,742,930	\$ 86,050,482	\$ 90,928,482	\$ 98,429,909
Estimated aid less IMAGES	11,139,729	11,449,470	11,467,950	12,394,594	13,104,771	13,999,447	15,134,887
Percent of Estimated Tuition	15.33%	15.34%	15.41%	15.16%	15.23%	15.40%	15.38%
Actual Tuition Revenue	72,568,514	71,694,219	75,669,168	81,600,512	85,518,543	92,441,383	97,058,260
Budgeted Aid based on Act. Tuit.	11,125,708	10,999,724	11,658,980	12,372,999	13,023,761	14,232,375	14,923,978
Actual Aid less IMAGES	9,619,092	9,602,923	10,974,166	11,980,369	12,661,687	13,554,443	15,123,040
Budgeted aid not provided	\$ 1,506,616	\$ 1,396,801	\$ 684,814	\$ 392,630	\$ 362,074	\$ 677,932	\$ (199,062)
Iowa State University							
Actual Tuition Revenue	\$ 62,284,575	\$ 62,704,711	\$ 64,595,167	\$ 70,351,525	\$ 74,601,181	\$ 76,427,525	\$ 78,350,904
Percent of Student Aid goal	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%	11.00%
Goal for Student Aid	6,851,303	6,897,518	7,105,468	7,738,668	8,206,130	8,407,028	8,618,599
Actual aid less IMAGES	7,398,962	7,675,958	8,704,390	10,168,578	11,119,256	12,204,946	12,625,096
Goal for aid not provided	\$ (547,659)	\$ (778,440)	\$ (1,598,922)	\$ (2,429,910)	\$ (2,913,126)	\$ (3,797,918)	\$ (4,006,497)
Percent of Actual Tuition provided	11.88%	12.24%	13.48%	14.45%	14.90%	15.97%	16.11%
Estimated Tuition Revenue	\$ 63,074,000	\$ 63,723,675	\$ 64,038,344	\$ 71,300,000	\$ 74,793,616	\$ 77,619,572	\$ 77,531,813
Estimated aid less IMAGES	7,172,369	7,706,369	8,574,849	9,755,998	11,256,380	12,317,235	12,363,235
Percent of Estimated Tuition	11.37%	12.09%	13.39%	13.68%	15.05%	15.87%	15.95%
Actual Tuition Revenue	62,284,575	62,704,711	64,595,167	70,351,525	74,601,181	76,427,525	78,350,904
Budgeted Aid based on Act. Tuit.	7,082,601	7,583,141	8,649,409	9,626,218	11,227,419	12,128,072	12,493,847
Actual Aid less IMAGES	7,398,962	7,675,958	8,704,390	10,168,578	11,119,256	12,204,946	12,625,096
Budgeted aid not provided	\$ (316,361)	\$ (92,817)	\$ (54,981)	\$ (542,360)	\$ 108,163	\$ (76,874)	\$ (131,249)
University of Northern Iowa							
Actual Tuition Revenue	\$ 19,485,113	\$ 21,620,493	\$ 23,443,967	\$ 24,310,803	\$ 25,535,257	\$ 26,514,317	\$ 28,270,114
Percent of Student Aid goal	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%	19.00%
Goal for Student Aid	3,702,171	4,107,894	4,454,354	4,619,053	4,851,699	5,037,720	5,371,322
Actual aid less IMAGES	3,358,403	3,641,792	3,797,578	4,070,201	4,220,491	3,835,791	4,431,321
Goal for aid not provided	\$ 343,768	\$ 466,102	\$ 656,776	\$ 548,852	\$ 631,208	\$ 1,201,929	\$ 940,001
Percent of Actual Tuition provided	17.24%	16.84%	16.20%	16.74%	16.53%	14.47%	15.67%
Estimated Tuition Revenue	\$ 18,309,802	\$ 20,420,854	\$ 23,000,000	\$ 24,900,000	\$ 25,420,206	\$ 26,353,039	\$ 27,443,229
Estimated aid less IMAGES	3,407,832	3,659,623	3,869,240	4,071,800	4,301,145	4,775,110	4,982,310
Percent of Estimated Tuition	18.61%	17.92%	16.82%	16.35%	16.92%	18.12%	18.15%
Actual Tuition Revenue	19,485,113	21,620,493	23,443,967	24,310,803	25,535,257	26,514,317	28,270,114
Budgeted Aid based on Act. Tuit.	3,626,582	3,874,610	3,943,928	3,975,451	4,320,612	4,804,333	5,132,431
Actual Aid less IMAGES	3,358,403	3,641,792	3,797,578	4,070,201	4,220,491	3,835,791	4,431,321
Budgeted aid not provided	\$ 268,179	\$ 232,818	\$ 146,350	\$ (94,750)	\$ 100,121	\$ 968,542	\$ 701,110