

Report on Tuition Waivers and Student Financial Aid

Dennis C. Taylor
Vice Chancellor for Administration

EDUCATION SUBCOMMITTEE B HIGHER EDUCATION

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West Virginia
Higher Education
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TUITION WAIVERS

During the 2007 legislative session, the topic of tuition waivers took center stage. The following is a discussion of what we know about tuition waivers and how they are utilized, statutorily-referenced tuition waivers, recommendations for statutory changes and other issues.

How Tuition Waivers Are Utilized

Perspectives on Tuition Waivers

From a student's perspective, a tuition waiver is not much different from a scholarship or grant that covers tuition costs. However, providing a student with a tuition waiver could affect a student's other financial aid in two ways. First, a tuition waiver reduces a student's financial need and thus makes a student eligible for less other financial aid. Second, a tuition waiver could make a student ineligible for financial aid, like a PROMISE scholarship, that must be used exclusively for tuition and required fees. As a practical matter, however, the second problem rarely arises because institutions do not give tuition waivers to students who have other financial aid that must be used exclusively for tuition and required fees.

From a higher education institution's perspective, a tuition waiver requires the institution to forego revenue that it otherwise would collect to support the institution's operational and capital needs. As a practical matter, students who do not receive tuition waivers subsidize the instructional costs of students who do receive tuition waivers. Why then do institutions choose to provide tuition waivers? Institutions may choose to use undergraduate tuition waivers to recruit or retain students or to diversify their student populations. Graduate waivers likewise can be used for these purposes, but may also be used to support institutional undergraduate instruction, such as graduate or teaching assistantships or graduate research.

Tuition Waiver Data

Before 2000, institutions sent detailed reports three times each year on tuition waivers to the predecessor organizations of the Higher Education Policy Commission (HEPC) and the Council for Community and Technical College Education (CCTCE), which regulated the provision of tuition waivers centrally. Today, by contrast, institutions establish their own tuition waiver rules and submit far less detailed data to Commission staff as part of the agency's annual data collection. The following charts summarize information that can be gleaned from institution data submissions about: (1) the number of tuition waiver recipients and expenditures by institution; (2) the grade point average of tuition waiver recipients compared to the general student population; and (3) the percentage of tuition waivers going to West Virginians compared to out-of-state students.

Number of Tuition Waivers. Table 1 shows that the number of tuition waivers provided to students increased by 16% from academic year 2001 to academic year 2005. Table 2 (on the next page) shows the breakdown of tuition waivers by category across institutions.

Several general observations regarding the number of students receiving tuition waivers:

- The four-year sector accounts for 91% of tuition waiver recipients and 85% of undergraduate recipients.
- Academic waivers account for 70% of undergraduate waivers.
- Athletic waivers account for 12% of undergraduate waivers.
- All other types of undergraduate waivers make up the final 18% within this category.
- Ninety-nine percent (99%) of graduate waivers are claimed by students attending Marshall University and West Virginia University.
- Seventy-nine percent (79%) of CCTCE waivers are academic.

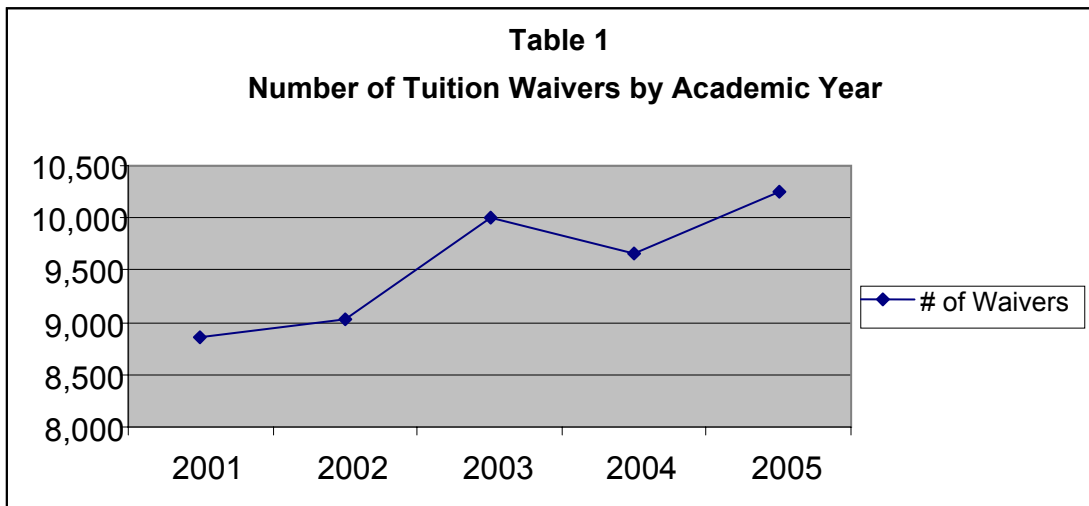
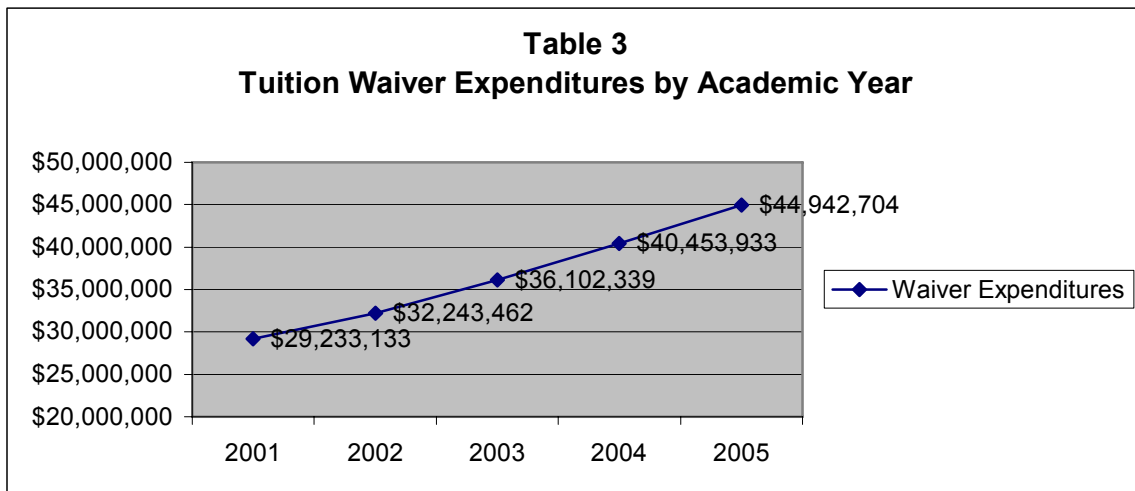


Table 2					
Total # of Tuition Waivers by Category: 2005-06					
Institution	Total	Athletic	Academic	Other	Graduate
Bluefield State College	221	53	162	6	0
Concord University	189	101	72	16	0
Fairmont State University	247	66	115	62	4
Glenville State College	83	31	14	38	0
Marshall University	2,507	166	617	201	1,523
Potomac State College of WVU	90	24	59	7	0
Shepherd University	256	101	80	71	4
West Liberty State College	183	79	62	42	0
West Virginia School of Osteopathic Medicine	29	0	0	0	29
West Virginia State University	249	94	111	44	0
West Virginia University	5,225	0	2,186	415	2,624
West Virginia University Institute of Technology	62	28	12	15	7
HEPC Total	9,341	743	3,490	917	4,191
Blue Ridge Community and Technical College	6	0	5	1	0
Community and Technical College at WVU Tech	15	1	6	8	0
Marshall Community and Technical College	84	0	36	46	2
New River Community and Technical College	61	2	58	1	0
Pierpont Community and Technical College	83	14	36	33	0
Southern WV Community and Technical College	164	0	164	0	0
WV Northern Community College	130	0	60	70	0
WV State Community and Technical College	82	3	72	7	0
WVU at Parkersburg	281	0	281	0	0
CCTCE Total	906	20	718	166	2
Grand Total	10,247	763	4,208	1,083	4,193

Expenditures. Table 3 shows that expenditures on tuition waivers have increased by 54% between the 2001 and 2005 academic years. Table 4 (on the next page) shows the breakdown of tuition waiver expenditures by category across institutions.

Several general observations pertaining to the expenditures for the 2005 academic year include:

- The four-year sector accounts for 98% of overall tuition waiver expenses and 93% of undergraduate expenses.
- Academic waiver expenses account for 53% of undergraduate waiver expenses.
- Athletic waiver expenses account for 24% of undergraduate waiver expenses.
- All other types of undergraduate waiver expenses comprise the final 23% of expenditures within this category.
- Ninety-eight percent (98%) of graduate waiver expenditures are claimed by students attending Marshall University and West Virginia University.
- Seventy-five percent (75%) of CCTCE tuition waiver expenses are for academic waivers.
- While the total number of waivers decreased from 2003 to 2004, the waiver expenditures rose at a consistent level.

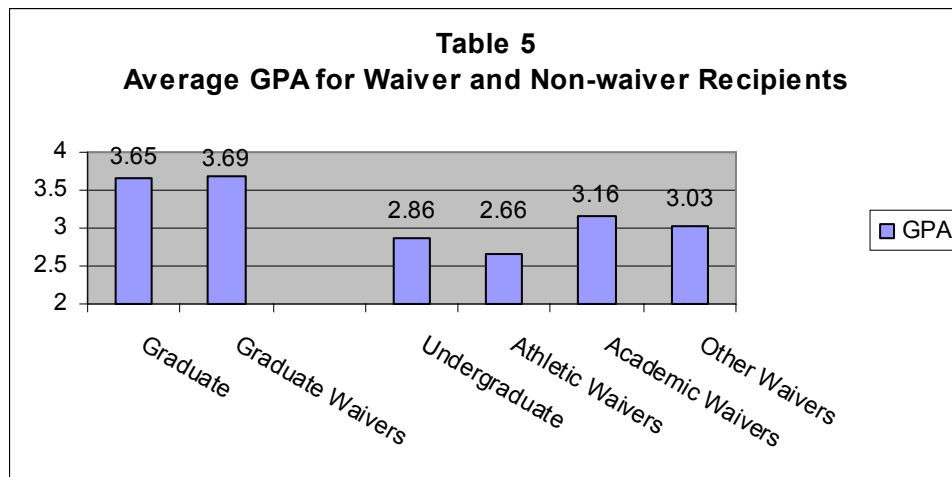


**Table 4
Total Expenditures for Tuition Waivers by Category: 2005-06**

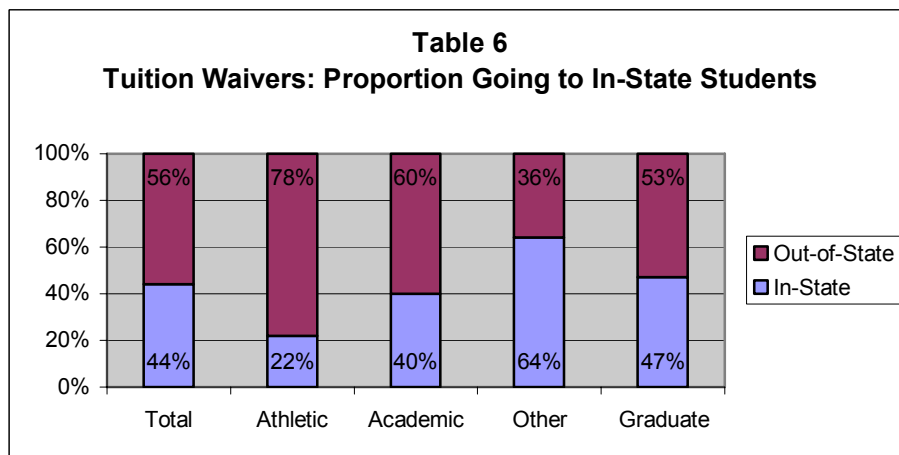
Institution	Total	Athletic	Academic	Other	Graduate
Bluefield State College	\$330,285	\$90,628	\$238,113	\$1,544	\$0
Concord University	\$591,792	\$412,973	\$158,886	\$19,933	\$0
Fairmont State University	\$738,378	\$261,855	\$308,421	\$154,146	\$13,956
Glenville State College	\$144,757	\$73,413	\$26,200	\$45,144	\$0
Marshall University	\$9,719,087	\$1,542,027	\$1,217,122	\$432,901	\$6,527,037
Potomac State College of WVU	\$175,517	\$58,340	\$104,694	\$12,483	\$0
Shepherd University	\$1,214,183	\$587,186	\$298,110	\$325,212	\$3,675
West Liberty State College	\$412,999	\$153,482	\$196,322	\$63,195	\$0
West Virginia School of Osteopathic Medicine	\$506,326	\$0	\$0	\$0	\$506,326
West Virginia State University	\$435,322	\$191,723	\$175,244	\$68,355	\$0
West Virginia University	\$29,583,991	\$0	\$4,151,876	\$1,827,684	\$23,604,431
West Virginia University Institute of Technology	\$152,272	\$68,992	\$19,197	\$20,462	\$43,621
HEPC Total	\$44,004,909	\$3,440,619	\$6,894,185	\$2,971,059	\$30,699,046
Blue Ridge Community and Technical College	\$7,524	\$0	\$7,155	\$369	\$0
Community and Technical College at WVU Tech	\$20,979	\$1,140	\$9,855	\$9,984	\$0
Marshall Community and Technical College	\$108,268	\$0	\$26,482	\$78,714	\$3,072
New River Community and Technical College	\$55,508	\$2,280	\$53,085	\$143	\$0
Pierpont Community and Technical College	\$146,470	\$36,950	\$52,472	\$57,048	\$0
Southern WV Community and Technical College	\$179,711	\$0	\$179,711	\$0	\$0
WV Northern Community College	\$67,011	\$0	\$34,487	\$32,524	\$0
WV State Community and Technical College	\$120,562	\$6,420	\$103,837	\$10,305	\$0
WVU at Parkersburg	\$231,762	\$0	\$231,762	\$0	\$0
CCTCE Total	\$937,795	\$46,790	\$698,846	\$189,087	\$3,072
Grand Total	\$44,942,704	\$3,487,409	\$7,593,031	\$3,160,146	\$30,702,118

Grade Point Averages. Table 5 shows that while there is very little variance within the grade point averages of graduate students who receive waivers and those who do not, there are larger differences within the undergraduate population:

- Students receiving academic waivers perform one-third of a letter grade better than does the undergraduate population as a whole.
- Recipients within the “other” category perform slightly better than the general undergraduate population.
- Those students receiving an athletic waiver under-perform by one-fifth of a letter grade when compared to the undergraduate population.



In-State Versus Out-of-State Waiver Recipients. Table 6 shows that fifty-six percent (56%) of tuition waivers went to out-of-state students during the 2005-06 academic year. The differential was most pronounced in regards to athletic waivers. Interestingly, the 60-40 split of academic tuition waivers in favor of out-of-state students represents a significant change from 2000-2001 when the split was 70-30 in favor of in-state students. An intervening factor that explains at least part of this change: the PROMISE scholarship program.



Statutory Provisions Concerning Tuition Waivers

Statutory Caps on Tuition Waivers

For all institutions except Marshall University and West Virginia University, the West Virginia Code contains caps on the number of tuition waivers that can be provided:

- *Undergraduate students.* W. Va. Code § 18B-10-5 provides for undergraduate tuition waivers, but limits the number of waivers to 5% of the number of FTE undergraduate students registered during fall of the preceding academic year and the number of awards per student to eight. Governing boards must adopt rules governing awards and enter the awards into the governing board's meeting minutes. Students enrolled in an administratively-linked community and technical college must receive a proportional number of total awards.
- *Graduate students.* W. Va. Code §18B-10-6 provides for graduate and professional school tuition waivers, but limits the number of waivers to 5% of the number of FTE professional or graduate students enrolled during the same semester in the preceding academic year. The awards may not exceed the number of semesters normally required in the recipient's discipline. Governing boards must adopt rules governing awards and enter awards into the governing board's meeting minutes. In addition to the above 5%, all graduate assistants are to be granted waivers.

W. Va. Code § 18B-10-6a, enacted in 2005, allows Marshall University and West Virginia University to award an unlimited number of partial or full undergraduate tuition and fee waivers for a maximum of eight semesters of undergraduate study. It also allows the institutions to award an unlimited number of waivers for students in graduate or professional school, but not to exceed the number of semesters normally required to receive a degree in that discipline. Governing boards must adopt rules governing the award of such waivers, and the awards must be entered into the governing board's meeting minutes.

Statutorily-Mandated Tuition Waivers

The Legislature has mandated that higher education institutions provide tuition waivers or reduced tuition and fees, in some cases on a space-available basis, to the following categories of individuals:

- Children and spouses of certain persons killed in the line of duty. The children or spouses of law enforcement officers, correctional officers, parole officers, probation officers, conservation officers and firefighters killed in the line of duty may attend undergraduate courses, on a space-available basis, without the payment of regular tuition and fees. The individuals must have been killed in the line of duty while employed by the state or a political subdivision of the state, or while serving as a member of a volunteer fire department. (W. Va. Code § 18B-10-7)

- Individuals over age 65. Institutional governing boards are to adopt rules for reduced fees for state residents 65 years of age and older. Classes are offered on a space available basis. An option must be offered for the classes to be taken on a non-credit or for-credit basis. The total amount of tuition and fees, excluding special fees such as for labs and parking, for the non-credit option, was originally set not to exceed \$50 per course. As of July 1, 2004, however, governing boards have been authorized to change this maximum fee. Under the for-credit option, the same tuition and fees may not exceed 50% of the tuition and fees for other undergraduate students. (W. Va. Code §18B-10-7a)
- High school graduates in foster care. Tuition waivers are to be granted to students who graduate from high school or obtain a GED while in the legal custody of the West Virginia Department of Health and Human Resources. To be eligible the student must: (1) have been in foster or other residential care for at least one year before the award; and (2) apply for state and federal financial aid. The student also must meet the academic progress standards of the institution to continue receiving the award and may not receive it for more than four years. A waiver will be granted only after all other sources of financial aid are exhausted. Waivers under this section are not included as part of the 5% cap set forth in W. Va. Code §18B-10-5. (W. Va. Code §18B-10-7b)
- Purple Heart and Medal of Honor recipients. State residents receiving the Medal of Honor or Purple Heart must receive tuition waivers for any amount of tuition and fees not covered by other state and federal aid. The waivers are for a maximum of eight semesters and are not included as part of the 5% cap set forth in W. Va. Code §18B-10-5. (W. Va. Code §18B-10-10)
- Children and spouses of Armed Forces members killed in action. State institutions are to provide tuition and fee waivers to children and spouses of members of U. S. Armed Forces killed in action or who die afterwards from disease or disability resulting from war service. Applicants must be 16 to 25 years of age. (W. Va. Code §18-19-3)

Statutorily-Encouraged Tuition Waivers

Pursuant to W. Va. Code § 18B-10-4, institutions may, but are not required to, waive all or part of tuition and fees for undergraduate, graduate and professional students who are West Virginia residents that completed the Health Sciences and Technology Academy (HSTA) affiliated programs. Awards are not included in the 5% caps outlined in statute.

All public institutions replying to a recent survey provided undergraduate waivers to these students unless they had other forms of tuition-designated assistance like the PROMISE scholarship. Based on data from HSTA administrative staff, there are 522 program graduates that may be enrolled in postsecondary programs during the 2007-08 school year. Graduate waivers

for program participants, however, are more restricted. West Virginia University, for instance, only provides graduate waiver assistance to students enrolled in a Health Sciences Center graduate program, and the West Virginia School of Osteopathic Medicine has presented a policy for approval to their governing board that provides for only one HSTA tuition waiver each academic year.

Possible Statutory Changes

Encourage the awarding of partial waivers. Both W. Va. Code §18B-10-5 and §18B-10-6 limit the number of tuition and fee waivers to a specific “number” of individuals based upon the 5% percentage FTE calculation outlined above. This means that an institution may only award a specific number of waivers whether the waivers are full or partial in nature. Language that would remove the “number” reference would allow an institution to award more partial awards to more students at the same total cost.

Clarify which statutory tuition waivers should be included within the 5% cap. Currently, there is some question as to what tuition and fee waiver awards need to be included in the 5% cap calculation. Statutory language granting waivers to HSTA graduates, Medal of Honor and Purple Heart recipients, and the high school students in foster care, as set out above, specifically excludes those waivers from the 5% cap. However, there is no specific language excluding from the 5% cap waivers for the children and spouses of certain individuals killed in the line of duty or those 65 years of age or older. Language clarifying what waivers are included in the percentage cap would be helpful.

Remove the tuition waiver language in W. Va. Code § 18B-10-1(l)(5)(F). In 2003, the Legislature amended W. Va. Code § 18B-10-1(l)(5)(F) to allow tuition and fee increases of up to 9.5% per year with Commission approval. In approving these tuition increases, the Commission was to consider several factors including whether an institution “[t]o the extent authorized, will increase by up to five percent the available tuition and fee waivers provided by the institution.” There is continued confusion as to whether this language means that institutions may increase waivers from 5% to 10%; whether institutions were only encouraged to increase the number of awards by 5% of the number previously awarded; whether this increase happens every year; whether any increases have to be within the 5% statutory cap; or some other permutation.

Clarify that spouses of members of the Armed Forces killed in the line of duty do not need to be ages 16 to 25 to take advantage of the statutorily-mandated tuition waiver. W. Va. Code § 18-19-3, which grants tuition and fee waivers for the children and spouses of members of the Armed Forces killed in the line of duty, limits the award to those of ages 16 to 25. It seems logical that the intent of the legislation was not to limit the award to spouses, but rather children, between the ages of 16 to 25.

Eliminate the statutory tuition waiver caps altogether. W. Va. Code §§ 18B-10-5 and 18B-10-6 place a 5% cap on the number of tuition and fee waivers that may be in place in relation to the number of FTE students in the prior year. This cap applies to all institutions except Marshall

University and West Virginia University, which may award an unlimited number of tuition and fee waivers. Institutions have inquired as to whether they can be granted the same flexibility. Some have expressed concern that greater flexibility might lead an institution unwisely to extend too many awards to the institution's financial detriment. Others state that such a concern would not arise because an institution would not knowingly harm itself financially. Staff believes that the Legislature should not move hastily to remove the statutory caps for all institutions. First, additional research needs to be done to determine what impact such a change might have on existing or new bonding. Second, staff believes that the Legislature should observe the impact of this change on Marshall University and West Virginia University before extending the flexibility to other institutions.

Require mandatory tuition waivers for higher education employees (and their families). Higher education employees routinely inquire about the possibility of a dedicated tuition and fee waiver program for employees, their spouses and children. Although most institutions already grant a limited amount of such waivers within statutory caps, employees often seek guaranteed waivers. Several challenges to accomplishing this: (1) placing a real price tag on the cost of this benefit; and (2) dealing with inter-institutional waivers (e.g., an employee of the West Virginia School of Osteopathic Medicine wants to take a class at New River Community and Technical College in Lewisburg).

Other Issues

Data-Gathering. The Legislature has created numerous categories of mandatory tuition waivers, but staff is unable to determine how many students are actually utilizing the various categories of tuition waivers. Staff proposes to expand its data collection efforts so that such information can be assembled easily.

Higher Education Financing Formulas. The Legislature should be careful not to create or endorse any funding system that rewards institutions for providing tuition waivers with additional state funding. The peer equity funding formula currently in use adds into an institution's tuition revenue any tuition discounts and allowances.

Scholarship Pool. The Legislature should consider creating a scholarship pool, instead of mandating that institutions provide tuition waivers, to various classes of deserving individuals. Each Legislative session sees one or more bills seeking to extend tuition and fee waivers to an additional group of individuals. The Legislature might want to consider funding these awards directly rather than with foregone institution tuition revenue.

FINANCIAL AID PROGRAMS

Over the last three years, staff has been changing the structure and operations of state-level financial aid programs to better meet State policy goals. The following is a summary of some statutory changes that staff would like to see made, as well as other changes that staff expects to make, that do not require Legislative approval:

PROMISE Scholarship Program

Program Summary. The PROMISE scholarship provides a full tuition-and-required-fee scholarship to approximately 9,200 qualified students (at present, students who graduate high school with a GPA of 3.00 or higher overall and in core coursework and earn an ACT score of at least 22, including subscores of at least 20 in each of the four major ACT content areas) attending public or private West Virginia higher education institutions.

Statutory Changes. Staff proposes two amendments to statutes governing the PROMISE scholarship program:

- **Rule Promulgation.** Reconcile the West Virginia Code provisions governing authority to promulgate rules. At present, *W. Va. Code* § 18C-7-6(d) gives the PROMISE Board authority to promulgate an emergency rule, but the Commission authority to promulgate a legislative rule. This inconsistency probably can be reconciled by repealing *W. Va. Code* § 18C-7-6(d)(3), which gives the PROMISE Board authority to promulgate an emergency rule, if the declared emergency no longer exists at the conclusion of the 2008 legislative session because a new PROMISE legislative rule is in place.
- **Eligibility of Commuting Students and Children of Military Personnel.** Repeal the sunset provision governing eligibility of commuting students and children of military personnel for state-level financial aid, including the PROMISE scholarship. Before 2006, students who lived in West Virginia, but commuted to a public high school in another state, and children of West Virginia military personnel living elsewhere technically were not eligible for the PROMISE scholarship. In 2006, the Legislature enacted *W. Va. Code* § 18C-1-4, which makes these students eligible for state-level financial aid programs, including PROMISE. Concerned about the potential financial impact of these provisions, the Legislature included a sunset provision indicating that the provisions of *W. Va. Code* § 18C-1-4 would expire on June 30, 2010. Staff has seen very few students qualifying for state-level financial aid through these provisions and sees no reason to retain the statute's sunset provision.

Rule Changes. Staff is in the process of taking a proposed PROMISE scholarship rule to the Higher Education Policy Commission for its approval, and the PROMISE Scholarship Board

will soon be considering a new emergency rule. Each rule will come to the Legislative Oversight Commission on Education Accountability (LOCEA) in December 2007 and/or January 2008. Significant changes to the emergency rule currently in place include:

- Leaves of Absence. The proposed rule (section 9.8) would expand the situations in which leaves of absence may be granted to include service or volunteerism, study abroad, participation in a program directly related to the pursuit of a student's educational goals, and extreme financial hardship.
- Standard Test Score Criteria. The current ACT and SAT score requirements set forth in section 2.1.5 would be removed to give the PROMISE Scholarship Board authority to raise academic standards without obtaining LOCEA's or the Legislature's approval through the rule-making process.
- Missed Deadlines. Unlike the current rule, which gives a student who misses the March 1 deadline for filing the PROMISE application or FAFSA until the fall to correct these omissions to be eligible to receive a spring award, the proposed rule (section 2.1.7.1) would require that a student correct the deficiency no later than June 1.

Other Issues.

- Eligibility Standards. The PROMISE Scholarship Board probably will need to address raising academic eligibility standards again, most likely for the 2009 graduating class, which is sooner than staff would have predicted a year ago. The reason: Approximately 400 more 2008 high school graduates than expected are predicted to qualify for the PROMISE scholarship. The impact of this increase will be felt over the next four years.
- Forgivable Loan Program. As part of this presentation, staff has been asked to address the pros and cons of operating the PROMISE scholarship program as a forgivable loan program. From staff's perspective, converting PROMISE from a scholarship program to a forgivable loan program would dramatically change the nature of PROMISE. Several issues that the Legislature should consider before converting PROMISE from a scholarship program to a forgivable loan program include:
 - Utilization of PROMISE. If PROMISE operated as a forgivable loan program, it is likely that fewer students would accept the award. According to a survey of the first class of PROMISE scholars completed last year and presented to the Joint Standing Committee on Education, 40% reported that they would not have accepted PROMISE if they were required to pay it back, and another 36% were unsure; and 35% reported that they would not have accepted PROMISE if it were a forgivable loan, and another 29% were not sure. While it would be interesting to compare parents' responses to students' responses, it seems clear that a much larger percentage of students would decline a PROMISE forgivable loan than decline the PROMISE scholarship. Additionally, financial aid research

suggests that lower income and first generation college families are more likely than other groups to decline loans because of concerns about ability to repay.

- Impact on Culture Change. One of the primary justifications for the PROMISE scholarship program is that it will “effect[] a culture change in West Virginia towards increased education attainment.” *W. Va. Code* § 18C-7-2(a)(8)(D). Converting PROMISE from a scholarship program to a forgivable loan program is likely to weaken this goal.
- Basis for Forgiveness. If PROMISE loan forgiveness were based on a requirement that graduates live and work in West Virginia for a prescribed number of years (e.g., one year for each year of the award), it is probable that more graduates would remain in West Virginia after graduation, but it is difficult to predict precisely how many because the availability of jobs for these graduates is of such importance. An alternative approach to requiring that students live and work in West Virginia to obtain loan forgiveness would be to require that students perform a certain number of hours of community service in West Virginia during college.
- Administration. Administering a loan forgiveness program requires significantly greater administrative resources than does administering a scholarship program because promissory notes must be secured, meetings must be held with awardees to discuss obligations, documentation that can serve as the basis for forgiveness must be obtained, requests for deferments (e.g., during a student’s graduate study) must be handled, and collection efforts must be initiated for people who do not live and/or work in West Virginia. Staff currently estimates that it costs approximately four times more to operate its forgivable loan programs than it does to operate the PROMISE scholarship program per award dollar provided.

Higher Education Grant Program

Program Summary. The higher education grant provides need-based financial aid to approximately 13,700 full-time undergraduate students attending West Virginia higher education institutions, including proprietary institutions, who have expected family contributions (EFC) of \$6,000 or less.

Statutory Changes. Staff proposes the following amendments to statutes governing the higher education grant program:

- United States Citizenship Requirement. Allow resident aliens in the United States legally to qualify for the higher education grant. In *Nyquist v. Mauclet*, 432 U.S. 1 (1977), the United States Supreme Court held that a New York requirement that financial aid

recipients be U.S. citizens or actively applying for U.S. citizenship violated the Equal Protection Clause of the Fourteenth Amendment.

- Eligibility of Commuting Students and Children of Military Personnel. See discussion under PROMISE scholarship program.

Rule Changes. Staff is in the process of circulating a draft set of proposed changes to the higher education grant rule to constituency groups and hopes to take those proposed changes to the Commission in January or April of 2008. Significant proposed changes to the rule currently in place include:

- Application. In an effort to eliminate the need for a financial aid application separate and apart from the Free Application for Federal Student Aid (FAFSA), staff proposes: (1) to eliminate the requirement that a student earn 45 points (from a formula that weighs grade point average and ACT scores) and replace it with a requirement that the student maintain a 2.0 grade point average in high school (section 6.4.4); and (2) to add a provision that states that the State of West Virginia treats a FAFSA filing by someone who indicates West Virginia as his or her legal residence as an application for the West Virginia higher education grant (section 3.10).
- Award Selection. Because the criteria utilized to determine who should receive a higher education grant and how much each awardee should receive may need to change based on the amount of available funds, staff is proposing to include a provision requiring the Higher Education Policy Commission to approve the criteria to be utilized annually.

Other Issues.

- Award Size Based on Level of Need. Staff is in the process of developing a sliding-scale or tiered approach to higher education grant awards based on level of need (e.g., a student with an EFC of \$0 would receive a larger grant than an student with an EFC of \$2,000). At present, all students receive 75% of tuition and required fees (or a comparable amount if the student attends a private institution) regardless of level of need. No statutory or rule changes are needed to effectuate this change.
- Awarding Later FAFSA Filers and Non-Traditional Students. Staff has developed some proposals to provide funding to students who file the FAFSA after March 1. Additional state funding for need-based financial aid would be helpful, but would not necessarily be required, to accomplish this goal.
- Higher Education Resource Assessment. Staff is in the process of developing a system to ensure that any funds generated from the higher education resource assessment (HERA) for need-based financial aid be allocated only to students at public higher education institutions in a separate award cycle after the main award cycle for all students is complete. *W. Va. Code* § 18B-10-3(d) requires that a portion of HERA funds, which

effectively represents a holdback of a small portion of students' tuition and required fees for statewide purposes, be utilized for need-based financial aid. Because HERA funds come from the tuition and required fees of public institution students, these funds should be used exclusively for the benefit of public institution students. While staff has paid only public institutions with HERA funds in the past, it has done so by allocating a higher percentage of state appropriations to private institutions, which is inconsistent with the spirit behind *W. Va. Code* § 18B-10-3(d).

- Federal Financial Aid Changes. The United States Congress has passed legislation over the past two years that has altered the need-based financial aid landscape. In 2006, Congress passed legislation creating the academic competitiveness grant (ACG) program, which provides \$750 to freshmen and \$1,300 to sophomores who are eligible for the federal Pell grant and who successfully completed a rigorous high school program; and the SMART grant program, which provides \$4,000 to third and fourth-year Pell-eligible students who are pursuing degrees in physical, life or computer science, engineering, mathematics, technology or a critical foreign language. Additionally, Congress recently passed legislation that increases the maximum Pell grant awards, currently at \$4,310, by \$490 for the 2008-2009 and 2009-2010 award years, \$690 for the 2010-2011 and 2011-2012 award years, and \$1,090 for the 2012-2013 award year.

Higher Education Adult Part-time Student (HEAPS) Grant Program

Program Summary. The HEAPS grant program provides need-based grants to part-time undergraduate students, students pursuing workforce education and to institutions providing customized training.

Statutory Change. Ten percent (10%) of HEAPS funding is allocated to the West Virginia ADVANCE program, which supports noncredit and customized training programs that further the State's economic development goals. *See W. Va. Code* § 18C-5-7(f)(4). In its FY 2006 budget, the Legislature created a line item for WV ADVANCE in the West Virginia Council for Community and Technical College Education's budget. Staff proposes to transfer the \$500,000 in HEAPS grant funds that must be utilized for WV ADVANCE to this line item and to eliminate the statutory provision that requires that 10% of HEAPS funding be utilized for this purpose.

Other Issues. The HEAPS grant program, which operates in a decentralized manner, should be evaluated to determine how well it is meeting the needs identified in the original legislation, and staff proposes to do this over the next year.

Underwood-Smith Teacher Scholarship Program/ Engineering, Science and Technology Scholarship Program

Program Summaries. The Underwood-Smith teacher scholarship program provides forgivable loans to undergraduate and graduate students pursuing teaching degrees and careers at the pre-school, elementary, middle or secondary school level in West Virginia public schools. The engineering, science and technology scholarship program provides forgivable loans for students pursuing degrees and careers in engineering, science or technology in West Virginia.

Statutory Changes. Staff proposes that the names of these programs be changed to the Underwood-Smith teacher student loan forgiveness program and the engineering, science and technology student loan forgiveness program to more accurately reflect the benefit that these programs actually provide.

Other Issues.

- Federal SMART Grants. In 2006, the United States Congress created the SMART grant program, which provides \$4,000 to third and fourth-year Pell-eligible students who are pursuing degrees in physical, life or computer science, engineering, mathematics, technology or critical foreign languages. The engineering, science and technology scholarship program needs to be reviewed to determine whether it is well-aligned with the SMART grant program and to evaluate its continued efficacy.
- Federal TEACH Forgivable Loans. In September, the United States Congress created a new program called TEACH, which can provide up to \$4,000 per year to high-achieving undergraduate (\$16,000 total) and graduate (\$8,000 total) students committed to teach a high-need subject in a high-need school over a four-year period. The Underwood-Smith teacher scholarship program needs to be reviewed to determine whether it is well-aligned with the TEACH program and to evaluate its continued efficacy.

Medical Student Loan Program

Program Summary. The medical student loan program provides forgivable loans for medical school students who want to practice in underserved areas and specialties in West Virginia.

Statutory Changes. Staff proposes to increase the loan amount that may be forgiven annually from \$5,000 to \$10,000. See *W. Va. Code* § 18C-3-1(d). In April 2005, the legislative rule (Series 34) governing the medical student loan program increased the loan amount that a student could receive annually from \$5,000 to \$10,000; this was the first increase in the maximum loan amount since the program's inception in 1989. During the 2007 Legislative session, the

Legislature passed legislation that would have increased the loan forgiveness amount from \$5,000 to \$10,000 to match the increased maximum loan amount, but the bill (House Bill No. 2558) in which this change appeared was vetoed.

Rule Changes. Staff proposes to amend the medical student loan program rule to change the point at which the loan interest rate is set consistent with the request of the medical schools.