A Guide to Need-Based Financial Aid

EDUCATE. BROADCAST. ACT.

The Executive Branch of Student Government at the University of North Carolina at Chapel Hill

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## A GUIDE TO READING

### Got 5 minutes?
- Read the Executive Summary (pg. 3) and flip to the Talking Points (pg. 19).

### Got 20 minutes?
- Read the Executive Summary (pg. 3) and the Talking Points (pg. 19)
- Understand the Proposal from the Board of Governors (pg. 10)
- Look over the Action Plan (pg. 20)

### Got an hour?
- Start with the Executive Summary (pg. 3) and read through the packet
- Give special consideration to the Talking Points (pg. 19) and Action Plan (pg. 20)
Executive Summary

UNC Chapel Hill has been historically committed to strong financial aid program – one that admits qualified students without considering their ability to pay, meets the full need of all of those students, sets a reasonable level of debt, and honors promises to families. These four tenets allow strong students to attend who could not otherwise afford Carolina. They enrich the experience at our school, providing a challenging classroom environment and a diverse student body.

Student financial aid is funded from a variety of different sources, including federal funds, state funding, private giving, and tuition funds. Starting in 2000, UNC started using a percentage of the revenue from tuition increases to put back in the student aid pot in order to meet 100% of demonstrated financial need.

Declining state appropriations and rising tuition costs have made tuition revenue a critical aspect of Carolina’s student aid program. Currently, UNC Chapel Hill uses 38% of the revenue from the last tuition increase for need-based financial aid.

Right now, the Board of Governors, which governs the state-wide university system, is discussing a 25% cap on tuition revenue for student aid. This means that a maximum of 25% of the revenue from any future tuition increase could be used for student aid.

For UNC Chapel Hill, this would pose a long-term structural problem in sustaining the university’s financial aid program (43% of students are currently on need-based financial aid). This would also have huge implications for other UNC system schools, including North Carolina State University, which currently uses 35% of its revenue from tuition increases for student aid.

This issue is expected to be voted on at the Board of Governors meeting on September 14. Our hope is that if students and administrators at Chapel Hill express enough concern to Board of Governors members about this issue, the measure will be voted down.
Financial Aid: An Overview

What is Financial Aid?

Nearly two-thirds of today's full-time college students receive some form of need-based aid. Need-based financial aid eligibility is based on two calculations -- the total cost of education and the family's ability to pay. The cost of education can vary significantly from institution to institution. Generally, these calculations include all reasonable costs (tuition, room, board and living expenses) of attendance.

To apply for need-based financial aid, families must complete the Free Application for Financial Aid (FAFSA) and, if appropriate, the College Scholarship Service's PROFILE application. These documents are used to determine what amount, if any, a family (and that means both parent and student) can contribute to the annual cost of attendance. That number is known as the Expected Family Contribution (EFC). The specific amount of your EFC may vary somewhat from institution to institution, but the formulas in place ensure that most EFCs are similar.

The formulas consider a variety of family circumstances when determining eligibility. Consequently, there's no real cut-off point or maximum income a family can have and still qualify for assistance. Even if you have a comparatively high income, you may still qualify for need-based aid, particularly if you have more than one child in college. Every student, regardless of financial situation, should consider applying for need-based aid to see what happens.


There are two types of financial aid: merit based and need-based. Our discussion will revolve around need-based financial aid.

- Need-Based aid: Designed to provide the amount that a family cannot reasonably afford.

Need-based aid can be addressed in four ways: Scholarships, Grants, Loans, and Employment.

Most aid packages offer three types of assistance:

- Loans -- Low-interest student or parent loans that will need to be repaid
- Grants -- Federal or institutional awards that don't have to be repaid
- Work-study --Part-time campus employment subsidized by the Federal government.

Financial aid comes primarily through four different sources:
1. Federal Government
2. State Government
3. Institutional Sources (Endowment, Private, Campus-Initiated Tuition Increase)
4. Private giving
The sequence for financial aid can be represented by a pyramid:

![Financial Aid Packaging Sequence](image)

One institutional source comes from pulling funding for financial aid from revenue from tuition increases. These tuition “set-asides” are designed to maintain a university’s ability to meet all necessary student aid in the face of rising tuition costs. This tuition revenue for aid process started in the UNC system during the 2000-2001 academic year with the realization that if tuition was going to increase rapidly, some revenue from those increases must be invested back into financial aid programs in order to keep UNC as accessible as possible.
Financial Aid in the UNC System

[Data from this section is extracted from the Board of Governors Sessions in April and June 2012]

As mentioned above, need-based aid comes from a variety of different sources. Here is where funding in the UNC system came from for the 2010-2011 academic year:

- Federal loans
- Federal grants
- State grants & scholarship loans
- Campus-initiated tuition set-asides
- Other campus need-based grants

For the 2010-2011 academic year, there were 159,253 undergraduates. 91,064 (57.2%) of those undergraduates in the UNC system were receiving need-based aid.

- 58% of funds from the state grants went to families with incomes of $40,000 or less, while
- 42% went to families with incomes above $40,000.
State Grants for North Carolinians*
(UNC Need-Based Grants)

<table>
<thead>
<tr>
<th>Resident Undergraduate Students (Headcount)</th>
<th>2010-11</th>
<th>2011-12 (Estimated YTD)</th>
<th>Difference (estimated)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Students who Received Grants</td>
<td>66,993</td>
<td>57,432</td>
<td>(8,561)</td>
</tr>
<tr>
<td>Total Amount of Grants Awarded</td>
<td>$162M</td>
<td>$127M</td>
<td>($35M)</td>
</tr>
<tr>
<td>Average Grant per Resident UG</td>
<td>$2,446</td>
<td>$2,200 (est.)</td>
<td>($246)</td>
</tr>
</tbody>
</table>

* Only resident undergraduate students taking six hours or more are eligible for this program. 2011-12 amounts are not yet finalized.

For 2011-12, the BOG requested $198.6M. The amount provided for 2011-12 grants was $127.1M.

For 2012-13, the base budget for the program is $122.5M. The BOG is requesting an increase of $88.6M for a total of $211.1M.

Financial Aid impacts students from families at all income ranges:

Funds Distribution by Income Ranges
Resident Undergraduates

<table>
<thead>
<tr>
<th>Income Ranges</th>
<th>2010-11 Academic Year – End of Year Report</th>
<th>2011-12 Academic Year ESTIMATED YTD</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Headcount (Received Awards)</td>
<td>Distributed Funds to Resident UG Students</td>
</tr>
<tr>
<td>$0 to $20,000</td>
<td>20,901</td>
<td>31.7%</td>
</tr>
<tr>
<td>$20,001 to $40,000</td>
<td>15,607</td>
<td>22.6%</td>
</tr>
<tr>
<td>$40,001 to $60,000</td>
<td>12,623</td>
<td>19.1%</td>
</tr>
<tr>
<td>$60,001 to $80,000</td>
<td>10,668</td>
<td>16.2%</td>
</tr>
<tr>
<td>$80,001 to $100,000</td>
<td>5,704</td>
<td>8.7%</td>
</tr>
<tr>
<td>$100,001 +</td>
<td>490</td>
<td>0.7%</td>
</tr>
</tbody>
</table>

* 2011-12 amounts are not yet finalized.

A decrease in financial aid funding from the state led the university system to increase campus-initiated tuition set-asides for aid.

- From 2010-2011 to 2011-2012, there was a decrease of $35M from the state.
  - Approximately 9,000 fewer students received grants
  - The average grant decreased by $250
- From 2010-2011 to 2011-2012, there was an increase of $13.5M from campus-initiated tuition set-asides for aid (institutional sources).
- Approximately 1,000 fewer students received grants.
- The average grant increased by almost $290.

- Overall from 2010-2011 to 2011-2012:
  - Costs increased
  - Federal and state grants decreased
  - This was partially offset by increases in campus grants or work, but overall not to the same level as how costs had increased
  - Most had an increase in loans or in need that was not met through grants or subsidized loans.

**Tuition Revenue for Aid**

- A policy of allocating a percentage of tuition revenue to financial aid first began in 2000-2001
- The Board of Governors required that revenues set aside be for financial aid in order to prevent a negative effect on qualifying needy students
- Both BOG 4-Year Tuition Plans required campuses to **set aside at least 25% of tuition to the campus pool of revenues to be added to need-based financial aid.**

The measure that is currently being debated now is **to make that 25% a maximum rather than a minimum.** This cap would jeopardize the sustainability of financial aid programs at universities like UNC Chapel Hill, which uses 38% of the revenue from their last tuition increase to cover need-based financial aid. Multiple other schools within the UNC system also currently use over 25% of tuition increase revenue for student aid.
Across the UNC system, approximately 35% of tuition increase revenue goes to need-based financial aid. The chart below illustrates how much of the recent tuition increase revenue will go to various schools. As illustrated in the chart, the sustainability of financial aid programs at eight of the UNC system schools would have been dramatically impacted by a 25% cap.

The Percentage of Tuition Increase Revenue for Need-Based Financial Aid in UNC System Schools (2012-2013)

<table>
<thead>
<tr>
<th>Campus</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appalachian State University</td>
<td>33%</td>
</tr>
<tr>
<td>East Carolina University</td>
<td>25%</td>
</tr>
<tr>
<td>Elizabeth City State University</td>
<td>30%</td>
</tr>
<tr>
<td>Fayetteville State University</td>
<td>35%</td>
</tr>
<tr>
<td>North Carolina A &amp; T State University</td>
<td>30%</td>
</tr>
<tr>
<td>North Carolina Central University</td>
<td>28%</td>
</tr>
<tr>
<td>North Carolina State University</td>
<td>31%</td>
</tr>
<tr>
<td>UNC Asheville</td>
<td>25%</td>
</tr>
<tr>
<td>UNC-Chapel Hill</td>
<td>37%</td>
</tr>
<tr>
<td>UNC Charlotte</td>
<td>25%</td>
</tr>
<tr>
<td>UNC Greensboro</td>
<td>25%</td>
</tr>
<tr>
<td>UNC Pembroke</td>
<td>25%</td>
</tr>
<tr>
<td>UNC Wilmington</td>
<td>25%</td>
</tr>
<tr>
<td>UNC School of the Arts</td>
<td>35%</td>
</tr>
<tr>
<td>Western Carolina University</td>
<td>25%</td>
</tr>
<tr>
<td>Winston-Salem State University</td>
<td>25%</td>
</tr>
</tbody>
</table>

What happens when demand for financial aid exceeds supply?

- Packaging policies must be adjusted to meet level of funds available
- Funds may run out before all eligible students receive awards
- Unmet need levels may increase
- Student patterns may change
  - They may work more
  - Choose not to enroll at all or drop out of school
  - Change to part-time status
  - Choose lower cost options
  - Decide to borrow more to pay for college costs

So why is this discussion occurring? This discussion of a “cap” on tuition revenue for aid is occurring within the Board of Governors for a number of different reasons:

- Because of the nationwide financial crisis and declining state appropriations, public universities are cutting financial aid programs (see pg. 13 for a more thorough discussion).
• BOG members believe these tuition set-asides are putting an increased burden on the middle and upper class in tough economic times (see our “Talking Points” section to see why we feel this is an unfair assessment).

• Some believe that financial aid should be funded from state appropriations, not tuition, and by drawing a line, the state legislature will be forced to increase state appropriations to need-based aid.

BOARD OF GOVERNORS PROPOSAL

The following text is taken from the NC Board of Governors website, and is UNC system President Thomas Ross’s proposal for a cap on need-based financial aid:

Overview

The Tuition and Fees Resolution approved by the Board of Governors (BOG) in February 2012 required the President to lead a conversation with the Board on tuition set-asides for need-based financial aid. Detailed presentations on need-based financial aid took place at the April and June BOG meetings. Information reviewed and discussed included a history and sources of funds; demographics of recipients; and recent state and federal changes to aid programs.

President’s Recommendation

The Second Four-Year Plan on Tuition and Fee Increases, adopted by the BOG in November 2010, requires campuses to set-aside at least 25% of all new revenues from campus-initiated tuition increases for need-based financial aid. While practices have varied among the campuses, overall need-based financial aid set-asides accounted for approximately 35% of all new campus-initiated tuition increase revenues from FY 2000-01 through FY 2011-12.

For academic years 2013-14 and 2014-15, the President recommends that the Second Four-Year Plan on Tuition and Fee Increases be amended to remove the minimum set-aside requirement for this purpose and to further stipulate that no more than 25% of new tuition revenues generated from resident undergraduate students may be set aside for need-based financial aid.

The current four-year plan expires at the end of that two-year period. As the Board of Governors develops its next four-year plan for tuition and fees, any requirements and/or limitations on set-asides from new tuition revenues for need-based financial aid will be incorporated into the new plan.

Actions Going Forward

If approved by the BOG, this recommendation will be reflected in the Tuition and Fee instructions that are scheduled to be disseminated to campuses in late August 2012 for their use in developing tuition and fee proposals for the 2013-14 academic year.
Financial Aid at UNC-CH

Right now, Carolina is one of only two public institutions in the country that meet 100% of need.

Like at other schools, UNC distributes need-based financial aid on the basis of expected family contribution. The expected family contribution is deducted from the estimated cost of attendance, and the remaining money is covered by a financial aid package.

For this academic year, UNC’s estimated cost of attendance was:

<table>
<thead>
<tr>
<th>Carinna has been named the “Best Value” in the nation by Kiplinger’s Personal Finance for ten consecutive years.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ESTIMATED COST OF ATTENDANCE 2012–2013</strong></td>
</tr>
<tr>
<td><strong>In-State</strong></td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
</tr>
<tr>
<td>Room</td>
</tr>
<tr>
<td>Board</td>
</tr>
<tr>
<td>Books &amp; Supplies</td>
</tr>
<tr>
<td>Travel</td>
</tr>
<tr>
<td>Health Insurance</td>
</tr>
<tr>
<td>Loan Fees</td>
</tr>
<tr>
<td>Personal Expenses</td>
</tr>
<tr>
<td><strong>Total Cost of Attendance</strong></td>
</tr>
</tbody>
</table>

Carolina meets full demonstrated need of admitted students that promptly apply for financial assistance. Here’s the breakdown of a typical financial aid package at UNC Chapel Hill:
Furthermore, student aid at UNC Chapel Hill benefits students from all socio-economic backgrounds. This graph illustrates the percentage of students from each socio-economic status receiving aid at UNC Chapel Hill from 2010-2011.

![Graph showing percentage of students from different socio-economic backgrounds]

*Source: UNC Scholarships & Student Aid 1*

This past year (2011-2012), UNC Chapel Hill lost over $6 million in funding for student aid with cuts and underfunding at the state level (loss of $2.5 million) and cuts at the federal level, like work study, summer Pell grants, and other programs (loss of $3.8 million). Therefore, tuition revenue has become even more important to the success of UNC Chapel Hill's total student aid program.

**The Impact of Campus-Initiated Tuition Set-Asides on UNC-CH:**

Given rising tuition rates and falling allocations from the state, **tuition revenue for student aid has become a critical aspect of Carolina’s affordability.**

Since 2000, setting aside a portion of tuition revenue for financial aid has neutralized the effects of tuition increases on students with need. At Carolina, the tuition set-aside is calculated every year to cover our institutional needs with respect to student aid. On our campus, **38% of the 2012-2013 tuition increases will be allocated toward financial aid.**

Without these tuition set-asides, Carolina’s ability to meet full financial need collapses, even if UNC-CH gives many students maximum subsidized federal loans.

This **problem will just continue to compound with every subsequent tuition increase,** making any financial aid cap a long-term, structural problem.

If the BOG were to cap the amount of tuition revenue that can go towards financial aid, this would exacerbate UNC’s permanent $4 - $5 million shortfall in state and federal student aid grant funds, even after receiving a share of the state legislature’s recent additional appropriate for the UNC system’s Need-based Grant Program.
An adverse vote would also mean that the Student Aid office at UNC would no longer be able to provide assurances to students and families that the future of need-based financial aid at Carolina would be “okay.”

These sustained losses cannot be made up, in the short run or in the long run, through private giving or state appropriations. They would happen too fast, and would be recurring, compounding and worsening with every subsequent tuition increase.

UNC Chapel Hill has reinforced its brand this year as an institution whose hallmarks are "access," "excellence," "inclusion," and "affordability." If UNC can no longer meet full need with adequate grants, its entire culture is threatened. This potentially affects recruitment of students as well as families' and students' confidence they can afford to attend UNC-CH.

**RECENT PRESS**

**Thorp participates in White House higher ed roundtable**

*UNC News*

The University's record of providing a **high-quality, affordable education** earned Chancellor Holden Thorp an invitation to the White House on Dec. 5 for a roundtable discussion with President Barack Obama.

Thorp was one of 12 college presidents and higher education leaders who talked with Obama about ways colleges can become more affordable while producing more graduates. U.S. Secretary of Education Arne Duncan and White House senior officials also participated.

The group shared ways they have worked **to promote innovation, reduce costs and increase productivity during a time of reduced funding for higher education at the state level**, White House officials said.

The president's comments focused primarily on cost containment, Thorp said.

The White House was interested in University programs including Carolina Counts, the campus-wide initiative to make University operations more efficient; the **Carolina Covenant, which provides a debt-free education to qualified low-income students**; and the National College Advising Corps, which hires recent college graduates to serve as full-time college advisers in underserved high schools.

“Carolina is on the national radar right now for a number of reasons,” Thorp said. “**We've got a good reputation for providing a high-quality education at an affordable price. Even with proposed tuition increases, we will remain a national model for affordability.**”

“**People know about our commitment to financial aid and the Carolina Covenant.** And they know we made a bold move when we used Bain & Company to help us identify administrative savings.”

The UNC system is known for access and affordability. This graph from the University of Texas at Austin demonstrates how UNC-CH stacks up to its peer public institutions in terms of undergraduate total costs of attendance.

The recent nationwide economic crisis has caused the cost of education at many public universities to skyrocket.
While UNC manages to maintain a relatively low tuition rate, it has also been able to cover the financial need of its student population by using tuition revenue. This is largely because of a nationwide trend in declining state appropriations. This graph illustrates how the trend has affected public universities:

Recent nationwide trends at public universities do not bode well for the future of public higher education. The article below from “Inside Higher Ed” details the recent controversy over need-based aid at public university systems in Iowa and UVA. This dynamic gives us some insight into why the discussion is occurring within the NC Board of Governors.

**RECENT PRESS**

**Who Pays for Student Aid?**  
*Inside Higher Ed*  
June 8, 2012

There’s a lot of money in student aid, and the State of Iowa is trying to figure out who gets to spend it and on which students.

The state’s Board of Regents, which oversees Iowa’s three public universities -- the University of Iowa, Iowa State University, and the University of Northern Iowa -- created a committee Wednesday and charged it with developing a five-year plan that would seek to eliminate the use of tuition revenue for financial aid.

The idea of using tuition revenue for financial aid -- a common practice among colleges and universities, particularly private, nonprofit institutions -- has recently become controversial at public universities. Over the past few months, policy makers in several states have questioned the use of money generated by tuition payments to fund aid, saying it places an unfair burden on middle-class students because they may end up subsidizing other students, and have proposed various means of restricting the use of tuition dollars.
Arizona lawmakers proposed requiring all students to pay roughly $2,000 toward their education, regardless of need, an amount that could not be covered by institutional aid. Virginia Gov. Bob McDonnell proposed a cap on the percentage of tuition revenue colleges could use for financial aid. University of North Carolina system board members proposed a similar cap, and when that policy did not garner support, they proposed a tax break for families that pay tuition and do not receive aid equal to the amount that is used to fund other students.

While those initiatives stalled, the Iowa board is moving forward on its plan to significantly reduce how much the state's universities spend on financial aid, thereby reducing the amount that some students pay to support others. The largest component of the proposal would be to ask the legislature create a need-based state grant to cover the amount of tuition revenue the universities currently spend on in-state undergraduate students, which totaled about $35 million last year. While the state has some programs in place to provide aid for needy students, it is the only state that lacks a broad state-aid program. The board is also asking university fund-raising foundations to increase what they raise and spend toward merit aid to cover about $7.6 million that was doled out last year to in-state students.

Whether state lawmakers agree to the proposal, and whether the foundations are able to raise the necessary funds, are logistical challenges that show why efforts to move away from such a system have stalled in other states. But the biggest question might be how the state tackles the other $102 million in institutional subsidies that go to graduate and non-resident students. While calling for an end to the use of tuition as aid, the resolution adopted Wednesday does not address those students, which raises serious questions about whether Iowa plans to continue to fund aid for them at the same level.

The proposed policy change also raises two big questions about financial aid. The first is who should shoulder the burden of providing aid for needy public university students. While taxpayers historically carried that burden through state grant programs and state appropriations, which kept tuition prices low, the burden is increasingly shifting to students who don’t require financial aid.

The other major issue is who gets to decide which students receive aid, the institution or the state. “The big question here is who makes the decisions about who gets the money,” said Sandy Baum, a senior fellow at the George Washington University Graduate School of Education and Human Development, who gave a presentation to the Iowa board in March about financial aid policies. “If it is a tuition set-aside, and the universities use a certain percentage to give financial aid, then the institution has the discretion. If it is a state grant program, then the state decides whether each student qualifies for aid.”

Tuition as Aid
Iowa universities have been using tuition to fund financial aid since the 1980s, and the regents have had a policy in place since 2004 that requires the universities to set aside at least 15 percent of their tuition revenue for financial aid.

For fiscal year 2011, the universities set aside 21.3 percent of their tuition revenues for financial aid, which totaled about $144 million and went to 25,583 students, or about 45 percent of the students enrolled.

Several states have policies like Iowa’s that require some amount of tuition to be used for financial aid. When seeking tuition hikes, administrators have often found it politically prudent to say that some of the increase will be set aside to fund financial aid. When the State University of New York System sought a $300 annual tuition increase for the next five years, Gov. Andrew Cuomo requested that needy students be held harmless. As a result, about 20 percent of last year’s increase was placed back into financial aid.

Administrators argue that the image of one student paying more in tuition to subsidize another isn’t entirely accurate, and that university budgets are more complicated than that. Because of state appropriations, no Iowa student pays the full cost of his or her education,
even as appropriations have dropped and tuition prices have increased. While full tuition and fees at the University of Iowa are about $8,000 for Iowa residents, the university spent more than $18,000 per student on education and related expenses in 2009, according to the Delta Cost Project.

Because tuition and appropriations tend to get lumped together in the university budgeting process, since both are relatively unrestricted funds, which revenue stream is used for aid can be a matter of policy rather than necessity. Other public institutions might use a larger percentage of state appropriations to fund financial aid programs and not require tuition to be set aside. “Whether you have appropriations going to fund educational operations and subsidizing tuition or you have tuition partly funding financial aid, it’s almost totally arbitrary,” Baum said.

Gary Rhoades, a professor at the University of Arizona College of Education and former general secretary of the American Association of University Professors, said that the use of tuition revenue for financial aid purposes at public universities was a direct result of states' decision to pull back state support over the past few decades. "It all falls on whether the state is willing to maintain its level of financial aid, and the evidence is that they haven't," he said. "Historically, taxpayers don't want to pay for this. This means fewer lower-income and middle-class students going to college, which is exactly where there's growth in the 18-21 year old population."

The idea that some students are subsidizing others is politically unpopular at the moment, especially among conservatives. The Virginia governor and the chief sponsor of the Arizona measure were both Republicans. It was Republican lawmakers in Iowa this spring who called the tuition policy an unfair burden on middle-class families, initiating the current talks.

But it's not just Republicans who dislike these policies. Six of the nine Iowa board members were appointed by a Democratic governor. Board members said at Wednesday's meeting that they had received e-mails from families asking them to immediately end the subsidies.

Texas has had a policy on the books for several years that requires the universities to spell out exactly how much of a family’s payment will go to other students’ financial aid, currently about $200. The Iowa board adopted a similar policy Wednesday, a move likely to generate further opposition to the current policy.

Shifting Aid
There are several ways the Iowa board could end the cross-subsidy of students. First, state lawmakers could simply prohibit the use of tuition revenue to fund financial aid, which would leave the universities and students in a difficult predicament with a significant amount of unmet need.

While such a policy would eliminate the burden on middle-class families and restrict the universities’ abilities to spend aid money how they see fit, the board does not seem likely to take that path. In response to calls to end the subsidy immediately, the board's president, Craig Lang, said that would be “simply impossible,” since the universities rely on that money to keep tuition affordable for so many students. Such a change would probably result in numerous low-income students being unable to pay tuition.

A second option would be to increase state appropriations to the university in an amount equal to the financial aid currently funded through tuition. That would remove the political problem of taking some students' money to pay for others' education, but would still leave it up to universities to determine how the aid money is spent. But at a time when many the state is facing competing demands on its revenue from health care, pensions, and prisons, it might be unpractical to seek a roughly $150 million increase in appropriations.

A third option -- the one the board seems most likely to pursue -- is to create a state grant program that would be distributed on the basis of need. The current slate of state
grant programs is relatively limited. One program, the All Iowa Opportunity, is generally awarded to students in TRIO programs and will total $2.2 million this coming year. The Iowa Grants program is awarded to the state's neediest students, but the maximum award is $1,000 a year, and the state only appropriated about $800,000 for the program this coming year. The bulk of the state's spending on financial aid, about $45.5 million, goes to students attending private institutions. Unlike other states, Iowa does not have a broad, need-based state grant program.

If lawmakers embrace the grant program, it would give the state more authority over how aid money is spent and shift a significant component of funding higher education back to taxpayers. The board said that, if such a policy is embraced, it could also lead to a decrease in tuition.

In addition to the grant program, the board has also proposed getting the university foundations to increase their contribution to help cover merit scholarships, which currently account for about $7.6 million of the aid budget.

But one major complication to the state grant program is that Iowa universities pull a large percentage of students from outside Iowa. Only 64 percent of the students enrolled in the regent-governed universities in fall 2011 were Iowa residents.

They also spend a large component of their aid dollars on those students. According to the regents’ report, roughly $58 million of the $100 million doled out to undergraduates went to out-of-state students. If lawmakers adopt the grant program, it is unlikely that they will be willing to use taxpayer dollars to fund a program that gives aid to non-resident students. The universities might be able to make up some of that through private giving, but that’s a lot to generate year in and year out.

The board has not explained how it would intend to make up for that lost aid money if it moves to a grant program, saying that it wanted to focus on Iowa residents first.

Talking Points

UNC has been historically built upon principles of being “accessible,” “inclusive,” and “proudly public.”

- Carolina is currently one of only two public institutions in country that meet 100% of need-based aid.
- 43% of enrolled undergraduates at UNC Chapel Hill receive need-based aid.

Need-based financial aid doesn’t just go to low-income students. The students who receive need-based financial aid are the typical Tar Heels.

- During the 2010-2011 academic year at UNC Chapel Hill, of those who received need-based financial aid:
  - 28% were low-income, 15% were low-middle income, 17% were middle income, 28% were upper-middle income, and 12% were high income.
- Of 2012-2013 admitted class qualifying for student aid, the average SAT score of 1330, they took 7.7 AP classes, and 56% were in the top 10 in their graduating class.

UNC-Chapel Hill relies on tuition set-aside money to run its incredible student aid program.

- UNC-Chapel Hill lost over $6 million in funding for student aid last year alone with cuts and underfunding at the state level (loss of $2.5 million) and cuts at the federal level like work study, summer Pell grants, and other programs (loss of $3.8 million)

Capping the percentage of tuition increases that can be set aside for financial aid creates an ongoing, structural problem.

- This problem will compound with every subsequent tuition increase.
- A cap would exacerbate UNC’s permanent $4-5 million shortfall in state and federal aid grant funds.

This cap does not release any burdens on the average Carolina student.

- As a result of the cuts imposed on their classmates, the average resident undergraduate student at UNC-CH would save $82 -- $6.83 per month over 12 months or $9.11 per month over 9 months.

- Since family finances can change significantly from one year to the next, the strong system of need-based aid that tuition revenue enables provides a safety net for all students. Those who contribute to the aid of others in one year may find themselves dependent on aid provided by others in the following year.

Decisions about the amount of tuition set-aside money that fund student aid need to be made at the university-level, not at the system-wide level.

- Eight UNC system schools currently divert over 25 percent of their most recent tuition increase revenue to need-based aid

- Different universities require different models to appropriately address demand for aid while maintaining excellence.

This cap would change the overall quality of our student body.

- Without a competitive student aid package, UNC will not be able to attract highly qualified students.

This cap would contribute to the larger trend of nationwide inequality seen today in higher education.

- A typical student aid package is about 65% grants. The cap will reduce the percentage of grants that UNC would be able to give students, increasing the amount of debt the average student will graduate with.
**Action Plan**

**Educate**
- Understand the scope of the issue and complete resources for the student body
- Meet with administrators and other key stakeholders and experts
- SBP Will Leimenstoll meets with UNC President Tom Ross
- Disseminate information about need-based financial aid to student leaders at UNC Chapel Hill
- Host discussions and prepare action plans

**Broadcast**
- Use student organizations and networks to disseminate information and action plans
- Use social media and other student government resources to collect student opinions and amass volunteers
- Engage other UNC system universities
- Student Government conversations with Board of Governors members

**Act**
- UNC Students email the BOG members
- Media involvement
- Action via ASG & student governments at other UNC system universities
- Attend Board of Governors Meeting
Letter Writing to the BOG

Before you write!

1. Make sure you are thoroughly educated on the issue before you sit down to write a letter. Refer to the Financial Aid Resource Packet and the “Summary” and “Talking Points” below.
2. Keep your letter respectful and professional. Please edit for grammar.
3. The more specific and personal you can make your letter, the better. If you have time, we encourage you to write your own letter rather than using the templates below.
4. Try to limit your letter to one page.
5. Make sure to include your name, university, and email address (and/or phone number)

Options:

1. Write your own letter after reading the Summary and Talking Points below.
2. Modify one of our attached template letters to align with your own personal views and your own story. We have provided two sample letters – one from a need-based aid recipient and one from a student who is not on financial aid.

Sample letter from a student NOT receiving need-based aid

To the Board of Governors:

I write to you today to provide you with my perspective on need-based financial aid as a student at the University of Chapel Hill who is not receiving financial aid. It has come to my attention that the Board of Governors is currently discussing a cap on campus initiated tuition set-aside funds for need-based financial aid.

I have been fortunate to reap the benefits of attending a university that prides itself on inclusivity and affordability. Carolina is one of only two public universities in the United States that meets 100% of demonstrated need. If a cap is introduced, UNC’s ability to keep this promise will be jeopardized. In the long run, this will force our university to dig deeper into its applicant pool to find students who can afford to attend UNC rather than admitting students who are the most qualified applicants.

Currently, UNC Chapel Hill uses 38% of its revenue from tuition increases to fund its student aid program. Were the BOG to introduce a 25% cap, and should this money hypothetically be somehow returned to me, it save me $6.83 per month – roughly equivalent to two cups of coffee. Simultaneously, this cap would mean that tons of Carolina students would no longer receive financial aid or would graduate with higher amounts of debt. I can go without those two extra cups of coffee each month to protect the culture and values of this institution that I love.

As these discussions within the BOG continue, I also urge you to consider who truly benefits from need-based aid. In 2010-2011 over half of need-based aid recipients came from middle or upper class families. Since family finances can change significantly from one year to the next, the strong system of need-based aid that tuition revenue enables provides a safety net for all students. Those who contribute to the aid of others in one year may find themselves dependent on aid provided by others in the following year.

Instituting a cap on tuition set-aside money devalues the uniqueness of each institution in the UNC system. Each public university in North Carolina is unique, providing students with a range of college experiences. Instead of a system-wide cap, perhaps guidelines or recommendations for individual campuses would be more appropriate. At UNC Chapel Hill, for
example, such a cap would create a serious, ongoing structural problem in our model of student aid, one that
would be too large for private giving or state appropriations to overcome.

Finally thanks to this state’s historic commitment to keeping college affordable, and the hard work of
many administrators, system leaders, and legislators UNC-CH has become the premier leader in accessible
public higher education. Changes to our current student aid funding model could threaten our nationally
acclaimed Carolina Covenant program and remove our distinction as the best value in higher education for
eleven years running.

I respectfully encourage you to consider these student perspectives when you discuss need-based
financial aid in upcoming Board of Governors meetings. Thank you so much for your time and
consideration.

Sample letter from a student receiving need-based aid

To the Board of Governors:

I write to you today to provide you with my perspective on need-based financial aid as a need-based aid
recipient at the University of North Carolina at Chapel Hill. It has come to my attention that the Board of
Governors is currently discussing a cap on campus initiated tuition set-aside funds for need-based financial
aid.

Carolina is one of only two public universities in the United States that meets 100% of demonstrated
need. If a cap is introduced, UNC’s ability to keep this promise will be jeopardized. This could reduce the
amount of grant money I receive from UNC and could potentially cause future Carolina students to be in
deeper debt upon graduation.

As these discussions within the BOG continue, I urge you to consider who truly benefits from need-
based aid. In 2010-2011 over half of need-based aid recipients came from middle or upper class families.
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I respectfully encourage you to consider these student perspectives when you discuss need-based
financial aid in upcoming Board of Governors meetings. Thank you so much for your time and consideration.
The Board of Governors is the policy-making body legally charged with “the general determination, control, supervision, management, and governance of all affairs of the constituent institutions.” 32 voting members of the BOG within North Carolina are elected by the General Assembly for four-year terms.

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Resources

FOR UNC-CH

UNC System Website
www.northcarolina.edu

UNC Board of Governors
http://www.northcarolina.edu/bog/index.htm

UNC-CH Student Aid & Scholarships
aidinfo@unc.edu
919.962.8396

UNC-CH Net Price Calculator
http://npc.collegeboard.org/student/app/unc

FINANCIAL AID

College Foundation of North Carolina
www.cfnc.org

FAFSA
UNC-CH Code Number 002974
www.fafsa.ed.gov

Money Management Resources at UNC
https://ccm.unc.edu/ccm/groups/restricted/@its/documents/content/ccm3_035511.pdf

PROFILE Application
UNC-CH Code Number 5816
http://www.profileonline.collegeboard.com

Student Aid Guide
http://studentaid.ed.gov

PRESS

American Educator
http://www.aft.org/newspubs/periodicals/ae/issues.cfm

American School & University
http://asumag.com/

The Chronicle
www.chronicle.com
Current Issues in Education
http://cie.asu.edu/ojs/index.php/cieatasu

Education Next
http://educationnext.org/

Education Review
http://www.edrev.info/

Inside Higher Ed
www.insidehighered.com

Times Higher Education:
http://www.timeshighereducation.co.uk/

RESOURCE NOTES:

The intention of this packet is strictly to educate. Some materials in this packet were pulled from:

- The April 2012 and June 2012 Financial Aid Presentations at the Board of Governors Meetings
- Statements and presentations from administrators at UNC Chapel Hill
- Online content from the UNC Scholarships & Student Aid website
- Other online sources (noted in text)
Financial Aid Terminology


Campus-Based Financial Aid Programs:
This financial aid term refers to three federal student aid programs that are administered directly by the college financial aid office. These are: the Perkins Loan, the Supplemental Educational Opportunity Grant (SEOG), and the Federal Work-Study Program (FWS).

Commercial Loans:
Also known as private or alternative loans, these are available through several financial services providers. To qualify, you must pass a credit check, and the interest rate will be higher than that of a Direct or FFEL Stafford or Perkins loan. (Definition coming up on this "Financial Aid Terms" page.) For these reasons, it is wise to investigate such low-interest, federally sponsored options before applying for a commercial loan. In addition, beware of scholarship scams that are simply commercial loans in disguise.

Cooperative Programs:
Cooperative education (co-op) integrates classroom study with paid, supervised work experiences. These jobs are part-or-full-time and may lead to academic credit.

Direct Loans:
Direct Stafford Loans are low-interest education loans made by the federal government to students and parents. These loans may be either subsidized or unsubsidized and several repayment plans are available.

EFC:
The Expected Family Contribution (EFC) is the total amount of their collective assets and income that a student and his/her family are expected to contribute towards the cost of college. The federal government determines the amount of the EFC based on the information you supply on the FAFSA and the total cost of attendance for the college of your choice. (The total cost includes tuition, room and board, books, transportation, and other personal expenses.) You will fill out the FAFSA each year and will thus get a unique EFC for each year of college.

FAFSA:
THE FAFSA: Free Application for Federal Student Aid.

FFEL:
Federal Family Education Loan (FFEL) Program Stafford Loans are low-interest education loans made by private lenders to students and parents. These loans may be either subsidized or unsubsidized, and there are several repayment plans available.

Financial aid:
The term "financial aid" is used to describe the combination of loans, scholarships, grants, and work-study that will help you pay for college.

FSEOG:
Federal Supplemental Educational Opportunity Grants (FSEOG) are government-sponsored, college-administered loans awarded to exceptionally needy students. The federal government determines eligibility for FSEOGs and the program gives priority to students receiving federal Pell Grants. Each school awards FSEOGs from available federal funds. There is no guarantee that each school will have enough funding to award a FSEOG to every eligible student.
Grant Aid:
The most sought after type of financial aid, grant aid, does not have to be paid back. You may receive grant aid on the basis of either need or merit, and it may come from your school or the federal government. Federal grants include the need-based Pell and Federal Supplemental Educational Opportunity (FSEOG) grants.

Merit-based aid:
Each school and/or its alumni associations and wealthy benefactors generally grant merit-based aid, which can take the form of grants, scholarships, or loans on favorable terms. You may qualify for it by meeting a certain academic requirement, such as grade point average, test scores, or career goal. Alternatively, you may qualify through an essay competition or the like. Your financial aid package may include both need- and merit-based aid.

Need-based Aid:
If the Cost of Attendance (COA) for your college exceeds your Expected Family Contribution (EFC), you will be eligible for need-based aid to cover the difference. You may be awarded a financial aid package that consists of a combination of grants, scholarships, loans, and work-study. The total amount of your package will be determined by a combination of demonstrated financial need, federal award maximums, and your school's available funds.

Pell Grants:
Given by the Federal Government, these grants are awarded to those students demonstrating exceptional financial need. Pell grants do not need to be paid back.

Perkins Loans:
Awarded by the student's school, these low-interest loans (5%) are given to students (both undergraduate and graduate) that demonstrate exceptional financial need. Repayment of this loan begins nine months after the student graduates, leave school or drop to less than half-time student status.

Plus Loans (Parent Loans for Undergraduate Students):
This is a federal loan for parents or legal guardians of dependent undergraduate students. This loan allows parents to borrow all or some of the difference between financial aid received and the cost of attending the school, including room, board, and other charges. (For example, if your college costs total $10,000 and you receive $6,000 in financial aid, you could assume a PLUS loan of $4,000.) The PLUS is not based on need, so the FAFSA is not required.

Unlike Stafford loans—in which students themselves assume the loan—PLUS loans allow parents with acceptable credit histories to borrow educational funds on behalf of their children (if their children are enrolled at least half-time). PLUS loans are available both through the U.S. Government and through private lenders, and the eligibility requirements and loan limits are about the same. To be eligible, parents must be U.S., citizens, pass a credit check (although one that is generally much less stringent than required for a home mortgage), and not currently be in default of any of their existing loans. PLUS loan payments are sent directly to your college, and unlike other federal loans, your parents must begin paying both the interest and the principal amount of the loan while you’re still in school.

PROFILE:
The CSS/Financial Aid PROFILE is a customized financial aid application form required at certain colleges, which collects additional financial information to determine eligibility for institutional aid.

Scholarships:
A type of financial aid that does not require repayment or employment and is usually awarded to students who demonstrate or show potential for achievement—usually academic—at that institution. Learn more about scholarships here.

**Stafford loans:**
These loans, both subsidized (need based) and unsubsidized (non-need based), are guaranteed by the federal government and are available to students to fund education. The subsidized Stafford Loan is need-based, and the interest is paid by the government until the student leaves school. The non-subsidized Stafford Loan is not need-based and can be taken out by almost all students. Students can let the interest on the loan to accumulate until they graduate or leave school.

Federal Stafford Loans are the most common source of education loan funds, and are low-interest loans. They are available to both graduate and undergraduate students. In most cases, repayment is not required until the student leaves school or graduates, and there are no interest charges while the student is in school. See also Direct Loans and FFEL.

**Student Aid Report (SAR):**
This is the official notification sent to the student four to six weeks after filing the FAFSA. This report explains your FEC in relation to your school's expected cost of attendance. Students may be required to submit this document to the financial aid office at the college they decide to attend.

**Subsidized /Unsubsidized Loans:**
Subsidized loans are based upon financial need. With these loans, the interest is paid by the federal government until the repayment period begins and during authorized periods of deferment afterwards. Unsubsidized loans are not need-based; so all students are eligible to receive them. Interest payments begin immediately on unsubsidized loans, although you can waive the payments and the interest will be capitalized. See Stafford Loans.

**SEOG (Supplemental Educational Opportunity Grant):**
A federally subsidized educational loan program for emancipated undergraduates, and graduate students. The grant is awarded by a college's financial aid office. See FSEOG.

**Work-study:**
An institutionally or federally-funded employment program that provides student with part-time jobs—generally 10 to 15 hours per week—for students who are in need of earnings to help meet a part of their educational cost.