



NEED-BASED GRANT AID AT
UNIVERSITY OF ALASKA:
AN INDEPENDENT ANALYSIS

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EXECUTIVE SUMMARY

The University of Alaska system operates 16 campuses serving more than 30,000 students. The enrollment profile for UA students is more typical of community colleges rather than four-year institutions; for example 52 percent of non-degree seeking and undergraduate Fall 2004 enrollment were adult students 25 years of age and older compared with 38 percent of Fall enrollment nationally. According to the National Center for Education Statistics, 53 percent of enrollment nationally in public two-year colleges were adults 25 years of age and older. Moreover, 62 percent of all UA students enrolled part-time – the national figure was 40 percent. Thus, the University of Alaska primarily serves adult students who enroll part-time, which is *atypical* according to national data. In addition, unlike most public four-year colleges and universities, the University of Alaska enrolls a large number of Native Alaskans and American Indians – for Fall 2004, more than 4,000 (13%) Native Alaskans and American Indians were enrolled at UA.

Due to the unique characteristics of the University of Alaska system, the Statewide Office of Student and Enrollment Services wanted a comprehensive independent analysis of student financial aid and how UA students pay for college. Both quantitative and qualitative research techniques were used for the analysis. First, almost thirty faculty, students, staff, financial aid professionals, and community representatives were interviewed about student financial aid, the University of Alaska mission, and the possibility of new resources to support a need-based grant program. Several national experts on student financial aid and state grant programs were also interviewed. These stakeholder and expert interviews provide a broad picture of the support for an expanded need-based grant program as well as a general consensus perspective on the focus for such a program. *The stakeholders interviewed believe that total financial aid is insufficient and that finding additional resources for financially needy students is important. They are concerned about loan reliance for all students. They are also concerned about the lack of need-based financial aid for part-time students and for students who do not qualify for the federal Pell Grant. Overall, these stakeholders would support a need-based grant program that expanded opportunity for students with financial need and was consistent with the open admissions mission of the University of Alaska.*

Second, the Statewide Office of Institutional Research extracted a cross-sectional database of all students enrolled at the University of Alaska for Fall 2004. This database provided information on almost 33,000 students, including demographics, enrollment status, financial aid awards by type of aid, and the major academic unit (MAU) at which the student is enrolled. Using these data, several research questions were pursued concerning student financial aid:

- How much student aid was awarded to UA students and what was the type and source for this aid?
- What type of UA students received financial aid and what was the ratio between gift aid and loan aid?
- Who receives gift aid and is it need-based?



The data indicate that more than \$34 million in student financial aid was awarded to UA students for Fall 2004. Almost 90 percent of this aid was awarded to non-degree seeking and undergraduate students, and 81 percent was awarded to full-time undergraduates. UA students borrowed more than \$23 million for Fall 2004 and received more than \$11 million in gift aid. The federal government is the largest provider of financial aid for UA students: 45 percent of total gift aid was provided through the Pell Grant and Supplemental Education Opportunity Grant; 63 percent of total loan financial aid was borrowed through the Stafford loan and PLUS programs. The University of Alaska provided more than \$4 million in gift aid for Fall 2004; less than 3 percent of this gift aid was clearly need-based. Rather, 42 percent of UA gift aid was awarded to UA Scholars, 22 percent was awarded through tuition waivers, and 33 percent was awarded through employee waivers. *These data show that the Pell Grant is virtually the only form of need-based gift aid awarded to UA students.*

Undergraduate students at University of Alaska receive the lion's share of financial aid, especially full-time undergraduates. Although more than half of all UA undergraduates received some form of financial aid, the national figure of 62 percent is much higher. About 67 percent of the total aid received by 8,500 UA undergraduates for Fall 2004 was from federal Stafford, Alaska and private loans. Federal grant aid made up another 16 percent of total aid received, and external grants and scholarship aid made up 6 percent of total aid received. Gift aid from the University of Alaska represented 11 percent of total financial aid received by undergraduates. *Among UA undergraduates receiving any financial aid, UA undergraduates relied on student loans to finance college; loan reliance is especially true for part-time undergraduates who borrowed 77 percent of the total aid they received for Fall 2004.*

Almost 14,000 UA students were enrolled as "other," which means they were not classified as degree-seeking; however, many of these "other" students may be pursuing certificates of competence that do not require a postsecondary degree. More than 93 percent of the "other" students enrolled part-time, and 71 percent were adults 25 years of age and older. Only 7 percent of "other" students received slightly more than \$550,000 in financial aid for Fall 2004; more than two-thirds of this aid was from the University of Alaska through the employee waiver. *Because "other" enrollment typically disqualifies students from receiving federal financial aid, the UA employee waiver and personal or private loans are virtually the only sources of financial aid to help these students pay for college. In other words, the majority of adult students 25 years of age and older enrolled at UA currently do not receive student financial aid.*

Several types of gift aid were awarded to UA students for Fall 2004; these include institutional aid from the University of Alaska (UA Scholars, tuition waivers, employee waivers, and the need-based tuition assistance grant), the federal Pell Grant and Supplemental Education Opportunity Grant, and grants and scholarships from private sources. About one-third of the almost 10,000 UA non-degree seeking and undergraduate students who received any financial aid received a Pell Grant, and 14 percent received a federal SEOG. About 18 percent of non-degree seeking and undergraduate students received an



employee waiver and 13 percent received private scholarships. Less than 5 percent of non-degree seeking and undergraduate students received a tuition waiver and slightly more than 5 percent received a need-based tuition assistance grant. More than 13 percent received UA Scholars’ awards. Among the non-degree seeking and undergraduate students who received UA gift aid, average annual amounts were about \$2,000; part-time students received much smaller awards that averaged about \$950 annually. *Pell Grant recipients received less than \$300 in annual UA gift aid, on average, as did financially needy students who borrowed a subsidized Stafford loan. By design, the UA tuition assistance grant targeted students who just missed the Pell eligibility threshold; thus, the approximately 500 recipients of the TAG received more than \$650 in average annual gift aid from the University of Alaska. In contrast, students who did not receive federal need-based aid or the UA tuition assistance grant received almost \$1,800 in average annual gift aid from the University of Alaska – this amount is 6 times higher than the average for Pell Grant recipients and 3 times higher than tuition assistance grant recipients. In short, gift aid from the University of Alaska overwhelmingly flows to students who did not qualify for federal need-based aid or who had no financial need at all.*

CHART A

SUMMARY OF POSSIBLE NEED-BASED GRANT PROGRAMS FOR NON-DEGREE SEEKING AND UNDERGRADUATE STUDENTS AT UNIVERSITY OF ALASKA

Target Student Population	Estimated # of Students Served	Annual New Grant Amount	Estimated Annual Cost
“Other” Part-Time Adult Students Seeking Certificates of Competence	3,200 – 4,200	\$525 (3 credits/term) \$1,050 (6+ credits/term)	\$2.1 million – \$2.7 million
Part-Time Adult Undergraduates (Pell Grant and TAG eligible)	725	\$600 (TAG eligible) \$1,400 (Pell eligible)	\$875,000
Full-Time Undergraduate Pell Grant Recipients	2,400	\$500 (50-50 grant to loan ratio) \$1,400 (60-40 grant to loan ratio)	\$1.1 million - \$3.4 million
Financially Needy Undergraduates – Tuition and Fees Equity Model (Pell Grant and TAG eligible)	Full-Time 400 Part-Time 950	\$675 - \$1,200 (part-time) \$2,175 (full-time)	\$1.5 million

This analysis indicates that additional need-based grant aid is necessary to help UA students pay for college. Because the federal Pell Grant and Supplemental Educational Opportunity Grant are authorized and appropriated by the United States Congress, new resources for a need-based grant program would need to come from the state of Alaska, the University of Alaska system, or private sources. Chart A shows the potential impact and cost of four types of need-based grant programs.



The largest group of students not currently served by financial aid at the University of Alaska is adults 25 years of age and older enrolled as “other” part-time students. Many of these students may be seeking certificates of competence that do not require a postsecondary degree. *A new need-based grant program targeted to financially needy adults pursuing certificates of competence could benefit between 3,000 and 4,000 students with average annual maximum grants of \$525 for students taking 3 credits per term and \$1,050 for students enrolled in at least 6 credits. This type of program should be capped at no more than 3 terms and would require enrollment in a program leading to a certificate of competence. The average annual cost for such a program is estimated between \$2.1 million and \$2.7 million. This type of program to benefit working adults pursuing occupational and technical certificates could be described as a workforce development initiative. Because of the new and expanded skills of the adult workforce that would result from such a program, the University of Alaska could seek resources from key employers in the state that would benefit from a more skilled workforce. If the state of Alaska expanded tax credits for employers who invested in an initiative to provide need-based grants to working adults, many employers may be willing to support such a program. One way to fund a need-based grant program for working adults would be for the University of Alaska to allocate \$750,000 annually for such a program and seek \$1.5 million annually in matching funds from employers who would most likely benefit from the program.*

A second possible need-based grant program could target part-time adults 25 years of age and older who are enrolled as undergraduates. These adults are eligible for federal financial aid if they make satisfactory progress toward a degree objective; in fact, part-time adult undergraduates received more than \$500,000 in federal gift aid and work-study awards for Fall 2004 and borrowed more than \$2.6 million through federal Stafford, Alaska and private loan programs. About 725 adults enrolled as part-time undergraduates for Fall 2004 received a Pell Grant or a UA tuition assistance grant. *A new need-based grant program targeting part-time adult undergraduates with financial need could provide average annual additional grants ranging from \$600 for TAG eligible students to \$1,400 for Pell eligible students, and cost about \$875,000 annually. The University of Alaska would most likely need to reallocate existing resources to fund this type of program. However, less than 20 percent of the \$500,000 UA allowed for the tuition assistance grant was awarded for Fall 2004; thus, approximately \$300,000 should be available from this tuition waiver authorization. An additional \$575,000 could be added to the TAG program and the new need-based grant program could supplement gift aid for Pell eligible part-time adult undergraduates and further complement financial aid for part-time adults eligible for the current TAG program.*

A third option for a new need-based grant program is to focus on the most financially needy full-time undergraduate students – that is, those who are eligible for a federal Pell Grant. These students tend to be traditional-age students between 17 and 24 years old. Pell Grant recipients are more likely to be Alaskan Natives and American Indians, Blacks and Hispanics. Of the almost 2,400 full-time undergraduate Pell Grant recipients, 57 percent of the total financial aid they received was in the form of student



loans. Most financial aid administrators nationally award between 60 and 65 percent of aid to the neediest students in the form of grants and only 35-40 percent in the form of loans. A new need-based grant program to reduce the 57-43 current loan to grant financial aid ratio for full-time undergraduates would require a supplemental grant from the University of Alaska of \$500 annually to achieve a 50-50 grant to loan ratio, and \$1,400 annually to achieve a 60-40 grant to loan ratio. *To achieve a balanced ratio of 50-50 would require an additional \$1.1 million annually; a target of 60-40 would align a need-based grant program with most financial aid programs nationally, and require \$3.4 million annually. This level of investment would likely require new resources from the state of Alaska. One possible revenue source for a state investment in a need-based financial aid program for full-time Pell Grant recipients is the annual “return on capital” payment from the Alaska Commission on Postsecondary Education – this payment was \$5.6 million in FY 2005, from which only \$450,000 was allotted to the University of Alaska. In addition, the federal Leveraging Educational Assistance Partnerships (LEAP) program, if it is reauthorized in the Higher Education Act, provides matching funds for states that invest new resources in need-based gift aid. The state could receive as much as a dollar-for-dollar grant through the LEAP program – that is, a \$1.7 million dollar investment by the state of Alaska could leverage as much as \$1.7 million in matching dollars from the federal government.*

A fourth possibility for a new-need based grant program is to target all financially needy undergraduates and guarantee them a minimum equity grant equal to 100 percent of annual tuition and fees (approximately \$3,500 currently). Full-time Pell Grant recipients already receive gift aid, on average, that exceeds this threshold. However, almost 400 full-time UA tuition assistance grant recipients would need additional average gift aid of \$2,175 annually to achieve the equity threshold. Almost 1,000 part-time undergraduates would need supplemental grants between \$675 and \$1,200 annually to achieve the equity threshold. *This type of need-based grant program targeted to financially needy undergraduates would require approximately \$1.5 million in additional resources annually. The “return on capital” annual payment to the state from the Alaska Commission on Postsecondary Education and the federal LEAP program are also possible revenue sources for this type of program. Alternatively, the University of Alaska could specify that 100 percent of all authorized tuition waiver programs be directed for a new equity grant for financially needy students. For Fall 2004, almost \$1 million was awarded to UA students through tuition waivers. Thus current foregone tuition through waivers is currently sufficient to fund an equity grant model with no new resources. However, this approach may face stiff resistance from college deans, department chairs and faculty who have considerable autonomy in awarding tuition waivers under the current program.*

Although several approaches for a need-based grant program were examined in this report, University of Alaska stakeholders and leaders need to grapple with the desired objectives for a new need-based grant program before designing, funding, and implementing such a program.



For example,

- Does UA want to increase full-time enrollment for students currently enrolled less than full-time?
- Does UA want to reduce the extent of borrowing for all students, or a specific group of students?
- Does UA want to provide an equity threshold or minimum level of grant financial aid for all students with financial need?
- Does UA want to complement existing financial aid programs to better serve part-time students?

However, the analysis found that many UA students would benefit from additional need-based grant aid, and that support for additional need-based grants and a corresponding reduced reliance on student loans is widespread among stakeholders of the University of Alaska.



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Introduction

In 2003–04, the University of Alaska provided the ability for its campuses to waive up to \$500,000 in tuition to provide support for students with an Expected Family Contribution (EFC) exceeding the threshold for Pell Grant eligibility. This need-based tuition assistance grant (TAG) can provide complementary financial aid grants between \$200 and \$300 per term to eligible students. In addition, the state of Alaska recently announced the *Alaska Advantage Education Grant Program* to provide grants of up to \$2,000 per academic year for Alaska residents with financial need. To apply for a grant, students must complete the Free Application for Federal Student Aid (FAFSA) no later than April 15th prior to the beginning of the academic year they intend to enroll. The state legislature appropriated \$500,000 for this new need-based grant program to begin Fall 2005; this new investment was matched with \$103,000 from the federal Leveraging Educational Assistance Partnerships (LEAP) program. This new state grant program is a “last dollar” program, meaning it provides assistance to those students who have exhausted all other grant and scholarship aid and still demonstrate substantial financial need to gain access to higher education. The state legislature has emphasized that financially needy students with strong academic performance and those pursuing careers in Alaska workforce shortage fields be eligible for a larger award from the new grant program.

The implementation of these two need-based programs by the UA system and the state of Alaska indicate broad political and institutional support for the expansion of need-based grant aid for Alaska residents who attend college. More than \$1 million is available for need-based aid through these two programs. Although national reports indicate that students in Alaska face significant financial hurdles to gain access to college, the University of Alaska’s Statewide Office of Student and Enrollment Services wanted an in-depth analysis of student financial aid among UA students in order to yield more accurate information on the extent to which student financial need is (or is not) being met by existing federal, state, institutional and private sources. Accordingly, they contracted an independent researcher to conduct both quantitative and qualitative analysis of student financial aid. The following report represents the culmination of a six-month review of need-based financial aid among students in the UA system.

The National Perspective: College Affordability in Alaska

The economic and political environment for college access issues continues to be dominated by the budget crisis facing most of the 50 states. State budget deficits lead to lower appropriations for colleges and universities, rising tuitions, and an increased reliance on student loans. According to a national research study on college costs conducted for the National Center for Education Statistics, state appropriations to public colleges and universities are the single most important factor in determining tuitions and fees charged to students (NCES, 2002). During the previous two decades, state appropriations grew far less rapidly than the cost of college,



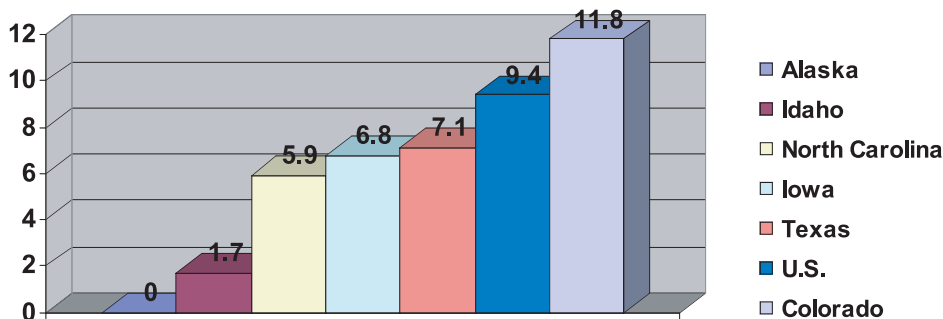
and the share of state appropriations that cover general and educational expenditures at colleges and universities declined by 25 percent (Price and Wohlford, 2005).

During the last few years, several national reports have indicated that colleges are increasingly less affordable for low- and middle-income students. According to the *Measuring Up 2004* report card, 17 states have declined on every indicator of college affordability since 2002, and only 2 states improved on more than half of the affordability indicators (National Center for Public Policy and Higher Education, 2004). Alaska fared poorly in this report card, receiving a failing grade (F), which represents a steady decline from a 'C' in 2000 and a 'D' in 2002. Three reasons explain Alaska's failing grade:

- The lack of a need-based grant financial aid program,
- The reliance on student loans to provide financial aid, and
- A 10 percent average annual tuition increase during the past two years.

According to a 2002 report from Lumina Foundation, *Unequal Opportunity: Disparities in College Access Among the 50 States*, the Anchorage and Fairbanks units of the University of Alaska system were affordable for low-income dependent students only after the use of federal Stafford loans; all three units of the University of Alaska system (Anchorage, Fairbanks and Southeast) were unaffordable for low- and median-income independent students (Kipp III, Price and Wohlford, 2002).

FIGURE 1
STATE GRANT AID AS A PERCENTAGE OF HIGHER EDUCATION OPERATING EXPENSES



Source: NASSGAP, 2004

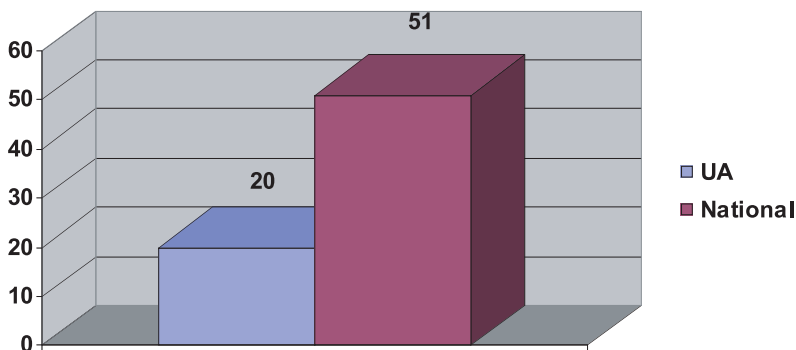
The annual survey from the National Association of State Student Grant and Aid Programs (NASSGAP, 2004) underscores the negligible investment in need-based grants by the state of Alaska: in 2002-03, Alaska was one of only two states without a need-based grant program (South Dakota). Put another way, Figure 1 illustrates that zero percent of Alaska's \$212 million state appropriation for higher education operating expenses were allocated to grant aid in 2002-03 compared to a national average of 9.4 percent (NASSGAP, 2004). The only need-based state aid program in Alaska provides student loans to help pay for college (\$56 million in 2002-03). Thus financially needy students in Alaska are forced to use loans to pay for higher



education. The lack of a state grant program of any type places Alaska in a distinct minority of states. Among all states, in 2002-03, 71 percent of state financial aid consisted of need-based grants, 22 percent consisted of non-need-based grants, and only 3 percent consisted of student loans (NASSGAP, 2004). In contrast, 100 percent of Alaska state financial aid was in the form of student loans.

According to a recent internal report from the University of Alaska Statewide Office of Institutional Research (June 2004), the \$661 average UA grant for degree-seeking undergraduates in 2002-03 is considerably lower than the national average of \$2,400. Grant aid for UA represents only 20 percent of the average tuition and fees for resident undergraduates while the national average grant aid for undergraduates represents 51 percent of average tuition.

FIGURE 2
GIFT AID AS PERCENTAGE OF TUITION, UA AND THE NATION



Source: University of Alaska Statewide Office of Institutional Research, 2004

The Alaska fact book from the Western Interstate Commission on Higher Education (WICHE, November 2002) illustrates that tuition and fees for Alaska's public two-year campuses increased significantly faster than tuition in WICHE states between 1992-93 and 2002-03, and remains much higher than both the national average and the WICHE state average.¹ Although Alaska's public four-year institutions have relatively low tuition and fees, the lack of need-based grant aid results in higher net prices for UA students. According to the University of Alaska Statewide Office of Institutional Research (2004), net tuition after grants was 43 percent higher than the national average in 2002-03 (see Figure 3).

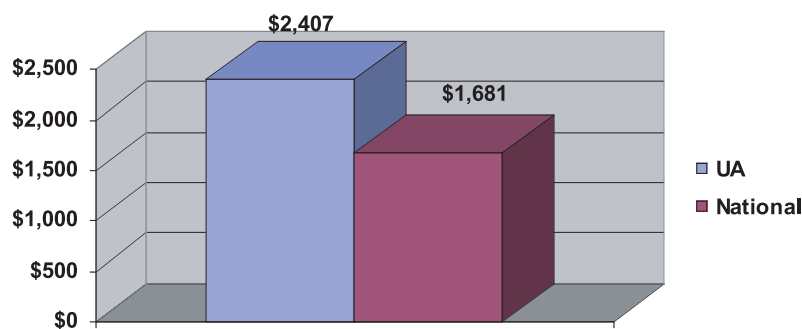
National reports have also raised awareness of the growing demand by working adults for postsecondary education opportunity, and the limited financial resources available for adult students (25 years and older) to help pay for college. For example, the American Council on Education (2004) estimates that 40 percent of the adult undergraduates or 2.5 million students

¹ WICHE state members include Alaska, Arizona, California, Colorado, Hawaii, Idaho, Montana, Nevada, New Mexico, North Dakota, Oregon, South Dakota, Utah, Washington, and Wyoming.



nationally, are from low-income families (e.g., annual income less than \$25,000). Another report, *Held Back: How Student Aid Programs Fail Working Adults* estimates that less than 8 percent of low-income working adults enrolled in college receive any federal, state or institutional aid (FutureWorks, 2002).

FIGURE 3
NET TUITION AFTER GRANT AID, UA AND THE NATION



Source: University of Alaska Statewide Office of Institutional Research, 2004

Research has repeatedly demonstrated that tuition levels affect college enrollment, and that low-income students, African-Americans and Hispanics are more price-responsive than are upper-middle-income students and white students (Heller 2001). In other words, higher tuitions are more likely to discourage low-income students and students of color from attending college, or divert these students to lower-priced community colleges. Research also indicates that grant aid is more effective than loans and work-study in terms of helping financially needy students enroll and succeed in college. For example, a recent Lumina Foundation for Education research report, *Expanding College Access: the Impact of State Finance Strategies*, concluded that state need-based grants have a stronger influence on college enrollments than do non-need-based grants (e.g. merit scholarships) or tuition levels (St. John et al. 2004).

The lack of need-based grant aid in Alaska coupled with rising tuitions and a reliance on student loans does not translate into affordable postsecondary education opportunity. The following report analyzes data on 33,000 students enrolled at UA campuses in Fall 2004, including demographic information, enrollment status, and financial aid information. This analysis was undertaken on behalf of the Statewide Office of Student and Enrollment Services to ascertain the extent to which financial need is (or is not) met for UA students.

Institutional Perspective: Financial Aid Investments at UA

Enrollment Profile

For the Fall 2004 term, UA enrolled 32,711 students; almost two-thirds of these students enrolled part-time while 38 percent enrolled full-time. Only 39 percent of students enrolled



were men and 61 percent were women. About 55 percent of students were adult students 25 years and older. Approximately 9 out of 10 students enrolled were from Alaska, 8 percent were from out-of-state and 2 percent were foreign nationals. This broad picture of Fall 2004 enrollment suggests that the typical UA student is an adult woman who resides in Alaska and enrolls part-time.

Table 1 provides data indicating the wide variation of campuses where students enroll. Approximately 14 percent of UA students are enrolled at more than one campus. Overall, the 32,711 total unduplicated student enrollment for Fall 2004 were distributed among the three MAUs as follows: 53 percent were mapped to Anchorage, while 35 percent were mapped to Fairbanks and 12 percent were mapped to Southeast (or Juneau).

TABLE 1
TOTAL FALL 2004 ENROLLMENT BY MAU AND CAMPUS²

MAU	CAMPUS	ENROLLMENT
UAA		19,428
	Anchorage	14,221
	Kachemak Bay	368
	Kenai	1,262
	Kodiak	625
	Mat-Su	1,478
	Military	317
	PWSCC	1,514
UAF		9,683
	Fairbanks	5,544
	Bristol Bay	444
	Chukchi	266
	Kushkokwim	439
	Interior/Aleutians	564
	Northwest	456
	Rural College	2,136
	Tanana Valley	3,176
UAS		4,308
	Juneau	2,910
	Ketchikan	710
	Sitka	934

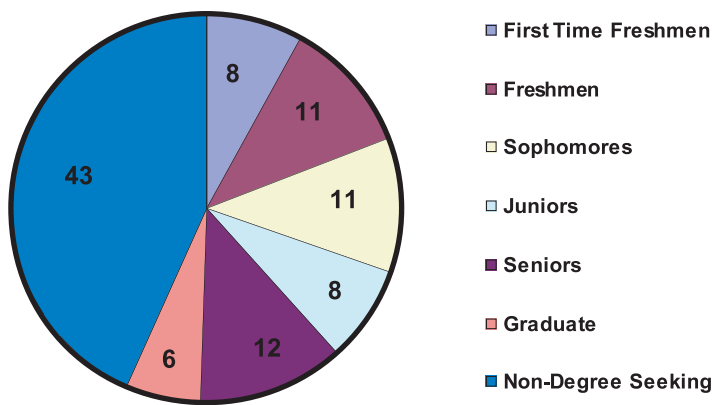
Source: University of Alaska Statewide Office of Planning and Budget Development

² Campus headcount totals add up to more than MAU totals and MAU headcounts add up to more than the system total of 32,711, because it is common for students to be concurrently enrolled at multiple campuses and/or in multiple MAUs during the same semester.



A little more than half of Fall 2004 enrollment consisted of undergraduate students; 43 percent of enrollment consisted of students classified as “other” (generally meaning non-degree seeking), and 6 percent of enrollment consisted of graduate students. Figure 4 illustrates the distribution of enrollment by class level.

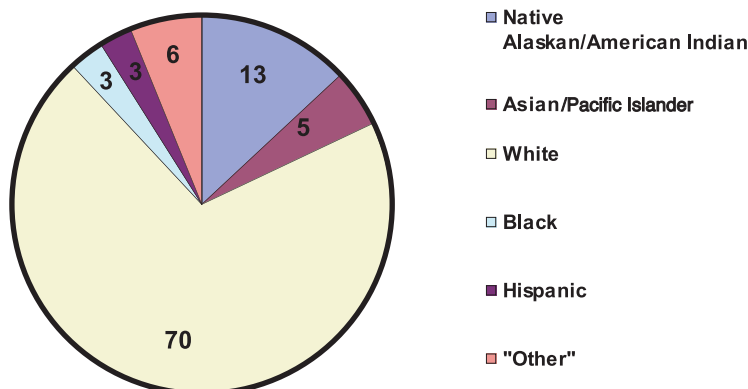
FIGURE 4
ENROLLMENT PERCENTAGES BY CLASS LEVEL, FALL 2004



N=32,711

Figure 5 illustrates the race and ethnic distribution of Fall 2004 enrollment. Although 70 percent of total enrollment consisted of students identified as white, UA nonetheless has a diverse student population: 13 percent are Native Alaskan or American Indian, 5 percent are Asian/Pacific Islanders, and 3 percent each are black or Hispanic.

FIGURE 5
ENROLLMENT PERCENTAGES BY RACE AND ETHNICITY, FALL 2004

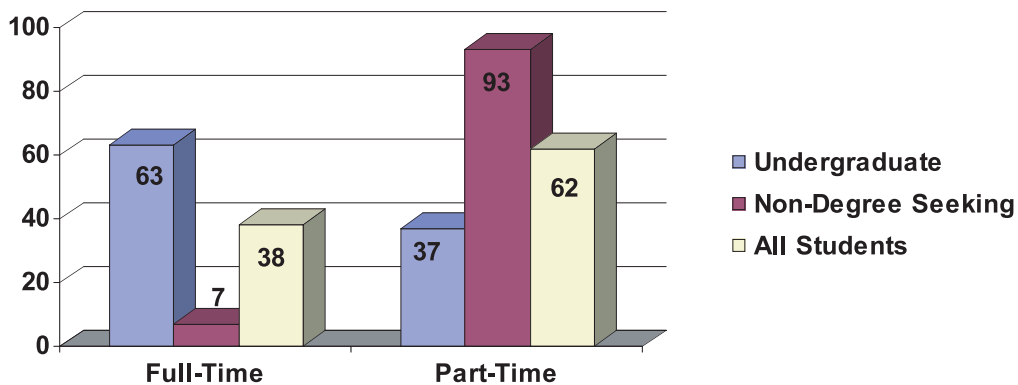


N = 32,711



An important distinction of enrollment status is that students classified as “other” enroll overwhelmingly part-time, while undergraduate students are primarily enrolled full-time (see Figure 6). In fact, 93 percent of students categorized as “other” in Fall 2004 attended part-time. Many students enrolled as non-degree seeking may be pursuing certificates of competence to improve their skills for the workforce and are not classified as degree-seeking. In contrast, two-thirds of undergraduates are enrolled full-time toward an associate’s or bachelor’s degree.

FIGURE 6
FULL-TIME AND PART-TIME ENROLLMENT PERCENTAGES BY UNDERGRADUATE
AND NON-DEGREE SEEKING STATUS, FALL 2004



Two groups were analyzed for this report: students enrolled as undergraduates and students enrolled as “other” (i.e., non-degree seeking). These two groups did not vary in terms of race and ethnicity or gender. That is to say, the percentage distribution of enrollment illustrated in Figure 2 and described above are basically identical among these two groups.

Financial Aid for UA Students

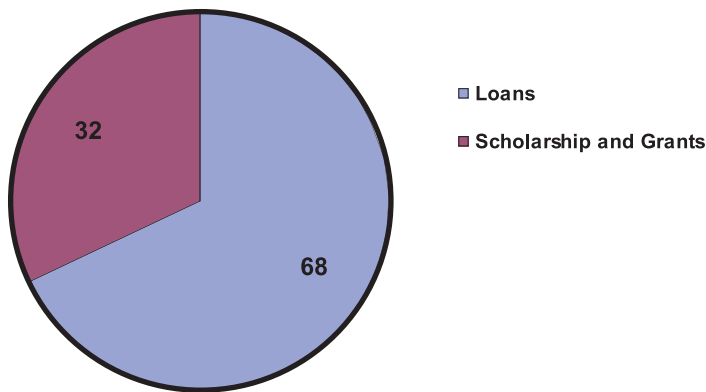
For Fall 2004, UA students received more than \$34 million in total financial aid, including federal student loans, Alaska loans, private loans, Pell Grants, Supplemental Education Opportunity Grants, other scholarships, UA scholarships, tuition waivers, UA Tuition Assistance Grants, and employee tuition waivers.

As Figure 7 illustrates, 68 percent of this financial aid was in the form of loans: UA students received about \$11 million in grant and scholarship gift aid, and borrowed more than \$23 million. Of the \$11 million in gift aid, 45 percent originated from the federal Pell Grant and Supplemental Education Opportunity Grant. These grants are need-based. Another 17 percent of gift aid came from other scholarships and grants; the data file does not indicate if these outside scholarships and grants were need-based or non-need-based.³

³Many of the scholarships indicate that they are either need preferred or there is a need component to the selection. However, decisions have traditionally been made on student statements of need in essays rather than FAFSA EFC data.

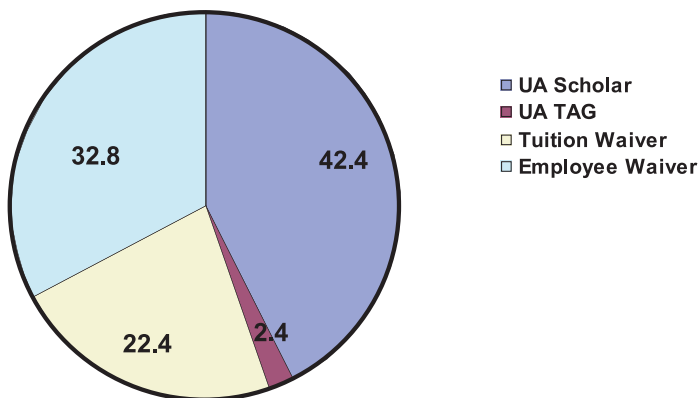


FIGURE 7
PERCENTAGE OF GIFT AND LOAN FINANCIAL AID, FALL 2004



TOTAL = \$34,166,987

FIGURE 8
PERCENTAGE OF UA GIFT AID BY SOURCE, FALL 2004



TOTAL = \$4,111,959

The remaining 38 percent of gift aid came from UA in the form of employee waivers, tuition assistance grants, UA scholars, and tuition waivers. Figure 8 illustrates the source of UA student gift aid for Fall 2004. Overall, UA provided more than \$4 million in gift aid to students, but less than 3 percent was unambiguously need-based. Rather, the bulk of UA gift aid was awarded to UA scholars (~\$1.74 million), and through tuition waivers (~\$920,000) and employee waivers (~\$1.35 million). In contrast, less than \$100,000 was awarded through the need-based UA tuition assistance grant.



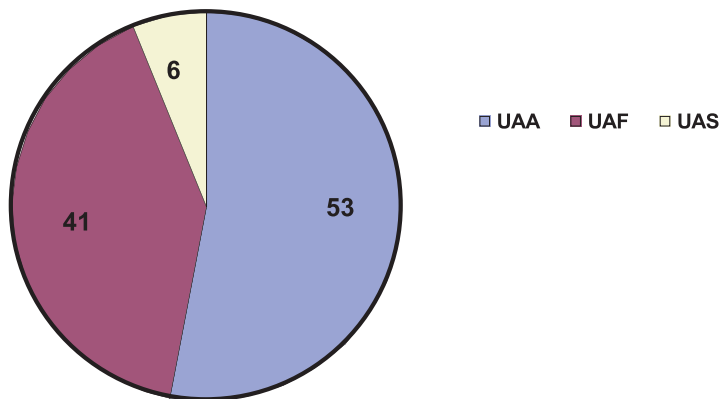
TABLE 2
PERCENTAGE DISTRIBUTION OF UA GIFT AID AMOUNT BY
TYPE OF AID AND MAU, FALL 2004

	<u>UAA</u>	<u>UAF</u>	<u>UAS</u>
Employee Waiver	41%	51%	8%
Tuition Assistance Grant	80%	-	20%
Tuition Waiver	55%	40%	5%
UA Scholar	59%	36%	5%

TOTAL = \$4,111,959

Table 2 shows the percentage distribution of UA gift aid by MAU. With the exception of employee waivers, the majority of UA gift aid is awarded to students enrolled in the Anchorage MAU. Figure 9 illustrates the percentage of UA gift aid awarded to students by MAU. For Fall 2004, 53 percent of UA gift aid was awarded to students enrolled in the Anchorage MAU, 41 percent was awarded to students enrolled in the Fairbanks MAU, and 6 percent was awarded to students in the Southeast MAU.

FIGURE 9
PERCENTAGE OF UA GIFT AID AMOUNT BY MAU, FALL 2004



TOTAL = \$4,111,959

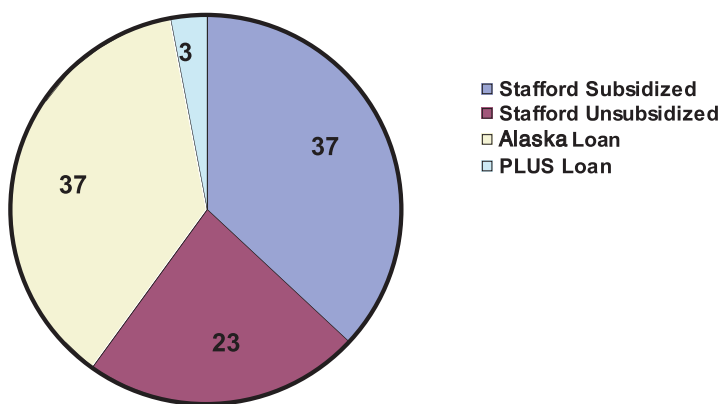


Based on Fall 2004 enrollment and financial aid data, students who receive financial aid at UA are primarily using the Alaska loan program and federal Stafford Loan programs (both subsidized and unsubsidized) to borrow for college. As mentioned earlier, students borrowed more than \$23 million for Fall 2004. Figure 10 illustrates the distribution of student loans by source. Students borrowed approximately \$8.6 million from the federal Stafford subsidized loan program and approximately \$8.6 million from the Alaska loan program. Students also borrowed about \$5.25 million in unsubsidized Stafford loans.

Through the Alaska loan program, the state of Alaska contributed about 25 percent of the total financial aid awarded for 2004-05. The federal government contributed 55 percent of total financial aid, including need-based grants and loans as well as the non-need-based unsubsidized Stafford Loan. About 8 percent of financial aid was contributed by external sources in the form of scholarships, grants and loans.

UA contributed about 12 percent of the total financial aid awarded (both loans and gift aid) to students for Fall 2004. In terms of need-based grants, UA awarded less than \$100,000 for Fall 2004 – a negligible amount of the more than \$4 million in total gift aid awarded by UA. In short, based on the dollar value of loan and gift financial aid for Fall 2004, it does not appear that need-based grant aid is a current institutional priority for the UA system, nor is it a statewide policy priority.⁴

FIGURE 10
PERCENTAGE OF TOTAL STUDENT LOANS BY SOURCE, FALL 2004



TOTAL = \$23,234,112

⁴ Although the University did not intentionally award institutional financial aid based on need, a report from UAF indicated that 41 percent of institutional financial aid recipients who completed the FAFSA did have financial need; however, the number of students was not provided and these data were not verified by the author of this report.

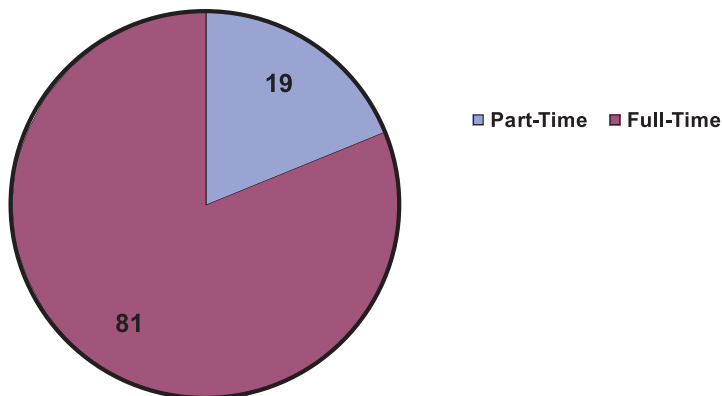


Student Perspective: Financing College with Grants and Loans

Students are more concerned with the type of aid they receive individually and how this aid helps them pay for college, than with aggregate amounts and sources of aid available. This section examines the types of financial aid students receive to enroll in the UA system.⁵

Figure 11 illustrates the percentage of financial aid students received based on full-time or part-time status. For Fall 2004, 81 percent of financial aid awarded went to full-time students. Of this aid, approximately \$18.6 million was borrowed and \$9.2 million was scholarship and grant gift aid. In contrast, less than 20 percent of financial aid was awarded to part-time students. Of this aid, about \$4.6 million was borrowed and \$1.7 million was scholarship and grant gift aid. As expected, the significant majority of financial aid consisted of student loans for both full-time and part-time students enrolled in the UA system.

FIGURE 11
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED BY
ENROLLMENT STATUS, FALL 2004



TOTAL = \$34,165,542

As Figure 12 shows, financial aid was awarded primarily to undergraduates. About 87 percent (\$30 million) of total financial aid awarded for Fall 2004, was awarded to undergraduates; that is, freshmen (including first-time), sophomores, juniors and seniors. Graduate students received about \$3.9 million in total financial aid. Students classified as “other,” who make up

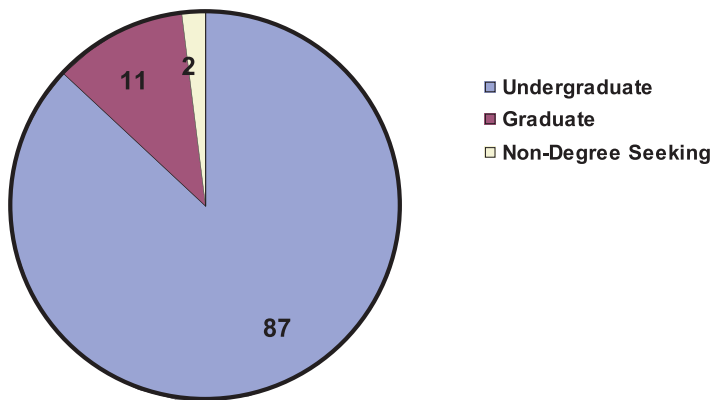
⁵ For this section, we excluded students who had negative values for tuition and fees in the UA database. This step reduced the sample size to 32,678, and reduced the total amount of financial aid used to calculate percentages and ratios by \$1,445.



43 percent of total UA enrollment, received less than 2 percent of the total financial aid awarded totaling a little more than half a million dollars. Importantly, students classified as “other” may not be eligible for federal financial aid.

Given this stark contrast of financial aid awarded between undergraduates and non-degree seeking students, data for these two groups were analyzed independently.

FIGURE 12
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED BY CLASS LEVEL, FALL 2004



TOTAL = \$34,165,542

Financial Aid for Undergraduates

More than 16,500 students were enrolled Fall 2004 as undergraduates in the UA system; 63 percent were enrolled full-time and 37 percent were enrolled part-time. A significant majority (61%) of these students were between 17 and 24 years of age; the remaining 39 percent were adult students 25 years and older. Consistent with overall enrollment demographics, 62 percent of undergraduates were women. Table 3 provides the distribution of total undergraduate enrollment according to selected demographic characteristics.

A big-picture view of financial aid reveals that slightly more than half (51%) of all undergraduates received financial aid for Fall 2004. This figure is much lower than the national average of 62 percent for public four-year colleges and universities (NCES, 2001). About 67 percent of the total aid received by the 8,500 aid recipients was from federal Stafford, Alaska and private loans. Federal grant aid made up another 16 percent of total aid received and external scholarships and grant aid made up 6 percent of total aid received. UA institutional aid (e.g., waivers, UA scholars and tuition assistance grants) represented 11 percent of total aid received by undergraduates. Other than federal grants and work-study, less than \$100,000 in need-based grant aid (UA TAG) was awarded to undergraduates.

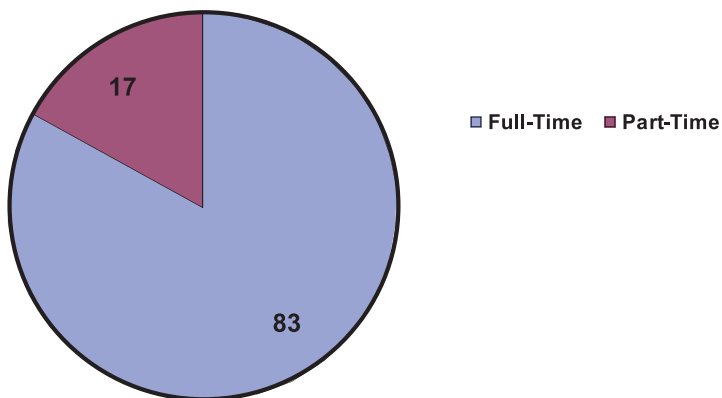


TABLE 3
ENROLLMENT CHARACTERISTICS OF UA UNDERGRADUATES, FALL 2004

GENDER	
Men	38%
Women	62%
RACE AND ETHNICITY	
Native Alaskan/American Indian	13%
Asian/Pacific Islander	5%
Black	4%
Hispanic	4%
White	69%
Unknown/Other	5%
AGE	
17-24	61%
25 +	39%
ENROLLMENT STATUS	
Full-Time	64%
Part-Time	36%
MAU	
Anchorage	62%
Fairbanks	30%
Southeast (Juneau)	8%

N = 16,572

FIGURE 13
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED TO UNDERGRADUATES BY ENROLLMENT STATUS, FALL 2004



TOTAL = \$29,907,793



The majority of financial aid awarded to UA undergraduates went to full-time students. Figure 13 shows they received 83 percent of total financial aid awarded, or about \$25 million, while part-time undergraduates received slightly more than \$5 million. Table 4 shows the percentage of total financial aid awarded to full-time and part-time students by type of aid. For all types of aid, full-time undergraduates receive significantly more dollars than do part-time undergraduates.

TABLE 4
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED TO UNDERGRADUATES BY ENROLLMENT STATUS AND TYPE OF AID, FALL 2004

TYPE OF FINANCIAL AID	PART-TIME	FULL-TIME	AMOUNT
UA Employee Waiver	25%	75%	\$782,162
UA Tuition Assistance Grant	19%	81%	\$99,357
UA Tuition Waiver	3%	97%	\$680,506
UA Scholarship	1%	99%	\$1,742,125
Other Scholarships	5%	95%	\$1,681,532
Other Grants	19%	81%	\$28,221
Pell Grant	17%	83%	\$4,424,338
SEOG	25%	75%	\$296,795
College Work-Study	19%	81%	\$112,428
Stafford Subsidized Loan	22%	78%	\$7,076,577
Stafford Unsubsidized Loan	27%	73%	\$4,507,842
Alaska Loan	13%	87%	\$7,765,421
PLUS Loan	9%	91%	\$645,961
Private Loan	—	100%	\$64,532

N = 8,468

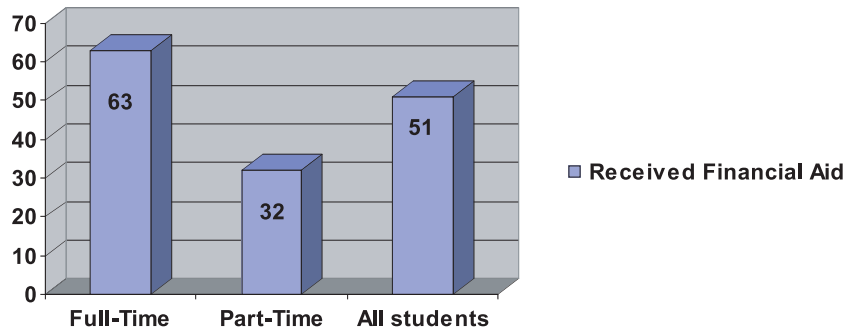
TOTAL = \$29,907,793

Because part-time students attempt fewer credits and thus pay lower prices overall, it is expected that the amount of financial aid would flow disproportionately to full-time students. Figure 14 provides an alternative view of financial aid awards by enrollment status; it is statistically significant that full-time students at UA are more likely to receive financial aid. Overall, 51 percent of undergraduates received financial aid; however, 63 percent of full-time students received some form of financial aid compared with only 32 percent of part-time students.

Another way to examine the distribution of financial aid is to compare the loan and grant percentages of total aid awarded for both full-time and part-time students. For full-time students, loans represented 65 percent of total financial aid awarded while scholarship and grant gift aid represented 35 percent of total financial aid awarded. Financial aid for part-time students was more heavily weighted toward loans: 77 percent of all financial aid awarded to part-time undergraduates was in the form of loans while only 23 percent of aid for part-time undergraduates was in the form of gift aid. Figure 15 illustrates this imbalance between loan and gift aid by enrollment status.

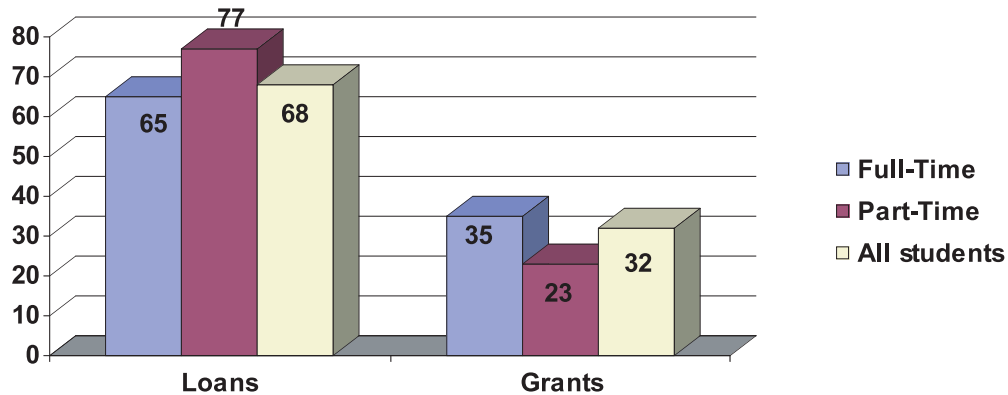


FIGURE 14
PERCENTAGE OF UNDERGRADUATES RECEIVING ANY FINANCIAL AID BY ENROLLMENT STATUS, FALL 2004



N = 16,572

FIGURE 15
PERCENTAGE OF LOAN AND GRANT FINANCIAL AID AMOUNT AWARDED BY ENROLLMENT STATUS, FALL 2004



Part-time undergraduates are less likely to receive financial aid, and if they are awarded financial aid, it is more likely to be in the form of student loans. At the same time, other than federal need-based grants, both full-time and part-time undergraduates receive very little need-based grant aid from the UA system or other scholarship and grant sources.

Figure 16 illustrates the breakdown of total financial aid according to the class level of undergraduates. Freshmen undergraduates received one-third of all financial aid in Fall 2004 and seniors received about 27 percent. The remaining 40 percent was shared between sophomores (21.2%) and juniors (18.9%).



FIGURE 16
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT AWARDED BY
CLASS LEVEL FOR UNDERGRADUATES, FALL 2004

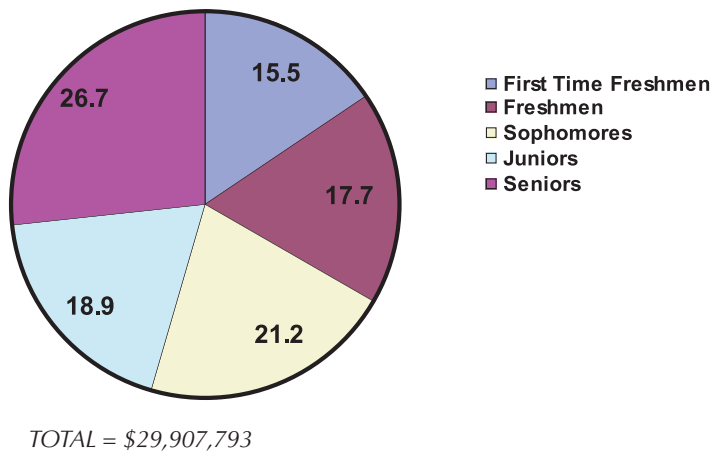


TABLE 5
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT BY AID TYPE AND
CLASS LEVEL FOR UNDERGRADUATES, FALL 2004

Class Level	Federal Need-Based Grants	Private Scholarships and Grants	UA Gift Aid (including waivers)	Loans (federal and Alaska)
First-Time Freshmen	15.7%	6.3%	19.2%	53.6%
Freshmen	21.4%	4.3%	8.2%	64.9%
Sophomores	15.6%	5.5%	11.6%	65.5%
Juniors	13.8%	5.8%	10.6%	69.3%
Seniors	13.9%	6.0%	7.3%	71.2%

Table 5 suggests that the proportion of financial aid UA students receive through student loans increases as they flow through the undergraduate years.⁶ By the senior year, more than 71 percent of financial aid received by UA students is through student loans. Put another way, almost 1 of every 3 dollars in financial aid received by freshmen (including first-time freshmen) at UA are from federal grants and UA gift aid; the share of federal need-based grant aid declines to 14 percent in the final two years of college while the share of UA gift aid declines to 10 percent of all financial aid in the junior year and to 7 percent in the senior year. Part of this decline may be the result of higher borrowing limits in the federal Stafford loan program in the final two years of college.

⁶A longitudinal analysis would allow more precise conclusions about the trend in loan reliance for UA students.



Given the differences in financial aid awarded by enrollment statuses, the distribution of loan and gift aid for part-time undergraduates only was also examined. Only 22 percent of the undergraduate students who received any financial aid were part-time and they were more likely than full-time students to get loans. Table 6 indicates that loans represented an even higher proportion of total financial aid received by part-time undergraduates compared with all undergraduates. For example, federal and Alaska loans represent between 67 percent and 80 percent of all financial aid awarded for part-time undergraduates. In fact, these data indicate that part-time undergraduate students (except seniors) receive a slightly higher proportion of federal grant aid compared with all undergraduates, but they receive a negligible amount of gift aid (both grants and scholarships) from private sources and from UA. One reason is that, by awarding a tuition waiver for an undergraduate with financial need, the total price for college is reduced; therefore, a student's financial aid eligibility could fall below the amount of a federal Pell Grant for which they would have otherwise qualified. Put simply, the awarding of gift aid through tuition waivers may inadvertently replace federal need-based aid for which a student is eligible.

TABLE 6
PERCENTAGE OF TOTAL FINANCIAL AID AMOUNT BY AID TYPE AND
CLASS LEVEL FOR PART-TIME UNDERGRADUATES, FALL 2004

	Federal Need-Based Grants	Private Scholarships and Grants	UA Gift Aid (including waivers)	Loans (federal and Alaska)
Class Level				
First-Time Freshmen	25.9%	.5%	5.6%	66.7%
Freshmen	22.4%	1%	3.6%	72.8%
Sophomores	17.5%	1.6%	3.6%	77.0%
Juniors	13.1%	2.2%	4.7%	80.0%
Seniors	10.8%	2.3%	.7%	78.9%

The financial aid data for undergraduates show that UA students pay for college primarily through borrowing, which is especially true for part-time undergraduates. At any point along the undergraduate pipeline for part-time undergraduates, it appears that loans represent between 70 and 80 percent of all financial aid received. The percentage of total financial aid from loans for full-time students is still quite high, ranging from 65 to 71 percent. The only variation from this pattern is for first-time, full-time freshmen: about 54 percent of the total financial aid amount awarded to this group is in the form of loans.

One reason part-time undergraduates are borrowing a relatively larger share of their total financial aid is the scarcity of gift aid they receive from private and UA sources. For example, total UA gift aid (including UA scholars, tuition assistance grant, and employee and regular tuition waivers) for part-time undergraduates in Fall 2004 totaled slightly more than \$250,000 – a negligible amount of the more than \$5 million in total aid awarded to

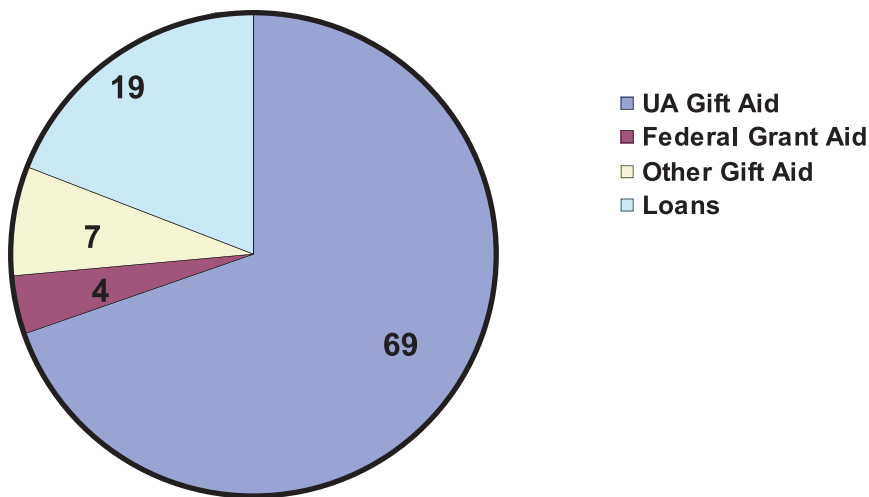


part-time undergraduates in the UA system. The amount of private scholarships and grants was also minimal for part-time undergraduates: less than \$90,000. Thus, part-time undergraduates at UA rely on federal loans and grants and the Alaska student loan to pay for college.

Financial Aid for Non-Degree Seeking UA Students

In Fall 2004, 13,937 UA students were classified as “other” in the UA database - 93 percent of students were part-time (see figure 4); many of these students may be pursuing certificates of competence related to employment opportunities. About 7 percent of these students received financial aid, which totaled \$566,000 for Fall 2004. This amount represented less than 2 percent of all the financial aid awarded to UA students. Figure 17 illustrates that more than two-thirds of financial aid for non-degree seeking students comes from UA institutional aid, particularly the employee waiver. In fact, \$380,000 of the \$391,000 in UA gift aid awarded in Fall 2004 was through the employee waiver. It is clear that loans and the UA employee waiver are virtually the only sources of financial aid to help students who are not classified as degree-seeking and enroll part-time pay for college.⁷

FIGURE 17
PERCENTAGE OF TOTAL FINANCIAL AID AWARDED BY TYPE OF AID FOR
NON-DEGREE SEEKING UA STUDENTS, FALL 2004



TOTAL = \$566,297

⁷ Non-degree seeking students may receive National Guard tuition waivers or other employer aid, but these awards are not reported within the UA database.



*UA students with Financial Aid: Demographic and Enrollment Characteristics*⁸

For Fall 2004, 31 percent of the almost 31,000 non-degree seeking and undergraduate students enrolled received some form of financial aid. The vast majority of these students were enrolled as undergraduates. This section of the report analyzes the impact of financial aid on students who received different types of financial aid.

Table 7 provides data on the percentage of financial aid recipients who received different types of financial aid. Consistent with the large volume of borrowing by UA students, it is not surprising that almost 42 percent of students who received any financial aid borrowed a subsidized federal Stafford loan. Of the almost 9,500 students who received any financial aid for Fall 2004, 23 percent borrowed an unsubsidized federal Stafford loan (these loans are not need-based), and 23 percent borrowed an Alaska loan. More than one-third of financial aid recipients received a federal Pell Grant and almost 14 percent received a federal Supplemental Education Opportunity Grant.

TABLE 7
PERCENTAGE OF NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS RECEIVING DIFFERENT TYPES OF FINANCIAL AID AMONG THOSE RECEIVING SOME FORM OF AID, FALL 2004

TYPE OF FINANCIAL AID	PERCENTAGE RECEIVING THIS TYPE OF FINANCIAL AID
UA Employee Waiver	17.5
UA Tuition Assistance Grant	5.5
UA Tuition Waiver	4.1
UA Scholar	13.4
Pell Grant	33.8
Supplemental Education Opportunity Grant	13.6
College Work Study	1.1
Subsidized Stafford Loan	40.7
Unsubsidized Stafford Loan	23.2
PLUS Loan	1.6
Alaska Loan	22.9
Private Loan	0.2
Other Scholarship	12.9
Other Grant	3.4

N = 9,466

In terms of UA institutional financial aid, the employee waiver was used by almost 18 percent of financial aid recipients. About 13 percent of financial aid recipients were UA scholars, 4 percent of students received a tuition waiver, and 5 percent received the tuition assistance

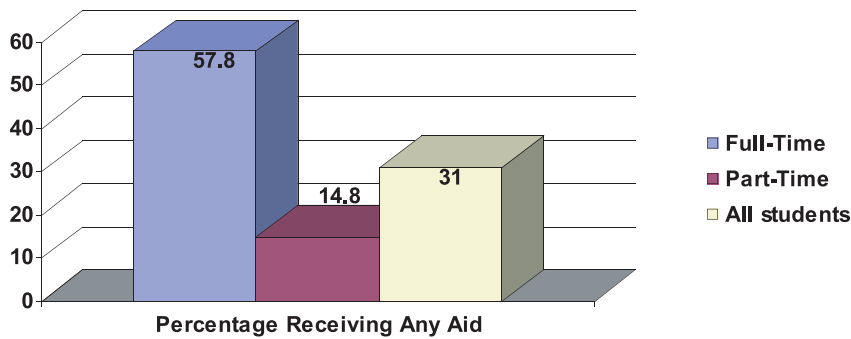
⁸ We did not analyze financial aid among graduate students for this section.



grant. Of these forms of institutional aid, only the tuition assistance grant is targeted to financially needy students; and less than 1 percent of UA students who received financial aid received this award that ranged between \$200 and \$400.

Figure 18 illustrates the statistically significant difference between students who received any financial aid for Fall 2004 and enrollment status. About 31 percent of all UA students received some form of financial aid, but 58 percent of full-time students and only 15 percent of part-time students received any financial aid. Thus enrollment status has an impact on whether students receive financial aid.

FIGURE 18
PERCENTAGE OF NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS RECEIVING ANY FINANCIAL AID BY ENROLLMENT STATUS, FALL 2004*



* $p < .001$

$N = 30,509$

TABLE 8
PERCENTAGE OF NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS RECEIVING SOME FORM OF FINANCIAL AID BY GENDER, RACE, ETHNICITY AND AGE, FALL 2004*

DEMOGRAPHIC CHARACTERISTIC	% RECEIVING ANY AID
Men	29.1
Women	32.2
Native Alaskan/American Indian	29.3
Asian/Pacific Islander	34.5
Black	44.7
Hispanic	34.9
White	30.9
25 years of Age and Older	24.6
Between 17 and 24 years of Age	40.4
All Students	31.3

* $p < .001$

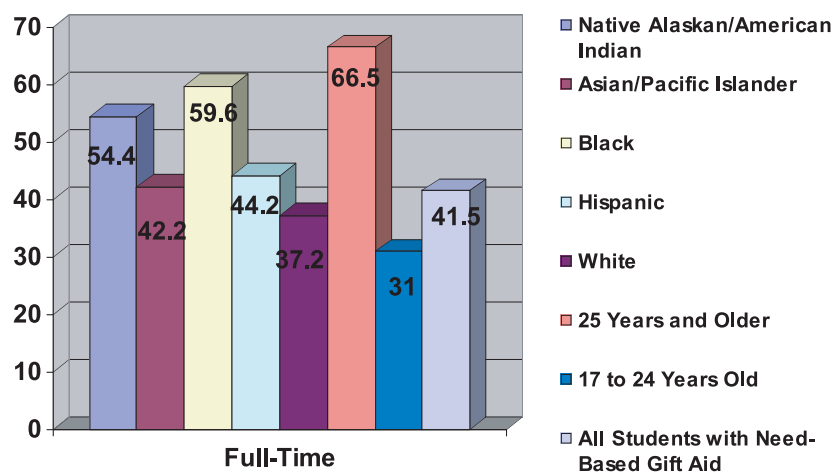
$N = 30,509$



Table 8 shows that women were slightly more likely than men to receive some form of financial aid. Blacks, Hispanics, and Asian/Pacific Islanders were also more likely to receive some form of financial aid; however, Native Alaskans/American Indians were slightly less likely to receive some form of financial aid for Fall 2004. These data also indicate that less than 26 percent of students 25 years and older, compared with 40 percent of students between 17 and 24 years of age, received some form of financial aid. These comparisons are statistically significant, which means that a relationship exists between students' racial, ethnic, gender and age characteristics, and the receipt of financial aid.

A similar relationship exists between race, ethnicity, age and the receipt of need-based grant aid. As Figures 19 and 20 show, among both full-time and part-time UA students who received any financial aid for Fall 2004, Native Alaskans and American Indians, Blacks and Hispanics were more likely than Whites to receive need-based gift aid, and women were slightly more likely than men to receive need-based gift aid. However, for adult students 25 years of age and older, their enrollment status matters; on the one hand, adult students 25 years of age and older enrolled full-time were more likely than traditional-age students between 17 and 24 to receive need-based gift aid from the federal government or from the University of Alaska. This pattern is opposite for part-time adult students 25 years of age and older, who were less likely than traditional-age students between 17 and 24 to receive need-based gift aid.

FIGURE 19
 AMONG FULL-TIME UA STUDENTS WHO RECEIVED ANY FINANCIAL AID, THE PERCENTAGE WHO RECEIVED NEED-BASED GRANT AID BY RACE, ETHNICITY AND AGE, FALL 2004*

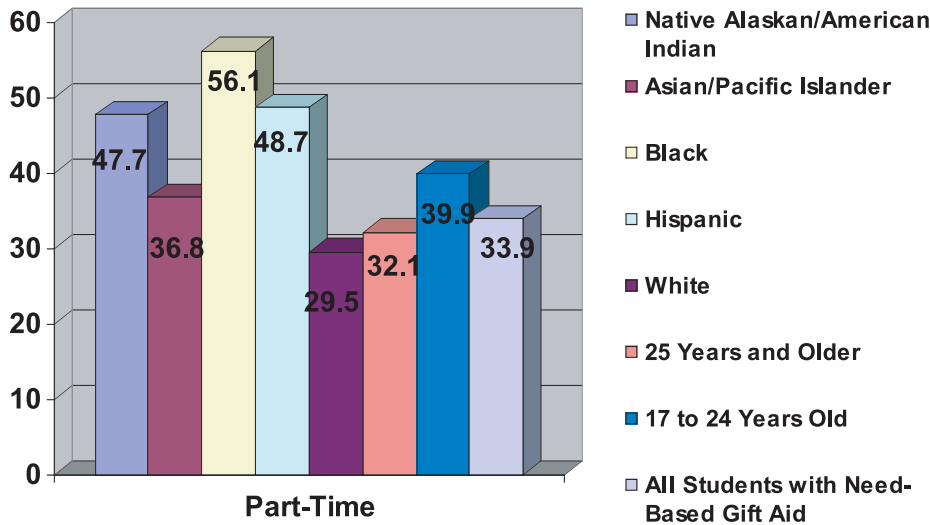


* $p < .001$

$N = 6,646$



FIGURE 20
 AMONG PART-TIME UA STUDENTS WHO RECEIVED ANY FINANCIAL AID, THE PERCENTAGE WHO RECEIVED NEED-BASED GRANT AID BY RACE, ETHNICITY AND AGE, FALL 2004*



* $p < .001$

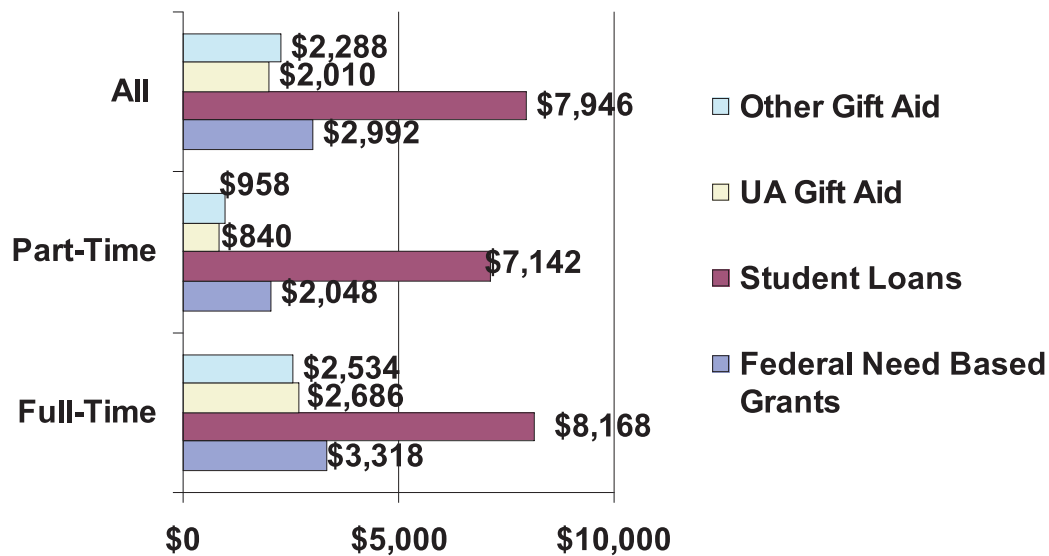
$N = 2,820$

Figure 21 provides the average total amount of each type of financial aid for full-time and part-time students. As expected, full-time students received larger awards across all types of financial aid. Among students who received federal-need-based grants, award amounts for full-time students were 62 percent higher than for part-time students. Among students who received scholarships and grants from private sources, award amounts for full-time students were more than twice as large as the amounts for part-time students. And for students who received UA gift aid, award amounts were more than three times higher for full-time students than for part-time students.

In contrast to the large differences in average gift aid awards between full-time and part-time students, average loan amounts for full-time students were only 14 percent higher than for part-time students (about \$1,000). These data indicate that students borrow relatively similar amounts to pay for college regardless of enrollment status; however, full-time students receive much higher gift aid awards from federal, private, and UA sources than do part-time students.



FIGURE 21
ANNUAL AVERAGE FINANCIAL AID DOLLARS AWARDED AMONG NON-DEGREE SEEKING AND UNDERGRADUATE UA STUDENTS WHO RECEIVED EACH TYPE OF FINANCIAL AID BY ENROLLMENT STATUS, 2004-05⁹



Because this study is focused on need-based financial aid, the following two charts illustrate the average total amount of each type of financial aid for full-time and part-time financially needy students. A student is defined as financially needy if they received at least one of the following three types of aid: (1) Pell Grant, (2) Subsidized Stafford Loan, or (3) UA tuition assistance grant.

Figure 22 shows that, among full-time students who received the federal Pell Grant, total average annual financial aid awards were about \$9,300. In comparison, among students who received the UA tuition assistance grant, total annual financial aid awards averaged about \$7,000, primarily because this grant was targeted to students whose financial need was just beyond the federal threshold for Pell Grant eligibility. TAG recipients also borrowed more, on average, than did Pell Grant recipients (\$6,184 vs. \$5,316). Students who borrowed a subsidized Stafford loan received the highest average annual financial aid awards overall (\$10,368); however, 79 percent of this aid consisted of federal, state and private loans.

⁹ These data are an estimate that assumes students will receive the same average awards for Spring 2005 as they did for Fall 2004.



FIGURE 22
 AVERAGE ANNUAL FINANCIAL AID AMOUNT RECEIVED FOR FULL-TIME NON-DEGREE SEEKING AND UNDERGRADUATE STUDENTS, 2004-05¹⁰

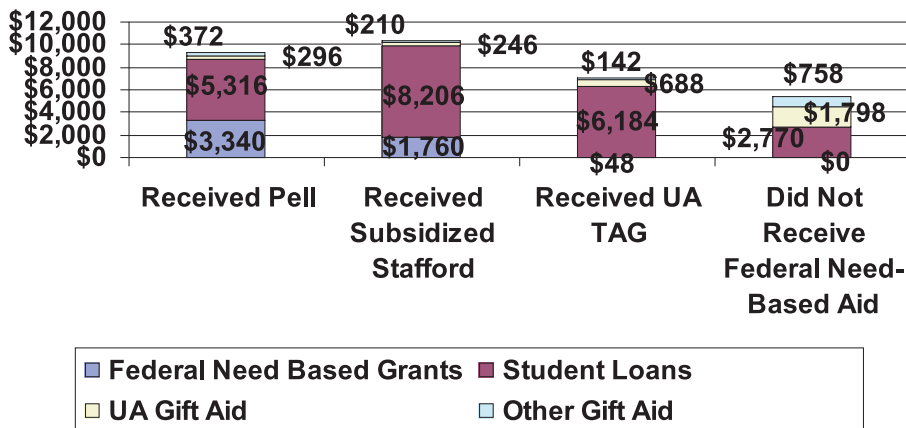


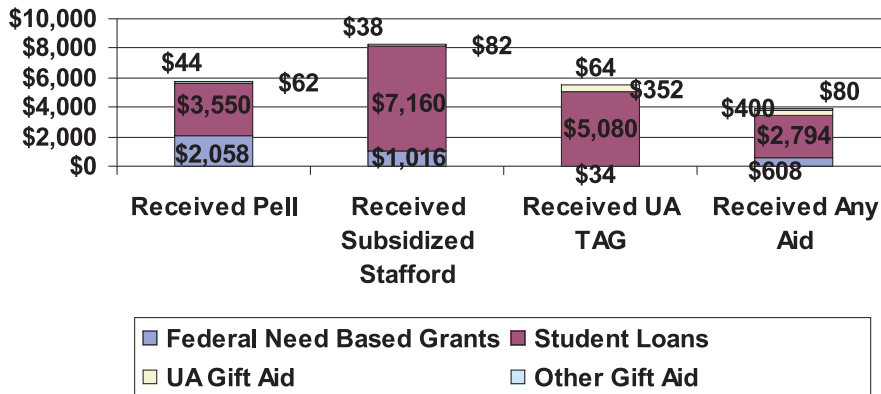
Figure 22 also indicates that Pell Grant recipients received annual average financial aid awards much greater than the average for students who received any financial aid. Pell Grant recipients' financial aid packages were 75 percent higher than the average for students who did not receive federal need-based financial aid (\$9,324 vs. \$5,326). The average loan amount for Pell Grant recipients was also higher; however, Pell Grant recipients received less than \$300 in UA institutional aid of any type (waivers, UA scholarships or tuition assistance grants) compared with almost \$1,800 among students who did not receive federal need-based aid. These data suggest that UA institutional aid is not targeted to the neediest students, who qualify for larger Pell Grants, but rather to students with more modest financial need or none at all.

Figure 23 shows average annual financial aid awards for part-time students who received need-based financial aid. Part-time students who received a federal Pell Grant received an average annual award of \$2,058. These students also borrowed more than part-time students who received any financial aid (\$3,550 vs. \$2,794). Among part-time students who received any financial aid, the average annual financial aid package was about \$3,900 – 72 percent of this aid was in the form of federal, state and private loans. Pell Grant recipients received average annual financial aid packages of \$5,714. This amount is 43 percent higher than the average for part-time students who received any financial aid; moreover, part-time students who were eligible for the Pell Grant received average gift aid of more than \$2,100 which is twice as much as the average gift aid received by part-time students overall. Given the limited amount of institutional and private financial aid awarded to part-time students, applying for federal financial aid appears to be a good strategy to receive more financial aid overall, and to receive a need-based federal grant.

¹⁰ These data are estimates that assume students will receive the same average awards for Spring 2005 as they did for Fall 2004.



FIGURE 23
 AVERAGE FINANCIAL AID AMOUNT RECEIVED FOR PART-TIME NON-DEGREE SEEKING AND UNDERGRADUATE STUDENTS, 2004-05¹¹



Analysis of these data from UA leads to the following conclusions. First, very little need-based financial aid is awarded to part-time students with the exception of the federal Pell Grant and Supplemental Education Opportunity Grant. This is especially true for part-time students categorized as “other” in the UA database who are unlikely to be eligible for federal need-based financial aid. Second, full-time undergraduate students receive much higher amounts of loans relative to grants as they progress through their undergraduate years. Third, UA institutional aid is not typically targeted to financially needy students and generally is awarded to full-time undergraduates. The one exception is the employee waiver that many students receive to enroll part-time. Fourth, student financial aid for UA students is primarily in the form of student loans; the pattern of loan reliance holds for full-time and part-time students, whether categorized as undergraduates or non-degree seeking in the UA database.

The following section summarizes the perspective of UA stakeholders who were interviewed before the quantitative analysis was completed.

Stakeholder Interviews

Group and individual stakeholder interviews were conducted in November and December of 2004, and in January 2005. Among all persons interviewed, including faculty, students, financial aid professionals, staff, and administrators as well as financial aid professionals at peer-institutions and other UA stakeholders, the consensus perspective on need-based aid was:

¹¹ These data are estimates that assume students will receive the same average awards for Spring 2005 as they did for Fall 2004.



- (1) *A need-based aid program should expand opportunity for students with financial need to attend college, and*
- (2) *A need-based aid program should be consistent with the open admissions mission of the UA system.*

Although a few stakeholders emphasized targeting specific career pathways or including a merit component, these deviations from the general consensus were rare. Issues and comments raised by specific groups of stakeholders are addressed below.

Faculty [N =6]

Faculty interviews were conducted via the web-based meeting center, Genesys. Despite repeated attempts by the University of Alaska Statewide Office of Student and Enrollment Services, faculty at UAA was unable to schedule interviews. Most of the comments from faculty were from the UAF, but a faculty member from Juneau was also interviewed.

Faculty emphasized access to college and students' ability to pay. They specified Alaskan natives, first-generation students and rural students as groups with high financial need. All faculty interviewed perceive student financial aid as inadequate; one faculty mentioned Native Corporation resources and the federal Pell Grant specifically in her comment that these sources of financial aid were insufficient at UA. Faculty also expressed concern over loan reliance because of a perception of financial hardship that accompanies high amounts of borrowing.

Faculty also discussed the importance of graduate student eligibility for need-based aid, especially to keep Alaskans in state for graduate education and in high priority areas like teaching. In this context, a merit-component was suggested as a filter for the distribution of need-based aid, especially given the limited resources at UA for a new financial aid program.

Lastly, faculty did not identify areas where UA could reallocate resources for need-based aid; instead they recommended the state invest resources in financial aid.

Students [N=5]

Initial student interviews were conducted in December via the web-meeting software, Genesys; because of the end of the semester and limited participation in the initial meeting, a second student group interview was scheduled in January 2005. Based on information from a student questionnaire provided by me to the Statewide Office of Student and Enrollment Services, Table 1 provides summary information for students who filled out the questionnaire (N = 16).

Unfortunately, only 5 students participated in four group interviews scheduled. Of these students, 3 were part-time and 2 full-time; all but one student received some type of financial aid. Full-time students borrowed but part-time students did not; one student stated that she



would not enroll if loans were needed to pay for college. The students stated that the price of college affected the number of credits they could attempt, but after enrolling they felt that UA met their financial need in terms of tuition and fees. All but one student mentioned books as an area where they struggled to cover the costs; the student who did not mention books specifically takes only one course at a time because otherwise college is not affordable.

TABLE 9
SUMMARY INFORMATION FROM STUDENT QUESTIONNAIRE

	N = 16
Race and Ethnicity	
White	50%
Native American/Alaskan Native	37%
Bi-racial	13%
Gender	
Men	6%
Women	94%
Total Credits	
Less than 30	44%
More than 30	56%
Work during school	69%
Enrolled directly from high school	56%
First-generation	44%

UA Financial Aid Professionals [N=4]

The consensus among UA financial aid officers is for need-based aid to focus on access - consistent with the mission of UA. All respondents expressed concern about increased loan reliance among students, but UAF and UAS were especially concerned about this issue. UA financial aid officers also emphasized the importance of eligibility for part-time students.

Two different perspectives on *complementary* and *supplemental* approaches to need-based financial aid were provided. On the one hand, existing financial aid is perceived as inadequate for the neediest students, which in conjunction with a desire to reduce loan burden, suggested that a new need-based aid program should supplement aid for these students. On the other hand, Pell Grant and Native Corporation scholarships are perceived to provide a good foundation of need-based aid for the neediest students, so expanding eligibility to complement these programs was also suggested.

UA financial aid officers were asked about potential resources to fund a new need-based aid program. In particular, they were asked about the 4% tuition waiver set aside, of which 1% was intended to support a need-based TAG during the 2003-04 academic year. All respondents expressed interest in using the 4% tuition waiver set aside for need-based financial aid, but



indicated that faculty and administrative resistance would be significant. Additional probing found that college deans, department chairs, and faculty had considerable autonomy in awarding tuition waivers under the current program, which they would not necessarily want to relinquish. Regardless of the source for a new UA need-based aid program, financial aid officers emphasized accountability for the program be explicit – that is, they expect to administer these programs according to central eligibility guidelines (with some campus flexibility) without interference from college faculty and administrators. Unused need-based aid resources should be returned by MAUs and reallocated where need is greater, or should “carry-over” to subsequent terms.

Staff and Administrators [N=5]

The consensus perspective among UA staff and administrators was for need-based aid to focus on access and to help students pay for college. The need to include part-time students, especially adults who are working but want to improve their labor market skills, and to reduce loan reliance was also emphasized.

Most staff and administrators indicated that supplementing existing aid for the neediest students was important, especially in the context of reducing loan burden. However, complementing need-based aid for adults and for part-time students taking 6 or fewer credit hours was also encouraged. In general, staff and administrators want to broaden eligibility to help more students and expand available aid for the neediest students.

One respondent made specific mention of Alaska natives as an important population to target need-based aid, especially those living in rural villages. Another respondent emphasized first-generation students, and expressed an interest in front-loading need-based grant aid during the first year and avoiding student loans for this group. Finally, one respondent suggested that the 4% tuition set aside was too unstructured and did not necessarily meet the needs of the system in expanding access – this person recommended these resources be used exclusively for need-based financial aid.

Other UA Stakeholders [N=3]

Three additional stakeholders were interviewed, including a high school counselor, Native Corporation Executive, and a staff person of the Alaska Commission on Postsecondary Education. These stakeholders brought unique perspectives to questions on need-based financial aid; however, one area with strong consensus was the need to reduce loan reliance for students who enroll at UA. In addition, all three respondents want to increase need-based financial aid for existing aid recipients (e.g., Pell Grant recipients) and expand eligibility to more students.

Broadly speaking, it was suggested that UA understand who is not currently served by financial aid, but who have need, as well as understand the extent to which students are being served inadequately. One suggestion was for a new UA need-based aid program to set aside a portion of resources for Pell Grant recipients (especially zero EFC) but also allocate a portion of resources for non-Pell eligible students with financial need. Another suggestion was for a new



UA need-based aid program to determine eligibility based on free and reduced lunch participation (FARL) in high school rather than use the FAFSA. Lastly, first-generation Alaskan natives were specifically mentioned as an important target group in order to overcome the “generational hurdle” that negatively affects educational attainment among Alaskan natives.

When asked about resources to fund a new need-based aid program, respondents were skeptical that UA had available resources, especially in light of two years of 10 percent tuition increases. However, one person speculated that the state government could support need-based financial aid by using the annual “return on capital” payment from the Alaska Commission on Postsecondary Education. The “return on capital” payments represent principle and interest paid by student borrowers currently in repayment. This payment was \$5.6 million for FY 2005.

Financial Aid Professionals at Peer Institutions [N=5]

Financial aid professionals at the University of North Carolina, University of Nebraska, University of Maine, University of Houston, and University of Idaho were also interviewed. Each of these institutions has a need-based aid program, and all but one institution is located in a state that also provides need-based grant financial aid. As a whole, these five institutions target financial aid packages to emphasize need-based grant aid, but most also expect students to work and/or take out Stafford loans. The exception is the Carolina Covenant program at the University of North Carolina- Chapel Hill, which guarantees eligible students will not borrow for college. All peer institutions target an “equity” threshold for students with financial need. This threshold is typically 60-65 percent grants and 35-40 percent work-study and loans; financial need is based on total budget less expected family contribution. At the University of North Carolina, the Carolina Covenant assures all eligible students 80 percent grant aid and 20 percent work-study and other self-help. In Fall 2004, 225 students were designated Carolina Covenant Scholars at a cost of \$1.4 million; The Associate Provost & Director of Scholarships and Financial Aid at University of North Carolina emphasized that the Carolina Covenant would not have been possible without both federal Pell Grant and state grant investments.

The University of Nebraska set an “equity” threshold at \$7,150 in 2004-05. This threshold is roughly equivalent to 30 hours of tuition and 100 percent of this amount is guaranteed for Pell Grant recipients. Pell Grant, state tuition assistance grant, and institutional opportunity grant assistance are used to meet the \$7,150 grant aid target. Because the institutional grant program and tuition guarantee supplement existing federal and state investments, one staff person from the University of Nebraska Office of Scholarship & Financial Aid expressed concern about the “cliff effect” for students that just miss the Pell eligibility cutoff. These students do not qualify for state and institutional grants, and thus are expected to borrow money to cover the gap between grant awards and the \$7,150 threshold. Students are also expected to meet financial need beyond the \$7,150 threshold with work-study and student loans.

The University of Idaho targets institutional aid to first-time freshman from Idaho with at least \$5,000 in financial need (budget less student/family contribution). The maximum award is \$1,500 annually and is renewable for four years. The University of Houston invests \$600,000 for



a grant-in-aid program to complement existing Texas state grant programs and the federal Pell Grant. The “equity” model seeks 65 percent of grant aid and 35 percent loans and/or work-study. The 150% tuition guarantee for Pell Grant recipients requires a 2.5 cumulative GPA and results in about one-third of students losing additional grant aid each year. The University of Maine invests \$2 million annually from the institution budget to meet a 60-40 grant to self-help ratio for all students. Institutional grant awards complement the state grant of \$500 per student, which basically covers books. In addition, University of Maine expects students to take a full federal Stafford loan and accept work-study awards.

The common thread among these five peer institutions is that need-based grant financial aid should meet at least 60-65 percent of a student’s budget less expected family contribution. Where state and institutional investments in need-based aid are significant, institutions seek to provide grant aid equal to 100 percent of tuition and/or 80 percent of total budget. In all cases, institutional aid supplements existing federal and state financial aid. However, several financial aid professionals expressed concern for students with financial need who just miss the Pell eligibility threshold. In one case, University of North Carolina established an alternative eligibility threshold pegged to the federal poverty threshold. This eligibility threshold includes Pell Grant recipients, but also allows the Carolina Covenant to complement federal and state financial aid programs by expanding the institutional aid eligibility pool.

The stakeholders interviewed for this project believe that total financial aid is insufficient and that finding additional resources for financially needy students is important. They are concerned about loan reliance for all students. They are also concerned about the lack of need-based financial aid for part-time students and for students who do not qualify for the federal Pell Grant. Importantly, the perspectives provided by UA stakeholders are supported by the quantitative analysis in this report. That is, need-based financial aid should be increased for UA students; however the design and implementation of a need-based grant program could serve several purposes. The next section describes three possible models for a need-based grant program.

Designing a Need-based Grant Program

Before they design a new financial aid program, or expand the UA tuition assistance grant or the just announced *Alaska Advantage* grant, UA stakeholders and leaders need to grapple with the objectives of a need-based grant program. At a policy-level it is imperative for the University of Alaska to identify the purpose (goal) for a need-based grant program?¹² For example,

- Does UA want to increase full-time enrollment for students currently enrolled less than full-time?
- Does UA want to reduce the extent of borrowing for all students, or a specific group of students?

¹² For an overview of state grant program objectives and subsequent design, see Jerry S. Davis (September 2001), *Designing a State Student Grant Program: A Framework for Policy-Makers*. Indianapolis, IN: Lumina Foundation for Education. Available online — <http://www.luminafoundation.org/publications/synopsis/studentgrantprogram.pdf>



- Does UA want to provide an equity threshold or minimum level of grant financial aid for all students with financial need?
- Does UA want to complement existing financial aid programs to better serve part-time students?

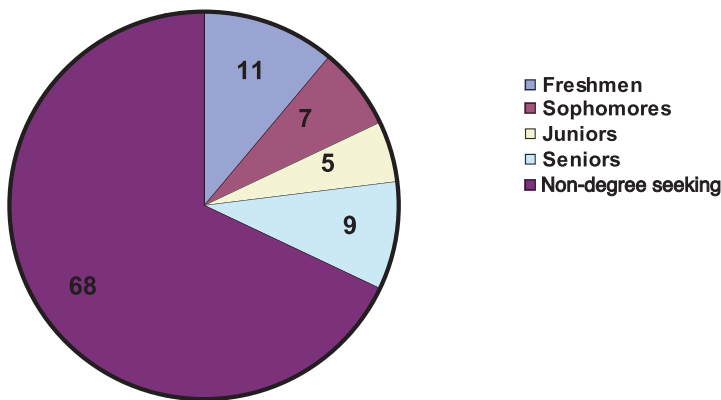
Each of these objectives is meritorious; however, UA stakeholders should identify what a need-based aid program should accomplish before moving forward.

Based on the stakeholder and expert interviews as well as an analysis of existing financial aid resources for UA students, a new need-based grant program could focus on one or all of the following areas:

1. Part-time adult students, who make up more than half of UA enrollment and often are non-degree seeking;
2. Full-time undergraduates with financial need, who rely on loans to pay for college;
3. Financially needy undergraduates who receive very little gift aid from UA.

Chart A in the Executive Summary provides an overview of these approaches for a need-based grant program, which are described in the next section of the report.

FIGURE 24
PERCENTAGE OF PART-TIME STUDENTS BY CLASS LEVEL, FALL 2004



N = 19,018

Focus on Part-Time Adult Students

Most part-time students are categorized as “other” in the UA database, which means they are not classified as degree seeking (see Figure 24). These non-degree seeking part-time students are overwhelmingly adults 25 years of age and older; many of these students enroll part-time as non-degree seeking students because they work full-time and are seeking a certificate of competence from UA to improve their workforce skills. A consequence of this “other” enrollment status is an inability to qualify for federal need-based grants. Based on Fall 2004



UA data, non-traditional adults 25 years of age and older represent more than two-thirds (71%) of “other” enrollment - slightly more than 900 of these adults (or 7%) receive any financial aid. In contrast, 51 percent of all UA students receive some form of financial aid, including 65 percent of undergraduates.

Part-time adult students at UA are not served well by existing federal, state, institutional and private financial aid programs. More than 50 percent of the almost 31,000 non-degree seeking and undergraduate UA students enrolled Fall 2004 were adults 25 years of age and older – 81 percent of these adults were enrolled part-time. Almost 10,000 adults were enrolled as “other” part-time. Yet part-time adult students received only \$3.7 million of financial aid for Fall 2004, which is about 12 percent of the total financial aid awarded to UA students. Moreover, 72 percent of this aid was in the form of loans.

Although part-time adult students have much lower tuition and fees because they take fewer credits, indirect costs for college can still be significant. For example, books for a single class can cost a few hundred dollars, and driving to campus for one class or for three classes requires the same amount of fuel. In addition, living expenses (i.e., housing and food) tend to be constant regardless of enrollment status. Thus, financial need for part-time adults can often be a function of indirect costs, including housing, meals, books and transportation.

If UA decides to target need-based financial aid for non-degree seeking part-time adult students, several parameters need to be defined to estimate the potential cost of such a program. First, about one-third of undergraduates received the need-based Pell Grant and 41 percent received the need-based subsidized federal Stafford loan. It seems reasonable to assume that between 35 percent and 45 percent of “other” part-time adult students would also meet the eligibility threshold for federal need-based financial aid.

Second, many “other” students enroll part-time as the first step toward getting a degree or certificate, because they are uncertain of their ability to succeed and/or they cannot afford to stop working and attend college full-time; but adult students also enroll as “other” part-time with the goal of obtaining a certificate of competence. It seems practical to limit a need-based grant program to part-time “other” adult students who are enrolled in a program to obtain a certificate of competence; these adults could receive a need-based grant for up to three semesters. Adult students who eventually “transferred” into a degree seeking undergraduate program would retain eligibility for need-based financial aid and may also qualify for federal grant aid.

Third, federal financial aid is available for part-time adult students if they make satisfactory progress toward a postsecondary credential. However, to receive federal financial aid students must fill out the FAFSA. The recently announced *Alaska Advantage* state grant program requires students to complete this form; thus it would be consistent with current policy in the state to require “other” part-time students to complete the FAFSA to be eligible for a new need-based grant program. A few caveats are important:



1. Adult students eligible for financial reasons may still not qualify for federal financial aid due to other reasons, but by filling out the FAFSA these students can find out how much federal aid they could qualify for if they enrolled differently;
2. The FAFSA is a very complicated application; many adult students will need help completing the form so additional outreach to these adults will be necessary. For example, College Goal Sunday could purposively target adult students to help them complete the FAFSA.

Fourth, given the competing responsibilities of many adults (e.g., work and child care), an alternative eligibility formula for adults with dependent children could be qualification for the free and reduced lunch program in public schools. If an adult's kids receive free or reduced lunch, the adult could automatically qualify for the new need-based grant program.

TABLE 10
MAXIMUM ANNUAL COST ESTIMATES FOR NEED-BASED FINANCIAL AID
TARGETING PART-TIME ADULT STUDENTS

NUMBER OF ADULT STUDENTS IN EACH TARGETED GROUP	ANNUAL COST ESTIMATES
"Other" part-time adults who are financially needy (N= 3,200-4,200)	\$2,100,000 - \$2,756,000
Part-time adult undergraduates who are Pell eligible (N=550)	\$770,000
Part-time adult undergraduates eligible for complementary UA TAG (N=175)	\$105,000
Total Estimated Annual Cost	\$2,975,000 - \$3,631,000

Table 10 provides a range of estimates for supplemental financial aid for part-time adults who are Pell-eligible or who are financially needy. The largest group of part-time adult students is categorized as non-degree seeking in the UA database (N=9,191); 73 percent are enrolled in 3 or fewer credits. A need-based program that included "other" part-time adults could target only those adults who were Pell-eligible. The estimate in Table 10 assumes that between 35 percent and 45 percent of non-degree seeking part-time adults would qualify for Pell, or approximately 3,200 to 4,200 students. If "other" part-time adults received a grant equal to 65 percent of tuition and fees (i.e., \$525 annually if they enrolled for up to 3 credit hours per term and \$1,050 annually if they enrolled for 6 credit hours), this component of a need-based grant program would cost between \$2.1 million and \$2.7 million annually.

For Fall 2004, about 542 part-time adult undergraduates received a Pell Grant – the average annual value of this grant was approximately \$1,400 less than the average annual Pell Grant for full-time adult undergraduates. In order to establish an "equity threshold" for adult undergraduates equal to the average Pell Grant award for full-time adult undergraduates, UA would need to allocate \$770,000 and expect to award a supplemental need-based grant to about 550 adult undergraduates enrolled part-time.



Slightly more than 80 part-time adult undergraduates, but more than 150 full-time adult undergraduates, received a UA tuition assistance grant for Fall 2004. If an expanded TAG program served an equal number of part-time and full-time adult undergraduates, and awarded the maximum annual grant of \$600 to all eligible part-time adults, \$105,000 in additional resources would need to be invested by UA.

In sum, a new need-based grant program targeting part-time adult students 25 years of age and older – including both undergraduates and non-degree seeking adults - would require between \$2.9 million and \$3.6 million annually. The bulk of the cost for this program would support part time “other” adults enrolled in programs that lead to certificates of competence. This focus would expand need-based grant aid to more than 3,000 adults currently enrolled as “other” part-time, and cost between \$2.1 million to \$2.7 million annually. Table 10 also shows estimates for a need-based grant program to benefit part-time adult undergraduates who are financially needy. A much smaller number of part-time adults are enrolled as degree seeking undergraduates; a new need-based grant program to supplement financial aid for Pell-eligible adult undergraduates who enroll part-time, and complement financial aid for part-time adult undergraduates through an expanded UA TAG would cost less than \$1 million annually and benefit about 700 adult students. If all three of these components were implemented at UA, approximately 4,000 adult students could benefit from this type of need-based grant program

Focus on Full-Time Undergraduates

This analysis found that full-time students borrow large amounts of money primarily from federal and state sources to pay for college at UA, and that Pell Grant recipients still face high net prices after all financial aid is awarded (see Appendix A). Full-time undergraduates also receive the lion’s share of total financial aid among UA students and reflect a population quite different from part-time students overall. For example, more than 70 percent of full-time undergraduates are traditional college students 17 to 24 years of age. Although the gender, race, and ethnic diversity of full-time undergraduates reflect the overall student population at UA, full-time undergraduates represent a minority of total UA enrollment.

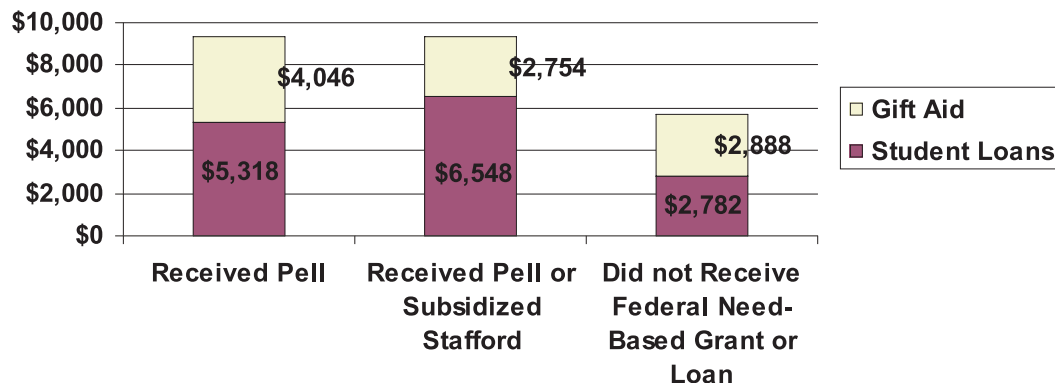
One approach for a new UA need-based program to benefit full-time undergraduates would be to reduce loan reliance so that student loans do not exceed 50 percent of all financial aid awarded. In other words, UA could choose to maintain a consistent loan to grant financial aid ratio for all full-time undergraduates across all class levels. This supplemental program could target full-time undergraduates who qualify for federal need-based financial aid; that is, who received a Pell Grant or subsidized Stafford loan. For Fall 2004, 36 percent of full-time undergraduates received a Pell Grant, and 45 percent borrowed a subsidized Stafford loan. Overall, 57 percent of full-time undergraduates who received any financial aid (more than 3,700 students) were awarded a Pell Grant or borrowed a subsidized Stafford loan.

Figure 25 illustrates the estimated average annual loan and gift financial aid amounts for full-time undergraduates who received any financial aid. Two conclusions are readily apparent.



First, Pell Grant recipients received almost \$4,000 more, on average, in overall financial aid awards than did aid recipients who did not receive federal need-based grants or loans. Second, the percentage of loan financial aid received by full-time undergraduates who received federal need-based grant or loan aid is much higher than the percentage for full-time undergraduates who did not receive federal need-based aid. About 70 percent of total average financial aid awarded to full-time undergraduates who received the federal Pell Grant or subsidized Stafford loan was in the form of student loans. In addition, full-time undergraduates who received the Pell Grant borrowed 57 percent of the total financial aid they received. In contrast, less than half (49%) of total average financial aid awarded to full-time undergraduates who did not receive federal need-based aid was in the form of loans. These data suggest that full-time undergraduates with financial need borrow more than full-time undergraduates who receive non-need-based forms of financial aid.

FIGURE 25
AVERAGE ANNUAL LOAN AND GIFT AID AMOUNTS FOR
FULL-TIME UNDERGRADUATES, 2004-05¹³



N = 6,563

Table 11 provides estimated amounts of grant financial aid in order to reduce the grant to loan ratio for full-time undergraduates who received any need-based financial aid from 70-30 to 50-50. Scenario 1 assumes the students will borrow the same amount to pay for college; in this case, the supplemental need-based grant increases the overall financial aid award for each student, thus reducing the remaining price students need to pay through work and/or family contribution. Scenario 2 assumes the new need-based grant will replace an equivalent amount of student loans so the overall financial aid package remains the same and students are borrowing less. However, this scenario does not reduce the net price for full-time undergraduates.

¹³ These data are an estimate that assumes students will receive the same average awards for Spring 2005 as they did for Fall 2004.



TABLE 11
ANNUAL COST ESTIMATES FOR NEED-BASED GRANT PROGRAM TO TARGET LOAN TO GRANT RATIO OF 50-50 FOR FULL-TIME UNDERGRADUATES WHO QUALIFY FOR FEDERAL NEED-BASED FINANCIAL AID

	CURRENT	SCENARIO 1	SCENARIO 2
Loan Average Amount	\$6,548	\$6,548	\$4,651
Gift Average Amount	\$2,754	\$6,548	\$4,651
Total Average Aid	\$9,302	\$13,096	\$9,302
Total Estimated Cost	—	\$14,193,354	\$7,096,667

N = 3,741

If UA decided to target a need-based grant program to full-time undergraduates, this type of program might cost between \$7.1 million and \$14.2 million annually. To reduce the overall cost of this type of program, UA could focus only on Pell eligible students and reduce their loan to grant ratio from 57-43 to 50-50 or 40-60. Table 12 provides cost estimates for an approach that reduces student borrowing for the most financially needy full-time undergraduates.

TABLE 12
ANNUAL COST ESTIMATES FOR NEED-BASED GRANT PROGRAM TO REDUCE LOAN RELIANCE FOR FULL-TIME UNDERGRADUATES WHO RECEIVED THE PELL GRANT

	CURRENT	50-50 RATIO	60-40 RATIO
Loan Average Amount	\$5,318	\$4,862	\$3,889
Gift Average Amount	\$4,406	\$4,862	\$5,835
Total Average Aid	\$9,724	\$9,724	\$9,724
Total Estimated Cost	—	\$1,079,352	\$3,382,443

N = 2,367

This more targeted approach to benefit full-time undergraduates with the most financial need could benefit about 2,400 students. UA could award full-time Pell Grant recipients between \$500 and \$1,400 in additional need-based grant aid annually. The estimated annual cost for this type of need-based grant program is between \$1.1 million and \$3.4 million. This approach would not increase the overall amount of financial aid awarded to Pell Grant recipients, but would increase the share of gift aid – and reduce the share of loans - awarded to the most financially needy full-time undergraduates at UA.

Implement Equity-Model for Financially Needy Undergraduates

Given the level of concern about student indebtedness among UA stakeholders, and the fact that financially needy students receive very little UA gift aid, a third option for a new need-based grant program is to develop a minimum equity threshold of grant aid that all financially needy undergraduates would receive. More than three-fourths (78%) of undergraduates who



received any financial aid enrolled full-time, and 22 percent enrolled part-time. UA undergraduates who received any financial aid were typical of all UA students in terms of race, ethnicity and gender; however, only 37 percent were adult students 25 years of age and older.

Table 13 shows percentages of total gift and loan financial aid awarded to UA undergraduates who received any financial aid. For Fall 2004, UA undergraduates awarded the Pell Grant received more than \$5.6 million in gift aid from federal, institutional and private sources, or 54 percent of the total gift aid awarded. These students also borrowed more than \$7.7 million, which was 39 percent of the total amount borrowed by UA students. UA undergraduates who received federal need-based grant or loan aid borrowed more than \$15 million for Fall 2004 – almost 80 percent of the total amount borrowed by UA undergraduates. In contrast, UA undergraduates not awarded federal need-based grant or loan aid received more than \$4.3 million in gift aid from federal, institutional and private sources, or 42 percent of the total gift aid awarded. These students borrowed only \$4.5 million for Fall 2004, which was less than one-fourth of the total amount borrowed by UA undergraduates.

TABLE 13
PERCENTAGE OF TOTAL AMOUNT OF GIFT AND LOAN AID AWARDED TO
UA UNDERGRADUATES, FALL 2004

	Received Pell Grant	Received Pell Grant or Subsidized Stafford Loan	Received Financial Aid, but not Federal Need-Based Grant or Loan
Percent of Total Loan Aid Awarded To:	39%	78%	23%
Percent of Total Gift Aid Awarded To:	54%	58%	42%
Percent of Total Financial Aid Awarded To:	44%	71%	29%
Percent of Total Undergraduates Who Received Any Aid	38%	59%	40%

N = 8,468

Figure 26 illustrates the average amount of loan and gift aid for all UA undergraduates who received financial aid. This graph clearly indicates that average gift aid is slightly lower for undergraduates who received federal need-based grant or loan aid compared with undergraduates who did not receive federal need-based financial aid. Pell Grant recipients received average gift aid of more than \$3,500, which was 40 percent higher than average gift aid for undergraduates who did not receive federal need-based financial aid. However, students who received federal need-based grant or loan aid borrowed significantly more than other students who received financial aid but did not necessarily have financial need. Put another way, 63 percent of the total average financial aid amount received by Pell Grant recipients was in the form of student loans. In addition, UA undergraduates who received federal need-based grant or loans borrowed 72 percent of the total aid they received. These percentages contrast sharply with the targeted loan to grant ratios of UA peer institutions (see section on stakeholder interviews).



Most UA peer institutions target a grant to loan financial aid ratio of 60 to 65 percent gift aid and 35 to 40 percent loan aid.

FIGURE 26
AVERAGE ANNUAL LOAN AND GIFT AID AMOUNTS FOR
UNDERGRADUATE UA STUDENTS, 2004-05¹⁴

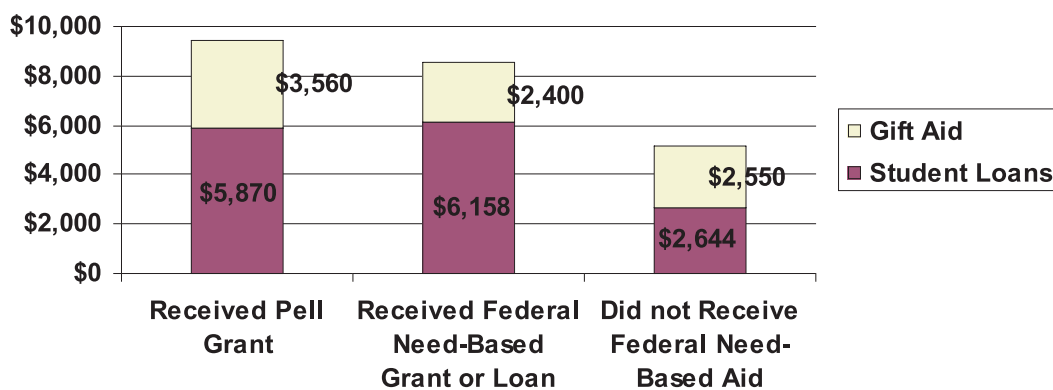


Table 14 provides cost estimates for a new need-based grant program to increase gift aid for financially needy UA undergraduates. The models reflect an equity threshold of gift aid that all financially needy undergraduates would receive. UA would make up the difference between the equity threshold and the current amount of gift aid received by undergraduates. The equity threshold could be set at 100 percent of tuition and fees for full-time enrollment (\$3,500) or it could be set at the maximum Pell Grant (\$4,050). The equity threshold model reduces loan reliance for financially needy undergraduates, and it lowers the net price UA students pay for college. Part-time financially needy undergraduates would receive one-half of the equity grant award. As Table 14 shows, the most expensive component of the equity grant aid model is to include undergraduates who borrowed a subsidized Stafford loan but were not eligible for a Pell Grant. To reach the equity threshold for this group of undergraduates would cost approximately \$5 million annually.

A more narrow approach could target undergraduates who currently receive the Pell Grant or who are eligible for the UA tuition assistance grant. Based on Fall 2004 financial aid data, Pell Grant recipients received annual average gift aid of \$4,046 – this amount is roughly equivalent to the maximum annual Pell Grant. Establishing an equity threshold for Pell Grant recipients would complement gift aid for part-time students, but would not provide supplemental gift aid

¹⁵ These data are an estimate that assumes students will receive the same average awards for Spring 2005 as they did for Fall 2004.



for full-time Pell Grant recipients. Part-time undergraduates who received the Pell Grant would receive additional gift aid from UA between \$675 and \$1,000 annually. This approach would benefit more than 800 part-time undergraduates – 67 percent of whom are adults 25 years of age and older – and cost between \$550,000 and \$775,000 annually.

TABLE 14
ANNUAL COST ESTIMATES FOR AN EQUITY MODEL FOR NEED-BASED
GIFT AID FOR UA UNDERGRADUATES WITH FINANCIAL NEED¹⁵

	Current Average Gift Aid	Current Total Financial Aid	New Equity Grant (A)	New Equity Grant (B)	Additional Gift Aid from UA	Estimated Annual Cost
SCENARIO 1:						
Equity Model for Undergraduates with Pell Grant	FT \$4,046 PT \$1,074	FT \$9,412 PT \$2,871	FT N/A PT \$1,750	FT N/A PT \$2,025	FT No Change PT \$676-\$951	\$550,000 - \$775,000
N = 2,367 full-time N = 813 part-time						
SCENARIO 2:						
Equity Model for Undergraduates eligible for federal need-based loans	FT \$528 PT \$140	FT \$9,234 PT \$7,614	FT \$3,500 PT \$1,750	FT \$4,050 PT \$2,025	FT \$2,972-\$3,522 PT \$1,610-\$1,885	\$4.8 million - \$5.7 million
N = 1,372 full-time N = 495 part-time						
SCENARIO 3:						
Equity Model for undergraduates eligible for UA TAG	FT \$878 PT \$538	FT \$7,060 PT \$5,562	FT \$3,500 PT \$1,750	FT \$4,050 PT \$2,025	FT \$2,172-\$2,722 PT \$1,212-\$1,487	\$990,000 - \$1.2 million
N = 382 full-time N = 134 part-time						

If UA decided to include students who did not receive a Pell Grant but were awarded a tuition assistance grant (TAG), an additional 500 students would benefit at a cost of about \$1 million annually. The new equity grant awards for TAG recipients would cost between \$1,200 for part-time undergraduates and \$2,500 for full-time undergraduates. Combined, an equity grant program targeting part-time Pell Grant recipients and full- and part-time TAG recipients could benefit more than 1,300 students and cost approximately \$1.75 million annually (i.e., scenarios 1 and 3).

¹⁵ These data are an estimate that assumes students will receive the same average awards for Spring 2005 as they did for Fall 2004. New equity grant A is set at 100 percent of tuition and fees, or \$3,500; new equity grant B is set at the maximum Pell Grant, currently \$4,050.



Conclusion: Expanding Need-Based Financial Aid at University of Alaska

This six-month analysis of financial aid at UA included interviews with 34 UA stakeholders and financial aid professionals, and a quantitative analysis of financial aid awards, student budgets and student demographics for almost 33,000 students enrolled at UA in Fall 2004. The analysis demonstrates two core conclusions:

- 1) *Many UA students would benefit from additional need-based grant aid; and*
- 2) *Support for additional need-based grants and a corresponding reduced reliance on student loans is widespread.*

More specifically, this analysis found three areas in which need-based financial aid could make a large impact and meet the potential objectives of a new need-based grant program. First, part-time adult learners 25 years of age and older represent more than half of all UA students, and yet receive very little financial aid. One reason for the lack of aid for adult students is their enrollment tendencies; adults tend to enroll part-time, often as non-degree seeking “other” students so they do not qualify for federal and state financial aid programs. A new UA need-based grant could target part-time adult learners.

Second, full-time undergraduate students receive the bulk of the financial aid awarded to UA students; however, about two-thirds of this aid is in the form of student loans. Only first-time freshmen receive less than 65 percent of their aid through borrowing. A new UA need-based grant program could target full-time undergraduates and lower the reliance on borrowing, especially for students who continue after their freshmen year. This type of program would generally benefit traditional-age students 17 to 24 years old.

Third, financially needy undergraduates at UA receive very little gift aid from the institution. A new UA equity grant program could target all Pell-eligible undergraduates (i.e., generally dependent students who come from families with less than \$40,000 in annual income, or independent students whose income is at or below the federal poverty threshold) to increase their gift aid. This approach would benefit undergraduates who enroll part-time and receive a Pell Grant, especially adult students 25 years of age and older. An additional 500 undergraduates could benefit if TAG recipients were also eligible for an equity grant.

Based on this analysis, three specific types of programs were highlighted:

- A need-based grant program targeted to “other” part-time adult students 25 years of age and older who are pursuing a certificate of competence could provide more than 3,200 students with average grants between \$525 and \$1,050 at an annual cost of approximately \$2.4 million.
- A need-based grant program targeted to full-time Pell-eligible undergraduates to reduce loan reliance and establish a 50-50 loan to grant financial aid ratio could provide more



than 2,300 students with \$500 average supplemental gift aid at an annual cost of about \$1.1 million.

- A need-based grant program with an equity gift aid threshold equal to 100 percent of tuition and fees (or \$3,500 for a full-time undergraduate) could provide about 800 part-time Pell Grant recipients and about 500 full-or part-time TAG recipients with additional gift aid between \$675 and \$2,175 annually at a cost of about \$1.5 million each year.

These three need-based grant programs, as well as the other approaches discussed in this report, represent a limited set of possibilities for a new need-based grant program. Ultimately, UA must determine its objective for a new need-based grant program before proceeding. However, this analysis indicates that a new need-based grant program is warranted at UA and could benefit several thousand students.



APPENDIX A

Net Price Analysis for Undergraduates who Received Any Financial Aid, Fall 2004

An important measure of affordability is the net price of college students are expected to pay through work and/or personal and family contribution after all financial aid is awarded. The Statewide Office of Institutional Research extracted a database of 9,445 students enrolled for Fall 2004 with data on their housing arrangements. In order to conduct a net price analysis, the total financial aid received by students is subtracted from the total price charged; total price includes tuition, fees, room and board, transportation, books and living expenses. The total price varies based on full-time or part-time status, and based on where a student lives. Table A1 shows the total price for each MAU according to the living arrangements of students: on-campus, off-campus, or with parents.

TABLE A1
TOTAL ANNUAL BUDGET FOR FULL-TIME UA STUDENTS, 2004-2005

MAU	On Campus	Off Campus	With Parents
Anchorage	\$14,729	\$17,165	\$10,338
Fairbanks	\$12,869	\$16,740	\$12,050
Southeast	\$11,442	\$14,061	\$7,191

Source: Statewide Office of Institutional Research; UA Offices of Financial Aid

Among the almost 9,500 students in this database, approximately 36 percent received some form of financial aid; this percentage is higher than the 31 percent of all UA students who received financial aid. In addition, about 20 percent of students for whom UA had data on living arrangements received a federal need-based grant or college work-study. In comparison, only 10 percent of all UA students received a federal need-based grant. Thus, in terms of financial aid awards, the database with information on living arrangements is not representative of the total Fall 2004 enrollment at UA. Consequently, the net price analysis is not representative of all UA students who received financial aid; rather, it provides a general impression of net price according to data from students for whom living arrangement data was available.

Table A2 shows the demographic characteristics for students with financial aid in this database and data for all UA students who received financial aid for comparison purposes. The students in the database used for net price analysis were disproportionately undergraduates compared to total UA enrollment for Fall 2004; moreover, 52 percent of the students were enrolled full-time – a stark contrast to the 38 percent of all students enrolled full-time at UA. Further, about 87 percent of the students in this database who received any financial aid were undergraduates - 69 percent were full-time undergraduates (see Table A3). Because the database with students for whom living arrangement data was available included only about one-third of all UA students who received some form of financial aid, and because more than two-thirds of these students were full-time undergraduates, the following net price analysis was conducted only for Fall 2004 full-time undergraduates. Net-price information for traditional-age students less than 25 years old and non-traditional adult learners 25 years of age and older are provided.



TABLE A2
PERCENTAGE OF STUDENTS WITH SELECTED CHARACTERISTICS, FALL 2004

	Students with living arrangement data	All UA Students
Received Any Financial Aid	36.3%	31.3%
Received Federal Need-Based Grants	19.4%	10.0%
Received Institutional Aid	13.9%	12.1%
Gender		
Men	39.5%	39.0%
Women	60.5%	61.0%
Race and Ethnicity		
White, Non Hispanic	70.1%	69.6%
Black, Non-Hispanic	2.9%	3.0%
Asian/Pacific Islander	5.3%	4.9%
Alaskan Native/American Indian	12.6%	13.1%
Hispanic	3.3%	3.2%
Other	5.8%	6.1%
Age		
Less than 25	54.3%	45.4%
25 and Older	45.7%	54.6%
Class Level		
Undergraduate	61.2%	50.7%
Graduate	6.6%	6.6%
"Other"	32.2%	42.6%
Sample Population	N = 9,407	N = 32,678

TABLE A3
PERCENTAGE OF STUDENTS WHO RECEIVED SOME FORM FINANCIAL AID AND FOR WHOM UA HAD LIVING ARRANGEMENT DATA, FALL 2004

Full-Time Undergraduate	69.4%
Part-Time Undergraduate	17.4%
Graduate	6.3%
"Other" Enrollment	6.9%
Age Less than 25 Years	63.4%
Age 25 Years and Older	36.6%

N = 3,416

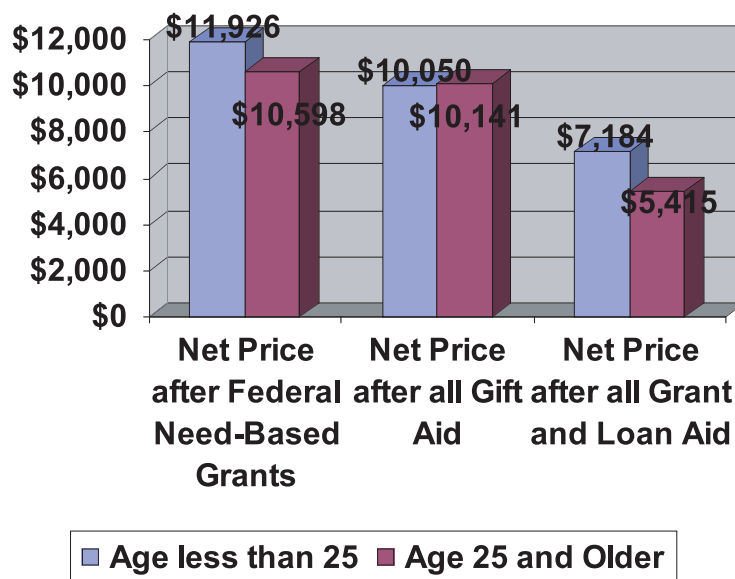
Figure A1 illustrates the net price for full-time undergraduates in three ways: 1) net price after federal need-based grants; 2) net price after all gift aid; and 3) net price after all loan and grant aid.¹ According to Fall 2004 data (adjusted to represent the full year of financial aid),

¹ After calculating net price for the 2,371 full-time undergraduates for whom necessary data was available, approximately 481 students had net prices significantly less than zero. These data are inaccurate and were excluded from the analysis. The net-price analysis was conducted on 1,890 full-time undergraduates.



the net price for traditional-age full-time UA undergraduates, is almost \$12,000 after federal need-based grants, and more than \$10,000 after all gift aid. After traditional-age full-time undergraduates borrow, the net price for one year of college is about \$7,200. Non-traditional adults fare slightly better because federal need-based grant aid reduced their net price considerably. In addition, because adults 25 years and older can borrow larger amounts through the federal Stafford loan program, the net price after all aid for full-time adult undergraduates at UA was about \$5,400. The net price for students must be paid through work, personal and family contributions, additional borrowing, or with other sources not captured in the UA database.

FIGURE A1
AVERAGE NET PRICE FOR FULL-TIME UNDERGRADUATES AT UA, FALL 2004



N = 1,890

For comparison, Table A4 provides estimates from the National Center for Education Statistics (2004): net-price after federal grant aid was \$10,500 for full-time dependent undergraduates (typically 24 years of age and younger) enrolled in public four-year colleges and universities in 1999-2000; average net price after federal grants and loans was \$8,000.² These data suggest that traditional-age full-time undergraduates at UA have lower net prices after all grant and loan aid than do students nationally, but the lower net price is the result of additional borrowing and, to a lesser extent, institutional gift aid.

² This report from NCES focused only on full-time dependent undergraduates; comparable data for non-traditional adult undergraduates were not provided in the report.



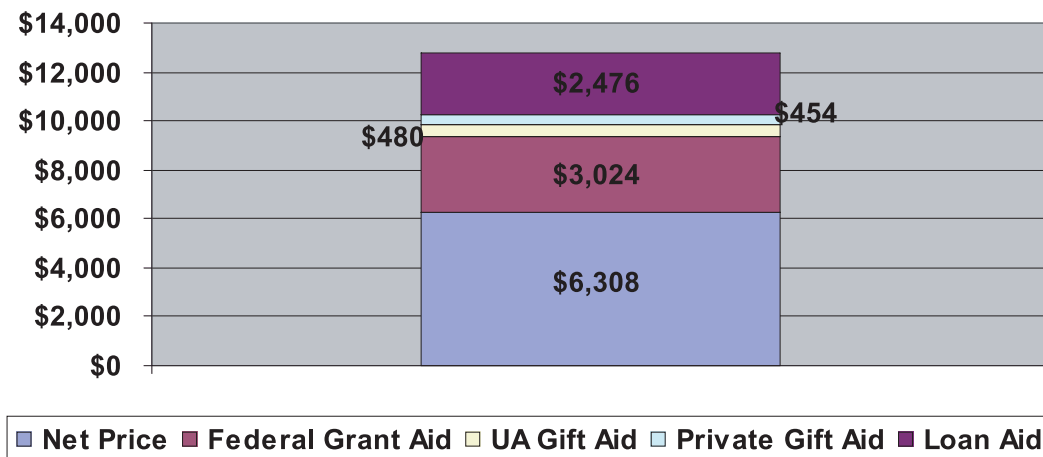
TABLE A4
NET-PRICE AFTER FINANCIAL AID FOR FULL-TIME TRADITIONAL AGE STUDENTS,
UA AND THE NATION

	Net Price after Grants	Net Price after all Grants and Loans
UA Students	\$11,926	\$7,184
Public 4-Year Students (NCES)	\$10,500	\$8,000

Source: Statewide Office of Institutional Research;
National Center for Education Statistics

These data can also be used to analyze net price for the most financially needy undergraduates. Figures A2 and A3 illustrate the net price for full-time UA undergraduates who received a federal Pell Grant. As Figure A2 shows, traditional-age full-time UA undergraduates who received a Pell Grant had a net price of about \$6,300. A majority of financial aid was in the form of gift aid from federal, institutional and private sources (61%). According to the National Center for Education Statistics (2004), the net price for full-time dependent undergraduates from families in the lowest quartile of income enrolled at public four-year colleges and universities was \$5,200 in 1999-2000. This simple comparison suggests that traditional-age UA undergraduates who enroll full-time and receive a Pell Grant have a higher net price than comparable students nationally. An additional grant of \$1,100 annually for the most financially needy full-time undergraduates would bring net price for traditional-age full-time UA students down to the national average.

FIGURE A2
AVERAGE NET PRICE AND GRANT AND LOANS RECEIVED FOR TRADITIONAL AGE FULL-TIME
UNDERGRADUATES AT UA WHO RECEIVED A PELL GRANT, FALL 2004

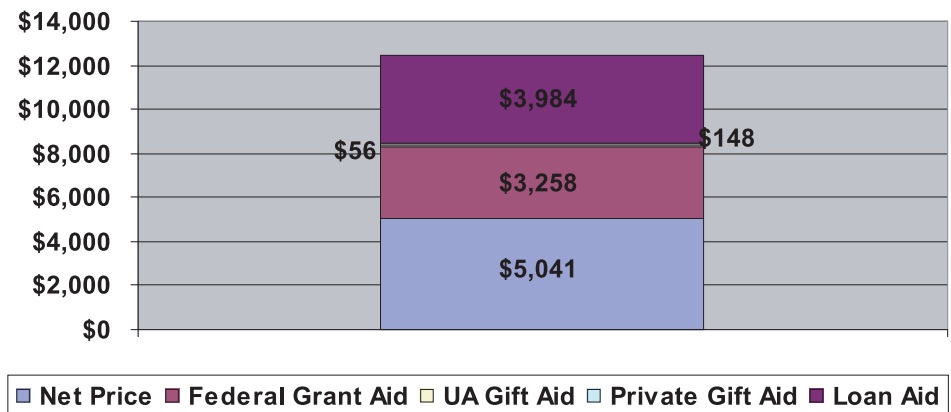


N = 345



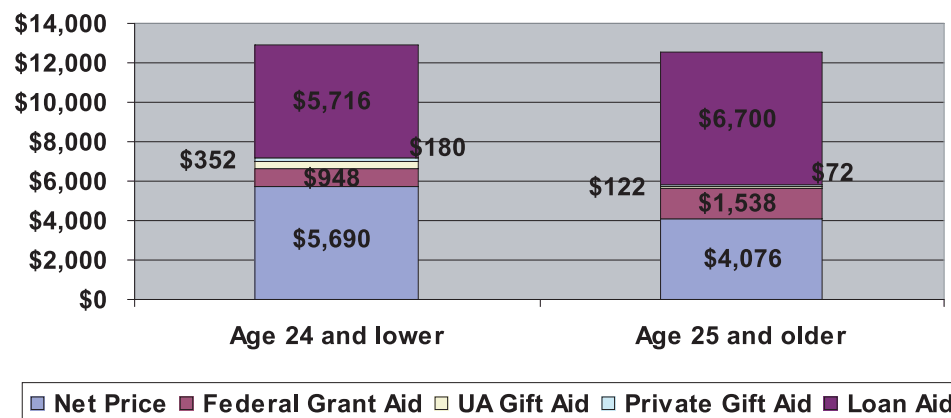
Figure A3 shows data for adult students 25 years of age and older who received a federal Pell Grant; these students can borrow larger amounts for college, which significantly reduces their net price. Among full-time adult undergraduates at UA who received a federal Pell Grant, net price was about \$5,000. These data also show that the majority of financial aid received by these students was in the form of student loans (54%), and that average annual UA gift aid was slightly more than \$50. These data suggest that non-traditional adults enrolled as full-time undergraduates and who received a Pell Grant primarily borrow for college, and are awarded negligible UA gift aid.

FIGURE A3
AVERAGE NET PRICE AND GRANT AND LOANS RECEIVED FOR NON-TRADITIONAL ADULT FULL-TIME UNDERGRADUATES 25 YEARS OF AGE AND OLDER AT UA WHO RECEIVED A PELL GRANT, FALL 2004



N = 207

FIGURE A4
AVERAGE NET PRICE AFTER ALL GRANT AND LOAN AID FOR FINANCIALLY NEEDY FULL-TIME UNDERGRADUATES AT UA WHO DID NOT RECEIVE A PELL GRANT, FALL 2004



N = 678



Figure A4 provides comparable net price and average financial aid data for full-time undergraduates who received a need-based Stafford loan or the UA tuition assistance grant. Approximately 40 percent of these students received a federal Pell Grant. The data suggest that this group of financially needy students had lower net prices after all grant and loan aid; however, the lower net prices are primarily the result of significant student borrowing. In short, full-time undergraduates with financial need (but who did not receive a Pell Grant) borrowed 79 percent of the total financial aid they received for 2004-05.

In sum, this limited net price analysis suggests four conclusions about financial aid for full-time UA undergraduates:

- *Full-time traditional-age UA undergraduates who receive financial aid had relatively lower net prices than comparable students nationally;*
- *Full-time traditional-age UA undergraduates who received the federal Pell Grant had relatively higher net prices than comparable students nationally;*
- *Non-traditional adult undergraduates enrolled full-time had lower net prices because they borrowed larger amounts of money to pay for college; and*
- *Financially needy students enrolled as full-time undergraduates – about 40 percent of whom received a Pell Grant – borrowed almost 80 percent of all financial aid they received in 2004-05, and their net prices ranged from almost \$4,100 for adult students to about \$5,700 for traditional-age students.*



APPENDIX B

Project Methodology

Phase 1

The qualitative phase of the need-based financial aid project commenced in November 2004. Phase I included a series of one-on-one and group interviews structured around issues of need-based financial aid with stakeholders of the University of Alaska system. The participants represented a convenience sample. The results of the interviews provide a set of perspectives and conclusions that reflect the individuals interviewed, but these conclusions may not be generalizable to the larger population. Even so, the participant perspectives are consistent with the research literature on need-based financial aid and also reflect the typical practice of financial aid professionals. In total, 34 individuals were interviewed between November 2004 and January 2005. Published reports were also reviewed to situate the state of Alaska and the University of Alaska postsecondary education system in a comparative context with national and peer-state data on college access.

The University of Alaska Statewide Office of Student and Enrollment Services set up the initial interviews: 12 individual interviews and 4 group interviews were conducted. The 23 interviewees included faculty, students, financial aid professionals, staff, administrators and other UA stakeholders. Individual interviews were conducted via telephone during December 2004 and January 2005. Group interviews were conducted via telephone and the web-based Genesys meeting center during December 2004 and January 2005. Participants in these interviews were assured *confidentiality* so individuals are not attributed specific quotes or ideas in this report.

In addition to the stakeholder interviews, in November interviews with six national experts on federal, state and institutional financial aid programs were conducted.¹⁷ These experts informed the development of a structured interview questionnaire used during the interviews with UA Stakeholders. This questionnaire is included as Appendix C. Interviews with five financial aid professionals among University of Alaska peer institutions were also conducted in January 2005.¹⁸

¹⁷ Jerry S. Davis, former VP of Research for Lumina Foundation for Education; Cheryl Maplethorpe, Director of Student Financial Services Minnesota Higher Education Services Office; Dennis Jones, President National Center for Higher Education Management Systems; Cheryl Blanco, Senior Program Director Policy Analysis and Research Western Interstate Commission on Higher Education; Ken Redd, Director of Research National Association of Student Financial Aid Administrators; and Don Heller, Associate Professor and Senior Research Associate Center for the Study of Higher Education The Pennsylvania State University.

¹⁸ Shirley Ort, University of North Carolina; Craig Munier, University of Nebraska; Peggy Crawford, University of Maine; Rob Sheridan, University of Houston; and Dan Davenport, University of Idaho.



Phase 2

Phase 2 of the need-based financial aid project commenced in February 2005. UA financial aid staff extracted a cross-sectional data file of all students enrolled in the UA system for Fall 2004. These data included information on student demographics, financial aid awards by type, full-time and part-time enrollment status, and MAU where student was enrolled. The student-record data was stripped of personal identification information to protect students' rights of privacy.

The quantitative analysis made the following assumptions:

- Students would maintain Fall 2004 enrollment status in Spring 2005;
- Financial aid awarded for the academic year would be distributed as awarded without changes between the Fall and Spring semesters;
- The variable “other loans” in the database means the Alaska Loan Program;
- Private gift aid is considered non-need-based because data was not provided to suggest otherwise.

The report provides national, institutional and student perspectives on financial aid. The national perspective consists of a review of several widely-known reports that compare college affordability among the 50 states. The institutional perspective consists of an analysis of how student financial aid was distributed to students by enrollment status, by campus, by type of aid, and in total. The student perspective consists of an analysis on how different types of financial aid helped the student pay for college. A net-price analysis was conducted for full-time undergraduates using a separately-extracted data file that included information on student living arrangements (see Appendix A).

The quantitative and qualitative analyses informed the report's discussion of how UA might design a need-based financial aid program to better meet students' financial need. This part of the report examined three potential models for a need-based financial aid project and included estimates for the amount of financial resources necessary to fund each program.



APPENDIX C

Stakeholder Interview Questionnaire

December 2004

1. What should the purpose be for a need-based aid program? What outcome do you expect... for students? Institutions? The state? Others?
2. Which students do you most want to help with the need-based aid program?
3. Do you want to help students who would otherwise not enroll without the aid access a low-price institution? Do you want to expand the choices for students to attend higher-priced four-year colleges?
4. Do you want to increase the retention of students already enrolled? Do you want to increase full-time enrollment, or the number of credits attempted by students?
5. Do you want to encourage students to enroll and complete specific postsecondary education programs where employer demand is growing?
6. Do you want the need-based aid program to *complement* or *supplement* federal financial aid programs, like Pell and SEOG?
7. Do you want the need-based aid program to reduce the reliance on federal and private loans by your students?
8. What resources are available to finance the need-based aid program? Can you reallocate existing institutional or system revenues? Can you seek state or private resources?
9. Who do you think should administer the new program—a state agency, the students' institutions, or maybe a contractor?



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