

UNIVERSITY OF VIRGINIA
BOARD OF VISITORS AGENDA ITEM SUMMARY

BOARD MEETING: February 6, 2004

COMMITTEE: Finance

AGENDA ITEM: Access UVa

BACKGROUND: In order to ensure that access to an undergraduate education at the University of Virginia is available to all students regardless of their financial circumstances, the University proposes to add several innovative components to its already strong need-based financial aid program. The changes will create a comprehensive program to limit the educational debt burden of students during their undergraduate college years - now a cause of constrained career and advanced education choices after graduation.

DISCUSSION: The proposed financial aid initiative, Access UVa, consists of the following four components:

1. Continuation of an existing program to offer 100 percent of demonstrated need to all qualified undergraduate students. The University began offering 100 percent of need to the incoming first-year classes in 2001. In the 2004-2005 academic year, the full commitment will come to fruition as we offer 100 percent of need to all four undergraduate classes on an on-going basis.
2. A new commitment to eliminate need-based loans for low-income students, beginning in Fall 2004. The University will eliminate all need-based loans for students whose family incomes are at or below 150 percent of the poverty level, and replace these loans with grants (not work-study).
3. A new commitment to cap need-based loans for each entering class. The University will implement a cap on the amount of need-based loans to a student who matriculates at the University. Calculation of the loan cap for each incoming class will be indexed to UVa's cost of attendance. The proposal will limit the cumulative amount of need-based loans to approximately 25 percent of the total of UVa's in-state cost of attendance over four years. Demonstrated need above the cap will be met with grants.

4. A new overarching initiative to provide comprehensive financial education. Based on the direction of Federal Reauthorization and concerns expressed nationwide about the accessibility and affordability of higher education, the University will offer a comprehensive program to provide matriculating students and their families information about financing options as well as counseling on debt management.

ACTION REQUIRED: Approval by the Finance Committee and by the Board of Visitors

AUTHORIZATION OF ACCESS UVA

WHEREAS, need-blind admissions for undergraduate applicants and need-based aid for admitted undergraduate students help ensure access to and affordability of education at the University, regardless of a student's financial circumstances; and

WHEREAS, the continued deterioration of funding from the Commonwealth of Virginia will cause an erosion of the quality of the University's academic program unless there is an increase in other sources of revenue including tuition; and

WHEREAS, artificially restraining tuition below cost results in a financial subsidy for every student regardless of need; and

WHEREAS, the University seeks to ensure access and affordability to students who cannot afford the price of an education by providing financial aid rather than by artificially depressing tuition; and

WHEREAS, the University seeks to attract, enroll and graduate a socio-economically diverse student body; and

WHEREAS, since 1985, the University has offered financial aid in the form of grants, loans and work-study to meet 100 percent of financial need for high-need students; and

WHEREAS, in 2001 the University began to phase-in a program to offer financial aid to meet 100 percent of demonstrated financial need for all qualified undergraduate students by the fall of 2004; and

WHEREAS, students graduating with a high level of indebtedness may be limited in their career and advanced education choices upon graduation;

RESOLVED that the Board of Visitors authorizes the implementation of Access UVa, consisting of the following four components to the University's financial aid program:

1. Full implementation in the academic year 2004-2005 of the aforementioned program to offer financial aid to meet 100 percent of demonstrated financial need for qualifying undergraduate students at all income levels;
2. Beginning in the academic year 2004-2005, a four-year phase-in of a new commitment to replace need-based loans with grants for qualifying undergraduate students with family income at or below 150 percent of the federal poverty level;
3. Beginning in the academic year 2005-2006, a four-year phase-in of a new commitment to replace need-based loans with grants for undergraduate students at all income levels, beyond a cumulative loan cap. The loan cap will be set every year for that year's entering class, at approximately 25 percent of the total of UVa's projected undergraduate in-state cost of attendance over four years; and
4. Beginning in the fiscal year 2004-2005, a comprehensive educational program to provide to new students and parents information about financial options and counseling services on debt management.

RESOLVED FURTHER that it is the intent of the Board to allocate tuition and private funds for this purpose, that such allocation will be considered as part of the annual budget process, and that the Executive Vice President and Chief Operating Officer will include in the 2004-2005 operating budget a plan to fund the first component of Access UVa.

UNIVERSITY OF VIRGINIA
FISCAL IMPACT STATEMENT

PROJECT/PROPOSED BOARD OF VISITORS ACTION: Approve Access UVa - a comprehensive, four-part plan to increase need-based financial aid and limit total debt burden for undergraduate students.

DESCRIPTION: The first three components of Access UVa are intended to provide financial aid to ensure access to qualified students with demonstrated need, regardless of their family income. Principally, this involves increasing grant funding to supplement loan and other financial aid programs. The adoption of this program entails raising or redirecting significant resources. The fourth component provides support services for students and families.

FISCAL IMPACT: In the current fiscal year institutional funds devoted to undergraduate need-based grant aid equal \$9.4 million. The first component of the multi-part strategy is the completion of a four-year phase-in of a commitment begun in 2001 to offer 100 percent of need to qualified students with demonstrated need, at all income levels. Assuming an increase in in-state cost of attendance of 5.6 percent between Academic Year (AY) 2003-2004 and AY 2004-2005, the additional cost in FY 2004-2005 is estimated at \$1.66 million, or a 17.6 percent increase in institutional financial aid grant funds. Offering 100 percent of need has been funded each year of its phased implementation from tuition resources within the approved budgets and will continue to be so in future years.

The second component, replacing need-based loans with grants for our qualified, low-income students, would be launched in the fall of 2004 with that year's entering class. This program would be phased in over four years. The cost for the AY 2004-2005 class would be \$0.4 million. This would represent a 4.2 percent increase in the institutional financial aid grant allocation. This component of the plan would be funded from tuition and private resources. By AY 2007-2008 when the four year phase-in is complete, the total funding required would be approximately \$1.6 million, representing a 17 percent increase in institutional financial aid grant funds.

The third component, capping need-based loans for qualified students at all income levels, will be implemented beginning in the fall of 2005. By AY 2008-2009, the incremental funding required is approximately \$1 million, assuming a 5.6 percent increase in the in-state cost of attendance between AY 2003-2004

and AY 2004-2005, with 5.0 percent raises each of the next three years. Due to the planned phase-in for this component of Access UVa, incremental resources will not be required until 2007-2008, and will be funded from tuition and private funds available at that time.

The fourth component, providing financial education and counseling, will require resources for staffing. The scope of the function will be decided, and the funding requirements determined, during the budget approval process.

The estimated costs for Access UVa, assuming no significant changes in the demographic or economic mix of our students, are as follows:

Component	Full Implementation (2008-2009)
(1) Offer 100% of Need	3.6 - 4.4
(2) No Loans for Neediest Students	1.8 - 2.2
(3) Cap on Total Loans	0.9 - 1.1
Total Incremental Cost Above Base Funding	6.3 - 7.7
Base Funding (Academic Year 03-04)	9.44
Total Cost for the Academic Year	15.7 - 17.1

(\$ in millions)

CONCLUSION: The Board should adopt the Financial Aid initiative to provide additional need-based financial aid for qualified undergraduate students with demonstrated need.

RECOMMEND APPROVAL OF BOARD ACTION:



Leonard W. Sandridge
February 6, 2004