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Missouri State Auditor

April 2007

HIGHER EDUCATION

STATE STUDENT FINANCIAL ASSISTANCE



State Funding of Student Financial Assistance Falls Short

Missouri's state funded student financial assistance ranks low while tuition ranks high when compared to six surrounding states (Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma). Most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive assistance due to funding shortfalls. In addition, the amount of individual student awards for the state's two largest student financial assistance programs (Gallagher and Bright Flight) has not been increased in 20 years.

Missouri's methodology to distribute assistance from its largest need-based program (Gallagher) favors students attending private institutions, with students attending private institutions being eight times more likely to receive assistance. Also, as reported in a prior SAO report, DHE continued to rely on institutions to determine student eligibility without verification. As a result, DHE could not assure the accuracy and or reliability of eligibility determinations for award recipients.

Missouri's student financial assistance ranks low while tuition ranks high	For the seven state's reviewed, Missouri's student financial assistance (grants) ranked fourth in terms of assistance provided per student and only fifth in terms of percentage of students assisted. While student financial assistance ranked low, our August 2006 report showed Missouri's tuition level ranked highest in a comparison among seven Big 12 states and second only to Illinois among contiguous states, in fiscal year 2005. (See page 7)
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Method of distributing assistance from the largest need-based program provides advantage to students attending private institutions	Only 2 percent of students attending public institutions received student financial assistance through the Gallagher Program compared to over 16 percent of students attending private institutions. Proposed changes to the method used to determine need and address the eligibility inequity will require legislative approval. The audit also found the majority of students meeting eligibility requirements for need-based scholarships did not receive awards due to state funding shortfalls. (See page 8)
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Improvements still needed in oversight of student financial assistance programs	Although DHE implemented a new database system in April 2005 to better manage the state's student financial assistance programs, it still relies on institutions to determine recipient eligibility. As a result, DHE cannot assure the accuracy and/or reliability of eligibility determinations for award recipients. (See page 10)
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Abbreviations

ACT	American College Test
DHE	Department of Higher Education
FAFSA	Free Application for Federal Student Aid
FAMOUS	Financial Assistance for Missouri Undergraduate Students
FTE	Full-time equivalent
ITSD	Information Technology Services Division
RSMo	Missouri Revised Statutes
SAO	State Auditor's Office
SAT	Scholastic Achievement Test



SUSAN MONTEE, CPA
Missouri State Auditor

Honorable Matt Blunt, Governor
and
Members of the General Assembly
and
Dr. Robert Stein, Commissioner
Department of Higher Education
Jefferson City, MO 65109

The Department of Higher Education (DHE) administered approximately \$41 million in state funded student financial assistance programs in fiscal year 2006. Because of the importance of student assistance programs, we focused audit objectives on determining (1) trends and factors affecting state funded student financial assistance levels and how Missouri's student financial assistance programs compare to surrounding states, (2) whether the state's methodology for determining eligibility for need-based assistance favors students that attend private institutions, and (3) whether the department had implemented our prior recommendation to improve monitoring of student eligibility determinations made by colleges and universities for participation in state funded student financial assistance programs.

We found state funded student financial assistance ranked low when compared to six surrounding states while average tuition to attend a Missouri 4-year public institution (school) ranked high. We also found most students meeting eligibility requirements for the state's largest need-based assistance program did not receive funding, and the maximum annual student award has not increased in 20 years for this program or the state's largest merit based program. In addition, we found the current method to distribute assistance from the state's largest need-based program provides an advantage to students attending private institutions. DHE has proposed changes to the methodology; however, the proposal will require legislative changes to be implemented. We also determined DHE had not implemented our prior recommendation to improve monitoring of student eligibility by colleges and universities for participation in state funded student financial assistance programs. Instead DHE continued to rely on institutions to monitor award recipient activity with no supporting documentation and/or independent DHE verification or monitoring. As a result, DHE cannot assure the accuracy and or reliability of eligibility determinations for award recipients.

We conducted our audit in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States with the exception for impairment of access to student financial assistance records which limited our ability to conduct our work. This report was prepared under the direction of John Blattel. Key contributors to this report were John Luetkemeyer, Ben Douglas, Jeffrey Slinkard, and Michael Price.

A handwritten signature in black ink that reads "Susan Montee".

Susan Montee, CPA
State Auditor

Introduction

The Department of Higher Education (DHE), headed by a coordinating board, has administrative oversight of seven state funded student financial assistance programs.¹ The General Assembly established each program and provided state funding. Standards and criteria contained within Chapter 173, RSMo provide the framework for the student financial assistance program requirements. The Code of State Regulations (6 CSR 10-2) further defines the student financial assistance programs and prescribes DHE oversight responsibilities.

The state funded student financial assistance programs are available to students based on scholastic merit and/or financial need. There are numerous other financial aid, loan, and grant programs available to students through the federal government, institutions, other state agencies, and other organizations which are not administered by DHE. During state fiscal year 2006, DHE reported distributing about \$41.4 million in state student financial assistance to 25,411 students attending approved Missouri postsecondary institutions. Table 1.1 shows student financial assistance programs DHE administered by state appropriation.

Table 1.1: Appropriations for DHE Administered State Funded Student Financial Assistance Programs

Program	Fiscal Year				
	2002	2003	2004	2005	2006
Charles Gallagher	\$17,453,436	16,628,436	16,628,436	16,628,436	16,628,436
Academic Scholarship (Bright Flight)	15,787,000	15,787,000	15,787,000	15,787,000	15,987,000
Missouri Guarantee	6,425,000	7,250,000	8,175,000	8,175,000	8,175,000
Advantage Missouri	2,185,000	1,060,000	629,000	164,825	105,000
Marguerite Ross Barnett	550,000	500,000	425,000	425,000	425,000
Public Safety Officer	45,000	45,000	60,710	60,710	60,710
Vietnam Veterans' Survivor Grant	15,000	12,000	33,570	83,570	50,000
Totals	\$42,460,436	41,282,436	41,738,716	41,324,541	41,431,146

Source: Department of Higher Education

Each student financial assistance program has specific criteria which must be met and sustained to maintain eligibility. See Appendix I for eligibility criteria.

Students apply for need-based state aid by completing and submitting the Free Application for Federal Student Aid (FAFSA). DHE processes merit scholarship applications based on student test scores on the American

¹ The administration of student financial assistance programs includes processing applications, sending notifications to students, transmitting student eligibility information to Missouri institutions, and disbursing program funds to institutions for eligible students.

College Test (ACT) or the Scholastic Achievement Test (SAT). Annually, DHE is responsible for awarding assistance to qualifying students. Because student financial assistance awards are limited by the amount of state appropriations, DHE uses a scoring system to rank applicants. This scoring system ranks student awards based on financial need, and/or the date of application, depending on the program. Once the awards are issued, DHE places reliance upon each institution to monitor the recipients' progress to ensure they maintain required qualifications and report as appropriate. If a recipient fails to maintain the necessary award qualifications the institution is responsible for notifying DHE and returning the funds.

In April 2005 DHE took steps to streamline, simplify, and consolidate the student financial assistance process by releasing its new comprehensive database, Financial Assistance for Missouri Undergraduate Students (FAMOUS). The database integrated five of the seven individual databases (each originally designed to support one of the assistance programs), for the 2005-2006 academic year, into one comprehensive database to enhance management of student financial assistance programs.

Previous SAO Audit Information

The SAO has recently issued three reports relating to tuition and higher education. In September 2002 we reported² DHE did not perform monitoring to verify the validity of data colleges and universities provided to support student eligibility to receive state funded student financial assistance. This occurred because DHE relied on colleges and universities to verify student eligibility from listings provided to them. As a result, DHE could not assure the accuracy and or reliability of the institutions' student eligibility determinations. We recommended DHE perform monitoring and sampling at institutions to verify eligibility determinations. Officials agreed with our findings, noting that DHE had performed limited reviews of eligibility determinations at some institutions in 1999 and 2000. However, they also noted that budget reductions had limited resources to perform thorough and consistent reviews. Officials said DHE would implement a more comprehensive compliance review process for the programs based on available resources. However at the time of our review in December 2006, DHE officials informed us that DHE was unable to implement the compliance review process due to further budget reductions.

In May 2006 we reported³ DHE and the Office of Administration, Information Technology Services Division (ITSD) had not taken all the necessary measures to fully protect confidentiality of student records

² *Department of Higher Education* (SAO Report No. 2002-87, September 2002)

³ *FAMOUS System Data Confidentiality and Security* (SAO Report No. 2006-30, May 2006)

maintained in the FAMOUS system. We recommended DHE and ITSD officials (1) perform a risk assessment of the FAMOUS system to ensure appropriate security controls are in place to mitigate risks, (2) implement or develop security software for FAMOUS that will allow officials to customize and enhance security configurations, (3) discontinue maintaining a centralized list of passwords, and (4) document policies and procedures for several security controls. DHE and ITSD officials agreed with our recommendations and indicated they would take corrective action.

In August 2006 we reported⁴ Missouri's public institutions had some of the highest tuition levels in the Midwest. We also reported that while tuition levels continued to increase at rates above inflation and personal income levels, state funded student financial assistance decreased. We also found although institutions had taken a variety of actions to reduce costs, some institutions still may not have been operating as efficiently as possible because comprehensive on-going efficiency evaluations had not been performed and DHE had no formal centralized clearinghouse to identify, explore, and implement best practices. In addition, we reported that DHE lacked authority to arbitrate disputes related to consortia and collaborative agreements between public institutions.

We recommended DHE continue requesting necessary funding for the department to conduct mission reviews required by state law. And if funding was not provided, DHE should require state funded institutions to conduct periodic efficiency evaluations using pre-defined evaluation criteria and DHE oversight. In addition, we recommended DHE coordinate with institutional officials to develop a clearinghouse to identify cost-effective best practices. We also recommended the General Assembly provide DHE statutory authority to arbitrate disputes between public institutions arising from consortia and collaborative agreements among institutions.

Scope and Methodology

To determine trends in state student financial assistance we analyzed DHE expenditures for student financial assistance from state appropriations between fiscal years 2002 through 2006.

To determine how Missouri's state funded student financial assistance grant programs compared to surrounding states, we contacted six surrounding states—Arkansas, Illinois, Kansas, Kentucky, Nebraska, and Oklahoma. To obtain institution officials' perspective on the management of state student financial assistance programs we met with or contacted six higher education institutions that receive funding for state student financial assistance

⁴ *Tuition Levels Follow-up* (SAO Report No. 2006-52, August 2006)

programs. We met with or contacted three public (Missouri State University in Springfield, Missouri Western State University in St. Joseph, and the University of Missouri – Kansas City) and three private (Central Methodist University in Fayette, Fontbonne University in St. Louis, and Rockhurst University in Kansas City) institutions.

To determine whether the state's methodology for need-based assistance favored students attending private institutions, we analyzed assistance award data, interviewed officials at various public and private institutions, and compared Missouri's methodology to other states.

To determine whether the DHE had established adequate control and monitoring processes to ensure recipients qualify for assistance, we interviewed appropriate personnel and reviewed materials documenting policies and procedures. However, because DHE did not allow access to confidential student financial assistance records, based on its interpretation of federal privacy laws, we could not evaluate the accuracy of student financial assistance eligibility determinations provided to DHE by institutions.

To determine whether the recommendation in our prior report, issued in 2002, had been implemented, we met with DHE officials and obtained information regarding the recommendation's status.

We performed data reliability tests on financial assistance data obtained from DHE and the contiguous states contacted. We determined this information was sufficiently reliable for the purposes of this report.

We requested comments on a draft of our report from the Commissioner of the Department of Higher Education. We conducted our work between September 2005 and December 2006.

Student Financial Assistance Funding Analysis and Program Management

Missouri's state funded student financial assistance ranks low while tuition ranks high when compared to six surrounding states. Most students meeting eligibility requirements for the state's largest need-based student financial assistance programs did not receive funding due to funding shortfalls. In addition, the amount of individual student awards for the state's two largest student financial assistance programs (Gallagher and Bright Flight) has not been increased in 20 years.

Missouri's methodology to distribute assistance from its largest need-based assistance program (Gallagher) favors students attending private institutions, with students attending private institutions being eight times more likely to receive assistance. Also, as reported in a prior SAO report, DHE continued to rely on institutions to determine student eligibility without verification. As a result, DHE could not assure the accuracy and or reliability of eligibility determinations for award recipients.

Missouri's Student Financial Assistance Ranks Low While Tuition Ranks High

State funded grant student financial assistance ranked low when compared to contiguous states. Missouri's student financial assistance in the form of grants ranked fourth in terms of assistance provided per student and only fifth in terms of percentage of students assisted among the seven states represented. Table 2.1 shows a four-year (fiscal 2002-2005) comparison of the percentage of students assisted and the average amount per assisted student.

Table 2.1: Total Student Financial Assistance Provided by State Fiscal Year

State	2002		2003		2004		2005	
	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student	Percentage of Students Assisted	Amount Per Assisted Student
Arkansas	14	\$3,010	9	\$3,147	10	\$2,611	7	\$2,855
Illinois	42	2,224	38	2,125	41	1,914	43	1,796
Kansas	8	1,484	9	1,308	8	1,491	8	1,638
Kentucky	66	1,024	69	1,110	71	1,284	75	1,334
Missouri	14	1,632	12	1,622	11	1,617	11	1,612
Nebraska	17	583	14	599	16	668	15	686
Oklahoma	22	1,150	20	1,233	19	1,338	22	1,412

Source: Prepared by the SAO using student financial assistance data from the Missouri Department of Higher Education and other noted states. We obtained full-time equivalent (FTE) student data from the National Association of State Grant & Aid Programs. Data for the states of Iowa and Tennessee, and the Big 12 states of Colorado and Texas were not available.

While student financial assistance ranked low, our August 2006 report showed for the 3-year period ending in fiscal year 2006, tuition to attend a Missouri 4-year public institution increased at rates faster than inflation and personal income while state provided assistance grants actually decreased from fiscal year 2002 levels. The report also noted Missouri's tuition level ranked highest in a comparison among seven Big 12 states and second only to Illinois among contiguous states, in fiscal year 2005.

The majority of students eligible for need-based scholarships did not receive funding

State funding falls short of meeting the amounts necessary to fund student financial assistance for students meeting the eligibility criteria requirements for Missouri's two largest need-based programs. According to information compiled by DHE, the percentage of eligible applicants receiving funding declined from 27 and 25 percent in fiscal year 2002 to 19 and 20 percent in fiscal year 2006 for the Gallagher and Missouri Guarantee assistance programs, respectively.

Amount of individual student assistance awards not increased in 20 years

In addition, maximum program assistance amounts students are eligible to receive from the state's largest need-based and largest merit-based student financial assistance programs have not increased in the past 20 years. Maximum annual program amounts of \$1,500 per student for the need-based Gallagher program and \$2,000 per student for the merit-based Bright Flight program (the two largest state funded programs) have not changed since 1979 and 1987, respectively.

State's Methodology for Largest Need-based Program Results in Advantage for Students Attending Private Institutions

Officials at five of the six institutions contacted told us the current methodology used to determine need for the state's largest need-based assistance program, the Gallagher program, provides an advantage to students attending private institutions over students attending public institutions. According to one institution official, the need determination for the Gallagher program "provides students attending private schools a significant advantage over students attending public schools. Since private schools charge higher tuition, and tuition is included in the determination of need, students at private schools with higher EFC (expected family contributions) can qualify for DHE need-based programs while those same students would not qualify if they chose to attend a public school." An official from another institution said "since Gallagher grant funding is tied to institutional cost of attendance, there is a significant advantage to students attending private or higher cost institutions. Funding should be tied to the need of the student."

Table 2.2 shows the number of students provided assistance and the amount of assistance provided from the Charles Gallagher program for fiscal years 2003 through 2005.

Table 2.2: Charles Gallagher Program Awards by State Fiscal Year

Type of Institution	2003		2004		2005	
	# Awards	Amount	# Awards	Amount	# Awards	Amount
Public 4-year ¹	2,491	\$3,077,976	2,031	\$2,532,176	1,739	\$2,177,309
Private 4-year ¹	9,379	\$12,756,735	9,687	\$13,089,160	9,758	\$13,173,301

¹The assistance amounts shown includes amounts distributed to public and private non-profit 4-year institutions does not include amounts provided to other public and private institutions.

Source: Department of Higher Education

Private students eight times more likely to receive state student financial assistance

Based on the above information, in fiscal year 2005, students attending private non-profit 4-year institutions received 85.8 percent of the total Gallagher funding compared to only 14.2 percent for students attending 4-year public institutions. In comparison, for fiscal year 2005, 86,129 FTE potentially eligible undergraduate students attended 4-year public institutions while 59,030 potentially eligible undergraduate FTE students attended 4-year non-profit private institutions. As a result, only 2 percent⁵ of students attending public institutions received student financial assistance through the Gallagher Program compared to over 16 percent⁶ of students attending private institutions.

We contacted officials in six contiguous states to compare the features of their need-based programs to Missouri's need-based programs. All of these states provided need-based student financial assistance to both public and private institution students. According to state officials in four states (Arkansas, Kentucky, Nebraska, and Oklahoma) the methods used to determine need for primarily need-based grant programs did not provide an eligibility advantage to private institution students. However, officials in two states (Illinois and Kansas) said the method they use to determine need could provide some advantage to private institution students, because of the higher costs of attendance at private institutions. In addition, officials in Kansas, Kentucky and Oklahoma said they also have smaller need-based programs that provide assistance to only private institution students.

⁵ 1,739 divided by 86,129

⁶ 9,758 divided by 59,030

Proposed changes to DHE methodology requires legislative action

In December 2006, DHE's coordinating board approved changes proposed by its appointed student financial aid committee. These proposed changes to the method used to determine need for need-based assistance programs would eliminate institution cost as a component of determining eligibility. Student eligibility would be based on the ability to pay, as determined by the federally calculated expected family contribution. If a student's expected family contribution is below the cutoff point, the student would be eligible for an award regardless of the type of institution attended although the maximum award amount varies by institution type (4-year public, 2-year public, or private/independent institution). While the proposed changes may address the eligibility inequity involving public versus private students, the proposal will require legislative changes to be implemented.

Improvements Still Needed in Oversight of Student Financial Assistance Programs

As we reported in September 2002, DHE continues to rely on institutions to determine recipient eligibility without verifying supporting documentation. In addition, student financial assistance officials at six institutions contacted cited a need to improve student financial assistance management. For example, most of the officials were not aware of DHE's student financial assistance return policy for funds distributed to institutions for ineligible recipients. Also, while DHE has improved management of the state funded student financial assistance programs through implementation of the FAMOUS system, additional program management improvements are needed.

Student financial assistance eligibility verification still inadequate

Although DHE implemented its FAMOUS database system in April 2005 to better manage the state's student financial assistance programs, it still relies on institutions to determine recipient eligibility. As a result DHE cannot assure the accuracy and/or reliability of eligibility determinations for award recipients. DHE officials stated the agency had not developed and implemented a more comprehensive compliance review process as agreed in its response to our September 2002 audit report because of staffing and resource limitations. According to officials, DHE's state aid program administrative budget had been reduced from five FTE staff and \$348,198 in state fiscal year 2003 to two FTE and \$119,416 in state fiscal year 2006.

According to DHE officials, various institution officials had discussed, but decided against the idea of including additional eligibility information such as grade point average when designing the FAMOUS system. According to DHE officials, the FAMOUS system is set up to handle the addition of this information, and agreed it is an issue that could be revisited in the future.

Institution officials' comments regarding improvements needed

Officials from three of the six institutions contacted supported DHE requiring more information such as student grade point average and student course load, in the FAMOUS system to improve eligibility verification,

Eligibility verification cut-off policy guidance needed	<p>especially since DHE does not have the resources to implement an ongoing monitoring process. However, they also said that any changes should be easily implemented because anything that added time to the certification process was problematic.</p>
DHE lacks student financial assistance refund policy for two programs	<p>Officials at four of the six institutions we contacted agreed DHE should have policy guidance specifying a definite cut-off date for institutions to certify recipient eligibility to participate in state funded student financial assistance programs. In addition, officials at these same four institutions discussed the need for DHE to develop a better method of evaluating available program assistance funds and make estimated need cut-offs more realistic.</p>
Improvements needed to make the FAMOUS system more efficient and user friendly	<p>Officials at five of the six institutions we contacted said DHE should have policy guidance specifying a return policy for funds distributed to institutions for ineligible recipients. For example, officials at one institution said federal funds are returned based on federal regulations but in the case of state funds, since there is no state refund policy, no funds are returned to DHE. However, DHE has established refund policies for most state student financial assistance programs, but has not established refund policies for the Missouri Guarantee and Gallagher programs.</p>
	<p>Officials at all six institutions we contacted discussed the need for improvements to the FAMOUS system to make it more efficient and user friendly. According to a DHE official, DHE conducted a survey of institution officials regarding the FAMOUS system and DHE has proposed a number of changes that would accommodate as many of the institutions' requests as possible. Scheduled implementation for these changes is for the 2007 spring semester.</p>

Conclusions

Tuition to attend a Missouri 4-year public institution increased at rates faster than inflation and personal income while state provided student financial assistance actually decreased over the 4 fiscal years 2002 through 2005. Due to funding shortfalls the majority of students eligible for need-based scholarships have not received student financial assistance. In addition, the methodology to award student financial assistance for the state's largest need-based program provides an eligibility advantage to students attending private institutions. A DHE student financial assistance task force has proposed changes to this methodology, but the proposal will require legislative changes to be implemented.

DHE continues to rely on institutions to determine recipient eligibility without verifying supporting documentation. As a result, DHE cannot assure the accuracy and or reliability of eligibility determinations for award

recipients. DHE also has not established refund policies for two student financial assistance programs. In addition, since institution officials are not aware of existing policies, DHE needs to increase communication and monitoring efforts to ensure ineligible funds are returned to DHE for redistribution on behalf of other eligible students.

While DHE has improved management of the state funded student financial assistance programs through implementation of its automated database, the FAMOUS system which was implemented in April 2005; improvements planned by DHE, if implemented, should further improve management of student assistance programs.

Recommendations

We recommend the Commissioner of the Department of Higher Education:

- 2.1 Seek legislation to revise the current methodology to determine need for the Gallagher program so that students attending either private or public institutions are treated equitably.
- 2.2 Implement procedures to verify student eligibility determinations. Examples of improved procedures could include on-site verification of individual student records, desk audits of student information sent in by institutions, and/or working with internal auditors at the institutions.
- 2.3 Review and improve policies and procedures governing cut-off dates for determining eligibility, estimating available funding and need-based limits, and returning funding for ineligible recipients.
- 2.4 Ensure planned improvements to the FAMOUS system are implemented as scheduled.

Agency Comments

- 2.1 *The DHE worked with a statewide task force for more than 18 months in designing a single state need-based financial assistance program to replace Missouri's two major need-based programs (Gallagher and Guarantee). The new program, which was approved by the Coordinating Board for Higher Education in October 2006, has been introduced as part of Senate Bill 389. If passed, financial need for the new program will be determined by one criterion - expected family contribution. With this new methodology and additional funds recommended for its support, it is anticipated that the state's investment in student financial assistance will be more equitably distributed between independent and public sector institutions, contingent upon utilization factors.*

2.2 *The DHE continues to face challenges associated with verification of student eligibility determinations, beyond reliance on institutional self reports, due to current staff assignment. Independent verification, either through staff reviews and/or desk audits on a sample from each school, is a priority of the DHE but would require additional resources. In the interim, we will explore with institutions utilization of internal auditors to help with this task.*

2.3 *An April 1 cut-off date for student application has been DHE policy and was reinforced for the 2007-2008 academic year payment cycle in training materials for school and public information documents for students, families, and school counselors. In addition, for this year, July 31st was established as a priority cut-off date for the amendment of FAFSA data by students. Any revisions of the application before that date will be reflected in each student's final eligibility determination.*

With regard to a cut-off date for institutions to certify recipients' eligibility, current department policy is that fall eligibility cannot be updated after January 31. Spring eligibility can be updated through the last date the Office of Administration will accept payment documentation, usually a few days before June 30. This policy is designed to ensure the greatest number of eligible students receive awards by providing time for institutions to monitor student eligibility, correct errors in the certification of students, and request funds later in the award process. Based on the audit report, the department will conduct a comprehensive survey of participating institutions to determine if this policy should be revised.

Procedures and reports are now established for estimating available funding and need-based limits. However, because the FAMOUS system has only been in use for one full academic year and these procedures and reports are relatively new, staff is working to improve their accuracy.

The policy of the DHE that funds for ineligible students must be returned to the DHE has been communicated to each participating school. Each of the six schools interviewed for the report have returned funds for both the 2005-2006 and 2006-2007 academic years for the Gallagher program. In order to further strengthen processes in this area, the DHE will use the administrative rule process to promulgate such requirements for both Gallagher and Guarantee if both of these programs are still operative in fiscal year 2008. Should these programs be replaced with the new single need-based program

as defined in Senate Bill 389, the proposed legislation explicitly defines conditions and processes to use for return of funds for ineligible students.

- 2.4 The DHE continues to work to implement improvement to the FAMOUS system as quickly as possible. Records show that updates to the FAMOUS system have been released as scheduled. With the anticipation of a single new state need-based financial aid program, department priority has been assigned to design of a fast-track implementation program so the new program can be implemented beginning fall 2007, should legislation be passed. Consequently, with the exception of emergency changes, enhancements to the FAMOUS system will be discontinued during fast-track implementation but will resume once that project is complete.*

DHE State Funded Student Financial Assistance Program Eligibility Criteria

- The Charles Gallagher Student Financial Assistance Program established in 1972, is a need-based grant program, with a maximum annual award amount of \$1,500. The recipient must demonstrate a financial need based on "the cost of attendance less expected family contribution and estimated Federal Pell Grant award. The recipient must be a full-time undergraduate student working toward a first baccalaureate degree at an approved Missouri postsecondary school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. In addition, the recipient must not be pursuing a degree or certification in theology or divinity. The FAFSA must be received by April 1.
- The Higher Education Academic Scholarship Program or Bright Flight is a merit-based scholarship program established in 1987 with a maximum annual award amount of \$2,000. The recipient must have a composite score on the ACT or the SAT in the top 3 percent of all Missouri students taking the tests. The recipient must be a graduating high school senior who enrolls as a first-time, full-time student at an approved Missouri postsecondary school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. The recipient must not be pursuing a degree or certification in theology or divinity. The scholarship is renewable annually for up to ten semesters.
- The Missouri College Guarantee Program established in 1999, is a need-based grant program based on demonstrated financial need, as well as high school and college academic achievement. The maximum annual award shall not exceed the average cost of attendance at the campus of the University of Missouri with the largest total enrollment and a book allowance established by DHE. The recipient must have a high school grade-point average of 2.5 or higher on a 4.0 scale and score 20 or higher on the ACT or 950 or higher on the SAT. The recipient must have participated in high school extracurricular activities, and must be enrolled full-time at a participating Missouri postsecondary school. The recipient must maintain satisfactory academic progress as defined by the school. The recipient must be a Missouri resident and a United States citizen or eligible non-citizen. The recipient must not be pursuing a degree or certification in theology or divinity. The FAFSA must be received by April 1.
- The Marguerite Ross Barnett Competitiveness Scholarship Program is a need-based scholarship program established in 1988. The recipient must be 18 years of age, enrolled at least half-time, but less than full-time at an approved public or private institution and

maintain satisfactory academic progress as defined by the school. The recipient must demonstrate financial need. The recipient must be employed and compensated for at least 20 hours per week. The recipient must also be a Missouri resident and a United States citizen or eligible non-citizen and not be pursuing a degree or certificate in theology or divinity.

- The Advantage Missouri Program established in 1999, is a loan and loan forgiveness program. Eligibility requires full-time enrollment in an eligible institution, unless approved for less than full-time, and meets the following requirements: a high school diploma, general educational development certificate (GED), or its equivalent; satisfactory academic progress; not confined in a federal or state correctional facility or jail; has not defaulted on a prior higher education loan; and submits a board provided application for program participation. Eligible students may participate in the program up to ten semesters, whether consecutive or not, and may be awarded loans up to \$2,500 per academic year, not to exceed \$10,000. Eligible students may qualify for loan forgiveness for loans received through the program if they agree to employment in a high demand occupational area in the state of Missouri, as determined by the board, with employment beginning within one calendar year of graduation. Loan forgiveness is approved on a year-for-year basis, with each year of approved employment qualifying the student for forgiveness of one year's loans. Students electing not to comply with employment requirements, or students failing to meet requirements, will be required to repay loans received, with interest.
- The Public Safety Officer or Employee Survivor Grant Program established in 1987, provides tuition grants to dependent children and spouses of public safety officers or Missouri Department of Transportation employees engaged in the construction or maintenance of the state's highways, roads, and bridges who were killed or permanently and totally disabled in the line of duty. The recipient must be enrolled (or accepted for enrollment) as a full-time undergraduate student at a participating Missouri postsecondary school. Children recipients must be less than 24 years of age. The recipient can receive the lesser of actual tuition charged at the school where he/she is enrolled full-time, or the amount of tuition charged for the same academic major at the University of Missouri – Columbia. The recipient must also be a Missouri resident and a United States citizen or eligible non-citizen and not be pursuing a degree or certificate in theology or divinity.

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- The Vietnam Veterans' Survivors Grant Program established in 1991, is available to children and spouses of Vietnam veterans whose death was attributed to or caused by exposure to toxic chemicals during the Vietnam conflict. The recipient must be enrolled (or accepted for enrollment) as a full-time undergraduate student at a participating Missouri postsecondary school, maintain satisfactory academic progress as defined by the school, must be a Missouri resident and a United States citizen or eligible non-citizen, and must not be pursuing a degree or certification in theology or divinity. The recipient must also provide a qualified medical certification by a Department of Veterans Affairs medical authority to verify that toxic chemical exposure contributed to or was the cause of the veteran's death. Grants may be renewed annually until a student has obtained a baccalaureate degree or has completed 15 semester credit hours, whichever comes first. Grant awards are not available during summer terms. The maximum annual grant is the least of the actual tuition charged at the school in which the student is enrolled full-time or average amount of tuition charged to a Missouri undergraduate resident enrolled full-time in the same class level and in the same academic major at the Missouri public 4-year regional institutions.

We obtained descriptions of Missouri's student financial assistance programs from DHE's web site (dhe.mo.gov) and/or Chapter 173, RSMo.