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Interim Executive Director

January 8, 2016

Dear Members of the South Carolina General Assembly:

On behalf of the Commission on Higher Education, it is my pleasure to transmit to you the enclosed report pursuant to Proviso 11.41 of Act 91 of 2015 (FY 2015-16 Appropriations Act).

The report provides a study examining costs and considerations relating to the viability of a financial aid program for students in our technical colleges to attend without paying tuition and fees. In developing this report, our staff worked closely with colleagues at the State Technical College System Office and greatly appreciated their assistance and contributions to this work.

Presented in the report, which also includes for reference a one-page executive summary, are three scenarios that take into consideration the state's current robust financial aid opportunities for students. The scenarios outlined do not represent a definitive program or exhaustive list of potential financial aid programs that could be implemented depending on state's desired goals. Instead, they are intended to assist in informing the conversation and in understanding potential costs and impacts of broadening financial aid programs at the state's technical colleges for state residents.

We hope the enclosed information will be helpful to you in discussions about how we best address affordability for our students and look forward to working with you in this endeavor.

Again, thank you for the opportunity to submit this report, and importantly, for all you do on behalf of the state and higher education in ensuring affordable, accessible, and quality opportunities for our state's citizens. If we can be of assistance to you, please do not hesitate to call on me or our staff.

Sincerely,

A handwritten signature in black ink, appearing to read "Tim M. Hofferth".

Tim M. Hofferth
Chair

cc: Members of the SC Commission on Higher Education
Mr. Gary Glenn, Interim Executive Director
Dr. Jimmie Williamson, President, SC Technical College System

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SOUTH CAROLINA COMMISSION ON HIGHER EDUCATION

Analysis of Potential New Financial Aid Program for Students at SC Technical Colleges

**Report Submitted to the S.C. General Assembly Pursuant to
Proviso 11.41 of the FY 2015-16 Appropriations Act (Act 91 of 2015)**

January 7, 2016

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Analysis of Potential New Financial Aid Program for Students at SC Technical Colleges

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Executive Summary

The enclosed report addresses Proviso 11.41 which calls for the Commission on Higher Education (CHE) to examine the viability of a financial aid program for students in our technical colleges to attend without paying tuition and fees. This report provides an analysis of the projected costs and impacts of three financial aid programs that aim to reduce the out-of-pocket expenses for students enrolling in one of the state's 16 technical colleges. The presented scenarios include:

- 1) Providing aid to cover the full cost of tuition and mandatory fees for in-state, degree-seeking students;
- 2) Providing aid to cover the full cost of tuition and mandatory fees for in-state, degree-seeking students who are receiving a federal Pell Grant; or
- 3) Allowing recent high school graduates who are Pell Grant recipients to apply existing Lottery Tuition Assistance (LTA) awards towards the cost of attendance.

Data from enrollment, scholarship, and tuition files for the technical colleges from fall 2014 through summer 2015 terms were used to generate cost estimates for the three scenarios. The report finds:

- 1) A full free tuition and mandatory fees program for any student enrolling in at least 6 credit hours at a technical college would cost about **\$71.9 million** per year,
- 2) A program that covers the gap between existing financial aid and tuition and mandatory fees for only those who are Pell Grant recipients enrolling in at least 6 credit hours at a technical college would cost about **\$5.6 million** annually, and
- 3) Allowing LTA funds to be used towards cost of attendance (tuition and fees and other college attendance costs such as books, room and board, transportation, etc.) rather than restricting it to only cost of tuition and required fees for recent high school graduates who enroll in at least 6 credit hours and are Pell Grant recipients would cost about **\$38.8 million** per year.

About 68 percent of South Carolina's public high school seniors enroll in a college or university in the fall following their graduation according to reports from the Department of Education. Providing additional financial aid could increase that number by approximately 4 percentage points which would equate to a minimum of 1,700 additional students annually.

Attracting additional students to a technical college by increasing available financial aid would result in exposing more of the state's residents to higher education and workforce skills. However, without additional student support services (and possibly other retention initiatives) to ensure the beneficiaries of a new financial aid program persist in college and complete their degrees, it is unlikely that there will be a sizeable impact on the state's educational attainment rate.

The scenarios presented do not represent a definitive program or an exhaustive list of potential financial aid programs that could be implemented depending on the state's desired goals, but they can inform further conversation and assist in understanding the potential costs and impacts of broadening existing financial aid programs at the state's technical colleges toward covering the cost of tuition and fees for South Carolina residents.

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Analysis of Potential New Financial Aid Program for Students at SC Technical Colleges

BACKGROUND

Proviso Requirements

Proviso 11.41 of the South Carolina General Appropriations Act (Act 91 of 2015) for FY 2015-16 directs the Commission on Higher Education (CHE) to examine the viability of a program that allows a student who graduated from high school in South Carolina (or attained the equivalency) to attend a state technical college without paying tuition and fees at the institution for a specified period. The proviso requires CHE to submit a report summarizing its findings and proposing criteria for the program to the General Assembly not later than by January 31, 2016. (See **Appendix A** for a copy of the proviso.)

As part of the analysis CHE is directed to consider:

1. The anticipated number of students who will participate in the program;
2. The anticipated annual cost of the program along with federal, state, and other sources of funding that could be used towards the costs of the program;
3. The current capacity of the state technical colleges to enroll additional students;
4. The ability of the program to increase the state's pool of skilled workers and meet projected workforce demands;
5. The impact of the program to increase educational attainment in the state;
6. The regions of the state the program would likely significantly increase educational attainment and workforce readiness;
7. Potential eligibility criteria for students participating in the program; and
8. The possibility of requiring students to first use financial aid available to the students, including federal funding provided to low-income students for the purpose of paying for post-secondary education.

CHE has worked with its partners at the SC Technical College System to analyze current enrollment, financial aid, tuition, and capacity in order to make the projections presented in this report. The majority of the findings are based on analysis of in-state, degree-seeking technical college students in the fall of 2014 and spring and summer of 2015.

This report is organized as follows. First, it will briefly describe existing financial aid programs available to resident students in South Carolina's technical colleges as well as an overview of which of these students are receiving this aid and in what amounts. Next, three potential new financial aid programs will be presented along with their anticipated annual cost. The report will conclude with an analysis of how different new financial aid programs may impact the state in terms of: 1) capacity of the state's technical colleges; 2) ability of a new financial aid program to increase the state's pool of skilled workers; 3) potential of the new program to impact the state's educational attainment levels; and 4) potential impact on the regions of the state.

Existing South Carolina Financial Aid Programs

South Carolina students benefit from general state/lottery-supported financial aid programs in South Carolina. For South Carolina resident students in degree programs at the state's technical colleges, state-supported programs include the merit-based Legislative Incentives for Future Excellence (LIFE) scholarship, South Carolina Need-based Grants, and Lottery Tuition Assistance (LTA) grants. In addition to these state programs, South Carolina residents

may also receive the federal need-based Pell Grants. While these programs are the four primary forms of financial aid for students in the technical colleges, these students may also receive other federal aid such as the Supplemental Educational Opportunity (SEOG) Grant and College Work Study, financial aid from private gift aid sources, other smaller institutional aid programs, or the state-supported South Carolina National Guard tuition assistance program that are available to serve limited populations. See **Appendix B, Table 1** for information on the number of current degree-seeking students at the state's technical colleges receiving various combinations of existing federal/state aid.

In 2001 the General Assembly in South Carolina established the Lottery Tuition Assistance (LTA) Program, which currently aids tens of thousands of students per year. LTA is available to eligible students in the state's public and independent colleges who are enrolled full- or part-time taking at least six hours in degree programs including certificate, diploma, and associate degree programs. In FY 2014-15, nearly 42,000 students (93% of which were enrolled in the technical colleges) were awarded about \$51 million (94% of which was awarded through the technical colleges). Some of the requirements for LTA include filing the Free Application for Federal Student Aid (FAFSA) or completing a FAFSA waiver if not eligible for federal aid, being a South Carolina resident, enrolling in a minimum of six credit hours per term as a degree-seeking student, and not receiving the South Carolina HOPE, LIFE, or Palmetto Fellows Scholarships. Students must maintain a minimum 2.0 grade point average (GPA) after attempting 24 credit hours to remain eligible. Students cannot receive LTA funds for more than one certificate, diploma, or associate degree within any five-year period unless the additional credential constitutes progress in the same field of study.

At the state's technical colleges (and other eligible two-year public or independent institutions) in the 2015-16 academic year, LTA provides up to \$1,200 per term for full-time students or up to \$100 per credit hour for part-time students taking a minimum of 6 hours toward the cost of tuition and required fees. LTA, by statute, is awarded after any federal aid and the state Need-based Grant. For many students the combination of aid from the Pell Grant and LTA are sufficient to cover their tuition and required fee costs.

The LTA award is not an "open-ended" funded program like the state's merit-based scholarships (i.e., Palmetto Fellows, LIFE and HOPE) and the state Need-based Grants. The LTA award level for full-time and part-time students is determined each year based on available appropriations and anticipated number of students to be served. The level is set at the beginning of the academic year for the fall term with the award anticipated to be maintained in the spring and summer terms. LTA is available only up to the level of tuition and required fees and must be applied toward tuition and required fees after first applying federal aid and after applying SC Need-based Grants. While the level of LTA awards does not cover the full cost of tuition and required fees at the state's technical colleges, it, combined with other financial aid, significantly reduces the out-of-pocket costs for South Carolinians attending one of the 16 technical colleges. See **Appendix B, Table 2** for in-district tuition and required fees for full-time students and the percentage of the tuition and required fees that are covered by a full LTA award.

Cost of Tuition vs. Cost of Attendance

Unlike the other state-supported financial aid programs which may be applied toward a student's cost of attendance, LTA applies only toward the cost of tuition and required fees.

Tuition is the amount of money charged to students for instructional services and may be charged per term, per course, or per credit. Required fees include all fixed sum charges that are required of such a large proportion of all students that the student who does not pay the charges is an exception. Published tuition information per federal reporting definitions is the amount of tuition and required fees covering a full academic year most frequently charged to students. These values represent what a typical student would be charged and may not be the same for all students at an institution. If tuition is charged on a per-credit-hour basis, the average full-time credit hour load for an entire academic year is used to estimate average tuition.

The cost of attendance (COA) on the other hand takes into account not only tuition and required fees but also other costs for attending college each year. The COA includes tuition and fees; on-campus room and board (or a housing and food allowance for off-campus students); and allowances for books, supplies, transportation, loan fees, and, if applicable, dependent care. It can also include other expenses like an allowance for the rental or purchase of a personal computer, costs related to a disability, or costs for eligible study-abroad programs.

POTENTIAL NEW FINANCIAL AID PROGRAM SCENARIOS

Three new financial aid program scenarios will be presented below that range in cost from \$5.6 million annually to nearly \$72 million annually. Each has unique features that could assist students with the cost of attending a technical college.

- \$71.9 million: covers all existing and potential new tuition gaps for any in-state, degree-seeking technical college student enrolled in at least 6 credit hours per semester
- \$5.6 million: covers all existing and potential new tuition gaps for any in-state, degree-seeking, Pell Grant recipient enrolling in a technical college for at least 6 credit hours per semester
- \$38.8 million: allows in-state, degree-seeking technical college students who are current Pell Grant recipients to apply LTA funding towards cost of attendance rather than capping the LTA award at cost of tuition and required fees

These three scenarios are in keeping with Proviso 11.41 in that the first scenario presents an estimated cost to provide free tuition and fees to students in technical colleges enrolled in at least six credit hours in a degree seeking program. The second scenario is a variant of the first focusing only on those students who are identified as need-eligible based on receipt of a Pell Grant and covering any remaining gap between their existing financial aid and their tuition and required fees. The third focuses on need-eligible students and enables those eligible for the existing LTA program to use their LTA awards towards cost of attendance rather than capping LTA at the cost of tuition and required fees.

Scenario A: Full Tuition Coverage All Students 6+ Credit Hours

To completely cover the tuition and required costs for all technical college in-state, degree-seeking students attempting at least 6 credit hours per term would require additional funding of approximately \$72 million per year. If tuition and fees are fully covered regardless of the number of hours taken, the amount would be on the order of \$79 million necessary to fill the gap in costs after financial aid. See **Appendix C** for a complete explanation of the methodology.

Table 1: Estimated Cost of a Full Free Tuition Program for Students Enrolled in 6+ Credit Hours at SC Technical Colleges

Existing Students	Fall 2014	Spring 2015	Summer 2015		Total
Receive Aid < Tuition (Gap)	21,120	19,647	10,980		
Existing Gaps (receiving aid)	\$13,080,096	\$12,021,357	\$6,059,963		\$31,161,416
Receive No Aid	9,888	9,145	5,967		
Existing Gaps (no aid)	\$15,468,955	\$14,110,344	\$8,160,942		\$37,740,241
New Students					
Total	1,710	1,562	756		
Projected to Receive Aid	1,480	1,348	586		
Projected to Receive No Aid	230	214	170		
Average Gap (with Aid)	\$619.32	\$611.87	\$551.91		
Average Gap (with No Aid)	\$1,564.42	\$1,542.96	\$1,367.68		
Total New Gap	\$1,276,405	\$1,154,492	\$555,911		\$2,986,808
TOTAL COST (Existing and New)	\$29,825,456	\$27,286,193	\$14,776,816		\$71,888,465

Scenario B: Full Tuition Coverage for Pell-Recipient Students

If the goal of a free tuition program is to help those most in need, a program could be put in place that only covers tuition gaps for those students who receive a federal Pell Grant each term. Low-income students benefit greatly from Pell Grants, and the Pell Grant funds alone cover the full cost of tuition for about 85 percent of recipients.

Covering the remaining tuition costs for those students in the technical colleges who are Pell-recipients would cost approximately \$5.6 million annually. See **Appendix C** for a complete explanation of the methodology.

Table 2: Estimated Cost of a Free Tuition Program for Pell-Recipient Students at SC Technical Colleges

Existing Students	Fall 2014	Spring 2015	Summer 2015	Total
Students Receiving Pell	45,473	41,303	13,874	
Students with Pell and Gap	5,256	5,345	2,606	
Pell Gap	\$2,092,127	\$2,109,233	\$816,774	\$5,018,134
Possible Pell Eligible (with aid gap) ¹	489.7	505.9	338.0	
Avg. Tuition Gap (after Pell Aid)	\$398.05	\$394.62	\$313.42	
Total Tuition Gap (Possible Pell Aid)	\$194,927	\$199,633	\$105,938	\$500,498
New Students				
Total	1,710	1,562	756	
Projected to Receive Pell	980	890	299	
Projected to Receive Pell but Still Gap	114	115	56	
Average Gap	\$398.05	\$394.62	\$313.42	
Total new Gap	\$45,242	\$45,324	\$17,640	\$108,206
TOTAL COST (Existing and New)	\$2,332,296	\$2,354,190	\$940,352	\$5,626,838

¹ See **Appendix C**, Scenario B for complete methodology.

Scenario C: Full LTA Funding for Recent High School Graduates in Need

In order to assist students who may have the most need for additional financial aid, a program could be limited to those with household incomes less than a particular threshold. Neither CHE nor the Technical College System Office has data available on the income distribution of students enrolled in the technical colleges, so Pell-receipt or potential Pell-eligibility was used as a proxy for “needy” for purposes of this analysis.

Currently students who receive LTA funding must apply any other federal grant or state need-based aid before applying LTA funding. Also, LTA funding is capped at the cost of tuition and required fees for each student. Thus, a full-time student who has semester tuition costs of approximately \$1,979 and a Pell Grant of \$1,500 would only be eligible for a maximum of \$479 from the LTA program instead of the potential maximum of \$1,140 (\$1,200 for academic year 2015-16).

This program scenario would allow students who received a Pell Grant, met all other eligibility requirements for LTA, and who had graduated within the past six years to use their LTA funding towards the cost of attendance rather than capping it at cost of tuition. Thus, the example student would receive \$1,500 from Pell and the full \$1,140 from LTA meaning they would have an additional \$661 in funding that could be applied towards books, course or program-specific fees, transportation, childcare, or any other costs associated with college attendance. The estimated price for this type of program including both existing and new students is \$38.8 million per year. See **Appendix C** for a complete explanation of the methodology.

Table 3: Estimated Cost of Providing LTA up to Cost of Attendance for Pell-Recipient Students at SC Technical Colleges

Existing Students	Fall 2014	Spring 2015	Summer 2015	Total
Eligible Students	19,980	18,118	4,416	
Average Current Aid	\$2,232	\$2,193	\$1,632	
New Average Aid	\$3,118	\$3,077	\$2,266	
Current LTA Awards	\$1,622,831	\$1,442,942	\$580,293	
Maximum LTA Award	\$19,492,290	\$17,466,224	\$3,379,815	
Additional Cost	\$17,869,459	\$16,023,282	\$2,799,522	\$36,692,262
<i>Number Still with Tuition Gap</i>	<i>903</i>	<i>883</i>	<i>392</i>	
<i>Total Remaining Gap</i>	<i>\$241,922</i>	<i>\$228,033</i>	<i>\$85,339</i>	
New Students				
Projected to Qualify	1003.77	930.04	278.05	
Average New LTA Aid	\$975.59	\$964.03	\$765.36	
Total New LTA Cost	\$979,268	\$896,590	\$212,811	\$2,088,670
TOTAL COST (Existing and New)	\$18,848,727	\$16,919,872	\$3,012,333	\$38,780,932

WHO IS CURRENTLY RECEIVING FINANCIAL AID?

For fall 2014, approximately 86.6% of all in-state, degree-seeking students attempting at least 6 credit hours at the technical colleges received some form of aid from the primary federal and state sources. Data are currently not available on the amounts of institutional aid or private gift aid received by these students. This leaves a remainder of about 9,888 (13.4%) students that received no aid from the federal Pell Grant program or state-supported scholarships and grants. Similar percentages were experienced in spring 2015 with those receiving aid at 86.3% and those not receiving any aid at 13.7%. For summer 2015, the likelihood of receiving any aid was slightly lower with 77.5% of all in-state, degree-seeking students receiving some form of aid and 22.5% receiving no aid.

Those more likely to receive no aid included white males, those enrolled with part-time status, those with a graduation year of between 2001 and 2010, and those seeking a certificate of less than one year. See **Appendix D** for more details on the percentage of students receiving aid/no aid by gender and race/ethnicity as well as financial aid receipt by technical college.

CURRENT CAPACITY AVAILABLE AT STATE TECHNICAL COLLEGES

To examine capacity, enrollment over the past 10 years was reviewed. During this timeframe, most technical colleges experienced their peak enrollment between fall 2009 and fall 2012. Many have seen declines in enrollment in excess of 10 percent since their peak indicating that they would likely be able to absorb an increase in enrollment. Florence-Darlington Technical College experienced its highest enrollment in fall 2014, so it is unclear at this time whether they are at their maximum capacity or if potential new expansions could accommodate additional students. See **Appendix E** for total enrollment, by institution, between fall 2008 and fall 2014.

In terms of physical space, the enrollment data suggest that it is likely that most of the colleges have the capacity to handle projected increases in enrollments, with some exceptions. Every technical college except Florence-Darlington and Williamsburg could experience up to a 5 percent increase in enrollment with no major concerns about physical capacity. Increases in enrollment, if significant, will also likely require the colleges to increase their level of faculty to accommodate more students. See **Appendix E** for detailed data on peak enrollment and potential increases that could be accommodated.

INCREASING SKILLED WORKERS & MEETING WORKFORCE DEMAND

Empirical evidence from other state financial aid programs shows that increasing financial aid does induce additional enrollment in the state's colleges. However, the degree to which a new financial aid program will increase the state's pool of skilled workers is less well established. There will be, at a minimum, exposure to higher education for more individuals with the adoption of a free tuition program. However, if the program does not increase college persistence and degree completion, standard measures of educational attainment—which is often a proxy for the size of the skilled workforce—are not likely to show much increase over their current levels.

Additionally, if the new financial aid program does not specify the particular program of study or degree field in which the student must enroll, there is no guarantee that a free tuition program will increase the pool of skilled workers in areas where the state has identified need.

IMPACT ON EDUCATIONAL ATTAINMENT

It is possible that adding a new financial aid program intended to enable students to enroll without paying tuition and required fees at the state's technical colleges would have only a moderate impact on educational attainment in

the state. Based on previous studies and pilot programs in other states, it is likely that this type of program will increase enrollment in South Carolina's technical colleges, but enrollment does not necessarily translate into completion.

Dynarski (2003) found that changes in financial aid did not statistically impact degree completion. However, in her 2005 study on increasing the stock of college-educated workers, she finds that scholarship programs introduced in Arkansas and Georgia (similar to South Carolina's LIFE Scholarship) appear to increase the share of young people with a college degree by three percentage points with the strongest effects among white, non-Hispanic women.² Dynarski (2005) also found that new scholarship programs in those two states increased the probability of college persistence to degree by five to eleven percentage points.

Thus, providing for a new financial aid program intended to enable students to enroll without paying tuition and required fees at the technical colleges is likely to increase the educational attainment category of "Some College, No Degree" to a larger extent than the percent with an Associate's or Bachelor's degree although there may be marginal gains.

There is some evidence that making student financial aid dependent on meeting certain academic achievements or adding supporting services to students (e.g., mentoring component) to the program can increase college persistence and graduation rates.

REGIONAL IMPACT ON EDUCATIONAL ATTAINMENT AND WORKFORCE

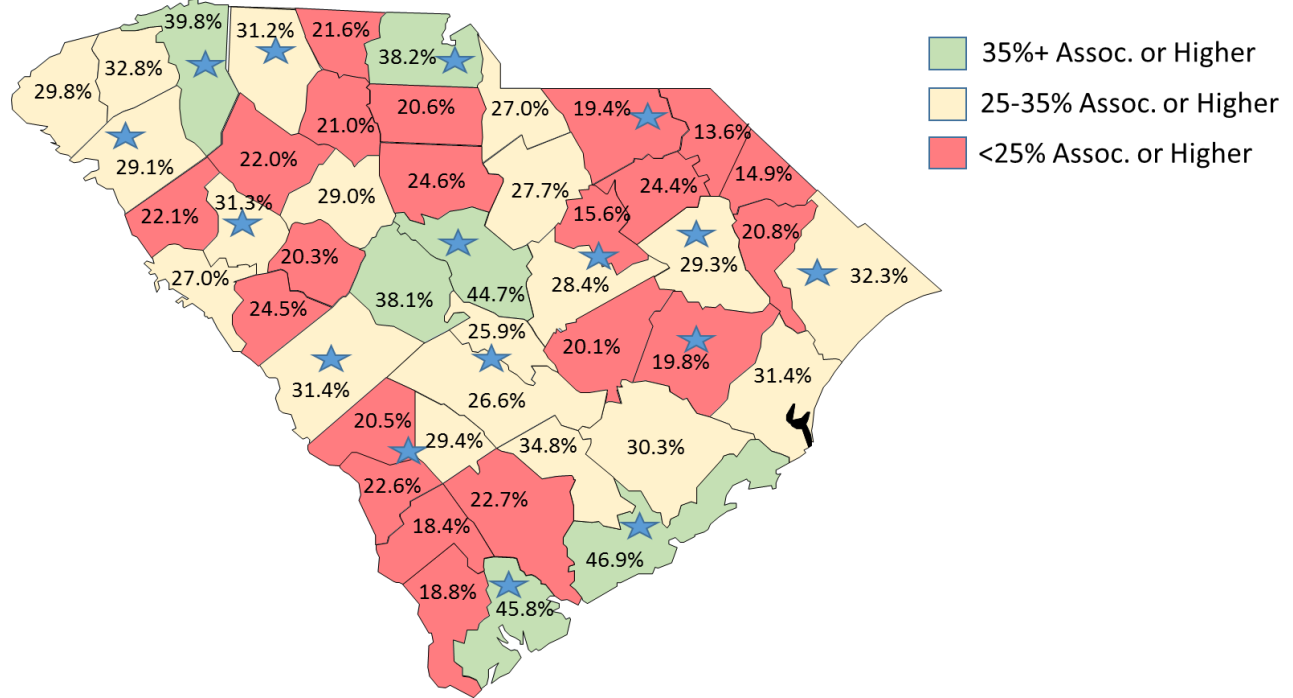
As stated in the previous two sections, a new financial aid program intended to enable students to enroll without paying tuition and required fees has the potential to moderately increase college enrollment but potentially only marginally impact college completion and degree attainment. If cost of tuition is the primary factor influencing an individual's decision to enroll in higher education, a new financial aid program has the potential to have differing impacts depending on the income distribution of the particular area.

The South Carolina Department of Education tracks recent public high school graduates to determine whether or not they are enrolled as college freshmen in South Carolina (or other states) or whether they have secured gainful employment, joined the armed forces, or are involved in other activities. This information is reported in their College Freshmen Report each year. As of the 2011-2012 report, about 67.3% of public high school graduates are enrolled in some type of higher education the following fall. This ranges from a high of 78.9% in Cherokee County to a low of 29.7% in McCormick County. The simple correlation between college going rate and the poverty rate in the county is -0.264 which is a weak negative correlation. There may be other socio-cultural factors that may also be a barrier to enrolling in college that a free tuition program would not necessarily solve.

The two maps below show, by county of residence, the current educational attainment of residents aged 25 and older as well as the number of individuals who currently have federal/state aid that covers all of their estimated tuition at their respective technical colleges. The first map has counties that are shaded based on the percent of residents with an associate's degree or higher. The second map shows the number of in-state, degree-seeking technical college students that are already receiving "full coverage" of their estimated tuition costs. Notice that the maps are nearly mirror images of one another—the counties with the most educational attainment have the lowest percentage of students with fully covered tuition and fees. This is likely due to the fact that fewer students in those metropolitan areas qualify for federal Pell Grants.

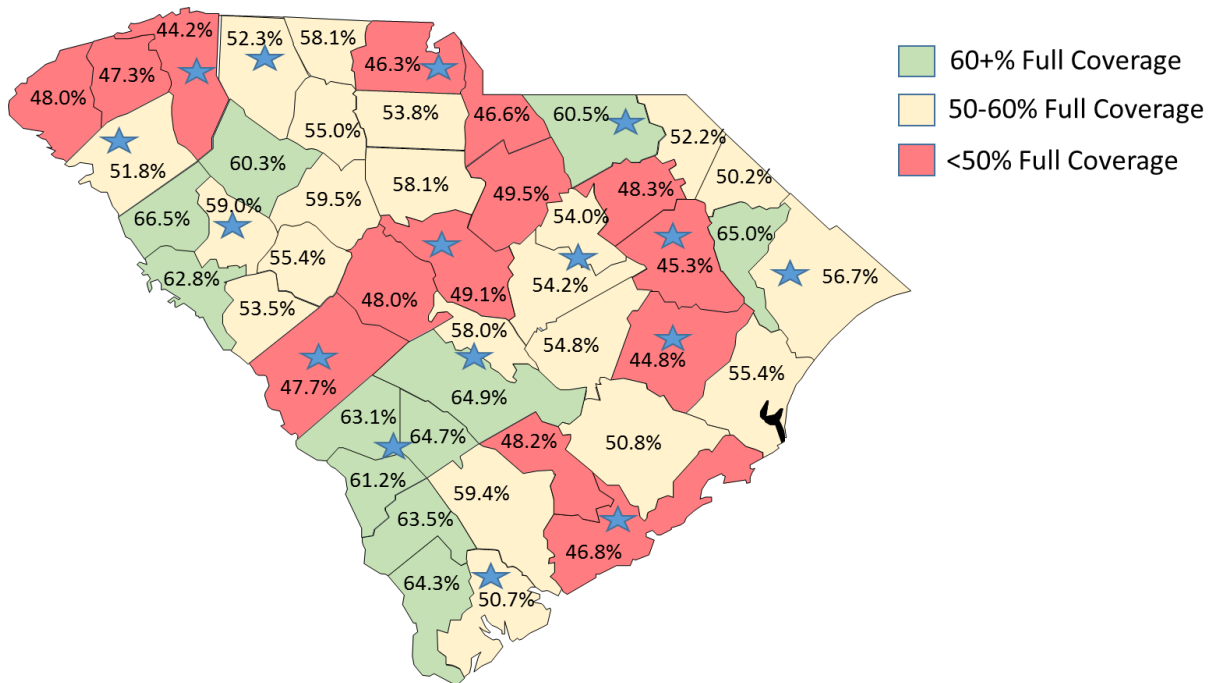
² The scholarship programs studied most likely resulted in financial aid in excess of \$1,000, so the impact would be higher than a SC program that provides closer to \$1,000.

Map 1: Percent of Residents Age 25+ with an Associate's Degree or Higher



Source: American Community Survey, 2013 (1-Year Estimates)

Map 2: Percentage of Degree-Seeking Technical College Students with Financial Aid that Covers Full Cost of Tuition and Mandatory Fees by County of Residence



★ Indicates approximate location of main campus for each of the state's 16 technical colleges

Based on the information presented in Map 2 it appears that the more urban areas of the state would have a larger percentage of their existing students who would benefit from a free tuition program potentially because residents of those areas are less likely to be eligible for federal Pell Grants. The vast majority of students who receive a Pell Grant at a technical college have their full tuition and fees covered by that aid.

In terms of increasing educational attainment differently by region, there is only limited data showing that additional financial aid leads to increased degree completion—particularly at the associate’s or bachelor’s degree level. Incentivizing more SC residents to enroll in the state’s technical colleges will be beneficial in terms of their exposure to higher education as well as the additional skills they acquire while enrolled, but there may not be a noticeable impact to educational attainment in any of the regions or statewide.

SUMMARY

It is important that any new financial aid program considered take into account the existing programs available to students beyond LTA given that South Carolina already has well established scholarship and grant aid programs. The financial aid scenarios outlined previously and summarized below build on LTA and assume criteria similar to the program but with a focus on filling remaining tuition gaps for students (particularly those with demonstrated financial need—see Scenarios B and C). Enrolling in at least six credit hours, as required with LTA, and meeting satisfactory academic progress (SAP) each year were seen as important requirements in assisting students reach the desired goal of degree attainment in a reasonable timeframe.

Scenario A: Full Tuition Coverage All Students 6+ Credit Hours

- A program to provide funding to cover existing tuition gaps for those receiving federal Pell Grants or state-supported scholarships and grants as well as covering the full cost of tuition for those receiving no federal and/or state aid would cost approximately **\$72 million annually** and attract between 756 and 1,710 new students depending on the term.

Scenario B: Full Tuition Coverage for Pell-Recipient Students

- A subset of Scenario A that provides funding to cover existing tuition gaps for those receiving federal Pell Grants would cost approximately **\$5.6 million annually** and assist between 56 and 115 students per term.

Scenario C: Full LTA Funding for Recent High School Graduates in Need

- A program that would allow any Pell Grant recipient who meets the qualifications for the LTA Program and has earned their high school diploma (or equivalency) within the past six years to use the LTA funding towards cost of attendance rather than capping their LTA award amounts at the cost of tuition would cost approximately **\$39 million annually**. This scenario helps address concerns that not only is tuition a potential barrier to college entry, but cost of attendance including books, transportation, etc. are also significant barriers, particularly for low-income students. This type of program would benefit between 278 and 1,004 new students depending on the term.

Based on the review of the data and analysis of information relating to the current aid programs available for South Carolina residents at the technical colleges, any program considered (at a minimum) should also take into account student financial need. Scenarios B and C considered taking student financial need into account. One would reach students who have a gap between their existing aid and their tuition and required fees. The other would enable recent high school graduates (those within six years of high school graduation or GED award) identified at a certain income threshold to use their LTA to apply towards cost of attendance.

Other considerations are also important if the goal is to increase educational attainment and workforce needs. Any new financial aid program is likely to attract new students to college that would not otherwise have enrolled. This

would expose additional South Carolina residents to higher education and new skills. None of the scenarios presented in this report envisioned that students would be required to only enroll in certain fields of study, but a large percentage of students currently enrolled in the state's technical colleges are pursuing certificates, diplomas, and degrees in "hot" fields such as engineering-support, healthcare-related, and computer and information science-related.

However, without additional student support services to ensure that the beneficiaries of a new financial aid program persist in college and complete their degrees, it is unlikely that there will be a sizeable impact on the state's educational attainment rate. Studies from other states have shown that merely providing additional financial aid does not necessarily increase the graduation rate. A new financial aid program does have the potential to increase the number and percentage of state residents with "at least some college." To assist in improving retention and success toward degree completion in order to impact the state's educational attainment, consideration should be given to enhancing student support services programs (e.g., mentoring programs).

Keeping these considerations in mind, the scenarios discussed are offered to provide a range of possibilities from fully covering tuition and fee gaps as suggested in Proviso 11.41 for all South Carolina technical college students to limiting full coverage to only those who are need-eligible to allowing need-eligible students flexibility in applying their LTA awards towards cost of attendance rather than capping it at tuition and required fees. The discussion here is intended to inform further the conversation about potential financial aid programs that could be implemented depending on the state's desired goals by providing information about potential costs and impact of broadening financial aid options with a particular focus on the LTA program that is available to students at the state's technical colleges. While these scenarios do not provide for a definitive program or an exhaustive list of potential financial aid programs that could be considered, they do represent a good cross section of scenarios that could benefit different student populations in different ways with an associated range of costs.

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APPENDIX A

Part 1B Proviso 11.41 of the FY 2015-16 Appropriations Act (Act 91 of 2015)

11.41. (CHE: Technical College Study) (A) The Commission on Higher Education shall examine the viability of a program that allows a student who graduated from a high school in this state or who attained the state educational equivalency of a high school diploma to attend a state technical college without paying tuition and fees at the institution for a specified period. When conducting the examination, the commission shall identify and consider:

- (1) The anticipated number of students who will participate in the program;
- (2) The anticipated annual cost of the program and federal, state and other sources of funding that could be used to pay the costs of the program;
- (3) Current capacity available at state technical colleges to enroll additional students;
- (4) The ability of the program to increase the state's pool of skilled workers and meet projected workforce demands;
- (5) The impact of the program to increase educational attainment in the state;
- (6) The regions of the state the program would likely significantly increase educational attainment and workforce readiness;
- (7) Potential eligibility criteria for students participating in the program; and
- (8) The possibility of requiring students to first use financial aid available to the students, including federal funding provided to low-income students for the purpose of paying for post-secondary education.

(B) The commission shall propose criteria for the program.

(C) The commission shall submit a report that summarizes the findings to the General Assembly no later than January 31, 2016. The report may include recommendations for legislation.

APPENDIX B

Table B.1: Aid Receipt by In-State, Degree-Seeking Students at SC Technical Colleges, Fall 2014

Scholarship/Grant	Count	Scholarship Avg.	LTA Amt.	Pell Amt.	Need Amt.	LIFE Amt.
Pell Only	32,026	\$2,171		\$2,171		
LIFE Only	3,635	\$2,375				\$2,375
LTA Only	15,473	\$899	\$899			
Need Based Only	73	\$628			\$628	
Pell & LIFE	2,423	\$4,674		\$2,345		\$2,322
Pell & Need	3,827	\$2,798		\$2,073	\$718	
Pell & LTA	4,978	\$1,679	\$573	\$1,106		
LIFE & Need	87	\$3,191			\$759	\$2,432
LTA & Need	425	\$1,559	\$814		\$744	
Pell, LIFE, & Need	356	\$5,242		\$2,088	\$780	\$2,374
Pell, LTA, & Need	287	\$1,867	\$416	\$717	\$735	
Received Aid	63,653	\$1,979				

Table B.2: Tuition & Required Fees for In-District, Full-Time Students and Percent Covered by Maximum LTA Award

Technical College	FY 2014-15		FY 2015-16	
	Tuition & Fees per Term	% of T&F Covered by Max LTA*	Tuition & Fees per Term	% of T&F Covered by Max LTA*
Aiken	\$2,049	55.6%	\$2,131	56.3%
Central Carolina	\$1,920	59.4%	\$1,980	60.6%
Denmark	\$1,312	86.9%	\$1,790	67.0%
Florence-Darlington	\$1,967	58.0%	\$2,039	58.9%
Greenville	\$2,047	55.7%	\$2,112	56.8%
Horry-Georgetown	\$1,927	59.2%	\$1,980	60.6%
Midlands	\$1,944	58.6%	\$1,994	60.2%
Northeastern	\$1,863	61.2%	\$1,923	62.4%
Orangeburg	\$1,945	58.6%	\$2,005	59.9%
Piedmont	\$1,979	57.6%	\$2,042	58.8%
Spartanburg Comm Coll	\$2,032	56.1%	\$2,096	57.3%
Tech Coll of Lowcountry	\$2,030	56.2%	\$2,090	57.4%
Tri-County	\$1,926	59.2%	\$1,984	60.5%
Trident	\$1,971	57.8%	\$2,035	59.0%
Williamsburg	\$1,878	60.7%	\$2,004	59.9%
York	\$1,920	59.4%	\$2,012	59.7%
Average	\$1,920	59.4%	\$2,012	59.7%

*LTA maximum for full-time students in fall 2015 is \$1,200. Fall award anticipated to apply in spring and summer terms.

+LTA maximum for full-time students in FY 2014-15 was \$1,140 per in each term (fall, spring and summer)

APPENDIX C

Scenario A: Full Tuition Coverage All Students 6+ Credit Hours

Table 1 (page 4) separates out the estimates between existing students and new students. Using fall 2014 data as an example, there were 21,120 students who received aid but not enough to cover all of their tuition costs. Adding all of those “gaps” equates to \$13.1 million for fall 2014 to fully cover their tuition. For the 9,888 students who received no aid, the program would be required to cover the full cost of their estimated tuition. Adding up tuition for those 9,888 students equates to \$15.5 million for fall 2014. For new students that might be attracted to the program, it is assumed that 86.55% of them will receive some type of aid but still have a gap of about \$619.32. It is also assumed that 13.45% of the newly attracted students would qualify for no existing aid, so the free tuition program would need to cover their estimated cost of tuition--\$1,564.42 on average. Covering the new students’ estimated costs would thus be \$1.28 million for a total of \$29.8 million for the semester.

A similar analysis with semester specific assumptions is made for spring and summer 2015. Since those semesters typically experience lower levels of enrollment than the fall semesters, the 1,710 additional students was adjusted down to 1,562 for spring 2015 and 756 for summer 2015 based on the relationship between their total enrollment compared to fall 2014. For instance, total enrollment for fall 2014 was 79,318 while summer 2015 enrollment was only 35,057—44.198%. That percentage was then applied to the 1,710 new students to determine that about 756 new students would be attracted for summer 2015.

If levels of new enrollment are higher than projected, it will result in additional costs potentially as high as \$74.8 million if new enrollment is in the range of 3,400 additional students.

Scenario B: Full Tuition Coverage Pell-Eligible Students 6+ Credit Hours

As seen in Table 2 (page 5), in fall 2014 there were 45,473 technical college students enrolled in at least 6 credit hours who received some level of Pell Grant funding. The vast majority of these students had existing aid that fully covered the cost of their tuition. Only 5,256 students still had a tuition gap after applying their federal and state aid. To fully cover the remaining gap for these students would cost approximately \$2.1 million.

It is also assumed that some portion of the existing students who received no aid might have qualified for a Pell Grant. They may have not received Pell for a variety of reasons including not filling out the FAFSA or turning in their applications beyond the deadline. If 30 percent of those with no aid might have qualified, and if 11.6 percent among those qualifying still had a tuition gap, covering their costs would be about \$195,000 per year.

Finally there will be portion of new students attracted to the technical colleges because of the new aid program who will qualify for Pell. This is estimated to be 57.3 percent which would mean a potential of 980 new students of which about 114 would still have a tuition gap (11.6 percent of the 980). With an average gap of \$398.05 per student, the cost of covering the new students under this program would cost slightly more than \$45,000 per year.

Using similar methodology and semester specific assumptions, this type of program would cost an additional \$5.6 million per year.

Scenario C: Maximum LTA Funding for Recent High School Graduates in Need

Table 3 (page 5) provides estimates on annual costs of allowing a certain segment (Pell-recipient, “recent” high school graduate, LTA eligible) of the technical college student population to use their LTA funding towards cost of

attendance rather than capping the award amounts at the student's cost of tuition. Using spring 2015 data as an example, there were 18,118 existing students that were taking a minimum of 6 credit hours for the term, had graduated between 2009 and 2014, and were receiving a Pell Grant. The average aid level for those students was \$2,193 for the spring semester.

If each of those students were assumed to get the maximum amount of LTA for which they would be qualified depending on the number of credit hours they were attempting, the average amount of aid for the semester would rise to \$3,077 per student.

Comparing the current LTA funding received by these students to the new maximum LTA funding that they might possibly receive provides an estimate of the additional cost of this program enhancement--\$16,023,282 for spring 2015.

Additionally, there will be new students who are attracted to the technical colleges as a result of this program. About 59.6 percent of the spring 2015 student population who meet the recent high school graduate and at least 6 credit hour criteria also received a Pell Grant. Thus, the estimated new attracted students of 1,562 is multiplied by 59.6 percent to determine that about 930 new students might be eligible for the new LTA funding. With the average LTA aid amount of \$964.03, it is possible to estimate that the costs of providing this type of program to new students is about \$896,590 for that semester.

Extending the analysis to each of the semesters with the semester-specific assumptions and counts provides a final estimate for this scenario of \$38.8 million annually. This cost would be higher if the number of new students attracted to college increases by more than projected. There is also the issue of students who would still have a gap between their tuition cost and the new level of financial aid. Even with the maximum LTA award level, about 883 students in spring 2015 would have a tuition gap of about \$228,033. Covering the remaining tuition gap for all students across the three terms would raise the cost of this scenario by about \$555,000 annually.

Finally, there is a small subgroup of students who received either a South Carolina Need-based Grant only or received a South Carolina Need-based Grant and LTA funds. If these students would also qualify for the program, it would add about \$310,000 annually to the cost.

Methodology for Estimated Number of New Students

Multiple studies have found that, on average, for every \$1,000 reduction in the price of college, there is a 3 to 5 percentage point increase in college attendance.

In South Carolina, for in-state, degree-seeking students at the technical colleges in fall 2014 taking a minimum of 6 credit hours, there were 9,888 who received no aid while there were 21,120 who received aid but not enough to fully cover their tuition. For those receiving no aid, their gap between tuition and aid was about \$1,564 while those with aid had an average gap of about \$619. Taking a weighted average of these gaps is about \$920 per student. Thus, an increase in this range could lead to about a 4 percentage point increase in college enrollment.

If the eligibility criteria and application process are overly complex, it will limit the projected increase in enrollment. If additional advertising and outreach are associated with the program, the projected increase in enrollment might be higher. Most studies find that the enrollment impact is much higher for high school seniors compared to independent participants with no previous college experience (Dynarski and Scott-Clayton, 2013).

Using data from the 2011-2012 College Freshmen Report from the SC Department of Education, approximately 68 percent of the 2011-12 public high school graduates entered some type of college degree-seeking program the next

academic year. The majority of the college-bound attended a 4-year college or university (57.8%) while a significant number enrolled as degree-seeking at a technical college (34.7%), and a smaller number entered another 2-year college or university program (7.4%).

Applying a 4 percentage point increase to the 68 percent college-going rate from 2011-12, could increase the number of new college entrants by around 1,710 per year. If the size of the senior class increases or there is an overall increase in the graduation rate from the state’s high schools, this number could grow. Data on how a free tuition program might influence the enrollment of non-traditional students is limited.

	Number of Public High School Graduates	2011-12 College Going Rate	Estimated Freshmen Class
Current	42,332	68.0%	28,769
Projected		72.0% (4 percentage point increase)	30,479

If the programs attracted double the projected number of new students (3,400 for fall semester), the program annual costs would increase to:

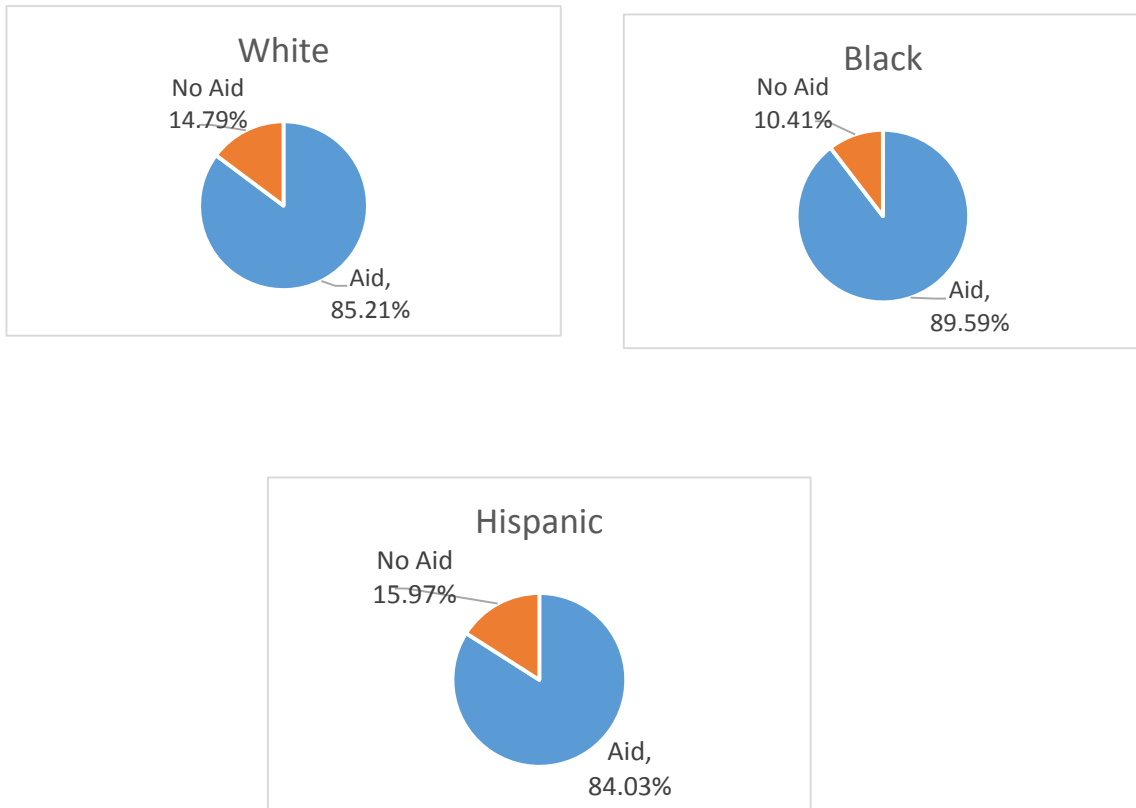
- Program 1: \$74.8 million
- Program 2: \$5.7 million
- Program 3: \$40.8 million

APPENDIX D

Figure D.1: Percentage of Students at SC Technical Colleges Receiving Some State/Federal Aid by Gender



Figure D.2: Percentage of Students at SC Technical Colleges Receiving Some State/Federal Aid by Race/Ethnicity



The percentage of students receiving aid does differ slightly by technical college. For the fall 2014-summer 2015 terms, the following table shows the percentage of students receiving some federal and/or state aid for each technical college sorted from lowest percentage to highest percentage in fall 2014.

Table D.3: Percentage (Number) of SC Students Receiving State/Federal Aid* by Technical College

Technical College	% Fall 2014 (Num.)	% Spring 2015 (Num.)	% Summer 2015 (Num.)
Aiken	80.8% (1,431)	76.6% (1,347)	74.3% (473)
Florence- Darlington	81.7% (4,491)	81.3% (3,950)	76.5% (1,380)
Midlands	83.4% (8,292)	84.6% (7,504)	75.1% (2,745)
Greenville	83.5% (8,299)	83.6% (7,548)	74.5% (2,493)
Tri-County	84.7% (4,272)	85.9% (3,932)	56.1% (805)
York	85.8% (3,583)	80.1% (3,037)	70.4% (830)
Trident	87.6% (11,188)	85.9% (10,317)	80.7% (4,006)
Spartanburg Comm Coll	88.0% (3,734)	88.6% (3,264)	74.5% (980)
Tech Coll of Lowcountry	88.1% (1,586)	89.8% (1,447)	84.7% (645)
Horry- Georgetown	88.6% (4,884)	88.7% (4,768)	79.3% (1,715)
Central Carolina	89.1% (2,704)	88.9% (2,505)	88.1% (1,185)
Denmark	89.9% (1,448)	88.5% (1,047)	79.8% (759)
Northeastern	91.0% (840)	92.0% (717)	75.1% (220)
Orangeburg- Calhoun	94.0% (2,052)	94.0% (1,806)	87.3% (686)
Piedmont	95.0% (4,245)	94.6% (3,891)	87.3% (1,404)
Williamsburg	95.7% (604)	95.5% (567)	82.2% (217)
TOTAL	86.6% (63,653)	86.3% (57,647)	77.5% (20,543)

* Includes students receiving \$1 or more of aid. Federal aid includes Pell Grant. State aid includes LIFE Scholarship, Need-based Grants, Lottery Tuition Assistance Grants, and SC National Guard College Assistance Grants.

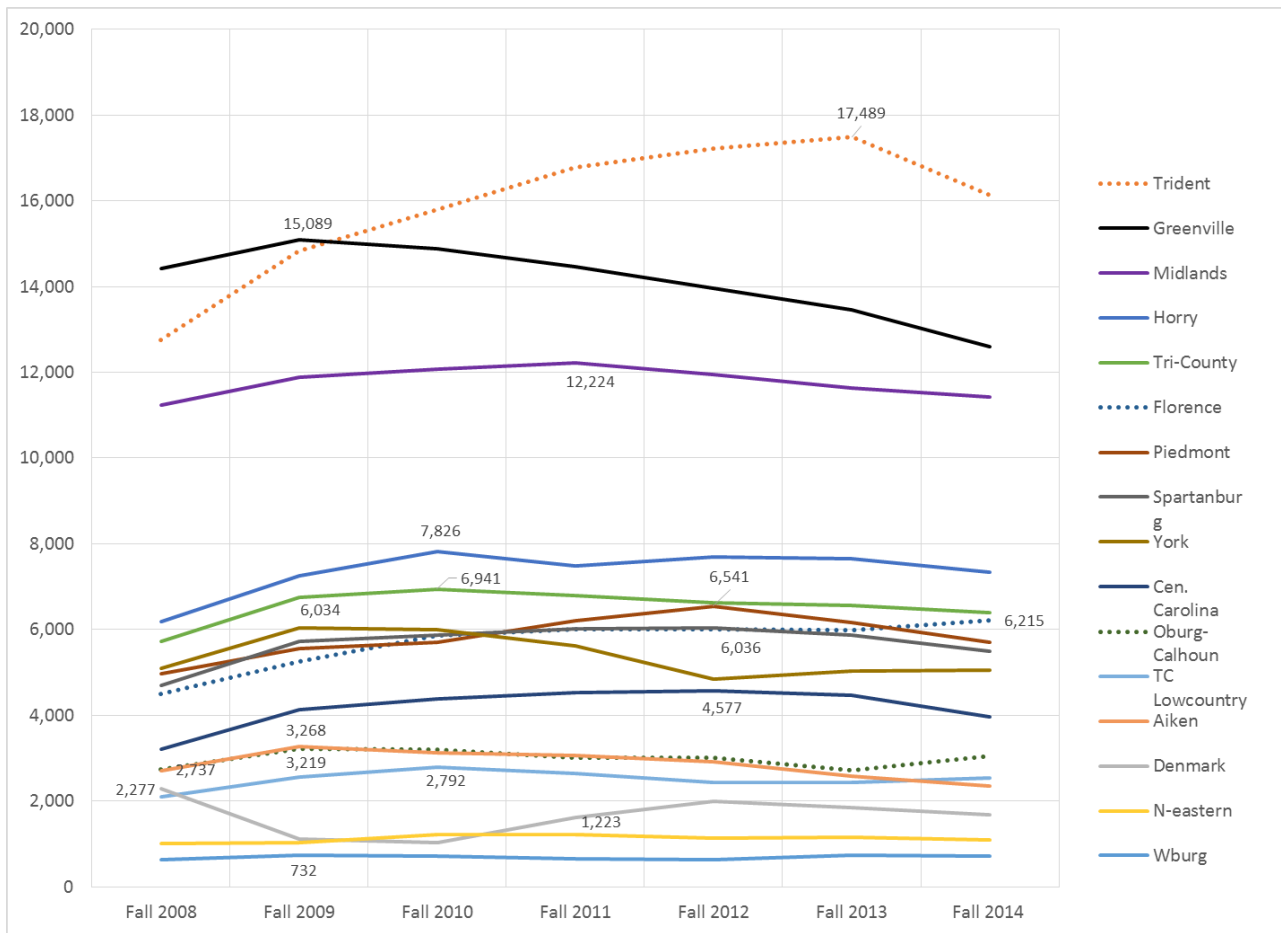
APPENDIX E

Table E.1: Peak Enrollment 2008-2014 vs Fall 2014, Headcount Enrollment by Technical College

Technical College	Peak Enrollment 2008-2014	Year of Max Enrollment	Fall 2014 Enrollment	Difference Fall 2014 minus Peak	Potential Percent Increase that Could be Accommodated
Aiken	3,268	2009	2,351	-917	39.0%
Central Carolina	4,577	2012	3,963	-614	15.5%
Denmark	2,277	2008	1,678	-599	35.7%
Florence-Darlington	6,215	2014	6,215	0	0.0%
Greenville	15,089	2009	12,592	-2,497	19.8%
Horry-Georgetown	7,826	2010	7,335	-491	6.7%
Midlands	12,224	2011	11,424	-800	7.0%
Northeastern	1,223	2011	1,090	-133	12.2%
Orangeburg	3,219	2009	3,060	-159	5.2%
Piedmont	6,541	2012	5,694	-847	14.9%
Spartanburg Comm Coll	6,036	2012	5,495	-541	9.8%
Tech Coll of the Lowcountry	2,792	2010	2,529	-263	10.4%
Tri-County	6,941	2010	6,386	-555	8.7%
Trident	17,489	2013	16,136	-1,353	8.4%
Williamsburg	732	2009	717	-15	2.1%
York	6,034	2009	5,061	-973	19.2%
TOTAL	102,209	2011	91,726	-6,592	7.2%

The following graph shows the total headcount enrollment at each of the Technical Colleges from Fall 2008-Fall 2014.

Figure E.2: Headcount Enrollment Fall, 2008-Fall 2014



Labeled points indicate peak enrollment.