



INDIANA *for* COMMISSION
HIGHER EDUCATION

TO: Indiana Higher Education Financial Aid Offices and Indiana High School Guidance Counselors

FROM: Teresa Lubbers, Commissioner *tl*

RE: Financial Means Testing for 21st Century Scholar Eligibility (2016 Cohort)

DATE: December 12, 2013

Per IC 21-12-6-6(7), students enrolling in the 21st Century Scholars Program (Scholars) after June 30, 2011 must undergo a means test each year of college to determine whether or not they continue to lack financial resources necessitating the scholarship.

This policy will first impact the 2016 cohort (21st Century Scholars Graduating from High School in 2016), provided they enrolled in the program after June 30, 2011. As the administrators of the program, the Indiana Commission for Higher Education (ICHE) must determine how the means test will be conducted.

This memorandum provides a basic protocol for the means testing—in advance of its effective year— so high school counselors can help communicate this information to affected Scholars at their schools and so universities may plan for the change.

ICHE will use the Expected Family Contribution (EFC) as the standard by which means testing will be conducted, for the following reasons:

- EFC is specifically designed to measure a student's need for financial aid. It is a measure that post-secondary institutions and financial aid offices readily understand and that is commonly used in other financial aid programs, including Pell Grants and the state's Frank O'Bannon program.
- EFC is calculated from the Free Application for Federal Student Aid (FAFSA), which Scholars are required to complete annually. Therefore, this methodology eliminates an additional step that would be required if using another method (e.g. Free and Reduced Lunch requirements).
- The ICHE has access to the EFC data for Scholars currently enrolled at a post-secondary institution, which allows for an analysis of how different benchmarks would impact Scholarship eligibility.
- Unlike Free and Reduced Lunch and Pell eligibility, EFC provides ICHE the ability to adjust the cutoff for determining Scholarship eligibility when necessary to adjust for fluctuations in the amount of funding allocated for the 21st Century Scholarship, cohort size, and the number of students meeting eligibility requirements, as required by IC 21-12-6-10.3(d).
- Scholars will learn about EFC through components of the 21st Century Scholars Success Program—including the Paying for College 101 and College Success 101 learning modules as well as the College Cost Estimator. Therefore, students and

families will have an early understanding of the measure and may be able to project their future eligibility in advance.

In addition to the selection of the measure itself, ICHE will set the EFC threshold at a level that corresponds with the **maximum annual cost of attendance at Indiana's public institutions**, which currently is around \$23,000. (For the 2011 and 2012 cohorts, 1.4 percent of dependent students and 0.2 percent of independent students have an EFC above \$23,000 for the current academic year.) This is consistent with a philosophy that the purpose of the secondary means test is to identify Scholars whose circumstances have changed since signing up for the program and who now have an ability to pay for postsecondary education. Each year, the Commission will notify schools of the updated "cost of attendance."

After careful analysis of the benefits and drawbacks of the potential means test measures outlined in the report, ICHE staff believes that testing students to ensure that their expected contribution is less than their cost of attendance is the most transparent and student-focused method of complying with this new statutory requirement.

If you have any questions, please contact Mary Jane Michalak at 317.234.5664 or mjmichalak@che.in.gov.