

**THE DIVISION III FINANCIAL AID REPORTING PROCESS:
FINDINGS AND REVIEW RESULTS 2005-06 THROUGH 2008-09
May 4, 2009**

Introduction. This report marks the completion of the 2008-09 reporting cycle and the fourth year of the Division III Financial Aid Reporting Program. The first portion examines findings for all reporting institutions from each of the four reporting cycles. The second portion of the report details the outcomes of the Division III Financial Aid Committee's 2008-09 review outcomes.

2005-06 through 2008-09 Findings and Review Criteria

With four years of data collected, findings can be summarized and presented and trends can be analyzed. It is important to note that the sample size (i.e., total number of institutions) has fluctuated across the four years. This is due to new schools entering the division and others leaving.

Table 1: Sample Size.

Year	N
2005-06	423
2006-07	432
2007-08	435
2008-09	441

Schools are required to submit financial aid data per NCAA Bylaw 15.4.1.1 in their second year of the provisional membership process or the reclassification process. Since the data collection is retrospective (a lag of one year) and in the first year of the process all schools are required to adhere to the financial aid restrictions for newly enrolling students, the second year of the provisional or reclassification process is the logical point to begin collecting data.

There are certain limitations to the data that readers should be aware of. First, this program is primarily focused on institutional gift aid, the discretionary funds that a school can provide students who attend their schools. Our calculations used for this report do not include financial aid from federal, state or private sources. Second, the awarding of student-financial aid is, in many cases, not purely financial need driven. Academic merit, past experiences or current circumstances all may play a role in the determination of who receives institutional gift aid and how much. Variables related to this type of information were not collected as part of the reporting program mainly due to lack of standardization across schools and the burden related to collecting it. The findings that follow provide a unique window into student financial aid packaging on Division III membership campuses. The findings will not provide a comprehensive picture due to the data limitations, but provide a means by which the reader can begin to compare financial aid packaging between enrolling student-athletes and other students.

There are four calculations that will be discussed: 1) the proportion of financial need that is met by institutional gift aid; 2) the proportionality difference; 3) the variance estimate, and 4) the sport review filter. These calculations, while providing the unique window mentioned above, are used by the committee to establish the criteria for the Financial Aid Reporting Program's review process.

A. Proportion of Financial Need Met by Institutional Gift Aid.

To assess equity in financial aid packaging for student-athletes and other students, the proportion of financial need met by institutional gift aid is compared. A financial need value is provided by the schools for each student and is calculated by subtracting the estimated family contribution from the cost of attendance, employing either an institutional or federal methodology. Institutional gift aid is defined as any monetary fund the school has at its discretion to provide to students as financial aid. Awarding of this gift aid may be based on any of a number of criteria, including financial need, academic merit and leadership experience, among others. All sources of institutional gift aid are combined to provide one value for all institutional gift aid awarded to each student. It is important to note that students who do not apply for financial aid or whose estimated family contribution is greater than the cost of attendance are each assigned zero financial need. At schools where non-need-based institutional gift aid is provided, these students may receive institutional gift aid. These students are included in the calculation of this proportion. Finally, those students who did not have financial need and did not receive institutional gift aid have been excluded from the calculation.

Table 2: Average Financial Need (Dollars).

	2005-06	2006-07	2007-08	2008-09
Student-Athletes	14,826	15,200	16,187	17,136
Other Students	15,076	15,528	16,535	17,613
Difference	-250	-328	-348	-477

Table 3: Average Institutional Gift Aid (Dollars).

	2005-06	2006-07	2007-08	2008-09
Student-Athletes	7,805	8,240	8,807	9,207
Other Students	7,458	7,936	8,549	9,089
Difference	347	304	258	118

Table 4: Proportion of Financial Need Met by Institutional Gift Aid (Percentage).

	2005-06	2006-07	2007-08	2008-09
Student-Athletes	49.55	50.57	50.69	50.04
Other Students	45.90	46.92	47.67	47.47
Difference	3.65	3.65	3.02	2.57

An outlier based on the difference in the proportion of financial need met by institutional gift aid is used as one of the review criteria. An outlier is defined as the value at or beyond the second standard deviation from the mean. This review criterion was implemented beginning with the 2006-07 reporting cycle. Table 5 displays the cut-off for an institution to be determined as an outlier in each of the previous three years.

Table 5: Proportion of Financial Need Met by Institutional Gift Aid Review Criteria (Percentage).

	2006-07	2007-08	2008-09
Review Criteria	22.35	20.34	19.28

Table 6: Schools Reporting a Difference in Proportion of Financial Need Met by Institutional Gift Aid Greater than the Review Criteria.

	2006-07		2007-08		2008-09	
	n	%	n	%	n	%
Overall	8	1.9	10	2.3	13	2.9
New Schools	8	100.0	8	80.0	7	53.8

The difference in the proportion of financial need met by institutional gift aid has remained relatively stable across the four reporting cycles. There has been limited variation in rank order at the high end of the distribution resulting in eight new schools to meet the review criteria in 2007-08 and another seven schools in 2008-09.

B. Proportionality Difference.

The proportionality difference is a calculation of submitted data elements that directly tests compliance to NCAA Bylaw 15.4.1(d) that states, "The percentage of the total dollar value of institutionally administered grants awarded to student-athletes shall be closely equivalent to the percentage of student-athletes within the student body." This calculation accounts for institutionally administered gift aid only and does not control for varying costs of attendance and/or financial need between student-athletes and other students.

Table 7: Proportionality Difference (Percentage).

	2005-06	2006-07	2007-08	2008-09
Proportion Institutional Gift Aid for Student-Athletes	22.15	21.78	22.25	22.37
Proportion Student-Athletes	20.83	20.61	20.92	21.31
Difference	1.32	1.17	1.33	1.06

An outlier based on the proportionality difference is used as one of the review criteria. An outlier is defined as the value at or beyond the second standard deviation from the mean. This review criterion was implemented beginning with the 2006-07 reporting cycle.

Table 8: Proportion Difference Review Criteria (Percentage).

	2006-07	2007-08	2008-09
Review Criteria	7.42	8.78	8.45

Table 9: Schools Reporting a Proportionality Difference Greater than the Review Criteria.

	2006-07		2007-08		2008-09	
	n	%	n	%	n	%
Overall	12	2.8	13	3.0	11	2.5
New Schools	12	100.0	9	69.2	2	18.2

The proportionality difference has remained relatively stable across the four reporting cycles. There has been limited variation in rank order at the high end of the distribution resulting in nine new schools to meet the review criteria in 2007-08 and just two new schools in 2008-09.

C. Variance Estimate.

The estimated variance is the result of a statistical model that tests for the dollar impact of student-athlete status—that is, a comparison of institutional financial aid received by student-athletes versus institutional financial aid received by other students with similar need. These estimated variances are reported with 95 percent statistical confidence. Therefore, upper and lower confidence boundaries are reported. To calculate the variance estimate as a proportion, the lower confidence boundary in dollars is divided by the average financial need of the student-athletes at that institution. The financial aid committee has determined an acceptable variance estimate to be positive four percent on the lower variance estimate. This value allows for the minimization of false-positives and provides a reasonable caseload for the committee. The group is committed to an annual assessment of this criterion. When applied to the program’s review process, if the lower confidence boundary of the variance estimate exceeds four percent, the institution is subject to a Level I review by the Division III Financial Aid Committee.

In other words, when a student-athlete can expect to receive four percent more institutional gift aid, on average, than a non-student-athlete with similar need, the institution is subject to a Level I Review.

Table 10: Median Lower Variance Estimate.

	2005-06		2006-07		2007-08		2008-09	
	%	\$	%	\$	%	\$	%	\$
Lower Estimate	-3.04	-410	-3.42	-509	-3.32	-500	-3.69	-578

Table 11: Lower Variance Estimates by Percentile Rank.

Percentile	2005-06		2006-07		2007-08		2008-09	
	%	\$	%	\$	%	\$	%	\$
10 th	-15.52	-2,176	-17.12	-2,360	-15.77	-2,625	-15.68	-2,721
20 th	-10.63	-1,366	-9.70	-1,340	-9.93	-1,467	-10.76	-1,808
30 th	-6.82	-965	-6.79	-946	-6.65	-1,018	-7.56	-1,290
40 th	-4.94	-627	-4.92	-680	-4.73	-753	-5.36	-897
60 th	-1.56	-215	-2.00	-250	-1.96	-300	-1.98	-303
70 th	0.01	1	-0.16	-24	0.15	15	-.02	-2
80 th	2.60	373	2.22	307	2.42	368	1.86	248
90 th	5.36	827	5.99	953	5.32	887	4.82	724

The lower variance estimate has remained relatively stable across the four reporting cycles with a fluctuation of less than one percentage point at the median and less than two percentage points at the 10th and 90th percentiles. The median lower variance estimate for the 2008-09 reporting cycle was -3.69 percent. Stated differently, in 2008-09, enrolling student-athletes could expect to receive 3.69 percent less in institutional gift aid, on average, than a non-athlete with similar financial need.

Table 12: Schools Reporting a Lower Variance Estimate Greater than 4.00 Percent.

	2005-06		2006-07		2007-08		2008-09	
	n	%	n	%	n	%	n	%
Overall	59	13.9	62	14.4	63	14.5	55	12.5
New Schools	59	100.0	32	51.6	21	33.3	13	23.6

While the number of schools with a lower variance estimate above four percent on an annual basis appears stable, the number of schools with a variance estimate above four percent for the first time has dropped by 78 percent between 2005-06 and 2008-09. This lack of variation in rank order is mostly due to the relative stability of the metric as noted above, but is also impacted

by the relative stability in campus-level packaging policies and procedures as well as the demographics of enrolling classes.

D. The Sport Review Filter.

The filter adopted by the Financial Aid Committee, for implementation with the 2007-08 reporting cycle, begins with the identification of individual outliers within each institution. An individual record is considered an outlier if it has a calculated residual (the difference between the statistically predicted institutional gift aid award based on financial need and the actual institutional gift aid award) that is two or more standard deviations above the mean for all students at the institution. At the institution-level, the student-athlete outlier cases are then grouped by sport. It is then determined whether there are sufficient student-athlete outliers within a given sport to trigger further review. To enact this filter, two conditions must be met.

1. Based on its overall cohort size, a team must meet a minimum threshold of outliers.

Overall Sport Group Size	Minimum Number of Outliers Required
1	Exempt
2	Exempt
3	2
4	2
5	2
6	2
7	2
8	2
9 and above	3

2. The sport group must meet the first condition in three consecutive reporting cycles.

Over the two cycles this filter has been in place, five institutions have had a team meet the criteria. Four were men's ice hockey teams and one was a football team. In each case, the school was provided the opportunity to justify the situation.

Division III Financial Aid Reporting Program Review Process

The review process involves two stages of systematic assessment: 1) an assessment of each school's quantitative report based on submitted data, and 2) an assessment of the report as well as narrative and quantitative information provided by the school to justify any perceived inequities in financial aid packaging that benefit student-athletes. If certain indicators in a school's financial aid report have exceeded the established criteria, a Level I review of the

case ensues. The central focus of this review is for the Financial Aid Committee to determine if there is sufficient evidence to request a justification from the school for any perceived inequities that benefit student-athletes. If there is not sufficient evidence of such inequities, no further action is taken on the case. If the committee finds sufficient evidence to cause concern regarding financial aid packaging for student-athletes, a written justification is requested. The school is provided a template to guide them through the compilation of the justification materials, but the onus is on the school to provide ample evidence to mitigate the concerns identified by the committee. The focus of this review is threefold: 1) to assess the explanation provided by the school for the issues identified; 2) to ensure the school's policies and procedures for administering student financial aid are free of athletics criterion and/or influence, and 3) to ensure that policies and procedures that appear free of athletics criteria are not providing a financial aid benefit for student-athletes. Each review process is examined in detail below.

A. Level I Review Determinations.

In the 2008-09 Level I Review, the Division III Financial Aid Committee reviewed schools that met at least one of the following criteria:

1. 2008-09 difference in the proportion of need met by institutional gift aid between student-athletes and other students that exceeded 19.4 percent, considered a statistical outlier.
2. 2008-09 proportionality test outcome that exceeded 8.6 percent, considered a statistical outlier.
3. Three or more student-athlete statistical outlier cases in a single sport, or sports, were identified for three consecutive years.
4. 2008-09 variance estimate above four percent.
5. No action was taken on the institution in the 2007-08 reporting process with conditions to be reviewed at Level I in 2008-09.
6. Institution was referred to NCAA enforcement services during the 2007-08 review process with automatic review at Level I Review in 2008-09.

Please note the three possible Level I Review outcomes that result from a formal committee vote: 1) no action; 2) no action with conditions, or 3) forward to Level II review and request a written justification.

For the 2008-09 reporting cycle, the committee implemented an expedited review process for schools that met at least one of the first three criteria listed above, but had been reviewed in a previous reporting cycle where no action had been taken. This expedited process did not include schools that had received a Level I or Level II conditional decision in the prior cycle or had been referred to NCAA enforcement services through the Level II review cycle. This process was implemented as a case management tool for the committee and to minimize burden on the part of affected schools.

Table 13: Level I Reviews.

	2005-06		2006-07		2007-08		2008-09*	
	N	%	N	%	N	%	N	%
Total Cases	431	--	435	--	438	--	441	--
Cases Reviewed	59	13.7	89	20.5	95	21.7	73	16.6

[Note: 43 of the 73 schools were reviewed via the Expedited Review Process, resulting in 16 of the 43 forwarded to the full Level I Review. In all, 46 cases were reviewed by the committee at their full Level I Review session.]

Table 14: Level I Review Determinations.

	2005-06		2006-07		2007-08		2008-09	
	N	%	N	%	N	%	N	%
No Action	2	3.4	23	25.8	64	67.4	48	65.8
No Action with Conditions	10	16.9	37	41.6	3	3.2	6	8.2
Level II Referral	47	79.7	29	32.6	28	29.5	19	26.0

In conclusion, the Division III Financial Aid Committee has completed a Level I review of 137 unduplicated institutions, or approximately 31 percent of the Division III membership. The number of schools forwarded to a Level II review has declined in each of the reporting cycles resulting in a 45 percent decrease in Level II caseload over the four years of the program. The significant number of cases categorized as No Action with Conditions in the 2006-07 reporting cycle was a result of a significant number of cases from the 2005-06 cycle that were referred to NCAA enforcement services for violations found. Per committee policy, an NCAA enforcement services referral results in a No Action with Conditions decision in the subsequent reporting cycle to allow the committee to monitor the impact of any policy changes implemented as a result of the NCAA enforcement services referral.

B. Level II Reviews.

Level II reviews involve the careful assessment of the written justification provided by the institution in response to issues raised by the Financial Aid Committee through the Level I review. Written justification includes detailed answers to questions concerning the school's policies and procedures for administering student financial aid. It also includes full explanations of various student sub-populations (e.g., transfer, commuter, non-traditional) that may be disparately impacting the report due to a disproportionate number of non-athletes in these groups and the fact that these groups commonly fall under different financial aid packaging procedures than the more traditional freshman enrollee. Overall, for a justification to be successful the

school must provide ample evidence to explain the legitimate causes for the elevated criteria, as outlined above. Additionally, the committee must be assured that the school is compliant with all relevant financial aid bylaws pertaining to the consideration of athletics in packaging policies and the role of athletics department personnel in the packaging process.

Table 15: Level II Review Determinations.

	2005-06		2006-07		2007-08		2008-09	
	N	%	N	%	N	%	N	%
No Action	19	40.4	24	82.8	15	53.6	11	57.9
No Action with Conditions	4	8.5	1	3.4	1	3.6	1	5.3
Enforcement Referral	24	51.1	4	13.8	12	42.8	7	36.8

Across the four years of the program, 104 unduplicated cases (approximately 24 percent of the Division III membership) have been forwarded to the Level II Review. The committee has referred 44 institutions to NCAA enforcement services for processing of discovered violations. Three institutions have been referred to NCAA enforcement services on two occasions resulting in the 47 total NCAA enforcement services referrals noted in Table 3 above.

C. Violations Discovered.

Through the review process, the Division III Financial Aid Committee is charged with finding NCAA Bylaw 15 violations. A list of the violated bylaws discovered across the four reporting cycles includes:

1. 15.01.3 Institutional Financial Aid. A member institution shall not award financial aid to any student on the basis of athletics leadership, ability, participation or performance.
2. 15.4.1 Consistent Financial Aid Package. The composition of the financial aid package offered to a student-athlete shall be consistent with the established policy of the institution's financial aid office, regular college agency, office or committee for all students.
3. 15.4.1 (a). A member institution shall not consider athletics ability, participation or performance as a criterion in the formulation of the financial aid package.
4. 15.4.1 (c). The financial aid package for a particular student-athlete cannot be clearly distinguishable from the general pattern of all financial aid for all recipients at the institution.
5. 15.4.1 (d). The percentage of the total dollar value of institutionally administered grants awarded to student-athletes shall be closely equivalent to the percentage of student-athletes within the student body.
6. 15.4.5 Athletics Staff Involvement. Members of the athletics staff of a member institution shall not be permitted to arrange or modify the financial aid package (as assembled by the

financial aid officer or financial aid committee) and are prohibited from serving as members of member institutions' financial aid committees and from being involved in any manner in the review of the institutional financial assistance to be awarded to a student-athlete.

7. 15.4.6 Matrix-Rating System. In instances in which admissions officers use a matrix-rating system where, as part of the admissions process, factors other than academic ability are considered, once a decision is reached concerning admission, all consideration of athletics ability, participation or performance shall be eliminated from any rating system before the student-athlete's application is reviewed by the financial aid office, regular college agency, office or committee.
8. 15.4.7. Adjustments to Financial Aid Package. Adjustments to the composition of the financial aid package for a prospective student-athlete may be made after the initial packaging for the student has been completed, provided such adjustments fit within the packaging guidelines for all of the institution's prospective students and there is no athletics department involvement in the process.

Table 16: Violations Discovered.

Violation	2005-06	2006-07	2007-08	2008-09	Total
Consideration of Athletics Participation	12	0	3	1	16
Consideration of Athletics Leadership	3	4	2	3	12
Unjustified Proportionality Difference	0	0	2	1	3
Unjustified Distinguishable Pattern of Awarding	1	0	1	1	3
Inadequate Justification Overall	0	0	1	0	1
Athletics Staff Involvement in Financial Aid	0	0	1	0	1
Multiple Violations	1	0	1	1	3
Total	17	4	11	7	39

[Note: Six institutions successfully appealed the Financial Aid Committee findings of a violation. Five of those took place in the first year of the reporting program, 2005-06, and one in 2007-08. This explains the difference between the 47 NCAA enforcement services referrals noted in Table 3 and the 39 violations discovered in Table 4.]

The majority of violations discovered concern the consideration of athletics in non-need-based institutional gift aid - most notably in leadership grants - and as a component in the assessment of high school extracurricular activities by admissions offices. The central conclusion to be drawn from this information is that the Financial Aid Reporting Program has uncovered financial violations at 39 schools, approximately nine percent of the division's membership. These schools do not fit a single profile. They range in enrollment, athletics department size, cost and financial resources, among other criteria.

D. Sanctions.

Sanctions for violations discovered through the reporting program are determined by NCAA enforcement services and the Division III Committee on Infractions. The Financial Aid Committee does not determine sanctions. Upon referral from the Financial Aid Committee, enforcement services and the Committee on Infractions will categorize the violation as secondary or major. A secondary violation can best be described as isolated or inadvertent. A major violation is defined as anything that cannot be categorized as secondary. To that end, the sanctions associated with violations discovered through the program and deemed secondary have been educative in nature. This was the recommendation from the Financial Aid Committee at the program's inception in 2004 and upheld through the 2007-08 reporting cycle. The sanctions have included submission of detailed corrective action pertaining to the violations, a mandatory education session tailored for the individual school and completion of an on-line financial aid exam.

Throughout all four years of the reporting program and in place for coming years, sanctions associated with a major violation are under the auspices of NCAA enforcement services and the Committee on Infractions. Sanctions for major violations may include a probationary period, public reprimand or a post-season ban, among others.

Beginning with the 2008-09 reporting cycle, the Financial Aid Committee began to include recommendations for sanctions associated with the violations found through the review process. These recommendations may include those cited above as sanctions for major violations. Education remains the foundation of any recommended sanctions and those education-based sanctions noted above remain as options for the committee. The impetus for this change in policy was that the committee desired to reinforce Bylaw 15 as a central tenet of the Division III philosophy via punitive sanctions for violations.

Table 17: Major and Secondary Violations.

Violation Category	2005-06	2006-07	2007-08	2008-09	Total
Secondary	17	4	8	Pending	29
Major	0	0	3 (Pending)	Pending	3
Total	17	4	11	Pending	32

[Note: At the time of this report, the seven cases from 2008-09 are being processed by NCAA enforcement services and the three major violation cases from 2007-08 are being processed by the Division III Committee on Infractions.]

Two of the three major violation cases from 2007-08 reporting cycle were the result of an unjustified proportionality difference violation discovered by the committee through the sport filter discussed earlier in the report.