The Vital Role of Administrative Cost Allowances to Student Financial Aid Offices

Key Findings from NASFAA's Administrative Cost Allowance Survey, July 2011

The National Association of Student Financial Aid Administrators (NASFAA) recently conducted a survey on the 2009-10 award year Administrative Cost Allowances (ACA), which are funds used by colleges and universities to support operations and professional development. Specifically, ACA is often used in essential areas that support the day-to-day operations of a financial aid office, such as salaries of financial aid counselors, equipment and supplies, and professional training. During this difficult fiscal environment, the ACA is being considered as a target for deficit reduction. The following survey results indicate the vital role that the ACA plays in student aid administration, and the devastating impact that its elimination would have at the campus level.

There are two types of ACAs – Pell Grant ACA and Campus-Based Aid (CBA) ACA. The difference between the two ACAs is the source of the funding. Pell ACA is paid to the institution at given points during the award year from funds appropriated by Congress. CBA ACA is deducted by the institution from the institution's campus-based aid allocations.

With a NASFAA membership response rate of 21%, 577 NASFAA member institutions participated in the ACA Survey. Of the institutions that responded, a large proportion of responses came from public 2-year (18%), public 4-year (35%), and private not-for-profit 4-year (21%). Thus, these types of institutions are highlighted in the following key findings:

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- The top three areas that Pell and CBA ACAs supported in 2009-10 were
  - staff salaries (44% of Pell ACA institutions; 43% of CBA ACA institutions),
  - office supplies and equipment (43% Pell; 37% CBA), and
  - office travel to financial aid meetings and/or training (35% Pell; 32% CBA).

- According to 52% of institutions that used Pell ACA in 2009-10, Pell ACA supported up to 20% of the financial aid offices' operational expense, while a third of institutions that used CBA ACA in 2009-10 said that CBA ACA supported up to 20% of operations.

- For public 2-year institutions, 31% of institutions reported that they would be "greatly affected" should Pell ACA be eliminated.

- NASFAA asked institutions to comment further as to what extent the elimination of Pell ACA would affect their institutions:

"These funds are used to train staff, maintain and upgrade computers and some staff salaries. We cannot afford to lose or reduce any of these critical office needs."

–Public 4-year institution in Utah

"Employment of one full-time Financial Aid staff would have to be terminated during the time that state and institutional funding resources have been drastically cut and/or eliminated. This would hinder the availability of quality service to students as our office has experienced more than 90% increase in the volume of federal aid applications processed within the two most recent fiscal/academic years."

–Public 2-year institution in Arizona

- If CBA ACA were eliminated from institutions, 31% of institutions said that they would be "moderately affected." Another 30% said that their institutions would be "greatly affected" because their financial aid office heavily depends on CBA ACA to operate. More than half (57%) of public 4-year institutions said that their institutions would be "greatly affected" should CBA ACA be eliminated.

- NASFAA asked institutions to comment further as to what extent the elimination of CBA ACA would affect their institutions:

"Campus based funds provide approximately 10% of an already tight budget for the Financial Aid and Scholarships office and fund a critical Perkins accounting and collections position in our Student Receivables area. While these funds are used primarily for travel, supplies and equipment, without them we would have to reduce staffing by several positions to accommodate fixed expenses. Without administrative cost allowance, in order to maintain our administrative capacity to run the financial aid office, service to students would be severely reduced to an unacceptable level."

–Public 4-year institution in California

"… If the ACA was eliminated, the Financial Aid Office would have to dramatically reduce our already limited travel to financial aid meetings and training sessions. In addition, we would be forced to cut personnel from an already bare-bones staff. Our ability to remain in compliance with federal regulations would be in serious jeopardy."

–Private 4-year institution in New Hampshire

- Seventy-four percent of institutions said they took both Pell and campus-based ACA in 2009-10.

- The average amount of Pell ACA was $15,900. Institutions can take the maximum amount allotted for CBA ACA, which was an average of $81,800, or a partial amount, which was an average of $31,100 in 2009-10.

As these data show, elimination of the ACA would have a detrimental impact on the financial aid offices that serve our nation's postsecondary students. We urge lawmakers to consider its importance and necessity as they make difficult budgetary choices.