

Question:

What are some states' approaches to reserve funding in state-funded financial aid programs?

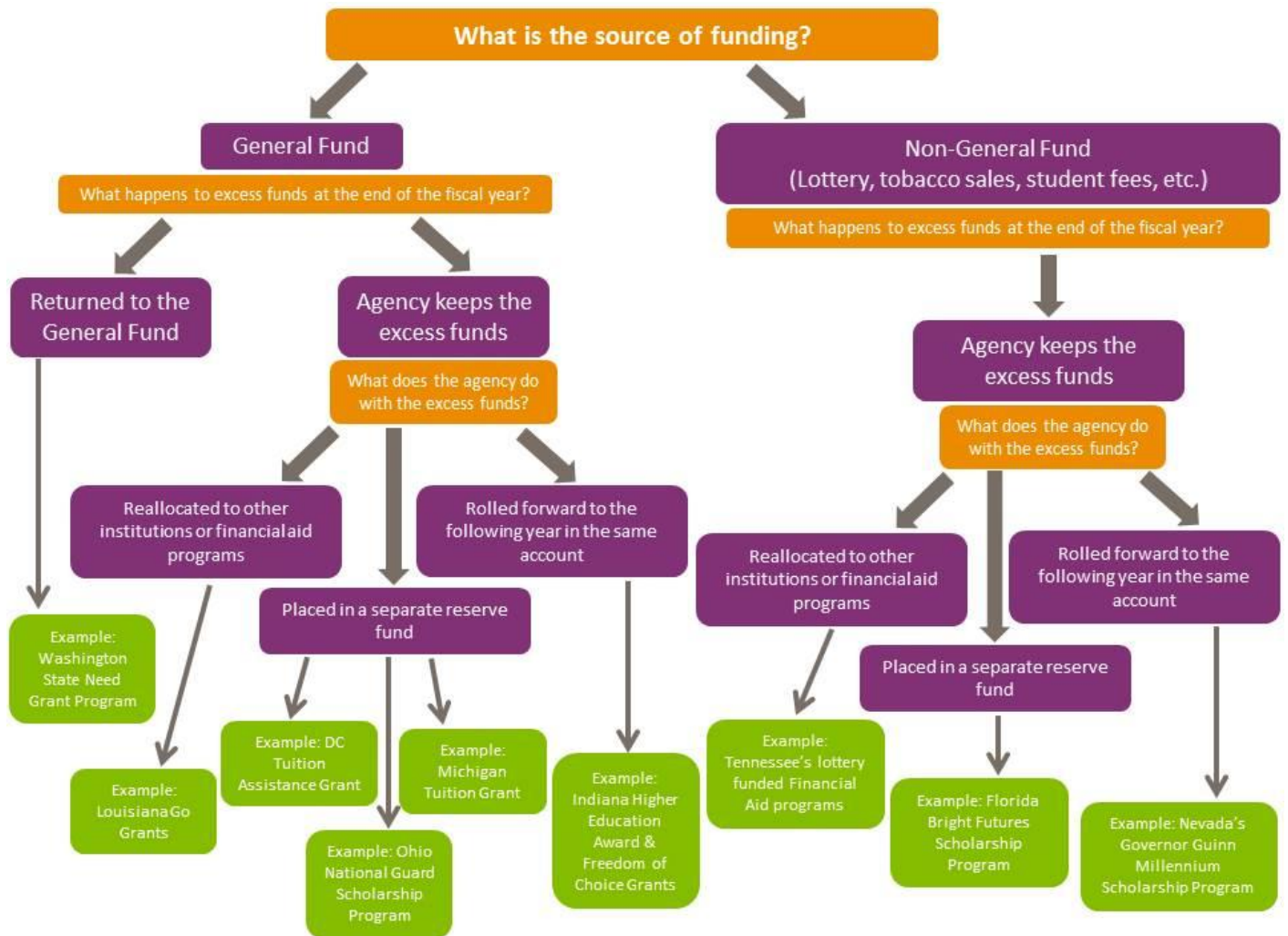
Response:

Across the states, we find that states take four main approaches to unused state financial aid program dollars: returning dollars to the general fund, reallocating to other institutions or programs, placing the funds in a separate reserve, or rolling funds forward to the following year. Our response to this information request includes more details and state examples of each of these approaches.

Our research also shows that the funding source impacts how states address unused state financial aid program dollars. The most common source of funding for state financial aid programs is the state general fund. Similar to DCTAG, state agencies request funds from the general fund every budget cycle. However, there are a few state financial aid programs which are funded from alternate funding sources, like a state lottery, tobacco sales, or student fees.

Among programs funded through the state general fund, state agencies may have to return any excess funds back to the state general fund. In other cases, the agency can keep the funds to (1) be reallocated to a different program, (2) to be placed in a separate reserve fund (similar to DCTAG, although funds do not originate from a state's general fund appropriations but from federal appropriations), or (3) to be rolled forward to the following year. Both the [Ohio National Guard Scholarship Program](#) and [Michigan Tuition Grant](#) have funding structures similar to DCTAG, where they request program funding and maintain reserve funding.

The following flowchart shows the main ways in which state financial aid programs handle excess funds, with examples of each funding scenario. Further explanations of each example program are listed below the graphic.



Policy Examples

Programs Funded through the General Fund

Washington State Need Grant Program:

- Unexpended funds revert back to the State Education Trust Fund

Louisiana Go Grants:

- If funds are not used by an institution, then they are reallocated among other institutions who have qualified students who did not receive a GO grant

Ohio National Guard Scholarship Program

- The chancellor of the program estimates the costs of the program for the following year, plus a reserve fund.
- If the allocation plus the reserve fund is not enough to cover the cost of the program, then they have to reduce the amount of the scholarship.

Michigan Tuition Grant

- Any unused funds rollover to the next school year, but must be used within one year.

Indiana Higher Education Award & Freedom of Choice Grants

- Money remaining in the freedom of choice grant fund at the end of any fiscal year does not revert to the state general fund, but remains available to be used for making freedom of choice grants.

Programs Funded through Other Sources

[Tennessee's lottery funded Financial Aid programs](#)

- If there exist net proceeds of the state lottery in excess of those allocated to the financial aid programs, then the excess net proceeds shall be allocated first to early learning programs.

[Florida Bright Futures Scholarship Program](#)

- If all funds allocated to the Bright Futures Scholarship Program are not used in any fiscal year, up to 10 percent of the total allocation may be carried forward and used for awards in the following year.

[Nevada's Governor Guinn Millennium Scholarship Program](#)

- The money in the Trust Fund remains in the Fund and does not revert to the State General Fund at the end of any fiscal year.

State financial aid programs take four main approaches to unused state financial aid program dollars—returning dollars to the general fund, reallocating to other institutions or programs, placing the funds in a separate reserve, or rolling funds forward to the following year. For more information about state financial aid funding, please feel free to reach out to Sarah Pingel or Emily Parker.