A postsecondary institution shall not award state aid in a student aid package in excess of the recognized cost of attendance at the institution where the student enrolls. State aid is defined to include scholarships and grants awarded to a student from public funds, including without limitation the Arkansas Academic Challenge Scholarship under § 6-85-201 et seq., Arkansas Department of Higher Education (ADHE) scholarships and grant programs, state general revenues, tuition, and local tax revenue. All postsecondary institutions shall report to ADHE the total amount of financial aid from all sources for any student who receives an award from an ADHE program. When a student receives a student aid package that includes state aid and the student aid package exceeds the cost of attendance, the postsecondary institution shall repay state aid in the amount exceeding total cost of attendance, starting with state aid received under the Arkansas Academic Challenge Scholarship under §6-85-201 et seq. The ADHE shall credit the excess state aid funds to the appropriate department fund or trust account.

For purposes of this policy, the student aid package includes federal aid, state aid and other aid a student receives for postsecondary education expenses. The definitions for federal aid, state aid and other aid are below.

Federal aid - scholarships or grants awarded to a student as a result of the Free Application for Federal Student Aid, excluding the Pell grant.

Other aid – a scholarship, grant, waiver, or reimbursement for tuition, fees, books, or other cost of attendance, other than federal aid or state aid, provided to a student from a postsecondary institution or a private source.

State aid - scholarships and grants awarded to a student from public funds, including without limitation the Arkansas Academic Challenge Scholarship under § 6-85-201 et seq., Arkansas Department of Higher Education (ADHE) scholarships and grants programs, state general revenues, tuition, and local tax revenue.

The Federal Cost of Attendance (COA) method shall be used for all students receiving state aid, regardless of whether the student is receiving federal financial aid. Costs that would not be included in Federal COA may not be included in the package of any student who receives state aid. Exceptions to the normal COA allowances as set forth in federal regulations may be included in COA calculations. Institutional work study is not included in COA unless it is need based. This policy shall apply to students entering college in the 2010-2011 academic year and subsequent years.

If the student aid package exceeds the COA, the postsecondary institution must reduce the Arkansas Academic Challenge Scholarship first. In cases where the only state aid funds to be reduced are ADHE programs, the school may reduce awards in this order:
1. Academic Challenge Scholarship
2. Any ADHE loan programs
3. Higher Education Opportunities Grant (GO! Grant)
4. Governor's Scholars Program
5. Other ADHE Programs

On September 30 of each year, all public and private institutions shall report to ADHE the total amount of financial aid from all sources for any student who receives an award from an ADHE program for the previous academic year. The report shall be in an electronic format as defined by ADHE. The Department shall seek advice from institutions in developing the format of the report.