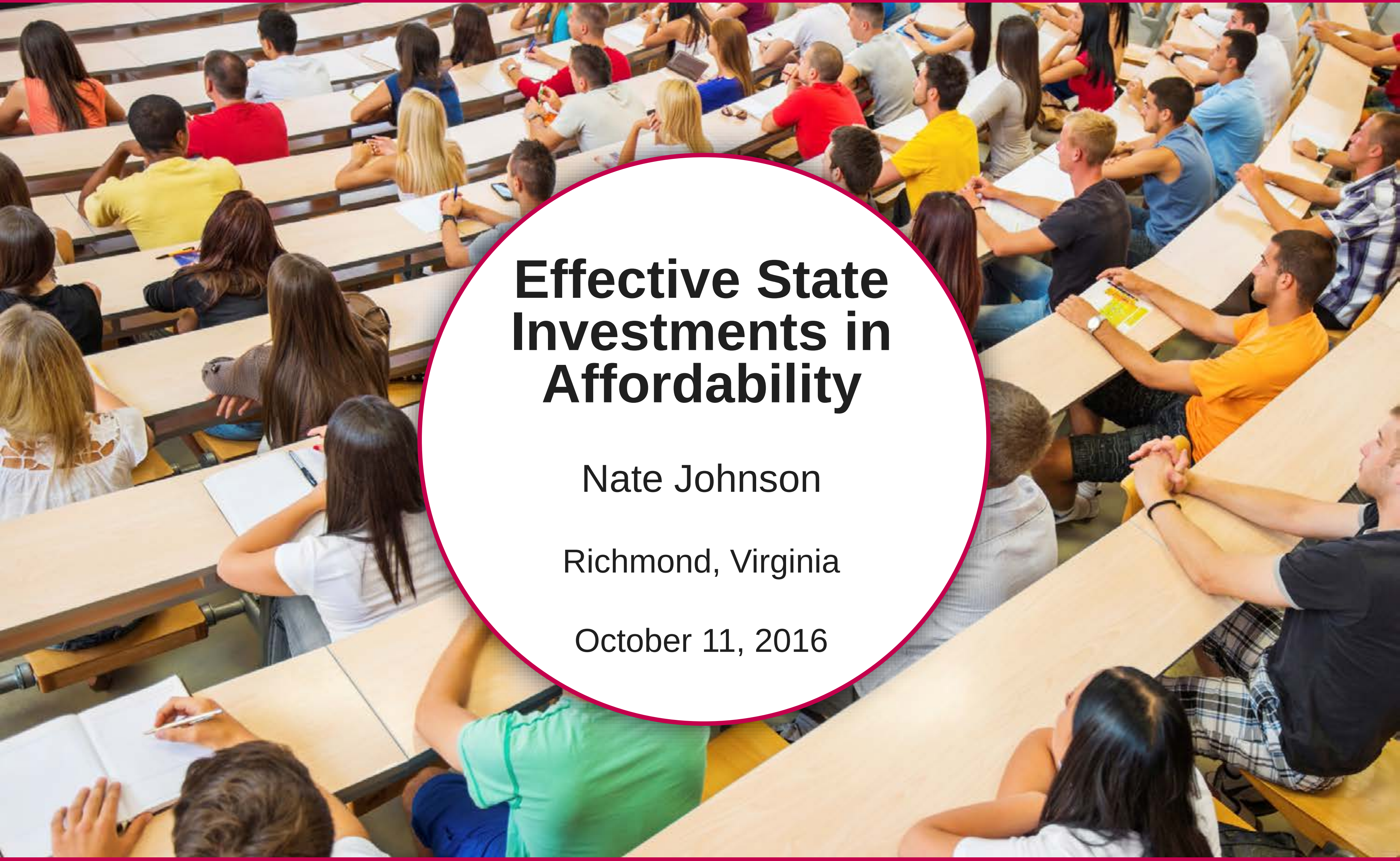


Effective State Investments in Affordability

Nate Johnson

Richmond, Virginia

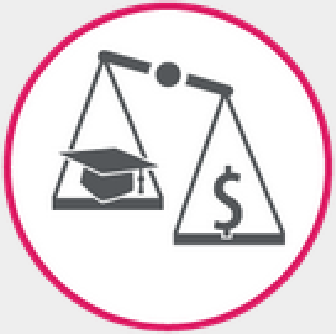
October 11, 2016

STRATEGY LABS
State Policy to Increase Higher Education Attainment

SUPPORTED BY Lumina FOUNDATION

Strategy Labs

Improve Student Outcomes



Align Investments

Create Smarter Pathways

Strategy Labs

Strategy Labs are an open platform for leaders and influencers in all 50 states to come together to share research, data and professional experiences to advance Goal 2025. That goal is to increase the proportion of Americans with high-quality degrees, certificates and other credentials to 60 percent by the year 2025. The Strategy Labs enable Lumina Foundation to connect and collaborate with state and system-level policymakers and higher education leaders to advance the State Policy Agenda and to focus on increased educational attainment.

Please note . . .

- Lumina Foundation does not support or oppose any specific legislation. Lumina provides information and resources on a nonpartisan basis to advance Goal 2025.
- This presentation was produced for Strategy Labs by Nate Johnson and HCM Strategists with support from Lumina Foundation. The views expressed in this publication are those of the authors and do not necessarily represent those of Lumina Foundation, its officers and directors or employees.

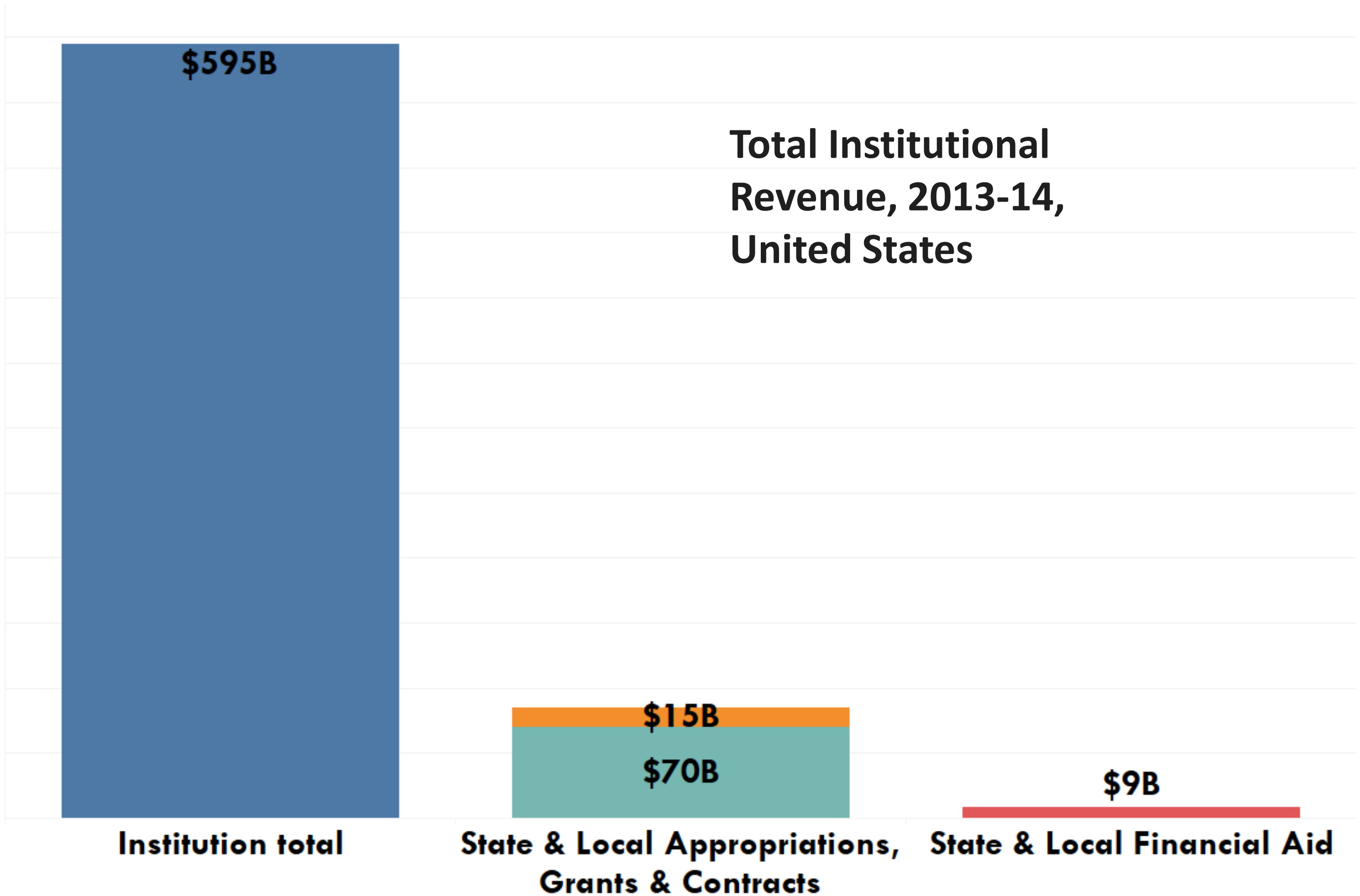
Strategy Labs Financial Support Principles for Goal 2025

- Make college more affordable for low-income students
- Make college prices more predictable and transparent
- Provide incentives to students and institutions to increase completion and lower prices
- Align federal, state, and institutional policies and programs

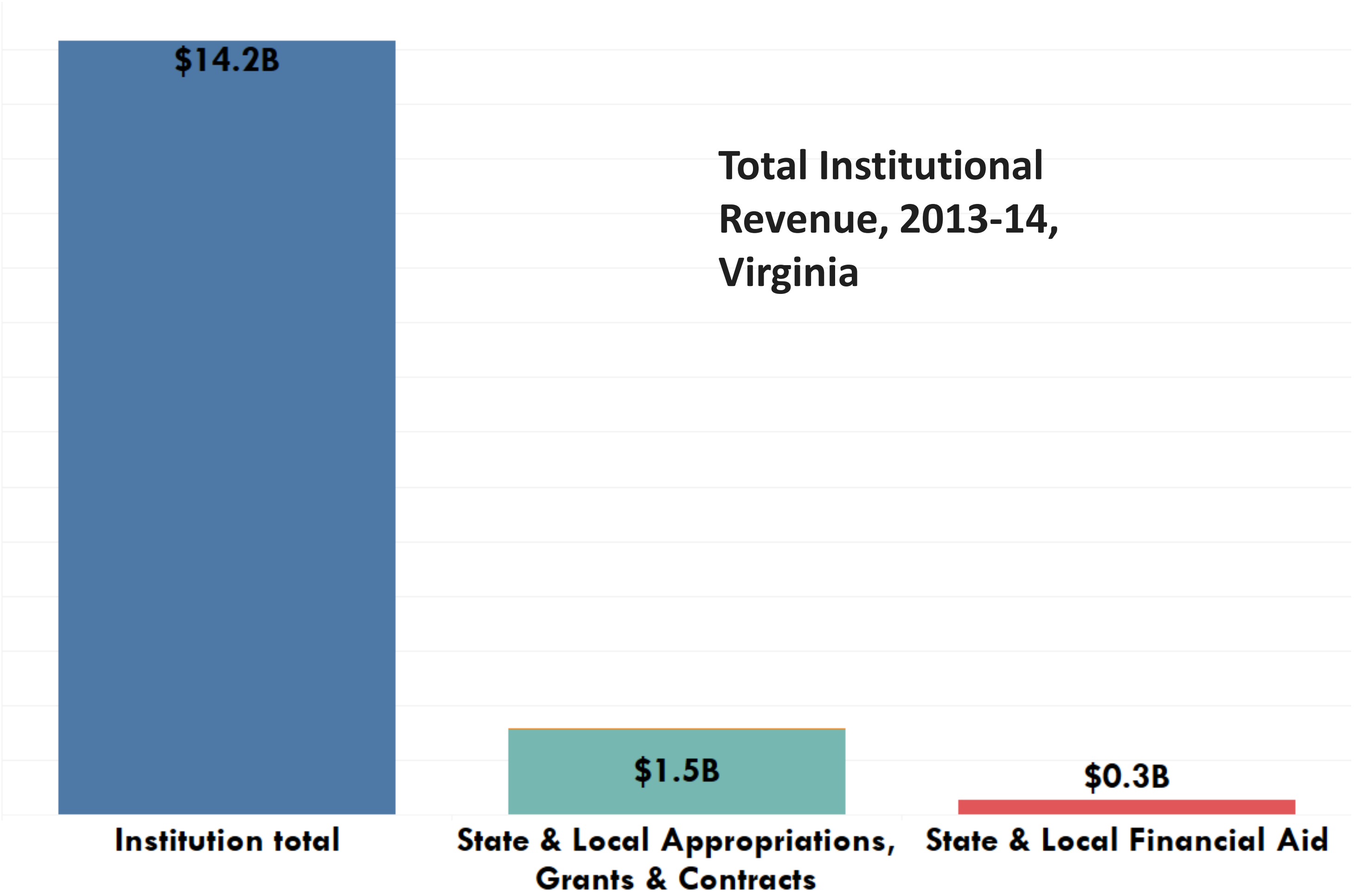
How Can States Effectively Address Affordability?

1. Tuition, appropriations, and financial aid must all be used strategically to address affordability
2. Effective state investments are:
   a) Targeted
   b) Appropriately timed
   c) Clearly communicated
   d) Coordinated with other resources
   e) Designed to provide both incentive and support

1. Strategy: Financial Aid in Perspective

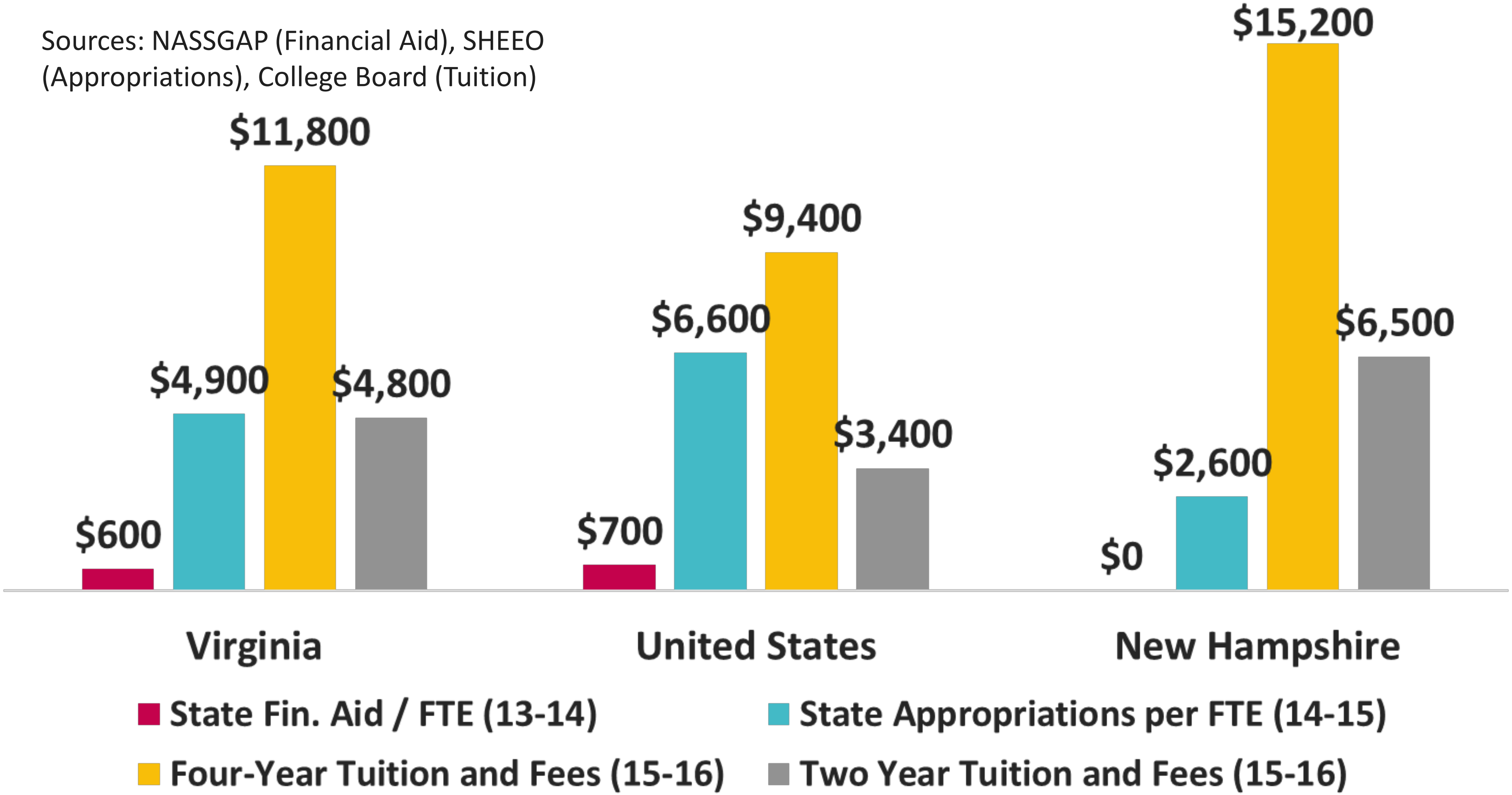


1. Strategy: Financial Aid in Perspective



1. Strategy: Appropriations to Institutions = Biggest "Scholarship" in Virginia and US

Sources: NASSGAP (Financial Aid), SHEEO (Appropriations), College Board (Tuition)



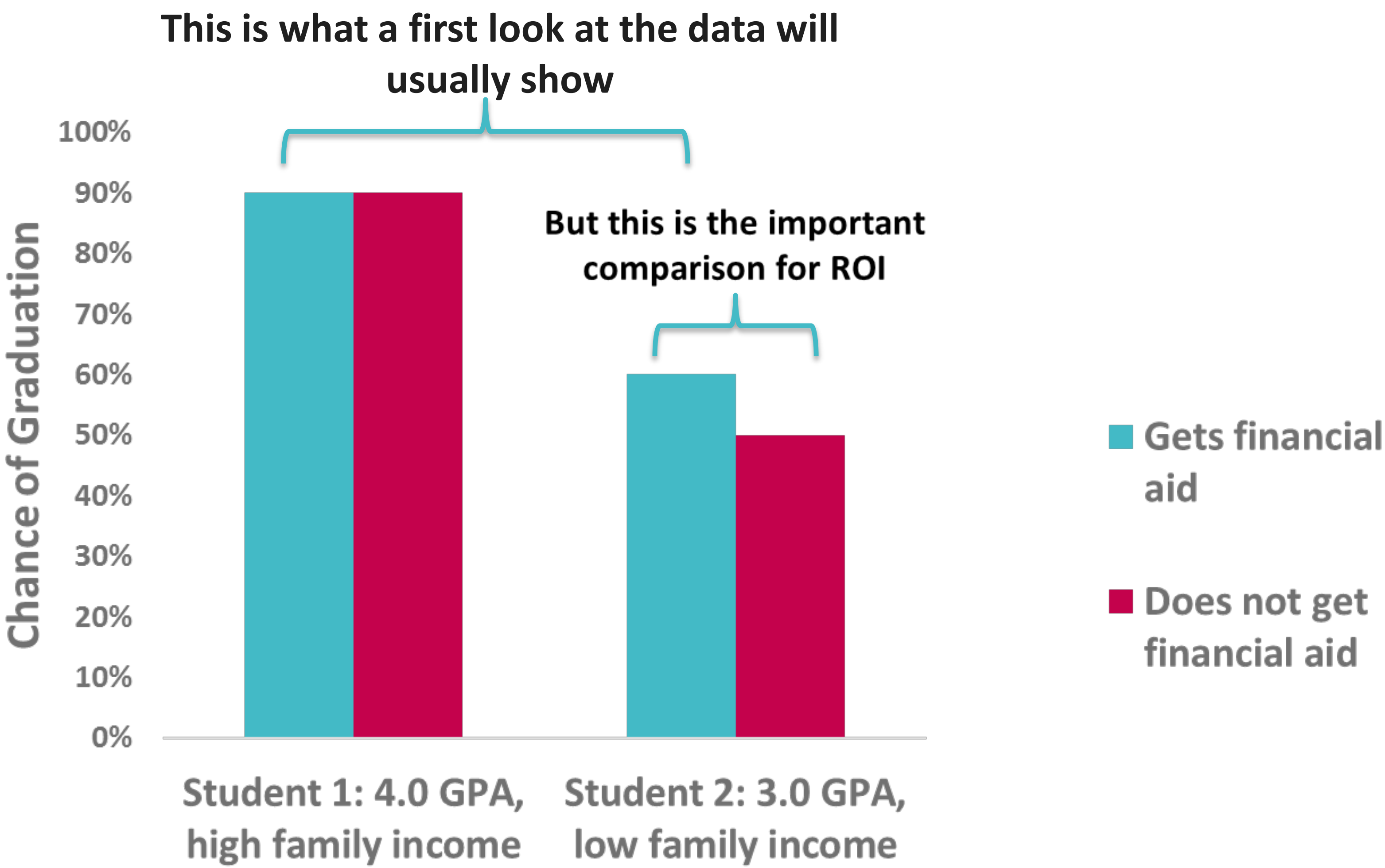
2.a. Targeting: Student Financial Need

- Need-based financial aid for students: Rigorous studies in **Florida** and **Washington** have shown significant impact, as have studies of the federal Pell grant program
- Less well-targeted programs also have impact to the extent they meet unmet need and facilitate choice, but the ROI is lower
- Rule of thumb: $1,000 in reduced financial need = 3 percentage point increase in odds of completion
- But program design could increase or reduce the impact

Summary of research on need-based financial aid:

Susan Dynarski and Judith Scott Clayton, *Financial Aid Policy: Lessons from Research,* http://www.futureofchildren.org/publications/journals/article/index.xml?journalid=79&articleid=581

2.a. Targeting: Impact of Investments and Financial Need on Student Outcomes



2.a. Targeting Investments: Institutions

- Low tuition makes a difference in affordability to the extent institutions serve lower- (or sometimes middle-income) students
- Appropriations can keep tuition down generally or help target gaps specifically
- Key question: with low tuition, do institutions have sufficient resources and incentive to serve low-income students?

2.a. Targeting Investments: Institutions, examples

- **Tennessee**: 40% premium in state funding formula for low-income students
- **Colorado:** Institutional allocation of financial aid based on student progress toward degree

Tennessee Funding Formula Website: https://www.tn.gov/thec/article/2015-20-funding-formula

2.b. Timing: Two Key Factors

- When <u>information</u> is received about anticipated resources
  - As early as it can be relevant to choices
  - In time to affect planning
- When <u>money</u> is received
  - When it is most needed
  - Not too early
  - Not too late
- Bad example of both: tax credits
- Also true of information about and imposition of <u>costs</u>

2.b. Timing of Information: Early Commitment

- Programs in **Indiana**, **Oklahoma**, **Washington, and New Brunswick (Canada)**
- Students qualify based on family income in 7th-9th grade
- State commits to substantial financial aid award (e.g. full tuition and fees) if students graduate and go on to college
- Investment has impact on student plans and choices over multiple years
- All three states can show strong positive trends since implementation
- New Brunswick evidence is strongest

2.b. Timing of Information: Results from New Brunswick

- 7 percentage point increase in college completion after 10 years compared to control group (all were lower-income)
- 14 point increase for first-generation participants (almost doubled)
- *Net amount of financial aid was about the same for treatment and control groups*
- *Full report: "Future to Discover Sixth Year Report" http://www.srdc.org/media/199953/ftd-sixth-year-psi-report-en.pdf*

2.b. Timing of Information: Impact of Early Commitment of Financial Aid—10 Years Later

Intervention	Sub-groups	Intervention impact on post-secondary outcomes, expressed as difference from control group outcome							
		Ever enrolled in university or college (%)	Ever enrolled in university only (%)	Ever enrolled in college only (%)	Ever graduated from any PSE institution (%)	Ever switched between PSE institution (%)	Ever left PSE institutions (%)	Ever received student aid (%)	Student aid received ($)
EYH (see Section 3)	All		+5					+6	+2,100
	LILE	+11	+8					+10	+2,900
	FGF	+8						+11	
	Parents with any PSE								+4,000
	Boys							+11	
	Girls	+7							
	Francophone	+9	+10				+8	+9	+3,400
	Anglophone								
LA (see Section 4)	All	+6		+7	+7	+3			-2,100
	LILE	+10		+9	+10				
	FGF	+15	+6	+10	+14				
	Parents with any PSE		-7	+8					-2,800
	Boys	+9		+10	+11			+10	
	Girls								-4,600
	Francophone	+14		+12	+12				
	Anglophone			+6		+3			-3,100

2.b. Timing of Resources: Meeting Immediate Needs

- Early application deadlines probably reduce award impact
- West Virginia need grant: late deadline (mid-April), and holds back part of the aid budget for later/summer applicants
- Minnesota need grant: rolling awards, deadline = 30 days after start of each term
- Emergency aid programs also show promise (e.g. Georgia State)

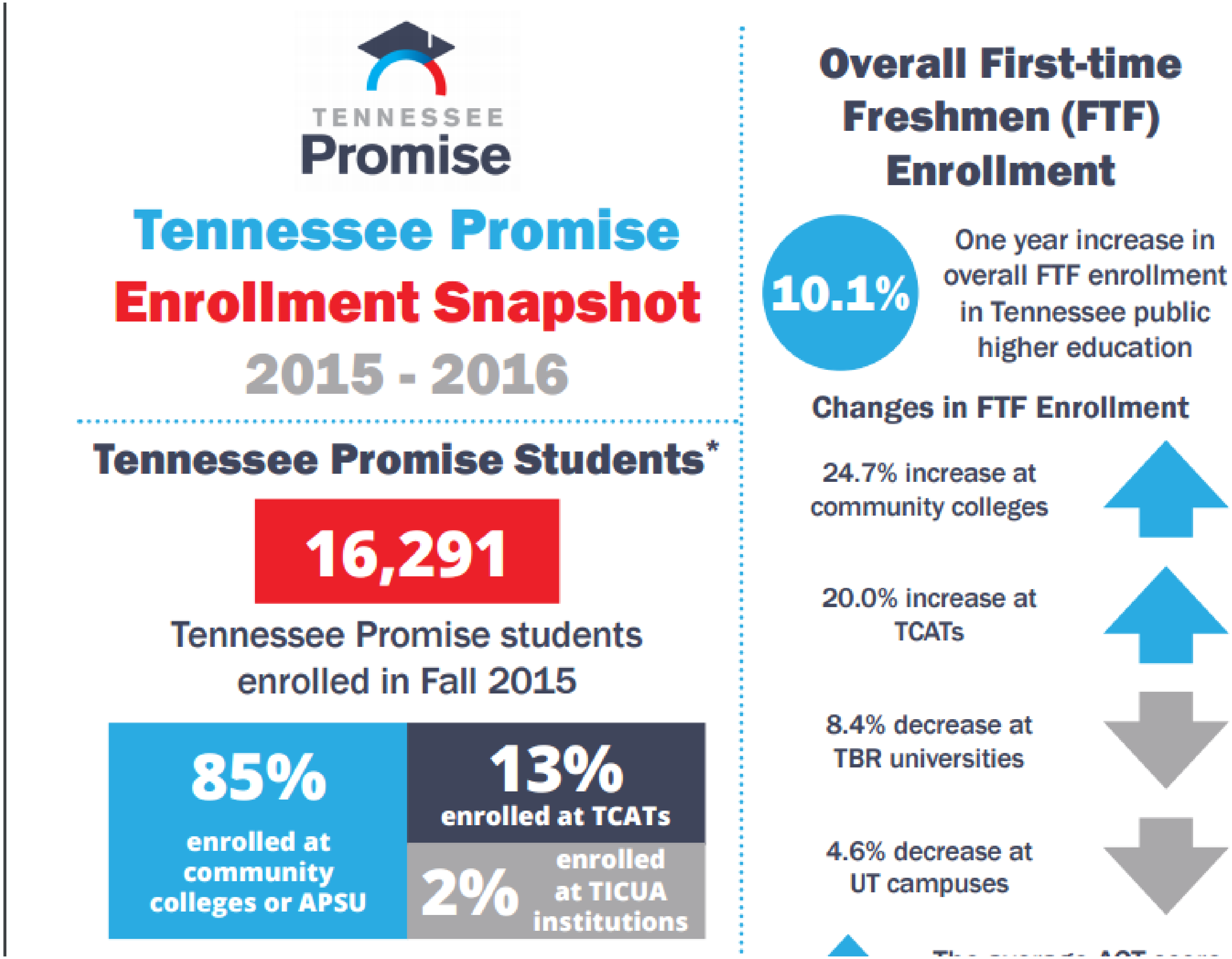
2.c. Communication

- College costs are a black box for many students
- Students can’t respond to programs they don’t understand
- States often lack a clear message or communication plan

2.c. Communication: Tennessee Promise Example

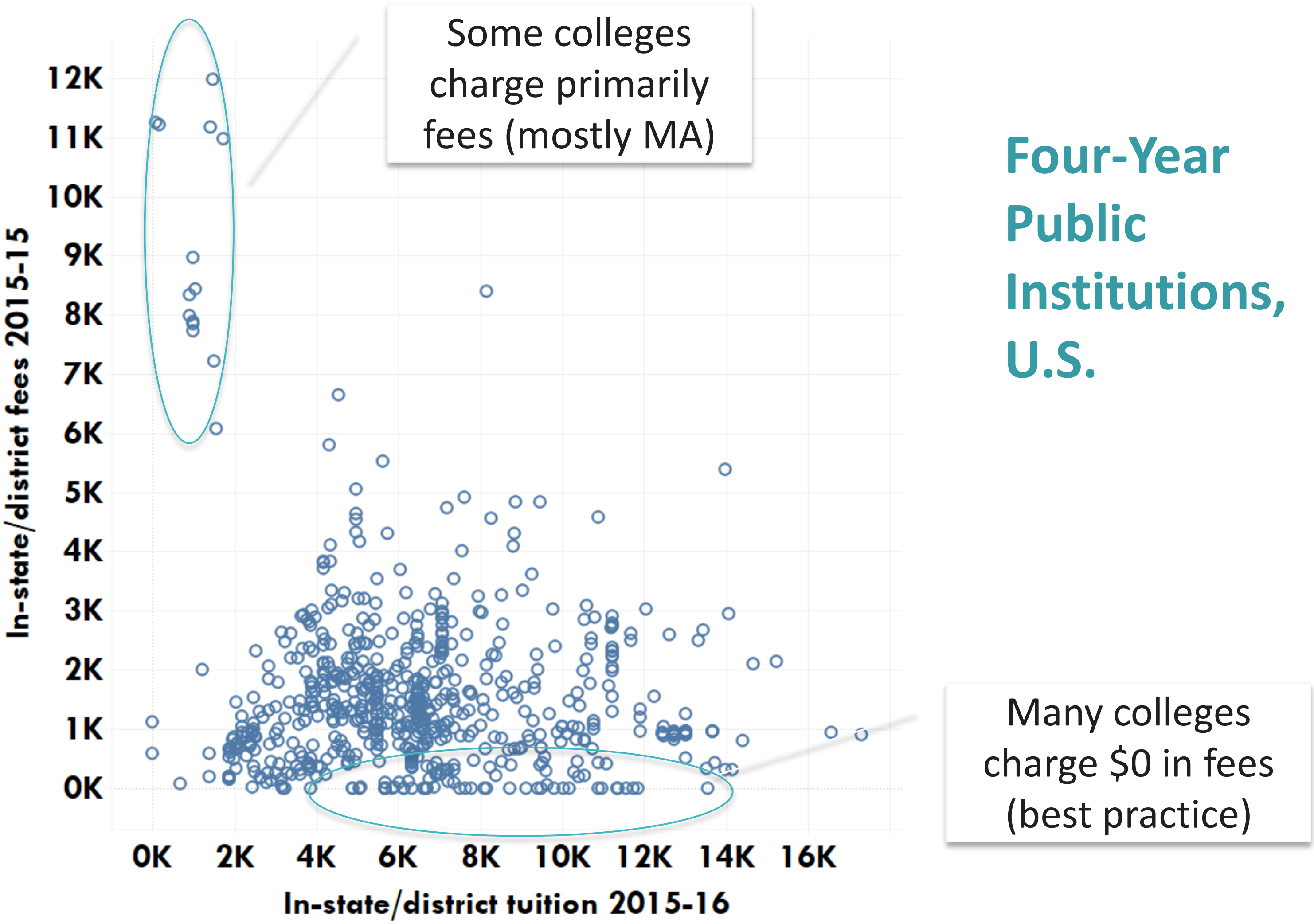
- Tennessee promises “Free Community College” to high school graduates
- Primarily an investment in communication ($10 million in first year)
- Most students will qualify for enough federal aid to cover tuition
- State covers the gap for the others
- Remember: funding formula rewards institutions for serving low-income students
- Has significantly increased first-time enrollment and amounts of federal need-based aid received

From Tennessee Promise Year 1 Numbers



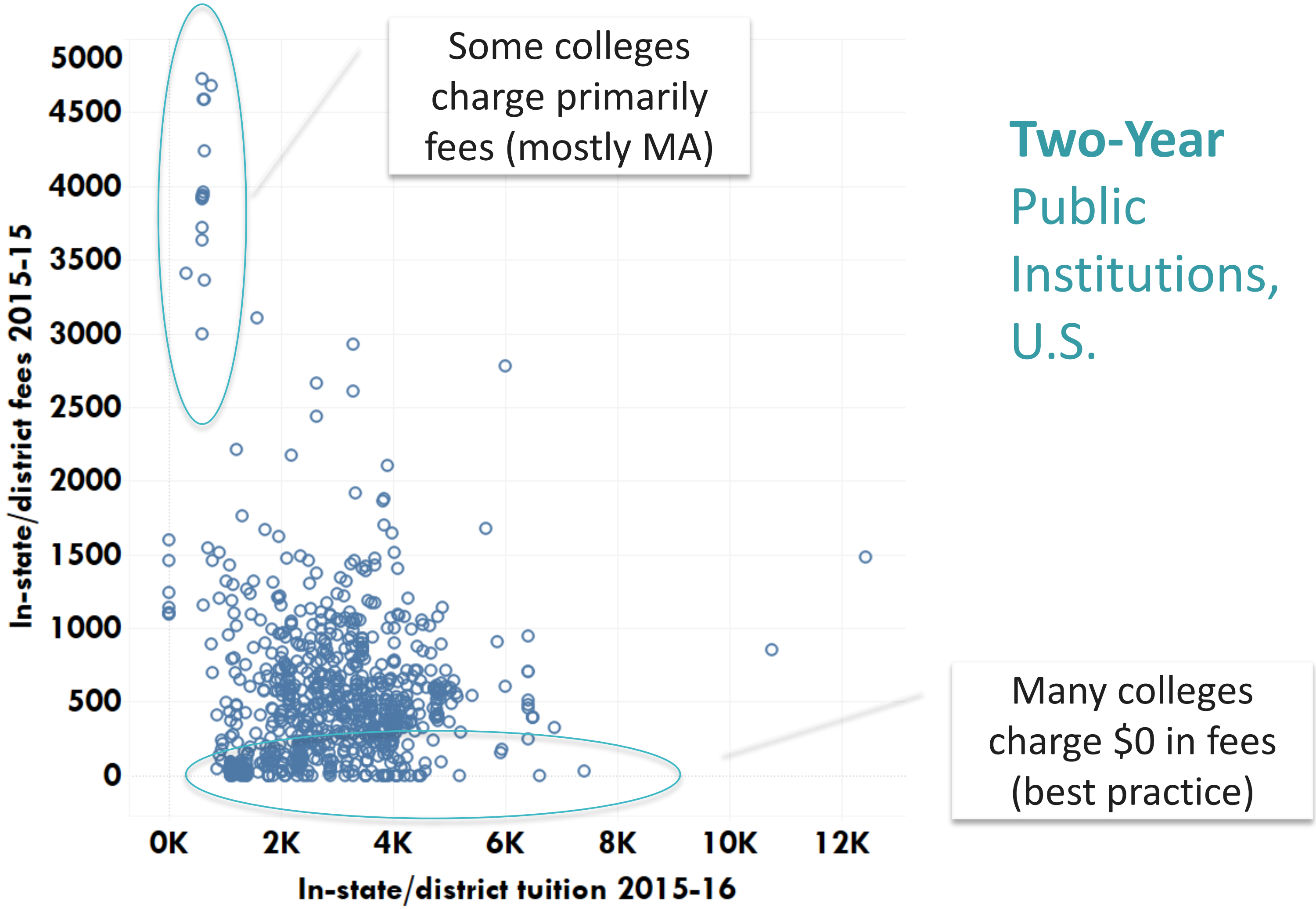
2.c. Communication: Tuition vs. Fees

Nationally, There is No Consistent Tuition / Fee Distinction



Four-Year Public Institutions, U.S.

2.c. (continued)

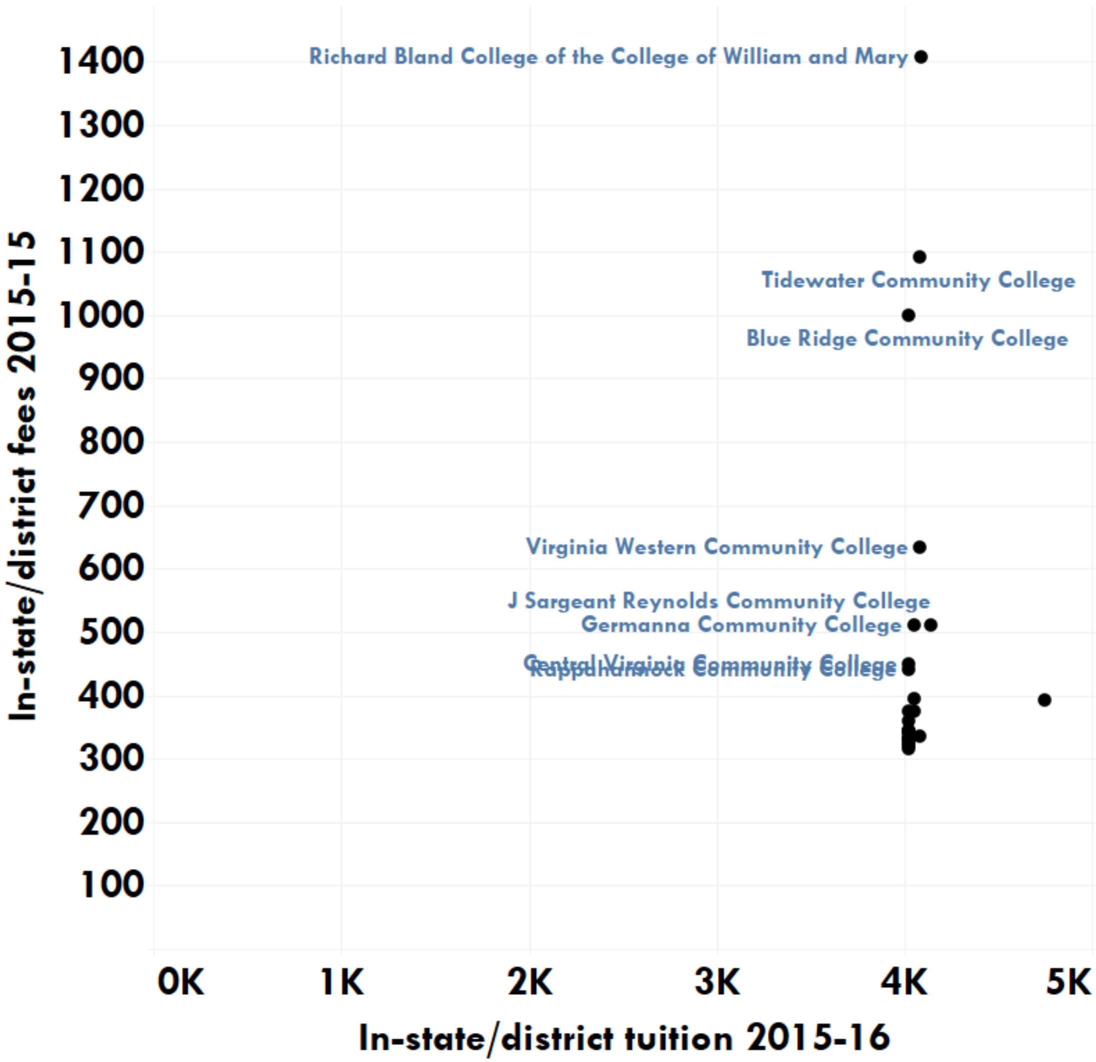


Two-Year Public Institutions, U.S.

2.c. (continued)

Four-Year Public Institutions, Virginia

2.c. (continued)



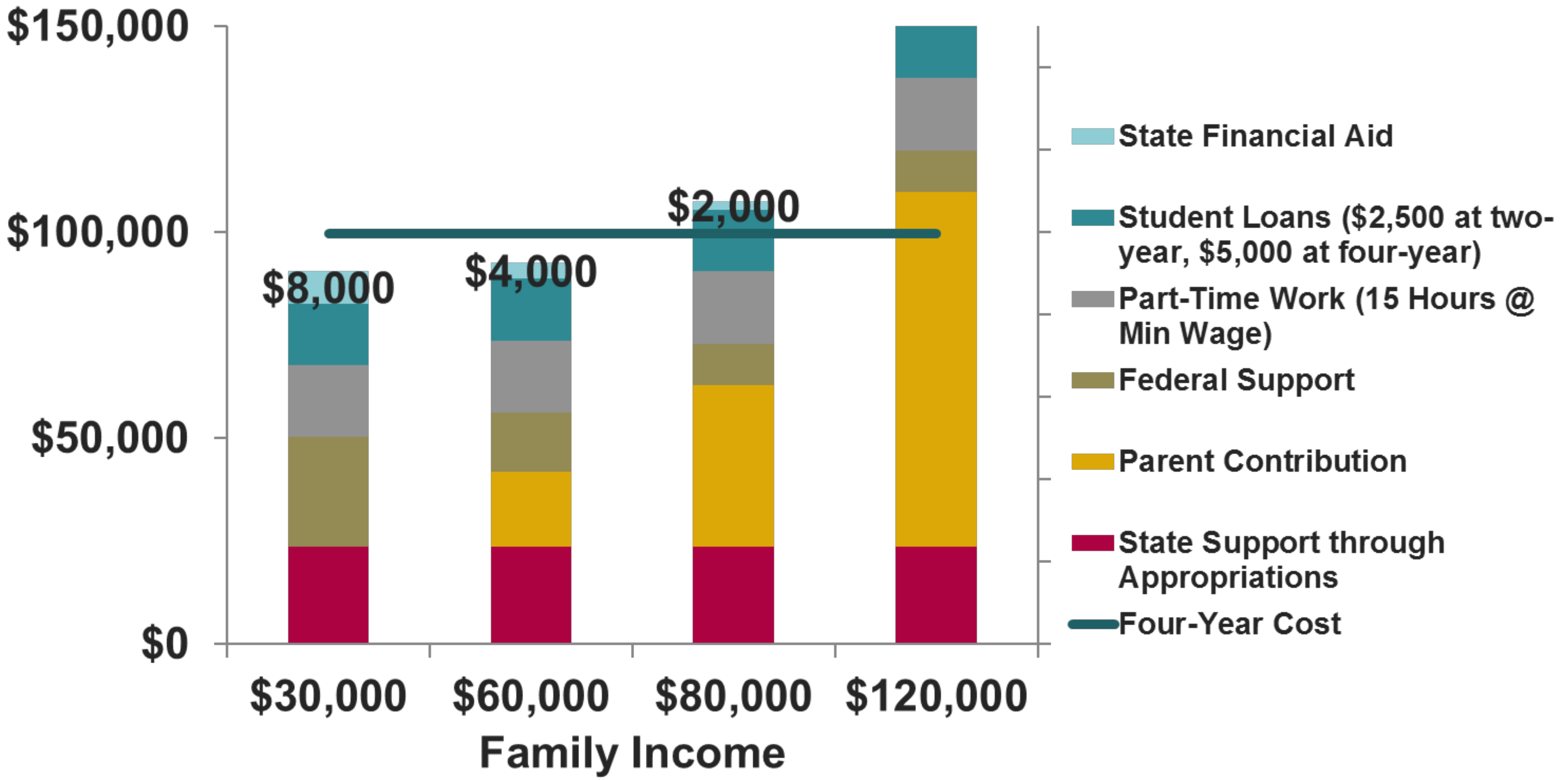
Two-Year Public Institutions, Virginia

2.d. Coordinating resources

State investments will have a greater impact if they do not duplicate other resources, such as:

- Private resources, including parent/family ability to contribute
- Federal resources, especially Pell grants and tax credits
- Other state investments (appropriations & financial aid)

2.d. Coordinating Resources: Who Pays for a $100,000 Four-Year Degree? (State X)



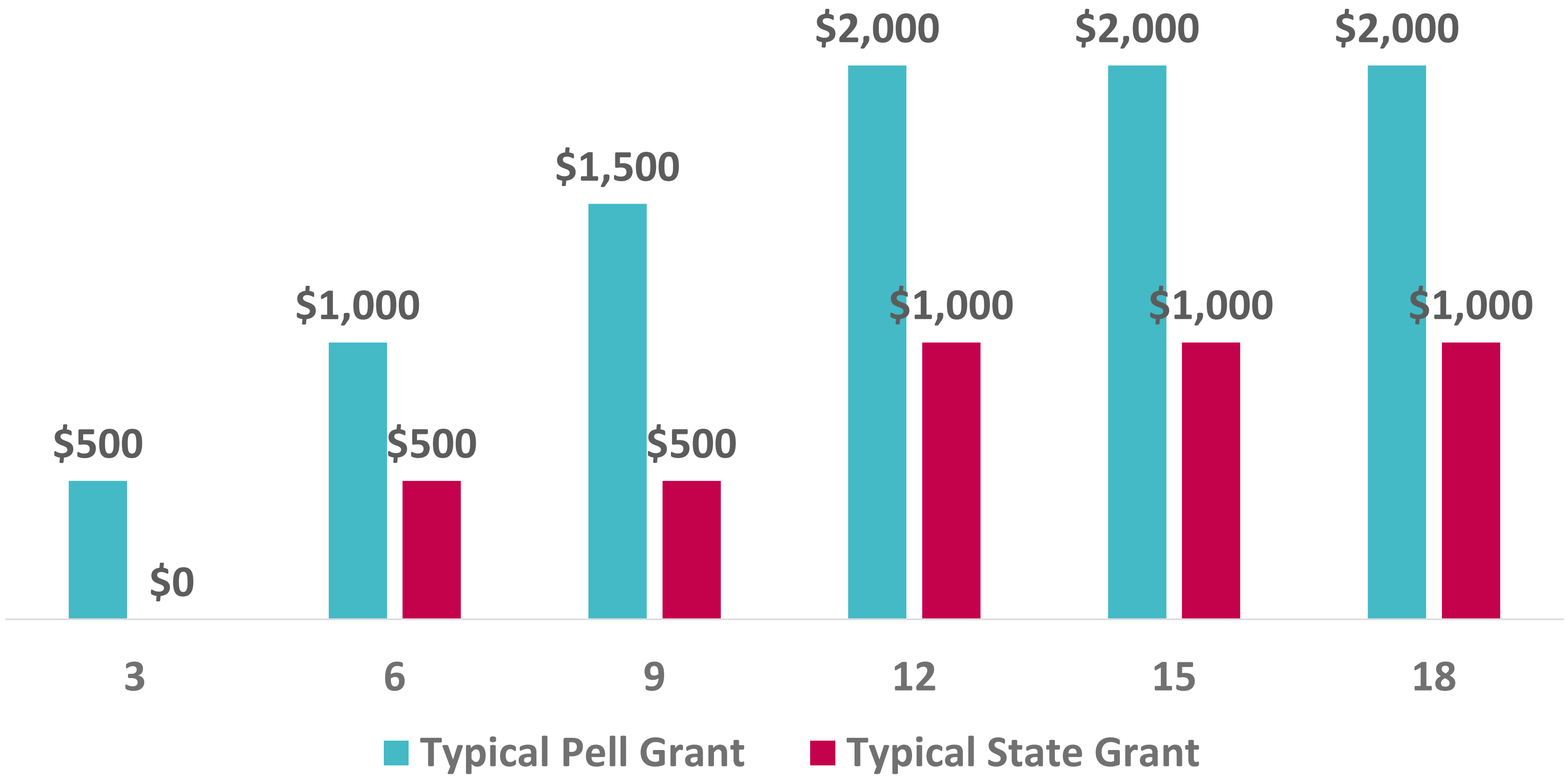
2.d. Coordinating Resources: What Pell Grants Don't Cover

- Cost of attendance in excess of $5,800
  - Tuition and fees at more expensive institutions
  - Living expenses and books at most institutions
- Students who do not qualify
  - Undocumented students
  - Students who have used up benefits
- Summer attendance for most students
- More than 12 credit hours per term (80% of what is needed to graduate in standard time)

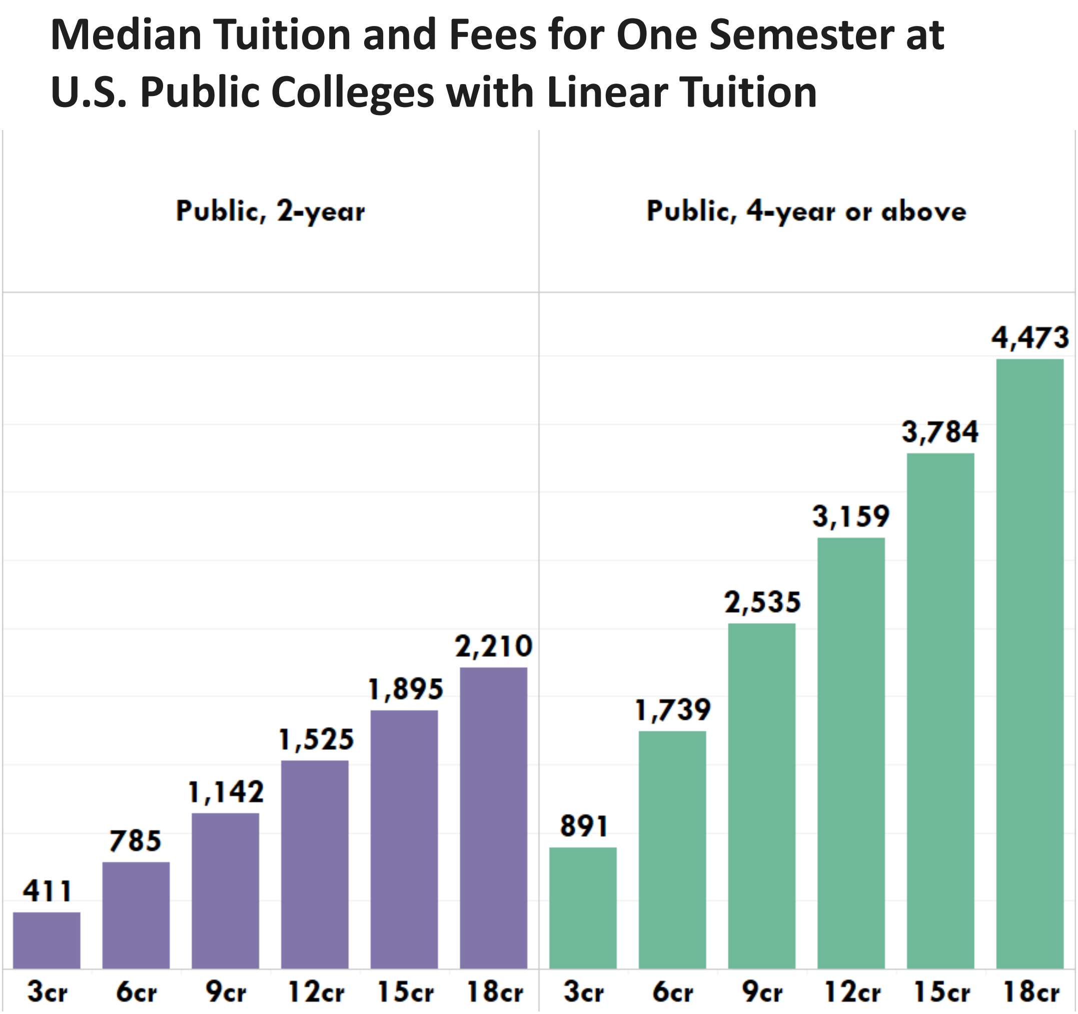
2.d. Coordinating Resources: Tuition and Financial Aid

- Two Ways of Charging Tuition & Fees
- “Linear” --students pay for every course
  - 60% of undergraduates nationally
  - 90% of community college students (100% in Virginia)
  - 47% of four-year college students (30% in Virginia)
- “Flat”—a single rate for courseloads within a range (usually 12-18)
- But Pell grants and most state grants assume everyone is paying a flat rate

2.d. Pell Grants and Most State Grants Make Maximum Awards at 12 Credit Hours Per Term

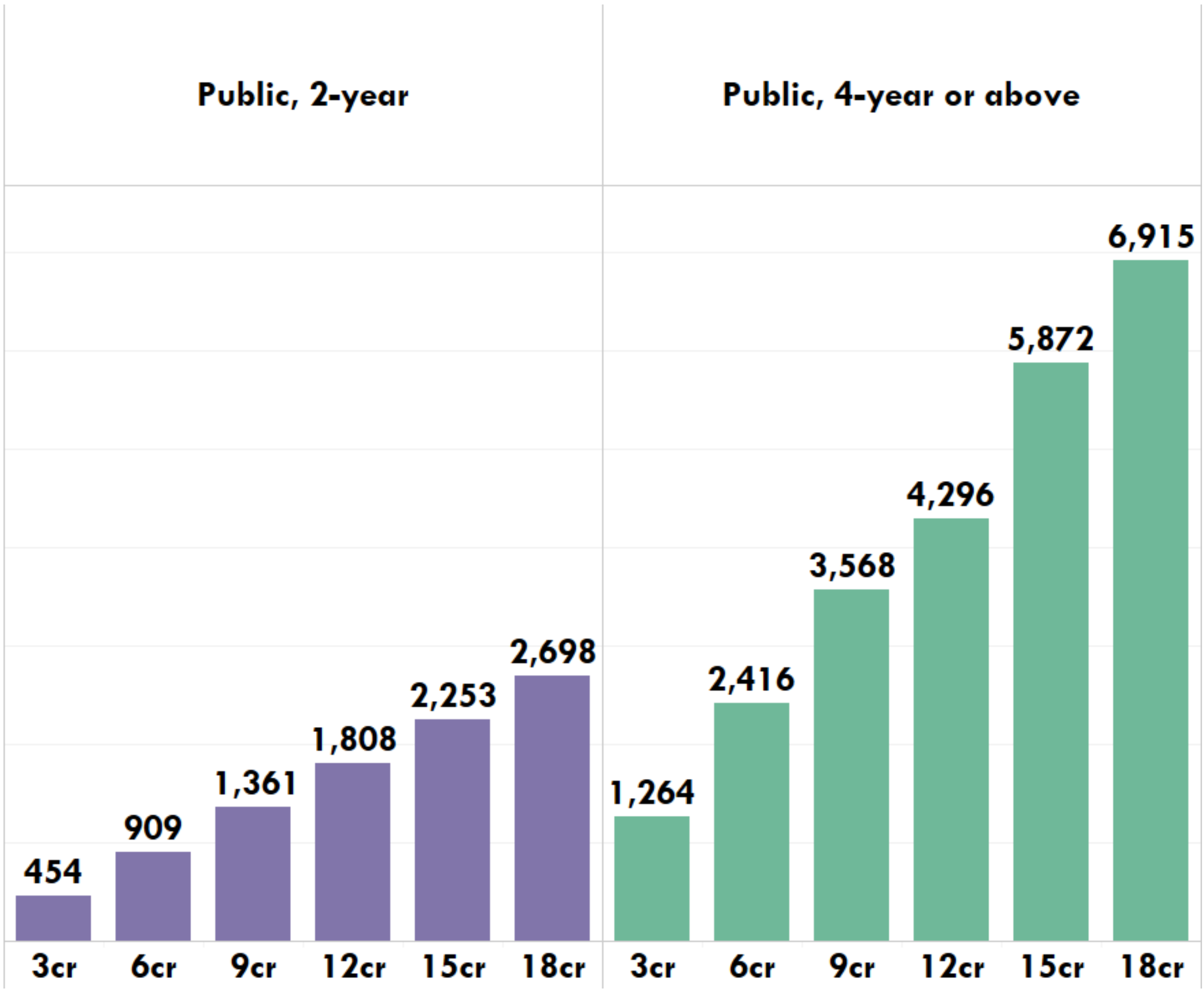


2.d. But for Most Students, Tuition and Fees Increase Past 12 Hours Per Term



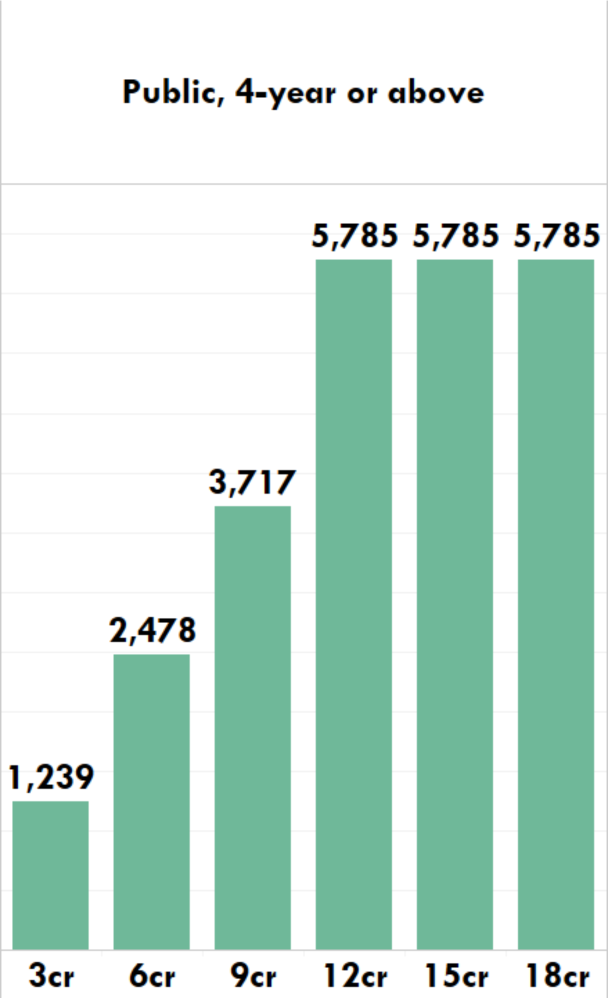
Source: Postsecondary Analytics Research. 2016-17 Tuition and Fees

2.d. Median Tuition and Fees for One Semester at Virginia Public Colleges with Linear Tuition



Source: Postsecondary Analytics Research. 2016-17 Tuition and Fees

2.d. Median Tuition and Fees for One Semester at Virginia Public Colleges with Flat Tuition



Source: Postsecondary Analytics Research. 2016-17 Tuition and Fees

2.d. Gaps in Resources for On-Time Completion

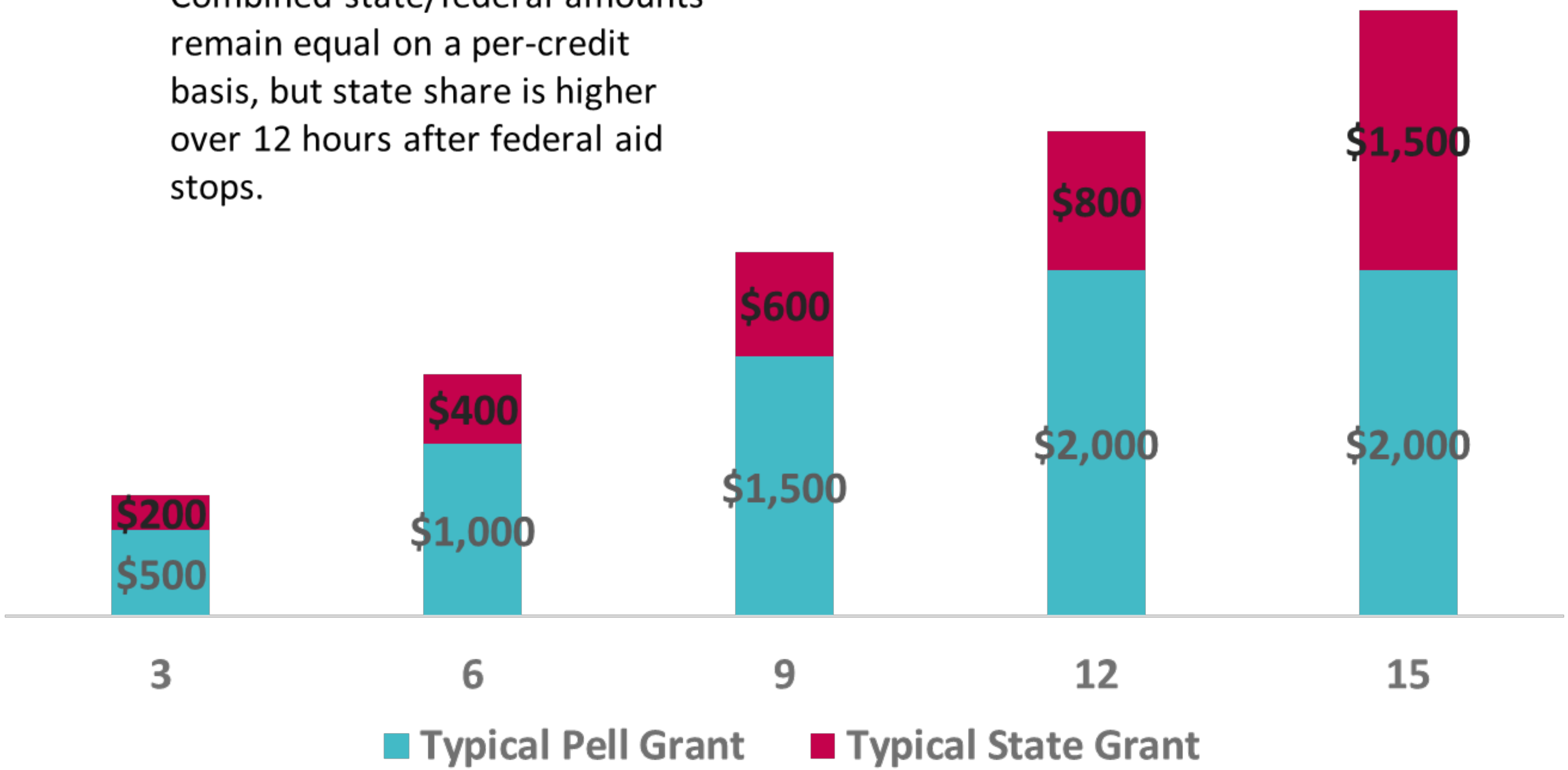
- Students’ interest and capacity to take courses varies, but federal aid is not flexible
- “Full-time” and “part-time” are not fixed categories: many students will be both at different times
- Low-income students who want to take 15 hours or more may not be able to afford the additional tuition
- Institutions with “flat” tuition may need more resources to increase availability of courses

2.d. Minnesota Example: Coordination of Investments

- State assumes all students pay for some share of cost through work and/or debt
- Parents are expected to contribute if they can
- Combined federal/state aid fills in the rest
  - State coordinates its award with federal amount and effectively awards both
  - Some students get only a state award if federal award covers calculated gap
  - Students who take more courses get more combined state/federal aid (since their costs are higher)
- State aid also available in summer (but does not make up for lack of Pell grant)

2.d. Example of Minnesota Model

Combined state/federal amounts remain equal on a per-credit basis, but state share is higher over 12 hours after federal aid stops.



2.e. Investments in Incentives and Support

- Incentive is not enough if the support provided is not adequate
- Incentives can enhance impact of investments in support
- Some forms work better than others:
  - Grade-based incentives (in excess of degree requirements) can reduce student course loads, discourage STEM majors, and decrease retention rates for low-income students
  - Progress-based incentives (completion of credit hours) do not appear to have the same disadvantages and can increase student rates of progress

Summary of research on need-based financial aid:

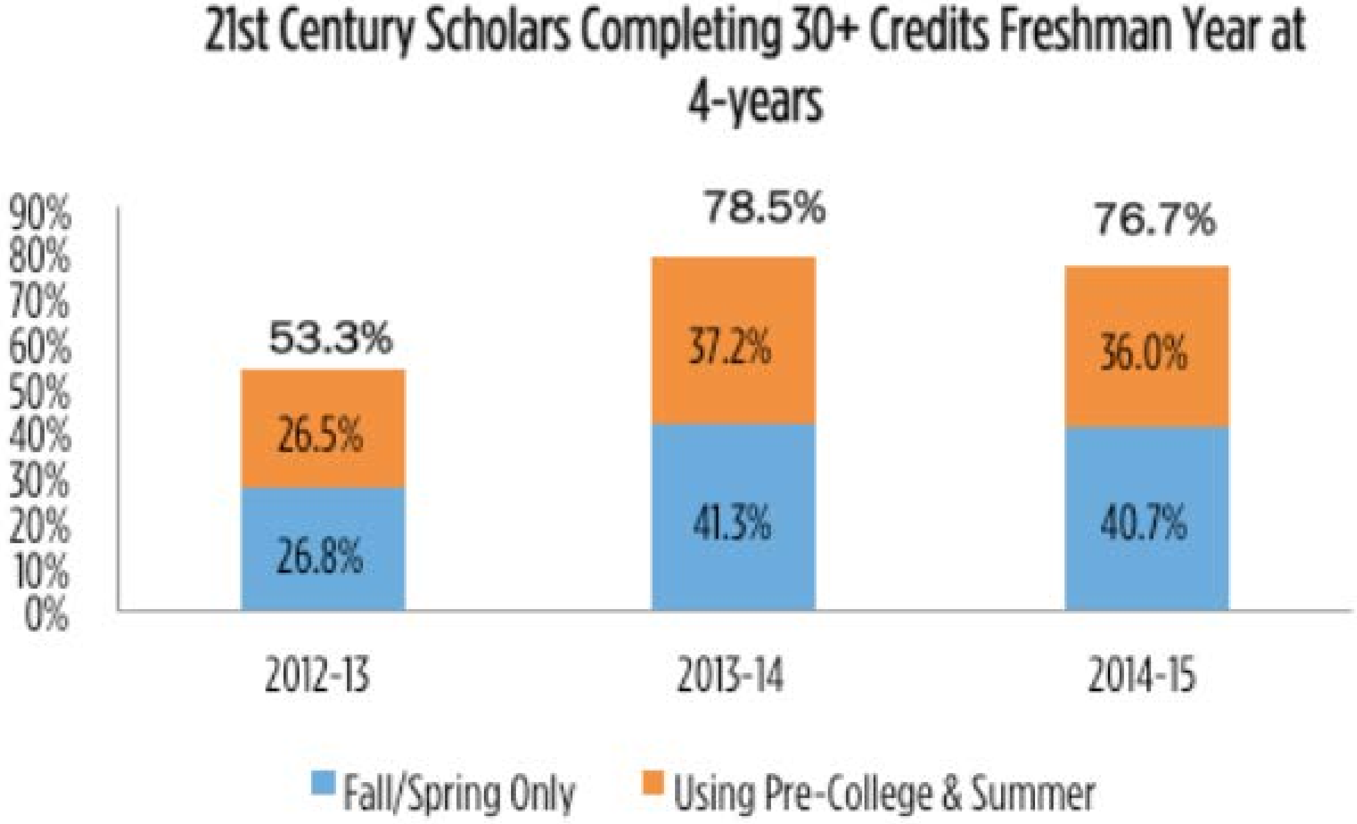
Susan Dynarski and Judith Scott Clayton, *Financial Aid Policy: Lessons from Research,* http://www.futureofchildren.org/publications/journals/article/index.xml?journalid=79&articleid=581

2.e. Incentives and Support: Indiana

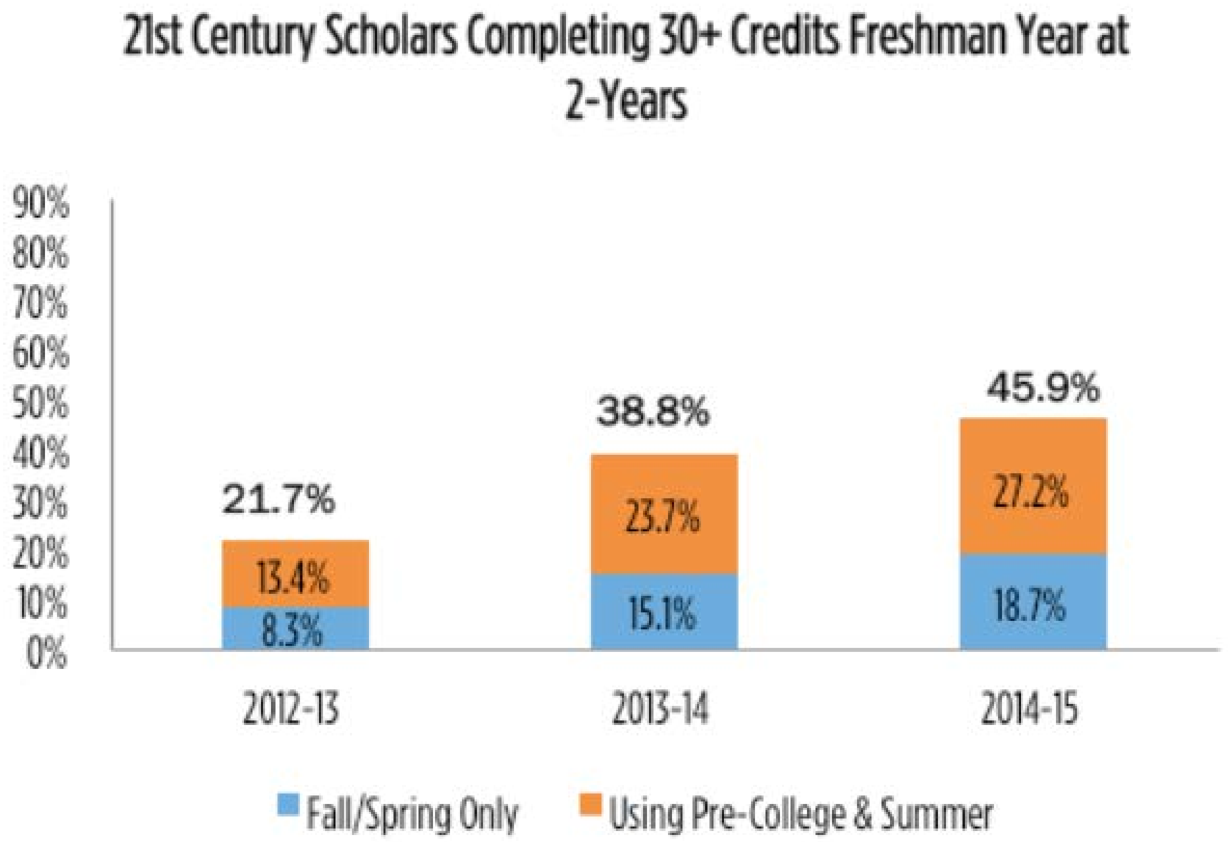
- Starting with the 2013-14 cohort, Indiana started to require that students complete 30 credit hours per year to receive maximum state aid program awards
- Students who complete 24 hours receive significantly smaller awards in one program and slightly smaller awards in another
- Initial results are promising
- Following slides from Indiana Commission's analysis:

  Reforming Student Financial Aid to Increase College Completion

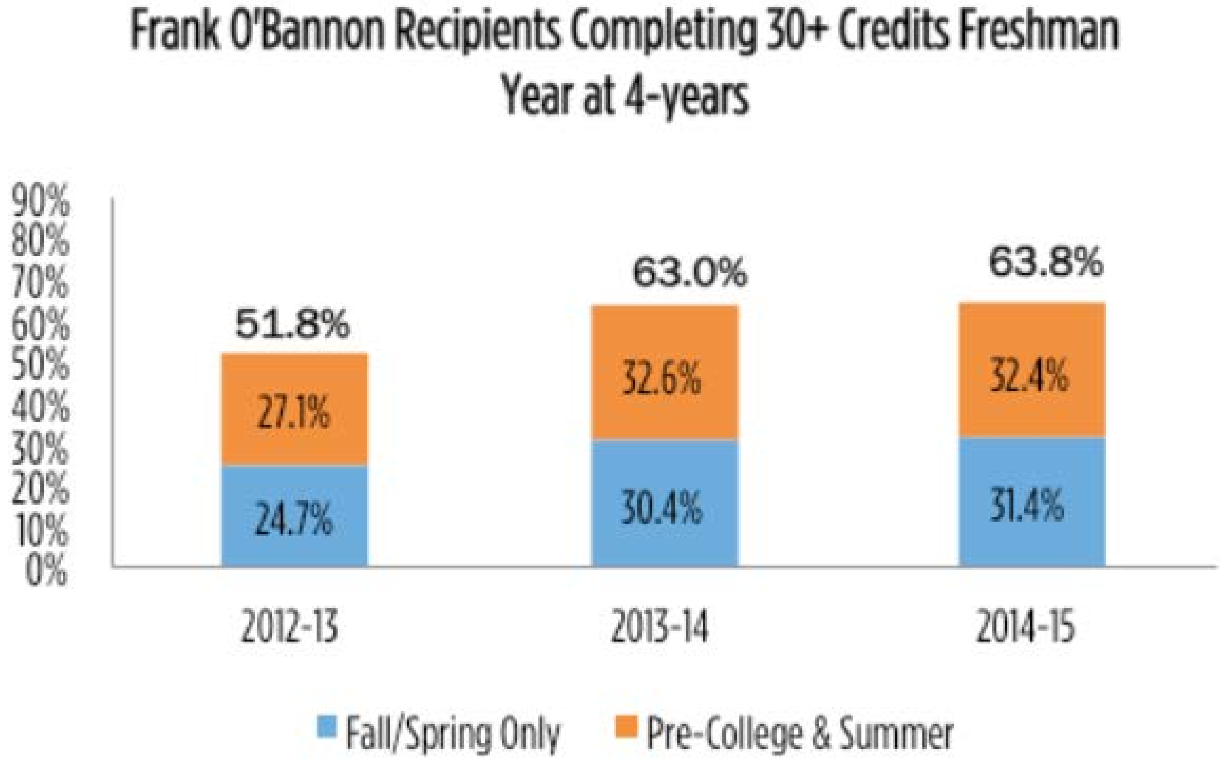
2.e. Indiana Results—Four-Year Institutions, Large Incentive Covering All Tuition



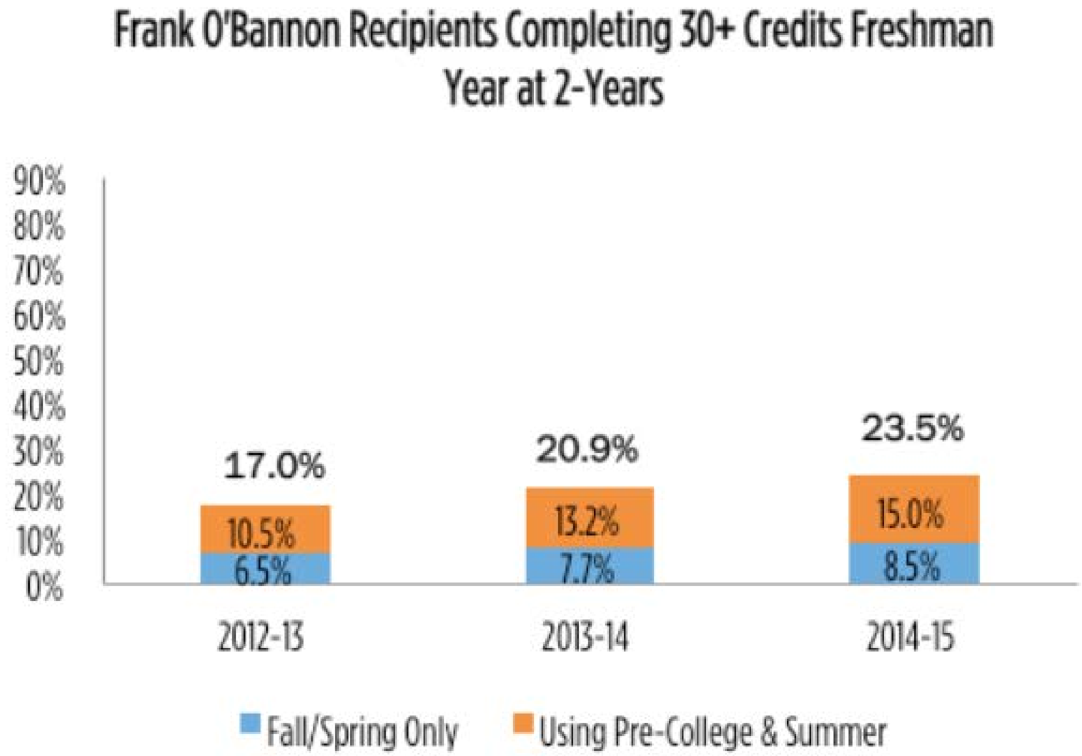
2.e. Indiana Results—Two-Year Institutions, Large Incentive Covering All Tuition



2.e. Indiana Results: Four-Year Institutions, Small Incentive, No Cost for Additional Courses at Most Institutions



2.e. Indiana Results—Two-Year Institutions, Small Incentive, Students Pay for Additional Courses



Questions for Virginia

- Does the state have a policy, message, or philosophy on college affordability that it can communicate to current, future or potential students?
- Where are the biggest gaps in institutional or student support from private, federal, or other state sources?
- How can the state invest in affordability with the highest expected impact for its dollars?

Questions for me…

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