GETTING WHAT YOU PAY FOR

The States and Student Financial Aid: A Mixed Bag with Mixed Results

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Introduction

Legislators face many difficult questions when considering what to do about state-supported student financial aid. The first question, of course, is whether to support it at all. After all, doesn't the federal government take care of that adequately through its Pell Grant and student loan programs? And whether it does or not, isn't it their (and not the states') responsibility? If the state does support financial aid, should it focus on grants, loans, savings, or work-study programs? And finally, should such aid be used to increase access for financially strapped students, reward meritorious academic accomplishment, attract and retain the best and brightest, or gratify the broad electorate?

All of these questions have been in play in most states in recent years. And the inevitable increases in tuition that appear to have become simply a matter of course in public higher education will continue to force such questions onto the public agenda. This policy brief provides information that is intended to be useful to legislators who want to find the right balance in policy discussions and actions.

Evolution of State-Based Grant Programs

In the 1960s, a number of states began to recognize that simply keeping tuition low was not a viable finance strategy for an egalitarian model of higher education. Too many students, particularly those from low- and moderate-income families, simply couldn't accumulate sufficient funds for tuition and related educational costs to send their children to college without exceptional sacrifice. This brought about the evolution of state-based grant programs, beginning with traditional need-based grants, which were followed by the advent of merit-based aid, and, eventually, the creation of blended aid programs, which consider both need and merit.

Traditional need-based grant programs. In response to the realization that low tuition was no longer the most effective way to finance higher education, a few states began to develop state need-based financial aid programs, providing state aid to assure that all capable students could afford college. This general strategy built on the new federal financial aid programs, particularly the Basic Educational Opportunity Grant (BEOG) Program, subsequently renamed the Pell Grant Program. But another federal program, the State Student Incentive Grant (SSIG) Program, recently renamed the Leveraging Educational Assistance Partnership (LEAP) Program, also increased state interest by providing matching funds for state investments in such programs.

In response, most states developed modest financial aid programs to capture the federal funds. A minority of states developed substantial programs, with a number of them balancing this policy move with a greater reliance on tuition revenue. Yet most states continued to rely principally on low tuition as their primary financial affordability tool.

To some extent these two differing philosophies – which became known as *high-tuition/high-aid* and *low-tuition/low-aid* – initially fell out along regional lines, with the Northeast and Midwest beginning to move more toward the high-tuition/high-aid model and the South and West continuing to rely on a low tuition strategy. Over time, however, all states found it necessary to begin using tuition increases well above inflation as a way of expanding higher education. These increases were necessary, both to meet the increasing demand for higher education and to respond to increased operational costs, fueled in part by the expanding mission of many public institutions (see policy brief on mission creep). This left states in the South and the West at a distinct disadvantage in providing affordable higher education because most of them had very modest state need-based financial aid programs, which were insufficient to sustain true affordability. In the West, for example, only two states – California and Washington – had a strong tradition of providing adequate need-based financial aid. In the South, virtually no states had strong need-based programs.

Merit-based grant programs. In the early 1990s, a new financial aid philosophy began to catch hold, particularly in the Southern states. It focused on providing financial aid to all students who achieved at a high level academically, rather than relying on programs that only considered financial need, such as those that had evolved in the Northeast and Midwest. Georgia's HOPE Scholarship Program epitomized this movement. Although Louisiana's similar Tuition Assistance Program (TAP) predated the Georgia program, Georgia Governor Zell Miller's charismatic support of the program helped to popularize this new financial aid strategy. The program promised all high school students who achieved a 3.0 grade point average in high school (and maintained it in college) that the state would pay the students' tuition at any Georgia public college, technical institute, or university and provide an equivalent amount to any student selecting a private college or university in Georgia. Governor Miller believed that it was important to change the ethic of attending college in Georgia, which ranked relatively low in the share of high school graduates who went on to higher education and also lost many of its best and brightest students to private colleges and flagship public universities in bordering states.

The program almost immediately enhanced Governor Miller's popularity – a phenomenon easily recognized by other Southern governors – and within a very short period of time, other states began adopting the same idea. In addition to Louisiana and Georgia, Florida, Tennessee, South Carolina, Kentucky, West Virginia, Arkansas, and Mississippi adopted similar plans. Three Western states – Nevada, New Mexico, and South Dakota – followed suit.

Many policy analysts within the student aid community were quick to condemn these programs, arguing that they did little to expand educational opportunity, which many believed to be the core reason for providing student aid. Students from middle- and higher-income backgrounds disproportionately benefit from merit programs. These students attend better-resourced high schools and, on average, come from families with higher levels of education . In other words, merit programs disproportionately reward students who most likely can afford and will go to college anyway. In addition, many critics argue that providing merit aid erodes the funds available for need-based programs.

There are two problems with these often caustic castigations of merit programs. First, they presume that all financial aid programs should serve the singular purpose of expanding opportunity for the most financially needy students. While expanding opportunity is certainly the tradition of many student aid programs and is a worthy public purpose, it does not preclude a state from seeking other public benefits through the use of financial aid. Seeking to expand the ethic of college participation and inducing more of the best and brightest high school graduates to stay in their home states for college are also legitimate public purposes.

Second, the presumption that funding merit programs erodes funding for need-based programs has proven spurious. As mentioned earlier, virtually no Southern states had viable need-based programs, and most of the states that adopted significant merit-based programs were in the South. In fact, in only two states – New Mexico and West Virginia – is there any hard evidence that substantial increases in merit-based aid actually "eroded" need-based aid. While it is true that these increases could have been directed to the financially neediest student, no evidence suggests that these states had the inclination to provide substantial need-based aid. Furthermore, the neediest students did benefit considerably from these merit programs. While the merit awards didn't focus on financially needy students, many of these students did, in fact, qualify for them. While the neediest students received a disproportionately small share of the merit awards, compared to their representation in the population, they still received substantially more than they had before the advent of the merit awards. In Georgia, for example, students with assessed financial need currently receive more than $50 million of the $350 million available through HOPE Scholarships. That is much more than the $2 million provided for need-based aid before the HOPE Scholarship Program began.

The more appropriate question is whether these merit programs achieve their intended purpose. In Georgia, the state goal was to increase overall participation and retain the best and brightest. Georgia is the only state in which a merit program has been seriously evaluated, and participation increased from 30 percent before the implementation of the HOPE Scholarship to 37 percent after five years. Prior to implementation only 23 percent of students scoring above 1500 on the SAT stayed in Georgia to attend college, whereas 76 percent were doing so five years later.

On the surface, therefore, it appears that merit scholars achieve their stated public purpose. Beware, though. Georgia had only a very modest ethic of college participation, so an initiative aimed at the middle-class made sense. In most states most middle-income and higher-income students already attend college, so merit programs are less likely to impact participation. In the language of economics, except for students from low-income backgrounds, there is very little "price elasticity of demand" for higher education.

Blended aid programs. About the same time that a number of states began adopting merit-aid programs, a small number of creative states developed another concept that wedded the principles of both the merit- and need-based programs. Indiana, through the 21st Century Scholars program, and Oklahoma, through its Oklahoma Higher Learning Access Program (OHLAP) (renamed Oklahoma's Promise), developed programs targeting low-income students in middle-school (8th grade) and promising them that the state would provide grants equal to tuition if they took a rigorous curriculum in high school, did reasonably well in that curriculum, and stayed out of trouble with the law.

These programs were designed to address two emerging realizations about the limitations of traditional financial aid programs. First, many prospective participants did not realize they would be eligible and thus abandoned higher education plans for fear of their costs. Second, many students were not succeeding once they got to college, not because of finances but because they simply were not well-prepared, due to the nonrigorous curriculum they had taken in high school. By combining a promise of state aid with a student commitment to study hard, these programs hoped to increase both awareness and preparedness for future success. Evaluations of these programs have suggested amazing success on both accounts. In both states the programs have required some adjustments, but the basic plan seems designed to address the states' purposes. As a result a number of other states have recently adopted this general concept, including Colorado and Washington.

Evolution of State-Based Student Loan Programs

Much like the state grant programs, state student loan programs have evolved primarily via federal leadership. One of the early features of the federal student loan program, known as the Stafford Federal Student Loan Program, was that the federal government would rely on state or nonprofit agencies to act as "the guarantor" for the loans. In truth, "guarantor" was a bit of a misnomer because these agencies weren't really guaranteeing the loan: the federal government provided the guarantee. These intermediaries represented the federal government in administering the guarantee on these loans. In essence, they helped banks provide and collect payment for the loans, assisted schools with managing the loans, and had primary responsibility for collecting on loans that eventually went into default. Some states chose not to establish state agencies but rather to contract for these services from nonprofit agencies. Over time, through consolidations and other actions, more and more states got out of the business of using a state agency to provide this service. In some instances, this was because a state agency was having difficulty providing good service and may have run into difficulties with the federal government. In other cases, it was because the state wanted to recoup substantial reserves that had accrued to these agencies over the years by selling or closing them. As a result, today only 28 states actually retain state guarantee agencies, and many of these actually contract out much of the loan management function to third-party servicers. Eight states recognize a single national guarantor, USA Funds, as their designated state guarantor.

In addition to establishing state guarantee agencies, many states over the years have also established state student loan programs, which are actually involved in the lending rather than the guaranteeing of loans. Some of these programs act as lenders in the federal student loan program, acting either like a lending bank or providing a secondary market to assist banks in the state by purchasing loans from them once the loans have gone into repayment.

Other state loan programs, however, actually lend loans backed by the state to supplement the loans available through the federal government. One of the first such programs was Minnesota's Student Educational Loan Fund (SELF) Program, which in the mid-1980s took the reserves it had accumulated from participating in the federal program, officially left that program, and began a state program backed by those reserves. This program operates within a state agency, the Minnesota Higher Education Services Office, but requires no direct state funding, because the loans pay fully for the program's administrative and management costs.

These various loan programs have proven popular because they provide valuable services to the state and its citizens; accrue reserves because of the largess of the federal government; and generally cost the state nothing.

With recent changes at the federal level, however, the landscape has changed significantly for these businesses. Substantial reductions in federal subsidies to guarantee agencies and lenders have greatly reduced the financial viability of these state agencies. Furthermore, the tightening of the credit markets has made it increasingly difficult for state agencies to borrow sufficient student loan capital to continue lending to students in the same fashion they have in the past.

While these changes have not placed students who borrow through the federal programs at risk of not being able to borrow (because there remain sufficient numbers of large federal lenders, including the federal government itself), the reduced subsidies do jeopardize the future viability of many guarantee agencies. And current economic conditions clearly threaten access to nonfederal student loans.

Evolution of State-Based Savings Plans

The federal government also has enticed virtually every state to establish state-recognized agencies or related entities that provide opportunities to state residents to save for their children's or their own education. These plans, called Section 529 savings plans for the section of the federal tax code that provides for them, offer two ways for people to invest. One way is to prepay your college tuition up front – a sort of "futures" investment strategy, in which the investor buys tomorrow's college at today's prices. The second is simply to invest savings for college in a tax-deferred investment fund provided by the state.

These programs have proven popular to state government for much the same reasons as the state loan programs. Three dilemmas have evolved for these programs, however. First, the prepaid tuition plans, in several circumstances, have not yielded returns on investment sufficient to cover the actual increased costs of tuition, meaning that either the state has to supplement the funds or institutions are left on the hook to accept students with the amount provided, resulting in substantial loss of tuition dollars. Second, the prepaid tuition plan turns out quite well for the student who chooses the institution for whom the tuition plan was purchased, but students take a substantial loss if they ultimately choose to attend a different institution. Third, in the standard savings plans, administrative costs and risk-averse investment strategies often provide a yield that is less than the investor would have realized through an alternative savings strategy, even with the advantage of the tax deferral.

Modest State Efforts in College Work-Study

While the federal government has had a strong college work-study program since the inception of the Higher Education Act in 1965, only 14 states have developed such programs. And only five of them – in Colorado, Minnesota, New Mexico, Pennsylvania, and Washington – are very substantial. From a student's perspective, college work-study is hardly financial assistance. It generally involves hard work, often in less than ideal circumstances, for modest wages. Yet research on the federal program demonstrates that college work-study can contribute substantially to student success. Given that more than three-quarters of all students are employed, the question isn't whether they should work or not but what kind of work best supports their needs. Research by the American Council on Education shows that students in work-study jobs, who work 15 hours or less per week, are much more likely to succeed in completing their education than students who work in other jobs, particularly off-campus jobs.[1]

A second type of college work study, cooperative work-study, in which students work for a company in their chosen field, has also proven very successful. No states have cooperative work-study programs, although Washington allows for students to participate in cooperative work-study jobs. A number of universities, however, have offered cooperative work-study opportunities. It is curious, given the strong work ethic of today's college students and the limited availability of public financial assistance, that this clearly prudent form of assisting students to finance their education has not entered the repertoire of more state financial assistance programs.

What Makes for Good State Financial Aid Policy Today?

Given this history of student financial aid and the panoply of programs, what makes sense in today's world? What should we keep from the past, and what needs to change? Six "principles" should help guide state legislators as they consider their financial aid policy.

Principle 1: Establish a clear philosophy and identify measureable goals. Every public policymaker knows this one, right? Well, not exactly, it turns out. A review of many state financial aid programs, be they grant, loan, or savings programs, suggest that it is not at all clear what their purpose is. Too often, state statute clearly details the operation of these programs but is less clear about the goals. In great part this is because so many programs evolved from incentives provided by the federal government. Thus, these programs may serve the federal government's purposes, but it is not clear that they are well-aligned with a state's public agenda.

It is important for the state – the governor, the legislature, and the higher education community – to periodically review just why the state is invested in financial aid. Are students the focus of these programs, and if so, is the purpose to advance access, to enhance student success in completing their education, or both? Are educational institutions the focus of these programs, and if so, is it to incentivize them to serve a more diverse student body or to attract a "higher caliber" of students? Are the state and its public agenda the focus of these programs? Or are the programs intended to address all of these, and if so, in what balance?

A clear philosophy can help a broader array of legislators better understand the value of these programs as it relates to achieving the state's agenda. Oregon, for example, was struggling a few years ago with a rather modest but long-standing traditional student grant program. It was a comfortable program for the state, but was losing ground financially over time, primarily because it was the "same old/same old." The assessment of funding needs was predicated on an outdated federal need assessment methodology, and the standard argument for support seemed to be "more is better, but never enough." This did not offer a compelling case. Through survey research, a group composed of various stakeholders – including the higher education community, the business community, the legislature, and the governor's office – discovered that Oregon lacked a transparent philosophy to support the state's investment in financial aid, particularly one that "fit" Oregon. They discovered that Oregonians believed everyone should be able to go to college but that students, as the principle beneficiaries of the education, should pay the lion's share of the cost. As a result, Oregon's Access and Affordability Working Group developed a concept, deemed "shared responsibility," that expects every student to contribute a reasonable amount from earnings, savings, and borrowing before expecting the state to contribute. Then, after also tapping out the student's parents and federal aid, "shared responsibility" calls on the state to fill in the gap, as it must do, if it truly believes in broad access. This shared responsibility philosophy hit a chord in Oregon, resulting in a nearly threefold increase in state need-based grants. In its first year of implementation, enrollment jumped 17 percent in the Oregon University System.

Principle 2: Align state financial aid programs with other state financing policies. It is not enough to have decent financial aid programs; these programs have to make sense in conjunction with the state's institutional financing policies and with tuition policy. Effective financial aid policies are strengthened if they are closely aligned with tuition policy. If tuition rises, on average, more than financial aid, access erodes. And percentages can be misleading in these comparisons. It is important to look at whether the net price (net price equals the gross price minus financial aid) for students is increasing or decreasing; that's the key to financial distress or redress. Furthermore, it does little good to provide a great financial aid system if institutions don't receive adequate financial support to provide a quality educational experience. Student access is a function of both demand and supply. Financial aid expands demand, as Oregon demonstrates. But the institutions must then be able to expand to serve this new demand, and that often requires additional resources.

Principle 3: Understand the significant partnership with the federal government in providing financial assistance. Many state financial aid programs evolved directly from federal incentives. Legislators need to understand the possibilities for building on these federal programs to achieve state objectives and to do so in the most cost-effective manner. For example, via the passage of the HOPE Scholarship and Lifetime Learning Credit in 1998, the federal government provided a substantial tuition tax credit for all middle-income families. But to receive a tuition tax credit, a family has to be paying tuition. Yet many states and public institutions continue to provide financial aid in the form of tuition waivers, particularly for merit scholarships, most of which go to middle-income students. Thus, many families who would be eligible for a tuition tax credit are receiving the equivalent value of this benefit at the expense of the state or institution rather than from the federal government. Simply changing the language of current policy – from "tuition waiver" to an "award" to defray a share of all educational costs – would provide an additional benefit to students' families, the institutions or states, or both. Aligning state and federal programs to better serve the states' objectives obviously makes sense.

Principle 4: Adopt clear metrics for measuring whether the goals established in Principle 1 are being achieved and assure that data is available to support these metrics. A clear guiding philosophy and accompanying goals, as described in Principle 1, are essential but not sufficient. You must also develop metrics to demonstrate movement toward accomplishing the goals. Texas, for example, has established a goal to "close the gap" in college participation and success for students of all colors within one generation.

To support good metrics, every state also needs to develop data systems that demonstrate whether the state as a whole, and the higher education institutions in it, are performing well or poorly in advancing the state's philosophy. Statewide databases are essential for achieving this objective because they are the only measurement tools that can demonstrate progress of students over time, thus allowing the state to clearly measure the consequences of performance.

Principle 5: As with all state programs, state financial aid programs must be both transparent and predictable. What exactly does this mean in the context of financial aid? Well, first it means that prospective students need to understand clearly what they are likely to be eligible to receive. Over and over, national and state surveys demonstrate that many students and their families have no idea how much college costs and how much student assistance they are likely to receive. And low-income families are the most uninformed. These prospective students and their families grossly overestimate the costs of college and greatly underestimate the likelihood of their receiving aid and the amount they're eligible to receive. Not surprisingly, many of these students presume they can't afford college and never seek to attend.

Step one is finding more effective communication and marketing strategies to help folks understand why and how the state invests in student aid. Equally important, however, is to have stable programs upon which people can rely. If funding is sometimes there and sometimes not, prospective students will assume that they cannot count on it. Similarly, colleges and universities need predictability so they can plan how to fill the financial gaps that always occur and how to expand or contract their offerings in response to the demand for higher education that financial aid drives.

Principle 6: Programs must be scalable. Many small successful aid programs seem to fail when taken to scale. This occurs for various reasons: the program may require a close community of support, which is difficult to maintain at the state level; the program may require a "champion," which may be unsustainable at the state level; the program may simply be too complex to manage when expanded, and so on. Therefore, it is extremely important to make sure that new state programs have either demonstrated capacity for expansion or a strong likelihood that they can expand, based on program plans. Certain conditions clearly contribute to being able to take an effective small program to scale:

- **The program needs to be based on a good prototype**. Too often, good ideas are adopted as broad programs before proof of concept has been established. Oregon could feel confident about its shared responsibility plan because it was built upon a similar concept that had worked exceptionally well in Minnesota for nearly 20 years. On the other hand, the federal government's relatively new Academic Competitiveness Grant Program, which supplements the Pell Grant for students who have taken a rigorous curriculum in high school, has suffered on implementation because though the idea was sound, the implementation plan was not, leaving much confusion amongst the institutions that had to certify student eligibility.
- **The program must be easy to administer**. If administration isn't simple and straightforward, not only will the administering agency or institutions have difficulty and face substantial cost associated when implementing the program, but those being served by the program will not have the transparency and predictability necessary to know what they need to know.
- **The program must have sufficient support within the state**. Strong support, especially from the legislature and the governor, is necessary for the program to be sustained beyond changes in leadership, particularly beyond the leadership of those who principally championed the idea.

Exemplars and Nonexemplars

There are several very effective state financial aid programs to build on, if a legislator or legislature is interested. There are also a lot of current ideas that are quite popular but seem not to meet the criteria established above. And there are some promising ideas, including some from other countries, that have not been tried in the U.S. but may well be worth exploring.

State Grant Programs. State grant programs, especially for the neediest students, remain critically important, especially now, given the rising costs borne by students and their families due to ever-increasing tuition and other higher education costs. Grant programs also provide an effective way to target funds to some students, without having to provide an equivalent subsidy to all students.

Traditional financial aid programs serve many states well, suggesting that not all states need to change just for the sake of changing. The programs in California, Washington, Minnesota, New York, Pennsylvania, and Illinois have a long tradition of serving the students in those states exceptionally well.

The various state merit aid programs certainly provide a great deal of financial aid that is assisting many students, but serious questions remain about how well these programs truly advance the states' long-term interests and how cost-effective these relatively untargeted programs are in efficiently distributing limited public funds.

Indiana's and Oklahoma's blended aid programs and the Oregon shared responsibility plans are innovative and effective new programs. They have proven effective because they target assistance to the specific public agenda of the states involved, they rest on strong philosophies, and they comfortably fit the political culture of the states in which they exist. They could easily meet the needs of other states: indeed, a number of states are already considering replicating them. Yet states should adopt the ideas of other states only if the conditions that led to the success of these programs match their own. Blended aid programs that guarantee financial aid for college if students prepare well in a rigorous high school course of study make a lot of sense in states that don't have a requirement that all students prepare well and those where low-income students are seriously underrepresented in college. These programs, however, obviously don't address the needs of older adults returning to college or of current college students who may be facing financial barriers to their continued success. The shared responsibility model, on the other hand, helps virtually all current students, young or old, and can be designed to help middle- and high-school students better understand what will be available to them in the future. However, it does little to encourage more rigorous preparation in high school and may deter some low-income students because of the tough language about students making a significant contribution before expecting anyone else to do so. The bottom line: The culture and unique needs of various groups of students within a state should be taken into account when considering modifications to an existing grant program or the creation of a new one.

State Loan Programs. It is not clear that the traditional federal/state student loan partnership will survive the combination of recent reductions in federal subsidies and perturbations in access to credit capital in general.

In recent years, another partnership – loan forgiveness – has begun to evolve. This relationship is less reciprocally beneficial to both federal and state governments and not fully anticipated in the original federal programs. But it has become rather commonplace, with states agreeing to forgive students loans for service after graduation. A number of teaching, nursing, and other high-demand loan forgiveness programs have been created. They tend to be patterned after the original National Defense Service Loan (NDSL), which forgave federal loans for graduates who entered the field of teaching, and National Health Service loans, which forgive loans for medical services provided in medically underserved communities. These programs have intuitive appeal because they help graduates whose skills can benefit the state, and at the same time, students face less debt burden.

Unfortunately, there is little research to suggest that these programs successfully achieve their public purposes. The Lumina Foundation report *Workforce Contingent Financial Aid* examined the myriad state and federal loan forgiveness programs and found "... that very few studies evaluated the financial aid or the workforce aspects of these programs ... the growth of these programs seems to be based more on political appeal and appearances than on any real data demonstrating their effectiveness ..."[2]

While the recipients of loan forgiveness are clearly rewarded for providing a valued public service, it is not clear that the loan forgiveness was the reason these folks provided this service. Many students who receive loan forgiveness already have a predilection to serve in the field for which the loan is to be forgiven, and others end up serving the mininal requirement for loan forgiveness and then move on. What we don't know is how many actually enter the desired field and stay in that field because of loan forgiveness.

Some analysts have suggested that states should get into the business of helping students in loan repayment through programs akin to those in Australia, New Zealand, and England, in which students repay their loans through the state income tax system on an income-contingent basis. While this idea may have promise at the federal level, it would make no sense for individual states, both because state income tax structures are not well-suited for this type of scheme and because the mobility of college graduates would make it difficult to capture repayments from those who leave the state.

State Savings Programs. Recently, a clever idea has been suggested in the public policy literature, though no state has to date seriously explored it. The idea would be for the state to deposit funds into 529 savings accounts, on a matching basis, for students from low-income families; the amount would be similar to what would be provided in a blended aid grant program. This would provide a strong incentive for families to save for their children's education, even if their contributions were quite modest, and would also incent young people to stay on a college track; after all, they have savings to apply toward that college.

State College Work-Study Programs. It is surprising that more states haven't recognized the value of creating and supporting state-based college work-study programs. Perhaps the best such state program is Washington's, mentioned earlier, which helps subsidize employment for students on campus, in other public and nonprofit organizations, and in selected for-profit companies that tailor the jobs to be cooperative work-study positions. Cooperative work-study is a win/win for the state, the employer, and the student. The state benefits in a couple of ways. First, for a modest subsidy, the state can secure substantial private investment in funding the student's education. Second, because the student is getting experience in a local firm, they are less likely to migrate from the state upon graduation. The employer benefits because they receive highly capable and productive college students and have the chance to develop a relationship they may wish to sustain after the student graduates, thus reducing their recruitment costs. The student benefits by gaining real world experience in their field of study and garnering the resources necessary to pay for their education. If a state moves into this arena, however, it must make sure that its other financial aid and financing policies work in sync with work-study. Today many financial programs, because of their lock-step allegiance to the antiquated federal need-analysis program, greatly penalize students for working.

Conclusion

This brief has described the history of state financial aid in the U.S., its strong relationship to federal financial aid, the recent evolution of new ideas, including blended aid programs and the shared responsibility concept.

As legislators contemplating the future of financial aid in your states, consider asking the following questions:

- Do you know what you want from a student financial aid program, and is that clearly reflected in the explicit goals and expectations embedded in state statute?
- Are all of the state finance policies aligned, so that financial aid policies complement the others and address state goals in a cost-effective manner?
- Do your grant, loan, savings, and work-study programs balance each other in a cogent way?
- Do current and prospective students and their families understand what it costs to go to college in your state and how they might benefit from the programs you offer?
- Do state financial aid policies take full advantage of federal programs, consistent with your state objectives?

When you can answer all of these questions in the affirmative, the future of financial aid in your state will have a much higher chance for success.

About the Author

David A. Longanecker is the president of the Western Interstate Commission for Higher Education (WICHE) in Boulder, Colorado. WICHE is a regional compact between 15 Western states created to assure access and excellence in higher education through collaboration and resource sharing among the higher education systems of the West. Previously, Longanecker served for six years as the assistant secretary for postsecondary education at the U.S. Department of Education. Prior to that, he was the state higher education executive officer (SHEEO) in Colorado and Minnesota. He was also the principal analyst for higher education for the Congressional Budget Office. Longanecker has served on numerous boards and commissions. He has written extensively on a range of higher education issues. His primary interests in higher education are: access, promoting student and institutional performance, teacher education, finance, the efficient use of educational technologies, and academic collaboration in Canada, the United States, and Mexico. He holds an Ed.D. from Stanford University, an M.A. in student personnel work from the George Washington University, and a B.A. in sociology from Washington State University.

Endnotes

[1] Susan P. Choy, Access and Persistence: Findings from 10 Years of Longitudinal Research on Students (Washington, DC: American Council on Education, 2002).

[2] Rita Kirshstein, Andrea Berger, Elana Benatar, and David Rhodes, *Workforce Contingent Financial Aid: How States Link Financial Aid to Employment,* American Institutes for Research and the Lumina Foundation for Education (Washington, DC: February, 2005).

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