BEYOND NEED & MERIT:
STRENGTHENING STATE GRANT PROGRAMS

THE BROWN CENTER ON EDUCATION POLICY AT BROOKINGS

[WWW.BROOKINGS.EDU/RESEARCH/REPORTS/2012/05/08-GRANTS-CHINGOS-WHITEHURST]

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SEPTEMBER 2012
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THE ROLE OF STATE GRANT AID

- Rising prices, declining ability to pay
- Students need college more than ever
- States need college graduates more than ever
- Common Goal - increased educational attainment
- But lots of room for improvements in effectiveness
- Resource constraints can’t be ignored
<table>
<thead>
<tr>
<th>Year</th>
<th>Total State Grant Aid</th>
<th>Total Fiscal Support</th>
<th>Grant Aid as Percent of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1980-81</td>
<td>$2.1</td>
<td>$55.3</td>
<td>3.8%</td>
</tr>
<tr>
<td>1985-86</td>
<td>$2.7</td>
<td>$61.8</td>
<td>4.3%</td>
</tr>
<tr>
<td>1990-91</td>
<td>$3.1</td>
<td>$66.6</td>
<td>4.7%</td>
</tr>
<tr>
<td>1995-96</td>
<td>$4.3</td>
<td>$63.4</td>
<td>6.8%</td>
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<tr>
<td>2000-01</td>
<td>$6.0</td>
<td>$76.5</td>
<td>7.9%</td>
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<tr>
<td>2005-06</td>
<td>$7.6</td>
<td>$78.4</td>
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<tr>
<td>2010-11</td>
<td>$9.2</td>
<td>$78.9</td>
<td>11.7%</td>
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</table>
OVERVIEW

The current dichotomy between need and merit doesn’t support the success agenda.

States should:
- Target aid
- Consolidate and simplify programs
- Focus on access and success
Programs reflect legitimate differences in state circumstances and a lot of well-intentioned but poorly designed programs.

- Low tuition/low aid: Alaska, Utah
- High tuition/high need-based aid: New Jersey, Minnesota
- High tuition/high merit-based aid: South Carolina
- High tuition/low aid: New Hampshire, Michigan
- Low tuition/high aid (merit aid): Louisiana, West Virginia, Nevada
STATE GRANT AID
PER FULL-TIME EQUIVALENT (FTE) UNDERGRADUATE STUDENT, 2009-10

SOURCE: The College Board, Trends in Student Aid 2011
TARGETING

- Research is clear -- Low-income students are most sensitive to price of college.

- Don’t ignore non-traditional students
  - Older students must be part of the equation on the completion agenda
  - May require a different approach/rationale/program than serving traditional age students
NEED-BASED AND NON-NEED-BASED STATE GRANTS PER FULL-TIME EQUIVALENT (FTE) UNDERGRADUATE STUDENT IN CONSTANT 2010 DOLLARS, 1969-70 TO 2009-10

SOURCE: The College Board, *Trends in Student Aid 2011*
COMPLEXITY

- System is too complicated
  - Applications and formulas too complicated
  - Multiple programs (tuition set-asides)
  - Difficult to predict

- Conundrum -- simplification can conflict with goal of targeting BUT not as much as people think.

- Example: Look-up tables

- Role of net price calculators
ACCESS AND SUCCESS

• All grant programs embody incentives.

• No impact without adequate funding.

• Most state programs with academic success components today look backwards rather than forward.
  • Cost ineffective – benefits those who would succeed without student aid
  • Exclusion of most at risk
  • No incentive for college success, per se.
  • Need is for college grads – not superstars
REWARD PROGRESS

- Credit hour accumulation
- Defining full-time
- Role of GPA
RATIONING FUNDS

• What not to do (which is what we mostly do):
  
  • Increase academic requirements
    • Dilemma: eliminates those most in need of financial resources

  • Impose first-come/first-serve or cut-off dates.
    • Dilemma: eliminates those most likely to apply late, which particularly disadvantages students attending community colleges
RATIONING FUNDS

- Better ideas

- Increase expected family contribution by percentage necessary to live within financial constraint.
  - Advantage: protects the disadvantaged students the most
- In a program with progressive benefits, cut all students by an equal amount
  - Advantage: still protects the most disadvantaged; eliminating those with the least amount of aid. Perceived as “fair” by all.
MOVING FORWARD

• Consolidate and simplify programs
• Target aid on those for whom it will make the most difference
• Consider incentives for success

• Also:

• Rethink and evaluate (on evidence) all programs
• Think of the interrelationships among appropriations, tuition, and financial aid