



University of Wisconsin System

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THE NATIONAL CENTER FOR
PUBLIC POLICY AND
HIGHER EDUCATION



- I. A Context: The State of Financial Aid in America
- II. State Financing of Higher Education
- III. State Financial Aid Options
- IV. The Wisconsin Context
- V. Some Suggestions



I. A Context: The State of Financial Aid in America



A Context: The State of Financial Aid in America

- The Purchasing Power of Federal and State Aid Has Declined
- Six States Account for 60% of Total Need-Based Aid Awarded
- Financial Aid Shifted from Grants to Loans



- In Total, Higher Education Has Become Unaffordable Particularly for Many Low-Income Families
- In 1990-91, Merit Aid Constituted 11% of State Grant Aid. Merit Aid Has Grown to 24% of all state grant aid, by 2000-01

In the 12 states with the largest merit aid programs, they collectively awarded \$863 in merit aid – triple the \$308 million awarded in need-based aid in 2000-01.

Source: NASSGAP quoted in Heller and Marin *Who Should We Help? The Negative Social Consequences of Merit Scholarships* (Boston: Harvard Civil Rights Project.)

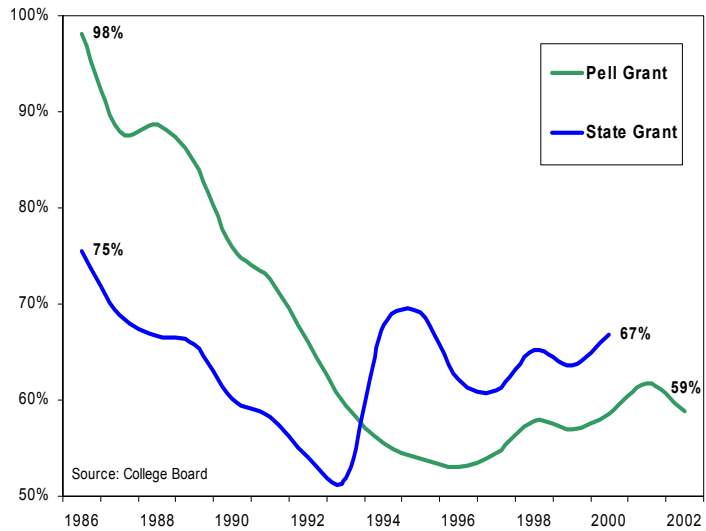
In 2001-02 total non-need-based grant aid awarded to undergraduates: \$1,208 million

Source: NASSGAP (2003). Table 1.

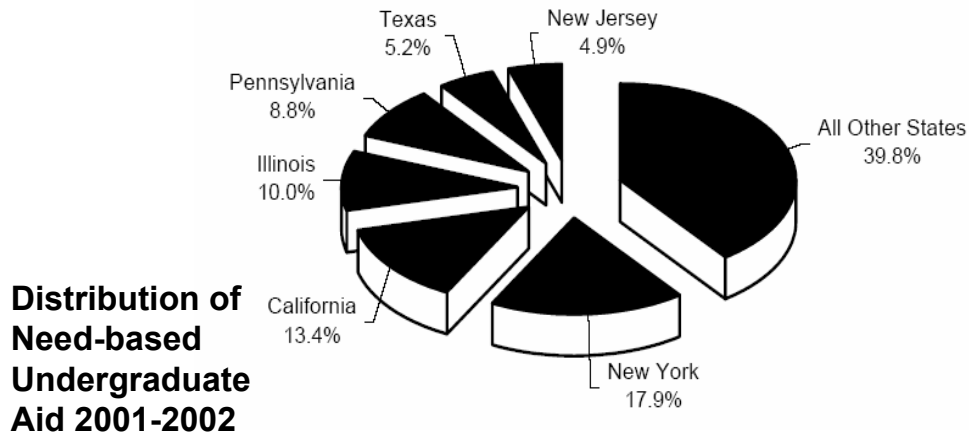
Grant Aid Has Not Kept Pace with Tuition Increases



Average Pell Grant and State Grant Aid as Percent of Public 4-Year College Tuition, 1986-2002



Six States Provide a Majority of Need-based Aid



**Distribution of
Need-based
Undergraduate
Aid 2001-2002**

Source: NASSGAP

The six states award \$2.3 billion dollars in need-based undergraduate aid, or 60% of total need-based aid.

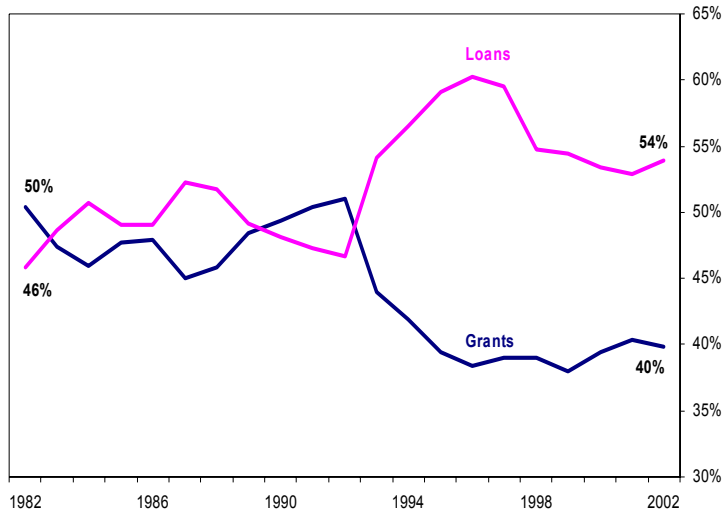
There was a total of \$3.866 billion in need-based aid awarded in 2001-02.

Source: NASSGAP (2003). *33rd Annual Survey Report*. p. iv. Chart Two.

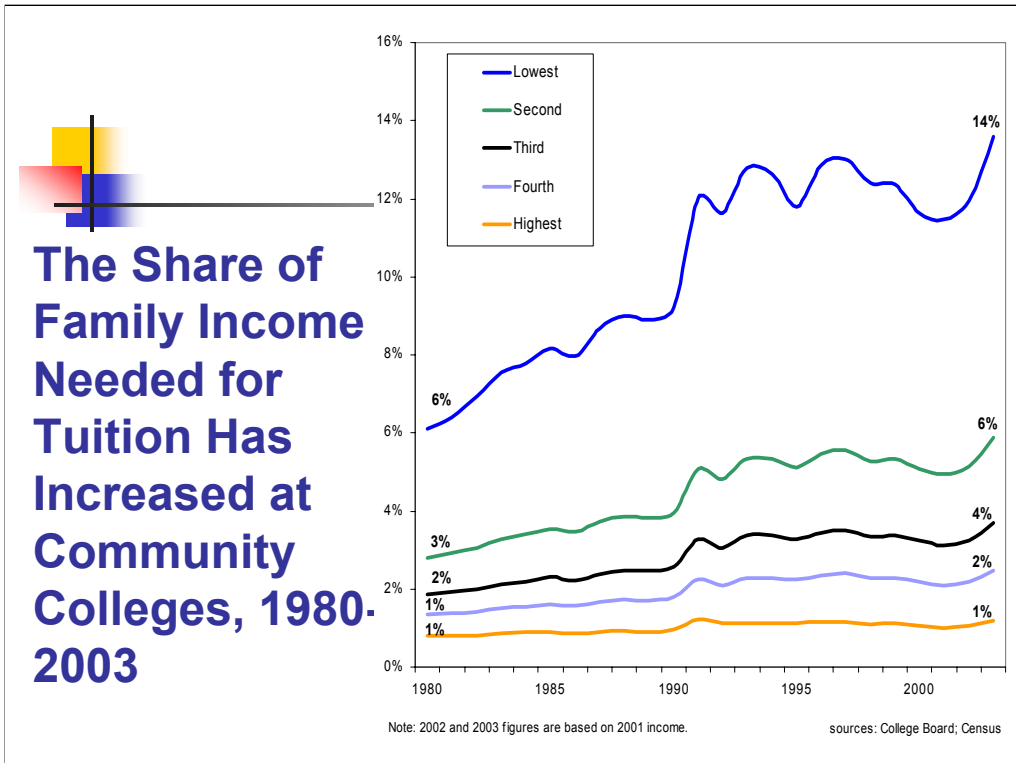
Student Financial Aid Shifted from Grants to Loans



Percent of Grants and Loans out of Total Aid, 1982-2002



Source: College Board, 2003



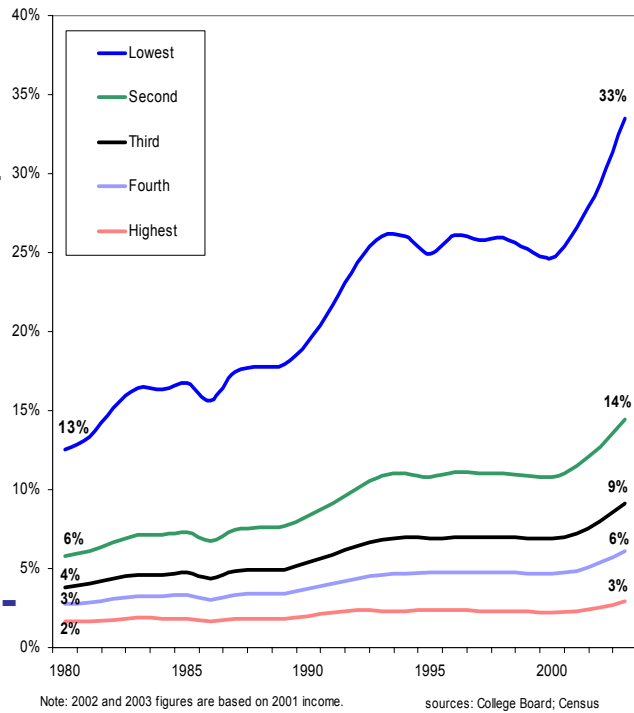
Community College Tuition as Percent of Average Family income, by Income Quintile, 1980-2003

Average tuition and fees at public two-year colleges: \$1,905

Tuition increase over last year: 13.8%

Source: College Board Trends in College Pricing

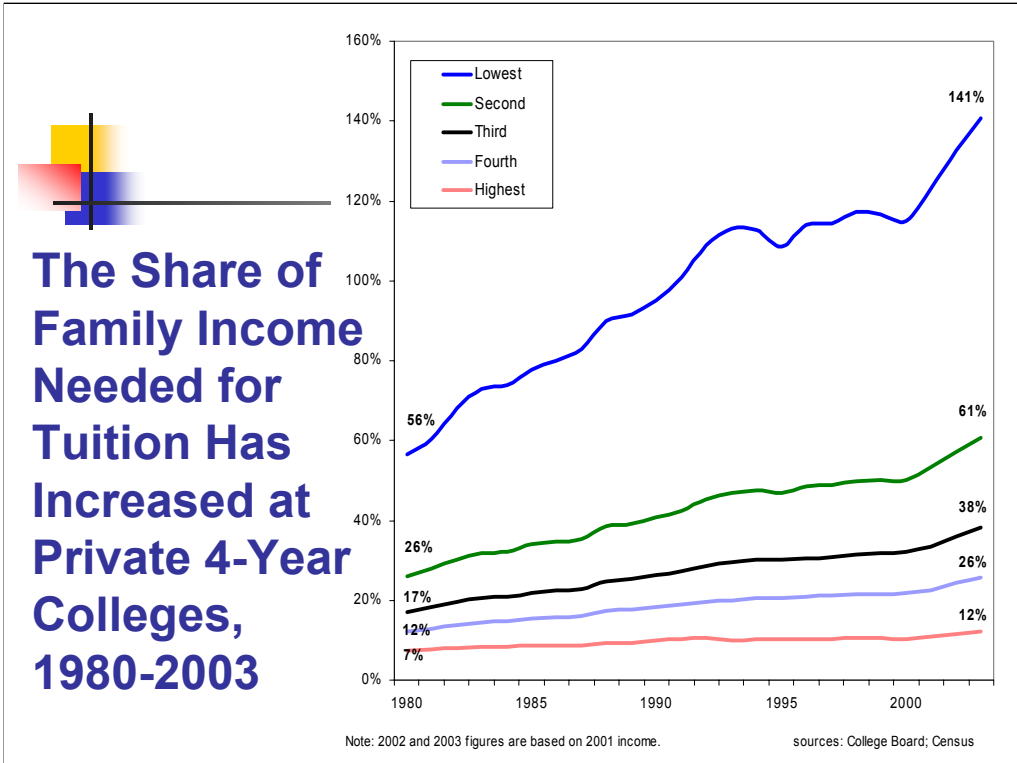
The Share of Family Income Needed for Tuition Has Increased at Public 4-Year Colleges, 1980-2003



Average public tuition at public four-year institutions for in-state students: \$4,694

Tuition increased over last year: 14.1%

Source: College Board Trends in College Pricing



Average private four-year tuition: \$19,710

Tuition increase over last year: 6%

Source: College Board Trends in College Pricing



II. State Financing of Higher Education



State Financing of Higher Education

- I. Common State Higher Education Goals
- II. Elements of Financing Policy



Common State Higher Education Goals

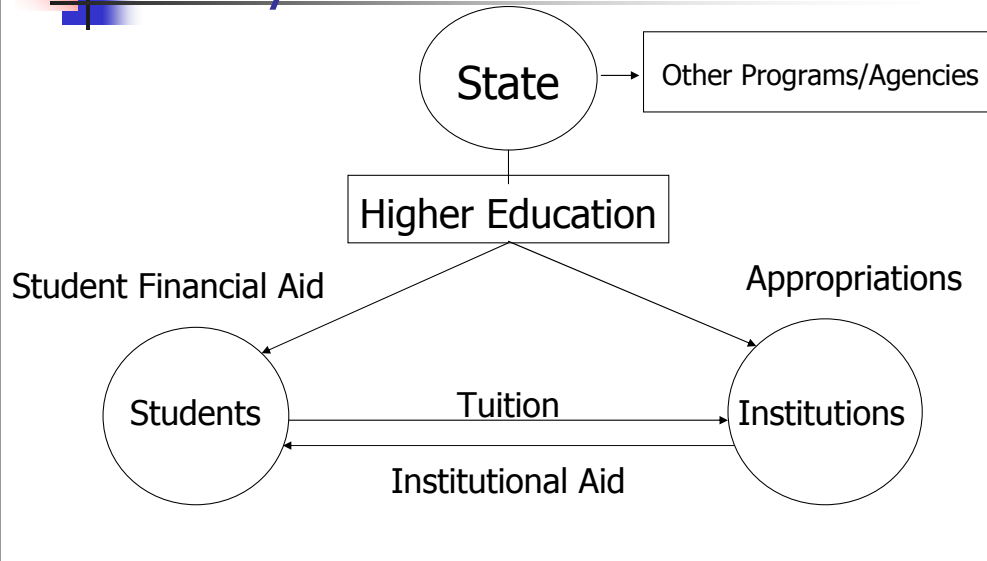
- To encourage a higher proportion of students to graduate from secondary school and achieve proficiency in academic subjects in the process
- To encourage more students attend college and persist to graduation



- To ensure that college attendance remains affordable to students from all socioeconomic groups
- To create employment opportunities for a highly skilled workforce



Elements of State Financing Policy





III. State Financial Aid Options



Trade-offs in State Financial Aid

- Access
- Choice
- Portability
- Predictability
- Sticker price effects
- Targeting different income groups
- Signaling



Georgia – Merit Aid

- Georgia has spent more than \$2 billion on its HOPE scholarship since the beginning of the program.
- More students remain in-state for college.
- Students shift from 2-year to 4-year schools.
- Greater disparity in participation between low-income students, and their peers.

Source: Dynarski, 2002

Georgia HOPE began in 1993.

Dynarski found that the HOPE scholarship both pulled students who would not otherwise enroll in college into 2-year institutions and pushed students in community colleges into 4-year institutions. The net effect was a shift towards 4-year schools.

In addition, she found a increase in the gap of college participation between low-income and minority students and all other students.

From Jenny: I can't find data on student course taking in high school. However, Binder and Ganderton (2002) have found that New Mexican students take fewer courses per semester in college in order to maintain their scholarships.

Source: Binder and Ganderton (2002) "Incentive Effects of New Mexico's Merit-Based State Scholarship Program: Who Responds and How?" In Heller, Donald E. and Patricia Marin, eds. *Who Should We Help? The Negative Social Consequences of Merit Scholarships.* (Boston: Harvard Civil Rights Project.)



California – Low Tuition and Need-Based Aid

- California is a low-tuition state with a relatively high need-based aid program.
- Cal Grants have increased college enrollment.
- Cal Grants support for students attending private colleges and universities

Source: Kane, 2002

Kane found that the probability that a student attends college increased if the student become eligible for the Cal Grant.

In 2001-02, Cal Grants were 7.07% of all student aid in California (including federal loans). In total, the state expended \$512,873,000 on the program.

In 2001-02, the Cal Grant covered 48.5% of average tuition and fees at independent colleges.

30.8% of all Cal Grant recipients attended Independent Colleges and Universities in California.

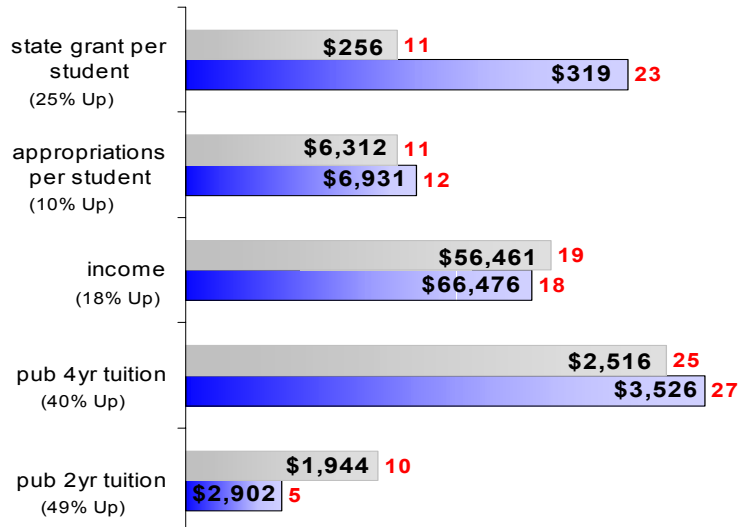


IV. The Wisconsin Context



How Wisconsin Stacks Up

**Change in
State
Rankings
over the
Last
Decade**



State grant per FTE, from 1992 to 2002 (source: NASGAP)

Appropriations (state plus local), from FY1992 to FY2001 (source: Grapevine)

Income (median family income for four-person families), from 1991 to 2001 (source: Census)

Tuition (2yr or 4yr), from AY1992-93 to AY2002-03 (source: Washington State Higher Education Coordinating Board)



College Participation Rate for Low-Income Students

Over the last few years Wisconsin has slipped in low-income participation, declining by 15 percentage points – the 4th largest loss in the nation:

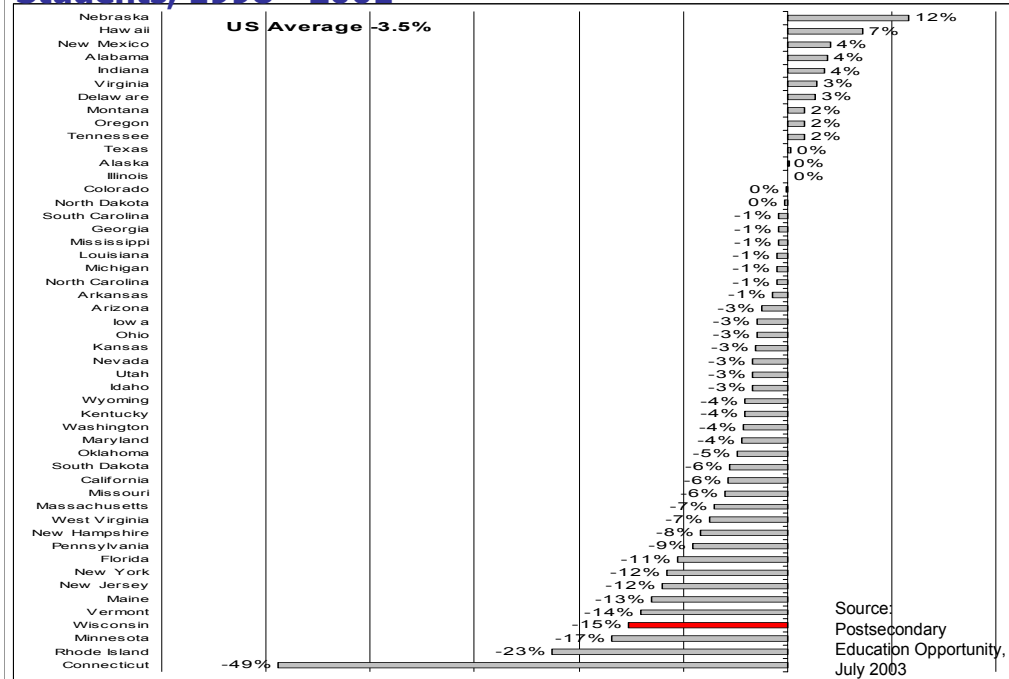
43% in 1998 (9th)

28% in 2001 (17th)

Source: Postsecondary Education Opportunity, July 2003

College Participation Rates = number of dependent Pell Grant recipients divided by number of 4th-9th graders nine years earlier who were approved for free- or reduced-price lunch programs.

Change in College Participation Rates for Low-Income Students, 1998 - 2001



Figures are change in percentage points (Not a rate of change).

College Participation Rates = number of dependent Pell Grant recipients divided by number of 4th-9th graders nine years earlier who were approved for free- or reduced-price lunch programs.



Wisconsin's Educational Pipeline



In Wisconsin, for every 100 ninth grade students ...



... 78 students graduate four years later.



... 45 students enter college.

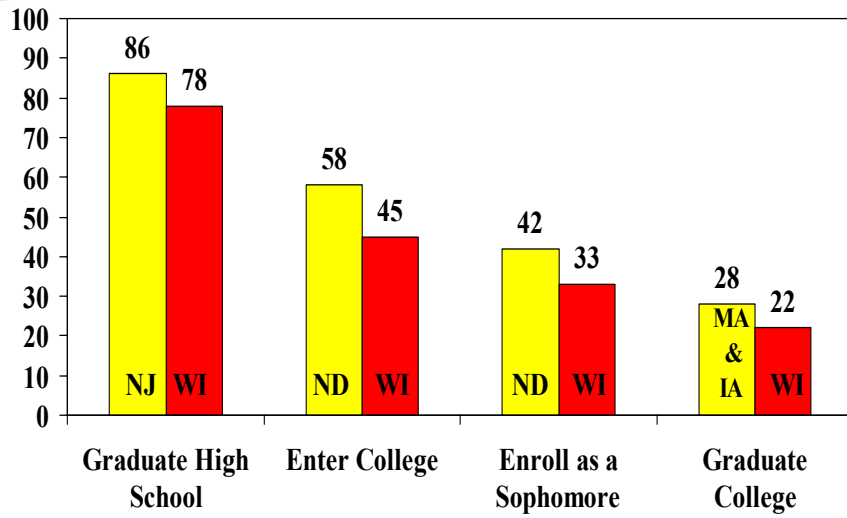


... 33 students are still enrolled in their second year.



... 22 students graduate with either an associate's degree within three years or a bachelor's degree within six years.

Wisconsin's Pipeline Compared to Top Performing States





State Political Leadership Decides

- The total amount of funding to be provided to higher education
- The division of these funds between students and institutions — how much for student financial aid and how much directly to institutions for support of general operations
- The mechanism by which funds will be distributed to individuals and institutions



V. Some Suggestions



Some Dos and Don'ts

- Policies and decisions should be made as a coherent package, not as unconnected independent actions
- Recognizing that the economy that leaves states with revenue shortfalls also negatively affects students and their families



- Don't undertake to establish financing policy in the absence of some understanding of funding adequacy for institutions
- Don't make student financial aid policy solely an institutional responsibility



- Do align some part of institutional funding specifically around state priorities (using performance or investment approaches)
- Do make funding distinctions among institutions; protect funding for those institutions making the greatest contributions to the state priorities