Student Financial Assistance

By David A. Longanecker and Cheryl D. Blanco

Publicly funded student financial assistance is a relatively modern phenomenon. In the latter half of the twentieth century, financial aid evolved as a means of assuring that a much broader array of qualified Americans could receive the benefits of higher education. Publicly funded financial aid moved away from the focus of traditional scholarship programs toward the goal of eliminating financial barriers to college attendance for all qualified students, not just the best and brightest. Our policies have not traditionally recognized the critical link between financial aid, tuition and fees, and institutional support, all of which are critical to ensuring access for at-risk students and all of which must be in sync to maximize student success.

Why is Student Financial Assistance Essential to Student Success in a P-16 System?

Initially, financial aid policy focused almost exclusively on higher education. Apart from a handful of targeted efforts, such as the federal TRIO programs and a few state programs, such as Minnesota's Post-Secondary Planning Program (PSPP), the evolution of publicly funded student financial assistance was not perceived or integrated as part of a P-16 strategy for higher education. We have learned over the last half-century, however, that simply removing financial barriers to college attendance hasn't achieved the goal of eliminating inequalities in higher education participation and success. Several factors help account for this shortcoming: one is that the public policy goal has itself actually changed; another is that the original assumptions and intervention strategies were flawed; third, financial aid was not provided sufficient funding to achieve success; and finally, financial aid policy was considered in isolation from other finance policies, rather than being aligned with tuition and fee policies and with institutional support policies, all of which affect whether students have access and are likely to succeed in college. These four factors now make it clear that we must consider financial aid as an integral component in an overall P-16 strategy, not simply as a higher education funding tool.

What changes, then, have occurred to our public policy goals that require financial aid policy to move beyond the domain of higher education policy into the framework of P-16 initiatives?

The big change in policy goals is that we now see higher education as not just beneficial but essential to the pursuit of economic well-being for most Americans. In the past, financial aid policy was used to ensure that all those who sought a postsecondary education could do so regardless of economic circumstance, but we did not conceive that all young people would or should go to college. Today, however, policymakers concur that most young people and many more adults need to secure a college education to enjoy the individual benefits of "the good life" and to keep America economically vital and socially just. To achieve this evolving goal, public policy must progress from simply enabling participation to enhancing participation.

Yet this evolution of public policy does not in itself make a compelling case that financial aid, as a main strategy for financing college, must also be part of an integrated P-16 strategy. This factor becomes compelling only when blended with the second factor mentioned above – the fact that our original strategy was flawed. The prevailing thought was that making the funds available would provide the educational opportunity for which we were striving. But money itself was not enough. Too often the students and their families did not know that financial aid was available or that it was sufficient to offset their need. Both federal and state financial aid programs failed to provide adequate information to prospective students and their families to assure them that college was affordable. Furthermore, neither federal nor state activities provided strong signals to these students and their families about how to prepare for college. Many of the new students attracted to college have therefore not succeeded because they were not prepared academically to do so. As a result, we have seen recent reforms in student aid policy begin to focus both on providing information earlier and on encouraging better academic preparation.

We now see higher education as not just beneficial but essential to the pursuit of economic well-being for most Americans.

These two new components directly tie financial aid into K-12 initiatives. A consideration of how college will be financed becomes a necessary and integral component in the early intervention activities, and past experience teaches that building such awareness entails two steps: providing clear information that college is affordable through financial aid; and, increasingly, underscoring the message that a student will have to earn this affordability through rigorous preparation.

The need to instill better understanding of what college study entails alone would justify the P-16 link. It is further justified, however, by another trend – the increasing cost of American higher education. Tuition is increasing in both public and private institutions of higher education at rates that substantially exceed inflation. This trend is not a new

phenomenon, born of recent fiscal distress in the states, but rather has evolved over many years, and there is no reason to believe these rates of increase will not continue. Exacerbating this legitimate concern about college costs are the less accurate portrayals of college costs in the public media. Investment firms advertise "runaway costs of college" to encourage parents of prospective students to invest more. Politicians rail against outrageous college costs to garner political opportunity. And even public agencies that sell college savings plans try to worry folks into investing in their particular products. Whatever their intent, these efforts greatly confuse the public about what college costs. In a poll conducted in 2000 by the American Council on Education, most respondents estimated community college tuition and fees to be 300 percent higher than they actually are, and respondents overestimated public 4-year institutions' tuition and fees by more than 200 percent (American Council on Education, 2001).

For students from low-income families, however, misperceiving costs can dissuade many of these prospective students from attending college at all.

Overestimating the cost of higher education perversely affects participation in higher education. For prospective students from middle-income families, research shows that misperceiving the cost will not likely affect the decision to attend college, but it might well affect where they attend. For students from low-income families, however, misperceiving costs can be devastating; overestimating costs will dissuade many of these prospective students from attending college at all. Recent research conducted by Thomas Kane indicates that a $1,000 difference in the price of college may impact college enrollment for the most financially needy students by as much as nine percent (Kane et al., 2003). Thus, our public policy goal of enhancing participation cannot be achieved if we do not better inform students about the interplay between tuition prices and financial aid.

The need to explain college costs presumes that there is a positive relationship between tuition and financial aid policy at the state level, and that we can honestly inform students that college is affordable. Unfortunately, in too many states no such relationship exists, and honesty would mean telling a story we wish not to relay – that a state does not guarantee affordability. Yet for at least two reasons, even presenting this story would be an important part of a P-16 strategy. First, telling this story would honestly portray for students the circumstances they face, providing early warning that they need to look elsewhere for the financial support they will need. Second, highlighting the true lack of affordability in a given state environment could force the profound changes in higher education finance policy that many states need. This was certainly the impetus for the recent reform of Oregon’s financial aid system, which evolved only when it became publicly apparent (and embarrassing) that the state was doing a poor job of protecting its most financially at-risk students.

For a variety of reasons, therefore, we now know that student financial assistance must be an essential component of any P-16 strategy if we wish to enhance student success in postsecondary education.

What Does a Sound Student Financial Assistance Program Look Like in a P-16 System?

Drawing on our operational definition of P-16 as "an integrated approach to providing education from kindergarten to a baccalaureate degree," this policy brief suggests that a well-grounded state financial assistance program would have several characteristics. While our list may not be exhaustive, we nonetheless believe that any financial aid program in a P-16 environment that seeks to increase the chances for youth to participate and succeed in postsecondary education should have the following characteristics.

A state may also want to have a separate program that recognizes both merit and need, offering higher aid packages for those students who meet the need criteria while also demonstrating academic excellence.

Student oriented

A statewide financial assistance program should meet the needs of the students it serves, and this target group will be shaped by demographic, social, and economic factors that need to be considered if the state is trying to expand access, choice, and success in postsecondary education for all students. Because every state has unique demographic characteristics, there is no perfect "one size fits all" financial aid program, but there are broad programmatic structures that are used successfully by many states. Examples of these broader categories are need-based aid, merit-based aid, and occupation-specific aid (e.g., aid for students to study nursing, teaching, engineering, etc.). A state that seeks to increase the participation rate of its low-income students will want to ensure that it has needs-based test criteria in its program. It is also important that a state fund such programs in sufficient degree, while at the same time communicating to lower-income students that these programs are intended to meet their financial needs. A state may also want to have a separate program that recognizes both merit and need, offering higher aid packages for those students who meet the need criteria while also demonstrating academic excellence.

Considerable research has been dedicated to understanding how the availability or unavailability of financial aid influences college-going decisions by students and their families. We don't have all the answers, but we have learned much that can help us

Some promising state practices:

Indiana's Twenty-first Century Scholars Program exemplifies an initiative that not only connects with young people before they reach high school but also commits resources to them. The Indiana program reaches out to low-income eighth-graders with financial aid assurances. In middle school, students commit to taking the steps to prepare for college; the state promises them financial aid for in-state tuition at a public university or its equivalent at a private college. A recent study of the program reported that participation in the Scholars Program improved postsecondary opportunity for low-income students. Scholars were more likely than non-Scholars to enroll in Indiana public and private colleges (St. John et al., 2002). In addition to aid, the Scholars Program provides services to students and parents through workshops, mentoring, academic support, social/cultural events, career counseling, and other activities at regional support centers.

Rhode Island's Children's Crusade for Higher Education is another statewide, early-intervention program that provides support programs and financial aid. Students must enroll as third-graders in a school designated as an "enrollment school." "Crusaders" who fulfill their pledge to avoid alcohol, drugs, and early parenthood, who graduate from high school, are admitted to a postsecondary institution within a year of graduation, and are financially eligible will receive a cash scholarship distributed on a "last dollar basis" to offset unmet need, reduce loans, or decrease the amount of need-based work-study.

Minnesota communicates its affordability message through its time-tested “Design for Shared Responsibility.” This program clearly articulates the share of college costs that should be borne by students, their parents, the federal government, and the state. This gives prospective students and their families the capacity to realistically plan for financing a college education within their own financial means. No one gets off the hook, and the expected contribution from students and their families is substantial, but in all cases it is manageable and also prudent with respect to public responsibilities.

Oklahoma’s Promise—OHLAP, targets eighth-, ninth- and tenth-grade students whose family's income is $50,000 or less at the time of enrollment. Student requirements include taking and passing 17 units of required high school courses – Oklahoma's Promise—OHLAP curriculum – and achieving a cumulative 2.5 GPA or better in the curriculum, as well as a cumulative 2.5 GPA overall in high school. Students must also stay away from drugs and alcohol, and not commit criminal or delinquent acts. Additionally, students are required to meet with a teacher, counselor or principal to review schoolwork and records, provide information when requested, apply for other financial aid during the senior year, and participate in Oklahoma's Promise—OHLAP activities to prepare them for college. Oklahoma's Promise—OHLAP pays tuition at an Oklahoma public 2-year college or 4-year university, and at least a portion of tuition at an Oklahoma accredited private college or university or courses offered at public technology centers that qualify for credit from a public 2-year college.

increase participation and success of underrepresented populations through financial aid programs. We know, for example, that:

- The least wealthy know far less about the cost of tuition than any other income group, and estimates of tuition still far exceed the actual cost (American Council on Education, 2002).
- Low-income students are more likely than more affluent students to have earned an alternative credential and delayed their entry into postsecondary education (King, 2002).
- Compared with the average price of attending different types of institutions, the average expected family contributions (EFCs) for low-income students are relatively small, so virtually all low-income undergraduates attending full time, full year have financial need (U.S. Department of Education, 2000).
- Financial aid makes college possible for most low-income students who are otherwise prepared (Choy, 2002).
- Low-income students who began their postsecondary education are less likely than their higher-income counterparts to have earned a degree or certificate or still be enrolled four years later (U.S. Department of Education, 2000).

Promoting choice:

Colorado has adopted a voucher program that, in lieu of traditional subsidies to institutions based on FTE enrollments, provides direct grants to all students attending in-state public institutions of higher education and Pell-eligible students at selected private institutions. Viewed as a more "market-driven" way of financing higher education, it is envisioned that, through this student-centered financing approach, every prospective student will know how much he or she will receive in direct subsidy early in the decision-making process. Though this bold new approach is certainly innovative, it unfortunately fails to adequately take need-based financial aid into account, leaving the most financially vulnerable students at risk because there is no assurance that they will be able to afford the substantially higher tuition, fees, and other costs of attendance not covered by the voucher. Perhaps even worse, it actually promises financial aid for which financing has not been provided.

Financial barriers are generally much more prevalent for low-income, underrepresented, and first-generation students than for others, and the amount of tuition and availability of financial aid are more important factors for these groups than for students in other income levels in deciding not only where to go to college but if they can go to college. "In general, African American, Hispanic, and low-income students tend to be more price responsive (i.e., are less likely to enroll in college, or change the type of institution in

which they enroll, in the face of tuition increases) than are white and middle- and upper-income students" (Heller, 2001). Thus, it is essential that the families of these students know by middle school or early high school what financial aid is available, in what forms, how much, and how to access it. Counseling services, outreach programs, and community-based support groups all can play a role in helping with information services and planning.

> It is essential that the families of underrepresented students know by middle school or early high school what financial aid is available, in what forms, how much, and how to access it.

Without both comprehensive information and an assurance that adequate aid will be there when they graduate, students may be less likely to prepare academically, to look at their postsecondary options seriously, and to begin their financial planning. It is not uncommon for high school seniors to learn about their financial aid awards only weeks – or a few days – before classes begin. This timing presents an insurmountable obstacle for low-income students who do not have adequate resources at hand to cover remaining costs. In addition to providing information and counseling services to support students and families in understanding financial aid options and obligations, programs should be designed and funded to commit resources to students well before they leave high school. The goal of enhancing participation in higher education will not be achieved if students perceive that college is unaffordable and the financial barriers are not significantly reduced or eliminated.

State policymakers and institutions must also be well informed about the advantages and disadvantages of different types of aid programs and their impact on student access, choice, and persistence in postsecondary education. The need for such understanding derives from the fact that policymakers and institutions are responsible for shaping financial aid programs and funding them in such a way that students and families can count on them.

Another critical characteristic of student-oriented financial aid programs in a P-16 system is their ability to promote choice, both when students begin postsecondary education and as they transition into different kinds of institutions. Conduciveness to choice is particularly important for expanding access to higher education, and it must be clear to students and their families which programs are available and most useful to them. Financial aid awards that are too low or linked to a particular kind of institution will inhibit student choice by limiting their options to low-tuition institutions or specific institutions. In a P-16 environment, all students should know that they have a reasonable expectation of choosing among a broad array of institutional types in American higher education. Students who transfer from one institution to another should be able to do so smoothly, knowing that their aid moves with them with no restrictions imposed in the transition.

Indeed, this issue of transparency in aid highlights a persistent problem with some state policies which rely primarily on institutions to provide financial aid rather than developing state financial aid programs. Even if well-intentioned, institutional aid programs fail the basic tenets of transparency because students don't know what they are going to receive until they apply to college, and thus they have little information to rely on in preparing for college. But more importantly, institutions tend often to be less concerned about serving the most financially at-risk students, both because their financial liability can be substantial and because the lowest-income students, on average, bring fewer academic assets, which can degrade the academic reputation of the institution. Institutional aid, therefore, is often an inadequate substitute for state aid in serving the public good. Another area of increasing concern in this regard is aid for part-time students. A P-16 environment recognizes that some students will be able to attend college only on a less-than-full-time basis, yet there are few states that provide aid for part-time students. Effective state financial aid programs support choice and provide the student with flexibility.

State financial aid policy, and the programs established to support policy, are rarely integrated with two other key state policy areas: tuition, and direct institutional support.

Integrated with state tuition and financing policies as well as with federal and private aid programs

A major reason we have financial aid programs at all is to offset the cost of going to college for low-income students and those who could otherwise not afford to attend. In determining how much and what kind of aid each student will receive, financial aid officers consider multiple factors, and one of the most critical is the cost incurred by the institution to provide the educational experience. In most institutions, the cost of education is shared by the student, the institution, and the state. The student's share is reflected in tuition and fee charges, and the financial aid packages that higher education institutions provide are directly related to the level of tuition and fee charged. Ironically, however, state financial aid policy and the programs established to support policy are rarely integrated with two other key state policy areas: tuition and direct institutional support. Unless state policies related to financial aid are consciously linked to financing policies (primarily tuition and appropriations), students who can least afford to go to college will be short-changed and may be denied equality of opportunity in access to postsecondary education.

David Longanecker has articulated the importance of aligning financing and financial aid policies and practices: "Integrated financing policy should ensure that state policy and practice with respect to institutional support are in sync with state tuition and financial

Aligning policies:

The Western Interstate Commission for Higher Education (WICHE) has explored these issues through a project titled, *Changing Direction: Integrating Higher Education Financial Aid and Financing Policies*, supported by Lumina Foundation for Education. The project has examined how to structure financial aid and financing policies and practices to maximize participation, access, and success for all students.

Year after year, the policymaking and education communities struggle with questions of how to meet growing needs through state allocations, how best to ensure shared and equitable responsibility for meeting the costs of higher education, and how best to use subsidies such as financial aid to expand access and opportunity. The project demonstrates that too often these issues are dealt with as discrete questions rather than reflecting the interrelatedness not just of higher education finance and financial aid policies, but also of state and federal arenas. Few states are satisfied with their decisions in these areas, and the search continues for better solutions to these ever-present problems. Through this project 14 states accepted the challenge to achieve better alignment among key policies pertaining to financing and financial aid.

For more information on the Changing Direction project, visit www.wiche.edu/Policy/Changing_Direction/index.asp.

aid policies and practices. . . . State financial aid policy must protect those students from low-income families who simply can't bear increased costs . . . [for] participation of students from low-income families does decline as the price of college increases. Good, well-integrated policies, however, can address this." He notes that price-sensitive students need to be protected from tuition increases through policies that offset any increase in price with increased financial aid. Securing such protection requires two policy imperatives: first, a viable state financial aid policy; and second, the integration of that policy with state tuition policy and federal financial aid in ways that intentionally secure financial access. "The absence of such intentionally integrated policies in most states means that in tough times, when tuition logically increases, financial aid either declines or remains stagnant" (Longanecker, 2002).

Just as important, public colleges and universities must have reasonable assurance that state appropriations will be sufficient to keep up with increases in the cost of providing high quality postsecondary education. The closing years of the twentieth century marked a good period generally for higher education as states often increased their appropriations to postsecondary institutions; many states also dedicated a larger share of their budgets to higher education. The early years of the 21st century revealed a very different trend, as state revenues declined precipitously because of the paucity of state resources available to sustain all public services, including higher education. The uncertainty of state dollars for higher education resulted in higher tuition rates at most institutions to

cover the increasing costs of providing postsecondary education. The effect of these developments was to place student access and persistence in further jeopardy. Now, as states' fiscal conditions improve, many states are restoring the funding to institutions and students that were cut in the most difficult years, but the erosion of access has already occurred. Fiscal instability in state appropriations degrades the basic ability of students to count on financial aid.

It often occurs that misalignment between programmatic intentions and actual implementation is not recognized until too late.

Accountable and appropriate for the goals they serve

Well-intentioned state financial aid programs often get off track and are expected to accomplish objectives they were never designed to address. One reason for an apparent loss in direction is that programs are often established in statute and funded without including a comprehensive evaluation component as part of the program design. Periodic assessment of financial aid programs is essential to ensure that such programs are effective and efficient in advancing the goals of greater participation and success in higher education. It often occurs that misalignment between programmatic intentions and actual implementation is not recognized until too late – after the awards have been distributed and spent. Ongoing research needs to be conducted on how well state financial aid programs achieve their goals.

The difficulty in assessing program effectiveness increases not only when program purposes are not clear but also when aid programs intend to accomplish multiple purposes. Merit aid programs that require high GPAs and a rigorous college-preparatory curriculum because they are intended to stem the brain drain in a state should be held accountable for doing just that – they should not be expected to increase the number of low-income, first-generation students. Merit programs generally will not be successful at achieving the goal of expanding access for low-income, underrepresented, first-generation students because these individuals often do not have access in their schools to the required rigorous curriculum. If the college-preparatory track is available in their school, these students too frequently have not taken the courses in middle school that prepare them for the college preparatory courses in high school. Conversely, financial aid programs that are need-based and structured to increase the participation and success of underrepresented groups in college should be held to that standard.

Most states have suffered from program proliferation and vague or ambiguous programmatic objectives. These conditions are usually symptoms of a lack of clarity among policymakers about the overall purpose of a state financial aid program or what program design will best achieve that purpose. If "brain drain" is a problem that the state wants

to address through its financial aid programs, then that goal should be very apparent. If the problem is low achievement, especially at the high school level, then an aid program that rewards high school students for taking a college-preparatory curriculum should be the obvious goal. Whatever the issue, expected program outcomes must be clear and measurable so that every program can be held accountable for demonstrated improvement. With fewer fiscal resources available for financial aid programs, the temptation is strong to reduce the overall number of programs by merging two or three unique programs into one generic program. While consolidation may be recommended for better program administration, the cure may be worse than the problem if dissimilar programs are merged. Blended aid programs that link need with high academic performance are becoming more common with the allure of a high academic standard, but it is very difficult to assess the effectiveness of such programs. An effort to build one large program from several smaller programs by simply combining their highly diverse goals may set the entire program up for poor results.

Financial aid programs in a P-16 system are grounded in good data, and good policymaking to establish and support those programs requires good information. "Poor information at the state level can result in decisions that negatively affect large numbers

Effective Data Systems:

Florida has built a K-20 education data warehouse from existing systems, including data systems that encompass P-12, community colleges, universities, and financial aid. Student data includes demographics, enrollment courses, test scores, financial aid and awards; employment information covers educational curriculum, staff, demographics, certified staff, and educational institutions. The Florida Department of Education oversees the data warehouse, which enhances information sharing and allows analysis from multiple sectors. The mission of the Florida K-20 Education Data Warehouse (EDW, http://edwapp.doe.state.fl.us/doe) is “to provide stakeholders in public education – including, but not limited to, administrators, educators, parents, students, state leadership, and professional organizations – with the capability of receiving timely, efficient, consistent responses to inquiries into Florida's Kindergarten through University education. EDW integrates existing, transformed data extracted from multiple sources that are available at the state level.” The state characterizes the EDW as an integrated public education data system that allows longitudinal analyses, is student-centric, contains historical and current data, has confidentiality ensures (personally identifiable information removed), and provides state-of-the-art analytical capabilities.

North Carolina has a "data-based decision-making" approach found in few other states. Information feedback mechanisms, implemented by the University of North Carolina, provide community colleges and high schools with solid information about the consequences for their students of their prior educational experiences on their success in the UNC system.

Examples of Effective Elements in State Programs:

Oklahoma's Higher Learning Access Program (OHLAP) targets eighth-, ninth-, and tenth-grade students with family incomes of $50,000 or less. In the course of its first decade, enrollment has increased significantly as OHLAP's visibility has increased and families have come to depend on the program and its funding.

Minnesota's shared responsibility model has been in place for over 20 years and appears to be widely accepted and understood by students, parents, and school and college administrators. Since its inception, the "Assigned Student Responsibility" portion has been very stable – first set at 50 percent in 1983, it did not change until the legislature lowered it to 47 percent for fiscal year 1999; it was lowered one percentage point more in fiscal year 2001. This kind of policy provides a level of consistency and predictability that makes it far easier for families and students to determine how much they must pay.

California policymakers dramatically increased the state's Cal Grants program appropriation in 2001 in order to guarantee an award to all high school graduates with at least a C grade point average and financial need.

The **Oregon** University System and the Oregon Community Colleges established an "Access and Affordability Working Group", which brought forth a proposal to radically restructure the state's need-based grant program. Fashioned loosely along the lines of Minnesota's Design for Shared Responsibility, the Oregon "Earned Opportunity" plan will take full advantage of the federal benefits available to students, including Pell grants and tax-credits, but will not be held hostage by federal policy, practice, and funding levels.

Georgia's Helping Outstanding Pupils Educationally (HOPE) Scholarship and Grant Program has been highly successful in communicating with the state's citizens. Most everyone in the state – students, teachers, parents, families, counselors, and school administrators – knows what HOPE is and how it works. Students know they can count on it being available to them, as well as how to receive and keep the award.

of students, institutions, and citizens in multiple ways. Relevant information enables substantive discourse, dialogue, and debate about key policy issues in higher education" (Jones et al., 2002). Financial aid decisions about funding levels, qualification criteria, target groups, and award levels are made on composite information drawn from several sources in education. Because our goal is not just enrollment in college but also academic preparation, persistence, and success, the information pipeline extends from at least middle school through the baccalaureate degree, with significant milestones along the way. Accurate, timely, and accessible information on individuals as well as groups of students is critical in developing and projecting aid program participation criteria and funding levels.

When data systems in K-12 and higher education are separate and independent, their capacity to "talk" to each other is critical for identifying potential recipients, determining persistence, and assessing need. Student unit record systems are essential in a P-16 environment, and information on financial aid eligibility is a necessary element in that environment if students are to have access to information on what is available to them and if consistent, timely, high quality information is to be available for policymakers to make informed funding and program design decisions. A number of states have developed “consumer information” systems to help inform prospective students, and the Federal Government has developed an “aid estimator” for students to use in projecting their likely federal student assistance. Private corporation programs, such as XAP’s Mentor Program, also provide robust information for students to use in planning for college.

Transparent and predictable

A universal complaint about financial aid is the complexity of the application process. Simply stated, applying for financial aid can be very complicated, and we have no idea how many students and families simply give up when faced with filling out the forms and collecting the documentation. Experience and research tell us that programs need to be highly visible so people know about them, consistently funded so people can count on them, and characterized by an application process that is relatively clear, easy to understand, and simple to complete. Fortunately, there appears to be increasing interest at the federal level and within the states in simplifying the financial aid application process. The National Commission on the Future of American Higher Education, which issued its final report in September 2006, included simplifying the financial aid system as one of its major recommendations. The Advisory Commission on Student Financial Aid, a federal group charged with examining ways to improve the federal financial aid programs, has accepted the challenge to find ways to simplify the delivery of financial aid. Unfortunately, however, the higher education community has yet to endorse these efforts, and absent the support of the communities that ultimately control the student aid package that students receive, it will be hard to achieve the desired simplification.

Comprehensive and inclusive

In a P-16 system, financial aid provides support in high school and throughout college, with resources focused when and where they are most needed. In the same way that many early intervention programs reward middle and high school students for behavior, grades, or courses taken, financial aid during the college years could reward persistence and degree completion for low-income students. Such rewards may take the form of differential aid to recognize persistence – increasing the award level at those points in a student’s matriculation (for example, the transition from the first year of study to the second) that enhance the likelihood that a student will stay in college and progress toward the degree. A similar effect would be achieved by replacing loans with grants during the final year or two of the degree program. Or the differentiated aid could be used to promote access and participation by making higher awards in the freshman and sophomore years and using grants in the first couple of years rather than loans.

A form of financial aid at an early stage in a P-16 system is funding for acceleated options – such as dual enrollment, Advanced Placement (AP), and International Baccalaureate (IB) programs – for all students. To enhance the participation of low-income students, as well as all students in accelerated programs, state policy in a P-16 environment will encourage school districts and higher education institutions to collaborate in offering these academically rich opportunities to all students – especially those in rural and economically disadvantaged districts. The other important part of the state's role is to provide financial support for these programs. Many states require the student to pay for part or all of the cost of the accelerated programs. When students are responsible for paying tuition and fees for dual enrollment, concurrent enrollment, AP, or IB courses, the barriers for participation by low-income students rise dramatically. A recent WICHE publication, *Moving the Needle on Access and Success*, describes in depth the ways in which accelerated learning programs currently enhance and impede progress, particularly for underserved students, and outlines how states currently do and could use policy to make these programs more effective.

When students are responsible for paying tuition and fees for K-12 accelerated programs, the barriers for participation by low-income students rise dramatically.

Reinforces readiness

In addition to inclusiveness and comprehensiveness, financial aid programs should reinforce readiness for college rather than attainment of grade averages. While the Department of Education's recent publication, *The Toolbox Revisited*, demonstrates that while high school grades do matter in whether students achieve at higher levels of education, neither grades nor grade point averages (GPA) matter as much as the rigor of their high school curriculum. Many programs – both need- and non-need-based – require a minimum GPA with no recognition of the content and rigor of the courses students take. What often happens is that students refuse to take challenging courses like those in accelerated options, preferring to take easier courses in order to maintain or improve their GPA and chances to qualify for a scholarship. All of our activity in preparing students to leave secondary school should focus on providing the strongest possible preparation for college or the work force. Financial aid programs that emphasize GPA over readiness send the wrong signals to students and ultimately diminish their ability to compete successfully, either in college or in many jobs. Student assistance programs should be structured to motivate and reward achievement and encourage strong academic preparation. Some states have done this by requiring completion of a "core curriculum" to qualify for certain aid programs, but these are usually scholarship programs.

The elements of a comprehensive P-16 financial aid program are similar to what one might expect from any good state financial aid program. Unfortunately, we have been

Advanced Placement Model:

The U. S. Department of Education's Advanced Placement Incentive Program is a national effort to increase the numbers of low-income students taking Advanced Placement courses and examinations. Through a competitive process, applicants seek funding to provide fee reimbursements to qualifying students for taking Advanced Placement examinations; additional funding is awarded to applicants for a wide range of activities (such as teacher and counselor professional development, online accelerated courses, pre-Advanced Placement activities, vertical team development, etc.) that will help increase the participation of low-income students in accelerated learning programs. States could build strong programs on this model.

unable to identify many states with a P-16 program with the characteristics indicated above. Indiana and Oklahoma come closest to achieving a comprehensive P-16 plan. Others exemplify some of the elements, but not all of them. The goal of successfully applying a holistic approach to education from kindergarten to the baccalaureate cannot be achieved with equity for low-income, underrepresented, and first-generation students until we can unequivocally say that our state financial assistance programs are oriented towards students, integrated with state financing policies and federal and private programs, accountable and appropriate for the goals they serve, information-driven, transparent and predictable, comprehensive, and structured in such a way as to reinforce readiness.

What Are the Obstacles to a Successful Student Financial Assistance Program in a P-16 System, and How Might They Be Overcome?

The obstacles to incorporating successful programs of student financial assistance as an integral component of a P-16 strategy for enhancing student success fall into two categories.

Dilemma I: The Issue of Capacity

Insufficient fiscal resources

Almost all states, and certainly the federal government within the Higher Education Act, have strong rhetoric that supports broad participation in postsecondary education for all citizens who are willing and able to benefit from such study. Without adequate financial support to achieve that goal, however, access cannot be assured. Without a financing scheme that eliminates legitimately assessed financial need, research shows clearly that many students from low-income families will not attend college, and many of those that

do will not succeed. It's that simple. States that fail to address this funding breach will fail to achieve true access to success in postsecondary education. Today, only about 12 states have robust enough state need-based financial aid programs to ensure financial access, and even fewer states intentionally seek to integrate their financial aid, tuition, institutional support policies, and funding practices to ensure true affordability.

Often, the insufficiency of fiscal resources results not so much from a lack of will as it does from antiquated policies that inappropriately address modern public policy objectives. For example, many states rely on low tuition as their primary strategy for ensuring affordability. When first adopted more than a century ago, that approach made sense; public subsidies to the institutions were sufficient to cover the costs of educating the few best and brightest young high school graduates, who were the only ones expected to attend college. With today's expectation that most young people will graduate from high school and continue on to college, the old low-tuition model does not suffice – first, because it does not account for the true costs of college attendance; and second, because it does not provide the institutions with the resources necessary to educate the masses.

One commonly proposed solution is for public policymakers simply to recognize that higher education provides great social and economic value to a state and thus warrants greater investment. That argument has been relatively unsuccessful in the past and promises to become even less compelling, given the current scarcity of public resources, and the fact that there is nothing particularly new or novel about the argument. In fact, the substantial economic returns that higher education confers on individual students may have weakened public support, if only because these returns heighten the perception that higher education offers more of a private than a public value.

Requirements for Student Assistance:

Florida's Bright Futures Scholarship Program consists of three lottery-funded scholarships: Florida Academic Scholars Award (FAS) (including Academic Top Scholars); Florida Medallion Scholars Award (FMS); and Florida Gold Seal Vocational Scholars Award (GSV). Initial eligibility requirements include residency, citizenship or eligible non-citizens, specific coursework, and minimum GPA and test scores.

Louisiana's Tuition Opportunities Program for Students (TOPS) requires 16.5 core units and a 2.50 GPA on core courses for the base Opportunity Award; other awards require higher GPAs.

Oklahoma's Higher Learning Access Program is one of the few need-based programs with an average GPA requirement – 2.5 – and specified units of high school courses to prepare students for college.

Two promising public policy strategies, however, are currently being considered in a number of states for addressing the fiscal resource barrier. The first would reallocate both public and private resources within higher education in a way to enhance affordability for all students, particularly those with greatest need. Generally this strategy calls for increasing tuition and offsetting the cost of this increase for needy students with substantial increases in targeted need-based financial aid. The additional tuition revenues can help ensure affordability for existing students with unmet need while expanding access to other students who currently cannot afford to attend, even in a constrained state fiscal environment.

A number of states are trying a second strategy, which moves beyond the old approach in favor of a new one. Though many of the recently adopted "merit-aid" programs have distinct design flaws, they have clearly caught the imagination of policymakers by bringing "need" and "achievement" together. Merit-aid programs create a partnership of sorts between the government and the beneficiaries. Indiana's Twenty-first Century Scholars Program and the Oklahoma Higher Learning Access Program (OHLAP) stand out as models in this realm. They blend need and merit by focusing resources only on low- and moderate-income families and rewarding students for taking a rigorous curriculum. These programs avoid two problems of some "merit" programs: they don't offer incentives to take easy courses to get a higher GPA, and by combining need and academic achievement they are more efficient than programs that make grants to students who have ample financial resources and require no assistance to enroll.

Often, the insufficiency of fiscal resources results not so much from a lack of will as it does from antiquated policies that inappropriately address modern public policy objectives.

Competing state goals

Governors and legislators must balance many demands for limited resources. Some federal mandated costs such as Medicaid leave states with no choice, although in most cases policymakers choose between competing and important public services. Over the years, higher education appears to have lost its luster, receiving a gradually decreasing share of state budgets, despite an increasing demand for its services. Yet higher education must take care not to overplay this phenomenon for, although the share of resources has been declining, the actual amount provided to higher education has increased.

Ensuring that higher education fares well in the competition among state priorities will be extremely difficult for three reasons. First, higher education is increasingly being perceived as a private good. Second, some other services must grow, either because of mandates or from being of such pressing present concern (e.g., homeland security) that

they receive higher priority. Third, because higher education has recourse to tuition as an additional source of revenue, it is one of only a few state services in which costs can be conveniently shifted.

However, the same strategies discussed above in the financial sufficiency discussion – reallocating within higher education and presenting a "new way" of enhancing access – may be successful in helping higher education compete more effectively in the public arena.

One commonly proposed solution is for public policymakers simply to recognize that higher education provides great social and economic value to a state and thus warrants greater investment.

Lack of student aspiration and motivation

Low aspirations and the lack of student motivation present major obstacles to success in a P-16 strategy. One might readily ask, if pre-collegiate students do not aspire to higher education and lack the motivation necessary to prepare adequately, does public policy even matter? In fact there is evidence that it does. Some studies suggest that the reason many young people are unmotivated and non-aspiring is that they do not believe it possible to continue their education. They often believe that they cannot meet the learning requirements, and that even if they could succeed, their families could not afford to send them on to college.

On first blush this may seem like a legitimate issue for the P-16 agenda, but not a legitimate focus for financial aid within the broader agenda. A number of early intervention efforts have evolved recently, however, to work with these students and their families, and equally important, with their teachers, counselors, and financial aid professionals, helping them understand that all students can learn, that they must do so if they want the good life, and that financial aid is available to help meet the cost of higher education if they prepare well. Most notable amongst these early intervention programs are the federal GEAR-UP programs, which are attempting to bring to scale many projects modeled after innovative efforts such as the Ford Foundation's Project Grad and the I Have A Dream Programs. These programs blend encouragement, rigorous preparation, and guaranteed financial aid into a package that helps motivate students to achieve at higher levels.

Financial assistance, then, can be an effective part of a program to increase aspirations and motivation, but only if designed well.

Dilemma II: The Paucity of Good Strategies

Complexity in design and operation

A serious obstacle to incorporating today's financial aid scheme into an effective P-16 strategy is the complexity of that scheme. In combination, federal, state, and institutional programs do a nice job of covering the landscape of needy students, but they are so complicated that no one from outside the financial assistance club can understand the rules. The reason these programs are so convoluted is simply that the focus is on the wrong place; they are designed to serve the needs of institutions and government first and foremost, not of students. Institutions want to retain discretion over which of their students will receive what aid. And, because aid flows in from a myriad of governmental and private sources, in addition to what the institutions provide themselves, the financial aid professional has become an essential broker for packaging financial aid. The dilemma, however, is that this arrangement makes the process anything but transparent to the prospective student. How can prospective students plan for the future if they have no idea how their aid will be packaged when the time comes?

A second dimension of the complexity issue has to do with the design, regulation, and rules for financial aid. Filling out the Federal Application for Student Financial Assistance (FAFSA) has been greatly simplified in recent years, but it remains a daunting task for families with limited means, sophistication, and literacy skills. A recent paper by Dynarski and Scott-Clayton demonstrated that completing the FAFSA is more difficult than preparing one's taxes (Dynarski et al., 2006). The process could be much simpler, particularly for very poor people. In addition, federal regulations on the institutional management of the programs, all developed for good reason and in a professional manner, tend not to capture the true nature of student life, particularly for students from low-income backgrounds. Some of these impediments cannot be removed because they are necessary to manage exceptionally large programs and to prevent fraud and abuse. Yet some of the complexity could be eliminated, particularly for students with substantial financial need. We need to simplify a number of aspects of these programs so our intended beneficiaries can better understand that they can go to college.

> Programs in Indiana and Oklahoma blend need and merit by focusing resources only on low- and moderate-income families and rewarding students for taking a rigorous curriculum.

Complexity will always be an obstacle to some extent, because of the many sources of benevolence that contribute to the overall financial aid scheme. But, the process can be simplified. Minnesota has a very substantial state student financial assistance program,

which makes it easy for a prospective student to understand her or his obligation and what others will provide, yet the state delivers these grants through a mechanism that is easily managed at the individual campus level. And Oregon has developed a proposed plan that will make the expected contribution of students and their families more compatible with the limited resources available to fund higher education in current times.

The reason many young people are unmotivated and non-aspiring is that they do not believe it possible to continue their education.

The issue of transparency

Too often the people we want to help do not understand financial aid because we have not found effective ways to communicate what is available. Part of the problem here is the timidity of government to "commit." The federal Pell Grant program is now more than thirty years old. This being the case, why can't it commit to a 13-year-old eighth-grader whose family lives below the poverty line that he or she will absolutely receive a Pell grant when matriculating in a college or university? We all know the arguments. It is because today's government cannot legally commit resources from a future government, and because a particular student living in poverty might be one of the 2 percent who will eventually get out of poverty before going to college. These arguments make it unlikely that change will occur at the federal level.

States, however, do not have to be caught in the same game. Minnesota's Shared Responsibility Plan makes it clear to students what their obligations are, what their parents' obligations are, and what the government will supply through federal or state programs. Indiana and Oklahoma have also created programs intended to make it clear to all their citizens that they can afford to attend college if they simply do their part by preparing well both financially and educationally.

We need to find ways to get honest, accurate information to students and their families early enough that they aspire to a brighter future through participation and success in postsecondary education.

Failure to make policies complement each other

Too often states have an array of policies, each intended to advance the agenda of student success though not designed to complement one another. In fact, occasionally these well-meaning policies actually work against access to success in a P-16 paradigm.

With respect to financial aid, the most obvious obstacle is the lack of integration of financial aid, tuition, and institutional support financing policies. In most states, the responsible governing or coordinating board makes a request for state appropriations for their institutions. Generally another responsible body makes a request for financial aid

from a judgment of likely need, even though it has no idea what tuition will be when the student enrolls. Some time later the responsible boards or legislature make a political or reasoned decision about how much tuition will increase, and institutions make some decisions about how much they will individually commit to financial aid from their own resources. This process is not designed to assure adequacy of student financial aid or to provide much transparency to prospective students and their families. States must find a way to bring these discussions together and develop and manage their finances in ways that recognize the interrelated nature of financial aid, tuition, and institutional support.

While there are few good models to follow, some have begun to evolve. In a number of states there is at least recognition in current policy of the relationship between tuition and financial aid. Oregon and Arizona are considering substantial changes in the way these two components of higher education finance are conceived and managed. Too often, however, we fail to appreciate the importance of the third leg of higher education finance – institutional support – in supporting access. We think of institutional support as the quality leg and not an access leg. Yet, if institutional support is insufficient, no amount of financial aid will assure access because the institutions will not have the services in place to meet the needs of financially and educationally at-risk students.

> The reason these programs are so convoluted is simply that the focus is on the wrong place; they are designed to serve the needs of institutions and government first and foremost, not of students.

As students increasingly participate in early college options – dual enrollment, international baccalaureate, Advanced Placement, etc. – it becomes imperative that public policy be framed and pursued as a P-16 strategy. Too often today these programs, while highly approved of by the public, provide little incentive for institutional buy-in at either the high school or college level. Again, though, there are models emerging that are worth watching and perhaps replicating. The Oklahoma Higher Learning Access Program (OHLAP) warrants special mention. It rewards not only students that succeed but also the high schools they attended for helping them succeed; ultimately the program helps the colleges these students attend through a well-funded financial aid award.

In sum, financial aid must be an integral component of an effective P-16 strategy for increasing student success. Without it, an essential component in the overall strategy would be absent from planning and management, and the public policy objective to enhance equal opportunity would be lost.

References

American Council on Education. 2001. "ACE Survey Shows Americans Value Higher Education, But Remain Skeptical About Some Issues." *Higher Education and National Affairs*, vol. 50, no. 1.

American Council on Education. 2002. *Attitudes Toward Public Higher Education: National Survey Results*. Washington, DC: American Council on Education.

Choy, Susan. 2002. *Access and Persistence: Findings from 10 Years of Longitudinal Research on Students*. Washington DC: American Council on Education.

Dynarski, Susan M. and, Judith E. Scott-Clayton. 2006. *The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics*. NBER Working Paper No. W12227. Available at SSRN: http://ssrn.com/abstract=902579.

Florida Postsecondary Education Planning Commission. 1999. *Florida's Bright Futures Scholarship Program: A Baseline Evaluation*. Tallahassee, Florida: Florida Postsecondary Education Planning Commission.

Heller, Donald E. 2001. *The Effects of Tuition Prices and Financial Aid on Enrollment in Higher Education: California and the Nation*. Rancho Cordova, California: EdFund.

Jones, Dennis P. and Karen Paulson. 2001. *Developing and Maintaining the Information Infrastructure for State Level Higher Education Policymaking*. Boulder, Colorado: National Center for Higher Education Management Systems.

Kane, Thomas J. 2003. *A Quasi-Experimental Estimate of the Impact of Financial Aid on College-Going*. NBER Working Paper No. W9703. Available at SSRN: http://ssrn.com/abstract=408199

King, Jacqueline E. 2002. *Crucial Choices: How Students' Financial Decisions Affect Their Academic Success*. Washington, DC: American Council on Education.

Longanecker, David A. 2002. "Ensuring Access through Integrated Financing Policy: Observations by David A. Longanecker." *Network News*. Denver: State Higher Education Executive Officers.

National Center for Public Policy and Higher Education. 2002. *Measuring Up 2002: The State-by-State Report Card for Higher Education*. San Jose, California: National Center for Public Policy and Higher Education.

St. John, Edward P., Glenda D. Musoba, Ada B. Simmons, and Choong-Geun Chung. 2002. *Meeting the Access Challenge: Indiana's Twenty-first Century Scholars Program*. Indianapolis: The Lumina Foundation for Education.

U.S. Department of Education, National Center for Education Statistics. 2000. *Low-Income Students: Who They Are and How They Pay for Their Education*. Washington, DC: Government Printing Office.