College Affordability Summit

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What’s Happening Around the Country In Reforming State Student Financial Aid Programs?
So What Makes For Creating or Recreating Good Financial Aid Policy?

Five key factors

1. Clear rationale/philosophy
2. Clear Goals & Measures
3. A program that supports the goals & rationale
4. A winning coalition to sell the program
5. A program the state can afford (today & tomorrow)
Price Matters – for some

- It matters for low-income folk: 5-9% effect per $1,000
- It may affect where but not whether for middle-income and high-income folks

Source of Research: Hanson & Weisbrod in 60s, Manski, Wise, and Mundel in 70s, Hearn & Longanecker in 80s, Kane in 90s, Heller in 00s. All the same
- Only exceptions to date: Georgia and Nevada

Bottom line: Financial aid helps enhance access

A Necessary but not a sufficient condition
Financial Aid Isn’t Enough to Assure Success – Preparation is Powerful

- Decent grades are necessary,
- But real key is **RIGOR OF THE CURRICULUM**

Breadth in coverage costs in two ways

More costs more

Drive Price Up

Student Loans versus Pell Grants

Georgia Hope . . .

Targeted aid is cost-effective

Contains costs

Prevents price effect
The Dilemma – neither need nor merit really work to achieve access to success

- Need fails on the success side
- Merit fails on the access and cost-effectiveness side
These come in three variations

- The need add-on to merit
- The merit add-on to need
- Truly blended need and merit components
Wyoming’s Hathaway Scholars Program

To qualify:
- Take the rigorous Hathaway Scholars curriculum in high-school
- Achieve specified GPA and ACT (amount varies by status – up to $3,200)
- Maintain specified GPA while in college

All qualified students receive initial scholarship.
Needy students available for a supplement, as well.
But must qualify for scholarship to receive need award.
Blended Programs -- Type I: Need
Add-on to Merit

Wyoming’s Hathaway Scholars Program

Strength of Program:
- Rewards strong preparation and assists with affordability for most able of the most needy
- Fixed amount, so not dependent upon actual tuition amounts – also presents a “cost of choice”
- Funded with a trust fund approach, so eventually will not be a financial constraint on the state
- Fits Wyoming well.

Limitations:
- Available only to traditional students and ignores knowledge of relationship between need and grades
Federal Academic Competitiveness and SMART Grants

Academic Competitiveness Grants
- Pell Grant recipients who take a rigorous high-school curriculum (so certified by the State) receive an additional $750 in the first year and $1,300 in the second year.

National Science & Mathematics Access to Retain Talent (SMART) Grants
- Pell Grant recipients majoring in science, math, or technology disciplines, with at least a 3.0 GPA and in their third or fourth year of studies receive an additional $4,000
Federal Academic Competitiveness and SMART Grants

Strengths of the programs
- Rewards students for preparing well for College
- Encourages students to major in areas of National need
- Focused on those students most underrepresented in desired STEM fields

Limitations of the program
- Excludes students from high schools that don’t offer a rigorous curriculum
- Not permanently authorized, so programs’ sustainable questionable
- Doesn’t fit for older students
Blended Programs -- Type III: Blended Merit and Need

These programs include intentional and non-separable merit and need components.

The new standard model: (Examples: Indiana 21st Century Scholars Program and Oklahoma Promise Scholarship)

Require core curriculum, reasonable grades, and assessed need.
Blended Programs -- Type III: Blended Merit and Need

The Oregon Shared Responsibility Model.
Shared responsibility partners

Student share as principal beneficiary
- X% or a fixed amount
- from work, savings, scholarships, and/or borrowing

Parents share
- determined using federal methodology

Federal share
- includes Pell & tax credit/deduction

Oregon share
- filling the gap
If it is to expand access thru need based aid – your tradition, you will get the students in the door

- But there will be fewer because of funding cuts
- It won’t greatly increase their likelihood of completing
- It won’t breed success, because it doesn’t send the message about the importance of working hard to prepare
- It won’t create “the winning coalition.” It isn’t.
What’s Best for Illinois in the “New Normal” of the future

If it is to **reward** the best & brightest
- Merit is the approach
- But it will not address affordability
- Where maybe, but not whether

If it is to **retain** the best & brightest
- Merit is an approach, but an expensive one
- You do this today through quality academics,
- And, more cost-effective to entice them back after college
If **expanding access to success** is your highest priority for financial assistance

The Blended model may hold the most promise

And, it is the most cost-effective for the State