Where to from here for Illinois: Tuition and Financial Aid Policy and Practice
Exceptionally good “in principle”

- Higher Education Student Assistance Act
  - Paraphrasing: For the welfare and security of the State and the Nation, and recognizing that costs of education will increase to accommodate increasing demand, all residents who desire a higher education and are properly qualified will be enabled through a system of financial assistance to attend institutions of their choice within Illinois.

- MAP
  - “. . . An applicant is eligible for a grant . . . when the commission finds that the applicant . . . in the absence of grant assistance, will be deterred by financial considerations from completing an educational program at the qualified institution of his or her choice.”
Exceptionally good “in principle”

- Layman’s language:
  - Tuition will have to increase, as demand increases, because the state can only afford to provide so much, so we will let that happen, within reason, and protect access for all able Illinois folk with a financial aid program that protects access.
“In practice”, a different story

Tuition: Relatively high
- 4 Year Sector average (FY ‘09):
  - Illinois: $10,442
  - U.S.: 7,020
  - Midwest: 8,096
- 2 Year Sector average:
  - Illinois: $2,939
  - U.S.: 2,540
  - Midwest: 3,733
“In practice”, a different story

Tuition: Relatively high, but

Balanced by Progressive Finance Structure:

- Higher than average capacity to pay:
  - Illinois per capita income (‘07): $41,012
  - U.S. average: 38,615
  - Illinois rank: 13th highest.

- Strong financial aid program that reduces “net tuition”
  - Illinois net tuition (SHEEO, ‘09): $3,520
  - U.S. average: 4,108
  - Illinois rank: 13th lowest.
Financial Aid – a glass half full

The Good News –

still 4\textsuperscript{th} in total dollars
Net price still competitive

The Not so good news
You are in triage
And sacrificing the most vulnerable
Illinois’ Financial Aid Triage Model

First triage intervention -- Don’t recognize real costs
- still with 2003-04 tuition rates & 2002 living expenses – that’s rationing
- Impacts moderate income students the most
- Fiscal Impact (tuition & living expenses): $60 million

Second triage intervention – progressive assessment on Estimated Family Contribution (EFC)
- Impacts moderate income students the most
- Fiscal Impact – depends upon rationing required
Illinois’ Financial Aid Triage Model

Third triage intervention – cap on the EFC & $9,000.
- Impacts students at independent colleges most
- Fiscal Impact: $10 million per $1,000

Fourth triage intervention – cut off date
- Impacts over 100,000 eligible applicants
- Disproportionate share from community colleges
- Fiscal Impact: Greater than $100 million
Illinois’ Financial Aid Conundrum

- Current “philosophy” is great but underfunded by nearly 50%

- No likelihood of recovering that

- So, future is either never living up to your goals, or coming up with a more practical idea.
So, Back to Basics: 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)
What We Know

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

Exceptions to date: Georgia and Nevada

Bottom line: Need-based Financial aid enhances access
Financial Aid Isn’t Enough to Assure Success – Preparation is Powerful

Decent grades are necessary,

But real key is **RIGOR OF THE HIGH SCHOOL CURRICULUM**

What We Think We Know

- Breadth in coverage costs in two ways
  - More costs more
  - Drive Price Up
    - Student Loans
    - Georgia Hope . . .

- Targeted aid is cost-effective
  - Contains costs
  - Prevents price effect
    - Pell Grants
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
The New Model: Blended Programs
Intentionally address access & success

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

- The Merit Component: Curriculum & Achievement (GPA and ACT)
  - All qualified students receive scholarship.
- Needy scholarship recipients get a kicker – not a big one, but something.
Blended Programs -- Type I: Need Add-on to Merit

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

Limitations:
- Ignores non-traditional students
- Reaching very few of the most needy (ignores research on relationship between grades and income)
- An expensive intervention
Blended Programs -- Type II: Merit Add-on to Need

- No state models

- Federal Effort
  - Academic Competitiveness and SMART Grants -- Pell Grant Kicker
    - Academic Competitiveness Grants -- $750/$1,300 for taking a rigorous curriculum in high-school
    - Science & Mathematics Access to Retain Talent (SMART) Grants -- $4,000 for majors in STEM fields with 3.0 or better
**Blended Programs -- Type II: Merit Add-on to Need**

**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 vulnerable – in fact, gone
- Doesn’t fit for older students
Blended Programs -- Type III: Blended Merit and Need

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.
  - Focus on both access and success
  - Send clear message to future students
  - Except older students
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
What’s Best for Illinois in the “New Normal” of the future

If it is to expand the Illinois approach to access thru need based aid, you will get the students in the door

But there will be fewer because of your necessary triage

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.”

The Proof of this -- It already isn’t.
What’s Best for Illinois in the “New Normal” of the future

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
What’s Best for Illinois in the “New Normal” of the future

Possible ways to enhance funding

- Formally sharing increased “need-based costs” with institutions
- The human capital bonding concept
- Increased taxes
- Discovering oil in Illinois
- Philanthropy
Discussion Time

So, Where to From Here for Illinois on Tuition and Financial Aid.

- More of the same, with different results (as Einstein)
- More of the same, with the same results
- Something different, unintentionally
- Something different, intentionally