Texas Select Commission on Higher Education and Global Competitiveness

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TEXAS Financial Aid
From Modest to More!

But enough, and right?
Evolution of the **Access Agenda In America** – *Cogent philosophies for the times.*

- Low tuition – a worthy public investment
- Geographic access
  - A truly great American invention -- the community college
- Financial aid
  - **Grants** for the poor – to remove financial barriers (cash poor)
  - **Loans** for the less poor – to reduce financial burdens (cash flow)
SUCCESS ON ACCESS ERODED EFFICACY OF THESE PHILOSOPHIES

- Geographic proximity aided access did not ensure success
  - If you build it, they will come
  - But will they succeed?
    - Progression rates low by international standards
    - Particularly low in some sectors of higher education
SUCCESS ON ACCESS ERODED
EFFICACY OF THESE PHILOSOPHIES

- Low tuition limited supply, as demand grew
  - Limits in public resources limited “per student” funding
  - Left tuition as the revenue gap filler
  - Result: TRIAG Strategy – intentional or not
- Financial Aid Was An Afterthought – left to Feds
THE 1990s: ERA OF TUITION HIKES AND MERIT AID

- The wealth of the 90’s drove policy
- Tuition increased, because it could
- State support increased, because it could
- Students paid, because they could
- More students went, because they could
- But Access and Success did not “increase”
Financial Aid Strategy wasn’t working well.
- Subsidy structures evolved -- from those who were disenfranchised to those who were enfranchised
  - From Grants to Merit Scholarships, Loans, & Tax Benefits
  - Amounts grew, but not as rapidly as college costs or eligibility
- Original access agenda lost momentum
  - Our standard line: “More is better but never enough” got old
  - Students weren’t succeeding as expected
  - Other public agendas began to take hold

A new business model was taking hold in American higher education – *Privatization*
THE 1990s: ERA OF TUITION HIKES AND MERIT AID

- The advent of merit aid
  - it promised:
    - Greater participation by the middle-class
    - Holding power on *the best and the brightest*
    - *Political prowess*
  - On access
    - Didn’t undercut need-based aid (usually)
    - Serendipitously helped many access students
The New Millennium – A Sobering Time

- The shock of the economic downturn
  - Financial access eroded
    - Tuition increased
    - Aid did not
    - Enrollments began to erode
- Texas was an anomaly
  - Yes, tuition increased
  - But, so did aid – quite a bit
  - And enrollments didn’t erode
  - (They just didn’t increase, as needed)
The New Millennium – The Renaissance in Texas

- Substantially increased need-based financial aid
  - 2nd in % growth over ten years (95-05)
  - 11th in funding per FTE ($449 versus U.S. average of $415)
  - 26th in awards per FTE
    - The impact of rationing and decentralized decision-making

- Moved to Middle of the Pack

- But is middle of the pack good enough?
  - Given demographic challenge of the State
Where to from Here?
Maintaining Momentum in Texas

- The Essence of the THEC Proposal
  - TEXAS Grant as cornerstone – program consolidation to focus and better inform
    VERY GOOD
  - Target on Lowest Income Depends on progressivity – But strategically correct
  - Include a Merit component – B-On-Time & TEXAS Kicker Good, but beware of unintended consequences—Need Not BE All or Nothing
  - Get the Word Out Absolutely Key
Where to from Here – Four Generic Models

- Two from The Past
  - A little Is Better Than None
  - A lot is needed – “more is better and never enough”

- The New Emerging Paradigms
  - Blending merit and need
  - Shared Responsibility
The New American Access to Success Agenda:

- Direct BLENDED Programs
  - Indiana 21st Century Scholars
  - Oklahoma OLAP
  - And Texas
- Indirect BLENDED Programs
  - Oregon Shared Responsibility/Earned Opportunity Program
And Texas Lead The Way

- One generation ahead of the game
  - Had a blended program
    - Indeed, a smart blended program – based on rigorous curriculum, not GPA
    - Grow out of this when rigorous curriculum became the default curriculum
    - This missing component – demonstrated learning
    - And that leads to merit – but beware
So, What Makes for Efficacious Student Aid Policies

- Contemporary “Local” Philosophy
- Affordability
  - To students – does it eliminate the barriers -- to access & success
  - To the State of Texas
    - Is it defensible
    - Is it fundable
- Accessibility and Equity
  - Does it reduce GAPS in participation & success
So, What Makes for Efficacious Student Aid Policies

- Transparency
  - Can consumers understand it – is it simple
  - Can institutions buy it (and complement it)
  - Do folks know about it
- Is it efficient
  - Does it leave others’ money on the table
  - Can it be implemented effectively & efficiently
How Do Blended Programs Stack Up

- Strengths
  - Philosophy – fits many states well
    - But depends
      - Best & brightest popular but not sufficient
      - Preparing well sends the best message
  - Affordability
    - To students: depends on funding levels and assurances – rationing doesn’t assure affordability
    - To state: depends on frugality or generosity of philosophy
How Do Blended Programs Stack Up

- Strengths
  - Accessibility & Equity
    - Rigorous Prep Enhances
  - Transparency – high marks
  - Efficiency
    - Depends on simplicity of system, but can be quite efficient.
How Do Blended Programs Stack Up

- Weakness
  - Philosophy -- none really
  - Affordability: Generosity can kill the cat
  - Accessibility
    - TRIAG can erode equity & broad access
      - Does it have to be all or nothing?
    - Particularly troublesome if restricted to only four year sector -- low tuition is not a viable strategy for Community Colleges
    - Doesn’t work well for returning students
How Do Blended Programs Stack Up

- **Weakness**
  - Transparency  no weakness if folks know about the plan
- **Efficiency**
  - Perfect can be the enemy of the good.
How Does Shared Responsibility Stack Up

First, What Is it?
Cost of Attendance

- Tuition & Fees
- Books, supplies & tools
- Modest living expenses

Student Share - Work, loans, savings, scholarships

Family Share - Income & Assets

Federal Share - Pell Grant & tax Credits

State Share - Fill the gap

Step 1
Step 2
Step 3
Step 4
Recognizing the Difference in Costs Between Sectors

A cost to choice, linked to a reasonable borrowing expectation. Earnings, given a reasonable work commitment at minimum wage.
So, How Does Shared Responsibility Measure Up

- Philosophy – Depends
  - It fits Oregon & Minnesota Quite Well
  - It wouldn’t fit California That Well -- they can’t buy the idea of realistic limits.
  - Can be sold to both sides of the political spectrum

- Affordability
  - Message is tough
  - But fits reality -- they are already working
  - Well targeted
So, How Does Shared Responsibility Measure Up

- **Accessibility**
  - Works for both traditional and non-traditional students

- **Transparency**
  - Works well if funding is assured and if information is provided
    - Oregon: 17% increase in enrolment in first year of implementation

- **Efficiency**: Depends on implementation
  - Best if administered within institution
How Does Texas Stack Up

- On Philosophy
  - Heroic efforts beg for more heroic efforts, because you started from such a deficit.
  - Does your current argument have staying power
- On Affordability/Sufficiency
  - Re. Demand – funding is way low
    - Rationing can be “rational”, but is still rationing
- On Transparency
  - A Rationing System & Decentralized decision-making does not provide a lot of transparency
- Efficiency
  - Tuition waivers limit tax credit eligibility
  - Low tuition, without financial aid, isn’t financial access.
A Brave New World for Texas

- Blending Academic Preparation and Targeted Financial Support -- Texas is there

- Rationing is “rational”, but not effective at breaking financial barriers

- A Missing Link—Financing Adult Learners
  - The same philosophy doesn’t/won’t work – I don’t think Texas is there

- THEC Proposal Is Sound. Shared Responsibility could be the implementation strategy.