What We Know About The Impact of Financial Aid

The Pros and Cons of Need-based and Merit Based Financial Aid Programs.
Financial Aid Policy Does Not Stand Alone

A Triad
- Institutional Support through Appropriations
- Tuition Policy and Practice
- Financial Aid Policy and Practice

They Interact to Impact Student & Institutional Success – Whether Intentional or Not
Five key factors

1. Clear rationale/philosophy
2. Clear Goals
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)
Two Generally Perceived Rationales

- To assure financial affordability for those who can’t afford college without assistance (need-based aid)
- To reward the meritorious (merit-based aid)
- And passionate believers in both
- But there is more to the story
Merit-based aid in perspective

New guy on the block or not?
Usually focused on covering tuition or a portion, thereof.

But a myriad of goals
- Reward those who achieve at the highest levels (National Merit Scholarships)
- Encourage students to prepare better for college
- Increase college participation rates overall
- Attract the best and brightest to stay in state
So, How Do Merit Programs Measure Up on These Goals?

Rewarding those who achieve at the highest levels -- *It Depends*

- If focused on these, it is a clear reward
- If spread broadly, it is not perceived as a reward
- Also tends to diminish, with “aid packaging”, both with Alaska & at competing schools
How Do Merit Programs Measure Up on These Goals?

(2nd Goal: ) Encourage students to prepare better for college -- *It Depends*

- Taking a **Rigorous Curriculum** more important than getting high grades
  - The Georgia Experience – remedial went up

- Regarding Grades
  - Decent grades are important
  - But high grades are not as important

Nationally, very little “price elasticity for demand”, except for low-income students.

In lay language:
- Middle-income and High-income students go to college, or don’t, irrespective of price
- Some contrary evidence in Georgia – from 30% to 37%
  - Most able low-income student
  - Some middle-income students
  - Didn’t “change the ethic,” but did have a measurable impact
- Similar impact in Nevada – from 40% to 47%
  - But then fell off.
How Do Merit Programs Measure Up on These Goals? (4th Goal: Attract the best and brightest to stay in state—Depends on the Goal)

If the Goal is to Keep them in-state for college
- Impact is significant, at least at first
  - Worked well for Institutions – ie, Oklahoma
  - Worked well for Georgia
    - Before Georgia Hope: 23% of high SATs stayed
    - After Georgia Hope: 75% stayed
  - Nevada; not so much:
    - Before Millennium Scholars: 59% of eligibles stayed
    - After Millennium Scholars: 63% eligibles stayed
    - Today, has dropped below original figures (anecdotal)
How Do Merit Programs Measure Up on These Goals? (4th Goal: Attract the best and brightest to stay in state-- Depends on the Goal)

If the Goal is to Keep them in-state after college – *Impact is not so clear*

- National Bureau of Economic Research: “only a modest relationship . . .”
- Recent West Virginia study – Well educated most likely to migrate
- An alternative may be to attract them back after – Dakota Roots
How Do Merit Programs Measure Up on Cost Effectiveness?

Pay a lot for modest impact
- Most recipients already attend in-state.

Regarding Affordability
- Does increase affordability for the most-needy who qualify for merit.
  - But comparatively few do.
- Reduces burden for others – but doesn’t increase financial access
Beware of unintended consequences

- **Effect on Price**
  - University of Georgia: Tuition skyrocketed – increases “passed through” to state
  - Louisiana State University: Tuition kept to noncompetitively low, eroding institutional quality, because State couldn’t afford TOPS increases if tuition increased. (President Lombardy has published paper requesting change in TOPS)
  - West Virginia & New Mexico: need-based suffer to sustain merit-based aid.

- Excludes essential students
  - Adults
  - Military and Veterans
  - Late achievers

- Can leave federal tax-credits on the table
Goals

Original purposes: Expand access

More recent thrust: Expand access to success.
So, How Do Need-based Programs Measure Up on The Goal of Expanding Access?

- Quite Successful in Expanding Success
  - Price elasticity of Demand Studies
    - 5% to 9% increase for low-income students per $1,000 reduction in price
  - Recently confirmed:
    - Bowen & McPherson; David Mundel; Tom Kane

- Less successful in Achieving Student Success
  - Drop out rates continue at high levels for low-income students

- Not as politically popular
The New Model: Blended Programs

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 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
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
Blended Programs -- Type II: Merit Add-on to Need

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
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
What’s Best for Alaska Depends on What You Want

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
- Better would be to attract them on academics
- Or entice them back after college
What’s Best for Alaska Depends on What You Want

If it is to **expand access** through lower cost, need based will get the students in the door

- But it won’t greatly increase their likelihood of completing
- And it doesn’t send the message about the importance of working hard to prepare

If **access to success** is your highest priority

- The Blended model holds the most promise
- And, it is the most cost-effective for the State