FINANCIAL AID
An Integral Piece of the Finance and Affordability Puzzle

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States in the Driver’s Seat

States in the Driver’s Seat: Leveraging State Aid to Align Policies and Promote Access, Success, and Affordability

by

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- Policy drift: What’s the right balance? No consensus on what affordability means
- Current Noise:
  - The public benefit/private benefit rift
  - Debt is the problem
  - The something for nothing ideas
  - The middle-class squeeze
  - Malaise – all is lost/ isn’t anything we can do

- WICHE’s attempt:
  - Align funding with state goals—the public agenda
  - Suggest a framework for finding an appropriate balance of payment sources
  - Stimulate greater coherence in state finance policies
  - Integrate sources of subsidy
  - Include a possible means for restraining prices
Financial Aid Makes ATFA Go
A Tad Bit on Financial Aid

• Various public policy objectives
  – Reward past performance
  – Reward current performance
  – Reduce barriers to college – make affordable
    • Incentivize enrolment
    • Incentivize completion
  – Reduce burden – make more affordable
  – Seduce target audience to you and yours
  – Force partners to “comply”
A Tad Bit More on Financial Aid

• Various Methods
  – Merit scholarships
  – Need based grants
  – Combined need/merit
  – Need with performance
  – Performance with need
Guiding Contemporary Principles

- Compelling contemporary philosophical rationale
- Clearly Integrate policy and roles
- Demand-side interventions (students)
- Supply-side interventions (providers)
- Strong program administration
Five Partners Share Responsibility for Meeting the Cost of Attendance

5. The institution is responsible for any difference between the recognized COA and its own actual COA.
4. The state grant award makes up the remaining difference.
3. The model accounts for the federal government’s contribution (i.e., Pell, tuition tax credits, other transfer payments).
2. The student’s parents contribute their share, which is determined by the federal methodology.
1. Each student, as the principal beneficiary, is expected to contribute toward his/her own educational costs. Sources include: earnings, savings, borrowing, or scholarships.
Recognizing the Difference in Costs Between Sectors

- **Two-Year Sector**
  - **State**
  - **Feds**
  - **Family**
  - **Student**

- **Four-Year Sector**
  - **State**
  - **Feds**
  - **Family**
  - **Student**

A cost to choice, linked to a reasonable borrowing expectation

Earnings, given a reasonable work commitment at minimum wage
Targets for Incentives

**Students**
More and faster success

**Institutions**
Shared risks/rewards
Aligning investments

**States**
Supporting strategic redesign
Demand-Side Incentives

• Initial eligibility for recent HSGs dependent on coursework
• Rewarding progress (forward-looking merit)
• Pay in increments; not all at once
• Folding existing and politically popular merit programs into the SRM approach
• Workplace experience can help students meet their expected contribution
Supply-Side Incentives

• “Double down” on the state’s investment in aid recipients: explicitly link state financial aid to those students’ success.
• Recognize COA as costs, not just tuition
• Commitment to serve aided students with needed courses and other supports
• Shared risk, shared reward
• Institutional match
Supply-Side Incentives: Institutional Match

- $44.4 billion of institutional aid in 2011-12, much spent on rankings- and prestige-driven priorities
- Match based on a schedule that accounts for role and mission and institutional wealth

*This component reflects the requirement that an institution cover any difference between the state’s recognized COA and its own actual COA, for state grant recipients.
Shared Responsibility

• Means real shared responsibility
  – Feds, for sure
  – Students as principal beneficiaries
  – Families before tax payers
  – States to fill in the gap
  – Institutions to fill in the “exceptional” gap

Shared responsibility means real sharing of responsibility – it’s that simple.