

## September Council Committee Agenda

<b>Committee for Funding and Affordability (CFA)</b>	
<b>The Committee for Funding and Affordability will address issues related to state funding policy, tuition policy, student financial aid, and college savings. This includes the three Roadmap actions below.</b>	
Action Items:	Upcoming Scheduled Meeting Times
<ul style="list-style-type: none"> <li>● <b>Make college affordable.</b></li> </ul>	Mon, January 27 – 2:30 to 4 p.m.
<ul style="list-style-type: none"> <li>● <b>Ensure cost is not a barrier for low income students.</b></li> </ul>	Mon, March 24 -9 to 10:30 a.m.
<ul style="list-style-type: none"> <li>● Help students and families save for postsecondary education.</li> </ul>	Mon, May 19 - 9 to 10:30 a.m.
<u>STAKEHOLDER MEMBERS</u> Tom Fitzsimmons (ICW) <a href="mailto:Tom@icwashington.org">Tom@icwashington.org</a> Devon Crouch <a href="mailto:Devon@ICWashington.org">Devon@ICWashington.org</a> JoLynn Berge (OSPI) <a href="mailto:jolynn.berge@k12.wa.us">jolynn.berge@k12.wa.us</a> T.J. Kelly (OSPI) <a href="mailto:Thomas.Kelly@k12.wa.us">Thomas.Kelly@k12.wa.us</a> Eleni Papadakis (WTB) <a href="mailto:EPapadakis@wtb.wa.gov">EPapadakis@wtb.wa.gov</a> Nova Gattman (WTB) <a href="mailto:nova.gattman@wtb.wa.gov">nova.gattman@wtb.wa.gov</a> Justin Montermini (WTB) <a href="mailto:Justin.montermini@wtb.wa.gov">Justin.montermini@wtb.wa.gov</a> Cody Eccles (COP) <a href="mailto:ceccles@cop.wsu.edu">ceccles@cop.wsu.edu</a> Paul Francis (COP) <a href="mailto:PFrancis@cop.wsu.edu">PFrancis@cop.wsu.edu</a> Denise Graham (SBCTC) <a href="mailto:dgraham@sbctc.edu">dgraham@sbctc.edu</a> Jayme Shoun (student voice) <a href="mailto:aswsuv.dla@vancouver.wsu.edu">aswsuv.dla@vancouver.wsu.edu</a> Brian McQuay (student voice) <a href="mailto:briandmcquayjr@yahoo.com">briandmcquayjr@yahoo.com</a>	Wed, July 23 – 1:30 to 3:30 p.m. <b>Wed, September 17 - 9 to 10:30 a.m.</b> Wed, October 29 - 9 to 10:30 a.m.
	<b>LOCATION OF MEETINGS:</b> WSAC Offices  <b>WSAC MEMBERS</b> Paul, Marty, Karen, Maud <b>Staff: <u>Marc Webster</u></b> , Rachelle
<b><u>Sept. 17th Meeting Agenda:</u></b> <ul style="list-style-type: none"> <li>● The 2014 Strategic Action Plan               <ul style="list-style-type: none"> <li>○ Review aid related budget requests</li> <li>○ Funding policy</li> </ul> </li> <li>● Telling the Story               <ul style="list-style-type: none"> <li>○ What would shared responsibility mean at different institutions, for students at different income levels?</li> <li>○ What would need to change in a shared responsibility model?</li> <li>○ What should be included in “Maintenance Level?”</li> </ul> </li> <li>● State Need Grant Review Update</li> <li>● Next Steps               <ul style="list-style-type: none"> <li>○ Refinement of the Affordability Interactive Model</li> <li>○ Work with 2- and 4-year sectors to flesh out various models at specific institutions</li> </ul> </li> </ul>	

## **WSAC Committee for Funding and Affordability**

### Discussion of State Need Grant Legislative Report

September 17, 2014

1. Review of approach to report
2. Discussion and prioritization of HCM and other options
3. Timeline
  - Send draft to CFA and SFA workgroup week of 9/22
  - Review recommendations and recent data at Oct. 8 Council meeting

## **Report Outline**

- I. Executive Summary
- II. Background of the State Need Grant Report
  - a. Supporting Resources & Expertise
  - b. Affordability Initiatives in Washington
    - i. Higher Education Funding Options
    - ii. Understanding Affordability
    - iii. Washington Financial Aid Programs
- III. Outcomes of State Need Grant Recipients
  - a. WSIPP Report Effectiveness of SNG Program
  - b. Persistence and Completion Rates of Recipients
  - c. Student Survey Results
- IV. Program Design Recommendations
  - a. HCM Options and WSAC Recommendations
- V. State Need Grant Program Overview
  - a. Program History
  - b. Program Service Levels
  - c. Student Awards & Other Aid
  - d. Program Administration
    - i. Institutional Participation & Oversight
    - ii. Policy Implementation
    - iii. Administrative Improvements
  - e. Student Eligibility
    - i. Student Profile

## HCM Recommendations for State Need Grant and WSAC Analyses

### Option 1: Close the Eligibility/Funding Gap to Serve More Students

- Serve more students by increasing funding to policy OR
- Serve more students by altering award amounts and eligibility criteria

WSAC Analysis Option 1 - Full Funding or Eligibility Changes		
Advantages	Disadvantages	Notes
<ul style="list-style-type: none"> <li>▪ Full funding permits 34,000 additional to be served</li> <li>▪ Altered award structure could reach higher income students</li> </ul>	<ul style="list-style-type: none"> <li>▪ Altered SNG awards or prioritization would increase cost in CBS</li> <li>▪ Student growth and tuition increases during economic downturns makes full funding a challenge</li> </ul>	<ul style="list-style-type: none"> <li>▪ The income cutoff and award percentages are set budget</li> <li>▪ WAC notes 51-75 MFI <math>\frac{3}{4}</math> award; 76-100 MFI <math>\frac{1}{2}</math> award; 100-125 MFI <math>\frac{1}{4}</math> award</li> </ul>
<p>The WSAC has proposed strategic investments to fully fund eligible students under current policy including an additional \$16 million in FY 15 and \$32 million in FY 16.</p>		

### Option 2: Change Use of Median Family Income to Determine Eligibility

- Guarantee a meaningful minimum award of state and federal assistance (e.g. \$2,000)
- Use a gap analysis to establish a scale for higher awards
- Establish statewide messaging to inform students and families of eligibility and minimum and maximum awards
- Communicate estimates of combined state and federal benefits

WSAC Analysis Option 2 - Change Use of MFI		
Advantages	Disadvantages	Notes
<ul style="list-style-type: none"> <li>▪ A clearer income chart would be easier to explain to students and families</li> <li>▪ Shared responsibility would more tightly coordinate with family resources and federal aid and serve more students</li> <li>▪ Statewide information would increase awareness have greater likelihood to affect behavior</li> </ul>	<ul style="list-style-type: none"> <li>▪ MFI is easier to describe to policy makers than EFC methodology</li> <li>▪ Moves away from tie to tuition that has allowed for some predictability in funding</li> <li>▪ Altered SNG awards or prioritization would increase cost in CBS</li> </ul>	<ul style="list-style-type: none"> <li>▪ Use of MFI was recommended in 1993 due to changes in federal methodology</li> <li>▪ Shared responsibility may alter the current sector distribution</li> <li>▪ A new methodology would need to be phased in to allow 68 institutions to reprogram management systems</li> </ul>

The WSAC should use administrative data sets to model the impact of the shared responsibility approach in service to eligible students (average awards, numbers of students, dependency status, sector, and the impact on the College Bound Scholarship).

**Option 3: Improve Transparency and Impact with Early Commitments**

- Consider additional ways to let students know in advance what they will qualify for
  - Place-bound transfer students
  - Students eligible for means-tested benefit programs
  - Pell eligible students

WSAC Analysis Option 3 – Transparency		
Advantages	Disadvantages	Notes
<ul style="list-style-type: none"> <li>▪ Statewide information would increase awareness and have the potential to affect student behavior</li> </ul>	<ul style="list-style-type: none"> <li>▪ Early commitments may lead to unintended funding obligations</li> <li>▪ Statewide messaging would require some administrative resources</li> </ul>	<ul style="list-style-type: none"> <li>▪ SNG uses the FAFSA and institutions identify and award students – the application is streamlined but students are unaware of the program</li> </ul>
<p>The WSAC should continue to provide information regarding State Need Grant eligibility on the Ready, Set, Grad web site and in training materials for high school counselors and college access partners.</p>		

**Option 4: Establish a Reserve for Predictability and Institutional Discretion**

- To communicate eligibility and predictability in funding, a reserve could accommodate unexpected changes in participation (80 to 85% of appropriation)
- Any change in the program would require two year advance warning
- The balance could be transferred to institution or help to cover the next year’s commitment

WSAC Analysis Option 4 – Establish a Reserve		
Advantages	Disadvantages	Notes
<ul style="list-style-type: none"> <li>▪ Predictability supports transparency options</li> </ul>	<ul style="list-style-type: none"> <li>▪ Forecasting trends would be a challenge if eligibility criteria are established in the budget cycle</li> </ul>	

- **Option 5: Support and Encourage Progress**

- Set the maximum combined award based on 15 quarter credits or 45 per year
- Prorate part-time awards to receive a proportionate level
- Develop a communications campaign focused on on-time progress and completion
- Incent higher levels of credit

<b>WSAC Analysis Option 5 – Support Progress</b>		
<b>Advantages</b>	<b>Disadvantages</b>	<b>Notes</b>
<ul style="list-style-type: none"> <li>▪ Full-time attendance is linked to higher degree completion</li> <li>▪ Students would have better information on award increases tied to credit completion</li> </ul>	<ul style="list-style-type: none"> <li>▪ May disadvantage two-year college students who are more likely to attend part-time</li> </ul>	<ul style="list-style-type: none"> <li>▪ Currently students receive the same amount for 12 credits as 18</li> <li>▪ Part-time award proposal submitted in 2008</li> </ul>

## State Need Grant Program History

- 1969 Created to help financially needy residents attend college.**
- 1976 Legislative intent noted to offset tuition/fees for low-income students.**
- For every dollar increase in tuition, 24 cents in aid provided, above previous levels.
  - Reflected the portion of undergraduates on aid at that time.
  - Policy inferred that the state needs to “give back” to needy students when increasing tuition.
  - Students were nominated, then ranked together according to need.
  - Grants were one-third of the difference between budget costs and family contribution.
- 1980 For-profit institution participation was authorized.**
- 1988 HECB Staff Review as part of Master Plan included the following SFA policy recommendations:**
- Peer analysis should compare strength of Washington state effort with those of similar states.
  - Should amend the 24 percent formula to 35 percent and allow adjustments based on needy student enrollment fluctuations.
  - Should use family income and “financial need” in determining eligibility.
  - Should determine a measure of the family’s ability to pay and rank order.
- 1988 Grant amounts changed from flat grant to variable in order to reflect Cost of Attendance (COA) differences supporting student choice.**
- Established an SNG Index/Ranking Factor.
  - Awards were based on 15 percent of COA.
  - Used a different COA for single versus married students.
  - Targeted aid to the lowest-income students and funding criteria were “institution blind.”
  - COA methodology was considered complex and administratively burdensome.
- 1989 Part-time students authorized.**
- 1991 A “Fair Share” fund distribution model was adopted creating campus “reserve funds” based on percentage of campus-eligible students divided by all eligible students.**
- 1993 Revised the eligibility and cost model to use Median Family Income (MFI) as a result of change in federal needs analysis – 50 percent MFI used initially.**
- 1995 MFI increased to 65 percent via budget process.**
- 1996 MFI reduced to 40 percent via budget process.**
- 1996 Student Financial Aid Policy Advisory committee.**
- Reviewed all aid programs and policies.
  - Established principles and goals for state aid.
  - Recommended full public tuition be covered by SNG.
    - Expected to allow for predictability.

- Equitable proportion of COA capped at public rates.
- Larger awards expected to have positive effect on performance.
- Students “held harmless” as tuition rises.

**1996 *Student Financial Aid and the Persistence of Recipients at Washington Colleges and Universities (Lee and St. John).***

- Developed a variety of models with the goal of fair treatment of students and simple administration in response to concern the 1993 change to MFI may not be treating students equally.

**1998 *HECB Washington State Need Grant Program Policy Study Report and Recommendations:***

- Family income should remain eligibility standard.
- Grant amounts should be based on public tuition rates.
- A “self-help” requirement should be implemented.
- Flexibility for dependent care allowance awarding should be allowed.
- Flexibility to award returning served students with minimal income change should be allowed.
- Should continue to coordinate with federal policies and programs.

**1998 Award amounts based on public tuition rates.**

**2001 MFI increased to 55 percent via budget process.**

**2005 MFI increased to 65 percent via budget process.**

**2005 Less-than-half-time eligibility pilot with 10 campuses.**

**2006 Less-than-half-time eligibility pilot expanded to all.**

**2007 MFI increased to 70 percent.**

**2008 *Part-time award amount study recommended increased awards.***

**2009 MFI ranges expanded from three to five categories for pro-rated awards via budget process.**

**2011 Awards at private institutions limited to 3.5 percent growth rate rather than tie to public tuition increases via budget process.**

**2011 Awards for new students attending for-profit institutions reduced by half.**

**2011 Less-than-half-time eligibility pilot extended two years through the budget with the addition of a required outcomes study.**

**2012 Institutional participation section of RCW amended to permit Western Governor’s University eligibility to participate.**

**2012 Financial aid counseling required for all State Need Grant recipients.**

- 2012** *WSAC review of State Need Grant with recommendations from financial aid administrator workgroup.*
- 2013** *Restoration of awards for new students attending for-profit institutions.*
- 2013** *Washington Institute for Public Policy releases report on the effectiveness of State Need Grant including longitudinal analysis of student outcomes.*
- 2014** *WSAC State Need Grant Report including recommendations from HCM Strategists.*



# OPTIONS FOR AFFORDABILITY AND THE STATE NEED GRANT PROGRAM IN WASHINGTON [DRAFT]

## **PREPARED FOR:**

Washington Student Achievement Council

## **TEAM MEMBERS:**

Nate Johnson and Kristin Conklin

## **DRAFT SUBMITTED:**

September 14, 2014

# Background

This report responds to the questions posed by the Washington Student Achievement Council in Contract 15-PR091, which was awarded to HCM Strategists through a competitive request for proposals in early 2014. The purpose is to provide a menu of options for consideration by the Council that address the following set of questions related to affordability generally and the role of the state need grant specifically in maintaining affordability:

## **Part A: Affordability (General)**

What are options to develop a comprehensive higher education funding policy that is predictable for students and families and maintains funding and flexibility for institutions?

## **Part B: Within State Need Grant (Specific)**

- Should more students be served within existing funds?
- Are grant dollars targeted in a way that maximizes student success?
- Should the state continue to use the secondary median family income?
- Should awards continue to be tied to public tuition?
- Should any of the policies be modified to support student success?

The recommended options that follow are based on analysis that draws from multiple sources: a review of available data about Washington's key affordability policies, including the State Need Grant; studies published by the Washington Student Achievement Council and the Washington State Institute for Public Policy; the affordability model developed by Professor James Fridley; select stakeholder interviews; discussions with the Council and the task forces on affordability and the state need grant; and on academic research and the experience of other states where applicable to Washington's context.

## Affordability and State Need Grant Context

To many in the 38 states that rank below it in degree attainment, Washington, with its well-educated population and thriving high-tech industries, sets a standard that they would only be too happy to reach. But there remain large parts of the population that are still under-served by its educational institutions, and Washington often competes with states and other countries whose level of postsecondary attainment is even higher. As a result, in order to better serve an increasingly diverse population and to advance its economy, the recently formed Washington Student Achievement Council established a goal for the state of having 70 percent of the state's adults with a postsecondary credential within ten years.

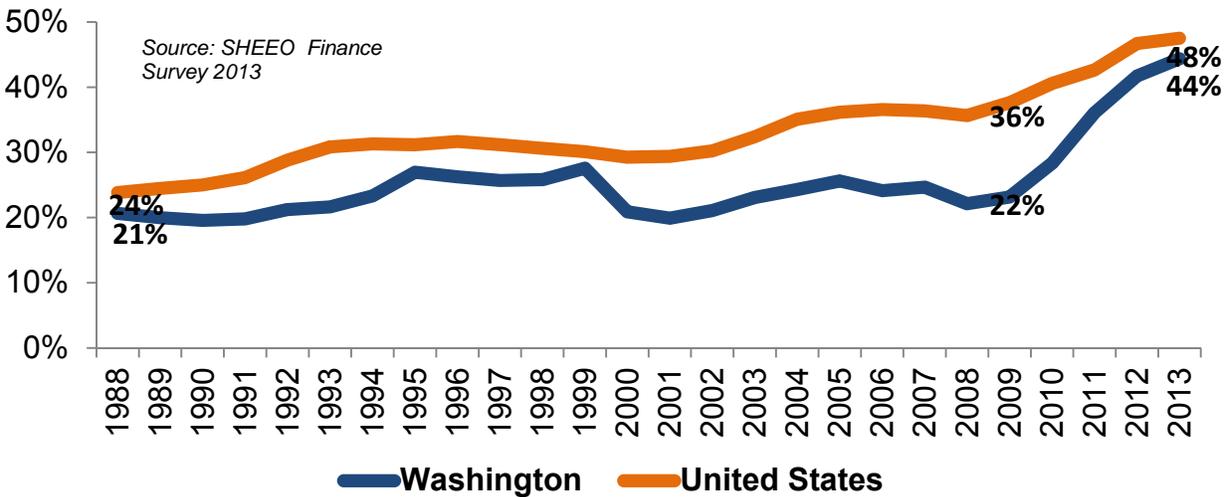
The additional students who must be recruited, educated, and graduated to meet that goal are not likely to be the children of affluent families whose parents and grandparents also went to college. Those students are likely already doing well in the state's high quality public and private colleges and universities. The new students are more likely to come from depressed rural areas and poor urban neighborhoods, to be older than traditional college freshmen, to be academically underprepared, economically disadvantaged, and to have parents with no experience of postsecondary education to set a precedent and guide them through the academic and financial maze to success.

### **A Sea Change in Higher Education Funding**

At the same time as Washington has set ambitious goals to graduate large numbers of additional hard-to-serve students, severe fiscal constraints and competing government priorities for limited tax revenues led the state to cut appropriations for higher education by 27% in constant dollars between FY 2008 and FY 2013, which amounted to \$2,700 in lost state funding per student (State Higher Education Executive Officers 2013). What followed were tuition increases that were among the largest in the country, rising in constant dollar terms more than \$1,000 at community colleges and more than \$4,000 at four-year universities between 2007-08 and 2013-14 (Baum and Ma 2013). Even those increases, however, did not make up the total revenue loss in appropriations, and total educational revenues per student including both tuition and appropriations remained down by \$900 in FY 2013 compared to FY 2008.

These changes represented a qualitative shift in the landscape of higher education in Washington. While declining state support and increasing reliance on tuition continued a longstanding trend for most states, data from the State Higher Education Executive Officers shows that it was only with the Great Recession that Washington's reliance on tuition, which had hovered between 20% and 30% of total educational revenue for more than two decades, spiked to 44% by FY 2013. Before the recession it was a state where it was implicit that public higher education is primarily the responsibility of taxpayers; it is now a state where students are expected to share the cost more equally. Such a shift requires a re-thinking of the public and private roles in higher education to answer again for its citizens the questions posed in the Carnegie Foundation's landmark 1973 report: "Who Pays? Who Benefits? Who Should Pay?" (The Carnegie Foundation for the Advancement of Teaching 1973).

**CHART 1. Proportion of Total Education Revenues from Tuition, 1988-2013**



It is within this economic and policy context that the Washington Student Achievement Council has been exploring innovative strategies to accomplish the goals of the Roadmap, including new ways to define and ensure the affordability of higher education. The council has been working to outline potential strategies to improve affordability and has dedicated special attention to the State Need Grant program. The program was among the few budget items to increase during the recession and has grown in strategic importance as the overall level of state subsidy has declined.

Even with the increases, however, the State Need Grant program has not been able to fully fund the increasing number of students who qualify based on income and attendance status. In 2012-13, more than 32,000 students who were eligible for a grant did not actually receive funding. This gap, which is alarming and confusing for students, families, and institutions, is both a symptom of the larger affordability policy issue facing Washington and the result of the specific design of the program. The options proposed in this report are intended to lead to more effective, fair and transparent ways to address the affordability concerns of Washington’s citizens, with the need grant as the capstone component of a comprehensive strategy.

## PART A: OPTIONS FOR AFFORDABILITY

### **Affordability Option 1: Create a Comprehensive Affordability Framework for Policy Development**

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In order to make sure that policies are effective and focused, and that the state’s multiple investments in higher education are well-coordinated and understood by stakeholders, the first option to consider is development of a framework that brings together all the elements of the state’s approach to affordability. Key action steps in developing the framework would include:

- Defining key terms and concepts
  - Establishing an affordability “spectrum” with significant benchmarks
  - Identifying all higher education costs that have to be covered to get a student to graduation
  - Identifying all resources that could be available to pay for those costs
  - Establishing roles or “shared responsibility” for the state, parents, students, and institutions in paying the full cost of education
  - Communicating those roles and expectations to everyone involved
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While affordability is a major topic in Washington as in other states, it often means different things to different people, which can result in unfocused policy discussions. Leaders and citizens need a consistent set of terms and concepts to make sure they are talking about the same problem when discussing affordability, even if they may disagree about the solution. One set of possible definitions is outlined below, but if another framework would better serve the state’s needs, the most important step would be to establish common ground.

The state that has the most comprehensive framework for affordability, which has endured over 30 years through state political control by three different parties and multiple economic cycles, is Minnesota with its “Shared Responsibility” model. Oregon and the University of California system have also adopted the model at least as an analytic framework, and many other states and institutions have incorporated some of the underlying concepts.<sup>1</sup> The recommendations here take that model an additional step by incorporating the full cost of education into the discussion, so

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<sup>1</sup> Recently David Longanecker and Brian Prescott from the Western State Interstate Commission for Higher Education (WICHE) elaborated some of the ideas behind Minnesota’s model in a paper commissioned by Lumina Foundation (Prescott and Longanecker 2013).

that the state’s support of institutions through appropriations becomes part of the same framework.

The most important first step in establishing a comprehensive approach is to define terms in order to break the broad problem of affordability down into manageable pieces. Following are suggestions that Washington could use or modify in creating a framework suited to the needs of the state.

### **Suggested key concepts and terms**

***Affordability:*** alignment between the full cost of higher education and the resources available to pay

***Cost of higher education:*** the sum of what institutions and students must invest for a given student to graduate (or achieve any other desired result)

***Resources available to pay:*** all sources of financial support—individual, family, federal, state, institutional, etc.—that a student could reasonably expect to use to cover the cost

***Students:*** any current or potential future students for whom the state wants higher education to be affordable (not limited to the currently served population)

If affordability is defined as alignment between cost of education and available resources, then it might also be helpful to develop a scale or spectrum for assessing how affordable higher education is for a given student or group of students. Such a spectrum, instead of a simple opposition between “affordable” and “not affordable”, could help clarify and prioritize problem areas and avoid polarizing the debate. Most students would fall between the two extremes below, and there could also be additional categories or levels that would be important for the state to define.

### **An affordability “spectrum”**

***Unaffordability:*** A student or family is unable to access even one viable pathway to a degree because of resource constraints.

***Minimal affordability:*** A student or family has the resources for at least one viable pathway to a bachelor’s degree, including significant part-time work and student loans.

***Moderate affordability:*** A student or family has the resources they need to choose among several higher options, including light part-time work and modest levels of loans; some options may still be too expensive.

***Total affordability:*** A student or family has the resources to make choices among all available higher education options for which they are qualified, with no need for part time work or student loans. Only students from very high income families would likely fit in this category.

## Explaining Costs

What are the costs of higher education that have to be considered to finance the education of a single college graduate in Washington? One reason this issue can be confusing is because many attempts to analyze costs take too narrow a view. On the one hand, students at public institutions and their families often do not realize that in-state tuition does not cover the institution's full cost of instruction and related services. On the other hand, focusing strictly on the institutions' cost misses the significant cost to students of enrolling in college, apart from simply paying institutions for instruction. In fact, both institutional and student costs must be covered to make higher education possible.

### Institutions' Costs

Table 1 shows the average estimated institutional expenditure for a year of postsecondary education for students in Washington using one common method to estimate costs per student. For all students at public and private nonprofit institutions, the average was \$13,700, ranging from \$8,900 at community and technical colleges to \$18-\$20,000 at private nonprofit colleges and public research universities.<sup>2</sup> This includes instruction, student support services, and institutional support/overhead. At colleges that do nothing but undergraduate instruction, this represents their entire annual expenditure per student. At colleges with more diverse operations, it excludes expenditures unrelated to instruction, such as sponsored research, dormitories, hospitals, auxiliary businesses, etc.

<b>TABLE 1. Institutions' Annual Undergraduate Education and Related Expenditure</b>	<b>2014 Estimate</b>
Private Nonprofit Washington Colleges	\$20,300
Community and Technical Colleges	\$8,900
Regional Four-Year Universities and Evergreen	\$10,900
Research Universities	\$18,400
Average In-State	\$12,800
Average In-State Public Four-Year	\$15,500

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<sup>2</sup> These numbers follow the methodology developed by the Delta Project on Postsecondary Costs, using expenditure and enrollment information from the Integrated Postsecondary Education Data System (IPEDS) for FY 2011-12. One departure from the Delta Project methodology is to account for the higher cost of graduate education by weighting graduate students double, consistent with typical weights in most states that have detailed cost analyses. This slightly reduces the estimated cost for undergraduates at institutions that also have graduate students. The estimates are adjusted for inflation using the Higher Education Price Index (HEPI). For profit and out-of-state institutions are not included here, for simpler illustration.

The institutional cost is the approximate amount that institutions must finance somehow—through tuition, state appropriations, private support, etc.—to provide undergraduate education. It is typically more than the sticker price of tuition at public institutions, since taxpayers foot part of the bill. It is often lower than the sticker price at private institutions that do not have big endowments, since the sticker price is essentially the maximum amount, and most students get significant discounts. On average, however, private colleges could not afford to discount their tuition below the level of their cost, so the total cost of providing the instruction is a reasonable estimate of what a typical student who did not qualify for state or federal grant aid might be expected to pay after institutional discounts are taken into account.

## **Students' Costs**

In addition to what institutions spend to deliver postsecondary education, the total cost also has to include students' non-tuition costs of attendance. Since the state is developing policy for potential as well as actual students, it is important to have a statewide benchmark estimate that is independent of where and whether students eventually choose to go.

In 2014, a simple estimate of the student's cost might be in the range of \$13,400 per year, on average. Part of this is books and supplies, which the College Board estimates nationally at about \$1,200 per year for full-time students. Washington institutions typically use similar amounts. The remaining \$12,200 represents the cost of the student's time.

It is common to include living expenses as part of college costs, but for estimating the impact of costs on affordability, most economists would say that is not the right measure to use. People will have room, board, and other unavoidable living expenses whether or not they are enrolled in college and someone will have to pay those expenses. And an affordability analysis has to provide a general enough estimate of costs that it applies to students who have not enrolled, and therefore have not made the specific decisions about institution or living arrangements, which combine elements of necessity and choice.

From an economic perspective, while living expenses are not a direct cost of college, enrolling in reduces the amount of time students have available to work to pay those expenses. That "opportunity cost" is really what changes the potential return on investment of attendance. It is what a student has to weigh in deciding whether college makes economic sense for them—is "affordable", in other words (Cowen and Tabarrok 2009). Consider a star junior basketball player at the University of Washington who could command a \$2 million salary in the NBA draft. For him, the cost attending UW his senior year has nothing to do with actual living expenses. It's \$2 million, which he probably will not consider affordable and which the university can probably do nothing about.

For the purpose of the 70% attainment goal, the opportunity costs for most potential students is lower, given the weak earning power of workers without a postsecondary credential. In principle, full-time enrollment (15 credits) requires about the same amount of class and study time as full-time employment. At the state minimum wage, a student who is spending 40 hours a week in class or preparing for class over nine months might be giving up about \$12,200 in potential after-tax wages.

One reason it is helpful to use the opportunity cost is because it allows for more accurate accounting of the cost of part-time enrollment. Part-time students eat just as much as full-time students—so the room and board estimate wouldn’t change—but they have proportionally less time to work to pay their grocery bills.

While this number is somewhat arbitrary, it is important that it should not be set too high, since the main priority of state affordability policy is not to enable potential NBA players or citizens who are already making \$100,000 per year to return to college. It should not be too low, either, since prospective students really do have to consider how much time they will need to be away from work and how they will make ends meet.

### Total Estimated Cost to Graduate a Washington Student

The last step is to factor the number of years those costs will need to be covered.<sup>3</sup> For credentials that can be completed in a single year, which may be an important component of the overall goal and can often lead to significant gains in earning power for students, the one year cost is fine. But for an associate degree at a community college, the total shared cost for institutions and for low-income students, if they can do it on time, amounts to about \$44,600, and ranges from \$93,000 for a “2+2” degree with a regional university, up to \$127,000 at public research universities or private colleges.

<b>TABLE 2. Total Cost to Graduate</b>	<b>Institution Annual Cost</b>	<b>Students' Other Costs</b>	<b>Total Annl Cost</b>	<b>x Yrs</b>	<b>Total Estimated Cost for a Degree</b>
One-Year Certificate (WCTCS)	\$8,900	\$13,400	\$22,300	1	\$22,300
Two-Year Associate Degree (WCTCS)	\$8,900	\$13,400	\$22,300	2	\$44,600
Four-Year Bachelor's Degree (WCTCS 2+2 with Regional)	\$9,900	\$13,400	\$23,300	4	\$93,200
Four-Year Bachelor's Degree (Regional Only)	\$10,900	\$13,400	\$24,300	4	\$97,200
Four-Year Bachelor's Degree (Public Research)	\$18,400	\$13,400	\$31,800	4	\$127,200
Four-Year Bachelor's Degree (WA Private Nonprofit)	\$20,300	\$13,400	\$33,700	4	\$134,800

<sup>3</sup> Since this is a student-centered description of the prospective cost to finance a degree, the best measure is the normal time students might expect to be in college, even if in practice it turns out to be longer. If the purpose were for accountability, or planning to estimate total institutional costs to reach a certain goal, a different approach might be appropriate. (Johnson, What Does A College Degree Cost? Comparing Approaches to Cost Per Degree 2008).

## Explaining Resources

Given the estimated cost to graduate, what resources are available to meet those expenses, and how do they vary by the income level of families and the type of institution attended? Following are a series of steps intended to show how much of the remaining cost needs to be financed after each source of support is taken into account.

Drawing from public sources of information as well as an affordability model developed for the Council, each step reduces the gap between costs and resources for at least some students. The different income levels are intended to illustrate a continuum by using points near thresholds in state and federal aid programs: one student who is expected to have no parental support, either because of being classified as independent or because the family income is too low; another who is close to the upper eligibility boundary for both Pell grants and State Need Grants; another who is above the level for most state and federal grant aid, but whose parents' expected contribution falls well short of meeting the full cost; and another whose parents' income is well above the state median but still not at a level that would make it easy to meet the full student budget at a public research university or private college.

### State Support for Colleges and Universities: The “Invisible Scholarship”

One question the affordability framework should help Washington address is: “How much of the cost of education should be paid for by taxpayers through appropriations to institutions?” It is unlikely to be easily settled, since reasoned and principled positions could lead to different conclusions, but stakeholders should start at least with an understanding of the current level of taxpayer support.

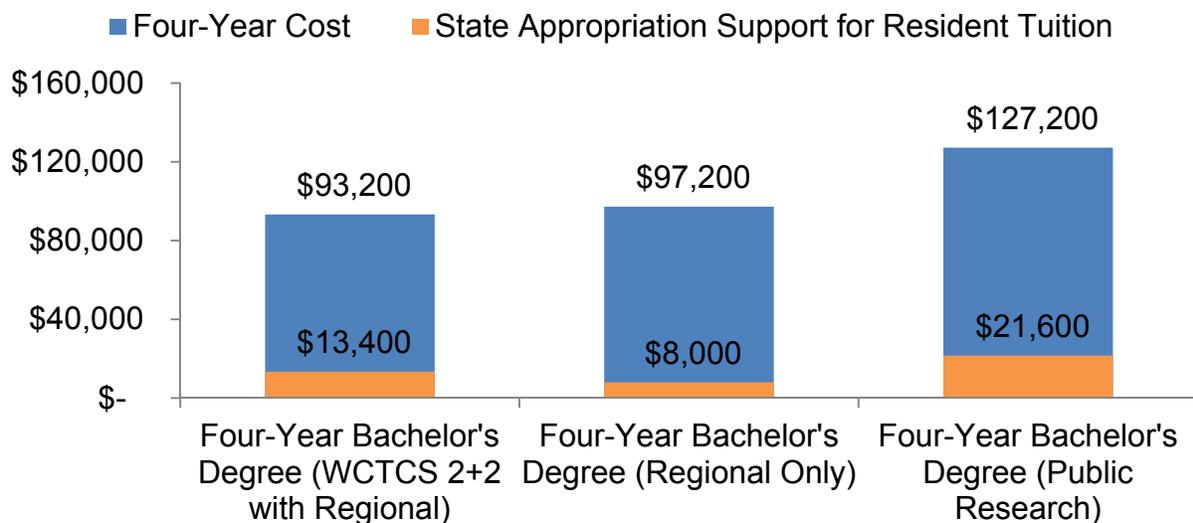
Even after dramatic cuts, the state's biggest investment in affordability is the funding it provides to support colleges' operating budgets through annual appropriations. These funds enable institutions to charge resident students less than the full cost of instruction and related activities. The difference between the resident undergraduate tuition rate at public institutions and the cost of providing that student's education could be considered a form of “invisible scholarship.” Based on the most recent data available, we estimate the amount of this scholarship at \$2,000 per year per year at comprehensive universities, \$5,400 at research universities, and \$4,700 at community and technical colleges.

All resident students at public institutions, regardless of their income level or ability to pay receive this form of financial support from the state. Recognizing the subsidy explicitly allows for a clearer understanding of the impact on affordability when the level of support goes up or down. Private colleges do not receive direct appropriations in most states but do often qualify for student financial aid.

TABLE 3. Estimating the "Invisible Scholarship" for Resident Undergraduates	2013-14 Estimated Annual Institutional Cost	-	2013-14 Annual Tuition	=	Estimated Annual Support from State Appropriation
Community and Technical Colleges	\$8,900	-	\$4,200	=	\$4,700
Regional Four-Year Universities and Evergreen	\$10,900	-	\$8,900	=	\$2,000
Research Universities	\$18,400	-	\$13,000	=	\$5,400

The chart below makes the "invisible scholarship" visible as a contribution to the cost of a bachelor's degree over four years, taking any of three different pathways. While it makes a significant dent, it still leaves the vast majority of the full cost to be met with other resources.

**CHART 2. "Invisible Scholarships" from State Appropriations and the Full Cost of Bachelor's Degrees**



The remaining illustrations in this section will use the first pathway in Chart 2, the \$93,200 total cost of a bachelor's degree using the 2+2 route through a community college and a regional university. Appendix 1 shows the estimates for the other pathways not listed.

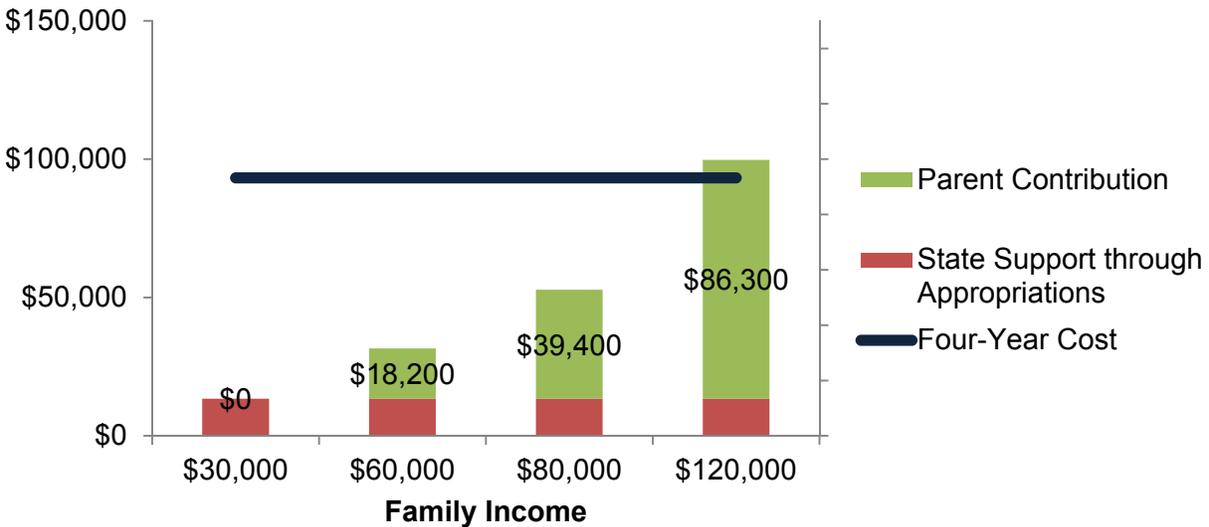
### **Parents / Family Income and Savings**

Family support, when available, comes next in the sequence of resources available for higher education costs. The federal financial aid formula, which many states and institutions also (although Washington does not) assumes that families of dependent students will contribute toward their children's higher education. 43% of Washington students who received need-based financial aid were classified as dependent in 2012-13, and 57% were independent. Other approaches could be used to estimating what parents can and should contribute. The current State Need Grant matrix in Washington uses percentages of Median Family Income to establish award levels, but does not explicitly state what level of support is expected from the parents themselves at the different income levels.

The federal formula for estimating a parent contribution is not perfect, but it is important in practice because it establishes the amount of federal grant aid that will be available for students. To help make better estimates of reasonable levels of student and parent contribution, Professor Jim Fridley at the University of Washington developed an affordability model at the request of the Washington Student Achievement Council (Washington Student Achievement Council 2013). This model approximates the federal method for calculating the family contribution but goes the extra step of breaking down how much of that expected contribution might come from income or from savings.

Chart 3 shows what parents with different income levels might be expected to contribute to the \$93,200 total cost of the 2+2 degree over four years based on the federal formula. At the lowest level, no contribution would be expected since every dollar would presumably be needed for basic living expenses. At the highest level, the contribution expected would actually cover the remaining cost of the education, after the state's \$13,400 "invisible scholarship" is taken into account.

**CHART 3. Estimated Parent Contribution at Selected Family Income Levels**



What a particular parent or family really can or will contribute is impossible to predict consistently with a formula. The “estimated parent contribution” should not be mistaken for what every parent will consider affordable or reasonable or actually be able to contribute. It is a number applied to a wide variety of different families, whether they live in Seattle or Wenatchee. While it is calculated based on a single year of income, most middle class families would find it very difficult to pay as much as the formula often suggests without either saving or borrowing. Spread out over a number of years of saving (or paying back loans), the total amount needed per month or per year may be more manageable. Over a ten-year period, the \$18,200 contribution expected of the family at the \$60,000 income level works out to about \$150 per month, which is more plausible than the \$400 per month it would take to cover the cost in four years.

But that will also depend. Parents who had been earning \$80,000 for many years in Spokane and saving \$3,000 per year in a tax sheltered account might find it relatively easy to come up with the \$39,000 they would be expected to contribute to their child’s four year degree. A different set of parents earning \$80,000 per year in Seattle, who may have just reached that level of income after many years earning much less might think it absurd that they could pay so much out of pocket. And there are some parents who might be financially able to help pay for college, but unwilling to do so. On the other hand, some of the parents in the bottom group may have more resources available to them than it appears—wealthy relatives, business income or assets not captured in the formula, or fluctuations in annual income that average out to a higher level over time.

Since formulas are a necessary evil for broad-based state policy, they will inevitably miss the mark in a certain percentage of cases. For that reason alone, it is important to ensure that there are options for students whose circumstances do not fit the standard template, whether that takes the form of providing low-cost pathways to a credential (e.g. community colleges, Western Governors University) or ensuring that institutions have discretion and resources to make reasonable exceptions to broad-based formulas.

## Parent Resources: The Role of Savings

Higher education might seem more affordable if the bills didn't arrive all at once. Fridley's affordability model, for example, analyzes the cost of higher education as a cash flow problem and shows the impact of different savings rates on the family's ability to afford college. Financing a \$100,000 investment over several decades, including savings, current income and, if needed, loans and loan repayment, is different from trying to do so out of present income. Families who have not saved may end up borrowing, and paying the parent's share of the cost over multiple years after the student enrolls instead of saving to pay beforehand. Some will do a combination of both.

Programs like Washington's GET savings plan and other federally recognized 529 plans are one way government encourages saving for college. They are usually not considered in calculating federal and state financial need, although some institutions do take them into account in estimating total family resources.

There is a strong economic case for a state like Washington, which has no income tax (and therefore no deductions or credits) to encourage its citizens to take maximum advantage of federal tax sheltered savings programs. The state loses no revenue, and the benefit of the savings stays entirely in state.<sup>4</sup> Especially for middle- and lower-middle income families who may be able to set aside small payments over a longer period of time, savings may be the only way to contribute anything like the expected amounts set by formula without going into additional debt.

The state should continue to promote savings, including the GET program and should use the affordability framework to help families understand as early as possible how much they will be probably expected to contribute to the cost of their child's two- or four-year degree and what they would have to set aside each month to make that contribution possible.

Ultimately, the state is not bound, in its own framework for defining affordability, to use the same method to estimate parents' ability contribution as the federal government does. If there is widespread agreement that the formula produces unreasonable results, the state could propose something different. If the state reduces the amount of parent contribution that it considers "affordable", however, the effect would be to increase the size of the gaps left to fill with other resources, since the federal government's policy would be unlikely to change.

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<sup>4</sup> As a federal policy, however, research has shown that the benefits of such programs go disproportionately to higher income families, who are in a better position to take advantage of the incentive (Dynarski 2005).

## Federal Pell Grants and American Opportunity Tax Credits (AOTC)

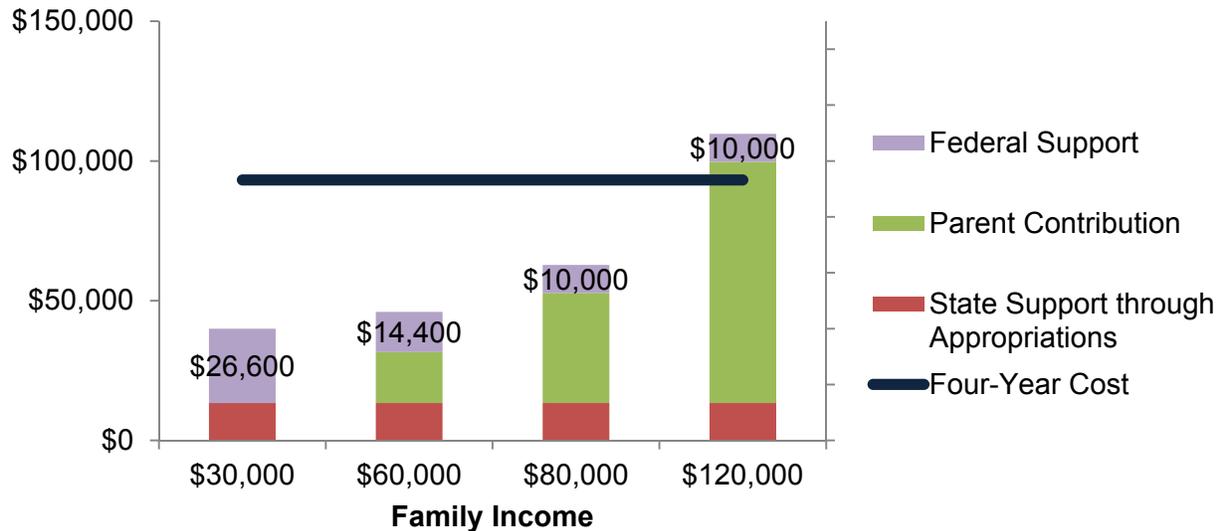
So how much does the federal government contribute to the resources available to pay for higher education in Washington? The biggest forms of support reduce the cost of lower and middle income students' education primarily through a combination of Pell Grants and American Opportunity Tax Credits (leaving aside the loan programs for the moment). Washington students received \$456 million in Pell grants in 2012-13, according to the state's annual report on aid programs (Washington Student Achievement Council 2013) and the state's taxpayers received \$374 million in education tax credits in 2012, according to the Internal Revenue Service (Internal Revenue Service 2013). These are amounts that directly reduce the net cost of higher education and include no obligation to repay.<sup>5</sup>

Only the families in the lower two income categories would normally qualify for Pell grants, with the lowest-income student qualifying for the maximum grant of about \$5,650 in 2014, or about \$22,600 over four years. Eligibility phases out so that at a family income of \$60,000 a student might only qualify for about \$1,100, or \$4,400 over four years. At the same time, however, eligibility for the tax credit phases in. The credit reimburses the first \$1,000 (\$4,000 over four years) of covered expenses even if the parent or student doesn't owe any taxes—they will still get a refund. But to qualify for the maximum of \$2,500 per year (\$10,000 over four years), they have to earn enough to owe at least \$1,500 in taxes. The credit is available to most taxpayers and only starts to phase out when the adjusted income of a married couple filing jointly reaches \$160,000. After state support to institutions and family resources, this represents the third largest external resource available to finance the cost of college. Chart 4 shows the combined effects of Pell Grants and AOTC on the remaining cost of the 2+2 degree.

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<sup>5</sup> Other forms of federal grant aid and tax benefits could also be included here, but are much smaller in scale. Federal loans and work study support would be included in the student work and loan categories below.

**CHART 4. Estimated Federal Resources to Offset Higher Education Costs**



Tax credits are included here because they were intended in federal policy to offset the cost of college and because they have the same effect on the net cost as a grant program. But they do have disadvantages that are important to note. First, they are often not widely understood nor anticipated in advance by families. Second, the benefit typically comes a year or more after the need for it first arises (entry to college) and, while applying for the credit is not difficult, there are certain strategies students can use to maximize the combined benefit of the programs that they may not understand. The Treasury Department is evaluating ways to make the tax credit more effective and better coordinated with Pell grants (U.S. Department of the Treasury 2014), but until the federal government acts, states and institutions should provide clear guidance so that every student who qualifies receives the maximum benefit of the program.

### Remaining Gaps: Policy Questions for the State of Washington

Having accounted for the effect of state appropriations, parent contributions, and federal resources, the policy questions for the state become clearer, if no less controversial.

- How should the remaining gaps be closed?
- What are roles of state, student, institutions, private philanthropy in closing affordability gaps?
- What is the maximum amount of borrowing that is consistent with an “affordable” degree?
- How much is it reasonable to expect students to work while they are enrolled and how big an impact would that have on the remaining cost?
- Should the state expect institutions to contribute to closing the gaps?
- If the gaps can’t be fully closed for every student, how should the state prioritize?

There is no single right answer for these questions. The suggestions that follow are placeholders to show how different choices or answers could lead to different policy conclusions. To the extent the state is focused on its 70% attainment goal, there is empirical support for some of the recommended options grounded in research or other states' experience. But the evidence is usually imperfect, especially as other considerations factor in—the importance of student choice, reducing debt, etc. What is important is that the state makes its key assumptions explicit, even if they need to be reviewed or changed from time to time.

### **Student resources / self-help**

Low-income students are unlikely to have big savings accounts or other assets to fill in the remaining gaps themselves, which leave working or borrowing as the primary ways they can contribute to the cost of their education. Both have disadvantages—working takes time away from academics, and borrowing can put students at long-term financial risk, those who never complete their degrees. In principle, however, even low-income students have ways that they can meet some of the remaining costs themselves. The role of the state's framework should be to set expectations of the maximum amounts of work or borrowing that would still be considered compatible with an affordable system of higher education. The State Need Grant currently assumes a student contribution of 25% of the cost of attendance, which could imply very different levels of employment or debt depending on the institution attended.

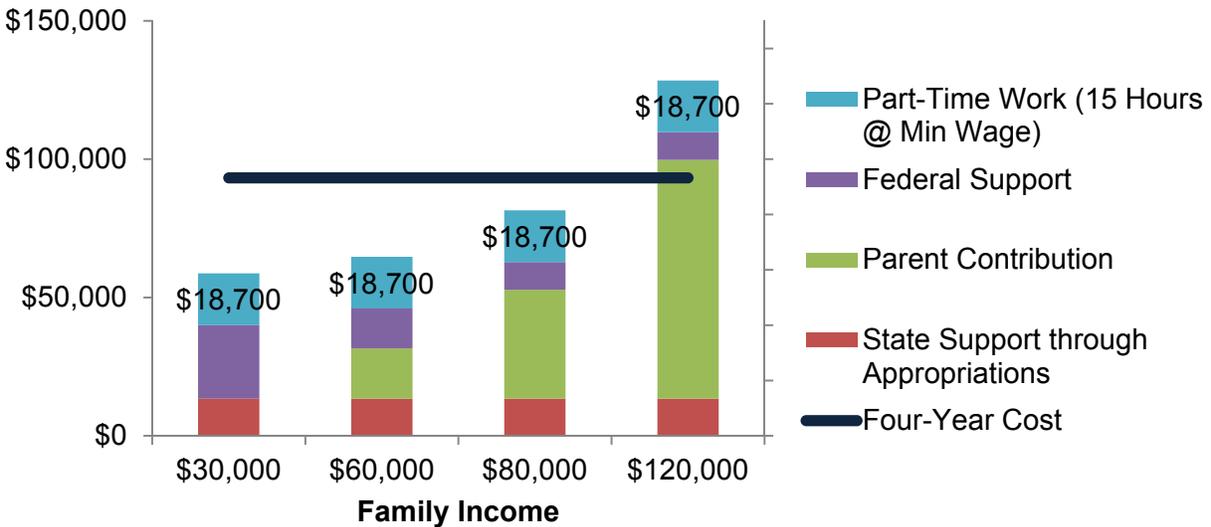
### **Part-time work**

The days when students could work at a minimum wage job and put themselves through college without financial aid or borrowing are long gone, as college tuition prices over the last 30 years have risen much faster than inflation and the minimum wage has gone up less than the inflation rate. But nationally, about 2/3 of students do work at least part-time while enrolled and 1/3 work more than 30 hours per week. Even most students from high-income families work during college, although not as many hours as those from modest backgrounds. Older, financially independent students are the most likely to be working and to be working full-time. The lowest income dependent students are most likely to be at one extreme or the other—not working at all, or working full-time (NPSAS 2012).

Working a modest amount—15 hours per week for example—is common for both low and middle income students and would help close the resource gap for the without setting low-income students at a disadvantage to their middle income peers.

Washington may decide that a higher or lower amount is more consistent with the state's definition of affordability, but the amount here—\$18,700—represents the after-tax value of working 15 hours per week during the school year for four years at the state minimum wage of \$9.32 per hour.

**CHART 5. Student Contribution from Part-Time Employment**



### Work-study programs

For students who work while enrolled, the best and most recent research suggests that employment that keeps them on campus or engaged in high quality professional experiences is probably more compatible with academic success (Scott-Clayton and Minaya 2014). Work-study programs subsidize employers, including the institution itself, who hire students to work part-time. Federal work study funds provided about \$15 million to Washington students in 2013-14. In addition to the federal work study program, Washington is one of few states that has its own substantial work study fund, which matches roughly 60% in state funding with 40% in employer funding to generate about \$13 million in total wages for 5,000 students each year (Washington Student Achievement Council 2013). The total level of funding is down two-thirds since the recession, however. If low-income students are expected to contribute to the cost of their education through employment, then programs like this one may help ensure that appropriate jobs, consistent with their educational goals, are available.

### Student borrowing

Student loans have become a highly charged political and emotional issue in higher education, but faced with a gap between cash resources and costs, loans are an obvious and common solution for many students. In reality, there are two opposed problems with student borrowing. On the one hand, some students borrow what is clearly an unmanageable amount, especially if they end up not graduating or being underemployed at graduation. On the other hand, some students are strongly debt-averse, to the point that they avoid enrolling in college at all or reduce their course loads in order to avoid debt, even if the economic cost of those choices ends up being much higher than the cost of borrowing (Boatman, Evans and Soliz 2014).

The Project on Student Debt produces the most frequently cited numbers on student loan debt. Washington's key metrics—a reported 56% of bachelor graduates with debt, and an average of

\$23,293 per borrower—are both well under the national average of 70% and \$29,400 (The Institute for College Access and Success 2013). Some of that, however, is probably due to lower tuition rates that were in place when 2012 graduates started college before the recession. Recent data from the Washington Student Achievement Council shows average borrowing increasing steadily with the rise in tuition (Washington Student Achievement Council 2013).

The average numbers for Washington, however, mean that 44% of graduates are finishing without debt. If their rate of zero debt is included in the average, then the average debt at graduation for Washington bachelor degree students—not considering some of the recent tuition increases—was \$13,044 in the most recent report.

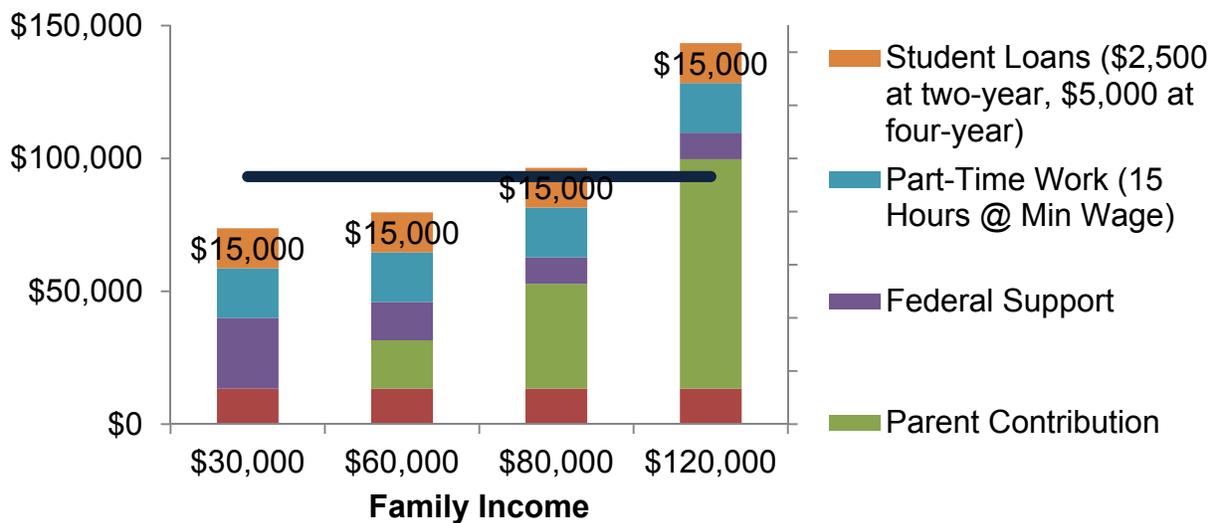
Even more concerning than debt of college graduates, however, is the debt of students who do not graduate. Nationally, according to one analysis, 29% of all freshmen borrowers in 2003-04 left college with no degree by 2008-09 (Nguyen 2012). Students at for-profit institutions were most likely to leave with debt and no degree, followed by students at community colleges. The high risk of non-graduation is one reason why students at community colleges should be especially cautious about borrowing.

On the other hand, students who choose not to attend college at all or to go part-time when loans could enable them to attend full-time, may be hurting their academic prospects and increasing the total cost of their degree for the sake of avoiding loans in the short-term. It is important that fear of debt not discourage students who are good risks for graduating and succeeding economically from taking advantage of low-cost loan programs with modest borrowing.

What is an appropriate target for the maximum amount of debt that the state should expect or encourage its students to take out for higher education? Some would say zero; others might set a number comparable to purchasing a new car, another type of common indebtedness. One policymaker we interviewed suggested that the amount should be repayable within a few years after graduation, allowing students to enjoy the middle class standard of living that higher education has promised.

Given the “new car” benchmark for student debt, \$20,000 (or \$5,000 per year) might be an acceptable maximum for an “affordable” four-year education. For community college students, it might be less, given their lower odds of graduation and lower average long-term earnings. The chart below assumes that community college students in the first half of a 2+2 program would borrow half as much as students at four-year institutions, or \$2,500 per year, for a total debt at graduation of \$15,000.

**CHART 6. Student Contribution from Limited Borrowing**



### Institutional and private financial aid

Institutional and private sources of aid may fill in some of the remaining gap, but not in ways that state policy can easily anticipate or control. State aid, like federal aid, covers broad populations that fit general criteria within the state. Institutions and private sources of aid provide targeted funding for students, which is sometimes but not always based on financial need. In Washington, according to the Council’s most recent report, institutional aid accounted for 15% of all sources of student aid in the state (excluding the “invisible scholarship” of resident tuition rates), and other sources accounted for 4% (Washington Student Achievement Council 2013).

While this can be a very large source of support at some institutions, it is distributed unevenly across institutions and tends not to be available where there is greatest need. In Washington, Whitman College has the largest endowment per student enrolled (Chronicle of Higher Education 2013), but only 63 State Need Grant students (Bania, Burley and Pennucci 2014). The endowment at the University of Washington is about six times larger, but the institution enrolls more than 100 times as many low-income residents. Community and technical colleges and comprehensive universities have much less to work with, even though the level of financial need is generally higher.

One advantage of institutional aid is that institutions are closer to students and are in a better position to target aid where it will be most effective. They may know, for example, which federal and state aid recipients have access to resources not captured by standard formulas and which have much less capacity to pay than those formulas would indicate. When institutions have higher costs than average, it may also be reasonable to expect them to use institutional resources to help lower income students meet those costs, while the large scale programs provide a more basic level of support. After recent steep tuition increases, Washington and a number of other

states, including Florida and Texas, began requiring public universities that raised tuition above certain levels dedicate a portion of the revenue generated from tuition increases be used for need-based financial aid.

On the other hand, institutional aid is not a substitute for programs that reflect state priorities and affordability goals. If one institution has more high-need students than another, it is unlikely to shift its own aid resources to the other college's students. Institutions are also often in a position of competing for the same students, and may use much of their aid budget to attract students who would have been just as likely to graduate at another college, with no net gain for the state's goal.

Note that the numbers in the appendix for private colleges assume that private institutions are charging a net price equivalent to the actual cost of education. For low-income students eligible for State Need Grant, it would seem reasonable to expect them to discount their sticker prices at least that much, if not more. Even with that level of discount, substantial gaps remain in the cost that students may not be able to cover without additional borrowing or other resources.

### **Framework summary and additional options**

The framework above shows one way to look at affordability in Washington before getting to the question of the role of the State Need Grant in Part II. By clarifying what higher education really costs, the state can then engage in a clearer conversation about the appropriate roles of taxpayer funding, family resources, part-time work or work-study, student debt, and institutional financial aid in meeting those costs.

One outcome of that conversation could be a set of communication tools to help students and families plan for the cost of higher education, so they understand in advance what is likely to be expected of them, when and how much work or debt might be expected or required, and how much the state is contributing, even if they do not receive need-based aid.

Additionally, the state may also want to use the framework to develop other policies designed to improve affordability that could include some of the following recommended options.

### **Affordability Option 2: Focus on Cash-Flow Issues and Timing**

Sometimes the issue is not “how much” but “when”. It is not only important to identify how much higher education costs and what resources are available to pay. To be useful, the timing also has to work—the resources need to be available at the time the bills come due. One relatively low-cost area for reform is in helping citizens and institutions align their cash flow so the resources are available when they are needed. Possibilities for reform include:

- Promoting long term savings plans, such as GET / other 529 plans for all income levels so that families don't have to cover their contribution through current income alone
- Expanding, clarifying and promoting short-term payment plan options so that students and families have ways to make payments over the course of a year, rather than being faced with a large bill to pay all at once

- Providing emergency financing, short-term forbearance on outstanding balances, or bridge loans.<sup>6</sup>
- Developing clear advice and recommendations for students and families to maximize their federal tax benefits, possibly including ways to receive and use the funds earlier for college expenses.

### **Affordability Option 3: Use Outcomes-Based Funding to Encourage Institutional Innovation and Action**

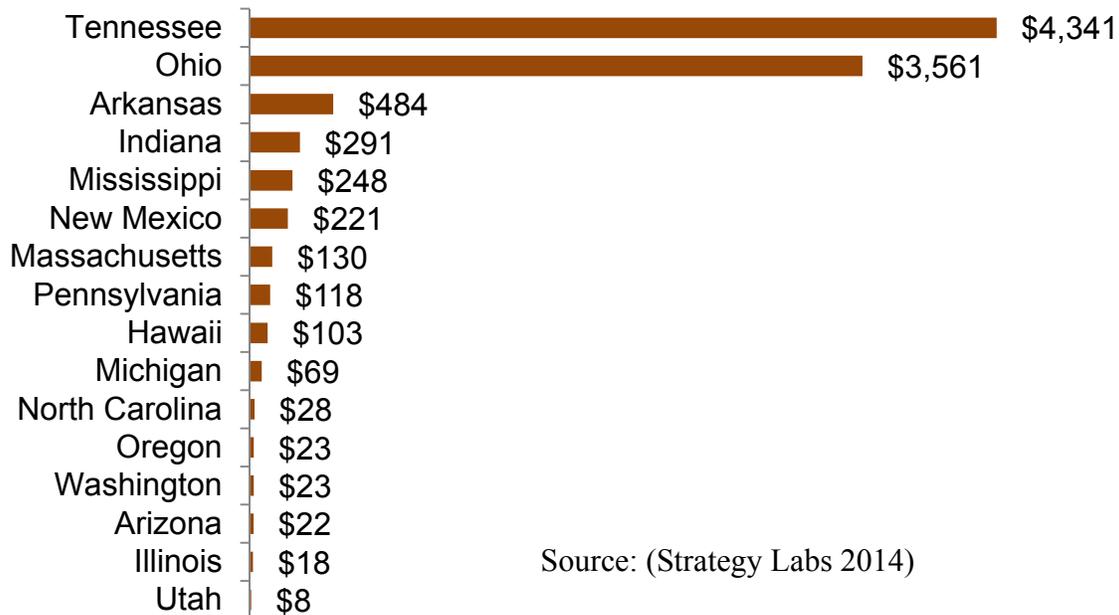
The shift to funding institutions through tuition also shifts the incentive and support structure for colleges, so that their financial success or even their viability depends on recruiting and enrolling students who can pay. Even if that is not what institutions want to focus on, they will find it increasingly difficult to thrive financially if they do not. One way to compensate is to shift a larger proportion of the remaining state funds to objectives that are important but not enabled or encouraged by a tuition-based model alone. Enrolling and graduating low-income students would probably be among those objectives.

Most states that have implemented outcomes-based funding have a significant component of the funding allocated to low-income student success, which provides both an incentive and a funding source for institutions to remove financial barriers for those students. Tennessee, for example, allocates virtually all state funding based on student progress and success, with a 40% premium for low-income students (Tennessee Higher Education Commission 2013). Outcomes funding remains a relatively small component of overall finance in the states that have implemented it, with only Tennessee and Ohio using their formulas to allocate the majority of state funding.

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<sup>6</sup> MDRC has demonstrated the potential of emergency financial interventions, often quite small, to prevent major academic setbacks, and institutions such as Georgia State and the University of Oklahoma have implemented innovative programs to help students with short-term financial issues (Baum and McClintock 2014).

## CHART 7. Estimated Performance Funding \$ per Public Undergraduate Student Enrolled 2013-14



Source: (Strategy Labs 2014)

Hallmarks of an outcomes-funding system focused on affordability would include:

- Focusing on low-income student access, progress, and/goals completion
- Determining *what* the public policy goals are, while institutions figure out *how* to get there
- Focusing on gaps in existing funding incentives: graduating low-income students is not an easy or lucrative business proposition in the standard business model of higher education
- Shifting, over time, a larger proportion of state funding to institutions where the largest numbers of low-income students are graduating

Extensive resources on performance funding are available through the websites of the Lumina Foundation-sponsored Strategy Labs ([strategylabs.luminafoundation.org](http://strategylabs.luminafoundation.org)), the National Center for Higher Education Management Systems ([www.nchems.org](http://www.nchems.org)), and Complete College America ([www.cca.org](http://www.cca.org)) among others.

## **Affordability Option 4: Link Budgets to Specific Institutional Policies or Conditions**

An alternative approach would be to tie the base appropriations to institutions to specific policies or conditions that favor affordability. Unlike outcomes-based funding, this approach focuses on the “how” more than the “what.” New York, for example, has entered into a broad agreement about “rational tuition” between the two major systems, SUNY and CUNY, and the legislature, a multi-year policy that more explicitly and consistently links tuition policy and state appropriations, providing consistency and predictability for institutions and students. Under the policy, tuition increases are limited and funds raised from tuition are required to be invested in student instruction and support (SUNY 2012). Institutions are also expected to control costs and find internal efficiencies to help keep price increases limited.

The most common policy that states link to appropriation is making state funds conditional on the level of resident tuition and fees charged to students. While the majority of states do this in one way or another, it tends to take place in a year-to-year (or biennial) fashion and to be less predictable than the multi-year approach New York has adopted. Washington, for example, typically uses budget language preventing or limiting tuition increases, including freezes in resident tuition rates in 2013 and 2014.

Washington is also one of thirteen states that require a portion of any tuition increase exceeding certain levels to be set aside for need-based financial aid (Carlson 2013). While this approach may be helpful in the short term at some institutions, it has limitations as a statewide policy to address affordability. Each institution has a different proportion of students with financial need, and the proportion of tuition increase that would be required to “hold harmless” low-income students varies widely. For example, Western Washington University would need to set aside about 23% of any tuition increase to keep prices constant for Pell Grant-eligible students, while Big Bend Community College would need to set aside 55% of any increase.<sup>7</sup> In order to raise the same amount of money for its operating budget, therefore, Big Bend would need to increase tuition more than twice as much as Western, and tuition would end up going up more at the institution with the most low-income students.

To avoid this problem, Texas requires part of its “set-aside” money to be returned to the state for reallocation based on levels of low-income student enrollment at different institutions. Other states achieve a similar result by adjusting appropriations to institutions so that those with less capacity to increase tuition receive a higher proportion direct support from the state or, like Washington, by increasing funding to state need-based aid programs.

Hallmarks of a strong policy linking affordability to core higher education budgets would include:

- Multi-year predictability for students and institutions
- Higher proportions of state funding at institutions serving low-income students
- Provisions to offset impacts of tuition increases

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<sup>7</sup> Based on percent of undergraduates receiving Pell grants (NCES College Navigator 2012-13).

- Mechanisms to account for different levels of student/family income at institutions in a state

The State Higher Education Executive Officers survey of state tuition and aid policies includes more detailed information on state policies to connect tuition and appropriations (Carlson 2013).

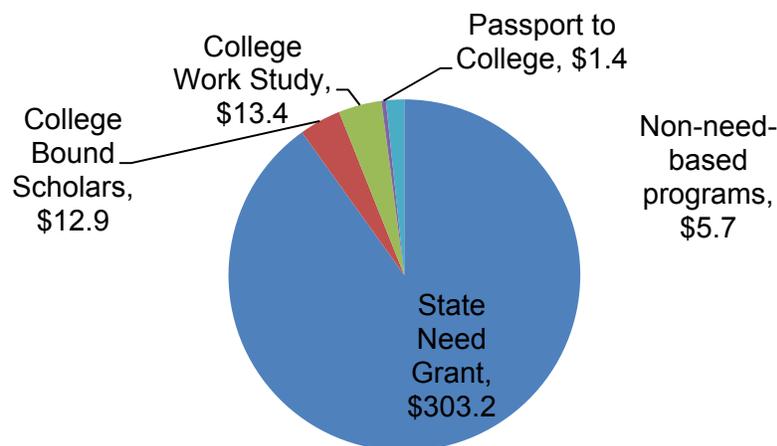
## PART B: OPTIONS FOR THE STATE NEED GRANT

Need-based aid is the capstone in the state’s affordability framework and one of the strongest features of the state’s current funding policy. While Washington’s roughly \$1.1 billion annual appropriation to institutions provided less than the national average per student in direct institutional support in FY 2013, the state was first in the nation in the amount of need-based financial aid awarded, with a total of \$330 million, along with just under \$6 million in non-need programs (Washington Student Achievement Council 2013, NASSGAP 2013).

Even though it is only about 15% of the state’s spending on higher education, need-based aid plays a large role in the affordability framework since it is most intentionally targeted. As the overall level of subsidy in the state declines, statewide aid programs become more strategically important to ensure that the biggest gaps left by receding appropriations are closed for the students needed to reach the state’s goal.

The costs and resources outlined in Part A—appropriations to institutions, parent/family resources, federal aid to students, and the state’s philosophy about appropriate levels of student employment and debt—must be clearly understood and outlined in order to make sure that the state’s final and most flexible policy tool, its need-based aid program, is focused where it will make the biggest difference in closing affordability gaps. A change in any of the other elements would change the remaining gap between costs and resources.

**CHART 8. Washington Student Aid Investments 2012-13**



A recent study by the Washington State Institute for Public Policy found positive impacts of the grant on student retention, consistent with similar well-designed evaluations of need-based

financial aid programs in other states (Burley and Lemon 2012).<sup>8</sup> They conclude that there is a 4-8 percentage point change in graduation rates associated with a 25% change in the State Need Grant award amount. That level of impact is typical of findings in other states (Bettinger 2011) and provides good justification for investing in the program while ensuring that it is designed and targeted to make it as effective as possible.

### **Design principles for 70% attainment goal**

If the goal of affordability is to increase attainment within the state, then the State Need Grant should be designed and administered in ways that maximize its impact on the goal. Consistent with high quality experimental or quasi-experimental research (Dynarski and Scott-Clayton 2013), principles for design of the program would include:

- Use financial aid dollars as both incentive (encouraging students to make the right choices) and support (enabling them to make the right choices)
- Make programs and policies simple, transparent, and predictable
- Size the awards for maximum impact (e.g. do not leave some students with huge gaps in order to give others “full rides”)
- Target students whose outcome is most likely to change (not necessarily the poorest or the most meritorious) as a result of the investment

More than the vast majority of other states, Washington is already doing all of these things and is a leader for others to follow. Yet the preliminary gap analysis illustrated in the appendix shows there are some degree pathways and some students for whom significant gaps in affordability remain after reasonable assumptions about available resources are taken into account. The largest gaps are most likely to be an obstacle to progress and completion, and focusing available financial aid funds on those gaps

### **Preliminary gap analysis**

Using the assumptions outlined in the Part A, after state appropriations, parental contributions, federal resources, and modest student contributions through borrowing and part-time work are taken into account, our initial analysis found large remaining affordability gaps for some students and some degree pathways while for others the gaps were minimal or nonexistent.

The largest gaps, with the greatest potential impact on the state’s 70% goal, included:

- Lowest-income (<50% of state median income) eligible students who do not receive State Need Grant (primarily at community colleges)
- Lower-income students (50-70% of state median income) at four-year comprehensive and research universities who are eligible but do not receive reduced State Need Grants

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<sup>8</sup> Researchers’ ability to detect the impact of aid is limited because state programs are generally available to all who qualify, and there is no control group of otherwise identical students who did not get the grant.

- Lower- and middle-income students at research universities, even with State Need Grant fully funded
- Lowest to middle-income students at private institutions, with or without State need Grant (assuming tuition is discounted to the level of the institutions' actual cost)

Based on the design principles and gap analysis above, we are presenting several options to consider to make the State Need Grant a more effective component of the state's affordability strategy.

## **State Need Grant Option 1: Close the Eligibility / Funding Gap to Serve More Students**

Financial aid research, as well as research in related public policy areas, has demonstrated that financial support is most effective when it is clearly understood and predictable for the population it is intended to serve (Dynarski and Scott-Clayton, *Financial Aid: Lessons from Research* 2013). That is not currently the case with the State Need Grant. Despite clear published criteria for eligibility, the fact that not all eligible students are funded makes the system opaque; they only learn of their award after they have made many of their most important college-related decisions. Predictability and transparency could make the same aid dollar more effective by giving it a better chance and more time to have an effect on students' planning and choices.

The first option for the State Need Grant, therefore, is to close the gap, either by increasing funding to cover eligible students or by aligning eligibility criteria and award amounts with the budget, so that any investment the state does choose to make through this important program has a greater impact.

### **Option 1a: Serve More Students by Increasing Funding**

Increasing funding to close the eligibility gap could increase access and completion rates for low-income students in two ways. First, as the study by the Washington State Institute for Public Policy demonstrated, the program as it is currently structured has a positive impact, so additional funds would be going into a program with a demonstrated effect. Secondly, by closing the eligibility gap, the investment would likely increase the impact of the existing investment by making the program as a whole more predictable. In addition to having an impact on retention, it would make it possible for students to count on the funds in their college planning process, with likely positive impacts on rates of college preparation and enrollment.

A recent estimate of the cost of fully funding the program is \$137 million (Washington Student Achievement Council 2014). In order to sustain the program over time, the state would need to adopt a principle of funding the State Need Grant program as the first priority in annual higher education appropriations, while appropriations to institutions would be subject to more variability, similar to the approach California has effectively taken in funding Cal Grants.

Chart 9 shows how the State Need Grant effectively closes the remaining affordability gap for the lowest-income students in a 2+2 degree pathway, assuming that they contribute part of the cost through modest levels of work or borrowing. At four-year public and private colleges, most of the students at the lowest income level—50% of the state's median family income—currently

receive the grant or could be guaranteed support at current funding levels. At community colleges, however, many of the 18,800 unserved but eligible students (Washington Student Achievement Council 2013) are at the lowest income level and their institutions do not have funds to support every student even at the lowest income points.

**CHART 9. Effect of State Need Grant if Fully Implemented for Students at 50% of Median Family Income**

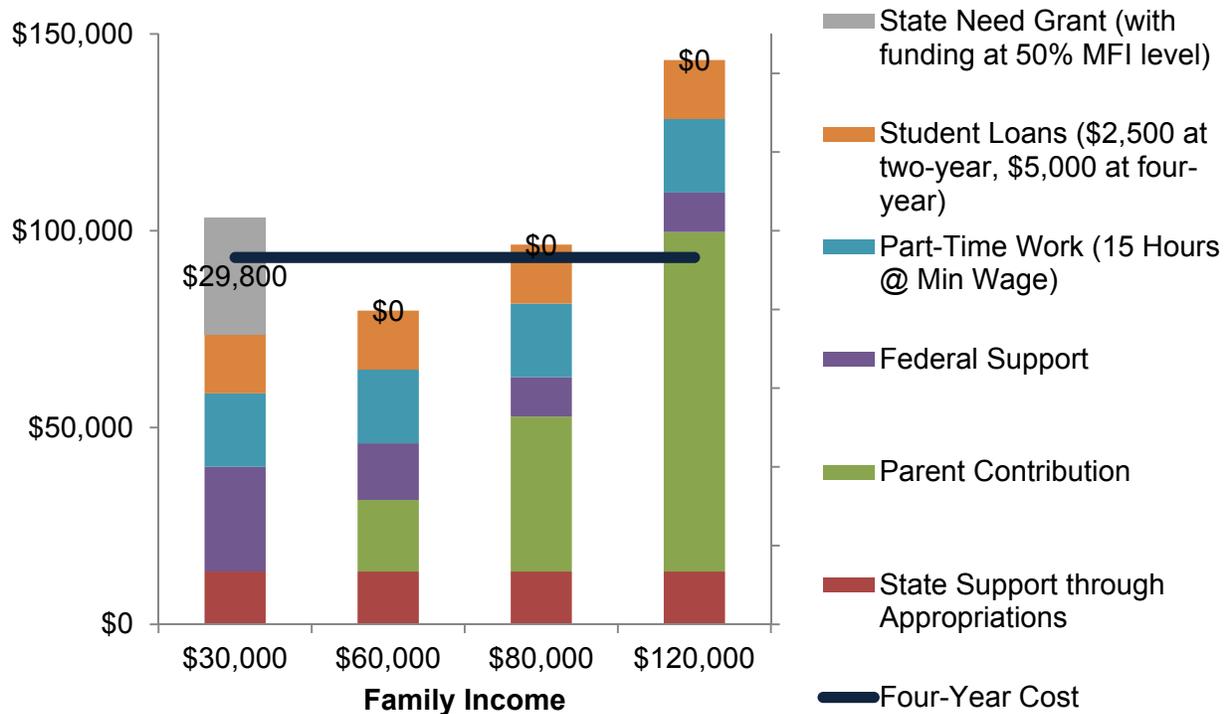
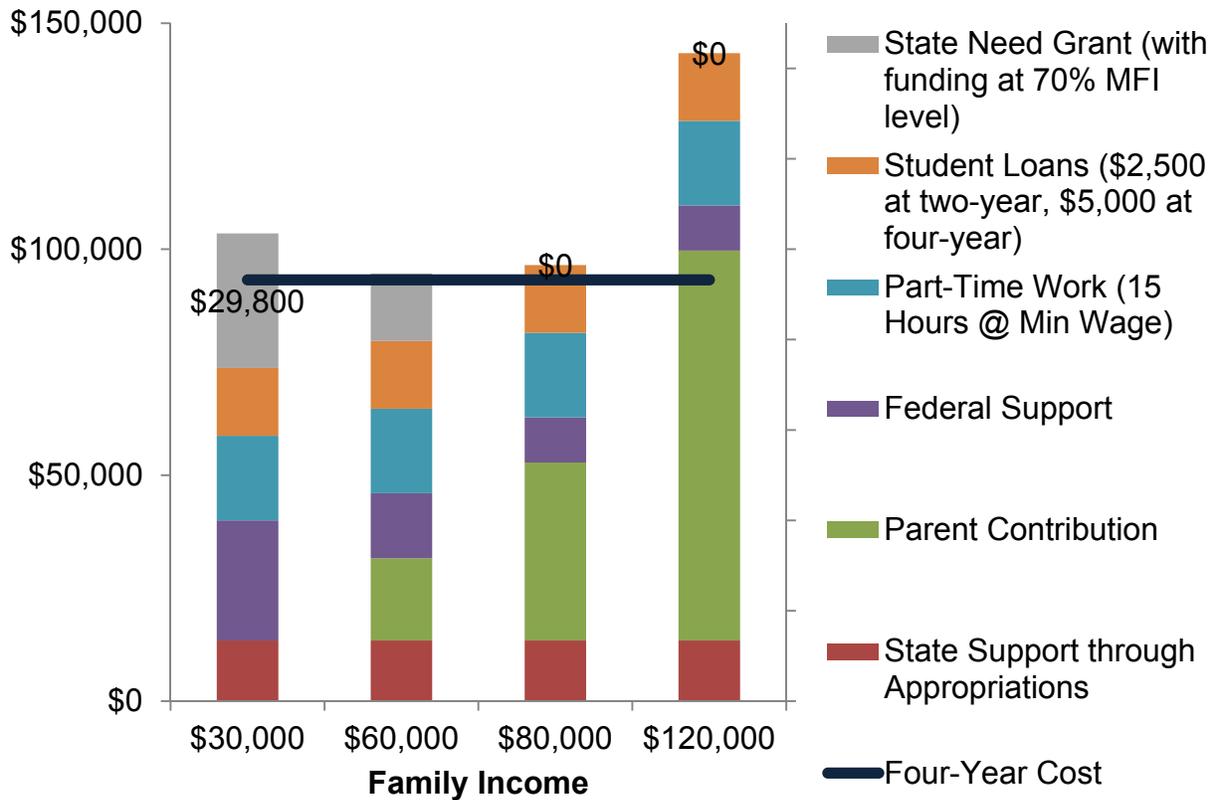


Chart 10, along with the tables in Appendix 1, shows the effect of fully funding the program as currently established in policy, with all students in the 50-70% of the median family income range receiving awards at the levels set by the matrix. In practice many institutions prioritize the lowest income students when selecting which eligible students receive awards. This often leaves those with slightly higher family incomes without awards. Fully funding the program would close the remaining gap for students who are often not currently served.

**CHART 10. Effect of State Need Grant if Fully Implemented (up to 70% Median Family Income)**



**Option 1b: Serve More Students by Altering Award Amounts and Eligibility Criteria**

Support for the State Need Grant in Washington is very strong, and there are risks to altering its basic structure, not least of which is the possibility that the support for it could weaken if it changed too much. Yet if it cannot be funded at the levels established in policy, then the state should consider modifying its eligibility criteria and award amounts policy to be consistent with its funding commitment. That would make the same level of investment more effective since it would be something students and potential students could count on and that the state could use to encourage college preparation, application, and enrollment.

The simplest way to alter the program would be to reduce award amounts to levels consistent with available funding. Our preliminary gap analysis suggests that would help close more affordability gaps than the alternative, which would be reducing the number of eligible students in order to fully fund those who remain.

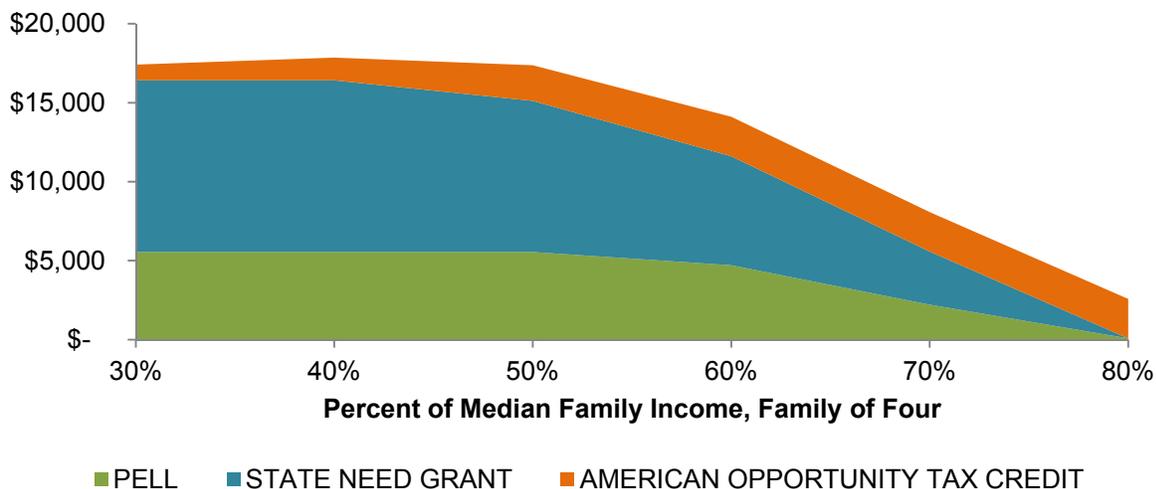
A more comprehensive reform, however, could also have the result of expanding the number of students served, but would require adoption of additional changes to the program’s structure as outlined in options 2, 3, and 4.

## State Need Grant Option 2: Change Use of Median Family Income to Determine Eligibility

Median Family Income, adjusted for family size, is currently the primary eligibility criterion for State Need Grant. The potential advantage of this approach, if the current program were fully funded, is that it is relatively easy to see where a given student or family would fall, without having to go through complicated formulas or calculators.

On the other hand, the use of a different measure of eligibility from the federal formula makes the total amount of support difficult to predict. Since the federal formula takes assets into account, the state program sometimes allocates funds to students who wouldn't qualify under federal standards. The Washington State Institute for Public Policy's analysis of program recipients found that about 5% of State Need Grant recipients did not qualify for Pell, virtually all of whom were in the 51-70% MFI range (Bania, Burley and Pennucci 2014).

**CHART 11. Total State and Federal Support by Percent of Washington Median Family Income (Research University)**



The state formula also combines with the federal formula to result in a steep drop in combined benefits for students and families at certain income levels. For a family of four with an income of \$50,000, Fridley's model shows that for every dollar of additional state income they would lose 74 cents in Pell and State Need Grant benefits. The American Opportunity Tax Credit was designed to soften the effect of the phase out of Pell grant benefits, but Washington has nothing similar for the state program.<sup>9</sup>

<sup>9</sup> Chart 11 based on phase-out based on information from WSAC's affordability model and tax credit estimates from H&R Block's 2013 tax estimating tool.

To balance the value of transparency with the potential for more predictability and effective allocation of aid, the state could continue to use MFI to establish minimum eligibility, but use the federal formula to allocate the award at higher levels. The state could then combine its award with federal dollars to establish more predictable levels of total grant support.

This would combine the advantages of the Shared Responsibility Framework that Minnesota uses with the greater transparency and predictability of an income-based award. It would also allow the state to establish a smoother “phase-out” of benefits that coordinates with federal grant phase-out.

- Guarantee a meaningful minimum combined award of state and federal assistance (e.g. \$2,000) for all students with family incomes at 70% or less of the state median
- Use a gap analysis to establish a scale for higher awards that sets the total combined amount of state and federal aid students should expect at different levels of need (EFC) at different institutions
- Communicate the minimum and maximum amounts early and often to potential students (e.g. “If your income is less than X, you are guaranteed to receive at least \$2,000 and up to \$15,000 from the state and federal government to help pay your college expenses.”)
- Include estimates of federal tax credit eligibility in setting total award amounts, with clear information on how to obtain them

### **State Need Grant Option 3: Improve Transparency and Impact with Early Commitments of State Need Grant Funds**

Some groups of potential students would almost certainly qualify for State Need Grant if they applied and enrolled. By identifying these groups and guaranteeing them in advance the financial support they would likely receive anyway, the state magnifies the impact of the investment by turning it into an incentive for college enrollment.

The College Bound Scholarship is one such pre-commitment of State Need Grant dollars. Like similar programs in Indiana and Oklahoma, it is intended give aid a bigger opportunity to affect students’ choices, goals, and plans. Results from these programs are promising. One recent randomized controlled experiment in Canada found that rates of college graduation doubled for low-income high school students who received early commitments of college grants compared to a control group (Social Research and Demonstration Corporation 2014). Given the current litigation and controversy over spending on K-12 education in Washington, programs that improve outcomes for high school students could be considered part of the state’s investment at both the postsecondary and secondary levels.

Using logic similar to the College Bound Scholarship, the state should also consider other ways to let potential students know in advance what they will qualify for. This could include:

- Place-bound transfer students
- Students/families eligible for food stamps, Medicaid, or other government programs tied to income levels that would qualify for State Need Grant
- Pell-eligible Washington residents who transfer from institutions not participating in State Need Grant

## **State Need Grant Option 4: Establish a Reserve for Predictability and Institutional Discretion**

If funding and eligibility are aligned, every student who qualifies receives a predictable award that can be established and communicated by the state in advance. This means sufficient funds must be available to allow for unexpected changes in participation rates or eligibility levels. A reserve provision should be established that would ensure at least two years' advance warning of any change in the program (longer for College Bound Scholarships and other commitments). High school seniors and others considering initial college enrollment in a given application cycle should always be able to accurately estimate their eligibility without fear of changes prior to their first day of classes.

Given the unpredictability of demand, especially in the first years of a revised program, initial award levels should be established conservatively, so that only 80-85% of appropriations are committed based on the statewide formula. The balance, once all students were funded, could be transferred to institutions to use to fill in gaps left by the state formula, deal with unexpected emergencies, provide summer assistance to eligible students, etc.

If demand projections changed unexpectedly, however, the remaining amount could also be held in reserve at the agency to cover the following year's statewide commitment. This approach would retain some of the advantages of institution-based awarding while also keeping the advantage of statewide transparency and predictability for the basic award levels.

## **State Need Grant Option 5: Support and Encourage Progress**

Affordability policies and aid programs should be designed to encourage and enable students to progress on-time to graduation or as close to that pace as they can. Extended time-to-degree beyond the standard four years for a bachelor's degree or two years for an associate degree has huge implications for affordability. An additional year in college removes one year of a college graduate-level income from a student's working life, at a net cost of more than \$50,000 in addition to any additional tuition, fees, or books.<sup>10</sup> Yet students and institutions sometimes make choices to save small amounts of money in the short term, in spite of the much larger long-term cost (Boatman, Evans and Soliz 2014).

Incentive programs based on college grades have significant disadvantages. If the grades required are higher than what is needed to get a degree, then students who fall below the threshold and lose eligibility could be at a higher risk of dropping out and not completing. They can also encourage students to reduce their rate of progress by dropping or repeating courses in order to raise their grades.

On the other hand, states and institutions that have actively promoted higher course loads (as opposed to higher grades) and faster rates of progress have generally been successful and fears that retention rates could decline if students take more courses have not been well founded. West

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<sup>10</sup> Based on median income for a Washington bachelor's degree holder of \$52,900 from the American Community Survey 2012.

Virginia experienced significant increases in graduation rates when it instituted a 30 credit hour annual course completion requirement for its merit scholarship program (Scott-Clayton 2011). Indiana has recently built an incentive for course completion into its need-based aid programs. Hawai'i, Indiana, and Utah, along with individual institutions in other states, have created campaigns around the concept of "15 to Finish" that have increased course loads with no decline in student retention rates (Baumgartner 2014). A series of controlled experiments conducted by MDRC on college campuses around the country also generally found that students increased their rates of credit accumulation with no decline in retention rates (Patel and Richburg-Hayes 2012). A summary of rigorous research on financial aid programs concluded that using programs as both incentive and support was likely to increase their impact (Dynarski and Scott-Clayton 2013).

In Minnesota's shared responsibility model, the state sets the maximum combined state/federal award based on 15 hour course loads and prorates the combined award for any lower level of attendance. The National Association of Student Financial Aid Administrators has also proposed changes to the Pell grant that would provide support for 15 credit attendance and allow more flexibility to use the award year-round (National Association of Student Financial Aid Administrators 2013).

Washington's policies in this regard are already stronger than in most states. To graduate on time, students need to enroll in an average of fifteen quarter or semester credits per term. The amount of Federal Pell grants and most state grants, however, is capped at twelve credit hours per term; students get no additional aid if they take more. The State Need Grant, however, is tied to tuition, and will cover up to fifteen hours. In addition, quarter system courses in Washington are typically five credit hours, so students cannot easily drop below fifteen hours without reducing their Pell grant eligibility. But neither federal nor state programs cover the additional cost of books and supplies or the higher opportunity cost of fifteen hours.

In Washington, a revised State Need Grant program designed to promote progress and support both full-time and part-time students could:

- Set the maximum combined state/federal award based on 15 hours per quarter or 45 per year (30 in semester systems)
- Prorate the award for any level below that, so part-time students receive a proportionate level of state/federal aid
- Allow use of state funds in the summer, when federal aid is not available
- Include a communications campaign focused on the importance of on-time progress and completion
- Include additional incentives for completing a certain number of credit hours per year

# APPENDIX: GAP ANALYSIS FOR ALTERNATIVE DEGREE PATHWAYS

## 1. START WITH TOTAL ESTIMATED INSTITUTIONAL AND STUDENT COST OF THE DEGREE

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ 127,200	\$ 127,200	\$ 127,200	\$ 127,200
<b>Comprehensive Univs.</b>	Estimated \$	\$ 97,200	\$ 97,200	\$ 97,200	\$ 97,200
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 93,200	\$ 93,200	\$ 93,200	\$ 93,200
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 134,800	\$ 134,800	\$ 134,800	\$ 134,800

## 2. SUBTRACT WHAT THE STATE CONTRIBUTES THROUGH APPROPRIATIONS TO INSTITUTIONS (INVISIBLE SCHOLARSHIPS)

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ 21,600	\$ 21,600	\$ 21,600	\$ 21,600
	<b>Remaining</b>	<b>\$ 105,600</b>	<b>\$ 105,600</b>	<b>\$ 105,600</b>	<b>\$ 105,600</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 8,000	\$ 8,000	\$ 8,000	\$ 8,000
	<b>Remaining</b>	<b>\$ 89,200</b>	<b>\$ 89,200</b>	<b>\$ 89,200</b>	<b>\$ 89,200</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 13,400	\$ 13,400	\$ 13,400	\$ 13,400
	<b>Remaining</b>	<b>\$ 79,800</b>	<b>\$ 79,800</b>	<b>\$ 79,800</b>	<b>\$ 79,800</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ -	\$ -	\$ -	\$ -
	<b>Remaining</b>	<b>\$ 134,800</b>	<b>\$ 134,800</b>	<b>\$ 134,800</b>	<b>\$ 134,800</b>

**3. SUBTRACT WHAT PARENTS COULD BE EXPECTED TO AFFORDABLY CONTRIBUTE FROM INCOME, SAVINGS, BORROWING OR IN-KIND HELP**

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ -	\$ 18,200	\$ 39,400	\$ 86,300
	<b>Remaining</b>	<b>\$ 105,600</b>	<b>\$ 87,400</b>	<b>\$ 66,200</b>	<b>\$ 19,300</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ -	\$ 18,200	\$ 39,400	\$ 86,300
	<b>Remaining</b>	<b>\$ 89,200</b>	<b>\$ 71,000</b>	<b>\$ 49,800</b>	<b>\$ 2,900</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ -	\$ 18,200	\$ 39,400	\$ 86,300
	<b>Remaining</b>	<b>\$ 79,800</b>	<b>\$ 61,600</b>	<b>\$ 40,400</b>	<b>\$ (6,500)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ -	\$ 18,200	\$ 39,400	\$ 86,300
	<b>Remaining</b>	<b>\$ 134,800</b>	<b>\$ 116,600</b>	<b>\$ 95,400</b>	<b>\$ 48,500</b>

**4. SUBTRACT WHAT THE FEDERAL GOVERNMENT CONTRIBUTES THROUGH PELL GRANTS AND TAX CREDITS**

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ 26,600	\$ 14,400	\$ 10,000	\$ 10,000
	<b>Remaining</b>	<b>\$ 79,000</b>	<b>\$ 73,000</b>	<b>\$ 56,200</b>	<b>\$ 9,300</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 26,600	\$ 14,400	\$ 10,000	\$ 10,000
	<b>Remaining</b>	<b>\$ 62,600</b>	<b>\$ 56,600</b>	<b>\$ 39,800</b>	<b>\$ (7,100)</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 26,600	\$ 14,400	\$ 10,000	\$ 10,000
	<b>Remaining</b>	<b>\$ 53,200</b>	<b>\$ 47,200</b>	<b>\$ 30,400</b>	<b>\$ (16,500)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 26,600	\$ 14,400	\$ 10,000	\$ 10,000
	<b>Remaining</b>	<b>\$ 108,200</b>	<b>\$ 102,200</b>	<b>\$ 85,400</b>	<b>\$ 38,500</b>

**5. SUBTRACT AN AMOUNT THAT STUDENTS COULD REASONABLY BE EXPECTED TO EARN FROM WORK (EXAMPLE = 15 HRS/WEEK AT STATE MINIMUM WAGE)**

		<b>Lowest Income (up to \$30,000)</b>	<b>Lower Income (\$30- \$60,000)</b>	<b>Middle Income (\$80,000)</b>	<b>Upper Middle (\$120,000)</b>
<b>Research Univs.</b>	Estimated \$	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700
	<b>Remaining</b>	<b>\$ 60,300</b>	<b>\$ 54,300</b>	<b>\$ 37,500</b>	<b>\$ (9,400)</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700
	<b>Remaining</b>	<b>\$ 43,900</b>	<b>\$ 37,900</b>	<b>\$ 21,100</b>	<b>\$ (25,800)</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700
	<b>Remaining</b>	<b>\$ 34,500</b>	<b>\$ 28,500</b>	<b>\$ 11,700</b>	<b>\$ (35,200)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 18,700	\$ 18,700	\$ 18,700	\$ 18,700
	<b>Remaining</b>	<b>\$ 89,500</b>	<b>\$ 83,500</b>	<b>\$ 66,700</b>	<b>\$ 19,800</b>

**6. SUBTRACT AN AMOUNT STUDENTS COULD BORROW AND STILL CONSIDER “AFFORDABLE” (EXAMPLE = \$5,000 PER YEAR FOR 4-YEAR, \$2,500 FOR CTCS)**

		<b>Lowest Income (up to \$30,000)</b>	<b>Lower Income (\$30- \$60,000)</b>	<b>Middle Income (\$80,000)</b>	<b>Upper Middle (\$120,000)</b>
<b>Research Univs.</b>	Estimated \$	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
	<b>Remaining</b>	<b>\$ 40,300</b>	<b>\$ 34,300</b>	<b>\$ 17,500</b>	<b>\$ (29,400)</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
	<b>Remaining</b>	<b>\$ 23,900</b>	<b>\$ 17,900</b>	<b>\$ 1,100</b>	<b>\$ (45,800)</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000
	<b>Remaining</b>	<b>\$ 19,500</b>	<b>\$ 13,500</b>	<b>\$ (3,300)</b>	<b>\$ (50,200)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 20,000	\$ 20,000	\$ 20,000	\$ 20,000
	<b>Remaining</b>	<b>\$ 69,500</b>	<b>\$ 63,500</b>	<b>\$ 46,700</b>	<b>\$ (200)</b>

**7. DETERMINE HOW MUCH STATE NEED GRANT PROVIDE IF ALL STUDENTS UP TO 50% OF MFI WERE COVERED**

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ 43,500	\$ -	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (3,200)</b>	<b>\$ 34,300</b>	<b>\$ 17,500</b>	<b>\$ (29,400)</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 30,000	\$ -	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (6,100)</b>	<b>\$ 17,900</b>	<b>\$ 1,100</b>	<b>\$ (45,800)</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 29,800	\$ -	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (10,300)</b>	<b>\$ 13,500</b>	<b>\$ (3,300)</b>	<b>\$ (50,200)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 34,100	\$ -	\$ -	\$ -
	<b>Remaining</b>	<b>\$ 35,400</b>	<b>\$ 63,500</b>	<b>\$ 46,700</b>	<b>\$ (200)</b>

**8. DETERMINE HOW MUCH STATE NEED GRANT WOULD PROVIDE IF ALL STUDENTS UP TO 70% OF MFI WERE COVERED**

		Lowest Income (up to \$30,000)	Lower Income (\$30- \$60,000)	Middle Income (\$80,000)	Upper Middle (\$120,000)
<b>Research Univs.</b>	Estimated \$	\$ 43,500	\$ 21,750	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (3,200)</b>	<b>\$ 12,550</b>	<b>\$ 17,500</b>	<b>\$ (29,400)</b>
<b>Comprehensive Univs.</b>	Estimated \$	\$ 30,000	\$ 15,000	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (6,100)</b>	<b>\$ 2,900</b>	<b>\$ 1,100</b>	<b>\$ (45,800)</b>
<b>2+2 Degree (WCTCS to Comprehensive)</b>	Estimated \$	\$ 29,800	\$ 14,900	\$ -	\$ -
	<b>Remaining</b>	<b>\$ (10,300)</b>	<b>\$ (1,400)</b>	<b>\$ (3,300)</b>	<b>\$ (50,200)</b>
<b>Private Nonprofit (WA)</b>	Estimated \$	\$ 34,100	\$ 17,050	\$ -	\$ -
	<b>Remaining</b>	<b>\$ 35,400</b>	<b>\$ 46,450</b>	<b>\$ 46,700</b>	<b>\$ (200)</b>

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