

AFFORDABILITY: Financial Aid and Student Debt

House Higher Education Committee

January 29, 2013

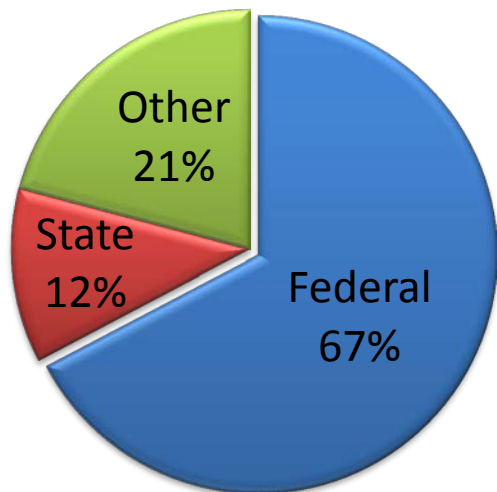
Costs rise and aid dollars are stretched...

- Tuition increases in the double-digits for several years.
- Record numbers of FAFSAs filed – exceeding 500,000.
- Average loan amounts increasing.
- State Need Grant not available to about 31,000 eligible students in 2011-12.

Yet more aid has been offered than ever before...

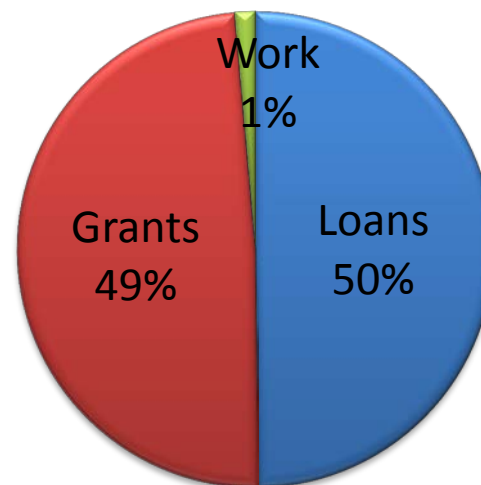
- State Need Grants awarded to at least 75,000 students.
- More than a billion dollars in aid to resident undergraduates.
- \$40 million in private scholarships through *theWashBoard.org*.

Financial Aid by Source 2011-12



Federal: \$1.7 B
Other: \$536 M
State: \$303 M

Financial Aid by Type 2011-12



Loans: \$1.3 B
Grants: \$1.3 B
Work Study: \$35 M

- **\$2.6 billion** provided to needy Washington students in 2011-12
- \$1.7 billion provided to resident undergraduate students

Note: "Need" eligibility is determined by subtracting the expected family financial contribution from the total cost of attendance for the student.

Aid provides opportunity

Cost of Attendance

Tuition & Fees

Books & Supplies

Room & Board

Personal Expenses



Grants

- \$722 million provided in federal and state grants to 126,000 resident undergraduates

Aid provides opportunity

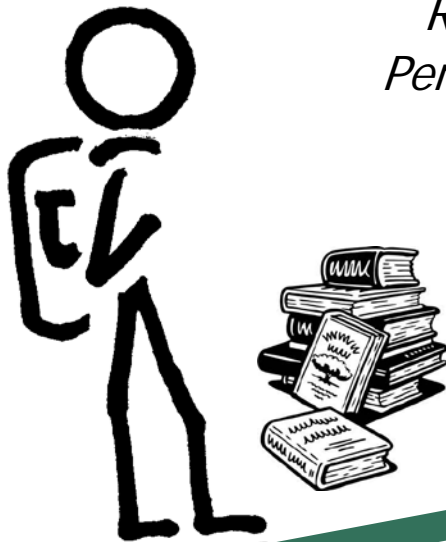
Cost of Attendance

Tuition & Fees

Books & Supplies

Room & Board

Personal Expenses

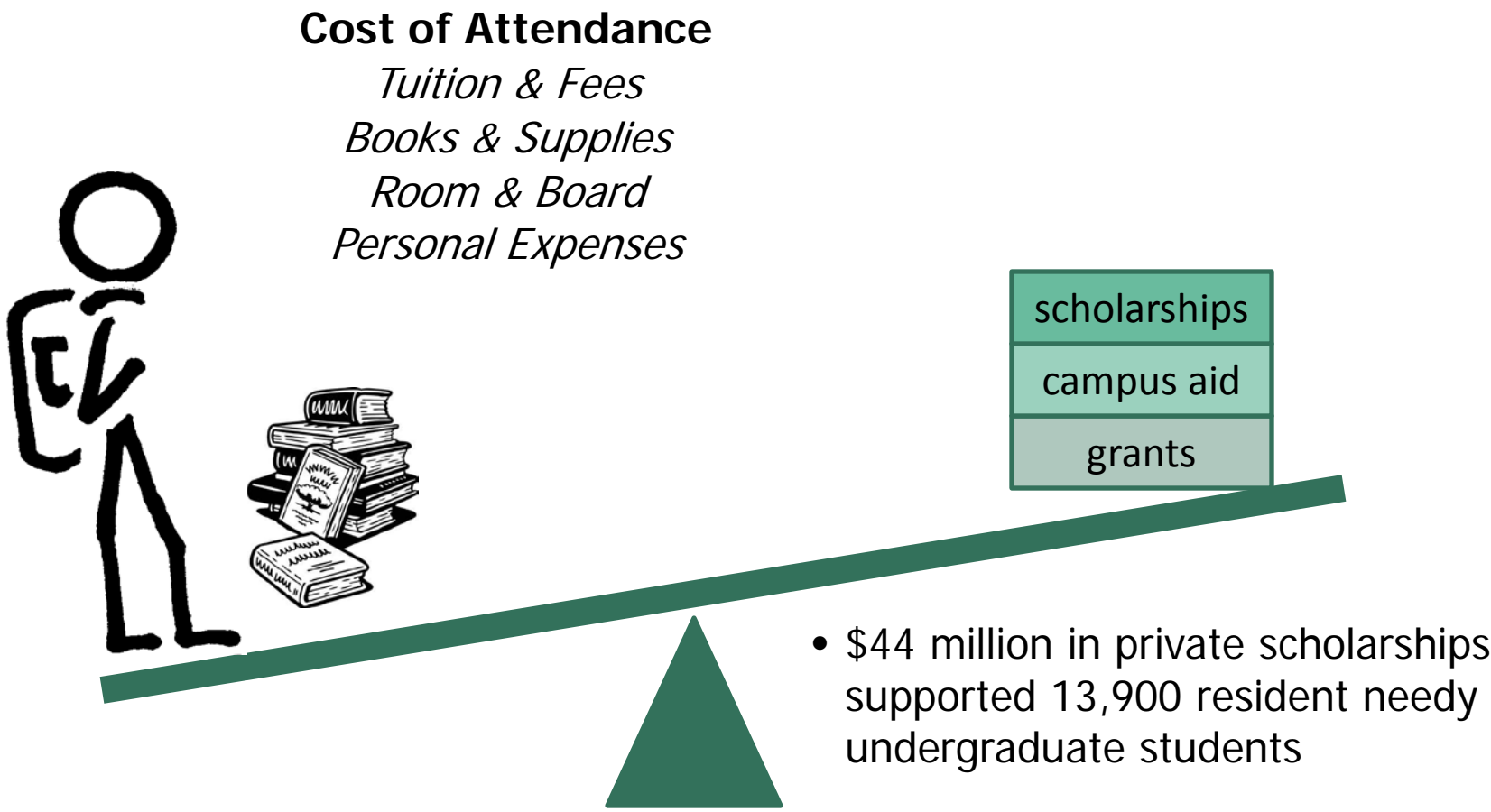


campus aid

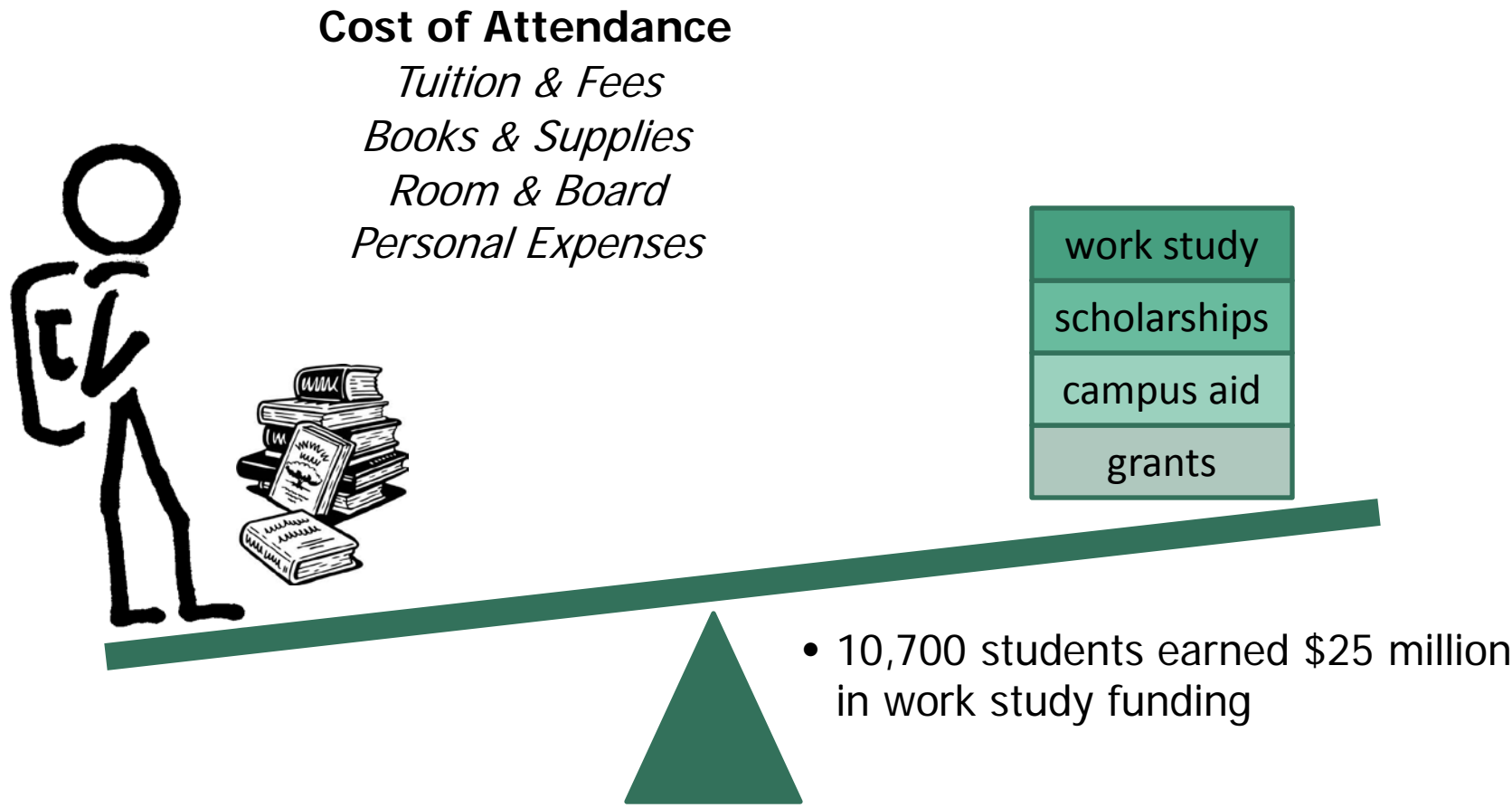
grants

- Campus aid includes tuition waivers, grants, and scholarships – need-based or merit-based
- \$245 million provided to 55,000 students

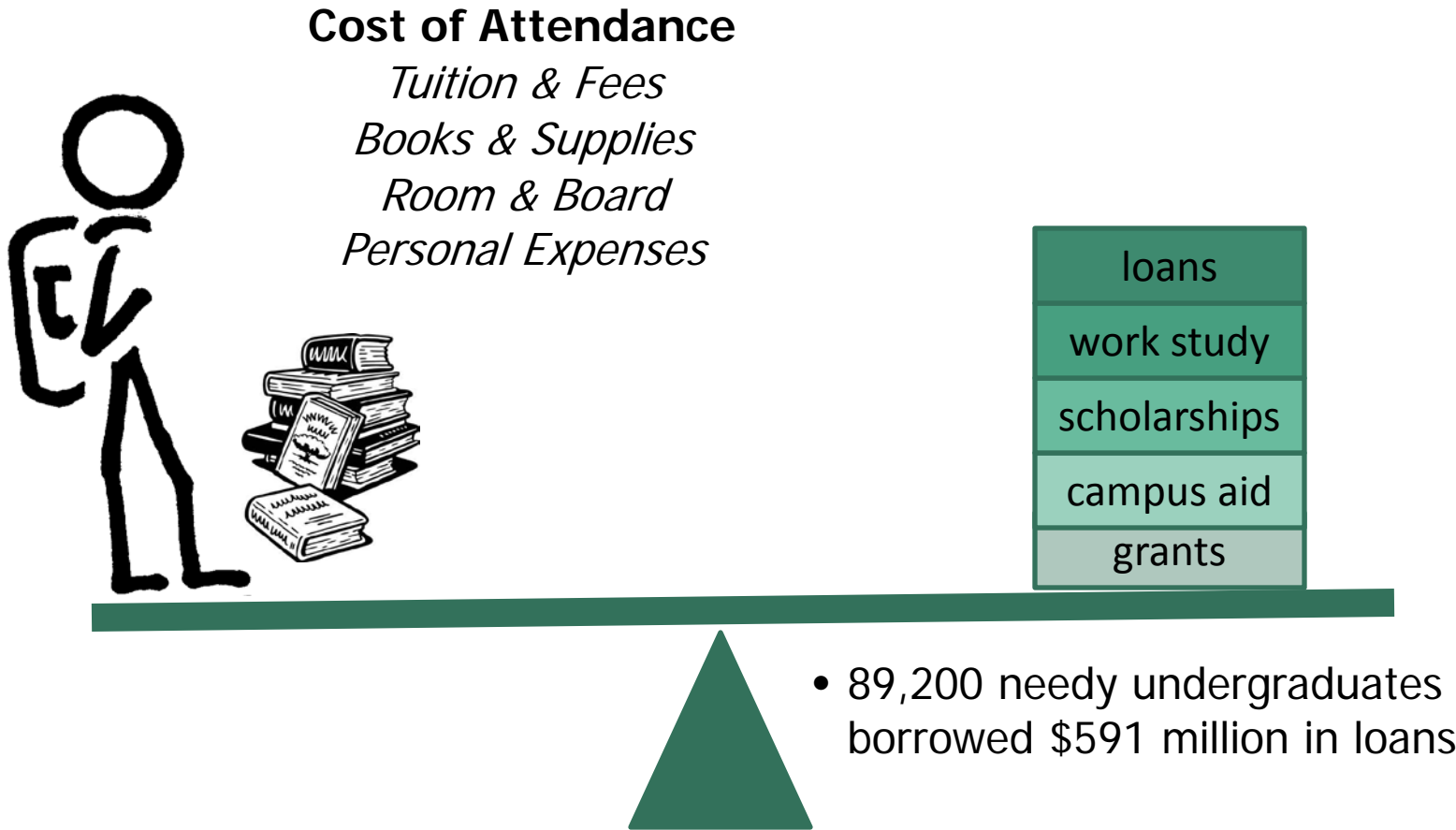
Aid provides opportunity



Aid provides opportunity



Aid provides opportunity



Increases in aid applications

The number of students filling out the FAFSA increased significantly during the economic downturn.

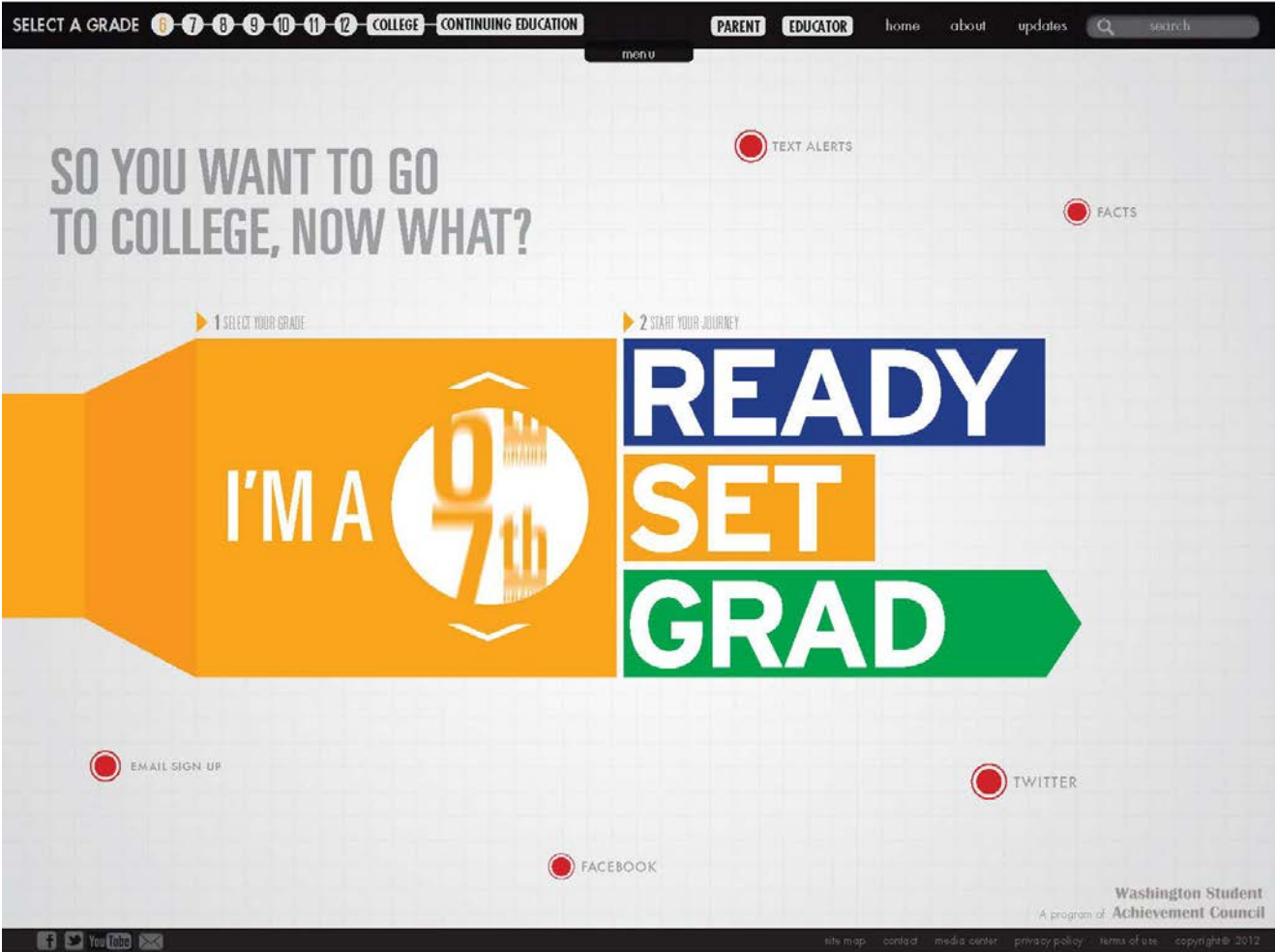
- A **61% increase** in total number of applications received for 2011-12 over 2007-08.
- In Washington, more than **518,000 applications** filed for 2011-12.
 - As of December 2012, more than **485,000 FAFSAs**—a 3% increase from the same point in time for the previous year.





New **college and career planning website** — Ready, Set, Grad — is on track to launch in mid-March 2013.

- An interactive **timeline management tool** for students.
- **Financial aid counseling and financial literacy curriculum** intended to educate all students on state and federal financial aid programs, scholarships, work-study, loans options and repayment, and basic money management.
- **A forum** of “real” stories and advice from students and parents.
- Both **instructional and inspirational videos** covering college aspiration and financial aid.
- The ability for students and/or families to sign up for **text message updates** regarding programs, deadlines, etc.



Launched in January 2010, by a coalition of public and private organizations, to help Washington students find relevant scholarship opportunities.

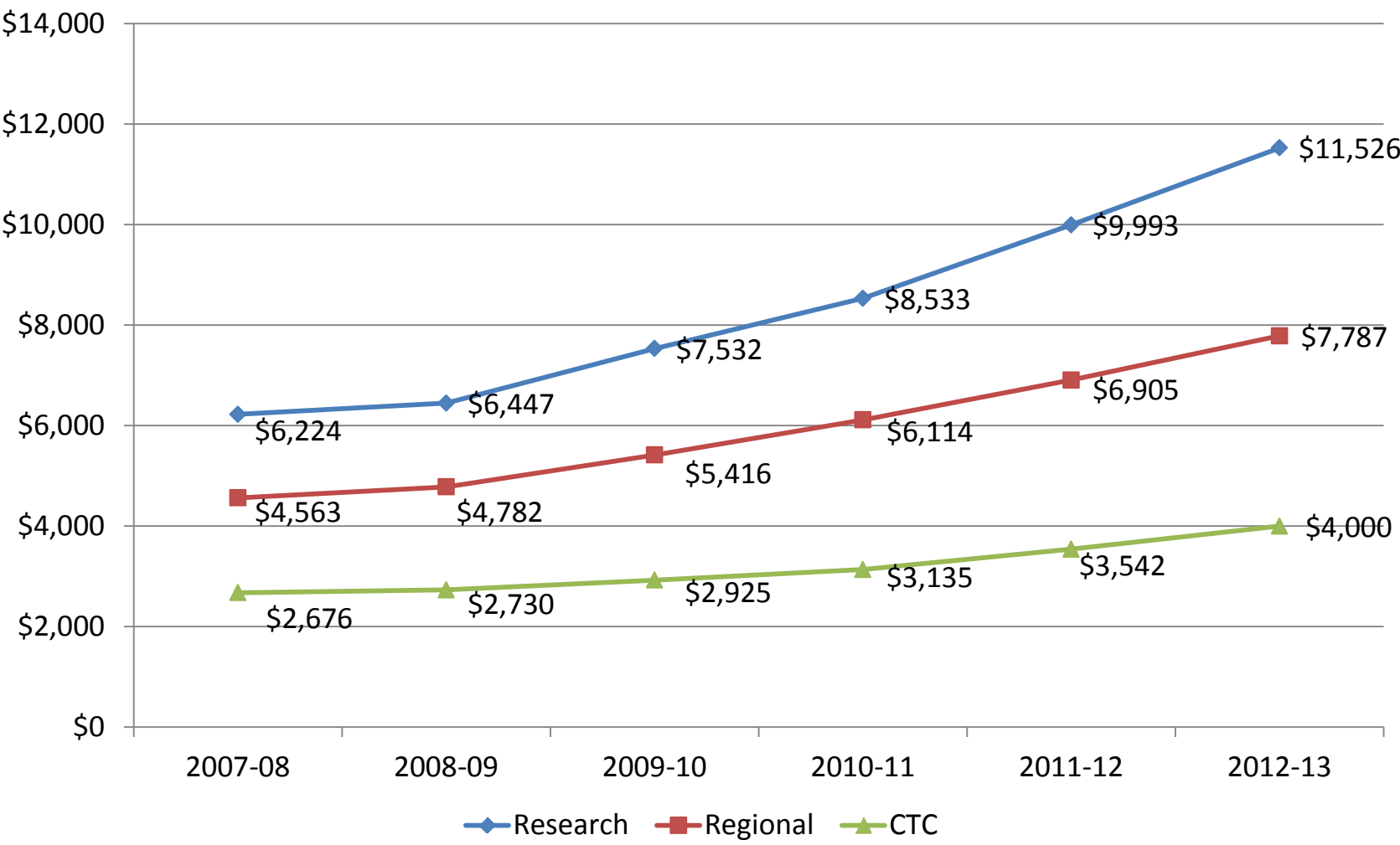
Scholarship Coalition Goals:

- Increase access to scholarships for Washington students, with emphasis on low-income and underserved students.
- Improve efficiency in the private scholarship application process.
- Provide a high-quality, centralized information resource.

theWashBoard.org:

- ✓ More than \$46m offered in scholarships in 2011-12.
- ✓ More than 250 scholarship providers registered.
- ✓ More than 130,000 registered scholarship seekers.
- ✓ 85% of scholarship seekers surveyed would recommend theWashBoard.org to their friends.

In 5 years, tuition nearly doubles



- Student borrowing is **increasing at all levels** both in the dollar amounts and number of borrowers.
- Borrowing is increasing at a faster rate in **community colleges** compared to other sectors.
- State Need Grant **mitigates borrowing** for the lowest income students.
- Many students graduate **without debt**.
- **Graduate students** borrow significantly higher amounts.
- Although underreported, **private loan borrowing has decreased** significantly.

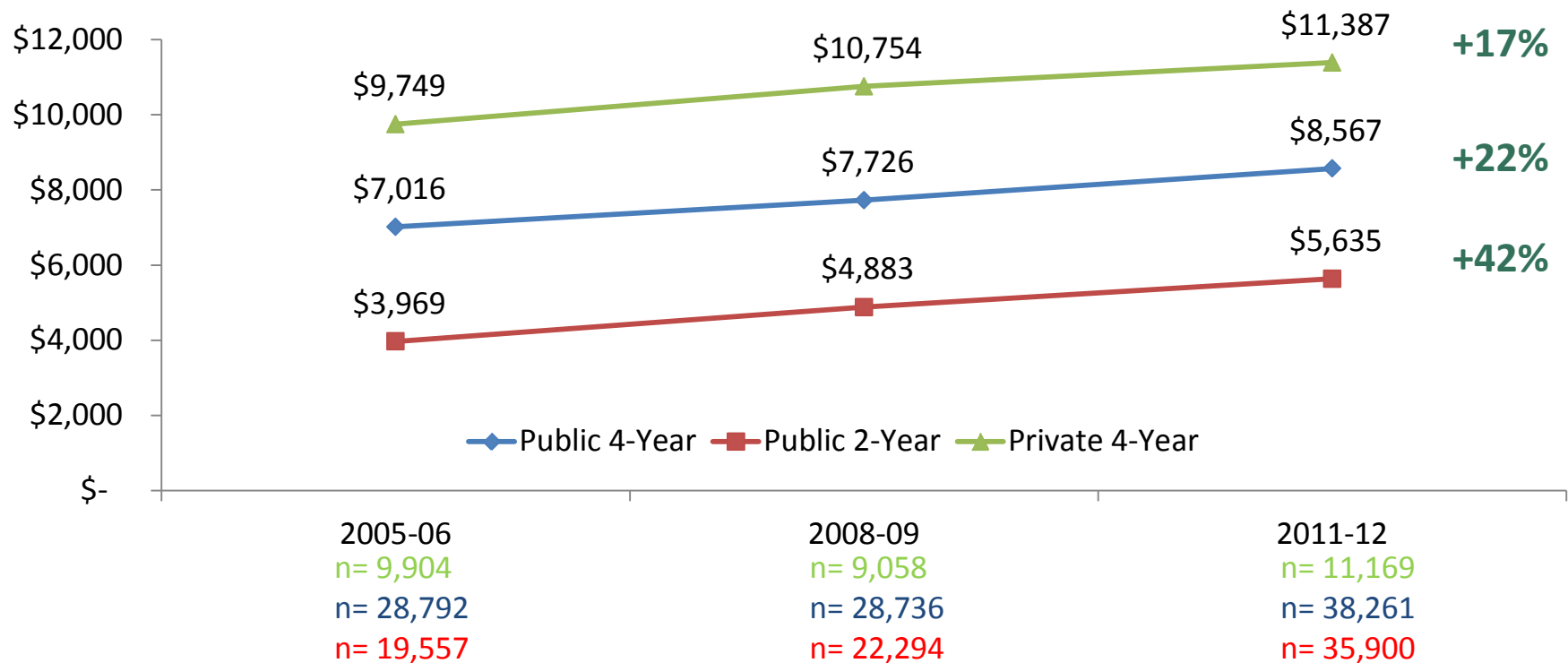
Student's Academic Year	Dependent Undergraduate *	Independent Undergraduate
First Year	\$5,500 with no more than \$3,500 in subsidized loans	\$9,500 with no more than \$3,500 in subsidized loans
Second Year	\$6,500 with no more than \$4,500 in subsidized loans	\$10,500 with no more than \$4,500 in subsidized loans
Third and beyond (each year)	\$7,500 with no more than \$5,500 in subsidized loans	\$12,500 with no more than \$5,500 in subsidized loans
Aggregate loan limits at graduation	\$31,000 with no more than \$23,000 in subsidized loans	\$57,500 with no more than \$23,000 in subsidized loans

*Dependent students must report their parents' income and assets on the FAFSA in addition to their own.

- Graduate students are limited to \$31,000 annually and \$138,500 aggregate.
- Interest rates are 3.4% for subsidized loans and 6.8% for unsubsidized loans and graduate student loans.
- Parent loan interest rate is 7.9%.

Annual borrowing increases

Annual Average Loan Amounts by Needy Resident Undergraduates (including Parent PLUS Loans) by Sector 2005-06 to 2011-12



Resident undergraduate need-based aid recipients. Includes Federal Perkins, Stafford, Parent PLUS Loans and Private Loans.

2011-12 Student borrowing

NEED-BASED RECIPIENTS	TOTAL		DEPENDENT		INDEPENDENT	
	Avg.	Students	Avg.	Students	Avg.	Students
Public Four-Year	\$7,100	38,149	\$6,300	24,086	\$8,400	14,063
Four-Year Private	\$9,100	11,168	\$8,100	7,503	\$11,100	3,665
Community/Technical Colleges	\$5,600	35,899	\$3,600	5,835	\$6,000	30,064
Private Career	\$7,500	4,555	\$6,600	1,533	\$7,900	3,022

- A higher portion of borrowers are dependent in the four-year sectors and independent in the two-year sectors.
- Dependent students have lower caps in the federal Stafford loan program.

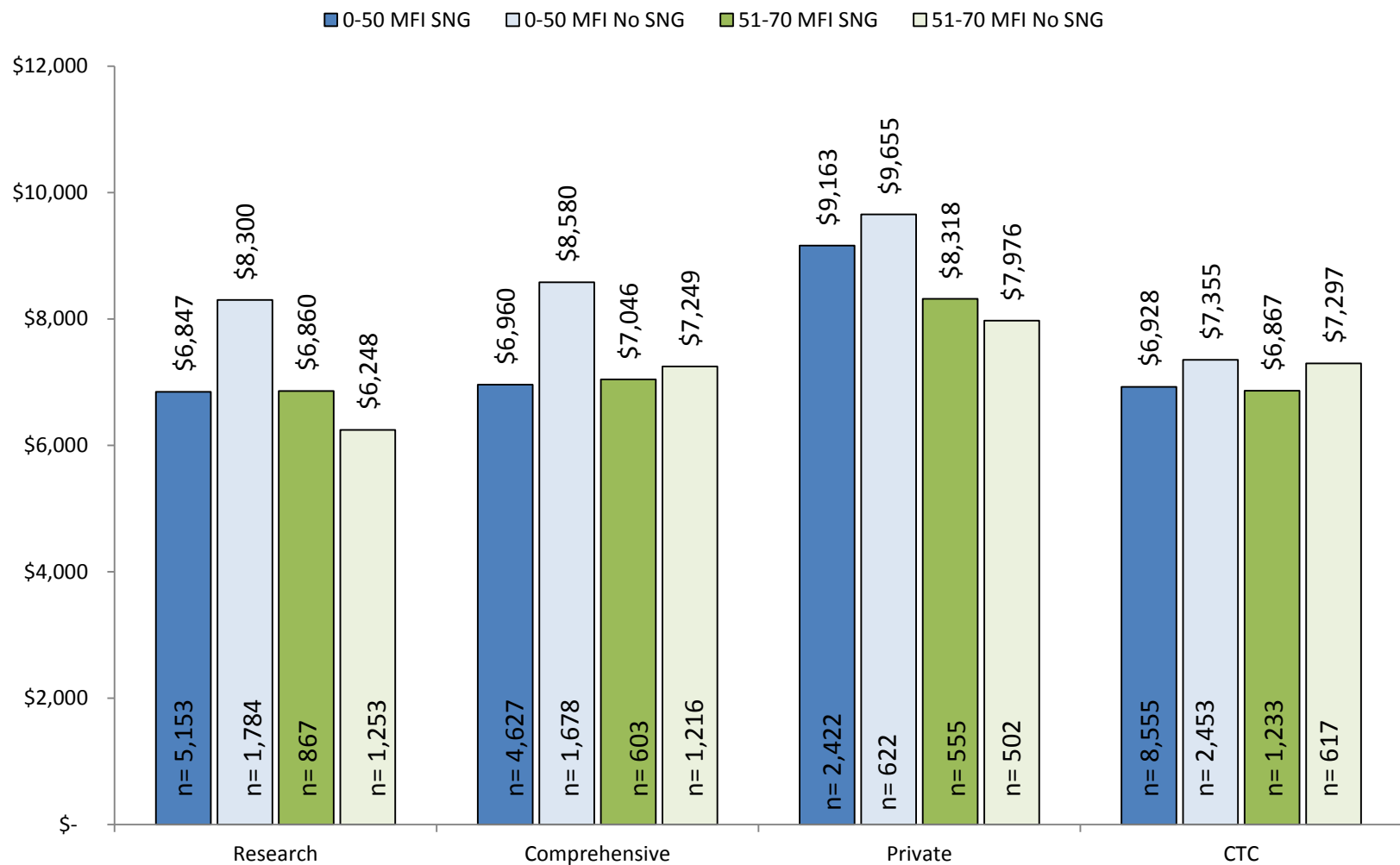
- Although underreported, **private loan borrowing has decreased** significantly.
 - \$42 million to needy students in 2005-06 to 2007-08
 - \$31 million in 2008-09
 - \$26 million to \$28 million in 2009-10 to 2011-12
- More than 17,000 **need-based graduate students** borrowed \$24,300 on average in 2011-12.
- Nearly 1,200 **non-needy graduate students** borrowed \$17,200 on average in 2011-12.

Washington ranks 39th in the nation in student loan debt upon graduation in 2011, (1st being highest) according to www.projectonstudentdebt.org.

- Average total loan debt upon graduation = \$22,244
- Graduates with student loan debt = 56%
 - Average for **public** four-year institutions ranges from \$17,500 to \$23,000
 - Average for **private** four-year institutions ranges from \$17,700 to \$35,000
 - Between 40% and 52% of public four-year graduates have no debt
- Students who borrow at public four-year campuses have borrowed \$14,500 on average by the start of their senior year.*
 - 20% have borrowed between \$19,500 and \$37,800
 - 5% have borrowed over \$37,800

* Need-based recipients in 2011-12 compared to data reported from National Student Loan Data System.

SNG mitigates borrowing for lowest income



Full-time, full-year students. Federal Loans include Federal Perkins, Stafford Subsidized, Unsubsidized and Parent PLUS Loans

- **The Legislature** requested two studies regarding State Need Grant (SNG) student outcomes:
 - Washington State Institute for Public Policy (reports due in 2012 and 2013)
 - Washington Student Achievement Council (report due in 2014)
- **Continual evaluation and research** required by State Need Grant program statute.

- Studies show need-based grants increase the likelihood of attendance.
- Grants have been shown to be more effective in promoting participation than loans.
- Evidence that need-based grants improve retention and completion.
- Grant aid supports full-time attendance and campus engagement.

- Financial aid administrators, key stakeholders, and legislative staff convened monthly April to September in 2012.
 - Examined existing policies and offered proposals to provide more equitable opportunity to eligible students across sectors.
 - Reviewed 10 other states with similar programs.
 - Reviewed position papers and proposals submitted by each sector.
 - Evaluated program history and student trends.
 - Examined SNG awarding and eligibility.
 - Developed a set of preliminary considerations.

- **Last year**, 75,000 Washington students attending 68 institutions had much of their tuition paid for through the State Need Grant program.
- **However**, economic factors and growing enrollments, combined with tuition increases, have resulted in an increasing numbers of students who are eligible but cannot receive funding.
- **Nearly 31,000** eligible students went unserved last year.

- Created in **1969**. Legislative intent to offset tuition for low-income students affirmed in **1976**.
- Non-profit private participation since beginning; for-profit institutions authorized in **1980**.
- Variable grant amounts reflecting cost of attendance in **1988**.
- Part-time students authorized in **1989**.
- Federal changes led to use of median family income (MFI) to determine eligibility in **1993**.
 - Determined via budget process from 40% of MFI in 1996 to 70% in 2007.
- Student awards based on tuition rates as of **1998**.

- **68 institutions** – 40 public and 28 private
 - 17 private four-year institutions (2 are for-profit)
 - 11 private two-year institutions (9 are for-profit)
- **For-profit** institution performance **data reviewed** annually for continued participation.
 - Completion and placement rates
 - Enrollments and loan default rates
 - Fiscal data and standing with U.S. Dept. of Education and accrediting body
- Rigorous review of **new campus applications** to participate in State Need Grant.

- State Need Grant is “**decentralized**” – campuses identify eligible students and determine individual student award amounts based on state level policies.
- **Maximum awards** – determined by legislative budget process based on public tuition (from \$3,696 to \$10,868 for 2012-13) and MFI (prorated by income range).
- **Campuses prioritize** – often to lowest income.
- SNG has a “**self-help**” requirement – defined as 25% of the cost of attendance or a work calculation – met through loans, work, unmet need, or scholarships.

- Each campus receives the portion of the appropriation based on their share of total state need.
- Total eligible students (FTE) for the prior year and the current award amount are used determine total need for each campus.
- The proportion of statewide need is applied to the SNG appropriation for campus allocations.
- As a result this process the portion of students by sector is the same for served and unserved students.

Sector	FTEs (served or unserved)	Served Headcount	Unserved Headcount	Expenditures
Public 4-year	38%	27%	31%	51%
CTCs	54%	64%	63%	37%
Private 4-year	6%	5%	5%	10%
Private Career	2%	4%	1%	2%

SNG combines with other aid

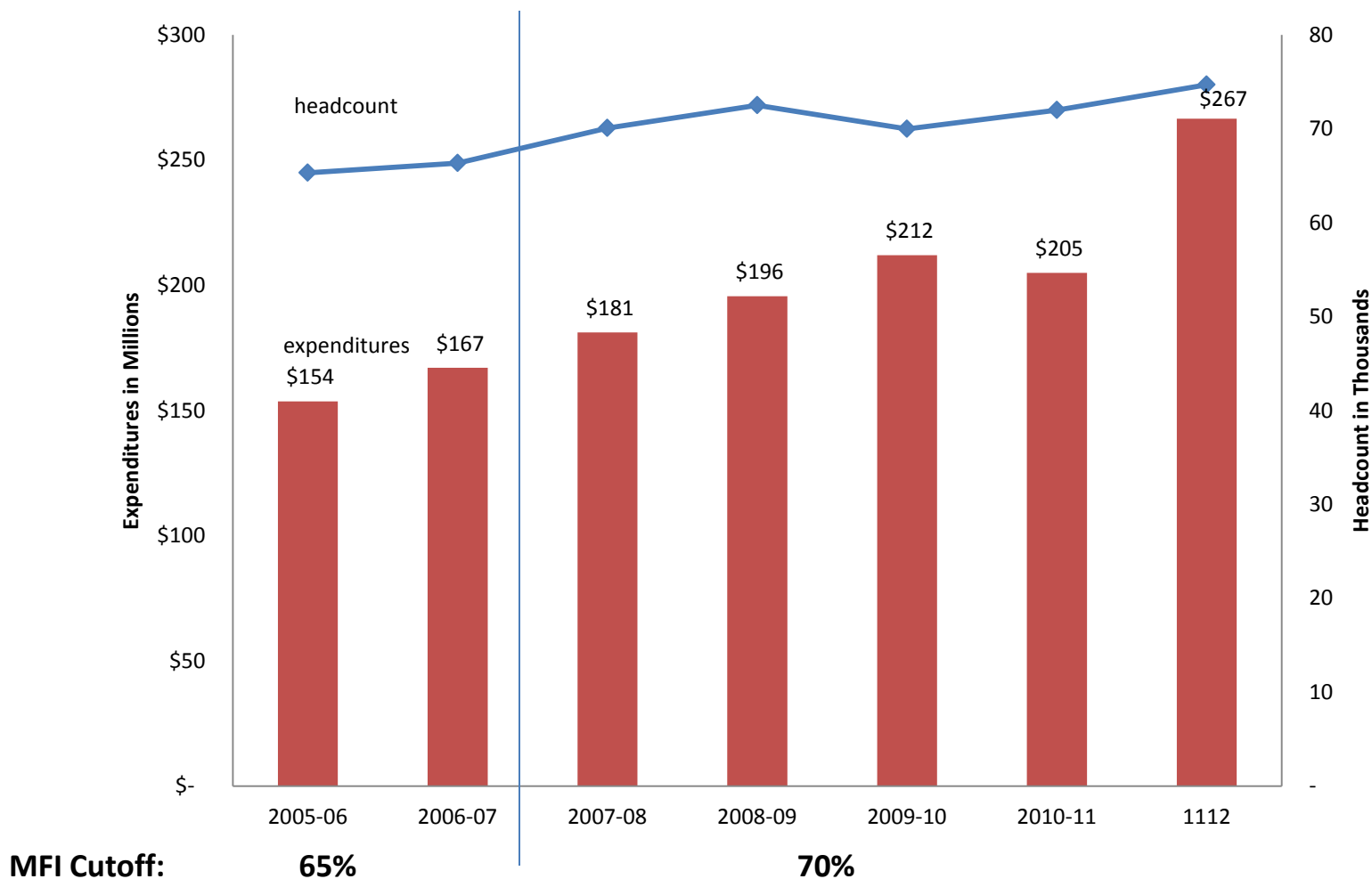
- SNG combines with federal, institutional, and private aid to support students in meeting educational expenses.
- 98% of recipients receive other types of aid.

	PELL	Other Grant Aid	Institutional Outside Aid	Student Loans	Work Study
All Percentage	95%	43%	53%	57%	14%
All Averages	\$5,110	\$1,267	\$4,096	\$7,093	\$2,703

- SNG combines with other aid and family contribution to cover Cost of Attendance (tuition/fees, books, living, personal and expenses).

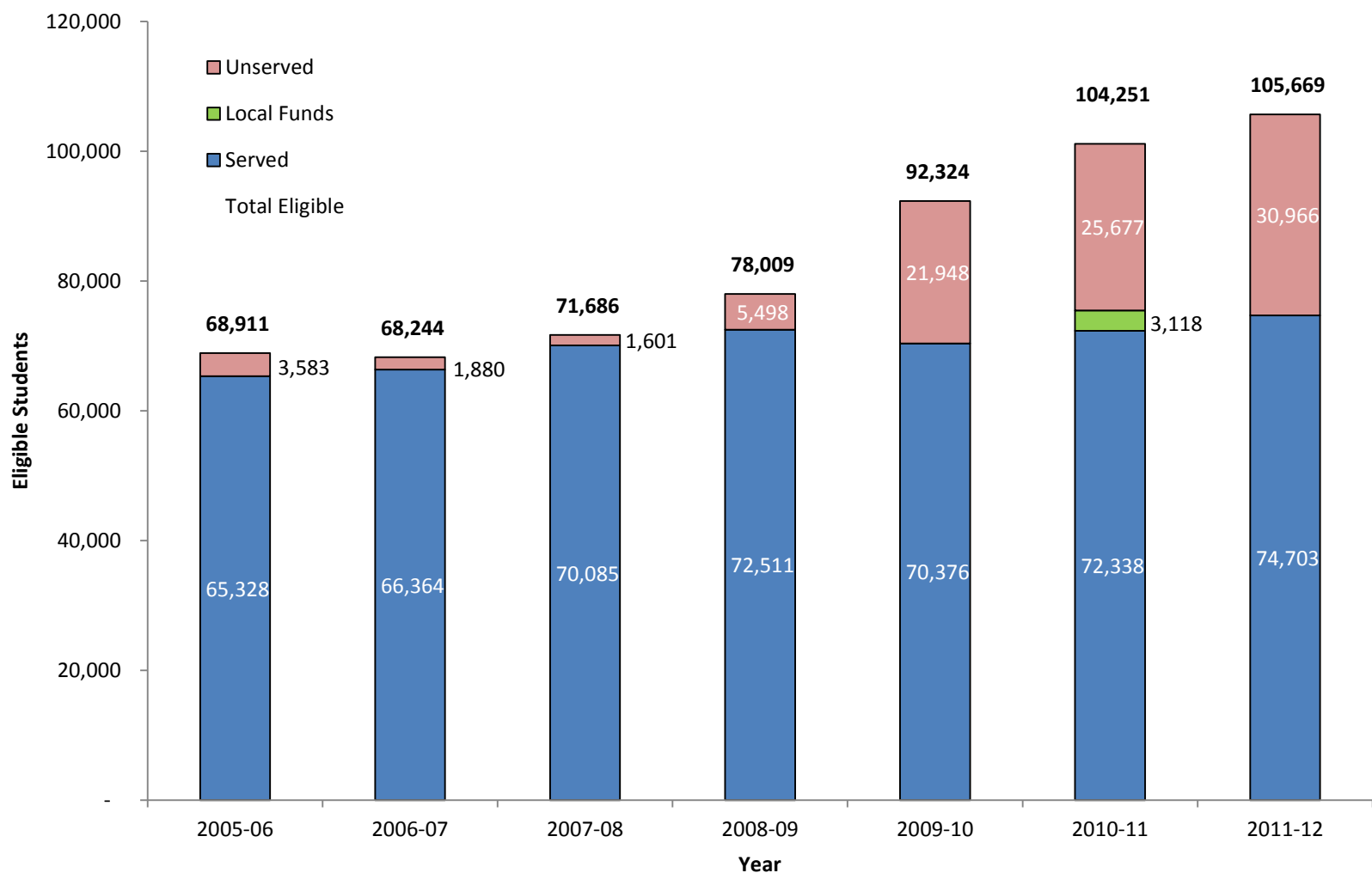
- The Legislature provided increases to award amounts for individual State Need Grant recipients to protect the lowest income students from tuition increases.
 - Since 2005-06, the SNG appropriation has doubled to \$303 million in 2012-13.
 - Public tuition has increased by 52% since 2005-06.
 - Awards increase on a dollar-for-dollar basis tied to public tuition increases for students in the lowest income category.
- Yet recent demand has outstripped available funding.
 - In the last three years, the eligible population increased by 36%.
- As a result, the number of eligible students who do not receive the grant has increased.
 - About 30% of eligible students have not been served in the past three years.

Total SNG expenditures and students served



Thanks to increased appropriations by the Legislature, the percentage of tuition covered by SNG has remained constant for a relatively stable number of recipients, even as tuition has risen.

Served and unserved SNG eligible students



In spite of increased appropriations, the increasing enrollments of low-income students have outstripped available funding, leaving growing numbers of eligible students unserved by the State Need Grant.

Workgroup Policy Considerations

- Maintain connection to public tuition.
- Permit campuses to reduce grant amounts to serve all eligible students.
- Collapse the MFI categories to three.
- Require consideration of family assets.
- Avoid special program priorities.

Even if these considerations were implemented there will be significant numbers of students underserved or unserved by SNG.

- Second-oldest state program in the country – serving students and employers for more nearly 40 years.
- Requires positions that relate to students' academic and career interests whenever possible.
- More than 1,000 participating employers provide matching funds that leverage state assistance to working students.
- 56 institutions participate.
- Need-based program – both undergraduate and graduate students are eligible.

2011-12 SWS earnings

Sector	Amount Earned	State Share	Employer Share	# Students	Avg. Earnings
Public Four-Year	\$4,431,000	\$2,694,000	\$1,737,000	1,908	\$2,300
Private Four-Year	\$3,905,000	\$2,269,000	\$1,636,000	1,482	\$2,600
Community & Tech.	\$5,359,000	\$3,229,000	\$2,129,000	2,874	\$2,500
Total	\$13,695,000	\$8,192,000	\$5,502,000	5,498	\$2,500

- **5,500 students** earned State Work Study in 2011-12.
- **Employer contributions** provided \$5.5 million in additional aid to resident students last year (more than 40% of total wages).

Sector	% On-campus	% Off-campus
Public four-year	85%	15%
Private four-year	21%	79%
Community & Tech.	90%	10%

- On-campus work experiences
 - Improve retention
 - Integrate well with academic subject matter and schedules
 - Teach students with little or no job experience the “basics” about the work world
- Off-campus work experiences
 - Typically pay better
 - Provide more “real-world” learning experiences, strengthening resumes
- SWS is the only need-based aid available to resident graduate students.

Survey of SWS employers indicates:

- Many graduates hired full-time with same organization.
- Employers value and prioritize past work experience when making hiring decisions.
- Organizations who partner with and contribute to State Work Study:
 - Provide vital community services
 - Achieve growth as a business
 - Employ hundreds of students
 - Provide opportunity to future educators
 - Offer opportunities for students to gain significant skills and experiences



United Way
of Pierce County



Spokane Public Schools
excellence for everyone



green
cupboards



Washington Access Fund
Independence is priceless. We make it affordable.

Tacoma Day



Serving the Community
Since 1911





- Passport is in its 5th year of serving students. A bill passed in 2012 to make it a permanent program following the pilot program phase.
- Educational planning and assistance through the SETuP program for youth (14 to 18 years old).
- Incentives offered to colleges for providing specialized support services such as tutoring, mentoring, and resources.
- College Success Foundation provides support to students and campuses.
- Innovative data sharing between state agencies identifies youth eligible for the program.
- All foster youth are now automatically signed-up for the College Bound Scholarship.

State aid funding changes

Aid Type	Program	Fiscal Year 2009-10 Total Dollars (in millions)	Fiscal Year 2012-13 Total Dollars (in millions)	Percent Change
Need Based	State Need Grant	\$209	\$303	45%
	State Work Study	\$21.7	\$7.8	-64%
	Passport for Foster Youth	\$1.6	\$2.4	50%
	Educational Opportunity Grant	\$2.9	\$0	-100%
Targeted Workforce	Health Professionals	\$4.4	\$0.5	-88%
	Future Teachers	\$1	\$0	-100%
	WICHE	\$0.33	\$0.19	-42%
	Aerospace Loan Program	N/A	\$1.25	100%
Merit	WAVE	\$1.3	\$0.75	-42%
	Washington Scholars	\$2.8	\$1.6	-43%
	Leadership 1000	\$0.5	\$1.5	300%
Other	State GEAR UP	\$1.5	\$1	-33%