

Title	Affordability Policy Options		
Challenge area:	☐ Student Readiness ☒ Affordability ☐ Institutional Capacity & Student Success ☐ Capturing the Potential of Technology ☐ Stable and Accountable Funding	Staff lead:	Rachelle Sharpe
		Position	SFA Director
		Email:	rachelles@wsac.wa.gov
		Phone:	360.753.7872
Synopsis:	Primarily as a result of rising tuition, the ability to cover the total cost of attending college has become increasingly unaffordable for more Washington families. This has worsened in the past five years as the economy has led not only to increased costs but also to stagnant incomes. The affordability workgroup developed several policy options for the Council's consideration: • Increase State Investments in Public Institutions • Recommend Full Funding for the State Need Grant • Target State Need Grant Most Efficiently • Evaluate the Effectiveness of State Student Financial Aid Programs • Invest in State Work Study • Restructure the Former Educational Opportunity Grant • Identify a Savings Incentive Program • Promote Flexible Payment Methods		
Guiding questions:	• Does the Council want to recommend a goal for continued investments in higher education? • What are the Council's recommendations for targeting financial aid? • How will SNG modifications impact the College Bound program? • How are state aid programs coordinating and how are they meeting their intended policy purposes? • Does the Council want to recommend an incentive program to encourage families to save early?		
Possible council action:	☒ Information Only ☐ Approve/Adopt ☐ Other: _____		
Documents and attachments:	☒ Brief/Report ☒ PowerPoint ☐ Third-party materials		

Ten-Year Roadmap Policy Options

Challenge Area *Affordability*

Planning Activity

Develop strategies to examine new options to address affordability and review the current model of financial aid.

Council Lead Members

Marty Brown
Paul Francis
Ray Lawton

Council Staff

Rachelle Sharpe (Lead), Director of Student Financial Assistance
Christy England-Siegerdt, Director of Research and Planning
Julie Japhet, Associate Director of Student Financial Assistance
Jeffrey Powell, Associate Director of Student Financial Assistance
Jim Reed, Policy and Planning Coordinator
Steve Thorndill, Associate Director for Training and Compliance

July 2013

Executive Summary

A college education benefits individuals by improving their quality of life. It also provides societal, economic, and generational benefits to the greater society. The importance of postsecondary education became strikingly apparent during the recent period of economic downturn when large numbers of people became unemployed or underemployed and increasing numbers of people returned to college to improve their competitiveness and earning potential. Unfortunately, college tuition has risen each year, and both prospective students and state governments must now confront the challenge of finding and devoting the funds needed to support degree attainment.

Despite some grants and loans available from the state, the federal government, higher education institutions, and private sources, many students have to decide how to make up the difference between their available resources and costs. Students who have been unable to save for college will make hard choices regarding their levels of enrollment, work hours, and student loan debt.

Policy Options for Recommended Action

A number of policy options have been developed for Council consideration to improve affordability for Washington students and families:

1. Increase State Investments in Public Institutions
2. Recommend Full Funding for the State Need Grant
3. Target State Need Grant Most Efficiently
4. Evaluate the Effectiveness of State Student Financial Aid Programs
5. Invest in State Work Study
6. Restructure the Former Educational Opportunity Grant
7. Identify a Savings Incentive Program
8. Promote Flexible Payment Methods

Context of the Ten-Year Roadmap

Increasing educational attainment is vital to the well-being of Washington residents and to the health of our state and its economy. To this end, the Washington Student Achievement Council is working to propose goals and strategies for increasing educational attainment through a ten-year Roadmap and a two-year Strategic Action Plan.

The Council's Strategic Action Plan, adopted in November 2012, identifies five critical challenges to be addressed in the Roadmap. The five challenge areas are:

1. **Student Readiness** (with four planning activities: Early Learning; Outreach and Support; Alignment; Remedial Postsecondary Education)
2. **Affordability**
3. **Institutional Capacity and Student Success** (with two planning activities: Meeting Increased Demand; Assessment of Student Skills and Knowledge)
4. **Capturing the Potential of Technology**
5. **Stable and Accountable Funding**

To inform the Council's work of creating the first Roadmap, workgroups comprising lead Washington Student Achievement Council members, Council staff, and external workgroup members were formed to research, discuss, and develop issue briefings and policy recommendations for each of these five critical challenge areas.

The challenge areas are complex and interrelated. While the Roadmap will recommend actions for each of the challenge areas, these recommendations will be integrated into a cohesive plan.

Introduction

The purpose of this report is to build upon the work of the previous Affordability Issue Briefing¹ and recommend to the Council an array of policy options for consideration in preparing the ten-year Roadmap to raise educational attainment in Washington State.

Every Washington student who desires and is able to attend postsecondary education should, and optimally would, have the ability to cover the costs associated with that education. State fiscal policies related to tuition rates, public institution funding, and student financial aid programs will impact the degree to which this ultimate goal can be reached.

The essence of affordability for students and families is whether they have sufficient resources to cover their educational expenses. Primarily as a result of rising tuition, the total cost of attending college has become increasingly unaffordable for more Washington families. This has worsened in the past five years as the economy has led not only to increased costs but also to stagnant incomes.

The affordability workgroup reviewed the Washington data and research explored in the background issue brief and developed several policy options for the Council's consideration related to funding investments and program evaluations with the overarching goal of supporting all students with affordability of postsecondary education.

Policy Options for Recommended Action

The following eight policy options are recommended to the Council for consideration to improve affordability for Washington students and families. The options are not mutually exclusive and are presented with a brief explanation and the proposed action and expected outcomes.

1. Increase State Investments in Public Institutions

Action: Increase per-student state funding to public institutions.

Outcome: *Limit tuition increases for all students leading to improved access and affordability.*

Taxpayers and students have traditionally shared the cost of instruction of public higher education. However, as state support has declined, the portion students pay through tuition and fees has grown to help offset the loss of state support. Students are now covering the majority of the cost at public four-year institutions.

As a result of reduced state appropriations to institutions, public tuition has increased significantly. The average tuition increase from 2007 to 2012 has been 49 percent in the community and technical colleges, 71 percent at the regional universities, and 85 percent at the research institutions. Yet Washington is still only slightly below the national average of 47 percent of total public higher education funding received through state appropriations.

2. Recommend Full Funding for the State Need Grant

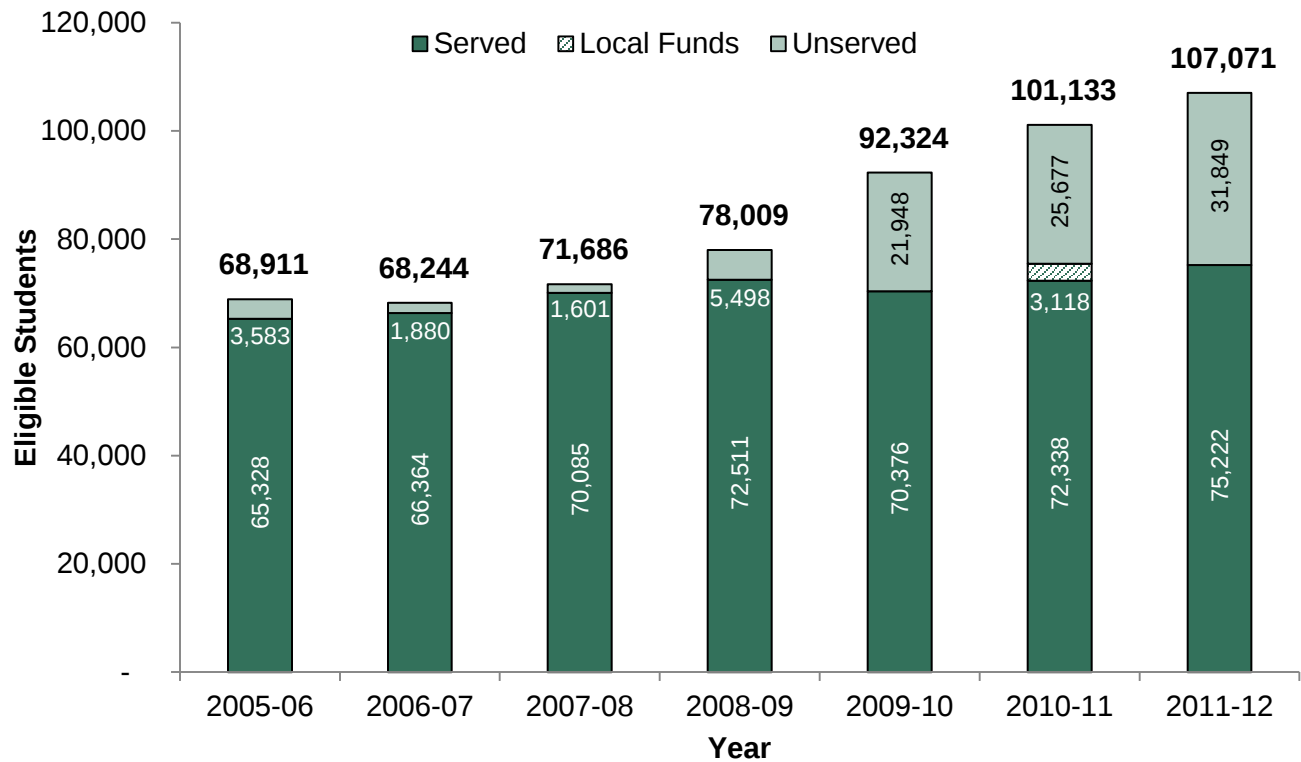
Action: While maintaining commitment to restoring state investments in public institutions, recommend full funding to all students eligible for State Need Grant (SNG). Develop a funding trajectory to accommodate service to future eligible enrollments.

Outcome: *Each eligible enrolled student receives SNG funding.*

For the past four years, the Legislature has increased SNG funding to offset the impact of tuition increases for the lowest income students served by the program. In fact, Washington historically has ranked among the top states in its commitment to need-based aid.

In spite of increased appropriations, the increasing enrollment of low-income students has outstripped available funding, leaving growing numbers of eligible students unserved by the program. This trend began in 2009-10 when about 30 percent of eligible students were unable to receive the grant. Since then, the number of total eligible students has grown each year, as shown in Figure 1.

Figure 1
SNG-Eligible Students



3. Target State Need Grant Most Efficiently

Action: Submit an objective, comprehensive plan for legislative or budget recommendations related to SNG targeting to complement the results of the Washington Institute for Public Policy SNG student outcomes study.

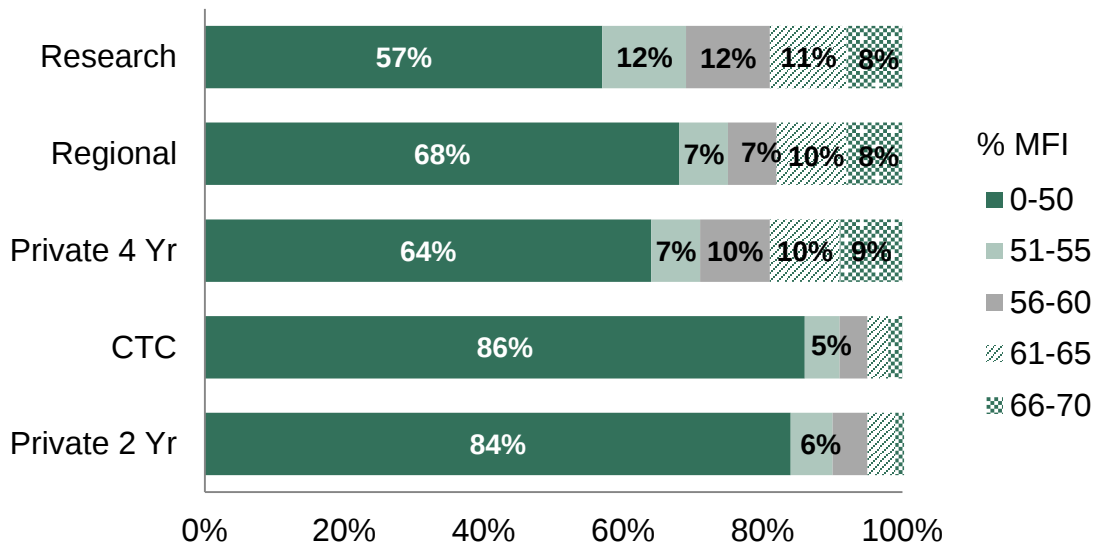
Outcome: *SNG is efficiently targeted.*

Increases to financial aid are designed to keep higher education affordable to students and families to offset tuition increases. Enrollment decisions of low-income students have been found to be more sensitive to variation in tuition increases than those of other students.²

SNG targets low-income students, yet the statute does not specify income eligibility (RCW 28B.92.060). The program rules indicate students are eligible for SNG up to 125 percent of the state's median family income (MFI), with broader prorated award categories (WAC 250-20-040). Yet the operating budget has set the income cutoff at 70 percent MFI with more categories and steeper award proration within each category.

Despite these statewide policies, institutional prioritization sets a de facto income cutoff in that the majority of served students are the lowest income. For example, 87 percent of all served students are in the lowest income group (0-50 percent MFI) and decreasing portions of eligible MFI groups are served in the remaining categories. Students attending four-year campuses are more likely to be unserved if they are not in the lowest MFI group, as shown in Figure 2.

Figure 2
Portion of Unserved FTEs by MFI 2011-12



4. Evaluate the Effectiveness of State Student Financial Aid Programs

Action: Evaluate the effectiveness of all aid programs in light of policy priorities and purposes, and recommend program improvements.

Outcome: *Options for modification or consolidation of aid programs lead to improved program performance and outcomes.*

Washington's financial aid programs are intended to address the needs of the state's economy by providing access to needy students through broad access programs, supporting Washington industry through targeted workforce programs, retaining bright students in the state through merit programs, and serving disadvantaged populations such as foster youth through special programs.

There is a need for a comprehensive review of all state aid programs. The majority of financial aid programs are administered by the Council. Several programs have been suspended or reduced, while some are authorized without receiving funding to serve students. A variety of reports on individual programs have been issued by several state agencies without a comprehensive review of all state aid programs.

5. Invest in State Work Study

Action: Propose reinvestments in the State Work Study (SWS) program to provide additional work and internship opportunities to undergraduate and graduate students.

Outcome: *Additional students gain work experience and reduce student loan debt. Additional employers participate in the program and subsidize student wages.*

Research correlates part-time work with improved retention and completion. Work, up to about 20 hours per week, can be positively associated with academic performance; however, too much work can be harmful.³ Work study programs provide students with an opportunity to cover educational expenses and gain experience in their field of interest, but they limit the number of hours per week that students work.

The State Work Study program has served students for nearly 40 years and is available to undergraduate as well as graduate students. The program has been cut by about \$13 million annually since 2009. Over 1,000 employers participate in SWS, augmenting the state's resources with more than \$5.5 million last year to provide additional job placements for students.

6. Restructure the Former Educational Opportunity Grant

Action: Restructure the former Educational Opportunity Grant (EOG) program that incentivizes transfer.

Outcome: *Ensure more students with intent to transfer and credits accumulated complete their baccalaureate degree.*

In 2011, over 700,000 Washington adults had attended college but lacked a two- or four-year degree.⁴ Incentivizing these individuals to enroll and complete their degree would be an efficient approach to supporting Roadmap attainment goals.

The former Educational Opportunity Grant supported *placebound* students to encourage transfer and baccalaureate degree completion. EOG provided \$2,500 annually to about 1,300 students. The purpose was to assist students who would not otherwise complete a bachelor's degree due to family or work commitments, health concerns, financial need, or other barriers. The program was created in 1990 and last served students in 2010-11. The eligibility criteria were placed into the State Need Grant program statute, but the subprogram has not been funded.

7. Identify a Savings Incentive Program

Action: Identify options and recommend an appropriate savings incentive program for families and individuals in Washington.

Outcome: *Increase the amount families and individuals are saving and, as a result, increase postsecondary participation rates.*

A recent study indicated youth who have savings accounts and expect to attend college are seven times more likely to do so. In fact, when youth savings was accounted for, academic achievement was no longer a predictor of college attendance.⁵ However, many Washington families may lack the ability to save enough money to cover all educational expenses for multiple years, or may not perceive the benefit of saving for postsecondary expenses.

Other states have demonstrated that low-income families with incentives will save. For example, New York City used tax refunds and a savings match to encourage low-income taxpayers to start and continue saving. About 80 percent saved for a full year and received the match, and 70 percent saved the following year.⁶

It is important for families to understand that regular savings of even a small amount can add up to a significant amount over many years. Yet Washington aid programs are primarily targeted to the lowest-income students, and both low- and middle-income students without savings are faced with affordability challenges.

8. Promote Flexible Payment Methods

Action: Review the payment plans and other flexible payment methods offered to students, clarify existing legal authority for public institutions to offer payment plans, and share with all institutions participating in state aid.

Outcome: *Additional institutions offer flexible payment options to allow students to cover their tuition throughout the term.*

During 2012-13, the percentage of Washington families with insufficient income to cover the total out-of-pocket cost of attendance was 74 percent at two-year community and technical colleges, 78 percent at regional colleges, 85 percent at research universities, and 92 percent at private non-profit four-year institutions. This phenomenon is exacerbated by the fact that incomes are not increasing at the same rate as tuition.

Tuition bills facing students and families can be daunting, especially if the full amount is covered out of current income. Institutions offer a variety of tuition payment methods, including payment plans and payroll deduction plans to help students overcome the “sticker shock” of covering the full amount of tuition in one installment. Private institutions and most community and technical colleges provide payment plans wherein students are charged a fee and pay their tuition in several installments throughout the term.

Next Steps

Following the Council's consideration and discussion of policy options at its July 2013 meeting, Council staff will prepare a framework for Roadmap Recommendations related to Affordability. The framework for Roadmap Recommendations will outline specific strategic actions, including:

- Expected outcome of the action.
- Action time period.
- Outcome time period.
- Metrics for measuring outcomes.
- Legislative action needed.
- Fiscal impact.

Staff will develop the framework in close consultation with Council members and the Affordability workgroup. The Council will use this framework at its October retreat to help shape the Ten-Year Roadmap.

Appendix A – Summary of Affordability Policy Options

Policy Option	Issue Background	Actions	Outcome
1. Increase State Investments in Public Institutions	Students are paying an increasingly higher portion of the cost of instruction.	Increase per student state funding to public institutions.	Limit tuition increases for all students improving access and affordability.
2. Recommend Full Funding for the State Need Grant	Enrollments of low-income students have outstripped State Need Grant funding leaving 30% of eligible students without funding.	While maintaining commitment to Option #1, recommend full funding to all SNG-eligible students. Provide a funding trajectory to accommodate service to future eligible enrollments.	Each eligible enrolled student receives SNG funding.
3. Target Financial Aid Most Efficiently	There is nothing in permanent law (RCW) that specifies SNG income eligibility. The agency issued rules (WAC) that indicate students are eligible for SNG to 125% of median with broader pro-rated award categories. Yet, the operating budget has set the income cutoff at 70% MFI with more categories and steeper award pro-rations. And institutional prioritization sets a de-facto income cutoff in that the majority of served students are the lowest income.	Submit an objective, comprehensive plan for legislative or budget recommendations related to SNG targeting to complement the results of the Washington Institute for Public Policy SNG student outcomes study.	SNG is efficiently targeted to needy students.
4. Evaluate the Effectiveness of State Student Financial Aid Programs	A variety of aid programs are authorized in Washington administered by several agencies with various policy goals related to access, merit, encouraging high demand fields, and supporting special populations.	Evaluate the effectiveness of all aid programs in light of policy priorities and purposes; develop additional performance measures where needed; and recommend program improvements which could include the consolidation of some programs.	Options for modification or consolidation of aid programs lead to improved program performance and outcomes.
5. Invest in the State Work Study Program	The State Work Study program offers students with a means to cover educational expenses while gaining experience in their field of interest and leverages employer contributions. The program was cut by about \$13 million annually or 2/3 since 2009.	Propose reinvestments in the State Work Study program to provide additional work opportunities to undergraduate and graduate students.	Additional students would gain work experience and reduce student loan debt. Additional employers would participate in the program and subsidize student wages.

Policy Option	Issue Background	Actions	Outcome
6. Restructure the Former Educational Opportunity Grant (Enhanced Transfer Grant)	The Education Opportunity Grant (EOG) supported “placebound” students to incent transfer and baccalaureate degree completion. The program was eliminated and the eligibility criteria placed into the State Need Grant program statute without funding.	Restructure the former EOG aid program that incents transfer.	Ensure more students with intent to transfer and credits accumulated complete their baccalaureate degree.
7. Identify a Savings Incentive Program	Washington aid programs are targeted to the lowest income students. Middle income students without savings are faced with affordability challenges. Youth with savings in their name are more likely to enroll and other states have demonstrated low-income families with incentives will save.	Identify the ways and means to incent families and individuals to save for postsecondary education.	Increase the amount families and individuals are saving and, as a result, increase postsecondary participation rates.
8. Promote Flexible Tuition Payment Methods	Institutions offer a variety of tuition payment methods. Private institutions and most community and technical colleges provide payment plans (students to pay a fee and cover their tuition in several installments throughout the term).	Review the payment plans and other flexible payment methods offered to students; clarify existing legal authority for public institutions to offer payment plans; and share with all institutions participating in state aid.	Additional institutions offer flexible payment options to allow students to cover their tuition throughout the term.

Author Contact Information

Rachelle Sharpe, Ph.D.
Director of Student Financial Assistance
Washington Student Achievement Council
rachelles@wsac.wa.gov
360.753.7872

Acknowledgements

The Council would like to extend appreciation to the following people for their contributions to the Affordability workgroup:

Michelle Andreas, State Board for Community and Technical Colleges
Vi Boyer, Independent Colleges of Washington
Sue Byers, College Success Foundation
Moirra Douglass, Gene Juarez Academy
Jim Fridley, University of Washington
Garrett Havens, Washington Student Association
Kay Lewis, University of Washington
Nicholas Lutes, State Board for Community and Technical Colleges
Christine McCabe, College Spark Washington
Vickie Rekow, College Success Foundation
Patrick Stickney, Western Washington University (Student)
Chris Thompson, Independent Colleges of Washington
Jane Wall, Council of Presidents
Jim White, Gonzaga University
Gena Wikstrom, Northwest Career Colleges Federation
Deborah Wilds, College Success Foundation

Sources

¹ The Affordability Issue Briefing presented to the Washington Student Achievement Council May 23, 2013.

<http://www.wsac.wa.gov/sites/default/files/Affordability%20Issue%20Brief%20FINAL.pdf>

² McPherson, M., & Schapiro, M. (2003). Funding roller coaster for public higher education. *Science*, 302(5648), 11-57.

³ Furr, S. & Elling, T. (2000). The influence of work on college student development. *National Association of Student Personnel Administrators (NAPSA)*, 37(2), 454-470.

⁴ American Community Survey. 2007-2011. Individual Families in Washington.

⁵ Elliott, W. and Beverly, S. (2011). The Role of Savings and Wealth in Reducing "Wilt" between Expectations and College Attendance. *Journal of Children & Poverty*, 17(2), 165-185.

⁶ Manturuk, K. (2012). The importance of tax time for building emergency savings: Major findings from \$aveNYC. *UNC Center for Community Capital*.