



POLICY BULLETIN

AID AND INNOVATION

HOW FEDERAL FINANCIAL AID
POLICY IMPACTS STUDENT SUCCESS
AND HOW STATES CAN RESPOND

BY KATRINA REICHERT

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From Washington to Connecticut, Arkansas to Indiana, state policymakers and community college leaders are focused on building completion pathways to ensure that more students succeed in postsecondary education and make smooth transitions to careers. Financial aid is both an effective and a necessary policy lever to promote this goal. Not only do many students need financial aid to walk through the college door, but they also need it to stay enrolled consistently through the completion of a certificate, degree, or successful transfer to a four-year institution.

This report describes how policy leaders and financial aid experts from a number of states are tackling a vexing problem: how financial aid rules and regulations stymie some of the most promising institutional and statewide innovations for serving low-income students who are underprepared for postsecondary education. These leaders, who represent the Achieving the Dream, Developmental Education Initiative, and Completion by Design state policy networks led by Jobs for the Future, are implementing innovative solutions that accelerate student progress toward postsecondary credentials. In doing so, they are encountering challenges posed by federal financial aid policies at multiple points along the pipeline to and through college, and they are actively seeking and experimenting with strategies to overcome those challenges.

In January 2012, Jobs for the Future convened these leaders and other experts to provide a cross-state opportunity to surface the myriad issues they face as a result of federal rules and regulations around financial aid—and to vet potential strategies for removing or reducing financial aid barriers to student success, while avoiding significant unintended negative consequences.¹

However, just a few weeks before this meeting, President Obama had signed the Consolidated Appropriations Act of 2012, which altered student eligibility for Pell Grants, the most important form of federal financial aid available to

community college students. The new eligibility rules created further obstacles to innovation. Not surprisingly, this issue was on everyone's mind.²

This report uses the discussion from the JFF convening as a starting point, illustrating the states' commitment to reform through two case studies:

- Virginia's approach to financial aid in redesigning developmental education; and
- Washington State's approach to financial aid in its reform of Adult Basic Education.

This policy bulletin draws on Jobs for the Future's extensive work helping states develop and promote sound policies and practice that create stronger pathways from high school to and through college for low-income, minority, and first-generation students.

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The report also draws on supplemental research to describe two key intertwined concerns of state and institutional innovators:

- Identifying and addressing challenges posed by existing financial aid rules; and
- Identifying and addressing the specific challenges posed by how the Consolidated Appropriations Act of 2012 alters student eligibility for Pell Grants.

CROSS-STATE TOPICS SERIES: FINANCIAL AID AND STUDENT SUCCESS

JFF hosted the January 2012 cross-state meeting with the intention of:

- Helping state leaders identify and talk through strategies for removing or reducing barriers to student success without creating significant unintended consequences for low-income students;
- Identifying strategies for better using financial aid as an incentive for student progress and acceleration; and
- Developing an agenda for collective state action to drive needed change in financial aid rules and regulations.

The meeting was part of JFF's Cross-state Topics Series, developed by JFF's Postsecondary State Policy Team. The series provides opportunities to discuss critical issues and hot topics as they pertain to each state's policy agenda for college completion. Further, it provides useful and timely information in settings that promote cross-state sharing and networking.

Many states have taken bold and innovative steps to improve postsecondary pathways to completion. The evidence is clear that the traditional approach taken by colleges—semester-length courses, a focus on seat time, and long, sequential coursework—does not produce desired student outcomes. Thus, states are experimenting with new approaches to time and structure of course delivery, such as finding ways to accelerate student progress through developmental education and contextualizing basic skills instruction.

However, federal financial aid rules and processes are built on the old assumptions of traditional courses and semesters, so some of these structural changes clash with those rules. The day's discussion surfaced a number of financial aid rules and regulations that state and institutional leaders grapple with as they work to improve student outcomes.

THE VIRGINIA COMMUNITY COLLEGE SYSTEM: TACKLING FINANCIAL AID RULES IN THE REDESIGN OF DEVELOPMENTAL EDUCATION

When the Virginia Community College System embarked on a multiyear effort to redesign math and English developmental education in 2009, it chose to break the curricula into modules. Modules enable students to take only those pieces of a curriculum they need, rather than sending all students through a traditional developmental education sequence. The central office staff knew early on that developing financial aid processes for modular courses would be a formidable challenge. In response to the challenge, the VCCS developed a working group to manage the financial aid issues around the redesign process. According to Laurie Schiavone, the VCCS director of financial aid, the issues associated with dynamic courses—courses offered outside the traditional 16-week semester—existed before the redesign, but the system-wide modular implementation exacerbated them.

The VCCS financial aid working group's initial reaction to the redesign was, "We can't do this." But the redesign was a nonnegotiable, Schiavone explained. VCCS leadership told the financial aid working group: "We're moving forward. You have to figure it out."

As VCCS's financial aid working group explored ways to deliver aid to students enrolled in modular courses more efficiently, they identified the challenge as two-fold, involving enrollment and progression.



ENROLLMENT

The VCCS financial aid working group determined that managing the enrollment of developmental education students taking modular courses would be a complex process. Two enrollment challenges were identified: preregistration advising and the recently revised Return to Title IV regulation. Known as R2T4, that regulation refers to the Higher Education Act’s Title IV, which governs federal financial aid for postsecondary studies.

First, for students to receive financial aid for dynamic courses, they must be carefully advised before the registration period for the modules in which they expect to enroll. Should a student enroll in additional courses after the registration period ends, they would be ineligible to receive additional aid for those courses. This issue prompted VCCS to educate students up front about the financial aid ramifications of enrolling for modules mid-semester.

Second, due to changes to the R2T4 regulation, students who drop or withdraw from modules before a certain date would need to return a portion of their financial aid. According to Schiavone, this change increases the administrative burden for the financial aid office, and it has produced further unintended consequences for students taking modular courses.

“Not only did the new R2T4 regulations fail to solve the existing problems but they created new inequities. The focus is all about seat time and the timing of the withdrawal,” Schiavone explained.

THE ENROLLMENT ISSUES SPURRED VCCS TO BUILD AN EFFICIENT WAY TO CAPTURE STUDENT ENROLLMENT AND PROGRESSION THROUGH MODULES ELECTRONICALLY.

Students can still withdraw without penalty after the 60 percent point in the period of enrollment and in some cases prior to that in light of the new

regulation. “For example, a student can finish 10 or more credits successfully [but withdraw from a later course before the 60 percent point] and still owe back Title IV funds, while another student withdraws from 11 of 12 credits [before the 60 percent point], finishes one credit with an F subsequent to that, and owes nothing back.”

The enrollment issues—pre-registration advising and the revised R2T4 provision—spurred VCCS to build an efficient way to capture student enrollment and progression through modules electronically, particularly for those who do not complete a module during the enrollment period. The financial aid department created a customized system for identifying and monitoring these students’ progress, giving VCCS the capacity to know in a timely manner whose registration and aid will need to be adjusted.

PROGRESSION

The second issue is the progression of students through the accelerated curriculum. Typically, a student’s financial aid package is calculated based on enrollment in one or more semester-length courses. Because modules are shorter than semester-length, they represent a complication in calculating aid. Students enrolled in accelerated courses may take multiple modules per semester—in Virginia, students can take up to four modules per semester. However, the progression to and through subsequent modules must happen sequentially.

VCCS staff developed a workaround for students enrolled in multiple modules who fail one along the way; however, the workaround is not a part of an automated system. The solution is impressive in its commitment to innovate but also manual and labor-intensive: the registrar reenrolls the students back into the modules they failed, a process called “swapping.” VCCS allows this as long as the modules are worth the same number of credits.

Students who do not pass a module and have not pre-enrolled for additional ones present another progression issue. If the student chooses to add a module mid-semester in order to continue progressing, the student will not be eligible for aid for the additional module and will have to personally bear the cost, potentially deterring the student from reenrolling.

FINANCIAL AID ISSUES IN THE PIPELINE: DUAL ENROLLMENT

In fall 2011, Jobs for the Future solicited input from state and institutional partners on financial aid issues that are barriers to innovation. Here and in the series of boxes that follows we outline examples emerging from the survey.

Dual enrollment provides high school students with opportunities to take college courses while completing their high school program, giving them an experience of college-level work, a better understanding of what it takes to succeed in that academic environment, and a head start on earning college credits. Studies of early college high schools (a form of dual enrollment) have shown strong outcomes, such as higher persistence to and through college and a higher GPA upon full-time enrollment in credit-bearing courses (Ward & Vargas 2012).

However, low-income high school students are not eligible to receive federal financial aid for postsecondary courses, including developmental education courses they take through dual enrollment or early college programs. In states offering college-level courses to high school students, some combination of the school district, college, or student pays the cost of the college course. When there are few state incentives for high schools or colleges to cover the costs of dual enrollment, access is often limited to students and families who can afford to pay the tuition. There are also few state scholarships or other forms of financial aid for high school students enrolled in college courses. Ultimately, this can discourage colleges and districts from offering these options to the very students who would most benefit from them.

"Federal financial aid policy is a real barrier in states where the bulk of costs for college courses is borne by students and their families through tuition," explained Joel Vargas, JFF vice president, High School Through College. Therefore, Vargas explained, there is a need to eliminate the funding boundaries between high school and college. He singled out dual enrollment as an area in which stronger federal aid policies could accelerate student progress.

A smart investment in dual enrollment could be an effective way to build toward easing transitions between secondary and postsecondary education. But with current fiscal conditions, a dramatic expansion of aid eligibility is unlikely. According to Vargas, "The key is to start modestly and build to bold: What are the courses for which students should receive aid that would be widely transferable? What courses build momentum to postsecondary?"

About half of the system's 23 colleges have developed a further solution that addresses both the enrollment and progression issues: The "shell course" concept allows a student to enroll in a single two-, three-, or four-credit course while actually choosing two, three, or four of nine one-credit modular course options. This eliminates multiple individual enrollments, which VCCS staff found often lead to more course drops or withdrawals for students struggling in school. The shell-course concept also provides financial aid departments with more flexibility to allow a student who fails any given module to retake it without requiring reenrollment or adjusting aid.

WORKAROUNDS BUT STILL SEEKING LONG-TERM SOLUTION

As VCCS staff pondered strategies to address the financial aid complexities associated with modular implementation, two things became apparent. First, there would be no solutions, only workarounds. Second, bringing various departments to the table via the creation of the VCCS financial aid working group would be crucial in developing appropriate next steps. "We brought in student services, financial aid, and IT staff early on to figure out how to reduce the burden on colleges," said Gretchen Schmidt, then-VCCS assistant vice chancellor of academic affairs and student services.



FINANCIAL AID ISSUES IN THE PIPELINE: BENEFITS FOR VETERANS ENROLLED IN ALTERNATE MODELS OF DEVELOPMENTAL EDUCATION

Regional offices of the Veteran's Administration have notified postsecondary institutions that students are not eligible for VA benefits for developmental education courses delivered via computer-lab-based instruction. The notices indicate that the courses do not meet the VA's in-residence requirements and are considered independent/distance learning.

However, there is a great deal of inconsistency across states and institutions, given the power of regional offices to make eligibility decisions about a broadly written federal code. At least one college has appealed the regional decision successfully. Its students receive benefits for computer-lab-based courses. But other states and institutions have lost appeals to local VA offices.

Ultimately, VCCS found that the challenges could be solved only with these workarounds—shell courses, manual processing, customized reports, and a push to give students as much information as possible through preregistration advising, knowing that some students would still need to adjust their choices later. To date, the system has found no permanent solutions.

FINANCIAL AID ISSUES IN THE PIPELINE: MAXING OUT FINANCIAL AID ELIGIBILITY IN DEVELOPMENTAL EDUCATION

Many students max out their eligibility for federal financial aid for remedial coursework (30 credit hours). As a result, in the long run, they often also max out their total access to financial aid before earning a credential.

This is a particularly important issue for students who are enrolled in short-term certificate programs and require a significant amount of remediation before enrolling in college-level courses. Federal regulations allow a student to receive aid until reaching 150 percent of the credit hours for the credential program. If a student has 30+ credit hours of developmental coursework, a student working toward a shorter-term credential (e.g., a 30- or 45-credit certificate) is more likely to max out his/her credit-hour Pell eligibility before completing a certificate or degree program. Many state financial aid programs have similar credit-hour thresholds.

This is an argument for accelerated progress through developmental education. That said, the impact on those with significant basic skill needs seeking certificates should be considered carefully.

NEW ELIGIBILITY RULES FOR PELL GRANTS

In December 2011, the Fiscal Year 2012 Consolidated Appropriations Act confirmed long-anticipated changes to eligibility rules for federal student aid, including Pell Grants. While the legislation shifted the January 2012 convening's tone from free-form innovation to damage control, the meeting also provided an immediate opportunity for participants to react and discuss ways to respond to the changes to aid eligibility.

Two national experts, Vickie Choitz, senior policy analyst for workforce development at the Center for Law and Social Policy, and Kathryn Young, JFF's director of national education policy, discussed the new realities in Washington, DC, stemming from changes to aid eligibility. Among these, three provisions will strongly affect hundreds of thousands of nontraditional students—the populations targeted by Achieving the Dream, the Developmental Education Initiative, and Completion by Design.

REDUCTION IN MAXIMUM INCOME LEVEL: Before the changes in the Consolidated Appropriations Act for FY2012, a student with a family income of \$32,000 or less who met additional tests of need would have qualified for an automatic "Expected Family Contribution" of zero when calculating the need for financial aid under federal guidelines.³ The Consolidated Appropriations Act reduced that level to

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SUMMARY OF SELECT ELIGIBILITY RULES FOR PELL GRANTS

PROVISIONS	PRIOR LAW (ORIGINALLY SCHEDULED FOR 2012-13 ACADEMIC YEAR)	FY12 APPROPRIATIONS BILL (APPROVED CHANGES FOR 2012-13 ACADEMIC YEAR)
Maximum income for Expected Family Contribution of zero	\$32,000	\$23,000
Eligibility for students without a high school diploma or equivalent	Allows students without a high school diploma or equivalent, including Ability to Benefit students, to receive Pell award, depending upon several factors	Eliminates Ability to Benefit students (applies to students who enroll after July 1, 2012)
Lifetime eligibility maximum	18 semesters	12 semesters (retroactive)

\$23,000 for 2012-13. Young pointed out that the reduction requires more students to go through efforts and paperwork to prove their low-income status, making the enrollment process “frustrating and cumbersome for more financially vulnerable students and more burdensome for institutions in the verification process.”

ELIMINATION OF STUDENT AID ELIGIBILITY FOR STUDENTS WITHOUT A HIGH SCHOOL DIPLOMA OR EQUIVALENT: Before the passage of the Consolidated Appropriations Act, students without a high school diploma or equivalent could be eligible for federal student aid if they demonstrated their “ability to benefit” from college in one of two ways: pass a federally approved Ability to Benefit test or successfully complete six credit hours of college-level courses. The December legislation eliminates student aid eligibility for students without a high school diploma or equivalent who were not enrolled in an aid-eligible program before July 1, 2012, producing a damaging effect on underprepared student populations. Laurie Schiavone asserted that because the issue was so devastating for Ability to Benefit students in Virginia, VCCS created a working group to determine best next steps.

DECREASED LIFETIME MAXIMUM NUMBER OF PELL GRANTS: The new legislation retroactively limits the lifetime eligibility for grant recipients to 12 semesters, down from 18 semesters. This will hurt at least two student populations struggling to earn postsecondary credentials. First, students in need of extensive remediation will most likely use up their maximum eligibility before completing a degree or certificate. Second,

part-time or working students may take longer to attain a degree, which would inhibit their ability to receive benefits through the duration of their educational pathways. Some students may be affected by both scenarios.

ISSUES AFFECTING THE FUTURE OF FINANCIAL AID

In addition to regulatory changes, Choitz and Young described three additional realities that will likely shape the future of financial aid.

THE LIKELIHOOD OF ADDITIONAL FUNDING IN UPCOMING FISCAL YEARS FOR FEDERAL PROGRAMS, INCLUDING STUDENT AID, IS SLIM, AND CUTS ARE LIKELY. In the short term, additional proposed cuts threatened but not made for FY12 may still be imminent. One significant long-term challenge is that the funding Congress made available for the Pell Grant program in the Budget Control Act of 2011 (as a result of the deficit-debt ceiling deal reached last summer) runs out at the end of FY2013, creating a \$7.5 billion to \$8 billion funding cliff going into FY2014. Young noted that Congress will close this deficit for FY14 within the existing financial aid pot, creating tensions between two-year and four-year institutions and between nontraditional and full-time students. “Cost savings have won out over assisting more low-income and nontraditional students,” Young said.

THE REDUCTIONS WILL AFFECT ALL STUDENTS BUT PARTICULARLY THOSE WHO ARE VULNERABLE OR NONTRADITIONAL. “Appropriators



are making policy decisions about Pell now,” said Choitz, “and they tend to focus on traditional students.” The outcome of the FY12 appropriations process confirms that policymakers do not recognize that many students work part time (42 percent) or are adults (36 percent) (CLASP 2011). Although the campaign to “Save Pell” helped stave off even more devastating cuts, many inside and outside of Congress have caught “Pell reform fever” and are exploring proposals that could dramatically affect student aid eligibility for a large percentage of low-income and underprepared students. All programs that assist low-income individuals and families face budget cuts, including the Pell Grant program. “The debt and deficit pressures on Congress are huge,” said Choitz.

THE ADMINISTRATIVE BURDEN OF INFORMING STUDENTS OF THE NEW POLICIES WILL BE A CHALLENGE FOR COMMUNITY COLLEGES.

Significant outreach must be done to students, particularly those who may need to be grandfathered in before the Ability to Benefit elimination takes effect on July 1, 2012. Students who enroll in aid-eligible programs of study before that date will still be eligible to qualify for student aid through the preexisting Ability to Benefit provisions.

FINANCIAL AID ISSUES IN THE PIPELINE: SHORT-TERM TRAINING

According to Barbara Endel, project director at JFF for Accelerating Opportunity, an initiative promoting integrated pathways to postsecondary credentials for adult learners, many ABE students enroll in short-term training programs in order to complete a technical certificate or degree that has labor market value. However, federal aid does not pay for short-term certificates that have not been approved through a rigorous approval process by the U.S. Department of Education, even though research points to an increasing national demand for postsecondary credentials (Prince & Choitz 2012). The first step in addressing this issue, Endel explained, is building a case to federal aid officials around the most effective short-term programs and revising policies to allow students to receive aid for those programs.

WASHINGTON STATE BOARD OF COMMUNITY AND TECHNICAL COLLEGES: DEVELOPING A DIVERSIFIED FUNDING STRATEGY FOR ADULT BASIC EDUCATION

These new realities described by Choitz and Young disproportionately affect students who need aid most, and the impact on innovative programs to serve Adult Basic Education students is devastating. “Currently, there is no issue more critical facing our states than financial aid,” explained Jon Kerr, director of Adult Basic Education at the Washington State Board of Community and Technical Colleges (SBCTC). “This is the future of our workforce.”

Like Virginia, Washington State has received a great deal of attention for its innovations in community college financial aid policies. And also like Virginia, as Kerr described, Washington has responded to obstacles to innovating in the financial aid realm by developing elaborate solutions to meet students’ needs.

In 2006, as a result of an analysis of statewide data, the Washington State Board of Community and Technical Colleges concluded that too few adult basic skills and English as a Second Language students were progressing to and through college-level programs of study. In response, SBCTC developed an innovative approach for supporting these students in developing their literacy and technical skills: Integrated Basic Education Skills and Training, better known as I-BEST.

“CURRENTLY, THERE IS NO ISSUE MORE CRITICAL FACING OUR STATES THAN FINANCIAL AID,” EXPLAINED JON KERR.

I-BEST aims to increase the rate at which ESL students and low-skilled adults succeed in college-level training and earn postsecondary certificates or degrees. The hallmark of I-BEST is its team-teaching model: In each classroom, a basic skills instructor pairs with a college-level technical skill faculty member to deliver the curriculum. As students progress through the program, they learn basic skills in the context of their technical training curriculum through real-world scenarios. I-BEST has been scaled up statewide from a pilot to all 34 community and technical colleges in Washington.

Studies have documented the positive effects of I-BEST (Wachen, Jenkins, & Van Noy 2010; Zeidenberg, Cho, & Jenkins 2010). For example, students enrolled in 2006-07 and 2007-08 I-BEST cohorts were more likely to earn college credits or an award than non-I-BEST workforce students. Additionally, I-BEST students received increased levels of financial aid compared with non-I-BEST workforce students, due to the intense outreach of the I-BEST college staff. The research suggests that the positive effects of I-BEST may be due in part to the higher rates of financial aid received by participating students.

Kerr, an early pioneer of I-BEST, spoke openly about several financial aid challenges SBCTC faced in implementing the model. The legislation eliminating Ability to Benefit student eligibility has exacerbated these obstacles.

FINANCIAL AID ISSUES IN THE PIPELINE: LIMITED ACCESS TO EMERGENCY AID

Many low-income students drop out in the face of challenging life circumstances. Often, these circumstances relate to money (e.g., the costs of day care, car repairs, health care) rather than academic difficulties. Federal and state aid programs often do not allow for flexible assistance that would enable students to receive short-term emergency aid.

OBSTACLES BEFORE THE ELIMINATION OF ABILITY TO BENEFIT

Early on, SBCTC found that encouraging students to participate in I-BEST required an integrated and diverse funding strategy. Due to the stringent state and federal eligibility requirements for certain sources of aid, SBCTC needed to identify several funding sources from which institutions could develop student aid packages. Few students would persist without financial support, and those receiving higher levels of financial aid have persisted longer than those who did not (Zeidenberg, Cho, & Jenkins 2010).

SBCTC responded with a four-part funding strategy:

PELL GRANTS: First, I-BEST students complete the Free Application for Federal Student Aid, which determines their Pell Grant eligibility. I-BEST students receive Pell Grants at significantly higher rates than non-I-BEST basic skills students (Zeidenberg, Cho, & Jenkins 2010).

WASHINGTON STATE OPPORTUNITY GRANTS:

A student who is not eligible to receive aid under the Ability to Benefit provision may be eligible to receive a state-funded Opportunity Grant. Created as a pilot grant program in 2006 and expanded to all 34 community colleges in 2007, Opportunity Grants are a supplemental form of state aid targeted to low-income, nontraditional students enrolled in occupational programs.

According to Kerr, these grants are the lifeline for I-BEST students, making up their primary source of aid. They cover full-time tuition and fees up to 45 credits, as well as additional support for books, supplies, and wraparound services (e.g., funds for emergency transportation, child

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care, career advising, or one-on-one tutoring). Moreover, they fund students who lack a high school diploma or GED and hence do not qualify under the Ability to Benefit provision (both pre-FY12 and since). The total allocation for FY12 was about \$11.6 million across Washington's 34 community colleges (SBCTC 2011).

WASHINGTON STATE NEED GRANTS: The Washington State Need Grant program was established decades ago to support the attendance of low-income students at postsecondary institutions for up to five years or the credit-hour equivalent. Washington allocates a small portion of this funding to those without a high school diploma or GED, which is the case for most I-BEST students. While this grant contributes to the I-BEST funding strategy, it does not represent the backbone of support in the way that Pell and Opportunity grants do. Currently, to qualify for State Need Grants, students without a high school diploma or GED must meet the same criteria as defined under federal law for Ability to Benefit. Thus, under the FY12 revisions, students will no longer be eligible for this aid, essentially eliminating it as a funding source for I-BEST.⁴

BRAIDED FUNDING: In the early stages of developing I-BEST, Kerr explained, the board convened a medley of financial aid directors, institutional advisors, social service representatives, and local Adult Basic Education experts to discuss how to fund I-BEST students. A question was posed to the group: How could they move students to Ability to Benefit status as quickly as possible?

The solution is a "braided funding" model: I-BEST weaves together multiple funding sources to fill the gaps for these students. One source is Washington's Welfare Reform Program WorkFirst, which releases federal Temporary Assistance for Needy Families funds to low-income students in need. Other sources include veteran's benefits, the Basic Food, Employment and Training program, college waivers, and foundation-supported scholarships, as well as federal and state funding (e.g., Pell Grants, Opportunity Grants, State Need Grants).

The Center for Law and Social Policy has developed a toolkit on how state systems can develop a braided funding strategy that directly supports career pathways: *Funding*

*Career Pathways and Career Pathway Bridges: A Federal Policy Toolkit for States.*⁵ Kentucky, among other states to varying degrees, has adapted this model to create its funding strategy.

OBSTACLES POSED BY THE ELIMINATION OF ABILITY TO BENEFIT

The revisions to student eligibility through the Ability to Benefit provision have posed challenges for Washington's carefully conceived system of financial student support. SBCTC is taking a series of steps to mitigate the negative effects of these changes:

INCREASE AWARENESS. SBCTC, along with institutional leaders and students, has reached out to state and federal legislators, presenting evidence on the adverse impact of the new federal legislation on I-BEST students. These advocates emphasize to state and federal officials the importance of retaining students in programs like I-BEST, said Kerr, who reported that Washington state legislators appear responsive to this awareness campaign.

ADVOCATE FOR REVISIONS IN STATE LAW. Because most I-BEST students will no longer be eligible to receive state need grants, SBCTC is working with the Higher Education Coordinating Board to revise the state law tying those grants to the federal Ability to Benefit requirement.

INCREASE BRAIDED FUNDING. The board is identifying state policy barriers to accessing varied sources of state and federal funds and working to create solutions that will ultimately increase, not decrease, braided funding.

CONSIDER THE GED OPTION. Given the new eligibility rules that require students to have a GED, a plausible method for increasing access to aid is fast-tracking students to the GED. However, according to Kerr, this workaround could produce undesirable side effects. For example, student retention in many GED programs is low, Kerr explained, because the skills necessary to complete the GED have little or no connection to the students' career goals. Nor do these skills correlate to labor market demands in Washington State.

A CALL TO ACTION: NEXT STEPS FOR STATES

JFF convened this meeting in response to a groundswell of interest among state policymakers to address pressing financial aid issues. These institutional and state leaders are pursuing a number of workarounds to financial aid obstacles that are creative and smart but few are easily replicable. Nor do the solutions represent a common answer to what is a national problem. Further, recent and ongoing changes to federal financial aid policies will likely further undermine efforts to improve student outcomes.

Institutional and state leaders represent a powerful group of voices that can formulate a call for changes at the federal level, and they are seeking out forums such as JFF's convening to come together and formulate plans for change. At the January meeting, participants not only identified and agreed upon the major issues posed by current regulations, but they also outlined a number of next steps:

ADVOCATE: Increase public and congressional awareness about the impact of and need for financial aid in higher education and about the large number of students who are nontraditional. Ensure that antiquated financial aid rules do not put students enrolled in programs like I-BEST in financial jeopardy. Seek to revise the commonly accepted definition of a college student and inform the public and policymakers about the programs in which these students are most successful.

INSTITUTIONAL AND STATE LEADERS REPRESENT A POWERFUL GROUP OF VOICES THAT CAN FORMULATE A CALL FOR CHANGES AT THE FEDERAL LEVEL.

Further, asking for more funding for all students will not work. As one participant noted, "If you want to expand a specific program, you will need to decide who you are taking the money away from, and then launch that political battle." In this

environment, states and their colleges must be prepared to make hard decisions about which students need and benefit from federal aid, such as Pell Grants, the most.

MAXIMIZE: Develop financial aid strategies that use existing resources efficiently and effectively. As JFF's Barbara Endel noted, "We will keep swirling if we don't connect the disparate funding systems at a macro level." Strategies identified for maximizing existing funding include:

- Braid funding from disparate sources, such as TANF, social services, and higher education.
- Better support the use of public benefits programs as a means of providing supplemental aid to students.
- Provide emergency aid for students to tap as needed.
- Promote partnerships between community colleges and community-based organizations.
- Explore the potential of performance-based scholarships, a new frontier in expanding funding options to students.

RESEARCH: Conduct further research on several key questions, including:

- What are the persistence rates of students who are enrolled half time or less?
- What do we know about success for students who qualify for financial aid under Ability to Benefit rules?
- How are states preparing for the expected rollout of a new GED test in 2014? How will the new test affect students needing a GED to qualify for financial aid?⁶
- How effective is emergency financial aid in encouraging student persistence and retention?
- Current financial aid regulations encourage students to declare their intention to enter a program even if they only wish to take a few classes. What changes would allow or encourage students to be honest about their intentions upon enrolling, thereby enabling colleges to collect better data about student retention and completion?
- What happens to student after they exceed their eligibility for financial aid? How do they survive financially if they persist in their education?



ENDNOTES

¹ Fourteen states were represented at the meeting: Arkansas, Connecticut, Georgia, Indiana, Kansas, Kentucky, Louisiana, Massachusetts, Michigan, North Carolina, New Jersey, Ohio, Virginia, and Washington.

² See: Consolidated Appropriations Act 2012, HR 2055 Division F Title III. Available at: <http://www.gpo.gov/fdsys/pkg/BILLS-112hr2055enr/pdf/BILLS-112hr2055enr.pdf>

³ For more information about the \$32,000 level in 2012-13 and for the additional tests of need, see the Federal EFC Formula Guide for 2012/2013 at: <http://ifap.ed.gov/efcformulaguide/attachments/010512EFCFormulaGuide1213.pdf>

⁴ See: Washington State Legislature. Laws of 2012, 2nd Special Session, Ch. 229, § 521. Available at: <http://apps.leg.wa.gov/documents/billdocs/201112/Pdf/Bills/Session%20Law%202012/2483-S2.SL.pdf>

⁵ Available at: <http://www.clasp.org/admin/site/publications/files/FundingCareerPathwaysFederalPolicyToolkitforStates.pdf>

⁶ For more information on the new GED test, see National Needs Alter Plans for GED® 5th Edition Test: Frequently Asked Questions, at: http://www.acenet.edu/Content/NavigationMenu/ged/GEDTest_NatINeed_FAQ.htm

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POLICY BULLETIN

COMPLETION BY DESIGN is a five-year community college redesign effort focused on raising community college completion rates for large numbers of low-income students under 26 while containing costs, maintaining open access, and ensuring the quality of community college programs and credentials. Completion by Design is an initiative of the Bill & Melinda Gates Foundation's Postsecondary Success Strategy.

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