

REDESIGNING STATE FINANCIAL AID Principles to Guide State Aid Policymaking

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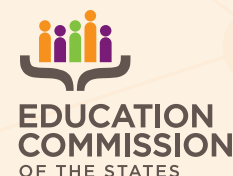


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ABOUT THE PARTNER ORGANIZATIONS

Support for this paper and this initiative was provided by Strada Education Network, a nonprofit corporation that supports Completion With a Purpose, building a more purposeful path for America's students to and through college and on to rewarding careers and successful lives. Strada Education Network pursues its nonprofit mission through philanthropic activities and partnerships, policy research, and programs and services that enhance preparation for, access to and success in higher education. Learn more at www.stradaeducation.org.



Education Commission of the States was created by states, for states, in 1965. Education Commission of the States tracks state policy trends, translates academic research, provides unbiased advice and creates opportunities for state leaders to learn from one another.

ABOUT THE STATE FINANCIAL AID REDESIGN PROJECT

A college education is more important than ever. And yet students are facing unprecedented challenges in financing the cost of completing a meaningful degree or postsecondary credential. Education Commission of the States is addressing this challenge in partnership with Strada Education Network, focusing on state financial aid programs. In addition to this brief, Education Commission of the States has released a [50-state policy database on financial aid](#) and provided technical assistance in 20 states. For more information on this project, please visit www.StateFinancialAidRedesign.org.

The authors would like to thank Strada Education Network for its support of this paper and ongoing work with state financial aid programs. They would also like to thank each of the experts, who provided valuable expertise and feedback on this brief, as part of the Education Commission of the States' State Financial Aid Redesign Thinkers' Meeting.

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INTRODUCTION AND OVERVIEW

Continuing the historical legacy of state financial aid, in 2016, state programs collectively invested more than \$12.5 billion in students, providing a significant benefit for individuals, institutions and ultimately, state economies.¹ Among state-aided students enrolled in the 2015-16 academic year, state aid covered 45 percent of tuition and fee expenses at public, four-year institutions.² This aid adds to federal, institutional and student resources in meeting the cost of attaining a postsecondary credential.

However, states routinely make investments in financial aid programs that are misaligned with the contemporary realities of postsecondary education. While students enrolled today tend to be older and more diverse and make progress toward graduation through a variety of paths, state aid programs have continued to focus on traditionally aged students attending residential colleges or universities on an exclusively full-time basis for a nine-month academic year. While a broad array of students are in need of financial support to attend college, stagnation in state financial aid policy development compromises states' ability to reach articulated postsecondary attainment agendas.

For example, in 10 states, 90 percent or more of state aid recipients are enrolled full-time, while the percentage of their overall population of postsecondary students attending full-time is as little as 44 percent.³ Misalignment in terms of enrollment intensity is only one example of state aid

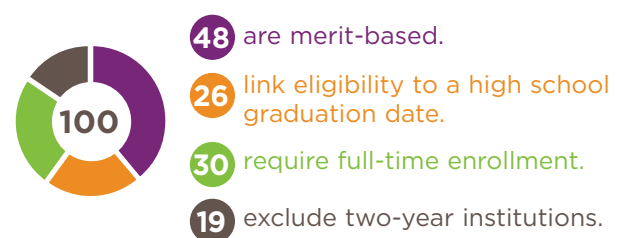
programs privileging a stereotypical postsecondary student that is increasingly rare. States also demonstrate preference for exclusively awarding students directly matriculating from high school by linking eligibility to high school graduation dates, requiring college entrance exam scores or advancing application deadlines as early as January.

As Education Commission of the States has engaged states on aid issues, it can attest that interest in updating aid policies is growing, and, in some cases, changes are occurring. Since the first release of this paper, Education Commission of the States has provided tailored technical assistance to over 20 states, provided countless pages of analyses to state leaders and given hours' worth of presentations to shed light on the need for change. There is an increased focus on need-based aid in states as diverse as **Connecticut** and **Mississippi**, growing attention around efficiency in program administration and new awareness to online course delivery models in **Pennsylvania**.

Yet gaps remain between state postsecondary goals and how financial aid dollars are leveraged. Seasoned or newly transitioned state leaders not only have to deal with the postsecondary and workforce challenges of today, but must also manage the legacy of policies that preceded them. Among their inherited challenges, leaders often face the task of revising state financial aid policies.

STATE AID RISKS MISSING TODAY'S STUDENTS⁴

Out of **100** of the largest state financial aid programs ...



2014-15 THE BENEFIT OF STATE AID FOR STUDENTS

Average public 4-year tuition and fees: **\$8,543**

Average state grant aid per student: **\$3,842**

State higher education policy leaders are also challenged by increasingly constrained state budgets. While 15.5 percent of state general funds were devoted to higher education in 1987, only 10 percent was in the 2015 fiscal year.⁵ As one former legislator stated in the context of state funding for higher education generally, "...[A]s much as people that are in public office want to portray to the public that they can make completely different decisions than have been made in the past, much of what we've [the legislature] done, we're required to fund... And things that should be there in terms of investments in the future, sometimes suffer." Indeed, insomuch as state financial aid is an investment in states' futures, the challenge of doing more with flat or only marginal increases to the allocated resources is real.

energy spent on crafting postsecondary attainment goals is incongruent with the policymaking activity around adequate funding for attainment. In many ways, while the conversation has changed, budget priorities have been slower to respond.

Enacting change within an existing funding structure, therefore, uniquely situates Education Commission of the States' service to states. The struggle of re-focusing existing funding streams on a broader population of students without infusing additional resources is one that can be managed by deploying four principles for state leaders to consider as they develop or evaluate aid reform efforts. Education Commission of the States supports state legislators not by telling them *what* to spend, but rather in helping leaders



IN 2016, TOTAL STATE AID EXPENDITURES EXCEEDED \$12.5 BILLION AND SUPPORTED OVER 4.5 MILLION STUDENTS.⁶

Oversubscription is a perennial issue in state financial aid programs; there seem to always be more eligible students than funds available to support them. According to a recent analysis, nearly a million eligible students never receive the state aid they are eligible for because of underfunding. In 10 states, more than half of eligible students are never funded.⁷

This funding gap continues to be troubling, given the amount of time and resources state leaders have invested in developing postsecondary attainment goals. The time and

craft approaches on *how* to spend it. The principles ideally help state leaders to optimize the limited resources that are put into state aid.

The four principles of state financial aid redesign — student-centered, goal-driven and data-informed, timely and flexible, and broadly inclusive — were created in collaboration with leaders in aid policy development from across the country in late 2014. Initially conceived as a framework to guide state aid policy development, the principles prompt policy leaders

PRINCIPLES OF STATE FINANCIAL AID REDESIGN

FALL INTO FOUR INTERRELATED AREAS

PRINCIPLE 1

Financial aid programs should be student-centered.

Aid programs designed around students and their needs set students up for successful outcomes.

PRINCIPLE 2

Financial aid programs should be goal-driven and data-informed.

Aid programs should have a clearly defined and easily understood intent aligned with measurable state education and workforce goals.

PRINCIPLE 3

Financial aid programs should be timely and flexible.

Aid programs should provide financial support to students when it can have the greatest impact on enrollment and persistence decisions.

PRINCIPLE 4

Financial aid programs should be broadly inclusive of all students' educational pathways.

Aid programs should respond to the diverse enrollment options available to students.

to keep today's student in mind as they allocate limited state resources to the crucial effort to increase postsecondary attainment across the country. As Education Commission of the States' work in the state financial aid space has evolved and matured, so too has its thinking and recommendations. To support this work, Education Commission of the States reconvened aid policy leaders from across the country to learn how its work in this area could be further tailored to support state needs. While the principles will continue to serve as a framework, the pages that follow provide more specific actions for policy leaders to consider as they seek to redesign state financial aid policies.

Moving forward, this brief presents and discusses each principle and related considerations. Although each principle is discussed in isolation, they overlap and intersect in

important ways. A Principle in Practice box highlights top-line considerations for those seeking a general overview of the ideas under discussion. A Principle in Policy box highlights states' actions or policy proposals that reflect the principle under discussion.

WHILE STUDENTS ENROLLED TODAY TEND TO BE OLDER AND MORE DIVERSE AND MAKE PROGRESS TOWARD GRADUATION THROUGH A VARIETY OF PATHS, STATE AID PROGRAMS HAVE CONTINUED TO FOCUS ON TRADITIONALLY AGED STUDENTS ATTENDING RESIDENTIAL COLLEGES OR UNIVERSITIES ON AN EXCLUSIVELY FULL-TIME BASIS FOR A NINE-MONTH ACADEMIC YEAR.

PRINCIPLE 1: STUDENT-CENTERED

Financial aid programs should be student-centered:
Aid programs designed around students and their needs set students up for successful outcomes.

In designing state-funded aid programs, states' focus should be on students. This principle calls for program design decisions predicated by how states can utilize financial aid programs to support student access and success first, rather than employing student aid as a conduit for institutional support. This has specific implications for how funding flows from the state to institutions, as well as student application and awarding processes.

A student-centered approach to aid begins with how funds flow from states to institutions. Channeling state financial aid dollars based on an institutional allocation method frames state aid as an institutional benefit rather than a direct benefit to students. Through a campus-based program model, institutions generally have a significant role in defining eligibility requirements and prioritizing students for awards, while the state may prescribe several overarching directives for institutions in statute or regulation. Forfeiting direct oversight means that the state's investments in financial aid may be overshadowed by institutional priorities rather than state goals.

Additionally, campus-based aid is not portable from institution to institution — meaning that a student may receive different amounts of state aid depending upon the institution preparing the aid package. When states place institutions in a position to manipulate net price through campus-based programs without clear state goals, they delegate the authority to define which students deserve

state support to institutional aid administrators — actors that may or may not have alignment with state education goals.⁸

DEFINING STUDENTS AS THE PRIMARY BENEFICIARIES OF STATE FINANCIAL AID ALLOWS FOR ALIGNMENT OF STATE GOALS AND INSTITUTIONAL PRACTICE TO BEST SERVE STUDENTS.

Re-envisioning state aid as a student benefit rather than institutional benefit necessitates redesigns of aid application cycles. Currently, the process of identifying eligible students for state aid often begins when a student is admitted to a postsecondary institution. However, other behaviors or data sources can assist states in identifying students likely to benefit from state financial aid without requiring an express intent to enroll. In many states, eligibility information can be obtained through state income tax data or state longitudinal data systems. Participation in state workforce programs or public assistance programs also may serve as meaningful proxies for state aid eligibility. These options allow states to proactively notify students of their eligibility for funds, regardless of any previously expressed intent to seek postsecondary enrollment. Leveraging new sources of

data to identify eligible aid recipients streamlines application processes that pose barriers for students and decouples application deadlines from revolving around a traditional fall semester start date. State aid is subsequently positioned to reduce affordability barriers and encourage targeted students to enroll or re-enroll in postsecondary education.

Key components of financial aid redesign include refocusing state financial aid programs on student

needs. Defining students as the primary beneficiaries of state financial aid allows for alignment of state goals and institutional practice to best serve students. A clear definition of the state goals for the program is critically important to a student-centered approach to state financial aid, as is a detailed understanding of how data can inform and direct goal development and monitor progress toward desired outcomes.

PRINCIPLE IN PRACTICE

STUDENT-CENTERED FINANCIAL AID PROGRAMS:

- Support students first, not institutions.
- Proactively notify eligible aid recipients.
- Recognize full cost of attendance, not just tuition and fees.

PRINCIPLE IN POLICY

FIRST-DOLLAR AWARDING IN WYOMING

Many of today's students require funding beyond tuition to realize their postsecondary goals. According to a recent study, 36 percent of students show signs of low food security, and 40 percent indicate housing insecurity.⁹ However, expenses like food and housing are only rarely eligible to be covered by a state financial aid program.

Several states, however, use a first-dollar model to calculate award amounts. This means that the state's financial aid is awarded before other federal, institutional or private sources of aid, allowing the student maximum flexibility to stack multiple sources of support.

For example, through **Wyoming's** Hathaway Scholarship, specific dollar amounts for each merit-based award tier are written into statute.¹⁰ Students can count on that dollar amount of aid not being impacted by receipt of a Pell Grant, state need-based grant or institutionally funded support.

PRINCIPLE 2: GOAL-DRIVEN, DATA-INFORMED

Financial aid programs should be goal-driven and data-informed:

Aid programs should have a clearly defined and easily understood intent aligned with measurable state education and workforce goals.

Goal-setting and effective use of data to monitor progress toward state goals is an integral principle of state financial aid reform. Goals for state financial aid programs are intended to inform the direction of statewide aid policy development, adoption and change. A clear state goal creates common ground and presents an opportunity for state leaders to set the stage for institutional and student actions.

Drafting a strategic goal for financial aid programs should involve the input of a variety of stakeholders, such as state legislators, representatives from higher education governing bodies, institutional administrators, higher education researchers and diverse student perspectives. A review of policies in light of statewide postsecondary enrollment trends, statewide demography and workforce needs may yield important opportunities to realign policy. As states conduct this type of analysis, it is imperative that strong leadership emerges from offices responsible for higher education, the legislative branch and governor's offices.

Goals for state financial aid programs should consider all state aid programs aimed at postsecondary student enrollment and success. A global view of funding streams dedicated more broadly to education or workforce preparation, whether through a postsecondary aid program, funding for returning military veterans or

workforce investment programs, reveals the variety of ways in which states provide funding for postsecondary students. Looking at these funding streams holistically may enhance their overall coordination. Additionally, organizing the efforts of segmented state programs that target similar populations of potential postsecondary students may improve the student application process and increase awareness of aid availability.

RECOGNIZING THAT REACHING GOALS TAKES TIME, IDENTIFYING PROGRESS OR MOMENTUM POINTS WILL PROVIDE VALUABLE OPPORTUNITIES TO IDENTIFY PROBLEMS EARLY AND MAKE MID-COURSE CORRECTIONS.

State data systems can assist in monitoring progress toward established goals. In crafting data systems that can assist in monitoring progress toward goals, states should give particular consideration to institutions in two specific ways.

First, states will need institutions to provide data for all students as well as disaggregated data for financial aid recipients. Monitoring and analyzing access, persistence or completion metrics for state aid recipients serves as an important accountability feedback to states. Leveraging

PRINCIPLE IN PRACTICE

GOAL-DRIVEN, DATA-INFORMED FINANCIAL AID PROGRAMS:

- Monitor net price by family income.
- Take a holistic view of all funding sources used for workforce preparation.
- Hold institutions accountable to maintain eligibility for state aid.
- Link to data systems and commit to monitor milestones.
- Define appropriate outcome measures that align with policy design.

PRINCIPLE IN POLICY

RETOOLING AID PROGRAMS TO FOCUS ON COMPLETION

State financial aid programs are not immune to increased interest in policy evaluation. In fact, policy leaders across the country often ask what outcomes can be expected from investments in state aid programs. Increasingly, meaningful outcomes in postsecondary education is translated to mean completion. To be clear, completion is a key indicator of success in postsecondary education.

However, many state aid programs were adopted before the more contemporary focus on completions became the outcome metric for postsecondary education. In many cases, policies were not designed to promote completion, but rather, to provide access. While the ideals of access and completion must go hand in hand, stakeholders cannot ask programs to produce an outcome that they were never designed to accomplish.

Retooling state aid programs to focus on completion entails both student- and institutional-facing redesigns. Adjustments to student eligibility criteria may be needed to promote completion. At the same time, institutions have a role in ensuring the efficacy of state aid program dollars.

existing data sources to monitor progress is essential; however, setting innovative goals also may call for states and institutions to collect and track new types of data. In this way, the process of setting goals also may create the opportunity for states to push for new or innovative ways to measure student progress and success.

Second, states should employ data to ensure a baseline-level of institutional quality and accountability. Analyzing data by institution can identify the pathways that most contribute to state goals and may assist states in defining where students can use their state aid dollars. In setting institutional participation standards, states have the opportunity to define benchmarks for institutions to meet, such as access indicators for underserved populations, persistence rates or completion targets. They also may incorporate post-graduation measures, such as sector employment and wages, graduate school enrollment or student loan default rates. Each state's eligibility metrics will likely vary for a local context, but every state should seek to ensure that institutions receiving state aid dollars are meeting specified performance targets, serving students, and contributing toward state interests and objectives.

Finally, progress toward goals should be monitored through intermediate milestones. Recognizing that reaching goals takes time, identifying progress or momentum points will provide valuable opportunities to identify problems early and make mid-course corrections. Policy change is an inherently iterative process; missteps and misalignments between student needs and policy design should be expected and addressed as soon as possible. Policy should be nimble and flexible to allow for these realignments. Additionally, monitoring progress allows for celebration and public recognition of policy success; something done all too infrequently in our estimation.

Defining strategic goals and directions for state financial aid programs not only makes clear what ends states will achieve through investments in state aid, it also entails a call for effective data systems and analysis. Together with a student-centered approach to aid, designing state aid programs around goals concentrates state aid policy on how to best respond to the needs of students and states. Additional opportunities to redesign state financial aid policy rely on principles of timeliness, flexibility and inclusivity.

PRINCIPLE 3: TIMELY AND FLEXIBLE

Financial aid programs should be timely and flexible:

Aid programs should provide financial support to students when it can have the greatest impact on enrollment and persistence decisions.

Many states employ explicit time structures and deadlines as a means to project budgetary needs and streamline administration. However, structuring programs around the passage of time has consequences, such as limiting the program's reach into nontraditional student populations and new postsecondary delivery models. Time currently dominates the eligibility equation for state aid in several ways: the initial eligibility determination and subsequent awarding process, the duration of a state financial aid award and the required schedule for drawing down disbursements of state aid.

**PROMISES OF AID SHOULD
BE MADE AS EARLY AS POSSIBLE,
EVEN BEFORE A STUDENT
CHOOSES TO ENROLL.**

In many two- and four-year programs across the states, students can make enrollment decisions within a matter of weeks of beginning coursework. For example, institutions utilizing modular course scheduling offer the opportunity for students to begin their program at many points throughout the year. For institutions offering courses on academic terms, such as semesters or quarters, students can be admitted and choose to enroll within a short time of beginning classes. While these students may meet the established eligibility criteria for state aid, they likely will not receive funding after a state's priority filing

deadline has passed. In this case, the time that a student's enrollment decision is made is the deciding factor for funding eligibility. However, rather than framing time as a penalty for students to avoid, states can approach the timing of aid awards and disbursements as a lever to influence student enrollment and persistence decisions.

Generally, many students will not know which types of financial aid they are eligible to receive until they have received a financial aid award letter from the institution or institutions that have accepted their admission application. However, states have the opportunity to join the affordability conversation much sooner. The optimum time to make awards varies by student population but, in general, promises of aid should be made as early as possible, even before a student chooses to enroll.

For students matriculating directly from high school, early commitment scholarship programs set the expectation that state support for higher education will be available during a student's K-12 enrollment. This promise is intended to alleviate college affordability concerns at a key time when students still have the opportunity to translate college aspirations into college readiness.

For adult students enrolling in degree programs or seeking new job-specific skills later in life, time between the decision to pursue postsecondary education and the start of the academic term or module course is usually limited. To appropriately address the variability in the timing of

adult student enrollments, states need to be intentional to not commit all available aid funds by a deadline set early in the calendar year; doing so may leave little money on the table for students who seek aid later. In **Oregon**, for example, policy moves away from a first-come, first-served approach to financial aid in favor of focusing on specific eligibility criteria to drive recipient selection.

REDESIGNING STATE AID TO LEVERAGE TIMING, BOTH IN TERMS OF ESTABLISHING INITIAL STUDENT ELIGIBILITY AND AWARDING PROCESSES, PROVIDES OPPORTUNITIES FOR STATES TO USE FINANCIAL AID AS A TOOL TO IMPACT STUDENT ENROLLMENT DECISIONS.

Finally, once a student is awarded financial aid, the award amounts are often tied to traditional academic terms, such as semesters or quarters, generally dividing funds over each term while excluding the summer. This practice synchronizes aid disbursements with traditional models

of student enrollment and may limit student access to attend year-round. As a consequence, students may not be able to access aid dollars for the summer term. However, granting students the flexibility to re-align their financial aid eligibility to alternative enrollment patterns ensures that students will be able to access aid when they are ready to enroll, as opposed to waiting for financial aid eligibility to renew in a subsequent term or school year. Eliminating the need for students to wait for financial aid to renew in a new school year means that students can complete requirements faster, gaining traction toward the graduation podium.

Redesigning state aid to leverage timing, both in terms of establishing initial student eligibility and awarding processes, provides opportunities for states to use financial aid as a tool to impact student enrollment decisions. State budget cycles and the need to accurately predict funding levels in advance are challenges that states will face in this effort. State financial aid programs also may be redesigned to respond to the variety of educational pathways available to students today by becoming more broadly inclusive.

PRINCIPLE IN PRACTICE

TIMELY AND FLEXIBLE FINANCIAL AID PROGRAMS:

- Avoid exhausting funds based on deadlines, and award based on state priorities.
- Decouple award schedules from calendars/academic years.
- Provide state financial aid agencies with the flexibility to transfer funds between programs to meet demand.

PRINCIPLE IN POLICY

RETHINKING AWARD TIMING IN OREGON

Priority deadlines are a common approach to limit eligibility when funding is insufficient to award all students. Under this approach, students meeting program eligibility requirements must also apply by a certain date — usually before March 1 — to be awarded aid in the coming fall term. If a student meets all state-identified eligibility criteria but applied after the priority date, funds will likely already be exhausted. The trouble with this approach is that it preferences students with high levels of information about the college-going process and leaves many students with less access to information behind. The approach also dilutes states' strategic funding priorities written in policy to one that focuses on time as opposed to targeted student eligibility criteria. The approach compromises states' ability to target dollars to the students who could benefit most.

In **Oregon**, however, there is a contrasting approach: awarding based on Expected Family Contribution, awards are made until the office projects that all funds have been committed for the year, regardless of the date a student applies. Using prior years of data, the Oregon Higher Education Coordinating Commission is able to project, based on the current year's budget, how many students will likely qualify at certain EFC levels. While the priority deadline remains in place to assist in communicating the importance of early applications to students, a student within the defined EFC category will likely receive a grant, provided funds remain available, even if their college plans do not solidify until later in the summer.

Beyond deadlines, state aid administrators face fluctuating demand for specific programs from year to year. In states where the ability to transfer funds between programs does not exist, students may not receive an award in their eligible program while a surplus of funds may exist in others. In other states where the value of the award is reduced to meet maximum demand, transferring funds could ensure that state support meets a minimum threshold of institutional costs.

PRINCIPLE 4: BROADLY INCLUSIVE

Financial aid programs should be broadly inclusive of all students' educational pathways: Aid programs should respond to the diverse enrollment options available to students.

Students enrolling in postsecondary education have a broad array of enrollment options available to them. Under current policy, state aid generally privileges full-time enrollment in two- and four-year degree-seeking programs. Full-time enrollment in traditional programs works well for many students, but not for all. As the variety of educational delivery models and enrollment options available to students diversifies, aid programs should adapt to allow for students to select options best designed to meet their needs. Practical applications of this redesign principle may include allowing aid programs to serve students enrolled in competency-based or prior learning-based programs and allowing students to mix full- and part-time enrollment as a strategy to persist to program completion.

AS THE VARIETY OF EDUCATIONAL DELIVERY MODELS AND ENROLLMENT OPTIONS AVAILABLE TO STUDENTS DIVERSIFIES, AID PROGRAMS SHOULD ADAPT TO ALLOW FOR STUDENTS TO SELECT OPTIONS BEST DESIGNED TO MEET THEIR NEEDS.

Although state financial aid programs need to measure progress to pace individual disbursements, the credit hour is no longer the only means available to students to complete the requirements for their degree or credential program. Despite this, the credit hour is a mainstay for measuring academic progress in state aid programs. States must appropriately take steps to ensure institutional and program quality; however, taking an expanded view of progress toward a credential would allow states and students the flexibility to fund competency-based programs, prior learning assessments and online course delivery — in addition to programs based on the credit hour. Granting

greater flexibility to students to access state aid for a variety of delivery models means that aid no longer pays purely for credit accumulation, but more broadly for learning and progress toward a postsecondary credential.

Aid delivery should also be flexible to allow for a variety of enrollment intensities and patterns. Emerging data show that students returning to college who mix full-time and part-time enrollment may ultimately be more likely to complete their postsecondary credential.¹¹ However, current aid delivery models may deny aid from otherwise eligible students who opt to enroll part-time for all or part of the year. Encouraging full-time enrollment is appropriate under many circumstances. However, it should not be done at the expense of aid eligibility for part-time students who are being intentional about their enrollment choices. Limiting aid exclusively to full-time enrollment has consequences for students facing course availability limitations or work and family commitments. Including part-time and full-time students in financial aid programs allows students the flexibility to synchronize the pace of their aid with the pace of their academic program when full-time enrollment is not an option.

State financial aid should not privilege certain postsecondary delivery models or enrollment intensities; rather, it should be adaptable and broadly inclusive. Funding progress toward a credential earned through competency-based degrees, prior learning assessments and credit-based programs aligns state aid with the broad variety of delivery models currently available to students. In this same vein, encouraging full-time enrollment is still possible while preserving eligibility for part-time students who do not have the option to enroll full-time or who wish to enroll year-round.

PRINCIPLE IN PRACTICE

BROADLY INCLUSIVE FINANCIAL AID PROGRAMS:

- Allow equal access to students of all ages and backgrounds.
- Do not limit only to programs measured in credit hours.
- Allow for full- and part-time student enrollment. Ensure adequate incentives if policy is designed to encourage full-time enrollment.
- Fund student progress when it occurs.

PRINCIPLE IN POLICY

ADULT-FOCUSED AID IN TENNESSEE

To meet 60 percent attainment by 2025, states will need to encourage postsecondary completion not only among high school students, but also among students who may have completed high school years ago. In many states, however, current policies contain eligibility criteria that exclude students coming to postsecondary education later in life.

State financial aid policies that have the greatest potential to serve both traditionally aged and older student populations:

- Allow for full- or part-time enrollment.
- Fund student progress when it occurs, either in the classroom, online or through a prior learning or competency-based exam.

Under the banner of **Tennessee's** free college program, students have the option to follow one of two channels: the Tennessee Promise or the Tennessee Reconnect. Both programs are respectively tailored to students matriculating directly from high school or to those seeking postsecondary education later in life.

While the Tennessee Promise program requires an early application, community service hours, mentorship and other activities targeted at the high school-to-postsecondary pipeline, the Tennessee Reconnect program offers flexibilities that older students need: contact a community or technical college for admission and participate in academic advising.

CONCLUDING THOUGHTS

In this second iteration of *Redesigning State Financial Aid: Principles to Guide State Aid Policymaking*, experts in aid policies re-establish their commitment to four guiding principles for policy development. Experts continue to draw attention to the numerous disconnects between state aid policies as they are currently formulated and the student populations that states will need to reach to be competitive in our modern economy. By redesigning policies that are student-centered, goal-driven and data-informed, timely and flexible, and broadly inclusive, states will be well-positioned to target limited resources to students that stand to benefit the most from a postsecondary education.

THIS PAPER IDENTIFIES

FOUR PRINCIPLES FOR STATE AID REDESIGN

THAT SEEK TO GUIDE STATE AID POLICY FORMATION:

PRINCIPLE 1

Financial aid programs should be student-centered.

Aid programs designed around students and their needs set students up for successful outcomes.

PRINCIPLE 2

Financial aid programs should be goal-driven and data-informed.

Aid programs should have a clearly defined and easily understood intent aligned with measurable state education and workforce goals.

PRINCIPLE 3

Financial aid programs should be timely and flexible.

Aid programs should provide financial support to students when it can have the greatest impact on enrollment and persistence decisions.

PRINCIPLE 4

Financial aid programs should be broadly inclusive of all students' educational pathways.

Aid programs should respond to the diverse enrollment options available to students.

QUESTIONS TO CONSIDER

These principles provide an important framework for state education policy leaders as they consider policy proposals that they may craft themselves or that may pass their desks. The four principles are broad and overlapping; however, they optimistically frame larger questions for states to address:

- 1 | What students do we intend to serve with this program?**
- 2 | Will aiding these students bring us closer to our strategic goals? How will we know?**
- 3 | Will students be able to access aid when they need it?**
- 4 | Will students be able to access aid when they make progress toward program completion?**

Financial aid policies can quickly become complicated and difficult for even the most seasoned experts to understand. However, the guiding framework that is presented in this paper intends to lessen the temptation to focus on overly granular details of policy (which merit-based eligibility criteria should we use?) and re-focus on the larger, guiding tenets of state aid policies (should we be using merit as an eligibility indicator?).

By critically and intentionally applying the framework for aid redesign, education policy leaders can best align today's student education pathways with limited state funding streams to produce student outcomes that advance state goals. As an organization committed to serving states, Education Commission of the States remains available to support leaders as they do so.

STATE FINANCIAL AID REDESIGN THINKERS' MEETING PARTICIPANTS

MAY 4, 2018 ~ DENVER, COLORADO

With the support of Strada Education Network, Education Commission of the States convened nine of the nation's leading experts on state financial aid to rethink the major components of a new system of state-funded aid. Over two days, experts discussed the promises and pitfalls of current models of student financial support in the states. The recommendations made in this paper are due in large part to their critical examinations of state financial aid and are a product of this ongoing collaboration.

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ENDNOTES

1. *47th Annual Survey on State-Sponsored Student Financial Aid: 2015-2016 Academic Year* (Washington, DC: National Association of State Student Grant and Aid Programs, 2017), 2, https://www.nassgapsurvey.com/survey_reports/2015-2016-47th.pdf.
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3. “State Financial Aid and Enrollment Patterns,” Education Commission of the States, July 2017, <https://www.ecs.org/state-financial-aid-and-enrollment-patterns/>.
4. Sarah Pingel and Neal Holly, *Seeking Support: State financial aid programs and adult students* (Denver: Education Commission of the States, October 2017), <https://www.ecs.org/seeking-support-state-financial-aid-programs-and-adult-students/>.
5. Kathryn Vesey White, *A Guidebook on State Budgeting for Higher Education* (Washington, DC: National Association of State Budget Officers, 2015), 11, <https://www.nasbo.org/mainsite/reports-data/higher-education-reports/higher-ed-guidebook>.
6. *Ibid*, *47th Annual Survey*, NASSGAP.
7. Meredith Kolodner, “Eligible for financial aid, nearly a million students never get it,” *The Hechinger Report*, May 23, 2018, <http://hechingerreport.org/eligible-for-financial-aid-almost-one-third-of-students-never-get-it/>.
8. Research on the federal student aid system illustrates this point. See: Susan M. Dynarski and Judith E. Scott-Clayton, “The Cost of Complexity in Federal Student Aid: Lessons from Optimal Tax Theory and Behavioral Economics” (NBER Working Paper No. 12227, May 2006).
9. Kasey Klepfer et al., *Student Financial Wellness Survey Report* (Austin, TX: Trellis Company, 2018), 4-5, <https://www.trelliscompany.org/student-finance-survey/>.
10. Wyo. Stat. Ann. § 21-16-1304 (West).



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