

## Investing in Need-Based State Grant Aid to Increase College Access and Attainment

A Summary of College Success Arizona's Policy Briefs on the Importance of State Grant Aid

Our ability to increase the postsecondary attainment rate will, in many ways, shape the future of Arizona. The economic and social benefits of increasing postsecondary access and attainment will substantially enhance the state's economy and expand opportunities for advancement to more Arizona residents. Central to this effort is the irrefutable need to empower more low-income Arizonans with greater access to postsecondary education opportunities.

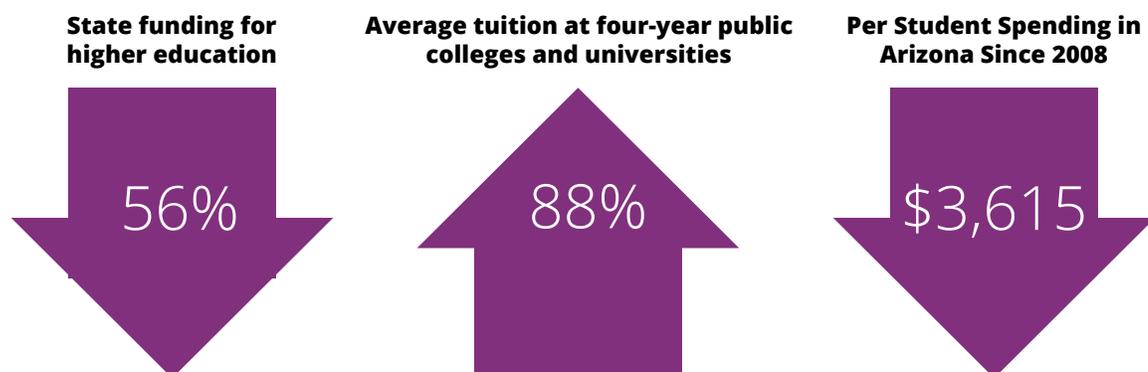
Over the past 10 years, though, rather than investing in programs and initiatives that can help to increase access and attainment for low-income students, Arizona has been doing less and less to support higher education. Since 2008, no state has made greater cuts to funding for higher education than Arizona. In that time, the state has reduced funding for public colleges and universities by 56 percent, leading to an 88 percent tuition price increase.<sup>1</sup>

This amounts to a \$3,615 reduction in per-student spending. The amount of need-based state grant aid available in our state has also shrunk substantially since 2008.

Since 2008, Arizona has significantly reduced financial support for higher education institutions and students.

This sets Arizona apart from most states. The general national decline in state support for higher education has typically occurred in parallel with a shift away from subsidizing institutions. States have instead emphasized subsidies, in the form of grant aid, for students themselves.<sup>2</sup> Arizona, though, has significantly reduced financial support for institutions and students,

Since 2008...



bringing state support for higher education to less than half of its historical levels. In 2015-16, the state subsidized just 34 percent of the cost of education for in-state students in the Arizona university system, and state-sponsored student financial aid, of any kind, amounted to “less than one-half of one percent of the total system-wide financial aid.”<sup>3</sup> All other aid comes from institutional or federal sources.

need. Approximately 65 percent were eligible for federal Pell Grants, which qualifies them as “very needy” according to the Arizona university system.

The foundation of any well-designed state grant aid program is adequate and sustainable funding from the state. Without the necessary resources, even the most carefully conceived and implemented programs will

Defunct State Grant Aid Programs in Arizona	
Program	Status
Postsecondary Education Grant (PEG)	Suspended
Private Postsecondary Education Assistance Programs (PFAP)	Suspended
Early Graduation Scholarship Grant	Suspended
Special Postsecondary Education Grant	Eliminated
Leveraging Educational Assistance Partnership (LEAP) (Federal match)	Eliminated
Special Leveraging Educational Assistance Partnership (SLEAP)	Eliminated

Source: ACPE

In fact, Arizona Board of Regents policy requires that a portion of tuition revenues, called a set-aside, be used to assist low-income families. The set-aside for need-based aid is one of the two primary sources of institutional funding for financial aid.<sup>4</sup> In 2015, more than 73,500 undergraduate students in the Arizona university system alone demonstrated substantial levels of financial

fail to significantly impact higher education participation and completion rates. In Arizona, numerous need-based grant aid programs have been suspended or eliminated in recent years due to funding cuts, affecting nearly 20,000 students in 2015 alone.<sup>5</sup>

For many low-income students, the net price of enrolling in and attending college is often impossible to afford, even after federal and institutional aid are considered. Unsurprisingly, researchers note that low-income students and students of color are more likely than their peers to have significant unmet financial need. This is true even after all types of aid, including available grants and loans, are accounted for.<sup>6</sup> When it comes to unmet need, even relatively small differences between the price low-income students are asked to pay, however discounted, and the amount of grant aid they receive can have a significant impact on their likelihood of enrolling in college. In fact, research indicates that need-based aid is the best option “when considering the most effective aid for low-income students specifically.”<sup>7</sup>

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# Strengthening State Need-Based Grant Aid in Arizona

In 2015, the Arizona Commission on Postsecondary Education convened a Financial Aid Task Force to explore potential solutions to the financial barriers that inhibit access to higher education for low-income students. Members included experts from a broad array of prominent Arizona institutions, such as the Arizona Board of Regents (ABOR), the Morrison Institute of Public Policy, and the Arizona State Senate. Specifically, the Task Force sought to identify the financial barriers to higher education access for low-income students and the resulting effects on the state and to developing potential solutions to those financial barriers.

As a result of its collaborative work, the Task Force identified state grant aid as a priority for Arizona in the effort to increase access to higher education and support completion

for low-income students. The Task Force also identified four key characteristics that define effective state grant aid programs that meet the needs of Arizona’s low-income students, all of which overlap with the recommendations from national organizations:

- ▶ **Need-Based Eligibility:** Grant aid programs should be accessible to individuals with the most financial need.
- ▶ **Portability:** Grant aid should be applicable to any higher education institution in Arizona.
- ▶ **Transparency:** Grant aid programs should be visible to Arizona middle and high school students to encourage attainment.
- ▶ **Accountability:** Data should be collected and used to assess the success of any state-sponsored grant aid program.

Characteristics of Effective State Grant Aid Programs					
Organization	Targeted	Need-Based Eligibility	Flexible & Portable	Transparency & Timeliness	Data-Driven
Education Commission of the States			★	★	★
Lumina Foundation	★	★	★	★	
Brookings Institution	★	★		★	
ACPE Financial Aid Task Force	★	★	★	★	★

## Endnotes

- 1 Center on Budget and Policy Priorities. (2016). Cuts to Arizona’s Higher Education System Jeopardize Our Economic Future. Retrieved from: [http://www.cbpp.org/sites/default/files/atoms/files/sfp\\_highered\\_az.pdf](http://www.cbpp.org/sites/default/files/atoms/files/sfp_highered_az.pdf)
- 2 Dynarski, S. and J. Scott-Clayton. (2013). Financial Aid Policy: Lessons from Research. *The Future of Children*, 23(1), 67-91. Retrieved from: <http://files.eric.ed.gov/fulltext/EJ1015227.pdf>
- 3 Arizona Board of Regents. (2016). FY 2016 Student Financial Aid Report Transmittal Letter.
- 4 Arizona Board of Regents. (2016). FY 2016 Student Financial Aid Report Transmittal Letter.
- 5 Arizona Commission for Postsecondary Education. (2015). Annual Report Fiscal Year 2015, p. 4. Retrieved from: <https://highered.az.gov/sites/default/files/documents/files/ACPE%20ANNUAL%20REPORT%20FY%202015.pdf>
- 6 Long, B.T. and E. Riley. (2007). Financial Aid: A Broken Bridge to College Access? *Harvard Educational Review*, (77), 39-63. Retrieved from: <http://isites.harvard.edu/fs/docs/icb.topic1233004.files/Long%20Riley%202007%20Financial%20Aid%20-%20A%20Broken%20Bridge%20to%20Access%20-%20HER.pdf>
- 7 Long, B.T. (2008). What Is Known About the Impact of Financial Aid? Implications for Policy. National Center for Postsecondary Research. Retrieved from: [http://www.postsecondaryresearch.org/i/a/document/6963\\_LongFinAid.pdf](http://www.postsecondaryresearch.org/i/a/document/6963_LongFinAid.pdf)

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# Recommendations for Policymakers

**Policymakers can take important action to increase statewide rates of higher education access and completion by developing robust and sustainable need-based state grant aid programs.**

- 1. Increase and sustain investment in state grant aid programs.** Arizona's existing programs are severely underfunded. Increased and sustained funding will enable the state to resume suspended programs and establish new programs to meet state goals. More, broadly, increased grant aid will expand access to higher education for all Arizonans, especially low-income students, and increase college attainment across the state. Increased attainment, in turn, will help to grow Arizona's economy; if Arizona matches the national average for attainment, the economic and social gains would amount to more than \$6.3 billion annually.
- 2. State grant aid should be substantial and reliable.** Currently, Arizona's state-sponsored grant aid programs provide only minor support for low-income students. Substantial awards that students can count on from year to year will support higher education access as well as completion. These awards help to ensure that students have the resources they need to succeed in their program of study without having to drop out for financial reasons.
- 3. State grant aid programs should provide low-income students with precisely targeted awards that can be used to attend any accredited postsecondary institution in the state.** Portability enables students to use grant aid at any eligible institution, empowering them through expanded choices among numerous opportunities and pathways to success. Although the particulars of institutional eligibility will need to be examined carefully by policymakers, especially when it comes to public vs. private institutions, conversations about grant aid portability are essential to developing effective need-based grant aid programs.
- 4. State grant aid programs should promote early awareness.** New need-based grant aid programs should be designed to reach low-income students in middle school, a critical time in their academic careers. Early awareness helps to increase college participation rates for low-income students and foster a college-going culture in schools and communities where higher education is too often considered out of reach. Early awareness of the possibility of college can also encourage academic achievement in middle and high school.
- 5. State grant aid program eligibility rules and application procedures should be easy to understand.** To ensure that the significant investments Arizona would make in a need-based state grant aid program are as impactful as they can be, such grant aid programs should be designed to ensure that all students and their families—especially low-income students and families, many of whom may be unfamiliar with the higher education system and its intricacies—can easily take advantage of the opportunity state grant aid represents.