

Navigating the College Crunch: Need-based Aid and the Future of Wisconsin Education and Employment

BY NIK HAWKINS

THE WISCONSIN IDEA FORUMS

Started in early 2009 by the Board of Regents, the Wisconsin Idea Forums focus UW System resources on Wisconsin's most vexing social, environmental, and economic challenges. In the spirit of the Wisconsin Idea, these forums will inform the debate around selected current issues confronting Wisconsin's residents by bringing objective, research-based information to the dialogue. For more information, please visit uwasa.edu/wisconsinideaforums.

AS A SENIOR ATTENDING THE UNIVERSITY OF WISCONSIN-MILWAUKEE, SHIRLEY AVILES maintains a 4.0 grade-point average, holds three academic scholarships, and is a member of the Alpha Kappa Delta National Honor Society. These are lofty academic accomplishments for any student, but they are further elevated by the facts of her non-academic life.

A Milwaukee-area native and first generation college student, Aviles dropped out after three semesters at Alverno College in 1994 for personal reasons. In 2007, not long after going through a divorce and at a low point in her life, she returned to school part-time—as the single mother of two young children. To support her family and fund her education, Aviles works two jobs and has cobbled together an impressive package of financial aid: two state need-based grants, two federal grants (including a Pell), scholarships, and assistance from her employer. “It barely covers the basics, but it helps a lot,” says Aviles, adding, “I would not be in school without it.”

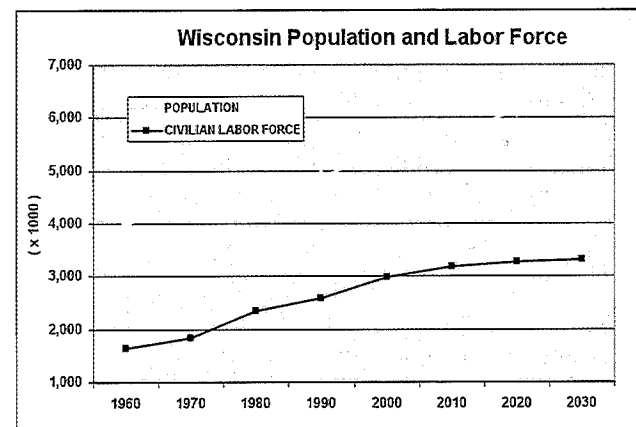
Now, on the threshold of her bachelor's degree in sociology, Aviles is looking toward a future with brighter career prospects and sees herself as a role model for her children, who are already

following in her academic footsteps. Upon graduation, she will transition to a full-time position at the nonprofit organization where she now works, and within five years she hopes to be well on her way to a law degree.

Despite the difficulties she has faced, Aviles can be counted among the fortunate in Wisconsin. Many people find it hard to secure the necessary means for attending college and completing a postsecondary degree due to a host of complicating factors, not the least of which is the economic downturn. While the recession has left many people jobless, demand for postsecondary education is increasing as displaced workers look to acquire new skills in the hope they can adapt to the changing marketplace. Though enrollment is on the rise, the capacity of the state's colleges and universities to accommodate this demand has been hampered

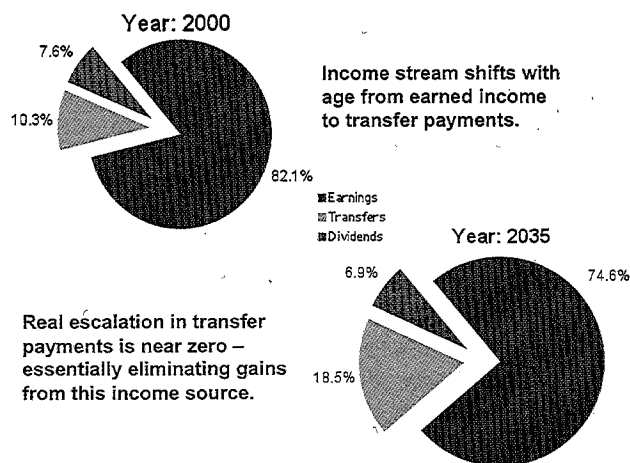
by the economic downturn as well; university endowments are shrinking and states have less money in their coffers to subsidize educational costs.

WISCONSIN'S WORKFORCE GROWTH BECOMES FLAT



To make up for this decline in funding, some institutions have raised tuition. According to a recent College Board report, tuition increased 9% nationwide in 2009. But many cash-strapped states are unable to provide complementary increases in financial aid, leaving a need unfilled. In Wisconsin, 28,000 eligible, low-income students will not receive state need-based grants for the 2009–10 academic year. “We’re not keeping pace with need in Wisconsin,” says Connie Hutchinson, executive secretary for the Higher Educational Aids Board (HEAB), the managing agency for the state’s student financial aid system. This shortage comes despite the fact that Governor Doyle has tripled financial aid funding since taking office in 2003.

AS BOOMERS RETIRE INCOME COMPONENTS CHANGE



At the same time students are losing out on the funds that would help them complete a college degree, it is becoming ever clearer just how vital increased postsecondary educational

attainment is to the state economy. Findings from a recent study conducted by Wisconsin’s Chief Economist Dennis Winters and the Department of Workforce Development underscore how dire the situation is for Wisconsin—and how important need-based aid may prove to be in pulling the state economy back from the edge. Though Wisconsin’s population is growing steadily, the workforce is leveling out as baby-boomers retire. As a result, real income has also begun to flatten and will actually begin decreasing in 2015. The tax ramifications of this trend are potentially devastating, Winters says. As real income decreases, so will income tax, sales tax, and property tax revenues, and without gains in these areas, the state’s economy will stagnate. “This is huge,” says Winters. “It’s unprecedented and largely unalterable.”

While this outlook is somewhat bleak, improvement is possible, as demonstrated by the higher economic performance of some of Wisconsin’s neighboring states. According to the U.S. Census, the median household income in Wisconsin is \$52,224, compared to \$57,607 in Minnesota and \$53,889 in Illinois. These numbers are related to the levels of educational attainment in these states: 25% of Wisconsin residents hold a bachelor’s degree or more while 30.4% and 28.9% do so in Minnesota and Illinois, respectively. “Everybody we can find we need to get up the education training scale as far as we can,” Winters says. “If everyone just took one step up, it would make a big difference.”

But the question remains: *How can Wisconsin accomplish this?*



For many, the obstacles to attaining a postsecondary education seem insurmountable. Educational research indicates that low-income students are less likely than middle- and upper-income students to enroll in postsecondary education without financial assistance. Findings suggest that targeted, need-based aid could be an efficient and strategic way for a state to increase its educational attainment levels and enhance the quality of its workforce. This was the impetus behind the second Wisconsin Idea Forum, “Innovative Ideas for Need-Based Aid in Wisconsin,” hosted by the Wisconsin Center for the Advancement of Postsecondary Education at the University of Wisconsin–Madison campus on November 17, 2009.

About 120 students, faculty, and staff from public and private colleges, as well as representatives of the University of Wisconsin System, state government, and private organizations, participated in person and online with the goal of better understanding the major issues surrounding need-based aid as well as developing potential policy solutions.

To better examine these issues, it’s important to understand what constitutes *need*. The Free Application for Federal Student Aid (FAFSA) is the main tool for assessing need, and all applicants for need-based aid are required to complete this form. The federal government analyzes the information provided in this application, including a family’s income and assets, and determines the Expected Family Contribution (EFC) toward the cost of college. The EFC amount is then used to determine the amount and types of aid for which a student is eligible. Funds are awarded by state and federal governments and postsecondary educational

institutions. Individual institutions and private foundations sometimes require supplementary applications in determining aid.

Need-based aid differs from merit-based aid and scholarships, which are awarded for outstanding academic achievements or special talents, and can include multiple components: grants, such as the federal Pell grant, which do not have to be repaid; work-study, a federal program that allows students to be employed on campus; and loans, which permit borrowers to defer payments until after graduation. Subsidized loans do not accrue interest until after graduation and unsubsidized loans accrue interest as soon as they are paid to the student.

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At the Wisconsin Idea Forum, a panel of representatives from six key agencies and organizations involved in Wisconsin's financial aid system laid the groundwork for the day with an overview of need-based aid in the state, as well as discussion about gaps in service and changes that could be made to help fill them. Next, Winters outlined the state workforce challenges discussed above, and John Hoffmire, director of UW-Madison's Center on Business and Poverty, focused on current efforts to simplify the FAFSA by linking the process to tax preparation. He illustrated the potential drawbacks and benefits of simplification, such as increases in aid applications among underrepresented students.

An afternoon panel provided useful perspectives from outside of Wisconsin. John Klacik, director of student financial assistance for Washington's Higher Education Coordinating Board, and Wayne Sparks, former director of financial aid and scholarships at Washington State University, highlighted the specific program elements that have led to the success of Washington's State Need Grant. The forum closed with a brainstorming session in which participants suggested policy changes and innovative ideas for supporting need-based aid in Wisconsin.

Forum speakers and participants alike acknowledged the many positive steps taken toward improving need-based aid in Wisconsin, such as the UW System's Growth Agenda, which focuses on increasing private need-based financial aid to supplement state and financial assistance, among other priorities. The group also identified an array of key issues and potential solutions that fit within five themes which provide a sort of

framework for parents, students, and future students to better understand need-based aid in Wisconsin.

College Knowledge and Awareness

According to the Lumina Foundation for Education, 90% of teens want to go to college, but 60% don't know how to apply. "There's a general lack of awareness about the steps one needs to take to get to college," says Amy Kerwin, chief guaranty officer for the Great Lakes Higher Education Corporation. "There aren't enough counselors and they don't have enough time to talk about applying for college." Many students with college aspirations, daunted by the length and complexity of the FAFSA or the risks of taking out loans, never get around to applying for financial aid.

One solution to this problem that came from the Wisconsin Idea Forum is to mandate a financial literacy course as a high school graduation requirement. Armed with knowledge about managing debt and the economic value—to the individual and the state—of a college degree, students will be less averse to loans. This requirement should build upon the state Department of Public Instruction's (DPI) academic standards of personal financial literacy.

Another creative idea from participants was to offer incentives for FAFSA completion. For example, some schools have used the prom as a reward for application completion and submission.

Coordination

The lack of college knowledge among students and families can be attributed, in part, to insufficient coordination among key agencies and groups involved in the financial aid system.

The way to get at this problem seems to be to introduce students to the financial aid system at an earlier age. The disjointed, compartmentalized nature of our educational system (K-12 and postsecondary) disrupts the flow of information to students. Greater collaboration and communication between the sectors would help make students aware of financial aid options well before their junior or senior year.

Forum participants recognized the need to identify, reorganize, and evaluate college access programs. Numerous programs with similar goals exist throughout the state, but they are not necessarily working in conjunction. This leads to duplication of services and wasted time. "Some students are served by six programs, but most are served by none and [they] don't know what's available," says the Great Lakes Higher Education Corporation's Kerwin.

A comprehensive catalogue of federal and state-based programs would not only show students their options, but would also help the programs share best practices and more effectively serve students. This process may involve the elimination or combination of some programs.

Funding

The amount of unmet need in Wisconsin alone shows that a lack of financial aid funding is a major issue; and in a troubled economy new funds are few and far between. But if the state

asks students to invest in their futures through education, the state must in turn follow suit, says Kevin Ingram, director of the Wisconsin Educational Opportunity Program. "Although we say we value education, and although we know it pays off, we're not practicing what we preach," says Ingram. "We just need to make a better commitment to wanting to fund education."

The State of Washington's success in securing significant funding increases for need-based aid—from \$8 million in 1985 to \$212 million in 2010—by working closely with its legislature is proof it can be done. Although the population of Washington is only about 15.5% larger than Wisconsin's, and both the states serve about the same number of students. Yet Washington awarded twice as much need-based aid in 2007–08 (\$181.2 million vs. \$92.1 million), and spent over twice as much in terms of average dollars per enrolled undergraduate (\$881.20 vs. \$418.50). In the areas of educational attainment (30.5% of residents with a bachelor's degree or more) and median income (\$58,472) Washington simply outperforms Wisconsin. While Washington's Klacik and Sparks issued the caveat that no state-to-state comparison is perfect, the contrast in numbers is nevertheless suggestive of an outcome within Wisconsin's future reach—if we act today.

Forum participants agreed that throwing more money at the problem is not a sufficient solution; rather, more money must be directed to the right places. One place to direct resources is toward growing the talent businesses need. "[Our shrinking workforce] necessitates a focus on talent through large investments in education, and we have to do this in concert with business and industry development," says Chief Economist Winters. "If the talent supply doesn't match the business and industry demand, you lose both."

With the shadow of unemployment hanging over the state (7.8% of the labor force, as of November 2009), a great place to focus need-based aid is on returning and adult students. As the number of displaced workers rises, returning and adult students represent a greater proportion of the potential college-going population. More aid for these students will help them complete their degrees as soon as possible and rejoin the workforce in a manner where they can best contribute to the recovery of the state economy.

Research

Questions about the need for more money and where it should go certainly provoke the obvious question, *How much do students need to pay for school?* "What's the tipping point for a grant to really be able to help a student go to college?" says Amy Bechtum, director of the Office of the Wisconsin Covenant. This, she says, is one among many unknowns that must be further explored in order to educate the public and inform policymaking.

Forum participants shared many stories and anecdotes about tuition costs and rates of matriculation and graduation. But, to get some real numbers, we need to encourage more research on college access, persistence, and success. Other question needing further exploration include:

What motivates students to enroll in college and persist to a degree?

How much aid is sufficient to *motivate* students to enroll versus how much aid is sufficient to *support* a student throughout a college career?

What cultural issues exacerbate loan aversion?

What demographic groups have unmet financial need?

How much unmet need is there among modest-income families ineligible for Pell Grants?

Rethinking the Current Financial Aid System

As intended, several innovative ways of tweaking or reforming the way Wisconsin funds, administers, and distributes financial aid emerged from the Wisconsin Idea Forum. Some ideas included the complete elimination of state merit-based aid and the wholesale redirection of funds to need-based aid until all need is met. This would include the pooling and redistributing of funds from smaller programs and grants.

Another suggestion was to prioritize aid according to state workforce goals. To do this the state would distribute more need-based aid to students who select majors aligned with occupations in short supply in the state. Aid would be dispersed provided these students remain Wisconsin residents for a certain period of time.

An approach that focuses on student success, and not just access, is critical. In order to ensure that students not only enroll but also complete their degrees, and that the state gets the most bang for its buck, institutions must refocus existing academic advising and mentoring resources to those receiving state aid. One way to incentivize this would be to have universities

AT THE NEXT WISCONSIN IDEA FORUM

Real-world challenges, research-based information, and an audience poised to make a difference are what define the Wisconsin Idea Forums.

Next in the series is the **Sustainable Communities Public Policy Forum**, starting at 10:00 am on March 25 and ending mid-day March 26 at the LEED-certified Communications Arts Center at UW-Fox Valley, Menasha.

Speakers include David Morris of the Institute for Local Self-Reliance and the New Rules Project; Michael Dornbeck, Professor of Global Conservation at UW-Stevens Point; and Satya Rhodes-Conway, senior associate at the Center on Wisconsin Strategy based at UW-Madison.

Day one focuses on content with Wisconsin and out-of-state case study presentations and discussions, and day two follows up with breakout sessions designed to advance policy.

Look for online registration and forum details to be available at sustainablecommunitiesforum.wisconsin.edu in the near future.

compete for grant dollars by showing what services they provide to help aid recipients succeed.

Changes in the distribution and repayment of aid could also promote success. For example, aid packages could be front-loaded with grants and gradually move toward loans in the latter part of students' college careers, when they are more likely to persist. Loan forgiveness programs could be instituted, as in some Scandinavian countries, in which debt decreases with the number of years of college completed.

Many forum participants called for a more flexible funding system. Financial aid funding is determined each academic year, yet it is tied to the state's biennial budget. Funds cannot be transferred between years in the biennium to create surpluses or fill shortfalls. This is problematic, especially since the state budget is rarely approved on time. As a result, when HEAB must vote on the grant formula for the year, the actual amount of money available is seldom known. A more flexible funding system would help the state and institutions better serve students.

While the UW System's Growth Agenda has taken steps in the direction of many of the proposals that emerged from the "Innovative Ideas for Need-Based Aid in Wisconsin" Wisconsin Idea Forum—establishing a Wisconsin KnowHow2Go Network, providing new ways for adult learners to earn degrees, and collaborating with K-12 schools to enhance college preparation in math—there are still more innovations to be considered. To spark meaningful change, others must pick up where the Wisconsin Idea Forum left off. *

Want to learn more about need-based aid in Wisconsin?

Watch the archived video and examine the presentation materials from "Innovative Ideas for Need-Based Aid in Wisconsin" Wisconsin Idea forum at uwex.edu/ics/wiscap. For more information about the Growth Agenda, visit wisconsin.edu/growthagenda. Other online need-based aid resources:

- Free Application for Federal Student Aid fafsa.ed.gov
- Fund for Wisconsin Scholars: ffws.org
- Great Lakes Higher Education Corporation: mygreatlakes.org
- KnowHow2Go Wisconsin: knowhow2gowisconsin.org
- UW HELP (UW System's Higher Education Location Program): uwhelp.wisconsin.edu
- Wisconsin Covenant: wisconsin covenant.wi.gov
- Wisconsin Educational Opportunity Programs: dpi.wi.gov/weop
- Wisconsin Higher Educational Aids Board heab.state.wi.us
- Wisconsin Mentor: wisconsinmentor.org
- Wisconsin Technical Colleges Costs and Financing: witechcolleges.com/costs

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but eliminate the abyss altogether.



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