

# Redesigning State Financial Aid to Better Serve Nontraditional Adult Students

## *Practical Policy Steps for Decision Makers*

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### Executive Summary:

### The Case for a New Approach to State Financial Aid

#### **THE NEED FOR REFORM**

A wide range of state-funded programs offer student financial aid for postsecondary education and related costs. If designed carefully and funded adequately, these state programs can be an important complement to federally funded student aid. Some state programs offer aid based on merit, while others base it on student financial need. Still others are based on a combination of merit and need and/or other factors. However, these state programs generally favor traditional-age college students and are often not fully accessible to adult students, particularly those with low incomes.

Today, low-income adult students, or nontraditional adult students as we refer to them in this paper, represent a significant and growing share of the college population. They are often concentrated in open access institutions, such as community colleges; are enrolled part-time; and have jobs and families. They are also more likely to be first-generation college students, have limited job skills, and have limited resources to maneuver postsecondary education systems. Consequently, the financial needs of these students become even more pronounced as escalating costs put college increasingly out of reach—preventing them from competing in a 21st century economy. By 2020, approximately two-thirds of all jobs will require a postsecondary credential, and over 95 percent of jobs created since the 2010 economic recovery have gone to people with at least some college education.<sup>1, 2</sup> Thus, the need for reform is both an equity and economic imperative for states' futures.

#### **THE CHALLENGE**

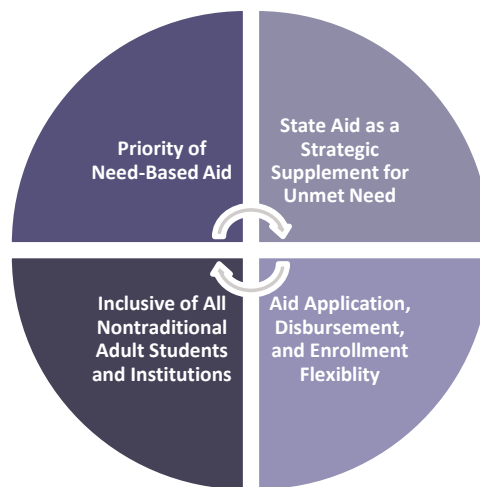
These rising college costs are largely driven by declining state investment in public postsecondary educational institutions over the past decade<sup>3</sup>. State financial aid programs have also received fewer resources during the past several years. In the face of declining resources to support students, some programs have also reengineered the way state aid is allocated, resulting in shifts in eligibility requirements, reduced awards, and technical changes that present barriers for nontraditional students<sup>4</sup>. Some of these program changes include award term limits, inflexible deadlines and disbursement schedules, post-high school eligibility time windows, enrollment intensity requirements, reduced priority on need-based aid, and inequitable support for students attending different types of institutions.

The marginalizing impact of these restrictions for nontraditional students creates a barrier to college access and success for the new budding majority of college students, thus hindering states’ long-term goals for increasing college completion and skill development across their populations. Research has shown that bolstering state need-based grant aid increases the chances of student success.<sup>5</sup> By explicitly focusing on nontraditional adult students, states can help meet their completion and attainment goals while also improving equity by more adequately addressing the complexity of these students’ work, family, and school lives.

**RECOMMENDATIONS FOR REFORM**

Key reforms to financial aid policies at the state level can offer a solution to promoting inclusive and targeted financial aid strategies that support students with the greatest needs, helping boost state completion and attainment goals. In particular, as illustrated in the framework below, states can prioritize need-based aid over merit aid; establish inclusive eligibility rules to ensure access to nontraditional students; target state aid as a strategic supplement that helps fill in the gaps for nontraditional students with unmet financial need; and institute flexible processes and schedules for state aid applications and disbursement. These supportive policies can make an important difference in enabling these individuals to earn the postsecondary credentials needed to succeed in the labor market.

*Figure 1. Framework for Building State Financial Aid Policy*



Although this paper makes the case for policies that would increase *aid* for nontraditional students, such initiatives should not reduce *access* to postsecondary education for other needy traditional students. Rather than a zero-sum-game approach, we suggest that state policymakers change policies and prioritize resources and investments based on their state’s entire student population and scale of need. An assessment of state population demographics can help inform these tradeoffs. Likewise, given the myriad state aid statutes, allocation policies, and legislative environments surrounding state financial aid and higher education finance, states should assess the gaps in their programs and work to align policy in the best interests of those who are currently underserved.

## Today’s College Student

The general public and many policymakers share a mental image of a typical college student: a recent high school graduate who is financially dependent on his or her parents and enrolled full time at a bachelor’s degree-granting institution. However, these perceptions sharply contrast with reality. Although a significant portion of America’s college-going population does consist of students attending four-year institutions directly out of high school, they are no longer the *overwhelming* majority. This paradigm shift has not been adequately reflected in policy decisions and student services offered by institutions. Today, 4 out of 10 college students are over the age of 25 (and have been for much of the 21st century). About the same proportion are also enrolled part time.<sup>6</sup> Approximately half of undergraduates are low income, and about a quarter are working full time and/or have children. Additionally, 38 percent of students attend community colleges, where large shares of low-income, nontraditional students are enrolled. Overall, as the nation’s demographics have shifted, the composition of students attending postsecondary education has followed suit. Students of color, many of whom disproportionately experience less successful outcomes in higher education and the labor market, account for 39 percent of all college students, a figure that is projected to increase to 42 percent by 2021.<sup>7</sup>

Each of these facts represents a unique student experience and a corresponding need for appropriate and targeted attention to support financial, academic, or other needs. Title IV of the Higher Education Act created federal financial aid programs targeted at meeting the needs of low-income students, but as the population has changed over time, those programs have fallen short and have excluded, both unintentionally and intentionally, students with some of the greatest needs.<sup>8</sup> With their own resources dedicated to financial aid, states have an important opportunity to fill in those gaps, but in too many cases, state programs do not meet this demand; many state financial aid policies suffer from the same—or even worse—drawbacks in addressing the needs of nontraditional adult students.

### YESTERDAY’S NONTRADITIONAL STUDENT IS TODAY’S TRADITIONAL STUDENT

OVER AGE 25	40%
INDEPENDENT STATUS	51%
ENROLLED IN A PUBLIC 2-YEAR COLLEGE	38%
ENROLLED PART TIME	37%
MINORITY	42%
LOW INCOME	51%
EMPLOYED PART TIME	37%
EMPLOYED FULL TIME	27%
PARENTS	26%
SINGLE PARENTS	15%

Source: Analysis of National Center for Education Statistics data, *Center for Postsecondary and Economic Success*, Center for Law and Social Policy

## The State of State Financial Aid

State policymakers responded to declining revenues during and after the Great Recession by sharply cutting support for their postsecondary education systems. As states struggle to restore funding to pre-recession levels, public college has become even less affordable for students.<sup>9, 10</sup> The increased scrutiny of postsecondary education and calls for greater institutional accountability have challenged state institutions to do more with less, including using the same (or lower) funding levels to support an increasingly diverse student population. Faced with this strain on resources, some states have reduced access to state financial aid through such policies as: restrictive eligibility requirements; reduced awards; first-come, first-serve aid provisions; and/or shifting financial aid burdens to institutions without sufficient state support.<sup>11</sup> The resulting cost burden on students has been especially high for low-income students, as evidenced by their large unmet need.<sup>12, 13</sup> Independent low-income students, who constitute a large share of the nontraditional student population, have the greatest unmet need—an average of \$7,734 for a full-time student at a public community college and \$3,559 for a part-time student. These gaps are almost \$2,000 higher in each case than the unmet need faced by community college students in the top 20 percent of the income distribution. By recognizing these disparities and reshaping state aid with an eye towards equity, even in the midst of tight or uncertain budget climates, more efficient and targeted state support can better serve students with the greatest needs and least access to postsecondary education.

Although two-thirds of financial aid dollars come from federal sources, state-funded grants and loans offer billions of dollars in postsecondary financial support.<sup>14</sup> In some states, such aid—particularly state grant aid—that can help residents earn a valuable postsecondary credential is a substantial support for those with unmet financial need. In 2013-14, states awarded \$11.7 billion in state-supported financial aid. Of that amount, about 85 percent (\$9.9 billion) was in the form of state grant aid disbursed to 4.1 million awardees.<sup>15</sup> In several states, these grants can cover up to the full cost of attendance for *eligible* state residents, reinforcing the power of these state programs as a significant source of student aid. A crucial challenge for postsecondary policy is to improve access to these funds for those students who are not *traditionally eligible*.

Although every state offers financial assistance, not every state offers it under the same eligibility provisions. Some state aid eligibility policies lead to greater inequities, leaving many students marginalized. In states where merit trumps need, students with fewer educational opportunities and lower incomes are at a competitive disadvantage. In states that limit eligibility for aid to only a certain number of years after high school, adult students—who are typically over the age of 25 and have been out of high school longer—are left with fewer resources. In states where full-time enrollment is prioritized, part-time students who generally need to work while going to school are left struggling for support. In some states, entire populations of people are ineligible for state aid (e.g., individuals with criminal convictions, undocumented residents, and non-degree-seeking students). Even the states with the strongest and most inclusive financial aid policies impose some of these restrictions on eligibility.

From our review of state financial aid programs across the country, it is evident that a significant segment of state aid is targeted to traditional students entering postsecondary education directly from high school and that aid is not equally accessible to nontraditional students. For most programs, the exclusion is implicit, as eligibility does not include part-time students or other student characteristics that are far more typical for adults. By explicitly focusing on adult students, states can help meet their completion and attainment goals while also improving equity by more adequately addressing the complexity of these students' work, family, and school lives.

## Why Adults Matter

On both the national and state levels, college completion agendas have dominated postsecondary policy conversations. However, efforts to increase degree attainment rates and build a skilled workforce have been heavily focused on the pipeline of high school students entering college. As the flow of high school graduates in this pipeline tapers off in some states, policymakers must shift their attention to meeting the needs of the increasing numbers of adults pursuing postsecondary education (whether they are seeking an academic degree, credentials based on occupational skills, or a combination of both).<sup>16</sup>

Table 1: *Projected Degree Attainment Gaps*

<b>ADDITIONAL ASSOCIATE AND BACHELOR'S DEGREES NEEDED</b>	<b>TOTAL</b>
to Match Best-Performing Countries in College Attainment Among 25- to 64-Year-Olds by 2020	10.1 Million
to Match Best-Performing Countries in College Attainment Among 25- to 34-Year-Olds by 2020	6.5 Million
to Meet Workforce Demand by 2018	3 Million
<b>ADDITIONAL POSTSECONDARY CERTIFICATES NEEDED</b>	<b>TOTAL</b>
to Meet Workforce Demand by 2018	4.7 Million

Source: National Center for Higher Education Management Systems, Georgetown Center on Education and the Workforce, and the Western Interstate Commission for Higher Education

Adults over the age of 25 are a vast segment of the U.S. population. Older adults in the “baby boom” generation are preparing to leave the workforce at increasing rates over the next 10 years, while those in the “millennial” generation are coming of working age in an economy where employers increasingly demand industry-recognized credentials when filling jobs offering family-sustaining wages.<sup>17</sup> By 2020, two-thirds of jobs will require a postsecondary credential, at minimum.<sup>18</sup> At the same time, just 10 percent of the population over 25 has an associate’s degree and just 32 percent has a bachelor’s degree.<sup>19</sup> These trends pose an even greater challenge for African Americans and Hispanics—populations that disproportionately experience poverty and have a history of marginalization in higher education.<sup>20,21</sup> Just 10 percent of African Americans and 8 percent of Hispanics have an associate’s degree; only 22 percent and 15 percent, respectively, have a bachelor’s degree. This opportunity gap is especially troubling considering these groups are projected to constitute a significant share of the majority-minority U.S. population and workforce in the coming decades. It’s imperative to prioritize postsecondary access for both equity and economic reasons.<sup>22</sup> Therefore, college accessibility is crucial to offer opportunities to the millions of adults who currently lack the skills to thrive in a 21st century economy.



## Where State Policies Help and Where They Fall Short for Nontraditional Adult Students

State policymakers can effect positive change by reforming financial aid systems that currently limit the access of nontraditional adult students. The opportunity costs to students created by system inefficiencies can go unrecognized by even some of the most well-intentioned state aid policies. As a result, even small changes to state financial aid policies can have significant payoffs for nontraditional adult students.

### Eligibility

Some state aid programs have met the needs of their students better than others. In Illinois, the Monetary Assistance Program (MAP), which has been supporting part-time students since 1974, was amended to support part-time students enrolled in a minimum of three credits, rather than the prior minimum of six credits, a move that significantly increased access for nontraditional adult students, who are far more likely to need flexibility *and* support in their enrollment choices.<sup>23</sup>

California has also worked to ensure its aid programs keep pace with the realities of its college-going population, although issues around institutional and allocation disparities persist.<sup>24</sup> However, the state’s Cal Grant program is broadly inclusive and available to nontraditional student populations, including eligible undocumented students under California’s DREAM Act and those with criminal records (currently incarcerated individuals are not eligible, however).

### BEHIND THE POLICY: CHANGE IN ACTION

#### ILLINOIS

The Illinois Monetary Assistance Program (MAP) provides grant aid to low-income, part-time students, but when the program began it was not as accessible as it is today. In 2000, the Illinois Student Assistance Commission launched a pilot study of students who were enrolled less than half time or for less than six credits per semester. These students often had the same profile as students who were eligible and demonstrated just as much need. In fact, the populations were often interchangeable, as many half-time students were more likely to drop to less-than-half-time enrollment temporarily, due to changes in work, family, and personal commitments. The study found that these students, who were primarily nontraditional adults, benefited greatly from the expanded eligibility, leading Illinois policymakers to adopt reforms that now offer aid to students attending less than half-time with a goal of keeping students continuously enrolled.

### FALLING SHORT: WHO’S LOSING OUT?

#### MICHIGAN

Michigan’s state grant programs are only available to students who have graduated high school within 10 years, largely barring state aid eligibility for those over the age of 28. State grants previously targeted to adults were eliminated in 2010. The one remaining state grant for which adults are eligible is reserved for students at private colleges, a stipulation that is not conducive to most adult students, whose enrollment is concentrated at public community colleges.

Another challenge stems from time-window periods for state aid eligibility. A handful of states restrict access to generous state aid based on the number of years since high school completion. Georgia’s HOPE scholarship, the state’s premiere aid program, is unavailable to students once they have been out of high school for seven years. Similar restrictions for major state grants exist in Texas, Mississippi, Wyoming, and Michigan, some of which have among the nation’s highest poverty rates and lowest postsecondary educational attainment rates.<sup>25, 26, 27, 28</sup> In Rhode Island, the only grant available to older students is \$500.<sup>29</sup>

## Total Cost of Attendance

In addition to the nuances of their eligibility rules, many state aid programs fail to address the hidden costs of attendance beyond tuition and fees. These expenses are faced by all students but are more daunting for nontraditional students.<sup>30</sup> Direct costs such as living expenses, or indirect costs such as child care and transportation, are not always covered or specifically targeted by large state financial aid programs, particularly if these essential expenses are not calculated as part of the total cost of attendance. Low-income, nontraditional students, who already have the highest unmet need, cannot rely solely on Pell grants, in part due to the decreasing purchasing power of this federal grant aid.<sup>31, 32</sup>

In some states, niche grant programs can help fill in some of this gap. The Massachusetts Cash Grant serves as a complement to the state's need-based tuition waiver and covers the costs of fees and non-state supported tuition for low-income students. The Minnesota Postsecondary Child Care Grant provides up to \$2,800 for low-income parents to help cover the cost of child care while they attend class and study. The California Cal Grant B is one of the largest need-based state aid programs to provide a living allowance, a 2015-2016 total of \$1,656 in the first award year, and a continuing allowance in subsequent award years that can be added to tuition and fee assistance.

In attempts to target supports to adult students, some states focus aid programs *specifically* on this population through efforts to reengage adult “non-completers.” These “stop outs”—a group estimated at 31 million nationally over the past 20 years—include many who are just a few credits short of attaining a degree and could complete their education with additional support.<sup>33</sup> Although reengaging this group may be difficult, even in comparison to those with minimal prior higher education, states that have this information can be even more cognizant of this aspect of the adult student population, enabling them to be informed about efforts to target these students and meet their challenges.<sup>34</sup> The Indiana Adult Student Grant and the Tennessee Reconnect Program are examples of states that have specifically targeted this group of students with both a commitment of will and resources.

## Process Barriers

Administrative and process barriers also impede financial aid access for nontraditional adult students. Although unintentional, standardized application deadlines and disbursement policies tend to favor traditional full-time students, placing a burden on nontraditional students who seek state financial aid. For instance, it is particularly disadvantageous when states make financial aid available on a first-come, first-serve basis, as nontraditional students must cope with less predictable enrollment schedules, often meaning the aid may already be gone by the time they are able to apply. In a positive reform aimed at counteracting this disparity, the process for awarding Oregon Opportunity Grants was revised to disburse grants with priority given to student need, rather than first-come, first-served based on the date when students complete their application for student financial aid.

### BEST PRACTICES IN THE STATES: WHERE POLICY BROUGHT CHANGE INDIANA

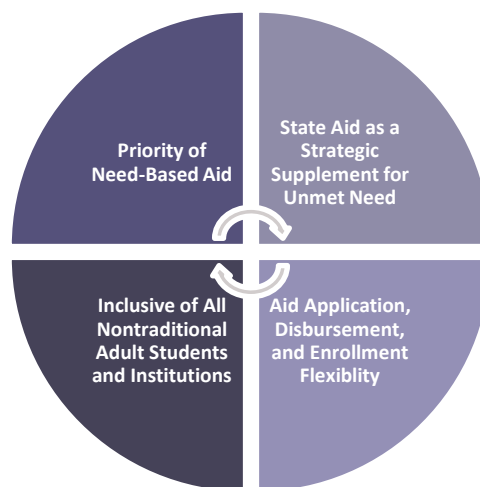
Recognizing that adults attend college differently, Indiana established the part-time grant to align aid eligibility for nontraditional students taking between two and 12 credits per semester. The part-time grant was established for students who without it would be deterred from beginning or completing a course of study. In 2015, the state passed legislation to create the Adult Student Grant with a similar goal, and also began a campaign to further engage adult students by reengaging those who began a course of study at some point, but did not complete and earn a credential.

Given the complexities and inadequacies of state financial aid programs for many nontraditional students, several new approaches offer states opportunities to level the playing field for this population. Some of these change levers are policy-based, while others are process-based. These approaches, especially in coordination with one another, create improved support for the educational aspirations of nontraditional students.

## Taking New Approaches to State Financial Aid

Considering the implications of postsecondary access and success for individual well-being, socioeconomic mobility, and the future of state economies, it is in the best interest of states to promote access and opportunity through more *inclusive* student aid policies. Strong and coordinated programs that invest in states’ most valuable assets—the human capital of their residents—are critical for building a more prosperous economy and a more resilient population. By envisioning state-funded financial aid as a comprehensive support system, policymakers can boost their state’s overall higher education mission, optimizing the effectiveness of student aid policies by aligning them with student need, institutional costs, enrollment patterns, and federal aid subsidies.

In this paper, we present a four-part framework to strengthen state aid policies to better serve the nontraditional adult student population. The framework focuses on the **prioritization of need-based state student aid, eligibility rules that are fully inclusive of nontraditional students, strategically targeted state aid that supplements federal aid and addresses unmet need, and fair processes and schedules for state aid applications and disbursements.**



### Prioritizing Need-Based Aid

Postsecondary education is a crucial investment for states to build a strong, knowledgeable, innovative, and competitive workforce. For the postsecondary education system to be truly equitable, the state and institutional mission must *best* serve those with the greatest need. Fortunately, many policymakers agree, with the imperative to address equity and economic mobility at the forefront of postsecondary and workforce policy discussions in recent years. The critical challenge that remains is to reconcile the realities of budget constraints and state policies that too often run counter to this mission with financial aid solutions that help achieve this goal.

Although \$7.4 billion of total state aid is awarded in the form of need-based grants, not all of these grant programs offer the same level of student access.<sup>35</sup> Generally, state-funded, need-based aid eligibility is solely based on household income, though thresholds and need calculations can differ significantly. Likewise, many—but not all—need-based aid programs are formally spelled out under state statutes, adding to the complexity of how state aid is managed and administered. The confluence of these program and eligibility variations can create barriers to



accessing state aid dollars for nontraditional students where policy language may be unintentionally exclusive or ambiguous. In some states, a sizable population can be disqualified by these eligibility nuances, some of which include:

- Restrictions on state aid for individuals with previous criminal convictions;
- Restrictions on state aid for individuals with unpaid child support;
- Restrictions on state aid for undocumented individuals;
- Age-out policies;
- Term and annual limits on awards; and
- Enrollment intensity requirements.

Even need-based aid eligibility is contingent in some states on a combination of merit and need. The goals of these programs are to simultaneously improve affordability and promote student retention and degree completion.<sup>36</sup>

However, merit stipulations can put nontraditional students from low-income backgrounds at a disadvantage compared to more economically privileged students.<sup>37</sup> For adult students who are several years removed from high school, merit eligibility based on secondary school performance or college entrance exam scores is unlikely to provide a true representation of academic potential, especially in cases where these students may not have a traditional high school diploma. Also, adult students who were previously disengaged youth may have a strong ability to benefit from postsecondary education that can be missed by traditional measures of merit in blended aid programs. Nonetheless, among the largest state aid programs, 33 link aid eligibility to college entrance exam scores or grade-point averages.<sup>38</sup>

The ratio of merit to need-based aid allocations within states can also be counterproductive to achieving access goals. In a 2013 survey of state higher education executives, 27 states reported having no formal policy regarding the mix of merit and need-based aid.<sup>39</sup> Flexible allocations of merit and need-based aid *could* be used to favor students with the greatest financial needs, or this flexibility could mean that low-income, nontraditional students get short-changed. In states with formal allocation ratios, the disbursement of aid can depend on institution type. For instance, 80 percent of aid in Hawaii reserved for community college students is need-based, compared to 60 percent for four-year institutions.<sup>40</sup> Nonetheless, whether flexible or scaled, when need-based aid is allocated sufficiently with appropriate targeting to nontraditional students, financial aid policies can more optimally align with the public service missions of state higher education systems. By reforming policies, repurposing aid dollars, and improving eligibility requirements to prioritize need, states can enhance equity and access, especially for nontraditional students.

### PRIORITIZING NEED & INCLUSION:

#### MINNESOTA

The Minnesota State Grant offers assistance to students from low- and moderate-income backgrounds for attendance at 130 public and private institutions in the state. The program is accessible to all students, including nontraditional adult students, those without a formal high school diploma who can demonstrate equivalent proficiency, and eligible undocumented students. Grant aid is prorated based on enrollment intensity and uses a shared responsibility model that calculates the state award amount based on all personal, federal, and institutional contributions.

## Maximizing Accessibility for Nontraditional Students at all Public Institutions

Prioritizing need-based aid over merit aid is a critical component of strengthening state financial aid policies, but increasing the accessibility of aid is equally important. Enhanced access is particularly crucial given the increasing diversity of nontraditional students and their enrollment patterns. Among the largest state aid programs, 29 will only fund full-time students, and 43 set term or annual time limits on awards.<sup>41</sup> Although well intended, recent pushes to encourage 15-credit course loads and redefine full-time enrollment can further perpetuate the disparities imposed by such policies if done without caution. Financial aid policies that are, by nature, designed for traditional students with traditional profiles will limit opportunities for many of today's students. Declining state resources for postsecondary education can further squeeze access and perpetuate this disadvantage.

Further exacerbating this problem, when state funding cuts to postsecondary education disproportionately impact one type of institution, others with the fewest resources and the highest nontraditional student enrollments are more likely to feel the loss.<sup>42</sup> This is especially true when state funding is predicated on institutional performance metrics without adequately taking account of differences in institutional mission, resources, and student need.<sup>43</sup> Likewise, disproportionate allocation of state financial aid dollars to institutions with greater wealth and lower nontraditional student enrollment can direct support where it is less critically needed or where institutional funds could be made available to offset reductions in state funding. The combined result shifts the burden to low-income, nontraditional students who face higher tuition, lower aid awards, and amplified need, particularly at two-year and open access institutions (as has been the case in Texas and Georgia).<sup>44, 45, 46, 47</sup>

Due to their function as open-access institutions and the mission they promote, public community and technical colleges play an especially critical role in the postsecondary system. Investments in these colleges are critical to achieving the education and workforce training needs of students and states. Still, some states do not offer *any* aid for students in the public two-year and technical sector. In Ohio, students at public community and technical colleges are ineligible for the state's College Opportunity Grant because its award formula is based on tuition levels rather than need, a policy that can disadvantage nontraditional students. Furthermore, nontraditional students' reliance on loans to satisfy their unmet need, albeit even in smaller amounts, is more likely to lead to negative outcomes and position the students to default in repayment.<sup>48, 49</sup>

These connections between state higher education finance and aid policy have different implications for student need across different types of institutions and students. Appropriately targeted aid must coordinate to proportionally preference need *and* be inclusive in its eligibility requirements to maximize support for nontraditional adult students with the greatest need.

### THE IMPACT OF DECLINING STATE FUNDING ON LOW-INCOME ADULTS

#### TEXAS

Like 46 other states, higher education funding in [Texas](#) remains below pre-recession levels. Between 2008 and 2013, state spending per student dropped 22.5 percent, while tuition and fees rose by 17.6 and 31 percent at the state's four-year and two-year colleges, respectively. This has shifted cost burdens to students, and specifically hurt low-income students, as the purchasing power of federal grants continues to decline. At two- and four-year institutions across the state, low-income students have an average unmet need of [more than \\$8,000](#).

### MEETING THE NEEDS OF ADULTS IN WASHINGTON: BEYOND DEGREES

Successful postsecondary outcomes for adult students are about more than just associate's and bachelor's degrees. Washington's Opportunity Grant Program provides support to low-income adults at community and technical colleges to train for high-wage, high-demand careers, some of which can be attained by completing shorter certificate programs. The grant aligns with customized institutional efforts to support the program's purposes, including comprehensive educational and student supports, active community partnerships, and connections with employers.

### State Aid as a Strategic Supplement

Along with prioritizing the availability and accessibility of need-based aid, state policymakers must think strategically about how state aid can act as a supplement to federal aid and other sources of assistance. Although niche state programs offer assistance to help fill unmet need gaps for non-tuition related costs, the largest and most generous state programs often cover only tuition-related expenses. Furthermore, non-tuition related expenses are now, more than ever, a significant portion of the cost of attendance for college.<sup>50</sup> Student-parents face the greatest consequences from these circumstances, since they typically take on more debt than traditional students to cover their unmet need in child care, transportation, and living expenses.<sup>51</sup> At community colleges, where significant shares of nontraditional students enroll, living expenses account for an estimated 70 percent of the cost of attendance, and only about one-third of community colleges provide an accurate assessment of those costs to students.<sup>52</sup> Consequently, as students matriculate, tuition and hidden costs rise, increasing unmet need.<sup>53</sup>

For programs of study that federal aid sources typically do not support, state-funded financial aid can play a vital role in filling the gaps. For nontraditional students, postsecondary opportunities are about more than attaining a traditional degree. In many cases, nontraditional students are working to build skill sets to advance in their current profession or gain access to higher paying, middle-skill jobs. In the past two decades, enrollment in noncredit programs has risen dramatically.<sup>54</sup> These programs can provide a significant service for nontraditional students as a gateway to employment, although the postsecondary system must ensure these credentials are stackable and portable towards a higher skill-gaining trajectory. Nonetheless, these programs are usually ineligible for title IV federal financial aid as they do not meet the seat-time requirements for eligibility.<sup>55</sup> As a result, the burden of financing these programs falls on nontraditional students with the greatest financial needs and least access to information.

Some states do a strong job of removing these barriers and increasing access to quality programs. Washington (see above) has helped pick up the tab where federal aid has fallen short; however, other states provide little or no aid for noncredit programs. Additionally, innovative approaches to subsidizing noncredit program costs have been tested in some states as solutions to federal aid ineligibility. Virginia recently proposed a plan to provide some support for students in noncredit occupational programs by covering two-thirds of the costs for students upon completion of the program and attainment of an industry-recognized credential.<sup>56</sup>

While state aid should support nontraditional student access, the programs should be designed to efficiently leverage every other available resource for student aid. State aid policies cannot be developed in a vacuum; they must recognize the availability and restrictions of federal, institutional, and private aid sources, so as to avoid award displacement (where extra state financial aid leads to reductions in aid from other sources, leaving students with no *net* benefit from state-funded aid programs).<sup>57</sup> By maximizing the amount of aid allocated to a student as a supplement to other sources of aid and support, nontraditional adult students can receive the full array of available help with college costs.

For nontraditional students, who often have fewer aid options, targeting state aid as a supplement can offer large impact, including through carefully designed policies for calculating need. Tax filing status, income limits, need calculations, tax credit policies, and public benefit policies can have a huge effect on the eligibility of students to obtain needed financial aid.<sup>58</sup> While these variables present challenges for low-income students in general, nontraditional students with more complex family needs and work hours are at particular risk of missing opportunities for wraparound support.

For example, a student who is treated as someone else's dependent for the purposes of financial aid can maintain eligibility for the maximum Pell award while earning almost \$20,000 more in income than the earnings limit for an independent student (who may well have greater financial obligations).<sup>59</sup> Likewise, low-income adults without children are often ineligible for tax credits and public benefits that could help offset the costs of tuition and other expenses.<sup>60, 61</sup> Such policies can miscalculate the true needs of low-income students, who generally lack personal savings or individual financial reserves. And an increasing number of postsecondary students are struggling with poverty; a report by the Institute for Women's Policy Research found that between 2008 and 2012 alone, student poverty rose from 40 to 51 percent, constituting a new majority in U.S. higher education.<sup>62</sup>

### THE HARD TRUTH ABOUT STUDENT POVERTY

It is important to note that low-income students are not a sparse minority of the college-going population; another reflection of the changing demographics of higher education. While this may be an indicator of improvement in overall access, it is also an indicator of a more alarming trend in higher education. As referenced, student poverty rose from 40 to 51 percent between 2008 and 2012. A heavy focus on the issues of housing and food insecurity among students, along with the challenges they face meeting basic needs, has started to become a more prominent and visible issue making its way into postsecondary policy.

Although changing eligibility standards does not change resource availability, the shift in policy can begin to promote equity and help nontraditional students pay for college. Addressing these eligibility barriers can also shift resource allocation and redirect aid distribution to align better with deep financial need.

## State Financial Aid Application and Disbursement Flexibility

In addition to the policy reforms outlined above, many states might also fix the administrative processes of their financial aid programs to treat nontraditional students fairly. Even with the most well-meaning policies, key details in the way programs are implemented can lead to harmful unintended consequences.

Significant attention has highlighted the amount of financial aid unclaimed by low-income students who would qualify for Pell grants if they filled out the Free Application for Federal Student Aid.<sup>63</sup> However, even more troubling is the amount of state grant aid that low-income students are unable to access because of less favorable timing of financial aid application deadlines.<sup>64</sup> Poorly planned policies around aid application deadlines and disbursement schedules can impede access for low-income and nontraditional students who may not have the information or resources to plan for their enrollment far in advance.

A June 2016 report from the Wisconsin Hope Lab found that the majority of state deadline policies do not coincide with federal deadlines, with state cutoffs set up to one year—or more—before the June 30 federal deadline of the funding year. The misalignment can add another layer of confusion to an already complex financial aid system and, more importantly, disadvantage nontraditional students without the tools to navigate it. The result is an estimated 46 percent of Pell-eligible students in these states who are missing these deadlines. For students at public two-year institutions and independent students, that estimate rises to 52 and 55 percent, respectively.<sup>65</sup>

**ADDRESSING NEED & TIMING:****OREGON**

The Oregon Opportunity Grant provides need-based aid to students enrolled at least half time in Oregon private, public, and two-year colleges. The state also uses a shared responsibility model for award calculation and prioritizes need rather than application timing for allocation—a change based on policy reform in 2015. The grant is also accessible to nontraditional students.

Flexible, rolling deadline options in some states can provide more opportunities for students, but the first-come, first-serve nature of those policies can also place students at a disadvantage if application opening periods are much earlier than federal deadlines. Consequently, the same implications of significantly early state deadlines may endure. The corresponding issues for aid disbursement would also mean that students with a competitive advantage to apply earlier would have access to more aid opportunities. The reforms to the timing of aid disbursement for Oregon's Opportunity Grant sheds light on the effects of these processes and schedules as well as the impact of revising unintentionally harmful policies to serve those with greatest need.

While the timing and pace of postsecondary enrollment may vary from traditional students, nontraditional students' access to available aid should not be disadvantaged by the timeframes for paperwork in state-funded aid programs. Taking these nuances into account for state aid policy will help mitigate the unintended consequences of otherwise well-intentioned programs.



## Recommendations for a Model State Aid Policy

The strengths and gaps in policies and processes highlighted in this report provide a reference point for states to consider when assessing their own state-funded postsecondary financial aid programs. At the core of this approach is having a holistic understanding of need, both in terms of financial need and comprehensive supports. A model state aid policy has to be multidimensional and informed by an adequate assessment of real-time student need and demographics. As policymakers strive to increase the levels of postsecondary degree attainment across their state's population, they must put in place the necessary financial *and* systemic supports to make that a reality, particularly for nontraditional students. As state programs and policies vary greatly, the context for these model reforms will look different in each state. The questions listed to the right frame the recommendations that CLASP proposes for state aid programs:

### ENSURE THAT STATE FINANCIAL AID PROGRAMS ARE BASED ON NEED AND EQUALLY ACCESSIBLE TO ALL STUDENTS

- Base state aid eligibility on the principles of need and equity, as well as provide increased resources and supports to low-income and nontraditional students with the greatest need. Align programs to target and allocate aid more efficiently to these populations.
- Make information about state aid programs transparent and easily accessible to nontraditional students to decrease information gaps and underutilized resources by those who need them the most.
- Assess need for state financial aid programs on holistic need, taking into account the full cost of attendance, including living expenses and hidden costs, and accurately accounting for a student's resources to effectively award aid.

### QUESTIONS FOR STATES TO CONSIDER

1. Does your state-funded financial aid program support the financially neediest postsecondary students?
2. Are adults of all ages eligible?
3. Does your program have realistic, satisfactory progress standards for nontraditional adults?
4. Does your program have an age cutoff or "statute of limitations?"
5. Does your aid program support part-time enrollment?
6. Does your aid program take into account the extra time some adults may need to complete remedial coursework?
7. Does your aid program attempt to comprehensively cover the cost of attendance, including living expenses like child care and transportation?
8. Does the timing of application and aid disbursement meet the needs of adults, whose decision and enrollment patterns may differ from more traditional students?
9. Does your aid program support the institutions and programs of study adults are likely to attend and pursue, including noncredit and online programs?
10. Does your program supplement other aid sources and encourage adults to package multiple sources of support, avoiding aid displacement?

### ALIGN STATE AID ELIGIBILITY REQUIREMENTS WITH REAL TIME NEEDS AND DEMOGRAPHICS

- Make state aid truly responsive to the population, with flexibility for amending eligibility in response to current and anticipated needs. Make use of data to understand the state's adult population in order to better serve this population.
- Remove any potentially restrictive unintended consequences of aid eligibility, making sure that state aid is accessible for all, without exclusions based on enrollment intensity, institution type, or program type.

### DESIGN STATE AID PROGRAMS AS A COMPREHENSIVE SYSTEM THAT HOLISTICALLY SUPPLEMENTS UNMET NEED AND COMPLEMENTS OTHER AID SOURCES

- Pair state aid redesign efforts with efforts to support students holistically, including federal, institutional, and publicly available supports, such as the Supplemental Nutrition Assistance Program (SNAP) and subsidized child care, to address both observable written and hidden costs of attendance.
- Make state aid responsive to federal aid gaps, focusing aid policies on creating access and supporting success for populations that are underserved by federal aid.
- Ensure state policies leverage every source of state aid without displacing other sources of aid, with a focus on need and equity.

## From Strategy to Implementation

The model state aid policy principles outlined in this report offer insight for states seeking to implement an appropriately scaled strategy targeting nontraditional students. Given the myriad state aid statutes, allocation policies, and legislative environments surrounding state financial aid and higher education finance, states should assess the gaps in their programs and work to align policy in the best interests of those who are currently underserved.<sup>66</sup> Nontraditional students are too often at the margins of postsecondary education policy. The reforms outlined in this report would address inequities by leveraging significant state investments, helping more students obtain the financial resources needed to earn postsecondary credentials that lead to success in the workforce and economic mobility.

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