

Workforce-Aligned Grant Aid

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Goals for today

- Describe the growth of workforce-aligned grant aid policies and their unique features
- Considerations for program design
- Preliminary evidence from analysis in one state

Questions about the value of college and links to vocational needs

The fact is, in this last generation, you have a lot of people who've gone deep into debt to go to these traditional universities to study things that don't have as much application in the real world. **Those four-year, brick-and-ivy universities, while one way to potentially advance yourself, are not the only way, and for many students, certainly not the best way. You're not any better because you're going to a university.** A lot of these folks who are doing it the career way and getting the vocational skills are doing financially well.

- Florida Governor Ron DeSantis, 2021 in proposal to use in federal Covid relief funds to invest in vocational training

Many Americans don't need a traditional four-year college degree to enjoy a prosperous life. What they need are the skills that will propel them into middle-class jobs....**Many skills today are gained through a variety of short-term programs that do not lead to degrees but can provide marketable new skills....**and workers — many of whom are in their midcareer and are looking to retool, stand to benefit.

- Patrick Harker, President of the Federal Reserve Bank of Philadelphia, 2021

I'm not suggesting reviving the old shop class, although there is value in aspects of that approach, including hands-on learning. **We've got to shed the misperception some may still have of technical education as a dumping ground for students headed for low-skill, low-paying jobs.** Career-connected learning is an area of rare common ground in our deeply divided political environment — it counts both Senator Bernie Sanders and the Trump-appointed education secretary, Linda McMahon, as supporters.

- Randi Weingarten, AFT President, "Stop Trying to Make Everyone Go to College," 2025

There's a recognition that education — the value, the price, the product — has fundamentally shifted. **The value of education has been substantially degraded.**

- Scott Galloway, Professor & Author, 2020

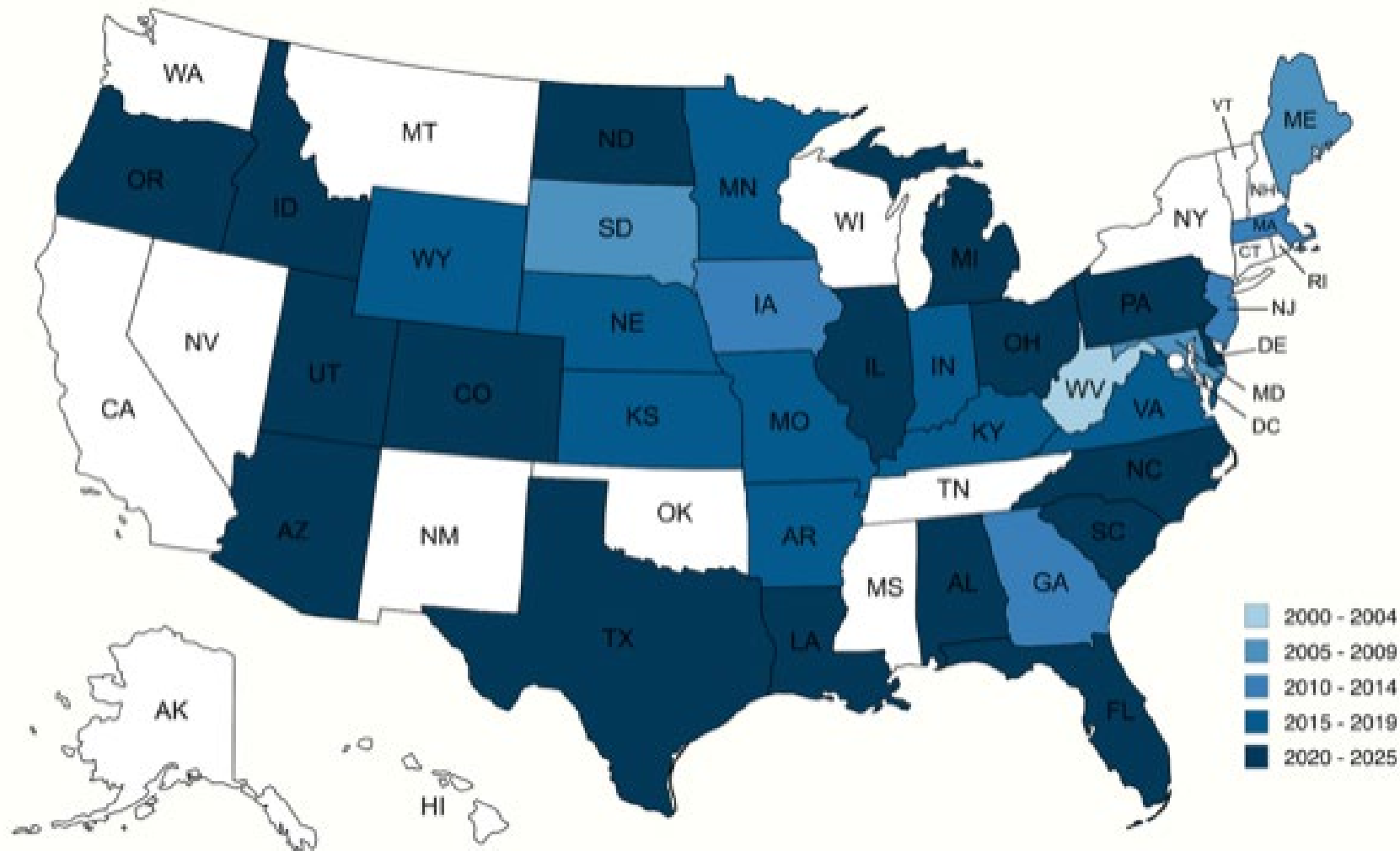
Policy responses to questions about the value of college and links to vocational needs

- Calls for “outcome-based” versus “process based” accountability and funding
- Federal policy examples
 - Gainful Employment accountability rules
 - College Scorecard
 - Accreditation reform
 - Short-term Pell
 - Perkins/CTE reform and expansion
- State policy examples
 - Performance/Outcome based funding
 - Shifting state funds towards students instead of institutions
 - Typically benefits “higher reputation” institutions (typically 4 years)
 - SFA can lead to more choice among some students
 - Workforce-aligned aid

State Workforce-Aligned Grant Aid Policies (WAGAs)

- Policies that emphasize the direct link from postsecondary education to workforce demand
- Common elements
 - Aid used for program that leads to a credential from an institution of higher education
 - Only for selected fields that the state identifies as high demand sectors or areas of workforce need
 - Eligible fields are regularly reviewed and updated
- Great deal of policy variation across states and programs, including:
 - Credentials covered
 - Eligibility (e.g., Means testing; Academic standing; Prior education/enrollment restrictions)
 - Frequency and method of eligible field review

WAGA geographic scope (preliminary scan)



~35 states currently have at least one workforce-aligned grant aid policy (~24 adopted in past decade)

Example: Work Ready Kentucky Scholarship (WRKS)

- Adopted by legislature in 2016, first year of eligibility was 2017-18 cohort
 - “The Commonwealth is committed to increasing the currently low workforce participation rate by expanding the skilled, competitive workforce necessary to attract new businesses to the state” (KY Governor 2016)
- Provides financial aid for Kentucky residents to pursue an industry-recognized certificate or associate degree in high-demand workforce sectors
 - Eligible fields: advanced manufacturing, business/IT, construction, healthcare, transportation/logistics
 - Eligible fields reviewed every 5 years by Kentucky Workforce Innovation Board
 - Sub-baccalaureate programs only: Students cannot have already earned an associate or higher degree
 - Capped by in-state tuition and fees at CC system (~\$4,800 annually; ~\$200 per credit); Average aid amount: ~\$3,000
 - Students are required to file FAFSA
 - “Last-dollar”: Covers the difference in cost between an eligible student’s tuition and fees and the financial assistance the student receives from federal *and other state* student aid programs.
- Aid is available for both postsecondary and dual credit programs
- Concurrent with 2016 state attainment goal to “accelerate job creation, grow the economy, and expand our tax base”

Why provide aid for already high-demand fields?

- **Information frictions:** Provide a signal to students about labor market prospects in specific fields
- **Social underinvestment:** Raise private net benefits to induce more socially optimal college-going and field choice decisions
- **Budget/Credit constraints:** Reduce budget and credit constraints to encourage students to go to college, or go to college differently (e.g., FT/PT; working while in school; time to completion; delayed entry)
- **Political dynamics:** Popular in certain contexts to some groups
- **Signaling:** To the business community and the public about state resources and priorities

Policy design considerations: Eligible fields & Educational choices

- Is subsidy better targeted to socially desirable, but less privately rewarding fields?
- Are the policies bringing in new students or shifting the educational choices of students who would otherwise still enroll?
- What are the consequences of potentially shifting emphasis away from general education and higher order skill development?
 - Industry-specific skills may not have as many benefits in the long term as general skills
- How to protect students if eligible fields change?
 - Will students be grandfathered in for the extent of their programs?
- Do the policies affect pathways or prob of further education?
 - Certificate awards are primary driver of credential growth (e.g., democratization v. diversion)
- Does opportunity differ for students of different backgrounds?

Policy design considerations: Coordination & Measurement

- How to best coordinate state funds with federal Title IV (Pell), Perkins (CTE), WIOA funds, and other types of state aid?
 - First/Last dollar; different types of eligibility; administrative burden; complexity for students and institutions
- How does work-based learning and competency-based education intersect with WAGAs?
- What are the proper determinants of state workforce need?
 - Forward looking versus backward looking needs? (e.g., traditional v next gen manufacturing)
 - Fields with high social vs. private returns?
- How to best measure outcomes of students in these fields?
 - Typical wages in a field may not reflect the outcomes of students from covered programs

Brief Lessons from the Research Literature

- Effect of college costs and financial aid
 - Costs and aid matter for enrollment and completion, though evidence on specific programs is mixed (Dynarski, Page, & Scott-Clayton 2022)
- Returns to sub-baccalaureate credentials
 - Earnings effects of ~0% to 50%, with substantial variation by context, field of study, and gender (e.g., Belfield & Bailey 2017; Darolia, Guo, & Kim 2022; Marcotte 2019)
- College/Major choice
 - Choices of where to go to college are affected by a multitude of personal, environmental, and economic factors, including price and information (e.g., Bird et al. 2021; Perna 2006; Porter & Umbach 2005; Wiswall & Zafar 2015)
- Crowd-in of aid
 - Local programs can crowd in federal aid, especially if it induces broader aid application (e.g., Burland et al. 2022; Sotherland 2025)
- Limited evidence on WAGAs specifically
 - Bonilla & Sparks 2025 (VA G3); Darolia et al. 2025 (KY WRKS); Peterson et al. 2023 (IN WRG @ Ivy Tech)

Project in Progress: Estimate the effect of WRKS in KY

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Project Overview

- RQ: What happened after KY introduced the WRKS program?
- Context: Kentucky public two-year postsecondary institutions
- Data: Administrative postsecondary education & UI data
- Empirical approach: Diff-in-diff event study to compare post v pre outcomes & eligible v ineligible programs/students
- Findings (in progress)
 - Shifted students into eligible fields and increased credential attainment (driven by certificates)
 - Positive earnings returns to enrollment in eligible fields; largely same after program introduction
 - *{Crowd in of federal funds and other state funds}*
 - *{Enrollment intensive margin changes}*
 - *{Program supply changes}*

Aid Crowd In?

- WRKS is last dollar, applied after federal aid and other state aid sources
- Could crowd in other \$
 - Federal aid (e.g., Pell, Perkins)
 - Other state grants
 - CAP (need based; \$2.5K max)
 - KEES (merit based; \$125-\$500 per year plus bonuses)

Concluding thoughts

- States are likely to lead postsecondary and workforce policy in the near future
 - Appeal of directly connecting postsec to workforce needs
 - But concerns about long term durability of industry-/employer-specific training
 - Blurring of traditional “higher ed” vs “job training”
- Evidence on these policies are currently limited, but evidence from one state suggests that the policy appears to have induced enrollment into eligible fields that have relatively high earnings and are state priorities
 - Credential gains driven by certificates
 - Potentially crowding in federal aid, and other state aid
- Policy design choices likely matter greatly (but still much to learn)

Thank you!

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