

Tuition and Financial Aid: State Policy Considerations

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Tuition Set-Aside

- Are students making a donation to other students when they pay their tuition?
- Is the state imposing redistribution from full-pay students to institutional aid recipients?
- Is the state just using state funds to increase access?

State Subsidies to Students

- General appropriations
 - Fund institutional operations
 - Subsidize tuition for all (in-state) students
- Targeted subsidies
 - State grant aid
 - Divert appropriations from institutional operations to student aid

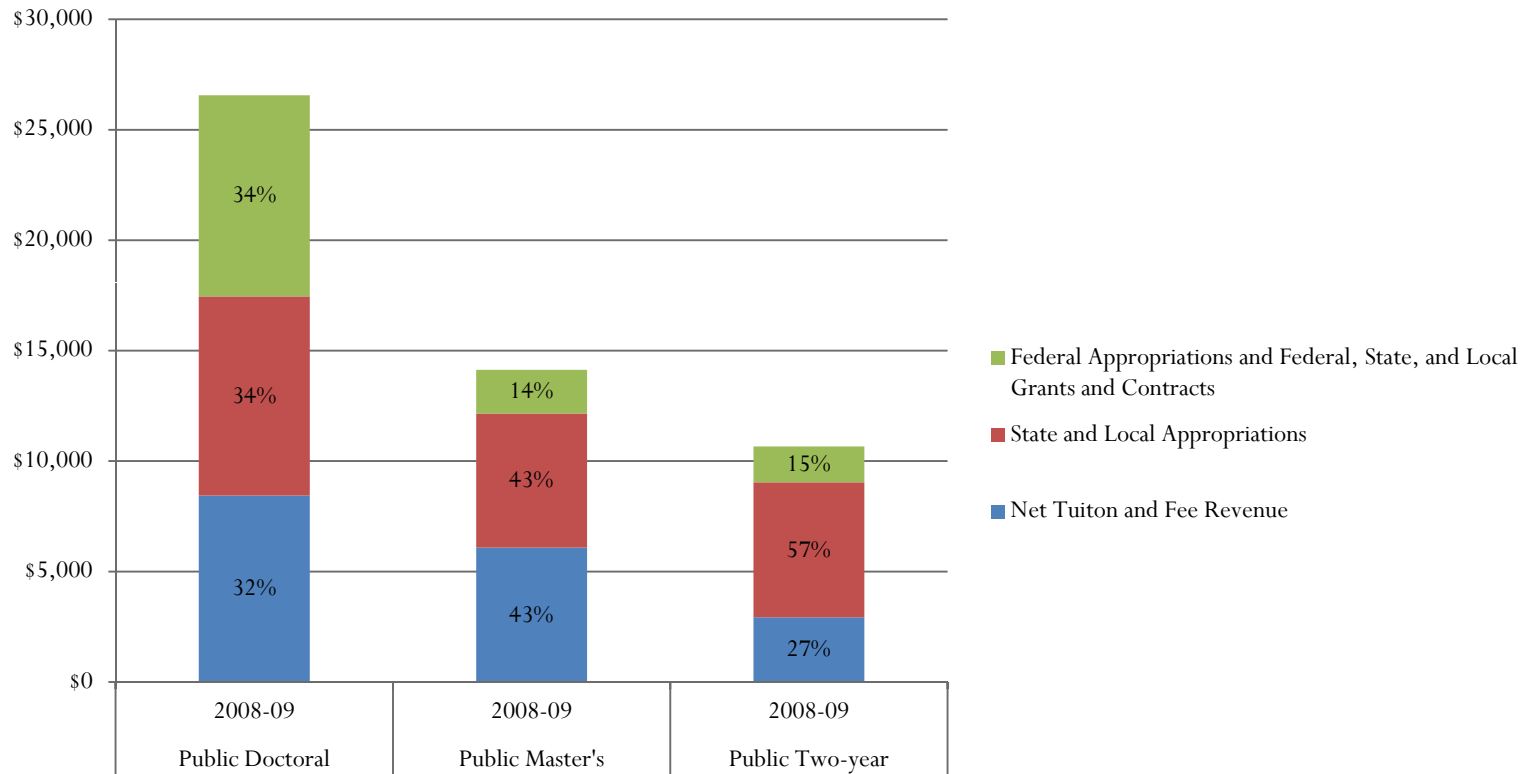
Two Perspectives

- Appropriations fund operations
- Tuition funds operations + student aid

vs.

- Tuition funds operations
- Appropriations fund operations + student aid

Institutional Revenues per FTE Student at Public Institutions, by Revenue Source, 2008-09



Source: The Delta Cost Project

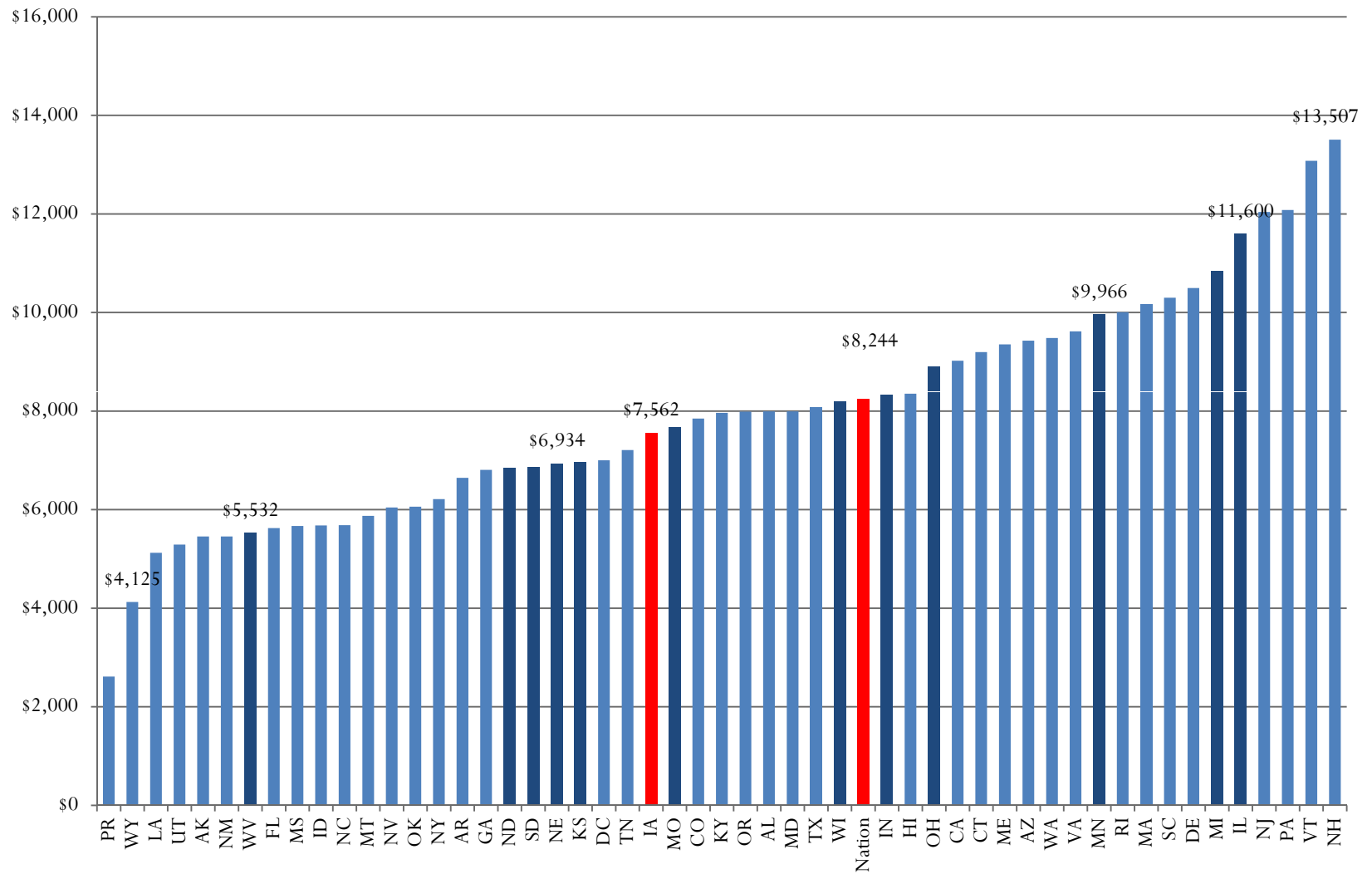
Tuition

Average Tuition and Fees, 2011-12

	Public Two-Year	Public Four-Year
Nation	\$2,963	\$8,244
Midwest	\$3,460	\$8,921
Iowa	\$4,177	\$7,562

Source: The College Board, *Trends in College Pricing* 2011

Average Public Four-Year Tuition and Fees 2011-12



Source: The College Board, Trends in College Pricing 2011

Subsidies

Net Tuition Revenue per Full-Time Equivalent (FTE) Student as a Percentage of Total Educational Expenses, 2008-09

	2008-09
Public Doctoral	48%
Public Master's	46%
Public Bachelor's	42%
Public Two-Year	29%

NOTE: Net tuition revenue is the amount of tuition revenues an institution takes in from students (including fees) net of all institutional grant aid provided.

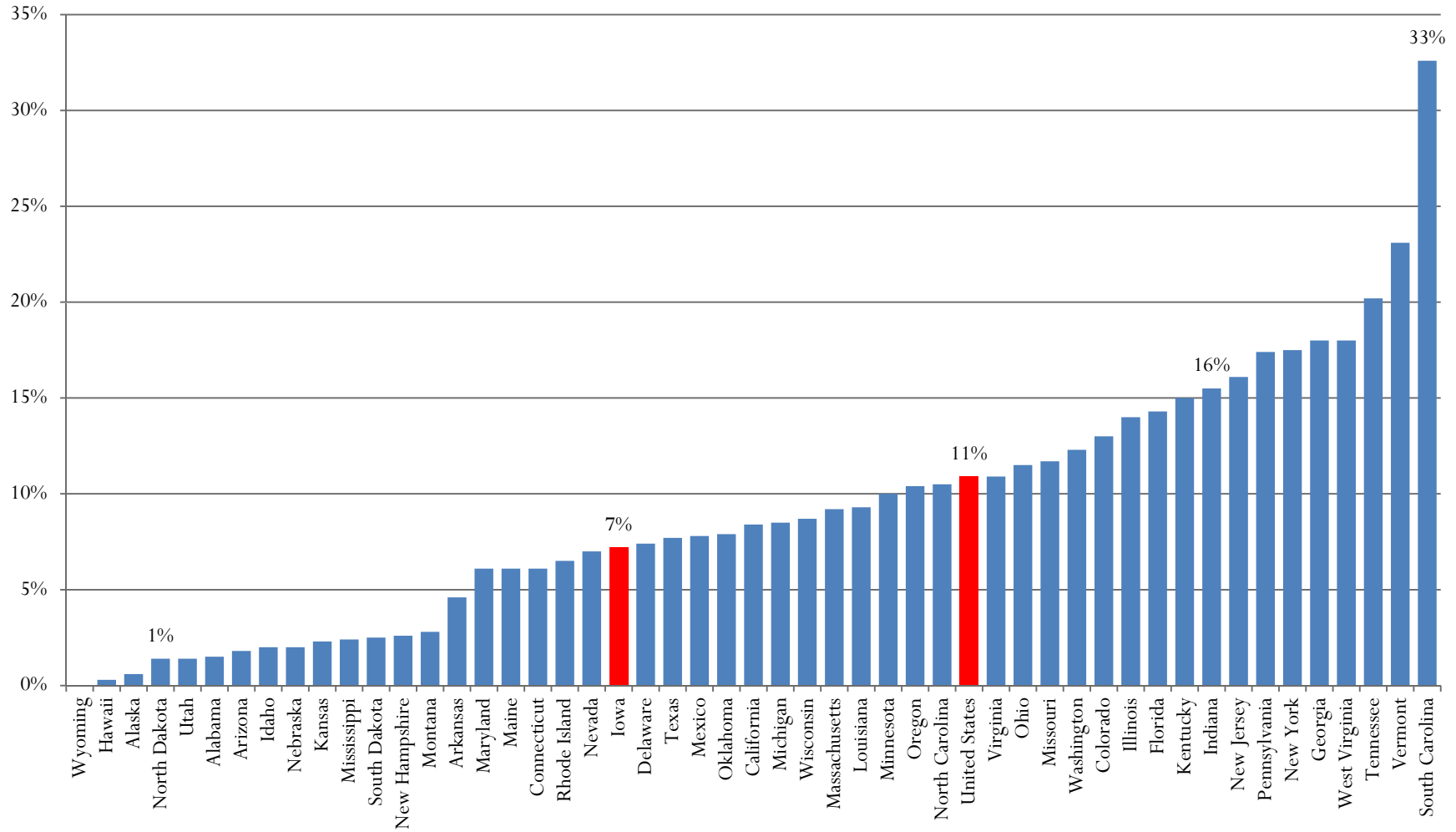
Subsidies for Full-Pay Students, 2008-09

	Educational Expenditures per FTE	Tuition and Fees
Public Doctoral	\$16,700	\$7,300
Public Master's	\$12,400	\$5,700
Public Two-Year	\$9,300	\$2,400

Source: The College Board, *Trends in Student Aid 2009*; The Delta Cost Project

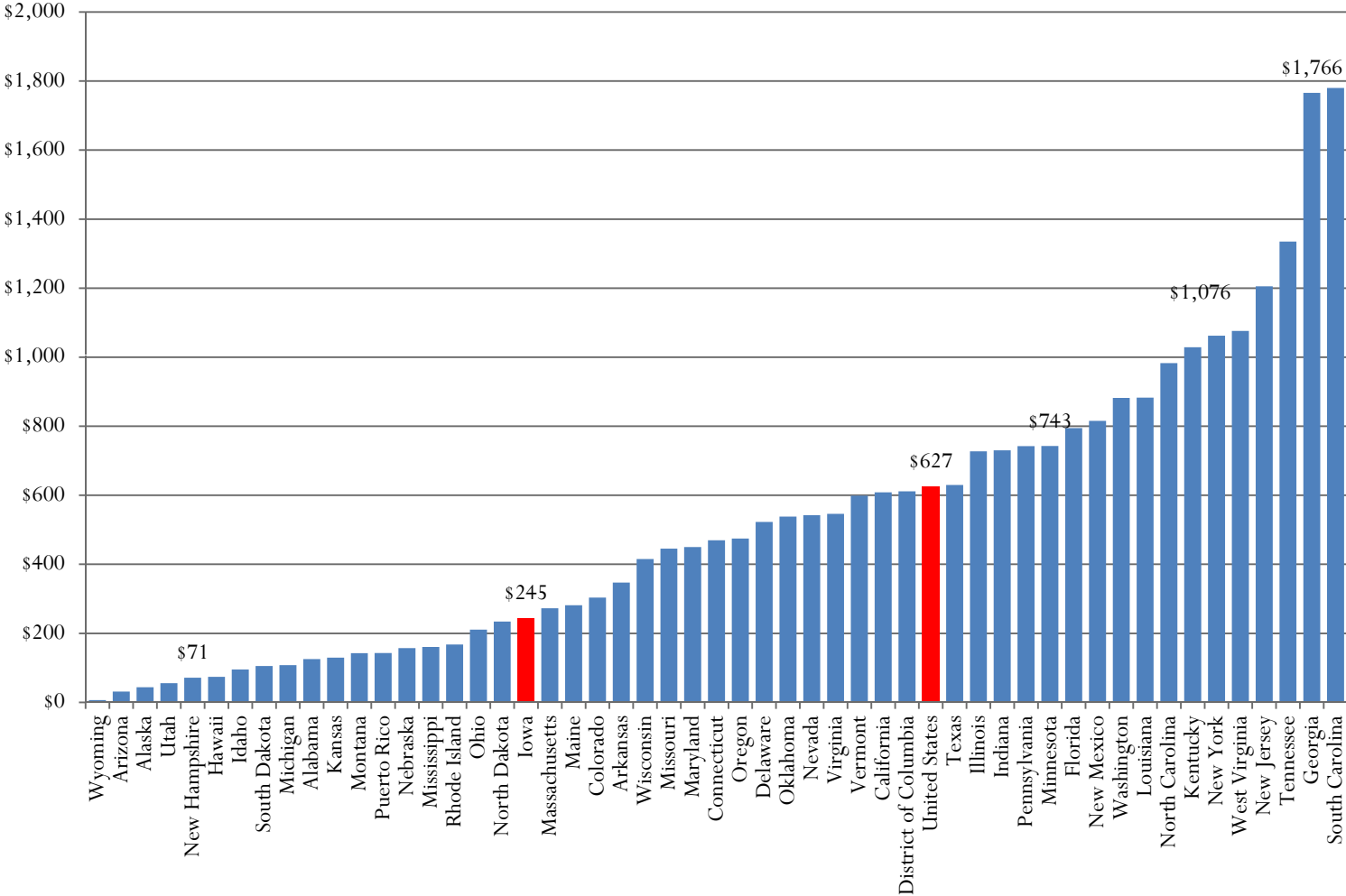
State Grant Aid

State Grant Expenditures as a Percentage of Total State Support for Higher Education, 2009-10



Source: NASSGAP Annual Report, 2009-10

State Grants to Undergraduate FTE, 2009-10



Source: NASSGAP Annual Report, 2009-10

Iowa State Grants

	Iowa Tuition Grant Program	All Iowa Opportunity Scholarship	Iowa Grant
Total Dollars Disbursed	\$46.4m	\$2.4m	\$1.7m
Number of Recipients	17,745	535	2,674
% of \$\$ to Public Institutions	0%	80%	64%
% of \$\$ to Dependent Students	68%	91%	45%
Of \$\$ to Dep Recipients, % to Income \$0-\$40k	32%	68%	78%
Of \$\$ to Dep Recipients, % to Income >\$80,000	16%	0%	2%
Median Income, Dependent Recipients	\$53,357	\$32,559	\$26,585

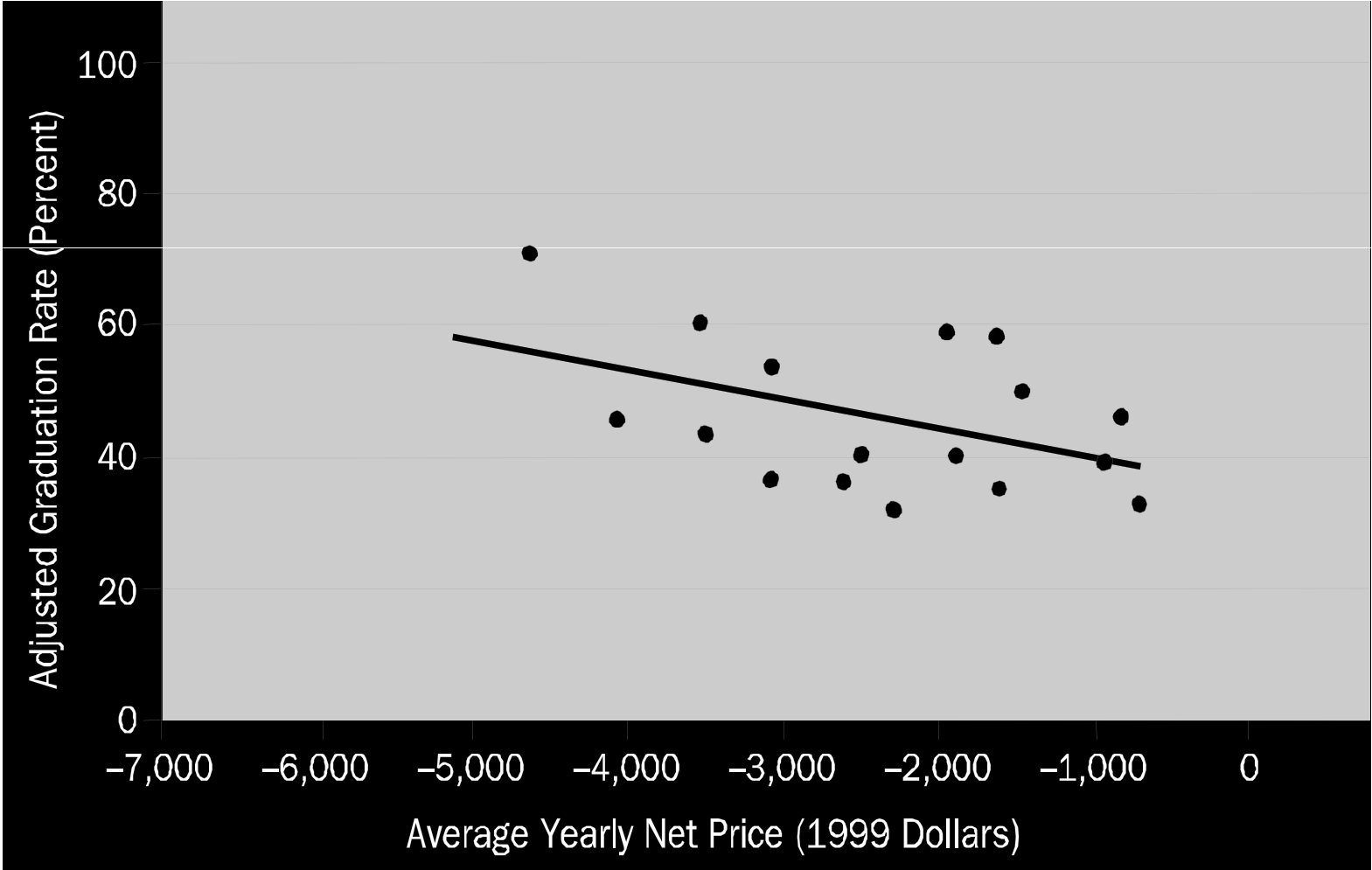
Source: NASSGAP

Iowa State Grants

- About 15% of all state grant dollars – and 6% of general grant dollars – to public sector
- Nationally, over 2/3 of state grant dollars go to students in public institutions
- % of fall enrollments in public sector (excluding for-profits):
 - U.S. 79%
 - Iowa 74%

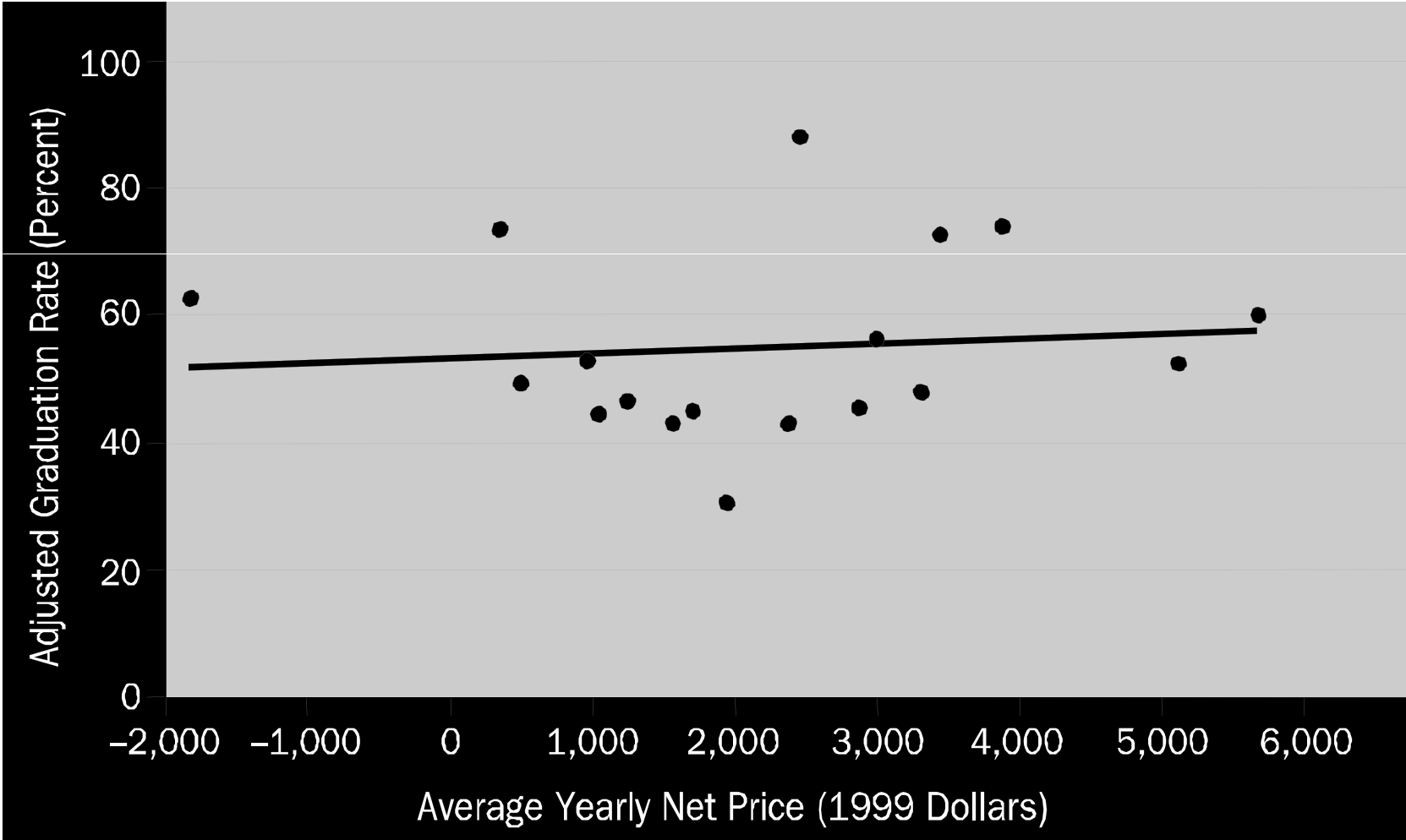
Effectiveness of Subsidies

4-year Graduation Rate by Net Price among Full-time, Dependent, In-state Freshmen in the Bottom Income Quartile



Source :Bowen, McPherson, Chingos, *Crossing the Finish Line*

4-year Graduation Rate by Net Price among Full-time, Dependent, In-state Freshmen in the Top Income Quartile



Source :Bowen, McPherson, Chingos, *Crossing the Finish Line*

Distribution of Subsidies

- Nationally about 60% of institutional aid at public institutions goes to students without need.
- In Iowa, 26%-35% of tuition set aside dollars to undergraduates (and a higher percentage of all institutional aid dollars) are no-need.

Considering the Options

Financing Options

- Fund student aid separately from institutions.
- Provide all of the funds to institutions and have them distribute the financial aid funds.

Other States

Arizona	14%-17% of resident UG tuition. Additional institutional aid also offered.
Florida	30% of tuition differential (part of the tuition increase) set aside for need-based aid
Indiana	Generous need-based aid. Institutions may implement set-asides for need and/or non-need.
Nebraska	All at institutional discretion. They have authority over their tuition dollars.
Nevada	Goal of 10% at CCs and 15% at four-year institutions
NC	Minimum of 25% of tuition increases
Texas	15-20% of tuition above certain level. For need-based aid. Notification required. (Now about \$200 per student.)
Virginia	Proposal to prohibit increases in amount of tuition set aside for financial aid would also increase need-based state grant aid.
Washington	Requires increase in set aside when tuition increases more than specified amount

Selected States with NO Set-Aside Policy

	State grant / FTE
South Carolina	\$1,780
New Jersey	\$1,205
Pennsylvania	\$742
Delaware	\$523
Wisconsin	\$415
North Dakota	\$234
Mississippi	\$161
Kansas	\$130
South Dakota	\$105
Idaho	\$95
New Hampshire	\$71

Iowa: State Grant / FTE

\$245

Key Issues

- Integrate policy on state grants, tuition, and institutional aid
- Subsidies make more difference for low-income students
- Institutions with high-need populations need more institutional grant aid than others.
- Is the middle class being squeezed? What is the solution?