



Fully fund the State Need Grant program

Increase student success and reduce student debt

Recommendation

Ensure all eligible students receive the State Need Grant (\$80 million/year)

Provide approximately \$80 million each fiscal year to serve an additional 18,000 students who are currently eligible for the State Need Grant (SNG) but unserved due to a lack of funding. Task the Caseload Forecast Council with preparing a forecast for the program so the budget will rise and fall with the number of eligible students, making the program predictable for students and families.

The Imperative

Fully funding State Need Grant can help Washington address persistent opportunity gaps in our educational system

Grant assistance provides students from low-income families with access to postsecondary education. As Washington's K-12 graduates become more diverse and less affluent, SNG is a key component of any strategy to increase educational attainment. Yet 18,000 SNG-eligible students are without funding. This undermines the message of the program: that cost should not be a barrier to enrollment and attainment for any student. SNG is most effective when fully funded—students are more likely to enroll and persist if funding is consistent and predictable. A fully funded and forecasted SNG program would provide stability for students and families; help close opportunity gaps in attainment, enrollment, and completion; and spur progress toward reaching the state's educational attainment goals.

Context

Predictable SNG funding would reflect Washington's commitment to affordability

Washington is nationally recognized for its commitment to affordability for low-income students through strong need-based financial aid. The state's largest affordability program, SNG serves nearly 70,000 low-income students, helping both recent high school graduates and older non-traditional students plot a course to a credential. It can be used for vocational certificates, as well as bachelor's and associate degrees. And it is flexible, in that recipients can attend part-time while working. SNG is vital to reaching the state's attainment goals, but its effectiveness is muted when tens of thousands of eligible students do not receive it due to lack of funding. The program should be forecasted to plan for predicted eligible students in the budget process.

Outcomes and Measures

More students will experience the positive educational outcomes associated with need-based aid

- Increased re-enrollment and completion rates among students with the lowest family incomes.¹⁹
- Increased attendance, retention, and campus engagement.²⁰
- Lower annual borrowing and decreased debt loads at graduation.
- An additional 5,000 students will receive SNG.

Quick Facts:

Average unmet need is virtually the same for students from 0-70 percent MFI as it is for those from 71-125 percent MFI.

SNG awards are prorated, with lowest-income students receiving the maximum amount, while students above 65 percent of MFI receive 50 percent of the maximum.

Because SNG is well-established, a significant expansion of eligibility comes without large increases in staffing and programming.



Expand State Need Grant income eligibility

Make college affordable for students from lower-middle-income families

Recommendation

Expand State Need Grant eligibility to serve students up to the state's median family income (\$47 million/year)

Help more students from low- and lower-middle-income households pursue postsecondary education and training. State Need Grant (SNG) serves nearly 70,000 low-income students. But as college costs have risen, students just above the eligibility cutoff increasingly struggle to pay for tuition. Now is the time to expand SNG eligibility for the first time in over a decade.

The Imperative

Eligibility has not kept pace with increasing college costs

The current SNG program works, putting college within reach for tens of thousands of students per year. But the eligibility criteria prevent many lower-middle-income students from qualifying. This undermines the message of the program: that cost should not be a barrier to enrollment and attainment for any student. Even after tuition reductions, tuition costs have risen faster than personal income and median wages since the last time SNG eligibility was expanded. The result is predictable: unmet need (defined as cost of attendance minus any grant aid) is now the same for the lowest-income students as it is for students from middle-income families. Expanding State Need Grant eligibility will reduce student debt and encourage persistence and completion.

Context

Lower-middle-income families are being priced out of college

State Need Grant eligibility was last increased in 2007, and has been frozen ever since at 70 percent of the state's median family income (MFI). Students just above this threshold have faced rising costs without state grant aid. Since 2007, tuition increased by 45 percent for regional institutions and 64 percent for research institutions. Meanwhile, the state's per-capita personal income has grown by only 30 percent. Families just above the income cutoffs for both the federal Pell Grant and the State Need Grant program get squeezed. WSAC's affordability model illustrates that costs for middle-income families often outpace their ability to save for college, even under very optimistic assumptions about how much and how long they save. As grant aid falls away above the income cutoffs, students and parents often take out more loans. Expanding eligibility to serve students from 0–100 percent of MFI would support 15,000 more students.

Outcomes and Measures

Students from lower-middle-income families will be able to afford college, while minimizing loan debt

- Increased annual attainment of degrees and certificates.
- Increased persistence and graduation of students from low- and lower-middle-income households.
- Lower annual borrowing and decreased debt loads at graduation.
- Funding of \$47 million per year would serve approximately 15,000 additional students with need-based aid.

Quick Facts:

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Expand career-connected learning opportunities

Invest in Washington's workforce

Recommendation

Expand career-connected learning opportunities through the State Work Study program (\$5 million/year)

Reinvest in State Work Study (SWS) to give Washington students the skills they need to succeed in today's economy. Target a portion of funds to employers in high-demand sectors. State funding of \$5 million will produce \$7 million in wages while serving an additional 2,500 students.

The Imperative

Work Study grows the workforce Washington employers need

Employers increasingly point to challenges finding prospective employees with the skills necessary to fill jobs required for economic growth. And students are too often working long hours in jobs disconnected from their career interests.²¹ Reinvestment in SWS helps counter both trends by providing career-focused, flexible, part-time work opportunities that improve persistence and post-graduation employment outcomes. The program's budget has been frozen for years while minimum wage rises. This has led to a steady decrease in the number of students served and depresses the total amount of hours worked. It's time to expand the program to serve more students and employers.

Context

SWS leverages private funding to increase economic opportunity

SWS matches students in need of relevant work experience with employers in need of skilled workers. This helps close the state's skills gaps and allows students to distinguish themselves in an increasingly competitive job market. Due to recessionary funding cuts, the number of SWS recipients and participating employers has decreased significantly over the last decade. Rebuilding the program now offers an opportunity to focus on career-connected learning in high-demand industries to maximize economic impact. State funding for SWS combines with employer contributions to pay student wages. A state investment of \$5 million (including a \$2 million incentive pool for high-demand fields) would be matched by \$2 million in employer funds to produce \$7 million in total wages and serve 2,500 additional students.

Outcomes and Measures

Students graduate from college with less debt, more work experience, and skills to succeed in today's economy

- Better post-graduation outcomes for students, higher retention rates, and lower debt at graduation.
- State funding of \$5 million per year will subsidize work experiences for 2,500 students and provide 100 percent of student wages for targeted jobs.

Quick Facts:

As a program with eligibility stretching into the middle class, as well as to graduate students, SWS is available to more students than most other forms of aid. But current funding cannot meet student demand.

Over 90 percent of surveyed students believed SWS improved their satisfaction with college and helped them gain skills that would translate to their future career.

About 95 percent of surveyed employers noted SWS students made their organization more productive.²²



Create a savings match pilot program

Help students build a financial safety net

Recommendation

Create a savings match pilot program to incentivize savings and reduce student debt (\$500,000/year of pilot)

Provide state funds to match student savings. This incentive program can build economic resiliency for at-risk students, helping students overcome financial hurdles that might otherwise lead them to drop out.

The Imperative

Savings can give students the stability to overcome financial hurdles and afford college costs

Many disadvantaged students enroll in college to increase earning power and ensure their family's financial future—but are immediately confronted with a series of barriers. They must afford the high cost of attendance, often while reducing work hours to accommodate school schedules. Financial aid programs can help cover tuition, but non-tuition costs are substantial, leaving low-income families struggling to make ends meet. Many families are hesitant to incur debt, and the high cost of college contributes to the gap in participation from lower-income families.²³ Students without significant savings are at risk of dropping out due to the inability to overcome even small financial barriers. State matching programs can motivate families to save for higher education expenses by contributing state dollars to individual savings accounts.

Context

Savings match programs offer an innovative solution to a long-standing problem

For years, colleges have known that small, unplanned expenses (e.g. car repairs, unexpected fees or fines, medical bills) can result in a student deciding to drop out. As a result, some institutions offer limited forms of emergency financial aid, like interest-free loans, or grants for specific types of common expenses like childcare and transportation. Another response has been to offer asset-building options, incentivizing students to save. Starting with very small dollar amounts each month, which are then matched by outside funding, students can build savings quickly. Several models for state matching programs are available. Such programs can address a gap left by a successful federal program that was eliminated in 2017.²⁴

Outcomes and Measures

Students will be better equipped to face challenges and complete their education

- Reduced debt loads for students from low- and middle-income households.
- Increased participation and persistence rates for students from low- and middle-income households.
- Increased annual attainment of degrees and certificates.
- Improved financial literacy and ability to withstand unforeseen expenses.

Quick Facts:

Asset-building models have been shown to be effective at changing behavior and increasing participants' liquid assets.^{25, 26}

Washington State University's Invest in Success program has helped 850 students save \$1,000 each, which is then matched 4:1 by private, federal, and institutional dollars.²⁷

Federal funding for individual development accounts was eliminated in 2017.

Key Challenge #1: Address Affordability

Many Washington students face significant affordability challenges, including paying for tuition. Though tuition has only increased by two percent in the past few years, it is up 60 percent since the great recession for research institutions.¹ Students bear much of the cost, despite state investments in higher education and state financial aid. For example, the average amount of student loan debt carried by Washington borrowers increased 61 percent in less than a decade (see Figure 1).

While Washington has been nationally recognized for its commitment to need-based aid for students from low-income families, there is much more work to be done.² For example, after accounting for recent State Need Grant allocations, funding shortages left 18,000 grant-eligible students without assistance. Middle-income students also face economic challenges, resulting in increased undergraduate student debt and reduced higher education completion rates.³

Call to action for a systems approach

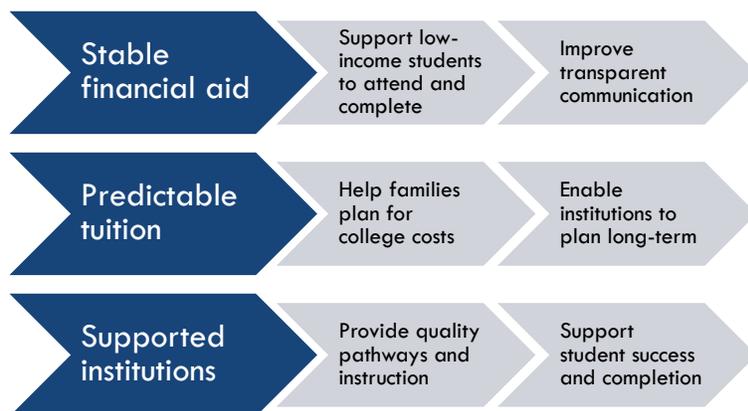
Affordability constraints reduce the number of students realizing their educational aspirations and oppress the state's educational attainment rate. Washington students and families deserve an affordable system. And an affordable system must be in place if we are going to reach our educational attainment goals.

Building an affordable system starts with a commitment to invest in opportunities for low-income students. Removing cost barriers to attendance lowers the opportunity cost for working adults, and levels the playing field for low-income high school students. We must also develop affordable pathways to a credential, rather than a single pipeline. This will result in a system better-equipped to serve students and to adapt to a changing economy.

Institutional investments, expanded student supports, and a robust and predictable system of state aid will increase access to, and success in, the state's higher education system. The Council supports the following strategies to improve affordable access to quality pathways for all students.

Fully fund and forecast the State Need Grant program.

To create a more affordable and predictable system, policymakers must ensure that the State Need Grant program—the largest affordability program in Washington—serves more students. Fully funding the program and forecasting student enrollments will result in reliable and predictable funding, resulting in increased enrollment by low-income students of all ages.



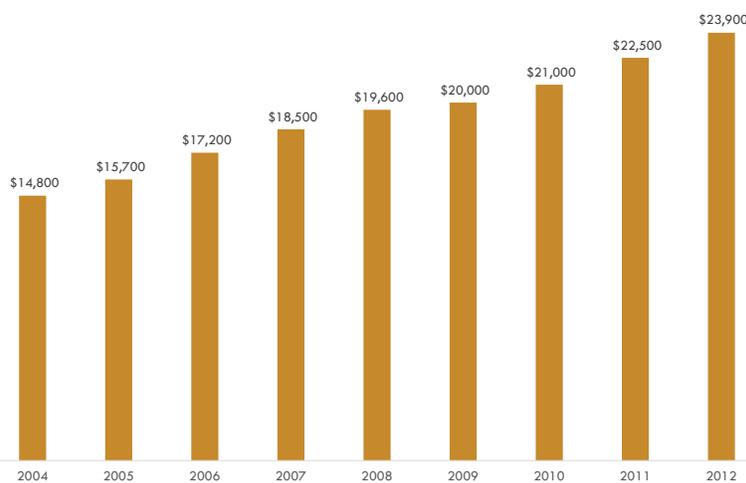
Maintain support for high-quality pathways. Sufficient support for institutions will augment critical support services, expand enrollments in high-demand programs, and keep Washington's public institutions competitive with peers across the country.

Expand the income-threshold for the State Need Grant.

The program's current eligibility cap leaves out many middle-income students, and unmet need (costs minus grant aid) is the same for middle- and low-income students.⁴ Serving students from families with incomes at the state's median will lower debt burden and improve educational outcomes.

Pilot a savings matching program. Offering an incentive for students to save will help them overcome small financial shocks that often result in their dropping out. Asset-building can build resilience and improve academic outcomes.

Figure 1: Average student loan balance for Washington borrowers, 2004–2012



Source: Federal Reserve Bank of New York Consumer Credit Panel/Equifax, Center For Microeconomic Data, <https://www.newyorkfed.org/microeconomics/databank.html>