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Policy Brief Series

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Expanding Opportunity in Arizona

How State Grant Aid Increases College Participation and Drives Attainment

College 
Success
Arizona

Access · Opportunity · Success



Preface

The value of a college education is undeniable. Despite misguided arguments to the contrary, a college certificate or degree is one of the greatest drivers of individual economic advancement. This is especially true for students from low income families, for whom a college education can be a gateway to greater financial stability and expanded opportunities.

Moreover, the promise of higher education is not restricted to individuals and families. It also has a tremendous impact on local, state, and national economies. Increased rates of college access and attainment can drive powerful economic growth and enhance economic competitiveness. By raising postsecondary attainment rates across the state, Arizona has the potential to see economic gains upwards of \$7 billion dollars—every year—simply by meeting the national average for attainment.

To raise our attainment rates, Arizona must do a better job of supporting higher education. This will require a special emphasis on improving access for low income students, many of whom are racial or ethnic minorities. But, over the past decade, the state has cut funding by more than 50 percent, and tuition prices have soared as the state's public colleges and universities have had to absorb larger and larger shares of the cost of providing Arizonans with access to quality higher education opportunities.

Across the country, conservative and progressive states alike have a long and successful history of sustaining state-funded aid programs. In 2013, state-funded programs dispersed more than \$11 billion, collectively, in total aid. Historically, there has been very little need-based grant aid available to low income students in Arizona, and, since the Great Recession, the available aid has shrunk substantially.

In 2013-2014, the average amount of need-based grant aid per full time undergraduate student was less than \$50 in Arizona; in the same year, the national average was just over \$500. Although Arizona's public institutions of higher education make it a priority to provide institutional aid that enables low income students to enroll and attend, this aid is often not enough to make college affordable for all eligible low income students.

College access and attainment are of great importance to the state and they need to be supported accordingly. Robust need-based state-sponsored grant aid—in addition to the institutional aid colleges and universities provide—is one of the most effective tools for doing so.

Vince Roig

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At a time when nearly **70 percent of all jobs** in Arizona will soon require at least some postsecondary education, our state's postsecondary attainment rate has tremendous economic consequences.

As the principle driver of economic development in Arizona, increased postsecondary attainment has the potential to massively benefit the state in the form of larger tax revenues, reduced social spending, and greater economic competitiveness. One of the most significant impediments to increasing attainment statewide is the chronically low rate of participation in postsecondary education among students with financial need.

In 2013, only 29 percent of low income students in our state participated in postsecondary education, a rate that was nearly 27 percent lower than the national average. Not only are low income students significantly less likely than their more affluent peers to enroll in and complete college, they are also less likely to come from families and communities with a strong college-going culture. They also make up more than 50 percent of Arizona's children.

To improve postsecondary attainment and grow the economy, Arizona must ensure and expand access to higher education opportunities for low income students. Unfortunately, by the time low income students reach college-going age, financial need often becomes a tremendous barrier to attaining the critically important postsecondary education they need to succeed in work and life.

Minimizing or removing that barrier is crucial to Arizona's future success.

A well-designed state-sponsored grant aid program, as a component of the broader array of financial aid available to students, has the potential to increase participation and drive increased attainment across the state. By helping more students afford a higher education, whether through a degree or certificate program, Arizona will empower thousands of young people who otherwise might be left behind.

State Support for Higher Education Has Declined Dramatically in Recent Years

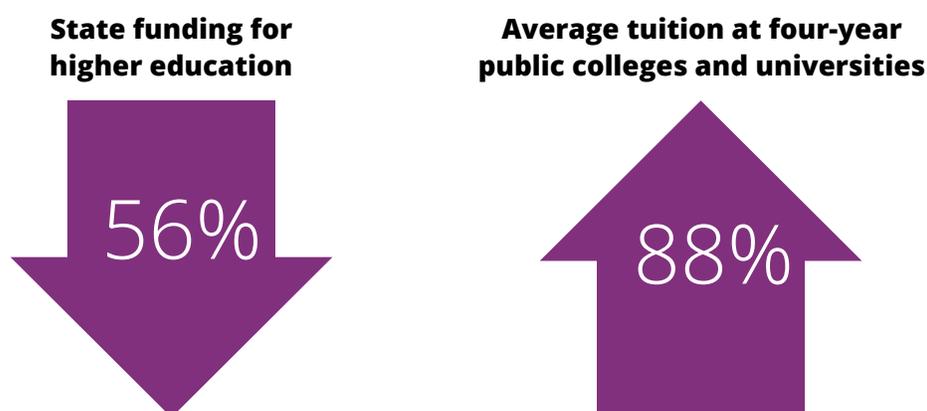
In recent years, no state has made deeper cuts to higher education funding than Arizona. In FY 1998, the state provided 88 percent of a resident student's cost of education. In FY 2008, support was at 72 percent. Today, the state funds approximately 34 percent.¹

Historically the Arizona legislature funded public universities through a "formula plus" system. That is, the state funded a base formula, predicated on total student growth, and supplemented that formula through ad hoc initiatives intended to produce specific outcomes. During the Great Recession, Arizona reduced public university general fund support by approximately 40 percent and repealed the base growth formula.



Consequently, current state support for public higher education is less than half of its historical levels. Regrettably, but unsurprisingly, Arizona residents have seen a corresponding tuition increase in the face of this severely diminished state support for higher education. Between 2008 and 2016, tuition spiked by nearly 88 percent at public four-year colleges and universities.² Significantly, multiple factors are likely contributing to the decline in the postsecondary participation rate for low income students, nationwide and in Arizona. Among the most salient of these may be the rapid increases in the price of a postsecondary education, which can present an insurmountable barrier for students with the greatest financial need.³

Since 2008...



Source: Center on Budget and Policy Priorities

To reverse this damaging trend, the Arizona Board of Regents (ABOR) has made significant efforts to slow tuition increases and has recommended that the state revise the funding formula to provide 50 percent of the cost of education for Arizona residents. With that level of funding, the universities could hold the resident student share at approximately 40 percent of the cost of education. The remaining 10 percent would be funded by other university revenue streams.

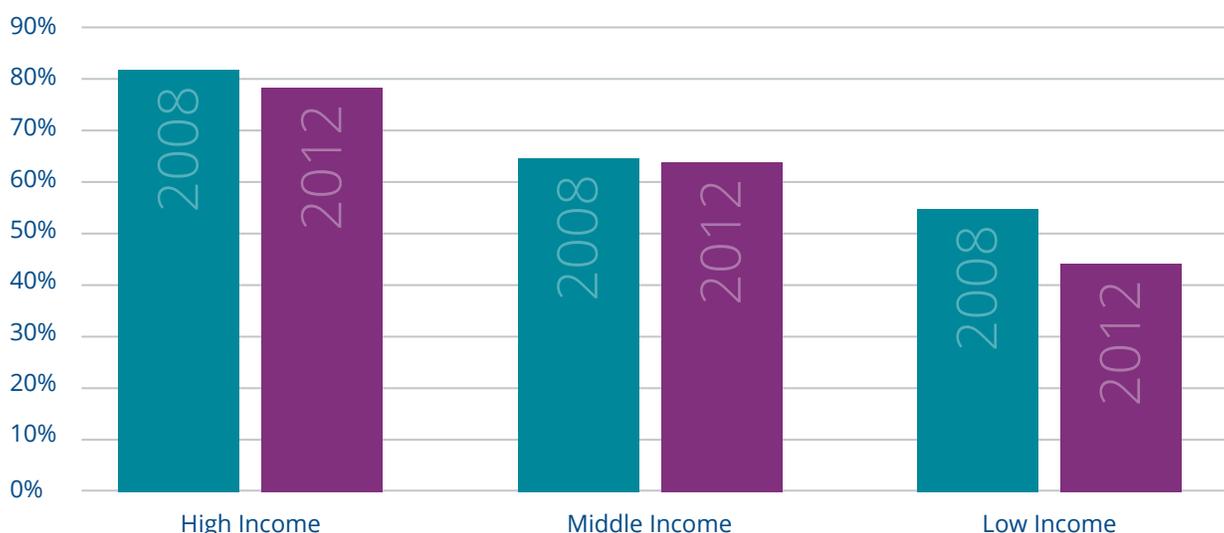
Community colleges in Arizona have fared even worse than the Arizona university system. As a result of overwhelming cuts, the largest of Arizona's community colleges no longer receive state funding. Maricopa Community Colleges, for example, has seen funding plummet from more than \$59 million in 2009 to \$7.4 million in 2015 and \$0 in 2016. Similarly, state funding for Pima Community College has dropped from \$19.6 million in 2009 to \$0 in 2016.⁴



Low Postsecondary Participation Among Arizona Students with Substantial Financial Need

Since the Great Recession, the United States economy has created approximately 11.6 million jobs. **Of these, more than 99 percent have gone to individuals with at least some postsecondary education.** Tellingly, 8.4 million, a full 72 percent, of these jobs have gone to bachelor's degree holders.

Decline in National College Enrollment Among Recent High School Graduates, 2008-13



Source: ACE

At the same time, the country is in the midst of a troubling decline in the number of low income students who are enrolling in postsecondary institutions after they graduate from high school. In 2013, just 46 percent of low income graduates—those in the bottom 20 percent of all family incomes—enrolled in higher education, down from nearly 56 percent in 2008. Although enrollment rates have dipped for all students by approximately three percent since 2008, the decline has been notably steeper for low income students (19 percent) than it has been for their high- and middle-income peers (4 and 2 percent, respectively).⁵

This decline is particularly noteworthy given that the number of low income students in primary and secondary schools is rising. In Arizona, the number of students from low income families has increased by approximately 13 percent since 2011.^{6,7}



The Importance of College Participation and Attainment

Not only do increased attainment rates benefit more Arizona residents, whose economic opportunities are greatly amplified by completing a postsecondary certificate or degree program, increased attainment also massively benefits the state as a whole. As College Success Arizona has shown previously, in *Advancing the Economy Through Attainment*, even small increases in the numbers of Arizonans who hold a postsecondary credential can have significant positive impacts. These benefits are even greater when considered in terms of the overall economic and social gains associated with attainment increases, not just increased tax revenues. In *Doubling Arizona's Economic Growth*, College Success Arizona demonstrates that these gains amount to \$660,000 per graduate annually.

Because the state's return on investment for supporting increased postsecondary attainment would be so significant, even modest investments to support increased attainment can have a significant impact. **Such investments could take many forms, but robust need-based grant aid to help students afford the cost of higher education—with varying levels of funds targeted at different student populations—represents the one of the most effective ways that Arizona can increase college participation and attainment.**

State Grant Aid Can Help to Increase College Participation

There are a number of ways for Arizona to increase postsecondary participation and attainment rates for all students, and for low income students in particular. To this end, College Success Arizona has consistently called for policies that broadly increase access to higher education opportunities and that facilitate college enrollment and completion. Strong, well-resourced state grant aid programs—as opposed to the barebones programs Arizona currently has in place—that serve significant numbers of students will be critical to any successful effort to raise college participation rates statewide. Grant aid, also called “gift aid,” is any financial aid that does not have to be earned or repaid. Need-based grant aid includes scholarships and grants from institutional, state, federal, or other sources for which a student must demonstrate financial need to qualify.

In fact, because Arizona lacks a well-funded state-sponsored program, ABOR policy requires that a portion of tuition revenues, called a set-aside, be used to assist low income families. The set-aside for need-based aid is one of the two primary sources of institutional funding for financial aid.⁸

In 2015, more than 73,500 undergraduate students in the Arizona university system alone demonstrated substantial levels of financial need. Approximately 65 percent were eligible for federal Pell Grants, which qualifies them as “very needy” according to the Arizona university system.

Even after federal and institutional grant aid is accounted for, many low income students still have significant amounts of unmet financial need. State grant aid is an essential support for students who cannot afford to mortgage their futures by financing their studies through loans.



Not only does state-sponsored grant aid enable students with financial need to have greater access to higher education—by meaningfully supplementing federal and institutional aid—well-designed aid programs also promote early awareness of postsecondary opportunities. Additionally, they facilitate college completion by ensuring that students have consistent, reliable funding throughout their course of study. Grant aid programs that are precisely targeted at low income students are especially effective in these respects.

Arizona Grant Aid Programs Scarcely Address Student Needs

Since FY 2010, the number of students in the Arizona university system who are eligible for federal need-based aid has increased by more than 48 percent, from 33,844 (FY 2010) to 50,201 (FY 2015).⁹ In 2015, 67 percent of undergraduate students enrolled in the Arizona university system demonstrated financial need.

Alongside the broader cuts to higher education funding in Arizona, has also been a substantial decline in the amount of state-funded grant aid available to low income students. Currently, Arizona has only two minor vehicles for distributing state-sponsored grant aid. Together, these provide need-based assistance to fewer than 12,000 students across the state. Both have a limited impact on college participation rates for low income students simply because they serve so few and offer so little.

- ▶ **Arizona Leveraging Educational Assistance Program (AzLEAP):** Started in 1972, AzLEAP provides need-based aid for Arizona residents who are enrolled at least half time at participating higher education institutions. Grants are capped at \$1,000 per student. In 2014, AzLEAP provided grant aid to just 3,905 students.
- ▶ **Arizona Financial Aid Trust (AFAT):** Started in 1989, AFAT provides need-based aid to Arizona residents and non-residents, as well as individuals who are part of a population group underrepresented at an Arizona university. AFAT is funded by a combination of state funds, student fees, and trust income. Seventy-five percent of the combined sources are used for student aid, and 25 percent placed in the permanent endowment. In FY 2015, approximately 10 percent of the 73,500 students with demonstrated financial need received AFAT awards.

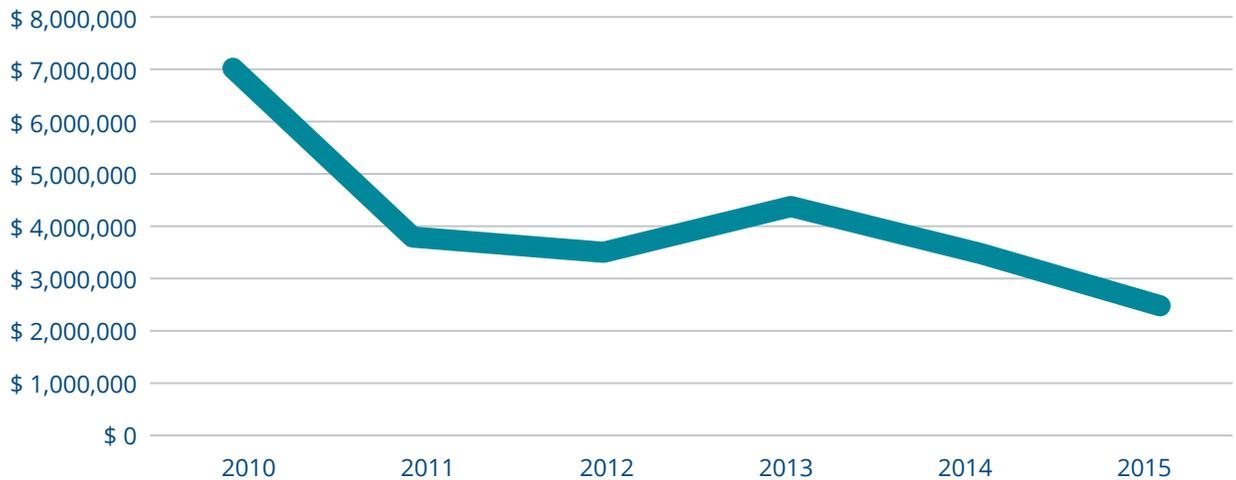
Spotlight on Moderate-Income Students

Moderate-income students are often neglected in grant aid policy conversations. However, their needs should not be overlooked. Frequently, the expected family contribution for moderate-income students exempts them from federal and institutional need-based grant aid eligibility, leaving them with few options for grant aid if they do not meet the qualifications for merit-based aid. At the same time moderate-income students may not be able to afford to pay full price. The effect is one of having too much income and not enough.

Increased state-sponsored grant aid has the potential to markedly benefit moderate-income students as well as low income students. With more state grant aid flowing to low income students, some portion of tuition set-asides could be used to provide grant aid to moderate-income students. In this way, state grant aid may function as a rising tide to lift all boats.



Total ACPE Need-Based Grant Aid Distributed 2010-2015



Source: ACPE

In 2013-14, ABOR distributed a little more than \$19 million in AFAT funds to students with the greatest financial need. Until FY 2011, state funds made up the largest share of the combined AFAT sources at 49 percent. In FY 2015, however, state funds make up only 36 percent, **thereby placing a heavier reliance on student fees to support this program.** Additionally, according to the Arizona Commission for Postsecondary Education (ACPE), the total amount of other state-funded support, in the form of grant aid and scholarships, was just \$7.5 million in FY 2008. By FY 2015, that relatively meager total had been reduced to approximately \$2.5 million, down 67 percent over a period in which student populations have been on the rise.¹⁰

Consequently, numerous grant aid programs have been suspended or eliminated. As ACPE notes, "the loss of these grant dollars affects the lives of nearly 20,000 students who in previous years would have applied to the ACPE for grants/scholarships and received funds."¹¹

Defunct State Grant Aid Programs in Arizona

Program	Status
Postsecondary Education Grant (PEG)	Suspended
Private Postsecondary Education Assistance Programs (PFAP)	Suspended
Early Graduation Scholarship Grant	Suspended
Special Postsecondary Education Grant	Eliminated
Leveraging Educational Assistance Partnership (LEAP) (Federal match)	Eliminated
Special Leveraging Educational Assistance Partnership (SLEAP)	Eliminated

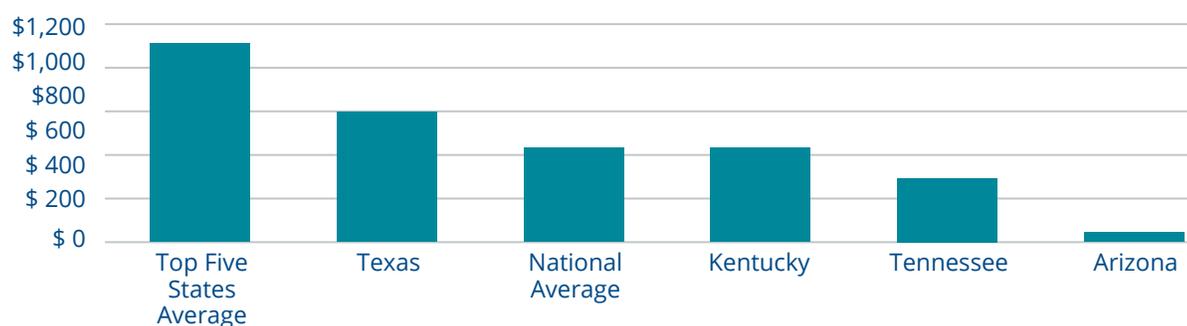
Source: ACPE



Arizona is Being Outpaced by Its Peer States

In 2013, Arizona ranked among the bottom six states in the country in terms of the amount of grant aid it provided to full-time undergraduate students. Whereas the national average for need-based grant aid per full-time undergraduate student was just over \$500, it was less than \$50 in Arizona. This gulf shows how little Arizona invests in need-based grant aid overall, compared to leading states.

Estimated Need-Based Grant Aid Dollars Per Undergraduate FTE, 2013



Source: NASSGAP

Moreover, compared to its peer states like Texas, Kentucky, and Tennessee—each of which share economic, demographic, geographic, or political characteristics similar to those in Arizona—our state offers scant need-based grant aid. State-sponsored grant aid accounted for just two percent of Arizona's overall fiscal support for higher education in 2013. Only four states in the entire country—Alabama, Idaho, Mississippi, and Utah—and Washington, DC, provide less grant aid than Arizona.

Tennessee, by contrast, devoted 23 percent of its higher education dollars to grant-aid, more than \$360 million. Although Tennessee offers a significant amount of merit-based and other non-need-based grant aid, it still provides an average of nearly \$350 in need-based aid per full time student in the state. Kentucky, which also provides a significant amount of non-need-based grant aid, provided an average of nearly \$500 in need-based aid per full time student. In 2013, Texas, which had more than twice as many undergraduates as Arizona did in the same year, provided an average of \$725 per full time student, though it does not offer non-need-based grants.

Total Aid Awarded, by State (in millions of dollars): 2013-14

State	Number of Undergraduates	Need-based Grant Aid	Nonneed-based Grant Aid	Nongrant Aid	Total
Arizona	463,205	21.381	—	0.165	21.546
Kentucky	186,129	92.579	110.853	2.765	206.197
Tennessee	250,550	87.561	278.280	1.290	367.131
Texas	983,179	773.811	—	164.968	938.779

Source: NASSGAP



Conclusion

There is growing momentum in Arizona behind efforts to expand college access and increase college attainment statewide. A grassroots alliance of more than 60 Arizona community, business, philanthropic, and education organizations—**Achieve60AZ**—is working towards the goal of ensuring that 60 percent of Arizonans hold a college degree or certificate by 2030. A key focus of this work is to expand access to higher education by raising awareness of postsecondary opportunities and by making college more affordable for all Arizonans.

Our state has a significant opportunity to help more low income students attend college by increasing the amount of state-sponsored grant aid available to them. College Success Arizona's next policy brief will explore the characteristics of well-designed grant aid programs. It will also highlight the structure, features, and funding of grant aid programs sponsored by Arizona's peer states.



Endnotes

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- 3 Nellum, C. and Hartle, T. (2015). "Where Have All the Low Income Students Gone?" American Council on Education. Retrieved from: <https://higheredtoday.org/2015/11/25/where-have-all-the-low-income-students-gone/>
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- 5 Ibid.
- 6 Suitts, S. (2015) "A New Majority Research Bulletin: Low Income Students Now a Majority in the Nation's Public Schools." Southern Education Foundation. Retrieved from: <http://www.southerneducation.org/Our-Strategies/Research-and-Publications/New-Majority-Diverse-Majority-Report-Series/A-New-Majority-2015-Update-Low-income-Students-Now>
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- 10 This figure is exclusive of AFAT funds, which ACPE does not administrate.
- 11 (2015). Annual Report Fiscal Year 2015. Arizona Commission for Postsecondary Education. p. 4. Retrieved from: <http://bit.ly/2aL9vha>
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About this Brief

The second in College Success Arizona's Policy Brief Series, and our third publication on college attainment, this brief provides state leaders, legislators, and policymakers with information essential to understanding how increasing state grant aid—in addition to overall support for higher education in the state—can improve higher education participation rates for low income students. This brief also highlights why it is critical for Arizona to focus on strengthening its grant aid programming and help more low income students access and complete postsecondary programs of study. College Success Arizona would like to thank the Arizona Board of Regents for its exceptional generosity in providing data, guidance, and insight during the development of this brief. College Success Arizona would also like to acknowledge the important work of the Financial Aid Task Force, which was convened by the Arizona Commission on Postsecondary Education and consisted of financial aid and education experts from across the state.

About College Success Arizona

College Success Arizona is working to significantly increase the postsecondary attainment rate of students in Arizona, particularly for those who otherwise would not be able to attend or graduate. By doing so, we believe that we will improve the quality of life not just for those individuals and their families but also for the state as a whole.

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