

Financial Aid, Tuition Assistance, and Low-Income Workers

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The College Affordability Gap

Although college credentials are increasingly essential to obtaining marketable skills that pay off in the labor market, 70% of adults in Minnesota do not possess a postsecondary degree or diploma.¹ This is due, in part, to the fact that a college education is unaffordable for many Americans. In Minnesota, average tuition and fees combined with living expenses at public two-year colleges were \$9,768 for a full-time student in 2006. For those with the lowest earnings in the state, these costs constitute a whopping 58% of their annual income.²

Rising College Costs in Minnesota

From 1995-2005, average tuition & fees at:

- the U of M, Twin Cities, increased 130%
- community & tech colleges increased 93%
- state universities increased 98%
- private colleges increased 72%

Source: Minnesota Office of Higher Education, *Highlights of Financial Aid Awarded 2005*.

Financial Aid & Its Shortcomings

Financial aid programs help bridge the gap between what students can afford to pay and the cost of attending college. However, they have two main shortcomings for low-income workers:

1. Insufficient funds. Government investments in need-based grant aid and low-interest loan programs have limped along relative to rapidly rising college costs. For example, awards under the **Federal Pell Grant** covered about 84% of the cost of attending college in 1975; today, they cover just 32% of costs.³ Meanwhile, federal education tax credits and deductions benefiting upper-income students have grown significantly.

¹ U.S. Census Bureau, 2005 American Community Survey. Some of these adults (defined here as 25 and older) may have earned a short-term certificate, but no college degree.

² The National Center for Higher Education and Public Policy, *Measuring Up, The National Report Card on Higher Education, 2006*.

³ The College Board, *Trends in Student Aid 2007*.

In Minnesota, investments in non-need based grant aid grew by 196% from 1994-95 to 2005-06, while investments in need-based grants grew by just 42% over the same decade.⁴

As government support has weakened, students are relying more heavily on high-interest loans from private lenders. Minnesota undergraduates increased their borrowing from private lenders by 83% between 2003 and 2005 alone.⁵

2. Rules that disadvantage individuals with full-time jobs and parenting responsibilities.

Originally crafted for recent high school graduates, financial aid programs carry rules that restrict eligibility among “non-traditional” students – self-supporting working adults who take one or two classes at a time as job, family obligations, and costs allow – despite the fact these students now comprise the majority of undergraduates in the United States.

“Non-Traditional” Students in Minnesota

Of undergraduates at the state's public two-year colleges in 2004-05:

- ✓ 57% were financially independent
- ✓ 32% were at least 30 years old
- ✓ 34% had children
- ✓ 38% worked full-time
- ✓ 57% were enrolled part-time

Source: Minnesota Office of Higher Education, 2006

What are these rules and how do these rules play out in Minnesota?

1. Eligibility based on intensity of enrollment.

Many financial aid programs bar students enrolled less than half-time from participation, confronting low-income workers with a catch-22: reduce work and earnings to enroll in enough classes to qualify for financial aid.

⁴ The National Association of State Student Grant and Aid Programs, *37th Annual Survey Report on State-Sponsored Student Financial Aid, 2005-2006 Academic Year*.

⁵ Minnesota Office of Higher Education, *Highlights of Financial Aid Awarded 2005*, September 21, 2006.

Under the **Minnesota State Grant Program**, the state's primary need-based student aid program, grants *are* available to less than half-time students. However, to be eligible for a loan through the **Minnesota Student Educational Loan Fund (SELF)**, students must be enrolled at least half time.

2. Living expense allowances based on intensity of enrollment. When students enrolled less than half-time are eligible for financial aid, they are often barred from including living expenses as part of their overall educational costs – despite the fact that these expenses can be more than twice as much as tuition and fees.⁶

Part-time students in Minnesota are “docked” in living expense calculations under the State Grant Program. The grant's \$5,900 living expense allowance is pro-rated for students enrolled less than full-time.

3. Eligibility based on satisfactory progress. The receipt of financial aid is often conditional on standards of academic performance and/or the pace at which students accumulate credits and complete their degree. State Grant eligibility is limited to four years. For the many working adults who must take developmental before being admitted into college-level courses, this is a real problem; developmental classes count toward the total credit limit on financial aid, but do not count toward a certificate or degree.

Further, because any previous credit hours count against the four-year cap, individuals who took classes decades ago may not be eligible for aid should they decide to return to school to develop new skills – as dislocated workers often must.

4. Aid restricted to “eligible” degree or certificate programs. Many financial aid programs, the Minnesota State Grant Program included, require students to be enrolled in degree- or certificate-granting programs that meet for a minimum number of hours over the course of a traditional semester. Working adults often take a course or two to hone a specific skill, but are not enrolled in a degree or

⁶ Strawn, Julie, *Policies to Promote Adult Education and Postsecondary Alignment*, Center on Law and Social Policy, August 20, 2007.

certificate program. And workers and employers tend to prefer shorter, more intensive types of training that do not meet the minimum number of credits, clock hours, or weeks needed to be eligible for financial aid.

How Does Minnesota Stack Up?

Relative to many states, Minnesota's financial aid system does a good job supporting low-income workers. However, the state fails to meet some important criteria associated with “adult-friendly” financial aid programs. According to the Workforce Strategy Center, “adult friendly” programs offer aid that is:⁷

- Available to students enrolled in non-credit occupational programs or short modules (if they are linked to certificates and degrees)
- Intended to support student success. With poor retention and completion rates, low-income students need supports like academic advising, tutoring, peer counseling, and help with child care and transportation costs to ensure that they stay enrolled until they obtain a degree.

Financial Aid in Other States

Some states have created financial aid programs to address issues of short-term training and student success:

In addition to providing need-based grants to less than half time students, **Illinois** provides **Student Success Grants** to community colleges to provide personal, academic or career counseling; assessment and testing; and mentoring programs. Grants are financed through the Higher Education Board, and allocated to colleges based on students' needs.

Likewise, **Kentucky's Ready to Work (RTW)** initiative supports college completion among students who are TANF recipients by placing coordinators at each college who help with skills assessments, tutoring, mentoring, career counseling, and financial aid. Coordinators also

⁷ Christopher Mazzeo, Brandon Roberts, Christopher Spence and Julie Strawn, *Working Together: Aligning State Systems and Policies for Individual and Regional Prosperity*, Workforce Strategy Center, December 2006.

link participants to work-study opportunities and to services offered under TANF, including childcare and transportation aid. The RTW initiative is run by the Kentucky Community and Technical College System in partnership with the state's Cabinet for Health and Family Services

Washington Opportunity Grants, administered by the State Board for Community and Technical Colleges, provide students with need-based awards to cover tuition and fees along with \$1,000 per year for educational supplies. In addition, public colleges receive \$1,500 per FTE enrollment in the Opportunity Grant program to provide student success services like counseling and advising, tutoring, and transportation and child care. Local partnerships with Workforce Development Councils link students to business and labor mentors who help arrange career exploration, job shadowing, and internships.

West Virginia's Higher Education Adult Part-Time Student (HEAPS) Grant Program covers tuition and fees for students enrolled less part-time. Beginning in 2002, the state legislature set aside 25 percent of program funding for students in short-term certificate programs in high-demand occupations. The program is administered by the West Virginia Higher Education Policy Commission

A Note about Outreach

The likelihood of knowing about financial aid drops along with family income, with the lowest-income families least likely to know about resources and how to access them. Navigating the complicated application process presents its own challenges. To combat these problems, several states have devised extensive outreach campaigns.

Kentucky's Go Higher media campaign specifically targets adults, encouraging them to return to school and offering assistance applying for and obtaining financial aid. **California** is spending about \$34 million a year to expand local community college financial aid outreach and capacity. **North Carolina** spent \$3.6 million in 2006 to hire additional financial aid officers at each of the state's community colleges.

Funding for Low-Income Worker Education Outside of Financial Aid

Given the constraints of financial aid programs, states frequently piece together a variety of funding sources to help low-income workers access education and training. Common sources include TANF and WIA, general purpose revenue, lottery funds, and Unemployment Insurance dollars. These myriad funds pay for training directly, or are used to support employer or industry-driven worker advancement initiatives.

A few examples in Minnesota include:

- ✓ The **TEACH** program. The legislature provides \$500,000 to award scholarships to childcare workers enrolled in an associate degree program in Child Development or Early Childhood Education. In 2005-06, \$250,334 was awarded in scholarships enabling 198 recipients to attend 32 colleges and universities statewide.
- ✓ **Low-Income Worker Training Grants** distributed by the **Minnesota Jobs Skills Partnership** (MJSP) and awarded to public, private, and non-profit groups to provide short-term training for job seekers and incumbent workers who are low-income. Since its inception in 2001, about \$5 million in grants have been awarded to support short-term training in health care, manufacturing, banking, and customer service.

Tuition Assistance

Employers can also play a role in promoting low-income worker advancement by providing up to \$5,250 a year in tax-free educational benefits, primarily tuition assistance. While tuition assistance benefits improve worker morale, loyalty and productivity, they tend to be underutilized by firms or structured in ways that limit participation by low-income workers. For example, employers often:

1. Reimburse tuition expenses only after coursework has been completed, so the worker must come up with tuition money.

2. Make reimbursement contingent on the receipt of a certain grade, scaring away workers who fear their grades won't be good enough.
3. Grant reimbursement on the condition that recipients remain with the firm for a certain period of time after their course of study is over.
4. Only offer tuition assistance to full-time employees, disadvantaging those who may find it hard to balance full-time work and family duties with schooling.
5. Fail to offer tuition assistance if they employ mainly low-income workers. In fact, two of the strongest predictors of whether a worker will receive employer support for training are having a higher level of education to begin with and having an income of at least \$50,000. Less educated and lower-wage workers tend to be left out of employer-supported education and training – even though they could benefit the most.⁸

Use of Tuition Assistance in Minnesota

A 2005 Employee Benefits Survey of private-sector businesses by the Minnesota Department of Employment and Economic Development found that of 3,374 respondent firms:

- ✓ 19% offered tuition assistance benefits to full-time workers, but just 10% made the same benefits available to part-time workers.
- ✓ Big firms in the state were much more likely to offer tuition assistance than smaller employers: 79% of firms with 250 employees or more offered the benefit to full-time workers, compared to 25% of firms employing 10-49 people. Similarly, 40% of large firms offered tuition assistance to part-time workers, but just 11% of small firms did. This is important as low-wage workers are disproportionately likely to work for small companies

Minnesota Department of Employment and Economic Development, Labor Market Information Office, Spring 2005.

⁸ Strawn, Julie, *Policies to Promote Adult Education and Postsecondary Alignment*, prepared for the National Commission on Adult Literacy, August 20, 2007.