

New America Education
Policy Brief

BREAKING WITH TRADITION

**Making Federal Grant Aid
Work For Today's Students**

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About New America

New America is a nonprofit, nonpartisan public policy institute that invests in new thinkers and new ideas to address the next generation of challenges facing the United States.

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INTRODUCTION

Sarah Westover has been financially independent since the age of 16. With her mother struggling with drug addiction and no relationship with her father, Sarah lived with her brother and worked as a housekeeper while going to high school. She persevered and graduated, but her plans hit a snag when it came time to go to college. Her mother was in jail and could not provide the financial information needed to fill out the Free Application for Federal Student Aid, or FAFSA.

Despite living independently and paying her own bills for years, Sarah was still a dependent student in the eyes of federal student aid regulations, meaning she couldn't apply for Pell Grants or federal loans without information from a parent. Calls to the financial aid office did not help and legal emancipation was too confusing a process to navigate. So instead, Sarah had to wait, working for minimum wage at the nearby Minute Market for a year until her mother overcame her addiction and they could reconnect.

Fortunately, Sarah eventually obtained her mother's information. She applied for and received both a Pell Grant and an Oregon Opportunity Grant to attend Southern Oregon University in her hometown of Ashland. This aid, plus student loans and federal-work-study, made it possible for her to go to college, where she thrived. She graduated in 2010 with a double-major in political

science and criminal justice, and received the Dankook Award for Outstanding Female Undergraduate. She now works for the Oregon Students Association.

Sarah eventually received the financial aid she needed to complete college—but not before she was unnecessarily forced to take a year off, an outcome that could very well trip up other students on their path to college. And it's all because federal student aid rules forced Sarah to be treated like someone she was not: a dependent student who could rely on her family for financial help.

Sarah is not alone. Thanks to restrictive student aid rules that require parental information for all students under the age of 24 unless they can prove special circumstances like being married or having a child, many self-supporting adults are instead being cast as children. Like many other complexities in the federal student aid programs, this presumption arises out of the goal of preventing fraud and abuse—in this case the potential that wealthier students might lie about their dependency status to get access to grant aid. But this prioritization of fraud protection over feasibility leaves many of the students of today—people who are older and not entering college straight from high school—confined under a set of rules that do not work for them. The consequences for such rigidity can be severe for students, making them ineligible for Pell Grants or federally subsidized loans they would otherwise receive.

Financial aid offices cannot solve this problem on their own. Though aid administrators have some ability to override dependency decisions through what's known as "professional judgment," they can only change this part of a financial aid application in cases such as an abusive home situation, not just lack of parental contact or student self-sufficiency.¹ Even in cases where aid administrators might be able to override determinations, capacity limitations and fear of audits by the U.S. Department of Education mean that policies may not be applied consistently across colleges. The net result is that too many students like Sarah may get trapped, without the benefits they need to go to college.

The discrepancy between dependency determinations and real-life student situations is just one of many ways that the federal student aid programs and colleges have failed to keep up with the changing demographics of higher education. The majority of people enrolled in higher education today do not meet the stereotypical conception of 18- to 22-year-olds who came straight from high school. But actual policies have yet to catch up and adjust to this understanding. Federal financial aid



“To date, the federal government has been largely hands-off in its treatment of aid funds.”

formulas still force some students to include parental financial information even if those resources are not actually available for college. In terms of academics, some colleges have updated programs to better serve the needs of non-traditional students, but many others place these students into environments designed for people who are nothing like them. In addition, students who desperately want to progress through a postsecondary program are not given the proper cues and incentives about what they can do to better accomplish their goals.

There is, in short, a mismatch between the students who are increasingly enrolling in higher education and the formulas, structures, systems, and incentives set up to welcome them. The result is a system that all too often sets students up for failure. While approximately 60 percent of students who enroll full-time straight out of high school earn some kind of credential within six years of starting college, for students who are older, attend part-time, or don't have a typical high school diploma, the attainment rate plummets to between 30 and 35 percent.²

“There is a mismatch between students who are increasingly enrolling in higher education and the formulas, structures, and incentives set up to welcome them.”

President Obama, several governors, and prominent private foundations have all set targets of moving national postsecondary attainment rates from about 40 percent to somewhere closer to 60 percent. But they won't be able to reach these targets by relying solely on recent high school graduates.

Placing a greater focus on these non-traditional individuals in attainment efforts has the potential to

produce millions of additional graduates. For example, there are 46.5 million working-age adults (between the ages of 25 and 64) with a high school diploma but no college experience.³ There are another 28.2 million who have some postsecondary experience but no degree—about 17 percent of all working-age adults.⁴

Yet simply calling for a greater focus on non-traditional students will not be enough. All players in the higher education system—the federal government distributing aid dollars, the states funding colleges, the institutions themselves, and the students walking through the (physical or virtual) door—need to adapt to the new challenges and opportunities brought by these different type of students.

Such efforts must start at the federal level. The U.S. Department of Education makes significant investments in higher education, and its grant programs are national entitlements that present opportunities for shifting the behavior of everyone who interacts with its dollars. This includes the students who need the aid to go to school and the institutions whose continued existence are dependent upon this revenue.

To date, the federal government has been largely hands-off with its aid funds. Dollars flow to colleges with little consideration given to results. The laissez-faire approach has been successful at helping students find a place to enroll in postsecondary education. But it also means that too many students are slipping through the cracks—ending up in programs ill-suited to their needs. Too many are leaving college with lots of student loan debt and nothing to show for it. That must change.

The pages that follow chart a path for improving the effectiveness of federal grant aid for non-traditional students. This starts with ensuring that federal financial aid formulas do a better job capturing students who truly have no outside resources to help them afford their education. This paper then provides a set of recommendations for achieving three main goals with respect to federal grant aid and non-traditional students: (1) simplifying the process of applying for and receiving aid; (2) encouraging institutions to better tailor their policies and practices toward non-traditional students; and (3) increasing personal responsibility for students. Through these changes non-traditional students would be able to more easily access needed grant dollars, have clearer expectations of the cost and quality of the education they will receive, and have clearer incentives for moving toward completion.

DEFINING NON-TRADITIONAL STUDENTS: IMPROVING INDEPENDENCE

From a financial aid perspective, non-traditional students are individuals whose background characteristics indicate they cannot rely upon parental resources to help them defray the cost of college.

Among other things, these students may be older, married, and have children. For these individuals, the federal financial aid system needs to do a better job of determining when it should consider resources beyond the individual in making determinations about grant aid eligibility and award levels while streamlining the whole process of aid-awarding and receipt.

The mismatch between non-traditional students and postsecondary education begins at the start of the aid application process. The U.S. Department of Education's regulations for federal student aid eligibility, for example, don't focus on non-traditional status. Rather, they define students as being either dependent (meaning their parents' financial information is also included in the student aid formula) or independent (meaning only income from the student and his or her spouse, if applicable, is included). The goal is to create categories that determine whose income and assets should be treated as available resources to help pay for college.

The federal government employs a rigid set of rules for determining dependency in the financial aid programs. A student is considered independent if and only if they meet one of the following conditions: he or she is above the age of 24, is married, has dependents, was in foster care since age 13, is an emancipated minor, is a homeless youth, or is an active duty member of the military or a veteran.⁵ Anyone not meeting at least one of those criteria is considered a dependent student.

Who are Non-Traditional Students?

Despite their name, non-traditional students make up a slim majority of students in higher education today. In addition to being older, they are quite different from the stereotypical dependent student who enrolls in college straight from high school. Independent students who have children of their own are most different from this typical conception of a college student, as they are more likely to be older, female, and be from a minority group than all other dependency categories. And although these students do not have the lowest median income, they also have to support at least one child, so their odds of receiving a Pell Grant are higher. Unmarried independent students skew a bit younger than other independent students, with the majority ranging from the ages of 24 to 29. They also have the lowest median income of any dependency group and are not very likely to attend exclusively full-time, suggesting that even though they might not have demands from children, they may have jobs or other commitments that keep them from taking a full course load.

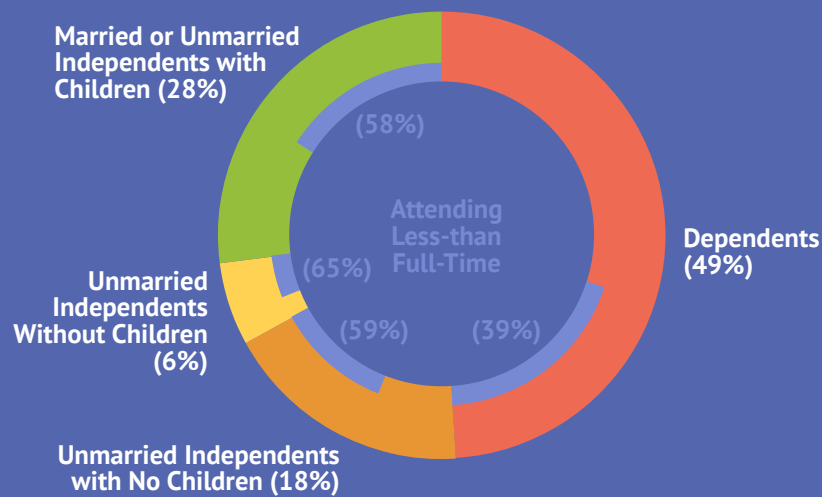
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The federal government employs a rigid set of rules for determining dependency in financial aid programs.

Table 1. Characteristics of Dependent and Independent Students, 2011-12

Dependency	% of Students	% Attending Less-than Full-Time	% Over 30	% Female	% Black or Hispanic	Median Income
Dependent	49	39	0	53	28	\$65,469
Independent, No Children, Unmarried	18	59	33	48	33	\$12,149
Independent without Children, Married/ Separated	6	65	51	58	24	\$40,310
Independent with Children, Married or Unmarried	28	58	60	70	41	\$23,807

Source: NPSAS 2011:12⁶



The federal financial aid formulas have a different presumption about dependency status than federal tax formulas do. For federal financial aid, the formulas assume by default that everyone is a dependent student until proven otherwise. By contrast, federal tax formulas establish requirements for what a tax filer must show in order to claim someone as a dependent. In addition to proving a certain type of relationship, tax filers hoping to claim a dependent must also demonstrate that the individual lives with them and that they provide the majority support for that individual, among other tests.⁷ In other words, the operating assumption is flipped—everyone is considered an independent filer by the Internal Revenue Service until proven otherwise.

These different definitions create a particularly troublesome gap for individuals between the ages of 19 and 23. Under federal tax law, an individual between the ages of 19 and 23 can only be claimed as a dependent if they are attending school full time.⁸ But that's not the case for federal financial aid. Under those formulas, a 19-year-old who does not meet any of the other tests for independence, such as being married or having children, is treated automatically as a dependent. This is true even if the student files her own taxes, receives no support from her parents, and does not even live with them. In the eyes of the federal tax code, that person is an independent. In the eyes of the financial aid programs, she is not.

“ Definitions create a particularly troublesome gap between the ages of 19 and 23

The different categorizations can be a major problem for students who have little to no relationship with their parents while they are in college. For those students, the aid formulas will force them to track down income information from their parents, even if they are completely estranged. Even worse, if their parents will not furnish their financial information, the student cannot receive any grant aid. The best she can hope for is to receive an Unsubsidized Stafford Loan, and only then after a lengthy and complicated process of adjustments by her school's financial aid office. For students in this situation, the financial-aid system's bias toward dependency works directly against them.

Survey data indicate a fair number of students could fall into this trap. Of dependent students who started college in 2003-04 at the age of 20 or older, more than half indicated they were not claimed as a dependent.⁹ Though the data may be slightly overstated because they are self-reported through student interviews, they still suggest that a fair number of students may be treated as dependents or independents differently based on

whether they are viewed through the lens of financial aid or tax filing.

This problem can be solved by aligning dependency determinations in federal financial aid with those done for tax purposes for all students who enroll in higher education for the first time at the age of 20 or older. Students who enroll before the age of 20 would be treated as dependent students under the same criteria the government currently uses. However, the system should be more flexible in allowing colleges or the U.S. Department of Education to override a dependency determination under certain circumstances, including demonstrated self-sufficiency.¹⁰

More sensible and flexible criteria for dependency makes it possible for students who truly have no parental support to still receive grant aid, while also protecting against potential abuse. A more automatic age-based system reduces the burden on financial aid offices, which may not apply professional judgment consistently or have the resources to do so correctly. Basing the dependency decision upon age at first entry means that students who enroll at a younger age cannot just become independent in their third year of enrollment. Setting the threshold at age 20 also means that families hoping to take advantage of the system by delaying a student's entry to hide other income sources would likely have to wait two years in order to do so. Further, policymakers could address concerns about exploitation of this age threshold by creating an additional verification flag that would require more documentation from students if they had been claimed as a dependent for many years prior on tax returns and suddenly were not. In these cases, financial aid administrators would be required to request documentation of self-sufficiency.

Attainment data back up the selection of 20 as a reasonable age cutoff. Between 55 and 60 percent of dependent students who entered college for the first time in 2003-04 at the age of 18 or 19 earned some type of credential within six years; for those who first entered between the ages of 20 and 23, attainment rates plummeted to around one-third.¹¹ Such gaps persist even when looking at the initial type of institution attended, with the exception of some types of private, for-profit colleges where all attainment rates are low.

The new dependency test could result in some increased Pell Grant spending due either to students becoming eligible for Pell Grants they would not otherwise have been able to receive or qualifying for larger awards than they otherwise would. Survey data suggest that about 4 percent of dependent undergraduates could end up becoming independent and then possibly receive Pell Grant aid, depending on their income, but it's not possible to gauge how much additional Pell spending this might entail.¹² The effects of this policy on existing Pell recipients receiving larger awards are likely to be modest. In 2003-04, the median Pell award for dependent students who entered college between the ages of 20 and 23 and received this aid was only about \$220 less than the median award for independent students of the same age who received Pell Grants.¹³

MOVING BEYOND FINANCES TO COMPLETION

Completion is a major challenge for non-traditional students.

As table 2 shows, non-traditional students complete at a rate barely above half of their dependent peers. There are a host of reasons that non-traditional students are much less likely to earn degrees than their dependent peers, but they are ultimately rooted in three things: time,

finances, and academics. While the extent to which each of these factors matters for non-traditional students varies somewhat, they are by no means unique to this group of individuals. There are certainly dependent students who engage in behaviors that make them less likely to graduate, often because of a lack of time or money or academic preparation. But any consideration of improving grant aid for non-traditional students must take into account the effects of these challenges on individuals' abilities to earn credentials.

Table 2. Attainment Status of Students, By Dependency Category, 2003-2009, %

	Attained a Certificate, Associate Degree or Bachelor's Degree	No Degree, Still Enrolled	No Degree, Left Without Return
Total	49	15	36
Dependent	56	15	29
First Entered College Between the Ages of 20 and 23*	36	18	46
All Independent	33	15	52
Independent, no Children Unmarried	33	16	51
Independent, no Children, Married/ Separated	37	12	52
Independents with Children, Married or Unmarried	33	15	52

*Included because of proposal to add these individuals to the definition of non-traditional student.
Source: BPS 03:09¹⁵

Time

The biggest issue that non-traditional students face with time is how much of it they can devote to higher education and its related commitments. Going part-time is an acknowledgement that a student has other priorities in addition to school. But lighter course loads and a longer time to earn a degree also present more opportunities for life to intervene in the form of impediments such as a broken-down car, family illness, changes in child care, or a host of other unanticipated obstacles. Colleges can make the time problem worse. Core courses that have no spots or are not offered when students need them can slow down academic progression or cause students to pay for other courses they don't need.

Time can also affect academics. There are only so many hours in a day, and the more students face demands of work and family that intrude upon time for studying or attending class, the harder it is to complete necessary assignments or get help from instructors or peers. Colleges often make matters worse by scheduling needed courses or advising opportunities at times of the day that may not work for non-traditional students' schedules. Similarly, overly complex course sequences with lots of confusing choices can require too much time for students to properly sort out their way of progressing through a program.

Finances

The importance of finances is obvious, but is still worth reiterating. A lack of sufficient resources can force students to attend only part time or to enroll erratically, both of which will lengthen time-to-degree and drive up students' costs. But financial pressures outside of tuition expenses can also cause challenges. Some people may be unable to substitute academics for employment because their jobs pay so little that they cannot afford to sacrifice any income. Others may be able to make such a tradeoff but lack the necessary money for child care or transportation to spend time on campus.

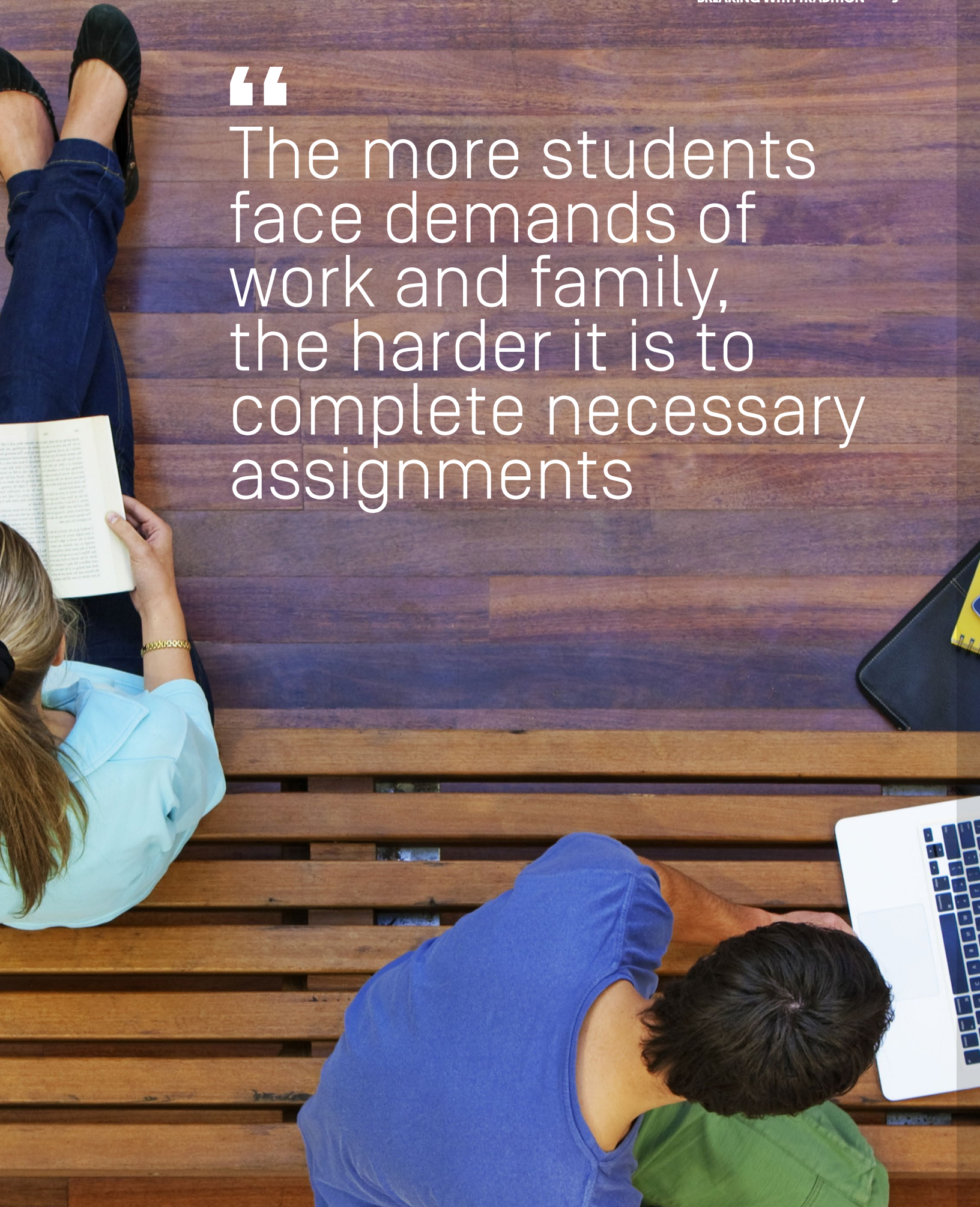
Academic Preparedness

Academic preparedness as a roadblock is not the same as lack of academic ability. Students who are away from academic environments for long periods of time may start to forget building block concepts, especially in mathematics. This can put students who delay their education at risk of needing remedial coursework to brush up on topics they may have already learned and forgotten or were never properly taught in the first place. Remedial courses may not be well-tailored, requiring students to spend a semester or more re-learning concepts they already know so they can get the few days of instruction on topics they have forgotten. Material can seem irrelevant to career goals and the whole process of being told they are not college ready could dissuade students from their goals. Whatever the reason, remedial education should be thought of like chemotherapy—give people the doses they need, but keep the toxicity to a minimum.



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THE SHORTCOMINGS OF FEDERAL GRANT PROGRAMS

The federal government attempts to address the challenges highlighted on the previous pages through its disbursement of billions of dollars in grant aid to students each year. The hope is that giving students as much as \$5,730 a year will make it easier for them to afford the cost of college. But even in cases where grant aid cannot cover the full cost, it may make it financially possible for students to work fewer hours, take a higher course load, or otherwise devote more time to their studies in a way that encourages completion.

Unfortunately, federal grant programs are only partially successful in these goals. While dollars flow out quickly and efficiently to institutions, the act of applying for assistance is beset by unnecessary complexities that prioritize avoiding any conceivable inaccurate awarding over the benefits of simplicity for recipients.

For example, the Free Application for Federal Student Aid (FAFSA) must be submitted each and every year a student is enrolled, even if incomes change little over

time. If a non-traditional student has irregular attendance, this can make coming back to school that much harder, since they will have to clear this hurdle again. The FAFSA also first becomes available on January 1, but requires information from the tax year completed one day prior. Even the most diligent students may not be able to furnish this information immediately because employers and financial institutions do not have to provide some necessary forms until mid-February. Though the ability to pull tax data from the Internal Revenue Service through a new data retrieval tool makes the FAFSA process slightly less onerous, students and their families still need to have filed their most recent taxes to use it or risk going through an onerous adjustment process later. This is true even if the student is already getting other need-based government aid, such as food stamps, which means the same non-traditional student may be going through multiple burdensome processes to cobble together the benefits for which they are eligible.

Unlike other major federal education legislation, the Higher Education Act (HEA) does not set big-picture expectations about what federal grant aid will actually purchase. Title I of the Elementary and Secondary Education Act, for example, has a clear statement about using funds to “ensure that all children have a fair, equal, and significant opportunity to obtain a high-quality education and reach, at a minimum, proficiency on challenging State academic achievement standards and state academic assessments.” The HEA has no similar requirements for the billions of dollars it authorizes.¹⁵ For example, it does not require students served by these dollars to receive a high-quality postsecondary education at an affordable price.

What minimal expectations of affordability do exist in federal student aid law are rarely met by the colleges that ultimately receive the dollars. For example, the HEA states that the purpose of the Pell Grant program is to meet at least 75 percent of a low-income student’s cost of attendance when paired with a “reasonable family and student contribution,” Federal Supplemental Education Opportunity Grants, and the now unfunded Leveraging Educational Assistance Program.¹⁶

While this description does not mention any investments by institutions or states, neither party has taken any

“ The act of applying for assistance is beset by unnecessary complexities that prioritize avoiding any conceivable inaccurate awarding over the benefits of simplicity

meaningful steps to ensure that the costs charged to the lowest-income students are low enough for the federal government to meet that goal. For example, in 2011-12, fewer than 10 percent of students who received the maximum Pell Grant award had more than 75 percent of their budget covered by grant aid.¹⁷ For Pell recipients getting less than the maximum award, just 4 percent received enough grant aid to cover three-quarters of their costs.¹⁸ Such figures show that the guidelines laid out in the Higher Education Act are not being followed by institutions and states, reducing the value of taxpayer investments and undermining the goals of the Pell Grant program.¹⁹

In fairness, the federal government only started indexing the Pell Grant to inflation in the last few years and many times in the past it did not significantly grow the maximum award. But even if Pell Grants had increased further, it is unlikely they ever would have been able to keep up with the massive growth in college prices. The maximum Pell grant in 1974-75 was worth about \$3,974 in 2012 dollars, versus a maximum award of \$5,550 in 2012-13, an increase of 40 percent. By contrast, the total cost of tuition and fees and room and board at a four-year public institution has grown from \$7,235 in 1974-75 to \$16,789 in 2011-12, an increase of 132 percent.²⁰

Correcting the decreased purchasing power of the Pell Grant Program problem speaks to a larger failing of financial aid: the lack of a defined relationship between the federal government, institutions of higher education, and states. Though laying out a full vision for what this would ideally look like is beyond the scope of this paper, it is imperative that any reforms to federal grant programs are partnered with a renewed vision of higher education federalism.

Unfortunately, hurdles to completion do not stop with the financial aid application process. Students are expected to maintain “satisfactory academic progress”—a term the institution largely decides how to define—but colleges are not required to provide satisfactory progression opportunities to facilitate on-time degree completion. There are no penalties for colleges that do not offer core or gatekeeper courses at needed times or simplify choices to help avoid unnecessary credit accumulation. A non-traditional student with a restricted schedule must

ensure that she finishes a program within 12 semesters to maintain her Pell Grant, but there is nothing requiring colleges to actively ensure that the courses she needs will be offered in the time or sequence that works for her.

Some of the barriers to more effective programming are not colleges’ fault. Federal student aid awards are recalculated and awarded each year, which means students who want to accelerate their studies and finish on time or faster cannot receive more aid to help them do so. And students who take more courses than needed and need longer to finish can receive more aid than someone who takes fewer courses and graduates on time. Award calculations are also very complex and administratively burdensome for colleges, making it hard for them to experiment with programs that are not based on the traditional credit hour or that help students who may have irregular attendance patterns.

Similarly, the rigidity of aid programs means that students with sudden financial needs have a hard path to getting additional support. A small-dollar car repair, need for replacement child care, or a host of other relatively minor financial hiccups may easily knock non-traditional students off their path and make it hard for them to maintain academic momentum.²¹ These expenses have to be handled individually at the institutional level because they are too complex and varied for a federal aid formula to evaluate.

Students themselves also need more incentives to work toward completion. Solely taking part-time coursework is unlikely to result in a credential. And while colleges may not always present students with clear options to follow through to graduation, some students may also follow an aimless path, often known as “swirling,” where they start and stop, switch programs and majors constantly, and never actually move toward a degree. Up to a point, these behaviors should be tolerated—our conception of the higher education system is designed to allow some choice—but in cases where it is a result of confusion or struggles, students should get more hands-on support from their institutions.

RECOMMENDATIONS

The problems mentioned above represent a variety of difficulties and shortcomings in how the federal grant aid programs operate and their interactions with students and institutions. Those challenges are particularly problematic for non-traditional students, who typically have limited available time, the fewest resources to draw on, and other priorities to balance beyond academics. Below are recommendations for statutory changes, experiments, and other reforms that could improve the efficiency and effectiveness of federal grant aid. While these changes are designed to target the problems facing non-traditional students, many traditional students would also benefit from such reforms.

The recommendations presented are broadly grouped into three categories of reform: making the process of awarding and calculating aid easier; encouraging institutions to better serve students; and introducing more personal responsibility for students. These changes are in addition to the proposal offered earlier in the paper to change the definition of independent students for students who enter college at the age of 20 or older.

Improve the application and awarding of federal grant aid

Base FAFSA on multi-year income average and lock in FAFSA information for 100 percent of program length

Federal financial aid formulas attempt to gauge the amount of resources an individual or family has available for postsecondary education. These formulas and how they are used must balance the desire for easily calculating and awarding dollars to students with protecting against incorrectly awarding aid to individuals. The current formulas lean too much in the direction of the latter and not enough of the former, bringing in lots of information that may not be all that useful and then requiring it to be submitted year after year when only minimal changes usually occur.

The need to fill out the FAFSA each year is an example of added complexity. Both older, working students and parents have multiple years of earnings history that could easily form the basis for determining aid eligibility. And looking at results over multiple years instead of repeated single snapshots does a better job of capturing whether a family has been in a prolonged situation in which it could accumulate the resources to help pay for college.

Instead of filing a new FAFSA each year, students should have to submit one form at the start of their postsecondary career, which would be based upon an average of three years of information. These data would be furnished through the existing Internal Revenue Service data retrieval tool. This average would end with income from the year prior to the most recently complete tax year. Doing so addresses the current difficulty in which students may not be able to file a FAFSA for several months until their prior year's tax return is filed. For example, instead of using tax year 2013 data, applicants for the 2014-15 year would use data from tax year 2012, as well as data from 2011 and 2010, to establish their three-year averages.

To be sure, basing income determinations on older data means that people's circumstances could have either improved or worsened in the intervening periods. Substantial changes upward in earnings could

be addressed by adding a tolerance question to ask applicants if their total income changed by more than a set dollar amount in the intervening time. This dollar amount should be set high enough that it would not require complex calculation to determine, something like \$30,000. Applicants who experience income reductions should have the option to re-run the formula based on their new earnings.

Once students complete the FAFSA, the data contained in it would then be locked in for 100 percent of the length of the program they are pursuing. What this effectively means is that students would have a consistent picture of their likely contributions for the whole time they are in the program, and institutions would better be able to plan for multi-year packages. Keeping the figures constant only for 100 percent of the program length adds a small incentive for trying to complete on time and avoid the hassle of filling out a new FAFSA. Individuals with substantial income decreases during this time could resubmit the FAFSA if desired.

Experiment with awarding grant aid as an account

The varied life circumstances of non-traditional students mean that they may not follow a typical enrollment pattern. Many move back and forth between full- and part-time status or stop out for periods of time before re-enrolling. But the current financial aid system is not well-equipped to handle this type of behavior. Semester-based limits on Pell Grants can mean a student who receives smaller awards over longer periods of time might lose eligibility before finishing. And it can be difficult for a student to predict exactly how much aid he or she would receive.

The current Pell Grant structure may also hinder innovation. Courses have to be translated into the federal definition of a credit hour, which can make it bureaucratically challenging to offer innovative learning structures. And because grants have annual maximums, a student who finishes on time may end up receiving less assistance than someone who takes longer than normal to complete, even though the former is a more desirable policy outcome.

To overcome some of these hurdles and make it possible to test out a wider variety of innovative learning structures, the federal government should start offering a new account-based experiment for grant aid. Under this model, students that enroll in programs of a particular length would be presented with the total amount of grant aid they would receive for completing that program in 125 percent of the time. Rather than drawing these funds down based upon courses attempted, they would receive a financial aid award equal to the percentage of the overall program they are attempting. For example, if the program was 60 credits over two years, then the student would be given an account worth \$14,112.50 (two-and-a-half years of Pell Grants worth \$5,645). If the student attempted 11 credits in the first semester, that individual would receive 18.33 percent (11 divided by 60) of his or her account, or \$2,587.29, and the account would

decrease by this amount. The maximum amount should be set at 125 percent since this gives the student who finishes on time slightly more aid than that individual would have otherwise received, while someone who takes longer than normal to finish receives slightly less, but not a drastic cut. A threshold of 125 percent splits the difference between providing additional benefits to students who finish faster while not increasing the cost of additional benefits quite as much.

This experiment provides a number of potential benefits. First, presenting the cumulative amount of grant aid makes it clear that the overall support available for higher education is greater than students may have realized. Second, under this proposal, there's no need to rely upon credit hours. Because the funds are awarded as a percentage of the total amount of learning students need, they can simply receive an award equal to the amount of their total program they attempt each learning period. So if someone wants to accelerate his or her learning and try a disproportionately large share of a program in a single term, that individual could do so. Similarly, if a student wants to take fewer courses, he or she does not have to worry as much about running out of future eligibility.

“ The varied life circumstances of non-traditional students mean that they may not follow a typical enrollment pattern

Setting up such an experiment would likely require some additional tweaks. For one, it would not be feasible unless the expected family contribution and Pell Grant award for the student were locked in for multiple years—a recommendation listed above. Second, there may need to be some protection against over-acceleration so that students do not simply attempt an excessive number of courses to receive all the funds right away. One way to do this would be to place either an overall dollar limit or percentage of coursework limit in a given term based upon the length of the program. Or colleges could enforce it through maximum credit load policies. Finally, this system would require stronger controls for returning federal aid if students dropped a course so they do not take too high a load and use up too much eligibility for courses they do not finish. Restrictions on which colleges can join the experiment based upon past financial aid history could add a further layer of protection and possibly eliminate the need for other safeguards.

If successful, this experiment could lead to a complete rethinking of the way learning is currently measured in the federal student aid program. Colleges could move to programs that do not rely on credit hours, while students would have increased flexibility to pursue more irregular attendance patterns, while still being rewarded for taking more courses at once.

Change institutional behavior

Require colleges to meet affordability requirements for low-income students

Simply providing an enrollment slot for a low-income student should not be considered access. Rather, institutions enrolling students of limited means should meet certain benchmarks for affordability in whatever aid package they provide. These requirements should, at a minimum, apply to the lowest-income families—those receiving a maximum Pell Grant award—on the grounds that they have been determined to have the least amount of resources available for college and thus need the most support.

The easiest way to implement this requirement would be to enforce what's already required by law: have the combination of all federal grant aid, plus institutional dollars and state aid (where applicable) and the expected family contribution cover at least 75 percent of the cost of attendance for low-income families. However, this may be too expensive for colleges to be feasible. And pegging student costs to the expected family contribution could still be confusing for families who do not understand how that number is calculated.

A better affordability test, then, is to require that low-income students not pay more than a stated percentage of their discretionary family income (their annual earnings less a standard allowance for covering necessities like housing and food) for tuition, fees, books, and supplies. The dollar amount generated by that percentage calculation would thus become a binding expected family contribution that colleges and universities would have to honor. Families could then pay this amount either out-of-pocket or through student loans, as long as they do not exceed the annual limits. Doing so would allow a student to know upfront what the actual price of college is going to be and make the family contribution figure a real number with meaning. This type of formula would also make it possible to drop information on assets, parental age, income protection allowances, and a host of other data points from the FAFSA to conduct a much simpler needs analysis.²²

Income-based repayment programs for student loans provide the most logical percentage to use. Congress has stated that 10 percent of discretionary income is the maximum acceptable burden for student loan repayment after leaving college. Applying this 10 percent standard upfront for the lowest-income students should substantially reduce the likelihood that they will need to borrow large sums of money and address fears of college being unaffordable.

Living expenses complicate the picture. Unlike tuition, fees, and other charges, colleges can estimate but not set how much students actually pay for their off-campus room and board. And for many lower-priced colleges, living expenses may make up a majority of the total

cost of attendance. Therefore, any financial aid for living expenses needs to be based off of reasonable estimates—such as actual rents in neighborhoods served by the college (or the similar area for a distance education student)—instead of actual out-of-pocket spending. Lower-income students living off-campus would then be expected to pay no more than a certain percent of their income to non-academic living expenses.²³ This percentage could be greater than the percentage for tuition and fees, since students and families would incur some degree of living costs regardless of whether or not they are enrolled in college. Similarly, the allowable percentage of income for living expenses should vary based upon the size of a student's course load, with part-time students being allowed to pay a higher percentage out of pocket since they are devoting less time to higher education.

Limit choices in favor of options by requiring colleges and students to create a binding degree plan before enrolling, including academic progress opportunities

Choice is seen as a valuable and important element of the higher education system. But there is a difference between meaningful choices that make up a set of coherent options and an overwhelming number of decisions that can hinder progress through postsecondary education. For example, some colleges may present such a litany of electives and course choices that students have a hard time properly cobbling together the necessary items to stay on a degree path. Too many choices also potentially have ramifications for institutions that might struggle to properly staff required courses and so many electives at the same time.

Instead of choices, what students really need are options. Though the difference may seem semantic, an option would be something that amalgamates a series of choices into a coherent path or program that a student could select. In other words, an option would be telling a student she is accepted into a nursing program at a college, which would entail taking an already laid out sequence of courses so that a student knows in each semester what he or she will need to take and when. By contrast, a choice would be to tell a student that she is in a nursing program and then present her with a set of distribution requirements that she must figure out how to meet on her own.

A number of institutions have realized that limiting choices is useful, especially for non-bachelor's degree programs. For example, the Tennessee Technology Centers accept students into set programs, where they attend full-time on a set schedule. This means they do not have to make choices about actual courses and sequences, just what they want to study overall. Meanwhile, students at Lake Area Technical Institute in South Dakota enroll in a program of study where they are placed into full-time classes with the same set of students. There are no steps in choosing courses.²⁴ Not only do students seem



“ There is a difference between a coherent set of options and an overwhelming number of choices

to prefer having fewer choices, but over three-quarters of first-time, full-time students at Lake Area Technical Institute complete within three years.²⁵

While it may be too much to expect every institution to go back through and restructure its electives to streamline options, colleges can at least work with incoming students to construct a degree plan before they first enroll. Such a plan would include laying out a sequence of courses students would take for each term or learning period so that they could follow this guide each time they need to register for classes. Ideally, the plan would be auto-fed into registration processes so students would have to opt out of the selected courses. Such a degree plan would also contain requirements for students and schools. For students, any desire to deviate from the agreed upon plan, such as changing programs, would require them to sit down with an advisor and construct a revised plan. And institutions would have to guarantee that students would be able to take the classes listed on the degree plan when they are supposed to. This would deal with issues of course availability that could be a hindrance to completion at some colleges.

Experiment with an emergency fund for non-traditional Pell Grant recipients

Formulas and calculations are too rigid to properly design a program that could award small additional dollar amounts to students who have minor financial roadblocks to completion. Instead, the U.S. Department of Education should run an experiment in which it provides a small pot of emergency funds to a number of colleges and evaluates it through a random assignment. Schools would have discretion to determine how to award these dollars, but they would not be able to use them just to increase Pell awards. And they could not be for costs over a few hundred dollars or some similar spending limit. The experiment would then look at whether students who received these funds for emergency circumstances enrolled for longer periods of time, accumulated more credits, or had other types of positive outcomes. If the experiment proved to be a success, then the financial aid formulas could be rewritten to increase the current \$5-per-Pell-student allocation that colleges receive for administrative purposes. Or it could start contributing an add-on to that \$5 payment for schools at which substantial shares of students receive Pell Grants.²⁶

Allow for competency-based remedial programs

Remedial education is about ensuring people have the skills necessary to be ready for college work. Since successful outcomes in these courses are tied to getting students' skills to specific levels, they would benefit from personalized courses that allow people to progress as soon as they've mastered the necessary information. Current federal regulations allow for some non-remedial programs to operate in this competency-based model

through a provision that is known as direct assessment. This authority makes it possible to offer federal aid for programs that are not directly tied to credit or clock hours, and are thus more flexible. But those same regulations explicitly exclude remedial programs from being offered in this manner, either by themselves or in some kind of hybrid combination of competency-based and traditional programs. Removing the ban on competency-based education for remedial coursework would make it easier to establish programs that are better tailored to students' needs and allow students to progress through them more quickly.

Improve personal responsibility

Experiment with a Pell "bonus" for students who hit certain credit momentum points

Students who complete 20 or more credits in their first year in college are more likely to eventually complete a degree or certificate.²⁷ But it might be difficult to convince many students who are balancing other life circumstances to attempt this many credits. Unlike federal student loans, which have higher limits as students progress through their education, the Pell Grant maximum does not change. Students who make it further in their education are thus "rewarded" with the opportunity to take on more loan debt—but not to receive greater grant aid.

While changing the Pell Grant award rules to significantly alter the award sizes based upon year in school could be costly and unnecessarily complicated, it would be worth experimenting with offering students a small "bonus" award upon attaining certain milestones associated with completion. For example, students who attain 30 credits could receive a one-time additional award of \$500 to be credited toward future coursework. Or students who complete necessary remedial coursework could receive a smaller bonus of \$250 for getting through.

The best way to test out the effectiveness of these bonus awards would be through an experimental design in which students would be randomly assigned into different categories where they could receive bonuses at different momentum points or no bonuses. This would minimize initial costs and make it possible to study what momentum points are more important than others for continued enrollment and credit accumulation. At a minimum, such an analysis should consider completion of remedial courses, or attaining at least 20 credits in a year. It should also test whether it is more effective to provide students an award for progressing or to create the impression of a penalty by awarding the dollars and then taking them away if students fail to meet credit attainment goals.



A NON-TRADITIONAL OPPORTUNITY

In 2012, just 30 percent of college students were dependents enrolled full time. Just over half were independent students, and the rest were dependent students attending part time. It's unlikely that this breakdown will tilt back toward the young, full-time college students of days past. Any genuine effort to increase the percentage of Americans with college credentials will have to focus on the populations where students are least likely to currently earn degrees and certificates, if they enroll at all. That means increasingly focusing on students who are older, working, may have children of their own, attending part-time, or

have other characteristics that put them at high risk of non-completion. Throwing more and more of these students into the same federal grant programs and institutional structures that so poorly serve currently enrolled students with these characteristics will do nothing to meet national attainment goals. Rather, if we actually want to improve postsecondary outcomes for this growing group of students, we will have to undertake real reforms to federal grant programs that set meaningful incentives around affordability and completion for colleges and the non-traditional students they serve.

NOTES

1 “Dependency Overrides,” U.S. Department of Education, Dear Colleague Letter GEN-11-15, July 26, 2011, <http://ifap.ed.gov/dpcletters/GEN1115.html>.

2 New America analysis of data from the 2004-2009 Beginning Postsecondary Students Study (BPS 04:09) using the PowerStats tool hosted by the National Center for Education Statistics. Table ID cedbec9, cedbe0f, and cedbe10.

3 Table 1. Educational Attainment of the Population 18 Years and Over, by Age, Sex, Race, and Hispanic Origin: 2013, U.S. Census Bureau, Current Population Survey 2013, <https://www.census.gov/hhes/socdemo/education/data/cps/2013/tables.html>.

4 Table 1. Educational Attainment of the Population 18 Years and Over, by Age, Sex, Race, and Hispanic Origin: 2013, U.S. Census Bureau, Current Population Survey 2013, <https://www.census.gov/hhes/socdemo/education/data/cps/2013/tables.html>.

5 “For purposes of applying for federal student aid, what’s the difference between a dependent student and an independent student?” U.S. Department of Education, Office of Federal Student Aid, <http://studentaid.ed.gov/fafsa/filling-out/dependency>.

6 New America analysis of data from the 2012 National Postsecondary Student Aid Study using the PowerStats tool hosted by the National Center for Education Statistics. Table IDs cedbe77 (share of students), cedbec0 (attendance intensity), cedbec7 (age), cedbeae (gender), cedbe7a (race), gfbbeb5 (median income).

7 “3. Personal Exemptions and Dependents,” Internal Revenue Service, http://www.irs.gov/publications/p17/ch03.html#en_US_2013_publink1000170866.

8 A separate group looking at changes to federal education tax benefits called for phasing out the ability to claim in-school students as a dependent based upon their income. See “Higher Education Tax Reform: A Shared Agenda for Increasing College Affordability, Access, and Success,” The Reimagining Aid Design and Delivery Consortium for Higher Education Tax Reform, November, 2013, http://www.clasp.org/resources-and-publications/publication-1/Nov2013RADD_TaxAid.pdf.

9 New America analysis of data from the 2004-2009 Beginning Postsecondary Students Study (BPS 04:09)

using the PowerStats tool hosted by the National Center for Education Statistics. Table ID chcbec0.

10 The Department of Education already allows some dependency overrides to be done through this process, but not for parents who refuse to contribute or provide tax information. See “Dependency Overrides,” Dear Colleague Letter GEN-11-15, U.S. Department of Education, Office of Postsecondary Education, July 26, 2011, <http://ifap.ed.gov/dpcletters/GEN1115.html>.

11 While the exact attainment rate varies depending on whether the student was 20, 21, 22, or 23 years old, the attainment rate for dependent students in each age group was still between 33 and 38 percent. New America analysis of data from the 2004-2009 Beginning Postsecondary Students Study (BPS 04:09) using the PowerStats tool hosted by the National Center for Education Statistics. Table ID cgcbec0a.

12 70 percent of dependent undergraduates do not receive any Pell Grant aid. Of those, about 11 percent entered college for the first time between the ages of 20 and 23, with 54 percent of that subset reporting they were not claimed as a dependent. New America analysis of data from the 2004-2009 Beginning Postsecondary Students Study (BPS 04:09) using the PowerStats tool hosted by the National Center for Education Statistics. Table ID chcbec77.

13 New America analysis of data from the 2004-2009 Beginning Postsecondary Students Study (BPS 04:09) using the PowerStats tool hosted by the National Center for Education Statistics. Table ID chcbec56.

14 The chart below compares the breakdown of NPSAS versus BPS in 2003-04 in terms of dependency status.

	Dependent	Independent with...		
		No Children		Children
		Unmarried	Married/ Separated	
BPS	71.5	6.6	3.0	18.9
NPSAS	50.5	14.8	7.7	27.0

15 Sec. 101 “Statement of Purpose,” No Child Left Behind Act, Public Law 107-110, 107th Cong., 1st sess., Jan. 8, 2002, <http://www2.ed.gov/policy/elsec/leg/esea02/pg1.html> and Sec. 601(d)(1)(A) Purposes, An Act to

Reauthorize the Individuals with Disabilities Education Act, Public Law 108-446, 108th Cong., 2nd sess., Dec. 3, 2004, <http://idea.ed.gov/download/statute.html>.

16 “Federal Pell Grants: amount and determinations; applications,” 20 U.S. Code 1070a(b), <http://www.law.cornell.edu/uscode/text/20/1070a>.

17 New America analysis of data from the 2012 National Postsecondary Student Aid Study using the PowerStats tool hosted by the National Center for Education Statistics. Table ID gfb59.

18 Ibid.

19 For more on how colleges eat into the purchasing power of Pell, see Stephen Burd “Undermining Pell,” New America Foundation, May 2013, http://education.newamerica.net/sites/newamerica.net/files/policydocs/Merit_Aid%20Final.pdf.

20 “Table 381. Average undergraduate tuition and fees and room and board rates charged for full-time students in degree-granting institutions, by level and control of institution: 1969-70 through 2011-12,” National Center for Education Statistics, Digest of Education Statistics, 2012, http://nces.ed.gov/programs/digest/d12/tables/dt12_381.asp.

21 For more on academic momentum, see Sara Goldrick-Rab “Promoting Academic Momentum at Community Colleges: Challenges and Opportunities,” CCRC Working Paper No. 5, Community College Research Center, February 2007, <http://ccrc.tc.columbia.edu/publications/academic-momentum-community-colleges.html> and Cliff Adelman, “The Toolbox Revisited,” U.S. Department of Education, February 2006, <http://www2.ed.gov/rschstat/research/pubs/toolboxrevisit/toolbox.pdf>.

22 Some colleges already use such a model in providing their own financial aid. For example, Harvard’s aid formulas charge families a percentage of their income based upon how much money they earn. See “Understanding Our Financial Aid Program,” Harvard University, <https://college.harvard.edu/financial-aid/how-aid-works>. The College Board also presented some proposals for simplifying needs analysis. See “Back to Basics: Simplifying the Financial Aid Process to Increase Access and Success,” College Board, March 2014, <http://media.collegeboard.com/digitalServices/pdf/advocacy/policycenter/radd-reimagining-aid-design-delivery-paper.pdf>.

23 The exact percentage should probably not be higher than 30 percent and potentially a good bit lower. The U.S. Department of Housing and Urban Development suggests that individual who contribute more than 30 percent of their income to housing expenses are “cost burdened.” So a student whose living and other expenses is at 30 percent may be close to the cost burdened threshold.

24 Joshua Wyner, “What Excellent Community Colleges Do,” Harvard Education Press, Cambridge, Massachusetts,

2014, page 15.

25 Ibid.

26 For more on emergency grant programs see Christian Geckeler, “Helping Community College Students Cope with Financial Emergencies,” MDRC, May 2008, <http://www.mdrc.org/publication/helping-community-college-students-cope-financial-emergencies>.

27 Adelman, “Toolbox Revisited,” page xix.



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