

Testimony on behalf of
The National Association of State Student Grant and Aid Programs
to the Advisory Committee on Student Financial Assistance

September 19, 2006

I am Melanie Amrhein, Assistant Executive Director of the Louisiana Office of Student Financial Assistance and President of the National Association of State Student Grant and Aid Programs. I want to thank you for this opportunity to provide input on how together we can work to reduce barriers to higher education, particularly for low- and moderate-income high school graduates who are college-qualified.

NASSGAP, as it is known, is a professional association whose membership is comprised of the state student grant agencies in the 50 states, Puerto Rico, and other territories. That is, those agencies whose mission it is to administer government-sponsored assistance for their resident students attending institutions of higher education. In addition, many of the agencies also serve as GEAR UP grant recipients and as FFEL guaranty agencies.

It is from that knowledge and experience base that we offer the following comments about the policy implications highlighted in your report and about simplification.

Access and Persistence

Two of your implications are about reinvigorating the access and persistence partnership to increase need-based aid from all sources, and restraining increases in the price of college and offset increases with need-based student aid.

In 2004-05 the states administered \$ 7.9 billion in state-funded student financial aid, \$6.7 billion of which was in the form of grants. Almost three quarters of that grant aid was need-based, a percentage that has remained relatively consistent for the last five years, despite rumors to the contrary. This aid, along with its federal Title IV counterparts, institutions of higher education, private corporations, and philanthropic organizations is helping to break down financial barriers for students. But we all know that more must be done. We must continue to try to convince our state legislatures to maintain funding for needy students. And since so much of our state monies go to supporting the state-funded colleges and universities, we must also try to work to limit the tuition and fee increases. But, as you know, much of that funding is based on the success of the local economies and the tax revenues. NASSGAP feels strongly that the Advisory Committee could best assist in this effort by encouraging the Congress to save financial programs that leverage state funds with federal funds, such as the LEAP and Special LEAP models. Based on Department of Education figures, \$65M in federal funds leveraged over \$530M from states in the form of need-based grants during the 2004-05 academic year. Senate bill 1614 created a revision to the LEAP program – the Grants for Access and Persistence – that would further enhance the leveraging of Federal funds by allowing the state match to come not only from state revenue but also from the philanthropic and private sectors. This would assist those states whose local economies put undue pressure on state taxpayers forcing reductions in state aid to students and increases in college costs.

Clearly holding the tuition and fees to minimal increases is not enough. Housing and book costs subsidies must be explored for the most needy students at the federal, state and institutional level. But while holding the cost of books and supplies down is a worthy goal, we believe it would not have a major effect on access and persistence. At most the cost of books and supplies is 5% of the cost to attend college. Reducing that by a few hundred dollars (a potential 10% cut) we believe would not significantly lower the financial barrier for most low-income potential students. Furthermore, having publishers reduce their costs would mean high-income students would

receive equal benefits as the supposedly targeted to low- and moderate-income students. If the publishers were willing to assist needy students, they could join in with the other companies participating in the new Grants for Access and Persistence Program created by Senate bill 1614. That way the students who most need it would be served.

Merit-aid and Need-based Aid

This is the 800 pound gorilla that many states and institutions have had a hard time facing. The numbers show that the amount of aid awarded to student without regard to need has risen significantly by percentage over the last ten years. But as I pointed out earlier, the percent of need-based aid awarded by states has remained at almost three-quarters for the last 5 years. So the numbers discussed over and over don't necessarily reflect what has happened in recent years. I am not belittling the small, but steady decline in the percentage of need vs. merit aid awarded by states over the last ten years. But during that same period we also have seen a 90% increase in the amount of need-based aid, from \$2.5 billion to \$4.7 billion. That \$2.2 billion compares with an increase of \$1.3 billion in merit-based aid in the same ten years. So clearly the commitment to increasing need-based aid in the states is still strong.

This is not to say that NASSGAP is not concerned with the direction. Our members are extremely committed to providing access and we continue to work with our legislatures and the Federal government to increase the commitment. We encourage studies demonstrating that an even stronger commitment is needed and making it clear what the benefit is to the state. At the same time, states should not be an easy target when the numbers show that they are not the villains they are made out to be. The community should remain aware of the amount of money states provide to state residents by subsidizing the true cost of attending college by paying for the operation of state colleges and universities.

In deliberations about need- versus merit-aid, I ask that you consider the philosophies dictated by each state's legislative authority. They differ widely. The goals and outcomes important to one state may not be right for the populous in another. New York, Pennsylvania, California and Texas are examples of states that have strong need-based state grants. Florida, Georgia, Louisiana and South Carolina have put significant state appropriations into merit-based scholarships. Some states currently putting large amounts of money into keeping down the costs of their higher education system may put less into need-based aid and more into keeping students in the state system, or in keeping state taxes low. Like we tell students considering various financial aid packages from competing schools, the whole package of state support to families must be considered.

Nevertheless, as I indicated earlier, the Committee could assist in our effort to increase need-based aid by encouraging the Congress to pass and fund the provisions in the GAP program.

Early Intervention

Another one of the focus points for the Committee is strengthening early intervention programs for low- and moderate-income students. As I have pointed out in previous testimony to this Committee, the agencies represented by NASSGAP are dedicated to both the efficient delivery of aid, the identification of those qualified to receive the aid, and dissemination of information about how to receive the aid. We believe providing quality information to potential college students is the most challenging. How do we get young people to pay attention and become knowledgeable about opportunities for funding for post secondary education? They are the most "tuned-in" generation and have lived with "mixed media" since they were born, unlike most of us in this room. We have to reach them with a message that they will hear and in a format that they appreciate.

In previous testimony I discussed some of the steps our states have taken in accomplishing this. From 3rd grade story books in Louisiana, to Rap CDs in Minnesota; from colorful planning

calendars in Maryland to bright, eye-catching magazines in Kentucky, the states are telling the story about how staying in school and preparing for higher education holds a promise to a bright future. Innovative, informative websites are too numerous to name, and several states still believe in the hands-on, personal approach.

Most of our members have extensive outreach programs. We have found that one of the biggest obstacles is within the students' minds. If they do not think college is an option, more money – and simpler forms – mean nothing. The lack of hope at an early age leads to a variety of negative outcomes. Several of the states are trying to reach into the 7th grade, as many of our school systems consider that as part of junior high or middle school. We believe that it is critical to reach the kids on the Metro, buses, or subways who just “carry on” and think life is just that. They have no plans for the future. They never have. We need to change that thinking.

We believe that guidance counseling efforts need to be strengthened and supplemented to help students get on the college track early. We would like to see encouragement by the Committee for a natural progression of services, from an early awareness to a college readiness program. There seems to be a need to better coordinate efforts and funds in these important areas.

Once again I mention the Senate bill 1614 that would require states to partner with colleges, private companies, and philanthropic organizations to provide outreach and financial aid estimates as early as middle school. The bill would also enhance grant aid to needy students through the Grants for Access and Persistence program.

I think we can all agree that young people can benefit from strong guidance at early levels. It is up to the financial aid community and this Committee to push for hands-on programs that touch families and young students when they are forming their life goals.

Simplification

The task you have to simplify the needs analysis and the FAFSA is difficult and, as my colleague Dennis Obergfell from Indiana has said previously, is anything but simple. NASSGAP would like to remind the Committee of the five key points Dennis spoke of when you deliberate the simplification of the financial aid application process and the formula to determine eligibility.

1. States use the FAFSA as the primary application for state need-based grant.
2. State financial resources are finite but the population of needy students is growing as is their costs.
3. Point 2 requires increased diligence on the part of states to make sure that the most needy students do not lose financial aid at the expense of simplifying a form or a formula that would have the effect of increasing the number of less needy students getting more aid.
4. Simplification is a relative term; Efforts in its name should be done knowing that there is a very delicate balance between reducing complexity and sacrificing good stewardship of public funding.
5. If questions important to state grant agencies are eliminated from the FAFSA or the Expected Family Contribution formula, then states will have no choice but to create additional forms for students to complete in order to capture the “missing” data.

It is important to remember that the FAFSA is not just a form used by the federal government to distribute federal aid. It is the primary form used by state agencies in awarding non federal aid as well. It is for this reason that states have a vested interest in the development of this document and of the formula used to determine the EFC. In fact, the wording on the paper FAFSA added a few years ago that advises applicants to File On-time, File On-line was done in response to a state agency suggestion. NASSGAP has worked closely with the Department of Education for over a decade to streamline and simplify the financial aid application for all students. State questions were retained in the FAFSA through the 1992 HEA reauthorization with the help of this

Committee as a way to increase access. Prior to this, students had to fill out several forms for aid to which they were entitled. This discouraged low-income students in particular from applying. NASSGAP conducted the research which led to the identification of common state questions that could be retained in the FAFSA.

Now we are faced with trying to reduce even further the number of questions used to determine eligibility for aid. While NASSGAP supports further simplification efforts, we hope the results of those efforts are rooted in science not anecdote. Specifically, quantitative methods should be used to discover:

- Which questions on the FAFSA are the most difficult for low-income applicants to answer and why? State's experiences and student and parent focus groups should be used in this analysis. From personal experience I can tell you that some families who balked at completing the unwieldy application experienced what I call "forms anxiety." Much like math anxiety, when given assistance – start with number one and come see me when you run into a problem – these families were able to complete the form when given the help and guidance they needed to get over the initial hurdle.
- Which untaxed resources on the Worksheet are major, marginal and which need better instructions? How much would changes in the formulas change the EFC and what would the impact be for state funding?
- To what extent would online applications and improved instructions and design changes simplify the form?
- Is the application form and process "overly complex" or not adequately designed to accommodate complex family situations?
- Is the form in its entirety "overly complex" or are some questions on it simply confusing? There are differences between questions that are "complex" and those that are "confusing"; one kind is easier to fix than the other.

NASSGAP encourages the Department to develop a smarter online FAFSA, one that allows applicants to select parts of the FAFSA required by their states.

Equally important, we encourage a strong effort to promote a greater use of FAFSA on the Web, in particular, reaching into the low-income communities where access to technology is less prevalent. This may be accomplished in various ways, including the use of things like "Finaid-mobiles," much like bookmobiles used by libraries.

Greater and smarter use of technology may help accelerate simplification efforts at both the federal and state level. Some questions could be eliminated if not needed to calculate the Federal EFC but included when a state or institution requires it for its own funds.