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COMMENTARY

Financial Aid's Role in Meeting State College Completion Goals

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In a new study, Nicholas Hillman (Assistant Professor, University of Wisconsin–Madison) and Erica Lee Orians (Community College Research Center) review the most recent and rigorous research on the role financial aid plays in improving college completion rates. With tuition rates consistently outpacing inflation and family incomes, along with the slow growth in educational attainment rates, the need for reforming state financial aid programs is becoming increasingly urgent to state policymakers. What can be done to reform state aid in ways that help increase college completion rates? This paper synthesizes the best evidence in the field, concluding reforms should:

- provide students with clear information about how to apply for aid;
- make the eligibility criteria simple and easy to understand;
- offer early commitments to students, far before they enter high school; and
- be well targeted to the state's policy goals.

Evidence consistently finds these four factors are effective strategies to help students access and complete college. However, states currently operate more than 220 separate aid programs that are not well publicized and that have confusing eligibility criteria. Furthermore, states rarely commit financial aid to students when they are in middle school or younger, making it difficult for families to financially prepare for college. And when states provide aid to students, a growing share of it is not targeted to those who have financial need (i.e., it is "merit-based"). More than $2.6 of the $9 billion invested in state grant aid goes to this type of aid, often to students who would enroll even without the subsidy.

In light of the four principles outlined above, and considering the challenges states face with increasing educational attainment, the paper offers the following solutions to reforming state aid in more efficient and equitable ways:

- consolidate state grant aid programs to have simple and easily-understood eligibility requirements;
- place early awareness at the center of the consolidated aid program;
- target aid in ways that align with state completion goals

By redesigning aid in these three ways, states would be more likely to achieve greater educational attainment rates without investing *new* money into their aid programs. Each of these solutions could be achieved through reforming the aid design and delivery mechanisms. Of course, this is no simple task and it would require committed leadership from state officials, campus leaders, and higher education advocates. And aid reforms will not solve the educational attainment problems alone. Nevertheless, reforming existing state aid policies and programs would go a long way to help expand educational access and opportunities.

The full study can be found in Nicholas W. Hillman and Erica Lee Orians, "Financial Aid's Role in Meeting State College Completion

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