

THE WORKING POOR FAMILIES PROJECT

POLICY BRIEF
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Strengthening State Financial Aid Policies for Low-Income Working Adults

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Business, political and civic leaders increasingly recognize that education beyond high school is necessary for workers to gain the literacy and workplace skills needed to be productive in the global economy. Yet almost one-half of current workers 18-65 have no postsecondary education and training and little opportunity for gaining the education and skills valued by business.³ These adult workers comprise the bulk of our workforce today and will still constitute two-thirds of workers in 2020.⁴ Put simply, to ignore the adult workers of today is to ignore the current workforce needs of business and the future strength of state economies.

States have much to do if they are to ensure that working adults are prepared for high-skilled, high-wage occupations within the workforce. A significant area for attention is postsecondary education. At issue is whether low-income working adults can effectively access postsecondary education and successfully gain the education and skills needed for today's economy. Unfortunately, state policies are not typically geared toward facilitating access to postsecondary education for working adults. One area of particular concern is state financial aid that does not sufficiently meet the financial needs of working adults, and is often structured in ways that limit the ability of working adults to access available aid.

The Working Poor Families Project (WFPF) supports efforts of state nonprofit organizations to strengthen state policies that can assist low-income workers to achieve economic security and become productive participants in the economy. WFPF encourages state groups to address the issue of college affordability for working adults. States that want – and need – to increase the educational attainment of their workforce should consider public policies that target working adults who need to improve their education and workforce skills. A few states – including several with Working Poor Families Project partners – are in the forefront of addressing college access for working adults. This policy brief describes these efforts and offers recommendations for states to strengthen financial aid programs that facilitate the enrollment of working adults and their success in college.

THE WORKING POOR FAMILIES PROJECT

Strengthening State Policies for America's Working Poor

Millions of American breadwinners work hard to support their families. But, despite their determination and effort, many are mired in low-wage jobs that provide inadequate benefits and offer few opportunities for advancement. In fact, more than one out of four American working families now earn wages so low that they have difficulty surviving financially.²

Launched in 2002 and currently supported by the Annie E. Casey, Ford, Joyce, and Mott foundations, the Working Poor Families Project is a national initiative that works to improve these economic conditions. The project partners with state nonprofit organizations and supports their policy efforts to better prepare America's working families for a more secure economic future.

For more information:
<http://www.workingpoorfamilies.org>

THE BENEFIT OF MORE EDUCATION AND TRAINING

The demand for skilled workers is robust and is expected to intensify in future years, particularly with the retirement of baby boomers. Yet, almost two-thirds (65 percent) of the country's 2020 workforce is already beyond the reach of our elementary and secondary schools.⁵ In other words, the biggest potential pool of skilled workers in the country right now is the 77 million adults with only a high school diploma or less.⁶ In half the states, the number of adults 18-24 years of age is not projected to grow, which means that in order to increase the number of postsecondary degrees and the skills of the workforce, states will have to focus on adults 25 years of age and higher.⁷

According to a recent report from The Institute for Higher Education Policy, 40 percent of the working poor are between 25-34 years of age, and one-third of this group identify their race as non-white.⁸ Expanding the skills and credentials for the working poor will require states to expand their aid policies beyond traditional students and focus on adults 25-34 years of age and even older.

The good news for states is that increasing the educational attainment of the workforce has both individual and public benefits. Research is quite clear that adults with postsecondary degrees have higher earnings than those with only a high school diploma.⁹

Moreover, adults who earn literacy and workplace skills through postsecondary education and training are more prepared for career advancement and upward mobility.¹⁰

For example, the unemployment rate of adults 25 years of age and higher with at least a bachelor's degree was less than 3 percent in January 2004, compared to 5 percent for adults with only a high school diploma and almost 9 percent for adults who did not graduate from high school.¹¹ Put another way, a greater percentage of adults with higher literacy levels were employed full-time and a lower percentage were out of the labor force than adults with lower literacy skills.

From a public-benefits standpoint, increasing the education and skills of current adult workers can lead to increased capital investment in states by companies and businesses that need employees with strong literacy and workforce skills. It also can improve a state's fiscal environment as more educated and skilled adults will generate increases in personal and business earnings. Figure 1 shows the wide array of public economic and social benefits that accrue to society as a result of increased educational attainment. Economic benefits include increased tax revenues, greater productivity, and increased workforce flexibility. Social benefits include reduced crime, increased charitable giving, and improved quality of civic life.¹²

Figure 1
Public and Private benefits of Postsecondary Education

	<u>PUBLIC</u>	<u>PRIVATE</u>
ECONOMIC	Increased Tax Revenues Greater Productivity Increased Consumption Increased Workforce Flexibility Decreased Reliance on Government Financial Support	Higher Salaries and Benefits Employment Higher Savings Levels Improved Working Conditions Personal/Professional Mobility
SOCIAL	Reduced Crime Rates Increased Charitable Giving/Community Service Increased Quality of Civic Life Social Cohesion/Appreciation of Diversity Improved Ability to Adapt and Use Technology	Improved Health/Life Expectancy Improved Quality of Life for Offspring Better Consumer Decision-Making Increased Personal Status More Hobbies/Leisure Activity

Source: *The Institute for Higher Education Policy, 1998*

Some states are beginning to see the value of launching or expanding policy initiatives to increase opportunities for working adults to gain new skills and credentials through postsecondary education. For example, the lesser known Georgia HOPE grant pays for tuition, fees and book expenses for Georgia adult workers who enroll in non-degree programs at one of the state’s two-year technical colleges. Washington has recently reformed its need-based financial aid system to serve part-time students and enacted the Opportunity Grants program in order to provide dedicated resources for non-traditional students, including working adults with earnings less than 200 percent of poverty. In Michigan, Governor Jennifer Granholm has proposed the *No Worker Left Behind* initiative to provide resources for displaced adult workers to obtain up to two years free tuition at any Michigan community college or other approved training program. And in Massachusetts, new Governor Duval Patrick unveiled a new vision for a “cradle to career” education system that proposes to make Massachusetts’ two-year colleges free to all high school graduates, including working adults.

Finally, a national group, The Workforce Alliance, has embarked on a nationwide campaign to improve the skills of American workers. This initiative - known as Skills2Compete - calls for a guar-

antee of two years of postsecondary education and training for all workers.¹³

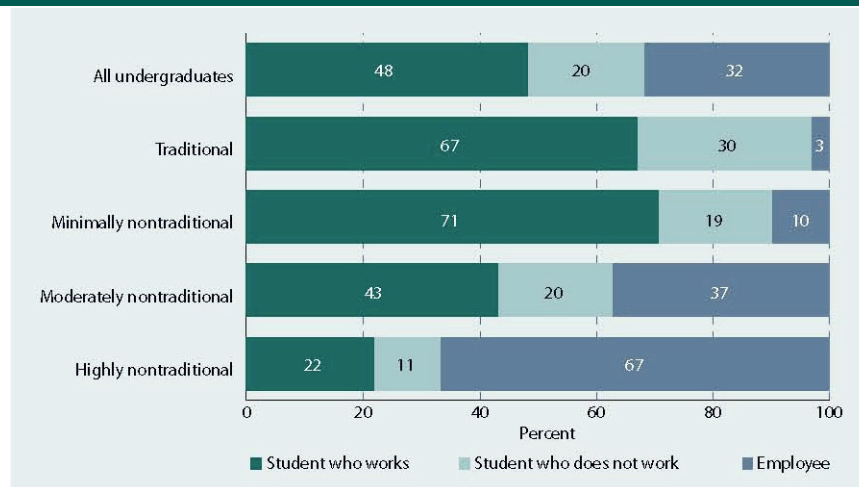
TARGETING FINANCIAL AID FOR WORKING ADULTS

One of the most important areas for state policy change is financial aid for working adults. In 2003-04, after accounting for all forms of financial aid, working poor adults faced \$4,000 in unmet need to pay for college.¹⁴ Working adults are less likely to attend college full-time and more likely to consider postsecondary education as a secondary activity – working to support their family is the primary activity for these adults.

The National Center for Education Statistics defines working adults as highly nontraditional college students; their data shows that two-thirds of highly nontraditional students who were currently enrolled in college considered themselves primarily employees (see Figure 2).¹⁵ Put simply, working poor adults are more likely to attend college part-time than full-time, which considerably reduces their eligibility for financial aid. For example, only 54 percent of working poor adults enrolled in college received a grant in 2003-04, compared with two-thirds of adults not classified as working poor.¹⁶

Figure 2

Percentage distribution of undergraduates according to their primary role, by student status: 1999–2000



SOURCE: U.S. Department of Education, NCES. National Postsecondary Student Aid Study (NPSAS:2000).

Although the federal Pell Grant is the most widely known financial aid program for low-income students – awarding more than \$12 billion in grants nationally in 2005-06¹⁷ – state-sponsored grant programs also provide a considerable amount of financial aid for college students. The most recent survey of state-sponsored grant programs found that states awarded about \$5 billion in undergraduate need-based grant aid in 2005-06.¹⁸ The majority of states, however, have very nominal need-based state grant programs for undergraduates. Moreover, during the last decade, many state financial aid programs have turned their focus to merit-based aid, which now makes up more than 25 percent of the \$6.7 billion in total state grant aid awarded in 2005-06.¹⁹

Seven states accounted for 65 percent of the \$5 billion in state need-based aid: California, Illinois, Indiana, New Jersey, New York, Pennsylvania and Texas (all states with WFPF partners).²⁰ Another ten states, where WFPF has a nonprofit partner, have need-based aid programs exceeding \$50 million: Colorado, Kentucky, Massachusetts, Maryland, Michigan, Minnesota, North Carolina, Ohio, Washington, and Wisconsin. These seventeen states represent opportunities to strengthen existing state financial aid policies so more low-income adults have access to financial resources for postsecondary education.

One particular area for attention relates to the rules that determine eligibility for aid and the size of the awards. Many of these states follow the federal Pell Grant guidelines, which are largely unfair to low-income adults 24 years of age and higher.²¹ For example, the Pell Grant is focused on traditional students aged 18-22 who attend college within one or two years after graduating from high school. Working adults who want to enroll in college are treated as independent students in federal financial aid policy, which means eligibility for the Pell Grant is extremely curtailed - even for very low-income adults. Most states adhere to federal policy guidelines to determine eligibility for state grants to help students pay for college, which also limits the availability of state-sponsored grant financial aid that low-income adults can receive to help pay for college.

There are a number of policy barriers that affect the ability of low-income working adults to access need-based aid. In reviewing a state's current pro-

gram, the following issues, at a minimum, should be examined.

- The approach and criteria for determining financial need and the unnecessary reliance on Pell Grant independency rules as applied to working adults 24 years of age and higher;
- Requirements that students must have a High School Diploma or GED to receive financial aid, rather than applying the much broader “ability to benefit” test to determine financial aid eligibility;
- Eligibility rules regarding number of credits that must be taken in a quarter or semester in order to receive aid (part-time and less than part-time enrollment);
- Age limitations such as restricting need-based aid to recent High School graduates;
- Requirements that students enroll for a complete quarter or semester to qualify for financial aid, which disqualifies students pursuing shorter term certificates or career-oriented programs;
- Budget calculations used by colleges that underestimate the total cost of attendance for working adults;
- Firm financial aid application deadlines (typically in March) that penalize adults who are less likely to follow a traditional academic calendar.

Most states determine a student's financial need according to the independence rules established in the federal Pell Grant guidelines. These rules define all students who are married, have dependent children, or who are 24 years of age or higher as independent, thus subjecting students to different income eligibility thresholds. Being defined as independent does not benefit working poor adults because the income thresholds that determine eligibility are considerably lower than for traditional-age poor students who live with their parents. Moreover, independent students are expected to contribute more than half of their after tax income to pay for educational expenses.

For states with current need-based grant programs, decoupling the rules determining independence from the federal guidelines can expand the amount of state grant aid working poor adults can receive. New York's Tuition Assistance Program (TAP) is a good example: low-income adult students with kids (single

or married), and married adults 22-34 years of age without kids are awarded TAP benefits according to the state schedule for dependent students, which means working poor adults can receive up to \$5,000 in TAP benefits to pay college tuition if they are married or have kids.

Most states limit student grant financial aid to full-time students, which discriminates against working poor families who are less likely to attend college full-time. In 2003-04, two-thirds of working poor adults enrolled in college classes on a half-time or less-than-half-time basis.²² For states to expand opportunities for working poor adults to pursue postsecondary credentials, providing financial aid for part-time and less-than-part-time enrollment is crucial. Illinois' Monetary Award Program (MAP) is a good example: since 1974, MAP grants have been available to part-time students from low-income families who enroll for at least six credit hours. In addition, MAP policy was reformed to switch the cap on aid to a per credit basis rather than semester basis, allowing grant monies to extend over a longer period of time.

Another important area of focus is the calculation of the student budget; this calculation directly affects the amount of financial aid for which a student is eligible. Put simply, financial need for students is the difference between the total cost of attendance (i.e., student budget), and the expected family contribution or EFC. The EFC is a function of student and family income, and varies considerably for students defined as independent or dependent. Student budgets consist of tuition and fees, book allowance, transportation, and estimates for living expenses, including room and board. Although direct costs of attending college (i.e., tuition and fees) vary according to the number of credits a student attempts, it is likely that indirect costs do not vary as much. Thus, establishing guidelines for the calculation of student budgets that better reflect the real living expenses of working adults would increase the calculated financial need for working poor adults.

Finally, rules and procedures can limit how effectively working adults can access aid. In Arkansas, the largest need-based aid programs are restricted to students who apply within 12 months of graduating from high school. This essentially eliminates working adults from this aid, which as will be noted later,

has resulted in the establishment of a new program dedicated to providing financial aid to working adults. In Indiana, aid is only available for a 10 year period, which effectively eliminates many working adults who might have taken a class in their late teens, then seek to return to college in their thirties or forties. Furthermore, the time period when aid is allocated can limit the availability of grants, especially for adults who decide to enroll in college shortly before classes begin. Women Employed discovered that in Illinois working adults often did not know or think to get in line when aid was available at the start of a calendar year; thus, adults who decided to enter school later in the year or summer would find that the aid was exhausted.

In short, states with existing grant programs could reform current student financial aid policies to be more accommodating to working adults.

In the absence of a need-based financial aid program or in cases where the funds are very limited, states may want to consider launching new aid programs dedicated to providing resources to low-income working adults to pursue postsecondary education and training. Several states such as Arkansas, Pennsylvania and Washington, have taken action recently to establish programs dedicated to working adults.

The following highlights state actions that have focused on two types of policy reform: strengthening state need-based aid programs to better serve low-income working adults, and developing new programs that are dedicated to serving low-income working adults.

STRENGTHENING TRADITIONAL NEED-BASED AID PROGRAMS TO BETTER SERVE LOW-INCOME WORKING ADULTS

Illinois is a generous state in terms of student financial aid, investing more than \$350 million in 2005-06.²³ In Illinois, about two-thirds of part-time students are adults 24 years of age and higher. Among students who enrolled less than half-time (e.g., fewer than 6 credit hours), 62 percent were enrolled at community colleges, almost half worked an average of 28 hours weekly, almost three-fourths were women and 71 percent were unmarried.²⁴ In 1999-2000, the Illi-

nois Student Aid Commission implemented a demonstration project to provide Monetary Award Program (MAP) grants to adults attending less than half-time. The results from this demonstration – and subsequent efforts by Women Employed – led to the adoption of less than half-time MAP benefits.

Oregon is another state that expanded its existing need-based aid program (Oregon Opportunity Grants) to better accommodate working adults. Oregon has a modest state need-based grant program – investing about \$30 million in 2005-06. In 2005, part-time students were made eligible for assistance with no restrictions on age or years after high school graduation. Legislation in 2007 changed the method of determining need (away from the Pell model) by moving to a “Shared Responsibility Model” that takes into consideration the student’s ability to pay, and then provides funding through the Opportunity Grant to fill the gap between the total cost of attendance and other financial aid a student received. The expanded grant doubles the state financial aid package for Oregon students and will reach beyond low-income and into middle-class families, resulting in thousands more Oregonians being able to go to college. The aid thresholds are expanded for independent students (i.e., adults), for example, by allowing parents in families of four to qualify for some level of aid with income close to 300 percent of poverty.

New York has the most generous state financial aid program for low-income students – the state invested almost \$900 million in 2005-06.²⁵ The Tuition Assistance Program (TAP) covers up to 100 percent of tuition at a 2-year or 4-year public college with a cap of \$5,000 for the lowest income students. Despite this generosity, TAP benefits are not provided to part-time students unless they attend college full-time for one year. The Schuyler Center for Analysis and Advocacy and the Center for an Urban Future released a report highlighting these and other areas where working adults are treated unfairly; the report recommended making TAP available to part-time students immediately, and abolishing the discriminatory TAP benefits and income thresholds for unmarried childless adults, so that they can receive the same benefits at the same income thresholds as all other students.²⁵ This later proposal was recently endorsed by the Governor’s Commission on Higher Education (December 2007).

LOOKING BEYOND TRADITIONAL PROGRAMS TO DIRECT AID TO LOW-INCOME WORKING ADULTS

Creating new aid programs targeted to serving working adults is a second approach states have used to help working adults enroll and succeed in college. In **Washington**, the Seattle Jobs Initiative and Statewide Poverty Action Network helped secure \$23 million over the past two years for a new Opportunity Grants Program to help low-income students pursue postsecondary programs designed to fill specific jobs. These resources support tuition and fees as well as support services necessary for student success. In addition, the assistance focuses on students accessing identified high-demand occupations.

In **Pennsylvania** the Department of Labor & Industry in partnership with PHEAA, the state financial aid agency, created WAGE (Worker Advancement Grant for Education), a new financial aid program designed to increase the postsecondary education attainment of adults in the state. Around \$10 million a year is invested annually through WAGE for almost three thousand non-traditional students across 186 institutions in Pennsylvania.

Arkansas allocates \$3.7 million in additional funds for need-based financial assistance for working adults enrolled part-time. Moreover, the state redirected existing resources to address the education and skill needs of TANF recipients and those at risk of needing TANF with earnings up to 250 percent of official poverty thresholds. About \$16 million of TANF funds were allocated toward this effort.

RECOMMENDATIONS FOR STATE POLICY TO HELP WORKING ADULTS ENROLL AND SUCCEED IN COLLEGE

One of the core challenges for state policy is to expand or launch financial aid programs to better accommodate working adults. Although most states set financial aid eligibility based on federal guidelines, this approach is not required. Specific financial aid policy changes for states to consider include:

- **Increase financial aid available to low-income working adults by expanding access and eligibility to existing aid programs and providing additional resources to programs dedicated to addressing this population.**
- **Expand and reform existing need-based aid programs to accomplish the following:**
 - Allow working adults, 24 years of age and higher (i.e., independent students) to receive the same level of benefits as traditional-age dependent students at similar income levels;
 - Allow working adults to receive financial aid when enrolling on a part-time or less-than part-time basis;
 - Eliminate age limitations that restrict need-based aid to recent high school graduates;
 - Relax rules that require enrollment for an entire quarter or semester, so working adults can qualify for financial aid when pursuing shorter term certificate or career-focused programs;
 - Encourage postsecondary institutions to calculate student budgets that better reflect the total cost of attendance for working adults (i.e., using more realistic estimates of indirect expenses such as living expenses, child care and transportation);
 - Implement flexible financial aid application deadlines to acknowledge adults don't follow a traditional student calendar.
- **Fund specific grant financial aid programs dedicated to serving part-time, low-income working adults. Such programs should:**
 - serve adult workers earning 200 percent of poverty or less;
 - provide resources for both tuition and support services; and
 - target education and training focused on high-wage, high-demand occupational programs.
- **Finally, states should develop and utilize data systems that provide continuous reporting on the take-up rate and success of low-income working adult students.**

Pursuing financial aid policies to expand opportunities for working adults to earn the literacy and workforce skills required by the global economy will require additional investments. Importantly, these investments can benefit both individuals and businesses by increasing the human capital of the state's current and future workforce. States that want to be economic leaders in the 21st century will need to find innovative ways to find the resources necessary for a much-needed investment in low-income working adults.

WORKING POOR FAMILIES PROJECT RECOMMENDATIONS:

State groups can consider promoting the following:

- 1) Increase financial aid available to low-income working adults by expanding access and eligibility to existing aid programs and providing additional resources to programs dedicated to addressing this population.
- 2) Expand and reform existing need-based aid programs.
- 3) Fund specific grant financial aid programs dedicated to serving part-time, low-income working adults.
- 4) States should develop and utilize data systems that provide continuous reporting on the take-up rate and success of low-income working adult students.

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ENDNOTES

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² Tom Waldron, Brandon Roberts and Andrew Reamer. "Working Hard, Falling Short," Working Poor Families Project, October 2004, p. ii.

³ Working Poor Families Project, data generated from Population Reference Bureau from American Community Survey 2005.

⁴ *Sector Initiatives and Community Colleges: Working Together to Provide Education for Low-Wage Working Adults*, Workforce Strategies Initiative Update, Issue 4, April 2007, Aspen Institute, Washington, DC.

⁵ Ibid.

⁶ Working Poor Families Project data.

⁷ *Adding it Up: State Challenges for Increasing College Access and Success*. The National Center for Higher Education Management Systems and Jobs for the Future, November 2007.

⁸ Courtney McSwain and Ryan Davis, *College Access for the Working Poor: Overcoming Burdens to Succeed in Higher Education*. Washington, DC: The Institute for Higher Education Policy, July 2007.

⁹ See for example, Deborah Povich, Brandon Roberts and Tom Waldron, *Strengthening State Policies for Working Families*, 2006, page 5. Annual earnings for a college graduate are 80 percent higher than earnings for a high school graduate; community college graduates' annual earnings are almost 30 percent higher than earnings for a high school graduate.

¹⁰ Education Testing Service, *America's Perfect Storm: Three Forces Changing Our Nation's Future*. Princeton, New Jersey, January 2007.

¹¹ Melissa Clinedinst, *Investing in America's Future: Why Student Aid Pays Off for Society and Individuals*. Washington, DC: The Institute for Higher Education Policy, 2004.

¹² The Institute for Higher Education Policy, *Reaping the Ben-*

efits: Defining the Public and Private Value of Going to College. Washington, DC, 1998.

¹³ See: <http://www.skills2compete.org>

¹⁴ McSwain and Davis, 2007.

¹⁵ U.S. Department of Education, *Special Analyses 2002: Non-traditional Students*. Condition of Education Online, accessed 11/19/2007. Highly nontraditional students have at least four of the following seven characteristics of nontraditional students: delayed enrollment, part-time enrollment, work full-time while enrolled, independence for purposes of student financial aid, single parent, have dependents other than spouse, do not have high school diploma.

¹⁶ McSwain and Davis, 2007.

¹⁷ *Trends in Student Aid, 2006*. New York: College Board, 2006.

¹⁸ National Association of State Student Grant and Aid Programs (NASSGAP). *37th Annual Survey Report on State-Sponsored Student Financial Aid*, 2007.

¹⁹ Ibid.

²⁰ Ibid.

²¹ For example, current federal methodology assumes independent students (i.e., all adults 24 years of age and higher) can contribute 50 to 70 percent of additional dollars of after-tax income to educational costs because these expenditures should be their top priority. Obviously, this assumption is ridiculous, especially for the working poor who must work longer hours because they have no other financial resources. See Sandy Baum, *Fixing the Formula: A New Approach to Determining Independent Students' Ability to Pay for College*. Indianapolis: Lumina Foundation for Education, New Agenda Series, March 2006.

²² McSwain and Davis, 2007.

²³ NASSGAP, 2007.

²⁴ Illinois Student Aid Commission, *Initiative to Aid Adult Learners, n.d.*

²⁵ NASSGAP, 2007.

²⁶ Schuyler Center for Analysis and Advocacy and Center for an Urban Future. *Working to Learn, Learning to Work: Unlocking the Potential of New York's Adult College Students*, August 2007.