

2018

Variations in state higher education grant programs: Potential reforms from a case study

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VARIATIONS IN STATE HIGHER EDUCATION GRANT PROGRAMS:
POTENTIAL REFORMS FROM A CASE STUDY

A Thesis Submitted
in Partial Fulfillment
of the Requirements for the Designation
University Honors

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May 5, 2018

This Study by: Rachael Johnson

Entitled:

VARIATIONS IN STATE HIGHER EDUCATION GRANT PROGRAMS:
POTENTIAL REFORMS FROM A CASE STUDY

has been approved as meeting the thesis or project requirement for the Designation

University Honors.

Date

Dr. Donna Hoffman, Honors Thesis Advisor

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ABSTRACT

As higher education costs continue to rise across the nation, students are increasingly needing financial assistance. State grant aid programs play a vital role for millions of students across the nation when paying for their postsecondary education. This case study looks specifically at Iowa's, Nebraska's, and Wisconsin's state funded grant aid models to understand how Iowa could restructure their current grant aid program to better serve both the students and taxpayers of the state. Specifically, for Iowa's grant aid programs, four changes are recommended.

1. All higher education sectors should be eligible for the state's primary grant aid program.
2. At minimum, funding for state grant aid should keep pace with inflation and student enrollment.
3. An inclusive funding formula should be used to determine state grant aid award amounts.
4. The state's grant aid program should be reported on annually. Reports should cover both fiscal and student performance metrics.

INTRODUCTION

State grant aid programs play a critical role in the vitality of higher education across the nation. The costs of higher education are increasing faster than families' household incomes, making postsecondary degree attainment further and further out of reach for many Americans. Because of this growing gap, the role of state grant aid to assist students in their degree or credential attainment is increasingly important. According to the National Center for Education Statistics (2017), over 85 percent of undergraduate students receive financial aid of some sort to help them finance their education. And, with states across the nation disinvesting in higher education, the costs are sure to continue to rise while the number of students receiving postsecondary degrees are likely to decrease.

Postsecondary education is beneficial not only to the individual, but to society at large as well. Therefore, it is imperative that higher education remains both accessible and affordable. State grant aid programs help to make sure that students across the nation are able to further their education beyond high school. When looking at higher education grant aid models across the country, no two are alike. Because states are so different and diverse both in their higher education structures and funding models, little research has been done to look specifically at their grant aid programs. Due to the diverse nature in which states structure their grant aid programs, they have a unique opportunity to learn from one another. By examining diverse grant aid models, states can learn how to best construct their grant aid programs to fit their higher education structure and objectives.

LITERATURE REVIEW

History of Higher Education Costs: Trends in Pricing

In a policy brief issued by the PEW Charitable Trust, it is stated that, “states and the federal government have long provided substantial funding for higher education” (PEW Charitable Trusts 2015). However, since the Great Recession in 2008, state funding for higher education in the public sector has decreased significantly; “from 2000 to 2012, revenue per full-time equivalent student from federal sources going to public, nonprofit, and for profit institutions grew by 35 percent in real terms, while state revenue fell by 37 percent” (PEW Charitable Trusts 2015). In addition, for the first time in over two decades, states’ contributions to higher education were surpassed by the federal government’s contribution. When looking at higher education across the United States, there are typically four different sectors: public 2-year, public 4-year, private not-for-profit, and private for-profit. And, according to the College Board, in each of these sectors students’ tuition and fees continue to rise every year (Ma, et al. 2017, 3). On average, the rates at which the cost for higher education rose exceed the consumer price index. In other words, the cost for college is rising at a rate that is inconsistent with families’ yearly inflationary income increases. The increase in tuition and fees from 2016-17 to 2017-18 averaged 3.2 percent, whereas the average all item Consumer Price Index increase for 2016 to 2017 was only 2.2 percent (United States Department of Labor 2017). This further highlights the dramatic increases that are plaguing higher education from year to year. And, as referenced above, states are continuing to defund higher education at an alarming rate. The Midwest Higher Education Compact attributes this fluctuating support to the unsuccessful design of “higher education funding models that yield stable funding streams” (Baum 2017, 1). Many attribute this lack of predictability for tuition to states’ unstable financial support of their institutions. The

Center on Budget Policy and Priorities says in a 2017 article that, “state funding for public two and four year colleges in the [2016-] 2017 school year was nearly \$9 billion below its 2008 level, after adjusting for inflation” (Mitchell, Leachman, and Masterson 2017, 1).

To make up for the lack of state funding, the burden of making up the difference is forced upon students and their families in the form of large increases in tuition and fees. “Net [tuition] prices have risen for eight consecutive years for full time students at public four year institutions, seven years at public two year colleges, and six years at private nonprofit colleges and universities” (Ma, et al. 2017, 7). These continual increases are threatening the accessibility for many. The Brown Center on Education Policy goes even further to say that, “recent increases in tuition levels, accelerated by declining state funding to institutions, have combined with stagnant or falling household incomes to make it more difficult for many college students to finance postsecondary education” (Baum, et al. 2012, 4). Specifically, in Iowa, state support for its public four year institutions fell fifteen percent from fiscal year 2008 to fiscal year 2016, 49.1 percent to 34.1 percent respectively (Board of Regents, State of Iowa 2017, fig. 1). It is important to note that, “despite growing concerns over declining state appropriations per student, it is clear that students would pay much more for their college educations if these appropriations did not subsidize tuition across the board for students enrolling in colleges and universities in their home states” (Baum et al. 2012, 5).

National Trends for State Funded Higher Education Grant Programs

To help offset the rising cost of tuition for students in postsecondary education, many students rely on financial aid. The National Center for Education Statistics reported that 86 percent of students at four-year public, four-year private, and four-year for profit institutions were awarded financial aid during the 2015-16 school year (National Center for Education

Statistics 2017). Funding for this aid typically comes from the federal government, state legislatures, and the colleges and university themselves. Further, this aid is often split into either need or merit based aid. Merit aid is awarded based on factors such as academic performance, whereas need based aid is given due to a student's demonstrated financial need. Offering students assistance to pay for college is not a new idea. Because the costs of higher education increase at a faster rate than general inflation, "efforts to discount the cost of tuition have taken place throughout the history of the United States" (Doyle 2006, 261). After the passage of the Higher Education Act of 1965, "virtually every state adopted some form of need based student financial aid to help defray the expense of college for students with assessed financial need" (McDonough et al. 2007, vii). And still, to this day, "most states support at least one state financial aid program that incorporates student financial need as an eligibility criterion," according to the Education Commission of the States (Pingel 2017). It is these state funded grant dollars that, "have the potential to make college possible for many students who could not otherwise afford to enroll" (Baum, et al. 2012, 2). Further, the states that fund state grant programs are doing so to help secure their own future. The motivation for many states to create and fund these programs is to, "keep students in the state for college ... to help ensure that there is a highly qualified workforce in the pipeline" (McDonough, et al. 2007, ix). Another shift of state funded financial aid that may have been done for political reasons is the shift from solely need based aid, to both need and merit based aid. Because merit based aid is primarily geared towards middle class families, supporting such aid can be an attractive move for legislators; middle class families are a large voter base. (McDonough, et al. 2007, 2). Regardless of how monies are distributed, however, "state grant aid allows states to charge different prices to different students enrolling in the same institution" (Ma, et al. 2017, 8).

The National Association of State Student Grant and Aid Programs, or NASSGAP, reported in their 47th Annual Report on State Funded Student Financial Aid that “in the 2015-16 academic year, states awarded about \$12.5 billion in total state funded student financial aid” (NASSGAP 2017, 2). The majority of this grant money goes towards need based aid; specifically, 76 percent of the aid awarded during the 2015-16 school year was need based, and 24 percent was merit based. This compares to only about \$8.5 billion in funding for state funded financial aid in the 2005-06 school year (NASSGAP 2007, 2). While the national amount of state aid rose approximately 14 percent over that ten year span, the Higher Education Price Index increased over 30 percent (Common Fund Institute 2016, 3). So, although there have been increases in state aid, they are not enough to keep up with the high rate of inflation in higher education.

From looking at the national landscape of state grant aid programs to looking at individual states, a lot of disparities can be found between the states’ individual models. “Some states provide relatively little support to institutions, concentrating their efforts on providing more grants to individual students. Other states work to keep tuition low and provide minimal grant aid” (Baum, et al. 2012, 5). However, there are also some states that do not fit either of these descriptions; a handful of states provide little grant aid despite high tuition costs. “There is no typical state grant program” (Baum, et al. 2012, 6). It is in each state’s purview to construct its own grant program, rules, and oversight the way it sees fit.

The Need for State Funded Grant Programs

State funded financial aid programs help to make college possible for a broad range of students. Increasing college accessibility and degree attainment has been a large focus of federal and state governments for decades. “Disparities in college attendance rates by socioeconomic

status (SES) and race/ethnicity are widening over time, and the gaps are particularly pronounced in the four year college participation rates, with lower SES and minority students concentrated in lower priced and non-selective institutions” (Kim 2011, 124). The Brookings Institution State Grant Aid Study Group stated that “states should do a better job of targeting aid at students with financial need if they want their dollars to have the biggest impact on educational attainment” (Baum, et al. 2012, 2). If states refuse help to subsidize the cost of postsecondary education for their residents, students’ debt loads will continue to rise at an alarming rate. Nearly seven in ten seniors (69 percent) who graduated from public and nonprofit colleges in 2014 had student loan debt, with an average of \$28,950 per borrower (Institute for College Access and Success 2015). However, despite this large debt load that most students are burdened with when they graduate, the benefits of postsecondary education are still strong. The College Board’s 2016 report on *The Benefits of Higher Education for Individuals and Society* says that, “grant aid [helps to] reduce the net price of college [and] shorten the break-even period” (Ma et al. 2016, 19). The break-even period is the time it takes from college graduation to when the cumulative earnings of college graduates exceeds those of high school graduates after paying for tuition, fees, and books. Bachelor’s degree recipients graduating from a 4-year public or private not-for-profit institution will break even at the age of 34. However, if students receive the average amount of grant aid, the break-even age is only 31 years old, or 9 years post-graduation. (Ma, et al. 2016, 19).

When students attain a bachelor’s degree or similar credential both the individual and society benefits. These students, “make more money, live healthier lives, divorce less often, and contribute more to the functioning and civility of their communities than less educated people do” (Hout 2012). And, because higher education benefits not only society, but the individual

person, “it is both equitable and efficient to charge [students] tuition and fees” (Baum 2017, 4). This must be done carefully, however. “The inequities of denying individuals the opportunity to invest in their own futures because of their current financial circumstances are significant, so it is critical to use need based aid to provide larger public subsidies to students from whom these charges create real barriers” (Baum 2017, 4). Identifying these students is a task that is not easy; it takes resources and manpower to do so. And, as a result, if states are willing to invest the necessary resources to ensure that their dollars are targeting the right students, “state grant aid programs can ... serve as a policy solution that sustains an accessible, financially viable state system of higher education” (McDonough et al. 2007, 2).

Looking at state financial aid programs’ role as simply eliminating tuition is the wrong approach, however. “Even if tuition and fees were eliminated entirely, students from low-income families and those who are supporting themselves would struggle financially in college” (Baum 2017, 5). College is full of costs beyond simply tuition. For example, there are room and board costs, university fees, and textbooks. Being a student is a full time job, too. Even with the cost of tuition eliminated, many students would be unable to work enough hours to support themselves financially because of class demands. When looking at state aid, many states simply look at the base tuition price, not taking into account other expenses like room and board. A holistic approach must be taken when evaluating state grant aid programs.

RESEARCH QUESTIONS

Ensuring access to postsecondary education ought to be critical for states. Higher education can help to advance a state; it can bring more revenue into the state's economy, establish a more skilled workforce, and help to shape its people into productive, global citizens. Because of these benefits and the variation that is seen in how states dispense state-level grant aid, it is important to understand the differences and disparities of state aid programs. For many, without state grant aid programs, college would be unattainable.

1. How does Iowa's current state funded student grant model compare to neighboring states' programs?
2. What suggested reforms deserve consideration regarding Iowa's state funded grant programs as they aim to better serve Iowa Students?

METHODOLOGY

To best address the questions above, I will research selected state student grant programs for higher education. Specifically, I will conduct a comparative case study that compares Iowa's current student grant aid program to Nebraska's and Wisconsin's state funded financial aid programs. In addition to the close proximity of these states to Iowa, their variation from Iowa in their state public higher education system structures allows for deeper analysis. From this analysis, I will propose suggested reforms to be considered for Iowa's state funded student aid programs to better support Iowa resident students.

JUSTIFICATION

The states of Iowa, Nebraska, and Wisconsin were chosen for many reasons. The physical proximity and shared region of the states helps to reduce the number of variables present for this case study. Wanting to also take into account how states with varying populations in the Midwestern region fund higher education, both Nebraska's approximate two million population and Wisconsin's 5.9 million population provide nice contrast to Iowa's population of approximately 3.2 million (World Population Review, 2018). Alongside the variable populations, each state has a relatively proportional amount of general fund dollars to that were appropriated in FY16 to their populations. In 2016 the State of Iowa appropriated a little over \$7 billion from its general fund. Nebraska's general fund was almost \$4.2 billion, and Wisconsin had almost \$16 billion in general purpose revenues (Iowa Department of Management, 2015; State of Nebraska 2015; Wisconsin Department of Administration, 2015). Additionally, each of the three states have different higher education structures throughout their states. In Iowa there are three public universities, 29 private not-for-profit institutions, three private for-profit institutions, and 18 community colleges (Iowa College Aid, 2018, Iowa Colleges and Universities). Nebraska has three public universities, three state colleges, seven community colleges, two tribal colleges, 17 private not-for-profit institutions, and three private career schools (Coordinating Commission for Postsecondary Education, 2018, Directory of Postsecondary Institutions in Nebraska). The Wisconsin higher education system is comprised of 13 public universities, 18 community colleges, 31 private not-for-profit institutions, and 23 private for-profit schools (Ballotpedia 2018). This diversity in population, state revenues, and state higher education systems helps to provide a balanced look at state funded higher education grant programs across the three Midwestern states.

This case study focuses on data from the 2015-16 academic year. Data often takes many years to be published, especially in the higher education field. Therefore, for many reports the most current data is derived from fiscal year 2016. Due to wanting the most current and accurate information for this case study, all information is from 2015-16.

For this case study, there was one specific grant program selected to evaluate and compare from each state: the Iowa Tuition Grant, Nebraska Opportunity Grant, and the Wisconsin Grant. These grants were selected as the primary grant aid program in each of their respective states by the National Association of State Grant and Aid Programs in their 47th annual survey. While each state does offer additional grant aid programs, each of their respective programs is the largest by a considerable amount.

PURPOSE

“In 1932, Supreme Court Justice Louis Brandeis memorably remarked that the U.S. federal system allowed any individual state to be a ‘laboratory’ for experiments in policy, without putting the rest of the nation at risk” (Andrews 2015). States’ student grant aid models are a perfect representation of these little laboratories across the nation. Because each state has their own state funded financial aid model, it provides a unique opportunity for research. The model that is currently in place for Iowa’s state funded student grant program is specifically notable. Over 80 percent of the state aid in Iowa is allocated to students attending private, not for profit colleges and universities within the state (Iowa College Student Aid Commission 2015). And while Iowa’s model is unusual, its uniqueness is something that warrants additional research. From this case study will come lessons for policy makers to better serve their constituents through reforms of the Iowa higher education state grant aid program.

IOWA

In 2017, The Iowa Board of Regents asked state lawmakers to allow for the inclusion of University of Northern Iowa students in the Iowa Tuition Grant, “a state-funded financial aid program that has been limited for decades to low-income student at private colleges. A group representing private colleges slammed the lobbying effort ... as being ‘despicable and greedy’” (Charis-Carlson 2017). The fact that Iowa’s public universities are not already part of the Iowa Tuition Grant, the main state funded grant program in the state, is very unusual. This means that the largest state grant aid program in the state, which is funded by taxpayer dollars, is not going to help any students attending a public institution, only private schools. That leaves over 41,000 undergraduate resident students at the Regent institutions not even eligible for the Iowa Tuition Grant Program (Boon 2018).

The primary need based grant program in the State of Iowa is the Iowa Tuition Grant Program (ITG). The ITG is administered by the Iowa College Student Aid Commission, or ICSAC (Iowa College Aid 2018). According to Iowa Code 261.10, the Iowa Tuition Grant, “may be awarded to a resident of Iowa who is admitted and in attendance as a full-time or part-time resident student at an accredited private institution and who establishes financial need”(See Figure 1). The grant is distributed with priority given to applicants that demonstrate the greatest financial need (Iowa College Aid 2018). To determine financial need, students must complete the Free Application for Federal Student Aid (FAFSA). The FAFSA calculates a number based on both student and parent financial information to predict an amount of money that the family is expected to contribute towards the students’ higher education. In Iowa, the grant dollars are awarded to students whose expected family contribution (EFC) falls below a parameter that is set annually by the Commission (Iowa College Student Aid Commission 2015, 6). In academic year

2015-16 the parameter that was defined by the Iowa College Student Aid Commission was an expected family contribution of \$0 to \$13,500 (Brown 2018). Each year, private, not-for-profit institutions wanting to participate in the ITG must also submit an application to the Iowa College Student Aid Commission. Institutions applying for ITG dollars must be accredited by the Higher Learning Commission. Additionally, “each college or university must provide a matching amount of institutional financial aid” to recipients (Iowa College Student Aid Commission 2015, 4). This is unique to Iowa and once again, favors private higher education in the state. Because of this match requirement, private institutions are able to simply discount their price. Whereas, if the grant was made eligible for the public universities in the state, they could not merely discount their price. The public institutions in the state only charge in tuition and fees the amount needed to cover the cost of each student’s education; they do not inflate the cost. Therefore, if this requirement were to be placed upon the public schools, they would have to raise those aid dollars externally whereas the private institutions could simply reduce their sticker price. But again, the public universities are not even eligible for this aid due to current Iowa Code language.

[Insert Figure 1]

The Iowa Tuition Grant Program was funded with \$50,703,329 from the state’s general fund in FY16. The ITG has a maximum award amount of \$6,000 with no minimum award amount. According to the ICSAC there were 28,324 students that applied for the grant in the 2015-16 school year. Only 44.1 percent of these students received the grant, however (*State-Administered College Financial Aid Programs* 2017). The Iowa Tuition Grant was awarded to 12,494 students in 2015-16 with an average award of \$4,058 (NASSGAP 2017, 20). As shown in Figure 2 and Figure 3, when broken down into sector, 11,245 ITG recipients attended a not-for-

profit institution with an average award of \$4,368; 1,250 students attending a for-profit institution received the ITG with an average award of \$1,273.

[Insert Figure 2 and Figure 3]

In FY18 the State of Iowa's fiscal support for higher education totaled \$849,068,059 (NASSGAP 2017, 25). Of this support, only 7.7 percent of it went towards state grant programs. This percentage is below the national average of 13.4 percent, ranking Iowa 28th amongst other states (See Figure 4). Of this \$65,348,000 in grant aid, 81.3 percent is expended on aid based only on need, 3.4 percent is based on need and merit, and 15.4 percent is designated as special purpose awards (NASSGAP 2017, 14). Special purpose awards are specific scholarships for targeted groups of eligible students. For example, the Terry E. Branstad Iowa State Fair Scholarship is a special purpose award (Iowa College Aid 2017). Of the 81.3 percent of aid that was awarded based on need, 81.7 percent went to private, not-for-profit institutions, 15.6 percent went to public, in-state schools, and 2.7 percent went to proprietary institutions (NASSGAP 2017, 17). Iowa falls to last in the nation for the amount of state grant aid dollars that go to its public institutions. When looking at the total amount of state grant aid dollars available and dividing it by the state population, Iowa ranks 29th nationally (See Figure 5). Illustrated in Figure 6, Iowa falls even further to ranking 41st in the nation for the estimated number of awards per full time enrollment with only 0.111 awards per full time enrolled student in the state (NASSGAP 2017, 24). Using general fund dollars, the State of Iowa allocated \$60,528,000 in need based aid in FY16. This amount was an increase from 2005-06 of 13.3 percent (See Figure 7). Nationally over this same time need based grant aid increased by 59.7 percent (NASSGAP 2017, 9). When comparing Iowa's ten year increase to that of inflation, Iowa falls short once again, as shown in Figure 8. Over this time frame, the difference between the actual amount of aid allocated and the

aid amount adjusted using the Higher Education Price Index (HEPI) is -\$6,857,346. When using the consumer price index, an even more conservative inflation number, the difference is again negative, this time -\$3,517,674. Additionally, according to Figure 9 from FY06 to FY16 undergraduate full time enrollment increased by 27.5 percent whereas need based grant aid increased by only 13.3 percent (NASSGAP 2017, 23; NASSGAP 2007, 23). Clearly, not keeping pace with one another.

[Insert Figure 4, Figure 5, Figure 6, Figure 7, Figure 8, and Figure 9]

Looking at all of the data that is available for the State of Iowa it is clear that the state does want to support its students by making public higher education more accessible and affordable. However, it appears that they only want to provide grant aid to some students. By restricting the Iowa tuition grant to students not attending public institutions in the state, they are doing a large disservice to their student population. They are also doing a disservice to their taxpayers who likely assume their dollars are going to the public sector, not the private sector. Understanding that students who attend private institutions need financial assistance as well, the system in Iowa is skewed to favor only one sector of students. What's interesting to note about this exclusion of the public schools is how the average aid award amounts are determined. According to the Iowa College Student Aid Commission, grant aid amounts are set by the Iowa Legislature, but they must not exceed, "the difference between the student's tuition and mandatory fees less than the average tuition and fees paid by a Regent student taking the same number of credit hours over the equivalent of two semesters" (Iowa College Aid 2015, 7). Iowa is basing their aid award amounts on a rate from the public sector, the same sector that they do not allow to participate in the program. Iowa is also unique in the average award amount that is given to each student receiving the Iowa Tuition Grant. With an award amount average of over

\$4,000, Iowa has chosen the approach of helping fewer students with larger awards, rather than smaller awards to impact more students across the state, as shown in Figure 3. This is likely because the only students who are eligible for the award are those who attend private institutions. By changing the distribution model, Iowa could reach more students across the state with the aid they currently have available. Additionally, each of the private schools much match these dollars from the state. Matching dollars for higher education in the private sector does not actually require those dollars be present, however. Rather, institutions can simply reduce their prices.

The dollars dedicated to state grant aid within the state of Iowa are not rising at an acceptable rate. As shown above, Iowa's increases in need based grant aid have fallen behind inflationary increase rates for many years (See Figure 8). Iowa needs their grant aid dollars to increase if they want to continue to have affordable higher education in the state. Alongside simply increasing grant aid alongside inflation, grant aid needs to keep pace with increases the state sees in undergraduate full time enrollment (See Figure 9). Increases in need based grant aid only increased about half of the percent that the state saw the student population increase over the years 2005-06 to 2015-16. Even if the dollars in state grant aid support simply kept pace with increases in enrollment the students across the state could be much better served.

NEBRASKA

The State of Nebraska is similar to Iowa in many ways. With a comparable population and general fund allocation to that of Iowa, the similarities between the states are many. And although generally the states have numerous commonalities, they do differ in their state grant aid programs and how they serve the students across their states.

The primary state funded student aid program in Nebraska to assist students with higher education attainment and affordability in the state is the Nebraska Opportunity Grant, or NOG. Housed in Nebraska Administrative Code, the Nebraska Opportunity Grant's purpose is to, "enhance the educational opportunities of Nebraska resident students by providing direct financial assistance to eligible students, based on financial needs, attending eligible postsecondary institutions" (Coordinating Commission for Postsecondary Education 2015, 1). As defined by the Coordinating Commission for Postsecondary Education, the organization that administers the Nebraska Opportunity Grant, eligible students must be residents of Nebraska, have not earned a bachelor's, graduate or professional degree, have high financial need, as determined by the FAFSA, and who are attending eligible Nebraska colleges and universities (See Figure 1). Eligible institutions for this grant include: Nebraska public institutions, not for profit private colleges and universities, for-profit institutions, and career schools (Coordinating Commission for Postsecondary Education 2018, 228). Note that all sectors of higher education in the state are eligible for the grant, unlike Iowa. The NOG is a decentralized program meaning that the Nebraska Coordinating Commission for Postsecondary Education (CCPE) does not determine individual student award recipients or amounts. Rather, each year institutions submit NOG applications to the CCPE. Data from these applications then allow the CCPE to arrive at an allocation formula. Once allocated, colleges and universities then submit a list of students recommended to receive the NOG to the CCPE. The CCPE annually audits student eligibility at each institution as well (Coordinating Commission for Postsecondary Education 2017, 6). This decentralized process allows for institutional flexibility while also maintaining proper state oversight of the dollars.

The Nebraska Opportunity Grant was funded with \$16.9 million from the state in FY16. \$10 million of these dollars came from lottery funds; the remaining \$6.9 million came from state general funds. The NOG has a maximum award amount of \$4,034 and no minimum award amount (NASSGAP 2017, 19). There were 13,739 students who received the Nebraska Opportunity Grant in 2015-16, totaling only 32.3 percent of those who were eligible. The average award received was \$1,225.27 (Coordinating Commission for Postsecondary Education 2017, 8). As shown in Figure 2 and Figure 3, when broken down into sector, 9,588 public institution students were awarded a NOG with an average award of \$1,252; 2,956 students at independent, not-for-profit colleges and universities received an average NGO award of \$1,109. A total of 1,195 for-profit institution or careers school students were awarded a NOG with an average award amount of \$1,297 (Coordinating Commission for Postsecondary Education 2018, 228). Looking at these average aid awards amounts in comparison to Iowa's, it is clear that Nebraska provides much less aid on average to individual students.

In FY16 the State of Nebraska's fiscal support for higher education totaled \$747,592,380 (NASSGAP 2017, 25). According to Figure 4, state grant aid expenditures accounted for only 2.7 percent of state fiscal support for higher education, ranking 41st nationally. Of the need based grants that are awarded to students in the state 71.8 percent of those dollars went to public in-state institutions, 19.5 percent go to private, not-for-profit institutions in the state, and 8.8 percent to proprietary, or for-profit institutions (NASSGAP 2017, 17). Nebraska allocates aid either solely based on need or through special purpose awards. In FY16 72.3 percent of aid was based on only need and 27.7 percent of aid went to special purpose awards (NASSGAP 2017, 14). When looking at the amount of grant dollars available in comparison to the population for the state, Nebraska falls short, as Figure 5 proves. Nationally, the total grant dollars available

divided by the population is 33.23. In Nebraska, however, that amount comes out to only 10.43, ranking 41st nationally (NASSGAP 2017, 22). Where Nebraska does rank highly, however, is in the estimated number of awards per full-time enrollment. According to Figure 6, they rank second in the nation, with 0.724, well above the average nationally of 0.292 (NASSGAP 2017, 24). The Nebraska legislature allocated \$17,649,000 in need-based grant aid to help students attain postsecondary education in the state for the 2015-2016 school year. As shown in Figure 7, this is an increase of 78.8 percent from the 2005-06 academic year (NASSGAP 2017, 9). This aid was funded through two different sources. \$10,000,000 of the aid was funded through lottery revenues for the state and the additional amount was funded using state general fund dollars. With their grant aid being funded through two different revenue streams, it proves unique and may help to provide additional stability to the Nebraska grant aid program. The increase they saw in aid over that period is also over \$5 million above both HEPI and CPI inflationary rates from FY06 to FY16 (See Figure 10). Additionally, as shown in Figure 9, while state need based grant aid increased 78.0 percent from 2005-06 to 2015-16, full time undergraduate enrollment increased only 28.8 percent. Increasing aid both beyond inflation and their enrollment increases over this period highlights Nebraska's commitment to helping their students afford higher education in the state.

[Insert Figure 10]

Even though the State of Nebraska has increased their state funded financial aid grants and scholarships significantly over the past ten years, it is still not enough to meet the needs of the state. "It is estimated that an additional 28,788 students qualified for state grants but did not receive them due to insufficient finding" (*Nebraska Higher Education Progress Report 2017*, 98). The Nebraska Coordinating Commission for Postsecondary Education estimates that the

unmet financial aid need of Nebraskans who were Pell-Grant eligible was nearly \$211 million in the 2015-2016 academic year (*Nebraska Higher Education Progress Report 2017*, 98).

Even though there is still unmet need in the state, higher education support is a priority in the state of Nebraska and the evidence for this is clear. From 2005-06 to 2015-16 support from the state has increased at rates higher than inflation, proving their commitment to higher education attainment in the state (See Figure 10). Further, Nebraska's grant aid funding is almost 2.5 times greater than the increase of students they have seen over that same time frame (See Figure 9). Utilizing both state general fund dollars and lottery revenues, they have found a unique way to support their students. By using multiple revenue sources, Nebraska has helped to provide additional stability to their funding by having the ability to pull monies from two sources rather than just one. Nebraska also allows any student in the state, regardless of institution sector, to apply for and be eligible for the Nebraska Opportunity Grant, as presented in Figure 1. This highlights Nebraska's commitment to serving all of their needy students, not just a select group. Because the grant is available to all, the highest need students across the state are helped, regardless of place of enrollment. This is also in due in part to the decentralized process in which the grants are distributed. Decentralizing the grant award process helps to give the institutions autonomy, while also providing proper oversight of state dollars, and ensuring that the neediest students are helped. Nebraska also has a lower average award amount for their Nebraska Opportunity Grant. With award amounts of approximately \$1,200 across each sector, a larger percentage of students are able to receive state support to help reduce the cost of their higher education (See Figure 3).

Wisconsin is larger than both Iowa and Nebraska, but has a relatively similar state grant aid program to that of Nebraska. With a higher population and a larger higher education system in the state, it makes sense that Wisconsin has a larger, more robust grant aid program than both Iowa and Nebraska.

While Wisconsin has six large state funded grant aid programs in total, the primary state funded student grant aid program in Wisconsin is called the Wisconsin Grant. According to Wisconsin State Statute 39.435, the Wisconsin Grant is available to, “resident students enrolled at least half-time and registered as freshmen, sophomores, juniors, or seniors in accredited institutions of higher education or in tribally controlled colleges in this state.” Specifically, resident students who attend the University of Wisconsin System, Wisconsin Technical Colleges, Independent Colleges and Universities, and Tribal Colleges and demonstrate financial need, as defined by FAFSA, are eligible for the Wisconsin Grant (See Figure 1). However, students who attend private for-profit institutions in the state are not eligible for the funding, unlike in both Iowa and Nebraska. Funding is then distributed in amounts set by using the equation of $(\text{Student Cost of Attendance} - \text{Expected Family Contribution}) \times \text{Student Award Percentage}$ (Higher Educational Aids Board 1, Report 17-11). The cost of attendance is inclusive of tuition, room and board, books, and travel expenses. The student award percentage is set by the Higher Educational Aids Board annually. Using a formula like the one above helps to ensure that students across the state, regardless of sector of enrollment are receiving equitable amounts of grant aid. Because the cost of attendance at a private institution is higher than public institutions’, the formula ensures that students will receive an amount of aid that is accepting of their sector of enrollment, rather than an exclusionary or simply equal amount.

In FY16 the Wisconsin Grant was funded by the state with \$101,552,593 of state general fund dollars. Similar to Iowa, the grant aid is funded using only one source: the state general fund. The Wisconsin Grant has a maximum award amount of \$2,900 and a minimum award of \$250 (NASSGAP 2017, 19). In the 2015-16 school year 68,530 students received the Wisconsin grant averaging \$1,482 per award. When looking at the Wisconsin Grant by sector, 10,637 awards were given to private, not-for-profit institution students with an average award of \$2,488, as shown in Figure 2 and Figure 3. 332 awards were given to tribal institution students with an average award of \$1,310. In the University of Wisconsin System, 31,751 awards were given with an average award of \$1,754. Lastly, in the Wisconsin Technical College System there were 25,810 grant awards with an average award amount of \$831 (Higher Educational Aids Board 2016, 31-35). Unlike Iowa's large average aid award amounts of over \$4,000 per student, Wisconsin's average aid award amounts are very comparable to those of Nebraska (See Figure 3).

Even though Wisconsin's financial aid numbers appear large, they are still not enough to meet the needs of the state. According to the Wisconsin Higher Educational Aids Board (HEAB) there is a total unmet need for student financial assistance totaling over \$985 million dollars (Higher Educational Aids Board 2017, Exhibit A). Like in both Iowa and Nebraska, there is still work to be done in supporting the financial need of all students to make postsecondary education attainable and affordable.

The State of Wisconsin's fiscal support for higher education in FY16 totaled \$1,471,162,500 (NASSGAP 2017, 25). 8.5 percent of that total went to state grant aid. Ranking 24th nationally, the state of Wisconsin still falls below the national average of 13.4 percent (See Figure 4). According to Figure 7, \$125,705,000 in total grant aid was awarded in 2015-16. This

is an increase in 34.3 percent from 2005-06. Nearly all of the aid in Wisconsin is based solely on students' need. Specifically, 97.6 percent of state aid goes to aid based only on need, 2.3 percent goes to aid based only on merit, and 0.2 percent of aid is classified as special purpose awards (NASSGAP 2017, 13). This differs from both Iowa's and Nebraska's distribution of their aid, which was around 75 percent of the aid going towards need-based programs. Wisconsin heavily supports their needy students across the state. Illustrated in Figure 5, the total amount of grant dollars divided by the population is 21.27, ranking Wisconsin 28th nationally. This is still below the national average of 33.23, however (NASSGAP 2017, 22). Wisconsin also falls near the national mean for the number of awards that are given relating to enrollment. Figure 6 shows that Wisconsin awards .367 awards per full time enrolled student, ranking 13th nationally (NASSGAP 2017, 24). In 2015-16, using state general fund dollars, Wisconsin allocated \$122,806,000 in need based grant aid, an increase in 35.8 percent since 2005-06. And while this increase may appear substantial, nationally from 2005-06 to 2015-16 need based grant aid awarded by states increased 59.7 percent (NASSGAP 2017, 23). Displayed in Figure 11, when looking at the amount of state aid allocated in 2005-06, the amount of aid appropriated by the state in 2015-16 is well above the HEPI and CPI inflationary rates, \$8.7 and \$14.4 million above respectively. Over the same time that state aid increase 35.8 percent, Wisconsin's full time undergraduate enrollment only increased 15.9 percent (See Figure 9). Meaning, in 2015-16 Wisconsin was allocating more dollars to more students than in 2005-06.

[Insert Figure 11]

Wisconsin is larger than both Iowa and Nebraska in population and they have a larger budget to match. With over \$1.4 billion going to support its resident students enrolled in higher education, Wisconsin clearly values and supports its students' education. Nearly all of

Wisconsin's grant aid is targeted to needy students, too. Having over 97 percent of grant aid in the state go towards its students who are low-income shows the state's priority of higher education attainability. Wisconsin provided approximately one in three students with grant aid in 2015-16 (See Figure 6). They were able to do this because of the continual increase in funding from the state. Illustrated in Figure 9 and Figure 11, Wisconsin increased their aid amount well beyond inflation from 2005-06 to 2015-16 and, in the same time frame, they more than doubled their aid in comparison to their increase in enrollment, proving once again, Wisconsin's commitment to affordability and attainment of higher education. Wisconsin is also unique in the number of students that receive the Wisconsin Grant. With a modest average award amount of \$1,500 they are able to help over 68,000 students. Figure 3 shows that Wisconsin doesn't give the same average award regardless of sector, however. Students attending private institutions do receive more money, on average, than those attending public universities. However, there are a considerable number more grants awarded to public institution students than private, as shown in Figure 2. One could infer that this is because the neediest students are attending a public institution. Also interesting to note, Wisconsin does not provide any dollars from their Wisconsin Grant to students attending private for-profit institutions (See Figure 1). Overall, it is evident that Wisconsin has a grant aid program that is dedicated to helping thousands of resident students attain postsecondary education.

CONCLUSIONS

All three of the states, Iowa, Nebraska, and Wisconsin, have state grant aid models that are surprisingly similar, yet strikingly different. One of the largest notable differences between the states is the eligibility requirements for their respective grant aid programs, as shown in Figure 1.

Each state requires that students must be residents of the state, be working towards their undergraduate education, and have a high financial need as defined by the Free Application for Federal Student Aid. Where they differ, however, is when looking at the type of institutions students choose to attend. Most shocking is the fact that students in Iowa are not eligible for the Iowa Tuition Grant if they attend a public institution in the state. Students in Wisconsin are unable to attend private for-profit institutions. This exclusion is sensible, however. Taxpayers should not have their dollars going towards a proprietary institution, or, rather, a private business in the state.

Another important difference between the three states is the way in which they determine aid award amounts and their average aid award amount. Both Nebraska and Wisconsin use an inclusionary formula to distribute their aid in an equitable manner to serve the largest number of students possible given their appropriated amounts of funding. Iowa, however, has their aid award amount maximum set by the Iowa Legislature. And, because the Iowa Legislature sets the aid award maximum for the state, it makes sense that their average award is much larger than the other two states'. Legislators are not the people who should set the award amount. Rather than being motivated by the next election, having a third party, like the Iowa College Aid Commission, set the aid award amounts would provide a more deliberate aid award amount that could be set to serve the needs of the state, not simply election districts throughout the state. Using a formula to set the aid amounts also helps to provide equitable funding across sectors in Nebraska and Wisconsin.

Both Nebraska and Wisconsin have appropriated more aid than simply maintaining aid amounts with inflationary increases over the ten year span from 2005-06 to 2015-16 as shown in Figure 8, Figure 10, and Figure 11. Additionally, Figure 9 highlights that both states have

increased their overall aid amounts at a higher percentage than their enrollment increased over that same time. Iowa, however, did neither. Meaning, more students have access to aid today than in 2005-06 in both Nebraska and Wisconsin. And, in Iowa, fewer students had access to grant aid in the academic year 2015-16 than in 2005-06. This means, in Iowa, fewer and fewer students have access to dollars that would help to make their higher education more affordable and a degree more attainable.

Overall, it is clear through the tens of millions of dollars allocated towards grant aid programs across these three states that higher education is a priority in Iowa, Nebraska, and Wisconsin. And, while these states differ in the amounts available to their students and the ways in which dollars are distributed to students, it is no doubt that these dollars make a difference for thousands of students within each state. Without these dollars, many students would not be able to attend a postsecondary institution.

RECOMMENDATIONS

After gaining a better understanding of each state's primary grant aid program, four primary recommendations were derived for the state grant aid programs in Iowa. These four recommendations are listed in order of importance. These suggested reforms will help to better support Iowa residents while also increasing their access to higher education. In addition to these recommendations for improving state grant aid in Iowa, they may also hold lessons for states across the nation.

The first recommendation is that all higher education sectors should be eligible for the state's primary need based grant aid program. This will ensure that the neediest students across the state are being helped, regardless of where they enroll for their postsecondary education. As Seth

Allen, the Dean of Admission and Financial Aid for Grinnell College, a private institution in Iowa, stated, “public universities often have fewer [financial aid] resources than private colleges” (Allen 2017). This suggests that public institutions need support equal to, if not greater than, that of the private colleges in the state. Figure 1 highlights that both Nebraska and Wisconsin open their primary grant program to include both public and private not for profit institutions. And, while Wisconsin does not allow private for-profit institutions access to the Wisconsin Grant, in Iowa the private for-profit sector is already included in the Iowa Tuition Grant. Due to this, their inclusion should continue. The purpose of the state grant aid is to help students attain postsecondary education and that goal should not be derived from simply due to the place of a student’s enrollment. By allowing students attending public universities and colleges to be eligible for the Iowa Tuition Grant there are sure to be many more students eligible for the aid. At the regent institutions specifically, there would be upwards of 41,000 more undergraduate resident students that are potentially eligible (Boon 2018). Therefore, it is suggested that Iowa fund the neediest students first, again, regardless of sector. Iowa currently does this, stating that, “priority is given to applicants with the greatest financial need” (Iowa College Aid 2018). This practice should continue.

The second recommendation is something that could prove difficult for the State of Iowa. All funding for state funded grant aid should keep pace with both student enrollment increases and increases in inflation. To accomplish this recommendation, Iowa may consider diversifying their funding portfolio, like Nebraska. Having different revenue streams would help to provide a degree of security for grant aid in the state. Additionally, at a minimum, funding should keep pace with enrollment increases in the state. Iowa has a very high matriculation rate from high school to college. Because this rate is so high, there are a larger portion of students that likely

require assistance in paying for their postsecondary education. And, while the pure dollars should continue to increase alongside enrollment, the finding should also keep pace with inflationary increases. Since higher education is unique in its funding models, it is suggested that Iowa uses the Higher Education Price Index to adjust for these inflationary costs. The Higher Education Price index, “is an inflation index designed specifically to track the main cost drivers in higher education,” like tuition and fees, faculty salaries, and other factors specific to colleges and universities (Common Fund Institute 2016). By keeping the funding for grant aid adjusted against these parameters, Iowa will ensure that they are, at minimum, maintaining the current support levels for students across the state.

Third, it is recommended that a funding formula is used to determine aid award amounts. Currently, Iowa has an average aid award amount of over \$4,000 (See Figure 3). There are thousands of students across the state who applied for the aid and did not receive any funding support. And, under this proposal, even more students would become eligible for that aid. Meaning, the percentage of students receiving the Iowa Tuition Grant would decrease. Therefore, it is suggested that Iowa model their award funding formula and amounts similar to Wisconsin’s. The funding formula for the Wisconsin Grant is as follows: $(\text{Student Cost of Attendance} - \text{Expected Family Contribution}) \times \text{Student Award Percentage}$. The student award percentage should also be set by the Iowa College Student Aid Commission, not the Iowa Legislature. By using a formula such as Wisconsin’s, Iowa would ensure that equitable funding is given to students in each sector. The formula takes in to account that the cost of attendance at a private institution is higher than that of a public community college, for example. Under this formula it would be likely that aid amounts would decrease from the average aid award amount in Iowa of \$4,058. However, with the aid amount average decreasing it means that the Iowa

Tuition Grant program now has the ability to impact a greater number of students across the state.

The fourth and final recommendation for Iowa comes from the evaluation of the Nebraska Opportunity Grant. Institutions in Nebraska are audited annually to ensure that they are complying with student eligibility requirements. Iowa needs to have a similar accountability process. However, if Iowa wants to be a leader in the nation, they should take it a step further. Because their grant program is funded with taxpayer dollars, it should be ensured that both universities and the students are being good stewards of these dollars. Therefore, the Iowa College Student Aid Commission should produce an annual Iowa Tuition Grant Fiscal Report and an annual Iowa Tuition Grant Performance Report. These yearly public reports should be widely distributed throughout the state to include: the Iowa Executive Branch, the Iowa Legislative Branch, and the higher education institutions across the state. The annual fiscal report should provide a financial overview of the program and ensure compliance of student eligibility requirements by all institutions receiving grant aid. The annual performance report should highlight specific student performance metrics. Specifically, time to degree, retention rates, student debt amounts, and loan default rates should be included in the report. By reporting on each of these financial and performance metrics it will help to ensure that the Iowa Tuition Grant is still serving its intended purpose. These reports help to provide data to legislators across the state, while also providing taxpayers with information on how their dollars are being used and if they are being used effectively. Additionally, the reports should help the Iowa College Student Aid Commission to better their oversight of the Iowa Tuition Grant Program.

SUGGESTED FURTHER RESEARCH

There has been a lot of research done on how states appropriate their grant aid dollars, specifically by the National Association of State Student Grant and Aid Programs through their yearly report. However, this report focuses solely on the numbers for each state. It is not a comprehensive analysis of these numbers with policy implications or recommendations. There has not been nationwide research done to establish best practices, or recommendations for state need based grant aid programs. Therefore, for further research it is suggested to comprehensively look at the administration and eligibility requirements for states' grant aid programs across the nation. Also, looking regionally would help to provide more targeted recommendations for each state to work with.

Another area of suggested further research would be to look at the performance metrics of students that receive grant aid in each state. This would allow states to see how this specific population of students compare nationally. This research would also help to inform states of how they could better target their grant aid dollars to make a more impactful difference in their state.

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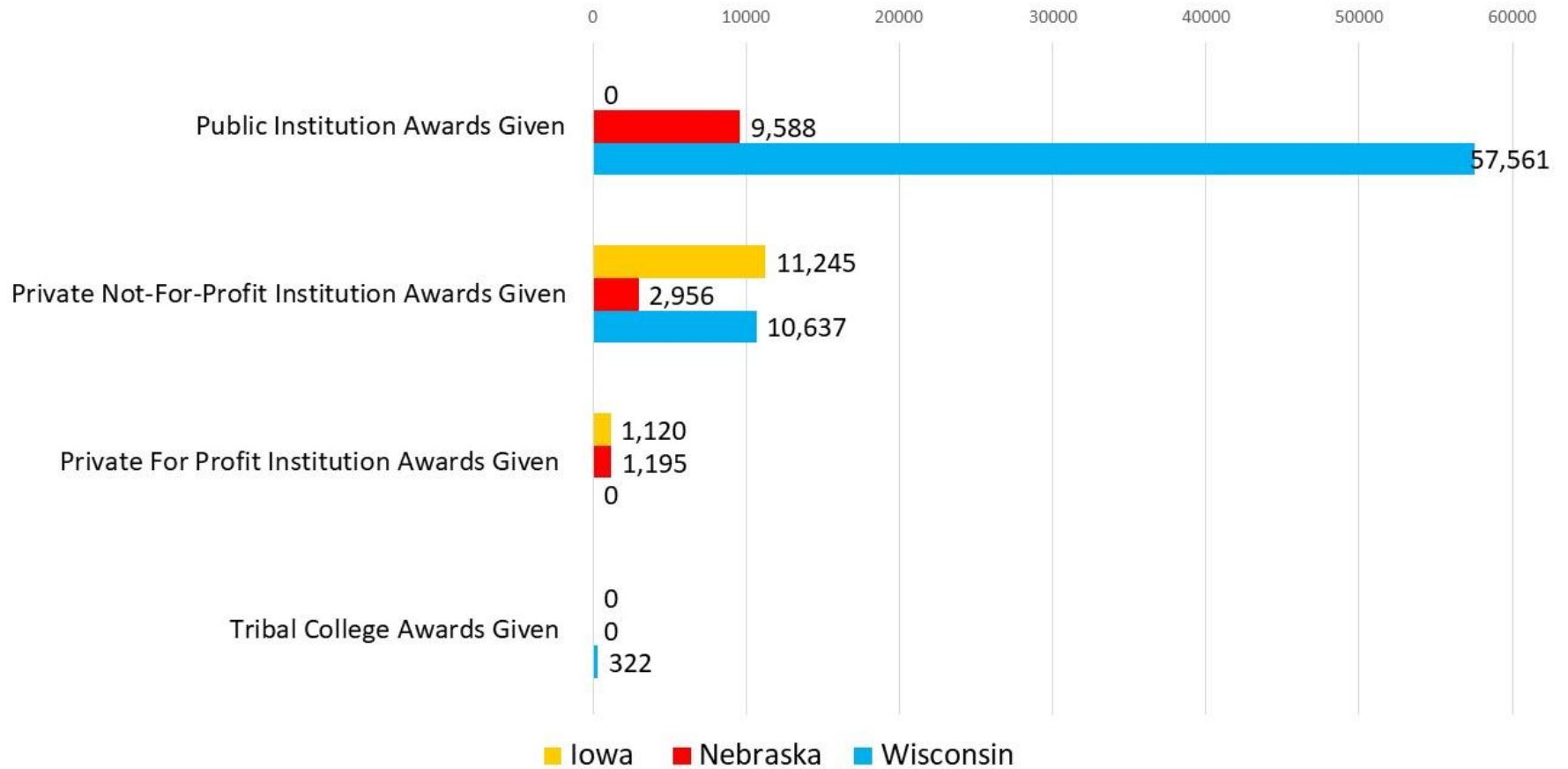
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Figure 1: Parameters for Student Eligibility for Primary State Grant Programs

	Resident Student	Undergraduate Student	Have High Financial Need	Attend Public Institutions	Attend Private, Not-For-Profit Institutions	Attend For-Profit Institutions	Attend Tribal College
Iowa Tuition Grant	X	X	X		X	X	
Nebraska Opportunity Grant	X	X	X	X	X	X	
Wisconsin Grant	X	X	X	X	X		X

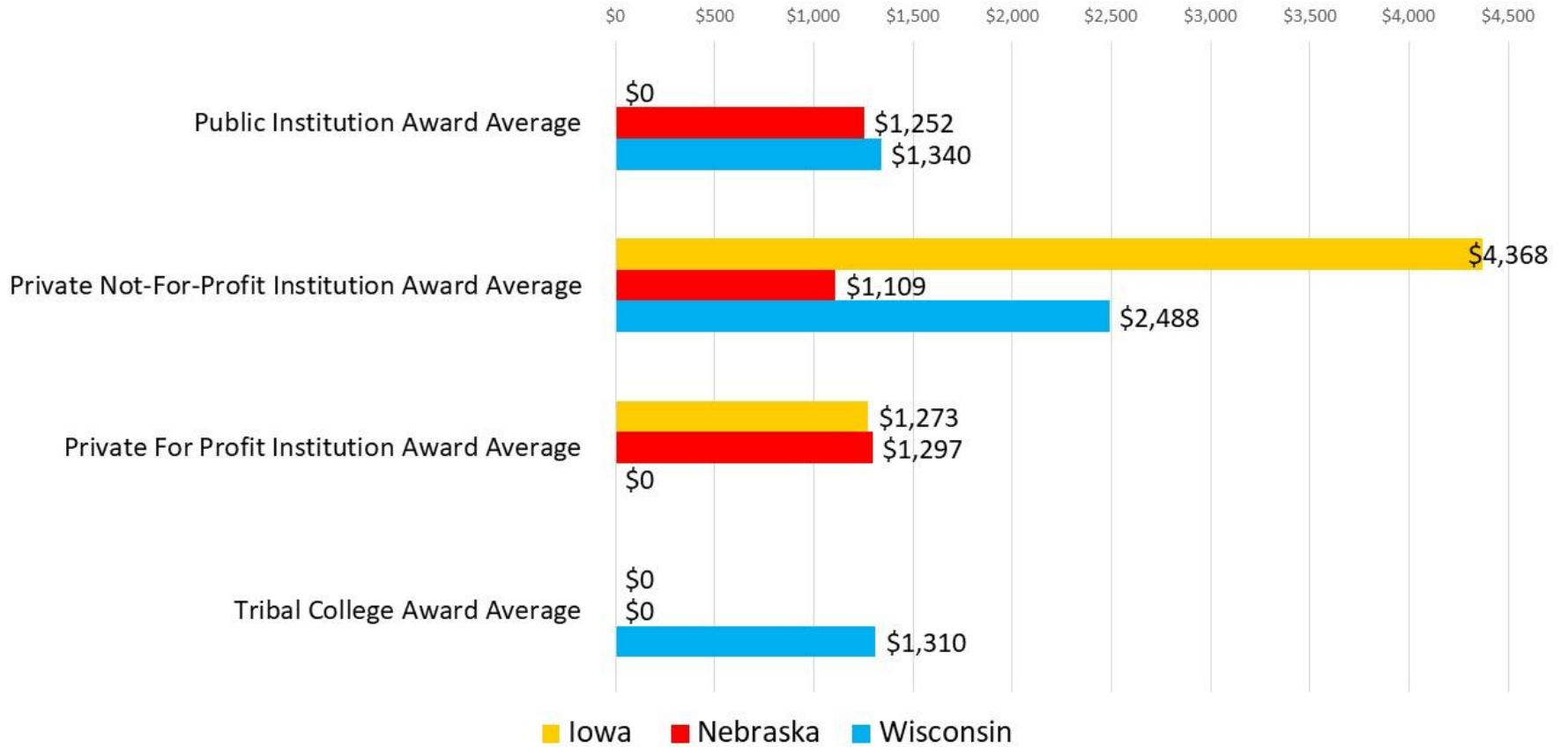
Source: Iowa College Student Aid Commission 2015, Coordinating Commission for Postsecondary Education 2018, Higher Educational Aids Board 2016

Figure 2: Primary State Grant Aid Awards Given by Sector (2015-16)



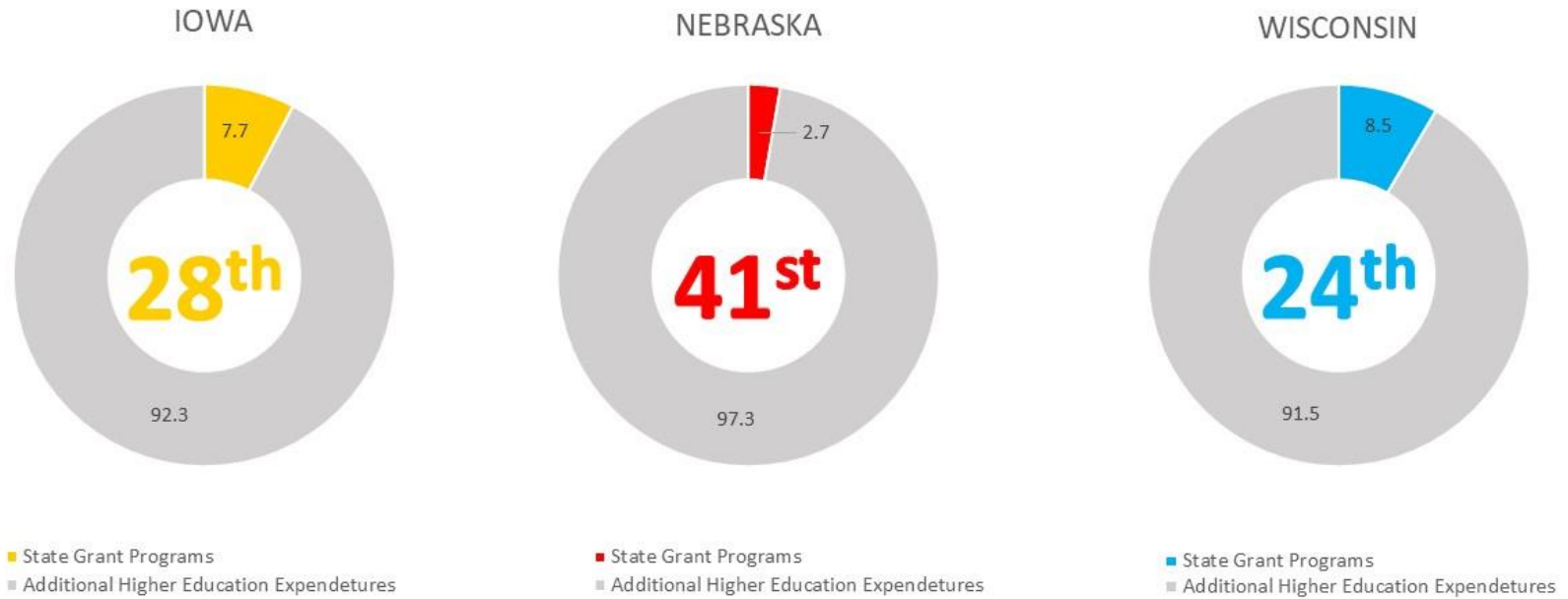
Source: Iowa College Student Aid Commission 2015, Coordinating Commission for Postsecondary Education 2018, Higher Educational Aids Board 2016

Figure 3: Primary State Grant Aid Award Average Amount by Sector (2015-16)



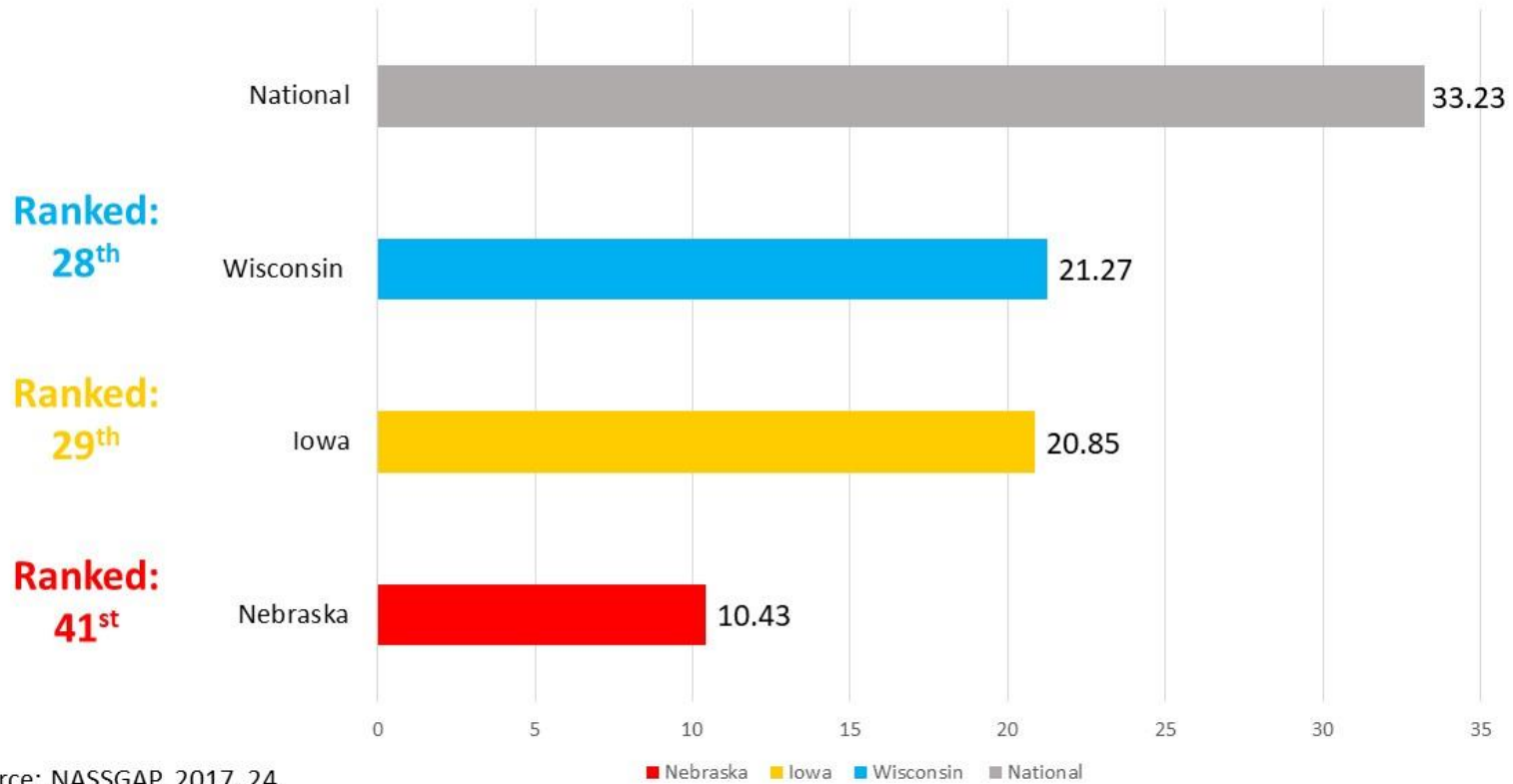
Source: Iowa College Student Aid Commission 2015, Coordinating Commission for Postsecondary Education 2018, Higher Educational Aids Board 2016

Figure 4: Percent of State Higher Education Support Dedicated to Need Based Grant Aid (2015-16)



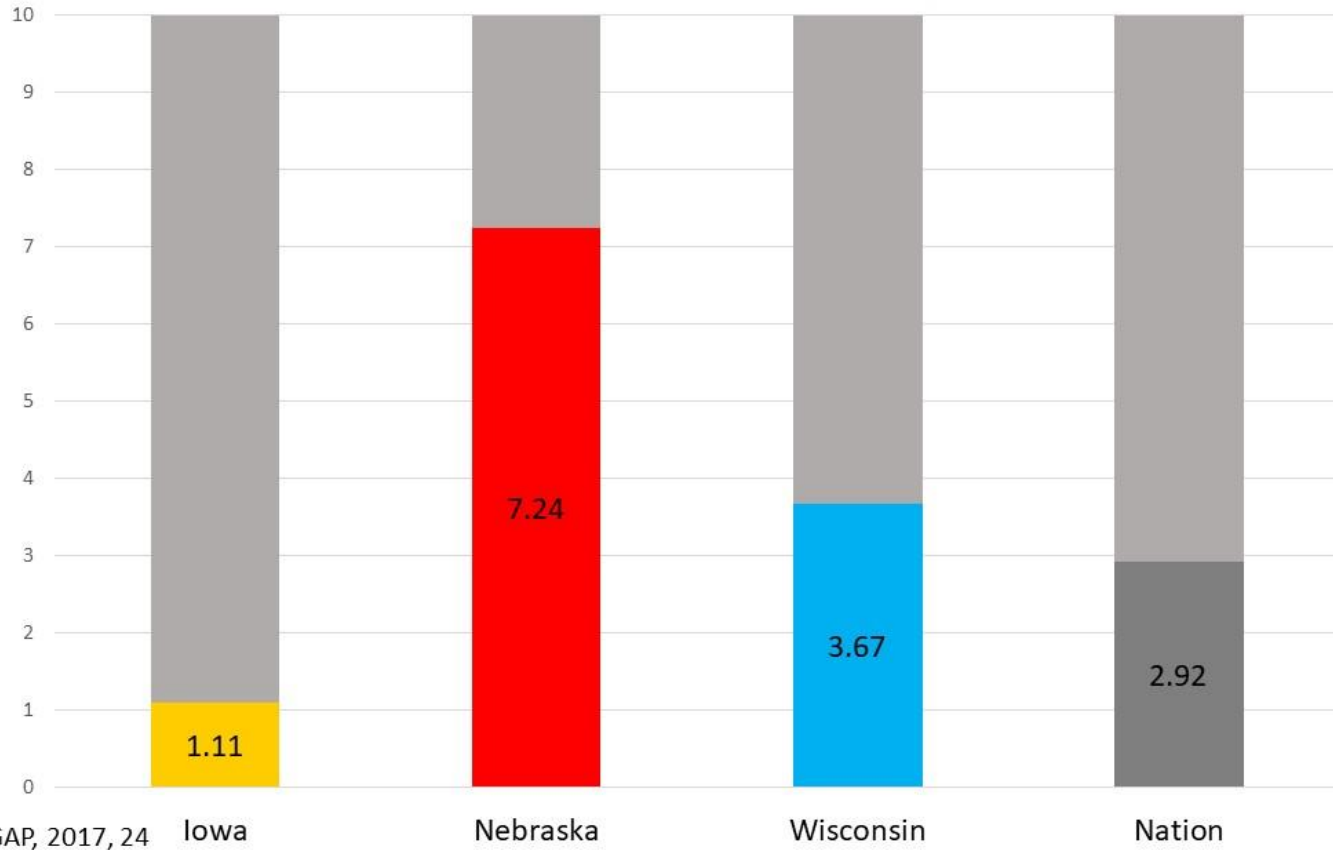
Source: NASSGAP, 2017, 17

Figure 5: State Grant Dollars Per Estimated Population (2015-16)



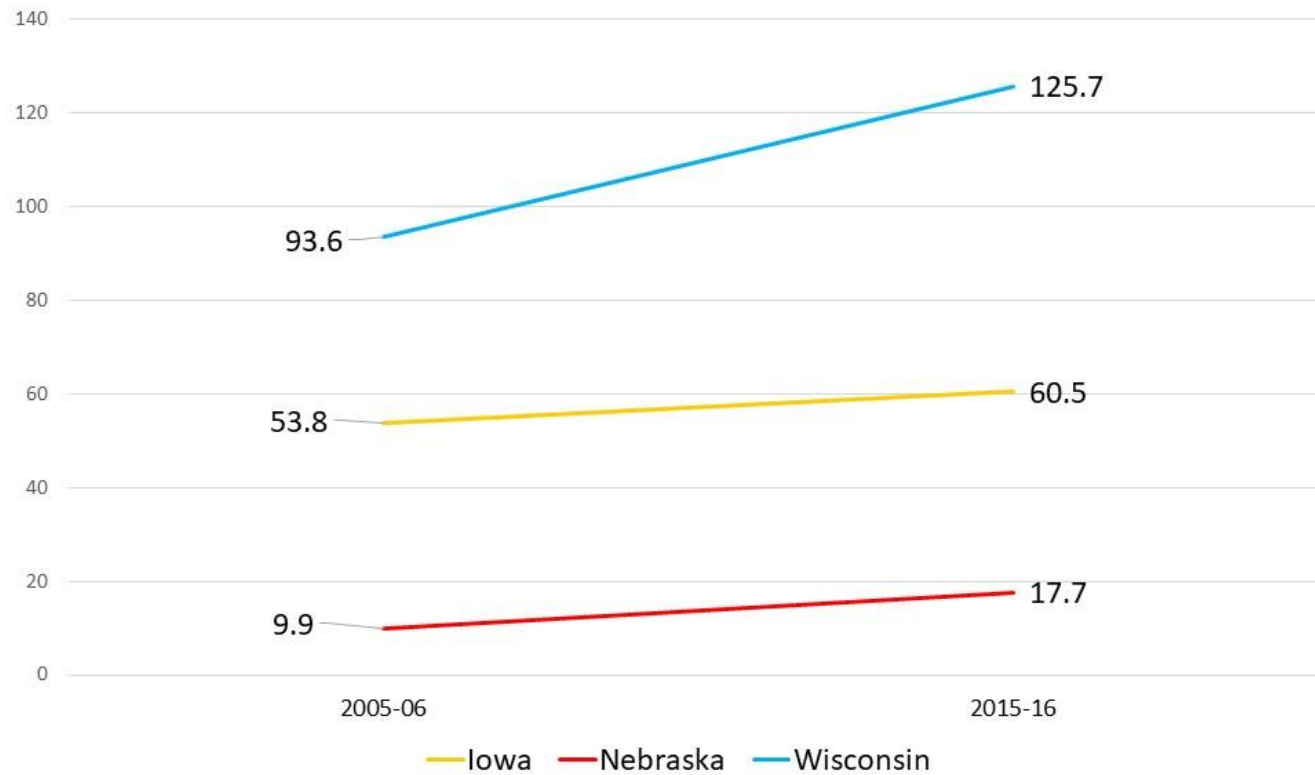
Source: NASSGAP, 2017, 24

Figure 6: Estimated Total Number of Awards per Undergraduate FTE (2015-16)



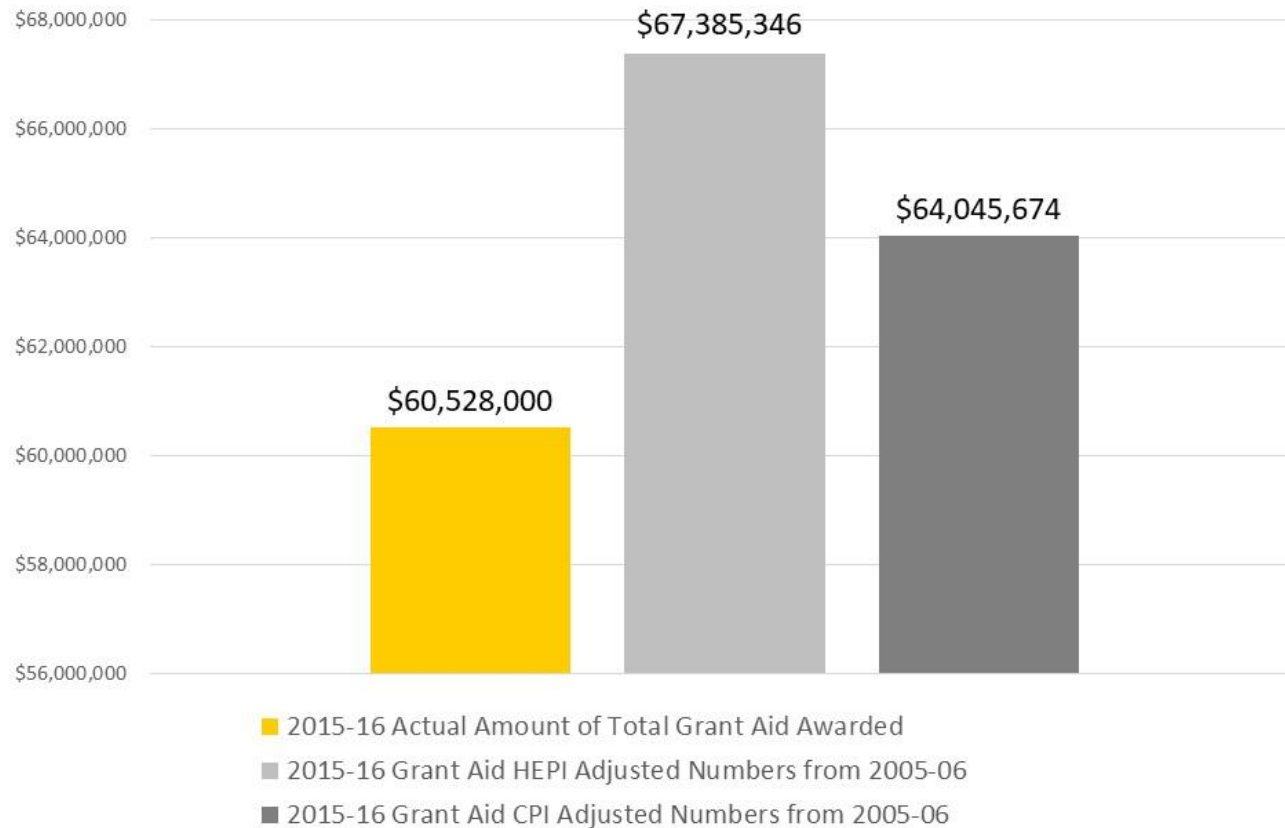
Source: NASSGAP, 2017, 24

Figure 7: Total Grant Aid Awarded by State (in millions of dollars)



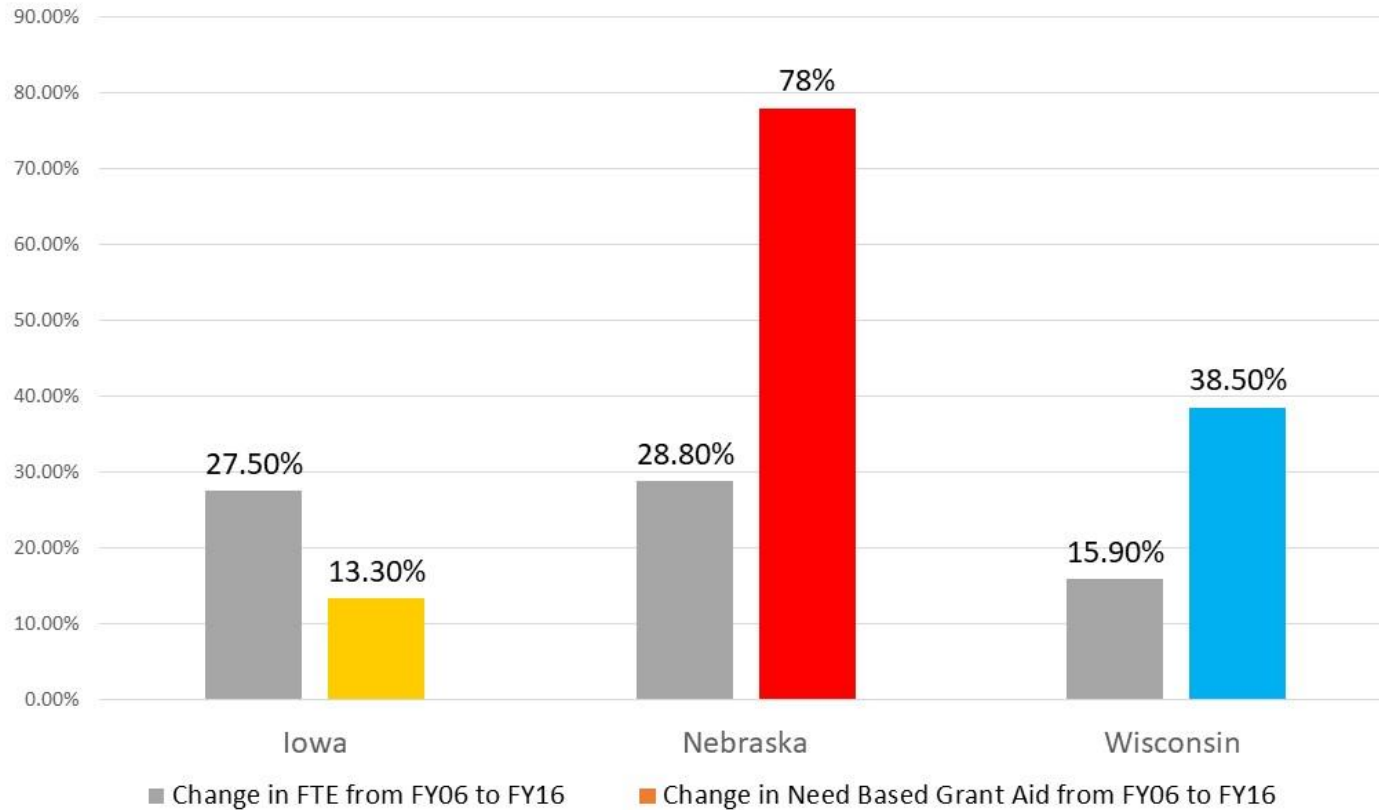
Source: NASSGAP, 2017, 14

Figure 8: Iowa Total Grant Aid Amount Compared to Inflation Adjusted Numbers



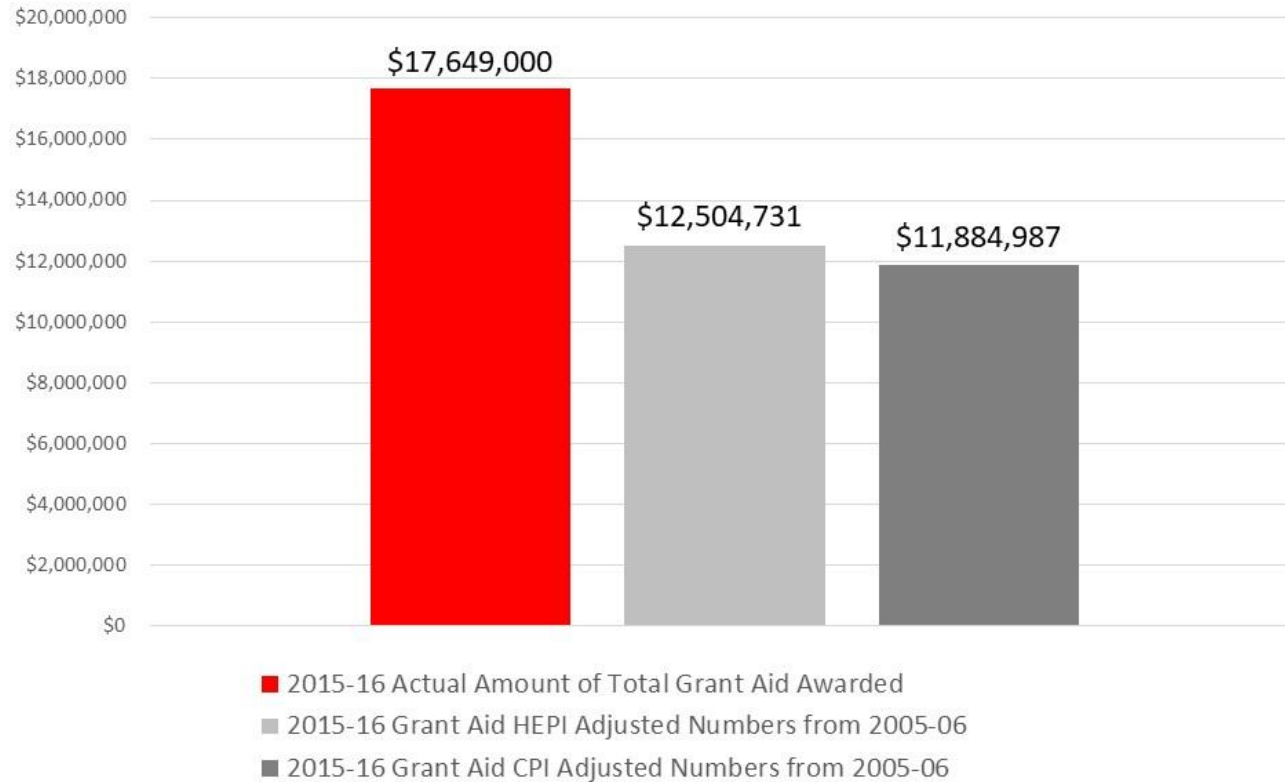
Source: NASSGAP, 2017, 9; United States Department of Labor, 2017; Common Fund Institute, 2015; Calculations by Author.

Figure 9: Change in FTE from 2005-06 to 2015-16 Compared to Change in Need Based Grant Aid from 2005-06 to 2015-16



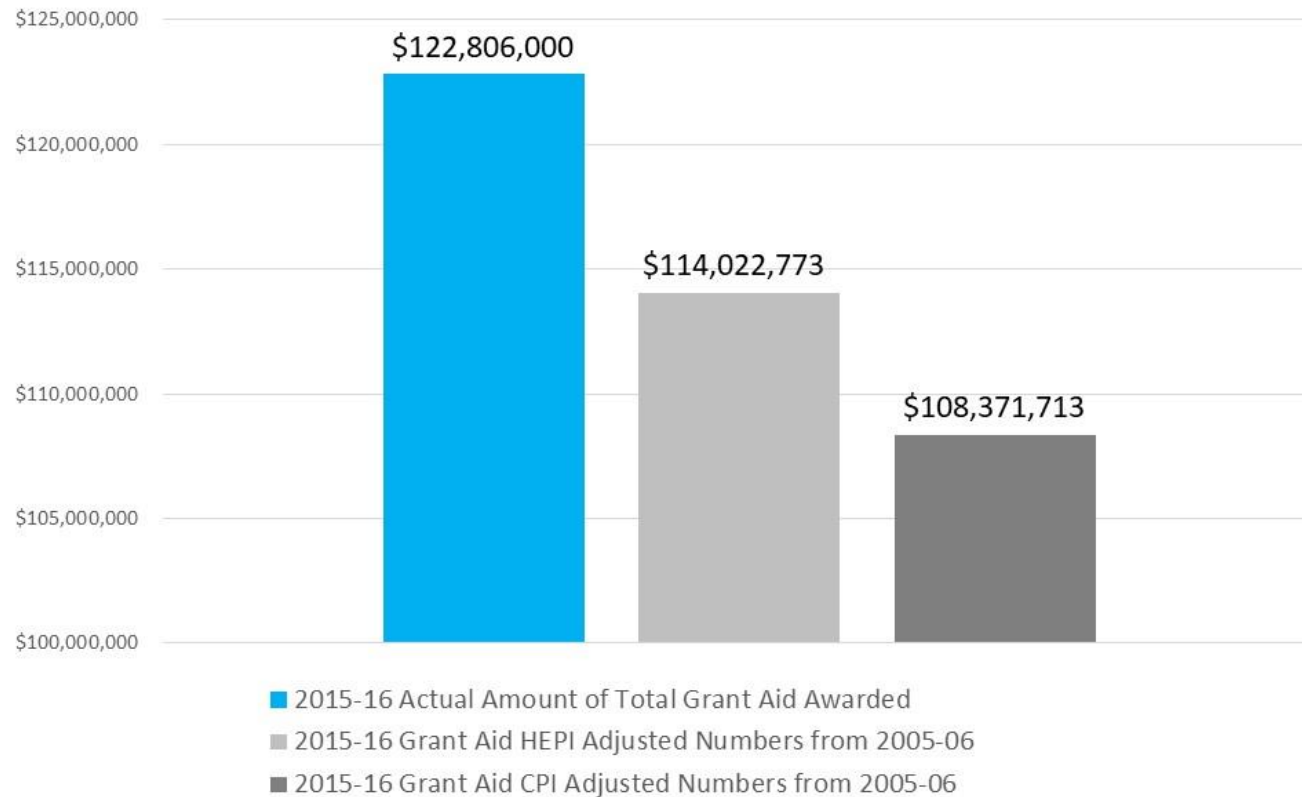
Source: NASSGAP 2017, 23; NASSGAP 2007, 23

Figure 10: Nebraska Total Grant Aid Amount Compared to Inflation Adjusted Numbers



Source: NASSGAP, 2017, 9; United States Department of Labor, 2017; Common Fund Institute, 2015; Calculations by Author.

Figure 11: Wisconsin Total Grant Aid Amount Compared to Inflation Adjusted Numbers



Source: NASSGAP, 2017, 9; United States Department of Labor, 2017; Common Fund Institute, 2015; Calculations by Author.