
THE CASE FOR NEED-BASED AID IN FLORIDA

By Tom Allison of Young Invincibles

Summary

Floridians share a goal of increasing the number of affordable, quality postsecondary degrees, but the state's structural divestment from higher education and subsequent tuition hikes impedes that goal. Recent eligibility restrictions to the Bright Futures Scholarship, a merit-based program targeted at high-performing students, and the stagnation of the need-based Florida Student Assistance Grant, compound those challenges. Considering the evidence-backed advantage of need-based financial aid to improve enrollment, degree attainment, and student success, the Florida legislature should increase the overall funding of the Student Assistance Grant by 67 percent, roughly the average tuition increase at Florida public four-year institutions since the recession.

FLORIDA NEEDS MORE COLLEGE DEGREES

The ability of Florida's young people and communities to advance economically hinges on the state's ability to increase its postsecondary education attainment rate. For individuals, postsecondary attainment leads to lower unemployment rates and higher wages.¹ Postsecondary education also increases job satisfaction, economic mobility, and even leads to healthier lifestyles.²

With 65 percent of all jobs projected to require some sort of postsecondary degree or credential in just ten years, postsecondary attainment is essential for Florida communities to remain competitive.³ Currently, only 38.1 percent of Florida's working-age adults hold a two-year or four-year college degree, which means the state is on track to fall far short of the degrees the workforce will demand.⁴ Disturbingly, the degree attainment rate is even lower for younger adults aged 25-34, at 37.9 percent.⁵ Without support, Florida will fall short.

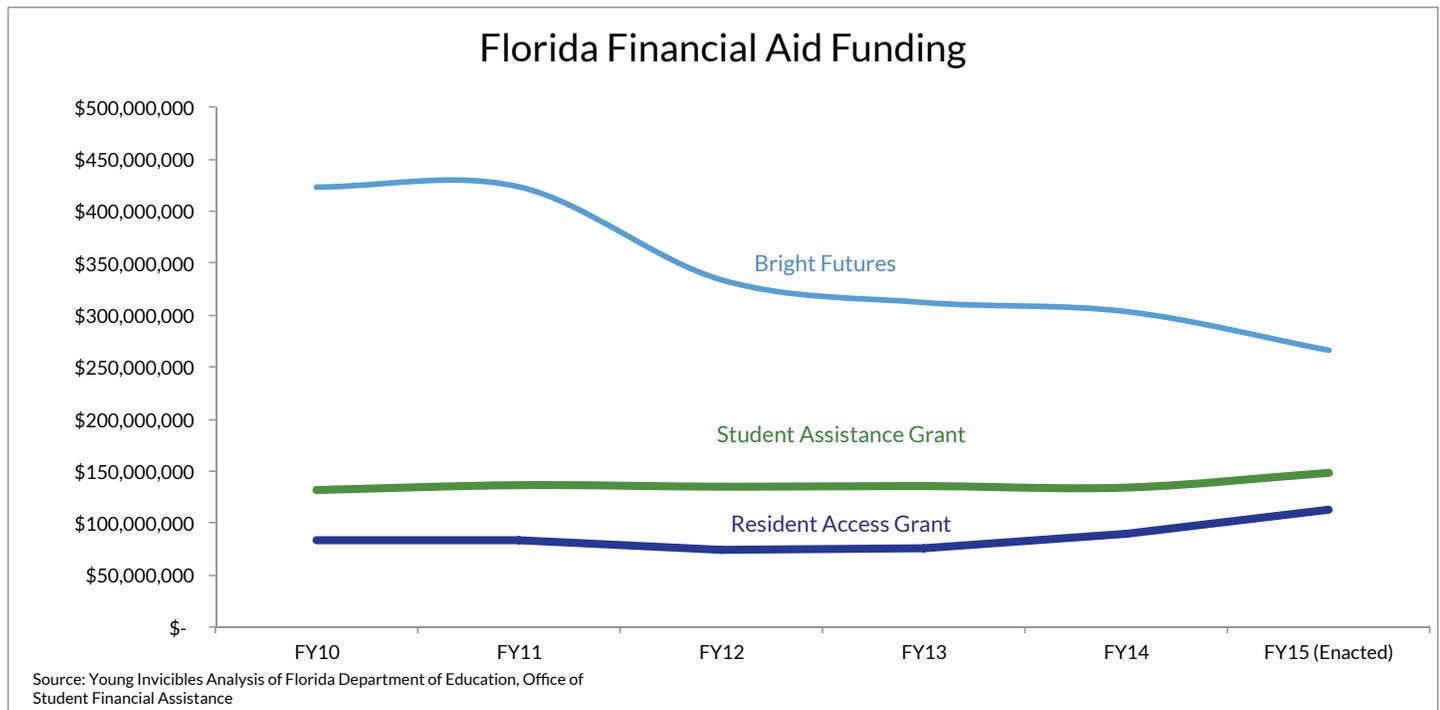
Issues of racial equity are at stake as well. African American and Latino Floridians are less likely to earn a postsecondary degree than their white peers.⁶ Given the power of postsecondary education attainment for closing racial gaps in employment, higher education is even more important to young adults of color.⁷ If we are committed to providing a healthy economy with equal opportunity for all Floridians, we must make postsecondary education more accessible and affordable.

TUITION IS UP AND AID IS DOWN

While tuition at Florida's four-year public institutions remains below the national average, price tags have skyrocketed 67 percent since the Great Recession, the second highest increase in the country during that

time period.⁸ Tuition at two-year institutions has not fared much better, with the average tuition up 38 percent.⁹ These dramatic increases have pulled the rug out from families trying to save for college. The cause of these tuition hikes is clear: Florida has drastically cut its support for higher education in the state by nearly half since 2007.¹⁰

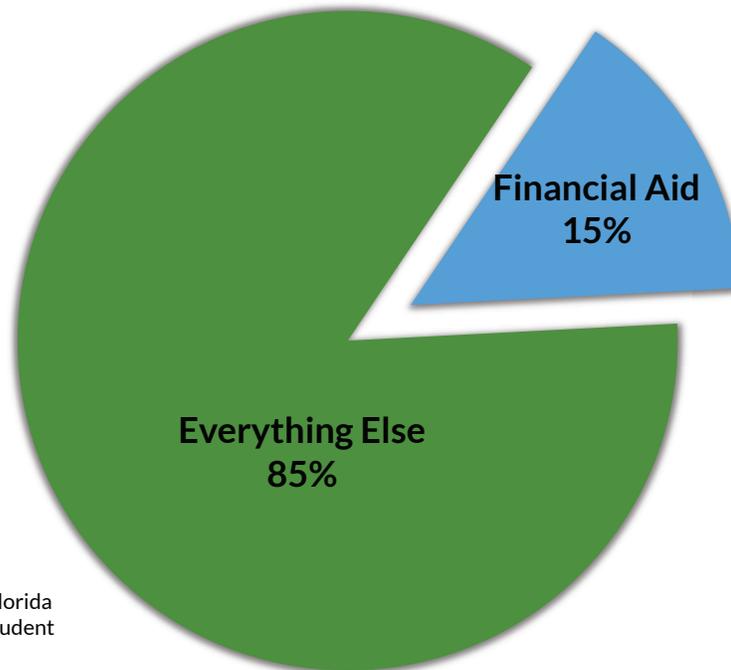
These tuition hikes have unfortunately coincided with cuts to Florida’s signature financial aid package, the Bright Futures Scholarship, a program intended to reward high achieving Florida students with help paying for college. In 2010, Florida allocated \$424 million to Bright Futures. In 2015, the legislature allocated only \$266 million, a 37 percent cut.¹¹ These cuts have a direct impact on students. In the 2005-2006 school year, the average Bright Futures award covered 73 percent of tuition. By 2011, it covered only 28 percent.¹² The program used to cover one out of every three students. Today, it covers only one in eight.¹³



To make matters worse, these cuts came in the form of tightened eligibility requirements that affected the most vulnerable students. The 2011 legislative session added new requirements on community service hours and increased standardized test score thresholds.¹⁴ These requirements disproportionately affected African American and Latino students: according to the Florida Board of Governors’ own analysis, nearly half of Hispanic freshmen and almost two-thirds of black freshmen who would have qualified in past years failed to qualify under the new eligibility requirements.¹⁵ According to Miami Dade College, over 100,000 of its students were affected.¹⁶ The U.S. Department of Education’s Office for Civil Rights even investigated whether the changes violated anti-discrimination laws (the investigation was dropped without charges filed).¹⁷

Financial aid grants make up a relatively large proportion of Florida’s higher education budget: 14.2 percent in FY 2013 (national average was 13.3 percent in FY 2013).¹⁸ The \$604 spent per student on aid in Florida is comparable to the national average of \$677. But examining Florida’s average need-based aid award reveals Florida’s shortcomings: Florida awards an average of \$191 of need-based aid per student, half the non-need-based award and below the national average of \$509.¹⁹

Florida Higher Education Budget (FY-14)

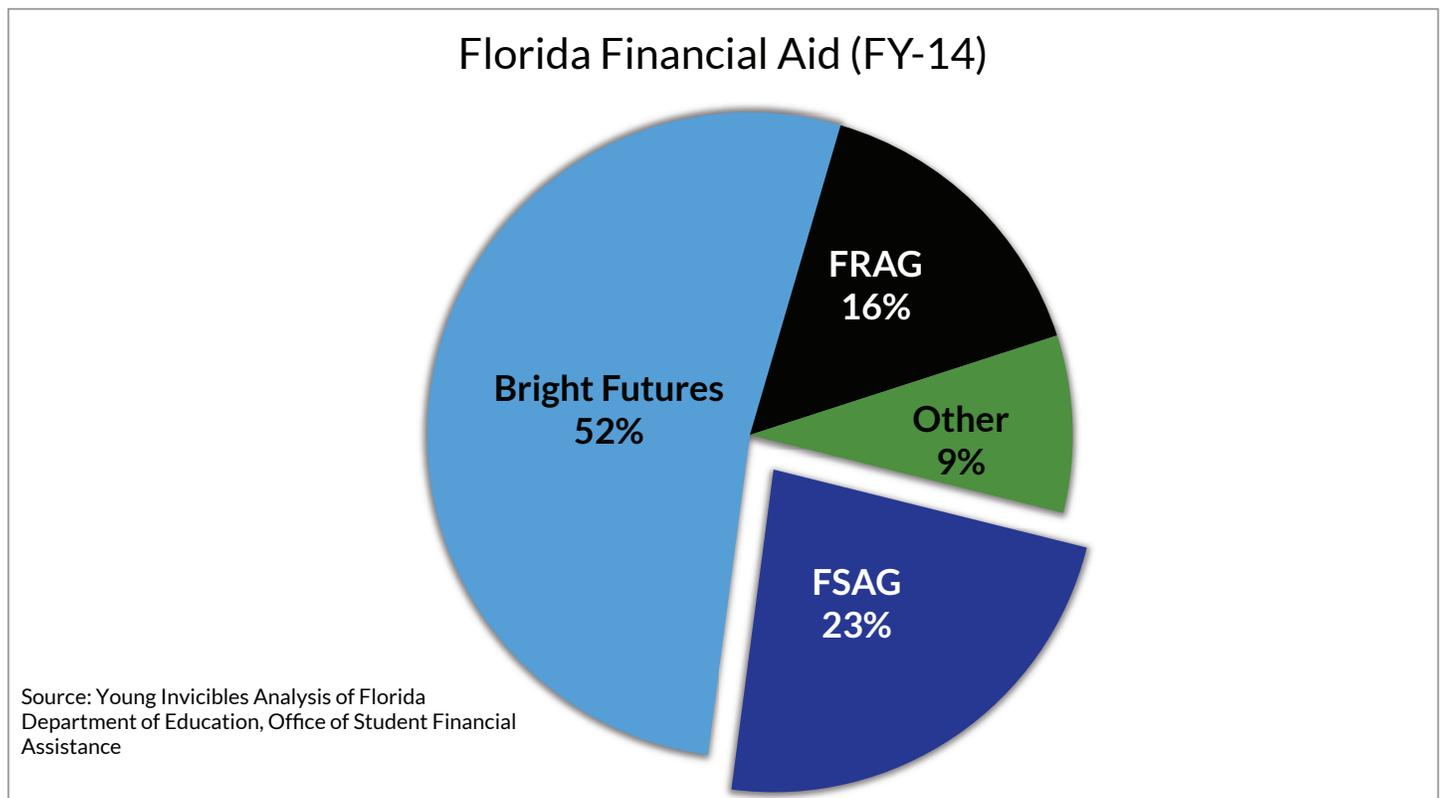


Source: Young Invincibles Analysis of Florida Department of Education, Office of Student Financial Assistance

Looking more closely, these disparities in the average award reflect Florida’s two largest financial aid programs: Bright Futures and the Florida Student Assistance Grant (FSAG). As mentioned above, Bright Futures is awarded on merit-based criteria, with larger grants for higher GPA’s, standardized test scores, and community service hours. The FSAG, on the other hand, is awarded based on a formula on household income.

Florida’s Three Largest Aid Programs			
	Bright Futures	Student Assistance Grant	Resident Access Grant
Eligibility Criteria	Merit (GPA, standardized test scores, service hours)	Need (Cost of attendance – expected family contribution – other aid)	Enrolled at a private institution
FY15 Funding (Enacted)	\$266,191,952	\$148,346,977	\$112,359,000
Funding percent change in five years (FY10-14)	-28%	2%	6%
Average Award (FY 14)	\$1,973	\$1,118	\$2,092

Even with dramatic cuts in recent years, funding for Bright Futures eclipses the FSAG. In FY 2014, the most recent year available for actual funds, Florida spent over twice as much on Bright Futures as the FSAG, \$303 million against \$134 million, respectively.²⁰ The legislature cut this ratio down slightly in the FY 2015 enacted budget, but the allocated FSAG funds remain below 44 percent that of Bright Futures.



NEED-BASED AID IS THE BEST WAY TO INCREASE COLLEGE ACCESS AND COMPLETION

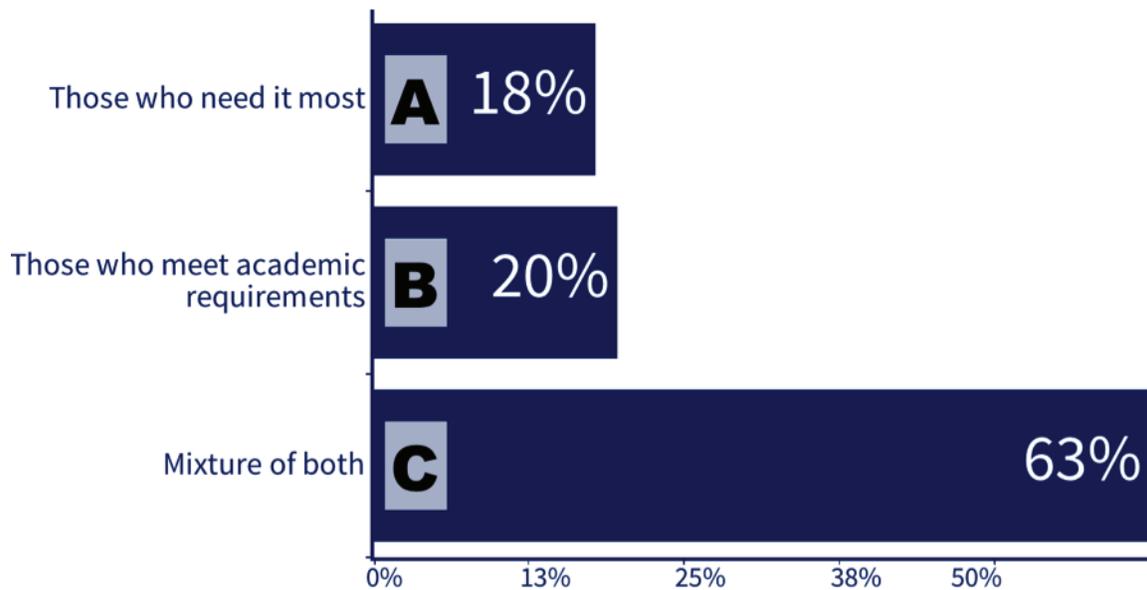
Florida's disproportionate support of merit-based aid is an inefficient method to help more students access and complete college. It makes more sense to prioritize our limited aid dollars to those students with the most need. As higher education expert Sandy Baum recently presented to the Florida House Appropriations committee, state aid should be targeted to students "whose behaviors and outcomes will change."²¹

A growing body of research, including a study directly measuring the FSAG itself, suggests that need-based grants are the most effective method to improve access and success for underserved students, while merit-based aid fails to do so because it goes disproportionately to wealthier families.²²

Students agree. In February 2015, Young Invincibles conducted a workshop on financial aid with 120 students at Miami Dade College. Students responded, in real-time, via text message, how they thought eligibility for financial aid should be determined. Over 80 percent of students thought financial need should be a criteria for aid, either on its own or incorporated along academic achievement. Only 20 percent thought aid should be determined through merit alone, as Bright Futures eligibility is evaluated.

Who should financial aid go to?

Respond at [Pollevo.com/yicare](https://www.pollevo.com/yicare) Text **YICARE** to **22333** once to join, then **A, B, or C**



**Results equal over 100% due to rounding*

The Need-Based Advantage

Numerous studies demonstrate that financial aid awards based on need more effectively boost enrollment and success rates compared to students who received no aid. The studies summarized below suggest that the aid was the necessary incentive and support to get students into college and to stay there.

- Students receiving the FSAG enroll in 4-year institutions at higher rates, earn more credits, and earn bachelor's degrees at higher rates than students just beyond the eligibility cutoff.²³
- Sufficient aid packages that cover more than three-quarters of cost can boost graduation rates for low-income students by 23 percentage points, from 45 percent to 68 percent. For high-income students, the same aid package has virtually no effect on graduation rates.²⁴
- A study of students in Ohio showed that increasing Pell Grant awards, a need-based program, by \$1,000 reduces dropout rates by up to 9.2 percentage points.²⁵
- There is also evidence that state need-based aid compounds the effects of the federal Pell grant: Researchers found that Louisiana's GO Grants for low to moderate income families improved retention rates by 14 percent compared to students who only received the Pell Grant.²⁶ The authors recommended increasing Louisiana's need-based grant.

Shortcomings of Merit-Based Aid

On the other hand, many other studies show that aid packages based on merit, while no doubt beneficial to the students who receive them, produce little change in enrollment and student success. This suggests that merit-based awards go to students who would enroll and succeed in college anyway.

- The Florida College Access Network found that in 2011, 30 percent of Bright Futures scholars came from families that earned over \$100,000 -- about twice Florida's median household income.²⁷ One can imagine how this proportion might have grown since standardized test scores and community service hour requirements were tightened.
- A seminal study of the George HOPE Scholarship, a sweeping scholarship similar to the Bright Futures of the past, suggested that while HOPE raised enrollment rates for all students, it carried the unintended effect of widening racial and economic gaps in enrollment.²⁸
- Moreover, other studies demonstrate how variation in standardized tests, an evaluation criteria for Bright Futures can be explained by race, even when holding other factors constant, suggests a racial bias in the tests.²⁹ Variation in test scores by income is even more significant.
- Other research suggests merit-based aid in that state had no effect on the recipients' enrollment rate; they were going to enroll in college anyway even without the aid.³⁰
- These trends hold true for institutional aid as well. A recent study concluded that merit-based scholarships produced no measurable relationship to dropouts, while need-based scholarships were consistently associated with lower dropouts.³¹

ALIGN FUNDING WITH PRIORITIES

Considering Florida's structural divestment from higher education and subsequent tuition hikes, eligibility restrictions to Bright Futures, the stagnation of the need-based FSAG, and the proven advantage of need-based financial aid to improve outcomes, the Florida legislature must take action. We recommend that the legislature increase the overall funding of the FSAG by 67 percent, which roughly equates to the average tuition increase at Florida public four-year institutions since the Recession. Community College students would remain eligible for the grant.

This two-thirds increase amounts to an additional \$89.9 million, bringing the total cost of the program to \$224 million. This would help close the funding gap between Bright Futures and the FSAG, and allow the legislature to increase the maximum award (institutions themselves would still determine the individual award amount). Working in tandem with the Pell Grant, students -- particularly at community colleges where tuition is low -- could use the additional funds for other education expenses, such as housing and transportation.

This funding level would even fall short of what the Florida Department of Education estimates would be needed to fund students in the 2015 school year at the same levels of 2014. At the Student Financial Aid Estimating Conference, the Office of Student Financial Assistance projected an additional \$105,850,447

would be needed to fund the FSAG to fund low-income students. Without this funding, 92,271, who would otherwise be eligible for help to pay for school, will be left out of the program.³²

Florida could also redirect funds from programs allocated for private institutions, the Resident Access Grant (FRAG). Currently, more than \$1.50 out of every ten goes towards private schools (16 percent) in the form of the FRAG.³³ Private institutions tend to have higher tuition and thus those aid dollars may not be going as far to help students and families afford college. FRAG's \$89.5 million funding is virtually identical to the 67 percent increase cited above. The FRAG maximum award is currently \$3,000, larger than FSAG's \$2,610. Whereas the FRAG excludes public institutions, the FSAG can be used at any institution, including private schools. In order to align resources with priorities, Florida should ask why it has allowed the FRAG to grow but the FSAG to stagnate.

Fortunately, Florida's leaders appear to have an appetite for greater investment in Florida's students. In September, the Board of Governors requested an additional \$45 million for need-based-financial aid to ensure [low-income] students have the funds necessary to succeed in their educational goals.³⁴ In his State of the State speech, Governor Rick Scott said: "[I]f we want to make higher education more accessible to low and middle-income families...we have to make it more affordable."³⁵ Few policies would make college more affordable than helping Florida students most in need by investing in need-based grants for college.

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