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AIDING ATTAINMENT



**Leveraging State Financial Aid
FOR ACCESS AND SUCCESS**

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Check out the full suite of *Aiding Attainment* resources, including the state aid benchmarking tool, state spotlights, student aid scenarios, and more at edstrategy.org/resource/aiding-attainment.

EXECUTIVE SUMMARY

In an era where the majority of jobs require postsecondary education, the rising cost of college poses significant barriers for many aspiring students. State financial aid programs are pivotal in bridging these gaps, enabling access to higher education and helping states meet their workforce needs. This report explores the evolving landscape of state financial aid and offers actionable recommendations for optimizing these programs to enhance equity and success.

State financial aid has become increasingly important in an environment where costs are one of the largest barriers to students accessing and persisting in higher education. States are uniquely positioned to be able to design and refine aid programs more quickly than the federal government and to develop aid programs that account for their state's unique context and talent needs. By intentionally designing aid programs, states can leverage financial aid to increase student postsecondary access and success, and ultimately, meet their economic and workforce goals.

To support states in this effort, ESG convened a national group of experts to develop recommendations for states on how best to structure financial aid systems to expand postsecondary access and success, especially for student populations currently underrepresented in higher education. The following design principles are the foundation for the recommendations outlined in this report.

- **Prioritize need-based aid.** Need-based aid is consistently shown to improve equitable access and success for underserved students. States should ensure that need-based aid is the cornerstone of their financial aid programs, targeting resources to students with the greatest financial need.
- **Simplify program requirements.** From applications to eligibility requirements, states should make the process to apply for, qualify for, and maintain financial aid simple and aligned across programs. This reduces complexity and makes it easier for students to understand and access the aid they need.



By intentionally designing aid programs, states can leverage financial aid to increase student postsecondary access and success, and ultimately, meet their economic and workforce goals.

- **Address non-tuition expenses.** Financial aid should not only cover tuition but also address the full cost of attendance, including non-tuition expenses like housing, food, and transportation. Programs should be designed to ensure that students can meet their basic needs while pursuing their education, which is crucial for retention and completion.
- **Incorporate flexibility and inclusivity.** Aid programs should be flexible enough to support diverse student populations, including adult and working learners, undocumented students, rural students, and those impacted by the criminal justice system. This inclusivity ensures that all learners have the opportunity to pursue higher education.
- **Support workforce development.** States should expand financial aid to include support for short-term training programs and credentials that align with workforce needs. These programs are particularly important for non-traditional students and those seeking to quickly upskill for in-demand jobs.
- **Leverage data for continuous improvement.** States should use data to monitor and evaluate the effectiveness of their financial aid programs. A data-driven approach allows for ongoing adjustments and refinements, ensuring that programs remain aligned with student needs and state goals.
- **Enhance communications and transparency.** Clear communication about financial aid opportunities and transparent processes are essential for maximizing the impact of aid programs. States should invest in outreach and information-sharing to ensure that students are aware of the resources available to them and advisors can support students in accessing those resources.

Every state should start by assessing their current financial aid programs to determine who is being served by state aid programs, whether aid programs are promoting their strategic goals, and how their investment is maximizing affordability for students. State leaders can use the [State Aid Benchmarking Tool](#) to see how their state's aid policies stack up, understand the foundational policies states should pursue, and learn how to implement more advanced practices to better serve underrepresented students.

By embracing these principles and proactively refining their financial aid programs, states can create more equitable and effective systems that empower all students to achieve their educational and career goals, ultimately contributing to a stronger and more competitive workforce.



INTRODUCTION

In today's rapidly evolving job market, where over two-thirds of positions require some level of postsecondary education—and with that figure expected to rise to 85 percent by 2031—whether students need training or education beyond high school is no longer a valid question.¹ The leading question is now *how* to enable more learners to successfully pursue postsecondary education and unfortunately, affordability is the biggest barrier for many aspiring students. The financial obstacles to higher education are not just a matter of personal hardship; they are a critical public issue that could shape the future workforce and economy.

A recent survey of over 20,000 high school students reveals a troubling trend: perceptions of affordability and value are increasingly discouraging students from pursuing college. Alarming, 20 percent of respondents cited “college isn’t worth the cost” as their main reason for not planning to enroll, a sentiment that has surged by 12 percentage points since before the pandemic. School counselors echo this concern, with 70 percent identifying the cost of college and student debt as the top deterrents, alongside other factors such as attractive earning opportunities and the high cost of living during college.²

Financial aid plays a pivotal role in bridging the affordability gap and enabling more students to achieve their educational goals. While federal financial aid can provide a strong foundation for affordability, states have the power to enhance access and affordability by developing financial aid policies and programs that are responsive to the needs of their state. And *state* financial aid is becoming increasingly important for students: while federal grant aid has been declining as a share of the total grant aid since 2010, state grant award amounts have been increasing since that time with 22.5 percent of undergraduate students receiving state grant aid during the 2019-20 school year.^{3,4} States also have the advantage of being able to adapt their financial aid programs more swiftly than the federal government, allowing them to respond more effectively to the immediate needs of their students and workforce. This flexibility enables states to tailor their aid programs to address local challenges and emerging trends such as rising college costs, shifting demographics, workforce demands, and economic goals.



State financial aid programs hold the potential to not only improve the affordability of credentials and help states meet their workforce goals but also address emerging challenges and close equity gaps for underrepresented students. However, these programs are not without their challenges. Low uptake, lack of transparency, and complex application processes can hinder their effectiveness, particularly for students with the greatest need. By prioritizing aid for students with the most need, simplifying and streamlining application and eligibility requirements, improving communications and awareness, promoting greater transparency, and designing aid programs to serve students underrepresented in higher education, states have the power to both promote more equitable economic mobility and better meet their workforce needs.

This report delves into the crucial role of state financial aid in enhancing student access and success. It includes an overview of the many factors state leaders must consider when designing state aid programs, as well as recommendations for how to best support students who are underrepresented in higher education. States can use the [State Aid Benchmarking Tool](#) as a roadmap for improving their state aid programs, with program design and reform insights from leading states. The state aid scenarios help leaders visualize the impact changes in state aid programs can have on students. While student financial aid is the focus of this report, states should also be evaluating how they are funding institutions to ensure students have adequate resources and support once they arrive on campus. Similarly, financial aid policy and tuition policy must go hand-in-hand to ensure an increase in aid results in an increase in a students' purchasing power.

By prioritizing aid for students with the most need, simplifying and streamlining application and eligibility requirements, improving communications and awareness, promoting greater transparency, and designing aid programs to serve students underrepresented in higher education, states have the power to both promote more equitable economic mobility and better meet their workforce needs.

By proactively refining their financial aid programs, states can not only enhance educational access and equity but also strengthen their overall workforce, ensuring a more prosperous future for all.



Federal Financial Aid

While this report is focused on state financial aid, federal financial aid is another important piece of the aid puzzle for both students and state policymakers. In most states, federal aid is awarded first when packaging a student's aid, and many state programs build off of or stack on top of federal programs such as the Pell Grant.

TYPES OF FEDERAL AID

- **Grant Aid:** The **Pell Grant** is the federal government's main need-based grant program. For the 2024-25 award year, the maximum award is \$7,395. The **Federal Supplemental Educational Opportunity Grant** (FSEOG) provides additional grant funding to undergraduate students with exceptional financial need. The federal government also administers grants for future teachers and children of service members who died as a result of military service in Iraq or Afghanistan.
- **Work-Study:** The federal **work-study** program allows students to earn money to pay for school by working part-time.



- **Loans:** The federal government administers student loan programs including **subsidized loans** for students with financial need, **unsubsidized loans** for undergraduate and graduate students, and **parent PLUS loans** for parents of undergraduate students.

APPLICATION & ELIGIBILITY

In order to apply for federal financial aid, students must complete the Free Application for Federal Student Aid (FAFSA). The FAFSA calculates a Student Aid Index that determines a student's level of financial need. States and institutions also utilize FAFSA information to determine student awards. Federal grant programs are only available to undergraduate students and students must be U.S. citizens or eligible non-citizens (such as a green card holder); undocumented students and students with Deferred Action for Childhood Arrivals (DACA) status are not eligible for any type of federal financial aid. Students who are incarcerated may qualify for federal aid if participating in an approved prison education program.

To maintain eligibility for federal financial aid, students must achieve satisfactory academic progress (SAP). SAP policies vary by institution, but in general, students must maintain a 2.0 GPA and successfully complete enough classes to continue progressing toward a degree. Additionally, the Pell Grant can be awarded for a maximum of 12 terms, or approximately six years.

CHALLENGES & QUESTIONS IN THE FIELD

- **FAFSA Simplification:** Starting with the 2024-25 award year, the U.S. Department of Education released a new, simplified version of the FAFSA. Historically, the FAFSA was seen as overly burdensome for students; the new FAFSA reduced the number of questions from over 100 to 36 for most students. However, in its first year, a delay in the rollout of the new form along with technical and administrative glitches delayed the transfer of information to institutions to package financial aid awards. States also use the FAFSA to determine student need, so the delays impacted their ability to award state aid to students. While there has been a trend in states using the FAFSA as the sole or primary application for state aid, the

technical issues with the new form could cause some states to reconsider relying on FAFSA. Some states are beginning to explore other ways to identify students with financial need, such as participation in public benefits.

- **Pell Award Amounts:** For many students with financial need, the Pell Grant does not cover the full cost to attend college or even the full tuition at many public institutions. In 2024, the average cost of in-state tuition at public four-year colleges was \$9,750 compared to the maximum Pell award of \$7,935. Beyond tuition, students have to pay for room and board, transportation, books, and supplies. The average annual cost of attendance for four-year public colleges for in-state students is \$27,146 and \$17,439 for two-year colleges—well beyond the Pell Grant maximum.⁵ In recognition of the need to support students with the total cost of higher education, some advocates are encouraging the federal government to increase—even double—the maximum Pell Grant award. This would not only provide

more funding to students with the lowest incomes, but would also provide aid to more middle-income students.

- **Federal Aid Eligibility:** As noted, eligibility for financial aid can be limited by a student's immigration status and experience in the criminal justice system. As of July 2023, incarcerated students are eligible for Pell Grants to support their enrollment in approved prison education programs; however, many incarcerated students face administrative barriers to completing the FAFSA and accessing aid. Undocumented students and DACA recipients remain ineligible for federal financial aid, causing some states to expand access for these students. Additionally, Pell Grants can only be used for programs that are at least 600 clock hours and 15 weeks. There is a growing advocacy effort to allow students to use Pell Grants in high-quality programs that fall below this threshold.

For more information and current federal aid award amounts, visit the [Federal Student Aid](#) website.



STATE FINANCIAL AID LANDSCAPE

The landscape of state financial aid is evolving, with states playing a more prominent role in providing financial support to students. The shifts in state aid are not only about increasing funding but also about targeting aid to a broader range of students, including non-traditional and underrepresented groups. These evolving trends highlight how state policies are shaping college affordability and access across the nation.

HERE ARE SOME KEY TRENDS IN STATE FINANCIAL AID:

State aid is an increasing share of grant aid. Federal grant aid has been declining as a share of total grant aid since 2010, while state grant aid has been increasing during that time.⁶ In 2021-22, the average state grant aid per full-time equivalent (FTE) undergraduate student ranged from \$200 to over \$2,000. State grant aid also varies by income level, with middle and high income students receiving more state grant aid than federal grant aid. State grant aid award amounts for dependent students from families earning more than \$40,000 are actually greater, on average, than federal grant aid award amounts. For independent students (which includes students who are 24 or older), a smaller percentage receive state grant aid than federal grant aid and receive smaller award amounts, suggesting states have room to grow in offering aid to these students.⁷

Percentage of Students Receiving Selected Types of Grant Aid and Average Award Amounts

Dependent, Full-Time/Full Year Undergraduates, 2019-20⁸

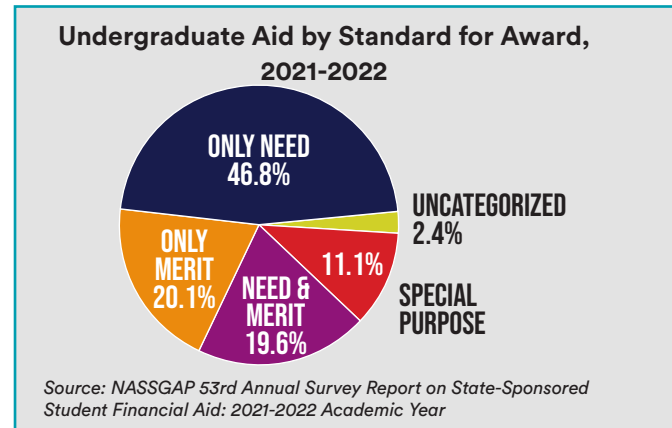
	PERCENTAGE RECEIVING GRANT AID		AVERAGE GRANT AWARD AMOUNT	
	FEDERAL	STATE	FEDERAL	STATE
ALL INCOME LEVELS	35.0%	30.7%	\$5,400	\$4,700
LESS THAN \$20,000	81.3%	47.1%	\$6,700	\$5,200
\$20,000-39,000	83.1%	52.0%	\$6,300	\$5,100
\$40,000-59,000	74.3%	48.4%	\$3,900	\$4,400
\$60,000-79,000	31.9%	36.4%	\$2,600	\$4,000
\$80,000-99,000	7.6%	25.7%	\$2,300	\$4,100
\$100,000 OR MORE	0.8%	13.4%	\$2,800	\$4,400

Independent, Full-Time/Full Year Undergraduates, 2019-20⁹

	PERCENTAGE RECEIVING GRANT AID		AVERAGE GRANT AWARD AMOUNT	
	FEDERAL	STATE	FEDERAL	STATE
ALL INCOME LEVELS	55.5%	23.0%	\$5,800	\$3,700
LESS THAN \$10,000	65.2%	29.1%	\$6,600	\$4,300
\$10,000-19,999	72.7%	29.1%	\$5,700	\$3,400
\$20,000-29,999	60.2%	23.8%	\$4,500	\$3,300
\$30,000-49,999	45.6%	15.8%	\$5,900	\$3,300
\$50,000 OR MORE	23.7%	10.5%	\$4,000	\$2,600

There is an increased focus on need-based aid. Most states offer at least one program that is purely need-based without additional merit requirements. In 2021-22, 46.8 percent of state undergraduate aid awarded was based purely on need, and this percentage has been steadily increasing since the 2018-19 award year.¹⁰ Despite this small increase in recent years, the percentage of state aid that was purely need-based has actually decreased significantly in the past two decades, down from 57 percent in 2002-03, the first year the National Association of State Student Grant and Aid Programs included the measure in its *Annual Survey*.¹¹ There is a growing body of research showing that need-based financial aid increases persistence and completion rates for recipients and that students with better financial aid packages complete at a faster pace than students with lesser aid packages.^{12,13,14}

Merit components for aid are still prevalent. Need-based aid remains a larger share of state grant aid but merit aid programs have continued to grow over the past decade. In 2021-22, approximately 40 percent of state aid awarded included some merit component, with 20 percent based solely on merit.¹⁵ While the amount of state grant aid with a need-based component increased 69 percent from 2010 to 2019, the amount of non-need-based aid increased at a rate of almost 83 percent during that time. This growth in merit aid programs was primarily from the creation of new financial aid programs, while the growth in need-based aid was from expanding existing need-based programs.¹⁶



Free college programs are growing. In 2014, Tennessee introduced the first state-wide promise program. By 2024, over 30 states had some sort of free tuition program.¹⁷ These programs vary widely in who is eligible for the programs and where students can access free-tuition. While most programs provide free tuition at two-year colleges, a growing number of states are also offering them at four-year institutions. Eligibility is also varied; while some programs are more universal, many states impose merit requirements (such as a GPA threshold), enrollment status requirements, and income thresholds.

States are offering aid for non-traditional and underrepresented students. Some states are developing adult-focused financial aid programs (often named “Reconnect” programs as they are in Massachusetts, Michigan, and Tennessee) while others allow adult students to access existing need-based programs. States are also developing aid programs to prepare traditional, adult, and working learners for in-demand jobs. In the past decade, more states began to offer in-state tuition and state aid to undocumented students and a growing number of states are considering how to award aid to students impacted by the criminal justice system.

Application simplification is a hot topic. States may require a separate application for some of their aid programs, though many utilize the FAFSA for determining eligibility for need-based aid. There has also been a growing movement for states to make FAFSA completion a high school graduation requirement. In 2024, the U.S. Department of Education released a new, simplified version of the FAFSA; however, a delayed release and technical difficulties resulted in many states seeing declining financial aid application rates. A few states are beginning to explore alternative ways to identify students with financial need, such as participation in Free or Reduced Price Lunch or other government assistance programs.

States are increasingly taking the lead in making college more affordable and accessible. By expanding their financial aid programs and targeting a wider range of students, they are playing a crucial role in shaping the future of higher education.

OPTIMIZING STATE FINANCIAL AID

This section explores the critical elements of state financial aid programs, focusing on the design and implementation of programs that effectively meet the needs of all students. Within each section, you will find recommendations for how states can improve their financial aid programs. Recommendations are categorized as either Foundational or Advanced; Foundational policies and practices are those that all states should aim to implement while Advanced policies and practices are designed for states who want to go even further to provide opportunities to students underrepresented in higher education. The information and recommendations in this section are broken into four main categories:



Program Design looks at specific types of financial aid programs and how states can make them more equitable, accessible, and aligned to workforce needs.



Accessing Aid covers how students apply for, demonstrate eligibility for, and maintain their awards.



Communications & Transparency covers how states make students aware of aid programs and share data with the public and practitioners to increase aid uptake.



Special Populations includes additional considerations for adults and working learners, rural, undocumented, and justice-impacted students.

An accompanying resource, the [State Aid Benchmarking Tool](#), summarizes the recommendations and key examples for each aid program design consideration and allows states to benchmark their aid programs against best practice.

To develop the recommendations in this section and the [State Aid Benchmarking Tool](#), Education Strategy Group convened an expert advisory group on state financial aid. The advisors suggested policies and practices to be included in the tool, helped to classify Foundational and Advanced policies, iterated and refined the recommended actions, and identified exemplar state programs and policies.

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This section explores different types of financial aid programs and offers strategies for making them more equitable and accessible. Note that while not every state does or should implement each of these aid programs, we encourage those that do to follow the recommendations provided here and in the accompanying [State Aid Benchmarking Tool](#). We also recognize that many states have hybrid programs that encapsulate multiple program design elements included in this section, such as promise programs with merit and/or need-based eligibility requirements. The recommended actions are designed to more equitably support learners, but state context, including current aid programs, will need to be considered to determine which actions are the most viable.

The **Program Design** section focuses on gift aid; however, some states do offer state-sponsored work-study or loan programs. When it comes to loans, states should recognize that federal student loans are often the best option for students and be careful not to overburden students with debt. If a state is to offer student loans, the loans should be a financially better option than the private or even federal sector (e.g., lower interest rates such as the Massachusetts [No Interest Loan Program](#)) or accessible to students who cannot access federal loans (such as the California [DREAM Loan](#) for undocumented students); however, states should aim to provide enough aid for students that they are not reliant on loans.



NEED-BASED AID

Need-based financial aid refers to financial aid that is awarded based on a student's financial situation. This type of aid is crucial in ensuring that higher education is accessible to students from all economic backgrounds. By providing financial assistance based on a student's financial circumstances, need-based aid helps to level the playing field, giving low-income students the opportunity to pursue their educational goals without the burden of insurmountable debt.¹⁸ This type of financial support is essential in promoting social mobility and fostering a diverse and inclusive academic environment. It enables students who might otherwise be unable to afford college to invest in their future, ultimately benefiting society as a whole by creating a more educated and equitable workforce.

To increase equitable access to grant aid, states should make need-based aid programs as simple and broadly accessible as possible. States should first aim to offer at least one program that is based solely on a student's financial need with no additional merit requirements. Additional merit requirements can significantly limit access to aid for lower-income students, as academic performance is highly correlated with wealth.¹⁹ A study by the Urban Institute found that in addition to merit requirements, other eligibility requirements such as immediate and full-time enrollment in higher education can limit access to need-based aid for students of color. The study found that, due to the additional eligibility requirements beyond need, 39 percent of Black students with financial need received need-based state grant aid compared to 46 percent of White students with financial need.²⁰

States can further expand access to need-based aid by maximizing aid for students with need who are ineligible for federal financial aid (such as undocumented students) and allowing students multiple ways to demonstrate financial need. For example, Washington passed a law in 2024 that will guarantee financial aid for students enrolled in the Supplemental Nutrition Assistance Program (SNAP, also known as food stamps).²¹ While students will still be encouraged to file the FAFSA for other federal, state, and institutional aid, the new policy will guarantee access to the Washington College Grant for eligible low-income students.

To promote equitable access to higher education, need-based aid should be the cornerstone of a state's financial aid policy. For example, Oregon has prioritized expanding the Oregon Opportunity Grant—the state's need-based grant—to provide a strong foundation of affordability for Oregonians. A study of Oregon's financial aid programs revealed that the Oregon Opportunity Grant consistently had positive results in aiding underrepresented students. Students receiving the grant—which predominantly benefits students of color, low-income, rural, and first-generation college students—exhibit higher college retention and completion rates and earn their degrees faster compared to low-income students who do not receive the award.²² Additionally, need-based aid programs are most effective when they award the most money to students with the most need, mirroring how the Pell Grant is awarded. The Oregon Opportunity Grant follows this model with larger awards going to students with lower Student Aid Indexes (SAIs). The state has also increased the award amounts in recent years to ensure recipients continue to have strong purchasing power amidst rising college costs.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Provide at least one program that is solely based on the students' financial need.
- ➔ Award larger amounts to students with the most financial need.

ADVANCED

- ➔ Provide need-based aid to populations who are ineligible for federal need-based aid (e.g., undocumented students).
- ➔ Offer multiple means for students to demonstrate eligibility for need-based aid (FAFSA, free or reduced price lunch, SNAP, etc.).

BASIC NEEDS & NON-TUITION EXPENSES

To ensure student success and retention, it is essential that all students have their basic needs met. Basic needs are the essential requirements necessary for an individual's survival, well-being, and ability to function in society. In the context of higher education, basic needs may include but are not limited to food security, stable housing, affordable healthcare, childcare, and reliable transportation. Meeting students' basic needs enhances the impact of other financial aid programs. Investing in basic needs support creates a stable foundation, enabling students to focus on their educational goals.

Escalating costs of living, alongside rising tuition and fees, have made it increasingly challenging for many students to meet their essential needs while pursuing higher education. In 2019, a report by the Hope Center for College, Community, and Justice found that 39 percent of college students experienced food insecurity and 46 percent faced housing insecurity. These challenges disproportionately affect underrepresented student populations. For example, over half of Black and Hispanic students experience food insecurity at rates 19 and 11 percentage points higher than their White peers. Two-thirds of American Indian and Alaskan Native students experience housing insecurity. Basic needs insecurity is also more pronounced for adults and working learners, with 74 percent of students ages 26 to 30 experiencing housing insecurity. Students who have been in foster care, served in the military, have children, or have a learning or physical disability are also more likely to experience basic needs insecurity.²³ Rural students also benefit from support for non-tuition expenses such as housing and transportation as many rural students live in education deserts and either need to endure long commutes or live on campus to attend college.²⁴ In recent years, the COVID-19 pandemic has exacerbated the issue of basic needs for students; with widespread job losses and economic instability, many students and their families have struggled even more to meet essential college expenses.²⁵

To effectively address the basic needs of students, states should design aid programs that ensure state need-based aid, combined with federal need-based aid, adequately covers non-tuition expenses. For

example, a student in Washington with a SAI of \$0 who wants to attend the University of Washington could expect to receive about \$19,600 in need-based aid between the Pell Grant and Washington Grant (the state's need-based aid program).²⁶ The tuition for an in-state student at University of Washington was \$12,645, leaving this student with nearly \$7,000 to put toward food, supplies, housing, or transportation.²⁷



Moreover, states can create specific aid programs to target the non-tuition needs of low-income students. These programs should provide funds that can be used flexibly to defray various costs, such as affordable housing options, comprehensive meal plans, and textbook assistance. The [California Student Success Completion Grant \(SSCG\)](#), for instance, is designed to provide community college students with additional financial aid to cover non-tuition expenses such as transportation, books, and living costs. To qualify, students must be enrolled full-time, taking at least 12 units per semester, and must be eligible for a Cal Grant B or Cal Grant C award, which provides base financial aid for tuition and fees. The grant amounts range from \$1,298 to up to \$4,000 per semester, depending on the students' course load. A similar program out of Tennessee that paired completion grants with coaching resulted in participants being 183 percent more likely to graduate than their peers.²⁸ By implementing aid for non-tuition expenses, states enable students to attend college full-time and complete their programs on-time.

In addition to designing specialized aid programs, states can enhance support for students by providing more coordinated efforts to connect them with existing resources such as the Supplemental Nutrition Assistance Program (SNAP). States can streamline the process for

students to access SNAP benefits by offering one-stop shops on college campuses. These centralized hubs can provide comprehensive assistance, helping students navigate the application process for SNAP, housing aid, and other critical services.²⁹

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Design aid programs so that state need-based aid plus Pell will help cover non-tuition expenses.

ADVANCED

- ➔ Create aid programs specifically addressing the non-tuition needs of low-income students, such as funds to be used toward indirect costs of college (housing options, meal plans, and textbook assistance).

WORKFORCE AND SHORT-TERM TRAINING

As industries evolve, the demand for workers with specific skills increases. Financial aid helps individuals gain the necessary skills, ensuring that the workforce can meet the changing demands of the economy. Further, workforce and short-term training programs often cater to non-traditional students, such as adults returning to education, career changers, or individuals needing to upskill quickly. Younger generations are also increasingly interested in these programs; while Gen Z's interest in the traditional four-year college pathway has been declining since the pandemic, their interest in pathways such as community college, career and technical education, or on-the-job training has increased.³⁰

According to Credential Engine, over one million credentials are offered in the United States, with a significant number being offered by third-party organizations outside of higher education settings.³¹ Postsecondary institutions, particularly community and technical colleges, are well-positioned to compete by offering in-demand, high-quality workforce training programs that help learners secure good jobs and employers fill critical skills gaps. At a time when employers need rapid upskilling to fill high-demand jobs, state legislatures have invested in flexible, short-term postsecondary pathways to support both institutions and students. A recent analysis of state investments in short-term training found that states are spending at a minimum \$3.81 billion annually on short-term training and workforce development

programs, a figure that is only likely to increase as demand for short-term training grows.³²

More than half of states have a direct-to-student aid program for learners pursuing short-term credentials, and each year, more states add to this growing list of programs designed to support learners in obtaining short-term credentials. In the absence of federal “workforce or short-term Pell grants,” states with diverse political landscapes are investing in skills training to address critical talent gaps and help learners attain valuable credentials. As a first step, states should consider allowing students to use state financial aid for approved short-term and workforce training programs. For example, students in Washington can use state aid for approved certificate programs, apprenticeships, and job training programs, in addition to traditional two- and four-year colleges.

For learners, short-term training provides a nimble, often more affordable option to quickly attain skills necessary for employment. Strada's Center for Education Consumer Insights revealed learners view short-term training as valuable, a better fit for their personal needs, and additive to their current professions and career advancement opportunities compared to longer-term degree programs.³³ Yet, at the same time, the quality of short-term training is often under immense scrutiny.³⁴ Considering states do not often reliably collect or report data on short-term training, specifically noncredit training programs, questions are rightfully raised about

which short-term programs and training providers bring value to learners and employers. State subsidies for short-term training best serve learners when they provide access to credentials leading to competitive wages, upward economic mobility, and continued credit-bearing education training. While states continue to wrestle with questions of quality, furthering data collection and analysis on short-term programs and their outcomes for students and in the labor market, is a necessary solution. Short-term training programs have the potential to uplift learners often underrepresented in higher education and high-wage careers, and this potential will only be expanded upon as both state and federal legislators funnel investments into career training.

Louisiana’s MJ Foster Promise Program serves as a model for incorporating data collection into short-term training programs. Passed unanimously by the Louisiana State Legislature in 2021, the [MJ Foster Promise Program](#) is a state fund dedicated to providing financial assistance for training in high-demand industries such as construction, healthcare, information technology, manufacturing, and transportation and logistics.³⁵ The program not only increased student aid for short-term training for students from low-income backgrounds, but required enhanced data collection for institutions—public and private—that are overseen by the Board of Regents. Increasing outcomes and success reporting will be required for both noncredit activity and credit-bearing programs at a range of institutions.

To promote equitable access to workforce and short-term training programs, states can target aid at populations that are underrepresented in the workforce or a particular industry. Additionally, states can couple aid with advising to help learners identify and navigate the opportunities aligned to their goals. For example, Connecticut’s [Career ConneCT](#) program is targeted to individuals underrepresented in the workforce including opportunity youth, people with disabilities, re-entry populations, immigrants, veterans, and people of color. In addition to targeting aid toward these groups, the program provides applicants with a career coach or case manager to support them in identifying and completing training.

Finally, states should develop aid programs that support the stacking of credentials from short-term and noncredit credentials into credit-bearing programs and degrees. States participating in the [Noncredit Mobility Academy](#)—led by Education Strategy Group, SHEEO, and Opportunity America at the Progressive Policy Institute—are working to build the data and policy infrastructure to make noncredit workforce education the starting point on a pathway to a credit-bearing credential or degree. Maryland, one of the states in the Academy, has intentionally designed its aid programs to allow learners to be able to stack credentials. Learners in the state can access aid while progressing through an educational pathway, beginning in noncredit through bachelor’s degree attainment (for more information, see the text box on page 16).

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Allow students to use state aid toward quality short-term credentials and workforce training programs.
- ➔ Require institutions that receive aid for short-term training to collect and report student outcomes data.
- ➔ Prioritize aid for low-income, unemployed, underemployed, and low-wage individuals.

ADVANCED

- ➔ Develop aid programs that support the stacking of credentials from short-term, noncredit credentials into credit-bearing programs and degrees.
- ➔ Target aid at populations that are underrepresented in the workforce and at programs that lead to high-wage, high-growth careers.
- ➔ Couple aid with additional advising support for program participants to help students navigate short-term and workforce training programs and secure good jobs.

**FINANCIAL AID
STACKABILITY**
in Maryland

Maryland's state financial aid programs serve as an exemplary model for supporting students' educational journeys while aligning with workforce demands. The Maryland Higher Education Commission (MHEC) strategically stacks various aid programs—such as the Workforce Development Sequence Scholarship, the 2+2 Transfer Scholarship, and the Near Completer Grant—along an academic path. This intentional design incentivizes students to pursue education in fields with workforce shortages, facilitating seamless transitions between community colleges and four-year institutions.

Maryland's focus on occupation-based grants and scholarships, like the Workforce Development Sequence Scholarship, addresses specific skill shortages in the workforce. This scholarship provides financial assistance for noncredit certificate programs that offer immediate job opportunities and pathways to further education. This approach ensures that students acquire the necessary skills to thrive in Maryland's evolving job market, while also allowing for continued upskilling through credit-bearing education. Learners who want to continue on to enroll in credit-bearing education at a two-year institution are supported by the Maryland Community College Promise Scholarship, which provides access to aid until the student decides to transfer to a four-year institution.

Next, the 2+2 Transfer Scholarship continues to promote credit mobility by allowing students to transfer credits efficiently from Maryland community colleges to four-year institutions. This program not only supports educational progression but also ensures that students can build on their prior coursework to achieve their academic goals without unnecessary redundancy. While enrolled at four-year institutions, low-income student populations have access to multiple need-based grants to support their educational aspirations.

Additionally, for learners without a postsecondary credential, the Near Completer Grant reflects Maryland's commitment to post-traditional learners and degree completion. This grant supports individuals who have previously earned college credits but have not yet completed their degrees, emphasizing the importance of re-enrollment and the completion of postsecondary education, particularly for adults and working learners living in the state.

By implementing targeted initiatives that effectively sequence coursework and credentials, Maryland facilitates smooth educational transitions and equips students with the skills and knowledge needed for career success.

PROMISE PROGRAMS

Statewide college promise programs are initiatives designed to make higher education more accessible and affordable by guaranteeing free or low tuition at public colleges and universities for eligible students. In 2014, Tennessee launched the first state-wide promise program, [Tennessee Promise](#), which offers free tuition at the state’s community and technical colleges. Many states have followed suit and developed their own promise programs.

Promise programs can increase access to college by covering tuition and fees at all community and technical colleges in the state. Most existing promise programs cover tuition at these institutions and are “last-dollar,” meaning the promise scholarship is only applied after all other federal and state need-based aid have been applied. In practice, this means that the majority of promise dollars are going to middle- and high-income students, as low-income students often have enough financial aid from other sources to cover community college tuition. In order to ensure low-income students still benefit from promise programs, states can implement a middle-dollar program, which guarantees free tuition plus some additional amount of aid—such as a minimum award amount or the ability to use Federal grant aid—for non-tuition expenses. For example, [Oregon Promise](#) has a minimum award that low-income students can put toward non-tuition

expenses. The minimum award was originally \$1,000 and increased to \$2,000 in 2022. The 2022 reforms also stated that the minimum award amount must rise with the maximum award (based on average cost of tuition increases); as a result, the minimum award for the 2024-25 award year is \$2,124.

While most promise programs are last-dollar, first-dollar programs are the gold standard for equitable funding practices. First-dollar programs guarantee free tuition regardless of other aid received, allowing students to use other state and federal grant aid to cover non-tuition expenses. With the [Opportunity Scholarship Act](#), New Mexico established one of the most wide-reaching free-tuition programs in the country. Through the state’s Lottery Scholarship and Opportunity Scholarship, New Mexico offers free tuition at all public colleges and universities in the state for recent high school graduates and adult learners. As a first-dollar program, the state covers tuition, and students can apply federal grant aid, local scholarships, and private scholarships for non-tuition expenses. Since the Opportunity Scholarship Act was implemented, college enrollment in the state has increased each semester, and students who receive the award are eight percentage points more likely to stay enrolled.³⁶ New Mexico recently invested nearly \$1 billion to sustain this expansive free-tuition program in perpetuity.³⁷



Most promise programs are targeted at community and technical colleges, but a handful of states—such as New Mexico and New York—have expanded free-tuition programs to four-year public colleges and universities. Expanding the program to four-year institutions allows all students to access whichever institution they are admitted to, tuition free. However, expanding free tuition to four-year institutions for all students can be costly. To ensure promise programs benefit low-income students, some states institute income limits, as [Oklahoma’s Promise](#) has done.

With a growing number of states offering promise programs, it’s important for states to consider equitable program design. Equitable design is especially important in the face of criticism that last-dollar promise programs are regressive, funneling the most money to higher income students. However, the simplicity of the “free college for all” message is powerful, and low-income students in particular are positively impacted by messaging.³⁸ Instituting minimum awards or first-dollar programs can help make promise programs drivers of economic mobility.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Provide free tuition at community and technical colleges.
- ➔ Include a minimum award amount or middle dollar program so high-need/ full Pell-eligible students will still receive funding that can be used toward non-tuition expenses.

ADVANCED

- ➔ Provide free tuition at two- and four-year institutions.
- ➔ Provide a first-dollar promise program, making tuition free for all students and allowing students to use additional aid (such as Pell) for non-tuition expenses.
- ➔ Develop a tuition cap at select institutions to make college an affordable option for low- and middle-income students.

CONSIDER THE TRADEOFF

The simple message of universal “free college” can be a powerful communications tool and driver of enrollment; however, last-dollar programs often award little to no money to low-income students who qualify for other need-based aid. Middle- and first-dollar programs do a better job of ensuring low-income students benefit from the promise program, but can be expensive to fund.

**A UNIQUE
PROMISE**
in North
Carolina

In 2018, **North Carolina** implemented the NC Promise Tuition Plan. NC Promise is unique from other state programs in two key ways. First, the program is only offered at a few select four-year institutions. Among the four institutions are two Historically Black Colleges and Universities, one Historically American Indian University, and the westernmost institution in the UNC system located in rural Appalachia. Second, the program does not offer free tuition, but instead caps tuition at \$500 a semester for in-state students and \$2,500 for out-of-state students (one of the only programs to guarantee reduced tuition even for out-of-state students). The state provides supplemental funding to cover the loss in tuition revenue, providing \$82.5 million for the program in 2024.³⁹

The NC Promise institutions were all experiencing enrollment challenges before the program, with some even facing the possibility of closure. The effects of NC Promise on these institutions have been largely positive, with all institutions enjoying increased enrollment in the initial years of the program. For example, since becoming an NC Promise institution, Elizabeth City State University's student body has grown more than 52 percent.⁴⁰

In 2023, North Carolina also announced that students from families making \$80,000 a year or less will have community college tuition and fees covered via the Next NC Scholarship, which combines the federal Pell Grant with state financial aid. The state has also kept tuition flat at all UNC System schools for eight years in a row, and the Next NC Scholarship covers at least half of the tuition and fees to any public state university for eligible students.⁴¹

Through NC Promise, the NC Next Scholarship, and flat tuition, North Carolina is keeping higher education affordable for its citizens.



EVOLUTION OF FREE COLLEGE in New Mexico

New Mexico has a nearly 30-year history of making college tuition free or nearly free for its residents. Over the past three decades—and particularly in the past five years—New Mexico’s aid programs have evolved to become more accessible and cover a larger share of college costs.

- **1996:** The Lottery Scholarship is introduced, which provides tuition-free college to recent high school graduates.
- **2018:** The Lottery Scholarship is reduced to cover between 60 to 90 percent of tuition.⁴²
- **2019:** Governor Lujan Grisham proposes the Opportunity Scholarship, a last-dollar scholarship program that will provide aid at public two- and four-year institutions in the state. Recent high school graduates, adult learners, and undocumented students will all be eligible. However, the bill does not make it past committee.⁴³
- **2020:** A pared down version of the Opportunity Scholarship is added to the budget. The program will only be available at public two-year institutions. Students will be required to use other state aid and scholarships to cover tuition and fees before the Opportunity Scholarship is applied. Federal financial aid is applied after the scholarship, so students can use their Pell Grant for non-tuition expenses.⁴⁴
- **2021:** The New Mexico Higher Education Department announces that the Lottery Scholarship will go back to covering the full amount tuition for recent high school graduates at all public and Tribal colleges and universities.⁴⁵
- **2022:** Governor Lujan Grisham signs the Opportunity Scholarship Act, which leverages the Lottery Scholarship and the Opportunity Scholarship to provide first-dollar free tuition to students. The program is the only state-funded scholarship to include both recent high school graduates and returning adult learners, accommodate part-time students, include undocumented students, and accommodate part-time students.⁴⁶ The program allows students to stack federal aid and private scholarships to cover non-tuition expenses.
- **2024:** New Mexico creates a \$959 million trust to fund the Lottery and Opportunity Scholarships in perpetuity.⁴⁷

Over time, New Mexico adjusted its free college program to keep up with the cost of tuition and expanded the program to serve more learners in the state. As for the effectiveness of New Mexico’s aid programs, data has shown that receiving the Opportunity Scholarship has supported students in making strides toward degree and certificate completion. Scholarship recipients during the 2022-23 academic year were eight percentage points more likely to persist or graduate, and the number of students earning short-term career training increased by 39 percent.⁴⁸

MERIT AID

While need-based aid is more effective at targeting aid to low-income students and other underrepresented groups, many states still offer merit aid—financial aid that is based on a student’s academic performance—or programs that have a mix of merit and need components. For most states, merit aid eligibility is determined based on GPA and/or ACT or SAT scores. While merit aid may increase overall enrollment, these programs may also exclude low- and moderate-income students and those who are not recent high school graduates.⁴⁹ Students of color are also disproportionately less likely to receive merit awards.⁵⁰ One reason states may choose to offer merit aid is to reduce brain drain by encouraging high-achieving students to stay in-state for college. However, going to college in-state does not guarantee a student will stay in the state after graduation. In fact, a study by Handshake found that in 2022-23, 83 percent of applications submitted by graduating college students were to jobs outside the state where the candidate was enrolled.⁵¹



States can still take steps to make merit aid programs more accessible. If the state plans to use SAT or ACT test scores as criteria for merit aid, then the state should provide those tests free of charge to all high school students. States should also provide multiple ways for students

to demonstrate merit to increase the number of students who qualify for these awards. For example, the TEXAS Grant provides multiple ways for students to meet eligibility including completing 12 hours of college credit, graduating in the top third of the high school graduating class, earning a 3.0 GPA, completing one math course beyond Algebra II, or completing an advanced career and technical course. For hybrid programs that include both need and merit requirements, states can increase access by aligning the merit requirements to college admission requirements. For example, if a university system requires a 3.0 GPA for admissions, the merit aid requirement should also be a 3.0. If a student is able to earn admission to a college based on their academic performance, then that student should be entitled to state-based merit aid.

States can also leverage merit aid to encourage students to engage in activities that increase the likelihood of college enrollment and persistence, such as enrollment in advanced coursework or completing a college-prep curriculum. In Kentucky, students can earn the Kentucky Education Excellence Scholarship (KEES) by having a GPA of 2.5 or higher each year of high school and can also earn “bonus awards” by scoring a 15 or higher on the ACT or earning a qualifying score on Advanced Placement, International Baccalaureate, or Cambridge Advanced International exams. For example, an eligible student could earn an additional \$250 for each year of college for scoring a 5 on an Advanced Placement exam.

In states that have robust need-based aid, merit aid can also help middle-income students who are not eligible for federal or state need-based aid, but still cannot afford the total cost of college. For example, the Mississippi Tuition Assistance Grant has broadly accessible merit requirements (2.5 GPA and 15 on the ACT) and is available to students who are eligible for less than the maximum Federal Pell Grant. This grant excludes the students with the highest need but still captures other low-income students who may only be receiving a partial Pell Grant and middle-income students who are not Pell-eligible.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Provide multiple ways for students to demonstrate merit including GPA, test scores, attendance, class rank, or completing a specific curriculum.
- ➔ Only require standardized testing scores if ACT or SAT is provided for free to all students.
- ➔ Align merit aid requirements to college admission requirements.

ADVANCED

- ➔ Leverage merit aid programs to encourage students to engage in activities that increase the likelihood of college persistence such as completing advanced coursework or a college-prep curriculum.
- ➔ Use merit aid to target middle-income students who may not be eligible for need-based aid.
- ➔ Develop a merit-aware index that takes into consideration the academic profile of a student's high school and the student's academic experience.

A Merit-Aware Index

The main drawback of merit-based aid is that the requirements often disproportionately advantage wealthy students while excluding historically underrepresented students such as low-income students, students of color, and adult learners. Because of the economic disparities in our education system, low-income students are more likely to attend schools that lack sufficient resources and often face challenges in academic performance. There is an argument to be made that students should not be denied financial aid because the schools they attended did not prepare them as well for higher education.

A **merit-aware index** is one potential solution to this problem. Such an index takes into consideration a student's academic experience by reviewing the academic profile of a student's high school and evaluating how a student performs compared to their classmates.⁵² The idea is that the index would help level the playing field by not punishing students who attend under-resourced schools. For example, a student who scores a 23 on the ACT when the average for their high school is a 17 (6 point

difference) would have a higher index score than a student who scores a 25 at a school with an average ACT score of 22 (3 point difference).

No state currently uses a merit-aware index for financial aid, though similar ideas do exist in admissions and accountability policies. For example, Texas's Top 10% Plan guarantees admissions to universities in Texas for students who graduate in the top 10 percent of their class. Instead of all students in the state being held to a particular GPA or ACT threshold, students are instead evaluated based on how they perform compared to their classmates.

A merit-aware index would require the state to have strong data infrastructure to be able to build the index. The index may also make it harder for students to know whether they meet the eligibility criteria than a uniform GPA or ACT cut score. However, if a state is able to develop such an index, it could help reduce the often inequitable distribution of merit-based awards.



PROGRAM ALIGNMENT & SIMPLICITY

In addition to applying for federal aid, institutional aid, and private scholarships, many students are also accessing multiple aid programs within a state. Often the eligibility, renewal criteria, and even applications for these programs differ, creating confusion for students on how to access aid and what they will qualify for. Evidence shows that program complexity can undermine the effectiveness of financial aid.⁵³

To reduce complexities, states should utilize the same eligibility (i.e., income thresholds, ACT scores, etc.) and renewal criteria (i.e., college GPA, enrollment status, etc.) across programs. For example, if the state's promise program requires full-time enrollment but the need-based program allows for part-time enrollment, shifting the promise program to allow part-time enrollment can reduce confusion for students.

An even stronger approach to aid simplification is to consolidate multiple programs into one, comprehensive program. Until recently, North

Carolina had three main financial aid programs: the Education Lottery Scholarship, the Community College Grant, and the Need-Based Grant. The institutions where these awards could be used, the financial need threshold, and award amounts all differed. Further, while the first two used the federal expected family contribution calculation, the Need-Based Grant had a separate calculation for financial need. In 2021, supported by advocacy from the NC Community College and the University of North Carolina system, the state consolidated the three programs into the Next NC Scholarship.⁵⁴ The new scholarship leverages state and federal aid to ensure North Carolinians from households making \$80,000 or less have tuition and fees covered at any community college and more than half, if not all, of tuition and fees covered at public universities in the state. Although the program is administered differently on the back-end between two- and four-year colleges due to decision deadlines and cost of attendance, students and families only see one simple scholarship.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Utilize the same eligibility and renewal requirements across all aid programs.

ADVANCED

- ➔ Consolidate programs into one simplified aid program.





Once you have determined the types of aid programs available for students in your state, consider the process that students must navigate to **access these resources**. This involves improving how students apply for, demonstrate eligibility for, and maintain their awards.



APPLICATIONS

In 2024, the rocky rollout of the Better FAFSA called nationwide attention to the pivotal role that financial aid applications play in unlocking access to postsecondary education. Yet, one of the most potentially devastating consequences of the 2024 “FAFSA fiasco” has yet to unfurl; if states lack trust in the federal financial aid application, they may be discouraged from integrating it within their state aid systems.

Regardless of glitches in the FAFSA, separate state aid applications with varying requirements and deadlines only complicate the aid landscape for students. While students can technically file the FAFSA until the end of the award year, most state aid programs require students to take action months in advance of their planned enrollment. A nationwide scan of the 2014-15 funding year found that, on average, state aid application deadlines fell more than 400 days prior to the federal government’s June 30 deadline.⁵⁵ Often, deadlines are used to siphon limited need-based aid on a first-come, first-served basis. Consequently, the students most in need of aid—such as adult students and rural students—frequently miss their opportunities to access assistance from the state.^{56,57} The severity of “under-filing” is difficult

to diagnose, but researchers have estimated that nearly *half* of Pell-eligible students are late to apply for state aid.⁵⁸

Aligning with federal application deadlines can promote flexibility and simplicity for students, as can reducing the number of separate applications students must complete. In fact, some states are experimenting with ways to award aid based on information the state already collects, removing the need for *any application at all*. In Indiana, the state now automatically enrolls 7th and 8th grade students who are financially eligible for Free and Reduced Price Lunch into the [21st Century Scholars](#) program, which covers up to full tuition at public colleges and partial tuition at private colleges in the state. Parents and guardians no longer need to complete an application for their students, and students who meet program eligibility requirements (such as earning a high school diploma and 2.5 GPA) by high school graduation will receive the award upon enrollment. To optimize access, states should work to integrate their systems with the FAFSA, and investigate opportunities to proactively award aid to students for whom application requirements and deadlines pose the steepest barriers.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Use FAFSA (and a state-based alternative for students who are ineligible for the FAFSA) as the sole application for state financial aid.
- ➔ Utilize summer deadlines to ensure students have time to complete the application.

ADVANCED

- ➔ Implement a universal FAFSA policy to increase FAFSA completion and increase FAFSA application support.
- ➔ Institute a rolling application deadline so students can apply for aid anytime throughout the year.
- ➔ Automatically enroll eligible students in state aid programs.

CONSIDER THE TRADEOFF

Automatically allowing students to demonstrate financial need through means other than the FAFSA can eliminate the cumbersome form which is often a barrier for students; however, it can also disincentivize students from completing the form which could provide access to the Pell Grant and other federal aid. States still need to prioritize ensuring eligible students are completing the FAFSA so as to not miss out on federal aid.

INCOME THRESHOLDS

State financial aid programs play a critical role in making higher education accessible to students from diverse economic backgrounds. By setting income limits, states can prioritize resources for low- and middle-income students who may not have the financial means to afford education or training without assistance. Additionally, income thresholds help manage the limited funds available for state aid programs, making sure that the financial assistance reaches a greater number of students who are most at risk of being unable to pursue education due to financial barriers. This system also promotes fairness and social mobility by giving lower-income students improved access to educational opportunities, ultimately helping to break cycles of poverty and contributing to a more equitable society. States should use federal designations of need—including the Pell Grant or the Student Aid Index—for state need-based aid determination in order to limit confusion for students. North Carolina, for example, used to use its own calculation of need for one of its grants, but shifted to the federal calculation in recent years to promote greater clarity.

While Pell eligibility is a crucial determinant for need-based aid, it is also important to extend

financial assistance to middle-income students who may not qualify for federal aid but still face financial barriers. Providing need-based aid beyond Pell eligibility can bridge this gap. The [Oregon Opportunity Grant](#) serves as a model of how states can offer the most aid to students with the most need while still providing awards for students who are just beyond Pell eligibility. The Opportunity Grant is Oregon's largest state-funded, need-based grant program, and in recent years, the state has worked to elevate the income threshold to capture students who may not qualify for the Pell Grant and to adjust the award based on a student's Student Aid Index (SAI). For the 2024-25 academic year, students with the lowest SAI can expect to receive up to \$7,524 and those with an SAI between \$7,500-\$8,000 (beyond Pell eligibility in most cases) can receive up to \$1,788. By prioritizing those with the highest financial need while still extending aid to middle-income students, the Opportunity Grant effectively bridges the gap left by federal financial aid. In California, the [Middle Class Scholarship](#) supports students whose family income and assets are up to \$217,000 in pursuing credentials at a public college or university.

Recommended Policies & Practices

FOUNDATIONAL

- Utilize Pell eligibility (or a comparable SAI calculation for students unable to file the FAFSA) as the determination for state need-based aid.

ADVANCED

- Provide need-based aid beyond Pell eligibility to middle-income students.

CONSIDER THE TRADEOFF

Many middle-income students do not qualify for need-based aid, yet are still not able to afford the total cost of attendance of college. At the same time, allocating a portion of financial aid funds to middle-income students could reduce the resources available for low-income students, who depend more significantly on financial assistance. Keep in mind that middle-income students are also more likely to qualify for and receive merit-based scholarships, which can mitigate their financial need.⁵⁹

AWARD AMOUNTS

As tuition and cost of living expenses rise, it is important for states to ensure financial aid continues to have strong purchasing power at public institutions. To start, states should aim for aid programs (particularly need-based aid and promise programs) to cover tuition and fees at all public institutions in the state for low-income students. Building off the federal Pell Grant, increasing investments in need-based aid, and reforming promise programs can all help ensure the students with the most need are able to afford tuition at any public institution they earn admission to. Affording tuition is an important first step, but as noted, non-tuition expenses can also create barriers to access for students. The most equitable state financial aid policies ensure that gift aid will cover the cost of attendance for low-income students in the state. Doing so ensures that students are not limited in their higher education options due to their family's financial resources.

In addition to federal and state financial aid, some students may also receive institutional aid and private scholarships. While states do not control institutional aid programs, they can help regulate some institutional aid practices. Sometimes, institutions will reduce institutional aid when a student receives a private scholarship. A 2013 study found that 20 percent of colleges nationwide reduce institutional grants when a student earns a private scholarship, even if the student still has demonstrated financial need.⁶⁰ A handful of states have begun to implement scholarship displacement policies in order to ensure students' aid packages



are not negatively impacted by hard-earned private scholarship dollars. Institutions in these states still have to comply with the federal regulations around overawards if students' aid packages exceed the cost of attendance or their estimated need.⁶¹ In 2022, California passed a scholarship displacement policy and was the second state to pass such a policy at both public and private colleges. The policy is focused on preventing scholarship displacement for low-income students, prohibiting institutions from reducing institutional gift aid for students who are eligible for a Pell Grant or state need-based aid as a result of private scholarships, unless the student's gift aid exceeds the full cost of attendance.⁶²

Recommended Policies & Practices

FOUNDATIONAL

- State aid, in combination with federal aid, should cover tuition and fees at all public institutions for low-income students.

ADVANCED

- State aid, in combination with federal aid, covers the cost of attendance (i.e., room and board, transportation, books and supplies in addition to tuition and fees) at all public institutions for low-income students.
- Implement a scholarship displacement policy to prevent institutions from reducing aid for private scholarships (as permitted by federal regulation).

ENROLLMENT STATUS

Enrollment requirements can pose significant barriers to financial aid for students who choose to delay postsecondary education, need to work while enrolled in college, or have to manage family responsibilities. Current policies, which often require immediate and full-time enrollment, disproportionately impact underrepresented students. Research has shown that low-income students are more likely to attend part-time and work while in college than their higher-income peers.⁶³ High school recency policies, which mandate recent graduation as a criterion for aid eligibility, can hinder adults and working learners who wish to return to education after several years. Another study found that Black students are less likely to immediately enroll in college, rendering them ineligible for many state need-based aid programs.⁶⁴

For states interested, a more expansive approach would be to amend eligibility criteria to allow aid regardless of the time elapsed since high school graduation and to support students who need to enroll part-time. State programs can mirror the Pell Grant, which pro-rates awards for part-time students, by extending financial aid eligibility to part-time students and ensuring proportional financial support based on enrollment. States can also allow students to access aid even if they do not immediately enroll in college following high school graduation. Removing immediate enrollment requirements will open up aid to adult and working learners and to recent high school graduates who

need to save up money for college or simply do not feel prepared to invest in college immediately.

While allowing part-time students and students who defer enrollment to be eligible for financial aid may increase access for some students, research also shows that students who enroll immediately and full-time are more likely to persist and complete.⁶⁵ At the same time, high costs hinder persistence with 29 percent of students citing cost as a significant barrier to maintaining enrollment.⁶⁶ States can make aid available to nontraditional and working students while also incentivizing behaviors that increase the likelihood of completion by developing targeted grants to reward students for enrolling in 15 credits per semester, taking credit-bearing courses during summer sessions, meeting regularly with academic advisors, and enrolling directly after high school. For example, Indiana's [Frank O'Bannon Grant](#) offers performance incentives to encourage seamless enrollment and timely degree completion. In the 2024-25 award year, students can earn \$900 a year for having a 3.0 GPA and additional bonuses for completing 30 credit hours in an award year. A study of scholarship bonuses (which were provided to students *on top* of their existing financial aid) for students who met certain requirements such as maintaining at least a "C" average and enrolling full-time found that the scholarship increased graduation rates by 3.3 to 4.5 percentage points.⁶⁷

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Allow students to access state aid who do not enroll immediately after high school.
- ➔ Allow students to enroll less than full time.

ADVANCED

- ➔ Provide additional, targeted grants to incentivize and reward strong enrollment behaviors such as taking credit-bearing courses over the summer, enrolling in 15 credits a semester, meeting with an advisor, or enrolling directly after high school.

CONSIDER THE TRADEOFF

Students who enroll immediately after high school and enroll full-time are more likely to persist and graduate on time.⁶⁸ Timely graduation reduces the overall cost of postsecondary education and enhances students' ability to enter the workforce sooner, maximizing the return on investment for students and states. However, full-time requirements miss the opportunity to support working learners in earning a postsecondary credential at a time when that population of learners is growing.

RENEWAL ELIGIBILITY

In order to maintain eligibility for federal financial aid, students must meet certain GPA, enrollment, and degree progression requirements, collectively known as Satisfactory Academic Progress (SAP). SAP requirements are established by the institution and must include an academic measure (generally a 2.0 GPA) and completion of a program within 150 percent of its published length.⁶⁹ However, many states impose stricter requirements for state aid renewal, such as requiring a 2.5 GPA. States can enhance alignment by adopting the federal SAP standards including a 2.0 GPA and allowing part-time enrollment. Additionally, students should be able to appeal and regain state aid, just as they are allowed to do for federal aid.

Strict renewal eligibility requirements disproportionately impact low-income and underrepresented students. One study of Pell recipients at community colleges in California found that one in four students are likely to not make SAP in their first two terms. Rates of SAP failure were the highest for students with experience in the foster care system, 34 percent of whom failed to maintain SAP eligibility.⁷⁰ While SAP reforms primarily need to occur at the federal and institutional levels, states can support institutional reforms (see [The Overlooked Obstacle](#) for institution recommendations and an institutional SAP audit tool). This includes

mandating institutions clearly communicate SAP requirements, developing a clear SAP warning policy, and providing support to institutions to expand resources for students navigating the appeal process. The state can also require institutions to broaden the scope of what are considered “other special circumstances.” These circumstances might include experiencing homelessness, behavioral and mental health conditions, pregnancy or the birth of a child, loss of childcare, loss of employment, being the victim of a crime, or a natural disaster.⁷¹ Explicitly listing these options provides clarity to both aid officers and students facing such hardships, ensuring fair consideration during the appeal process.

In the last few years, California has taken policy action to reform SAP guidelines. First, in 2019, the state passed [Senate Bill 150](#), which created unique SAP requirements for Chafee Education and Training Voucher (ETV) recipients. Chafee ETV serves students who are engaged in the foster care system, and recipients can now receive funding for up to two years while not making SAP if the student has an academic improvement plan. Then, in 2020, the state adopted [Assembly Bill 2416](#), which clarified that homelessness should be considered an extenuating circumstance in SAP appeals.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Utilize satisfactory academic progress (SAP) requirements for award renewal eligibility and allow students to regain access to state aid.

ADVANCED

- ➔ Support institutions in communicating SAP requirements, developing a straightforward appeal process, and providing support to students with a financial aid SAP warning to get back on track or navigate the appeal process.



Effective **communication and transparency** are pivotal in maximizing the impact of state financial aid programs. This section explores how states can ensure that students, families, and advisors are fully informed about the available aid programs and the processes for accessing them. Additionally, this section highlights how states can share data with the public and practitioners to foster a deeper understanding of financial aid opportunities and ultimately increase aid uptake.



COMMUNICATIONS

A robust communications strategy for state financial aid programs is crucial to ensure that potential aid recipients and their families are well-informed and can easily access resources available to them. Clear, targeted communication helps to demystify the aid application process, reduce barriers to receiving funding, and ultimately increase the likelihood of postsecondary enrollment. To maximize uptake and reduce ambiguity surrounding the state financial aid process, states can adopt strategies to improve communication, as well as strengthen consistency of messaging and transparency.

Foundational to effective state aid communications is the development of a statewide campaign on college affordability that informs key stakeholders of the availability of financial aid options. In addition to bolstering the dissemination of available aid, a statewide campaign can help dispel perceived financial barriers to college, addressing common anxieties and misconceptions around the cost of college and encouraging more students to consider postsecondary education.

States can also take steps to update and standardize how essential information around aid is communicated to students. Each scholarship offered by a state should have its own user-friendly landing page that includes details such as eligible institutions, need or merit requirements, age and other eligibility requirements, deadlines, award amounts, and application timelines. The [Maine State Grant Program's landing page](#), for instance, clearly identifies who is eligible for aid, how prospective recipients can apply, and answers for frequently asked questions. Iowa provides similar information for each of its grants on separate landing pages and additionally features them all on a [grants overview page](#), which provides website visitors with a brief description of each program. An additional measure that states can take to ensure a straightforward user experience and increase accessibility of information, especially for those with lower technological literacy, includes making sure that the website is responsive and can be used on mobile and desktop devices. Further, states can provide information in multiple languages like [Oklahoma](#), which provides financial aid resources in Spanish.

Students and families can face challenges when reading through inconsistent or unclear financial aid offers, which can make it difficult to make informed decisions when selecting an institution. A study by New America and uAspire found widespread issues surrounding financial aid offers, such as jargon, lack of cost information, and misleading presentation of aid.⁷² Establishing common language and standardized formats for financial aid communications not only enables students to compare aid packages from different institutions, but also to cut through jargon and better understand the true cost of college and their financial expectations. In 2016, New York began requiring all institutions of higher education to provide a uniform Financial Aid Award Information Sheet to help students better understand and compare financial aid offers from New York colleges.⁷³ The state also provides a [Financial Aid Award Letter Comparison Tool](#) so students can easily compare offers across colleges.

Customized and early communications are also essential components of state outreach. Communications about financial aid should reach students well before their senior year. In Michigan, students eligible for its [Tuition Incentive Program](#) are sent promotional materials as early as middle school. Targeted outreach that communicates students' eligibility for aid before they apply has been found to increase application and enrollment rates for low-income students.⁷⁴ Tying financial aid awards to other postsecondary initiatives can also help streamline the awarding process for both states and students. One approach being piloted by Washington is integrating financial aid information with the state's direct admissions program. The state's direct admissions initiative, known as [Washington Guaranteed Admissions Program \(WAGAP\)](#), will notify students of where they are admitted and how much Washington College Grant aid they qualify for concurrently.

Providing students and families with well-informed messengers and user-friendly tools can additionally help reduce confusion and misinformation about state financial aid. For instance, encouraging community figures already trusted by students such as school counselors, college advising mentors, and youth-serving organizations to share

key information on state financial aid programs can increase the reach of a statewide campaign. These individuals and organizations are well-positioned to offer tailored advice and support, and students may be more inclined to engage with a trusted advisor. States can best leverage trusted individuals and organizations by providing training for advisors on affordability to boost accuracy of information shared and better guide students.

States can also implement a range of tools, such as aid calculators and real-time digital assistance, to help students and families navigate the financial aid process effectively. Similar to institution-based aid calculators that estimate the amount of aid individuals will receive from a given college or university based on their income, states can also provide students with an estimate of their state aid. North Carolina provides students with such via the [Next NC Scholarship calculator](#), which allows students to estimate their expected federal and state gift aid based on their Student Aid Index (SAI). Recognizing that information around state aid often features jargon or less

commonly understood terminology, North Carolina worked with a marketing agency to identify how to make their language more accessible to students. They learned that terms like Expected Family Contribution and Student Aid Index are not understood by many students and families, but Adjusted Gross Income (AGI) is. As such, they communicate eligibility for the Next NC Scholarship based on AGI.

Some states have also begun to leverage AI by developing a chatbot or free texting service to answer basic questions around aid programs and FAFSA completion, offering real-time assistance and supplementing the support of high school counselors. For instance, in Arizona, students and their families have access to [AskBenji](#), a digital FAFSA chatbot that provides free 24/7 support to help families complete the FAFSA. Tools such as these are especially helpful for students without access to counselors and other advisors, such as students in under-resourced and rural communities.

Recommended Policies & Practices

FOUNDATIONAL

- Develop a statewide campaign on college affordability.
- Require common terms and elements of financial aid offers and ensure all financial aid elements have precise, consumer-friendly definitions and titles.
- Create a landing page for each scholarship including information such as eligible institutions, need and/or merit requirements, age requirements, deadlines, award amounts, and scholarship application timeline, etc. and provide information about aid programs in multiple languages.
- Develop a state aid calculator so students can see estimated aid at the state's colleges in one place.
- Begin outreach to students about aid program eligibility as early as middle school.

ADVANCED

- Develop a chatbot or free texting service to answer basic questions around aid programs and FAFSA completion.
- Send direct communications to students before they apply with information on the state aid they qualify for.
- Tie financial aid awards to a state's direct admissions initiative so students can see where they are admitted and how much aid they qualify for.

DATA

Strong data practices enable states to understand the effectiveness of aid programs and equip advisors with the information they need to help more students access aid. First, states should publicly report on and disaggregate key metrics related to state aid programs such as FAFSA and other aid application completion, aid uptake and renewal, unmet need, student borrowing, and average aid coverage by institution. Publicly reporting on aid allows policymakers and taxpayers to understand the financial needs of students and provides transparency in the distribution of aid. Michigan's [MI Data Sharing Center](#) has dashboards on FAFSA completion and aid programs including the number of eligible students who received aid and average awards by institution. Ultimately, robust reporting can inform program design and improvements to better serve students' financial needs.

In addition to publicly reporting on financial aid metrics, states should evaluate student outcomes to assess the effectiveness of aid programs and ensure they achieve their intended goals. States can also develop measures of the return on investment for state financial aid to help determine which students benefit the most from their aid programs, where to make further investments, and the optimal balance of direct-to-student and direct-to-institution funding. Research has shown that financial aid increases graduates' income later in life, which helps offset the upfront expense of aid

programs. For instance, a study in California found that state aid resulted in a three to four percent increase in reported earnings for low-income students.⁷⁵ Similarly, Kentucky's 2021 [Higher Education Return on Investment](#) report found that a college-educated citizen contributed \$283,000 to \$1.2 million more to the state's economy over a lifetime, adding billions of dollars to the economy.⁷⁶

In addition to informing the public and shaping program design, strong data-sharing practices can help ensure more students have access to financial aid. While FAFSA completion dashboards are useful for understanding overall trends in application completion, schools and counselors need access to student-level completion information. North Carolina is one of the leading states when it comes to strong data sharing practice. The state's [Finish the FAFSA](#) initiative has established data sharing agreements with school districts to provide logins for high school counselors and college advising partners to view whether students have completed the FAFSA or were flagged with errors. Counselors and other advisors use that information to provide targeted support to ensure every college-bound student applies for aid.

By implementing these comprehensive data practices, states can enhance the effectiveness of their financial aid programs, better meet students' financial needs, and ultimately contribute to a more educated and economically stable population.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Report on key metrics related to aid such as FAFSA completion, aid uptake and renewal, average costs by institution, unmet need, and average aid coverage by institution.
- ➔ Disaggregate data with a special focus on students historically underrepresented in higher education, such as low-income students, first-generation college students, and students of color.
- ➔ Provide counselors and nonprofit college advisors with data on FAFSA completion and eligibility for state financial aid.

ADVANCED

- ➔ Report on metrics to help measure the return on investment of aid such as time to degree and wages by degree.
- ➔ Conduct regular evaluations of aid programs to determine effectiveness of the programs in increasing access and success for underrepresented students.

PARTNERSHIPS

Effective state financial aid programs leverage partnerships to increase aid awareness, reach eligible students, strengthen data systems, and provide robust support for aid recipients. By partnering with school counselor associations, college access organizations, and other youth-serving entities, state education assistance agencies can equip frontline advisors with the necessary knowledge and tools to support students in understanding and accessing state aid. These student-facing advisors are trusted messengers for students and often students' primary support through the aid application process. These partnerships should deliver comprehensive training and resources, ensuring advisors are well-informed about state aid programs and adept at advising students on various aspects, such as understanding college costs, interpreting financial aid offers, and accepting aid offers. For instance, the Kentucky Advising Academy is a state-wide initiative sponsored by the Council for Postsecondary Education that provides resources for advisors including a [Postsecondary Advising Toolkit](#) and professional learning series, which include resources on paying for college.

States can also partner with mentoring organizations to support students in accessing aid and completing higher education. The [tnAchieves](#) program exemplifies this approach by pairing Tennessee Promise applicants with community volunteer mentors to guide them through the application and enrollment processes. In addition to training and recruiting mentors, tnAchieves also develops resource guides and toolkits, oversees college completion coaching programs, and hosts summer bridge programs for academically

underprepared students. Students who participate in tnAchieves are 71 percent more likely to be retained from year one to year two and more than twice as likely to graduate in three years compared to non-tnAchieves students attending community and technical colleges in the state.⁷⁷

State education assistance agencies can also leverage cross-agency partnerships to increase aid access and uptake. For example, partnerships with the Department of Corrections can ensure justice-impacted students are informed about and have access to state aid programs while incarcerated or upon re-entry. When it comes to identifying students for need-based aid, state education assistance agencies can partner with other agencies that have information about students' economic status, such as the state department of education, health and human services, or social services. For example, the Washington Student Achievement Council partners with the Office of Superintendent of Public Instruction to identify students eligible for free or reduced price lunch for auto-enrollment into the [College Bound Scholarship](#) and will partner with the state's Department of Social and Health Services to identify students participating in the Washington Basic Food Program for automatic eligibility for need-based aid. Similarly, Michigan Student Aid partners with the state Department of Health and Human Services to identify eligible Medicaid recipients for [Tuition Incentive Program](#). The agencies also share data in order to provide student-level information to school counselors about students' eligibility for the Tuition Incentive Program.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Partner with school counselor associations, college access organizations, and youth-serving organizations to promote financial aid messaging and provide affordability training.

ADVANCED

- ➔ Partner with and develop data sharing agreements with other state agencies to promote state aid and identify eligible recipients.
- ➔ Partner with mentoring organizations provide mentoring to program recipients.

**CROSS AGENCY
PARTNERSHIPS
PROMOTE ADULT
ATTAINMENT**
in Tennessee

The **Tennessee** Higher Education Commission (THEC) has identified innovative ways to leverage state agency partnerships to share information on the Tennessee Reconnect program and increase the number of adults and working learners accessing aid.

- The Tennessee Department of Labor and Workforce Development helped create the Reconnect the Workforce initiative to connect Tennesseans receiving unemployment benefits with the TN Reconnect program. Full-time students enrolled in an eligible TN Reconnect program can satisfy their weekly work search requirements through this initiative.
- The Department of Human Services (DHS) utilizes a two-generation approach to address poverty by connecting children and their parents with resources. The agency's 2Gen initiative recognizes the strong correlation between educational attainment and socioeconomic status. Through the initiative, DHS works to connect parents receiving services with TN Reconnect while also ensuring student parents have access to DHS resources.
- In partnership with the Department of Corrections, Re-Entry Navigators work with justice-impacted individuals to help them complete financial aid applications and access TN Reconnect upon re-entry.
- Realizing many of its staff did not have a postsecondary degree, the Department of Transportation partnered with THEC to create TDOT Reconnect—a program to connect employees with TN Reconnect for upskilling in the transportation field.
- The Tennessee Reconnect Ambassador program equips community members to encourage and support adults in accessing TN Reconnect to obtain a postsecondary credential. THEC collaborates with the Departments of Labor and Human Services to provide ambassador training to their employees, capitalizing on their frequent interactions with adults across the state.



Financial aid is a critical tool for expanding access to higher education, especially for students who have been historically underrepresented. This section explores how states can design programs to support adult and working learners, undocumented students, rural students, and justice-impacted learners. Each of these groups faces unique challenges that can hinder their educational attainment, from balancing work and family responsibilities to navigating legal and geographic barriers. While this list of **special populations** is by no means exhaustive, these groups represent a significant portion of students and have become a focus for states as they tailor financial aid programs and policies to better meet students' needs. By designing financial aid programs that address the specific needs of these populations, states can play a pivotal role in ensuring that all students have the opportunity to succeed in higher education.



ADULTS AND WORKING LEARNERS

Adults and working learners account for more than one third of college students in the United States. In fall 2021, NCES estimated nearly 6.5 million adults above the age of 25 were enrolled in higher education.⁷⁸ However, nationwide attainment rates suggest that adults and working learners are severely under-engaged: as of 2022, 34.7 percent of Americans ages 25-64 had never engaged with postsecondary education and 11.1 percent had accumulated some college credit but never earned a credential.⁷⁹ As people get older, their financial lives become more complex and varied. In fact, a 2022 Gallup study found that for every year increase in age, an individual's likelihood of enrolling in a postsecondary program decreases by 0.9 percentage points. Unsurprisingly, the same study found that financial challenges are the most commonly cited obstacle for adults considering postsecondary enrollment.⁸⁰ Thus, financial aid is one of the most important supports that states can offer to older students.

Propelling adults toward degree attainment is both an economic imperative in a labor market that increasingly positions postsecondary credentials as gateways to quality work and necessary for states to reach their attainment goals. However, state aid programs are combatting inertia; many of the flagship design features of aid programs create exclusionary barriers for adults. In a 2017

scan of 100 state financial aid programs, Education Commission of the States found 48 with merit-based eligibility requirements, 26 that explicitly connected disbursement to high school graduation, and 30 that required full-time enrollment.⁸¹ For individuals who do not immediately pursue postsecondary education after high school, these eligibility requirements fail to account for the work and family responsibilities that students take on as they progress through adulthood.

The pool of potential adults and working learners continuously expands, partly driven by the growing number of adults with “some college, no credential.” In 2022, the National Student Clearinghouse reported that the “some college, no credential” population had reached an all-time high of more than 35 million.⁸² Picking up on this trend, states have begun sponsoring adult aid programs throughout the last decade. [Tennessee Reconnect](#)—a free tuition program for adult learners enrolling at community and technical colleges—enrolled its first cohort of students in 2015. [Michigan's](#) and [North Carolina's Reconnect](#) programs were launched in 2021; [Massachusetts](#) followed suit in 2023. These programs include eligibility requirements aligned with adult learners' realities. Allowing for part-time enrollment, Reconnect programs offer free community college tuition to adults who have not completed



a postsecondary credential. In Tennessee Reconnect’s first three cohorts, the program served more than 30,000 adults.⁸³

Though Reconnect programs cover tuition and fees, they fail to address some of the other major obstacles standing between adult students and completion. Older students are often balancing myriad responsibilities outside of their studies. Some of the stress from these outside responsibilities can be eased through specialized grant programs that offer financial support for dependent care or basic needs costs.⁸⁴ Minnesota’s [Postsecondary Child Care Grants](#) and North Carolina’s [Finish Line Grants](#), while available to students of all ages, seek to overcome

hurdles that adults and working learners are frequently confronted with. However, additional forms of support, such as academic advising and coaching, should not be overlooked in the financial aid conversation. A few years after launching Reconnect, Tennessee embedded coaching into its program design through designated “[Navigators](#)” for current and prospective students. Other interventions are taking place at the system- or institution-level, as campuses work to implement [adult-friendly practices](#). As states and institutions continue to explore opportunities to serve adults and working learners, [self assessment tools](#) can help pinpoint the most promising pathways forward.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Allow students to access state aid who do not enroll immediately after high school.
- ➔ Allow adults and working learners to enroll less than full time, and observe a 12-month funding calendar to prevent breaks in aid.

ADVANCED

- ➔ Develop an aid program with additional advising, coaching, or navigation support specifically for adults and returning students.
- ➔ Fund specialized grant programs for adults and working learners, offering support for non-tuition expenses such as childcare.



RURAL STUDENTS

State aid for rural students is crucial in addressing the unique educational challenges they face. Around 20 percent of Americans live in rural areas, and over 40 million reside in an “education desert”—an area more than 25 miles away from a postsecondary institution.⁸⁵ Of these, 3.1 million rural Americans live in a complete education desert where they have no access to either physical or online education.⁸⁶ Access to higher education is exacerbated by rural American’s limited access to child care, good employment opportunities, transportation, college and career advising, and internet access. Rural America is increasingly more racially diverse, with 15 to 20 percent of people in rural areas identifying as people of color, and rural students are older, on average, than urban and suburban students.^{87,88} Rural areas also experience higher rates of poverty and lower household incomes compared to urban and suburban areas.⁸⁹ Due to the intersectionality of rural students’ identities, many of the recommendations outlined elsewhere in this report—such as expanding need-based aid, allowing part-time enrollment, and providing for basic needs—can positively impact rural students.

As a result of the challenges rural students face, college enrollment rates for these students are lower than their urban and suburban peers and there is a 13 to 15 percentage point gap in bachelor’s degree attainment in rural compared to urban communities.⁹⁰ Despite the challenges rural students face in accessing education, they frequently outperform urban and suburban peers in associate degree attainment.⁹¹ Research has found mixed results of federal financial aid programs on rural student success. Studies have shown that federal unsubsidized loans have a stronger negative impact on rural student graduation rates. The study authors suggest that this negative effect is due to the fact that their communities have fewer high-wage jobs, giving rural students little hope of paying off the debt and increasing the likelihood they will drop out. That study also found that the Pell Grant had an insignificant effect on rural student graduation rates, likely due to the fact that the grant may not fully address the high costs of college faced by rural students.⁹² Current financial aid for rural students may be insufficient, but once given the opportunity to pursue higher education, rural students have strong results, making aid for rural students a strong investment.



Research has found mixed results of federal financial aid programs on rural student success. Studies have shown that federal unsubsidized loans have a negative impact on graduation rates with the burden of accruing interest and the lack of access to high-paying jobs causing many rural students to drop out. The Pell Grant has had mixed results, with one study finding that it had an insignificant effect on rural student graduation rates, likely due to the fact that the grant may not fully address the high costs of college faced by rural students.⁹³

To address the barriers rural students face, state aid programs should aim to cover non-tuition expenses and basic needs. Need-based aid and basic needs support can help students afford room and board and transportation to travel to institutions outside the education desert in which they reside or help provide the sufficient technology to be able to complete their coursework online. States should also invest in expanding financial aid application support in rural areas given the number of students who have limited access to college advising and the internet to complete the applications.

States with larger education deserts may want to provide targeted aid programs for rural students so these students can pursue postsecondary options

in their communities and beyond. While not specific to rural students, the [Florida Farmworker Student Scholarship Program](#) for students who are farmworkers or children of farmworkers benefits many rural students. The Montana University System's [Montana 10](#) program is a comprehensive financial aid and student support program for rural, low-income, American Indian, and other underserved students in the state. Students in the program receive a full-tuition scholarship, textbook stipends, and a \$50 monthly incentive for participating in support activities like meeting with an advisor. In North Carolina, the state with the second largest rural population, the General Assembly established the Golden LEAF Foundation to increase economic opportunity in rural, tobacco dependent, and economically distressed communities. The foundation runs the [Golden LEAF Scholarship](#), which serves students from those communities who want to earn a college degree and return to a rural community. States can also model a program after the U.S. Department of Agriculture's [1890 National Scholars Program](#), which aims to increase the number of students from rural and underserved communities who study food, agriculture, natural resources and other related sciences. The scholarship provides recipients with full tuition, fees, room and board at one of 19 land-grant universities.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Ensure state aid, in combination with Pell, will cover non-tuition expenses.
- ➔ Invest in financial aid application support in rural areas.

ADVANCED

- ➔ Develop an aid program for rural students that will help cover non-tuition expenses.

UNDOCUMENTED STUDENTS

Undocumented students are individuals who are not U.S. citizens or legal permanent residents and do not possess a green card, visa, or other legal documentation; this term can also be used to encompass individuals that have been granted Deferred Action for Childhood Arrivals (DACA) status, which offers temporary relief and the opportunity to pursue education and employment. In the United States, there are approximately 408,000 undocumented students enrolled in higher education, a decrease of 4.2 percent or 19,000 students from 2019, likely caused by the pandemic and financial hindrances.⁹⁴ To prevent further declines in the enrollment of undocumented students in postsecondary education, states should address their financial aid limitations to guarantee these students have the resources necessary to access higher learning. Further, investing in financial aid for undocumented students can bring a positive return to the state. For instance, utilizing data from the Texas Higher Education Coordinating Board, the Center for Public Policy Priorities found that undocumented students receive \$12 million in state financial aid and contribute approximately \$64 million in tuition and fees.

From the outset, undocumented students encounter significant financial barriers due to their ineligibility for federal student aid. By extending in-state tuition to undocumented students, states can ensure that students pay a reduced tuition rate, lowering the initial cost of attendance. In twenty-four states and the District of Columbia, undocumented students are eligible for in-state

tuition. Seventeen of these states and the District of Columbia have also allowed undocumented students access to their state financial aid programs.⁹⁵ These policies not only support the individual academic success of undocumented students but also contribute to the economic and social well-being of the broader community by strengthening local workforces and boosting revenue.⁹⁶

In addition to implementing policies that lift bans restricting aid eligibility for undocumented students, states will need to address administrative barriers that hinder state aid access. Developing a state-based alternative to the Free Application for Federal Student Aid (FAFSA) for undocumented students is crucial in addressing their financial needs, given that the current FAFSA excludes undocumented students. A simplified, state-specific application, such as the [Texas Application for State Financial Aid \(TASFA\)](#), can assure that undocumented students and other students who may be ineligible for federal assistance can still apply for state aid programs. As part of the emerging movement to identify students for need-based aid without requiring an application, states can also explore application-free ways to identify low-income undocumented students with financial need. For example, undocumented students could demonstrate need by qualifying for free or reduced price lunch, Women with Infants and Children program (WIC), a state-based Medicaid program, or state-based food assistance program.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Provide in-state tuition for undocumented students.
- ➔ Allow undocumented students access to state aid programs.
- ➔ Develop a simple, state-based alternative to the FAFSA for undocumented students.

ADVANCED

- ➔ Offer aid programs specifically for low-income undocumented students to make up for students' lack of Pell eligibility.
- ➔ Allow students to demonstrate financial need via eligibility for public benefits (such as free or reduced price lunch, WIC, or state-based Medicaid program).

JUSTICE-IMPACTED LEARNERS

In 1994, Congress revoked Pell Grant eligibility for incarcerated individuals.⁹⁷ Twenty-two years later, in 2016, the U.S. Department of Education began to restore access to Pell Grants for incarcerated students via the Second Chance Pell Experimental Sites Initiative which temporarily lifted the ban on Pell Grants for students in state and federal prisons taking courses at 67 colleges in 28 states. A few years later, with the passage of the Free Application for Federal Student Aid (FAFSA) Simplification Act, Congress expanded the ability to serve confined or incarcerated individuals by reinstating Pell Grant eligibility for otherwise-eligible confined or incarcerated individuals enrolled in eligible prison education programs (PEPs), effective in 2023.⁹⁸

Despite these federal advancements, there still remains a substantial gap between the number of incarcerated individuals who want to pursue education and those who can access it. Seventy percent of incarcerated individuals express a desire to enroll in educational programs, with 82 percent interested in postsecondary education. However, due to limited financial resources, few are able to enroll without financial assistance. Moreover, formerly incarcerated learners also face barriers to enrolling in postsecondary education and receiving aid once released from prison; 14 states impose permanent bans on aid eligibility for students convicted of certain felonies or specific convictions.⁹⁹ Ensuring that justice-impacted students receive financial aid concurrently with their non-incarcerated peers is crucial for equitable access to educational opportunities and reducing recidivism, as research indicates that education significantly reduces recidivism rates by 43 percent among those who participated in educational programs.¹⁰⁰

By removing state financial aid eligibility barriers, states can improve educational access for justice-impacted learners—both currently and formerly incarcerated individuals. Currently, 17 states and the District of Columbia have no statutory, regulatory, or policy barriers explicitly preventing incarcerated students from applying for state financial aid.¹⁰¹ To further support justice-impacted students, states can eliminate remaining obstacles and amend policies that indirectly hinder their access to higher education such as those



prioritizing aid for non-justice-impacted students. To improve communications, states should enhance transparency by clearly stating eligibility criteria for justice-impacted learners on scholarship landing pages and applications. For incarcerated individuals who may face technological or internet restrictions, states can also make financial aid applications accessible via physical and mail-in options. This effort can be put into effect through a partnership among state agencies, higher education institutions, and Departments of Corrections to streamline the process of distributing materials.

To further advance equity, states should also implement Satisfactory Academic Progress (SAP) and credit hours attempted reset policies to enable justice-impacted learners to regain state aid eligibility. Resetting SAP is crucial as it reduces financial barriers for returning learners who have been incarcerated, allowing them to overcome past academic challenges and make progress toward their renewed postsecondary goals.¹⁰² Similarly, a credit hours attempted reset policy can ensure students with nontraditional educational pathways are not penalized for their time studying while in prison or jail and are able to obtain a credential once released. To maximize aid effectiveness, states should prioritize financial aid for coursework

leading to licensure in fields that are accessible to individuals with criminal convictions, ensuring that state resources are directed towards realistic and attainable career opportunities.

Lastly, to ease the transition from incarceration to college, states ought to designate advisors for

justice-impacted learners. In Tennessee, currently incarcerated students are not eligible for the Tennessee Reconnect Grant, but they can begin working with [Reentry Reconnect Navigators](#) as they near their release from prison or jail. This advising support helps them prepare and enroll in the program once they are out of the carceral system.

Recommended Policies & Practices

FOUNDATIONAL

- ➔ Amend statutes and policies to ensure state financial aid eligibility for currently and formerly incarcerated learners, including removing explicit and implicit restrictions such as bars on aid for incarcerated students, prohibitions based on conviction history, and policies prioritizing non-incarcerated students for financial aid.
- ➔ Clearly state eligibility or ineligibility on scholarship landing page and application.
- ➔ Provide physical, mail-in financial aid applications to incarcerated students.

ADVANCED

- ➔ Implement an SAP and credit hour reset policy to enable justice-impacted learners to regain state aid eligibility.
- ➔ Offer state financial aid advising to currently incarcerated individuals, and provide formerly incarcerated learners with reintegration supports that include advising around state financial aid.
- ➔ Prioritize financial aid for coursework leading to licensure in fields that are accessible to individuals with criminal convictions.



CHANGES TO STATE AID

BUDGET IMPLICATIONS

Many of the changes outlined in this report will lead to an expansion of aid. Expanding aid can increase access and success, but that expansion is often accompanied by increased expenditures. It's important for state leaders to ground their financial aid programs in the needs of their state and leverage data to determine how to maximize the return on investment for state aid.

While the actual cost of these changes will vary widely by state depending on the size and makeup of its population and the cost of institutions in the state, we can observe the financial impacts on some of the states highlighted throughout this report.

THE COST OF FREE COLLEGE

Free college programs are rising in popularity in states across the country. We can look to states that have recently adopted these programs to understand their cost.

- In fiscal year 2023, the state of **North Carolina** provided \$25 million over the biennium to increase financial aid for recent high school graduates to cover the cost of community college tuition and fees for up to two years for families making under \$80,000.¹⁰³ In 2021, the state provided an additional \$15 million and \$31.5 million recurring starting in fiscal year 2022 toward the NC Promise Tuition Plan which sets tuition at \$500 per semester for in-state students at a handful of four-year colleges in the state.¹⁰⁴
- In **Massachusetts**, the state invested \$62 million to expand MassGrant Plus to provide free tuition to Pell-eligible students and 50 percent reduced tuition to middle-income students (from households making \$73,000 to \$100,000) for the 2023-24 school year. The expansion served approximately 25,000 students.¹⁰⁵ The state plans to expand that MassGrant Plus program to \$105 million for the 2024-25 school year. Massachusetts also allocated \$10 million to the Student Persistence Fund to help state universities and community colleges support low-income students with basic needs. For the 2024-25 school year, the state has proposed a \$75.5 million dollar program that would expand free community college tuition to any resident.¹⁰⁶
- For fiscal year 2024, **New Mexico** allocated \$146 million for the Opportunity Scholarship, the state's far-reaching free college program serving full-time and part-time students, traditional and adult learners, and two- and four-year college attendees.¹⁰⁷ That amount increased to \$162 million for fiscal year 2025, and in 2024, the state invested nearly \$1 billion to continue to fund the program in perpetuity.¹⁰⁸



AID FOR ADULT LEARNERS

Aid programs targeted specifically at adult learners are also growing. Recommend programs in Tennessee and Massachusetts can provide an idea of the cost of implementing a financial aid program for adult and working learners.

- **Tennessee** Reconnect, the state's free community college program for adults and working learners, costs approximately \$11.2 million per year.¹⁰⁹
- In 2023, **Massachusetts** invested \$20 million in the MassReconnect Scholarship, a free community college program for students over 25, and proposed a \$24 million investment for 2024.^{110,111}



PROGRAM EXPANSIONS IN OREGON

Oregon has expanded aid program eligibility in recent years and we can observe the associated changes in the number of students served and cost of the programs. In the 2021-22 school year, the state's need-based grant, the Oregon Opportunity Grant, increased the eligibility for students with an Expected Family Contribution (EFC) of up to \$6,000. This was the first time in program history that the EFC limit for the grant was higher than the limit for the federal Pell Grant that year. That year, the number of students receiving the grant increased by 25 percent. Students who received the Oregon Opportunity Grant in 2021-22 had higher retention rates than other students in Oregon community colleges and similar retention rates to students attending public and private four-year colleges in the state.¹¹² The state allocated an additional \$35.8 million (21.8%) to the program in the 2021-2023 state budget compared to the 2019-2021 budget cycle.¹¹³

Oregon also made changes to its Promise program in recent years. Starting with the 2022-23 school year, decreasing the minimum high school GPA requirement from a 2.5 to a 2.0. The actual impacts of this change on program participation have not yet been reported, but a 2022 study estimated the change would increase applications by 19 percent.¹¹⁴ The state also increased the minimum award from \$1,000 to \$2,000 (which will continue to increase at the same rate as the maximum award amount each year), eliminated the \$50 per term co-pay, and removed the requirement to complete a first-year experience course once enrolled in college. Funding for Promise has increased by approximately \$2 million per biennium, according to the three most recent state budgets. In 2019-2021, the state also set aside \$200,000 to expand eligibility to the program for individuals who completed certain educational requirements while serving in a correctional facility and who enroll at a community college within six months after release.¹¹⁵ The comparatively smaller cost of the changes to Promise were likely supported by the expanded investment in the Oregon Opportunity Grant, since Oregon Opportunity Grant funding is applied toward students' tuition first before Promise.

HOW TO DRIVE FINANCIAL AID POLICY CHANGES

This report contains many recommendations for how states can make programs more accessible and equitable. In order to make these shifts, state leaders can consider these tips and lessons from states that have reformed their aid programs.

➔ **Leverage state attainment goals.** Ground the state’s financial aid policy in the objectives of its attainment goal to build bipartisan and wide-reaching support and to enroll students from all stages of their life and career. Both Tennessee and Michigan expanded aid to adult and working learners when they realized their states could not meet their attainment goals without this critical population, leveraging aid to enroll students from all stages of their life and career.

➔ **Build on what you’ve got.** States should consider how they can build aid programs off of existing resources—whether federal, state, or local. For many students, especially low-income students, federal financial aid provides a strong foundation for state aid. Juan Baez Arevalo, Director of the Oregon Office of Student Access & Completion, explains, “Think of building an aid program like you’re building a house. For the foundation, you have the robust federal Pell grant and you add to it a robust state need-based program. The stronger the foundation, the better it is to build a structure that will serve low-income and middle-income students and allow your institutions to spread their resources and close affordability gaps.”

➔ **Remember, small changes can have a big impact.**

Most states cannot completely overhaul their aid programs overnight. However, states can pursue incremental changes to improve their aid programs, such as removing eligibility restrictions and increasing award amounts. Oregon is a great example of a state that has made minor shifts to improve its Promise program. For Promise, the state increased the minimum award amount (from \$1,000 to \$2,000) and reduced the GPA eligibility requirement (from a 2.5 to a 2.0). One study predicted that the GPA shift could increase the number of Promise applicants by 19 percent and would also increase the percentage of male students, students of color, low-income students, and students receiving special education services receiving Promise.¹¹⁶



- ➔ **Bring diverse stakeholders to the table.** Gather feedback from policymakers, counselors, financial aid administrators, students, and families to inform the development of aid programs and bring these stakeholders together to share their experiences with accessing aid. “Conversations can’t happen in a vacuum; you have to have many stakeholders at the table,” advises Diann Cosme, Director of MI Student Aid. Cosme highlights the importance of bringing stakeholders together and encourages states to test out aid program concepts with a diversity of voices to help policymakers understand the impact of program design on different students.
- ➔ **Develop a strategic communications plan.** Tell a story about why financial aid is important, how it helps the state reach its goals, and the return on investment for aid programs. Changes to aid programs can also lead to confusion for recipients if those changes are not clearly communicated. North Carolina’s use of student- and family-friendly language has helped ease the transition to a new financial aid program structure.
- ➔ **Collect and use data.** Data can help states identify underserved populations in their state and highlight program pain points. Strong data can also help states project the impact of program changes and conduct program evaluations to make research-informed decisions.
- ➔ **Be persistent.** Changes to state aid programs will not always happen in a short timeframe, but states have shown the ability to make changes to their programs more quickly than federal programs. Persistence is key. For example, North Carolina’s program consolidation occurred about 15 years after a legislative report first recommended program consolidation. The programs were finally consolidated after persistent work by advocates who engaged key players across the state.



CONCLUSION



State financial aid plays a critical role in enhancing access to higher education, and state leaders are uniquely positioned to design programs that best meet the needs of their state. As the landscape of higher education continues to evolve, it is imperative that state financial aid programs are responsive and adaptable to the changing needs of students. The recommendations outlined in this report can help state leaders evaluate and enhance their aid programs effectively. State leaders who are ready to build more inclusive and impactful aid programs should:

- 1. Assess current aid programs.** States should start by assessing their current financial aid programs to determine whether the programs are serving the students with the most need and improving affordability for learners across the board. The [State Aid Benchmarking Tool](#) can serve as a guide to assess the quality of current financial aid programs.
- 2. Engage stakeholders.** Convene a diverse group of stakeholders, including educators, students, community organizations, and workforce representatives, to discuss the findings from the assessment. Ensure that the voices of underrepresented and non-traditional students are included in these conversations.
- 3. Identify gaps and opportunities.** Use the data gathered from program assessment to identify gaps in the current package of state financial aid programs. Use the foundational and advanced strategies outlined in this report to guide program refinement.
- 4. Align aid program goals with state goals.** Ensure financial aid program design is grounded in meeting the state's attainment, workforce development, and equity goals.
- 5. Implement reforms.** While aid program reform will look different in every state, it might include revising eligibility criteria, reallocating funds to prioritize need-based aid, or introducing new aid programs that address specific gaps, such as support for adult learners or short-term training programs.
- 6. Enhance communication.** Improve outreach efforts to ensure that students and families are aware of the available financial aid resources. Develop targeted communication strategies to reach underserved populations and provide clear, accessible information about how to apply for aid.
- 7. Commit to continuous improvement.** Establish a system for ongoing monitoring and evaluation of the financial aid programs. Use the data to track progress toward the strategic goals and make adjustments as needed. Regularly report on the outcomes to ensure transparency and accountability.

States have the power to create more equitable and effective financial aid programs that empower all students to achieve their educational and career goals, ultimately contributing to a stronger and more competitive workforce.

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