Financial Aid, Tuition Assistance, and Low-Income Workers

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The Affordability Gap

The days when a high school diploma or GED alone could fetch family-supporting wages and benefits are behind us, as global shifts in the economy have employers demanding advanced skills and greater flexibility from their workers. Increasingly, a postsecondary education is essential to obtaining marketable skills that pay off in the labor market. In Minnesota, and the country as a whole, earnings are highly stratified by education, as the table below makes clear.

Median Earnings by Education, Minnesota and U.S., 2005

	Minnesota	U.S.
High School Dropout	$19,797	$18,435
High School Graduate	$27,330	$25,829
Some College/ Associate's Degree	$32,462	$31,566
Bachelor's Degree	$44,010	$43,954
Graduate/Prof. Degree	$57,196	$57,585

Source: U.S. Census Bureau, 2005 American Community Survey

Postsecondary education is critical to the labor market success of the entire workforce. This includes recent high school graduates entering four-year colleges and universities in pursuit of a bachelor's degree, as well as adults seeking technical degrees, diplomas, or certificates in hopes of escaping low-wage, dead-end jobs. In addition, each year thousands of laid-off workers enroll in postsecondary institutions or participate in occupational training programs in search of the skills needed to start new careers.

Though increasingly necessary, fully 70 percent of adults 25 and older in Minnesota do not possess a postsecondary degree or diploma.[1] In 2006, only 3.8 percent of adults ages 25-49 were enrolled part-time in college-level education and training, ten percent less than in the previous decade.[2] This is due, in part, to the fact that postsecondary education is unaffordable for thousands of potential students. This is true both nationwide and in Minnesota, where rising college costs are straining the finances of thousands of families, and can put postsecondary education out-of-reach for those who are low-income.

Rising College Costs in Minnesota

Over the last decade, the cost of attending college grew dramatically. From 1995-2005:

- Average tuition and fees at the University of Minnesota, Twin Cities, increased by 130% to $8,263.
- Average tuition and fees at community and technical colleges increased by 93% to $3,769.
- Average tuition and fees at state universities increased 98% to $5,242.
- Average combined tuition and fees at private colleges and universities increased 72% to $21,467.

Source: Minnesota Office of Higher Education, *Highlights of Financial Aid Awarded 2005*.

For example, average tuition and fees combined with living expenses at the state's public two-year colleges – where most low-wage workers enroll[3] - were $9,768 in 2006 for full-time students. For Minnesotans earning $40,000 annually (about the amount needed for a single parent of two to meet her or his family's basic needs in the state in 2006[4]), these costs represent almost 25 percent of their income. For Minnesotans with the lowest earnings in the state – the 20 percent of the population making $16,728, on average, annually – these costs constitute a whopping 58 percent of their income.[5] Clearly, this is an enormous amount, one that poor students cannot afford alone.

An Overview of Financial Aid & Its Shortcomings

Financial aid programs help bridge the gap between what students can afford to pay and the cost of attending college. Financial aid includes **grants and scholarships** based on need, merit or other criteria, that do not need to be paid back; **loans** that must be repaid with interest; **education tax benefits** that do not need to be repaid, but are not awarded at the time tuition is due; and – to a much smaller degree (only about 1 percent of total student aid) – subsidized **work study** programs that place students in part-time jobs, on or off campus, to earn money toward educational and living expenses.

Federal and state governments provide student financial aid, as do postsecondary institutions and private entities. The two largest sources of aid to undergraduates are grants from colleges and universities (accounting for 21 percent of the total) and federal loans (comprising 40 percent of the total). However, loans from private sources – which are not guaranteed by the government and typically carry higher interest rates than federally backed loans – are the fastest-growing type of student borrowing; private loans now constitute 24 percent of all educational loans.[6]

The growth in student borrowing from private lenders reflects the fact that government investments in grant aid and loan programs have limped along relative to rapidly rising college costs. Further, aid is increasingly awarded based on merit rather than need, is used by institutions to attract certain students, and is more heavily geared toward reducing college costs for middle-income families than in the past. So despite the various types of assistance available, financial aid today is frequently insufficient to bridge the affordability gap for low-income individuals.

For low-income students who have significant work and/or family commitments, eligibility requirements and other program rules present barriers to simply accessing financial aid – however inadequate it may be. Financial aid programs were crafted decades ago for "traditional" students: recent high school graduates without children or 40-hour a week jobs, who attend college full-time. These students are still financially dependent on their parents, for tax purposes at least, and don't have significant economic obligations of their own. As a result, financial aid programs are most favorable to those enrolled full-time in semester length courses, and who complete their course of study without interruption and within a certain time frame. These and other program biases render thousands of "non-traditional" students – self-supporting working adults, many of them parents, who take one or two classes at a time as job, family obligations, and costs allow – ineligible for financial aid.[7]

The Prevalence of "Non-Traditional" Students in Minnesota

Of all undergraduates in the state in 2004-2005:
- ✓ 41% were financially independent
- ✓ 21% were 30 or older
- ✓ 21% had children
- ✓ 28% worked at least 35 hours a week
- ✓ 53% were enrolled on a part-time basis

At the state's public two-year colleges, the prevalence of "non-traditional" students was even greater:
- ✓ 57% were financially independent
- ✓ 32% were at least 30 years old
- ✓ 34% had children
- ✓ 38% worked full-time
- ✓ 57% were enrolled part-time

Source: Minnesota Office of Higher Education, 2006

These “penalties” exist in financial aid programs despite the fact that the overall number of “non-traditional” students at the country’s postsecondary institutions today dwarfs the number of “traditional” students. In fact, “non-traditional” students constitute 89 percent of all undergraduates at both public two-year and private for-profit colleges, 57 percent of undergraduates at public four-year colleges and universities, and 50 percent at private non-profit colleges.[8]

Financial aid, then, has two main shortcomings for low-income workers. First, it provides far less money than most low-income students need to cover college costs. Second, financial aid programs have requirements that disadvantage those with full-time jobs. The sections that follow examine how the funding levels and program rules of various types of financial aid work to restrict benefits to low-income workers, nationwide and in Minnesota. The focus is heaviest on need-based grant aid, traditionally the most important type of financial aid for poorer students.

Need-Based Grant Aid

As the country’s largest need-based student grant aid program, the **Federal Pell Grant** has been a vital source of support for low-income students since its inception in 1965. However, the extent to which Pell Grants contribute to students’ education costs has fallen dramatically over the years: in 1975, the maximum Pell Grant covered approximately 84 percent of the cost of attending a public college or university; today, the maximum grant covers only 32 percent of costs.[9] The average Pell Grant award in 2003-04 was $2,436 – an amount that left the typical recipient with about $4,000 in unmet college costs.[10]

The inadequacy of Pell Grants derives partly from the fact that even students with very low earnings have a portion of their income count against their total award, under what is known as the income protection allowance (IPA). For example, a single parent with one child can currently protect $10,520 in earnings – anything above that amount counts against her or his Pell award. In September 2007, Congress increased how much income working parents may keep, with the IPA for students with children increasing to $22,630 – well above the federal poverty level – by 2012-13. While this is a significant boost for low-income parents, working adults without children do not receive enough of a lift in the IPA to bring them above the poverty level. The IPA for a single adult with no dependents will increase from $6,050 to $9,330 by 2012-13.[11]

In addition to the federal Pell Grant program, every state except South Dakota offers some form of their own need-based grant aid to students. Relative to many states, Minnesota is generous in its support of low-income students. Indeed, the **Minnesota State Grant Program** is one of the country’s largest state-sponsored need-based financial aid programs. Yet while Minnesota’s investment in the State Grant Program has grown over the last several years, it has not kept pace with rising tuitions. An average State Grant award of $1,696 still leaves students well shy of the $9,768 in living expenses and tuition and fees typically needed to attend the state’s two year public colleges full time.

Minnesota State Grant Program Fast Facts (FY 2006)

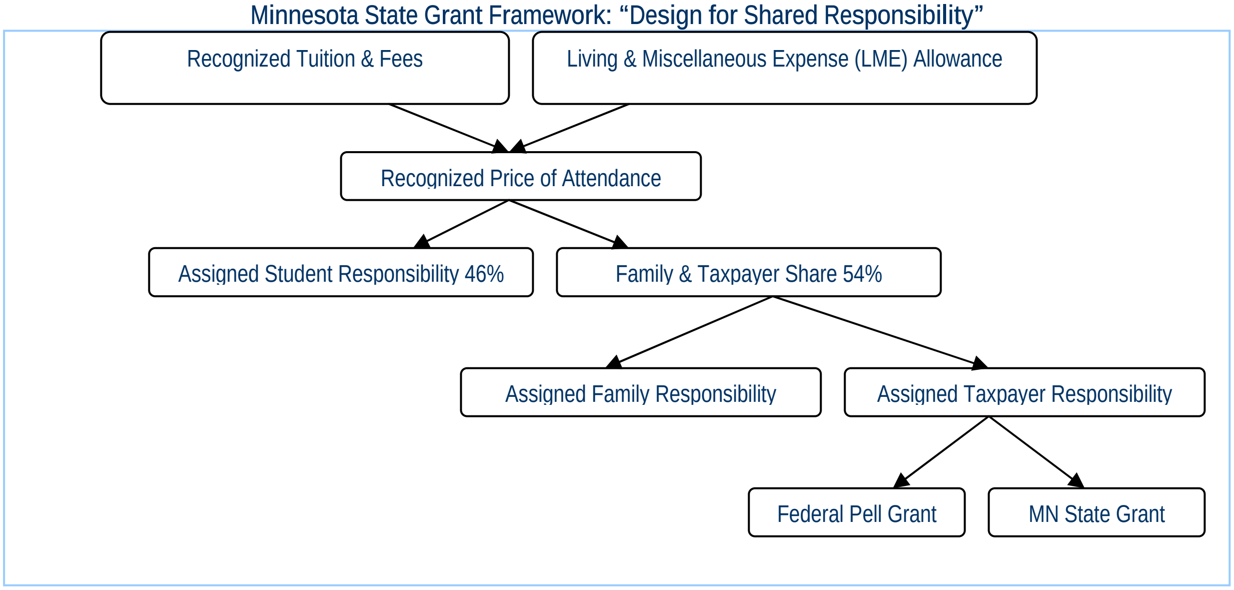
- 71,108 recipients
  - 75% from families earning less than $40,000
  - 38% attended MnSCU 2-year colleges
  - 38% were independent (self-supporting), with a median income of $14,390
- $124 million in total grants awarded
  - $1,696 average award
  - $6,567 maximum 2-year program award
  - $9,208 maximum 4-year program award

Source: Minnesota Office of Higher Education

Further, the way funds are allocated under the State Grant Program means that college costs for financially independent students (students, like working adults, who are not claimed as dependents on their parents' taxes) can be particularly burdensome. Under the program, college costs, known as the Recognized Price of Attendance, consist of tuition and fees and living expenses. These costs are divided three ways, as the chart below shows: between students (the Assigned Student Responsibility, or ASR), their families, based on their ability to pay (the Assigned Family Responsibility, or AFR[12]), and public tax dollars, through Federal Pell Grants and Minnesota State Grants (the Assigned Taxpayer Responsibility, or ATR).

While this formula may make sense for dependent students, it can be prohibitively burdensome for those who are financially independent, who are expected to pay both the student (ASR) and the family (AFR) portions of the price of attendance. This "pay twice" policy affects a significant minority of State Grant recipients: in 2005, independent students comprised 38 percent of recipients. The median income among them was just $14,390, and almost 60 percent had children.[13]

Minnesota State Grant Framework: "Design for Shared Responsibility"



Source: Minnesota Office of Higher Education, Minnesota State Grant Review 2006

But, again, it's not only the inadequacy of funds at issue. Also important are the rules that disadvantage or disqualify thousands of working adults from accessing grant aid in the first place. What follows is a description of some of these rules as they are applied under the federal Pell Grant, with a detailed look at how they play out under the Minnesota State Grant Program.

1. Eligibility based on intensity of enrollment. Typically, a student taking the equivalent of 12 credits per semester is considered full-time; while students taking half as many credits or more are generally eligible for financial aid, those taking any less than that – as thousands of working adults do – are often barred from receiving assistance. While Federal Pell Grants are available to less than half-time students, the majority of state-level grant aid programs bar these students from participation.[14] Thus, low-income workers seeking to further their education to improve their incomes often find themselves in a catch-22: they must reduce work and lose earnings to enroll in enough classes to qualify for financial aid.

Minnesota State Grant: In Minnesota, full-time status is granted to students taking the equivalent of 15 credits per semester – more than most states require (with the intention of accelerating the speed at which students get their degrees).[15] State Grants are available to less than half-time students, making Minnesota one of only a dozen states that provide need-based grant aid to those taking just a course or two at a time.

2. Living expense allowances based on intensity of enrollment. While Pell Grants are available to students enrolled less than half-time, they are barred from including certain living expenses, primarily room and board (for commuter students, housing and food costs), as part of their overall education expenses. Living expenses significantly increase the cost of attending college for all students; at low-cost institutions, they frequently exceed tuition and fees. At public two-year colleges, for example, living expenses were more than twice as much as tuition and fees.[16]

Minnesota State Grant: Similar to Pell Grant policies, under the State Grant Program part-time students are "docked" in living expense calculations. Students are expected to pay at least 46 percent of the Recognized Price of Attendance – again, the combination of living expenses and tuition and fees. The Legislature sets a uniform Living and Miscellaneous Expense (LME) Allowance for all institutions intended to cover room and board, books and supplies, and miscellaneous expenses. The LME, currently set at $5,900 per nine-month academic year, is pro-rated for students enrolled less than full-time. In other words, the amount of financial aid they receive to cover living expenses is reduced in proportion to their credit load. This reduction occurs despite the fact that a part-time student's living expenses and own financial contributions (their ASR and AFR) don't change when they take fewer courses.

3. Eligibility based on satisfactory progress. Under the Pell Grant program, postsecondary institutions may establish standards for granting aid based on academic performance and/or the pace at which students accumulate credits. Schools commonly require Pell recipients to maintain a 2.0 GPA and complete their coursework within 150 percent of their program's *published* length (thus, a two-year program must be completed in three years). For adults balancing full-time work and family responsibilities, this may simply be an unrealistic pace.

Minnesota State Grant: Like Pell recipients, State Grant participants must have at least a 2.0 GPA and complete their program within 150 percent of the published program length. The program length is extended for students attending less than full-time, so that, for instance, a half-time student would get twice as long to finish. In addition, however, Minnesota limits State Grant eligibility to the equivalent of eight semesters (120 credits) of study. The limit applies to all prior college credits, regardless of where or when they were earned or whether they were supported by a State Grant. It is also in place despite the fact that most baccalaureate degree programs in the state require more than 120 credits. Within MnSCU, for example, more than three quarters of all such programs require 128 semester credits or more.[17]

The four-year cap on aid is especially detrimental to students who must take developmental classes before being admitted into college-level courses – classes that are financial aid eligible and count toward the total credit limit on aid, but do not count toward a certificate or degree. Often, working adults who have been out of school for a long time are placed in developmental courses to brush up on math, reading and/or writing skills. In fact, nationally, about 40 percent of low-income adult students take at least one developmental course in college, with higher rates of remediation among students at community colleges.[18] In Minnesota, 14 percent of all undergraduates (regardless of income status) attending the state's public two-year colleges in 2003-04, took one or more remedial courses.[19]

Further, because any previous credit hours count against the four-year cap, workers who took classes or earned a degree decades ago may find that they are no longer eligible for aid should they decide to return to school to develop new skills – as many dislocated workers must. More broadly, limiting workers' options to obtain new skills inhibits Minnesota's ability to respond to technological advances and other economic changes.

Recognizing the constraints of the four-year cap, the 2001 Legislature expanded State Grant eligibility from eight to 10 semesters of study. *"The goal was to benefit workers who see an opportunity to pursue a different career in response to the changing economy by returning to school; and to benefit students who, for legitimate reasons, take longer than four years to earn a baccalaureate degree."*[20] However, in response to the ensuing state budget crisis, the 2003 Legislature rescinded the expansion.

4. Aid restricted to "eligible" degree or certificate programs.

Federal Pell Grant eligibility is restricted to "regular" students, or those enrolled in degree- or certificate-granting programs at accredited institutions. In order to be Pell-eligible, these programs must run for at least 15 weeks and offer 600 clock-hours or 16 semester hours. Further, Pell grants are available for only two semesters each year.

Working adults often take a course or two to hone a specific skill, but are not enrolled in a degree or certificate program, so do not qualify for aid. Further, workers and employers tend to prefer shorter, more intensive types of training that are available year round – training that is responsive to sudden industry advances or major worker dislocations, for instance – that do not meet the minimum number of credits, clock hours, or weeks needed to be eligible for financial aid. As a result, this type of training tends to be offered on the non-credit side of technical colleges, in customized training divisions. In addition, thousands of working adults turn to proprietary vocational education institutions to further their education. These institutions offer classes on a schedule and in a format that is convenient for working adults, but do not typically grant degrees or provide programs that are eligible for financial aid.

Similar to the Pell Grant, the Minnesota State Grant is restricted to students enrolled in degree, diploma and certificate programs. The State Grant Program is, however, more lenient than the Pell in terms of program eligibility: Minnesota postsecondary institutions that offer programs that are at least eight weeks long and involve 12 credits or 300 clock hours are grant-eligible. In addition, State Grants are available to students year-round. Despite program eligibility requirements that are less restrictive than the Pell, State Grants still fail to cover the short-term, non-degree-granting training programs that are most convenient for working adults and their employers.

Non-Need Based Aid

Beyond rules that restrict access to need-based financial aid among the working poor, the pool of need-based aid has shrunk in recent decades, as federal, state and institutional investments have shifted heavily toward merit-based grants and other forms of assistance not targeted to the poor. At the federal level, as the value of Pell Grants has weakened over the years, education benefits to middle and upper class students have grown. This growth is due in part to the provision, beginning in the late 1990s, of tuition tax deductions and education tax credits.

Merit-Based Grants and Tax Credits & Deductions

Chief among the tax credits are the **Hope Scholarship Credit** and the **Lifetime Learning Tax Credit**, both established in 1997. These credits provide a maximum of $1,650 and $2,000 to taxpayers, respectively, but nearly half (48 percent) of the benefits went to those with incomes above $50,000 in 2005. Similarly, almost half (47 percent) of the benefits of tuition tax deductions went to taxpayers earning $100,000 or more the same year.[21] Because such credits and deductions are available only to students or families who earn enough to owe taxes, those with very low-incomes cannot benefit from this form of aid.

At the state level, the shift away from need-based programs is similar. In 1985-86, only 9 percent of the country's state grant aid to undergraduate students was non-need based. By 2005-06, that proportion had reached 28 percent.[22] In Minnesota, investments in non-need based grant aid grew by a 196 percent over the 1995-2005 decade. By comparison, investments in need-based grants grew by just 42 percent in the state over the same period.[23]

Finally, changes in the distribution of grant aid by colleges and universities have also had a significant impact on low-income students. A 2006 report by the Education Trust asserts that as colleges and universities have become increasingly competitive, recruiting top students and protecting middle and upper-income families from rising college costs has taken precedent over ensuring the enrollment of low-income students. Between 1995 and 2003, the average institutional grant award at four-year public colleges to students from families making less than $20,000 increased 50 percent, from $836 to $1,251. By comparison, the average grant to students from families earning above $100,000 grew by 227 percent, from $239 to $781. As a result of these disparities, the portion of institutional aid awarded to low-income students declined from 55 percent to 35 percent over the period. Over the same time frame, students from families with annual earnings under $40,000 declined from 38 percent to 28 percent of the undergraduate population at four-year public colleges.[24]

Loans

Another consequence of rising tuitions and declining need-based aid that hits low-income students particularly hard is the growing reliance on borrowing money to pay for college. In fact, since 1980 loans have overtaken grants as the primary form of financial aid for postsecondary students in the country.[25] Currently, two-thirds of students who attend public colleges and universities graduate in debt, with $17,250 in student loans, on average. Just a decade ago, the typical student borrower at a public college or university graduated owing $8,000 in student loans (adjusting for inflation).[26]

In Minnesota, undergraduate borrowing in the state *quintupled* between 1987 and 2005. Heavy reliance on loans can burden students with large debts that can be difficult to pay back, especially for those who fail to complete their course of study – a widespread problem for low-income working students. Of working poor adults who started a degree or certificate program in 1995-96, nearly half (49 percent) had left without finishing in 2001.[27]

Low-interest federal loans are available only to students attending half time or more, so they cannot be utilized by working adults who can only take one or two courses at a time. Similarly, to be eligible for a loan under the **Minnesota Student Educational Loan Fund (SELF)**, students must be enrolled at least half time and have a credit-worthy co-signer – even if they are self-supporting adults. As a result, many working students turn instead to loans from private companies – which carry higher interest rates and are not subsidized and/or guaranteed by the government as federal loans are. Borrowing from private lenders among *all* Minnesota undergraduates increased 83 percent to $139 million between 2003 and 2005 alone.[28]

A Closer Look at Loans

The Federal **Perkins Loan Program** offers low-interest (fixed 5 percent rate) loans to students with exceptional financial need. Undergraduate students may borrow up to $4,000 each year, are allowed a nine-month "grace period" after leaving school before they must begin repaying their loan, and are given up to ten years to pay their loan in full. In 2005, about 14,000 Minnesota undergraduates borrowed $32 million in Perkins loans.

Under the federal **Stafford Loan Program**, the government provides both subsidized and unsubsidized loans to students. The federal government pays the interest on subsidized Stafford loans while the borrower is in school, and subsidizes interest payments for the duration of the loan. Under the unsubsidized Stafford loan program, interest accrues while the borrower is in school. Both types of loans have maximum limits substantially below the total financial burden for low-income students. In 2003-04, 48 percent of low-income students borrowed an average of $5,640 (in inflation-adjusted dollars) to help pay for college.

Source: Employment and Training Administration, *Adult Learners in Higher Education: Barriers to Success and Strategies to Improve Results,* Occasional Paper 2007-03, March 2007.

How Does Minnesota Stack Up?

Clearly, the effect of various rules governing student aid at the federal and state levels is to limit financial aid to low-income workers, particularly those enrolled less than half-time. Minnesota does better than some states, and the federal government, in extending aid to working adults. In particular, the Minnesota State Grant Program is frequently cited as doing more than many financial aid programs to support this population. Among its strengths, the State Grant is:

- Available to students attending less than half-time
- Available for courses offered throughout the calendar year, including the summer
- A supplement to, not a substitute for, Pell Grant awards

However, aspects of the State Grant Program, and other forms of financial aid in Minnesota, fail to meet all the criteria associated with "adult-friendly" programs. The state's SELF loans, for example, require at least half-time enrollment. According to the Workforce Strategy Center in addition to those items listed above, "adult friendly" programs offer aid that is:[29]

- Available to students enrolled in non-credit occupational programs or short modules (if they are articulated to certificates and degrees)
- Intended to support student success. As noted above, college retention and completion rates among low-income students are pretty abysmal. Thus, the Workforce Strategy Center recommends extending financial aid to include funds to colleges, based on the number of need-based aid recipients enrolled, specifically to support services like academic advising, tutoring, and peer counseling. Help with child care[30] and transportation costs is also critical. Currently, few states dedicate funding to success services.[31]

Financial Aid in Other States

Recognizing its limits, a number of states have expended conventional financial aid programming to improve access among low-income workers:

Illinois' Monetary Award Program (MAP) provides need-based assistance (covering tuition and fees) for students who do not have a BA, including less than half-time students. Administered by the Illinois Student Assistance Commission, MAP spends approximately $350 million annually to serve about 128,000 students, with awards up to $4,968. In 2007, MAP spending was increased by $34.4 million, with a significant amount of new funding coming from restructuring Illinois' student loan assets – funding that was originally slated for merit-based tax credits.

In addition to MAP, Illinois provides **Student Success Grants** (financed through the Illinois Higher Education Board budget) to community colleges to provide services for academically at- risk, economically disadvantaged, or disabled students. Services include personal, academic or career counseling; assessment and testing; and mentoring and persistence and completion programs. Student Success Grants are allocated to colleges based on their students' needs. In 2002, $13.3 million in grants supported 305,000 students in the state. During a subsequent state fiscal crisis, the program was severely cutback, but partial funding has recently been restored.
For more information, visit http://womenemployed.org

Kentucky Go Higher Grants are administered by the Kentucky Higher Education Assistance Agency and provide students 24 and older who have no previous college experience up to $1,000 for one academic year when they enroll in college less than half-time. The award covers tuition and a book allowance of $50 per credit hour.

In addition, Kentucky's **Ready to Work (RTW)** initiative is administered by the Kentucky Community and Technical College System in partnership with the state's Cabinet for Health and Family Services, and designed specifically to assist TANF participants who enroll in community and technical colleges to earn a degree, diploma, or certificate. Under the initiative, RTW Coordinators are located at each college to provide access to skills assessments, tutoring, mentoring and peer support groups; and to help with career counseling, financial aid, job development, job placement, and job retention services. Coordinators also link participants to work-study opportunities, where they can earn up to $2,500 per year (earnings that are not deducted from the student's welfare check if they are also enrolled in the state's TANF program). In addition, RTW participants have access to critical support services offered under TANF, including childcare and transportation aid.

Implemented in 1998, by 2006 RTW students had higher GPAs and program completion rates than the average Kentucky community college student. Among welfare participants, RTW produced increases in earnings and work retention rates better than any other TANF program in the state.
For more information, visit http://www.kctcs.edu/readytowork/

Georgia's Helping Outstanding Pupils Educationally (HOPE) Grants provide full tuition, fees, and a book allowance of up to $300 per academic year to students in degree, diploma, or certificate programs at the state's public two- and four-year colleges and universities. Less than half-time students are eligible. HOPE is funded by the Georgia Lottery for Education and administered by the Georgia Student Finance Commission.
For more information, visit http://www.gsfc.org/Main/publishing/pdf/2007/hope_grant_regs.pdf

New Mexico's College Affordability Act established a $49 million need-based financial aid trust fund in 2006. The act is "intended to assist the non-traditional student who may not have continued their education directly after receiving their high school diploma or GED, and who may be working while attending college part-time." Students may receive up to $1,000; however, they must be enrolled at least half-time in a degree or certificate program to be eligible. Aid is administered by the New Mexico Higher Education Department.
http://hed.state.nm.us/cms/kunde/rts/hedstatenmus/docs/37010079-06-21-2006-09-50-03.doc

Pennsylvania's Workforce Advancement Grant for Education (WAGE) Program provides assistance to adult students not otherwise eligible for financial aid, including workers attending school less than half time. Under the WAGE program, the Pennsylvania Higher Education Assistance Agency

will provide $10 million in grants to postsecondary institutions each year for four years. These institutions will then provide grants to students of up to $3,500 a year. To be eligible, students must be independent, be enrolled in a program of study related to the state's high demand occupations, and demonstrate financial need.
For more information, visit http://www.pheaa.org/specialprograms/wage.shtml

Washington Opportunity Grants provide students with need-based awards to cover tuition and fees along with $1,000 per year for educational supplies (prorated for less than full-time students). After a successful $4 million pilot program involving 10 colleges, the state legislature committed $10.6 million to expand the grant program to all community and technical colleges in the state as of September, 2007. Eligibility requirements were also lowered from six to four credits per semester. The grants are administered by the State Board for Community and Technical Colleges.

In addition, public colleges receive $1,500 per full-time equivalent enrollment in the Opportunity Grant program, which must be used to provide individualized student success services, including counseling and advising, mentoring and tutoring, as well as transportation and childcare on an emergency basis. The addition of student success funding in the Opportunities Grant program is significant since colleges typically do not have a dedicated funding stream for such services. Further, the state has begun piloting local partnerships with Workforce Development Councils to link Opportunity Grant students with business and labor mentors in their fields of study, who can help arrange ways for the students to engage in career exploration, job shadowing, and internships.
For more information, visit: http://sbtc.ctc.edu/college/s_opportunitygrants.aspx

Vermont's Part-Time Grant Program assists adult students taking three to nine hours of credit toward a certificate, diploma, or undergraduate degree. With an appropriation of $1.3 million, approximately 5,000 students are served per year, and grants can be as high as $8,650, depending on the institution. Vermont also has a **Non-Degree Grant Program** serving about 2,000 students per year, with maximum grants of $840 for two courses per enrollment term. In determining need, the higher living expenses of working adults and their dependents are taken into account. The Vermont Student Assistance Corp. runs the grant programs.
For more information, visit: http://services.vsac.org

West Virginia's Higher Education Adult Part-Time Student (HEAPS) Grant Program, run by the West Virginia Higher Education Policy Commission, covers tuition and fees for students enrolled less part-time. The average grant was $4,900 in 2006-07. Beginning in 2002, the state legislature set aside 25 percent of total program funding ($5 million in 2006-07) to be used for students in shorter-term, technical certificate programs in high-demand occupations.
For more information, visit: http://hepc.wvnest.edu/resources

A Note about Outreach

Finally, the importance of simply getting information about financial aid to low-income populations should not be overlooked. In a recent report, the Workforce Strategy Center cited a 2002 survey that found that the likelihood of knowing about the availability of financial aid drops along with family income, with the lowest-income families least likely to know about available resources and how to access them. While about half of all undergraduates do not do the paperwork needed to apply for financial aid, adults attending community colleges are the least likely to apply for aid. It is not surprising that less than one third of adult students receive federal, state or institutional grant aid.[32]

Finding out about financial aid is one thing; navigating the complicated application process is another hurdle that discourages many potential students. To combat these problems, several states have devised extensive outreach campaigns. **Kentucky's Go Higher** media campaign, for instance, specifically targets adults, encouraging them to return to school and offering assistance applying for and obtaining financial aid. **California**, for its part, has spent about $34 million a year since 2003-04 to expand local community college financial aid outreach and capacity. Another $3 million annually has been dedicated to a statewide media campaign to promote the availability of financial aid. California reports an increase in financial aid uptake since the inception of the campaign. **North Carolina** is also addressing capacity issues; the general assembly appropriated $3.6 million in 2006 to hire additional financial aid officers at each of the state's community colleges.[33]

Other Sources of Funding for Low-Income Worker Education

Given the constraints of financial aid programs, states frequently piece together a variety of funding sources to help low-income workers access education and training. This includes TANF and WIA funds, targeted grants supported by general purpose revenue, programs financed by state lottery or Unemployment Insurance (UI) dollars. These myriad funds are used to support training offered by non-profit organizations or higher education institutions, as well as employer or industry-specific workforce development initiatives (e.g., skills sector strategies, industry partnerships, career pathways, etc.[34]).

Minnesota's TEACH program, for instance, provides state funds for educational scholarships specifically for early childhood providers. The legislature provides $500,000 to the program to award scholarships to childcare workers enrolled in an associate degree program in Child Development or Early Childhood Education. According to the Minnesota Child Care Resource and Referral Network, in 2005-06, $250,334 was awarded in scholarships enabling 198 recipients to attend 32 colleges and universities statewide.

State general funds also support the broader-based **Minnesota Jobs Skills Partnership** (MJSP), established by the legislature in 1983 for the purpose of linking postsecondary educational or non-profit training institutions with business and industry leaders to design and deliver relevant workforce training. The MJSP operates several grant programs, including **Low-Income Worker Training Grants**, which are awarded to public, private, and non-profit groups to provide short-term training for job seekers and incumbent workers who are low-income. Eligible trainees must have incomes at or below 200 percent of the federal poverty line. In 2007, just over $1 million in was awarded across seven grants to support short-term training for health care workers, electricians, bank tellers, and customer service representatives. Since its inception in 2001, about $5 million in Low-Income Worker Training Grants have been awarded.[35]

> "M-Powered": A Low-Income Worker Training Grant at Work
>
> With an MJSP grant of over $374,000, the "M-Powered" Project brings together manufacturing firms, Hennepin Technical College, and the workforce development agency HIRED to offer industry-specific training to low-wage job seekers and incumbent workers. In addition to a 12-week course, program participants receive career counseling, mentoring, and job placement assistance.

Like Minnesota, a number of states allocate general purpose funds to support training initiatives for the working poor. Others use UI revenue. **New Jersey**, for example, runs a $100 million **Workforce Development Partnership Program** funded through UI. Under this initiative, the state operates a Customized Training program which promotes partnerships of education institutions and employers or organizations to offer training in manufacturing and in industries facing either high levels of growth or worker turnover. The program also awards grants to employers and organizations to provide training to workers in the areas of reading comprehension, basic math, basic computer literacy, English proficiency, and work-readiness skills. Under the program, 15 percent of training funds are directed to initiatives where the primary beneficiaries are former welfare recipients.

Tuition Assistance

Employers can also play a role in promoting low-income worker advancement by providing up to $5,250 a year in tax-free educational benefits such as payments for tuition, fees, books, supplies, and equipment. If an employer pays for more than that, the worker must generally pay tax on the amount over $5,250.

Many employers recognize that supporting employee education is an important tool for building workers' morale, skills, and loyalty and for increasing company productivity and performance. Yet tuition assistance policies tend to be underutilized by firms or structured in ways that limit participation by low-income workers.

One of the biggest hurdles for low-income workers is that employers typically reimburse tuition expenses once coursework has been completed (and often only offer to pay a portion of the cost – anywhere from 25 to 75 percent – not the entire amount). This means the worker must come up with tuition money upfront – a barrier to enrollment for many among the working poor. There is no prohibition against an employer paying tuition up front; in a recent survey of 1,300 employers, the Council for Adult and Experiential Learning (CAEL) found that 21 percent did so.[36]

In addition, employers frequently make reimbursement contingent on the receipt of a certain grade, which can scare away workers who fear their grades won't be good enough – especially those with poor academic histories. The CAEL survey found that 38 percent of companies required a worker to receive a C or better in a course to be eligible for tuition assistance; 17 percent required a B, while another 26 percent required simply a "passing grade."

Another factor that can discourage workers from participating in tuition assistance programs is that many employers grant reimbursement on the condition that recipients remain with the firm for a certain period of time (often a year) after their course of study is over. Workers who don't comply are expected to repay the tuition benefits they received. Also, it is common for employers to require a minimum length of service before an employee is eligible for tuition benefits.

Yet another problem with tuition assistance is that it is frequently offered to full-time employees only. This disadvantages those who may find it hard to balance full-time work and family duties with schooling. Among companies surveyed by CAEL, 93 percent reported that full-time salaried employees were eligible for tuition assistance, whereas just 24 percent of part-time salaried workers were. Full-time workers earning hourly wages were eligible for assistance at 63 percent of the companies surveyed, while figures dropped to 21 percent for part-time hourly workers, 31 percent for full-time union workers, and just 10 percent of companies offering tuition assistance to part-time union workers.

The relative exclusion of part-time workers from tuition assistance programs is similar in Minnesota. A 2005 Employee Benefits Survey of private-sector businesses in the state, conducted by the Minnesota Department of Employment and Economic Development (DEED), found that 19 percent of 3,374 respondent firms offered tuition assistance benefits to full-time workers, but just 10 percent made the same benefits available to part-time workers. [37]

In addition, DEED found that big firms in the state were much more likely to offer tuition assistance than smaller employers: among the 19 percent of firms that offered the benefit to full-time workers, the majority (79 percent) were firms with 250 employees; by comparison, only a quarter of firms that employed 10-49 people made the benefit available to full-time workers. Similarly, among the 10 percent of private-sector firms in the state that offered tuition assistance to part-time workers, 40 percent were large firms, while just 11 percent were small firms. This is important as low-wage workers are disproportionately likely to work for small companies; more than a quarter of low-wage workers are employed by firms that have less than 10 employees – firms without the economies of scale or overhead needed to justify training or benefit programs.[38]

More generally, and perhaps the biggest problem of all, is that many firms that employ mostly low-income workers simply do not offer tuition assistance. In fact, two of the strongest predictors of whether a worker will receive employer support for upgrading his or her skills are higher initial education attainment and a household income of at least $50,000. Those with low skills and low wages tend to be left out of employer-supported education and training.[39]

Finally, it should also be noted that an individual cannot claim the Hope Tax Credit or the Lifetime Learning Credit in the same tax year that the employer pays all his or her tuition and related expenses.

[1] U.S. Census Bureau, 2005 American Community Survey. Some of these adults may have earned a short-term certificate, but no college degree.
[2] The National Center for Higher Education and Public Policy, *Measuring Up, The National Report Card on Higher Education, 2006*.
[3] Two-year community colleges tend to have open admissions policies, and are typically less inexpensive and more flexible in terms of course offerings and scheduling, making them the most appealing choice among postsecondary institutions for low-income workers.
[4] According to the Jobs Now Coalition's Cost of Living Budget for Minnesota families in 2006, a single parent of two would need to earn $40,809 to meet her or his family's basic needs. For more information, view www.jobsnowcoalition.org/costofliving.
[5] The National Center for Higher Education and Public Policy, *Measuring Up, The National Report Card on Higher Education, 2006*.
[6] Figures in this paragraph come from the College Board, *Trends in Student Aid 2007.*
[7] The U.S. Department of Education's National Center for Education Statistics (NCES) defines non-traditional students as having one or more of the following characteristics: delaying enrollment into postsecondary education, attending part time, being financially independent from parents, having dependents, working full time while enrolled, being a single parent, or having a GED or high school equivalent certificate.
[8] University Continuing Education Association, http://www.ucea.edu/resources/faqs.html.
[9] The College Board, *Trends in Student Aid 2007.*
[10] McSwain, Courtney and Ryan Davis, *College Access for the Working Poor: Overcoming Burdens to Succeed in Higher Education*, Institute for Higher Education Policy, July 2007.
[11] Strawn, Julie, *Policies to Promote Adult Education and Postsecondary Alignment*, Center for Law and Social Policy, August 20, 2007. For a detailed look at these and other recent changes to the Pell Grant, see *Congress Expands Access to Postsecondary Education and Training for Low-income Adults*, by Amy-Ellen Duke and Julie Strawn, Center for Law and Social Policy, September 18, 2007.
[12] The AFR is based on an expected family contribution (EFC) as determined in federal financial aid award calculations. Congressional action recently changed the level at which a family is considered to have an EFC of zero from $20,000 annual income to $30,000. Under the State Grant program, the AFR is then reduced to 86 percent of the federal EFC for independent students with children and 68 percent for those without.
[13] Minnesota Office of Higher Education, *Minnesota State Grant Review 2006,* September 20, 2006.
[14] U.S. Department of Labor, Employment and Training Administration, *Adult Learners in Higher Education: Barriers to Success and Strategies to Improve Results*, Occasional Paper 2007-03, March 2007.
[15] Typically, one semester credit is equal to three hours of academic work per week. Enrollment for 15 credits in a semester is equal to about 45 hours of work per week.
[16] Strawn, Julie, *Policies to Promote Adult Education and Postsecondary Alignment*, Center on Law and Social Policy, August 20, 2007.
[17] Minnesota Office of Higher Education, *Minnesota State Grant Review 2006*, September 20, 2006.
[18] Christopher Mazzeo, Brandon Roberts, Christopher Spence and Julie Strawn, *Working Together: Aligning State Systems and Policies for Individual and Regional Prosperity*, Workforce Strategy Center, December 2006.
[19] Minnesota Office of Higher Education, *Impact of the Minnesota Grant Tuition and Fee Maximums on Tuition, Student Debt and Financial Aid,* November 15, 2006.
[20] Minnesota Office of Higher Education, *Minnesota State Grant Review 2006,* September 20, 2006.
[21] The College Board, *Trends in Student Aid 2007.*
[22] Ibid.
[23] National Association of State Student Grant and Aid Programs, *37th Annual Survey Report on State-Sponsored Student Financial Aid, 2005-2006 Academic Year.*
[24] Haycock, Katy, *Promise Abandoned: How Policy Choices and Institutional Practices Restrict College Opportunities*, The Education Trust, August 2006.
[25] The Education Commission of the States, accessed at http://www.ecs.org.
[26] Reindl, Travis, *Hitting Home: Quality, Cost and Access Challenges Confronting Higher Education Today,* Jobs for the Future and the Lumina Foundation, "Making Opportunity Affordable" initiative, March 2007.
[27] McSwain, Courtney and Ryan Davis, *College Access for the Working Poor: Overcoming Burdens to Succeed in Higher Education,* Institute for Higher Education Policy, July 2007. The report defines working poor adults as those

who work at least slightly more than part time and have family incomes that place them at or below 200 percent of the poverty level.

[28] Minnesota Office of Higher Education, *Highlights of Financial Aid Awarded 2005*, September 21, 2006. The increase in borrowing from private lenders is not unique to less than half-time students; all undergraduates are relying more on private loans, which may, in part, be a result of intense marketing by private lending companies.

[29] Christopher Mazzeo, Brandon Roberts, Christopher Spence and Julie Strawn, *Working Together: Aligning State Systems and Policies for Individual and Regional Prosperity*, Workforce Strategy Center, December 2006.

[30] The Minnesota Post-Secondary Child Care Grant does provide grants of up to $2,300 per child per year to full-time students for child care costs. Students must be enrolled at least half time to be eligible. In 2005, 2,700 undergraduates received $4.7 million in these grants, according to the Minnesota Office of Higher Education.

[31] As Julie Strawn notes, by holding colleges accountable for student enrollments rather than completions, states provide little incentive to postsecondary institutions to devote limited funds student success services. *Policies to Promote Adult Education and Postsecondary Alignment*, prepared for the National Commission on Adult Literacy**,** August 20, 2007.

[32] Christopher Mazzeo, Brandon Roberts, Christopher Spence and Julie Strawn, *Working Together: Aligning State Systems and Policies for Individual and Regional Prosperity*. Workforce Strategy Center, December, 2006. See also

[33] To see examples of marketing tools from these and other states, visit the College Access Marketing Web site at http://www.collegeaccessmarketing.org/gallery/targetaudience.asp?Targetgroup=6**.** See, also, *Money on the Table: State Initiatives to Improve Financial Aid Participation*, an **Achieving the Dream Policy Brief** by Heath Prince, October 2006.

[34] For more information, see Amy-Ellen Duke, Karin Martinson, and Julie Strawn, *Wising Up:How Government Can Partner With Business to Increase Skills and Advance Low-Wage Workers*, the Center on Law and Social Policy, April, 2006.

[35] Information provided by Carrie Thomas, JOBS NOW Coalition, November 2007.

[36] All survey results reported in this section were accessed through the CAEL website at http://www.cael.org/

[37] Minnesota Department of Employment and Economic Development, Labor Market Information Office *Employee Benefits Survey, Spring 2005*. Accessed at www.deed.state.mn.us/lmi/publications/benefits/2005.htm

[38] Lower-Basch, Elizabeth, *Opportunity at Work: Improving Job Quality*, the Center on Law and Social Policy, September 2007.

[39] Strawn, Julie, *Policies to Promote Adult Education and Postsecondary Alignment***,** prepared for the National Commission on Adult Literacy**,** August 20, 2007.