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Introduction

In September of 2007, the Coalition of Student Leaders, comprised of members from all over the state, unanimously recognized that affordability was one of the greatest issues facing students today. They recognize that their peers are dropping out, not because of grades or the quality of the programs, but because they cannot afford the education. A survey performed by the University of Alaska Southeast found that the number two reason why students were dropping out was because they could not afford to continue their education. Many more simply do not begin a postsecondary education due to the cost. As a result, the Coalition of Student Leaders began to look at ways to address these affordability concerns and better understand the relevant implications of the rising costs of a postsecondary education.

The Alaska Achievers Incentive Program (AAIP) is a postsecondary scholarship program that would provide Merit Aid to students who demonstrate academic promise and unmet financial need. By so doing, this program will increase educational opportunities for more bright, hardworking, and capable Alaskans so they may be ready to fill Alaskan jobs.

For many parents and their children, a postsecondary education is increasingly perceived as unaffordable. As a result, parents that cannot afford to send their kids to college often do not push their kids to achieve in school. The AAIP acknowledges that if students are given an opportunity to break the financial barrier to college, they will strive to achieve academic success. The program's 3.0 GPA requirement is an accurate reflection of academic success and college preparedness.

Already existing research shows that AAIP will make a difference. A 2007 report from the State Higher Education Executive Officers found that a \$1,000 difference in the price of college may impact college enrollment for the most financially needy students by as much as nine percent. A 2007 Western Interstate Commission for Higher Education report determined that for every \$160 in increased tuition, low income enrollments dropped by .5 percent in four year, public institutions and by 2.3 percent in community colleges.

The AAIP is not a handout. The financial assistance offered through this program will not cover all costs of attendance. Rather, it alleviates the growing costs of a postsecondary education so it is more manageable for students who have demonstrated academic merit and financial need. Students will still be expected to contribute financially to their education.

Break Down

Already Existing Research shows that AAIP will make a difference. We know from existing research that a \$1,000 reduction in the cost of a college education can boost enrollment by nine percent. But we also know that a \$160 increase in the cost of attendance can drop undergraduate enrollment by .5% and community college enrollment by 2.3%.

Our peers are dropping out because they cannot afford the education, not because of grades or the quality of the programs. A survey performed by the University of Alaska Southeast found that the number two reason why students were dropping out was because they couldn't afford to continue their education. The number one reason was family problems.

For students approaching their high school graduation, the cost of a higher education is the most important topic discussed by the student and the family. For low-SES students, cost is the biggest determinant for college selection. It is a real shame that students do not move on to higher learning because of the cost.

For many young people, college is perceived as out of their reach. It has also been shown that the growing cost of an education is changing the perception of affordability among our elementary and middle school students and their parents. It is at these ages that students really decide whether college will be something within their reach.

Our state's economy is growing and there are incredible jobs waiting for graduates with the necessary education and training, which is why we must be focused on expanding access to higher education.

Too many students are not graduating from high school. The 3.0 GPA requirement acts as an incentive for students to work a little harder, because if they do, there is a promise of a college education. Furthermore, a 3.0 High School GPA has been demonstrated to be an accurate indicator of college readiness.

The program would provide assistance to students who earn a 3.0 high school GPA and continuing postsecondary students who demonstrate unmet financial need.

Facts About Financial Aid in Alaska

February 2008

How does Alaska compare with other states?

- Unfortunately, Alaska ranks 51st among states (including DC) in college-going rates of low-income youth from FY 1994 to FY2005. ("Low income" is defined as students who qualify for Pell grants.)
- The rate of college attendance among low-income youth ranges from 8.6% (Alaska) to 41.3% (Iowa). The next-lowest ranking goes to Nevada with 14.9%.

Source: Mortenson, Thomas G.
"Higher education for Students from Low Income Families
1970 to 2006"
Postsecondary Education Opportunity
No 183, September 2007

- Since FY1980 all states have reduced their investment efforts in public higher education institutions, causing tuition to rise. The burden has been shifted to the students, who increasingly have to take on loan debt.
- The federal average of state grant programs covered 38.6 % of what a Pell grant paid in 05-06. Alaska ranked 41st, paying 7.7 % of what a Pell grant paid. Vermont ranked 1st, paying 109% of what a Pell grant paid.

Source: Mortenson, Thomas G.
"College Participation Rates for Students from Low Income Families by State
1992-93 to 2004-05"
Postsecondary Education Opportunity
No 176, February 2007

Who gets financial aid at the University of Alaska?

- Almost 45% of our **African-American** students receive aid, while only 29% of Native Alaskans* and 31% of White students do.
- 41% of students **age 24 and under** are on some form of aid, while only 25% of those 25 and over – many of whom are non-degree-seeking -- are on financial aid.
- A slightly larger percentage of **women** are on aid than men.
- One out of every three financial aid dollars awarded to undergraduate students goes to a **freshman**.
- UA is experiencing shifting demographics in our student population as a whole, just as the rest of the nation is. We see more students of color, more who are low-income and more who are the first in their families to attend college.

**Financial aid numbers for Native Alaskans do not reflect all Alaska Native Corporation funding.*

What types of aid do students at UA receive?

| | |
|-------------|-------|
| Loan | 68.1% |
| Grant | 13.3% |
| Scholarship | 13.7% |
| Waiver | 2.6% |
| Work Study | 2.3% |

University of Alaska Statewide Planning & Budget, 2005-2006 data, *UA in Review 2007*.

UA loan volume is growing at a faster pace than grant volume, meaning more and more students are going farther into debt to pay for their education.

Does the University have other scholarships that are at least partially based on financial need?

| | Total Scholarships | Scholarships with need component |
|-----|--------------------|----------------------------------|
| UAA | 180 | 3 |
| UAF | 316 | 63 |
| UAS | 56 | 8 |
| SW | 62 | 12 |

*UA received 3,116 applications for scholarships for the 0809 aid year.
SW = UA Foundation.*

Why can't the University internally fund this, like they do the UA Scholars Program?

The UA Scholars Program is funded from the Natural Resources fund. The program has been very successful, but is itself in need of additional funding.

UA keeps raising its tuition. Why can't a portion of those funds be used to help these needy students?

UA has allocated 1% of tuition revenue from each campus for need-based aid at the campus that generated the tuition. This is what is called the "UA Grant Program." UA allocated almost \$835,000 to this program for the 0708 aid year.

However, further aid using this mechanism adversely impacts students not receiving aid and the debt load of UA students already using loans to complete their education. Two-thirds of UA graduates have student debt and in any given semester one-third of all students are using a student loan.

Additionally, until the state has an adequately funded program for needs and merits based financial aid, it will continue to be rate poorly in national status reports as university funded aid is not recognized as a state policy commitment.

Students that are Alaska residents already get almost \$2,000 per year for the PFD. Why should they get more from the state?

Existing grant programs, and the PFD, cannot cover the cost of education and living expenses without forcing the student to go deeply into debt.

Here's a typical example for a very poor student (ZERO Estimated Family Contribution.)

| | |
|-------------------------------|----------|
| Cost of Attendance: | \$17,000 |
| Minus Pell Grant: | \$4,310* |
| Minus SEOG: | \$500* |
| Minus AkAdvantage: | \$1000* |
| Minus UA Grant: | \$190* |
| Uncovered cost of attendance: | \$11,000 |

**All grant monies that do not have to be repaid*

That leaves \$11,000 of the year's expenses not covered by grants. This student could qualify for up to \$3000 in Federal Work Study funds, if available. Still, that means the student has to borrow \$8,000 for their first year of education. A student in this situation would graduate with \$40,000 in student loan debt after 5 years, *even while working during college*. Even if this student applied his or her PFD toward the cost of education every year, the debt upon graduation would be over \$30,000.

I hear a lot of students don't even bother to apply for financial aid.

- UA has helped deliver "**College Goal Sunday**," for the past three years, an event provided at twenty sites across the state and aimed at low-income and first-generation incoming freshmen, to help them fill out the FAFSA.
- UA sponsors "**February FAFSA Frenzy**" each year since 2005. Overall FAFSA applications at UA increased 7% from 2005 to 2007, with early application activity increasing 73%.

If a student wants to attend, why don't they work or take out loans?

- Students who work off-campus take longer to earn their degree and are less likely to graduate at all.
- Employment off campus increases their taxable income, making it harder for them to qualify for aid the next year.
- In the last four years, student loan volume has gone up 96.6%, while grant aid has only gone up 48%. Increased loan volume leads to increased student debt.

PFD Myth:

If everyone in Alaska saved their PFDs from birth, they would have all the money they need to get a degree

PFD Savings for 18 year olds
Assumes student's PFD was saved all 18 years

| Year | Amount |
|------------------|--------------------|
| 1990 | \$952.63 |
| 1991 | \$931.34 |
| 1992 | \$915.84 |
| 1993 | \$949.46 |
| 1994 | \$983.90 |
| 1995 | \$990.30 |
| 1996 | \$1,130.68 |
| 1997 | \$1,296.54 |
| 1998 | \$1,540.88 |
| 1999 | \$1,769.84 |
| 2000 | \$1,963.86 |
| 2001 | \$1,850.28 |
| 2002 | \$1,540.76 |
| 2003 | \$1,107.56 |
| 2004 | \$919.84 |
| 2005 | \$845.76 |
| 2006 | \$1,106.96 |
| 2007 | \$1,654.00 |
| Total PFD | \$22,450.43 |

Average Resident Tuition, Fees, Room, Board and Books per Academic Year

| | Tuition | Room & Board | Books | Fees | 2007-2008 | 4 Years* |
|------------|-------------------|-------------------------|-----------------|-----------------|--------------------|--------------------|
| UAA | \$2,952.00 | \$7,810.00 | \$1,036.00 | \$513.00 | \$12,311.00 | \$57,123.04 |
| UAF | \$3,825.00 | \$5,580.00 | \$1,100.00 | \$693.00 | \$11,198.00 | \$52,958.72 |
| UAS | \$3,060.00 | \$6,714.00 | \$550.00 | \$796.00 | \$11,120.00 | \$51,596.00 |

*Adjusted for inflation

Sources: <http://www.finfo.com/college>
http://www.collegeboard.com/prod_downloads/about/news_info/trends/trends_pricing_07.pdf
<http://www.pfd.state.ak.us/dividendamounts/index.aspx>

Federal Financial Aid Myth:

If students apply for Federal Financial Aid, they will have enough money for college

Maximum Federal Pell Grant: \$4,800

Average Resident Tuition, Fees, Room, Board and Books per Academic Year

| | Tuition | Room & Board | Books | Fees | 2007-2008 | 4 Years* |
|------------|----------------|-------------------------|--------------|-------------|------------------|-----------------|
| UAA | \$2,952.00 | \$7,810.00 | \$1,036.00 | \$513.00 | \$12,311.00 | \$57,123.04 |
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| UAS | \$3,060.00 | \$6,714.00 | \$550.00 | \$796.00 | \$11,120.00 | \$51,596.00 |

*Adjusted for inflation

| | 2007-2008 Tuition | Max Pell Grant | 2007-2008 Unmet Need | Total Unmet Need in 4 Years* |
|------------|--------------------------|-----------------------|-----------------------------|-------------------------------------|
| UAA | \$12,311.00 | \$4,800 | \$7,511.00 | \$37,923.04 |
| UAF | \$11,198.00 | \$4,800 | \$6,398.00 | \$33,758.72 |
| UAS | \$11,120.00 | \$4,800 | \$6,320.00 | \$32,396.00 |

*Adjusted for inflation

Unmet financial need is typically made up through loan programs.

Three Benefits of a College Education for Alaska:

1. **Economic** – A new economy requires a higher-ed degree. The fastest growing sectors of a thriving economy require a higher-ed degree.

The growing health sciences field hires EVERY UA graduate that applies. Yet, we import approximately 60% of the health workforce because UA is not producing enough graduates. The imported workforce costs three times as much as hiring an Alaskan, leading to an artificially high cost of living.

The petroleum industry also hires EVERY UA graduate that applies. Yet we import a vast majority of the workforce as well. The imported workforce generally retires outside of Alaska, putting their earning in another state's economy.

Alaskans should fill Alaskan jobs FIRST. This means that every academically eligible Alaskan should be able to receive the proper education to fill those jobs.

2. **Intellectual** – A higher education develops critical thinkers who tend to be more civically involved. The University provides an environment for people from different backgrounds to interact with each other and to learn from each other, and develop an appreciation for one another.

The state of Alaska will be facing many challenges in the future that will require a citizenry that is engaged and able to critically evaluate the situation to develop effective solutions.

Alaska has many diverse needs and the University provides the opportunity for students to meet others and learn about those needs. Urban students interact with rural students and vice versa. As a result, they value each other.

3. **Occupational** – Quite simply, an Alaskan who earns a University degree will earn on average, \$1 million more than if they had not. That is \$1 million that will be spent and used in the economy. That is \$1 million that the graduate can use to sustain themselves without the help of government programs.

Examples of other Merit Aid Programs:

Idaho: *"No longer can students work part-time and go to school full-time without taking out large amounts of students loans. As we look at how to improve Idaho's economy and the lives of Idahoans, education is the key."*

Students must receive a 2.0 GPA in high school, commit to be drug free, apply for federal financial aid and maintain satisfactory academic standards in college. Students must also contribute financially to their education whether by earning academic or talent scholarships or by working.

Iowa: *"Our state's economy is growing and there are incredible jobs waiting for graduates with the necessary education and training, which is why we must be focused on expanding access to higher education."* - Governor Chet Culver

- Begin initial enrollment at an eligible college or university within two academic years of graduating from high school;
- Graduate from high school with at least a 2.5 cumulative grade point average on a 4.0 grade scale or its equivalent;
- Be an Iowa resident;
- Be enrolled in at least 3 semester hours in college;
- If already enrolled in college, be making satisfactory academic progress as defined by the college or university;
- Complete and submit an application; and
- File the Free Application for Federal Student Aid (FAFSA) at www.fafsa.ed.gov