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Trends in State-Sponsored Student Financial Aid: A Comparison of Grant Aid in Midwestern States¹

February 2011

There are many benefits to having a college degree. On average, individuals with a college degree have higher incomes, greater employment opportunities, better health, and greater satisfaction with work.² Over a lifetime, a college graduate will earn about \$1 million more than someone with only a high school diploma.³ In addition, states benefit from having an educated citizenry. A person with a college degree pays higher taxes, develops greater political consciousness, and is more likely to be civically engaged. In 2003, for example, the average high school graduate paid a total of \$6,500 in local, state, and federal taxes. Compared to a baccalaureate degree recipient who paid, on average, \$11,800 in taxes, a person with only a high school diploma is contributing 45% less annually in taxes.⁴ In addition to producing lower tax revenues, lower levels of education are associated with increased incarceration rates, higher rates of unemployment, lower levels of academic preparation among future generations, and reduced civic engagement.⁵

Although the benefits of having an educated population are clear, the decreased affordability of higher education may result in a decline in college-going among high school graduates. The College Board's report *Trends in College Pricing* indicates that in 2008-09, published tuition and fees for in-state students at public four-year institutions in the United States averaged \$6,585. This represented a 6.5% increase from the previous academic year.⁶ Out-of-state students paid an average of \$17,452 at public four-year institutions in 2008-09, an increase of 5.2% from the

¹ This report was written by Olena Glushko Horner, Amber Cameron, and Chris Rasmussen.

² Pascarella, E.T. & Terenzini, P.T. (2005). *How college affects students: A third decade of research* (Vol. 2.). San Francisco: Jossey-Bass.

³ Washington Higher Education Coordinating Board. "Paying for College." Retrieved from Washington Higher Education Coordinating Board website: <http://www.hecb.wa.gov/paying/collegcosts/collegcostsindex.asp>.

⁴ Baum, S. & Payea, K. (2005). *Education pays, 2004: The benefits of higher education for individuals and society*. New York: The College Board.

⁵ Ibid. and Swail, W.S. (2004). *The art of student retention: A handbook for practitioners and administrators*. Washington, DC: Education Policy Institute.

⁶ The College Board. "Trends in college pricing." Retrieved from The College Board website: <http://professionals.collegeboard.com/profdownload/trends-in-college-pricing-2008.pdf>.

2007-08 academic year.⁷ Meanwhile, private four-year colleges and universities increased published tuition and fees by 5.9% from 2007-08 to 2008-09.⁸

However, the sticker price (published tuition and fees) is only one component of college costs. Students need additional funds for room and board, books and supplies, transportation, and other essentials. As a result, in 2008-09, the average estimated undergraduate budget for in-state on-campus students at public four-year institutions equaled \$18,326; for out-of-state on-campus students at public four-year colleges the total was \$29,193; and for on-campus students at four-year private institutions the overall cost was \$37,390.⁹

Simultaneously, family income, on average, has grown at a much slower rate than have college costs. The College Board reports that “between 1977 and 2007, average family income rose 3% (\$463 in constant 2007 dollars) for the poorest 20% of families, 22% (\$11,275) for the middle 20%, and 86% (\$146,650) for the wealthiest 5% of families.”¹⁰ The varied increases witnessed by different income groups will challenge states and institutions to make college affordable and accessible for all citizens. This is especially true for public colleges and universities, which grant about two-thirds of all baccalaureate degrees earned in the United States.

State and federal support remains a key component in insuring college affordability. The roles of the federal and state governments in providing support for higher education are different in nature.¹¹ State support tends to be eclectic and includes operational support to public institutions, tuition regulation, and student aid, while the federal government has focused more on helping students cover the cost of college.¹² However, federal need-based aid fell from 80% of total government aid provided to students at the end of the 20th century to only 60% five years later.¹³ Moreover, federal aid does not provide enough benefits to disadvantaged students to ensure affordability. As an example, the change in the “purchasing power” of Pell Grants has decreased significantly since 1975; by 1997, the maximum grant covered only 30% of college costs.¹⁴ This is of particular concern given that low-income students are “more sensitive than other students in their enrollment decisions to aspects of price and aid.”¹⁵

As a result of declining or stagnant resources and shifting priorities in state governments, it has been suggested that “institutions of higher education in the United States are gradually being

⁷ Ibid.

⁸ Ibid.

⁹ Ibid.

¹⁰ Ibid.

¹¹ Hauptman, A.M. (2001). Reforming the ways in which states finance higher education. In D.E. Heller (Ed.), *The states and public higher education policy* (pp. 64-80). Baltimore: The Johns Hopkins University Press.

¹² Ibid.

¹³ Hearn, J.C., & Holdsworth, J.M. (2005). Federal student aid: The shift from grants to loans. In E.P. St. John & M.D. Parsons (Eds.), *Public funding of higher education* (pp. 40-59). Baltimore: The Johns Hopkins University Press.

¹⁴ Heller, D.E. (2001). Trends in affordability of public colleges and universities: The contradiction of increasing prices and increasing enrollment. In D.E. Heller (Ed.), *The states and public higher education policy* (p. 21). Baltimore: The Johns Hopkins University Press.

¹⁵ Hearn & Holdsworth (p. 53).

transformed from publicly funded to publicly assisted and privately financed entities.”¹⁶ Research demonstrates that there is “a strong positive correlation between college attendance in a state and the level of state support for postsecondary education.”¹⁷ In addition, a strong correlation has been found between the number of college degrees in a state and the level of state appropriations to higher education.

Student Financial Aid in Context

Data from the National Center for Education Statistics (2009)¹⁸ indicate that in 2007-08, 28% of all undergraduates received federal student grant aid, with an average award of \$2,800. Meanwhile, 16% of undergraduates received state-funded grants with an average of \$2,500 and 20% received institution-funded grants with an average award of \$5,000.¹⁹

Of all available financial aid from federal, state, and institutional sources, federal support comprises the largest portion, including both grants and student loans. In 2007-08, federal Pell Grants were awarded to 27% of undergraduates, with an average award of \$2,600, while 34% of undergraduates took out federal Stafford Loans with an average total of \$5,000. Subsidized Stafford Loans were received by 30% of undergraduates with an average amount of \$3,400, while 22% received an average of \$3,200 in unsubsidized Stafford Loans.²⁰

In order to better understand the complexities of college affordability, it is important to simultaneously consider state appropriations for higher education, tuition and fees, and student financial aid expenditures. Based on data presented in the 40th Annual Survey Report of the National Association of State Student Grant and Aid Programs (NASSGAP),²¹ this policy brief examines comparative data for the MHEC states on trends in state-sponsored student financial aid in the 2008-09 academic year, the most recent year for which comprehensive data is available.

¹⁶ Okunade, A.A. (2004). What factors influence state appropriations for public higher education in the United States? *Journal of Education Finance*, 30 (2), p. 124.

¹⁷ Trostel, P.A., & Ronca, J.M. (2009). A simple unifying measure of state support for postsecondary education. *Research in Higher Education*, 50, p. 236.

¹⁸ National Center for Education Statistics. “2007–08 National Postsecondary Student Aid Study (NPSAS:08),” and “Student Financial Aid Estimates for 2007–08.” Retrieved from <http://nces.ed.gov/pubs2009/2009166.pdf>.

¹⁹ Ibid.

²⁰ Ibid.

²¹ The 40th Annual NASSGAP survey was completed by each state in winter and spring of 2008-09. A PDF version of the survey instrument is available at: http://www.nassgap.org/survey/NASSGAP_Survey_Instrument_2008-09.pdf.

Structure of this Report

This brief presents NASSGAP data for the MHEC states in three sections: 1) an overview of the region; 2) the trends in need-based grant aid by state; and 3) the trends in non-need based grant aid by state.²² The brief concludes with general remarks about what the recent trends suggest for student access to affordable educational opportunities in the region.

To be eligible for need-based aid, recipients must meet some standard of need using federal or state formulas using measures such as expected family contribution (EFC), remaining costs (for “last dollar” aid), or maximum income thresholds.

For non-need based aid, recipients are not required to demonstrate financial need to be eligible for an award. One form of non-need based aid is merit-based aid, for which recipients are selected in whole or in part on the basis of test scores, class rank, grade point average, or other achievement criteria.

Other commonly used financial aid terminology, as defined by NASSGAP and that appear in this report, include the following:

Tuition Waiver:	A program mandated or funded by a state in which all or a portion of a recipient’s tuition at an eligible institution is not charged to the award recipient.
Loan Assumption/ Loan Forgiveness:	A program in which a recipient has the possibility of having a loan repaid or forgiven, in whole or in part, in exchange for fulfilling certain service obligations.
Conditional Grant/Loan:	A grant award that converts to a loan if certain obligations are not met.
Special Purpose Award:	A program with specific objectives that usually targets specific groups of students. Examples include programs in which recipients train for particular occupations, such as teachers or health and technical workers; programs aimed at retraining unemployed workers; post-service programs offering benefits to military veterans; and programs providing benefits to spouses or children of persons killed or disabled as a member of the military or the protective services or as an emergency responder.

²² Throughout the report dollars are not adjusted for inflation.

Overview of the MHEC Region

The 12-state Midwestern region has an estimated population of 66.9 million, representing approximately 22% of the nation’s population. Given variation in population, each state has unique taxation and revenue generating capacities. **Table 1** presents the population by state based on U.S. Census Bureau estimates.

Table 1: Estimated Population by State: 2009

State	Estimated Population
Illinois	12.9 million
Indiana	6.4 million
Iowa	3.0 million
Kansas	2.8 million
Michigan	10.0 million
Minnesota	5.3 million
Missouri	6.0 million
Nebraska	1.8 million
North Dakota	0.65 million
Ohio	11.5 million
South Dakota	0.81 million
Wisconsin	5.7 million
Total	66.9 million

July 2009 Population estimates, U.S. Census Bureau

Table 2 presents median household income by state for 2008 based on U.S. Census Bureau data. With varying median incomes, the collective residents of each state have different capacities for contributing to higher education costs, and therefore affordability benchmarks will also differ.

Table 2: Median Household Income by State: 2008

State	Median Household Income
Illinois	\$56,230
Indiana	\$48,010
Iowa	\$49,007
Kansas	\$50,174
Michigan	\$48,606
Minnesota	\$57,318
Missouri	\$46,847
Nebraska	\$49,731
North Dakota	\$45,996
Ohio	\$48,011
South Dakota	\$46,244
Wisconsin	\$52,103
United States	\$52,029

U.S. Census Bureau²³

²³ United States Census Bureau. (2009). State & County Quick Facts. Retrieved from United States Census Bureau website: <http://quickfacts.census.gov/qfd/>.

Table 3 and Figure 1 present, by MHEC state, the total appropriations of tax funds for higher education operating expenses in FY 2009, compared to FY 2008 and FY 2004. Combined, the MHEC states appropriated approximately \$15.8 billion in FY 2009, \$15.3 billion in FY 2008, and \$13.6 billion in FY 2004.

**Table 3: State Fiscal Support for Higher Education:
FY 2009, FY 2008, and FY 2004 (in millions of dollars)**

State	FY 2009	FY 2008	FY 2004	Increase FY 08 to FY 09	Increase FY 04 to FY 09
Illinois	2,997.1	2,935.5	2,701.2	2.1%	11.0%
Indiana	1,575.6	1,528.5	1,360.3	3.1%	15.8%
Iowa	914.2	873.7	737.6	4.6%	23.9%
Kansas	806.0	825.7	685.8	-2.4%	17.5%
Michigan	2,051.1	2,033.7	1,984.3	0.9%	3.4%
Minnesota	1,542.1	1,574.5	1,287.5	-2.1%	19.8%
Missouri	1,108.0	935.3	838.6	18.5%	32.1%
Nebraska	651.7	607.9	498.8	7.2%	30.7%
North Dakota	253.9	253.9	200.4	0.0%	26.7%
Ohio	2,474.1	2,287.8	2,071.0	8.1%	19.5%
South Dakota	152.1	192.9	153.3	-21.2%	-0.8%
Wisconsin	1,276.9	1,242.6	1,114.8	2.8%	14.5%
Midwestern Total	15,802.8	15,292.0	13,633.6	3.3%	15.9%

**Figure 1: State Fiscal Support for Higher Education:
FY 2009, FY 2008, and FY 2004 (in millions of dollars)**

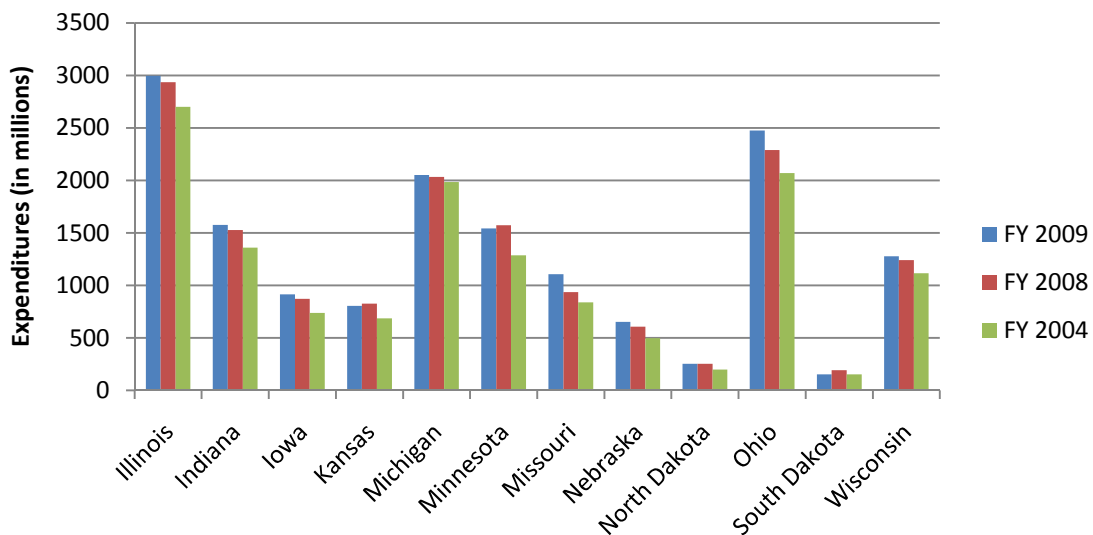


Table 3 and Figure 1 illustrate that 8 of the 12 MHEC states increased appropriations of tax funds for higher education operating expenses between FY 2008 and FY 2009. The largest increase of 18.5% occurred in Missouri. The next two largest increases were significantly less; Ohio increased appropriations by 8.1% and Nebraska by 7.2%. Kansas, Minnesota, and South Dakota all saw a decrease in appropriations from FY 2008 to FY 2009, with South Dakota's decrease standing out at -21.2%. From FY 2004 to FY 2009, 10 MHEC states increased appropriations by over 10%. Missouri saw the largest five-year increase of 32.1%. During this five-year span, MHEC states on average increased appropriations by 15.9%.

Table 4 and Figure 2 present the total grant expenditures as a percentage of state fiscal support for higher education for each of the MHEC states for FY 2009, FY 2008, and FY 2004.

Table 4: Total State Grant Expenditures as a Percentage of State Fiscal Support for Higher Education: FY 2009, FY 2008, and FY 2004

State	FY 2009	FY 2008	FY 2004	Point Change FY 08 to FY 09	Point Change FY 04 to FY 09
Illinois	14.0%	14.2%	13.8%	-0.2	0.2
Indiana	15.5%	14.6%	18.1%	0.9	-2.6
Iowa	7.2%	6.8%	6.7%	0.4	0.5
Kansas	2.3%	2.3%	2.1%	0.0	0.2
Michigan	8.5%	9.5%	8.5%	-1.0	0.0
Minnesota	10.0%	9.9%	9.4%	0.1	0.6
Missouri	11.7%	11.8%	4.9%	-0.1	6.8
Nebraska	2.0%	2.1%	1.8%	-0.1	0.2
North Dakota	1.4%	1.5%	0.9%	-0.1	0.5
Ohio	11.5%	11.2%	9.7%	0.3	1.8
South Dakota ²⁴	2.5%	1.3%	0.0%	1.2	2.5
Wisconsin	8.7%	8.3%	6.8%	0.4	1.9

Indiana leads the region with 15.5% of state fiscal support for higher education earmarked for the state's grant program. However, Indiana is the only state to witness a decrease in the percentage of state fiscal support for higher education earmarked for state grants (down 2.6 percentage points) over the five-year period from FY 2004 to FY 2009. In FY 2009, North Dakota had the lowest proportion of state fiscal support going towards state grants at 1.4%. Even though South Dakota's state grant program represents only 2.5% of state fiscal support for higher education, the state witnessed the largest percentage point increase in state fiscal support for higher education reserved for state grants (1.2 points) from FY 2008 to FY 2009. From FY 2008 to FY 2009, six additional MHEC states saw an increase in the percentage of total state fiscal support for higher education earmarked for state grants. Over the five-year period from FY 2004 to FY 2009, all MHEC states (except Indiana) saw an increase in the proportion of state fiscal support

²⁴ NASSGAP did not report the FY 04 data for South Dakota.

for higher education reserved for state grant programs, led by Missouri with an increase of 6.8 percentage points.

Figure 2: Total State Grant Expenditures as a Percentage of State Fiscal Support for Higher Education: FY 2009, FY 2008, and FY 2004

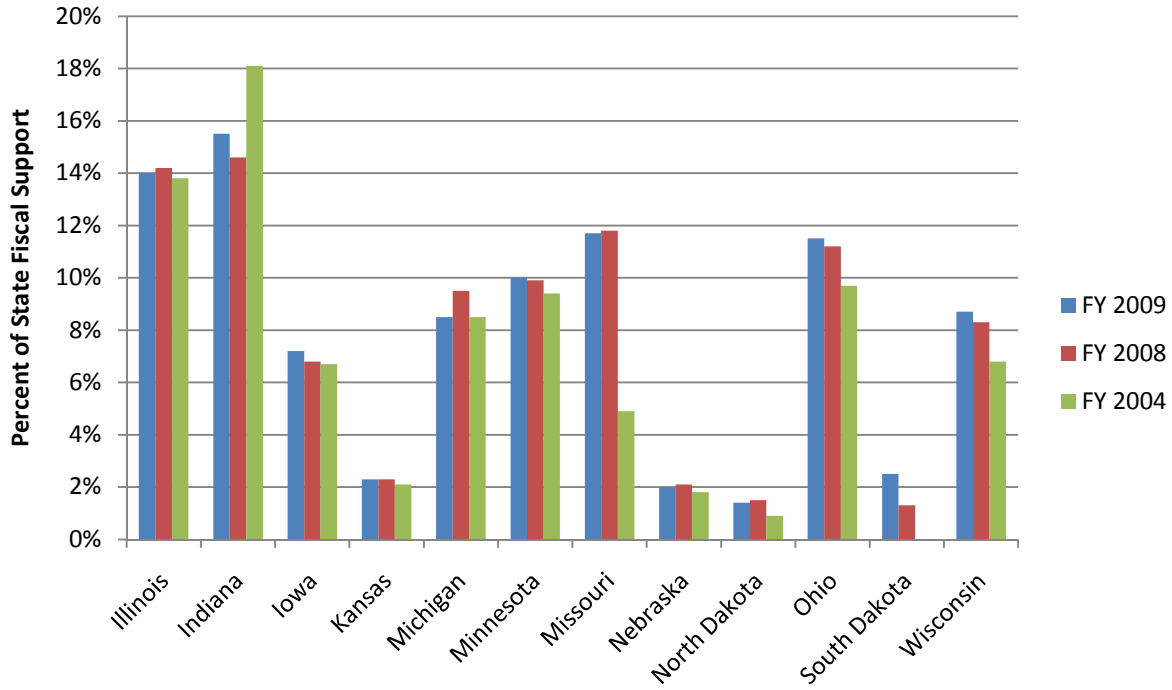


Table 5 shows the total grant aid awarded by each of the 12 MHEC states in FY 2009.

Table 5: Total Grant Aid Awarded, by State (in millions of dollars): FY2009²⁵

State	Primary Need-Based Grant Program (Undergraduate)	Need-Based Aid		Non-need-Based Aid		Subtotal		Total
		(Undergraduate)	(Graduate)	(Undergraduate)	(Graduate)	(Undergraduate)	(Graduate)	
Illinois	383.9	8.9	0.05	19.8	6.0	412.6	6.1	418.7
Indiana	196.8	36.2	-	10.9	-	244.0	-	244.0
Iowa	53.4	7.6	-	4.7	-	65.7	-	65.7
Kansas	16.5	2.1	-	0.2	-	18.7	-	18.7
Michigan	38.4	55.0	4.6	75.3	-	168.8	4.6	173.3
Minnesota	143.5	9.8	0.1	0.06	-	153.4	0.1	153.5
Missouri	92.5	0.4	-	36.3	0.01	129.3	0.01	129.3
Nebraska	12.6	0.2	-	-	-	12.8	-	12.8
North Dakota	2.9	-	-	0.7	-	3.6	-	3.6
Ohio	157.4	67.4	-	59.0	0.3	283.9	0.3	284.2
South Dakota	0.2	-	-	3.5	-	3.7	-	3.7
Wisconsin	100.0	7.7	-	3.1	-	110.8	-	110.8

Among MHEC states, Illinois devotes the most funding (\$418.7 million) for grant aid programs. Ohio and Indiana are next in total dollars awarded with \$284.2 million and \$244.0 million respectively. Two states, North Dakota and South Dakota, award significantly less grant aid with awards of \$3.6 million and \$3.7 million respectively. In 10 MHEC states, led by Illinois (\$383.9 million), the majority of grant aid is awarded under the primary need-based grant program. Michigan and South Dakota award more non-need based grant aid than need-based.

²⁵ Data are rounded to one decimal point. Some data in rows do not add up to totals because data on uncategorized aid are not included in Table 5.

Table 6 and **Figure 4** show the amount of grant dollars allocated per undergraduate FTE in the MHEC states.

**Table 6: Grant Dollars per Undergraduate FTE:
FY 2009, FY 2008, FY 2004, and FY 1999²⁶**

State	FY 2009	FY 2008	FY 2004	FY 1999	Increase FY 08 to FY 09	Increase FY 04 to FY 09	Increase FY 99 to FY 09
Illinois	783.0	804.6	716.4	1,039.0	-2.7%	9.3%	-24.6%
Indiana	868.2	840.9	648.9	564.0	3.2%	33.8%	53.9%
Iowa	339.1	338.6	325.3	435.0	0.1%	4.2%	-22.0%
Kansas	141.6	147.0	111.3	97.0	-3.7%	27.2%	46.0%
Michigan	397.4	466.0	417.0	371.0	-14.7%	-4.7%	7.1%
Minnesota	647.8	671.2	543.1	730.0	-3.5%	19.3%	-11.3%
Missouri	522.2	456.1	184.5	237.0	14.5%	183.0%	120.3%
Nebraska	146.8	148.2	107.7	76.0	-0.9%	36.3%	93.2%
North Dakota	95.1	101.7	46.0	77.0	-6.5%	106.8%	23.5%
Ohio	608.6	563.9	473.3	482.0	7.9%	28.6%	26.3%
South Dakota	106.4	71.3	0.0	0.0	49.2%	N/A	N/A
Wisconsin	456.0	431.9	338.0	340.0	5.6%	34.9%	34.1%

In FY 2009, four MHEC states—Indiana, Illinois, Minnesota, and Ohio—allocated over \$600 in grant aid per undergraduate FTE. From FY 2008 to FY 2009, half of the MHEC states witnessed a decrease in allocations of grant aid per FTE, with Michigan seeing the largest decrease of 14.7%. All of the remaining states saw increases of less than 8% with the exception of South Dakota (49.2%). For the ten-year period from FY 1999 to FY 2009, eight MHEC states increased their awarding of grant aid per FTE. Missouri saw the largest increase of 120.3%, followed by Nebraska at 93.2%. Three states—Illinois, Iowa, and Minnesota—experienced decreases, with Illinois seeing the largest decrease of 24.6%.

²⁶ NASSGAP did not report the FY 2004 and FY 1999 data for South Dakota.

**Figure 4: Grant Dollars per Undergraduate FTE:
FY 2009, FY 2008, FY 2004, and FY 1999**

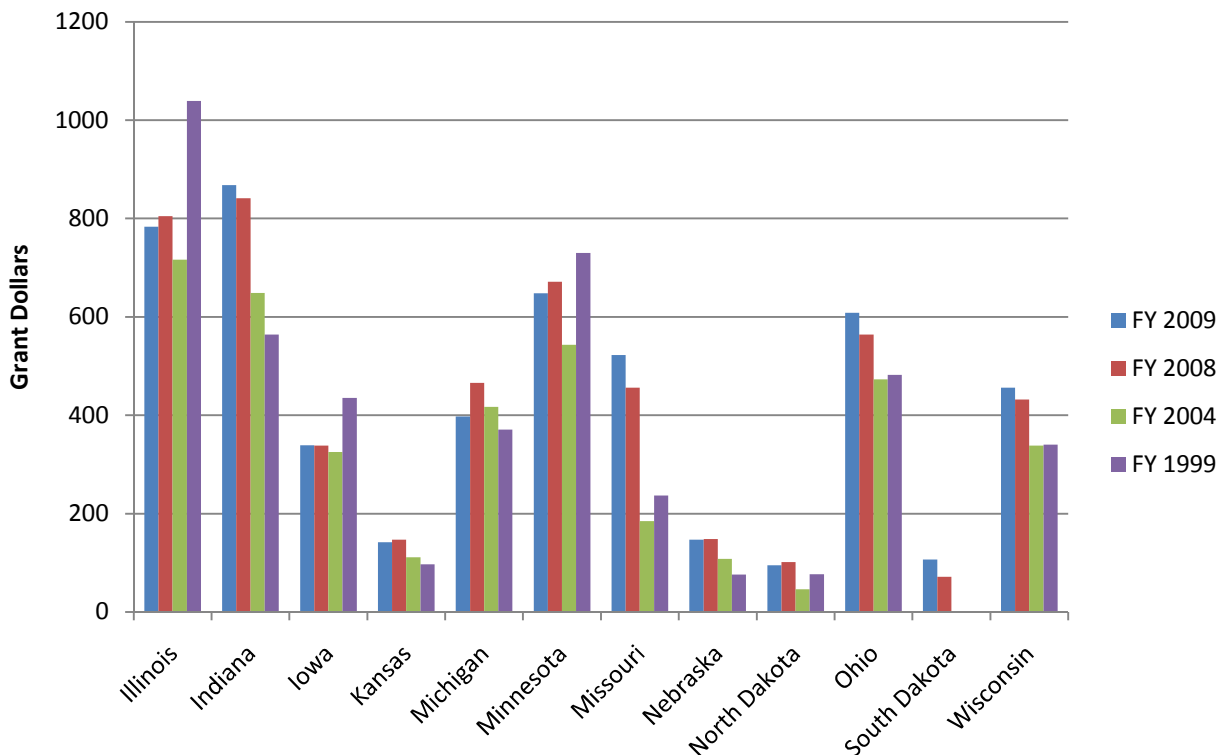


Table 7 and **Figure 5** compare the percentage change in undergraduate grant dollars allocated per FTE to the percentage change in the average undergraduate published tuition and fees at public 4-year institutions. South Dakota did not report the awarding of any grant aid in FY 1999 or in FY 2004, and therefore five- and ten-year grant aid comparisons are not possible for South Dakota.

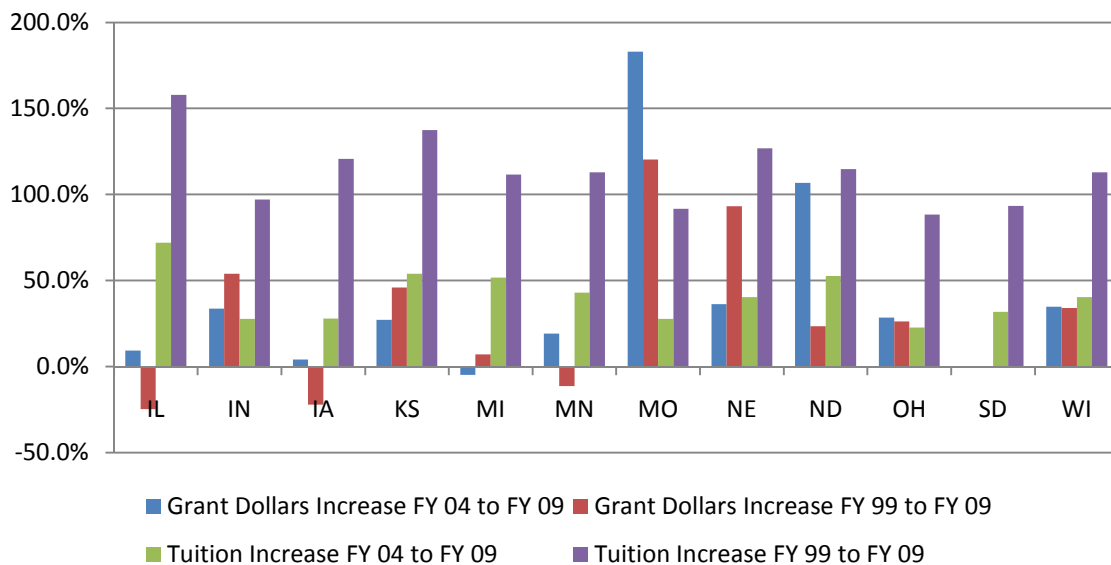
In all of the other MHEC states except Missouri, the percentage increase in tuition exceeded the percentage increase in state grant programs per FTE from FY 1999 to FY 2009. Grant dollars awarded per FTE in Missouri increased by 183% from FY 2004 to FY 2009 and by 120% from FY 1999 to FY 2009. Meanwhile, tuition in Missouri increased by only 28% from FY 2004 to FY 2009 and by 92% from FY 1999 to FY 2009. In the five-year period from FY 2004 to FY 2009, Indiana, North Dakota, and Ohio joined Missouri in seeing increases in grant aid per FTE that exceeded the percentage increase in tuition.

Three states saw a decrease in awarded grant dollars per FTE from FY 1999 to FY 2009—Illinois, Iowa, and Minnesota—while experiencing corresponding increases in tuition of 157.9%, 120.7%, and 112.8%, respectively. From FY 2004 to FY 2009, Michigan witnessed a small decrease in grant dollars per FTE (4.7%) while experiencing an increase in tuition of 51.7%.

Table 7: Percentage Change in Undergraduate Grant Dollars per FTE Compared to the Percentage Change in Average Resident Tuition and Fees at Public 4-Year Colleges and Universities, by State: FY 2004-FY 2009 and FY 1999-2009²⁷

State	Grant Dollars per FTE FY 09	Grant Dollars per FTE FY 04	Grant Dollars per FTE FY 99	Grant Dollars Increase FY 04 to FY 09	Grant Dollars Increase FY 99 to FY 09	Tuition FY 09	Tuition FY 04	Tuition FY 99	Tuition Increase FY 04 to FY 09	Tuition Increase FY 99 to FY 09
Illinois	783.0	716.4	1,039.0	9.3%	-24.6%	9,800	5,700	3,800	71.9%	157.9%
Indiana	868.2	648.9	564.0	33.8%	53.9%	6,900	5,400	3,500	27.8%	97.1%
Iowa	339.1	325.3	435.0	4.2%	-22.0%	6,400	5,000	2,900	28.0%	120.7%
Kansas	141.6	111.3	97.0	27.2%	46.0%	5,700	3,700	2,400	54.1%	137.5%
Michigan	397.4	417.0	371.0	-4.7%	7.1%	9,100	6,000	4,300	51.7%	111.6%
Minnesota	647.8	543.1	730.0	19.3%	-11.3%	8,300	5,800	3,900	43.1%	112.8%
Missouri	522.2	184.5	237.0	183.0%	120.3%	6,900	5,400	3,600	27.8%	91.7%
Nebraska	146.8	107.7	76.0	36.3%	93.2%	5,900	4,200	2,600	40.5%	126.9%
North Dakota	95.1	46.0	77.0	106.7%	23.5%	5,800	3,800	2,700	52.6%	114.8%
Ohio	608.6	473.3	482.0	28.6%	26.3%	8,100	6,600	4,300	22.7%	88.4%
South Dakota	106.4	N/A	N/A	N/A	N/A	5,800	4,400	3,000	31.8%	93.3%
Wisconsin	456.0	338.0	340.0	34.9%	34.1%	6,600	4,700	3,100	40.4%	112.9%

Figure 5: Percentage Change in Undergraduate Grant Dollars per FTE Compared to the Percentage Change in Average (Resident) Tuition and Fees at Public 4-Year Colleges and Universities, by State: FY 1999-FY 2009



²⁷ United States Department of Education. Retrieved from National Center for Education Statistics website: <http://nces.ed.gov/>.

Table 8 and **Figure 6** compare the percentage change in undergraduate grant dollars allocated per FTE to the percentage change in the average tuition and fees for state residents attending public 2-year institutions.

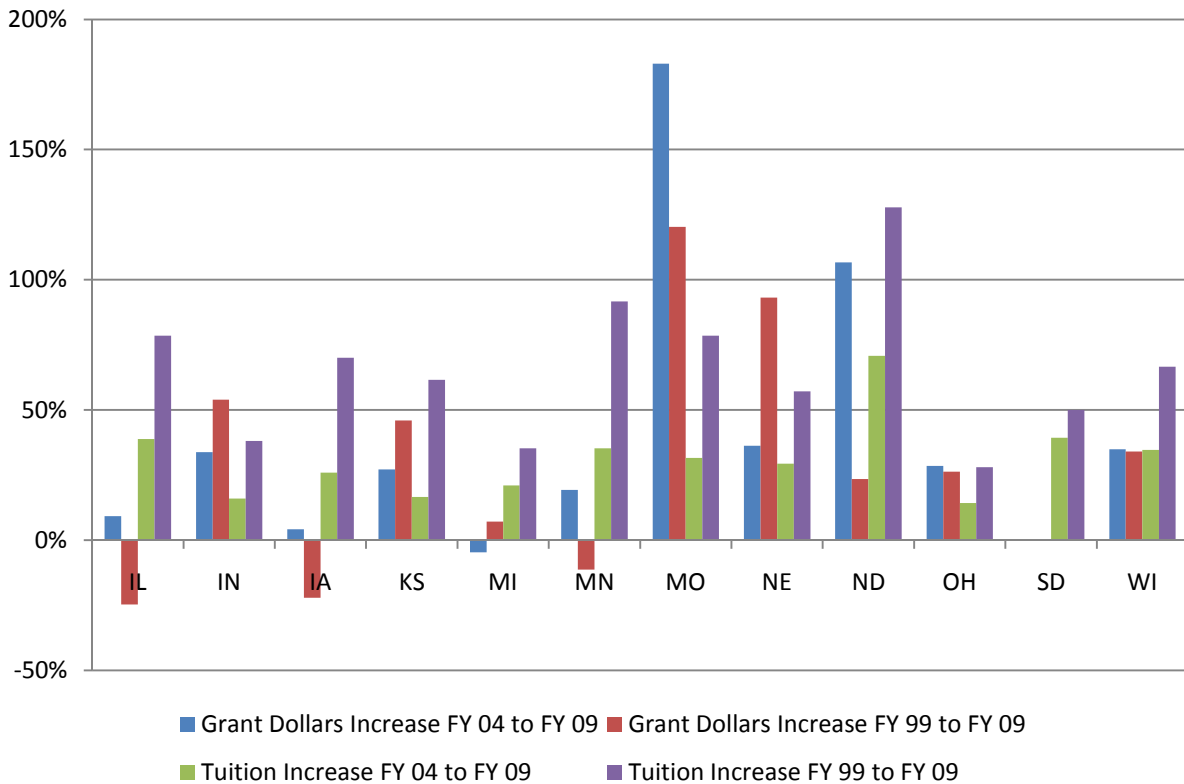
Table 8: Percentage Change in Undergraduate Grant Dollars per FTE Compared to Percentage Change in Average (Resident) Tuition and Fees at Public 2-Year Colleges by State: FY 2004-FY 2009 and FY 1999- FY 2009²⁸

State	Grant Dollars per FTE FY 09	Grant Dollars per FTE FY 04	Grant Dollars per FTE FY 99	Grant Dollars Increase FY 04 to FY 09	Grant Dollars Increase FY 99 to FY 09	Tuition FY 09	Tuition FY 04	Tuition FY 99	Tuition Increase FY 04 to FY 09	Tuition Increase FY 99 to FY 09
Illinois	783.0	716.4	1,039.0	9.3%	-24.6%	2,500	1,800	1,400	38.9%	78.6%
Indiana	868.2	648.9	564.0	33.8%	53.9%	2,900	2,500	2,100	16.0%	38.1%
Iowa	339.1	325.3	435.0	4.2%	-22.0%	3,400	2,700	2,000	25.9%	70.0%
Kansas	141.6	111.3	97.0	27.2%	46.0%	2,100	1,800	1,300	16.7%	61.5%
Michigan	397.4	417.0	371.0	-4.7%	7.1%	2,300	1,900	1,700	21.1%	35.3%
Minnesota	647.8	543.1	730.0	19.3%	-11.3%	4,600	3,400	2,400	35.3%	91.7%
Missouri	522.2	184.5	237.0	183.0%	120.3%	2,500	1,900	1,400	31.6%	78.6%
Nebraska	146.8	107.7	76.0	36.3%	93.2%	2,200	1,700	1,400	29.4%	57.1%
North Dakota	95.1	46.0	77.0	106.7%	23.5%	4,100	2,400	1,800	70.8%	127.8%
Ohio	608.6	473.3	482.0	28.6%	26.3%	3,200	2,800	2,500	14.3%	28.0%
South Dakota	106.4	N/A	N/A	N/A	N/A	3,900	2,800	2,600	39.3%	50.0%
Wisconsin	456.0	338.0	340.0	34.9%	34.1%	3,500	2,600	2,100	34.6%	66.7%

For public 2-year colleges from FY 2004 to FY 2009, the growth in state grant programs kept relative pace with the increase in tuition in Indiana, Kansas, Nebraska, Ohio, and Wisconsin. Missouri and North Dakota each saw significant increases in grant dollars from FY 2004 to FY 2009. Michigan is the only state from FY 2004 to FY 2009 that decreased grant dollars per FTE (-4.7%) while increasing tuition (21.1%). However, the 10-year period from FY 1999 to FY 2009 saw three states decrease grant dollars per FTE while increasing tuition and fees. These three states are Illinois (-22.6%), Iowa (-22.0%), and Minnesota (-11.3%).

²⁸ United States Department of Education. Retrieved from National Center for Education Statistics website: <http://nces.ed.gov/>.

Figure 6: Percentage Change in Undergraduate Grant Dollars per FTE Compared to the Percentage Change in Average (Resident) Tuition and Fees at Public 2-year Colleges, by State: FY 1999-FY2009



Trends in Need-Based Financial Aid

The following two sections of this policy brief examine how state grant funding for undergraduates is allocated by need-based and non-need based grant dollars and how the mix has shifted over time.

Table 9 presents the total amount of state need-based aid awarded (in millions of dollars) for the MHEC region and the nation. Although the MHEC region experienced an increase in need-based grant aid awarded from FY 1999 to FY 2009, the increase was less than the national increase. However, for the 1-year and 5-year figures, the MHEC region more closely aligns with the nation; in fact the region saw increases slightly greater than the national average from FY 2008 to FY 2009 and from FY 2004 to FY 2009. However, from FY 1999 to FY 2009, the national increase in need-based grant aid exceeded the MHEC region increase by over forty percentage points.

Table 9: Need-Based Grant Aid Awarded (in millions of dollars) for the MHEC Region and the Nation: FY 1999, FY 2004, FY 2008, and FY 2009

	FY 1999	FY 2004	FY 2008	FY 2009	Increase FY 08 to FY 09	Increase FY 04 to FY 09	Increase FY 99 to FY 09
MHEC	858.4	1,024.8	1316.1	1398.4	6.3%	36.4%	62.9%
Nation	2,968.5	4,548.8	5,836.8	6,096.6	4.5%	34.0%	105.4%

Table 10 presents, in millions of dollars, the need-based grant aid awarded by each of the MHEC states for different years.

Table 10: Need-Based Grant Aid Awarded, by State (in millions dollars): FY 1999, FY 2004, FY 2008, and FY 2009

State	FY 1999	FY 2004	FY 2008	FY 2009	Increase FY 08 to FY 09	Increase FY 04 to FY 09	Increase FY 99 to FY 09
Illinois	315.7	339.7	393.2	392.9	-0.1%	15.7%	24.5%
Indiana	99.5	150.7	213.6	233.1	9.1%	54.7%	134.3%
Iowa	48.2	48.8	59.1	61.0	3.2%	24.9%	26.4%
Kansas	11.7	14.1	19.0	18.5	-2.4%	31.5%	58.6%
Michigan	96.4	97.3	94.9	98.0	3.3%	0.7%	1.7%
Minnesota	113.4	121.5	156.5	153.5	-2.0%	26.3%	35.3%
Missouri	20.0	25.1	72.7	93.0	27.9%	270.3%	364.9%
Nebraska	4.7	8.7	12.5	12.8	2.3%	46.7%	173.4%
North Dakota	2.0	1.3	3.2	2.9	-9.6%	114.2%	43.0%
Ohio	93.1	144.8	191.9	224.9	17.2%	55.3%	141.5%
South Dakota	N/A	N/A	N/A	0.2	N/A	N/A	N/A
Wisconsin	53.7	72.8	99.4	107.7	8.4%	48.0%	100.5%

From FY 1999 to FY 2009, there was significant variation among MHEC states in the growth of need-based grant aid awarded. Four MHEC states—Indiana, Missouri, Nebraska, and Ohio—all witnessed percentage increases greater than the national average. Missouri had the largest 10-year percentage increase of 364.9%, followed by Ohio (141.4%) and Indiana (134.3%). Although all MHEC states increased the total amount of need-based grant aid awarded to students, the level of increase varied greatly. From FY 2008 to FY 2009, only four states’ (Indiana, Missouri, Ohio, and Wisconsin) percentage increases were greater than the national average. Unlike the 10-year figures, which saw increases in all 12 MHEC states, from FY 2008

to FY 2009 four MHEC states witnessed a percentage decrease in need-based grant aid awarded. The most significant percentage decrease was in North Dakota at -9.6%.

Table 11 presents the allocation of need-based aid for in-state attendance at public and private institutions.²⁹

**Table 11: Need-Based Grants Awarded to Students, by State and by Type of Institution
(in millions of dollars): FY 2009**

State	Public In-State		Private, Not-for-Profit In-State	
	Dollars Awarded	Percent of State Total	Dollars Awarded	Percent of State Total
Illinois	214.4	54.6%	155.7	39.6%
Indiana	141.1	60.5%	87.0	37.3%
Iowa	6.1	9.9%	49.1	80.6%
Kansas	9.6	51.9%	8.9	48.1%
Michigan	31.6	32.2%	66.5	67.8%
Minnesota	91.7	59.8%	41.6	27.1%
Missouri	44.6	47.9%	48.4	52.1%
Nebraska	8.1	63.2%	2.6	20.3%
North Dakota	2.5	85.1%	9.4	14.9%
Ohio	124.9	55.5%	43.5	19.3%
South Dakota	-	-	-	-
Wisconsin	78.9	73.3%	28.7	26.7%

All but three MHEC states awarded a greater proportion of need-based grant aid to students attending public in-state institutions than to students attending private, not-for-profit in-state institutions. In Iowa, Michigan, and Missouri, students attending private, not-for-profit in-state institutions received a greater proportion of need-based grant aid. The private, not-for-profit allocation is greatest in Iowa at 80.6%.

²⁹ Some totals do not equal 100% due to lack of reporting of certain institutional types (e.g. for-profit institutions).

Trends in Non-Need-Based Financial Aid

Table 12 shows the total amount of non-need based aid dollars for the region and for the nation in nominal terms.

Table 12: Non-Need Based Grant Aid Awarded (in millions of dollars) for the MHEC Region and the Nation: FY 1999, FY 2004, FY 2008, and FY 2009

	FY 1999	FY 2004	FY 2008	FY 2009	Increase FY 08 to FY 09	Increase FY 04 to FY 09	Increase FY 99 to FY 09
MHEC	100.0	274.5	240.2	219.9	-8.4%	-19.9%	119.9%
Nation	717.7	1,617.6	2,210.6	2,371.5	7.3%	46.6%	230.4%

Although the region witnessed an increase in non-need based grant aid (from \$100 million to \$220 million), the MHEC region is still significantly outpaced when compared to the nation's percentage increase in non-need based aid over the 10-year period from FY 1999 to FY 2009. Moreover, the MHEC region experienced a one-year decrease of 8.4% and a five-year decrease of 19.9% in non-need based grant aid, while this type of student aid grew by 7.3% and 46.6% respectively nationwide.

Table 13 presents each of the MHEC states' expenditures for non-need based aid.

**Table 13: Non-Need Based Grant Aid Awarded, by State (in millions of dollars):
FY 1999, FY 2004, FY 2008, and FY 2009**

State	FY 1999	FY 2004	FY 2008	FY 2009	Increase FY 08 to FY 09	Increase FY 04 to FY 09	Increase FY 99 to FY 09
Illinois	22.5	32.6	24.5	25.8	5.3%	-20.8%	14.8%
Indiana	1.3	95.0	10.0	10.9	8.6%	-88.5%	718.1%
Iowa	0.5	0.4	0.5	4.7	-	951.2%	885.1%
Kansas	0.1	-	0.1	0.2	27.5%	-	52.4%
Michigan	-	70.4	98.4	75.3	-23.5%	-	-
Minnesota	0.05	0.06	0.05	0.06	18.2%	-	17.9%
Missouri	15.2	16.1	37.3	36.3	-2.7%	125.0%	139.1%
Nebraska	-	-	-	-	-	-	-
North Dakota	0.3	0.4	0.6	0.7	24.4%	78.6%	139.2%
Ohio	51.8	56.3	63.2	59.3	-6.1%	5.3%	14.5%
South Dakota	-	-	2.4	3.6	-	-	-
Wisconsin	8.3	3.1	3.2	3.1	-1.5%	-0.7%	-62.3%

There is considerable variability in the 10-year growth rate of non-need based grant aid among the MHEC states. Iowa and Indiana saw the largest growth rate of non-need based grant aid dollars with increases of 885.1% and 718.1%, respectively. Six other MHEC states (Illinois, Minnesota, Missouri, North Dakota, Kansas, and Ohio) increased allocations to non-need based aid from FY 1999 to FY 2009. Wisconsin decreased its non-need based grant aid over this period of time from \$8.293 million in FY 1999 to \$3.123 in FY 2009, a 62.3% decline. Nebraska has not reported any non-need based grant aid over the past decade.

Table 14 shows the percentages of total student aid awarded represented by merit-based aid and by special purpose awards for each MHEC state in FY 2009.

Table 14: Expenditures for Undergraduate Student Aid Programs by Merit or by Special Purpose for Award, by State (in millions of dollars): FY 2009

State	Aid Based on Only Merit		Special Purpose Award	
	Dollars Awarded	Percent of State Total	Dollars Awarded	Percent of State Total
Illinois	-	-	26.8	6.4%
Indiana	0.4	0.1%	32.5	12.3%
Iowa	-	-	4.7	7.1%
Kansas	-	-	3.3	15.4%
Michigan	74.3	36.0%	8.0	3.9%
Minnesota	-	-	6.0	2.1%
Missouri	35.8	27.7%	0.5	0.4%
Nebraska	-	-	2.3	15.2%
North Dakota	-	-	0.7	20.2%
Ohio	7.6	2.7%	51.7	18.2%
South Dakota	3.6	95.2%	-	-
Wisconsin	3.1	2.8%	0.6	0.5%

South Dakota led MHEC states on this indicator, providing 95.2% of its grant aid to students in the form of non-need based merit aid. Michigan and Missouri also allocated a significant proportion of their aid dollars to merit-based aid, with allocations of 36.0% and 27.7%, respectively. Six MHEC states (Illinois, Iowa, Kansas, Minnesota, Nebraska, and North Dakota) did not allocate any funds to merit-based aid in FY 2009.

Special purpose award programs have objectives which usually target specific groups of future professionals, such as teachers, health and technical workers, veterans or National Guard members. All MHEC states except South Dakota offer special purpose awards. North Dakota led the region in percentage of aid dollars devoted to special purpose awards (20.2%), followed by Ohio at 18.2%.

Table 15 shows various types of non-grant aid awarded by MHEC states in FY 2009. The dollars allocated by states to loans, loan assumption/forgiveness, and conditional grants are representative of a continuing shift in funds from grants to loans in both federal and state support for student financial aid. While some states offer significant loan programs or loan assumption/forgiveness programs, other states have focused their attention on supporting conditional grants, work-study opportunities, or tuition waivers.

**Table 15: Total Non-Grant Aid Awarded, by State and Type of Aid
(in millions of dollars): FY 2009**

State	Loan	Loan Assumption/ Forgiveness	Conditional Grant	Work-Study	Tuition Waiver	Other	Total
Illinois	-	0.9	9.1	-	-	-	10.0
Indiana	-	-	0.8	0.5	0.4	19.8	21.6
Iowa	-	1.9	-	0.9	-	-	2.8
Kansas	-	-	3.7	1.0	-	-	4.6
Michigan	-	-	4.4	7.0	26.7	-	38.1
Minnesota	125.2	-	-	12.2	-	-	137.4
Missouri	-	-	-	-	-	11.3	11.3
Nebraska	-	-	-	-	108.4	-	108.4
North Dakota	-	0.8	-	-	-	-	0.8
Ohio	-	0.2	-	-	0.3	-	0.5
South Dakota	-	0.4	-	-	-	-	0.4
Wisconsin	0.9	-	-	-	-	6.8	7.8

Summary

The Midwest states employ a variety of strategies in distributing student financial aid and endeavoring to promote more affordable higher education. Regional support for need-based grant aid has been consistently above the national average. However, during the decade from FY 1999 to FY 2009, tuition and fee increases in the states' public institutions significantly outpaced changes in state appropriations for student financial aid. Other national reports have drawn attention to the growing gap between tuition and fees on one hand and state and federal financial aid funding on the other.

As a result of this increasing gap, state appropriations for financial aid will likely become an increasingly important issue during the next decade, and additional pressure will be placed on colleges and universities to expand institutional student aid programs. According to the College Board,³⁰ in FY 2009, 39% of undergraduate grant aid originated from colleges and universities and 36% originated from the federal government. At the same time, the average annual rate of growth in total federal grants decreased from 9% between FY1999 and FY 2004 to 3% from FY 2004 to FY 2009. In addition, the average annual rate of growth in total state grant aid declined from 8% to 3%. By contrast, institutional grant dollars per FTE student increased by 7%, from \$1,718 to \$1,840 (in 2008 dollars) from FY 1999 to FY 2004, and by 19% to \$2,190 over the following five years.³¹

In addition to decreases in need-based financial aid, states are expanding their use of non-need based aid. This change in financial aid philosophy can disproportionately impact lower-income students who do not have access to the same types of academic enrichment opportunities and who attend lower-resourced schools. The appropriate strategy to use in allocating limited financial aid dollars is a topic of debate and discussion in many states. As part of the policymaking process, lawmakers and postsecondary education leaders are wise to reach a common understanding of the purpose and priorities for state-funded financial aid programs and their relationship to tuition and to general appropriations. If tuition and fees continue to escalate at their current rate and if state funding for financial aid grant programs remains static or declines, state leaders may need to consider more innovative policies that will promote access and choice for students.

Finally, it is the responsibility of policymakers to determine the proportion of educational costs that families should reasonably be expected to pay based on the private benefits of a college degree and the public good of an educated citizenry. Following this, policymakers must agree upon a working definition of affordability and consider systems of financing (including appropriations, tuition level, and financial aid programs) that make some form of higher education affordable and accessible to all; in the process changing the discouraging perception of access to a hopeful one.

³⁰ The College Board. (2009). "Trends in student aid 2009."

http://www.trendscollegeboard.com/student_aid/pdf/2009_Trends_Student_Aid.pdf.

³¹ Ibid.