



Importance of Postsecondary Education Increases While Financial Aid Eludes Many

Executive Summary

While the cost of postsecondary education and training constantly rises, the affordability of tuition and the ability to access financial aid remains a significant barrier for students entering postsecondary education and particularly for low-wage adults who need to improve their educational and skill levels. Many low-skilled, low-wage adults need to gain new skills, not only to maintain employment, but also to compete in Michigan's ever-changing economy.

Rapidly rising tuition costs often put postsecondary education out of reach. For those students who do pursue postsecondary education, the costs consume a greater portion of the family's budget. Tuition at a two-year public college in Michigan represents approximately 14 percent of a family's income who are living at 100 percent of poverty. Of college-bound students who had to eliminate a college choice because of expense, those in lower-income families are most likely to give up and postpone enrollment altogether. In families earning \$35,000 or less, 26 percent of the college-bound students reported they decided to postpone rather than consider other affordable options, such as attending part-time or commuting to college.¹

Michigan and the federal government offer many need-based programs to assist students in gaining postsecondary credentials. However, the majority of the programs are aimed at traditional-aged students pursuing traditional postsecondary education and training at federally Title IV accredited, credit-bearing, degree or certificate granting institutions. Many of these programs will not assist working adults who may need remedial courses as a pre-requisite to an occupationally relevant course, especially if the student does not wish to enroll in a credit-bearing degree or certificate program. In addition, many adults need accelerated programs, flexible course schedules, or may only need one or two courses to gain new occupationally relevant knowledge, which traditional sources of financial aid may not cover.

Many low-income students also face financial barriers to postsecondary education. While the majority of student aid programs offered by Michigan and the federal government are need-based, accessing these programs may prove difficult for many. Most Michigan and federal aid programs require students to fill out the Free Application for Federal Student

¹ Sallie Mae. (2008, August). *How America pays for college*. Reston, VA: Author.

Aid (FAFSA). While efforts have begun to overhaul the complexity of the FAFSA form, it is no longer readily available in paper form. To obtain a paper copy, students must call the U.S. Department of Education to request one or print one from the Internet. Additional worksheets and the FAFSA4caster are also available exclusively on the Internet. This poses a barrier for students who may not have access to an Internet connection.

In addition, students or parents seeking to obtain private loans or federal PLUS Loans will require credit checks. This may present problems for many families as the willingness of lenders to give loans is quickly shrinking due to credit problems arising in families across the economic spectrum. While the Ensuring Continued Access to Student Loans Act of 2008 allows lenders of PLUS Loans to qualify an applicant for a loan due to extenuating circumstances, the time frame in which these circumstances must occur is only two years and does not begin until January 1, 2007.² Many Michigan families began to experience financial difficulties well before this time, however. In addition, many private lenders that previously offered federally backed loans that do not require credit checks are ending this practice.

There are changes afoot to assist students with financial aid. The College Opportunity and Access Act of 2008 makes changes to the FAFSA form. Part of this is making a streamlined FAFSA EZ for students in families who earn \$30,000 a year or less, or for students in families that have received a means-tested benefit in the last 24 months. This Act also increases the maximum Pell Grant award to \$8,000 for the 2014-2015 academic year. The College Cost Reduction and Opportunity Act of 2007 also states that the Earned Income Tax Credit (EIC)

and cash assistance payments will not count as income towards financial aid calculations.

There is still work to be done, however, to ensure working adults and low-income students have access to much needed postsecondary education and training. The state's No Worker Left Behind program is a step in the right direction because it targets nontraditional students and pays for training in high demand fields at proprietary schools that may not be otherwise covered by traditional aid programs. The program has only been partially funded, however, leading to long waiting lists.

Employers can also begin to offer increased employer support for employees wishing to engage in occupationally focused training. Many employers currently offer employee reimbursement for training, yet many employees cannot enroll for courses without funds being immediately available. One way this barrier may be removed is through the use of Lifelong Learning Accounts (LilAs). These accounts are portable, employee-owned, employer-matched accounts.³ The accounts are optional and funds in the account can be used for not only tuition, but for textbooks and other supplies as well.

There are many issues facing working adults who need to engage in postsecondary education or training in order to compete in Michigan's economy. In addition to the need for flexible scheduling and child care, the lack of financial resources can often make postsecondary education or training impossible. However, education beyond high school is more important than ever for Michigan, for without a large and educated workforce, both Michigan's families and the state's economy will continue to struggle.

² H. Res 5715 Ensuring Continued Access to Student Loans Act, 110th Cong. (2008).

³ The Council for Adult & Experiential Learning. (n.d.). *Lifelong learning accounts*. Retrieved August 8, 2008, from <http://www.cael.org/lilas.htm>