



Education and Local Government Interim Committee

60th Montana Legislature

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Montana's Financial Aid Portfolio

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Four dilemmas posed by Montana's financial aid portfolio:

1. [Montana-specific:] Montana's financial aid policies are loan-driven, in part no doubt because the state has heavily invested in helping to manage the federal student loan programs. We do not think as much about grants. This is a problem because student access to higher education comes more from grants than loans.
2. Montana relies significantly on institutional grants (i.e. M.S.U. and the U of M). But [generally-speaking] two problems arise with this. (a) Institutional grants tend not to target the neediest students—even within need-based aid programs. National studies indicate that there is an institutional bias toward attracting the more academically promising students—again, even within need-based aid programs. (b) The more money that is made available for financial aid in institutional grants, then the less is available for instruction. Monies are fungible enough that the grants can compete with and come at the expense of the institution's academic strength.
3. [Generally-speaking], heavy reliance on institutional aid can create transparency problems. This is because students tend not to be informed of their ultimate financial aid packages until after they have made acceptance decisions. This might not be a problem for students who are sure where they are going. But for those whose very decision as to where they will attend college—if at all—knowing their exact level of aid is a key piece to the puzzle. Not knowing this soon enough can be a disincentive to their enrolling or even applying.
4. Montana has a very modest level (\$9.5 million) of state aid for higher education. According to the National Association of State Student Grant and Aid Programs, Montana ranks 38th in terms of state funding per student. Mr. Longanecker surmises that \$20 to \$30 million would be more reasonable, based upon considerations of economic needs and education expenses.

Three positive aspects of Montana's portfolio:

1. Some progress has been shown: Monies that are now funneled through the Governor's Postsecondary Scholarships did not exist in Montana just a few years ago.
2. The institutional aid contribution of \$39 million is fairly substantial.
3. Montana has traditionally had a fairly strong and well thought of loan program. One caveat, however, is that with cuts in federal loans, the Montana Guaranteed Student Loan Program might not be able to maintain its levels of aid.

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