



# CHANGING DIRECTION:

Integrating Higher Education  
Financial Aid and Financing Policy

## State Financial Aid: Policies to Enhance Articulation and Transfer

March 2005

WICHE



Supported by a grant from Lumina Foundation for Education



# State Financial Aid: Policies to Enhance Articulation and Transfer

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Supported by a grant from Lumina Foundation for Education



The Western Interstate Commission for Higher Education (WICHE) is an interstate compact created by formal legislative action of the states and the U.S. Congress. Its mission is to work collaboratively to expand educational access and excellence for all citizens of the West. Member states are:

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- Foster cooperative planning, especially that which targets the sharing of resources.

This publication was prepared by the Policy Analysis and Research unit, which is involved in the research, analysis, and reporting of information on public policy issues of concern in the WICHE states.

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March 2005





## ■ Foreword

Financing and financial aid issues in higher education continue to plague state policymakers and higher education leaders. Every year, they struggle with questions of how to meet growing needs through state allocations, how best to ensure shared and equitable responsibility for paying for higher education, and how best to use subsidies such as financial aid to expand access and promote success, especially when economic futures are uncertain. The ongoing debate around these issues is due in large part to the way they have been handled in the past – as discreet concerns rather than related issues.

States continue to search for better solutions to these problems, as well as for better ways of encouraging student access and success. As part of this, articulation and transfer mechanisms have become important in moving students through postsecondary education, beginning with freshman year and continuing through graduation. This report is an examination of how state policies enhance student articulation and transfer and, ultimately, student success. We hope it will be useful to state policymakers as they grapple with how to meet the growing demand for higher education while promoting access and completion.

This study is part of WICHE's project *Changing Direction: Integrating Higher Education Financial Aid and Financing Policy*, which examines how to structure financial aid and financing policies and practices in order to maximize participation, access, and success for all students and to promote more informed decision making on financial aid and financing issues in higher education. Over a multiyear period, the project is exploring the socioeconomic-political environment in order to foster the kinds of major changes needed in the near future at multiple levels – campus, system, state, and national – and to initiate and promote those changes through public

policy. *Changing Direction* provides a venue for policymakers and educators nationwide to critically examine strengths and weaknesses of public policies and develop new approaches by looking at emerging trends, their potential impact on higher education, and policy implications related to issues of financial aid, finance, the cost of education, and access. While this involves all sources of assistance and financing – federal, state, local, and institutional – the project focuses on state policies and practices.

WICHE's collaborating partners in the *Changing Direction* project – the Center for Policy Analysis of the American Council on Education (ACE), the National Conference of State Legislatures (NCSL), and the State Higher Education Executive Officers (SHEEO) – have contributed immeasurably to its success. ACE's Center for Policy Analysis and SHEEO have long-standing reputations for high-quality work on a wide range of issues, with a history of specializing in financial aid and financing. NCSL, a national, bipartisan organization, provides additional expertise concerning the state legislative role in creating integrated higher education policy.

WICHE is most grateful to Lumina Foundation for Education – a private, independent foundation that strives to help people reach their potential by expanding access and success in education beyond high school – for its generous support of this project. Without the foundation's assistance and encouragement, this project would not be possible.



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## ■ Executive Summary

Community colleges have long provided open and affordable access to higher education. Among their many missions, public two-year colleges provide students with the opportunity to begin their postsecondary training before transferring to a four-year college or university. In recent years, the transfer function of community colleges has become even more important. Trends in costs and admissions standards and increasing pressure on the capacity of four-year institutions have effectively limited access at universities, making community colleges the primary entry point into higher education for many students. Transfer between two-year and four-year colleges has become an important pathway to a baccalaureate degree, and states must consider ways to foster and encourage the transfer of community college students.

Unfortunately, only a small proportion of community college students who intend to transfer to a four-year institution currently do so. These students face a number of structural, financial, and informational barriers. For instance, some states lack coordination between their community colleges and four-year institutions, and this can impede transfer. Moreover, many systems do not clearly publicize information about which courses transfer for credit and which do not, resulting in confusion among students. While many states have designed policies to address some of these obstacles, few have elected to explicitly aid students in paying for the costs related to transfer to and subsequent enrollment at a four-year institution. Such initiatives, however, could be a powerful tool for states. Financial aid could be used by states to promote transfer by linking funds directly with the decision.

Additionally, state aid programs could affect the likelihood of transfer and eventual degree completion by encouraging certain types of behavior that have been found to improve the chances of student success at a four-year college.

This paper reviews financial issues related to the decision to transfer from a two-year to four-year school. During and after transferring, students often have to cope with a new set of expenses, from increased tuition and room and board to transition costs. Financial aid could help with these expenses. Additionally, aid could assist with the particular, nontraditional financial concerns that must be addressed to foster transfer for a significant number of community college students. For example, many students at public two-year colleges are low-income or have dependents to support; policies geared towards helping this population might take these circumstances into account.

States have several factors that they could consider when designing a financial aid policy targeting transfer. This paper discusses the trade-offs between several policy options. For instance, when determining the eligibility criteria for aid, states must balance targeting those students who are most in need against the fact that simple income cut-offs may not effectively capture the population of community college students. States must also decide whether students should be required to have completed a certain number of courses or have a certain grade point average (GPA) at the community college. Policies that limit the length of the award or require students to attend full-time will also have repercussions on an aid

program's effectiveness in meeting state and student needs. Several examples of financial aid programs are discussed to further illustrate the options available to states.

In summary, a financial aid program should address the financial barriers to transfer while giving students incentives to complete tasks that will maximize their likelihood of success. Furthermore, the program should be flexible enough to address the special concerns of community college students while maintaining the incentives that encourage preparation and good behavior. With these goals in mind, states might consider covering the cost of tuition and fees, linking aid to important educational benchmarks, and carefully incorporating the concerns of nontraditional students into the design of a policy. While it is also important for states to address structural and academic issues, providing students with support in the form of targeted aid is likely to boost transfer rates higher than such measures, by themselves, can do. As states become more reliant on transfer from community colleges as a pathway to a baccalaureate degree, the role of financial aid will become more significant in promoting college success.

## ■ Introduction

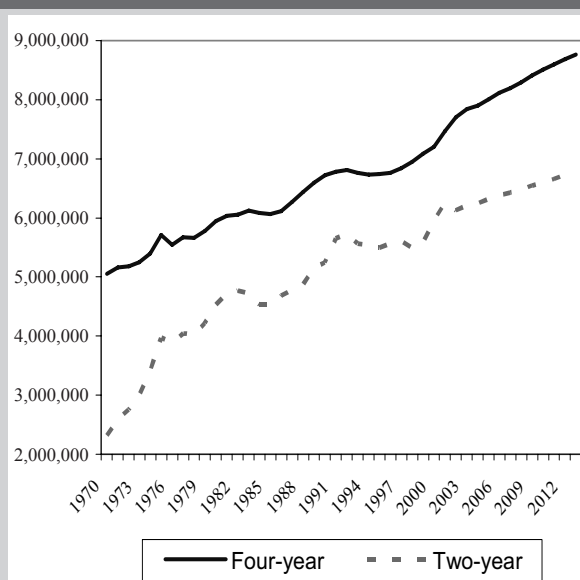
Community colleges play an important role in higher education. Since the founding of the first public two-year college in 1901, they have provided open, affordable access to postsecondary training. As shown in Figure 1, enrollment in community colleges grew from 2.3 million students in 1970 to nearly 6.3 million in 2001; by 2013, enrollment at public two-year colleges is projected to increase to 6.8 million.<sup>1</sup> Today, 44 percent of students in public colleges attend two-year schools, and there are more students enrolled at community colleges than at private two- and four-year institutions combined.<sup>2</sup> In some areas of the country, the majority of students participating in public higher education attend community colleges. In the West, for example, in fall 2003, 2,151,536 students were enrolled in

two-year institutions compared to 1,196,438 students enrolled in four-year institutions.<sup>3</sup> The role of public two-year colleges is especially significant among low-income, minority, and older students, as a majority of these individuals attend these institutions.

Community colleges offer a wide range of services, and one of their core functions is to enable students to transfer to a four-year institution. The following section elaborates on the appeal of community colleges as a first step towards a baccalaureate degree. Additionally, the paper reviews trends that have boosted the transfer role of community colleges in recent years.

Community colleges appeal to students in the pursuit of a baccalaureate degree for financial, academic, geographic, and personal reasons. First, because they are generally less expensive than their four-year counterparts, community colleges allow students to reduce the total cost of their training by paying a lower price for the first two years. Second, the community college pathway may provide students, especially those who did not do well in high school with an opportunity to improve their grades. If students are able to improve their performance records with good grades at the community college, they may increase their likelihood of being admitted to a competitive, four-year institution, one that would not have been open to them immediately after high school. Third, students often have a community college close to their homes, and this proximity makes the schools the most feasible place for many to begin their postsecondary studies. Finally, many students need to bridge a cultural gap or to mature before enrolling in

Figure 1. Undergraduate Enrollment in Degree-Granting Institutions, 1970-2013 (enrollments are projected after 2002)



Source: U.S. Department of Education, National Center for Education Statistics, *Digest of Education Statistics 2003* (NCES 2004-024) and *Projections of Education Statistics to 2013* (NCES 2004-013).

Note: Projections are based on data through 2000 and middle alternative assumptions concerning the economy. See NCES 2004-013 for more information on projections.

a four-year college, and community colleges help meet these important needs.

The importance of the two-year to four-year transfer function has grown in recent years, as community colleges have become the primary entry point into higher education for numerous students. One reason for their appeal: rising costs at four-year colleges, which have made them less accessible to those from low-income families. From 2002 to 2003, tuition and fees at public four-year institutions increased 14.1 percent; they increased another 10.5 percent from 2003 to 2004. While community colleges also experienced increases in price, the growth was lower (13.8 percent from 2002 to 2003 and 8.7 percent from 2003 to 2004). In absolute terms, public four-year colleges increased their prices on average by \$487 from 2003 to 2004. In comparison, community college prices increased only \$167 on average, nearly one third less.<sup>4</sup>

In addition, admissions standards have increased at many four-year colleges and universities. For instance, since 1997, Massachusetts State Colleges have raised admissions standards by increasing the required minimum GPA and SAT score.<sup>5</sup> In 1999, the New York State Board of Regents also raised admissions standards within the City University of New York (CUNY) system and eliminated most remedial classes.<sup>6</sup> Recent proposals in California, Louisiana, Nevada, Washington, and West Virginia have also aimed to send more applicants (both unprepared and prepared) to community colleges by raising the minimum core-course requirements, GPA, or ACT score required for admission to a four-year school.<sup>7</sup> Actions like these have effectively closed the doors of these schools to many students. In summary, due to rising costs and admissions standards, many students intent on getting a baccalaureate degree must begin their college career at a two-year institution.

Increasing pressure on the capacity of the four-year system has also pushed some students to begin their higher education at community colleges. The total number of high school graduates is projected to increase 11 percent from 2000-2001 to 2012-2013.<sup>8</sup> This trend, coupled with the rising demand for skilled workers, suggests that growing numbers of individuals will continue to seek a college education. Total enrollment in degree-granting institutions is projected to increase 19 percent, to 18.2 million, between 2000 and 2013.<sup>9</sup> Unfortunately, four-year institutions are unlikely to be able to handle this rapid growth in demand due to capacity and budget constraints. Therefore, many states are looking to community colleges to accommodate much of this expansion. States such as California, Florida, and Texas rely heavily on community colleges to serve as the initial entry point into higher education and provide lower division courses more cheaply. As a result, for a significant proportion of American students, the attainment of a four-year degree now requires them to successfully transfer from a two-year to a four-year college.

Unfortunately, research suggests that many students who intend to transfer to a four-year school do not accomplish this goal. Community college students face myriad obstacles, including structural, financial, and informational barriers. Accordingly, statistics suggest that only 36 percent of community college students who expect to earn a bachelor's degree or higher transfer to a four-year college or university within three years of entering college.<sup>10</sup> Moreover, even as their role increases and their transfer function grows in importance, community colleges are facing reductions in funding. According to *The Chronicle of Higher Education*, from 1999-2000 to 2001-2002, state appropriations per full-time equivalent

(FTE) student fell 13 percent in real terms.<sup>11</sup> And yet this is a critical time in the history of community colleges, when state action could make a difference to significant numbers of students.

Through policy, states can play an important role in influencing student access and success in college. Likewise, states can affect community college transfer rates. There are a number of actions that may be taken to encourage or simplify the transfer process, including creating legislation on common core curricula or course numbering or instituting cooperative agreements between two- and four-year colleges on these issues. Research suggests such policies are effective in encouraging transfer and eventual baccalaureate degree completion.<sup>12</sup>

Another policy option for states is to use financial aid to help address financial barriers and give students incentives to transfer. Although financial aid could be an important measure in making transfer a reality for many community college students, it has often been overlooked as a policy tool. Not only could such resources help with expenses related to transfer to and attendance at a four-year institution, but financial aid could also be used to encourage and support activities in preparation for transfer. To be most effective, aid policies must address the special needs of the community college population.

Below, this report discusses the barriers to transfer faced by many community college students, focusing on concerns related to financial resources (though these barriers encompass structural and academic obstacles, as well). The report summarizes the taxonomy of policy options states have used to promote transfer; reviews research related to the effectiveness of such policies;

and expands on the ways in which financial aid could be used as a policy lever to encourage two-year to four-year transfer. The paper considers the design features of an aid program and profiles examples of state aid policies that target transfer. Finally, this report provides suggestions on how states could promote transfer through the use of financial aid by highlighting promising practices.

## ► Barriers to Community College Transfer

Community college students who are considering transferring to a four-year institution face a number of barriers. Among them are structural obstacles related to the overall approach of a state to higher education: issues of state finance, governance, accountability, and institutional mission and differentiation fall in this category. If a state and its higher education system do not recognize the importance of the transfer function, if they fail to develop ways to make institutions work together and create capacity, transfer between schools can be extremely difficult.

There may also be academic barriers. Students often speak of confusion over which courses transfer for credit and which do not. Additionally, while some courses may qualify for credit at a four-year college, they may not count towards the requirements of a baccalaureate degree. Without alignment between institutions, students may have difficulty being admitted to a four-year school and could be required to repeat courses, thereby prolonging the time to degree and cost of education. A third major set of obstacles relate to financial concerns. The rest of this section elaborates on this



issue and discusses considerations for states in addressing it.

### *The Cost of Transferring*

During and after the process of transferring, students often have to cope with a new set of expenses. The largest and most obvious expense is the increased tuition that students

must pay at the four-year institution. As shown in Table 1, tuition at four-year colleges and universities can cost as much as 8.7 times more than their community college counterparts. On average, public flagship universities cost 2.4 times more and other state four-year institutions charge twice as much. Even after taking into consideration

**Table 1. Tuition Costs at Community Colleges Compared to Four-Year Institutions, 2003-2004**

	Community Colleges	University Four-Year Flagships	Difference	Other State Four-Years	Difference
<b>National Average</b>	<b>\$2,155</b>	<b>\$5,218</b>	<b>\$3,063</b>	<b>\$4,169</b>	<b>\$2,014</b>
Alabama	2,458	4,134	1,676	3,913	1,455
Alaska	2,418	3,850	1,432	---	---
Arizona	1,103	3,593	2,490	3,593	2,490
Arkansas	1,885	4,768	2,883	4,130	2,245
California	540	5,250	4,710	2,649	2,109
Colorado	2,210	4,020	1,810	2,765	555
Connecticut	2,310	6,812	4,502	5,149	2,839
Delaware	1,992	6,498	4,506	---	---
Florida	1,688	2,781	1,093	2,876	1,188
Georgia	1,612	4,078	2,466	2,848	1,236
Hawaii	1,387	3,465	2,078	---	---
Idaho	2,213	3,348	1,135	3,350	1,137
Illinois	1,807	7,010	5,203	5,238	3,431
Indiana	2,524	5,767	3,243	4,936	2,412
Iowa	2,913	4,993	2,080	4,916	2,003
Kansas	1,765	4,101	2,336	2,946	1,181
Kentucky	1,896	4,546	2,650	3,644	1,748
Louisiana	1,635	3,940	2,305	2,983	1,348
Maine	2,040	5,914	3,874	4,183	2,143
Maryland	2,675	6,759	4,084	5,747	3,072
Massachusetts	3,267	7,482	4,215	4,988	1,721
Michigan	1,920	7,975	6,055	5,423	3,503
Minnesota	3,419	7,116	3,697	4,517	1,098
Mississippi	1,418	3,916	2,498	3,531	2,113
Missouri	2,471	6,558	4,087	4,562	2,091
Montana	2,090	4,260	2,170	3,827	1,737
Nebraska	1,578	4,771	3,193	3,659	2,081
Nevada	1,417	2,550	1,133	2,550	1,133
New Hampshire	4,771	8,664	3,893	6,375	1,604
New Jersey	2,647	7,927	5,280	7,166	4,519
New Mexico	949	3,313	2,364	2,471	1,522
New York	2,956	5,861	2,905	5,129	2,173
North Carolina	1,136	4,072	2,936	2,812	1,676
North Dakota	2,503	4,156	1,653	3,594	1,091
Ohio	2,717	6,412	3,695	6,620	3,903
Oklahoma	1,845	3,741	1,896	2,762	917
Oregon	2,701	5,079	2,378	4,493	1,792
Pennsylvania	2,417	9,206	6,789	5,820	3,403
Rhode Island	2,120	6,186	4,066	3,995	1,875
South Carolina	2,731	5,778	3,047	5,082	2,351
South Dakota	2,434	4,205	1,771	4,322	1,888
Tennessee	2,065	4,450	2,385	3,958	1,893
Texas	1,281	5,734	4,453	3,763	2,482
Utah	1,806	3,646	1,840	2,632	826
Vermont	3,494	9,636	6,142	5,806	2,312
Virginia	1,883	5,964	4,081	5,023	3,140
Washington	2,142	4,863	2,721	3,700	1,558
West Virginia	1,722	3,548	1,826	3,162	1,440
Wisconsin	3,433	5,136	1,703	4,180	747
Wyoming	1,633	3,090	1,457	---	---

*Source:* Washington State Higher Education Coordinating Board. Amounts are for resident (in-state) students.



additional government and institutional aid often available at four-year schools, there is still a significant increase in price that transfer students must cover.

Students may also face the new expense of room and board. This is particularly true for students who lived at home while attending the community college but who now will attend a more distant four-year institution. For them, the cost of room and board, which can top \$10,000 a year, is a new burden. A transition to a four-year school may also involve covering costs such as moving expenses.

When thinking about these financial burdens, states might consider how their aid policies incorporate an increase in the cost of attendance, or fail to do so. Are award amounts related to tuition charges, so that the increased price of a four-year school would be covered? Moreover, do state aid policies cover living expenses, such as room and board? Finally, states should investigate how they treat one-time transitional expenses, such as moving costs. Some aid programs, when determining the total cost of attendance, include the cost of transportation to and from school, and this may be important to students.

#### *Preparation for Transfer*

Before transferring, students must also complete a number of requirements at the community college. For example, they need to complete the proper coursework, which may include remedial or core courses that are transferable. States can help provide support for the costs of these endeavors. Additionally, by using financial aid, states may be able to encourage behaviors that are positively related to transfer or increase the likelihood of student success. For example, by requiring recipients of aid to complete certain courses or an associate's degree,

states may increase the likelihood that a person will be able to transfer their credits and thrive at a four-year institution.

Information about financial aid is also critical in the preparation for transfer. If students are unaware of the aid policies that support transfer, then they will not be encouraged to make the transition. Students must understand the degree to which their costs will be covered in order to make the best decisions. Therefore, states should consider timing when they provide information about an aid program to students. When do students know about their aid award? Can they forecast the award amount in time to influence the transfer decision? Without such deliberate design elements, any aid program is unlikely to have much of an effect.

#### *The Needs of the Community College Population*

The financial barriers to transfer involve activities related to preparation, the transfer process, and attendance at the four-year institution. Additionally, community college students often have particular financial concerns that must be addressed to foster transfer. While most aid programs are designed with traditional students in mind – meaning that they focus on young, dependent students who recently graduated from high school and are entering college full-time – an effective transfer policy would take into consideration the special needs of the community college population.

Community college students tend to be older students who have dependents to support. According to the National Center for Education Statistics, nearly half of all community college students are over the age of 24. Moreover, 35 percent of these students are from minority groups. Community college attendants also tend to have lower incomes and to come from

disadvantaged backgrounds. Forty-three percent of dependent, first-time students with family incomes below \$30,000 attended two-year colleges, while only 34 percent of those with incomes above \$60,000 did so.<sup>13</sup> Given this profile, community college students are often – not surprisingly – first-generation college students. Policies geared towards helping them could take into account the background of this population.

In addition to differences in personal characteristics, community college students also tend to have nontraditional attendance patterns. First, they are much more likely to attend part-time and to stop out of college for periods of time.<sup>14</sup> This affects the time to degree as well as the amount of interaction the student has with the institution. Community college students also tend to work while they are in school and so are forced to balance their studies with full- or part-time employment.<sup>15</sup> This could affect the determination of their need, as income from the previous year affects the estimated family contribution (EFC) for the next. Given the profile of community college students in terms of demographics and attendance, states must be conscious of addressing their needs when designing policy.

## ► State Policy and Community College Transfer

Given the importance of community college transfer, states might consider ways in which they can encourage or ensure they do not unintentionally discourage the practice. In fact, involvement at the state level is essential to creating effective policies to promote transfer. While individual institutions could create policies to help promote transfer, states are in a

much better position to coordinate the necessary decisions and policies across systems of institutions. Moreover, with a wider perspective, states are more likely to recognize the importance of transfer and successful degree completion to the larger community and labor market.

### *Policies to Address Barriers to Transfer*

To address the structural, academic, and financial barriers to transfer facing many community college students, states have a number of policy options at their disposal, each designed to promote or enhance transfer between two-year and four-year institutions. A study by the Education Commission of the States (ECS) provides a framework for categorizing the range of actions taken by states, identifying a “taxonomy” of policy options. These range from collecting information on transfer behavior to legislating and forming articulation agreements to creating common course numbering and curricula, as well as using incentives (see Table 2).<sup>16</sup> While several states have attempted to address many of the structural and academic barriers to transfer, few have focused on the financial impediments.

The most prevalent policy initiative devised by states has been to form cooperative agreements between institutions (found in 40 states). Another common state action is to collect data on transfer behavior (33 states), which can involve requiring each institution to submit information on transfer students or building systemwide databases so that students can be followed across schools. Thirty states use legislation to articulate the transfer mission.

Other state actions focus on the academic terms of transfer. Just over half of the states were found to have statewide guides that explained the requirements for articulation between two-year and four-year institutions.

Table 2. Taxonomy of State Policies Related to Transfer Rates

Category	Description
Transfer Data Reporting	The state collects data on transfer patterns
Legislation	State law articulates the transfer mission
Cooperative Agreements	Statewide frameworks or networks support voluntary cooperation between institutions
Statewide Articulation Guides	Documents describe the requirements for course and institutional articulation between two-year and four-year institutions
Common Core Curricula	Four-year and two-year public institutions have the same general core curriculum
Common Course Numbering	Courses at the four-year and two-year public institutions have the same numbering system
Incentives	Students are given rewards for transfer, such as financial aid or guaranteed admission

Source: Tronie Rifkin, *Improving Articulation Policy to Increase Transfer* (Denver, CO: Education Commission of the States, 1998).

Some states also try to simplify the process by having public four-year and two-year colleges share the same core curricula (23 states) or course numbering (eight states). Finally, ECS found 18 states with policies that gave students incentives or rewards for going to community colleges and then transferring. These rewards included guaranteed admissions at the upper division institution. For example, California, Florida, and Pennsylvania guarantee admission to their public four-year colleges for students who complete certain criteria, such as the completion of an associate's degree at an in-state community college.

In the 2002 report *State Policy and Community College – Baccalaureate Transfer*, Jane Wellman studies how state policies influence transfer performance.<sup>17</sup> She found that the six states she profiled – Arkansas, Florida, New Mexico, New York, North Carolina, and Texas – had paid attention to the academic aspects of transfer, including articulation agreements, core curriculum, transfer of credit, and statewide transfer guides. However, she found one key

difference between them: states varied in the nature of the statewide governance structure for their higher education systems. She concludes that to be most effective, states need a comprehensive, integrated approach that can be coordinated by a central authority. Unfortunately, many states may inadvertently discourage students from transferring due to a lack of coordination. Financial aid policy is another possible method used to encourage students to transfer. However, financial aid has largely been underutilized as a policy tool: few states have created aid programs to augment efforts related to increasing transfer. Of the six states Wellman profiled, only Texas had a financial aid program specifically designed for transfer students. A more recent review for this report of all state policies suggests that only a few (Arizona, Maryland, Massachusetts, Texas, and Virginia) focus on the role of aid in transfer. Although often overlooked, financial aid could play an extremely significant role in affecting student behavior, given the financial barriers that community college students face.

### *The Role of Aid in Fostering Transfer*

There are a variety of aid policies that could impact community college transfer students. These range from programs for all college students to policies designed specifically for transfers. At one end of the spectrum, general state aid policies might inadvertently include many community college transfer students, depending on the criteria for the award. For example, a scholarship program for low-income students would help the core constituency of community colleges.

Although Wellman found that states with more general need-based aid tend to have higher transfer rates, the effectiveness of such policies may actually be limited, due to their design. While some aid awards are related to the cost of attendance and would cover the difference in tuition costs between community colleges and four-year institutions, most general programs penalize part-time study – and would therefore be less effective in helping community college transfers, many of whom are not full-time students. For instance, the TEXAS (Towards Excellence, Access and Success) Grant program require students to attend college at least three-quarters time to receive the aid.

A second way in which state financial aid programs could affect transfer is by encouraging certain types of behavior that have been found to improve the chances of student success at a four-year school. In this way, these programs would indirectly affect the likelihood of transfer and eventual degree completion. For instance, aid for community college students could encourage them to complete an associate's degree. Research using student-level data from the U.S. Department of Education has found a positive correlation between completing an associate's degree before transfer and

the likelihood of eventually completing a baccalaureate.<sup>18</sup>

A more direct way in which aid could promote transfer is by linking funds directly with the decision to transfer. The next section profiles several state programs with this goal. While all of the programs profiled award grants, it is also important to note that states are not limited to financial aid when targeting the financial barriers facing transfer students. States could also employ graduated tuition or other pricing structures that omit the net price calculation that is necessary with aid.

### *A Question of Design: Aid Policy Issues Related to Transfer Students*

In the design of a program, states must make decisions about eligibility criteria, enrollment and performance requirements, award amounts, and other factors. Table 3 summarizes the issues states should consider when creating an aid policy to foster transfer.

First, states must decide on the eligibility criteria. By targeting students most in need, states can be most efficient and minimize expenditures. However, simple income cut-offs may not be ideal, as many nontraditional students work to support dependents; therefore, while they may not appear financially needy, their income is not an accurate depiction of their situation. Need analysis should be employed with special consideration for the living arrangements common for community college students (supporting dependents, working concurrently, etc.). In addition, states may elect to target specific groups, depending on the needs of the state.

Another set of decisions must be made about what types of requirements students should complete while at the community college. If a state imposed a GPA

**Table 3. Factors to Consider when Designing a Financial Aid Program for Transfer Students**

<b>Design Questions</b>	<b>Advantages and Disadvantages</b>
<b>Background Eligibility Criteria</b>	
Require financial need?	By targeting students most in need, states can be more efficient and minimize expenditures. However, simple income cut-offs may not be ideal as many nontraditional students are concurrently employed to support families, and income may not be an accurate depiction of their need. Need analysis should be employed with special consideration for the family situation common among students.
Target specific demographic groups?	Depending on who is most in need within the state, policymakers may want to target particular groups - by race, ethnicity, first-generation status, etc.
<b>Two-Year Attendance Requirements (Pre-Transfer)</b>	
GPA requirement?	Such a stipulation would reward students for good performance and give them incentives to adequately prepare for future study.
Require students to complete an associate's degree before transfer?	Research has found a positive correlation between completing an associate's degree before transfer and the likelihood of eventually completing a baccalaureate. Therefore, this stipulation could maximize the likelihood for long-term success. However, if the support system is better at the four-year college, some students may be better off transferring sooner.
<b>Award/Benefit</b>	
Set award amount or cover tuition and fees?	By tying the award to costs, students would be held harmless by fluctuations in state pricing policy. This would reduce uncertainty and may increase transfer.
Allow the award to be renewed?	To support student persistence, students should be given the opportunity to renew. Also, by requiring a certain GPA, the aid could give students incentives to study hard and maximize their chances for eventual baccalaureate completion.
Limit the years of the award?	Many transfer students require more time to complete a baccalaureate degree than direct entrants. Limits on aid could reduce their likelihood of success.
<b>Four-Year Attendance Requirements (Post-Transfer)</b>	
Eligible institutions?	Including both public and private colleges maximizes student flexibility and the likelihood of having a four-year option in close proximity. However, including private schools may raise the cost of the program.
Full-time attendance requirement?	Although research suggests students are more likely to complete a degree if they attend full-time, many transfer students need to complete their four-year degree on a part-time basis. Therefore, this stipulation could exclude many of the students it is intended to help.
Require continuous enrollment (no stopping out)?	Although research suggests students are more likely to complete a degree if they attend continuously, many students need to stop out to deal with family issues. Therefore, this stipulation could exclude students it is intended to help.
<b>Other Conditions</b>	
Require repayment if student does not finish a baccalaureate?	Although this requirement will discourage frivolous use of the grant, students who drop out of college will have a hard time repaying the award and doing so would make it extremely difficult for them to reenroll in college.

requirement, it would reward community college students for high academic performance and provide incentives to better prepare them for future study, thereby maximizing their chances for eventual baccalaureate completion. Also, given the U.S. Department of Education research mentioned above, requiring the completion of an associate's degree before transfer could increase the likelihood of a student

eventually completing a baccalaureate degree. However, if support services for students are greater at four-year colleges than community colleges, then the student might be better off transferring sooner rather than remaining at an institution with fewer resources for at least two years.

In order to make aid more streamlined and useful to students, states could carefully



consider the size of the award. While state budgets usually play a role in that determination, states could also consider linking aid to tuition costs, a way of reducing uncertainty about cost and increasing the likelihood of transfer and successful completion. States might also consider allowing the award to be renewed, so as to support student persistence. States should also note that many transfer students require more time to complete a baccalaureate degree than direct entrants; limits on aid, while reducing state expenditures, could also lessen the likelihood of successful completion for these students.

States must also decide such issues as whether to require students to attend particular four-year colleges or whether to insist that they attend full-time. For the student, including both public and private colleges as the eligible set of institutions maximizes both their flexibility and the likelihood of their having a four-year option in close proximity to where they live. However, including private schools may raise the cost of the program. Requiring full-time attendance also has its trade-offs. Although research suggests students are more likely to complete a degree if they attend full-time, many nontraditional students need to complete their four-year degree on a part-time basis. Therefore, this stipulation would exclude many of the students it is intended to help (the same holds true for the requirement of continuous enrollment).

Penalties are another possible feature of financial aid programs. For example, a policy could require repayment if the student does not complete a baccalaureate degree within a certain time frame. Although this requirement would help ensure that the grant only attracted students committed to completing a four-year degree, students who

drop out of college will have an incredibly hard time repaying the award. Doing so would also make it extremely difficult for them to restart college and continue their studies.

## ► Policy Examples: Aid Programs Targeting Transfer

This section provides an overview of five state financial aid programs designed to target transfer students. Their policies represent a range of options available to states and highlight the decisions that must be made when designing a program to encourage transfer. While some of the programs provide incentives to students to maximize their chances for successful transfer (such as GPA requirements), others contain features that may work against typical community college students. For example, as noted above, requirements for full-time attendance and continuous enrollment may preclude some students from qualifying for the award. Table 4 summarizes the main features of the programs.

### *State Aid Programs for Transfer Students: Program Characteristics*

The programs vary in terms of eligibility criteria. For example, the Massachusetts Tuition Advantage Program (TAP) and Maryland Hope Community College Transfer Scholarship require students to have at least a 3.0 GPA at their community college. Other requirements focus on specific accomplishments before transfer. For instance, the financial aid programs in Texas and Arizona require students to complete an associate's degree before transferring. Each of these academic requirements is likely to increase the probability of student success at

Table 4. State Aid Policies to Facilitate Community College Transfer

Program	Transfer Eligibility Details	Benefit	Attendance Requirements	Renewal and Other Conditions
Arizona Private Postsecondary Education Student Financial Assistance Program (PFAP)	Must be an Arizona community college graduate who wishes to attend a private postsecondary institution. Student must have completed an associate's degree. Grants are awarded on a first-come, first-served basis.	The annual award is \$1,500 (\$750 per semester). The total lifetime award is \$3,000.	Students must attend an Arizona private baccalaureate degree-granting institution and be enrolled in a baccalaureate degree program or its equivalent on a full-time basis. Students must have need and maintain satisfactory academic progress.	Participants must pay back the full amount if they do not graduate within three years or are not in full-time attendance for 12 consecutive months. Students also lose the unused portion if they do not attend full-time for 12 months.
Maryland Hope Community College Transfer scholarship (discontinued for new applicants)	Must have completed at least 60 credits or earned an associate's degree and have a minimum cumulative GPA of 3.0. Aid is award by student GPA.	Up to \$3,000 annually. The total dollar amount of all state awards may not exceed the cost of attendance.	The student must enroll at a four-year Maryland college as a full-time, degree-seeking undergraduate. Annual family income may not exceed \$95,000.	To renew (once), the student must maintain a 3.0 GPA and remain full-time. Students must work full-time in Maryland, one year for each year of the award, or repay the award with interest. They must begin working within 12 months of graduation.
Massachusetts Tuition Advantage Program (TAP)	Community college graduates must have a GPA of 3.0 or better.	Tuition reduction of 33 percent during the first year of transfer.	Students must be in the Joint Admissions Program that guarantees admission to state colleges when students complete an approved associate's degree.	Students can maintain the discount for an extra year if their first-year GPA is 3.0 or better.
Towards Excellence, Access and Success (TEXAS) Grant	Must be a Texas resident who received a first associate's degree in or after May 2001. Must have financial need and an expected family contribution of less than \$4,000. May not be convicted of a felony or crime involving controlled substance. There are limited funds for new applicants.	Generally equal to tuition and required fees. Awards for private colleges are based on the public university amount.	Must enroll in a higher level undergraduate program within 12 months of receiving the associate's degree. Must enroll at least three-quarters time in a degree or certificate program.	Students can renew for up to 90 semester credit hours (four years) or until they complete the degree if they complete at least 75 percent of the hours taken in the prior year and have a GPA of 2.5.
Virginia Transfer Grant Program	Must be a Virginia first-time transfer student who has completed a minimum number of courses prior to transfer; transfers from an accredited institution; and has a cumulative GPA of at least 2.0 for all college-level courses.	Up to full tuition and fees.	Available to minority transfer students at one of the state's traditionally white institutions and all transfer students at a state historically black institution. Recipients must demonstrate need, enroll at least half time, and be degree seeking.	If the recipient meets satisfactory academic progress standards, the grant may be renewed for up to two additional years.

the four-year college and represents the use of incentives to promote positive behavior.

State policies vary considerably when it comes to the types of institutions or students targeted. These decisions relate to the aid program's mission and scope, as well as to the problem acknowledged by the state with respect to transferring and baccalaureate degree completion. In Maryland and Texas, aid policies allow students to attend any in-state public or private college. The Massachusetts program limits support to students at public four-year institutions, while the Arizona financial aid program – Arizona Private Postsecondary Education Student Financial Assistance Program

(PFAP) – focuses entirely on private, in-state colleges. The decision about the scope of a program affects the flexibility given to transfer students. By designating all colleges within the state as eligible places of transfer, states may maximize transfer and degree-completion rates, especially if proximity to a four-year school increases the likelihood of transfer. However, if the award covers a significant part of the cost of school, then including private colleges raises the cost of the program.

Other aid programs focus on a specific student population. The Virginia Transfer Grant Program targets minority transfer students; white students who choose to

transfer to one of the state's historically black institutions are also eligible.

The amount of aid available to transfer students varies widely, ranging from \$1,500 annually to tuition and required fees. The TEXAS program is the most generous: in general, aid is equal to tuition and required fees. States also vary in what they require in terms of attendance after transferring. The Maryland and Arizona programs require that transfer students enroll full-time at the four-year institution. Most awards that may be renewed also have GPA requirements. For instance, students with the TEXAS Grant can renew for up to four years but must have a GPA of 2.5 and complete at least 75 percent of the hours taken in the prior year. The Maryland and Massachusetts programs require a 3.0 GPA.

In two states, students have additional commitments related to graduation. Recipients of the Arizona grants are penalized if they do not complete their degree within three years of the award or fail to attend full-time for more than 12 consecutive months: such students must repay the award. Although this requirement likely discourages frivolous use of the grant, it may also undercut the state's goal to increase the number of college-educated citizens: students who drop out of college will have a hard time repaying the award and doing so would make it extremely difficult for them to restart college. Elsewhere, students have other types of repayment commitments. Students in Maryland have a service obligation once they complete the baccalaureate: they must work full-time in the state for one year for each year of the award; if they do not fulfill this requirement, they must repay the scholarship with interest.

State transfer-related aid programs remain the exception rather than the rule – and continued support for the few that do exist is far from secure. For instance, two of the programs profiled have recently reduced financial support for the programs. The Maryland program is no longer taking new applications but continues to support eligible students already receiving the award. Likewise, the TEXAS Grant gives priority to recipients already making progress towards a degree. Many eligible students who apply this year will not be funded.

#### *Other Transfer-Related Policies*

In addition to states, colleges and universities have also created financial aid programs that target transfer students (though it is not within the scope of this study to provide a comprehensive analysis of these practices). Colleges and universities also occasionally work together to foster transfer between groups of schools. For example, the League for Innovation in the Community College, a consortium of the more than 750 schools, recently introduced an articulation agreement that would allow students at its member colleges to transfer into bachelor's degree programs at the University of Phoenix and Western Governors University. The organization also announced that discussions were in progress for similar agreements between the league and University of Maryland University College and Florida State University. As part of these agreements, tuition discounts and scholarships are available to students. Another example is currently under consideration in New Mexico. The state is considering expanding eligibility for Lottery Scholarships to include certain currently uncovered groups of students, especially New Mexico students who complete an associate's degree and transfer to a baccalaureate program at a New Mexico university.



Private organizations have also been involved in helping transfer students. For instance, the Hispanic Scholarship Fund supports the Community College Transfer Scholarship. This program is designed to help community college students of Hispanic heritage obtain a bachelor's degree. To be eligible, students must be of Hispanic heritage and a U.S. citizen or legal permanent resident; have a minimum cumulative GPA of 3.0; and have plans to transfer and enroll full-time in a degree-seeking program at a four-year U.S. accredited institution. The award ranges from \$1,000 to \$2,500.

### *Financial Incentives for Colleges and Universities*

Students are not the only actors who benefit from properly structured aid policies. Financial incentives for institutions may also be an important way for states to foster transfer. Wellman found that accountability structures typically focus on two-year college transfer performance and fail to look at the responsibilities of the four-year institutions. If four-year colleges were expected to admit or were rewarded for taking transfer students and supporting them to graduation, states would probably improve their systems.

One example of such a policy is being considered by the New Mexico Commission on Higher Education. The state is considering creating a system of performance funding by paying institutions for each Pell Grant eligible student who persists from freshman to sophomore year, transfers to four-year institutions from an in-state community college after receiving an associate's degree, and/or receives a degree or certificate.

In New York, private four-year colleges play a significant role in supporting transfer students. The Bundy Aid Program, New York State's direct institutional aid policy, provides

unrestricted payments to independent colleges based on the number of degrees conferred by the institution. While this program does not reimburse private colleges for the cost of educating transfer students, it nonetheless provides a positive incentive for them to pursue such students and encourage them to complete a baccalaureate degree. As a result, many private colleges maintain partnership programs with community colleges in their region and give tuition assistance and other forms of aid to transfer students.

## ► Summary and Conclusions

Transfer between two-year and four-year colleges has become an important pathway to a baccalaureate degree. Therefore, to develop an educated citizenry, states must consider ways to foster and encourage the transfer of community college students. This involves addressing the series of obstacles students must overcome to be successful, including structural, academic, and financial concerns. While legislation and cooperative agreements can address structural and academic issues, financial aid policy is essential to dealing with the economic barriers to transfer. Earlier work, including that of Wellman and Hungar and Lieberman, has also supported this notion.<sup>19</sup>

While some institutions and private organizations are involved in efforts to promote transfer, states are uniquely positioned to create effective financial aid policies to help students. Students often move between schools and sometimes will enroll concurrently at multiple institutions. This makes it difficult for individual institutions to determine the number of transferable credits and eligibility for aid. States could do a much better job tracking

students, and therefore, oversight at the state level may be preferred.

### *Policy Considerations and Options*

The first consideration for states when designing a financial aid program aimed at fostering transfer should be to determine whether to blend the program into an existing state program or design an entirely new, separate program. Depending on a state's current structure, a financial aid program could be designed either way.

After this decision is made, the goal of such a financial aid program could be threefold. First, it might address students' financial barriers, including increased tuition and possible room and board, along with transition costs and support for activities in preparation for transfer. Second, it could give students incentives to complete tasks that will maximize the likelihood of success in completing a baccalaureate degree, such as maintaining a strong academic performance, as evidenced by GPA. Finally, the program needs to be flexible enough to address the special concerns of community college students while maintaining the incentives that encourage good behavior. The policy must be conscious of the fact that many community college students are older, nontraditional students who attend part-time and work concurrently.

With these goals in mind, states might consider the following suggestions when designing a financial aid program for transfer students.

1. **Cover the increased cost in tuition and fees.** Link aid awards to the cost of attendance so that students can afford the more expensive four-year institution. Also, consider one-time transitional support to cover moving expenses.
2. **Provide students with the proper incentives.** Use financial aid to give

students incentives to take the proper courses and complete the necessary tasks for transfer. This might include linking aid to important benchmarks, such as the completion of specific transfer courses, having a high GPA, and the attainment of an associate's degree.

3. **Realize transfers are not always traditional-age, dependent students.** Incorporate the concerns of nontraditional students – those who are older, have to support dependents, are from lower-income groups, and are first-generation college students.
4. **Acknowledge that transfer students may not follow traditional attendance patterns.** Review aid programs to ensure that they do not exclude large numbers of students by requiring full-time attendance or limiting the years of eligibility.
5. **Information is important.** Provide clear and readily available information about the program so that students are sufficiently influenced to prepare for transfer.
6. **Learn from institutional policies.** Examine institutional programs to see what lessons may be learned by the states in which they operate. Given the organization of higher education, states have the greatest potential of impacting transfer through their policies. However, some institutions have had success in building transfer programs, often by appealing to the particular nature of the students and colleges in the immediate area.
7. **Expand eligibility for state scholarships.** Consider expanding eligibility for state scholarships to include certain currently uncovered groups of students, such as students who complete an associate's degree and transfer to a baccalaureate program at a state university.

8. **Create a system of performance funding for persistence.** Consider creating a system of performance funding by paying institutions for each Pell Grant eligible student who persists from freshman to sophomore year, transfers to four-year institutions from an in-state community college after receiving an associate's degree, and/or receives a degree or certificate.

#### *Financial Aid or Other Transfer Strategies*

As four-year colleges become less accessible, it is becoming increasingly important for states to build a policy environment that promotes attendance at and transfer from two-year colleges – and financial aid holds great promise as a crucial element. The potential role of financial aid is largely untested, due to the fact that so few states have initiated programs to address the issue. Clearly, structural and academic issues must first be addressed to foster transfer within a state, and several states have had some success with well-established, thriving articulation policies. However, transfer rates are likely to improve even more with the support of targeted aid. As Wellman suggests, the most successful policy must be comprehensive in nature.<sup>20</sup> Therefore, to enable students to reach their full potential, states must address all three of the major barriers: structural, academic, and financial.

As states increasingly look to the community college system to provide the first stage of postsecondary education, the need for financial aid will only grow. It can be used as a tool to foster transfer and also to create incentives to encourage students to take the community college route. As states become more reliant on transfer from community colleges as a pathway to a baccalaureate degree, the role of financial aid will become more significant in promoting college success.

## ► About the Author

Bridget Terry Long is an associate professor at the Harvard Graduate School of Education. Trained as an economist, Long analyzes how government and institutional policies affect college access, choice, and success. Past projects have examined the enrollment and distributional effects of state and federal financial aid programs. In addition, Long has studied how institutional policies such as remediation and the use of different kinds of instructors affect student success (joint work with Eric Bettinger). Other interests include the role of high school preparation and information in college decisions and nontraditional pathways through college. Long received her Ph.D. and M.A. in economics from Harvard University and her A.B. from Princeton University. She is a faculty research associate of the National Bureau of Economic Research (NBER) and was awarded the National Academy of Education/Spencer Postdoctoral Fellowship for 2002-2004. In addition, Long is a recipient of the American Educational Research Association Dissertation Award and a National Science Foundation Graduate Studies Fellowship. She has received research grants from the Spencer Foundation, Lumina Foundation for Education, and National Association of Student Financial Aid Administrators.

## ■ Endnotes

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<sup>3</sup> National Center for Education Statistics, *Integrated Postsecondary Education Data System, Fall Enrollment Survey, 2003* (Washington, D.C.: U.S. Department of Education, National Center for Education Statistics, 2003).

<sup>4</sup> The College Board, *Trends in College Pricing* (Washington, D.C.: The College Board, 2003 and 2004).

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## ■ Appendix. Descriptions of the State Financial Aid Programs Targeting Transfer

### ***Arizona Private Postsecondary Education Student Financial Assistance Program (PFAP)***

The Arizona PFAP is directed to public community college graduates who wish to attend a private postsecondary institution. Participants must be graduates of an Arizona public community college with an associate's degree; attend an Arizona private baccalaureate degree-granting institution; and be enrolled in a degree program on a full-time basis or its equivalent. To be eligible, students must have financial need and maintain satisfactory academic progress, as determined by the institution. The total academic yearly award is \$1,500, and the total lifetime award is \$3,000. Grants are awarded on a first-come, first-served basis. Participants must agree when they accept the award to pay back to the state the full amount of the award if they do not graduate with their bachelor's degree within three years of the initial receipt of the award or do not attend full-time for more than 12 consecutive months. Students also lose the unused portion of the award if they are not in full-time attendance for 12 consecutive months.

### ***Maryland Hope Community College Transfer Scholarship (discontinued for new students)***

This is a competitive program and students are ranked by their grade point average. Funds may not be available to award all eligible students, and eligible students not awarded initially will be placed on a waiting list. To be eligible, the student and his or her parents (if the student is dependent) must be Maryland residents, and annual family income may not exceed \$95,000. Students must have completed at least 60 credits or earned an associate's degree at a Maryland community college and have a cumulative GPA of at least 3.0. The student must enroll at a four-year Maryland college or university as a full-time (12+ credits per semester), degree-seeking undergraduate. The annual award is \$3,000, but the total dollar amount of all state scholarship awards may not exceed the cost of attendance or \$16,800, whichever is less. Students must agree to work full-time in Maryland for one year for each year of the award or repay the scholarship with interest. This service obligation must be initiated within 12 months of graduation. Although the program is no longer available to new students, students already receiving the award will continue to receive it as long as they remain eligible. To renew an award (available only once), the student must maintain a minimum 3.0 annual GPA in college coursework and remain enrolled as a full-time undergraduate.

### ***Massachusetts Tuition Advantage Program (TAP)***

The Massachusetts TAP was designed to help community college graduates with a GPA of 3.0 or better save money when they transfer to a Massachusetts state college or the University of Massachusetts. Students participating in the TAP program receive a tuition reduction of 33 percent during their first year of transfer and can maintain that discount for an extra year if their first-year GPA is 3.0 or better. To be eligible, students must be enrolled in the Joint Admissions Program, a program that guarantees admission to state colleges and universities when students complete an associate's degree in an approved program with a GPA of 2.5 or better.

### ***TEXAS (Towards Excellence, Access and Success) Grant***

This program has two eligibility categories, and the second focuses on Texas residents who enroll in a higher-level undergraduate program at a nonprofit Texas institution within 12 months of completing an associate's degree. Student must have financial need and an expected family contribution of no more than \$4,000. Additionally, students must enroll at least three-quarters time in a baccalaureate degree or certificate program; must have not previously been granted a baccalaureate; and must not be convicted of a felony or crime involving a controlled substance. The award amount is generally equal to tuition and required fees but depends on the charges paid by the student. For 2004-2005, the award is approximately \$1,795 per semester for public university students (based on enrollment of 12 credit hours per semester). Private institution awards are based on the public university amount. Students who continue to meet program academic standards in college can receive awards for up to 90 semester credit hours or for four years or until they complete a baccalaureate degree, whichever occurs first. The academic standards are completion of at least 75 percent of the hours taken in the prior year, plus a cumulative grade point average in college of at least 2.5 on a 4.0 scale. Funding for the program is limited, and priority in making awards is given to recipients already making progress towards a degree. Therefore, many eligible students during recent years have not received the grant.

### ***Virginia Transfer Grant Program***

The Virginia program provides grants of up to full tuition and fees to Virginia minority transfer students who enroll at one of the Commonwealth's 13 traditionally white institutions, as well as to all transfer students who enroll at Virginia State University or Norfolk State University, historically black institutions. The student must be a first-time transfer who has completed a minimum number of college-level courses; comes from an accredited institution that offers at least associate's degrees and is recognized by the council as a collegiate institution; and has a cumulative grade point average of at least 2.0 for all previous college-level courses completed at the time the initial award is made. Recipients must also demonstrate financial need, enroll at least half-time, and be degree seeking. If the recipient meets satisfactory academic progress standards as defined for financial aid recipients at the institution attended, the grant may be renewed for up to two additional years.











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