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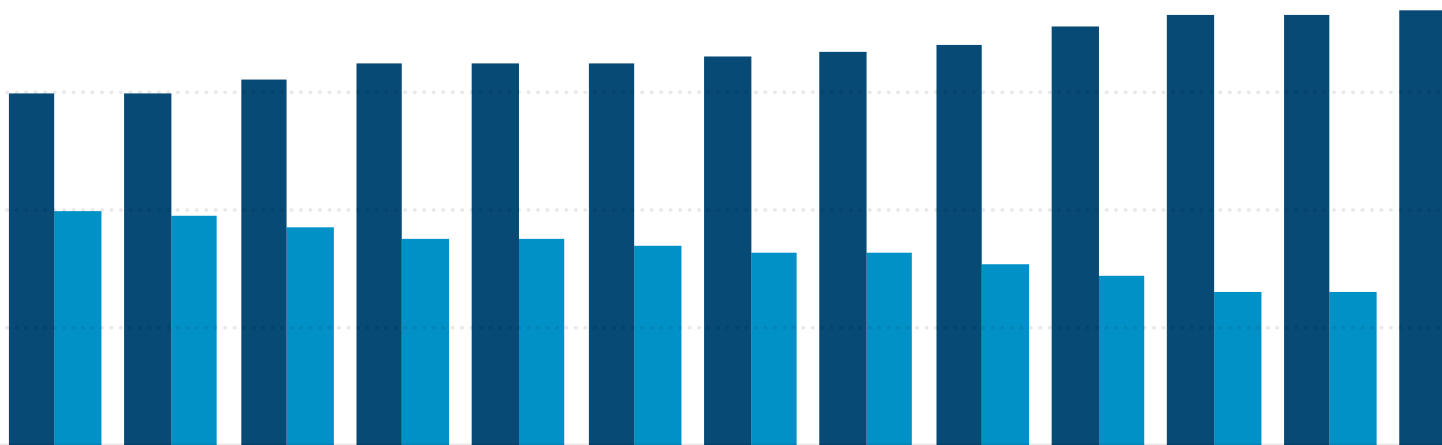
STATE HIGHER EDUCATION FINANCE

2019

ISSUE BRIEF:

CHANGING TRENDS IN STATE FINANCIAL AID

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INTRODUCTION

In 2019, states allocated \$11.38 million to student financial aid programs, an all-time high. On a per-student level, state financial aid has generally increased over the last two decades, while the rest of state and local funding for higher education has declined. The average full-time equivalent (FTE) student attending a public institution in the U.S. receives \$808 in financial aid, higher than ever before.

However, not all types of state financial aid are at an all-time high. The U.S. has not kept up with previous investments in financial aid to students attending independent (private nonprofit and for-profit) institutions, and has never provided substantial funding to state residents attending out-of-state institutions. In addition, these trends differ substantially by state.

Student financial aid is broadly defined as the allocation to state scholarships or any other state financial aid for students attending all institution types (public and independent). This includes all aid that is not expected to be repaid, such as conditional and non-conditional grant and scholarship programs, work-study, and state-funded tuition waivers. Allocations to state student loan programs are not included.

The State Higher Education Finance (SHEF) report examines state-funded financial aid allocations to students attending public institutions on a per-FTE enrollment basis and as a percentage of all state and local appropriations to public institutions (excluding any funding for research, agriculture, or medical). Because the SHEF report focuses primarily on funding for public institutions, state-funded financial aid to other institutions and the changing trends in those funds are not discussed.

This issue brief examines trends in the distribution, amount, and types of state-funded student financial aid programs from 2001 to 2019, the full time span available in the SHEF dataset. While public aid per FTE and as a percent of appropriations are included for context, readers can find more detail in the financial aid sections of the [2019 SHEF report](#).¹

1. <https://shef.sheeo.org>

STATE AID BY INSTITUTION TYPE

Almost every state in the U.S. has a financial aid program that aims to reduce the cost of attendance for students attending postsecondary institutions. These programs allocate state dollars to students rather than directly to institutions. State financial aid programs generally include eligibility requirements that limit the types of institutions at which students can receive aid, and many states create separate programs that target financial aid to students at public and independent (private) institutions.

As a result, the majority of state-funded financial aid dollars are allocated to students attending in-state public institutions. Nationally in 2019, states allocated 77.7 percent of their financial aid to students at in-state public institutions, 22 percent to students at in-state independent institutions, and 0.3 percent to residents attending out-of-state institutions (*Table 1*).

Almost two-thirds of states allocate 75 percent or more of their financial aid to students attending public institutions.

DIFFERENCES BY STATE

Two states (Montana and Nevada) do not provide financial aid to students at independent or out-of-state institutions. Another 29 states give more than 75 percent of their financial aid dollars to students at public institutions. Only two states (Iowa and North Carolina) provide less than half of all financial aid dollars to public institutions.²

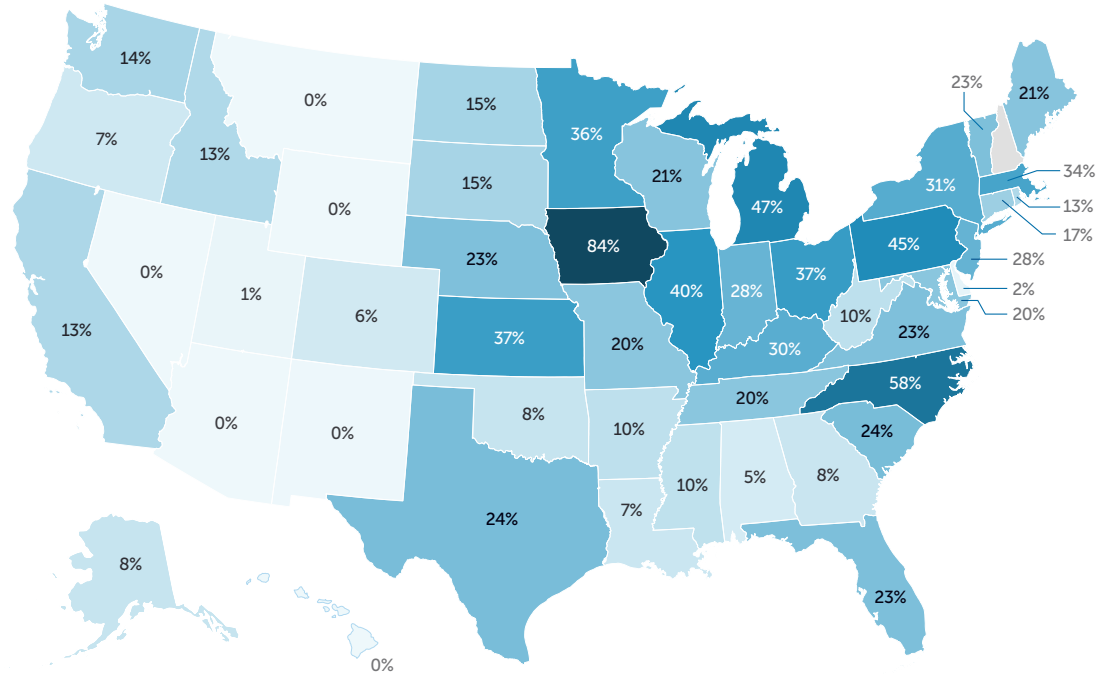
Figure 1 shows that the states that allocate the largest portion of their financial aid dollars to independent institutions are clustered mainly in the Midwest and Northeast. Five states allocate more than 40 percent of all aid to students at independent institutions (Illinois, Iowa, Michigan, North Carolina, and Pennsylvania). Another five states, all in the West, provide no independent aid (Arizona, Hawaii, Montana, Nevada, and Wyoming).

Twenty states provide financial aid to students attending out-of-state institutions, but in half of those states, out-of-state aid accounted for less than 1 percent of total financial aid in 2019 (*Table 1*). The states with the highest out-of-state allocations were Hawaii (32.3 percent), Arizona (26.5 percent), Vermont (23.8 percent), Alaska (16.3 percent), and Maine (13 percent).

Table 1 shows the total amount of financial aid in each state in 2019 as well as the proportions allocated to independent, out-of-state, and public institutions. For added context about the state's overall commitment to financial aid, *Table 1* also includes the average public financial aid award per FTE and the proportion of all education appropriations that are allocated to public student financial aid.³

2. New Hampshire does not currently have a state-funded financial aid program. Washington, D.C., provided data on funding to students at independent and out-of-state institutions, but was not able to provide data on funding to in-district public institutions and is not included in this analysis.
3. Education appropriations are a measure of state and local support available for **public** higher education operating expenses and exclude appropriations for independent institutions, financial aid for students attending independent or out-of-state institutions, research, hospitals, and medical education.

FIGURE 1
PERCENT OF STATE FINANCIAL AID AWARDED TO STUDENTS ATTENDING
INDEPENDENT INSTITUTIONS



- NOTES:** 1. Independent aid is the proportion of total state-funded financial aid awarded to students attending independent (private) institutions.
2. State student financial aid is the total allocation to state scholarships or any other state financial aid for students attending all institution types (public and independent).
3. New Hampshire ended its public financial aid program in 2011.

SOURCE: State Higher Education Executive Officers Association

TABLE 1
DISTRIBUTION OF STATE STUDENT FINANCIAL AID DOLLARS TO INSTITUTIONS BY STATE, FISCAL 2019 (ADJUSTED)

	TOTAL FINANCIAL AID	% INDEPENDENT FINANCIAL AID	% OUT-OF-STATE FINANCIAL AID	% STATE PUBLIC FINANCIAL AID	STATE PUBLIC FINANCIAL AID PER FTE ENROLLMENT	STATE PUBLIC FINANCIAL AID % OF EDUCATION APPROPRIATIONS
ALABAMA	\$133,455,720	5.2%	0.0%	94.8%	\$621	8.8%
ALASKA	\$16,116,731	8.1%	16.3%	75.6%	\$728	4.5%
ARIZONA	\$14,862,815	0.0%	26.5%	73.5%	\$37	0.7%
ARKANSAS	\$149,978,916	9.8%	4.8%	85.4%	\$1,136	13.6%
CALIFORNIA	\$1,740,421,364	13.2%	0.0%	86.8%	\$971	10.7%
COLORADO	\$157,125,620	6.0%	0.1%	94.0%	\$804	17.3%
CONNECTICUT	\$27,456,721	16.5%	0.0%	83.5%	\$274	3.2%
DELAWARE	\$12,868,688	1.7%	3.3%	95.0%	\$336	6.2%
FLORIDA	\$980,457,000	23.1%	0.0%	76.9%	\$1,249	16.6%
GEORGIA	\$764,033,022	7.6%	0.1%	92.3%	\$1,985	20.6%
HAWAII	\$3,427,409	0.0%	32.3%	67.7%	\$66	0.4%
IDAHO	\$17,266,780	12.7%	0.0%	87.3%	\$277	2.8%
ILLINOIS	\$382,348,885	40.3%	0.0%	59.7%	\$735	4.9%
INDIANA	\$389,930,495	27.5%	0.0%	72.5%	\$1,149	18.7%
IOWA	\$59,808,530	83.6%	0.0%	16.4%	\$79	1.3%
KANSAS	\$24,091,169	36.7%	0.8%	62.4%	\$114	1.6%
KENTUCKY	\$270,872,716	30.3%	0.3%	69.4%	\$1,324	17.8%
LOUISIANA	\$355,400,717	7.3%	0.0%	92.7%	\$2,009	34.7%
MAINE	\$14,452,021	21.0%	13.0%	66.0%	\$281	3.7%
MARYLAND	\$80,946,122	20.4%	0.3%	79.2%	\$280	3.6%
MASSACHUSETTS	\$88,642,308	34.0%	0.0%	66.0%	\$365	4.6%
MICHIGAN	\$15,237,111	47.3%	0.0%	52.7%	\$22	0.3%
MINNESOTA	\$216,488,520	35.9%	0.0%	64.1%	\$753	9.9%
MISSISSIPPI	\$52,250,630	9.5%	1.6%	88.9%	\$359	5.4%
MISSOURI	\$152,198,909	20.1%	0.0%	79.9%	\$666	9.2%
MONTANA	\$1,683,558	0.0%	0.0%	100.0%	\$46	0.7%
NEBRASKA	\$19,067,680	22.6%	0.0%	77.4%	\$194	1.9%
NEVADA	\$102,475,356	0.0%	0.0%	100.0%	\$1,443	17.6%
NEW HAMPSHIRE	\$-	0.0%	0.0%	0.0%	\$-	0.0%
NEW JERSEY	\$440,630,204	27.9%	0.0%	72.1%	\$1,212	18.5%
NEW MEXICO	\$25,687,905	0.3%	7.5%	92.2%	\$296	2.5%
NEW YORK	\$852,570,734	31.0%	0.0%	69.0%	\$1,095	12.0%
NORTH CAROLINA	\$342,281,404	57.6%	0.0%	42.4%	\$369	3.4%
NORTH DAKOTA	\$18,973,153	14.8%	0.0%	85.2%	\$480	5.5%
OHIO	\$151,209,101	37.4%	0.3%	62.3%	\$241	3.8%
OKLAHOMA	\$143,187,636	8.2%	0.0%	91.8%	\$1,020	15.4%
OREGON	\$84,922,171	6.6%	0.0%	93.4%	\$575	8.6%
PENNSYLVANIA	\$336,507,179	44.5%	0.7%	54.8%	\$533	11.9%
RHODE ISLAND	\$14,544,188	12.7%	0.0%	87.3%	\$421	6.7%
SOUTH CAROLINA	\$406,627,958	24.1%	1.0%	74.9%	\$1,879	29.1%
SOUTH DAKOTA	\$11,516,973	14.5%	0.0%	85.5%	\$300	4.7%
TENNESSEE	\$529,614,629	20.3%	0.0%	79.7%	\$2,271	24.4%
TEXAS	\$387,840,667	23.9%	0.0%	76.1%	\$277	3.5%
UTAH	\$28,249,275	1.1%	0.0%	98.9%	\$218	2.8%
VERMONT	\$17,823,578	22.8%	23.8%	53.4%	\$465	16.0%
VIRGINIA	\$282,346,207	22.6%	0.1%	77.3%	\$716	12.3%
WASHINGTON	\$313,904,852	14.2%	0.0%	85.8%	\$1,145	15.4%
WEST VIRGINIA	\$91,284,599	9.9%	0.1%	90.0%	\$1,234	23.5%
WISCONSIN	\$156,778,417	21.1%	0.0%	78.9%	\$591	8.6%
WYOMING	\$32,321,181	0.0%	0.1%	99.9%	\$1,454	7.7%
U.S.	\$11,379,597,149	22.0%	0.3%	77.7%	\$808	9.9%

- NOTES:**
1. Total student financial aid is the sum of any state appropriated student financial aid for public, independent, and out-of-state institutions, excluding loans.
 2. Full-time equivalent enrollment equates student credit hours to full-time, academic year students, but excludes medical students.
 3. State public financial aid as a percent of education appropriations measures allocations to state scholarships or other state financial aid for students attending public in-state institutions, as a proportion of total state and local support available for public higher education operating expenses (which excludes spending for research, agricultural, and medical education).
 4. New Hampshire ended its public financial aid program in 2011.
 5. Data are adjusted by the Cost of Living Index (COLI) and Enrollment Mix Index (EMI) to facilitate interstate comparisons. The COLI is not a measure of inflation over time.

SOURCE: State Higher Education Executive Officers Association

TRENDS IN THE DISTRIBUTION OF STATE AID

The allocation of state financial aid across institution types has changed since the start of the SHEF financial aid dataset in 2001. *Figure 2* shows that states have increasingly prioritized their financial aid allocations away from independent institutions and toward students attending public institutions.

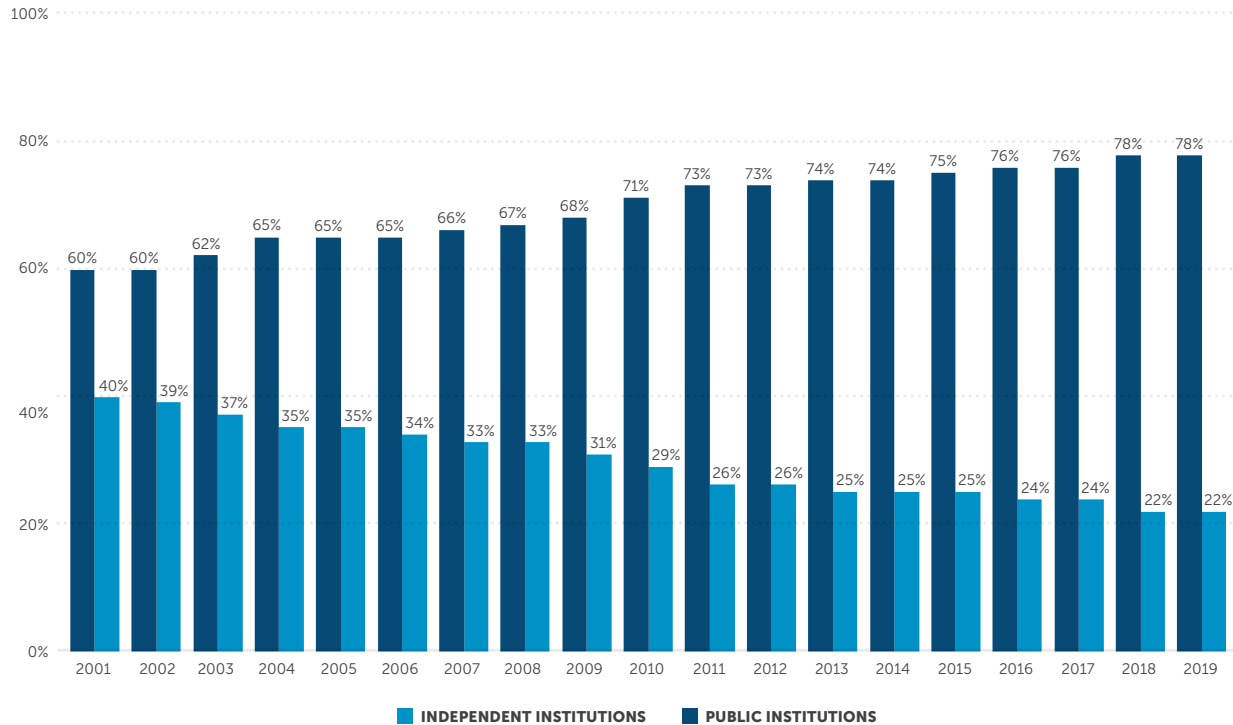
In 2001, 60 percent of all state financial aid was awarded to students attending public institutions, and the other 40 percent went to students attending independent institutions. Less than 1 percent of financial aid was allocated to residents attending out-of-state institutions in all years.

Throughout the 2000s, states increased their financial aid awards to students at all institutions, but their increases for students attending public institutions were much greater. In 2001, states awarded an inflation-adjusted \$2.7 billion in independent aid and \$4.0 billion in public aid. By 2008, independent and public institutions received \$3.0 and \$6.2 billion in financial aid, respectively. This meant that 67 percent of all aid went to students at public institutions in 2008.

States continued increasing financial aid for students attending public institutions through the 2010s. During the Great Recession, states decreased per-FTE general operating appropriations at public institutions and prioritized financial aid for students at those institutions. From 2008 to 2011, the proportion of aid allocated to students at public institutions increased by 6 percentage points.

This trend has since continued, and in 2019, students at public institutions received \$8.8 billion or 78 percent of all state-funded financial aid awards. At the same time, inflation-adjusted financial aid allocations for independent institutions declined to \$2.5 billion in 2019, or only 22 percent of all state financial aid dollars (*Figure 2*).

FIGURE 2
PROPORTION OF STATE FINANCIAL AID TO PUBLIC AND INDEPENDENT INSTITUTIONS,
U.S., 2001-2019



- NOTES:**
1. State public financial aid is the proportion of total state-funded financial aid awarded to students attending public institutions, excluding loans. Some respondents could not separate tuition aid from aid for living expenses.
 2. Independent aid is the proportion of total state-funded financial aid awarded to students attending independent (private) institutions.
 3. Percentages may not add up to 100 because financial aid to students attending out-of-state institutions is excluded.

SOURCE: State Higher Education Executive Officers Association

DIFFERENCES BY STATE

As with all of state higher education finance, states differ in their allocation of financial aid by institution type. Twenty-two states increased inflation-adjusted funding for financial aid to independent institutions from 2001 to 2019, and 24 decreased their aid allocation (*Table 2*). On a national level, the decrease in financial aid to independent institutions was 7.5 percent, after adjusting for inflation (a \$204 million decline). Four Western states (Hawaii, Montana, Nevada, and Wyoming) did not provide state-funded financial aid to students attending independent institutions in either 2001 or 2019.

During this same time frame, 38 states increased funding for financial aid to students at public institutions, and 12 decreased their aid allocations. The U.S. overall had a 118.3 percent inflation-adjusted increase in public financial aid from 2001 to 2019, an investment of an additional \$4.8 billion dollars. Only Alaska did not allocate financial aid for public institutions in 2001, and New Hampshire ended its aid program prior to 2019.

Nine states decreased aid at both independent and public institutions, and fifteen states decreased aid at independent institutions while increasing aid at public institutions. In one of the most extreme examples, California decreased independent aid by \$65.8 million (18.5 percent) while increasing public aid by \$1.57 billion (452 percent). Only two states (Delaware and Massachusetts) increased allocations to independent aid and decreased allocations to public aid from 2001 to 2019.

ENROLLMENT TRENDS

Table 2 shows the change in fall FTE enrollment from 2001 to 2018 at public and independent institutions in each state. During this time frame, FTE at public institutions increased 27.8 percent, while FTE at private nonprofit institutions increased 33.8 percent.⁴ While these percentages are only estimates due to data limitations,⁵ they demonstrate that enrollment at private institutions has grown at similar rates to public institutions since 2001. The decline in total and proportional spending on financial aid at independent institutions likely reflects policy decisions that intentionally target state dollars toward students attending state-funded institutions.

For example, enrollment at independent institutions increased 128 percent in Virginia from 2001 to 2019, while public institution enrollment increased 31.5 percent. Despite the much larger enrollment increase at independent institutions, aid to students attending independent institutions decreased 1.9 percent while aid to students at public institutions increased 96 percent over this time frame (Table 2).

Despite similar enrollment increases across institutions, states have increased public aid by 118.3 percent and decreased independent aid by 7.5 percent.

4. National Center for Education Statistics. (2019). Table 307.30. *Full-time-equivalent fall enrollment in degree-granting postsecondary institutions, by control of institution and state or jurisdiction: 2000, 2010, and 2017*. Digest of Education Statistics. https://nces.ed.gov/programs/digest/d18/tables/dt18_307.30.asp

5. SHEEO does not collect enrollment information on independent (private) institutions. NCES Data Digest data on full-time equivalent (FTE) enrollment for private nonprofit institutions is not yet available for 2019. In addition, 12-month FTE enrollment data typically used in SHEF are not available prior to 2004. Percent changes in FTE enrollment shown here are thus based on fall 2000 (which corresponds to fiscal 2001) and fall 2017 (fiscal 2018).

TABLE 2
**CHANGE IN STATE FINANCIAL AID ALLOCATIONS AND STUDENT ENROLLMENT BY STATE
(CONSTANT DOLLARS)**

	INDEPENDENT INSTITUTIONS				PUBLIC INSTITUTIONS			
	2001	2019	% CHANGE IN FINANCIAL AID	% CHANGE IN ENROLLMENT	2001	2019	% CHANGE IN FINANCIAL AID	% CHANGE IN ENROLLMENT
ALABAMA	\$9,110	\$5,927	-34.9%	15.3%	\$22,406	\$107,977	381.9%	25.4%
ALASKA	\$-	\$1,533	N/A	-33.2%	\$-	\$14,329	N/A	2.3%
ARIZONA	\$618	\$-	-100.0%	13.1%	\$7,871	\$11,312	43.7%	44.9%
ARKANSAS	\$-	\$12,312	N/A	31.8%	\$46,659	\$107,141	129.6%	38.6%
CALIFORNIA	\$355,644	\$289,875	-18.5%	24.6%	\$346,683	\$1,912,604	451.7%	28.2%
COLORADO	\$11,600	\$10,060	-13.3%	24.9%	\$101,967	\$158,832	55.8%	31.9%
CONNECTICUT	\$31,659	\$5,583	-82.4%	29.4%	\$34,489	\$28,230	-18.1%	26.3%
DELAWARE	\$-	\$253	N/A	69.4%	\$14,605	\$14,086	-3.5%	27.5%
FLORIDA	\$169,317	\$229,486	35.5%	87.3%	\$335,281	\$765,696	128.4%	54.9%
GEORGIA	\$53,688	\$54,080	0.7%	19.9%	\$279,583	\$656,996	135.0%	59.4%
HAWAII	\$-	\$-	N/A	-24.0%	\$442	\$2,999	N/A	13.1%
IDAHO	\$309	\$1,932	525.6%	217.5%	\$3,552	\$13,299	274.4%	28.8%
ILLINOIS	\$280,549	\$155,468	-44.6%	22.7%	\$305,354	\$229,957	-24.7%	-6.2%
INDIANA	\$79,972	\$100,965	26.3%	33.1%	\$104,476	\$266,844	155.4%	23.3%
IOWA	\$78,747	\$47,408	-39.8%	5.1%	\$5,147	\$9,291	80.5%	17.7%
KANSAS	\$9,921	\$8,170	-17.6%	16.2%	\$10,582	\$13,899	31.4%	14.8%
KENTUCKY	\$13,119	\$73,613	461.1%	54.3%	\$31,863	\$168,846	429.9%	27.1%
LOUISIANA	\$13,464	\$24,080	78.8%	-8.6%	\$125,216	\$304,980	143.6%	5.9%
MAINE	\$3,342	\$3,165	-5.3%	52.3%	\$12,780	\$9,946	-22.2%	13.4%
MARYLAND	\$22,230	\$19,706	-11.4%	24.0%	\$72,142	\$76,375	5.9%	35.1%
MASSACHUSETTS	\$31,620	\$36,053	14.0%	25.9%	\$90,183	\$69,947	-22.4%	23.2%
MICHIGAN	\$141,979	\$6,469	-95.4%	-19.1%	\$201,922	\$7,196	-96.4%	8.8%
MINNESOTA	\$93,866	\$74,512	-20.6%	12.9%	\$110,285	\$133,182	20.8%	11.5%
MISSISSIPPI	\$7,683	\$4,015	-47.7%	35.2%	\$45,313	\$37,512	-17.2%	24.7%
MISSOURI	\$30,531	\$25,897	-15.2%	28.6%	\$37,786	\$103,044	172.7%	21.8%
MONTANA	\$-	\$-	N/A	6.0%	\$4,653	\$1,554	-66.6%	15.0%
NEBRASKA	\$-	\$4,071	N/A	51.7%	\$3,237	\$13,915	329.8%	15.7%
NEVADA	\$-	\$-	N/A	749.2%	\$47,962	\$99,081	106.6%	56.7%
NEW HAMPSHIRE	\$619	\$-	-100.0%	258.7%	\$1,131	\$-	-100.0%	21.3%
NEW JERSEY	\$95,570	\$138,800	45.2%	30.4%	\$173,290	\$358,937	107.1%	33.3%
NEW MEXICO	\$1,560	\$69	-95.6%	-57.3%	\$66,062	\$22,193	-66.4%	20.1%
NEW YORK	\$383,186	\$342,818	-10.5%	26.0%	\$455,253	\$762,361	67.5%	25.0%
NORTH CAROLINA	\$163,130	\$170,843	4.7%	29.9%	\$68,720	\$125,930	83.3%	41.1%
NORTH DAKOTA	\$196	\$2,673	1264.1%	27.5%	\$1,551	\$15,379	891.5%	21.7%
OHIO	\$58,061	\$50,822	-12.5%	12.4%	\$90,063	\$84,743	-5.9%	19.0%
OKLAHOMA	\$4,017	\$10,092	151.2%	15.0%	\$36,891	\$113,414	207.4%	14.4%
OREGON	\$3,576	\$6,172	72.6%	41.4%	\$23,807	\$86,993	265.4%	33.4%
PENNSYLVANIA	\$253,914	\$155,848	-38.6%	27.8%	\$237,256	\$192,135	-19.0%	18.3%
RHODE ISLAND	\$2,302	\$1,989	-13.6%	18.8%	\$4,790	\$13,728	186.6%	15.9%
SOUTH CAROLINA	\$50,448	\$93,709	85.8%	16.5%	\$62,307	\$291,296	367.5%	35.8%
SOUTH DAKOTA	\$-	\$1,517	N/A	19.9%	\$138	\$8,955	6,405.8%	22.0%
TENNESSEE	\$9,501	\$93,497	884.0%	46.7%	\$39,407	\$367,636	832.9%	15.5%
TEXAS	\$104,195	\$85,905	-17.6%	26.2%	\$11,983	\$274,013	2,186.7%	54.7%
UTAH	\$309	\$319	3.3%	341.1%	\$7,775	\$27,649	255.6%	45.3%
VERMONT	\$7,432	\$4,595	-38.2%	20.7%	\$8,320	\$10,774	29.5%	29.9%
VIRGINIA	\$67,099	\$65,813	-1.9%	128.0%	\$115,127	\$225,341	95.7%	31.5%
WASHINGTON	\$30,029	\$48,006	59.9%	14.5%	\$143,380	\$290,758	102.8%	28.0%
WEST VIRGINIA	\$5,834	\$8,765	50.2%	-13.4%	\$23,522	\$79,823	239.4%	11.5%
WISCONSIN	\$32,503	\$31,533	-3.0%	11.6%	\$75,589	\$117,945	56.0%	10.0%
WYOMING	\$-	\$-	N/A	N/A	\$174	\$28,544	16,323.2%	13.1%
U.S.	\$2,712,449	\$2,508,416	-7.5%	33.8%	\$4,048,972	\$8,837,616	118.3%	27.8%

- NOTES:** 1. Percent change is not included if no financial aid dollars were awarded in 2001.
 2. Percent change in enrollment is derived from the NCES Data Digest, Fall FTE Enrollment for 2000 and 2017 (corresponding to FY 2001 and 2018).
 3. Constant 2019 dollars adjusted by the Higher Education Cost Adjustment (HECA). Data are not adjusted by the Cost of Living Index (COLI) or Enrollment Mix Index (EMI).

SOURCES: State Higher Education Executive Officers Association

U.S. Department of Education, National Center for Education Statistics, Data Digest Table 307.30.

CONCLUSION

Over the last two decades, states have substantially increased their investments in student financial aid. In general, those investments coincided with a shift toward increasing the proportion of financial aid awarded to state-funded public institutions. Since 2001, the proportion of all financial aid that goes to independent institutions has decreased from 40 percent to only 22 percent.

In 2019, almost two-thirds of states allocated 75 percent or more of their financial aid to students attending public institutions. However, these trends vary considerably by state and by region. In the Southeast, states tend to allocate a larger portion of their total state funding to financial aid. The Northeast and Midwest generally allocate a higher proportion of their financial aid dollars to students attending independent institutions, likely due to the larger number of independent institutions in those states. Many Central and Western states award very little financial aid to students attending independent institutions.

The SHEF report has primarily focused on state financial aid to students attending public institutions and has considered financial aid appropriations per FTE and as a percent of all state and local funding. This issue brief took a closer look at more specific trends in state financial aid both over time and across states, highlighting diverging trends in different types of financial aid.

Another important component of the changing trends in state financial aid is how states distribute financial aid across their public two-year and four-year institutions. Beginning with the fiscal 2020 data collection, SHEF will include a breakdown of state financial aid by institution sector, allowing these analyses.

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