

The Steinhardt Institute for Higher Education Policy
New York University
March 7, 2007

The Changing Dynamics of Student Financing Policy: Implications for College Access and Equity

Donald E. Heller

PENNSTATE



COLLEGE *of* EDUCATION

CENTER FOR THE STUDY OF HIGHER EDUCATION

“It is the responsibility of the community, at the local, State, and National levels, to guarantee that financial barriers do not prevent any able and otherwise qualified young person from receiving the opportunity for higher education. . . . The democratic community cannot tolerate a society based upon education for the well-to-do alone. If college opportunities are restricted to those in the higher income brackets, the way is open to the creation and perpetuation of a class society which has no place in the American way of life.”

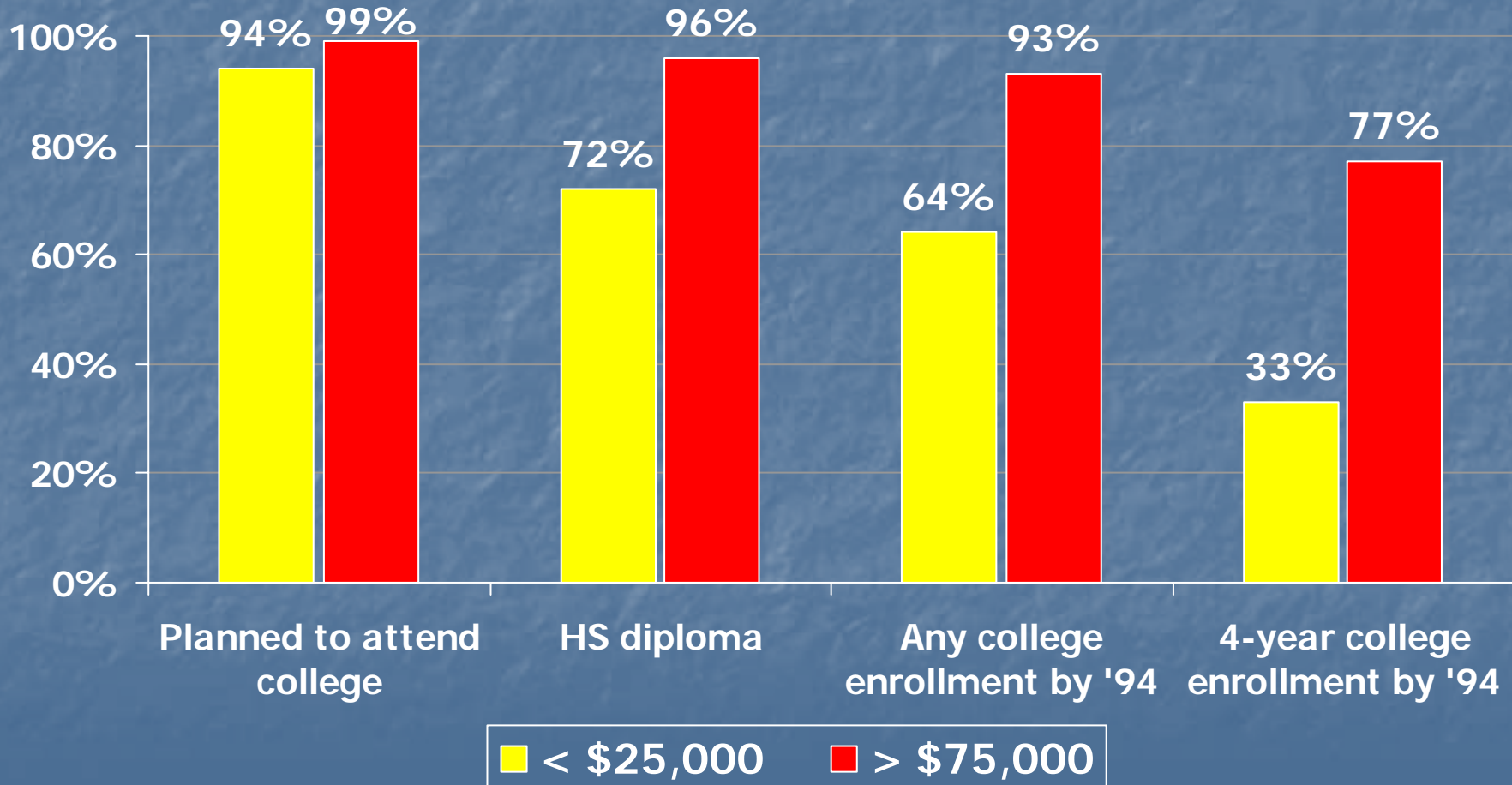
- A. _____, signing the Higher Education Act of 1965**
- B. Senator _____, upon the renaming of the Basic Educational Opportunity Grant Program in his honor, 1980**
- C. President _____'s Commission on Higher Education, 1947**
- D. _____, upon his founding of the U. of Virginia, 1819**

“It is the responsibility of the community, at the local, State, and National levels, to guarantee that financial barriers do not prevent any able and otherwise qualified young person from receiving the opportunity for higher education. . . . The democratic community cannot tolerate a society based upon education for the well-to-do alone. If college opportunities are restricted to those in the higher income brackets, the way is open to the creation and perpetuation of a class society which has no place in the American way of life.”

- A. Lyndon Johnson, signing the Higher Education Act of 1965**
- B. Senator Claiborne Pell, upon the renaming of the Basic Educational Opportunity Grant Program in his honor, 1980**
- C. President Truman’s Commission on Higher Education, 1947**
- D. Thomas Jefferson, upon his founding of the U. of Virginia, 1819**

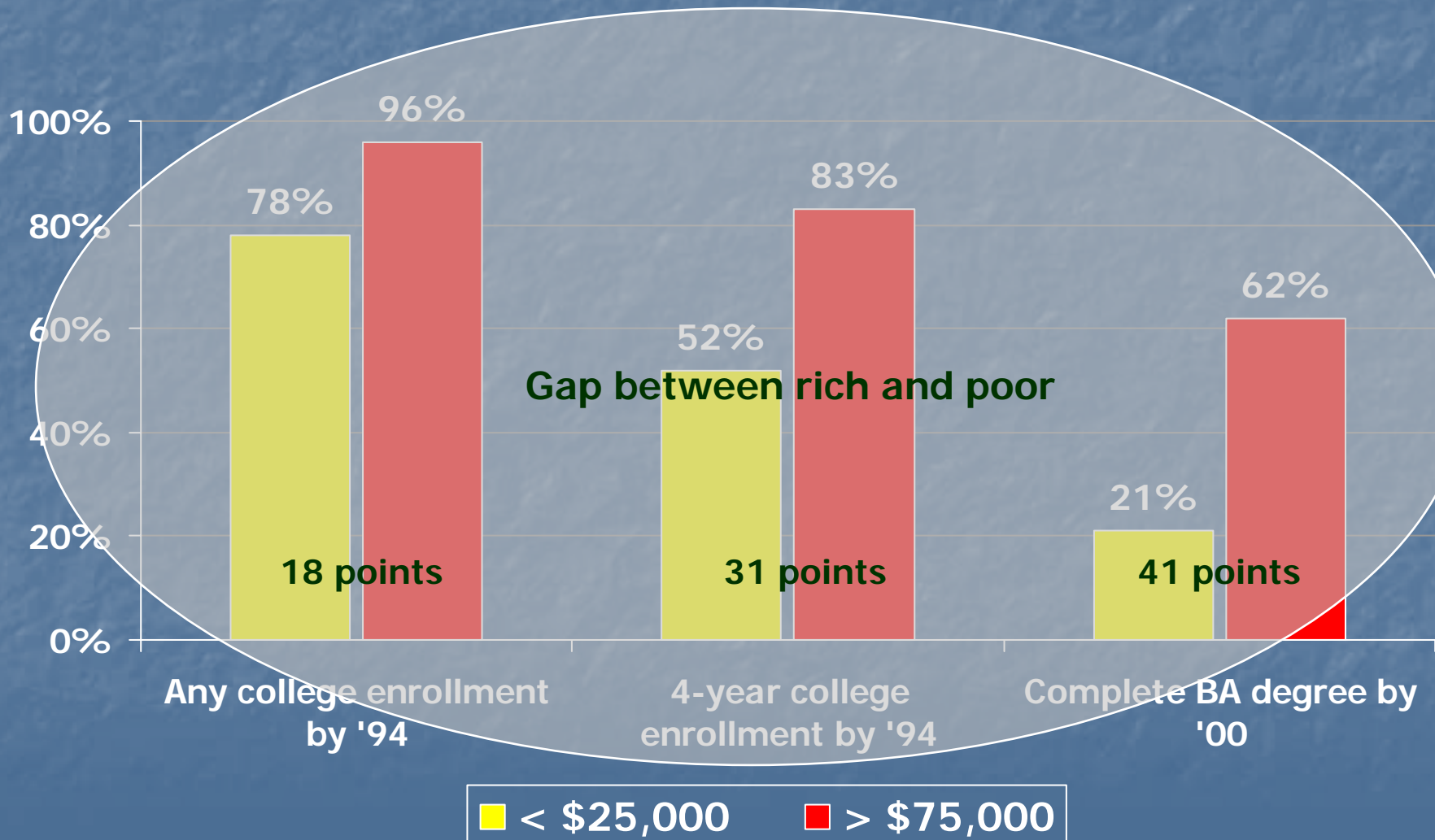
The educational pipeline

1988 8th graders by family income in 1991



The educational pipeline – *college-qualified students*

1988 8th graders by family income in 1991



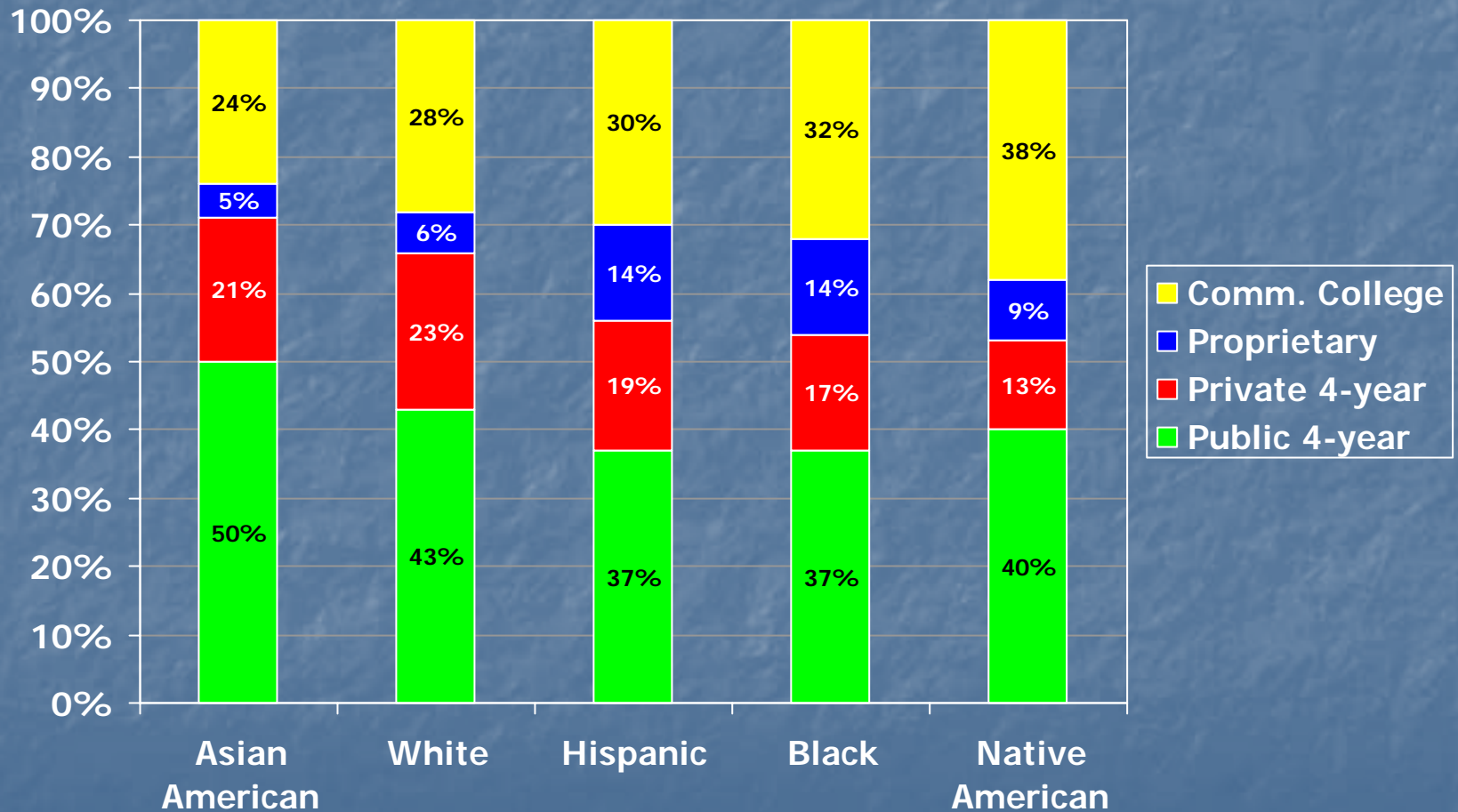
Academic barriers vs. financial barriers?

Percentage of 1992 high school graduates attending any college by 1994

| | | <u>SES Quartile</u> | |
|----------------------|---------|------------------------|-------------------------------|
| | | Lowest | Highest |
| <u>Test Quartile</u> | Lowest | 36% | 77% Not-so-smart rich kids |
| | Highest | 78% Smart poor kids | 97% |

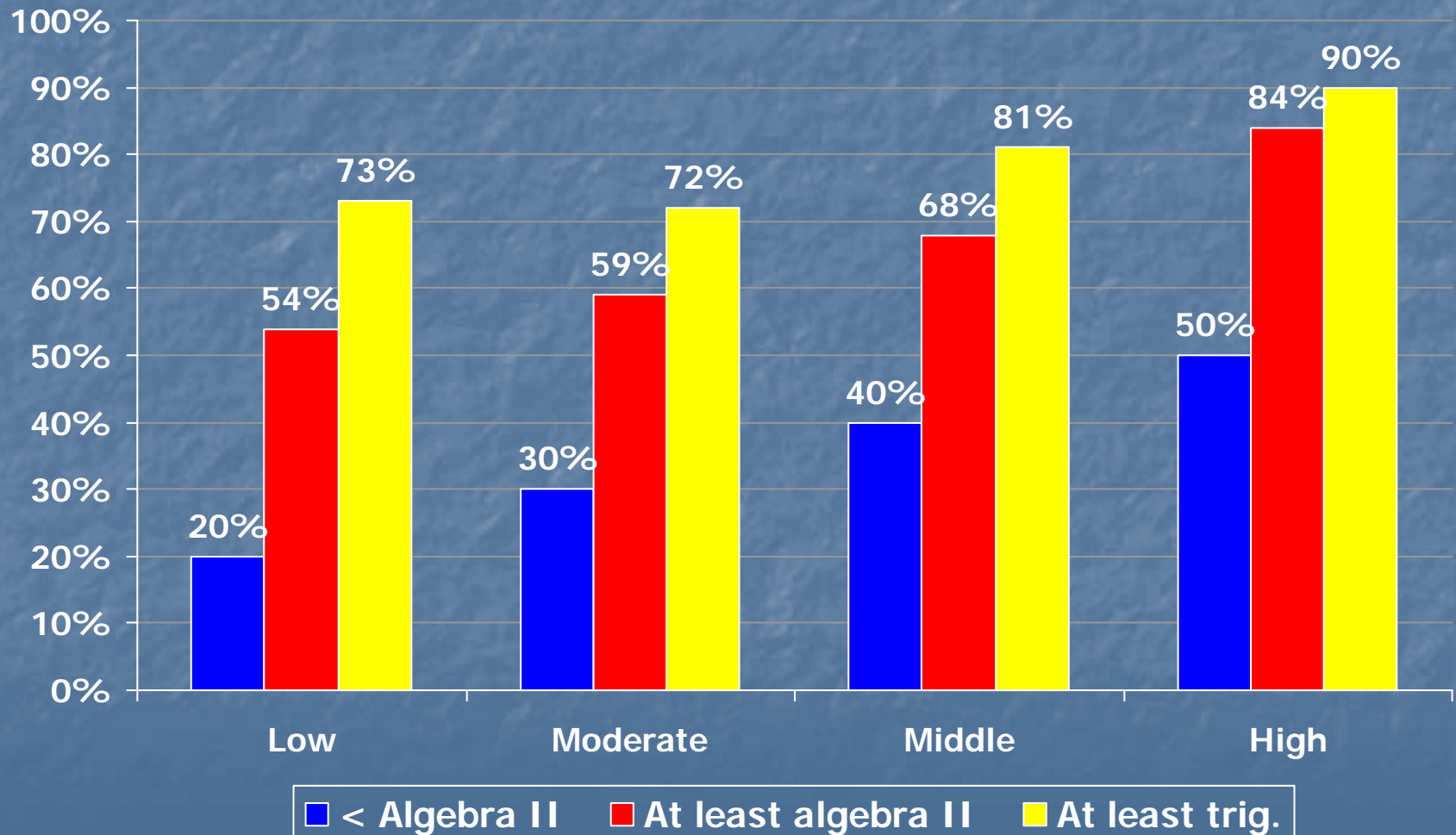
Stratification of enrolled students

Fall enrollment of full-time, first-year students, 2004



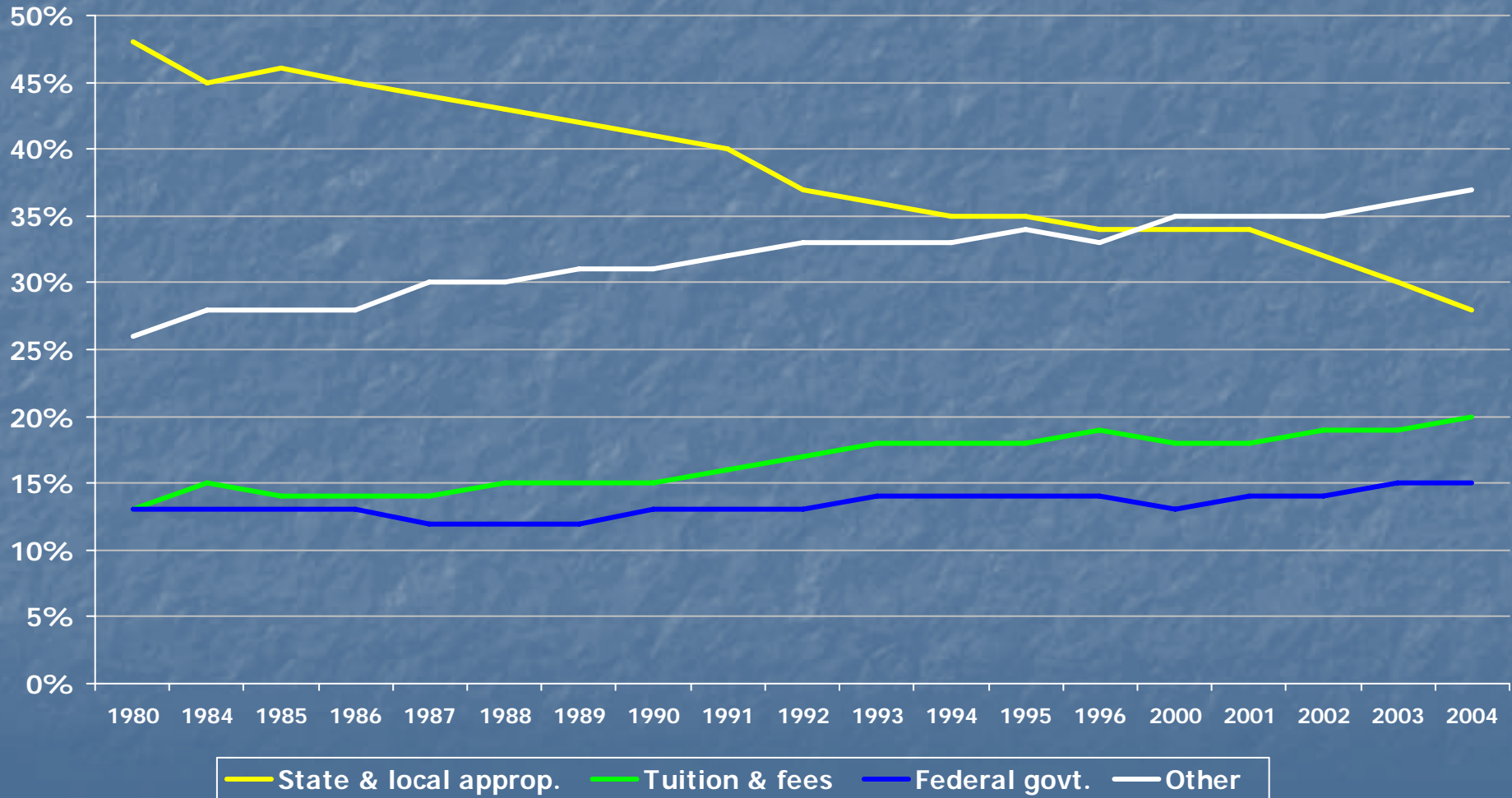
The importance of academic preparation

Proportion of 1992 HS grads enrolling in 4-year college by family income and highest level of HS math

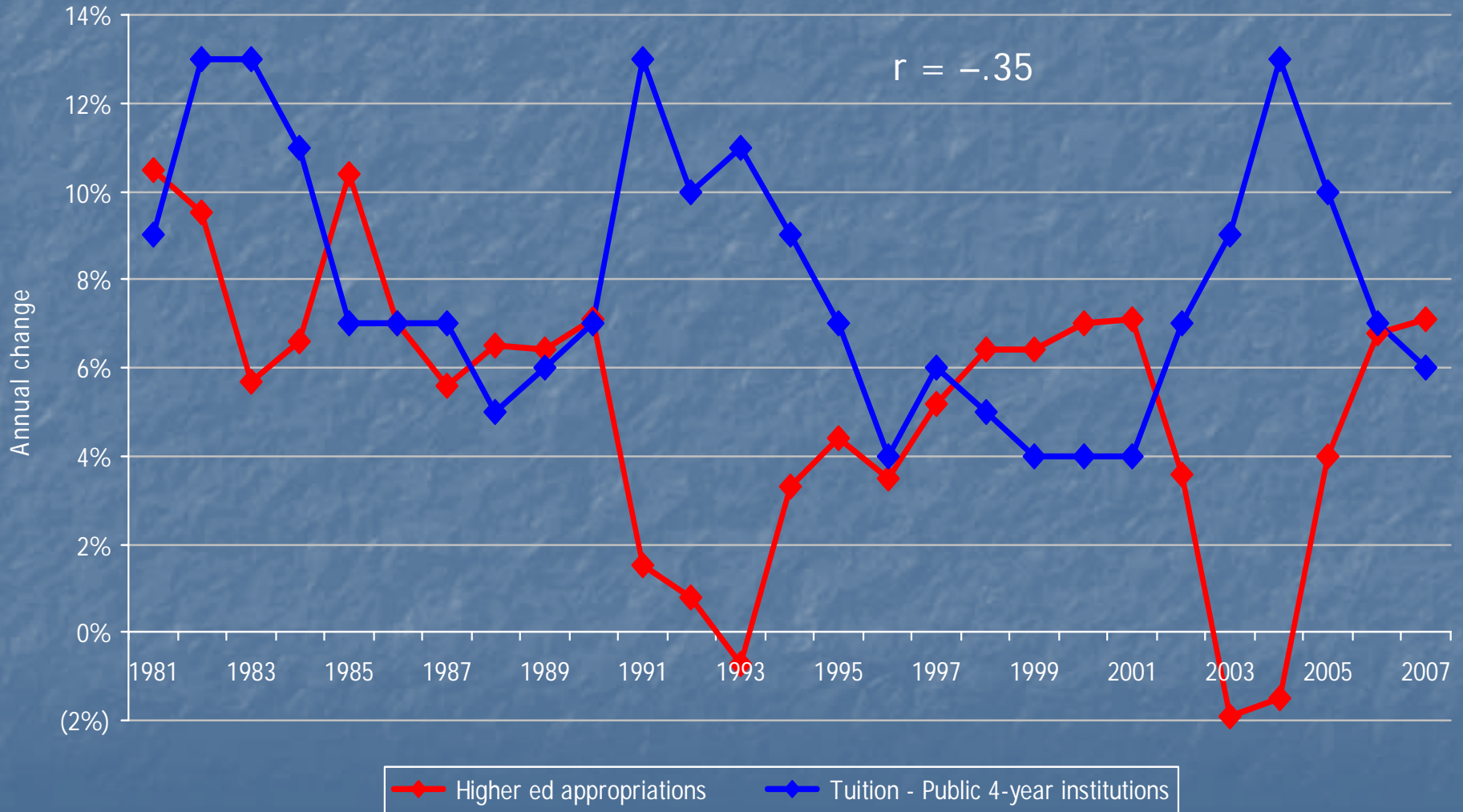


Funding for public higher education institutions

Proportion of total current fund revenues, by source

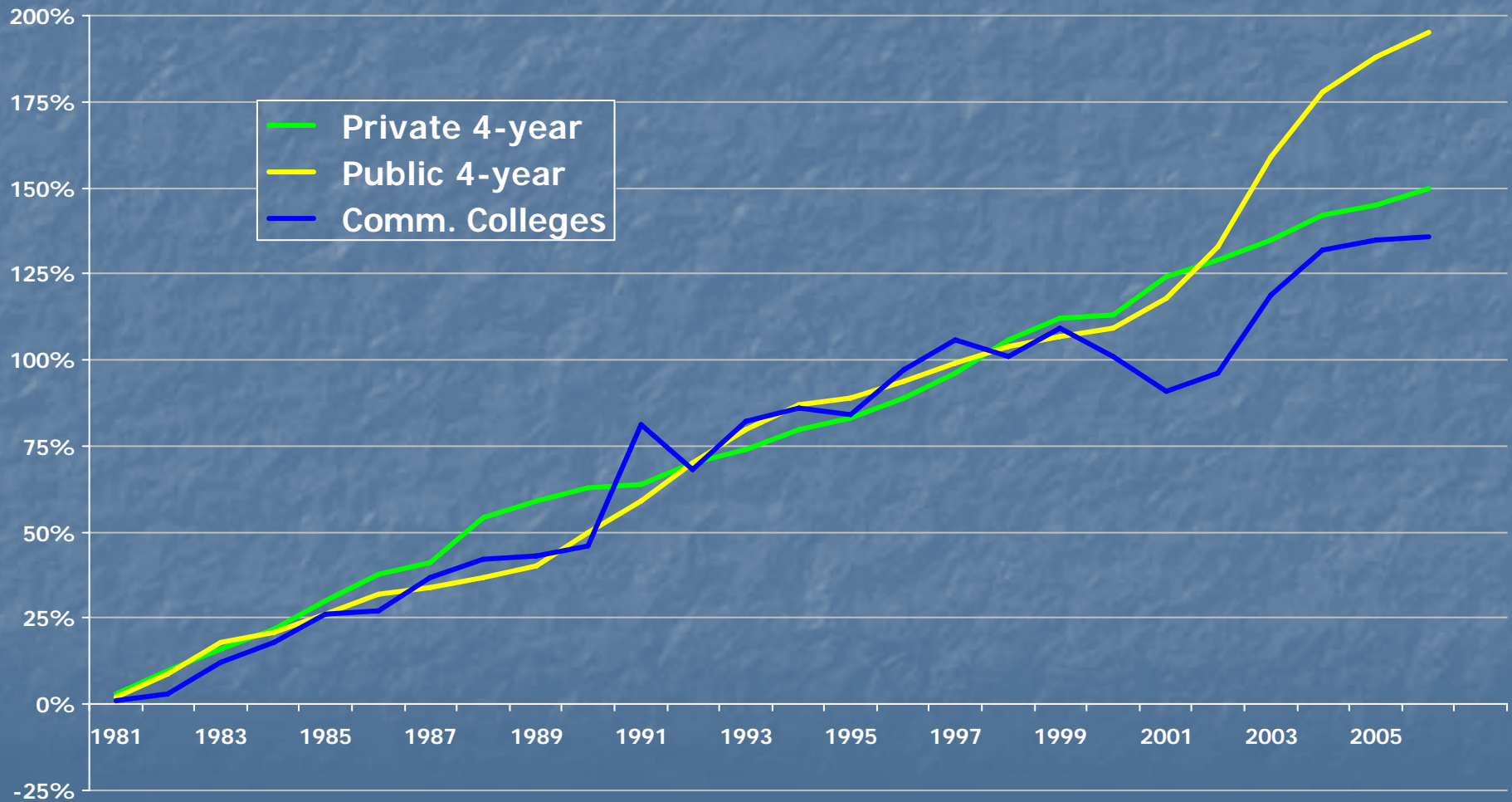


The relationship between appropriations and tuition



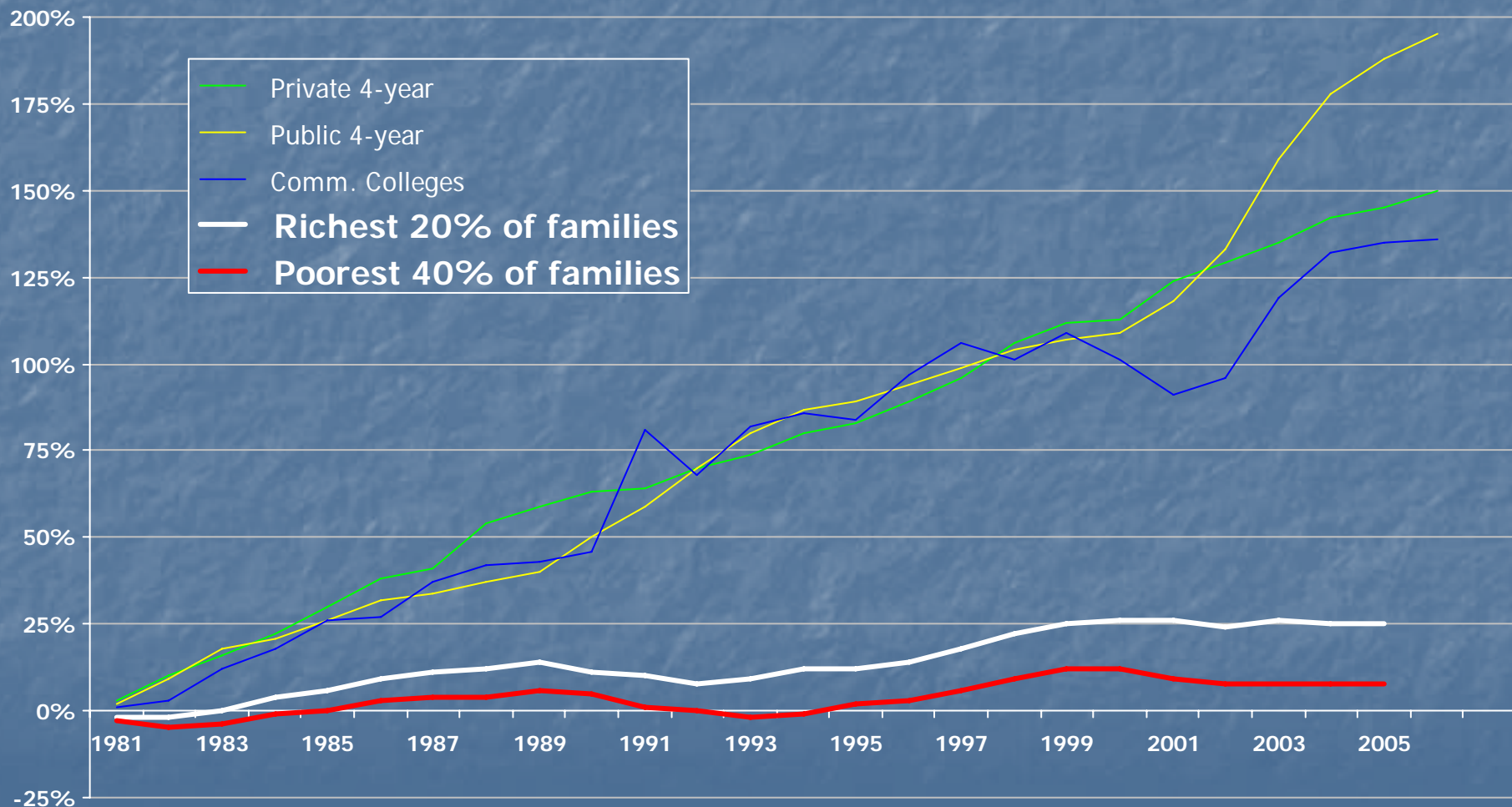
Changes in tuition prices

Increase since 1980, **constant** (2006) dollars

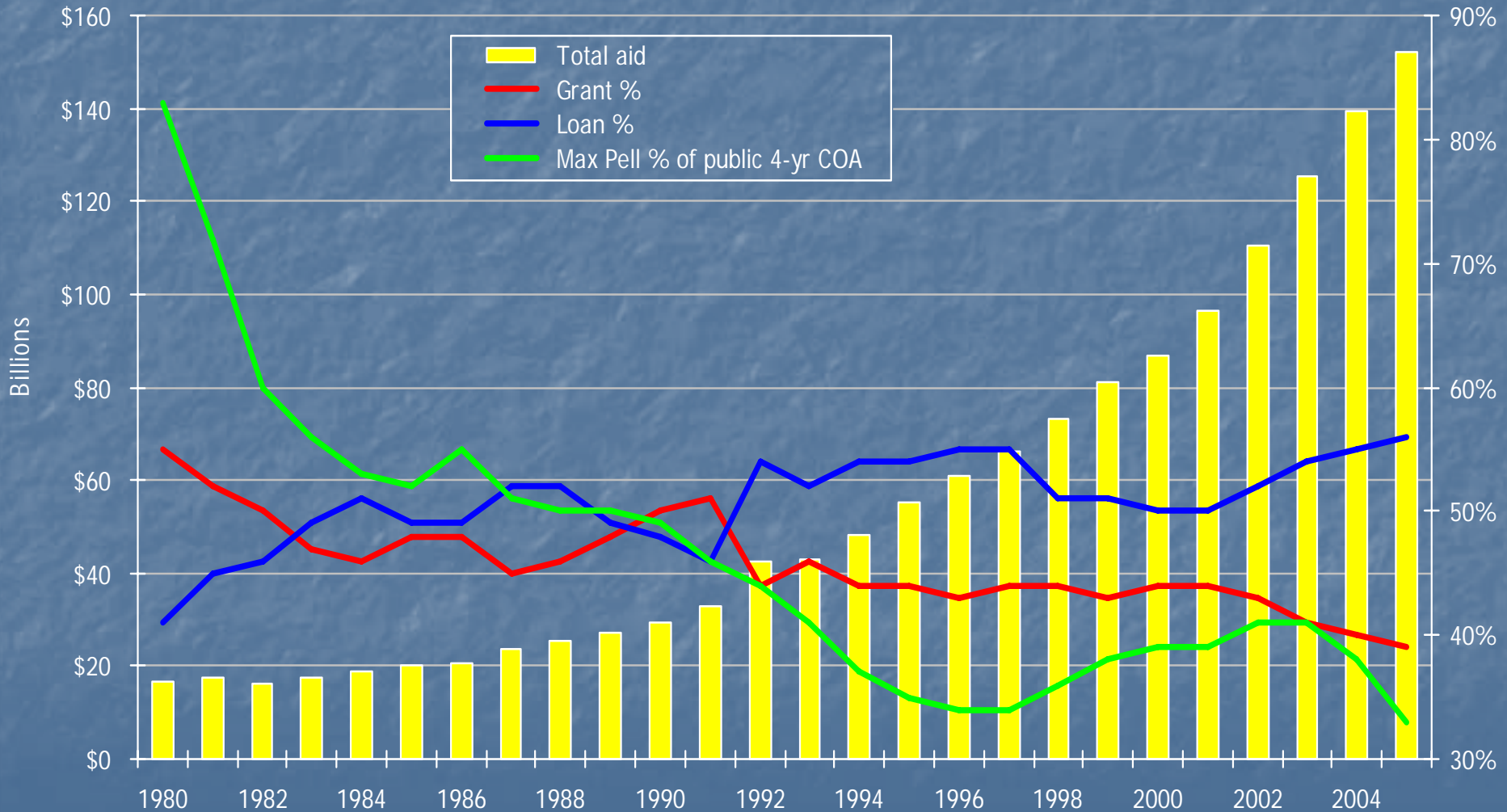


Changes in tuition prices and income

Increase since 1980, **constant** (2006) dollars

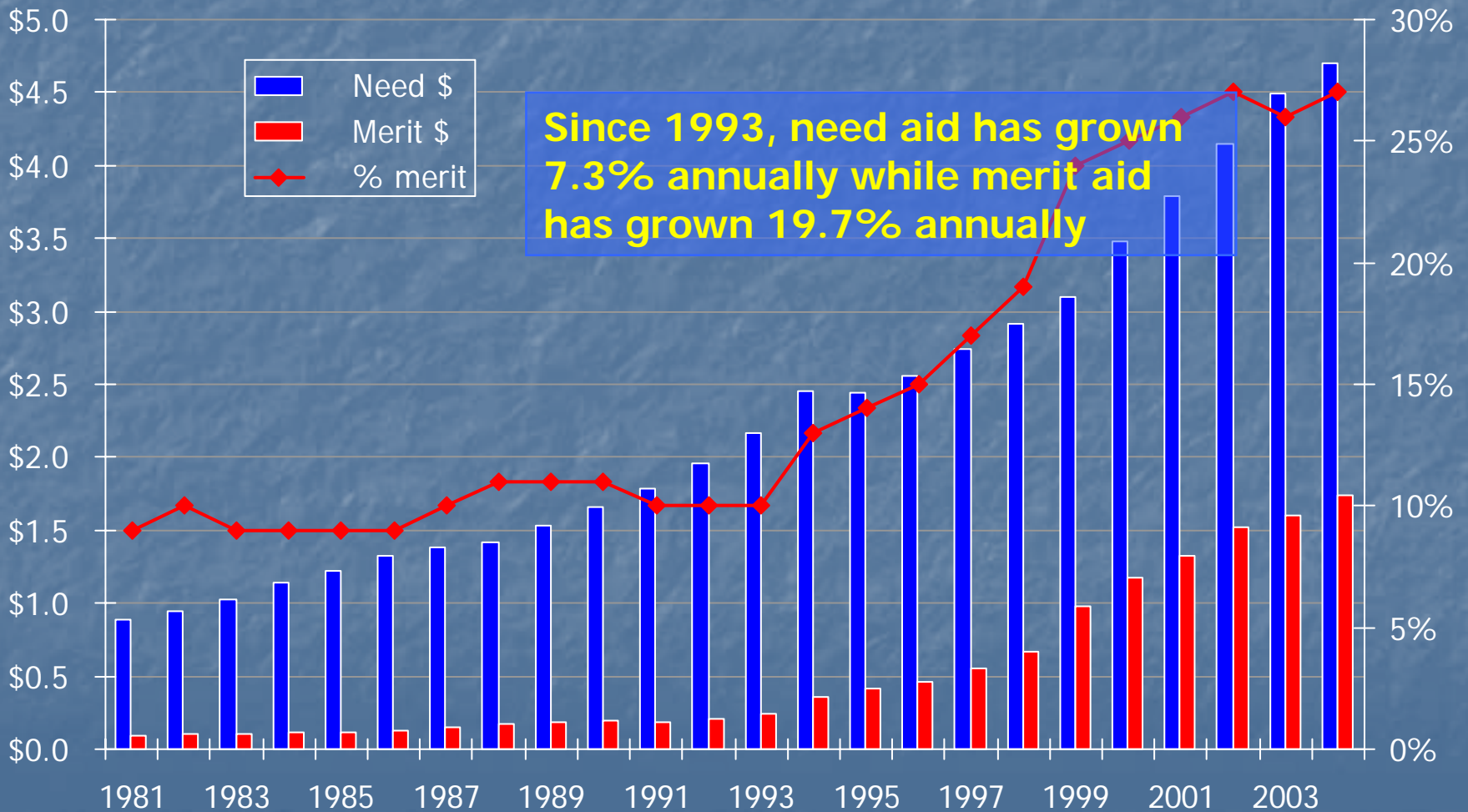


The growth – and shift – in financial aid



State spending on undergraduate grants

Billions of dollars



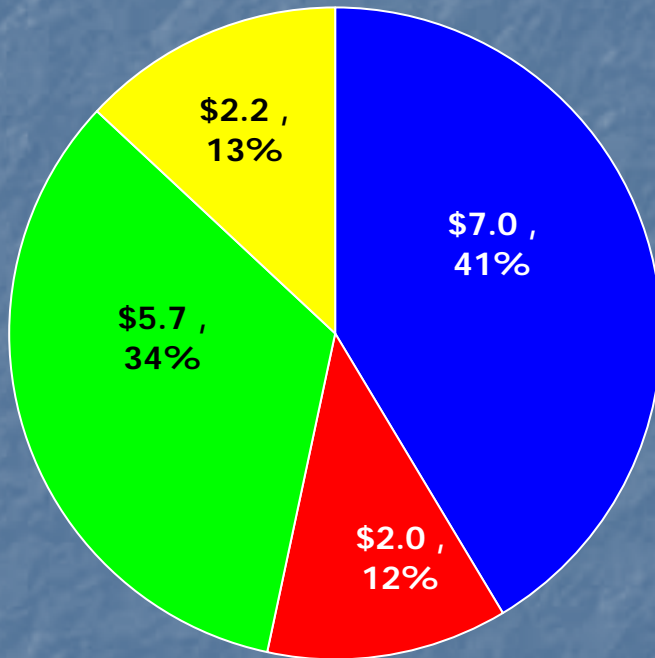
Policy trends in recent years

- Growth of institutional financial aid
- Emphasis on merit rather than need in the awarding of institutional and state financial aid
- New Pell Grants with a merit component this year
 - Academic Competitiveness (freshman and sophomore, \$750 & \$1,300) – requires “a rigorous secondary-school program of study” and 3.0 GPA in college
 - SMART (junior and senior, \$4,000) – majors in STEM areas or certain languages, 3.0 GPA in college
 - Pell spending last year declined by \$1B (first time since 1999)
- Some promising trends. . . .

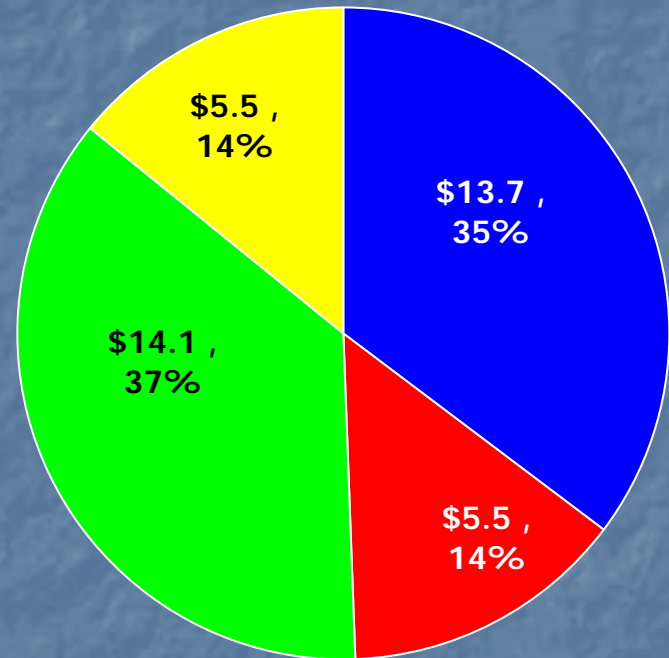
Grants to undergraduate students

Billions of dollars

1992-1993, \$16.9B



2003-2004, \$38.8B



* Includes private scholarships and employer aid

Distribution of grant dollars by income quartile

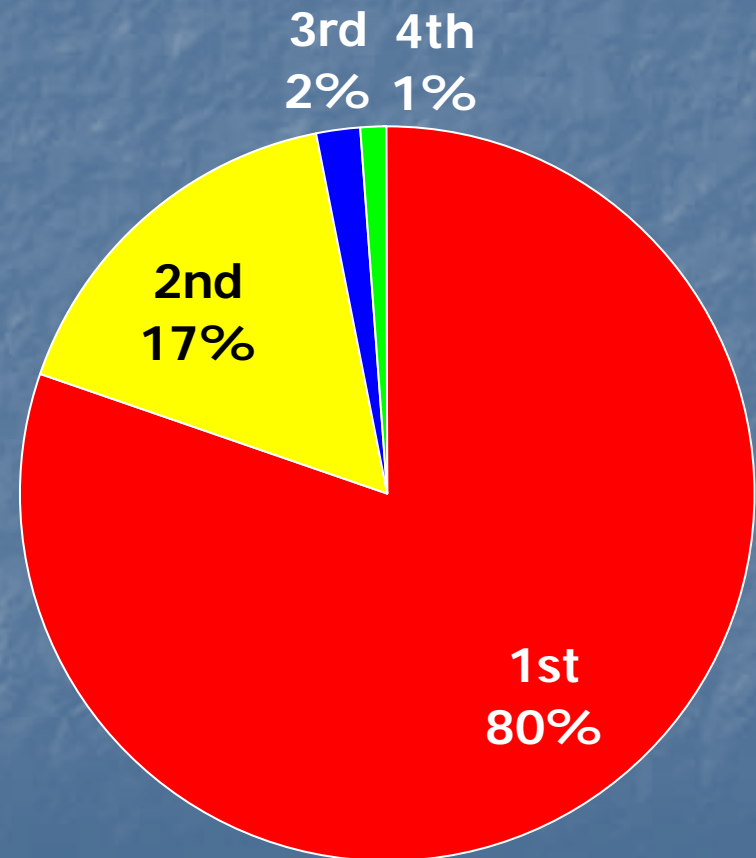
2003-2004 dependent students, all institutions

- Family income quartiles (2002)

- 1st: < \$33,346
- 2nd: \$33,346 - \$60,175
- 3rd: \$60,176 - \$92,433
- 4th: > \$92,433

- Census benchmark – Median income of all families with at least one child ages 6 to 17 in 2002: \$54,249

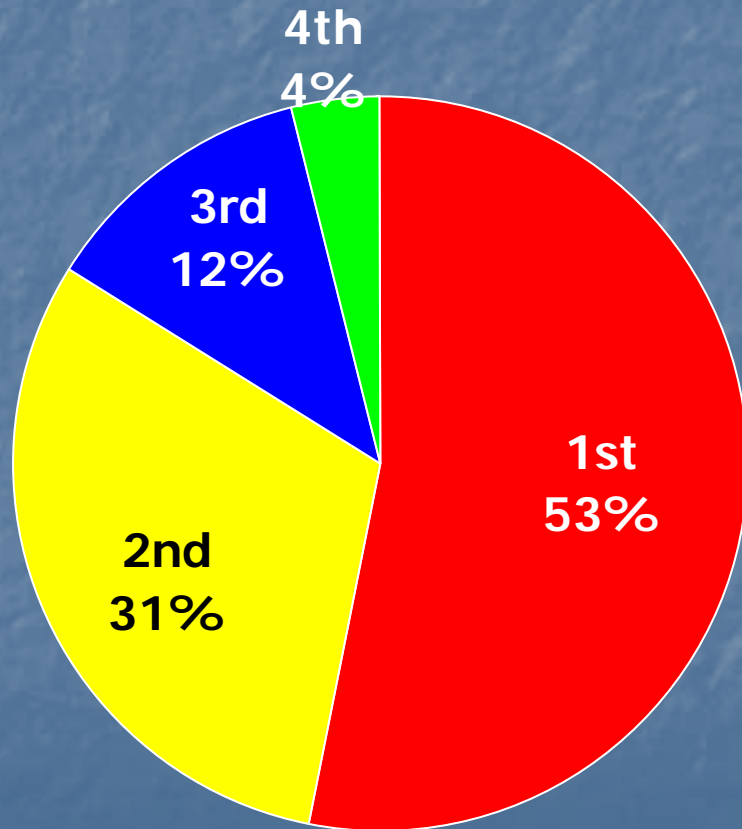
Federal grants, \$4.0B



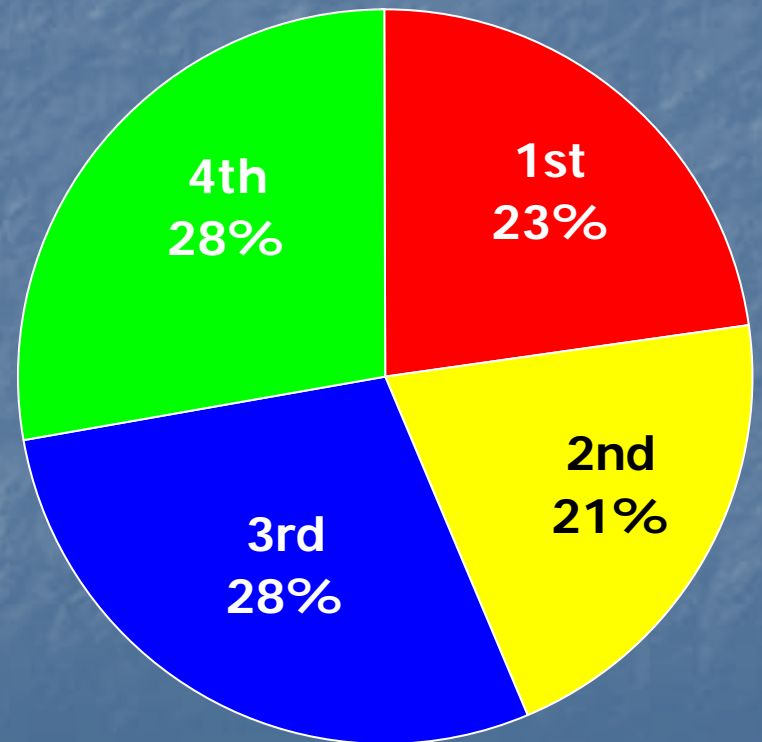
State grant dollars by income quartile

2003-2004 dependent students, all institutions

Need grants, \$2.3B



Merit grants, \$0.7B

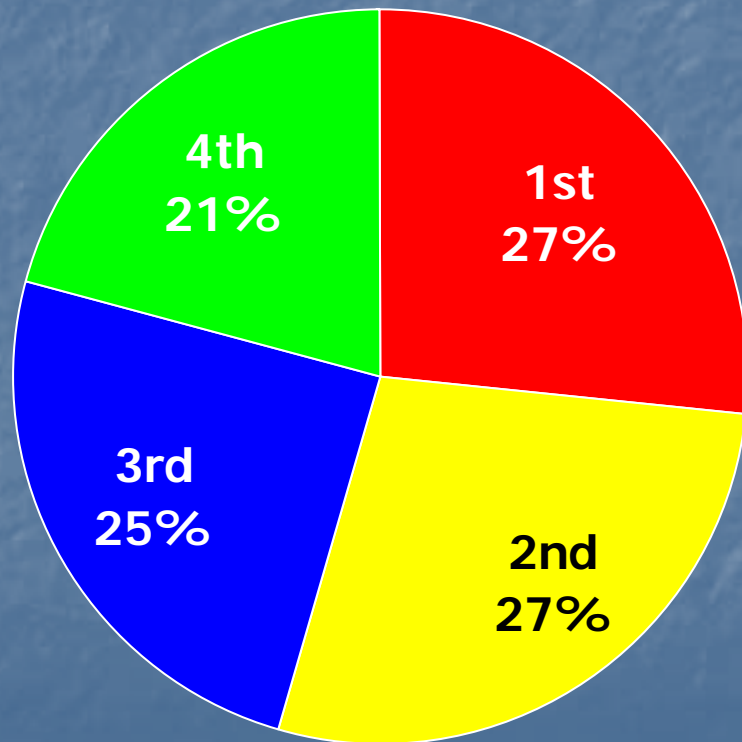


Students attending a single institution full time

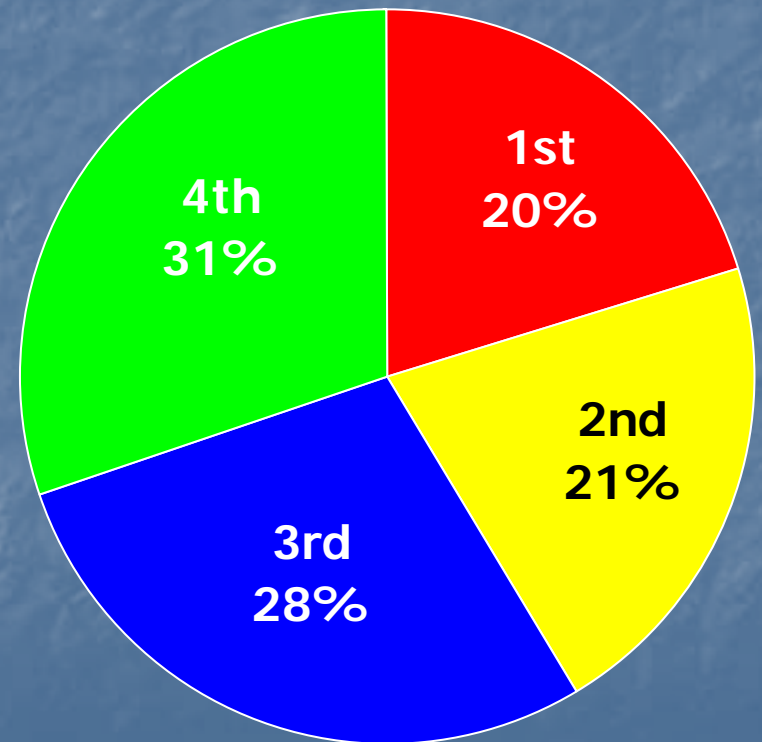
Institutional grant dollars by income quartile

2003-2004 dependent students, all institutions

Need grants, \$4.7B



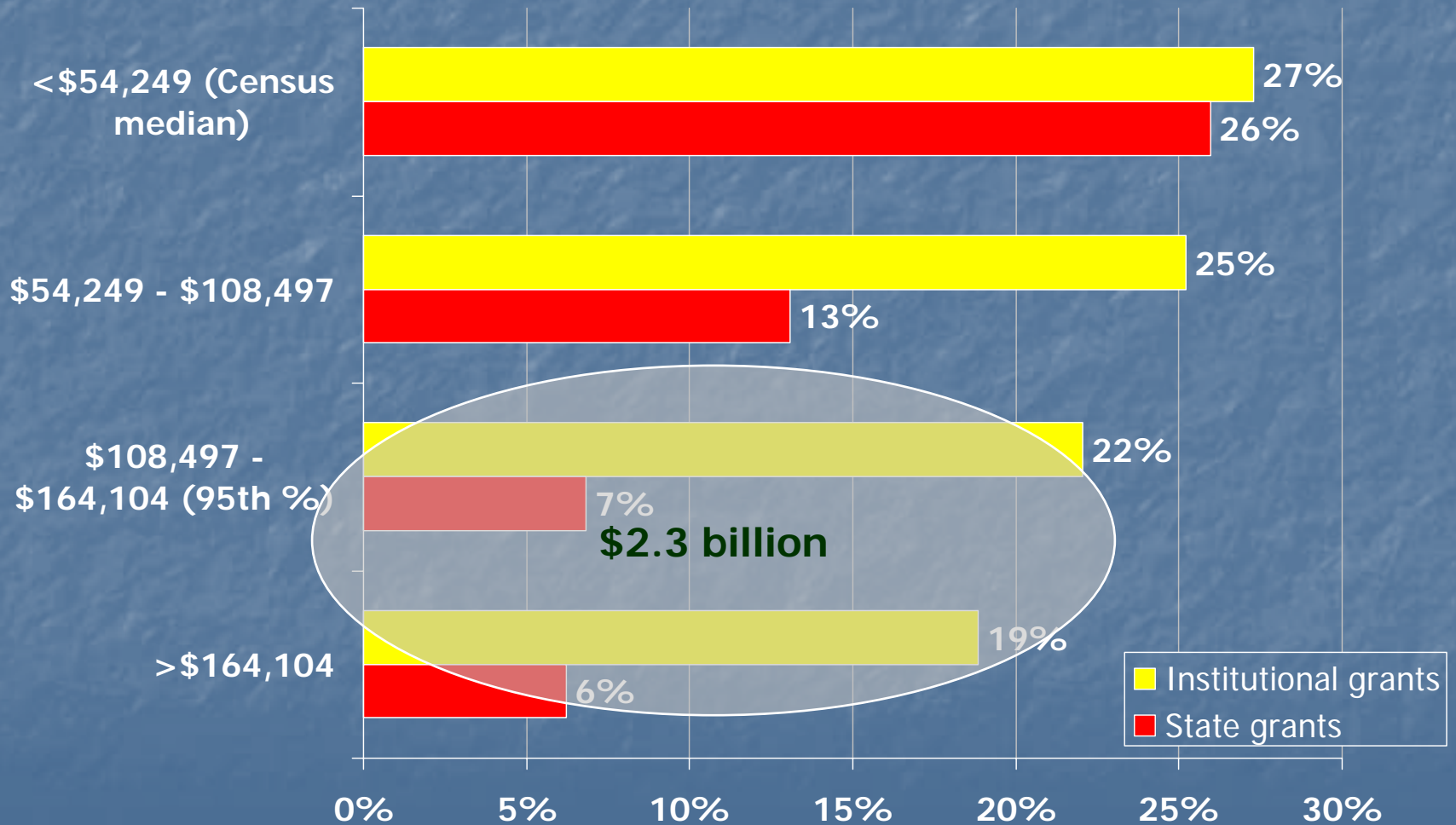
Merit grants, \$5.5B



Students attending a single institution full time

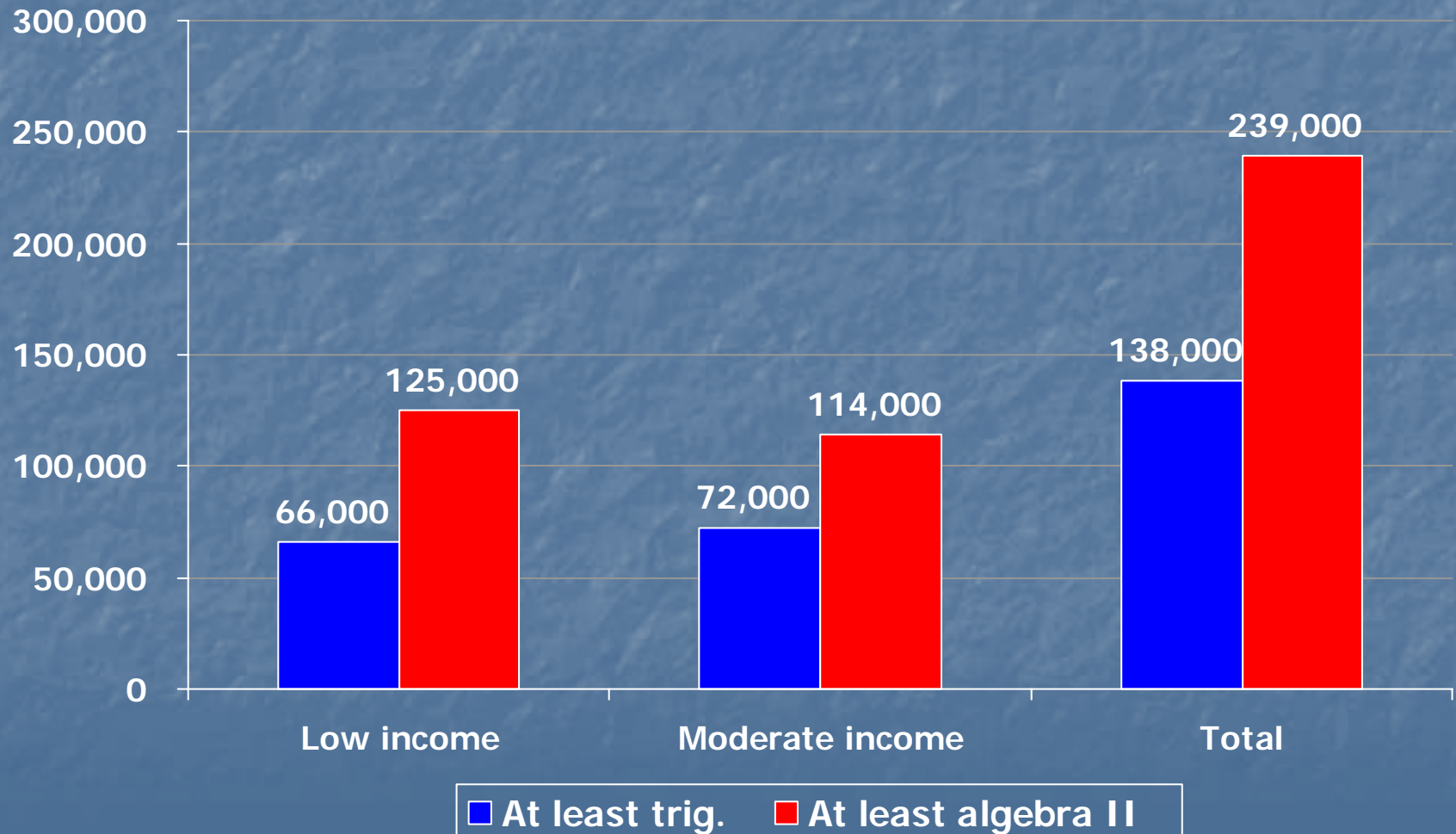
Grants to high-income students

Proportion of dependent students receiving grants, by income group (2003-2004)



"Lost" bachelor's degrees

Projected number of bachelor's degrees lost to 2004 HS grads due to financial barriers (conservative projection)



Some promising trends

- Carolina Covenant and similar programs
 - Guarantee full ride without loans for qualified students
 - But.
- Class-based affirmative action
 - Advocated by Bill Bowen and others
 - Not a substitute for race-based affirmative action
- Simplifying the financial aid system and making earlier commitments of aid
 - Indiana 21st Century Scholars, Oklahoma OHLAP, Washington Learns Commission
 - Spellings Commission, *Chronicle* op-ed
 - Dept. of Education meeting last month

Questions and discussion

<http://www.personal.psu.edu/deh29>