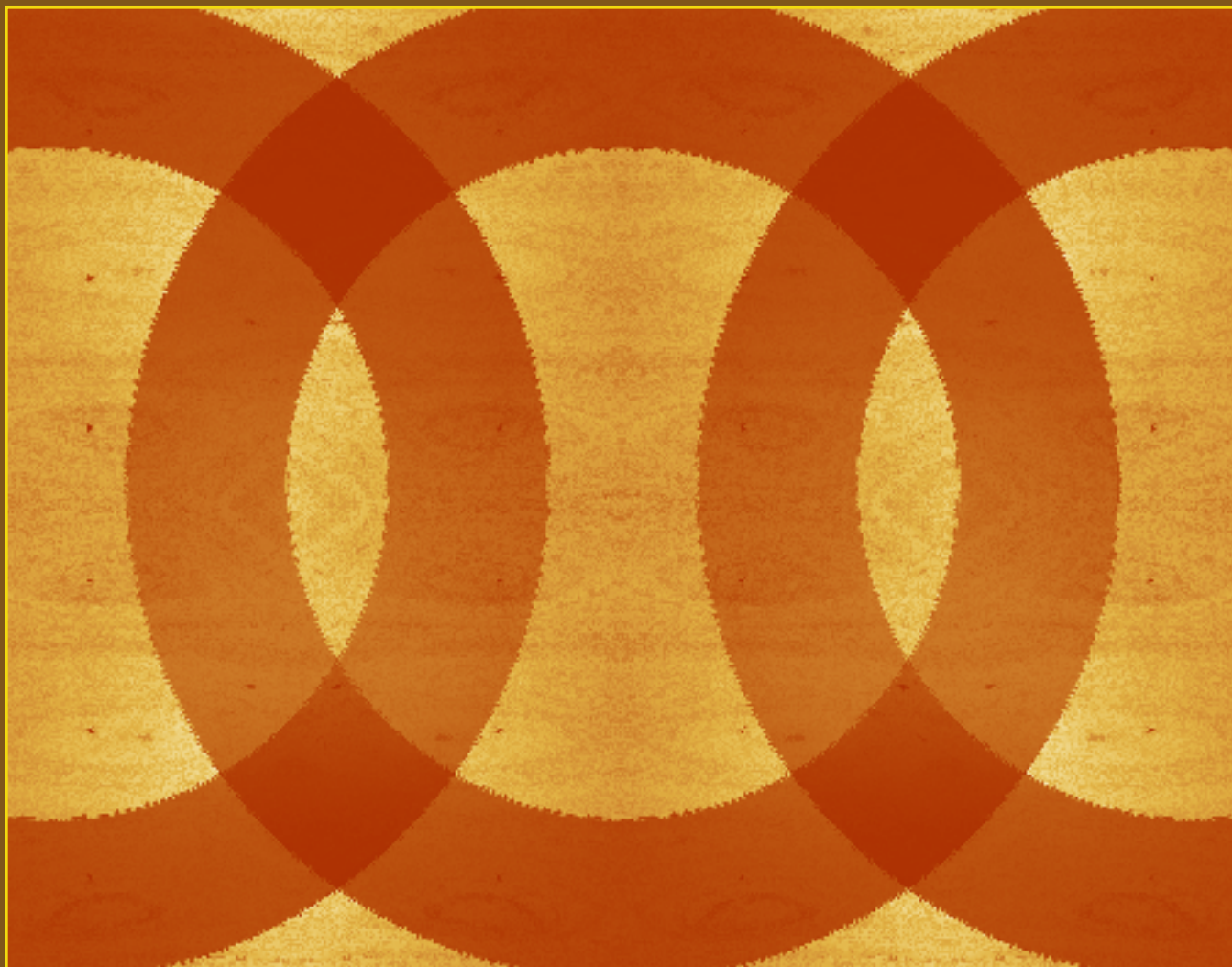


CONVERGENCE

Trends Threatening to **Narrow**
College Opportunity in *America*



A PROJECT OF THE INSTITUTE FOR HIGHER EDUCATION POLICY

This project was made possible with the support of the Nellie Mae Education Foundation

The Institute for Higher Education Policy is a nonprofit, nonpartisan research organization whose mission is to foster access and success in postsecondary education through public policy research and other activities that inform and influence the policymaking process. These activities include policy reports and studies, seminars and meetings, and capacity building activities such as strategic planning. The primary audiences of the Institute are those who make or inform decisions about higher education: government policymakers, senior institutional leaders, researchers, funders, the media, and private sector leaders.

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The Nellie Mae Education Foundation is the largest philanthropy in New England that focuses exclusively on promoting access, quality and effectiveness of education. Based in Quincy, Massachusetts, the Foundation provides grants and other support to education programs in New England that strive to improve underserved students' academic achievement and access to higher education. The Foundation also funds research that examines contemporary educational opportunity issues that affect New Englanders, and convenes educators, policymakers and community members to influence public policy in education.

Since it was established in 1998, the Foundation has awarded more than \$63 million in grants and support.

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- **College Prep:** Growing the number of underserved students in New England who, through effective university-school partnerships, are prepared for admission and success in college.
- **Minority High Achievement:** Increasing the number of students of color in New England who achieve at the highest levels through middle, high school and college-based programs that exemplify high expectations and intensive academic support.
- **Out-of-School Matters!:** Boosting enrollment and improving the academic effectiveness of out-of-school programs in New England that serve low-income, middle school youth and explicitly focus on improving in-school achievement.

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April 2006

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Preface

by Tom Parker, Senior Associate, Institute for Higher Education Policy

Nothing is more important to America's national interest today than meeting the challenge of delivering on our rhetorical commitment to making high quality postsecondary education available to all qualified citizens.

Many of our competitors on the world stage will adhere to the notion that higher education is for a tiny intellectual elite. Even those who are expanding higher education because of the obvious economic benefits are expanding largely among their wealthier citizens. One of the great advantages Americans hold in global competition is that we know the importance of providing higher education to the widest possible cross section of our population. Our commitment to educating more underserved people from minority and low-income populations and our commitment to increasing the number of first-generation college-goers is a secret weapon in the struggle to improve the well-being of our society as a whole.

Therefore, any slippage in our resolve or in our ability to deliver on our promises is a cause for grave concern. When this project was conceived at the Nellie Mae Education Foundation, news was pouring in from many different quarters about the erosion of opportunity in higher education. While there were analyses available about the problems in many different sectors—federal policy, institutional financial constraints, state budget concerns, threats to access and persistence programs—there was not a single compendium highlighting the array of issues that taken together threaten progress toward the widest possible participation in higher education. The Foundation's President, Blenda Wilson, who has spent much of her professional life working towards greater access for all to higher education, recognized at once the need for a comprehensive survey of this convergence of forces. Her vision guides this document.

The independent, nonpartisan Institute for Higher Education Policy was the obvious choice to do the work. The Institute was established in 1993 with a specific commitment to work on issues of higher education access. In the years since then, it has gained recognition throughout the world as a producer of high quality, readable policy documents assisting real world policymakers and practitioners in helping underserved students obtain a postsecondary education.

This work assembles, for the first time in one place, a comprehensive analysis of threats to higher education access. Armed with this 'big picture' of the issues and problems, we stand a better chance of reversing negative trends and making solid achievements in realizing our commitment to broadening participation in higher education.

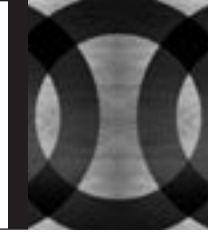
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Executive Summary



We live in a fast-paced world in which, as the saying goes, the only constant is change. Like the rest of society, the American higher education system is grappling with changes that are significantly altering the landscape. Some of these changes are positive, leading to widespread benefits for society. At the same time, however, a series of trends are converging in a way that may decrease postsecondary educational opportunity, especially for underserved populations. The trends are interrelated and, though their cumulative impact cannot be quantified, they are critically significant for the future of the whole system and must be explored.

Why access to postsecondary education matters

It is clear that higher education provides economic and social benefits both to individuals and to society as a whole. People with more education tend to have higher salaries, higher savings, more leisure time and better health/life expectancy. For example, statistics show that U.S. workers over the age of 18 with a high school diploma earn an average of \$27,280 annually, while those with a bachelor's degree earn an average of \$51,194, or nearly double. Higher earnings for college graduates result in more revenue for government coffers through increased tax collections and through budget savings from avoided social expenditures. Increasing the number of college graduates would save millions of dollars in avoided social costs every year, as a result of improved health, reduced crime, and reduced welfare and unemployment. The social benefits from higher education include reduced crime rates, a greater tolerance of diversity, increased civic participation, and more charitable giving and volunteerism.

These significant economic and social benefits justify investment in and support of higher education by students, parents, governments, and the private sector. However, some individuals cannot access the higher education system, or remain enrolled, without additional assistance. With further education, these individuals could accrue personal benefits and contribute to the well-being of society at large. Therefore, targeting resources to individuals who otherwise would not attend or remain in college would lead to the greatest return on the investment of taxpayer dollars, as well as institutional and private sector efforts.

The current status of postsecondary education opportunity

The nation has made great progress in expanding the number of young people going to college. Approximately 85 percent of the nation's young adults graduate from high school by age 24, and 64 percent of seniors in high school go on to college the next year. But for a significant number of people, the system does not work well, if it works at all. Low-income students, students of color, first-generation college-goers, and other students who might not otherwise attend college are not recruited and retained in an equitable manner. For example, in 2003, while 80 percent of high-income high school completers were enrolled in college by the following October, only 53 percent of low-income students were.

Students from traditionally underserved populations, including low-income students and students of color, are also less likely to be enrolled in certain types of institutions, such as private institutions, four-year institutions, and selective institutions. One study of 19 selective public and private colleges found that roughly 11 percent of their students came from families in the lowest income quartile, and only 6 percent were first-generation students. Students of color and low-income students are also less likely to persist to a degree. For example, about 63 percent of all students who were first-time beginners at four-year institutions in 1995-96, and whose goal was a bachelor's degree, had earned that degree within six years. But only 54 percent of students with family incomes in the lowest quartile had earned their degree, and 46 percent of Black students.

Over the coming decade, it will become increasingly important for the higher education system to close enrollment gaps and educate a growing share of low-income students, first-generation students, and students of color. Projections indicate that the number of public high school graduates will increase by 10 percent between 2001-02 and 2017-18, with more than 40 percent of the graduating seniors representing a racial or ethnic minority by 2014. Similar demographic changes are predicted for students enrolled in college. Between 1995 and 2015, the number of undergraduate students will increase by 19 percent; 80 percent of the new students will be African American, Hispanic, or Asian/Pacific Islander, and by 2015, students of color will represent 37 percent of all enrollments.

Trends affecting postsecondary opportunity

This report surveys the higher education landscape and highlights a number of facts about the various converging trends. Several of these trends point to decreasing access and success for students from certain backgrounds, with the overall effect of less opportunity for some students, especially students of color and students from low-income backgrounds. On the financial aid side, federal, state, and institutional aid appears to be shifting toward academically based aid and away from the students with the most financial need. Because academically based aid disproportionately flows to White and more affluent students, it represents an expansion of the financial aid system that does not target students with the highest financial need. For example:

- D The maximum Pell Grant, the foundation of federal need-based aid programs, covered only 36 percent of the price of attendance at a public four-year institution in 2004-05, down from 42 percent in 2001-02.¹ Low-income students can no longer rely on Pell Grants to the same extent that they used to, to reduce the gaps between the price of college and their ability to pay.
- D Among state grant aid programs, non-need-based aid is growing faster than need-based aid—300 percent and 70 percent, respectively, in constant dollar terms between 1993-94 and 2003-04.² A decreasing percentage of state aid is awarded to students from the bottom half of the income distribution, who rely on financial aid to attend postsecondary institutions.
- D At the institutional level, tuition discounting through academically based aid is being used as a tool to compete for students with characteristics such as high test scores that improve an institution’s prestige. This strategy is often detrimental to underserved students.
- D Early intervention and awareness programs that target low-income and first-generation students are serving substantial numbers of students and encouraging access to postsecondary education. However, a number of these programs have been threatened with elimination or budget cuts, and intervention programs may not be able to reach these populations in the future.

Meanwhile, strategies that colleges use to compete for students and increase prestige are often detrimental to low-income students and students of color.

- D For example, as mentioned, institutions are increasingly using tuition discounting to compete for students. They also are offering their students increasing numbers of services and facilities, which require higher expenditures. Much of the additional spending is targeted toward services that are not related to the education of students.
- D Some public colleges and universities are finding ways to gain greater autonomy to set and often raise tuition. Public institutions are relying more and more on tuition as a means of keeping up with increasing institutional expenditures. Tuition and fee increases have outpaced increases in inflation, financial aid, and income.

Nevertheless, there are some encouraging trends occurring in our postsecondary education system. For example, compared to three decades ago, aggregate participation in college for low-income students and students of color has increased, total dollars have increased for both need-based and non-need-based state aid programs,³ and federal financial aid continues to increase in real terms.

¹ College Board 2005b

² NASSGAP 2004

³ Including state academically based aid programs. The term “merit-based aid” is often used in this context rather than academically based aid. We use the latter term to highlight the academic nature of the aid (as opposed to aid that is awarded based on other non-need criteria such as athletics or special talents). Academically based aid can have a need component.

However, these positive trends do not take into account the impacts on specific groups of students.

Considering each trend in isolation mutes the cumulative effect. The points at which these trends converge and interact with each other have been missing from the big-picture dialogue about higher education in America. For example, greater demands on institutions for more goods and services raise institutional spending; when state appropriations to public institutions cannot keep up, tuition goes up. And, while the growth of state academically based aid programs is worrisome, it will not singlehandedly close off access for low-income students and students of color. However, when one adds (1) the simultaneous rise in tuition, (2) the limitations of the Pell Grants, (3) recent threats to programs that reach out to low-income students and students of color, and (4) the high debt levels of some groups of students, it becomes clear that together these trends will have a substantial impact on access and persistence for these students.

The magnitude of the convergence of these trends is impossible to predict in numerical terms. But the overall effect is easy to see: For those who have never been well served by our higher education system, there is a serious likelihood that their college opportunities will be further constrained in the future. If current trends continue unchecked, we can expect that:

- ▶ More financial aid will flow to students and families in the upper income categories;
- ▶ For all low-income students except the very highest achievers, financial aid will be less effective in the face of rising tuition;
- ▶ On the whole, higher education will grow less affordable, and those who do enter higher education will be forced to take on more debt; and
- ▶ Social stratification will increase, to the detriment of society as a whole.

Recommendations

Countering this convergence will require more than tweaking at the margins. It will require a true partnership that dedicates time, understanding, effort, political capital, and financial resources to ensure that college opportunities are available to students who would not otherwise attend. There are solid strategies at the disposal of the higher education system to address this convergence of trends, but the higher education system will have to change significantly.

The partnership should develop a coordinated strategy and must include local, state, and federal lawmakers; students and parents; the private sector; the media; higher education associations and analysts; and college faculty, staff, and leadership at all kinds of institutions—two-year and four-year, nonprofit and for-profit, large and small, selective and non-selective, local, regional, and national. Investment in postsecondary education by all members of this partnership will lead to returns that benefit both individuals and society. The partnership will need to operate on a few focused, core principles:

- ▶ **Principle 1:** Resources should be focused on those who need them—students who would not otherwise attend and complete college.
- ▶ **Principle 2:** Rewards should flow to those who serve society well by broadening access and success for students who would not otherwise attend and complete college.
- ▶ **Principle 3:** Programs and policies that encourage success already exist and should be expanded.

To meet these principles, we offer the following recommendations:

- ▶ At the state level, limit tuition increases at a state’s public institutions to that state’s average increase in family income.
- ▶ Maintain a large majority of state financial aid programs as need-based, thereby ensuring that low-income students get college educations and contribute to the economic and social development of the state. Ensure that state academically based aid programs are sustainable, and target the intended populations by employing income caps, prohibiting the replacement of state aid with Pell Grant dollars, and ensuring they are well publicized.
- ▶ Implement programs to reward public institutions that perform well in attracting and retaining low-income students and students of color.
- ▶ At colleges and universities, shift the balance of institutional financial aid back to a primary emphasis on assisting those who are otherwise qualified but lack the financial resources to attend college.
- ▶ At the federal level, improve the student aid application system by using technology to provide more accessible and timely information. Also, redirect the federal tax funds currently forgone through the Hope Scholarship tax credit, and use those resources to significantly increase Pell Grants for students with financial need.
- ▶ At the federal level, address persistence by considering several initiatives, such as creating a new and prestigious competitive grant for colleges and universities that provides financial support for and recognition of an institution’s attempts to improve success rates for students who historically have not been well served by the higher education system. Another program could provide incentives to colleges that implement successful processes—such as dedicated funding streams for academic advising and tutoring, incentive funding for outreach programs, and performance-based funding for enrolling and graduating low-income students. Another approach would be to leverage funding by offering grants to states or institutions that support efforts to increase persistence, along the model of GEAR UP.
- ▶ Strengthen the capacities of MSIs to educate the nation’s emerging majority populations by (1) expanding both the scope and the authorization levels of

Titles III and V under the Higher Education Act, and (2) investing in programs that concentrate on the recruitment and retention of students in the STEM fields (Science, Technology, Engineering, and Mathematics).

- ▶ Encourage private sector investment in need-based student aid through the federal Leveraging Educational Assistance Partnership (LEAP) Program, thereby engaging the capacities and resources of the private sector in the cause of increasing college opportunity. Also, tie privately funded scholarships and other programs to early intervention efforts in order to create a seamless support system from K-12 to the attainment of a postsecondary degree.
- ▶ Finally, in order to increase public understanding of higher education, all partners should develop and widely disseminate significantly more information that makes the case, in clear, unequivocal terms about why the investment in higher education pays off; and encourage college rankings to incorporate measures that reflect a college's commitment to opportunity.

These recommendations offer the starting point needed to slow or reverse the convergence of trends that threaten to narrow college opportunity in America. Indeed, to truly have an impact on the overall effect of these trends, a concerted, sustained effort will be required at many levels. While this may seem like a daunting challenge, there is a way to begin the dialogue about these issues to help advance the necessary action. This beginning can come through a private, nonpartisan effort involving a coalition of funding entities—foundations, corporations, community-based organizations—to support what we call the National Dialogue on College Opportunity.

The National Dialogue on College Opportunity would function somewhat like a standing committee, with a board of college presidents, federal and state policymakers, business leaders, and students joined in a campaign to create sustained discussion about the intersection of the trends outlined in this report. The National Dialogue could (1) convene town hall meetings, policymaker forums, and conferences of educators to tackle these issues in a holistic way; (2) support research and the continued dissemination of information about the convergence of these trends at the national, state, and local levels; (3) develop model legislation for states to consider as they develop their higher education policies; and (4) monitor progress achieved by institutions in improving college opportunity and strengthening their own capacities to serve more students with a high-quality postsecondary education.

The National Dialogue on College Opportunity will not solve the impending crisis, but it is a concrete first step to address the imminent failure of our higher education system to serve all citizens equally and fairly. In these times of increasing concern about homeland security, global competitiveness, and national economic growth, we must invest in what we know works best—supporting students who otherwise would not be able to go to college. That investment is the best way to achieve prosperity, security, and harmony for all Americans.

Introduction



Rarely does one new development produce significant change in society. Rather, the convergence of a number of important trends radically alters the world in which we live. Years later, people look back and marvel at the differences between then and now. In the 1930s and 1940s, the far reach of the New Deal; the economic, political, and emotional impact of World War II; and the promise of the GI Bill energized the nation to dig its way out of the Depression and transform into a superpower. In the 1990s, the spread of the personal computer, the boom of the Internet, and the rapid acceptance of the cell phone converged to unleash a society that communicates instantly, and constantly, and embraces the new value of “information.”

Sometimes these changes have been positive, leading to widespread benefits for society. At other times, changes have been negative, affecting certain groups of citizens in ways that affect the whole fabric of society. But most troubling is the fact that, although disparate trends can converge to produce widespread change, many of the strands of that change can go unnoticed and warning signals go unheeded. Attention is focused on a few significant trends and misses the big-picture reality that fundamental change is at hand. Today, the nation’s commitment to equal access to a college education stands on the brink of such change.

Some trends are well known to most people who read the newspaper or have a friend or relative in college:

- Tuition increases every year at a rate far above inflation.
- Affirmative action has been challenged in the Supreme Court and by ballot measures and courts around the country, forcing colleges and universities to rethink how they recruit students of color to their campuses.
- Students are taking on increasing debt to pay for college.

But then there are the hidden trends, the ones that are not discussed on the front pages of the nation’s newspapers:

- Pell Grants, the federal government’s main source of financial aid for low-income students, have declined to a fraction of their original buying power.
- Several federally funded college outreach/early intervention and preparatory programs that serve low-income students are frequently targeted for elimination, including GEAR UP, TRIO Talent Search, and TRIO Upward Bound.

- Postsecondary education is a more competitive arena than ever before, a fact that puts non-revenue producing activities and support programs at risk for elimination.
- Colleges are increasingly using financial aid as a means to attract students with high SAT scores and GPAs that will improve the institution’s position in *US News and World Report* rankings.
- Many public colleges and universities are enrolling a wealthier student body and are seeking the authority to set their own tuition increases.
- In many states, financial aid programs increasingly allocate funds based on criteria other than financial need.

These hidden trends require attention because they compromise stated national goals for postsecondary access and success, and they constrain those groups in society that have largely been underserved by the current higher education system—such as low-income students, first-generation students, and students of color. Some of these trends are explained in more detail in the following sections of this report. The report does not present new research, nor does it catalog the volume of research that has been conducted within each of the highlighted topics. Rather, it collects existing and published data to illustrate each trend.

The goal of this report is to bring together all of the converging trends, put them into perspective, and create a sense of the magnitude of change produced as the trends interact with one another. The analysis describes the convergence of trends—both positive and negative—and attempts to show how those trends can combine to decrease opportunity. Ultimately, the report argues for comprehensive change in the future. We can no longer treat each trend as, at best, an interesting but fleeting human interest news story—we must pay attention to the whole.

The report is divided into four parts. The first part explains why access to postsecondary education matters both for individuals and for society as a whole, given the various benefits that education brings with it. Next, the report highlights the current status of postsecondary education opportunity in this country, especially for traditionally underserved populations such as low-income students and students of color. The report then details the trends affecting postsecondary opportunity, including state and federal policies, institutional level practices, student and parent influences, and private sector involvements. Finally, the report recommends steps to mitigate the effects of this convergence of trends.

The Benefits of Higher Education: Access and Success Matter



This section describes the various benefits of higher education that could be maximized if a greater proportion of our population were enrolled in college and completed a degree. On the other hand, failure to invest in and support these potential students—effectively leaving a whole group of citizens behind—may lead to economic and social losses both for individuals and for society.

Access to higher education matters for several reasons:

- ▶ It is clear that higher education has economic and social benefits both to individuals and to society as a whole.⁴
- ▶ Those significant economic and social returns justify investment in and support of higher education by students, parents, governments, and the private sector.
- ▶ At the same time, some individuals cannot access the higher education system, or remain enrolled, without additional assistance.
- ▶ With further education, these individuals could accrue personal benefits and contribute to the well-being of society at large.
- ▶ Targeting resources to individuals who otherwise would not attend or remain in college will therefore lead to the greatest return on the investment of taxpayer dollars, as well as institutional and private sector efforts.

The benefits of higher education to individuals and to the public range from higher salaries and higher savings to reduced crime and a greater tolerance of diversity. In order to better understand these benefits, the Institute for Higher Education Policy created a matrix in 1998 that has become a fixture in higher education policy research, used in forums ranging from meetings held by higher education experts to the debates of the U.S. Senate (see Figure 1). Another recent report reinforced many of these findings with quantitative evidence to support a number of public and private, economic, and social benefits.⁵

Research provides numerous examples of the economic benefits to individuals with a college degree. Statistics show that U.S. workers over the age of 18 with a high school diploma earn an average of \$27,280 annually, while

⁴ For a comprehensive literature review of research on this topic, please see Williams and Swail 2005.

⁵ Baum and Payea 2004

FIGURE 1: The Array of Benefits to Higher Education

	PUBLIC	PRIVATE
Economic	Increased Tax Revenues Greater Productivity Increased Consumption Increased Workforce Flexibility Decreased Reliance on Government Financial Support	Higher Salaries and Benefits Employment Higher Savings Levels Improved Working Conditions Personal/Professional Mobility
Social	Reduced Crime Rates Increased Charitable Giving/ Community Service Increased Quality of Civic Life Social Cohesion/ Appreciation of Diversity Improved Ability to Adapt to and Use Technology	Improved Health/Life Expectancy Improved Quality of Life for Offspring Better Consumer Decision-making Increased Personal Status More Hobbies, Leisure Activities

Source: Institute for Higher Education Policy 1998.

those with a bachelor’s degree earn an average of \$51,194, or nearly double.⁶ Over the course of a lifetime, those with a bachelor’s degree earn an average of almost one million dollars more than those with a high school diploma (see Figure 2).⁷ Workers who have attended college also tend to have low rates of unemployment, and analyses of job growth and employer demands typically suggest future job growth will be increasingly concentrated in fields that require a college education.⁸ One analysis found that in 1996, 62 percent of people working in the nation’s most elite jobs—meaning the managers and professionals with the highest earnings—held a baccalaureate degree, and an additional 24 percent had some college experience.⁹

Economic benefits also flow to society, on both a national and a regional basis. Higher earnings for college graduates result in more revenue for government coffers through increased tax collections. In addition, increasing the number of college graduates would save millions of dollars in avoided social costs every year, as a result of improved health, reduced crime, and reduced welfare and unemployment. For example, social costs for a 30-year-old White non-Hispanic woman with a college degree average \$800 less than the costs for one with only a high school diploma. The social costs saved for 30-year-old Black and Hispanic women with a college degree is even greater, averaging \$2,500.¹⁰ Experts estimate that the nation’s Gross Domestic Product (GDP) would increase by \$231 billion—creating \$80 billion worth of new tax revenues—if college participation for students of color were raised to the same level as for non-Hispanic Whites.¹¹ State

⁶ Stoops 2004

⁷ U.S. Census Bureau 2002

⁸ U.S. Department of Labor, Bureau of Labor Statistics 2001

⁹ Carnevale and Fry 2000

¹⁰ Baum and Payea 2004

¹¹ Carnevale and Fry 2000

FIGURE 2A. Synthetic work-life earning estimates, by educational attainment

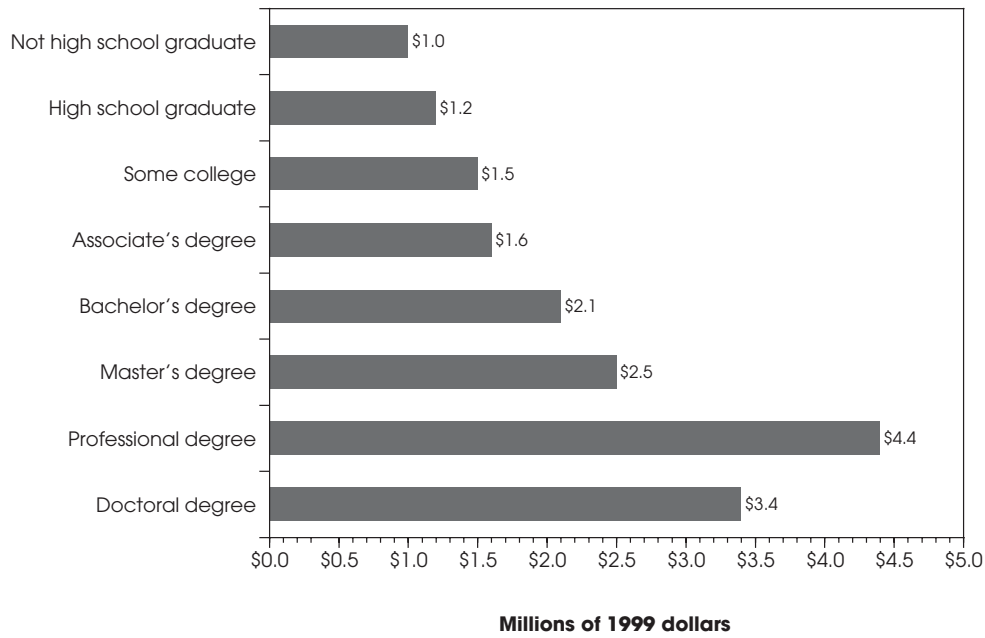
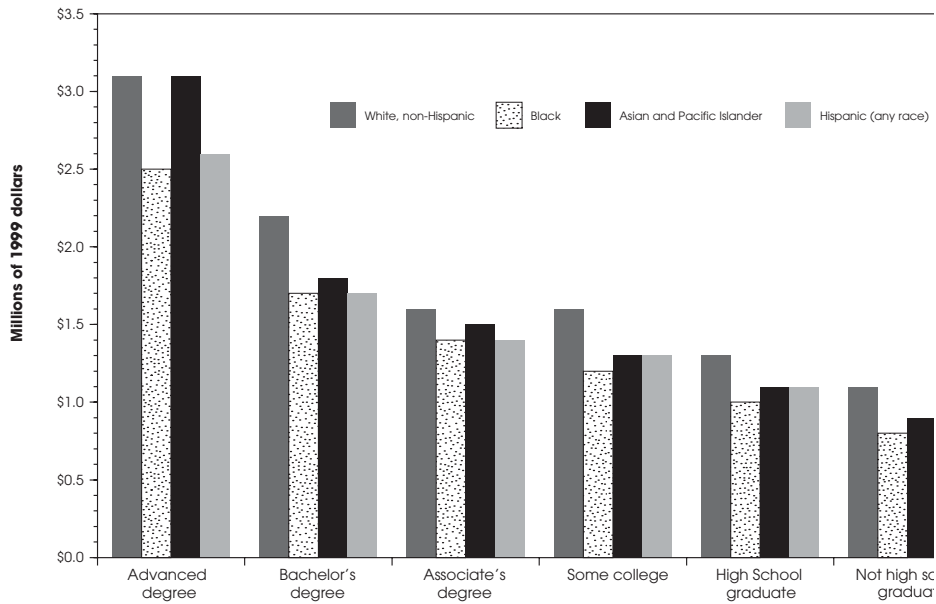


FIGURE 2B. Synthetic work-life earning estimates, by educational attainment and race/ethnicity



Note: For full-time, year-round workers, based on 1997-99 work experience.
 Source: U.S. Census Bureau 2002

and federal budget deficits may discourage policymakers from investing more taxpayer money into any area, but higher education provides a significant return on that investment.

Social benefits of postsecondary education also accrue to individuals and to the public.¹² For example, people with more education tend to have more leisure time and greater health/life expectancy. In 2004, 93 percent of people age 25 and older who had attained a bachelor's degree described their health as good, very good, or excellent, compared to 82 percent of people whose highest level of education was a high school diploma.¹³ Public benefits from higher education include reduced crime rates, increased civic participation, and more charitable giving and volunteerism. For example, in 2004, 36 percent of people age 25 and older who had earned a bachelor's degree or higher reported they had ever volunteered for or through an organization, compared to 21 percent of people whose highest level of education was a high school diploma.¹⁴

Given these benefits, the American public generally sees the need for at least some college education. A 2003 survey found that 87 percent of respondents thought a high school graduate should continue on to college instead of starting a job, 37 percent said that a college degree is necessary for success, and 76 percent felt that college is more important today than it was ten years ago.¹⁵

In summary, the benefits of postsecondary education are recognized and are increasing in value both to individuals and to society. From increased tax revenues and higher voting rates to reduced expenditures for welfare and criminal justice, those with a college education both reap significant personal benefits and have a positive impact on our public and private well-being. However, as the next section shows, those without access to postsecondary education do not receive the same benefits as readily, and the lack of postsecondary education represents a potential loss to society. A continued stratification of the benefits of postsecondary education may lead to the increasing stratification of society at large. On the other hand, educating a greater proportion of our citizens would multiply the increased benefits. Given limited resources, it makes sense to invest in the students who would otherwise not enroll in and graduate from college. Doing so would be the most efficient use of resources and would provide the greatest return to governments and taxpayers.

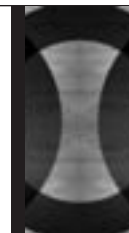
¹² Some argue that the social benefits of higher education do not stem from increased education but rather correlate with other factors such as income or age. Although these benefits are related to other explanatory factors to some degree, research suggests that education levels are often more important and add an increased benefit. For example, even within income groups, those with more education report that they are in excellent or very good health. Among individuals with an income between \$35,000 and \$54,999, only 49 percent of people who have not graduated high school report being in excellent or very good health, but 73 percent of those with at least a baccalaureate degree report being in excellent or very good health. Similarly, voting rates are generally higher among older citizens, but even within the age group of 65 to 74 years, only 72 percent of people with a high school diploma vote as compared to 86 percent of people with a bachelor's degree or higher (Baum and Payea 2004). A recent study using more rigorous methodology found that education attainment has "large" effects on subsequent voter participation (Dee 2004).

¹³ Institute for Higher Education Policy 2005a

¹⁴ Institute for Higher Education Policy 2005a

¹⁵ Immerwahr 2004

Status of Participation in Higher Education: *Who Reaps the Benefits?*



What is the extent of participation and success in our higher education system today? The benefits of higher education are not being accessed equally across all segments of society. Many students, including those from low-income backgrounds, first-generation students, and students of color, continue to face barriers to enrolling in college, and once there, to attaining a degree or certificate. Despite improvements that have opened opportunities for more and more students over the past few decades, gaps between student groups remain substantial.

Access to college

Approximately 85 percent of the nation's young adults graduate from high school by age 24, and 64 percent of seniors in high school go on to college the next year.¹⁶ The nation has made great progress in expanding the number of young people going to college, and there was a 52 percent increase in the number of minority students in college between 1991 and 2001.¹⁷ The increase in financial aid to students is responsible for at least part of this increase—the total amount of student aid reached nearly \$129 billion in 2004-05, an increase of more than 150 percent since 1994-95.¹⁸

But for a significant number of people, the system does not work well, if it works at all. When those large numbers are disaggregated, the data show that low-income students, students of color, first-generation college-goers, and other students who might not otherwise attend college are not recruited and retained in an equitable manner.¹⁹ For example, although overall participation rates have increased, the gap in college participation rates between low-income and high-income students remains (see Figure 3). In 2003, while 80 percent of high-income high school completers were enrolled in college by the following October, only

¹⁶ Stoops 2004; NCES 2005b

¹⁷ Edmonds 2005

¹⁸ College Board 2005b

¹⁹ This report focuses on low-income students and students of color as students who are from disadvantaged backgrounds or who have traditionally been underserved by our higher education system. However, it is important to keep in mind that there are many other groups in society that are cross-cutting, or that face unique barriers to their full participation in postsecondary education as well, such as students with disabilities.

Figure 3: Percentage of high school completers enrolled in college the October following graduation, by family income and race/ethnicity, 1973 to 2003

	All	Low income	Middle income	High income	White, non-Hispanic	Black, non-Hispanic	Hispanic
1973	46.6	20.3	40.9	64.4	47.8	32.5	54.1
1978	50.1	31.4	44.3	64.0	50.5	46.4	42.0
1983	52.7	34.6	45.2	70.3	55.0	38.2	54.2
1988	58.9	42.5	54.7	72.8	61.1	44.4	57.1
1993	62.6	50.4	56.9	79.3	62.9	55.6	62.2
1998	65.6	46.4	64.7	77.5	68.5	61.9	47.4
2003	63.9	52.8	57.6	80.1	66.2	57.5	58.6

Notes: Low income is the bottom 20 percent of all family incomes, high income is the top 20 percent, and middle income is the 60 percent in between. Includes those ages 16-24 completing high school in a given year. Other racial/ethnic groups are included in the total but not shown separately.

Source: U.S. Department of Education, National Center for Education Statistics 2005c

“The college participation rate of students from families earning below \$25,000 per year continues to lag 32 percentage points behind those from families earning above \$75,000 as it did three decades ago.”—Advisory Committee on Student Financial Assistance²²

53 percent of low-income students were.²⁰ The same story—gains mitigated by stubborn gaps—holds true for enrollments of students of color.²¹

Of course, the question of who seeks out and can afford a college education does not rest solely on income levels, but encompasses a host of factors, many of which are influenced by a student’s socioeconomic status, such as the quality of secondary schools a student is able to attend.²³ Factors such as the quality of secondary preparation continue to limit the chances of accessing and affording postsecondary education for certain groups of students. To illustrate, students with the highest test scores from the lowest socioeconomic group attend college at the same rate as students with the lowest test scores from the highest socioeconomic group.²⁴ To put it simply, if you’re wealthy, your chances of going to college are much higher regardless of your achievement levels. At the same time, it is estimated that, between the years 2000 and 2010, two million college-qualified high school graduates from low and moderate income families will be shut out of college entirely by financial concerns.²⁵

²⁰ NCES 2005b

²¹ Between 1991 and 2001, 1.5 million more minority students enrolled in college, bringing the total number to 4.3 million, a 52 percent increase (Edmonds 2005). Despite this positive trend, the enrollment gap between Whites and minorities persists. Sixty-six percent of White high school graduates enrolled in college the fall immediately after high school in 2003, while 58 percent of Blacks and 59 percent of Hispanics did (NCES 2005b).

²² ACSFA 2001

²³ These factors include: total family wealth (such as savings and home ownership); a rigorous elementary and secondary education that prepares students for college-level work; parents’ educational attainment and their comfort with and knowledge of the inner workings of the higher education system; the presence of a parent or mentor who expects a student to go to college and makes that student feel that college is within their reach; awareness of the financial aid programs available; and receipt of financial aid.

²⁴ Baum 2004

²⁵ ACSFA 2002

Some data, when looked at in aggregate, also suggest that we might be experiencing a slowing in the nation’s educational consumption. An examination of students who transitioned immediately to college between the years of 1993 and 2003 suggests that college enrollment rates for all racial and income groups during this time period remained relatively flat (see Figure 3).²⁶ Another study found that college participation rates for students from low-income families grew between 1992 and 1997, but that growth all but stopped between 1997 and 2002.²⁷ College continuation rates for students from low-income families are not rising as rapidly as for other income groups, and bachelor’s degree attainment by age 24 has remained almost flat for low-income students.²⁸

The Good News	The Bad News
Compared to three decades ago, access to college for low-income students and students of color has improved.	Enrollment gaps between White students and students of color, and between low-income and higher-income students, persist at the same time that the value of a college degree is increasing dramatically.
<p>The Overall Effect: <i>While access to college has improved for students of color and students from low-income backgrounds, significant gaps in college opportunity persist, and society remains stratified by who has access to college and who does not.</i></p>	

College choice

A key component of postsecondary opportunity is college choice, or the question of where students are enrolling. Overall, most students report they were able to attend their school of choice. For example, among students who were eighth graders in 1988 and who enrolled in four-year institutions by 1994, 71 percent indicated that they were able to attend their first- or second-choice institution. There was little difference by race/ethnicity, socio-economic status (SES), and test quartiles.²⁹ Another study, using the same longitudinal data, found that among students who were eighth graders in 1988 and who graduated from high school, college-qualified, low-income students who were accepted for admission to public and private four-year institutions were just as likely to enroll as middle- and upper-income students.³⁰

On the other hand, students from traditionally underserved populations were less likely to be enrolled in certain types of institutions, such as private, four-year, and selective institutions. For example, a study of 19 selective public and private

²⁶ NCES 2005b

²⁷ Postsecondary Education OPPORTUNITY 2004b

²⁸ Postsecondary Education OPPORTUNITY 2005

²⁹ Sanderson et al. 1996

³⁰ Berkner and Chavez 1997. On the other hand, low SES and minority students are less likely to take the tests and apply, and therefore less likely to enroll in four-year institutions overall. Importantly, even low-income students who were academically qualified were less likely to take the tests and apply.

FIGURE 4: Change in the enrollment share of Pell Grant recipients at four-year and two-year institutions, 1973-74 to 2001-02

	Four-year institutions	Two-year institutions
1973-74	68.7%	31.3%
1983-84	63.7%	36.3%
1993-94	55.6%	44.4%
1998-99	55.7%	44.3%
2001-02	51.2%	48.8%

Source: Mortenson 2003

Note: Sector totals of Pell Grant recipients include 50 states plus DC for 1992-93 through 2001-02. Prior to 1992-93 these are program totals and thus include also PR, VI, Guam, AS, Palau, etc.

colleges found that roughly 11 percent of their students came from families in the lowest income quartile and only 6 percent were first-generation students.³¹ And an analysis of low-income student representation at public versus private institutions found that low-income students were twice as likely to enroll in a public institution—two- or four-year—as they were to enroll in a private four-year college.³² During the 2003-04 academic year, 35 percent of full-time first-year students at private baccalaureate institutions came from families with incomes above \$90,000, while only 20 percent came from families with incomes below \$30,000.³³

This trend also was evident for the recipients of federal Pell Grants—the nation’s core financial aid program for low-income students. In 1973-74, almost 70 percent of the students receiving federal Pell Grants attended four-year institutions. By 2001-02, that proportion had fallen to 51 percent, with Pell Grant recipients increasingly enrolling in community colleges, which have relatively low tuitions (see Figure 4).³⁴ A similar, though less dramatic, enrollment shift occurred among students of color (see Figure 5). Over the ten-year period spanning 1991 through 2001, Hispanic enrollment grew by 82 percent at public two-year institutions, compared to a 68 percent increase at four-year colleges.³⁵ Students of color also were disproportionately enrolled in private for-profit institutions. In 2003-04, 6 percent of White students enrolled in postsecondary education were at private for-profit schools, compared to 13 percent of Black students and 12 percent of Hispanic students.³⁶

In-depth research into choice has also revealed that, in general, students considered “non-traditional” were more likely to enroll in either public two-year or private for-profit institutions. Part-time students and students who work full time were more likely to enroll in community colleges. “Non-traditional” typically means students who are part-time, are financially independent, work full time, are a single parent or have other dependents, are older, have delayed enrollment, or hold a GED or do not have a high school diploma.³⁷

³¹ Bowen et al. 2005, cited in Ewers 2005

³² Baum and Payea 2004

³³ NCES 2005a

³⁴ Postsecondary Education OPPORTUNITY 2003

³⁵ Edmonds 2005

³⁶ NCES 2005a

³⁷ Institute for Higher Education Policy 2002

The disparities noted here raise questions about where student sub-populations—low-income students and students of color in particular—get tracked within our system, and which students have the privilege of exercising choice in making college decisions. Many students deliberately and wisely choose to enroll in two-year colleges to pursue an associate’s degree, a certificate, or specific job training. However, if financial or other concerns were not constraining choice, presumably similar percentages of students from each income and racial background would choose different types of institutions, for-profit or nonprofit, two- or four-year, public or private. Instead, the significant differences in enrollment rates at different types of institutions suggest that choice for some students is limited or at least influenced by a number of financial, academic, family, geographic, and other factors.

The Good News	The Bad News
Most students report being able to attend their first- or second-choice institution.	Low-income and non-traditional students, as well as students of color, tend to be disproportionately underenrolled in private institutions, four-year institutions, and selective institutions.
The Overall Effect: <i>For many groups of students, the choice of which college to attend is being constrained by a variety of factors, including financial and academic factors.</i>	

FIGURE 5: Change in the enrollment share of students of color at four-year and two-year institutions, 1991 to 2002

	Share of students enrolled in 2-year institutions, 1991	Share of students enrolled in 2-year institutions, 2002	Majority in 2-year institutions?	Percentage change between 1991 and 2002
Total Minorities	51.1%	53.5%	Yes	2.4
Black non-Hispanic	47.0%	48.7%	No	1.7
Hispanic	60.1%	62.5%	Yes	2.4
American Indian	59.2%	53.6%	Yes	-5.6
Asian / Pacific Islander	45.8%	47.6%	No	1.8
White non-Hispanic	44.2%	42.7%	No	-1.5

Source: Postsecondary Education OPPORTUNITY 2005a

College persistence and attainment

Another essential component of educational opportunity is students' persistence toward and attainment of a degree or certificate. Measures of persistence and attainment look at students' completion of a degree or certificate regardless of whether the student transfers to another institution or enrolls in multiple institutions. This perspective is important because a substantial percentage of students today (40 percent) enroll in multiple institutions.³⁸

Overall, 29 percent of first-time beginners in 1995-96 had earned their bachelor's degree within six years. Ten percent had earned an associate's degree, and 12 percent had earned a certificate (in total, 51 percent had attained a degree of any kind). About 15 percent of students were still enrolled, while 35 percent had left postsecondary education without a degree. Attainment rates increase as the focus is narrowed to students who began at four-year institutions and whose goal was a bachelor's degree—63 percent had attained a bachelor's degree within six years.³⁹ Calculation of success rates for two-year institutions is more complex given the disparate goals of entering students; this section therefore focuses primarily on students attending four-year institutions. However, one study of community college students who seek to complete an associate's degree or higher found that within six years 31 percent earn an associate's degree or bachelor's degree, and more than half of those who transfer to a four-year institution earn a degree.⁴⁰

Other data suggest that despite progress in increasing access over recent decades, completion rates have not risen appreciably. In 1970, 51 percent of high school graduates who were age 23 that year had enrolled in some college, and 23 percent had completed a baccalaureate degree. By 1999, 67 percent of 23-year-old high school graduates had enrolled in some college, but the share of that group that had completed a bachelor's degree had only risen to 24 percent.⁴¹ Another analysis found that since the early 1970s, the five-year bachelor's degree completion rate has hovered around 66-67 percent for high school graduates who ever enrolled at a four-year institution and had completed at least ten credits (see Figure 6).⁴²

These numbers hide the reality that completion rates vary significantly by student population. For example, of students who began at four-year institutions in 1995-96 with a bachelor's degree goal, 54 percent of low-income students had earned that degree by 2001, compared with 77 percent of high income students. Within that same population, 46 percent of Black students had earned a degree, 47 percent of Hispanic students, and 67 percent of White students.⁴³

³⁸ Berkner et al. 2002

³⁹ Berkner et al. 2002

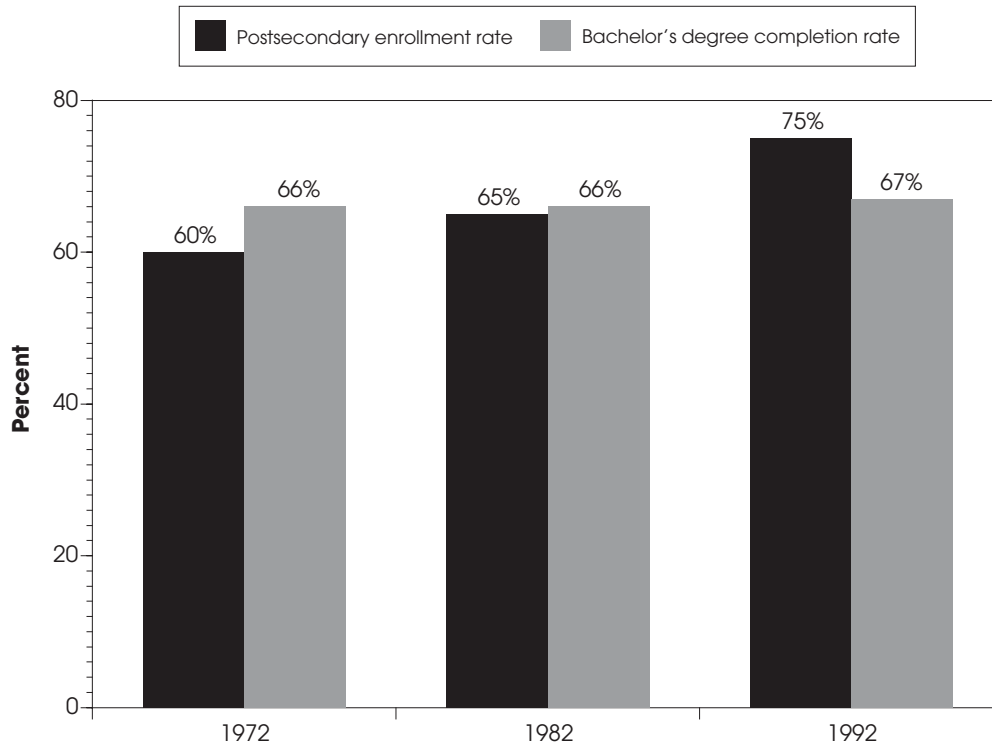
⁴⁰ Berkner et al. 2002

⁴¹ Turner 2004

⁴² Horn and Berger 2004. Note that starting the analysis with students who completed ten credits eliminates some people who never intended to get a degree, but it also eliminates some who were seeking a degree but dropped out early.

⁴³ Berkner et al. 2002. Low-income is defined as less than \$25,000, while high income was defined as \$70,000 or more.

FIGURE 6. Postsecondary enrollment rates and bachelor's degree completion rates for the high school classes of 1972, 1982, 1992



Note: Bachelor's degree attainment as of age 30 for 1972 and 1982 high school graduates and age 26 for 1992 high school graduates. Rates based on those who had attended a four-year institution and completed at least 10 credits.
Source: Horn and Berger 2004, Figure 1

The Good News	The Bad News
Many students who enroll in college are completing degrees and certificates, and completion rates are quite high for some groups of students.	Completion rates are relatively low for other groups of students, and these gaps may be increasing.
The Overall Effect: <i>Persistence and attainment remain concerns for many groups of students, especially low-income students and students of color.</i>	

The students of tomorrow

Over the coming decade, it will become increasingly apparent that the higher education system needs to close enrollment gaps and educate a growing share of low-income students, first-generation students, and students of color. Projections indicate that the number of public high school graduates will increase by 10 percent

FIGURE 7: Change in the number of public high school graduates, by race/ethnicity, 2001-02 to 2013-14

	2001-2002 (actual)	2013-14 (projected)	Change in number of graduates	Percent change
American Indian	26,729	31,092	4,363	16%
Asian / Pacific Islander	131,351	189,318	57,967	44%
Black non-Hispanic	344,156	364,841	20,685	6%
Hispanic	312,315	541,228	228,913	73%
White non-Hispanic	1,794,569	1,604,334	-190,235	-11%
United States total	2,614,629	2,763,660	149,031	6%

Source: Western Interstate Commission for Higher Education 2003

between 2001-02 and 2017-18.⁴⁴ If the 2001 federal education act known as No Child Left Behind (NCLB) succeeds in its goals of improving the performance of elementary and secondary schools, an increasing number of high school students may graduate with skills and aspirations that will lead them to college. These demographic changes will differ considerably by state, with some states projecting growth in the number of high school graduates and other states expecting declines.

At the same time, in 2014, more than 40 percent of the graduating seniors are expected to represent a racial or ethnic minority (see Figure 7).⁴⁵ We also know that an increasing share of today’s children live in poverty, which means that the number of college-age, low-income students will increase. Across the country, the proportion of K-12 students who qualify for free or reduced-price school lunches (children in families with incomes below 185 percent of the federal poverty level) grew from 37 percent in 1993 to 41 percent by 2001.⁴⁶ Many of tomorrow’s students will have been in K-12 schools that were segregated by both race and income—the schools that enjoy the least resources in our nation. In 2003, approximately half of all of the country’s Black and Hispanic fourth-graders were in schools where at least three-quarters of the students lived in poverty, and almost 40 percent of Black and Hispanic students were concentrated in schools where more than 90 percent of their peers were students of color.⁴⁷ Because these schools often have fewer resources than their more affluent counterparts, these conditions translate into differences in the academic preparation of high school graduates.

Similar demographic changes are predicted for students who do enroll in college. Between 1995 and 2015, the number of undergraduate students will grow from 13 million to 16 million, a 19 percent increase (see Figure 8).⁴⁸ Eighty percent

⁴⁴ WICHE 2003

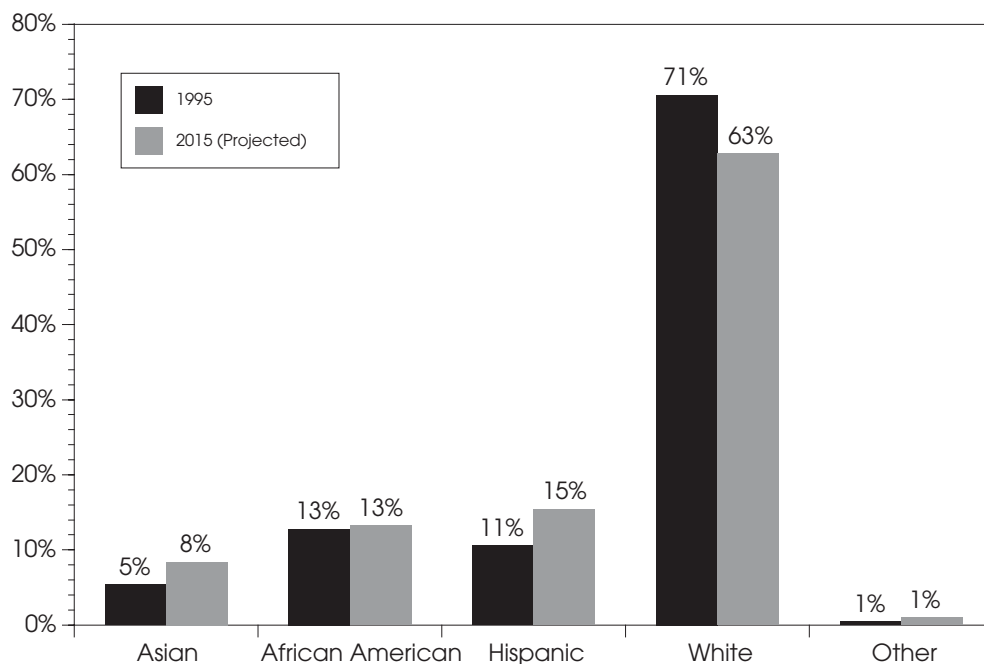
⁴⁵ WICHE 2003

⁴⁶ Postsecondary Education OPPORTUNITY 2004a

⁴⁷ NCES 2005b

⁴⁸ Carnevale and Fry 2000

FIGURE 8. Difference in the racial/ethnic distribution of undergraduates, 1995 and 2015



Source: Carnevale and Fry 2000

of the new students will be African American, Hispanic, or Asian/Pacific Islander, and by 2015, students of color will represent 37 percent of all enrollments.⁴⁹ Despite this growth among students of color, “the share of 18- to 24-year-old African American and Hispanic undergraduates in 2015 *still* will be smaller than their proportions of the overall 18- to 24-year-old U.S. population.”⁵⁰

These projections suggest that the number of high school graduates will top out at 3.2 million in the academic year 2008-09 and then decline steadily. Approximately 31 percent of new students coming to higher education between 1995 and 2015 will be age 35 and older.⁵¹ It is difficult to predict what a decrease in the traditional college-age population will mean for colleges and their enrollments. Presumably, as more adult workers return to postsecondary education to attain the skills necessary for success in the knowledge economy—a phenomenon often referred to as “lifelong learning”—colleges will work harder to recruit that population and to serve their particular needs. This view of demographic changes reinforces a theme of this report—for colleges and universities to maintain their enrollments in the coming decades, institutions will have to learn to better serve an increasingly diverse and non-traditional population.

⁴⁹ Carnevale and Fry 2000

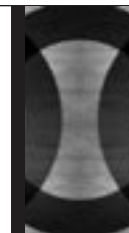
⁵⁰ Carnevale and Fry 2000

⁵¹ Carnevale and Fry 2000

The Good News	The Bad News
Projections of demographic change suggest that more low-income students and students of color will enroll in college.	Many of the students interested in college have been educated in poor and segregated schools and will face other barriers to success in postsecondary education.
<p>The Overall Effect: <i>Our higher education system will need to improve its methods of recruiting, retaining, and graduating a larger share of low-income students and students of color because they will make up a growing share of tomorrow's college students.</i></p>	

Trends Affecting College Opportunity

What Are the Impacts?



As noted in the previous sections, the benefits of higher education justify investment by all partners in higher education, including federal and state governments, colleges and universities, private organizations, and students and families. However, many segments of our society cannot access higher education without assistance. This chapter highlights the trends occurring at all of these levels—state and federal policies, institutional-level practices, student and parent influences, and private sector involvements—that converge to limit disadvantaged groups in participating and succeeding in higher education.

State and Federal Trends

A number of trends on the federal and state levels are occurring simultaneously, and it is not always clear how these trends interact with each other. What is clear is that they do interact, converging as well with trends occurring in other spheres of postsecondary education. This section explains in more detail specific trends at the state and federal levels, including:

- ▶ shifting aid away from low-income students;
- ▶ changes to state appropriations, diminishing educational opportunity;
- ▶ changes in the use and effectiveness of Pell Grants and student loans; and
- ▶ challenges to early intervention programs and affirmative action.

State appropriations

Direct state appropriations to public colleges and universities provide a foundation for postsecondary education in the United States. States contributed more than \$56 billion in direct appropriations to public institutions in 2000-01, and fully 80 percent of undergraduates attend public institutions.⁵² State policies regarding these appropriations have a significant impact on tuition and financial aid. Revenues from state appropriations and revenues from tuition interact in a complicated relationship that depends on such variables as state fiscal circumstances and

⁵² NCES 2004

institutional spending needs. Overall, however, tuition at public institutions has increased substantially in recent years, and at the same time, revenue from state appropriations has decreased as a proportion of the total budget.

Research has shown an inverse relationship between tuition at public institutions and state appropriations; one study concluded that a drop in revenue from government appropriations (in which state appropriations make up the majority) was the most important factor associated with tuition increases at public four-year institutions over the period 1988-89 to 1997-98.⁵³ As states face funding pressures from other sources that are either entitlements or are seen by lawmakers as more critical—including Medicaid, prisons, transportation, and K-12—higher education appropriations as a share of the total have diminished. The unfortunate reality for higher education is that, for the most part, public colleges and universities cannot expect large new infusions of money from the states in the future. Institutions frequently turn to tuition income to replace revenue shortfalls (see next chapter for further discussion of this spending), creating significant tension between higher education leaders and state lawmakers.

While policymakers and higher education experts generally acknowledge some degree of relationship between tuition increases and changes in state appropriations,⁵⁴ they disagree on how to analyze trends in state appropriations over recent years. In addition, analysis of trends in state appropriations may depend on the time period chosen. Some measures are cited that show increases over time:

- ▶ Over the last 35 years, state appropriations per full-time equivalent (FTE) student have increased in constant dollars.⁵⁵
- ▶ In addition, revenues from state governments for public institutions per FTE increased from \$5,989 in 1980 to \$6,747 in 1998, in constant dollars.⁵⁶
- ▶ On average, state appropriations increased by 47 percent between fiscal years 1995 and 2005 (16 percent after adjusting for inflation), although average annual increases in total state higher education spending have decreased substantially since 2000 (even taking inflation into account).
- ▶ Though every year and every state varies, no state posted an actual current dollar decrease for the 10-year percentage change. Over the five-year period 2000 through 2005, during which the country experienced an economic downturn, the average increase in current dollars was still 11 percent, and only 10 states posted a negative change (see Figure 9).⁵⁷

⁵³ Cunningham et al. 2002. Note that this relationship was not found for public two-year institutions.

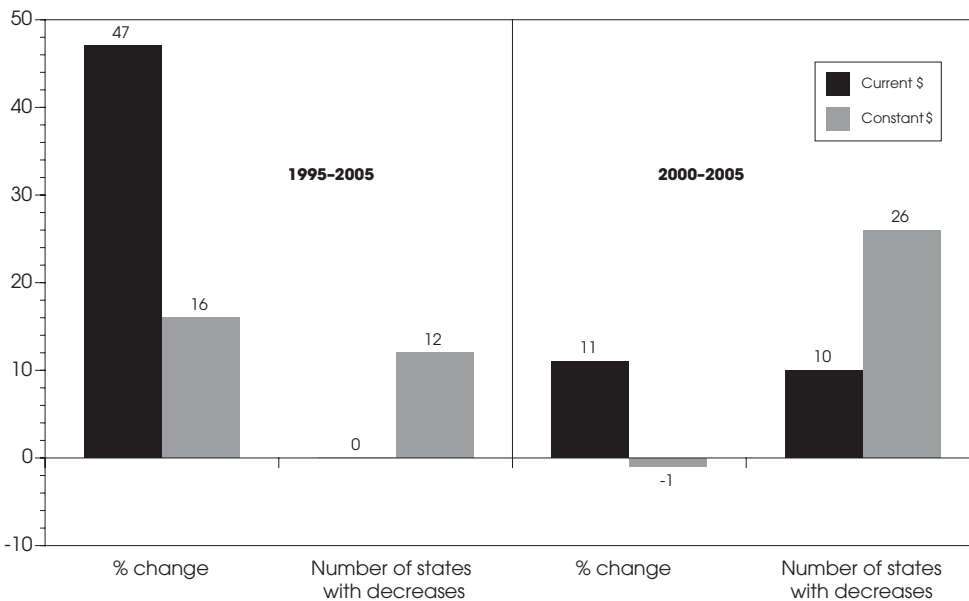
⁵⁴ Generally, tuition increases can be attributed to (1) the amount of revenue available from tuition and non-tuition sources (such as government appropriations, grants, and contracts, endowment income, private gifts, etc.); (2) student enrollment numbers; (3) various types of expenditures by colleges and universities on education and other services; (4) tuition and fee levels at peer institutions; (5) the perceived reputation of the institution; (6) the regional consumer purchasing power; and (7) a number of other factors.

⁵⁵ SHEEO 2004

⁵⁶ Callan 2002

⁵⁷ Center for the Study of Education Policy 2005. The Grapevine Project at Illinois State University collects data on state tax appropriations for the general operation of higher education on an annual basis.

FIGURE 9: Change in appropriations of state tax funds for operating expenses of higher education between 1995 and 2005, current and constant dollars



Note: See original data for exceptions and notes to the data.
Source: Center for the Study of Education Policy 2005

By other measures, however, state appropriations to public institutions appear to have decreased in recent years:

- D For example, in the last example cited above, when inflation is taken into account, 12 states had decreases in state appropriations between fiscal years 1995 and 2005, and 26 states had decreases between 2000 and 2005 (see Figure 9).⁵⁸
- D In addition, one report found that enrollment growth per FTE student—combined with recent constant dollar decreases in educational appropriations during the nation’s economic downturn—means that in inflation-adjusted terms, the average appropriation per student in 2003 is roughly equivalent to the 1994 amount.⁵⁹
- D Moreover, state appropriations make up a smaller and smaller share of total revenue for public institutions. In 1980-81, approximately half the revenue of public institutions came from state and local appropriations. By 1999-2000, that proportion had dropped to about one-third.⁶⁰

⁵⁸ Center for the Study of Education Policy 2005

⁵⁹ SHEEO 2004

⁶⁰ Institute for Higher Education Policy 2004

- Finally, higher education’s share of total state government general expenditures decreased by almost 4 percentage points over the 16-year period 1987 through 2003 (see Figure 10).⁶¹

Fluctuations from year to year make long-term planning difficult for colleges and universities.⁶² Often, state appropriations decrease during economic downturns, when more students seek out higher education to gain new skills for the job market or to postpone a job search. College leaders, therefore, feel that they must build up a revenue base and an endowment that will sustain their institutions when state appropriations decrease.

The Good News	The Bad News
On the whole, state appropriations to public colleges and universities have been increasing, even when measured as dollars per student.	State appropriations to public institutions have decreased when measured as a proportion of total institutional revenue and have decreased slightly as a proportion of total state expenditures.
<p>The Overall Effect: <i>Relative decreases in state appropriations have played a role in the fact that public institutions increasingly rely on tuition.</i></p>	

State policy shifting aid to middle- and upper-income students

In addition to direct appropriations to public colleges and universities, states provide financial aid to students, and this aid is essential for many students to afford college. However, in recent years and in many states, there has been a movement away from traditional need-based aid programs toward broad, academically based aid programs that tend to benefit middle-income students.

In 2003-04, states awarded about \$7 billion in student financial aid, \$6 billion of it in grants.⁶³ The majority of state student aid was awarded based on financial need. However, a clear trend in financial aid policy at the state level is an ongoing shift away from need-based aid toward aid programs with an academically based component.⁶⁴ More than half of state student aid (51 percent) is based only on need, and 16 percent is based on need and academics, for a total of 67 percent based on need. Yet just a decade ago, only about 13 percent of state grant dollars

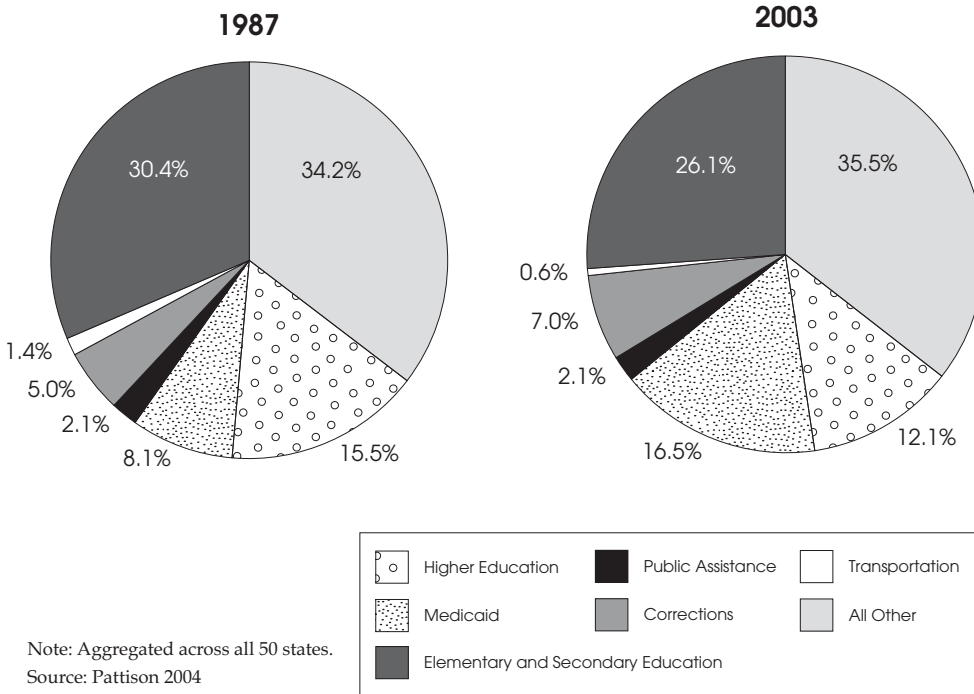
⁶¹ Pattison 2004

⁶² SHEEO 2004

⁶³ NASSGAP 2004

⁶⁴ Academically based aid programs, meaning college scholarships that are awarded based on academic performance (such as high school grades and/or test scores), may occur at the state, institutional, or federal levels. These programs generally distribute awards regardless of a student’s financial need, meaning that students without financial need can qualify for the awards. Some programs with an academically based component do include need-based criteria, such as an income cutoff, and are awarded to students who have financial need. But most merit aid programs are non-need-based and often are awarded to students who do not have any financial need (College Board 2005b).

FIGURE 10. State general fund expenditures, 1987 and 2003



were awarded based on any criteria other than financial need, so there has been a significant shift in the criteria used to make grants (see Figure 11).⁶⁵ Total need-based undergraduate grant aid grew 70 percent between 1994-95 and 2003-04, from \$2.5 billion to \$4.3 billion in constant 2003-04 dollars. In contrast, non-need-based grants grew almost 300 percent, from \$371 million to \$1.5 billion.⁶⁶ Clearly, the proportion of state financial aid awarded based on criteria other than a student’s financial need has shifted.

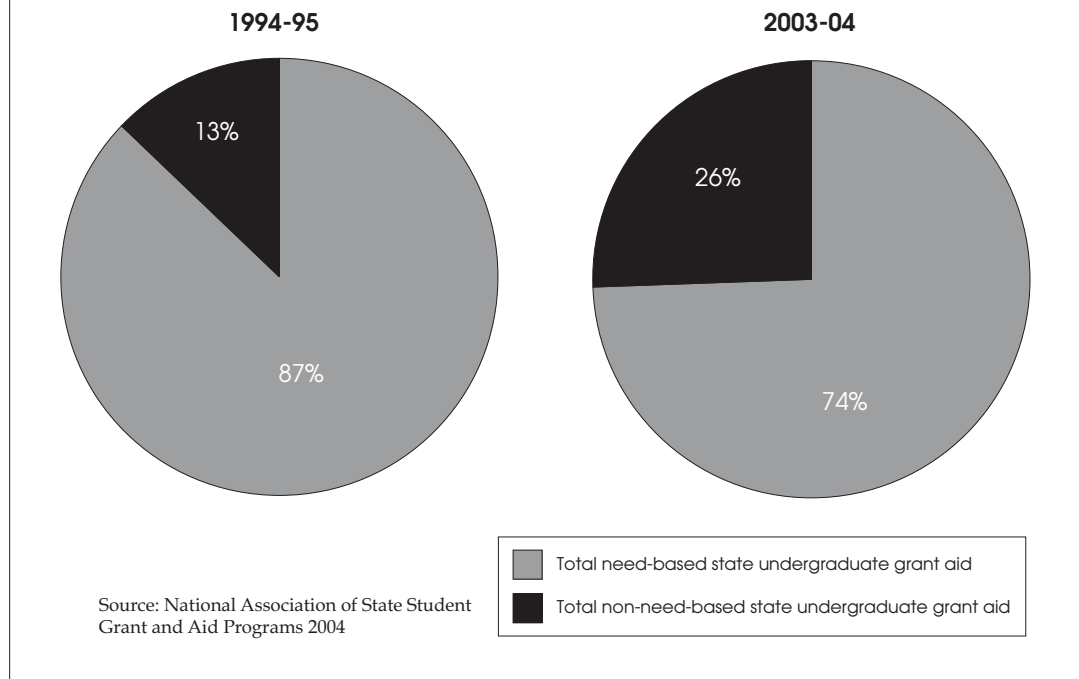
Over the past decade, several states have introduced new, academically based aid programs open to a large number of students, following the model of Georgia’s “Helping Outstanding Pupils Educationally” (HOPE) Scholarship program. Definitions of academically-based aid programs vary, but approximately 16 states have such programs.⁶⁷ In addition to the large academically based aid programs, some of the other states award some academically based aid but do

⁶⁵ NASSGAP 2004

⁶⁶ NASSGAP 2004

⁶⁷ Definitions of broad academically based programs differ, but combining the states identified by two key researchers in these areas yields approximately 16 states with such programs (Dynarski 2004; Heller 2004). Another study by the Education Commission of the States (ECS) in May 2005 identified 17 academically based aid programs, but included Wyoming, which only awards between 4 and 6 scholarships per year. The ECS study (Krueger 2005) listed the following states: Alaska, Arkansas, Florida, Georgia, Kentucky, Louisiana, Massachusetts, Michigan, Mississippi, Missouri, Nevada, New Mexico, South Carolina, Tennessee, Washington, West Virginia, and Wyoming.

FIGURE 11: Distribution of state grant aid, 1994-95 and 2003-04



not operate broad-based programs. In total, 23 states have at least one financial aid program that is awarded based solely on academic criteria or “merit,” representing 17 percent of all state aid awarded.⁶⁸

Academically based aid programs like these are highly controversial. They direct financial benefits to students who do well academically regardless of need, which means that public dollars flow to many students who do not have financial need. In Florida, for example, only 29 percent of the students who received Bright Futures scholarships in 2000 had financial need.⁶⁹ Proponents of academically based aid argue that low-income students can reap the benefits as well, and that academically based aid provides an incentive for more students to do well in high school and attend college in the state. Opponents counter that it is bad public policy to direct public funding to students who do not need the money and would go to college anyway, especially in cases where academically based aid programs are crowding out funding for need-based scholarships (in eight states, aid based solely on academics accounts for 50 percent or more of aid expenditures⁷⁰). Critics also argue that low-income students often do not have the test scores and high school grades to qualify because a student’s family income often influences many of the factors that lead to college readiness, including the

⁶⁸ NASSGAP 2004. NASSGAP defines merit-based aid as, “Recipients are selected in whole or in part on the basis of test score, performance, class rank, grade point average, or other such criteria of achievement.”

⁶⁹ Heller 2004

⁷⁰ NASSGAP 2004

quality of the K-12 school that a student attends; a student’s access to extra help such as tutors and guidance counselors; and whether a student’s parents attended college themselves. As a result, scholarships from academically based programs disproportionately go to White and upper-income students.⁷¹

While in principle, academically based aid appears to be a redirection of student aid resources *away* from the very students who need assistance, little long-term research exists. Some recent research found that academically based aid might be having a more positive impact than was assumed. The study found that academically based aid increases the probability of college-age students in a state attending college by between 5 and 7 percentage points, and that academically based programs may be more effective than need-based aid at encouraging college participation.⁷² The study also found that, in three of the four states that had enough data and history to allow an in-depth analysis of the effects by race (Arkansas, Florida, and Mississippi), broad academically based aid programs have helped to close racial gaps in participation.⁷³ These positive effects may stem from the fact that broad, academically based aid programs are often simple, transparent, and well-publicized, whereas many need-based aid programs, including federal financial aid, are awarded only after the student undergoes the arduous task of filling out aid applications.

The Good News	The Bad News
Total dollars have increased for both need-based and non-need-based state aid programs.	The growth in non-need-based aid, and especially academically based aid, has outpaced the growth in need-based aid.
The Overall Effect: <i>A decreasing percentage of state aid is awarded to students from the bottom half of the income distribution despite their reliance on financial aid to attend postsecondary institutions.</i>	

Federal policy shifting aid to middle- and upper-income students

A large part of the federal government’s role in supporting the American postsecondary education system is to provide financial aid directly to students, especially those with financial need, through Title IV aid programs. Students from low-income backgrounds rely on federal aid—and in particular, federal grants such as Pell Grants—as a means to help them afford to attend college. To qualify for most forms of federal financial aid, students must fill out an application to

“As a teacher of very high-achieving students, I would certainly be in favor of giving high-achieving students grants if the other, more basic requirement of assuring that the state’s public higher education not be reserved for families with money had been met first. It has not. In these circumstances, I believe that the leaders of higher education should strongly object to a policy that uses public funds in a way that intensifies already serious inequality.”

—Gary Orfield, Professor, Harvard Graduate School of Education and Director, The Civil Rights Project at Harvard University⁷⁴

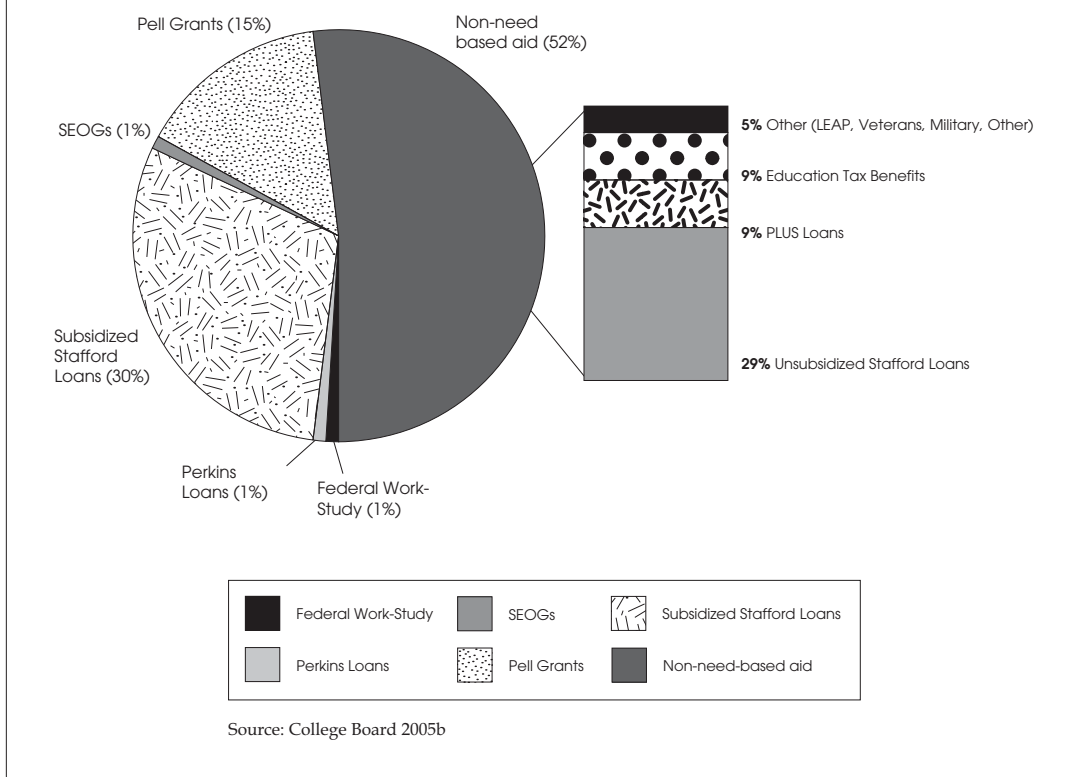
⁷¹ Dynarski 2004; Heller 2004. Heller finds that “traditional measures of merit—including grades, standardized test scores, and curricular framework test scores—result in scholarships that are awarded disproportionately to students who were likely to attend college even without the public assistance.”

⁷² Dynarski 2004

⁷³ Georgia was the state in which the merit program appears to have widened racial gaps (Dynarski 2004).

⁷⁴ Orfield 2004

FIGURE 12: Need-based and non-need-based federal aid, 2004-05



determine their financial “need,” which is based on a combination of ability to pay and price of attendance. In recent years, new aid programs and federal aid policy have shifted away from the students with the most financial need and toward students from middle-income backgrounds.

In 2004-05, \$90 billion in total federal aid was available to students, an increase of more than 100 percent in constant dollars since 1994-95. The total federal aid includes \$13 billion in Pell Grants, \$63 billion in student loans, and \$8 billion in education tax benefits. Aid for these programs (in constant dollars) increased by 86 percent, 89 percent, and 104 percent, respectively, over the past decade.⁷⁵

The funding for need-based federal aid programs, including Pell Grants, Supplemental Educational Opportunity Grants (SEOG), Perkins loans, and subsidized Stafford loans, has increased over time. However, funding for programs that do not target low-income students, such as unsubsidized Stafford loans, federal loans to parents (PLUS), and tax benefits (much of which is not used by low-income students and families), have increased at faster rates. More

⁷⁵ College Board 2005b. The educational tax credits were instituted in 1998-99; the percentage increase is from that year.

PROFILE: STUDENT A

Student A graduated in the top ten percent of her high school class, a school at which 90 percent of the graduating seniors attended college in the following fall. Student A was initially wait-listed at her first choice school, a highly competitive and prestigious private university that cost nearly \$30,000 per year to attend. When she was accepted, the financial aid offer consisted mostly of unsubsidized loans and a high family contribution (since the institution was out of state, she did not qualify for the academically based scholarship offered in her home state). Student A was also accepted by a second-tier school that had lower tuition and offered her a generous financial aid package that included more institutional aid in addition to loans.

Student A decided to attend the more affordable second-tier school, accepting about the maximum per year in unsubsidized loans. Although her parents were eligible to receive the HOPE tax credit for middle- and upper-income students, they were still unwilling to pay the high cost of tuition. Student A instead took out a private loan. After four years, Student A graduated with her bachelor's degree and over \$50,000 in debt. Student A's first job offered her a starting salary of roughly \$35,000; during her first year out of college, Student A moved back in with her parents in order to afford her monthly loan payments.

than half of total federal aid is now comprised of these programs (see Figure 12).⁷⁶ Thus, the states are not the only ones redirecting financial aid funds.

The result is a redirection of tax dollars to middle- and high-income students, such as the 29 percent of dependent undergraduates with unsubsidized Stafford loans in 2003-2004 who were from families with incomes of \$100,000 or more.⁷⁷ In addition, much of need-based aid is going to students who are not the neediest. For example, of the dependent undergraduates with subsidized Stafford loans in 2003-04, 56 percent were from families with incomes above \$40,000.⁷⁸ And while tax credits still allocate \$2 billion per year to students with family incomes below \$40,000, taxpayers with incomes of \$50,000 or higher collect 43 percent of the tax credit dollars and 71 percent of the tuition and fee deduction dollars.⁷⁹ Much of this redirection of federal aid has come as a result of pressure from middle-income families to make college more affordable.

⁷⁶ College Board 2005b

⁷⁷ NCES 2005a

⁷⁸ NCES 2005a

⁷⁹ Baum 2004; College Board 2005b

The Good News	The Bad News
Federal financial aid continues to increase in real terms.	Funding for federal aid programs that do not primarily target students from low-income backgrounds has increased at a faster rate than programs that help the students with the most financial need.
The Overall Effect: <i>Federal financial aid appears to be shifting toward students from higher income backgrounds, focusing on affordability rather than access.</i>	

The limitations of the Pell Grant

The Pell Grant is the cornerstone of federal financial aid for low-income students, so trends in the funding and distribution of these grants are of key importance to future educational opportunity. In 2004-05, the average Pell Grant recipient received \$2,469, an increase from \$1,914 in constant dollars a decade before.⁸⁰ More than a quarter of all undergraduates received Pell Grants in 2003-04, and 84 percent of dependent undergraduates with Pell Grants came from families with incomes less than \$40,000.⁸¹ Nonetheless, the Pell Grant does not help low-income students afford college as much as it used to, given rising prices.

Although in inflation-adjusted terms Pell Grant funding has increased 86 percent between 1994-95 and 2004-05, it is a far less effective tool for expanding college access than it once was.⁸² As more low-income students enter higher education, Pell Grant funding is spread out across more students. Thus, while overall funding has increased to account for higher student participation, the maximum award has not increased in proportion to tuition increases. In 2004-05, the maximum Pell Grant covered only 36 percent of the price of attendance at a public four-year institution, down from 42 percent in 2001-02.⁸³

At the same time, new eligibility policies are expected to shift the income threshold and exclude students who currently qualify for Pell Grants. In determining eligibility for federal financial aid, the U.S. Department of Education updated the allowance for state and other nonfederal taxes that can reduce the expected family contribution (EFC). The Government Accountability Office (GAO) determined that the update will decrease the size of the awarded Pell Grant for about 35 percent of students, and that 81,000 applicants will no longer be eligible. These changes will result in a \$250 million decrease in overall expenditures on Pell Grants.⁸⁴

⁸⁰ College Board 2005b

⁸¹ College Board 2005b; NCES 2005a

⁸² College Board 2005b

⁸³ College Board 2005b

⁸⁴ Ashby 2005

The Good News	The Bad News
Funding for Pell Grants continues to increase, helping many students from low-income backgrounds enroll in college.	Pell Grants are no longer as effective as they once were at covering the price of attending college.
The Overall Effect: <i>Low-income students cannot rely on Pell Grants to the same extent to reduce the gaps between the price of college and their ability to pay.</i>	

High student debt

Another significant trend is that far more students have been borrowing far more money over the past decade to pay for college. Because loans must be paid back by students and/or their families (even when those loans are subsidized), loans are not as valuable to students as grants, in terms of meeting educational costs. Nonetheless, given today’s financial aid environment, loans are still a necessary piece of financial aid packages to allow students to access postsecondary education and to complete their degrees. Debt incurred to pay for education yields substantial returns, but the use of student loans varies widely. Available evidence suggests that some groups of students, including low-income students, may be disproportionately encumbered with student loans and may be burdened by debt they cannot repay.

The percentage of graduates with bachelor’s degrees who had taken out a loan to pay for their undergraduate education increased to 62 percent in 2003-04, up from 37 percent in 1992-93. The median amount borrowed increased from \$10,088 in 1992-93 (in constant 2003-04 dollars) to \$16,432 in 2003-04. Low-income students were more likely to obtain student loans. For example, in 2003-04, about half of students and families with incomes of \$100,000 or more borrowed for college while 69 percent of those with incomes of less than \$30,000 borrowed.⁸⁵

For many college graduates, postsecondary education loan debt is not necessarily bad, especially when the data are examined across all students who borrow. One recent study found that, among first-time freshmen at public two-year institutions, borrowers dropped out at a much lower rate than non-borrowers (24 percent compared to 55 percent).⁸⁶ Although the average amount borrowed by 1999-2000 bachelor’s graduates had increased by 60 percent over 1992-93 graduates, the average monthly payment had only increased by 30 percent, due to lower interest rates. Further, higher salaries and lower interest rates on loans combined to keep the median debt burden almost steady between the two groups of graduates.⁸⁷

Nonetheless, increasing loan debt is particularly burdensome for specific groups of students, such as those who drop out of college without attaining

⁸⁵ American Council on Education 2005

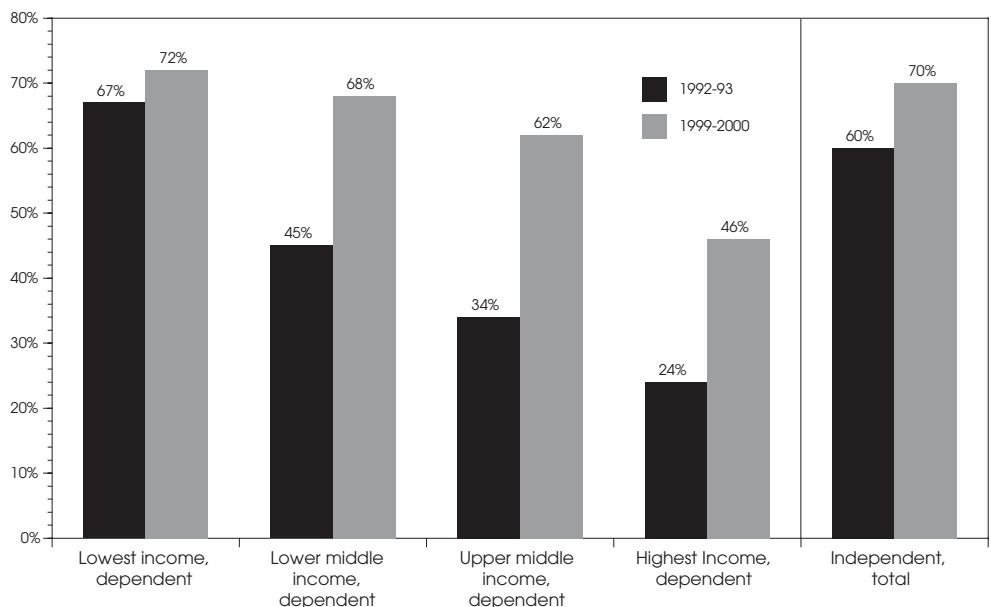
⁸⁶ Gladieux and Perna 2005

⁸⁷ Choy and Li 2005

“In some ways, leaving college before graduating is a greater liability than never having attended. The majority of research on the economic returns from college suggests that the earning power of a student who does not complete college is roughly equivalent to that of a high school graduate...In addition, the non-completing student has likely forgone income to attend college, and may be burdened with a loan payment that will reduce his or her income even further.”

– Pell Institute for the Study of Opportunity in Higher Education⁸⁹

FIGURE 13: Percentage of 1992–93 and 1999–2000 bachelor’s degree recipients who borrowed for their undergraduate education, by family income and dependency status



Note: Dependency status and income may not have been the same throughout student’s undergraduate education. Includes education loans and loans from family or friends. Estimates include data from 50 states, DC, and Puerto Rico. Source: Choy and Li 2005.

a degree. A new report found that, of all students who started postsecondary education in 1995-96, about half borrowed money within the following six years to cover the costs of their education. About 23 percent of those who borrowed did not complete their degrees and were no longer enrolled in 2001. The median debt held by those borrowers who dropped out was \$7,000 (\$10,000 for those borrowers who dropped out after first enrolling in a four-year institution), and almost a quarter of those borrowers who dropped out had defaulted on at least one loan by 2001.⁸⁸ Clearly, to be thousands of dollars in debt, with a high probability of loan default was not a positive outcome for these borrowers. Those students who dropped out now face a three-pronged obstacle in life—debt, the label “drop out,” and the lack of the credential that would have made it possible to repay the debt.

Despite evidence that suggests that grants are better than loans at improving persistence and completion for low-income students and students of color (especially grants that are provided in the first two years of college),⁹⁰ women,

⁸⁸ Gladieux and Perna 2005

⁸⁹ Muraskin et al. 2004

⁹⁰ GAO 1994; 1995. Donald Heller states that, “The positive effects of financial aid on persistence have been reported for all three forms of aid: grants, loans, and work-study....Grants have often been found to be the best type of aid for promoting persistence, and they are most effective when targeted at financially needy students who need the aid in order to be able to afford to stay enrolled in college” (Heller 2003).

low-income students, and minorities are more likely to borrow than are other students.⁹¹ Seventy-two percent of 1999-2000 dependent bachelor's degree recipients in the lowest income quartile borrowed for their education, a higher percentage than in any of the three other income quartiles (see Figure 13).⁹²

The Good News	The Bad News
The median debt burden has remained steady for most graduates.	The percentage of students who borrow, the average total amount borrowed per student, and the total volume of student loans have been steadily increasing.
<p>The Overall Effect: <i>For the moment, increased borrowing has not, on average, created a significant new burden for most graduates; however, loan debt is particularly burdensome for specific groups of students, such as those who drop out before completing a degree.</i></p>	

Threats to programs that reach out to students who might not otherwise attend college

In addition to financial aid policies at the state and federal levels, programs that support low-income students and students of color along their path to college are important to consider in examining the convergence of trends in postsecondary education. Both research and common sense point to the importance of early intervention and awareness programs. These programs attempt to help students to (1) gain information about college, (2) prepare for college's academic rigors, and (3) succeed in navigating the complexities of college and overcoming social, bureaucratic, and academic challenges. In many cases, the encouragement, mentoring, tutoring, advising, and information that intervention programs provide have proven invaluable in helping students to see college as an option, and to understand how to succeed once enrolled.⁹³ However, such programs are threatened with elimination.

Current budget discussions at the federal level include the elimination of several federally-funded programs, including Talent Search, Upward Bound, and GEAR UP, that are seen as cornerstones in the effort to encourage postsecondary participation and success among historically underserved students.⁹⁴ Some policymakers suggest that the programs targeted for cutting are not performing well enough.⁹⁵ But the elimination of these programs has been met with stiff resistance from educators who see early intervention as fundamental to improving postsecondary access and success. Supporters also point to established

⁹¹ Institute for Higher Education Policy 2004

⁹² Choy and Li 2005

⁹³ Cunningham et al. 2003; Gladieux and Swail 1998

⁹⁴ U.S. Department of Education 2005

⁹⁵ See Calahan et al. 2004; Myers et al. 2004

EARLY INTERVENTION PROGRAMS

Early intervention and awareness programs exist at both the federal and state levels (in addition to programs run by postsecondary institutions and the private sector). For example, the federal TRIO Programs include six outreach programs and support programs targeted to serve and assist low-income, first-generation college students, and students with disabilities. These programs include Talent Search (founded in 1965 as a part of the Higher Education Act) and Upward Bound (founded in 1964 as a part of the War on Poverty), which provide funding to colleges to support and encourage low-income and first-generation youth to prepare for college, graduate from high school, and enroll in postsecondary education. In FY 2004, more than \$800 million was appropriated for TRIO programs, which served approximately 870,000 students.⁹⁶ Almost a third of the nation's low-income high school graduates who went on to college have been assisted by a TRIO program.⁹⁷

In addition, GEAR UP (Gaining Early Awareness and Readiness for Undergraduate Programs) supports college preparation and awareness activities at the state and local levels for low-income elementary and secondary students through five-year grants. For example, a GEAR UP program in three San Jose schools that serve a low-income population is credited with increasing the number of high school graduates planning to enroll in four-year colleges by 89 percent. About 90 percent of the three schools' graduates are planning to enroll in either a two- or four-year college.⁹⁸ The federal appropriation for GEAR UP was more than \$306 million for FY 2005. A total of 36 states have been funded, as well as more than 200 local partnerships. The total number of students served in FY 2004 was almost 1.5 million.⁹⁹

Also, more and more states are offering early intervention programs in response to federal government initiatives and state policy concerns aimed at increasing academic achievement levels and post-secondary opportunities for low-income and first-generation students. These programs provide different services depending on the specific goals, structure, and location of the program. For example, Florida's College Reach Out Program (CROP) is a statewide competitive grant program established to encourage students to seek postsecondary education. The program provides academic enrichment activities until high school graduation, such as career and personal counseling, tutoring, and standardized test preparation. The Florida Postsecondary Education Planning Commission, which conducts an annual evaluation report, has found that CROP participants achieve at higher rates than their counterparts. In addition to other factors, the 1998-99 evaluation showed that 72 percent of CROP high school graduates were enrolled in higher education, compared to 44 per cent of the random cohort).¹⁰⁰

⁹⁶ U.S. Department of Education, Office of Postsecondary Education 2005a

⁹⁷ Council for Opportunity in Education 2005

⁹⁸ Sulek 2005

⁹⁹ U.S. Department of Education, Office of Postsecondary Education 2005b

¹⁰⁰ Cunningham et al. 2003

track records and evidence of the numbers of students served. Congress has been reluctant to cut these programs, so it appears they will be protected for at least one more year. Meanwhile, current funding levels generally do not allow these types of programs to reach all eligible students. In many states, for example, there is a trade-off between serving more students and targeting more services to a cohort of students as they progress through high school. However, many states are under budget pressures to cut or hold funding at the same levels for early intervention programs.

The Good News	The Bad News
Early intervention and awareness programs are serving substantial numbers of students and encouraging access to postsecondary education.	A number of these programs have been threatened with elimination or budget cuts.
<p>The Overall Effect: <i>Even though research has shown that academic preparation and awareness of admissions and financial aid policies are important factors in low-income and minority students' access to college, intervention programs may not be able to reach these populations in the future due to changes in funding priorities.</i></p>	

Attacks on affirmative action

Attaining diversity in postsecondary education enrollment has been an important goal of institutional and state policies, and race-conscious affirmative action has helped many students of color access postsecondary education when they might otherwise have been excluded. This is particularly true for attendance at more selective institutions, which traditionally have enrolled disproportionately low numbers of students of color.

Affirmative action has been under attack in recent years, and some institutions are changing admissions practices in response. A recent study of four-year colleges found that the use of affirmative action has declined. In 1986, more than 60 percent of public four-year colleges and 57 percent of private ones considered minority status in admissions. By 2003, despite the Supreme Court ruling upholding the use of race in college admissions, the proportion had fallen to 35 percent and 45 percent, respectively.¹⁰¹

Ballot measures in California and Washington State, together with the U.S. Attorney General's interpretation of a Fifth Circuit court ruling (*Hopwood vs. Texas*), all banned the use of race in college admissions in a number of states during the 1990s. In 2001, a federal judge ruled that the University of Georgia's race-conscious admissions policy was unconstitutional. In 2003, the U.S. Supreme Court heard two cases involving race-conscious admissions practices at the University of Michigan. The Supreme Court found diversity to be a

¹⁰¹ Jaschik 2005a

compelling state interest and upheld the consideration of race in admissions for colleges across the country, but it rejected inflexible admissions formulas that did not provide individualized consideration and limited the duration of programs that target diversity.¹⁰² Nonetheless, the rulings had a chilling effect on institutions with race-conscious policies.¹⁰³ A number of areas within higher education—including college admissions offices, financial aid offices, scholarship donors, and outreach programs—remain wary of enrollment and selection strategies that will open them to scrutiny if they target students of color.¹⁰⁴ The University of Michigan, University of Georgia, and University of Illinois at Urbana-Champaign are all examples of public universities that experienced drops in enrollments of Black freshmen following the 2003 Supreme Court ruling.¹⁰⁵

As a result of this legal climate, admissions practices are changing around the country as colleges and universities seek ways to maintain diverse enrollments while avoiding legal challenges.¹⁰⁶ One alternative replaces race with socioeconomic status, although research shows that these programs do not attain racial diversity as effectively as race-conscious policies. The other, and perhaps the most well-known, alternative to affirmative action in the admissions process is the “percentage plan.” These plans grant automatic admission to state schools for students graduating at the top of their high school class, though the specific percentage range varies. The rationale is to open admissions to all students across the public school system, thereby expanding higher education opportunities to students attending disadvantaged (and often de facto segregated) schools. Currently, the public higher education systems in Texas, Florida, and California have implemented some version of this admissions approach.

After implementing these plans in place of race-conscious admissions policies, the state systems experienced sudden drops in minority enrollments that slowly improved over time. The situation is probably the most extreme among California’s elite public universities. Since California’s passage of Proposition 209 in 1996, when voters barred public colleges and other state agencies from considering race in decisions about admissions or employment, University of California-Berkeley and UCLA, the system’s most selective institutions, have seen a marked decline of students from some racial and ethnic backgrounds, while many of the other UC campuses have achieved impressive gains in enrollments of Black, Latino, and Chicano students (see Figure 14).¹⁰⁷

¹⁰² Killenbeck 2004

¹⁰³ *Grutter v. Bollinger* involved the University of Michigan Law School and *Gratz v. Bollinger* involved the undergraduate College of Literature, Science, and the Arts. As a result of *Gratz v. Bollinger*, some institutions began to rethink their own methods for using race in financial aid, admissions, and scholarship and outreach decisions. Other institutions have opened previously race-exclusive pre-freshman programs to all students but still support diversity in admissions. In other cases, even though *Grutter v. Bollinger* provides guidance on how race-conscious policies can survive court scrutiny, risk-adverse institutions have walked away from such policies altogether.

¹⁰⁴ Selingo 2005, p. A21; Guerard 2005; NAACP Legal Defense and Educational Fund 2005

¹⁰⁵ Yang 2005

¹⁰⁶ More recently, the U.S. Justice Department plans to sue Southern Illinois University over three fellowship programs reserved for minorities or women (Schmidt 2005).

¹⁰⁷ University of California, Office of the President 2000; 2004

Similarly, in Texas the state implemented the Top 10 Percent plan as a replacement for affirmative action, starting in 1998. After immediate and dramatic drops in minority enrollment in the late 1990s, systemwide gains were made, and minority enrollment bounced back to pre-Hopwood levels. However, like California, the flagship institutions in the Texas system experienced more dramatic declines than the overall system. Although minority enrollments have increased to some extent, these institutions continue to have some difficulty attracting students of color, despite implementing rigorous outreach and recruitment programs for minority students.¹⁰⁸

“The way [the Supreme Court ruling] was reported in the local communities told African-American students that this decision was a way to exclude them,’ says Karen A. Holbrook, president of Ohio State University, where the number of Black freshmen dropped to 393 last fall from 572 in 2002. ‘We celebrated the victory, but our message—that this would allow us to use race in some ways—just didn’t get across.”

— *Chronicle of Higher Education*¹⁰⁹

The Good News	The Bad News
The U.S. Supreme Court upheld the consideration of race in college admissions, allowing that “student body diversity is a compelling state interest.”	Legal challenges to affirmative action continue, and many colleges are adjusting their admissions practices to avoid lawsuits.
The Overall Effect: <i>Despite the Supreme Court’s ruling, many institutions are wary of affirmative action, and responses by both students and institutions vary dramatically. Some selective public universities are seeing drops in enrollments of Black and Hispanic students, but other colleges have seen increases.</i>	

FIGURE 14: Percentage change in University of California undergraduate enrollment of students of color between 1996 and 2004

Campus	African American	Chicano/a	Latino/a
Total UC	-3.8	32.2	10.1
Berkeley	-29.5	-11.2	-22.5
Los Angeles	-42.3	-3.5	-10.7
San Diego	-10.3	26.7	51.4
Davis	-6.6	42.1	-11.2
Irvine	30	35.3	6.6
Riverside	127.6	141	126.8
Santa Barbara	12.9	56	33.2
Santa Cruz	54.4	47.5	22.6

Source: University of California, Office of the President 2000; 2004

¹⁰⁸ Tienda and Niu 2004; Gutfeld 2002; Quiñones 2003. This is particularly true for Texas A&M University.

¹⁰⁹ Selingo 2005

PROFILE: STUDENT B

Although neither of his parents went to college, an early intervention program and good high school counseling exposed Student B to the idea of higher education and helped him through the process of applying for admission and financial aid. Of the three institutions he applied to, Student B was most interested in the public institution that had a large African-American community and did not think he could afford the private institution. However, when he received his acceptance letters, Student B was surprised to find out that the private school offered him a generous institutional aid package, along with the Pell Grant and student loans. He decided to attend that institution in part because of the aid offer and in part because it was the most prestigious of the three to which he applied.

When Student B arrived at the private institution the following fall, he had a tough time fitting in. He was one of a handful of Black students and he found himself feeling lonely in many social situations. He also found that despite his B+ grade point average, his high school did not prepare him for college as well as he had thought. Student B enjoyed his subjects but found it hard to keep up; when mid-terms were over, his grades were not as high as he had hoped. He felt isolated from his classmates and was not sure why he did not do well. His campus had a tutoring center, but due to other funding priorities at the university, it was only open one day a week, when Student B was in classes.

After a tough first year, Student B decided to transfer to the public institution. As he applied, the in-state tuition was increasing dramatically so Student B faced almost the same tuition price as before but received less institutional aid. He received the maximum Pell Grant covering a fraction of the added cost and opted to accept the maximum amount of subsidized Stafford loans, as well take out an unsubsidized loan. Student B was much happier at his transfer institution and joined a study group offered through the African-American center. However, the high tuition costs forced him to drop down to a part-time course load so that he could get a job to cover some of his tuition costs. By the end of his third year, Student B's employer offered him a full-time managerial position with a yearly salary and benefits. He decided to put college off to take the job, leaving school without a degree and owing about \$25,000 in debt and accrued interest.

Institutional Trends

In addition to federal and state policies, a number of trends are evident among postsecondary institutions, often in reaction to government policies but also in reaction to broader changes in the population, economy, and other sectors of the higher education market. The following explains in more detail the convergence of trends at the institutional level, including increasing tuition and fees, increasing competition for students, and continuing low rates of degree completion at many institutions. When combined with the federal and state trends already outlined, these trends have the potential to limit the access of underrepresented students, including low-income students and students of color, to higher education.

Tuition increases

One of the most obvious trends in higher education today is the continued increase in tuition and fees, above the level of inflation.¹¹⁰ Every year when colleges announce tuition increases, the nation sees a flurry of headlines about college tuition hikes outpacing inflation and forcing more students to work, take time off, take out loans, or abandon their college dreams altogether. In 2005-06, average tuition and fees increased 7 percent from the previous year at public four-year colleges and universities (to \$5,491); more than 5 percent at public two-year colleges (to \$2,191); and 6 percent at private four-year schools (to \$21,235).¹¹¹ Since 2000-01, tuition has increased in inflation-adjusted terms by 40 percent at public four-year, 19 percent at public two-year, and 18 percent at private four-year institutions.¹¹²

Recent history suggests that demand for college continues to increase even in the face of these tuition increases. It is difficult, therefore, to truly understand the impact of tuition increases on access and opportunity. Do tuition increases limit students' choices? Do they actually discourage low-income students from applying to college? There are several reasons why understanding the true cost of college is so difficult, including the role of the media, our nation's focus on the most prestigious colleges, the impact of sticker shock, and the interplay between financial aid and tuition.

Media coverage in general, and media coverage of tuition increases in particular, is usually focused on the most selective and expensive private institutions, which enroll only about 5 percent of students.¹¹³ In reality, the majority of students are enrolled at institutions where tuition is much lower. About 46

¹¹⁰ In discussing increases in tuition and fees, it is helpful to distinguish among several related terms. "Sticker price" is commonly used to refer to the published tuition and fees charged by colleges and universities, before taking financial aid packages into account. Total price of attendance takes into account tuition and fees plus room and board, books and supplies, and other expenses. Net price refers to total price minus the amount of financial aid a student receives, i.e., the price students and their families must actually pay to attend. Net prices may be defined differently depending on what type of aid is subtracted—for example, all aid, all grants, or federal grants alone. Costs (or expenditures) refer to "the amount it takes an institution to educate a student (i.e., the production cost per student)" (Horn et al. 2002).

¹¹¹ College Board 2005a

¹¹² Note that the bases from which the calculations started differ for each type of institution. College Board 2005a

¹¹³ Wolanin 2003

FIGURE 15: Survey respondents' estimates of tuition costs, 1997-98

Institutional type	Estimated average tuition	Actual average tuition	Percentage difference between estimated and actual
In-state 2-year public	\$4,206	\$1,501	+180%
In-state 4-year public	\$9,694	\$3,111	+212%
4-year private	\$17,897	\$13,664	+31%

Source: Ikenberry and Hartle 1998; NCES 2004

percent of full-time undergraduates at four-year institutions attend colleges with published tuition and fees of less than \$6,000.¹¹⁴ Nonetheless, most students and parents overestimate the cost of college, believing the stories about high tuitions to be true across the board. A recent report found that many high school students and their parents were either unable to estimate the annual cost of tuition or overestimated tuition costs significantly.¹¹⁵ An earlier report found the same pattern (see Figure 15); in addition, survey respondents estimated the cost of tuition alone to be almost as high as (or higher than) the actual total cost of attendance, including room and board.¹¹⁶ The perceptions of high and increasing college tuitions—often called “sticker shock”—may affect students’ choices of whether and where to enroll. In particular, the impact of tuition increases on low-income students’ perceptions of their ability to go to college may be a significant barrier, as they are more sensitive to increasing prices than students from higher income backgrounds.

Because most students receive some form of financial aid, which reduces the amount they and their families must actually pay, the tuition and fees published by colleges and universities do not necessarily reflect the true price of attending. According to recent data for 2003-04, average “net prices” (defined as total price of attendance less all grants and loans) were \$4,850 for public two-year institutions, \$7,748 for public four-year institutions, and \$12,622 for private not-for-profit four-year institutions.¹¹⁷

Trends in net prices are often quite different from trends in published prices. Net prices often do not increase as rapidly as total prices, and in some cases may even decrease.¹¹⁸ Trends in net prices also differ depending on the type of institution and type of student. For example, an NCES study found that students

¹¹⁴ College Board 2005a

¹¹⁵ Horn et al. 2003

¹¹⁶ Ikenberry and Hartle 1998

¹¹⁷ These net prices can be calculated in different ways, with the two most common being price of attendance less grants (and often education tax benefits) received per student and price of attendance minus total grants and loans. Given these two different methodologies, estimated net prices vary widely. NCES 2005a

¹¹⁸ An NCES study found that, adjusting for inflation, between 1992-93 and 1999-2000 net prices (defined as total price less grants) increased for many undergraduates, including those attending public and private research/doctoral institutions and public two-year institutions. However, when taking loans into account, net prices did not increase over this period; in fact, they declined at public and private not-for-profit comprehensive universities and baccalaureate colleges (Horn et al. 2002).

in the lowest income quintile did not experience changes in net price (price less grants) in any sector between 1992-93 and 1999-2000, while middle- and high-income students experienced increases.¹¹⁹

Despite these complexities, it is important to consider whether prices affect access to college for students with financial need and whether college is affordable for a range of students and their families. One way to approach these issues is to compare net prices with ability to pay, as measured by the percentage of family income needed to pay college expenses. One study showed that net price at public four-year institutions in 2004 averaged 29 percent of family income.¹²⁰ However, the actual range was from 8 percent for those in the highest income quintile to 69 percent for families in the lowest income quintile.¹²¹ Another study found that in 2003-04, in all sectors (public four-year, private four-year, and public two-year), net price as a percentage of income was highest for the lowest quartile of family income.¹²² This evidence suggests that when tuition rises faster than inflation and income, and tuition consumes a growing share of family income, access for low-income students is threatened. As one financial aid expert explains, “[L]ower-income students are the most sensitive to rising tuition prices, and they are the first to be priced out of college as tuition goes up, or to drop out if already enrolled. The price sensitivity decreases as you go up the income ladder.”¹²³

The Good News	The Bad News
Thanks to student aid, the net price most students pay is less than the published tuition price.	Overall, tuition and fee increases have outpaced increases in inflation, financial aid, and income.
<p>The Overall Effect: <i>The effect of these trends differs considerably depending on the type of institution, the type of student, and the years under review. However, given the declining proportion of grants going to low-income students, net prices for low-income students may increase in the future.</i></p>	

Competition and priorities

Most colleges and universities have goals and missions that emphasize education, research, and public service as part of the public good. Yet both private and public institutions exist in a market and must react to various pressures on the demand side of the equation.¹²⁴ Competition has ramped up significantly among colleges

¹¹⁹ Horn et al. 2002

¹²⁰ Defined as total price of attendance less federal, state, and institutional aid.

¹²¹ NCHEMS 2002. It also varied by sector: for public two-year institutions the figures were 22 percent across all income backgrounds, 54 percent for the lowest income quintile, and 6 percent for the highest income quintile.

¹²² Net price defined as total price less grant aid. College Board 2005a

¹²³ Heller 2005

¹²⁴ Although many public institutions, especially less selective or open admissions institutions, are affected primarily by state and local policies, funding, and priorities, market influences are nevertheless a component of institutional choices.

“We have to be careful that in the scramble for prestige we don’t lose our most important focus—open access.”

— Richard Romano, director of the Institute for Community College Research at SUNY/Broome Community College in Binghamton, N.Y.¹²⁷

and universities in order to attract more and better students, gain the panache of being “global” and “high-tech,” launch virtual enterprises, to attract the most prestigious faculty, and increase research funding. This competition for students, revenues, and prestige is not limited to the wealthiest colleges but rather trickles down to virtually all types of institutions.¹²⁵

To an extent, these pressures have occurred because federal and state policymakers would like to see market economics at work in higher education. The tenure system, the lack of learning assessments, and ever-increasing tuitions anger policymakers who feel that higher education is not being held accountable for its performance in the same way that the private sector is. In addition, consumer demand has influenced the practices of postsecondary institutions as students and parents expect new or better services, financial aid packages, facilities, technology, and so on. Colleges and universities react to these demands by increasing expenditures and searching for alternative revenue sources.

This focus on marketing and competition represents a shift from previous years, when higher education was seen as a public investment that was protected from market forces and competition. The intensity of competition that individual colleges face depends on institutional type and size, geographic region, and selectivity levels. Research on the economics of higher education has made it clear that several distortions in higher education make market economics work imperfectly at best.¹²⁶ Still, although most college leaders—probably the large majority—see access for historically underserved students as critical, the rewards and incentives of today’s competition induce college leaders to focus on improving the prestige and status of their institution, goals that are often at odds with accepting students who do not bring high test scores or wealthy parents to the campus. Pressures on colleges and universities to compete for students, funding, and prestige have led to a number of converging trends, including competition for students through the use of tuition discounting, competition for students by providing new services and amenities, and the desire of many public institutions to increase both autonomy and prestige. The extent of these trends differs considerably by sector, but they affect all types of institutions to some degree.

Competing for students through tuition discounting and institutional aid

Tuition discounting by colleges and universities involves reducing the price of attendance for certain students by replacing their tuition with institutional aid. Broadly speaking, institutional aid may be used for a variety of reasons—to attract students with high grades or specific talents, to improve an institution’s

¹²⁵ Much has been written about the growing market and competition in higher education. See, for example, Bok 2003; Brewer et al. 2002; Kirp 2003; Newman et al. 2004

¹²⁶ Distortions include the facts that (1) tuition does not cover the cost of educating a student, (2) students and parents are not well-informed about the product they are buying and thus rely heavily on institutional reputation, and (3) there is a hierarchy of colleges and universities driven by wealth accumulated through donations. Another significant distortion is the importance of prestige in higher education and the way that prestige drives demand even in the absence of solid data about performance and in the face of higher prices. Winston 1997

¹²⁷ Padgett 2005

diversity, or to lower the net price paid by students with financial need. Institutional grants may be need-based or non-need-based. While tuition discounting has helped some colleges increase diversity, it has helped others to improve their student profiles in terms of test scores and other academically based criteria by offering high-scoring students attractive financial aid packages. As a result of tuition discounting, many institutions have significantly increased the aid they award based on academics. This trend is similar to trends at the state and federal policy levels.

In 2003-04, about 19 percent of undergraduates received institutional aid, averaging \$4,257. As would be expected, the awards were highest at private not-for-profit four-year institutions, at which 51 percent of students received institutional aid, averaging \$7,201.¹²⁸ According to a 2004 study, the average tuition discount rate for participating independent colleges and universities was 39 percent.¹²⁹ Between 1992-93 and 2003-04, non-need-based aid at private four-year institutions grew from 29 percent of total institutional grant aid received by full-time undergraduates to 50 percent. At public four-year institutions, that figure rose from 59 percent to 63 percent. More specifically, in 2003-04, grants based solely on academically based criteria accounted for 51 percent of total institutional grants at public four-year institutions and 46 percent at private not-for-profit four-year institutions.¹³⁰

Many educators are troubled that, in both the public and private sectors aid to students from higher-income families is growing faster than aid to lower-income students. An extensive study of this trend revealed that between 1995 and 1999, the average institutional grant per full-time dependent undergraduate student at four-year private institutions grew by 145 percent for students from families with an income of \$100,000 or more. But, institutional grant aid only grew by 17 percent for students coming from families with an income of \$20,000 or less. At four-year public institutions, there was 159 percent growth in institutional grant aid for students coming from families with an income of \$100,000 or more, but only 1 percent growth for students coming from families with an income of \$20,000 or less.¹³¹

It is worth noting that tuition discounting may not be good for the institutions and/or may not produce the desired results. For example, researchers who focused on tuition discounting concluded that, quite often, discounting does not increase net tuition revenue, and it does not always result in improved student quality.¹³³ In fact, tuition discounting has the potential to lead to financial failure for colleges, especially the non-elite or “second-tier” institutions.¹³⁴ In addition, the cycle of oneupsmanship often does not produce the unique competitive advantage that colleges are seeking.

“In 1990, many of the non-elite private institutions and almost all of the medallion institutions [U.S. News & World Report’s top 50 ranking] provided only need-based aid, with the exception of athletic scholarships at some of these institutions. Today, just about all of the non-medallion colleges and even some of the medallions are providing merit aid to enhance the marketing of high-priced educational services to price-sensitive middle-class and affluent families who often are able but unwilling to pay the published price.”

– Lucie Lapovsky, economist who studies tuition discounting and the former president of Mercy College¹³²

¹²⁸ NCES 2005a

¹²⁹ Hubbell and Lapovsky 2004

¹³⁰ Estimates based on NCES, 1993 and 2005a.

¹³¹ Davis 2003

¹³² Lapovsky 2004

¹³³ Davis 2003; Redd 2000

¹³⁴ Davis 2003

“Merit aid’s primary effect is to concentrate talent at schools with deeper pockets. To hang onto some of their best students, schools with fewer resources must nevertheless try to compete. The result is a competitive arms race that siphons away resources that could have been used for need-based grants. As a result, merit aid actually reduces access to higher education.”—Robert Archibald and David Feldman, *College of William and Mary*¹³⁵

The Good News	The Bad News
Some institutional aid is targeted toward low-income students and students of color so that postsecondary institutions can recruit a diverse population of students.	Increasingly, tuition discounting through academically based aid is being used as a tool to attract students with high test scores or other characteristics expected to improve an institution’s prestige.
The Overall Effect: <i>As with federal and state aid, the institutional shift toward academically based aid disproportionately helps students from higher income backgrounds.</i>	

Competing for students through amenities and other services

Colleges and universities face pressures to increase the number and types of services they provide, and these generally require additional expenditures. For example, increasing numbers of non-traditional students at many postsecondary institutions have led schools to offer daycare, transportation services, career counseling, virtual coursework, and so on. At the same time, it is commonly believed in higher education that today’s students are accustomed to comforts, computers, and convenience. In order to attract students, therefore, institutions offer a vast array of amenities, such as new dormitories, student centers, the latest technologies, recreation centers, and other facilities.

Increased spending on campus recreation centers is a good example of this “war of amenities.” Campus recreation is a critical part of the social and educational experience for students, especially for those who reside on campus. In addition to the opportunity to have some fun and blow off steam, campus recreation provides leadership opportunities, offers teamwork experience, and promotes a healthy lifestyle. But the recent surge in spending on campus recreation centers is remarkable. For example, members of the National Intramural-Recreational Sports Association (NIRSA) have built or renovated 45 percent of their indoor complexes just since 1995. The total dollars spent by NIRSA members before 2000 for new construction and renovation of recreational facilities was \$11.69 billion; since 2000, NIRSA members have spent another \$7.12 billion, and plan to build or renovate another 400 indoor facilities and 318 outdoor facilities during the next five years (see Figure 16).¹³⁶

In addition to meeting demands from students and families for more and better services, many institutions—especially community colleges—are expected by state or local governments to provide a number of services to local communities. These can range from offering GED courses to providing career placement offices, small business development centers, and other types of community development initiatives. In many cases, the entire burden of remedial work is also being shifted to community colleges. These types of services are an important part of institutional missions, but they may also increase overall expenditures. At the same

¹³⁵ Archibald and Feldman 2005

¹³⁶ National Intramural-Recreational Sports Association 2004

FIGURE 16: Examples of recent spending on new construction or renovations to campus recreation centers

University of Michigan	\$4.0 million
Boston University	\$90.0 million
Ohio State University	\$139.0 million
Cleveland State University	\$29.0 million
Youngstown State University	\$12.1 million

Source: Sheeran 2005

time, it is important to keep in mind that institutions with few resources—such as rural community colleges or Minority-Serving Institutions (MSIs)—may not be able to upgrade their facilities or provide additional services to their students. The pressure to compete, combined with already strained resources, may put valuable support services at risk, and compromise the traditional mission of MSIs to serve low-income students and students of color.

The Good News	The Bad News
Postsecondary institutions are offering increasing numbers of services and facilities to their students.	These services and facilities require higher expenditures by the institutions, increasing budgets, stretching limited resources, and creating conflicting priorities.
The Overall Effect: <i>Much of the additional institutional spending is targeted toward services that are not related to the education of students, and spending competition can harm schools that serve low-income and minority students.</i>	

Public colleges and universities seeking more autonomy, growing increasingly elite

In the face of competition for students, faculty, research funding, and prestige, a growing number of public colleges and universities have sought to renegotiate their relationship with the state. Many public college leaders believe that freedom from state regulations will give their institutions the added flexibility needed to be competitive and entrepreneurial in today’s market. Policymakers are often in favor of this change because they believe that competition will force colleges and universities to improve performance and lower costs. Public institutions have gained increased autonomy in a number of states, including Massachusetts, Maryland, Colorado, Virginia, North Dakota, Texas, and Oklahoma. So far, most of these changes have been granted for state flagship universities or smaller public colleges with highly specialized missions. These types of changes have occurred

FIGURE 17: Percentage of undergraduates who were Pell Grant recipients at selected flagship universities, 2001–02

University of Virginia at Charlottesville	8.6%
University of Delaware	8.8%
University of Wisconsin at Madison	11.7%
University of Michigan at Ann Arbor	12.5%
University of Colorado at Boulder	13.0%
University of North Carolina at Chapel Hill	13.2%
University of Georgia	13.5%
University of Nevada at Reno	13.7%
University of Kansas at Lawrence	14.1%

Source: Postsecondary Education OPPORTUNITY 2004a

less often at moderately selective or open admissions public institutions, which generally serve local populations and therefore are less focused on competition.

There are some benefits in the trend toward more autonomy. For example, state regulations that govern operational activities such as purchasing and construction often impede an institution’s ability to act quickly. In addition, much of the legislation granting greater autonomy to public colleges and universities has included increased accountability for performance as well. Typically, the accountability measures spell out specific performance expectations for the institution, taking into account the institution’s size, type, and mission. On the other hand, there is concern that public institutions with increased autonomy will feel less connected to the state. As public colleges and universities cater to the expectations of diverse stakeholders—state and local lawmakers, tuition-paying students, foundations, corporations, private donors, the federal government—they may focus less on fulfilling their public mission, such as providing broad access to higher education for their state’s citizens.

A more tangible concern is that the institutions seeking autonomy want one thing in particular: increased authority to set tuition and fees. Many of the colleges and universities involved believe that they are competitive enough to raise tuition rates without suffering decreases in student enrollments. By raising tuition to “what the market will bear” rather than what state legislators will allow, college leaders believe they can increase their tuition revenues substantially. Many college leaders are willing to accept increased performance accountability in exchange for the authority to raise tuition.

In some states, tuition autonomy has resulted in immediate and substantial tuition increases. In fact, in some states where tuition has been deregulated, the subsequent tuition hikes have caused a backlash that has threatened—so far unsuccessfully—to reinstate regulation. In Texas, where the legislature gave the

Boards of Regents of the state’s university systems the authority to set tuition in 2003, tuition rose 37 percent at the University of Texas at Austin and 21 percent at Texas A&M University in 2004. Several bills were introduced in 2005 to repeal this legislation or to set caps on tuition increases.¹³⁷ Oklahoma saw a similar pattern after the legislature transferred authority to the State Regents and then lifted caps on tuition and fees. After the University of Oklahoma raised tuition by 28 percent in 2003-04, the legislature considered reinstating its authority.¹³⁸

The trend of public institutions seeking authority to set tuition rates is occurring as public colleges and universities are growing increasingly elite. Forty-seven percent of the University of North Carolina Chapel Hill’s 2004 freshmen are from families with incomes above \$100,000, and undergraduates’ median family income at the University of Texas-Austin is about \$80,000.¹⁴⁰ Indeed, in a number of states, and in the United States as a whole, the median family income is lower for students at private colleges than for students at selective public colleges, suggesting that private institutions are in some cases providing broader access than selective state colleges and universities.¹⁴¹ These numbers mask wide variation by state, and some flagships are working quite hard at enrolling low-income students. For example, 48 percent of the undergraduates at the University of New Mexico are Pell Grant recipients. However, at the opposite end of the scale, there were nine flagships with less than 15 percent of their undergraduate enrollment made up of Pell recipients (see Figure 17).¹⁴²

From the perspective of an individual institution, or a state’s political context, it often makes sense to shift toward increased autonomy over operations and tuition setting. But these changes also reflect the constant push for prestige within higher education to improve the status and profile of the institution. Taken together, these practices often have negative effects on low-income students and students of color.

“Many [Texas state] senators . . . expressed anger and regret at voting for deregulation in 2003, saying they didn’t expect the rates to go up as high as they did.”
 –Houston Chronicle¹³⁹

The Good News	The Bad News
Some public colleges and universities are finding ways to gain more flexibility and get out from under burdensome state regulations.	A key area of increased autonomy for colleges and universities is tuition setting, which often leads to large and immediate tuition increases.
<p>The Overall Effect: <i>Some public institutions are now able to raise tuition at rapid rates, a practice that threatens to narrow already limited college opportunity for low-income students and students of color.</i></p>	

¹³⁷ Fischer 2005

¹³⁸ Shakeel 2003

¹³⁹ Gilbert 2005

¹⁴⁰ Jaschik 2005b; Ewers 2005

¹⁴¹ Wahl 2002

¹⁴² Postsecondary Education OPPORTUNITY 2004a

Low rates of college retention

Another important trend that has received much attention in recent years concerns the low rates of college retention and graduation at many institutions and the apparent inability of many colleges to help low-income students and students of color attain a degree. Retention involves students' continued enrollment at a specific institution until the completion of a degree or certificate (this is distinct from persistence and attainment across institutions).¹⁴³ According to a recent student-based survey, for all beginning postsecondary students who first enrolled in 1995-96, about 21 percent had attained a bachelor's degree by June 2001, 19 percent had earned an associate's degree or certificate, and 6 percent were still enrolled at their first institution. More than a quarter had transferred to another institution, while 28 percent had left postsecondary education. These numbers are quite different if we focus on students who started at four-year institutions. For these students, 51 percent had earned a bachelor's degree at their first institution within six years, 3 percent had earned an associate's degree or certificate, 6 percent were still enrolled, 25 percent had transferred out, and 15 percent had left postsecondary education.¹⁴⁴

Retention and graduation rates also vary widely across types of students. On average, students attained their bachelor's degrees at a higher rate than their peers if they started at private not-for-profit institutions, enrolled full time, were enrolled continuously, were financially dependent on their parents, did not work full time, and had parents who held a bachelor's degree or higher.¹⁴⁵ While there is a great deal of tension within higher education circles over just how large the disparity is between the graduation rates of low-income students and students of color and their more affluent White peers, no one can argue with the fact that there is a gap. For example, 23 percent of all beginning White students attained a bachelor's degree at their first institutions within six years, compared to 14 percent of African American and Hispanic students. More than 40 percent of beginning dependent undergraduates with family incomes of \$70,000 or more attained bachelor's degrees within six years, compared to 19 percent of those with family incomes of less than \$25,000.¹⁴⁶

Using institutionally based data, the average graduation rate after six years (weighted by enrollment) is 53 percent for first-time freshmen who began in 1996. These rates also vary widely, with about two-thirds of institutions in the range

¹⁴³ Generally, retention means following first-time, beginning students enrolled at their first institution; however, the data often do not take into account transfer among institutions, co-enrollment, part-time enrollment, or the varying goals of groups of students and of institutional missions. This is particularly true for the graduation rates calculated by NCES for all institutions (as required by "Student Right-to-Know" legislation). It is important to note that the practice of using graduation rates to assess institutional performance is fraught with controversy in higher education. Many feel that graduation rates are a poor measure of an institution's performance because students choose to leave postsecondary study for many reasons, ranging from financial concerns to simply having attained the skills they needed even without having attained a degree. Another concern is that, although student-based sample surveys provide accurate retention and graduation rates (see section on persistence in an earlier chapter), they are not conducted on an annual basis and do not provide rates for individual institutions. Nonetheless, measuring graduation rates for each postsecondary institution has become a significant part of the accountability movement, and several higher education associations have supported the creation of a new database that would allow more accurate measures of retention and graduation. See Cunningham and Milam 2005.

¹⁴⁴ Berkner et al. 2002

¹⁴⁵ Berkner et al. 2002

¹⁴⁶ Berkner et al. 2002

of 35 to 70 percent.¹⁴⁷ Generally, colleges that serve large proportions of low-income students have lower graduation rates than their counterparts.¹⁴⁸ Other groups, such as beginning students who enroll part-time, who delay entry into college, who are older than traditional age for college, or who are first-generation college students also are less likely to attain a degree within six years than their counterparts.¹⁴⁹ One study found that, at nearly 39 percent of four-year colleges where at least 5 percent of the full-time undergraduates are African American, the graduation rate for African American students is less than 30 percent.¹⁵⁰

To a substantial extent, the graduation rates of most institutions reflect the different characteristics of their entering students. In fact, one study estimates that roughly two-thirds of the variation in bachelor’s degree completion rates can be attributed to differences in the characteristics of entering students.¹⁵¹ Nonetheless, this means that about a third of the variation can be attributed to other differences, such as institutional policies. Recent research studies have shown that, even among institutions enrolling similar student populations (such as similar percentages of low-income students, less academically prepared students, and/or part-time students), some institutions have higher graduation rates than others.¹⁵² In other words, some institutions have higher graduation rates than one would expect, given the composition of their students bodies. Thus, “high performing” institutions can do some things to improve graduation rates, given the characteristics of the students that attend. Some possibilities include intentional academic planning, small classes, special programs that target at-risk students, developmental education, and retention policies.¹⁵³

“By putting institutional graduation rates in context, comparing a given university only to other institutions with similar students, funding, size, academic mission, etc., we can help control for outside factors that influence graduation rates, and better understand the impact of the institutions themselves. Looked at this way, some colleges and universities simply stand out from the crowd, consistently graduating more students than their peers, year after year. Some, too, stand out for their success with all groups of students. Unlike most colleges, they don’t have a graduation-rate gap between White and minority students. And some stand out for the progress they are making in improving their graduation rates over time.”—Kevin Carey, Education Trust¹⁵⁴

The Good News	The Bad News
Some students have very high retention and degree attainment rates, particularly traditional undergraduates enrolled at four-year institutions. Some institutions are particularly good at graduating students despite the obstacles their entering students face.	Some groups of students graduate from their initial institutions at much lower rates overall, including low-income students and African American and Hispanic students.
<p>The Overall Effect: <i>Without improvement in retention and graduation rates for low-income students and students of color, disadvantaged students will continue to leave postsecondary education without a credential.</i></p>	

¹⁴⁷ Carey 2004. The Education Trust has set up a Web site that allows one to view NCES graduation rates for specific institutions as well as groups of institutions. See <http://www.collegeresults.org/>.

¹⁴⁸ Muraskin et al. 2004

¹⁴⁹ Berkner et al. 2002

¹⁵⁰ Carey 2004

¹⁵¹ Astin 2004

¹⁵² Carey 2004

¹⁵³ Muraskin et al. 2004

¹⁵⁴ Carey 2005

PROFILE: ANYWHERE STATE COLLEGE

In the 1990s, Anywhere State College faced declining student enrollments and a reputation as the “safety” school. At the same time, the demand for improved student services skyrocketed while state and federal appropriations to public institutions did not increase by enough to cover costs. In order to reverse these trends, the institution adopted a three-pronged plan. First, they began to lobby the state for a significant tuition increase, thereby allowing them to cover budget gaps and pay for needed improvements to their aging infrastructure (they focused mainly on updating old dorms, improving Internet access, and renovating the student center). Second, they decided to offer limited PhD programs in hopes that this would boost their prestige and attract more students. Finally, in order to counteract the “sticker shock” reaction to the higher tuition costs, as well as improve their average student profile, the school implemented a program of tuition discounting for high-achieving students, who tended to come from middle-income families.

Mr. Jones, a financial aid officer at Anywhere, watched this transformation with apprehension. Mr. Jones worried about his ability to offer meaningful aid packages to lower-income students in light of these institutional changes as well as new shifts in federal and state financial aid programs. As he put together aid offers for high-achieving middle- and upper-income students, Mr. Jones was able to offer them attractive packages that combined institutional aid, the state academically-based scholarship, and some student loans, leaving a modest family contribution to be paid. Sometimes, for low-income students who did well in high school and received high test scores, he was able to offer them a full ride by combining institutional and state academically based aid with Pell grants and modest loans. However, he had fewer resources available for low-income, high-need students who did not qualify for the academic aid (many of these students also came from low-performing high schools). Neither Pell Grant maximums nor institutional need-based aid had increased when tuition rose, and the state had focused additional resources on the popular academic scholarship rather than expanding the pool of funds available for need-based aid. For low-income students, Mr. Jones was forced to offset the rising tuition by increasing their loan offers. He hoped that these students would be able to graduate and that their degree would enable them obtain a high-paying job that would allow them to pay off their high debt burdens after graduation.

The Role of Students and Parents

The principal partners in the postsecondary education equation are, of course, students and their families. As the actors who save, borrow, and contribute portions of their income in order to attend college, their perceptions of the postsecondary education system as a whole affect the growth and behavior of the system. Their opinions, as well as the opinions of the American public as a whole, tend to relate to two separate and distinct realities that interact in interesting ways at the policy level. The first reality is that there are many people for whom it is a real challenge to afford college. The second reality is that there are many people who *can afford* college, but *do not want to pay* the full cost of attendance.

In 2003-04, three-quarters of both dependent and independent undergraduates earned income from working while they were enrolled (including work-study)—on average, almost \$6,000 for dependent students and \$19,000 for independent students. While students at community colleges tend to be on their own in financing their education, a substantial proportion live at home while enrolled, which represents an important parental contribution. In addition, 58 percent of dependent undergraduates received help from their parents to pay tuition and fees; 53 percent, to pay education expenses other than tuition; 46 percent, to pay for housing; and 55 percent, to pay other living expenses.¹⁵⁵ A 2003 study found that middle-income students were more likely than low-income students to report receiving help from parents in paying tuition.¹⁵⁶

In addition, parents may help students through the admissions and financial aid application process, pay a portion of student loans, or contribute other types of support. In 2004-05, 888,000 federal Parent Loans for Undergraduate Students (PLUS loans) were made, representing more than \$8 billion in annual loan volume. The average PLUS loan was slightly more than \$9,400.¹⁵⁷ Parents may also save money for college through a wide array of college savings schemes, often collectively called “529 plans” after the legislation that created them. Clearly, students and their parents have a significant financial stake in the higher education system.

There is a widespread belief in higher education that some—though not all—students and parents have begun acting as “consumers.” Instead of simply accepting campuses in their current condition or accepting financial aid packages, these “consumers” now make demands for new facilities and more lucrative scholarship support. These consumer-oriented views—whether real or perceived—are in part responsible for driving colleges down some of the competitive paths discussed earlier in this report, encouraging institutions to invest in facilities that increase costs and to divert financial aid to students without financial need.

Some in higher education are expressing deepening concerns about access. A recent survey of public perceptions of and attitudes toward higher education revealed a marked increase between 2000 and 2003 in the percentage of people

¹⁵⁵ NCES 2005a

¹⁵⁶ Choy et al. 2003

¹⁵⁷ College Board 2005b

Figure 18: Percentage of respondents agreeing that, in their state, “there are many people [who are qualified to go to college but] who don’t have the opportunity to do so.”

	2003	2000
General public	57%	47%
High school parents	58%	42%
African Americans	76%	60%

Source: Immerwahr 2004

Figure 19: Percentage of respondents agreeing that, “a college education is necessary for a person to be successful in today’s work world.”

	2003	2000
General public	37%	31%
African Americans	53%	35%
Hispanics	53%	41%

Source: Immerwahr 2004

who agreed that, in their state, “there are many people [who are qualified to go to college but] who don’t have the opportunity to do so.” The change was especially dramatic among high school parents and African Americans responding to the survey (see Figure 18). This view of narrowing access is especially important, given the dramatic growth since 2000 in the number of people who feel a college degree is necessary, especially among Blacks and Hispanics (see Figure 19). African Americans in particular are feeling closed off from the higher education system, even as they are seeing a college degree as more and more necessary. In addition to feeling that there are many qualified people denied access to college in their state, 56 percent of Black respondents say that students of color have less access to college, and 63 percent say that low-income students have less access.¹⁵⁸

These attitudes and perceptions have ramifications at the federal, state, and institutional levels. On the one hand, the behavior of some students and parents—such as demands for more amenities and the desire for more non-need-based aid—reinforces trends that are detrimental to disadvantaged students. On the other hand, there are groups within society that feel increasingly shut out of the system. Where the influences of these two groups converge, and what impact they have, is difficult to assess and depends in large part on their political power.

¹⁵⁸ Immerwahr 2004

The Good News	The Bad News
Both students and parents contribute in many ways to their postsecondary education, using income, savings, and loans to support their endeavors.	For many students, paying for college represents a hardship. A significant proportion of the population feels that college is unaffordable.
<p>The Overall Effect: <i>Students and parents continue to play an important role in supporting the higher education system. However, it is important to address the dissatisfaction and misunderstandings that exist and to continue to make a college education accessible and affordable.</i></p>	

The Role of the Private Sector

There has been limited but growing awareness of the importance of the private sector in expanding college opportunity. This includes corporations, nonprofit organizations, community foundations, national service organizations, and local groups. Private organizations need to be recognized as key partners in this effort. For example, many companies are involved with various programs that reach into high schools to promote academics and awareness of college admissions practices. Often, these companies or not-for-profit organizations partner with colleges or state agencies on various early intervention or awareness programs.

While the private sector is involved in college access in a variety of ways, private sector programs frequently are not targeted toward students with the most need. For example, employer tuition assistance programs for employees and employee dependents, corporate-sponsored training programs at colleges and universities, and promotions based on credential attainment are all significant private influences on student access to postsecondary education. A 1999 report found that, in 1995-96, about 6 percent of undergraduates and 13 percent of graduate and professional students received financial aid from their employer.¹⁵⁹

In addition, although the private sector often is not included in discussions about financial aid, it plays a critical role in expanding access and choice for low- and middle-income students by providing financial assistance such as scholarships and private loans. For example, a recent estimate of private scholarships awarded to students in 2003-2004 put the volume at approximately \$3.1 to \$3.3 billion, comprising about 7 percent of all grants awarded, with 1.4 to 2.3 million recipients.¹⁶⁰ Private scholarships often target certain groups of students, such as students with particular musical talents or students who have faced significant challenges in their lives. However, the students most likely to receive private scholarships were undergraduate, middle-income, traditionally aged, dependent students attending four-year institutions. Among the most common eligibility criteria for private scholarships were intended major, in-state residency, and academic achievement; the most common award criteria were

¹⁵⁹ Lee et al. 1991

¹⁶⁰ Institute for Higher Education Policy 2005b

academic achievement, service, and then need.¹⁶¹ Private scholarships complement other forms of aid, make college more affordable, and help students to exercise more choice in college selection. However, private scholarships represent another area of financial assistance that does not necessarily target low-income students. By one estimate, only 33 percent of private scholarships go to students from the lower half of the nation’s income distribution.¹⁶²

As mentioned earlier in this report, private loans are now the fastest growing area of financial assistance to pay for college. Private borrowing grew by almost 32 percent in 2004-05 over the previous year; in contrast, federal grant aid grew by 3 percent and federal loan volume grew by 9 percent, although from higher bases.¹⁶³ The total volume of private loans was almost \$14 billion in 2004-05, representing approximately 18 percent of total student loan volume (federal loan volume was about \$67 billion).¹⁶⁴ However, only 5 percent of undergraduates took out private loans in 2003-04 (with 24 percent of professional students taking out private loans).¹⁶⁵ Students and parents turn to private loans when the combination of state, federal, and institutional grants and loans does not cover what is needed or what they are able to pay. Like private scholarships, private loans appear to expand institutional choice, allowing students to find ways to go to their preferred institution even if it is more expensive.¹⁶⁶ The drawback is that private loans are less beneficial in the long run for, unlike government loans, private loans are not subsidized and may have higher interest rates or otherwise less favorable terms for students.

The Good News	The Bad News
<p>The private sector plays an important role in offering financial aid to students and in participating in early intervention programs and other activities that improve access and affordability for students.</p>	<p>Private sector scholarships often do not target the students with the most need, and private sector loans may be less beneficial than federal student loans.</p>
<p>The Overall Effect: <i>An expanded role for the private sector in supporting higher education would be beneficial, but it is important for private organizations to target a substantial proportion of their resources to the students with the highest need, thereby maximizing their impact.</i></p>	

¹⁶¹ Institute for Higher Education Policy 2005b
¹⁶² Heller 2005
¹⁶³ In current dollars. College Board 2005b
¹⁶⁴ College Board 2005b
¹⁶⁵ NCES 2005a
¹⁶⁶ Institute for Higher Education Policy 2003

Principled Higher Education

How Should We Move Forward?



It is clear from the evidence presented in this report that many groups of citizens are effectively excluded from participation in higher education, whether for financial, academic, or other reasons. Currently, these groups cannot fully access the benefits of higher education without assistance. What are the implications of this loss to society? What will happen if the convergence of existing trends continues to narrow higher education opportunity for many prospective students?

The intention of this report was not to calculate a single, devastating statistic about higher education's future or to announce a ground-breaking new finding. Instead, the focus of this report was to survey the landscape, to review the various trends affecting higher education, and to create a sense of the magnitude of the impact that their convergence will have. The points at which these trends converge and interact with each other are missing from the big-picture dialogue about higher education in America.

For example, the greater demands on institutions for more goods and services increases institutional spending; when state appropriations cannot keep up, tuition typically increases. In addition, while the growth of state-level academically based aid programs is worrisome, it is not by itself going to close off access for low-income students and students of color. However, add academically based aid to the simultaneous rise in tuition, the limitations of Pell Grants, threats to programs that reach out to low-income and first-generation students, and high debt levels of some groups of students, and together these trends will have a substantial impact on the access and persistence of low-income students and students of color. Society needs to view these trends as a whole, not as singular, unrelated developments.

The magnitude of the convergence of these trends is impossible to predict in numerical terms. But the overall effect is easy to see. For those who have never been well-served by our higher education system—particularly low-income students, students of color, and first-generation students—there is a serious likelihood that college opportunities will be even further constrained in the future. If current trends continue unchecked, we can expect that:

- More financial aid will flow to students and families in the upper-income categories, who can already afford to pay for and enroll at the institutions of their choice.

- ▶ For all low-income students except the very highest achievers, financial aid will be less effective in the face of rising tuition.
- ▶ On the whole, higher education will grow less affordable. Those that do enter higher education will be forced to take on more debt. For the students who take on debt but never graduate, college will be seen as an experience that causes more harm than good.
- ▶ Upward mobility will be less and less a reality for low-income citizens. There will be less opportunity for people to achieve the American dream. Social stratification will increase, to the detriment of society as a whole.

If historically disadvantaged groups continue to sit at the edges of higher education, they will not be able to reap the benefits such an education would provide. This represents a loss to society as a whole. But there are strategies on hand that can make a difference. Targeting the investment of future monetary and non-monetary resources toward marginalized groups of students would lead to the greatest return to society.

Recommendations for Change

Countering the convergence of these trends will require more than tweaking at the margins, and more than just money. It will require a true partnership among governments, institutions, the private sector, and students and parents that dedicates time, understanding, effort, political capital, and financial resources to ensure that college opportunities are available to students who would not otherwise attend. Solid strategies are available to the higher education community to address this convergence of trends, but all partners will have to change significantly.

The partnership that can achieve these changes should develop a coordinated strategy and must include local, state, and federal lawmakers; students and parents; the private sector; the media; higher education associations and analysts; and college faculty, staff, and leadership at all kinds of institutions—two-year and four-year, nonprofit and for-profit, large and small, selective and open admission, local, regional, and national. That partnership will need to operate on a few focused, core principles:

- ▶ Resources should be focused on those who need them—students who would not otherwise attend and complete college.
- ▶ Rewards should flow to those institutions and organizations that serve society well by broadening access and success for students who would not otherwise attend and complete college.
- ▶ Programs and policies that encourage success already exist and should be expanded.

These principles are discussed below, along with recommendations for achieving them.

PRINCIPLE 1: *Resources should be focused on those who need them—students who would not otherwise attend and complete college*

College access policies are working rather well for some students, producing increased college participation over recent decades. Given the success attained by students with higher incomes, wise public policy for the future will focus the bulk of resources on ensuring affordable and high-quality postsecondary opportunities *for those who would not otherwise have attended and completed college*. To do so will require partners to pursue a number of initiatives at the institutional, state, and federal levels.

The GI Bill, Pell Grants, and the community college movement are all examples of large infusions of public funding into higher education at the federal level. In each of these cases, the long-term payoff to society has been indisputable. It is time for such an infusion into the Pell Grant program, reinforcing the federal government's commitment to providing opportunity in higher education. Not all of this infusion has to come from new money. Redirecting current financial aid targeted at middle- and upper-income students could help to bolster need-based aid. For example, Hope Scholarship tax credits for tuition now equal about half of the cost of Pell Grants, or about \$5 billion each year.¹⁶⁷

- ▶ **Recommendation:** *Forgone tax revenue from the Hope Scholarship tax program should be redirected to promote access for students who otherwise would not have gone to college. This could be accomplished by using the savings from an elimination or modification of the tax credits as entitlement-based support under the Pell Grant program.*

Applying for financial aid should be a simple and transparent process to ensure that those who need financial aid the most—often those who are not already familiar with the process and system—are encouraged to apply. Several studies have found that the complex and cumbersome process of applying for aid through the Free Application for Federal Student Aid (FAFSA), combined with a lack of information, is a real barrier to college access for low-income students.¹⁶⁸ The Advisory Committee on Student Financial Assistance recently recommended major reforms that would significantly simplify the student aid system. These included allowing all students to apply for financial aid earlier, creating a simpler paper EZ FAFSA for low-income students, and making the FAFSA relevant and understandable by (1) eliminating questions that are redundant or irrelevant to federal or state aid eligibility and (2) simplifying the language used on the form to make it more accessible to students and families.¹⁶⁹

¹⁶⁷ Baum 2004

¹⁶⁸ In his book, *The Price of Admission: Rethinking How Americans Pay for College*, Thomas Kane argued that while low-income students are aware of high tuition levels, they “may be less able to anticipate how much aid they could receive or to clear all the bureaucratic hurdles on the way to receiving it” (Kane 1999). Similarly, the Advisory Committee on Student Financial Assistance (ACSFA) developed a list of access barriers that range from poor information and impenetrable forms to insufficient total aid (ACSFA 2005).

¹⁶⁹ ACSFA 2005

- **Recommendation:** *Improve the student aid application system by providing more accessible and timely information using technology.*

The federal Leveraging Educational Assistance Partnership (LEAP) Program provides federal incentives for states to support need-based grant aid. Over the past decade, funding for LEAP has declined 31 percent in constant dollars, and now the Bush administration is proposing to eliminate the program altogether.¹⁷⁰ In the current financial aid environment, the federal government can be a guiding hand in helping states to recommit to need-based aid. Programs like LEAP should be strengthened and expanded, not abandoned.

- **Recommendation:** *Expand LEAP to encourage private sector investment in need-based student aid, thereby engaging the capacities and resources of the private sector to the cause of increasing college opportunity.*

The majority of state financial aid programs are need-based, and funding for these programs continues to increase. However, the shift toward academically based aid is worrisome because the funding tends to go to more affluent students.

- **Recommendation:** *Maintain the large majority of state financial aid as need-based, thereby ensuring that low-income students get college educations and contribute to the economic and social development of the state.*

States establish academically based aid programs for specific reasons, including encouraging students to stay in-state. In states with academically based aid, those programs must be structured thoughtfully to ensure positive results. States should construct broad academically based aid programs in a way that is sustainable, avoiding the plight of many states that have found an unwieldy proportion of their available financial aid funding swallowed by academically based aid. Academically based aid programs should include income caps to ensure that taxpayer dollars are not flowing disproportionately to those who do not need them. If a student qualifies for the Pell Grant and for a state academically based aid program, the Pell Grant should be used to supplement, not replace, the academically based state aid. And academically based programs should be well publicized and easy to apply for, so that students from all backgrounds have an equal opportunity to participate.

- **Recommendation:** *Academically based aid programs should be structured so that they are sustainable, employ income caps, prohibit the replacement of state aid with Pell Grant dollars, and are well publicized.*

There must be a thorough examination of tuition and aid policies at both the state and institutional levels, as the two are interrelated. Tuition and aid policies should work in concert to ensure that, ultimately, as many people as possible have the chance to attend and succeed in college. Policymakers must recognize

¹⁷⁰ College Board 2005b; U.S. Department of Education 2005

that the high cost of tuition and availability of financial aid affect whether low-income students enroll. Increasing amounts of institutional aid are being directed to students who would enroll without it, and the evidence suggests that tuition discounting has negative consequences for both students and institutions. College presidents, as leaders in our system, must reaffirm their commitment to assisting students with financial need.

- **Recommendation:** *Keep a state's tuition increases in check by limiting them to average increases in family income in that state.*
- **Recommendation:** *Begin to shift the balance of institutional financial aid back to those who are otherwise qualified but lack the resources to attend college.*

RETREATING FROM TUITION DISCOUNTING

There are a small but growing number of colleges that have frozen or reduced tuition in an attempt to relieve the burden of tuition, to remove themselves from the tuition discounting game, and often, to gain the publicity that comes with such a unique and enticing announcement. In early 2005, St. Louis Christian College in Florissant, MO, announced free tuition, a move that reduced the full cost of attendance from about \$10,000 a year to about \$6,000 a year.¹⁷¹ Eureka College, Ronald Reagan's alma mater, reduced tuition for 2004-05 from \$18,700 to \$13,000. Applications to Eureka increased threefold. Westminster College in Fulton, MO, cut tuition for 2003-04 to \$12,300 from \$15,360, and reaped an enrollment increase from 660 to 860 students over four years.¹⁷² The end result for many of these institutions is that they have more applicants and a higher student yield, and they recoup the tuition loss through expanded enrollments.

¹⁷¹ Kumar 2005

¹⁷² Kumar 2005; Stanek 2005

PRINCIPLE 2: *Rewards should flow to those who serve society well by broadening access and success for students who would not otherwise attend and complete college*

Policymakers face a number of competing priorities when they make decisions related to higher education. The priorities and rewards in the current system push policymakers and institutions to invest in practices that do not broaden access to higher education. The key to stabilizing or reversing these trends—and making access the most important priority—is to change the incentive structures in which the various partners who support the higher education system operate.

On the federal level, beyond the traditional role of using financial aid to provide access and choice, policymakers have increasingly reacted to the clamor for funds to increase affordability for middle-income families. The middle class represents a large voting bloc for politicians, and programs such as the tax credits discussed earlier in this report are popular among the middle class (as are academically based aid programs at the state level).

Federal policymakers need to be reminded that the greatest return on taxpayer investment comes from funding students who would otherwise not have enrolled in college, rather than funding those who will attend college regardless. Investment in need-based aid provides the most benefits to society as a whole. At the same time, investment should be increased in institutions that contribute in a significant way toward student access and success. One way to do that is to strengthen the capacities of minority serving institutions (MSIs) to educate the nation's emerging majority populations. Tribal Colleges and Universities (TCUs), Hispanic-Serving Institutions (HSIs), and Historically Black Colleges and Universities (HBCUs) and other predominantly Black institutions represent some of the nation's most important but underutilized postsecondary education resources. These institutions educate a total of more than 1.8 million students. Most MSIs have taken on the responsibility for educating students who traditionally have been denied access to adequately funded K-12 schools, especially low-income, educationally disadvantaged students. Yet significant funding gaps remain for these institutions. Several steps should be taken at the federal level to strengthen MSIs and to assist community colleges and other institutions that predominantly serve students from disadvantaged backgrounds.

- ▶ **Recommendation:** *Strengthen the capacities of MSIs to educate the nation's emerging majority populations by (1) expanding both the scope and the authorization levels of Titles III and V under the Higher Education Act and (2) investing in programs that concentrate on the recruitment and retention of students in the STEM fields (Science, Technology, Engineering, and Mathematics).*

On the state level, policymakers must grapple with competing priorities that stem from state budget concerns as well as from the desires of taxpayers, some of which are at odds with the goal of expanding access for underserved students. For example, academically based aid programs offer incentives to keep students in-state and reward students for attaining high test scores or GPAs. The rewards for politicians who support such programs are easy to see; therefore, these

programs garner significant support among politicians, even when they do not target financial aid at students with financial need. Similarly, the creation of other non-need-based aid programs may stem from workforce needs or other specific state goals. In the case of tuition, policymakers may feel pressure to allow tuition increases in order to shift budget expenditures into other areas, such as Medicaid, or to allow a flagship public university to pursue initiatives that will increase its prestige. Nonetheless, state policymakers can also be reminded of the benefits of investing in higher education, in both economic and social terms. The rewards for local communities and states are large.

- ▶ **Recommendation:** *State policymakers should (1) ensure that financial aid programs are efficient and target the intended populations, and (2) implement programs to reward public institutions that perform well in attracting and retaining low-income students and students of color.*

The Supreme Court ruled in favor of continued use of affirmative action, noting that maintaining diversity in the student body is “a compelling state interest.” With this mandate in hand, state (as well as institutional) policies and practices should continue to uphold and utilize affirmative action with the goal of achieving equality of educational opportunity.

- ▶ **Recommendation:** *Policymakers should continue to support affirmative action, campus-based diversity programs, and initiatives that reach out to students of color in middle and high school to ensure that students of color enroll, persist, and graduate at levels that secure equality in our higher education system.*

At the institutional level, the priorities and rewards in the current system push colleges and universities to compete for students and make expenditures that do not necessarily improve the quality of the learning experience for students. Competitiveness has resulted in counterproductive methods of organizing the higher education system. Institutions must recommit to the goal of expanding college opportunity by focusing on need-based aid, keeping tuition affordable, and working on retention and success practices. To do this, rewards should accrue to the institutions that enroll, retain, and graduate historically underserved students. The accountability movement could be leveraged to keep tuition affordable; assess the quality of the learning experience and continuously seek to improve it; and reward those institutions that have demonstrated high success rates for all of their students, including low-income students, students of color, and first-generation students.

- ▶ **Recommendation:** *The federal government should create a new, prestigious competitive grant for colleges and universities that gives financial support and recognition for attempts to improve success rates for students who historically have not been well served by the higher education system.*

Publications that issue college rankings push many college leaders to focus on improving their student profiles by recruiting students with high GPAs and high test scores—i.e., typically students who have enjoyed educational advantages

throughout their lives. College rankings should be evaluated and updated to include measures related to how well institutions are promoting access and opportunity—measures such as graduation rates of low-income students, average tuition increases, or the cost of attendance for low-income students.¹⁷³ Until that happens, however, we need college leaders willing to take risks and willing to broaden access and success rather than seeking to enroll students who improve *U.S. News* rankings. Their boards, faculty, and staffs need to support these efforts.

- ▶ **Recommendation:** *Encourage college rankings to incorporate measures that reflect a college's commitment to opportunity.*

SOME ELITE INSTITUTIONS ARE FOCUSING ON LOW-INCOME STUDENTS

Recently, a number of prestigious public and private universities (many of which currently serve only a small number of low-income students) have started ambitious financial aid programs, and many are already reporting significant increases in enrollments of low-income students. In 2001, only 13 percent of undergraduates at the University of North Carolina at Chapel Hill were Pell recipients. In 2003, the university created the Carolina Covenant that covers the full cost of attendance with grant money for students from family incomes up to 150 percent of the poverty level.¹⁷⁴ Similar steps have since been taken by other publics, including the Universities of Virginia (9 percent on Pell), Minnesota (16 percent on Pell), Michigan (13 percent on Pell), Maryland (19 percent on Pell), and Nebraska (19 percent on Pell).¹⁷⁵ Among the privates, a small but growing number of schools have reduced family contributions or replaced loans with grants for low-income students, including Harvard, Princeton, Rice, and Yale universities and Dartmouth College.

These prestigious institutions are also wealthier than most, meaning that they have more resources to dedicate to financial aid. Still, this focus on low-income students is an important trend that can and should be emulated, to the extent possible, by other types of institutions.

¹⁷³ Archibald and Feldman 2005

¹⁷⁴ Postsecondary Education OPPORTUNITY 2004a; Jaschik 2005b

¹⁷⁵ Jaschik 2005b; Bruininks 2005

Students and parents often behave in a way that encourages institutions to try to improve prestige, such as demanding more facilities and using published tuition and fee levels as a signal of institutional quality. At the same time, some students do not attend college, or attend a lower-priced institution, because they do not have good information about the price of college, availability of financial aid, and real net prices they can expect. Students and parents, who also are taxpayers, need to understand how their tax dollars are being used to make higher education more affordable and accessible.

- **Recommendation:** *Publish and disseminate better information about these issues and explain how the incentives to spend more money lead to increased tuition.*

In clear, unequivocal terms, institutions and those who represent them must make the case that investment in higher education pays off. Studies such as those conducted in the last few years on the benefits of investment in higher education must be undertaken on a much larger scale, with data about the relationship between educational attainment and income, jobs, reduced government expenditures, and improved social status. In forceful and concrete terms, institutions need to persuade their legislators and members of Congress that the investments they make matter. Students need to be much more engaged as effective advocates for their own futures, telling the story about the opportunities they have as a result of supportive initiatives such as Pell Grants, affirmative action programs, quality science and technology programs, and effective mentoring and support.

PRINCIPLE 3: *Programs and policies that encourage success already exist and should be expanded.*

While most literature about college access and success focuses on financial aid, that aid is not enough to ensure that students have a successful academic experience. Advantaged students come into higher education with a safety net of wealth, solid secondary school preparation, and counselors or college-educated parents who help them to navigate everything from housing to course registration to finding tutors and mentors to help with academic troubles. As a result, students with these advantages graduate at much higher rates. Students without that safety net are left to sink or swim. But the safety net can be created for them with programs that turn success into a process by bundling activities such as tutoring, advising, and mentoring into their daily lives.

Many institutions have already figured this out and have created highly successful programs that are just waiting to be studied and emulated. One successful model is the effort by Minority-Serving Institutions to increase the graduation rates of their students. In short, some institutions are supporting success among their students regardless of their background. These institutions no longer believe that low rates of success are acceptable simply because some students arrive with fewer advantages than others. A promising path of research would be to study the processes in place at colleges that are succeeding

with all of their students and the advantages higher-income students bring with them to campus.

- **Recommendation:** *Governments and the private sector should provide incentives for colleges that implement successful processes. Incentives could include dedicated funding streams for academic advising and tutoring, incentive funding for outreach programs, and performance-based funding for enrolling and graduating low-income students.*

States, the federal government, and the private sector also have important roles to play in supporting activities that prepare low-income and first-generation students for college. These roles include improving K-12 schools and developing outreach programs that give students information about, awareness of, exposure to, and rigorous preparation for college. In recent years, there has been an increase in the number of state early intervention programs, often in response to federal GEAR UP funding. These programs need to be better evaluated to determine “best practices” across states. This effort may result in better targeting of students, for example, or opportunities to tie scholarships to early intervention efforts. Also, states are the primary locus of activity for K-12 reform efforts.

At the federal level, rather than eliminate early intervention programs, policymakers must increase funding for TRIO and GEAR UP in order to support state efforts as well as to reach all eligible children. The federal government also plays an important role in setting the direction for academic preparation efforts, including efforts to improve K-12 education.

- **Recommendation:** *The federal government should leverage funding by offering grants to states or institutions that support efforts to increase persistence, along the model of GEAR UP.*

Finally, the private sector plays an important role in this arena, with many organizations partnering with institutions and states to provide information or intervention programs. These efforts could be more effective if best practices were known and if, to the extent possible, private organizations focused their support on students who might not otherwise attend college.

- **Recommendation:** *Private organizations could tie scholarships and other programs to early intervention efforts in order to create a seamless support system from K-12 to the attainment of a postsecondary degree.*

Creating a National Dialogue

These three principles and the accompanying recommendations are just some of the ways to slow or reverse the convergence of trends that threaten to narrow college opportunity in America. Indeed, to truly have an impact on the convergence of these trends, there must be sustained effort at many levels. This may seem a daunting challenge. Beyond this report, one way to begin the dialogue about these issues and to help advance the action required is through an effort we call the National Dialogue on College Opportunity. This would be a

private, nonpartisan effort, funded by a coalition of foundations, corporations, and community-based organizations. The National Dialogue on College Opportunity would function like a standing committee, with a board of college presidents, federal and state policymakers, business leaders, and students, working together on a campaign to create sustained discussion about the intersection of the trends outlined in this report.

The National Dialogue could play several key roles, including:

- ▶ Convening town hall meetings, policymaker forums, and conferences of educators to tackle these issues in a holistic way;
- ▶ Supporting research and the continued dissemination of information at the national, state, and local levels about the convergence of these trends;
- ▶ Developing model legislation for states to consider as they formulate their higher education policies; and
- ▶ Monitoring the progress of institutions in improving college opportunity and strengthening their own capacity to serve more students with a high-quality postsecondary education.

The National Dialogue on College Opportunity will not solve the impending crisis in college opportunity. But it will be a concrete first step in a national effort to address the growing prospect that our higher education system fails to serve our citizens equally and fairly. In these times of increasing concern about homeland security, global competitiveness, and national economic growth, investing in what we know works best—supporting students who otherwise would not be able to go to college—is the way to achieve the goals of prosperity, security, and harmony for all Americans.

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