

PROMOTING EQUITY THROUGH NEED-BASED AID

By Eleanor Eckerson Peters, Amanda Janice Roberson, and Mamie Voight

A college degree acts as a catalyst for economic and social mobility for low-income and working-class students and students of color. But higher education cannot fulfill its true potential as a driver of equity and mobility without tackling the nation's college affordability problem for low-income and working-class students. Discussions with students make clear that targeted need-based financial aid is necessary to overcome substantial affordability challenges and provide all students with access to the benefits of higher education.

YUDERKA, a mother of three, is building on the associate degree she earned at Bronx Community College by studying business administration and human resources at Lehman College. Yet despite working 40 hours per week at two jobs, she explained, *“the help that the government gave to me to pay my tuition has been amazing because without that financial aid, [I] probably...[would] not be able to come to school.”*

JUSTIN, a U.S. Navy veteran and business administration student at Ivy Tech Community College in Columbus, Indiana, shared that he's, *“not struggling too bad[ly]”* to cover college costs because of the federal benefits he receives through the Pell Grant and GI Bill. Without this aid, however, he said he would need to *“work more”* and *“probably focus less on school,”* compromising his ability to do well academically. Thanks to the financial support he receives, Justin is on track to complete his associate degree in five semesters.



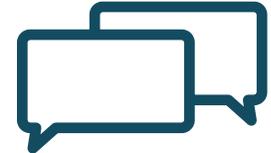
“Financial aid is a great help. It’s helping low-income students get to college, get their degree, and become something in life.”

Diana
Student at Lehman College in the Bronx, New York

Although need-based aid is a vital support for low-income and working-class students, the amount of aid these students receive is often not enough to fully cover their tuition and non-tuition costs. **DIANA**, a psychology major at Lehman College who lives with her family, explained that while the Pell Grant and state financial aid she receives are helpful, *“at the same time, the money runs like water”* and does not fully cover her expenses beyond tuition—like transportation costs, utilities, and the contributions she makes to her family for groceries.

Unfortunately, Diana is not alone. Recent trends in federal, state, and institutional aid have shifted the financial burden of earning a college degree to students like Diana and their families. The purchasing power of the Pell Grant has declined precipitously as award increases have failed to keep pace with rising college costs.¹ More

In 2018,



IHEP interviewed a diverse group of low- and moderate-income college students from across the United States to understand the affordability challenges they face, as well as learn how policymakers can better support their success. Student stories included here were collected during those interviews.



than half of all states now rely more heavily on tuition dollars than government funding to fund public higher education.²

And many institutions use financial aid dollars to attract affluent students, diverting aid away from students who need financial support to earn a degree.³

These trends are particularly troubling for low-income and working-class students like Yuderka, Justin, and Diana. Today, the lowest-income students must devote an amount equivalent to more than 150 percent of their family income towards college.⁴ In the face of these high prices, students are forced to make difficult decisions. Students like **MARKEITH**, who attends Wayne State University in Detroit, Michigan, and **NADA**, who attends George Mason University in Fairfax, Virginia, take fewer courses per semester or forgo purchasing textbooks to make up the difference—strategies that are necessary, but can make it difficult for them to persist and earn a degree.

Targeted need-based financial aid provides essential assistance to hardworking students like Yuderka, Justin, Diana, Markeith, and Nada, who are struggling to cover tuition and non-tuition costs. To improve federal, state, and institutional need-based aid programs, and ensure the doors of opportunity are open to students of all backgrounds, policymakers must:

EQUITY-DRIVEN FREE COLLEGE:

When designed to prioritize an equitable distribution of resources, tuition-free college programs are promising strategies to help more students access and complete a college education. However, IHEP research reveals that two statewide free college programs—New York’s Excelsior Scholarship and the Tennessee Promise—do not allocate enough scarce state dollars to students with the greatest need, nor do they improve college affordability for these students.⁵ To be equity-driven, state-based free college programs must invest first in low-income students, fund non-tuition expenses, and support targeted need-based grant programs, like New York’s Tuition Assistance Program.

STRENGTHEN THE NEED-BASED FEDERAL PELL GRANT

The Pell Grant is the cornerstone of federal student aid. For decades, it has helped low-income and working-class students move up the ladder of economic mobility. Federal policymakers should **significantly increase the maximum award** to restore the purchasing power of the Pell Grant, **permanently index the grant to inflation** to prevent future decline, and **make program funding mandatory**—not discretionary—to reduce annual uncertainty.

BETTER TARGET FINANCIAL AID FUNDING TOWARD STUDENTS WITH THE GREATEST NEED

State policymakers should design need-based aid programs that **prioritize reducing tuition and non-tuition expenses for students with financial need**, not discounting college for well-resourced students. (See the Equity-Driven Free College call-out box for an example from New York.)

Institutions, especially those that are well-resourced, should **target scarce financial aid dollars to students with the greatest need**.

To direct more grant aid to the lowest-income Pell Grant recipients, federal policymakers should adjust the federal needs analysis rules to **allow for a negative expected family contribution (EFC)**.

1 IHEP analysis of average tuition and fees and room and board from National Center for Education Statistics Digest of Education Statistics, 2017 and maximum Pell Grant data from College Board Trends in Student Aid, 2018.

2 State Higher Education Executive Officers Association. (2019), SHEF: FY 2018. Retrieved from: <https://sheeo.org/project/state-higher-education-finance/>

3 Burd, S. (2016), Undermining Pell: Volume III. New America. Retrieved from: <https://www.newamerica.org/education-policy/policy-papers/undermining-pell-volume-iii/>

4 IHEP analysis of 2015–16 National Postsecondary Student Aid Study (NPSAS:16) data.

5 Poutré, A. & Voight, M. (2018), The State of Free College: Tennessee Promise and New York’s Excelsior Scholarship. Institute for Higher Education Policy. Retrieved from: <http://www.ihep.org/research/publications/state-free-college-tennessee-promise-and-new-yorks-excelsior-scholarship>