

ILLUMINATIONS™

Highlighting important research in postsecondary education access



THE ISSUE:

The value of postsecondary education can hardly be overstated. A well-educated workforce is critical to the economic and social health of every state, especially in today's global, information-based economy. In fact, higher education may be the most important key to the nation's continued prosperity and to the full participation of its people. But the rising cost of college makes that key difficult to grasp — particularly for low-income students. Over the past few years, national organizations have issued no fewer than six major reports on the forces that limit Americans' access to higher education:

- **Empty Promises: The Myth of College Access in America** (Advisory Committee on Student Financial Assistance; June 2002).
- **Losing Ground: A National Status Report on the Affordability of American Higher Education** (National Center for Public Policy and Higher Education; May 2002).
- **Unequal Opportunity: Disparities in College Access Among the 50 States** (Lumina Foundation for Education; January 2002).

- **Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity** (Advisory Committee on Student Financial Assistance; February 2001).
- **College Affordability: Overlooked Long-Term Trends and Recent 50-State Patterns** (USA Group Foundation, now Lumina Foundation for Education; November 2000).
- **Measuring Up 2000: The State-by-State Report Card for Higher Education** (National Center for Public Policy and Higher Education; November 2000).

These reports cite sobering facts and point to issues that demand thoughtful attention — and action — from higher education leaders and state and federal policy-makers.

THE FACTS:

✓ The cost of college is increasing sharply.

- From 1992 through 2001, average tuition at four-year public colleges and universities rose faster than median family income in 41 of the 50 states.
- During the 10-year period ending in 2000-2001, after adjusting for inflation, average public four-year college tuition and fees rose 40 percent, compared to 33 percent for private four-year colleges.
- Only five states earned an "A" for college affordability in a recent state-by-state report card for higher education, and more than two-thirds of the states scored a "C" or lower.

✓ Not surprisingly, low-income students have been hit hardest.

- Since 1980, tuition at public four-year colleges has remained at about 5 percent of

family income for the wealthiest Americans. For the nation's lowest-income group, tuition at these schools has increased dramatically, from 13 percent of family income to 25 percent.

- For low-income families, average unmet need — the amount of money needed each year to pay for college after financial aid and expected family contributions are applied — was nearly \$5,000 in 2000, a 14 percent increase since 1996.

✓ Government-funded financial aid programs aren't keeping pace.

- In 1986, the average Pell Grant covered 98 percent of tuition at a public four-year school. Today, these federal, need-based grants cover only 57 percent of state-school tuition.
- On average, state grant programs — which vary widely in scope and are not always based on financial need — covered 75 percent of state-school tuition in 1986. By 1999, that figure had dipped to 62 percent.
- Non-need-based aid, which is growing significantly faster than need-based aid, now constitutes 25 percent of all state aid dollars.
- In 2000, total federal, state and institutional aid covered only 75 percent of demonstrated student financial need.



"The continuing pattern in setting tuition over the past 20 years is that, during recessions, the financial problems of states and colleges are given more weight than those of students and families."

— Patrick M. Callan
National Center for Public Policy
and Higher Education

✓ Educational opportunity is unequal among states, and state appropriations are inadequate in virtually every state.

- Two-thirds of the total amount of states' need-based financial aid is concentrated in just seven states.
- Although state appropriations to public colleges and universities rose 13 percent from 1980 to 1998 (in constant dollars per student), tuition revenues more than doubled.
- Between 1990 and 1999, the share of state

appropriations for higher education declined in 47 of 50 states, as measured by tax fund appropriations per \$1,000 of personal income.

✓ **More families are borrowing more than ever to pay for college; loans have replaced grants as the primary method of paying for higher education.**

- In 2000, the average debt load of a four-year public college graduate was around \$17,000, more than double the level in 1991.
- Student loans paid for 95 percent of the increased charges to students at four-year public colleges between 1991 and 1995. In the following four years, loans covered 62 percent of these increases.


WHAT'S NEEDED:

✓ **State policy-makers must resist the quick-fix solution of cutting higher education budgets.** These decisions may save money in the short run, but they contribute to higher tuition and less affordability. State resources would be more wisely invested in educating residents for the diversity of jobs that will ensure long-term economic success.

✓ **Colleges and universities must do all they can to hold the line on tuition increases.** Importantly, postsecondary institutions need to examine their missions and market niches with an eye toward focusing their resources on providing high-quality academic programs and support services.

✓ **Federal, state and institutional financial aid policy must be integrated.** State appropriations reduce the costs of public institutions for all students. Federal grants target financial aid dollars to more needy students. State need-based grants can supplement federal aid to promote access for low- and moderate-income students. Non-need-based state grants, federal loans and tax credits can

broaden choices for students by making pricier colleges more affordable. Colleges and universities can target financial aid to students with remaining need and close the affordability gap for all students they admit. The bottom line: Public policy-makers can promote expanded, equal opportunity only by coordinating all three sectors into a complementary system that allocates all resources more efficiently and effectively.



"College affordability varies widely from state to state. Addressing these inequalities would be a wise investment — for individual Americans and for our nation's future."

— Jerry S. Davis
Lumina Foundation for Education

WHY THIS MATTERS:

These facts, sobering in themselves, are even more disturbing when one considers their cumulative effect. Put simply, they add up to one troubling trend: High costs are preventing tens of thousands of qualified students from attending college. By one estimate, more than 400,000 college-qualified students will be unable to attend a four-year school this year because they cannot afford to do so. Nearly 170,000 of these academically qualified low- and moderate-income students won't even be able to afford the cost of a two-year community college. The potential losses from that trend are staggering, for individuals and for society. It's an issue that must be thoughtfully addressed by any official who is concerned about the long-term economic viability of his or her state. Making college more affordable is also important for policy-makers who are serious about expanding opportunity for individuals to achieve their potential — a fundamental value of American society.

LEARN MORE:

Free copies of all of the reports mentioned here are available on the Web sites of the three organizations that originally published them. To download copies, find the publication in the list below, and then visit the corresponding Web site.

- *Empty Promises*; Advisory Committee on Student Financial Assistance; www.ed.gov/offices/AC/ACSFA/access.html.
- *Losing Ground*; National Center for Public Policy and Higher Education; www.highereducation.org.
- *Unequal Opportunity*; Lumina Foundation for Education; www.luminafoundation.org.
- *Access Denied*; Advisory Committee on Student Financial Assistance; www.ed.gov/offices/AC/ACSFA/access.html.
- *College Affordability*; Lumina Foundation for Education; www.luminafoundation.org.
- *Measuring Up 2000*; National Center for Public Policy and Higher Education; www.highereducation.org.

State policy-makers who are working to revamp financial aid programs in their states are urged to obtain copies of another Lumina FoundationSM publication, *Designing a State Student Grant Program: A Framework for Policy-makers*. This report, part of the Foundation's *Synopsis* series, is a practical primer for officials engaged in this important work. It, too, is available for download in the "Publications" section of www.luminafoundation.org.

ASK THE EXPERTS:

To speak directly to some of the nation's foremost experts on college affordability and access, use the following list of contacts:

- **Patrick M. Callan**, president of the National Center for Public Policy and Higher Education (center@highereducation.org; 408.792.3140).
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