Equalizing Access to a College Education: Eradicating Financial Barriers through Increased Grant Aid

A college education is one of the best investments a student can make. A variety of lifelong advantages come with having a college degree. Moreover, there are many social and economic benefits for society. Acquiring an education, however, is a costly endeavor that is prohibitively expensive for many young Americans. For thousands of students, it is made possible only by federal financial aid. As college tuition continues to increase steadily, unmet financial need also increases. In order to ensure these students are able to study in American colleges and universities, members of the United States Congress must extend federal financial aid via fiscally responsible means.

College degrees confer individual benefits upon their recipients. The most obvious benefit is a higher, more stable income. The median yearly earnings of recipients of baccalaureate degrees are $21,900 higher than those of high school-only graduates. Over a lifetime, college graduates earn about 66 percent more than high school graduates. Median hourly earnings are almost twice as high for college graduates. In fact, a Bachelor's degree earned in four years and *fully* financed by student loans typically pays for itself within ten years. While these numbers represent averages, students at the margin—those most benefited by federal aid—tend to realize even greater financial gains.[1]

While the economic benefits of a college education are often touted as reason to invest in one, the social benefits are just as impressive. College graduates and even those with just some college education tend to be more satisfied with their jobs than high school-only graduates. They are also more likely to hold jobs they find personally meaningful. College graduates exhibit better health than high school graduates: they are less likely to smoke, less likely to be obese and have obese children, and are more likely to exercise. Additionally, the children of college graduates tend to be better prepared for school and participate in more educational activities, such as attending plays and concerts and visiting museums and historical sites. Moreover, college graduates are more likely to vote and volunteer (both by percentage of people involved and by time spent).While the figures presented here are correlations, there is strong evidence that higher education *causes* some of these gains.[2]

Investments in college education are also beneficial for local, state, and national governments. High school-only graduates face tougher employment prospects, suffer a doubled unemployment rate, are three times more likely to be impoverished. On the other hand, an educated citizen typically depends less on government aid programs such as Medicaid and the Supplemental Nutrition Assistance Program. On average, college graduates generate nearly $6,000 more in tax revenue each year. Additionally, college graduates are significantly more likely to be offered pension plans and to have health insurance, thus requiring less government aid in the form of social support services. People with a college degree will save taxpayers up to $108,700 on social support programs and increase tax receipts by up to $141,500 over a lifetime.[3]

The cost of a college education is among the most important considerations in the decision to pursue a degree, especially among lower-income families.[4] This cost has recently skyrocketed. In 2007, average tuition was 87 percent higher than it was in 1995.[5] From 1992 to 2008, the price of college (net of grant aid) as a percentage of total family income has also increased—from 41 percent to 48 percent for low-income families and from 22 percent to 26 percent for moderate-income families.[6] The percentage of students who demonstrate financial need—students for whom the price of attending college exceeds their expected family contributions—has increased from 56.4 percent to 69.7 percent in the same years.[7] Initial enrollment and baccalaureate attainment of these students have also fallen due to financial concerns.[8] Furthermore, the average amount of need has increased from $6,900 to $11,400, an increase of 65 percent. While the percentage of students who have remaining need—"the price of attendance minus expected family contribution minus all types of financial aid except federal education tax benefits"—has increased slightly, the average amount of remaining need has increased drastically, from $4,100 to $6,800, an increase of 65 percent. Students from lower-income households are the ones most likely to have remaining need. Eighty percent of dependent students from the lowest income quartile and 85.4 percent of independent students from the lowest income quartile have remaining need.[9] As mentioned earlier, these students benefit the most from attending college.

Financial barriers continue to hinder students' pursuit of college degrees. Rather than increasing access for low-income students, changes in perspectives on financial aid in the 1990s have led to increased affordability for middle-income students: Instead of allowing low-income students to attend college at all, these policies allow middle-income students to do so at lower costs. The inflation-adjusted costs of attending college as a percentage of family income has increased from 42 percent to 62 percent for low-income families from 1972 to 1999 while remaining relatively steady for middle-income and high-income families.[10] Between 2000 and 2010, financial barriers prevented between 1.4 million and 2.4 million *qualified* students from attaining an undergraduate degree. Educating these students would add 250 billion dollars to the gross domestic product and add 85 billion dollars in tax revenue.[11] These estimates, however, are cautiously moderate: They do not account for lower high school graduation rates, lower academic preparedness, or net price of college on attainment of a Bachelor's degree. Because students anticipate high net prices stopping them from attaining a college education, they are less likely to take courses to prepare them for college. Financial barriers also undermine the effectiveness of early intervention programs and FAFSA (Free Application for Federal Student Aid) simplification initiatives.[12]

Grants are the most successful form of federal financing in terms of increasing attainment of college degrees. The most pressing obstacle to earning a baccalaureate degree is unmet need. Thus, instead of attending a four-year college as a full-time student and living on campus, the pattern with the highest success rate, these students may attend a two-year college part-time and work long hours to reduce cost. These behaviors, intended to be cost saving measures, reduce persistence and degree completion by as much as 75 percent.[13] Starting at a four-year college instead of a significantly cheaper two-year college significantly improves a low-income student's chances of graduating with a Bachelor's degree. Highly qualified low-income students (those who have taken at least trigonometry) are almost twice as likely to complete a Bachelor's degree if they begin at a four-year college. Because grant aid reduces unmet need, grant aid allows these students to make the decisions most conducive to completion of a Bachelor's degree.[14]

Federal aid programs continue to serve as a key component of financing higher education in the United States. The federal government provided 75 percent of all total undergraduate aid (including grants, loans, work-study, and tax credits and deductions) in 2010. State grants accounted for only 5 percent of total undergraduate aid, and institutional grants accounted for only 17 percent of total undergraduate aid. Total federal aid accounted for approximately 169 million dollars for the 2010-2011 school year. Federal grants, such as Pell Grants and grants to veterans, have grown by 249 percent while federal loans, such as Stafford Loans and PLUS Loans, have grown by 139 percent.[15] However, these increases do not nearly cover the increase in need. As better academic preparation, better financial aid information, and a simpler federal aid application process have increased the number of students (especially low-income students) capable of succeeding in college, demographic changes mean that increasing aid is the only way to ensure these students can enjoy the benefits of a college education.[16] Federal programs are indeed a crucial component of financing higher education. Cutting federal programs such as Pell Grants and Stafford Loans will have a strongly negative impact on the ability of American students, especially those from low-income backgrounds, to receive a college education, which will in turn reduce their ability and American society's ability to enjoy the benefits described above.

The University of South Carolina's Columbia campus (USC) enrolled 19,874 degree-seeking undergraduates for the 2010 school year. A significant number of these undergraduates depend on federal financial aid to fund their educations. Eighty-three percent of them received some sort of federal aid in the form of grants, federal work-study funds, or student and parent loans. Only 21.6 percent of all students in financial need, however, have their need fully met.[17] In fact, only 74 percent of the average full-time undergraduate student's total need is met. Although a significant percentage of USC students receive state and institutional aid, federal aid programs still contribute over twice as many dollars to undergraduate education as these programs.[18] Further cutting federal funds dedicated to higher education will inevitably harm USC students, just as it will harm college students across the United States.

A college education is one of the best investments an individual can make. Funding such an education is one of the best investments society can make it. College graduates contribute a higher amount of money to the private economy and are less likely to need public assistance. Financial barriers, however, prevent thousands of otherwise qualified high school graduates from attending college. Federal aid is a key component to funding college education for many students. While state aid and institutional aid do cover some financial need, these programs are much smaller than federal programs. Most of the students who choose not to attend—those already at the margin—are the students who would realize the greatest gains from a college education. Cutting federal funds for education would hurt both society and the 47 percent of undergraduates who at least partially fund their education through federal programs. Federal spending on education is among the best investments the United States Congress has made and one it should continue to make.

Notes

[1] Sandy Baum, Jennifer Ma, and Kathleen Payea, *Education Pays 2010* (College Board, 2010), http://trends.collegeboard.org/downloads/Education_Pays_2010.pdf, 10-17.
[2] Ibid.,11-33.
[3] Ibid., 11-26
[4] Advisory Committee on Student Financial Assistance, *Mortgaging Our Future: How Financial Barriers to College Undercut America's Global Competitiveness* (Washington, D.C.: Advisory Committee on Student Financial Assistance, 2006), http://www2.ed.gov/about/bdscomm/list/acsfa/mof.pdf, 13.
[5] Vera Bersudskaya and Christina Chang Wei, *Trends in Student Financing of Undergraduate Education: Selected Years, 1995–96 to 2007–08* (National Center for Education Statistics, 2011), http://nces.ed.gov/pubsearch/pubsinfo.asp?pubid=2011218, Table 1.1
[6] Advisory Committee on Student Financial Assistance, *The Rising Price of Inequality: How Inadequate Grant Aid Limits College Access and Persistence,* (Washington, D.C.: Advisory Committee on Student Financial Assistance, 2008), http://www2.ed.gov/about/bdscomm/list/acsfa/rpijunea.pdf, 4
[7] Bersudskaya and Wei, Table 3.4.
[8] Advisory Committee on Student Financial Assistance, *The Rising Price of Inequality*, 15-17.
[9] Bersudskaya and Wei, Tables 3.4-3.5.
[10] Advisory Committee on Student Financial Assistance, *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity,* (Washington, D.C.: Advisory Committee on Student Financial Assistance, 2001), http://www2.ed.gov/about/bdscomm/list/acsfa/access_denied.pdf, 7-9.
[11] Advisory Committee on Student Financial Assistance, *Access Denied*, v.
[12] Advisory Committee on Student Financial Aid, *Mortgaging Our Future,* 35-44.
[13] Advisory Committee on Student Financial Assistance, *Access Denied*, 10-11.
[14] Advisory Committee on Student Financial Aid, *The Rising Price of Inequality*, 29.
[15] Sandy Baum and Kathleen Payea, *Trends in Student Aid 2011* (College Board, 2011), http://trends.collegeboard.org/downloads/Student_Aid_2011.pdf, 10-11.
[16] Advisory Committee on Student Financial Assistance, *Access Denied*, v-6.
[17] Institutional Assessment and Compliance, *Common Data Set H: Financial Aid (2010-2011),* (University of South Carolina Board of Trustees, 2011), http://www.ipr.sc.edu/cds/cds2010/cdsh2010.htm.
[18] Student Financial Aid and Scholarships, *2010-2011 Total Awarding, Selected Aid Programs,* (University of South Carolina, 2010), http://www.sc.edu/financialaid/factbook_total_awarding_1011.htm.