

**Statement
to the
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Hearing
On
The Rising Cost of College Tuition
And the Effectiveness of Government Financial Aid
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My name is Lawrence Gladioux. I am executive director for policy analysis of the College Board, a national association of 3,800 schools and colleges committed to advancing equity and excellence for all students.

Along with promoting high standards for all, the College Board is dedicated to the principle that no student should be denied access to college for lack of money. Our commitment to need-based financial aid dates back to the 1950s and the founding of the College Scholarship Service. CSS was created as an association within the College Board to help colleges award financial aid as fairly as possible on the basis of family and student ability to pay. The College Board remains committed to that mission today.

For its part, the federal government has exerted enormous leadership in efforts to level the playing field for students aspiring to higher education. In this testimony, I will:

- Underscore the critical importance of these efforts to our country, and review indicators on the extent of progress made in broadening college opportunities over recent decades.
- Discuss why rates of college participation and success are still dramatically unequal by income and race.
- Recommend policies to meet the daunting challenge of narrowing these gaps for the tidal wave of young people who will be coming of age over the next 10-15 years – a population that will be more diverse (disproportionately from minority and immigrant groups), and in all likelihood poorer and more educationally at-risk, than previous generations.

Progress, But Persistent Gaps

In recent decades, access to some form of postsecondary education has been growing steadily – overall, and for just about every economic and racial or ethnic group. Sheer economic incentives have primarily driven this growth in postsecondary participation. Forces running deep in our economy have ratcheted up skill and credential requirements in the job market, putting a premium on education beyond high school.

There are no guarantees in life with or without a college diploma, but the odds are increasingly stacked against those with the least education and training. The more years of formal education one has, the more, on average, one earns (see **Figure 1**). More important, the earnings advantage of the most highly educated workers increased during the 1980s and 1990s (**Figure 2**). And these trends have become conventional wisdom. People understand: who goes to college, and often which college and

which course of study, determines more than ever who has entrée to the best jobs and life chances.

The good news is that more people are attaining higher levels of education and filling millions of skilled, high-paying jobs generated by a booming economy. The bad news is that opportunities for education remain unequal across society, wage and wealth disparities have reached unprecedented extremes, and the least educated and skilled are getting a smaller and smaller piece of the pie.

Education and training alone will not solve structural problems in the employment system that are tending to widen gaps between rich and poor. Yet it is clear that postsecondary education is more important than ever, to the individual and to our society.

More than 50 years ago, the GI Bill demonstrated to skeptics in both government and academia that higher education could and should serve a much wider segment of society. Thirty-five years ago, Congress passed the Higher Education Act and committed the federal government to the goal of opening college doors to all, regardless of family income or wealth.

Federal student aid has helped millions of people go to college who otherwise might not have had the chance. Federal, state, and private efforts combined have fueled a half century of explosive growth in college attendance and educational attainment. U.S. colleges and universities now enroll 15 million students: 1.5 times the number enrolled in 1965, 6 times the enrollment in 1950, and 10 times pre-World War II levels. The proportion of the population 25 to 29 years of age that has completed four years of college or more has quadrupled since 1940.

Yet large gaps persist in who benefits from higher education.

Who goes to college? Again, public policy has done a good job of boosting entry into the system. **Figure 3** traces a broad index of postsecondary participation based on Census data for 18-to-24

year-old high school graduates. All income groups show gains. But low-income 18-to-24 year olds attend college at much lower rates than those with high incomes, and participation gaps are about as wide if not wider today than they were in 1970.

Who goes where? Institutional choice is also closely linked to a student's family background. The most recent longitudinal data from the U.S. Department of Education shows that only one of five students from the lowest socio-economic quartile enrolled in a four-year institution, compared to two of three from the highest quartile. The data suggest that the most disadvantaged students are increasingly concentrated at two-year institutions.

This is not to say that the B.A. is the only measure of parity – far from it. “Going to college” means many things and produces many outcomes. We need a range of sub-baccalaureate opportunities, providing skills and credentials for survival and success in a complex economy. But the reality, as reflected in Figure 1, is that students attending less than four-year schools reap lower economic rewards on average than those who end up with a bachelor's degree or higher.

Who completes? The most important question is whether students complete their programs – at whatever level – and receive their degree or certificate. Some students fall short of a degree, yet go on to productive careers. But our economy and labor market rely heavily on credentials.

Postsecondary participation has soared during the past quarter century, yet the proportion of college students completing degrees of any kind has remained flat. Given the growing diversity of students and the increasing complexity of their attendance patterns (more part-time, intermittent, and multiple-institution enrollments), stable completion rates may be more than we could have reasonably expected. But we need to do much better.

Roughly three-quarters of high school seniors go on to higher studies. Half receive some type of degree within five years of entering postsecondary education, and about one-quarter receive a bachelor's degree or higher (**Figure 4**). But the most advantaged students graduate at much higher rates than their less-advantaged counterparts: 40 percent compared to only 6 percent. And white students are considerably more likely to receive a bachelor's degree than black and Hispanic students.

Getting students in the door is not good enough. Along with young people who do not finish high school and those who stop their education with a high school diploma, many

postsecondary non-completers fall into what has been called “the forgotten half” of America’s youth and young adult population.^[1] In fact, some of these students may be left worse off if they have borrowed to finance their studies – increasingly the case for low-income students – and do not complete their programs. They leave college with no degree, no skills, and a debt to repay.

Why do gaps in postsecondary opportunity remain so wide?

The media, policymakers, and the general public have focused a great deal of attention on the affordability of higher education. And with good reason. Public alarm is rooted in real economic trends since 1980. Shifts in tuition, income, and aid policy have fallen hardest on those least able to afford postsecondary education.

Trends in affordability. **Figure 5** traces the growth of tuition after adjusting for inflation. While tuition was nearly flat in the 1970s, college prices rose at twice and sometimes three times the Consumer Price Index in the 1980s and 1990s.

Figure 6 compares growth in tuition, family income, and student aid from 1980 to 1998. Average, inflation-adjusted tuition more than doubled at both public and private four-year institutions, while median family income was nearly stagnant, rising 22 percent. Student aid increased in total value, but not enough to keep up with the rise in tuition.

Median family income tells only part of the story, because incomes have grown steadily less equal during the past two decades. As shown in **Figure 7**, costs of attendance as a share of income has increased for many families, but it has gone up the most for those at the low end of the economic scale. Even after factoring in student aid awards, it is clear that the burden is greatest for low- and moderate-income families.^[2] Moreover, the aid that these students are receiving increasingly comes in the form of borrowing. Over the past two decades, student aid has drifted from a grant-based to a loan-based system (**Figure 8**). In 1998-99, federally-sponsored programs generated almost \$35 billion in student and parent loans, five times the size of the Pell Grant program that was meant to be the system’s foundation, serving students with the greatest need. In fact, for the past 20 years the maximum grant has dwindled relative to the costs of attending higher education, only beginning to recover some of its lost purchasing power with increases Congress and the President have sought in the past couple of years (**Figure 9**).

Even those students who are most at risk increasingly must borrow to gain postsecondary access. More than two-thirds of low-income B.A. recipients use loans to offset college costs, compared to one-fourth of those from high-income backgrounds. And the low-income student’s debt burden is about \$3000 higher on average than that of the high-income student (**Figure 10**).

Effects of the shift to loan financing are difficult to ascertain, but the prospect of debt probably discourages many less advantaged young people from considering postsecondary education. And there is evidence that financial assistance in the form of loans is less effective than grant aid in helping students to stay in college and get their degrees.[\[3\]](#)

Not only has the aid system gravitated toward loans, but the focus of federal policy has gradually evolved from helping students who “but for such aid” would not be able to attend college, to relieving the burden for those who probably would go without such support. This shift is reflected most dramatically in the tuition tax credits that were enacted as part of the Taxpayer Relief Act of 1997, which President Clinton has now proposed for expansion and I will address further in my recommendations at the end of this testimony.

Likewise, many state governments are enacting tuition tax credits and deductions, and are investing more heavily in non-need merit scholarships as well as college savings and pre-paid plans oriented to middle- and upper-income families. And the colleges themselves have increasingly turned to merit-based aid and preferential packaging not necessarily based on need.

Deeper Roots of Unequal Opportunity. Tuition and aid policies make a huge difference, and the whole financing system seems to be shifting in ways that may reduce opportunities for students with the least ability to pay. But as this committee deliberates on the effectiveness of government efforts in this area, I also want to put a spotlight on complementary strategies that are critically important to making greater progress.

The problem of unequal opportunity has proved more intractable than anyone anticipated in the early years following passage of the Higher Education Act. As originally conceived, federal student aid was meant to send an early signal to young people and their families that college was a realistic goal. Sponsors of the Pell Grant, in particular, hoped that the promise of aid would have a powerful motivational effect.

The reality of today's student aid system falls short of such visions. This is not to say that the aid programs failed, but rather that too much may have been expected of them. Financial aid is a necessary but not sufficient condition for the college attendance and success of disadvantaged students.

Of all the factors that influence who enters and who succeeds in higher education, academic preparation is the most powerful. Research has repeatedly shown that students who take rigorous, progressively more challenging coursework through high school are far more likely to plan for, enroll in, and graduate from college. [4] The problem is that the course-taking patterns of low-income and minority students leave them less well prepared, on average, than higher-income, majority students. Tracking policies, school resources and quality, societal conditions and expectations all have a part in creating these disparities.

For the long haul, broad school reforms will hopefully effect change and benefit generations to come. For the short haul, we need direct outreach to more of the current generation: intervention programs that make a difference in the lives of young, disadvantaged kids early in their schooling — widening their horizons and encouraging them to stay in school, study hard, take the right courses, and keep their options open.

Scores of early intervention and mentoring programs have developed across the country, and many of these programs work. But for the millions of young people whose life chances are dim and might be lifted by an "I Have a Dream" or similar program, the movement is almost like a wheel of fortune. A youngster must be lucky enough to be in the right city, the right school, the right classroom.

The challenge for public policy is to leverage such programs that work to a vastly larger scale. Upward Bound, Talent Search, and other so-called TRIO programs have been a companion to federal student aid policy since the Higher Education Act was first enacted in 1965, providing information, outreach, counseling, encouragement, and academic support for students from the lowest socio-economic levels. Annual TRIO appropriations have grown over the years to more than \$600 million, yet these programs are estimated to serve less than 10 percent of the eligible student population. And only a small proportion of TRIO services is dedicated to intervening with kids and their families at middle school or earlier. The Clinton administration's GEAR-UP

(Gaining Early Awareness and Readiness for Undergraduate Programs) program reflects a growing recognition by public policy makers of the need for this kind of initiative.

Just as we need to reach kids earlier, we need to do a better job helping students once they have enrolled in college to persist and complete their degrees. Again, the TRIO programs provide support here. But public policy, federal in particular, has focused too narrowly on access to the system. More attention and incentives should be directed at persistence among students who are economically and academically at-risk. The Clinton administration has put a useful spotlight on this issue, calling for a program of College Completion Challenge Grants to help colleges retain low-income students

In short, financial aid is critical, but it's not enough. Complementary strategies are needed to equalize college opportunities.

Policy Recommendations for the Coming Tidal Wave of Students

The Census Bureau projects that there will be five million more 18-24 year-olds in the year 2010 than there were in 1995, an increase of more than 20 percent. The country is already experiencing the front end of this expansion in the potential pool of high school graduates and college students. But this new cohort will look considerably different from previous generations of college-age students.

According to projections by Sam Kipp, this growing age cohort over the next 10-15 years will be more ethnically diverse than the general population, and the fastest growth will come from groups in our society that have traditionally been:

- poorer than the general population;
- more likely to drop out of school;
- less likely to enroll in college-prep courses;
- less likely to graduate from high school;
- less likely to enroll in college; and
- least likely to persist to completion of a baccalaureate degree.[\[5\]](#)

To sustain or increase current levels of college participation is therefore going to require bold public policies – both to strengthen the readiness of students to undertake college-level work, and to assure low- and moderate-income students that the financial resources they will need to pay for higher education will be available. Kipp notes that even if college tuition increases moderate and grow no more rapidly than family incomes over the next 15 years, changes in the country's ethnic composition mean that

college-age students will require financial aid in much greater proportions to achieve postsecondary access.

Below I offer recommendations for the committee's consideration. You will note the absence of tuition tax benefits on my list; let me comment on why.

As a result of the Tuition Taxpayer Relief Act of 1997, the federal government now has two ways of delivering college financial assistance – one through the tax code, and one through direct appropriations. These two sets of benefits operate on different principles and serve different, though overlapping populations. In general, under the tax code, the more income one has (up to the income ceilings established in the law), the more one benefits. Under the need-based aid programs authorized by Title IV of the Higher Education Act, the less income one has, the more one benefits. And again in general, the tuition tax benefits go primarily to students and families with incomes above the median, while most Title IV assistance goes to families below the median.

Now the President proposes to devote \$30 billion to an expansion of eligibility for the Lifetime Learning Credit over the next 10 years. We are fortunate to have an education president who has argued consistently and passionately that the country needs to invest more in education and training to boost economic growth, expand opportunity, and reduce income disparities. But tuition tax breaks are not an effective means to achieve these worthy objectives. They are one way to cut taxes, but not a sound strategy for lifting the country's net investment in education or closing gaps in opportunity.

Looking ahead 10-15 years, tuition tax relief is certainly not the best way to assure opportunity for the tidal wave of students described above. Such resources would be better invested in Pell Grants and other need-tested student assistance under the Higher Education Act.

The following are my recommendations:

Restore the purchasing power of Pell Grants. The single most important thing that Congress could do is to restore the promise and purchasing power that Pell Grants once represented for low-income students. The constant-dollar value of the maximum Pell was at its peak in the middle to late 1970s. Based on the Consumer Price Index, returning its buying power would require a \$4300 maximum today, up from the \$3300 the Congress has approved for academic year 2000-2001. This would require an additional \$3.5 billion in appropriations, precisely the average cost in tax expenditures of the President's "College Opportunity Tax Cut" spread over the next 10 years. Based on changes in cost of attendance since the mid-1970s, however, restoring the value of Pell would require a maximum in the \$7000-8000 range, which would translate into more like a \$12-15 billion boost in appropriations. (See Figures 11 and 11A for funding history of Pell and requirements to restore its buying power).

I realize these numbers are way outside the incremental frame of reference of recent budget discussions. But this is what it would take to make Pell the powerful building block for low-income students it was intended to be. Keep in mind, too, that the more we invest in Pell Grants, the more help the program is able to offer, not only to the neediest students, but also moderate-income students who are now just out of range of Pell eligibility.

Make the Pell Grant an entitlement program. Tuition breaks written into the tax code function, in effect, as an entitlement not tied to annual appropriations. They amount to a new entitlement for middle- and upper-middle-income citizens. Like other discretionary programs, Pell Grants have no guaranteed financing from year to year, and real increases have not come easily under prevailing budget rules. Neither will the idea of creating a new entitlement program. But in fairness and in anticipation of the coming tidal wave of students, a Pell entitlement is what we ought to have.

An alternative, less satisfactory way to balance the scales would be to make the tuition tax credits refundable, thereby extending eligibility for them to more low- and moderate-income students who couldn't otherwise benefit because they have insufficient tax liability. But this is a less satisfactory alternative because the timing of the tax benefit reduces its practical value to families trying to make ends meet. Any cost relief is likely to come in a year-end tax refund. The tax code is not an effective vehicle for helping people who are struggling to meet current tuition expenses.

Rekindle the federal-state-institutional partnership in need-based student assistance. The original Higher Education Act envisioned a partnership between the federal government and the campuses. In 1972 Congress established federal matching for states that invest in need-based grant programs, thus rounding out the federal-state-institutional partnership. The federal role in higher education should continue to emphasize equal access and choice for the less advantaged, and provide incentives to states and institutions to focus subsidies on those with the greatest need.

Find alternatives to loans for at-risk students. For those who complete their degrees, returns to college are high, and debt levels are manageable for most. But the shift to loan financing has not been responsible public policy when it come to some groups: low-income students unfamiliar with and liable to be deterred by debt, academically at-risk students who may not finish their programs, and students training in low-paying fields.

Expand pre-collegiate outreach. The federal government should step up its investment in pre-collegiate outreach and intervention programs. I wholeheartedly support the Clinton administration's budget proposals for TRIO and GEAR-UP.

Focus on student success, not just access. Getting students in the door is not enough. Students may be left worse off if they have borrowed to finance their studies but do not finish their programs. We need greater efforts to help at-risk students persist and complete their degrees. I fully support the Clinton administration's proposal for College Completion Challenge Grants.

Thank you, Mr. Chairman, for the invitation to present this testimony. I shall be glad to answer questions.

[1] See Samuel Halperin, ed., *The Forgotten Half Revisited—1998*, American Youth Policy Forum, Washington, D.C.

[2] See U.S. Department of Education, National Center for Education Statistics, *The Condition of Education 1998*, Supplemental Table 14-1, based on National Postsecondary Student Aid Study (NPSAS:96).

[3] *Higher Education: Restructuring Student Aid Could Reduce Low-Income Student Dropout Rate*. (GAO/HRD-93-47, March 23, 1995).

[4] Clifford Adelman, *Answers in the Tool Box: Academic Intensity, Attendance Patterns, and Bachelor's Degree Attainment*, U.S. Department of Education, Office of Educational Research and Improvement, June 1999.

[5] Samuel M. Kipp III, "Demographic Trends and Their Impact on the Future of the Pell Grant Program," in Lawrence E. Gladieux, et.al., eds., *Memory, Reason, Imagination: A Quarter Century of Pell Grants*, The College Board, 1998.