Lack of Aid Will Keep 170,000 Qualified, Needy Students Out of College This Year, Report Warns

By STEPHEN BURD

Nearly 170,000 of the top high-school graduates from low- and moderate-income families are not enrolling in college this year because they cannot afford to do so, according to a report released on Wednesday by a group that advises Congress and the U.S. Education Department.

The report, by the Advisory Committee on Student Financial Assistance, warns that unless the federal government and the states revitalize their need-based student-aid programs, millions more will be locked out of college by the end of the decade.

"If we as a nation cannot guarantee access for low-income high-school graduates who are college-qualified today, we have little chance of addressing the access challenges in the future," Juliet V. Garcia, president of the University of Texas at Brownsville and the chairwoman of the advisory committee, said at a news conference on Wednesday.

The report is a follow-up to one the panel released last year, titled "Access Denied," which said that inadequate finances were the primary barrier keeping many of the neediest students from pursuing a higher education. In the earlier report, the committee accused the federal government, states, and colleges of abandoning the neediest students by shifting resources away from need-based aid to bolster more politically popular programs that aim to make higher education more affordable for middle-class families. (See an article from The Chronicle, March 2, 2001.)

Some higher-education researchers and policy analysts attacked that report, however, accusing the advisory committee of ignoring evidence showing that the reason many low-income students do not go to college is that they are not academically prepared to go. Throwing money at students who are not ready for college work may be setting them up for failure, those researchers said. (See an article from The Chronicle, January 25, 2002.)

The advisory committee's new report, titled "Empty Promises: The Myth of College Access in America," seeks to refute those criticisms by showing that finances are a huge barrier even for low-income students who are among the most qualified to attend four-year colleges. To do so, the panel cites data from a research project conducted by the Education Department's National Center for Education Statistics.

The National Education Longitudinal Study of 1988 is a survey of a representative sample of 14,000 high-school freshmen that year. The department's researchers surveyed those students every two years...
thereafter, through 1994. In that study, the Education Department identifies "college qualified" students as those who have met minimum course, grade-point, and, in some cases, test-score requirements to qualify to attend a four-year college.

According to the advisory committee's report, those data show that:

- 62 percent of college-qualified high-school seniors from low-income families (those with incomes below $25,000) test for and apply to a four-year college, compared with 91 percent of qualified, high-school seniors from high-income families.

- 52 percent of qualified high-school graduates from low-income families enroll at a four-year college, compared with 83 percent of qualified graduates from high-income families.

- 22 percent of qualified high-school graduates from low-income families do not enroll in any type of college at all, compared with only 4 percent of qualified graduates from high-income families.

- 43 percent of qualified high-school graduates from moderate-income families (those with incomes from $25,000 to $49,999) do not enroll in a four-year college, and 16 percent do not enroll in any type of postsecondary institution.

The report found that the main economic obstacle to financing a college education faced by students from low-income families was a shortage of federal and state grant aid. With the declining purchasing power of the Pell Grant over the past two decades, and lackluster support for need-based aid in the states, low-income students and their families are finding that they are responsible for covering a larger and larger share of college costs, through loans, work-study, and their own paychecks and savings.

According to the report, low-income high-school graduates applying to a public four-year college are left with an average loan balance of about $7,500, or two-thirds of their college expenses each year, after all grant aid is expended. For families making $25,000 or less a year, such costs can be prohibitive, the report states.

"This constitutes over one-third of the income for a low-income family's budget," said Ms. Garcia. "Given a financial barrier like this, it's not surprising at all, then, that the educational expectations, the plans, the actual enrollment, and persistence behavior to degree completion of low-income graduates fall far short of their peers who are better off financially."

Using data from the earlier longitudinal study, the advisory committee's report estimates that financial barriers are keeping a total of more than 400,000 "college qualified" low- and moderate-income high-school graduates out of a four-year college this year, with almost half of those students not going to college at all. By the end of the decade, the report says, if enrollment stays steady and spending on the student-aid programs does not significantly increase, as many as 4.4 million "college qualified" graduates will not be able to go to a four-year college, 2 million of whom will not attend any college at all.

In addition to calling for substantial increases in the Pell Grant Program, the report calls on the federal government to create greater incentives for states to increase their own need-based aid programs and for colleges to hold down their tuition prices and fees.

Reactions to the report were mostly positive, particularly from college and student groups that regularly lobby Congress for more spending on the federal student-aid programs.
David L. Warren, president of the National Association of Independent Colleges and Universities, said that the panel's report gives federal lawmakers not only "a staggering picture of how financial barriers can affect hundreds of thousands of academically qualified, low-income college students each year, but also a road map for how Congress can lower those hurdles."

But some higher-education researchers said that the advisory committee's report does not actually prove that inadequate finances are the principal reason why many students from low-income families don't go to college.

Thomas J. Kane, a professor of policy studies and economics at the University of California at Los Angeles, says that other factors might discourage low-income students in inner-city and rural schools from applying to college, such as inadequate counseling, a lack of understanding of the availability of student financial aid, and ignorance about how to apply for it.

"I'm not at all convinced that low-income students are well informed about how these programs work," Mr. Kane said. "And that confusion about the amount of aid available and the process of applying for it may very well diminish the impact of the programs."
EMPTY PROMISES
THE MYTH OF COLLEGE ACCESS IN AMERICA

A Report of the Advisory Committee on Student Financial Assistance

Washington, D.C.
June 2002
"[The Higher Education Act of 1965] means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States and not be turned away because his family is poor."

President Lyndon B. Johnson
Upon signing the Higher Education Act, 1965

“No qualified student who wants to go to college should be barred by lack of money. That has long been a great American goal; I propose that we achieve it now."

President Richard M. Nixon
Special Message to the Congress on Higher Education, 1970
EXECUTIVE SUMMARY

Most Americans believe that all students have the opportunity to earn a college degree through hard work in high school and college. Yet, this year alone due to record-high financial barriers, nearly one-half of all college-qualified, low- and moderate-income high school graduates—over 400,000 students fully prepared to attend a four-year college—will be unable to do so, and 170,000 of these students will attend no college at all. Over this decade, 4.4 million of these high school graduates will not attend four-year colleges and 2 million will attend no college at all. For these students, the promise of a college education is an empty one. For the nation, the loss of human capital will exact a serious economic and social toll for much of this century.

Our nation invests in student aid in order to ensure that the opportunity to attend college and attain a bachelor’s degree does not depend on family income alone. Nevertheless, the financial barriers to a college education have risen sharply due to shifts in policies and priorities at the federal, state, and institutional levels, resulting in a shortage of student aid, and, in particular, need-based grant aid, as well as rising college tuition. As a result, students from low- and moderate-income families who graduate from high school fully prepared to attend a four-year college confront daunting financial barriers with major implications for these students and the nation.

- **Financial Barriers.** Families of low-income, college-qualified high school graduates face annual unmet need of $3,800, college expenses not covered by student aid, including work-study and student loans. And the shortage in grant aid requires these families to cover $7,500—two-thirds of college expenses at public four-year colleges and one-third of family income—through work and borrowing. Their peers from moderate-income families face similar barriers.

- **Impact on Students.** These financial barriers prevent 48 percent of college-qualified, low-income high school graduates from attending a four-year college, and 22 percent from attending any college at all, within two years of graduation. Their peers from moderate-income families are hardly better off—43 percent are unable to attend a four-year college, and 16 percent attend no college at all.

- **National Consequences.** Shocking annual losses at the national level—this year over 400,000 college-qualified students will be unable to attend a four-year college and nearly 170,000 will attend no college at all—will produce staggering cumulative losses of 4.4 million college-qualified students unable to enroll in a four-year college, and 2 million who are denied access to any college at all by the end of this decade.

But these losses represent only the tip of the iceberg. Many students, even those high school graduates not meeting the admissions requirements of four-year colleges, who could pursue a bachelor's degree today by first enrolling at a community college, are blocked from doing so by prohibitive financial barriers. Moreover, many students who gain access to a four-year or a community college find it increasingly difficult each year to stay in college as a result of these barriers. Indeed, the work that they undertake to bridge the unmet need gap can actually reduce grant aid in subsequent years, raising financial barriers even higher.
Throughout the decade, as school reform and early intervention efforts expand the number of college-qualified high school graduates, scarce grant aid will be stretched even further and work and loan burden will rise above current levels. This will produce even larger national losses of college-qualified high school graduates, as well as wider income-related gaps in college participation and degree completion for the foreseeable future. Without significant increases in need-based grant aid, this chain of events is irreversible.

Reversing these trends will require a long-term commitment to increase grant aid at the federal, state, and institutional levels, strengthen the student aid programs, and, at the state and institutional levels, control college cost. The upcoming reauthorization of the Higher Education Act of 1965 represents an opportunity to enact a comprehensive federal access strategy, strengthen early intervention and student support programs at the state and campus levels, and reinvigorate the federal, state and institutional access partnerships, especially in the areas of grant aid.
FOREWORD

Created by the Higher Education Amendments of 1986, the Advisory Committee on Student Financial Assistance is an independent source of advice and counsel to Congress and the Secretary of Education on student financial aid policy. The Advisory Committee’s most important legislative charge is to make recommendations that maintain and enhance access to postsecondary education. In fulfilling that charge, the Advisory Committee encourages a strong focus on access in federal, state, and institutional student aid policy, thereby protecting the best interests of at-risk students against competing priorities.

Since its creation, the Advisory Committee has identified improving access as its primary focus. As early as 1990, the Advisory Committee published a set of strategies to promote access to postsecondary education. In 1992, through its deliberations, the Advisory Committee found that little progress had been made in narrowing the gap in college participation rates between low-income students and their middle- and upper-income peers and that a renewed commitment to at-risk students was crucial to ensuring access to postsecondary education. In 1997, the Advisory Committee forwarded to Congress and the Secretary of Education a set of Higher Education Act reauthorization recommendations that were well received and supported by the higher education community.

Since the last reauthorization, the Advisory Committee has continued to play an active role in ensuring a comprehensive dialogue about the current condition of access. Over the last three years, the Advisory Committee has held public discussions devoted to the access issue at the University of Mississippi, Boston University, the University of Vermont, the Harvard Graduate School of Education, and the University of Texas, Brownsville. In those discussions, the Advisory Committee heard testimony on access from students, college administrators, and researchers.

Last year the Advisory Committee released a report on the condition of access entitled, Access Denied: Restoring the Nation’s Commitment to Equal Educational Opportunity. The findings of Access Denied are summarized in the introduction of this report. Access Denied and other access resources are available at www.ed.gov/ACSFA.

Over the next year, the Advisory Committee will consult broadly with parties involved in the policymaking process to create a consensus on the importance of access that will give impetus to the formulation of a new federal, state, and institutional commitment to ensure access in the future. This consensus will underpin the Advisory Committee’s approach to the upcoming Higher Education Act reauthorization. In addition, a meeting will be conducted in the fall of 2002 to refine the Advisory Committee’s approach to ensuring access in general and to begin developing reauthorization recommendations.

As reauthorization approaches, the Advisory Committee will stress the importance of increasing need-based grant aid, strengthening early intervention programs, and rebuilding federal-state-institutional partnerships to improve access.
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INTRODUCTION

Americans hold a deeply rooted belief that hard work will be rewarded. Students strive to achieve in high school for the opportunity to attend college— with good reason. Hard work in college holds out the promise of a degree and a good salary upon graduation. The recent transition to a knowledge-based economy has increased the demand for college-educated workers and the returns to those workers with a college education have hit an all-time high. Today the economic returns from higher education to an individual are greater than ever: workers with a bachelor’s degree earn 75 percent more than workers with only a high school diploma. Yet for millions of students from low- and moderate-income families during this decade, caught between a crushing shortfall in student financial aid and rising college costs, the promise of a college education and high salaries after graduation will be an empty one—even for some of the most highly prepared among them. The resulting loss of human capital, our most precious resource, will take a serious toll on the nation’s economic and social future for decades to come.

The United States invests in higher education—in human capital—because the potential economic benefits, increased productivity, a flexible workforce able to respond to a changing economy, and an increased standard of living for workers, are important both for the nation and its citizens. This investment also produces an educated electorate and "a more informed democracy." These returns have motivated a very large federal investment in student aid since 1965, designed to ensure that students who otherwise could not afford to attend college have the financial resources to enroll and persist through degree completion. This investment, while essential to all students, is most critical for low- and moderate-income high school graduates who are academically prepared—that is, qualified to attend a four-year college based on curriculum, grades, class rank, and test scores—and for whom a shortage of family financial resources constitutes the most important barrier to college. This is the rationale for the creation of the federal student aid programs.

The Federal Pell Grant program (Pell Grant), now the nation’s largest need-based grant program, was designed in 1972 to ensure that students enjoyed both access to two-year and four-year public colleges and a modicum of choice between four-year public and private institutions. Access and choice were to be guaranteed by the purchasing power of the maximum Pell Grant. Today, with the requested 2003 budget, the federal investment in student aid has grown to nearly $60 billion a year, including almost $12 billion in critical grant programs, which, augmented by need-based grant aid from states and institutions, lowers the cost of college for needy students. Grant aid is especially important to low- and moderate-income student enrollment because these students and families are deeply

The recent transition to a knowledge-based economy has increased the demand for college-educated workers.

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affected by a high degree of sensitivity to the cost of college after grant aid is awarded. For example, enrollments dropped by more than 200,000 in California during the early 1990s when tuition increased and student aid declined.

Grant aid is not only important for today's students, but for tomorrow's as well. A promise of sufficient grant aid can also bolster the power of intervention efforts designed to prepare younger students for enrollment in college and ensure persistence. For example, the Indiana Twenty-first Century Scholars program, which combines academic, personal, and financial features, guarantees state grants to young participants upon program completion. This program is remarkably successful; participants are over four times more likely to enroll in a public four-year college and more than one and a half times more likely to persist during freshman year. Most recently, in recognition of the power of grant aid on college persistence, Congress altered one of the TRIO programs, the Student Support Services program, to include completion grants designed to ensure that students can afford to stay in college and attain a bachelor's degree.

Despite recognition of the importance of adequate grant aid, a shift in policy priorities has occurred, particularly at the federal and state levels, that has fueled a shortfall in need-based grant aid. The erosion in the purchasing power of the Pell Grant maximum over two decades, from a high of 84 percent of public college tuition in the mid-1970s to a low of 34 percent in the mid-1990s, has resulted in work-study and loans constituting an ever larger percentage of the federal commitment to student aid. At the state level, appropriations to public institutions have decreased as other priorities absorb increasing percentages of state budgets, and have declined most sharply in times of recession. In addition, while need-based grant aid remains the largest source of state aid funds, politically popular merit-based programs, which fund many students who would have enrolled in college without such aid, have been enacted in many states in the 1990s at the expense of increases in need-based programs. Similarly, grant dollars have shifted to merit-based programs at the institutional level.

The current recession has caused budget shortfalls in at least 41 states, and promises to curtail state spending next year as well. The resulting reductions in state appropriations to institutions have caused substantial increases in public-sector tuition, as high as 21 percent in some states and 7.7 percent nationwide—nearly triple the rate of inflation—even in states that had reduced tuition in the 1990s. Most recently, as a result of state revenue shortfalls, many state programs have been frozen or reduced. The result is lower state grants or suspended awards, which deny aid to eligible students.
As this report will show, these policies and recent events have created a shortfall in grant aid that prevents large numbers of low- and moderate-income high school graduates from attending four-year colleges. Today, this shortfall requires staggering levels of work and loans, which undermine enrollment. It also forces those who do enroll to attend on a less-than-full-time basis and to work excessive numbers of hours, which decreases the amount of grant aid that students can be awarded in subsequent years and their chances of obtaining a college degree.

However, in response to these high levels of work and loan burden that prevent some of the neediest students from enrolling, public institutions increasingly have adopted strategies associated with private institutions. Some public institutions have resorted to using tuition revenue and other resources to create large institutional need-based grant programs to minimize the work and loan burden of such students, without which enrollment would not be possible. The University of California system, for example, provides $160 million a year—the equivalent of one-third of tuition revenue—in institutional need-based grant funds to bridge a gap of nearly $5,000 after federal and state aid is awarded. Some public historically black colleges and universities use large percentages of tuition revenue—as much as 45 percent—for grants to reduce the financial barrier for their students.¹³

Exacerbating these current problems, powerful demographic forces will cause the number of high school graduates to swell to unprecedented levels over the course of the current decade as the children of the baby boom generation flood high schools and colleges. This demographic trend will peak in 2008, when the largest number of students in the history of our nation will graduate from high school.¹⁴ This record number of students will place even greater strains on our higher education financing system than today, since a higher percentage of these students will be from low-income, minority families. Demographics show these students will be disproportionately dependent on student aid, and increasingly qualified to attend college.

These students will graduate high school at a time when they will be desperately needed as replacement workers in our nation’s economy, as aging, college-educated baby boomers retire in increasing numbers in various sectors during the decade.¹⁵ The nation will have to increase the enrollment and degree completion rates of low- and moderate-income students or bring in highly skilled foreign workers to meet the demand.

Only financial barriers will stand in the way of students who already make extraordinary efforts to enroll in higher education and to attain a degree. Ensuring access to college for high school graduates today and tomorrow is the central issue for the impending reauthorization of the Higher
Education Act of 1965 (HEA), which will determine the course of higher education policy for the remainder of the decade and beyond, and, by extension, the vibrancy of our democracy and our knowledge-based economy.

### Purpose of the Report

This report builds on the mandate of the Advisory Committee on Student Financial Assistance (Advisory Committee) and its February 2001 report, *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity*, by more thoroughly examining the plight of high school graduates from both low- and moderate-income families. The report addresses two fundamental policy questions:

- is college access provided today for those students who graduate from high school, especially those who are college-qualified?

- will access be assured for the increasing numbers of college-qualified high school graduates during the current decade?

To provide answers to these two questions, this report examines the financial barriers that confront high school graduates from low- and moderate-income families—particularly those graduates who are college-qualified. Fully recognizing, as did *Access Denied*, the importance of academic preparation in college-going behavior, the report uses the index of college qualification designed by the U.S. Department of Education’s National Center for Education Statistics (NCES), which is the prevailing view.16 The report also examines the role of parents' education and information about college costs and financial aid.

Clearly, the nation faces other challenges as well. For example, too many students drop out of high school, and some high school graduates are not fully prepared for college. However, state and local school reform efforts, as well as the recently enacted No Child Left Behind Act of 2001 are designed to address these problems. Federal higher education policy, which focuses primarily on access to college, is about something different—first, ensuring that needy, college-qualified students can afford to attend college, and, second, guaranteeing adequate financial aid for the large numbers of other students who would be unable to attend without it.

### Major Findings of Access Denied

*Access Denied* represented the first comprehensive review of the state of college access for low-income students in many years. It examined who goes to college—and where—and who does not. It found that substituting middle-income affordability and merit for access as policy goals caused
unmet need—the portion of college expenses not covered by the expected family contribution (EFC) and student aid, including work-study and loans—to reach unprecedented levels. On average, annual unmet need for low-income families has reached $3,200 at two-year public colleges, $3,800 at four-year public colleges, and $6,200 at four-year private colleges, which strongly discourages many high school graduates from enrolling and persisting to degree completion (Figure 1).

The most important message of Access Denied was that, today, low-income high school graduates are forced by high levels of unmet need to abandon plans of full-time, on-campus attendance at four-year colleges. In particular, those who do attend often live at home and work long hours to make access possible. For example:

- 50 percent of all low-income college students are living at home with their parents to reduce living expenses;
- 65 percent work while enrolled, on average 24 hours a week; and
- 70 percent of students live at home, and 80 percent work an average of 27 hours a week while enrolled at two-year public colleges.\(^1\)

In addition, these students are forced into financing options, such as borrowing under multiple programs, which interfere with persistence and lead to unmanageable debt levels exceeding industry guidelines. Although motivated by rational financial considerations, high school graduates are forced by high unmet need to make educational choices that lower the probability of degree completion considerably. For low-income students, these decisions are less a choice and more an inevitable response to high levels of unmet need.

Access Denied stressed that excessive levels of unmet need exert a powerfully negative effect on the college-going behavior of high school graduates—even those who are academically prepared.\(^1\) The report noted that the lowest achieving, highest socioeconomic status (SES) students attend college at about the same rate (77 percent) as the highest achieving, lowest SES students (78 percent). And, even among those high school graduates who are highly and very highly qualified, those with low unmet need attend a four-year college at a rate 43 percent higher than their counterparts with high unmet need—67 percent versus 47 percent (Figure 2).
Socioeconomic status and family income continue to influence who goes to college and where — even for the most highly qualified high school graduates.

Finally, *Access Denied* stressed the critical importance of reinstating the nation’s traditional access goal. Low-income high school graduates must have the same opportunity as their high-income peers to pursue and complete a bachelor’s degree if they choose to do so, without excessive work or borrowing. That must be the nation’s access benchmark. The report also found that reinstating the access goal would require refocusing policy on indicators that illuminate future effects of unmet need on student behavior. In particular, *Access Denied* called for a careful assessment of the consequences of existing levels of unmet need for educational opportunity, income equality, and the nation’s productivity and growth. Major federal student aid policy decisions cannot be made without confronting these issues.

**Structure of the Report**

This report extends the analyses and findings of *Access Denied* in three important ways by:

- examining unmet need as a financial barrier from the perspective of low-income students and families using the latest available data;

- assessing the impact of high unmet need on the education behavior of high school graduates—especially those who are college-qualified—throughout the access process; and

- estimating how many high school graduates who have high unmet need and who are college-qualified were unable to enroll in a four-year college—or any college—in 2001-2002, and how many cumulatively will be unable to enroll in college during this decade. These estimates include high school graduates from both low- and moderate-income families.

Finally, the report identifies the implications of these findings for federal higher education policy.

*Low-income high school graduates must have the opportunity to complete a bachelor's degree without excessive work or borrowing.*
FINANCIAL BARRIERS

High annual levels of unmet need for low-income students, up to $3,800, represent a shortfall in financial resources to pay for public four-year colleges. Because grants comprise a relatively small portion of the overall student aid awarded to most students, the work-study and loan portions of a student’s aid package can be substantial, at least $1,000 in work-study and $2,625 in loans for freshmen, and often much higher. For low-income families, these levels of work and borrowing combine with high levels of unmet need, which translates into a total work and loan burden of well over $8,000 a year, or nearly one-third of the family's income. In the face of this existing work and borrowing expectation, the shortfall in student aid, unmet need, cannot easily be reduced by additional off-campus work and loans. Consequently, unmet need and the total work and loan burden represent a substantial financial barrier to low-income families and have an important impact on enrollment and persistence to degree completion.

Purchasing Power of the Pell Grant

The Pell Grant program is of central importance to low-income families because it is designed to play a pivotal role in access to college nationally. In most states and at the majority of colleges, Pell Grants represent the single largest source of grant funds with which to make enrollment a reality. While the value of the Pell Grant maximum award in constant dollars fell from 1992-93 through 1997-98, it increased by about $300 over the next two academic years, 1998-99 and 1999-2000, reversing the trend. In the past two years, 2000-2001 and 2001-2002, because of record increases in appropriations, the Pell Grant maximum award increased an additional $500 in constant dollars to stand at over $3,700. However, even this substantial increase left the constant dollar value of the maximum Pell Grant below its value at the end of the 1970s. Today, the shortfall between the Pell Grant maximum award of $3,750 and the total college cost at many public four-year universities can easily exceed $8,000 annually, which represents an onerous financial barrier for students from low-income families.

Throughout the past quarter century, expenses remaining for low-income students who receive the maximum Pell Grant award have doubled in constant dollars at public four-year colleges. In the 1990s, remaining expenses were relatively constant at historically high levels. They rose slightly between 1992 and 1995, before returning to comparable 1992 expenses in 1999, reaching $7,759 a year at public four-year colleges (Figure 3).

From a family and student perspective, the declining purchasing power of the Pell Grant has meant that the program can no longer guarantee access
FIGURE 4: AVERAGE ANNUAL WORK AND LOAN BURDEN FACING FAMILIES OF HIGH SCHOOL GRADUATES WITH HIGH UNMET NEED IN 1992 AND 1999
(Constant 1999 Dollars)

The families of low-income high school graduates with high unmet need faced record levels of work and loan burden even at public colleges from 1992 to 1999.

to public colleges, much less choice between public and private colleges. Given the severe underfunding of the Pell Grant program over the past two decades, it is not at all surprising that the program has been unable to fulfill its original promise of equalizing access to college for low-income students.

**Work and Loan Burden in the 1990s**

Most low-income families are able to contribute only a small portion of college expenses, if any at all. For such families with high unmet need, the effective price of college, the real financial barrier, is total college expenses minus all grant aid—federal, state, and institutional. This constitutes the burden the family must cover through work and loans. Work and loan burden constitutes the true net price of college and the barrier that must be overcome before college can become a reality.

The manner in which high unmet need translates into a very high work and loan burden is best illustrated by describing the world that faced low-income high school seniors early in the decade, in 1992, and at the end of the decade, in 1999. In 1992 low-income families with high school graduates faced a work and loan burden of $6,238 at public two-year colleges, $7,521 at public four-year colleges, and $11,261 at private four-year colleges (Figure 4). By 1999, there was little overall change in the levels of work and loan burden. Accordingly, families of high school graduates with high unmet need faced record levels of work and loan burden even at public colleges throughout the decade.

A generation ago, many students were able to achieve access to higher education by working their way through college. Unfortunately, it is simply not possible today to work enough to cover college expenses without taking a heavy toll on student academic performance. In addition, excessive student work can actually reduce eligibility for grant aid and increase unmet need in subsequent years, forcing students to drop out before graduating from college.

Since low-income high school graduates and their families have to produce a balance of at least $7,500 a year from current income, savings, work, or borrowing to enroll at public four-year colleges, annual borrowing has increased steadily for this group throughout the 1990s (Figure 5). At four-year public colleges, annual borrowing rose 65 percent, from approximately $1,800 to $3,000 over the period. And, as a result, cumulative debt increased dramatically for students from low-income families completing a bachelor’s degree at either a public or private college, by 50 percent from approximately $10,000 to $15,000.
From 1992 to 1999, average annual borrowing by low-income, dependent undergraduate students increased from $1,812 to $2,982 — by 65 percent — at public four-year colleges.


Today, family work and loan burden — expenses after all grants — constitutes 68 percent of total expenses for low-income high school graduates at public four-year colleges.
In the face of such high levels of borrowing, students often have sound reasons for refusing to take on crippling debt. Students from low-income families are often unable to support loans after graduation since they exceed the industry recommendations for debt burden. For parents who are willing to take out loans, it is not always possible to find available capital since loans require a sound credit history. Just as students can work themselves out of future grant aid, families can quickly acquire debt that exceeds their ability to meet the required monthly repayments. The risk associated with loans for these families is both immediate and long term. However, without access to this much-needed capital, it becomes almost impossible for a student from a low-income family to gain access to or persist in college.

**Unmet Need Today**

Unmet need levels and the associated work and loan burden are still as high today as they were in the mid 1990s. For low-income families with an EFC of less than $1,000 annually, the work and loan burden constitute nearly $8,200, more than two-thirds of total expenses at four-year public colleges (Figure 6). Never before has the financial challenge been greater, nor threatened to increase faster due to increases in college expenses and shortfall in grant aid. Not surprisingly, these financial barriers undermine enrollment and degree completion for students from low-income families.

*Students from low-income families are often unable to support loans after graduation.*

*These financial barriers undermine enrollment and degree completion for students from low-income families.*
IMPACT ON STUDENTS

Unmet financial need, and the work and loan burden that it represents, is a key factor in determining whether high school graduates, especially those who are college-qualified, have access to a four-year public institution. Assessing the impact of high unmet need on the college-going behavior of high school graduates is pivotal to formulating sound federal higher education and student aid policy. While the major purpose of the federal student aid programs, and the main interest of the Advisory Committee, is eliminating financial barriers for all low-income students, this report’s findings also focus intensively on high school graduates who are college-qualified. Focusing on these students provides the opportunity to isolate the effects of unmet need from those of academic preparation and other factors on college-going behavior. While the primary purpose of this analysis is to inform federal student aid policy in the upcoming reauthorization of the HEA, these findings are also designed to improve future policy research about student aid.

The Access Pipeline

Gaining access to and persisting in college is a complex and sequential process that involves both academic and financial components. The academic portion of the process is often referred to as an education pipeline and consists of five commonly agreed upon stages:

- having educational expectations in middle school or earlier;
- making college plans in high school;
- taking steps toward college admission, for example, testing and applying;
- enrolling in college; and
- persisting to degree completion.

The underlying factors used most often to examine differences among students across the education pipeline are income, academic preparation, and level of parents’ education. The concept of an education pipeline is supported by a considerable body of research and experience gathered from federal programs such as TRIO and Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), and many state and privately funded programs. However, the traditional education pipeline cannot fully account for major differences in enrollment and persistence by family income, even when academic preparation and parents’ education are taken into full consideration.
For example, differences in enrollment between college-qualified high school graduates from low-income families with high unmet need and graduates from high-income families with low unmet need cannot be explained by the level of parents’ education. While parents’ education—specifically having a college degree—along with family income is positively related to student academic preparation, there is no evidence that it has an effect on college enrollment independent of the effect of family income and financial aid for college-qualified high school graduates. In fact, if financial aid is adequate, low-income high school graduates who are college-qualified will enroll in a four-year college at extremely high rates regardless of the level of parents’ education. Conversely, if financial aid is inadequate, the same students will be unable to enroll in large numbers regardless of the level of parents’ education. Since the traditional education pipeline cannot fully account for differences in student behavior throughout the access process, even when academic preparation and parents’ education are given full consideration, a more comprehensive measure of access—an alternative behavioral model consistent with decades of economic research—is needed. It begins with the traditional education pipeline as a foundation and incorporates key financial factors, in particular, college costs, financial aid, and their difference, which is unmet need. The Access Pipeline incorporates these features and, accordingly, is capable of describing and explaining differences observed between low-income students with high unmet need and high-income students with low unmet need. Most important from a policy perspective, the Access Pipeline can address fundamental questions about access, persistence, and federal student aid that the traditional education pipeline simply cannot.

Using the Access Pipeline. Longitudinal data used in conjunction with the concept of the Access Pipeline describe the college-enrollment patterns of high school graduates within two years after graduation from high school. In addition, this analysis is supplemented with information on college costs and financial aid for a comparable group of students. NCES first presented and analyzed these data in a 1997 special report designed to assess the effect of college costs and financial aid on low-income students’ access to college. The data permit an examination of those high school graduates who are college-qualified—that is, those having adequate academic course preparation, grades, and aptitude test scores to meet the minimal entrance requirements of most four-year colleges—at each stage of the access process, beginning in middle school.

When recent longitudinal data are arranged in the Access Pipeline, and a comparison is performed between low-income and high-income students, it becomes apparent that unmet need has a substantial effect on educational expectations and plans, steps toward admission, as well as
enrollment and persistence to degree completion. It also shows how many low-income high school graduates with high unmet need are currently left behind, and that an exceedingly large number will be left behind during the current decade.

For the sake of simplicity, this analysis only shows a comparison between high school graduates from high-income families (with income over $75,000) and those from low-income families (with income below $25,000). This, in effect, compares high school graduates with very low and very high unmet need. The Access Pipeline is used first to demonstrate the impact of unmet need on the education behavior of all high school graduates. Then, it is focused on only those high school graduates who are college-qualified as defined by NCES.

Impact on All High School Graduates

For more than three decades, federal student aid policy has recognized that most high school graduates aspire to attend college, more than 94 percent of them. Consequently, assessing the impact of high unmet need on all high school graduates is critically important to formulating sound student aid policy. The rate at which such students are able to attend some college full-time immediately following high school graduation without excessive work and loan burden is an important measure of access. This measure will become ever more important as academic preparation improves and a higher percentage of students from low-income families with high unmet need become qualified to attend and graduate from a four-year college.

Expectations, Plans, and Enrollment. High school graduates from low-income families are far less likely in 8th grade to expect to finish college than their high-income peers (Figure 7). While they are about as likely in 12th grade to plan to attend some postsecondary education, they are far less likely to plan to attend immediately. Those who do plan to attend some type of college immediately following high school frequently find their plans frustrated. Even two years after high school graduation, students from low-income families facing high unmet need are far less likely than their peers from high-income families to be enrolled in any college.

Pattern of Enrollment. These unmistakable effects of high unmet need on expectations, plans, and timing affect the pattern of enrollment as well. Low-income high school graduates with high unmet need are far less likely to attend a four-year college. They are far more likely to attend a public or private two-year college, trade school, or other less than two-year institution, or far more likely not to attend college at all (Figure 8). Since all high school graduates are included in this group of students, both academic preparation and finances affect their enrollment behavior.
FIGURE 8: IMPACT OF HIGH UNMET NEED ON ALL HIGH SCHOOL GRADUATES' COLLEGE ENROLLMENT WITHIN TWO YEARS

Among low-income high school graduates with high unmet need, 67 percent do not attend a four-year college within two years of graduation, and 37 percent do not attend any college at all.

Source: Calculated from data in U.S. Department of Education, NCES (1997)
Impact on College-Qualified High School Graduates

The most effective means of assessing how unmet need affects student behavior is to focus on those students who graduate from high school fully prepared for college. Consequently, all of these students:

- were college-qualified according to NCES;
- planned to attend a four-year college immediately after graduation; and
- were well informed about college costs and financial aid.

Since parents’ education primarily affects the likelihood of being academically prepared, not the likelihood of attending college once prepared, focusing on these students effectively controls for academic preparation, college aspirations, financial aid information, and parents’ education. Accordingly, observed differences in expectations, plans, and enrollment are largely attributable to the fact that the students are from low-income families who face high unmet need and extraordinary work and loan burden.

Expectations and Plans. As early as the 8th grade, the expectation of finishing college is heavily affected by family-income (Figure 9). College-qualified high school graduates from low-income families are far less likely to expect to finish college than their high-income peers. In addition, these students are far more likely to plan not to attend college immediately after high school (or to be unsure of their plans) and far more likely to plan to attend a two-year college.

Concerns about Finances. An important reason underlying these differences is that students from low-income families and their parents are far more likely to be extremely concerned about college costs, financial aid, and their difference—unmet need—than their high-income peers (Figure 10). Parents with low income are almost five times more likely to be very concerned about college costs and financial aid than parents with high income. Likewise, low-income students are three and a half times more likely to be very concerned about finances than their peers from high-income families. However, these concerns do not arise from a lack of information about ways to pay for college, as low-income students facing high unmet need have as much information from as many sources as do their peers.

Testing and Applying. Low-income high school seniors with high unmet need are very concerned about finances and approach testing for and applying to a four-year college in a different manner than their low unmet
Parents Students Parents Students

College-qualified low-income high school graduates with high unmet need and their parents are as informed about finances as their peers with low unmet need but far more concerned.

Source: Calculated from data in U.S. Department of Education, NCES (1997)
need peers. Because many find it financially impossible to plan to attend a four-year college or to attend college immediately following graduation, they do not test for and apply to a four-year college nearly as often as students from high-income families with low unmet need. Specifically, low-income students with high unmet need:

- test but do not apply three times as often; and
- neither test nor apply six times as often as their high-income peers who are not in a high unmet need situation.

This behavior is a rational response to a high level of unmet need as students judge four-year colleges to be out of their reach. While 91 percent of their peers from high-income families test for and apply to a four-year college, only 62 percent of college-qualified high school seniors from low-income families do so.

**Enrollment within Two Years.** Given the unmistakable affect of unmet need on pre-enrollment behavior, described previously, it is not surprising that the actual pattern of enrollment is also affected by unmet need (Figure 11). College-qualified, high school graduates from low-income families with high unmet need are:

- far less likely than students from high-income families to be enrolled in a four-year college;
- far more likely to be enrolled in a trade or proprietary school; and
- far more likely than students from high-income families to be enrolled in any postsecondary institution two years after high school.

Among these high school graduates from low-income families, 48 percent do not attend a four-year college within two years of graduation and 22 percent attend no college at all.

**The Full Access Pipeline.** High levels of unmet need have seriously negative effects on college-qualified, low-income high school graduates throughout the access process. These effects are captured by steady losses in the full Access Pipeline (Figure 12). This demonstrates clearly that high unmet need not only discourages college-qualified high school graduates from enrolling in a four-year college, but also substantially undermines the degree completion rates of those who do enroll.\(^\text{26}\)

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While 91 percent of their peers from high-income families test for and apply to a four-year college, only 62 percent of college-qualified high school seniors from low-income families do so.

Among these high school graduates from low-income families, 48 percent do not attend a four-year college within two years of graduation and 22 percent attend no college at all.

High levels of unmet need have seriously negative effects on college-qualified, low-income high school graduates throughout the access process.
FIGURE 11: IMPACT OF HIGH UNMET NEED ON HIGH SCHOOL GRADUATES' COLLEGE ENROLLMENT WITHIN TWO YEARS

Among college-qualified high school graduates with high unmet need, 48 percent are unable to enroll in a four-year college within two-years, and 22 percent unable to enroll in any college at all.

Source: Calculated from data in U.S. Department of Education, NCES (1997)

FIGURE 12: THE FULL ACCESS PIPELINE

High unmet need has a significant sequential and cumulative impact on college-qualified low-income high school graduates throughout the Access Pipeline.

Overall, beginning in middle school, low-income students who face high unmet need and the associated work and loan burden, as compared to their high-income peers who are relatively unconstrained by finances, are substantially less likely to:

- expect to finish college;
- plan to attend a four-year college after high school graduation;
- test for and apply to a four-year college;
- enroll in a four-year college; and
- persist to degree completion.

The impact of unmet need on the behavior of college-qualified high school graduates is as dramatic as its impact on all high school graduates. Thus, academic preparation does not inoculate high school graduates against the debilitating effects of high unmet need.
NATIONAL CONSEQUENCES

The attrition of low-income, college-qualified high school graduates facing high unmet need from the Access Pipeline is an important signal of the failure of federal, state, and institutional student aid policy to jointly ensure access to postsecondary education. In particular, two effects of high unmet need and the associated excessive burdens of work and loan are especially relevant from a federal policy perspective:

- the extent to which a very high percentage of college-qualified high school graduates are prevented from attending a four-year college within two years of graduation; and

- the extent to which a high percentage of them are prevented from attending any college at all.

It is essential to examine the national implications of these two outcomes both today and cumulatively over the decade.

In order to perform such an examination, the total pool of college-qualified high school graduates facing high unmet need must be estimated. Just as high school graduates from low-income families (income below $25,000 per year) face very high unmet need, work and loan burden, even at public colleges, so do moderate-income families (income between $25,000 and $49,999). They, too, are faced with very high expenses after all grant aid is awarded at two-year and four-year public colleges, even after taking into account EFC. For example, students from moderate-income families face a work and loan burden of $5,641 a year at public four-year colleges, only $1,137 less than the work and loan burden of their low-income peers colleges (Figure 13).

As in the case of low-income high school graduates, the financial barriers confronting those with moderate-income have a substantial and comparable impact on their expectations, plans, and enrollment behavior (Figure 14). In particular,

- 43 percent do not enroll in a four-year college within two years of graduation; and

- 16 percent do not attend any college at all.

Assessing the total national impact of high unmet need on high school graduates requires that both low-income and moderate-income high school graduates be included. This assessment also requires an accounting of impending demographic forces.
Figure 13: Comparison of Expenses Facing Low- and Moderate-Income High School Graduates at Public Four-Year Colleges*

- Expenses after Federal and State Grant Aid
- Expenses after All Grant Aid: Family Work and Loan Burden
- Expenses after All Grant Aid and EFC**: Student Work and Loan Burden

Low Income: 0 - $24,999  Moderate Income: $25,000 - $49,999
(Unmet Need: $3,800)  (Unmet Need: $3,000)

High school graduates from low- and moderate-income families faced similar levels of student work and loan burden — $6,778 vs. $5,641 — at public colleges at the end of the 1990s.

* Public four-year comprehensive and baccalaureate colleges
** EFC = $750 for low-income family; $3,000 for moderate-income family

Figure 14: Comparison of the Impact of High Unmet Need on the Behavior of Low- and Moderate-Income High School Graduates

College-Qualified

High unmet need, averaging $3,000 or more at public four-year colleges, undermines the expectations, plans, and enrollment of both low- and moderate-income high school graduates.

Source: Calculated from data in U.S. Department of Education, NCES (1997)
National Impact of Unmet Need

The impact of unmet need, work, and loan burden on low- and moderate-income families holds critical implications for the nation today and tomorrow. The substantial proportion of college-qualified, low- and moderate-income high school graduates who are unable to enroll in a four-year college—or any college at all—within two years of graduation suggests that large numbers of Americans were denied access to college in 2001-2002.

Compounding the current problems associated with students from low- and moderate-income families throughout the Access Pipeline are powerful demographic forces that will dramatically increase the enrollment of 18-to-24-year-olds in higher education. In fact, the class of 2008 will be the largest high school graduating class in the nation’s history. This large group of college-qualified high school graduates who are denied access today portends very substantial losses over the course of this decade.

- This year, 406,000 college-qualified high school graduates from low- and moderate-income families will be prevented from enrolling in a four-year college, and 168,000 of them will be unable to enroll in any college at all (Figure 15).

- Over the first decade of the 21st century, 4.4 million college-qualified high school graduates from low- and moderate-income families will not attend a four-year college within two years, and 2 million students will not attend any college at all (Figure 16).

The economic and social consequences, both public and private, of this loss of access are considerable and will affect the nation over the course of a generation.27

Exacerbating Factors

These estimates reflect conservative assumptions and, thus, likely understate the number of college-qualified students who will be denied access to college over the decade. Specifically, this analysis assumes that:

- neither the growth in the number of students, nor increasing college costs as compared to available grant aid will lead to a net increase in the current levels of unmet need and work and loan burden; and

- the proportion of college-qualified high school graduates will not increase over the decade.

This year, 406,000 college-qualified high school graduates from low- and moderate-income families will be prevented from enrolling in a four-year college, and 168,000 of them will be unable to enroll in any college at all.

Over the decade, 4.4 million college-qualified high school graduates from low- and moderate-income families will not attend a four-year college within two years, and 2 million students will not attend any college at all.

These estimates likely understate the number of college-qualified students who will be denied access to college over the decade.
FIGURE 15: TOTAL IMPACT OF HIGH UNMET NEED ON LOW- AND MODERATE-INCOME HIGH SCHOOL GRADUATES IN 2001 - 2002

College-Qualified

- College-Qualified High School Graduates
- Did Not Attend a Four-Year College
- Did Not Attend Any College

In 2001-2002, high unmet need prevented 406,000 college-qualified high school graduates from enrolling in a four-year college, and 168,000 of them from attending any college at all.

Source: Calculated from data in U.S. Department of Education, NCES (1997) and (2001)

FIGURE 16: CUMULATIVE IMPACT OF HIGH UNMET NEED ON LOW- AND MODERATE-INCOME HIGH SCHOOL GRADUATES FROM 2001 TO 2010

College-Qualified

- Total Not Attending a Four-Year College Within Two Years
- Total Not Attending Any College Within Two Years

Between 2001 and 2010, high unmet need will prevent 4.4 million high school graduates from attending a four-year college, and 2 million of them from attending any college at all.

Source: Calculated from data in U.S. Department of Education, NCES (1997) and (2001)
However, since students from low-income families will represent an ever-
increasing proportion of high school students over the decade, each successive graduating class will increase the demand for grant funds in order to make access to college and pursuit of a baccalaureate degree a reality. In addition, it is highly likely that widespread school reform and early intervention efforts will dramatically increase the proportion of college-qualified high school graduates. Thus, the real loss to the nation may be substantially higher than estimated.
IMPLICATIONS FOR FEDERAL POLICY

For nearly forty years, federal higher education policy has focused on ensuring that students who aspire to attend college can gain access to college regardless of family income. Despite some progress toward expanding access to college, the most vexing question for federal policymakers remains: can students today, especially those who aspire early, plan and take the right courses, and graduate from high school prepared—essentially the students who have done everything right—gain access to even the most reasonably priced four-year colleges? The answer is troublesome.

- For more than a decade, families of low-income high school graduates who are college-qualified have faced, on an annual basis, very high financial barriers: $3,800 in unmet need and over $7,500 in work and loan burden at public colleges. Their peers with moderate incomes face similarly daunting burdens.

- These financial barriers prevent 48 percent of college-qualified, low-income high school graduates from attending a four-year college, and 22 percent from attending any college at all within two years of high school graduation. Their peers from moderate-income families are hardly better off.

- Shocking annual losses at the national level—this year over 400,000 college-qualified students will be unable to attend a four-year college and nearly 170,000 will attend no college at all—will produce staggering cumulative losses of 4.4 million college-qualified students not enrolled in a four-year college, and 2 million who are denied access to any college at all by the end of this decade.

Moreover, as school reform and early-intervention efforts expand the number of college-qualified high school graduates during the decade as expected, scarce grant aid will be stretched even further, and work and loan burden will rise above current levels. This will trigger even larger national losses of college-qualified high school graduates, and wider income-related gaps in college participation and degree completion for the foreseeable future. Without substantial increases in need-based grant aid, this chain of events is irreversible.

These findings have major implications for federal access to college and persistence policies in five areas:

- **Defining the Problem.** The primary cause of today’s college access and persistence problem is the excessive level of unmet

For more than a decade, families of low-income high school graduates have faced very high financial barriers.

These financial barriers prevent college-qualified, low-income high school graduates from attending a four-year college.

Cumulative losses of 4.4 million college-qualified students not enrolled in a four-year college and 2 million who are denied access to any college at all by the end of this decade.
financial need and associated work and loan burden for low- and moderate-income high school graduates. Federal efforts to improve access to college and persistence must focus on the real problem, ensuring that students do not face financial barriers that require strategies that themselves reduce enrollment and persistence.

- **Refining the Strategy.** Academic preparation alone cannot ensure access and persistence—and currently does not do so—for over half of high school graduates from low- and moderate-income families who are already college-qualified. Federal strategies must focus on reducing real unmet need.

- **Closing the Unmet Need Gap.** Progress in improving access and persistence will require closing the unmet need gap and reducing work and loan burden by increasing grant aid. More work and loans will exacerbate current access and persistence problems.

- **Strengthening Early Intervention.** Financial barriers today strongly affect access to college tomorrow by undermining the expectations and plans of families with children in middle school. To make progress in the long term, early intervention must include an access to college guarantee for low- and moderate-income families.

- **Rebuilding Partnerships.** To ensure that total grant aid increases faster than college expenses, the federal government must take the lead in reinvigorating the traditional federal-state-institutional access to college and persistence partnership.

It is essential to factor each of these implications into a new, long-term federal strategy to improve access to and persistence in college.

**Defining the Problem**

As demonstrated by considerable research conducted in the 1970s, there is a well-documented link between college expenses after grant aid and student behavior. This research suggests that large remaining expenses after grant aid, which produce excessive work and loan burden, deter college-qualified, low- and moderate-income high school graduates from enrolling in college and persisting to degree completion.

The Title IV programs have been successful in enabling millions to attend and persist in college who could not have done so otherwise. However, these programs have not eliminated income-related gaps in participation and completion rates over time because their level of funding has never
permitted a reduction in real, out-of-pocket expenses—work and loan burden—for low- and moderate-income families. Put another way, the effective price of attending a four-year college, the net of all federal, state, and institutional need-based grant aid, has risen relentlessly for low- and moderate-income high school graduates and their families over the past quarter century to current record levels. Even the recent dramatic increases in Pell Grants have served only to stem the overall decline in their purchasing power.

Indeed, the considerable upward trend in unmet need, work and loan burden, as well as the declining purchasing power of Pell Grants, has robbed the federal grant programs, including early intervention programs such as TRIO and GEAR UP, of their power to improve access and persistence for low- and moderate-income students. The inability of grant and other programs to increase access and persistence, especially in the 1990s, is directly attributable to the failure to provide funding levels that would reduce unmet need and the associated work and loan burden. Without such reductions, no improvements in access and persistence can be expected today or in the future.

**Refining the Strategy**

The federal strategy for stemming these large losses of human capital over the decade must focus squarely on lowering unmet need and the debilitating work and loan burden that confront low- and moderate-income families today. Additional efforts to increase academic preparation or enhance information about college and financial aid cannot overcome these daunting financial barriers, especially for the more than 400,000 low- and moderate-income high school graduates who are college-qualified but denied access to four-year colleges today and in increasing numbers in the future. Certainly, many more students must be encouraged to remain in high school and graduate prepared to attend college, and early information about academic requirements and financial aid is essential in improving access to college. Neither of these will solve the financial problem facing high school graduates already prepared for college. The challenge that they confront is inadequate grant aid.

Indeed, the majority of low- and moderate-income high school graduates are college-qualified and have adequate information. And as school reform and early intervention efforts gain momentum, the number of those who are prepared and informed will increase steadily. For these students, the shortage of grant aid will be the problem—not academic preparation or information.

While a focus on college-qualified high school graduates is essential in assessing the true nature of the access and persistence problem, and is an
essential litmus test for federal access policy, it cannot be the sole criterion for designing and implementing a solution. More than 40 percent of low- and moderate-income high school graduates are not fully prepared to attend a four-year college, but turn to the community college system for access. Policies that would expand grant funding only to fully qualified students, at the expense of those not fully qualified, would shortchange those students and the nation’s future just as elementary and secondary school reform begins to succeed.

The new federal access and persistence strategy must focus on the critical impact of unmet need, work, and loan burden. For the former, additional academic preparation and information are not the answer. For both, need-based grant aid is essential.

Closing the Unmet Need Gap

An unmet need gap of at least $3,000 at public four-year colleges decreases the enrollment of low- and moderate-income high school graduates who are college-qualified as compared to their peers with high income (Figure 17). Consequently, an increase in total grant aid of that amount to each student, each year would equalize unmet need and narrow the gap in enrollment behavior substantially. Such an increase in existing grant programs would decrease the work and loan burden of low-income high school graduates to more manageable levels (Figure 18) and increase the likelihood that those who have prepared for college would enroll. Experience at the institutional level demonstrates the effectiveness of this approach. At a minimum, this should be the goal of federal policy.

Most importantly, increasing student work in order to narrow the unmet need gap is counterproductive because it can often lead to decreases in grant aid and increases in work and loan burden in subsequent years, decreasing the likelihood of persistence. Similarly, increasing borrowing is impractical for low- and moderate-income students, due to current high levels of annual borrowing and debt burden. The bottom line is that increasing work and loan burden beyond current record levels will further undermine access to college and persistence and cause loss estimates to increase.

The Role of Grants

Increasing grant aid, especially the maximum Pell Grant, must be the central feature of the new federal access to college strategy. Substantial increases in the maximum Pell Grant in recent years successfully reversed
An increase in grant aid of $3,000 would lower the work and loan burden of low-income high school graduates to $3,778 at a public four-year comprehensive and baccalaureate college.

Source: Calculated from data in U.S. Department of Education, NCES (1997)
the decline in the purchasing power of Pell Grants that occurred throughout most of the 1990s. However, even these unprecedented increases left students merely as well off as they were earlier in the decade. Consequently, a successful federal strategy must be more comprehensive. A more promising approach would be to increase total federal, state, and institutional grant aid by $3,000 a year.

**Strengthening Early Intervention**

As part of the new access to college and persistence strategy, the federal government must strengthen and expand early intervention programs. These programs augment the early awareness and academic preparation efforts of state and local governments that share the primary responsibility for ensuring that students graduate from high school prepared for college. Indeed, assuring adequate academic preparation for all children was the central focus of the recent No Child Left Behind Act of 2001.

The TRIO and GEAR UP programs represent very successful federally supported models of information, intervention, and scholarship aid. In addition, state models such as the Indiana Twenty-first Century Scholars program, which combines information and early intervention with a guarantee of grant aid substantially increases both the likelihood of students graduating from high school academically prepared and enrolling in a four-year college. Thus, early commitment to adequate aid through federal and state programs can support improved academic preparation as well as enrollment in college. The long-term goal of these state need-based grant programs should be that, at a minimum, all low- and moderate-income students who prepare adequately for college are able to enroll.

**Rebuilding Partnerships**

With the enactment of the HEA and its earliest reauthorizations, the federal government assumed the role of ensuring access through partnerships. *Access Denied* called upon the federal government to restore the federal-state-institutional access partnerships through creative links among existing programs. In particular, federal policy must encourage a far more substantial state and institutional commitment to need-based grant aid and controlling college costs, especially in periods of recession, and discourage the current trend toward merit-based aid and higher than average tuition increases. Examples already exist at the state and institutional level and should serve as models for federal policy.
Three major challenges exist with state grant aid.

- First, states increasingly have chosen to expand politically popular merit-based grant aid at the expense of need-based aid. The opportunity cost of this policy is substantial when scarce student aid resources are dedicated to students who would have otherwise enrolled.

- Second, many states underinvest in need-based aid, and two states have never implemented a need-based program; in others, programs languish at low funding levels in spite of the needs of their students.

- Third, in periods of recession, state funding falls not only for public institutions of higher education, causing tuition to rise, but also for student aid programs, resulting in decreases in grant levels or the denial of grants to eligible students in the face of steep increases in tuition charges—a double shock for students and families already struggling under staggering levels of work and loan burden.

Each of these policy actions increases unmet need and decreases access to college for low- and moderate-income students. A successful federal-state partnership must address these challenges.

In addition, the federal government must enhance persistence to degree completion through institutional partnerships that emphasize both additional grants (completion grants) that will enable students to persist by reducing work and loan burden, and successful campus academic and support strategies that enhance the likelihood of persistence. Proposals that trade-off access for persistence, or vice versa, are shortsighted and ultimately shortchange the very students whom Title IV serves.

**Priorities for Higher Education Act of 1965 Reauthorization**

Reauthorization offers a critical opportunity to address this decade’s college access problem by expanding and strengthening Title IV programs. The current level and impact of unmet need suggests that in conjunction with annual increases in funding for the Pell Grant and other Title IV programs, reauthorization can put into place program enhancements that can stem the increase in the number of students for whom opportunity will be nothing more than an empty promise.
Reauthorization can make considerable progress toward renewing the nation’s commitment to access to college and the opportunity to persist. The resulting statute and the funding provided to the programs will determine whether the hard work of a generation of Americans who will attempt to enroll in college over this decade will be rewarded or whether the promise of access to postsecondary education will be broken.

Other steps can be taken to eliminate financial barriers, especially those that, by reducing grant aid in subsequent years, penalize students for meeting unmet need through off-campus work. These penalties reduce persistence as grant aid drops and work and loan burden increase. In addition, applying for aid can be made dramatically simpler, especially for low-income students, by expanding the existing simplification mechanism in the HEA.

Making progress on the college access problem today and in the future requires systematic and aggressive action at the federal level to increase Pell Grants annually, and cooperation on the part of all federal, state, and institutional policymakers committed to equal access to college. Commitment to increased grant aid and cooperation among the federal and state governments and institutions of higher education is crucial in the face of increasing tuition levels.

While a problem three decades in the making cannot be solved overnight, a renewed commitment to expanding access to college must be made. This requires confronting the college access problem head-on and focusing on a long-term strategy to increase the amount of federal, state, and institutional need-based grant aid that low- and moderate-income high school graduates can count on in a financial aid package that shrinks the work and loan burden these students currently face.
ENDNOTES

1 Please see College Board (2001) for more information on the wage premium of workers with a college degree.

2 For purposes of this report, "low-income" refers to families who earn less than $25,000 per year. "Moderate-income" indicates a family whose annual income is between $25,000 and $49,999.

3 A more detailed discussion of the benefits of a college education for both students and society can be found in Institute for Higher Education Policy (2001) and Institute for Higher Education Policy (1998).


10 For a closer look at the maximum Pell Grant as a share of cost of attendance, please see the College Board (2001a).

11 A good analysis of the interrelationship between state budget shortfalls and tuition increases can be found in National Center for Public Policy and Higher Education (2002).

12 For examples of how state awards were lowered, please see USA Today (2002) and Newbart, D. (2002).

13 This institutional data was presented at the March 7, 2002 meeting of the Advisory Committee on Student Financial Assistance. Please see the minutes of this meeting for more details.

Please see Carnevale, A.P. (2002) for more information on education, demographics, and labor markets.

The college qualification index evaluates high school seniors on cumulative academic coursework GPA, senior class rank, NELS test scores, SAT and ACT college entrance examination scores. More information about the college qualification index can be found in U.S. Department of Education, National Center for Education Statistics (1997).

Student behavior is analyzed in detail in the U.S. Department of Education, National Center for Education Statistics (1997).

This finding is echoed in the research of scholars such as McPherson, M.O. & Schapiro, M. (1999), Lee, J. B. (2001), Ellwood, D. & Kane, T. J. (2000).

For more information on debt burden please see King, T. & Bannon, E. (2002) and National Center for Public Policy and Higher Education (2002).

Parents’ education is not fungible and cannot replace financial aid. Given the excessive work and loan burden facing low-income students and families, attributing the access problem to parents’ level of education is neither wise nor productive. If parents’ education has any effect at all on college-qualified high school graduates, it is to make the student and family more sensitive to, and thus exacerbate the impact of, the current financial aid shortfall. More than 80 percent of college-qualified low-income high school graduates are from families in which neither parent is a college graduate. Since sending their parents to college is not a policy option, the way to increase the students’ enrollment is to lower financial barriers by expanding need-based student aid.

Longitudinal data from U.S. Department of Education, National Center for Educational Statistics (1997) analyzes data that addresses the enrollment patterns of high school graduates within two years after graduating from high school. That study used data from the National Education Longitudinal Study of 1988 (NELS: 88), supplemented with information on college costs and financial aid for a comparable group of students in the National Postsecondary Student Aid Study, 1992–93 (NPSAS: 93).

High school graduates from moderate-income families (that is, $24,999 - $50,000) must be included among high unmet need students when estimating the total national impact of high unmet need since low- and moderate-income students face similar levels of unmet need. However, in illustrating the pipeline, a comparison between high school graduates from families with income over $75,000 and those from families with income below $25,000 is used. Since the vast majority of the former have no unmet need at a four-year public college and the vast majority of the latter have unmet need of more than $3,000, this in effect compares high school graduates with very low and very high unmet need, respectively.
Since the data available on all high school graduates and those determined to be college-qualified are not identical, the specific pipelines will vary slightly. In particular, more detail was gathered from college-qualified students regarding concerns about finances and taking steps toward admission to a four-year college, permitting a more detailed Access Pipeline to be estimated.

Speculation that parents’ education, not income and unmet need, is the cause of today’s access problem is fueled by analyses that fail to control properly for the effects of income and unmet need. There is no empirical evidence that low-income, college-qualified high school graduates whose parents do not have a college degree fail to attend college (or a four-year college) if financial aid is adequate. In fact, one of the most important findings in early intervention literature is that a guarantee of financial access substantially improves academic preparation, aspirations, and the likelihood of college attendance.

College-qualified, low-income students and their parents have as much or more information about financial aid as do their higher income counterparts. In particular, they were as likely or more likely than higher income students and parents to have obtained and read information about financial aid from more than one source, and discussed financial aid with a high school teacher, guidance counselor, or college representative.

For purposes of this report, preliminary degree completion rates in 2000 by SES are used to estimate the rates by income and unmet need for college-qualified high school graduates. By year 2000, only 7 percent of students who had been 8th graders in 1988 from the lowest SES quartile had completed a bachelor's degree. Approximately 34 percent of these 8th graders had graduated from high school college-qualified. Assuming that all students completing a bachelor's degree in 2000 had been college-qualified upon graduation from high school, 21 percent (7 percent divided by 34 percent) of college-qualified high school graduates with high unmet need had completed a bachelor's degree by year 2000. On the other hand, by year 2000, 51 percent of all of their peers from the highest SES quartile had done so. Since 82 percent of them had been college-qualified upon high school graduation, 62 percent (51 percent divided by 82 percent) had completed a bachelor's degree by year 2000.

These figures have been corroborated by an independent researcher at the March 7, 2002 meeting of the Advisory Committee on Student Financial Assistance. For more information, please see the minutes of that meeting.
REFERENCES


APPENDIX A

List of Advisory Committee on Student Financial Assistance Members and Staff

Current Members by Class of Appointment

Class of 2001
(Term expired September 30, 2001, continues to serve until reappointed or a replacement is named)

Mr. Donald R. Vickers
President
Vermont Student Assistance Corporation
Winooski, Vermont
(United States Senate appointee)

Class of 2002
(Term Expires September 30, 2002)

Ms. Judith Flink
Director of Student Financial Services and Cashiering Operations
University of Illinois at Chicago
Chicago, Illinois
(House of Representatives appointee)

Dr. Juliet V. Garcia (Chairperson)
President
University of Texas @ Brownsville
Brownsville, Texas
(Secretary of Education appointee)

Dr. Robert C. Khayat
Chancellor
University of Mississippi
University, Mississippi
(United States Senate appointee)

Class of 2003
(Term Expires September 30, 2003)

Dr. Henry Givens, Jr.
President
Harris-Stowe State College
St. Louis, Missouri
(House of Representatives appointee)

Ms. Sandra L. Tarbox
Doctoral Student
Center for the Study of Higher and Postsecondary Education
University of Michigan
Ann Arbor, Michigan
(Secretary of Education appointee)

Dr. Charles Terrell (Vice Chairman)
Associate Vice President
Division of Community and Minority Programs
Association of American Medical Colleges
Washington, D.C.
(United States Senate appointee)

Dr. Thomas R. Wolanin
Senior Associate
The Institute for Higher Education Policy
Washington, D.C.
(Secretary of Education appointee)

Class of 2004
(Term Expires September 30, 2004)

Mr. Don R. Bouc
President and CEO
National Education Loan Network (NELnet)
Lincoln, Nebraska
(Secretary of Education appointee)

Ms. Norine Fuller
Executive Director
The Fashion Institute of Design and Merchandising
Washington, D.C.
(House of Representatives appointee)

Mr. Lawrence W. O’Toole
President and CEO
America’s Charter School Finance Corporation
Braintree, Massachusetts
(Secretary of Education appointee)
Former Advisory Committee Members who Contributed to this Report

Dr. Thomas E. Dillon
President
Thomas Aquinas College
Santa Paula, California
(House of Representatives appointee)

Ms. Susan O'Flaherty
Director of Financial Aid and Scholarships
Western Michigan University
Kalamazoo, Michigan
(Secretary of Education appointee)

Advisory Committee Staff

Dr. Brian K. Fitzgerald
Staff Director

Ms. Jennifer A. Delaney
Assistant Staff Director for Research

Ms. Hope M. Gray
Senior Administrative Officer

Ms. Carolyn M. Sabatino
Former Project Director for Administrative Systems
Ohio University
Athens, Ohio
(Secretary of Education appointee)

Ms. Shelaine N. Jackson
Office Automation Assistant

Ms. Tracy D. Jones
Administrative Assistant

Ms. Ardena N. Leonard
Senior Assistant Staff Director

Mr. Justin L. Wellner
Policy Intern
APPENDIX B

Authorizing Legislation

The Advisory Committee was established by an act of Congress in 1986. Section 491 of the Higher Education Act as amended contains the Committee's Congressional mandate. A copy of this section as it appears in the law follows:

SEC. 491. ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE.

(a) ESTABLISHMENT AND PURPOSE.--(1) There is established in the Department an independent Advisory Committee on Student Financial Assistance (hereafter in this section referred to as the "Advisory Committee") which shall provide advice and counsel to the Congress and to the Secretary on student financial aid matters. (2) The purpose of the Advisory Committee is-- (A) to provide extensive knowledge and understanding of the Federal, State, and institutional programs of postsecondary student assistance; (B) to provide technical expertise with regard to systems of needs analysis and application forms; and (C) to make recommendations that will result in the maintenance of access to post-secondary education for low- and middle-income students.

(b) INDEPENDENCE OF ADVISORY COMMITTEE.--In the exercise of its functions, powers, and duties, the Advisory Committee shall be independent of the Secretary and the other offices and officers of the Department. Notwithstanding Department of Education policies and regulations, the Advisory Committee shall exert independent control of its budget allocations, expenditures and staffing levels, personnel decisions and processes, procurements, and other administrative and management functions. The Advisory Committee's administration and management shall be subject to the usual and customary Federal audit procedures. Reports, publications, and other documents of the Advisory Committee, including such reports, publications, and documents in electronic form, shall not be subject to review by the Secretary. The recommendations of the Committee shall not be subject to review or approval by any officer in the executive branch, but may be submitted to the Secretary for comment prior to submission to the Congress in accordance with subsection (f). The Secretary's authority to terminate advisory committees of the Department pursuant to section 448(b) of the General Education Provisions Act ceased to be effective on June 23, 1983.

(c) MEMBERSHIP.--(1) The Advisory Committee shall have 11 members of which-- (A) 3 members shall be appointed by the President pro tempore of the Senate upon the recommendation of the Majority Leader and the Minority Leader, (B) 3 members shall be appointed by the Speaker of the House of Representatives upon the recommendation of the Majority Leader and the Minority Leader, and (C) 5 members shall be appointed by the Secretary including, but not limited to representatives of States, institutions of higher education, secondary schools, credit institutions, students, and parents. (2) Not less than 7 members of the Advisory Committee shall be individuals who have been appointed on the basis of technical qualifications, professional standing and demonstrated knowledge in the fields of higher education and student aid administration, need analysis, financing postsecondary education, student aid delivery, and the operations and financing of student loan guarantee agencies.
(d) FUNCTIONS OF THE COMMITTEE.--The Advisory Committee shall--(1) develop, review, and comment annually upon the system of needs analysis established under part F of this title; (2) monitor, apprise, and evaluate the effectiveness of student aid delivery and recommend improvements; (3) recommend data collection needs and student information requirements which would improve access and choice for eligible students under this title and assist the Department of Education in improving the delivery of student aid; (4) assess the impact of legislative and administrative policy proposals; (5) review and comment upon, prior to promulgation, all regulations affecting programs under this title, including proposed regulations; (6) recommend to the Congress and to the Secretary such studies, surveys, and analyses of student financial assistance programs, policies, and practices, including the special needs of low-income, disadvantaged, and nontraditional students, and the means by which the needs may be met, but nothing in this section shall authorize the committee to perform such studies, surveys, or analyses; (7) review and comment upon standards by which financial need is measured in determining eligibility for Federal student assistance programs; (8) appraise the adequacies and deficiencies of current student financial aid information resources and services and evaluate the effectiveness of current student aid information programs; and (9) make special efforts to advise Members of Congress and such Members' staff of the findings and recommendations made pursuant to this paragraph.

(e) OPERATIONS OF THE COMMITTEE.--(1) Each member of the Advisory Committee shall be appointed for a term of 3 years, except that, of the members first appointed-- (A) 4 shall be appointed for a term of 1 year; (B) 4 shall be appointed for a term of 2 years; and (C) 3 shall be appointed for a term of 3 years, as designated at the time of appointment by the Secretary. (2) Any member appointed to fill a vacancy occurring prior to the expiration of the term of a predecessor shall be appointed only for the remainder of such term. A member of the Advisory Committee shall, upon request, continue to serve after the expiration of a term until a successor has been appointed. A member of the Advisory Committee may be reappointed to successive terms on the Advisory Committee. (3) No officers or full-time employees of the Federal Government shall serve as members of the Advisory Committee. (4) The Advisory Committee shall elect a Chairman and a Vice Chairman from among its members. (5) Six members of the Advisory Committee shall constitute a quorum. (6) The Advisory Committee shall meet at the call of the Chairman or a majority of its members.

(f) SUBMISSION TO DEPARTMENT FOR COMMENT.--The Advisory Committee may submit its proposed recommendations to the Department of Education for comment for a period not to exceed 30 days in each instance.

(g) COMPENSATION AND EXPENSES.--(1) Members of the Advisory Committee may each receive reimbursement for travel expenses incident to attending Advisory Committee meetings, including per diem in lieu of subsistence, as authorized by section 5703 of title 5, United States Code, for persons in the Government service employed intermittently.

(h) PERSONNEL AND RESOURCES.--(1) The Advisory Committee may appoint such personnel as may be necessary by the Chairman without regard to the provisions of title 5, United States Code, governing appointments in the competitive service, and may be paid without regard to the provisions of chapter 51 and subchapter III of chapter 53 of such title relating to classification and General Schedule pay rates, but no individual so appointed shall be paid in excess of the rate authorized for GS-18 of the General Schedule. The Advisory Committee may appoint not more than 1 full-time equivalent, nonpermanent, consultant without regard to the provisions of title 5, United States Code. The Advisory Committee shall not be required by the Secretary to reduce personnel to meet agency
personnel reduction goals. (2) In carrying out its duties under the Act, the Advisory Committee shall consult with other Federal agencies, representatives of State and local governments, and private organizations to the extent feasible. (3)(A) The Advisory Committee is authorized to secure directly from any executive department, bureau, agency, board, commission, office, independent establishment, or instrumentality information, suggestions, estimates, and statistics for the purpose of this section and each such department, bureau, agency, board, commission, office, independent establishment, or instrumentality is authorized and directed, to the extent permitted by law, to furnish such information, suggestions, estimates, and statistics directly to the Advisory Committee, upon request made by the Chairman. (B) The Advisory Committee may enter into contracts for the acquisition of information, suggestions, estimates, and statistics for the purpose of this section. (4) The Advisory Committee is authorized to obtain the services of experts and consultants without regard to section 3109 of title 5, United States Code and to set pay in accordance with such section. (5) The head of each Federal agency shall, to the extent not prohibited by law, cooperate with the Advisory Committee in carrying out this section. (6) The Advisory Committee is authorized to utilize, with their consent, the services, personnel, information, and facilities of other Federal, State, local, and private agencies with or without reimbursement.

(i) AVAILABILITY OF FUNDS.--In each fiscal year not less than $800,000, shall be available from the amount appropriated for each such fiscal year from salaries and expenses of the Department for the costs of carrying out the provisions of this section.

(j) SPECIAL ANALYSES AND ACTIVITIES.--The Advisory Committee shall-- (1) monitor and evaluate the modernization of student financial aid systems and delivery processes, including the implementation of a performance-based organization within the Department, and report to Congress regarding such modernization on not less than an annual basis, including recommendations for improvement; (2) assess the adequacy of current methods for disseminating information about programs under this title and recommend improvements, as appropriate, regarding early needs assessment and information for first-year secondary school students; (3) assess and make recommendations concerning the feasibility and degree of use of appropriate technology in the application for, and delivery and management of, financial assistance under this title, as well as policies that promote use of such technology to reduce cost and enhance service and program integrity, including electronic application and reapplication, just-in-time delivery of funds, reporting of disbursements and reconciliation; (4) assess the implications of distance education on student eligibility and other requirements for financial assistance under this title, and make recommendations that will enhance access to postsecondary education through distance education while maintaining access, through on-campus instruction at eligible institutions, and program integrity; and (5) make recommendations to the Secretary regarding redundant or outdated provisions of and regulations under this Act, consistent with the Secretary’s requirements under section 498B.

(k) TERM OF THE COMMITTEE--Not withstanding the sunset and charter provisions of the Federal Advisory Committee Act (5 U.S.C. App. I) or any other statute or regulation, the Advisory Committee shall be authorized until October 1, 2004.