

JUST AND EFFICIENT COLLEGE FINANCE

As scholars and policy analysts whose research has focused on higher education, we believe that our nation and our colleges and universities need to recommit to a fundamental statement that will foster a just and efficient allocation of public and private resources for higher education.

Financial assistance to students and families – whether federal, state, or institutional in origin, and whether in the form of grants, loan subsidies, or tax-advantaged programs – should be concentrated on students from low- and moderate-income families. It is these students for whom financial aid

makes a difference in the decision to enroll in and complete college.

Our purpose is to reaffirm public policies that will maximize the development of the individual talent of all Americans and will strengthen the nation's economic security. We believe that in recent years the country has diverted attention, incentives, and revenues away from students and families with the greatest financial need. Our policymakers and our institutional leaders should recommit to helping those with the fewest resources. We present these facts underlying this statement.

Facts:

- 1) Although our country has made progress in the last three decades in broadening access to higher education, an enrollment gap persists, one based on family income that current programs of student support have not erased.
- 2) Over the past 20 years, the burden of paying for public higher education has shifted significantly from the general state taxpayer to students and families, as state support has not kept pace with total costs of instruction, and as tuition has increased to cover the shortfall.
- 3) To shoulder this growing burden over the past decade, loans and student non-academic work have sharply exceeded grants in the supply of financial aid. Low- and moderate-income students must increasingly borrow heavily and work excessive hours to the detriment of their studies in order to gain access to college. The prospect of debt discourages many less advantaged young people from considering college. And many of those who do enroll leave college with substantial loan burdens before earning a degree.
- 4) Public and private colleges and universities are increasingly emphasizing criteria other than financial need in the awarding of scholarship aid.
- 5) Growing numbers of low-income young people seeking higher education are limited in their choice to the lowest-priced colleges and part-time attendance, reducing the odds that these students will earn a college degree.
- 6) In 2008, the number of high school graduates in the country is projected to be 26% higher than the 1996 level. The front end of this expansion is now moving through the educational pipeline. Most of this growth will come from groups that will be poorer on average than the population at large, greatly increasing the demand for need-based financial aid to assure that higher education is affordable for all.

7) Research clearly indicates that financial aid and lower prices of higher education make a much larger difference in the college-going behavior of low- and moderate-income students, than in the behavior of students from middle- or upper-income families.

8) Recent federal and state initiatives have favored higher income families through such forms of aid as tuition tax credits, tuition prepayment plans, and tax-deferred savings. Programs such as these are inefficient in that they subsidize college-going behavior that would occur in their absence.

The policy implications of this statement are:

- 1) Colleges and universities perform most effectively in the public interest when they concentrate their own financial aid on academically qualified but financially needy students, rather than using aid to subsidize financially able students to enroll at their campuses.
- 2) States bear the primary responsibility of assuring a supply of places and financial arrangements that permit all eligible students to enroll in college. States facing large enrollment increases in this decade bear a particularly heavy responsibility for supplying sufficient places for future students and meeting the increasing need for financial assistance.
- 3) The federal government has the principal responsibility of providing a solid foundation of need-based grants and loans. Priority should be placed on the restoration of grants rather than further expansion of loans for undergraduates, or tuition tax benefits for families.

The American people clearly understand the vital importance of access to higher education in today's economy. The challenge facing the nation is not one of finding the resources, but of directing them to where the needs are greatest and using them most efficiently. We urge a national recommitment to this statement.

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