

7<sup>th</sup> Annual College Board Colloquium  
Laguna Beach, CA

**College Access in the 21<sup>st</sup> Century:  
Demographics and the Demand for Financial Aid**

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## Outline

- Current status of college access in the United States
- Financial aid – recent trends at the federal, state, and institutional levels
- Future demographic patterns
- Future demand for financial aid
- Questions and discussion

## College Access

- College participation rates (18-24) of highest and lowest income quartiles (*Access Denied*):

	<u>Highest</u>	<u>Lowest</u>	<u>Gap</u>
1976	76%	45%	31%
1997	89%	53%	36%

- Undergraduate participation rates (18-29) of racial/ethnic groups (D. E. Heller):

	<u>White</u>	<u>African American</u>	<u>(Gap)</u>	<u>Hispanic</u>	<u>(Gap)</u>
1976	21%	16%	5%	13%	8%
1996	30%	23%	7%	18%	12%

# College Access

The intersection of socioeconomic status and ability

		SES Quartile	
		Lowest	Highest
Achievement Quartile	Lowest	36%	<b>77%</b>
	Highest	<b>78%</b>	97%

*Access Denied, 1992-93 BPS*

## Bachelor's Degree Attainment Rates

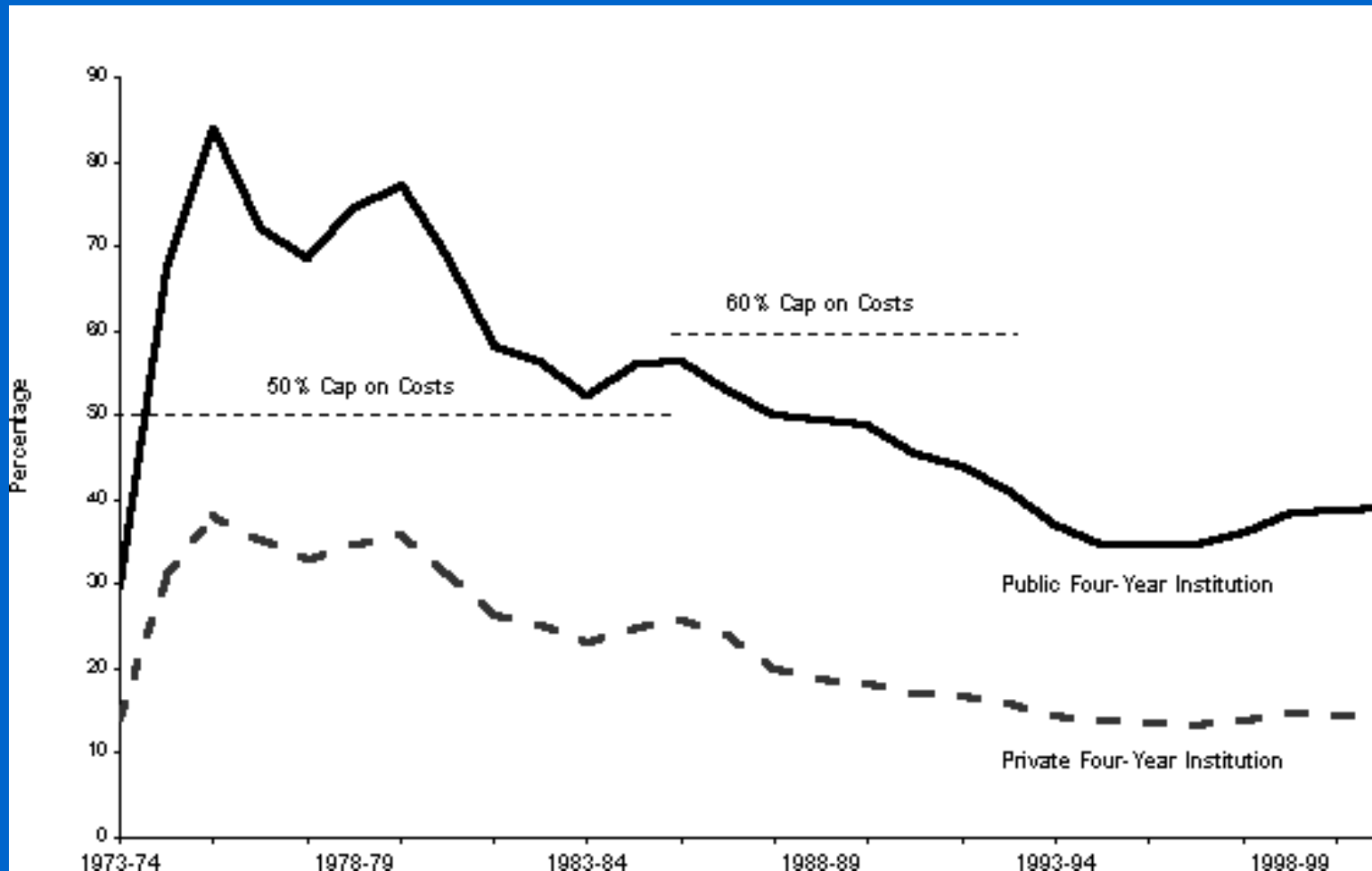
- By income group
  - Lowest quartile 6.1%
  - Middle quartiles 18.7%
  - Highest quartile 41.1%
- By race
  - African American 16.9%
  - Hispanic 17.8%
  - White 27.3%

*Access Denied, 1989-90 BPS*

## Changes from 1976 - 1996

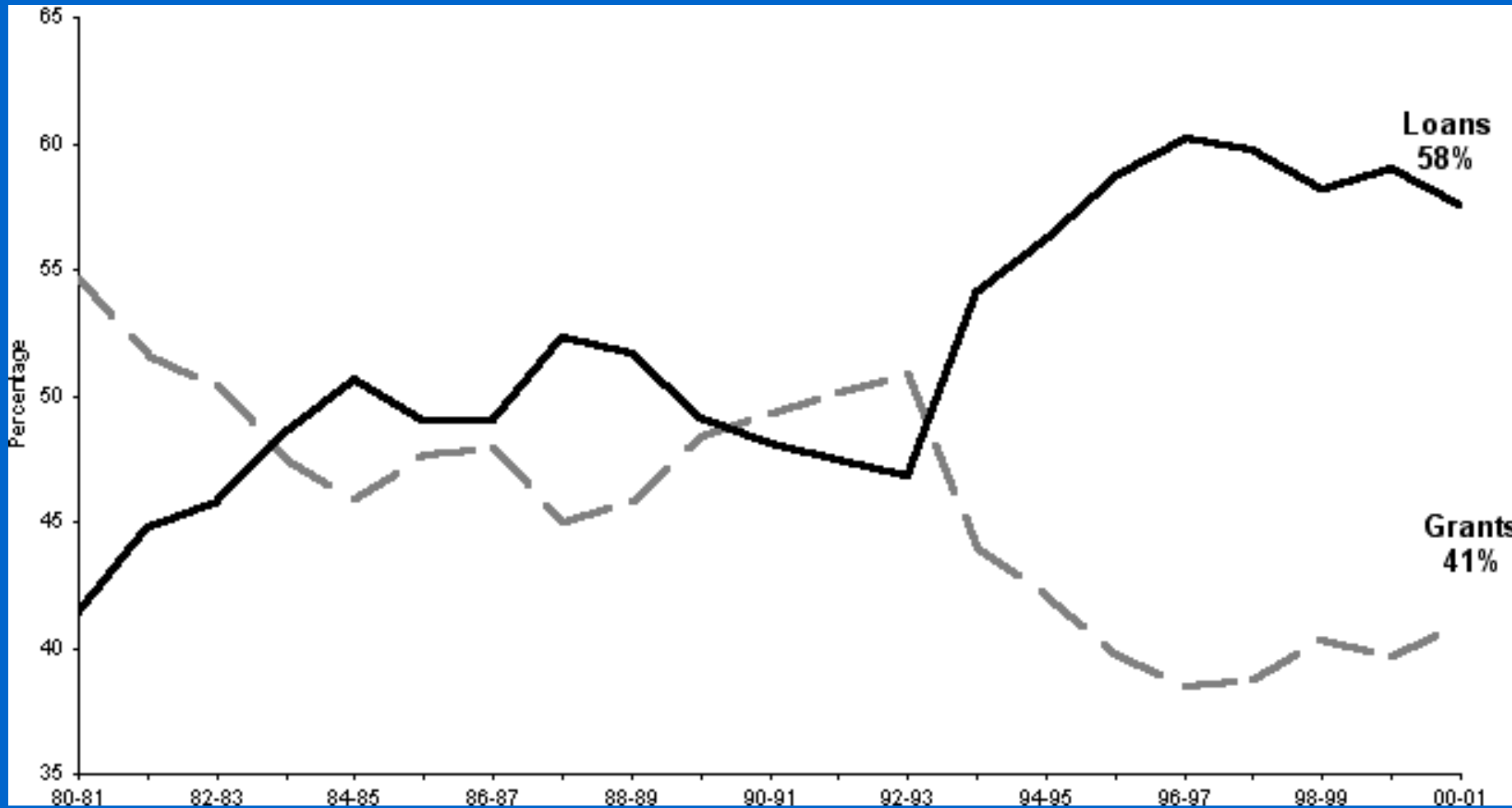
- Tuition increases (IPEDS)
  - 4-year public institutions 381%
  - 4-year private institutions 408%
  - Community colleges 393%
- Financial aid
  - Total aid available (College Board) 447%
  - Aid/student (IPEDS) 322%
- Other measures
  - CPI 171%
  - HEPI 190%
  - Median family income 183%

# Federal Aid – Pell Grants

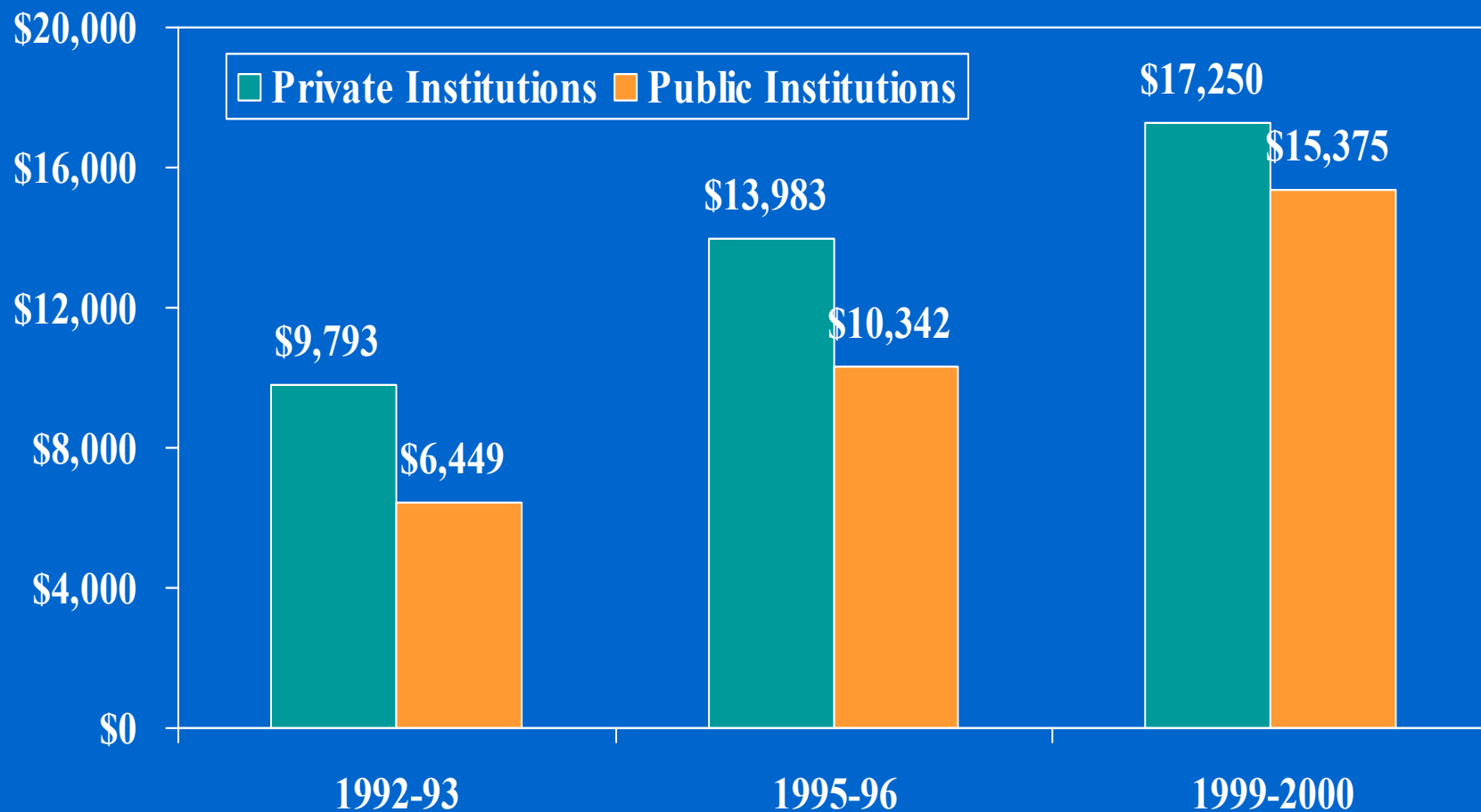


College Board, *Trends in Student Aid*

# Federal Aid

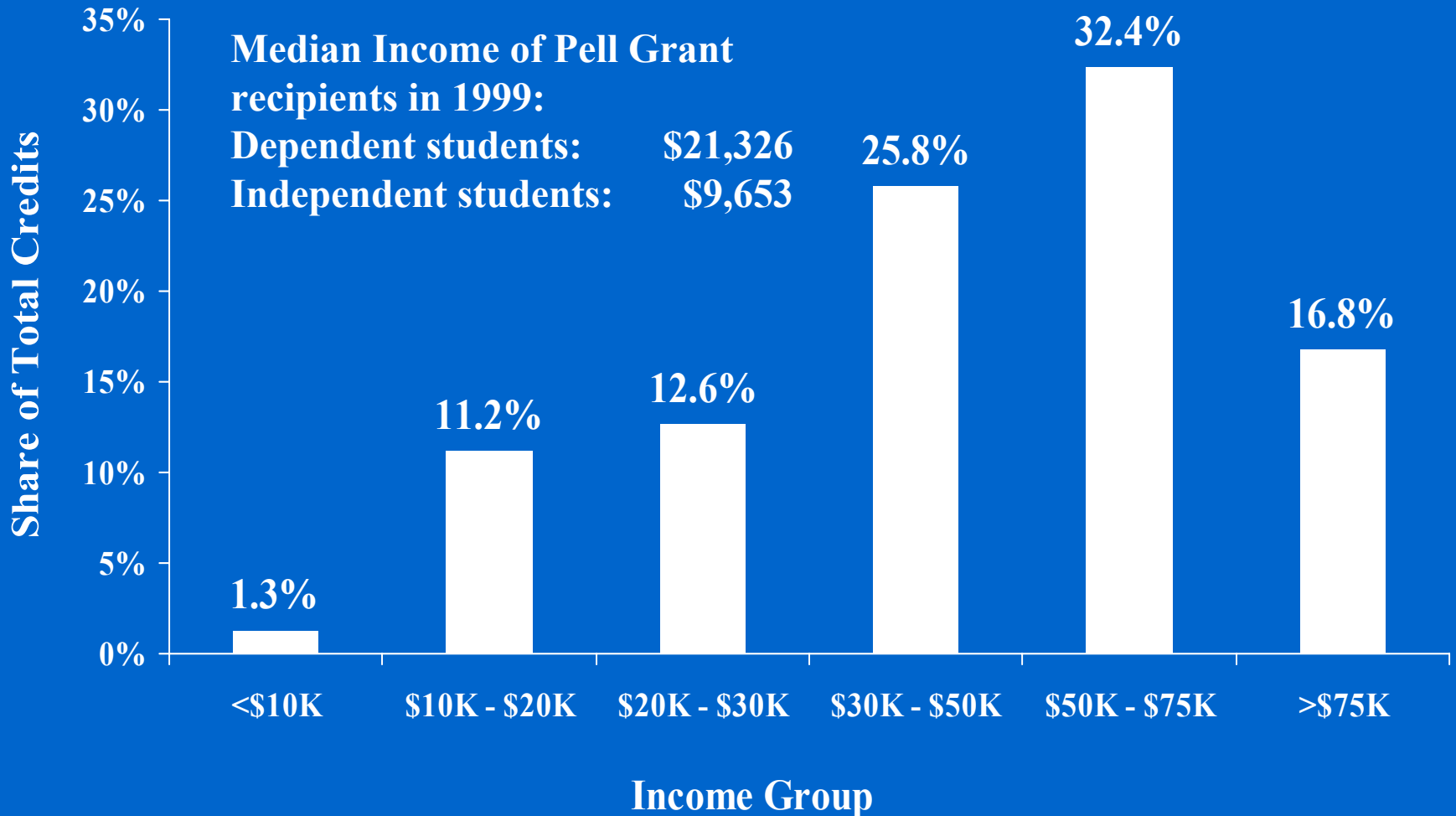


# Federal Aid – BA Recipient Borrowing



*ACE, Student Borrowing in the 1990s*

# Federal Tax Credits



## Other Federal Policies

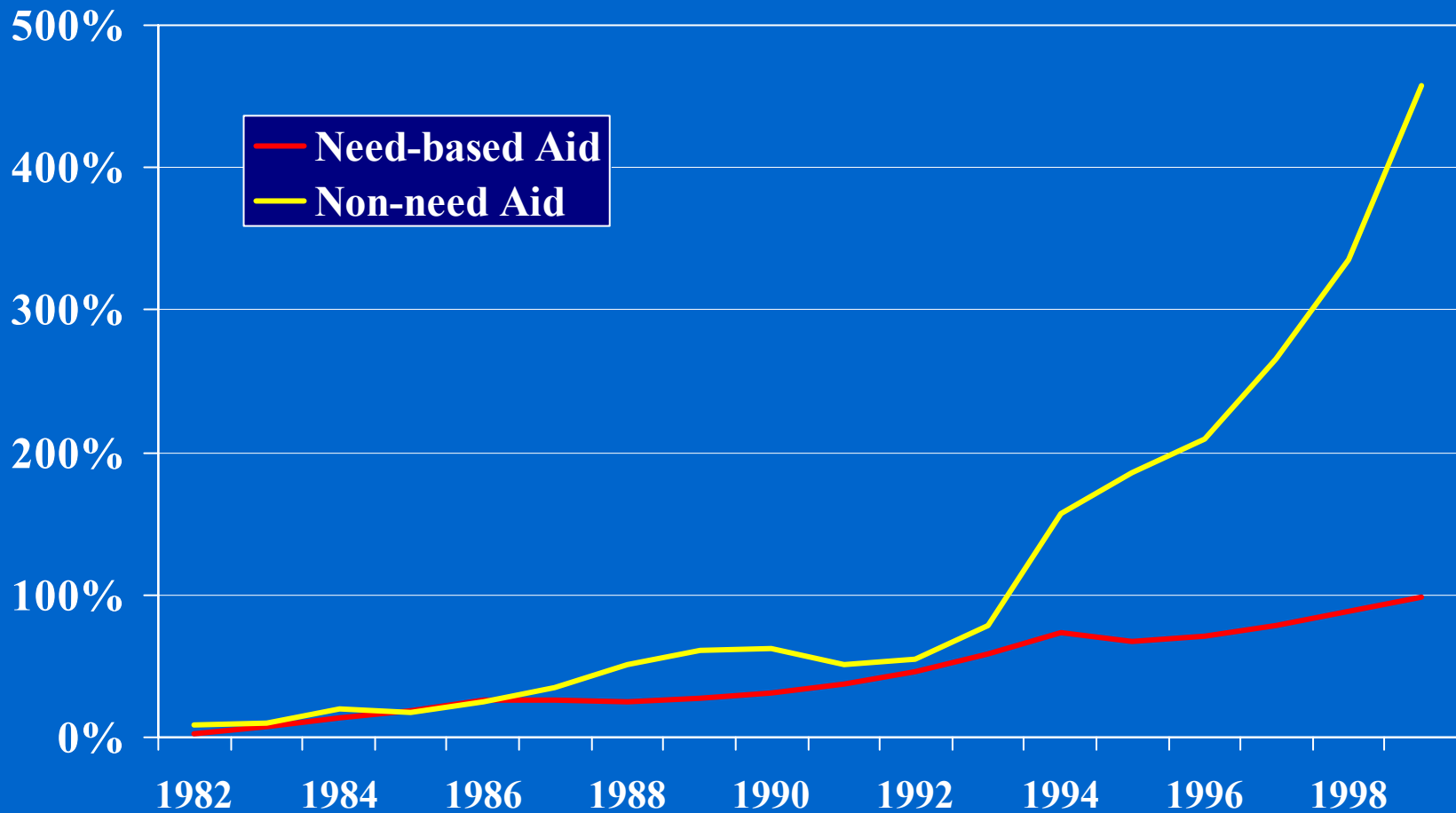
- Tax law changes passed in 2001
  - Tax-free withdrawals from Section 529 plans
  - Increase in the maximum contribution to 529 plans
  - Private colleges can now offer tax-sheltered prepaid tuition programs
  - Option of deduction, rather than tax credit, for tuition costs
  - Elimination of 60-month limit on student loan interest deduction



## State Aid – Recent Trends

- Largely kept pace with public and private tuition increases since the early 1980s – from \$1.7 billion in 1981 to \$4 billion in 1999 (in 1999 dollars)
- Trend is toward use of non-need aid (Georgia HOPE, Florida Bright Futures, Michigan Merit Award, New Mexico Lottery, Louisiana TOPS)
- New funding sources – lotteries and tobacco settlement funds
- CalGrant increase – an important counter-trend

# Cumulative Growth in State Grants



Author's calculations from NASSGAP surveys (constant \$)

## Characteristics of State Merit Programs

- **Georgia** (Cornwell, Mustard, and Sridhar): “The primary role of the HOPE Scholarship [96 percent of expenditures] has been to influence where, not whether, students attend college”
- **Florida** and **Michigan** (Heller and Rasmussen): Awards go disproportionately to students who are
  - Upper-income
  - White and Asian American
  - Likely to go to college even without the assistance
- **New Mexico** (Binder and Ganderton): “Does not appear to have raised the number of HS graduates enrolling in college. . .The program has disproportionately attracted higher income, lower-ability students to the University of New Mexico.”

## Institutional Aid

The use of institutional aid has grown in the last decade:

### Average institutional grant award to dependent students

<u>Year</u>	<u>Amount</u>	<u>Increase</u>
1989-1990	\$2,442	-
1992-1993	\$3,447	41%
1995-1996	\$3,723	8%
1999-2000	\$4,853	30%

# Changing Use of Institutional Aid

## Changes from 1989-1990 to 1995-1996

<u>Type of Grant</u>	<u>Number</u>	<u>Ave. Amt.</u>	<u>Total \$</u>
All grants	29%	64%	111%
Need-based grants	46%	47%	115%
Non-need grants	(9%)	117%	99%

Full-time, dependent students in  
4-year institutions

Heller, "Race, Gender, and Institutional Financial Aid  
Awards," *Journal of Student Financial Aid*

# Changing Use of Institutional Aid

## Changes in Number of Grants Awarded, 1989-1990 to 1995-1996

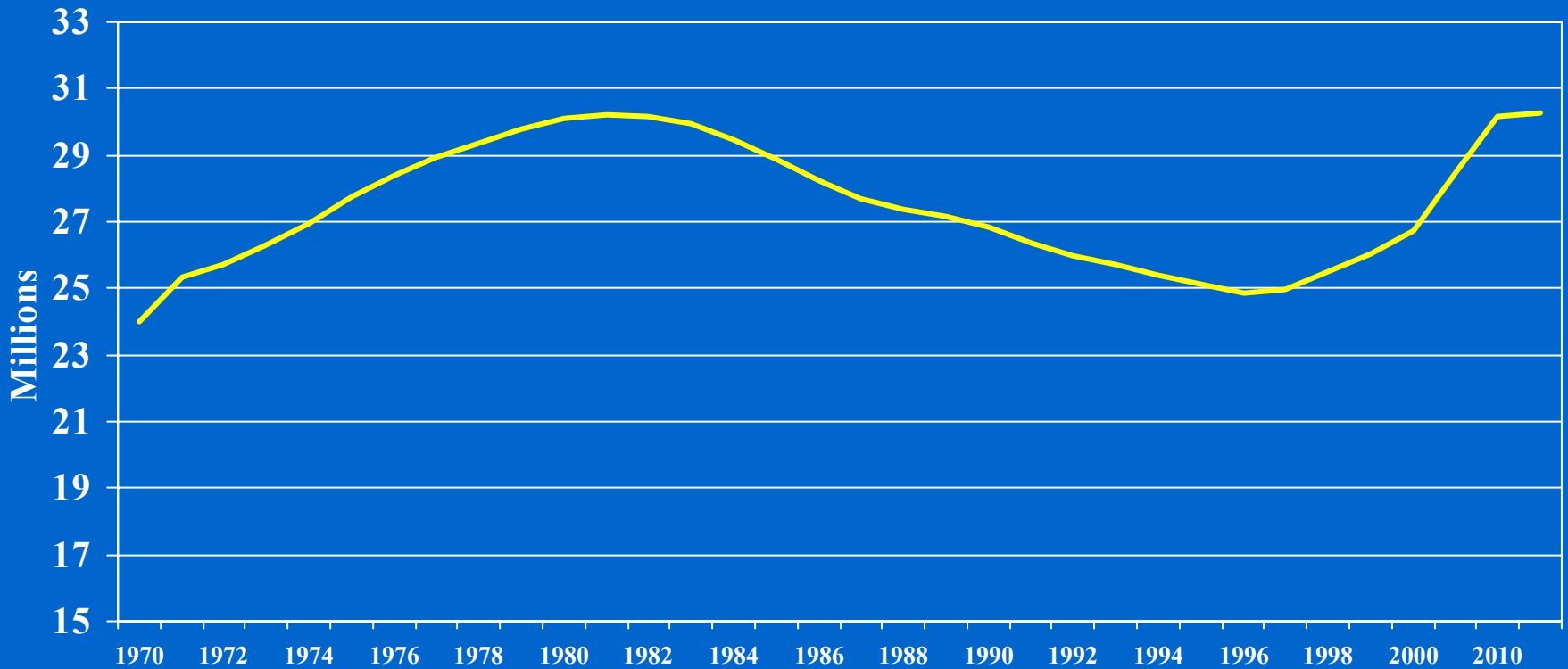
<u>Group</u>	<u>Need</u>	<u>Non-need</u>
Lower income	26%	(19%)
Middle income	46%	(12%)
Upper income	98%	16%

Full-time, dependent students in  
4-year institutions

Heller & Shapiro, "Institutional Need-based and Non-  
need Grants," *Journal of Student Financial Aid*

# Demographics

## 18 to 24 Population



*Condition of Access (Carnevale & Fry)*

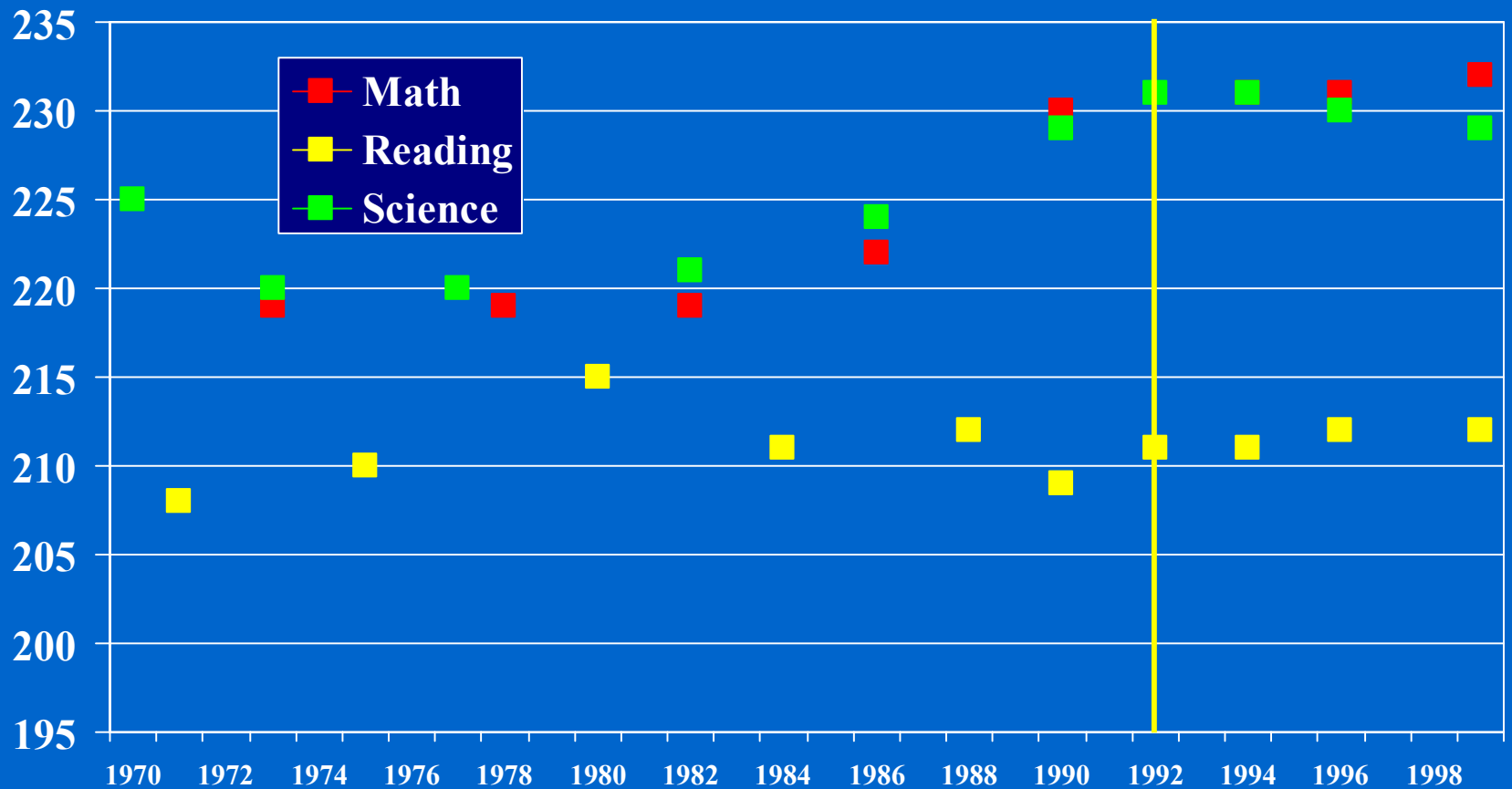
# Demographics and Race

## Growth of traditional college-age population

	Projected Growth, 2000 to 2015	Share of Total Growth
White	4.4%	18.2%
Native American	14.8%	0.8%
African American	18.1%	16.0%
Asian American	63.8%	16.2%
Hispanic	56.4%	48.8%

# Demographics and Ability

## Mean NAEP Scores of Nine year-olds



*Condition of Access (Carnevale & Fry)*

## Current State of Unmet Need

	Income Group		
	Low	Middle	High
Community College	\$3,200	\$1,650	\$100
Public 4-year	\$3,800	\$2,250	\$400
Private 4-year	\$6,200	\$4,700	\$3,000

Full-time, dependent students

*Access Denied, NPSAS:96*

## Financial Aid – Future Demand and Supply

- Compared to current students, future cohorts will:
  - Have more underrepresented minority students
  - Have more students from families with modest incomes
  - Are likely to be as, if not more, academically prepared
  - Have more students qualifying for need-based aid
- Federal grant programs are unlikely to see the same growth we saw in the 1990s
- New state initiatives will likely be focused on merit aid
- “Off-budget” initiatives will continue to focus on middle- and upper-income students
- Tuition will continue to rise

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## Institutional Response?

**To download the presentation:**

**<http://www.personal.psu.edu/deh29>**