

EAIR/European Higher Education Society Annual Conference
Barcelona, Spain
September 6, 2004

Shifting the Burden:
Public and Private Financing of Higher Education in
the United States and Implications for Europe

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PENNSSTATE



COLLEGE of EDUCATION

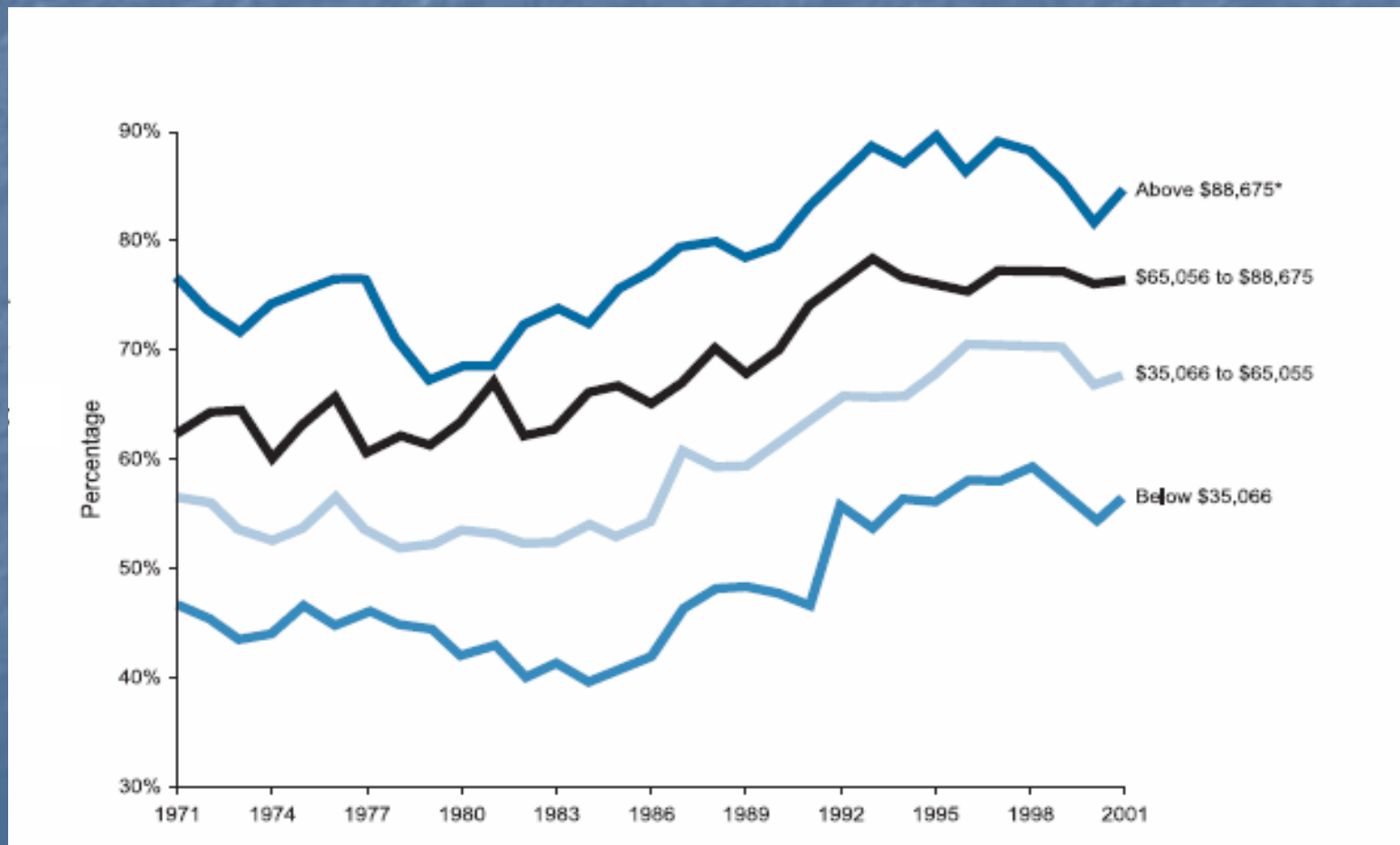
CENTER FOR THE STUDY OF HIGHER EDUCATION

American and European Trends in Higher Education

- College participation and attainment
 - Increasing, but with increasing inequality
- Economic factors
 - Constrained, or even shrinking, public support
 - A shift in priorities
 - Growing demand
- Students shut out of higher education
 - In the US, financial barriers prevent 406,000 **college-qualified** (based on NCES definition) high school graduates from low- and moderate-income families from enrolling in a 4-year institution
 - 168,000 of these are unable to enroll in any type of college

US College participation by income quartile

College participation rates of unmarried 18-24 year olds



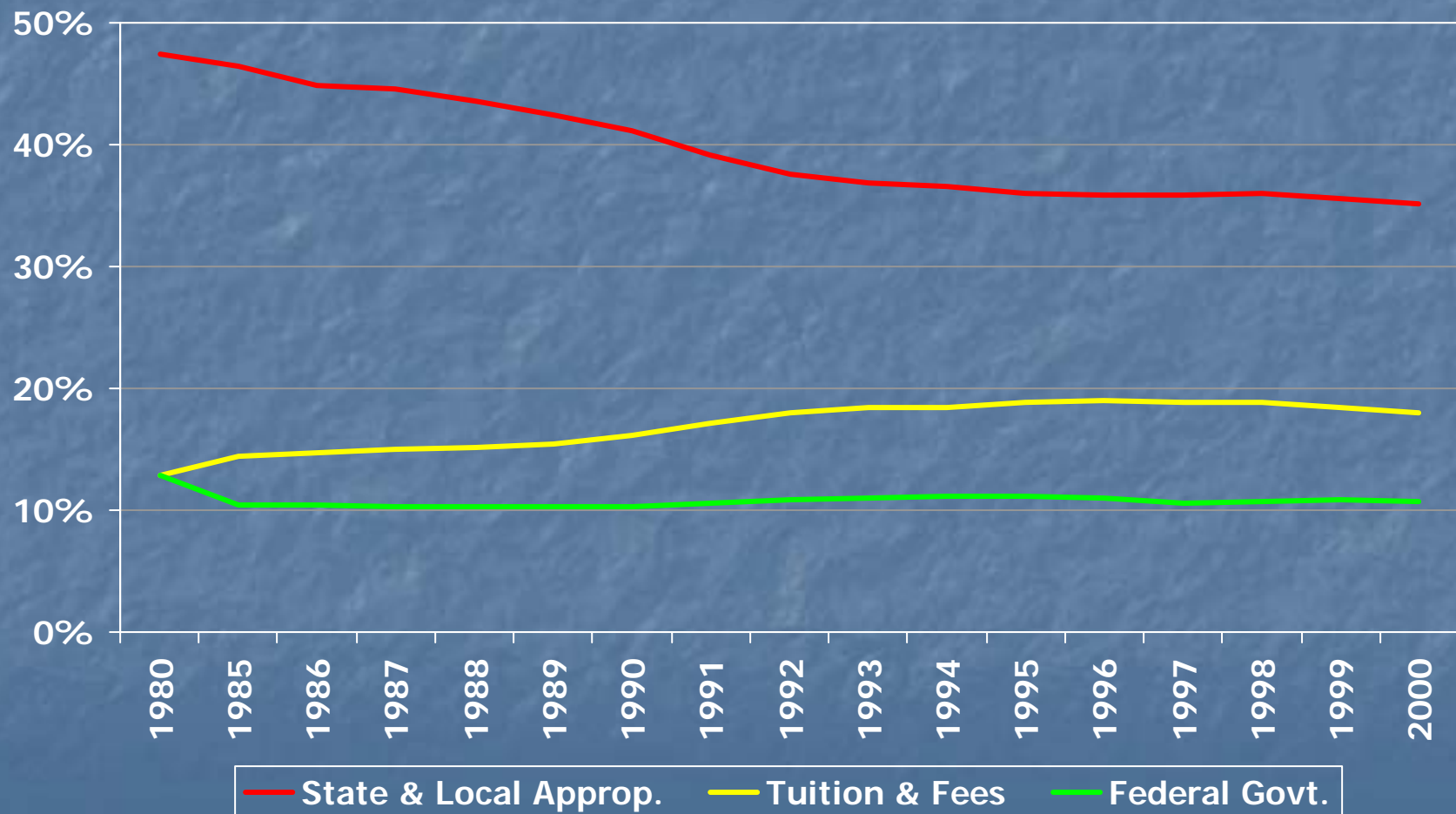
The Americanization of British Student Financial Aid

- Decrease in State support in real terms
- Higher levels of participation among young adults and its toll on “elitism” in university
 - Higher student-to-faculty ratios
 - Departmental and program closures
 - Pressures on physical structures
- Britain’s Higher Education Bill
 - Proposed in January 2003
 - Would increase tuition/fees by 167 percent, from \$2,050/year to \$5,475/year in September 2006
 - Repayment is contingent upon income

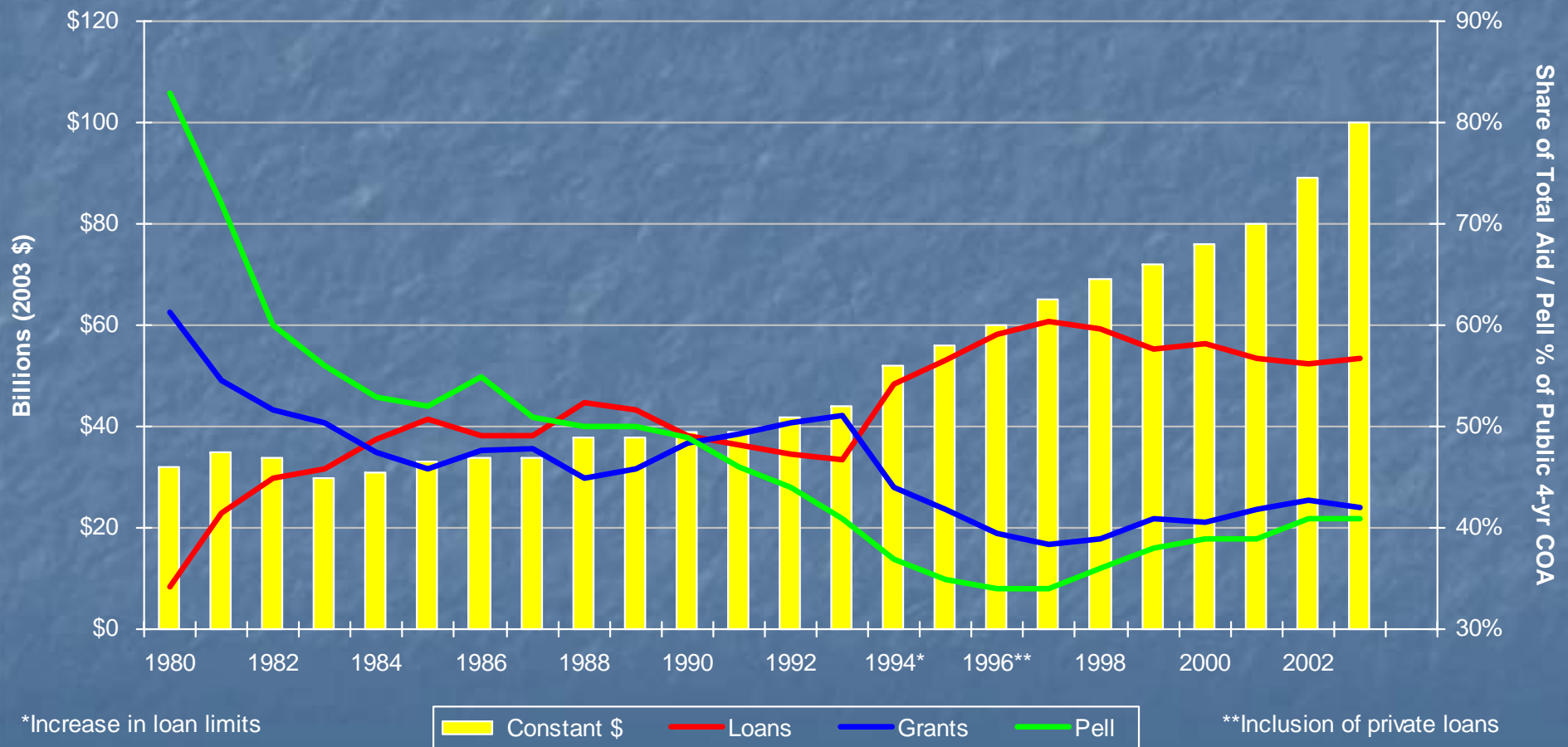
Shifting the Burden in the United States

- Federal student aid programs
 - Grants
 - Abolition of Social Security Student Benefit Program in 1982
 - Loss of purchasing power of the Pell grant
 - Less intensive targeting of grants to low-income students
 - Loans
 - In 1980, one-third of all aid was in the form of loans. By 2003, this had risen to 54 percent.
 - Increasing reliance on loans linked to college wage premium
- State programs
 - Reduced commitment to funding higher education
 - Tuition increases result from lack of state support
 - More emphasis on merit-based aid

Share of current fund revenues in public institutions

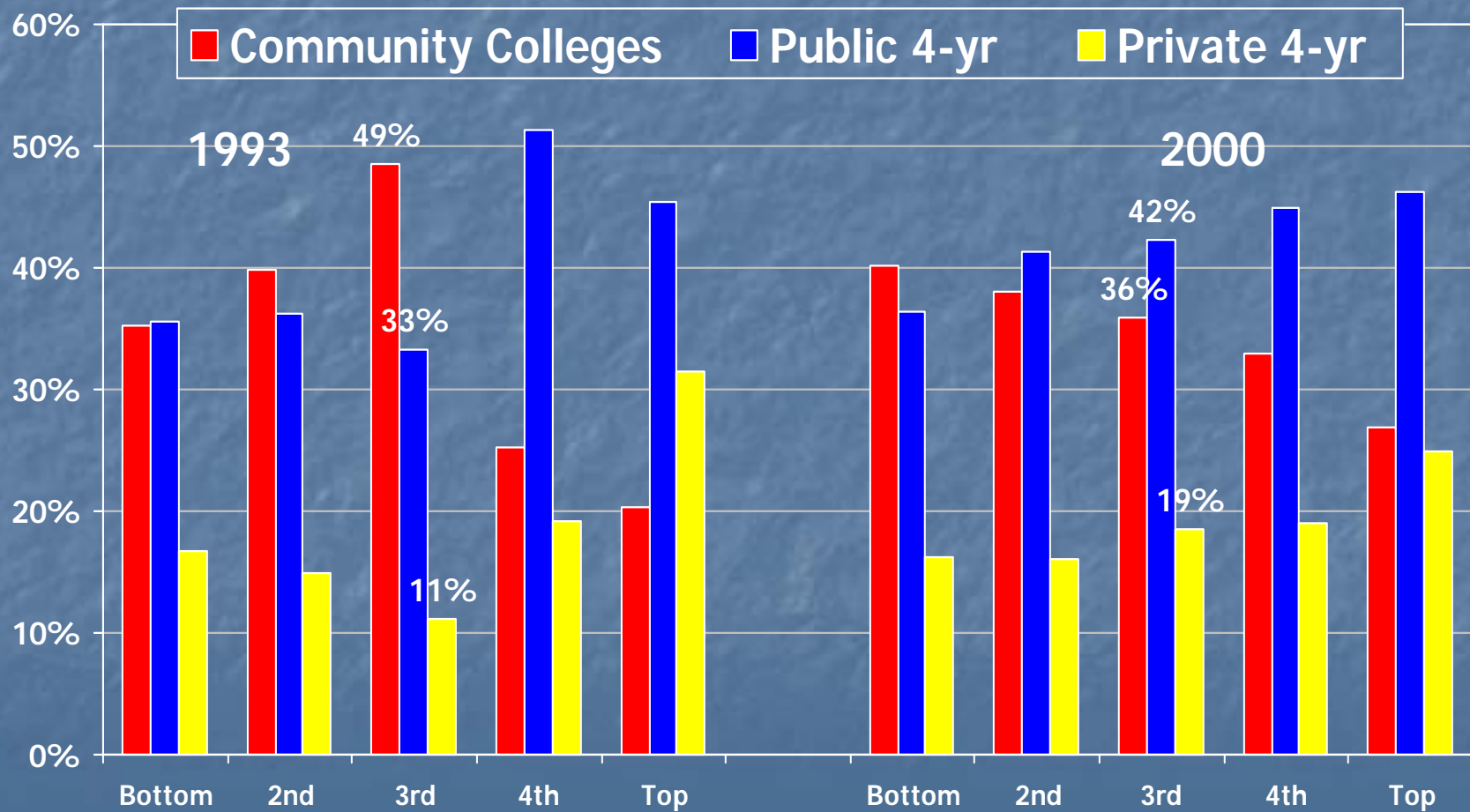


The growth – and shift – in financial aid



Middle class melt?

Enrollment by sector for income quintiles, 1993 & 2000



State merit scholarship programs

- 24% of state grant dollars in merit (no-need) aid, over \$1 billion
- Georgia HOPE started trend in 1993, currently largest merit aid program (\$357M last year), larger than *total* aid spending by every state other than CA, IL, and NY
- Three primary policy rationales for merit programs:
 - Encourage and/or reward academic work
 - Stanch brain drain
 - Promote college access and attainment

Michigan Merit Award

■ Background

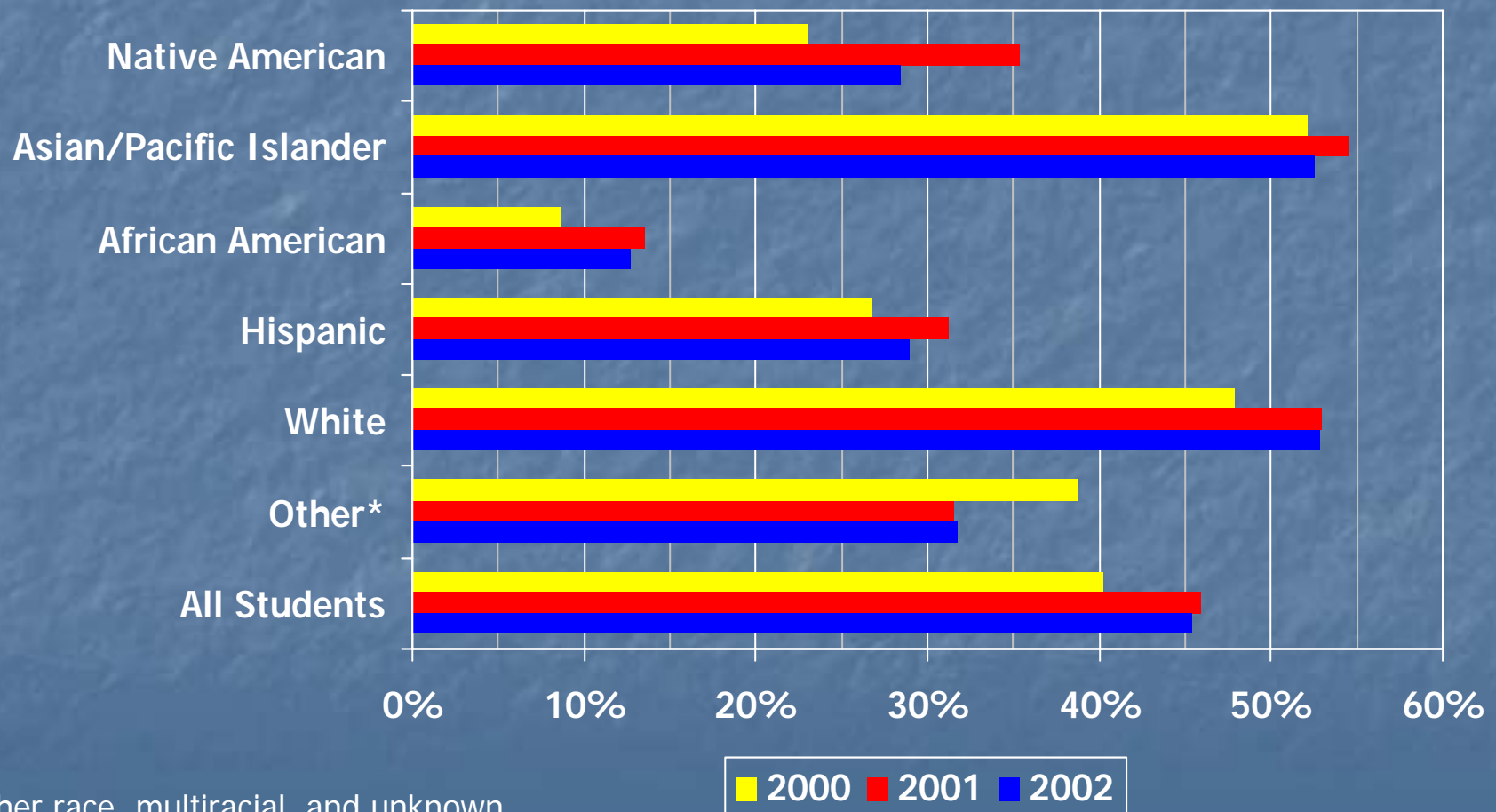
- Created in 1999; first awarded to graduating class of 2000
- Funded by tobacco settlement revenues
- One-time scholarship - \$2,500 for in-state school, \$1,000 out-of-state
- Award based on students' scores on the MEAP, the state's 11th grade curriculum frameworks test (four areas: reading, writing, math, science)

■ Research Design

- First three eligible high school classes (2000 – 2002)
- Unit record data from all MEAP test-takers in Michigan
- Michigan Department of Education school-level data
- Bivariate analyses

Race and cohort effects

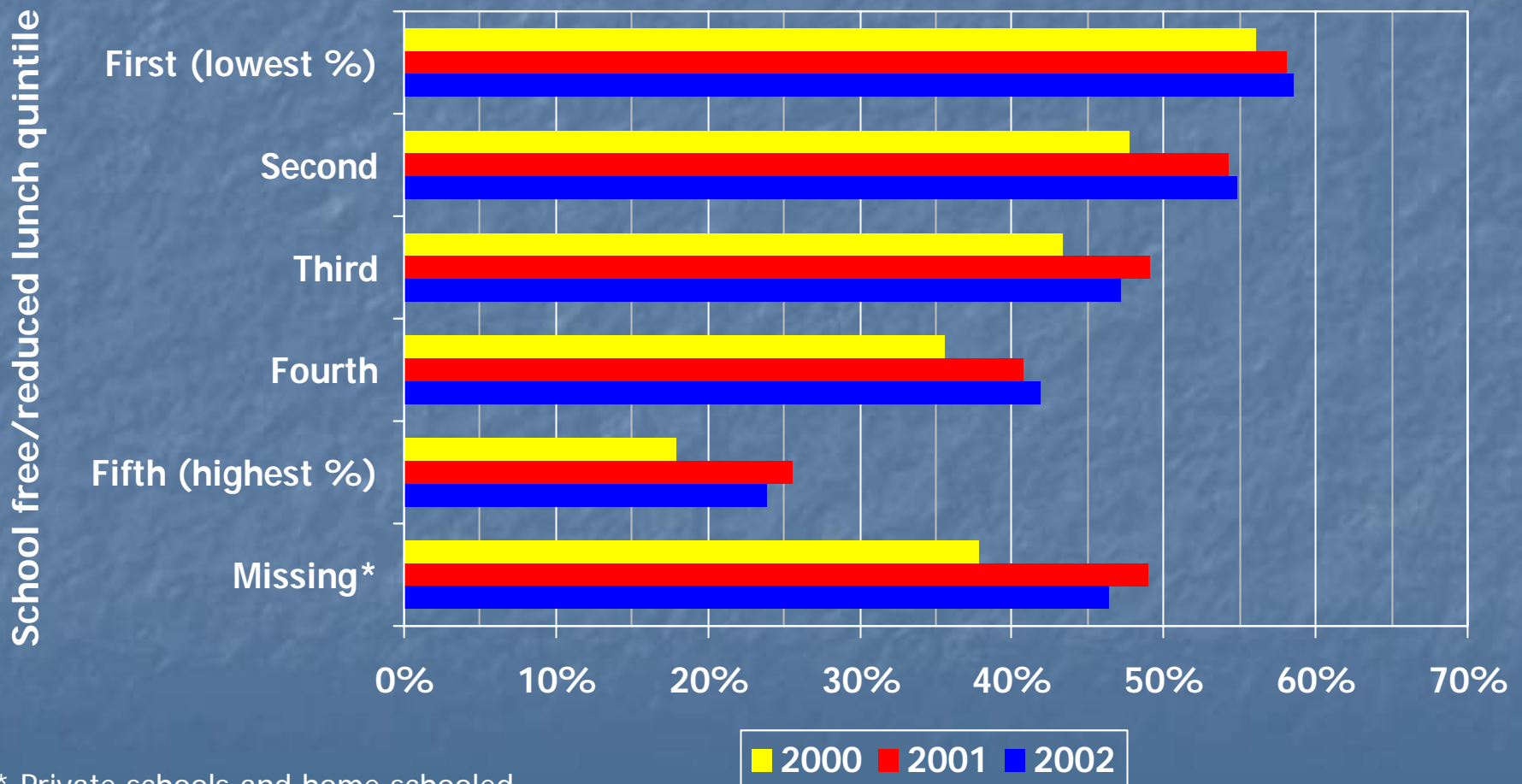
Proportion of students taking at least one MEAP section qualifying



* Other race, multiracial, and unknown

School income and cohort effects

Proportion of students taking at least one MEAP section qualifying



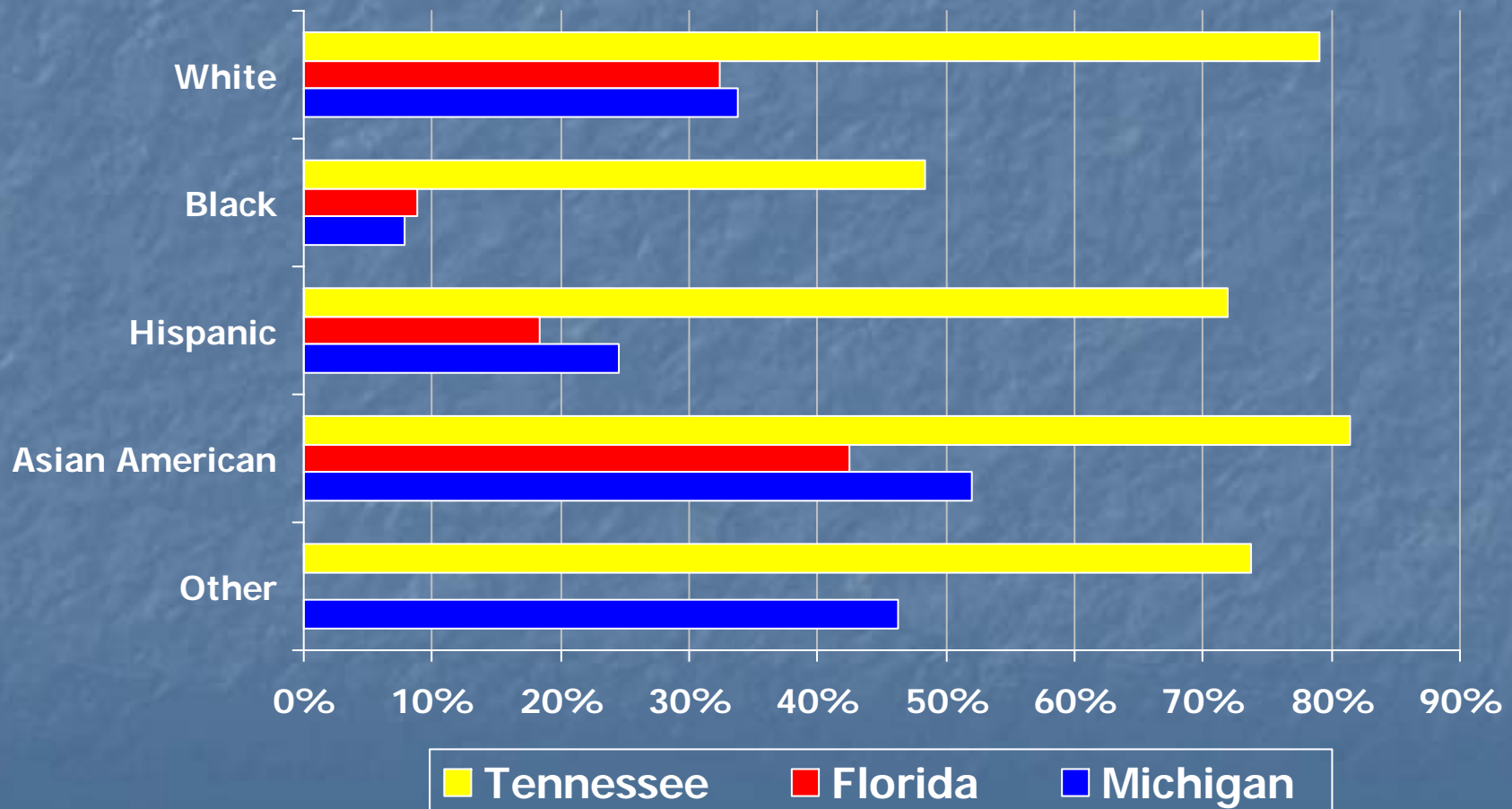
* Private schools and home schooled

Merit aid – impact on college access

- Harvard Civil Rights Project report, August 2002
 - **Georgia:** Over 90% of expenditures on HOPE went to students who would have attended college anyway; program *increased* the gap in college participation between white and African-American students
 - **Florida and Michigan:** Grants awarded disproportionately to racial majority students and students in wealthier communities (those with higher participation rates)
 - **New Mexico:** No impact on access; did shift some students from 2-year to 4-year institutions. 80% of recipients were from families with income >\$40,000 per year, above the state's median income of \$38,000

Comparing states

Proportion of students qualifying for merit scholarships



Conclusions and Implications for Europe

- As the price of higher education rises, poorer students and students of colour are likely to encounter barriers to participation
- European countries should look at American financial aid policy and the consequences of rising college costs on educational equity before instituting higher tuition/fees
 - Higher levels of student loan debt
 - Creation of an institutional hierarchy
 - Increasing racial and socioeconomic stratification
- Political pressure may give rise to certain financial aid programs, such as merit aid, which have proven themselves ineffective to help participation rates of low-income students

Website

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