

# The Evolution of Student Aid, Where It Has Been, Where It Is Heading and Implications for Students and Families

*Center for Enrollment Research, Policy, and Practice*  
*“Affording College: Costs, Debt, and the Way Forward”*

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# History of Federal Aid and Public Policy

- Lady Ann Radcliff Mowlson who endowed the first scholarship at Harvard
- This single action was followed by a series of events that established the foundation of our financial aid programs today
- Path to social mobility
- Benefits society as a whole

# History of Federal Aid and Public Policy

- Morrill Act –Land Grant College Act (1862)
- G.I. Bill (1944)
- John Munro – Birth of CSS (1953)– will come back to this!
- National Defense Education Act (1958) - Sputnik
- Economic Opportunity Program (1964)
- College Work-Study (1964)
- Higher Education Act of 1965

# Higher Education Act 1965 / Reauthorizations / Reconciliations

- Some of the key reauthorizations that significantly impacted federal guidance and institutional behavior:
  - BEOG/Pell Grant program
  - State Student Incentive Grant (SSIG)
  - Sallie Mae as a government sponsored enterprise as a secondary market for student loans.

# Higher Education Act

## 1965 / Reauthorizations / Reconciliations

- Middle Income Student Assistance Act (MISSA)
- Creation of Department of Education
- Creation of new loan programs
  - PLUS and the unsubsidized loan programs
- Direct loan program (pilot-1992)
- Tax credits – initially modeled after (Hope Scholarship Program) and other financing vehicles, 529 plans

# Higher Education Act 1965 / Other Legislation

- Other more recent related legislation:
  - College Cost Reduction and Access Act (2007)
    - transition from fixed to variable interest rate for student loans
    - Expanded student loan repayment options
  - Affordable Care Act (2010)
    - Elimination of private lenders and all schools required to move to Direct Loan program
    - Expansion of Pell Grant (recession recovery)

# Federal and State Partnership

- Initially full partnership, now State has had a diminishing role
- Public institutions are force to rely more on tuition revenue and receive less state subsidy
- Targeting recruitment programs to out of state and international students
- State Scholarship programs

# Creation of Need Analysis

- Need Analysis – or measuring the ability of a family's ability to pay for college costs
  - Determination was originally haphazard and not consistent nor equitable.
- John Munro – the Dean of Admission Harvard (1953), creation of CSS Council (95 -institutions)
  - Horizontal and Vertical equity
- Led to the eventual establishment of NASFAA

# Creation of Need Analysis

- Keppel Task Force – 1974
  - Uniform Methodology
- Congressional Methodology (CM) – 1986 Reauthorization
- Federal Methodology (FM)
  - Static rather than dynamic foundation for evaluating family resources
  - Financial need vs. federal aid eligibility
- Institutional Methodology

# Emergence of Enrollment Management

- Meeting institutional enrollment goals
- Recruitment, enrollment, retention and outcomes
- Expense vs. revenue center
- Financial Aid office started to receive more attention to achieve the overall enrollment goals at the institution
- Institutional interests
  - Academic profile
  - Geographic
  - Other special “institutional interest” groups
- Targeting and leveraging institutional aid dollars

# Emergence of Enrollment Management

- Merit vs. Need-Based aid – ongoing tension
  - Federal and State policies regarding merit assistance (i.e., Hope Scholarship)
  - Academic Competitive and SMART grants
  - Institutional merit scholarship programs

# Rethinking Student Aid

- **Federal student aid should:**

- Help those who are unlikely to meet their educational goals without financial help
- Provide federal grant aid (and other aid) adequate to make completion of a four-year degree financially possible to all qualified students
- Be provided as clearly, transparently, and simple as possible
- Communication with families and students about college opportunity should be early, proactive, encouraging, sustained and accurate
- Use IRS data

*Rethinking Student Aid Recommendations (2008)*

# Lessons Learned – The Past is Prologue

- Pell Grant Program
  - First attempt towards simplification and transparency
- Static programs and process
- Struggle with adapting to current environmental societal changes such as:
  - Changing demographics
  - Change in family structures (i.e., non-traditional age students, single divorced parents, same-sex parents, and 1st gen. and low SES families)
  - Lack of flexibility/elasticity

# Lessons Learned – The Past is Prologue

- Simplification
- Middle-Income families

*“My family’s household income is \$250,000 a year, but I promise you I am middle class, I live in a \$2 million dollar house, but I promise you I am still middle class. It has one story, doesn’t have a pool or its own movie theater. It is a modest three-bedroom, two bath.”*

*Student columnists with the The Michigan Daily, February 16, 2015*

- Pressure of priorities between middle-income and low-income families and limited resources

# Lessons Learned – The Past is Prologue

- Need-Based and Merit Scholarship debate – Where are we now?
- Creating affordability assists in bridging the achievement gap, but cannot do it alone
  - Gates Millennium, Eugene Lang other financial aid programs to compliment current federal, state and institutional aid programs
  - Other CBO programs, offering academic support through high school and beyond.
- Fore runner were the Trio Programs provided through the Higher Education Act, Upward Bound and Talent Search

# Revisiting Past Principles

- **Larry Gladieux (1995)**

1. Does the case for federal investment in higher education remain as valid today as it was in the 1960s and 1970s?
2. Are the goals discussed --access, quality, affordability--the right ones?
3. If so, how should we define and operationalize them?
4. Can we stem the policy drift toward a system that places more and more of the cost burden on students and their families? Should we? For all students? Some students?
5. Do we need to strike a better balance between the values of equity and quality? If so, how?
6. Do we have the right set of programs in place to get the job done?
7. How can we reduce the system's complexity from the point of view of students, parents, and administrators.

# The Future, in Retrospect

Old paint on a canvas, as it ages, sometimes becomes transparent.

When that happens it is possible, in some pictures, to see the original lines: a tree will show through a woman's dress, a child makes way for a dog, a large boat is no longer on an open sea.

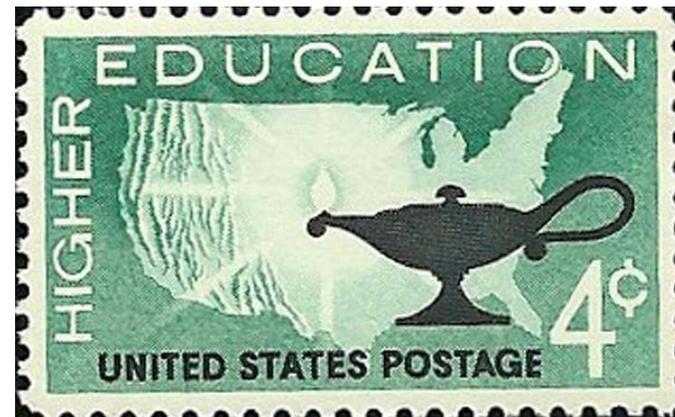
That is called 'pentimento' because the painter 'repented,' changed his mind.

Perhaps it would be as well to say that the old conception, replaced by a later choice, is a way of seeing and then seeing again.

— Lillian Hellman  
Pentimento

# The Higher Education Act of 1965 – A Masterpiece in American Higher Education

- Benefits — personal
- Benefits — national and societal
- Backbone of policies on access, choice, and affordability for 50 years
- Enabled remarkable growth in baccalaureate attainment
- Public benefits, enormous



# A Changing Landscape

- **Drivers of change**

- Social, economic, and demographic shifts
- Growth in non-traditional student population
- Pressures to contain college costs
- Questions about the sustainability of current models
- Rapid advances in technology and data/info. exchange
- Openness to new ideas; expectation for new modes of educational delivery

**Problem** — largely static student aid delivery system juxtaposed against dynamic changes within higher education

# Looking forward...

1. **Simplicity:** programs will continue to narrow, "simplifying and streamlining" the federal student aid process
  - “One grant, one loan” mantra
  - Continued consolidation efforts
2. **Program eligibility:** Congress will continue to set eligibility criteria, but priorities and parameters will likely change
  - Trends over time: access, choice, merit
  - Today: serving low-income students, and “affordability”
  - Tomorrow: career readiness and demonstrated earning capability; whatever is perceived to be in today's national interest (perhaps at the expense of broader educational goals)



# Looking forward...

## 3. **Aid delivery:** federal student aid delivery could change dramatically, forging a more direct relationship between the Department of Education and the student

- Tension emerging between institutions' entrepreneurial business interests (new delivery models) and a static aid delivery system
- Rapid advance in technology and data collection could facilitate changes
- Expect new conceptions of eligibility, perhaps moving away from 'cost of attendance' and 'need' toward a single, standard public investment in individual students
- Granting each student a common investment amount would permit them to spend it on a “coach,” “economy comfort,” or “first class” experience
- Such changes would significantly alter state and institutional aid



# Looking forward...

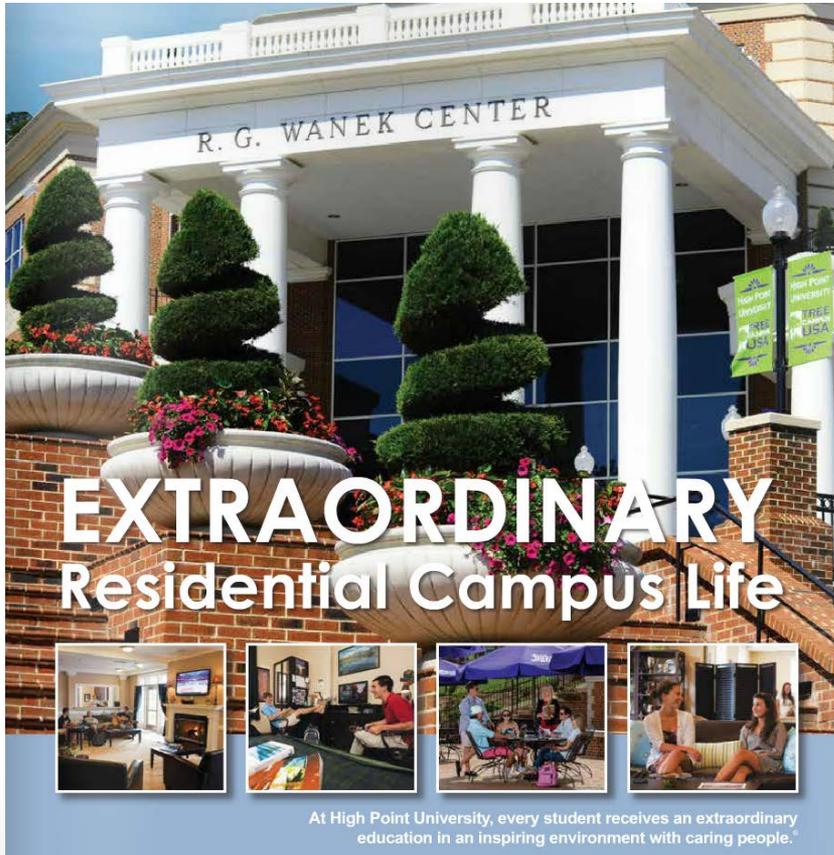
4. **College costs:** the public will continue pressing institutions on cost and affordability, creating further market tension
  - The cost of attending many of our institutions exceeds \$1,000 per week!
  - The magnitude of cost increases over the last 20 years has shaped both the perception and reality of unaffordability for many families
  - If college is marketed like a luxury product, low-income students will get the message: not for you
  - Rising costs have made financial aid more crucial, creating political tensions around cross-subsidies among families
  - Enormous and growing skepticism about the value of a college degree further threatens access and attainment (class differentiated)

# Looking forward...

5. **Branding:** institutional efforts to differentiate within the marketplace will intensify
- Notion of college degrees as “wearable art” (like watches)
  - A watch is no longer about function, but rather about a particular kind of social “credentialing.” Parallels to higher education.
  - Differentiating among institutions has become tangled up in brand, identity, and status
  - Can we define a publicly acceptable concept of “need” when our institutions range from very low cost to staggeringly expensive?



# (Illustration): Branding & Luxury Goods

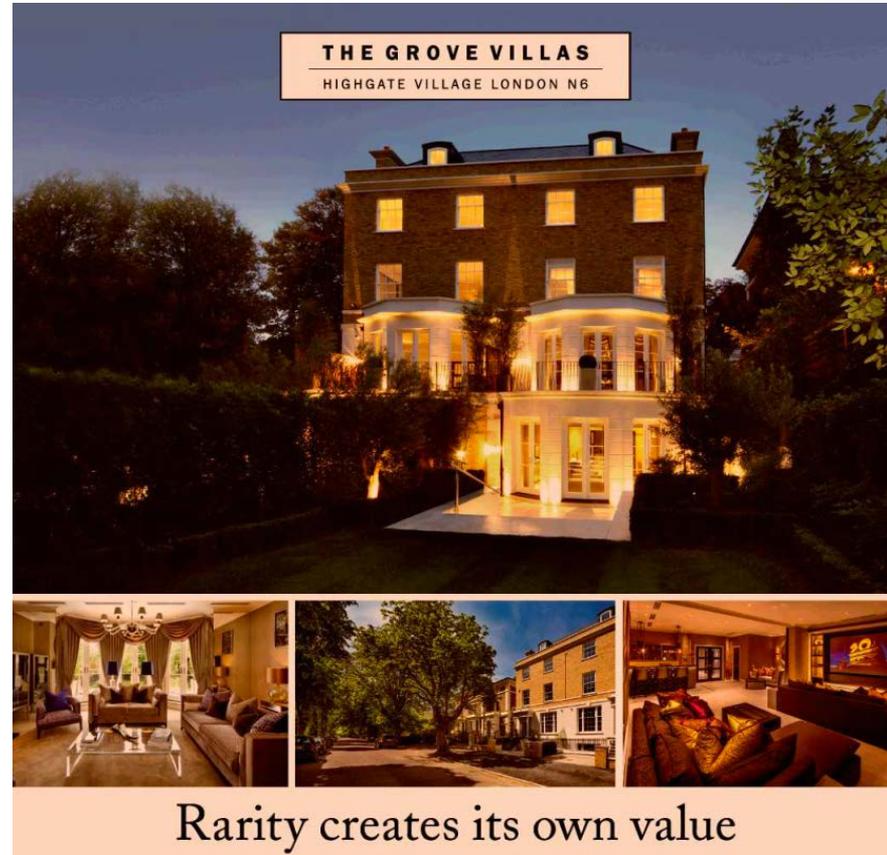


R. G. WANEK CENTER

**EXTRAORDINARY**  
Residential Campus Life

At High Point University, every student receives an extraordinary education in an inspiring environment with caring people.\*

The advertisement features a large image of the R.G. Wanek Center, a grand building with white columns and a pediment. Below the main image is a collage of four smaller photos showing students in various campus settings: a study area, a student working at a computer, students sitting at an outdoor table, and two students talking. A green sign on the right side of the main image reads 'High Point University FREE USA'.



**THE GROVE VILLAS**  
HIGHGATE VILLAGE LONDON N6

Rarity creates its own value

The advertisement features a large image of a three-story brick building at night, illuminated from within. The building has a prominent white portico with columns. Below the main image is a collage of three smaller photos: a living room with a chandelier, a street view of the building, and a modern interior with a large sofa. A text box at the top right of the main image reads 'THE GROVE VILLAS HIGHGATE VILLAGE LONDON N6'.

One of these is for a luxury villa in London. The other is for a private college in North Carolina.

# Looking forward...

6. **Accreditation:** accrediting bodies will likely mix things up even more.

Emerging disrupters:

- Technology — emerging capabilities of information capture and data exchange
- Competency-based education — defining learning by competencies rather than duration or modes of instruction
- Fitbit-style technology — pushing students toward “educational fitness” programs in efforts to engineer and ensure student success. (Stanford, Skyfactor, etc.)



# Where are we headed?

We need a more adaptive, modern blueprint for student aid, every bit as optimistic and bold as the Higher Education Act.

The challenge is knowing what to keep — and what to relinquish.

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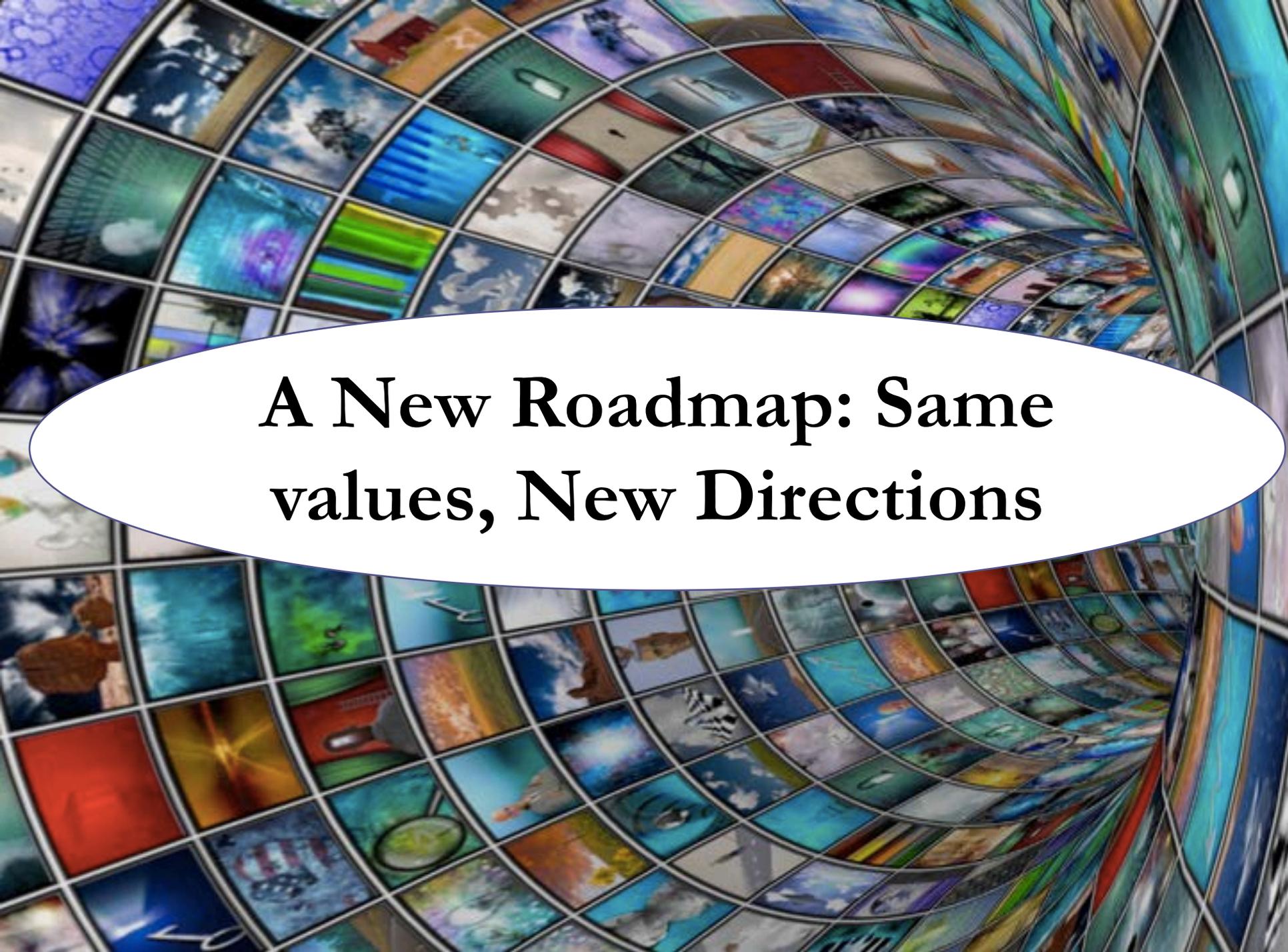
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**A New Roadmap: Same  
values, New Directions**

# Current Problems, Future Challenges

- Cost/Affordability
- Rapidly changing demographics
- Income and wealth disparity
- Principles of Access and Equity are threaten
- Concern over rising student debt
- Global demand for a US education
- Dwindling and uncertainty in federal and s commitment to aid
- One grant, One loan
- Market pressure to improve student experience
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# How do we move forward from here?

- We need an exit strategy
- Must be willing to take **ACTION**
  - **A**cknowledge we have a problem
  - **C**onsider the viewpoints of others
  - **T**rust in the principles and underpinnings of the aid system
  - **I**dentify new ways of achieving old values
  - **O**wn the solutions
  - **N**ever give up

# A Way Forward

- Get rid of the one grant, one loan concept
- Make Pell Grant an entitlement
- Emphasis on need-based aid
- Greater accountability and transparency
- Control cost
- Impose fair and equitable outcomes
- Do a better job of explaining the public value of education
- Engage voters