



Leveling the Playing Field: Expanding Access to Higher Education

The Problem

College is becoming a less affordable path to middle-class security. Tuition has soared at private universities, fast outstripping inflation in the past decade, and has also climbed dramatically at public universities as states have coped with historic budget shortfalls by slashing their appropriations for higher education. In the last year alone, 16 states experienced tuition hikes of 10 percent or higher at 4-year colleges. Community colleges too have suffered from fiscal cutbacks. As a result, low- and moderate-income students are being priced out of public state colleges and universities—once a bastion of affordability. In the 2001-02 school year, over 400,000 *college-qualified* high school graduates from low- and moderate-income families (those with incomes below \$50,000) did not enroll in a four-year college, and 168,000 did not enroll in any college at all. Unless immediate steps are taken to reverse this trend, over the decade 4.4 million qualified students will not attend a 4-year college and 2 million will not attend any college at all.

The economic benefits of going to college have never been greater. A worker with a college degree now earns 70 percent more than a worker with a high school diploma. As the wage gap between high school grads and college grads has widened, so too have other outcomes. In 1977 there was only a 6 percentage-point difference in homeownership rates between those with college educations and those without. There is now a 20-percentage point difference. Yet our nation's student aid policies have failed to address the widening demand for higher education and spiraling tuition costs. Financial barriers to college have widened disparities in who goes to college and who completes degrees:

- Forty percent of students from the top quartile income graduate with a 4-year degree compared to only 6 percent of students in the lowest quartile.
- The racial gap in college enrollment has widened, not narrowed. There is an 11 percentage point gap in enrollment between black and white students, up from 5 percentage points in 1972; the enrollment gap between white and Hispanic students is now 13 percentage points, up from 5 percentage points in 1972.

The Solutions

There has been a fundamental shift in our nation's priorities for ensuring access to higher education. In the 1970s and 1980s, most aid was awarded in grants, while loans

remained relatively low. Over the last two decades, federal aid has shifted away from grants to loans, pricing out students from low-incomes and leaving the average college graduate with over \$18,000 in student loan debt. Unless dramatic new investments are made, America's promise of equal opportunity and social mobility remains in great peril. Here's how we can begin to level the playing field:

- ✓ **Create a new Contract for College that re-oriens federal student aid toward grants and provides students with upfront and certain knowledge about the amount of aid available to help them pay for college.**

The Contract for College would unify the existing three strands of federal financial aid—grants, loans and work-study—into one guaranteed financial aid package for students. Grants would make up the bulk of aid for students from low- and moderate-income families. The Contract will recognize the important value of reciprocity—so part of the Contract for every student will include some amount of student loan aid and/or work-study requirement.

An important component in designing this program is to ensure that families have early knowledge of the financial resources available to their children to attend college. At the start of the program, all households with students in the 8th grade and above will receive their Contract for College that estimates their aid package using the average cost of attendance at public 4-year institutions. For example, low-income families would be informed that they can receive a grant that covers 75 percent of the cost of college, with loans and work-study to finance the rest.

While each student's final Contract will be based on the institution costs where the student chooses to enroll, we can use the average cost of attendance for 4-year colleges to model the type of aid students at different income levels will receive under the Contract. According to the College Board, the average total cost of attendance for one year at a public 4-year university was \$12,196 for the 2003-2004 school year. This cost includes tuition, room and board, books and transportation.

The Contract for College

Based on the average annual cost of attendance at four-year public colleges (approx. \$12,000)

HOUSEHOLD INCOME BELOW \$25,000		HOUSEHOLD INCOME \$75,000–\$99,000	
Grant to cover 75 percent of costs	\$9,000	Grant to cover 40 percent of costs	\$ 4,800
Work-study	\$ 1,500	Work-study	\$ 1,500
Subsidized loan	\$ 1,500	Subsidized loan	\$ 2,350
		Unsubsidized loan	\$ 2,350
HOUSEHOLD INCOME \$25,000–49,999		HOUSEHOLD INCOME ABOVE \$100,000	
Grant to cover 65 percent of costs	\$7,800	Unsubsidized loan	\$10,000
Work-study	\$ 1,500		
Subsidized loan	\$ 2,700		
HOUSEHOLD INCOME \$50,000–\$74,999			
Grant to cover 55 percent of costs	\$6,600		
Work-study	\$ 1,500		
Subsidized loan	\$3,900		