



Financial Aid: Access for Whom?

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The College Board

Congressional Black Caucus

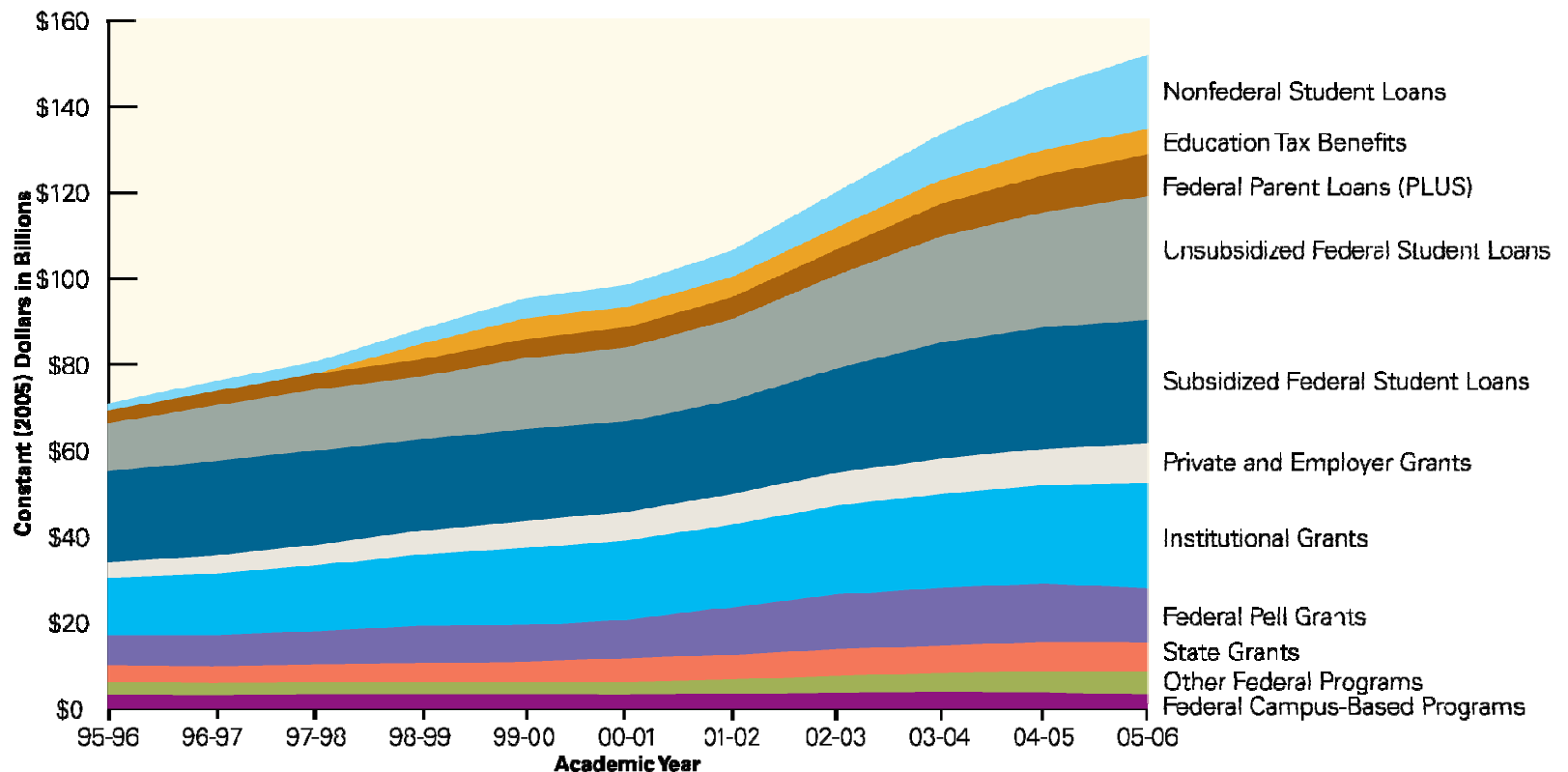
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Who Relies on Financial Aid?

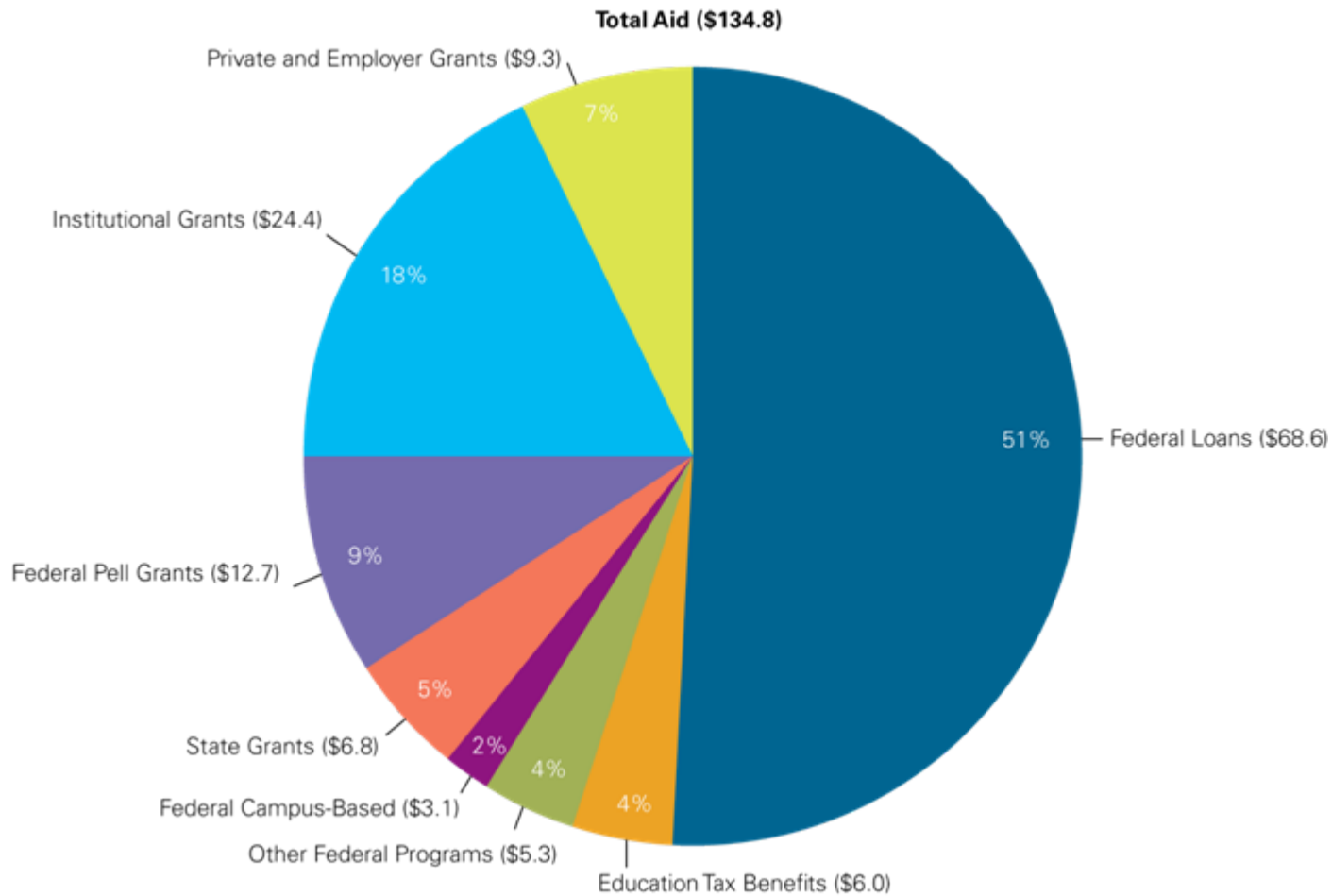
- Forms of financial aid have changed considerably over time.
- Loans and tax benefits are increasingly important.
- Greater portions of student aid are going to middle- and upper-income students.
- Most financial aid is still need-based and low- and moderate-income students are the primary beneficiaries.
- African-American students rely on student aid more than other students do.

Ten-Year Trend in Funds Used to Finance Postsecondary Education Expenses

1995-96 to 2005-06



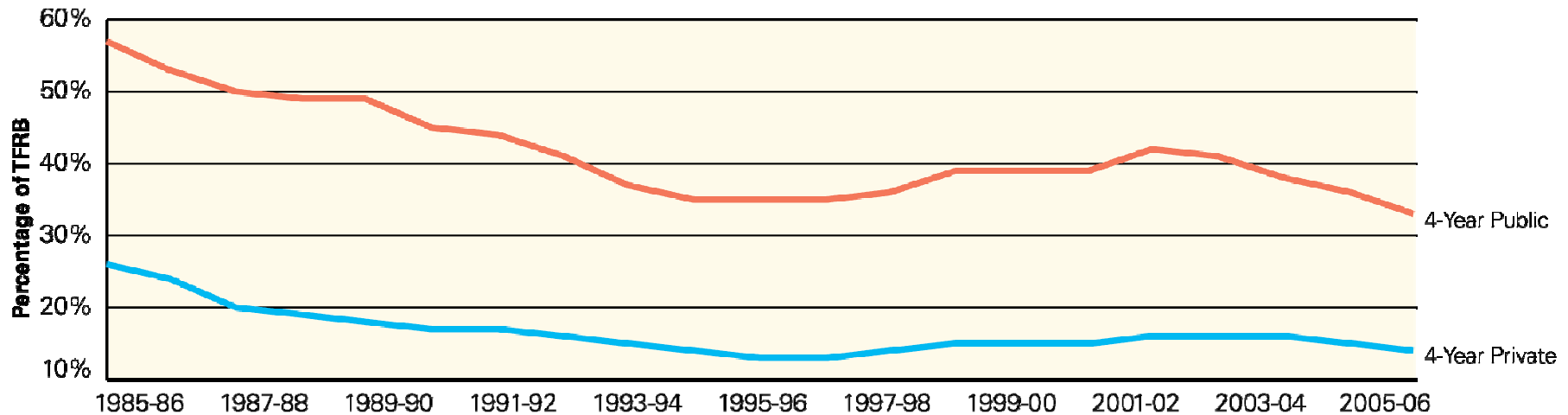
Estimated Student Aid by Source for Academic Year 2005-06 in Current Dollars (in Billions)



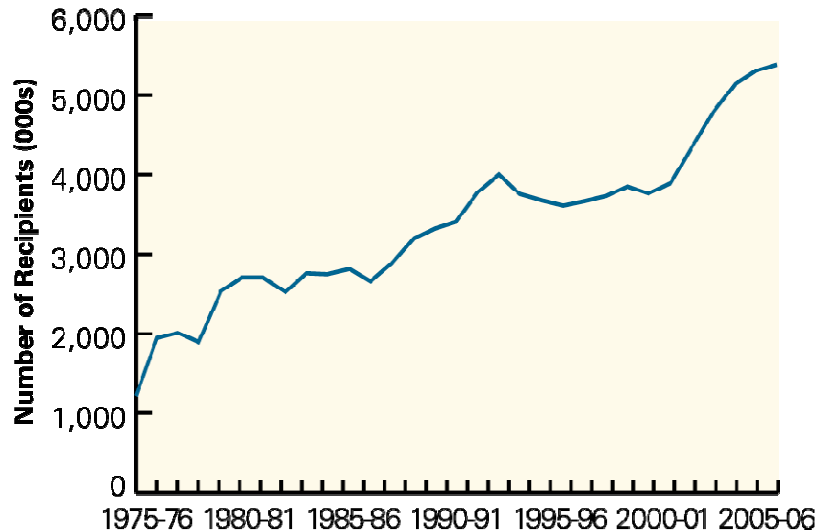
Pell Grants

- About a quarter of all undergraduates receive Pell Grants.
- About 40 % of African-American students receive Pell Grants.
- About 12% of undergraduates are African-American.
- About 21% of Pell Grant recipients are African-American.

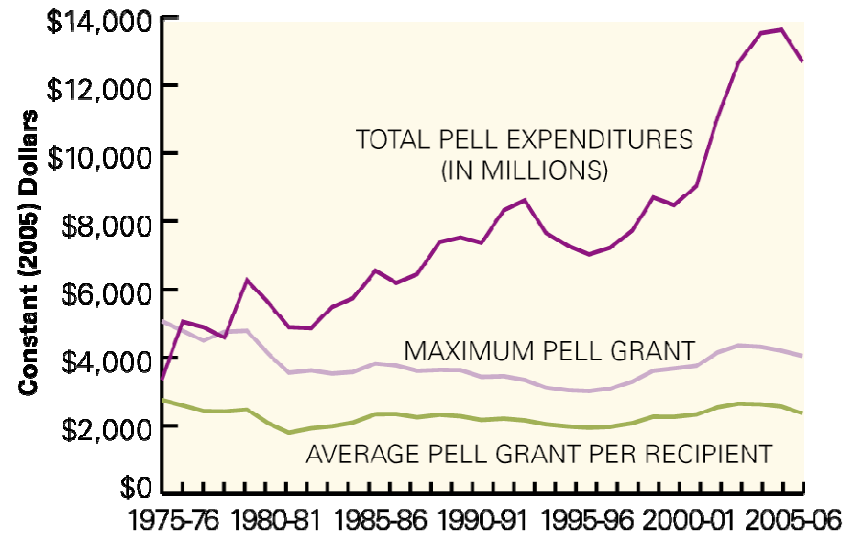
Maximum Pell As a Percentage of Published Tuition, Fee, Room, and Board (TFRB) Charges at Public and Private Four-Year Colleges and Universities 1985-86 to 2005-06



Number of Pell Grant Recipients, 1975-76 to 2005-06



Total Pell Expenditures, Maximum Pell Grant, and Average Pell Grant in Constant (2005) Dollars, 1975-76 to 2005-06

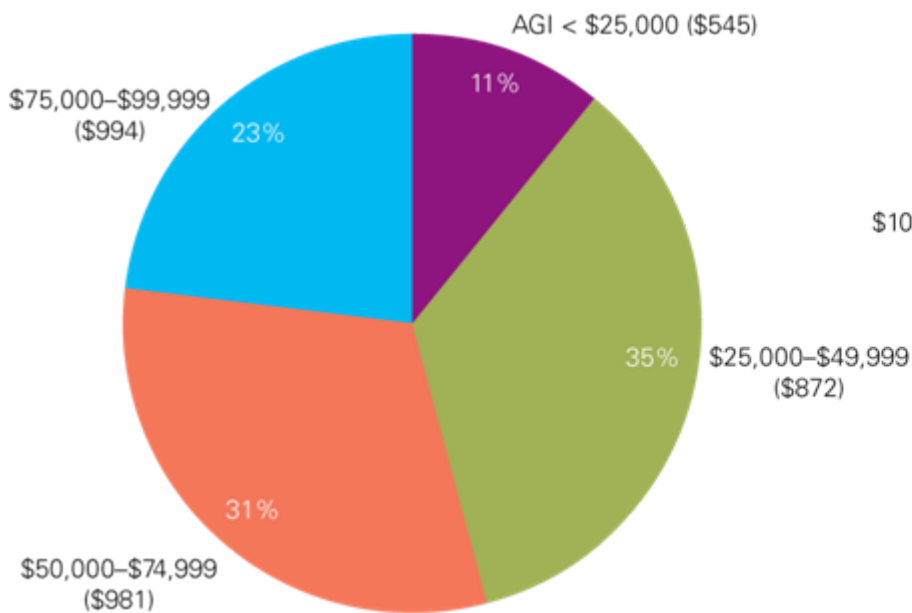


Source: Tables 2, 3, 8a, and 8b In *Trends in Student Aid 2006*.

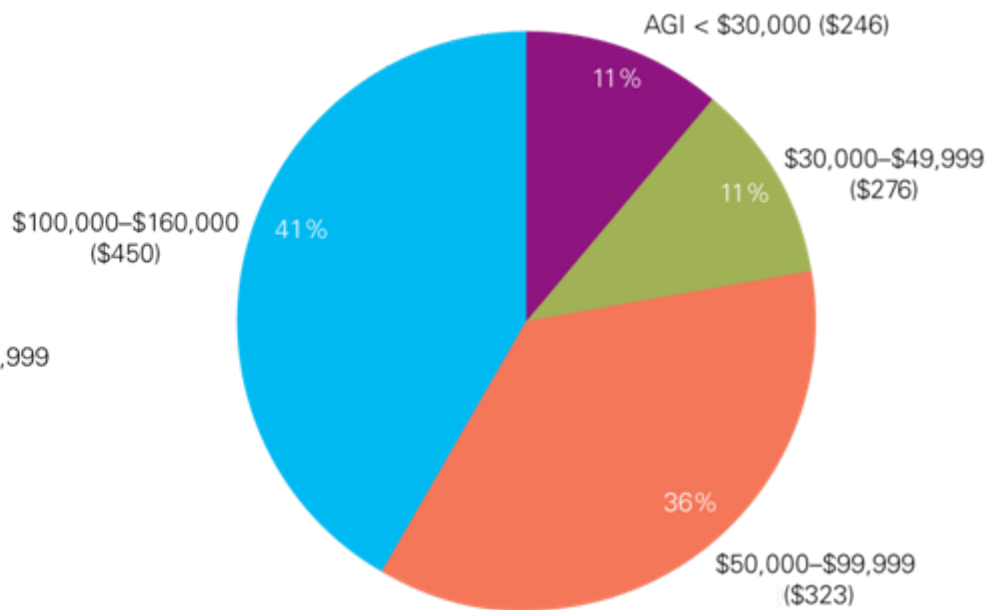
Tax Benefits

- The non-refundable tax credits do not reach the lowest-income students.
- The tax deduction is more concentrated on affluent students than the tax credits.
- Students at community colleges get minimal assistance from tax benefits because they can be applied only to tuition and fee expenditures that exceed grant aid.

Federal Education Tax Credits: Distribution of Savings by Adjusted Gross Income Level, 2004



Federal Tuition and Fee Deduction: Distribution of Savings by Adjusted Gross Income Level, 2004



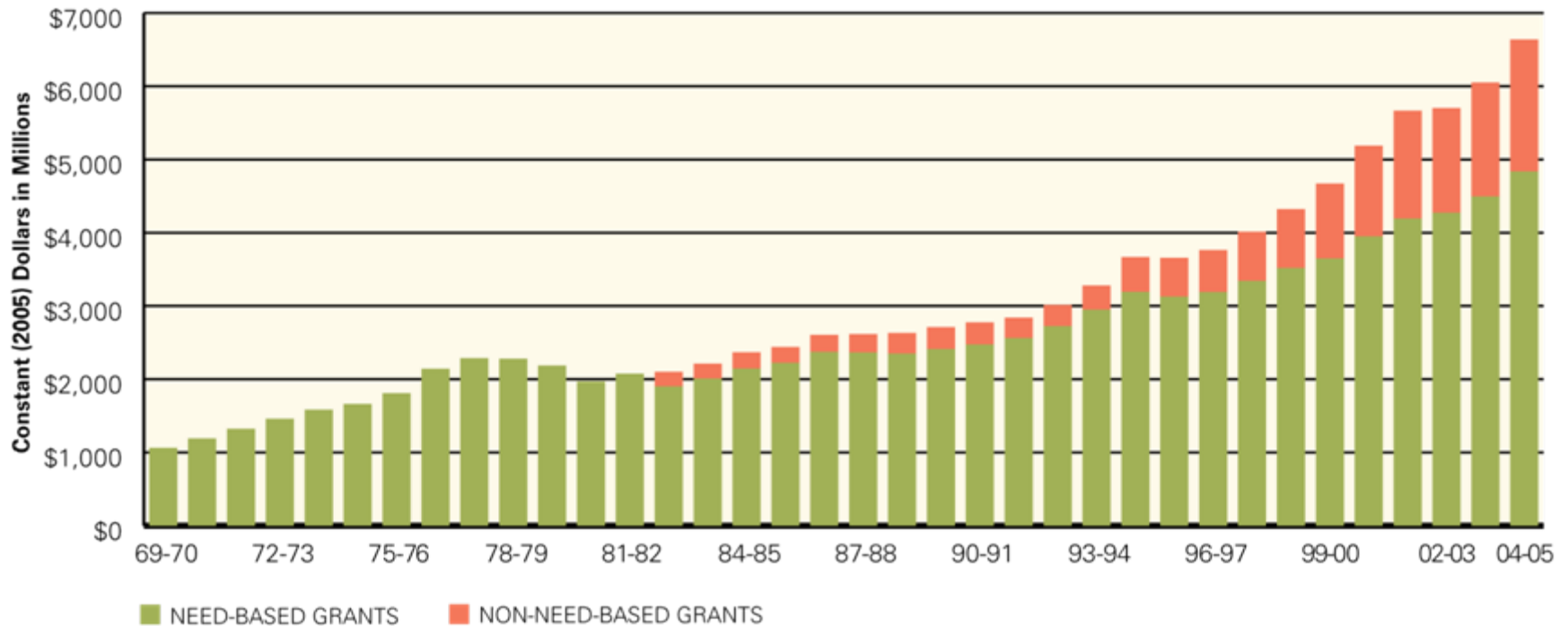
Sources: *Individual Income Tax Returns, Preliminary Data 2004, Table A*; *Individual Income Tax Returns, Tax Year 2004, Table 3.3*; calculations by authors.

State Grants

- State grants are increasingly distributed according to academic qualifications rather than financial circumstances.
- Low-income and non-white students are less likely than others to qualify for these grants and less likely to retain them if they receive them when they enroll.

Total Need-Based and Non-Need-Based State Grants

in Constant (2005) Dollars, 1969-70 to 2004-05

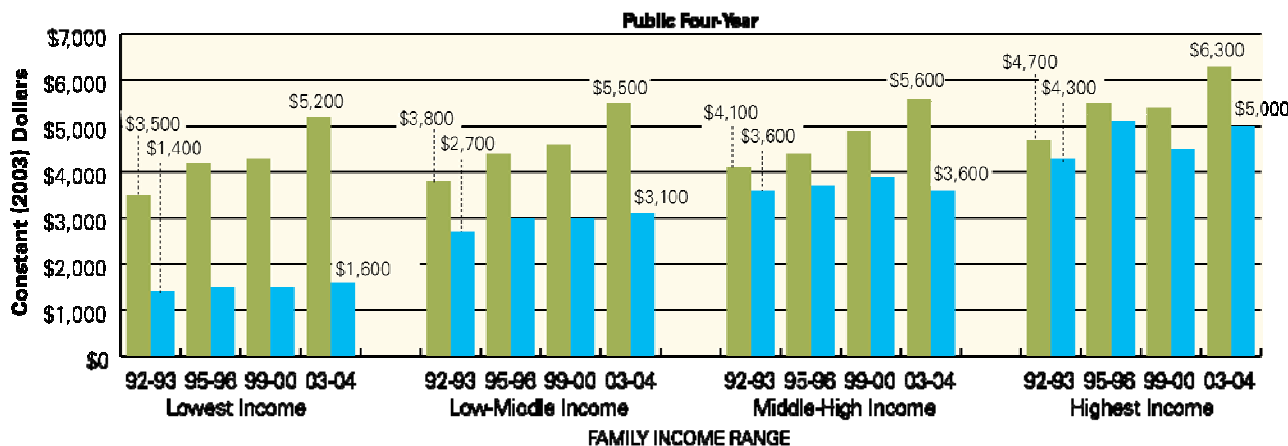
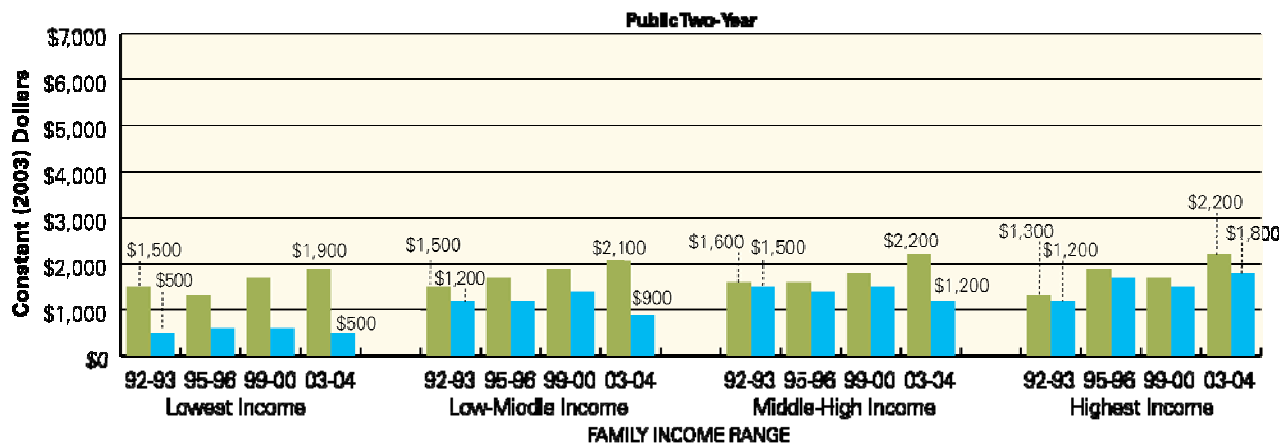


Source: Based on annual survey of National Association of State Student Grant and Aid Programs (NASSGAP).

Institutional Grants

- Expensive private colleges give most of their institutional grants to students with financial need. They enroll a relatively small percentage of low-income students.
- Low-price private colleges, which enroll many more low-income students, are more likely to give generous grant aid to more affluent students.
- Public four-year colleges and universities give over half of their institutional grant aid to students who could afford to enroll without this assistance.
- African American students at public flagship universities get larger grants than other students with similar incomes and academic qualifications.

Published Tuition and Fee Charges Compared to Tuition and Fees After Grants and Education Tax Benefits, Full-Time Dependent Students in Constant (2003) Dollars, 1992-93 to 2003-04



■ AVERAGE TUITION AND FEES ■ AVERAGE TUITION AND FEES MINUS GRANTS (AND TAX CREDITS IN 2003-04)

Source: NPSAS: 1993, 1996, 2000, 2004, Undergraduates; calculations by authors.

Grant Aid Matters!

- Grant aid significantly reduces the price low-income students pay for college.
- Simple and clear grant programs have a significant impact on college enrollment rates.
- Low-income students are more price-sensitive than more affluent students.
- Simpler and more generous grant programs that students are informed about long before they finish high school have the potential to greatly expand educational opportunities.