

# ILLUMINATIONS<sup>SM</sup>

*Highlighting important research in postsecondary education access*

## THE ISSUE:

The federal and state governments share the responsibility for providing access to postsecondary education. They do this through direct appropriations, student financial aid programs and other support for research and educational activities.

Since the 1990s, states' higher education budgets have tightened, the buying power of the federal Pell grant has dropped sharply, and college costs have increased dramatically. The combined effect of these trends has been to decrease postsecondary opportunity for lower-income students. In fact, according to the Advisory Committee on Student Financial Assistance, more than 4 million college-qualified students from low- and moderate-income backgrounds were denied access to four-year colleges between 1990 and 2000.

This news of unequal opportunity should come as no surprise. For three decades, research has consistently shown the link between the availability of need-based grant aid and college enrollment, especially for low-income students and students of color.

A new study, *Expanding College Access: The Impact of State Finance Strategies*, highlights that persistent inequity and recommends new ways to address it.



**Increasing need-based grant aid is the most efficient way to expand college access.**

## THE RESEARCH:

Simply put, the authors of the study address this question: What is the net impact of state finance strategies for higher education, especially the use of student financial aid and tuition levels, on college enrollment? The researchers, led by Edward P. St. John, a professor in the Department of Educational Leadership and Policy Studies at Indiana University, explore this question by examining data from all 50 states during the 1990s.

These data include the following information from each state:

- Demographics, including poverty rate, racial and ethnic diversity, educational attainment and high school graduation rates.
- Policy variables, including state tax rates, public K-12 funding, college tuition, need-based and non-need-based grants.

- Enrollment distribution, including the percentages of enrollment at private institutions and at two-year public institutions.

## THE FINDINGS:

The study reveals that a state's demographic context matters, but that state investments in need-based grant aid have more impact on enrollment than do other forms of public funding. The results suggest that the most efficient way for states to expand access to postsecondary education is to increase their investments in need-based grant aid.

Based on these results, the report's authors propose the following two policy options, either of which would serve to improve coordination between federal and state policies to finance college access:

- States' need-based grant programs could meet a minimum "equity threshold" equal to one-quarter of a weighted average public tuition charge. This minimum threshold for state grants would have cost states \$533 million annually for each group of freshman students in the 1990s. This new investment would have resulted in an estimated 1.2 million more students enrolling in postsecondary education that decade (or \$4,400 per additional student served).
- Officials could create a new federal-state partnership — a second-tier, need-based grant program in which a state's maximum award would equal the cost of public-college tuition in that state. This program would be funded one-third by the federal government and two-thirds by the states. This new second-tier state grant

program, which would have cost \$1.2 billion annually (\$400 million federal and \$800 million state) for each freshman class in the 1990s, would have increased postsecondary enrollment by about 2.5 million during the decade. This option would cost the states about \$3,200 per additional student, with the federal government investing \$1,600 per additional student.

*"The nation faces tough choices about how to finance the expansion in access predicted in the next decade or two."*

— Edward P. St. John,  
the study's principal author

## WHAT'S NEXT:

The challenge facing the nation today is to expand access to college while making more efficient use of scarce tax dollars. The policy options described in this report represent a starting point for state and federal policy-makers to coordinate their efforts.

It is clear that policy coordination will be vital to meet the college-access challenge for the 21st century. It is simply not possible to continue to reduce taxes, allow tuitions to become increasingly unaffordable, and still increase access. The report provides information that can help policy-makers address this vital issue.

## DOWNLOAD THE REPORT:

The full report, *Expanding College Access: The Impact of State Finance Strategies*, is available in an easy-to-print format on the Lumina Foundation Web site ([www.luminafoundation.org](http://www.luminafoundation.org)). Click on "Publications," and you'll find the report listed among "Research Reports." While visiting the site, you may also request other publications and sign up to receive our new electronic newsletter, *Student Access & Success News*.

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