HILDRETH INSTITUTE

EQUITY IN HIGHER EDUCATION:
A PROMISE UNFULFILLED BUT STILL ACHIEVABLE

Short Brief of our White Paper on Creating Equity in College Affordability, which you can access **HERE**.

BAHAR AKMAN IMBODEN, Ph. D.

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ADDRESS
561 Boylston Street
4th Floor
Boston, MA 02116

CONTACT
P: (617) 423-0331
E: info@hildrethinstitute.org
W: hildrethinstitute.org

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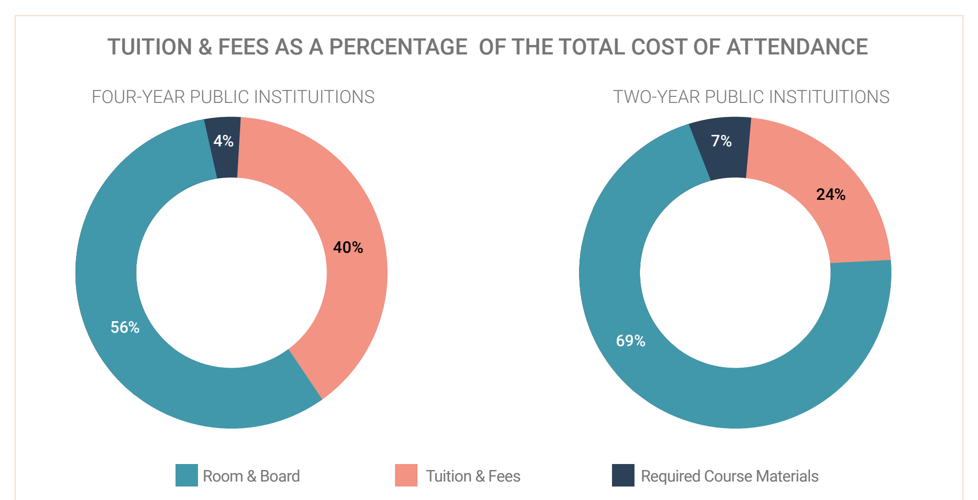
EXECUTIVE SUMMARY

- COVID-19 exposed the financial vulnerability of our country, and it's deep racial inequalities. While we work to reboot the economy from the coronavirus fallout, we must leverage education's potential.
- With proper funding, higher education is a powerful engine of upward mobility. It's also a great equalizer when it's accessible and affordable.
- There are powerful links between an educated nation and an increase in productivity, innovation, entrepreneurship, competitiveness, and civic engagement.
- In the last decade, twenty-two tuition-free programs have launched at the state level. Add to that the many others proposed and waiting for approval.
- States' renewed interest in providing tuition-free college is encouraging, but it will not counteract the inequities inherent in our educational and economic systems.
- Our paper shows that the limited focus on covering tuition and fees, which represent only a part of the total cost of attendance, distracts from addressing the real financial and non-financial barriers currently preventing many students from accessing and obtaining a higher education credential.
- We present an equitable method for allocating financial aid that remedies the regressive features of existing tuition-free programs. We show that without accounting for the full cost of attendance and students' ability to pay, these new programs fail to allocate limited resources effectively to where they are most needed.
- To use the same terminology used by tuition-free programs, we propose a grant allocation method that acts as a last-dollar scholarship on the full cost of attendance. This is equal to covering the student's unmet need, which will reduce, if not eliminate, the need to borrow for college.
- We conclude with an equity analysis of the various eligibility requirements attached to typical affordability initiatives. We recommend a framework to increase their inclusivity.
- The findings and recommendations of this paper are applicable to state-level affordability programs and any scholarship providers interested in inclusive and equitable initiatives.

DID YOU KNOW?

TUITION IS ONLY A FRACTION OF THE COST STUDENTS FACE

Tuition and fees are often the most discussed college costs. Yet, they only represent 24% of the total cost of attendance at public 2-year schools and 40% for public 4-year institutions.



These figures are for full-time in-state students.
Source: U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16)

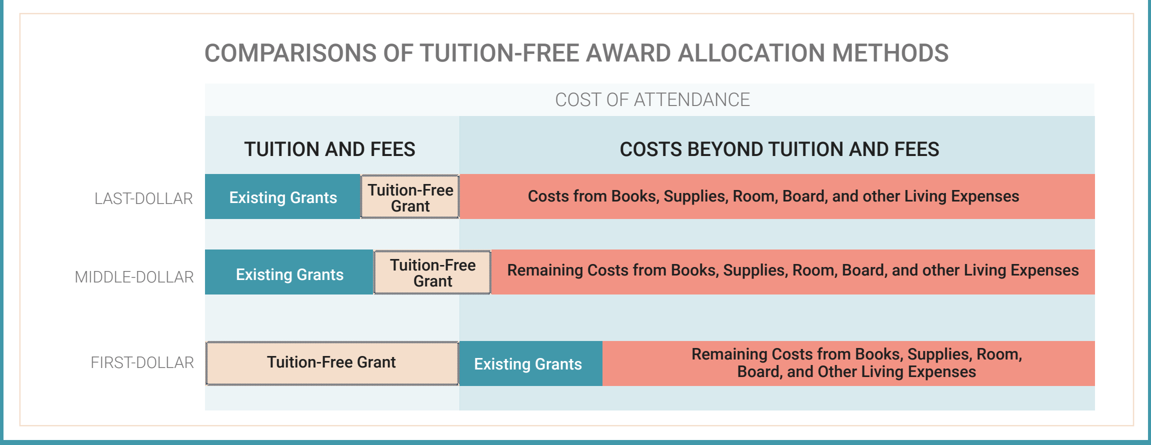
MOST TUITION-FREE PROGRAMS DO NOT PAY FOR THE FULL TUITION AND FEES

Eighteen programs allocate their grants as a last-dollar scholarship. This means they only cover the portion of tuition and fees that is not already covered for by existing grants and scholarships.

Two programs are middle-dollar tuition-free programs. This means that their grant allocation is similar to last-dollar, except they provide a minimum grant for those whose tuition and fees are already covered with existing grants and scholarships.

Only two programs are first-dollar tuition-free programs, which means their grants do cover the full tuition, regardless of a student's eligibility for existing grants and scholarships. Both of these programs have incorporated income caps to better target aid and lower the cost of the program.

Last, it is also worth noting that some programs still set a cap on their award amount, thus not even guaranteeing the tuition-free promise. Others, concerned with budgetary shortfalls, have included special clauses allowing administrators to set a maximum award amount if/ when needed.



A CLOSER LOOK WHO BENEFITS FROM LAST-DOLLAR FREE COMMUNITY COLLEGE?

Most of the programs surveyed here (18 out of 22) are designed to cover tuition (or tuition and fees) as a last-dollar scholarship. Fifteen of them are for students pursuing an associate degree and/or certificate/diploma program, and three others are for students pursuing either an associate or bachelors' degree. This allocation method requires the least funding since the program only covers the portion of tuition and fees that are not covered by existing Federal, State, local, and institutional grants.

This makes the program very regressive. The lower the income of a student, the less likely they are to benefit from the program. This is because most tuition and fees get covered by existing need-based aid (especially at community colleges where tuition and fees are low).

Meanwhile, a student with means is more likely to receive aid equal to the full tuition and fees.

The graph below depicts the upside-down distribution of a last-dollar tuition-free program: those who have the lowest income, representing half of the students (52.3%), are not receiving a new grant from this program.

LAST-DOLLAR TUITION-FREE

GRANT AMOUNTS BY INCOME FOR IN-STATE FULL-TIME STUDENTS AT 2-YEAR PUBLIC INSTITUTIONS

Pattern Fill represents Cost of Tuition and Fees | Solid Fill represents Cost of Non-Tuition Expenses

Source: U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16)

MEET SANDRA AND KYLE

Sandra and Kyle are two students enrolled full-time at their in-state community college, which provides a a last-dollar tuition-free grant. The cost of attendance is about $12,000 a year, of which $3,000 is tuition and fees.

- Sandra's family earns less than $10,000 a year; her expected family contribution is zero. Her existing grants and scholarships ($4,850) already cover her tuition and fees, plus some of her other college costs. Thus, she does not receive any new grant money from the tuition-free program. However, she still faces a $7,150 financial gap for which she has to work for and/or borrow loans.

- Kyle's family earns between $100,000 and $150,000, his parents are expected to contribute about $22,000 to his college education a year. His existing grants and scholarships ($1,300) do not fully cover his tuition and fees, so he does receive a new grant of $1,700 that makes his college tuition-free, despite the fact that he has no unmet need and he has not exhausted his expected parental contribution.

A a last-dollar tuition-free design at community colleges does not provide new grant-dollars to students coming from lowest-income households. For most, their existing aid eligibility already covers tuition and fees.

These students, however, still face significant financial gaps in covering the full cost of college. Therefore, this award allocation method does little to decrease opportunity gaps and lower the economic barrier which prevents low-income students and people from historically underrepresented populations from attending college.

The white paper also analyzes the distributional effects of the less common middle- and first-dollar tuition-free programs. It concludes that they, as well, fail to counteract the established inequities that exist within our educational and economic systems.

MOVING BEYOND TUITION-FREE AND TOWARDS A DEBT-FREE COLLEGE

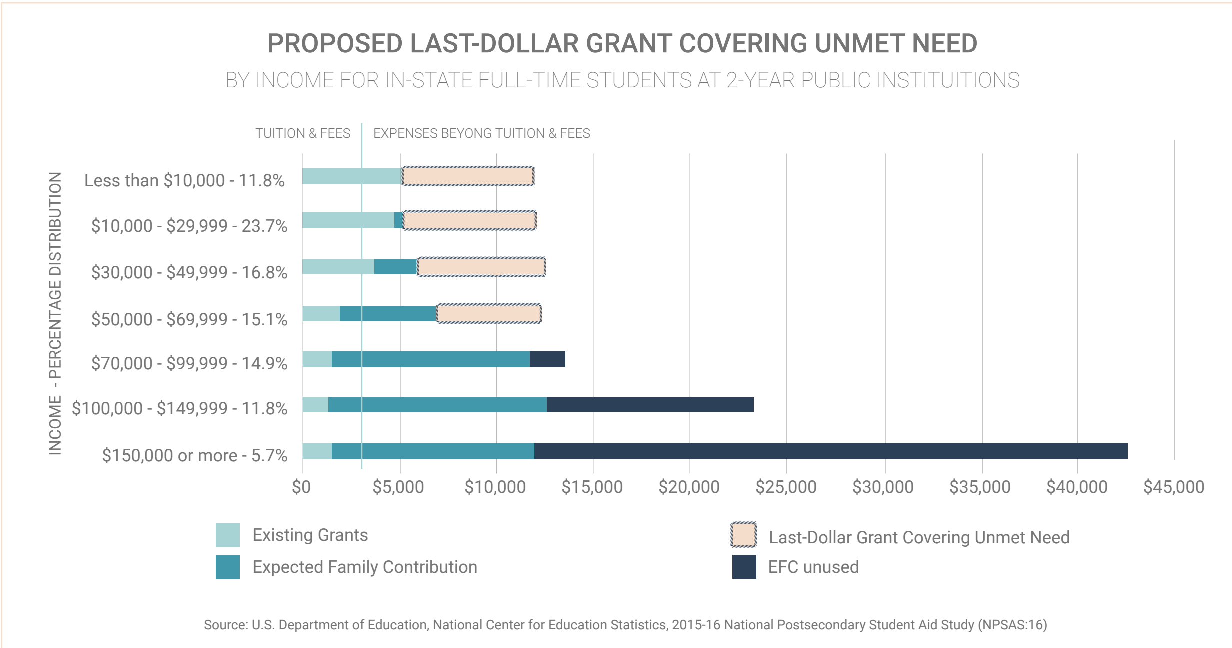
Here, we propose an alternative method for increasing college affordability guided by the principles of fairness and equity. To do so, we start by recognizing that for millions considering a higher education credential, the concern is not only how to pay for tuition and fees but also how to afford other necessities like textbooks, a computer, software and Internet access, housing, food, and transportation.

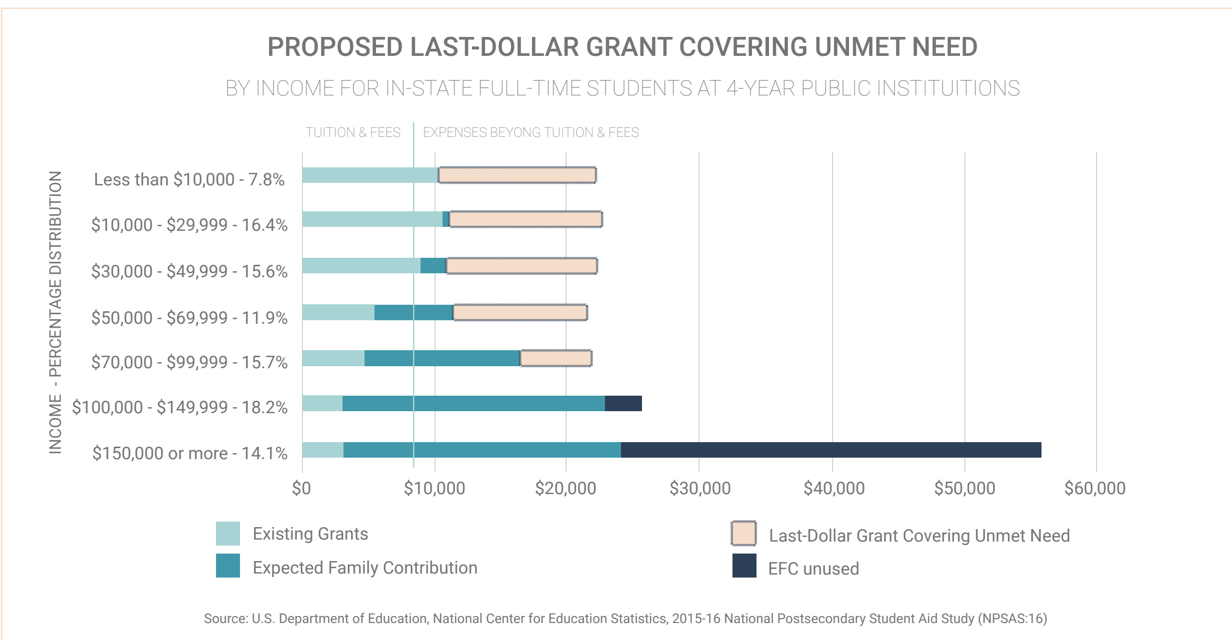
Thus we argue that any equitable affordability initiative must start by looking at the full cost of attendance. From there, it must subtract all existing non-loan financial resources (including work-study or salary from work of no more than the recommended 10 to 15 hours a week) to determine the true unmet needs and allocate its awards towards covering it.

$$\text{Unmet Need} = \left(\begin{array}{c} \text{Cost of Attendance} - \text{Expected Family} \\ \text{Contribution} - \text{Existing Grants and} \\ \text{Scholarships} - \text{Work-study} - \text{Education Tax} \\ \text{Credits or deductions} \end{array} \right)$$

Budgetary considerations can constrain a program's ability to cover the full unmet need. In that case, we argue that regardless of the amount, any new grant gets tailored to covering part of this unmet need, calculated as suggested in the formula above.

The two graphs below illustrate how this allocation method works using national averages for in-state dependent students enrolled full-time at 2-year and 4-year public institutions. At the community college level, once a student's existing financial aid and expected family contributions are added together, only students with familial income under $70,000 qualify for the new grant. The lower the familial income, the higher the grant amount. Since the cost of attendance is higher at 4-year public colleges, students whose familial income is under $100,000 would qualify for the program, and the grant is allocated in a progressive fashion across different income brackets.





Typically, unmet need gets paid by working extra hours alongside studying and/or by borrowing student loans. By lowering the need to work or to borrow excessively, the proposed grant allocation method helps decrease opportunity gaps which affect students from disadvantaged backgrounds the most.

It is critical, however, that such a grant program includes a provision to ensure that colleges do not displace or decrease their institutional aid to students. Equally important is to ensure that colleges do not increase their tuition and fees, or their cost of attendance reacting to the increased availability of grant money.

A CLOSER LOOK AT ELIGIBILITY REQUIREMENTS

What makes an affordability initiative equitable and inclusive is not only determined by its award allocation method. There are a range of eligibility requirements making it critical to consider their equity implications as well.

The white paper does an equity analysis of typical eligibility requirements that are part of these programs, and from there we recommend the following:

- **Income caps:** the allocation method proposed here sets a natural income cap, but if budgetary considerations restrict covering the full unmet need, an income cap may still be necessary to ensure that the aid helps those who need it the most first
- **Eligible institutions and program types:** all higher education degrees should be eligible, from Associate's degrees to Bachelor degrees, as well as, apprenticeships, certificate and/or job training programs
- **Attendance pattern:** students should be eligible for the grant regardless of their attendance intensity (part-time or full-time)
- **Age:** there should not be an age requirement
- **Wrap-up services:** such as mentoring, are valuable to ensure that students have the support and assistance they need to navigate their college; we strongly recommend their inclusion
- **Additional requirements:** such as having to commit to set hours of community service, to residing and working in a fixed location, should not be imposed.

CONCLUSION

The recommendations of this report are pertinent to any scholarship or grant providers interested in equity and inclusivity. The proposed grant design seeks to increase access to students who would most benefit from a higher education credential but who are often priced out of it.

The goals of the affordability initiative championed here are to increase college access, college success, and post-graduation prospects. It seeks to boost postsecondary success by reducing the need to work excessively while studying. It seeks to lower, if not eliminate, the need to borrow so that all graduates can start their post-college lives on equal footing. This is without the burden of repaying loans.