

EP³

Education Policy and Practice Perspectives

Department of Educational Leadership and Policy Studies

No. 2 Spring 2007

PAYING FOR COLLEGE IN THE 21ST CENTURY: *Challenges and Opportunities*

Financing a college education is a challenging and potentially expensive proposition for students and their parents. This Policy Brief examines financial aid trends in the United States and also provides a current picture of the participation of Iowa college students in various financial aid programs. The Brief concludes with recommendations for practice.

The cost of attending college as represented by increasing charges for tuition and fees continues to outstrip the annualized growth in the consumer price index. Choy (2004, p. 40) summarized the situation this way, "After adjusting for inflation, the average amount that full-time dependent undergraduates at public 2- and 4-year institutions and at private not-for-profit 4-year institutions were charged for tuition and fees was higher in 2000 than in 1990." Concerns about the increasing costs of higher education have been expressed by political leaders (e.g., Boehner & McKeon, 2003) and policy analysts (Haycock, 2006; The National Center of Public Policy and

Higher Education, 2006). The recent draft report of the National Commission on the Future of Higher Education noted the following about the cost of higher education:

Too many students are either discouraged from attending college by rising costs, or take on worrisome debt burdens in order to do so. While students bear the immediate brunt of tuition increases, affordability is also a crucial policy dilemma for those who are asked to fund higher education, notably federal and state taxpayers (2006, p. 6).

Affordability, meaning the capacity students and their parents have to finance a college education, clearly is a

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serious issue that needs attention. In the state of Iowa, while college participation has increased marginally, college affordability has declined (The National Center of Public Policy and Higher Education, 2006). Declining affordability should be a cause for concern for the state, policy makers, college and university administrators, and certainly current and prospective students.

This Policy Brief has been designed to explore several aspects of the challenges associated with financing a college education, including the following:

- Tracing changes in higher education expenditures over time

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- Examining how students have paid for higher education
- Reporting trends in student loans and loan debt over the past 15 years
- Providing suggestions for policy makers, institutional leaders and others in terms of making higher education more affordable

This Policy Brief examines the experiences of dependent, undergraduate students; that is, those students who are pursuing an associate's or bachelor's degree who are still dependent on their families for financial support. Our assumption is that parents provide some support for their dependent students, since the federal Expected Family Contribution (EFC) is used in need analysis (Berkner, & Wei, 2006, pp. 227). The Brief will not report on the experiences of independent students, meaning those who are not dependent on their parents for financial assistance, nor will it examine the experience of students pursuing graduate or professional degrees beyond the baccalaureate degree. More information on the precise characteristics of dependent and independent students is available from

Table 1

Educational and General Expenditures Per Student in Constant 2004-05 Dollars for Fall Enrollment

Year	Amount
1929-30	\$3,845
1939-40	\$4,792
1949-50	\$5,649
1959-60	\$8,398
1969-70	\$10,679
1979-80	\$9,506
1989-90	\$11,714
1995-96	\$13,130

Source: Snyder, Tan and Hoffman (2006, Table 340).

Berkner, & Wei, (2006, pp. 227-228).

This paper does not address the costs of room and board or other expenses that often are calculated for students. This is not to diminish the importance of the cost of room and board, but those expenses as well as transportation and personal expenses have not been included in this discussion, since students frequently have choices in how much they pay for their living expenses and their personal expenses can vary widely.

A Backward Glance at Higher Education Expenditures

The first issue that this Policy Brief explores is higher education expenditures. Such expenditures have grown far more rapidly than the consumer price index over the past 77 years. For example, according to Snyder, Tan and Hoffman (2006, Table 340) in constant 2004-05 dollars, educational and general expenditures per college student totaled \$3,845 in the 1929-30 academic year. By the 1995-96 academic year, expenditures per student in constant dollars had grown to \$13,130, or an increase of more than triple. Educational and general expenditures include administration and general expenses, instruction and departmental research, organized research, libraries, plant operation and maintenance, scholarships and fellowships, extension and public service.

The cost of higher education has outstripped the CPI in every decade beginning with the ten-year period from 1929-30 to 1939-40 until 1995-96 except for 1969-70 to 1979-80. Some decades experienced slower growth in college expenditures relative to inflation, while others, such as 1949-50 to 1959-60 had a much faster rate of growth. Over time, increasing expenditures need to be thought of as a long-term concern

rather than a recent phenomenon. These data are summarized in Table 1.

Revenue Sources

Colleges and universities have an array of sources of funding to finance their activities. Those that are relied upon the most heavily include the charges colleges and universities levy to consumers (tuition and fees to students and their parents), support from the federal government, and in the case of public institutions, state government. Two-year public colleges also may receive funds from a local property tax, although the amount received from that source will vary dramatically from state to state (Kenton, Huba, Schuh, & Shelley, 2005). A review of a recent 20-year period of time reveals that institutions increasingly have relied on tuition and fees paid by students as a revenue source. Taken as a percentage of all revenues received from 1980-81 through 2000-01, tuition and fees grew from 12.9% to 18.1% at public, degree-granting institutions (Snyder, Tan, & Hoffman, 2006, Table 329). During the same time period, the percentage of revenue received by public, degree-granting institutions from state governments declined from 45.6% to 35.6% (Snyder, Tan, & Hoffman, 2006, Table 329). The College Board, which found similar relationships between tuition and fee charges and state appropriations at public four-year colleges and universities, observed, "The largest average increases in tuition and fees at public four-year colleges occur during periods of decline or slow growth in the level of instructional appropriations per student" (2006a, p. 24). The percentage of current fund revenue received by postsecondary institutions from the federal government has grown from FY 1980 to FY 2003. In FY 1980 postsecondary institutions

received 18% of total expenditures from the federal government, compared with 19.2% in FY 2003 (Sonnenberg, 2004).

Tuition and Fees

Tuition and fees charged to students have increased substantially over the past 20 years. According to the College Board (2006a, Figure 3), mean tuition and fee charges at private four-year institutions were \$12,375 in 1986-87, \$16,843 in 1996-97 and \$22,218 in 2006-07. Similarly, the cost of tuition and fees has grown at public four-year institutions. These institutions charged \$2,628 for tuition and fees in 1986-87, \$3,856 in 1996-97 and \$5,836 in 2006-

07. Two-year institutions also have increased their tuition and fees from \$1,227 in 1986-87 to \$1,899 in 1996-97 to \$2,272 in 2006-07. All charges are reported in constant dollars.

It is important to note that according to the College Board, 65% of full-time undergraduates enrolled in colleges and universities in 2006-07 have published tuition and fee charges of less than \$9,000 per year. Twelve percent of full-time undergraduates attended institutions with published tuition and fee charges of \$9,000 to \$17,999 per year. The balance attended institutions with published annual tuition and fee charges of \$18,000 or more. The median

published tuition and fee charge was \$7,300 (The College Board, 2006a, Figure 1).

Financing the Increasing Cost of Higher Education

Students and their parents have had to underwrite an increasing percentage of the cost of operations of colleges and universities across the country for more than 25 years. The decade of the 1990s is instructive in looking at how students and their parents have responded to increasing charges. A primary tool they used was to borrow more to cover the increasing charges they faced (Wei, Li, & Berkner, 2004). Table 2 reports changes

Full-Time, Full-Year Undergraduate Students Receiving Financial Aid in 1989-90 Compared with Similar Students in 1999-2000 in Constant 1999 Dollars

Table 2

Public Two-year Institutions

Year	1989-90	1999-00
Percentage of students receiving aid	49%	58%
Average amount of aid received per student	\$3,300	\$3,900
Percentage of students receiving loans	15%	18%
Average amount of loans received per student	\$2,800	\$3,900
Percentage of students receiving grants	44%	51%
Average amount of grants received per student	\$2,300	\$2,600

Source: Wei, C.C., Li, X., and Berkner, L. (2004, p. viii, Figure C).

Table 3

Public Four-year Institutions

Year	1989-90	1999-00
Percentage of students receiving aid	52%	73%
Average amount of aid received per student	\$5,200	\$7,100
Percentage of students receiving loans	31%	50%
Average amount of loans received per student	\$3,600	\$5,700
Percentage of students receiving grants	42%	55%
Average amount of grants received per student	\$3,300	\$3,800

Source: Wei, C.C., Li, X., and Berkner, L. (2004, p. ix, Figure D).

Table 4

Private Four-year Not-for-profit Institutions

Year	1989-90	1999-00
Percentage of students receiving aid	74%	85%
Average amount of aid received per student	\$9,200	\$13,800
Percentage of students receiving loans	47%	62%
Average amount of loans received per student	\$4,600	\$7,700
Percentage of students receiving grants	68%	76%
Average amount of grants received per student	\$6,000	\$8,400

Source: Wei, C.C., Li, X., and Berkner, L. (2004, p. x, Figure E).

in the percentage of full-time full-year students at public, two-year institutions who received any aid, took out loans or received grants, comparing 1989-90 with 1999-2000 in constant dollars. The percentage of students who received aid from the categories listed as well as the amount of aid they received increased during this decade. The percentage of students who took out loans increased modestly over the decade, from 15% to 18%.

A larger percentage of full-time full-year students enrolled at public four-year institutions received aid than their counterparts at public two-year institutions. Over half of the students received aid in 1989-90 and close to three-quarters received aid in 1999-

2000. Half the students borrowed in 1999-2000 compared with 31% in 1989-90, and the amount they borrowed (in constant 1999 dollars) increased from \$3,600 to \$5,700. These data are depicted in Table 3. Total aid includes all types of financial aid including grants, loans, work-study and other forms of aid such as employer's benefits and veterans' benefits. Loans include all federal, state, institutional and privately funded loans, including PLUS loans. Grants include all federal, state, institutional and privately funded grants. Some students may have received grants and loans (Wei, Li, & Berkner, 2004).

Students enrolled in private four-year institutions also experienced an

increase in total aid and they also borrowed more, comparing 1989-90 with 1999-2000. The amount of grants the students received grew by \$2,400 from 1989-90 to 1999-2000, but they increased their borrowing, on average, by \$3,100. In constant 1999 dollars, total aid for these students increased from \$9,200 to \$13,800. These data are reported in Table 4.

It is important to remember that some students receive no financial aid. For example, in the 2003-2004 academic year, 24% of full-time, full-year undergraduates received no financial aid of any kind (Berkner, Wei & Griffith, 2006).

By the 2005-06 academic year, total student aid was \$134.8 billion. Just over half of this total took the form of federal loans (51%). The next most common form of aid was institutional grants (18%), followed by Pell grants (9%) and private and employer grants (7%). These data are summarized in Table 5.

On average, Pell grant recipients received \$2,354 during the 2005-06 academic year to help defray their expenses. This amount is higher than what students received ten years previously in 1995-96, but less than what they received in 2002-03 (\$2,648), the highest amount received during the 1995-96 to 2005-06 period of time in constant dollars (The College Board, 2006b, Table 3).

Table 5

Total Student Financial Aid, 2005-06

Form of Aid	Percentage of Total Aid	Amount in Billions
Federal loans	51%	\$68.6
Institutional grants	18%	\$24.4
Federal Pell grants	9%	\$12.7
Private and employer grants	7%	\$9.3
State grants	5%	\$6.8
Education tax benefits	4%	\$6.0
Other federal programs	4%	\$5.3
Federal campus-based aid	2%	\$3.1

Source: The College Board (2006b). *Trends in student aid*. Washington, DC: Author.

Table 6

Median Debt Levels in Constant Dollars of Undergraduate Degree Recipients Who Graduated in 1992-93 Compared with Those Who Graduated in 2003-04

Institutional Type	1992-93	2003-04
Associate degree, for profit	\$10,500	\$16,100
Associate degree, public two-year	\$3,300	\$6,100
Bachelor's degree, for profit	\$13,100	\$24,600
Bachelor's degree, public four-year	\$8,800	\$15,500
Bachelor's degree, private four-year	\$13,100	\$19,500

Source: The College Board (2006b). *Trends in student aid*. Washington, DC: Author.

How Graduates Manage Student Loan Debt

According to the College Board (2006b), the debt burden assumed by students has increased from 1992-93 and 2003-04 as measured in inflation-adjusted dollars. It is important to note that the type of institution from which the student graduated had an influence on the amount that the student borrowed. Table 6 summarizes these data. Debt totals do not include PLUS loans

Table 7

1992-93 Bachelor's Degree Recipients Who Had No Additional Degree Enrollment and Were Repaying Undergraduate Loans in 2003

Percent of Borrowers	Loan Burden
63%	Less than 5%
26%	5-8%
8%	9-12%
3%	12% or more

Source: Choy & Li (2006, Figure B).

(loans taken out by parents) or credit card debt.

Those students who graduate with debt then have an obligation to repay their loans. Of those students who graduated with Stafford loan debt in 1992-93 and assumed no further debt to finance further education, 74% had repaid their loans by 2003 (Choy & Li, 2006). Ten years is the standard amount of time students typically have to repay these loans.

The debt burden that was managed by those college graduates who had not repaid their loans was generally 8% or less. Debt burden in this case is defined as the monthly loan payment as a percentage of monthly income (Choy & Li, 2006). Table 7 summarizes the debt burden of 1992-93 bachelor's degree recipients who were still repaying their loans.

Those graduates who were in default typically had borrowed substantial amounts of money and/or had lower salaries than their contemporaries. Less than 10% (9.7%) of those graduates who borrowed as students defaulted at some time during the repayment of their loans. But, 44.5% of the defaulters re-entered repayment (Choy & Li, 2006, Table 18). Details about defaulters are included in Table 8.

The Role Financial Aid Plays in Helping Iowa Students Finance Their Education

The next section of this Policy Brief examines the role of financial aid in how students in Iowa finance their college education. The section includes a description of the participation of community college students, students in selected private baccalaureate colleges and universities, and students enrolled at Regent universities in financial aid programs. All data in this section of this Brief were retrieved from the Integrated Postsecondary Education Data System (IPEDS) (<http://nces.ed.gov/ipeds/>) for the 2004-05 academic year, the most recent data available at the time the Brief was prepared. Mean data reported in this section of this report are unweighted. That is, the mean scores were determined by computing the arithmetic averages of aggregate institutional reports, and are not weighted for enrollment. Consequently, institutions with smaller

enrollment have more of an influence on the aggregate mean score for all of the institutions than if the data had been weighted by institutional enrollment.

Financial Aid and Iowa's Community College Students

Students managed the cost of attendance, in part, at Iowa community colleges in the 2004-05 academic year through a combination of grants and loans. Full-time, first-time degree or certificate-seeking students received grants from federal, institutional and state and local sources. They also financed their education through loans. Data related to community college students' participation in financial aid programs are presented in Table 9.

Federal Grants. The percentage of students who receive federal grants ranges from a high of 57% at Western Iowa Tech Community College to a low of 29% at Kirkwood Community

Table 8

Characteristics of 1992-93 College Graduates Who Took Out Stafford Loans and Who Had Defaulted at Some Point before 2003 and then Entered Repayment

Student Characteristics	Percent Who Ever Defaulted	Percent Who Defaulted Who Ever Re-entered Repayment
Amount borrowed		
Less than \$5,000	7.0%	65.5%
\$5,000-\$9,999	8.1%	30.0%
\$10,000-\$14,999	12.5%	46.1%
\$15,000 or more	19.7%	31.4%
Salary in 1994		
Lowest	17.4%	22.7%
Low middle	11.9%	38.9%
High middle	7.6%	58.8%
Highest	4.2%	Too few cases to measure

Source: Choy, S.P., and Li, X. (2006, Table 18).

Table 9

**Community College Student Participation in Financial Aid Programs: Academic Year 2004-05
Full-time, First-time, Degree/Certificate-seeking Undergraduate Students**

Institution	Federal Grants		State and Local Grants		Institutional Grants		Loans	
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
Des Moines Area Community College	35	2,745	8	1,070	10	860	45	3,553
Eastern Iowa Community College District	41	2,751	5	1,208	16	883	41	3,086
Ellsworth Community College	46	2,950	7	769	63	3,221	75	3,998
Hawkeye Community College	33	2,760	8	1,156	9	304	54	3,261
Indian Hills Community College	51	2,031	10	964	20	1,324	59	2,439
Iowa Central Community College	41	2,646	7	1,348	43	780	66	4,458
Iowa Lakes Community College	49	2,577	15	1,253	26	916	68	4,924
Iowa Western Community College	43	2,662	5	1,042	22	2,660	54	3,356
Kirkwood Community College	29	2,740	5	1,095	5	1,309	48	2,749
Marshalltown Community College	40	3,005	6	1,356	9	3,221	52	3,320
North Iowa Area Community College	42	2,507	8	763	25	920	48	2,969
Northeast Iowa Community College – Calmar	39	2,682	7	939	22	439	49	3,057
Northwest Iowa Community College	36	2,625	16	1,359	17	1,484	57	4,658
Southeastern Community College	32	2,882	3	595	10	972	22	2,779
Southwestern Community College	53	2,979	38	1,281	35	940	62	2,830
Western Iowa Tech Community College	57	2,758	11	1,291	9	682	59	3,562
Mean	41.7	2,706	9.9	1,093	21.3	1,307	53.7	3,437

Source: Integrated Postsecondary Education Data System (IPEDS).

College. The mean amount of federal grants ranged from a high of \$3,005 at Marshalltown Community College to a low of \$2,031 at Indian Hills Community College. Throughout Iowa, a mean of 41.7% of community college students received federal grants; the average amount of these grants was \$2,706.

State and Local Grants. The percentage of students who received state and local grants during the 2004-05 academic year ranged from 38% at Southwestern Community to 3% at Southeastern Community College. Students at Northwest Iowa Community College received \$1,359 per student, the largest average state and local grants. Students at Southeastern Community College received the smallest average grant, \$595. On average, 9.9% of community college students received state and local grants. These grants averaged \$1,093 per student.

Institutional Grants. Students also managed the cost of attendance through institutional grants. The range of the percentage of students receiving institutional grants was from 63% at Ellsworth Community College to 5% at Kirkwood Community College. The mean amount received per student ranged from \$3,221 at Marshalltown Community College and Ellsworth Community College to \$304 at Hawkeye Community College. The unweighted average of students receiving institutional grants was 21.3%, and the mean amount was \$1,307.

Loans. Some students also financed their education by securing loans. Ellsworth Community College reported the largest percentage of students receiving loans where 75% of all students included in this study received loans. The smallest percentage of students receiving loans was at Southeastern

Community College, 22%. The average amount of loans ranged from \$4,924 at Iowa Lakes Community College to \$2,493 at Indian Hills Community College. Over half of the students received loans (53.7%) and the average amount they received was \$3,437.

Financial Aid and Iowa's Private Baccalaureate College Students

Students who attended private baccalaureate institutions in 2004-05 included in this studied were slightly less likely to receive federal grants than their peers attending community colleges, but more likely to receive state and local grants, institutional grants, and loans. The amount of money they received in all categories was more than what community college students received, presumably, in part, due to the published prices of tuition and fees at private baccalaureate colleges. Data related to financial aid for students at private, baccalaureate colleges are provided in Table 10.

Federal Grants. Just under 43% (42.9%) of students attending private, baccalaureate colleges included in this sample in 2004-05 received federal grants, averaging \$2,892 per student. The largest percentage of these students was at Waldorf College (91%), while the smallest percentage was at Grinnell College (18%). The range in the mean amount of federal grants was from \$1,544 at Waldorf College (the lowest) to \$3,940 at Coe College (the highest).

State and Local Grants. Slightly over 41% of these students received state and local grants. On average, each student received \$2,825. The percentage of students receiving state and local grants ranged from none at Vennard College to 73% at Allen College. For those students who received such grants, the smallest amount was \$150 at Hamilton College-

Council Bluffs to \$3,895 at Mount Mercy College.

Institutional Grants. Over 81% of students at private baccalaureate institutions received institutional grants, on average \$6,422 per student. None of the full-time degree or certificate-seeking students enrolled at Hamilton College-Council Bluffs received institutional grants according to IPEDS in the 2004-05 academic year, while 100% of all such students received institutional grants at Central College, Dordt College, Grand View College, Iowa Wesleyan College, Mount Mercy College, Northwestern College, Simpson College and Vennard College. The range in the amount of institutional grants was from \$282 at Allen College (the lowest amount) to \$15,050 at Cornell College (the largest amount).

Loans. Finally, over 82% of students enrolled in private baccalaureate colleges included in this sample in 2004-05 received loans. The largest percentage was 97% at Hamilton College-Council Bluffs while the smallest was 41% at Grinnell College. The range in the average size of loans received was from \$669 at Waldorf College to \$8,140 at Hamilton College-Main Campus; the average was \$5,565.

Financial Aid and Iowa's Private University Students

Nine private universities were included in the sample for this cohort. The pattern revealed by an analysis of financial aid at these institutions was similar to the analysis of financial aid at private baccalaureate institutions. These data are reported in Table 11.

Federal Grants. The percentage of students who receive federal grants ranges from a high of 60% at William Penn University to a low of 15% at

Table 10**Private College Student Participation in Financial Aid Programs: Academic Year 2004-05
Full-time, First-time, Degree/Certificate-seeking Undergraduate Students**

Institution	Federal Grants		State and Local Grants		Institutional Grants		Loans	
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
Allen College	42	2,883	73	3,529	21	282	91	4,867
Central College	30	3,021	54	3,508	100	8,628	83	5,438
Clarke College	34	2,877	36	3,583	96	8,881	83	7,452
Coe College	27	3,940	42	3,541	98	12,108	77	2,938
Cornell College	26	3,485	22	3,630	89	15,050	70	5,895
Dordt College	32	3,254	25	3,534	100	5,104	89	3,614
Grand View College	31	3,010	53	3,622	100	6,594	89	6,079
Grinnell College	18	2,822	39	2,824	91	14,425	41	6,554
Hamilton College – Cedar Falls	64	2,618	44	1,600	45	1,325	90	4,839
Hamilton College – Urbandale	70	2,960	50	1,417	47	1,435	88	5,869
Hamilton College – Council Bluffs	90	3,137	29	150	0	N/A	97	6,657
Hamilton College – Main Campus	40	2,960	28	2,066	26	1,782	50	8,140
Hamilton College – Mason City Branch	83	3,001	60	1,568	62	1,741	90	6,598
Iowa Wesleyan College	34	1,602	21	1,939	100	5,116	72	2,993
Loras College	31	3,095	36	3,880	99	8,401	91	4,803
Luther College	20	3,483	61	2,672	99	9,684	76	3,982
Morningside College	43	3,069	46	3,732	99	8,100	89	7,511
Mount Mercy College	29	2,504	47	3,895	100	7,291	88	7,490
Northwestern College	36	3,064	35	3,808	100	5,504	83	7,016
Simpson College	31	2,884	62	3,618	100	9,588	89	6,234
Vennard College	58	2,125	0	N/A	100	1,446	83	6,089
Waldorf College	91	1,544	36	3,496	97	5,456	96	669
Wartburg College	28	3,174	45	3,359	98	9,775	83	6,277
Mean	42.9	2,892	41.04	2,825	81.2	6,422	82.1	5,565

Source: Integrated Postsecondary Education Data System (IPEDS).

Drake University. The mean amount of federal grants for those students receiving them ranged from a high of \$4,539 at Maharishi University of Management to a low of \$2,338 at Briar Cliff University. Throughout Iowa, a mean of just over 36% of Iowa private university students received federal grants; the average amount of these grants was \$3,325.

State and Local Grants. The percentage of students who received state and local grants during the 2003-04 academic year ranged from 9% at Graceland University to 53% at Buena Vista University. Students at Maharishi University of Management received the largest average state and local grants, \$3,875. Students at William Penn

University received the smallest average grant, \$2,140. On average, 27.8% of Iowa private universities college students received state and local grants. The average of these grants was \$3,439 per student.

Institutional Grants. Students also managed the cost of attendance through institutional grants. The range of the

percentage of students receiving institutional grants was from 100% at Briar Cliff University to 60% at William Penn University. The mean amount received per student ranged from \$13,172 at Maharishi University of Management to \$3,588 at William Penn University. The average percentage of students receiving institutional grants was 89.7%, and the average amount was \$8,627.

Loans. Ninety-nine percent of Briar Cliff University students (the highest percentage) secured loans to finance their education compared with 58% (the lowest percentage) at Drake University in the 2004-05 academic year. The average amount of loans per student received ranged from \$3,147 at Briar Cliff University to \$7,650 at Drake University. Iowa private universities on average reported that 81.2% of their students received loans and the average amount received was \$5,717.

Financial Aid and Students Enrolled in Iowa's Regent Universities

The final group of students included in this study is those who are enrolled in Iowa's Regent universities. Students enrolled at Regent universities were less likely to receive federal grants, state and local grants, institutional grants (except for community college students) and were less likely to receive loans (except for community college students) than their counterparts at the other institutions. Data related to student financial aid at Regent universities are included in Table 12.

Federal Grants. The percentage of students who receive federal grants ranged from 21% at Iowa State University (ISU) and the University of Northern Iowa (UNI) to 15% at University of Iowa (UI). The mean amount of federal grants ranged from a high of \$2,833 at ISU to a low of \$2,221 at UI. Throughout Iowa, 19% of

students at Regent universities received federal grants; the average amount of these grants was \$2,552 per student.

State and Local Grants. The percentage of students who received state and local grants during the 2004-05 academic year ranged from 11% at Iowa State University to 8% at UNI. Students at the University of Northern Iowa received \$1,160 on average, the most generous award of the Regent universities, while ISU students received the least, \$1,113. On average, 9.7% of Iowa Regent universities' students received state and local grants. The average amount of these grants was \$1,142 per student.

Institutional Grants. Students also managed the cost of attendance through institutional grants. The range of the percentage of students receiving institutional grants in 2004-05 was from 68% at ISU to 40% at UI. The mean amount received per student ranged

Table 11

Private University Student Participation in Financial Aid Programs: Academic year 2004-05 Full-time, First-time, Degree/Certificate-seeking Undergraduate Students

Institution	Federal Grants		State and Local Grants		Institutional Grants		Loans	
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
Briar Cliff University	42	2,338	35	3,568	100	8,406	99	3,147
Buena Vista University	38	3,725	53	3,656	98	10,692	89	3,946
Drake University	15	3,800	16	3,200	97	10,550	58	7,650
Graceland University-Lamoni	37	3,463	9	3,624	99	8,937	79	5,853
Maharishi University of Management	32	4,539	21	3,875	64	13,172	64	6,683
Saint Ambrose University	21	3,071	25	3,529	99	8,002	76	7,621
University of Dubuque	48	3,049	25	3,530	98	5,904	97	3,658
Upper Iowa University	37	3,137	40	3,832	92	8,388	91	7,080
William Penn University	60	2,803	26	2,140	60	3,588	78	5,813
Mean	36.7	3,325	27.8	3,439	89.7	8,627	81.2	5,717

Source: Integrated Postsecondary Education Data System (IPEDS).

from \$3,526 at Iowa State University to \$2,800 at the University of Northern Iowa. The percentage of students receiving institutional grants was 51.3%, and the average amount received was \$3,044.

Loans. Finally, students financed their education by securing loans. Forty-nine percent of UI students secured loans to finance their education, while 62% of ISU students received loans. The average amount of loans range from \$2,965 at UI to \$8,694 at Iowa State University. Regent universities on an average reported that 57% of their students received loans and the average amount received was \$5,378.

Summary

A summary of the data presented in this Policy Brief is provided in Table 13. As might be predicted, a smaller percentage of students attending community colleges and Regent universities participated in the various financial aid programs included in this report than students attending private institutions.

Federal grants help from 19% to nearly 43% of students defray their educational costs, depending on institutional types. The amount of these grants per student ranged from \$2,552

to over \$3,325, again depending on institutional type. State and local grants are less pervasive. Less than 10% of the students attending community colleges and Regent universities received such grants, but over 41% of students enrolled at private baccalaureate colleges received them. The amount of these grants ranged from \$1,093 at community colleges, on average, to \$3,428 at private universities per student.

Substantial proportions of students attending private colleges and universities received institutional grants to help defray the cost of attendance. In each case, over 80% of such students receive institutional grants, averaging from over \$6,400 per student at private colleges to over \$8,600 at private universities for the 2004-05 academic year. Such grants help reduce the net cost that students and their families pay for higher education.

Over half (53.7%) of the students attending community colleges on average borrowed over \$3,400 in the 2004-05 academic year while students attending the three other types of institutions borrowed, on average, between \$5,378 at Regent universities, \$5,717 at private universities and \$5,565 at private baccalaureate colleges. Assuming that students borrow this amount each year

they were enrolled, and that they finished their undergraduate degree in four years, these students will have incurred a debt of over \$20,000 at the time they receive their degree.

Recommendations

Depending on one’s philosophical perspective, the information included in this Policy Brief is good or bad news, or perhaps some of both. Without question, resources are available to help students defray the cost of their education, so that is good news. Institutional grants at private institutions are the largest source of financial aid, and, that too, is good news. But, loans are the most common form of financial aid at the community colleges and Regent universities and that conclusion suggests that students will face having to manage debt upon graduation. And, that students at private colleges and universities borrow roughly the same amount as students at Regent universities suggests that regardless of the type of institution they attend, many students have to manage debt upon graduation.

What might institutions do to lessen the long-term financial burden that is being placed on students? Some of our suggestions are obvious. Both nationally and in Iowa, for public institutions, more

Table 12

Regent University Student Participation in Financial Aid Programs: Academic year 2004-05 Full-time, First-time, Degree/Certificate-seeking Undergraduate Students

Institution	Federal Grants		State and Local Grants		Institutional Grants		Loans	
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
Iowa State University	21	2,833	11	1,113	68	3,526	62	8,694
University of Iowa	15	2,221	10	1,154	40	2,806	49	2,965
University of Northern Iowa	21	2,603	8	1,160	46	2,800	60	4,476
Mean	19	2,552	9.7	1,142	51.3	3,044	57	5,378

Source: Integrated Postsecondary Education Data System (IPEDS).

generous support from state legislatures is one step. Whether state legislators are interested in lessening the financial burden that students currently experience is unknown, and probably reflects local issues, i.e., the availability of revenue and balancing other priorities for each of the states. For public and private institutions, fund-raising campaigns targeted at increasing endowments designed to assist students in defraying the cost of attendance make sense, and are easy to recommend. Whether stakeholders, friends and benefactors of colleges and universities are prepared to provide such support on a massive scale is less clear, since other institutional needs also need to be addressed, such as facilities, faculty salaries and so on.

Clearly, community colleges offer a moderate cost alternative for students and their parents; but in Iowa, community college students are assuming substantial debt, though less than their colleagues at four-year institutions. Nevertheless, prospective college students might want to consider beginning their postsecondary education at a two-year college and then transferring to a four-year institution.

High school students might choose to participate in programs that permit them to earn college credit for courses

taken at the local college or university. This strategy would help them earn college credits, thereby reducing the number of credits they would have to earn to complete their bachelor's degree. A corollary to this strategy is for students to take advanced placement (AP) courses in high school, and by receiving appropriate scores on AP examinations, they could earn college credit for their work.

In spite of the increasing cost of attendance, students and their parents tend to overestimate the cost of tuition and fees (Horn, Chen, & Chapman, 2003). Institutions might work with students and their parents, perhaps as early as the middle school years, to provide an accurate picture of the cost of attendance so that realistic financial plans can be developed over a long period of time.

We believe that the data demonstrate that managing the cost of higher education has been a long-term (meaning many decades) challenge. We see little evidence to suggest that this challenge will moderate in the future. Consequently, we call on institutional leaders, stakeholders, policy makers and others to continue to examine ways to make the dream of a college degree available to the next generations of students.

Limitations

Several limitations should be pointed out related to this Policy Brief. First, the data were secured from IPEDS. As a consequence, the accuracy of the data depends on the information that was supplied by participating institutions to IPEDS. Human errors, misunderstanding definitions, or incomplete data all can contribute to data submission errors.

A second limitation is that the data provided in this report are already out of date. That is, they are for the 2004-05 academic year and any changes at the institutions in the study would render the information obsolete.

A third limitation is that other than examining expenditure patterns over time, the data included in this Policy Brief reflect just one year's experience. Any anomalies experienced by the institutions included in the report for the 2004-05 academic year might inaccurately affect the reader's perception of financial aid at the institution in question.

This report did not include any obligations assumed by parents through PLUS loans nor did it include information about the use of credit cards by students or their parents in financing higher education. Consequently, this Policy Brief may understate the total family debt incurred in financing a student's education.

Table 13

**Summary of Financial Aid Participation for Iowa College Students: Academic Year 2004-05
Full-time, First-time, Degree/Certificate-seeking Undergraduate Students**

Institutional Type	Federal Grants		State and Local Grants		Institutional Grants		Loans	
	Percent	Average	Percent	Average	Percent	Average	Percent	Average
Community colleges	41.7	2706	9.9	1093	21.3	1307	53.7	3437
Private baccalaureate colleges	42.9	2892	41.04	2825	81.2	6422	82.1	5565
Private universities	36.7	3325	27.8	3439	89.7	8627	81.2	5717
Regent universities	19	2552	9.7	1142	51.3	3044	57	5378

Source: Integrated Postsecondary Education Data System (IPEDS).

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(ISSN: 1933-5245, e-ISSN: 1933-5237)

“PAYING FOR COLLEGE IN THE 21ST CENTURY: CHALLENGES AND OPPORTUNITIES” represents the second issue of EP3, a policy brief series recently created in the Department of Educational Leadership and Policy Studies. This issue of EP3 addresses one of the most critical issues confronting Iowa Regent institutions of higher education: rising college tuition and its impact on college affordability. According to the College Board, between 1996 and 2006 average tuition and fees, adjusted for inflation, increased \$5,375 (or 32 percent) at private four-year colleges and \$1,980 (or 51 percent) at public four-year colleges. Tuition increases are a major issue of concern not only in Iowa Regent institutions, but also across the nation.

John H. Schuh and Vijay Kanagala present compelling information that while diverse forms of financial aid are available to assist students in paying for college, the stark reality is that most students will graduate having incurred a sizeable debt. Among several recommendations, the authors call for state legislators to provide generous support to institutions and students and for fundraising campaigns to target aid for students. Whether channeling more students to less expensive community colleges, employing dual enrollment strategies or working with students and families to assist them with financial management, the goal is to allow more students to fulfill their dream of graduating from college.

As always, we welcome inquiry and dialogue as we engage issues that call for transformative changes in our educational system.

Laura I. Rendón

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