

**Summary Background Paper Prepared for the Policy Forum on Higher  
Education Access and Success in the UK and the USA**

**Participation and Persistence in Postsecondary Education in the United States:  
A Review of Federal and State Policies**

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## **Introduction**

1. The federal and the state governments in the United States have employed a broad range of public policies in an effort to improve participation and persistence in postsecondary education for disadvantaged groups of students or those with characteristics targeted for special attention. These groups include students from impoverished circumstances, from ethnic and racial minorities, with physical or learning disabilities and/or who have been chronically unemployed. One of the realities entailed in improving postsecondary educational opportunities for these potential students is that they often fall into more than one 'at-risk' category, thereby making policy makers' task more difficult because several obstacles to achieving improved participation and persistence must be overcome.
2. This report takes on the following three tasks:
  - a. Describes the evolution of public policies at both the federal and state level to improve participation and persistence in American postsecondary education for at-risk students.
  - b. Presents data on changes over time in various measures of participation and persistence, including enrollment, degree completion, and education attainment rates.
  - c. Identifies some of the reasons given for why public policies have not been more successful in closing the gap for targeted groups of students, and suggests how federal and state policies could be made more effective in meeting these important goals.
3. A premise of this report is that public policies do matter and that the signals embedded in policies do have an impact on the behavior of both students and institutional officials. To this end, the report attempts to separate myth from reality by distinguishing between the stated policy goals on the one hand, and the effects of policies and programs on the other. This distinction between stated policy goals and actual program operation is critical in measuring the progress made in improving participation and persistence in postsecondary education in the U.S. over the past several decades. Many policy makers and institutional officials would like to improve access for targeted groups of students and the rate at which they persist and complete their degrees. But the policies in place frequently give signals to students and institutions that lead to behavior different from what policy makers had in mind. So this report examines whether the available data suggest that existing policies and programs encourage the kind of behavior that is desired.
4. This report has been prepared for the US-UK Postsecondary Education Policy Dialogue, a series of activities planned to occur over several years and designed to allow for comparisons of policies and practices in the two countries. The underlying purpose of these sessions is to assess the relative efficacy of public policies and institutional practices in higher education on both sides of the Atlantic. Strategies for improving participation and persistence for targeted groups of

students will be the topic for an October 2000 conference of the project. This report was prepared for that conference and focuses on public policies in the U.S. for improving participation and persistence.

5. Before summarizing the findings in this report, for the benefit of our U.K. collaborators (and for many possibly in the U.S. as well), a brief definition of some possibly confusing terminology used in the report seems desirable:

a. *Higher education* in the U.S. refers to degree granting programs of study, including associate, baccalaureate and advanced degrees, from accredited institutions; *postsecondary education* refers to a broader universe of activities that include non-degree granting programs of vocational training in addition to all of higher education.

b. *College* typically refers to an institution that does not offer advanced degrees beyond the baccalaureate, although a number of colleges offer masters degrees and some offer PhDs. *Community colleges* typically offer programs offering associates degrees or certificates. *University* typically refers to an institution that offers a wide variety of programs and degrees, including a range of masters, professional, and doctoral degrees. The term *college* also is frequently used to refer to higher education more generally.

c. *Public higher education or institutions* refers to colleges and universities that have public charters and receive a substantial portion of their funding from state or local taxpayer sources; *private higher education* in the U.S. usually refers to non-profit, independent institutions, while *proprietary* refers to institutions organized on a for-profit basis. Proprietary institutions traditionally have been concentrated in vocational training in the U.S., although a growing number (but still small) of degree-granting institutions in the U.S. are profit-making, with the University of Phoenix perhaps the most well-known.

d. The term *participation* as used in this report subsumes the concepts of both access and choice as traditionally used in the U.S. context; *access* typically refers to enrollment in some form of postsecondary education, whereas *choice* historically has been used to refer to whether students are able to enroll in their preferred institution.

e. The term *persistence* as used in this report also subsumes two concepts of student progress – degree completion and educational attainment. Degree completion refers to the rate at which students complete their degrees, while attainment typically is used to refer to the proportion of an adult age group that has received different kinds of degrees.

f. *Tuition* surely is the most confusing word for this discussion. In this report, the term *tuition* is used in the U.S. context to refer to the fees charged by institutions for instruction, whereas in the U.K., and many other countries around the world, the term *tuition* refers to the instruction itself, while *tuition fees* or simply *fees* constitute what we would call *tuition* in the U.S.

6. One more note before summarizing the findings: two tables are appended to this report. One provides data on trends in higher education participation and attainment over the past half-century; the other provides information on financial indicators related to higher education in the U.S. Most of the figures cited in the report can be found in these two tables. Those figures not included in the tables are referenced instead in the endnotes, which also include discussions of data limitations in a number of areas.

### **Description of Federal and State Policies**

7. The State/Federal Division of Responsibilities. States are the biggest public investors in higher education in the U.S. In 2000, states collectively spent more than \$50 billion on various aspects of higher education, roughly one-fifth of all higher education budgets in the U.S. The vast majority of these state funds are used to offset the operating expenses of public institutions, thus allowing them to maintain tuitions far below their costs of educating students. Student aid has been a junior partner in the state financing equation, with only about 5 percent of state funding of higher education allocated to student aid.<sup>1</sup>

8. By contrast, the federal role in promoting participation and persistence in postsecondary education principally has been to assist students through various financial aid programs. This emphasis is reflected in the fact that student aid spending constitutes 90 percent of the total funds the federal government now spends on higher education (excluding the federal support of campus-based research that equals federal spending on non-research activities). Given the size of this federal effort, it should not be surprising to discover that federal aid represents roughly three-quarters of all student aid provided in the U.S. (although more than two-thirds of federally sponsored aid and of all aid in the U.S. is in the form of loans, which many would not refer to as aid at all since it must be repaid).<sup>2</sup>

9. Taken together, roughly two-thirds of all state and federal funding for higher education in the U.S. (excluding university-based research) supports institutions, with the other one-third provided in the form of student aid. When research is added, more than three-quarters of all government support is provided in support of institutional activities.

10. The Evolution of Public Policies Fostering Greater Participation and Persistence. For all students, the provision of low or no tuition at state-funded public colleges and universities historically has been the primary means for providing access to higher education in the U.S. For black students, the principal policy for providing access was the establishment of Historically Black Colleges and Universities (HBCUs) as part of dual higher education systems, particularly in southern states, where public universities did not admit black students. Despite these policies for stimulating greater access, as the Second World War began American higher education remained largely an elitist system, with only 1 percent of the population enrolled in college at any point in time. In terms of the traditional college age cohort, the participation rate was 10 percent or less in 1940.

11. In the three decades following the end of the Second World War, however, American higher education became a mass system as three policies dominated federal, state and local

agendas. First, the federal 'G.I. Bill' provided unprecedented levels of access to higher education for returning veterans from three wars. Second, states sought to provide access for the baby boomers born after the Second World War by expanding their public universities while maintaining low tuition policies. Third, local governments, in concert with their state governments, contributed greatly to more access through the creation and rapid expansion of community colleges.

12. These three public policies, combined with the underlying baby boom demographics following the Second World War, spurred an unprecedented expansion in American higher education. By 1975, three decades after the War ended, total enrollments had increased five-fold, 5 percent of the population enrolled in college at any one time, and one-half of high school graduates enrolled in college.

13. *While these three policies were critical in raising overall participation rates, they were demonstrably less effective in bringing under-represented groups into the mainstream of attending and graduating from four-year institutions.* Black students continued to be concentrated in HBCUs and all minority student groups disproportionately enrolled in community colleges. The participation rates of low-income students were half or less of the booming rate at which high-income students were enrolling in higher education.

14. *The fact that low-income and minority students had not shared fully in this increased access led to a new focus at the federal level on need-based student aid.* This began in earnest in 1965, with the creation of campus-based student aid programs and federally guaranteed student loans.<sup>3</sup> The federal 'TRIO' programs were also created in 1965 to identify promising at-risk students and provide them with support services.<sup>4</sup> Affirmative action, a process for special recognition of targeted groups of students in admissions and financial aid decisions, also became an important public policy tool beginning in the late 1960s as a means for increasing the participation rates of minority students.

15. The creation of the Pell Grant program in 1972 marked a shift in federal policy to provide student aid directly to students rather than through institutions. Also in 1972, a federal program was created to stimulate states to establish need-based grant programs. Two other changes in the 1970s represented significant shifts in federal policy although not necessarily recognized as such at the time. First, the same 1972 legislation that created Pell Grants also granted eligibility for all federal aid programs to students in proprietary schools providing vocational training. Second, in 1976, students without a high school degree or its equivalent were granted eligibility for federal student aid under 'ability to benefit' provisions, so students taking remedial courses became eligible for federal aid.

16. This emphasis on student aid as the primary means for providing access to higher education for low-income and minority students gained momentum in the 1980s as Pell Grants became the primary federal grant program. But the more remarkable growth in the use of loans that began in the late 1970s and continued for the next two decades troubles many of those concerned about increasing the college participation rates of low-income students (although no studies demonstrate conclusively that loans deter attendance).

17. It is also important to understand that in the last quarter-century, government-funded student aid has become a key form of institutional support in the U.S. For many public institutions, particularly community colleges, federal Pell Grants are a major source of revenues. Many private institutions, especially those with little federally funded research and small endowments, have come to rely heavily on student loans to help their students pay their tuitions and other charges. In the 1990s, many students, especially at public institutions, are relying on unsubsidized student loans to help them pay their expenses.

18. Beginning in the late 1980s and through the 1990s, the federal policy emphasis shifted again, toward ensuring college affordability for middle-class students through tuition tax credits and other tax-based incentives for saving for college. Many states also have focused more on middle-class affordability issues through the creation of merit-based aid programs and prepaid tuition and college savings plans. This shift in the federal and state focus towards affordability has largely been in reaction to tuitions at both public and private institutions in the U.S. growing at twice the rate of inflation since 1980.

19. In the 1990s, there also has been a growing recognition that student aid is necessary but not sufficient to ensure the success of disadvantaged groups of students in college. Many now realize that at-risk students must be much better prepared to do college level work to ensure their greater participation and performance in higher education. This recognition of the need for a broader strategy stems from the success over the past decade of a number of private 'early intervention' efforts in which college participation and completion rates have risen tremendously for grade school and middle school classes of at-risk students who were 'adopted' by private philanthropists or other organizations.

20. Greater emphasis on mentoring and more awareness of financial aid by students as early as grade school and middle school have been prominent components of these private early intervention efforts. The success of these private efforts led to enactment of the new federal early intervention program – GEARUP – in 1998 and has contributed to the establishment of a number of 'K-16 partnerships' at the state level.

### **Trends in Participation and Persistence**

21. Trends in Participation. The policy emphasis on student aid and affirmative action over the past three decades has had mixed results with regard to increasing the participation in postsecondary education in the U.S. Overall, participation rates in higher education have continued to increase, although not as fast as they had before 1970. Two-thirds of high school graduates now immediately enroll in some form of postsecondary education in the fall following their graduation from high school, up from one-half in 1970.<sup>5</sup>

22. Low-income and minority students have benefited greatly from this overall increase. They are much more likely to enroll in college in 2000 than before student aid programs and affirmative action really took effect in the 1970s. More than one-half of black and Hispanic high school graduates now continue their education beyond high school, and students from low-income

families have showed similar gains. *But the participation gap between rich and poor and majority and minority students remains almost as large as it was in 1970.* And much of the increase in participation by low-income and minority students has been in community colleges and for-profit schools offering short-term training, so broad-based participation of at-risk students remains a distant reality.<sup>6</sup>

23. Two other participation trends in the U.S. in recent decades should be noted, although they may have little to do with public policies.

24. First, an increasing proportion of students in U.S. higher education institutions are older than the traditional college age, and on many campuses traditional age students are in the minority.<sup>7</sup> This aging of U.S. students is partly the result of people in the work force recognizing that an undergraduate degree and post-baccalaureate training is the surest ticket to higher incomes in American society. This aging trend has occurred despite the fact that the student aid programs remain designed primarily for the more traditional age student.

25. Second, women now constitute 55 percent of all U.S. enrollments, a sharp change from as recently as 1970, when they only filled 40 percent of college seats. While some of this gender shift can be attributed to the end of the military draft in the 1970s, much of the shift since then seems unrelated to any set of public policies. While this trend toward more women students is one of the great success stories in American higher education, especially in professional fields such as medicine and law, there is increasing reason to be concerned about the disappearance of black males overall and in certain fields of study.<sup>8</sup>

26. Trends in Persistence and Attainment. Similar to the trends in participation, the American experience in terms of persistence also has been mixed. Degree completion rates in the U.S. are average to below average among developed countries, but American educational attainment rates remain among the highest in the world. To some extent, this pattern is a function of the expansion of American higher education over the past half-century. When a higher education system is opened to the many – half or more of the age cohort enrolls in education beyond the secondary level – one should expect some reduction in degree completion. Similarly, high educational attainment rates coupled with modest degree completion rates are only possible if participation rates are high.

27. For low-income and minority students, however, the record in improving persistence is less ambiguous and more disappointing than the overall trends. From the little data that are available, degree completion rates for students from low-income families and ethnic/racial minorities are substantially below those of wealthier and majority students. In terms of attainment, the percentage of black and Hispanic students who earn a baccalaureate by the age of 30 is roughly half of what white and Asian-American students achieve.

### **Why Have Public Policies Not Worked Better?**

28. As the preceding discussion suggests, the strategies of student aid and affirmative action appear to have had mixed results in increasing the participation and persistence of low-income

and minority students over the past three decades. A number of reasons have been given for why there has not been more improvement as the funding for the student aid programs grew tremendously and affirmative action became a prominent component in the admissions and financial aid policies at many higher education institutions.

29. These explanations include: the underfunding of student aid; lack of targeting on the most disadvantaged populations; inadequate preparation of students; and ineffective policy design and funding mix that send the wrong signals to students and institutional officials.

30. Underfunding of student aid probably is the most frequently cited reason for the lack of success in closing the participation gap between rich and poor and majority and minority students in the U.S. The principal statistic cited to defend this view is that the Pell Grant maximum award has declined as a percentage of college tuition over time. But this statistic masks a number of other important trends. Funding of Pell Grants, for example, has increased in real terms over time, particularly in recent years. The decline in the purchasing power of the maximum award is a function of both the increase in recipients and the rapid increase in college tuition over the past two decades. Moreover, loans have grown far faster than tuition or the general rate of inflation over the past two decades. Some argue that this growth in loans is not relevant to this discussion because low-income and minority students shy away from using loans, but this point is debatable.<sup>9</sup> What is clear is that the extensive use of loans by disadvantaged populations, particularly for vocational training and remediation, has contributed greatly to high levels of student loan default rates.<sup>10</sup>

31. The one instance where a good case can be made for underfunding is support services and early intervention. The TRIO programs receive only 5 percent of total federal funding for higher education and reach less than 10 percent of eligible students. The new GEARUP program receives just 1 percent of what is spent on federal student aid.

32. Comparing student aid increases to tuition growth also raises two questions. 1) Is it the federal role to keep up with rapid increases in tuition and other charges? 2) Have the federal aid programs been a factor in the rapid growth of college charges in recent decades? Loans appear to be a particular issue in this regard, as they now pay for one-third or more of the total costs of attendance for all postsecondary education, up from less than one-tenth in the 1970s. This remarkable growth in the use of loans occurred during the same time that tuition and other charges were growing at twice the general rate of inflation.<sup>11</sup>

33. Lack of targeting on the most disadvantaged populations seems a more compelling explanation for the limited effectiveness of various public policies, including student aid, than underfunding. When all public policies for higher education in the U.S. are taken together, the bulk of the subsidies go to middle-class students. The Pell Grant is the only federal aid program that is reasonably well targeted on low-income students, as most funds go to students with incomes below \$30,000. But even in the case of Pell Grants, a number of political decisions have been taken over time to allow more middle-class students to be eligible, thus blunting the program's effectiveness in helping the most at-risk students. Loan subsidies are far less targeted

on low-income students than grants and the new federal tuition tax credits are also designed largely as a middle-class program.<sup>12</sup>

34. Moreover, state support of public universities – the principal source of taxpayer funds for higher education in the U.S. – is distinctly untargeted as most students attending these institutions are from middle and upper-class families. *The U.S. experience over the past half century is that low tuitions expand opportunities at selective public universities for disadvantaged groups of students only when: 1) state funding of these institutions is sufficient to create enough seats relative to demand, and 2) student aid is available to help poor students pay their tuitions and other expenses.* The more that state funding is restricted, however, and the lower the state and institutional funding of need-based aid, the less that low-income and minority students are able to enroll in public universities.<sup>13</sup>

35. The story is quite different, however, at open admission public institutions such as most community colleges, where low or no tuitions have played a key role in expanding access to American higher education. These institutions are the principal way in which higher education has been expanded to disadvantaged populations in the U.S. The problem is that this also has led to a high degree of stratification, with both public and private four-year institutions enrolling mostly middle-class students and the community colleges (and proprietary schools) being where low-income and minority students tend to enroll. This would not be so much of a problem if articulation were better, but transfer rates between community colleges and selective four-year institutions are notoriously low.<sup>14</sup>

36. At both four-year and two-year public institutions, a big problem with the existing financing structure is that tuition tends to rise fastest when economic times go sour. During each of the past three national recessions, public sector tuition on average rose at double-digit percentage annual rates in response to cutbacks in state and local funding. This pattern occurs largely because public sector tuition is set principally to help public institutions balance their budgets rather than on the basis of people's changing ability to pay for a college education. *The result of this institution-based approach to tuition setting is that public sector tuition and other charges tend to increase the most when the most disadvantaged populations of students can least afford to pay these higher charges.*

37. Inadequate preparation of students. In the 1990s there has been a growing recognition that the traditional reliance on student aid may be flawed as increasing numbers of high school graduates, particularly from at-risk populations, appear to be unprepared to do college level work and require remediation. The provision that allows students without high school degrees to receive the full range of federal student aid has no doubt increased the number of enrolled students who are inadequately prepared. The practice of allowing these students to borrow to pay for remedial courses is particularly troublesome because it means that they often wind up with substantial debts just for the remediation, without receiving the higher education and training necessary to earn incomes to allow them to repay their debts. In some cases, it also means that these students exhaust their eligibility for other student aid programs prematurely, thereby further increasing the likelihood they will not complete their degrees.

38. The inadequate preparation of many high school graduates also may help to explain the difficulties entailed in using affirmative action and other minority-based policies to address the participation and persistence gap in the U.S. The success of these minority-based strategies depends critically on the existence of a sufficient pool of adequately prepared minority students. Without a large enough pool, the most likely result of these policies is heavier competition among institutions for the same students.

39. Mixed policy signals to students and institutional officials. A principal conclusion of this report is that program design and funding mix have been decisive factors in public policies not doing a better job improving participation and persistence of disadvantaged populations in the U.S. A prime example is that while, for the past three decades, the U.S. has relied on student aid to shoulder most of the responsibility for improving the situation of low-income students, it has provided these programs with a minority of taxpayer funds for higher education. It seems unrealistic to expect the student aid programs to equalize opportunities for disadvantaged populations while states devote most of their taxpayer funds to support public institutions that enroll mostly middle and upper-income students.

40. It is also the case that student aid programs are principally designed to increase the demand for higher education among certain groups of students by effectively reducing the price that these students face. To the extent that the number of seats are limited at selective institutions, however, the increase in demand for higher education among targeted groups of students may not result in increased participation by these students. In short, policy makers need to take greater cognizance of possible supply limitations in formulating aid policies.

41. As importantly, the program design of both student aid and how states fund public higher education may contribute to the inability of public policies to improve the participation of targeted groups of students. Despite much hand wringing about exploding college costs key federal and state policies tend to encourage tuition and cost escalation rather than moderation. Most states' funding formulas, for example, are based at least in part on costs per student. By providing more funds to institutions with higher cost structures, these formulas may not only encourage inefficiency, but also may provide the most funds to those institutions that often do the worst job of providing access for disadvantaged populations.

42. As already noted, federal policies may be inadvertently contributing to tuition and cost increases, particularly in the connection between loan eligibility and costs of attendance. And although there is much concern over the growing dependence on loans, a variety of federal budgeting practices and policies lead inevitably to even greater dependence on loans.

43. While the issue of whether loans have contributed to cost increases is somewhat controversial, the evidence of the effects of public policies on persistence of students in American higher education is less ambiguous and, in many ways, more damning. *Federal and state policies in the U.S. focus far more on producing access than on encouraging success.* The federal aid programs have only minimal requirements for students to maintain their eligibility. State funding formulas are based principally on the number of students who enroll, not the number who complete their year of study or who complete a degree. It seems obvious that these policies have

contributed to poor performance for all students, and for disadvantaged groups of students in particular, in the form of low degree completion rates in the U.S. compared to the experience in other developed countries.

44. Affirmative action represents still another example of program design possibly being part of the problem. The 1990s have been marked by a growing public discontent with the use of affirmative action in a variety of societal functions, including higher education. This discontent is reflected in voter initiatives in several states and a number of court cases designed to stop or limit the use of affirmative action as a means for redressing inequities in higher education. Much of this discontent stems from a perception that affirmative action equates to quotas for targeted groups, despite the fact that the governing court decisions require that minority status be only one factor of many used to determine housing and hiring decisions as well as for admissions and financial aid.

45. Some Suggestions for Reform. To the extent that public policies in the U.S. may have contributed to the lack of progress in improving participation and persistence in postsecondary education for disadvantaged populations of students, this report suggests a number of changes in public policies that could help address these problems. These suggested reforms focus on: better targeting of subsidies on the most disadvantaged students; better preparing students to do college-level work; and changing the signals so that there is greater congruence between stated goals and the policies that are in place. To be effective, this will require changes at both the state and federal level.

46. *At the state level:*

- Devoting a higher proportion of state dollars for higher education to student aid, support services and early intervention programs.
- Building access into funding formulas by paying public institutions more for the disadvantaged students they enroll than for more mainstream students, thus giving all public institutions a stake in enrolling more disadvantaged students.
- Increasing the share of state dollars for higher education allocated to community colleges and other institutions that disproportionately serve disadvantaged populations.
- Paying four-year institutions more for the community college students who transfer than for upper division undergraduates who began at four-year institutions, to encourage greater articulation from community colleges.
- Tying public sector tuition levels and tuition increases to general economic indices such as state GDP per capita to make tuitions more of a measure of general ability of the population to pay for college.
- Establishing reserves during good economic times to allow public institutions to moderate the rate of growth in tuitions when economic times are not so good.

- Encouraging greater persistence and degree completion of at-risk students by basing at least some state funding of public institutions on the number of these students who complete their year of study or who graduate. This would be a good strategy for improving the degree completion rate of all students as well.

47. *At the federal level:*

- Increasing the share of federal dollars for higher education spent on programs that focus on the better preparation of at-risk students in middle and secondary schools and on providing support services while these students are in college.
- Targeting federal student aid better by focusing Pell Grants more on the lowest income students (allowing tax credits to help middle-class and part-time students) and by no longer using total costs of attendance to determine eligibility for student loan subsidies.
- Restructuring the financing of remediation by having states and localities fund institutions adequately to provide remedial courses in exchange for not having them charge tuition for these courses, thus reducing the need and ability of students to borrow under the federal loan programs for remedial courses.
- Redesigning affirmative action programs to use ethnic/racial characteristics as one factor in the admissions and financial aid policies rather than the sole factor.

48. In sum, the results have been mixed in the three decades since student aid and affirmative action became the predominant policies for providing access to higher education in the U.S. for low-income and minority students. Participation rates of these groups of students have improved since 1970, but the gap between rich and poor and majority and minority students remains almost as large now as it was then. Community colleges probably represent the most successful U.S. policy for access, but they also contribute to a high degree of stratification as long as transfer rates are low. Educational attainment in the U.S. remains among the highest in the world, but degree completion rates are moderate when compared to many other industrialized countries, and for low-income and minority students, persistence to degree completion remains a fundamental problem.

49. For public policies in the U.S. to be more effective in increasing the participation and persistence of disadvantaged groups of students, it will be necessary to target government subsidies more on low-income students than is presently the case, to increase funding for those policies that stress better preparation and performance, and to provide policy signals to students and to institutional officials that lead to a greater coherence between goals and policies. The suggestions above represent some of the steps that might be taken in this direction.

## End Notes

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<sup>1</sup> These student aid figures refer only to state-funded student aid and do not include tuition waivers and aid provided by public institutions that in many states may exceed the amount of aid funded by states directly. The best source on state student aid is the Annual Survey Report of the National Association of State Student Grant and Aid Programs.

<sup>2</sup> Data on student aid funding can best be found in College Board, *Trends in Student Aid*, various years.

<sup>3</sup> The National Defense Education Act of 1958 was major federal higher education legislation that predated the 1965 Higher Education Act, but it was far more focused on improving scientific and engineering capacity in the U.S. than on providing assistance to students with financial need.

<sup>4</sup> TRIO is not an acronym but rather refers to the three programs of Talent Search, Upward Bound, and Student Services that initially constituted the package of programs designed to bridge the gap between high school and college. Other programs have been added since, such as Education Opportunity Centers, but the TRIO designation remains.

<sup>5</sup> As Table 1 suggests, a number of different means are used to measure participation in U.S. higher education. This contributes to confusion over whether participation has improved over time for different groups of students. Measuring participation based on the percentage of high school graduates who continue their education shows the greatest increase in recent years, while other measures, such as percentage of the traditional age group enrolled, indicates less progress overall and for certain groups of students.

<sup>6</sup> Some of this increase in postsecondary education rates is a function of many more people enrolling in proprietary trade schools now than in 1970 before students in these schools were eligible for federal student aid. Perhaps as many as 2 million people at any one time enrolled in these proprietary school programs at their peak in the 1980s, but federal crackdowns on questionable schools have led to reduced enrollments in the 1990s (and have probably as a result swelled community college enrollments in these fields).

<sup>7</sup> Data on age and gender of college students can be found in U.S. Education Department, *Digest of Education Statistics*, various years.

<sup>8</sup> See, for example, Mortenson, 'Where are the Boys? The growing gender gap in higher education', *The College Board Review*, August 1999, for a discussion of the problem of declining participation rates among males, particularly black males.

<sup>9</sup> There is a certain degree of controversy over the issue of whether the growing use of loans in the U.S. serves to inhibit access to higher education for low-income and minority students. One view is that these students, because of their life experiences and that of their families, are more adverse to borrowing, and thus the growth in the overall use of loans has not resulted in increased higher education participation for these students. The other view is that at-risk students are fully participating in student loan programs and as a result are contributing disproportionately to the default rates. The available data would seem to support this latter view.

<sup>10</sup> Student loan default rates have been a persistent concern in the U.S. since the mid-1970s, when they were first reported to be high. They peaked at over 20 percent in the late 1980s and early 1990s, but are now less than 10 percent. This halving in the overall student loan default rate is mostly a function of: 1) a booming economy in the 1990s that has allowed former students to pay off their educational debts at a faster rate and 2) a series of federal and state policy steps in

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the late 1980s and 1990s, including eliminating schools with high student loan default rates from federal aid eligibility.

<sup>11</sup> These statistics and trends are discussed in Hauptman and Krop, *Federal Student Aid and Tuition Growth: Examining the Relationship*, Council for Aid to Education (1999). The National Commission on the Cost of Higher Education in its final report, *Straight Talk About College Costs and Prices* (1998), argued that the evidence of a linkage between college tuitions and federal student aid was inconclusive. The Commission's conclusion on this issue flowed primarily from its view that the growth in tuitions over the past two decades was mostly a function of increased cost factors and the fact that public tuition patterns result from state funding trends. The opposing view is that college tuition trends are primarily a function of revenues (including state funding), that institutions price as much on the basis of market conditions as on the basis of cost factors, and that loan availability has allowed institutions to charge more than if loans had not been as readily available.

<sup>12</sup> The fact that total costs of attendance are used to calculate eligibility for student loan subsidies allows higher income students to receive interest subsidies only if they attend higher-cost institutions. The middle-class bias of tuition tax credits comes not from the cost of the institutions students attend (since the legislation caps the amount of tuition that may be applied to the credit) but from the legislative decision that only people who pay federal income taxes can benefit from the credit; most low-income families do not pay much, if any, income taxes.

<sup>13</sup> Over and above the effect of maintaining relatively low tuitions at public universities, state policies overall have become even less targeted in the 1990s as many states have sought to address affordability concerns by establishing merit-based aid programs (which go primarily to middle-class students) and tuition prepayment and savings plans (which are designed to ease middle-class fears about affordability).

<sup>14</sup> Measurement of transfer rates is another data issue that is subject to mixed interpretation. Some statistics suggest that transfer rates are less than 10 percent. Others argue that these figures include students not seeking a degree and thus overstate the problem. But most observers would agree that improved transfer rates and policies to encourage them would be beneficial.

## **Data Sources for Trends Reported in Tables 1 and 2**

*Population:* U.S. Department of Commerce, Bureau of the Census

*Enrollments:* U.S. Department of Education (USED), *Digest of Education Statistics*

*Enrollment Rates:* USED, *Digest of Education Statistics*; U.S. Department of Commerce, Bureau of the Census, *October Current Population Surveys*

*Education Attainment:* USED, *Condition of Education*

*Gross Domestic Product:* U.S. Department of Commerce, Bureau of Economic Analysis

*Public and Private Tuition and Charges:* USED, *Digest of Education Statistics*

*Higher Education Revenues:* USED, *Digest of Education Statistics*; State Higher Education Executive Officers, *Annual Report from the States*