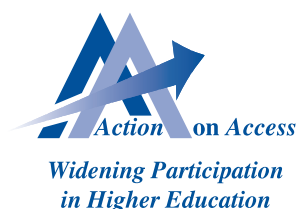


# International Comparators of Widening Participation in Higher Education – Policy and Practice

*Higher Education in the USA,  
Student fees, financial aid and access*

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Series Editor: Mary Stuart



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# Higher Education in the USA, Student fees, financial aid and access

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# 1. Series Summary – the research project

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## Context

Widening participation in higher education remains a Government priority in the UK. Each country in the UK has taken a slightly different approach; Scotland particularly focusing on progression, Wales specifically on community engagement, and England especially on young people's access to HE. Widening participation in higher education is therefore a diverse field with many different issues to be addressed. When international comparators are examined the field becomes even more diverse.

Action on Access is the national co-ordinating team for widening participation for the Higher Education Funding Council for England (HEFCE), the Department for Education and Skills (DfES) and the Learning and Skills Council (LSC). The team comprises a dispersed team of researchers and practitioners in the field of widening participation in England. As part of our contract with the HEFCE, the team planned to undertake international comparator research into widening participation practice.

The purpose of this research is to inform policy and practice in England by learning from other similar situations (e.g. OECD countries<sup>1</sup>) so as to build the research capacity of practitioners in the field of widening participation (WP) so that they can understand their practice context in relation to other practice contexts and to develop a broader base of research material for future use in the field.

## Rationale - globalisation, widening participation and learning from others

Since the 1960s, inclusion in HE learning has been highlighted by different policy initiatives, most of which were concerned about equality of opportunity, whether that be equality for Black students as in the USA and South Africa, or greater equality for working classes as in the UK. The global imperative to create more qualified workforces grows out of a concern for economic competitiveness. High-modernity or late- or post-modernity means that the industrial heartlands of countries such as the UK and USA have been devastated and, in order to compete in an increasingly tough global market, knowledge and professional skill development are important to the future of our societies. Jobs are more uncertain and individuals take risks as they move through their employment career. Higher education is seen to be one element of insurance and protection against risk (Beck, 1992). Globalisation impacts on countries but more importantly on the people within countries and it affects their experience differently. What is certain is that the poorest face the most risks in our society. In the UK, attempts to ensure social equity in higher education have not been very successful. Despite the Robbins Report (Committee on Higher Education, 1963) creating a new form of HE, the Polytechnics, and the rapid expansion of HE numbers in the 1980s, the proportion of people from lower socio-economic groups has not increased. This means that they remain at a higher risk of unemployment, of a less secure lifestyle and of having less favourable life chances than their graduate peers, and their position in society remains focused on need rather than their ability to contribute. In England, a range of initiatives has been put in place in HE,

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<sup>1</sup> Although there are similarities between countries, there is no direct comparator, and it is important to take 'lessons learnt' with a degree of scepticism. It is not always applicable to transfer practice from one setting to another, though it is possible with caution to gain a better understanding of process, especially where countries have concerns about widening access.

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from the Universities Funding Council in 1991 providing funding for work with 'educationally-disadvantaged groups of adult returners', through to the current funding for Aimhigher for school-age young people and Lifelong Learning Networks focusing on vocational routes into and through HE. Many of these ideas have been tried in other parts of the world and, while it is always difficult to make comparisons, it is worth investigating how others have tackled issues of equality in higher education. This research project attempts to do just that; to explore competitor countries' approaches to widening access and participation, their successes and their challenges. We hope that the reports will provide cautionary tales, suggestions and inspiration to try to develop policy and practice that can provide answers for the future.

### Research methodology

The project is led by Mary Stuart, Associate Director: Research and Curriculum for Action on Access. The project methodology consists of a series of research visits to comparator countries to examine practice in relation to the areas outlined above. Each visit had a team of researchers from Action on Access and each team took a specific area of interest to widening participation policy or practice, while keeping an overview of all areas of the student lifecycle.

The research questions that were examined were based on a typology drawing on current UK government policy for widening participation using the student lifecycle model (Action on Access, 2003), which highlights stages of widening participation practice such as:

1. Pre-HE interventions policy/practice
2. HE experience
3. Post-HE employment/development/lifelong learning.

At all times the central focus was on what can be learned from other countries' experiences. Five visits are being undertaken<sup>2</sup> and the teams are as follows:

- \* South Africa: Chris Duke, Bill Jones
- \* Australia: Geoff Layer, Mary Stuart, Rhiannon Evans
- \* Canada: Sue Hatt, Phil Harley
- \* Sweden: John Harvey, Beth Scott, Pat Rayfield
- \* USA: John Storan, Liz Allen, Lucy Solomon, Liz Thomas.

All teams named a visit leader who was responsible for ensuring that the visit was successful and that the report was written. The visit plan was agreed between Mary Stuart and the visit team to ensure consistency and assure the quality of the research. Key contacts were identified in each country to ensure that appropriate interviewees were identified.

Each visit consisted of semi-structured interviews with key policy makers and practitioners involved in WP activities and visits and observations of WP work. Each team gathered data from the country concerned including policy documents, mission

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<sup>2</sup> The chosen countries and the number of visits is based on comparability in relation to UK HE systems and approaches. These vary but all have a desire to widen access as well as to address practical matters such as time, affordability etc and therefore there is sufficient connection to the UK system to make comparison appropriate.

statements and relevant statistics, all of which were used in producing their reports.

After each visit teams were required to complete a report on the visit and participate in a seminar to share their learning from the visit. This report forms the first of these international comparisons; further reports will follow later in 2005 and early 2006.

Mary Stuart, 2005

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## Abstract

In 2006 the English higher education system will be facing the introduction of variable - albeit capped - tuition fees, alongside a new system of government financial support for students and a market in institutional bursaries and scholarships. Concerns about the potential impact on different groups of students, and on efforts to widen participation in HE have led to the requirement for institutions to make Access agreements and to commit to certain levels of bursary and outreach support. This report of a study trip conducted in June 2005 looks at the US experience of fees, student support, student debt and the implications for access and admissions. It sets out the federal context then reports from the Illinois Student Financial Aid Commission, and two Illinois universities - one private (De Paul University in Chicago) and one public (University of Illinois, Urbana-Champaign). The US has always had a fee culture and a market driven economy in higher education, that includes private universities. The report describes current trends in rising fees, the shift from grants to loans and long-term student debt in the US, and the implications for access and admissions policies - including sophisticated modelling of student academic profile and financial circumstances of the kind that English institutions may have to consider adopting. The report draws out lessons for England and identifies some key issues facing those working to widen access in both the US and England -including the different expectations of equitable treatment in the two countries, the implications of long-term student debt accrued at increasingly high levels and the need to consider what policy and finance levers are appropriate in directing institutional policy towards access and widening participation.

## 2. Introduction

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### **The Action on Access study visit to the USA - Illinois, De Paul and the University of Illinois, Urbana-Champaign**

This paper is an account of a study visit to the state of Illinois which was undertaken as part of a series of international visits organised by Action on Access. These visits were intended to assist in developing an international understanding of the ways in which widening participation and equity are dealt with by the countries involved. In the context of the impending introduction of variable fees in England, the team wanted to explore the US experience, at state and institutional level, of issues in terms of student finance - fees, financial aid and debt - and how these impact on access and widening participation.

The team consisted of John Storan, Liz Allen and Lucy Solomon from Action on Access and Liz Thomas from the Higher Education Academy. The US has a federal system of higher education and each state has different approaches and different types and levels of funding for HE, although there is federal funding across the states. This visit was conducted in Illinois and focused upon two institutions, one public and one private, De Paul University and the University of Illinois at Urbana-Champaign. The team also visited the Illinois Student Assistance Commission in Springfield, Illinois. The visits focused on eliciting information about finance and financial aid; however, information was also collected on issues to do with institutional outreach, continuing education, minority programmes and community college transfer. All of these helped to inform and provide context for our understanding of the financial and financial aid systems in the US as well as the interplay between financial aid and other equity issues.

### **Key questions - access, fees and financial aid**

The report aims to give a flavour of the debate we had over fees, aid, access and institutional management of enrolments overall, and to use this to reflect upon some of the challenges facing English HEIs as they gear up for the era of variable fees and a market in student financial aid. The key questions that we explored were:

- what are the drivers for institutions in the US in considering access and equity?
- in a climate of rising fees, reducing state budgets and rising student debt, how do US HEIs respond in their management of fees, financial aid and enrolments, and what is the impact on access for under-represented groups?
- what have the trends been in student financial aid and what has been their impact on access and institutional choice?

The visit would not have been possible without the help of many people, primarily colleagues at the University of De Paul in Chicago, the University of Illinois, Urbana-Champaign, and the Illinois Student Assistance Commission. Particular thanks are due to Brian Spittle at De Paul for organizing our visits, providing valuable context, and reflection and feedback on our observations.

## 3. The US context

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### HE institutions

There are currently 4,200 degree-awarding institutions in the US. These differ in terms of type, size, quality and mission. Indeed just over half of these lead to a bachelor's degree or beyond, with the others being two-year colleges awarding up to associate degree level - commonly thought of as comparable to further education colleges in the UK. Three quarters of the 'four-year' colleges<sup>3</sup> are publicly financed, while the remaining quarter are private, though not for profit. While private colleges and universities account for about 60% of total degree-granting institutions in the United States, over 75% of American college students attend publicly financed colleges and universities.

As in the UK higher education system, the US system is keenly sensitive to league tables, the most prominent being those published by US News and World Report, which offer an array of rankings of institutions by type (national, grad-school, best colleges, liberal arts, geographical location etc) and by a wealth of indicators. Institutional differentiation has been long accepted in the United States and it is commonly understood that a degree from Harvard or Johns Hopkins is not the same as one from Trinity Christian College or Northwestern Oklahoma State University, despite the fact that they all offer baccalaureate degrees.

### Student profile and trends in participation and retention

Overall the level of participation in US higher education is high, and aspiration to higher education is near-universal amongst those who complete high school - 97% of high-school graduates plan to enter post-secondary education at some point, and 71% aspire to a bachelor's degree. Numbers have increased steadily over the last 20 years, rising from 50% of high-school graduates entering HE up to 65%. However, as in the UK and elsewhere, these figures conceal significant gaps between the participation of different groups, and it appears that inequality in US higher education has not only failed to reduce but is actually increasing - for more details see: *the Forgotten Half Revisited* (1998), *Access Denied: Restoring the Nation's Commitment to Equal Opportunity* (2001), and *Empty Promises: the Myth of College Access in America* (2002).

To look at it in terms of economic groups, where there is of course a close link with participation by minority groups such as Hispanics and African Americans, in initial participation the gap between the participation of students from high-income families and those from low-income families has remained constant for 30 years, at 32% points. And even at this initial point low-income students are far more likely to enter HE at a two-year community college, rather than going straight to a four-year programme, and to end their higher education after achieving a two-year associate degree rather than transferring onto a bachelor's programme.

Furthermore, the overall gap in degree attainment has not remained constant - it has widened significantly over the last 25 years. Whereas in 1975 around 7% of all those from the bottom income quartile gained a baccalaureate degree by age 24, compared with 40% of those in the top quartile, in 2000 the percentage for the low-income quartile had remained constant whilst that for the top quartile had risen above 60%.

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<sup>3</sup> Honours degrees in the US are traditionally 4-year courses unlike the UK where they are typically 3-year courses.

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Although a factor in the debate may be to do with issues of academic preparedness, even well-prepared low-income students are less likely to participate in HE. Indeed the best-prepared low-income students go to higher education at the same rate as the worst-prepared richer students (around 78%), whereas the worst-prepared low-income students are only entering HE at a rate of around 36%,

College access and completion are also strongly stratified by race and ethnicity. Asian-Americans have the highest college completion rate followed by Whites, Blacks and Hispanics. According to the Department of Education, six-year graduation rates by race/ethnicity for BA-seeking students starting at a four-year university are: Asian/Pacific-Islander: 70.5% White, Non-Hispanic: 66.8% Hispanic: 47.3% Black, Non-Hispanic: 45.7% (2002, Dept. of Education)

One major difference with the English higher education system is the level of both mobility and flexibility in terms of pattern of attendance and overall length of study in the US, where the time taken to complete a degree is another significant variable. Whilst the poorer you are, the longer you are likely to take to graduate, arguably this flexibility does nonetheless allow opportunities for degree-attainment that are less available in our more rigid system. In the US a level of mobility between institutions is possible through a well-established credit system, and greater compatibility between programme contents at different institutions during the first two years of HE. As in the UK, credit transfer is often variably interpreted on an institutional basis, with more selective institutions adopting more restrictive credit transfer policies, but in the US there are accepted conventions for transfer of credit. Department of Education figures show that typically a student will attend more than one institution to earn a degree (2002, Dept. of education). Alongside this potential mobility, innovative curriculum design and flexible forms of delivery have led to some disadvantaged groups such as part-time students and working adults raising their numbers and profile within HE in the US.

## 4. Encouraging equitable access to HE

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### Support at federal, state and institutional level

The US approach to equitable access to higher education can be characterised as one that seeks to enable individual students to go to college, primarily by ensuring that the financial barriers are not unduly high. Although there has been a vigorous debate about affirmative action in terms of race, and to a lesser extent, gender and class, the main focus is on assistance to the individual student rather than a requirement for institutional action or change. It appears that the debate over access for low-income students is not framed in terms of social class, in the way it is in England, and that the emphasis remains on economic capital rather than also examining the impact of lack of social capital and barriers relating to the perceived benefits of HE and the knowledge and capacity to access it. There is a federal outreach programme (see "TRIO" below), and outreach activity at the institutional level, but the major focus of endeavour is on financial support. There is less focus on subsequent attainment and student success in terms of equity per se, although issues of retention for students across the board have latterly begun to drive institutional policies and planning as finances have got tighter.

### Financial aid

In the US, HE student financial support is composed of:

- Family contribution
- Federal assistance including means-tested Pell Grants, loans and education tax credits
- State financial aid, which may include need-based grants, merit-based scholarships, loans and/or subsidised provision
- Institutional financial aid, which may include need-based and merit-based support in the form of grants or loans, discounted fees, and other forms of support such as campus employment
- Private sector loans and other forms of private borrowing such as credit-card debt.

### Federal support

The principal grant targeted to low-income students is the federal Pell Grant. This is a means-tested grant for students from families with an annual income below \$25,000. The Higher Education Act of 1965 targeted the Basic Educational Opportunity Grants (BEOG), later renamed Pell Grants, at students, particularly low-income students, rather than institutions. By doing this Congress went some way toward ensuring that cost as a barrier to HE<sup>4</sup> should be minimised, and that there should be some degree of choice between public and private institutions. The maximum funded Pell Grant currently stands at just over \$4,000 per annum.

Increasingly, however, the bulk of federal support is provided through loans, both subsidized and unsubsidized, and through tax credits, which are available to middle-income, as well as to low-income, families. The Pell Grants also are available to middle-income families and funding is generally widely and thinly spread across income groups rather than targeted towards lower socio-economic groups.

Each student intending to study in HE must complete a Federal Needs Analysis form each year. This is used to determine the level of expected family contribution and eligibility for a federal Pell Grant. The same information is used by states and institutions to inform the

financial aid packages that each will offer to individual students. Any shortfall between the cost of HE<sup>4</sup> and financial aid and what the family can contribute is made up by private sector borrowing by the family and the student.

## State support

Almost all states in the US have means-tested financial assistance programs. For example, in Illinois the state grant is called the Monetary Award Program (MAP); this has a maximum award of about \$4,500 per annum. However, state financial aid schemes vary widely. It is instructive to note that today 80% of the total volume of state financial aid comes from five states: Illinois, Pennsylvania, New York, New Jersey and California; thus students' access to state financial aid is highly dependent on where they live.

Furthermore, states can select the type of aid they wish to provide and thus prioritise which students they support. This tends to be influenced by a range of factors including history, politics and current economic needs. States with large conurbations have a greater need for graduates than rural states, and thus tend to provide higher levels of financial support aimed at increasing the total number of graduates, rather than subsidising those who would go to university irrespective of state financial aid. In general, rural states offer lower levels of financial aid, and this is more likely to be merit-based aid.

A recent survey of governor's education policy advisors found that few states had clear philosophies or driving goals for higher education: "Too often, these issues are dealt with as separate and discrete questions rather than reflecting the interrelated nature of both higher education financial aid and finance policies, as well as the interconnected nature of state and federal efforts in these areas (Conklin and Wellner, 2004). Not surprisingly, college participation rates vary widely by region and state. In particular, low-income college participation rates range from a high of over 40% in states such as Minnesota, New Hampshire and New Jersey, to lows of under 20% in Alabama, Arizona, Arkansas and New Mexico (Conklin and Wellner, 2004).

## Institutional support

Unlike the UK, institutions in the US have the freedom to set their fees and make autonomous decisions about aid. Judgements can be made institutionally about income and financial aid as well as the academic and diversity profile of students, and institutions allocate grant aid from their own operating or endowment budgets. This varies significantly, according to type of institution and its market position. Some institutions may discount their tuition by as much as 30% to attract specific students desirable to their institution. It is worth noting, after receiving federal, state and institutional aid packages, the 'net price' to the student or family, i.e. the out-of-pocket cost, may be far less than the published tuition rate. The average net price at public four-year colleges and universities in 2003, for instance, was \$1,800; at private universities, it was just over \$10,000 (College Board, 2003, Trends in College Pricing).

Once the need of a student has been calculated, the financial aid office at the student's institution prepares a financial aid package to meet as much of this need as possible, through federal grants and loans (if eligible) plus work-study and institutional grants. Currently about 70% of American college students receive some sort of financial aid in this manner, a proportion that has increased over time as college costs have risen.

<sup>4</sup> tuition and fees – the former is the academic costs the latter is non-academic costs, including payments to institutions for services

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## Expectations of equity

Not only does the amount and form of available state support vary very significantly, but individual students may negotiate very different support packages from, and within, different institutions. Other than the Pell Grant there appears to be no expectation that there will be equitable and transparent support arrangements in place for all students.

## Outreach - the TRIO programme

Finance aside, work to widen participation in higher education is largely undertaken at the institutional level, where financial aid systems may be complemented by outreach work to encourage aspiration and access, and work to support retention and student success. At the national level there is funding to support some of this activity via TRIO - a set of programmes designed to complement federal financial aid. By law, the programmes are targeted to low-income and first generation students, where low-income is defined as 150% of poverty level (poverty level is currently about \$28,000 in net taxable income for a family of four), and where first generation is defined as neither parent having completed a bachelor's degree. The original three TRIO programmes, set up in the 1960s, were focused on improving access, facilitating the transition to higher education, and increasing college-based retention activity designed to foster baccalaureate completion. Today there are eight TRIO programs serving over 850,000 low-income students across the country, six of which are targeted directly at students and would-be students, and two of which deal with training for TRIO staff and dissemination of successful programmes to institutions and agencies that do not have TRIO grants.

There are parallels to be drawn with the Aimhigher programme in England, in that this is national funding for outreach (and, in this case, retention) projects, designed to complement initiatives to provide financial support to students. However, the TRIO programmes have some interesting differences - for instance one of the six funding streams directly targeted at students is the McNair Program, which is aimed at supporting and encouraging students from disadvantaged backgrounds in continuing at university into doctoral studies, whereas the Aimhigher initiative does not intervene beyond access to undergraduate study.

Although most of the strands are open to public and private agencies, as well as to HE institutions, TRIO funds are awarded to institutions through competitive grant funding. There is not the same partnership approach as in the English Aimhigher programme, which focuses on encouraging partnership-working between institutions across the educational spectrum, together with employers, community groups and parents.

TRIO's longer history means that there has been more opportunity to evaluate its impact than available for similar initiatives under Aimhigher. For instance, studies have shown that students in the Upward Bound program are four times more likely to earn an undergraduate degree than those students from similar backgrounds who did not participate in TRIO; and nearly 20 percent of all Black and Hispanic freshmen who entered college in 1981 received assistance through the TRIO Talent Search or the Educational Opportunity Centers.

However, only one in four American colleges and universities house a TRIO program, and the Council For Opportunity in Education (the professional organization for TRIO staff) estimates that the programs reach only 7% of the low-income Americans eligible to be served.

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Another interesting comparison with nationally-funded initiatives for widening participation in England is that staff in the TRIO programmes not only have their own professional organization (the COE, see above) but they use it to lobby hard for continuation of funding. TRIO programs have enjoyed widespread bi-partisan support and to date have been successful in overcoming a number of attempts to reduce their scope and funding. However, the Bush administration has targeted some of the TRIO programs - particularly those at the pre-college level - for elimination, claiming that they are either ineffective or duplicate provisions in the No Child Left Behind legislation, the president's major educational initiative to improve quality and accountability in secondary education. The evidence to support such claims is either contentious, as in the case of program effectiveness, or non-existent, as in the case of program duplication. Lobbying by the COE has recently intensified to ensure that the TRIO funding continues.

### **Institutional drivers**

In much the same way as the pressure on TRIO, state and federal financial assistance is also subject to political pressure and controversy. Clearly national and state politicians respond to different pressures and pressure groups in determining levels and forms of assistance for HE students, and where to target them. In the following section on increasing debt we describe how changing aid policies have, in recent years, shifted the burden from institutions and onto individual students, and the ways in which different forms of financial aid help different student and income populations,

Given the reduction in state education budgets, the increasing pressure on institutions to raise their fee income, and the lack of actual - or desired - national/state leverage over institutional behaviour in relation to access (other than compliance with a legislative framework), we were interested to explore what might drive the institutional access agenda.

There are certainly very different participation profiles in different institutions, as one might expect, reflecting the complex interplay of cost, academic selectivity, recruitment pool and efforts to achieve equity and diversity. Institutional financial aid in itself is only a limited part of the picture - despite very generous financial support for individual students at some very expensive and prestigious institutions these are still mainly situated at the bottom for economic diversity (see the US News and World Report rankings of economic diversity amongst national universities).

In looking at the growth of Strategic Enrolment Management (SEM - see below) a number of questions are raised about what drives institutions in their enrolment decisions. US institutions don't have restrictions on enrolment numbers the way English institutions do, and there has been a debate, absent from the English scene, about the relative merits of high enrolment coupled with relatively low retention, and the restriction of enrolment. There are fears that restricting enrolments and improving retention amongst middle-income students militates against access - in effect institutions going for "safer" students and more secure income. Opportunities for low-income and other non-traditional students may then become restricted - for instance it was intimated that some public universities now admit fewer transfer students from community colleges because their retention amongst four-year students is improving.

## 5. The trend towards increasing debt

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Education has become a primary engine for economic development in today's knowledge economy, but according to the Advisory Committee on Student Financial Assistance, over 400,000 qualified students a year in the US are currently unable to attend a 'four-year' college or university, primarily due to financial barriers. Nearly half of these potential students are not attending any college at all. State and federal money for aid has flattened out and there is more pressure on institutions to provide aid at the same time as all institutions are raising their tuition fees.

### Tuition Fees

Public universities are funded by the state and offer a lower tuition fee rate to students from within the state. This approach offers a subsidy to all students from within the state, irrespective of family income; over 75% of American college students attend public institutions. In some states there is currently a move towards reducing the subsidy to public institutions, as it is less visible, and replacing it with individual support. Consequently the tuition costs at public institutions are increasing, and in some cases are on a par with private institutions. During the decade from 1983/4 to 1993/4 inflation-adjusted tuition and fees rose 54% at public four-year institutions and 50% at private four-year institutions. In the decade since then growth in fees has continued, albeit at a slightly slower pace - 44% in the public sector and 35% in the private sector. Between 1980 and 2004 the average public university tuition rose from less than \$2,000 a year to almost \$5000, while private university tuition rose from about \$8,000 to nearly \$20,000 (The College Board, 2003, Trends in College Pricing)

Although savage cuts in some state education budgets have seen dramatic rises in some state institutions there are acute financial pressures on a wide range of institutions. It is predicted that deficits in operating expenses for the nation's colleges and universities will quadruple by 2015. Even assuming that tuition increases no more than inflation the shortfall is estimated at \$38 billion. If tuition were to rise at the current rates this would mean that around 50% of those who wish to pursue HE would not be able to do so.

### The shift from grants to loans

The sheer numbers of students requiring financial assistance of some kind has also massively increased - partly due to rising enrolments overall and partly to economic pressures in general and rising tuition fees in particular, which have meant that even middle-income families are now struggling to afford college. At the same time, the shift from grants to loans documented below has led to increased pressure on family income. In the US loans have become the principal tool for access. In many states low-income students in particular have to borrow sizeable amounts to meet the costs of HE. "Increased reliance on borrowing to fund a college education appears to be influencing the discipline areas that are being studied. In the US, the average lifetime earnings of a HE graduate, as opposed to a high school graduate, are \$1million greater. Students are therefore opting to study subjects that are most likely to reap high rewards in the labour market" (Spittle, 2005).

The federal Pell Grant itself has declined very significantly in its purchasing power over the last three decades. Estimates suggest that in the mid 1970s it represented 84% of public college tuition, as against 37% today. Overall slower growth in grant aid in 2002-

03 and 2003-04 has caused students to rely more heavily on loans. Last academic year, loans constituted 56% of aid, grants 38 %, work 1 %, and education tax benefits 5 %. 70 % of federal aid now takes the form of loans. These may be subsidised with capped interest rates, or be private and unsubsidised. Student loans are normally not repaid until after graduation but parents may also take out low-interest Parent Loans (PLU) payable 60 days after beginning the loan. In addition, market-based loans have skyrocketed. Non-federal borrowing is now at over \$11 billion, nearly 40% up in real terms over the previous year. Recent research also shows that as many as 25% of college students may be relying on high-interest credit cards to finance their college education (The College Board, 2004). The average debt of graduates from public institutions has nearly doubled over the past decade to \$15,000. Debt levels of private college graduates are a good deal higher. Lower-income and upper-income students have similar debt levels, though they represent significantly different proportions of family income (Boushey, 2003).

If we switch attention to the situation at the state level we find a similar overall trend towards reducing support for both state institutions and also indirectly to private colleges. The value of state-funded grants to individuals has consistently decreased and become increasingly merit-based rather than needs-based.

The federal policy shifted yet further more recently with the move to tax credits for essentially middle-income families. Commentators and analysts argue that recent shifts in aid have resulted in more help for middle-income families and less for low-income families. For instance the College Board reports on Trends in Colleges Pricing (2003) and Trends in Student Aid (2004) note that the average net price for college education conceals significant differences among students. In recent years, changes in the distribution of state and institutional grant aid, as well as the introduction of education tax benefits and the tuition and fee deductions, have benefited middle- and upper-income students more than lower-income students. This is borne out by tables showing the percentage of family income needed to fund a college education where by far the highest percentage is borne by the lowest income groups.

Interestingly some colleagues in Illinois voiced their perception that students most at risk of financial exclusion were those from the income groups just above the poorest - where costs were very high as a proportion of family income and where less grant (as opposed to loan) aid was available. This echoes concerns expressed in England about the impact of high fees and maintenance costs on those students falling just outside the financial support available for the poorest groups.

Meanwhile the changes to federal, state and institutional practice have not always been made systematically and inter-dependently, leading to further pressures on individual students. For instance the practice of administering financial aid as fee waivers may make recipients ineligible for tax credits; not integrating the federal Pell Grants into state needs analysis formulas distorts estimates of need and decisions to discount fees.

### **Financial assistance in Illinois**

The State of Illinois here serves as an example of how one of the five major providers of state financial aid organises and implements its student assistance program. Illinois is in the northwest of the US; Chicago, in the north of the state, represents its large urban area, supplying a large number of HE places and with a high demand for graduates. The city is

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surrounded by an extensive, flat rural hinterland that constitutes the rest of the State, whose main industry is agriculture. In Chicago alone there is the University of Chicago, DePaul University, University of Illinois at Chicago, the Art Institute of Chicago, the Vandercook College of Music, the John Marshall Law School, the Moody Bible Institute, the Adler School of Professional Psychology and the City Colleges of Chicago.

There are 9 public universities in Illinois, whose tuition fees currently range from \$3330 to \$7312 a year. Illinois is one of the top five states with regard to the provision of student financial aid; it spends in excess of \$335 million in grants per year. Financial aid support is a combination of need-based grants, some merit based scholarships and subsidized loans and support for public HEIs. In concert with trends in the rest of the US, the financial aid budget has not grown in line with inflation and student demand, thus there has been a decrease in the total amount of aid available to individual students and greater reliance on loans.

Whilst the state wanted, and used to be able, to promote institutional choice for students and to make bigger grants available to those accepted at private institutions, they have now to restrict themselves to providing access at a flat rate. Even on this basis, three years ago an average student going to a state university in Illinois would have their tuition and fees covered by state financial aid, but now only 65% of those costs are covered. This figure is lower in more expensive institutions, such as the University of Illinois Urbana-Champaign, and the University of Illinois, Chicago. Both of these are public universities, funded in part by the State of Illinois, but, as proportional subsidies to public institutions have declined, so fees payable by students have increased.

In Illinois, student financial aid is still sufficiently generous that a low-income student can get through college without resorting to borrowing in the private sector, but, this would necessitate studying for the first two years at a community college, and then transferring to a low-cost state university. It should be noted however that community colleges have high rates of withdrawal and low rates of transfer to four-year institutions. Furthermore, in Illinois they have observed that low-income and Hispanic students are the most unwilling to borrow money to fund HE. The State has therefore created a low-interest loan scheme targeted at specific student groups in certain HEIs to help overcome this problem. This scheme is heavily subsidised, so although the State is offering a loan, rather than a grant, it still has implications for the State's overall financial aid budget.

In addition to managing student support, the Illinois Student Assistance Commission (ISAC) conducts long-term research into issues of financial aid and debt. Much of this demonstrates linkage between college participation and retention, and financial barriers. For instance in their publication "Are Cost Barriers Keeping Qualified Students from College?" (2003) they report that:

"The Illinois Student Assistance Commission (ISAC) has tracked and evaluated low-income students closely for years through its administration of Illinois' Monetary Award Program (MAP) program. While preparation is undeniably important for college admission and retention, the lower college attendance rates of low-income students (when compared to students from more affluent families) historically have had a strong income component. These students have been surveyed many times and a constant refrain is that without the MAP grant, which can cover up to 100 percent of college tuition and fees, they could not have attended college. Yet not all MAP-eligible students claim their awards and not all

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low-income students even apply for the grant. It is suspected that even with the financial aid offered in Illinois, through a grant program very generous by state standards, there are students who are college-ready yet do not undertake post-secondary education for financial or other reasons" (ISAC, 2003).

These research findings were strongly supported in discussions with colleagues in De Paul University and the University of Illinois Urbana-Champaign - particularly from the universities' TRIO programmes. The view was categorical that rising costs are deterring the very students that they are seeking to encourage into HE.

Further ISAC research looked at the impact of long-term debt on college students and concluded that:

"14 years after high school, or ten years after college, many college graduates are seeing essentially no economic returns to their degrees. Their "after-debt" 14 years median incomes are about the same, or even less, than those who did not attend college at all".

The same report comments that:

"Although some students could afford to pay back greater debt and increasing student loan limits may be a viable option for them, other students could face excessive debt burden and repayment difficulties upon graduation if loan limits were increased".(ISAC, 2002)

## 6. Access and choice

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### Who goes where – variations in state and institutional support

Before looking at the institutional response to rising costs and fees, enrolment and access, it is worth commenting briefly on discussions we had with colleagues in Illinois about patterns of attendance and institutional choice. Access to higher education is clearly a matter of more than whether students attend, it is also a matter of where, what and how. We have already commented on the fact that rising costs have impacted on the choice of institution and course of study, and that US league tables - just like the English ones - show a sharp divergence in student profile depending on institutional reputation, academic selectivity and other factors.

### Community college transfers

The lower cost of state institutions for students who study in-state is a powerful incentive for poorer students to study locally. Community colleges provide an even more local, and even cheaper, alternative. They provide the option for students to do the first two years of their bachelor's degree at a community college and then to transfer into a four-year programme. Community colleges have many similar characteristics to FE colleges in England - they serve local communities, with diverse offerings including remedial education, high school diplomas for those who failed to complete, vocational education, and "end point" two-year Associate Degrees. They also offer two-year programmes that facilitate transfer to university. Their students are more likely to be low-income and minority ethnic - and their courses are cheaper.

However community college transfer as a successful access tool depends on careful state-by-state articulation of programmes and credits, and on the enthusiasm of the receiving institutions. Although significant numbers of community college graduates do transfer into four-year degree programmes it is clear that the four-year schools themselves may regard these students as a lever to make up the numbers where and when required:

"Retention or graduation rates do not really matter, as long as the enrolment target is being met. Dropouts are OK if they can be readily replaced, and the number of transfer students is a lever that can be adjusted for this." (state budget official quoted in Weko, 2004)

This view was reinforced by colleagues in Illinois who told us that as retention rates improve in some public universities the numbers of transfer students they accept has fallen. The full-time high-school graduate remains the "norm" - and indeed the aspiration - in terms of much higher education recruitment.

At De Paul University however, commitment to using close relationships with community colleges as a means of encouraging access for non-traditional students is being pursued in some programme areas, such as computing, in terms of a new system of dual admissions, where the initial registration is with De Paul but the first two years are studied within a community college. De Paul has a 40% rate of transfer students, of whom 60% come from community colleges (and the other 40% from other four-year programmes). Overall their transfer students have a higher rate of completion and attainment than their "freshmen" (those who enter as four-year students).

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## **Part-time learning, and a flexible conception of full-time study**

Another option that is more readily available than in England is to vary the length of time it takes to get a degree. Most HE institutions will charge according to the number of credits and courses being taken, with a fluid definition of what is full-and part-time:

"US universities do not typically offer separate full-time or part-time programmes of study for a course. While in rare instances programmes will insist upon a certain rate of work (i.e. students must enrol full-time), students typically choose the rate of work they wish to undertake each semester, ranging from one module to five (or, more, if they choose). Students will vary their rate of work over the course of their career, as circumstances warrant. If students in receipt of financial aid opt to enrol on a part-time basis, they continue to receive funding from federal and state government aid programmes, on a pro-rated basis. Students view part and fulltime study as a continuum of activity, and neither employers nor postgraduate programmes view spells of part-time study with particular disfavour" (Weko, 2004).

There is significant variation in terms of the time taken to complete a degree, by institution type - reflecting the students within the institutions. On average 67% of students at private institutions complete their degree within four years, while only 24% of students at public institutions do so (Weko, 2004) Those students studying part-time, or combining full- and part-time study, are more likely to be mature, to have dependents and to be first generation HE students. Whilst part-time study may make completion a slower process, and may increase the likelihood of drop-out, it also facilitates HE participation for those who might otherwise never access it.

## 7. The institutional balancing act: strategic enrolment management (SEM)

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### What is SEM?

The challenge facing US universities, and the one that HE institutions in England are now gearing up for, is that of not only setting fees, but deciding who to enrol, how much to support them financially through grants, loans, employment and also through discounted fees (much is made of the gap between the "sticker price" and what most students actually pay for tuition in the US). The key factors that have to be balanced are money, academic standards or selectivity, and diversity. A session advertised for a recent national conference on strategic enrolment management described it thus:

"The challenge facing enrolment management is really quite tall. From the applicant pool, the college or university must decide how many and which students to accept and how much financial aid to offer each student. These decisions are made in the context of all kinds of constraints - current market position, financial aid budget, program capacity and other.

After the institutional decisions have been made and the acceptance and award letters go out, the students who choose to enrol then determine some of the key outcomes on which the "success" of the cycle is based: academic profile, diversity, program sizes and discount rate."

Assessing your institution's market position is an analytic exercise at the core of strategic enrolment planning." (Programme for the Second Annual Data-driven Strategic Management Enrolment Conference - Colorado, US June 2005)

Increasingly institutions have linked financial aid to their strategy for enrolling students overall. Strategic enrolment management, which developed as a way of managing admissions, became increasingly concerned with maximising net tuition revenue, and institutional aid became a potential tool to shape enrolment goals - not simply to support needy and/or bright students. In a prestige-driven and financially pressurised environment many colleges are said to allocate an increasing portion of the institutional aid budget to high performance students in order to boost the profile of the entering class and thereby attract more "top" students and improve reputation, and possibly rankings. From an access perspective the criticism levied at SEM is that it militates against access by acting as a sophisticated tuition discounting mechanism used to attract middle- and upper-income students:

"Over the last ten to fifteen years colleges and universities ... have responded to intensified competition for students by adopting an instrumental view of aid as part of an enrollment management strategy. Rather than seeking to eliminate price as a factor in college choice, which is the official ideology in "meeting need", schools are turning the net price to their advantage in the competitive struggle. The Ivy League schools are latecomers to the use of financial aid as a competitive strategy, The rest of the industry is well ahead in using merit aid, preferential and differential packaging, idiosyncratic measurement of need, and other techniques to make their aid dollars serve institutional self-interest" (David Kalsbeek, De Paul University, "SEM and the Challenge of Access: Truth or Dare?" Keynote presentation at AACRAO's 2005 annual conference).

However in principle SEM provides a set of tools that can be used to achieve a variety of enrolment objectives. Another session at the Data-driven Strategic Management Enrollment Conference mentioned above set out what these objectives are for in a particular institution:

"During the past several years, the Ohio State University has built a geodemographic infrastructure to conduct market analysis and research and support planning, execution, tracking and evaluation of new freshmen recruitment strategies. Undergraduate Admissions has been challenged to achieve goals set forth by the University's administration. These goals involve three general areas: quantity (number of students to be matriculated), quality (based on academic ability), and diversity (race/ethnicity, geographic, by academic areas, gender, etc)".

## A private university - DePaul University

DePaul University was founded in 1898 and is now the country's largest Catholic university and eighth largest private not-for-profit university. With an enrolment of more than 23,000 students (more than 14,000 undergraduates and 9,000 graduate and professional students) the university's mission emphasises academic excellence but also equity and access.

The university has grown significantly in size and stature over the past twenty years, fuelled particularly by dramatic enrolment growth. At the same time, the university has maintained its commitment to access, with over a third of its freshmen coming from first generation college families, almost 25% of undergraduates transferring from community colleges and close to a third qualifying for the federal Pell Grant. Just over 22% of freshmen at the university are African-American or Hispanic, with a total of 36% in all being minority ethnic students.

De Paul is an interesting institution in that it is private, high cost, and reasonably academically selective, and yet its proportion of first generation, minority ethnic and low-income students is high when compared to institutions that are otherwise similar in profile. We have already commented on its commitment to work with community colleges - one way in which its access mission is manifest - and we were also interested in the ways in which it used enrolment management tools.

As previously illustrated, the university finds itself confronting a federal and state context in which the value of financial aid and the conditions under which it is provided have produced not only an affordability gap but a real challenge to its access mission. Part of De Paul's response has been to seek to put its Strategic Enrolment Management (SEM) at the centre of its access mission.

De Paul's SEM analysis arrays a student population - typically a freshman class - across two dimensions: their academic profile and their financial family resources (although further data is also used to display significant characteristics - for instance, ethnicity and gender).

Expected Family Contribution

### Number of Enrolled Freshmen

Non-aid applicant	129	72	99	70	67	51
Highest	45	40	65	45	50	63
	39	42	50	47	47	64
Mid	57	56	60	52	58	61
	74	64	85	67	61	46
Lowest	100	68	75	57	58	61
	1	2	3	4	5	6

Academic Rating (Based on ACT, HS Class Rank, HS GPA) / (Median ACT shown)

1 2 3 4 5 6

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When this analysis is applied to the pool of "admitted students" (those who, in English terms, have been made offers but not actually taken up places) it can be used to try and maximise the actual take-up of places, in part by deciding what levels of financial aid will be needed to stimulate take-up. Large discounts on fees may be needed to encourage take-up from poorer students, but large discounts may also be needed to encourage take-up from the brightest students (who may also be wealthy) who have more opportunities available to them. When financial aid has been allocated to a freshman class the resulting net revenue to the institution can be arrayed on a grid that demonstrates which students are generating what amounts of income.

The management of the mix that the institution both aims for and achieves - how many poor but bright students, how many wealthy but less able students, how many poor but less well-prepared students, and so on - is the territory on which the tensions between various interests are played out. Faculty members, for instance, may want to see academic profile as high as possible, whilst finance officers and the University Board may be looking for the maximum net revenue. While all institutions will have some individuals looking to maximise the enrolment of students who are both under-represented (in terms of ethnicity or income for instance) and financially needy, in De Paul the strong access focus of the university's mission means that this lobby is relatively strong.

The argument for the benefits of SEM in an access context is that it is a tool that helps frame the debate about access in a meaningful and measurable way. Outcomes are exposed, and if they are incompatible with espoused equity and diversity values then that too is exposed. If the institution is committed to achieving certain access goals then the costs of those goals, and the enrolment, aid and revenue balancing act necessary to achieve them, is more explicit.

### **A public university - University of Illinois, Urbana-Champaign**

There are three institutions making up the University of Illinois: Urbana-Champaign, Chicago and Springfield. However, they are in effect separate institutions, each charging their own fees and having their own course mix and enrolment policy. Until fairly recently Illinois was a low-tuition and high-aid state - however fees are now going up as they are in so many other states. Where the state at one time provided two thirds of university costs to state institutions, it now sits at 30%. Urbana-Champaign is a good example of a state university with a selective academic profile that has steadily charged higher and higher fees - indeed, of the nine public universities in Illinois, Urbana charges the highest fees.

Their fees may be high for a state university, but of course are still relatively low when compared to many private institutions. Nonetheless it is clear that fees alone - certainly the sticker-price fees - do not determine enrolment. Whereas the private De Paul, with sticker price tuition fees of nearly \$16,950, has 30% of its students in receipt of the federal Pell Grant (a commonly used measure of low-income students), Urbana has in-state fees of just over \$8,452 but only 17% of its students are Pell Grant recipients. Of those that are, nearly all are either African American or Latino - 93% of all its Pell Grant students. However, although the lowest-income students may not be present in large numbers, there are many others who still need help with tuition, fees and maintenance - currently 42% of their freshmen get some kind of needs-based financial assistance, although at De Paul this stands at 67%. At Urbana aid takes multiple forms - including

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grants, scholarships, loans and fee waivers - but one of the key forms of aid at Urbana is in the form of campus employment, which has been found to be more supportive of, and compatible with, study than employment off-campus.

It should also be noted that Urbana is more selective in terms of its intake - it only accepts 60% of its applicants, of whom 49% take up places, whereas De Paul accepts 78% of applicants but only sees 32% enrol. (Source for percentage and figure comparisons - College Admissions US, website [www.collegeapps.about.com](http://www.collegeapps.about.com))

In terms of enrolment trends, Urbana is seeing a slow increase in low-income and minority students (largely the same people, as demonstrated above) coupled with an increase in well-off students. The group that is diminishing is lower-middle income students. The view is that the least well-off students are relatively well-supported by the institution, which is presumably possible, in part, because there are relatively fewer of them. There is less aid available for lower-middle income students - those from families earning \$50,000 - \$60,000 per year.

One interesting question is to what extent the differences in the student profiles of the two institutions reflects mission (in particular De Paul's genesis as a Catholic Institution dedicated to serving poor communities) or their different financial circumstances, and the different enrolment mixes that pitch fee levels against available financial aid.

## 8. Implications for England

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The nature of our visit meant that discussions with colleagues in the US threw up questions and points of comparison with England as well as providing valuable information. Rather than attempt to draw hard and fast conclusions it is perhaps more useful to share the following: the particular issues that struck us in terms of their difference to England, examples that might be useful and instructive for policy-making here, and some factors that we might consider as straws in the wind, as the English HE sector and HE institutions gear up for changes in fees and student finance. It should be noted, however, that these points arise from the experience of one state, albeit set in a US federal context.

### Key points

We were struck:

- That access is approached via the individual student - there are apparently no, or few, levers in relation to institutional behaviour (other than the market - for instance institutions recruiting locally from poor/ethnically diverse populations must seek to serve them). For high-prestige and wealthy institutions to reach out in access terms appears to be a matter of mission and/or leadership commitment.
- That rising fees and increased debt do appear to be impacting on lower-income groups – contrary to some rhetoric – particularly in terms of retention, choice of institution (i.e. community college rather four-year university) and in the time taken to complete a degree.
- That flexibility, in terms of mode of study, time taken to complete and choice of courses and combinations of courses, is more real than in England and is an important factor in making HE accessible to poorer students – although part-time study is still not “the norm” and is still the less-preferred route.
- That the politics of who to support and how to market that support is critical at both federal and state level. Conservative pressures towards forms of financial aid benefit the middle classes - tax credits, loans, merit-based aid, funding direct to individual students and away from institutions.
- That there is not the same expectation of equity of treatment across the country as we have in England.
- That financial pressures do appear to be leading some institutions to play safe and go for retaining middle-income students - with good academic preparedness - rather than recruiting “access” students.

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## Useful examples

There is much for us to learn from the US system. Whilst those working on access and widening participation issues in England might most straightforwardly wish to see emulated the aspirations almost all high-school graduates have to continue with their education, we also identified more specific and detailed matters from which the English system and institutions might learn - notably:

- The level of institutional understanding - data collection and tracking - of the interplay of fees, academic selectivity, financial support and student profile.
- The collection of longitudinal information at state level such as that collected by ISAC.
- The awareness in some institutions of how to use such information and monitoring/analytic tools to pursue access goals.
- Certain specific forms of student support, such as campus-based employment.
- The increased amount of flexibility for students in choosing when and how to study - and a move away from judging institutions by three-year degree completion towards more sophisticated forms of retention analysis.

## Straws in the wind?

Perhaps, more than anything, we can learn from the fact that the experience of the US higher education system in managing rising fees and student debt is several years ahead of ours. We need to look across to the experiences of countries such as the US in anticipating the trends and challenges ahead. The following features of the US system struck us as particularly germane to the debate in front of English higher education:

- The trends towards rising fees, and political pressures that have led to cuts (and regressive changes) in federal and state aid.
- The increasing levels of student debt - to the extent that the time-honoured concept of "working your way through college" is no longer feasible - and its long term implications for other markets such as the housing market.
- The individualisation of financial aid and fee packages and the lack of transparency in support arrangements.
- The lack of leverage over institutions - left to themselves institutions tend to move towards financial and enrolment strategies to secure their market position, make money, and keep selectivity up.
- The lack of correlation between generous individual packages and impact on overall enrolments - as evidenced by the position of some of the most prestigious and generous institutions at the bottom of the economic diversity rankings.
- The lack of focus on institutional practices to support student success, but rather a compensatory culture of supplementary instruction.

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## Further information

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