

# Education: The State We're In

Cost of attending a 4-year public university tops 40% of average annual family income in some states

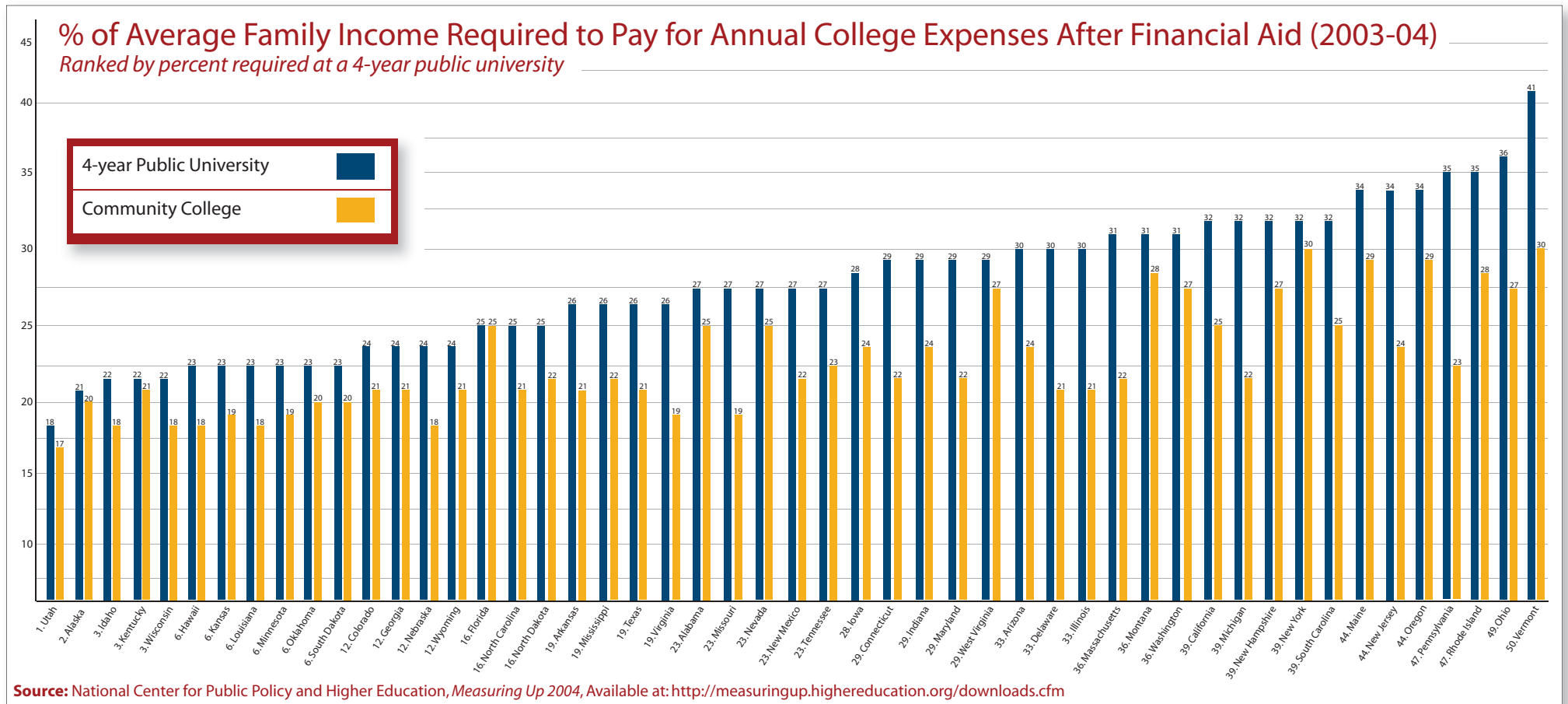
Although our nation today boasts a few famously successful college dropouts, achieving a middle-class lifestyle in the United States is nearly impossible without a college diploma or post-secondary vocational credential. The average college graduate earns about double what someone with only a high-school diploma makes<sup>1</sup> and faces significantly greater long-term career opportunities. In the 21<sup>st</sup> century knowledge economy, graduating from college means gaining a foothold on the ladder of upward economic mobility.

Yet, in a time when a college education is more important than ever to both individuals and to the overall economy, financial barriers prevent far too many young Americans

from pursuing higher education. It is estimated that between 2001 and 2010, 4.4 million low- and moderate-income academically-qualified students will opt not to enroll in a four-year university, and 2 million of them will forgo college entirely – all because the cost of a college education is beyond their reach.<sup>2</sup>

Three factors – the cost of college, the size of a family's earnings and assets, and the amount of financial aid available – affect the ability of students and their families to pay for post-secondary education. Taking all these factors into account, states vary substantially on the extent to which tuition and financial aid policies are aligned with family income levels. The cost of attending a four-

year public university accounts for more than one-third of the average family income in states ranked worst for college affordability, such as Vermont (41%), Ohio (36%), Pennsylvania (35%) and Rhode Island (35%). In other states, however, college costs amounted to only about one-fifth of the average state income. The top-performing states on this measure were Utah (18%), Alaska (21%), Idaho (22%), Kentucky (22%) and Wisconsin (22%). While the cost of attending a community college typically represented a smaller chunk of family income, it still varied widely by state. For example, in top-performing Utah, the cost of attending a community college represented only about 17% of the average family income, but it reached 30% in New York and Vermont, the states ranked worst on this measure.



Source: National Center for Public Policy and Higher Education, *Measuring Up 2004*, Available at: <http://measuringup.highereducation.org/downloads.cfm>

In order to reap the benefits of a well-educated workforce and citizenry, states have historically provided substantial funding for public universities. In the last fiscal year alone, states appropriated \$63 billion for college operating expenses and student aid.<sup>3</sup> This funding has enabled those institutions to set tuition below the average cost of educating a student. Despite this, public universities have boosted tuition significantly. The average cost of attending a four-year public university, which includes tuition, fees, room and board, rose to \$11,354 last year alone, up 7.8% from a year earlier<sup>4</sup> and outpacing both inflation and wage growth.

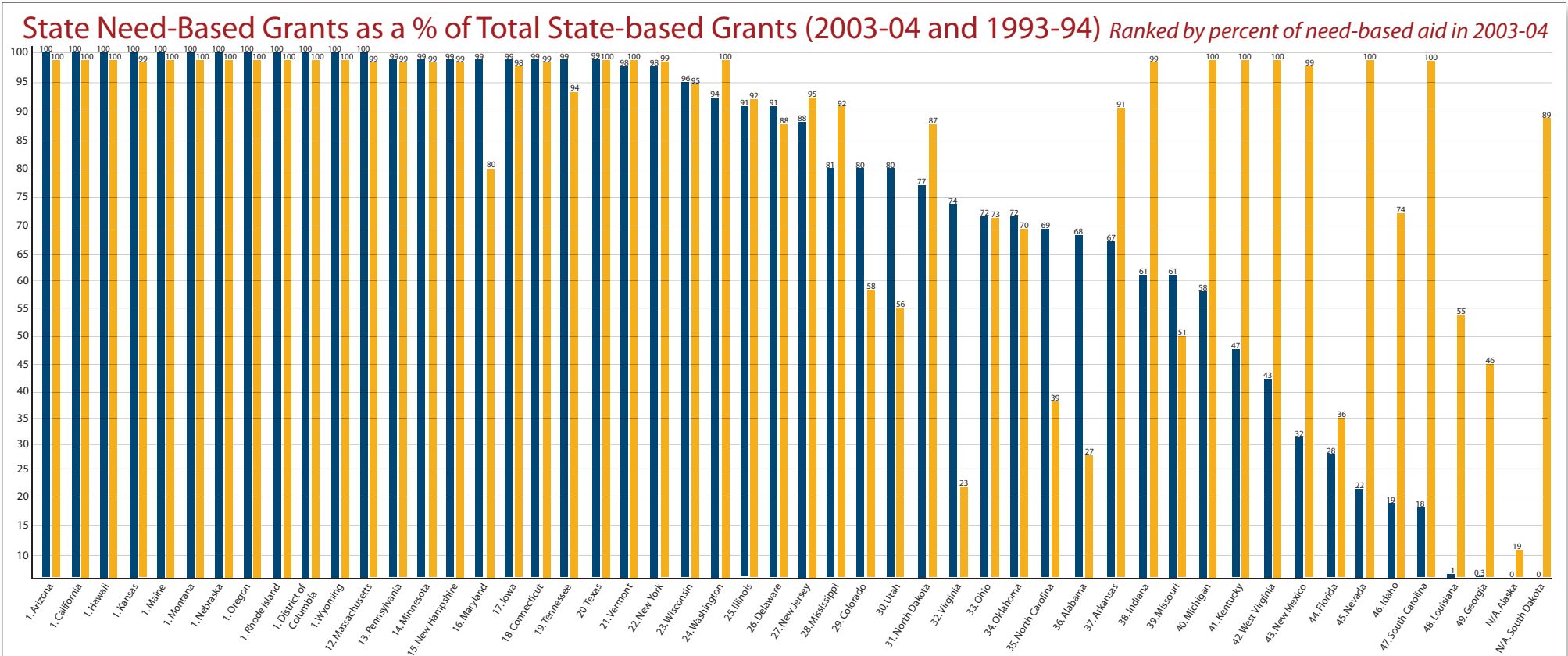
These tuition increases would be less troubling if financial aid had risen enough to offset them. But that has not been the

case. The federal Pell grant has remained stagnant over the last several years, and now covers only 36% of the average cost of tuition, fees, room and board at a four-year public college – down from 50% twenty years ago.<sup>5</sup> At the same time, state-based grants and those offered directly by colleges are increasingly awarded on the basis of merit, rather than financial need. Need-based aid awarded by states decreased from 90% of total state-based aid in 1993-94 to 74% in 2003-04. The states ranked worst in terms of need-based aid as a share of total student aid are: Georgia (0.3%), Louisiana (1%) and South Carolina (18%). At the other end of the spectrum, a number of states have indicated their commitment to using financial aid to ensure equal college opportunities for low-income students by requiring that all state-based

grants to students be based on demonstrated financial need. These include: Arizona, California, the District of Columbia, Hawaii, Kansas, Maine, Montana, Nebraska, Oregon, Rhode Island and Wyoming.

All qualified students should be able to attend college or earn a postsecondary vocational credential, regardless of their financial means. *Renewing Our Schools, Securing Our Future: A National Task Force on Public Education* addresses this issue by calling for enhancements in the Pell grant program, to be funded at least partially by a shift of student loan volume from the bank-subsidizing student loan programs to more cost-effective ones.

- Amanda Sharkey



Source: National Association of State Student Grant Aid Programs, 35<sup>th</sup> Annual Survey Report on State-Sponsored Student Financial Aid, (Washington, DC: NASSGAP, 2004)

Need-based aid as a % of total (2003-04) ■

Need-based aid as a % of total (1993-94) ■

\* AK and SD did not give out any grants to college students in 2003-04

<sup>1</sup> U.S. Census Bureau, *College Degree Nearly Doubles Annual Earnings*, (Washington, DC: U.S. Census Bureau, March 2005)  
<sup>2</sup> Brian Fitzgerald, *Empty Promises: The Myth of College Access in America*, (Massachusetts: New England Board of Higher Education, Sept. 27, 2003).  
<sup>3</sup> Center for the Student of Education Policy, *50-State Summary Table*, (Bloomington, IL: Illinois State University.) Available at: <http://coe.ilstu.edu/grapevine/50state.htm>  
<sup>4</sup> Baum, Sandy and Kathleen Payea, *Trends in College Pricing 2004*, (Washington, DC: College Board, 2004).  
<sup>5</sup> Calculated from Baum, Sandy and Kathleen Payea, *Trends in College Pricing 2004*, (Washington, DC: College Board, 2004) and College Board, *Trends in Student Aid 2004*, (Washington, DC: College Board, 2004)  
 \* Charts reflects rounded numbers. Ranking is based on calculation of need-based aid to 2 decimal places.