



February 2020

# Crisis Point

How Enrollment Management and the Merit-Aid Arms Race Are Derailing Public Higher Education

Stephen Burd

## **Acknowledgments**

We would like to thank Joyce Foundation and the Bill & Melinda Gates Foundation for their generous support of this work. The views expressed in this report are those of its authors and do not necessarily represent the views of Joyce Foundation or the Bill & Melinda Gates Foundation, their officers, or employees. Riker Pasterkiewicz, Maria Elkin, Joe Wilkes, Julie Brosnan, and Tong "Echo" Wu provided communications support.

## **About the Author(s)**

**Stephen Burd** is a senior writer & editor with the Education Policy program at New America.

## **About New America**

We are dedicated to renewing America by continuing the quest to realize our nation's highest ideals, honestly confronting the challenges caused by rapid technological and social change, and seizing the opportunities those changes create.

## **About Education Policy**

We use original research and policy analysis to help solve the nation's critical education problems, crafting objective analyses and suggesting new ideas for policymakers, educators, and the public at large.

## **About Higher Education**

New America's higher education program works to make higher education more accessible, innovative, student-centered, outcomes-focused, and equitable.

## **Contents**

Introduction	5
Chapter 1: The Privatization of Public Higher Education	10
The Roots of Need-Based Aid and the Rise of Enrollment Management	11
Enrollment Management Spreads to Public Universities	13
How Financial Aid Leveraging Harms Low-Income and Working-Class Students	15
Chapter 2: Non–Need-Based Aid Spending at Public Universities, 2001–2017	18
Chapter 3: The Harm Done	34
Conclusion	45

## Introduction

From 2001–2017, public four-year universities spent at least \$32 billion of their own financial aid dollars on students who lack financial need, according to an analysis New America conducted looking at how these institutions have been spending their own institutional aid dollars since the beginning of the 21st century. About \$2 out of every \$5 of aid public universities provided went to non-needy students—those whom the federal government deems able to afford college without financial aid.

Since 2001, public universities' use of non-need-based aid to recruit relatively affluent students has skyrocketed. At that time, the 339 public universities examined in this paper spent about \$1 billion annually on so-called “merit aid” for well-off students. By 2016–2017, these schools were spending nearly \$3 billion yearly on financial aid to students who lacked financial need. (All dollar amounts in this paper are adjusted for inflation to 2017 values.)

In 2001, the top spender was the University of Texas at Austin, which awarded about \$44 million in non-need-based aid to students, after adjusting for inflation. Today, the University of Alabama leads the pack, devoting more than \$136 million of its financial aid budget to relatively affluent students.

The pace of public universities' spending on non-need-based aid has significantly accelerated in recent years. Since 2014, the growth in merit aid for non-needy students has outpaced increases in spending on need-based aid at these institutions, making it more and more difficult for low-income and other financially needy students to attend these colleges and earn degrees.

It may seem odd at first glance that public universities have been so bountiful to students who are not financially needy, especially during a time period when states divested heavily from these institutions. With more-limited state funding per student, you might think that these institutions would provide aid only to those who truly need it.<sup>1</sup>

But while such a reaction makes sense, it does not take into account the dramatic transformation that has occurred in the admissions and financial aid practices at many public four-year colleges and universities since the 1990s. The overwhelming beneficiaries of this shift have been students from upper-middle-income and wealthy families.<sup>2</sup>

For generations, public colleges and universities, with the help of the federal government and states, provided a low-cost higher education to students in their home states. By keeping their prices low, these schools offered students from low-income and moderate-income families a gateway to the middle class.

But over the last 25 years, state disinvestment and institutional status-seeking have worked together, hand in hand, to encourage many public colleges and universities to adopt the “enrollment management” tactics of their private college counterparts. With the help of high-priced consultants from enrollment management firms such as Ruffalo Noel Levitz and EAB, many of these schools have hiked up their prices and provided tuition discounts to lure affluent out-of-state students with decent standardized test scores to their campuses in order to climb up the rankings and increase their revenue.<sup>3</sup> These institutions have also provided so-called merit scholarships to the “best and brightest” in-state students, who tend to come from privileged families, in order to prevent public universities in other states from luring them away with generous scholarship offers.<sup>4</sup>

The more public universities engage in these practices, the harder it gets for others to resist for fear of putting themselves at a competitive disadvantage. As a result, schools that provide generous amounts of non-need-based aid cannot rest easy. They have to keep ratcheting up their scholarships or discounts to try to stay ahead of their competition, creating an ever-expanding arms race.<sup>5</sup>

Our analysis shows this “merit-aid” arms race at work. For example, from 2001 to 2017:

- More than half of the 339 public universities (177 schools) doubled the amount they spent on non-need-based aid, after adjusting for inflation; more than a quarter (92) quadrupled the amount; and about 10 percent (33 schools) raised it by more than 10 times.
- More than a quarter (92 schools) increased the amount they spent on non-need-based aid by \$5 million or more, and about a fifth of those institutions (21) boosted their aid spending for non-needy students by \$25 million or more.
- The number of schools that spent an inflation-adjusted \$10 million or more on non-need-based aid to well-off students more than tripled, from 29 to 89; and the number that spent more than \$20 million jumped six-fold, from 7 to 44. While only one school spent more than \$40 million in 2001, 11 did so in 2017, with 10 spending more than \$50 million and 4 spending more than \$75 million.
- Public flagship and research universities were not the only institutions using a substantial share of their institutional aid dollars to recruit students without financial need. Regional state colleges actually devote an even larger share of their institutional aid dollars to non-needy students than do their more elite and better-resourced counterparts.

It is important to note that during this 17-year period, public universities' annual spending on both need-based aid and non-need-based aid soared. The total amount the 339 schools gave out in institutional aid increased from approximately \$2 billion in 2001 to about \$8.6 billion in 2017. These increases in aid overall at these institutions came at a time when enrollment at public four year colleges grew substantially, from 4.8 million to 6.2 million students, although the pace of growth slowed considerably by the end of the period.

Some readers may take comfort in these figures, suggesting that fears of the merit-aid arms race at public universities are overstated.<sup>6</sup> But that interpretation is mistaken.

First, while there are certainly still many public universities that have not embraced enrollment management and are continuing to devote their aid dollars primarily to meeting students' financial need, their numbers are shrinking. The bulk of these institutions are heavily concentrated in a relatively small number of states, mostly on the coasts. And these schools are coming under tremendous pressure to change their ways to keep up with competitors that are trying to poach their best students away with generous merit scholarship offers.<sup>7</sup>

Second, the increasing number of public universities that are engaged in enrollment management engage in "financial aid leveraging" — using all of their institutional aid to achieve their strategic purposes. A chief goal of enrollment managers is to determine the precise price point they need to offer to enroll different groups of students and not provide a dollar more. Therefore, using financial aid to meet students' full need is considered wasteful and inefficient. The best financial-aid packages go to the students they want the most.

All of this is to say that a significant amount of the money that is counted in these data as "need-based aid" is actually merit aid that went to financial needy students.<sup>8</sup> These funds may be helpful to these students, but they are not awarded with the goal of meeting their need. Under enrollment management, leaving financially needy students with "unmet need" is part of the game plan to ensure there is enough money to pursue the students who will help them raise their rankings and boost their institutions' bottom line.<sup>9</sup> And, in fact, the average amount of financial need that the 339 public universities covered of their financial aid recipients dropped six percentage points over the 17-year period, from 72 percent in 2000–2001 to 66 percent in 2016–2017. Nearly half of the schools now cover less than two-thirds of their students' financial need, and one-in-five cover less than 55 percent.

Third, there is plenty of evidence to suggest that the transition that public universities have made from being "low-cost, low aid" to being "high-cost, high aid" has been extremely detrimental for low-income and working-class students.

For example, data that the nonprofit Equality of Opportunity Project released in 2017 looking at social mobility in higher education showed that the majority of public universities have become less accessible than they were in the 1990s.<sup>10</sup> A New America analysis of that data found that nearly two-thirds of selective public universities have reduced the share of students they enroll from families in the bottom 40 percent of the income scale since that time. At the same time, these schools have increased the share of students they enroll from the top 20 percent.<sup>11</sup>

Most notably, at more than half of the public institutions (54 percent), the increase in affluent students came at the direct expense of low-income ones. In other words, these schools increased the share of students in the top 20 percent at the same time that they reduced the share from the bottom 40 percent.<sup>12</sup>

Meanwhile, New America's *Undermining Pell* series has shown that public universities are generally becoming less affordable for low-income students. Over the course of four reports, the series found that the share of public universities that expected students from families making \$30,000 or less to pay an average net price—the amount that students and families owe after all grant and scholarship aid is taken into account—of over \$10,000 annually has grown steadily this decade.<sup>13</sup> In 2010–2011, 34 percent of the public institutions examined charged the lowest income students more than \$10,000, which equals more than a third of their families' yearly income.<sup>14</sup> By 2015–2016, more than half of the institutions (52 percent) did.<sup>15</sup>

The findings in this report are consistent with those results. The data suggest that public universities that predominantly use their institutional aid to provide scholarships or discounts to relatively affluent students tend to leave financially needy students with substantially larger funding gaps than those that primarily use their aid to meet need. For example, schools that spent 90 percent or more of their institutional aid on merit aid for well-off students in 2016–2017 met, on average, **only 58 percent** of the need of student aid recipients on their campuses. That is compared with **70 percent** for schools that spent 10 percent or less of their aid budgets on so-called merit aid.

Colleges that leave low-income and working-class students with large funding gaps add hurdles that often stymie the educational progress of these students.<sup>16</sup> Many students feel they have no choice but to work long hours at jobs off campus, making it more difficult for them to get to their classes and complete their assignments. Some choose to attend part-time, and others may “stop out,” leaving school with the hope they will return at some future point. Most who remain in school have to take on large amounts of debt to fill the gaps, including risky private loans that tend to come with higher interest rates and fewer consumer protections than federal loans.



Given those realities, it is not too surprising that the data suggest that a substantially larger share of students take out student loans at schools that spend their aid primarily on non-needy students than at those that devote most of their aid to meeting financial need, and they take out far heavier debt loads. In 2016–2017, for instance, an average of **69 percent** of seniors graduated with an average debt load of **\$27,893** at schools that devoted 90 percent or more of their aid to non-needy students. In contrast, an average of **55 percent** of seniors graduated with an average debt load of **\$22,214** at schools that spent 10 percent or less of their aid budgets on non-needy students that school year.

The growing merit-aid arms race at public universities has been harmful to the college aspirations of low-income and working-class students, making it harder and harder for them to gain access and be successful in earning a degree. At a time of ever-growing inequality in this country, it is absolutely crucial to put an end to the arms race before more public universities are swept up in it.

A few public institutions, such as the University of Kentucky<sup>17</sup> and more recently the University of Pittsburgh<sup>18</sup>, have recognized how harmful these policies have been and are reversing course, providing greater amounts of need-based aid. But they are few and far between. Instead, public universities are under intense pressure to keep ratcheting up their merit-aid offerings.

It is clear that federal intervention is needed to refocus colleges on using financial aid for its original purpose: meeting the financial need of students who truly need the help. Colleges that continue to undermine the federal government’s mission of helping low-income students gain access to college must pay a heavy price—the loss of much-coveted federal campus-based aid dollars. But those that improve and substantially increase the average amount of financial need they meet should be rewarded with more generous funding.

For the good of the country, federal policymakers must step in to ensure that colleges live up to their commitments by serving as engines of opportunity, rather than perpetuating inequality.

## Chapter 1: The Privatization of Public Higher Education

For much of the history of higher education in this country, public colleges and universities operated with an entirely different funding model and mission than private nonprofit colleges. In fact, the federal government helped states create public universities in the last half of the 19th century expressly to serve those who had been shut out of the elite private colleges that were in existence at the time —“the industrial classes.”<sup>19</sup>

While the nation’s oldest private colleges such as Harvard, Yale, and Princeton catered primarily to the sons of the country’s most privileged families, public universities were established to provide “an uncommon education for the common man,” as James Angell, the University of Michigan’s longest-serving president, famously said in 1879.<sup>20</sup>

“Have an aristocracy of birth if you will or of riches if you wish, but give our plain boys from the log cabins a chance to develop their minds with the best learning and we fear nothing from your aristocracy,” he stated. “In the fierce competitions of life something besides blue blood or inherited wealth is needed to compete with the brains and character from the cabins.”<sup>21</sup>

States heavily subsidized public universities to keep the cost of attending low for their citizens. As a result, these institutions have long offered students from low-income and working-class families a gateway to the middle class or higher.

There have always been exceptions to the rule. In the Northeast, where elite private colleges reigned, states were less generous to their public universities, forcing these schools to charge higher prices to residents than did their counterparts in other regions of the country.<sup>22</sup>

In nearly every other part of the country, however, public universities kept their prices low enough that they were generally accessible for students regardless of family income. As a result, these schools generally did not award much institutional financial aid. Instead, they relied on the federal government and states to provide need-based aid to low-income and working-class students who needed additional assistance to be able to afford to attend.<sup>23</sup>

But by the 1980s, this low-tuition, low-aid approach was no longer working as effectively as it had been. States were starting to pull back funding for public universities, especially during recessions. Unable or unwilling to raise taxes to increase revenue and facing ever-growing health care and public safety costs, state policymakers left public universities with little choice but to jack up their tuition and fees.

As their schools' price tags increased and funding for Pell Grants and other federal grant programs stagnated in the 1980s and early 1990s, public university leaders realized that they could not stay out of the student aid game anymore. To keep their schools accessible and affordable, they ramped up their spending on institutional financial aid.<sup>24</sup>

At first, public universities primarily used their aid dollars to meet the financial need of their students. In 1995–1996, the schools spent about \$1.5 billion on financial aid, with 55 percent going to need-based aid.<sup>25</sup> A 2011 report from the U.S. Department of Education's National Center for Education Statistics (NCES) found that 13 percent of first-time students received need-based aid that year, while only 8 percent of non-needy students received so-called merit aid.<sup>26</sup>

But public university officials were far less committed to need-based aid than private college leaders had been because they had not taken part in its creation. Ironically, it was the leaders of elite private nonprofit colleges, which primarily served the children of the country's aristocracy, who championed need-based financial aid.

### **The Roots of Need-Based Aid and the Rise of Enrollment Management**

In the aftermath of World War II, generous federal funding from the GI Bill encouraged private colleges to open their doors to less-advantaged students who had largely been shut out of their schools. By the 1950s, private college leaders recognized that they needed to become more systematic in their use of student aid rather than continuing to take a scattershot approach.<sup>27</sup>

To try to prevent schools from getting into a bidding war for the students they most desired, elite private college leaders embraced the notion of providing need-based financial assistance to students whose families could not afford to send them to college without the help.<sup>28</sup> They directed the College Scholarship Service (an affiliate of the organization that is now known as the College Board) to develop a standard need-based methodology that private colleges were to use to award their institutional aid.<sup>29</sup> (The government eventually adopted a similar methodology to award federal financial aid.)

In their seminal 1998 book *The Student Aid Game*, higher education experts Michael S. McPherson and Morton Owen Schapiro wrote that these private college leaders had “a rather powerful and attractive vision of the role of student aid” that was akin to “an ideology.” The vision held that colleges would, with the government's help, use financial aid to meet the full financial need of their students. At the same time, the schools would admit the most meritorious students, regardless of where their families fell on the income scale.<sup>30</sup>

“In this way, the claims of need were to be met by eliminating price as a factor in choice of school for needy students and the claims of merit were to be met by matching the most able and promising students with the best educational alternatives,” the authors wrote.<sup>31</sup>

But while the vision was attractive and powerful, it proved difficult to carry out. Private colleges that lacked the endowments of Ivy League schools had trouble meeting the full financial need of their students. By the mid- to late-1970s, private colleges’ commitment to this model began to waver as they struggled financially.<sup>32</sup>

Boston College, for example, was really hurting. With enrollment substantially down and hundreds of students leaving the school each year without graduating, the private liberal arts college was heavily indebted and on the brink of bankruptcy.<sup>33</sup> To help deal with these crises, Boston College’s president put Jack Maguire, a physics professor, in charge of admissions. Maguire examined the problems with a scientific eye and concluded that using institutional financial aid to meet need exclusively was a fool’s errand for a college that could not afford to do so. In a 1976 article he wrote for Boston College’s alumni magazine, he argued that the school would be better off using its financial aid dollars strategically to “yield the best possible mix of students at a reasonable expense.”<sup>34</sup>

He introduced the phrase “enrollment management” in the influential article to show how colleges “through conscientious planning and measured decision-making” could “exert significant influence over [their] destiny.”<sup>35</sup> Such efforts, for example, required colleges to break down the firewalls that existed at most schools between the admissions and financial aid offices, as he had done at his institution. “Boston College,” he wrote “has recently been on the leading edge of the growing movement to reduce fragmentation by systematizing and integrating these fields into one grand design.”<sup>36</sup>

Maguire’s efforts met with such success that he left the school in the early 1980s to start a private consulting company to help other schools embrace this new field of enrollment management. But Maguire Associates had the field to itself for only a short while. Soon competing consulting companies, like Noel Levitz, RuffaloCODY, and Royall & Co., emerged to help spread these practices to private colleges across the country.<sup>37</sup>

And once some private colleges began using their financial aid strategically, it became difficult for others to resist for fear of being put at a competitive disadvantage. Throughout the 1980s and 1990s, enrollment management and the strategic use of financial aid (otherwise known as financial aid leveraging) spread like wildfire through the private college sector.<sup>38</sup>

## Enrollment Management Spreads to Public Universities

While public universities initially used their institutional aid primarily to meet students' financial need, it did not take long for enrollment management firms—recognizing a lucrative market when they saw it—to approach public flagship and research universities and show them how they could benefit from adopting the enrollment management tactics of their private college counterparts.

For many of the public universities, it wasn't a hard sell. By the 2000–2001 academic year, the 339 public universities that this paper examines provided 53 percent of their institutional aid dollars to non-needy students.

What accounted for this quick turnaround? Why were so many public universities attracted to using their financial aid for strategic purposes rather than to help students who could not afford to attend without the aid? The reason is quite simple. Using financial aid strategically to attract the students they most desired—typically the “best and brightest” and wealthy out-of-state students—provided public university leaders with a relatively quick and easy way to address the most pressing challenges their institutions faced. As outlined in New America's 2015 report “The Out-Of-State Student Arms Race,” these officials saw that leveraging their financial aid could help them increase their revenue, fill their classrooms and dormitories, and boost their prestige.<sup>39</sup>

### *State Disinvestment*

For public universities, there has been no bigger challenge than state disinvestment. Over the past several decades, nearly all states have slashed the per-student funding they provide these schools.<sup>40</sup>

Declining state funding has left public universities looking for alternative revenue sources. One of the most attractive options that they have found is affluent out-of-state students. The allure of these students is obvious—they pay much higher tuition and fees than in-state students.<sup>41</sup>

But why would a school spend institutional aid dollars on wealthier students? Does that not work at cross-purposes with raising revenue? While there is a cost, colleges find it worthwhile because providing four \$5,000 scholarships to otherwise “full-pay” students is much more lucrative for the institutions than spending \$20,000 on one low-income student.<sup>42</sup> These students will not only pay more overall in tuition than low-income students but they will also pay the full price for non-tuition expenses, such as room and board, books, and food. And they and their parents may eventually become generous donors to the colleges as well.

In addition, colleges know that offering “merit” scholarships (which most often come in the form of discounts off the tuition) is an extremely effective marketing tool. Students and their families love being offered scholarships because they see

them as a reward for hard work, when schools are actually giving them out to improve their bottom line.<sup>43</sup>

### ***Demographic Challenges***

Using non-need-based aid to lure out-of-state students is also attractive to public universities in states where the number of students graduating from high school is shrinking.<sup>44</sup> The biggest declines have been in the Northeast and the Midwest, where Illinois, Ohio, and Wisconsin are expected to experience especially sharp declines in the coming years.<sup>45</sup>

Demographic challenges are expected to significantly worsen starting in 2025, when the total number of traditional college-age students is expected to nosedive.<sup>46</sup> If the projections hold, the competition for affluent students is likely to become even more intense, with public universities offering even larger discounts.

### ***Rising Up the Rankings***

Practical concerns such as maximizing revenue and filling classrooms are only part of the equation. As many have said, prestige is the “coin of the realm” at our nation’s colleges.<sup>47</sup> And that’s as true today for public flagship and research universities as it has always been for elite private colleges.

For schools like the University of Alabama, Miami University of Ohio, and Temple University, there has been no more important goal than rising up the *U.S. News & World Report* national university rankings, where public universities compete fiercely among each other and with the most elite private universities for the top 100 spots.<sup>48</sup> These schools annually spend tens of millions of dollars—and in the case of the University of Alabama, more than a hundred million—to buy top students with the impressive SAT or ACT scores *U.S. News* loves. Rising up the *U.S. News* rankings enhances the schools’ reputation and marketability with the upscale students they most desire.

Colleges that primarily use non-need-based aid to raise their institutions’ academic profile tend to give much larger scholarship awards than those that are simply providing tuition discounts to recruit affluent students to make up for declining state subsidies.<sup>49</sup> High school valedictorians with high standardized test scores may receive scholarships that cover their tuition and room and board, and even stipends to conduct research.<sup>50</sup>

To be clear, the goals of increasing revenue, raising prestige, and filling classrooms are not mutually exclusive. Many universities are trying to achieve these goals simultaneously.

### *A Self-Perpetuating System*

Just as in the private college sector, the more public universities embrace enrollment management and use their financial aid strategically to lure affluent and high-achieving out-of-state students to their schools, the more pressure there is for their competitors to join the fray. They often feel they have no choice but to offer generous discounts and scholarships to stop institutions from grabbing up their best home-state students, who help them in the rankings.

The University of Wisconsin found itself in that position in 2015. To stop institutions from other states from poaching the best Wisconsin students, university officials announced that they had to become bigger players in the merit-aid arms race. “As far as I’m concerned—I’m an economist—that’s a real waste of where we should be spending our money in higher ed. But I’ve got to keep some of those top students in Wisconsin,” Rebecca Blank, the university’s chancellor, told *Inside Higher Ed* at the time. “We’ve got to play in that game. We just have to.”<sup>51</sup>

Similar concerns reached a fever pitch last year in Illinois.<sup>52</sup> Alarmed by news reports that high-achieving affluent students are leaving the state in droves to attend schools that are offering generous amounts of non-need-based aid, the Illinois state legislature created a new \$25 million merit-scholarship program that the state’s public universities must match.<sup>53</sup> And even though the state’s flagship university, the University of Illinois at Urbana-Champaign, continues to achieve record enrollments,<sup>54</sup> state officials were so spooked in the spring that schools like the University of Alabama are luring away wealthy suburban students with scholarships that they further expanded the program in June.<sup>55</sup>

### **How Financial Aid Leveraging Harms Low-Income and Working-Class Students**

Enrollment managers say that often-heard concerns that the heavy and increasing use of non-need-based aid at both public and private colleges and universities is hurting low-income students are overblown. When criticized for engaging in such regressive practices, they claim that schools use the additional revenue they receive from wealthy out-of-state students to boost their spending on need-based aid.<sup>56</sup>

But they provide little evidence to suggest those claims are true.<sup>57</sup> And in fact, this argument is largely a smokescreen. That is because under enrollment management, financial aid is not meant to be used to meet financial need. With enrollment managers focused on increasing their schools’ net revenue, meeting students’ financial need is actually considered inefficient and wasteful. Instead, enrollment managers use financial aid leveraging to determine the precise price points they need to meet to enroll different groups of students, without spending a dollar more than is needed. The best financial aid packages go to the students they want the most and to those who can help boost the institutions’ bottom line.

“[Financial] Aid leveraging is an analytical tool that enables admissions and financial aid administrators to estimate the amount of financial aid (regardless of formal need formulas) that would be necessary to increase the probability that a student with a specified set of characteristics would enroll,” Donald Hossler, an enrollment management expert, wrote in 2000 when he was the vice chancellor of enrollment services at Indiana University at Bloomington. “Although these financial aid inducements might be used to meet student financial need, the intent behind the strategy is to use the award as a merit award that will help individual campuses more effectively ‘court’ or recruit students with higher grades, with more talent, or with lower levels of financial need.”<sup>58</sup>

In other words, under enrollment management, all institutional financial aid is considered merit aid. A significant sum will go to financial needy students (and thus be considered “need-based aid”), but seldom will these funds be used to fill all their need. To put it bluntly, leaving financially needy students with “unmet need” is part of the game plan to ensure there is enough money to pursue the most-sought-after students.

To make matters worse, financial aid leveraging is most effective when universities jack up their sticker prices so that they can provide larger discounts to the students they covet the most.<sup>59</sup>

Kevin Crockett, a senior executive with Ruffalo Noel Levitz who served as the company’s president for 11 years, came clean about this in an interview with *The New York Times Magazine* in 2015. “I’ve got to have enough room under the top-line sticker price,” Crockett stated. “A school that charges \$50,000 is able to offer a huge range of inducements to different sorts of students: some could pay \$10,000, others \$30,000 or \$40,000. And a handful can pay the full price.”<sup>60</sup>

Enrollment management and financial aid leveraging have encouraged public universities to adopt the high-tuition, high-aid policies of their private college counterparts (although, of course, not at the \$50,000 level), leaving financially needy students with larger funding gaps.

In the chapters that follow, this paper will take a closer look at the extraordinary growth of non-need-based aid at public universities over the past two decades and will explore how these policies have affected low-income and working-class students.



---

→ **METHODOLOGY**

This paper examines how 339 public universities spent their institutional aid dollars from 2001–2017. The colleges include nearly all of the public flagship universities,<sup>61</sup> public research universities, and many state regional colleges.

The data come from an annual survey that the college guidebook publisher Peterson’s conducts of colleges and universities. Much of the data can also be found in the Common Data Sets that the schools individually publish on their websites. For this report, New America licensed data from Peterson’s “Undergraduate Financial Aid and Undergraduate Databases,” copyright 2018 Peterson’s LLC. All Rights Reserved.

In choosing the public universities to examine, the report excluded schools that did not disclose how they spent their institutional aid dollars or that did not report these data year-to-year consistently. The report also excluded military academies and state colleges that primarily award associate degrees.

In examining how colleges use their institutional aid dollars, the report looked specifically at the amount and share that schools spent on need-based aid and on non–need-based aid yearly. It also looked at the share of financial need that the colleges met annually of their student aid recipients, as well as the percentage of college seniors who graduated with student loan debt and the average amount of debt they borrowed. A possible limitation of the analysis is that it does not utilize weighted averages.

In the Peterson’s surveys and in their Common Data Sets, colleges have the option of reporting student aid data on the previous year or the current one. Over the 17-year period this report covers, many of the colleges changed course. So, for example, a school in 2013 may have reported student aid data for 2012, but then in 2014 reported data for 2014. As a result, there are no data available on how that college spent its institutional aid funds in 2013.

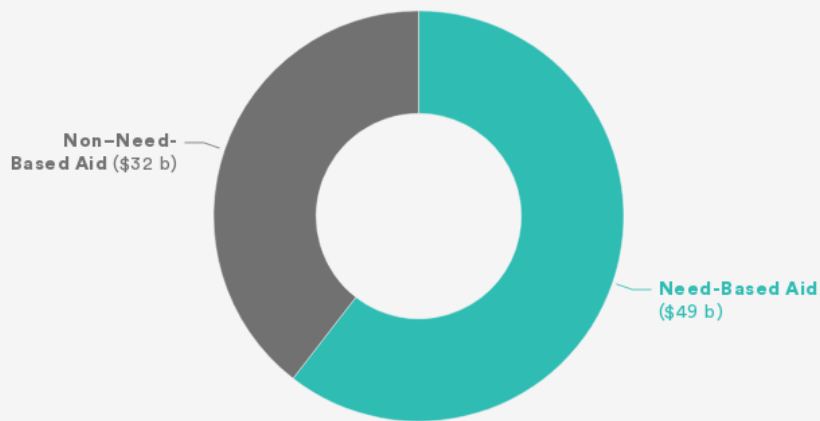
The report excluded colleges that had too many years of missing data. But if colleges missed only a year or two, as in the example above, the report used the previous year’s data to estimate how much aid they spent, how much need they met, and the share of seniors who graduated with debt and the average amount they borrowed. As a result, the yearly institutional aid estimates are probably conservative, considering that colleges typically increase the amount of aid they provide year-to-year.

---

## Chapter 2: Non–Need-Based Aid Spending at Public Universities, 2001–2017

The 339 public universities this paper examines spent nearly \$32 billion of their own financial aid dollars on students who lacked financial need from 2001 through 2017. During this period, \$2 out of every \$5 these schools provided in institutional aid went to non-needy students—those whom the federal government deems able to afford college without financial aid (see Figure 1).

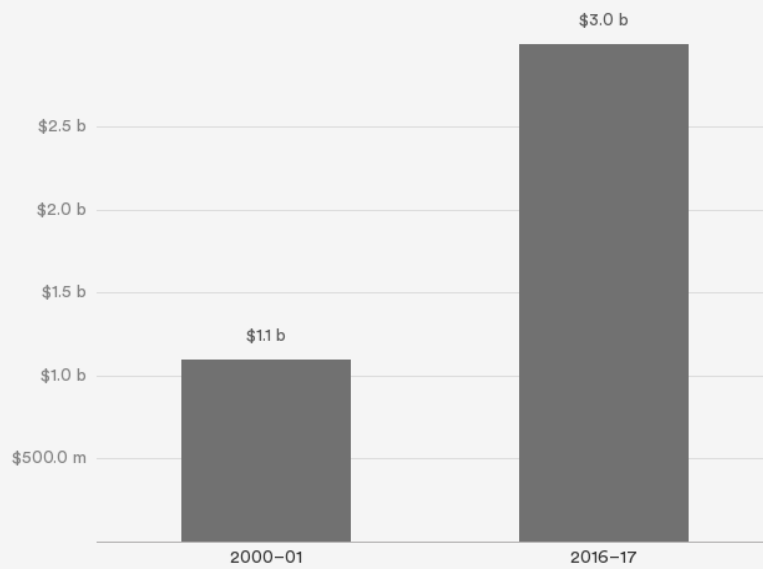
**Figure 1 | Breakdown in Total Spending on Institutional Aid, 2001–2017**



NEW AMERICA

Since 2001, public universities' use of non-need-based aid to recruit relatively affluent students has skyrocketed. At that time, the 339 public universities spent about an inflation-adjusted \$1 billion annually on so-called merit aid for relatively well-off students. By 2016–2017, these schools were spending nearly \$3 billion yearly on financial aid to students who lacked financial need (see Figure 2). While freshmen enrollment grew at these institutions by 42 percent over this time period, the schools' spending on non-need-based aid rose by about 173 percent.

**Figure 2 | Growth in Total Yearly Spending on Non-Need-Based Aid Since 2001**



NEW AMERICA

The data show how dramatically public universities’ use of non-need-based aid has ratcheted up over this time period. From 2001 to 2017, more than half of the 339 schools at least doubled the amount of money they spent on non-need-based aid, after adjusting for inflation; more than a third at least tripled the amount; and more than a quarter quadrupled the amount. About one in five schools quintupled the amount, and one in 10 increased it at least tenfold (see Figure 3).

**Figure 3 | The Magnitude of the Growth In Merit Aid at Public Universities Since 2001**

Size of Growth	# of schools	% of schools
By 2 times or more	177	52%
By 3 times or more	125	37%
By 4 times or more	92	27%
By 5 times or more	71	21%
By 6 times or more	55	16%
By 7 times or more	51	15%
By 8 times or more	44	13%
By 9 times or more	37	11%
By 10 times or more	33	10%

NEW AMERICA

In terms of dollar figures, 200 schools, or 59 percent of those examined, increased the amount they spent on non-need-based aid over this time period by \$1 million or more; 92, or 27 percent, by \$5 million or more; 48, or 14 percent, by \$10 million or more; 26, or 8 percent, by \$20 million or more; and 16, or 4 percent, by \$30 million or more (see Figures 4 and 5).

**Figure 4 | The Dollar Growth in Merit Aid at Public Universities from 2001 to 2017**

Size of Growth	# of schools	% of schools
By 1 million or more	200	59%
By 5 million or more	92	27%
By 10 million or more	48	14%
By 15 million or more	37	11%
By 20 million or more	26	8%
By 25 million or more	21	6%
By 30 million or more	16	4%

NEW AMERICA

**Figure 5 | Schools that Increased Non-Need Aid by Over \$30 Million from 2001 to 2017**

School	State	Increase
University of Alabama	AL	\$123,578,429
Temple University	PA	\$75,186,447
Arizona State University	AZ	\$69,389,877
Michigan State University	MI	\$53,610,894
University of Arizona	AZ	\$48,665,946
Rutgers University–New Brunswick	NJ	\$48,074,783
Miami University	OH	\$41,359,639
Wayne State University	MI	\$39,462,408
Indiana University Bloomington	IN	\$39,174,947
The Ohio State University	OH	\$38,906,716
Auburn University	AL	\$37,023,775
University of Utah	UT	\$34,971,124
University of Michigan	MI	\$34,014,845
Purdue University	IN	\$32,774,547
Ball State University	IN	\$31,779,401
Florida International University	FL	\$31,098,220

NEW AMERICA

Meanwhile, the number of schools that yearly spent a total of \$10 million or more, in inflation-adjusted numbers, on non-need-based aid to relatively well-off students increased by more than three times from 2001–2017, from 29 to 89; and the number that spent \$20 million or more increased more than six-fold, from 7 to 44. While only one school spent more than \$40 million in 2001, 11 did so in 2017, with 10 spending more than \$50 million and 4 spending more than \$75 million (see Figure 6).

**Figure 6 | Comparing Number of Schools That Met Non-Need Aid Spending Threshold, 2001 vs. 2017**

Non-Need-Based Aid	2001	2017
5 million or more	63	138
10 million or more	28	89
15 million or more	13	59
20 million or more	6	44
25 million or more	4	30
30 million or more	3	22
35 million or more	2	15
40 million or more	1	11
45 million or more	0	11
50 million on more	0	10

NEW AMERICA

In 2001, the top five schools, in terms of non-need-based aid spending, awarded approximately \$162 million in merit aid to students who lacked financial need. In 2017, the top five schools gave almost three times as much (see Figure 7).

**Figure 7 | Top Non-Need Aid Spenders, 2001 vs. 2017**

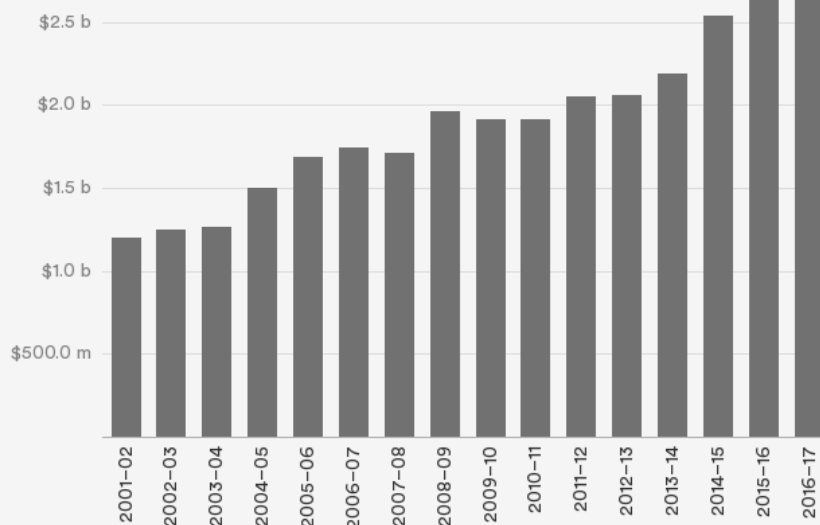
2001	School	Non-Need Aid
1	University of Texas at Austin	\$44,163,000
2	The Ohio State University	\$36,515,596
3	Iowa State University	\$32,357,104
4	Indiana University Bloomington	\$25,134,664
5	University of Michigan	\$23,716,108
	<b>Total</b>	<b>\$161,886,472</b>
2017	School	Non-Need Aid
1	University of Alabama	\$136,352,961
2	Temple University	\$80,148,967
3	Arizona State University	\$79,329,433
4	The Ohio State University	\$76,049,224
5	Indiana University Bloomington	\$64,741,132
	<b>Total</b>	<b>\$436,621,717</b>

NEW AMERICA

Looking at those numbers suggests that the growth in non-need-based aid at public universities was constant and almost inevitable—that once public universities started engaging in financial aid leveraging in the late 1990s and early 2000s, there was no turning back.

But a closer look at the data reveals a slightly more complicated picture. The schools’ yearly spending on non-need-based aid grew fairly steadily until the middle of the period, when it slowed and even took a few dips. It then recovered, at first tentatively, and then accelerated rapidly in the final few years, a time when enrollment growth in the sector slowed (see Figure 8).

**Figure 8 | Year by Year Non-Need-Based Aid Totals**



NEW AMERICA

The surge in spending on non-need-based aid in the last four years of this period is stunning. While it took 11 years for the schools to increase their yearly spending on aid for relatively affluent students from \$1 billion to \$2 billion in inflation-adjusted numbers, it took only six more to get to nearly \$3 billion. Nearly half (46%) of the \$32 billion the schools spent on non-need-based aid since 2001 was awarded during the last six years of the time period, with 70 percent of that increase coming in the last four (see Figure 9).



**Figure 9 | Timeline of Increase in Total Non-Need-Based Aid Spending**

Years	Non-Need Aid	% of Total
2001–06	\$7,998,564,163	25%
2007–11	\$9,236,293,428	29%
2012–17	\$14,603,936,175	46%
<b>Total</b>	<b>\$31,838,793,766</b>	<b>100%</b>

NEW AMERICA

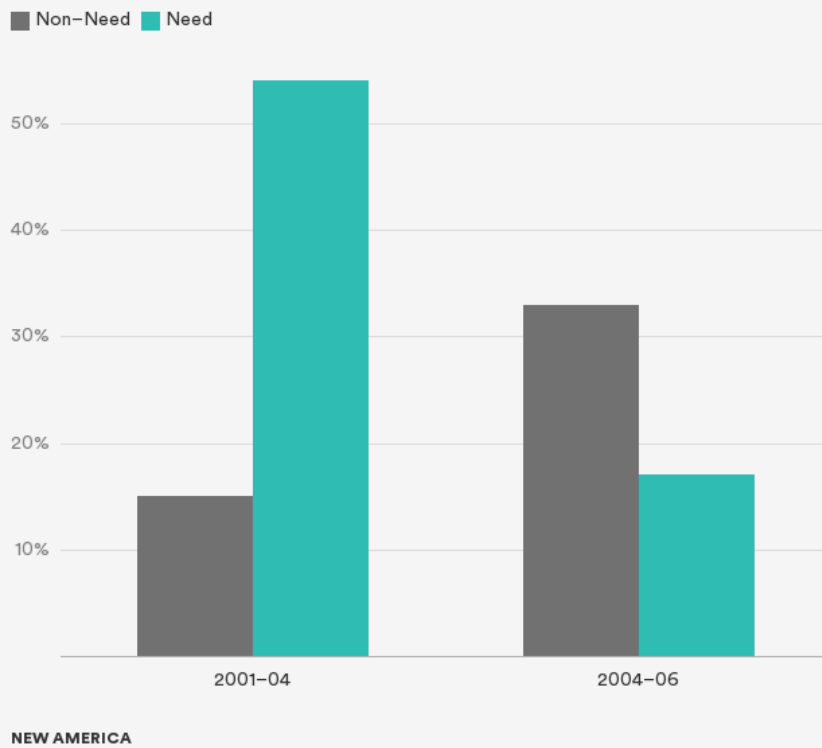
The pivotal event that occurred during this time period was the financial crisis. It's no coincidence that the slowdown in spending on non-need-based aid spending occurred in 2007, when the country fell into a deep recession and credit crunch that was extremely damaging to the financial fortunes of students and their families, the states, and the schools alike. While the immediate impact of the crisis at public universities was to temporarily shift the momentum back toward need-based aid, the fallout from the crisis has pushed larger numbers of public universities to embrace enrollment management and become more aggressive in using financial aid as a competitive weapon.<sup>62</sup>

To get a better idea of how the financial crisis affected the growth of non-need-based aid, it is helpful to break down the 17 years into three distinct periods: Before the Financial Crisis, 2001–2006; During the Financial Crisis and Flagging Recovery, 2007–2013; and The New Reality, 2014–2017.

***Before the Financial Crisis: 2001–2006***

This is the period when colleges began to ratchet up the amount of institutional aid they awarded, from about \$2 billion in 2001 to \$3.4 billion in 2006. Spending on both need-based and non-need-based aid rose rapidly as enrollment at these schools grew significantly. For the first several years, need-based aid grew faster at these institutions. But from 2004–2006, the momentum shifted decisively in favor of non-need-based aid (see Figure 10).

**Figure 10 | Need vs. Non-Need-Based Aid Growth Rates**



During this time period, about half of public universities' institutional aid dollars went year after year to students without financial need (see Figure 11).

**Figure 11 | Non-Need Aid and Share of Total Aid, 2001–2006**

Year	Non-Need Aid	% All Aid
2000–01	\$1,097,164,688	53%
2001–02	\$1,202,844,571	53%
2002–03	\$1,247,118,276	51%
2003–04	\$1,264,745,542	46%
2004–05	\$1,499,266,121	49%
2005–06	\$1,687,424,965	49%

NEW AMERICA

Public universities’ increasing use of tuition discounts and scholarships for well-to-do students began to raise alarms for higher education experts. In a 2009 blog post for New America, higher education economist Sandy Baum cited data from this period to note that public universities were spending a greater share of their institutional aid dollars on “relatively wealthy students” than private colleges were, even though private colleges often shouldered the criticism for engaging in such practices.<sup>63</sup>

“The policies of private colleges certainly merit examination,” she wrote. “But the policies of state colleges raise the most troubling questions” because the funds for these discounts and scholarships were coming, at least in part, from the substantial amount of state subsidies these institutions still received. “The funds of taxpayers who themselves have not gone to college—which could be used to provide opportunities to the next generation of needy students—are instead going towards increasing institutional selectivity or making the lives of the more privileged somewhat easier,” she wrote.<sup>64</sup>

***During the Financial Crisis and Flagging Recovery: 2007–2013***

While the growth in spending on non-need-based aid had been impressive in the years leading up to the financial crisis, it slowed down considerably in 2006–2007, and dropped in 2007–2008. The only year where there was a double-digit percentage increase was in 2008–2009, when the total approached \$2 billion. But

it did not actually reach that threshold until 2011–2012 and then barely budged in 2012–2013 (see Figure 12).

**Figure 12 | Non–Need Aid and Year to Year Growth Rate, 2007–2013**

Year	Non–Need Aid	% Growth
2006–07	\$1,740,431,797	3%
2007–08	\$1,709,047,161	-2%
2008–09	\$1,964,404,235	15%
2009–10	\$1,912,644,019	-3%
2010–11	\$1,909,766,216	0%
2011–12	\$2,052,802,881	8%
2012–13	\$2,058,934,162	0%

NEW AMERICA

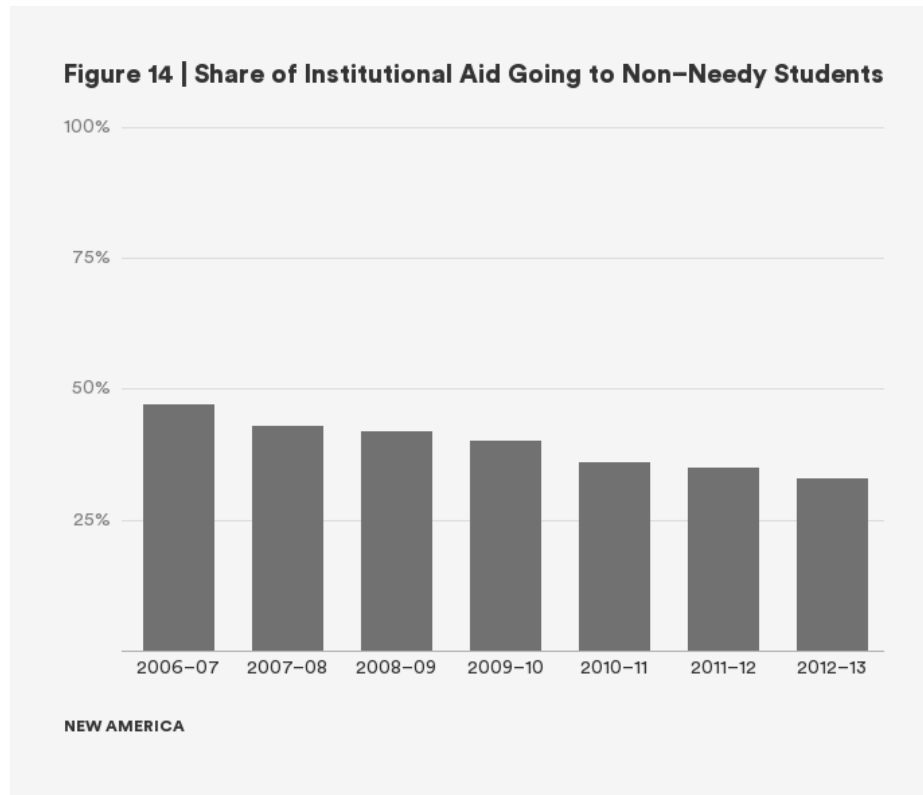
Overall, during this period, spending on need-based aid more than doubled from \$2 billion to \$4.2 billion, while non–need-based aid grew overall by only 18 percent (see Figure 13).

**Figure 13 | Need vs. Non–Need-Based Aid Growth Rates, 2007–2013**



NEW AMERICA

As a result, the share of institutional aid going to non-need-based aid plunged, from nearly half to one-third (see Figure 14).



Clearly, the shift toward need-based aid is dramatic, but, as a paper that Baum co-wrote in 2010 on tuition discounting stated, it is not entirely clear why it happened.<sup>65</sup> “It is not possible to determine from the available data how much of this increase results from changes in institutional policies and how much results from a combination of rising tuition levels and declining family ability to pay,” Baum and her colleagues wrote. “These circumstances dictate that more students have more financial need, so more of the aid distributed without regard to need is likely to end up meeting need.”<sup>66</sup>

In other words, the financial crisis both forced many public universities to increase their prices and hurt many families’ ability to pay for college. As a result, “merit” aid money that went to these students may have counted as need-based aid.<sup>67</sup>

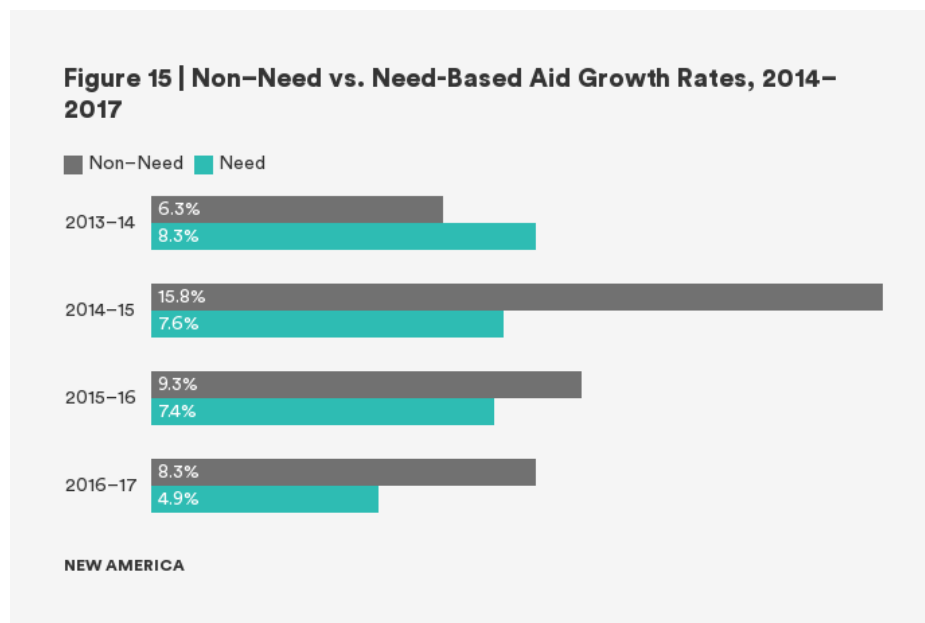
Also, as noted in the first chapter, enrollment managers use all aid—need-based aid and non-need-based aid—strategically. For that reason also, it isn’t clear how much of this aid was especially intended to fill financial need and how much was ‘merit’ aid money that went to financially needy students.

Only time would tell whether the shift back to need-based aid was temporary or permanent, or even real or illusory.

***The New Reality, 2014-2017***

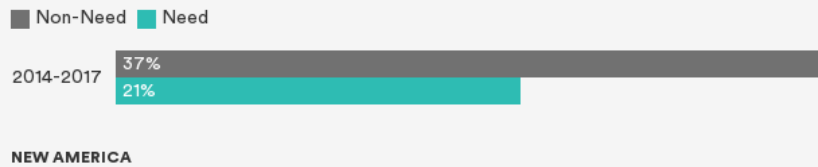
The final four years of this period showed that the real or illusory shift away from non-need-based aid had been temporary. The dramatic cutbacks that state legislators made in per-student spending during the financial crisis ultimately caused many more public universities to embrace enrollment management and financial aid leveraging. With state spending still lagging in the years after the recovery, and enrollment growth slowing, these schools became more aggressive in using non-need-based aid to pursue wealthy out-of-state students with standardized test scores high enough to help schools rise up in the rankings.<sup>68</sup>

During this period, the yearly amount the 339 schools spent on non-need-based aid surged from about \$2.2 billion to nearly \$3 billion. Non-need-based aid spending grew faster than need-based aid three years in row, rising almost twice as fast as need-based aid for two of them (see Figures 15 and 16).



Non-need-based aid grew 1 and three-quarters times faster than need-based aid for the period overall.

**Figure 16 | Total Non-Need vs. Need-Based Aid Growth Rates, 2014–2017**



The share of institutional aid dollars going to non-need-based aid began to slowly climb back up, but because of the enormous growth of need-based aid during the previous period, remained far below what it was at the beginning of the 17-year period (see Figure 17).

**Figure 17 | Non-Need-Based Aid and Share of Total Aid, 2014–2017**

Year	Non-Need Aid	% All Aid
2013–14	\$2,187,904,186	32%
2014–15	\$2,534,413,396	34%
2015–16	\$2,770,040,805	34%
2016–17	\$2,999,840,745	35%

NEW AMERICA

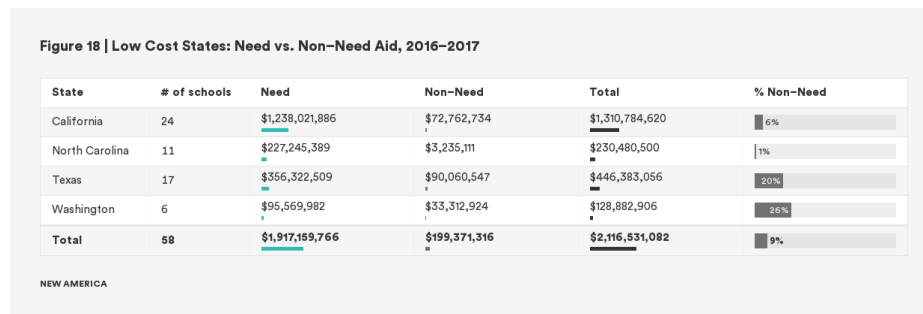
It would be a mistake, however, to take comfort in the fact that the overall share of aid going to non-needy students continues to lag what it was at the beginning of the period. For one thing, the very fact that total institutional aid spending has soared over these 17 years, from \$2 billion in 2001 to \$8.6 billion in 2017, shows that public universities have largely embraced the high-tuition, high-aid model of their private college counterparts. And as noted earlier, a significant share of the need-based aid money might not actually have been used to meet financial need but instead was simply merit aid that went to financially needy students. That point may seem academic, but it is important to remember that the purpose of

financial aid under enrollment management is not to meet financial need but to achieve the institution’s strategic objectives.

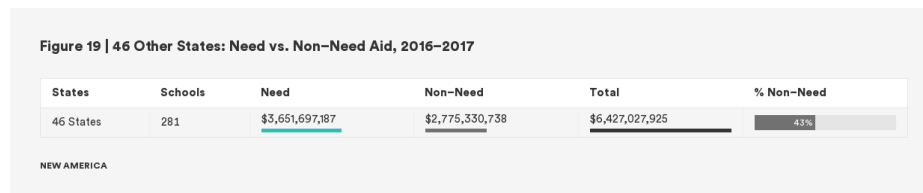
Having said that, it is true that there are still a significant number of public universities that have not embraced enrollment management and are not playing the merit-aid game. But the majority of these schools are heavily concentrated in a small number of states.

In 2016–2017, for example, nearly half (41) of the 89 schools that devoted less than 20 percent of their institutional aid to non-needy students were in just four states—California (21), North Carolina (8), Texas (8), and Washington (4). These states have one thing in common: They have generally kept their public universities affordable, particularly for low-income, in-state students.<sup>69</sup>

Of the 339 schools this paper examines, 58 hail from those four states. As a group, these schools spent more than \$2 billion on institutional aid in 2016–2017. However, only 9 percent of those funds went to students without financial need (see Figure 18).



In contrast, schools from the other 46 states collectively devoted 43 percent of their institutional aid dollars to non-need-based aid (see Figure 19).



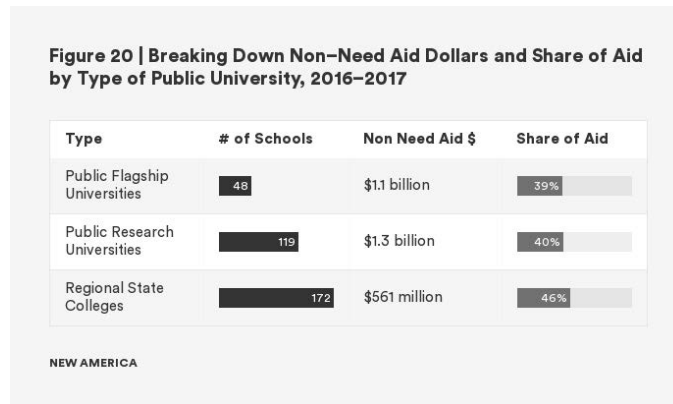
In the next chapter, this paper will take a closer look at how the privatization of much of public higher education has affected low-income and other financially needy students.



---

## → REGIONAL STATE COLLEGES

When higher education experts and journalists write about enrollment management and the merit-aid arms race, they typically focus on public flagship and research universities—as if state regional colleges and universities have remained immune from these practices. The data, however, tell a different story. They indicate that while regional state colleges have less money overall to spend on institutional aid than flagships and research universities, the schools devote, on average, an even larger share of those aid dollars to students without financial need than their more well-known and better-resourced counterparts (see Figure 20).



In the past, most state regional colleges predominantly enrolled students from their surrounding neighborhoods. But as enrollment management has spread throughout public higher education, many state colleges have had to become more aggressive in their recruiting as well.<sup>70</sup>

Take the University of Northern Alabama (UNA), for example. For much of its history, the school primarily enrolled students from just five Alabama counties. But, with other in-state and out-of-state public universities recruiting more heavily in these counties, UNA sustained enrollment declines for five years running. To better compete and make up for those losses, UNA in 2015 began to use non-need-based scholarships to try to lure students from Tennessee and other Southeastern states to the institution.<sup>71</sup>

“Everyone’s territory appears to be becoming everyone else’s territory, to the point we don’t have a territory really,” Thomas J. Calhoun, the then-vice president for enrollment management, told the *TimesDaily*. “Everyone is competing everywhere.”

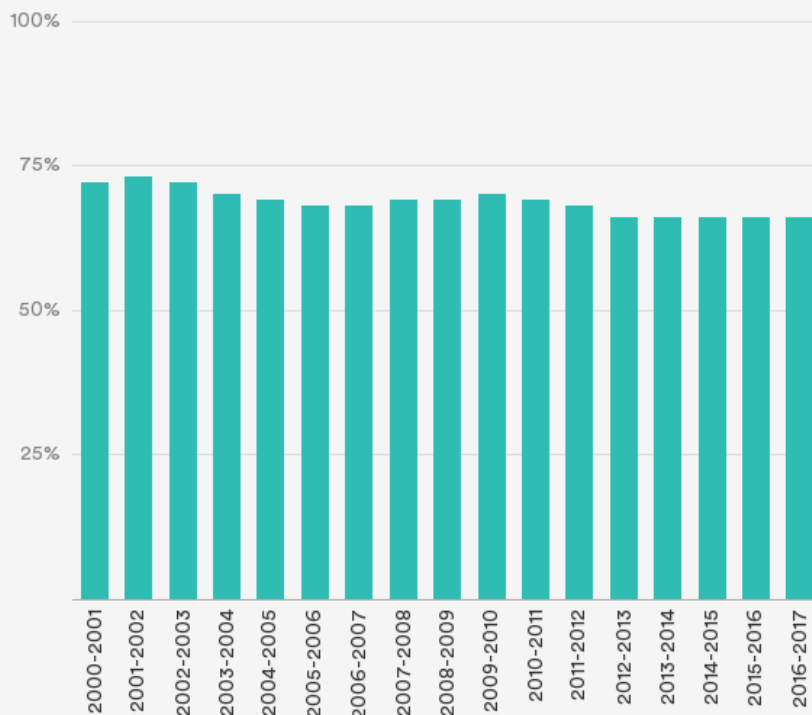
Regional state colleges tend to serve a larger share of low-income and working-class students than flagships and research universities. The fact that many of these institutions are increasingly devoting a substantial share of their aid budgets to students who don’t necessarily need the money is a really bad sign for higher education equity in this country.

---

## Chapter 3: The Harm Done

In the 2000–2001 school year, the 339 schools examined in this paper met, on average, nearly three-quarters of the financial need of student aid recipients on their campuses. By 2016–2017, they met only about two-thirds, with a number of schools meeting far less (see Figure 21). The overall pattern generally follows the chronology set out in the last chapter, when comparing the growth of need-based and non-need-based aid year to year and over the time period.

**Figure 21 | The Average Amount of Financial Need the 339 Schools Met, 2001–2007**



NEW AMERICA

### *Before the Financial Crisis: 2001–2006*

As need-based aid grew faster than merit aid for relatively affluent students in the early years of this period, public universities met an average of 70 percent or more of the financial need of their student-aid recipients from 2001–2004. But as

the momentum shifted to helping non-needy students, the percentage dipped slightly to 68 percent by 2005-2006.

***During the Financial Crisis and Flagging Recovery, 2007-2013***

In the face of the financial crisis, the schools' spending on need-based aid increased and the average share of financial need met trended back up, showing that the shift was not entirely illusory. But non-need-based aid began to make a comeback by the end of the period, and the average share of financial need met dipped again.

***The New Reality, 2014-2017***

With non-need-based aid growing faster than need-based aid for much of this period, the average share of financial need met stayed stuck at its lowest point of 66 percent. The only surprising thing is that it did not drop further.

At the institution-level, the analysis found that 214 schools, or 63 percent of the institutions, reduced the share of financial need they met by an average of 18 percentage points during the 17-year period (see Figure 22).

---

**→ THE FINANCIAL NEED MET MEASURE**

In the data they provide to college guidebook and rankings publishers like Peterson's and *U.S. News & World Report*, colleges annually disclose the average percentage of financial need they meet of their student aid recipients. While some of the richest and most elite schools meet students' full need, the overwhelming majority meet a smaller share. In 2016-2017, only four public universities—Minot State University in North Dakota, the State University of New York Polytechnic Institute, the University of North Carolina at Chapel Hill, and the University of Virginia—reported meeting 100 percent of need.

But how is a student's financial need at a given college determined?

A student must first fill out the Free Application for Federal Student Aid, known as the FAFSA. The federal government uses the financial information that the student and his or her family provide to calculate that student's "expected family contribution." The EFC is the amount of money that the federal government believes that the family can afford to pay for college.

The next important variable is the annual cost of attendance (COA) at the college the student wants to attend. The cost of attendance includes tuition, fees, room and board, books, and other expenses.

The student's financial need equals the COA minus the EFC. For example, if the cost of attendance is \$40,000 and the student's EFC is \$10,000, then that student's need is \$30,000. If the school meets the student's full financial need, it will cover that amount with federal, state, and institutional grants and loans. Most, however, will leave students with some unmet need.

In 2016–2017, the public universities included in this report met an average of 66 percent of the financial need of their student aid recipients. Using the example above, they would cover approximately \$19,800 of the student's need, leaving that individual with a financial gap of \$10,200. The student could cover that shortfall by using his or her earnings from working while enrolled, by taking out additional debt, or by doing both. There are two options for taking out additional debt: either the student can have his or her parents secure an expensive federal PLUS loan or can borrow a private loan, which typically comes with worse terms than a federal loan and with fewer consumer protections.

Neither option is ideal for students coming from families annually earning \$40,000 or less. For these students and their families, taking on this additional debt is a very risky proposition.

**Figure 22 | Breakdown of Schools by Change in Financial Need Met, 2001–2017**

Change	# of Schools	% of schools	Ave. % point change
Decreased Financial Need Met	214	63%	-18%
Increased Financial Need Met	120	35%	12%
No Change	3	1%	0%
<b>Totals</b>	<b>*337</b>	<b>99%</b>	<b>-6%</b>

\*Two schools didn't include data on the average amount of financial need they met.

NEW AMERICA

The downward shift in the average share of financial need that public universities met from 2000-01 to 2016-17 has been substantial (see Figure 23).

**Figure 23 | The Downward Shift in Need Met at Public Universities, 2000–2001 vs. 2016–2017**

AVG Financial Need Met	Schools in 2001	% of Total, 2001	Schools in 2017	% of Total, 2017
100 percent of need	7	2%	4	1%
95 percent or more	20	6%	7	2%
90 percent or more	42	12%	11	3%
85 percent or more	79	23%	28	8%
80 percent or more	120	35%	60	18%
75 percent or more	165	49%	93	27%
70 percent or more	207	61%	123	36%
65 percent or more	248	73%	172	51%
60 percent or more	279	82%	242	71%
55 percent or more	293	86%	275	81%
50 percent or more	311	92%	295	87%
45 percent or more	316	93%	312	92%
40 percent or more	321	95%	321	95%
35 percent or more	327	96%	324	96%
30 percent or more	328	97%	327	96%

NEW AMERICA

Between 2000-2001 and 2016-2017:

- The number of public universities meeting at least 85 percent of their student-aid recipients' financial dropped from 79, or nearly one-quarter of the institutions, to 28, or just 8 percent.
- The number meeting at least 75 percent fell from 165, or nearly half of the schools, to 93, or just over one-quarter.
- The number meeting at least 65 percent fell from 248, or nearly three-quarters of the schools, to 172, or just over half.

It is very likely that the spread of enrollment management and the merit-aid arms race played a big part in driving those numbers down so dramatically. However, these data *on their own* do not provide enough information to make that conclusion. With state disinvestment pushing schools to increase their prices, and family income in decline, it is not surprising that many schools were not able to cover as much of their students' financial need as they had previously.

And in fact, when looking at the financial need met data more closely, the analysis found that it did not matter whether individual schools increased or decreased the amount of non-need-based aid they spent from 2000-2001 to 2016-2017. Both sets of schools reduced the share of financial need that they met (see Figure 24).

**Figure 24 | Changes in Spending on Non-Need Aid and Financial Need Met, 2001-2017**

Change	# Schools	% of Schools	% Change in Need Met
Increased Spending on Non-Need Aid	271	80%	-6%
Decreased Spending on Non-Need Aid	62	18%	-10%

NEW AMERICA

Clearly, there was not a direct relationship between the two variables. Schools that increased their spending on non-need-based aid did not automatically reduce the share of financial need they met. Other factors were at work.

What the analysis did find, however, was that schools that predominantly used their institutional aid to provide scholarships or discounts to relatively affluent students in 2016-2017 appeared to leave financially needy students with larger funding gaps than those that primarily used their aid to meet need. In looking for a relationship with the financial need met figures, the key element was *not the amount of money* that schools spent on non-need-based aid or *whether that amount went up or down*, but *how big a share of the school's aid budget* that spending represented (see Figure 25).

**Figure 25 | How Share of Money Spent on Non-Need Aid Affects Percent of Financial Need Met**

% of Non-Need Aid	Schools	% Need Met
10 percent or less	48	70%
One-quarter or less	111	68%
One-third or less	147	69%
Less than 50 percent	230	68%
More than 50 percent	108	62%
Two-thirds or more	77	60%
Three-quarters or more	66	59%
90 percent or more	47	58%

NEW AMERICA

For example, in 2016–2017:

- Schools that spent more than half of their aid on non-needy students met, on average, 62 percent of the financial need of their student aid recipients, while schools that spent less than half met, on average, 68 percent.
- Schools that spent three-quarters or more of their aid on non-needy students met, on average, 59 percent of the financial need of their student aid recipients, while schools that spent one-quarter or less met, on average, 68 percent.
- Schools that spent 90 percent or more of their aid on non-needy students met, on average, 58 percent of the financial need of their student aid recipients, while schools that spent 10 percent or less met, on average, 70 percent.

Enrollment management has encouraged more and more public universities to adopt the high-tuition, high-aid policies of their private college counterparts. By raising their sticker prices, the schools can provide larger non-need-based discounts and scholarships to enroll the students they most desire. As a result, low-income and other financially needy students are left with larger funding gaps.

To test out this theory, the analysis looked again at the 58 public universities and state colleges in the four states—California, North Carolina, Texas, and Washington—that have kept their prices relatively low for in-state students, and generally do not participate in the merit-aid arms race. As a group, these schools met a higher level of the financial need (70 percent) of their student aid recipients in 2016–17 than those in the other 46 states combined (65 percent) met (see Figures 26 and 27).

**Figure 26 | Average Need Met at Schools in Low-Cost States**

States	# of schools	% No Need	% Need Met
California	24	6%	71%
North Carolina	11	12%	71%
Texas	17	20%	66%
Washington	6	26%	76%
<b>Totals</b>	<b>58</b>	<b>9%</b>	<b>70%</b>

NEW AMERICA

**Figure 27 | Average Need Met at Schools in Other 46 State**

States	# of schools	% No Need	% Need Met
46	281	43%	65%

NEW AMERICA

In contrast, there are 44 schools in five states—Alabama, Indiana, New Jersey, South Dakota, Tennessee—that are especially heavily involved in the merit-aid arms race. As a group, these schools spent an average of 62 percent of their aid funds on students who lacked financial need and they met just 62 percent of the financial need of their student aid recipients (see Figure 28). (Indiana was an exception, meeting 70 percent of need.)



**Figure 28 | Average Need Met in High Non-Need Aid States**

State	# of Schools	% No Need	% Need Met
Alabama	10	70%	59%
Indiana	12	57%	70%
New Jersey	9	57%	58%
South Dakota	5	92%	59%
Tennessee	8	52%	61%
<b>Total</b>	<b>44</b>	<b>62%</b>	<b>62%</b>

NEW AMERICA

Colleges that leave low-income and working-class students with large funding gaps add hurdles that could stymie the educational progress of these students. Many students feel they have no choice but to work long hours at jobs off campus, making it more difficult for them to complete assignments. Some choose to attend part-time, and others may “stop out,” leaving school with the hope they will return at some future point. Most who remain in school have to take on large amounts of debt to fill the gaps, including risky private loans that tend to come with higher interest rates and fewer consumer protections than federal loans.

That certainly seems to be the case here, as the data suggests that among college seniors at public universities, a larger share graduated with debt and took on heavier debt loads at schools that primarily spent their aid on non-needy students than at schools that predominantly used their aid to fill financial need (see Figure 29).

**Figure 29 | Share of Non-Need Aid, and Share and Average Debt of Graduating Seniors**

Share of Non-Need Aid	Schools	% with debt	\$ debt
10 percent or less	48	55%	\$22,214
One-quarter or less	111	62%	\$25,301
One-third or less	147	63%	\$26,244
Less than 50 percent	230	62%	\$26,644
More than 50 percent	108	65%	\$27,955
Two-thirds or more	77	67%	\$27,920
Three-quarters or more	66	69%	\$27,995
90 percent or more	47	69%	\$27,893

NEW AMERICA

For example, in 2016–2017:

- At schools that spent more than half of their aid on relatively affluent students, about 65 percent of graduating seniors borrowed, with an average debt of \$27,955. In comparison, at institutions that spent less than half of their aid budget on those students, 62 percent borrowed and had an average debt of \$26,644 .
- At schools that spent three-quarters or more of their aid on students without financial need, 69 percent of graduating seniors borrowed, with an average debt of \$27,995. In contrast, at institutions that spent one-quarter or less of their aid on those students, 62 percent borrowed and had an average debt of \$25,301.
- At schools that spent 90 percent or more of their aid on non-needy students, 69 percent of graduating seniors borrowed with an average debt of \$27,893 . In comparison, at institutions that spent 10 percent or less of their aid on those students, 55 percent borrowed, with an average debt of \$22,214

At the 58 schools in the four states that have kept their prices low and have generally not participated in the merit-aid arms race, 58 percent of seniors graduated with debt averaging \$22,945 in 2016–2017 (see Figure 30).

**Figure 30 | Graduating Seniors with Student Debt in Low-Cost States**

States	# of Schools	% w/Loans	AVG Debt
California	24	54%	\$20,435
North Carolina	11	63%	\$24,624
Texas	17	58%	\$23,729
Washington	6	58%	\$22,992
<b>Totals</b>	<b>58</b>	<b>58%</b>	<b>\$22,945</b>

NEW AMERICA

That compared with 64 percent of graduating seniors at public universities in the other 46 states combined. Those students completed college with an average debt of \$27,907 (see Figure 31).

**Figure 31 | Graduating Seniors with Student Debt in Other 46 States**

States	# of Schools	% w/Loans	AVG Debt
46 states	281	64%	\$27,907

NEW AMERICA

Meanwhile, at the 44 schools in the five states that have a large number of public universities heavily involved in the merit-aid arms race, 65 percent of seniors graduated with debt averaging \$28,727 (see Figure 32).

**Figure 32 | Graduating Seniors with Student Debt at Schools in High Non-Need Aid States**

States	# of Schools	% of Loans	AVG Debt
Alabama	10	65%	\$29,909
Indiana	12	62%	\$26,600
New Jersey	9	65%	\$30,553
South Dakota	5	75%	\$31,757
Tennessee	8	63%	\$26,640
<b>Total</b>	<b>44</b>	<b>65%</b>	<b>\$28,727</b>

NEW AMERICA

The high-tuition, high-aid policies that more and more public universities are adopting under the sway of enrollment management are putting low-income and working-class students under considerable financial pressure. And the debt figures very likely understate the problem, as they represent those who have successfully completed their programs and are better able to repay their loans. There is little information about the financial pressures faced by those who are lost along the way—those who drop out and must repay their debt without the benefit of having a college degree.

At a time of ever-growing inequality in this country, this country needs its public universities to be engines of opportunity once again.

## Conclusion

In recent years, some public university officials have acknowledged that their institutions have been on a treacherous course—leaving low-income and working-class students in the lurch while using their financial aid to pursue wealthier students.

In 2017, the University of Kentucky announced that it planned to significantly scale back its use of merit aid and make need-based aid the predominant form of assistance it provides. At the time, the university was spending 90 percent of its institutional aid dollars on students who lacked financial need. Meanwhile, the school was filling an average of just 54 percent of the need of its student aid recipients.

University officials said that while heavy use of non-need-based aid helped the school attract top students, it was driving down retention and completion rates. Financially needy students were dropping out because they were being left with too much unmet need. Insufficient financial aid packages “were the single most important factor” preventing students from completing their degrees, Tim Tracy, the university’s then-provost said.

Similarly, when Ann Cudd became the provost at the University of Pittsburgh in 2018, she was alarmed that the school was meeting only a little more than half of the financial need of its low-income and working-class students. Since then, she has reallocated merit-aid money to create two new programs, one that matches dollar-for-dollar students’ Pell Grants, which go to the lowest-income students; and another that aims to reduce the unmet need of those financially needy students who have the biggest funding gaps and are in danger of dropping out.

“Higher education is coming to a real crisis point in terms of not being able to serve the goal of social mobility,” Cudd, who has done research on income inequality in higher education, told *Inside Higher Ed*.

These examples are heartening, showing that there are still leaders in public higher education who recognize the essential role their institutions have historically played. And they understand the tremendous financial burden many of the schools are placing on low-income and working-class students by spending tens of millions of dollars lavishing tuition discounts and scholarships on upper middle-income and wealthy, mostly white students whose families can generally afford to pay full freight.

There is a chance that many more public university leaders will recognize the need to change their schools’ ways. But that is extremely unlikely, considering all of the pressures to keep ratcheting up non-need-based aid spending.

Public higher education has clearly reached the crisis point that Cudd referenced. Nearly half of the public universities examined cover less than 65 percent of the financial need of their student aid recipients and about one in five cover less than 55 percent. Those numbers are appalling.

That is why federal intervention is needed to rein in the enrollment management industry and put the brakes on the merit-aid arms race for good.

The federal government clearly has an extremely compelling interest in curbing these harmful practices. It spends tens of billions of dollars annually through the federal Pell Grant program trying to keep college accessible and affordable for low-income students.

But the Pell Grant program has a major design flaw. It makes no demands on the colleges that receive the funds to do their part in helping these students.

The federal campus-based aid programs—the Supplemental Educational Opportunity Grant program (SEOG) and Federal Work-Study—are many magnitudes smaller than the Pell Grant program. But they do not contain its design flaw. They require colleges to at least partially match the money they receive from these programs.

Congress should not continue to allow colleges that are undermining the federal government’s national college access goals to continue receiving funds from these programs.

In the months ahead, the author of this report will further develop this proposal. Perhaps the leaders of public universities and change their ways before then. But don't hold your breath.

## Notes

- 1 Michael Mitchell, Michael Leachman, and Matt Saenz, “State Higher Education Funding Cuts Have Pushed Costs to Students, Worsened Inequality,” Center on Budget and Policy Priorities (Washington, DC, October 24, 2019): <https://www.cbpp.org/sites/default/files/atoms/files/10-24-19sfp.pdf>
- 2 Bradley Barnes and Michael S. Harris, “Privatization Influences and Strategic Enrollment Management Decisions in Public Research Universities,” *College & University* Vol. 85/#4, The American Association of Collegiate Registrars and Admissions Officers (Washington, DC, Spring 2010): [https://www.aacrao.org/docs/default-source/c-u-.pdfs/mjl2tlreryqli2td6siy\\_cuj8504.pdf?sfvrsn=6cb73cff\\_0](https://www.aacrao.org/docs/default-source/c-u-.pdfs/mjl2tlreryqli2td6siy_cuj8504.pdf?sfvrsn=6cb73cff_0)
- 3 Ozan Jaquette, “State University No More,” Jack Kent Cooke Foundation (Lansdowne, VA, May 2017): [https://www.jkcf.org/wp-content/uploads/2018/06/Cooke\\_Foundation\\_State\\_University\\_No\\_More.pdf](https://www.jkcf.org/wp-content/uploads/2018/06/Cooke_Foundation_State_University_No_More.pdf)
- 4 Stephen Burd, “The Out-Of-State Student Arms Race,” *New America* (Washington, DC, May 2015): <https://www.newamerica.org/education-policy/policy-papers/out-of-state-student-arms-race/>
- 5 Ibid.
- 6 Jason D. Delisle and Cody Christensen, “The Merit Aid Illusion,” American Enterprise Institute (Washington, DC, May 8, 2019): <https://www.aei.org/research-products/report/the-merit-aid-illusion-the-hidden-winners-in-a-competition-for-affluent-college-students/>
- 7 Dawn Rhodes, “Growing Brain Drain: University of Alabama’s Gain in Drawing Illinois Students Is a Loss for Illinois,” *Chicago Tribune* (Chicago, IL, April 6, 2018): <https://www.chicagotribune.com/news/ct-met-illinois-students-brain-drain-20180405-story.html>
- 8 The data used in this paper comes from a survey of colleges that the publication Peterson’s conducts. In these data any aid that goes to financially needy students is counted as need-based aid. As a result, “merit” aid that goes to financially needy students is counted as need-based aid, even though the purpose of these funds is not to fill their financial need.
- 9 Donald Hossler, “The Role of Financial Aid in Enrollment Management” in Michael D. Coomes’ *The Role Student Aid Plays in Enrollment Management*, Jossey-Bass Publishers (San Francisco, CA, Spring 2000), p. 83.
- 10 Raj Chetty, John N. Friedman, Emmanuel Saez, Nicholas Turner, and Danny Yagan, “Mobility Report Cards: The Role of Colleges in Intergenerational Mobility,” National Bureau for Economic Research (Cambridge, MA, July 2017): [https://opportunityinsights.org/wp-content/uploads/2018/03/coll\\_mrc\\_paper.pdf](https://opportunityinsights.org/wp-content/uploads/2018/03/coll_mrc_paper.pdf)
- 11 Edited by Stephen Burd, “Moving on Up? What a Groundbreaking Study Tells Us about Access, Success, and Mobility in Higher Ed,” *New America* (Washington, DC, October 2017): <https://www.newamerica.org/education-policy/policy-papers/moving-on-up-series/>
- 12 Ibid.
- 13 New America’s “Undermining Pell” series consists of four reports examining the U.S. Department of Education’s Average Net Price data for the 2010–2011, 2011–2012, 2013–2014, and 2015–2016 academic years. In each of the four reports, the share of public institutions charging first-time, in-state students an average net price over \$10,000 grew, from 34 percent in 2010–2011 to 39 percent in 2011–2012 to 47 percent in 2013–2014 to 52 percent in 2015–2016.
- 14 Stephen Burd, “Undermining Pell: How Colleges Compete for Wealthy Students and Leave the Low-Income Behind,” *New America* (Washington, DC, May 2013): <https://static.newamerica.org/attachments/2320-undermining-pell-2/>

Merit\_Aid%20Final.b3b89c275d2249eeb19cb53d3fc049b6.pdf

15 Stephen Burd, “Undermining Pell Vol. 4: How the Privatization of Public Higher Education is Hurting Low-Income Students,” *New America* (Washington, DC, October 2018): [https://d1y8sb8igg2f8e.cloudfront.net/documents/UNDERMINING\\_PELL\\_VOLUME\\_IV\\_2018-10-30\\_123354.pdf](https://d1y8sb8igg2f8e.cloudfront.net/documents/UNDERMINING_PELL_VOLUME_IV_2018-10-30_123354.pdf)

16 A September 2016 Maryland Higher Education Commission report found that low-income students in Maryland’s public four-year universities were significantly less likely to graduate if they had unmet financial need. The commission wrote that low-income students with unmet need faced “hurdles to completion” that more-affluent students with unmet need did not. “These hurdles may include working part-time or full-time while enrolled or interrupting college for a semester or longer to focus on employment and saving money in order to return to school,” the report stated. “Both these scenarios put students at risk of delayed graduation or leaving college altogether. The latter outcome is particularly troubling, as students who depart before graduation can be burdened with college debt and reap none of the economic rewards that come with a college degree.” <https://mhec.maryland.gov/publications/Documents/Research/AnnualReports/Unmet%20Need%202016%20Final%20Report.pdf>

17 Linda Blackford, “Too Many Students Can’t Pay for College. So UK Is Making a Major Change to Help,” the *Lexington Herald-Leader* (Lexington, KY, October 21, 2016): <https://www.kentucky.com/news/local/education/article109603712.html>

18 Madeline St. Amour, “Moving Away From Merit Aid,” *Inside Higher Ed* (Washington, DC, October 18, 2019): <https://www.insidehighered.com/news/2019/10/18/new-grant-program-pitt-matches-pell-grants-and-targets-students-unmet-need>

19 In 1862, Congress approved the Morrill Land-Grant College Act, which provided federal land to

states to create land-grant universities that would “promote the liberal and practical education of the industrial classes.”

20 As quoted by Benjamin Wermund in “In Trump Country, a University Confronts Its Skeptics,” *Politico* (Washington, DC, November 9, 2017): <https://www.politico.com/story/2017/11/09/university-of-michigan-admissions-low-income-244420>

21 Ibid.

22 Adam Davidson, “Is College Tuition Really Too High?” *The New York Times Magazine* (New York, NY, September 8, 2015): <https://www.nytimes.com/2015/09/13/magazine/is-college-tuition-too-high.html>

23 Donald E. Heller, “Institutional Scholarship Awards: The Role of Student and Institutional Characteristics,” Presentation for the ASHE Annual Conference (Sacramento, CA, October 2000): <http://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.26.3709&rep=rep1&type=pdf>

24 Ibid.

25 Donald E. Heller, “Merit Aid and College Access,” Presentation for the Wisconsin Center for the Advancement of Postsecondary Education’s Symposium on the Consequences of Merit-Based Student Aid, University of Wisconsin (Madison, WI, March 2006).

26 Jennie H. Woo and Susan P. Choy, “Merit Aid for Undergraduates: Trends From 1995–96 to 2007–08,” U.S. Department of Education’s National Center for Education Statistics (Washington DC, October 2011): <https://files.eric.ed.gov/fulltext/ED525088.pdf>

27 Michael S. McPherson and Morton Owen Schapiro, *The Student Aid Game*, Princeton University Press (Princeton, NJ, 1998), pgs.5–9.

28 Ibid.



29 Ibid, pgs. 6-7.

30 Ibid, pgs. 7-8.

31 Ibid, p. 8.

32 Comptroller General, "Report to the Congress of the United States: Problems and Outlook of Small Private Liberal Arts Colleges," the General Accounting Office (Washington, DC, August, 25, 1978): <https://www.gao.gov/assets/660/655235.pdf>

33 Juan Olavarria, "A Focus on Cost-cutting Saved BC From Bankruptcy, Financial Woes in the 1970s," *The Heights* (Boston, MA, November 2, 2014): <https://bcheights.com/2014/11/02/focus-cost-cutting-saved-bc-bankruptcy-financial-woes-1970s/>

34 John Maguire, "To the Organized, Go the Students," *Boston College Bridge Magazine* (Boston, MA, Fall 1976): <https://cdn2.hubspot.net/hubfs/1940013/To%20the%20Organized%20Go%20the%20Students%20-%20Boston%20College.pdf>

35 Ibid.

36 Ibid.

37 Maggie McGrath and Matt Schifrin, "The Invisible Force Behind College Admissions," *Forbes* (Jersey City, NJ, July 30, 2014): <https://www.forbes.com/sites/maggiemcgrath/2014/07/30/the-invisible-force-behind-college-admissions/#1bd0e8e370a5>

38 Stephen Burd, "Merit Aid Madness," *Washington Monthly* (Washington, DC, September/October 2013): <https://washingtonmonthly.com/magazine/septoct-2013/merit-aid-madness/>

39 Burd, "The Out-Of-State Student Arms Race."

40 "Public Research Universities: Changes in State Funding," *The Lincoln Project: Excellence and Access in Public Higher Education*, American Academy of Arts & Sciences (Cambridge, MA, 2015): [https://](https://www.amacad.org/sites/default/files/academy/multimedia/pdfs/publications/researchpapersmonographs/PublicResearchUniv_ChangesInStateFunding.pdf)

[www.amacad.org/sites/default/files/academy/multimedia/pdfs/publications/researchpapersmonographs/PublicResearchUniv\\_ChangesInStateFunding.pdf](https://www.amacad.org/sites/default/files/academy/multimedia/pdfs/publications/researchpapersmonographs/PublicResearchUniv_ChangesInStateFunding.pdf)

41 Jaquette, "State University No More."

42 Matthew Quirk, "The Best Class Money Can Buy," *The Atlantic* (Washington, DC, November 2005): <https://www.theatlantic.com/magazine/archive/2005/11/the-best-class-money-can-buy/304307/>

43 John Roush, "Control the Aid Arms Race," *Inside Higher Ed* (Washington, DC, January 5, 2010): <https://www.insidehighered.com/views/2010/01/05/control-aid-arms-race>

44 Burd, "The Out-of-State Student Arms Race."

45 Eric Kelderman and Lee Gardner, "The Looming Enrollment Crisis," *The Chronicle of Higher Education* (Washington, DC, November 2019): <https://store.chronicle.com/products/the-looming-enrollment-crisis>

46 Ibid.

47 James J.F. Forest and Kevin Kinser, *Higher Education in the United States: An Encyclopedia Vol. 1 A-L*, ABC-CLIO (Santa Barbara, CA, 2002), p. 129.

48 See Laura Pappano, "How the University of Alabama Became a National Player," *The New York Times* (New York, NY, November 3, 2016): <https://www.nytimes.com/2016/11/06/education/edlife/survival-strategies-for-public-universities.html> and Hillel Hoffmann, "How Do You Measure Success? Temple's Master of Statistics Tells All," *Temple Now* (Philadelphia, PA, Winter 2016): <https://news.temple.edu/publications/temple-magazine/2016/winter/numbers>

49 Burd, "The Out-of-State Student Arms Race."

50 Burd, "Merit Aid Madness."

- 51 Kellie Woodhouse, "Playing the Aid Game," *Inside Higher Ed* (Washington, DC, December 18, 2015): <https://www.insidehighered.com/news/2015/12/18/university-wisconsin-ups-its-merit-aid-effort-better-compete-peers>
- 52 Rhodes, "Growing Brain Drain: University of Alabama's Gain in Drawing Illinois Students Is a Loss for Illinois."
- 53 Heather Schlitz, "Increase in UI Budget Request to Help Retain In-State Enrollment," *The Daily Illini* (Urbana-Champaign, IL, April 19, 2018): <https://dailyillini.com/news/2018/04/19/increase-in-ui-budget-request-to-help-retain-in-state-enrollment/>
- 54 Dawn Rhodes, "Illinois College Enrollment Numbers Are Out: Two Schools Broke Their All-Time Records This Year—Again," *Chicago Tribune* (Chicago, IL, September 13, 2019): <https://www.chicagotribune.com/news/ct-cb-fall-enrollment-2019-illinois-universities-20190905-ajhizgv6sfbtlesmim732kiuma-story.html>
- 55 Peter Medlin, "When Illinois Students Leave the State for College, Who Reaps the Rewards?" Northern Public Radio (DeKalb, IL, August 8, 2019): <https://www.northernpublicradio.org/post/when-illinois-students-leave-state-college-who-reaps-rewards>
- 56 For example, in a presentation they gave in 2011 to the Association of Independent Colleges and Universities in Massachusetts, Larry Butler and David Wuinee of Maguire Associates said that financial aid leveraging allows colleges that lack large endowments and serve a disproportionate share of low-income students to increase their net revenue and spend that money for "not only program enrichment but expanded need-based financial aid." As a result, they argued, "Far from being immoral, Strategic Pricing can be the most ethical response in an unfair system." They did not, however, provide any evidence that the schools were actually doing that. <http://aicum.org/wp-content/uploads/2013/08/maguire-11.pdf>
- 57 In an article he wrote in 2019 for *Teachers College Record* (Vol. 121 #2) Robert Kelchen, an assistant professor of higher education at Seton Hall University, reported that a research study he had conducted did not find any evidence that public universities use revenue they receive from enrolling out-of-state students to make college more affordable for in-state students: <https://www.tcrecord.org/Content.asp?ContentId=22575>
- 58 Hossler, "The Role of Financial Aid in Enrollment Management."
- 59 McGrath and Schifrin, "The Invisible Force Behind College Admissions."
- 60 Davidson, "Is College Tuition Really Too High?"
- 61 The only flagships missing are the University of New Mexico and the University of Kentucky. The University of New Mexico has not participated in the survey, and the University of Kentucky did not break down in a reliable fashion the amount of money that it spent each year on need-based and non-need-based aid.
- 62 Burd, "The Out-Of-State Student Arms Race."
- 63 Sandy Baum, "Guest Post: A Question of Priorities at Public Colleges," *New America* (Washington, DC, January 13, 2009): <https://www.newamerica.org/education-policy/higher-education/higher-ed-watch/guest-post-a-question-of-priorities-at-public-colleges/>
- 64 Ibid.
- 65 Sandy Baum, Lucie Lapovsky, and Jennifer Ma, "Tuition Discounting: Institutional Aid Patterns at Public and Private Colleges and Universities, 2000-01 to 2008-09," *The College Board* (New York, NY, September 2010): <https://research.collegeboard.org/pdf/trends-2010-tuition-discounting-institutional-aid-report.pdf>
- 66 Ibid.

67 As stated earlier, the data that colleges report to publications like Peterson's that rank schools count merit aid that goes to financially needy students as need-based aid.

68 Jaquette, "State University No More."

69 Burd, "Undermining Pell Vol. 4."

70 Burd, "The Out-Of-State Student Arms Race."

71 Jennifer Edwards, "Fewer Alabama Students at Public, Community Colleges," *TimesDaily* (Florence, AL, October 4, 2014): [https://www.al.com/news/2014/10/fewer\\_alabama\\_students\\_at\\_publ.html](https://www.al.com/news/2014/10/fewer_alabama_students_at_publ.html)



This report carries a Creative Commons Attribution 4.0 International license, which permits re-use of New America content when proper attribution is provided. This means you are free to share and adapt New America’s work, or include our content in derivative works, under the following conditions:

- **Attribution.** You must give appropriate credit, provide a link to the license, and indicate if changes were made. You may do so in any reasonable manner, but not in any way that suggests the licensor endorses you or your use.

For the full legal code of this Creative Commons license, please visit [creativecommons.org](https://creativecommons.org).

If you have any questions about citing or reusing New America content, please visit [www.newamerica.org](https://www.newamerica.org).

All photos in this report are supplied by, and licensed to, [shutterstock.com](https://www.shutterstock.com) unless otherwise stated. Photos from federal government sources are used under section 105 of the Copyright Act.