The growing campus role in providing student financial aid is discussed based on data from the Cooperative Institutional Research Program, Peterson's Guide, and other sources. The campus contribution to student aid programs has grown far more than recent tuition increases. A significant portion of the financial aid burden has passed from federal government to public and private colleges since 1980. The data reveal that freshman participation in the Pell Grant program has declined by nearly half since 1980, while freshman participation in the Guaranteed Student Loan program has increased by almost one-fourth from 1980 to 1985. Between fall 1980 and 1986, participation in the Pell Grant program fell by an estimated 267,000 first-time, full-time freshman. To provide financial aid to students, colleges are using college funds that otherwise would go to salaries, program enhancement, and facility repairs/improvements. New eligibility reductions implemented over the past 6 years mean that many families who were eligible for Pell support in 1980 were not eligible for aid in 1986. The impact of changes in student aid on student choice, outcomes for the educational infrastructure, and issues confronting families are addressed. (SW)
These data are used to develop a normative profile of the 1.6 million first-time, full-time students entering American colleges and universities. More than 6 million students and some 1,300 institutions have participated in the CIRP freshman surveys since 1966.3

In addition to data about demographic characteristics, degree aspirations, career goals, expectations of college, values, attitudes, and experiences in high school, the CIRP freshman survey also collects information about freshman participation in various financial aid programs. The freshman survey data point to dramatic changes in student access to and participation in financial aid programs since 1980.

Our data reveal that freshman participation in the Pell Grant program has declined by nearly half since 1980. Only 16.9 percent of the first-time, full-time freshmen who entered college in Fall 1986 reported receiving Pell Grants, down from 19.9 percent in 1985 and 31.5 percent in 1980. Although fewer freshmen have grants, more now have loans. Freshman participation in the Guaranteed Student Loan (GSL) program has increased by almost one-fourth during this same period: in 1986, one freshman in four (25.4 percent) assumed some loan obligation through the GSL program, up from 23.0 percent in 1985 and 20.9 percent in 1980 (Figure 1).

![Fig. 1: Freshman Participation in Student Aid Programs](source: CIRP Freshman Survey, Higher Education Research Inst., UCLA)

These declines in the proportion of freshmen participating in the Pell Grant program translate into significant numbers of students. For example, between Fall 1980

---

3The CIRP, initiated in 1966 by the American Council on Education (ACE), is now based at UCLA's Higher Education Research Institute, under the joint sponsorship of ACE and UCLA. For the most recent annual report of the freshman survey program please see Alexander W. Astin, Kenneth C. Green, William S. Korn, and Marilynn Schalit, *The American Freshman: National Norms for Fall 1986* (Los Angeles: Higher Education Research Institute, University of California, Los Angeles, 1986). Two decades of the CIRP freshman data have been summarized in a special report issued earlier this year: Astin, Green & Korn, *The American Freshman: Twenty Year Trends* (Los Angeles: Higher Education Research Institute, UCLA, 1987).
and 1986, participation in the Pell Grant program fell by an estimated 267,000 first-time, full-time freshmen (Figure 2).

Concurrent with this shift in freshman participation in federal programs has been a substantial (40 percent) increase in the proportion of freshmen receiving a campus-funded grant or scholarship. (See Figure 1.) Taken together, these data indicate that (a) federal grants to students in collegiate institutions have declined substantially over the past six years, and (b) both public and private institutions have assumed a rising portion of the financial aid burden for their students. In other words, campuses are using institutional funds to replace the federal aid which is no longer available to a growing number of their students. Operating funds which might otherwise go to faculty salaries, program enhancement, physical plant repairs and improvements, and to science and computer labs are being allocated to student aid.

![Fig. 2: Estimated Number of Freshman Participants in the Pell Grant Program, Fall 1980 and 1986](chart)

- **Public Two-Year Colleges**: 196,000
- **Private Four-Year Colleges**: 106,000
- **Private Universities**: 21,000
- **Public Four-Year Colleges**: 112,700
- **Public Universities**: 32,300
- **All Freshmen**: 539,000

Source: CIRP Freshman Survey, Higher Education Research Inst., UCLA

The growing use of institutional funds to underwrite student aid has occurred in all sectors. Somewhat surprisingly, the overall increase in student participation in campus grant programs has been greater among (less-expensive) public institutions than in private colleges and universities. Between 1980 and 1986, the proportion of entering freshmen receiving a campus grant or scholarship rose by 64 percent in public universities and by 69 percent in public four-year colleges (Figure 3). In contrast, freshman participation in the Pell Grant program among students in public institutions declined by 45 percent in public universities and by 47.8 percent in public four-year colleges (Figure 4).
The proportion of freshmen receiving institutionally-funded aid rose by about one-fourth in both private universities (at 23 percent) and private four-year colleges (26 percent) between 1980 and 1986 (Figure 3). Similarly, freshman participation in the Pell Grant...
program for students in independent institutions fell about half between 1980 and 1986 (44.8 percent in private universities and 52.5 percent in private four-year colleges). (See Figure 4.)

These shifts in student participation in the Pell and GSL programs (and the resulting increases in campus aid) are directly tied to recent changes in the eligibility guidelines that govern federal aid programs. Between 1980 and 1986, real (i.e., constant dollar) eligibility for Pell Grants and other aid declined by 30 percent. What does this mean? In Fall 1980, families with incomes under $32,500 (in 1980 dollars) had a reasonable prospect of being eligible for Pell Grant assistance. Adjusting for inflation, that $32,500 would translate into just over $41,000 in 1986 dollars. However, the ceiling for aid eligibility in Fall 1986 was about $28,500, a real (i.e., constant) dollar eligibility reduction of just over 30 percent. The aid eligibility reductions implemented over the past six years mean that many families who were eligible for Pell support in 1980 (and whose real dollar income has not changed over this period) were not eligible for aid in 1986.

A hypothetical example helps illustrate this situation. In 1980 the Smith family prepares to send their son or daughter off to college. Their total family income is about $30,000 (in 1980 dollars): Mr. Smith makes $25,000 while his wife's part-time job brings in another $5,000. The Smiths apply for and receive a Pell Grant, their income being less than the $32,500 ceiling operant in 1980.

In 1986, the second child in the Smith family applies for college. Mr. Smith now makes about $30,000, although his wife is no longer working part-time. Despite the fact that their real income has declined about 27 percent, the Smiths learn that they are no longer eligible for a Pell Grant, as their current income is above the new eligibility ceiling. Thus, even though the Smiths are really less affluent they were in 1980, they now learn that they are too "well-off" to receive aid.

This hypothetical example reflects the real experience of tens of thousands of families over the past six years.

Financial Data

In addition to the CIRP freshman survey cited above, ample evidence from other sources documents the increasing role of individual campuses in providing financial aid in the wake of declining access to federal support.

Some of the best financial data on the growing aid burden assumed by campuses comes from special analyses of the annual survey of college officials conducted by Peterson's Guide, publisher of one of the best and most widely used reference guides on American colleges and universities. Each year they survey college admissions officers to obtain information about enrollment, admissions rates, and program offerings, and related issues that concern students and parents going through the college selection and application process. They also ask key questions about financial aid, including the actual dollar amount of institutionally-funded grants and scholarships awarded to entering freshmen.

Our preliminary analyses of the Peterson's data suggest that campus-funded aid for entering freshmen is up substantially at colleges across the country. Many campuses experienced a 40-50 percent increase in the dollars allocated for campus-funded grants and scholarships awarded to entering freshmen between 1983/84 and 1986/87. These increases in the campus contribution to student aid surpass the rise in tuition or in inflation during the
same period. The results of our first analyses of the Peterson's data also parallel the gains shown in the CIRP data about the increase in the proportion of entering freshmen participating in campus-funded grants and scholarships.

Other data provide additional evidence of the growing role of institutional funds in supplanting the resources formerly available to students from the federal government. Unpublished data collected by the Indiana Commission on Higher Education in cooperation with the Independent Colleges and Universities of Indiana (ICUI) for a dozen of the 33 independent institutions in that state show that the increase in the proportion of fee revenues (the major source of revenue almost certainly for all 12 of the colleges) going back to students as aid rather than into instructional programs or the physical plant is dramatic.

Data collected over a shorter and more recent period on independent institutions in California by the California Postsecondary Education Commission (CPEC) suggest similar trends. For its 1985 study of the status of the independent sector in California, CPEC obtained three years of data on the sources of financial aid for private college and university students for three academic years. Between 1982-83 and 1984-85, California's private institutions increased their student aid expenditures from current operating budgets, endowments, and private fund-raising by more than 31 percent, in contrast to a 22 percent increase in tuition and related charges during this same period.4

One final and very important point on this issue. Our institute recently completed a major national study of student financial aid programs. Our analyses reveal that increases in state student aid do not lead to increased tuition charges in private institutions: rather, well-funded state-funded student aid programs help reduce tuition increases in private institutions.5 This finding confirms our interpretation of recent trends in federal aid: rather than encouraging institutions to raise tuition, student aid programs keep tuition costs from rising.

Impact of the Changing Aid Environment on Student Choice

The continuing changes in aid eligibility for students entering the nation's colleges and universities is confounding family efforts to plan for college costs. Research on factors affecting access and matriculation point to the student's perception of the family's ability to pay for college as perhaps the most critical factor in determining where the student might apply and where he or she will ultimately matriculate.6 And increasing numbers of students now find that their college options have diminished because of declining eligibility for federal assistance.

Referring back to the hypothetical Smith family, college-planning decisions made on the basis of their experience with their first child in 1980 were irrelevant when the second child went off to college six years later. Although the Smith family was eligible for assistance in 1980, they could not get aid in 1986, even though the real dollar value of their family income had actually declined in six years. The shrinking eligibility has made it extremely difficult for families to plan for the costs of college.

6Alexander W. Astin et. al., The Impact of Student Aid Programs on Student Choice. SISSFAP Study A. (Los Angeles: Higher Education Research Institute, 1978).
These trends are reflected in the CIRP freshman survey data. Between 1980 and 1986, the proportion of freshmen from families with incomes under $25,000 (1986 dollars) declined by one-tenth, while the proportion of freshmen from families with incomes under $40,000 (again, 1986 dollars) declined by almost 20 percent. For a growing number of American parents, the goal of sending children to college now appears to be an increasingly difficult, if not impossible, dream.

This instability in the financial aid environment, coupled with declining aid eligibility, has also affected the matriculation decisions of students who do go on to college. Campus officials talk of a "buying down" phenomenon which has occurred in recent years. Students who might have enrolled in private institutions are now opting for public campuses. Students who would have preferred to attend the state university are now opting in increasing numbers for public colleges closer to home. And increasing numbers of students are matriculating as commuters, living at home while attending a local four-year or community college.

Ample research suggests that these decisions, while made to save money, ultimately affect the overall quality of the educational experiences available to these students and adversely affect such things as likelihood of completing a degree, amount of contact with faculty, and satisfaction with the undergraduate experience.7

Rising Costs — or Reduced Subsidy?

As noted above, Education Department officials have been extremely critical of the nation’s colleges on the rising tuition issue. However, the data presented above clearly indicate that a substantial portion of what some critics might view to be "excessive" costs associated with the greater-than-inflation increases in college tuition are being used for student aid. The increased campus role in underwriting student aid is a direct response to the significant decline in aid eligibility we have experienced since 1980.

Tuition charges, no matter how high, do not fully reflect the real costs of anyone’s college education. All institutions provide some subsidy to their students, even to those students who do not receive any financial assistance. Among private institutions this subsidy typically runs about 25 percent (and often more) of the actual costs of education and it is substantially higher in the public sector. The balance of the difference between total tuition revenues and actual operating costs comes from alumni and corporate gifts, endowment income, and other revenues. Additionally, state funding is a major component of the subsidy for students in public institutions.

There is an important argument to be made that the recent round of greater-than-inflation tuition increases actually reflect a reduction in subsidy to the students who can best afford to pay the full costs of attending college.

How are campuses using what some critics might view to be the “excess” funds they realize from the recent tuition increases? Certainly these funds are going towards increasing faculty salaries (which have remained substantially behind inflation over the past

7 Some of the most important longitudinal research on college impacts is based on the follow-up studies of students who participated in the CIRP freshman surveys. See, for example, Alexander W. Astin, Four Critical Years (San Francisco: Jossey-Bass, 1978); Preventing Students from Dropping Out (San Francisco, Jossey-Bass, 1975): Achieving Educational Excellence (San Francisco: Jossey-Bass, 1986); and Kenneth C. Green et. al., The American College Student 1982: National Norms for Students Two- and Four-Years After Entering College (Los Angeles: Higher Education Research Institute, UCLA, 1983).
two decades) and improving campus facilities such as aging buildings, science labs, classrooms, and computer facilities. However, a significant portion of these revenues is also going right back into campus-funded grant and scholarship programs.

A recent survey of senior campus officials conducted by Elaine-El-Khawas of the American Council on Education provides convincing evidence that tuition increases are linked to the growing campus responsibility to provide financial aid. Financial aid programs ranked second, after support for academic programs, as a key factor in campus decisions about tuition.8

It is clear that the public criticism about tuition increases from some Education Department officials is unjustified. As noted above, there is hard evidence that campuses have assumed a significant portion of the responsibility for providing financial aid previously held by the federal government. Indeed, Department officials should be praising the nation's colleges for providing student aid and support at a time when the federal government cannot. They should be telling the American people and the Congress that the nation's colleges have been doing an outstanding job of assuring access and providing financial support because the institutions have replaced a significant portion of the financial aid "lost" because of budget cuts mandated by the federal deficit.

Consequences for the Educational Infrastructure

There is a limit to how long the nation's colleges and universities can continue to provide the financial assistance previously available to many families by the federal government. The funds which institutions must now allocate to underwrite financial aid programs reduce the institutional resources which should go to address critical infrastructure issues: science labs, computer equipment, physical plant, etc. These things all compete with student aid for limited institutional dollars.

Colleges and universities confront increasing pressures to undertake the long deferred maintenance of their physical plants, to modernize their computer facilities and science labs, to train our best and our brightest, and to play a major role in the nation's economic development through research, training, and teaching. Yet they have limited financial resources. If the campus money goes to student aid it cannot be used for labs, classrooms, libraries, and computers.

Real Issues Confronting American Families

The increasingly intense and partisan debate about the impact of financial aid policies seems to overlook the real experience of tens of thousands of American families who are attempting to plan for their children's college expenses during a period of unstable financial aid policy. Far removed from the ongoing debate and the reams of new data is the fact that the middle-income families continue to hear that there will be less federal financial support to assist their efforts to send their children to college.

Many families have become increasingly discouraged by the news, which seems to accompany each annual budget message, that the Administration wants to reduce aid programs for college students. The simple message of additional student aid reductions — seen in the morning newspaper, heard over the car radio on the way to work, or broadcast as part of the evening news — sends a chilling message to families who want nothing more

than to provide their children with a college education. The American people care about education. They recognize its importance as a strategic resource for the nation and value it for the opportunities it can provide their children. But for the past six years they have heard or inferred that financial aid will not be available to send their children to college.

Let's be clear that this has consequences that go beyond the life earnings of any one aspiring student. We hear more and more these days about competitiveness and the nation's need for a well-trained and highly-skilled labor force. Our colleges and universities play a critical role in training, talent development, scientific research, and technological development. If students are convinced that they cannot afford to go to college, then they will not go. And this will have dire consequences for us: it will affect our scientific productivity and our economic competitiveness, among other things.

I should note that some solutions are on the horizon. Indeed, the solutions are coming from the states and not from the federal government. Several states are examining tuition pre-payment programs that look very encouraging. The Michigan legislature has already passed a tuition pre-payment program; other states are looking at the Michigan model very carefully. However, these programs offer only a long-term solution: they will not mature and become operational for at least 10-15 years. Consequently they will not provide a solution to the financial aid problems that affect college students, their families, and the nation's colleges today, tomorrow, and for years to come.

Conclusion
The data presented above provide hard evidence of the growing campus role in underwriting student financial aid. Yes, tuition increases have been greater than inflation in recent years; but the campus contribution to student financial aid programs has grown far more than the recent increases in tuition. This increased institutional role in financial aid is directly linked to the reduced eligibility for federal aid which has affected tens of thousands of families over the past six years. And it comes at great cost to institutions, which must continue to defer infrastructure expenditures to underwrite aid for their students.

Congress must act soon to help resolve this situation. Families need to know that there will be some stability in financial aid programs and policies. In short, we cannot continue to change the rules, enfranchising and then disenfranchising families from aid programs like the ebb and flow of the tide. We need a stable set of financial aid policies and programs which help both families and campuses plan for the future.