



Analysis of the Higher Education Act Reauthorizations: Financial Aid Policy Influencing College Access and Choice

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The original goal of the Higher Education Act of 1965, the amendments to that act in 1972, and reauthorizations through 1998 was to increase accessibility of higher education to all. Initially these system-level efforts substantially enhanced equity, but recent enrollment trends raise the question: Is our system becoming more or less equitable? By conducting a policy analysis of the HEA reauthorizations and other legislation, in respect to policy decision-making and policy implementation on federal and state levels, this paper examines how financial aid policy influences college access and choice for low- to moderate-income undergraduate students. Key elements in the federal policy process are examined and recommendations for future state policy are addressed.

Keywords: higher education, financial aid, public policy, access, choice, equity

INTRODUCTION

The role student aid plays in American higher education finance has evolved in recent decades with limiting consequences for students (Hearn & Longanecker, 1985; Heller, 1999; McPherson & Schapiro, 1998; Mumper, 1998; Paulsen & St. John, 2002). How undergraduate education is aided financially with respect to differing student social backgrounds has an effect on access to and choice of undergraduate college. Furthermore, pricing, student aid, and the demand for college enrollment have set trends that directly impact college opportunity (Heller, 1999). Succinctly, patterns of rising tuition have been replacing government spending at both public and private institutions. States have decreased funding, federal grants have remained fairly constant, institutional grants have tripled, and federal loans have dramatically increased and changed due to the needs analysis methodology introduced in the 1992 reauthorization of the Higher Education Act (HEA) (McPherson & Schapiro, 1998). "High tuition, high aid . . . with an emphasis on loans rather than grants . . . [negatively] influence opportunities of students in different income groups to attain higher education" (McPherson & Schapiro, 1998, p. 35). By conducting a policy analysis of the HEA reauthorizations and other legislation, in respect to policy decision-making and policy implementation on federal and state levels, this paper examines how financial aid policy influences college access and choice for low- to moderate-income undergraduate students.

The HEA of 1965, an omnibus bill, changed federal support for higher education. In the mid-1960's, federal support consisted primarily of development, research, and student or institutional subsidies in areas defined as national priorities. The HEA of 1965, signed into law by Lyndon B. Johnson, appropriated \$804 million to support community service and continuing education; library assistance, training, and research; strengthening developing institutions; student assistance; teacher programs; and facilities construction (Hannah, 1996; Prisco, Hurley, Carton, & Richardson, Jr., 2002). "The clear intent of federal policymakers was that higher education remain a federal concern but a state responsibility" (Prisco et al., 2002, p. 3). Original federal authority did not extend to administration, personnel, curriculum, or library resources of any institution except in three areas: (a) equal protection (Fourteenth Amendment), (b) research and development appropriations, and (c) fund matching of loans for postsecondary students. "Subsequent reauthorizations have pressured states to establish some form of coordinating agency, initially to monitor academic quality and later to become involved in accreditation-like activities" (Prisco et al., 2002, p. 3).

HEA reauthorizations occur every six years, building on, extending, or modifying the programs established by the 1965 law. Reauthorizations reflect the changing needs of higher education and associated constituencies, as well as policy leaders' perceptions of national priorities. For example, "the 1998 reauthorization included provisions for the establishment of a Web-based education commission to address technology-driven needs" (Prisco et al., 2002, p. 3).

The HEA was substantially amended in 1972 and reauthorized in 1980 and 1986. By 1992, and continuing in 1998, HEA reauthorizations accounted for 74% of all financial aid available to students enrolled in postsecondary education in the United States, "thus making it perhaps the single most important piece of legislation affecting higher education (Hannah, 1996). The federal government impacts higher education performance primarily through defining the terms under which financial resources are distributed. "Student financial assistance is at the core of federal strategies for influencing higher education priorities and outcomes" (Prisco et al., 2002, p. 12). Federal student aid, which is typically based on financial need, exceeds all other federal appropriations for higher education combined (Prisco et al., 2002). Two-thirds of all full-time undergraduates receive financial aid through programs funded by the federal government, the states, and postsecondary institutions. "During the 1990s, total aid nearly doubled (in constant dollars), while loan aid increased by 136% (Prisco, et al., 2002, p. 13). Not surprisingly, regulatory requirements which maintain a level of control by the federal government are attached to distributed federal funds.

With the government controlling the financial aid purse strings, institutions can be coerced into following federal and state requirements for collecting and reporting data for assessing the degree to which postsecondary institutions are responsive to public priorities. Furthermore, federal and state requirements for reporting information in specified formats apply to all institutions and systems receiving federal funds. Prisco et al. (2002) state:

The data bases produced through this massive collection and reporting effort support ongoing studies of a wide range of higher education indicators, including student progress; effects on financial assistance; progress in improving access and equity for underserved populations; student completion; faculty characteristics and job satisfaction; accountability; and consumer protection. (p. 19)

Although the intentions of the federal government to examine existing policy and increase safeguards by promoting accountability across institutional systems seem beneficial, exactly how policy implementation affects students is an outcome which will need further policy improvement. Accountability measures for completion rates at the state level have been highlighted in many reports such as *Measuring Up 2004: The National Report Card on Higher Education; Policies in Sync: Appropriations, Tuition, and Financial Aid for Higher Education; A Matter of Degrees: Improving Graduation Rates in Four-Year Colleges and Universities; and Accountability for Better Results: A National Imperative for Higher Education*, to name just a few. The issue of improving access and choice for low- to moderate-income undergraduate students with regard to postsecondary institutions is currently being researched, and the need to improve policy is being established. "Too often, policymakers ignore the many challenges entailed in the effective implementation of new legislation" (Rice & Hampton, 2000, p. 3).

The 1998 HEA reauthorization focused on the federal student aid programs making only minor modifications, but the legislation, with emphasis on implementation, enacted three new initiatives: Gaining Early Awareness and Readiness in Undergraduate Programs (GEAR-UP), Learning Anywhere Anytime Program (LAAP), and Title II Teacher Quality. These initiatives go beyond traditional financial aid programs to recognize that K-12 schooling must be improved, particularly for disadvantaged youths, and "guarantees of college financial aid delivered at a much earlier age" (Rice & Hampton, 2000, p. 2).

ISSUE OF IMPROVING ACCESS AND CHOICE FOR UNDERSERVED POPULATIONS

The original goal of the Higher Education Act of 1965, the amendments to that act in 1972, and reauthorizations through 1998 was to increase accessibility of higher education to all. Initially these system-level efforts substantially enhanced equity, but recent enrollment trends raise the question: *Is our system becoming more or less equitable?* Current governmental policy-making relates educational opportunity to access or the ability to attend college. Policy providing access to a student primarily means that a student can attend college.



In consideration of equity in higher education, are over-represented high-SES students *accessing* elite institutions or *choosing* elite institutions? Do middle- and low-SES students obtain their choice of institution? The concept of student *choice* raises a new question: access to what type of institution? Providing choice to a student goes beyond access to mean that a student can attend an institution appropriate for his or her desires and academic abilities. Unfortunately, the financial hurdles to elite institutions are still barriers for low-income students. In order to judge the effectiveness of government policy in encouraging choice, the concept needs to be defined within the public policy context. Specifically, college choice refers to college admittance outcomes (i.e., the pattern of enrollment at various types of institutions are increasingly becoming more stratified). As Astin and Oseguera's (2006) article explains, public policy is not addressing the growing trend of stratification and declining equity for students to choose elite institutions of higher education.

KEY ELEMENTS IN THE FEDERAL POLICY PROCESS

"Constraints and crosscurrent" shape the dynamics of policy making in four areas: (a) the structure of the decision-making process; (b) the participants; (c) the economic, social, and intellectual environment; and (d) "the impact of the policy outcome itself" (Hannah, 1996, p. 501). Understanding these critical components and their relationships enables a better comprehension toward the policy process of the HEA reauthorizations.

Structure of the Policy Makers

"The structural fragmentation of the American policy making process invites wide participation and is open to broad environmental influences" (Hannah, 1996, p. 501). The enormous number of loosely-coupled participants influences a "highly relative and pluralistic decision-making system characterized by compromise, incrementalism and continual adjustment, yet subject to biases in one direction or the other" (Jones as cited in Hannah, 2002, p. 501). Thus, the policy outcomes reflect the preferences of influential participants.

Participants

The three major clusters of players active in HEA reauthorizations include:

- (1) a legislative [House and Senate] cluster of the relevant congressional authorizing and appropriating subcommittee and committee members and their staffs;
- (2) an administrative cluster including the president, the Department of Education, the Office of Management and Budget, and the Executive Office of Policy Development; and
- (3) a loose cluster of affected interest groups including (a) the higher education "community" of associations and lobbying firms representing higher education institutions and programs in Washington, and (b) a coalition of financial organizations, professional associations, and lobby firms whose private and public sector agency members service HEA's student aid programs. (Hannah, 1996, p. 513)

The legislative cluster is politics at its best—"the totality of interrelationships in the higher education arena involving power, authority, influence, and manipulation" (*Encarta English Dictionary Online*). The reauthorization process is dominated by the chairs, members, and staffs of the relevant House and Senate authorizing committees and subcommittees concerned with higher education where political power shifts affect the policy outcomes.

The administrative cluster defines the extent of participation of the Department of Education (DOE) in reauthorizations of the HEA; different administrations (President and Secretary for Education) call for different amounts of participation by the DOE. For example, in 1986, President Reagan's anti-DOE stance meant that DOE sent recommendations only at the end of the legislative process. However, in 1992, Secretary Cavalos wanted the DOE to be an active participant and created an Internal Steering Committee to develop HEA recommendations (Hanna, 1996).

The higher education community cluster comprises advocacy organizations, which have no statutory authority for postsecondary education in Washington. Although there are hundreds of higher education organizations, the six key advocacy groups that represent institutional interests include the American Council on Education, the American Association of Universities, the American Association of State Colleges and Universities, the National Association of Independent Colleges and Universities, the National Association of State Universities and Land-Grant Colleges, and the American Association of Community Colleges (Prisco et al., 2002).

Given the number of participants, higher education policy development may best be described as incremental. Policy formation is incremental in three ways: "It occurs within the limits of a slowly evolving political culture; it's built on and related to existing policy; and it draws from existing policy models" (Hanna, 1996, p. 499). Within this policy process, specific policy outcomes are shaped by the skillfulness and agendas of key participants and the limitations and conflicting trend of ideas and opinions of the political environment.

The Decision Making Process

The incremental theory of decision making in policy development describes how public officials actually make decisions. Instrumentalism has three characteristics: (a) "the decision maker considers only some of the alternatives for dealing with the problem, and these will differ only incrementally from existing policies," (b) "only a limited number of 'important' consequences are evaluated" (i.e. responses of the vocal middle-class to affordability of higher education), and (c) "decision making is geared more to the amelioration of the present" (i.e., politicians meeting the needs of middle-class political stakeholders) (Anderson, 1997, p. 179). By taking into consideration the process of adjusting policy as a direct response to the political reactions of constituents, the components of incrementalism describe the deficiency of current finance policies in addressing the needs of low-income families. "Decisions made by incrementalists would reflect the interests of the most powerful and organized interests in society" (Anderson, 1997, p. 179). The significance of this higher education policy trend away from enabling access for lower-income families is that it negatively impacts college access and choice for low-income students, and little progress has been made to close the gap in college choice over the past 20 years (Perna, 2002).

In response to middle-class stakeholder demands, policy makers have taken action with several pieces of legislation. One example is the 1992 reauthorization of the Higher Education Act. The reauthorization established a new loan program (the unsubsidized Stafford loan) for which financial need is not a qualifying factor. The purpose of the new loan was to increase financial aid targeted toward the middle-class. Another example is the Taxpayer Relief Act of 1997. The Act includes tax breaks that benefit middle and higher income families, and students with no tax liability (i.e., students from low-income families and independent students with low incomes) receive no benefit.

In summary, while the primary goal of federal student aid policy has traditionally been to create access to some type of postsecondary educational institution, the trend in financial aid policy currently is declining support for college choice in the case of low-income students. "Closing the knowledge gap requires identifying the *public's* concerns and educating the *public* as appropriate," where *public* includes all income levels of families (Perna, p. 235).

Environment

Policy making should pay equal attention to broader influences, including societal norms, the role of business, and the extent of socioeconomic and political inequality in American society. "The state of the economy, political power, social demands, and public ideas significantly direct policy choices" (Hanna, 1996, p. 502). Spitzer explains that policy itself is viewed as coercion, with the differing political and social forces driving their agendas with the aim of influencing policy decision making. Based on Lowi's systems of policy making, Spitzer revises the arenas of power. The arena that includes reauthorizations of the HEA and financial policies is termed redistributive. "Redistributive policies incorporate those that are broad in scope, affecting classes of people – black versus white, poor versus rich, etc. ... [and] are long-range, insofar as they deal with the long-term allocation or reallocation of resources among these broad classes" (Spitzer, 1997, p. 18).

In respect to financial aid, reauthorizations of the HEA legislate a redistribution or transfer of subsidies to the less advantaged at the expense of the more advantaged to provide an educational opportunity for postsecondary students with exceptional financial need. For example, the HEA of 1965 was supported by presidential leadership, congressional support, a broad constituency in the "war on poverty," the momentum of the civil rights movement, and a growing economy that could afford redistribution (Hannah, 1996, p. 503). Currently, the political and vocal social demand is for middle class affordability as demonstrated by policies that promote tax breaks, merit or special purpose aid, and College Tomorrow Fund programs.



STATE POLICY ADOPTION

Similar to federal policy making, states are influenced by political climates. “Republican-controlled legislatures were positively associated with the adoption of new merit scholarship programs, college saving programs, and prepaid tuition programs,” while the interests of Democrats have been in the form of direct institutional subsidies (McLendon, Heller, & Young, 2005, p. 386). Although policy making is not influenced by the party’s control (Democrat or Republican) alone, postsecondary financing represents an effort to privatize college financing in the states (Heller, 1999; Mumper, 1998; Paulsen and St John, 2006; St John et al., 2005). This neoliberal philosophy describes policy which “emphasize[s] and reward[s] individual or family investment in preparation for college” instead of states subsidizing public colleges through direct state appropriations (McLendon et al., 2005).

Beginning in the 1990s, the trend of decentralization and “the new federalism” were directing “responsibility for policy-making increasingly downward toward the states” (McLendon et al., 2005, p. 365). Financial pressure on state budgets, increasing college costs, constant criticism regarding the effectiveness and efficiency of public postsecondary institutions, and the rising challenges of student access make clear the need for new approaches to existing policies (Mumper, 1998).

McLendon, Heller, and Young’s study built upon Walker’s work in analyzing postsecondary policy innovation and diffusion. The study proposed that states tend to copy one another because of the decision behavior by government officials. “The lack of time, incomplete information, and the cognitive constraints of human beings lead policy makers to take cues from their neighbors in an attempt to simplify complex decisions” (p. 368). In respect to why states borrow policy ideas from other states, the study suggested two explanations. The first potential reason may be that state governments are in direct competition involving their postsecondary educational systems. In other words, states may be “motivated to adopt new policies and programs in an effort to ‘keep up’ with their neighbors” (McLendon et al., 2005, p. 287). A second possible reason also is competitive in nature, but this competition relates to electoral pressures within states. If a state adopts a policy perceived as successful and popular both inside and outside of the state, “this condition may ‘raise the stakes’ for elected officials in neighboring jurisdictions to adopt the same policy” in an effort to improve their chances for election or re-election (McLendon et al., 2005, p. 388). Although, policy diffusion is one explanation of policy adoption in states, modification to policy making may take the form of policy *replication* “(i.e., duplication of policies as policies spread from state-to-state),” policy *tinkering* “(i.e., slight alterations in policy content or scope as policies spread),” or policy *reinvention* “(i.e., extensive alteration in policy content or scope)” (McLendon et al., 2005, p. 389).

STUDENT AID FINANCIAL ASSISTANCE TO PROMOTE ACCESS AND CHOICE

Considering that the primary objective of financial aid is to provide equal educational opportunities to students regardless of financial income, it is important to clarify whether financial aid promotes educational opportunity, not just measured in terms of access (getting students into college), but also in terms of choice (which college students want to attend the most). Equal educational opportunity in terms of college choice can be achieved by offering financial aid to families to lessen the costs of the particular institution the student wants to attend (Chen & DesJardins, 2008). However, underrepresented and low-SES students respond differently to different types of financial aid. For example, minority students tend to avoid loans for their education (St. John, Paulsen, & Carter 2005), which then restricts students’ college choice.

According to St. John, Paulsen, and Carter (2005), policymakers need to understand the disparate impact of financial aid on equity in relation to student characteristics and devise programs that target those groups who are the most impacted negatively. Additionally, equal opportunity of college choice can be improved by providing students with information about the availability of financial aid and the different characteristics of specific types of financial aid, as well as information about how different types of colleges may impact students’ higher education experience and their future economic and social goals (Kim, 2004, p. 63). McPherson and Schapiro (1998) state that, at the initial stages of the enrollment decision, students often lack information about their eligibility for financial aid and the amount of aid they would be likely to receive. “There is much evidence that students from lower socioeconomic backgrounds and minority students are less knowledgeable about financial aid and about strategies for obtaining it” (Kim, 2004, p.

63). Familiarity with the process and availability of financial aid is a crucial factor in students' decisions about attending or choice of college.

RECOMMENDATIONS FOR FUTURE STATE POLICY

The U.S. Department of Education Advisory Committee on Student Financial Assistance (2005) issued a report in support of Congress and the Secretary in creating and implementing improvements. The executive summary states:

Students and families are overwhelmed by the complexity of student aid. Uncertainty and confusion rob them of its significant benefits. Rather than promote access, student aid often creates a series of barriers—a gauntlet that the poorest students must run to get to college. Replacing complexity with a steady stream of encouragement that makes access to college simple and certain is a top priority of Congress and the higher education community. Congress mandated this simplification study as part of the current reauthorization of the Higher Education Act in order to identify and eradicate major sources of complexity in student aid. Our major finding is that a sweeping and cost effective simplification initiative could significantly improve access and increase the return on the nation's already sizeable investment in student aid. (2005, pp. 1-2)

The report includes ten recommendations (see Appendix), that if implemented, could result in benefits to students with special consideration of the poorest families. Eight of the 10 recommendations do not cause a financial increase in program costs. However, initial financial investment is worth the price to be paid to increase students' access and choice in postsecondary institutions.

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APPENDIX

The Student Aid Gauntlet

Exhibit One: Simplification Study Recommendations

- 1. Create a System of Early Financial Aid Information.** Provide students from middle school through adulthood with accurate and timely information about financial aid, including estimates of awards from multiple sources in the context of college costs.
- 2. Make Federal Need Analysis Transparent, Consistent, and Fair.** Reform four major structural weaknesses in the current eligibility model: the treatment of student earnings, college savings plans, state and local taxes, and special circumstances.
- 3. Expand Existing Simplification to More Students.** Extend the benefits of the automatic zero Expected Family Contribution (auto-zero EFC) and the Simplified Needs Test (SNT) to as many low- and moderate-income students as possible.
- 4. Allow All Students to Apply for Financial Aid Earlier.** Align the financial aid application and college admissions processes and allow students to apply in order to receive estimates of their eligibility earlier in the college preparation process.
- 5. Make the FAFSA Relevant and Understandable.** Eliminate questions that are redundant or irrelevant to federal or state aid eligibility and simplify the language used on the form to make it more accessible to students and families.
- 6. Create a Simpler Paper Form for Low-Income Students.** Provide low-income students with a paper EZ FAFSA, a highly simplified paper application, and maximize to the extent possible the number of students who can use this form.
- 7. Phase Out the Full Paper Form and Increase the Use of Technology.** Establish a five-year timeline for phasing out the complex, full paper FAFSA and move all applicants to the FAFSA on the Web.
- 8. Simplify and Streamline FAFSA on the Web.** Ensure that applicants complete a tailored, on-line form that contains the minimum number of questions necessary to deliver federal and state aid and can sign their application electronically without delay.
- 9. Simplify the Verification Process.** Create and implement a centralized, web-based verification system to reduce burden on students, lower costs to institutions, and improve the quality of data used to ensure program integrity.

(U.S. Department of Education Advisory Committee on Student Financial Assistance, 2005, pp. 3-4)