

Occupy Colleges:
What the Student Debt &
Pell Grant Crises Mean for the
Affordability Agenda

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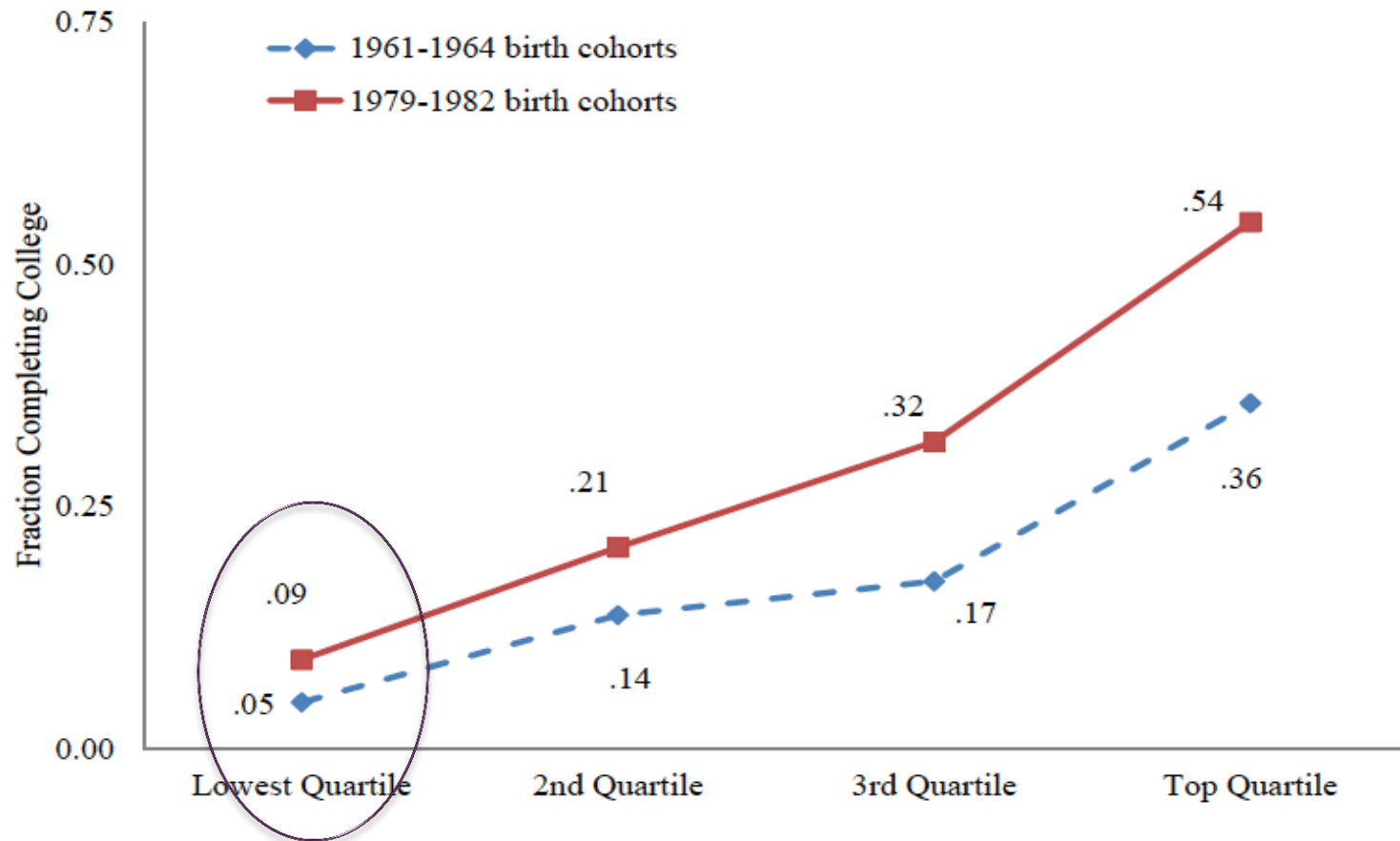
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Rhetoric

- * **“STUDENT LOAN DEBT EXCEEDS ONE TRILLION DOLLARS”** reports NPR
- * **“WHAT DOES THE FISCAL CLIFF MEAN FOR STUDENT AID?”** wonders Fox News
- * **“TOUGH LOVE CAN ENSURE THE FUTURE OF PELL GRANTS”** says the Chronicle of Higher Education
- * **“WE ARE REIMAGINING AID DESIGN AND DELIVERY”** reports the Bill & Melinda Gates Foundation

The Real Crisis: Low-Income Students “Run in Place”

Figure 3: Fraction of Students Completing College, by Income Quartile and Year of Birth



Source: Author's calculation based on data from the National Longitudinal Survey of Youth, 1979 and 1997 (U.S. Bureau of Labor Statistics, 2010a, 2010b).

Bailey & Dynarski 2011

A Dose of Reality

- * Affordability agenda – promoting financial aid through third party discounting – developed in 1960s
- * Very different college-going population
- * Much lower costs of attendance

- * Today: everyone expects to attend college, and family income is stagnant or declining
- * Our “affordability agenda” simply needs to catch up

Key Question: How?

- * Do the major difficulties we face in using financial aid to promote affordability stem from the behavior of students or institutions?
- * Where shall we direct the “tough love”?
- * Toward what end?

In Search of Solutions

- * Wisconsin Scholars Longitudinal Study
- * Longitudinal panel study of five cohorts of Pell Grant recipients attending the 42 public 2-year colleges and universities in Wisconsin
- * Includes a randomized experiment with a need-based grant
- * Also includes repeated surveys and interviews with students and financial aid officers
- * WWW.FINAIDSTUDY.ORG

Issue #1 -- Who Pays and When?

- * Shift from grants to loans pre-empted discussion of *public vs. private benefits* of higher education
 - * Growing evidence nation needs educated populace
 - * Inequality in education ~~ inequality in income = bad
 - * Lack of clarity in policy confuses students & institutions
 - * To whom are obligations owed?
 - * Who bears responsibility for containing costs of attendance?

Issue #1 -- Who Pays and When?

- * Use of loans as “aid” relies on assumption of *cultural acceptance of debt*
 - * Inconsistent with values & time horizons of many communities
 - * Shift to all-loan strategy (including IBR) will leave these groups behind
 - * Common rejection of loans as “help” when it is “self-help”

Issue #2– What Do We Pay For?

- * *Is financial aid compensatory?*
- * Or is it a *reward* for good behavior, past or future?
- * Again, students, institutions, policymakers are confused
- * Lack of clarity reduces cost-effectiveness by hampering ability to target

Students Wonder: What Does Aid Mean?

*“I don’t really understand the whole process of why I’m getting these things. But I’m happy to get them I guess... I mean I don’t really even understand **what a Pell grant is.**”*

*“... **A lot of times I wonder, where it comes from? Who provides it--the money? Where does it go?**... It's kind of confusing, but I'm just going along with it right now.”*

“They don't really tell you where it's coming from or why you're getting it, so I don't know.”

The Merit Mess

- * Students adjust course loads to optimize GPA
- * But financial aid is often tied to course (credit) loads
- * Low grades (below SAP) can also mean a loss of financial aid
- * Some aid officers counsel students to take fewer credits to get better grades and keep their aid
 - * But this also affects time to degree
- * Instead, some students take “easier” courses

Policy Confusion, Student Uncertainty

“I know I have to get my grades up for my grants and stuff, but like it's not like anyone's contacted me. **I think that's one thing I wish would change – more communication.** I mean I guess it could be on my part too, but **no one from financial aid has communicated with me about anything.**”

I know like I have to maintain a 3.2, a 3.5, it's some crazy thing just to keep most of my grants. **I'm just feeling like I might get this letter in the mail that says “you lost it.”**”

Issue 3—Who Do We Pay For?

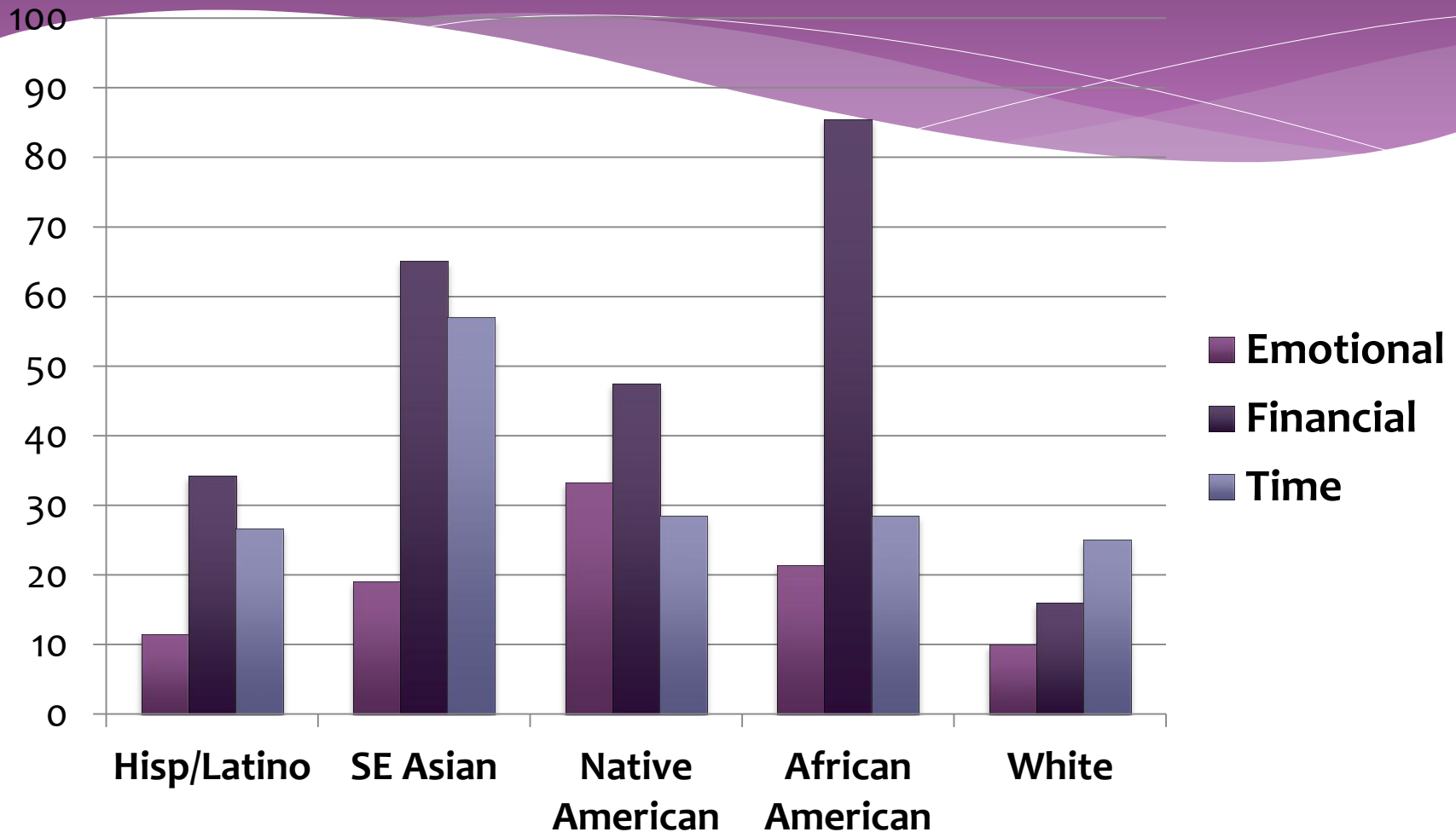
- * Expected family contribution -- value-laden term based on outdated assumptions
- * **Intergenerational transfers flow both ways**
- * In other areas of social and economic policy we count on this— in financial aid we treat it as a crime



Parents Give to Students

Students Give to Parents

Some Students Help Their Families



N= 50; diff between non-Hispanic white vs. others is significant $p < .10$ for financial only

Get Real: It's Necessary, Helps, and Hurts Too

- * **“That’s how we supposed to be raised... You know, whenever I come across a... it don’t have to be much— as long as I come across a certain amount of money that can benefit me and my family, I’m going to try to do that as much as possible.**
- * **“I always relate it back to my history, the things that they did for me and everything— and that’s what makes me want to do more for them, you know. That’s what pushes me through college and everything so I can help them out— a lot.”**

Clarify, Research, Reform

- * Determine purpose of dollars, then target appropriately using straightforward criteria
 - * Example: replace EFC with free lunch
- * Identify intended meaning of dollars, then convey that message to students and schools
 - * Example: aid is help, not a reward
- * Keep it simple and consistent
 - * Eliminate re-application processes
 - * Reduce the forms of aid

A Goal

- * Turn *OCCUPY COLLEGES* into a movement to align reality of national need for postsecondary education with today's students
- * Questioning assumptions undergirding current model is necessary to find a new way forward