

Archived Information

Objective 3.2: Postsecondary students receive the financial aid and support services they need to enroll in and complete a high-quality educational program.

National Need

National concerns. In the United States today, a postsecondary education is increasingly required to obtain a good job. The growing importance of postsecondary education makes it even more critical that all people have high-quality opportunities to further their education beyond high school. Unfortunately, there is a long way to go before postsecondary opportunities are equalized for low-income and minority students.

Barriers to postsecondary opportunity include inadequate academic preparation, lack of knowledge concerning the postsecondary institution entry process, and insufficient financial resources.

Our Role. Goals 1 and 2 as well as Objective 3.1 support work under this objective by helping ensure that all students are prepared for and knowledgeable about postsecondary education. Through the student financial assistance programs, the Department of Education makes grants, loans, and Work Study opportunities available to help overcome the financial barriers that make it difficult for lower- and middle-income students to attend and complete postsecondary education. More than two-thirds of student aid provided to postsecondary students comes from the Federal student aid programs—more than \$50 billion in FY 2000. To help overcome nonfinancial barriers to postsecondary education, the Department provides funds through the Title III Strengthening Institutions, International, Howard University, and other programs to help ensure there are high-quality institutions available to serve disadvantaged students. The Department also works through TRIO and other programs to provide support services to enable disadvantaged students to complete postsecondary education and enter graduate school. The Department also plays a strong leadership role in postsecondary education both through support for innovation provided by programs such as the Fund for the Improvement of Postsecondary Education and Learning Anytime Anywhere Partnerships and through numerous outreach activities. One outreach activity, the Agenda Project, will solicit input from all stakeholders to determine how the Department can better serve its postsecondary education customers. This project will also help set the postsecondary education agenda for the next 5 years.

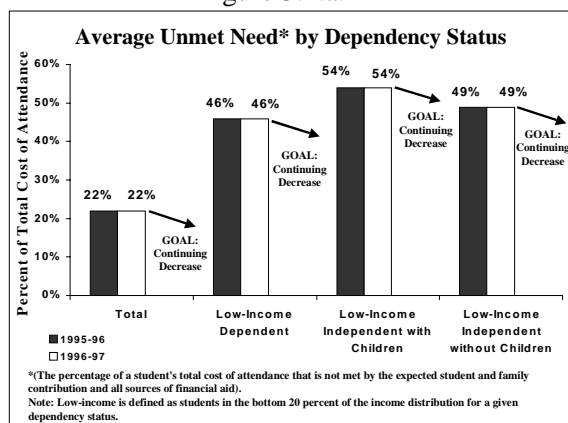
Our Performance

How We Measure. Performance indicators for Objective 3.2 measure outcomes associated with the postsecondary education system, such as reducing unmet need and debt burden, increasing graduation rates, ensuring that the student aid programs remain cost beneficial, and providing effective support programs for postsecondary students. Indicators relating to the Department's delivery of the postsecondary education programs are included under Objective 3.3.

Indicator 3.2.a. Considering all sources of financial aid, the percentage of unmet need, especially for low-income students, will continuously decrease.

Assessment of Progress. There are no 1999 data. Based on earlier data, no change in progress is likely. There was no change in the ratio of unmet need to total cost of attendance between the 1995-96 and 1996-97 school years. While Federal student aid is a significant factor affecting unmet need, at least as important are institutional and state decisions regarding the cost of attendance, revenues, and expenditures. All these factors increase the difficulty of meeting the goal of continual decreases in unmet need.

Figure 3.2.a.1



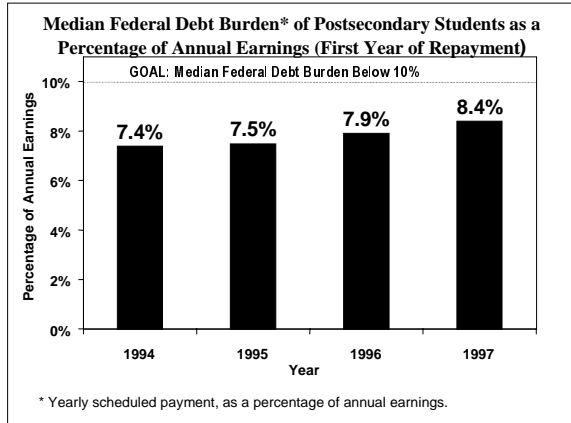
Source: 1995-96 National Postsecondary Student Aid Study (NPSAS); 1996-97 and future years based on administrative records and data from the Integrated Postsecondary Education Data System (IPEDS) and College Board. *Frequency:* Annual. *Next Update:* 1997-98 (available in 2000); 1998-99 (available in 2001). **Validation procedure:** Data verified by ED data attestation process. **Limitations of data and planned improvements:** NPSAS data are collected only every 4 years so estimates are required for the intervening years. These estimates, while done as carefully as possible, do not necessarily exactly represent the circumstances that students faced in 1996-97. Planned improvements include comparing projections with actual data from the 1999-00 NPSAS and investigating the use of other, more timely, sources of data to update the various components of unmet need.

It should be noted that because unmet need represents the amount of additional aid a student could possibly receive under student aid regulations, it does not really reflect the resources that students and their families actually use to pay for postsecondary study. However, trends in unmet need are a good measure of changes in postsecondary affordability.

Indicator 3.2.b. The median Federal debt burden (yearly scheduled payments as a percentage of annual earnings) of borrowers in their first full year of repayment will be less than 10 percent.

Assessment of Progress. No 1999 data are available; progress toward the target is likely. As a general rule, it is believed that an educational debt burden of 10 percent or greater will negatively affect a borrower's ability to repay his or her student loan and to obtain other credit such as a home mortgage. Based on previous trends, we expect the 1999 median debt burden rate to remain below 10 percent in the foreseeable future. The rise in median debt burden over time is a concern, however. Given that loans play such a major role in enabling students to afford postsecondary study, limiting their use would be counterproductive in terms of achieving the programs' goals regarding postsecondary access and completion. As described in the following section, "How We Plan to Achieve Our Objectives," the Department is taking steps, including raising the Pell Grant maximum award and offering flexible repayment plans, to help ensure that borrowers do not become overly burdened with debt.

Figure 3.2.b.1



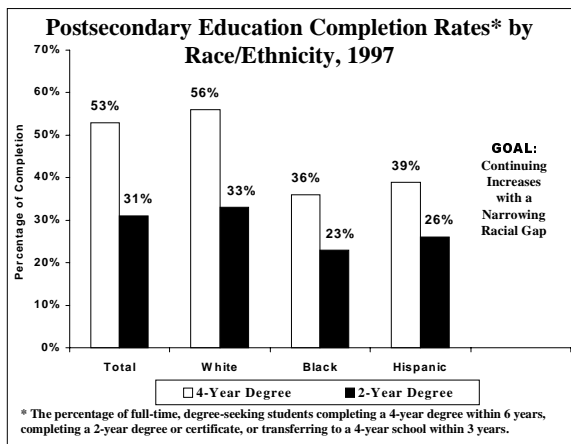
Source: National Student Loan Data System (NSLDS) and Social Security Administration (SSA) earnings records. *Frequency:* Annual. *Next Update:* 1998 (available in 2000). **Validation procedure:** Data verified by ED data attestation process. **Limitations of data and planned improvements:** Debt burden may be overstated because income is based only on earnings, is limited to the amount earned by the individual borrower, and is capped at the maximum amount upon which Social Security taxes are owed (\$65,400 in 1997). ED is working with the Internal Revenue Service (IRS) to discuss obtaining permission to use income data, which would alleviate these limitations.

Indicator 3.2.c. Completion rates for all full-time degree-seeking students in 4-year and 2-year postsecondary institutions will improve, while the gap in completion rates between low- and high-income and minority and nonminority students will decrease.

Assessment of Progress. No 1999 data are available; progress cannot be judged until trend data are available. Approximately one-half of full-time degree-seeking students complete a 4-year degree within 6 years, while one-third complete a 2-year degree or certificate or transfer to a 4-year school within 3 years. Completion rates for black and Hispanic students are lower than those for white students.

It should be noted that the completion rates reported here are understated to the extent to which students complete their degree at a different institution from the one at which they began. The extent of the underestimation appears to be about 10 percentage points.

Figure 3.2.c.1



Source: Graduation Rate Survey (GRS) conducted as part of the Integrated Postsecondary Education Data System (IPEDS). *Frequency:* Annual. *Next Update:* 1998 (available in 2000). **Validation procedure:** Data verified by ED data attestation process. **Limitations of data and planned improvements:** Postsecondary institutions are not required to report graduation rates until 2002. However, data were voluntarily submitted by institutions representing 87 percent of 4-year students and 74 percent of 2-year students. ED is investigating whether a proxy for graduation rates for student aid recipients can be obtained from administrative records to improve the response rates.

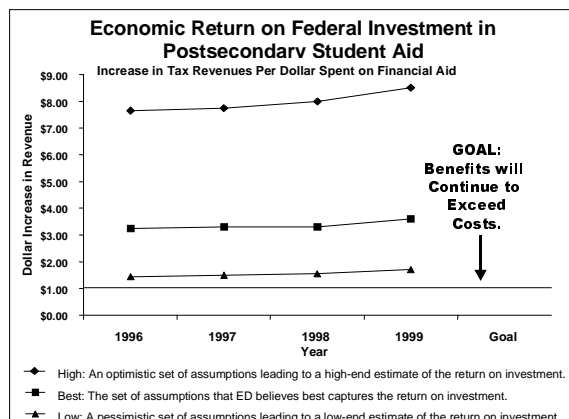
Indicator 3.2.d. The benefits of the student aid programs, in terms of increased tax revenues, will continue to exceed their costs.

Assessment of Progress. Target exceeded. The estimated return on investment is calculated in the following manner:

- 1) The discounted present value of tax revenue and welfare benefits is calculated for different educational attainment levels.
- 2) Under the “best” scenario, 90 percent of the revenue differential calculated in step 1 is assumed to be caused by obtaining more education.
- 3) Under the “best” scenario, for every \$100 received by a student in Federal grant aid, 1 percent of the revenue differential calculated in step 2 is assumed to be caused by student aid. It is also assumed that grants and loans are equally cost-effective.
- 4) The revenue differential calculated in step 3 is divided by the cost to the Federal government of providing the aid.

Based on this calculation, the best estimate is that the student aid programs return well over \$3 to Federal taxpayers in terms of increased tax revenue and reduced welfare payments for every \$1 spent on the student aid programs. Even using very conservative assumptions, the low estimate is still roughly 50 percent higher than the \$1 breakeven point.

Figure 3.2.d.1



Source: March Current Population Survey (CPS) and Beginning Postsecondary Student (BPS) study with imputations from the National Postsecondary Student Aid Study (NPSAS) and High School and Beyond (HS&B). Behavioral assumptions were derived, where feasible, from meta-analyses conducted by Leslie and Brinkman in their 1988 book *The Economic Value of Higher Education*. Frequency: Annual. Next Update: 2000. **Validation procedure:** Data verified by ED data attestation process. **Limitations of data and planned improvements:** A number of assumptions and imputations are required to estimate the return on investment. ED plans to have an independent expert review the methodology and suggest possible areas of improvement.

Indicator 3.2.e. Participants receiving support services through the TRIO programs will complete postsecondary programs at rates higher than comparable non-participants.

Assessment of Progress. Target met. Students receiving services from the Student Support Services (SSS) Program were more likely to graduate from postsecondary institutions and achieve higher GPAs than were comparable students who did not participate in the program.

Figure 3.2.e.1

Findings from the Evaluation of the Student Support Services Program

Preliminary results indicate that among students beginning postsecondary study in 1991, the Student Support Services (SSS) Program had a statistically significant positive effect on the following two key measures of student outcomes:

- SSS recipients were 7 percentage points more likely to continue postsecondary study or complete a degree at the same school within 6 years than were comparable students who did not participate in the program. They were also 11 percentage points more likely to continue postsecondary study or complete a degree at any institution within 6 years.
- SSS recipients, on average, had a Grade Point Average (GPA) that was 0.12 points higher than comparable students who did not participate in SSS.

Source: Student Support Services evaluation, 1997. *Frequency:* Periodic. *Next Update:* No future follow-up is planned. **Validation procedure:** Evaluations are subject to strict methodological standards. Data reported by grantees on their annual performance reports on the performance of the TRIO programs will be verified against the evaluation results. **Limitations of data and planned improvements:** Major program evaluations, while providing rigorous information comparing recipients and nonrecipients, are conducted very infrequently. We are currently assessing the feasibility of combining program performance reports with data on student aid recipients to determine the success of the TRIO programs in motivating students to complete postsecondary studies.

How We Plan to Achieve Our Objective

How ED's Activities Support the Achievement of This Objective.

ED's activities are focused on providing students with the financial and support services needed to succeed in postsecondary education, improving the quality of institutions of higher education, and beginning a national dialogue on how the Department can better serve all those who have a stake in higher education.

- **Student financial assistance.** If enacted, the Department's FY 2001 budget would provide more than \$54 billion in grant, loan, and Work Study assistance to 8.6 million postsecondary students:
 - An \$8.4 billion request for Pell Grants would increase the maximum award by \$200 to \$3,500, the highest ever and more than 50 percent higher than the maximum grant in 1993, and provide grants to nearly 3.9 million students.

- A \$1,011 million request for Work Study (an increase of \$77 million) would allow approximately 1 million students to work their way through postsecondary study.
 - The FY 2001 budget provides \$691 million for Supplemental Educational Opportunity Grants, a \$60 million increase, the largest increase in 10 years, which will serve an estimated 1.2 million students.
 - The Federal Family Education Loans and Federal Direct Student Loan programs would provide 9.4 million loans totaling an estimated \$43 billion in funds available to support postsecondary students. In addition, efforts are continuing to help minimize debt burden by implementing and promoting lower interest rates, offering flexible repayment options, providing electronic exit counseling, and minimizing the frequency with which interest is capitalized.
- **Support services for postsecondary students.** Besides providing financial assistance to help students enroll in and complete postsecondary education, the Department also supports programs that provide students with the nonfinancial services needed to achieve their educational objectives:
- The \$725 million request for the TRIO Programs, an increase of \$80 million, would enhance support for the Student Support Services (SSS) and maintain support for McNair Postbaccalaureate Achievement programs. These programs provide disadvantaged postsecondary students with the services needed to help them complete their studies and prepare for doctoral work. In addition, per-student funding levels will be increased in the SSS program to help implement recommendations from the National evaluation that found that the provision of higher levels of service led to greater educational impacts.
 - The FY 2001 budget creates a new initiative within the TRIO programs called College Completion Challenge Grants (CCCG). The CCCG program is designed to address the problem of high postsecondary study dropout rates with a comprehensive approach including pre-freshman summer programs, support services, and increased grant aid to students. This \$35-million initiative will improve the chances of success for nearly 18,000 students.
 - A tripling of proposed funding (from \$5 to \$15 million) for the Child Care Access Means Parents in Schools program will help enable more low-income students to succeed in postsecondary education by increasing the availability of campus-based child care services.
- **Improved quality of postsecondary education.** While most of the Department's efforts support the direct provision of assistance to students, whether it is financial or nonfinancial, the Department also plays a significant role in helping to improve the quality of postsecondary education:
- The FY 2001 request of \$581 million (a \$61 million increase over FY 2000) for the Aid for Institutional Development, Developing Hispanic-Serving Institutions, and Howard University programs will help enable institutions serving high percentages of minority and disadvantaged students to provide these students with a high-quality postsecondary education. In addition, continued efforts will be made to promote sharing of best practices among institutions.
 - The newly proposed Dual Degree Program (\$40 million) will provide grants to minority-serving institutions to promote dual degree programs designed to increase postgraduate access and persistence for their students.
 - The \$31 million requested for the Fund for the Improvement of Postsecondary Education (FIPSE) will enable the Department to continue to promote successful postsecondary education reform efforts. The \$30 million request for the recently created Learning Anytime Anywhere Partnerships Program will continue to encourage the development of innovative techniques to enhance the delivery of high-quality postsecondary education and lifelong learning opportunities for all citizens in all settings.
- **The Agenda Project-A National dialogue on postsecondary education.** Through conferences and other outreach activities, the Department will help set the Nation's postsecondary education agenda:

- Through the winter and spring of 2000, leaders from the Department of Education will seek input through meetings with representatives from postsecondary schools, students, business leaders, and others from the public and private sector. This input will provide insights into how the Department can better serve all those who have a stake in American postsecondary education.
- In the summer of 2000, Department staff will set out a postsecondary education agenda that reflects the advice gathered. The agenda project should provide an ongoing forum through which all constituents can influence the postsecondary education agenda.

How We Coordinate with Other Federal Agencies

- **Tax credits:** The Student Financial Assistance Programs work with the Treasury Department to help ensure that tax credits and student aid complement each other in reducing the net price of a postsecondary education for families and students. The newly proposed College Opportunity Tax Cut in conjunction with the already available Hope Scholarship and Lifetime Learning tax credits will reduce the Federal income tax liability of those enrolled in postsecondary education. Other examples of Federal tax-related efforts to help students and their families pay for postsecondary studies include tax-free investments for postsecondary study, such as Series EE U.S. Savings bonds, and tax-preferenced postsecondary study savings vehicles, including the Education IRA.
- **Assistance to minority-serving institutions:** The Department works with the White House Initiative on HBCUs, Educational Excellence for Hispanic Americans, and Tribal Colleges to coordinate assistance provided across the Federal government to these institutions.

Challenges to Achieving Our Objectives

The affordability of postsecondary education depends not only on the amount of student financial assistance provided by the Federal government, but also on decisions made by states, postsecondary institutions, and other organizations concerning what students are charged to attend school and the amount of non-Federal student aid made available. While the Department staff cannot control what other actors in the system do, we can and will use public pressure to try and keep postsecondary costs low and the availability of non-Federal aid high. We will also continue to publish information concerning postsecondary institutions, so consumers can make cost-effective enrollment decisions. In addition, general economic conditions will affect achievement of most of our postsecondary objectives. There is little the department can do regarding the state of the economy, but it does incorporate expected future economic conditions into forecasts of funding requirements for the Title IV student aid programs.