

Institutional Aid (Title I) and Higher Education: How a new administration can change federal policy for the common good

by Charles B. Reed and F. King Alexander

In a February address to Congress, President Obama stated that by 2020 our nation would need to regain its prominence as the world's higher education leader if we are to enjoy the same kinds of economic success and stability that we have experienced during previous decades. This marked the first real admission by a U.S. president that we are no longer the global leader in higher education access and educational attainment.

Furthermore, this statement indicates that we can no longer continue business as usual in the world of higher education policy, and that we must do more than simply argue at the federal level every two to four years about how much to increase Pell Grant maximum or the aggregate subsidized loan cap for undergraduates. This limited discourse has resulted in stagnant progress for our nation while much of the rest of the world has developed new and more innovative policies. For us to get back on track and reach President Obama's higher education objective by 2020, we need much higher levels of educational attainment for lower-income and underrepresented students.

Instead of promoting the same old arguments, we recommend a new direction – one that ironically has been excluded from federal policy dialogue for over 30 years - despite being an important component of the original Pell Grant or BEOG legislation in 1972.

In the early legislative history of what is now the Pell Grant program, Congress developed federal student aid grants to help economically disadvantaged students attend higher education institutions of their choice. In recognizing the educational disadvantage and substantially higher cost for educational services that accrue to the colleges and universities where many lower-income students enroll, the originally authorized Pell Grant or BEOG legislation envisioned direct institutional grants to colleges and universities that would accompany Pell Grant recipient students. These institutional grants were designed to provide the appropriate educational services necessary for these students to succeed and eventually graduate.

This original program, which was authorized in 1972 but never funded, was known as the "cost of education allowances" and was based on a similar concept advanced in the Elementary and Secondary Education Act (ESEA) in 1965 known as Title I. At the heart of this concept is the widely accepted premise that economically disadvantaged students cost more money to educate than students from wealthier backgrounds. Title I was created to provide supplemental federal funding to those elementary and secondary schools with above average numbers of lower-income students. In 1972, the cost of education allowances program was authorized to achieve the same objective by providing supplemental resource support to colleges and universities in order to provide essential educational assistance to Pell Grant recipient students.

The time has come to resurrect this idea. If we are going to change the way colleges and universities approach economically disadvantaged students, we need to provide actual

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federal funding for these “cost of education allowances.” Currently, there are no fiscal incentives for colleges and universities to attract and graduate lower-income students. In fact, current federal direct student aid programs in their totality encourage colleges and universities to pursue more free market agendas by providing incentives for tuition-based financial strategies. This essentially means that higher cost institutions, both public and private, have disproportionately benefited from federal student aid funding due to the cost sensitivity embedded within the system. Additionally, by supporting tuition and fee-based strategies, the federal government has also allowed state legislatures to more readily opt out of their funding responsibilities resulting in continuous reductions in state tax support of public higher education. An indirect result of this existing system is that there are no incentives for lower cost institutions that serve the masses or states that strive to keep higher education affordable. One important, but unanticipated, outcome has been that as states increasingly withdraw their public support of public institutions, many universities have found other alternatives to educate more costly lower-income students, such as increasing out-of-state enrollments in exchange for less wealthy in-state students.

Also working against colleges and universities enrolling more lower-income students are current national ranking systems and the use of very simplistic institutional measurements by state authorities. Rankings such as the popular *U.S. News & World Report* indirectly encourage universities to reduce their lower-income student enrollments by rewarding higher graduation rates, admissions selectivity, and other variables that are aimed at promoting institutional prestige above common purpose. This is just wrong. Many state authorities have also begun prioritizing very simplistic institutional measurements such as graduation rates without any regard for the aggregate numbers of graduates or the socioeconomic status of the students educated at the various institutions.

In light of the many fiscal and cost-related disincentives for enrolling more lower-income students, it should not come as a surprise that we continue to see four-year public and private universities decrease their commitments to larger numbers of lower-income students. In fact, from 1972 to 2006 the nation has witnessed an overall decline in Pell Grant-eligible students as a percentage of the total student population. At public universities, the drop was from 41 percent to 34 percent, and from nearly 22 percent to 14 percent on all private four-year college and university campuses. These significant declines have occurred despite the nearly \$100 billion in federal direct student aid grants, subsidized loans, and tax assistance currently available. We think this becomes a civil rights question.

However, for the colleges and universities that have maintained their commitment to lower-income and economically disadvantaged students, which have primarily been state comprehensive universities like the California State University and community colleges, the fiscal disincentives remain problematic. Over the last 30 years, public comprehensive universities and community colleges have seen a substantial decline in fiscal competitiveness when compared with higher tuition public and private institutions. The irony, of course, is that those institutions that serve the broader public good are increasingly fiscally disadvantaged for maintaining these critical missions.

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To attempt to change this ominous direction to focus on the new generation of students with the greatest educational needs, it is imperative that we revisit the “cost of education allowances” program and develop a federal Title I type program for higher education institutions. This policy would provide a specific flat “capitation” institutional grant per lower-income student to every college and university that meets a minimal enrollment threshold of 20 percent. To ensure that these funds are properly devoted to student enrichment, this current proposal could be shaped to require that federal funds must be used to support campus-based academic and student service programs specifically designed to assist Pell grant eligible students. Such a program could also create important and much needed fiscal incentives for public and private institutions to not only enroll, but to retain and graduate more lower-income and lower-middle income students. Also, the amount of the federal flat grant award to institutions could be moderately increased or decreased, based on state support for higher education. This would provide incentive for maintaining certain levels of public funding of higher education, similar to the non-supplanting provision found in Title I of ESEA. This additional maintenance of state effort provision could help better stabilize higher education funding, and thus better stabilize student tuition and fees as well.

This recommendation advanced by the California State University has earned support from numerous higher education economists and leaders, as well as from national organizations such as the American Association of State Colleges and Universities (AASCU) and in the College Board’s recent report “Rethinking Student Aid” where a similar concept was advocated. Developing new federal policies that encourage states to maintain their commitment to finance widespread access and completion in higher education is essential if our nation is to reverse the relative international decline that we have experienced over the last few decades.

For nearly four decades, the federal government has prioritized an individualistic and market-oriented approach to funding higher education by simply putting resources in the hands of students. While this approach has been worthwhile, it has created a series of perverse fiscal and institutional incentives that could be remedied by the implementation of a new policy already authorized as part of the original 1972 legislative strategy. Creating financial incentives for institutions to remain committed or to recommit themselves to the public needs of society should be among the federal government’s highest priorities.

If we are ever going to reach President Obama’s goal of 2020, America is going to have to invest in our most needy students who are disproportionately students of color while also investing in those institutions that will serve them.

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