

## Access & Persistence



## ADVISORY COMMITTEE ON STUDENT FINANCIAL ASSISTANCE



### MESSAGE FROM THE CHAIR: SIMPLIFICATION ADVANCES IN HEA REAUTHORIZATION

SUMMER  
2005

Simplification  
Advances in HEA  
Reauthorization

The Legacy of  
“Empty Promises”  
with  
New Work-Loan  
Burden Estimates  
from NPSAS 2004

Advancing a New  
Partnership in HEA  
Reauthorization

Member Profile:  
Sister Kathleen Ross

ACSFA  
Announcements

In the current reauthorization of the Higher Education Act (HEA), all stakeholders appear to agree upon one imperative: financial aid forms and processes must be simplified to the fullest extent possible. Millions of students who aspire to higher education are confronted each year by confusing, burdensome, and unfair forms and processes that undermine their efforts to enroll and persist in college and, in some cases, cause them to give up on the financial aid process altogether.

To solve this problem, Congress charged the Advisory Committee in the FY2004 Consolidated Appropriations Act with conducting a one-year study to identify ways to streamline the financial aid system and make it easier, more responsive, and fairer for students and families. The central question put forth by Congress was whether a broad and cost effective simplification initiative could increase the power of student aid to achieve greater access to college, especially for low-income students. Our major finding was that it can.

On January 23, 2005, the Advisory Committee submitted to Congress and the Secretary of Education the final report for this study, recommending a sweeping but cost effective simplification initiative. The report, entitled *The Student Aid Gauntlet: Making Access to College Simple and Certain*, consisted of four national imperatives for improving access that would increase the return on our nation’s already sizeable investment in student aid. The four imperatives—to empower students and families, make it easier to apply, increase the use of technology, and work together to make access simple and certain—translate into 10 key recommendations that, taken together, would significantly simplify the financial aid application process for low-income students and would improve the application and delivery process for all students, regardless of income. In keeping with Congress’s charge to minimize increases in program costs, 8 of the 10 changes recommended by the Committee would not require any such increases.

Following the release of the Committee’s report, numerous pieces of legislation have been introduced that would simplify student aid and, if all were enacted into law, would implement all of the Advisory Committee’s recommendations. The bills, introduced in both the House and Senate and by members on both sides of the aisle as part of the ongoing HEA reauthorization, reflect a growing bipartisan, community consensus that further simplification can be achieved without significant adverse effects on program costs, integrity, or equity. Taken as a whole, these bills, outlined in Exhibit 1, address all of the Committee’s recommendations.

**EXHIBIT 1: LEGISLATION CONTAINING ADVISORY COMMITTEE RECOMMENDATIONS**

ACSFA RECOMMENDATION	H.R. 609	H.R. 1277	S. 371	S. 1029/1030	S. 1261	H.R. 2960
1. Create a System of Early Financial Aid Information	◐			●	●	◐
2. Make Federal Need Analysis Transparent, Consistent, and Fair	◐	◐	◐	◐	◐	◐
3. Expand Existing Simplification to More Students	◐	●		●	◐	●
4. Allow All Students to Apply for Financial Aid Earlier		●		●	●	●
5. Make the FAFSA Relevant and Understandable	◐	◐	◐			◐
6. Create a Simpler Paper Form for Low-Income Students		●		●	●	●
7. Phase Out the Full Paper Form and Increase Use of Technology		◐		●	●	◐
8. Simplify and Streamline FAFSA on the Web		●		●	●	●
9. Simplify the Verification Process				●	●	
10. Create a National Partnership to Make Access Simple and Certain			●	●		

◐ = Partial implementation; ● = Full implementation

*In the House*

**Rep. John A. Boehner (R-OH)** and **Rep. Howard P. “Buck” McKeon (R-CA)** first introduced several Advisory Committee recommendations in their reauthorization bill, the College Access and Opportunity Act of 2005 (H.R. 609). **Rep. Rahm Emanuel (D-IL)** and the Democratic leadership on the Committee on Education and the Workforce have also introduced legislation, the College Aid Made EZ Act (H.R. 1277), which would implement to varying degrees 7 of the 10 Advisory Committee recommendations. The reauthorization bill recently introduced by **Rep. George Miller (D-CA)** and **Rep. Dale E. Kildee (D-MI)**, the College Opportunity for All Act (H.R. 2960), includes the simplification initiatives proposed in H.R. 1277, as well as other Committee recommendations. Other bills introduced in the House that include simplification are the Higher Education Affordability and Equity Act (H.R. 1380), the Foster Opportunities for Success Through Higher Education Reform Act (H.R. 2508), and the College Affordability and Accountability Act (H.R. 2739).

*In the Senate*

**Sen. Michael B. Enzi (R-WY)** indicated his support for simplifying the aid application process in HEA reauthorization in the Lifetime of Education Opportunities Act of 2005 (S. 9). **Sen. Edward M. Kennedy (D-MA)** also introduced the College Quality, Affordability, and Diversity Improvement Act (S. 371), which would partially implement two Committee recommendations and fully implement the Committee’s recommendation to create a new public-private, access and persistence partnership. In addition, **Sen. Jack Reed (D-RI)** introduced two pieces of legislation that would put in place almost all of the Committee’s recommendations. The Financial Aid Form Simplification and Access, or FAFSA, Act (S. 1030) would implement to varying degrees 8 of our 10 recommendations and the Accessing College through Comprehensive Early Outreach and State Partnerships, or ACCESS, Act (S. 1029) would fully implement our recommendation for a new access and persistence partnership. **Sen. Lamar Alexander (R-TN)** also introduced the Higher Education Simplification and Deregulation Act of 2005 (S. 1261), which would implement to some degree 8 of the Committee’s 10 recommendations. Finally, the Fostering Adoption to Further Student Achievement Act (S. 1287) would achieve simplification for students adopted from the foster care system.

To achieve consensus on how best to simplify student aid in this reauthorization without significant adverse effects, the Committee held a public hearing in Washington, D.C. on April 25. Congressional staff, members of the higher education community, state agency representatives, and members of the early intervention community discussed various proposals for simplification, including some not addressed by the Committee. All parties in attendance agreed that simplification was necessary, and consensus was achieved on many simplification initiatives. This is a positive development for students and families. Although simplification will not solve entirely our nation’s access and persistence problem, if we are truly committed as a nation to increasing access to college, we must work together to provide low-income students with a student aid system that is simple and fair.

“Empty Promises,” the Advisory Committee’s report in 2002, made important contributions to the nation’s college access and persistence dialogue. The report showed how large shortages in grant aid eliminate academically qualified students from the access and persistence pipeline and how these losses widen future income-related gaps in enrollment and completion. The report prodded federal and state policymakers to re-examine the profoundly negative impact of financial barriers and encouraged policy researchers to re-examine the effects of academic and social factors on the college enrollment and completion of students from low- and moderate-income families.

In “Empty Promises,” we focused on enrollment in four-year colleges because data show that failure of academically qualified students to enroll within two years of high school graduation lowers dramatically the chances of ever receiving a baccalaureate degree. In choosing this focus, we were not implying that every student from a low- or moderate-income family should obtain a baccalaureate degree, nor were we suggesting that immediate enrollment in a four-year college upon high school graduation is the only possible path to a baccalaureate degree, rather than starting in a two-year college, for example. On the contrary, we were merely suggesting that, if current gaps in degree completion are to be narrowed, we must ensure that students who aspire to a baccalaureate degree and make the effort to prepare academically have the *financial opportunity* to pursue their dream in the most effective and efficient way possible, regardless of family income. This idea continues to underpin the Advisory Committee's work today and should be the hallmark of the nation’s access and persistence policy.

### **A Unique Approach**

The approach in "Empty Promises" was simple and intuitive. Using data that were readily available from the National Center of Education Statistics (NCES), the report focused exclusively on those low- and moderate-income students who were designated by NCES as college-qualified high school graduates. That is, while fully understanding that federal access and persistence policy must include *all* low- and moderate-income students, we included only the most successful K-12 students in order to break out and assess, to the extent possible, the independent impact of inadequate financial aid on access and persistence.

Focusing exclusively on college-qualified high school graduates served to control for most of the major effects of other key factors, like family income and background, academic preparation, parents’ education, and financial aid information. Each of these factors has been shown to contribute significantly to students failing to complete high school qualified to attend a four-year college, or failing to complete high school at all, for that matter. However, none of these factors have been shown to prevent college-qualified high school graduates from enrolling and persisting in a four-year college when financial aid is adequate.

### **Groundbreaking Findings**

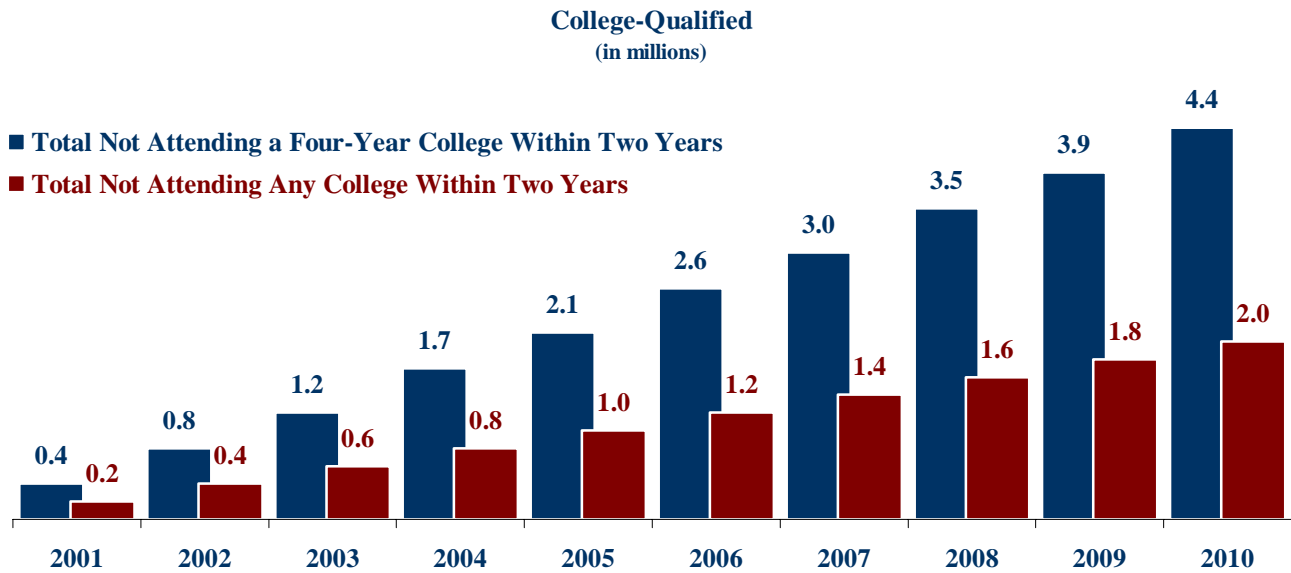
For the first time, record-level financial barriers in the form of work and loan burden facing college-qualified high school graduates from low- and moderate-income families, especially at four-year public colleges, were tied directly to estimated national losses using the best national data available:

*"Families of low-income, college-qualified high school graduates face...[a] shortage in grant aid [that] requires these families to cover \$7,500 ... at public four-year colleges ... through work and borrowing. Their peers from moderate-income families face similar barriers."*

*"Shocking annual losses at the national level... will produce staggering cumulative losses of 4.4 million college-qualified students unable to enroll in a four-year college, and 2 million who are denied access to any college at all by the end of this decade." (See Figure 1)*

Our rationale for estimating national losses in this manner was policy-driven and practical: If adequately prepared, low- and moderate-income high school graduates are failing to enroll and persist in four-year colleges because of financial barriers, despite their aspirations to do so, their lesser qualified peers both now and in the future have virtually no chance. In effect, we were treating these K-12 success stories as the proverbial canaries in the coal mine of access and persistence, marking their inability to enroll and persist as a warning sign that prevailing income-related gaps in enrollment and persistence could be with us for a very long time unless financial barriers are reduced.

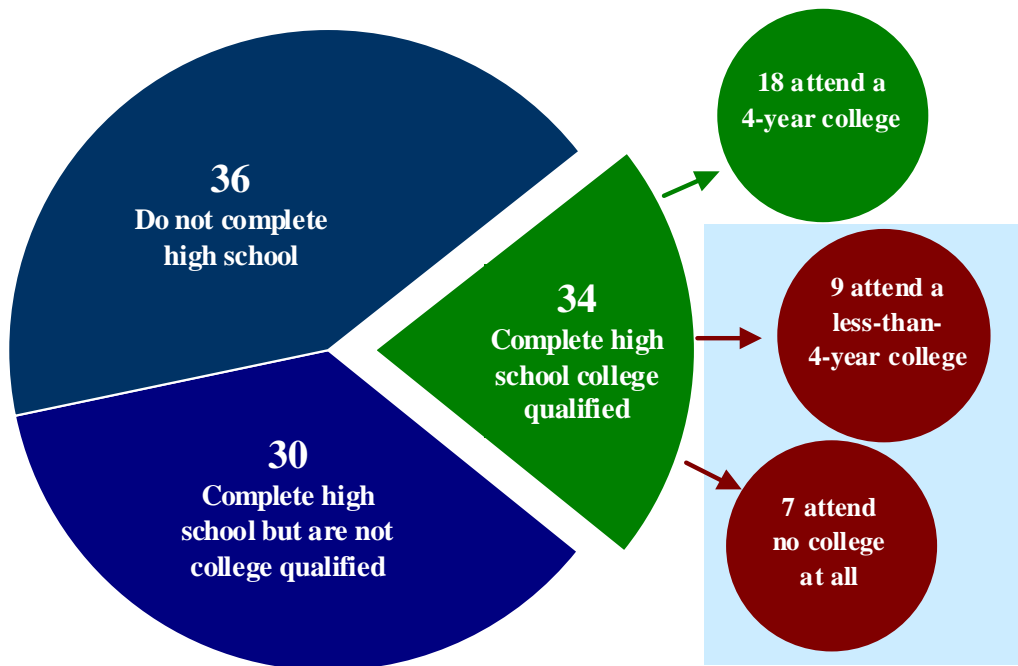
**FIGURE 1: CUMULATIVE IMPACT OF HIGH UNMET NEED ON LOW- AND MODERATE-INCOME HIGH SCHOOL GRADUATES FROM 2001 TO 2010**



Between 2001 and 2010, high unmet need will prevent 4.4 million high school graduates from attending a four-year college, and 2 million of them from attending any college at all.

Source: Empty Promises (2002)

**FIGURE 2: ACCESS OUTCOMES FOR EVERY 100 LOW-INCOME 8TH GRADERS**



Losses attributed to inadequate financial aid in “Empty Promises” included only those 16 out of every 100 low-income students qualified to attend a 4-year college but financially unable to do so.

Source: Calculated using NCES NELS and NPSAS data

## Importance of Other Factors

Some of the early shock at the size of the estimated losses in “Empty Promises” was accompanied by a concern that we had overestimated those attributable to inadequate financial aid; that other major factors such as academic preparation, parents' education level, or inadequate information were also important in causing these losses; and that we failed to take those into full consideration. Not at all. Once again, our estimates included only the small but important subset of low- and moderate-income students who had successfully overcome the obstacles in question to complete high school qualified to attend a four-year college.

In fact, “Empty Promises” attributed only a very small portion of the overall access and persistence problem to inadequate financial aid. Figure 2 provides an example, showing that only 34 out of every 100 low-income 8th graders complete high school qualified to attend a four-year college. The remaining 66 either do not complete high school (36) or complete high school not prepared to attend a four-year college (30). These 66 highly negative access outcomes were deliberately *excluded* from estimated losses in “Empty Promises.” The same was true in the case of students from moderate-income families. Indeed, had these negative access outcomes been included in our calculations, the estimated losses would have been substantially larger than 4.4 million lost over ten years.

As the example in Figure 2 also illustrates, of the remaining 34 out of every 100 low-income 8th graders who eventually become college-qualified high school graduates, only 18 enroll in a four-year college within two years of high school graduation; the remaining 16 either enroll in a less-than-four-year college (9) or enroll in no college at all (7). We included only these last two outcomes (in red) in the estimates of losses stated above. That is, in only 16 of the 82 cases in which low-income 8th graders fail to enroll in a four-year college within two years of graduating from high school—in fewer than 20 percent of the cases—did the report attribute the cause to inadequate financial aid.

The bottom line is that “Empty Promises” left over 80 percent of the overall access problem attributed to factors other than inadequate financial aid, including family background, weak academic preparation, low levels of parents' education, and poor information. But because inadequate financial aid surely contributes to at least some of the 66 negative access outcomes in question, excluding them produced an *underestimate* of the likely total losses, not an overestimate.

## Rising Financial Barriers

Unfortunately, in order to update loss estimates, we do not yet have new longitudinal data on how many low- and moderate-income students will complete high school college-qualified and attend a four-year college. But new data are available that show work-loan burden is increasing. In its publication, “What Every Student Should Know About Federal Aid,” the American Council on Education (ACE) illustrates that the financial aid package of the lowest income resident students at a state university can now include over \$10,000 in annual work-loan burden: \$2,300 in work and nearly \$8,000 in loans. (Table 1)

**TABLE 1: FINANCIAL AID PACKAGE  
State University, Resident Student**

<b>Cost of Attendance</b>	<b>\$17,279</b>
<b>EFC</b>	<b>– \$260</b>
<b>Financial Need</b>	<b>\$17,019</b>
<b>Federal Pell Grant</b>	<b>\$3,800</b>
<b>State Need-based Grant</b>	<b>\$2,000</b>
<b>Federal SEOG</b>	<b>\$1,000</b>
<b>Federal Work-Study</b>	<b>\$2,300</b>
<b>Federal Direct Subsidized Loan</b>	<b>\$2,625</b>
<b>Federal Perkins Loan</b>	<b>\$2,500</b>
<b>Federal PLUS Loan (recommended)</b>	<b>\$2,760</b>
<b>Total Aid</b>	<b>\$16,985</b>
<b>Unmet Need</b>	<b>\$ 34</b>

Source: American Council on Education

Courtesy: National Association of Student Financial Aid Administrators

Thus, even if students are able to graduate in four years, cumulative debt might exceed \$30,000 for those with the lowest income—unless hours worked are increased significantly, with likely adverse effects on academics. If it takes six years to graduate, as is often the case, cumulative debt could approach \$50,000.

Consistent with the ACE example above, the latest data from NCES in Table 2 show that the net price and work-loan burden facing today's lowest income families at four-year public *colleges* is now in excess of \$9,000. This is substantially higher than the 1999 estimate of a \$7,500 work-loan burden for low-income students reported three years ago in “Empty Promises,” and constitutes a staggering 50 to 100 percent of family income for the poorest families. This upward shift in work-loan burden strongly suggests that actual losses between 2001 and 2010 could exceed the Advisory Committee's original estimate of 4.4 million.

**TABLE 2: STUDENT WORK/LOAN BURDEN AND FAMILY NET PRICE FACING DEPENDENT STUDENTS AT 4-YEAR PUBLIC COLLEGES**

Parents' Income	Cost of Attendance	Expected Family Contribution	Total Grants	Student Work/ Loan Burden*	Family Net Price**
\$0-9,999	\$15,054	\$ 221	\$5,966	\$8,867	\$9,088
\$10,000-19,999	\$14,191	\$ 655	\$5,841	\$7,695	\$8,350
\$20,000-29,999	\$14,538	\$ 1,542	\$5,300	\$7,696	\$9,238
\$30,000-39,999	\$14,638	\$ 3,016	\$3,697	\$7,925	\$10,941
\$40,000-49,999	\$14,721	\$ 4,869	\$2,531	\$7,321	\$12,190

Source: NCES, NPSAS data for the 2003-2004 academic year

Courtesy: Thomas Mortenson, Postsecondary Education Opportunity

\*Cost of attendance minus expected family contribution minus total grants; \*\* Cost of attendance minus total grants

### Research Implications

Three important imperatives emerge for conducting sound policy research in access and persistence:

**Improve behavioral models.** We must develop and use access and persistence models that incorporate *all* of the important factors. Analyses that exclude one or more key causative factors are known to lead to serious bias and faulty policy inferences. Just as models that exclude academic preparation are misguided, so are models that exclude finances. Because the policy issues are extremely important, the models we use, and the way we interpret results, have to be up to the task.

**Estimate and update policy benchmarks.** Because the underlying behavior is so complex, and we may never know the “true” answers, we must also develop, agree upon, and update good policy benchmarks. Two of the most important for federal policy are the number of college-qualified high school graduates lost at each stage of the pipeline and the level of financial barriers facing needy students and families. Without such benchmarks as context, sound policy research and its interpretation become much more difficult.

**Evaluate and synthesize previous research.** Finally, because policy research on access and persistence can and often does affect policy formulation, an up-to-date methodological and empirical review of such research and the validity of its policy implications is needed. Some important and influential past studies have been shown to have made unintentional but fundamental methodological errors, and to have drawn faulty policy conclusions. Correctly modeling the educational behavior of students and families and estimating the true effects of financial aid is essential, and we must take every opportunity to improve our research efforts.

### Policy Implications

Three imperatives also emerge for formulating and modifying federal policy in this HEA reauthorization:

**Increase grant aid.** We must aggressively pursue increases in grant aid from *all* sources through the creation of a new access and persistence partnership. Making advances in academic preparation, improving early intervention, or providing better information will not stem losses from the pipeline unless financial barriers are also lowered. Such efforts in isolation will merely increase the number of students from low- and moderate-income families who are left behind.

**Eliminate the work penalty.** We must break a truly vicious circle: rising financial barriers forcing students from low- and moderate-income families to choose lower cost colleges and to work ever-longer hours to avoid debt. This, in turn, erodes academic performance and lowers grant aid eligibility, both of which greatly undermine persistence. A first step is to eliminate the Catch-22 in federal need analysis that lowers federal grant eligibility, penalizing income from student work necessitated by inadequate grant aid in the first place.

**Simplify student aid.** We must simplify the entire student aid system—including early information and application forms and processes—from middle school through college degree completion. Combined with increases in grant aid, simplifying student aid can enhance aspirations, academic preparation, and rates of college enrollment and persistence. If we at least make a start in these three critically important areas during this reauthorization, we may begin finally to eliminate the income-related gaps in college degree completion that lead inevitably to greater inequality in the nation’s income distribution and lower economic growth.

## ADVANCING A NEW PARTNERSHIP IN HEA REAUTHORIZATION

The ongoing HEA reauthorization represents an important opportunity for Congress to move toward solving the nation's college access and persistence problem. During the 108<sup>th</sup> Congress, the Advisory Committee submitted letters to the Honorable John A. Boehner, Chairman of the House Committee on Education and the Workforce, and the Honorable Judd Gregg, Chairman of the Senate Committee on Health, Education, Labor, and Pensions, recommending the creation of a new access and persistence partnership to renew the nation's commitment to its hardest working and neediest students.

### The Access & Persistence Problem

The Advisory Committee identified three important dimensions of the access and persistence problem facing the nation's lowest income students:

**Poor Information.** Students in middle school and their parents have no way of determining if they will be able to afford higher education and no way of estimating their total eligibility for federal, state, and institutional financial aid. Even if they did know their eligibility, it is often insufficient to ensure access to public colleges, even for academically qualified students.

**Inadequate Grant Aid and Complex Forms.** Nearing graduation from high school, low-income students and families face overly complex application forms that can inhibit their transition to college. If they make it through these forms, they then confront inadequate grant aid and an inordinately high work and loan burden, even at public colleges.

**Barriers to Persistence.** Students who enter college, especially four-year colleges, against these financial odds must work far too many hours and accumulate far too much debt to cover costs. The hours they work can also reduce their eligibility for aid, forcing them to work more hours, enroll part-time, or simply drop out.

### The Solution: A New Partnership

The unproductive pattern above leads to diminished educational expectations and plans early on, low levels of college enrollment, and poor rates of persistence. To break this pattern, the Advisory Committee has recommended the creation of a national partnership that links the federal government, states, colleges, early

intervention programs, K-12 schools, and the private sector in pursuit of measurable gains in access and persistence for the nation's neediest students who are academically qualified. Such a partnership would be based on state models that have proven effective and take advantage of existing public and private resources.

**Key Components.** To be successful, the partnership must have the following three components:

**An Early Assurance of Financial Access.** *It must integrate an early assurance of access to adequate grant aid into existing public and private early intervention, academic preparation, mentoring, and counseling programs.*

**Simplified Application and Adequate Grant Aid.** *It must provide for easy application for financial aid and assure financial access to four-year colleges, for both first-time students and two-year college transfers, through a combination of existing funding sources and supplemental state grants.*

**Enhanced Persistence.** *It must provide continuing grant aid, adequate support services, and the elimination of existing penalties for work that lower eligibility for need-based grant aid.*

By providing states with incentives to partner with in-state institutions, early intervention programs, private entities, and philanthropic organizations, Congress can leverage additional funds from public and private sources that can be used to provide low-income students with supplemental grant aid to ensure at least four years of financial access to a public college. Existing intervention programs can be used to provide students with an early assurance of their eligibility for adequate grant aid, which would help encourage participation in such programs. Finally, the partnership could include an evaluation mechanism to determine its effects on aspirations, enrollment, and persistence.

### Progress in Reauthorization to Date

The Advisory Committee's partnership proposal has received bipartisan support, particularly in the Senate. Sen. Jack Reed (D-RI) has introduced legislation to fully implement this proposal, as has Sen. Edward M. Kennedy (D-MA). In addition, Sen. Michael B. Enzi (R-WY) introduced legislation last Congress in support of public-private partnerships.

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## MEET AN ADVISORY COMMITTEE MEMBER

**Sister Kathleen Ross**  
President, Heritage University



Dr. Kathleen Ross, appointed to the Committee in 2002 by the Secretary of Education, remains determined and committed to providing quality and accessible educational opportunities for all students. Founded in 1982 by Dr. Ross and two Yakama Indian women with an enrollment of 85 students, Heritage University is owned and governed by a self-perpetuating Board of Directors and is a nonprofit, independent, accredited, liberal arts institution. Located in a primarily rural and agricultural area on the Yakama Nation Reservation, Heritage University provides opportunities for higher education to a multicultural population that, in the past, has been educationally isolated. The university offers graduate and undergraduate educational programs that seek to prepare students for careers in professions that meet their specific needs.

Under the impressive leadership of Dr. Ross, Heritage University now serves a culturally diverse student body of more than 1,400 students. Approximately 65 percent of its undergraduates have family incomes below \$20,000 per year and 95 percent of its full-time undergraduates qualify for federal student aid. Heritage University has been recognized nationally as a National Center of Excellence and has five satellite locations in other parts of the state. Dr. Ross has received numerous awards and honorary degrees recognizing her leadership in higher education, and in 1997 she was named a MacArthur Foundation Fellow. The Advisory Committee commends Dr. Ross and Heritage University for their hard work and commitment to enriching the quality of life for its students and communities. For more information on Heritage University, please visit: [www.heritage.edu](http://www.heritage.edu).

#### ACSFA Announcements

- ACSFA will hold an access and persistence symposium to honor HEA's 40<sup>th</sup> anniversary on September 8, 2005 in Washington, D.C. Please contact us for details (see below).
- Dr. William J. Goggin was appointed executive director by Advisory Committee members at the April 25, 2005 hearing.
- Ms. Nicole A. Barry was promoted to deputy director.
- Ms. Erin Renner joined the Advisory Committee staff as an assistant director at the end of June.
- Ms. Michelle Asha Cooper, a graduate assistant for the past year, will join the staff in September as an assistant director.

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