



UNDERMINING PELL

VOLUME II

How Colleges' Pursuit of Prestige and Revenue is Hurting Low-Income Students

Stephen Burd

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About the Author



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About New America

New America is a nonprofit, nonpartisan public policy institute that invests in new thinkers and new ideas to address the next generation of challenges facing the United States.

Correction

This updated copy of *Undermining Pell: Version II* corrects an error in Department of Education data which listed the net price for low-income students at the College of William and Mary as \$19,976 instead of \$4,917.

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VOLUME II

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INTRODUCTION

For more than a decade, Baylor University has made climbing up the *U.S. News & World Report* college rankings a top goal of the institution. In the strategic plan it wrote in 2002, the Texas school vowed to be named a “top tier” national research university.¹

To carry out its plan, Baylor, which is now led by former Clinton prosecutor Kenneth Starr, hiked its tuition, built up its campus, and set out to attract higher-caliber faculty members and students. Working closely with the enrollment management firm Noel-Levitz, the school redesigned its student aid offerings to better compete for top students.² As a result, Baylor boosted spending on institutional scholarships, from \$42 million in 2002-03 to about \$150 million in 2011-12.³

The university's effort has paid some significant dividends. Baylor has, according to the *Waco Tribune-Herald*, transformed itself from “a sleepy regional Baptist University” into “a research institution with nationally known scholars in the arts and sciences.”⁴ The university has risen in the *U.S. News* rankings, although not as far as it would have liked (it is now ranked as the 71st best national university), and the average student SAT score is up to 1236 from 1176 in the fall of 2001.⁵

But not everyone has benefited from the university's transformation. With a substantial share of Baylor's scholarship aid going to affluent students, the university's low-income students have not fared well. While Pell Grant recipients make up 24 percent of the school's student body, the university covers the full financial need of only 13 percent of aid recipients on its campus.⁶ Meanwhile, the school charges those from families making \$30,000 or less a year a hefty average net price of \$21,370.

Unfortunately, the way that Baylor spends its institutional

aid dollars is becoming increasingly common at four-year institutions across the country. Low-income students are paying a high price for these policies.

This report examines U.S. Department of Education data showing the net price -- the average amount of money that students and their families have to pay after all grant and scholarship aid is deducted from the listed price -- for low-income students at more than 1,400 four-year colleges in the 2011-12 academic year. The analysis finds that hundreds of colleges expect the neediest students to pay an amount that equals at least half of their families' yearly earnings.

This report follows up on a paper New America released last year looking at the net price data for the 2010-11 academic year.⁷ The news is that things are getting worse.

The financial hurdles, the analysis finds, continue to be highest in the private nonprofit college sector, where only a few dozen mostly exclusive colleges meet the financial need of the low-income students they enroll. As compared with last year, the number of private colleges that charge students with family incomes of \$30,000 or less an average net price under \$10,000 has dropped significantly. At the same time, the number of schools that charge the lowest-income an average net price over \$15,000 has risen substantially.

Many private colleges have small endowments, making it extremely difficult for them to provide adequate support to those students with the greatest need.

Indeed, it is often the poorest schools that enroll the largest proportion of federal Pell Grant recipients and charge these students high net prices because of their own limited resources. At the same time, many of these institutions provide deep discounts to wealthier students because they believe it is necessary for the schools' survival.⁸

This is not, however, just a question of institutional wealth. Some of the country's most prosperous private colleges are stingy with need-based aid. These institutions tend to use their financial aid to reel in the top students, as well as the most affluent.

“ The analysis finds that hundreds of colleges expect the neediest students to pay an amount that equals half or more of their families' yearly earnings

While the problem is not as extreme among public colleges and universities, it is rapidly escalating. As more states cut funding for their higher education systems, public colleges are increasingly adopting the enrollment management tactics of their private-college counterparts – to the detriment of low-income and working-class students alike.⁹ In fact, nearly two of every five public four-year colleges now leave the most financially needy students on the hook for more than \$10,000 per year.

Fifty years ago, the federal government committed itself to removing the financial barriers that prevent

low-income students from enrolling in and completing college. Policymakers have sought to achieve this goal primarily through the Pell Grant program, which spent about \$32 billion in the 2013 fiscal year to help about 9 million financially needy students pay for college.¹⁰

For years, colleges complemented the government's efforts by using their financial aid resources to open their doors to the neediest students. But those days appear to be in the past. Over the past several decades, a powerful enrollment management industry has emerged to show colleges how they can use their institutional aid dollars strategically in order to increase both their prestige and revenue.¹¹

Worse yet, there is compelling evidence to suggest that many schools are engaged in an elaborate shell game: using Pell Grants to supplant institutional aid they would have otherwise provided to financially needy students, and then shifting these funds to help recruit wealthier students.¹² This is one reason why even after historic increases in Pell Grant funding, low-income students continue to take on heavier debt loads than ever before.¹³ They are not receiving the full benefits intended.

Overall, too many four-year colleges, both public and private, are failing to help the government achieve its college-access mission. They are, instead, adding hurdles that could hamper the educational progress of needy students, or leave them with mountains of debt after they graduate.

As Congress begins work on reauthorizing the Higher Education Act, policymakers must take notice of how colleges are spending their institutional aid dollars. Federal action is needed to ensure that colleges continue to provide a gateway to opportunity, rather than perpetuating inequality by limiting college access only to those who are rich enough to afford it.

ABOUT AVERAGE NET PRICE DATA

A college's commitment to helping low-income students can't be measured along a single dimension. It matters how many low-income students they enroll *and* how much these students are asked to pay. Until recently, though, policymakers, researchers, and journalists have mostly had to rely on a single measure to do so: the proportion of Pell Grant recipients each college enrolls.

While this dataset provides a useful tool for comparing colleges based on their record of admitting low-income students, it does not tell us anything about the schools' commitment to making college affordable for these individuals. For example, if a college enrolls a large number of Pell Grant recipients but doesn't come close to meeting their remaining financial need, it may be setting them up for failure.

In 2008, Congress recognized the need for policymakers to get better information about how colleges are spending their institutional aid dollars – financial aid they provide students from their own resources. As part of legislation to reauthorize the Higher Education Act, lawmakers required colleges to report to the U.S. Department of Education their average “net price”—the average amount of money that students and their families have to pay after all grant and scholarship aid from all sources is deducted from the listed price. Congress specified that colleges should report the net price broken down by income only for first-time, full-time students who received federal financial aid.¹⁴

The net price data provide a pretty clear picture of the financial hurdles that low-income students face at individual campuses, and they open a window on how colleges are spending their institutional aid dollars.¹⁵ But the view is far from complete, as the data include only those students who receive federal Title IV grants or loans. Wealthy students who receive only merit aid from their schools are not captured in these data. As a consequence, we don't have a full portrait of the extent to which colleges are using their aid to help those without financial need.

Another complication with the net price data is that some colleges calculate student and family income in a way that is different from the federal government. The vast majority of colleges determine student and

family income and aid packages using the “federal methodology” -- the same formula that the federal government employs to calculate eligibility for things like Pell Grants. But some elite private colleges use their own “institutional methodologies” to determine student and family income for awarding their institutional aid dollars. These calculations tend to be more exacting than the federal formula for determining the need of their students. For example, in the case of divorce, some of these schools, unlike the government, take into account the income of the non-custodial parent when awarding their own aid. These institutional formulas can produce income estimates for students and their families that differ significantly from the results under federal calculations.

Recent reporting by *The Chronicle of Higher Education* suggests that an unknown number of elite colleges are counting only students they consider to be needy, based on their more exacting standards, in the lowest-income average net price bracket.¹⁶ As a result, they are excluding from the lowest-income band students that the government determines to be poor but the institutions don't. This choice can make colleges look more generous than other elite schools that use the federal methodology to calculate the average net price data they provide the Education Department. It is important to remember that this issue applies only to some elite colleges and is not an issue for most institutions. To the extent that some colleges are reporting net price data this way, the broad problem described in this report—high net prices being charged to students the government considers to be low income—is even worse than our analysis suggests.

METHODOLOGY

Like last year’s report, this year’s paper judges four-year colleges based on two criteria: the proportion of low-income students they enroll and the average net price they charge the lowest-income students.

Colleges report both the Pell and net-price-by-income data to the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS), which displays the school-by-school data on the College Navigator website.

The Pell data represent the proportion of all undergraduates on a campus that have Pell Grants. The average net price data represent the average amount of money that students and their families have to pay after all grant and scholarship aid from all sources is deducted from the listed price. Colleges report the net price data broken down by income only for first-time, full-time students who received federal financial aid. Public colleges and universities report on in-state students only. This paper specifically looks at the data for students with family incomes of \$30,000 or less. Both the Pell and net price data are for the 2011-12 academic year.

Institutions Examined:



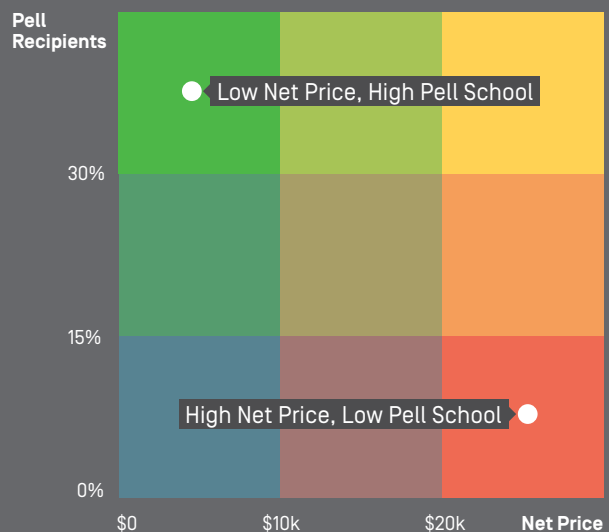
This year’s paper examines a larger number of institutions than last year’s did. This report, for example, looks at 828 private nonprofit four-year colleges, compared with 479 last year. Similarly, this report examines 598 public four-year colleges, as opposed to 480 last year. However, to make comparisons to last year’s findings, this report includes sidebars that analyze the results when looking only at the schools that were included in last year’s report.

This paper looks at public and private four-year colleges with undergraduate enrollments of 750 or more that are located in the 50 states and the District of Columbia (although a few schools with lower enrollments were included if they appeared in last year’s *Undermining Pell* report). Schools that did not report average net price data to IPEDS were excluded, as were private colleges for which endowment information wasn’t readily available.

Throughout the paper, a color-coded, nine-block grid will be used to highlight how different colleges perform, relative to the two dimensions used to assess them: the percentage of students enrolled in Pell Grants, and the average net price for low-income students. The outermost blocks of the grid represent four types of colleges:

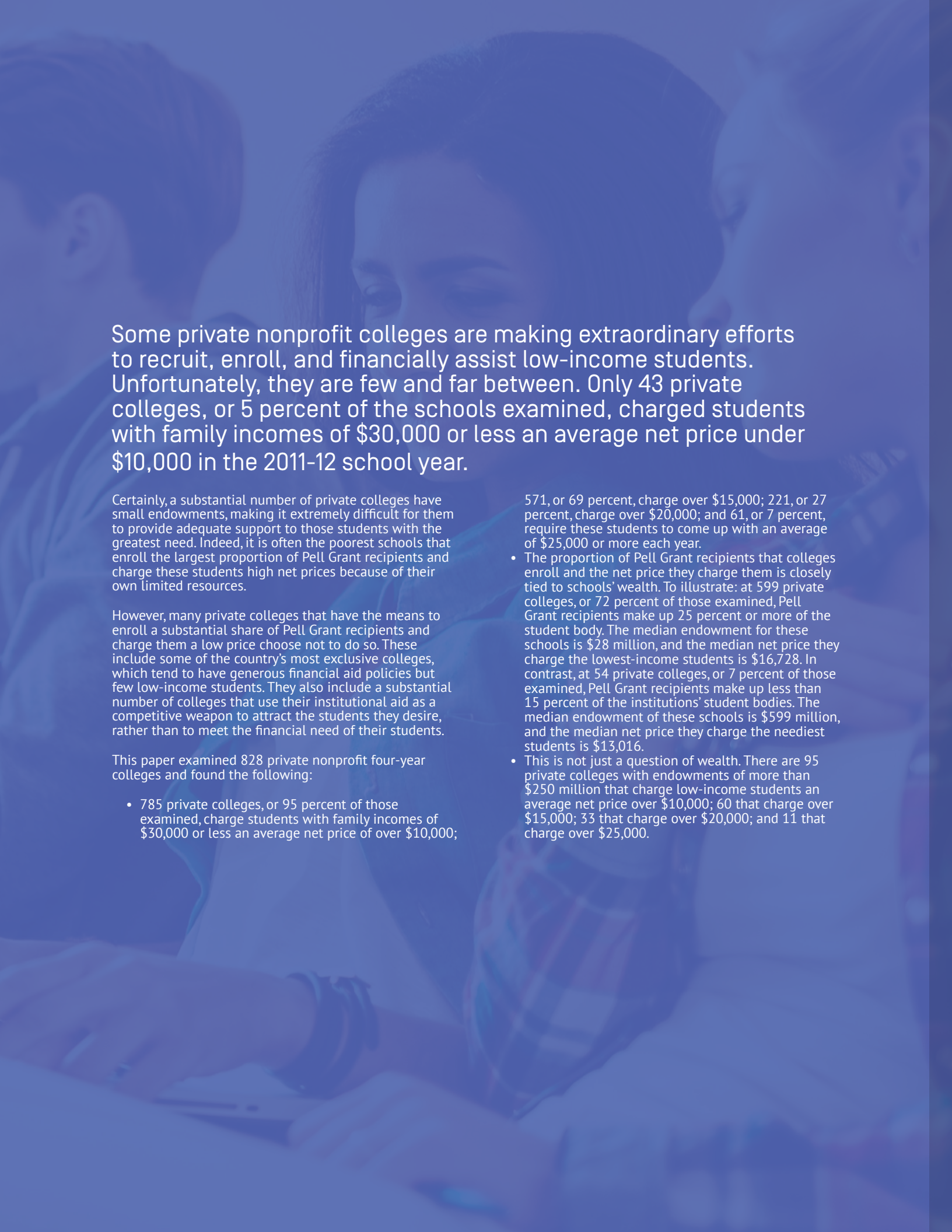
- **‘Green colleges’** are those institutions which enroll large numbers of Pell students and offer affordable programs.
- **‘Blue colleges’** are also affordable, but offer fewer places to Pell students.
- **‘Yellow colleges’** do the reverse of blue colleges: offering many places to Pell students, but at high costs.
- **‘Red colleges’** perform poorly on both metrics: they are expensive, and provide few places to Pell students.

In addition to these four ‘outermost’ blocks, five ‘intermediate’ college types are represented by blended colors, as indicated on the example diagram below.





PRIVATE NONPROFIT COLLEGES



Some private nonprofit colleges are making extraordinary efforts to recruit, enroll, and financially assist low-income students. Unfortunately, they are few and far between. Only 43 private colleges, or 5 percent of the schools examined, charged students with family incomes of \$30,000 or less an average net price under \$10,000 in the 2011-12 school year.

Certainly, a substantial number of private colleges have small endowments, making it extremely difficult for them to provide adequate support to those students with the greatest need. Indeed, it is often the poorest schools that enroll the largest proportion of Pell Grant recipients and charge these students high net prices because of their own limited resources.

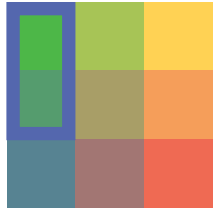
However, many private colleges that have the means to enroll a substantial share of Pell Grant recipients and charge them a low price choose not to do so. These include some of the country's most exclusive colleges, which tend to have generous financial aid policies but few low-income students. They also include a substantial number of colleges that use their institutional aid as a competitive weapon to attract the students they desire, rather than to meet the financial need of their students.

This paper examined 828 private nonprofit four-year colleges and found the following:

- 785 private colleges, or 95 percent of those examined, charge students with family incomes of \$30,000 or less an average net price of over \$10,000;

571, or 69 percent, charge over \$15,000; 221, or 27 percent, charge over \$20,000; and 61, or 7 percent, require these students to come up with an average of \$25,000 or more each year.

- The proportion of Pell Grant recipients that colleges enroll and the net price they charge them is closely tied to schools' wealth. To illustrate: at 599 private colleges, or 72 percent of those examined, Pell Grant recipients make up 25 percent or more of the student body. The median endowment for these schools is \$28 million, and the median net price they charge the lowest-income students is \$16,728. In contrast, at 54 private colleges, or 7 percent of those examined, Pell Grant recipients make up less than 15 percent of the institutions' student bodies. The median endowment of these schools is \$599 million, and the median net price they charge the neediest students is \$13,016.
- This is not just a question of wealth. There are 95 private colleges with endowments of more than \$250 million that charge low-income students an average net price over \$10,000; 60 that charge over \$15,000; 33 that charge over \$20,000; and 11 that charge over \$25,000.



PRIVATE COLLEGES: HIGH PELL, LOW NET PRICE

There are 24 private nonprofit colleges at which Pell Grant recipients make up more than 15 percent of their students and that have average net prices for the lowest-income under \$10,000.

Fourteen of these colleges are among the wealthiest higher education institutions in the country. The other 10 are a diverse group made up mostly of colleges that enroll fewer than 2,000 undergraduates. The poorest (with endowments under \$100 million) are predominantly religiously affiliated schools that have a mission of serving financially needy students.

Of the 14 wealthy colleges on the list, six have Pell enrollments of 20 percent or more. These six schools – Amherst, Cooper Union, Grinnell, the Massachusetts Institute of Technology, Smith, and Vassar – generally have strong leaders who have made a personal commitment to making their campuses, which have long been among the most elite in the country, more socioeconomically diverse. In so doing, they have bucked conventional wisdom and have shown that even the most selective schools can find large numbers of low-income students who can thrive at their institutions.

One institution that has made great strides is Vassar College in Poughkeepsie, NY. A little less than a decade ago, Vassar looked a lot like its peer institutions, with only about 12 percent of its freshmen receiving Pell Grants.¹⁷ The college kept control of its student aid budget by rejecting each year a number of applicants simply because they were financially needy.

Today, more than one-fifth of Vassar's students are Pell Grant recipients. The school not only welcomes low-income students but provides them with enough need-based financial aid to ensure that they don't have to take out any federal student loans.

What changed? In 2006, Vassar hired Catharine Bond Hill, a noted economist whose work has focused on college access and affordability, as its president. Hill has written numerous papers and opinion articles decrying the paucity of low-income students at highly selective private colleges.¹⁸

Almost immediately after taking over as president, Hill instated a “need-blind” admissions policy at Vassar so that the school would no longer consider an applicant's financial circumstances in its admissions process. “It's become increasingly clear that when promising students fail to apply to our college for fear that they may not be able to afford to come here – or that they will not get in because of their financial need – the cost to Vassar, to those students and their families, and to our collective future is far greater than we can ever measure,” Hill wrote in the college's alumni magazine.¹⁹

She then followed up in 2008 by announcing that the school would replace loans with grants in the financial aid packages offered to students from families with annual

incomes of \$60,000 or less.²⁰

Soon afterward, the economy tanked and Vassar's endowment fell by \$80 million, to \$765 million. Still, Hill not only stuck with the need-blind and no-loan policies but also had the school provide \$1 million more in need-based aid than had been originally budgeted. She made clear that any reductions in operating costs would not come from financial aid.²¹

While these actions made the college more attractive to low-income students, the school also had to beef up its recruiting practices to find financially needy students who had the academic qualifications to succeed at Vassar. How did the college achieve this feat? Among other things, the school did so by:

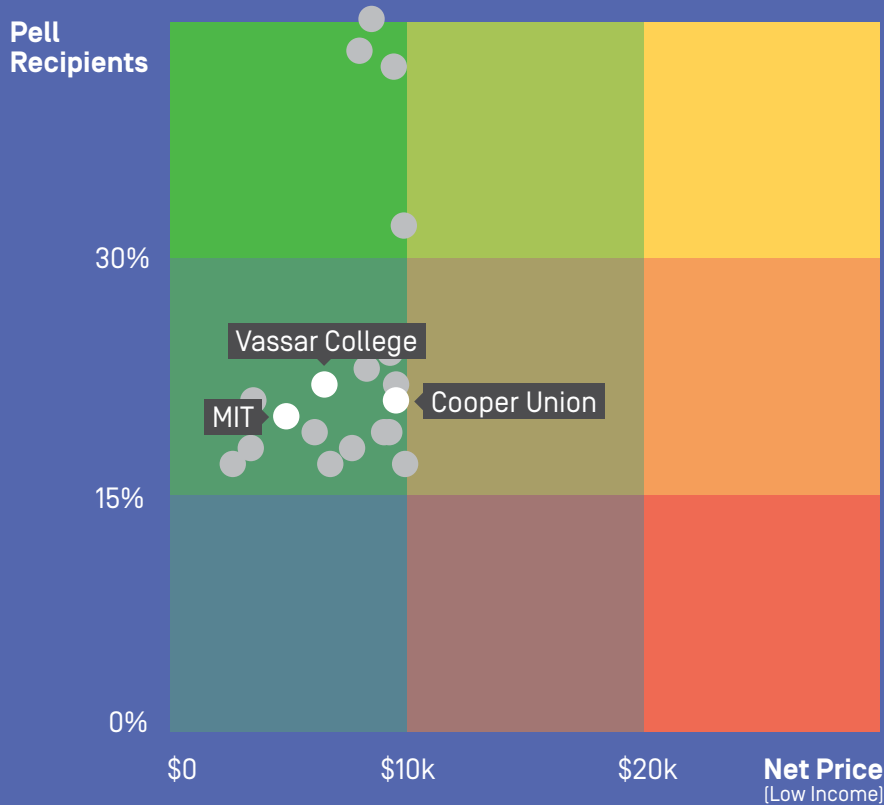
- Launching an aggressive effort to recruit at high schools in low-income neighborhoods.
- Forging partnerships with community-based organizations and college-access programs that work to prepare low-income students for college.
- Partnering with QuestBridge, a nonprofit organization that acts as a matchmaker between low-income students and elite colleges.

As a result of these efforts, Pell Grant recipients now make up 22 percent of Vassar's student body, and the students Vassar deems to be among the lowest income pay an average net price of just \$6,595. It is important to note that Vassar is one of the elite colleges that uses its own, more exacting financial aid methodology to determine which students belong in the lowest-income average net price bracket. As a result, the college excludes from the lowest-income band some students that the government determines to be poor but the institution doesn't. Had Vassar included those students, as most colleges do, its average net price for low-income students would likely be higher.

Hill has little patience for the merit aid arms race. She argues that government action may be needed to get colleges to disarm and focus on helping students who could truly benefit from attending their institutions.

“Many of the pressures facing colleges and universities, both private and public, make a wealthier student look more attractive than a poor one, even if the poor one has equal or greater talents. That is why we are seeing increases in merit aid and reduced commitment to need-based aid,” Hill recently wrote. “Public policy needs to change this equation, and tying the availability of federal and state subsidies to performance on low- and middle-income access would help.”²²

High Pell, Low Net Price (Private Colleges)



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Institution	State	% Pell	Net Price
Rust College	MS	90	\$8,276
Keystone College	PA	56	\$7,937
St Thomas University	FL	53	\$8,072
Gallaudet University	DC	51	\$7,266
St Mary of the Woods Coll.	IN	49	\$8,755
Holy Names University	CA	45	\$8,572
Calumet College St Joseph	IN	43	\$8,065
St Francis College	NY	42	\$9,505
Illinois Institute of Tech.	IL	32	\$9,927
Smith College	MA	24	\$9,350
Grinnell College	IA	23	\$8,370
Vassar College	NY	22	\$6,595

Institution	State	% Pell	Net Price
Presbyterian College	SC	22	\$9,601
Amherst College	MA	21	\$3,614
Cooper Union	NY	21	\$9,597
Mass. Institute of Tech.	MA	20	\$4,995
Williams College	MA	19	\$6,186
University of Richmond	VA	19	\$9,098
Wellesley College	MA	19	\$9,316
Stanford University	CA	18	\$3,506
Wesleyan University	CT	18	\$7,755
Pomona College	CA	17	\$2,751
Rice University	TX	17	\$6,841
Cornell University	NY	17	\$9,980



PRIVATE COLLEGES: LOW PELL, LOW NET PRICE

There are 19 colleges that enroll a relatively small share of Pell Grant recipients but support them generously – charging net prices to the lowest-income ranging from \$2,880 at Harvard University to \$9,738 at Franklin & Marshall College in Pennsylvania.

This group includes six Ivy League institutions: Brown, Dartmouth, Harvard, Princeton, the University of Pennsylvania, and Yale. These colleges are so rich that they can afford to be need-blind in admissions and to meet the full financial need of students with grant aid. Yet, they have long been bastions of privilege, enrolling only a small share of low-income students.

Most of the other colleges in this group are liberal arts colleges that meet the full financial need of the limited number of low-income students that they enroll. While some of these institutions are “need blind,” others are “need aware,” meaning that they take financial considerations into account when admitting a subset of their students. Several also provide merit aid to attract top students.

Washington University in St. Louis, for example, has never made much of an effort to recruit low-income students. Instead it has used merit aid to propel itself up the private-college pecking order.²³ Today, 14 percent of Wash U. freshmen have no financial need and receive merit scholarships, averaging about \$10,000 each.²⁴ Meanwhile, only 7 percent of the college’s students qualify for Pell Grants – the least of all colleges examined in this paper.

Some other colleges in this group have expressly rejected the approach that Wash U. has taken. In 2007, Hamilton College announced that it was dropping out of the merit aid arms race and redirecting its institutional aid dollars entirely to need-based aid. The school had previously offered half-tuition merit scholarships to several dozen top students it hoped to lure away from the country’s most elite liberal arts colleges, such as Amherst and Williams.²⁵

But with more and more students coming from families with significant amounts of financial need, Hamilton officials decided that the policy no longer made sense. “We’re going to need more financial aid in our budget over time, but before I ask the college for additional resources, I think the responsible thing to do is look at allocating the funds we have now,” Monica Inzer, the school’s dean of admissions and financial aid, said at the time. “It’s right for us to walk away from this now, ethically and morally. It doesn’t feel right for us to discount the price for families that can afford to pay, and maybe not to have enough for others.”²⁶

Since the policy change, Hamilton has increased its need-based aid budget by 85 percent, to \$32 million.²⁷ The college has also become “need blind” in admissions and

continues to meet the full financial need of its students. These policies are a stretch for an institution that has an endowment that is half the size of those of its most elite competitors. But both Inzer and the college’s president, Joan Hinde Stewart, are personally committed to making the college more socioeconomically diverse. After all, both were the first in their families to go to college. “To me this is personal,” Stewart told *Inside Higher Ed*. “This is something that matters because of my history and background. I needed inspiration and aid to go to college.”²⁸

Hamilton is not alone. Franklin & Marshall College has also abandoned its merit aid program. In 2008, the school was spending about a quarter of its institutional aid budget chasing after students from upper-middle-income and wealthy families in the Northeast. Nearly two-thirds of its freshmen were “full pay” students. Meanwhile, only 5 percent of first-year students received Pell Grants.²⁹

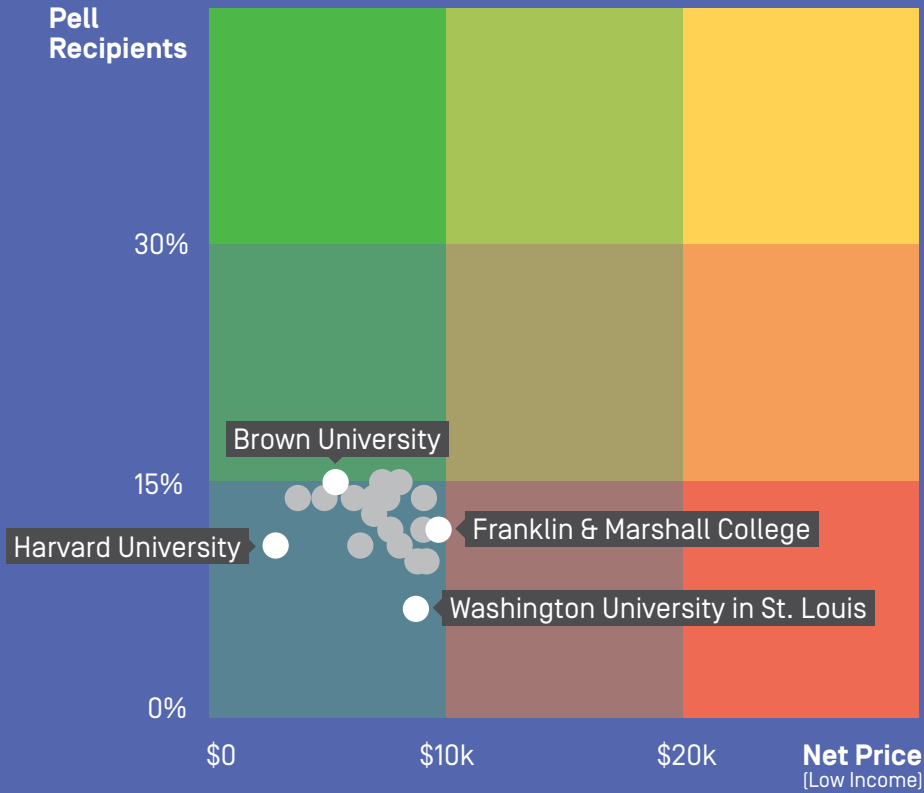
But the college was struggling to get the students it wanted. Despite its substantial investment in merit aid, Franklin & Marshall often lost top students to competitors offering steeper discounts. So the college decided to change gears, phase out its merit aid program, and target high-achieving students from low-income families.³⁰

Over the last five years, Franklin & Marshall has increased the financial aid it provides to its freshmen by 95 percent, from \$5.8 million to \$11.3 million.³¹ The college has forged key partnerships with high-quality charter schools and college-outreach organizations like the Posse Foundation to strengthen its recruitment of low-income students.³² And it has instituted innovative support programs to help financially needy students transition to college.

These policy changes have produced results. The proportion of Pell Grant recipients at Franklin & Marshall has more than doubled since the college phased out its merit aid program. And those numbers are expected to grow further, as Pell Grant recipients now make up 17 percent of the incoming freshman class.³³

According to Daniel R. Porterfield, Franklin & Marshall’s president, the school’s change of focus has been a boon for the institution. Enrolling a larger share of Pell Grant recipients “has actually improved the long-term health of the college,” he says. “We have enhanced our reputation as a national institution. We have deepened the bench of academically strong students and at the same time, we are more diverse than ever before.”³⁴

Low Pell, Low Net Price (Private Colleges)

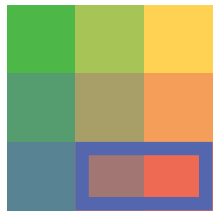


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Institution	State	% Pell	Net Price
Washington Univ. St. Louis	MO	7	\$8,784
Middlebury College	VT	10	\$8,846
Harvard University	MA	11	\$2,880
California Institute of Tech.	CA	11	\$6,444
Colgate University	NY	11	\$8,101
Franklin & Marshall	PA	12	\$9,738
Princeton University	NJ	12	\$7,707
Bates College	ME	12	\$9,095
Hamilton College	NY	13	\$7,025

Institution	State	% Pell	Net Price
University of Pennsylvania	PA	14	\$7,578
Georgetown University	DC	14	\$9,122
Duke University	NC	14	\$3,813
Yale University	CT	14	\$6,172
Bowdoin College	ME	14	\$4,936
Haverford College	PA	14	\$7,021
Brown University	RI	15	\$5,404
Vanderbilt University	TN	15	\$7,364
Dartmouth College	NH	15	\$8,094



PRIVATE COLLEGES: LOW PELL, HIGH NET PRICE

It was not all that long ago that Northeastern University accepted nearly all of the tens of thousands of students who applied. Many were part-time and evening students. Most lived only a short car ride or subway ride away.

But those days seem far in the past. Over the last two decades, the university in Massachusetts has undergone a remarkable transformation – from urban commuter campus to highly selective national research university.³⁵

In the mid-1990s, Northeastern was struggling, with only about half of its students graduating. The school's new president, Richard Freeland, charted a fresh course for the institution – to make it a “smaller, better university” that would target higher-achieving students throughout the country.³⁶ To carry out his vision, he went on a building spree, replacing parking lots with fancy new dormitories, as well as state-of-the-art academic, research, and recreational facilities.³⁷ He sought out top-notch professors. And he opened up the university's coffers to try to buy, with generous merit scholarships, a more upscale student body.

Freeland stepped down in 2006 (he is now the Commissioner of Higher Education for Massachusetts), but the effort he started continues under the leadership of Joseph Aoun. Today, the top 25 percent of students Northeastern admits are automatically considered for a merit scholarship, with awards ranging from \$5,000 to \$25,000 each for the first year. National Merit finalists receive a \$30,000 merit-based award from the institution. And the school provides full-tuition scholarships to 75 freshmen “who have distinguished themselves academically, who have demonstrated curiosity and creativity that extend far beyond the classroom to impact the world around them, and who have displayed an entrepreneurial approach to study, achievement, and life.”³⁸

By the standards that colleges use to judge their performance these days, the efforts of Freeland and Aoun have paid off big time. Northeastern has catapulted up the *U.S. News & World Report* rankings, rising more than 100 spots since 2002.³⁹ In the 2014 edition, the university broke the top 50 for the first time, making it a top-tier institution in the magazine's estimation.⁴⁰ The average SAT scores of incoming freshmen have risen over 160 points since 2006, to nearly 1400.⁴¹ And the university now admits only about one out of every three students who applies.⁴²

But Northeastern's generous merit aid policies have left some students out in the cold. Pell Grant recipients now

make up only 14 percent of the university's student body, and the school's lowest-income students pay a net price of \$18,542. (Northeastern officials say that the school will start this year to meet the full financial need of its freshmen.⁴³ So it's possible that this figure will come down in future years.)

Northeastern is one of 48 private colleges that enroll 15 percent or fewer Pell Grant recipients and charge the lowest-income students an average net price ranging from \$10,022 at Harvey Mudd College in California to \$30,770 at the Catholic University of America in Washington, D.C. At nearly a quarter of these institutions, the neediest students pay an average net price of \$20,000 or more.

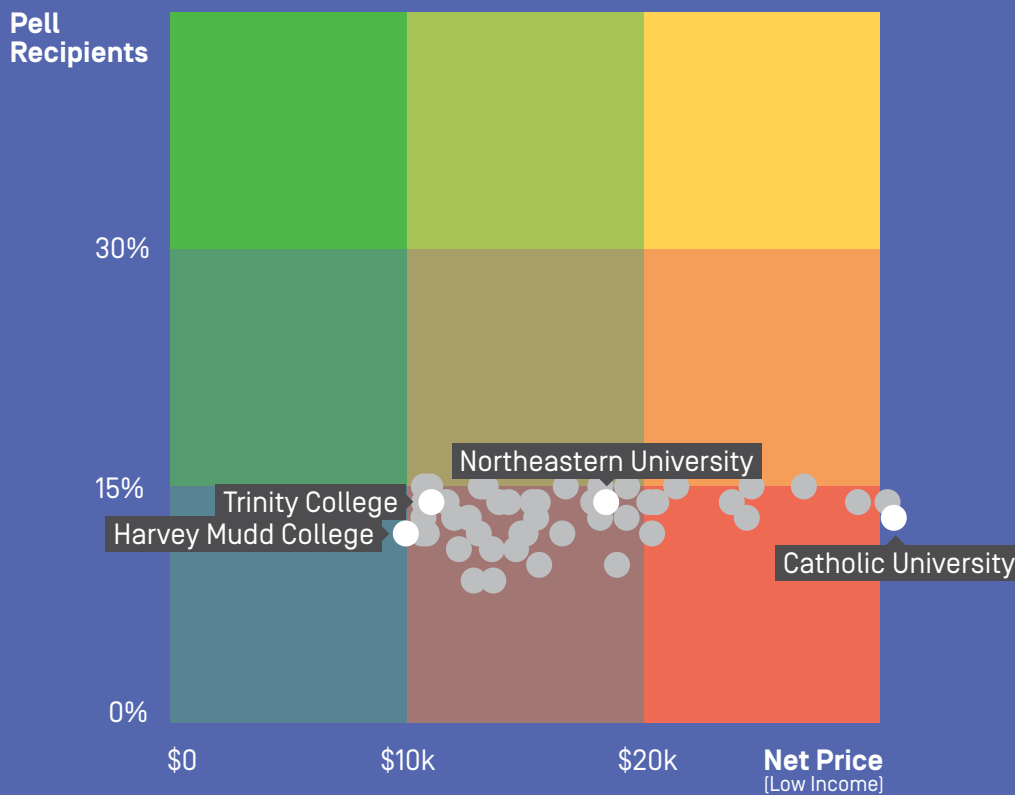
Like Northeastern, many of the colleges use merit aid as part of a broader strategy to build their prestige and propel themselves up the rankings. And while many of these institutions strive to compete with the most-elite institutions for top students, their endowments, while substantial, tend to pale in comparison. As a result, these colleges often have to rely heavily on tuition dollars to finance their operations, giving them a significant incentive to use their institutional aid to attract full-pay students as well. Meanwhile, low-income students who enroll in these schools are generally left with a large gap between what the government says they should be expected to pay and what they are being charged.

Some of the colleges on the list, however, say they only give out merit aid because they feel they have no other choice.

Larry Dow, dean of admissions and financial aid at Trinity College in Hartford, CT, recently told *The Hechinger Report* that his school's “heels are getting nipped at by the merit” scholarships his competitors are showering on applicants.⁴⁴ “I've taken more and more calls in the last two years of, ‘my kid's in at six places, and five of them gave my kid merit money and you didn't,’” he said.⁴⁵

The pressure on the school to respond by spending a limited amount of its precious resources on merit aid means that it has less money to aid truly needy students. “You can't sustain this process of giving limited financial aid to families that don't necessarily need it,” Dow stated. “The question is, what's going to give?”⁴⁶

Low Pell, High Net Price (Private Colleges)



#underminingpell

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Institution	State	% Pell	Net Price
Catholic Univ. of America	DC	13	\$30,770
Saint Joseph's University	PA	14	\$30,503
Quinnipiac University	CT	14	\$29,248
Boston University	MA	15	\$26,947
High Point University	NC	15	\$24,721
Furman University	SC	13	\$24,522
Saint Louis University	MO	14	\$23,882
University of Dayton	OH	15	\$21,520
Loyola University Maryland	MD	14	\$20,672
Wake Forest University	NC	12	\$20,493
Carnegie Mellon University	PA	14	\$20,372
Bentley University	MA	15	\$19,429
Stonehill College	MA	13	\$19,411
Elon University	NC	10	\$19,001
Northeastern University	MA	14	\$18,542
Texas Christian University	TX	15	\$18,293
Whitman College	WA	13	\$18,280
George Washington Univ.	DC	14	\$17,988
Washington College	MD	15	\$16,822
Villanova University	PA	12	\$16,676
Bucknell University	PA	10	\$15,692
Northwestern University	IL	14	\$15,633
Boston College	MA	13	\$15,564
Lehigh University	PA	14	\$15,400

Institution	State	% Pell	Net Price
Muhlenberg College	PA	12	\$15,106
University of Notre Dame	IN	12	\$15,104
Dickinson College	PA	12	\$14,932
Rockhurst University	MO	11	\$14,709
Claremont McKenna	CA	14	\$14,394
Trinity University	TX	14	\$13,993
Washington & Lee	VA	9	\$13,741
Lafayette College	PA	11	\$13,682
Saint Olaf College	MN	15	\$13,415
Skidmore College	NY	15	\$13,212
Scripps College	CA	12	\$13,124
Kenyon College	OH	9	\$12,908
Davidson College	NC	13	\$12,699
Colorado College	CO	11	\$12,279
Johns Hopkins University	MD	13	\$12,077
Connecticut College	CT	14	\$11,759
Trinity College	CT	14	\$11,109
Macalester College	MN	15	\$11,062
Oberlin College	OH	12	\$10,914
Gettysburg College	PA	14	\$10,802
Swarthmore College	PA	15	\$10,793
Carleton College	MN	13	\$10,770
Tufts University	MA	12	\$10,715
Harvey Mudd College	CA	12	\$10,022



PRIVATE COLLEGES: HIGH PELL, HIGH NET PRICE

At 737 of the 828 private colleges examined, Pell Grant recipients make up more than 15 percent of the student body and the lowest-income students are charged an average net price over \$10,000. This group includes about two dozen wealthy schools, with endowments of \$500 million or more. These colleges are very active in the financial aid arms race – doling out substantial amounts of merit aid to compete for students.

At the other end of the spectrum, 564 of these colleges have endowments of less than \$100 million. Like their wealthier peers, these institutions offer generous discounts to try to attract students. But they do so for an entirely different reason: Many of them consider it to be a matter of survival.

Colleges with Endowments Over \$500 Million

In the summer of 2008, Baylor University made an offer to incoming freshmen that was too good to pass up. The Baptist university said it would pay students it had already admitted a \$300 credit from the campus bookstore if they would agree to retake the SAT. Students who raised their scores by at least 50 points were guaranteed an additional \$1,000 merit scholarship. Those who increased their scores even further could qualify “for a higher-level merit-based Baylor Gold Scholarship,” according to an e-mail message the school sent these students outlining the offer.⁴⁷

Speaking to the student newspaper, which broke the story, a senior Baylor official acknowledged that the school was eager to see those scores rise. “People do pay attention to test scores,” said Reagan Ramsower, Baylor’s vice president for finance at the time. “The university does benefit from higher average scores, and students benefited from book credits. It’s a win-win situation.”⁴⁸

The people that Baylor was trying to impress were the editors of *U.S. News & World Report* who compile the magazine’s annual rankings of colleges. As described above, the university has made rising up those rankings a key goal. And the university has mostly succeeded, in part by doling out substantial sums of merit aid to attract top students to the campus.

Today, all students who apply for admission are automatically considered for one of four academic

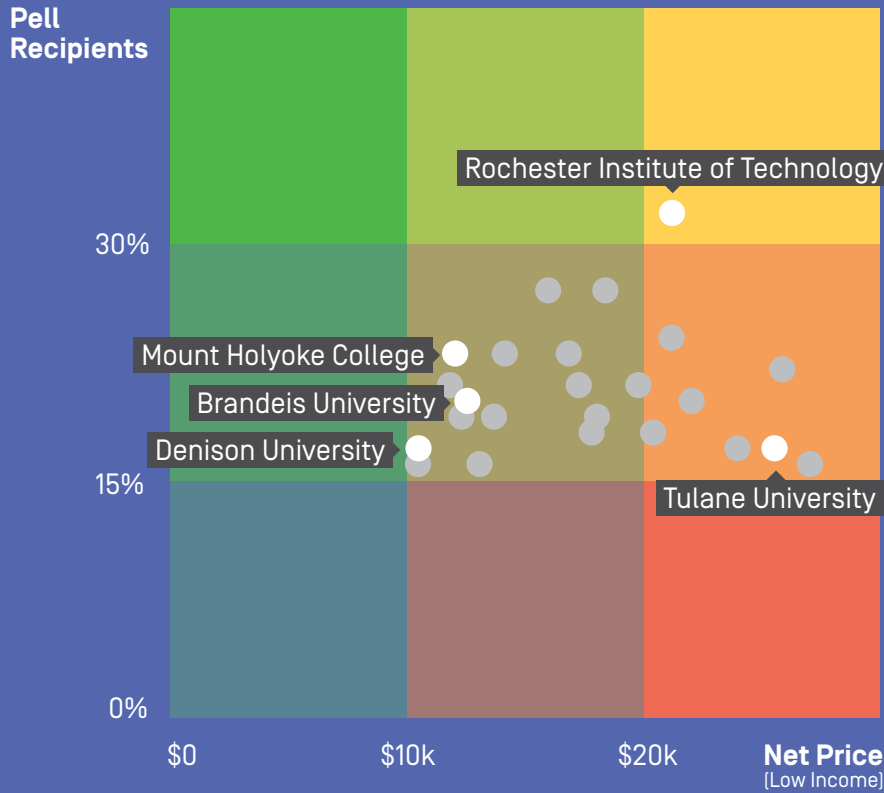
scholarships. National Merit finalists who select Baylor as their first choice are eligible to receive a full-tuition scholarship for up to four years. Other students who have high SAT scores and rank at the top of their class can receive up to \$20,000 a year off their tuition. Those with slightly lower SAT scores and class rank are eligible for smaller awards.⁴⁹

Many of these scholarships go to affluent students. According to data that the school discloses to the College Board, 34 percent of freshmen at Baylor have no financial need and receive merit aid, averaging about \$13,000 a year.⁵⁰

Seven colleges on our list provide more than 20 percent of their non-needy freshmen with merit aid, while charging the lowest-income an average net price over \$20,000

Not everyone is pleased with the university’s transformation. At the same time that the school has been pumping up its use of merit aid and redesigning its campus, it has raised its tuition significantly. Some of the university’s alumni fear that the school is pricing out its traditional clientele – the sons and daughters of Baptist families who are pursuing careers in education and social work and can’t afford to take on a lot of debt. “Almost all of my friends could not have gone to Baylor under the current tuition,” Bette McCall Miller, the daughter of former Baylor president Abner McCall, told the *Waco Tribune-Herald* in 2012.⁵¹

High Pell, High Net Price [Private Colleges with Endowments Over \$500 million]



#underminingpell

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Selected Institution [Endowment > \$500 million]	State	% Pell	Net Price
New York University	NY	21	\$27,274
Santa Clara University	CA	16	\$27,218
Drexel University	PA	22	\$26,049
Tulane University	LA	17	\$25,722
Rensselaer Polytechnic	NY	17	\$24,154
University of Miami	FL	20	\$22,221
Baylor University	TX	24	\$21,370
Rochester Institute of Tech	NY	32	\$21,348
University of Tulsa	OK	18	\$20,590
Case Western Reserve	OH	21	\$19,976
Syracuse University	NY	27	\$18,579
Yeshiva University	NY	19	\$18,227
Southern Methodist Univ.	TX	18	\$18,001

Selected Institution [Endowment > \$500 million]	State	% Pell	Net Price
Pepperdine University	CA	21	\$17,456
Emory University	GA	23	\$17,035
Berry College	GA	27	\$16,166
University of Southern Cal.	CA	23	\$14,338
University of Rochester	NY	19	\$13,878
University of Chicago	IL	16	\$13,267
Brandeis University	MA	20	\$12,754
Bryn Mawr College	PA	19	\$12,505
Mount Holyoke College	MA	23	\$12,238
Columbia University	NY	21	\$12,018
Denison University	OH	17	\$10,691
College of The Holy Cross	MA	16	\$10,670

The university, however, shows no sign of retreating from its aggressive use of merit aid. “Baylor must continue to be attentive to the broader market in which we compete for the best and brightest undergraduate, graduate, and professional students,” the university’s latest strategic plan, written in 2012 under the leadership of President Kenneth Starr, states.⁵²

Baylor is one of seven colleges on this list that provide more than 20 percent of their non-needy freshmen with merit aid, while charging the lowest-income an average net price over \$20,000. The others are: Drexel University in Pennsylvania (33 percent merit aid, \$26,049 net price for the students with the greatest need); Rensselaer Polytechnic Institute in New York (26 percent, \$24,154); Santa Clara University (28 percent, \$27,218); Tulane University (35 percent, \$25,722); the University of Miami (21 percent, \$22,221); and the University of Tulsa (45 percent, \$20,590).⁵³ Just as at Baylor, a larger share of affluent freshmen at these schools receive merit aid than low-income students receive Pell Grants on these campuses.

Colleges with Endowments Under \$100 Million

Among private colleges, the schools with the fewest resources tend to serve the largest share of low-income students. For instance, Pell Grant recipients make up an average of 41 percent of the student body at the 564 private colleges with endowments of less than \$100 million, compared with 16 percent at those with at least \$1 billion endowments. These schools have a difficult time supporting the large numbers of low-income students they enroll, charging the neediest students an average net price of nearly \$18,000 (compared to about \$11,000 at schools with endowments of \$1 billion or more). Unsurprisingly, low-income students don’t tend to fare as well – in terms of remaining in and graduating from college – at these institutions than at richer schools.

Admissions experts say that providing discounts on tuition can be an effective short-term tactic for struggling colleges. As a longer-term strategy it can be treacherous.

While many of these schools used to provide need-based aid exclusively, they say they simply can’t afford to continue to do so. Instead, they offer deep discounts on their tuition just to get more-affluent students in the door. Because these schools are so dependent on tuition revenue, their success in meeting their enrollment goals each year can be critical to their survival.

Admissions experts say that providing discounts on tuition can be an effective short-term tactic for struggling colleges, as long as they can bring in larger numbers of students without having to add new faculty or build

new facilities.⁵⁴ But as a longer-term strategy, it can be treacherous – the more tuition-dependent schools discount their tuition, the less they have to spend in other areas important to student recruitment, including the quality of the academic programs and the upkeep of facilities.⁵⁵

Franklin Pierce University is a case in point.

Ninety-six percent of the revenue of the small private college in Rindge, NH, comes from the tuition dollars it receives.⁵⁶ But to attract students to the campus, Franklin Pierce has, over the past several years, discounted its \$30,000 tuition by an average of nearly 60 percent for its freshmen.⁵⁷ As a result, the school, which has only an \$11 million endowment, has seen its net tuition revenue plunge, from \$24 million in 2008 to \$18 million in 2012.⁵⁸ Because of its financial problems, both Moody’s Investors Service and Standard & Poor’s have downgraded the university’s credit rating, making it more difficult for the school to borrow to stay afloat.⁵⁹

In order to cut costs, Franklin Pierce has discontinued majors in American studies, theater and dance, graphic communications, fine arts, math, and arts management. It has also eliminated health insurance plans for students. In addition, the school has kept faculty and staff wages and salaries flat, and reduced some of the benefits it provides its employees.⁶⁰

To try to right the ship, the university has introduced new programs in higher-demand fields, such as health sciences and environmental studies. It has also been looking to reduce its extremely high tuition discount rate, the share of tuition and fee revenue devoted to institutionally funded grant aid.

“This trend is unsustainable and must be reversed,” says James F. Birge, the university’s president. “Unfortunately, reducing scholarships is easier said than done.”⁶¹

Tuition discounting has become so widespread among small, have-not private colleges, that it has reached a point of diminishing returns, many higher education experts say. “When the schools in your peer group all have discounts, it becomes an untenable competition for students, with everyone having to increase their discounts,” David L. Warren, president of the National Association of Independent Colleges and Universities, recently told *The New York Times*.⁶²

Some schools – like Converse College in Spartanburg, SC – have lately decided to jump off that merry-go-round.

For years, the small women’s college provided tuition discounts to nearly all of its students, meaning that few, if any, paid the full price. Despite this generosity, Converse struggled to attract students. So it has decided to take a new tack – it slashed its published tuition for all students from \$29,000 to \$16,500, a 43 percent reduction, but did not discount the price.⁶³

According to President Elizabeth A. Fleming, the move has already begun paying dividends, with both applications and donations on the rise.⁶⁴

“When I think about tuition discounting, it seems deceptive, like a smoke-and-mirrors game,” Fleming stated. “I think a majority of colleges like us could do exactly what we’re doing if they trusted that they don’t have to buy students.”⁶⁵

“ Pell Grant recipients make up an average of 41 percent of the student body at private colleges with endowments of less than \$100 million, compared with 16 percent at those with at least \$1 billion endowments



SIDEBAR: PRIVATE COLLEGE TRENDS

Kenyon College is a rather reluctant player in the merit aid arms race, but it is a player nonetheless.⁶⁶ In recent years, the school in Gambier, OH, increased the amount of institutional aid that it gives to non-needy students so that it could better compete with other prominent liberal arts colleges in the state, such as Oberlin College, which offer even more generous merit aid awards to their students.⁶⁷ At the same time, the average net price that it charges the lowest-income students has risen to \$12,908 in 2011-12 from \$8,557 in 2010-11.

Kenyon is one of 19 private colleges that were low-net-price schools in last year's *Undermining Pell* report that are now charging the most financially needy students an average net price above \$10,000.

At the same time, there are five private colleges that were high-net-price schools in last year's report that are now charging the lowest-income students an average net price under \$10,000. These include Colgate University and Franklin & Marshall College.

Still, when looking at only the 479 private colleges that were included in last year's *Undermining Pell*, the news is mostly bad:

- The number of private colleges that charged students with family incomes of \$30,000 or less an average net price under \$10,000 has dropped from 53, or 11 percent of the schools examined, to 41, or 8 percent.
- The number of private colleges that charged the most financially needy an average net price over \$15,000 has grown to 315, or 66 percent of those examined, from 291, or 61 percent.
- The number of private colleges that charged the lowest-income an average net price over \$20,000 has also increased, to 122, or 26 percent of those examined, from 105, or 22 percent.
- Meanwhile, the number of private colleges at which Pell Grant recipients make up more than 15 percent of the student body and the lowest-income are charged an average net price under \$10,000 has dropped from 33 to 23 schools.

The first illustration on the following page lists 19 newly high-net-price schools. Like Kenyon, most of the schools on the list are small liberal arts colleges that provide generous amounts of merit-based aid in the financial aid packages they offer students.

Take Beloit College in Wisconsin. According to data that it provided to the College Board, 24 percent of its freshmen

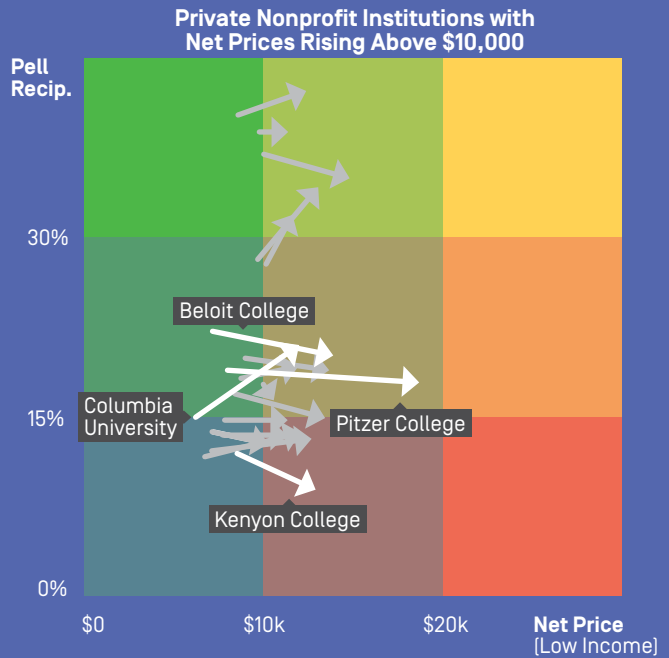
have no need and receive scholarships, averaging around \$18,000 each.⁶⁸

In a presentation, titled "How I Learned to Stop Worrying and Love Merit Awards: The Tuition Driven Schools' Dilemma," Scott Bierman, Beloit's president, argues that tuition-dependent schools, like his institution, have little choice in the current competitive environment but to offer merit aid in order to attract "the applicant pool that you actually want to have at your school."⁶⁹ He cites surveys that show that about three-quarters of Beloit freshmen say that the institutional aid they received played a "very important role" in their decision to attend the school.⁷⁰

Surprisingly, four schools that made the list – Connecticut, Reed, and Swarthmore Colleges, and Columbia University – don't offer merit aid. It's possible that some of these schools, which meet 100 percent of their students' need, are doing so by requiring students and their parents to take on larger debt loads.

It's more probable, however, that a shortcoming with the net price data is coming into play for at least some of these colleges. According to *The Chronicle of Higher Education*, Swarthmore College, for example, uses the federal formula for assessing students' need when deciding which students belong in the lowest-income average net price bracket.⁷¹ However, Swarthmore uses its own "institutional methodology" to determine student and family income for awarding its institutional aid dollars. These calculations tend to be more exacting than the federal formula and, as a result, often produce income estimates for students and families that differ significantly from the results under federal calculations. In using the "federal methodology" to report the net price data to the Education Department, Swarthmore included in the lowest-income band students it doesn't think are as poor as the government does. Had the college only included students that it believed to be poor, as some elite colleges do, its average net price for the lowest-income students would likely have been lower.

Institution	State	Net Price [2011]	Net Price [2012]
Harvey Mudd College	CA	\$6,901	\$10,022
Union College	NY	\$9,715	\$10,151
Swarthmore College	PA	\$7,383	\$10,793
Graceland University	IA	\$9,496	\$11,095
Trinity College	CT	\$7,641	\$11,109
Mcdaniel College	MD	\$9,788	\$11,215
Connecticut College	CT	\$6,460	\$11,759
The College of Wooster	OH	\$8,805	\$11,984
Columbia University	NY	\$6,277	\$12,018
Monmouth College	IL	\$8,459	\$12,233
Davidson College	NC	\$7,165	\$12,699
College of St Elizabeth	NJ	\$9,549	\$12,899
Kenyon College	OH	\$8,557	\$12,908
Saint Olaf College	MN	\$8,407	\$13,415
Beloit College	WI	\$6,869	\$13,563
Reed College	OR	\$8,918	\$13,576
Brenau University	GA	\$7,494	\$13,931
Ripon College	WI	\$9,931	\$14,694
Pitzer College	CA	\$7,977	\$18,613



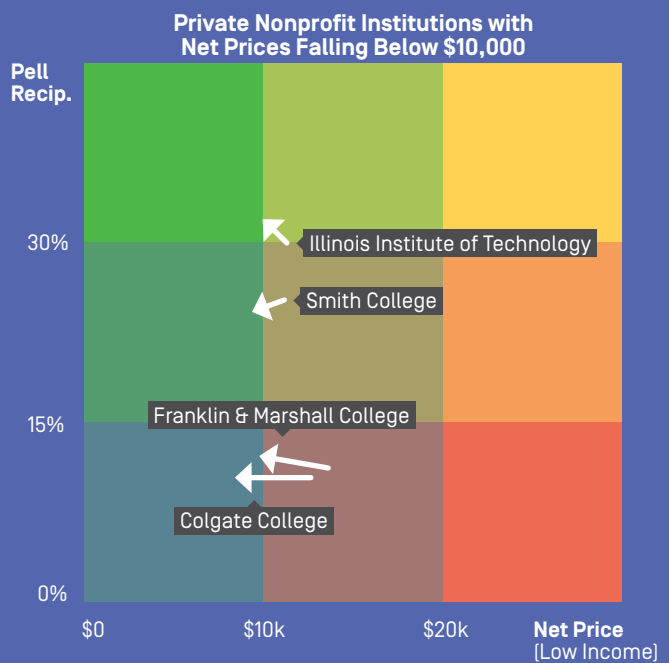
There are also seven newly low-net-price schools in our data. These include Franklin & Marshall College, which has phased out its merit aid program and is now focused on recruiting high-achieving low-income students.⁷² To carry out this goal, the college has steadily increased its spending on need-based financial aid over the last several years.⁷³

These efforts have paid off. Not only has the college significantly expanded the proportion of Pell Grant recipients it serves, but it has also reduced the average net price that the lowest-income students pay from \$14,437 in 2010-11 to \$9,738 in 2011-12.

“ The number of private colleges that charged students with family incomes of \$30,000 or less an average net price under \$10,000 has dropped from 53 to 41


Institution	State	Net Price [2011]	Net Price [2012]
St Thomas University*	FL	\$13,972	\$8,072
Colgate University	NY	\$12,222	\$8,101
Holy Names University*	CA	\$18,302	\$8,572
Saint Mary-of-The-Woods College*	IN	\$14,665	\$8,755
Smith College	MA	\$11,146	\$9,350
Franklin & Marshall College	PA	\$13,567	\$9,738
Illinois Institute of Technology	IL	\$11,289	\$9,927

* Colleges with Pell percentages above 45% are not illustrated.





PUBLIC COLLEGES

A student with long dark hair, wearing a light blue sweater, is sitting at a desk in a library, reading an open book. The background is filled with bookshelves containing many books. The entire image has a blue tint.

As we have seen, only a small number of private colleges are using their financial aid resources to make college more accessible and affordable for the neediest students. Instead, most are charging students with family incomes of \$30,000 or less a net price exceeding \$10,000.

The news is better in the public higher education sector. About half of public four-year colleges enroll at least 30 percent low-income students and charge them a manageable net price of less than \$10,000.

But don't be fooled. The merit aid arms race is raging at a large number of public colleges and universities. State disinvestment and institutional status-seeking are working together, hand in hand, to encourage an increasing number of public institutions to adopt the enrollment tactics of their private-college counterparts – often to the detriment of the low-income students they enroll.

This paper examined 598 public four-year colleges, including all of the public flagship universities and many state regional colleges, and found the following:

- 235 public colleges, or 39 percent of those examined, charge the lowest-income in-state students a net price over \$10,000; and 35 of those institutions, or 6 percent of the schools, require these students to come up with \$15,000 or more.
- These high-net price colleges are especially

concentrated in states that have adopted a high-tuition model. For example, 54 of these schools, or nearly a quarter of the institutions, are located in two states – Ohio and Pennsylvania – that have long followed such a model. Nearly half the high-net-price schools come from 11 states – Connecticut, Illinois, Massachusetts, Minnesota, New Hampshire, New Jersey, Ohio, Pennsylvania, South Carolina, Vermont, and Virginia – that have taken this approach.

- Low-income students attending public universities in their home states paid an average net price above \$10,000 in half of the states.
- Many public colleges that have the means to enroll a significant share of Pell Grant recipients and charge them a low net price **choose** not to do. These include some of the country's most exclusive campuses, which enroll only a small proportion of low-income students. They also include a substantial number of colleges that use their institutional aid as a competitive weapon to attract the students they desire, rather than to meet the financial need of their students.

BEST OF THE BEST: LOW-TUITION STATES

Once again, the data show that the lowest-income students fare the best in states that have kept the cost of attending their public institutions relatively low. Unfortunately, with more and more states divesting from their public college systems, low-cost states are getting harder and harder to find.

Take, for example, Hawaii, which has a low-cost public higher education system. In the Aloha State, in-state public four-year college students with family incomes of \$30,000 or less paid an average net price of just \$5,909 in the 2011-12 academic year – an amount they could pretty much cover by taking out federal student loans.

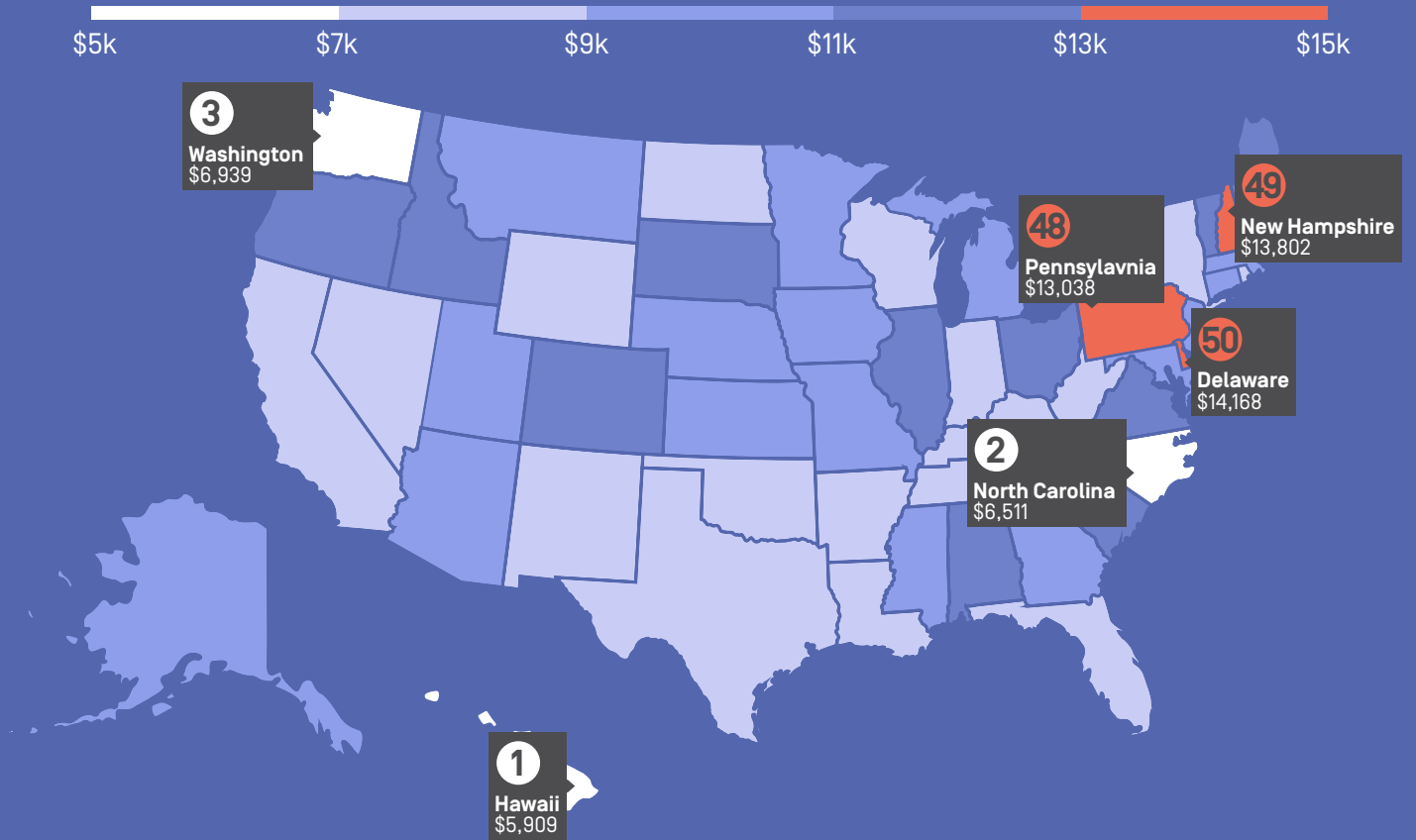
In contrast, the most financially needy in-state students attending public four year colleges in Ohio paid an average net price that was almost double that amount: \$11,511. And while not a single public college in Hawaii charged the lowest-income students an average net price over \$10,000 (the highest being \$8,164 at the University of Hawaii at Hilo), 21 public colleges in Ohio did, with 7 charging more than \$15,000. This includes Miami University in Ohio, which has been an extremely aggressive participant in the merit aid wars.⁷⁴ The

neediest in-state students at the university's Oxford campus pay an average net price of nearly \$18,000.

In addition to Hawaii, other low-cost states that stand out in terms of keeping their public colleges accessible and affordable for the lowest-income in-state students include: North Carolina (average net price of \$6,511), Washington (\$6,939), Louisiana (\$7,008), New York (\$7,268), and California (\$7,293).

Meanwhile, low-income in-state students who attend public four-year colleges face average net prices over \$10,000 in 25 states, including high-tuition ones such as Delaware (\$14,168), New Hampshire (\$13,802), Pennsylvania (\$13,038), South Dakota (\$11,808), and Illinois (\$11,806).

Cheapest and Most Expensive States for Low-Income Students



Source: U.S. Department of Education and New America

Note: Data represent the average net price that first-time, full-time students with family incomes of \$30,000 or less are charged, after all grant and scholarship aid is taken into account, to attend public colleges in their home states. The net price data are from the 2011-12 academic year.

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PUBLIC COLLEGES: LOW PELL, LOW NET PRICE

Eighty public colleges enroll 30 percent or fewer Pell Grant recipients and charge the lowest-income in-state students an average net price under \$10,000 – ranging from \$3,305 at the State University of New York at Farmingdale to \$9,972 at the University of Nebraska.

This group includes the most elite public universities in the country, such as the Universities of Michigan, Virginia, and Wisconsin at Madison. Like their private-college counterparts, these schools tend to offer generous amounts of need-based aid. Yet, compared with other state colleges, these institutions enroll only a small share of low-income students.

Many of these colleges go to great lengths to attract out-of-state students. Recent research suggests that the more a public research university enrolls out-of-state students, the fewer seats it has left for low-income and minority students.⁷⁵ This makes sense as public colleges, reeling from large-scale state budget cuts, tend to enroll wealthy out-of-state students who can pay the higher tuition rates charged to these students.⁷⁶

At the University of Michigan, for instance, Mary Sue Coleman, who retired as the school's president this summer, made an aggressive push in recent years to recruit students from outside of Michigan. "As a state, if you look at all 15 universities, we are underperforming in terms of our out-of-state student population," she said in 2012. "That is, we have capacity, and these students come paying full freight."⁷⁷

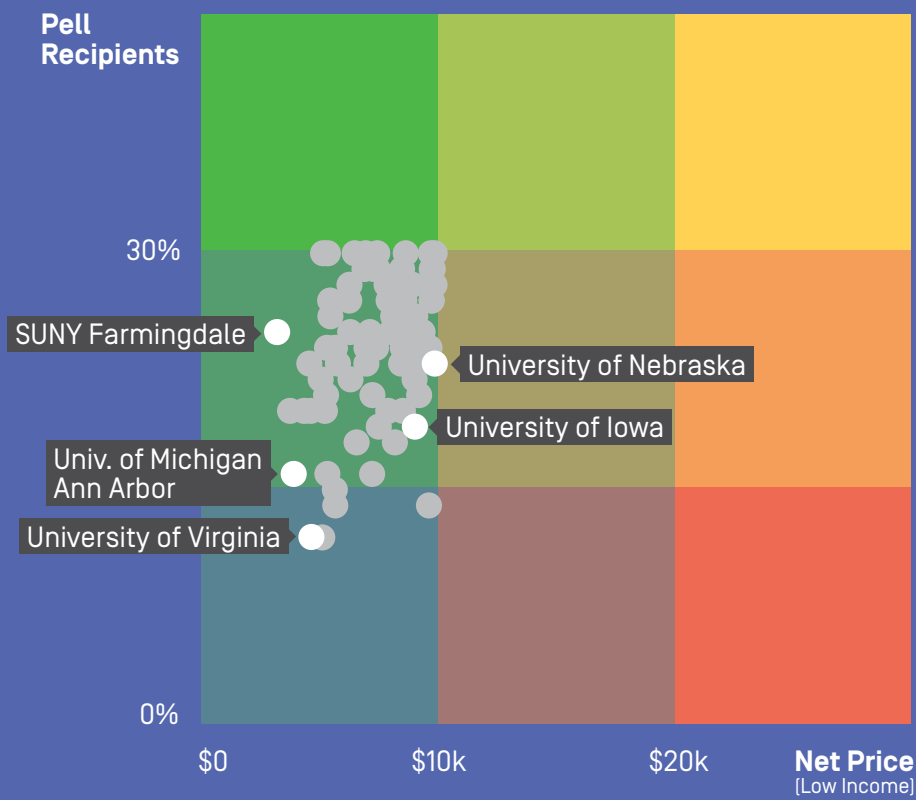
In the fall of 2013, 41 percent of entering freshmen were out-of-state students,⁷⁸ up from about 30 percent in 2008.⁷⁹

Critics of Coleman say that these efforts have changed the character of the university. "Michigan has become a tale of two colleges: a moderately expensive one (approximately \$27,000 a year for undergraduate tuition, fees, books, miscellaneous expenses, and room and board) serving an in-state student body that is moderately diverse, and an extremely expensive one (approximately \$55,000 a year) serving an out-of-state student body that is overwhelmingly wealthy and white," Scott Kurashige, a professor of American culture, history, and Afro-American and African studies at the University of Michigan, wrote in *The Chronicle of Higher Education* recently. "...The result is that the university not only reflects the race and class inequities inherent in our society, it actually reinforces and aggravates them."⁸⁰

At Michigan, Pell Grant recipients make up only 16 percent of students. Meanwhile, 20 percent of freshmen at the school have no need and receive merit aid from the school, averaging \$6,816 per student.⁸¹

While the University of Michigan fares poorly in terms of enrolling Pell Grant recipients, the University of Virginia remains among the least socioeconomically diverse public colleges in the country. Pell Grant recipients make up 12 percent of the student body at UVA. Only the University of Delaware educates a smaller share of students with Pell Grants among public universities.

Low Pell, Low Net Price (Public Colleges)



[#underminingpell](#)

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See next page for data

Institution	State	% Pell	Net Price
University of Virginia	VA	12	\$4,755
College of William & Mary	VA	12	\$4,917
Bellevue College	WA	14	\$5,765
James Madison University	VA	14	\$9,727
St. Mary's College of Md.	MD	15	\$5,746
Colorado Mountain College	CO	16	\$4,007
University of Michigan - Ann Arbor	MI	16	\$5,431
University of Wisconsin - Madison	WI	16	\$7,323
Clemson University	SC	18	\$6,666
College of New Jersey	NJ	18	\$8,286
University of Iowa	IA	19	\$9,132
University of Maryland, College Park	MD	19	\$7,605
Brazosport College	TX	20	\$4,446
Georgia Institute of Technology	GA	20	\$5,326
Indiana Univ. Bloomington	IN	20	\$4,726
Louisiana State University	LA	20	\$3,852
Truman State University	MO	20	\$8,005
Univ. Illinois Urbana-Ch.	IL	20	\$8,626
University Of Connecticut	CT	21	\$9,312
Univ. of Minn. Crookston	MN	21	\$7,336
University of North Carolina - Chapel Hill	NC	21	\$5,376
Purdue University	IN	22	\$6,410
Salisbury University	MD	22	\$9,118
Texas A&M University	TX	22	\$5,148
Great Basin College	NV	23	\$8,550
Midland College	TX	23	\$7,081
North Carolina State Univ.	NC	23	\$5,876
Oklahoma Panhandle State University	OK	23	\$4,667
University of Minnesota - Twin Cities	MN	23	\$9,184
University of Nebraska	NE	23	\$9,972
University of Wisconsin - La Crosse	WI	23	\$8,872
Dickinson State University	ND	24	\$7,321
Iowa State University	IA	24	\$8,620
Louisiana Tech University	LA	24	\$5,751
Texas A&M Univ. Galveston	TX	24	\$7,084
University of Alaska Anchorage	AK	24	\$8,922
University of Connecticut-Avery Point	CT	24	\$5,416
University of Kentucky	KY	24	\$9,472
University Of South Carolina - Columbia	SC	24	\$9,751
University of Wyoming	WY	24	\$7,490
Michigan State University	MI	25	\$6,394
Minot State University	ND	25	\$9,457
SUNY Farmingdale	NY	25	\$3,305
Towson University	MD	25	\$8,250
University of Arkansas	AR	25	\$8,736

Institution	State	% Pell	Net Price
University of Georgia	GA	25	\$8,306
University of Minnesota Duluth	MN	25	\$8,993
University of Washington - Seattle	WA	25	\$7,229
Valley City State University	ND	25	\$8,124
Western Washington University	WA	25	\$8,620
Appalachian State University	NC	26	\$5,559
Colorado State University	CO	26	\$9,147
Michigan Technological University	MI	26	\$8,894
Ramapo College of New Jersey	NJ	26	\$8,809
Vincennes University	IN	26	\$8,214
Binghamton University	NY	27	\$9,840
Bismarck State College	ND	27	\$5,548
Fort Hays State University	KS	27	\$8,021
New Mexico Institute Of Mining & Technology	NM	27	\$6,355
University of Wisconsin - Eau Claire	WI	27	\$8,686
Radford University	VA	28	\$9,920
State University Of New York At New Paltz	NY	28	\$7,935
University of Colorado Denver	CO	28	\$9,965
University of Texas At Austin	TX	28	\$8,814
University of Wisconsin - Oshkosh	WI	28	\$9,026
West Virginia University	WV	28	\$6,366
Minnesota State University, Mankato	MN	29	\$9,890
Sonoma State University	CA	29	\$9,844
Suny College At Oneonta	NY	29	\$8,591
University Of North Carolina At Wilmington	NC	29	\$7,000
University Of Wisconsin - Whitewater	WI	29	\$7,557
Weber State University	UT	29	\$7,407
Madison Area Technical College	WI	30	\$6,586
Olympic College	WA	30	\$5,452
State University Of New York At Buffalo	NY	30	\$8,745
Texas Tech University	TX	30	\$9,809
University Of Connecticut-Stamford	CT	30	\$5,250
University Of Minnesota - Morris	MN	30	\$7,541
University Of North Carolina School Of The Arts	NC	30	\$7,051
University Of Wisconsin - Stout	WI	30	\$9,969

“ Research suggests the more a public research university enrolls out-of-state students, the fewer seats it has left for low-income and minority students





PUBLIC COLLEGES: HIGH NET PRICE

Many of the 235 public colleges that charge the lowest-income in-state students a net price over \$10,000 are active participants in the institutional financial aid arms race. Oregon State University entered the fray in the late 1990s – and it did so with gusto.

In an interview with *The Atlantic Monthly* in 2005, Bob Bontrager, Oregon State's head of enrollment management at the time, revealed the fervor with which he approached the job when he said of his competitors: "I personally prefer kicking their ass." He explained, "It's a zero-sum game. There are a finite number of prospective students out there. Are you going to get them or is your competitor going to get them?"⁸²

According to Bontrager, Oregon State took this aggressive approach out of necessity. From 1981 through 1996, the university saw its enrollment plunge from 17,700 to 13,800 students. At first, school officials were fairly complacent about these developments. "The prevailing thinking was that the high levels of name recognition and legacy predisposition would shield the university from continued enrollment declines," Bontrager wrote in an essay on the subject for the American Association of Collegiate Registrars and Admissions Officers (AACRAO).⁸³

But by the mid-1990s, university officials realized that "significant action was needed to address the 'enrollment problem'" and to "enhance net revenue" at a time when state appropriations were falling. Among other things, the university began to use its institutional aid dollars more strategically – creating merit scholarship programs to attract students to the school.⁸⁴

The new approach worked. Enrollments not only began to grow again but started to break previous records. "We now find ourselves in a completely different posture with regard to enrollment," Bontrager wrote in 2003. "We have gone from enrolling as many qualified students as possible to facing the full range of enrollment issues, including consideration of the physical and program capacity of the campus as well as of the desired composition of the student body based on residency, ethnicity, academic credentials, and other characteristics. In short, we put ourselves in a position of truly managing our enrollment rather than just seeking to increase aggregate numbers."⁸⁵

Although Bontrager left Oregon State in 2006, the university has continued its aggressive enrollment

management approach. In fact, it has doubled-down on its recruiting efforts as it pursues a goal that its president, Edward J. Ray, has set for the institution: to become a top 10 land-grant institution, a set of schools, including many public flagship universities, that have a mission to provide a broad and accessible education to the citizens of their states. As part of this effort, Ray has vowed that by 2025, at least half of the incoming class will be made up of top students.⁸⁶

According to Oregon State officials, the population of high-achieving students (those who have a GPA of at least 3.75) has grown in recent years to represent more than a third of entering students each year.⁸⁷ To achieve the president's goal, university administrators have drawn up an "Executive Engagement Plan" that calls on the enrollment management office to "fully engage all OSU deans and college administrators and faculty as active participants and on-going partners in the high-touch recruitment and enrollment of high achieving students."⁸⁸ It also calls on the university to "provide sufficient on-going scholarships and financial assistance to successfully and robustly recruit and admit high-achieving students."⁸⁹ The university has, in fact, made financing merit scholarships a top goal of the final phase of the \$1 billion capital campaign that it is carrying out now.⁹⁰

Currently, Oregon students with a GPA of at least 3.85 or SAT scores of 1900 and above are eligible for scholarships worth up to \$8,000 a year, renewable for four years. Out-of-state students with a GPA of at least 3.75 can receive up to \$7,000 per year for four years. Both Oregon and out-of-state students with slightly lower grades and test scores are eligible for lesser awards.⁹¹

Overall, in 2012-13, 19 percent of freshmen at Oregon State had no financial need and received merit aid, averaging about \$4,000 a year.⁹²

With all the money Oregon State spends recruiting the best and the brightest, the university appears to have little left over for those with the greatest financial need. While Pell Grant recipients make up 34 percent of the school's

student body, the lowest-income Oregon students pay an average net price of \$13,506, 70th highest among public universities.

Still, with the university's ambitions rising, it's unlikely to change its focus anytime soon. "The growth among high-achieving students has helped OSU become known more publicly and accurately as the leading 'university of choice' for Oregon's best and brightest high school graduates," the university's Enrollment Management Task Force boasted in 2012.⁹³

Forgive University of Oregon officials if they don't agree with that assessment. And don't think for a minute that they have been sitting idly by as Oregon State advances.

In 2010, the University of Oregon hired one of the leading enrollment management officials in the country – Roger J. Thompson, who previously managed enrollments at the University of Alabama and Indiana University, two schools that have been heavily involved in the arms race.⁹⁴ Under his leadership of the University of Oregon's enrollment management office, the school has become much more aggressive in trying to reel in top students from Oregon and beyond (the school enrolls so many students from California that some jokingly refer to it as the University of California-Eugene).⁹⁵

The university takes a high-touch approach to recruiting high-achieving students, contacting them four, five, or six times during the application season.⁹⁶ Every January, the school invites a select group of students it has admitted – all with GPAs of at least 3.65 and high SAT or ACT scores – to Eugene so they can get familiar with the campus, meet with top faculty members, and attend sporting events at the college for free. "It's an opportunity for us to look at the crème de la crème of our applicant pool for the next fall and to really roll out the red carpet – and to look that student and that parent in the eye and say, 'We think you can get a fantastic undergraduate education here at the University of Oregon,'" David Van Der Haeghen, the school's assistant director of admissions for top scholar recruitment, told *The Register Guard*, the local newspaper.⁹⁷

Since arriving at the university, Thompson has streamlined the university's merit scholarship programs and made them more generous. He has, for example, introduced the Summit Scholarship, which offers Oregon top scholars (those with a 3.80 GPA and SAT scores of 1200 or above in the math and critical reading portions of the exam) \$20,000 and out-of-state students who meet these standards \$32,000 over four years.⁹⁸ Students with a GPA of 3.65 are eligible for the new Apex Scholarship, which is worth \$12,000 for in-state students and \$16,000 for out-of-state students over four years.⁹⁹

"At the OU," Thompson wrote in a column for the *The Register Guard*, "we clearly want Oregon's best and brightest, and we do not want financial need to stand in the way."¹⁰⁰

In total, 8 percent of University of Oregon freshmen had no need and received scholarships, worth \$3,589 each.¹⁰¹

Meanwhile, in-state students from families making \$30,000 or less must pay an average net price of \$10,901.

Just like at Oregon State, the University of Oregon is driven to move up the pecking order, and it has found that the most expedient way to achieve this goal is to chase after top students.

"We want to continue to change and enhance the image the people have of the UO," Van Der Haeghen said. "The UO doesn't have the same name recognition that you get when you hear the name Stanford or Harvard or Yale, right? But at the same time, we would put our faculty and our undergrads up against faculty and undergrads from any other university of our shape and size and feel very confident."¹⁰²

The use of strategic enrollment management by public colleges is not just being driven by the quest for prestige. Schools are also using these techniques to try to increase their revenue in the face of large-scale state budget cuts.

Such is the case at Wichita State University in Kansas, a state that has cut spending on higher education by about 23 percent since 2008.¹⁰³ To make up for lost revenue the university plans to boost its enrollment by more than 7,000 students.¹⁰⁴ This effort will require Wichita State to engage in "much more aggressive recruiting of freshmen both in-state and out-of-state," according to John Bardo, the school's president.¹⁰⁵

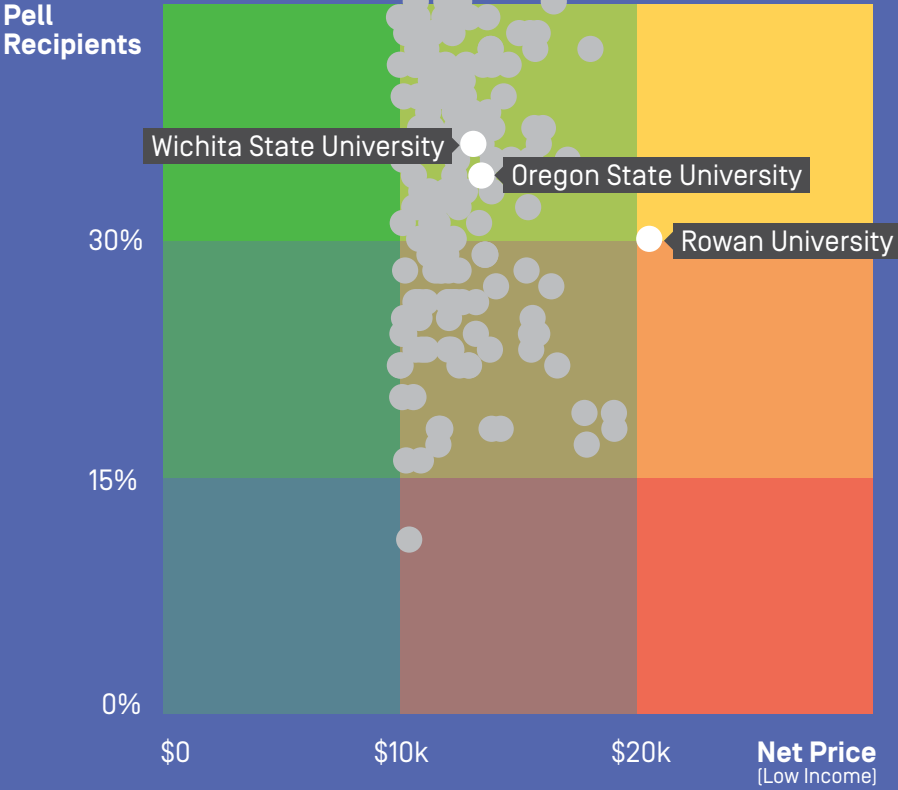
As a first step, the university spent \$700,000 in 2013 to hire the enrollment management firm Royall & Company to help expand its reach outside Kansas. With the help of the company, the university is purchasing lists of names of hundreds of thousands of high school sophomores, juniors, and seniors that it can recruit nationwide. "The plan is to spend hundreds of thousands," Bardo said. "The payoff will be millions."¹⁰⁶

The school has also restructured its scholarship program to make it more appealing to "academically talented students."¹⁰⁷ For the first time, students are automatically considered for merit scholarships upon admission to the university (instead of having to apply for them separately, as they've done in the past). And the scholarships are available for up to four years of school. Previously, students had to reapply for them each year.¹⁰⁸

"Our interest is in making sure we keep the best and brightest people in Wichita so that they become part of our long-term workforce," Bardo stated. "The new plan also allows us to recruit bright new people from out of state who we can help become part of the community."¹⁰⁹

Even before the changes took effect, Wichita State was generous with merit aid, providing scholarships averaging about \$2,800 each to 36 percent of freshmen without financial need in 2011-12.¹¹⁰ The fact that the university is becoming even more strategic with its scholarships can't be good news for the lowest-income in-state students, who already pay an average net price of \$13,166.

High Net Price (Public Colleges)




#undermining pell
edcentr.al/underminingpell

Institution	State	% Pell	Net Price
Rowan University	NJ	30	\$20,577
University Of Pittsburgh - Pittsburgh	PA	18	\$19,107
Colorado School Of Mines	CO	19	\$19,089
University Of Missouri - Kansas City	MO	34	\$18,111
Pennsylvania College Of Technology	PA	42	\$18,099
Miami University	OH	17	\$17,944
Delaware State University	DE	55	\$17,872
Pennsylvania State University (The)	PA	19	\$17,847
Temple University	PA	34	\$17,796
University Of Baltimore	MD	47	\$17,629
Penn State Altoona	PA	35	\$17,140
Penn State Erie-Behrend College	PA	34	\$17,042
South Carolina State University	SC	73	\$16,942
University Of New Hampshire	NH	22	\$16,702
University Of The District Of Columbia	DC	45	\$16,555
University Of Cincinnati	OH	27	\$16,451
Texas Southern University	TX	74	\$16,302
Montclair State University	NJ	37	\$16,097
University Of Southern Maine	ME	36	\$15,924
Wright State University	OH	43	\$15,877
West Chester University Of Pennsylvania	PA	24	\$15,858
Northern Illinois University	IL	42	\$15,775
Kent State University	OH	37	\$15,736
Massachusetts College Of Art And Design	MA	25	\$15,662
University Of Alabama	AL	23	\$15,605
Ohio University	OH	24	\$15,593
Pennsylvania State University-Berks	PA	35	\$15,579
Lamar University	TX	43	\$15,553
Northeastern Illinois University	IL	48	\$15,539
Maine Maritime Academy	ME	32	\$15,475
Western Connecticut State University	CT	28	\$15,407
Stephen F Austin State University	TX	46	\$15,308
Cleveland State University	OH	51	\$15,135
University Of Akron (The)	OH	43	\$15,097
Penn State Harrisburg	PA	35	\$14,762
University Of Maine - Farmington	ME	46	\$14,682
Penn State Mont Alto	PA	41	\$14,653
Penn State Hazleton	PA	47	\$14,593
California University Of Pennsylvania	PA	39	\$14,444
Christopher Newport University	VA	18	\$14,317

Institution	State	% Pell	Net Price
Indiana University - Purdue University - Fort Wayne	IN	27	\$14,123
Penn State Greater Allegheny	PA	52	\$14,057
Richard Stockton College Of New Jersey	NJ	35	\$13,990
Sinte Gleska University	SD	50	\$13,986
Bowling Green State University	OH	37	\$13,966
Ohio State University-Mansfield Campus	OH	48	\$13,959
Metropolitan State University	MN	41	\$13,946
University Of Alabama In Huntsville	AL	33	\$13,937
University Of Colorado At Boulder	CO	18	\$13,934
Vermont Technical College	VT	37	\$13,906
Colorado Mesa University	CO	42	\$13,895
Mesa State College	CO	42	\$13,895
Shawnee State University	OH	59	\$13,885
Keene State College	NH	23	\$13,865
Georgia Southern University	GA	38	\$13,791
Ohio State University-Newark Campus	OH	44	\$13,755
Dixie State University	UT	51	\$13,744
Virginia Commonwealth University	VA	29	\$13,672
Bloomsburg University Of Pennsylvania	PA	29	\$13,668
University Of New Hampshire At Manchester	NH	29	\$13,637
Francis Marion University	SC	55	\$13,607
University Of Northern Colorado	CO	34	\$13,601
Jacksonville State University	AL	47	\$13,592
University Of Pittsburgh-Bradford	PA	46	\$13,583
Western Illinois University	IL	41	\$13,569
Frostburg State University	MD	36	\$13,511
Oregon State University	OR	34	\$13,506
University Of Pittsburgh-Johnstown	PA	31	\$13,408
Eastern Connecticut State University	CT	26	\$13,282
Ohio State University	OH	24	\$13,273
University Of Pittsburgh-Greensburg	PA	37	\$13,257
Austin Peay State University	TN	53	\$13,238
Cheyney University Of Pennsylvania	PA	79	\$13,174
Wichita State University	MS	36	\$13,166

The list above shows the 75 public colleges with the highest net prices for low-income students. The remaining colleges with net prices above \$10,000 are listed at edcentral.org/underminingpell



“ We will risk losing top scholars unless we begin to rethink the relationship between admission and financial aid

**GREG W. ROBERTS
UNIVERSITY OF VIRGINIA DEAN OF ADMISSIONS**

MOVING IN THE WRONG DIRECTION: THE CASE OF THE UNIVERSITY OF VIRGINIA

The more public colleges compete nationally for the best (and in many cases, the wealthiest) students, the greater the pressure on the schools to use their financial aid strategically – both for offensive and defensive purposes.

The University of Virginia has been feeling the heat. In recent years, the university has seen its “yield rate” – the proportion of students who enroll in college after being admitted – “gradually decline in some demographic groups,” according to Greg W. Roberts, UVa’s dean of admissions. “Nationally peers are pursuing admission and aid policies that target our best applicants,” Roberts warned in a presentation that he delivered to the university’s board in August 2012, adding, “We will risk losing top scholars unless we begin to rethink the relationship between admission and financial aid at UVa.”¹¹¹

As described by Roberts, when it comes to admitting students and offering them financial aid, UVa mostly follows a “traditional model.” Under this model, “individual application decisions on admission and need-based financial aid are made independently of one another,” he wrote.¹¹² At the same time, the university itself offers very few merit scholarships. [The Jefferson Scholars Foundation, a nonprofit organization that is affiliated with the school’s alumni association, offers scholarships to 25 to 30 prospective students a year that cover the full cost of attendance at the institution over their college careers.]¹¹³

Despite the university’s longtime success, its approach has become “antiquated” at a time when the “admissions landscape is rapidly changing,” Roberts stated:

Vice Presidents of Enrollment, multimillion-dollar operating budgets, and the use of high-priced consultants hired to develop admissions-marketing campaigns and communication strategies have become the norm. It’s now common for colleges to establish admission and aid policies designed exclusively to improve selectivity and yield, two statistics that influence prestige, institutional position, and rank.¹¹⁴

Roberts argues that the school needs to make changes to its admissions and financial aid policies “that will enhance our ability to recruit, evaluate, and enroll top students in a rapidly changing and highly competitive marketplace.” As a start, he proposes adopting at least a “modified version of the Enrollment Management model”

in which the admissions, financial aid, and institutional research offices work more closely together to develop “the most strategic and institutionally advantageous admissions policies.”¹¹⁵

“As more and more public universities engage in the merit aid arms race, others feel compelled to follow – potentially leaving low-income students out in the cold”

Expanding UVa’s merit-aid offerings would be a key part of this effort. The university should, he said, consider offering full-tuition or half-tuition scholarships “to a small number of our best applicants.” Alternatively, UVa could offer smaller scholarships – of \$2,500 to \$5,000 – to the hundreds of students who are admitted each year into the university’s honors program. Another possibility would be to offer aid to the best applicant “from each high school in lower enrollment areas” of Virginia.¹¹⁶

Roberts recognizes that moving in this direction would be controversial. “If we reduce need-based aid and offer additional merit aid, however, we could open ourselves up to criticism,” he said. “We could be seen as backing off on our commitment to socioeconomic diversity.”¹¹⁷

Low-income students would undoubtedly suffer from such a trade-off. Currently, the most financially needy students from Virginia pay an average net price of just \$4,755.

UVa’s board hasn’t approved Roberts’ recommendations – at least not yet. But Roberts’ memo to the board shows that as more and more public universities engage in the merit aid arms race, others feel compelled to follow – potentially leaving low- and moderate-income students out in the cold.

SIDEBAR: PUBLIC COLLEGE TRENDS

Sixty-four public four-year colleges that were low-net price schools in last year's *Undermining Pell* report are now charging their lowest-income in-state students an average net price above \$10,000. At the same time, 14 public colleges that were high-net price schools in last year's report are now charging the most financially needy students from their home states an average net price under \$10,000.

When looking at only the 478 public colleges that were included in *Undermining Pell*, many of the trends are discouraging:

- The number of four-year public colleges that charged in-state students with family incomes of \$30,000 or less an average net price over \$10,000 has grown to 214, or 45 percent of the schools examined, from 164, or 34 percent.
- The number of four-year public colleges that charged the most financially needy students from their home states an average net price over \$15,000 has increased to 33, or 7 percent, from 22, or 5 percent.

The list of schools that are now high-net price institutions contains a number of public flagship universities that aggressively use merit aid to recruit large numbers of affluent out-of-state students. At the University of Vermont, for example, about 27 percent of freshmen have no financial need and receive scholarships, averaging nearly \$7,000 each.¹¹⁸ Meanwhile, the lowest-income in-state students at Vermont paid an average net price of \$10,643 in 2011-12, up from \$6,832 the year earlier.

“ The number of four-year public colleges that charged financially needy students over \$10,000 has increased from 34 to 45 percent in one year.

The list also includes smaller regional state universities that are trying to raise the academic profile of their students. Take East Stroudsburg University of Pennsylvania, which has been on a mission in recent years to become a “first-choice institution” for “high-ability students.”¹¹⁹

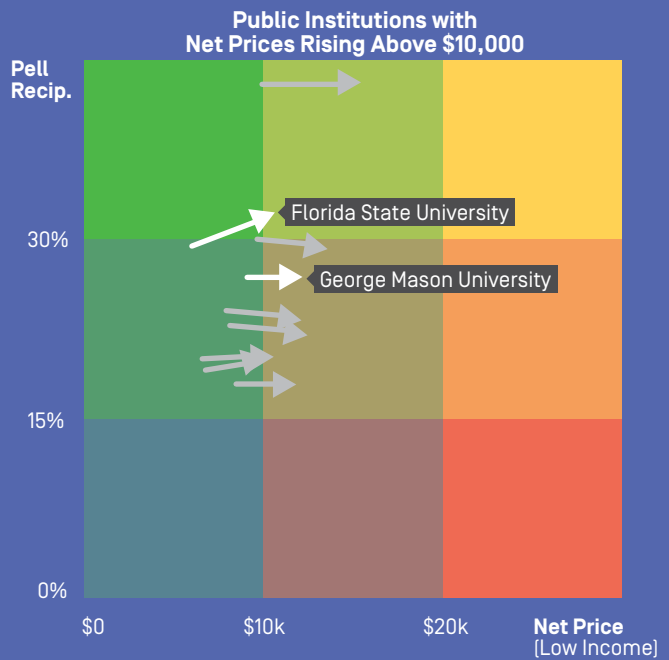
The university's enrollment management office laid out this goal in its strategic plan for the 2010-15 academic years.¹²⁰ The plan calls on the institution to raise its admissions standards each year to make the university more exclusive. It also calls on the university to use its institutional aid dollars more strategically to support its recruitment goals.¹²¹

Several years into the plan, the university has certainly become a generous provider of merit aid. According to data that it provided to the College Board, 16 percent of its freshmen have no financial need and receive scholarships, averaging about \$10,000 for each student.¹²²

When asked by *ProPublica* about the effects its merit aid policies are having on low-income students, a spokeswoman for the university said “high achieving and access are not mutually exclusive...There are funding possibilities available for both groups of students.”¹²³ Unfortunately, the lowest-income students appear to be getting the short end of the stick. The average net price that East Stroudsburg charges the most financially needy in-state students rose to \$11,682 in 2011-12 from \$9,556 in 2010-11.

The first table on page 35 shows a selection of the 63 newly high-net-price colleges; the second table shows all 14 newly low-net-price public colleges.

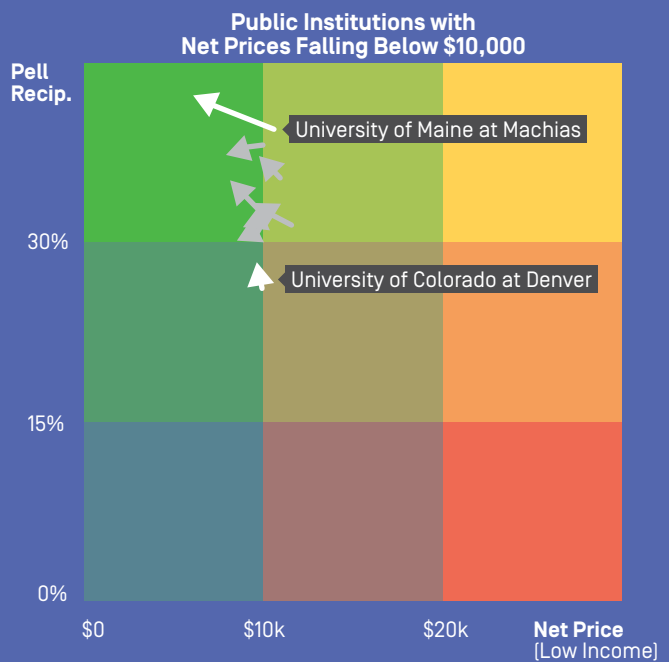
Selected Institution [15 of 63]	State	Net Price [2011]	Net Price [2012]
Lamar University	TX	\$9,938	\$15,553
Albany State Univ.*	GA	\$8,457	\$13,070
Florida State University	FL	\$6,125	\$10,676
Univ. of North Dakota	ND	\$8,218	\$12,580
Georgia College & State University	GA	\$7,998	\$12,125
Univ. New Hampshire at Manchester	NH	\$9,705	\$13,637
University of Vermont	VT	\$6,832	\$10,643
Southern University A&M Colg At Baton R*	LA	\$8,752	\$12,517
Grambling State Univ.*	LA	\$9,022	\$12,672
California Polytechnic State University	CA	\$6,624	\$10,169
Alabama A & M Univ.*	AL	\$7,466	\$10,931
Georgia State Univ.*	GA	\$9,203	\$12,556
Virginia Polytechnic Institute & State Univ.	VA	\$8,492	\$11,775
Armstrong Atlantic State University*	GA	\$8,895	\$12,029
George Mason Univ.	VA	\$9,105	\$12,120



The list shows 15 of 63 public colleges with net prices rising above \$10,000; the colleges selected are those with the largest price rises.

* Colleges with Pell percentages above 45% are not illustrated.

Institution	State	Net Price [2011]	Net Price [2012]
University of Colorado at Denver	CO	\$10,187	\$9,965
Fort Lewis College	CO	\$11,972	\$9,777
Univ. Maryland - Eastern Shore*	MD	\$10,315	\$9,782
Univ. Maine - Fort Kent	ME	\$10,681	\$9,154
Univ. Maine - Presque I.	ME	\$10,382	\$8,228
Univ. Maine - Machias	ME	\$10,940	\$6,376
Central Michigan Univ.	MI	\$11,249	\$9,965
Montana Tech	MT	\$10,289	\$8,357
University at Buffalo	NY	\$10,096	\$8,745
University of Cincinnati-Blue Ash	OH	\$10,399	\$9,880
Kent State U Ashtabula*	OH	\$10,078	\$9,880
Langston University*	OK	\$10,142	\$9,017
Penn State York	PA	\$10,306	\$9,551
Prairie View A&M*	TX	\$11,529	\$7,788



* Colleges with Pell percentages above 45% are not illustrated.

Many of the colleges on the newly low-net-price list above such as the University of Colorado at Denver, saw only a slight dip in the average net prices they charge the lowest-income students. So it's possible that the one-year dip is the result of the normal fluctuations in the population of students they are serving, rather than due to any specific policy change at the institutions.

However, officials at two of the colleges – the University of Maine at Machias and Prairie View A & M University – report that they have increased the amount of scholarship aid they provide low-income students in recent years. This helps explain why the two institutions have seen significant reductions in the average net prices they charged these students over this period of time.

CONCLUSION

In January, President Obama invited more than 100 college presidents to a White House summit that focused on ways that colleges could improve access for low-income students. The campus leaders each made pledges about what their schools could do to help financially needy students enroll in and complete college.¹²⁴

The event made for good political theater and could lead to some positive developments. But the truth is that instead of helping the federal government achieve its college-access mission, many four-year colleges, with their relentless pursuit of prestige and revenue, are adding hurdles that are hampering the educational progress of low-income students or leaving them with mountains of debt after they graduate.

Besides the very richest colleges and some exceptional schools, nearly all private nonprofit colleges provide merit aid, often to the detriment of the low-income students they enroll. Many poorer schools provide deep discounts to affluent students because they believe they must do so to survive, while other fairly wealthy colleges use their aid as a competitive weapon to try to rise up the ranks and break into the top echelon of schools, as defined by publications such as *U.S. News*.

While the situation is better in the public college sector, it is deteriorating fast. As public institutions deal with decreasing state funding and fierce competition, particularly for out-of-state students, they are increasingly using their institutional aid dollars to buy the best and the brightest students and those who can otherwise afford to pay full freight.

“The whole system is constantly moving up, going upstream to get better and better students, and get students who can pay,” Anthony Carnevale, director of Georgetown University’s Center on Education and the Workforce, recently told *ProPublica*. “It all looks great for the press release. But you’re systematically leaving people behind.”¹²⁵

Many college leaders recognize the futility of being engaged in an arms race in which they feel compelled to offer more and more of their financial aid to precisely those students who need it the least. But few are willing to disarm on their own for fear of putting their schools at a competitive disadvantage.

Change is going to have to come from outside academe. A federal solution is needed – one that takes a carrot-and-stick approach.¹²⁶

The carrot is to help schools that simply don’t have the resources to keep down the net prices of the low-income students they serve. The plan would offer Pell bonuses to financially strapped public and private four-year colleges that serve a substantial share of Pell Grant recipients (more than 25 percent of the student body) and graduate at least half their students school-wide – with the aim of having these schools use this money to boost their institutional aid budgets and therefore reduce the net prices they charge the neediest students. Colleges could also use this additional money to create support programs to further increase the retention and graduation rates of low-income students on their campuses.

The stick is for wealthier colleges that have chosen to divert their aid to try to buy students so that they can rise up the *U.S. News* rankings and increase their net revenues. These schools, which generally enroll a relatively small share of low-income students (25 percent or less of Pell Grant recipients) but charge them high net prices, would be required to match at least a share of the Pell dollars they receive.

Together, the Pell matching and Pell bonus proposals are aimed at ensuring that colleges live up to their commitments to serve as engines of opportunity, rather than as perpetuators of inequality.

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