



Limited Means, Limited Options

College Remains Unaffordable for Many
Americans

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[#affordabilityisequity](#)





IHEP is a research, policy, and advocacy organization that works to promote college access, success, and affordability, particularly for underserved students.



How affordable is college...

...and **for whom?**

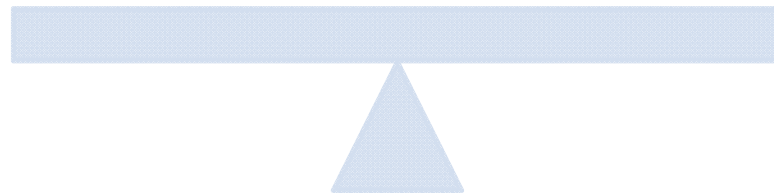
What is “college affordability”?

The maximum amount students (and their families) **should** be expected pay for college after accounting for **all college costs** and **all grant aid**.

Measuring affordability

What a
student can
afford

What a
student must
pay



Lumina Foundation's Affordability Benchmark

- The "Rule of 10"
 - Student works **10 hours** per week in college
 - Household saves **10%** of discretionary income for **10 years**
 - ONLY income over 200% of Federal Poverty Guideline
 - Lowest-income families simply cannot save
- Our underlying methodological assumptions
 - Students will attend full-time
 - Students are seeking a four-year degree, even if starting at a 2-year college

An Affordability Benchmark example

- Mia's parents' income is **\$100,000** and the Federal Poverty Guideline for a family of four is \$24,300
 - $\$100,000 - (\$24,300 * 2) = \text{\$51,400 in discretionary income}$
- If they saved 10 percent over 10 years, they could contribute **\$51,400** toward Mia's degree
 - $(\$51,400 * 0.1) * 10 \text{ years} = \$51,400 \text{ in savings}$
- Mia earns **\$14,500** toward her degree working 10 hours per week at a minimum-wage job in college
 - $\$7.25 * 500 \text{ hours per year} * 4 \text{ years} = \$14,500 \text{ in earnings}$
- Mia should be able to earn her bachelor's for **\$65,900** or **\$16,475 per year for four years**
 - $(\$51,400 + \$14,500) / 4 = \$16,475$

Measuring affordability

Benchmark:
What a student
can afford

What a student
must pay

Savings

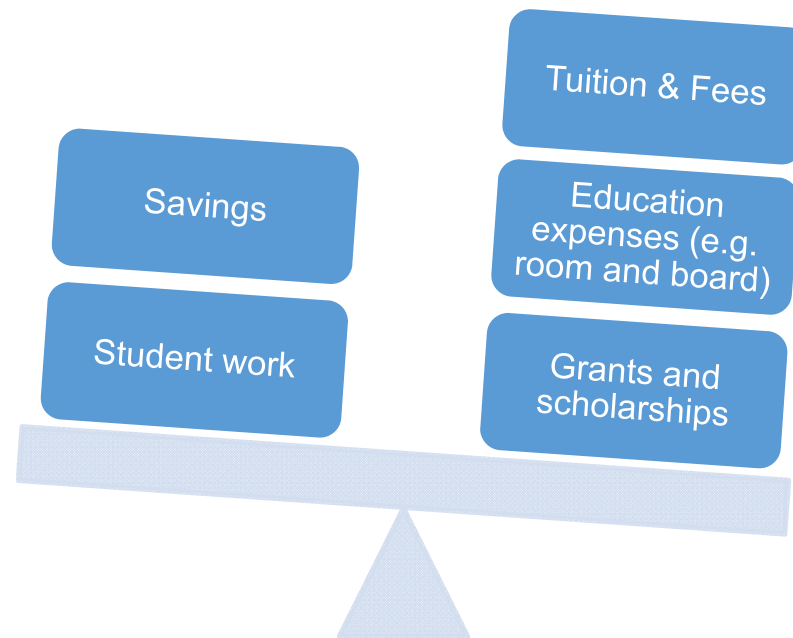
Student
work



Measuring affordability

Benchmark:
What a student
can afford

Net Price:
What a student
must pay



How is net price calculated?

Net price = all costs minus all grants

| | |
|---------------------------------|-----------------|
| Tuition & fees | \$20,000 |
| + | + |
| Room & board | \$10,000 |
| + | + |
| Books & supplies | \$1,000 |
| + | + |
| Transportation & other costs | \$5,000 |
| = | = |
| Total cost of attendance | \$36,000 |
| - | - |
| Student's total grant aid | \$5,000 |
| = | = |
| Student's net price | \$31,000 |

Guiding Questions

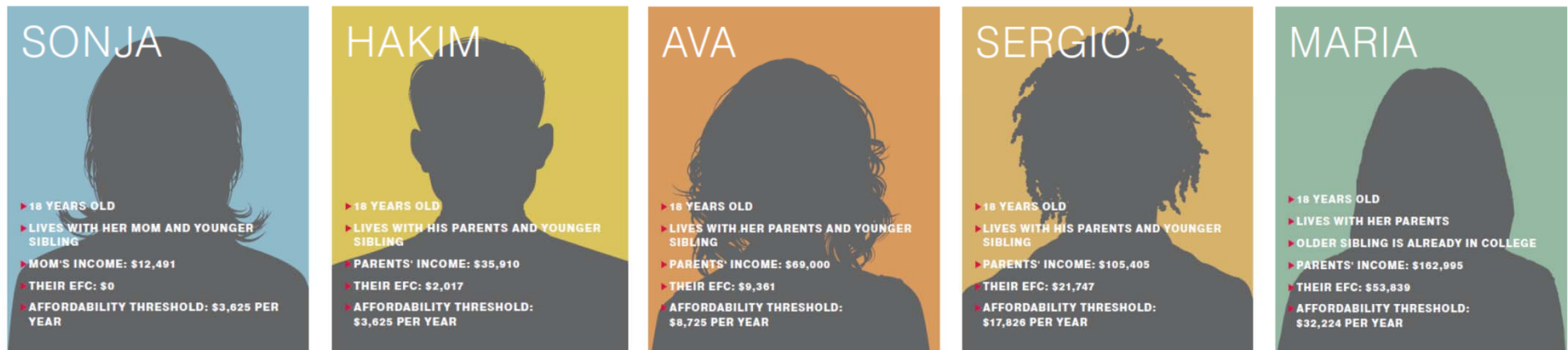
- Based on the Affordability Benchmark, what can 10 typical students **afford to pay** their first year of college?
- What is the net price these students are being asked to pay **at a given college**, according to the college's net price calculator?
- How do those figures **compare**?
- What are the students' affordable college **options**?

10 Typical College Students

Independent students

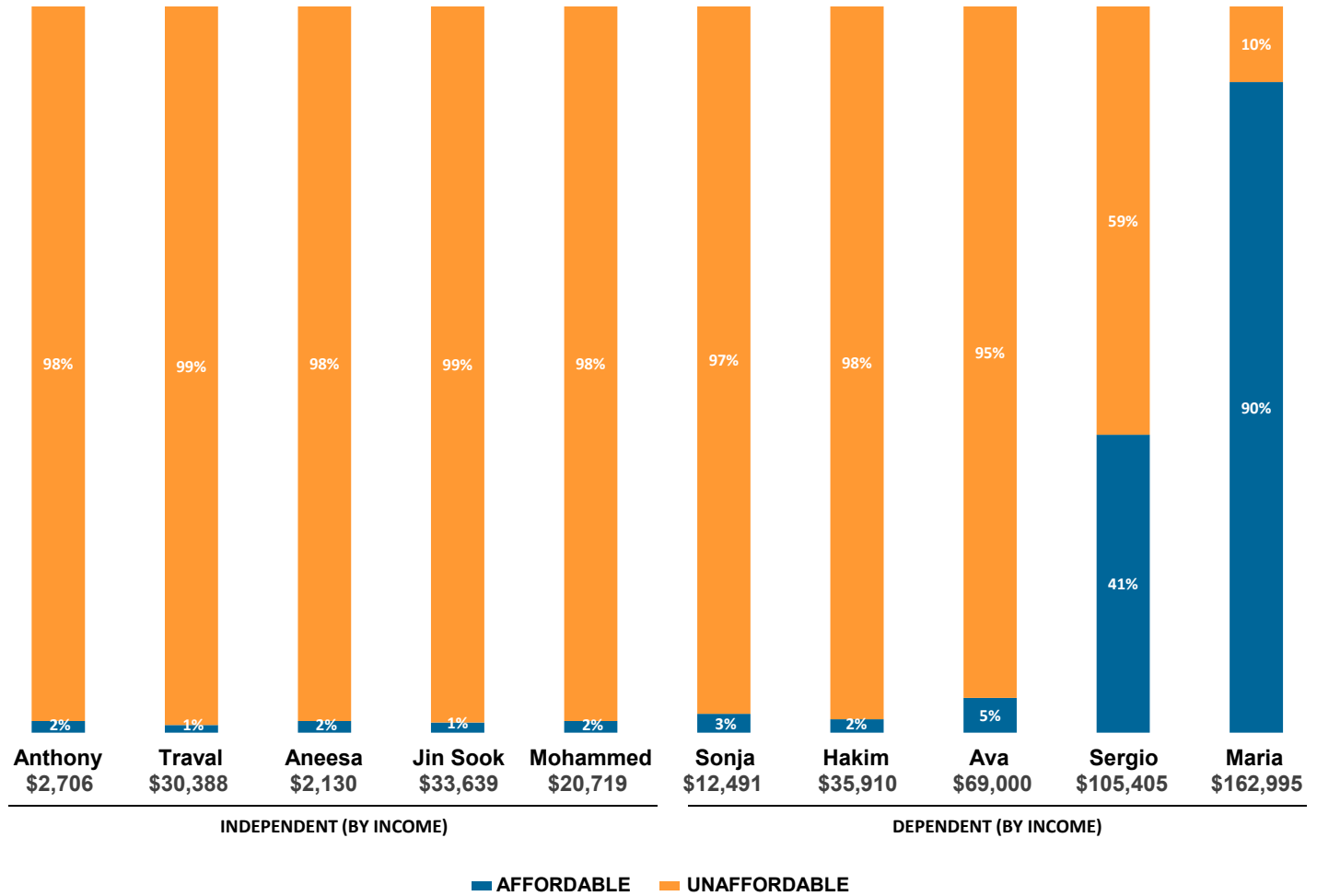


Dependent students



Students with limited means have the most limited college options.

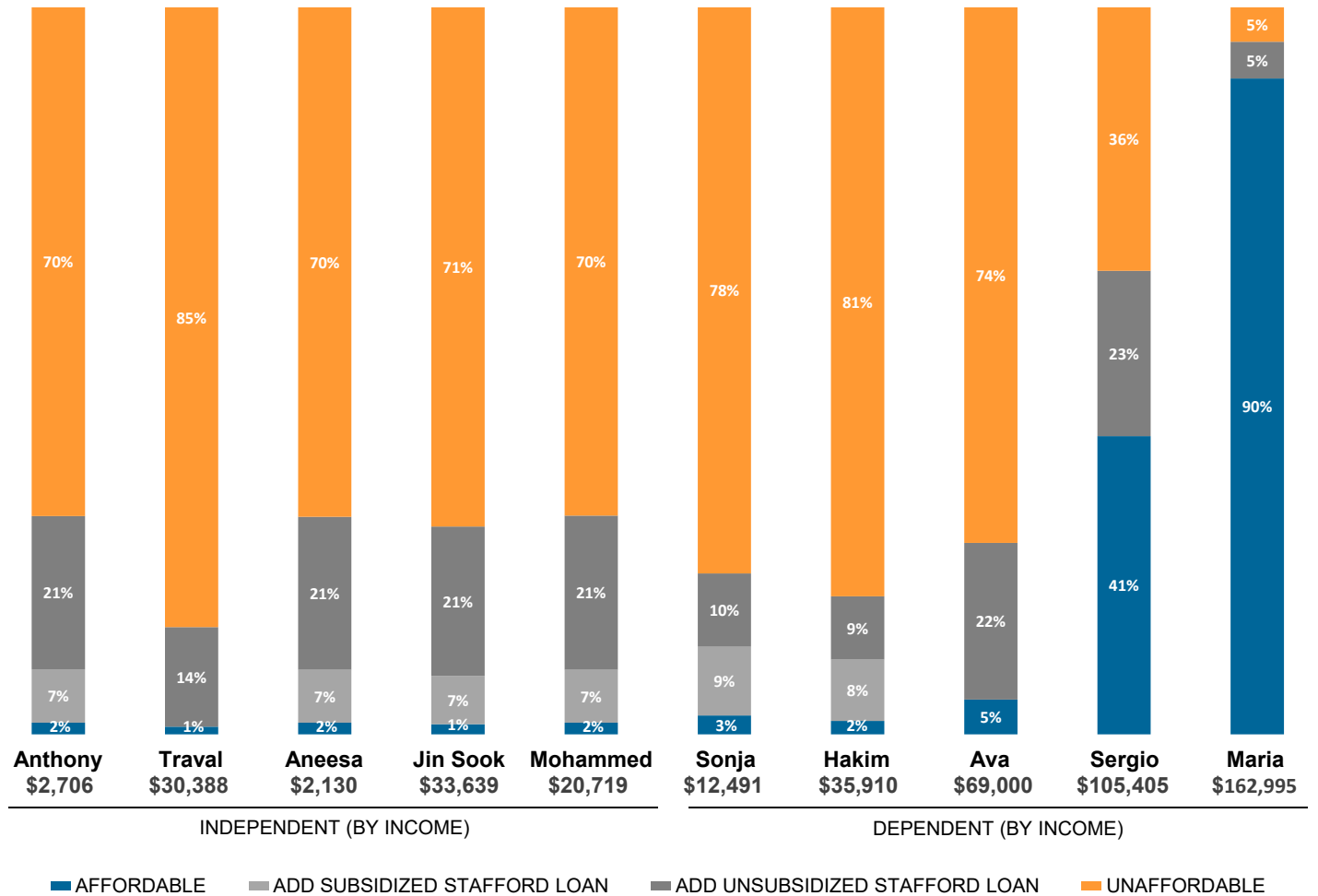
Percent of sample colleges that are affordable or unaffordable for sample students.



Source: Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf

Federal loans: Not an affordability solution AND do not bridge the affordability gap

Percent of colleges that meet affordability thresholds after adding federal Stafford loans.



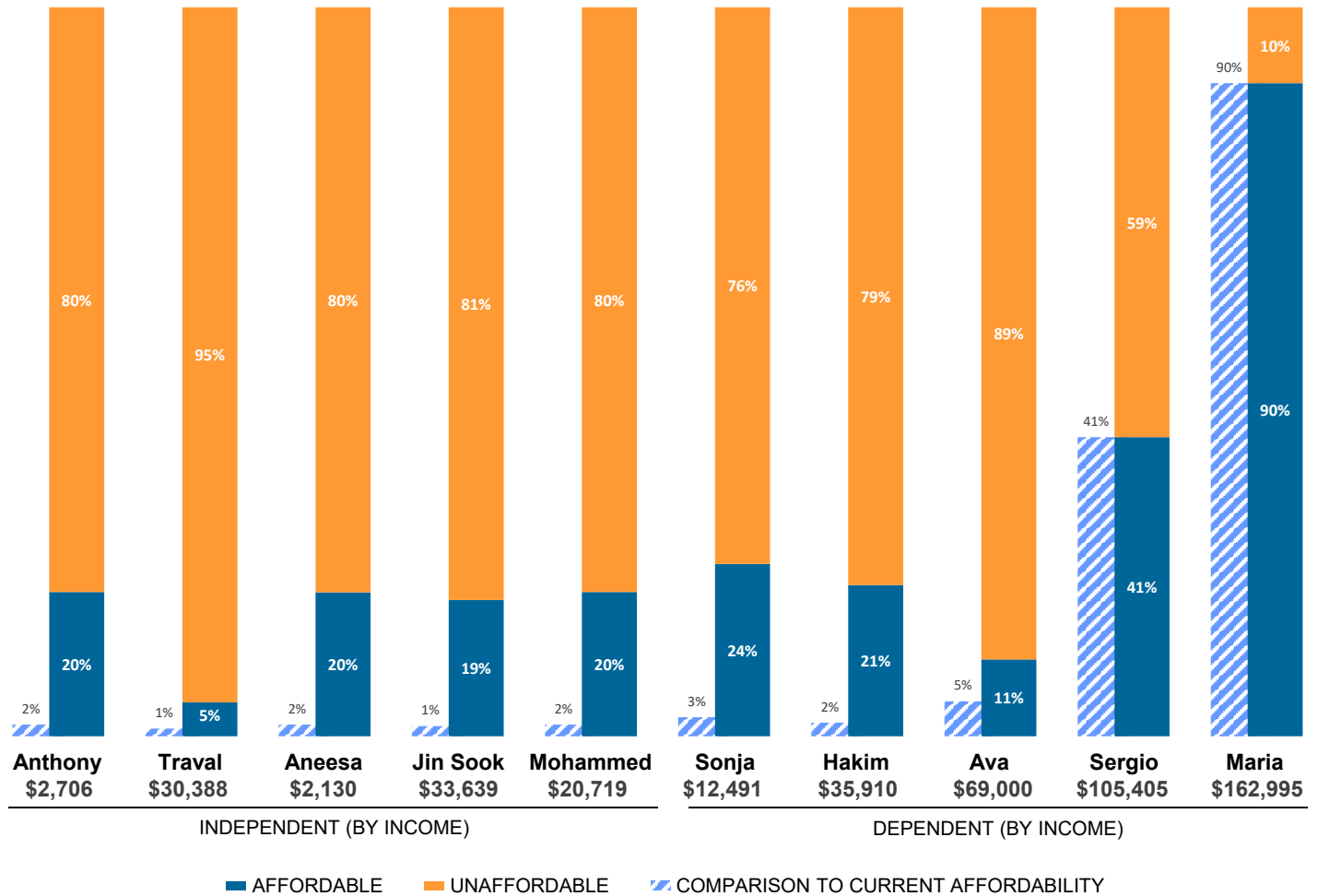
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What might policymakers do to help these students?

- Double the maximum Pell Grant
- Lower all net prices at all colleges by \$10,000
 - Increased aid from federal sources like Pell
 - More need-based aid at the state level
 - Larger institutional grants to low-income students
 - Lower tuition
- Implement “free-college”

Doubling the maximum Pell Grant award would create more options for low- and moderate-income students.

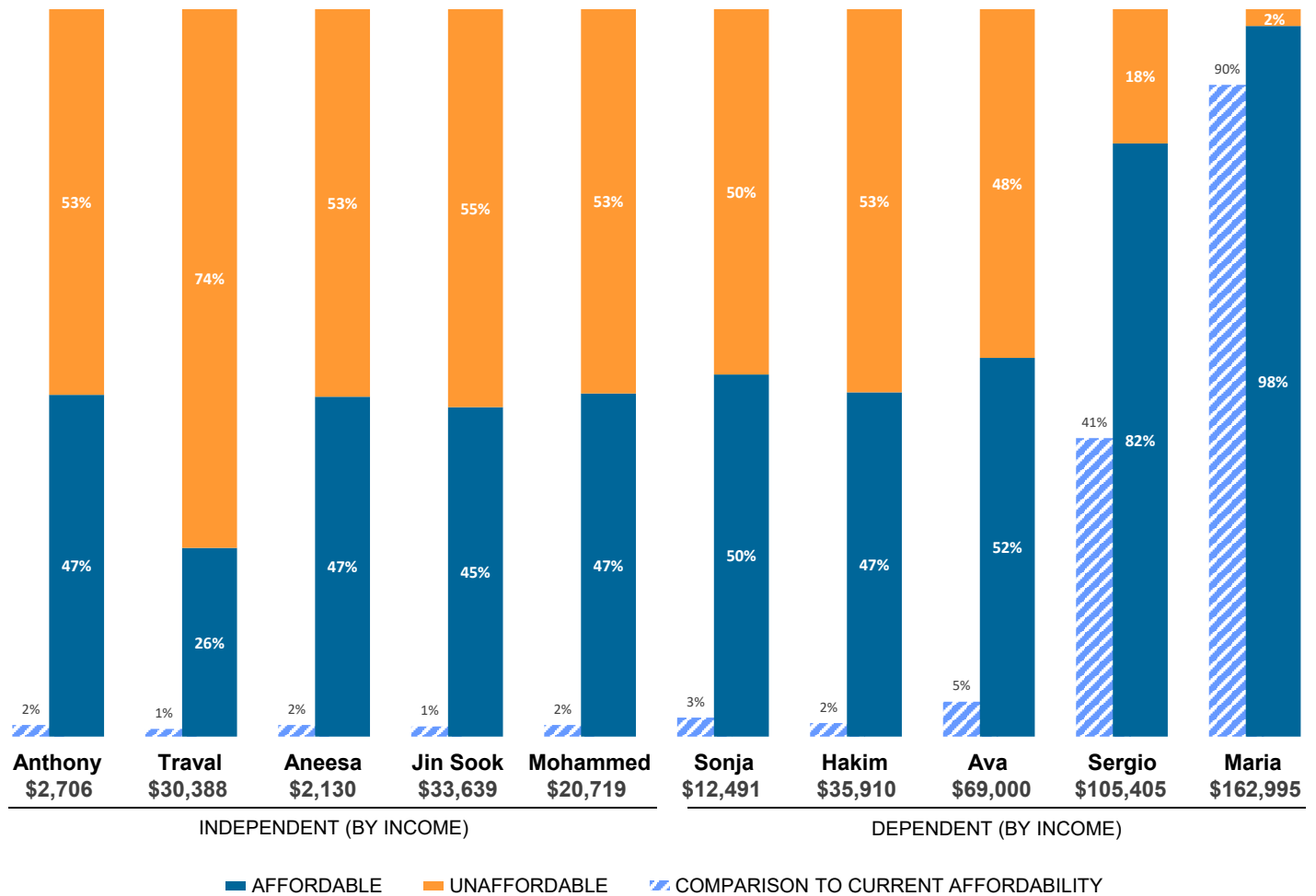
Percent of colleges that meet affordability thresholds after doubling maximum Pell.



Source: Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf

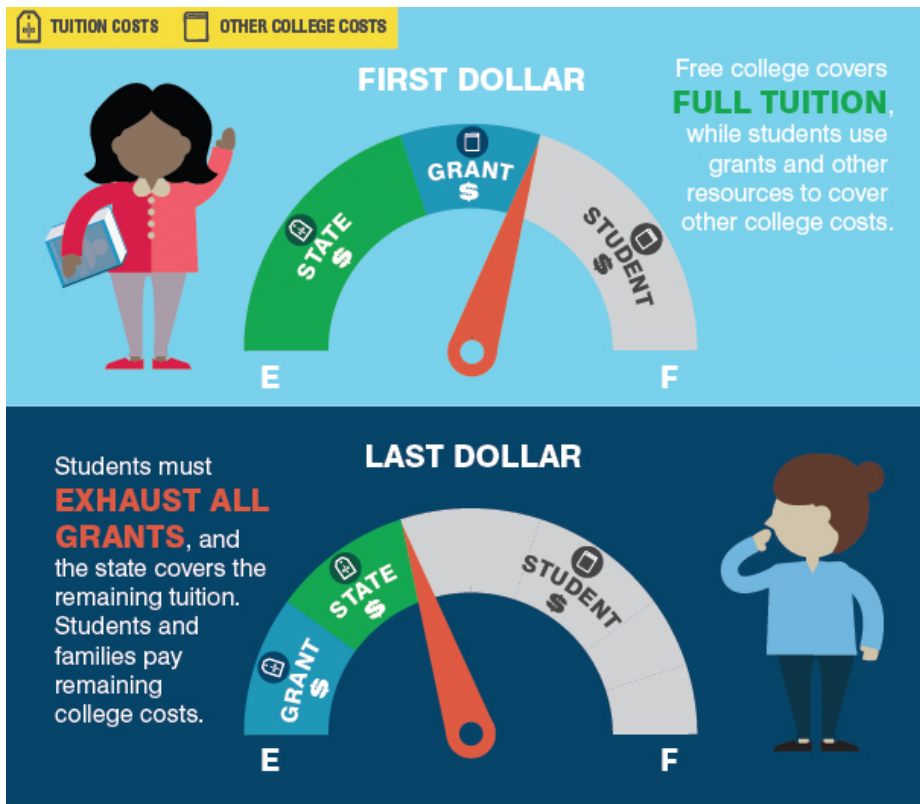
Lowering net prices by \$10,000 broadens options for students.

Percent of colleges that meet affordability thresholds after reducing all net prices by \$10,000.



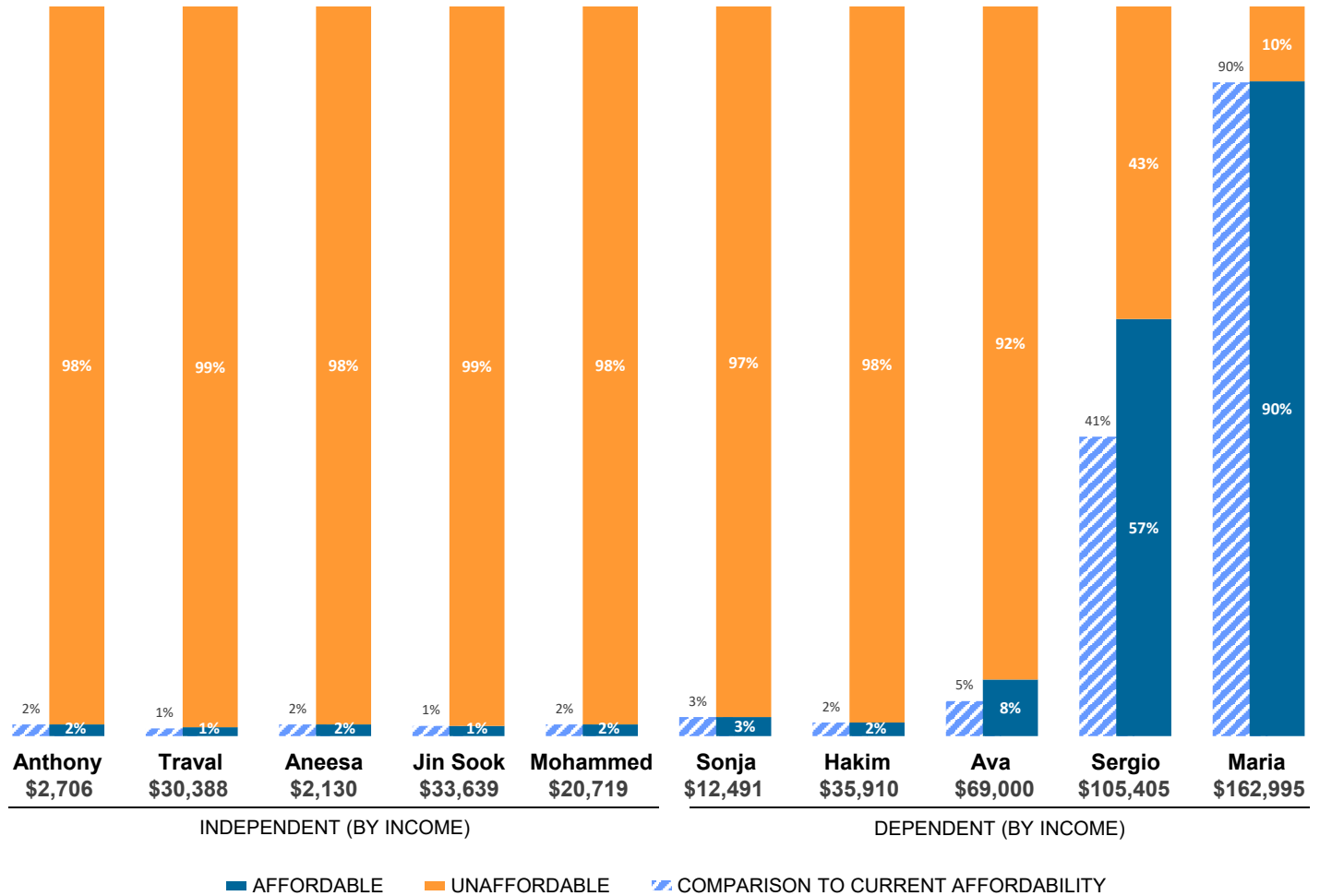
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What is the difference between last-dollar and first-dollar “free college”?



Last-dollar free-college plans do not increase options for the students who need it most.

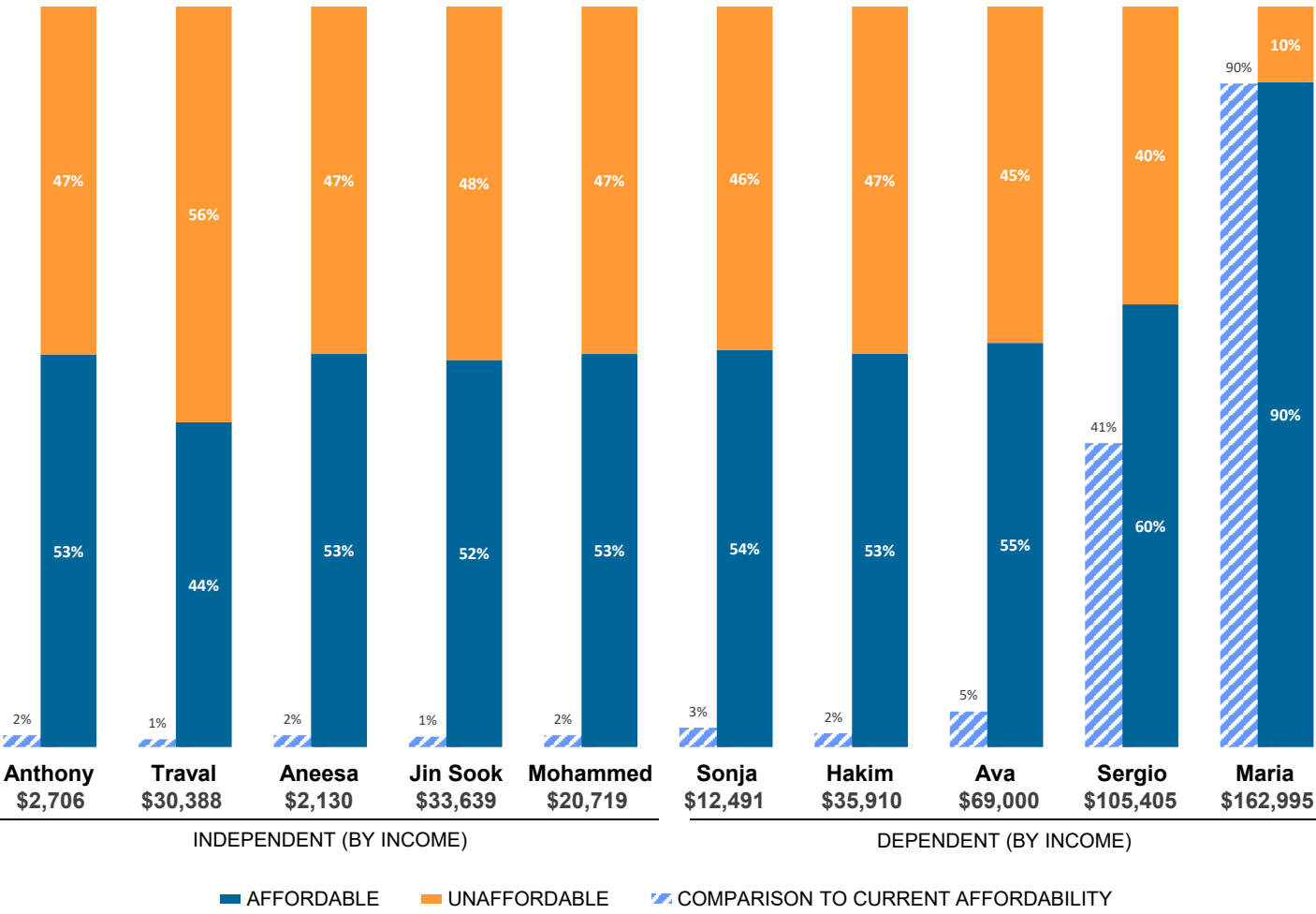
Percent of colleges that meet affordability thresholds after including last-dollar plans at public colleges.



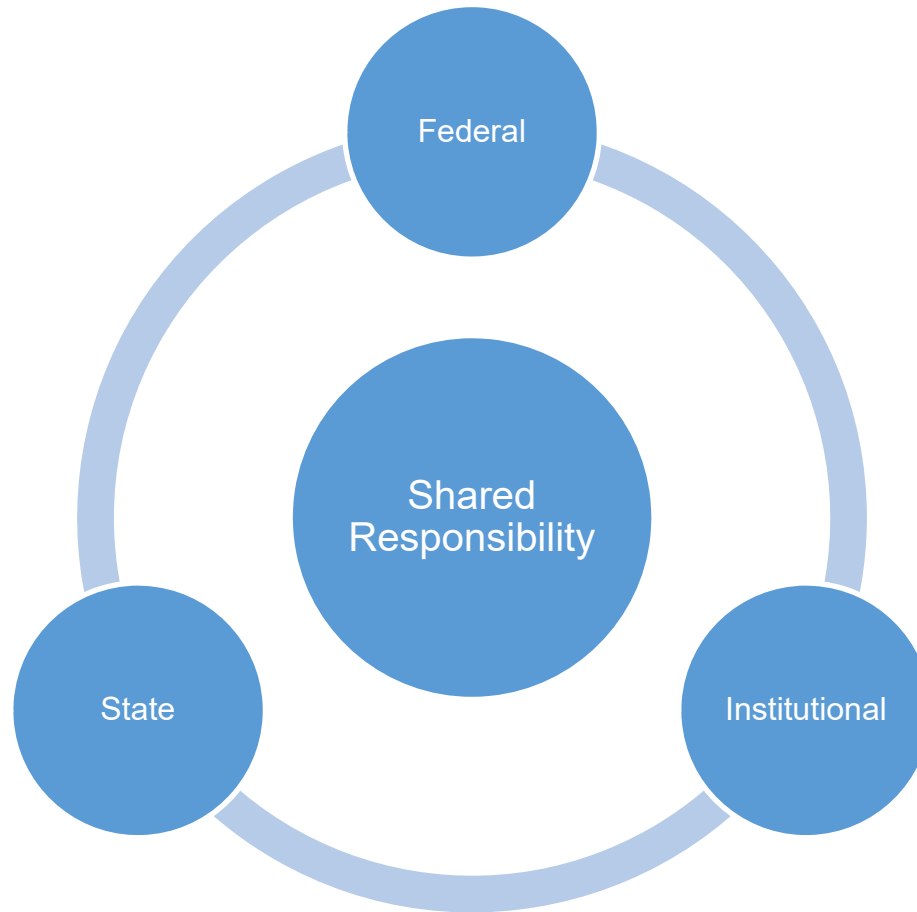
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First-dollar free college would help lower-income and moderate-income students.

Percent of colleges that meet affordability thresholds after including first-dollar plans at public colleges.



Policy Solutions: Shared Responsibility



Recommendations

- **Federal** policymakers should protect and strengthen the Pell Grant.
 - Double the maximum Pell Grant award amount
 - Maintain the Pell program
 - Index to inflation
 - Fund through mandatory dollars
 - Appropriated funds remain targeted toward Pell recipients
- **States** should strengthen direct investment in public colleges and need-based aid programs.
- **Colleges** should manage institutional costs to concentrate expenditures on students.
- **Colleges** with wealth at their disposal should keep prices low for low-income students.

Affordability is Equity

- The college affordability problem is an **inequity** problem.
- It's undermining an American tradition of **equal opportunity** for our citizens.
- We have hope that **federal, state, and institutional policymakers** can fix this—together.
- The solution requires a **multi-pronged** approach.

Questions?

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