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The Cost and Price of a College Education

When American families say "college costs too much," they are usually referring to the *price* they face when paying for college. Most understand that providing a good education costs money. It requires time and effort from high-quality teachers, not to mention books and materials. The majority of costs for undergraduate education are instructional costs, directly related to teaching and learning. These include many of the things we'd expect in an educational experience, items like faculty and staff salaries, libraries, tutoring, computer labs, and academic buildings that house laboratories and classrooms. Student support services, which include academic advising, tutoring, and counseling, also fall into this category.

What is really affecting students and families, especially those enrolled in the public sector, are changes in the price of college—not the cost to institutions of providing education. As the last chapter described, states used to discount more of the costs, passing on a smaller fraction to families. While there have always been large variations from state to state and school to school, a generation ago public colleges and universities received on average about 75 percent of their operating budget from state appropriations. Today that number is closer to 50 percent.[1] As that discount was removed, the price facing an individual person purchasing a college education grew.[2] Moreover, the approach to further discounting that price with financial aid has become ever more complicated. This chapter explains how all of this discounting occurs in public colleges and universities, via the financial aid system.

Cost of Attendance

Every college and university has a sticker price, derived from what it assesses it needs to charge students in order to cover its costs. The official term for it is unfortunate—the "cost of attendance"—since it is really a price. Federal law dictates the components of that cost of attendance, and the items that are included and excluded are critical in determining what students pay.[3] Most importantly, with few exceptions, the total amount of financial aid a person receives cannot exceed the cost of attendance for the school they attend. If aid is to truly make college affordable, the accuracy of that number is extremely important.

The cost of attendance includes tuition and fees, books and supplies, transportation, and other living costs. But it largely excludes a hugely important factor, something economists call the opportunity cost. When students spend time in class, studying and going to and from school, they miss opportunities to do other things. Most obviously, when students choose to go to school instead of working full time, they are passing up short-term wages in the hopes that their investment in college will bring much larger lifetime gains. They would have used those wages to cover living costs (which is why living costs are part of cost of attendance), but also for other basic expenses including those incurred by their families. These are not included in the federal formula.

As table 2 shows, between 1996 and 2012, the average annual cost of attendance for Pell recipients attending community college rose from about $8,500 to nearly $13,000, a 52 percent increase. Similar trends occurred for students attending public universities, where the annual price increased from almost $14,000 in 1996 to nearly $20,000 in 2012.[4]

Surprisingly, tuition and fees are not the biggest price drivers. Most of these increases since 1996 came from the other parts of the cost of attendance: living costs, transportation, books and supplies,

Table 2. Trends in cost of attendance facing Pell recipients in the public sector, by college type: 1996–2012

	1996 ($)	*2000 ($)*	*2004 ($)*	*2008 ($)*	*2012 ($)*
Community colleges:					
Official cost of attendance	8,503	10,328	11,176	11,907	12,975
Tuition and fees	1,725	1,777	2,082	2,193	2,438
Nontuition costs	8,092	8,550	9,093	9,714	10,538
Public 4-year colleges and universities:					
Official cost of attendance	13,740	14,027	16,495	18,014	19,780
Tuition and fees	4,501	4,407	5,624	6,231	7,045
Nontuition costs	9,697	9,620	10,872	11,783	12,735

Source. National Center for Education Statistics, *National Postsecondary Student Aid Study NPSAS*, 1996, 2000, 2004, 2008, 2012.

Note. The sample is students who began college full time at a public two-year or four-year institution and received a Pell for their first term. Figures are adjusted for inflation and expressed in constant 2012 dollars.

and personal expenses. Between 50 and 80 percent of total sticker prices, and most of the change over time, occurred in those other components.

The debates about the cost of college often dismiss the importance of addressing living costs, suggesting they aren't really educational expenses. But students have to pay for books, food, rent, and gas if they are to have any chance of succeeding in school. Ireland and the United Kingdom recognize and address these needs with "maintenance" grants, and historically the United States has too.[5] Monthly "subsistence" payments for living costs were made to veterans in the original GI Bill, and in the 1940s when veterans reported that the subsistence payments were inadequate, the government responded by increasing them.[6]

Not only are living costs important, trends in these costs are independent of tuition trends and of family and student income trends. When tuition is frozen, these living costs are not—and just as they do for many Americans not attending college, they can outstrip what families can afford. This is one reason why efforts to freeze tuition or reduce tuition to zero often don't succeed in making college affordable. Students can't focus on their studies when they've given up work hours for classes and can't afford to pay their living costs.

Big Spenders or Bad Prices?

Students and parents often say that the price of college is much higher than they expected. Financial aid officers, in contrast, often say that students don't know how to live within their means or that they lack financial literacy.[7] They, along with many politicians, even accuse students of "overborrowing" by taking loans to cover costs they do not face.[8] Who's right?

There is evidence that for many reasons the cost of attendance understates the true cost of attending college. Since the cost of attendance caps the amount a student can borrow, the contention of overborrowing rests on the hypothesis that actual costs are *less* than the stated costs. But, again, consider living costs. The federal government requires colleges to report estimated costs of living on and off campus. While the assumption is often that college students live on campus, in reality 37 percent of undergraduates live at home, and 50 percent live off campus alone or with someone other than family.[9] When completing the FAFSA, students have to indicate where they plan to live during college, and their resulting financial aid package reflects that information. Schools typically provide bigger living cost allowances for students living on campus compared to off campus and allow much more for students living off campus apart from family compared to living with family. But many students don't understand this. Without this information, their decisions about where to live are insufficiently informed—they might prefer to live on campus or live with friends but instead assume that they cannot afford it.[10]

For students living on campus, costs are based on what the university charges for their residence halls. The costs reported by the university could be too low for a number of reasons. For example, many students skip breakfast or lunch because they are in class or at work. But meal plans may only cover food at scheduled times. If students eat at other times, they pay out of pocket. Further, colleges often don't account for, or underestimate, costs for food and housing during winter and spring breaks when school is closed. Our research has substantiated all of these problems.[11]

For off-campus students, estimating costs is more difficult, since university administrations usually don't thoroughly research all the actual costs required to live within a reasonable distance of campus. Still, every institution must provide an estimated cost.

The government gives colleges and universities a great deal of latitude in how they calculate "living cost allowances." They can ask students what it costs to live near campus, survey landlords, look at ads in the newspaper—many types of research are acceptable, and no one checks that the information is valid. While many colleges and universities understand their responsibility to provide students with accurate information, university administrations and admissions and financial aid offices face incentives to look affordable. Raising their cost-of-attendance sticker price may cause a reduction in applications and a slide in national or regional college rankings. In the worst-case scenario, a big increase could also trigger a federal investigation.

Every institution must decide on and report a living cost allowance for students living off campus apart from their family. But they are not required to provide an allowance for students living with family—this includes one in two undergraduates nationwide. Instead, colleges and universities are allowed to assume that students without children of their own will have lower living expenses if they share a residence with their families, and they may use this assumption when creating their financial aid package.[12]

In a recent study that Robert Kelchen of Seton Hall University, Braden Hosch of Stony Brook University, and I conducted, we examined the estimated living costs, trying to understand the implications of this leeway.[13] We looked at variations and inconsistencies in living allowances across colleges and universities in the same region for students living off campus but not at home. We computed a standard measure of living costs that accounted for location-specific differences. Our assumption was that students would live just above the poverty line, and we included estimated costs for students living alone as well as for those living with roommates. Then we compared our measure to the estimates given by each college and university in the nation.

What we found surprised us: at least one-fifth of all institutions provide living allowances at least 20 percent below what we estimated was necessary for a very modest standard of living. Further, colleges located in the same area reported widely varying living costs. For example, colleges in Washington, DC, claimed living costs ranging from $9,387 to $20,342, while in Milwaukee figures ranged from $5,180 to $21,276.

Moreover, the assumption that living at home is free just does not hold true. Students who live with family often incur significant costs. Our studies showed that even when parents pay the family's rent or mortgage, students often pay for significant amounts of food directly out of pocket—and families are sometimes in no position to put any money in those pockets. In fact, sometimes the flow of money is expected to go the other way entirely. In his dissertation research, Peter Kinsley of the University of Wisconsin–Madison found that 13 percent of students in our sample had to regularly provide money to their families while attending college, though among students living at home, that number was 20 percent. In a more recent survey of low- and moderate-income undergraduates attending ten public and private universities in Wisconsin, researchers at the Wisconsin HOPE Lab learned that 55 percent of students were making financial contributions to family, with 17 percent providing at least $200 per year.[14]

The true cost of attendance is understated in several other ways. The most obvious reason for such underestimation is that stated tuition applies only to the upcoming year—and it is likely to change. Annual tuition increases are common across higher education, and in the public sector they are especially unpredictable. Oftentimes, a college or university has to work with an oversight board and the state to determine tuition. At best, the student deciding on a college knows what tuition will be for her first year—beyond that, she has to gamble on her best estimate.

This is a big problem, especially given that the time it takes to earn a degree is increasing. Just 19 percent of full-time students at public universities complete a bachelor's degree in four years and just 5 percent of full-time students at community colleges finish an associate degree in two years. Even a "one-year" certificate takes 84 percent of students more than a year to finish.[15] More students are moving among colleges and universities, searching for a better fit or a better price, often losing college credits in the process.[16] A longer time to degree means more debt, and that debt can rise exponentially as students reach the lifetime limits on grants. This is ironic, since while there are many factors prolonging time to degree, the challenge of paying for college shouldn't be one of them.[17]

Fees are also unpredictable. In many states, student fees are less regulated than tuition and can be used to fund an array of campus programming. Sometimes student fees are even substituted for state appropriations when instructional resources fall short. Robert Kelchen found that, between 1999 and 2012, fees increased faster than tuition, growing by 104 percent at community colleges and 95 percent at public universities.[18] Therefore, like tuition, the prices students are quoted for fees are applicable only to their first year, since fees will likely rise.

In other words, if you go to college and discover that it ends up costing a lot more than you thought, you are not alone.

Inaccurate college prices hurt students. Since each institution's declared cost of attendance determines the top cap for aid eligibility, it affects the distribution of federal, state, and even private aid. If the true price of attendance is higher than the stated cost of attendance, families must make up the difference. Of course, federal and state aid is not designed to help with those costs—since federal and state authorities often don't recognize that those costs exist. In fact, hard-working students who receive outside scholarships may have their federal aid reduced to ensure that their total aid package does not exceed the total cost of attendance. When a college's cost of attendance is too low, these students lose financial aid they might have otherwise received, and badly need, to cover their actual costs of attendance.

Who Needs What?

If the cost-of-attendance sticker price reflects the amount that families and students are asked to pay (or to put together between what they pay out-of-pocket, plus loans, grants, and the like), the next amount that financial aid offices need to calculate is: what can they afford to pay? Students with particularly extensive financial need (or the sorts of talents recognized by scholarship providers) may receive grants and scholarships. The cost left to pay once grants and scholarships are subtracted from the cost of attendance is officially known as the net price. This process, then, begins by assessing "need."

Like virtually any system used to means test individuals to determine eligibility for a government program, the federal needs-analysis process is complicated. Indeed, the process is so complicated it is often unpopular among those who have to administer it and those who are subject to it. It relies on the "federal methodology" and follows a formula that uses data from the FAFSA to target aid to the neediest students. Generally speaking, the formula works such that the more income and assets a family has, the higher the expected family contribution—the amount the analysis finds that they can pay for college.[19]

In practice, determining an expected family contribution involves many imperfect calculations and what amounts to judgment calls. Perhaps most importantly, the analysis does better at sorting between wealthy people and the middle class than it does at delineating between the lower-middle class and the working class. In other words, it was never intended to be, nor is it good at, choosing among people with few resources to decide who is "neediest." That is one reason many students object to it.[20] And of course, once the federal government determines what a family can pay (the expected family contribution), it must be paid—grants are rarely available to cover it. If a student's family cannot or will not pay the entire expected family contribution, the student must come up with the money, usually by taking out loans. This typically isn't enough, since the maximum a student can borrow is $5,500 for the first year of college. In order to pay their expected family contribution families often turn to Parent PLUS Loans, which require a credit check, come with higher market-based interest rates that can fluctuate from year to year, and offer no income-based repayment or pay-as-you-earn options.

For students listed as dependent for financial aid purposes, paren-

Three Key Financial Aid Terms

Cost of attendance (COA): The "sticker price" listed by the college or university for one year of education, including tuition and fees, books and supplies, transportation, and living costs.

Expected family contribution (EFC): The federal government's measure of a family's financial ability to pay for college, determined using information from the Free Application for Federal Student Aid (FAFSA), including income, assets, family size, and the number of children in college. The EFC is used to determine eligibility for the Pell Grant along with other financial aid. The difference between the COA and EFC is called demonstrated need.

Net price: The difference between the COA and all grants and scholarships equals the bottom line cost of college for the student and/or his or her family. It represents the price that must be paid using income, savings, and loans.

tal financial resources determine the expected family contribution. But it is no surprise that many young people cannot access those resources. Parents are not legally required to pay for college, not all contribute as much money as colleges and Uncle Sam say they should, and some contribute no money at all. Young people facing these situations are in a bind. Under federal rules, it is very difficult for a person under age twenty-four to gain independent status so that parental resources do not affect their aid eligibility. They need to get married, have a child, serve in the military, become a ward of the state, or, in rare cases, petition for independence. None of these are necessarily desirable options, and students are frustrated. One young man we interviewed explained:

> I think it's a crock when you're independent, working, and you don't live with your parents or depend on them, but you're still a dependent.[21] That really makes me mad—how they determine how much money you get by how much your parents work, you know what I mean? Like your parents could [make] $100,000 between the two of them, and you don't have a job at all . . . and you have to take on all these loans by yourself. I don't think it's the parents' responsibility to be involved or have to get involved

> with how much you're supposed to get from the state or, you know, if you have to pay it back or if you don't have to pay it back. I really don't think that's fair because that makes it sound like the parents have to pay for the college—that doesn't make any sense to me. . . . You're telling me, like, if I just went and got married to someone, then I would be able to get all my schooling paid for, or if I was able to knock up this girl and, you know, be with her then I could get all my schooling paid for? I don't think that really is a good way to put that. You know what I mean? I wish I had a kid to bring to school so I got my schooling paid for.

The survey data we collected suggest that a sizable fraction of students who are expected to contribute financially to college costs do not in fact receive any financial help from their parents. We closely examined the issue by asking the question two different ways in the same survey. Nine percent of students who had an expected family contribution (greater than zero) indicated that they did not receive any financial support from their parents, and 23 percent reported that their parents provided no money for their college education (tuition specifically).

The expected family contribution formula has another major flaw. Many students actually have a negative expected family contribution. Some students from very low-income families were already making essential financial contributions to their family's well-being before going to college. They helped pay the rent, buy food, and cover medical expenses. Those contributions are reduced as students' incomes go down when they decrease their work hours in order to attend college. If we truly accounted for the family financial contributions of these students, they would actually need to be paid to attend college to cover opportunity costs and help keep their families afloat. Instead, the federal rules truncate their negative expected family contribution number to zero, limiting the amount of aid they can receive. This is yet another reason why students feel their aid is insufficient—because aid policies do not accurately reflect their real costs or ability to pay. And it is why aid officers like those we interviewed who adhere to these policies often don't know or understand students' true costs and ability to pay and, as a result, say things like "no matter how much we give them, they want more."

You Hafta FAFSA

In order to determine their expected family contribution and see if they qualify for grants, loans, and work-study programs, students must complete the FAFSA. Before attending college, the messages they receive about this process are—today—fairly clear and consistent. Apply for financial aid. Fill out the FAFSA. It's quick, it's straightforward, and it works. Yet some students do not do it: the most recent data available indicates that 11 percent of undergraduates living below the poverty line, and 15 percent of those living between 100 and 150 percent of the poverty line, had not filed a FAFSA and were therefore not receiving financial aid.[22] Many more do not file a FAFSA and never attend college. In 2014, the White House and the U.S. Department of Education began the Reach Higher initiative, encouraging students to further their educations beyond high school, and First Lady Michelle Obama spoke to students across the country, urging them to complete the FAFSA. These outreach efforts cheerily explain that the process is "free, quick (on average, taking about 20 minutes!), and easy."[23] Mrs. Obama provides a compelling face for this movement, and every student profiled in this book followed her suggestion.

But the FAFSA is a small American bureaucratic tragedy all its own. The stakes are high. Overstatement of assets or income can mean a student will not get aid they're entitled to—while understatement of assets or income could be a form of fraud. There are consequences for incorrectly completing the form. Many FAFSA forms go through a verification process, and if information is inaccurate, disbursement of funds may be substantially delayed—or not occur at all.

To make matters worse, the FAFSA is notoriously onerous and complex to fill out.[24] As a student tweeted: "Why is the financial aid process harder than college itself?"[25] In recent years, the Internal Revenue Service (IRS) and the Department of Education have worked together to smooth the process by allowing students to transfer their IRS data into the FAFSA seamlessly and in real time using the IRS Data Retrieval Tool. But this works best for students who are paying for college on their own. First-time students who depend on their families for support, like nearly all of those in this book, spend a long time gathering information before they can sit down to complete the form. In 2015, the Department of Education estimated that once a student logged into the online application, it took about thirty minutes to complete.[26] But gathering the necessary information can take much longer—it includes the student's Social Security number, the parents' Social Security numbers, federal tax returns, records of untaxed income, plus information on cash, savings and checking account balances, investments, and real estate (except the home in which the student lives) for both the student and their parents.[27]

With all the needed information on hand, does the average FAFSA experience take less than the twenty minutes Mrs. Obama promised? To find out, researchers at the Wisconsin HOPE Lab conducted a survey in fall 2014. Working with a sample of almost 1,110 students who were very similar to those in this study, my team found that over 90 percent said that it took them longer than thirty minutes to complete the FAFSA. Forty-four percent took between thirty minutes and an hour, 29 percent took one to two hours, and almost 20 percent required more than two hours. About one in ten Pell-eligible students found that it took them more than three hours to complete the form, one reason being that it was sometimes very difficult to obtain their parents' information.[28] Some parents don't want to share detailed information about their income and assets with their child (or with their child's would-be college). What happens when a student wants to reduce the price of college attendance by applying for financial aid but can't get the necessary tax information from their parents? One student explained that he needed to "nag and nag" his folks to share their information and was unable to file until they did. Another student described having difficulty getting her parents to provide their data because they didn't understand why it was necessary since they were not helping him pay for college: "I'm a poor student—I work at Subway. I don't make that much money. But he [the financial aid administrator] said if your parents claim you, they have—it's like—an obligation that the state says my parents have to pay for my schooling. And I was like, well, my parents aren't following that obligation."

Most students in this study had help completing their first financial aid application. Just 18 percent of students reported completing the FAFSA alone, although one in three African American students did so. Three in four non-Hispanic white students got help from their parents, compared to two in five African American students, who were twice as likely as white students to receive help from a sibling. One in three students said that the person who helped them complete the FAFSA had not attended college.

The FAFSA is not a one-time experience. The application must be renewed each year, regardless of the student's circumstances. Even those students who remain at the same college year after year, living in the same economic conditions with parents whose jobs do not change must refile. Unfortunately, many students are unaware of this. Nationally, 15–20 percent of first-year Pell Grant recipients in good academic standing do not refile their FAFSA. Refiling rates are particularly low among community college students.[29] Indeed, 15 percent of our students did not refile their FAFSA yet did enroll for a second year of college. Attempting to continue in college without refiling the FAFSA can lead to an unexpected and often substantial increase in a student's cost of attendance, which can then result in dropping out.

Putting the Aid Together

After assessing a student's expected family contribution using data from the FAFSA and comparing this to the institution's cost of attendance, the financial aid office can begin to construct a financial aid package. For many students, the Pell Grant is the centerpiece of the aid package. Students below a certain expected family contribution threshold ($4,041 in the 2008–9 academic year, the year this study began) qualify for a Pell. Students with a zero expected family contribution receive the maximum Pell, which in 2008–9 was $4,731.[30] The maximum increased to $5,550 for 2010–11, and it is now $5,775.

The Pell Grant hardly ever covers the entire difference between the cost of attendance and the expected family contribution. If that were the case, the one trillion dollar student loan industry would be substantially smaller. In practice, when a Pell is awarded but does not cover all of a student's need, financial aid officers turn to other federal grants and then to state grants to fill the gap. When that is not enough, and it often is not, they add loans and work-study funds to the package. They also look for private sources of aid, institutional scholarships, foundation scholarships, and whatever else is available.

In Wisconsin, there is a state need-based grant available to some students. The Wisconsin Higher Education Grant, which receives $100 million per year in taxpayer support, was established by statute in 1965, the same year the landmark Higher Education Act was signed by President Lyndon Johnson.[31] Students can receive the grant for up to ten semesters, and in order to get it, they must enroll at least half time. The Wisconsin Higher Education Grant is means tested and scaled according to the expected family contribution—students in the University of Wisconsin System (UW System), Wisconsin Technical College System, private not-for-profit colleges, and tribal colleges are eligible. On average, a student receives $1,500–$2,500 per year. Like the Pell, the Wisconsin Higher Education Grant's value has been declining. Since 1997, its effective purchasing power (e.g., the average grant amount divided by the cost of attendance) diminished from roughly 10 percent to between 6.19 percent (in the technical college sector) and 7.65 percent (in the private college sector) while it remains 9.44 percent in the UW System. With far fewer students enrolled in the state's two tribal colleges and with lower costs of attendance, the Wisconsin Higher Education Grant has generally covered 11–12 percent of the cost of attendance there during that time.[32]

Many students who are eligible for the Wisconsin Higher Education Grant don't receive it. While statutorily it is an entitlement, as it gets a "sum-sufficient allocation" of funding, this has routinely been suspended in favor of a set limit on funding. Since the total number of eligible students increased faster than the funding limit, there are now more eligible students than funds to support them. To handle this, grants are awarded on a first-come first-served basis using the FAFSA filing date. Each year, a suspension date occurs when funding has been exhausted. After this date, applicants go on a waitlist. The suspension date has moved earlier each year. In 2008–9, the year this study began, more than sixty-two hundred students in UW System and almost twenty-one thousand students in the Wisconsin Technical College System did not receive a Wisconsin Higher Education Grant even though they were eligible. Providing these students with grants would have cost the state another $44 million.[33]

These circumstances mean that most students from economically challenged families face a gap between the aid they are given and the cost of attendance. A fortunate few, however, get enough scholarships to ensure that at least the sticker price is covered. Many of these students are academically talented and have competed for these awards. But unlike their wealthier peers, they cannot keep all that they win. That is because for financial aid recipients, the cost of attendance represents the maximum support a student can receive from any source. If private aid is available, then state or federally supported aid (excluding the Pell) must be removed such that the cost of attendance is not exceeded. This is called displacement, and it can lead to a substantial reduction in the value of a private scholarship, diminishing the positive impact that the donor intended. Here is an example: a student receives a $2,500 private scholarship and the university uses 50 percent of the scholarship to replace institutional grants and 50 percent to replace loans in the financial aid package. The student's net price decreases by $1,250 because part of the private scholarship replaces loans. But the other $1,250 of the scholarship simply displaces the $1,250 in institutional grants. As a result, the overall decrease to the student's net price is only half as much as much as it could have been. And the student, who thought they would gain $2,500 from the scholarship, often does not know what happened.[34]

This does not happen to students who do not file for financial aid. They may accept all of the outside scholarships they receive, even if they have no financial need and their parents have already covered their cost of attendance. But if students receiving financial aid get more grants than their "demonstrated financial need" allows, then they must ask their school's financial aid administrator for help. The financial aid administrator has authority to adjust the cost of attendance for a specific student, officially known as adjusting their budget. This process, known as professional judgment, is done on a case-by-case basis, is intended only for special circumstances, and requires adequate documentation. For example, if a student faces higher childcare costs or a costly medical situation, the aid administrator might raise the budget to allow a student to take a larger loan. However, while federal law allows this procedure, it is not easy for an aid administrator to execute, and some won't do it because they don't want to increase students' eligibility for loans. Many rules and regulations govern their work, and they often fear that exercising professional judgment too frequently or without sufficient documentation will cause trouble the next time a review of their aid program takes place—if a review goes badly, the school can lose their ability to participate in the federal student aid program. Some aid administrators are also fearful of recourse from the Office of Civil Rights, where students may file a complaint if they did not get the aid they asked for. A request for professional judgment is therefore no simple matter, and it places a burden on both the student and the aid administrator.[35]

These constraints within the financial aid system can make it difficult for philanthropists like the Fund for Wisconsin Scholars to put additional money in the hands of students who need it. As described in the last chapter, the fund selected its recipients in the fall and then sent the money to the schools to distribute. In many cases, students had already had to take out loans in order to pay their bills. When the new grant arrived, particularly at universities where the grant amounted to $3,500, there was not always room for it in the aid package. As a result, sometimes a student offered $3,500 in grant aid effectively received no additional money in hand. Instead, their loans (subsidized first and then unsubsidized) were reduced.[36] While this meant they had less to repay after college, students often didn't understand how their new grant had been used.

If you are confused, you are in good company. We found that students themselves varied in the extent to which they knew and understood what was in their financial aid packages. Every student in the study received a Pell Grant in the first semester of college, but when asked in a survey to report what was in their aid package, one in seven did not mention their Pell. They described feeling uncertain about why they received the amount they did, why they could not get more, and what they needed to do in order to ensure they would keep getting aid. By and large, the students hoped to follow the appropriate rules—but they did not always know what they were.

Following the Rules

There are many rules affecting students' ability to get and keep financial aid. There are forms that must be filled out and signed, filed on time, and verified. Failure to keep up with these requirements can cause delays or even the loss of support. The amount of aid a student gets varies depending on where they attend college, so if they transfer they must reapply. This affects many students each year since today at least one in three students transfer schools at least once.[37] Students have to apply for loans, decide how much of the loan offered to accept, and again, sign forms. They must also meet academic standards, known as satisfactory academic progress, which include both a grade point average requirement and a specified pace of progress (e.g., completing a specified fraction of attempted credits in order to remain on track to earn a degree). Additional rules govern how long a student can receive aid. How much aid they can get varies from semester to semester according to the number of credits they take.

Finally, changes in financial status can invalidate students' needs analysis and jeopardize their aid. To keep the needs analysis accurate, then, students who are working while in school are allowed to earn a certain amount and no more. Critically, they must be careful that their income does not go above that specified level—or they may become ineligible for Pell Grants. But that income ceiling is rarely communicated to the student, and it is nearly impossible to predict, since it depends on an individual's circumstances and often those of their parents.

Table 3. Knowledge of and interaction with financial aid rules

Knowledge of Financial Aid	*Percentage*
Knew difference between grant and loan	93
Knew that financial aid package might change from year to year	88
Knew that financial aid package might change if student takes time off from school	82
Knew that government loan is a kind of financial aid	81
Knew that financial aid package might change if student transfers schools	81
Knew that student earning more than a certain amount of money will reduce financial aid package	74
Knew difference between subsidized and unsubsidized loan	68
Knew that money a student earns from working during college is used in financial aid calculation	58

Source. WSLS data.

Note. Sample is WSLS students who responded to the first-year survey questions on financial aid rules, *n*= 2,100.

So how many Pell recipients actually understand these rules? In our survey, we were pleasantly surprised to learn that more than nine in ten students could accurately identify the primary differences between grants and loans (see table 3). Four in five knew that transferring colleges and taking time off from college could affect the amount of aid they receive. About seven in ten understood the difference between subsidized and unsubsidized loans and the effects of students' earnings on the amount of financial aid received (e.g., that earning more money could reduce the amount of aid awarded). Still, what students knew about the rules and their impact was neither comprehensive nor universal.

In the fall of 2014, the Wisconsin HOPE Lab examined awareness of the satisfactory academic progress requirements. We surveyed a group of almost eleven hundred students, all of whom had an expected family contribution of less than or equal to $10,314, which is up to 200 percent of the threshold for Pell Grant eligibility, and all of whom would be receiving federal financial aid when they began college for the first time in September. We asked them: "True or False? To continue receiving financial aid each year, students have to maintain a minimum GPA."[38]

Just over one in four students (26%) answered the question incorrectly, indicating "false." They were unaware they had to meet this academic requirement in order to continue receiving federal financial aid (including keeping their loans). The percentages of students who were unaware of satisfactory academic progress requirements was similar across several key demographics, including first-generation college students whose parents do not have bachelor's degrees, continuing generation students with at least one parent with a bachelor's degree, and students from both urban and rural communities across Wisconsin. This may help explain why large numbers of students (including, according to researchers, some 40% at community colleges) lose their Pell grant each year because they do not meet the satisfactory academic progress standards.[39]

The challenges involved with following the rules also affected the implementation of the Fund for Wisconsin Scholars. In order to reinstate a grant after an absence from college, students had to notify their financial aid office, the program's executive director, and submit a written request.[40] Students did not receive regular reminders about the grant's renewal criteria, but the program administrator did send e-mailed communications containing "different messages about eligibility, transferring, good luck with classes, and other general information."[41] But two surveys we administered, one a few months after the program began and the second a year later, showed that barely half of students offered the grant even knew that it was part of their financial aid package. Moreover, 85 percent of students were confused about the grant's satisfactory academic progress requirements regarding grades (same as the Pell—a C average) and enrollment intensity (twelve credits in order to get the grant). Students who were also receiving federal Academic Competitiveness Grants, which required a B average, seem to have mistakenly thought that the WSG also demanded a B average.[42] For students, the many different components of financial aid can all begin to blur together.

Who Owns Aid? Where Does It Come From?

Students report that financial aid helps—but it seldom fully addresses the true costs of college. Many students told us they felt their aid was helpful and that they were grateful, but at the same time they were quick to point out how little it covered. As one put it, "Financial aid needs to step up its game." In a sense, sometimes a grant acts as an increasingly small coupon that entices a student to try college, but at the end of the day leaves them with a bill they can't afford.

This surprises students. For example, one Pell recipient told us that because of her financial aid, "I thought I was set—just to be free and not worry about paying for it, to keep going to school without the cost." But that was her sense only during her first term. She quickly discovered that the amount of aid she received was not enough to provide for meals, and she faced a new challenge—because she was enrolled in college, she thought she was no longer eligible for the federal food assistance program.[43]

When aid does mitigate students' experiences of economic insecurity, it seems to do so partly by reducing feelings of stress. One student told us that it "cleared my worries" and calmed him down. Another described what it felt like to look at her aid package for the first time: "I remember just waiting. Like waiting, waiting, waiting. When is it coming in the mail? And as soon as I got it I looked at the numbers . . . then it added up and I got a total and I had a huge amount of money that was tuition for the whole, um, year."

A few students claim that financial insecurity motivates them. When asked, "How would college be different if you had more money?" a male undergraduate responded: "I'd probably do worse in college, I think . . . if I had a lot of money to spend I wouldn't care about what I was doing." A woman explained to us that she is getting better grades than her sister did in college because school "means more to me because I am paying for it. . . . Paying for college yourself makes you want to go to class, makes you want to do things. I admit if my parents paid for it, I probably wouldn't be as serious about it because I'm not wasting my money, I'm wasting theirs. So I think it makes a lot of difference when you're paying for it."

Another striking gap in what students know about the financial aid they receive is that many of them have no idea where it all comes from—one in seven Pell recipients does not even know they have a Pell! This likely has consequences, since the source of money is an important factor in determining its meaning and how it can be spent. For comparison, think of gifts and remittances from family members. Even though these monies may arrive with no explicit strings attached, recipients often feel constrained in how they may spend them. Thus a birthday check is not supposed to be cashed for groceries. Christmas money is not supposed to be used to pay a gambling debt.[44] In experiments, college students have been shown to discount money they "won" at a higher rate than money they were "owed," suggesting that they valued won money less than "their own" money. People have also been found to be more willing to take risks with money from a windfall gain, a phenomenon known as the "house money effect."[45]

Partly because the sources of financial aid are far from clear, students who receive it often don't fully understand how they are meant to use it.

Doctoral candidate Kaja Rebane of the University of Wisconsin–Madison and I find that students frequently treat financial aid money differently than money obtained from other sources like work and gifts. Since aid appears to move through a variety of actors (e.g., from federal student aid offices in Washington to college coffers, to financial aid officers to students through a complicated packaging and awarding process), students are not exactly sure what financial aid *is*, what kind of money it represents, or to whom it belongs. Students are confused about their available monetary resources and unsure who "owns" the money they receive from financial aid. One man put it this way: "A lot of times I wonder, like, where financial aid comes from. Like who provides it? Where does it go? They say I'm paid for school but I didn't see the money flow . . . and so I don't know where it's coming from or what I'm paying. . . . It's kind of confusing but I'm just going along with it right now."

This is one reason why many Pell recipients refer to grants as "free." Consider this exchange with a woman in her third year of college:

INTERVIEWER: Are there particular components of your package that you think are really much more important?

RESPONDENT: Oh, the grants! The grants [are much more important] because you don't have to pay a cent, so it's like free money. That's huge.

Of course, for taxpayers grants are not free. But this is rarely clarified for the student. When they know the source of grants, as in the case of the Fund for Wisconsin Scholars, students convey gratitude. A recipient expressed her appreciation this way: "I'm just very thankful for financial aid. It helps a lot, a lot, a lot. I don't know who came up with this brilliant idea to just give out money like this but I very much appreciate it. Oh, really. Oh, really."

Another student who received the Fund for Wisconsin Scholars Grant explained that getting it led him to focus even further on his goal: graduation.

INTERVIEWER: Do you have any anxiety around [your financial aid package for next year]?

RESPONDENT: Nope, I'm pretty sure I saved up enough already, and then it tends to work out. I mean that Fund for Wisconsin Scholars [grant] wasn't . . . [pause] . . . I didn't know what the heck that was, and all of a sudden it dropped on my lap, so that helped a lot. . . . I won't take it for granted, that's for sure . . . if I get that much money and I get bad grades, I'm going to feel shitty as hell. . . . I guess in return, I'll graduate. That's the best thing I can do, I guess . . . it's not a loan where you can pay back but at the same time I like and appreciate it. So the only way I can pay it back is to graduate with my bachelor's in criminal justice. That's my goal.

Another student who knew the source of his Pell Grant also noted that he felt the need to act responsibly, saying, "I don't think it's fair to ask the government for money and then spend the money you do have foolishly. That doesn't make sense to me."

All this confusion has other consequences, too. Drawing from a tool chest of potential grants, loans, and work-study programs, financial aid administrators build each student's financial aid package. This process does not always involve the student. While students over the age of eighteen are technically required to sign off on their packages, this occurs via online systems that allow students to easily assent without fully examining or understanding their aid packages. Also, if a student has consented to give their parents access to the information, mom or dad may agree to a package—or part of a package, such as a loan—without the student's knowledge or active consent.

When financial aid administrators exert more control over the aid-packaging process, students report feeling less control over their aid. Students who feel powerless appear to make poorer decisions. When they feel informed, they seem to make more effective choices. For example, an African American woman attending a moderately selective university said that her room and board cost about $4,000 for a term and that she had intentionally asked for a smaller room to reduce her housing costs. In contrast, an East Asian university student said that because she never actually saw her financial aid money, she didn't know how much she had.

Some students contend that because they are not charged with handling their financial aid, they don't learn how to budget and thus are less conscious of where and how their money is spent. That said, we found little to no evidence that students' spending was wasteful. We analyzed budget logs and found that very little money was allocated for entertainment, alcohol, or leisure activities. But not all their decisions were strategic. Students did not always have enough information about their overall financial aid picture to make decisions about, for example, possibly attending less expensive colleges or covering their room and board through on-campus work. In other words, though students with incomplete financial aid data often knew enough to make thoughtful choices from day to day (by trying to shop for less expensive groceries, avoid costly purchases, and so forth), they didn't have the information needed to make larger, big-picture decisions as wisely as they might have done otherwise.

When faced with financial stress, many students turn to their financial aid offices. The professionals who work in these offices have the enormous task of translating federal, state, and institutional policy into action by distributing aid dollars. They are governed by thousands of rules and regulations, and interviews reveal that many feel that they serve multiple masters with vastly differing goals—the federal government, their college president, the boss overseeing their unit, and, of course, students and their families.

But financial aid offices don't have enough staff to provide the in-person support and guidance that could help students better understand their aid packages. For a program that distributes billions of dollars a year, the budget for actually allocating aid is very small. At a large public university attended by many students in this study, the head administrator reported that she had one administrator for every thousand applicants. "We're at a point when the automation in the system has done what it can do and then the rest has to be done on a one-on-one, personal basis," she explained. "But that's very difficult for them [the students] to understand." According to a 2015 national survey of financial aid administrators, while larger institutions tend to have more staff, schools with more than twenty thousand students have an average of twelve administrators.[46] One reason is that operating budgets for financial aid offices have not changed much over time, even though financial aid budgets and the number of applicants has increased substantially. Just under half of financial aid administrators surveyed report that their offices faced a moderate to severe resource shortage in the last five years.[47]

In their first semester of college, nearly 60 percent of our students sought financial aid advising. Remarkably, given the demands on financial aid personnel, 95 percent of those who asked for help received it. Nearly all of those helped found the assistance useful. Students at two-year colleges were more likely to seek help with financial aid compared to students at universities. While resources for financial aid offices vary, students at two-year colleges who sought help were also just as likely to receive it and find it useful as students at public universities.

African American students were especially likely to seek financial aid advising. Nearly three in four African American students reported requesting help, compared to just over half of all non-Hispanic white students. For those who requested help, the odds of receiving it were the same across all racial groups. Students' racial and ethnic characteristics were not associated with whether they found the assistance they received helpful.

The greater rates of help-seeking behavior observed among two-year college students and African American students corresponds to their greater likelihood of knowing whom to contact in their financial aid offices. For example, 73 percent of university students reported having that knowledge, compared to 85 percent of two-year college students.

Financial aid administrators recognize that aid means a lot to the students who receive it, and they often understand the difficulties the system creates. One long-term senior administrator explained:

> There are times when we have to collect documentation for very sensitive issues, say if there's a question as to whether someone's parent is actually living or dead, and you have to collect death certificates. There are those cases where you have to discuss personal issues and discuss sensitive issues that you never would imagine would be part of the financial aid world. It's like being a health care professional, and [an] accountant, a lawyer, and maybe a spiritual counselor all wrapped into one—then you've got your financial aid administrator. You are touching so many different aspects of one's life.

Given these issues, it's no surprise that we found trust hard to come by between financial aid recipients and financial aid offices. Even when students respected an aid administrator and felt grateful for their help, they never felt sure that their support would continue. This lack of trust bled over to other sources of financial aid, including the Fund for Wisconsin Scholars. In the weeks after that program began, we went out to talk with students who would be receiving the award. We were there as researchers from what we then called the Wisconsin Financial Aid Study, not as emissaries of the fund, and the students clearly understood that. On several occasions we learned that people who had received the award letter announcing the new financial support thought that the grant was a "scam." They did not know "where it came from" or "what it was for." The first notable impact we observed was an uptick in their use of the financial aid office, where they went to find out what was going on.

The Payoff

Given these complexities, does financial aid work? Our study is far from the first attempt to answer this question. Efforts to measure the effects of financial aid tend to focus on academic outcomes, since the stated intent of the federal student aid program is to increase the number of Americans who graduate from college. Studies examining the question reach conflicting conclusions about the efficacy of aid, mainly because of the enormous array of differences across studies in the types of financial aid examined, the conditions associated with that aid, how much aid is given (not just in sheer dollars but also in purchasing power), who it is distributed to, and when it is delivered.

For more than forty years, researchers have studied federal grants and state grants, need-based grants, and scholarships distributed based on academic "merit" (usually but not always measured by standardized test scores). They have looked at programs that tell students about their aid before college begins and those that provide support only after students enroll. They have looked at the impact of aid on those who enroll in college, where they attend, what courses they take and how many credits they complete, and of course, whether they finish degrees.

Overall, the results are pretty mushy. The best studies use statistical controls and other techniques to distinguish the independent contribution of the financial aid from the student characteristics that make them eligible for aid. This is very important, since the characteristics that make students eligible for aid often also make them less likely to finish college. In these studies, like those of economists Eric Bettinger, Ben Castleman, and Bridget Long, grants tend to exhibit positive effects.[48] Students with demonstrated economic need who receive grant support from the time they are deciding to attend college are more likely to enroll. They are more apt to attend a bachelor's degree–granting institution and a more selective university rather than a community college, and, perhaps most importantly, they are more likely to finish their degrees.[49]

The more complicated the grant program, the less effective it seems to be, and the evidence on the effects of loans and work-study programs is much less promising than for grants.[50] Later in this book, I will describe what we learned about the students in this study when we were able to measure the impacts of adding additional grant support to their financial aid packages after they had enrolled in college.

But these studies don't paint a full picture of what aid achieves—or fails to achieve—because they look at it too narrowly. There are many ways that financial aid ought to be able to alter the college experience—since many aspects of the experience are clearly affected by financial constraints. Alleviating those constraints should help students focus on school rather than work, reduce stress, and make it more likely that they will be well rested and well fed when they are trying to learn. But what if financial aid fails to reduce many financial constraints—perhaps because it does not provide money in the ways that students need, or it is too little or too late? Financial aid is usually studied as if it was a simple transfer of money, which it is not. The study of financial aid in isolation, therefore, cannot tell us how money and scarcity shape the college experience. Only research on money as it is actually possessed and used by college students can accomplish that.

39. For further reading, see Piketty, *Capital in the Twenty-First Century.*
40. This figure is for a family of four. Dresser, Rogers, and Navot, "The State of Working Wisconsin," 1.
41. Center for Economic Development, University of Wisconsin–Milwaukee, *The Economic State of Milwaukee, 1990–2008*, 49.
42. Pew Research Center for the People and the Press, "January 2014 Political Survey."
43. Dresser, Rogers, and Navot, "The State of Working Wisconsin," 24.
44. While I identify the names of the colleges and universities in Wisconsin that our students attended and considered attending, I do not link specific students to specific institutions where they enrolled, in order to protect their confidentiality. All names used for students are pseudonyms.
45. Brown, Scholz, and Seshadri, "A New Test of Borrowing Constraints for Education," 511–38.
46. *Milwaukee Business Journals*, "Domtar to Close Wisconsin Mill, Cut 500 State Jobs."
47. For further reading, see Astin, *What Matters in College?* Lohfink and Paulsen, "Comparing the Determinants of Persistence for First-Generation and Continuing-Generation Students"; Pascarella and Terenzini, *How College Affects Students*, vol. 2; Pike and Kuh, "First- and Second-Generation College Students"; and Tinto, *Leaving College.*
48. Attewell, Heil, and Reisel, "What Is Academic Momentum?" 27–44; Kuh et al., "Unmasking the Effects of Student Engagement on First-Year College Grades and Persistence," 540–63; and Tinto, "Research and Practice of Student Retention," 1–19.
49. Arum and Roksa, *Academically Adrift.*
50. For further reading, see Armstrong and Hamilton, *Paying for the Party*; Muthén and Muthén, *Mplus: Statistical Analysis with Latent Variables*; Stuber, *Inside the College Gates*; and Stevens, Armstrong, and Arum, "Sieve, Incubator, Temple, Hub."
51. *Philanthropy News Digest*, "Fund for Wisconsin Scholars Establishes $175 Million Endowment for Scholarships."

Chapter 2

1. Hiltonsmith, "Pulling Up the Higher Ed Ladder."
2. There is a debate about whether the actual costs of providing a college education are rising unreasonably due to factors such as "administrative bloat" or even because of government subsidies, including financial aid. The research provides little clarity and focuses entirely on institutional expenditures rather than the actual resource costs involved in providing higher education. But overall, there

is little evidence that inflated costs are the source of the affordability problem at public colleges and universities—though there is some indication this may be an issue at public flagship universities, in particular, as well as at private institutions. A thorough treatment of the causes of college costs is beyond the scope of this book, and instead I recommend the following resources: Baum and Ma, *Trends in College Pricing: 2014*; Nelson, "Our Greedy Colleges"; and Archibald and Feldman, *Why Does College Cost So Much?*

3. The law is, however, silent on the subject of how much of the actual costs of college must be covered by the state and how much an institution can pass on to its students.
4. See n. 2 above, introduction, for an explanation of why these numbers do not align with those in fig. 1, which include only some components of the cost of attendance and are thus an underestimate. These more complete figures come from the *National Postsecondary Student Aid Study*, which has been conducted for a limited amount of time and thus does not facilitate the longitudinal picture displayed in fig. 1.
5. While England is ending maintenance grants in 2016, it is, however, replacing them with loans.
6. Mettler, *Soldiers to Citizens*, 61.
7. A recent national survey found that three in four financial aid officers felt that their students' financial literacy was "limited." National Association of Student Financial Aid Administrators, *2015 Administrative Burden Survey*, 9. Notably, surveys like these focus on the capabilities of students receiving financial aid—the knowledge held by other students (including those spending their parents' money) goes unquestioned.
8. U.S. Senate Committee on Health, Education, Labor and Pensions, "Alexander: If Colleges Share in the Risk of Student Loan Defaults"; Kelchen, "Is 'Overborrowing' for College an Epidemic?"; Institute for College Access and Success, "Data Show No Evidence of 'Over-borrowing' at Community Colleges"; National Association of Student Financial Aid Administrators, "Debt Load and Overborrowing"; and Deverey, "Promoting College Affordability and Limiting Over-Borrowing."
9. Kelchen, Hosch, and Goldrick-Rab, "The Costs of College Attendance," 3.
10. Of course, it is one thing to provide a bigger estimate of the living costs and another to provide the financial aid funds to cover it. The first helps to the extent that students benefit from having accurate information, but the latter is essential if they are to make ends meet.
11. Goldrick-Rab and Kendall, "The Real Price of College."
12. National Association of Student Financial Aid Administrators, "Monograph 24," 61.
13. Kelchen, Hosch, and Goldrick-Rab, "The Costs of College Attendance."

14. Kinsley, "The Pull of Home," 51. For further reading on the hidden costs of college, see Goldrick-Rab and Kendall, "The Real Price of College"; and Wisconsin HOPE Lab, "What We're Learning: Student Financial Contributions to Families."
15. Lewin, "Most College Students Don't Earn a Degree in 4 Years, Study Finds."
16. Goldrick-Rab, "Following Their Every Move," 61–79; Goldrick-Rab and Pfeffer, "Beyond Access," 101–25; Hicks, "Inequality, Nonlinearity, and the College Experience," 62–77; and Miller and Goldrick-Rab, "Making Sense of Transitions," 1–51.
17. For further reading on time to degree, see Bound, Lovenheim, and Turner, "Increasing Time to Baccalaureate Degree"; and Complete College America, *Three Policies to Reduce Time to Degree.*
18. Kelchen, "A Longitudinal Analysis of Student Fees," 19.
19. Parents are expected to contribute any income available after specific allowances, as well as 12 percent of their discretionary assets to their child's college education, with an equal share of the contribution going to each child enrolled in college. Students are expected to contribute all income above a certain threshold as well as 20 percent of their assets annually. Parent and student expected contributions are summed up to calculate the total expected family contribution.
20. Marcus, "Confusing Financial Aid Letters Leave Students, Parents Adrift."
21. Filing for aid as an independent student means that parental income does not count toward the expected family contribution calculation. This may or may not lead students to get more financial aid. Relative to their income, independent students actually pay a higher price, on average, than dependent students do. But most students do not know this. See Goldrick-Rab and Kendall, "F2Co Redefining College Affordability," 7.
22. Bergeron and Flores, "College for All."
23. U.S. Department of Education, "Completing the FAFSA."
24. Dynarski and Scott-Clayton, "There Is a Simpler Way for Students to Apply for Financial Aid"; and Bettinger et al., "The Role of Application Assistance and Information in College Decisions," 1.
25. "um i have a question. . . . .why is the financial aid process harder than college itself?" (rat mic [loopzoop], Twitter post, July 24, 2015, 9:50 A.M., https://twitter.com/loopzoop/status/624620282485981185).
26. Fortelny and Parkinson, "FAFSA and Application Processing System Update," 35; U.S. Department of Education, "Completing the FAFSA." As of May 1, 2015, the U.S. Department of Education estimated that once a student logged into the online application, it took about thirty minutes to complete (a claim that had disappeared from their site by January 11, 2016).
27. One challenging part of the FAFSA is that it requires tax information. Until

2016–17, that tax information had to be for the immediately prior year, so it was impossible to file until taxes were completed. This led students to miss some state and institutional deadlines associated with grant aid and meant that they sometimes had to make decisions about college without full information in hand. However, in fall 2015, President Barack Obama took executive action to allow the use of prior-prior year tax information on the FAFSA so that the process of applying for financial aid could begin in the fall, well in advance of deadlines.

28. Wisconsin HOPE Lab, "What We're Learning: FAFSA," 3.
29. Bird and Castleman, "Here Today, Gone Tomorrow?" 21.
30. Baum, Ma, Pender, and Bell, *Trends in Student Aid 2015*, fig. 24.
31. The Wisconsin Higher Education Grant was recently renamed the Wisconsin Grant but here I use the name applied when this study was conducted.
32. Anderson and Goldrick-Rab, "The Wisconsin Grant," 5.
33. Higher Educational Aids Board, *Report of the Commission on Financial Aid Consolidation and Modernization*, 42.
34. National Scholarship Providers Association, "Impact of Award Displacement on Students and Their Families," 3–4.
35. About 104,000 Pell recipients (1.2% of the total population) received professional judgments in 2013–14. U.S. Department of Education, "2013–2014 Federal Pell Grant Program End-of-Year," table 14.
36. The loan that costs the government more (because of the interest subsidy) is removed first.
37. Shapiro et al., "Transfer and Mobility," sec. 1.
38. Wisconsin HOPE Lab, "What We're Learning: Satisfactory Academic Progress," 2.
39. Schudde and Scott-Clayton, "Pell Grants as Performance-Based Aid?" 2.
40. The fund's executive director reported that very few students did so.
41. Executive director of the Fund for Wisconsin Scholars, personal communication to Sara Goldrick-Rab, n.d.
42. The Academic Competitiveness Grant was a federal grant program for low-income students with strong high school preparation. It provided up to $750 for the first year of college, and up to $1,300 for the second if students earned a B average. The program ended in 2011–12.
43. In order to receive the Supplemental Nutrition Assistance Program (SNAP) while enrolled in college students must meet at least one of a range of criteria. Most often, they need to receive work-study funds or be employed for at least twenty hours per week. Lower-Basch and Lee, "College Student Eligibility," 1–3.
44. For further reading, see Zelizer, *The Social Meaning of Money*.
45. For further reading, see Weatherly, Derenne, and Terrell, "College Students Discount Money 'Won' More than Money 'Owed'"; Thaler and Johnson, "Gambling

with the House Money and Trying to Break Even"; and Ackert et al., "An Experimental Examination of the House Money Effect in a Multi-Period Setting."

46. National Association of Student Financial Aid Administrators, *2015 Administrative Burden Survey*, 8.

47. Ibid., 11.

48. Bettinger, "How Financial Aid Affects Persistence," 207–38; and Castleman and Long, "Looking beyond Enrollment," 1–37.

49. For reviews of the evidence on the impacts of financial aid, see Goldrick-Rab, Harris, and Trostel, "Why Financial Aid Matters," 1–45; and Dynarski and Deming, "Into College, Out of Poverty?" 1–28.

50. For further reading, see Castleman, Schwartz, and Baum, *Decision Making for Student Success*; and Dynarski and Wiederspan, "Student Aid Simplification."

Chapter 3

1. U.S. Department of Education, "Federal Pell Grant Program End-of-Year Report," table 1.
2. Stratford, "Higher Ed Cuts in GOP Budget."
3. Smith, "$2.2 Million in Grants Awarded to Area College Students Who Quit or Failed"; and Tighe, "Student Aid Fraud."
4. Gehl, "Pell Grant Abuse Widespread."
5. Luzer, "The Lie about Pell Grants, the 'Welfare of the 21st Century.'"
6. Terkel, "Rep. Denny Rehberg."
7. Friend, "Death Knell for Pell."
8. Noah, "Everyone's a Queen."
9. Thelin, *A History of American Higher Education*, 350.
10. College Board Advocacy and Policy Center, *Rethinking Pell Grants*; and Nelson, "Two Pell Grants?"

The College Board report shows growth in the fraction of Pell recipients who are classified as independent for tax purposes rather than dependent, emphasizes the lower completion rates of those students, and states that "it is time to rethink the Pell Grant program so that it continues to emphasize the provision of funds to those for whom access to postsecondary education requires public subsidy" (7). The authors go on to argue that independent students should be served under a revised and more limited version of the Pell program because "the Pell Grant program is not and cannot plausibly be generous enough to replace the wages of adults who are temporarily out of the labor force" (29). The authors call for other programs, part of the "social safety net," to step up to serve these students. These remarks stand in contrast to the provisions of the GI Bill, which is aimed at a similar population (people over age twenty-four, often with families), which does contend that replacing wages for adults is necessary