



## The State PIRGs' HIGHER EDUCATION PROJECT

### College Students Faced More than \$31 Billion in Unmet Financial Need in 2003-2004

A college education continues to be a great investment for every American. The average college graduate earns more than \$1,000,000 more over the course of a career than the average high school graduate.<sup>1</sup> Similarly, a system of affordable higher education benefits states and the federal government. College graduates contribute to a strong civil society by voting and serving the community in higher numbers than non-college graduates.<sup>2</sup> In addition, they contribute to a strong economic base by driving innovation and expanding the tax base. Unfortunately, new data suggests that America's higher education system falls short of being affordable for millions of students.

New data, released by the Department of Education and analyzed by Postsecondary Education OPPORTUNITY, suggests that higher education is unaffordable for millions of Americans. According to Postsecondary Education OPPORTUNITY, American undergraduate college students faced more than \$31 billion in unmet financial need in 2003-2004. Unmet need equals the cost of attending college, including tuition and living expenses, minus expected family contribution and financial aid. Students deal with unmet need by working more during the school year and taking out more student loans beyond those included in their financial aid packages.

Postsecondary Education OPPORTUNITY, an education public policy think tank in Oskaloosa, Iowa, based its analysis on the 2003-2004 National Postsecondary Student Aid Survey (NPSAS). NPSAS is a nationwide survey conducted by the Department of Education's National Center on Education Statistics that uses a representative sample of students, weighted to accurately reflect the distribution of students across income levels and institution types. By analyzing the most recent NPSAS data, Postsecondary Education OPPORTUNITY calculated that undergraduate students faced \$31,855,470,142 in unmet need in 2003-2004.<sup>3</sup>

High levels of unmet need have serious impacts for undergraduate students. According to *Access Denied*, a 2001 report by the Advisory Committee on Student Financial Assistance, "unmet need causes students to deviate from full-time, on-campus attendance—the behavior most conducive to academic success."<sup>4</sup> In addition, the report found that unmet need is related to participation, persistence and completion gaps between students from different economic backgrounds.<sup>5</sup>

#### Average Annual Unmet Need of Students at Public Colleges: By Household Income

Annual Household Income	Unmet Need
\$62,240 or less	\$3,600
\$34,288 or less	\$4,689

In particular, unmet need poses the greatest problem for low and middle-income students and families. The average public college student from a family with an annual household income of \$62,240 or less will have an average of \$3,600 in annual unmet need.<sup>6</sup> For students from the lowest household income bracket,

unmet need is even greater. Public college students from families with an annual household income of \$34,288 or less will experience an average annual unmet need of \$4,689.<sup>7</sup> Unmet need has an inverse correlation to family income: need is greatest for families least able to deal with it.

Calculations of unmet need do not take into account students for whom the cost of college is prohibitively expensive. The Advisory Committee on Student Financial Assistance estimates that approximately 170,000 qualified high school seniors graduate every year and do not continue on to college primarily due to cost.<sup>8</sup> These are students for whom unmet need proves to be too high a cost to assume.

Over the past several years, Congress has weakened its commitment to affordable higher education. The maximum Pell Grant award, Congress' primary tool to increase aid to needy college students, has remained frozen for the past three years even as college costs continue to increase. Other federal grant programs continue to face cuts or level funding. Given inflation, level funding is tantamount to a cut for critical education programs. This new data clearly shows that lack of commitment to education funding has placed students in a deep financial hole. Helping students out of that financial hole ought to be a national priority.

#### For more information, contact:

Luke Swarthout  
State PIRGs' Higher Education Project  
(202) 546-9707  
lswarthout@pirg.org

#### Notes

<sup>1</sup> The College Board, *Trends in Student Aid*, 2001.

<sup>2</sup> The College Board, *Education Pays Update 2005*, 2005, 5; Bureau of Labor Statistics, *Volunteering in the United States, 2004*, 2004, available at <http://www.bls.gov/news.release/volun.nr0.htm>.

<sup>3</sup> Postsecondary Education OPPORTUNITY, *Unmet Financial Need, Student Work/Loan Burden and Net Price to Family for Dependent and Independent Undergraduate Students by Institutional Type/Control and Parental/Family Income Quartiles, 2004*, October 2005.

<sup>4</sup> Advisory Committee on Student Financial Aid, *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity*, February 2001, 10.

<sup>5</sup> Advisory Committee on Student Financial Aid, *Access Denied: Restoring the Nation's Commitment to Equal Educational Opportunity*, February 2001, 10.

<sup>6</sup> This includes dependent college students attending two- or four-year public schools from families with an annual household income of less than \$62,241. Numbers derived from an analysis by Postsecondary Education OPPORTUNITY, *Unmet Financial Need, Student Work/Loan Burden and Net Price to Family for Dependent and Independent Undergraduate Students by Institutional Type/Control and Parental/Family Income Quartiles, 2004*, October 2005.

<sup>7</sup> This includes dependent college students attending two- or four-year public schools from families with an annual household income of less than \$34,289. Numbers derived from an analysis by Postsecondary Education OPPORTUNITY, *Unmet Financial Need, Student Work/Loan Burden and Net Price to Family for Dependent and Independent Undergraduate Students by Institutional Type/Control and Parental/Family Income Quartiles, 2004*, October 2005.

<sup>8</sup> Advisory Committee on Student Financial Aid, *Empty Promises: The Myth of College Access in the America.*, June 2002, 31.