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Is Money an Impediment to a College Education? Recent Findings from the Congressional Budget Office

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In the upcoming debate about reauthorizing the Higher Education Act, much will undoubtedly be made of college accessibility and affordability. Do students—particularly low-income students—have difficulty financing their college education? Additionally, is a lack of money an impediment to attending college? It may come as a surprise to some policymakers, but the answer to both questions appears to be "no."

- According to the Congressional Budget Office, current federal and state financial aid programs allow most low-income students to finance their college education.
- The CBO also concluded that financing is "not a major obstacle to college attendance."

Some Members of Congress believe that federal spending for student financial aid—which will top $73 billion if President George W. Bush's FY 2005 budget is approved—is not enough to ensure that all students can finance a higher education. For example, in 2003, Representative George Miller (D–CA) introduced the College Opportunity for All Act (H.R. 3180), which would dramatically increase federal funding for student aid programs over the next several years.

A groundbreaking new study from the Congressional Budget Office (CBO) sheds some light on issues of college affordability and accessibility. The January 2004 study, entitled *Private and Public Contributions to Financing College Education*, tackles the following questions:

- What do parents and students actually pay for higher education after utilizing financial aid (public and private) and other subsidies?
- Do low-income students pay more, in percentage terms, than their more affluent peers?

Findings. If the answer to the second question is "yes," one might conclude that financial aid programs for low-income students are lacking. However, the CBO found that the answer is "no." As the CBO report notes, "Governmental and other non-family assistance makes up a particularly large share of financial support for students from low-income families." The study continues by explaining its four basic findings:

- "First, the share of education costs borne by [low-income] students is as low as or lower than the share borne by students from higher-income families."
- "Second, students from the lowest-income families on average work and borrow less while

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attending college than do students from the two middle-income family groups (compared with students from the highest-income group, they work and borrow slightly more)."

- "Third, the majority of students from low-income families are able to finance their college costs without exhausting the government-subsidized loans for which they are eligible."
- "Fourth, students from the lowest-income group appear able to finance their education with only moderate support from their parents—in general, little more than the value of room and board for the half of all such students who live at home."

Generally speaking, low-income families—defined as those earning less than $30,000 per year and those whose children are likely to qualify for federal Pell grants—pay the least for college because of the broad array of subsidies and financial aid available to them. Typical low-income first-year college students and their families pay less than 40 percent of the total cost of higher education—a lower proportion than the 50 percent to 60 percent paid by middle- and upper-income students.

From these findings, the CBO report concluded that financing education is "not a major obstacle to college attendance." Certainly, in limited circumstances, financial issues may create difficulties for some families, but the CBO report indicates that such situations are not the norm.

Conclusion. In light of this CBO report, Congress should resist the urge to simply expand the size of subsidies when reauthorizing the Higher Education Act. Instead, Congress should eliminate fraud from currently enacted student aid programs to help ensure that they are adequately funded.

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