These states give more grant aid to college students in need than the feds

By Danielle Douglas-Gabriel  March 3 at 6:00 AM

California, Wyoming and New Jersey provide more aid to low-income college students than the largest federal grant program does, new research shows, but most states give far less.

The study from the University of California at Berkeley documents major differences among states in how much they aid students in financial need.

More than 30 states spend less than 25 percent of what the federal government spends per student through the Pell grant program. But California and the other two all spend more than $4,000 a year per Pell recipient, exceeding the average federal grant in each of those states.

The Pell program, typically helping families that earn less than $60,000 a year, is crucial for students from modest backgrounds. But the money states provide those students can also be significant factor in their ability to pay for college.

“States that have very different types of university systems, politics and demographics all have an opportunity to improve affordability for low-income students by using state grant aid,” said Charlie Eaton, co-author of the study and a postdoctoral scholar at Stanford University.

There is wide variability in how states use funding to help the neediest students earn degrees. Even with generous aid programs, a lack of broader investment in higher education can undercut those efforts.

State aid programs, much like Pell grants, have not kept pace with the rising cost of college. Tuition at many public four-year universities has soared to offset the loss of state funding, a trend that has undermined the purchasing power of state grants for the neediest students. Meager grant aid in the face of steep tuition often forces students with limited means to borrow more than they want.
Jamila Sleman, 21, a senior at Metropolitan State University of Denver, knows that the $10,000 she has borrowed is a relatively modest total. But she had hoped to avoid taking on any debt by attending one of the least expensive four-year schools in Colorado. Sleman has her eyes on law school and knows her father, a Libyan immigrant who works at a grocery store, can only do so much. Keeping costs down is a must.

A combination of state and federal grants has covered her tuition most years, but not living expenses and books. Sleman has two unpaid internships and works at a restaurant, which helped her save to study abroad, but she still had to borrow to cover the difference in housing costs in Prague. Colorado’s annual state aid per Pell recipient averages $987, placing it in the upper half of all states, the study found. But federal data show the average annual cost of Metropolitan is $10,378.

“There are a lot of people, especially from low-income families, would love to come to school, but they’re turned off by the cost of it,” Sleman said. “If you want to invest in our generation, education should be the number one priority. If you’re putting a whole generation in debt, you’re suppressing their potential.”

The paper released this week by Berkeley’s Center for Studies in Higher Education found that the net price—what families pay after grants, scholarships and tax credits are taken into account—for low-income students falls by about $1,000 when state aid covers a fifth of published tuition costs.

States spent about $7.8 billion in 2015 on need-based college grants, up 37 percent from the previous decade, according to the National Association of State Student Grant & Aid Programs. But eight states, including California, Texas and New Jersey, account for nearly three quarters of that spending.

Texas, North Carolina, Massachusetts, Wyoming and Vermont all provide need-based aid to more public university undergraduates than the Pell program, the study said.

In some states with low grant aid, flagship research universities are picking up the slack. Take Michigan, where the average state aid per Pell recipient is $363. The University of Michigan keeps the actual cost of attendance around $6,000 per student, through its own institutional grants and scholarships.

The Hail Scholarship program at the University of Michigan for low-income, high-achieving state residents has allowed Devin Raymond, 19, to attend his top choice with full tuition coverage. All of his other expenses are paid by federal grants and the money he earns through work study.

The communications major applied to eight schools, but said the university stood out because “it had the best academic options and offered the most financial aid.” Raymond’s second choice, Central Michigan University, another public research institution that costs less than the flagship, also offered him scholarships. But his family would have been on the hook for about $5,000 a year.

Eaton said prestigious public research universities such as Michigan have healthy endowments and can attract out-of-state students who pay higher tuition, subsidizing students from the state. Even though Michigan has increased the number of
Pell-eligible students it admits, the school still serves a smaller population of low-income students than other public colleges in the state.

When states give more grant aid, that frees up additional funds at prestigious flagships to help the neediest students. It also allows regional public universities to become more affordable for low-income students. Many policymakers want to keep borrowing to a minimum for students from modest backgrounds because they tend to be at greater risk of falling behind on payments, especially if they fail to graduate and land a job that pays well.

That point is driven home by a body of research showing that people with limited means have the highest risk of delinquency and default. A study by the Center for American Progress and the Washington Center for Equitable Growth found an inverse relationship between income and delinquency rates across the country. As the median income in a zip code falls, the number of people behind on their loan payments grows, even if they have small balances.

“"There is a lot of risk for low-income students to end up defaulting on their student loans, even if they don’t take on a lot of debt," Eaton said. “Whether you’re a college or a state, it’s really important to use financial aid in ways that minimize the amount of debt that low-income students take out.”

Danielle Douglas-Gabriel covers the economics of education, writing about the financial lives of students from when they take out student debt through their experiences in the job market. Before that, she wrote about the banking industry. Follow @DaniDougPost