

Issue Brief

The Role of Pell Grants in Access, Persistence & Completion

National Association of Student Financial Aid Administrators



**The National Association
of Student Financial Aid
Administrators (NASFAA)
supports the training, diversity, and
professional development
of financial aid administrators;
advocates for public policies
and programs that increase student
access to and success
in postsecondary education;
and serves as a forum for
communication and
collaboration on student
financial aid issues.**

Executive Summary

The federal student aid programs were created to increase access to postsecondary education. Research demonstrating the benefits of higher education to individuals and society as a whole validates a long-standing tradition within this country of making education available to all sectors of the public.

However, the emphasis on access has gradually given way to increased concerns with outcomes and expectations of successful completion. A changing viewpoint on who derives the greater benefit, the individual or the society, has shifted payment for the cost of education from a public investment to a greater individual responsibility. The growing deficit and increasing cost of the federal student aid programs has policymakers scrutinizing every taxpayer dollar spent on student aid to assess if these funds are being used efficiently and effectively. This fiscal austerity has raised questions whether grant funding for the sake of access alone is sustainable.

These trends lead us to ask if we have entered an era in which degree completion, rather than access, is becoming a primary measure of success in student aid policy. Will completion become a key metric to ensure continued public support of higher education?

A paradigm shift from access to successful completion gives rise to the following questions:

- Should the benefits of higher education be measured in terms of individual success or as a return on societal investment?
- Has the Federal Pell Grant Program achieved the goal of increasing access?
- Does the current state of financial aid, especially with regard to decreasing buying power of grants in relation to increasing loans, truly provide access?
- If completion is an explicit goal, can Pell Grants alone accomplish this goal?
- What other barriers besides finance prevent successful completion and how can we effectively remove these barriers?
- How can student aid policy balance access and completion goals to maximize effectiveness?

This issue brief reviews the historical role of access in the student aid programs and how perceptions of the value and importance of access are shifting. We also review the higher education research to show how a comprehensive approach to student aid could increase access and completion among low-income, first-generation, and other student populations that are underrepresented in higher education. This issue brief also sets the stage for a forum to be held in January 2012 in Washington, DC. A panel of higher education researchers and leaders will explore how the Federal Pell Grant Program impacts access and will discuss innovative, successful college access and support initiatives.

“Knowledge being necessary to good government and the happiness of mankind, schools and the means of education shall forever be encouraged.”

Northwest Ordinance of 1787 (Continental Congress)

“The old, comfortable idea that ‘any boy can get a college education who has it in him’ simply is not true. Low family income, together with the rising costs of education, constitutes an almost impassable barrier to college education for many young people. For some, in fact, the barrier is raised so early in life that it prevents them from attending high school even when free public high schools exist near their homes.”

Truman Commission Report, Higher Education for American Democracy, 1947

Access to public education has been a concern since the founding of this nation, and remains so to this day. The benefits of higher education—both personal and societal— have been consistently extolled, and access to those benefits has been set forth as the chief purpose of federal aid for higher education.

However, in these times of fiscal austerity, some policymakers question whether grant funding for the sake of access alone is sustainable, and place growing emphasis on outcomes. Shifting perceptions on who should bear the cost of higher education also play a role in debating policy priorities of federal student aid. Donald Heller¹ observes, “Since the late 1970s we have seen the focus shift to how higher education benefits individuals, with less recognition and analysis of how it furthers broader public interests. This has been accompanied by a change in attitudes toward paying for college, with the responsibility shifting from society (in the form of state appropriations for public institutions and scholarships for students) to individuals and their families (in the form of higher tuition and loans).”

These considerations prompt us to ask:

- Are the benefits of higher education intrinsic, or definable?
- Should the benefits of higher education be measured in terms of individual success or as a return on societal investment? And the corollary question: Is student aid meant to give a student a chance (at attaining a personal goal) or take a chance on a student (that he or she will contribute more to society as a result)?
- Whether the primary purpose of federal student aid is individual benefit or societal benefit, access must be regarded as paramount. Does the current state of financial aid, especially with regard to decreasing buying power of grants in relation to increasing loans, truly provide access?
- Do barriers to attaining a higher education still exist that are either not resolved by making student aid available, or too overwhelming for the current public financial commitment? What is needed to remove those barriers?

Higher education researchers, policymakers, and advocates are continually revisiting and discussing these questions in efforts to ensure that limited aid dollars are being spent in the most equitable and efficient way possible. Given the original intent of federal student aid, these discussions have historically had a strong eye toward access.

This issue brief is intended to continue and stimulate discussion about the role of access in the student aid programs, and whether perceptions of its value and importance have changed. To this end, we will review access as an underlying principle throughout the history of federal support of higher education. We will also look at emerging concerns with the outcomes of access, namely persistence and completion.

Access as a Dominant Principle of Early Federal Aid for Higher Education

Early federal forays into providing access to higher education were largely targeted responses to perceived needs and social initiatives, and came with concomitant expectations and conditions. The first concerted federal effort to foster higher education, the provision of land grants to fund state colleges through the Morrill Act of 1862, was in support of agriculture and the mechanic arts. The Morrill Act contained conditions and usage prohibitions, defined expected results, and required periodic reports from the states.

The Act allowed each state to achieve the goals “in such manner as the legislatures of the states may respectively prescribe, in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life.”² Federal support of higher education thus deferred to state control.

The onset of the Cold War with the Soviet Union prompted the U.S. to recognize access to higher education as an urgent matter of national need.

According to the National Archives, the Morrill Act “opened opportunities to thousands of farmers and working people previously excluded from higher education... land-grant support became a substantial factor in providing education to most American children who could never hope to attend private or charity-supported schools.”³ The federal government thus opened higher education’s doors to all levels of American society.

The principle of access through the federal government’s support of education, though initially tied to a particular perceived need, took root and provided a legacy of affordable opportunity as the land-grant colleges broadened into many of today’s state colleges and universities.

Decades later, early federal programs to provide aid directly to students (as opposed to states or institutions) facilitated employment during the Great Depression and then eased the transition and readjustment of veterans returning in great numbers from World War II, whose need for employment was met in part through education.

The first federal student loan program was conceived in 1958 as a national defense strategy to bolster education in math, science, engineering, and modern foreign languages, at public or private institutions, following the Soviet Union’s launch of Sputnik. In formulating the National Defense Education Act (NDEA) of 1958, Congress declared “that the security of the Nation requires the fullest development of the mental resources and technical skills of its young men and women. The present emergency demands that additional and more adequate educational opportunities be made available.”⁴ The onset of the Cold War with the Soviet Union thus prompted the U.S. to recognize access to higher education as an urgent matter of national need.

Loans under the NDEA were made to students whose academic background indicated a “superior capacity or preparation”⁵ in the targeted fields of need. Students had to be full-time and capable of maintaining good standing, and in need of the loan in order to attend. Beyond those requirements, however, “The Congress reaffirms the principle and declares that the states and local communities have and must retain control over and primary responsibility for public education.”⁶ Thus, the NDEA continued the firm hands-off policy with regard to states’ rights to direct academic activity.

Evolution of Federal Grants to Students

Educational Opportunity Grant Program

Federal grant programs available to individual students for the general pursuit of higher education can trace their conceptual origins to the Higher Education Act (HEA) of 1965 and the Educational Opportunity Grant Program. According to the Bureau of Labor Statistics inflation calculator, the maximum grant of \$800 had buying power in 1965 equivalent to \$5,762 in 2011. Students could garner an extra \$200 if their preceding academic year grades placed them in the upper half of their class, boosting the total grant to the buying power of \$7,203 in 2011 dollars. Funds were distributed to schools, and schools could award funds only to full-time students who maintained satisfactory academic progress, to a limit of four academic years.

The original HEA proclaimed that the purpose of this grant was “to assist in making available the benefits of higher education to qualified high school graduates of exceptional financial need, who for lack of financial means of their own or of their families would be unable to obtain such benefits without such aid.”⁷ Access had become a goal in its own right.

The HEA consolidated and reformulated several federal efforts to ensure higher education opportunities to financially needy students, balancing grants and subsidized loans. President Lyndon Johnson stated during this time, “Once we considered education a public expense; we know now it is a public investment.”

Basic Educational Opportunity Grant Program

Amendments made to the HEA in 1972 refined and reshaped the federal grant programs. Under this law, federal student grant aid divided into two branches: one became the campus-based Supplemental Educational Opportunity Grant Program for the neediest students, while a new second branch sprouted the Basic Educational Opportunity Grant Program (BEOG). Basic Grants—later renamed Pell Grants—were intended to be the “floor” or foundation of an eligible student’s financial aid, to help defray the costs of postsecondary education. BEOG, while need-based, was not campus-based: a student who qualified could take the grant to any institution allowed to participate in the federal student aid programs. Choice thus joined access as an underlying principle of federal student aid.

In both grant programs, satisfactory progress toward completion of an educational credential has been a condition of student eligibility.

The 1972 legislation also expanded institutional eligibility to include proprietary schools and extended aid to part-time students, although insufficient appropriations prevented grants to less than full-time students in the first year of BEOG operation. Subsequently, students attending at least half-time were able to receive grants. Eligibility was further expanded in 1986 to extend these grants (by now renamed for student aid advocate Sen. Claiborne Pell) to students attending less than half-time beginning in 1989-90. However, limited appropriations prevented such awards until 1993-94. Through this somewhat fitful progress, access continued to expand.

The Higher Education Act consolidated and reformulated several federal efforts to ensure higher education opportunities to financially needy students.

Middle Income Student Assistance Act

The Middle Income Student Assistance Act (MISAA) of 1978 had a significant impact on the distribution of grant funds through the BEOG program. A dramatic expansion in the number of recipients and average award was primarily due to this Act, compounded by an increase in the maximum grant and rising educational costs. Although the number of applicants rose less than 10 percent from 1978 to 1979, the number of recipients increased by over a third. The average award increased by nearly 20 percent.⁸

MISSA also greatly expanded eligibility for interest subsidies on loans. Subsequently, following an ebb and flow pattern that has manifested many times in the financial fortunes of the student aid programs, eligibility requirements were again tightened for interest subsidies and other benefits. Beginning in 1987, loans were limited to students who matriculated for the purpose of earning an educational credential in an eligible program of study. Beginning in 1991, federal loans were extended only to students who met certain academic qualifications, requiring a demonstration of ability to benefit from the education offered in the absence of a high school diploma or its equivalent. With these changes, federal student loans were brought in line with the other federal student aid programs, and expectations for outcomes reinforced.

Variations on the Theme of Need

The 1990s saw the concept of “access” morph into “affordability” for middle-income families as federal aid took on more indirect forms, such as tax credits. According to David Breneman,⁹ “affordability” in the 1990s had taken leave of its normal meaning to become a code word for policies that helped the middle and upper-middle classes finance what had become an increasingly expensive outlay for students and families. That decade was noteworthy for the ingenuity expended in finding new ways to help those who, to varying degrees, did not need the help.” While access continued to be the goal of the student aid programs, federal assistance to achieve a higher education broadened its scope and financial outlay.

Congress also experimented more directly with the concept of merit in combination with need. The short-lived Academic Competitiveness Grant (ACG) and National Science and Mathematics Access to Retain Talent (SMART) Grant programs incorporated specific academic achievements into the conditions of program eligibility for students who also demonstrated need for a Pell Grant. Although the federal government did not directly attempt to dictate academic curriculum, it did attempt to differentiate and reward rigorous academic preparation. Critics voiced a flurry of objections over what they perceived as federal interference in state control over education or a dilution of the federal commitment to provide need-based public support for access.

Current law continues to echo the sentiment expressed by the original HEA. The purpose of the grant programs is still “to assist in making available the benefits of postsecondary education to eligible students.”

Today’s Pell Grant

Despite all of the shifting currents in recent decades, current law continues to echo the sentiment expressed by the original HEA. The purpose of the grant programs under the HEA as presently amended is still “to assist in making available the benefits of postsecondary education to eligible students....”¹⁰ The Pell Grant continues to be portable, although the reduced percentage of educational costs covered by grant aid versus loans has shifted the greater price of choice to students. As foundations go, loans provide the broader plinth in many cases.

The current state of access is far from resolved. The Spellings Commission on the Future of Higher Education¹¹ reported in 2006 that access “is unduly limited by the complex interplay of inadequate preparation, lack of information about college opportunities, and persistent financial barriers.” Not only do financial barriers persist, “Unmet financial need is a growing problem for students from low-income families, who need aid the most.”

Persistence and Completion

If access has been a recurrent theme, it clearly has had traveling companions. The idea that aid should yield results, the caveat that recipients should be capable of maintaining satisfactory academic progress in their pursuit of an educational credential, and the expectation that they should earn that credential in a timely manner are not new concepts. Even if not explicitly stated, expectations for persistence and completion are viewed by many as implied assumptions. However, historically they have not been the driving forces behind higher education policy.

The importance of persistence and completion is imbedded more in conditions and duration of student eligibility for federal student aid than in direct requirements. For example, statutory limits on the duration of Pell Grant eligibility, originally four to five years, were lifted in 1980, reintroduced from 1986 to 1992 at five to six years, lifted once again, and imposed once again in 2008 at nine years. Recent cost-savings discussions have suggested reducing the duration of Pell Grant eligibility further. Expectations of achievement (outcomes) seem to be more lenient when the economic climate permits, but are tightened in times of economic stress, as we are currently experiencing.

Although the time allotted for completion has been changeable, certainly the requirement to maintain satisfactory academic progress has been explicit from the earliest student aid programs.

Given that access in and of itself does not guarantee attainment of a higher educational credential, what are the barriers to persistence and completion, and how can they be resolved?

Expectations to maintain satisfactory academic progress have in fact been strengthened in stages; for example, the Education Amendments of 1986 required aid recipients to have a C average or its equivalent by the end of their second academic year. In 1994, the U.S. Department of Education (ED) imposed a quantitative limit of 150% of normal time for a student to complete his or her program of study with the use of federal aid, absent mitigating circumstances. Just this year, ED further firmed up its satisfactory academic progress regulations. The restrictions on—and expectations for—overall progress toward an educational goal have been imbedded in the student financial aid programs all along, even though renewed emphasis has periodically occurred.

Given that access in and of itself does not guarantee attainment of a higher educational credential, what are the barriers to persistence and completion, and how can they be resolved? Researchers have begun looking at these questions; what can they tell us so far?

Is Access an Investment in Persistence and Completion?

The Spellings Commission¹² asserted that “Despite years of funding student aid programs, family income and the quality of high school education remain major factors in college-level access and success... Only 36 percent of college-qualified low-income students complete bachelor’s degrees within eight and a half years, compared with 81 percent of high-income students.”

Eric Bettinger¹³ observes that “most of the research has focused on whether financial aid has increased college access and students’ choice across colleges. Only recently have researchers begun studying the relationship between financial aid policies and college completion.” Since the international Organisation for Economic Co-operation and Development (OECD) reported in 2011 that the U.S. is slipping in its rankings as the most educated country, there have been growing concerns by policymakers, grantors, and educators about completion. President Obama has also noted the role higher education plays in ensuring that our country can compete in a global economy. The president believes that all Americans should be prepared to enroll in at least one year of higher education or job training and has announced an initiative to have the U.S. hold the highest proportion of students graduating from college in the world by 2020. Similarly, Lumina’s Goal 2025—an initiative to expand access and success in education beyond high school, particularly among adults, first-generation college going students, low-income students and students of color—is directed toward an overarching goal to increase the percentage of Americans with high-quality degrees and credentials to 60 percent by the year 2025. Attention has gradually been turning from college access issues to persistence and completion issues.

The president believes that all Americans should be prepared to enroll in at least one year of higher education or job training.

Breneman¹⁴ also recognizes this shift: “Educators and policymakers have now realized that access alone is not sufficient, and that there must be more emphasis on the successful completion of degrees and academic programs. This new focus has its origins in the accountability movement, in which outcome measures, rather than input measures, are increasingly stressed.” Accountability has altered the relative importance of access versus persistence and completion.

However, there is a careful line to walk in shifting policy priorities, particularly in regards to measurement. Heller¹⁵ warns that “funding formulas that reward institutions for achieving broader racial and ethnic diversity among their students will encourage colleges to find mechanisms to improve access for minority students... On the other hand, performance-based funding mechanisms that reward institutions for increasing their graduation rates may work against the goal of access for minority and lower-income students, who often are at more risk of dropping out and staying out of college.” Care must be taken to avoid unintended consequences that could pit access against persistence.

Bettinger¹⁶ poses questions to further the research agenda relating financial aid to persistence: “If we want to understand whether grant aid can increase college retention and completion, we need to know to what extent the gaps in higher education completion are attributable to financial factors. If, for example, financial barriers are not the reason that students drop out, then we do not need more generous financial aid programs. The question is how much can and do we need financial aid to solve the completion problem.” Financial aid provides access; does it meaningfully affect persistence and completion?

According to Pascarella and Terenzini (2005)¹⁷, the best predictor for college persistence and completion is grades; that is, the better a student performs academically, the more likely that student will stay in college and graduate. Research on the impact of student aid on persistence and completion shows a smaller effect in comparison to the stronger effects of positive academic performance. Albeit small, student aid does have a positive impact (Berkner, Cuccaro-Alamin, McCormick, Bobbitt, 1996¹⁸; Perna, 1998¹⁹). In particular, low-income students who receive adequate financial aid show an increase in their chances of persisting and completing college (Dynarski, 1999²⁰; St. John, 1990²¹; Wei & Horn 2002²²; Goldrick-Rab, Harris, Benson, Kelchen, 2011²³). Other studies have shown that when financial aid does not **adequately** meet need, there are no effects on persistence and completion (Coffer, J., & Somers, P. 1998²⁴; Kaltenbaugh, St. John, & Starkey, 1999²⁵).

However, the Rethinking Student Aid Group saw “powerful statistical evidence that large and simple programs to subsidize college costs have a measurable impact on both initial attendance and college completion.” This group found that improving the system of postsecondary finance alone would not meet all challenges. “Nonetheless,” they stated, “in a society with an educational system beset as ours is by severe and persistent economic inequalities, the system of student financial aid is a significant point of leverage, and one that, we believe, can influence preparation in the precollege years as well as success in college.” (Baum, McPherson, Steele, 2008)

The increasing research on persistence and completion reflects a shifting of expectations from higher education, but has the basic imperative of providing access been adequately fulfilled?

Low- and moderate- income students have significantly lower rates of enrollment and completion than their equally academically prepared middle- and high-income peers.

The Advisory Committee on Student Financial Assistance²⁷ (ACSFA) examined the adequacy of grant aid by examining the enrollment and persistence rates of low- and moderate-income high school graduates who seek to earn a bachelor’s degree and are qualified to gain admission to a 4-year college, relative to the rates of their middle- and high-income peers. Using federal data, ACSFA found that low- and moderate- income students have significantly lower rates of enrollment and completion than their equally academically prepared middle- and high-income peers, and that initial enrollment rates of academically qualified low- and moderate-income high school graduates in 4-year colleges shifted downward from 54 percent and 59 percent, respectively, in 1992 to 40 percent and 53 percent in 2004.

ACSFA established that “Over time, prices net of total grant aid at 4-year public colleges have risen as a percentage of family income for these students, leading to a cascade of negative effects:

- Large-scale mismatches exist and are growing between the aspirations and qualifications of these high school graduates and where they are able financially to enroll in college.
- Triggered by increasing family financial concerns about college expenses and financial aid, these mismatches are shifting initial enrollment of qualified students away from 4-year colleges.
- Shifts in initial enrollment are consequential because where qualified high school graduates are able to start college (access) largely determines their likelihood of success (persistence).
- Exacerbating the negative impact of enrollment shifts, persistence rates today appear to be lower, especially for qualified high school graduates who are unable financially to start at a 4-year college.”

These trends, ACSFA reported, greatly undermined bachelor’s degree completion of high school graduates. ACSFA found “persuasive evidence that grant aid from all sources is not adequate to ensure access and persistence of qualified low- and moderate-income high school graduates...” They argue, “...the findings in this report show that maintaining financial access to 4-year public colleges for qualified high school graduates is of paramount policy importance. Narrow strategies that focus on improving academic preparation alone, or on improving college persistence alone, will not reverse the trends outlined above...Shielding academically qualified low- and moderate-income students from rising public college prices is a national imperative.”

How can academic and other interventions successfully partner with financial aid to complete the whole picture?

Archibald and Feldman²⁸ observe that the process that leads a high school student to college involves several hurdles before the financial aid stage. Succeeding in a college preparatory curriculum, gathering information about schools and perhaps visiting them, taking admissions tests (SAT, ACT), completing college applications that include writing essays, all preface the aid system. It has been shown that “...low-income students can trip over each one of these preliminary steps. The financial aid system only comes into play after an application is successfully completed. Many low-income students, even among those who had expected to go to a four-year college, have fallen by the wayside well before they have had any dealings with the financial aid system.”

Where Do We Stand?

Even if the nation's commitment to access remains strong, measuring the success of access is gaining increasing significance. Have we entered an era where persistence and completion are becoming the drivers of higher education policy, rather than access? Have persistence and completion become the keys that ensure the continuation of public support of higher education?

Consideration of the historic role of federal student aid, especially grants, in providing access, and the shifting of concern to persistence and completion, leads us to ask:

- Has the Federal Pell Grant Program achieved its goal of assisting access to a postsecondary education?
- If the time has come to add persistence and completion as explicit goals, can the Pell Grant alone achieve them?
- How can we ensure that we preserve access at the same time that we explore stronger expectations of outcomes?
- If adequate financial aid only marginally improves persistence, what other barriers stand in the way of postsecondary success and how are they most effectively overcome?

To explore these questions and related issues, we turn our attention to contributions made by non-financial resources.

Alternative Approaches to Access and Persistence

Heller²⁹ points out that in addition to financial resources, definitions of accessibility have historically included geographic (distance to travel), programmatic (availability of academic programs the student wants), academic (proper preparation prior to collegiate years), cultural and social (support from parents, peers, schools, etc.), and physical (e.g., mobility-limiting disability). Bettinger³⁰ adds information as a factor that may contribute to the gap in terms of college attendance between high-income and low-income families.

Having expressed concern about the ability to research the impact of grant aid on persistence, Bettinger³¹ looks at "innovative programs which might represent more cost effective ways to increase retention" and gives examples of innovative policies. "In recent years, a number of modifications to financial aid policies have been discussed or tested in the field. We divide these policies into three categories: financial awards conditioned on student success, innovations that change financial aid framing and processes, and financial awards which improve targeting efforts," he writes.

Have we entered an era where persistence and completion are becoming the drivers of higher education policy, rather than access?

Bettinger's category for financial aid framing and processes includes simplifying applications. His results in a 2009 study³² "suggest that simplifying the process and providing direct help with the application along with better information could be effective ways to improve college access. However, only providing aid eligibility information without also giving assistance with the form had no significant effect on FAFSA submission rates or college outcomes."

Pascarella and Terenzini (2005)³³ found that the following programmatic interventions can significantly impact academic persistence and completion:

- Academic support or enrichment programs, which research "consistently suggests... are at least modestly effective in helping student overcome deficiencies in their precollege academic preparation and associated disadvantages"
- Advising and counseling programs; research "consistently indicates that academic advising can play a role in students' decisions to persist and in their chances of graduating"
- Comprehensive support and retention programs – the federal Student Support Services (SSS) programs of the TRIO programs; "research consistently indicates that such comprehensive programs have a statistically significant and positive effect on student persistence"

The need for programs that provide academic intervention is significant. The Spellings Commission³⁴ found that the consequences of “substandard preparation” for college by high schools was reflected in the need for remediation at the college level: “Some 40 percent of all college students end up taking at least one remedial course—at an estimated cost to the taxpayers of \$1 billion.”

The movement to emphasize persistence and completion measures leads us to wonder what higher education access will look like in the future. Perhaps we need to ask:

- How can we coordinate a holistic view of barriers to postsecondary education?
- Can overcoming financial barriers to access be viewed independently of breaking down barriers to completion of postsecondary education?
- How can academic and other interventions successfully partner with financial aid to complete the whole picture?

Further Resources

Paving the Way: How Financial Aid Awareness Affects College Access and Success, Literature Review, The Institute for College Access & Success, October 2008

Issue Papers listed in Appendix C of A Test of Leadership, Charting the Future of U.S. Higher Education, A Report of the Commission Appointed by Secretary of Education Margaret Spellings, September 2006

The Effectiveness of Student Aid Policies: What the Research Tells Us, College Board, Sandy Baum, Michael McPherson, and Patricia Steele, Editors, 2008

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