

# New formula to further cut financial aid for US college students

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28 June 2003

A change in how the US federal government determines financial need will have serious consequences for the amount of aid made available to college students. The little-noted alteration occurs as public and private institutions are sharply increasing tuition across the country, further restricting access to higher education for all but the more wealthy sections of the population.

The change was carried out without public discussion by the Department of Education and will go into effect for the fall of 2004. It involves the process of financial need analysis, which employs a formula by which colleges and the government determine how much of a student's tuition can be paid by the family of the student. Colleges and the government use the formula to determine how much should be offered to each student in the form of loans, grants and other forms of assistance. At issue is the amount in paid state and local taxes families can deduct when reporting available income.

As tax burdens have increased over the past year, the amount that families can deduct—a percentage that has been newly revised on the basis of three-year-old rather than current tax data—has actually fallen. The consequence is that need analysis underestimates the amount paid in taxes and thus overestimates the amount of available income each family has for tuition purposes. The overall effect is a decrease in allocated aid.

The change will have a varying impact on each family depending on income level and locality. According to figures published by the *New York Times* on June 13, families earning \$50,000 in New York, Pennsylvania, Massachusetts, Oregon and Washington, D.C., can expect to contribute \$700 more per year for tuition than in previous years. For families earning

\$25,000 this figure is \$165, while for families earning \$80,000 it is \$1,100.

Brian Zucker, president of Human Capital Research, told the *Times*, “In the scheme of things it may not always seem like a lot of money, but in aggregate there's no question that were talking about a swing of billions of dollars.” The changes, which the government says are not deliberate, will decrease aid given in the form of federal Pell grants by a few hundred million dollars. Pell grants are awarded to low-income students, with the amount determined by the financial need formula.

The changes will exacerbate the enormous difficulty poor and middle-income families have in sending their children to college in the United States, where tuition is astronomical and aid, even under the old formula, is difficult to come by.

Moreover, many US college students are finding that their tuition costs have sharply increased over the past two years, with even larger increases expected in the future. With nearly every state in the country facing budget deficits, public education is one of the first items on the chopping block. The budget crisis of the states is affecting most directly public institutions, which are funded through the state budgets.

According to a February report from the National Center for Public Policy and Higher Education, state funding for education dropped in 14 states, and rose only 1.2 percent nationwide between 2001-2002 and 2002-2003. Charges for tuition and mandatory fees at four-year public institutions rose in every state. In 16 states, tuition increased in real dollar terms by more than 10 percent, with Massachusetts (24 percent), Iowa, Missouri, Texas (20 percent each), North Carolina (19 percent) and Ohio (17 percent) leading the way.

Tuition at two-year community colleges is also on the

rise, with increases of more than 10 percent in 10 states. Massachusetts again was on top along with South Carolina. In both states, charges were increased by 26 percent. Seventeen states also cut the amount they spent on student financial aid. Massachusetts decreased aid by 24 percent.

Most states are either cutting costs or increasing tuition for the 2003-2004 year as well. Students at the University of Arizona, for example, are facing a 40 percent increase in tuition, while in California tuition is expected to rise 27 percent. At Michigan, costs are expected to go up 10 to 20 percent. The Minnesota state university system is planning increases of 14 percent for four-year colleges and 12 percent for two-year colleges, with more increases expected in the future to cover a \$4.2 billion state deficit. This is in addition to a 10 percent increase over the past two years. These figures are repeated throughout the country.

The budget crisis in the states is having other consequences as well. The University of California is considering breaking with a policy of admitting the top 4 percent of students from each high school. California is planning sharp cuts in its education budget to cover its expected \$38 billion fiscal shortfall.

These figures are part of a long-run trend that can most appropriately be termed the gentrification of education in the United States. The cost of attending institutions of higher education has skyrocketed, while median income for poor and middle-class families has stagnated. Fewer and fewer families can afford the costs associated with sending their children to college. Even for public universities, tuition averages \$3,500 a year, while for private schools the figure is \$15,000. For elite universities, the total cost—including tuition, room and board, books and other fees—can reach astronomical heights such as \$40,000 a year or more.

While financial aid has also increased recently, a much greater proportion now comes in the form of loans rather than grants. While in 1981-1982 loans accounted for 44 percent of aid, this figure jumped to 53 percent in 2001-2002. Consequently, working-class and middle-class students who do go to school are saddled with debts. The average full-time student graduating from a four-year program in 1999-2000 had a debt load of \$16,000 from federal loans. This is in addition to debt coming from private loans and credit-card debt.

Many students are forced to work in addition to attending classes. Some 74 percent of all full-time undergraduates had jobs in 1999-2000, with the average workweek at 25.5 hours during the period of employment. In 1992-1993, this figure was at 65 percent with an average of 23.5 hours. In 1999-2000, 19.7 percent of full-time students also worked full-time (i.e., more than 35 hours per week). These figures have undoubtedly risen over the past several years.

Students who work long hours have a harder time keeping grades up, forcing many to drop out. The weak job market, however, means that even graduating seniors cannot secure quality employment. With an economic situation showing no signs of recovery and massive budget deficits projected at the state and federal levels, the crisis of higher education in the United States will only get worse in the coming years.

Many university administrations and liberal politicians hailed the recent decision by the Supreme Court upholding affirmative action admissions policies as a great triumph of democracy and equality. However, the figures on rising tuition and falling aid tell a different story. Quality education at all levels is increasingly the privilege of a tiny elite, denied to ordinary people of all races.



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