

# **Funding Changes and Their Effect on Ethnic Minority Student Access**

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## **Abstract**

Many factors affect higher education access including high school preparation, socioeconomic status, institutional affordability, and financial assistance. For ethnic minority students, financial assistance is a major determinant in the decision to pursue postsecondary education. This article describes the effect funding changes have had on ethnic minority student access.

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Many factors--family history, high school preparation, socioeconomic status, affordability, and financial assistance--contribute to students' decisions to pursue education beyond high school. Financial aid is a major determinant in this decision for ethnic minority students whom this study defined as African American, American Indian, Asian, and Hispanic populations. Typically, these students must apply for assistance in many forms. Government and institutional policy changes related to financial aid affect these students much more than they do students from other backgrounds.

## **Purpose of the Article**

The purpose of this article is to share information on the changing dynamic of ethnic minority student access as related to/caused by the evolution of funding policies/approaches by the federal and state governments and universities. This article addresses four topics: shifts in

federal funding from majority grants to majority loans; the impact of federal changes on state funding for financial aid; the shift in institutional policies governing the award of grant aid; and the influence of government policy changes on institutional admissions and programs.

### **Ethnic Minority Disparities**

Barriers to higher education for ethnic minority students are varied and complex and well beyond the scope of this study. It is important to understand the obstacles ethnic minority students confront as compared to the population at large. Some defining issues include demographics, high school statistics, and family income.

The racial and ethnic makeup of the nation is rapidly changing with significant ethnic minority population growth in the last twenty years. California, Texas, and Florida have seen the largest increases in total and minority populations during this time. Texas ranked second numerically in population growth from 1990-2000 and first for 2000-2006 (Murdock, 2006). A more diverse population has evolved. For example, in 2005, Texas ranked fourth among states in the number of African American and second in the number of Hispanic residents. Since 1980, the Hispanic population has shown the greatest growth with a remarkable 67.7% increase from 2000 to 2005. According to Murdock (2006), Texas' population will become predominately Hispanic by 2040.

Educational disparities for the ethnic minority population must necessarily inform any discussion of higher education access. The national data tell the story. In 2000, among persons 25 years of age and older, 13% of Whites, 51% of Hispanics, and 24% of African Americans lacked a high school diploma. For the same age and timeframe, 30% of Whites, 8.9% of Hispanics, and 15.5% of African Americans held a bachelor's degree or more (Murdock, 2006). According to the Institute of Education Science in 2010 the percentage of adults age 25 to 34 with a bachelor's degree or higher was 37% for Whites, 13% for Hispanics, and 19% for African Americans (as cited in Ross et al., 2012, p. 214).

In *Measuring Up 2008*, the National Center for Public Policy and Higher Education reported educational and income disparities continue for ethnic minorities. Nationally, ethnic minority student enrollment continues to increase overall, but lags behind that of Whites. When examining enrollment based on family income, children from low-income families enroll at a rate of 52% and must designate 40% of household income (\$20,000 or less) to access 4-year public higher education. This enrollment rate is well below that of children from middle-income families (\$50,001 to \$100,000), who enroll at a rate of 78%, and of children from upper-income families (above \$100,000), who enroll at a rate of 91% (2008, pp. 7, 15).

Similar disparities emerge when one considers college completion rates. According to Postsecondary Education Opportunity (2012), completions vary widely and by family income for 18 to 24 year old dependent students. Among them 22.9% of students from the lowest income quartile, 25.9% from the second quartile, 50.6% from the third quartile, and 96.8% from the top quartile completed bachelor's degrees in 2010 (p. 9).

Educational level is a strong predictor of household income and socioeconomic status. In 2000, the average household income for those without a high school diploma was \$28,974, compared to \$45,368 and \$84,029 respectively, for those with a diploma or a college degree (Murdock, et al., 2002, p. 248). In 2009, the median household income for those without a high

school diploma was \$25,604, as compared to \$39,647 for those with a diploma, and \$82,722 for those with a bachelor's degree or higher (U.S. Census Bureau, 2012, Table 692, p. 453).

### **Changes in Funding**

The federal Pell Grant program, based on financial need, provides higher education access for many students, particularly minority students. The National Center for Education Statistics (2011, [NCES]) reported that in 2008-09 more than 6 million students received approximately \$18 billion in Pell Grants (p. 1). According to NCES, of undergraduates in 4-year public institutions, only 18.1% of Whites received Pell Grants compared to 48.8% of Blacks, 39.2% of Hispanics, 27.7% of Asian, and 35.4% of American Indians (Table 1.2, p. 9). Therefore, no discussion concerning access to postsecondary education can take place without discussing how shifts in funding at the federal, state, and institutional levels may affect minority access.

#### **Federal Shifts**

Aid initially awarded based on financial need improved access for ethnic minority students. In 2002, The National Center for Public Policy and Higher Education reported that the average Pell Grant, received by students attending public 4-year institutions, covered 98% of tuition in 1986 compared to 57% in 1998 (Baum, et al., 2002, p. 6). The National Education Association (NEA, 2012), reported that in 1979 the maximum federal Pell Grant program covered three-fourths of student costs for attendance at public 4-year institutions compared to one-third in 2012. In 2010-2011, 34% of full-time undergraduates received funding through the Pell Grant program (Baum, Ma, & Payea, 2012, p. 8).

The shift in how the federal government allocated financial assistance to students in the 1990s changed the access picture for minority students. Although the federal investment in student aid increased steadily, allocation of funding changed, from a majority of funding invested in grants to a majority funding invested in loans. Federal aid in the form of student loans shifted the burden of paying for higher education to families. According to The College Board (Baum, Payea, Steele, Ma, & Little, 2009), 45% of undergraduates and 67% of graduate students received federal student loans in 2008-2009. The amount of non-federal aid in student loans increased 133% since 1998, particularly for students enrolled in for-profit institutions (p. 7).

#### **State Shifts**

At the state level similar shifts in funding have occurred. According to Harold Hovey (1999), "State elected officials have often viewed support of higher education as more discretionary than funding for many other programs" (p. 1). State finances are directly affected by the condition of the national economy—a good economy leads to growth in income, which leads to growth in revenues from sales taxes, and growth in spending in other programs. When the economy is bad jobs are lost, revenues decrease, and programs are cut. Government funding for higher education typically mirrors the state of the economy in times of recession and recovery (Baum et al., 2002, p. 8).

Nationally, the changes in state aid are particularly revealing. The College Board (Baum, et al., 2009) reported state grant funding increased 92% from 1992 to 2007-2008 for families with income below \$32,500. However this aid increased 457% for students from families with an income at or above \$100,000 (p. 15). The annual average rate of growth in states' total allocation for grants slowed from 8% to 3% from 1998-1999 to 2003-2004 respectively (p. 9). In addition, in 1992-1993, 90% of state allocated grant funds were based on financial need compared to only 72% in 2007-2008 (p. 15). According to The National Center for Public Policy and Higher Education (2008) state report card, Texas spent only 32 cents for every dollar a recipient received in Pell Grant aid (p. 1). For low-income families, 30% of household income must be used toward access to 2-year institutions, after receiving all other aid.

### **Higher Education Shifts**

Institutions of higher education have suffered a sort of perfect storm in the 2000s. Tuition increases have outpaced growth in the economy, incomes, and federal and state funding for higher education. These increases are major factors affecting access to higher education.

In Texas, the action of the 78<sup>th</sup> Texas Legislature to deregulate tuition (H.B. 3015) compounded the impact of federal and state policy changes in student financial aid. Tuition deregulation led to an average increase of 95% in tuition and fees at public universities between fall 2003 and fall 2011 (Texas Higher Education Coordinating Board, 2012, p. 43).

Just as with federal and state shifts in funding, institutions began to shift how and to whom they allocated student aid. A national study found that in 2007-2008, public 4-year institutions' grant aid accounted for two-thirds of the grant aid received by students from families at higher income levels compared to only 20% for the students from families at the lowest income level. At 2-year colleges, institutional grant aid accounted for 50% of the aid received by students from families with income in the range of \$60,000 to \$99,000 compared to only 6% for students from families at the lowest income level (Baum, et al., 2009, p. 16).

Increased federal, state, and public scrutiny of higher education in the form of accountability reporting, has prompted institutions to set new criteria for the award of financial aid. Students from families at the middle- and upper-income levels are more likely to attend college and actually graduate. These are the students in whom institutions wish to invest. Their families are also eligible for and benefit from tax credits that increase the likelihood of sending their children to college. Such incentives--education saving plans, federal income tax credits, and tax deductions--are typically not available to students from families at the lowest income levels (Baum, et al., 2002, p. 15).

### **Effects on Access and Programs**

The federal, state, and institutional changes in financial aid policy continue to have a trickle-down effect on ethnic minority students' access to higher education and on the programs and services designed to serve them. As state budget cuts continue, higher education institutions have considered what programs are essential to these students. According to Evelyn (2003), state budget cuts are the biggest threat to ethnic minority student access to higher education. Travis Reindl, formerly of the American Association of State Colleges and Universities,

described state budget cuts as “the silent killer” (p. 1).” Nowhere is this more true than at 2-year institutions.

Community Colleges and other 2-year institutions are major access points for post-secondary education and training for ethnic minority students. Nationally, in fall 2009, students at 2-year institutions represented 44% of all undergraduates in higher education. For Hispanics enrolled in higher education, 51 % were in community colleges, while 44% of African Americans, 54% of Native Americans, and 45% of Asian/Pacific Islanders attended 2-year institutions. (American Association of Community Colleges [AACCC], 2012). Some studies have reported on the potential impact of state budget cuts on ethnic minority student enrollment. At a select group of community colleges state budget cuts could affect thousands of students. As early as 2003, college presidents were coping with the loss of state funding and its impact on ethnic minority access. The president of Valencia Community College (FL) reported that Florida funded about three out of every four students in 2002-03, resulting in a loss of 3000 students, predominantly low-income, at his college in fall 2002 ( Evelyn, 2003). Jose Santos (2011) reported on the California State University System’s State University Grant Aid program, which serves one-third of its students and offers financial assistance to underrepresented students. State budget cuts in California have caused a 166% increase in tuition and fees in the past ten years. These cuts may force institutions to funnel funds away from the grant program in order to cover operating costs (p. 20).

According to the AACCC (November 2009, p. 4), 63% of community college students require remedial courses for at least one year. These programs are non-credit courses and do not count toward graduation. However, in order for minority students to enroll in courses that will count toward graduation they need the assistance provided in remedial programs. The Chronicle of Higher Education article, “The Silent Killer”, reported Texas budget cuts for 2003 affected the ESL program at Austin Community College, which was offered at three of its campuses with more than 500 students. The budget cuts amounted to \$3.1 million resulting in the institution cutting approximately six of 45 ESL sections due to lack of money to hire part-time staff (Evelyn, 2003, p. 2).

Some institutions are also implementing enrollment caps because they are unable to meet the growing student demand. According to a Los Angeles Times article (Gordon, 2012), California State University (CSU) at Northridge exceeded enrollment caps and thereby prompted the CSU system to threaten the campus with a \$7 million fine for violating the enrollment cap guidelines (p. 1). In a survey sent to 51 of its members, the National State Directors of Community Colleges reported 72% of respondents believed public university enrollment caps would shift more students to community colleges (Katsinas, Tollefson, & Reamey, 2008, Table 14, p. 20). In the next two years, California State University is expected to lose 35,000 students due to \$600 million cuts in state funding. The institution has a minority population of 55%, however the university’s chancellor believes that percentage will drop because enrollments are being capped due to state budget cuts (Gose, 2009, p. 1).

Other areas potentially targeted for reductions or elimination due to state budget cuts are diversity services. Richard K. Vedder, who viewed “diversity jobs as a bull-market luxury” suggested scaling back diversity programs and intercollegiate athletics to protect core programs and operations (Gose, 2009, p. 2 ). Dartmouth College trimmed its Office of Pluralism and Leadership and the University of Colorado System eliminated its chief diversity officer. At St. Lawrence University in New York, the new director for the Center for Diversity and Social

Justice, quit when the university failed to allocate money for the program. Typically, these programs, offices, and services represent an institutions' commitment to diversity. When institutions downsize or eliminate these programs, they must examine how they will represent and provide opportunities for access and participation for ethnic minority students (Gose, 2009, p. 2).

### **Preserving Access and Funding**

Many initiatives and calls for action have sought to improve ethnic minority student access. Some of these efforts have been around for many years while others are more recent. . The federal TRIO programs began in 1970 with Upward Bound and today are comprised of eight programs, which are aimed at facilitating access to higher education for low-income, first-generation students. For Fiscal Year 2012-2013, TRIO programs have been funded for more than \$838 million dollars and will serve more than 780,000 students (U.S. Department of Education, 2013).

Texas' Closing the Gaps Plan is a more recent initiative aimed at increasing ethnic minority student participation in higher education. Under the plan, Texas' goal is to increase African American participation by 5.7% (19,300 students) and Hispanic participation by 5.7% (120,000 students) by 2015 (Texas Higher Education Coordinating Board, 2000, p. 9). Many other programs aim at increasing ethnic minority participation and completion rates in higher education. Their effectiveness, however, depends on adequate and consistent funding and policy guidance to meet these goals.

In March 2009, The National Center for Public Policy and Higher Education challenged states to preserve college access and affordability and called for a set of principles to address the crisis of access and affordability. Some of the principles included making undergraduate access and affordability a priority, protecting access to allow eligible students enrollment opportunities, and prioritizing enrollment capacity and affordable tuition at "broad access" institutions serving students from low- and middle-income families (The National Center for Public Policy and Higher Education, 2009, pp. 1-2).

Probably the biggest recent boost to institutional budgets to assist in meeting many access goals came in the form of The American Recovery and Reinvestment Act of 2009. The Act signed into law on February 17, 2009 by President Barack Obama included provisions to help stabilize finances for education (AACC, 2009). Other initiatives show promise, such as the legislation sponsored by the Texas Higher Education Coordinating Board to amend the Texas Grants program. This proposal recommends revising grant requirements to reflect higher expectations for progress toward degrees: raising the enrollment minimum from 9 to 12 hours, shortening the grant award period from 150 credit hours to 8 semesters (Hamilton, 2012) to encourage degree completion in a timely manner.

### **Conclusion**

If cuts in state funding for higher education persist, ethnic minority student access and success in higher education will continue to fall well below that of the White population. The

policy shifts that opened financial aid access to an ever-growing proportion of students from middle- and upper-income families have effectively “squeezed out” those who most need the aid. Today, the majority of grant aid goes to students from middle- and upper-income brackets while the students from lower-income families incur debt through loans. To meet federal and state educational goals for increasing minority student participation and success, both state and federal policymakers must consider the consequences of their earlier decisions. Perhaps it is time to reverse the current trend and to award the majority of financial aid to those for whom it was originally intended—the low-income and underrepresented students with the greatest financial need.

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