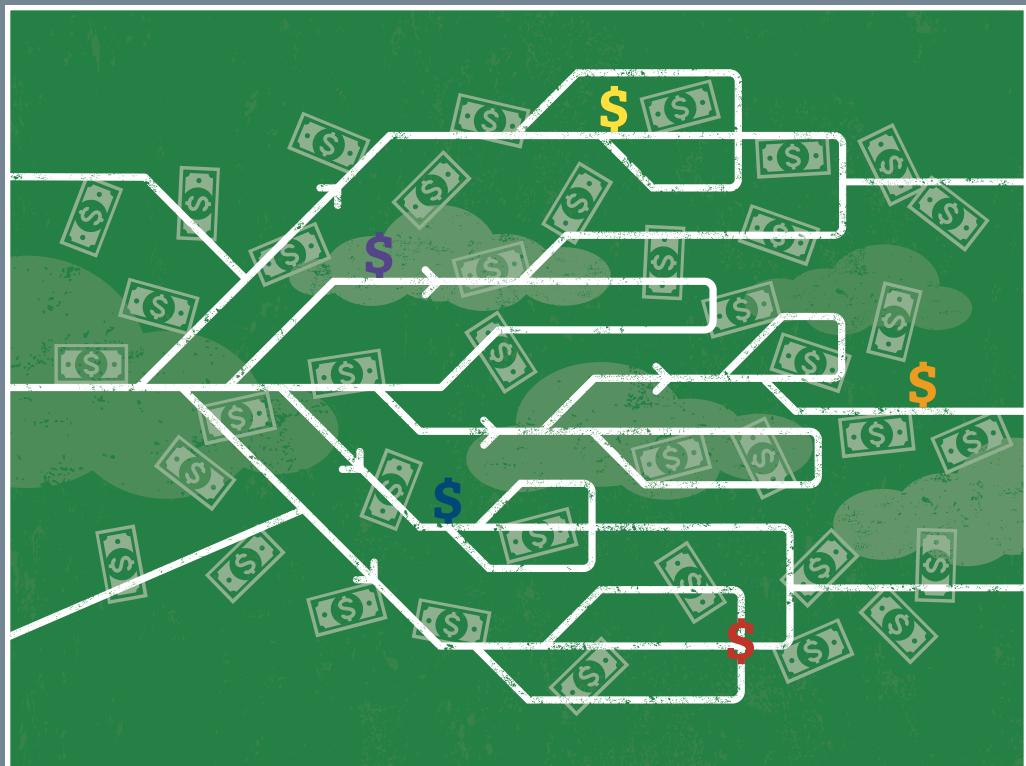


Undergraduate Financial Aid in the United States



Judith Scott-Clayton

Undergraduate Financial Aid in the United States: Key Takeaways

- As tuition and fees continue to rise, financial aid policy will become ever more central to the future of undergraduate education. More students are receiving more aid, and more types of aid, than ever before. The centrality of financial aid means that financial aid program design and regulation increasingly interact with other functions of institutions, including what counts as an eligible program, establishing minimum performance standards and tracking student outcomes.
- While the primary goal of financial aid policy has traditionally been to ensure college access, this focus is shifting to promoting college success and completion. Quality varies tremendously across institutions, and even across programs within institutions, and this variation matters for students' future outcomes. The specific design of financial aid programs can affect not only whether students enroll but where students enroll and whether they persist and complete credentials of value.
- Both the composition of financial aid packages and the purpose of aid can vary substantially across institution types—as can the profile of a “typical” student. For example, while institutional grants are a substantial source of aid overall, this aid is highly concentrated at private not-for-profit institutions and often has a merit-based component. At public institutions, the vast majority of aid is state or federal, and the student population includes many older, part-time students pursuing sub-baccalaureate credentials.

- **The financial aid system has become increasingly complex over time.** While the increasing availability of financial aid is a good thing, it also means that figuring out the net price a given student will pay—early enough to do anything about it—is more complicated than ever. Confusion, uncertainty, and unintended interactions among aid programs can undermine effectiveness and complicate efforts to reach the students that need aid most.
- **Over time, the main source of public support for undergraduates has shifted from state and local governments to the federal government.** From 1990 to 2014, student enrollments grew by 50 percent, while state and local appropriations grew by less than 7 percent. At the same time, federal student aid nearly quintupled. As a result, the federal government now provides substantially more support for undergraduates than do state/local governments. This changes incentives for accountability and raises the potential for unintended interactions between state/local and federal policy.