A Message from Treasurer Torsella

Regardless of whether a student wants to attend a vocational or technical college, a public or private institution, or a community college, postsecondary attainment has a substantial effect on household long-term earnings, wealth-building, and attractiveness to employers. Despite these important benefits, as Chairman of the Tuition Advisory Board and custodian of our College Savings Plans, I have watched enrollment rates decline and costs increase at our postsecondary institutions. With the added burden of the coronavirus pandemic and the ensuing economic fallout, institutions are ill-equipped to deal with these developments alone. Previously, I introduced the Pennsylvania Skills Compact—a cost-effective postsecondary education plan that will reduce attendance costs for any state resident to earn an associate's degree, technical certification, or occupational credential—to address these persisting issues.

While Senator Yudichak and my proposal for the Skills Compact is an effective and necessary first step, postsecondary education is still facing a widening opportunity gap. Among other issues, many student groups are still underrepresented at postsecondary institutions—including students from low-income families, students from rural areas, minority students, and first-generation students ("underrepresented students"). Although some of the country's most selective institutions have added programs to help high-achieving students enroll, many students still do not consider these institutions as potential options in their college search. **In fact, 53% of applicants from low-income families and with SAT and ACT scores in the top decile never apply to a single selective institution.** As Pennsylvania colleges continue to experience declining enrollment rates, the Commonwealth must consider new solutions to address these issues.

In this issue of Treasury Notes, I propose a complement to the Pennsylvania Skills Compact: The EDUCATES Initiative. The Initiative consists of multiple strategies to help our postsecondary education systems work towards a more equitable process of placement and financial support. By identifying and scaling the best practices, the Initiative would dismantle barriers to college affordability and enable students from anywhere in Pennsylvania to go wherever their talents will take them.

Summary

Addressing the many challenges of higher education will be crucial to a full recovery and future prosperity for the Commonwealth. A recent study conducted by the National College Access Network found only 5% of Pennsylvania's postsecondary institutions were deemed "affordable" in 2018. The real dollar value of direct aid to the lowest-income students has declined for decades. Total student loan debt in Pennsylvania is the second highest in the nation, and the Commonwealth's state-owned higher education system has seen enrollment drop 20%. An additional, and especially troubling phenomenon is the continued underrepresentation of qualified students at our selective institutions of higher education. While rising tuition costs and insufficient aid have contributed to opportunity gaps, financial factors cannot alone explain why 53% of applicants from low-income families with SAT and ACT scores in the top decile never even apply to a single selective institution. So long as the financial and nonfinancial barriers to higher education access are not addressed, inequality will grow and economic mobility will stagnate.

Recommendations

Pennsylvania should launch EDUCATES: a synergistic series of strategies and initiatives. While not addressing every issue in the postsecondary landscape, EDUCATES incorporates federal and state policies—including the establishment of universal place-based scholarships, expansion of targeted student aid, and the elimination of legacy preference in college admissions—which will provide students, policymakers, and institutions the tools necessary to optimize student placement and success. By addressing these barriers, Pennsylvania can reach its 60% adult postsecondary attainment goal by 2025 and ensure prospective students are able to consider the full range of their postsecondary options.

Growing Disparities in the College Admissions Process

In Pennsylvania, the average low-income student faces a $3,974 affordability gap at four-year institutions. Even though these students have access to financial assistance, application processes tend to be needlessly lengthy and complicated. The Free Application for Federal Student Aid (FAFSA), a form every student must complete to get federal financial aid, is composed of 108 questions. It is not a coincidence that low-income students are completing the FAFSA at a 7% lower rate than their higher-income peers—the complexity of the financial aid process often places a heavier burden on low-income families. The Pell Grant program is another source of financial aid for low-income students, with 75% of federal Pell dollars going to students with annual family incomes under $30,000. However, the real dollar value of the Pell Grant has steadily declined covering only 29% of tuition costs compared to 92% of in-state tuition when the program started in 1965.

In addition, many selective institutions place students at a disadvantage through their admissions process. Applying as a legacy, for instance, can quadruple a student's chances of acceptance at some four-year institutions. Almost three-quarters of the highest-ranking colleges in the country use legacy preferences and the number of accepted legacy students sometimes exceeds the number of other underrepresented student groups at these institutions. Because an overwhelming majority of legacies are from urban, high-income families, ending legacy preferences addresses another barrier to fairness for underrepresented students.

The cumulative effects of these challenges are stark. According to a study released by the National Bureau of Economic Research, 53% of low-income applicants with SAT and ACT scores in the top decile never apply to a moderately selective institution.

Table: Share of Undergraduates Throughout Higher Education
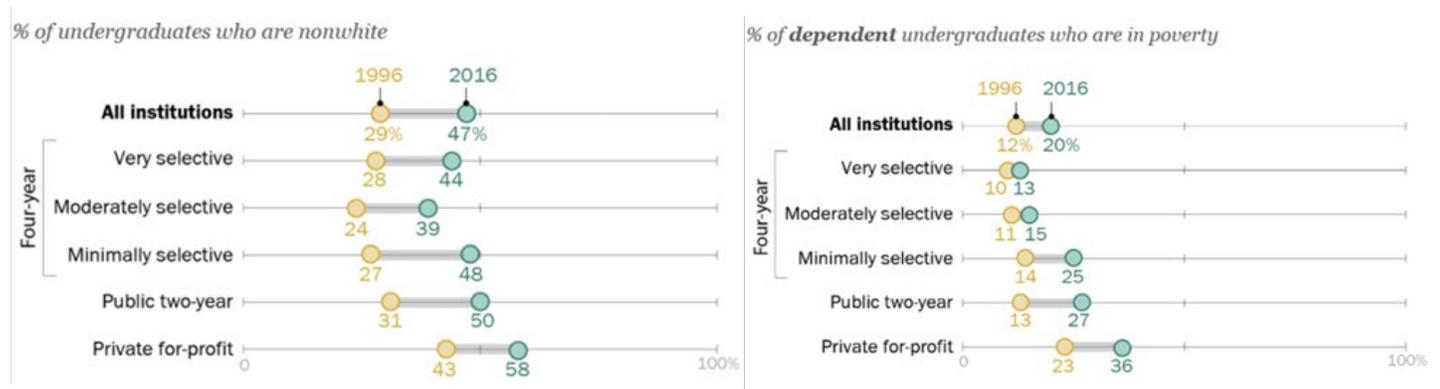
Source: Pew Research Center

The above table lists changes in the enrollment percentage of minority and low-income undergraduate students between 1996 and 2016. While enrollment rates for underrepresented groups still lag at very selective and moderately selective institutions, there is noticeable progress in public two-year colleges, for-profit colleges, and other similar institutions. However, this progress may not be entirely positive—students who attend for-profit colleges, for instance, are more likely to drop out and default on student loans. Federal Reserve Board research found that Black and Hispanic students were three times more likely to attend a for-profit college than white students, and over half of the attendees at for-profit colleges in 2017 were Black or Hispanic. Aggressive recruiting strategies and poor student outcomes at for-profit colleges warrant appropriate accountability for these institutions.

In all, many underrepresented students that do apply to highly selective institutions are from a small number of high schools with certain academic and attendance requirements. A majority of these schools are in large metropolitan areas

and provide access to after-school tutoring programs, summer mentoring to improve college persistence, and financial aid counselors. Students from less-selective public high schools, on the other hand—especially in rural areas—are much more susceptible to having their educational plans fall apart during the summer before college due to a lack of support. Improving early access to year-round support services would better prepare students for navigating the college application process.

The Transition to College and the Experience on Campus

Once on campus, underrepresented students are at a greater risk of experiencing unique stressors, logistical hurdles, and other challenges due to basic needs insecurity. A study conducted by the Pittsburgh Council on Higher Education in 2018 found that 1 in 5 Pennsylvania college student respondents experienced housing insecurity in the last year. Rising room-and-board costs at postsecondary institutions over the past 20 years can help to explain student housing insecurity, particularly at public and private four-year colleges. From 1995 to 2014, listed costs increased 54% at public four-year institutions and 44% at private four-year institutions, contributing to rising student debt and dropout rates. More affordable access to on-campus housing at four-year institutions could improve enrollment and retention rates for underrepresented students, while also allowing them to maintain employment during school breaks.

The Greater Pittsburgh Community Food Bank also collected responses from 6,000 college students in southwestern Pennsylvania and found that 29% of these students experience high levels of food insecurity—more than twice the national rate for adults over 25. Food insecurity disproportionally affects underrepresented student populations. Although resources like the Supplemental Nutrition Assistance Program (SNAP) provide food-purchasing assistance to students, work and eligibility requirements often prevent students from qualifying for the program.

College success is also largely dependent on a student's mental health and well-being. Although schools have focused on recruiting underrepresented students, enrollment rates are still lagging in numerous demographics. For instance, just 29% of rural students between the ages of 18 and 24 enroll in postsecondary education, compared to 47% of their urban peers. This rural underrepresentation can stem from, for example, limited geographical access to postsecondary institutions. While more needs to be done to prepare high-achieving rural students for postsecondary education, the system should do more to support them on campus as well. When they arrive, rural students are often thrust into highly populated, urban college environments where their culture shock goes unrecognized. As a result, the number of rural students that complete college has not increased at the same rate as their urban peers.

Similarly, colleges across the country are experiencing gaps in enrollment among racial groups. In 2017, 52.9% of the enrolled undergraduate student population was white, while 20.0% was Hispanic and 15.1% was Black. Due to these racial disparities on college campuses, many minority students feel a lacking sense of belonging upon their arrival at college. Due to low diversity rates among more selective institutions, on-campus resources are often incapable of dealing with mental health issues stemming from experiencing acts of racism and discrimination. As a result, among college students with clinical mental health problems, 50% of white students received treatment in the past year, compared to 25% of Black and Hispanic students. Untreated mental health difficulties interfere with academic studies, leading to higher dropout rates in these demographics.

The EDUCATES Initiative

At its worst, the postsecondary education system of the United States reinforces the socioeconomic status quo. Although the percentage of college students from underrepresented demographics has improved over the past decades, gains are largely seen at less selective institutions. High-achieving students who can thrive at selective institutions are simply not given the tools to enroll and succeed. The goal of the EDUCATES Initiative is to provide a set of policies and programs that, when used concurrently, will increase higher education access and affordability for low-income, rural, and other unrepresented students while reducing the state's opportunity gap.

Ease the FAFSA process.

Congress has taken steps to simplify FAFSA forms and eliminate other obstacles for low-income families in the financial aid application process. Recent legislation would reduce the number of questions on the form from 108 to 33, and many would be [automatically](#) filled with information from tax filings. Additionally, homeless students and those in foster care can apply to the FAFSA as independent students, further simplifying the process for those that need it the most. Supporting the U.S. Department of Education's robust implementation of a user-friendly and data-driven federal financial aid process would ease the burden millions of low-income students face during college enrollment.

Double the Pell Grant.

Pennsylvania's congressional delegation can push for the revitalization of the Pell Grant program. According to the National College Attainment Network, [doubling](#) the maximum Pell Grant can reverse the growing college affordability gap and ease financial burdens for millions of students. The current maximum amount of $6,345 [covers](#) less than one-third of tuition at public four-year colleges and doubling it would cover half the cost for low-income students. Tying Pell Grants to inflation would also increase their ability to offset student costs, especially during economic [downturns](#). State leaders can encourage Congress to support legislation like the [College Affordability Act](#) and the [Pell Grant Sustainability Act](#) to reduce the financial burdens of states and postsecondary institutions.

Universal place-based scholarships.

Many states have opted to create universal scholarship [programs](#) where the key determinant of eligibility is in-state residency. Promise programs increase [enrollment](#) by four percent, and more universal programs increase enrollment by eight percent. The establishment of the last-dollar Pennsylvania Skills Compact—which would make tuition and mandatory fees free for every Pennsylvanian—can [increase](#) college affordability for students. Modeled on similar state programs in Tennessee and Michigan, the Skills Compact will engage nontraditional and underrepresented student groups to attend a postsecondary institution of their choice, increasing economic opportunity and workforce mobility in the Commonwealth.

Counseling that works for everyone.

The Pennsylvania Department of Education can work with institutions to adapt and enhance counseling [resources](#) for students. Postsecondary institutions [staffed](#) by a diverse array of counselors, professors, and other faculty members can help create an inclusive campus environment. Institutions should also work to form mental health task [forces](#) and Diversity, Equity, and Inclusion (DEI) committees to identify campus resources and areas of growth. These committees must address the unique [obstacles](#) faced by underrepresented students that can present risks to their mental health. The state has already made progress in this area by [establishing](#) the vice-chancellor and chief diversity, equity, and inclusion officer position for Pennsylvania's State System of Higher Education.

Affordability of textbooks and other instructional materials.

Textbook costs have [increased](#) by 88% between 2006 and 2016, and books for STEM courses can cost up to $1,200 a semester. The Open Textbook Pilot federal grant program [supports](#) projects at institutions that expand the use of zero-cost textbooks for students who struggle to afford them. The first few projects expect to [save](#) students at least $30 million within the next five years, and doubling the program's funding would help boost its success rate. Pennsylvania can provide supplemental funding for institutions that pass certain textbook affordability thresholds, which would encourage more rapid progress.

Targeted financial aid towards students in-need.

Students dealing with challenges like housing insecurity may struggle with navigating housing costs and the timing of financial aid. To help high-need individuals overcome these obstacles, state leaders can encourage institutions to reduce housing fees and prioritize work-study slots for housing-insecure students. College food pantries and other emergency meal plans are also extremely effective at curbing food insecurity on campus. Some states, like California, New Jersey, and New York, have created funds in their budget to provide access to free food and dining hall swipes to students through partnerships with food shelters. On a federal level, programs including the School Breakfast Program (SBP) and the National School Lunch Program (NSLP) could be expanded for college students. Additionally, SNAP work and eligibility requirements can be expanded so full-time students are not forced to work long hours to qualify for benefits.

Eliminate legacy admissions preferences.

Today, at least five of the world's top 10 universities explicitly don't allow for legacy preference in admissions, and more schools are eliminating their legacy policies. While colleges like Texas A&M University, the University of California, and the University of Georgia have ended legacy preferences in admissions on their own, there are federal policy avenues that could discourage their use. For instance, the federal government could provide a reduction in the endowment tax for institutions that abandon legacy preferences or dedicate endowment tax revenues to valuable scholarships and programs that support underrepresented student groups.

Support students at risk of falling off a college track in high school.

Among high schools with the top college preparedness ratings, 63% provide more Advanced Placement and International Baccalaureate courses to students, especially in the early years. Top schools were also more likely to identify and support students at risk for falling off a college track, with more than 80% possessing more than two college counselors. Pennsylvania's Department of Education can set clear, measurable goals for improving access to advanced coursework and college counseling in high schools. The Commonwealth could also provide funding to schools and programs that primarily serve underrepresented students. The state of Illinois, for instance, offers competitive grants to low-income schools for the development of tutoring and recruitment targeting for Advanced Placement courses.

Conclusion

The EDUCATES Initiative offers a set of tested strategies that would dramatically improve accessibility, affordability, and fairness of post-secondary education—so that all Pennsylvanians, including underrepresented students, can reach their fullest educational potential. To restore higher education's promise of true socioeconomic mobility, Commonwealth leaders should mobilize to implement these strategies across the federal and state level—increasing our state's competitiveness, and decreasing the debt young Pennsylvanian's are taking on.