



# Limited Means, Limited Options

**College Remains Unaffordable for Many Americans**

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**#affordabilityisequity**



# Defining Affordability

- What students (and families) actually pay for college
- Not just what they **do** pay but what they **should** pay
- Varies for Americans with **different** backgrounds and circumstances
- Accounts for **all** college costs **and** the student's grant aid

# Affordability Benchmark

- The "Rule of 10"
  - 10% of household discretionary income
    - Income over 200% of Federal Poverty Guideline
    - Lowest-income families simply cannot save
  - Saving over 10 years
  - Student works 10 hours per week in college
- Full-time students
- Seeking a four-year degree

# 21st-Century Students

- Nationally representative data
- 10 profiles
- Student diversity



# 21st-Century Students

## Selected key characteristics of example students

	Anthony	Traval	Aneesa	Jin Sook	Mohammed	Sonja	Hakim	Ava	Sergio	Maria
Student age	28	28	28	28	28	18	18	18	18	18
Student/parents marital status	Single	Single	Single	Single	Married	Single	Married	Married	Married	Married
Student dependents	0	0	2	2	2	n/a	n/a	n/a	n/a	n/a
Student siblings	n/a	n/a	n/a	n/a	n/a	1	1	1	1	1
Student siblings in college	n/a	n/a	n/a	n/a	n/a	0	0	0	0	1
Household size	1	1	3	3	4	3	4	4	4	4
Household college students	1	1	1	1	1	1	1	1	1	2
High-school GPA	3.0	3.1	3.1	3.2	3.2	2.9	3.0	3.2	3.4	3.5
ACT composite	21	19	19	19	24	18	21	22	23	24
SAT composite	1000	920	930	910	1090	870	1000	1030	1050	1110
Student/parents earnings/AGI	\$2,706	\$30,388	\$2,130	\$33,639	\$20,719	\$12,491	\$35,910	\$69,000	\$105,405	\$162,995
Household with SNAP/FRPL benefits	Yes	No	Yes	Yes	Yes	Yes	Yes	No	No	No
Student/parents tax form	1040EZ	1040EZ	1040A	1040A	1040A	1040A	1040A	1040A	1040	1040
Student/parents retirement contributions	\$0	\$912	\$0	\$1,009	\$0	\$0	\$1,077	\$4,140	\$6,324	\$9,780
Student/parents savings	\$0	\$1,100	\$0	\$2,000	\$900	\$600	\$2,200	\$4,900	\$10,150	\$32,250
Student/parents investments	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$15,250	\$227,600
Homeowner household	No	No	No	No	No	No	No	Yes	Yes	Yes
Student EFC	\$0	\$7,017	\$0	\$0	\$0	\$0	\$2,017	\$9,361	\$21,747	\$53,839
Student affordability threshold	\$3,625	\$5,282	\$3,625	\$3,625	\$3,625	\$3,625	\$3,625	\$8,725	\$17,826	\$32,224

Source: Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from [http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited\\_means\\_limited\\_options\\_report\\_final.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf)

# Net Price

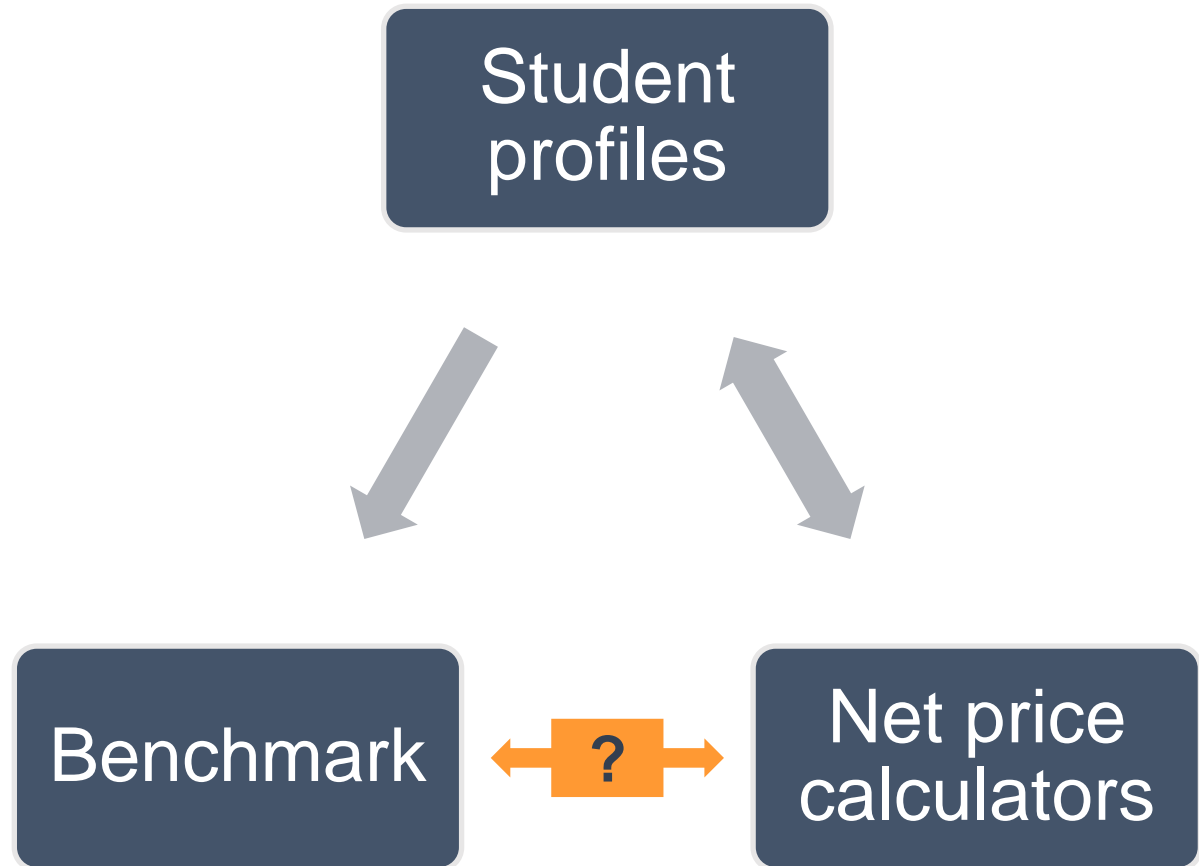
TUITION + FEES + ROOM + BOARD + BOOKS + SUPPLIES + TRANSPORTATION + OTHER COSTS  
= COST OF ATTENDANCE

COST OF ATTENDANCE – GRANT AID  
= NET PRICE

Net price calculators (NPCs) offer students individualized estimates

- Every Title IV-participating college
- But not centrally located
- College Abacus tool

# Calculating Affordability



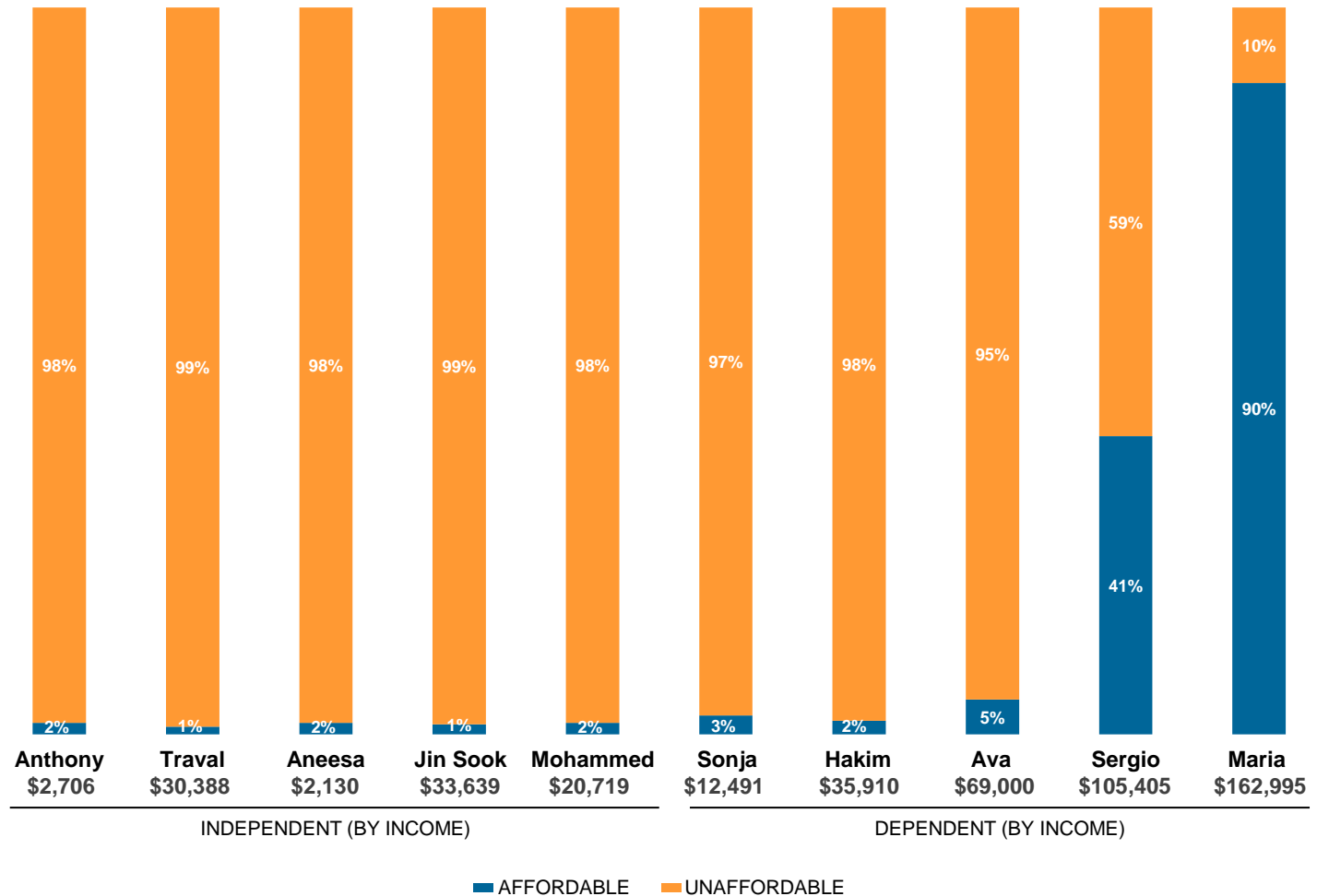
# Exploring Affordability

- What would each student expect to pay their first year at a **specific** college?
- What **should** each student expect to pay?
- How do those figures **compare**?
- What are the students' affordable college **options**?



# Limited and Unequal

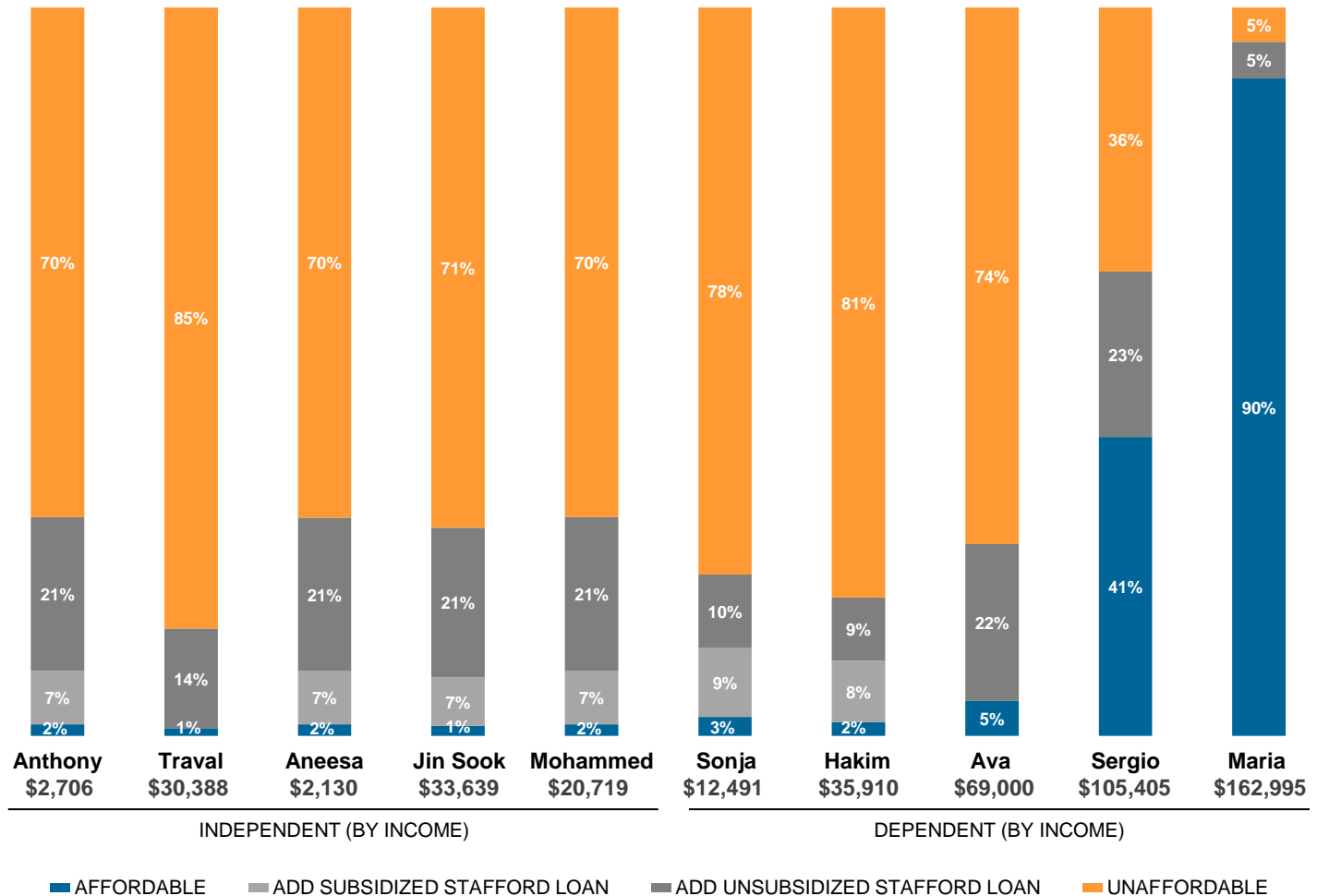
Percent of sample colleges that are affordable or unaffordable for example students.



Source: Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from [http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited\\_means\\_limited\\_options\\_report\\_final.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf)

# Loans Are Insufficient

Percent of colleges that meet affordability thresholds after adding federal Stafford loans.

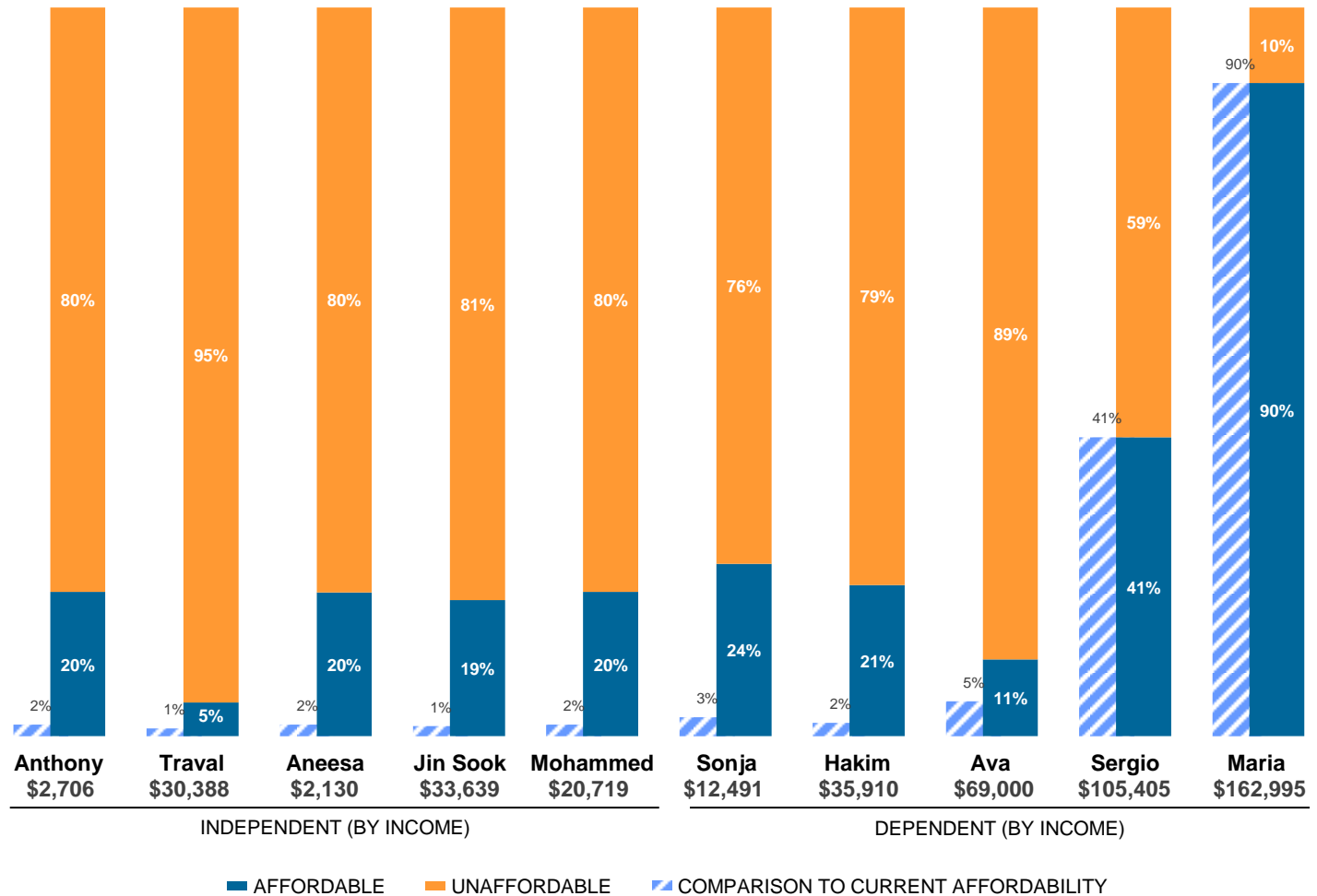


# Testing Interventions

- Doubling the maximum Pell Grant
- Lowering net prices at all colleges across the board by \$10,000
  - Increased aid from federal sources like Pell
  - More need-based aid at the state level
  - Larger institutional grants to low-income students
- Implementing a free-college program

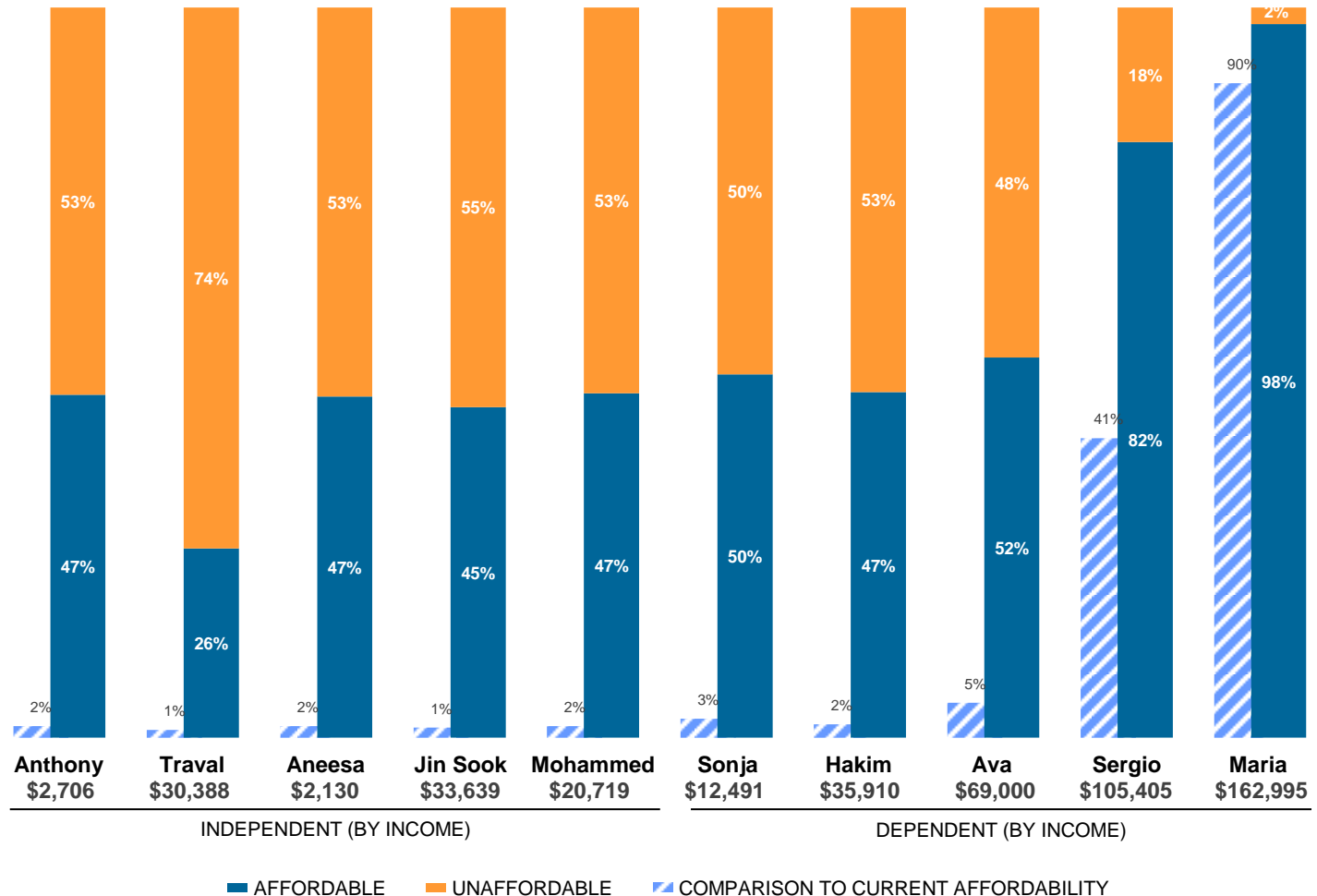
# Doubled Maximum Pell

Percent of colleges that meet affordability thresholds after doubling maximum Pell.



# Prices Lowered \$10,000

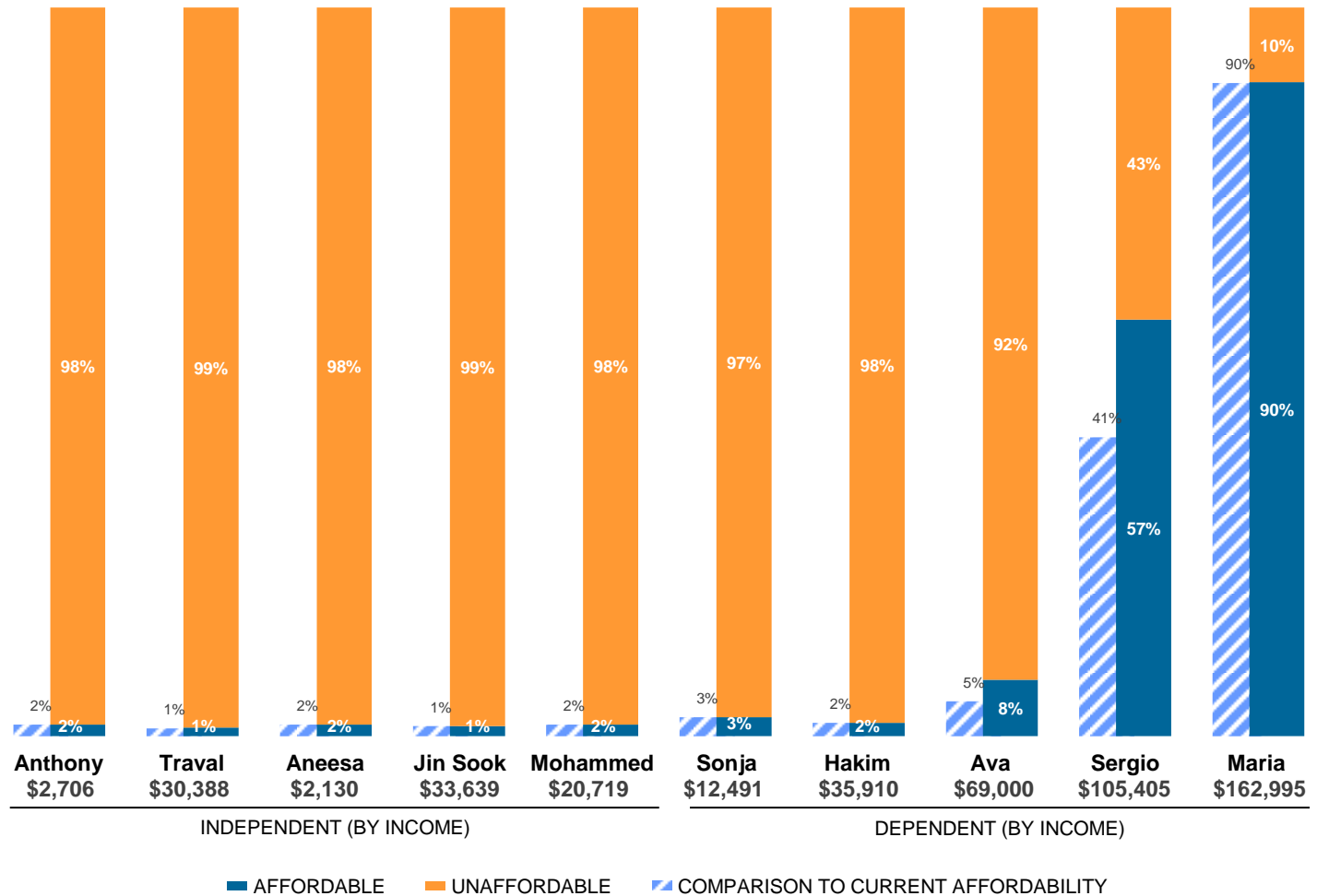
Percent of colleges that meet affordability thresholds after reducing all net prices by \$10,000.



Source: Poutré, A., Rorison, J., & Voight, M. (2017). *Limited means, limited options: College remains unaffordable for many Americans*. Institute for Higher Education Policy. Retrieved from [http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited\\_means\\_limited\\_options\\_report\\_final.pdf](http://www.ihep.org/sites/default/files/uploads/docs/pubs/limited_means_limited_options_report_final.pdf)

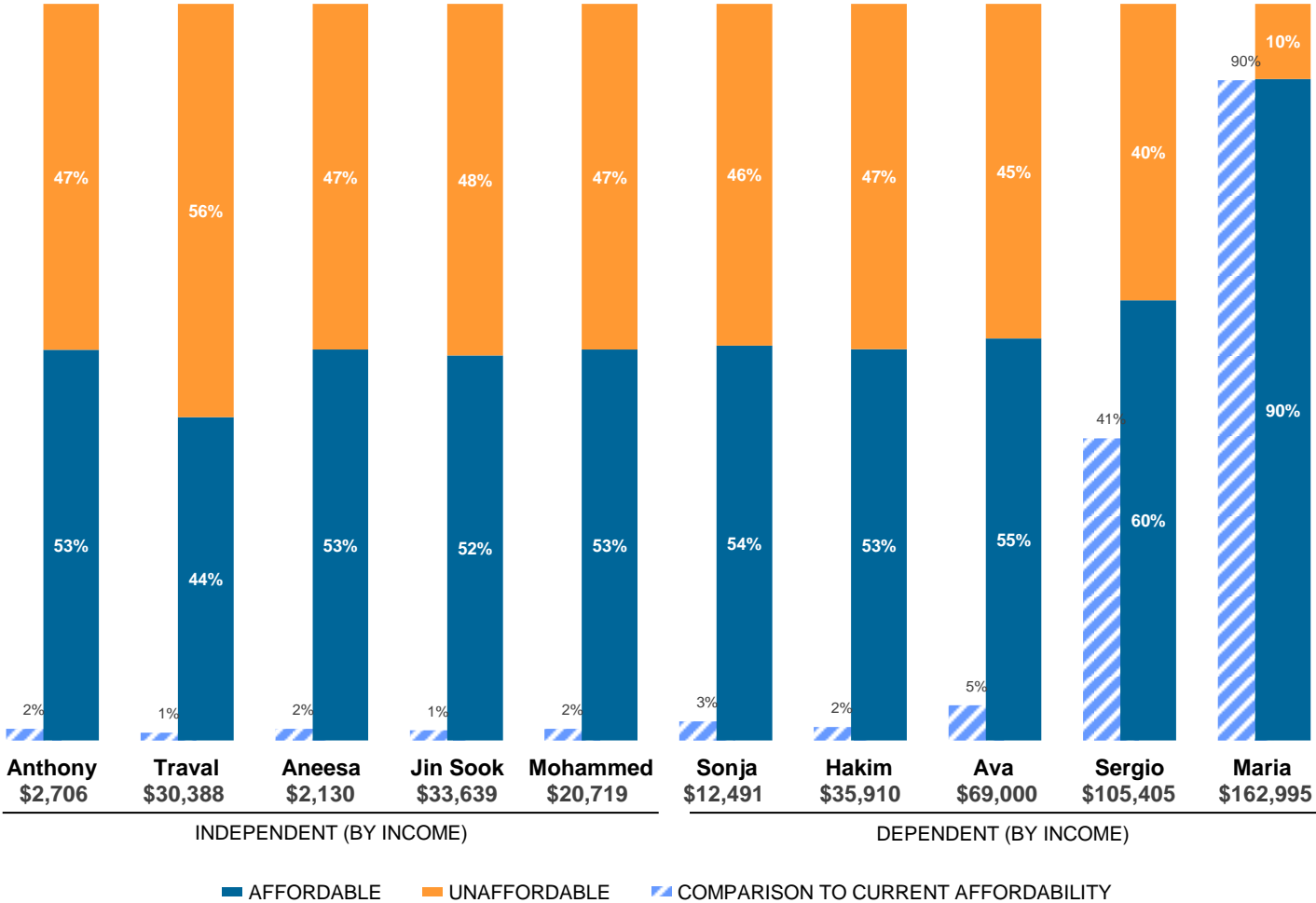
# Implemented Last-Dollar

Percent of colleges that meet affordability thresholds after including last-dollar plans at public colleges.



# Implemented First-Dollar

Percent of colleges that meet affordability thresholds after including first-dollar plans at public colleges.



# Policy Recommendations

1. **Federal policymakers** should protect and strengthen the Pell Grant
2. **States** should strengthen direct investment in public colleges and need-based aid programs
3. **All colleges** should manage institutional costs to concentrate expenditures on students
4. **Colleges with wealth** at their disposal should keep prices low for students
5. **Congress** should pass legislation to improve consumer information and transparency



# Conclusions

- The college affordability problem is an **inequity** problem
- **Undermining** an American tradition of equal opportunity for citizens
- We have **hope** that federal, state, and institutional policymakers can fix this
- Solution requires a **multi-pronged** approach

# Contact

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