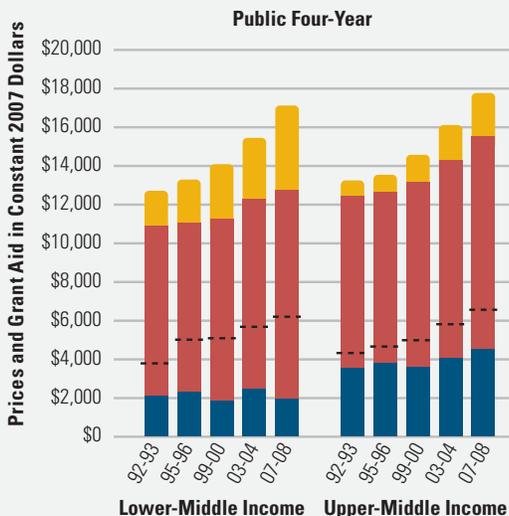


# Paying for College: Students from Middle-Income Backgrounds

Net Tuition and Fees, Net Room and Board and Other Costs, and Total Grants in Constant 2007 Dollars by Income Group, Full-Time Dependent Students at Public Institutions: 1992-93, 1995-96, 1999-2000, 2003-04 and 2007-08

● Total Grants ● Net Room and Board and Other Costs ● Net Tuition and Fees ---- Published Tuition and Fees



**Note:** Net price is defined here as published price less grant aid. Income groups are based on quartiles of families in the U.S. Census Bureau 2006 income data (corresponding to the 2007-08 academic year). Earlier years' income cutoffs are based on the 2006 cutoffs and adjusted for inflation. In constant 2006 dollars, lower-middle group: \$32,500–\$59,999; upper-middle group: \$60,000–\$99,999.

**Sources:** NCES, *NPSAS*, 1993, 1996, 2000, 2004, 2008; U.S. Census Bureau, *Current Population Survey*, Annual Social and Economic Supplement, 2007.

## What has happened to family incomes?

In 2008, the middle 20% of families in the United States had incomes ranging from \$49,326 to \$75,000. The mean income for this group of families was \$61,582. This is one possible way of defining "middle class." A broader definition might include all families who are above the lowest quintile and below the highest quintile. This 60% of families had incomes ranging from \$27,801 to \$113,025 in 2008.

Over the past decade, average incomes for middle-income families have been stagnant after adjusting for inflation. Families at the upper end of the broad middle-income range have seen their incomes increase slightly, while those at the lower end of this range have seen their incomes decline.

Over the past decade, incomes have not risen measurably for anyone. But in the previous two decades, incomes rose rapidly at the upper end of the income distribution, and overall inequality increased significantly. During this time period, middle-income families lost income relative to the wealthy but gained relative to low-income families.

## What has happened to college prices?

Published tuition and fees at public four-year colleges and universities rose at an average rate of 4.9% per year beyond general inflation from 1999-2000 to 2009-10,

more rapidly than in either of the previous two decades. However, the inflation-adjusted rate of growth of published tuition and fees at both private not-for-profit four-year

institutions (2.7%) and public two-year colleges (1.8%) was lower from 1999-2000 to 2009-10 than in either of the previous two decades.



In addition to tuition and fees, students' total cost of attendance includes room and board, and allowances for books and supplies, transportation, and other expenses. The total cost of attendance, used to determine eligibility for need-based aid, varies considerably by institutional sector. In 2009-10, average total expenses

at public two-year colleges for students living off campus were \$14,285. At public four-year institutions, in-state students living on campus faced total average expenses of \$19,388; for students enrolled in private not-for-profit four-year institutions who lived on campus, the total cost of attendance was just over \$39,000.

According to the federal formula for financial aid eligibility, for families of four with one child in college and no discretionary liquid assets, only those with incomes of about \$95,000 or higher would be able to pay the average published price of tuition and fees and room and board at public four-year colleges without financial aid. About 28% of all families have incomes this high.

### How do federal tax benefits help middle-income families?

In 2007, the Hope and Lifetime Learning tax credits reduced federal income tax bills by about \$5.2 billion, and the tuition and fee deduction reduced tax bills by about \$1.5 billion. About 60% of the benefit of the education tax credits accrued to taxpayers with incomes between \$50,000 and \$114,000. About 60% of the benefit of the tuition tax deduction accrued to taxpayers with incomes between \$100,000 and \$160,000, and another 28% went to those with incomes between \$50,000 and \$100,000. (Tax deductions have a bigger impact on people with higher incomes, who are subject to higher marginal income tax rates.)

Other significant subsidies to students through the tax code include the personal exemption allowed for students ages 19 and over, which saved parents about \$2.7 billion in 2007, and the excludability of tuition assistance from employers, which saved students about \$630 million. (U.S. Budget 2009 Analytical Perspectives)

Recent legislation will make the tax benefits more helpful to families in a number of ways:

- Beginning in 2009, 40% of the Hope tax credit is refundable to eligible filers without tax liability. Eligibility for the credit has also been increased from two years to four years.

- Legislation in 2009 also increased the maximum income for Hope eligibility to \$90,000 for single filers and \$180,000 for joint filers. The income limits for Lifetime Learning credits are \$60,000 and \$120,000, respectively. The tuition and fee deduction is available to single filers with incomes up to \$80,000 and to joint filers with incomes up to \$160,000.

- As of 2009, the Hope tax credit — but not the Lifetime Learning credit or the tuition and fee deduction — covers classroom materials in addition to tuition and fees. Most other forms of student aid cover room and board, books, and other education-related expenses.

### Do middle-income students qualify for grant aid?

Federal grant aid is targeted at students from low- and moderate-income backgrounds. In 2007-08, 62% of dependent Pell Grant recipients had family incomes of \$30,000 or less. Only 6% of the recipients had family incomes greater than \$50,000.

State grants reach students from a wider range of family incomes. Among full-time dependent students in 2007-08, 39% from families with incomes between \$32,500 and \$59,999 received state grants averaging \$3,200. Twenty-two percent from families with incomes between \$60,000 and \$99,999 received grants averaging \$2,700, and 13% of students from families with incomes of \$100,000 or higher received grants averaging \$3,000.

Institutional grant aid constituted 39% of all undergraduate grant aid in 2008-09.

In 2007-08, institutional aid at public four-year institutions averaged about:

- \$1,340 per full-time dependent student for those with family incomes below \$60,000.
- \$1,150 for students from families with incomes between \$60,000 and \$99,999.
- \$900 for students from higher-income families.

In 2007-08, institutional grant aid at public two-year institutions averaged about \$160 per full-time dependent student from families with incomes between \$32,500 and \$99,999.

Institutional grant awarding patterns differ considerably at private colleges with different tuition and fee levels. In 2007-08, on average, institutional grants covered

about 25% of tuition and fees for students at the highest-priced colleges and about 35% at lower-priced colleges.

At the highest-priced private colleges — those with tuition and fees greater than \$30,975 — the proportion of tuition and fees covered by institutional grant aid ranged from almost 40% for students from families with incomes below \$60,000, who received grants averaging about \$13,500, to 16% for those from families with incomes of \$100,000 or higher.

At the lowest-priced private colleges — those with tuition and fees less than \$17,990 — students from families with incomes less than \$32,500 received the least institutional aid, averaging \$2,800, while those from families with incomes between \$32,500 and \$100,000 received the most.