

This report provides the most recent and complete statistics available on student aid in the United States. Detailed historical data are available in Gillespie and Carlson, *Trends in Student Aid: 1963 to 1983* (New York: The College Board, 1983) and annual *Trends in Student Aid* publications since 1983. Data here include updates of some previously published data, in addition to estimates for the academic year 2005-06.

The College Board is grateful to the many staff members in public and private agencies who contributed the basic data, as well as their insights and expertise.

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Trends in Higher Education Series

2006

Trends in Student Aid

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Introduction

Trends in Student Aid presents annual data on the amount of financial assistance—grants, loans, work-study, and education tax benefits—distributed to students to help them pay for postsecondary education. The College Board began this data series in 1983 to track trends in financial aid from federal, state, and institutional sources. Much of the data reported here relates to aggregate amounts of student aid. Because of increases in the price of college and growth of enrollments in higher education over time, increases in these totals do not necessarily make college more affordable for individual students. Focusing on average amounts of aid available and particularly on the distribution of that aid among students in different circumstances is particularly important for evaluating the adequacy of student funding.

Trends in College Pricing, released together with this report, presents data from the College Board's *Annual Survey of Colleges* on undergraduate charges for tuition, fees, room, board, and other estimated expenses related to attending colleges and universities. Although the most recent data in *Trends in Student Aid 2006* are for the 2005-06 academic year, while the data in *Trends in College Pricing 2006* extend to 2006-07, we publish the reports together to emphasize the relationship between how much colleges and universities charge and the assistance available to students to pay these charges. The net prices actually paid by students and families are more important for understanding college access and affordability than the higher published prices.

Taken together, the companion reports, *Trends in College Pricing* and *Trends in Student Aid*, tell much about the financing of postsecondary educational opportunity in America.

In 2004, the *Trends* reports were accompanied by a third publication, *Education Pays: The Benefits of Higher Education for Individuals and Society*. This year we are issuing a second brief supplement to that report, providing additional information on the economic and social benefits of higher education, as we did last year. We continue to focus on the distribution of these benefits by examining both the progress and the persistent gaps in participation in postsecondary education.

PDF copies of the publications and PowerPoint files containing individual slides for all of the tables and graphs are on the College Board's Web site (www.collegeboard.com/trends). Please feel free to use these slides with proper attribution. Excel files containing historical data and some of the data underlying the graphs included in the reports are also available online.

As always, we continue to improve our coverage of programs and update previously reported statistics when better data become available. Therefore, this update replaces previous *Trends in Student Aid* publications.

Defining Student Aid

Students and their families pay only a fraction of the cost of higher education; funding for the remainder comes from a variety of sources. At public colleges and universities, tuition levels are significantly lower than institutional costs because state and local governments provide about \$60 billion per year in instructional funding to colleges and universities. In recent years, the share of total costs covered by public appropriations has declined, while the share covered by tuition and fees has increased. Private colleges and universities charge significantly higher levels of tuition, but

tuition is still almost always lower than the cost to the institution of educating students. It is subsidized primarily by revenues from private philanthropic sources. *Trends in Student Aid* does not address these general subsidies to students. We focus only on aid that is provided directly to students to help them meet the published prices and other expenses associated with enrolling in postsecondary education.

In the years since 1983, when the College Board first published *Trends in Student Aid*, student financing has become more complex and the line between student aid and other sources of funds has become less clear-cut. Over half of the funds on which students rely to supplement family resources are in the form of loans. Some loans, particularly federal subsidized Stafford Loans and Perkins Loans, do provide valuable subsidies and are clearly a form of student aid. At the other end of the spectrum, the rapidly expanding private bank loans for education are not subsidized at all. Their value is only in providing liquidity for students who have no other means of accessing funds. Between these two extremes are unsubsidized Stafford Loans, which are federally guaranteed, but accrue interest from the time they are issued.

Because of this continuum of funding types, we use two different measures to describe how students pay for college. We define student aid as grants from all sources, loans and work-study assistance from the federal government, and federal education tax credits and deductions. We have excluded private loans from all calculations identified as student aid. However, we combine private education loans with student aid when we describe student borrowing and funding.

Private loans provided exclusively for students through commercial and state sources were first added to *Trends in Student Aid* in 1994-95, when their dollar value was about 5 percent of federal student loan volume. As the price of attending college has increased and family incomes, grant aid, and federal loans have failed to keep pace, student borrowing from private sources has skyrocketed and now equals about 25 percent of federal education loan volume. Counting these dollars as student aid would cause our estimates of student aid to rise automatically as students are increasingly forced to rely on this unsubsidized funding source, concealing the growing gap between available aid and the need for resources.

The student aid documented in this report includes funds distributed to both undergraduate and graduate students. Tables 1 and 2 report financial aid to all postsecondary students, but we report federal loans separately for graduate and undergraduate students in Table 4 and show the difference in the composition of aid for the two groups of students in Figure 6 and Table 6. Eighty-one percent of all grants and 65 percent of loans used to pay higher education expenses are for undergraduate study.

From the students' perspective, grant aid, which is a pure subsidy not requiring repayment, is most desirable and is the one form of aid that unambiguously increases the financial accessibility of college. Education tax credits, first available in 1998, and the tax savings arising from the federal tuition and fee deduction, which was implemented in 2002, are also pure subsidies. The fact that the tax savings generally materialize months after the bills have been paid leads some to exclude tax benefits from the definition of student aid, but their value in reducing the total cost to students makes them fall clearly within our definition of student aid.

Grants, Loans, Work Aid, and Tax Benefits

Pell Grants, the need-based federal grants that form the foundation enabling low-income students to finance a college education, are an important focus of any study of student aid. This report documents the recent stagnation in the Pell dollars available to individual students. It also reveals sharp increases in the total amount of Pell funding resulting from increased participation in the program in recent years, followed by a decline in total Pell funds in 2005-06 resulting from modifications to the eligibility formula. (Table 8; Figures 8, 9, and 10)

Pell Grants constitute 68 percent of federal grants to students and are supplemented by Veterans' benefits and other smaller programs. All together, these federal grants compose only 31 percent of the total grant aid on which postsecondary students rely. The largest portion of grant aid comes from colleges and universities themselves, which provide 41 percent of the total, with the remainder funded by states and private sources.

Our measure of student aid includes all education loans involving any federal funding. About 42 percent of federal education loans come through the federal government's subsidized Stafford Loan Program. Although these funds must be repaid after students complete their education, they involve significant subsidies since the federal government pays the interest while the student is in school and subsidizes the interest throughout the life of the loan. The unsubsidized Stafford Loan Program, comparable in size to the subsidized Stafford program, has a much smaller subsidy component because interest accrues while the student is in school. However, like subsidized Stafford loans, these loans are guaranteed by the federal government and the interest rates are below market levels. Interest rates on Parent Loans to Undergraduate Students (PLUS) are also limited by statute.

Alternative private education loans from banks and other private lenders do not provide any subsidy to students. They are not included in our measure of total student aid but we report on them because of their increasing importance in student financing. These loans generally must be certified by the financial aid office and in some cases are included in the financial aid packages institutions award to students. However, an increasing proportion of private education loans are direct-to-consumer loans, of which institutions may not even be aware.

Work-study funds constitute only about 1 percent of student aid. These funds are actually subsidies to institutions in the form of matching funds for student wages. However, they assure students of gainful employment and are included in the student aid packages colleges and universities award to students.

In addition to data on the amounts of the various forms of federal aid overall, per student, and per recipient, we include information on the distribution of federal aid across sectors within higher education (Table 5, Figure 5a). Differences in cost of attendance, the income distribution of the student bodies, and federal regulations lead to aid packages that have very different compositions for students enrolled in different types of institutions.

Tax benefits for higher education expenses have grown considerably in recent years. Although education tax credits and tax savings from the deduction for tuition and fees are the only subsidies of this form included in our total measure of student aid, students benefit from several other provisions of the tax code. In 2004, 6.5 million

taxpayers claimed about \$3.8 billion in deductions for interest paid on student loans. Other exemptions from income taxation include education benefits from employers; the interest on education savings bonds; returns on savings in Coverdell education savings accounts, 529 savings plans, and prepaid tuition programs; and work-related education expenses. Figures 14 and 15 include information on assets in state-sponsored Section 529 college savings plans and prepaid tuition plans.

Need-Based and Non-Need-Based Aid

The student aid described in this report serves a variety of purposes. In the 1970s and 1980s, most aid programs were designed to increase access to college for students who would otherwise be unable to afford to enroll. In recent years, student aid programs have been focused increasingly on affecting students' choice of institutions and on reducing the financial strain on middle-income families.

Our data on federal grant aid, almost all of which is need based, and on education tax benefits, which are concentrated on middle- and upper-income families, provide an indicator of the changing focus at the federal level. We also include information that distinguishes state need-based and non-need-based grant aid. However, there is no simple way to draw a line between these two forms of grant aid. Some state grants are based only on need and some only on merit, but many are based on a combination of these criteria.

The ambiguity is even greater for institutional grant aid. Some institutions, particularly the most selective private colleges and universities, award aid only on the basis of financial need, and attempt to meet as much of the need as possible for all accepted candidates. Other institutions award grants only to students who have financial need, but use academic merit or other relevant characteristics to ration their limited funds. In contrast, many institutions, both public and private, award grant aid not only to students with insufficient resources to meet the cost of attendance, but also to students who have the ability to pay, but whom the school is particularly interested in enrolling. Most non-need-based aid is based at least partially on either academic qualifications or athletic ability. We report on the division in institutional aid between need-based aid and aid distributed without regard to financial circumstances in Figures 12a and 12b. The patterns are very different at high-price private colleges on one hand and lower-price private colleges and public colleges on the other hand.

Student Debt

Since the early 1980s, *Trends* has tracked the growing reliance on borrowing for higher education. This year we continue the practice of examining undergraduate and graduate loans separately, as well as tracking the role of debt financing overall.

We include information on the debts accumulated by individual students, in addition to total loan volumes (Figures 4a and 4b). Like the aggregate data, these data on student debt omit credit card financing, conventional consumer loans, and home equity loans and lines of credit. While home equity financing may be a financially sound decision for many families, this can rarely be said of credit card financing. Recent estimates suggest that as many as 25 percent of college students may be relying on credit card debt to help finance their education (Nellie Mae, 2005), but we have no way to document trends in this type of borrowing for inclusion in this report.

Limitations of the Data Collection

Precise data are available on federal student aid, but this is not the case for all of the funding sources on which we report. Data on institutional grant aid awarded to students are particularly lacking. We rely primarily on data from the *Annual Survey of Colleges*, but have used all of the information available to us to arrive at the best possible estimates. However, these figures should be recognized as approximations. Data on grants from private sources and employers are based on the *National Postsecondary Student Aid Study* (NPSAS) and are imputed for years in which the survey was not conducted. This year, with the assistance of the National Scholarship Providers Association, we surveyed private scholarship donors in order to update the NPSAS data. The volume of borrowing through private loan programs is based on a survey of major lenders and is also a best approximation.

Basic program statistics for all years in our database back to 1963-64 are available on the College Board Web site. As always, we welcome reader comments and suggestions on ways to broaden the coverage and increase the usefulness of the *Trends in Student Aid* data series. Visit the College Board Web site at www.collegeboard.com/trends for an electronic version of this document and the companion report, *Trends in College Pricing 2006*.

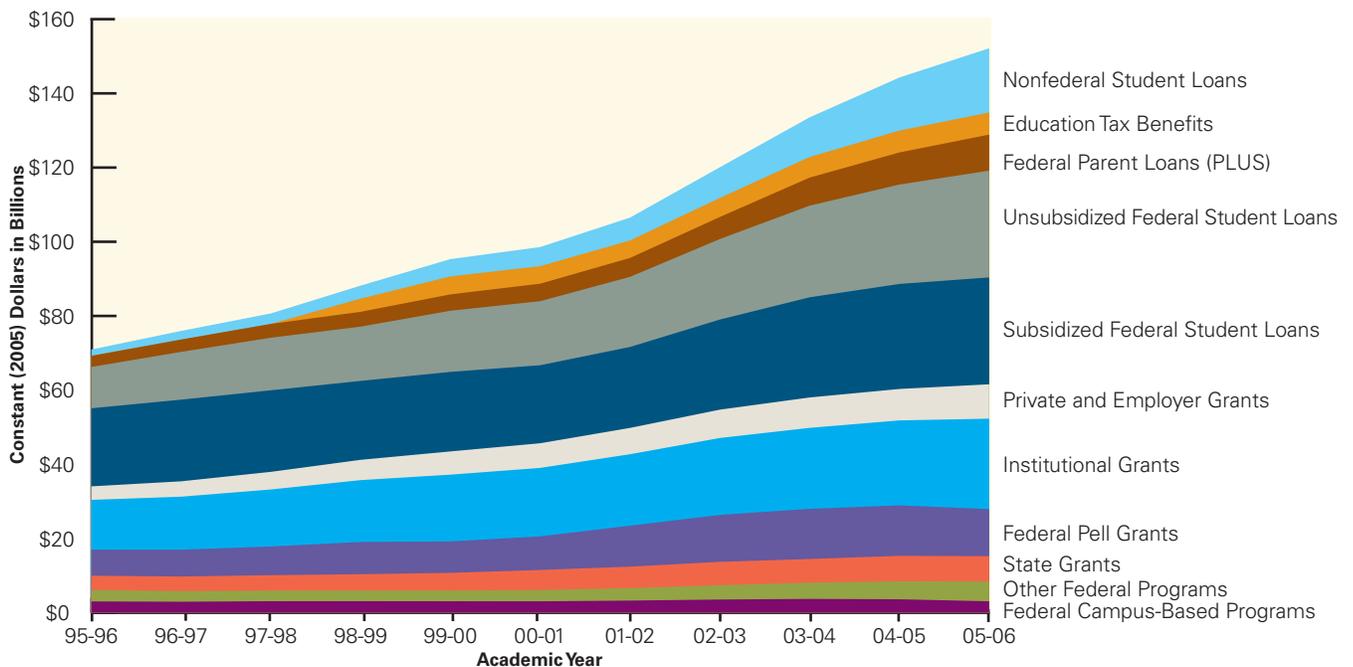
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Over the decade from 1995-96 to 2005-06, subsidized federal student loans declined from 29 to 19 percent of the funds students used to finance college education, while alternative private loans grew from an insignificant level to 11 percent of total funds. The total amount of funding represented in Figure 1 more than doubled in inflation-adjusted dollars over the decade.

Figure 1: Ten-Year Trend in Funds Used to Finance Postsecondary Education Expenses, 1995-96 to 2005-06



Executive Summary

Trends in Student Aid provides detailed information about the aggregate amount of student aid and aid per student, in addition to the composition and distribution of that aid. Aggregate amounts are important for understanding the impact of student aid on federal, state, and institutional budgets. However, growth in enrollments as well as changes in the distribution of aid among students in different circumstances may make a focus on aggregates misleading. It is the amount of aid of different types available to particular individual students, combined with the published prices they face, which matter most for the affordability of a college education.

Student aid comes in many different forms, each of which carries different benefits for students. As a result, trends over time in the total amount of available student aid conceal significant differences in the way students and families finance college and in the extent to which student aid increases access to higher education. Grants, loans, work-based aid, and tax benefits involve different levels of subsidies and require different actions on the part of the recipient. In addition, unlike grants and loan funds, which can be used to pay bills for education, tax benefits are generally not received until months after payments are made.

Moreover, even within these broad categories, the variety of sources of aid and of specific program provisions makes generalizations difficult. Nonetheless, adding all the components of the student aid system together provides an indicator of the availability of funds to fill the gap between the amount students and families can reasonably afford to pay for postsecondary education and the cost of attendance.

Total Aid

Total student aid, including grants from all sources plus loans, work-study, and tax benefits from the federal government, increased by 95 percent in inflation-adjusted dollars over the decade from 1995-96 to 2005-06.

- Grant aid to undergraduate and graduate students increased by 89 percent over the decade, after adjusting for inflation.
- Total grant dollars increased by 3 percent in inflation-adjusted dollars between 2004-05 and 2005-06. Grant aid per full-time equivalent (FTE) student increased by less than 1 percent.
- Federal loans constitute 51 percent of total aid to graduate and undergraduate students.
- The fastest growing student aid program over the decade was Parent Loans for Undergraduate Students (PLUS). Borrowing under this program grew at an average annual rate of 12.5 percent between 1995-96 and 2005-06, in inflation-adjusted dollars.
- Institutions provide the largest source of grant aid, with these discounts to students comprising 18 percent of student aid and 41 percent of all grant aid.

Student Borrowing

- Increases in Stafford Loan volume over the past decade are the result of an increase in the number of loans issued, not increases in the constant dollar value of the loans.
- Graduate student borrowing is increasing more rapidly than undergraduate student borrowing.

- Total loan volume grew more rapidly in the PLUS program than in the Stafford student loan program in every year over the past decade. The unsubsidized Stafford Loan program has grown more rapidly than the subsidized Stafford Loan program.
- Education loans from private lenders continue to grow relative to the federal loans provided through the student aid system.
- Private student loans now total \$17.3 billion, having grown at an average annual rate of about 27 percent between 2000-01 and 2005-06, after adjusting for inflation.
- Median debt levels of graduating students increased sharply between 1995-96 and 1999-2000, but leveled off between 1999-2000 and 2003-04.

Grant Aid

Grant aid from all sources averages \$4,433 per full-time equivalent student, including both undergraduate and graduate students.

- The proportion of undergraduate funding in the form of grant aid has declined each year since 2001-02.
- After increasing sharply between 2000-01 and 2003-04, the number of Pell Grant recipients increased by only 3 percent in 2004-05, and 1.5 percent in 2005-06.
- Total Pell Grant expenditures declined from \$13.6 billion in 2004-05 to \$12.7 billion in 2005-06.
- The average Pell Grant per recipient fell by \$120, from \$2,474 to \$2,354 between 2004-05 and 2005-06.
- The percentage of tuition, fees, room, and board at the average public four-year college covered by the maximum Pell Grant declined from 42 percent in 2001-02 to 33 percent in 2005-06.
- The distribution of institutional grant aid differs considerably at different types of institutions. An increasing proportion of these dollars, especially in public institutions and low-price private colleges and universities, is distributed without regard to students' financial circumstances.

Other College Funding

- Participation in Section 529 college savings plans continues to grow.
- Both federal education tax credits and the federal tuition tax deduction benefit primarily middle- and upper-income taxpayers.
- Federal tax credits and deductions now constitute about 6 percent of total federal student aid.
- Federal work-study assistance constitutes just under 1 percent of total student aid.

Total Student Aid Dollars

Table 1: Aid Used to Finance Postsecondary Education Expenses in Current Dollars (in Millions), 1995-96 to 2005-06

	Academic Year											10-Year* % Change
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05 <i>Estimated</i>	05-06 <i>Preliminary</i>	
Federally Supported Programs												
Grants												
Pell Grants	\$5,472	\$5,780	\$6,331	\$7,233	\$7,208	\$7,956	\$9,975	\$11,642	\$12,708	\$13,135	\$12,683	132%
SEOG	\$583	\$583	\$583	\$614	\$619	\$631	\$691	\$725	\$760	\$771	\$771	32%
LEAP	\$64	\$32	\$50	\$25	\$25	\$40	\$55	\$66	\$64	\$65	\$70	9%
Veterans	\$1,303	\$1,279	\$1,347	\$1,484	\$1,491	\$1,644	\$1,883	\$2,313	\$2,657	\$3,012	\$3,588	175%
Military/Other Grants	\$709	\$692	\$729	\$752	\$822	\$876	\$994	\$1,050	\$1,280	\$1,458	\$1,505	112%
Subtotal	\$8,130	\$8,366	\$9,040	\$10,108	\$10,165	\$11,147	\$13,598	\$15,796	\$17,468	\$18,441	\$18,617	129%
Federal Work-Study	\$764	\$776	\$906	\$913	\$917	\$939	\$1,032	\$1,097	\$1,107	\$1,082	\$1,184	55%
Loans												
Perkins Loans	\$1,029	\$1,022	\$1,062	\$1,070	\$1,101	\$1,144	\$1,239	\$1,460	\$1,639	\$1,652	\$1,135	10%
Subsidized Stafford	\$16,381	\$17,624	\$17,994	\$17,698	\$18,237	\$18,502	\$19,722	\$22,342	\$25,375	\$27,307	\$28,799	76%
Unsubsidized Stafford	\$8,674	\$10,320	\$11,606	\$12,169	\$14,027	\$15,192	\$17,080	\$19,970	\$23,219	\$25,858	\$28,794	232%
PLUS	\$2,329	\$2,660	\$3,051	\$3,322	\$3,750	\$4,147	\$4,602	\$5,464	\$7,105	\$8,343	\$9,702	317%
Other Loans	\$325	\$281	\$217	\$117	\$113	\$116	\$118	\$125	\$125	\$141	\$157	-52%
Subtotal	\$28,737	\$31,906	\$33,930	\$34,376	\$37,228	\$39,101	\$42,761	\$49,360	\$57,463	\$63,300	\$68,586	139%
Education Tax Benefits	—	—	—	\$2,970	\$4,130	\$4,160	\$4,260	\$4,730	\$5,220	\$5,700	\$5,970	101%
Total Federal Aid	\$37,631	\$41,048	\$43,876	\$48,367	\$52,441	\$55,348	\$61,651	\$70,983	\$81,258	\$88,524	\$94,358	151%
State Grant Programs	\$3,000	\$3,163	\$3,404	\$3,669	\$4,064	\$4,766	\$5,223	\$5,792	\$5,993	\$6,620	\$6,840	128%
Institutional Grants	\$10,440	\$11,450	\$12,580	\$13,870	\$15,310	\$16,240	\$17,410	\$19,070	\$20,510	\$22,090	\$24,380	134%
Private and Employer Grants	\$2,840	\$3,320	\$3,890	\$4,550	\$5,330	\$5,850	\$6,410	\$7,030	\$7,700	\$8,180	\$9,270	226%
Total Federal, State, Institutional Aid	\$53,911	\$58,981	\$63,750	\$70,457	\$77,145	\$82,204	\$90,694	\$102,875	\$115,462	\$125,413	\$134,848	150%
Nonfederal Loans	\$1,330	\$1,860	\$2,310	\$2,910	\$3,960	\$4,530	\$5,570	\$7,610	\$10,050	\$13,790	\$17,300	1201%
Total Funds Used to Finance Postsecondary Expenses	\$55,241	\$60,841	\$66,060	\$73,367	\$81,105	\$86,734	\$96,264	\$110,485	\$125,512	\$139,203	\$152,148	175%

* Where programs have been in existence for less than 10 years, percent change is calculated from the first year of the program.

Note: Components may not sum exactly to totals due to rounding.

During the 2005-06 academic year, about \$135 billion in financial aid was distributed to undergraduate and graduate students in the form of grants, work-study, federal loans, and federal tax credits and deductions. In addition, these students borrowed about \$17 billion in private nonfederal loans to help finance their education.

- Grant aid and tax benefits provide subsidies to students and families equal to the dollar amounts reported here. The subsidy value of other aid is less than the dollar amounts awarded. Subsidized Stafford Loans offer significant subsidies because the federal government pays the interest while the student is in school and the interest rate is regulated for the life of the loan. Other federal loans provide minimal subsidies, either through federal guarantees and/or through regulated interest rates.
- The nearly \$69 billion in federal loans reported in this table include both those loans guaranteed by the federal government but financed privately under the Federal Family Education Loan Program, and those loans borrowed directly from the government through the Ford Direct Student Loan Program. Perkins and Stafford Loans are awarded to students, while PLUS Loans are issued to parents of undergraduate students and, beginning in 2006-07, to graduate students.
- The education tax benefits reported here include Hope and Lifetime Learning tax credits and the tax savings generated by the federal deduction for tuition and fees.
- The aid reported in this table includes both need-based aid, for which students and families qualify based on their financial circumstances, and non-need-based aid, which is either available to all students or allocated based on criteria other than financial need.
- Nonfederal loans are not included in the student aid total because while they help students finance their education, they do not involve any subsidy.

Total Student Aid Dollars—Adjusted for Inflation

Table 2: Aid Used to Finance Postsecondary Education Expenses in Constant (2005) Dollars (in Millions), 1995-96 to 2005-06

	Academic Year											10-Year* % Change
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05 <i>Estimated</i>	05-06 <i>Preliminary</i>	
Federally Supported Programs												
Grants												
Pell Grants	\$7,028	\$7,217	\$7,733	\$8,694	\$8,472	\$9,043	\$11,037	\$12,653	\$13,520	\$13,614	\$12,683	80%
SEOG	\$749	\$728	\$712	\$738	\$728	\$717	\$765	\$788	\$809	\$799	\$771	3%
LEAP	\$83	\$40	\$61	\$30	\$29	\$45	\$61	\$72	\$68	\$68	\$70	-15%
Veterans	\$1,673	\$1,597	\$1,645	\$1,784	\$1,752	\$1,869	\$2,084	\$2,514	\$2,826	\$3,122	\$3,588	114%
Military/Other Grants	\$910	\$864	\$891	\$904	\$966	\$996	\$1,100	\$1,141	\$1,361	\$1,511	\$1,505	65%
Subtotal	\$10,443	\$10,446	\$11,041	\$12,150	\$11,947	\$12,670	\$15,046	\$17,168	\$18,585	\$19,113	\$18,617	78%
Federal Work-Study	\$981	\$969	\$1,107	\$1,098	\$1,078	\$1,067	\$1,142	\$1,193	\$1,177	\$1,121	\$1,184	21%
Loans												
Perkins Loans	\$1,322	\$1,276	\$1,297	\$1,286	\$1,294	\$1,301	\$1,371	\$1,587	\$1,743	\$1,712	\$1,135	-14%
Subsidized Stafford	\$21,041	\$22,005	\$21,977	\$21,272	\$21,435	\$21,028	\$21,822	\$24,283	\$26,997	\$28,301	\$28,799	37%
Unsubsidized Stafford	\$11,141	\$12,885	\$14,176	\$14,627	\$16,486	\$17,267	\$18,898	\$21,705	\$24,703	\$26,800	\$28,794	158%
PLUS	\$2,991	\$3,321	\$3,727	\$3,993	\$4,408	\$4,714	\$5,092	\$5,938	\$7,560	\$8,646	\$9,702	224%
Other Loans	\$418	\$351	\$265	\$141	\$133	\$132	\$130	\$136	\$133	\$146	\$157	-62%
Subtotal	\$36,913	\$39,837	\$41,442	\$41,318	\$43,756	\$44,441	\$47,314	\$53,649	\$61,137	\$65,605	\$68,586	86%
Education Tax Benefits	—	—	—	\$3,570	\$4,854	\$4,728	\$4,714	\$5,141	\$5,554	\$5,908	\$5,970	67%
Total Federal Aid	\$48,337	\$51,251	\$53,590	\$58,135	\$61,636	\$62,907	\$68,215	\$77,151	\$86,452	\$91,747	\$94,358	95%
State Grant Programs	\$3,853	\$3,950	\$4,158	\$4,410	\$4,777	\$5,417	\$5,779	\$6,295	\$6,377	\$6,861	\$6,840	78%
Institutional Grants	\$13,410	\$14,296	\$15,365	\$16,671	\$17,995	\$18,458	\$19,264	\$20,727	\$21,821	\$22,894	\$24,380	82%
Private and Employer Grants	\$3,648	\$4,145	\$4,751	\$5,469	\$6,265	\$6,649	\$7,093	\$7,641	\$8,192	\$8,478	\$9,270	154%
Total Federal, State, Institutional Aid	\$69,248	\$73,642	\$77,864	\$84,686	\$90,672	\$93,431	\$100,351	\$111,813	\$122,842	\$129,980	\$134,848	95%
Nonfederal Loans	\$1,708	\$2,322	\$2,821	\$3,498	\$4,654	\$5,149	\$6,163	\$8,271	\$10,692	\$14,292	\$17,300	913%
Total Funds Used to Finance Postsecondary Expenses	\$70,957	\$75,965	\$80,685	\$88,184	\$95,326	\$98,580	\$106,514	\$120,085	\$133,534	\$144,272	\$152,148	114%

* Where programs have been in existence for less than 10 years, percent change is calculated from the first year of the program.

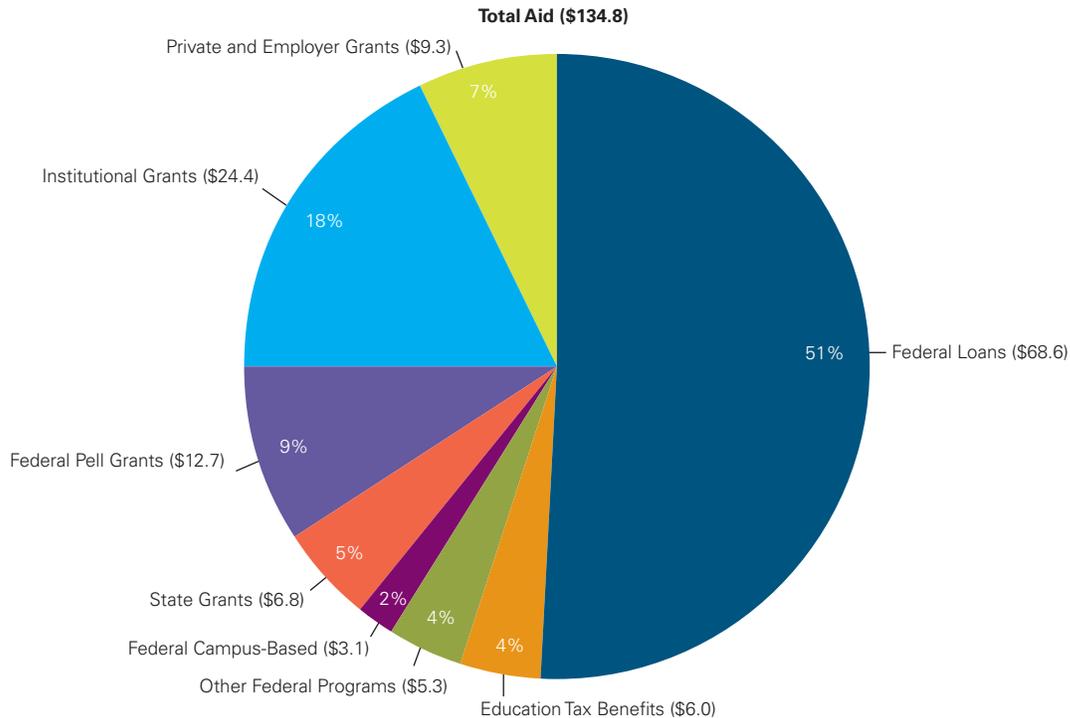
Note: Components may not sum exactly to totals due to rounding.

After adjusting the amounts of student aid reported in Table 1 for inflation, total aid to undergraduate and graduate students increased by 95 percent between 1995-96 and 2005-06. Total grant aid increased by almost 90 percent (not shown in Table 2).

- Growth in total student aid dollars is best understood in the context of growing postsecondary enrollments. As shown in Tables 7a and 7b, the number of full-time equivalent students grew by almost 30 percent over the decade.
- Both federal Pell Grant funds and grants awarded to students by private sources and employers grew by approximately \$5.6 billion in inflation-adjusted dollars over the decade. Grant aid awarded by colleges and universities to their students increased by about \$11 billion.
- The federal government introduced two new grant programs for undergraduate students in 2006-07. Academic Competitiveness Grants and SMART (Science and Mathematics Access to Retain Talent) Grants are now available to selected Pell Grant recipients.
- Federal education tax credits and tuition deductions, which did not exist at the beginning of the decade, constituted about 6 percent of federal student aid in 2005-06. All other forms of aid declined as a proportion of federal aid between 1995-96 and 2005-06. Grants declined from 22 to 20 percent, loans from 76 to 72 percent, and work-study from 2 to 1 percent.

Total Student Aid by Type

Figure 2: Estimated Student Aid by Source for Academic Year 2005-06 in Current Dollars (in Billions)



Note: Components may not sum to 100 percent due to rounding.

About half of the student aid used by undergraduate and graduate students to finance postsecondary education is in the form of loans from the federal government, including subsidized and unsubsidized Stafford Loans to students, Perkins Loans to high-need students distributed through institutions, and Parent Loans for Undergraduate Students.

- Private student loans, which include no subsidy of any kind, are not included in this graph. They are equal to approximately 25 percent of the total volume of federal loans.
- Grant aid provided by institutions to students so that they pay less than the published price for tuition and fees is the second-largest component of student aid, at 18 percent of the total.
- Federal education tax credits and deductions for tuition and fees paid constitute 4 percent of the total student aid and 6 percent of the federal aid received by graduate and undergraduate students.
- Eighty-six percent of federal education loans are student loans and 14 percent are loans parents of undergraduate students borrow under the PLUS program. Beginning with the 2006-07 academic year, PLUS loans are also available to graduate students.

Types of Grants and Loans

Figure 3a: Growth of Federal, Institutional, Private/Employer, and State Grant Dollars in Constant (2005) Dollars, 1995-96 to 2005-06

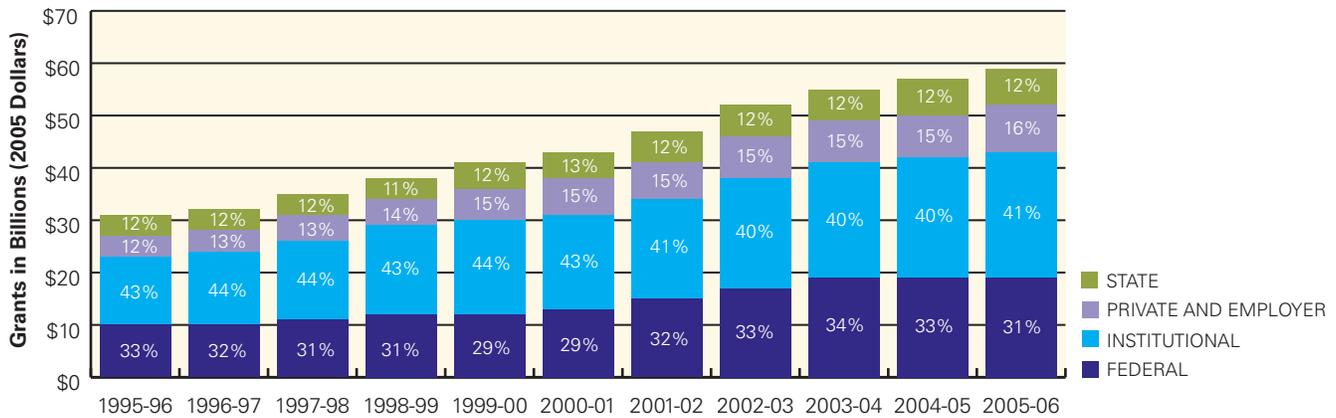
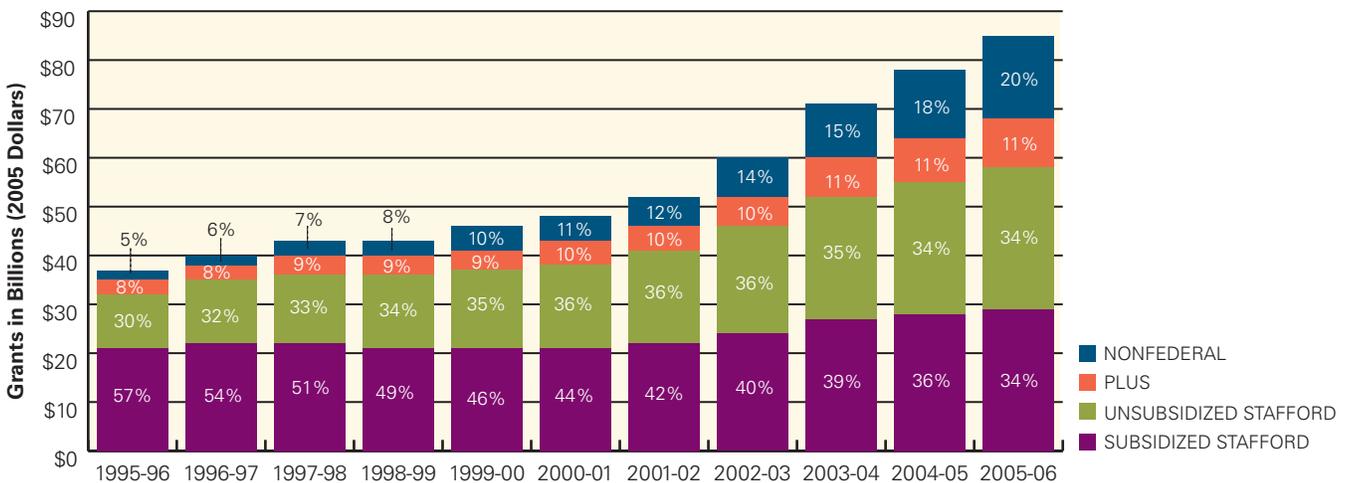


Figure 3b: Growth of Stafford, PLUS, and Nonfederal Loan Dollars in Constant (2005) Dollars, 1995-96 to 2005-06



Note: Components may not sum to 100 percent due to rounding.

Federal grants (which constituted 40 percent of total grant aid in 1990-91) have fluctuated between 29 and 34 percent of total grant aid over the past decade.

Subsidized Stafford Loans decreased steadily as a proportion of total education loans from 57 percent in 1995-96 to 34 percent in 2005-06. Unsubsidized Stafford and PLUS Loans have grown relative to the total, but nonfederal loans now constitute about 20 percent of education borrowing.

- Stafford and PLUS Loans are delivered both through the Ford Direct Student Loan (FDSL) and Federal Family Education Loan (FFEL) Programs. The Direct Loan program was introduced in 1994-95. The FDSL share of loans from the two programs combined was 30 percent in 1995-96, but had declined to 28 percent by 2000-01 and to 22 percent by 2005-06.
- Home equity loans and credit card debt used to finance higher education are not included in this report.

Federal Aid Recipients and Average Awards

Table 3: Number of Recipients and Aid Per Recipient for Pell Grant, Campus-Based, and Education Tax Benefit Programs in Current and Constant (2005) Dollars, 1995-96 to 2005-06

	Academic Year											10-Year* % Change
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Pell Grants												
Recipients (000)	3,612	3,666	3,733	3,855	3,764	3,899	4,341	4,779	5,140	5,308	5,387	49%
Aid Per Recipient (Current)	\$1,515	\$1,577	\$1,696	\$1,876	\$1,915	\$2,040	\$2,298	\$2,436	\$2,473	\$2,474	\$2,354	
Aid Per Recipient (Constant)	\$1,946	\$1,969	\$2,072	\$2,255	\$2,251	\$2,319	\$2,543	\$2,648	\$2,631	\$2,565	\$2,354	21%
Federal SEOG												
Recipients (000)	1,083	1,191	1,116	1,163	1,170	1,174	1,295	1,355	1,390	1,409	1,287	19%
Aid Per Recipient (Current)	\$538	\$489	\$523	\$528	\$529	\$537	\$534	\$535	\$547	\$547	\$599	
Aid Per Recipient (Constant)	\$692	\$611	\$638	\$635	\$622	\$611	\$590	\$582	\$582	\$567	\$599	-13%
Federal Work-Study												
Recipients (000)	702	691	746	744	733	713	741	759	765	811	818	16%
Aid Per Recipient (Current)	\$1,087	\$1,123	\$1,215	\$1,228	\$1,252	\$1,318	\$1,394	\$1,446	\$1,447	\$1,335	\$1,447	
Aid Per Recipient (Constant)	\$1,397	\$1,402	\$1,484	\$1,476	\$1,471	\$1,498	\$1,542	\$1,571	\$1,540	\$1,383	\$1,447	4%
Federal Perkins												
Recipients (000)	688	674	679	669	655	639	661	729	756	749	524	-24%
Aid Per Recipient (Current)	\$1,496	\$1,515	\$1,564	\$1,600	\$1,681	\$1,790	\$1,875	\$2,003	\$2,166	\$2,206	\$2,166	
Aid Per Recipient (Constant)	\$1,922	\$1,892	\$1,910	\$1,924	\$1,976	\$2,034	\$2,075	\$2,177	\$2,305	\$2,286	\$2,166	13%
Federal Education Tax Benefits												
Recipients (000)	—	—	—	4,033	5,492	5,830	7,725	7,725	8,122	8,849	N/A	119%
Aid Per Recipient (Current)	—	—	—	\$736	\$752	\$714	\$551	\$612	\$643	\$644	N/A	
Aid Per Recipient (Constant)	—	—	—	\$885	\$884	\$811	\$610	\$666	\$684	\$668	N/A	-25%

* Where programs have been in existence for less than 10 years, percent change is calculated from the first year of the program.

Note: Education tax credit amounts equal the dollar value of the credits claimed on taxable returns; tax deduction amounts are estimated tax savings from deductions claimed on taxable returns. IRS data for 2005-06 are not yet available.

In all of the grant and campus-based programs, aid per recipient was lower in 2005-06 than earlier in the decade, after adjusting for inflation.

- The average Pell Grant was \$2,354 in 2005-06. At its peak in 2002-03, it was \$294 higher in constant 2005 dollars.
- The average Supplemental Educational Opportunity Grant (SEOG) was \$599 in 2005-06, down \$93 in 2005 dollars from its 1995-96 level.
- Average earnings per federal work-study recipient were \$1,447 in 2005-06, \$50 higher in 2005 dollars than a decade earlier, but \$124 lower than in 2002-03.
- The average Perkins Loan was \$2,166 in 2005-06, \$244 higher in 2005 dollars than a decade earlier, but \$139 lower than at its peak in 2003-04.
- The average tax savings on taxable returns claiming education tax credits or tuition and fee deductions was about \$670 in 2004-05.

Undergraduate and Graduate Borrowers

Table 4: Number of Borrowers, Number of Loans, Total Dollars (in Millions), and Average Loan Amount for Federal Loan Programs in Current and Constant (2005) Dollars, 1995-96 to 2005-06

Undergraduate Students

	Academic Year											10-Year % Change
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Stafford Subsidized												
# Borrowers (000)	3,609	3,841	3,933	3,880	3,931	3,988	4,242	4,683	4,851	5,144	5,353	
# Loans (000)	3,967	4,237	4,338	4,264	4,293	4,367	4,675	5,166	5,785	6,211	6,468	
Total \$ Amount (Current)	\$11,614	\$12,531	\$12,864	\$12,603	\$12,885	\$13,059	\$13,789	\$15,510	\$17,585	\$18,854	\$19,882	
Avg. Loan (Current)	\$2,928	\$2,957	\$2,965	\$2,956	\$3,002	\$2,990	\$2,950	\$3,002	\$3,039	\$3,035	\$3,074	
Avg. Loan (Constant)	\$3,761	\$3,692	\$3,622	\$3,552	\$3,528	\$3,399	\$3,264	\$3,263	\$3,234	\$3,146	\$3,074	
												63%
Stafford Unsubsidized												
# Borrowers (000)	1,689	1,941	2,135	2,186	2,423	2,606	2,899	3,225	3,640	3,699	4,009	
# Loans (000)	1,879	2,176	2,396	2,447	2,677	2,883	3,233	3,613	4,097	4,494	4,874	
Total \$ Amount (Current)	\$5,227	\$6,190	\$6,997	\$7,207	\$8,259	\$9,046	\$10,141	\$11,592	\$13,419	\$14,875	\$16,561	
Avg. Loan (Current)	\$2,782	\$2,844	\$2,920	\$2,945	\$3,085	\$3,137	\$3,137	\$3,208	\$3,275	\$3,310	\$3,398	
Avg. Loan (Constant)	\$3,574	\$3,551	\$3,567	\$3,540	\$3,626	\$3,566	\$3,471	\$3,487	\$3,485	\$3,431	\$3,398	
												159%
PLUS												
# Borrowers (000)	380	412	450	477	509	530	557	615	738	756	820	
# Loans (000)	402	437	479	509	543	566	599	666	803	896	972	
Total \$ Amount (Current)	\$2,322	\$2,653	\$3,050	\$3,321	\$3,750	\$4,147	\$4,601	\$5,463	\$7,105	\$8,342	\$9,701	
Avg. Loan (Current)	\$5,770	\$6,068	\$6,363	\$6,528	\$6,906	\$7,321	\$7,682	\$8,198	\$8,843	\$9,314	\$9,984	
Avg. Loan (Constant)	\$7,411	\$7,577	\$7,772	\$7,846	\$8,116	\$8,321	\$8,500	\$8,911	\$9,408	\$9,653	\$9,984	
												35%

Graduate Students

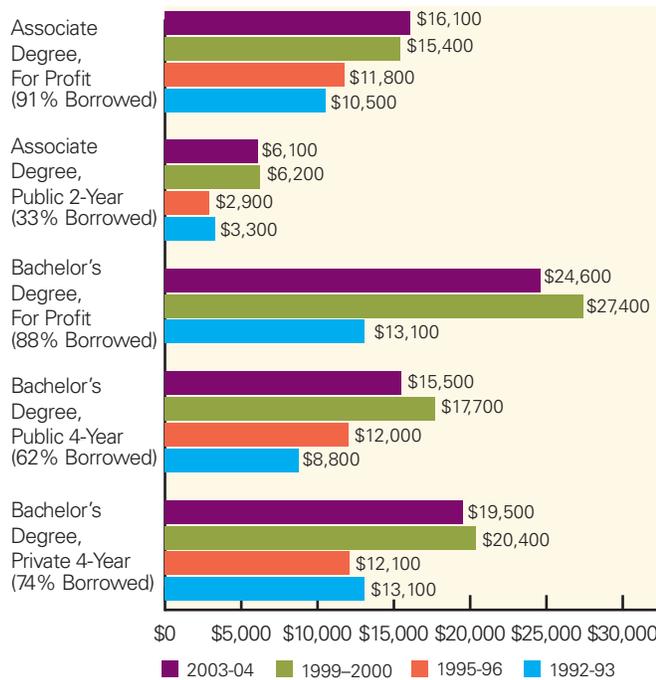
	Academic Year											10-Year % Change
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Stafford Subsidized												
# Borrowers (000)	665	698	686	681	717	724	772	874	916	977	1,017	
# Loans (000)	752	796	783	773	802	819	902	1,028	1,163	1,258	1,311	
Total \$ Amount (Current)	\$4,767	\$5,093	\$5,129	\$5,095	\$5,352	\$5,442	\$5,933	\$6,832	\$7,790	\$8,453	\$8,917	
Avg. Loan (Current)	\$6,337	\$6,402	\$6,550	\$6,590	\$6,674	\$6,649	\$6,580	\$6,645	\$6,700	\$6,717	\$6,803	
Avg. Loan (Constant)	\$8,140	\$7,993	\$8,000	\$7,921	\$7,845	\$7,557	\$7,281	\$7,222	\$7,128	\$6,962	\$6,803	
												74%
Stafford Unsubsidized												
# Borrowers (000)	472	525	540	550	616	628	685	794	916	932	1,011	
# Loans (000)	547	627	648	659	722	745	847	992	1,147	1,264	1,371	
Total \$ Amount (Current)	\$3,446	\$4,130	\$4,609	\$4,962	\$5,768	\$6,146	\$6,939	\$8,378	\$9,800	\$10,983	\$12,233	
Avg. Loan (Current)	\$6,298	\$6,591	\$7,107	\$7,535	\$7,990	\$8,245	\$8,192	\$8,448	\$8,543	\$8,688	\$8,920	
Avg. Loan (Constant)	\$8,089	\$8,229	\$8,681	\$9,057	\$9,391	\$9,371	\$9,065	\$9,182	\$9,089	\$9,005	\$8,920	
												151%

Growth in Stafford Loan volume over the decade is the result of increases in the number of borrowers and the number of loans. For undergraduates, the average loan declined in inflation-adjusted dollars between 1995-96 and 2005-06. For graduate students, the average subsidized loan declined by \$1,337, but the average unsubsidized loan increased by \$831 in 2005 dollars.

- Both the number of borrowers and the average loan in the PLUS program increased throughout the decade. In 2005-06, 820,000 parents borrowed an average of \$9,984 to finance their children's undergraduate education.
- In 2005-06, graduate student Stafford Loans averaged \$6,803 for subsidized and \$8,920 for unsubsidized loans, compared to \$3,074 for subsidized and \$3,398 for unsubsidized loans among undergraduates.

Student Debt Levels

Figure 4a: Median Debt Levels of Undergraduate Degree Recipients Who Borrowed, by Degree and Institution Type in Constant (2003) Dollars, 1992-93 to 2003-04



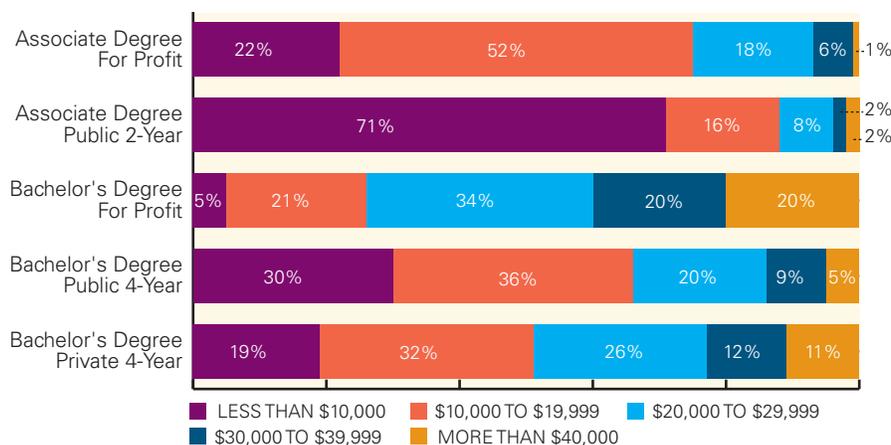
The median total debt levels of degree recipients increased sharply at all types of institutions between 1995-96 and 1999-2000. Between 1999-2000 and 2003-04, median debt levels declined in inflation-adjusted dollars for all graduates except those earning associate degrees from for-profit institutions.

- 2003-04 bachelor's degree recipients who borrowed to finance their education accumulated median debt levels of \$24,600 in for-profit institutions, \$19,500 in private nonprofit colleges, and \$15,500 in public institutions. Overall the median debt level of bachelor's degree recipients was \$19,300.

Note: Student loans from both federal and nonfederal sources are included. PLUS loans and credit card debt are not included. For 1992-93 and 1995-96, the NPSAS variable on which these figures are based includes loans from friends and family. Sample size is too small to report on for bachelor's degrees in for-profit institutions in 1995-96. The percent who borrowed is based on 2003-04 data.

Source: NPSAS: 1993, 1996, 2000, and 2004, Undergraduates; calculations by authors.

Figure 4b: Distribution of Total Debt Levels of Degree Recipients, 2003-04



There is wide variation in the debt levels of borrowers who earn degrees, even within institution types.

- Debt levels as high as \$30,000 are rare among associate degree recipients, but 40 percent of students who borrowed and received bachelor's degrees from for-profit institutions in 2003-04 graduated with more than \$30,000 in debt. Twenty-three percent of graduates of private nonprofit colleges and 14 percent of graduates of public four-year colleges who borrowed had debt of at least \$30,000.

Note: Student loans from both federal and nonfederal sources are included. PLUS loans and credit card debt are not included.

Source: NPSAS: 2004, Undergraduates; calculations by authors.

Also important:

- About a quarter of student borrowers leave school without completing their programs. These students, who do not enjoy the same financial benefit from education as those who do graduate, are not included in this analysis. (Lawrence Gladieux and Laura Perna, *Borrowers Who Drop Out*, National Center for Public Policy and Higher Education, 2006)
- The debt reported here does not include credit card debt. About a quarter of undergraduates report using credit cards to help finance their education. (Nellie Mae, *Undergraduate Students and Credit Cards in 2004, 2005*) Among dependent undergraduate students with credit cards in their own names, 41 percent carry a balance with a median amount owed of about \$1,000. (National Center for Education Statistics, *Profile of Undergraduates in U.S. Postsecondary Education Institutions*, NCES 2006-184, Table 4.3)

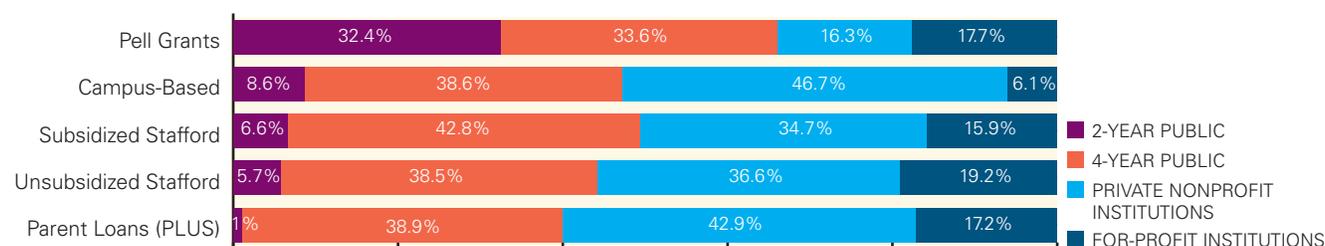
Distribution of Federal Aid by Type of Institution

Table 5: Federal Aid Funds by Type of Institution, 1994-95 to 2004-05

	Academic Year											10-Year % Change
	94-95	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	
Pell Grants										<i>Estimated</i>		
2-Year Public Institutions	32.7%	32.7%	33.0%	32.8%	32.4%	33.4%	33.7%	35.0%	34.7%	32.8%	32.4%	-0.3
4-Year Public Institutions	35.1%	36.0%	36.0%	36.4%	36.4%	34.8%	34.4%	33.0%	33.0%	34.0%	33.6%	-1.4
Private Institutions	19.0%	18.8%	18.5%	18.6%	18.6%	18.6%	18.3%	17.9%	16.9%	16.7%	16.3%	-2.7
For-Profit Institutions	13.2%	12.5%	12.5%	12.2%	12.5%	13.1%	13.6%	14.2%	15.4%	16.5%	17.7%	4.5
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Campus-Based Programs												
2-Year Public Institutions	9.7%	9.6%	9.8%	9.9%	9.9%	9.8%	9.8%	9.8%	9.0%	8.5%	8.6%	-1.1
4-Year Public Institutions	40.4%	40.9%	41.1%	40.7%	40.5%	40.3%	40.1%	39.4%	40.1%	39.4%	38.6%	-1.8
Private Institutions	45.5%	45.6%	45.1%	45.5%	45.5%	45.7%	45.9%	46.0%	45.7%	46.5%	46.7%	1.2
For-Profit Institutions	4.4%	4.0%	4.1%	3.9%	4.0%	4.2%	4.2%	4.8%	5.3%	5.6%	6.1%	1.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Stafford Sub. Loans												
2-Year Public Institutions	5.9%	5.8%	5.8%	5.8%	5.7%	5.5%	5.4%	5.7%	6.3%	6.6%	6.6%	0.8
4-Year Public Institutions	46.5%	47.5%	48.0%	48.0%	47.2%	45.6%	44.7%	43.6%	43.5%	42.8%	42.8%	-3.7
Private Institutions	38.9%	38.4%	37.8%	37.7%	37.6%	37.9%	38.2%	37.6%	35.8%	34.7%	34.7%	-4.2
For-Profit Institutions	8.8%	8.2%	8.4%	8.5%	9.6%	10.4%	11.8%	13.1%	14.4%	15.9%	15.9%	7.1
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
Stafford Unsub. Loans												
2-Year Public Institutions	4.9%	5.1%	5.0%	5.0%	4.7%	4.4%	4.4%	4.7%	5.3%	5.7%	5.7%	0.8
4-Year Public Institutions	39.2%	41.5%	42.3%	42.2%	41.5%	41.2%	40.7%	40.2%	39.7%	38.5%	38.5%	-0.7
Private Institutions	43.0%	41.7%	41.2%	41.5%	41.5%	40.6%	40.8%	39.7%	37.9%	36.6%	36.6%	-6.4
For-Profit Institutions	12.9%	11.7%	11.5%	11.3%	12.4%	12.9%	14.1%	15.4%	17.1%	19.2%	19.2%	6.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	
PLUS Loans												
2-Year Public Institutions	1.2%	1.2%	1.1%	1.1%	1.1%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	-0.2
4-Year Public Institutions	35.2%	36.9%	37.5%	38.3%	38.7%	37.3%	35.9%	36.8%	38.1%	38.9%	38.9%	3.7
Private Institutions	50.3%	49.3%	48.9%	48.2%	46.3%	45.9%	46.2%	44.4%	43.5%	42.9%	42.9%	-7.4
For-Profit Institutions	13.4%	12.6%	12.5%	12.5%	14.0%	15.9%	16.9%	17.8%	17.4%	17.2%	17.2%	3.8
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Note: Components may not sum exactly to totals due to rounding.

Figure 5: Federal Aid Funds by Type of Institution, 2004-05



- The only federal student aid program from which two-year public college students receive a significant share of the dollars is the Pell Grant program.
- The share of dollars received by students in for-profit institutions from all federal aid programs except campus based is higher than their percentage of total undergraduate FTE enrollments.
- Students in private nonprofit colleges and universities receive a small percentage of Pell Grant dollars relative to their percentage of total undergraduate FTE enrollments.

Institution Type	% of UG FTEs	% of Total FTEs
2-Year Public	32%	29%
4-Year Public	41%	43%
4-Year Private	18%	21%
For Profit	8%	7%

Source: NCES, *Digest of Education Statistics*, 2005, Table 199; unpublished IPEDS data from NCES.

Total Funding: Grants, Loans, Work-Study, Tax Benefits

Table 6: Grant, Loan, Work-Study, and Education Tax Benefit Funding in Constant (2005) Dollars (in Millions) and As a Percentage of Total Aid, 1995-96 to 2005-06

All Students (Constant 2005 Dollars)												
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	10-Year* % Change
Grants	\$31,354	\$32,837	\$35,315	\$38,700	\$40,983	\$43,194	\$47,181	\$51,831	\$54,975	\$57,346	\$59,108	89%
Loans	\$38,621	\$42,159	\$44,263	\$44,816	\$48,410	\$49,590	\$53,477	\$61,920	\$71,829	\$79,897	\$85,886	122%
Work	\$981	\$969	\$1,107	\$1,098	\$1,078	\$1,067	\$1,142	\$1,193	\$1,177	\$1,121	\$1,184	21%
Ed. Tax Benefits	-	-	-	\$3,570	\$4,854	\$4,728	\$4,714	\$5,141	\$5,554	\$5,908	\$5,970	67%
Total	\$70,957	\$75,965	\$80,685	\$88,184	\$95,326	\$98,580	\$106,514	\$120,085	\$133,534	\$144,272	\$152,148	114%

All Students (Percentage)												
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Grants	44%	43%	44%	44%	43%	44%	44%	43%	41%	40%	39%	
Loans	54%	55%	55%	51%	51%	50%	50%	52%	54%	55%	56%	
Work	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
Ed. Tax Benefits	-	-	-	4%	5%	5%	4%	4%	4%	4%	4%	
Total	100%											

Undergraduate Students (Percentage)												
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Grants	48%	47%	47%	47%	46%	47%	48%	47%	45%	44%	42%	
Loans	51%	52%	51%	47%	47%	46%	46%	47%	49%	51%	52%	
Work	2%	2%	2%	1%	1%	1%	1%	1%	1%	1%	1%	
Ed. Tax Benefits	-	-	-	5%	6%	5%	5%	5%	5%	5%	5%	
Total	100%											

Graduate Students (Percentage)												
	95-96	96-97	97-98	98-99	99-00	00-01	01-02	02-03	03-04	04-05	05-06	
Grants	34%	33%	34%	34%	34%	34%	33%	31%	29%	28%	28%	
Loans	66%	67%	66%	63%	62%	62%	64%	66%	68%	69%	69%	
Work	1%	<1%	1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	
Ed. Tax Benefits	-	-	-	2%	3%	3%	3%	2%	2%	2%	2%	
Total	100%											

*Where programs have been in existence for less than 10 years, percent change is calculated from the first year of the program.

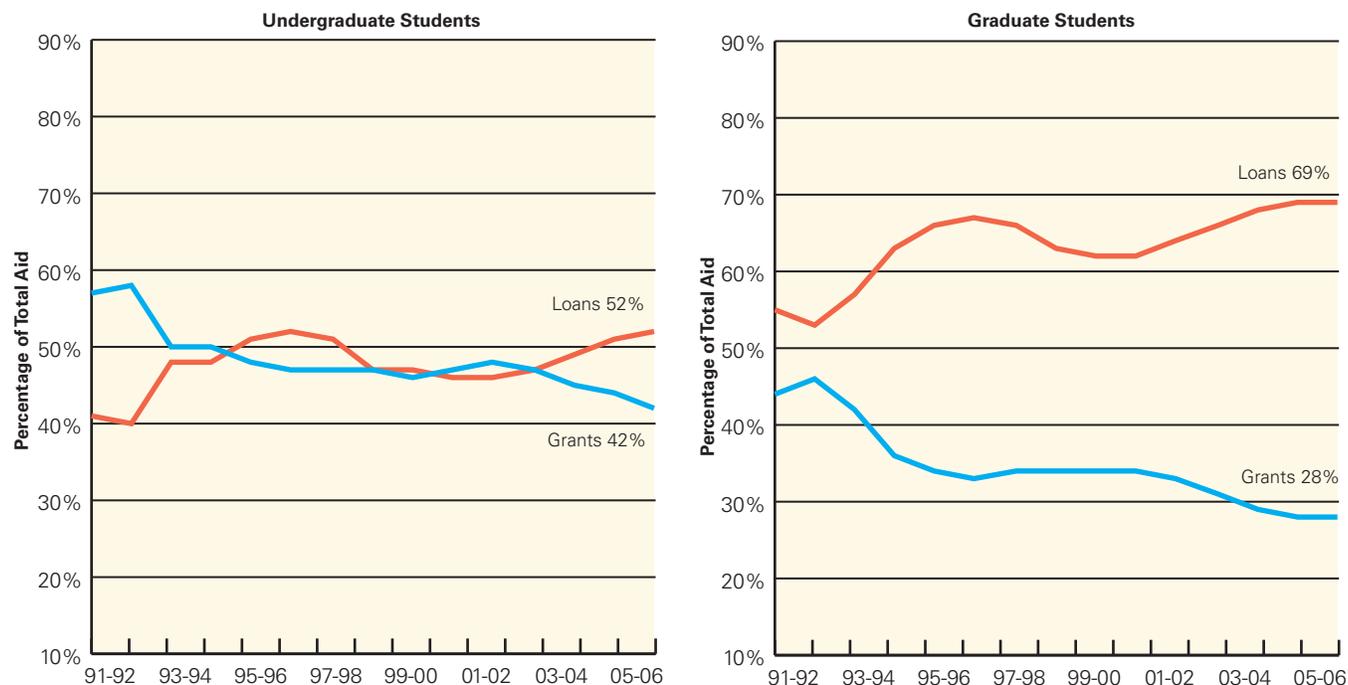
Note: Nonfederal loans are included in these figures. Components may not sum exactly to totals due to rounding.

In 2005-06, postsecondary students received \$59 billion in grants and borrowed \$86 billion. Undergraduate students received 42 percent of their funding in the form of grants, compared to 28 percent for graduate students.

- For graduate and undergraduate students combined, the percentage of aid in the form of grants, which was stable at 43 to 44 percent from 1995-96 through 2002-03, declined to 39 percent by 2005-06. In earlier years not shown in Table 6, grants constituted 55 percent of funding in 1980-81 and 53 percent in 1990-91.
- The decline in the percentage of funding for undergraduate students in the form of grants—from 48 to 42 percent between 2001-02 and 2005-06—occurred despite a 25 percent increase in grant aid in inflation-adjusted dollars. This is because borrowing increased by 59 percent over this four-year period.
- Undergraduate students received 81 percent of total grant aid and borrowed 69 percent of total education loans in 2005-06. Graduate students, who constitute about 11 percent of all postsecondary students, received the remainder of the funds.

Total Funding: Grants and Loans for Undergraduate and Graduate Students

Figure 6: Grants Versus Loans, Percent Share of Total Aid, 1991-92 to 2005-06



Note: Work-study and federal education tax benefits are not shown here, but are included in the total funds on which these percentages are based. Nonfederal loans are included in total loans to provide the best indication of how much students are borrowing.

After remaining stable for almost a decade, the share of grants in undergraduate funding declined from 48 percent in 2001-02 to 42 percent in 2005-06.

- The role of loan financing increased dramatically in 1993, when the unsubsidized Stafford Loan program was implemented. The loan to grant ratio did not increase significantly again until the rapid increase in the role of loans beginning in 2002-03 and continuing through 2005-06.
- The increase in the role of loan financing began earlier for graduate students than for undergraduate students, with the percentage of funding in the form of loans rising from 62 percent in 2000-01 to 69 percent in 2005-06.

Also important:

The data reported here do not include either home equity loans or credit card debt. While precise data are not available, it is likely that some of the increase in borrowing in the early and mid-1990s reflects a shift of borrowing from home equity to student loans, resulting from the introduction of the unsubsidized Stafford Loan program.

Total Aid Per Full-Time Equivalent Student

Table 7a: Total Aid, Grant Aid, Loan Aid, and Education Tax Benefits Per Full-Time Equivalent (FTE) Student in Constant (2005) Dollars, Five-Year Intervals, 1985-86 to 2005-06

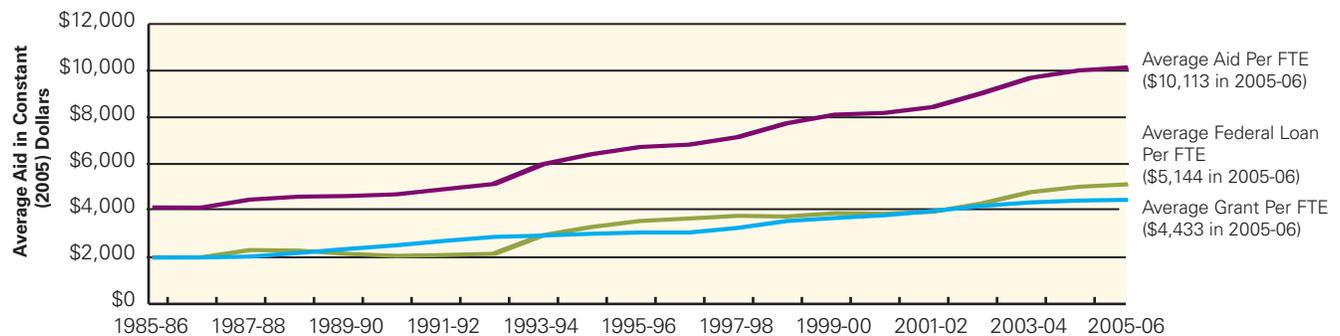
	FTEs	Total Aid (Millions)	Avg. Aid Per FTE	Grant Aid (Millions)	Grant Aid Per FTE	Federal Loans (Millions)	Federal Loans Per FTE	Education Tax Benefits	Education Tax Benefits Per FTE
1985-86	8,943,433	\$36,737	\$4,108	\$17,514	\$1,958	\$18,029	\$2,016	—	—
1990-91	9,983,149	\$46,616	\$4,669	\$24,809	\$2,485	\$20,721	\$2,076	—	—
1995-96	10,335,188	\$69,248	\$6,700	\$31,354	\$3,034	\$36,913	\$3,572	—	—
2000-01	11,451,162	\$93,431	\$8,159	\$43,194	\$3,772	\$44,441	\$3,881	\$4,728	\$413
2005-06	13,334,170	\$134,848	\$10,113	\$59,108	\$4,433	\$68,586	\$5,144	\$5,970	\$448

Table 7b: Total Aid, Grant Aid, Loan Aid, and Education Tax Benefits Per Full-Time Equivalent (FTE) Student in Constant (2005) Dollars, 1995-96 to 2005-06

	FTEs	Total Aid (Millions)	Avg. Aid Per FTE	Grant Aid (Millions)	Grant Aid Per FTE	Federal Loans (Millions)	Federal Loans Per FTE	Education Tax Benefits	Education Tax Benefits Per FTE
1995-96	10,335,188	\$69,248	\$6,700	\$31,354	\$3,034	\$36,913	\$3,572	—	—
1996-97	10,830,744	\$73,642	\$6,799	\$32,837	\$3,032	\$39,837	\$3,678	—	—
1997-98	10,931,168	\$77,864	\$7,123	\$35,315	\$3,231	\$41,442	\$3,791	—	—
1998-99	10,979,902	\$84,686	\$7,713	\$38,700	\$3,525	\$41,318	\$3,763	\$3,570	\$325
1999-00	11,210,532	\$90,672	\$8,088	\$40,983	\$3,656	\$43,756	\$3,903	\$4,854	\$433
2000-01	11,451,162	\$93,431	\$8,159	\$43,194	\$3,772	\$44,441	\$3,881	\$4,728	\$413
2001-02	11,929,331	\$100,351	\$8,412	\$47,181	\$3,955	\$47,314	\$3,966	\$4,714	\$395
2002-03	12,417,690	\$111,813	\$9,004	\$51,831	\$4,174	\$53,649	\$4,320	\$5,141	\$414
2003-04	12,715,448	\$122,842	\$9,661	\$54,975	\$4,323	\$61,137	\$4,808	\$5,554	\$437
2004-05	13,019,646	\$129,980	\$9,983	\$57,346	\$4,405	\$65,605	\$5,039	\$5,908	\$454
2005-06	13,334,170	\$134,848	\$10,113	\$59,108	\$4,433	\$68,586	\$5,144	\$5,970	\$448

Note: Tax credit and deduction amounts are College Board estimates based on IRS and NCES data. Only credits and deductions claimed on taxable returns are included. Loan numbers do not include private nonfederal loans, which provide funding for students but do not involve subsidies. See Notes and Sources for more detail.

Figure 7: Average Aid Per Full-Time Equivalent Student in Constant (2005) Dollars, 1985-86 to 2005-06



Note: These data are based on undergraduate and graduate students. Nonfederal loans are not included.

In 2005-06, total grant aid per FTE student averaged \$4,433, an increase of 46 percent in inflation-adjusted dollars since 1995-96, but of less than 1 percent since 2004-05. Federal loan aid per FTE student averaged \$5,144, an increase of 44 percent in inflation-adjusted dollars since 1995-96 and of 2 percent since 2004-05.

- Total grant aid rose by almost \$28 billion between 1995-96 and 2005-06, an 89 percent increase. However, because there were 3 million more students at the end of the decade than 10 years earlier, grant aid per student increased less—about 46 percent or \$1,400 in constant 2005 dollars over the decade.
- For undergraduates alone, total grant aid averaged \$4,023 per FTE student in 2005-06. Federal loan aid averaged \$3,937 and tax benefits were \$430 per student. (These figures are not shown in Table 7.)

Pell Grants

Table 8a: Federal Pell Grant Awards in Current and Constant (2005) Dollars, Five-Year Intervals, 1975-76 to 2005-06

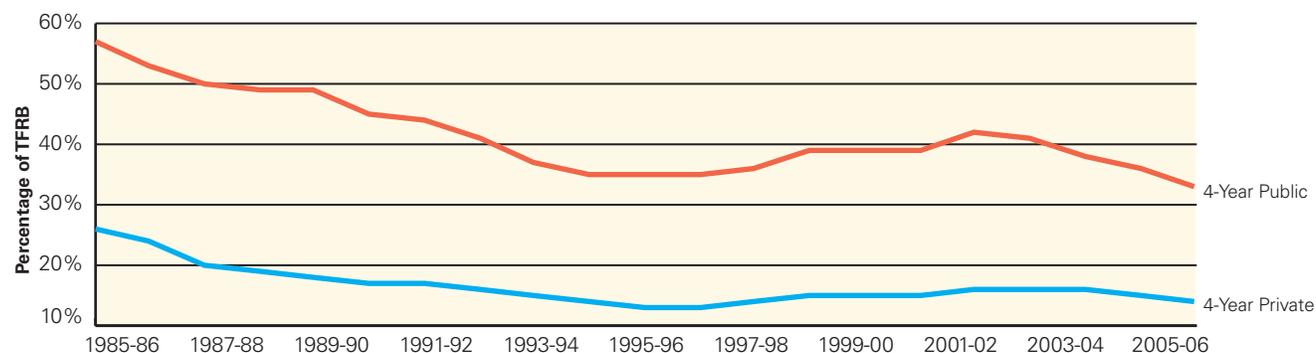
	Expenditures (in Millions)		Authorized Maximum Awards		Actual Maximum Awards		Actual Minimum Awards		Percent Cap on Costs*	Number of Recipients (in Thousands)	Percent of Recipients Independent
	Current	Constant	Current	Constant	Current	Constant	Current	Constant			
1975-76	\$926	\$3,349	\$1,400	\$5,064	\$1,400	\$5,064	\$200	\$723	50	1,217	29.8%
1980-81	\$2,387	\$5,628	\$1,800	\$4,244	\$1,750	\$4,126	\$150	\$354	50	2,708	40.6%
1985-86	\$3,597	\$6,542	\$2,600	\$4,728	\$2,100	\$3,819	\$200	\$364	60	2,813	50.4%
1990-91	\$4,935	\$7,365	\$2,900	\$4,328	\$2,300	\$3,433	\$100	\$149	60	3,405	61.1%
1995-96	\$5,472	\$7,028	\$4,100	\$5,266	\$2,340	\$3,006	\$400	\$514	-	3,612	58.5%
2000-01	\$7,956	\$9,043	\$4,800	\$5,456	\$3,300	\$3,751	\$400	\$455	-	3,899	56.2%
2005-06	\$12,683	\$12,683	\$5,800	\$5,800	\$4,050	\$4,050	\$400	\$400	-	5,387	59.1%

Table 8b: Federal Pell Grant Awards in Current and Constant (2005) Dollars, 1995-96 to 2005-06

	Expenditures (in Millions)		Authorized Maximum Awards		Actual Maximum Awards		Actual Minimum Awards		Percent Cap on Costs*	Number of Recipients (in Thousands)	Percent of Recipients Independent
	Current	Constant	Current	Constant	Current	Constant	Current	Constant			
1995-96	\$5,472	\$7,028	\$4,100	\$5,266	\$2,340	\$3,006	\$400	\$514	-	3,612	58.5%
1996-97	\$5,780	\$7,217	\$4,300	\$5,369	\$2,470	\$3,084	\$400	\$499	-	3,666	57.6%
1997-98	\$6,331	\$7,733	\$4,500	\$5,496	\$2,700	\$3,298	\$400	\$489	-	3,733	56.6%
1998-99	\$7,233	\$8,694	\$4,500	\$5,409	\$3,000	\$3,606	\$400	\$481	-	3,855	55.3%
1999-00	\$7,208	\$8,472	\$4,500	\$5,289	\$3,125	\$3,673	\$400	\$470	-	3,764	55.5%
2000-01	\$7,956	\$9,043	\$4,800	\$5,456	\$3,300	\$3,751	\$400	\$455	-	3,899	56.2%
2001-02	\$9,975	\$11,037	\$5,100	\$5,643	\$3,750	\$4,149	\$400	\$443	-	4,341	57.1%
2002-03	\$11,642	\$12,653	\$5,400	\$5,869	\$4,000	\$4,348	\$400	\$435	-	4,779	57.5%
2003-04	\$12,708	\$13,520	\$5,800	\$6,171	\$4,050	\$4,309	\$400	\$426	-	5,140	57.8%
2004-05	\$13,135	\$13,614	\$5,800	\$6,011	\$4,050	\$4,197	\$400	\$415	-	5,308	58.3%
2005-06	\$12,683	\$12,683	\$5,800	\$5,800	\$4,050	\$4,050	\$400	\$400	-	5,387	59.1%

*Until 1980, individual Pell Grants were capped at 50 percent of the student's cost of attendance. The cap was raised to 60 percent of the cost of attendance in 1980 and removed entirely in 1993.

Figure 8: Maximum Pell As a Percentage of Published Tuition, Fee, Room, and Board (TFRB) Charges at Public and Private Four-Year Colleges and Universities, 1985-86 to 2005-06



The proportion of the average published price of tuition, fees, room, and board at a public four-year college or university that could be met by a Pell Grant declined from 42 percent in 2001-02 to 33 percent in 2005-06.

- The maximum Pell Grant, which increased from \$4,000 to \$4,050 in 2003-04, remains at that level.
- The maximum Pell Grant increased by 45 percent from \$3,006 (in 2005 dollars) in 1995-96 to \$4,348 in 2002-03.
- The value of the maximum grant declined by \$298 in constant 2005 dollars between 2002-03 and 2005-06.

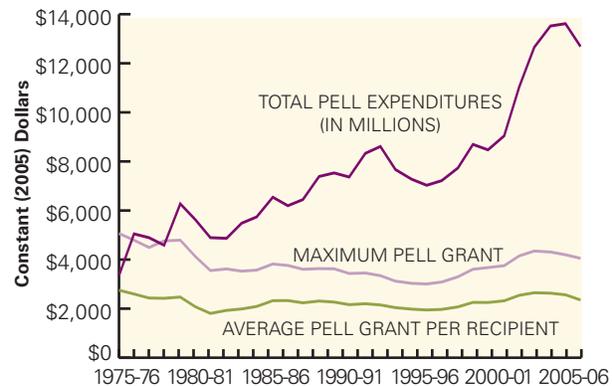
Pell Grants

Figure 9: Number of Pell Grant Recipients, 1975-76 to 2005-06



Sources: Tables 2, 3, 8a, and 8b.

Figure 10: Total Pell Expenditures, Maximum Pell Grant, and Average Pell Grant in Constant (2005) Dollars, 1975-76 to 2005-06



2005-06 was the first year since 1999–2000 that total Pell Grant funding was lower than in the preceding year.

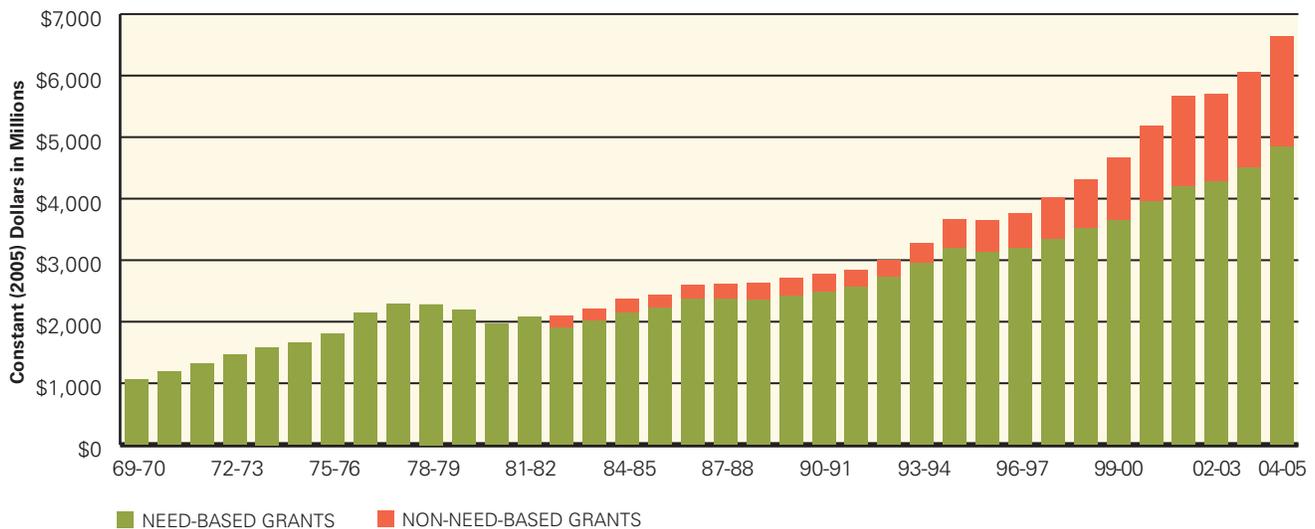
- Total Pell Grant expenditures declined from \$13.6 billion in 2004-05 to \$12.7 billion in 2005-06.
- Total Pell Grant funds increased by 80 percent over the decade between 1995-96 and 2005-06, after adjusting for inflation. The number of recipients increased by about 50 percent, from 3.6 million to 5.4 million over this time period.
- The percentage of undergraduate students receiving Pell Grants rose from 23 percent in 1999–2000 to 27 percent in 2003-04. The percentage of students receiving Pell Grants increased in all types of institutions and among full-time, part-time, dependent and independent students between 1999–2000 and 2003-04. (NPSAS: 2000 and 2004, Undergraduates)
- Increases in the number of recipients between 2000-01 and 2003-04 can be partially explained by increases in the maximum Pell Grant, which lead to both increased eligibility for the program and higher grants for existing recipients.
- The decline in total Pell Grant funds distributed in 2005-06 can be largely explained by modification of the treatment of state and local taxes in the eligibility formula.

Also important:

Sixty-two percent of dependent undergraduate students from families with incomes below \$32,000 received federal grants in 2003-04. Fourteen percent of those from families with incomes between \$32,000 and \$92,000 and 1 percent of those from families with incomes exceeding \$92,000 received federal grants. (NCES, *Undergraduate Financial Aid Estimates for 2003-04 by Type of Institution*, NCES 2005-163, Table 2)

State Grants to Undergraduate Students

Figure 11: Total Need-Based and Non-Need-Based State Grants in Constant (2005) Dollars, 1969-70 to 2004-05



Note: Students must meet some standard of financial need to be eligible for need-based grants. Non-need-based grants do not have this requirement. These data are based on undergraduate state grants, excluding Puerto Rico.

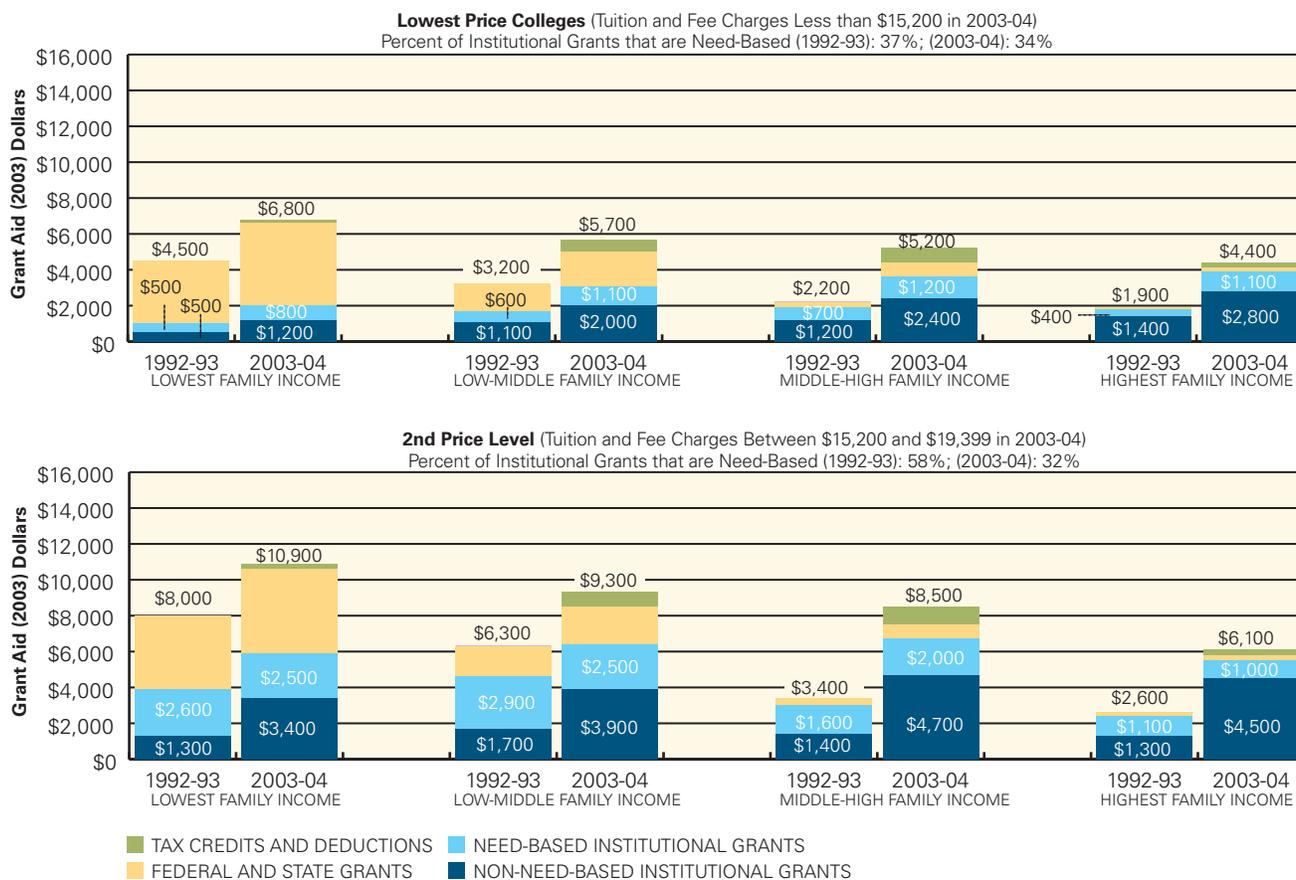
Source: Based on annual survey of National Association of State Student Grant and Aid Programs (NASSGAP).

The proportion of state grants not based on financial need increased from 9 percent in 1984-85 to 13 percent in 1994-95, and to 27 percent in 2004-05.

- The \$4.8 billion in need-based state grant aid in 2004-05 represented an increase of \$1.6 billion in constant 2005 dollars over the decade. The \$1.8 billion in non-need-based state grant aid in 2004-05 represented an increase of \$1.3 billion in constant 2005 dollars over the decade.
- Need-based state grant aid has increased slightly more rapidly since non-need-based state grant programs became prevalent than it did in earlier years.
- There is considerable variation among the states in student grant policies. Alaska and South Dakota have no state grants for students. Georgia awarded an average of \$1,485 and South Carolina awarded an average of \$1,636 per student in 2004-05. Virtually all of Georgia's aid is non-need-based, as is over 80 percent of South Carolina's.
- The states awarding the largest amounts of need-based grant aid per FTE undergraduate student are New York, at \$1,327, and New Jersey, at \$843. (NASSGAP, *36th Annual Survey Report on State-Sponsored Student Financial Aid*, 2006)

Institutional Grants: Private Institutions

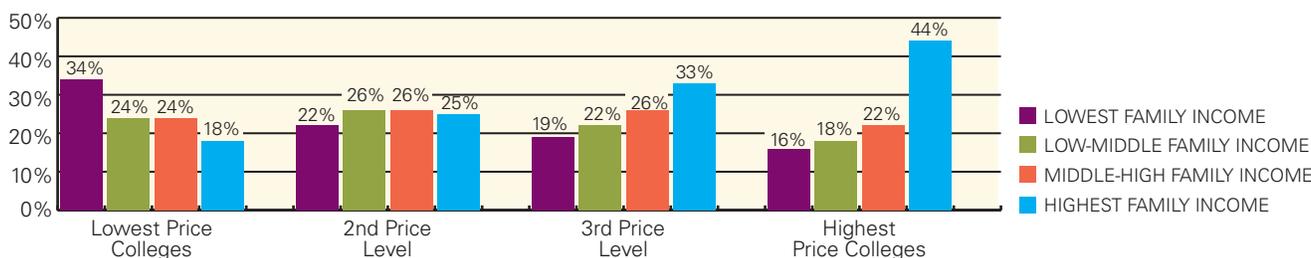
Figure 12a: Average Non-Need-Based and Need-Based Institutional Grants and Average Federal Plus State Grants Per Full-Time Dependent Student at Private Four-Year Colleges and Universities by Family Income Level and Tuition and Fee Charges in Constant (2003) Dollars, 1992-93 and 2003-04



Low-price private colleges and universities rely more on non-need-based aid, distributed without regard to financial circumstances, than do higher-priced private institutions.

- Institutional aid is defined here as non-need-based if it is distributed without regard to financial circumstances. A significant portion of these non-need-based aid dollars go to students with documented financial need. Need-based aid is sometimes defined as any aid that goes toward filling the gap between ability to pay and cost of attendance.

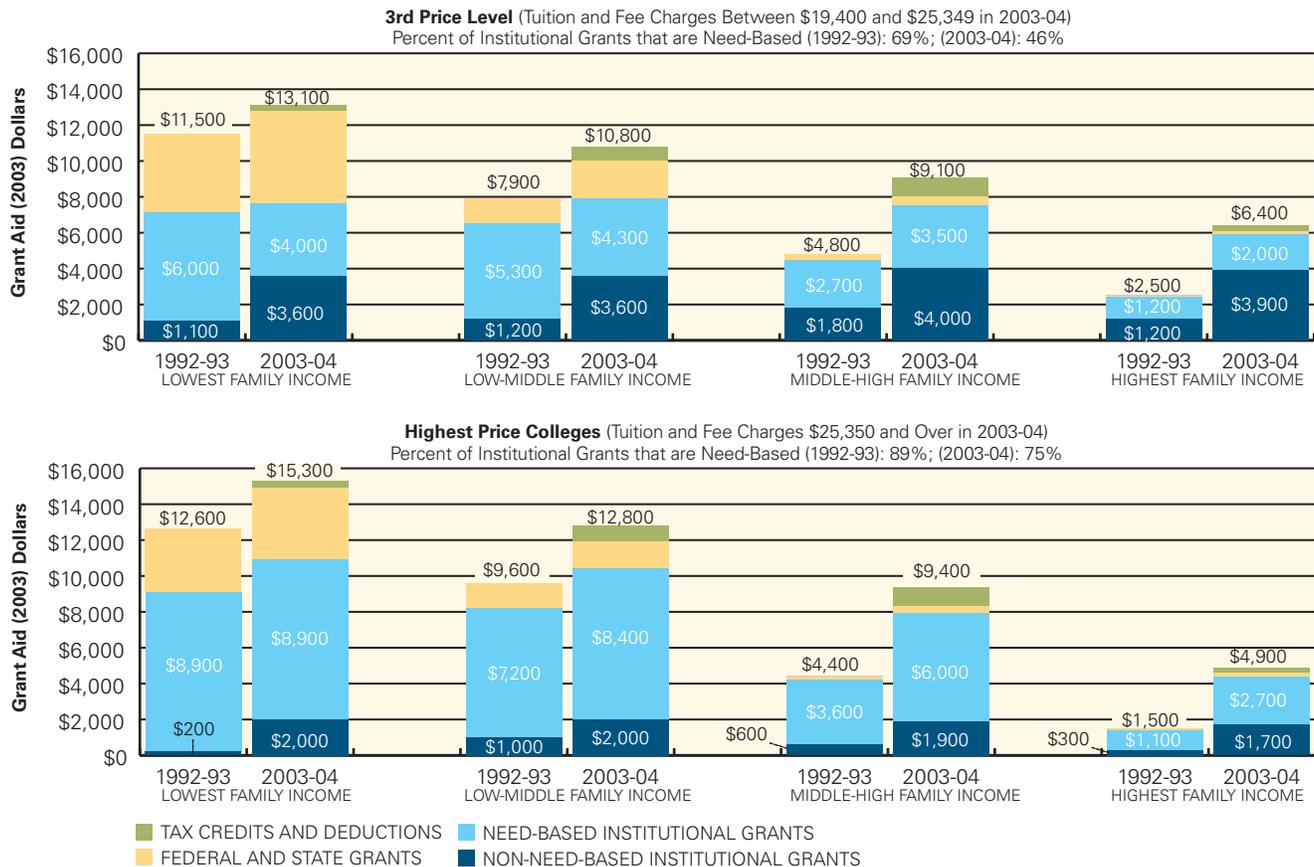
Income Distribution of Families Within Private Colleges Grouped by Tuition and Fee Charges, 2003-04



Note: Percents may not sum to 100 percent due to rounding.

Institutional Grants: Private Institutions

Figure 12a (continued)



Note: Based on full-time full-year dependent students attending only one institution in the specified academic year. Income ranges in 2003-04 are: less than \$35,000; \$35,000 to \$62,999; \$63,000 to \$94,999; and \$95,000 and higher. Income ranges in 1992-93 are comparable in 2003 dollars. Detailed data for Figure 12a are available at collegeboard.com/trends.

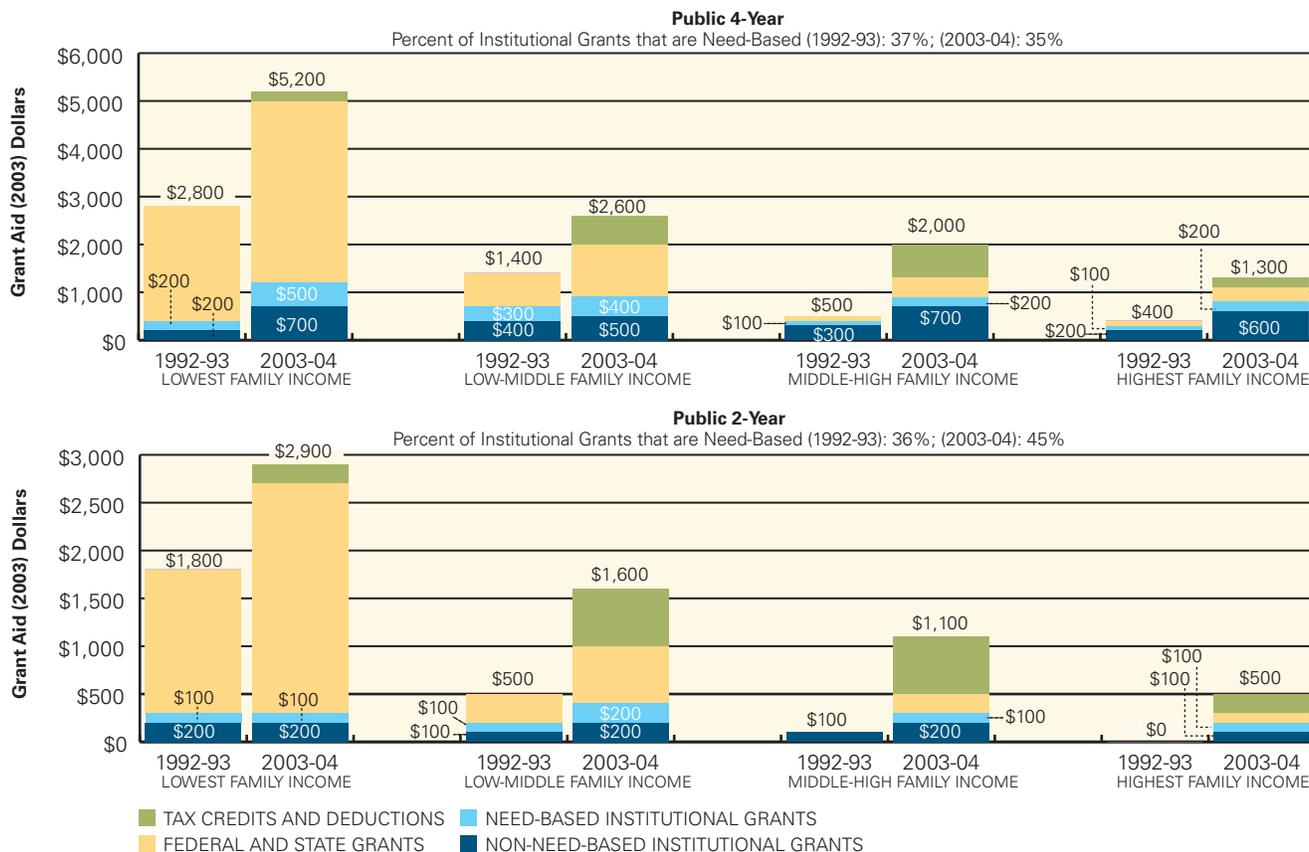
Source: NPSAS: 1993 and 2004, Undergraduates; calculations by authors.

The bottom two blue sections of the bars show average dollars per student in institutional grant aid (non-need-based and need-based). The upper sections of the bars show average dollars per student in federal and state grants, and tax credits and deductions (in 2003-04). The numbers at the top of the bars show the total average grant dollars per student.

- At all private colleges except the lowest price institutions, low-income students receive more institutional grant aid than higher-income students, but the gap has declined over time.
- The difference between the grant aid received by low-income and high-income students is largest at the highest price institutions, where low-income students are least likely to enroll, and smallest at the lowest price institutions, which have relatively high enrollments of low-income students.
- The percentage of institutional aid that is need-based declined from 37 percent to 34 percent at the lowest price private colleges between 1992-93 and 2003-04. Need-based aid declined from 58 percent to 32 percent in lower-middle-price (2nd price level) colleges, from 69 percent to 46 percent at higher-middle-price (3rd price level) colleges, and from 89 percent to 75 percent at the highest price private colleges. However, at the highest price colleges, the proportion of institutional aid that is need-based increased from 70 percent in 1999–2000 (not shown) to 75 percent in 2003-04.

Institutional Grants: Public Institutions

Figure 12b: Average Non-Need-Based and Need-Based Institutional Grants and Average Federal Plus State Grants Per Full-Time Dependent Student at Public Institutions by Family Income Level in Constant (2003) Dollars, 1992-93 and 2003-04



Note: Based on full-time full-year dependent students attending only one institution in the specified academic year. Income ranges in 2003-04 are: less than \$35,000; \$35,000 to \$62,999; \$63,000 to \$94,999; and \$95,000 and higher. Income ranges in 1992-93 are comparable in 2003 dollars. Detailed data for Figure 12b are available at collegeboard.com/trends. Note that the scales in these graphics differ.

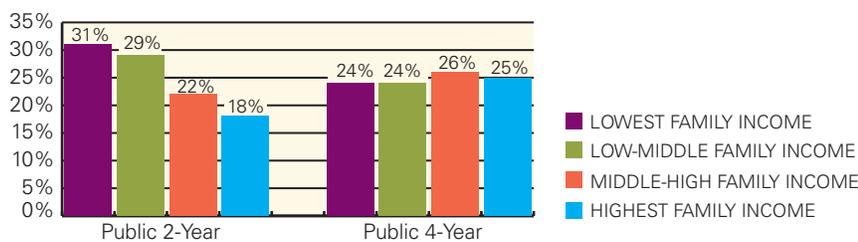
Source: NPSAS: 1993 and 2004, Undergraduates; calculations by authors.

The bottom two blue sections of the bars show average dollars per student in institutional grant aid (non-need-based and need-based). The upper sections of the bars show average dollars per student in federal and state grants, and tax credits and deductions (in 2003-04). The numbers at the top of the bars show the total average grant dollars per student.

Less than half of the institutional grant aid awarded to students at public two-year and four-year institutions is distributed on the basis of need.

- The percentage of institutional aid that is need-based declined from 37 to 35 percent at public four-year colleges between 1992-93 and 2003-04. At two-year public colleges, institutional aid is relatively small, but the percentage that is based on need increased over this time period, from 35 to 45 percent.
- Federal and state governments provide by far the largest share of grant aid to low-income students at public two-year and four-year institutions.

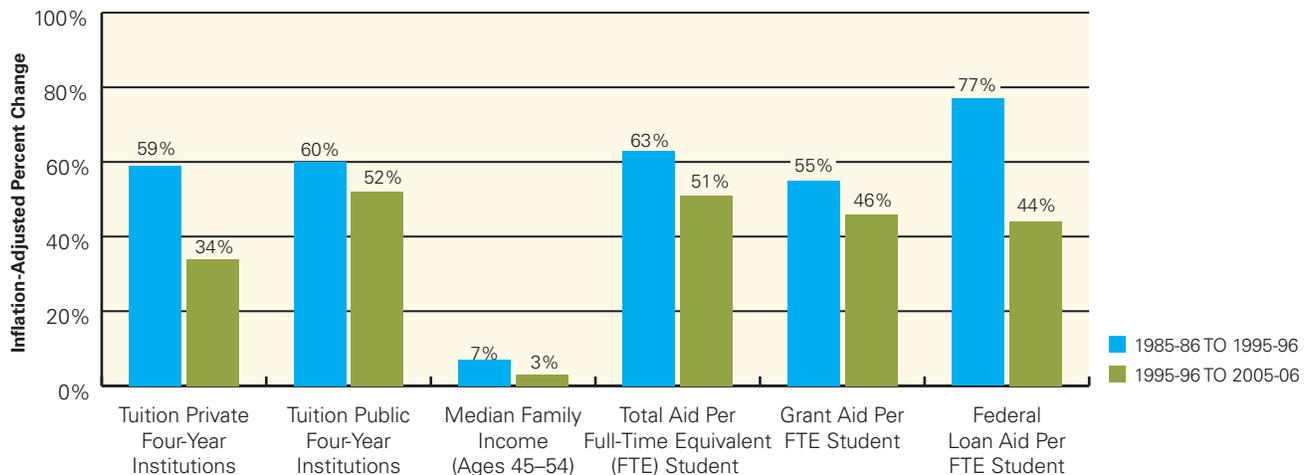
Income Distribution of Families Within Public Two-Year and Four-Year Institutions, 2003-04



Note: Percents may not sum to 100 percent due to rounding.

Growth in Tuition and Fees, Income, and Aid

Figure 13: Inflation-Adjusted Changes in Tuition and Fees, Family Income, and Student Aid, 1985-86 to 1995-96 and 1995-96 to 2005-06



Note: Loan aid includes federal loans only, not private nonfederal loans.

Between 1995-96 and 2005-06, grant aid per student increased by 46 percent in constant 2005 dollars, but the extra dollars covered an average of only 26 percent of the \$5,289 increase in private college tuition and fees, and an average of 74 percent of the \$1,881 increase in average public four-year college tuition and fees.

- Both grant aid per student and loan aid per student grew less rapidly between 1995-96 and 2005-06 than over the previous decade. Growth in total aid per student also slowed, despite the implementation of the federal education tax credits and deductions.
- Slow growth in family incomes during a period of rapid escalation in college prices has increased reliance on grants and loans to finance higher education.

	Private Four-Year Tuition and Fees	Public Four-Year Tuition and Fees	Median Family Income (Ages 45-54)	Total Aid Per FTE Student	Grant Aid Per FTE Student	Federal Loan Aid Per FTE Student
	(in constant 2005 dollars)					
1985-86	\$9,853	\$2,259	\$65,996	\$4,108	\$1,958	\$2,016
1995-96	\$15,691	\$3,611	\$70,552	\$6,700	\$3,034	\$3,572
2005-06	\$20,980	\$5,492	\$72,881	\$10,113	\$4,433	\$5,144

Also important:

In addition to the small increases in median family income shown in Figure 13, increases in inequality in the distribution of income over these two decades affected college affordability. The share of total income accruing to the 40 percent of families with the lowest incomes declined from 15.8 percent in 1985 to 14.5 percent in 1995, and 13.7 percent in 2003. The share of total income accruing to the 5 percent of families with the highest incomes increased from 16.1 percent in 1985, to 20 percent in 1995, and 20.5 percent in 2005. (*Statistical Abstract of the United States*, 2006, Table 280)

College Savings Plans

Figure 14: Total Assets in State-Sponsored Section 529 College Savings Plans, 1996 to 2006

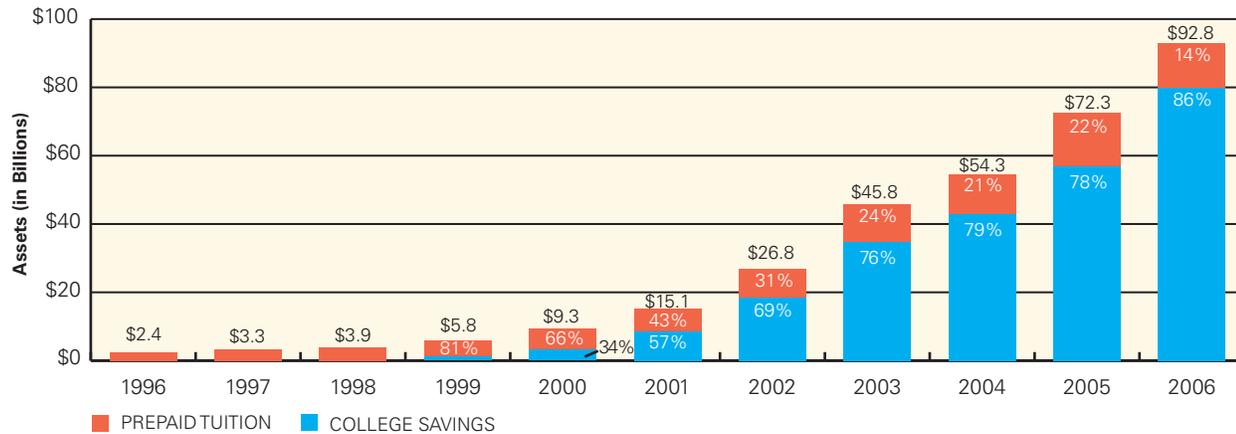
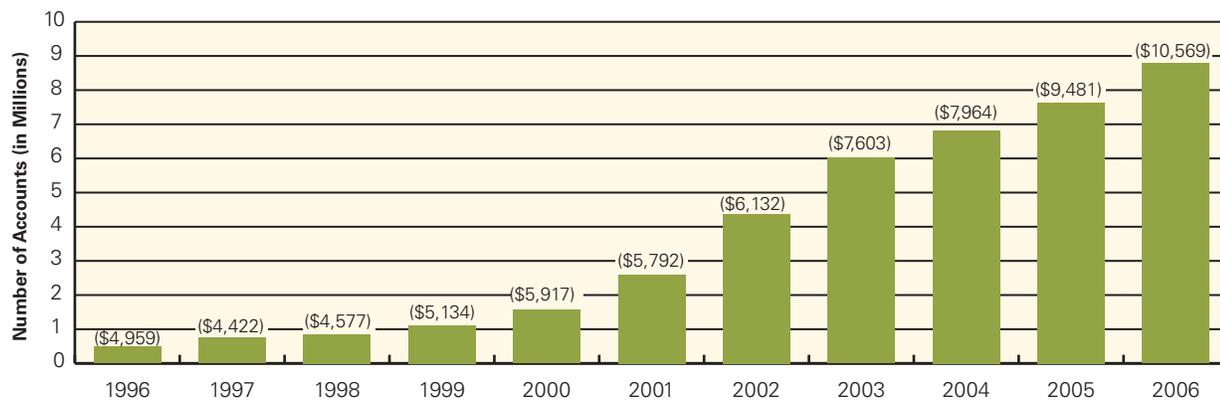


Figure 15: Number of State-Sponsored Section 529 Accounts (with Average Savings), 1996 to 2006



Note: Information on type of account is not available for years before 1999, although the majority were prepaid tuition plans. 2006 data are as of June 30, 2006.
Source: College Savings Plans Network (collegesavings.org), National Association of State Treasurers.

In 2006, 8.8 million state-sponsored college savings accounts hold an average of \$10,569. The proportion of these tax-preferred savings funds in the form of prepaid tuition plans declined from 81 percent in 1999 to 31 percent in 2002, and to 14 percent in 2006.

- Assets in 529 college savings plans accumulate tax free and if used for postsecondary education expenses can be redeemed tax free. Standard 529 savings plans are simply tax-preferred investments in mutual funds and other financial assets. Prepaid tuition plans are guaranteed to cover fixed proportions of tuition prices in the future, regardless of price increases.
- In 2006, Congress modified the treatment of prepaid tuition plans in the federal student aid system. Because all 529 plans are now treated as parent assets, they have less impact on eligibility for student aid than was the case when they were treated as belonging to the student.
- Congress made the tax-free treatment of withdrawals from 529 college savings accounts permanent in 2006.

Also important:

- More than 250 private colleges and universities have joined together in a prepaid tuition plan that carries the same tax benefits as the state-sponsored 529 plans. The assets in this plan, not included in Figures 14 or 15, exceed \$75 million. (www.independent529plan.org)
- Other forms of savings for education granted special tax status by the federal government include Series EE Savings Bonds and Coverdell Education Savings Accounts.

Federal Education Tax Credits and Tuition Deductions

Figure 16: Federal Education Tax Credits: Distribution of Savings by Adjusted Gross Income Level, 2004

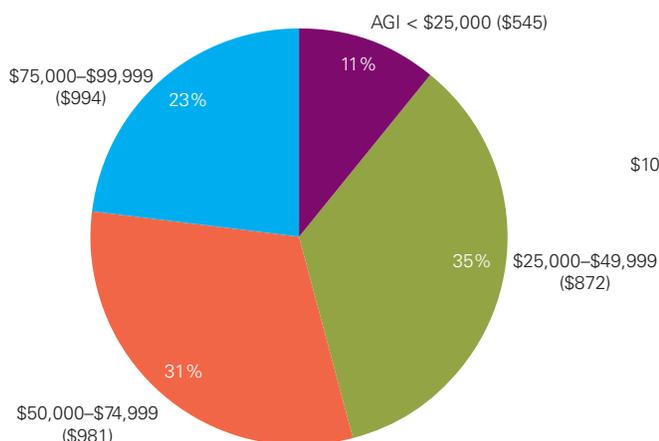
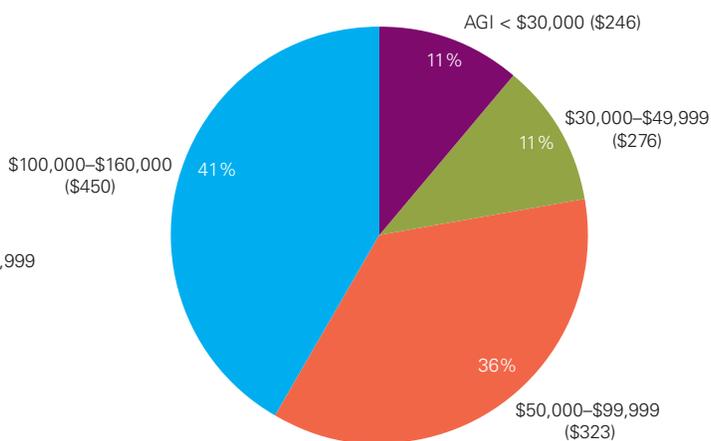


Figure 17: Federal Tuition and Fee Deduction: Distribution of Savings by Adjusted Gross Income Level, 2004



Note: Only tax credits and deductions claimed on taxable income tax returns are included.

Sources: *Individual Income Tax Returns, Preliminary Data 2004*, Table A; *Individual Income Tax Returns, Tax Year 2004*, Table 3.3; calculations by authors.

About 46 percent of the benefit of the federal education tax credits goes to taxpayers with incomes below \$50,000 and 54 percent goes to taxpayers with higher incomes. Only 22 percent of the benefit of the tuition tax deduction goes to taxpayers with incomes below \$50,000; 41 percent goes to those with incomes between \$100,000 and \$160,000.

- In 2004, parents and students were granted about \$4.4 billion in Hope and Lifetime Learning tax credits. The federal tuition and fee tax deduction reduced tax liabilities by about \$1.3 billion.
- Tax credits and deductions are less likely than other forms of student aid to benefit the lowest income students because they are available only to students and families who have positive federal tax liabilities. In addition, they cover only tuition and fee expenses net of grant aid, not room and board or other education-related expenses. These policies also provide larger subsidies to students paying higher tuition and fees than to those enrolled in the lowest price institutions.
- The Hope and Lifetime Learning tax credits are available to single taxpayers with adjusted gross income (AGI) up to \$53,000 and to married taxpayers with incomes up to \$107,000. The maximum credits are \$1,500 under Hope and \$2,000 under Lifetime Learning.
- The tuition tax deduction cannot be claimed for the same student for whom an education tax credit is claimed. Married taxpayers with incomes up to \$130,000 can deduct \$4,000 in tuition and fee payments and those with incomes between \$130,000 and \$160,000 can deduct \$2,000. For single taxpayers, the corresponding income limits are \$65,000 and \$80,000.

Also important:

The federal government also allows a tax deduction for interest paid on student loans. In 2004, 6.5 million taxpayers deducted about \$3.8 billion in student loan interest, generating between \$500 and \$700 million in tax savings. (IRS, *Individual Income Tax Returns*, Table 1.1; calculations by authors)

Notes and Sources

TABLE 1

Federally Supported Programs

Several of the federally supported programs include small amounts of funding from sources other than the federal government. For example, Federal Work-Study (FWS) includes contributions by institutions, although most of the funds in the program are federal. Perkins Loans (until 1987 called National Direct Student Loans or NDSL) are funded from federal and institutional capital contributions as well as collections from borrowers. Institutional matching funds required by the Supplemental Educational Opportunity Grant (SEOG) program since 1989-90 are reported under institutional grants.

LEAP. Formerly known as the State Student Incentive Grant (SSIG) program, the Leveraging Educational Assistance Partnerships (LEAP) monies reported under federally supported aid include federal monies only; the state share is included under the “state grants” category.

Veterans. Benefits are payments for postsecondary education and training to veterans and their dependents authorized under Chapters 30, 31, 32, 34, 35, and 106 of the U.S. Code. Federal contributions to Chapter 34, the Veterans’ Educational Assistance portion of the Post-Korean Conflict Educational Assistance Programs, were terminated in 1990. After 1990, remaining eligible veterans were funded through Chapter 30.

Military. Expenditures for education are reported for three types of programs: the F. Edward Hebert Armed Forces Health Professions Scholarship Program; Reserve Officers’ Training Corps programs for the Air Force, Army, and Navy/Marines; and higher education tuition assistance for the active duty Armed Forces.

Other Grants. Includes Higher Education Grants for Indian Students; Fellowships for Indian Students (last funded in 1995–1996), American Indian Scholarships; Indian Health Service Scholarships; National Science Foundation predoctoral fellowships (minority and general graduate); National Health Service Corps Scholarships; National Institutes of Health predoctoral individual awards; fellowships awarded through the Council on Legal Educational Opportunity (last funded in 1995–1996); the Jacob K. Javits Fellowship Program; and college grants provided to volunteers in the AmeriCorps national service programs (funding began in 1994–1995).

Other Loans. Includes amounts loaned under the Health Professions Student Loan Program, the Health Education Assistance Loan Program, and the Nursing Student Loan Program.

Education Tax Benefits. Data on education tax credits are Internal Revenue Service estimates of the volume of Hope and Lifetime Learning credits for tax years 1998 and later. For the first time in the 2006 *Trends*, only amounts claimed on taxable returns are included. Beginning in 2002, estimates of tax benefits also include the federal tuition and fee deduction.

Amounts deducted are reported annually in the IRS Statistics of Income. Associated tax savings are estimated by the College Board based on the marginal tax rates applying to the average taxable income of the taxpayers in each income bracket claiming the deduction. Amounts are attributed to the academic year beginning in the calendar year during which the tax benefit was claimed. For example, the tax benefit counted as student aid in 2003-04 is the amount claimed on 2003 tax forms. Estimates for 2005 are based on earlier data.

State Grant Programs

The state grant amount for 2005-06 is based on projections by the 20 states that award approximately 90 percent of state grant funds and estimates made by the College Board for the remaining 30 states and the District of Columbia. Previous data are updated using the NASSGAP *Annual Survey*.

Institutional Grants

Estimates of institutional grant amounts are based on data from the College Board’s *Annual Survey of Colleges*, the *National Postsecondary Student Aid Study* (NPSAS) from 1992-93 through 2003-04, and IPEDS data through FY 2003. These figures represent best approximations and are updated each year as additional information becomes available.

Private and Employer Grants

Private and employer grant amounts are based on data included in the 1992-93 through 2003-04 NPSAS and on a 2006 survey of major private student grant providers.

Nonfederal Loans

Estimates are based on an annual College Board survey of the largest nonfederal loan sponsors; includes estimates of private and state-sponsored loan volume since 1995-96.

TABLE 2

Constant dollar figures are based on data from Table 1. See page 27 for a more complete explanation of constant-dollar conversions.

TABLE 5

“Four-year” institutions include public institutions offering bachelor’s and/or graduate degrees. “Two-year” institutions include public institutions of any other program length from six months to three years. For-profit institutions may be of any program length.

The Stafford unsubsidized loan program first began disbursing funds in 1992–1993. Beginning in 1994–1995, loan figures include Stafford subsidized, Stafford unsubsidized, and PLUS loans made through both the Federal Family Education Loan Program and the Ford Direct Student Loan Program. Loan dollars reported here are based on gross commitments.

TABLE 6

Based on data from Tables 1 and 2. The “grants” category includes Pell Grants, SEOG, LEAP, Veterans Benefits, Military Expenditures, Other Grants, State Grant Programs, Institutional Grants and Private and Employer Grants. “Loans” include loans from all sources,

including private loans, which are reported in Tables 1 and 2 but not included in the calculation of the total amount of student aid or in Figure 2. The “work” component is FWS and “tax benefits” include Hope and Lifetime Learning federal tax credits and estimated tax savings from the federal tuition and fee deduction. Pell and SEOG grants are exclusively for undergraduate students. Breakdown of other grants by level of study is based on NPSAS data. Breakdown of federal loans is based on information provided by the U.S. Department of Education. Breakdown of private loans is based on reporting by the lenders and NPSAS.

TABLE 7

FTE enrollment data are based on unpublished computations by NCES and *Projections of Education Statistics to 2012*, NCES.

TABLE 8

The 1992 reauthorization of the Higher Education Act eliminated the percent cap on college costs beginning in 1993–1994. The constant-dollar values reflect a fiscal year CPI adjustment.

FIGURES 1 and 2

Based on Tables 1 and 2.

Academic Year 2004 = 2004-05

“Federal Campus-Based” aid includes SEOG, FWS, and Perkins Loans.

“Other Federal Programs” include LEAP, Military and Veterans’ aid, Other Grants, and Other Loans.

“Education Tax Benefits” include federal Hope and Lifetime Learning credits and estimated tax savings from the federal tuition and fee deduction.

Nonfederal student loans are not included in Figure 2, which includes only funds involving at least minimal subsidy.

FIGURES 3 and 4

Based on data from Table 2.

Loan amounts reflect College Board calculations from NPSAS data.

FIGURE 5

Loan amounts reflect College Board calculations from NPSAS data.

FIGURE 6

“Loans” include FFELP, FDSLPL, Perkins Loans, other federal loans, and nonfederal loans as surveyed for this report. Although not included in the student aid total, nonfederal loans are included here to represent total student borrowing.

“Grants” include Pell, SEOG, LEAP, Veterans, Military and other grants, state grants, institutional grants, and private and employer grants.

Grant and loan amounts for graduate and undergraduate students are based on data in Table 6.

FIGURE 7

Based on Table 7 data and data online at collegeboard.com/trends.

FIGURE 8

Based on Table 3 and Table 8. Tuition, fee, room and board data are from *Trends in College Pricing 2006*.

FIGURES 9 and 10

Based on Table 8.

FIGURE 11

Based on annual survey results of the National Association of State Student Grant and Aid Programs (NASSGAP).

FIGURES 12a and 12b

Data on institutional grant aid by institutional type, price and income levels are from the 1992-93 and 2003-04 *National Postsecondary Student Aid Study* (NPSAS). Calculations by the College Board.

FIGURE 13

Tuition and fee data are from *Trends in College Pricing 2006*.

Median family income data for the 45-54 age category are used because they are most representative of families with dependents in college. This statistic is not representative of independent students.

FIGURES 14 and 15

Data on assets in state savings plans and guaranteed tuition plans were provided by the National Association of State Treasurers, College Savings Plans Network.

FIGURES 16 and 17

Distribution of education tax credits and tuition and fee deductions by adjusted gross income levels is from *Statistics of Income, Individual Income Tax Returns, Preliminary Data, 2004*; Table 3.3, Individual Income Tax Returns, Tax Year 2004; and estimations by the College Board. Tax savings from the tuition and fee deduction are based on the marginal tax rates applicable to filers with the levels of taxable income associated with the returns on which the deduction was claimed (<http://www.irs.gov/pub/irs-soi/03inrate.pdf>). Only credits and deductions reported on taxable returns are included. This results in estimates of tax benefits that are lower than those reported in previous editions of *Trends*.

Acronyms

- FWS = Federal Work-Study
- FFELP = Federal Family Education Loan Program
- FDSLPL = William D. Ford Direct Student Loan Program
- PLUS = Parent Loans for Undergraduate Students
- SEOG = Federal Supplemental Educational Opportunity Grant
- SLS = Supplemental Loans for Students
- LEAP = Leveraging Educational Assistance Partnerships

Academic year: July 1 to June 30

Federal fiscal year: October 1 to September 30

Subsidized Stafford Loans = Need-based federal student loans for which the federal government pays the interest while the student is in school and during a six-month grace period thereafter.

Unsubsidized Stafford Loans = Non-need-based federal student loans guaranteed by the federal government but with interest accruing during the in-school time period.

Current dollars: Actual dollar amounts in the relevant year.

Constant dollars: Dollar amounts adjusted for inflation. For example, a dollar amount from 2000 reported in constant 2005 dollars is increased by the amount by which the Consumer Price Index rose between 2000 and 2005. This adjustment removes spending increases attributable only to inflation.

Full-Time Equivalent Students (FTEs): Enrollment numbers based on a federal formula that counts each part-time student as equivalent to approximately one-third of a full-time student.

General Notes

- Details may not add up to totals due to rounding.
- Aid is reported by the academic year in which it is awarded. When necessary, fiscal year data are converted to the academic year equivalents by reassigning the July through September expenditures.
- For a more detailed description of the programs and past trends, see *Trends in Student Aid: 1963 to 1983*.

A Note on Constant-Dollar Conversion

The Consumer Price Index for all urban dwellers (the CPI-U) is used to adjust for inflation. Updated CPI data are available from the Bureau of Labor Statistics Web site (<http://stats.bls.gov/cpihome.htm>). We have used an academic base-year calculation in most cases. The academic base year for 2005-06 was calculated using the CPI for August 2005.

The CPI conversion table provides academic and calendar year CPI data. The factor column provides the user with a multiplication factor equal to that of CPI (base year) divided by CPI (current year). Multiplication of the current-year figure by the associated factor will yield a constant-dollar result.

Sources

Campus-Based Aid (FWS, Perkins, and SEOG) U.S. Department of Education, Office of Postsecondary Education Policy, Budget, and Analysis staff. Federal Campus-Based Programs Databook 2002 and Federal Campus-Based Programs Distribution of Awards Annual.

Consumer Price Index

The Consumer Price Index (CPI) for current and past years is from the Bureau of Labor Statistics, U.S. Department of Labor.

Education Tax Benefits

Internal Revenue Service, *Individual Income Tax Returns, Preliminary Data 2004*; *Individual Income Tax Returns, All Returns*, Table 3.3 and additional Statistics of Income sources; Lutz Berkner and Christina Wei, *Student Financing of Undergraduate Education 2003-04*, NCES 2006-186.

Federal Family Education Loan and Ford Direct Student Loan Programs

Unpublished data from the U.S. Department of Education, Policy, Budget, and Analysis staff and the National Student Loan Data System (NSLDS).

Institutional Grants

Estimates for recent years are based on data reported by institutions in the *Annual Survey of Colleges* and on NPSAS data. Estimates for earlier years are based on data reported in the Institutional Postsecondary Education Data System. Author calculations are best approximations.

LEAP and State Grant Programs

2005-06: Preliminary figures reported by 20 states with largest grant appropriations. Figures for remaining 30 states, the District of Columbia, and Puerto Rico were estimated by the College Board.

1988-1989 to 2004-05: 20th through 36th Annual Survey Reports of the National Association of State Scholarship and Grant Programs.

Military

F. Edward Hebert Armed Forces Health Professions Scholarship amounts were obtained from the Office of the Assistant Secretary for Defense (Health Affairs). ROTC program data were obtained separately from the Air Force, Army, and Navy program offices. The Education Policy Directorate of the Office of the Secretary of Defense provided Armed Forces tuition assistance amounts.

Nonfederal Loans

Nonfederal loan volume is based on an informal annual College Board survey of major private education loan providers and on information collected from staff of state-sponsored private student loan programs.

Other Grants and Loans

The data were collected through conversations and correspondence with the officials of the agencies that sponsor the programs.

Pell Grant Program

Unpublished data from Policy, Budget, and Analysis Staff, U.S. Department of Education. Other data from Pell Grant End of Year Reports.

Private and Employer Grants

National Postsecondary Student Aid Study (NPSAS) data through 2003-04 and estimates of growth in grants based on a survey of major grant providers with the assistance of the National Scholarship Provider's Association.

Veterans Benefits

Benefits Program series (annual publication for each fiscal year), Office of Budget and Finance, U.S. Veteran's Administration, and unpublished data from the same agency.

ACADEMIC YEAR			CALENDAR YEAR		
Year	CPI	Factor	Year	CPI	Factor
1995	152.9	1.2845	1995	153.5	1.2821
1996	157.3	1.2486	1996	158.6	1.2409
1997	160.8	1.2214	1997	161.3	1.2201
1998	163.4	1.2020	1998	163.9	1.2007
1999	167.1	1.1753	1999	168.3	1.1693
2000	172.8	1.1366	2000	174.0	1.1310
2001	177.5	1.1065	2001	176.7	1.1138
2002	180.7	1.0869	2002	180.9	1.0879
2003	184.6	1.0639	2003	184.3	1.0678
2004	189.5	1.0364	2004	190.3	1.0342
2005	196.4	1.0000	2005	196.8	1.0000