

Introduction

Trends in Student Aid 2018 provides detailed information about the different types and amounts of financial aid awarded to both undergraduate and graduate students over time. Some of the indicators in the report focus on total amounts of aid; others focus on aid per student. Both of these perspectives are important—as is distinguishing between them.

Total amounts of aid disbursed can capture attention because of the large numbers. This phenomenon explains the widespread attention paid to the total amount of outstanding student debt since it passed the \$1 trillion mark. Similarly, when total Pell Grant expenditures increased from \$20.4 billion (in 2017 dollars) in 2008-09 to \$40.1 billion in 2010-11, members of Congress and others focused on federal spending became concerned about the trajectory of the program.

However, changes over time in enrollment levels and patterns can make it difficult to interpret these aggregate numbers. Even if the typical student gets the same amount of aid, if enrollment grows, total spending on aid will grow. The number of Pell Grant recipients increased by more than 50% between 2008-09 and 2010-11—from 6.2 million to 9.3 million. This change, combined with a 30% increase in the average award from \$3,310 (in 2017 dollars) to \$4,300, generated a doubling of total Pell expenditures. As the economy recovered from the Great Recession, total enrollment declined, and the financial circumstances of students became stronger, diminishing their financial need. As a result, Pell expenditures declined to \$28.2 billion in 2017-18.

Understanding student debt and its impact requires knowing how much students are borrowing in the aggregate each year. That total rose from \$49.3 billion (in 2017 dollars) in 1997-98 to \$107.0 billion in 2007-08 and to \$127.7 billion in 2010-11, but declined in each of the next seven years, reaching \$105.5 billion in 2017-18. But it also requires taking into account enrollment changes. The rise and fall of total annual borrowing during and after the Great Recession does reveal a real change in students' borrowing behavior, but also results from fluctuations in the number of students going to school. Total borrowing per full-time equivalent student (including both federal and nonfederal loans for borrowers and nonborrowers) rose from \$4,720 (in 2017 dollars) in 1997-98 to \$7,870 in 2007-08 and to \$8,120 in 2010-11, before declining for seven years to \$7,250 in 2017-18. Total borrowing was more than two and a half times as high in 2010-11 as in 1997-98. But borrowing per student was about 70% higher as enrollment rose by 50% over these years. Because enrollment has fallen since 2010-11, the 11% decline in borrowing per FTE student between 2010-11 and 2017-18 is smaller than the 17% decline in total borrowing over these years.

The purpose of student aid is to increase educational opportunities for individual students. Keeping this goal in mind helps to interpret and evaluate the information in *Trends in Student Aid*, which is more meaningful if viewed together with the companion publication, *Trends in College Pricing*. The rapid upward trend in published prices reported there makes increases in student aid more critical.

Institutional grant aid, in the form of discounts to students, is most closely linked with tuition prices. The data in this report reveal that institutional grant aid rose from 40% of total grant aid in 2012-13 to 46% in 2017-18. This means on one hand that the increases in published prices have less impact than they otherwise would, and on the other hand that the increases in grant aid do less to diminish financial barriers than they would in a stable price environment.

THE DISTRIBUTION OF STUDENT AID

The effectiveness of student aid in increasing educational opportunities depends largely on how the funds are distributed to students in different financial circumstances. For students with limited resources, grant aid makes pursuing postsecondary education possible. For others, grant aid makes going to a particular institution or type of institution feasible. For the remaining students, aid is a pure transfer, reducing the price of the educational paths they would take even without assistance.

Federal Pell Grants are carefully targeted to low- and moderate-income students. However, this aid declined from 53% to 47% of non-loan federal aid over the decade from 2007-08 to 2017-18, as aid to veterans has grown. Tax benefits, a much less targeted form of aid that disburses about a quarter of its funds to students from households with incomes between \$100,000 and \$180,000, account for more than one quarter of non-loan federal aid.

More than three-quarters of state grant dollars are allocated on the basis of financial need, but patterns vary considerably across states. Half of all states considered students' financial circumstances in allocating at least 95% of their state grant aid in 2016-17, while 15 states considered these circumstances for less than half of their aid. Data from the 2016 National Postsecondary Student Aid Study included in this report show that in 2015-16, public doctoral universities distributed 62% of their institutional grant aid without regard to students' financial need; at public master's universities, it was 71%. Monitoring the use of need-based and non-need-based grant aid by states and institutions is critical to ensuring the effectiveness of these funds in increasing educational opportunities and attainment.

THE STUDENT AID SYSTEM

Trends in Student Aid reports on a complex array of grant, loan, tax-based, and work programs that support postsecondary students. Grant aid and tax benefits lower the overall price of education for students and families, making the net price of college less than the published price. Education loans do not lower the price, but they do make it possible to spread payments out over time. The Federal Work-Study program is small relative to other federal programs: only 601,000 students benefited from the \$960 million federal allocation to this program in 2017-18. From the student perspective, these dollars are compensation for their work, not financial assistance. Work-Study earnings frequently replace earnings from other work, but may increase the employment opportunities available for students.

Understanding how these forms of funding—grants, loans, tax benefits, and work-study aid—are distributed and how the distribution has changed over time is critical to understanding the effectiveness of the student aid system and evaluating potential changes.

The student aid system is continually evolving. In 2017-18, federal funding available to support students' postsecondary pursuits totaled \$153.5 billion. Monitoring potential policy changes is vital to the future of the federal funding available to support students' postsecondary pursuits.

Similarly, state and institutional policies change over time. These sources provided \$11.2 billion and \$60.0 billion, respectively, in grant aid in 2017-18. If well designed and targeted, these funds can go a long way toward diminishing financial barriers to educational attainment.

Much of the data on which *Trends in Student Aid* is based come from the Federal Student Aid office of the U.S. Department of Education, which provides precise information about the volume of federal student aid disbursed. The figures for 2016-17 in *Trends in Student Aid 2018* are revisions of the numbers published last year, based on the U.S. Department of Education's updated data. Next year we will revise the 2017-18 figures in accordance with their updates.

Some of the other figures reported here are less precise. For example, the latest data on federal tax credits and deductions are for calendar year 2016. We have developed a methodology to translate IRS data into estimates of these policies' benefits for tax filers. Similarly, our estimate of the volume of nonfederal student loans is based on reports from MeasureOne and estimates of their share of the market. We base our current estimate of private grant aid on information from the 2016 National Postsecondary Student Aid Study and more recent information from the College Board's Annual Survey of Colleges. These and other figures represent best estimates of the amount of aid that students receive, rather than exact reporting. Each year we review our data sources and methodology and make some modifications.

The tables supporting all of the graphs in the Trends publications, PDF versions of the publications, PowerPoint files containing individual slides for all of the graphs, and other detailed data on student aid and college pricing are available on our website at trends.collegeboard.org. Please feel free to cite or reproduce the data in Trends for noncommercial purposes with proper attribution.