

Introduction

Trends in Student Aid 2019 provides detailed information about the different types and amounts of financial aid awarded to both undergraduate and graduate students over time. *Trends* examines the breakdown of aid into grants and tax benefits, which do not have to be repaid; loans, which students are responsible for repaying after they leave school; and work-study, which is compensation for work during the time students are enrolled. The data in this report also differentiate among the sources of aid—federal and state governments, colleges and universities, and employers and other private sources.

MEETING FINANCIAL NEED

Another key distinction is how the aid is distributed. It is common practice to divide aid into “need-based” and “non-need-based” aid. But these categories are not as clear as, for example, federal aid vs. institutional aid. In general, eligibility for need-based aid depends on students’ financial circumstances; non-need-based aid is distributed based on other criteria, such as high school grades, test scores, or athletic ability. But who receives the aid is a more meaningful indicator of its impact than how it was allocated. A grant based on academic achievement helps a student from a low-income family as much as a need-based grant of the same amount.

Moreover, basing aid on need is not the same as allocating it according to income or another measure of financial capacity. In the aid system, need is defined as the difference between students’ budgets and their ability to pay, as determined by a need-analysis formula. A student from a middle-income family might have documented need at a public university, but not at a community college. Many students who would not have financial need at public colleges and universities qualify for need-based aid at higher-price private institutions.

Some indicators in *Trends in Student Aid* document the share of aid allocated on the basis of financial circumstances. For example, every year the information on state grants includes a breakdown between need-based and non-need-based funding. Other indicators report on a range of programs, only a portion of which depend on need or financial capacity. An important trend emerging in the data is that the share of federal student aid based on financial circumstances is declining. Unsubsidized student loans and PLUS loans for parents and for graduate students—which do not depend on financial need—are outpacing subsidized student loans—which are available only to undergraduate students with documented financial need. Pell Grants, which are awarded to students from low- and moderate-income households, have not kept up with military and veterans’ aid—which likely benefits many students with financial need, but is not restricted to such students. And education tax credits, while they do have income limits, disproportionately benefit students from relatively affluent households.

The share of federal grants in need-based programs fell from 85% in 2008–09 to 70% in 2018–19. The share of federal loans that are need-based fell from 94% in 1988–89 to 56% in 1998–99, 39% in 2008–09, and 22% in 2018–19. And the need-based share of other

aid (Federal Work Study and tax credits and deductions) fell from 100% in 1988–89 (when there was no education tax benefit) to 18% in 1998–99, 7% in 2008–09, and 6% in 2018–19. Overall, the share of federal aid in need-based programs fell from 91% in 1988–89 to 58% in 1998–99, 44% in 2008–09, and 33% in 2018–19.

This trend in federal student aid is noteworthy despite the fact that much of the non-need-based aid relieves significant financial strain on students and families. The students for whom financial aid is most critical for college access and success are those from the most financially constrained households. As the data in this report document, more than half of all states considered students’ financial circumstances in allocating at least 95% of their state grant aid in 2017–18, while 13 states considered these circumstances for less than half of their grant aid. Overall, the share of state grant aid allocated on the basis of financial need rose from a low of 71% in 2010–11 to 76% in 2016–17. But it remains to be seen whether the decline in that share to 75% in 2017–18 is the beginning of a reversal in that trend.

Institutional aid is a mix of need-based and non-need-based grants. In 2015–16, public four-year colleges and universities distributed less than half of their institutional grant aid to in-state students and 20% of aid to out-of-state students based on students’ financial need. Almost 60% of institutional aid at private nonprofit doctoral universities, just under half at bachelor’s colleges, and about a quarter at master’s institutions in the sector was need-based.

This year’s report also includes information on the shares of students whose grant aid from all sources leaves unmet need to be filled by loans, work, and other resources, and on the share whose grant aid exceeds the gap between their budgets and their documented ability to pay. In 2015–16, 78% of full-time students at public four-year colleges and universities had need remaining after grant aid and 12% received grant aid beyond their documented financial need; the remaining 10% had no need and received no grants or received just enough grant aid to cover their need. At private nonprofit four-year institutions, 80% of full-time students had need not met by grant aid and 16% received grant aid beyond their documented financial need.

A central goal of the *Trends in Student Aid* report is to monitor the amount of aid available to make college a realistic possibility in the face of the rising tuition prices documented in the companion publication, *Trends in College Pricing*. Focusing on the distribution of the growing amount of financial aid available to students is critical to gaining insight into this issue.

STUDENT BORROWING

Much of the public discussion about college affordability focuses on student debt. This report includes a wide range of information about annual borrowing, students’ cumulative debt, outstanding education debt, and repayment patterns. *Trends in Student Aid 2019* documents an eight-year decline in both total annual student borrowing (from

Trends in Student Aid 2019

\$131.7 billion in 2018 dollars in 2010-11 to \$106.2 billion in 2018-19) and loans per full-time equivalent undergraduate student (from \$6,000 in 2018 dollars in 2010-11 to \$4,410 in 2018-19). After rapid increases between 2007-08 and 2012-13, the average debt per borrower graduating from public and private nonprofit four-year institutions rose by \$300 between 2012-13 and 2017-18 and the average debt per graduate declined as the share of students with debt fell slightly. These patterns do not by any means signal the end of the problems too many students face with debt—particularly those who do not complete their programs, African American students, and those who attend for-profit institutions. But they are nonetheless encouraging.

THE DATA

Much of the data on which *Trends in Student Aid* is based comes from the Federal Student Aid office of the U.S. Department of Education (ED), which provides precise information about the volume of federal student aid disbursed. The figures for 2017-18 in *Trends in Student Aid 2019* are revisions of the numbers published last year, based on ED's updated data. Similarly, next year we will revise the 2018-19 figures. Some of the other figures reported here are less precise. For example, the latest data on federal tax credits are for calendar year 2017. 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 College Board's Annual Survey of Colleges. These and other figures represent best estimates of the amount of aid 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 research.collegeboard.org/trends. Please feel free to cite or reproduce the data in Trends for noncommercial purposes with proper attribution.