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BY THE NUMBERS FEBRUARY 24, 2012, 4:12 P.M. ET

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Hough: New research shows how federal spending on higher education can backfire.

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Iederal aid for students has increased 164% over the past decade, adjusted for inflation, according to the College Board. Yet three-quarters of Americans and even a majority of college presidents see college as unaffordable for most, and that sentiment has been steadily spreading, the Pew Research Center reports.

Two new studies offer clues on why. One measures the degree to which some colleges reduce their own aid in response to increased federal aid. The other suggests federal aid is helping to push college costs higher.

Recipients of federal Pell Grants have, by definition, limited means to pay for college, so they are likely to qualify for grants and price breaks given out by schools, too. But schools view a student's sources of federal aid before deciding how much to give on their own, rather than the other way around. The result is a crowding out effect, where some schools give less as the government gives more.

Lesley Turner, a PhD candidate at Columbia University, looked at data on aid from 1996 to 2008 and calculated that, on average, schools increased Pell Grant recipients' prices by $17 in response to every $100 of Pell Grant aid. More selective nonprofit schools' response was largest and these schools raised prices by $66 for every $100 of Pell Grant aid.

Aid from schools over the past decade has increased about half as fast as federal aid, according to the College Board.

Perhaps worse for students than a crowding out effect is the Bennett Effect, named for William Bennett, who 25 years ago as Secretary of Education wrote for the New York Times, "Increases in financial aid in recent years have enabled colleges and universities blithely to raise their tuitions."

If subsidies puff up buying power and shift prices higher, as economics courses teach, could federal aid for college help create an affordability problem? After all, the federal government began spending more on college aid with the Higher Education Act of 1965 and the full funding of Pell Grants in 1975. Since 1979, tuition and fees have tripled after adjusting for inflation. That's much faster than the increase for real estate and teacher pay.

There have been mixed findings on the Bennett Effect in recent decades, with some studies finding a dollar-for-dollar relationship and others, none at all. Determining why college costs are rising is a difficult task, after all. Stephanie Riegg Cellini of George Washington University and Claudia Golden of Harvard take a new approach, focusing on for-profit schools. Some of these are eligible to participate in so-called Title IV aid programs (named for a portion of the aforementioned Act) and some not.

After adjusting for differences among schools, the authors find that Title IV-eligible schools charge tuition that is 75% higher than the others. That's roughly equal to the amount of the aid received by students at these schools.

Studies like these suggest that if one goal of government is to make college affordable, aid should become more thoughtful instead of merely more plentiful. And the total cost of federal spending on college isn't fully known. That's because spending on loans dwarfs that on grants. Student loans recently eclipsed credit card debt.

With credit cards, borrowers pay high interest rates to make up for their lack of collateral. Many many student loans have subsidized rates; others have low rates based on the assumption that a college education is a good financial risk for lenders.

If costs outpace the ability of graduates to find jobs with good pay, and repayment rates on these loans slide, taxpayers could end up feeling the crunch.

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Words used in this article: financial risk, buying power, total cost, real estate, IV,

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