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Low-Tuition Low-Aid and the Equity Argument

The ongoing debate regarding high-tuition high-aid versus low-tuition low-aid pricing policies stems from the current economic structure of public higher education. As state funding has not kept pace with growing enrollments and increasing costs of higher education (Cantwell, 2013), the tuition pricing policies have come into question with advocates and critics of both approaches debating the relative impact of higher education to society. In the paragraphs to follow, the impact of the high-tuition high-aid and low-tuition low-aid models will be discussed with access to low-income students and the role of declining state subsidies playing a common theme in the discussion.

As state appropriation levels remain stagnant and institutional budgets continue to grow, institutions have turned to a high-tuition high-aid pricing model to generate additional tuition revenues and distribute financial aid based on ability to pay. The high-tuition high-aid approach combines a higher tuition price and smaller initial subsidies per student with an opportunity for increased financial aid based on need (Cantwell, 2013). The high-tuition high-aid pricing model allows institutions to subsidize aid on an uneven distribution based on the ability to pay. The ability to pay under the high-tuition high-aid model avoids a 'blanket subsidy' approach and in turn, directs the tuition raised from high-income students to provide more financial aid to low-income students with need. However, the concern with a high-tuition high-aid pricing model is that the aid must keep relative pace with the tuition price increases for the model to be effective (Goldrick-Rab, 2009). Although the model intends to provide greater assistance for low-income students, the 'high-tuition' component can backfire as students avoid applying to universities based on the initial "sticker shock" of high tuition prices. The University of Michigan-Ann Arbor reported that under a high-tuition high-aid model, even with annual financial aid increases exceeding tuition increases, the high tuition price scared low-income students away, with a ten percent decline in the low-income student population (Goldrick-Rab, 2009). While the high-tuition high-aid model intends to benefit low-income students and improve access for first generation students, the tuition pricing model needs to provide clarity on financial aid packages for the target demographic.

In contrast to the high-aid model, the low-tuition low-aid tuition pricing model provides a blanket subsidy to all students, with the end result being a lower tuition payment with minimal financial aid opportunities for the students (Cantwell, 2013). With the current shape of the economy and universities receiving less state support, the low-tuition model is a rational concept in theory, but less feasible in practice. As public universities can increase tuitions and fees when state support is cut, a low-tuition model is less practical when universities need to cover the growing operating costs. In addition, the low-tuition low-aid model's blanket subsidy does not factor in the ability to pay when providing subsidies. All students receive an equal subsidy resulting in a lower tuition, in which students with the ability to pay a higher tuition are receiving the same benefit as low-income students. The end result may be a lower tuition for all, but less available aid support for low-income students. In contrast to the high-aid model, "sticker shock" is not a deterrent in applying for college, but less institutional financial aid is available to cover the remaining tuition balance. While the initial lower-tuition model may be initially attractive to low-income students, the tuition pricing model may not be feasible, or recommended when state support is stagnant and enrollment totals continue to climb.

In the discussion of equity amongst the two tuition pricing models, the low-tuition low-aid approach provides the most opportunity for equal access, based more so on the high-tuition-high-aid's flawed design than the low-aid model's benefits. As Heller states, low-income students are price sensitive to tuition sticker prices and strongly consider the fluctuation of price when considering college (1997, p.628). From the start, the high-tuition high-aid model deters low-income students from applying to college. The low-income students who fail to consider college based on sticker shock may also end up foregoing a post-secondary education, as the high-tuition model can be a deterrent not only for the single institution, but college access altogether (Goldrick-Rab, 2009). The low-tuition low-aid model on the other hand, appears more appealing to the average low-income college student who often has limited knowledge of the financial aid packages available.

Next, the argument for actual aid awarded based on need is a notable discussion point between the tuition pricing models. While the high-tuition high-aid model offers greater financial aid assistance to cover the high tuition, the financial aid awarded must keep pace with the increases in tuition prices. As Goldrick-Rab (2009) suggests, if the rate of aid awarded does not keep up with the tuition price increases, students and families are left with a high-tuition low-aid model. Low-income students simply cannot pursue a college degree without exorbitant federal loans if the rate of aid is not on par with tuition rate increases. The low-tuition low-aid model offers a blanket subsidy to all students, and while criticism can be drawn for applying aid to all students without the ability to pay being considered, the end result is an equal distribution of actual aid awarded to all students.

Finally, the type of aid awarded in the high-tuition high-aid model brings into question the equal access argument. With the high-aid model, a larger portion of the student's tuition is covered with an institutional subsidy. As universities are constantly competing to climb in the *US News* national rankings, institutional aid awards have shifted from need-based aid to a merit-aid approach which favors the middle-high income students. Quirk (2005) states that low-income students are in turn being squeezed out of aid-opportunities due to enrollment management practices, while still facing a high tuition if the students decide to attend the institution. Similarly to the low-aid model, the merit-aid approach favors the mid-high income students without considering the ability to pay. In the low-aid model, students are at least left with a lower tuition price to cover as less institutional aid is available.

Clearly, neither tuition pricing model holds the obvious answer for awarding aid in higher education. Critics and supporters of each model will continue to debate tuition-aid strategies, but Heller (2013) makes one key point clear: we must focus the scarce resources on low income students to provide equal access opportunities as college enrollments continue to grow.

References

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