

No Causal Link Between Federal Student Aid and Higher Tuition

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A number of the nation's most respected experts in higher education finance and public policy have found no convincing, causal relationship between federal aid and college prices at public and nonprofit colleges.

Federal student aid overall (including Pell Grants, federal loans, and tax credits)

- The nonpartisan [Congressional Research Service](#): “[T]here is certainly **no consensus on the existence, and certainly not the magnitude, of [a] causal relationship between aid and price.**”ⁱ
- [Bridget Terry Long](#), economist and Dean of the Harvard Graduate School of Education: “**Most studies conclude that colleges are not responding to federal aid**, and studies that do provide limited support for the notion are plagued by mixed and sometimes contradictory results.”ⁱⁱ
- [Robert Archibald and David Feldman](#), economists at the College of William and Mary: “Our student-centered federal financial aid system is **not a significant driver of the tuition bill** at the nation’s [public and private] nonprofit colleges and universities.”ⁱⁱⁱ
- [Don Heller](#), Dean of the College of Education at Michigan State University: “While the Bennett Hypothesis may be intriguing, **there is little compelling evidence** that it holds true with respect to the price-setting behavior of colleges and universities in the United States.”^{iv}
- A Congressionally-mandated [National Center for Education Statistics](#) study **found no relationship** between federal grants, state grants, or student loans and changes in tuition in the public or private not-for-profit sectors.^v
- [Stephanie Cellini](#), economics professor at George Washington University: “[T]here is no compelling evidence of a causal relationship between federal student aid and tuition among public and non-profit colleges. However, my own research on the for-profit sector **suggests that for-profit institutions increase their costs to take in federal aid.** For-profit colleges have very different incentives and structures than public and non-profit colleges, making them more likely to engage in strategic behavior to capture federal aid dollars.”^{vi}

Pell Grants (the vast majority of grant recipients have family incomes under \$40,000)

- [Sandy Baum](#), higher education economist and George Washington University professor: “**There is no convincing evidence that increases in Pell Grants feed tuition increases in either public or private not-for-profit institutions.** Increases in federal grant funding for low- and moderate-income students are critical to assuring educational opportunities for students with the most limited ability to pay and critical to the future of our economy.”^{vii}
- [Patrick Callan](#), president of The Higher Education Policy Institute: “There is little evidence that these means-tested grants are major factors in the tuition setting decisions of most colleges. If colleges had calibrated tuition increases to Pell Grants, steep tuition increases would not have been repeatedly imposed in the years when the grant levels were not raised and tuition would be considerably lower today....Pell Grants are a critical part of the safety net that helps many low income Americans enroll in college. **These grants do not cause higher tuition**, but runaway tuition undermines their effectiveness in supporting access for low income students.”^{viii}

ⁱ Congressional Research Service. 2014. *Overview of the Relationship between Federal Student Aid and Increases in College Prices*. <http://bit.ly/1N5MEg8>.

ⁱⁱ Long, Bridget Terry. "College Tuition Pricing and Federal Financial Aid: Is There a Connection?" Testimony before the U.S. Senate Committee on Finance. Delivered on December 5, 2006. <http://1.usa.gov/1dUtKD6>.

ⁱⁱⁱ Archibald, Robert B. and David H. Feldman. 2016. "Does Federal Aid Drive College Tuition?" Cato Institute, *Regulation* magazine, Summer 2016 edition. <http://bit.ly/2n9470B>.

^{iv} Heller, Don. 2013. American Council of Education. *Does Federal Financial Aid Drive Up College Prices?* <http://www.acenet.edu/news-room/Documents/Heller-Monograph.pdf>.

^v U.S. Department of Education, National Center for Education Statistics. 2001. *Study of College Costs and Prices, 1988-89 to 1997-98. Volume 1*. <http://www.ihep.org/assets/files/publications/S-Z/StudyCollegeCostsV1.pdf>.

^{vi} Cellini, Stephanie. February 21, 2017. Letter submitted to Rep. Scott, in response to the House Committee on Education and Workforce February 7 hearing on "Challenges and Opportunities in Higher Education". <http://bit.ly/2nJh5lJ>.

^{vii} Baum, Sandy. February 3, 2010. "Losing Ground." Included in "Rising College Costs: A Federal Role?" *The New York Times*, <http://nyti.ms/1f0HwYK>.

^{viii} Callan, Patrick. February 3, 2010. "A Crucial Safety Net." Included in "Rising College Costs: A Federal Role?" *The New York Times*. <http://nyti.ms/QnSQFC>.