

Race, Ethnicity, and the Design of State Grant Aid Programs

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Need-based aid programs direct funds toward students whose financial circumstances make it difficult to pay for college. But some program designs may have differential impacts by race and ethnicity, with the possible unintentional consequence of disproportionately excluding students of color.

Provisions that can affect different groups of students differently include

- limited or no aid to students enrolled at community colleges or for-profit institutions,
- exclusion of all part-time college students,
- requirements that students must enroll in college immediately after high school, and
- high school performance requirements.

Demographics and differences across groups differ widely among states, but these provisions frequently disproportionately affect nonwhite students, particularly Black students.

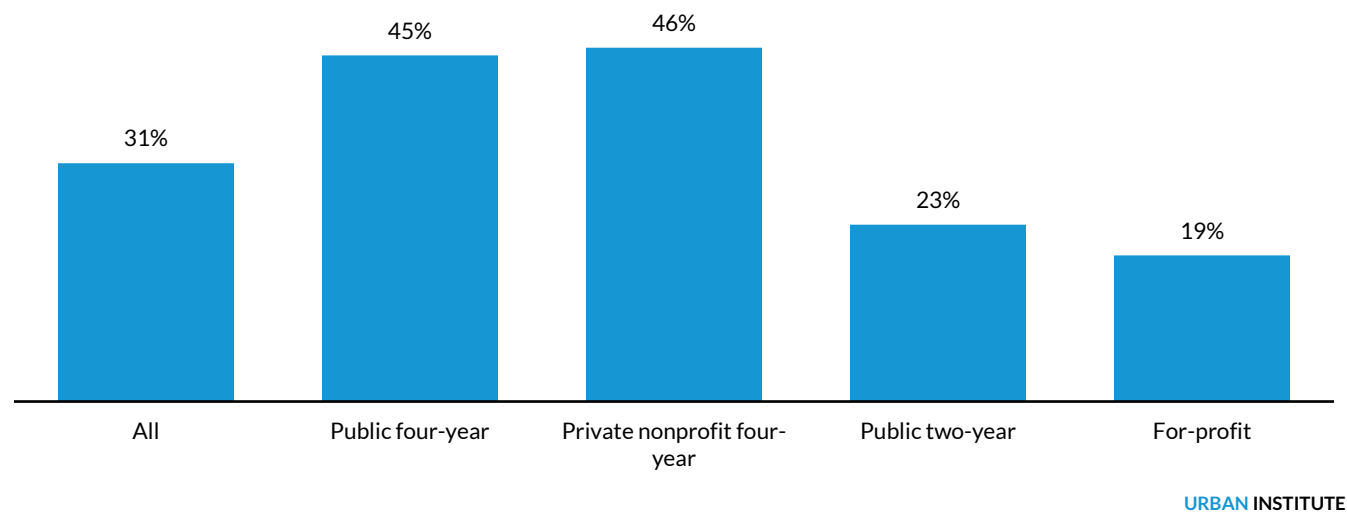
STUDENTS ENROLLED AT PUBLIC TWO-YEAR COLLEGES ARE LESS LIKELY THAN OTHERS TO RECEIVE STATE GRANT AID

Nationwide, 46 percent of undergraduate students attending college in their state of legal residence are enrolled in public two-year colleges. But 52 percent of Hispanic students attend these institutions. And 8 percent of Black students, compared with 4 percent of all students, attend degree-granting for-profit institutions.

In most states, public two-year college students are far less likely than those at public four-year institutions to receive state grant aid. In 2017–18, 31 percent of undergraduates who were deemed by the federal financial aid system unable to contribute more than \$6,000 to financing their education (i.e., those who had expected family contributions, or EFCs, below \$6,000) received need-based state grant aid, but almost half of students at four-year public and private nonprofit institutions received this aid, compared with 23 percent of low-EFC public two-year college students and 19 percent of those attending for-profit institutions.

FIGURE 1

Share of In-State Students with Expected Family Contributions below \$6,000 Receiving Need-Based State Grant Aid



Source: 2017–18 National Postsecondary Student Aid Study, Administrative Collection, PowerStats.

In New York, there is just a 7 percentage-point difference in aid receipt between low-EFC public two-year students and public four-year students (63 percent versus 70 percent). But in Ohio, 63 percent of public four-year college students with EFCs below \$6,000 and 9 percent of those attending public two-year colleges receive need-based state grant aid. In North Carolina, these percentages are 87 percent and 27 percent, respectively.

Because they have lower tuition prices, public two-year college students have less financial need than students in similar financial circumstances attending public four-year institutions. But many have significant unmet financial need and struggle to cover their living expenses, even if grant aid pays their tuition.

SOME STATES OFFER PRORATED NEED-BASED GRANTS TO STUDENTS ENROLLED AT LEAST HALF TIME, BUT NOT FULL TIME, BUT OTHER STATES EXCLUDE PART-TIME STUDENTS

Failing to fund students who are enrolled at least half time, but not full time, affects Black and Hispanic students more than others: 31 percent of Black students and 33 percent of Hispanic students attending college in their state of legal residence in 2017–18 were enrolled half time, compared with 26 percent of white students and 25 percent of Asian students.

TABLE 1

Full-Time and Part-Time Enrollment among Undergraduate Students, 2017–18
A smaller share of Hispanic students than of students from other groups is enrolled full time

	Full time	Half time	Less than half time
All institutions			
All	66%	28%	6%
White	68%	26%	6%
Black	64%	31%	5%
Hispanic	60%	33%	6%
Asian	68%	25%	7%
Other	70%	25%	4%

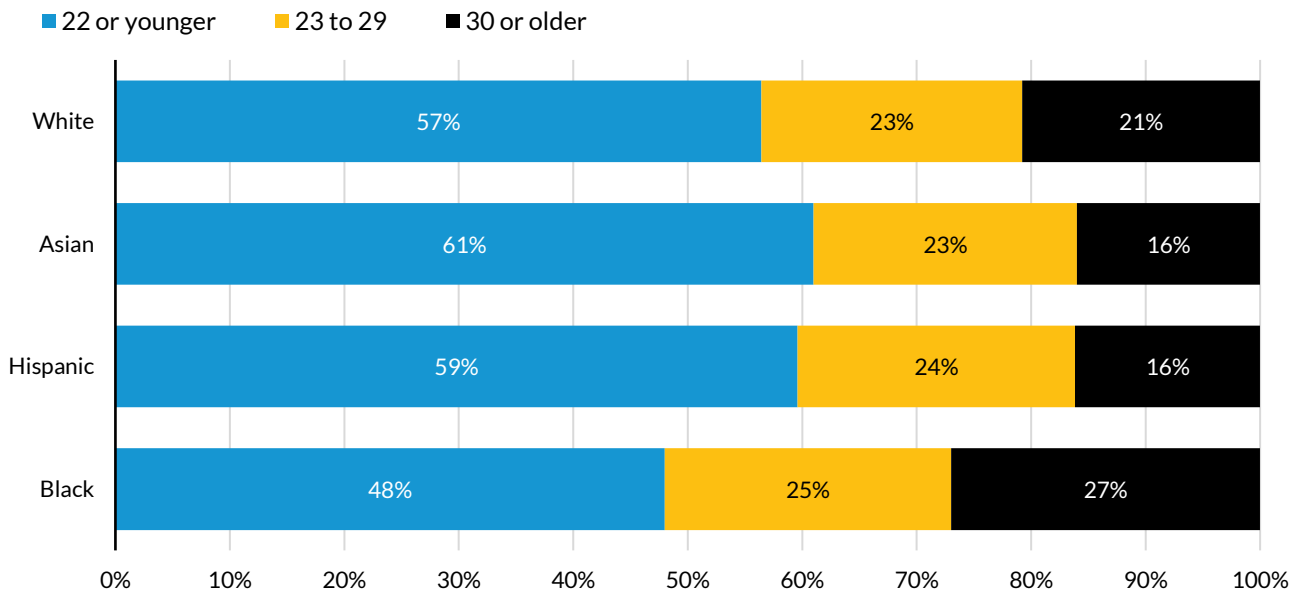
Source: 2017–18 National Postsecondary Student Aid Study, Administrative Collection, PowerStats.
Note: “Other” includes students who are American Indian or Alaska Native, who are Native Hawaiian or other Pacific Islander, or who identify as more than one race.

IN SOME STATES, ONLY RECENT HIGH SCHOOL GRADUATES ARE ELIGIBLE FOR NEED-BASED STATE GRANTS

Another problematic restriction is requiring students to be recent high school graduates to receive need-based state grant aid. Generally, Hispanic students are at least as likely as others to be 22 or younger, but Black students tend to be older and are therefore disproportionately affected by age-related restrictions.

FIGURE 2

Ages of Undergraduate Students, 2017–18



URBAN INSTITUTE

Source: 2017–18 National Postsecondary Student Aid Study, Administrative Collection, PowerStats.

Note: “Other” includes students who are American Indian or Alaska Native, who are Native Hawaiian or other Pacific Islander, or who identify as more than one race.

SOME STATES ADD HIGH SCHOOL ACADEMIC REQUIREMENTS TO THEIR NEED-BASED AID PROGRAMS

Some states add academic requirements to the financial circumstances that qualify students for need-based state grant aid. But if high-need students are accepted and enroll in college, weak high school records create additional barriers to college success, and denying these students grant aid can make them even more vulnerable. Among white undergraduates enrolled in 2017–18, 81 percent had high school grade point averages of 3.0 or higher, but this was the case for only 72 percent of Hispanic students and 63 percent of Black students. Grade point average requirements are likely to disqualify disproportionate shares of Black and Hispanic students from state grant programs. But because most students meeting the academic requirements for admission at many of the affected four-year institutions also meet the academic requirements for aid receipt, these program characteristics have less impact than they otherwise might.

DESIGNING STATE GRANT PROGRAMS TO INCREASE INCLUSIVITY AMONG ENROLLING STUDENTS

Despite the evidence that some restrictions on state grant aid might disproportionately exclude Black and Hispanic students, these policies appear to cause fewer disparities in practice than might be anticipated. But the disproportionate enrollment of Black and Hispanic students at public two-year institutions and for-profit institutions frequently prevents them from receiving state grant aid. This observation is consistent with the

evidence that variation in grant receipt among racial and ethnic groups is more widespread in aggregate state data than within either the public two-year sector or the public four-year sector.

Decisions about allocating aid between two-year and four-year students are not simple. In some states, the lower tuition at public two-year colleges leads policymakers to direct the bulk of their aid to four-year college students. But even if grant aid covers tuition, many public two-year college students struggle to cover their living expenses. States aiming to increase college enrollment and success might find it constructive to reconsider their allocation of state grant aid to institutions that enroll disproportionate shares of low-income Black and Hispanic students.

Because Black and Hispanic students are most likely to be overrepresented at public two-year (and for-profit) colleges, these differences in aid receipt lower the shares of otherwise eligible students receiving state grant aid.

States use need-based state grant aid to reduce financial barriers to college for students from low-income households. Each state has a unique program design, and student demographics and enrollment patterns vary considerably. These characteristics, in addition to the budget constraints states face, mean that the most effective policies will differ from state to state. But common patterns in the differing circumstances of students from different racial and ethnic groups mean that some practices may lead inadvertently to the disproportionate exclusion of Black and Hispanic students from state grant programs.

Restricting eligibility based on part-time versus full-time enrollment, time elapsed since high school graduation, or high school academic performance is likely to exclude larger shares of Black and Hispanic students than of other students. But in practice, the most significant issue appears to be the small share of state grant aid going to students attending public two-year colleges, which tend to enroll larger shares of Black and Hispanic students than other sectors.

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