

Veterans' Education Benefits in Context:

The Price of College, How Students Pay, and Why it Matters

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- The federal government's education benefits for veterans play a significant role in increasing educational opportunities in the United States. During the 2004-05 academic year, 16 percent of the \$18.2 billion in grant aid provided to students by the federal government was in the form of veterans' benefits.
- The vast majority of veterans reentering American society do not have a college degree and few have the resources to finance higher education on their own.
- Older students, such as those entering the civilian world from the military, tend to work while enrolled in school on a part-time basis, significantly reducing the likelihood that they will complete bachelor's degrees.
- The benefits of investing in higher education accrue to individual students in the form of higher earnings and better employment conditions, but also to society as a whole. In addition to paying higher taxes and being less dependent on public subsidies, college graduates are significantly more likely than others to be actively engaged citizens.

The federal government's education benefits for veterans play a significant role in increasing educational opportunities in the United States. During the 2004-05 academic year, 16 percent of the \$18.2 billion in grant aid provided to students by the federal government was in the form of veterans' benefits.¹ Providing the necessary resources and encouragement for those who have served in the military to participate in higher education is vital both from an equity perspective and for the development of the nation's labor force.

While commissioned officers tend to be college-educated, the vast majority of military recruits are high school graduates with no postsecondary experience. Although the proportion of military recruits holding college degrees has risen very slightly in recent years, it remains below 5 percent. More than half of these recruits come from households whose incomes would likely make them eligible for Pell Grants if they were to enroll in college instead of entering the military.² Moreover, there is evidence that combat experience reduces lifetime educational attainment, even after controlling for cognitive ability.³ The benefits that accrue both to individuals and to society as a whole as the result of higher education make the investment in subsidizing veterans well worth the cost. The rising price of higher education and the limited earnings ability of those who return from the service with only high school credentials make subsidies critical to creating these opportunities.

The United States has an excellent system of higher education that provides a variety of experiences to meet the diverse needs of the population. Forty-four percent of all college students are enrolled in public two-year colleges, where the average tuition and fees for full-time students are only \$2,200.⁴ However, when the other expenses involved in full-time enrollment are considered, the average cost of attendance is \$11,700. Moreover, earning a bachelor's degree requires at least two years of enrollment in a four-year college or university. In 2005-06, tuition and fees at these institutions average \$5,500 for in-state residents and the total cost of attendance for those who commute to campus is \$16,000 a year – over 50 percent of the average earnings of male high school graduates between the ages of 25 and 34 and 75 percent of the average earnings of female high school graduates in the same age range.

¹ The College Board. *Trends in Student Aid 2005*. Washington, DC. The College Board.

² Tim Kane. "Who Bears the Burden? Demographic Characteristics of U.S. Military Recruits Before and After 9/11," The Heritage Foundation, Center for Data Analysis Report #05-08. <http://www.heritage.org/Research/NationalSecurity/cda05-08.cfm>.

³ Michael Lyons, William Kremen, Michael Grant, Heather Brenner, Corwin Boake and Scott Eisen. "Vietnam Service, Combat, and Lifetime Educational Attainment: Preliminary Results from the Vietnam Era Twin Study of Aging." *Research on Aging*, Vol. 28, No. 1, 37-55 (2006).

⁴ The College Board. *Trends in College Pricing 2005*. Washington, DC. The College Board.

Table 1: The Price of College, 2005-06

	Tuition & Fees	Total Expenses (for off-campus students)
Two-year public	\$2,191	\$11,692
Four-year public	\$5,491	\$15,991
Four-year private	\$21,235	\$32,070

Because of the combination of college prices and family responsibilities, many older students, such as those who have served in the military before continuing their education, attend college part-time. While this option may be the only viable choice for many people, it significantly increases the time it takes to earn a degree, postponing the time when they can reap the financial benefits of their education. Moreover, the probability of completing a degree is significantly diminished by part-time attendance. Only about a third of part-time bachelor's degree seekers are either still enrolled or have earned a degree five years after beginning their studies.⁵

Both tuition and fees and the other costs associated with college enrollment consistently rise more rapidly than student and family ability to pay. As a result, students increasingly rely on debt to finance higher education. A third of all independent undergraduates borrow and 57 percent of those enrolled full-time borrow an average of \$7,500 a year to pay for college.⁶ As interest rates on student loans increase, the grant aid these students receive will be more and more critical to their ability to enroll and succeed in higher education.

It is clearly in the interest of individual students to maximize their educational attainment. While there is considerable variation in earnings among those with similar levels of education, earnings levels are highly correlated with years of education. But it is not only the students themselves who benefit from continuing their education. There are also significant benefits for society as a whole from increasing educational attainment. In addition to the fact that they tend to be accompanied by more generous employee benefits, including health insurance and pension coverage, the higher earnings of college graduates generate higher local, state and federal tax payments, as detailed in Table 2. College graduates are also much less likely than individuals whose formal education ended with high school to live in poverty, to be unemployed, and to depend on social income support programs. In other words, the investment in higher education has a high rate of return not only for individuals, but also for society as a whole.

⁵ Susan Choy. *Access and Persistence: Findings from 10 Years of Longitudinal Research on Students*. American Council on Education. 2002.

⁶ Lutz Berkner et al. *Undergraduate Financial Aid Estimates for 2003-04 by Institution Type*. NCES 2005-163, National Center for Education Statistics, June 2005.

Table 2: Median Earnings and Estimated Tax Payments
by Level of Educational Attainment, 2003

Highest Level of Education	Median Earnings, 2003	Estimated Total Taxes Paid
Less than high school	\$21,600	\$4,300
High school graduate	\$30,800	\$6,500
Some college, no degree	\$35,700	\$8,100
Associate degree	\$37,600	\$8,400
Bachelor's degree	\$49,900	\$11,800
Master's degree	\$59,500	\$14,500
Ph.D.	\$79,400	\$20,300
Professional degree	\$95,700	\$24,800
Source: The College Board, <i>Education Pays Update, 2005</i>		

As a group, veterans constitute a population of capable citizens who have not yet taken advantage of the opportunities offered by the American higher education system. Like others who are not in a position to be supported by their parents while they pursue college degrees, veterans depend on a combination of grants, loans and work to finance their educations. The federal government's grant aid to veterans plays a major role in making college a real possibility for these Americans.