Affordability and Higher Education in Virginia

State Council of Higher Education for Virginia
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Pathways to College Network (PCN)

- **Alliance** of over 30 national organizations and funders directed by TERI
- **Goal:** To improve college access and success outcomes for underserved students by connecting research with policy and practice and catalyzing action across the K-12 and higher education sectors
- **Focus Areas:** Academic Preparation & Support, Access and Information, Financial Aid, College Success
PCN Partners and Funders

- **Membership Associations**
  - Southern Regional Education Board (SREB)
  - Western Interstate Commission for Higher Education (WICHE)
  - American Council on Education (ACE)
  - National Assn. of Student Financial Aid Administrators
  - National Assn. of College Admissions Officers and Counselors
  - American Assn. of Colleges and Universities
  - College Board and ACT
  - National Assn. of Secondary School Principals

- **National and Regional Foundations**

- **Policy and Research Focused Organizations**
Guiding Questions...

- What do we mean by “affordability”?
- How do we measure affordability?
- What do we know about the relationship between affordability and access?
- What kinds of strategies are other states using to address affordability and access?
Advancing Virginia: Access, Alignment, Investment

The 2007-13 Strategic Plan for Higher Education in Virginia

- Enhance affordability through financial aid advocacy
- Enhance affordability through education and investment incentives
What do we mean by “affordability”?
The affordability of college is dependent on:

- the cost of attendance,
- families’ financial resources, and
- the financial aid available from federal, state, and other sources.
Definitions, statutes, and rules

Vs.

Perceptions and Anecdotes
Definitions

- **Cost** - the amount institutions spend to provide education and related educational services to students (measured through expenditures)

- **Price** - the amount students and their families are charged and what they pay for educational services; there are different types of prices

- **Sticker price** - Tuition and fees that institutions charge (the published price)

- **Price or cost of attendance** - Tuition and fees that institutions charge plus other expenses related to their education (housing, books, transportation, etc.)

- **Net price** - Amount students pay after financial aid is subtracted from the total price of attendance

Perceptions of Affordability

- Most parents (87%) believe a college education improves job prospects.

- Affordability is in jeopardy: 76% of parents say they are worried about being able to pay for college. 59% believe that college costs are going up as fast or faster than healthcare costs.

- Opportunity is being threatened: “Poor people cannot take advantage of the financial aid that is available because they lack the information, mentorship, or support necessary to go to college.” Minority parents—even high-incomes ones—are disproportionately concerned about lack of opportunity for qualified students.

- 44% say that waste and mismanagement in higher education are “very important” factors in driving up college costs.

Perceptions of Affordability

- Nearly all (91%) of 6th through 12th graders and their parents believe the child will attend college.

- Only 18% of students and 30% of parents had obtained information about what it would cost.

- Parents of White students were more likely than parents of either Black or Hispanic students to report knowledge of college costs.

- When asked to estimate 1 year’s tuition and mandatory fees at the type of college the students planned to attend, both students and parents substantially overestimated tuition amounts, especially for public institutions.

How do we measure affordability?
Affordability measured as a percentage of something

- Net price - after grants, scholarships, and loans
- Cost of education
- Income - gross, net, or disposable
Affordability measured by other factors

- Enrollment trends generally and for income categories and racial/ethnic groups
- Financial aid packages, especially loan volume
- Enrollment status, part-time
- Institutional choice
- Delayed participation
What do we know about the relationship between affordability and access?
Affordability and Access

“The affordability of higher education is declining for all undergraduates, and especially for those in the lower income quartiles.”

- Cost of attendance less grant aid at public and private 4-year institutions represented a higher share of family income than 10 years earlier across all income quartiles.
- Cost of attendance less grant aid represented a substantially higher share of income for low- and lower-middle-income families than those in upper-middle-income and highest-income quartiles.
- The share of family income needed to pay the cost of attendance less grant aid increased more for lowest-income and lower-middle-income families than for other income levels.

Affordability and Access

Price affects access and choice

- The cost of going to college represents a major determinant of whether students perceive college as within their reach.

- Tuition pricing, financial aid packages, and actual costs all have direct effects on student’s final matriculation set.

- Low-income students are the most susceptible to tuition price increases: for every $160 (in 1994 dollars) in increased tuition, enrollments dropped by .5% in four-year public institutions and by 2.3% in two-year colleges.

- The influence of debt aversion: among full-time dependent students, low-income students are less likely to borrow than other students and they take out smaller loans.

Affordability and Access

Culture counts

- Affordability is a reflection of cultural practices around money.
- Attempts to disseminate financial aid information, streamline the FASFA process, and improve practitioner knowledge related to financial aid have resulted in minimal improvements to the college-financing perceptions of those most in need.
- Financial and opportunity costs associated with college continue to influence whether and where a student chooses to go to college.
Affordability and Access

Both price and grant aid count

- “Student affordability will be increased only if college prices are stabilized and more need-based grant aid gets to the poorest students.” (Jane Wellman, issue paper prepared at the request of the Secretary of Education’s Commission on the Future of Higher Education)

- In 2003-04, 76% of full-time undergraduates received financial aid. In addition, 50% of all full-time undergraduates took out an average of $6,200 in students loans that academic year. (National Center for Education Statistics, U.S. Department of Education, Student Financing of Undergraduate Education: 2003-04.)

- “More than 60% of Latino students receive only one source of aid, almost exclusively Pell Grants. (Raymond Padilla, Camino de la Universidad - The Road to College, paper prepared for Lumina Foundation for Education)
What kinds of strategies are other states using to address affordability and access?
Making college affordable for low-income families

- **Middle school youth:** Early commitment financial aid programs
  - Indiana’s 21st Century Scholars
  - Oklahoma’s Promise
  - Wisconsin’s Covenant

- **High school youth:** Education individual development accounts (IDAs)
  - Central New Mexico Community College
  - Canada Community College, San Jose, CA
  - Community College of Denver

- **Adults:** Lifelong Learning Accounts (LiLAs)
  - Illinois
  - Maine
Align financing and financial aid policies

- **Dedicate a percentage of tuition increases to need-based aid.** Arizona takes approximately 25% of revenue from each tuition increase for need-based aid.

- **Link financial aid with rigorous course taking.** Indiana awards low-income students with additional financial aid if they graduated with Core 40 (college prep curriculum).

- **Reward students with tuition rebates.** Give back last semester’s tuition if a student completes a degree in less than 4 years.

- **Develop a Shared Responsibility approach.** Oregon’s Shared Responsibility model and Minnesota’s Design for Shared Responsibility initiative both assume that the student bears the first and most significant responsibility for paying for college.
Nagging Questions...

- How do you know that higher education in Virginia is, or is not, affordable?
- How will SCHEV’s position on affordability promote the development of human capital to support economic and workforce development for Virginia?
- How can the state maximize its investment in financial aid and its interests in well-prepared high school graduates to neutralize affordability concerns?
- How will SCHEV’s decisions on affordability impact college-going rates for different categories of students?