SCHEV Policy Issue Discussion
Higher Education Affordability
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Overarching Assumption: Affordability is enhanced through need-based financial aid…merit-based aid does little to enhance affordability and access.

- Affordability as a concept
- Selected examples
- Policy questions/issues to consider
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“It was the best of times, it was the worst of times.”

Affordability for whom? Who plays what role?

– The student and family
– The institution
– The Commonwealth
– The nation
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The Nation’s Role

Pell Grants
Tax Credits
Gear Up
Challenge Grants
Trio Programs
LEAP
Other (Head Start, CSBG, GI Bill, Loans, et al)
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The Commonwealth’s Role

Provide a static base of funding?
Provide a percentage of cost?
Provide a percentage of unmet student need?
Provide grant equity in student aid?
Provide direct or indirect aid to students?
Provide subsidy to student? Institution? Both?
Institute price controls/incentives?
Provide infrastructure for aid delivery?
Encourage innovation?
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The Institution’s Role

Maintain reasonable tuition and fee rates
Maintain reasonable auxiliary fees
Provide need based financial aid
Maintain transparent financial aid process
Provide financial counseling to families
Provide financial literacy training to students
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Student’s/Family’s Role

Provide financial support from income*
Provide financial support from assets*
Earn/search out scholarships
Maintain reasonable consumer expenditures
Be willing to assume reasonable loan debt
Be willing to consider part-time work

*Based on financial strength of family
Affordability is in the eye of the beholder!

Affordability for the Student/Family

- Dependent on family socioeconomic status (SES)
- Different effects by SES
  - Low SES $0-$40,000
  - Middle SES $40,001-$90,000
  - High SES $90,001 and above
## SCHEV POLICY DISCUSSION
### HIGHER ED AFFORDABILITY

<table>
<thead>
<tr>
<th>Affordability Factor</th>
<th>Low SES</th>
<th>Middle SES</th>
<th>High SES</th>
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</thead>
<tbody>
<tr>
<td>Complexity</td>
<td>X</td>
<td>X</td>
<td>X/+</td>
</tr>
<tr>
<td>Opportunity Costs</td>
<td>X</td>
<td>+</td>
<td>NA</td>
</tr>
<tr>
<td>Sticker Price</td>
<td>X</td>
<td>X/+</td>
<td>NA</td>
</tr>
<tr>
<td>Net Price</td>
<td>X/+</td>
<td>X/+</td>
<td>NA</td>
</tr>
<tr>
<td>Competing Priorities</td>
<td>X</td>
<td>+</td>
<td>NA</td>
</tr>
<tr>
<td>Deferred Costs</td>
<td>X</td>
<td>X/+</td>
<td>NA</td>
</tr>
</tbody>
</table>

X = inability to mitigate  
+ = ability to mitigate or no effect  
NA = not applicable  

Institutional Access Enhancing Efforts

Harvard
College of William and Mary
University of Virginia
Virginia Tech

Common Element is Funding = Combination of federal, state and institutional funds

Harvard

- Need Based Program (modified)
- Expectation (max) to pay = 10% of family income
- $180,000 would pay $18,000
- As income range decreases, so does expectation
- At $60,000, expectation is 0%
- No loans up front
- Families may choose loans to fund their expectation
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College of William and Mary

Gateway Program

- Need-based
- Family income below $40,000 all need met by grants
- Family may have modest contribution
- Gateway Grant to meet full need up to cost of education
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University of Virginia

Access UVA

• Need-based
• Four Components
  ▪ Grant aid up to cost of education for families with income up to 200% poverty level
  ▪ Loan Cap at about 25% of 4 year cost of education
  ▪ Meet full need for middle income
  ▪ Training in Financial Literacy
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Virginia Tech

Funds for the Future

- Need-based
- Income cap of $99,999
- Protects from increases in tuition and fees
  - 100% protection incomes < $30,000
  - 70% protection incomes $30,001 - $49,999
  - 30% protection incomes $50,000 - $74,999
  - 10% protection incomes $75,000 - $99,999
Affordability (and thus access) is in the eye of the beholder by SES

- Upper SES is self-maintaining
- Middle SES requires tactical policy attention
- Lower SES requires strategic policy attention

Policy Issues
Affordability Factor

*Complexity* --- negative for all SES

Financial Aid Application Protocols for VA Institutions

<table>
<thead>
<tr>
<th>Institution Type</th>
<th>Uniform Application</th>
<th>Special Application</th>
<th>Uniform Deadline</th>
<th>Differential Deadlines</th>
<th>Deadline Range</th>
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<tbody>
<tr>
<td>2-Yr Public</td>
<td>16</td>
<td>8</td>
<td>21</td>
<td>3</td>
<td>Mar 1 - &gt;Jun 1</td>
</tr>
<tr>
<td>4-Yr Public</td>
<td>13</td>
<td>2</td>
<td>10</td>
<td>5</td>
<td>Feb 1 – May 1</td>
</tr>
<tr>
<td>4-Yr Indep</td>
<td>22</td>
<td>7</td>
<td>15</td>
<td>14</td>
<td>Feb 1 - &gt;Jun 1</td>
</tr>
</tbody>
</table>
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Policy Implication to deal with Complexity
Virginia offers state aid to students both at public and private/independent institutions on a decentralized basis…

What are the merits of centralizing the state aid process? What opportunities exist to restructure/simplify/expand existing need-based aid programs?
Policy Implication to deal with Complexity
Even with a centralized state aid process, complexity remains in the aid application process….

What are the merits of a strategic early awareness marketing campaign for post high school educational affordability?
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Affordability Policy Implications
The Commonwealth is not by itself in seeking an educated populace…business, industry and communities benefit too…..

What protocols should be adopted to partner with business, industry and community organizations in awareness initiatives as well as in joint funding ventures of student/institutional incentives?
Affordability Policy Implication

Affordability is a difficult concept to measure …what is affordability? 12 of 15 VA 4-year publics have lower six-year graduation rates for financial aid recipients than non-financial aid recipients…

Should the Commonwealth measure affordability as diminishing the graduation rate gap between cohorts of financial aid recipients and non-aid recipients while requiring a maintenance of effort level for graduation rates and institutional aid expenditures?
Affordability Policy Implications

Public higher education in Virginia is undergoing a restructuring effort measured by *Institutional Performance Standard (IPS)*.

What opportunities are there to review and refine the IPS to reflect affordability? How might tuition increases be more effectively used to help fund need-based aid and to ensure that institutions are fully utilizing the resources available to them?
Affordability Policy Implications

SCHEV has adopted the *Partnership Model* of funding for state need-based aid to public 2 and 4-year institutions….

What are the opportunities to further refine this funding model to more appropriately reflect enrollment trends and funding demands as well as provide incentives for institutions?
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Affordability Policy Implications
The policy concept of affordability may carry negative implications, especially with lower SES populations...by use of the term ‘affordability’ we set expectations that higher ed is not affordable...

Consider a change in concept to “ACCESS” and identify a champion... SCHEV can be this champion by providing more visibility and aggressiveness to access efforts at the highest levels of state government and with all audiences across the Commonwealth.
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Discussion