

Affordability and Higher Education in 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”?



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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

Source: U.S. Department of Education, National Center for Education Statistics, *Congressionally Mandated Studies of College Costs and Prices*. 2003.

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 health care 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.

Source: John Immerwahr and Jean Johnson, Public Agenda, *Squeeze Play: How Parents and the Public Look at Higher Education Today*, 2007.

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.

Source: National Center for Education Statistics, U.S. Department of Education. *Getting Ready to Pay for College: What Students and Their Parents Know About the Cost of College Tuition and What They Are Doing to Find Out.* 2003.

How do we measure
affordability?



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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?



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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.

Source: L.W. Perna and C. Li. “College affordability: Implications for college opportunity.” *NASFAA Journal of Student Financial Aid*, 2006.

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.

Source: *State Grant Aid and Its Effects on Students' College Choices*,
Western Interstate Commission for Higher Education, 2007.

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?



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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?



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