

Archived Information

The Secretary of Education's Commission on the Future of Higher Education

Summaries of Recent Affordability Studies and Models November 17, 2005

DRAFT FOR REVIEW

1. Costs to Students/Families: Costs to student/family, sources and adequacy of financial aid, family income and ability to pay, students education-related indebtedness, loan default rates, rate of increase.

Trends in Student Aid 2005 -Annual data is presented in this publication on the amount of financial assistance – grants, loans and work study – available to help students pay for postsecondary education. The most recent report finds the rate of growth of private student loans was higher during the 2004-05 academic year than the rate of growth of any other type of student aid, including federal loan programs. The report also details how the number of Pell Grant recipients increased by only 3% during the same academic year, after growing at an average rate of 8% over the preceding three years. (The College Board, November 2005)

National Survey of College Presidents-The Project on Student Debt - A new national survey of college and university presidents finds that 86% are concerned about the amount of debt students are taking on to pay for their education, and that they support a range of policy changes to reduce the burdens of student debt. (Project on Student Debt, the American Enterprise Institute and the Pew Charitable Trusts, November 17, 2005)

Independent Undergraduates: 1999-2000 - This report provides a comprehensive look at independent students who were enrolled in postsecondary education in the United States and Puerto Rico in 1999–2000. Independent students are assumed to be financially self-sufficient and no longer dependent upon their parents to support them or finance their education. Many independent students work full time and attend community colleges or other postsecondary institutions that are geared toward career training in specialized fields such as health, technology, and business. Working as many hours as they do, independent students are more likely to enroll in postsecondary institutions part time. They are less likely than dependent students to apply for financial aid, and are less likely to apply for it on time, or before the typical May 1 deadline for state and institutional aid. Among those who do apply for aid, independent students are less likely than dependent students to receive state and institutional grants, more likely to receive Pell Grants and, although they are less likely to take out student loans, the average amount they borrow is larger. Being married or having

children are characteristics common to independent students, and while being married can raise one's income, having children can increase one's living expenses considerably. (Christina Chang Wei, Stephanie Nevill, Lutz Berkner, September 2005)

Global Debt Patterns: An International Comparison of Student Loan Burdens and Repayment Conditions- The purpose of this study was to focus on the specific nature of the debt burden facing students in different countries. In particular, it explored how much students in different countries owe in student loan debt, the conditions governing loan repayment, and the proportion of students' post-graduation income needs to be devoted to repayment. (Alex Usher, Education Policy Institute, September 2005)

Student Debt: Bigger and Bigger – Nearly two-thirds of students attending a four-year public college or university take on student loans while they are in schools. As of last year, the average indebted graduating senior was \$17,600 in debt on graduation day. Higher levels of debt upon graduation have implications for how students think about post-college jobs that they must take in order to afford their debts and may choose to postpone marriage, buying a house, or starting a family while they pay off their loans. (Heather Boushey, Center for Economic and Policy Research, September 2005)

Debt Burden: A Comparison of 1992-93 and 1999-2000 Bachelor's Degree Recipients a Year After Graduating - This report uses the 1994 and 2001 Baccalaureate and Beyond Longitudinal Study (B&B) to compare the borrowing patterns of 1992–93 and 1999–2000 bachelor's degree recipients. It also examines their repayment situations and resulting debt burdens (defined as monthly loan payments as a percentage of monthly salary income) a year after they graduated. Members of the earlier cohort finished their undergraduate borrowing before the changes in the Stafford loan program were implemented, and most members of the later cohort would have done all of their borrowing under the new rules. The major finding of the analysis was that although both the percentage of graduates who had borrowed for their undergraduate education and the average total amount borrowed (adjusting for inflation) increased, the median debt burden (as defined in the previous paragraph) a year after graduating was about the same for both cohorts. (Susan P. Choy and Xiaojie Li, July 2005)

How Latino Students Pay for College - Although the percentage of Latino students receiving financial aid for college is at an all-time high, Latinos receive the lowest average federal aid awards of any racial or ethnic group, receiving an average financial aid award of \$6,250, compared to the national average of \$6,890 in 2003-04. This brief argues that Latinos rely heavily on federal aid – and on grants in particular – because they are more likely to be first-generation college students and to have relatively low family incomes. The brief offers a profile of Latino undergraduates along with an overview of Latino undergraduates participating in financial aid, and has sections on: (1)

grants; (2) loans; (3) federal financial aid; (4) state financial aid; and (5) institutional aid. Policy recommendations at the federal, state/local, institutional and K-12 community levels are listed. (Excelencia in Education and the Institute for Higher Education Policy, August 2005)

Federal Student Loan Debt: 1993 to 2004 - Summarizes the total student loan debt of undergraduate and graduate students completing their degrees. It describes recent trends in cumulative student loan borrowing of college graduates by institution type and degree earned. Despite increased borrowing for some students, the ACE publication, finds that a sizeable proportion of degree recipients either do not borrow at all or graduate with modest amounts of federal student loan debt. (American Council on Education, June 2005)

Financing Higher Education - Throughout the world, financing of higher education is immensely sensitive politically, although there has been widespread acceptance of two core objectives, both for their own sake and for reasons of national economic performance: (1) strengthening quality and diversity; and (2) improving access. According to the author, economic theory argues for a three-part strategy to better meet the needs of society and student: (1) deferred variable fees; (2) income-contingent loans; and (3) active measures to promote access. The author examines higher education finance reforms in Britain in 1998 and 2004, discussing lessons learned, possible applications to other nations and the state of higher education finance in several other nations. (Nicholas Barr, Finance & Development, June 2005)

Easy Money: How Congress Could Increase Federal Student Aid Funding at No Additional Cost to Taxpayers - By enticing colleges to participate in the direct-lending program instead of the guaranteed-loan program, the federal government could provide low-income students with an additional \$300 billion a year, according to this report. The authors argue that the maximum Pell Grant award could increase by \$600 next year by passing legislation that redirects subsidies currently going to student-loan companies to needy students instead. The report also claims the proposed "Student Aid Reward Act" could generate \$4.4 billion in new federal money next year if colleges and universities switched to the more cost-effective Direct Loan program. A section that details state-by-state savings is included. (American Association of Collegiate Registrars and Admissions Officers, State Public Interest Research Groups' Higher Education Project, U.S. Student Association, May 2005)

Case Study of Utah Higher Education - In this case study, the higher education policies of Utah and their effect on preparation, affordability and access are examined in detail. The authors conclude that up to this point, Utah has done a good job of dealing with population growth and rising demand for postsecondary education in the state by adopting policies that allow "intuitional innovation driven by larger state purposes." This includes

allowing two-year colleges to offer four-year degrees in targeted areas. Though Utah is unique in many ways from other states, policymakers from across the country can learn from their emphasis on affordability, even in a time of tight budgets and rising enrollments. (Kathy Reeves Bracco and Mario Martinez, National Center for Public Policy and Higher Education, April 2005)

2. Institutional Costs and Financial Support: Sources and amounts of revenues, cost of instruction, privatization, level and composition of private/state/federal funding, indirect-cost recovery, performance-based funding.

Outsourcing of Non-Mission-Critical Functions: A Solution to the Rising Cost of College Attendance – Outsourcing is presented as one solution to the college cost crisis. Institutions are considering outsourcing as a management strategy to reduce costs and capital investments, accommodate staffing limitations, enhance service quality, achieve access to technology and expertise not otherwise available, better manage periodic service demands, facilitate organizational change and generate revenue. Outsourcing of non-mission-critical functions is an option that has been well tested, with approximately 95 percent of all institutions report outsourcing at least some non-academic services. (Mary F. Bushman and John E. Dean, Lumina, November 2005)

Trends in College Pricing 2005 - This report, based on the College Board's Annual Survey of Colleges, provides updated information on tuition and other expenses associated with attending public and private nonprofit institutions of postsecondary education in the United States. It finds that the rate of increase in tuition across the country is higher in the 2000s than during the previous two decades. During the 2005-06 school year, tuition at public four-year and two-year colleges rose 7.1% and 5.4%, respectively, continuing a 20-year trend of tuition increases. It argues that while wealthy families can keep pace with the rising cost of tuition at postsecondary institutions, low-income and middle-class families increasingly struggle to afford a college education. (The College Board, November 2005)

Seven Steps: Ways to Reduce Instructional Costs and Improve Undergraduate and Graduate Education – The author presents the following seven practices that could provide undergraduate and graduate students with high-quality education more efficiently: 1. Outsource selected courses and programs. 2. Expand opportunities for experiential learning credit in traditional four-year programs. 3. Give credit for programs offered by student services. 4. Unbundle university education by providing more credential options than only the traditional bachelor's and master's degrees. 5. Adapt existing concurrent enrollment programs with high schools so that students can graduate in fewer than four years. 6. Use undergraduate teaching assistants for lower-division courses. 7. Adopt an apprenticeship model for all doctoral programs. (Bill Coplin, Lumina, November 2005)

Improving Quality and Reducing Costs: The Case for Redesign – The National Center for Academic Transformation (NCAT) has completed a five-year national project, the Program in Course Redesign, which annually involves 50,000 students at 30 institutions. This paper argues that an outmoded, labor-intensive delivery model and outdated assumptions about the relationship between cost and quality are important contributors to the rising cost of higher education. It also argues that improving student learning while reducing instructional costs is possible if we redesign collegiate instruction. The Program in Course Redesign provides strategies and data about how to achieve this goal. (Carol A. Twigg, Lumina College Costs Conference, November 2005)

Easy Money: How Congress Could Increase Federal Student Aid Funding at No Additional Cost to Taxpayers - By enticing colleges to participate in the direct-lending program instead of the guaranteed-loan program, the federal government could provide low-income students with an additional \$300 billion a year, according to this report. The authors argue that the maximum Pell Grant award could increase by \$600 next year by passing legislation that redirects subsidies currently going to student-loan companies to needy students instead. The report also claims the proposed "Student Aid Reward Act" could generate \$4.4 billion in new federal money next year if colleges and universities switched to the more cost-effective Direct Loan program. A section that details state-by-state savings is included. (American Association of Collegiate Registrars and Admissions Officers, State Public Interest Research Groups' Higher Education Project, U.S. Student Association, May 2005)

Bridging Troubled Waters: Competition, Cooperation and the Public Good in Independent and Higher Education - Budget cuts, tuition hikes and the distribution of financial aid are changing the nature of higher education in the states. In some cases, public institutions have started to act like private ones by raising private funds or contracting with state governments to provide selected services. How can higher education continue to serve the public good in a market-driven policy environment? This policy brief attempts to answer that question by examining recent postsecondary trends, including the privatization of public higher education and the growing competition between institutions of higher learning. (American Council on Education, 2005)

3. Value of a College Education: What is the value or return on investment from the public and individual student perspective.

Income of U.S. Workforce Projected to Decline If Education Doesn't Improve - If current trends continue, the proportion of workers with high school diplomas and college degrees will decrease and the personal income of Americans will decline over the next 15 years. Substantial increases in those segments of America's young population with the lowest level of

education, combined with the coming retirement of the baby boomers—the most highly educated generation in U.S. history—are projected to lead to a drop in the average level of education of the U.S. workforce over the next two decades, unless states do a better job of raising the educational level of all racial/ethnic groups. The projected decline in educational levels coincides with the growth of a knowledge-based economy that requires most workers to have higher levels of education. At the same time, the expansion of a global economy allows industry increased flexibility in hiring workers overseas. As other developed nations continue to improve the education of their workforces, the United States and its workers will increasingly find themselves at a competitive disadvantage. (The National Center for Public Policy and Higher Education, November 2005)

Education Pays 2005: The Benefits of Higher Education to Individuals and Society – This report, a supplement to *Trends in Student Aid* and *Trends in College Pricing*, document the many benefits generated by higher education for society as a whole, as well as for individual students. It finds that individuals who enroll and succeed in college and society as a whole enjoy high rates of return to investments in quality higher education. . . It argues that the magnitude of these benefits makes the continuing gaps in educational opportunity particularly costly. (The College Board, November 2005)

Toward a New Way of Thinking: Quality, Productivity and College Costs – The demand for higher education is exploding as both population growth and fundamental shifts in the economy produce more prospective students seeking some form of postsecondary education. A lack of resources constrains higher education's ability to expand to meet this need with traditional organizational and delivery models. The delivery of higher education must be re-engineered on a large scale to increase productivity using proven reinvention models from other industries. (Dewayne Matthews, Lumina, November 2005)

Measuring up on College Level Learning: 2004- The most recent edition of the report card, *Measuring Up 2004*, included a brief summary of the results of the demonstration project. This report provides a more comprehensive account of the project, its findings, and conclusions, as well as information that will be useful to states that may wish to replicate the model. The report concludes that providing comparative state-by-state information about learning outcomes is not only feasible, but also important and useful for policy. (Margaret A. Miller and Peter T. Ewell, October 2005)

1992-1993 Bachelor's Degree Recipients and Their Opinions About Education - The E.D. TAB is the first publication using data from the final follow-up of the 1993/03 Baccalaureate and Beyond Longitudinal Study (B&B: 93/03). Students who completed their bachelor's degree in 1993 were identified and contacted for follow-up interviews in 1994, 1997 and 2003. This report presents the percentages of students who reported important

relationships between their undergraduate education and their lives in 2003; the percentages who enrolled for further postsecondary study; and their satisfaction with graduate study. (NCES, September 2005)