

The Challenges of Financing Higher Ed

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Trends, Constraints & Concerns

- College costs/published prices are rising
 - Family incomes have not kept pace
 - Growth in student aid has not kept up
- Declining state subsidies, growing college enrollments and shifts in income distribution have resulted in greater gaps between costs, available aid and family resources
- Concerns about student debt are mounting

Trends in College Prices

- During the last decade prices rose at steep rates – particularly for public colleges – and then slowed
 - The 2013-14 (2.9%) increase in tuition/fees followed increases of 4.5% in 2012-13 and 8.5% in 2011-12 and was the smallest percentage increase in more than 30 years

Average Charges for Full-Time Undergrads by Type of Institution 2013-14

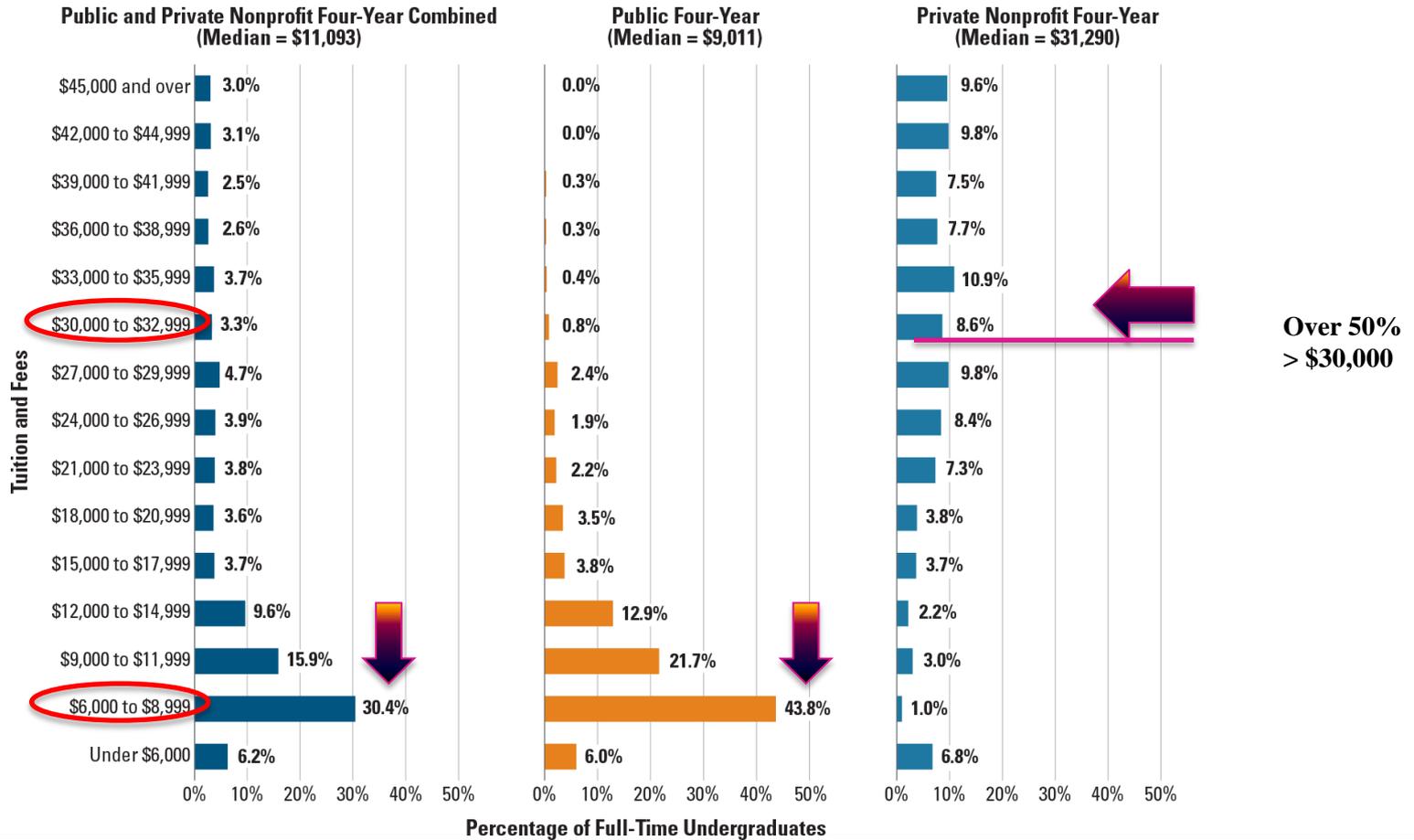
Sector	Tuition and Fees				Room and Board				Total Charges			
	2013-14	2012-13	\$ Change	% Change	2013-14	2012-13	\$ Change	% Change	2013-14	2012-13	\$ Change	% Change
Public Two-Year In-State	\$3,264	\$3,154	\$110	3.5%	\$7,466	\$7,342	\$124	1.7%	\$10,730	\$10,496	\$234	2.2%
Public Four-Year In-State	\$8,893	\$8,646	\$247	2.9%	\$9,498	\$9,171	\$327	3.6%	\$18,391	\$17,817	\$574	3.2%
Public Four-Year Out-of-State	\$22,203	\$21,533	\$670	3.1%	\$9,498	\$9,171	\$327	3.6%	\$31,701	\$30,704	\$997	3.2%
Private Nonprofit Four-Year	\$30,094	\$28,989	\$1,105	3.8%	\$10,823	\$10,458	\$365	3.5%	\$40,917	\$39,447	\$1,470	3.7%
For-Profit	\$15,130	\$15,060	\$70	0.5%	—	—	—	—	—	—	—	—

SOURCE: The College Board, *Trends in College Pricing 2013*, Table 1A.



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Distribution of Full-Time Undergrads at 4-Year Institutions by Tuition and Fees, 2013-14

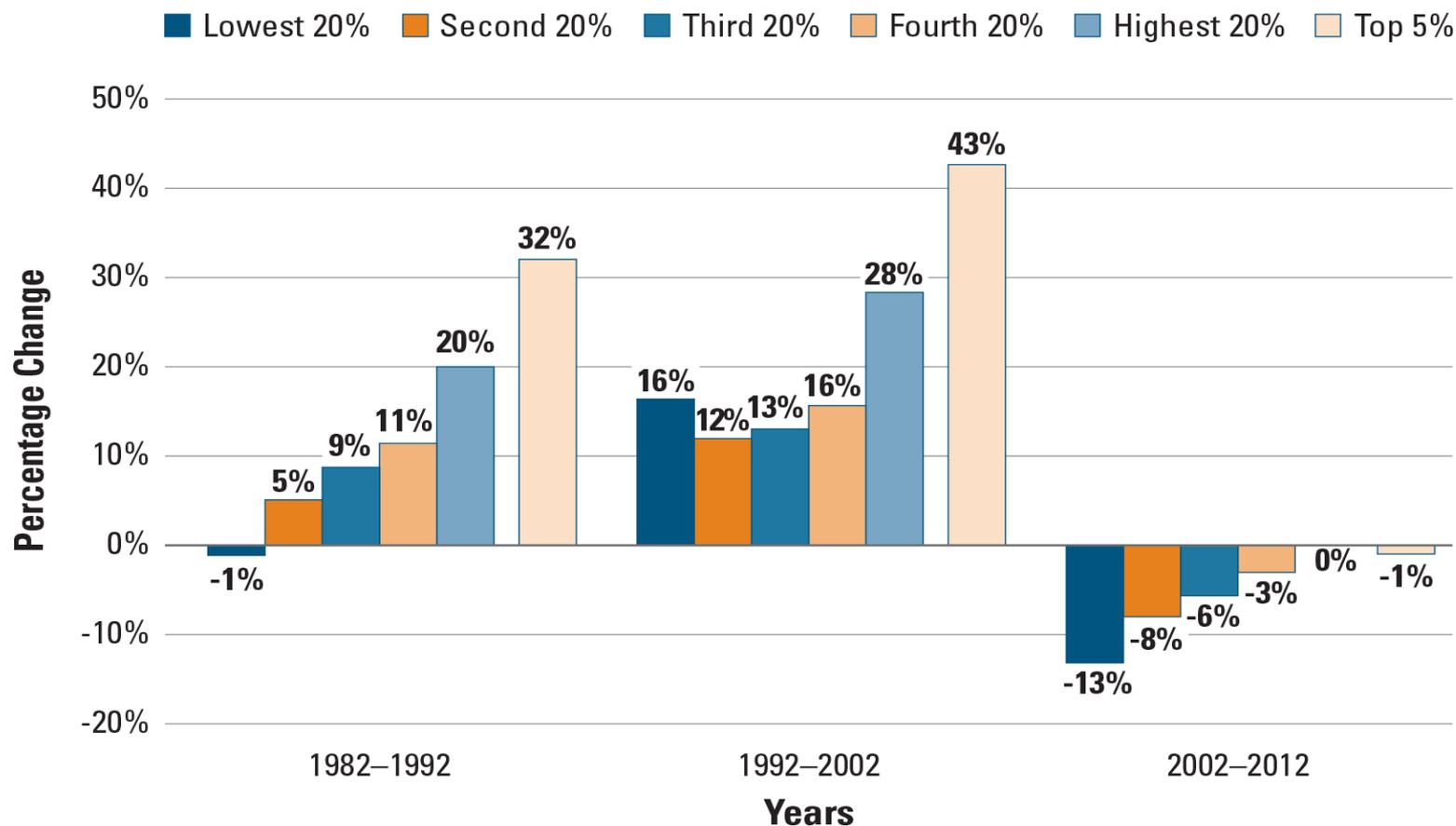


SOURCE: The College Board, *Trends in College Pricing 2013*, Figure 2.

Changes in Family Income

- Slowing of the rate of increase does not mean that college is suddenly more **affordable**
 - 2012 incomes remained lower at all levels of the income distribution than they were ten years earlier
 - The economic recovery benefited those at the top more than others

% Change in Mean Family Income by Quintile 1982–1992, 1992–2002, 2002–2012



SOURCE: The College Board, *Trends in College Pricing 2013*, Figure 20A.

Income Distribution and College Enrollment Patterns

- Enrollment has grown rapidly (28% over 10 years)
 - Growth is partly a result of weak labor market and partly a recognition of the value of college
- More students from families with fewer financial resources are enrolling in college
 - Great news for increasing educational opportunity and closing the achievement gap
 - Not so great news for the additional demand on finite financial aid resources

College Enrollment Rates of Recent High School Grads by Family Income

Income Quintile	1987	1992	1997	2002	2007	2012	Percentage Point Change Between 1987 and 2012
Lowest	37%	42%	47%	50%	54%	52%	+ 15
2nd	35%	46%	43%	52%	55%	58%	+ 23
3rd	47%	53%	62%	55%	62%	65%	+ 18
4th	60%	65%	68%	65%	69%	71%	+ 11
Highest	73%	78%	81%	78%	80%	82%	+ 9

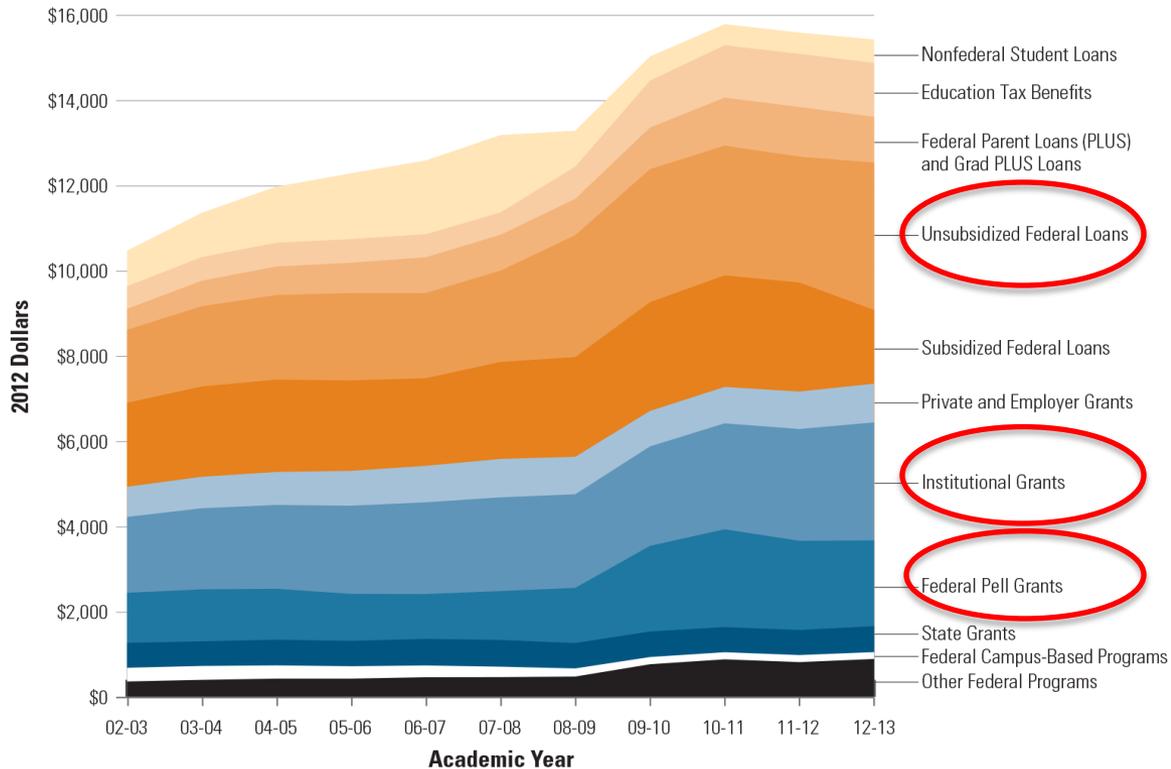
SOURCE: U.S. Census Bureau, 2013.



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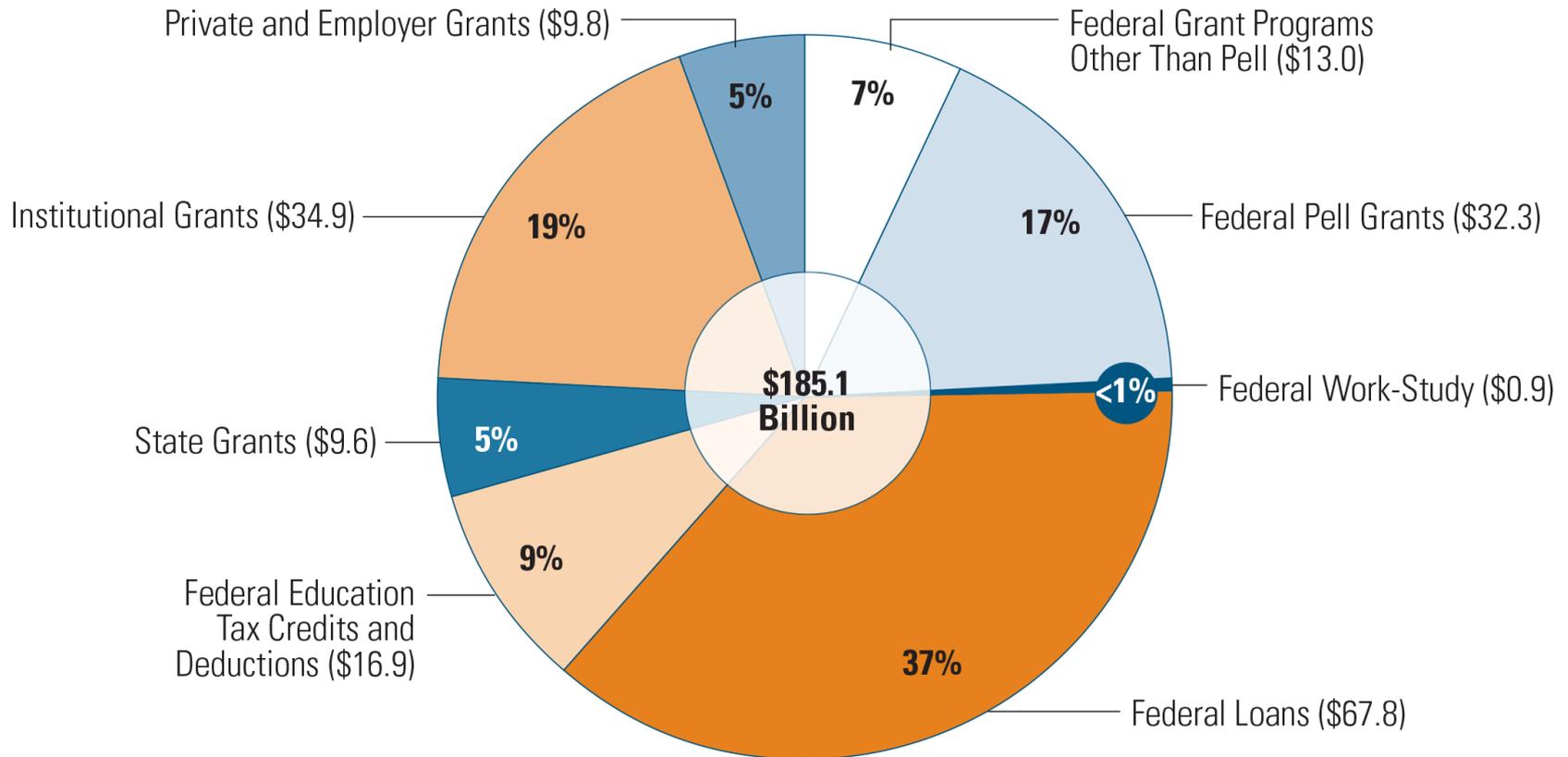
Trends in Aid

10-Year Trend in Student Aid 2002-03 to 2012-13



SOURCE: The College Board, *Trends in Student Aid 2013*, Figure 1.

Undergraduate Student Aid by Source and Type (in Billions), 2012-13



SOURCE: The College Board, *Trends in Student Aid 2013*, Figure 2A.

Federal Pell Grants

- Federal grants are targeted at low- and moderate-income students
- The number of students receiving Pell Grants nearly doubled between 2002-03 and 2012-13 (from 4.8 to 8.8 million students)
 - Funding was increased during height of recession
 - Eligibility was liberalized (and then restricted)
 - 36% of undergrads received Pell in 2012-13
- In 2003-04, the maximum Pell Grant covered 87% of average public 4-yr tuition & fees; only 63% in 2013-14

State & Institutional Grant Aid

- States & colleges frequently consider factors other than financial need in awarding their grant funds
- About 2/3^{rds} of full-time students pay for college with assistance of grant/scholarship aid
 - Institutional sources of grant have grown (one of the drivers of rising costs)
 - State appropriations (subsidies/grants) have been cyclical, declining while enrollment has grown, so that students face larger increases in what they must pay

Net Price – What Remains to be Paid After Grants are Applied

- Published prices make headlines, but it is the net prices paid by individual students that matter most for college access and affordability
- Because growth in student aid has not kept up with published prices, net prices have grown more rapidly than published prices, placing greater responsibility on the family to make up the difference (through family resources or borrowing)

Net Price – What Remains to be Paid After Grants are Applied

- Different students pay different prices at the same college, depending on their financial circumstances, academic qualifications and other characteristics & talents
 - Net price calculators make it possible for students to obtain an estimate of their financial aid award, potential borrowing, and out-of pocket costs for specific colleges
- **College costs and borrowing are affected by choices.** It is critical that students consider the total price for all years of study and imperative that students are informed about odds of graduating and average time to degree

Trends and Solutions

- College is expensive
- Investment pays off very well for most people
- We need:
 - better preparation on the part of families
 - adequate public funding (subsidies & grants)
 - grant aid to be focused on meeting need
 - greater corporate involvement/investment
 - better guidance for students to make informed decisions