SREB

Shared Responsibility for College Affordability

October 2016

Southern Regional Education Board

SREB.org

The Report of the SREB Commission on College Affordability in the South

Inside

SREB commissioned the Higher Education Policy Institute to prepare this report under the leadership of Dave Spence, SREB president, and Cheryl Blanco, vice present for postsecondary education. Dennis Jones, president emeritus of the National Center for Higher Education Management Systems, also contributed to this work and prepared the College Affordability Policy and Practice Review: A Statewide Framework.

For more information, contact Cheryl Blanco at Chery.Blanco@SREB.org or visit SREB.org/Affordability.

Shared Responsibility for College Affordability

The Report of the SREB Commission on College Affordability in the South

Message from Chairman Glen D. Johnson

The Commission on College Affordability in the South was charged with recommending policies and practices to improve college affordability for students by better coordinating state financing policies. Members included legislators, state higher education executive officers, college presidents and other state leaders.

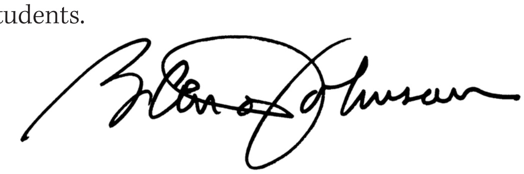
Over the course of five meetings in 2014 and 2015, we reviewed research and discussed student debt, part-time students, affordability policy reviews, state and federal policies, state goals and state practices. Individual state affordability profiles and examples of promising policies and practices provided state-specific context for our discussions.

We learned that SREB states have lost substantial ground in college affordability, which has led to increased student borrowing and debt. And states confront this growing problem at a time when their revenue streams are constrained and likely to remain so for the foreseeable future.

Facing these obstacles, the Commission found that *shared responsibility* holds the greatest promise to significantly increase college enrollment and completion. The shared responsibility model recognizes that multiple players have to be held accountable for higher education affordability: states, students and families, colleges and universities, and the federal government. Our recommendations are grounded in this approach.

The Commission calls for leaders to define affordability based on family ability to pay, tuition and fees, and financial aid in their own states. Once this level is defined, states should develop clear policies for each of these elements and coordinate them all toward the target affordability goal. Protecting affordability for students from low- and middle-income families should rank high in decision-making, the Commission emphasized, and SREB should keep the issue of affordability among its top priorities.

The findings and recommendations in this report are meant to guide leaders as they articulate the affordability levels they need to meet their states' postsecondary attainment goals. Our examination of state-by-state data made clear that the measures of affordability vary from state to state. The Commission encouraged each state to review where its policies and practices stand today, then adjust the particular levers that will move it toward the ultimate goal of college affordability for more students.



Glen D. Johnson, Chancellor, Oklahoma State Regents for Higher Education

Chair, SREB Commission on College Affordability in the South

College Affordability

A Regional and State Priority

An immediate challenge for the nation and for every state is to ensure the levels of education necessary to meet job requirements of the next 15 years. The economic and social future of SREB states depends in large part on substantially increasing the number of residents with postsecondary degrees and certificates of value.

The SREB region's population has grown more diverse racially and ethnically, and lower-income families make up a larger share of the population. Individuals from both of these groups have traditionally entered and completed college at lower rates. States face a critical challenge to help them succeed in postsecondary education, achieve a higher standard of living, and contribute to more-prosperous communities. State economies simply cannot thrive with the projected shortfall of postsecondary-prepared workers. States will need substantial increases — from 3 percent to 6 percent annually — in degrees and certificates.

Increasing college completion will require major changes in the cultures of all sectors of American higher education. It will require states to focus on low-income and minority populations that have been under-represented in enrollment and especially in completion of postsecondary degrees and certificates of value. This means ensuring that students graduate from high school ready for college. States must draw more of these underrepresented students into postsecondary education, provide them with additional academic preparation if they need it, and provide academic support throughout college.

Set Statewide Priority and Direction

For many years, increasing the attainment of postsecondary certificates, associate and bachelor's degrees has driven many parts of SREB's work. *No Time to Waste*, SREB's 2010 report on postsecondary completion, recommended a number of actions to reinforce college attainment across the states. SREB followed the report with initiatives and assistance to states to help them implement the recommendations.

SREB encouraged states to adopt plans that set ambitious completion goals for the state, for postsecondary systems and for individual institutions, including a process for monitoring progress toward the goals. To reinforce meeting these goals, SREB advocated that state accountability and financing procedures specifically support postsecondary actions that strengthen student progression and completion, including for outcomes- or completion-based funding of colleges and universities.

Increase Both Access and Success

Even substantially raising degree-completion rates at current enrollment levels across all institutions will not enable states to meet their goals for increasing degrees and certificates. Future enrollment in colleges and universities needs to greatly exceed current enrollment levels, and states need new and better strategies to draw substantially higher percentages of the population to postsecondary study and help them graduate.

Three components are crucial in increasing student access to and success in postsecondary education:

- Improving students' academic readiness to begin college without remediation

- Better communicating the value and importance of postsecondary education to adults and students from underrepresented racial, ethnic and lower-income groups
- Improving postsecondary affordability for families

Since 2007, SREB has worked intensively with member states on a comprehensive agenda and set of actions for statewide college-readiness. These actions include college- and career-readiness standards with assessments aligned to them. Twelfth-grade transitional courses and related policies are being used in many states to reduce the need for remedial education. And SREB continues to push for clearer, more concrete definitions of readiness, especially in mathematics, for different kinds of postsecondary programs.

Increase Institutional and Student Productivity

States will need to finance increased enrollment to meet their completion goals and will face additional calls on their resources to provide students with the financial aid they need. But given the condition of many states' budgets, postsecondary education will have to do its part by becoming more productive.

Both institutions and students must find ways to be more cost-efficient. Colleges and universities need to reduce the cost per degree and cost per enrolled student through technology, streamlined curricula and clearer pathways for students. Students should be expected to follow these pathways to earn credentials in fewer hours. Colleges should assist them with strong advising, effective transfer procedures and dual enrollment.

The report of the Commission on College Affordability in the South is intended to help states address perhaps the most critical challenge in increasing degree completion — a challenge that grows yearly as more students are priced out of postsecondary education.

Findings of the Commission

The SREB Commission on College Affordability in the South defined affordability as the price required to attend higher education relative to family income. In other words, affordability is the relationship between the cost to students and families and the financial resources available to them. It takes into account family contributions, student employment and financial aid grants that reduce those costs. Working from this definition, the Commission articulated findings in these areas.

Significant Shortfalls in Attainment

SREB states face significant deficits in higher education attainment — the number and proportion of residents who complete programs of education and training beyond high school. The Commission reviewed several indicators and measures, including:

- The educational attainment goals states have established
- SREB's Challenge to Lead 2020 goal for postsecondary education
- Gaps in postsecondary education participation, completion and attainment by income, race and age
- International comparisons

All of these indicators point to the same conclusion: significant shortfalls in educational attainment, now and in the future.

Losing Ground to Higher Debt

State-by-state and regional analyses sponsored by the Commission show that SREB states have lost substantial ground in college affordability. The decline in affordability has contributed to low enrollment and completion rates and has led to increased student borrowing and debt, the principal way students narrow the gap between their financial resources and college costs.

A Heavier Burden for Low-Income Students

To close educational attainment gaps, significant increases in college enrollment and completion will need to come from low-income populations, students likely to be the first in their families to attend college, and adults who did not complete degrees as traditional-aged students.

These students are much more likely to decide to attend — and to enroll full- or part-time — based on affordability. When the price of college is raised without commensurate increases in need-based financial aid, low-income students are confronted with a set of undesirable options: incurring excessive debt, attending college part-time instead of full-time, or not enrolling at all. In contrast, more-affluent students, who already attend college in high numbers, might opt for a lower-priced institution based on affordability factors, but they are unlikely to forego full-time enrollment.

Meeting Workforce Needs

Diminished college affordability is a major impediment to progress in raising educational attainment, improving college completion rates, meeting economic development requirements, and addressing equity issues. If trends persist, declining affordability will continue to constrain college completion and prevent states from reaching the education levels that provide opportunity for individuals and sustain the competitive workforce of the global knowledge-based economy. Initiatives to strengthen college preparation and completion will be undercut by eroding affordability.

A State — and a Shared — Responsibility

Leadership to ensure college affordability is primarily a state responsibility. Colleges and universities, as well as students and families, share responsibility for college affordability, along with the federal government — primarily through the Pell Grant program — and in some instances the private sector. However, it is states that must provide policy coherence and consistency so that college is not outside the financial reach of those who are motivated to attend. In particular, states must take steps to align their policies regarding tuition and fees, student financial aid, appropriations to institutions, and accountability so that affordability for all students is protected as a critical state priority, one that must be achieved if attainment goals are to be reached. Colleges and universities must contribute by making substantial and demonstrable improvements in educational and administrative productivity and by devoting significantly more of their financial aid resources to students with the greatest financial need.

Constrained Revenue

States are confronting this growing affordability issue at a time when their revenue streams are constrained and likely to remain so for the foreseeable future. Addressing affordability will require strategic investments of limited state resources, rigorous attention to state goals and priorities, and leveraging the human, fiscal and physical resources in higher education systems for greater efficiency and productivity.

Paying the Price, Sharing the Cost: College Affordability in the South

College affordability has become an urgent concern for students and families around the country. Employment that sustains a middle-class standard of living demands higher levels of knowledge and skills today. Yet many families find it increasingly difficult to pay for the college education that can give students those skills.

To help states improve both access to and completion of postsecondary certificates and degrees, the Southern Regional Education Board established the Commission on Higher Education Affordability in the South. The Commission's policy recommendations to promote affordable options for both young people and working-age adults complement SREB's efforts to improve policies that benefit students in the areas of college readiness and completion of postsecondary certificates and degrees.

The Commission focused on college affordability at a time when Southern states are being transformed by demographic and economic changes. State policymakers will need to craft policies for a younger, lower-income population that is more racially and ethnically diverse than past generations. Concerns about affordable higher education are not limited to low-income families. Many in the middle class share these concerns due to the unpredictable and precipitous rates of tuition and fee increases since the Great Recession.

An educated workforce creates the conditions for an improved economy and higher quality of life for families. Sixty-two percent of jobs in the South will require some postsecondary education by 2020. Currently, however, only 39 percent of young adults ages 25 to 34 hold an associate degree or higher in the SREB region, substantially below the national average of 46 percent and below the 40 percent average of modern economies worldwide, according to the Georgetown University Center on Education and the Workforce. Meeting the demand for educated workers will likely not be possible without significant strides in the education of young- and working-age adults.

Workforce Demand in Southern States

Percentage of jobs that will require postsecondary education and training by 2020

Alabama	62%	Maryland	69%
Arkansas	59%	North Carolina	67%
Delaware	63%	Oklahoma	64%
Florida	65%	South Carolina	62%
Georgia	65%	Tennessee	58%
Kentucky	62%	Texas	62%
Louisiana	56%	Virginia	67%
Mississippi	51%	West Virginia	55%

SREB Average	62%
US Average	65%

Georgetown Center on Education and the Workforce, 2012. *A Decade Behind: Breaking out of the Low-Skill Trap in the Southern Economy.*

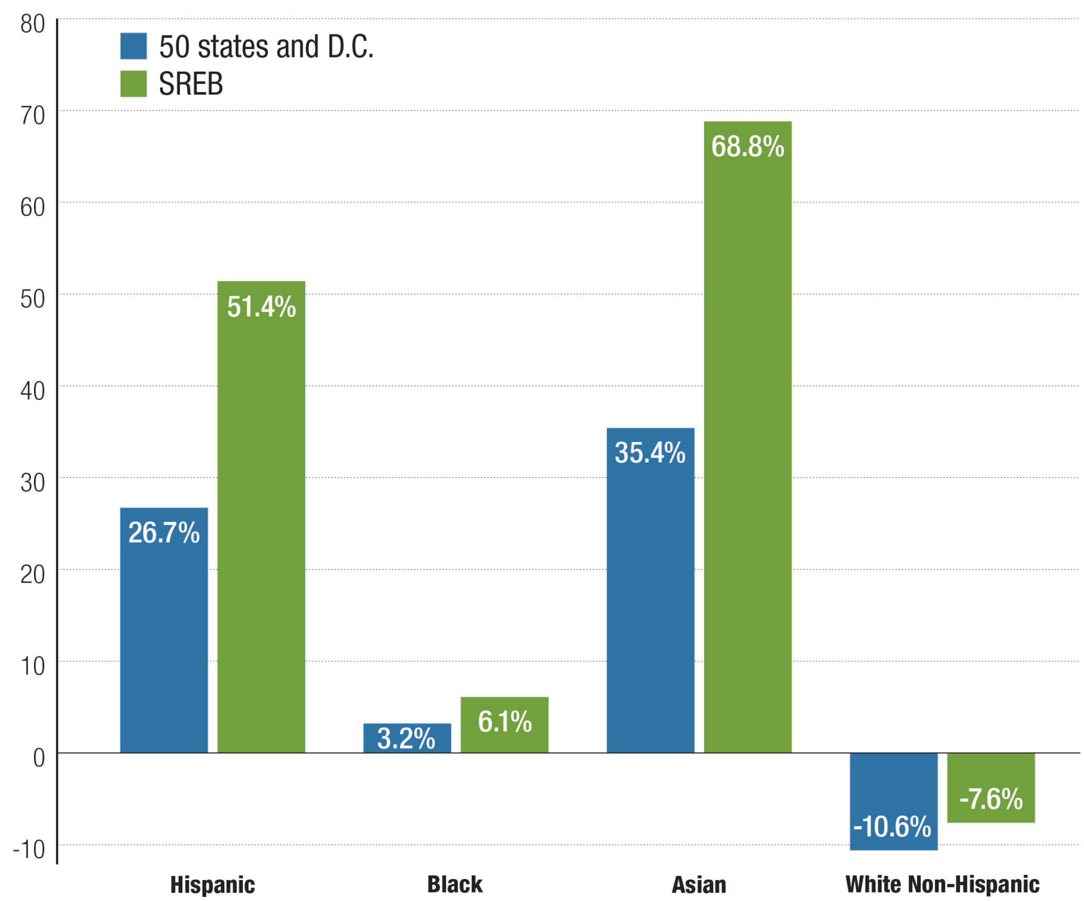
Changing Demographics

Southern states play a crucial role in the future prosperity of the nation. According to the U.S. Census Bureau, the South currently accounts for approximately 37 percent of the population of the United States and is projected to grow to nearly 40 percent by 2030. All but one SREB state will grow, but five — Florida, Georgia, North Carolina, Texas and Virginia — are expected to account for approximately 63 percent of population growth in the region by 2030. (Regional Census data for the South include the 16 SREB states and the District of Columbia.)

Most of the population growth in Southern states will be among an increasingly diverse and young population. From 2014 to 2027, the number of Hispanic high school graduates in the SREB states and the District of Columbia is projected to grow by 51 percent, compared to 27 percent nationally. The number of black high school seniors in the South will grow by 6 percent, compared to 3 percent nationally. The number of Asian high school seniors in the South will grow by 69 percent (to 6 percent of total high school graduates) compared with 35 percent nationally, according to 2012 data from the Western Interstate Commission for Higher Education.

Student Diversity

Projected growth in high school graduates by race, 2014-2027



Western Interstate Commission for Higher Education, 2012. *Knocking at the College Door: Projections of High School Graduates.*

On average, family earnings are lower in the South than in the rest of the country. In 2014, median family income for a four-person family was $76,579 nationally; for the Southern states it was $68,353, according to 2014 Census data. A higher percentage of children in the region live in poverty than in the rest of the nation: 20 percent in 2000, compared to 16 percent nationally. By 2014, the percentage of children living in poverty in the region grew to 26 percent, compared to 22 percent nationally. To ensure that these children have the opportunity to go to college, all SREB states need to pursue solutions for college affordability now.

Financial Pressures on States, Families and Colleges and Universities

Three stakeholders determine levels of college affordability: state policymakers, students and families, and college and university leaders. Each has come under increasing pressure over the last two decades.

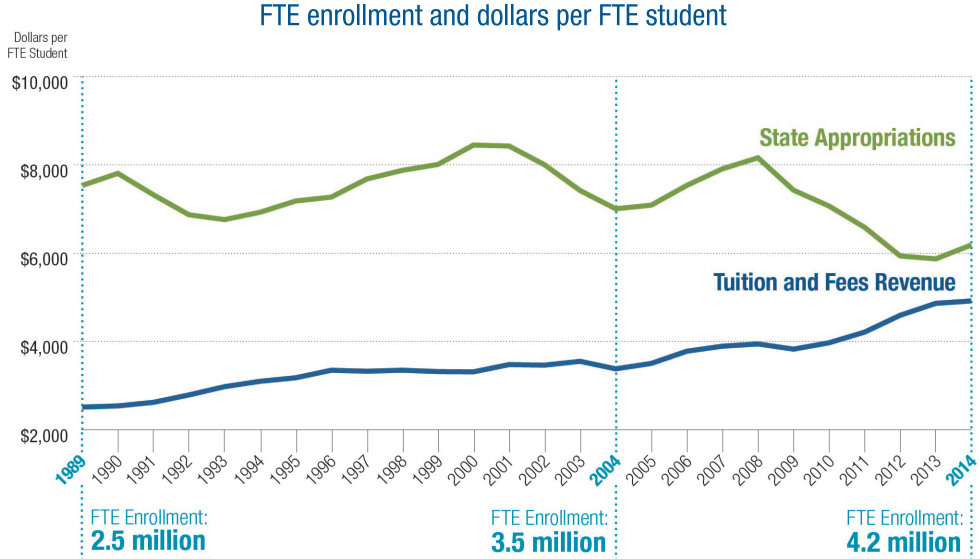
State Policymakers

In response to the volatility of state revenues from the late 1980s to the present, state higher education institutions reacted to cyclical economic downturns with tuition and fee increases, according to researchers Jennifer Delaney and William Doyle. As a result, tuition and fee revenue in SREB states grew between 1989 and 2014 from $2,513 per full-time student to $4,986, in inflation-adjusted dollars. During the same period, state appropriations revenue for higher education in SREB states declined from $7,535 per full-time student to $6,186 in inflation-adjusted dollars.

The responsibility of paying for college has clearly shifted to students and families and away from the state. 2015 State Higher Education Executive Officers data show that families paid 25 percent of college cost in 1989 and 45 percent in 2014. States covered 75 percent in 1989 — down to 55 percent in 2014. As the amount students paid increased and state support decreased, total revenue to institutions per full-time-equivalent student (state appropriations plus tuition and fee revenue) grew only from $10,048 to $11,173, in inflation-adjusted dollars, between 1989 and 2014.

Covering Public Higher Ed Costs In SREB States

Tuition, fees and state appropriations
FTE enrollment and dollars per FTE student



State Higher Education Executive Officers Association, State Higher Education Finance FY 2015. SREB calculation by William Doyle, Higher Education Policy Institute.

As in other parts of the country, most SREB states have direct control over tuition or significant influence in establishing tuition policies at public institutions. Elected state leaders have direct control of institutional appropriations for higher education and of accountability for state goals for higher education. The total amount of funding from state appropriations or tuition and the way these funds are distributed both fall clearly under the purview of elected state officials. These state leaders also have responsibility for creating incentives for colleges and universities to use funds in the most cost-effective way to meet state goals. Often states have looked only at tuition, fees and financial aid as the principal strategies to keep college affordable. Institutional appropriations and institutional productivity must also be deployed to keep college affordable for future generations of students.

This is no easy task. Even before the recession, states faced serious challenges in financing higher education. Other public programs, particularly Medicaid, are taking up a greater share of state budgets and placing pressure on public funds for higher education. Many states are slowly recovering from the recession and reinvesting in higher education, while some states have declining revenues, especially those heavily dependent on oil and gas industries, as a 2015 National Association of State Budget Officers fiscal report showed.

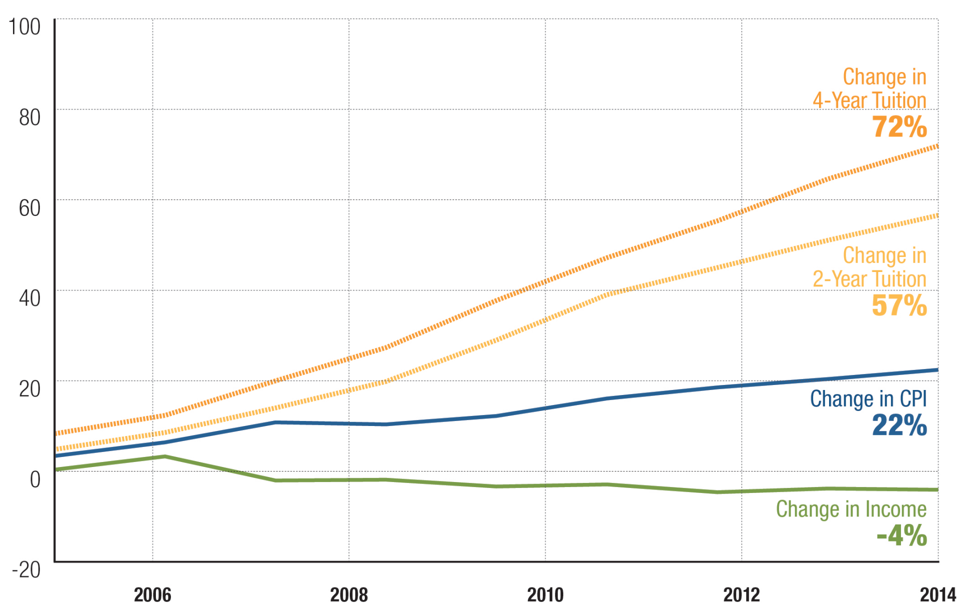
States have not provided a guaranteed share of public funding for higher education, nor are they likely to do so. But declining state support in the face of major demographic changes and economic challenges does not bode well for a future dependent on knowledge and skills to build individual opportunity and economic vitality.

Students and Families

The price of higher education has increased faster than the price of most other consumer goods and services in SREB states and in the nation as a whole. Since 2005, public four-year and two-year college tuition and fees in the region increased 72 percent and 57 percent, respectively, dramatically outpacing inflation of 22 percent and median family income, which declined 4 percent.

Tuition and Fee Increases Compared to Income, CPI

SREB States



Tuition and fees: U.S. Department of Education, 2016. Median family income: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement. Consumer Price Index: U. S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Unpredictable changes in tuition and fees are a problem for families. During economic downturns, states often increase tuition and fees at the same time family income declines; as the economy recovers and family income increases, states often cut or freeze tuition. In the long run, however, short-term tuition freezes are not an effective substitute for long-term policies for college affordability and higher education finance. Policymakers should carefully consider how appropriations, tuition, fees and state financial aid decisions, often made independently of each other, affect affordability. Tuition and fee increases should be the last resort — instead of the first — in response to state revenue shortfalls. Fiscal emergencies, such as the 2007 recession, may call for temporary measures, but the state should plan for a long-term strategy for affordable higher education. Those least able to afford postsecondary education must be protected as much as possible in the worst economic times.

Institutions

State budget changes are difficult for higher education leaders to manage. The volatility of state higher education budgets has been characterized as boom or bust. It is not unusual for states to cut higher education disproportionately to other state services during economic downturns and provide disproportionate support to higher education in economic upswings. This pattern of public support makes it extremely difficult for institutional leaders to plan for the future.

Finally, to encourage and assist institutions as they adjust to continuing financial pressures, state incentives are needed to stimulate innovations in cost effectiveness and productivity that will maintain and improve access and completion rates in the face of resource constraints.

> Innovations to improve educational productivity are central to affordability and to the strategy of shared responsibility. The Commission reviewed examples of productivity improvements some states have implemented to improve access and increase completion rates while constraining educational costs, or to directly reduce costs to students and families. These examples are summarized in a report prepared for the Commission, *College Affordability: Promising State Policies and Practices.*

Higher Education Affordability

The Commission on College Affordability in the South's definition of affordability is grounded in the economic realities of the students and families who live in a state. The Commission defined affordability as *the relationship of the price required to attend higher education — or the net price — relative to family income.* Affordability can differ: families with more income will find higher education more affordable, even if the net price is the same.

Affordability is not based on how much peer institutions are charging or how much institutions in other states charge. Changes in revenue streams to colleges — from states, from students, from external donors — have little to do with affordability. Nor is affordability the difference between expected state revenues and expected institutional expenditures, as these do not relate to family income or net price.

The Commission reviewed trends in family income and in the components of net price. *The net price of higher education is tuition and required fees plus room and board, less grant aid students receive from the federal or state government or the institution itself.*

- **Tuition plus fees** is the first component in net price. In general, tuition and fees in SREB states are lower than the national average. As in the rest of the country, tuition and fees in SREB states have been rising faster than financial aid.

- **Federal grant aid** — nearly all of which is need-based Pell Grant aid — has increased, but it has not kept pace with tuition increases.
- **State grant aid** is awarded either as *need-based*, with low-income students receiving higher awards, or *non-need aid*, awarded on factors such as student achievement. Over the last two decades in SREB states, nearly all new money for state financial aid has gone to non-need-based aid.

The national average for state need-based aid programs per full-time equivalent student is $460, compared to the SREB-state average of $339. Nationally, states spend about $141 per student on non-need-based aid, while the SREB average is $330 per student, more than twice the national average, according to National Association of State Student Grant and Aid Programs 2015 data.

- **Institutional grant aid** is the money individual colleges and universities provide to students from their budgets. At public institutions in SREB states, low-income and high-income students receive about the same amount of aid from institutions, according to 2015 National Center for Education Statistics data.

State and regional profiles in SREB's state-specific college affordability profiles show that SREB states have lost ground in affordability since the recession of 2007. As in the rest of the country, median family income in SREB states has stagnated over the last 10 years. Families in most SREB states now pay a large percentage of their income for postsecondary education, outstripping inflation and other family expenses.

In general, public institutions in SREB states require students and families to pay a slightly smaller share of family income than the national average at doctoral-intensive institutions. Students and families pay a somewhat larger share of family income, compared to the national average, at comprehensive and regional institutions. Two-year colleges in SREB states are slightly more affordable than the national average.

Students at public doctoral-intensive and research universities in the SREB region pay an average of 29 percent of family income to enroll, compared to the national average of 30 percent of family income. On average, about 24 percent of students in SREB states are enrolled in public four-year institutions that are heavily invested in doctoral education and research. Seven SREB states enroll a higher percentage of students than the SREB average in these research institutions.

At public regional and comprehensive institutions in the SREB region, families must pay about 27 percent of their income to enroll, matching the national average of 27 percent. Approximately 28 percent of students in the SREB region are enrolled in these universities, which award primarily undergraduate and master's degrees.

Affordability

Percentage of Income Required to Cover Net Price

	SREB average	U.S. average
Doctoral-Intensive (Category 1)	29.0 %	29.9 %
4-Year Comprehensive/Regional (Category 2)	27.3 %	27.1 %
Public 2- Year Colleges	17.2 %	19.2 %
Technical Colleges	18.3 %	19.2 %

Net price: U.S. Department of Education. Student Financial Aid Survey, 2016. Income: U.S. Census Bureau, American Community Survey, 2016.

At public community colleges, students pay 17 percent of family income to enroll, lower than the national average of 19 percent. These institutions enroll approximately 28 percent of students in the SREB region. Ten SREB states are at or above the SREB average in the portion of family income required to pay for community college.

Together, public regional, comprehensive and community colleges enroll more than half of students in the SREB region (56 percent). In five SREB states — Delaware, Georgia, Louisiana, North Carolina and Texas — students at comprehensive and regional institutions pay a higher percentage of family income, on average, than students attending research universities.

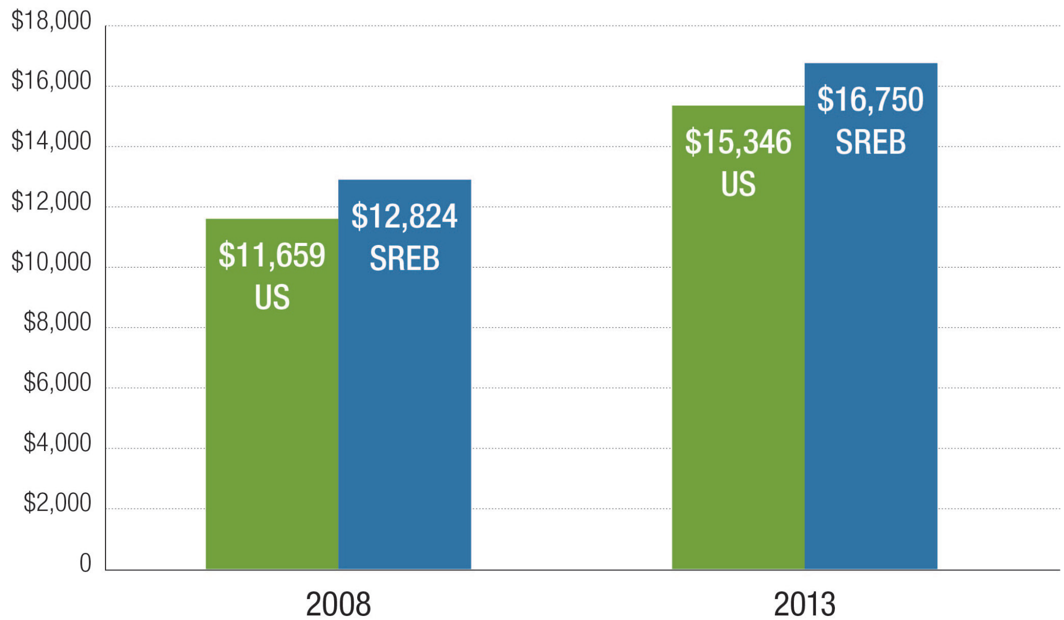
It is generally more efficient for states to educate students in comprehensive and regional institutions and community colleges than at research universities. States must take care, however: If they reduce enrollment at their most expensive institutions to save money, they need to ensure that the research institutions reflect the diversity of their states. As Kevin Dougherty and Gregory Kienzel wrote in 2006, a system of higher education that increases stratification by race, ethnicity or income undermines economic prosperity and a vibrant democracy.

Borrowing

As in the rest of the country, as college prices increased in SREB states, students and families turned to debt to cover higher education. In 2008, typical debt per undergraduate with a two- or four-year degree in SREB states stood at $12,824, higher than the U.S. average of $11,659. By 2013, debt per undergraduate had increased by 30 percent, to $16,750, while the U.S. average had risen to $15,346.

Growth in Debt

Median dollars owed by graduates of 2- and 4-year institutions, 2008 and 2013



U.S. Department of Education College Scorecard data set.

Recommendations for College Affordability: Policies and Practices for Shared Responsibility

No single approach to college affordability will meet the needs of states whose demographics, economies and education infrastructures vary widely from one to the next. But it is critical that each and every state have in place a clear policy framework based on its own circumstances. Policies for tuition, fees and student financial aid programs should reflect the capacity of each state's residents to pay for college. Recent history shows that in the absence of explicit policy, affordability erodes. This is particularly true in times of severe financial pressures on states and institutions.

State affordability policies based on the principle of *shared responsibility* — among states, students and families, colleges and universities, and the federal government — hold the greatest promise to significantly increase college enrollment and completion.

1. States should develop clear policies and methodologies for setting and adjusting tuition and fee levels.

These policies should explicitly consider factors such as median family income; availability of financial assistance to students whose college enrollment, persistence and completion would be jeopardized by increased costs; and the impact of tuition on student debt. Tuition and fee increases within the framework of state policies should be moderate, gradual and predictable. The policies and methodologies for establishing and increasing tuition and student financial aid programs should reflect the capacity of each state's residents to pay for college. Different parameters may well be appropriate for different types of institutions.

2. Shared responsibility policies should clearly articulate expectations for student and family financial contributions that reflect the economic circumstances of different student populations.

Family contributions can come from savings, parent and student earnings, and debt. Expectations for student progress toward degree and certificate completion should also be clearly articulated. Each state should identify target populations and eligibility criteria for state need-based student aid that best promote progress toward goals, ensure affordability and take maximum advantage of federal programs. Means-tested programs can be designed to serve low- and middle-income students.

3. States should establish expectations and accountability for improving institutional cost-effectiveness and productivity.

Colleges and universities also share in the responsibility for affordability. Both academic and administrative improvements should be designed to constrain costs per student and per graduate while improving educational quality. Colleges and universities should have broad latitude to develop approaches that match their circumstances and mission, but they should be accountable for measurable outcomes.

4. States and institutions should consider strategic, one-time investments in innovations that hold promise to improve educational productivity.

These innovations should be designed to increase the number of students who complete postsecondary certificate and degree programs without increases in cost per student.

5. States should develop programs that support working adults, including those who attend part-time, and encourage both enrollment and completion.

Programs to serve adult students should seek funding from multiple sources, including programs that provide financial support to students such as the U.S. Department of Veterans Affairs and workforce and social service agencies. States should leverage resources in other state programs to support costs other than tuition and fees, including living expenses, child care and transportation.

6. During times of financial distress and budgetary shortfalls, protecting college access and completion for low-income and middle-income students, including capacity at the institutions that serve them, should be states' highest priority.

Need-based student financial aid should be the highest priority for new state higher education resources.

7. States should begin by conducting a college affordability policy review to assess their current capacity to address and improve affordability.

Appendix B in this report includes questions for states to consider as they assess their current capacity and effectiveness in addressing these recommendations.

8. The Southern Regional Education Board should maintain college affordability and implementation of these recommendations among its highest priorities.

SREB should offer assistance in conducting college affordability policy reviews, provide technical assistance in designing policies and programs to address affordability, and monitor and report on these recommendations state-by-state and for the SREB region as a whole.

References

Annie E. Casey Foundation. (2014). *Kids Count*. Baltimore, MD: Annie E. Casey Foundation. Retrieved from http://datacenter.kidscount.org

Archibald, R. B., & Feldman, D. H. (2010). *Why Does College Cost So Much?* New York, NY: Oxford University Press.

Baum, S., Cardenas, D. E., & Ma, J. (2014). *Trends in Student Aid 2014.* College Board.

Blanco, C., & Spence, D. (2015). *Community Colleges in the South: Strengthening Readiness and Pathways.* Southern Regional Education Board.

Bureau of Labor Statistics. Consumer Price Index, All Urban Consumers, 1990-2014. Retrieved from http://www.bls.gov/data/

Callan, P., Doyle, W., Finney, J., & Harvey, D. (2014). *Affordability of Public Higher Education in SREB States.* Southern Regional Education Board.

Carnevale, A., Jayasundera, T., & Gulish, A. (2015). *Good Jobs Are Back: College Graduates Are First in Line.* Georgetown University Center on Education and the Workforce.

Carnevale, A., & Smith, N. (2012) *A Decade Behind: Breaking Out of the Low-Skill Trap in the Southern Economy*. Georgetown Center on Education and the Workforce. Retrieved from: https://cew.georgetown.edu/wp-content/uploads/2014/11/DecadeBehind.FullReport.073112.pdf

Carnevale, A., Smith, N., & Strohl, J. (2013). *Recovery: Job Growth and Education Requirements Through 2020.* Georgetown University Center on Education and the Workforce. Retrieved from https://cew.georgetown.edu/wp-content/uploads/2014/11/Recovery2020.FR_.Web_.pdf

Delaney, J. A., & Doyle, W. R. (2011). State Spending on Higher Education: Testing the Balance Wheel Over Time. *Journal of Education Finance,* 36(4), 343–368.

Dougherty, K., & Kienzl, G. (2006). It's Not Enough to Get Through the Open Door: Inequalities by Social Background in Transfer from Community Colleges to Four-Year Colleges. *Teachers College Record*, 108(3), 452-487.

Dynarski, S., & Scott-Clayton, J. (2013). Financial Aid Policy: Lessons from Research. *The Future of Children,* 23(1), 67–91.

Gallup-Lumina Foundation. (2014). *What America Needs to Know About Higher Education Redesign.* Retrieved from https://www.luminafoundation.org/files/resources/2013-gallup-lumina-foundation-report.pdf

Harvey, D. (2016). *College Affordability: Promising State Policies and Practices*. Southern Regional Education Board.

Hovey, H. A. (1999). *State Spending for Higher Education in the Next Decade: The Battle to Sustain Current Support.* National Center for Public Policy and Higher Education. Retrieved from http://www.eric.ed.gov/ERICWebPortal/contentdelivery/servlet/ERICServlet?accno=ED439633

National Association of State Budget Officers. (1987). *State Expenditure Report*. Retrieved from https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/ER_1987.PDF

National Association of State Budget Officers. (2015a). *The Fiscal Survey of States*, Spring 2015.

National Association of State Budget Officers. (2015b). *State Expenditure Report*. Retrieved from https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State%20Expenditure%20Report%20(Fiscal%202013-2015)S.pdf

National Association of State Student Grant and Aid Programs. (2014). *44th Annual Survey Report on State-Sponsored Student Financial Aid*, 2012-2013 Academic Year.

National Association of State Student Grant and Aid Programs. (2015). NASSGAP analysis based on 2004, 2007 and 2013 Annual Surveys.

Organisation for Economic Co-operation and Development. *Education at a Glance 2013,* Table A13a.

Prescott, B., & Bransberger, P. (2012). *Knocking at the College Door: Projections of High School Graduates*. Western Interstate Commission for Higher Education.

Southern Regional Education Board. (2013). *Challenge to Lead 2020 Goals for Education*.

Spence, D., Blanco, C., & Root, M. (2010). *No Time to Waste: Policy Recommendations for Increasing College Completion*. Southern Regional Education Board.

State Higher Education Executive Officers Association. (2016). *State Higher Education Finance FY 2015 State-by-State Wave Charts*. Retrieved from: http://www.sheeo.org/projects/shef-fy15

U.S. Bureau of Labor Statistics. Consumer Price Index for All Urban Consumers, all items in South urban. Retrieved from http://data.bls.gov/pdq/SurveyOutputServlet

U.S. Census Bureau. (2005). Population Division, Interim State Population Projections, 2005, Table 1. Retrieved from https://www.census.gov/population/projections/data/state/projectionsagesex.html

U.S. Census Bureau. (2016). American Community Survey: Public Use Microdata Sample, 3-year estimates, family income [FINCP]. Retrieved from http://www2.census.gov/acs2013_3yr/pums/csv_hus.zip

U.S. Census Bureau. Real Median Household Income in the United States. Retrieved from https://fred.stlouisfed.org. SREB calculations by William Doyle, Higher Education Policy Institute.

U.S. Department of Education. College Scorecard. Retrieved from https://collegescorecard.ed.gov/

U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics. (2016). Integrated Postsecondary Education Data System, Institutional Characteristics, student charges file. Retrieved from: https://nces.ed.gov/ipeds/datacenter/DataFiles.aspx

U.S. Department of Education, Institute of Education Sciences, National Center for Education Statistics. (2016). Integrated Postsecondary Education Data System, Student Financial Aid Survey. Retrieved from https://nces.ed.gov/ipeds/datacenter/DataFiles.aspx

Western Interstate Commission of Higher Education. (2012). *Knocking at the College Door: Projections of High School Graduates*. Retrieved from http://knocking.wiche.edu/download

Winston, G. C. (1999). Subsidies, Hierarchy and Peers: The Awkward Economics of Higher Education. *The Journal of Economic Perspectives,* 13(1), 13-36. Retrieved from https://www.aeaweb.org/articles?id=10.1257/jep.13.1.13

Appendix A

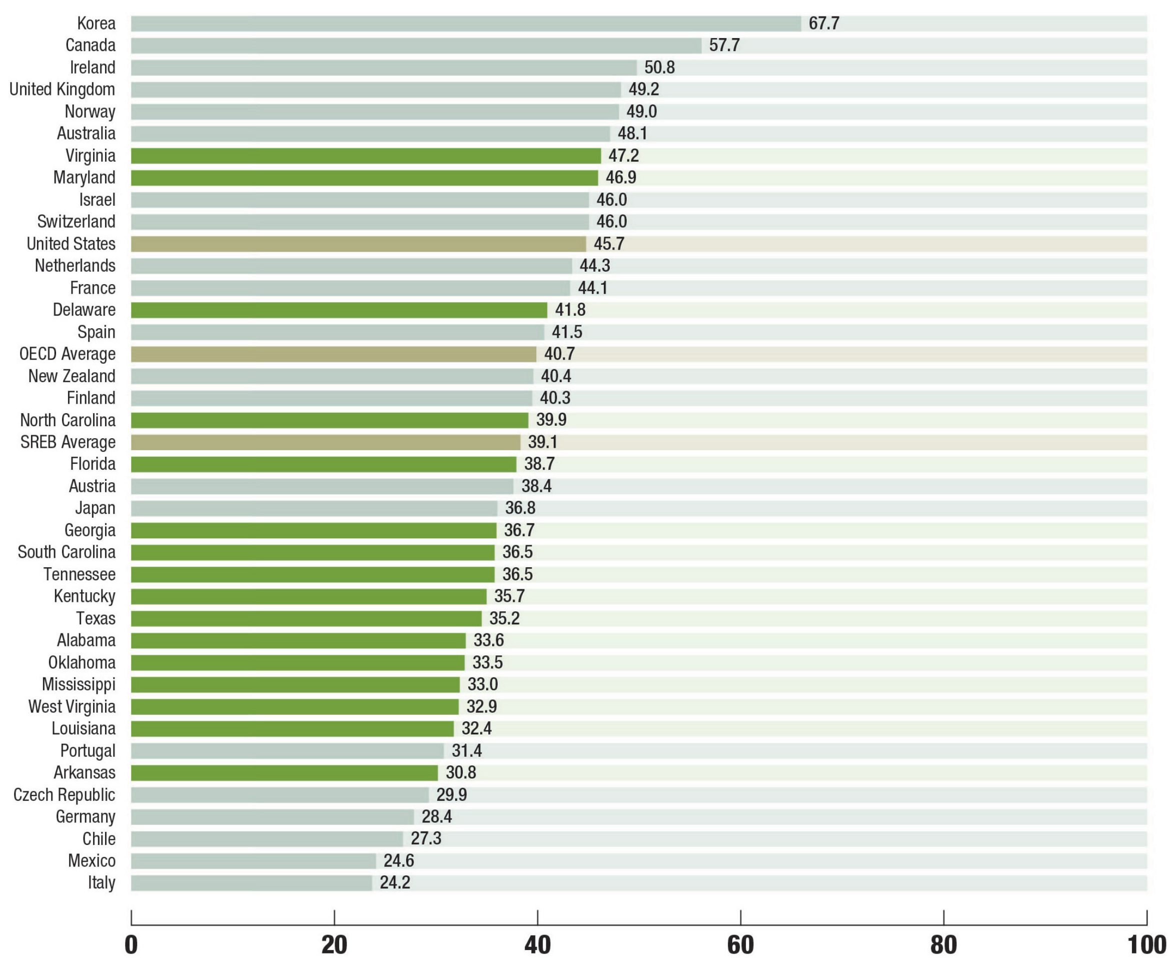
Public Higher Education Affordability in the South: Regional Trends

International Educational Attainment

The majority of Southern states perform below the national average and the average of Organisation for Economic Co-operation and Development countries in terms of the percent of young adults who have attained an associate degree or higher. On average, 39 percent of the young adult population in SREB states hold an associate degree or higher compared to 46 percent in the United States and 41 percent in OECD countries.

SREB States and Other Nations

Adults 25-34 with an associate degree or higher



OECD, *Education at a Glance 2015;* U.S. Census Bureau American Community Survey, 2012, 2013, 2014. Data and analysis by the National Center for Higher Education Management Systems.

More Jobs Require Postsecondary Education

As in the rest of the nation, economies in SREB states will generate more jobs that require postsecondary education. In all Southern states, the proportion of the workforce with at least an associate's degree is substantially lower than the proportion of the population that will be required to have some level of postsecondary education. While most states have set aggressive goals for higher levels of educational attainment, many states have yet to reach them.

Workforce Demand in Southern States

Percentage of jobs that will require postsecondary education and training by 2020

Alabama	62%	Maryland	69%
Arkansas	59%	North Carolina	67%
Delaware	63%	Oklahoma	64%
Florida	65%	South Carolina	62%
Georgia	65%	Tennessee	58%
Kentucky	62%	Texas	62%
Louisiana	56%	Virginia	67%
Mississippi	51%	West Virginia	55%

SREB Average	62%
US Average	65%

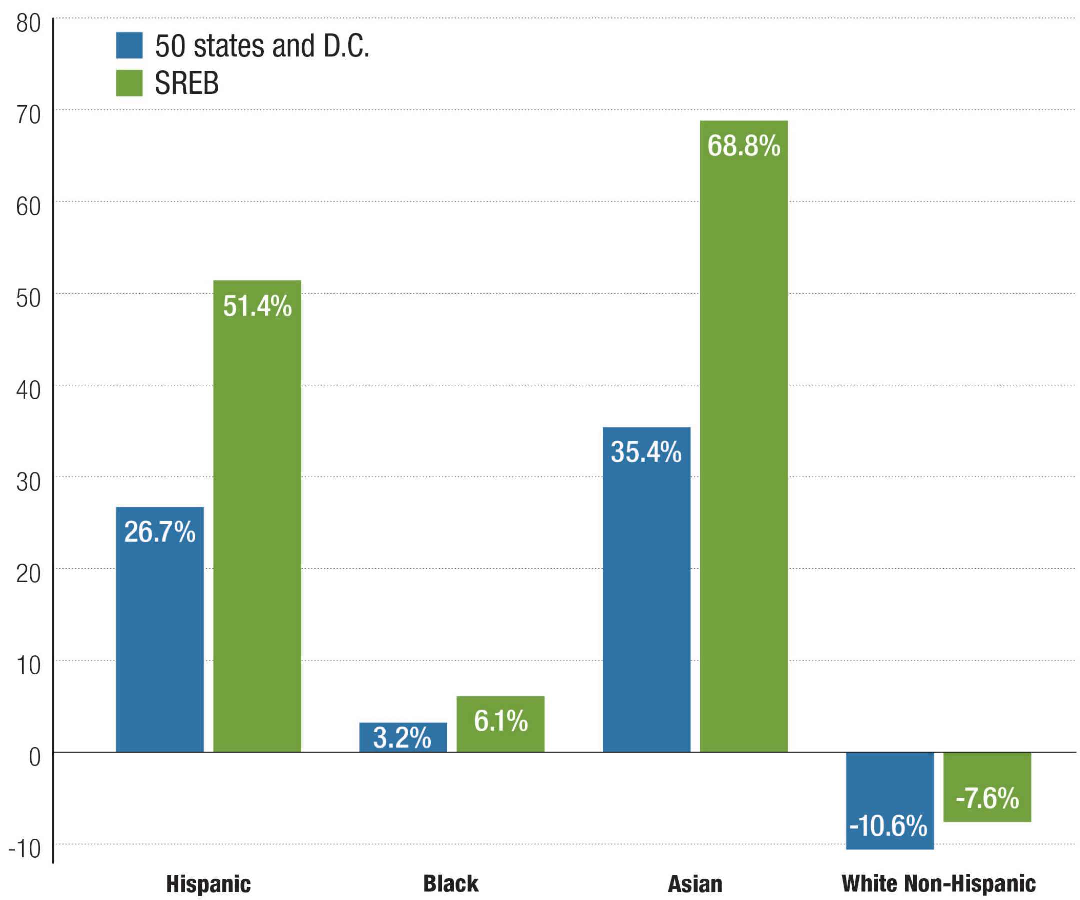
Georgetown Center on Education and the Workforce, 2012. *A Decade Behind: Breaking out of the Low-Skill Trap in the Southern Economy.*

Growing Racial Diversity

In the Southern region as a whole, the largest percentage growth in the number of high school graduates will come from Hispanic, black, and Asian students. Black and Hispanic students will have the largest numeric growth. Changes in the demographics of young people in these states will mean that institutions of higher education will need to achieve higher levels of performance in both enrollment and graduation for these populations if aggressive degree attainment goals are to be met.

Student Diversity

Projected growth in high school graduates by race, 2014-2027



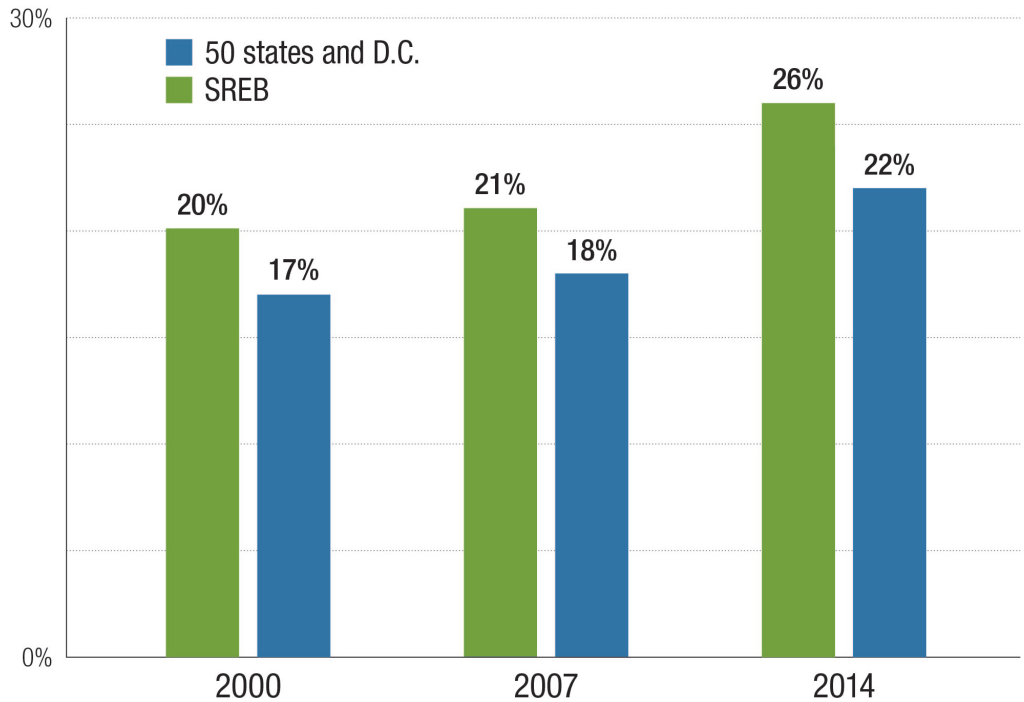
Western Interstate Commission for Higher Education, 2012. *Knocking at the College Door: Projections of High School Graduates.*

More Children in Poverty

The percent of children living in impoverished conditions is increasing in Southern states faster than in the nation as a whole. The rate of childhood poverty in the South is above national levels. From 2000 to 2014, the percent of children living in poverty increased from 17 to 22 percent nationally and from 20 to 26 percent in the SREB region. If poverty rates persist into young adulthood this means that college students in the South will have fewer financial resources available to pay for college.

Children in Poverty

Change in percentage of children living in poverty



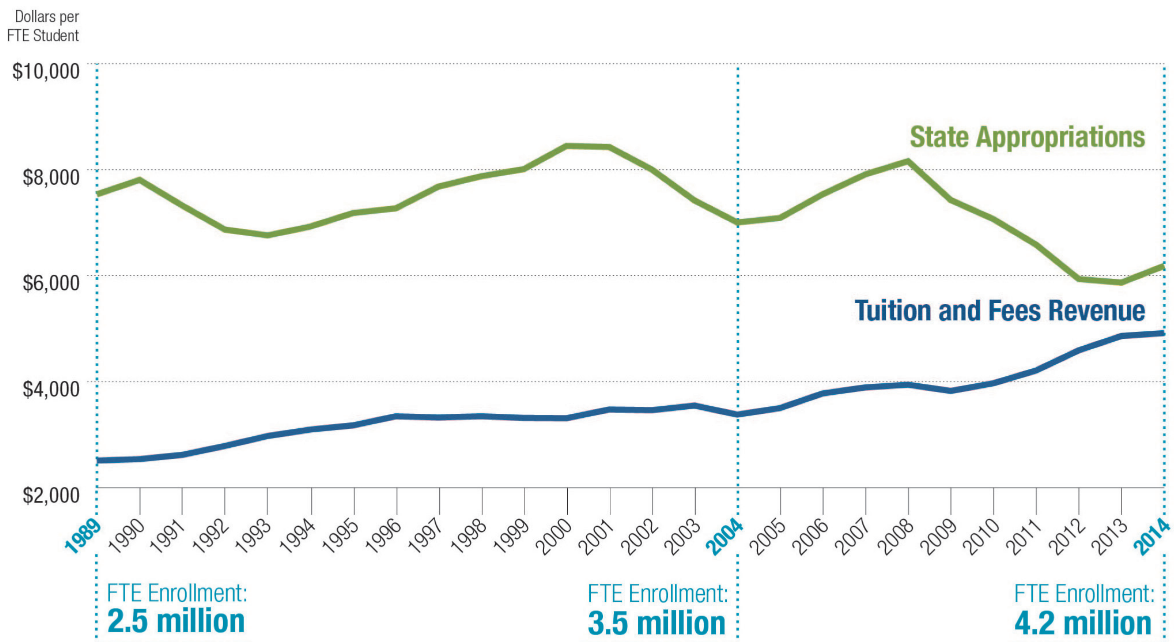
Annie E. Casey Foundation, 2016. *Kids Count Data Book.*

Higher Education Funding Shifts

While college costs during and before the Great Recession increased, state appropriations for colleges decreased. State appropriations have fallen from $7,535 per-full-time equivalent (FTE) student in the late 1980s to $6,186 per-student in 2014 (in constant dollars). Over that same time period, net tuition and fees per student have increased from $2,513 to $4,986. Taken together, funding per student has remained about the same but has shifted from the states to students and their families. Also notable is the growing enrollment during this time period, with a slight decline since 2012.

Covering Public Higher Ed Costs In SREB States

Tuition, fees and state appropriations
FTE enrollment and dollars per FTE student



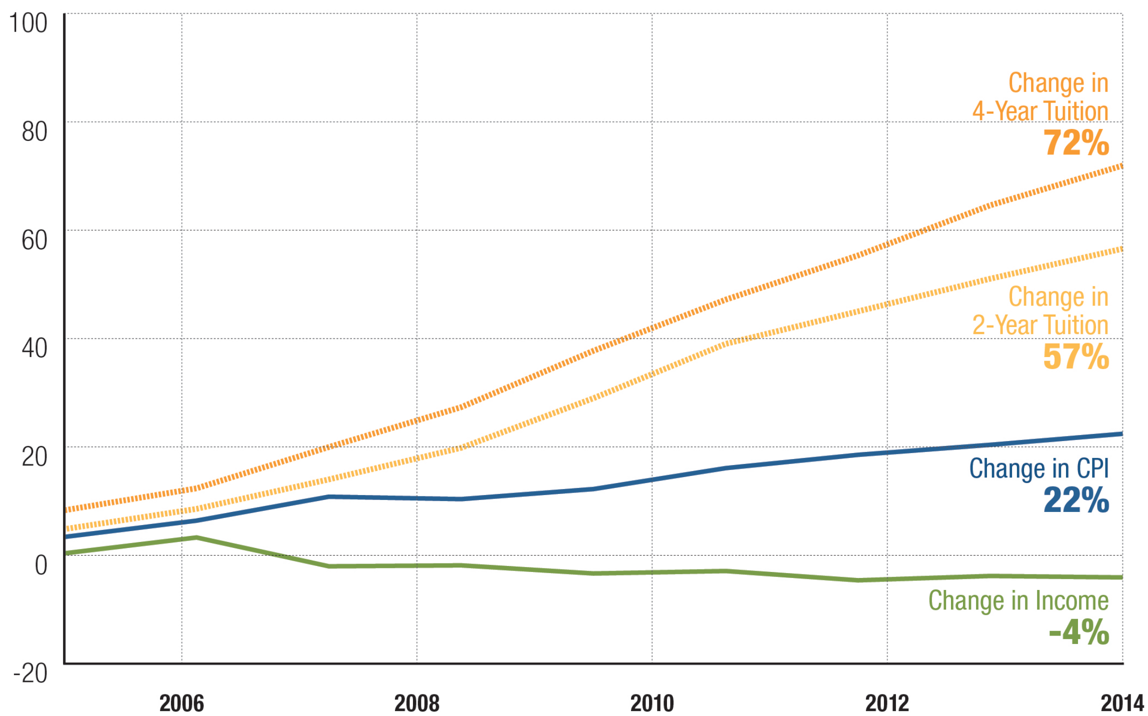
State Higher Education Executive Officers Association, State Higher Education Finance FY 2015. SREB calculation by William Doyle, Higher Education Policy Institute.

Rising Tuition and Fees

Tuition and fees at public four-year and two-year institutions in the South have increased faster than income, inflation and almost all other consumer goods and services. Between 2005 and 2014, tuition and fees at public four-year institutions increased by 72 percent, while family income declined by 4 percent.

Tuition and Fee Increases Compared to Income, CPI

SREB States



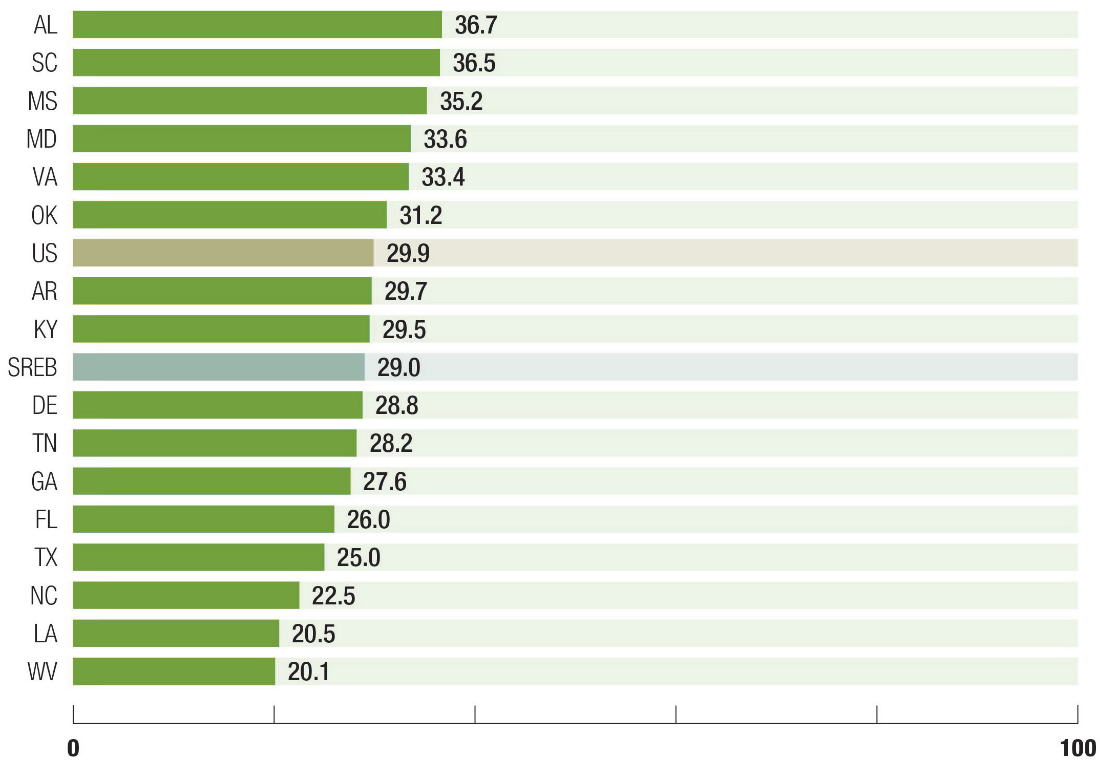
Tuition and fees: U.S. Department of Education, 2016. Median family income: U.S. Census Bureau, Current Population Survey, Annual Social and Economic Supplement. Consumer Price Index: U. S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers.

Net Price and Income at Public Four-Year Category 1 Institutions

Public four-year category 1 institutions are primarily research institutions. At these institutions, students and families would have to pay, on average, 29 percent of their income to cover educational expenses even after taking into account all federal, state and institutional financial aid. This amount varies widely across SREB states, from nearly 37 percent in Alabama to 20 percent in West Virginia.

Income to Cover Costs
Category 1 Public 4-Year Colleges

Percentage of family income needed to cover net price



Net price: tuition, fees and room and board, minus federal and state grants to students

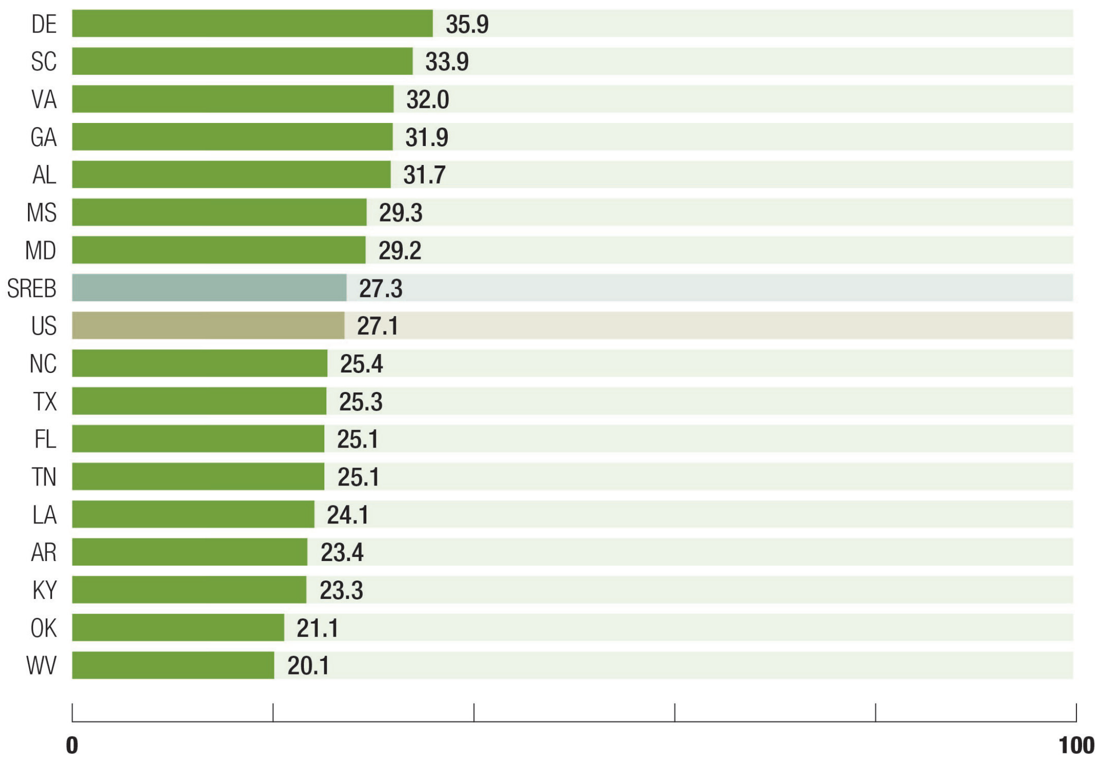
U.S. Department of Education, 2006. Student Financial Aid Survey; U.S. Census Bureau, 2016. American Community Survey.

Net Price and Income at Public Four-Year Category 2 Institutions

Public four-year category 2 institutions are primarily open-access or widely accessible four-year institutions. At these institutions, students and families in SREB states would have to pay about 27 percent of family income in order to cover educational expenses, even after taking into account all types of financial aid: federal, state and institutional. This is similar to the national average. The amount required from families varies from 36 percent of income in Delaware to 20 percent in West Virginia.

Income to Cover Costs
Category 2 Public 4-Year Colleges

Percentage of family income needed to cover net price



Net price: tuition, fees and room and board, minus federal and state grants to students

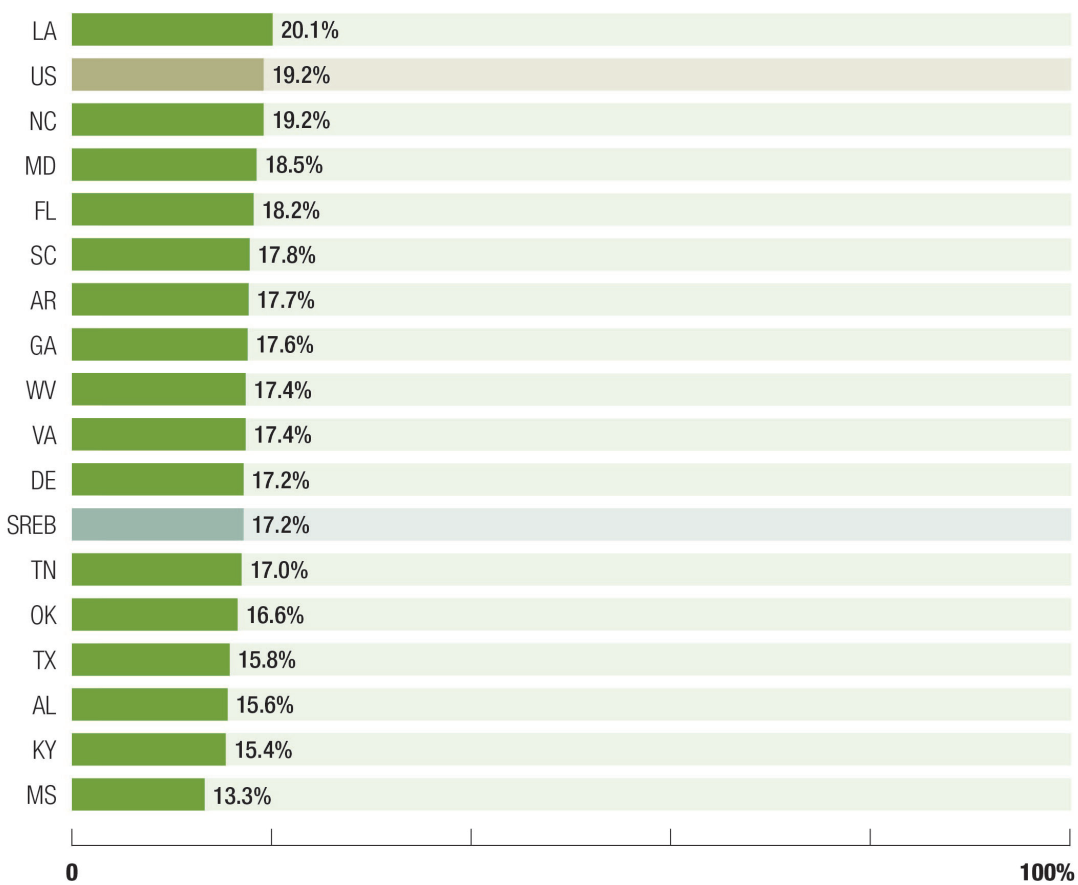
U.S. Department of Education, 2006. Student Financial Aid Survey; U.S. Census Bureau, 2016. American Community Survey.

Net Price and Income at Public Two-Year Institutions

At public two-year colleges, the net price of attendance is generally lower — and in SREB states, net prices are considerably lower — than the national average. Students and families in SREB states would have to pay 17 percent of their income to attend public two-year colleges, compared with 19 percent for families nationally. In Louisiana, 20 percent of income would be required — making it the most expensive among SREB states for public two-year colleges. In Mississippi, in contrast, students and families would need to pay 13 percent of their income to attend this type of institution.

Income to Cover Costs
Public Community Colleges

Percentage of family income needed to cover net price



Net price: tuition, fees and room and board, minus federal and state grants to students

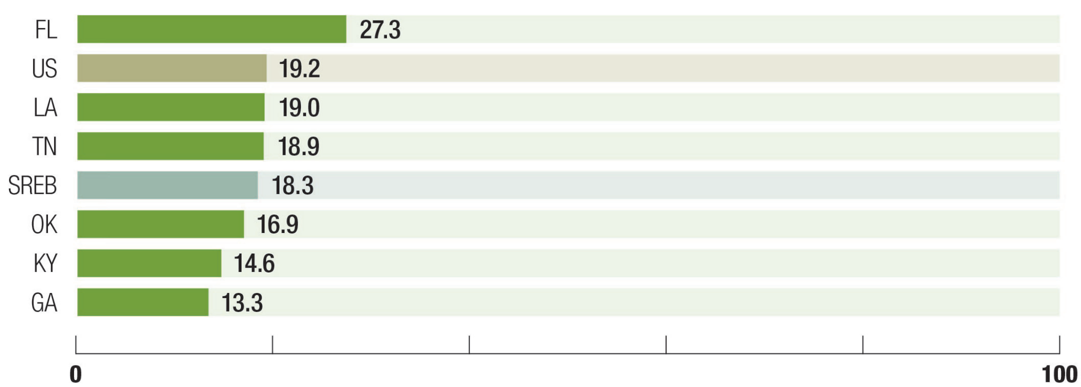
U.S. Department of Education, 2006. Student Financial Aid Survey; U.S. Census Bureau, 2016. American Community Survey.

Net Price and Income at Public Technical Colleges

Among SREB states with technical colleges, about 18 percent of family income would be required to cover educational expenses, even after taking into account institutional, state and federal aid provided to students. In Georgia, the percent of family income required to attend stands at 13 percent, while in Florida, more than 27 percent of family income would be required to attend.

Income to Cover Costs Technical Colleges

Percentage of family income needed to cover net price



Net price: tuition, fees and room and board, minus federal and state grants to students

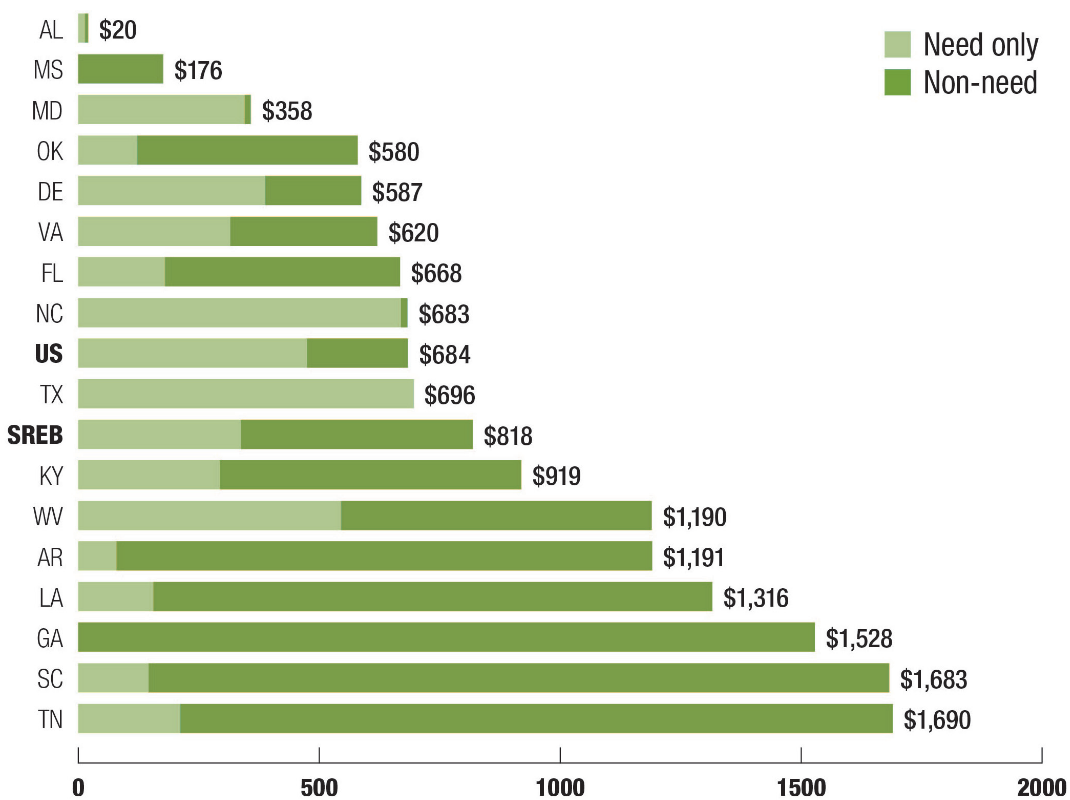
U.S. Department of Education, 2006. Student Financial Aid Survey; U.S. Census Bureau, 2016. American Community Survey.

State Financial Aid in the SREB Region

In the SREB region, state spending per student is higher than the national average, but most of this aid is awarded on a basis other than need. In Louisiana and Tennessee, the state spends about $1,300 per student on all types of state financial aid, on a per student basis. Among SREB states, North Carolina and Texas spend the most on need-based financial aid per student.

State Financial Aid Awards

Per FTE, 2014



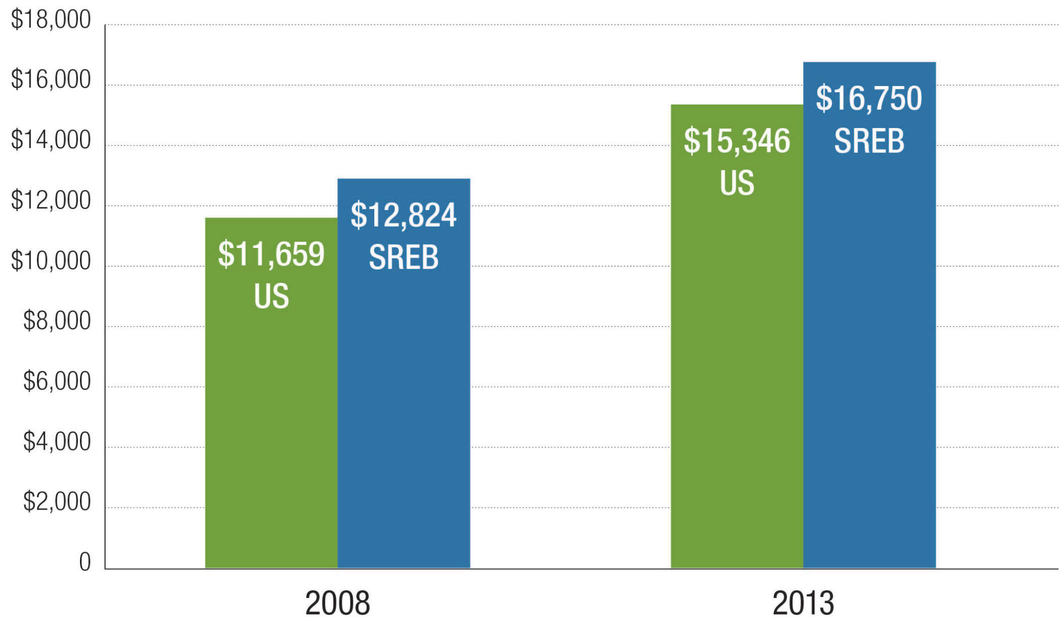
National Association of State Student Grant and Aid Programs, 2014.

Undergraduate Student Debt

Graduates with associate and bachelor's degrees from public four-year and two-year institutions in SREB states typically borrow $16,750, which is higher than the national average of $15,346. Research shows that as prices go up, many students who wish to stay enrolled must reduce credit hours, increase their work hours or borrow more. The amount borrowed by students at public institutions in SREB states increased by 31 percent between 2008 and 2013, demonstrating that many students borrowed more as prices increased.

Growth in Debt

Median dollars owed by graduates of 2- and 4-year institutions
2008 and 2013



U.S. Department of Education. College Scorecard data.

Appendix B

College Affordability Policy and Practice Review: A Statewide Framwork

The SREB Commission on College Affordability in the South recommends that states review their affordability policies and practices for their capacity to address the Commission's recommendations. This framework outlines, in checklist form, questions that can guide this assessment. While state higher education finance policy may encompass private as well as public institutions, these questions apply to public institutions only.

Context

1. Which entity within your state is responsible for establishing statewide goals and priorities for higher education? Is college affordability for students one of the goals in the statewide plan?
2. Has the legislature given the affordability goal the force of law, by enacting the goal into statute?
3. Who (which body) within your state is responsible for creating a clear definition of the term "affordability?"
4. How is the determination made as to whether or not higher education in the state is affordable? What calculations are employed?
5. Is the calculation of affordability based on full cost of attendance or on tuition only?

Policy Coherence

6. What entity within your state is responsible for ensuring alignment of all components of finance policy — state support of institutions, state student financial aid policy, tuition and institutional productivity?
7. What is the process or mechanism by which affordability is incorporated into all decisions regarding financing higher education?
8. What are the barriers to achieving an integrated set of higher education financing policies?

Tuition Policy

9. Who is responsible for developing and periodically revising state policy and methodologies for setting and adjusting tuition levels or establishing parameters within which institutions set and adjust tuition levels? What are the processes that ensure that these policies explicitly consider the following?
    - Median family income and the incomes of students in each institution or sector of postsecondary education
    - State demography, particularly the characteristics of the students and potential students affected by tuition increases
    - Availability of and increased need for financial assistance to students whose college enrollment would be jeopardized by increased costs
    - Impact on student debt

10. How does your state assure that affordability for students is given at least as much weight in the tuition-setting process as the revenue requests of institutions? Are data about affordability presented at the same time as data about institutional resource needs?
11. At what point in budget development are tuition rates set? Is tuition set early in the process, *before* decisions about institutions' budgets are made? Or is the tuition decision made to fill the gap after budgets are established and state appropriation levels known?
12. In what ways are the following factors considered in the tuition-setting process?
    - Tuition levels and policies in other states (This is often considered but serves to direct attention away from more important, in-state factors.)
    - Historical trends in tuition changes

Shared Responsibility

13. Where and how are expectations articulated about the financial contributions of all parties — students, parents, the federal government, state government and individual colleges and universities? What mechanisms ensure students with the greatest need are given priority in the allocation of resources? What is the evidence that these mechanisms are working?

Need-Based Student Financial Aid

14. What proportion of eligible students actually receives the full amount for which they are eligible under current criteria for the state's need-based aid program? In the competition for funds, which receives priority for allocation of new resources (or is protected from cuts): appropriations to institutions or student financial aid? What proportion of state financial aid is awarded to students with no demonstrated financial need?
15. What features of your state's student aid programs explicitly reflect alignment with state goals? What evidence is there that the intended alignment is effective?
16. What share of institutional grant aid is distributed to students from families with different levels of income? How do colleges and universities reflect state goals in their distribution of aid?
17. What proportion of grant aid from each major source — federal, state, and institutional — goes to students in different income categories? Using the state's definition of affordability, how much unmet need remains, for students in each income category, after all grant aid is distributed?
18. In the design of the state's student aid programs, what features ensure that the state fully leverages federal student aid programs?
19. What incentives are built into your state's student aid programs to promote students' timely completion of a program of study?
20. What provisions are in place to allow adult and part-time learners access to student financial aid funds?

21. What is the mechanism by which funding sources other than state financial aid — Veterans Administration, employers, social services, for example — are bundled to provide support for adult students? What office is responsible for ensuring this integration? How are resources leveraged to support living expenses, child support and other costs borne by adult students?
22. What features of the state's need-based aid program are directly tied to tuition policy? For example, is there a cap on the amount of tuition that can be included in the cost-of-attendance calculation?

Institutional Responsibility

23. What expectations are explicitly placed on individual colleges and universities to contribute to affordability by improving cost-effectiveness and productivity? Who established these expectations? What metrics are used to track compliance?

Investments in Innovation

24. What investments has your state made in innovations explicitly designed to improve cost-effectiveness of educational delivery or institutional productivity? What is the evidence that these investments have improved affordability? What types of students have benefitted most?

Student Debt

25. What are the trends in proportions of students who carry debt, and the average amount of that debt, for:
    - Graduates
    - Students who leave higher education without earning a degree
    - Adults versus recent high school graduates
26. Is impact on student borrowing explicitly considered in the tuition-setting process? Are data comparing trends in tuition levels and trends in student debt regularly considered in the process?
27. What procedures do institutions have in place to dissuade students from borrowing more than needed? How do colleges and universities ensure that students are fully informed of their cumulative debt and annual repayment requirements?
28. How do the state and institutions re-establish financial aid eligibility for students who have previously enrolled and taken out loans, then dropped out and defaulted on their loans? How are the financial barriers associated with failure to repay prior loans being removed?
29. What features of state financing policy for higher education ensure students won't have to (or don't) borrow more than can be repaid comfortably given their likely future income levels?

Financial Aid Implementation

30. Since no student financial aid program has resources sufficient to fund the needs of all eligible students, what procedures are in place to ensure that the neediest students — not simply those who apply first — are funded? In other words, what criteria are used to select recipients? Do these criteria yield results consistent with the goals of the program — and with the state's higher education priorities?
31. Are decisions regarding distribution of program funds made centrally, by a separate implementation entity? Or are these decisions (and separate pools of resources) delegated to institutions? If the latter, how does the state ensure that funds are distributed to the neediest students across the state?

The SREB Commission on College Affordability in the South

The Southern Regional Education Board Commission on College Affordability in the South focused on aligning state policies on appropriations, tuition and financial aid toward the goal of affordability for students. The Commission met during 2014 and 2015 and published reports and recommendations in 2016. Glen D. Johnson, Chancellor of the Oklahoma State Regents for Higher Education, chaired the Commission. Members represented all 16 SREB states and included state legislators, state higher education leaders and presidents of colleges and universities.

Commission Members

Glen D. Johnson, *Chair.* Chancellor, Oklahoma State Regents for Higher Education

Wayne Andrews, President, Morehead State University, Kentucky
Alan Baker, State Representative, Alabama
Melanie Barton, Executive Director, Education Oversight Committee, South Carolina
Hugh Blackwell, State Representative, North Carolina
Peter Blake, Director, State Council of Higher Education for Virginia
Glenn Boyce, Commissioner of Higher Education, Institutions of Higher Learning, Mississippi
Harry Ray Brooks, State Representative, Tennessee
Julie Carullo, Former Director, Governmental Affairs, South Carolina Commission on Higher Education
Norman Conway, Former State Delegate, Maryland
Walter Dalton, President, Isothermal Community College, North Carolina
Krissy DeAlejandro, Executive Director, tnAchieves, Tennessee
Russ Deaton, Deputy Executive Director, Tennessee Higher Education Commission
Lee Denney, State Representative, Oklahoma
Joyce Elliott, State Senator, Arkansas
Terry England, State Representative, Georgia
Erik Fresen, State Representative, Florida
Herb Frierson, Former State Representative, Mississippi
James Halligan, State Senator, Oklahoma
Randy Hanna, Former Chancellor, Florida College System, Florida
Jack Hill, State Senator, Georgia
Paul Hill, Chancellor, Higher Education Policy Commission, West Virginia
Sheila Ellis Hixson, State Delegate, Maryland
Hank Huckaby, Chancellor, University System of Georgia
Mac Huddleston, State Representative, Mississippi
Jennie Hunter-Cevera, Former Acting Secretary, Maryland Higher Education Commission
Robert King, President, Kentucky Council on Postsecondary Education
Joe Pickens, President, St. Johns River State College, Florida
Robert Plymale, State Senator, West Virginia
John Polk, State Senator, Mississippi
Brett Powell, Former Director, Arkansas Department of Higher Education
Joseph Rallo, Commissioner of Higher Education, Louisiana Board of Regents
Richard Rhoda, Executive Director Emeritus, Tennessee Higher Education Commission

Commission Members (continued)

Johnnie Roebuck, Former State Legislator and Retired Educator, Arkansas
Tim Shaughnessy, Former Associate Provost for Academic Affairs, Gateway Community and Technical College, Kentucky
Arnold Simpson, State Representative, Kentucky
David Sokola, State Senator, Delaware
Francis Thompson, State Senator, Louisiana
Mark White, State Representative, Tennessee
Yvonne Wood, Finance Chair, Women's Economic Council Foundation, Tennessee
Sandra Woodley, Former President, University of Louisiana System

Members of the SREB Commission on College Affordability in the South with guests, at the Commission's June 2015 meeting in Naples, Florida: (Back row, from left) Arnold Simpson, Houston Davis, Cheryl Blanco, Bob King, Gerald Long, Francis Thompson, Mac Huddleston, Melanie Barton (Middle row, from left) Wayne Andrews, Rich Rhoda, Alan Baker, Lee Denney, Jim Halligan, Russ Deaton, Bob Plymale, Julie Carullo, Brett Powell, Harry Ray Brooks (Front row, from left) Walter Dalton, Sheila Ellis Hixson, Johnnie Roebuck, Yvonne Wood, Joyce Elliott, Glen Johnson, Dave Spence, Tim Shaughnessy.

SREB

Southern Regional Education Board
592 10th St., N.W.
Atlanta, GA 30318-5776
(404) 875-9211

SREB.org

October 2016 (16E10)