Board of Governors
State University System of Florida

Presentation on Affordability

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Dean, College of Education
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Agenda

- Status of affordability in the nation
- SUS affordability in a national context
- Determinants of affordability
- Guiding principles for consideration
The status of affordability in the nation

The dominant media message
- Skyrocketing tuition prices are out of control
- Affordability is a crisis for all students
- Student loan debt is choking the American economy and former students
- Going to college doesn’t pay off
- The problem: We could be scaring students away from going to college

What the data actually show
- Net prices (after grant aid) are rising much less quickly than sticker prices
- The majority of students have options that are reasonably affordable
- The vast majority of graduates are effectively managing their student loan debt
- The returns to college are, on average, still very positive

But: We shouldn’t lose sight of the fact that financial barriers are a reality, not just a perception, for many students

The challenge: How do we help students and families make good choices?
Public 4-year sticker and net tuition prices as a % of family income quintiles – U.S.

20th income percentile ($27,218 in 2011)
- 1996-97: 16%
- 2001-02: 7%
- 2006-07: 4%
- 2011-12: 22%

40th income percentile ($48,502 in 2011)
- 1996-97: 9%
- 2001-02: 9%
- 2006-07: 13%
- 2011-12: 30%

60th income percentile ($75,000 in 2011)
- 1996-97: 17%
- 2001-02: 5%
- 2006-07: 8%
- 2011-12: 11%

80th income percentile ($115,866 in 2011)
- 1996-97: 4%
- 2001-02: 2%
- 2006-07: 3%
- 2011-12: 7%

Sticker price
Net price

College Board, *Trends in College Pricing* (from NPSAS), U.S. Census Bureau
Loan debt of seniors in U.S. by income group

<table>
<thead>
<tr>
<th>Income Group</th>
<th>Public 4-yr</th>
<th>Private non-profit 4-yr</th>
<th>For-profit 4-yr</th>
<th>All*</th>
</tr>
</thead>
<tbody>
<tr>
<td>None</td>
<td>36%</td>
<td>27%</td>
<td>13%</td>
<td>14%</td>
</tr>
<tr>
<td>&lt;$10,000</td>
<td>12%</td>
<td>8%</td>
<td>7%</td>
<td>10%</td>
</tr>
<tr>
<td>$10,000 - $19,999</td>
<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>10%</td>
</tr>
<tr>
<td>$20,000 - $29,999</td>
<td>26%</td>
<td>37%</td>
<td>37%</td>
<td>19%</td>
</tr>
<tr>
<td>$30,000 - $49,999</td>
<td>10%</td>
<td>4%</td>
<td>7%</td>
<td>17%</td>
</tr>
<tr>
<td>$50,000+</td>
<td>19%</td>
<td>31%</td>
<td>13%</td>
<td>17%</td>
</tr>
<tr>
<td>100%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
<td>10%</td>
</tr>
</tbody>
</table>

*Includes students in other sectors or attending more than one institution.

Payment for student borrowing $10,000 ($2,500 per year): $106/month

Author's calculations from NPSAS:12
Payment status of education debt in U.S., 2014

Trends in affordability, SUS and U.S.

Tuition + fees (sticker) as % of median household income, public 4-year institutions

Author’s calculations from College Board Trends, U.S. Census Bureau
SUS affordability compared to U.S.

Net tuition+fees and cost of attendance as % of median family income
SUS affordability compared to U.S.

Average annual loans, SUS and U.S. public 4-year, all full-time resident students

- Below $40,000: SUS $4,300, U.S. $4,015
- $40,000-$59,999: SUS $4,000, U.S. $4,754
- $60,000-$79,999: SUS $4,300, U.S. $4,650
- $80,000-$99,999: SUS $4,300, U.S. $4,415
- $100,000 Above: SUS $3,200, U.S. $3,483

Full-time, resident students in public 4-year institutions, 2013-14 SUS, 2011-12 US

FLBOG 1/22/15, slide #14, author's calculations from NPSAS:12
SUS affordability compared to U.S.

<table>
<thead>
<tr>
<th>Institution</th>
<th>Average Debt of Graduates</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMU (86%)</td>
<td>$31,251</td>
<td></td>
</tr>
<tr>
<td>FAU (48%)</td>
<td>$19,898</td>
<td></td>
</tr>
<tr>
<td>FGCU (47%)</td>
<td>$23,863</td>
<td></td>
</tr>
<tr>
<td>FIU (49%)</td>
<td>$17,893</td>
<td></td>
</tr>
<tr>
<td>FSU (53%)</td>
<td>$23,782</td>
<td></td>
</tr>
<tr>
<td>NCF (39%)</td>
<td>$17,927</td>
<td></td>
</tr>
<tr>
<td>UCF (48%)</td>
<td>$23,186</td>
<td></td>
</tr>
<tr>
<td>UF (43%)</td>
<td>$20,708</td>
<td></td>
</tr>
<tr>
<td>UNF (49%)</td>
<td>$17,617</td>
<td></td>
</tr>
<tr>
<td>USF (59%)</td>
<td>$24,107</td>
<td></td>
</tr>
<tr>
<td>UWF (54%)</td>
<td>$19,239</td>
<td></td>
</tr>
<tr>
<td>SUS ave. (51%)</td>
<td>$22,065</td>
<td></td>
</tr>
<tr>
<td>FL ave. (all inst.) (53%)</td>
<td>$24,017</td>
<td></td>
</tr>
<tr>
<td>US public 4-year ave. (60%)</td>
<td>$25,043</td>
<td></td>
</tr>
</tbody>
</table>
How are SUS institutions doing on loan defaults?

<table>
<thead>
<tr>
<th>Institution</th>
<th>Default Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FAMU</td>
<td>14.7%</td>
</tr>
<tr>
<td>FAU</td>
<td>7.7%</td>
</tr>
<tr>
<td>FGCU</td>
<td>6.3%</td>
</tr>
<tr>
<td>FIU</td>
<td>8.9%</td>
</tr>
<tr>
<td>FSU</td>
<td>5.9%</td>
</tr>
<tr>
<td>NCF</td>
<td>1.1%</td>
</tr>
<tr>
<td>UCF</td>
<td>5.4%</td>
</tr>
<tr>
<td>UF</td>
<td>3.7%</td>
</tr>
<tr>
<td>UNF</td>
<td>7.5%</td>
</tr>
<tr>
<td>USF</td>
<td>7.5%</td>
</tr>
<tr>
<td>UWF</td>
<td>9.8%</td>
</tr>
<tr>
<td>SUS ave.</td>
<td>7.2%</td>
</tr>
<tr>
<td>FL ave. (all inst.)</td>
<td>7.2%</td>
</tr>
<tr>
<td>US public 4-year ave.</td>
<td>8.9%</td>
</tr>
</tbody>
</table>

Default = loan that is at least 360 days delinquent. Includes graduates and drop-outs

Author’s calculations from U.S. ED CDR tables
Family income and loan default rates

% of students with income below $60,000

2011 CDR

% of students with income below $60,000

45% SUS ave.

r = .90

FLBOG 11/6/14, slide #7, author’s calculations from U.S. ED CDR tables
The relationship between appropriations and tuition

Annual change, state appropriations per student and 4-year tuition + fees

r = -.44
(-.66 through 2008)

Author’s calculations from Grapevine/SHEF, IPEDS, College Board
State policies affecting affordability

- Appropriations
- Financial aid – need-based vs. non-need aid
- Tuition policies:
  - Autonomy
  - Freezes
  - Guarantees
  - Differentials
- Performance funding – carrot and stick
  - LA – meet performance standards in return for tuition autonomy
  - ME – measure institutions on # of degrees awarded per $100K of net T&F revenue
  - MI – limit tuition increase to <=3.2%
  - MO – limit increase in appropriations plus net tuition to <CPI
  - TX – limit tuition increase unless performance standards met
Guiding principles for affordability

Definition of affordability:

\[ A = \frac{\text{Net price} \ (\text{sticker} - \text{grant aid} - \text{tax benefits}) \times (\text{time-to-degree})}{\text{Ability to pay} \ (\text{income} + \text{assets})} \]
Guiding principles for affordability

Definition of affordability:

\[ A = \frac{Net\ price\ (sticker\ -\ grant\ aid\ -\ tax\ benefits) \times (time-to-degree)}{Ability\ to\ pay\ (income + assets)} \]

- Sticker price is a function of underlying costs and appropriations
- Financial barriers should not exclude any qualified student from postsecondary attendance
- Loans are not financial aid, but allow students to overcome credit constraints
- Good (timely and accurate) information is critical
- A fair financing system should incorporate:
  - **Horizontal equity**: students with like circumstances should be treated similarly
  - **Vertical equity**: students with greater ability to pay should pay more
- Do you want to make affordability a function of potential returns to the degree?
Discussion

http://education.msu.edu/dean