

Ten-Year Roadmap Issue Briefing

Challenge Area *Affordability*

Planning Activity

Develop strategies to reduce the amount or cost of course credits, review the current model of financial aid and examine new options to address affordability.

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Executive Summary

This issue brief discusses one challenge area identified in the Washington Student Achievement Council's 2012 Strategic Action Plan: Affordability. The information presented is based on national and statewide research and data and includes input from a diverse workgroup of stakeholders.

In order to ensure sustained economic growth in an increasingly competitive world, Washington needs to produce more postsecondary graduates with the knowledge-based skills required by today's employers. Indeed, each of the Roadmap challenge areas is critical to achieving this central goal. But perhaps none of the challenge areas is more tangible to students and families than the affordability of a degree or credential.

Affordability, or the degree to which postsecondary education is deemed affordable for any given individual or family, is a concept that can be as elusive as it is essential. Subjective factors, such as a student's perception of the long-term value of postsecondary education versus its current costs, can complicate efforts to accurately portray costs, or to reach consensus on how best to cover them.

Over the last decade, college has become less affordable for nearly all families. During this time, both the US economy and the Washington state economy have suffered through a period of economic recession that has negatively impacted employment rates, available public funding, and income levels of low- and moderate-income families. One outcome has been a significant shift in the share of instructional costs paid by the state through appropriations versus costs charged to students through tuition. The large tuition increases, coupled with income and employment stagnation, have resulted in significant increases in the numbers of families applying for need-based financial aid in recent years. More and more moderate- and high-income families have also felt the impact of large tuition increases and are questioning their ability to pay these costs now and in future years.

Current trends underscore the need for improvement to affordability:

- A decade or more of tuition growth that significantly outpaced both annual per capita income and inflation—50 to 85 percent increases at public institutions since 2008.
- A decline in the portion of instructional costs per student covered by state appropriations, from 74 percent to 44 percent since 2000.
- An increase across all sectors in student/family borrowing.
- Record enrollments, combined with a 61 percent increase in financial aid applications, since 2007-08.
- Increased demand for the State Need Grant, resulting in 31,000 unserved eligible students—30 percent of the total eligible student population.
- Suspended aid programs resulting from budget reductions.

The Affordability Workgroup will develop policy considerations to address the issues and perceptions of affordability. This policy brief will establish a context for developing policy options that respond to the following affordability questions:

- How can the existing model of financial aid funding and delivery more effectively address affordability?
- How will demand for financial aid change if participation rates for low-income students improve over the next ten years?
- How can technology be used most effectively to reduce costs to students and the state?

Policy options and recommendations for the Student Achievement Council's consideration will be presented at the July 2013 Council meeting.

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Context of the 10-Year Roadmap

Increasing educational attainment is vital to the well-being of Washington residents and to the health of our state's economy. To this end, the Washington Student Achievement Council is working to propose goals and strategies for increasing educational attainment through a 10-year Roadmap and a two-year Strategic Action Plan.

The Council's Strategic Action Plan, adopted in November 2012, identifies five critical challenges to be addressed in the Roadmap. The five challenge areas are:

1. **Student Readiness** (with four planning activities: Early Learning; Outreach and Support; Alignment; Remedial Postsecondary Education)
2. **Affordability**
3. **Institutional Capacity and Student Success** (with two planning activities: Meeting Increased Demand; Assessment of Student Skills and Knowledge)
4. **Capturing the Potential of Technology**
5. **Stable and Accountable Funding**

To inform the Council's work of creating the first Roadmap, workgroups comprising lead Washington Student Achievement Council members, Council staff, and external workgroup members were formed to research, discuss, and develop issue briefings and policy recommendations for each of these five critical challenge areas. The challenge areas are complex and interrelated. While the Roadmap will recommend actions for each of the challenge areas, these recommendations will be integrated into a cohesive plan.

Challenge Area: Affordability

This brief provides information for Washington Student Achievement Council members on one specific challenge area—affordability. This information is intended to assist Council members in their development of the Ten-Year Roadmap to raise educational attainment in Washington.

The purpose of this brief is to 1) set the policy context for this issue as it relates to the Ten-Year Roadmap, 2) identify policy issues and questions to be explored in this challenge area, 3) provide an introduction to relevant research, 4) describe Washington-specific trends, and 5) introduce policy options for further consideration by the Council.

Questions to be Explored

The following policy questions were initially identified in the 2012 Strategic Action Plan and were further refined through discussions and input from Council members and members of the Affordability Workgroup:

- How can the current model of financial aid funding and delivery more effectively address affordability? Which students should be targeted by the aid programs?
- How are other non-tuition costs, including books, affecting affordability?
- How would demand for aid change if participation rates for low-income students improved over the next ten years?
- How can student price for a degree or certificate (tuition) and State Need Grant costs be lowered by prior and concurrent learning credit and online course learning?

Introduction

Washington’s ability and willingness to provide financial and policy support to higher education—via appropriations to public institutions, financial aid, the GET program, and tuition-setting policies—play an important role in determining how affordable higher education will be for its citizens.

This briefing paper approaches the topic of affordability from the perspective of Washington students and families considering postsecondary education and training. However, affordability can also be viewed from the perspective of the state in terms of its interest in providing funding to support postsecondary degree attainment goals. The workgroup tasked with addressing the funding challenge area will discuss affordability from this perspective.

For public institutions, the tuition charged to students is directly related to funding received from the state; both funding sources are needed by the institutions to cover the *cost of instruction*. To finance the tuition charge, or *sticker price*, many students will receive assistance from multiple sources (federal and state government, institutions, and private contributors) to reduce or eliminate the amount they are required to cover. The remaining student obligation is referred to as *net price*.

Students are also faced with other direct and indirect educational expenses. These include books, room and board, transportation, and other costs. Combined with tuition and fees, these are referred to as the *cost of attendance*. Student *need*, or what a student would not otherwise be able to afford, is calculated as the difference between the expected family contribution (as calculated by the Free Application for Federal Student Aid, or *FAFSA*, process) and the cost of attendance. Student need determines eligibility for many forms of financial assistance the student could be offered to cover educational expenses.

Perceptions of Affordability

The concept of affordability is also affected by perceptions, preferences, and priorities of students and families. Many citizens are concerned about rising tuition rates and believe the pace and scale of the increased price may make college unaffordable.¹

Typically, affordability is discussed in terms of expenditures compared to a family’s annual income at the time of enrollment. Yet a postsecondary credential increases a student’s earning power over time and, as such, higher education affordability can also be viewed as a long-term investment. In fact, the median family income in 2007 for those with a bachelor’s degree or more was \$64,970—more than 66 percent higher than the median income of \$48,332 for those with only a high school diploma. The positive impact is compounded over the working career of the graduate.² In addition, a bachelor’s degree yields an additional \$1 million in earnings over a high school diploma, with total lifetime earnings averaging \$2.4 million.³

It is possible that education would seem more affordable if people thought about it as a fundamental need and as an investment to be paid for over time, much as they think of housing.⁴

For students without parental or other available resources, or without sufficient financial aid, student loans have become an increasing necessity. Students' ability to repay their student loan debt after college is also an area of concern. The long-term earnings of the student should be considered to determine reasonable levels of debt.

Policy Issues of Affordability

Under optimal conditions, every Washington student who desires and is able to attend postsecondary education should have the ability to cover the costs associated with that education. State fiscal policies related to tuition rates, public institution funding, and student financial aid programs will impact the degree to which this ultimate goal can be reached.

State vs. Student Share of Cost of Instruction

The cost of instruction is a major part of an institution's total operating expense. Taxpayers and students have traditionally shared the cost of instruction of public higher education. However, as state support has declined, the portion students pay through tuition and fees has grown to help offset the loss of state support. Students are now covering the majority of the cost at public four-year institutions.

The state-to-student share of public college costs has shifted from the state covering about 74 percent in 2000 to covering 44 percent in 2013 (see Figure 1). From 2007 to 2012, Washington ranked 6th among states with the highest percentage of reductions to educational appropriations.⁵ Yet Washington is still slightly below the national average of 47 percent of total public higher education funding received through state appropriations.

Figure 1
State Appropriations Versus Tuition Revenue

Fiscal Year & Source of Funds	FY 2000		FY 2008		FY 2013	
	Tuition	State	Tuition	State	Tuition	State
All Public Institutions	26%	74%	33%	67%	56%	44%
UW	29%	71%	42%	58%	71%	29%
WSU	24%	76%	33%	67%	59%	41%
EWU	32%	68%	39%	61%	65%	35%
CWU	28%	72%	37%	63%	66%	34%
TESC	39%	61%	39%	61%	65%	35%
WWU	34%	66%	41%	59%	68%	32%
Community & Technical Colleges	23%	77%	25%	75%	37%	63%

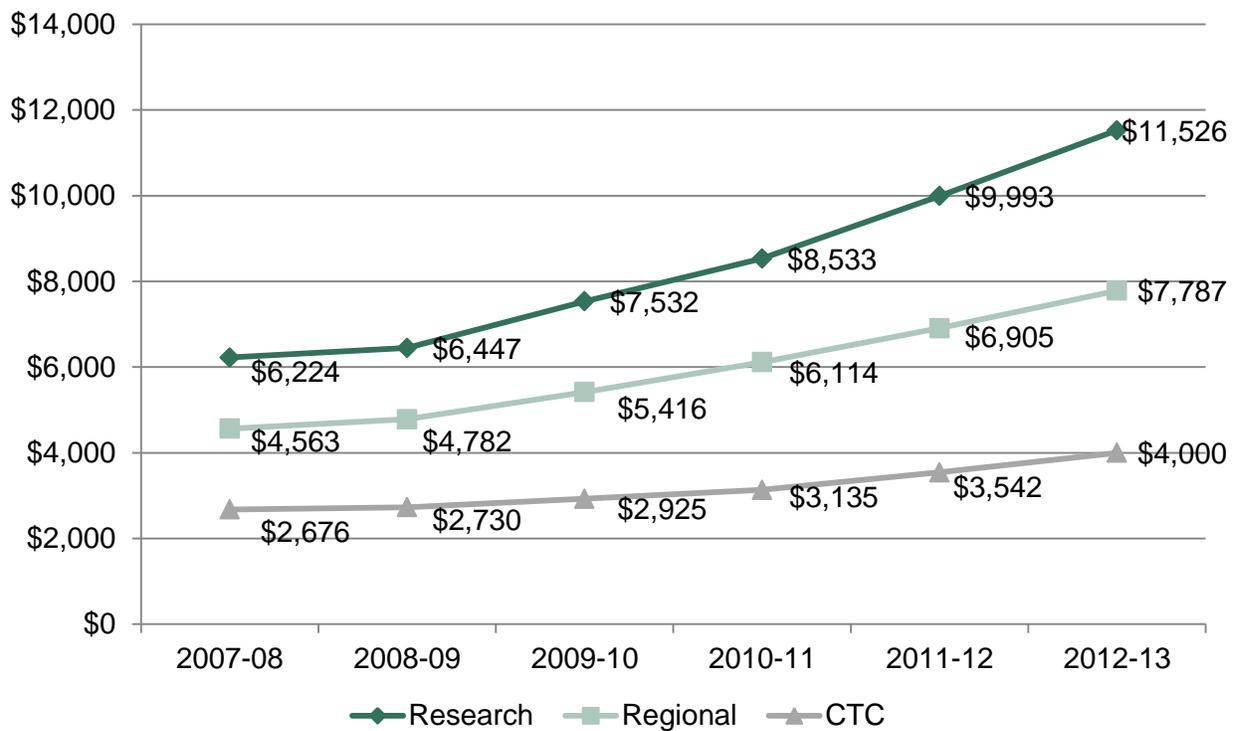
State funding reductions have been less for community and technical colleges than for four-year institutions. That has enabled community colleges to raise their tuition rates at a slower pace and from a lower base amount.

The cost of instruction includes direct instructional services and areas of indirect activities to support the instructional program. As appropriations have decreased, institutions have enrolled more students than the state funds. Because tuition revenues have not fully offset state funding reductions, expenditures per student (FTE) have decreased by 4 percent since fiscal year 2000, and 15 percent since fiscal year 2008 (constant 2000 dollars). In addition, institutions sometimes implement self-sustaining programs, leading to higher tuition charges for students.

Increases in the share tuition covers of the cost of instruction reflect not only increases in tuition and fee rates, but also several factors. These include changes in enrollment numbers and in the mix of resident versus non-resident and undergraduate versus graduate-level students. Because these latter factors are not easily predicted, it is not currently possible to project, using historical patterns, what future state appropriation versus student (tuition) share of funding may be.

As a result of the reduced state appropriations to institutions, public tuition has increased significantly. In the past five years, tuition has increased by an average of nearly 70 percent. The average increase has been 49 percent in the community and technical colleges, 71 percent at the regional universities, and 85 percent at the research institutions (see Figure 2).

Figure 2
Annual Full-Time Tuition Rates Over Time



As of the writing of this brief, the 2013-15 biennial legislative budget proposals include either no tuition increases (Senate) or no more than 5 percent increases (House). Either budget option would significantly curb the trend toward a greater share of the cost of instruction being covered by tuition charged to students and families.

Tuition at Private Institutions

Private institutions^a in Washington do not receive public funding to offset their costs of instruction; therefore, their tuition rates are higher than for public institutions. For the last decade, private institutions' percentage rate of tuition growth has been slower than the tuition growth at public institutions. For example, the rate of growth for 12 private, four-year institutions,^b all of which participate in state financial aid, averaged 6 percent per year from 2000-01 to 2012-13. However, although the rates of increase are lower and more predictable than in the public sector, the percentages are applied to larger annual amounts. That means families are faced with covering tuition increases that can be similar to or even larger than the increased amounts paid by families in the public four-year sector.

Educational Expenses – Cost of Attendance

In addition to tuition and fees, students also pay for related expenses, including room and board, books and supplies, and transportation. Of course, the actual expenses students face also will depend on many individual factors, such as their personal living and family situations. Traditional ways students have reduced their expenses have been through purchasing used books or living at home. Future relief for book expenses is anticipated with the adoption of open source resources. (This topic will be addressed by the Technology Workgroup created as part of the Roadmap development process.)

The Washington Financial Aid Association is currently conducting a statewide student expense survey (spring 2013) to provide a student budget base from which institutions may develop their standard budgets for the 2014-15 academic year. Financial aid offices will use standard budgets for general living situations and will adjust budgets to account for additional program costs, child care expenses, and other special circumstances as needed.

Ability of Students and Families to Pay

The essence of affordability for students and families is whether they have sufficient resources to cover their educational expenses. Primarily as a result of rising tuition, the ability to cover the total cost of attending college has become increasingly unaffordable for more Washington families. This has worsened in the past five years as the economy has led not only to increased costs but also to stagnant incomes.

As shown in Figure 3, the total cost of attendance in 2012-13 ranged from over \$17,000 at two-year community and technical colleges to nearly \$25,000 at research universities, and over \$42,000 at private non-profit four-year institutions. During 2012-13, the percentage of Washington families with insufficient income to cover the total out-of-pocket cost for attendance was 74 percent at two-year community and technical colleges, 78 percent at regional colleges, 85 percent at research universities, and 92 percent at private non-profit four-year institutions.

^a There are 22 private degree-granting institutions exempt from state authorization as well as over 70 private institutions authorized to operate in the state. In addition, there are over 200 private career institutions licensed in Washington. Among these private institutions, 28 participate in state financial aid programs.

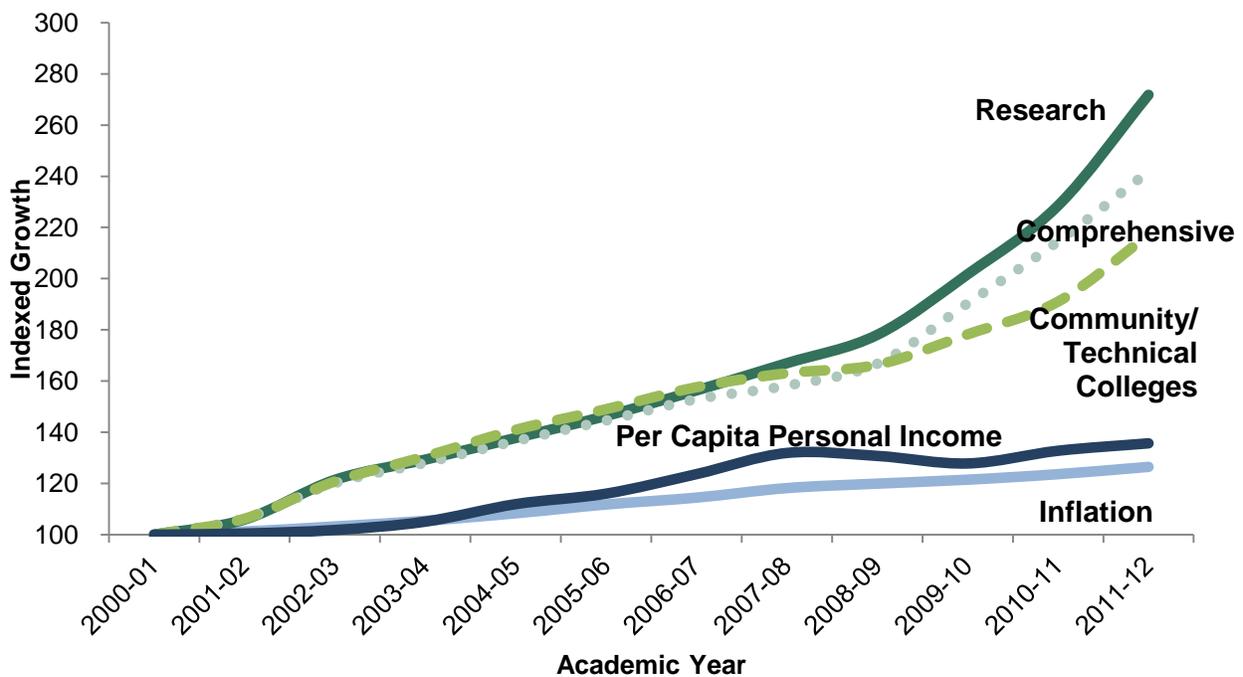
^b Historical private tuition data provided for members of Independent Colleges of Washington (www.icwashington.org) plus Cornish College of the Arts and Northwest University.

Figure 3
Ability of WA Families to Cover Cost of Attendance

Sector	2012-13 Tuition/Fees ^c	Cost of Attendance ^d	Income Needed to Pay COA ^e	# of WA Families Below Income ^f	% of WA Families Below Income
Research	\$11,525	\$24,775	\$120,000	675,854	82%
Regional/TESC	\$7,789	\$21,039	\$110,000	646,724	78%
CTC	\$4,000	\$17,250	\$100,000	607,978	74%
Private ^g	\$29,546	\$42,796	\$168,000	759,411	92%

This phenomenon is exacerbated by the fact that incomes are not increasing at the same rate as tuition. Since 2000-01, annual tuition growth has averaged 8.5 percent across all public sectors, while inflation was 2.2 percent per year on average, and per capita personal income increased 2.8 percent (see Figure 4). Since 2008-09, annual tuition increases have averaged 12.5% across all public sectors.

Figure 4
2000-2012 WA Public Tuition Increases and Economic Indicators



Washington Per Capita Personal Income, Implicit Price Deflator Inflation, Full-Time Resident Undergraduate Tuition and Fees

^c 2012-13 Tuition (operating, building and service fees) average for institutions in sector.

^d Washington Financial Aid Association non-tuition student budget amount for 2012-13 is \$13,250 (\$1,000 books, \$9,250 room and board, \$1,260 transportation and \$1,750 miscellaneous).

^e College Board EFC calculator used. <https://bigfuture.collegeboard.org/pay-for-college/tools-calculators> (dependent student, WA resident, four-person family, one in college, two parents both employed, no untaxed income or assets, U.S. Income Taxes of 9% paid, eldest parent age 50.)

^f American Community Survey PUMS 2007-2011. The ACS sample was 39,614 families with related children age 17 and younger. Using the ACS household weights, translates into 824,615 WA families.

^g 2012-13 tuition average for 15 private non-profit four-year institutions that participate in state aid programs.

Timing of Payment – Savings, Current Income versus Debt

Students and families may choose from a combination of timing options: save for future educational costs, pay at the time educational costs are incurred, or use educational debt to defer payment into the future when earnings may be greater.

The Role of Savings

A recent study indicated youth who have savings accounts and expect to attend college were seven times more likely to do so.⁶ In fact, when youth savings was accounted for, academic achievement was no longer a predictor of college attendance. However, many Washington families may lack the ability to save enough money to cover all educational expenses for multiple years, or may not perceive the benefit of saving for postsecondary expenses. It is important for families to understand that regular savings of even a small amount can add up to a significant amount over many years.

Current Income and Student Work

Students who pay during the current academic year tap into family resources from income and assets and/or receive assistance in the form of grants or scholarships. The federal formula used to compute the student's *expected family contribution* is based on the prior tax year resources and considers factors such as the family's size, the number of family members in college, taxed and untaxed income, and assets (excluding the primary home and retirement income). The formula also protects a portion of the resources for purposes of retirement, living, and medical expenses.

It is no longer viable to work a summer job to save for college costs. In 1975, a student could work a full-time summer job and earn enough to pay the full cost of attendance at a research institution.^h Today a Washington student would need to work full time for an entire academic year to save enough to cover only tuition the following year, assuming no tuition increases. This also assumes all earnings are saved and that the student has other means to cover living expenses while working. However, the student would still need a way to pay for other educational expenses once enrolled.

Often students work during the academic year to help cover educational expenses. About 40 percent of full-time students and 73 percent of part-time students ages 16 to 24 were employed in 2010, nationally.⁷ Yet working too many hours negatively affects persistence and completion.⁸ Students who are not eligible for federal and state work-study programs and those who must find work off campus may have employers who do not view their employees' education as a priority and may be unwilling to accommodate their academic needs. This may adversely affect a student's overall success.

Student and Parent Borrowing

Many students also use student and parent loans to help finance their postsecondary education. The value of the long-term investment may make borrowing a sound financial decision. However, there are concerns related to excessive debt load and potentially defaulting on the debt. In addition to student loans, parents have access to federal or private loans to cover the gap between other aid and the cost of attendance.

^h In 1975-76, tuition/fees were \$564 at research and \$249 at CTCs, and maintenance budget was \$2,775. Minimum wage was \$2.00. <http://www.lni.wa.gov/WorkplaceRights/Wages/Minimum/History/default.asp>

Certain populations, especially Hispanic and Asian students, have also been found to be averse to borrowing.⁹ As a result, these students may not view postsecondary education as accessible, or they may choose to attend institutions with lower tuition. Despite concerns about increases in the numbers of borrowers and average loan amounts, some analysts believe loans ensure access to postsecondary education.

Other Choices Related to Ability to Pay

Many students elect to attend part time to reduce educational expenses, to support their families, and/or to allow more time for work. Yet part-time attendance is negatively associated with persistence and completion.¹⁰

Several studies indicate the economic recession has impacted college students' choices regarding whether and where to attend and how they pay for college. A survey of college freshmen indicated most were concerned about their ability to pay, higher numbers of students were taking out loans, and students were less likely to have found a job.¹¹ A survey of college-ready high school seniors indicated they were considering delaying college attendance, working part time, and attending lower cost schools or schools with generous financial aid.¹²

Targeted Student Financial Aid Policies

Washington is nationally recognized for developing and maintaining strong financial aid programs, even during recessionary periods.¹³

State Financial Aid Programs

The student financial aid programs and activities authorized in Washington can be categorized within three policy objectives: *need-based*, *targeted workforce*, and *merit*. The majority of funding has been provided to the need-based programs, primarily the State Need Grant (SNG) program.

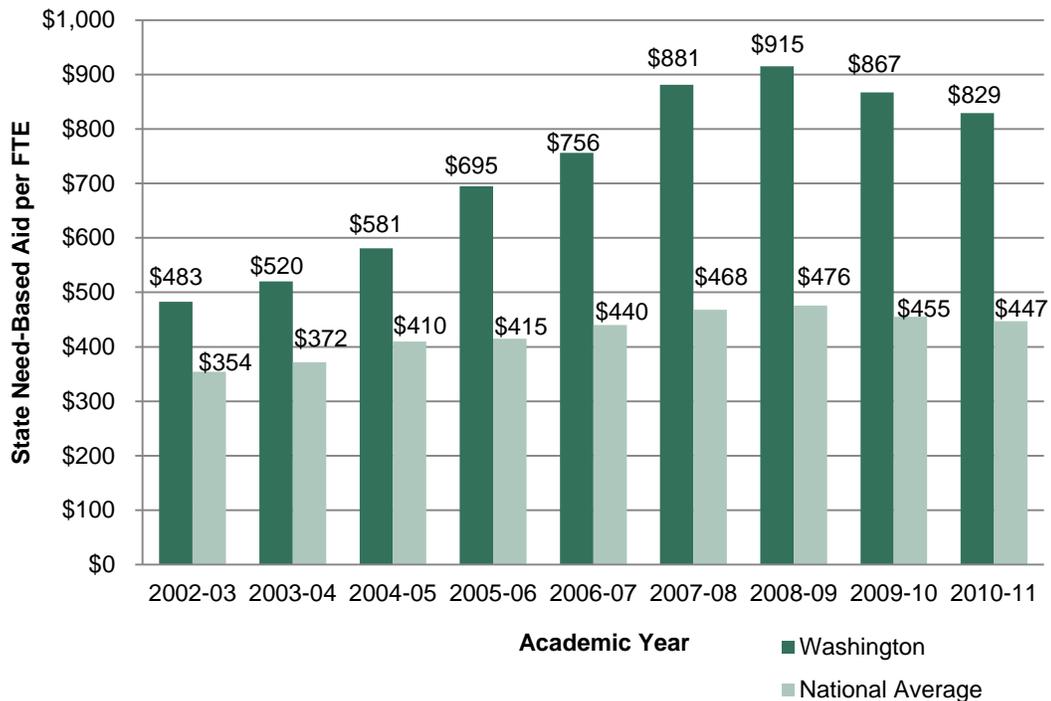
Need-Based

Need-based funding is designed to cover costs for lower-income students to provide equitable access to postsecondary education. Postsecondary participation rates are lower for low-income students; 50 percent of low-income 2009 high school graduates enrolled, compared to 70 percent of students who were not low income.¹⁴

The *State Need Grant* program has provided funding to low-income students for over 40 years. In the wake of budget reductions, the Legislature has remained committed to increasing SNG funding in an attempt to keep pace with public college tuition increases for the lowest-income students served by the program.ⁱ For several years, Washington has ranked 3rd highest among states in provision of need-based aid per undergraduate FTE, as shown in Figure 5.

ⁱ SNG funding considers public tuition increases and all eligible enrollments irrespective of whether students were provided with funding. The legislative decision to provide state funding of new enrollments is independent from the appropriation decision for State Need Grant.

Figure 5
State Need-Based Aid Per Undergraduate FTE



The *College Bound Scholarship* program was established to provide an early commitment of need-based aid for middle school students from low-income families in order to improve high school graduation and college enrollment rates. To accomplish this, the program was designed to coordinate with SNG. As of March 2013, nearly 138,000 students had signed up for the program since its 2007 inception. In 2012-13, 6,892 students from the first cohort of 15,861 students enrolled in postsecondary education.

Washington also has a long-standing *State Work Study* program, which is designed to leverage employer funding contributions and provide job placement opportunities. The program permits students to pay for college costs while developing skills and exploring career directions. The program serves both undergraduate and graduate students with job placements. The program serves low- and middle-income students, who must demonstrate “need.” Despite a funding reduction of two-thirds from 2009-10 levels, the program continues to serve 5,500 students.

The *Passport to College for Foster Youth* program assists nearly 400 former foster youth with grant funding and provides student support service funding to institutions and the College Success Foundation.

Targeted Workforce

The *Opportunity Grant* program, administered by the State Board for Community and Technical Colleges, provides need-based grants to about 1,700 students training for high-demand, high-wage careers.

The *Aerospace Loan Program* provides low-interest loans to 250 students in short certificate aerospace training programs. The *Alternative Routes to Teaching* program, administered by the Professional Educator Standards Board, provides assistance to professionals pursuing teaching credentials in shortage subjects. The *Health Professional Loan Repayment and Scholarship* program provides funding or repays loans to providers in healthcare shortage areas. The state program has been suspended, but state funds are provided to match and maintain a federal program. Several other conditional scholarship and loan repayment programs have been suspended for new students, including *Future Teachers*, *Get Ready for Math/Science*, and the *Professional Student Exchange* for osteopathy and optometry students.

Merit

A small *American Indian Endowed Scholarship* provides funding generated from an endowment for 15 students with close ties to the Native American community. Washington's other merit programs, *Washington Scholars* and *Washington Award for Vocational Excellence*, have been suspended for new students. The programs provided scholarship funding to academically achieving students selected from each legislative district.

A new public/private-funded program, *Washington State Opportunity Scholarship*, awards students interested in science, technology, engineering, math, or healthcare. In the program's first year, 2012, it served 3,000 students. It is administered by the College Success Foundation.

Authorized Inactive Programs

In addition to the suspended programs noted above, several aid programs are authorized in state statute but are not currently receiving funding to serve students. For example, the *Higher Education Loan* program was established in 2009 to provide low-interest loans to needy students.^j The former *Educational Opportunity Grant* to assist "placebound" transfer students was eliminated, and the eligibility criteria were included in the State Need Grant program; however, the activity was not funded.

Guaranteed Education Tuition

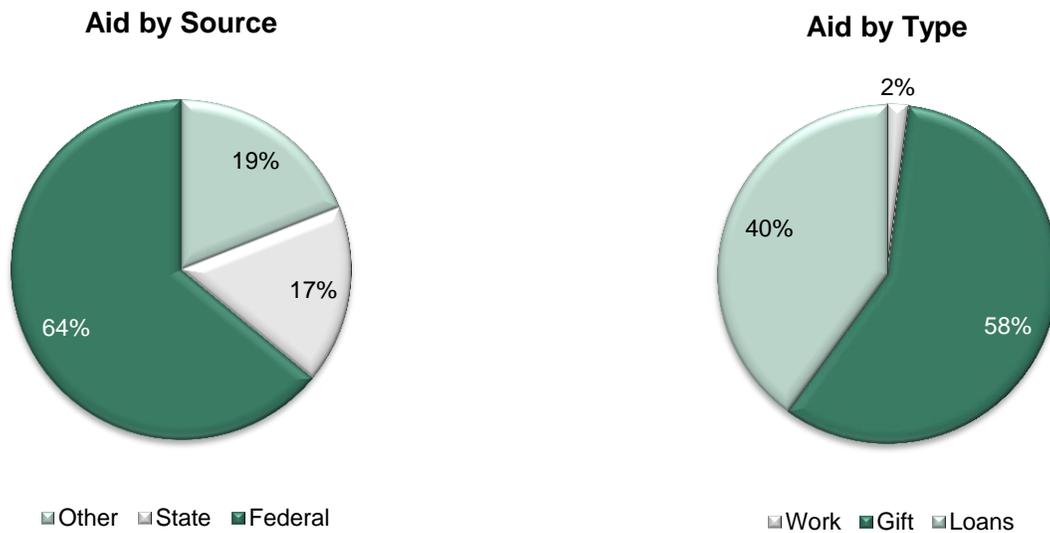
Guaranteed Education Tuition (GET), the state's 529 prepaid college tuition program, was created in 1997 to help make higher education affordable and accessible to all Washington citizens. The program offers a savings incentive that protects against rising tuition costs. GET is designed to encourage savings, promote postsecondary aspirations, and improve access. As of March 2013, nearly 30,000 students have used GET units to pay for college expenses, and over 147,000 accounts have been opened.

Summary of Aid Received

The state aid described above represents 17 percent of all aid received by needy undergraduate students in Washington, as shown in Figure 6. The majority of the funding, 64 percent, was federal financial assistance, and about half of that was in the form of loans. In 2011-12, over \$2.6 billion was provided to need-based recipients in Washington (including graduate students), \$1.7 billion of which was provided to resident undergraduate students. The aid received by undergraduate students comes from a variety of sources, as shown in Figure 7.

^j A legislative report on the HELP program was submitted in December 2012:
http://www.wsac.wa.gov/sites/default/files/HELP_Report-2012.pdf

Figure 6
Financial Aid by Source and Type for Needy Resident Undergraduates 2011-12



Note: Resident undergraduate need-based recipients 2011-12. All aid provided to any need-based recipients is reported.

Figure 7
Financial Aid by Source for Needy Resident Undergraduates 2011-12

Aid Type/Source	Total	Students	Examples
Federal Grants	\$435 M	119,900	Pell Grant, SEOG
State Grants	\$288 M	80,100	SNG, SBCTC Opp. Grant, Passport
Institutional Grants	\$245 M	55,000	Waiver, grants, scholarships
Private Scholarships	\$44 M	13,900	Private philanthropy, employer assistance
Work-Study	\$25 M	10,700	Federal Work-Study, State Work-Study
Loans	\$699 M	89,200	Stafford, Perkins, PLUS, private
Total	\$1,736 M	154,629	

Note: Resident undergraduate need-based recipients in 2011-12. All aid provided to any need-based recipients is reported.

In a 20-year period (1991 to 2011), financial aid provided to need-based resident undergraduate students increased by \$1.4 billion. The share of funding by source remained relatively constant, with slight increases in state and institutional funding (4 and 3 percent respectively) and a decrease in federal funding (7 percent).

A Note about Institutional Aid

Institutions provide significant financial assistance to students. Institutions have non-profit foundations that often raise private funds for endowments and private scholarships. About 90 percent of students attending private non-profit independent colleges receive assistance from the institution.¹⁵ Public institutions are required to provide a portion of tuition revenue to

students in need-based aid; 3.5 percent of revenue for the community and technical colleges and 4 percent for the public four-year institutions (or 5 percent if tuition is raised above levels assumed in the operating budget). In addition, public institutions provide tuition waivers, including state-supported, discretionary, and space-available waivers. In 2012, legislative reports regarding tuition waivers were submitted by the Council of Presidents and State Board for Community and Technical Colleges.¹⁶

Growing Numbers of Needy Students

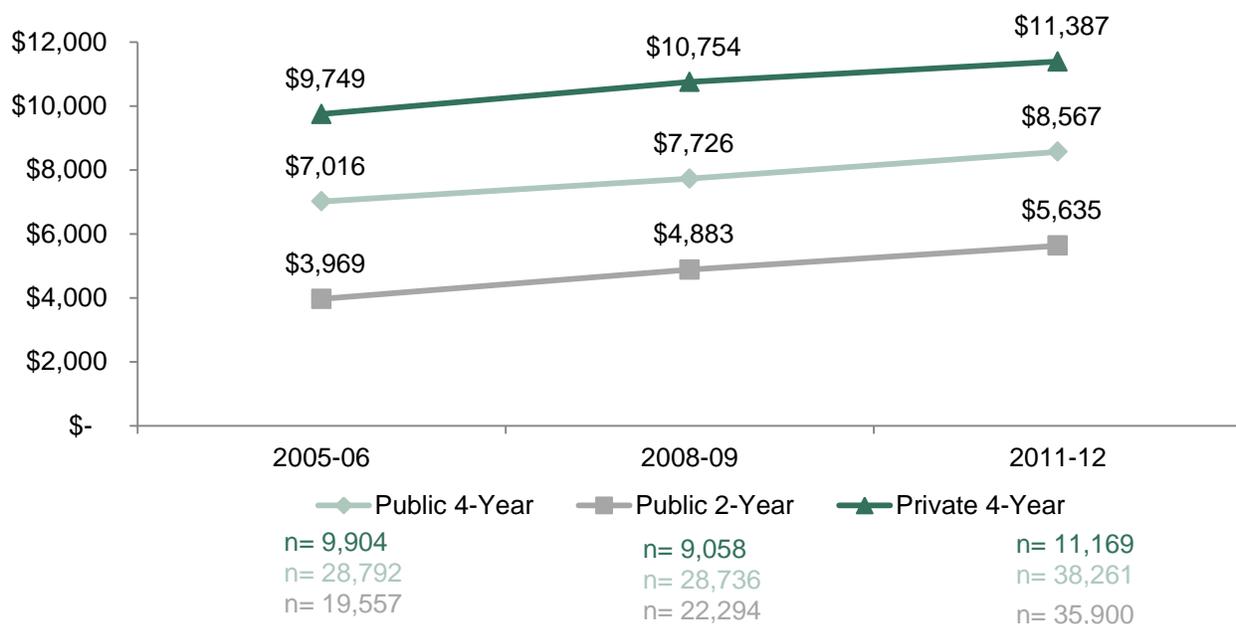
The number of enrollments of needy students increased significantly during the economic downturn, and requests for assistance by filing the Free Application for Federal Student Aid (FAFSA) also significantly increased. FAFSA applications were basically flat from 2003 to 2007, when they began to rise; 2011-12 applications increased 61 percent from 2007-08. More than 518,000 FAFSAs were filed for 2011-12.

Over 191,000 students received need-based assistance in 2011-12, and 9 percent were graduate students. Many of the resident undergraduate students receiving financial aid have “non-traditional” characteristics. About 57 percent were financially independent (generally older than 24), 29 percent had children, and 17 percent attended part time in the fall.

Student Borrowing

Borrowing has been increasing across all sectors, both in terms of dollar amounts and number of borrowers. The rate of increase is higher in the community college sector. In six years, borrowing increased by 17 percent in the private four-year sector, 22 percent in the public four-year sector, and 42 percent in the public two-year sector, as shown in Figure 8.

Figure 8
Annual Average Loan Amounts (with parent PLUS) 2005-06 to 2011-12



Note: Resident undergraduate need-based recipients. Includes federal Perkins, Stafford, Parent PLUS, and private loans.

A higher portion of borrowers in the four-year sectors are financially dependent, whereas a higher portion of borrowers are independent in the two-year sectors, as shown in Figure 9. Dependent students have lower annual borrowing limits in the federal Stafford loan program.

Although under-reported, private loan borrowing has decreased significantly in recent years. About \$42 million in private loans was received by needy students from 2005-06 to 2007-08, \$31 million in 2008-09, and between \$26 and \$28 million in 2009-10 and 2011-12.

Washington ranked 39th in the nation in student loan debt upon graduation in 2011, (1st being highest) according to the Project on Student Debt. The average total loan debt upon graduation for borrowers was \$22,244. The portion of graduates that leave college with student loan debt was 56 percent.

Figure 9
Annual Average Loan Amounts by Dependency Status and Sector 2011-12

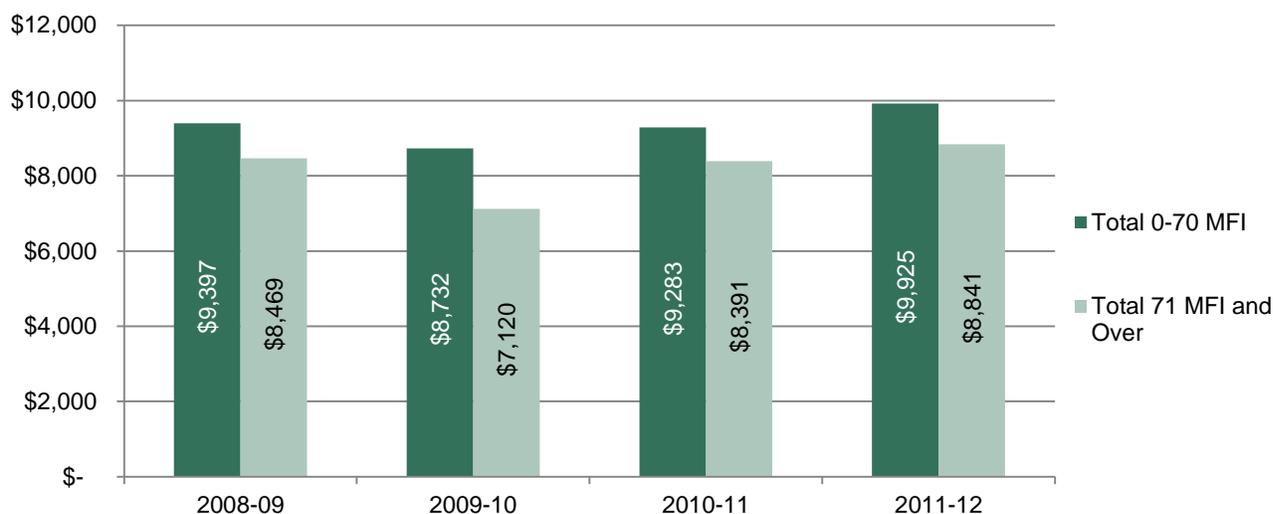
Sector	Total		Dependent		Independent	
	Avg.	Students	Avg.	Students	Avg.	Students
Public Four-Year	\$7,100	38,149	\$6,300	24,086 61.5%	\$8,400	14,063 38.5%
Four-Year Private	\$9,100	11,168	\$8,100	7,503 67.2%	\$11,100	3,665 32.8%
Community/Technical Colleges	\$5,600	35,899	\$3,600	5,835 16.3%	\$6,000	30,064 83.7%
Private Career	\$7,500	4,555	\$6,600	1,533 33.7%	\$7,900	3,022 66.3%

Note: Resident undergraduate need-based recipients 2011-12. Excludes Parent PLUS loans. Averages are for loan recipients in each category.

Unmet Need

Unmet need, or the portion of a student's financial expenses that is not covered by the family contribution or financial aid, can be a measure of affordability. Average unmet need has increased over the past four years for all needy students. The average unmet need is higher for the lowest-income students, as shown in Figure 10.

Figure 10
Annual Average Unmet Need Over Time



Note: Need-based resident undergraduate students attending full-time, full-year. Total aid excluding student loans is subtracted from the average need for each income group.

Role of Philanthropy

Private philanthropy represents a “patchwork” of many organizations that provide funding to students and is an important component of affordability for Washington students. Over \$44 million, or 2.6 percent of the total funding received by needy undergraduate students, was from private scholarships in 2011-12 (excludes institutional foundation scholarships). Many other students receive private scholarships but do not receive need-based assistance and are therefore not reported to the Student Achievement Council.

Private funding includes scholarships provided by donors to specific institutions, funding through private foundations to support programs or students (i.e. Gates, Cheney), corporations supporting students (e.g. Boeing, Microsoft, Costco), community foundations that solicit funding from donors for specific programs (e.g. College Success Foundation, Seattle Foundation and Greater Tacoma Community Foundation) and civic organizations (i.e. Kiwanis, Rotaries). In addition, though under-reported, the role of employer contributions to affordability through tuition payment programs is noteworthy.

Washington has several initiatives that leverage philanthropic contributions:

- **Leadership 1000:** Provides state funding to the College Success Foundation to support administration and fundraising to increase private scholarships and support scholarship selection and awarding activities.
- **Washington State Opportunity Scholarship:** Washington provided \$5 million and Boeing and Microsoft each committed \$25 million over five years to support a scholarship for students enrolled in high-demand fields.
- **theWashBoard.org:** A scholarship search engine for Washington students developed through a coalition of public and private partners. The service was funded by College Spark Washington and supported with state start-up funding. Over \$40 million has been provided to students through the service’s website.

A Note About Federal Tax Credits

The federal government provides substantial assistance by reducing federal tax liabilities for students and families with higher education expenses.¹⁷ However, the benefit is received after the expenses are incurred. In addition, grant recipients may not be eligible for the benefit, and it can be challenging for families to understand tax credits. Tax credits such as the American Opportunity Credit and Lifetime Learning Credit reduce the tax liability for qualified education expenses, and tax deductions allow filers to subtract qualified expenses from taxable income. State legislation requires public institutions to notify families regarding the tax benefits.

Affordability Connections to Other Policy Issues

Affordability is intricately connected to the other challenge areas being examined during the Roadmap development process. When policy options are submitted by workgroups in each of the other four challenge areas, the Funding Workgroup will explore the interconnectivity and implications for student affordability. Meanwhile, initial implications related to three of the study areas are briefly discussed below.

Readiness

As strategies are developed to improve preparation and reduce remedial education—such as “launch-year” and dual-credit options—greater efficiency in time-to-degree will be created, and students will pay less for their degrees or credentials. However, improvements in high school graduation and postsecondary enrollment rates for low-income students will mean additional pressure on existing financial aid programs, which already are underfunded to meet current demand.

Student and family perceptions of affordability will be affected by efforts to expand information and awareness about tuition, net price, financial aid programs, and loan repayment options. In addition, recognizing the growing number of students who do not meet the characteristics of “traditional” college students—including part-time students, students older than 24, and students with children—will be key considerations within these strategies.

Student Success

As strategies are developed to improve time-to-degree through dual credit, assessment of prior learning, and other acceleration options, students will need to pay for fewer credits to earn degrees or credentials. On the other hand, as student retention rates increase, resulting in higher graduation rates, additional financial aid will be required to support needy students who would otherwise have dropped out of college. Because cost often is cited as the reason for withdrawal, affordability needs to be addressed in connection with retention and completion strategies.

Technology

Alternative methods of delivering coursework and textbooks, as well as the use of improving learning management systems, have direct implications for student affordability. For example, open education resources provide numerous benefits that can be applied to all educational levels and can reduce costs for both the education provider and the learner.

Next Steps: Policy Options and Recommendations

The Affordability Workgroup will continue to gather information and will identify specific policy options and recommendations for consideration by the Washington Student Achievement Council at the July 2013 Council meeting.

Some of the policy options the workgroup has already identified for further exploration include:

- Develop a recommendation to aspire to a certain ratio reflecting the state-to-student share of the cost of instruction.
- Assuming certain constant variables such as funding levels, develop options for targeted aid programs.
 - Consider balancing the goals of access with completion.
 - Suggest reinvestments in:
 - State Work Study and/or other state aid programs that have been suspended or reduced.
 - The former Educational Opportunity Grant to provide incentive grants for transfer students.
- Consider possible options to generate revenue through:
 - Savings achieved by program efficiencies.
 - Savings achieved by policy adjustments.
 - New revenue sources.
- Consider policies that support all students, including middle-income families that may struggle to meet the cost of attendance over the course of their degrees.
 - Encourage payment plans and/or emergency loan options across institutions.
 - Consider a targeted state loan program to meet gaps for certain populations.

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Endnotes

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