Postsecondary Access And Affordability: Policy Options for States

Sandy Baum
Urban Institute

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Making progress on higher education access and affordability requires understanding the goals and working in partnership.

• Meaningful access includes success.

• Affordability is not just about tuition prices.

• Options for states depend on other partners
  
  *Federal government*: grants and loans, loan repayment

  *Colleges and universities*: public, private nonprofit, for-profit; prices and financial aid; student bodies

  *Students and families*: demographics, income and wealth
College success is a significant component of affordability

• Lack of academic and social support and guidance is a bigger barrier than tuition for many students.

• College turns out to be unaffordable for many of those who do not complete their degrees.

• An expensive college education is affordable if it has a high payoff.

• Completing a bachelor’s degree in five years is a lot more expensive than completing it in four years.
  
  Average public 4-year student budget ($27,330):
  4 years: $109,000, 5 years: $137,000
Research: Funding for institutions is critical for student success

• Extra dollars for college quality: larger impact on enrollment and completion than tuition cuts.

• Spending increases: persistence and degree completion among-enrolled students more than increases in enrollment.

• Spending cuts: harm instruction quality; limit number of courses, increase class size; reduce completion rates.

• Spending improves quality: e.g. reducing course waitlists and inadequate advising.

• Personalized coaching services increase persistence and completion; more cost effective than increases in financial aid.
What does “affordability” really mean?

• College affordability depends on outcomes and value—not just price and resources available at the time of enrollment.

• No single metric will be a meaningful index. Measurement requires multiple metrics.
Median household income varies across states.

Source: American Community Survey
Incomes differ by household characteristics:
Median Family Income by Selected Characteristics, 2020

<table>
<thead>
<tr>
<th>Region</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>$85,830</td>
</tr>
<tr>
<td>Northeast</td>
<td>$96,390</td>
</tr>
<tr>
<td>South</td>
<td>$76,480</td>
</tr>
<tr>
<td>West</td>
<td>$89,540</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Race/Ethnicity</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Asian Alone, Non-Hispanic</td>
<td>$109,450</td>
</tr>
<tr>
<td>Black Alone, Non-Hispanic</td>
<td>$57,480</td>
</tr>
<tr>
<td>Hispanic</td>
<td>$59,980</td>
</tr>
<tr>
<td>White Alone, Non-Hispanic</td>
<td>$96,170</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Age</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>15 to 24</td>
<td>$48,440</td>
</tr>
<tr>
<td>25 to 34</td>
<td>$71,790</td>
</tr>
<tr>
<td>35 to 44</td>
<td>$92,240</td>
</tr>
<tr>
<td>45 to 54</td>
<td>$105,390</td>
</tr>
<tr>
<td>55 to 64</td>
<td>$99,280</td>
</tr>
<tr>
<td>65 and over</td>
<td>$68,070</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Education</th>
<th>Median Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less Than High School</td>
<td>$40,020</td>
</tr>
<tr>
<td>High School</td>
<td>$60,580</td>
</tr>
<tr>
<td>Some College</td>
<td>$73,290</td>
</tr>
<tr>
<td>Associate Degree</td>
<td>$82,740</td>
</tr>
<tr>
<td>Bachelor’s Degree or Higher</td>
<td>$130,140</td>
</tr>
</tbody>
</table>

2020 Median Family Income (Median of All Families = $84,010)

College Board, Trends in College Pricing and Student Aid 2021, Figure CP-15B.

<table>
<thead>
<tr>
<th>Quintile</th>
<th>Lowest 20%</th>
<th>Second 20%</th>
<th>Third 20%</th>
<th>Fourth 20%</th>
<th>Highest 20%</th>
<th>Top 5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ Change from 1990 to 2020</td>
<td>$2,320</td>
<td>$8,150</td>
<td>$16,640</td>
<td>$32,300</td>
<td>$104,550</td>
<td>$212,340</td>
</tr>
<tr>
<td>% Change from 1990 to 2020</td>
<td>12%</td>
<td>18%</td>
<td>24%</td>
<td>33%</td>
<td>57%</td>
<td>74%</td>
</tr>
<tr>
<td>2020 Income Bracket</td>
<td>$38,050 or less</td>
<td>$38,051 to $67,500</td>
<td>$67,501 to $103,304</td>
<td>$103,305 to $164,007</td>
<td>$164,008 or More</td>
<td>$305,824 or More</td>
</tr>
<tr>
<td>2020 Mean Income</td>
<td>$21,260</td>
<td>$52,330</td>
<td>$84,680</td>
<td>$130,150</td>
<td>$286,390</td>
<td>$497,660</td>
</tr>
</tbody>
</table>

College Board, Trends in College Pricing and Student Aid 2021, Figure CP-15A.
Knowing a family’s current income level does not give a full picture of the resources they have available to pay for college.

Median Net Worth of Family Income Groups, by Quintiles of Wealth, 2011

Source: Urban Institute, collegeaffordability.urban.org, data from US Census Bureau
College is an investment paid for over time

- Resources available at the door of college
- Earnings during college
- Earnings after college
Cumulative Earnings of College Graduates Net of Tuition Payments and Forgone Earnings, in 2018 Dollars

Source: Authors' calculations from US Census Bureau data.
Simple metrics seem appealing but are rarely adequate.

- Tuition and fees as a share of median income
- Share of average income paid by people at different income levels
- Lumina: The Rule of 10 (10% of income for 10 years plus 10 hours/week of work)
- Texas: Average debt no greater than 60% of average starting salary
Don’t focus only on tuition prices.
Average Estimated Full-Time Undergraduate Budgets (Enrollment-Weighted) by Sector, 2021-22

College Board, *Trends in College Pricing and Student Aid 2021*, Figure CP-1.
Prices net of grant aid are much lower than sticker prices.

Average Published & Net Prices (2021 Dollars), First-Time Full-Time Public 4-Year In-State Undergraduates, 2006-07 to 2021-22

College Board, Trends in College Pricing and Student Aid 2021, Figure CP-15.
More than half of full-time students at public four-year institutions have their tuition and fees covered by grant aid.

Distribution of Full-Time Undergraduate Students at Public Institutions by Net Tuition and Fees, 2015-16

![Distribution of Tuition and Fees](source)

Source: The College Board, Trends in College Pricing 2018, Figure 11.
Expenses Covered by Grant Aid, and Tuition & Fees and Living Expenses Remaining, from 1995–96 to 2015–16, in 2015 Dollars Public 4-year institutions

- Tuition and fees covered by grant aid
- Remaining (net) tuition and fees
- Living expenses covered by grant aid
- Remaining (net) living expenses
Policy options for states

• Tuition and fees
• Free college?

• State grant aid
• State funding
• Student debt
There is wide variation in tuition prices across states.

Average 2021-22 Tuition and Fees at Public 2- and 4- Year Institutions, 2021-22, by State

College Board, Trends in College Pricing and Student Aid 2021.
Free college: Is this a progressive policy?

• Who will benefit?

• How much do students at different income levels currently pay?

• To what extent will covering tuition and fees solve the financial problems students face?
Variations on a theme

• Free ($0 for all) *or*
  Debt-free (covered by EFC + grant aid)

• Tuition and fees? *or*
  Total student budget

• First-dollar (eliminate tuition) *or*
  Last-dollar (fill in gap between grant aid and price)
Need-based aid is more effective than non-need-based in addressing access and affordability.

Need-Based State Grant Aid as a Percentage of Total Undergraduate State Grant Aid by State, 2019-20

College Board, Trends in College Pricing and Student Aid 2021, Figure SA-17B.
State Grant Aid per Full-Time Equivalent (FTE) Undergraduate Student, 2019-20

College Board, Trends in College Pricing and Student Aid 2021, Figure SA-18A.
Annual Percentage Changes in Inflation-Adjusted Per-Student State and Local Funding for Higher Education and in Tuition and Fees at Public Institutions, 1989-90 to 2019-20

College Board, Trends in College Pricing and Student Aid 2021, Figure CP-11A.
2019-20 Per-Student State & Local Funding for Higher Education

College Board, *Trends in College Pricing and Student Aid* 2021, Figure CP-12.
Net Tuition Revenues, Subsidies, and Education and Related Expenditures per Full-Time Equivalent (FTE) Student in 2018 Dollars, 2008-09, 2013-14, and 2018-19

College Board, Trends in College Pricing and Student Aid 2021, Figure CP-14.
States can mitigate student debt problems, but their options are limited.

- New York: Get on Your Feet Loan Forgiveness
  - Income < $50,000, no graduate degree
  - Up to 24 payments equal monthly federal income-driven repayment plan payment

- California: California Student Loan and Debt Service Review Workgroup, 2021
  - Create central state hub, network for borrower outreach and triaged borrower assistance
  - Strengthen students’ understanding of available resources to finance their education
  - Prioritize targeted, tailored and personalized information and support services
  - Strengthen protections for borrowers
  - Fill gaps in federal loan access and relief, particularly for undocumented students
  - Improve data collection, reporting and use around student loan borrowing and debt
Federal student debt balances are highly concentrated among a small share of borrowers.

Distribution of Borrowers and Debt by Outstanding Balance, FY2021

Federal Loan Balance by Debt Size, Second Quarter of FY2021

<table>
<thead>
<tr>
<th>Outstanding Borrower Debt Balance</th>
<th>Total Balance (in Billions)</th>
<th>Number of Borrowers (in Millions)</th>
<th>Average Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>$200,000 or More</td>
<td>$271.3</td>
<td>0.9</td>
<td>$301,400</td>
</tr>
<tr>
<td>$100,000 to $199,999</td>
<td>$324.2</td>
<td>2.4</td>
<td>$135,100</td>
</tr>
<tr>
<td>$80,000 to $99,999</td>
<td>$125.3</td>
<td>1.4</td>
<td>$89,500</td>
</tr>
<tr>
<td>$60,000 to $79,999</td>
<td>$179.9</td>
<td>2.6</td>
<td>$69,200</td>
</tr>
<tr>
<td>$40,000 to $59,999</td>
<td>$208.7</td>
<td>4.3</td>
<td>$48,500</td>
</tr>
<tr>
<td>$20,000 to $39,999</td>
<td>$274.2</td>
<td>9.6</td>
<td>$28,600</td>
</tr>
<tr>
<td>$10,000 to $19,999</td>
<td>$136.4</td>
<td>9.4</td>
<td>$14,500</td>
</tr>
<tr>
<td>$5,000 to $9,999</td>
<td>$54.4</td>
<td>7.5</td>
<td>$7,300</td>
</tr>
<tr>
<td>Less than $5,000</td>
<td>$19.4</td>
<td>7.3</td>
<td>$2,700</td>
</tr>
<tr>
<td>Total</td>
<td>$1,593.8</td>
<td>45.4</td>
<td>$35,100</td>
</tr>
</tbody>
</table>
Distribution of Outstanding Federal Direct Loan Dollars and Borrowers by Repayment Plan, Second Quarter of FY2015, FY2018, and FY2021

College Board, Trends in College Pricing and Student Aid 2021, Figure SA-13A.
Default rates are highest for borrowers with low balances. More than 40% of defaulters owe $10,000 or less.

Share of defaulters and 3-year federal student loan default rate: Borrowers entering repayment in 2010-11

Source: Trends in College Pricing 2018, The College Board
Default rates are highest for noncompleters and for those from for-profit and two-year public institutions. 2-year federal student loan default rate: Borrowers entering repayment in 2011-12

SOURCE: The College Board, *Trends in Student Aid 2016*, Figure 12A
Conclusion

• There is no simple metric that adequately describes college affordability.

• Affordability depends on resources before, during, and after college.

• College success makes college affordable.

• State funding can improve college quality, increase need-based aid, and lower tuition prices.

• Free college is not a silver bullet.

• Students need information and guidance to make their education debt manageable.