

Draft
Commonwealth of Pennsylvania
State Board of Education
White Paper on College Affordability
January 2009

In September 2008 the Council of Higher Education of the State Board of Education initiated a three-part strategy to identify the forces behind the increasing challenge of college affordability. The Council conducted four-regional public hearings, directed the Deputy Secretary for Post-Secondary and Higher Education to report to the Council on college affordability and surveyed current students and recent graduates as to their use of loans to finance their college education.

This white paper summarizes the key findings of this work and provides several recommendations the Council believes, if implemented, will help tens of thousands of new students achieve the dream of earning a college degree.

Key Findings:

The weight of the evidence suggests that a student's ability to pay for college is a significant factor in preventing Pennsylvania from increasing its college-going rate, graduation rate, and its efforts to expand access to college to lower income populations across the state.

There are several critical insights gained through the Council's work. They include:

PDE Report:

- Pennsylvania is more costly than all but a few states;
- Pennsylvania students generally graduate with more debt than students in other states;
- The current pricing and financial aid systems in this state disproportionately burden lower-income students;
- Pennsylvania graduates tend to earn less when compared to the national average and the other comparison states' graduates;
- Pennsylvania recent graduates' debt load makes up a larger share of their annual income compared to the comparison states;
- Survey and other research has shown that the cost of education is a significant factor causing prospective students not to enroll in higher education.

Public hearings:

- Neither federal nor state need-based aid is sufficient to overcome Pennsylvania's high college costs.
- The financial aid process is too complex for many students and families to navigate.
- The aid package is actually provided well after the tuition payment is due.
- The high cost of text books prevents many students from purchasing them.
- While institutional aid provided to students (more commonly by independent institutions) can help off-set their relatively higher tuition charges, institutions have serious concerns that decreasing endowments and operating revenue will severely limit their ability to provide this aid in 2009-10 and beyond.
- Many students must work two or more jobs to earn enough to both pay college costs and provide for their day to day necessities, even after financial aid.

Survey of current students and recent graduates:

- 81% of students responded that cost influenced their choice of college to attend.
- 73% of students or their families borrowed money to finance their education.
- 43% of students choose their major and 48% choose their career based on the potential earnings necessary to pay their student loan debt.
- Average amount borrowed by students who borrowed: \$22,807.
- Average amount borrowed by families who borrowed: \$18,061.
- 72% of students feel overly burdened by their debt load.
- 55% of students find it difficult to pay back their debt.
- 5.3% defaulted on their student loans.

National research corroborates these findings. Across the country, the cost of higher education as well as financial aid policies impacts whether a student enrolls in college and, on an all too regular basis, influences whether a student remains in college. For some students, the decision to continue an education is re-evaluated each semester. This is especially true for low income and minority students. Further, loan debt, and its compounded load, has been shown to impact students' ability to remain in college, their choice of major, and post-graduation decision making (including whether they can afford to accept a lower paying career in the public or not-for-profit sectors or meet the expense of pursuing a graduate degree).

If Pennsylvania wishes to increase its college going and graduation rates, especially among its lower income populations, the cost that students and their

families bear must be addressed. Because costs are so high and graduates finish college with inordinate amounts of debt, the Commonwealth is positioned to make a dramatic impact on college-going and graduation rates by addressing this issue directly. Doing so will greatly increase access to college for Pennsylvania students, reduce their debt, and help them improve their quality of life. This will also produce a more highly skilled workforce that will enable Pennsylvania to be competitive in the new world economy.

Recommendations:

The Council of Higher Education recommends that state policymakers consider the following:

- Expand state provided need-based student aid.
- Expand community college opportunities to additional students across the state.
- Provide incentives to state funded institutions to minimize future increases in tuition and fees.
- Establish a low-cost, no frills institution that focuses resources on instruction that offers baccalaureate degrees in an accelerated year-round academic program.
- Investigate ways of addressing the high cost of college textbooks.
- Investigate ways of strengthen oversight and protections over private borrowing used to finance college.
- Build upon and expand efforts by PHEAA, TAP 529 and others to reach parents and students early in their K-12 education to plan for college.
- Urge federal government to simplify and accelerate the student financial aid application process.
- Support and encourage the development of college access programs that work with middle and high school students from low-income districts to help them learn how and prepare to enroll in college, including educating them on how to access available financial aid.

In addition, the Council recommends that the State Board of Education:

- Review and eliminate state regulatory mandates that are outdated, unnecessary or ineffective requirements imposed by the Commonwealth on post-secondary institutions. The Board should also identify and recommend changes to statutory and administrative policies that do not add genuine value.
- Strengthen regulations regarding the marketing of credit cards on college campuses.

