



## A Broken Financial Partnership, Questions about College Price and Value

One of the most cherished American freedoms is the liberty to pursue an education for the purpose of gaining knowledge, broader social awareness, and a better life. While K-12 education, mandated universally for nearly a century is a lawful right, higher education in America is characterized by individual choice, diversity of type of institution and the privilege to engage in postsecondary education many times, throughout a lifetime. Whereas public K-12 education is financed almost solely by local, state and federal tax dollars, higher education is a mixed public-private good, still principally financed by states, with strong federal investment in student financial assistance and research, but with a growing responsibility for financing a college education falling to students and families.

Following a 10-fold increase in college participation in 60 years, to over 20 million from 2 million students enrolled, and about \$200 billion spent annually on higher education by state and local government, unparalleled global economic restructuring squeezing public and private sector spending, prompts significant questions from policy makers and citizens regarding the purposes, productivity and outcomes of such a huge social policy and financial investment.

Some policy analysts observe that the manner in which colleges are financed, both public and private, is broken, unsustainable, and therefore, requires major reform (Greer and Klein, "A New Model for Financing Public Colleges," 2010), not just incremental change (Zumeta et. al., Financing American Higher Education in the Era of Globalization, 2012). Similarly, scholars and practitioners focused on educational productivity and accountability for outcomes, offer convincing evidence that educational and governance restructuring, driven by new technological delivery systems, will rapidly change how higher education is offered, priced, assessed and certified ("The Future of Higher Education," Pew Research Center, 2012). Many top policy analysts agree that conventional wisdom about higher education finance and productivity will not work in the future. (Jones and Wellman, "Bucking Conventional Wisdom on College Costs," 2009).

While one can debate the scope, pace and effect of change in what colleges produce and how they are financed, it is very clear that citizens who pay for and who benefit from college, grow increasingly frustrated with the continuing rapid rise in the price. In the past decade, public college tuition has risen over 70%. Today, individuals pay about 40-45% of the educational cost of a public college nationally, contrasted to about 30% more than a decade ago. In NJ, tax dollars account for about 25% of total college budgets, with students paying about 60-70% of educational costs, and among the highest public college tuitions in the nation.

Still, citizens believe very strongly that college is an important means of financial security, acquiring and maintaining a "middle class" standard of living, and a chance to achieve the American Dream of equality of opportunity to prosper. In a November – December 2012, Lumina/Gallup poll, roughly 97% surveyed said that having a certificate or degree after high school is important for future financial security. This view is so strongly held, that three out of four citizens polled by Carnegie in June 2012, believe the higher education is now a right in America.

Yet in the same Carnegie poll, over 60% of those surveyed see paying for college as a major barrier to access. While students and families have been willing to pay escalating prices for college opportunity, there is growing evidence that citizens are increasingly frustrated, losing confidence in colleges' ability to control costs and price, growing more disillusioned about their





*“How America Pays for College 2012.”* Sallie Mae/ Ipsos (National sample =1601 parents (800), and 18-24 year- old students (801); margin of error = 2.5%.

- Nearly 70% of respondents eliminated choices of colleges because of cost.
- Roughly one-half of families would rather continue to depend on borrowing money to attend college, rather than fail to attend.

*“Innovation in Higher Education, 2012.”* Northeastern University/FTI Consulting (National sample =1251 adults; margin of error =3.1%.

- College is viewed as very important to achieving the “American Dream” (70%), but nearly one-third believe college opportunity will diminish for future generations.
- While 80% surveyed nationally find college cost to be worthwhile, or reasonable for the benefit, one-half responded that they knew someone who postponed college because of cost; and most (86%) view paying for college as the biggest barrier to obtaining a degree.
- Four In five surveyed believe that the US system of higher education needs to change the ways it delivers educational service, to remain globally competitive.

*“America’s Call for Higher Education Redesign, 2012.”* Lumina Foundation/ Gallup (National sample = 1009 adults; margin of error = 4.0%)

- 97% respond the education beyond high school is important to future financial security.
- 74% think that higher education is not affordable for everyone who needs it.
- Nearly 90% think that college credit should be granted for knowledge and skills gained outside the classroom.

*“College Prices, Costs, and Outcomes 2012, Who’s Minding the Gap Between Higher Education and the Public?”* AGB (National computer survey of 14,000 trustees; 2539 respondents (18.3%).

- 21% of trustee respondents disagree that the US needs more college graduates.
- 55% believe that tuition is too high at other colleges, relative to its value; while 62% believe tuition is about right for their institution.
- One half say that they are doing all that can be done to control expenses; while an equal number say more needs to be done.

#### Adding It All Up: Signs of Hope

But, taking together polling research and other policy trend data, citizens, public policy makers, presidents and governing boards of colleges appear to be on a collision course on the matters of reforming the cost/price structure, and accountability for outcomes. Whereas citizens view college a key component in workforce preparation and hope for their economic futures, they are increasingly dissatisfied with the rising price of college, mounting personal debt, and college leaders' inability to control escalating costs. Many feel that college opportunity for their children will be diminished without structural reform, such as granting more credit for prior learning, thereby shortening time to degree completion, and helping to make college more affordable.

The response of governors and state legislators, largely responsible for funding public colleges, has been to demand greater accountability by introducing budget, enrollment or programmatic reforms, and limiting tuition and fee revenue increases. With state budgets stressed by current unsettling global economic conditions, states have reduced discretionary funding to public colleges and rationed student financial aid, while at the same time demanding greater degree productivity.

Some relatively radical and punitive ideas to regulate use of college and university revenue for student financial aid, from public and non-public sources, have been proposed in states such as FL and VA, which if ever implemented, would require significant changes in colleges' subsidization of access for certain student populations. Fundamentally, with a large part of the blame for the college opportunity/price squeeze placed on public policy makers, they are responding to the need to reform the cost structure of higher education simultaneously through a mix of rational bureaucratic budgetary, political and even ideological remedies, not all of which may be responsive to individual and college needs.

Add to this picture the findings of the AGB survey, which indicates that college trustees- the critical actors trusted by the public to do the right thing to sustain access to an affordable and useful college education- may be out of touch with public perception of substantive financial problems, as well as needed reforms.

With huge project investments by foundations such as Gates and Lumina, to increase college completion rates nationally, it is very surprising that one-fifth of trustees surveyed believe that the US does not need more college graduates to compete in a global economy. It is also disquieting to find that trustees see the cost-price squeeze as "the other guy's problem," but not at their institution.

Conversely, perhaps this is not as surprising, when one takes into account a 2012 survey of college presidents, by Inside Higher Education, wherein most presidents think their colleges are doing a good job educationally (75%); and managing financial resources well (70%). About 65% of presidents responding view tuition increases as a major challenge; but tend to worry at least as much about funding and budget shortfalls. This may indicate a tendency among college leaders to focus on increasing revenue more than controlling costs, as a remedy to the cost-price spiral challenge.

Yet, as Zumeta, et.al. point out, "American higher education and public policy infrastructure cannot tweak or spend its way to the future." Substantive rather than incremental policy reform is needed. Accordingly, each of these major actors, citizens, public policy makers, and presidents and trustees- who lead and govern colleges- need to come to some clear and timely public judgments about what needs to be done to fix perceived problems, and to sustain public trust.

To help accomplish facilitating and measuring change, HESIG plans to conduct scientific polls during 2013-14 to help build a common understanding of interrelated policy challenges, and what options are available as a remedy. Specifically, HESIG will ask what needs to be done to keep college in NJ accessible and affordable; what policy options will the public support regarding access, affordability, and productivity; and who takes responsibility to get the job done? Accomplishing this goal will mean involving individuals well beyond polling samples, through special conferences and communication vehicles. It will mean creating some new language and opening up a candid conversation that many can understand and participate in, beyond those currently served by, or in charge of college and governmental policy.