

## **IBHE REMARKS OCTOBER 6, 2009**

College affordability in Illinois has changed quickly. In less than a decade, we've gone from being a state leader in higher education to somewhere in the middle of the pack. Our college participation rate for students from low income families is 23.4%, which puts us 30<sup>th</sup> among states and below the national average of 25.7%. It has declined by nearly 5% over the past decade. While this decline can't be attributed to economics alone, our survey data tells us the increasing difficulty of paying for college plays a substantial role. In 2002, our maximum MAP grant covered 100% of average tuition and fees at a public university; today it covers less than 48%, leaving our poorest students – those coming from families with an average income of about \$19,000 - responsible for over \$5,000 of their tuition bill each year. And that's just tuition and fees. Adding in other costs and subtracting all grant aid, the student coming from a poor family needs to find about \$10,000 per year to make ends meet at a public university. It is a tribute to them that many do make it through, with a combination of lots of loans, both federal and private, a lot of work, and taking fewer hours per semester to spread out the costs.

What can be done to improve college affordability and help students complete their programs? Well, through the Public Agenda process, four recommendations were approved that correspond well with goals and problems that we've been chewing on over at ISAC (and that I know many of the institutions have been working on, as well).

### **1. Get students through their programs faster.**

If a four-year degree could once again be earned in four years, instead of five or six, many students bills would be cut by nearly 20%. Improving preparation before college to reduce remedial classes, improving articulation agreements between community colleges and four-year schools to reduce the number of redundant classes taken, matching more closely the demand for courses with the supply of courses each semester can all improve time to degree. From ISAC's perspective, supplying MAP year round, especially to community college students would help, as would encouraging students attending four-year schools to stay on track by using community colleges in the summer to make up deficiencies. Some of the data from our MAP longitudinal study indicates that students who attend four year schools that appear to encourage community college summer school attendance have higher graduation rates than those that don't. Students who stay on track obviously are more likely to graduate.

### **2. Get students to complete their programs.**

Low year-to-year retention rates and poor completion rates at some Illinois public universities drive up costs to MAP to produce graduates. The "cheapest" degree at a public university in terms of the cost to MAP is about \$17,500 (SIUE); the most, close to \$29,000 (CSU). Even larger discrepancies can be seen when comparing total dollars spent on tuition and fees or state subsidy dollars. Dropouts are very expensive no matter how you calculate the cost. Even worse, dropouts now are very likely to walk away with significant college loans that they will be hard pressed to pay. Dropouts in default walking around low-income neighborhoods are not the kind of advertising you want when trying to get students from low-income families into college.

### **3. Get control over college costs.**

Every time we get more grant aid, or worse, college loan limits rise, I wonder if we are just enablers – encouraging schools to raise their costs. Illinois public universities are among the most expensive in the country, charging about 50% more than the national average. We need more student aid, there is no question about that, but without cost containment by universities, we will never have enough. There are many reasons why tuition and fees keep sky rocketing and some of them, such as energy and health care costs are tough to control. But I think that state schools should meet state goals and some of the dollars spent at universities are aimed at competition among the universities and not cooperation in an effort to meet state goals. It is clear that some state goals are not being met. For example, public universities are constantly improving their facilities and adding staff, but are not expanding their class sizes. Over the past twenty years, over 100,000 more students have entered higher education; public universities have made room for 5,000 of them.

We are also losing many good students, over 17,000 of them according to an ISU study, to campuses in our adjacent states because we don't have places for them at UIUC and we lack an acceptable substitute. We have four other research universities battling it out for second school status – maybe it is time we redirected our state resources so that one of them wins. Bringing some of these 17,000 students back into Illinois (where they, with luck, will reside upon graduation) could improve the quality of our state schools and keep those tuition dollars in state; many of these students are from higher income families with both the means and the will to pay for college.

### **4. Invest in more need-based aid for our low and middle-income students and spend it more wisely.**

Perhaps not by design, but at least by default, we are a “high tuition/high aid” state; although the level of aid, which is state aid, not institutional aid, is no longer keeping up with costs. While it might have been nice to debate the finer points of this position before we assumed it; the genie is out of the bottle and isn't going back in.

- With current college costs, if we were to serve everyone who is eligible for aid, we'd need at least twice the need-based grant aid that we have now – and I'm talking about the \$385 million we had before the draconian cut in July.
- We are suspending nearly as many students as we serve – 130,000 of them, 90,000 at community colleges alone.

The MAP grant does not cover tuition and fees adequately. Some students are not completing their programs because they run out of funds and start taking on too much debt of all kinds. We know from our research that students who do not complete have more kinds of debt and higher balances than students who do complete, at any given point in time (for example, a sophomore who drops out will have more debt, on average, than a sophomore who comes back for her junior year.)

But the state is broke and talking about doubling aid when we can't cover meals for disabled seniors seems ridiculous, at best, unless we can find a funding source or two. One interesting proposal for alternative funding for need-based education grants comes from the Joyce Foundation. The program is a variation of the real estate Tax Increment Financing (TIF) programs and is being used in Michigan, Missouri, Kansas, and Iowa for workforce retraining programs. Instead of funding new construction by issuing bonds, as with a TIF, Illinois would fund human capital investments by funding MAP grants with revenue bonds.

The program could be restricted to funding community college MAP grants. Community college students' needs differ from those who attend four-year schools. Many community college students are working independent students who cannot decide in February to attend school the following September. These students apply later out of necessity and need a later application deadline. The average size of the award for these students is only 40 percent of the average award for a four-year student, so fewer dollars are needed to serve the same number of students. Most community college students return to the workforce within a few years and their higher earnings should lead to enhanced tax revenues that would pay off the bonds quickly.

The process is straightforward. A revenue bond or bonds would be issued to fund MAP grants for all eligible community college students in a given academic year. The bonds would be paid down with a specific legislative diversion of state income taxes paid by those specific MAP recipients until those bonds were paid off. For example, students attending community colleges and receiving bond-funded MAP grants in FY2011 would have their future tax revenues dedicated to paying off that bond until it is retired. While this program would obligate future tax receipts, it has advantages. The single biggest failure of state and municipal funding strategies for many projects is the nature of linking pro-cyclical needs with pro-cyclical revenue sources. The demand for social services and programs such as MAP increases substantially during precisely the times when the state ability to fund them is at its lowest. During recession, tax receipts are down yet the demand for services rises, creating even greater hardship. With MAP funding, the demand for services had increased dramatically over the past decade, leaving us with a minimum \$200 million gap in funding; falling tax receipts from the recession quickly added another \$185 million to the problem this year.

Creating an ongoing bonding structure would allow the state to increase human capital investment when the demand is greatest and then pay the bonds faster (with increased tax revenue) when the business cycle is stronger. Investment bankers have indicated that this type of bond is highly fundable at attractive rates. Separating out community college students by funding source would also allow for program changes to make it work better for community college students.

A big change? Certainly, but maybe we need even more. Maybe we need to be more careful about what MAP funds. For example, some programs serving low income students may have dubious value when it comes to actually improving students' job opportunities. These types of programs appear to be replacing education that used to be obtained either in high school or on the job. Maybe developing apprentice programs in partnership with firms and business associations would be a better way to go.

Maybe we should reconsider how many chances a student gets. From our studies we know that students who flunk out of a public university and then enroll in a community college don't do very well – the likelihood of those students achieving any type of postsecondary credential is very poor. Maybe we should require a stop-out for students who flunk out – and not just continue to pay for poor performance at the next school. Again, these are significant changes I'm talking about, but the data suggest that they may be worth thinking through.

What else can ISAC do? I think we can help with the asymmetric information problem – the schools know everything about prospective students and their parents while those students and parents, especially first generation families, know very little about the schools. Our Web site, including the recently launched What's Next Illinois site, are already used by many prospective students in the state and can be expanded to provide more information about careers and school choices and the financial implications for those choices. The web site is also being used in conjunction with our expanded outreach services funded through the College Access Challenge Grant, which has allowed us to train and place “near peer” mentors throughout in the state.

Improving Illinois college continuation and graduation rates requires coordination and effort from all members of the higher education community. While ISAC is focused on the affordability issues - primarily aid to students - we recognize that these issues are inseparable from a host of other issues – academic, social, and political - that determine whether we will succeed in regaining our stature as a state that cares about higher education and produces enough well-educated individuals to enable us to compete in the challenging century that faces all of us.

Since these challenges are so complex and multi-faceted, it should come as no surprise that along with IBHE and ICCB, we're being asked to dig more deeply into the Public Agenda goal of ensuring affordability for students, families, and taxpayers.

House lawmakers have unanimously approved House Joint Resolution 54, which we understand may be taken up in the Senate during the Veto Session. House Joint Resolution 54 directs IBHE, ISAC, and ICCB to study college affordability and funding, focusing on a review of state financial aid, strategies to get students to their educational goals faster, helping middle-income students, and finding institutional efficiencies.

It's also a chance for us to consider what it is that we want or need legislators to know about college costs and affordability. I've already talked a bit here about some of the thoughts and ideas ISAC would like to include in such a conversation, and I'd be happy to hear yours.