

Washington Learns  
Higher Education Advisory Committee  
Seattle, WA  
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## Tuition and Financial Aid Trends in Higher Education

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PENNSTATE



COLLEGE *of* EDUCATION

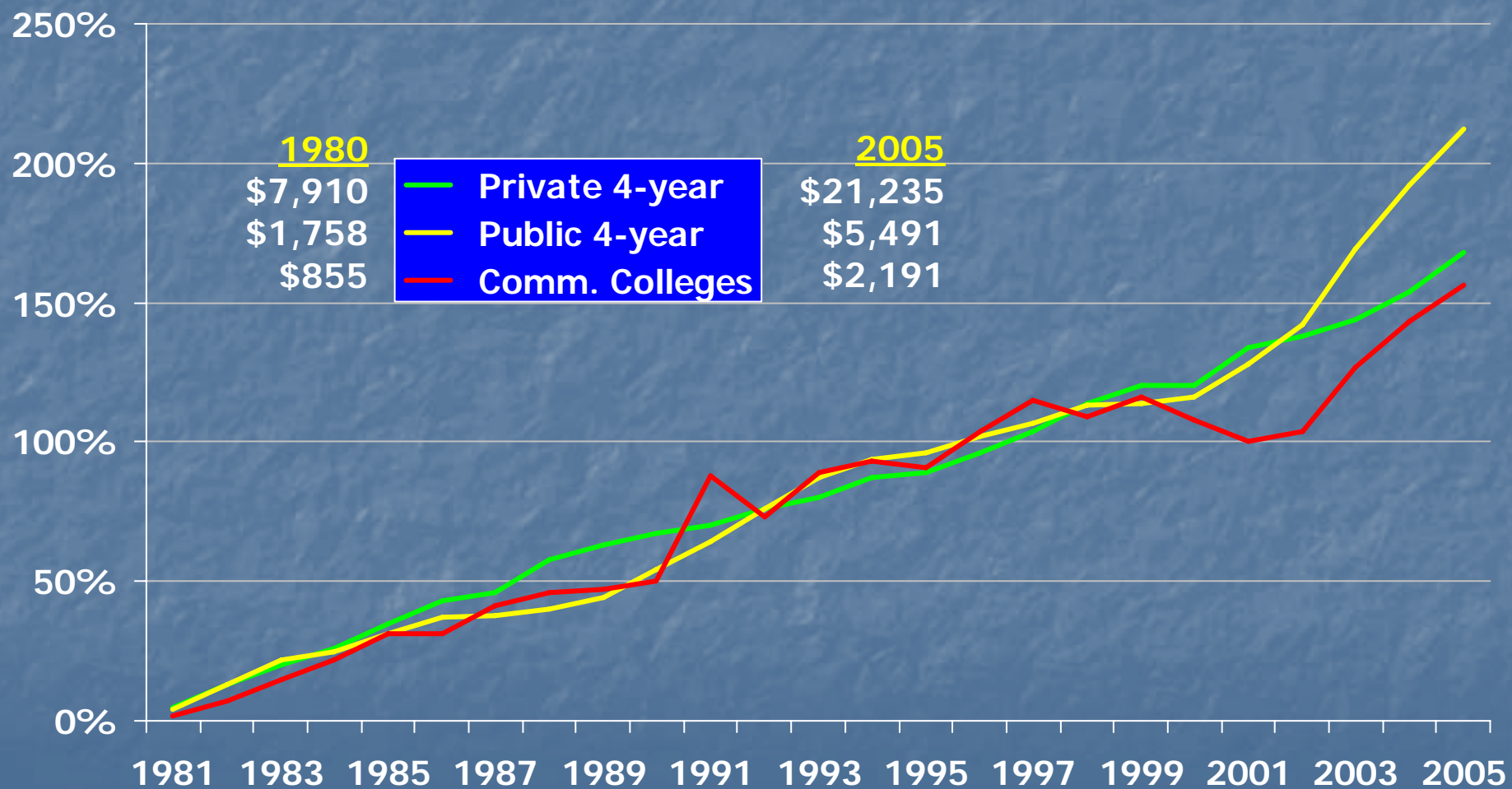
CENTER FOR THE STUDY OF HIGHER EDUCATION

# Overview

- National tuition trends
- National financial aid trends
- Context for Washington
- State student financing policy goals and domains
- Policy initiatives and innovations
- Response, questions, and discussion

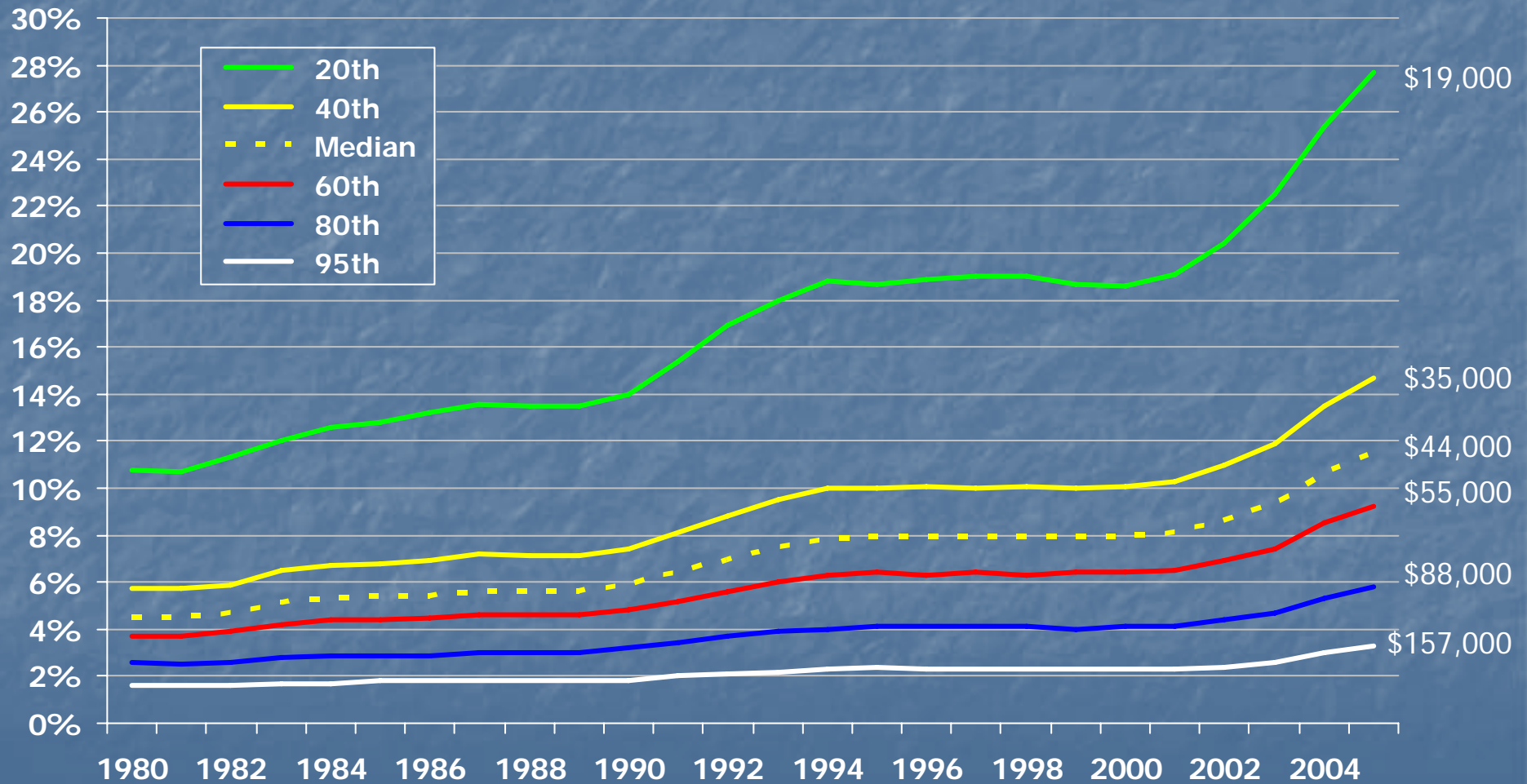
# Changes in tuition prices nationally

Increase in tuition prices since 1980, **constant (2005) dollars**



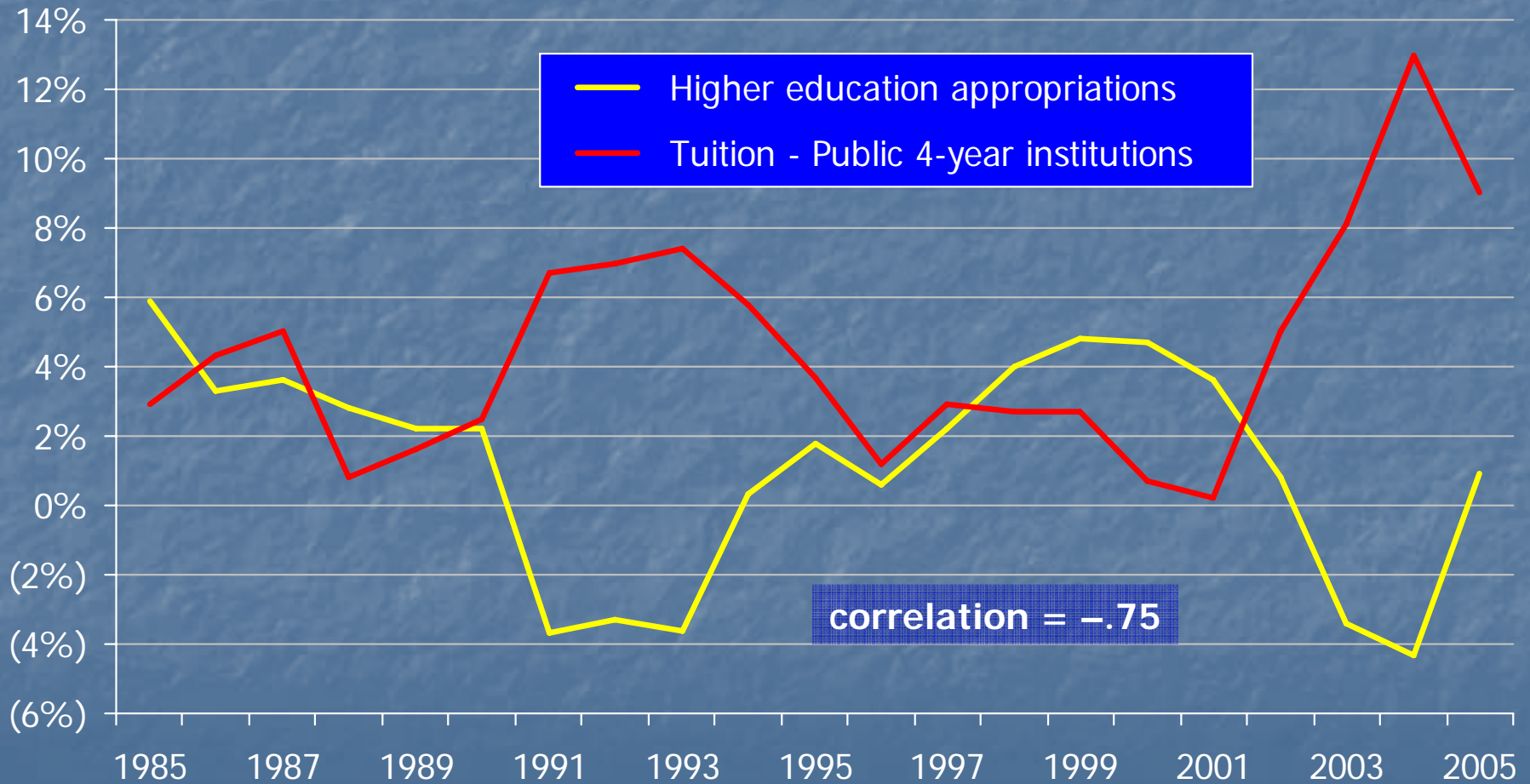
# Tuition and ability to pay

## National public 4-year tuition as % of household income percentiles



# The relationship between appropriations and tuition

## Annual change nationally



# NCES, *Study of College Costs and Prices*

NATIONAL CENTER FOR EDUCATION STATISTICS

Statistical Analysis Report

December 2001

Postsecondary Education Descriptive Analysis Reports

**Study of College Costs and Prices,  
1988–89 to 1997–98**

**Volume 1**

Alice F. Cunningham  
Jane V. Wellman  
Melissa E. Chinedinot  
Jamie P. Merivotis  
The Institute for Higher Education Policy

C. Dennis Carroll  
National Center for Education Statistics

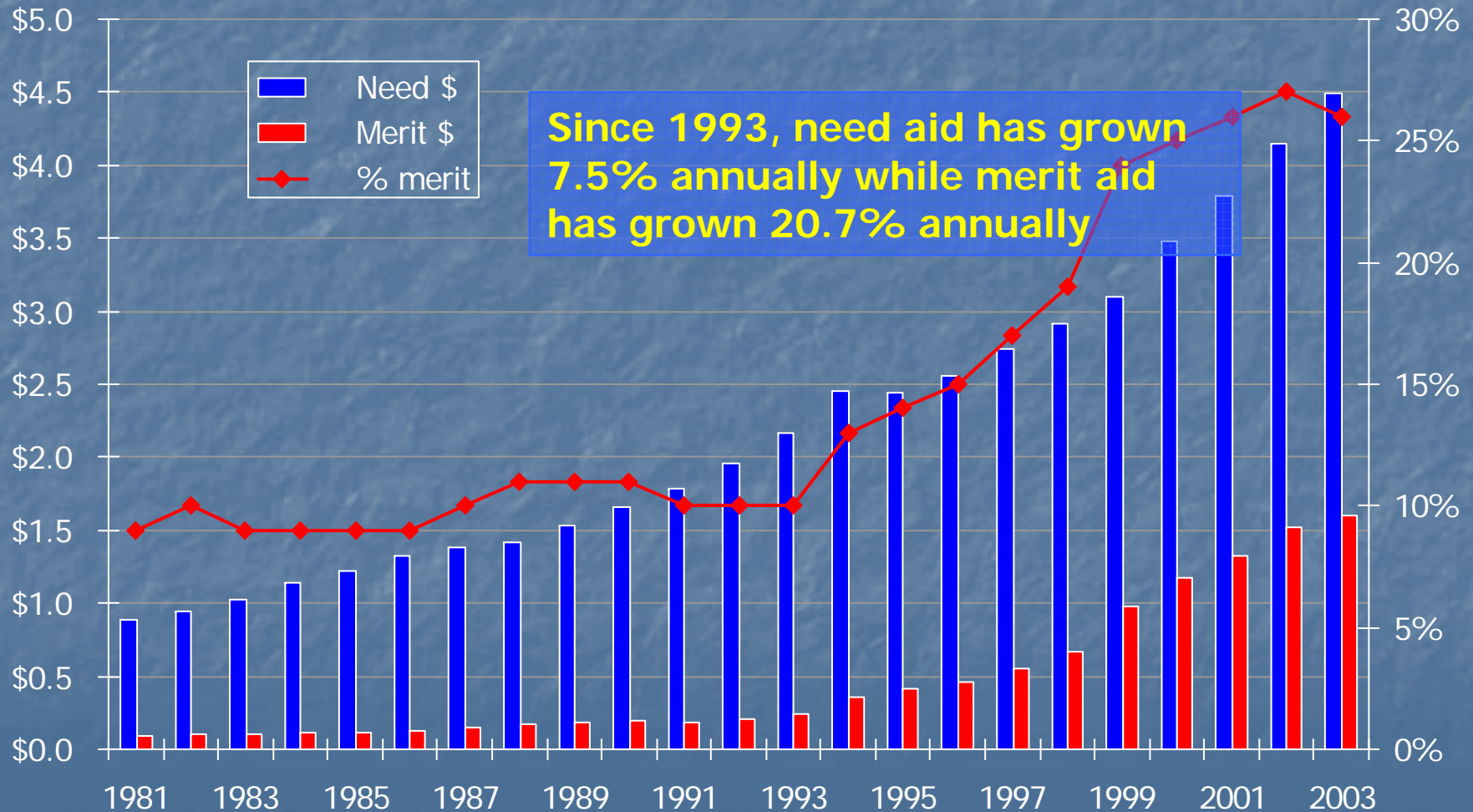
U.S. Department of Education  
Office of Educational Research and Improvement

NCES 2002-157

“For public 4-year institutions, revenue from state appropriations remains the largest source of revenue and is the single most important factor associated with changes in tuition.”

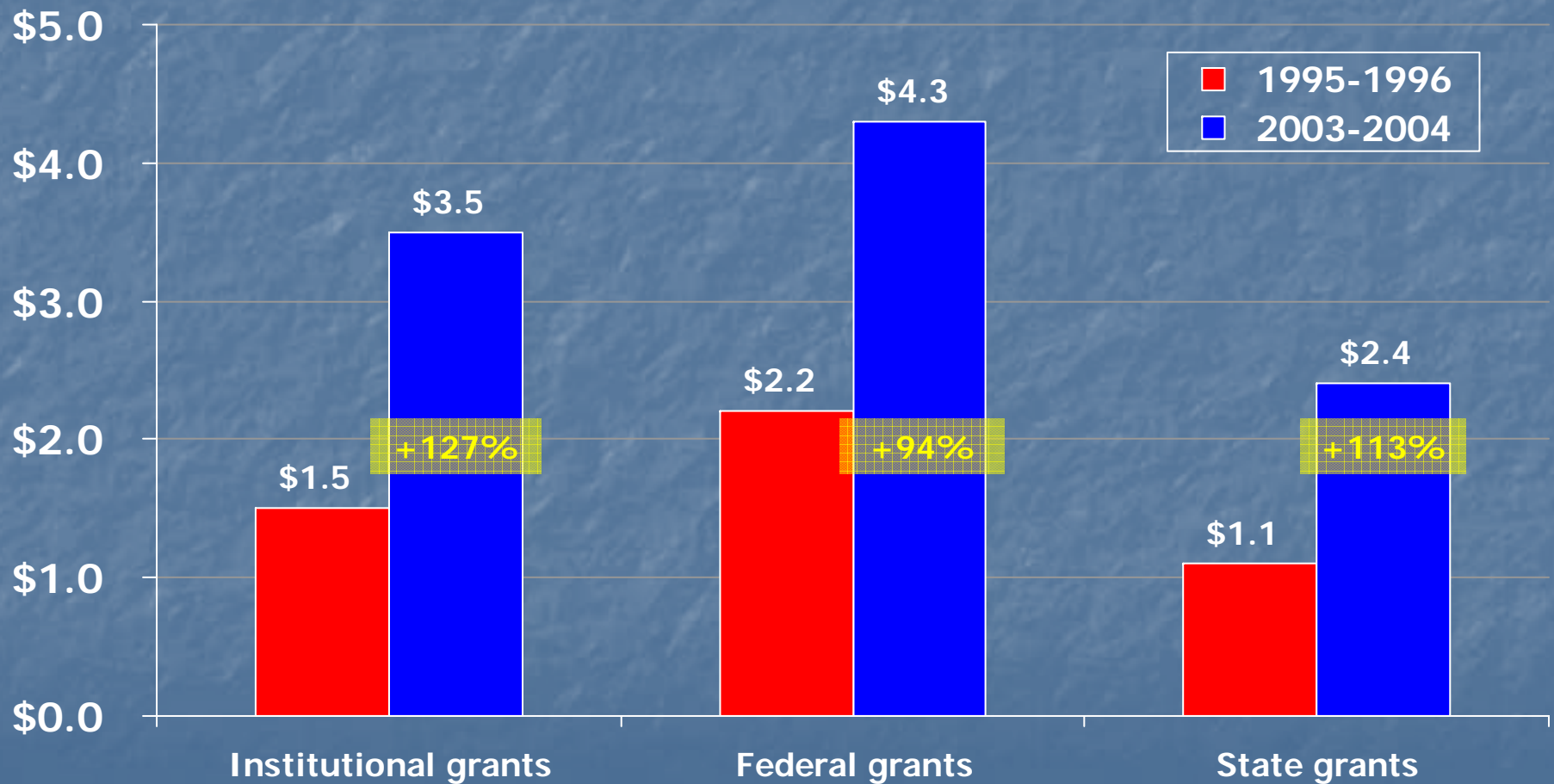
# State spending on undergraduate grants

Billions of dollars



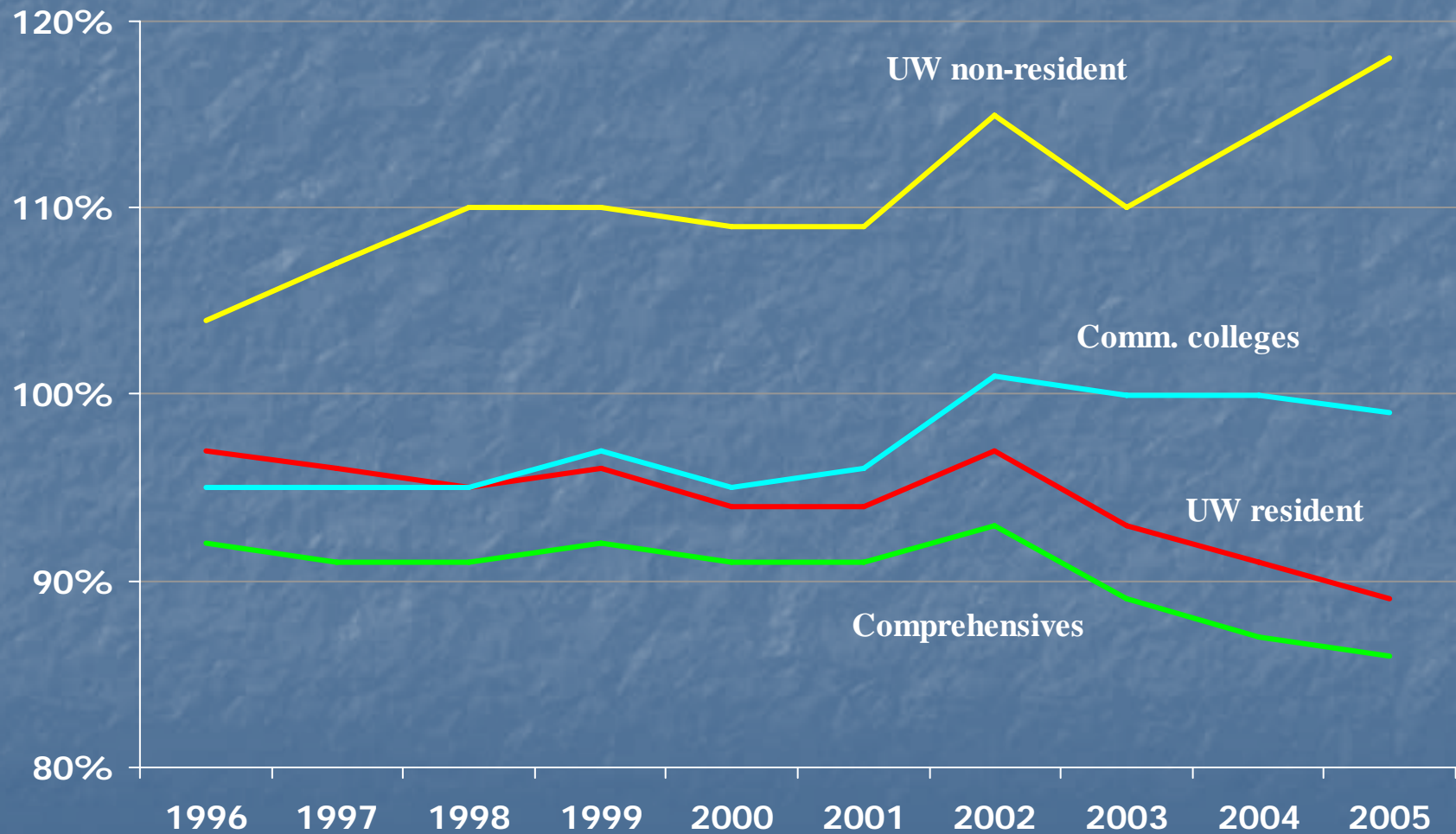
# Growth in grant awards

Public 4-year institutions, billions of dollars



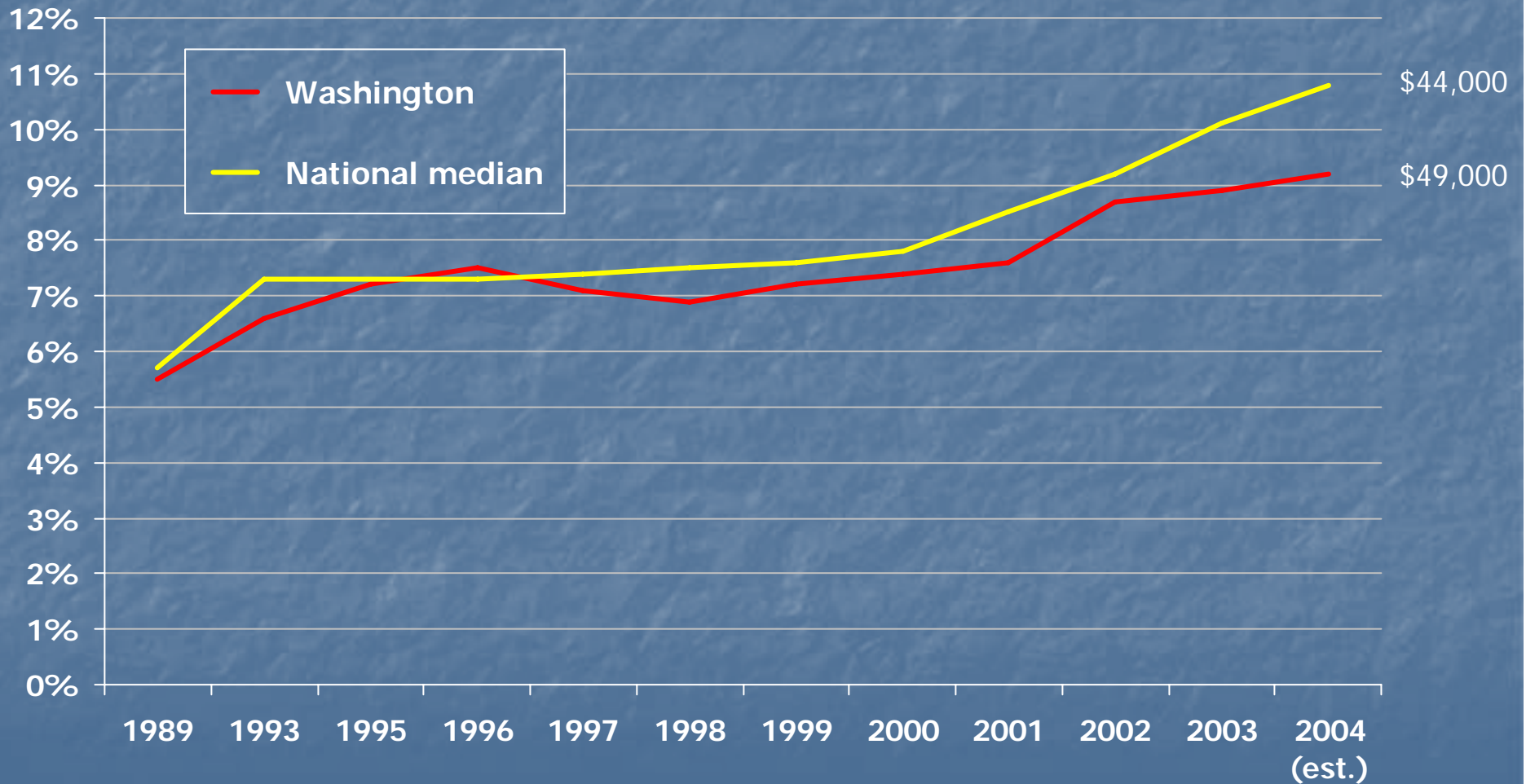
# Washington in a national context

## Washington tuition as percentage of national average



# Tuition and ability to pay

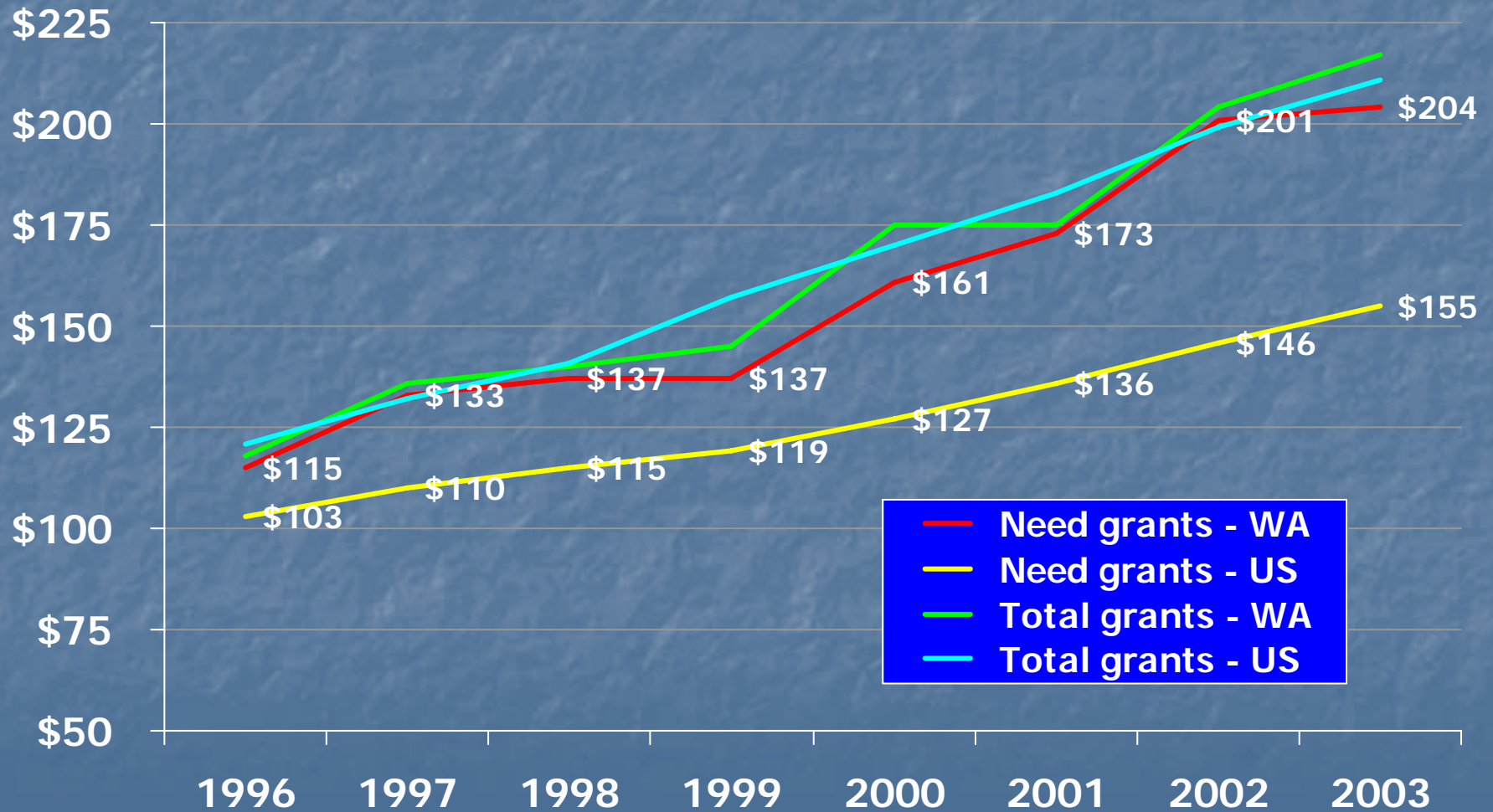
Public (resident) tuition as % of median household income



Tuition is average of flagship and comprehensives

# Washington in a national context

## State grant spending per 18-24 year old



## Goals of student financing policy

- College access
- College choice
- Affordability
- State economic needs
- Influence student academic behavior
- Influence institutional behavior

# State student financing policy domains

- Tuition rates
- Grant aid
- Loans
- Appropriations
- College savings and other incentives

# Student financing policy initiatives

## Goals

| Policy Domains | Access                       | Choice                | Affordability                                     | State economic needs                    | Student academic behavior          | Institutional behavior               |  |
|----------------|------------------------------|-----------------------|---|---|------------------------------------|--------------------------------------|--|
|                | Tuition rates                | Low tuition           | Differential rates by inst.                       | Low tuition; guaranteed tuition rates   | High tuition; non-resident tuition | Differential rates by program, level |  |
|                | Grant aid                    | Need grants           | Need and merit grants                             | Merit grants                            | Merit grants (brain drain)         | Merit grants                         |  |
|                | Loans                        |                       | Student loans                                     | Student loans                           | Loan forgiveness                   | Loan forgiveness                     |  |
|                | Appropriations               | Subsidize low tuition | Differential approp. per sector; student vouchers | Subsidize low tuition                   | Targeted appropriations            |                                      | Performance funding; graduation rate bonuses; charters |
|                | Savings and other incentives |                       |   | Prepaid tuition, 529 plans; tax credits |                                    |                                      |  |

## Low tuition

- More relative than absolute today
- Provides a universal subsidy
- Avoids the “sticker shock” problem; transparent net price
- Reduces complexity of financial aid
- Examples: Western states (AK, WY, NV, HI)

## Other tuition policies

- Guaranteed (locked) rates (IL)
- Differentials by sector (CO)
- Increase non-resident tuition (CO)
- Differentials within institutions
  - Program and level: more closely align prices with costs (U. Mich)
  - Flat fee vs. credit hour
  - Increases past baccalaureate requirements
  - Time-of-day (OR)

# Grant aid

- Need-based grants
  - increase access
  - provide some choice
- Merit grants
  - choice
  - affordability
  - brain drain
  - academic behavior incentives
- Institutional aid now important

# Loans

- Student loans
  - Choice
  - Affordability
- Loan forgiveness
  - Highly targeted to economic needs
  - Can impact students' programmatic choices

# Appropriations

- Subsidize low tuition
- Differentials per sector
- Targeted appropriations
- Student vouchers (CO)
- Performance funding and budgeting
- Graduation rate bonuses (PA)
- Charter institutions (VA)

## Savings and other incentives

- Prepaid tuition
- Tax-favored savings plans
- Tax credits and deductions

## Future trends

- Continued constraints on state resources for higher education
- Continued growth of high school graduates
  - Including Washington, with the largest growth in the Latino graduation
  - Will strain federal grant resources
- Increased calls for accountability from DC (Spellings Commission)?