



Benchmarking the Real Price of College

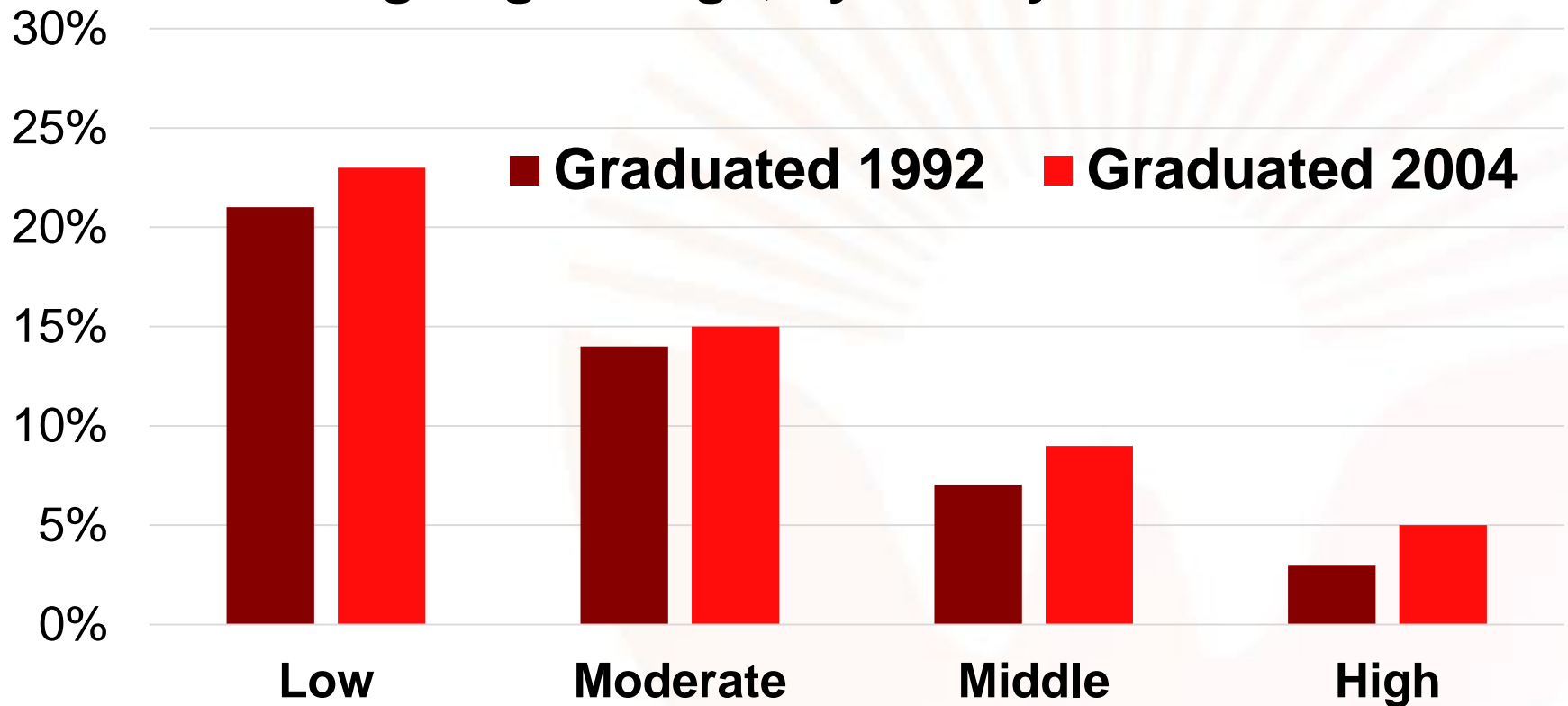
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National Higher Education Benchmarking Institute

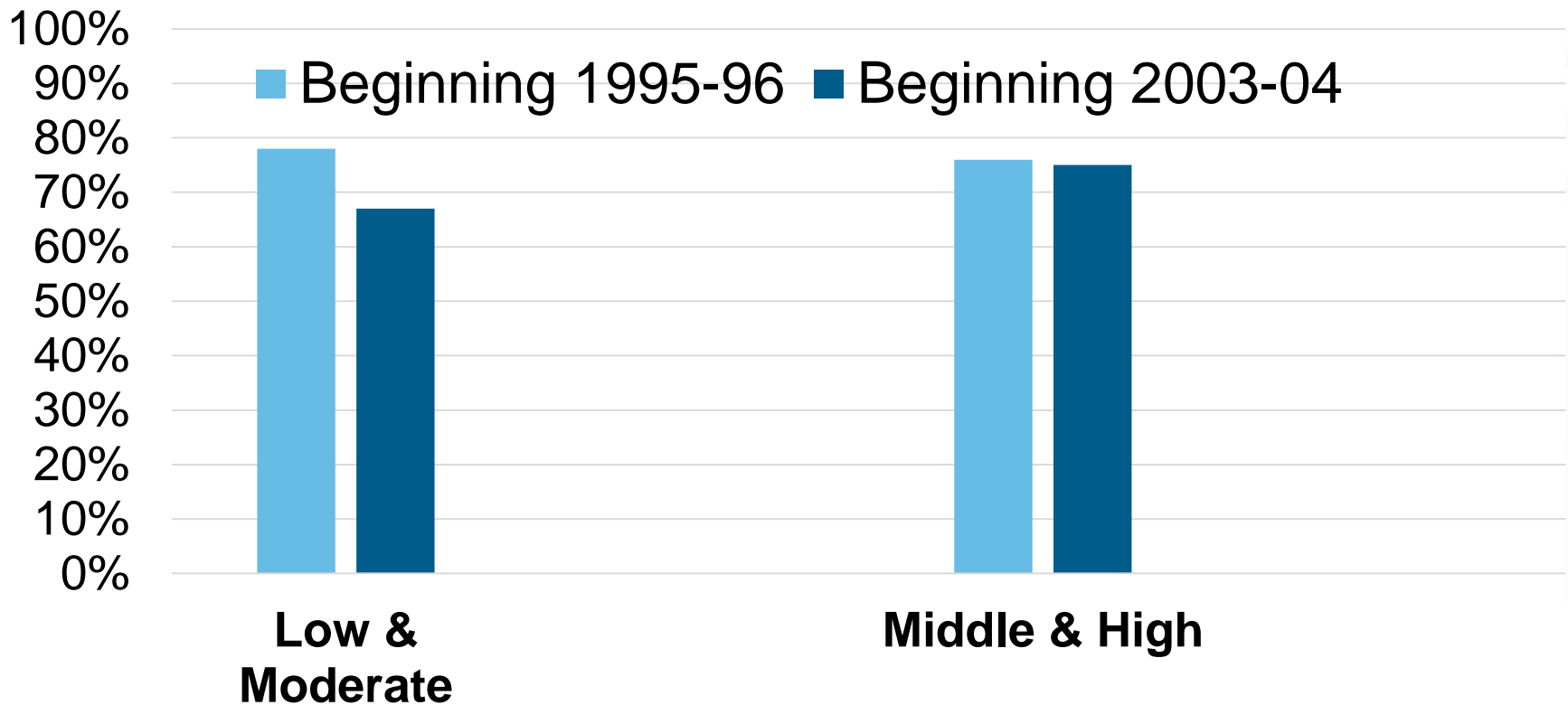
May 4, 2016

- Strong, widespread interest in college
- Same ol' system of higher education financing
 - Broad frustration, sense of blocked opportunities
 - Families struggling to make ends meet
 - Legislators concerned about high prices
- **Price is a key factor in access, quality, and completion**

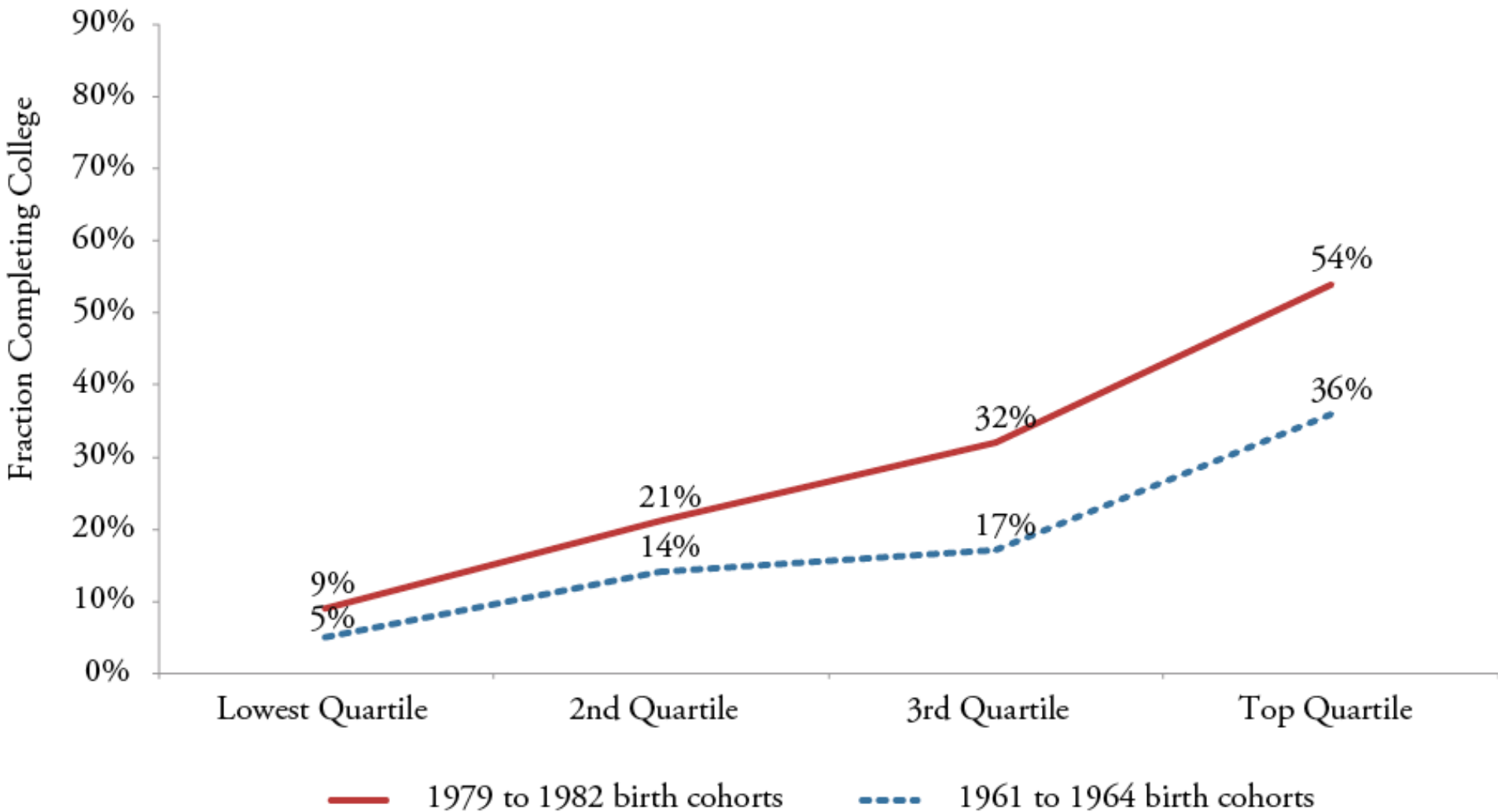
% of Academically-Prepared High School Students Forgoing College, by Family Income



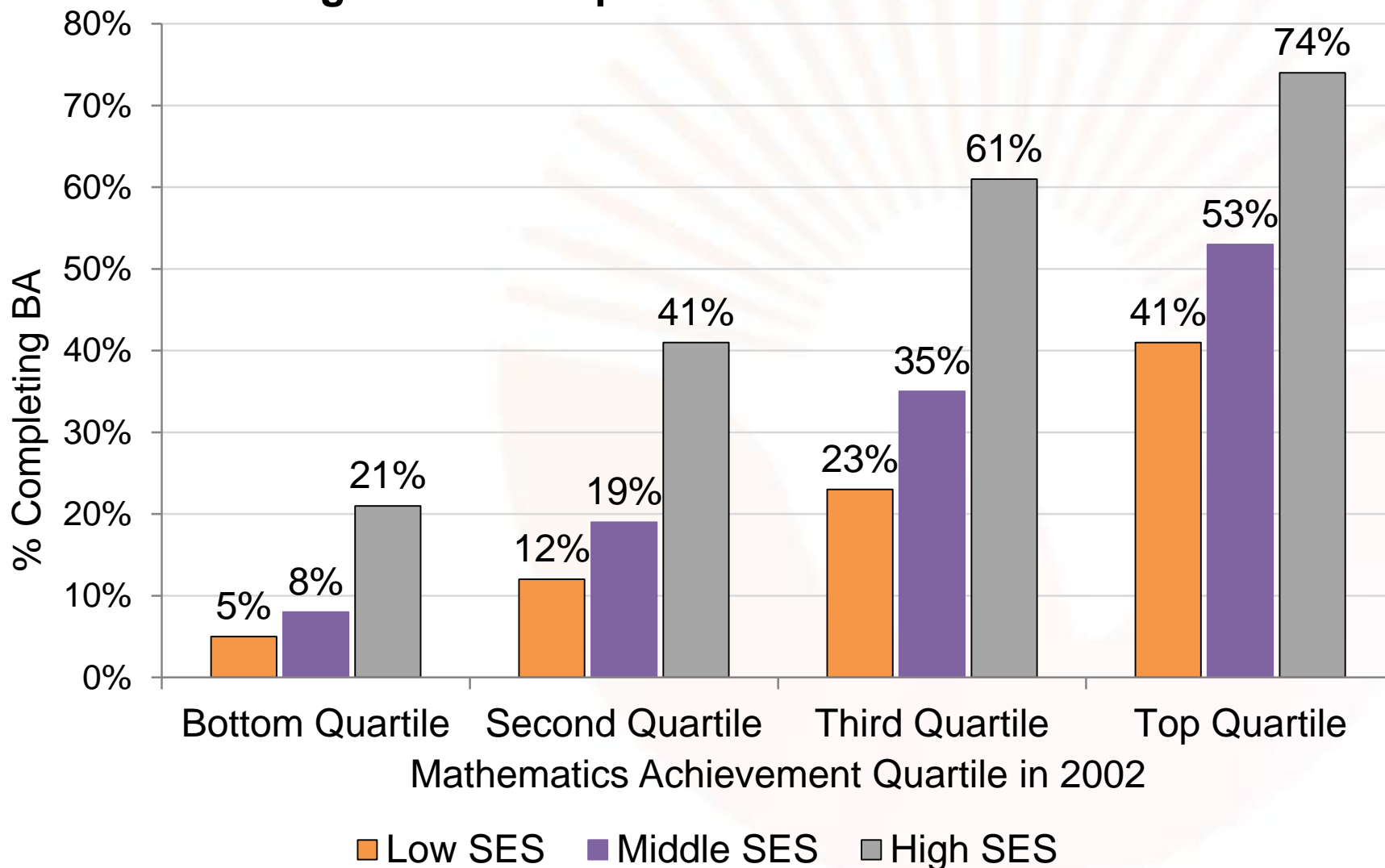
% of Academically-Prepared CC Entrants Completing Degree or Enrolled in 5 Years, By Family Income



Fraction of Birth Cohort Completing College, by Family Income



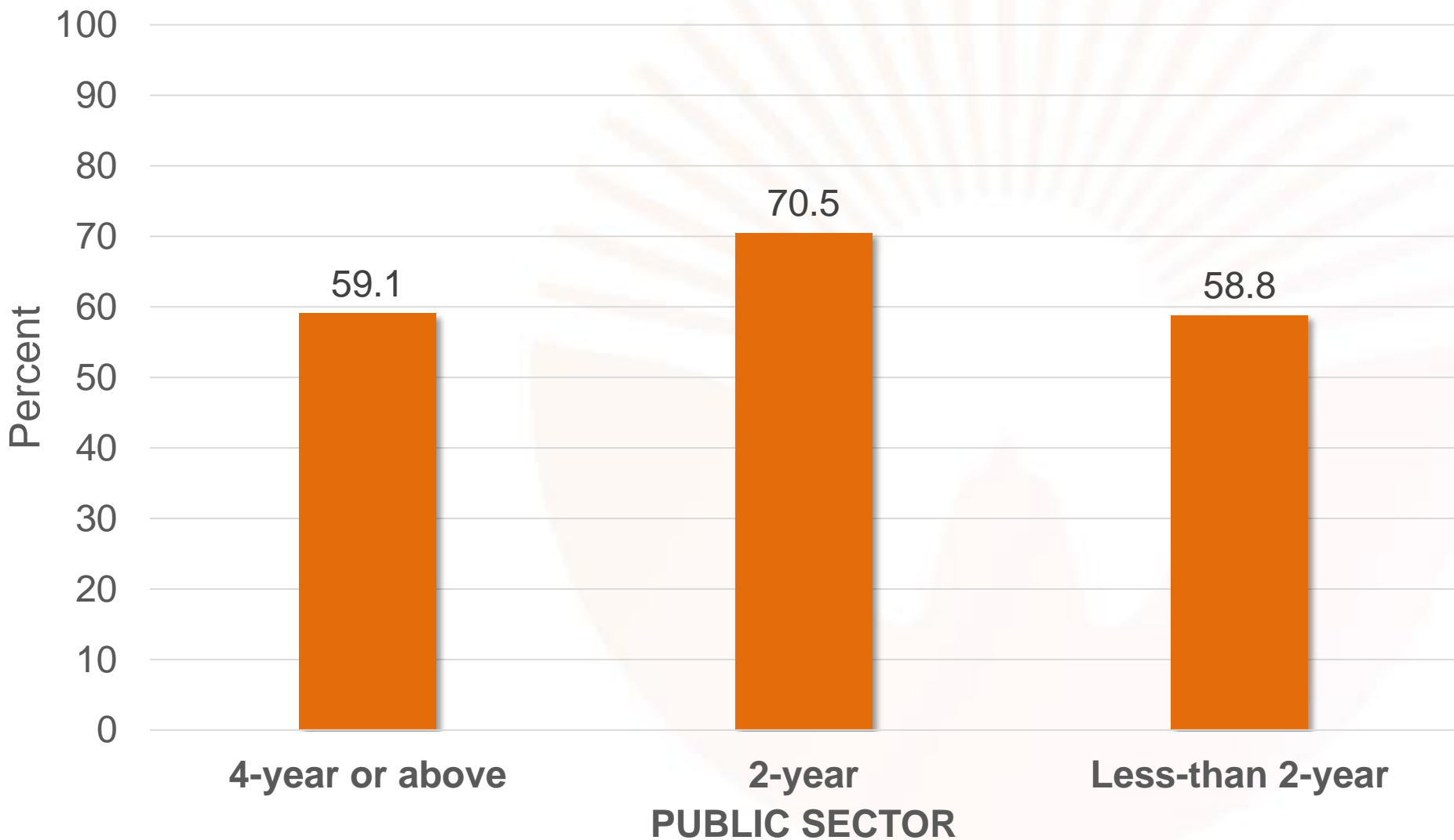
Bachelor's Degree Attainment High School Sophomores' Math Test Scores



Cost of Attendance=

- Tuition
- Fees
- Housing and Food
- Books and supplies
- Transportation
- Medical expenses
- Personal expenses (e.g. clothing)

Non-Tuition Costs as Share of Cost of Attendance



- **Sticker price** is what is advertised
- **Net price** is what remains after grant aid
- Both can affect students' decisions
- **Experts** think about net price relative to *future earnings* (investment)
- **Students** think of net price relative to *current income* (ability to pay)

The investment perspective falls short:

- The returns to college are too uneven and increasingly uncertain
- Students make decisions with other people and *their* financial constraints
- Scarcity breeds fear, stress
- Some cultures emphasize present over future

Annual Cost of Attending Community College Minus All Grants, By Family Income (Dependents)

Family Income	Community College	
	Net Price/Year	% of Income
Low (\$21,000)	\$8,300	40%
Moderate (\$52,000)	\$11,300	22%
Middle (\$81,000)	\$13,300	16%
High (\$142,000)	\$14,000	10%

Annual Cost of Attending Community College Minus All Grants, By Family Income (Independents)

Family Income	Community College	
	Net Price/Year	% of Income
Low (\$2,039)	\$11,400	559%
Moderate (\$13,586)	\$12,100	89%
Middle (\$29,311)	\$12,400	42%
High (\$73,120)	\$14,100	19%

Strategies

- Loans
 - Prices often exceed federal loan limits
- Work
 - Less stable and less lucrative than it once was
- Savings
 - Wealth was decimated during the Recession

Two common approaches:

1. Fraction of students receiving financial aid
 - Percent Pell
 - Percent receiving loans
 - Average debt

2. Net price
 - COA minus grants

Wisconsin has two types of public two-year colleges:

- UW Colleges (branch campuses)
- Wisconsin Technical Colleges

	UW Colleges	WTCS
% Pell	24%	23%
Net Price	\$6,744	\$6,987

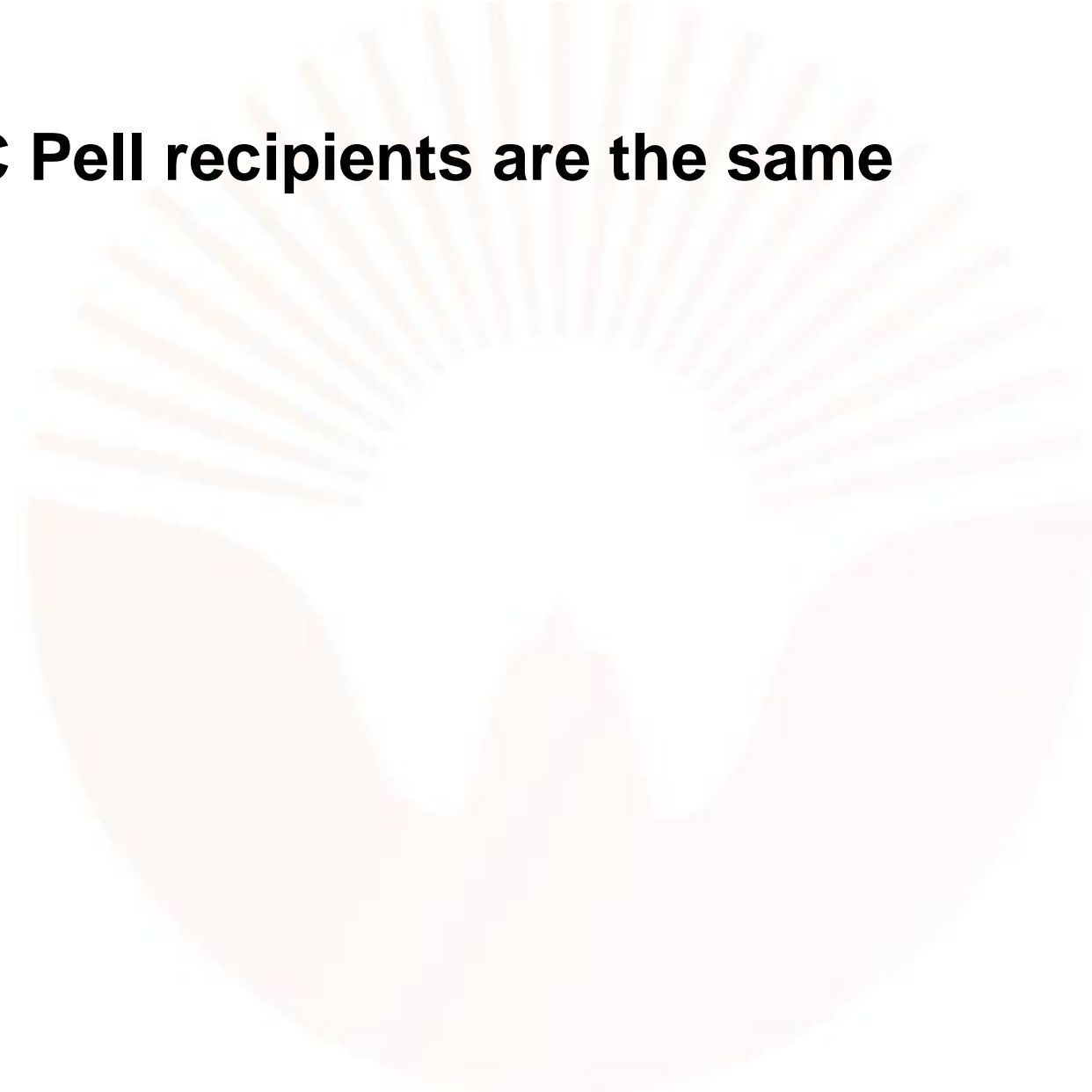
1. Heterogeneity among Pell recipients

Pell depends on “Expected Family Contribution”

	UW Colleges	WTCS
% Zero EFC	35	42
Average EFC	\$1,295	\$1,083
Parental AGI	\$28,358	\$24,203

Not all zero EFC Pell recipients are the same

- Auto zero EFC
- Negative EFC



2. Heterogeneity among borrowers

- Some choose to borrow loans
- Some borrow but have no choice
- Some borrow a little and dropout
- Some borrow a lot and graduate

3. COA is inaccurate

- Housing and food (living costs) are a sizable fraction
- They are often over or under-stated

How living costs are determined

- Set in a manner “determined by the institution” (SEC. 472. 20 U.S.C. 1087)
- Sparse guidance in FSA Handbook:
 - periodic surveys of student population,
 - assessing local housing costs or other pertinent data
 - otherwise reasonable methods
- NASFAA Monograph

- Model approach on the MIT Living Wage Calculator
 - Using data available when 2013-14 COA numbers were developed
- Room and board: :
 - Housing: HUD median rents by county for efficiency apartment without roommates
 - Food: USDA low-cost food plan
- Values adjusted for regional differences using County Cost of Living Index

- “Other expenses”:
 - Transportation: BLS Consumer Expenditure Survey for individuals under 25
 - Health care: Average premium by state from the Kaiser Family Foundation
 - Miscellaneous: BLS Consumer Expenditure Survey for individuals under 25

- 55% of community colleges offer living cost allowances within \$3,000 of regionalized estimates
- 27% under-estimate living costs by at least \$3,000
- 18% over-estimate living costs by at least \$3,000

4. Financial aid changes year to year

- Grants have requirements
 - FAFSA
 - SAP
- Some grants are frontloaded
- Availability of state and institutional aid varies

5. Material well-being is overlooked

- Low net prices and high percentages of Pell recipients are interpreted as “positives”
- Very little assessment of whether students’ basic needs are met

2015 survey at 10 community colleges across U.S.

- 20% had very low levels of food security
- 13% were homeless
- 39% were housing insecure but not homeless

Improve the benchmarks

- Pell recipients—
 - Percent with negative EFC
 - Percent with zero EFC
 - Percent with positive EFC
- Debt and no degree (not CDR)
- Net Price
 - Improve estimation of living cost allowances
 - Report net price for 1st year and 2nd year students

Improve the benchmarks

- Material hardship
 - 6-item food security scale from USDA
 - Housing insecurity from HHS

Utilize student surveys conducted at start of term

During this academic year... (indicate agreement w scales)

1. I could not afford to eat balanced meals.
2. The food that I bought just did not last, and I did not have money to get more.
3. Have you ever cut the size of your meals or skipped meals because there was not enough money for food?
4. If so, how often have you cut the size of your meals or skipped meals because there was not enough money for food?
5. Have you ever been hungry but did not eat because there was not enough money for food?
6. Have you ever eaten less than you felt you should have because there was not enough money for food?

At any time during this academic year, have you ever...

1. ...been unable to pay your rent or mortgage on time?
2. ...been unable to pay the gas, oil, or electrical bill on time?
3. ...been evicted for failure to pay your rent or mortgage?
4. ...lost your gas, oil, or electricity for failure to pay your bill?

At any time during this academic year, because you did not have enough money, have you ever...

5. ...moved in with other people, even for a little while?
6. ...stayed at a shelter?
7. ...stayed at an abandoned building, in an automobile, or any other place not meant for housing, even for one night?
8. ...not known where you were going to sleep at night, even for one night?

Lower the price

- Identify the resource costs involved in high-quality community college education
 - Not the expenditures– the actual resources
 - “Ingredients method” accounting

	UW Colleges	WTCS
Instructional expenditures/FT E	\$3,893	\$10,624
Graduation rate	18%	36%

Lower the price

- Federal/state/local partnerships to ensure those costs are born by government rather than students
 - Offer a free (to the student) 13th and 14th year of education

www.WIHOPELAB.com

“Hungry to Learn”

- With Katharine Broton and Daniel Eisenberg

“Real Price of College”

- With Nancy Kendall

“The Costs of College Attendance”

- With Braden Hosch and Robert Kelchen

“Free Two Year College Option”

- With Nancy Kendall

On Amazon now!

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