

## Committee for Funding and Affordability (CFA)

The Committee for Funding and Affordability will address issues related to state funding policy, tuition policy, student financial aid, and college savings. This includes the three Roadmap actions below.

### Action Items:

- Make college affordable.
- Ensure cost is not a barrier for low income students.
- Help students and families save for postsecondary education.

### Scheduled Meeting Times

**Meeting time: 1:30 – 3:30 PM**

**Thursday, December 10, 2015**

### Stakeholder Members

JoLynn Berge, OSPI  
 Tom Fitzsimmons, ICW  
 Denise Graham, SBCTC  
 Nova Gattman, WTECB

### WSAC Members

**Council:** Marty Brown, Maud Daudon,  
 Paul Francis, Karen Lee  
**Staff:** Marc Webster, Rachelle Sharpe

## AGENDA

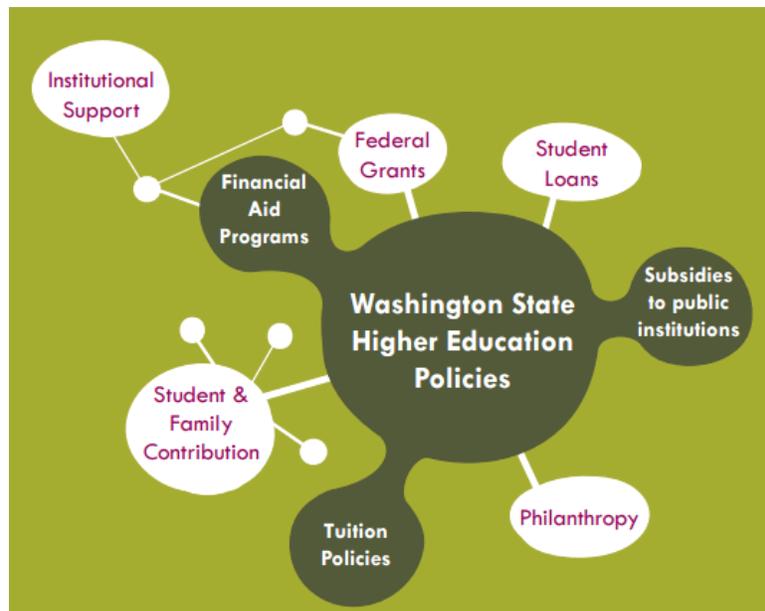
### Continue to develop the Affordability Framework

- Brief review of 11/18 Affordability Symposium (1:30 – 1:50 p.m.)
- Review latest version of Affordability Framework (1:50- 2:10 p.m.)
- Finalize affordability metrics and review recent data (2:10 – 2:50 p.m.) (PPT)
- Discuss thresholds and ranges for student options: student work, student debt, and family savings. (2:50-3:30 p.m.)
  - Summary of known thresholds
  - Review of tools in the model
  - Specific versus spectrum



# AFFORDABILITY FRAMEWORK

*Understanding, measuring and improving  
higher education affordability for Washington students.*



DECEMBER 2015

Rachelle Sharpe, Deputy Director

Marc Webster, Senior Fiscal Policy Advisor

# Contents

- A Common Definition of Affordability ..... 3
- Developing an Affordability Framework ..... 3
- Foundational Principles..... 4
- How Affordable is Higher Education in Washington? ..... 5
  - Vision..... 5
  - Costs ..... 5
    - Public Tuition and Fees ..... 5
    - State Share of Total Cost (public institutions) ..... 6
    - Cost of Attendance..... 6
  - Financial Aid ..... 7
  - Student and Family Options ..... 9
  - Other Student Support Policies ..... 9
- What’s next – Setting Affordability Indices..... 9
- Contact the Authors ..... 12
- Appendix A – Affordability Interactive Model..... 13
- Appendix B – Data Tables ..... 14
- Appendix C – Resource List..... 19

## A COMMON DEFINITION OF AFFORDABILITY

Higher education affordability often appears in the media and is frequently a topic of concern for the public, policymakers, school counselors, and higher education administrators. At its core, the term reflects whether students and their families have the financial means to cover the costs associated with attending higher education. There are many factors that influence affordability. Many issues complicate our ability to understand affordability: values about the benefit of higher education, the complexities of how to measure affordability, the role of various partners, and perceptions about underlying factors affecting costs.

The Council approached evaluating affordability from the perspective of students and families in a 2013 briefing paper. The topic had emerged as a critical challenge to increase educational attainment.<sup>i</sup> The briefing paper identified trends related to the state and student share of costs, the ability of families to cover total costs, as well as increases in student debt and demand for financial aid. In this context, the roles of institutional aid, philanthropy, and savings were also explored.

## DEVELOPING AN AFFORDABILITY FRAMEWORK

The Council submitted a review of the State Need Grant program which included recommendations from a national consultant to develop an Affordability Framework.<sup>ii</sup>

*In order to make sure that policies are effective and focused, and that the state's multiple investments in higher education are well-coordinated and understood by stakeholders. . . [Washington should] consider development of a framework that brings together all the elements of the state's approach to affordability (Johnson, 2014).*

This Framework is designed to improve our understanding of affordability for all students in Washington. It illustrates how variations in postsecondary pricing and support (federal, state, institutional, private and familial) affect affordability from the perspective of students and families. The Framework is a tool to define and measure affordability in order to coordinate state appropriations with other sources, understand the impact of policy decisions on students, and evaluate new proposals. As fluctuations occur in the state budget, economic cycles, and federal policies, the Framework will provide a yardstick to measure whether various educational pathways are more or less affordable for students.

To further the understanding of affordability, the Council collaborated with Dr. Jim Fridley to develop an interactive model that explores the way various financing components interact for students across the income scale and by sector (see Appendix

A for more detail). The proposed Framework builds on this work, exploring additional metrics to measure affordability, developing foundational principles and defining affordability.

## FOUNDATIONAL PRINCIPLES

The concept of affordability is also affected by perceptions, preferences, and priorities of students and families. While students and families may be concerned about the cost of college, they may not be considering the increase to the student's earning power over time.

*It is possible that education would seem more affordable if people thought about it as a fundamental need and as an investment to be paid for over time, much as they think of housing.<sup>iii</sup>*

The state has asked the Council to propose strategies to increase educational attainment because it recognizes the associated societal benefits. And the individual benefits are clear—students and their families are responsible for sharing in the cost for their education. A central tenet of affordability is that paying for college is a shared investment.

The student is at the center of this Framework. In order for students to understand the true costs of college and the variety of educational pathways available, they need early, high quality information about financing options. How students finance their education differs depending on their family income. In the end, students and families will make choices including whether to save, pay out of current parent income, borrow funds, or work while in school. Research has shown that a reasonable amount of student work, up to 20 hours per week, supports student success.<sup>iv</sup>

Costs vary by campus, and institutions play a critical role by offering grants, tuition discounts, emergency funding, and campus employment. Student support services, including individualized advising and academic interventions, shorten the time to degree completion, which makes college more affordable. Institutions are committed to serving a diverse student body, including serving low-income and first-generation college students.

The state plays a key role in providing affordable access to a variety of high quality educational pathways for students. Appropriations to public institutions and tuition policy will determine the "sticker price" for families, while financial aid policies directly affect the ultimate "net price" paid by students. These policies consider the full cost of attendance including non-tuition expenses such as room and board and books. Tuition

and aid policies that are stable and predictable enhance system coordination and also help students and families plan ahead for how to pay for college.

## HOW AFFORDABLE IS HIGHER EDUCATION IN WASHINGTON?

### Vision

*Every Washington resident who desires and is able to attend postsecondary education should be able to cover educational costs.*

To understand affordability, we must measure it carefully. To know whether higher education is affordable for all students, we must evaluate how much it costs, the level of resources provided to offset those costs, and the remaining options for students and families to “make ends meet”.

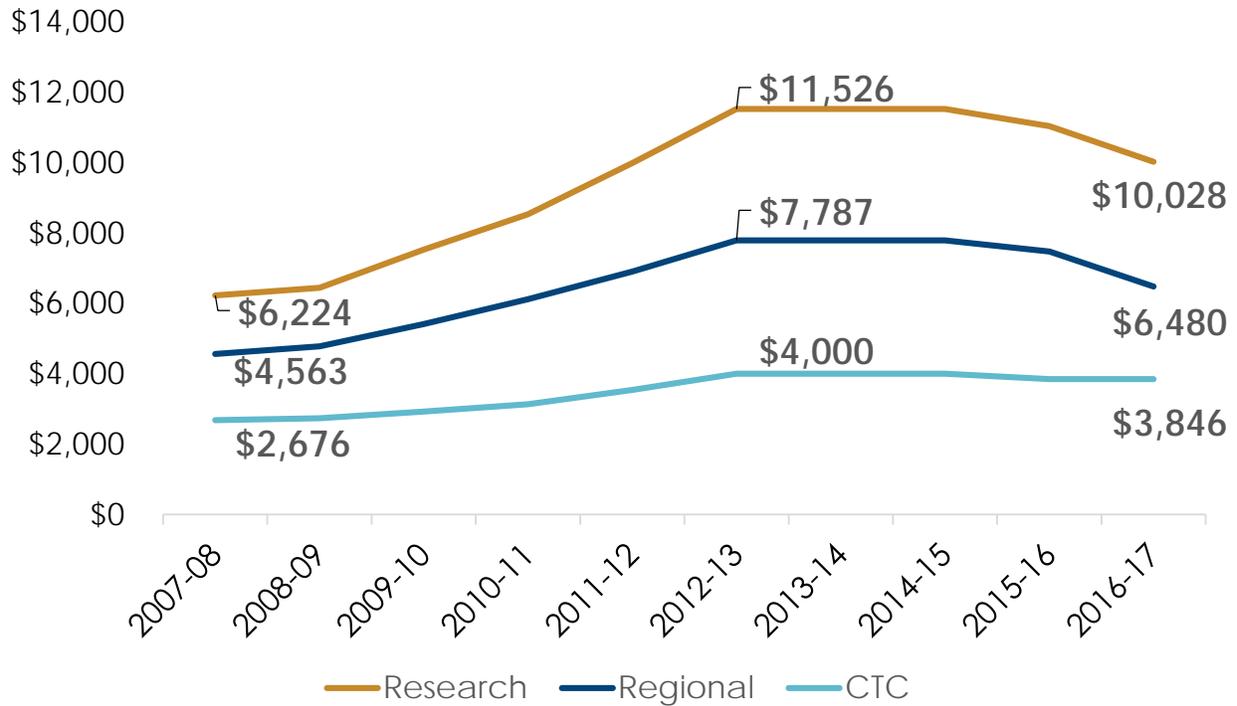
### Costs

#### *Public Tuition and Fees*

During the 2015 Legislative Session, Washington took an unprecedented step to reduce tuition by up to 20 percent for the 2016-17 academic year. Following the increases in tuition during the great recession, this reverted tuition rates to the levels of 2012, as shown in Figure 1.

Since Fiscal Year (FY) 2008, tuition has increased 61 percent at research institutions. The policy established during the 2015 Legislative Session ties tuition increases to increases in the state’s median wage. Under this policy, the proposed tuition for FY 2017 at research institutions would be nearly 23 percent of the median wage.

Figure 1  
Resident Undergraduate Tuition Rates



*State Share of Total Cost (public institutions)*

In 2015, state subsidies to public institutions replaced lost tuition revenue. This allowed institutions to maintain the level and quality of campus services. Yet, the state share of the total revenue, often referred to as the “cost of instruction”, had been 81 percent for the public baccalaureates in FY 1990 and fell to 43 percent in FY 2017. In the community and technical colleges, the state share had been 87 percent in FY 1990 and fell to 64 percent in FY 2017.

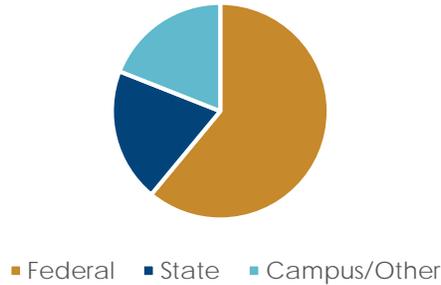
*Cost of Attendance*

Financial aid programs include provisions for costs of tuition, books and supplies, room and board, transportation, and personal expenses. These are collectively referred to as the cost of attendance, and financial aid administrators consider these costs when determining the level of eligibility. Students who live with family have different budgets than those who commute to campus or live in residential housing. An average budget for non-tuition expenses for a “commuter” student in FY 2017 is \$11,800.<sup>v</sup>

## Financial Aid

In 2013-14, over \$1.8 billion was provided in total aid to students.

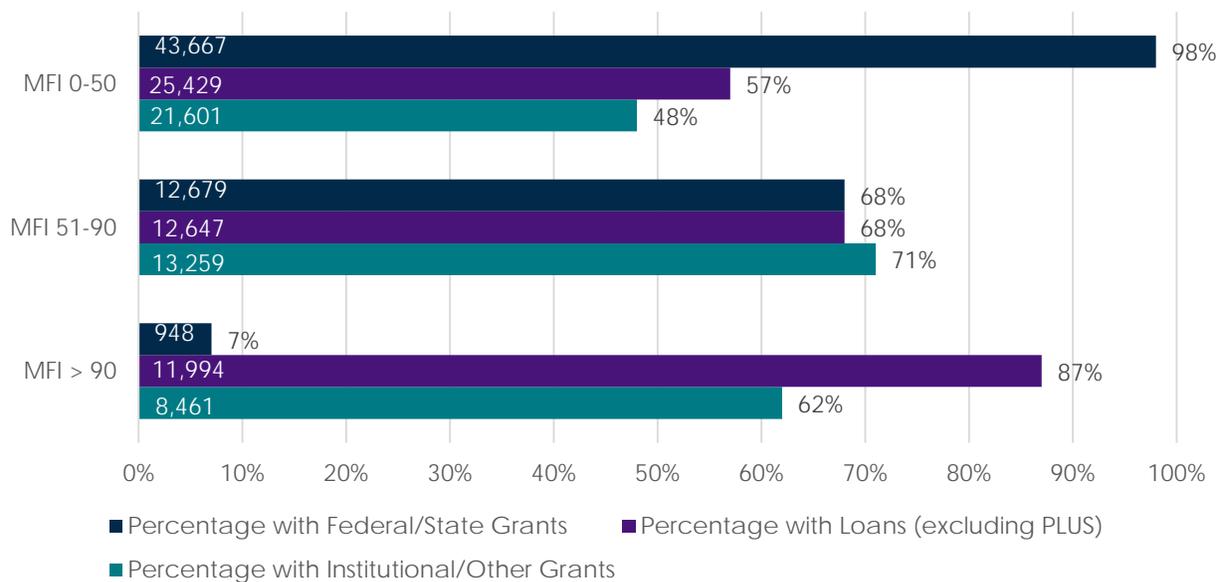
Figure 2  
Total Aid by Type, 2013-14



Source: Unit Record Report, 2014. Resident, undergraduate need-based recipients.

The majority of aid to undergraduate students was in the form of grants made by federal and state government, postsecondary institutions, and private sources. While low-income students have access to most federal and state grant aid, institutional aid is often targeted to those students from lower middle-income families without access to those sources.

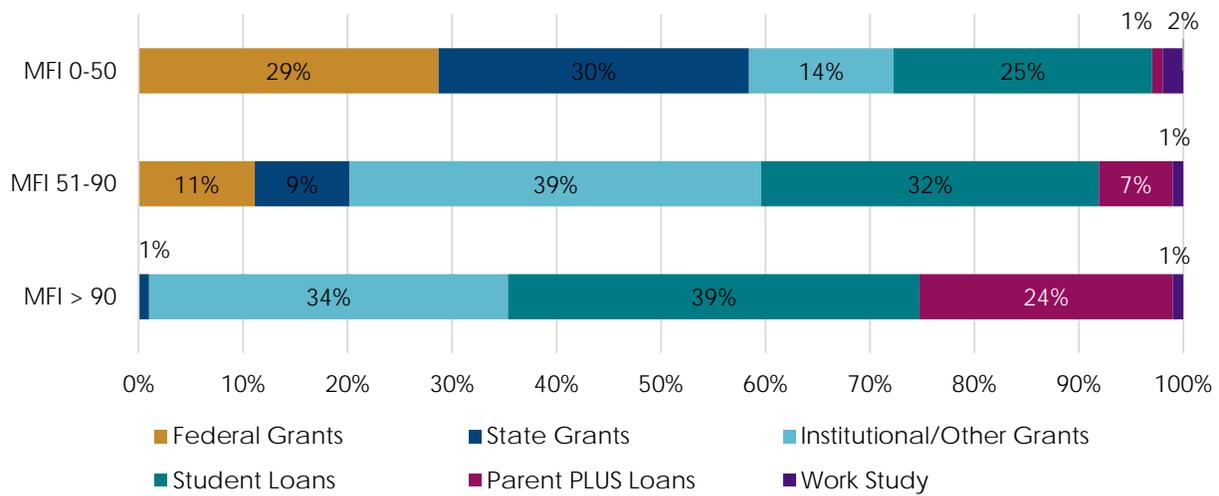
Figure 3  
Percentage of Students with Financial Aid by MFI  
2013-2014



Source: Unit Record Financial Aid Report, 2013-14. Full-time, full-year, resident undergraduate need-based recipients.

Sixty-two percent of mid to upper income students received institutional aid in 2013-14. For these students, institutional aid accounted for one-third of the total aid they received, as shown in Figure 4. There is variability by sector and by type of student, as shown in additional data tables in Appendix B.

**Figure 4**  
Portion of Financial Aid by MFI 2013-2014



Source: Unit Record Financial Aid Report, 2013-14. Full-time, full-year, resident undergraduate need-based recipients.

Even for students who receive grants or scholarships, there is often a gap remaining to cover their full costs, as shown in Figure 5.

**Figure 5**  
Net Price (Cost of Attendance – Grant/Scholarship Aid for recipients)

Research	\$11,100
Regional	\$10,400
Private 4	\$15,800
Community and Technical Colleges	\$8,100

## Student and Family Options

Affordability affects whether students can pursue postsecondary education and where they will choose to attend. When considering their options, students and families must make decisions about whether to take on loans, get a job, or attend college part-time.

### *Student Borrowing*

As noted in Figures 3 and 4, borrowing differs by income level. Students are borrowing across the income scale. About half of low-income students are borrowing, and loans comprise one-quarter of their total aid. Upper income students, who do not qualify for need-based aid, may rely entirely on loans if they do not receive scholarships, institutional aid, or support from their families. For a more detailed discussion about student debt, see Appendix D.

### *Student Work*

Many students work to help pay expenses. Statewide data on student work are not readily available, but 64 percent of respondents to a recent survey of 7,000 students said they are working. Half of these students reported working more than 20 hours per week.<sup>vi</sup>

### *Family Savings*

For families, a dedicated savings account can help defray expense later. Yet, setting money aside for college can be difficult. For aid recipients, the median level of assets (excluding retirement or home value) is \$600 for the lowest income group, \$2,000 for the middle income group and \$8,500 for the upper income group. Families with college savings plans had median incomes of about \$142,000 per year.<sup>vii</sup>

## Other Student Support Policies

The preceding data show the complexities of covering the annual costs of pursuing higher education. Yet, whether a student completes their educational goal and how long it takes also affect affordability. Students are in a better position to repay educational loans with higher levels of attainment. There are a variety of other policies, programs and services that improve students' overall success and timely progress toward a credential. Examples include individualized support services, retention intervention services, dual-credit programs, and incentives to enroll full-time.

## WHAT'S NEXT — SETTING AFFORDABILITY INDICES

Setting maximum thresholds for family contributions through savings, contributions from income, work and debt can help determine whether current and future proposals are

affecting affordability for students. These thresholds can be used as a yardstick to measure how policies impact affordability.

Several organizations have developed thresholds to measure affordability (see resources in Appendix C for additional literature regarding affordability).

- For a proposed federal/state partnership, the State Higher Education Executive Officers Association (SHEEO) proposes using percentage of tuition covered by aid for two income bands for both two and four-year sectors.<sup>viii</sup>
- Lumina has developed new student finance models to inform policymakers and higher education leaders. Their proposed benchmark includes 1) students should not have to pay more than the amount their family can save in ten years; 2) students and families can reasonably afford to contribute ten percent of discretionary income for a period of time; and 3) students can reasonably work an average of ten hours per week while in school.
- During higher education stakeholder meetings throughout the 2015 Legislative Session, affordability was discussed and one suggestion was to use “5-10-15” as a benchmark. This translates to students at two-year colleges taking out no more than \$5,000 in student loans, students at four-year colleges taking out no more than \$10,000 in student loans, and students working no more than 15 hours per week.
- In addition, metrics are used to set tuition caps. The College Affordability Program (SB 5954) limits tuition growth to the average increase in the state’s median wage.

The next step with the Affordability Framework is to collectively set thresholds that could be used as affordability indices by sector. Although state-level policy does not affect several components of cost, affordability indices can measure the impact of policies and funding so policymakers can understand the overall effects on affordability. Notably, this evaluation is valuable whether the state is reducing funding for higher education or making new investments in the system. An updated Framework will provide a measuring tool that withstands economic cycles.

The final version of this Framework will propose affordability indices for savings, income, student work, and debt. These indices will measure progress on affordability. The Framework will continue to provide data on college costs, aid (state, federal, institutional and private), and student options. By focusing on how affordability changes over time, we get a sense of the relative importance of state-level policy, how to coordinate with other sources, how actions impact affordability, and how to target our efforts. Analyzing data by student type and sector will help us identify which students are served best in our system and which students still face challenges accessing postsecondary education.

The goal of this work is not to create a new finance system, tuition policy or financial aid paradigm. We know reasonable people may disagree on how to address affordability and on how to apportion responsibility for it between the state and the family. However, coming to a shared understanding of the challenges surrounding affordability will improve the effectiveness of our higher education policies.

## CONTACT THE AUTHORS

For more information about this report, contact:

Rachelle Sharpe, PhD  
WSAC Deputy Director  
[rachelles@wsac.wa.gov](mailto:rachelles@wsac.wa.gov) 360.753.7872

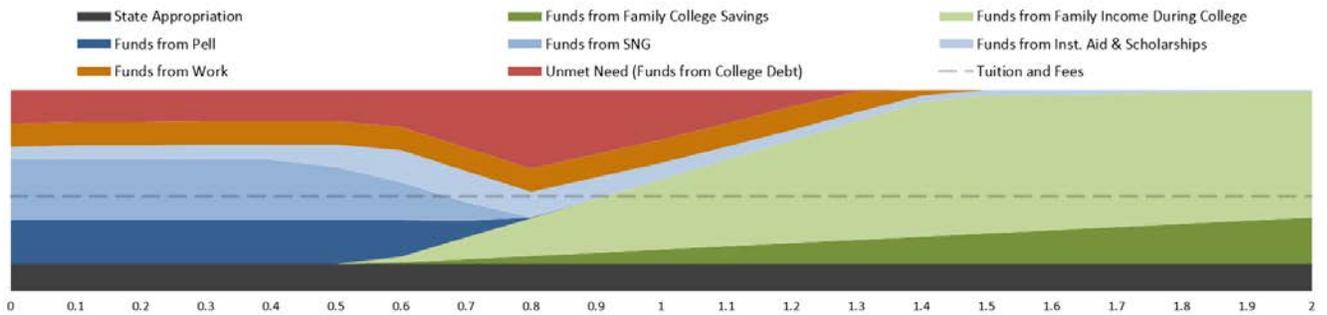
Marc Webster  
WSAC Senior Fiscal Policy Advisor  
[marcw@wsac.wa.gov](mailto:marcw@wsac.wa.gov) 360.753.7862

## APPENDIX A – AFFORDABILITY INTERACTIVE MODEL

The Council collaborated with Dr. Jim Fridley, professor at the University of Washington, to develop an Affordability Interactive Model (AIM) that reflects the various financing components by income level. The model elucidates the interconnectivity between federal and state financial aid policies as well as state higher education funding and tuition decisions. As policymakers explore changes to state higher education funding and financial aid policies, the model demonstrates the impact on students and families.

AIM shows affordability from the perspective of a family’s ability to cover the cost of attendance. The model allows users to manipulate the relative contributions of major student funding components based on state and federal policies. These include:

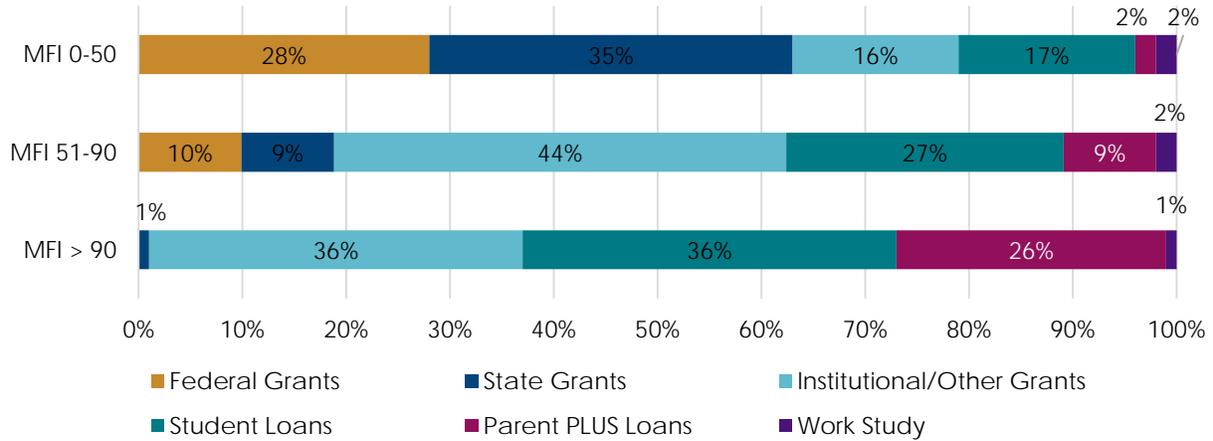
- Savings
- Parent income
- Student income from work
- Pell Grant
- State Need Grant
- Institutional aid and scholarships
- Student loans
- State funding to public institutions
- Tuition levels



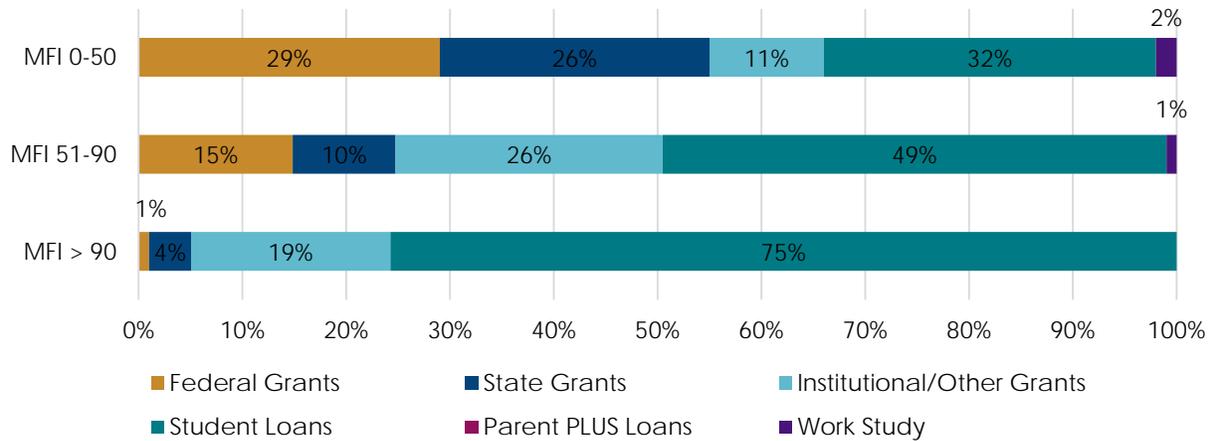
## APPENDIX B – DATA TABLES

**Portion of Financial Aid by MFI 2013-2014 by Sector and Dependency Status**  
 (full-time, full-year, resident undergraduate need-based recipients)

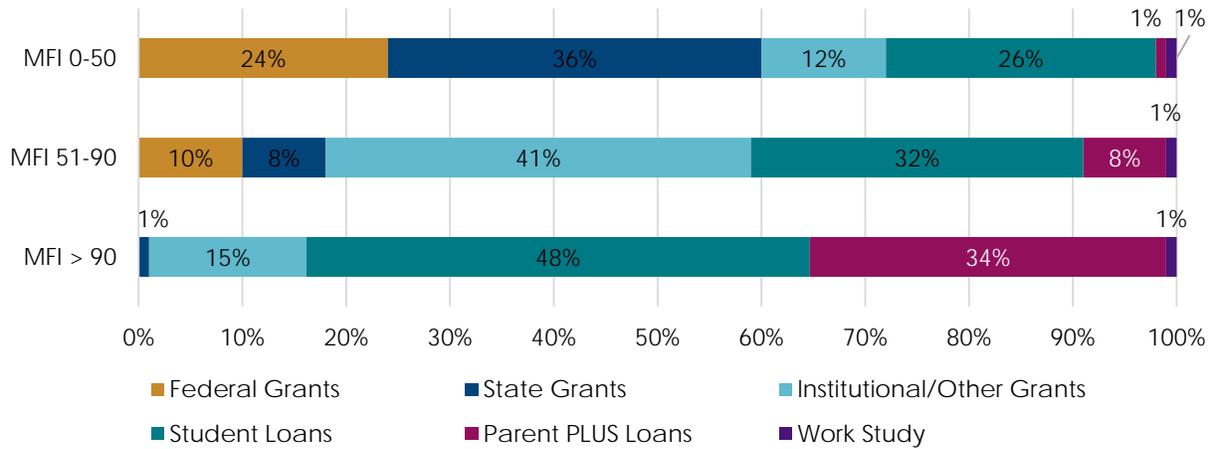
### Dependent - All



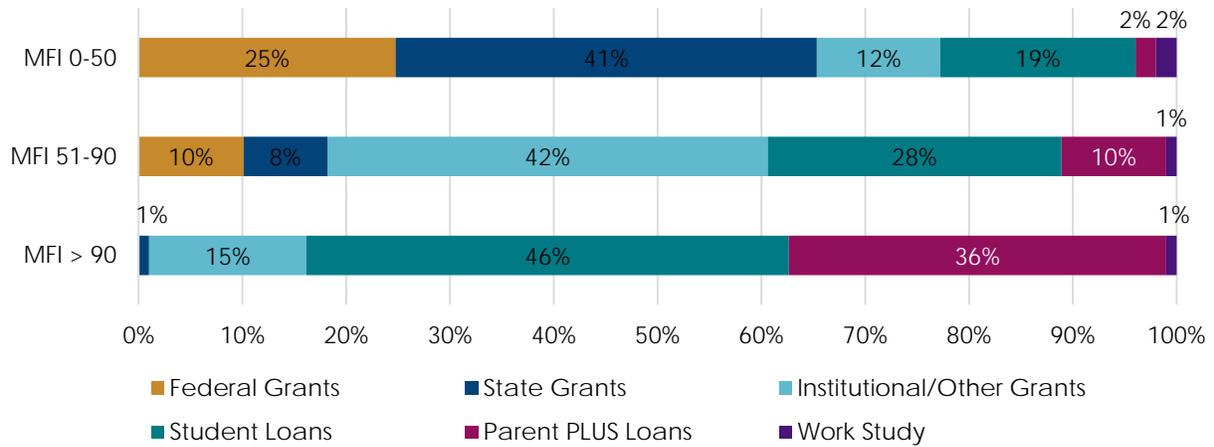
### Independent - All



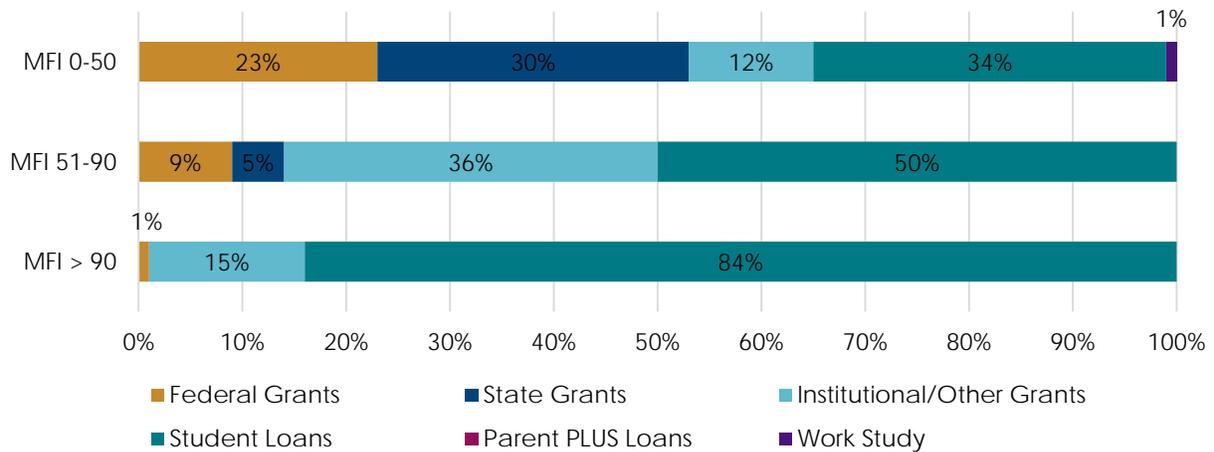
### Public 4-Year -- All



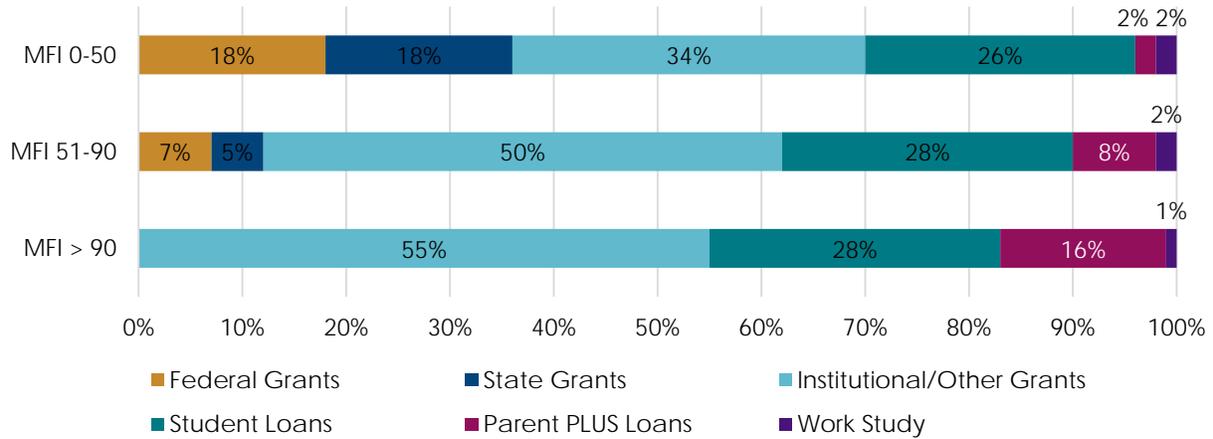
### Public 4-Year -- Dependent



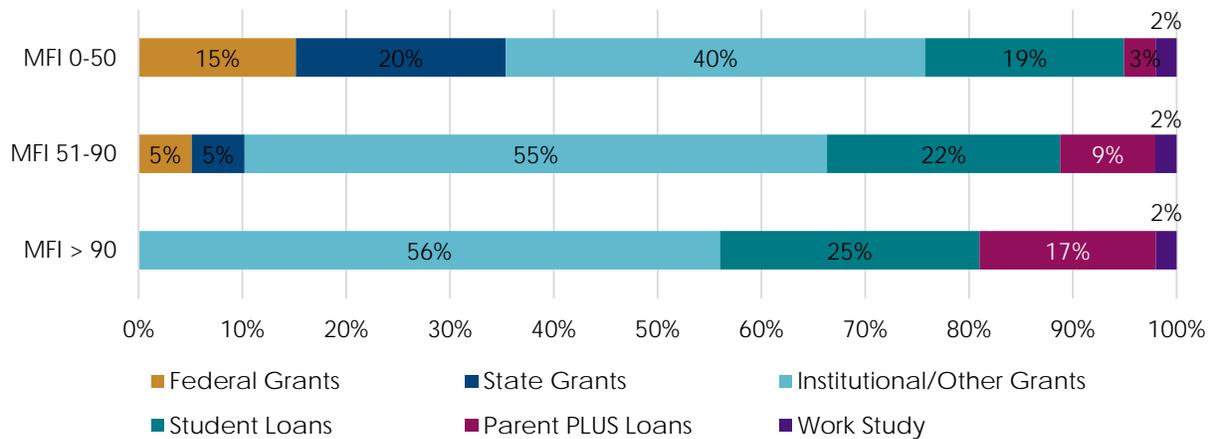
### Public 4-Year -- Independent



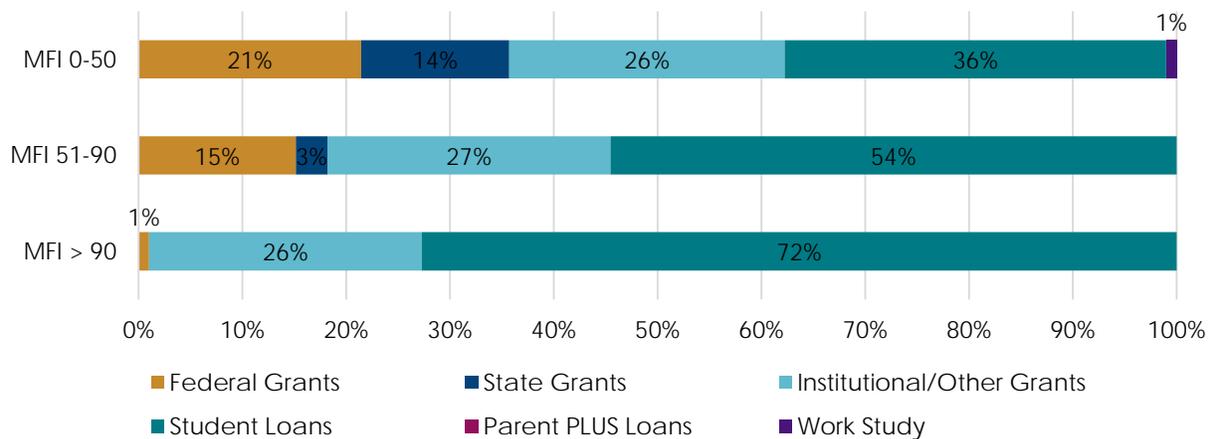
### Private 4-Year -- All



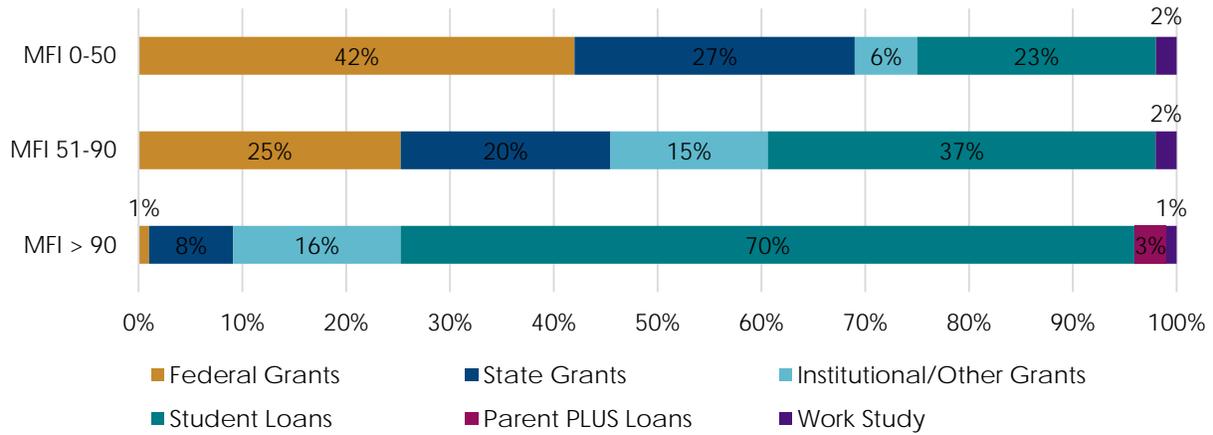
### Private 4-Year -- Dependent



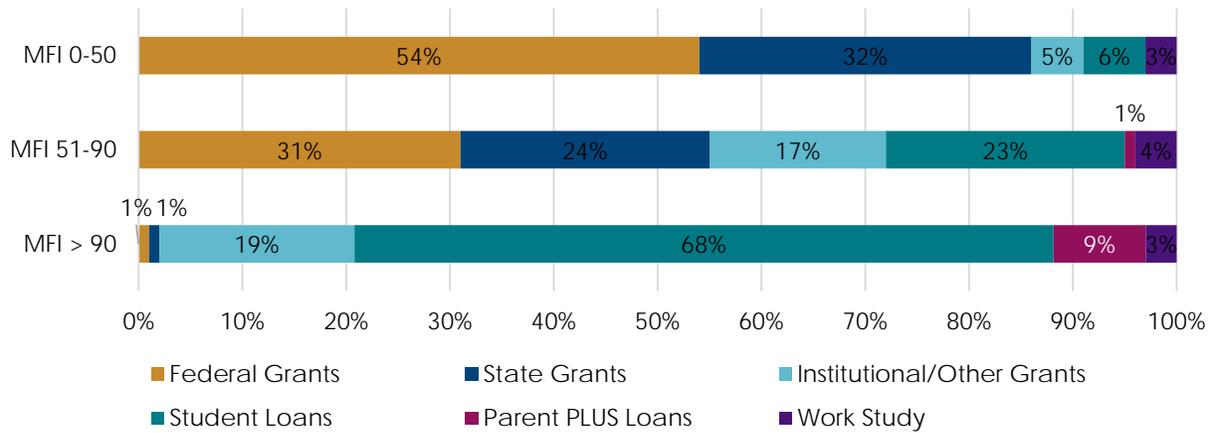
### Private 4-Year -- Independent



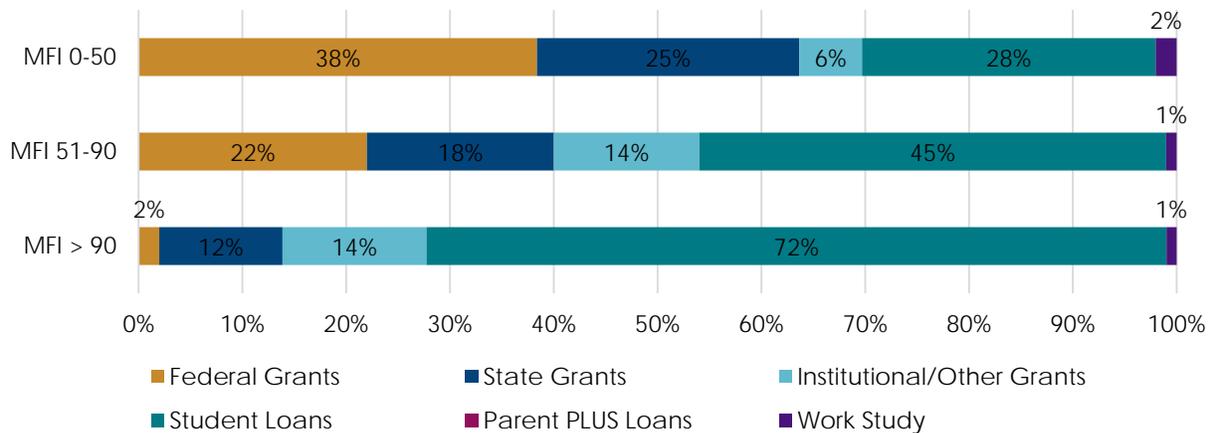
### CTC -- All



### CTC -- Dependent



### CTC -- Independent



***Grant Statistics 2013-2014***  
***Need-Based Resident Undergraduates***

<b>Grant Type</b>	<b>Total Award</b>	<b>Percent of Grant Aid</b>
All Grants	\$1,165,722,502	100%
Government Grants	\$798,288,281	68%
Institutional Funds	\$312,712,876	27%
Other Scholarships	\$54,721,345	5%

***Washington Student Achievement Council***

*November 12, 2015, 1:19 pm*

Data from WSAC Unit Record Report 2013-2014

## APPENDIX C – RESOURCE LIST

Baum, S. and Ma, J. April 2014. *College Affordability: What Is It and How Can We Measure It?*, Lumina Foundation.

Baum, S. and Schwartz, S. July 2012. *Is College Affordable? In Search of a Meaningful Definition*. Institute for Higher Education Policy.

Carlson, A. and Zaback, K. April 2014. *Moving the Needle: How Financial Aid Policies Can Help States Meet Student Completion Goals*. State Higher Education Executive Officers.

Heller, D. *The States and Public Higher Education Policy: Affordability, Access, and Accountability*. The Johns Hopkins University Press. Baltimore and London.

Prescott, B. and Longenecker, D. April 2014. *States in the Driver’s Seat*. Western Interstate Compact for Higher Education.

June 2014. *College Affordability and Transparency Center*, US Department of Education.

Dec. 2014. *State Need Grant Legislative Report*. Washington Student Achievement Council.

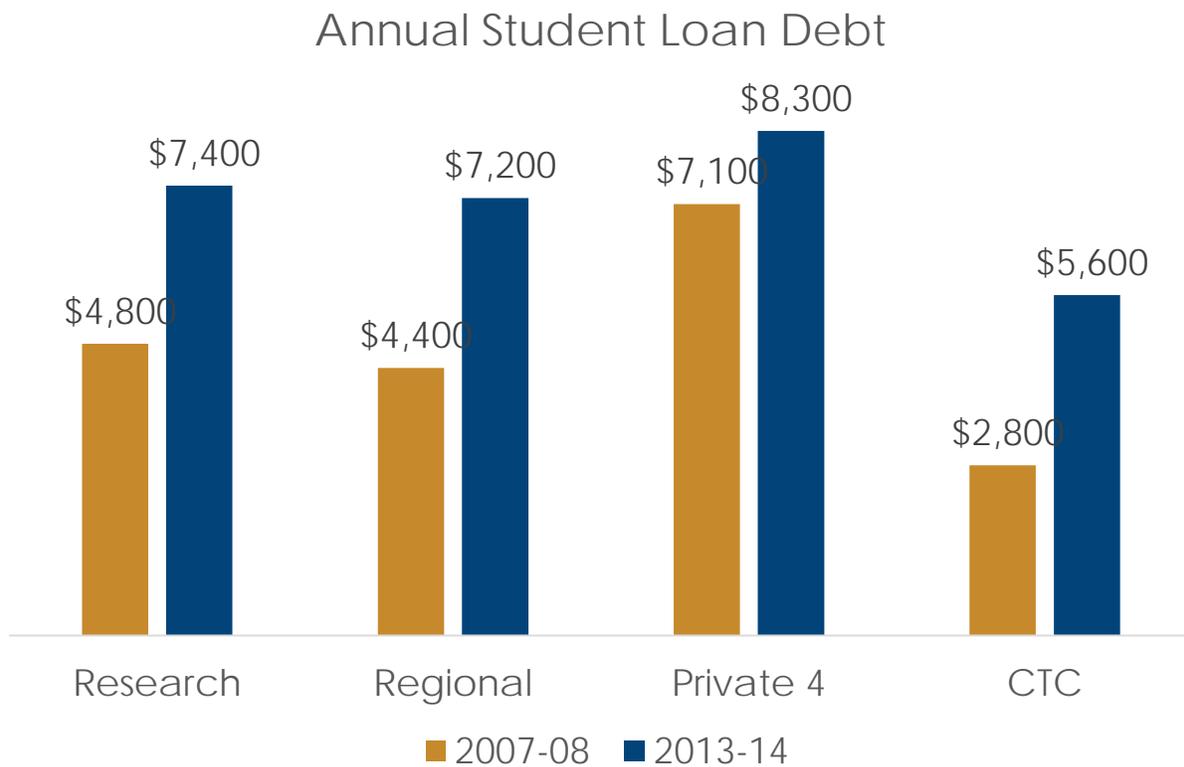
August 2015. *The Rule of 10: A Benchmark for Making College Affordable*. Lumina Foundation. <https://www.luminafoundation.org/files/resources/affordability-benchmark-1.pdf>

## APPENDIX D – ANNUAL STUDENT BORROWING

### Annual Student Borrowing

#### *Annual Loan Borrowing by Resident Undergraduates*

The number of student borrowers increased significantly during the recession years, reflecting enrollment increases. The average amount borrowed each year also increased during the years of public tuition increases. The annual debt for student borrowers doubled in the community and technical colleges and increased 61 percent in the public four year institutions. However, the number of borrowers and average amount have been steady in the last few years. This is likely due in part to the flat tuition rates, and due to students borrowing at the annual cap in the federal loan programs.



The number of students borrowing and average amounts vary by sector.

**Annual Student Borrowing 2012-13 by Sector  
Needy Resident Undergraduates\***

	Borrowers	Avg. Amount
<b>Research</b>	21,559	\$7,167
<b>Regional</b>	17,482	\$7,012
<b>Private 4 Year</b>	10,543	\$7,380
<b>CTC</b>	35,335	\$5,611
<b>Private 2 Year</b>	4,755	\$7,380
<b>Total</b>	<b>89,674</b>	<b>\$6,775</b>

\* Does not include parent PLUS loans.

There are an additional 10,515 non-needy resident undergraduate borrowers who are not receiving need-based aid but are borrowing unsubsidized federal student loans. They borrow about the same amount on average; however, amounts are slightly higher for students attending four-year institutions and slightly lower for students attending two-year institutions.

**Annual Student Borrowing 2012-13 by Sector  
Non-Needy Resident Undergraduates\***

	Borrowers	Avg. Amount
<b>Research</b>	3,235	\$7,899
<b>Regional</b>	3,208	\$7,094
<b>Private 4 Year</b>	1,121	\$7,893
<b>CTC</b>	2,756	\$4,627
<b>Private 2 Year</b>	195	\$5,801
<b>Total</b>	<b>10,515</b>	<b>\$6,756</b>

\* Does not include parent PLUS loans.

### *PLUS Loan Borrowing for Washington Residents*

Parent Loans for Undergraduate Students (PLUS) is a program used by parents to assist with the educational costs of their dependent children. In 2010-11, 11,621 parents of Washington undergraduate students borrowed average annual PLUS loans of \$10,689.

Eligibility changes were made by the federal government in October 2011 to increase the due diligence that lenders needed to apply to determine that parents were credit worthy. This resulted in a seven percent reduction of PLUS loan borrowing over two years, where 10,848 parents borrowed during the 2012-13 year. On the other hand, those who did obtain PLUS loans increased their annual borrowing by 18 percent in two years, borrowing average loans of \$12,595 in 2012-13.

### *Annual Loan Borrowing by Graduate Resident Students*

In 2010-11, 13,309 Washington resident graduate students borrowed \$283.4 million from subsidized and unsubsidized loan programs for average annual loan borrowing of \$21,294 per student. During the 2012-13 year, 12,206 Washington residents borrowed nearly \$298.1 million primarily from unsubsidized loan programs for average annual loan borrowing of \$24,420.

One significant change affecting graduate students is the elimination of subsidized federal student loans for graduate students, effective July 2012. Graduate students are no longer able to have interest waived while they are in school and during a grace period and will have a higher repayment obligation as a result.

### *Private Student Loans*

Private loans allow students who need to borrow more the opportunity to do so; however, private loans typically carry much higher interest rates and less flexible repayment terms. As a result of the decline in the credit market, private loans have been less broadly available to students and there has been a decrease in borrowing of private loans for need-based recipients.

For several years, through 2007-08, private loan borrowing by needy students was essentially constant at about \$43 million per year. Since then, private loan volumes for needy undergraduate students have steadily declined to \$27 million in 2010-11. There is not a solid data source that captures all private loan borrowing for Washington students.

-

## Appendix E – Affordability Metrics

**MEASURING AFFORDABILITY AND COMPARING TO TARGETS**

The following affordability metrics highlight the current status of affordability in Washington, how it compares historically, and whether it meets a reasonable threshold of affordability. The metrics will be evaluated to set ranges of affordability targets. The full Framework includes historical data by sector. Where available, the data are provided by income and dependency status.

Measure	Metric	Status	Data Note		
Cost	Public Tuition/Fees	<u>FY 17</u> Research \$9,900	<u>Change FY 08</u> +61% (\$6,200)	<u>% Median Wage FY 17</u> 22.6%	
		Regional \$6,300	+42% (\$4,600)	14.4%	
		CTCs \$3,800	+42% (\$2,700)	8.7%	
	Cost of Attendance (non-tuition)	<u>FY 17</u> \$11,811 Commuter	<u>Non-tuition Educational Costs</u> \$825 Books \$7,634 Room and Board \$1,485 Transportation \$1,867 Misc. Expenses		
		State Share of Total Cost	<u>FY 17</u> 43% Public Bacc.	<u>Change FY 08</u> -19 pp. (62%)	<u>Change FY 90</u> -38 pp. (81%)
	64% CTCs		-11 pp. (75%)	-23 pp. (87%)	
Aid	Net Price	<u>FY 14</u> \$11,100 Research \$10,400 Regional \$8,100 CTCs \$15,800 Private 4	Cost of attendance minus grant/scholarship aid for recipients (Unit Record Report, 2013-14).		
		<u>FY 13</u> \$1.8 B in total aid to needy students	61% federal, 20% state, 19% campus/other 60% grants		

Measure	Metric	Status	Data Note
Student/Family Options	Annual Student Debt for Borrowers	<u>FY 14</u>	<u>Change FY 08</u>
		\$7,400 Research	+54% (\$4,800)
		\$7,100 Regional	+61% (\$4,400)
		\$5,600 CTCs	100% (\$2,800)
	\$8,300 Private Four	+17% (\$7,100)	
	Work Hours	<u>FY 14</u>	Per statewide survey with 7,000 respondents.
Time to Degree	<u>FY 14 Public Baccs</u>	49% of CTC students attend part-time.	
		4.13 years for HS direct students & 2.56 for transfer students	

<sup>i</sup> May 2013. *Affordability Issue Brief for the Ten-Year Roadmap*. Washington Student Achievement Council. <http://www.wsac.wa.gov/sites/default/files/Affordability%20Issue%20Brief%20FINAL.pdf>

<sup>ii</sup> Dec. 2014. *State Need Grant Legislative Report*. Washington Student Achievement Council. <http://www.wsac.wa.gov/sites/default/files/WSAC.2014SNGreport.Final.pdf>

<sup>iii</sup> Baum, S. and Schwartz, S. (July 2012). Is College Affordable? In Search of a Meaningful Definition. *IHEP Issue Brief*.

<sup>iv</sup> Furr, S., & Elling, T. (2000). The influence of work on college student development. *National Association of Student Personnel Administrators (NAPSA)*. 37(2), 454-470.

<sup>v</sup> Washington Financial Aid Association. 2016-17 Student Budgets. [http://www.wfaa.org/docs/students/WFAAbudget16\\_17.pdf](http://www.wfaa.org/docs/students/WFAAbudget16_17.pdf)

<sup>vi</sup> Washington Financial Aid Association. 2015 Statewide Student Expense Survey. WSAC Analysis of Results.

<sup>vii</sup> Dec. 2012. *A Small Percentage of Families Save in 529 Plans*. U.S. Government Accountability Office (GAO-13-64).

---

<sup>viii</sup> Carlson, A. and Zaback, K. April 2014. *Moving the Needle: How Financial Aid Policies Can Help States Meet Student Completion Goals*. State Higher Education Executive Officers.