

# WELCOME



KENTUCKY COUNCIL ON  
POSTSECONDARY EDUCATION



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# Observations on college affordability

KENTUCKY COUNCIL ON  
POSTSECONDARY EDUCATION



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# Introduction

- ❖ Sequence of the presentation

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Heidi Hiemstra

Sandy Baum



# Introduction

- ❖ Sequence of the presentation
- ❖ Nature of the study



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- ❖ Sequence of the presentation
- ❖ Nature of the study
- ❖ Why now?

Council's responsibility for tuition

Policy considerations affecting state budget

Background information for new councilmembers



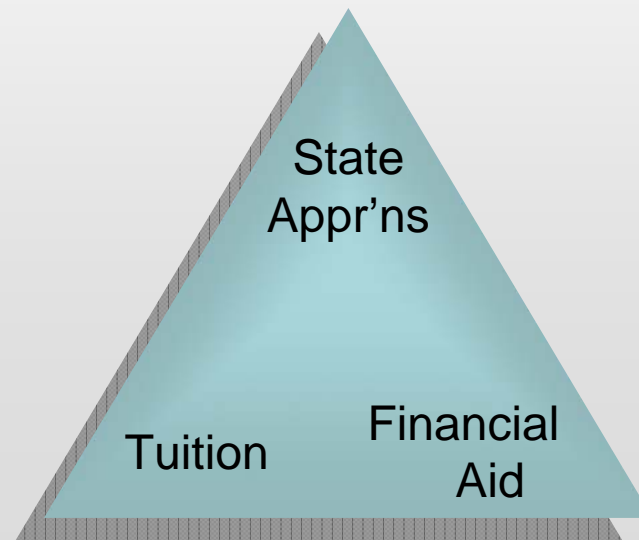
# Introduction

- ❖ Sequence of the presentation
- ❖ Nature of the study
- ❖ Why now?
- ❖ Complicated subject, high diversity
  - 'purchasers'
  - 'products'
  - 'rates of consumption'
  - methods of payment



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- ❖ Nature of the study
- ❖ Why now?
- ❖ Complicated subject, high diversity
- ❖ **Connection to related policies**



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- ❖ **Data vs. 'standards'**



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- ❖ Complicated subject, high diversity
- ❖ Connection to related policies
- ❖ Data vs. 'standards'
- ❖ **Need for further study**



Graduation day



Education

Career

Investment

Return on investment

Costs

Benefits

### Private costs

- Direct costs (tuition, books, supplies, etc)
- Indirect costs (room, board, transportation, etc)

### Public costs

- Operating subsidy
- Financial aid
- Capital projects

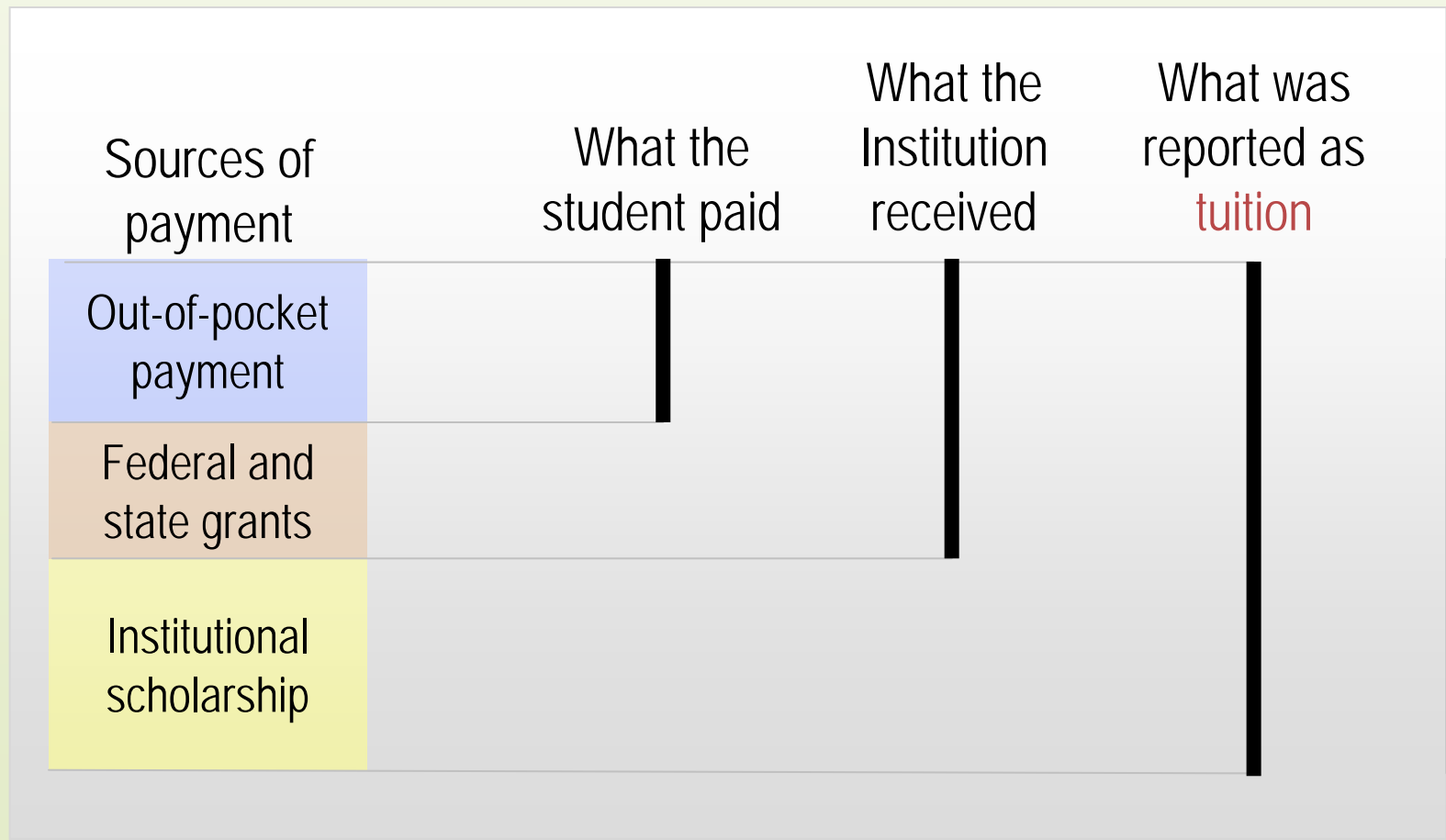
### Private benefits

- Increased earning potential
- Intangible 'engagement' benefits

### Public benefits

- Vibrant economy, public programs, informed citizenry, reduced crime/dependency

# Tuition vs out-of-pocket payments



## Observations



### ❖ Observation no. 1:

While postsecondary education is an even more productive investment than ever before, tuition and other college costs have grown more rapidly than family income, creating justifiable concerns about educational accessibility for families with limited financial means and about increasing levels of student debt.

## Observations

❖ Conclusion no. 1:

❖ Observation no. 2:

Kentucky students, their educational and ambitions and their ability to pay college costs are very diverse, making the achievement of the degree production and affordability goals of House Bill 1 dependent on highly targeted tuition and financial aid policies.



# Observations

❖ Conclusion no. 1:

❖ Conclusion no. 2:

❖ Observation no. 3:

For students of all financial means, KEES and institutional aid are major sources for tuition payments at Kentucky postsecondary institutions; such that cuts to funding of KEES and institutional aid impact students similarly to a tuition increase.



# Introduction

## ❖ **Order of presentation**

1. Tuition and total cost of attendance
2. Methods of payment
3. Analysis by family income and sector

# Introduction

- ❖ Order of presentation
- ❖ **Areas of analysis**
  1. FAFSA filers
  2. Dependent vs. independent students
  3. Full-time vs. part-time students
  4. Financial resources (family income)

# Introduction

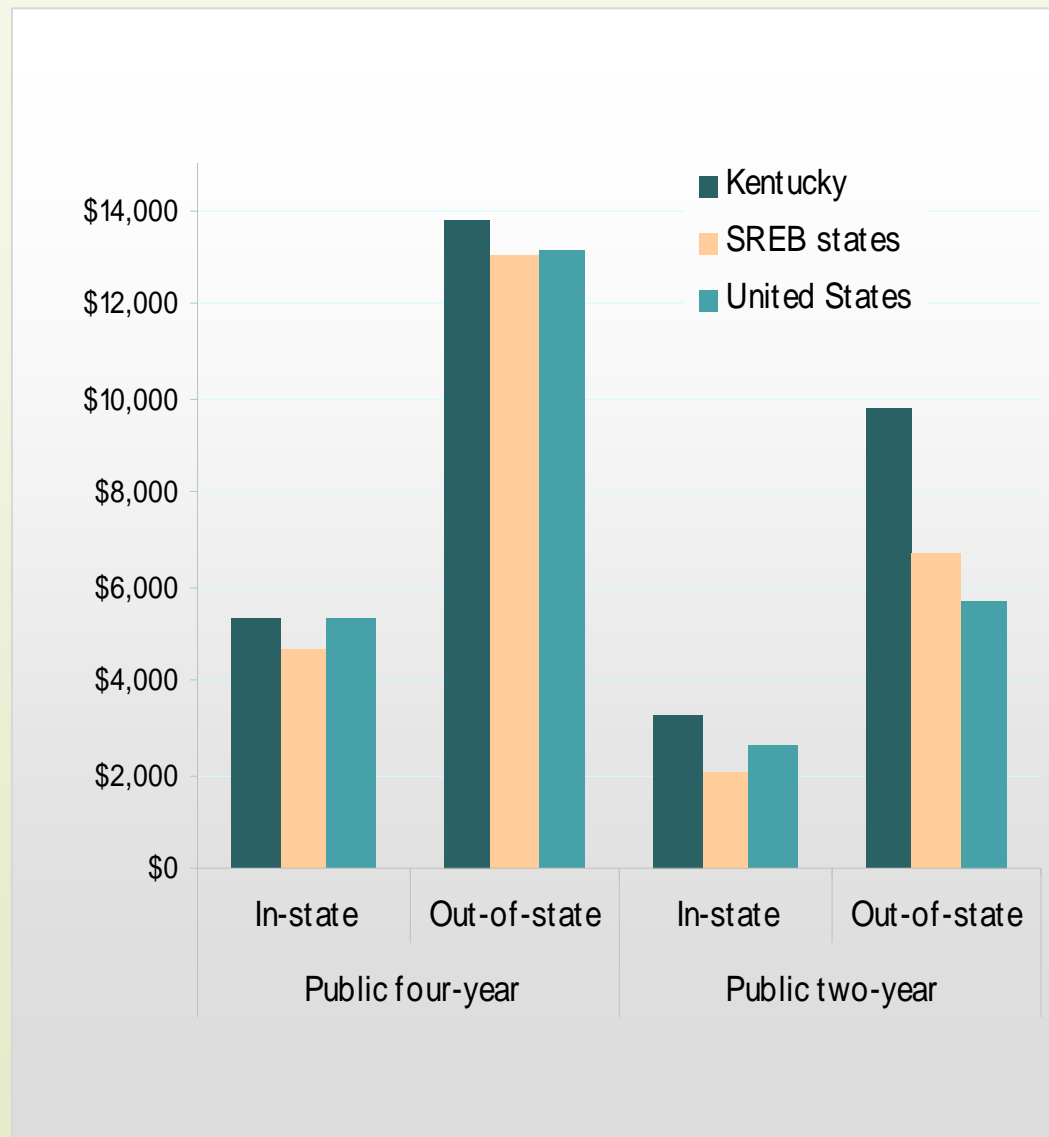
- ❖ Order of presentation
- ❖ Areas of analysis
- ❖ **Definitions of terms**
  1. Direct costs (tuition, mandatory fees and books)
  2. Indirect costs (room and board; other costs)
  3. Total cost of attendance

# Introduction

- ❖ Order of presentation
- ❖ Areas of analysis
- ❖ Definitions of terms
- ❖ **Sources of data**
  1. AY08 cost data from IPEDS
  2. AY06 financial data from institutions
  3. Student level data on financial aid

## Tuition in Kentucky, SREB and U.S.

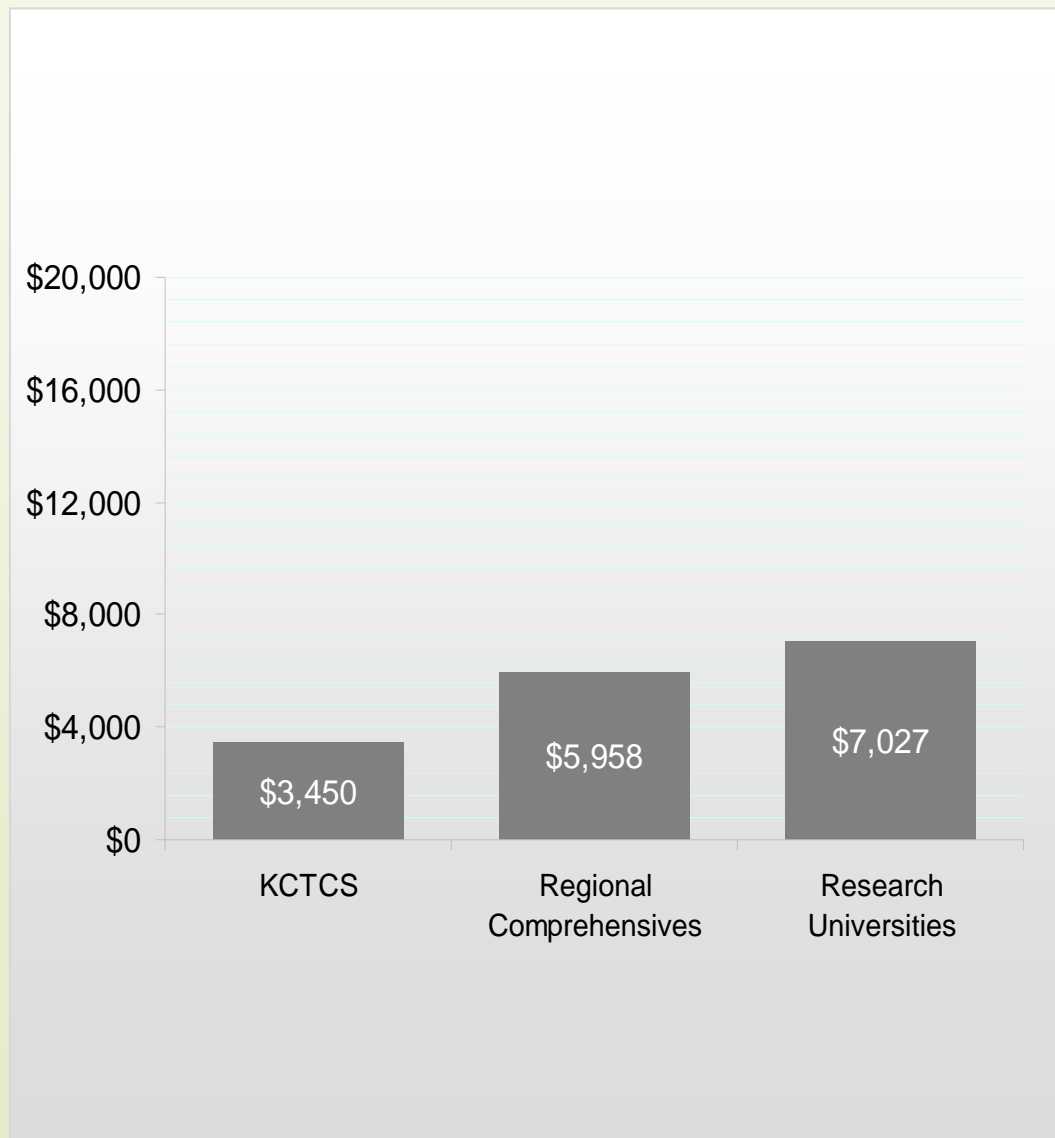
- ❖ Kentucky's in-state tuition is higher than the SREB average in both two and four-year sectors
- ❖ Kentucky's tuition is higher than the national average in the two-year sector



# Tuition

- ❖ Significant variation among sectors for full-time resident students

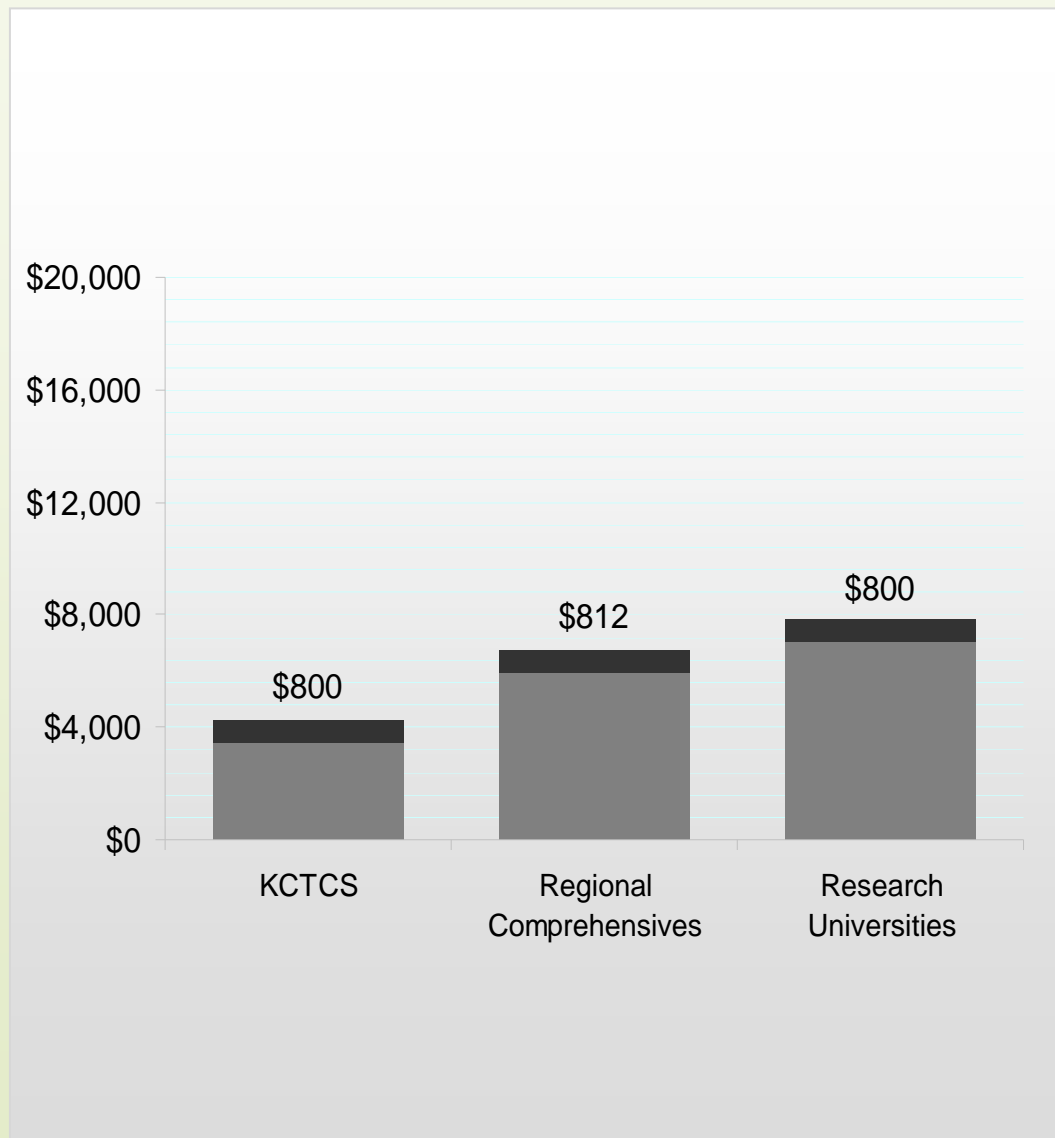
2007-08 full-time tuition and fees reported to IPEDS, weighted within sector by fall 2007 FTE enrollment. KCTCS' is calculated on a per-credit-hour rate for 30 credit hours.



## Books and supplies

❖ Books significantly increase direct costs

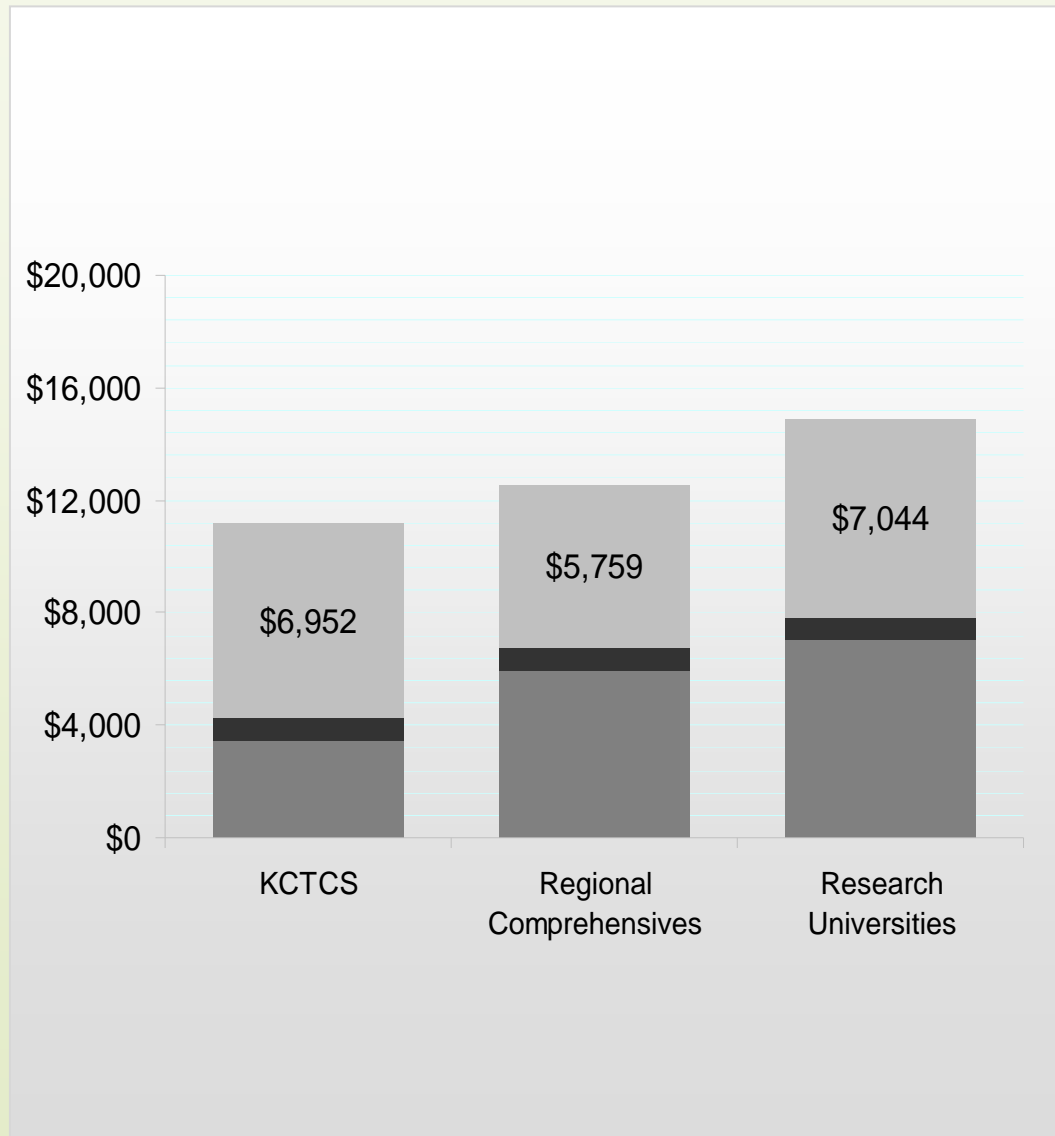
2007-08 academic year book costs reported to IPEDS, weighted within sector by fall 2007 FTE enrollment.



## Room and board

- ❖ R&B comprises a major portion of the total cost of attendance
- ❖ Figures are reported by the institutions
- ❖ Varies considerably among students

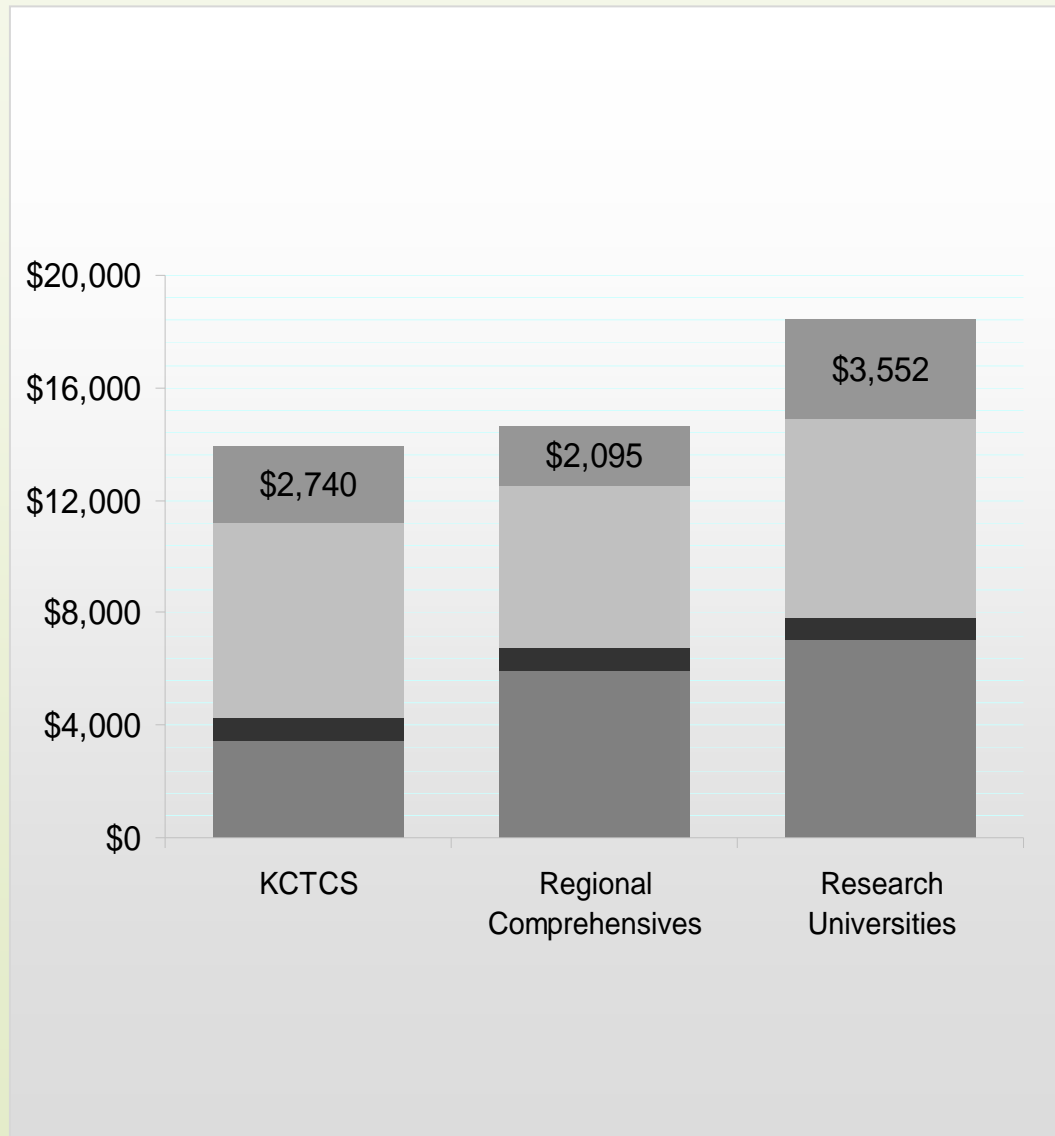
Average of 2007-08 on and off-campus room & board reported to IPEDS, weighted within sector by fall 2007 FTE enrollment.



## Other costs

- ❖ Transportation, personal items
- ❖ These costs vary considerably among students

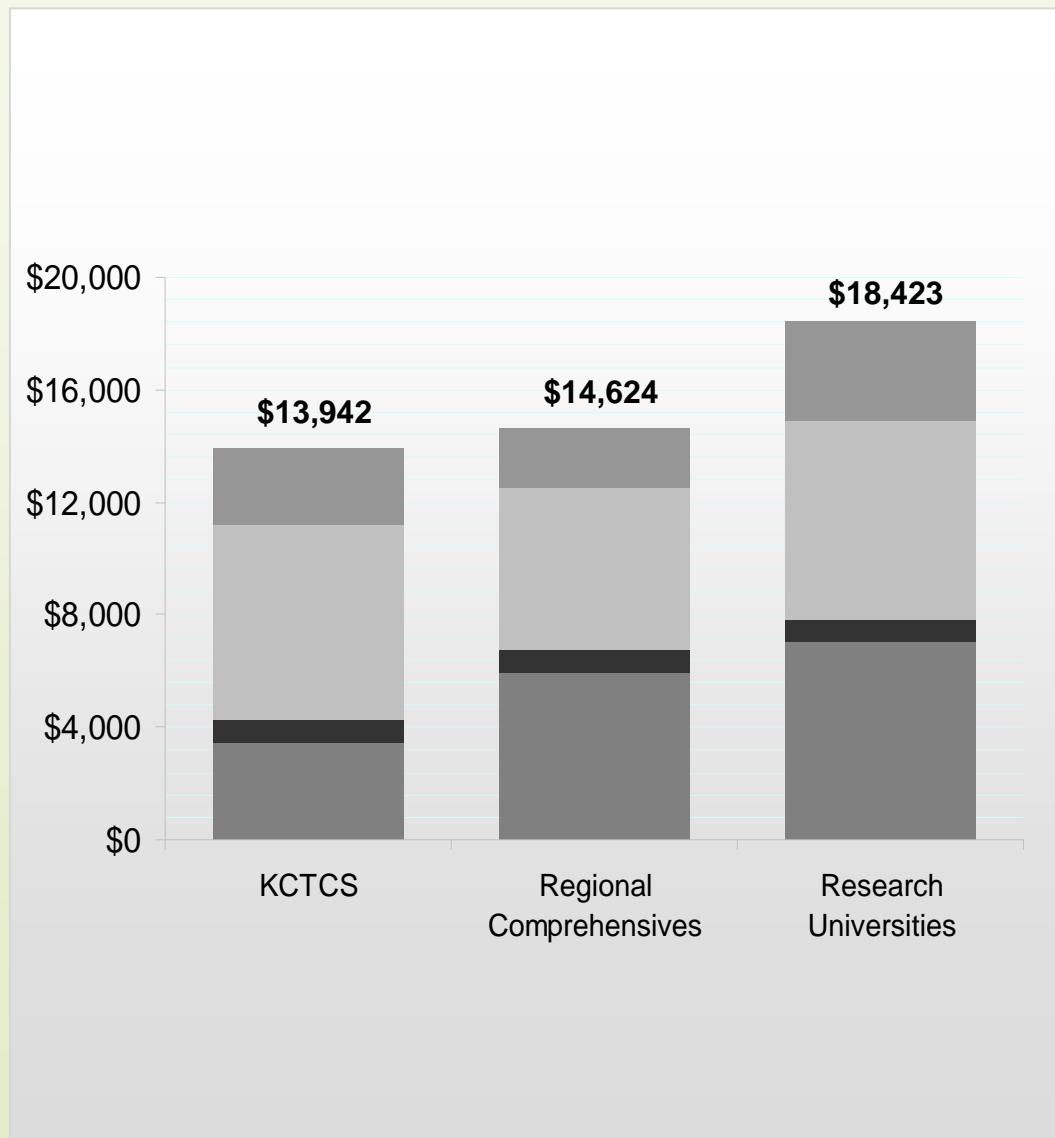
Average of 2007-08 on and off-campus other costs reported to IPEDS, weighted within sector by fall 2007 FTE enrollment.



## Total cost of attendance

- ❖ Tuition represents 21% to 41% of total cost of attendance

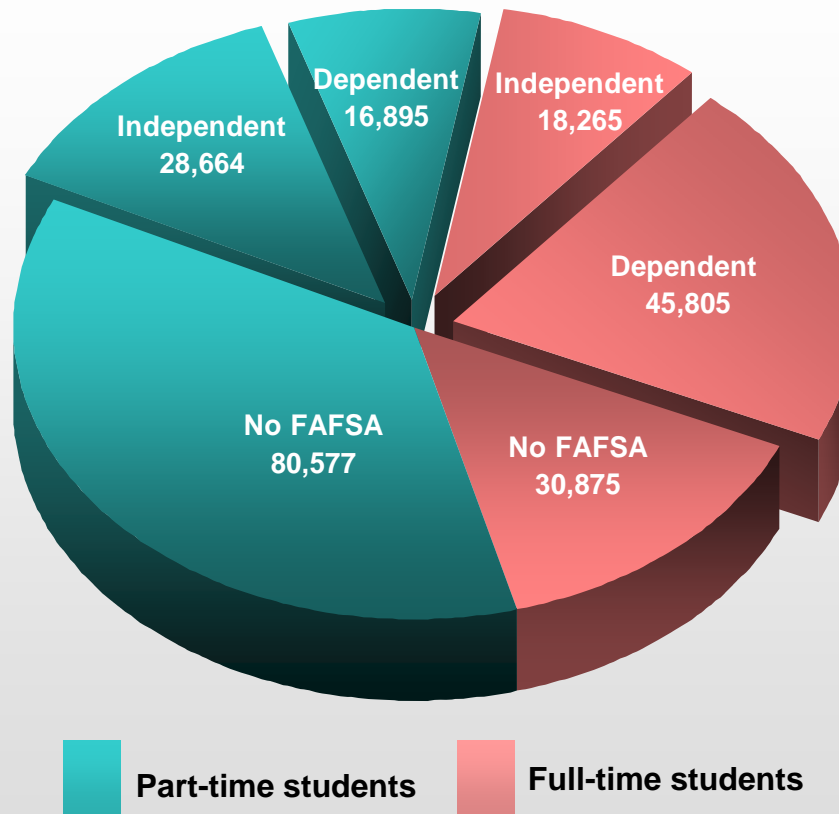
Sum of 2007-08 costs reported to IPEDS, weighted within sector by fall 2007 FTE enrollment.



## Kentucky's undergraduates

- ❖ No FAFSA filed for over half our students
- ❖ More part-time than full-time students
- ❖ Full-time students are more likely to be dependents

Data includes four- and two-year public and independent institutions, AY06



# How students pay for college

## **Grants and subsidies**

- Many sources and forms
- Need-based vs. non-need based
- Student subsidies through general fund appropriation

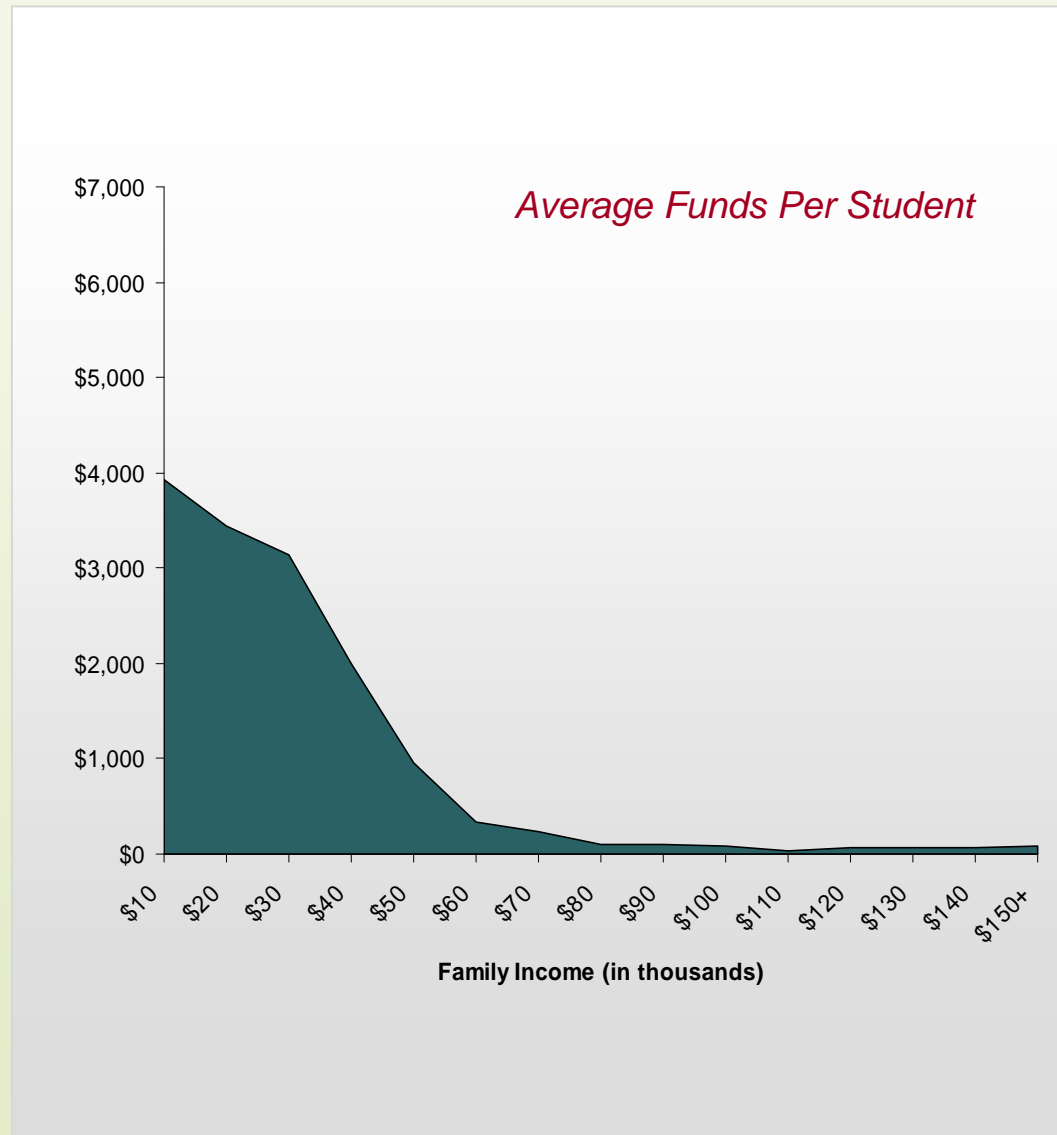
## **Self help**

- Past income
- Current income
- Future income
- In-kind help

## Federal grants

- ❖ Federal Pell grant is largest source of needs-based aid
  - ❖ Includes other federal grants

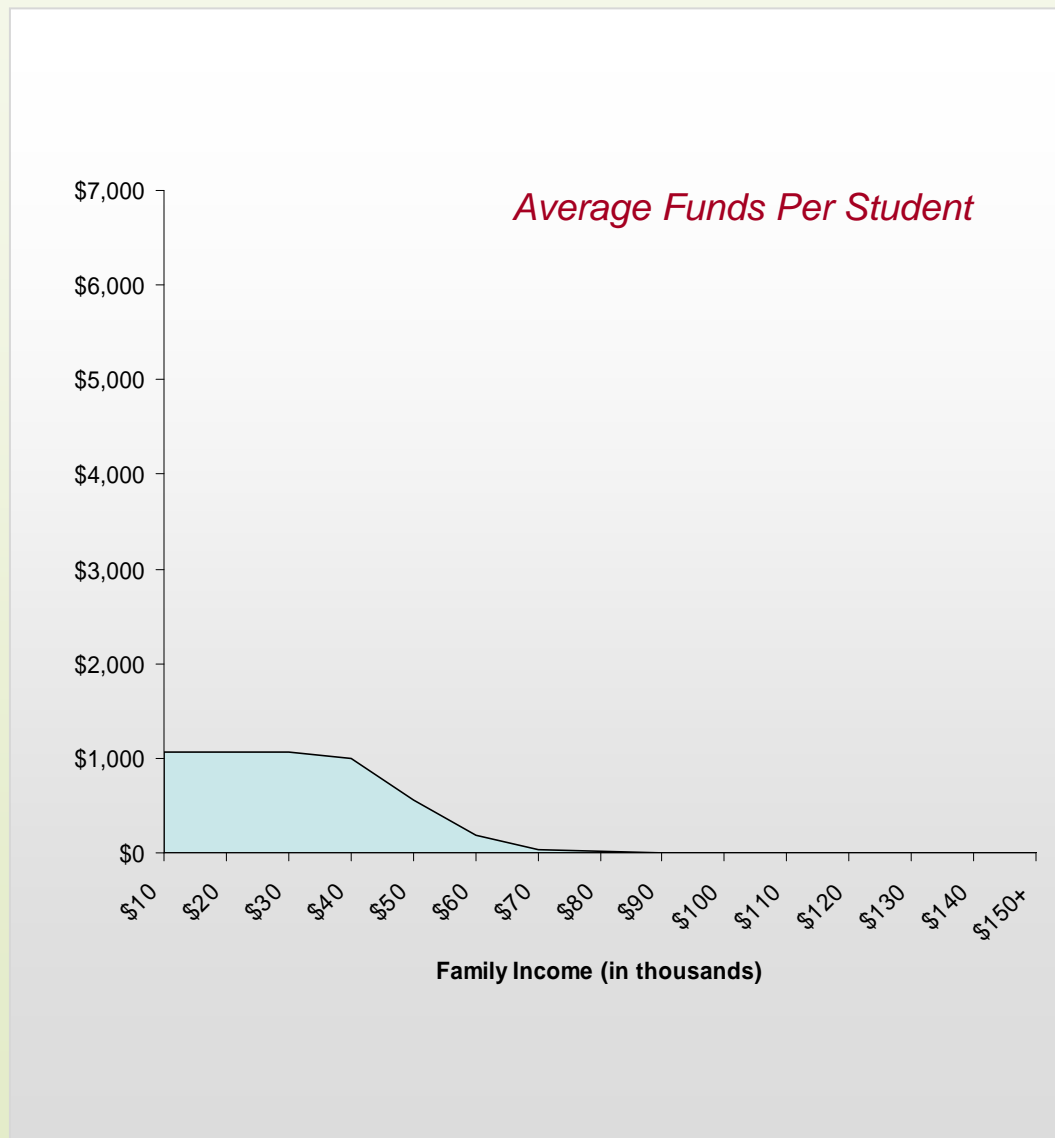
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



# College Access Program (CAP)

- ❖ State needs-based aid

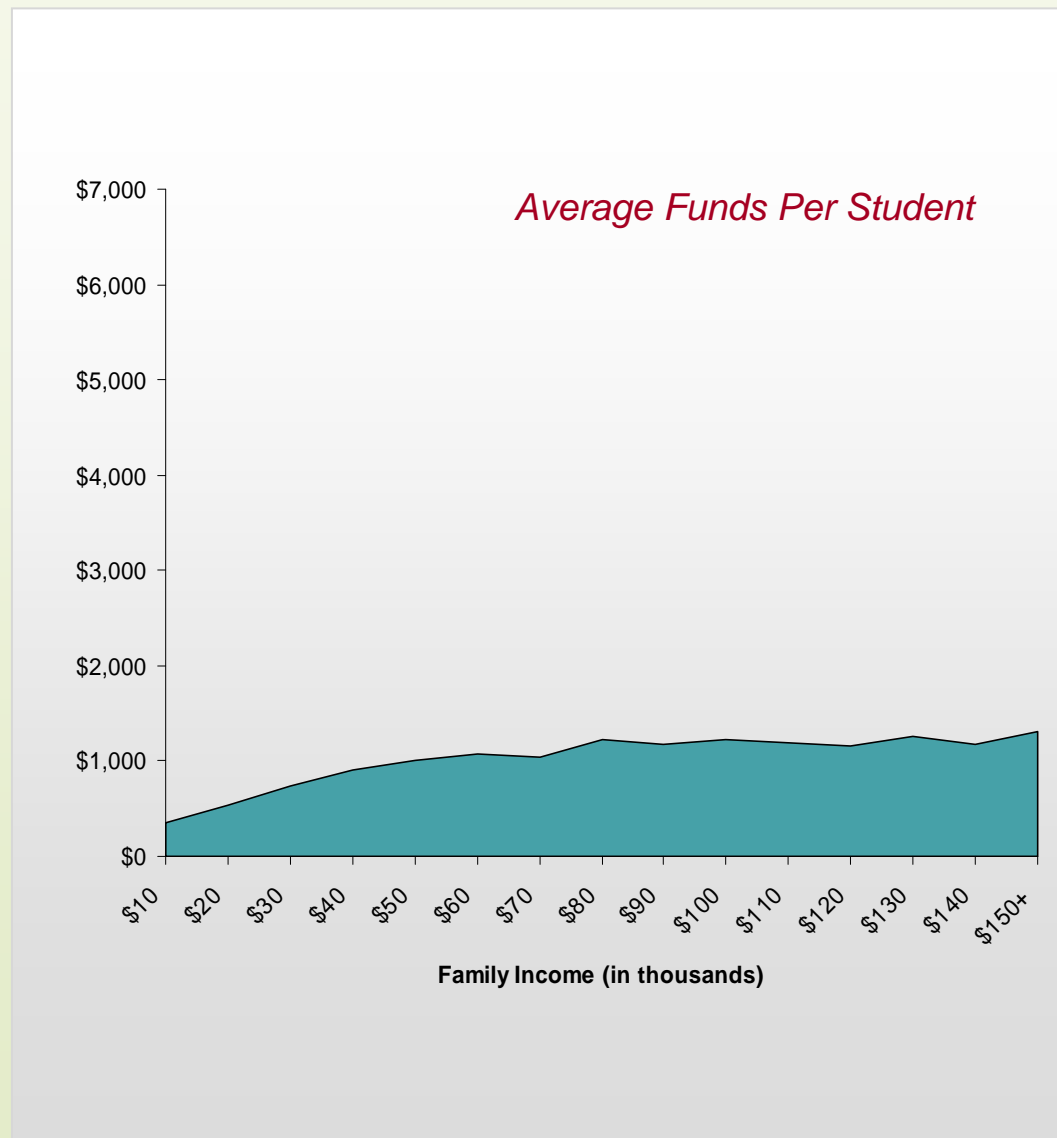
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



# Kentucky Educational Excellence Scholarship (KEES)

- ❖ State merit-based aid program
- ❖ Not targeted at low-income students

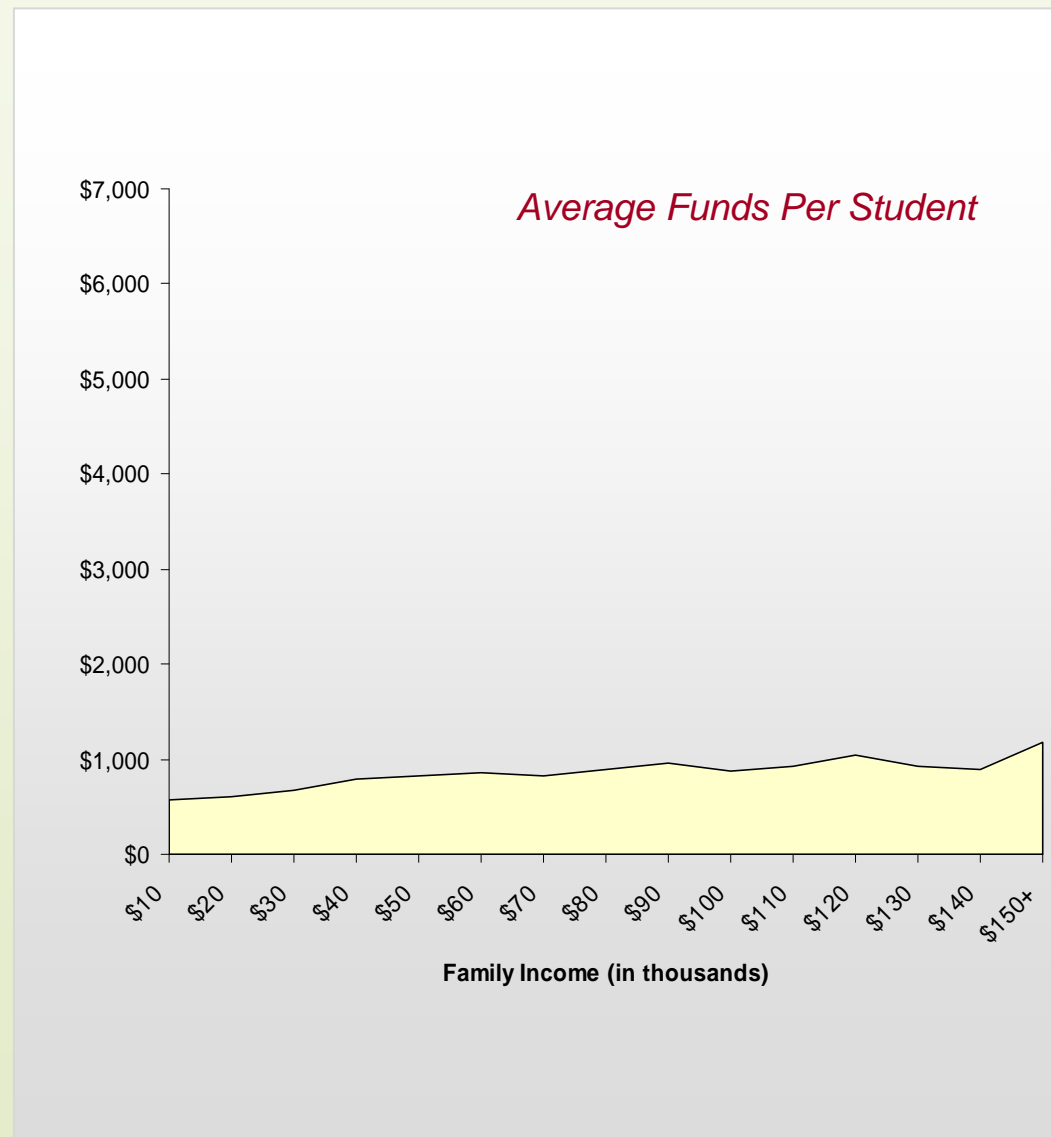
In-state, full-time, undergraduates  
at the comprehensive universities  
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## Institutional grants

- ❖ Important source of financial aid in four-year sectors
- ❖ Not targeted at low-income students

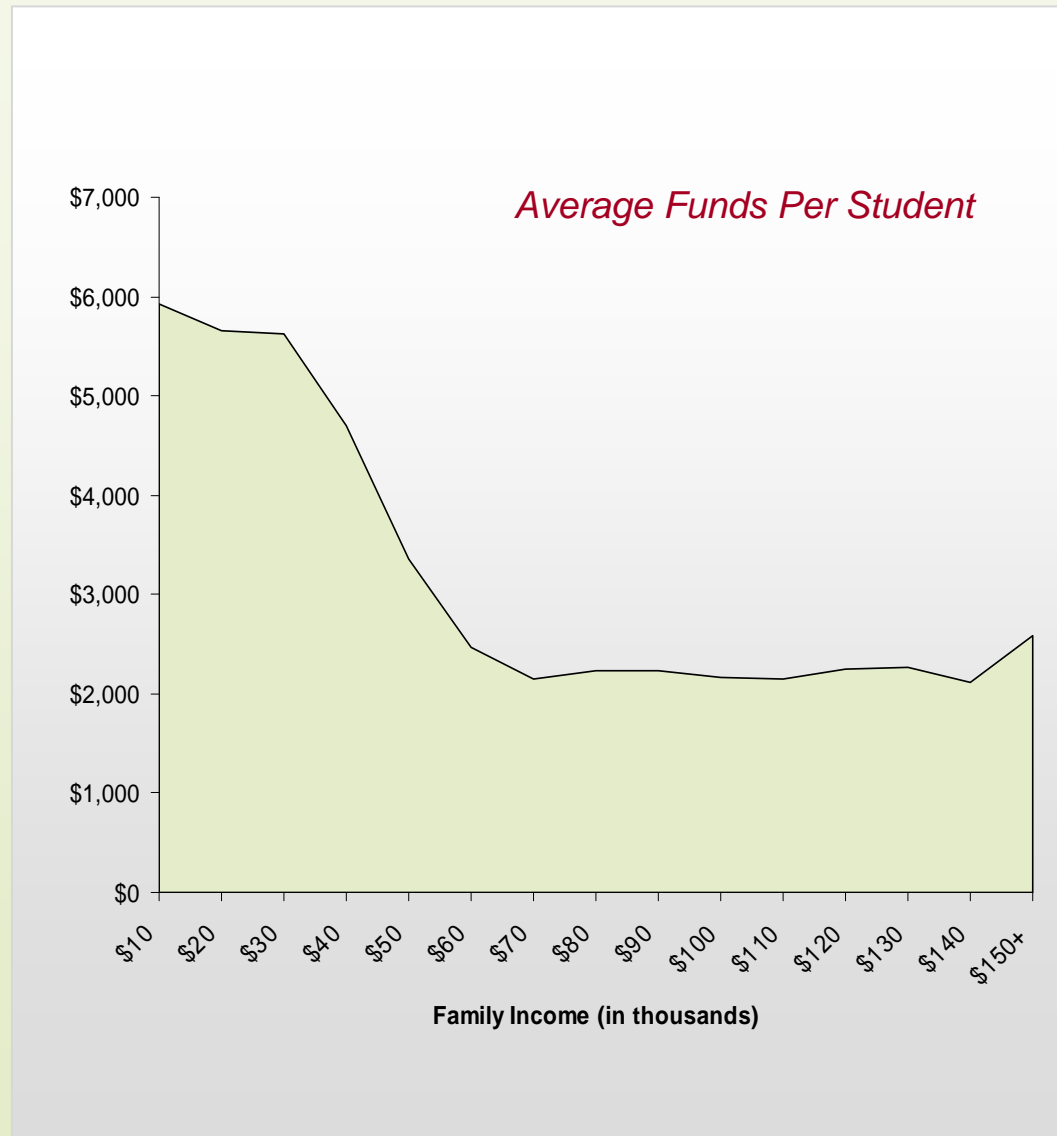
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



## All grants

- ❖ Grants are higher among low-income students
- ❖ Students at all income levels receive grants

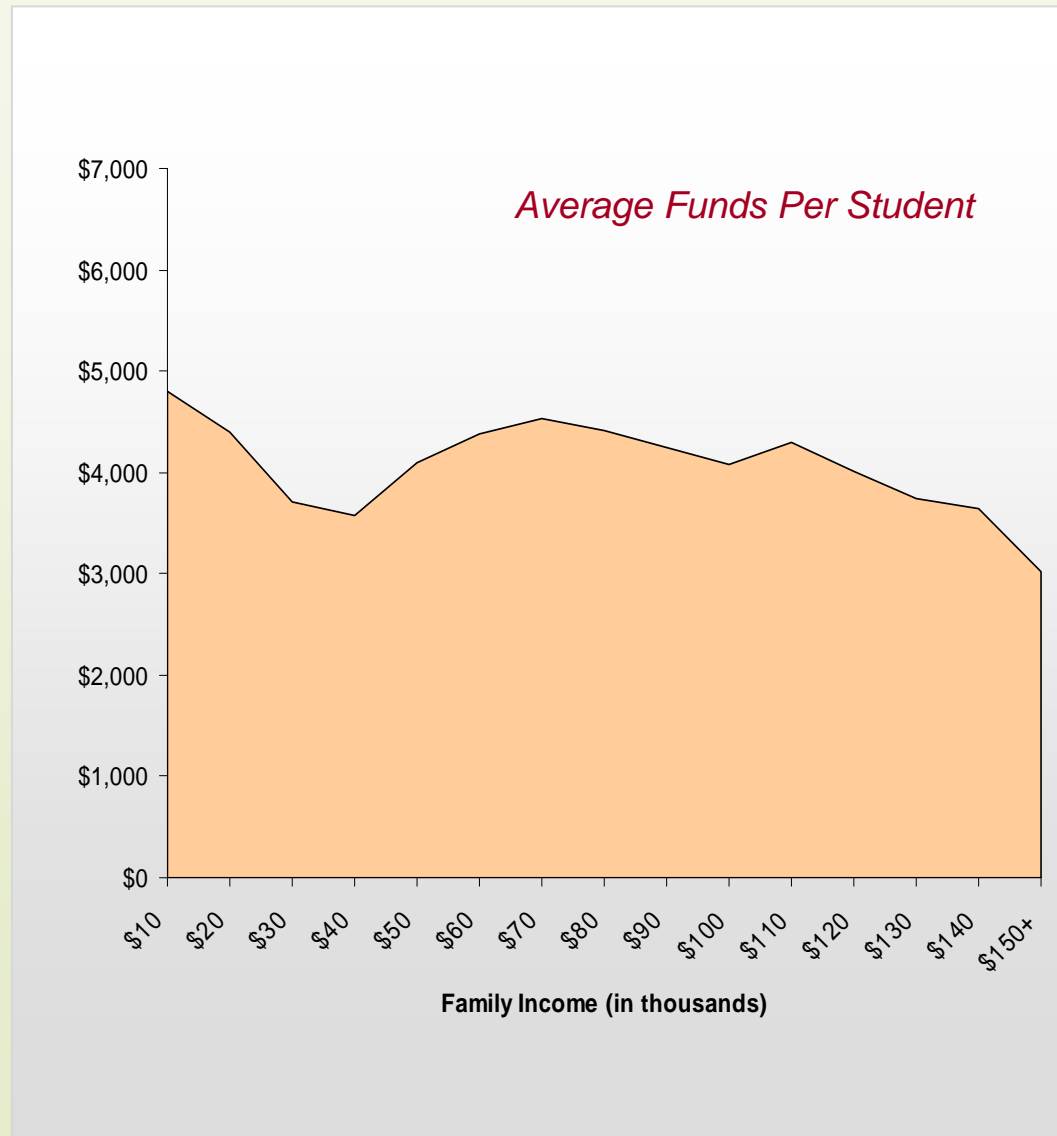
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



# Loans

- ❖ Substantial across the income distribution
- ❖ Can result in considerable debt

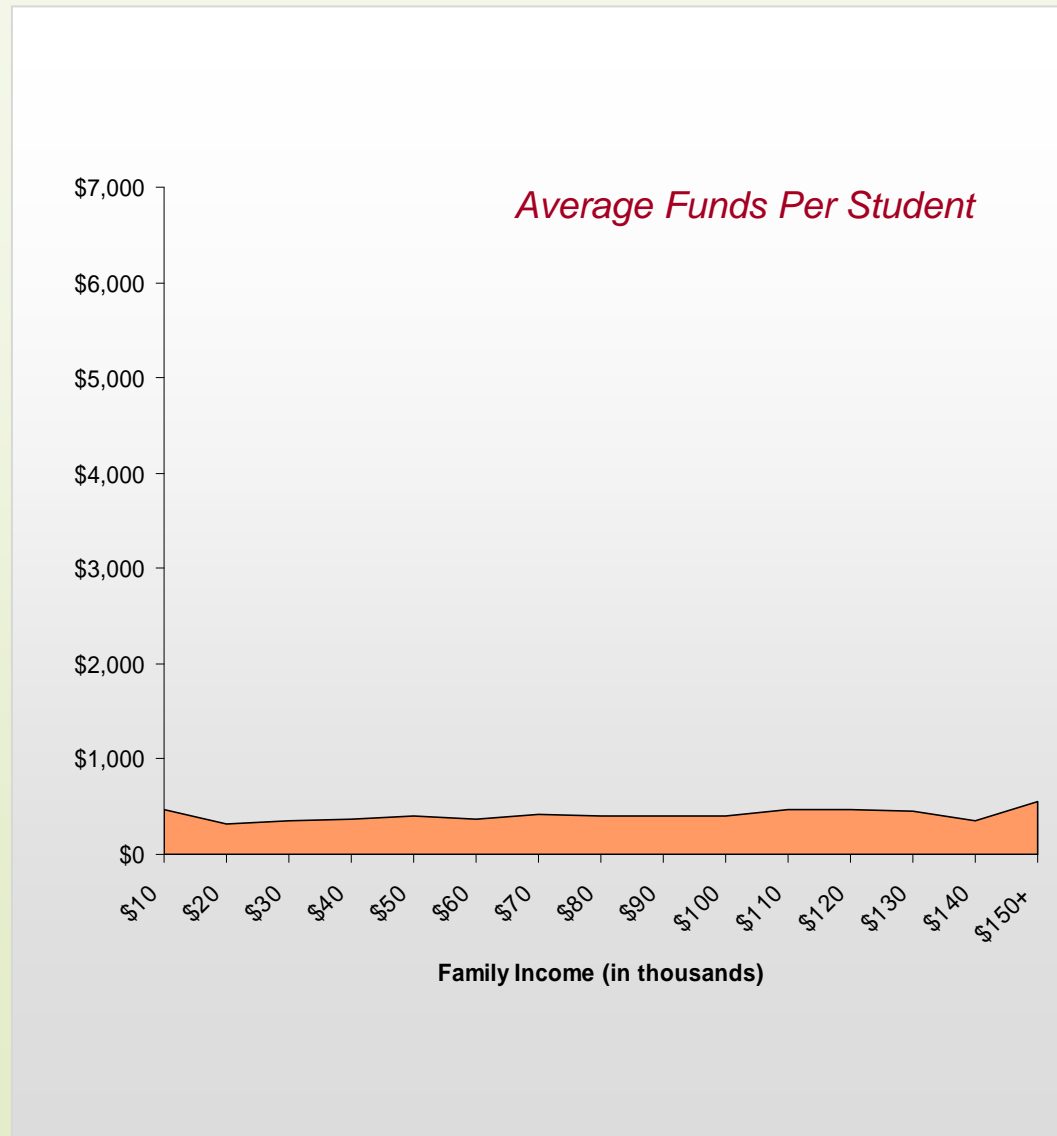
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



## Work study

- ❖ Small source of aid
  - ❖ Students at all income levels

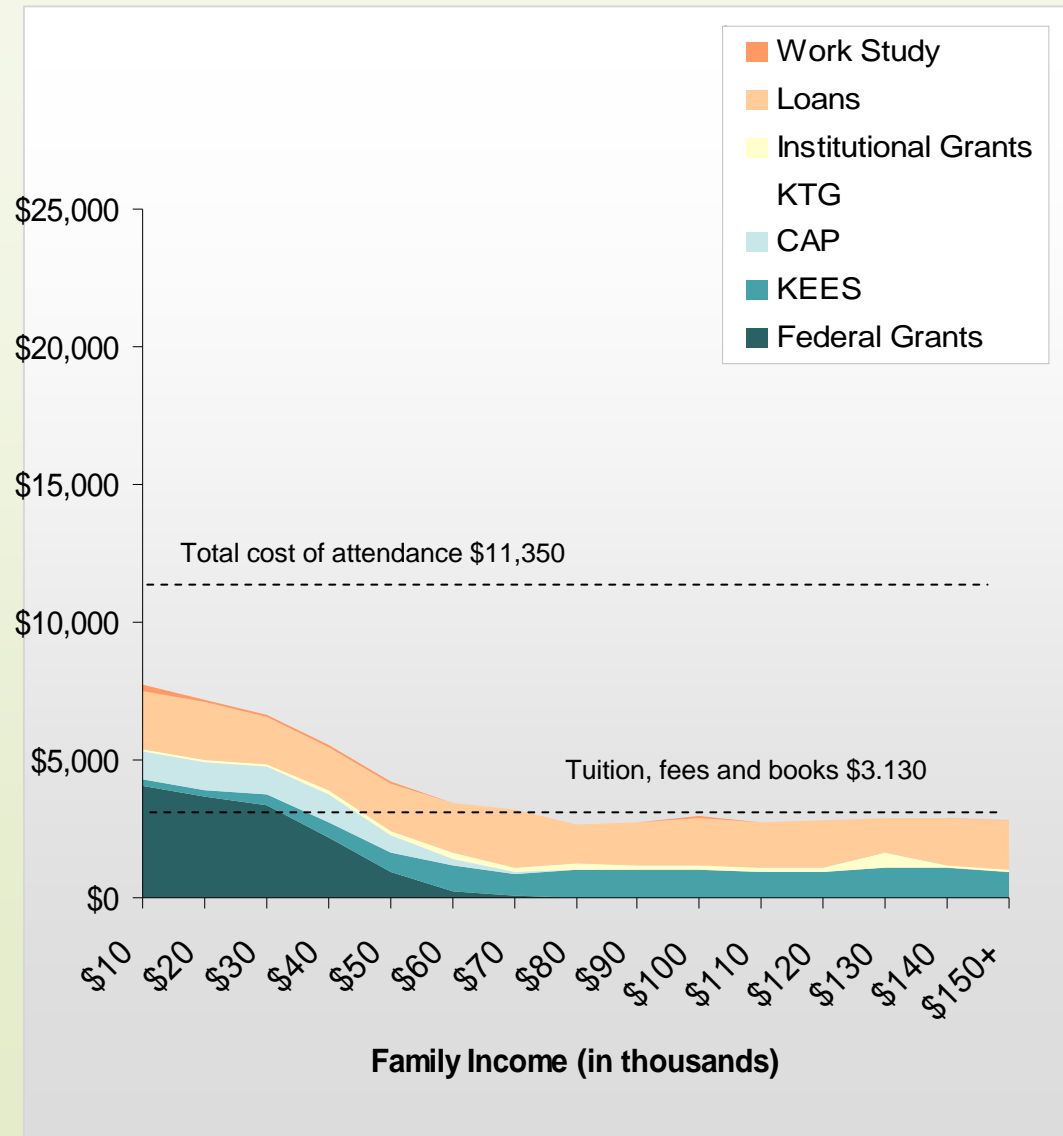
In-state, full-time, undergraduates at the comprehensive universities (FASFA filers); 2005-06 financial aid data collected from the institutions



## KCTCS colleges

- ❖ Direct costs are covered for most lower income students
- ❖ Large out-of-pocket costs, but many students live at home
- ❖ Little institutional aid
- ❖ Smaller loans

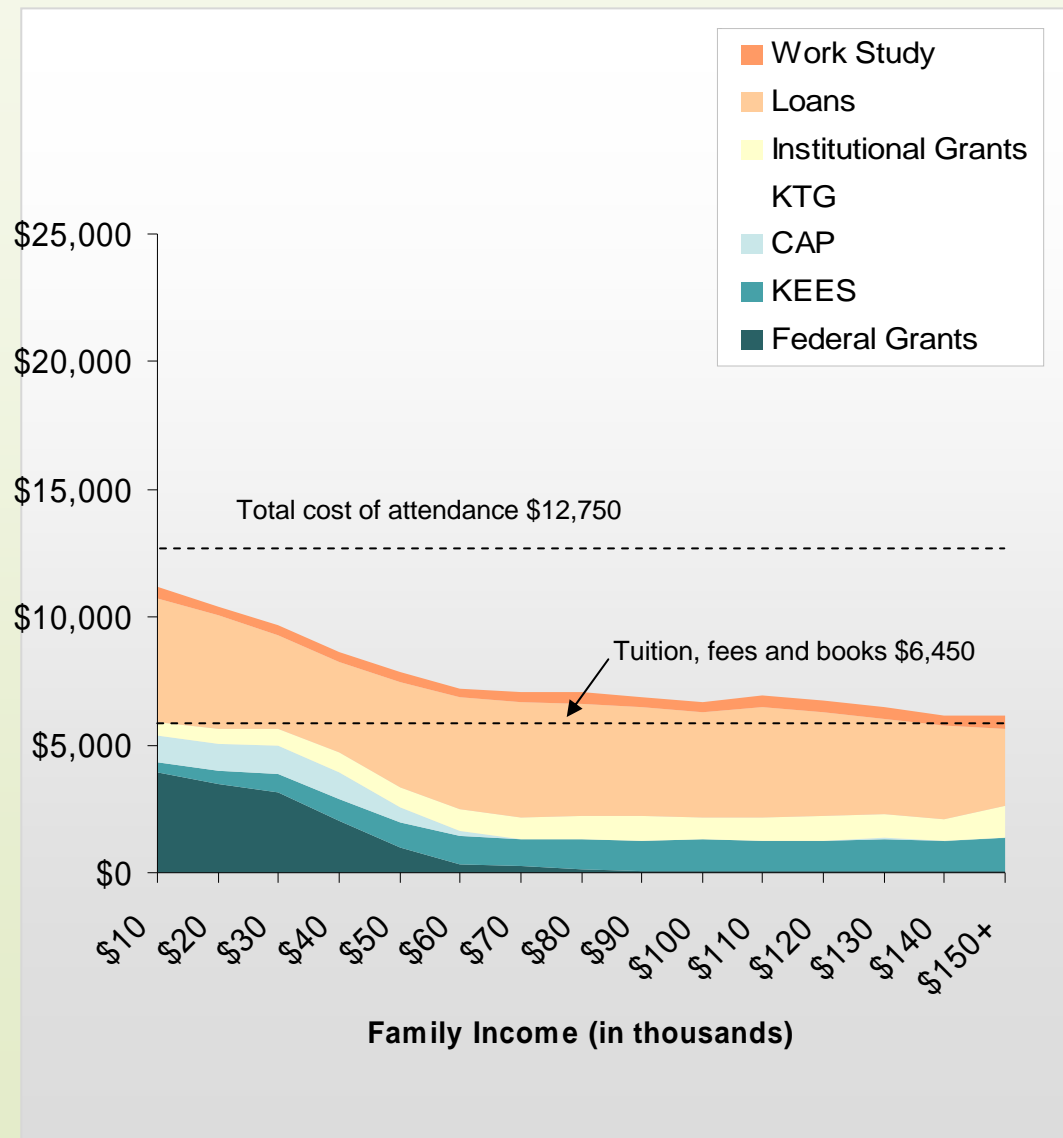
Data includes full-time, in-state undergraduates (FASFA filers)  
2005-06



## Comprehensive institutions

- ❖ Low out-of-pocket cost for low-income students
- ❖ Substantial loans

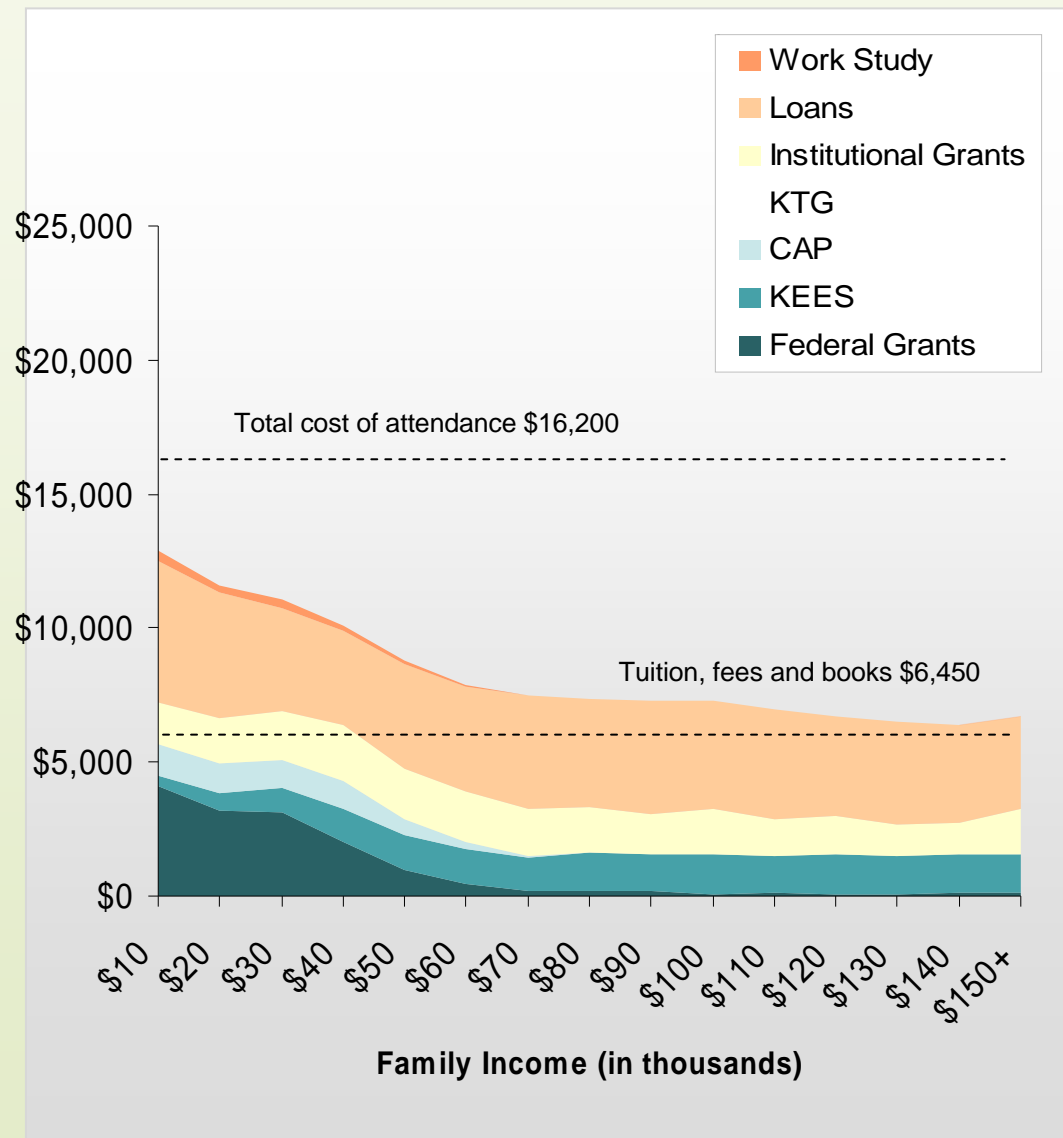
Data includes full-time, in-state undergraduates (FASFA filers) 2005-06



## Research institutions

- ❖ Larger COA gap than comps for low-income students
- ❖ Substantial loans
- ❖ More institutional grants

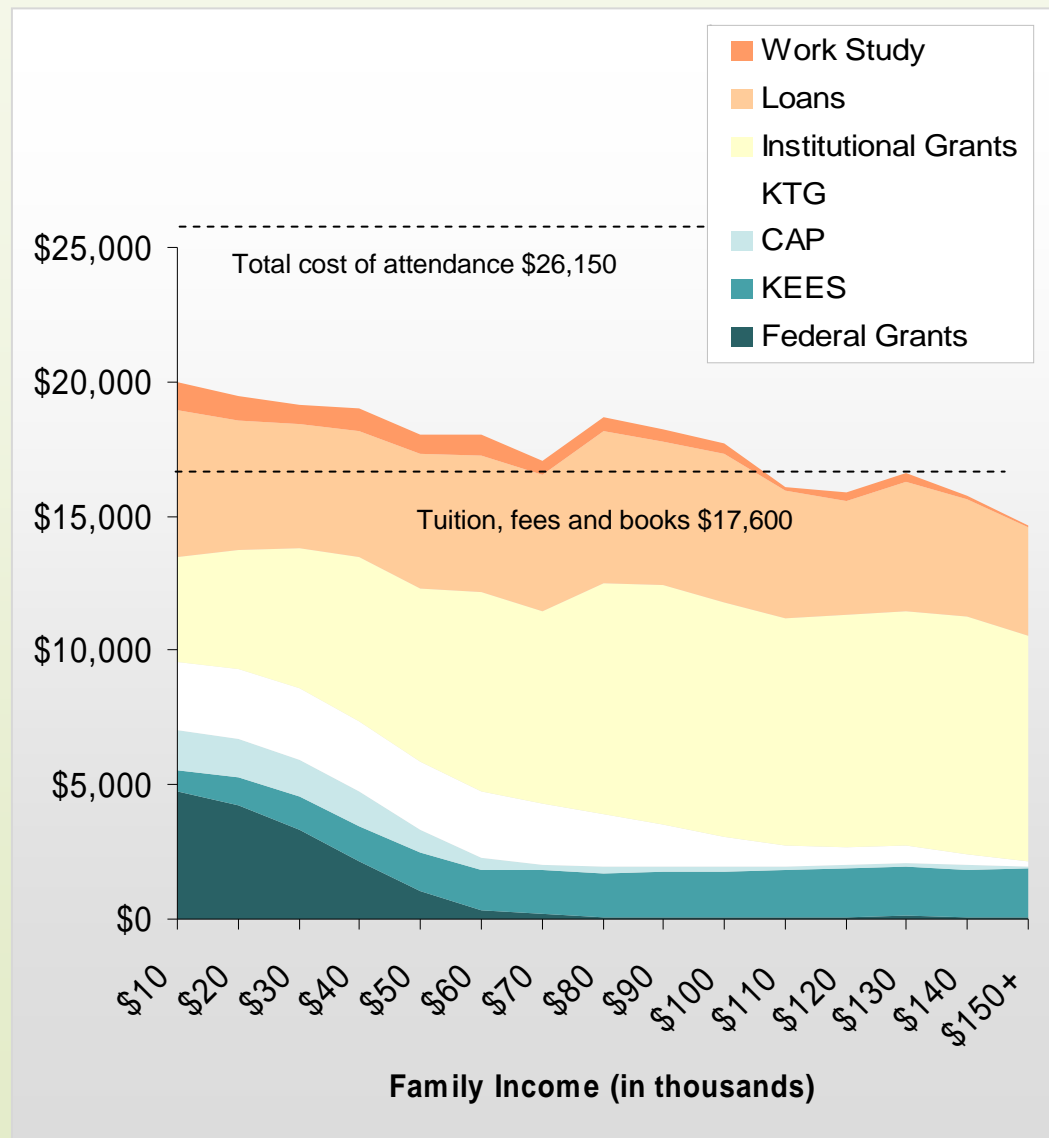
Data includes full-time, in-state undergraduates (FAFSA filers)  
2005-06



## Independent institutions

- ❖ Higher tuition raises COA
- ❖ High institutional grants
- ❖ Out-of-pocket cost for lowest-income students
- ❖ Not all institutions

Data includes full-time undergraduates, 2005-06  
(not all AIKCU institutions represented)



## Paying for college, differences by student type

### **Independent students**

- Lower incomes on average
  - Higher federal grant aid
  - Higher loan volume

### **Part-time students**

- Federal grants, loans primary sources of aid

### **FAFSA non-filers**

- Limited data (no income data)
- Aid from KEES and institutional grants
- Substantial out-of-pocket costs

## College Price and Financial Aid in Kentucky

- ❖ Total cost of attendance is where affordability concerns arise, not just tuition and fees, especially for low-income students
- ❖ Institutional grants are an important source of financial aid for students in the four-year sectors
- ❖ If KEES or institutional aid decrease, it has the same effect on cost to students as an increase in tuition
- ❖ There is a considerable reliance on loans in the four-year sectors that results in substantial debt for many students
- ❖ State and institutional grants are not targeted at low-income students
- ❖ Lack of state-level policy, goals and metrics makes evaluation of affordability difficult