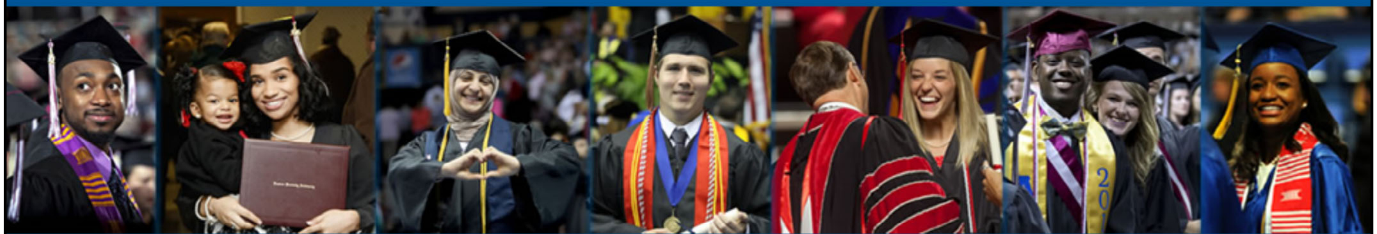


College Affordability and Student Debt

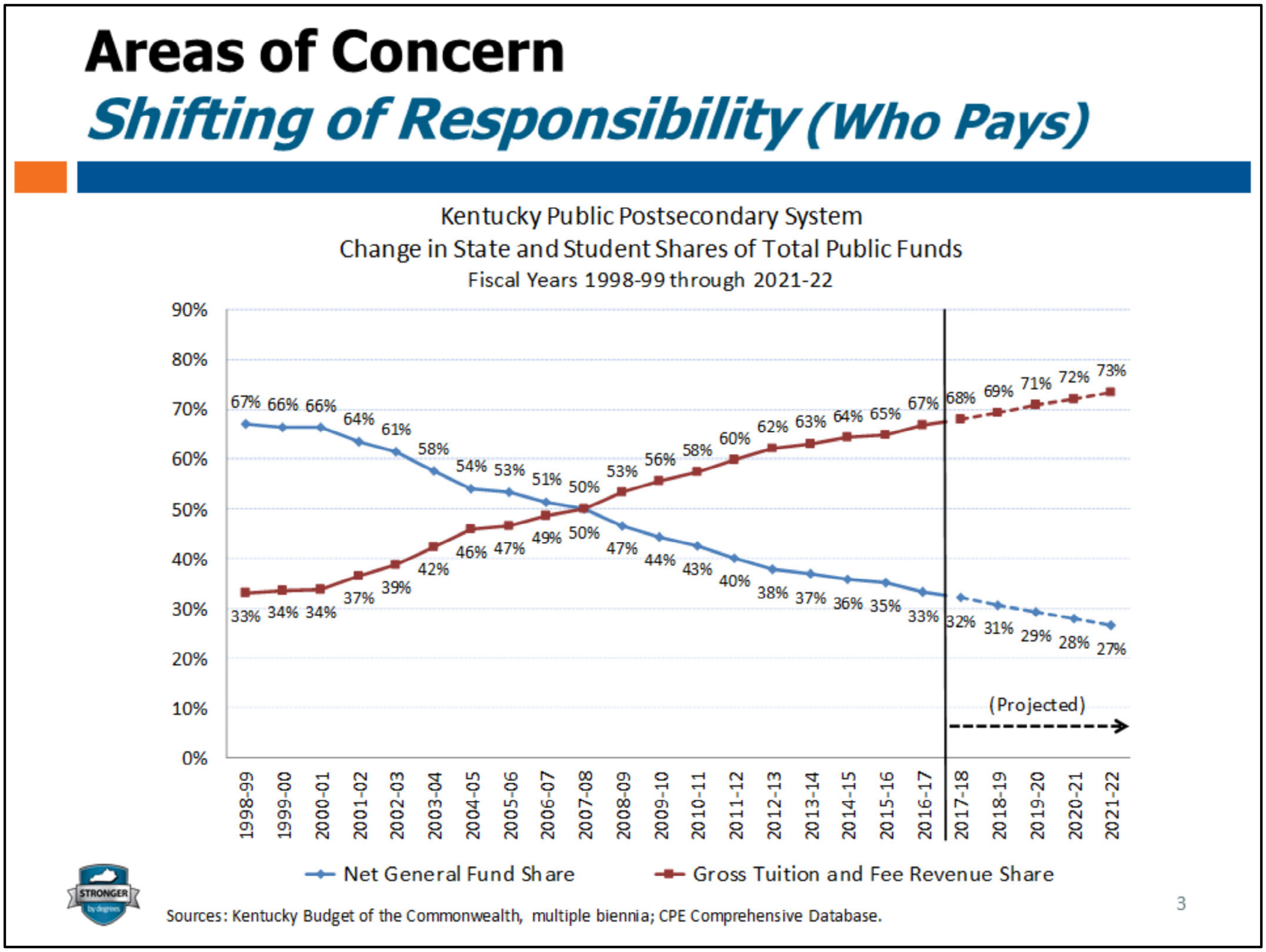
House A&R Committee Budget Review Subcommittee
on Postsecondary Education

Aaron Thompson, President
Kentucky Council on Postsecondary Education
February 14, 2019

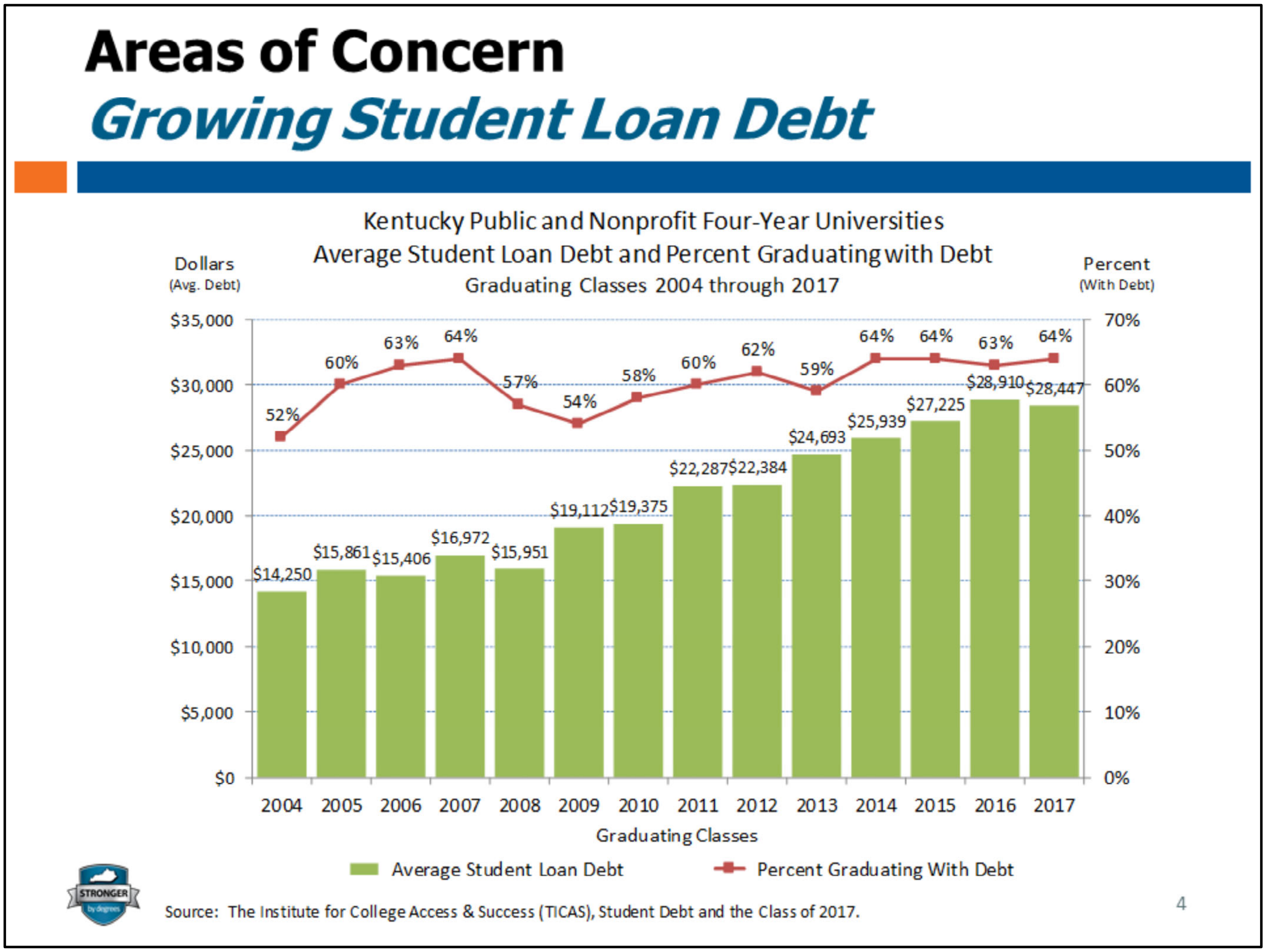
Kentucky Council on Postsecondary Education

Areas of Concern

- Since the early 2000s, responsibility for college costs has shifted from the state to students and families
- Average amount of student loan debt has been trending up since 2008
- Kentucky is one of a handful of states that has not begun reinvesting in postsecondary education
- Unless action is taken by the General Assembly, KERS contributions will increase by about 70% next year

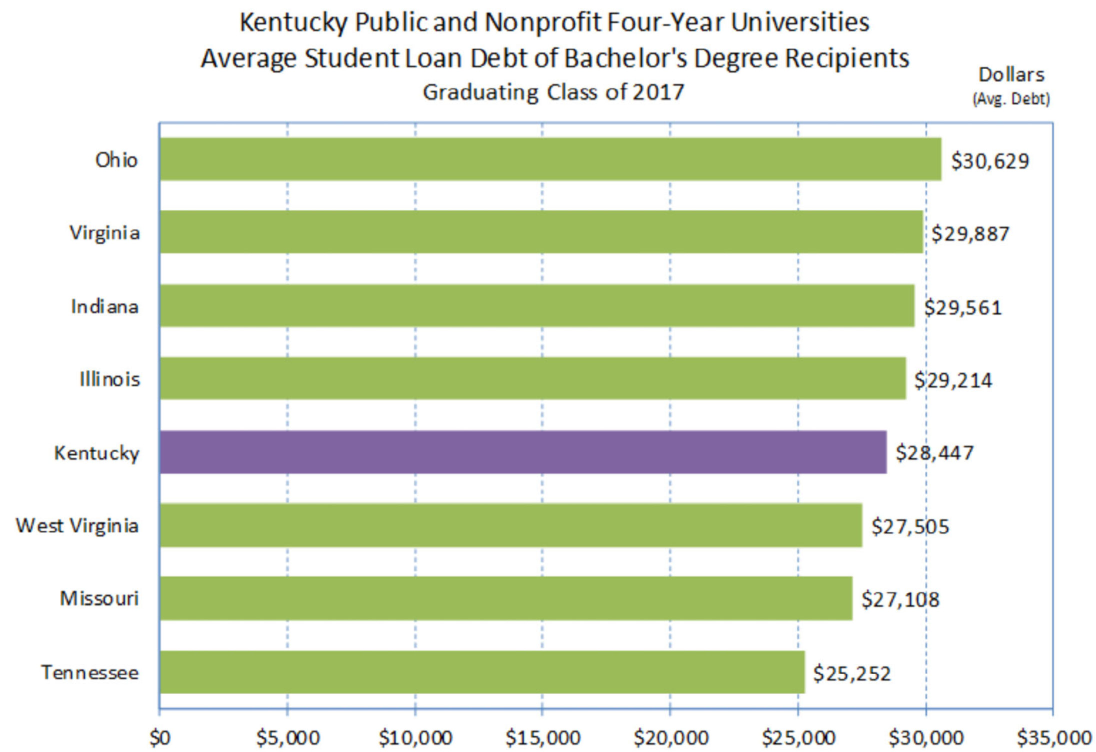


In the late 1990s, the stated provided two-thirds of the funding necessary to educate students, while one-third came from tuition and fee revenue. Eighteen years later, it is now reversed with gross tuition and fee revenue providing two-thirds and state funding covering one-third.



Since the onset of the recession in 2008, state funding cuts and tuition and fee increases, combined with slow growth of family median income, have contributed to an upward trend in average student loan debt. This trend is similar to what is happening in other states.

Areas of Concern
Regional Comparison of Loan Debt



Source: The Institute for College Access & Success (TICAS), Student Debt and the Class of 2017.

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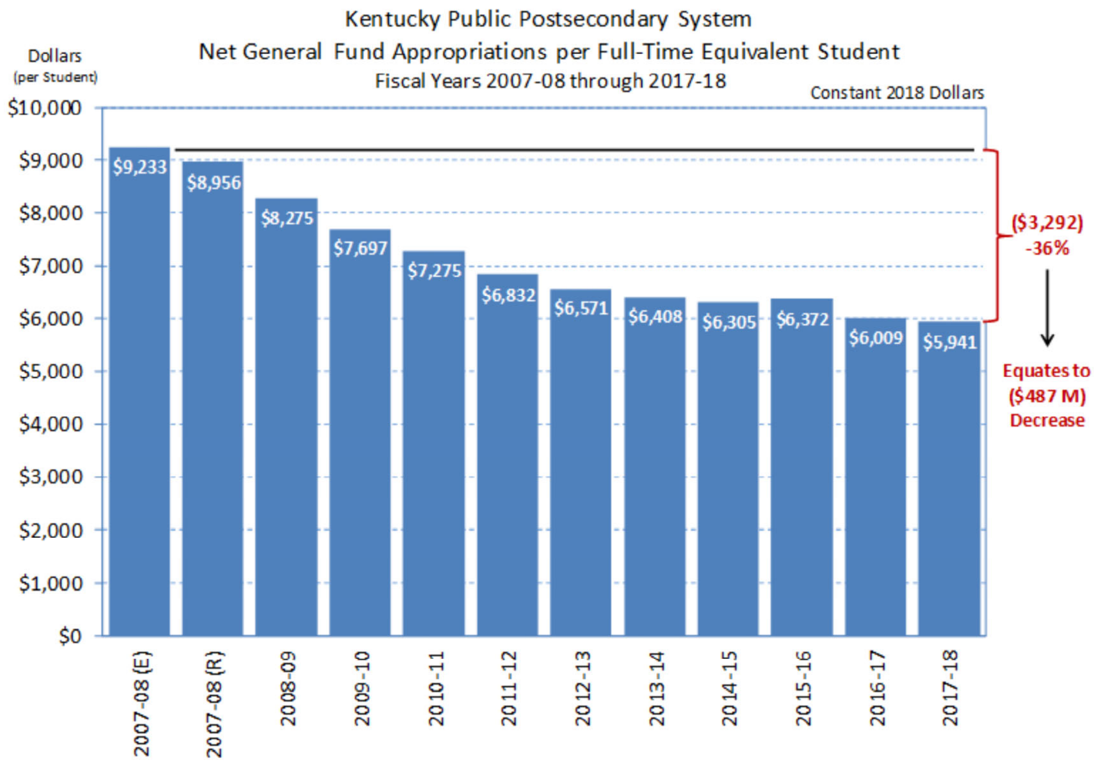
Prior to 2008, Kentucky public and nonprofit universities ranked in the bottom quintile of average student loan debt among bachelor-degree recipients and was considered a “low-debt state.” After an upward trend in student loan debt over the past eight years, Kentucky now ranks near the median both regionally and nationally. This shift stems from a combination of state funding cuts, rising tuition and fees, and slow growth in family income.

Areas of Concern
Decade of Funding Cuts



Sources: Kentucky Budgets of the Commonwealth; Commonfund Institute, Higher Education Price Index. (E) = Enacted; (R) = Revised.

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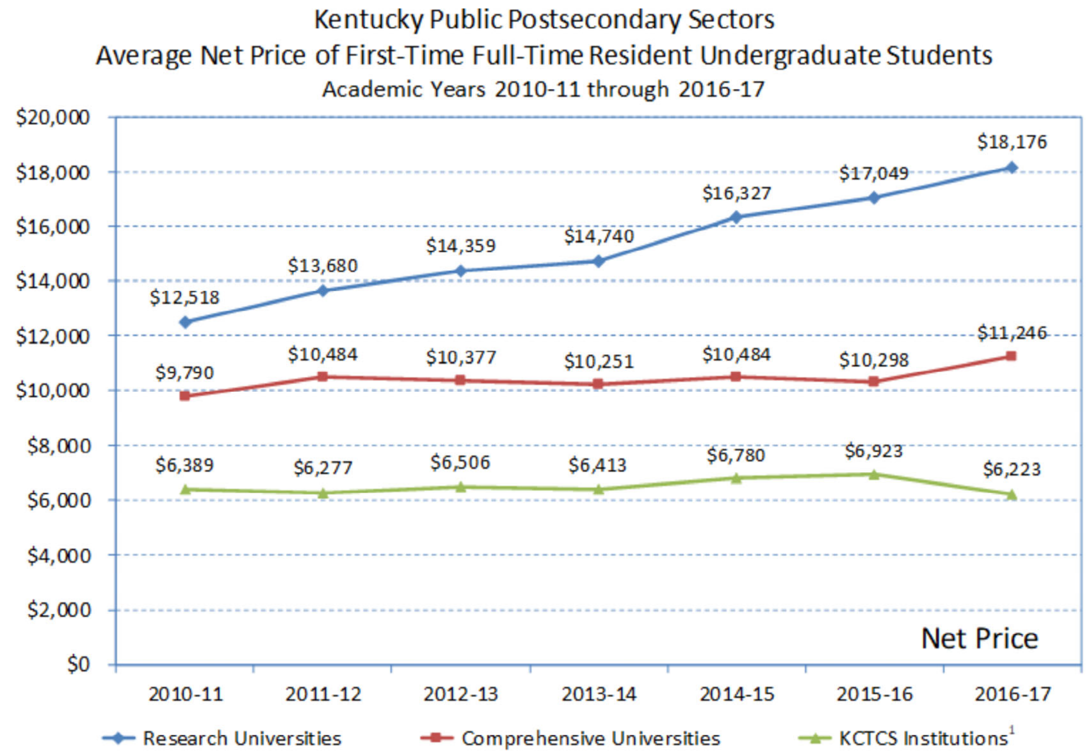
Kentucky public postsecondary institutions have sustained a decade of funding cuts, losing more than a third of general fund support per student (nearly $3,300 per student). This equates to a loss of $487 million after factoring in inflation and changes in enrollment. Approximately 70 percent of the loss in state funding was covered by increased tuition and fee revenue, with campus cost savings and efficiencies making up the remainder of lost revenue.

Areas of Concern
Out-of-Pocket Costs Trending Higher



Source: Integrated Postsecondary Education Data System (IPEDS).

[1] Includes housing and food costs imputed by US department of Education.

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Net price is defined by the total cost of college attendance (tuition and fees, room and board, and books) minus all forms of student aid grants and scholarships (federal, state and campus funded).

Over the past six years, the average net price of college attendance at comprehensive universities and KCTCS institutions has remained relatively flat, indicating that on average, growth in student financial aid (mostly from campus grants) has kept pace with the growth in total cost of attendance in these sectors.

In the research sector, the upward trend in average net price indicates that the growth in student aid has not kept pace with the growth in total cost of attendance.

Efforts to Maintain Affordability and Reduce Debt

- Every year since 2009-10, the Council has adopted tuition ceilings to limit increases
- Institutions have not been allowed to fully recover losses in state support and mandated cost increases
- Sizable state investment in student aid programs
- Institutions have increased funding for campus-based student aid
- Efforts to encourage timely completion, such as 15 to Finish and dual credit initiatives

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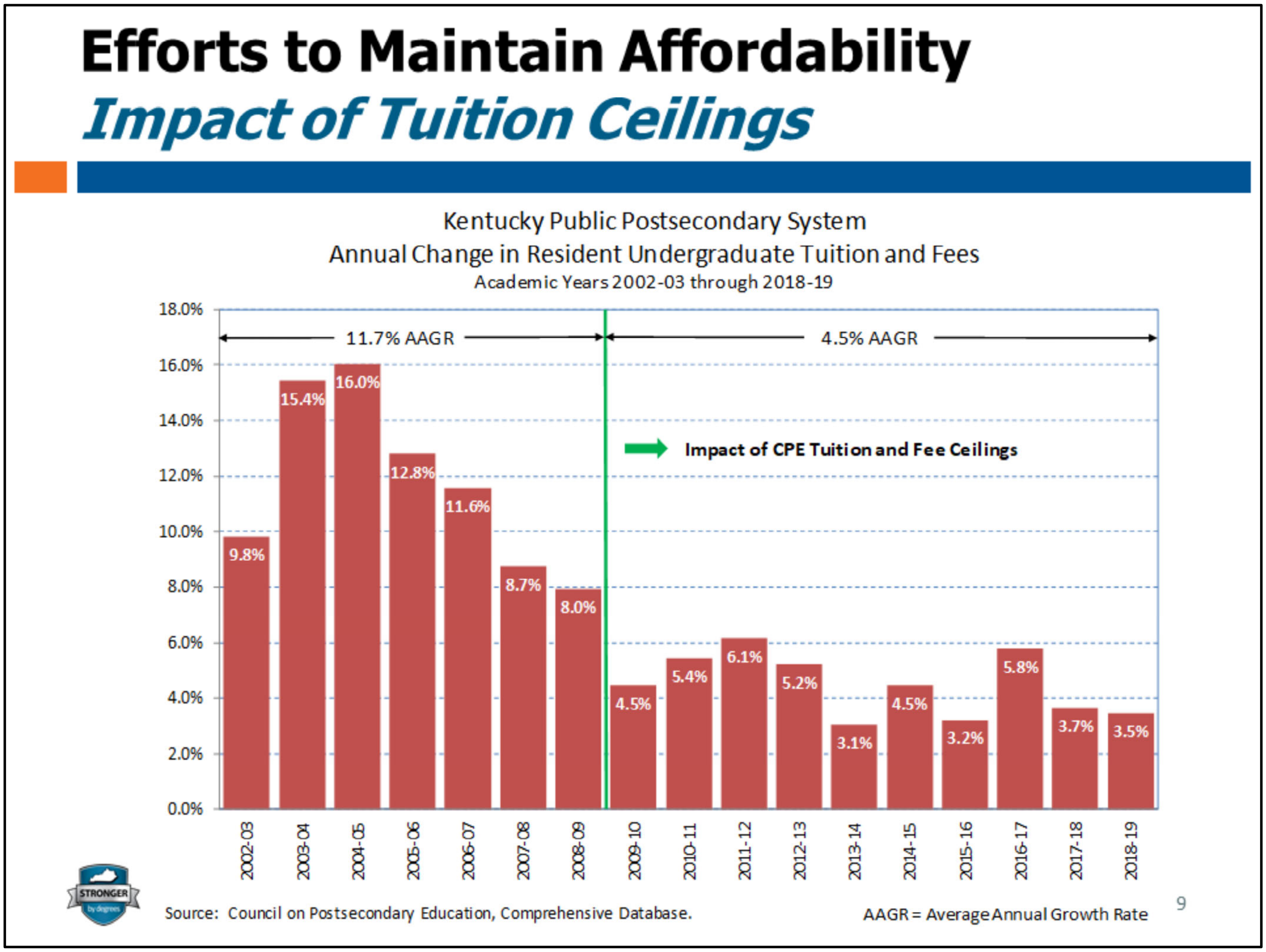
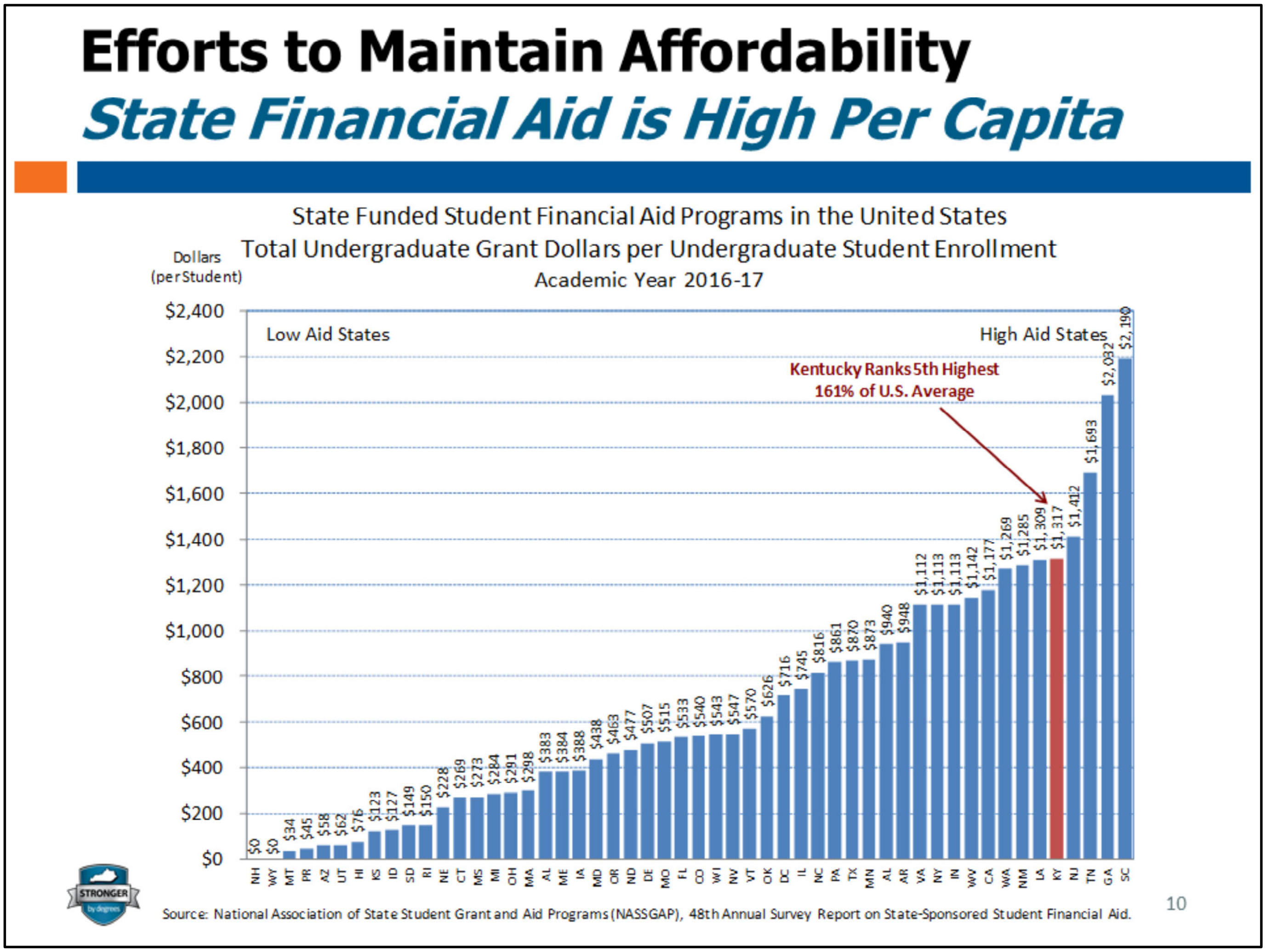
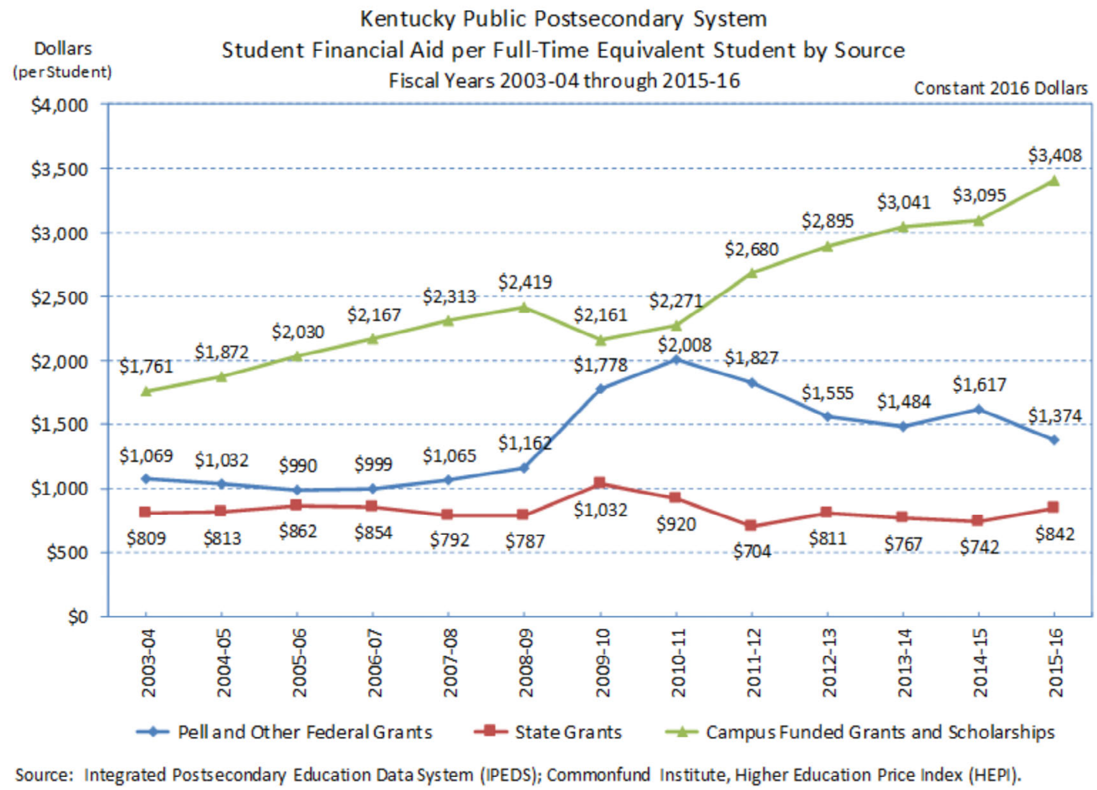


Over the past decade, the Council on Postsecondary Education began adopting annual tuition and fee ceilings, which cap increases in resident undergraduate tuition and fees. Since adoption of these ceilings, the average growth rate in tuition and fees for resident undergraduate students has been about 4 ½ percent a year. Ceilings facilitate increased predictability of student costs for students and their families, while moderating tuition and fees.



Kentucky enacted legislation in 1999 dedicating lottery proceeds to state-funded student financial aid programs. Once fully implemented and funded, Kentucky has consistently ranked in the upper quintile of state-funded student financial aid expenditures per capita, allowing it to be classified as a “high-aid” state. These expenditures, along with student aid from federal and institutional-aid sources, has allowed average net price of Kentucky colleges and universities to rank favorably compared to other states and in regional and national comparisons.

Efforts to Maintain Affordability
Campus-Based Aid is Growing



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Campus-funded student scholarships is the biggest source of student financial aid. This aid has increased 11 out of the past 12 years, while federal and state grants per student has remained relatively flat. In 2015-16, campus-funded grants per student exceeded both state and federal grants combined.

Solutions Going Forward

State Strategies to Improve Affordability

- Reinvest in postsecondary education, including institutional operations and asset preservation
- Work with KRS and campuses to address pension costs
- Support and expand state student aid programs (CAP, KTG, KEES, and Work Ready KY Scholarship), particularly those focused on needy students
- Encourage early college going through continued support of dual credit, AP, and other programs
- Continue to support career pathways in high-demand industries (e.g., healthcare, manufacturing, IT)

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Solutions Going Forward

CPE Strategies to Improve Affordability

- Manage tuition and fee growth rates
- Encourage increased transfer opportunities and early college going/dual credit to shorten time to degree
- Eliminate the cost and barrier of developmental education through new models such as co-requisite programs
- Promote on-time completion with strategies like *15 to Finish* and *Finish in Four*
- Expand financial literacy programs and loan transparency
- Support and promote strategies to ensure more students complete programs they start

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Solutions Going Forward

Campus Strategies to Improve Affordability

- Prioritize aid for students with financial need (e.g., UK LEADS, Murray Promise)
- Improve financial counseling and transparency about student debt and college costs
- Reserve financial aid for students with emergencies
- Develop innovative program models (e.g., competency-based education)
- Improve curricular pathways to support timely completion
- Continue cost savings and efficiency measures

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