



FAST FORWARD:
AFFORDABILITY IN FOCUS



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Last year 55,000 Degrees partnered with KentuckianaWorks to release Fast Forward, a report on the Louisville region's education and workforce ecosystems. In the report we laid out strategies that are key in accelerating the city's progress toward our goals and growing our educated workforce. We also identified potential obstacles and called for an all-hands-on deck effort in order to close the gap between current progress and the progress needed to reach our 2020 goal.

Our role in that effort is continuing to engage the community and helping start conversations that lead to impact in the community. This brief report, Affordability in Focus, is our way of doing that. This is the first in a series of issue briefs that 55,000 Degrees will release in 2016 designed to take a deeper dive into key issues raised in the Fast Forward report and summit. We hope that these briefs will spark dialogue and action to move us closer to our goal.

A MODERN PARADOX

A college education is essential in the 21st century.

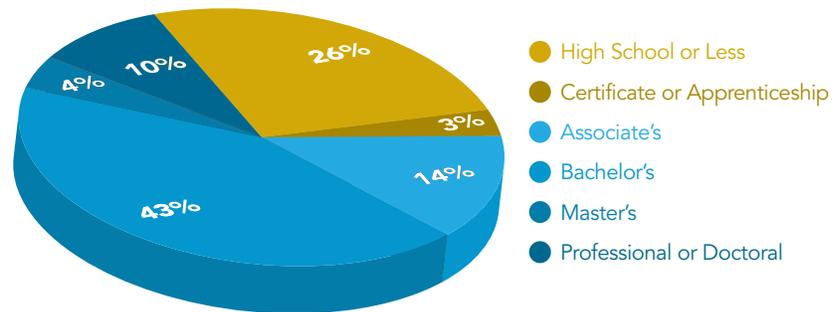
College is too expensive.

If both of these statements are true, as some data suggest, what is the impact on our community?

On the one hand, earning a degree or credential past high school has never been more critical. In Kentucky more than 60 percent of jobs will *require* a postsecondary degree by the year 2020¹. And right here in Louisville 75 percent of family-supporting jobs projected to be added over the next ten years will likely require some form of postsecondary education².

On the other hand, the price of earning a degree has never been higher. Nationally, the average tuition and fees charged by four-year public institutions have more than tripled in three decades. And in that same time tuition and fees at public two-year schools have more than doubled⁴.

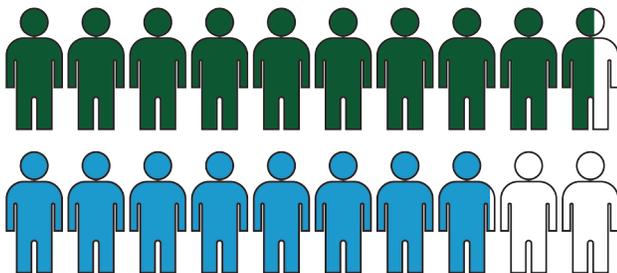
3/4 of New Family Supporting Jobs Will Require Postsecondary Education³



Students and families across the nation are feeling the tension between these two realities.

In a 2015 poll, 96 percent of Americans agreed that it is somewhat or very important to have a degree or professional certificate past high school. In that same survey, though, 79 percent of respondents said they don't believe education past high school is affordable for everybody in this country who needs it⁵.

Americans Think College is Important; Unaffordable for Some



9 in 10 Americans believe it's important to have education past high school

8 in 10 Americans don't believe education past high school is affordable for all who need it

That push and pull so many people are feeling, between the importance of college and its rising price, is hitting home. Last year, a Gallup Poll found that 73 percent of parents are anxious about how to pay

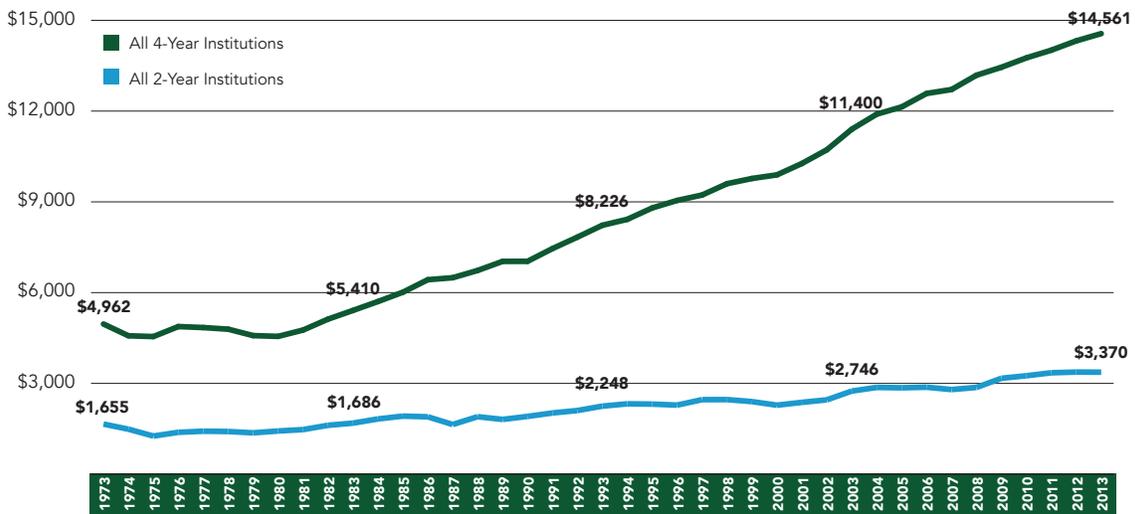
college tuition – making college costs their #1 financial concern, over retirement savings or unexpected medical bills⁶. And now, 60 percent of current college students say they are stressed about having enough money to pay for school⁷.

But how worried should people be? Is college really too expensive?

IS COLLEGE TOO EXPENSIVE?

Without a doubt the price of college, what institutions charge annually in tuition and mandatory fees, is higher than ever before. Since the mid-1970's average tuition and fees at four-year colleges in the US has risen 193 percent while the price at two-year schools has grown by more than 100 percent⁴. In fact, tuition rose so aggressively that in the last thirty years, the price of college has risen faster than other major goods categories like energy, food, housing, and medical care⁸.

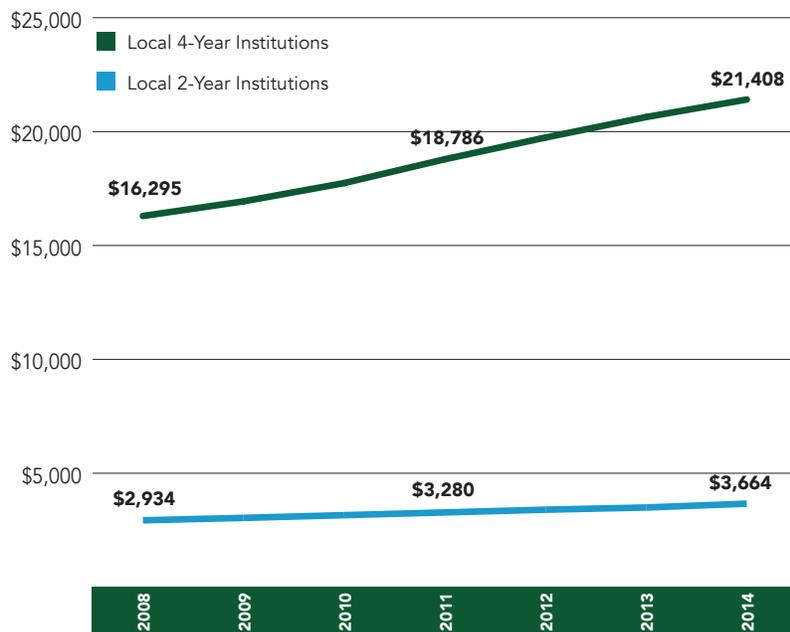
Sticker Price of College Rising for Decades



Average tuition and mandatory fees 2014 constant dollars for all 4-and 2-year institutions in the US, 1973-2013

Closer to home, the price of college has risen just as dramatically. Since the beginning of the recession in 2008, average in-state tuition and fees at Kentucky public institutions has risen by 32 percent⁹ – one of the largest increases in the nation.¹⁰ And the story has been similar here in Louisville with a 31 percent increase in average tuition and fees at our local four-year institutions and a 25 percent increase in the price of public two year colleges.¹¹

Sticker Price Rising Locally as Well



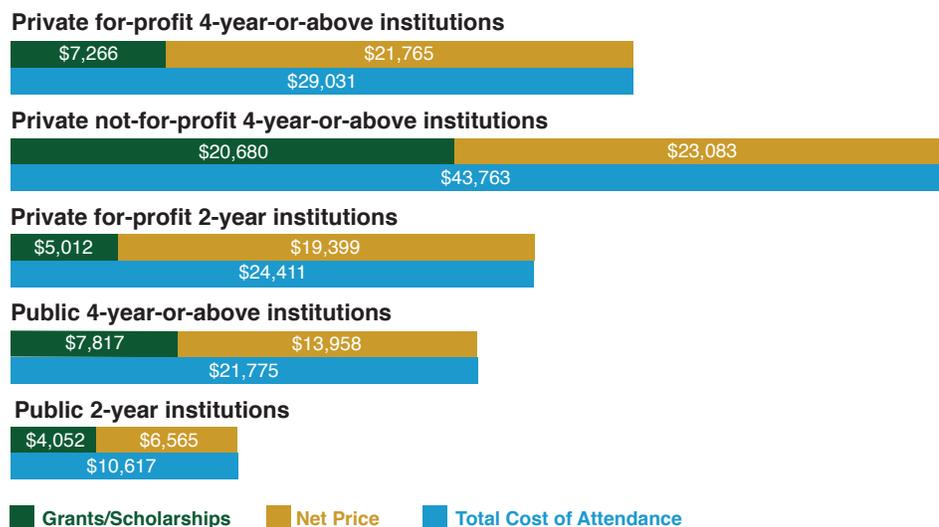
Average in-state tuition and mandatory fees for local 4-year non-profit institutions and 2-year public institutions

When looking at these numbers it becomes easy to understand why people are nervous and the answer to the question of whether college has become too expensive seems to be a resounding “yes!” But there are two important considerations to the answer. First, price matters only in the context of pay-off, and we discuss that later. But also, *price* is a very different thing than *cost*. The rise in tuition and fees represents only the “sticker price” of college, not the actual cost to students.

That distinction provides a more positive outlook.

A better way to measure the real cost of college to students is through “net price.” Essentially, this is what students pay once scholarships and grants are deducted from the total cost of attendance; which includes things like transportation, food, and housing costs as well as tuition and fees. By looking at net price, students and families get a better sense for the true cost of attending an institution.

Local Sticker Price Versus Net Price

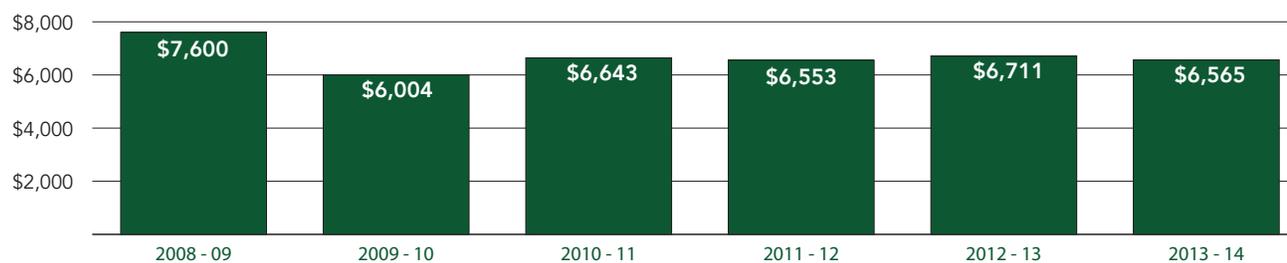


Annual Average Grants and Scholarships, Net Price, and Total Cost of Attendance at Local Institutions, 2014¹²

Looking at net price shows that, not only do affordable options still exist, but in some cases earning a degree has become even *more* affordable in recent years. In fact, thanks to increases in Federal Pell Grants, the average net price at local public two-year schools has actually gone down since 2008!¹³

So while the *sticker price* of college may be rising at an alarming rate, it is important to understand that tuition and fees are only a part of the total cost of attendance. Even more important, when looking at the whole picture, there are clearly still affordable options left for those wishing to pursue a postsecondary education.

Net Price Has Dropped at Local Two-Year Public Colleges



Average Net Price at local 2-year institutions, 2008 – 2013.

THE INVESTMENT STILL PAYS OFF

Let's be very clear. Even with the cost of college rising, a degree is, unequivocally, still worth the investment.

A recent analysis by the Federal Reserve Bank of New York showed that the wage premium of a college degree, that is the extra wages earned with a degree as compared to what someone could earn without one, is near an all-time high. Just in the last decade, even as the price of an undergraduate education has risen, the rate of return on investment (accounting for opportunity costs of enrollment) for both an associate and bachelor's degree has been about 15 percent.¹⁴

Even beyond the individual economic benefit, Kentuckians with a postsecondary degree tend to have higher rates of employment, lower rates of incarceration, improved health outcomes, and decreased reliance on public assistance programming.¹⁵

In very concrete terms the benefits of earning a degree still far outweigh the costs.

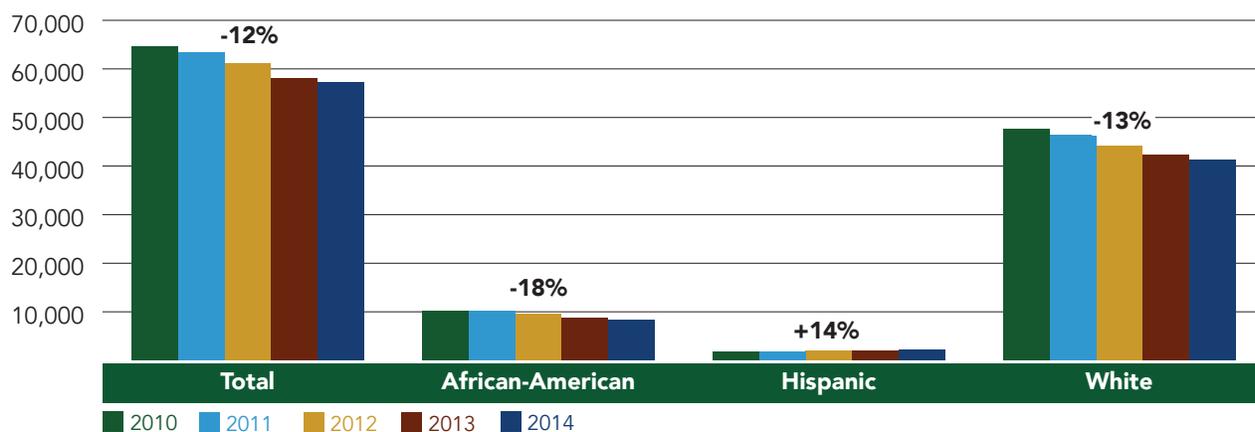
But how loudly is that message getting through?

IS THE MESSAGE GETTING THROUGH?

Unfortunately, it seems likely that the rising price of college – or at least the perception of it – has had an impact on college-going. We are seeing the effects of that right here at home. Since 2010, undergraduate enrollment at local postsecondary institutions has fallen by 12 percent which reversed a long upward trend in enrollment in our region and across the state of Kentucky.¹⁶

What is particularly concerning is that the declines are steepest among populations who have the most to gain from the wage premium of a college degree. In a time of rising inequality, postsecondary education is key to social mobility. It is extremely concerning, for example, to see that local African-American enrollment has dropped by 18 percent since 2010.¹⁶

Rising Costs Bring Lower Local Enrollment?



Fall undergraduate enrollment by race/ethnicity at local postsecondary institutions, 2010 - 2014

Without a doubt, other factors are at play and rising tuition cannot bear all the blame for enrollment declines. An improving economy, for example, brings more jobs and, traditionally, fewer people enrolled in community colleges¹⁷ where we have seen much of the drop off locally.

But as enrollments continue to shrink it is hard to imagine that the high cost of tuition isn't driving at least some potential students away.

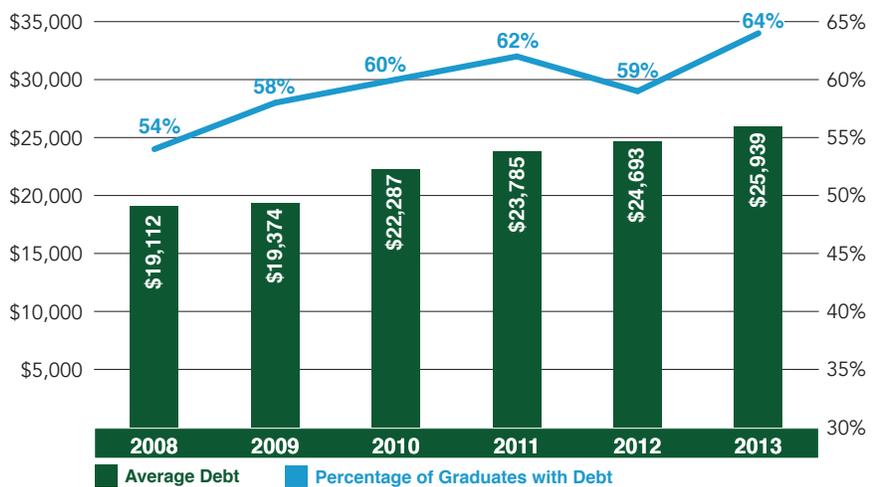
In an era in which higher education is a necessity to economic and social mobility and prosperity, losing even one student because they believe they can't afford a higher education should be deemed unacceptable.

HOW ARE STUDENTS AND FAMILIES ADAPTING?

Even as fewer students are enrolling, millions of people across the United States and tens of thousands in our community are pursuing a college education right now. With such a dramatic upswing in the price of college and stagnant wages¹⁸ not keeping up, how are they doing it? Part of the answer, increasingly, is through loans.

At four-year institutions in Kentucky more students are graduating with debt and with a larger amount of debt than ever before. Just in the five years of available data between 2008 and 2013 the average amount of graduates' debt increased by 36 percent. And in that same time the percent of graduates with loan debt went from just over one half to nearly two thirds.¹⁹

Loans are Bridging the Gap Across Kentucky



Average debt of baccalaureate graduates from Kentucky four-year universities and percent of graduates with debt

But are loans necessarily bad? Considering the myriad benefits and consistently high return on investment to a college degree, maybe a personal stake in that investment is justified. Today's students are less able to work their way through college than generations past²⁰, but they are still able to invest in their own education through many sources of financial aid; including loans. And as a recent report²¹ by the Kentucky Council on Postsecondary Education shows, the returns Kentucky graduates see on that investment tend to be enough so that they are able to meet repayment obligations; even early in their careers.

Whether loans are just a part of personal investment in one's own education or not, the burden of debt is taking its toll on many graduates. According to a recent national study, 63 percent of young Americans with student debt said their debt affected their ability to make larger purchases such as a car, 73 percent said they have put off saving for retirement and 75 percent indicated that student loan debt affected their decision or ability to purchase a home.²²

So as students are feeling the weight of the cost of college⁷ it is difficult not to view the rising price of a college education as a barrier to reaching goals; both for individuals and for our community.

THE BOTTOM LINE ON AFFORDABILITY

In *Fast Forward*, a report on workforce and education that we released jointly with KentuckianaWorks in December, we began by asking a simple question: “what does it take to support a family?” A very simplified version of our answer: good jobs. The reality is that the good jobs of the future will increasingly require training and education past high school. That is as true in Louisville as it is in the rest of the United States and it’s one of the many reasons that 55,000 Degrees continues to work toward a community goal of reaching 50 percent of our adult working-age population with an associate degree or higher by the year 2020.

In *Fast Forward* we not only laid out strategies to accelerate our progress toward that goal but we also identified barriers we would have to overcome along the way; including the cost of college. This brief is a way to start understanding how we might do that. What we have learned is this:

- The “sticker price” of college has risen dramatically and is affecting the reality and more importantly, the perception of postsecondary education as affordable.
- College can still be affordable. In fact, the average net price at local public two-year colleges has gone down since the start of the recession in 2008.
- College, now more than ever, is worth the investment. The jobs of the future will require postsecondary education to a larger and larger degree, in addition to the individual and societal benefits that come with a postsecondary degree.

We need more people, not fewer, enrolling in college. Not only do we need college-educated talent to fill the jobs of the future but we need more people to enjoy the benefits of earning a degree. Benefits of earning a degree like higher life time earnings, lower rates of unemployment and incarceration, better health outcomes, higher civic engagement, and greater social mobility don’t stay with the individual; they impact our communities and make them stronger.

THREE KEYS TO CLEARING THE HURDLE

The price and cost of college is currently a hurdle in the progress toward our community’s goals and, unfortunately, there is little reason to believe some of the troubling trends we report here will change in the near future. But that doesn’t mean there is nothing to be done.

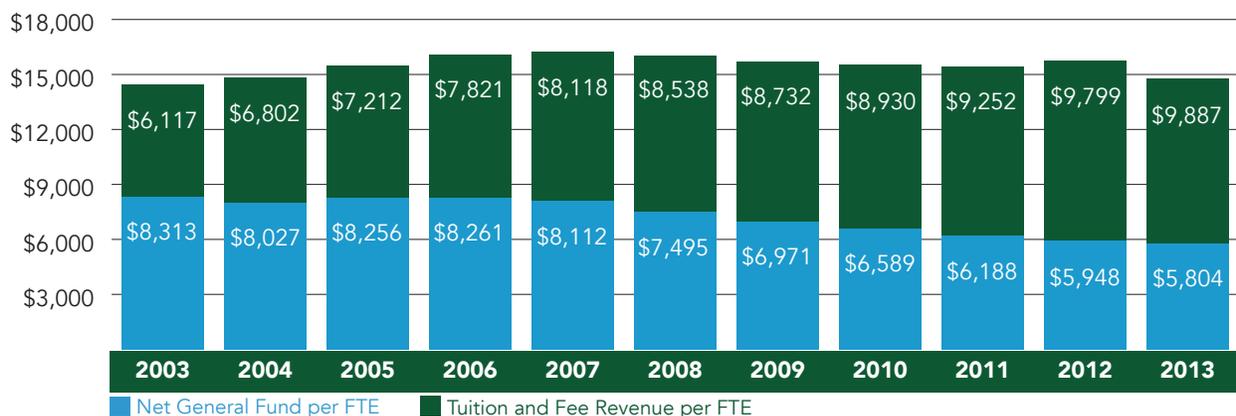
1. **INCREASE KNOWLEDGE AND AWARENESS** — Understanding college affordability is tricky at best and we have still only scratched the surface of it here. That is why community members, parents, friends, and even students should arm themselves with as much knowledge as possible about strategies to make college affordable.

A good place to start is the College Scorecard from the U.S. Department of Education where key data about costs, financial aid, debt, and earnings after graduation are reported for thousands of colleges. It also provides important performance data about colleges such as their graduation rate, which impact total cost of a degree. In Kentucky the Kentucky Higher Education Assistance Authority provides a wealth of resources for financing college. Other sources of information like the Kentucky Center for Education and Workforce Statistics and KentuckianaWorks can help map majors to possible careers and assist students in making more informed decisions, weighing cost and debt vs likely salary.

We also need better mentoring and college and career coaching at the secondary and postsecondary levels. Those of us who have navigated college must also be better teachers. Students should know what it will take to pay for college and what they can expect when they finish their degree. Financing a college education is not easy and, with the mixed messages they receive, families need all the help they can get in navigating the terrain.

2. **DEMAND BOTH INVESTMENT AND CURTAILMENT OF COST INCREASES** — An undeniable, if politically sensitive, fact is that states have pulled back their investment in higher education in recent years. Kentucky, for example, has cut its spending per student by 28 percent since 2008²³ and is one of only three states in the US to continue doing so in each of the last two years.¹⁰ This has had a direct impact on institutions and has shifted the burden of investment away from the state and onto individuals and families. Just look in the graph below how this shift has taken place in Kentucky – students and not the state are now providing the lion’s share of institutional revenue, per full-time equivalent student (FTE).²³ If we believe that higher education is truly the path to prosperity for our community then we should demand that our state support those goals through investment and not continue the deep cuts that have already rocked our system.

Kentucky is Pulling Back and Students are Stepping Up



Tuition revenue and net general fund per full-time equivalent student, Kentucky Public Postsecondary Education System

Shrinking state investments, however, are not the only driver of rising costs. Higher education institutions themselves bear some of the burden. Whether it’s the rise in the number of administrators on campus²⁴, higher executive salaries²⁵, the boom in campus improvements²⁶, or simply a reaction to the availability of more federal dollars²⁷, institutions themselves have played a role in rising tuition. Public policy solutions, like the performance funding conversations happening now in Kentucky, will likely play a role in reining in costs. Innovations like the online competency-based education programs being offered through Commonwealth College and promising new uses of predictive analytics being seen at institutions across the country could be helpful tools in reversing the trend. But as we demand more investment from the state, we should also be honest in demanding that our higher education institutions acknowledge their role in this challenge, work to increase their efficiency, and do what is in their power to offer an affordable education.

3. **PULL TOGETHER AS A COMMUNITY** — At 55,000 Degrees we have been looking for options to address the growing concern over the cost of college. This has included exploring promise scholarships and other “free college” options. It has also included the development of Degrees Work which was designed to help adults navigate and return to school while taking advantage of and getting credit for their wealth of experiences. We have had discussions about expanded dual credit and apprenticeship options and promoting existing programs like Metropolitan College, Rotary Promise Scholarships, and the Family Scholar House. Most recently we met with Say Yes to Education, an organization which provides promise scholarships to local high school graduates in addition to a host of wrap-around student services, to explore the possibility of Louisville becoming the next Say Yes city. This would mean that each one of our local public high school graduates would have the opportunity to have tuition fully covered at participating colleges to which they are admitted.

These processes are long and difficult but our community needs “game-changers” and a true community effort can make this a reality. Just as we need an all-hands-on-deck-effort to continue pushing for greater access and better outcomes for all the students in our community we need to work together to eliminate the barrier of cost for our students of today and our students still to come.

If you are interested in joining this discussion or learning more about 55,000 Degrees please visit our website www.55000degrees.org and make a Count Me In! pledge to show your commitment to this cause!

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