

Schreyer Honors College External Advisory Board and
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The Great Recession and College Access

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PENNSTATE



COLLEGE *of* EDUCATION

CENTER FOR THE STUDY OF HIGHER EDUCATION

Impact of the recession on higher education - national

- Tuition prices are up, family incomes and assets are flat or down
- While maximum Pell Grant was raised last year, it was less than the increase in COA at both public (\$849) and private (\$1,473) universities
 - No increase in Pell Grants this year
- State funding for higher education has decreased
 - ↓1% last year, including stimulus funds
- Endowments have risen two years in a row (FY 2009 & 2010)
- Furloughs, layoffs, cutbacks at many higher education institutions
- Demand for higher education continues to rise

State funding for higher education, FY 2009-2011

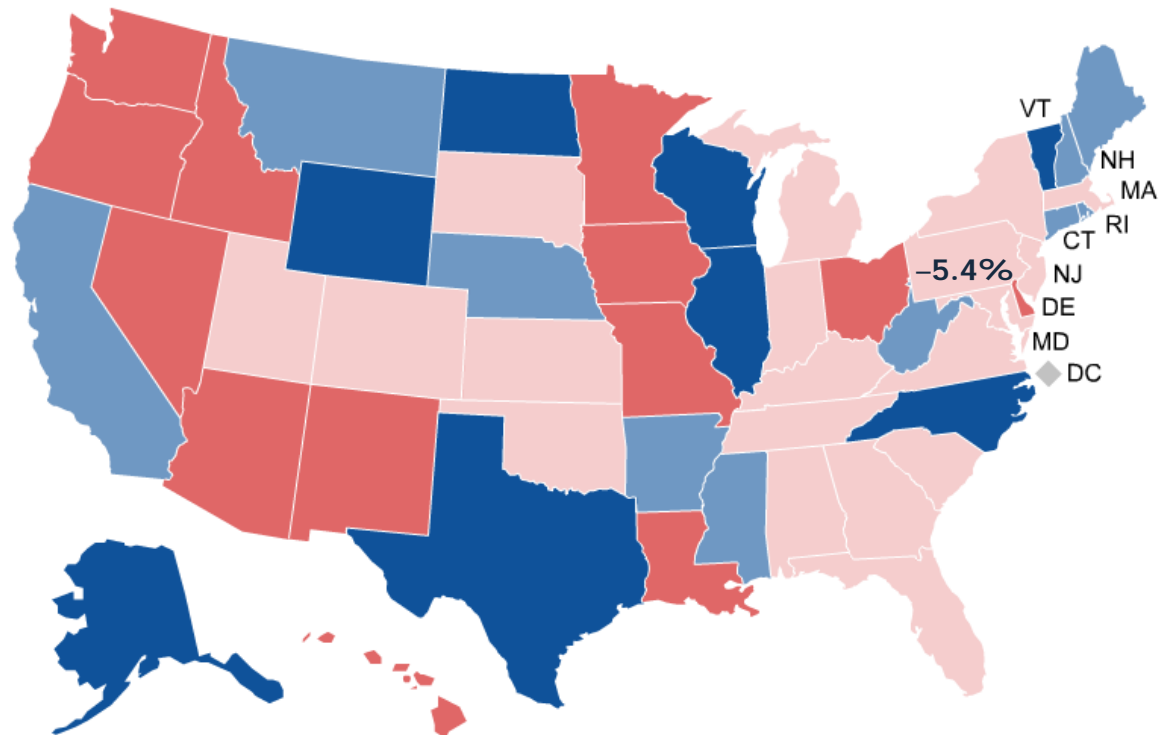
Changes in State Financing for Higher Education



[Interactive Map](#)

State support for higher education continued to drop into the 2011 fiscal year.

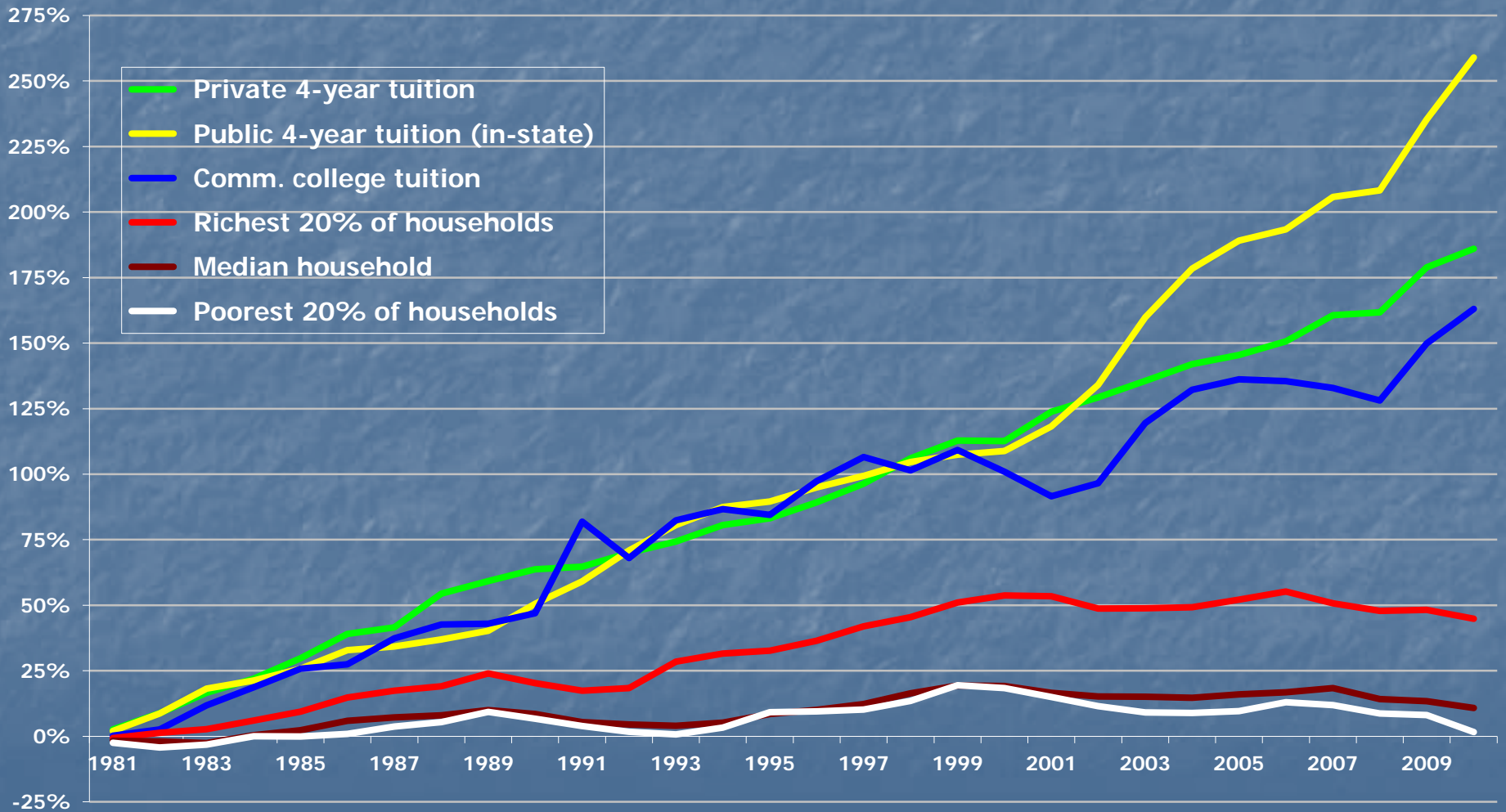
Penn State's appropriation cut 20% in FY 2012



SOURCE: 'Grapevine' annual survey, Illinois State U. and State Higher Education Executive Officers

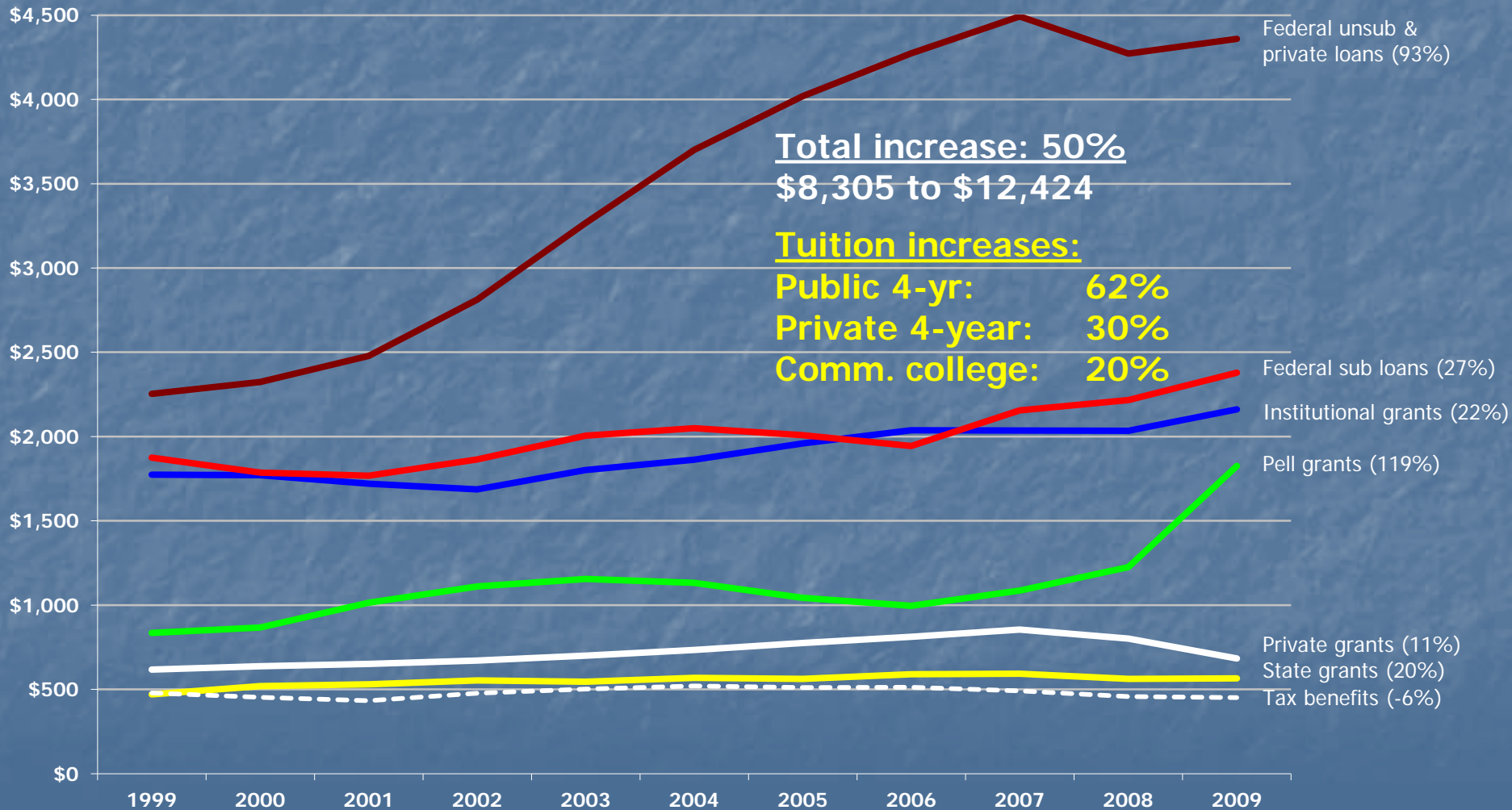
Changes in tuition prices and income

Increase since 1980, constant dollars



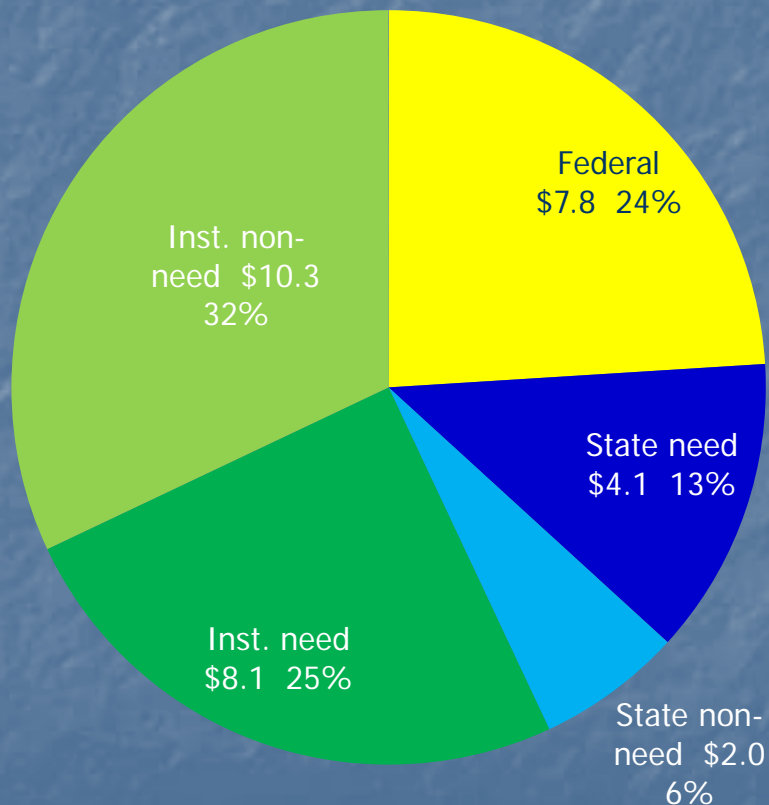
Financial aid trends

Financial aid by source per FTE undergraduate, constant dollars

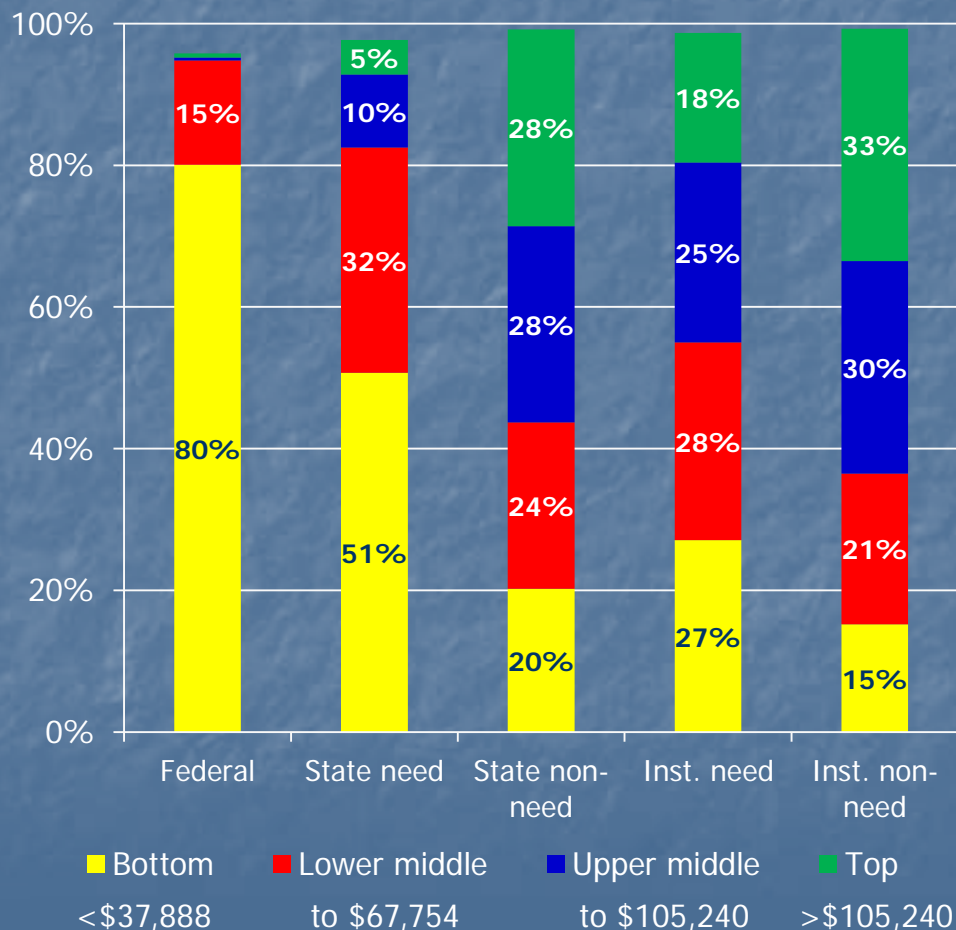


Grant aid to undergraduate students

Source and type of grant aid
(dollars in billions)



Distribution by income quartile



What does the research tell us about college access?

- Tuition prices and financial aid are most influential on the *college entry* decisions of lower-income students
- Lower-income students are more responsive to tuition changes than changes in aid awards
- Higher-income students are largely unresponsive to aid in terms of college entry, but can be influenced in terms of *college choice*
- Grants are more influential than loans
- Loans are most effective in influencing choice, rather than access
- Tuition prices and financial aid influence initial college-going decisions more than persistence
- Merit aid is awarded disproportionately to students from wealthier families because of the criteria used
- **Access and completion is a complicated interplay of finances, academic preparation, and sociocultural factors**

The interplay of financial and academic barriers

1992 high school graduates attending college by 1994

1992 high school graduates earning a bachelor's degree by 2000

Socioeconomic Status Quartile
(composite of parental education, income, and occupation)

	Lowest	Highest
Lowest	36% 7%	77% 27%
Highest	78% 43%	97% 77%

Achievement
Quartile

(8th grade reading & math)

Top 10 reasons for rising tuition prices

10. Labor intensive and inability/unwillingness to substitute capital for labor
9. Highly-skilled, well-compensated labor
8. Expensive benefits packages
7. Expensive and expansive physical plant
6. Highly competitive industry driven by perceptions of quality, not price, with poor consumer information
5. Broadening participation to new populations
4. State and federal regulation
3. Unwillingness to compromise quality
2. The "Chivas Regal" effect
and the number one reason for increasing tuition prices. . .
- 1. Strong demand for higher education**

Dealing with the fiscal crisis – typical responses

- Layoffs and furloughs
- Hiring freezes
- Salary freezes
- Use more adjuncts

- Increase tuition
- Cut financial aid
- Increase enrollment
- Fund raising
- **Erode access – more full-pay students**

The Box

- “Belt tightening”
- Across-the-board cuts
- Program review and elimination

What will the future hold?

?

<http://www.personal.psu.edu/deh29>

Thinking outside the box – for higher education broadly

- Tuition strategies
 - Lower division/upper division differentials
 - Program-based tuition
 - Salary-based tuition
- Financial aid strategies
 - Front loading grants vs. loans
 - Stop discounting wealthy students at high-demand institutions
 - Convert merit scholarships to loan forgiveness programs
 - Tie eligibility for federal Title IV funds to institutional aid practices
 - Reform formula for campus-based Title IV programs
 - Increase borrowing limits in Title IV programs

Thinking outside the box – for higher education broadly

■ Cost strategies

- Department consolidation
- Stop the amenities arms race
- Partner with other local institutions for common services
- Cut back on overly-generous benefits
- Examine executive pay and benefits
- Retirement incentives
- Strategic hiring

■ Revenue strategies

- Increase endowment payout rates
- Reduce tuition discounting