

Understanding College Affordability

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Prichard Committee for Academic Excellence
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Defining affordability

- Expensive vs. unaffordable
- No single measure such as annual tuition / median income
- Not just about how much money you have in your pocket
- Resources before, during, and after college
- A better question: Is it worth it?
- **Urban Institute website: collegeaffordability.urban.org**

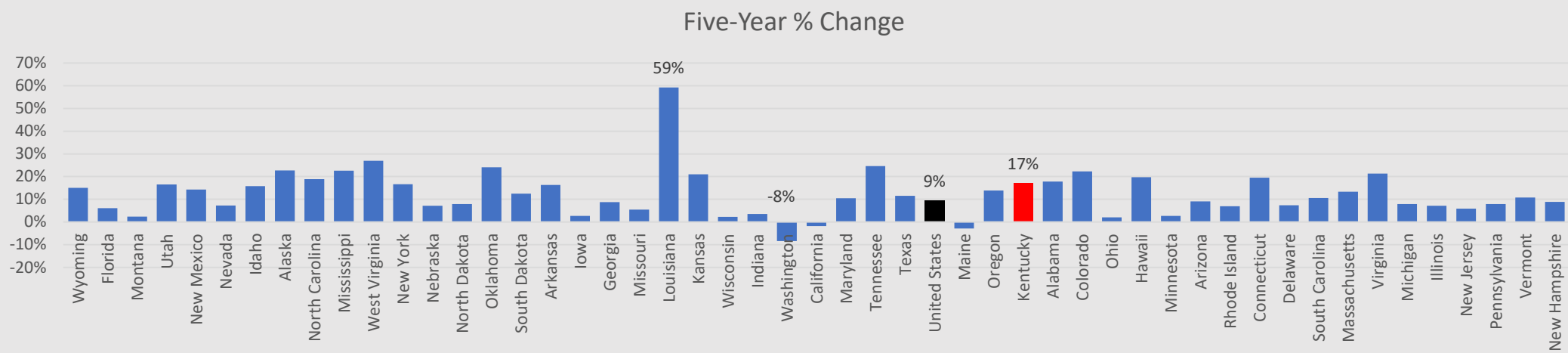
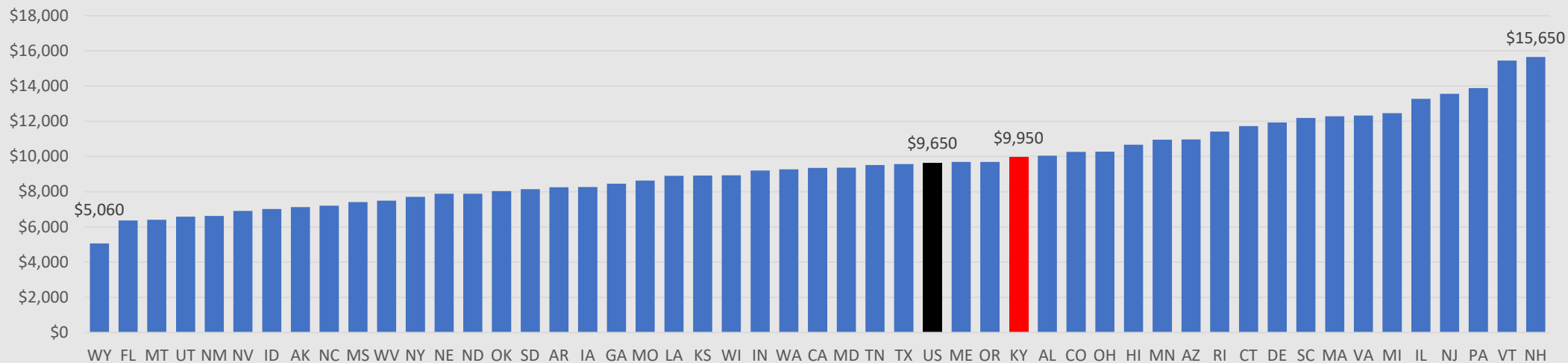
Focus on the student

- Some students receive a subsidy from parents.
- Other students depend on subsidies from other sources.
- Will long-term standard of living be higher after paying for college?

Defining expenses and resources

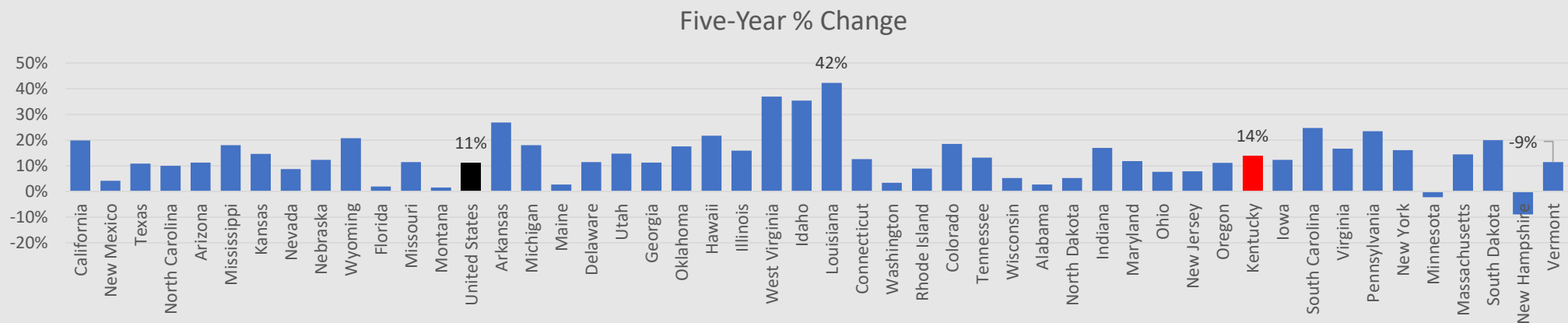
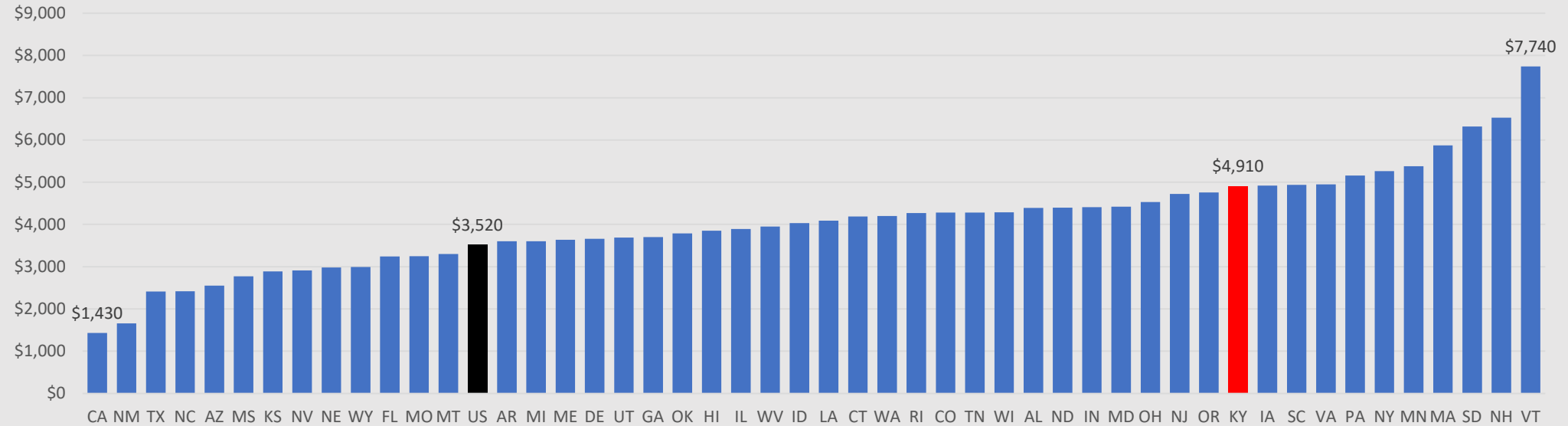
- Tuition and fees
 - Books and supplies
 - Living expenses
 - Foregone wages
 - Which postsecondary options?
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- Income (past, present, future) and assets
 - Subsidies available (including parents)
 - Future earnings

Average published tuition & fees, public 4-year colleges, 2016-17



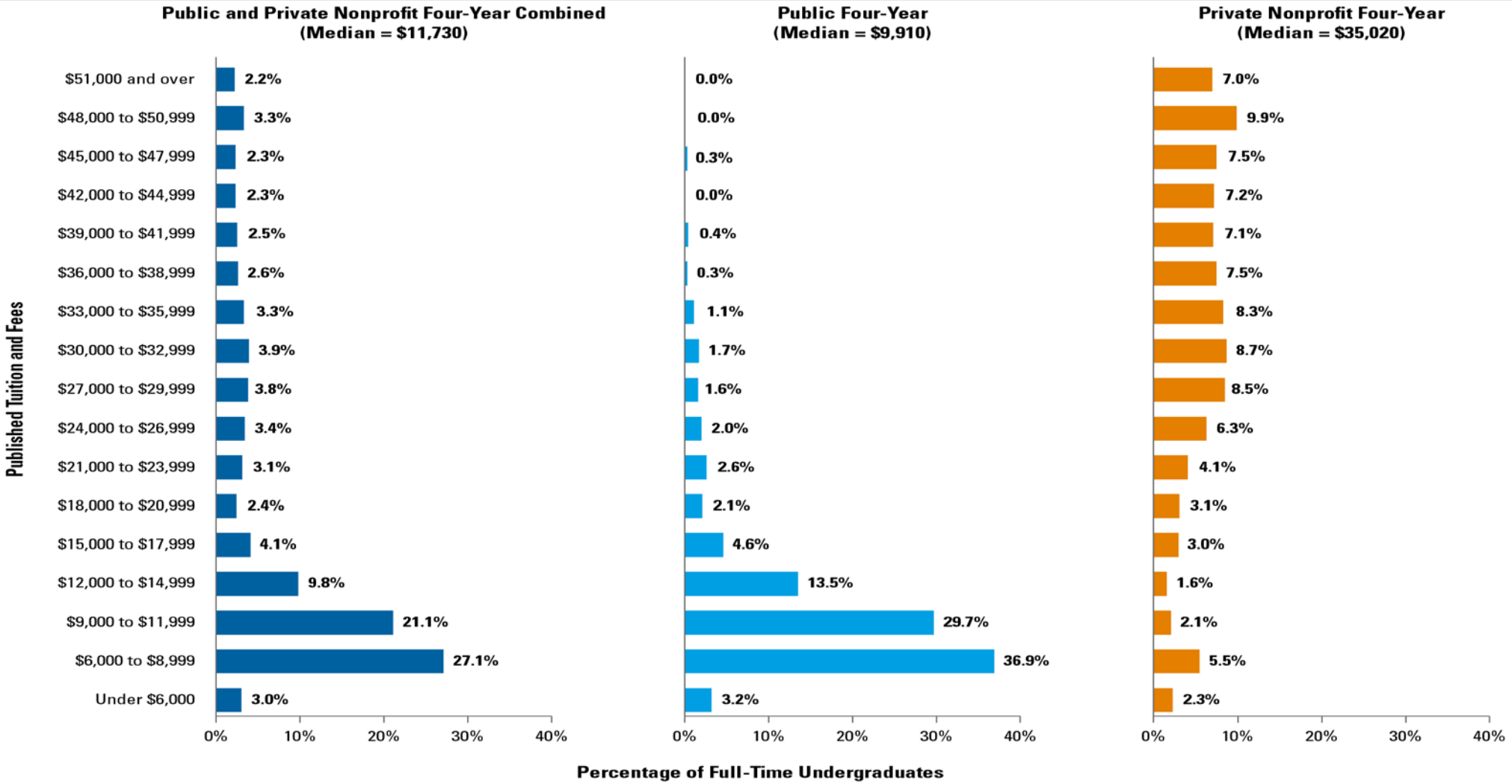
Source: Ma et al, *Trends in College Pricing 2016*, The College Board, Figure 7

Average published tuition & fees, public 2-year colleges, 2016-17



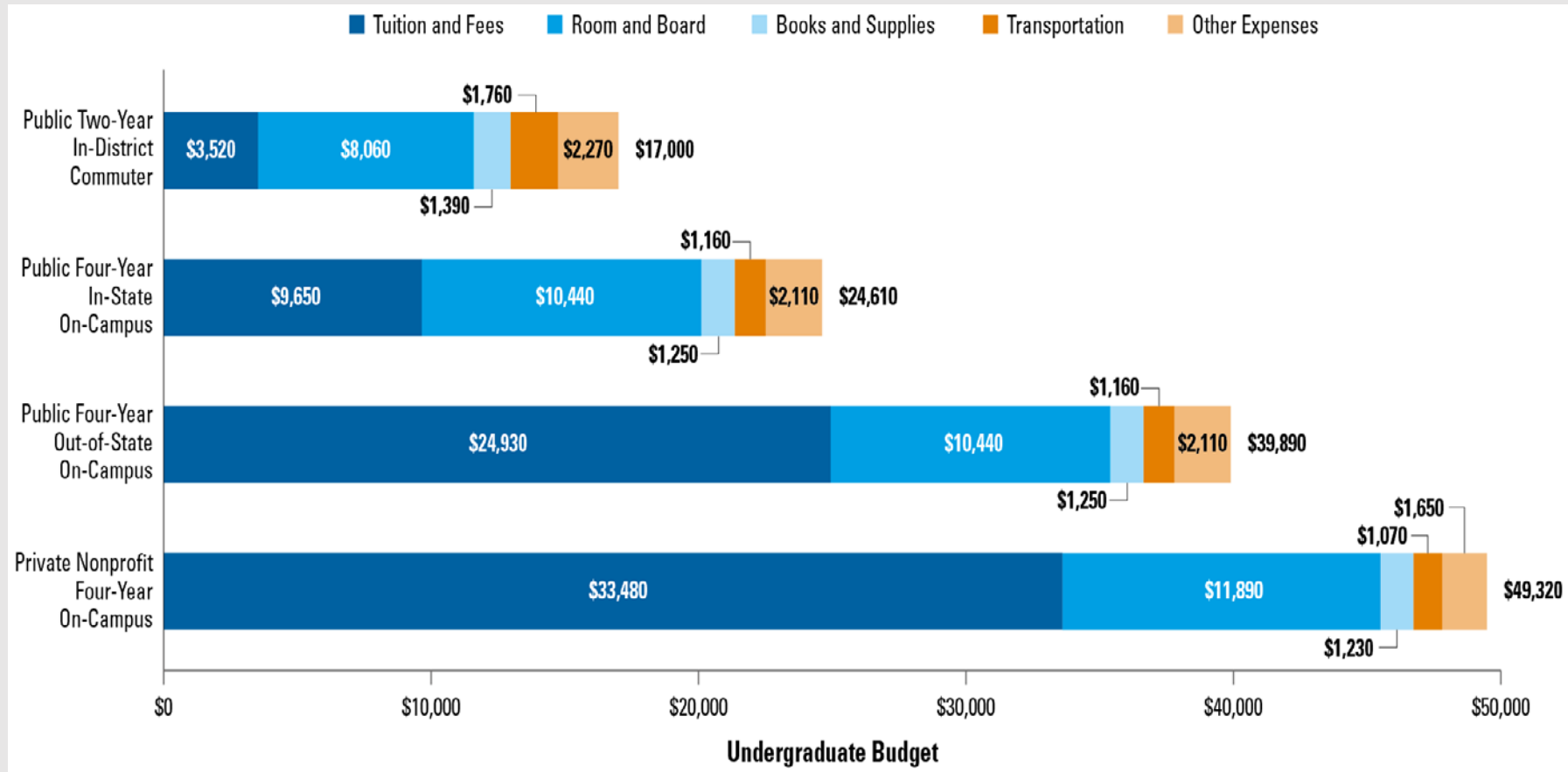
Source: Ma et al, *Trends in College Pricing 2016*, The College Board, Figure 6

Distribution of full-time undergraduates at 4-year institutions by published tuition & fees, 2016-17



Source: Ma et al, *Trends in College Pricing 2016*, The College Board, Figure 3

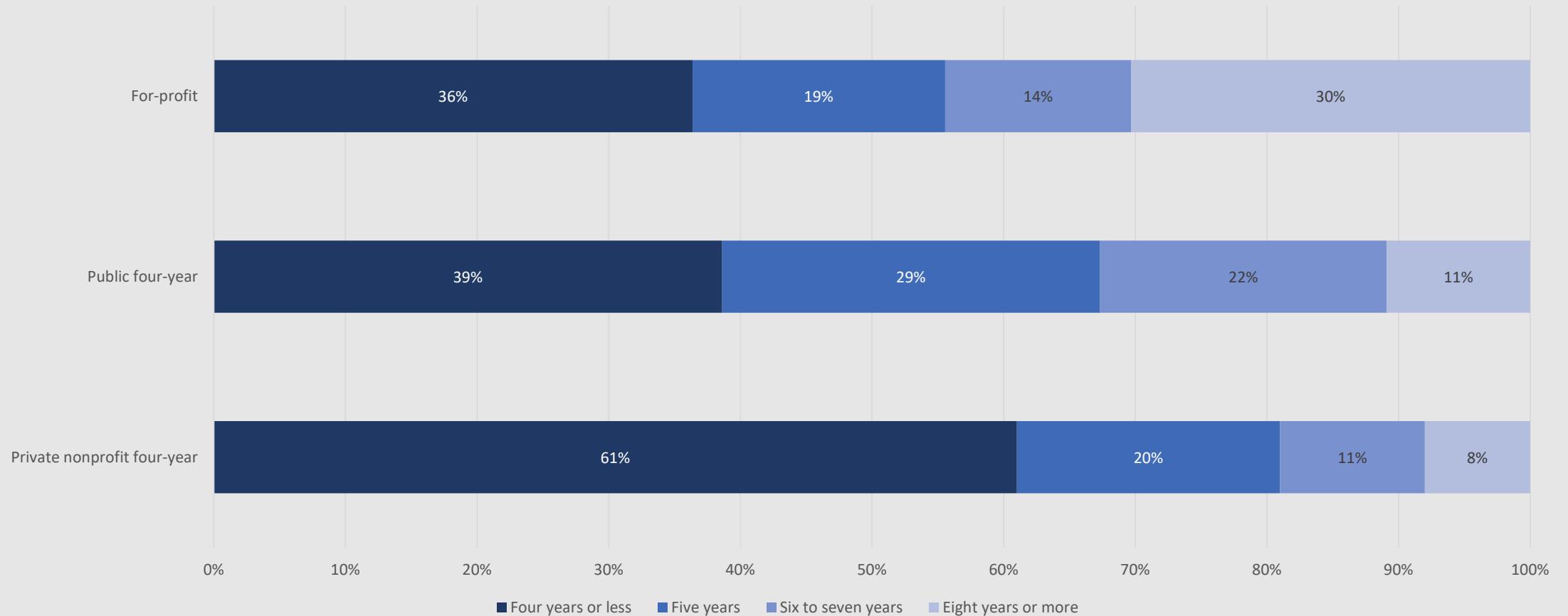
Average estimated full-time undergraduate budgets, 2016-17



Source: Ma et al, *Trends in College Pricing 2016*, The College Board, Figure 1

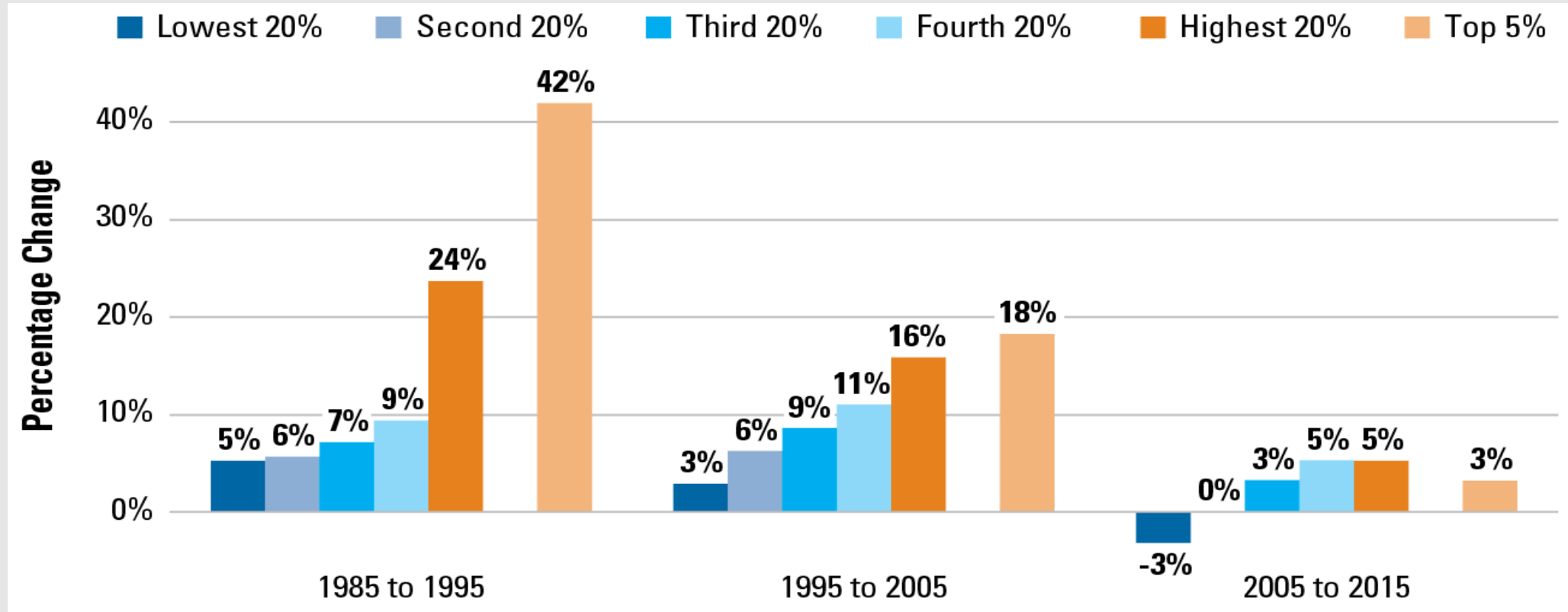
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Time between first enrollment and degree completion, 2011–12 bachelor's degree recipients



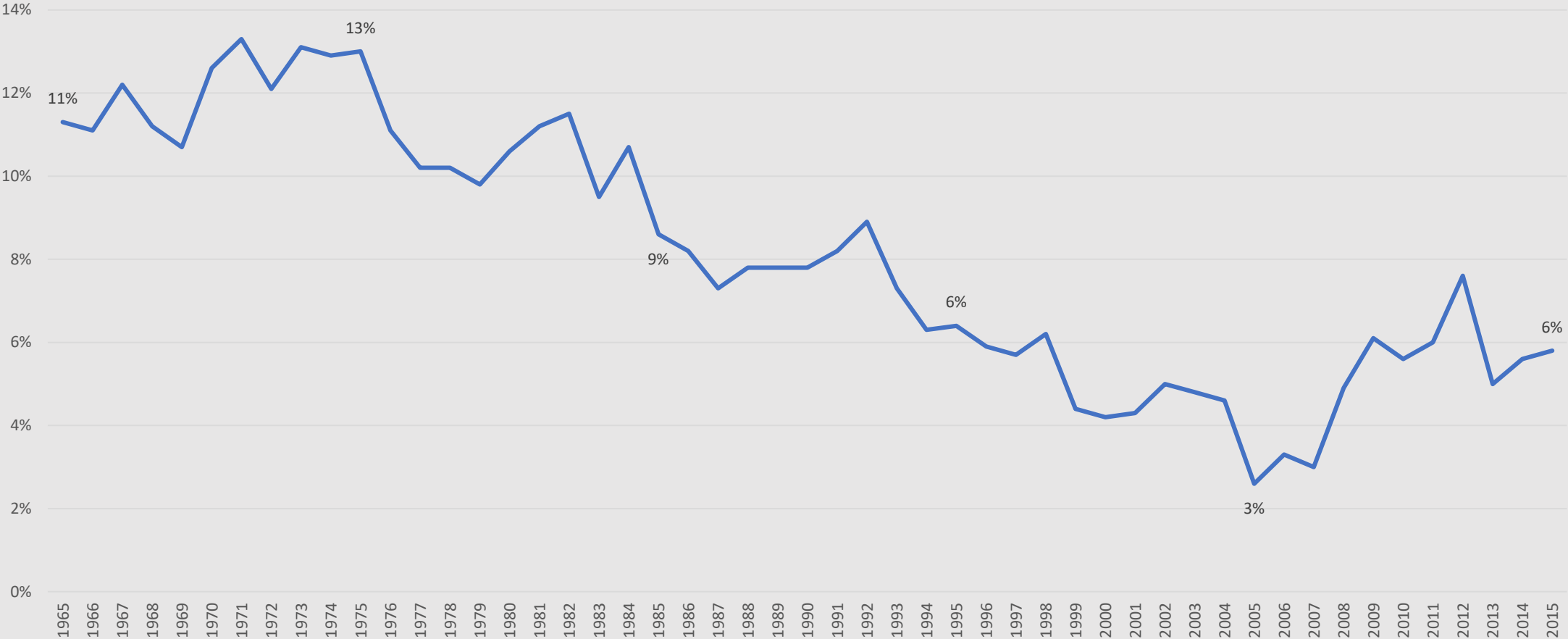
Source: Urban Institute, *Understanding College Affordability*, "Time to Degree," collegeaffordability.urban.org, data from NPSAS12

Percentage change in inflation-adjusted mean family income by quintile, by decade



Source: Ma et al, Trends in College Pricing 2016, The College Board, Figure 13A

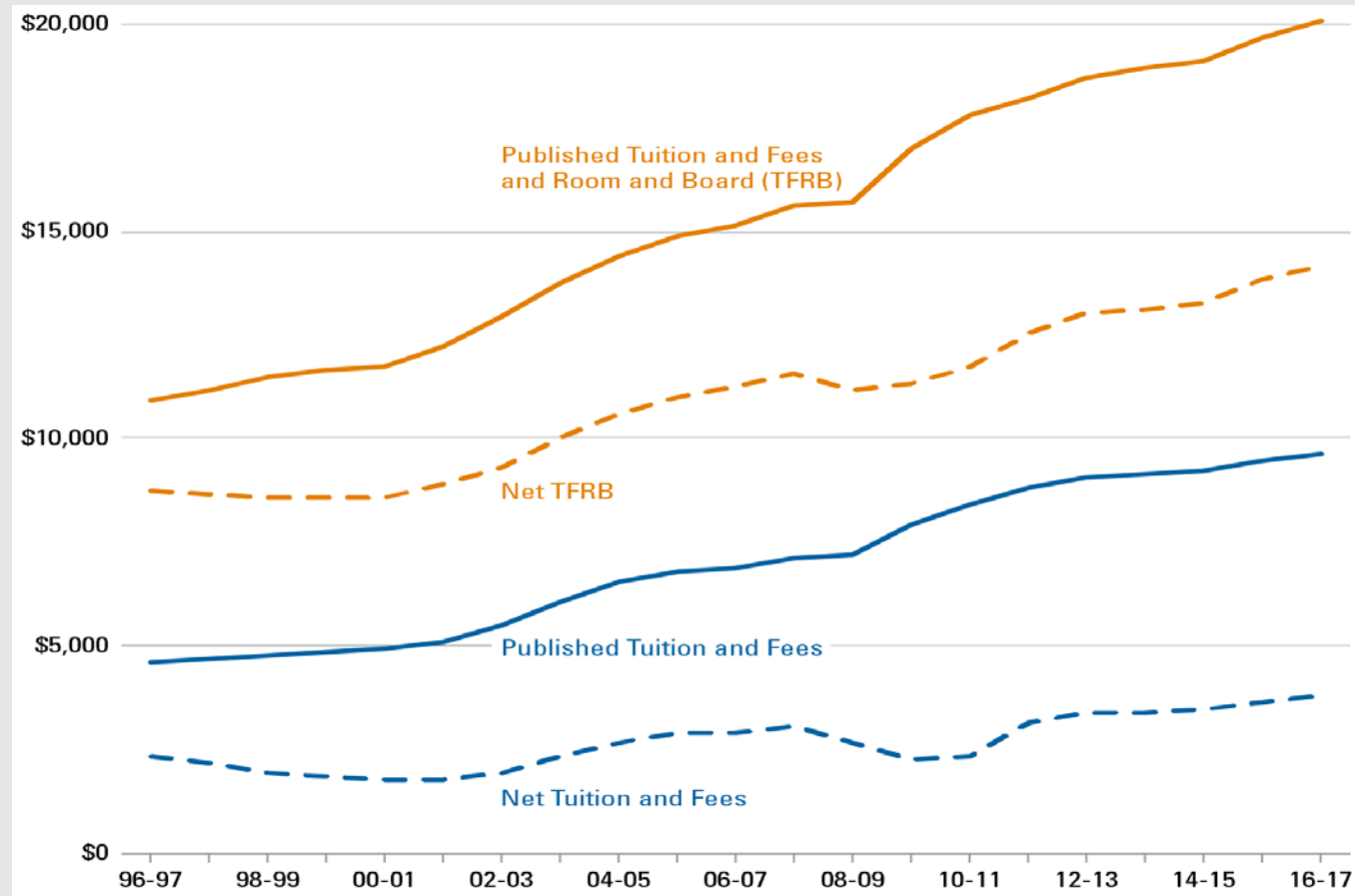
Personal savings rate in the U.S., 1952-2012



Source: Urban Institute, *Understanding College Affordability*, "Savings," data from Federal Reserve Bank of St. Louis, collegeaffordability.urban.org

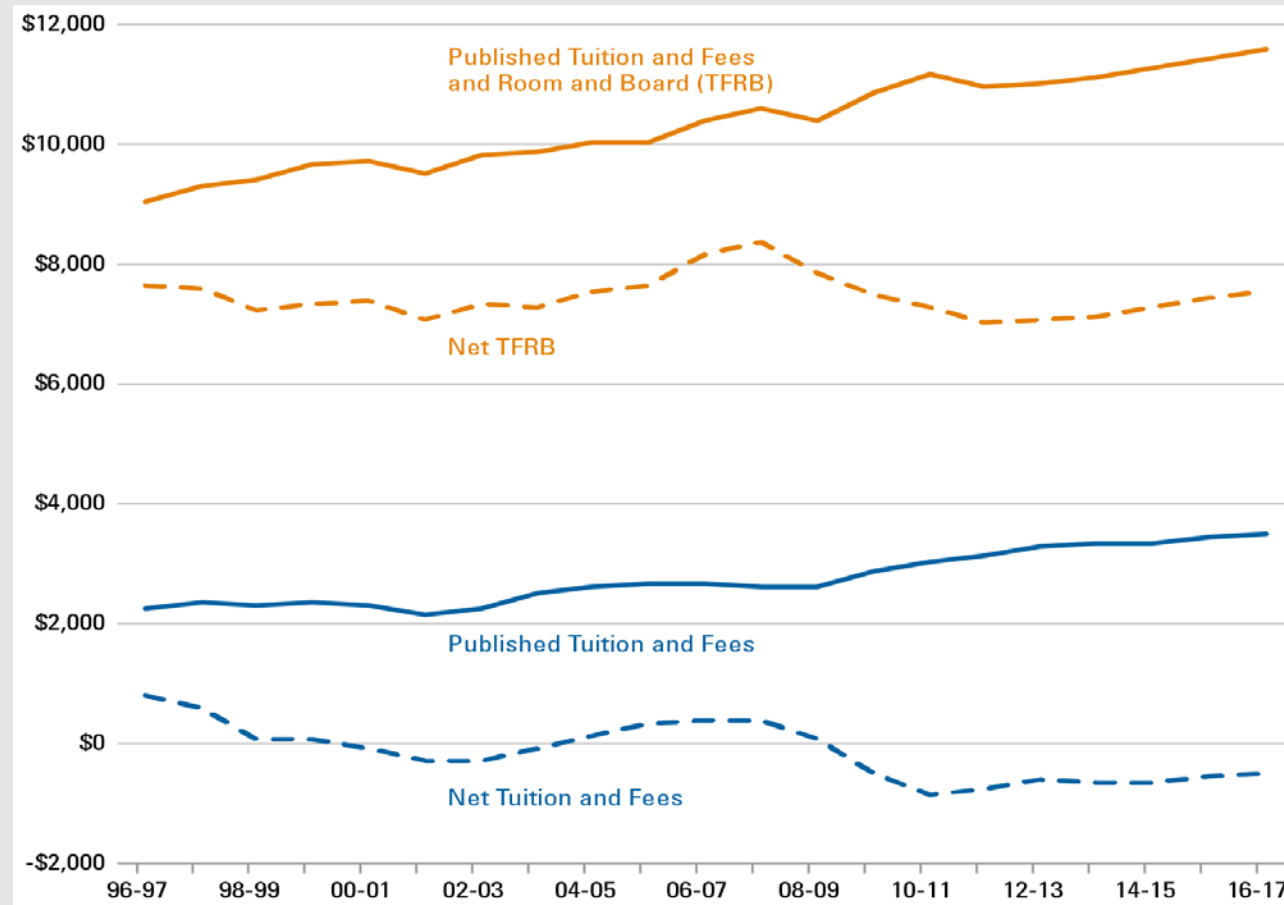
Note: The personal savings rate measures the percent of disposable income households save.

Average published and net prices in 2016 dollars, full-time in-state undergraduates, public 4-year institutions, 1996-97 to 2016-17



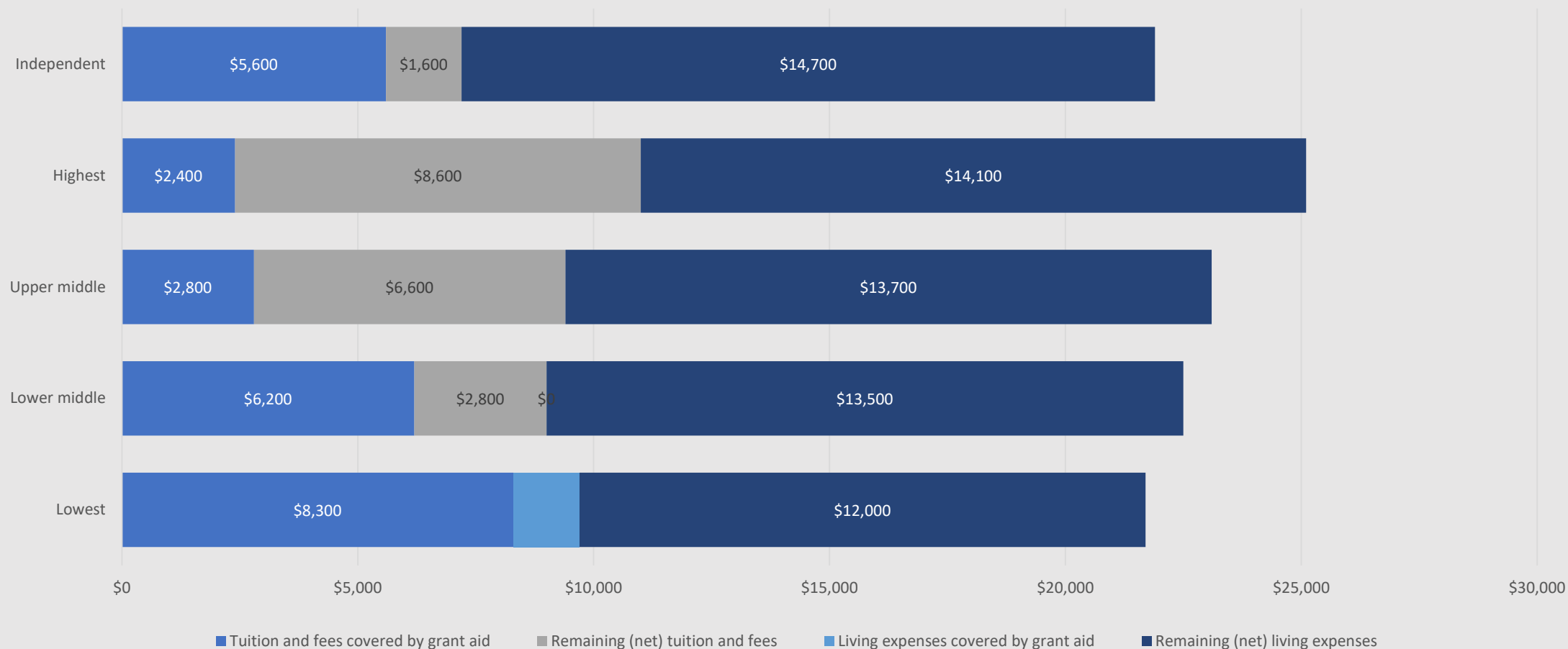
SOURCE: Ma et al, Trends in College Pricing 2016, The College Board, Figure 10

Average published and net prices in 2016 dollars, full-time in-district undergraduates at public 2-year institutions, 1996-97 to 2016-17



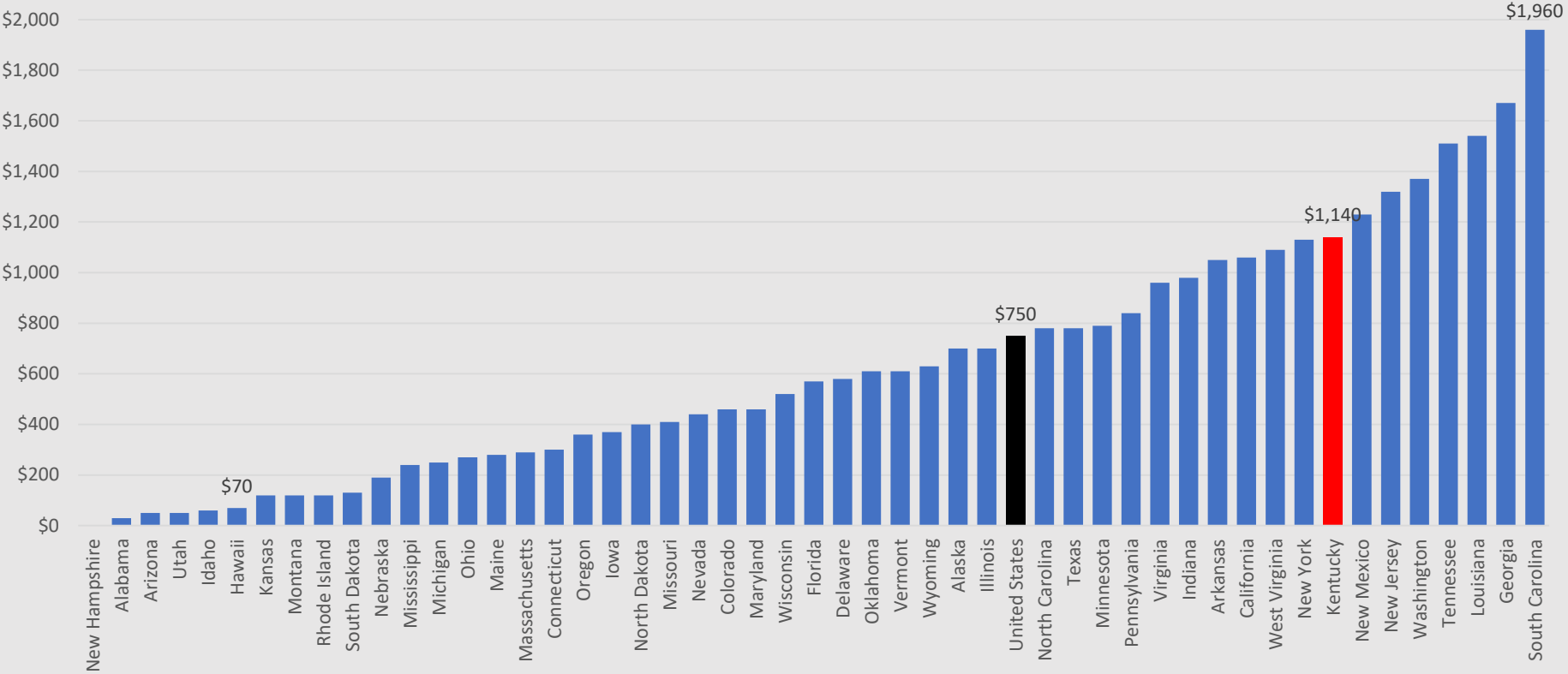
SOURCE: Ma et al, Trends in College Pricing 2016, The College Board, Figure 9

Tuition & fees and room & board: Before and after grant aid, public four-year institutions 2011-12



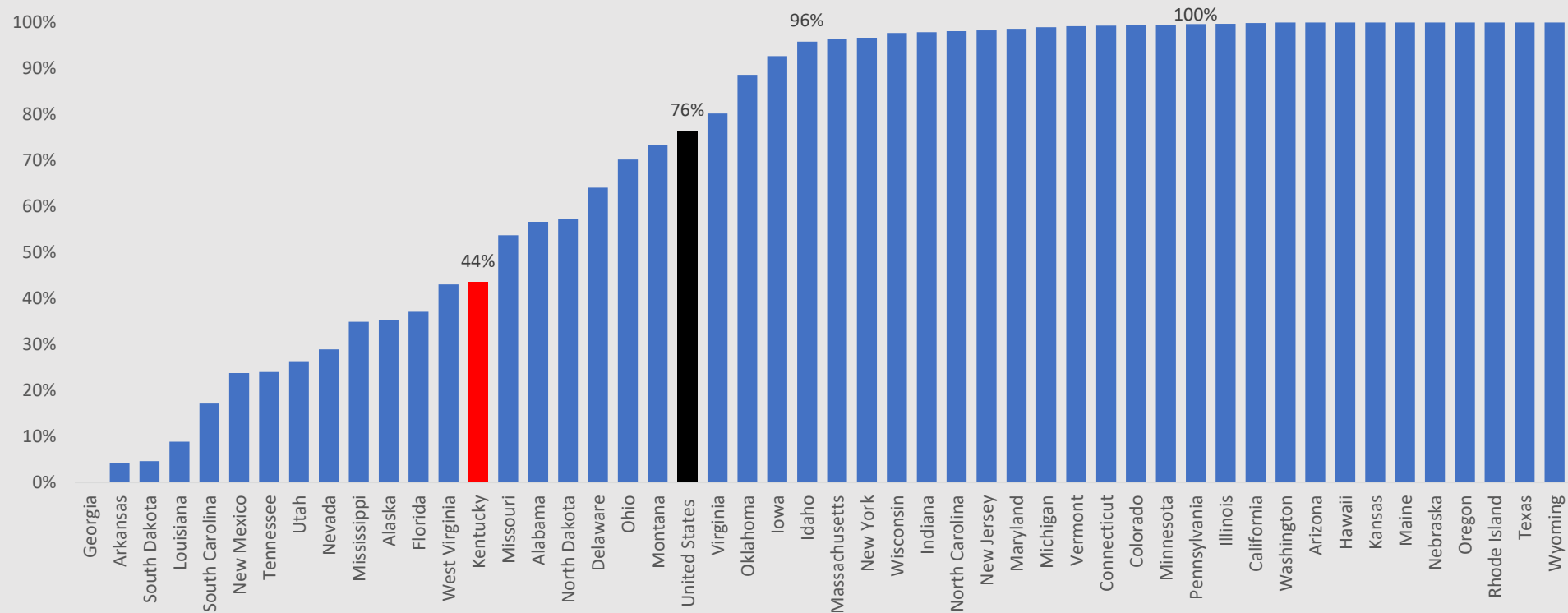
Source: Urban Institute, *Understanding College Affordability*, "Net Price by Income," collegeaffordability.urban.org, data from NPSAS12

State grant aid per full-time equivalent undergraduate, 2014-15



Source: Baum et al, *Trends in Student Aid 2016*, The College Board, Figure 22A

Need-based state grant aid as a percentage of total undergraduate state grant aid, 2014-15

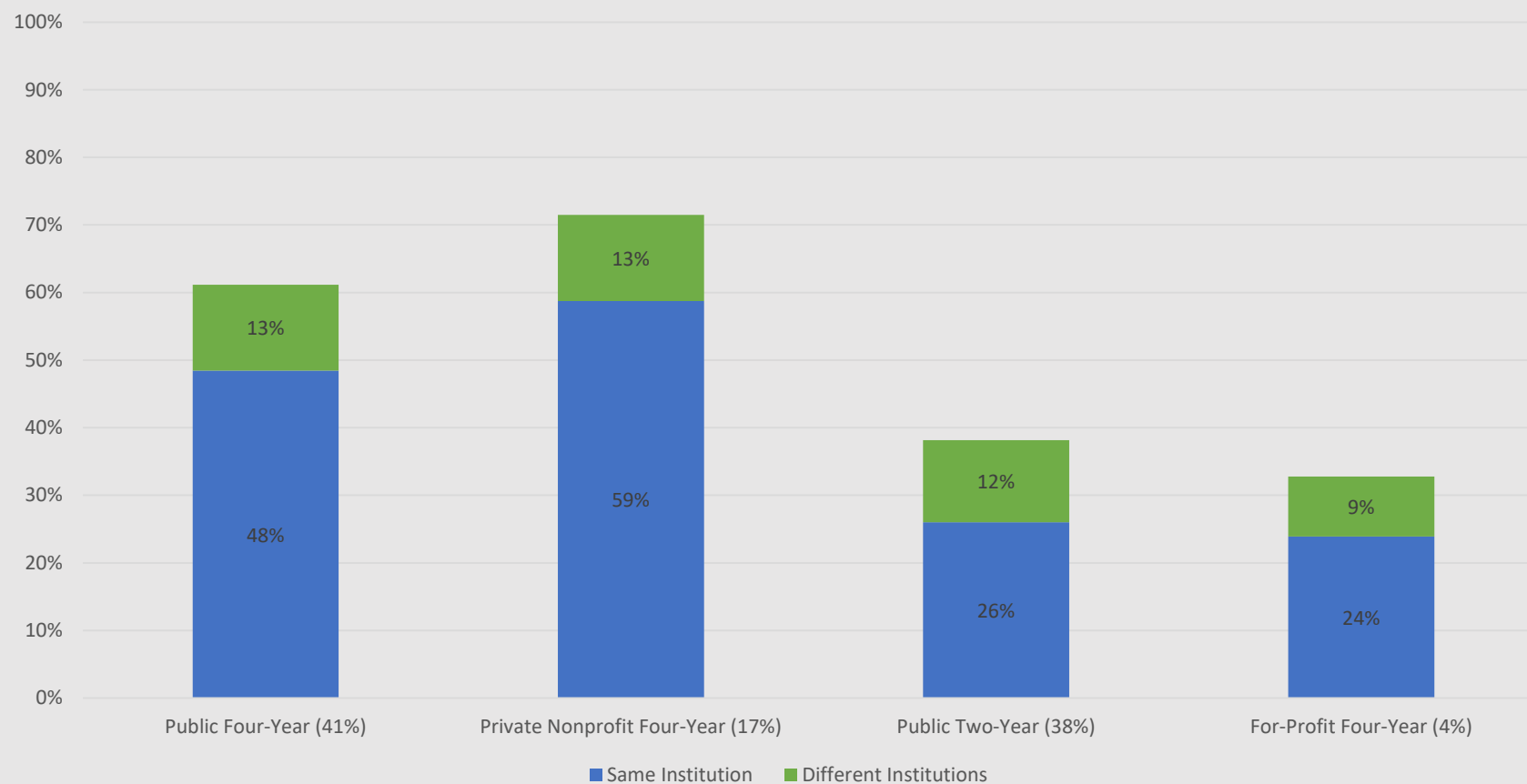


Source: Baum et al, *Trends in Student Aid 2016*, The College Board, Figure 21B

Investment

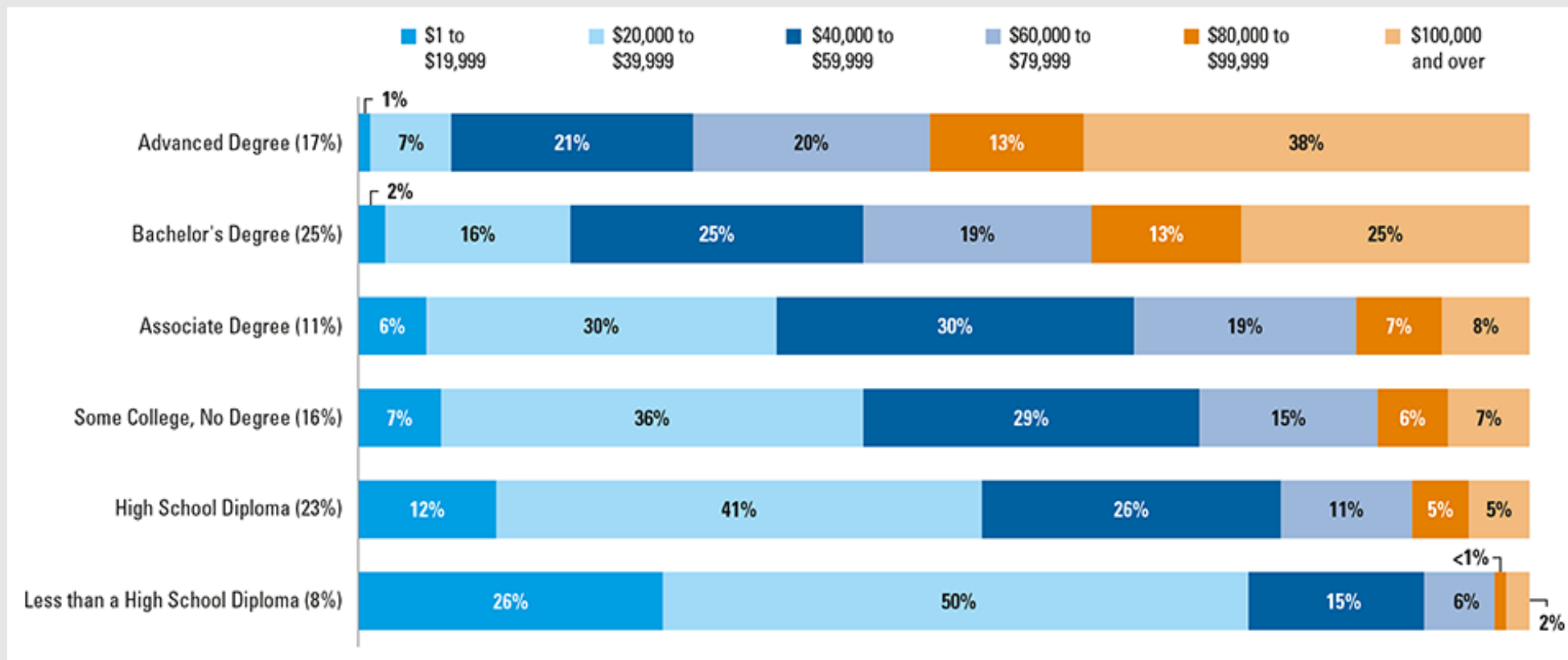
- Is investing in a small business “affordable”?
- Saving up all the cash for the investment is not usually the best choice.
- Issue is return to investment – ability to repay loan.
- Viability – liquidity and expected rate of return

Six-year completion rates: Students first enrolling in 2010



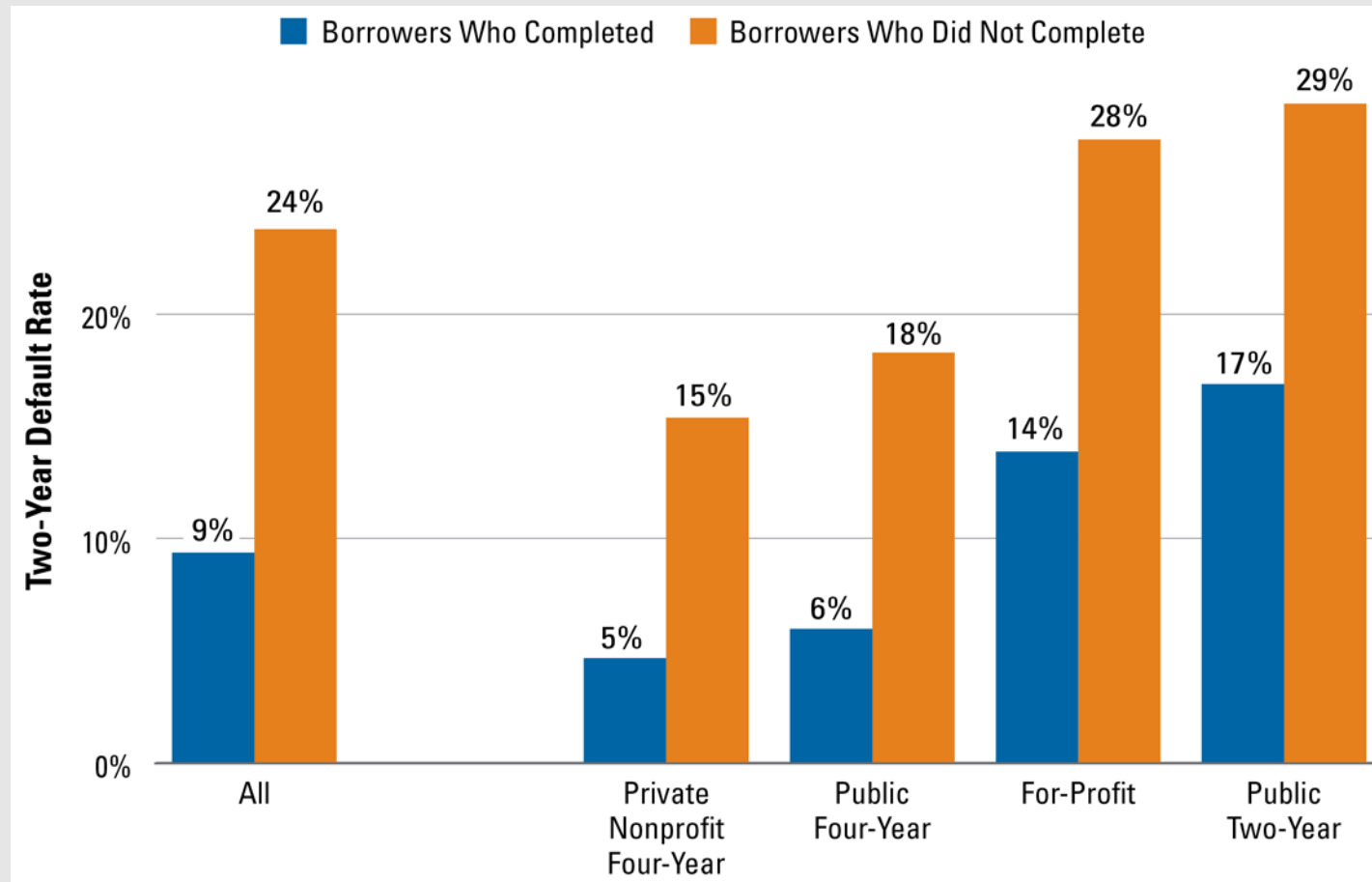
Source: National Student Clearinghouse, 2016

Earnings distribution of full-time year-round workers age 35 to 44, by education level, 2015



SOURCE: The College Board, *Education Pays 2016*, Figure 2.3

Two-year federal student loan default rate, borrowers entering repayment in 2011-12



SOURCE: Baum et al., *Trends in Student Aid 2016*, The College Board, Figure 12A

Options

- A stronger economy: parental employment and incomes
 - Lower tuition prices: institutional costs and state/local funding
 - Lower net price (grant aid)
 - Living expenses?
 - Range of postsecondary options
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- **Time to completion**

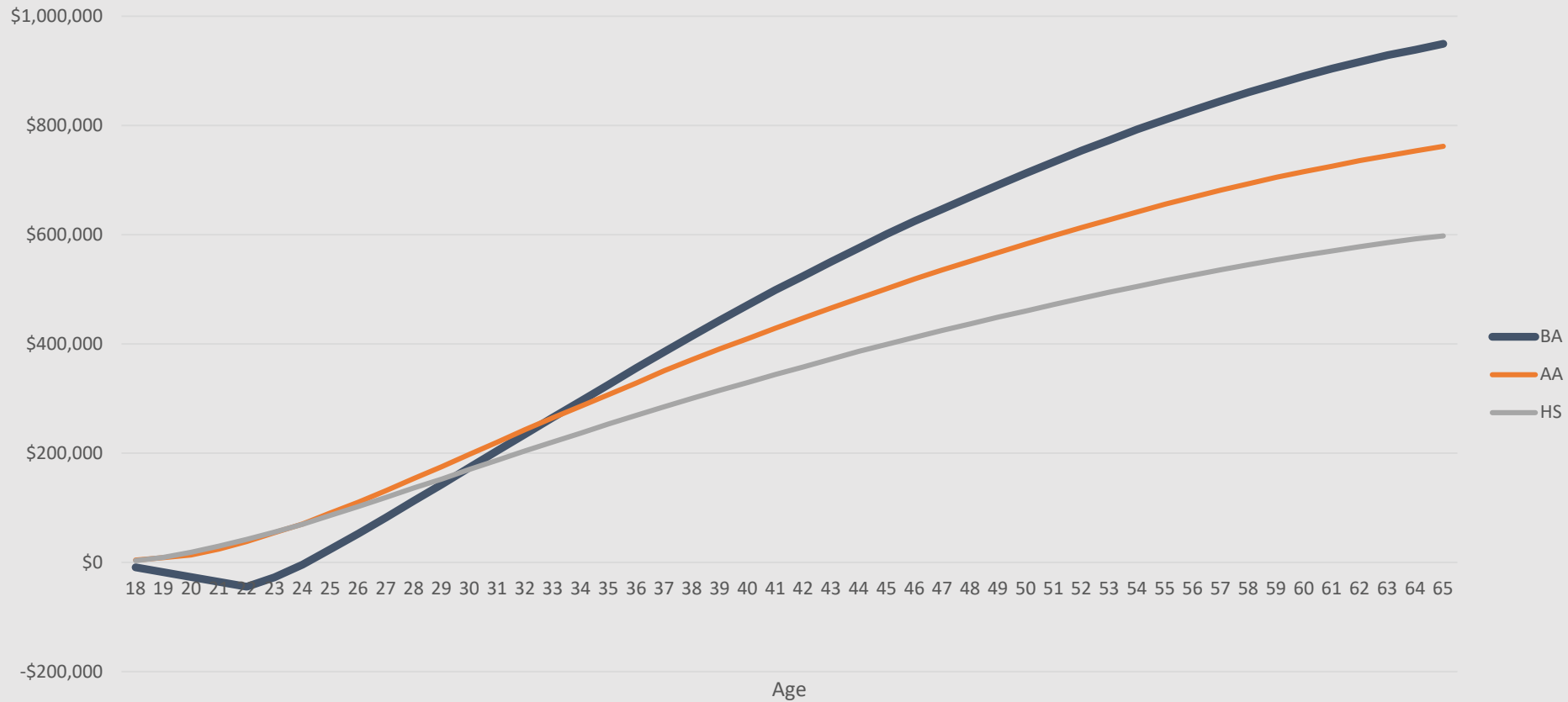
Policy implications

- Simplification, information: More financial aid /lower published prices won't help if misperceptions persist.
- Better information about costs and benefits.
- Price cannot be low enough to remove all risk. IDR and related policies are necessary.
- Target public and institutional subsidies on those with most limited resources – and potential to succeed.

Institutional resources vs. tuition prices

- It's not just the price.
- For students who do not complete, college frequently turns out not to have been “affordable.”
- Role of student support services
- Student services vs. prices (Deming 2017)
- Completion rates

Breaking even after college



Note: Assumes 5 years for BA, 3 years for AA; public or private nonprofit institution; average net price
Source: Urban Institute, Understanding College Affordability, "Breaking Even," collegeaffordability.urban.org