



## GOAL 2

# Ensure college affordability for students, families, and taxpayers.

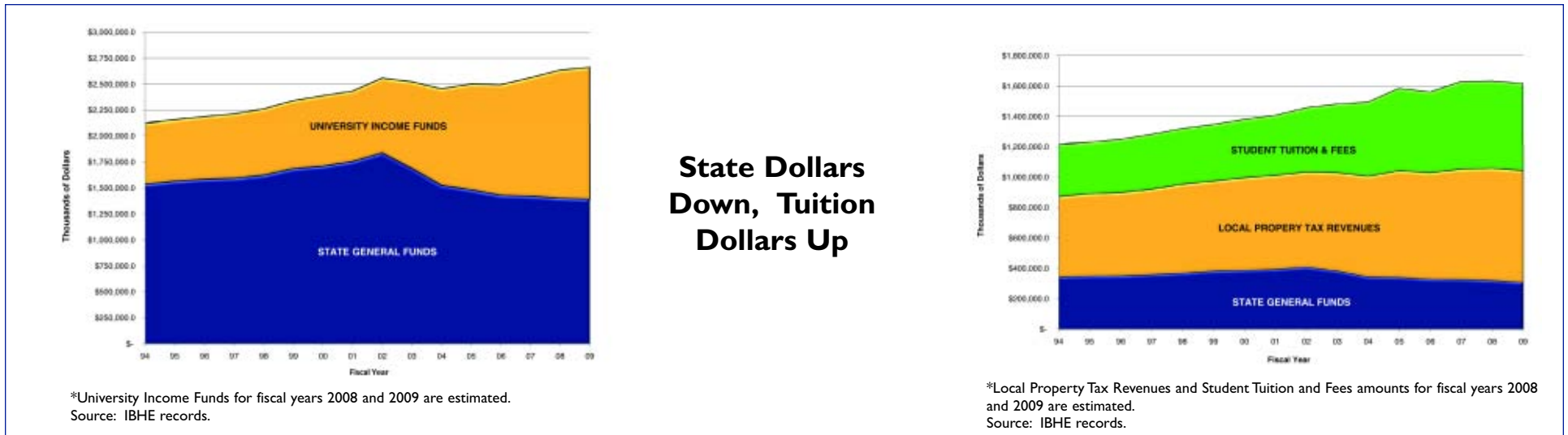
Illinois' historical status as a state with multiple affordable higher education alternatives is increasingly threatened. During the current decade, state support for public university and community college operations has declined in real terms. In addition, state grant support for independent colleges and universities has disappeared. As a result, Illinois' colleges and universities have become ever more reliant on tuition and fees. At the same time, the state's need-based grant program has experienced little funding growth, resulting in both grant amounts that are increasingly inadequate and a smaller proportion of low-income students receiving grants.

### RECOMMENDATION:

Make Illinois one of the five most affordable states in the country to get a college education.

### THE ISSUE: Low-Income Students

Tuition and fees have climbed rapidly over the past decade, but funding for the Monetary Award Program (MAP), Illinois' primary program of need-based aid to low-income students, has not kept up with tuition and fee increases or the growing number of eligible applicants.



### Public Universities

Figure 29. Trends in educational and related revenues at Illinois public universities, fiscal years 1994 to 2009 (dollars adjusted for inflation). State support for public universities has declined since fiscal year 2002, leaving students to shoulder an increasing share of the cost of their education.

### Community Colleges

Figure 30. Trends in educational and related revenues at Illinois community colleges, fiscal years 1994 to 2009 (dollars adjusted for inflation). State support for community colleges has also declined since fiscal year 2002, shifting costs to students in the form of higher tuition and to taxpayers in the form of higher local property taxes.

- Though the MAP program is among the most generous need-based grant programs in the country, tuition and fees at all public universities exceed the maximum MAP award, and the Illinois Student Assistance Commission (ISAC) is currently able to offer awards to only three-quarters of eligible applicants.
- Colleges and universities are spending more institutional funds on student financial aid, which contributes to tuition and fee increases, and students are paying more out-of-pocket costs. These out-of-pocket costs are increasingly being met through work and/or borrowing, which affect students' time-to-degree and future life choices.
- Rising costs of textbooks, transportation, and childcare exacerbate affordability problems. Unlike federal Pell grants, MAP grants cannot be used for these expenses.
- Over the past decade, the out-of-pocket costs – college expenses minus need-based grants – for students from the lowest 40% of families by income has increased substantially. The increase has affected their pursuit of postsecondary education. The bottom line for Illinois is a decrease in the proportion of students from low-income families who are enrolling in college during the current decade.<sup>22</sup>

### THE ISSUE: *Middle-Income Students*

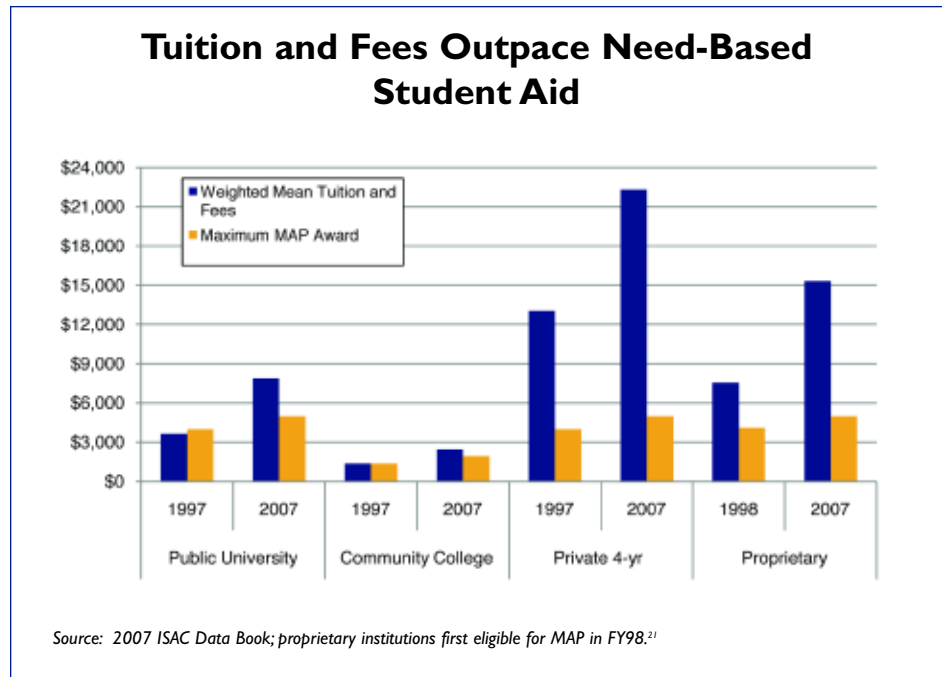


Figure 31. Average Tuition and Fees Compared to Maximum MAP Awards, 1997 vs. 2007. The increase in average tuition and fees has far surpassed the increase in the maximum MAP award over the past decade.

While students in the two lowest income quintiles have faced rising out-of-pocket costs, middle-income students have been greatly affected by the rise in out-of-pocket costs as well and typically don't qualify for need-based grant aid from either state or federal sources.

- Students from families earning more than \$70,000 per year seldom receive state MAP grants, and those earning more than \$50,000 annually seldom qualify for federal Pell grants. As a result, middle-income students rely heavily on family resources, loans, and institutional aid when available.
- According to recent data from the Institute for College Access and Success's Project on Student Debt, 52% of Illinois students graduated from four-year colleges and universities in 2006 with debt, and the average debt of those students was \$17,650.<sup>23</sup>
- Although the state's fiscal challenges are numerous, Illinois' economic resources, as measured by the U.S. Department of Treasury's total taxable resources calculation, exceed the national average, while the state's effective tax rate just reaches the national average.<sup>24</sup>

## Strategies to Ensure Affordability

**STRATEGY:** Review state financial aid programs for low-income students to ensure that the programs are effective, efficient, widely understood, and aligned with all Public Agenda goals.

### Action Steps:

- 1) Develop a funding strategy that makes more explicit and intentional the links between state appropriations, tuition, and need-based student financial aid.
- 2) Review state need-based student financial aid programs, including their coordination with federal tax benefits, federal grant aid programs, and institutional grant aid programs, to increase effectiveness and efficiency. The review should examine the costs and benefits of implementing a “shared responsibility” model in the MAP formula with students responsible for a fixed, “first-dollar” commitment and the state responsible for covering remaining need through a “last dollar” commitment.
- 3) Improve information and assistance available to low-income students who may be unfamiliar with college and financial aid application processes through early intervention, mentoring, and outreach efforts.

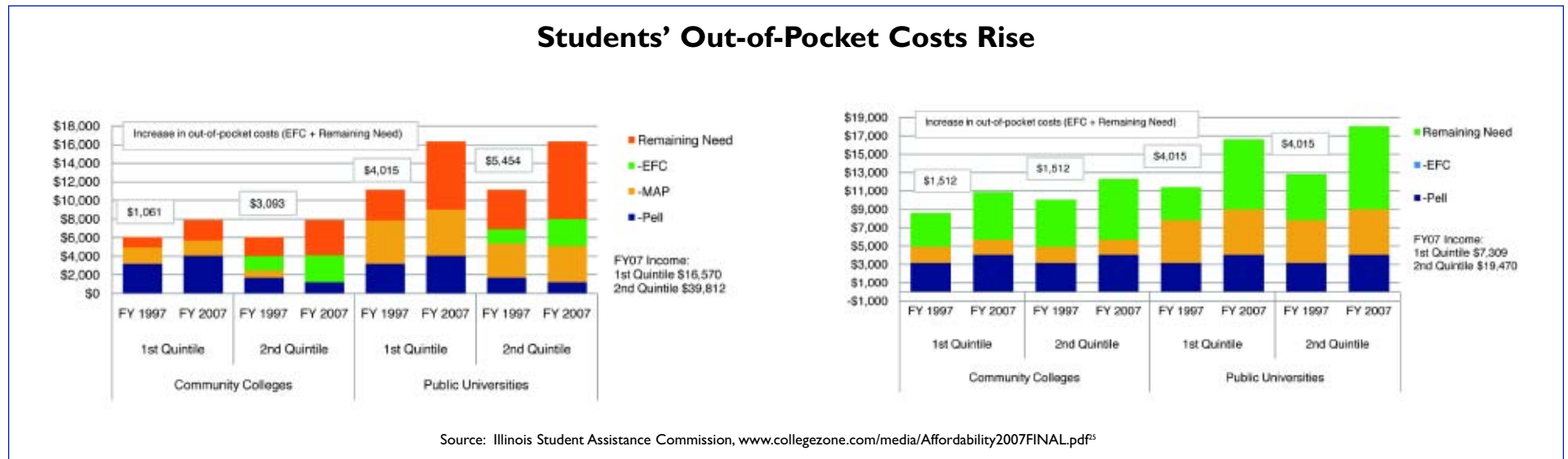


Figure 32. MAP, Pell, Expected Family Contribution (EFC), and remaining need for dependent students at community colleges and public universities, dollars adjusted for inflation. Affordability – measured by increase in out-of-pocket costs – declined between FY1997 and FY2007 for low-income students who are considered dependent on their parents. Total costs include tuition and fees, room and board, books and supplies, and transportation. EFC is based on a federal formula.

Figure 33. Low-income students who are considered independent of their parents for financial aid purposes and have their own children or other dependents also experienced erosion of affordability between FY1997 and FY2007. The Expected Family Contribution (EFC) for these students at the lowest income quintiles is \$0.

**STRATEGY: Take action to help students achieve their educational objectives faster.**

**Action Steps:**

- 4) Leverage student financial aid to provide incentives for low-income students to take a more rigorous high school curriculum, as demonstrated by successful efforts in other states such as the 21st Century Scholars program in Indiana.
- 5) Support the expansion of high-quality dual credit and dual enrollment programs and opportunities to participate in Advanced Placement courses to improve student preparation for postsecondary education and shorten time to degree.

- 6) Provide financial incentives to encourage students to complete degrees more quickly.
- 7) Reduce remediation needs of recent high school graduates and support the expansion of programs that help adult learners transition to and complete quality college certificate and degree programs quickly with minimal need for remedial/developmental coursework.

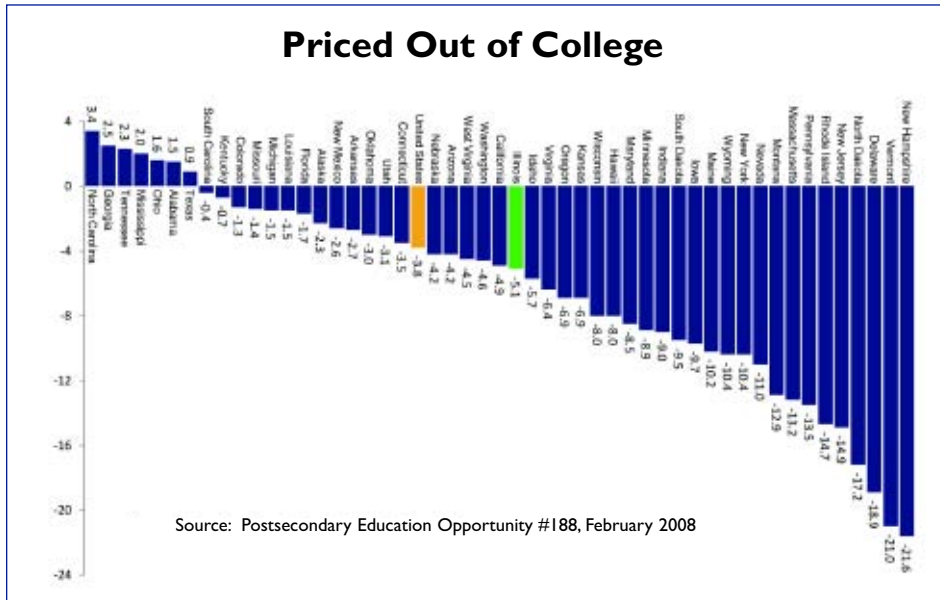


Figure 34. In Illinois, as in most states, the proportion of students from low-income families enrolled in college has decreased during the past decade. This measure is calculated by dividing the number of Pell grant recipients by the proportion of 4th to 9th graders nine years earlier who were approved for free or reduced price school lunches.

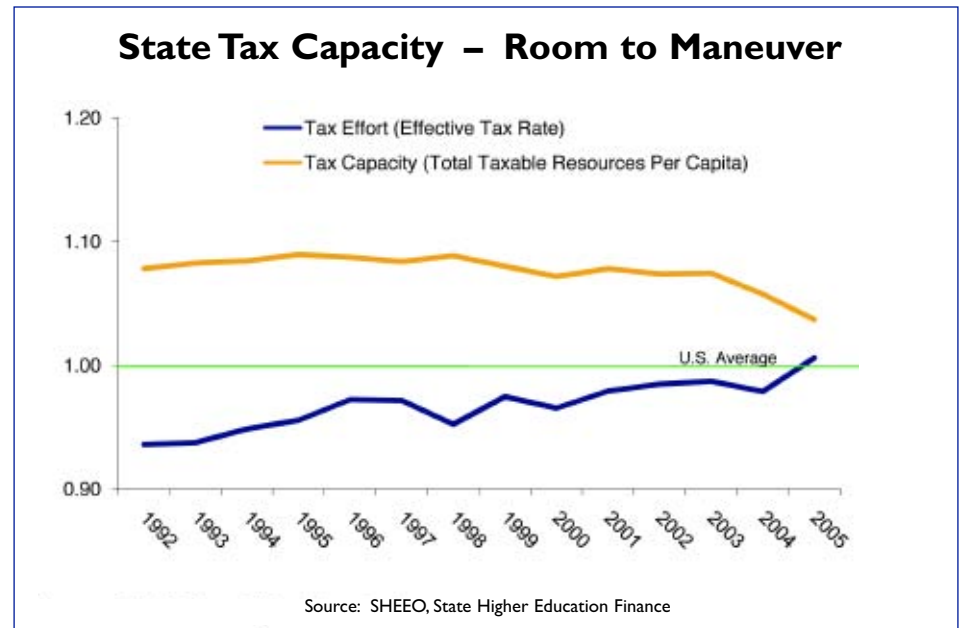


Figure 35. State tax capacity and effort – Illinois indexed to the U.S. average. Although the state’s fiscal challenges are numerous, Illinois’ economic resources, as measured by the U.S. Department of Treasury’s total taxable resources calculation, exceed the national average, while the state’s effective tax rate just reaches the national average. Increasing the effective tax rate slightly could provide additional resources for investment in higher education and other state priorities while maintaining a competitive tax environment.



**STRATEGY: Assist middle-income students who do not typically qualify for need-based grant aid.**

**Action Steps:**

- 8) Fully implement the Illinois Student Assistance Commission's Capstone Loan Program at all Illinois colleges and universities.
- 9) Identify and support programs for middle-income families that do not currently qualify for MAP or federal Pell grants.

**STRATEGY: Find institutional operating efficiencies that reduce costs while expanding access and maintaining quality.**

**Action Steps:**

- 10) Search for new efficiencies in college and university operating costs, including more efficient use of facilities, to reduce pressures that have led to tuition and fee increases.
- 11) Seek opportunities for cross-institutional collaboration, including consortial arrangements.
- 12) Seek opportunities to implement accelerated degree programs and course redesign processes that maintain or increase quality while reducing costs to colleges and universities and students.
- 13) Encourage the use of electronic textbooks and electronic library reserves that will reduce textbook costs for students.
- 14) Eliminate state regulations and statutory mandates that impose costs on institutions and students without providing clear and compelling benefits to students and taxpayers.

**RECOMMENDATION:**

**Performance Measures**

Percent of family income required to pay net cost of attendance (cost less grant aid) for median-income family and low-quintile family at:

- Public four-year
- Private four-year
- Public two-year

Percent of low-quintile family income required to pay tuition and required fees at two-year public institutions.

Average amount of debt per student.

State tax effort compared to state tax capacity.

State and local appropriations plus tuition and fee revenue per Full-Time Equivalencies (FTE) student – state share of this total revenue per FTE student.

Identification of cost avoidance strategies, operating expense reductions, and productivity improvements.

**Benchmarked Against**

Illinois trends.

Five best-performing U.S. states.

Selected competitor/neighboring states.