

College Affordability: A Case Study on Regional Higher Education State Agencies

OJ Oleka, MBA
Doctoral Student, Leadership in Higher Education
Bellarmine University
2001 Newburg Rd., Louisville, KY 40205
oleka01@bellarmine.edu

Fall 2018

Abstract

This article is an analysis on higher education state agencies in eight states in the Midwest and upper South. Analyzing these state agencies through a qualitative case study design, the purpose of this article is to develop an understanding on how a region might define and measure college affordability. The findings highlight that there is a broad understanding of what it means for a state to offer postsecondary education at an affordable level, but there is no consistent definition or formula in any state individually or within the region collectively. Recommendations going forward include developing comprehensive policies towards college affordability, as well as modifying and implementing in Kentucky policies that have been successful in other states.

Keywords: College Affordability, Financial Aid, Higher Education, State Government, State Policy, Student Debt

Introduction

Increasing higher education prices could lead to less college affordability. Most student loan debt is owned by people under 30, with nearly 10% having debt-to-income ratios higher than 40% (Johnson, O'Neill, Worthy, Lown, & Bowen, 2016). Increased costs in tandem with higher loans could negatively impact some students' abilities to pay. The College Board (2018) states that the cost of tuition and room and board at public four-year institutions has increased 27% over ten years, from the 2008-2009 school year to the 2017-2018 school year. That is a significant difference for families who may not have seen similarly increased wages. For private institutions the increase is nearly identical. The College Board reports a private institution tuition increase over that same period of time of 22.5%, going from \$38,000 in 2008 to \$47,000 in 2017. This phenomenon is unique to higher education in the United States economy:

Tuition prices have been rising faster than the average rate of price increases in the economy as measured by the Consumer Price Index (CPI) for many years. The CPI is an average, and changes in the prices of most individual goods and services are either larger or smaller than the average. (Baum, 2017, p. 69)

During the ten-year period following 2006, the CPI rose by 19%. Tuition at private non-profit four-year institutions rose by 50%, and by 66% at public four-year institutions. This is a steep increase in a short period of time for an economic sector with finite participants.

States could reverse this trend through their agencies authorized to coordinate higher education. A problem, however, is that it is not clear that these agencies define college affordability. It is also unclear whether or not they consult surrounding states for regional affordability commonalities. A strategy on college affordability, based on a shared definition and formula within the region, could help blunt rising tuition costs and student debt.

The purpose of this article is to explore affordability policies and practices of higher education state agencies. This exploration offers an analysis with Kentucky as the center of a region and its seven surrounding states completing the region. Kentucky could gain from a regional college affordability framework, as 21% of its college students are out-of-state residents (Kentucky Council on Postsecondary Education, 2018), meaning tuition in surrounding states may impact attendance at Kentucky-based colleges and universities.

This study will attempt to answer these questions:

1. Does commonality exist in the region on the purpose of higher education state agencies?
2. How do state policies on state-based financial aid impact the definition of college affordability uniformity across the region?
3. How do state policies on state-based financial aid impact the formula for college affordability uniformity across the region?

Higher Education Financing in the United States

How higher education has been historically financed, as well as how government engages in that financing, is important context for this study.

Charity and Private Endowment

Prior to federal involvement, higher education funding came mostly through charity and private endowment. Fuller (2014) explains this was carried over from European university systems. Wealthy benefactors provided financing for university endowments in the mid-1800s, however this was not enough to help students who could not afford admission. Harvard, an early student loan innovator, created the Harvard Loan Program in 1838. Offering zero-interest loans, Harvard helped students who could not afford attendance (Fuller, 2014).

In the early 1900s, tuition was relatively low. At many public and private institutions tuition cost roughly \$150 annually in 1910, around \$3,000 when adjusting for inflation (Thelin, 2015). The tradeoff for low tuition was an absence of many support services. These low prices forced institutions to run nearly at a deficit and graduation rates hovered around 20%. College was affordable but not vital for economic mobility. Not many people attended college nor cared to graduate if they did (Thelin, 2015). This changed in the mid-1900s.

Federalization of Financial Aid

The federal government became intimately involved in offering educational benefits. The Servicemen's Readjustment Act of 1944, often called the G.I. Bill, was the catalyst for government involvement in education. Providing an educational grant, the G.I. Bill doubled the number of students in higher education to nearly 2.5 million over a ten-year span (Fuller, 2014). In 1965, with the passage of the Higher Education Act, educational subsidies provided over \$800 million dollars in federal educational aid, with student loan expansion explicitly enumerated (Capt, 2013).

The federal government was initially a guaranty agency for private loans, providing a backstop for defaults. The Federal Family Education Loan Program, the guarantor of private loans made to students, shut down in 2010 (Federal Student Aid Office, 2018a). Currently the federal government issues loans directly, ranging from 5.05% to 7.6% in interest rates (Federal Student Aid Office, 2018b) along with origination fees that may exceed 4% of the loan. These costs have a significant impact on low-income families and families of color. All students are borrowing more but students from low-income families borrow at higher rates (Hillman, 2015). Hillman (2015) also points out how Black students who graduate do so with a significantly higher average amount of total debt. Black students are likely to graduate with more than \$30,000 in student loan debt while their White, Hispanic, and Asian peers graduate with less than \$25,000. Tuition and loans are both increasing, which could mean more debt for low-income students and students of color.

The loan amount is a greater issue than the loan itself. Perna (2008) explains how families know they will likely finance college through student loans and those loans will need to be paid off. This means that affordability solutions could still include student loans as an option.

Method

A constructivist framework was chosen for this qualitative study. Qualitative research is "how people make sense of their world and the experiences they have in the world" (Merriam & Tisdell, 2016, p.15). Merriam and Tisdell (2016) mention that qualitative researchers are interested in the meaning people construct within their own experiences, which is why a constructivist framework was selected.

The epistemological perspective for this analysis is also constructivist. Merriam and Tisdell (2016) explain "reality is socially constructed; that is, there is no single observable reality" (p. 9). Higher education state agency leaders execute policy and distribute funds from a set of experientially constructed beliefs. This framework also allows for the perspective that college was once affordable (Thelin, 2015) and is now less affordable (Hillman, 2015) for most interested students. Through this approach,

this article seeks to understand how higher education state agencies can reconcile these concepts.

Sample

The sample consists of 10 state-level higher education agencies in the region, collected from the United States Department of Education (2016) website. The agencies included in this study are: the Illinois Board of Higher Education; the Indiana Commission for Higher Education; the Kentucky Council on Postsecondary Education; the Kentucky Higher Education Assistance Authority; the Missouri Department of Higher Education; the Ohio Department of Higher Education Workforce Training and Adult Education; the Tennessee Higher Education Commission; the State Council of Higher Education for Virginia; and the West Virginia Higher Education Policy Commission.

Data Collection

Data were collected through 11 one-on-one interviews conducted by phone, in person, or email submission. The sampling approach was two-tier purposeful snowball sampling, focusing on the agencies determined to meet the criteria of the case, and the individuals who met the criteria of being a senior leader within the agencies. Of the 11 interviewees, five were women and six were men. Nine of the interviewees identified as White, one identified as Black, and one did not provide a racial identity. The one person who identified as Black was a Black man. The interviewees were given pseudonyms for anonymity.

Data Analysis

The examination was completed through a case study, using the constant comparative method for data analysis. The constant comparative method “involves comparing one segment of data with another to determine similarities and differences” (Merriam & Tisdell, p. 32). This method was used to create data groupings, which were used to organize themes within the findings. This method was chosen because a case study is “an in-depth description and analysis of a bounded system” (Merriam & Tisdell, p. 37-39). The bounded system within this case study is the system of senior leaders in higher education state agencies within the region. Senior leader is defined as an employee within the state agency with a title of director or higher. The region is defined as Kentucky and its seven contiguous states: Indiana, Illinois, Missouri, Ohio, Tennessee, Virginia, and West Virginia.

Positionality Statement

I am a doctoral student with aspirations of developing higher education policy in Kentucky. My bias in this study is reflected in my worldview: I believe policy, built from a constructive lens, can positively impact economically marginalized people. I was cognizant of this in my questioning, analysis, and interpretation of my interviews and research for this article. I also recognize that my political philosophy of limited government conservatism impacts my findings and policy recommendations. To ensure my positionality did not hurt the validity of the study, I used the respondent validation technique (Merriam & Tisdell, 2016) with my interviewees, soliciting feedback on my findings. The responses provided confirmation that my analysis was an accurate portrayal of their intended message.

Findings

There were two themes that emerged from the research. The first was the purpose of higher education state agencies, which is divided into authority and structure. The second focused on college affordability policy. This theme had three subthemes which are affordability metrics, desired policies, and a college affordability framework.

Higher Education State Agency Purpose

How higher education state agencies are structured

There was consensus on agency structure, with each agency governed by a board of gubernatorial appointments and ex-officio members. Each coordinating agency is responsible for requesting budgets on behalf of the universities (Agency Representative A, Agency Representative G, Agency Representative I, Agency Representative L, Agency Representative M).

Each agency, except one loan guaranty body, is funded through legislative appropriation. Each agency uses that funding to hire staff to carry out their statutory authority. That authority was focused either on higher education policy generally (Agency Representative A, Agency Representative G, Agency Representative I, Agency Representative L, Agency Representative M) or student loans specifically (Agency Representative H, Agency Representative Y).

Authority of higher education state agencies

Authority fit into three categories: federal student loan guaranty agencies, coordinating agencies, or agencies that do both. Specific authority was delineated in the phraseology of coordinating rather than governing. One agency provided an explanation for coordinating agencies: "Coordinating boards sit in a place, I would say, in the middle of this discussion between governors, legislatures, stakeholders, colleges, and universities. We sit in the space coordinating those efforts as opposed to governing those colleges and universities" (Agency Representative I, personal communication, July 12, 2018). This means a governing board is a board for each institution that handles personnel and executes mission; a coordinating board creates the environment and regulations for those boards to make decisions. This gives coordinating agencies immense authority to set the agenda on affordability.

Loan-servicing agencies are specialized. The purpose of a loan servicing organization "is to both provide information and resources to students and families to allow them to make better informed decisions about higher education opportunities and to help them plan for, prepare, save for and fund higher education" (Agency Representative Y, personal communication, July 18, 2018).

Some states, two in this study, have coordinating bodies that are also loan-servicing agencies. This is a point of contention. A merged-system state representative said they advocated for a merger in order to "incent state funds for what students do" (Agency Representative I, personal communication, July 12, 2018) and offer generous, but earned, benefits. A non-merged-system state representative argued against it in their state because the missions needed to remain separate. They claimed that "coordinating bodies defend the institutions; we defend the students and families" (Agency Representative H, personal communication, July 19, 2018).

Common College Affordability Policy

The states in this article do not have a statutory or organizational definition or formula for college affordability but each state has broad strokes for defining affordability and specific metrics on attaining it. This creates a tension between policy creation and implementation. This manifests when agencies set unrealistic goals or obtain impractical mandates from the legislature like ratios of tuition cost to postgraduate income that are “not really attainable at the moment” (Agency Representative G, personal communication, July 19, 2018). There is no federal or regional framework for college affordability but if a framework emerged there would be commonality in the framework policies. Yet, contradictorily, there is inconsistency on whether or not a common comprehensive college affordability framework should exist.

The definitions and metrics for college affordability

An issue contributing to this dichotomy is the differing versions of affordability definitions and metrics. One state focuses on return on investment and financial literacy. They have been able to “reduce student loans by \$165 million over the past two years” (Agency Representative I, personal communication, July 12, 2018) at a big state institution. That same state tells students not to borrow a sum total of money that is higher than expected first year salary. Another state defines college affordability by tuition and fees as a percentage of statewide median household income (Agency Representative M, personal communication, July 18, 2018). To add to the confusion, there are often conflicting beliefs within the same state. One agency said there was “no clear definition” (Agency Representative A, personal communication, July 17, 2018) and another agency leader in the same state but a different agency said, “It depends on the student and other factors” (Agency Representative H, personal communication, July 19, 2018).

An additional concern is that there is no consensus on the factors to be considered part of the affordability conversation. One state leader said their agency “would certainly look at net price and look at issues related to income” (Agency Representative C, personal communication, July 10, 2018) while another said their agency looks at tuition and fees of their state and surrounding states (Agency Representative L, personal communication, July 11, 2018). One state leader candidly said, “We don’t really have a clear definition and we aren’t that concerned with low tuition because we have high incomes” (Agency Representative G, personal communication, July 19, 2018). The closest a state came to a definition was saying that “college affordability would be maximizing attainment from the maximum amount of students in our state and doing what we can to manage the costs to ensure the maximum amount of students are able to pursue that postsecondary credential” (Agency Representative T, personal communication, July 19, 2018).

Desired state policies and guidelines

While the agency leaders differed on what affordability is, their desired policies to get there were strikingly similar. When financial aid was discussed it was designated for a specific population or workforce need. Agency Representative L (personal communication, July 11, 2018) mentioned spending merit aid on the two highest poverty quartiles, funding capital investments in technology and infrastructure, and providing direct operations to institutions. Another state would “try to provide preference for additional funding for programs where there is high employment need” (Agency Representative B, personal communication, July 17, 2018). Another representative independently concurred, saying if the state had specific areas in the

economy where jobs needed to be filled, “I would incentivize our students to go into those areas more and to help them to get through” (Agency Representative A, personal communication, July 17, 2018).

Most agency leaders said affordability did not necessarily mean distributing financial aid equally to everyone:

If a family has \$264,000 adjusted gross income and can afford for their child to go to college without great undue hardship, I’m not sure that there should be a societal expectation to say that the family needs extra resources. They, frankly, can afford it. (Agency Representative Y, personal communication, July 18, 2018)

Many policies also required student initiative. If students could effectively navigate the system, additional financial aid was available:

If you go to a community college, follow the rules, get a transfer degree, you can move on down the road. If you have a certain level of need you can get a grant. If you get a STEM major you can get more money. So there are a variety of ways if a student is paying attention. (Agency Representative G, personal communication, July 19, 2018)

This reinforces the idea that additional financial aid is not the only way to improve affordability. One state agency reformed bachelor’s degrees so no degree program is over 120 credit hours. As an incentive, students max out with allowable aid if they take 15 hours over the course of a year (Agency Representative I, personal communication, July 12, 2018). This policy could positively impact specific populations:

Low-income students graduated at 76.3% if they complete 30 hours versus 23% fewer than 30 hours. That is a creative and easy thing to do through good advising. If you look at the six-year graduation rate – the way we measure four-year institutions – underrepresented minority students who take 30 hours or more a year graduate at 79.6%. Those that take under 30 hours graduated at 30%. (Agency Representative A, personal communication, July 17, 2018)

Another non-financial aid affordability policy was making affordability an objective for all education and workforce agencies, not only higher education. Several agency leaders mentioned engaging the K-12 system to better match student career interests to colleges with those opportunities. Implementing this policy could potentially have a significant impact on students who enter college and drop out, which many agency leaders consider the least affordable option (Agency Representative C, Agency Representative G, Agency Representative I, and Agency Representative M).

Concept of common framework on college affordability

While common policy goals exist, developing a regional framework does not. One agency opposed the idea:

I think it is difficult to have a “one size fits all” institution; they all vary tremendously based on the purpose of those programs and the cost of those programs. I think an approach that is more nuanced is one that pushes that down to the institutional level. (Agency Representative L, personal communication, July 11, 2018)

Some agency leaders believe that affordability is not a priority for some institutions, suggesting that, “if you have some guidelines, it ought to look at a state’s wealth as part of the guidelines and not just tuition. Another is just recognizing the difference against institutions” (Agency Representative G, personal communication, July 19, 2018). This implies that some students do not belong at every institution and affordability is meant to reinforce that separation. This belief persists, albeit differently, in other states. There was concern that community colleges are left out of the conversation, even though they serve many students looking to save costs:

When you’re open admissions and serving the population we serve, your completion rate won’t be as good and you just won’t have the same level of positive student outcomes. My argument is more funding would help that, but they buy in to the 15 to finish concept or there is more full-time enrollment and the higher graduation rates. (Agency Representative B, personal communication, July 17, 2018)

Agency leaders, while they agree states should have guidelines based on their own priorities, have not forged consensus on what those priorities are or could be as a region.

Limitations

There are limitations in this study. The case study format allows every member of the bounded group to be interviewed. In this case that would be every higher education state agency leader within Kentucky and the seven surrounding states. All potential individuals were not interviewed. Furthermore, each state has specific histories, laws, and demographics that make the findings regionally unique. Another limitation is methodology; six of the 11 interviews were done by phone and one interview was done through email. Only four were completed in person, impacting how the answers were provided and received. None of the interviews were recorded; the 10 live interviews were notated.

Discussion

The College Board (2018) mentions tuition is rising beyond CPI (Baum, 2017). The findings suggest even though tuition is rising, it is only a portion of increasing costs. If students graduate on time, overall college costs decline. This could happen due to policy reforms that mandate degree programs require fewer hours, and students are matched to programs based on career interests.

Though increased debt and the anxiety it could place on students was a major concern of Perna (2008) and Hillman (2015), the findings did not reach the same level of concern. Loans were considered to be only one source of financial aid and a worthy form of aid if future income was adequate to paying them off and the loan itself increased college access.

The findings also looked at aid differently than previous research. Aid initially came from charity and endowment (Fuller, 2014) and was later subsidized by the federal government (Capt, 2013). State agency leaders suggested that state governments could be the lead providers of student aid. This last point opens conversation on what the findings offered on policy recommendations.

Policy Recommendations

An assessment of regional agencies shows that a regional college affordability plan is non-existent but a state-focused framework may be necessary. For Kentucky there are policies that, if upon thorough research are viable, could benefit students.

State-based higher education loans

Kentucky should customize its Advantage Education Loan program to fit workforce needs, similar to the West Virginia Medical Student Loan Program. In this program, students can earn up to \$10,000 in student loans to pursue a medical degree. Their loan is forgiven for working in specific medical disciplines or underserved medical areas in West Virginia (West Virginia Higher Education Policy Commission, 2017). Over \$1.4 million dollars were disbursed in this program in the 2015 to 2016 academic year, with a 2.5% program default rate. Nearly 250 students received aid, and 49 qualified for loan forgiveness. This model could meet workforce needs and increase employment opportunities, potentially limiting debt. The Advantage Education Loan offers rates as low as 4.01% for initial financing, rates often lower than federal loans (Advantage Education Loan Program, 2018). The rates are based on the credit rating of the applicant. There are no origination fees and less than 2% of recipients have defaulted. This program is funded through the bond market, costing taxpayers zero dollars. Modifying this program to meet Kentucky geographical and workforce needs could boost local economies and improve college affordability.

Last-dollar scholarships

Kentucky should implement a version of the Tennessee Promise scholarship. This scholarship provides an opportunity for students to attend any participating Tennessee college to obtain an associate's degree. The scholarship allows students to do so without paying tuition and fees. The program has led to an increase in college attendance, retention, and graduation in Tennessee. It is a last-dollar scholarship; all other FAFSA approved non-loan aid "must be applied first, and Tennessee Promise funds then cover the remaining balance of tuition and mandatory fees (if any)" (Tennessee Higher Education Commission & Tennessee Student Assistance Corporation, 2018, p. 7). It is entirely funded through the Tennessee Education Lottery Scholarship program. This program offers a mentor for every recipient to guide them through the application and enrollment process and those mentors are provided through privately funded organizations. Recipients must complete eight hours of community service. Nearly half of the recipients were first generation students (Tennessee Higher Education Commission, 2016) and half received a Pell Grant.

Comprehensive education and workforce alignment

Kentucky should create a comprehensive strategy from secondary education through workforce certification. The strategy would align resources, purpose, and data. This was a common theme among the practitioners in the agencies. Getting secondary schools to better educate students on college access and financing could produce

better postsecondary outcomes. Better postsecondary outcomes could meet workforce needs, maximizing the return on investment from state resources. This alignment would create a de-facto state college affordability framework.

References

- Advantage Education Loan Program. (2018). *Compare loans*. Retrieved from <https://www.advantageeducationloan.com/website/kyadvantageloans/rates>
- Agency Representative, A (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, B (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, C (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, G (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, H (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, I (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, L (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, M (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, T (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Agency Representative, Y (2018). *Meaning Making Document/Interviewer: OJ C. Oleka*. Personal Computer, Louisville, Kentucky.
- Baum, S. (2017). College affordability and institutional pricing policies. *Planning for Higher Education, 45*(3), 68-80.
- Capt, R. (2013). Analysis of the Higher Education Act reauthorizations: Financial aid policy influencing college access and choice. *Administrative Issues Journal Education Practice and Research, 3*(2), 1-9. doi:10.5929/2013.3.2.4
- The College Board. (2018). *Trends: Tuition and fees and room and board over time*. Retrieved from <https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-and-board-over-time>
- Federal Student Aid Office. (2018). *Federal Family Education Loan Program*. Retrieved from <https://studentaid.ed.gov/sa/about/data-center/lender-guaranty>
- Federal Student Aid Office. (2018). *Interest rates and fees*. Retrieved from <https://studentaid.ed.gov/sa/types/loans/interest-rates>
- Fuller, M. B. (2014). A history of financial aid to students. *Journal of Student Financial Aid, 44*(1), 40-69. Retrieved from <http://publications.nasfaa.org/jsfa/vol44/iss1/4>
- Hillman, N. (2015). Borrowing and repaying student loans. *Journal of Student Financial Aid, 45*(3), 34-48. Retrieved from <http://publications.nasfaa.org/jsfa/vol45/iss3/5>
- Johnson, C., O'Neill, B., Worthy, S. L., Lown, J., & Bowen, C. (2016). What are student loan borrowers thinking? Insights from focus groups on college

- selection and student loan decision making. *Journal of Financial Counseling and Planning*, 27(2), 184-198. doi:10.1891/1052-3073.27.2.184
- Kentucky Council on Postsecondary Education. (2018). *Quick facts*. Retrieved from <http://cpe.ky.gov/data/quickfacts.html>
- Merriam, S. B., & Tisdell, E. J. (2016). *Qualitative research: A guide to design and implementation* (4th ed.). San Francisco, CA: Jossey-Bass.
- Perna, L. W. (2008). Understanding high school students' willingness to borrow to pay college prices. *Research in Higher Education*, 49(7), 589-606. doi:10.1007/s11162-008-9095-6
- Tennessee Higher Education Commission. (2016). *Tennessee Lottery Education Scholarship Program: Annual report*. Retrieved from https://www.tn.gov/content/dam/tn/thec/bureau/research/other-research/hope/Suppressed_2016_TELS_Fact_Book_Final.pdf
- Tennessee Higher Education Commission & Tennessee Student Assistance Corporation. (2018). *Tennessee Promise annual report: 2018*. Retrieved from <https://www.tn.gov/content/dam/tn/thec/bureau/research/promise/TN%20Promise%20Report%20-%202018%20-%20Final.pdf>
- Thelin, J. R. (2015). Why did college cost so little? Affordability and higher education a century ago. *Society*, 52(6), 585-589. doi:10.1007/s12115-015-9953-8
- United States Department of Education. (2016). *State contacts and information*. Retrieved from <https://www2.ed.gov/about/contacts/state/index.html?exp=3>
- West Virginia Higher Education Policy Commission. (2017). *Financial aid: 2017 Comprehensive report*. Retrieved from http://www.wvhepc.edu/wp-content/uploads/2018/01/FA%20Comprehensive%20Report_FINALDRAFT_11_28_2017.pdf