Fiscal/Economic/Political Environment Workgroup March 1 Minutes

Meeting started in SU 109 at 2:32 p.m.

Members Present: Natasha Dempsey, Gary Clayton, Kristi Haik, Rick Kolbe, Erik Pederson, Don Gorbandt, Ryan Salzman, Mary Paula Schuh (Strategic Planning Committee Liaison), Leah Stewart, Karen Zerhusen Kruer, Eric Brose (Recorder)

Why do the flagships get to raise higher tuition than the Regionals? We discussed research institution – definitions and rank levels plus history.

Public Policy Issues

PUBLIC POLICY

Executive Summary:

- Due to rising costs for higher education, there has been a society-wide push for increased transparency and accountability. This “problem” is well documented (see links below). Institutions are now asked/required to provide basic cost information along with information related to academic success and debt repayment.
- One new policy, recently enacted by the Obama administration, is the College Scorecard. By making cost and academic success info available in one easily accessible location, students can compare schools based on the criteria most important to them (see discussion below). Not all information is available at this time. However, the info that is available highlights the cost benefits of an NKU degree.
- Despite the statements of some critics of higher education, the value of a college degree remains tangible and, in fact, has likely increased in the context of the 21st century. Below is a great discussion of competing perspectives on the value of a college degree.

Transparency and accountability trends

Issues of transparency and accountability in higher education appear in two distinct areas:

- The quality and cost of higher education
  - Accountability in education is linked by third parties to national goals, such as economic progress: “To maintain a competitive business environment in America, we need to have an accountable educational environment. We simply cannot have one without the other,” explains Thomas J. Donohue, president and CEO of the U.S. Chamber of Commerce.
  - In 2006, the US Department of Education began suggesting a lack of transparency and accountability in higher education. [http://www2.ed.gov/about/bdscomm/list/hiedfuture/reports_FINAL-REPORT.PDF](http://www2.ed.gov/about/bdscomm/list/hiedfuture/reports_FINAL-REPORT.PDF)
  - Lack of transparency in accreditation process
  - Creation of third party sources of comparative information on key outcome measures e.g., [http://collegemeasures.org/](http://collegemeasures.org/)

- Governance and financial management
  - Since the Sarbanes–Oxley Act of 2002 was enacted and, subsequently, the Great Recession of 2007-2008, there has been increased interest by the general public in transparency and accountability related to corporate governance, financial reporting, auditing of financial activities, and investment activities. This increased interest has manifested itself in a number of ways which impact higher education:
    - The expectation that Sarbanes-Oxley types of best practices (internal controls, external checks, investigations) be adopted by not for profit corporations, including institutions of higher education.
      - [http://www.drexel.edu/papadakis/sarbanes/sarbanes-oxley_in_hi224C06.pdf](http://www.drexel.edu/papadakis/sarbanes/sarbanes-oxley_in_hi224C06.pdf)
• In most areas, the adoption of these practices is voluntary; however, the IRS has changed the Form 990, (the required filing for nonprofit organizations such as the NKU Foundation), to include the certification of the existence of a conflict of interest policy and a whistleblower policy, as well as much more detail about board governance.


Policy consideration: Has the added cost required to provide closer scrutiny resulted in more effective institutions?

US Department of Education College Scorecard

What is it? The Obama administration released a new College Scorecard to assist students who are deciding which college to attend. The Scorecard assesses a plethora of school characteristics relative to all schools in the United States, thus empowering the student to compare and decide with confidence. Students can search by choosing an institution or by identifying the most important criteria to be employed in their school selection process. The Scorecard was released in late January 2013. Data related to post-graduation occupations remains incomplete. Criteria include the following:

• College Location: state, region, zip code
• Type of College: size, campus setting, distance education, cost
• Other Characteristics: degree & major, awards offered, occupations, graduation rate, loan default rate

NKU Scorecard – Prospective students interested in affordability and available financial aid will be encouraged by NKU’s scorecard. Borrowing and default rates are in the “medium” range relative to all institutions. Graduation rates are in the “low” range. Occupation data are unavailable. (http://www.whitehouse.gov/issues/education/higher-education/college-score-card)

The creation of the College Scorecard follows increased demand for affordable post-secondary education. For that reason, NKU would be wise to promote its score(s).

Policy implications? – There is no indication that education policy will employ scores for the distribution of resources.

Value of a College Degree

The value of a college education is a frequently debated topic in the public media. At least four approaches have been taken to ascertain the value.

• The amount of earnings an individual would obtain with such a degree relative to a high school graduate. Estimates range from $500,000 to $1,000,000 over the lifetime of an individual, which is certainly dependent on the career path taken, degree, alma mater, and other factors that affect earning power.
• Cost and value are frequently interchanged, with cost/value ascribed to the amount of debt students amass in college.
• Others have attempted to be proactive with regard to the value of a four year degree by helping students see the earning power of and demand for of certain professions which they can achieve through the study of specific majors. Students in this scenario are encouraged to pursue degree programs that offer the potential for earnings.
• The value-added approach – how much a student “gains” through their education that translates directly into their lives as employees and citizens.
• Retention, time to completion, and graduation rates are used to ascertain as surrogate measures of the cost/benefit (value) of a college education.

Typically, all of these outcomes rely on metrics that are somewhat elusive or difficult to obtain. Further, the metrics may be overly generalized and consequently not relevant to any one student and are thus hard for students, parents, and even academic advisors to translate into how these outcomes actually translate for a specific individual. The historical nature of the data also may be a poor predictor of future earning power for a college degree given changes and shifts in demand for specific degrees.
The compellingness of any of these metrics or approaches to the value of education debate is limited. College and universities need to shape this discussion and play off the positive perceptions of a college education. For example, the vast majority of adult Americans (18 and older) believe:

- It is very important to have a certificate or degree beyond high school
- That having education beyond high school is important to a person’s financial security
- It is very important to getting a good job and earning more money
- That having this education will help with job security and one’s financial future

(Source: American’s Call for Higher Education Redesign, Lumina Foundation, 2013)

Perceptions of the value of education and quality of the educational experience need to be addressed in order to move the discussion from the difficult issue of the cost of education to the value of an education for each individual person. NKU can shape this discussion by addressing the areas that will be readily seen as relevant to our student population and eliminating barriers to entry to the NKU community.

Discussion:

In discussing the NKU Scorecard, NKU’s costs look good compared to Murray overall; tuition is less than WKU, EKU, and Morehead. By location, we’d have the best cost in this area. We’re on the low scale with graduation rates, but we need to articulate the transfer situation. The Scorecard states averages in costs, rather than the range that students pay. High range was 50% graduation rate and UK, UL are claiming some of our transfers. We should have confidence in referring students to our scorecard.

We need to think in terms of value vs. cost and what it means for a student’s future. Education for education’s sake may have been sacrificed because of the need for a career. However, voc-tech occupations can be reframed as careers. Employers’ opinions matter in terms of hiring and that would be linked to education. How this can be translated to a brochure with metrics is difficult. However, stating the numbers of area alumni is very compelling.

IRS is scrutinizing how NKU (and others) administer the money. Cert/Assoc etc – story of a successful businessperson without a college degree to whom we gave an honorary degree. He regrets he did not earn a degree. There is the person aspect to this, not just jobs-careers. Liberal arts education has encountered controversy lately. Economic studies show that more education leads to greater income on average. We shouldn’t feel that there’s a majority feeling that education doesn’t matter or that an exception goes against a rule. Avoid sounding elitist. NKU adds value to the college education students get. Don’t discount voc-tech, but it can be looked at as leading to further education. Public policy should focus on local and state perhaps more than federal trends.

We’ll hit a limit and we need to say who we want to serve. We bring in students with serious deficiencies and they won’t be here. Concern exists about students taking on debt and not getting a degree. That’s the core of the default rate. They won’t repay the loan if they didn’t succeed with an earned degree. How often do you hear the administration say we can’t serve everybody? We may have to decide whom we serve and it could hurt growth. Admissions standards have been in place since 2005. Lowest % of students with deficiencies enrolled this past fall. Quality would appeal to students over time. One local high school is forming a plan to explain PLAN (although many have activities in place). Funds have dried up to staff some college preparatory activities for secondary counselors. Where can NKU assist? High schools may not be incentivized to push for better prepared future college students. Perhaps that should be part of our Public Engagement mission to the area/region. Could we engage our faculty, staff, and students to present to local students to speak to them on their level? What about bringing high performing secondary students to campus to see what a college class would be like? They’re identifying schools right now. College students will act more mature and as role models for those younger students.
Federal issues, laws, regulations, and mandates/trends

Students loan debt – Next housing bubble?

- Data from the Federal Student Aid (FSA) Office of the U.S. Department of Education (ED) show a 59% increase in the number of students applying for federal assistance from 2006-2007 award year compared to 2010-2011 award year (18.8M compared to 29.8M respectively).
- The total amount of federal student aid awarded to students under Title IV of the Higher Education Act (HEA) jumped from $64.0 billion to an estimated $169 billion, in a 10 year period (2000-2001 to 2010-2011). For 2010-2011, the Title IV programs accounted for 72% of the $235 billion in total financial aid received by college students as reported by data from the FSA Office of ED.
- The William D. Ford Direct Student Loan Program provides low-interest loans to undergraduate and graduate/professional students and their parents to help assist with meeting educational costs. Loans are considered “entitlements”, which means that all eligible and qualified borrowers may receive the program funds and benefits, subject to Congressionally-defined Limits.
- The annual maximum amount of subsidized loans students may borrow varies by academic grade level. As of July 1, 2007:
  - First-year undergraduates - $3,500
  - Second-year undergraduates - $4,500
  - Third & Fourth year undergraduates - $5,500
- After July 1, 2012 subsidized loans were eliminated for all graduate and professional students (they could borrow annually $8,500 – unsubsidized loan)
- The maximum cumulative amount of subsidized loans for undergraduates is $23,000 and the maximum amount of all levels of student (undergraduate & graduate/professional combined) is $65,000. These amounts are considered “base” limits.
- The other type of Federal Direct Student Loan program is the unsubsidized loan which works similar to subsidized loans, but the borrower is responsible for paying all interest that accrues.
- Data from The College Board shows that the volume of Subsidized Stafford Loan borrowed grew to 92% in a ten year period since the 2000-2001 award year, while the data shows the volume of Unsubsidized Stafford Loans and PLUS borrowers jumped 197% and 267%, respectively.
- According to The College Board, in 2010-2011 undergraduate and graduate/professional students borrowed an estimated $104.0 billion through the FFEL and DL programs. Almost $46.1 billion was provided to Federal Unsubsidized Stafford Loan recipients, $39.7 billion to Subsidized loan recipients and $17.1 billion to PLUS borrowers.
- The most recent national student loan cohort default rate for students who enter repayment within three years is 13.4%, compared to NKU’s cohort default rate of 10.9%
- In the 2011-2012 NKU administered nearly $87M in federal loans.
- There may be a correlation between economic challenges, specially the unemployment rate and students ability to repay student loans.
- NKU may want to exam current student loan counseling practices with the goal of enhancing existing practices and developing new initiatives with the focus being placed on “borrowing wisely” and reducing loan debt.
FACT: 41% of U.S. adults, or more than 92 million people living in America, gave themselves a grade of C, D, or F on their knowledge of personal finance.

FACT: According to a 2011 Allstate/Heartland Monitor Poll, 30% of people are not sure how to use insurance to protect themselves from unseen risks.

FACT: The financial literacy gap is especially acute among young adults. Many young adults report that they don’t feel adequately prepared to make good financial choices when it comes to using debt wisely (28%), saving for the future (40%), or investing their money (43%).

FACT: Nearly 50% of teens are unsure of how to use a credit card effectively, yet 24% think high school or younger is when they should get their first credit card.

FACT: 44% of parents admit to needing more guidance on how to best teach their children the skills necessary to become financially responsible and successful adults.

FACT: The U.S. Department of Treasury sponsors a National Financial Capability Challenge for students online. In 2011, 84,372 students took the online test. The national average score was 69%.

Tuition Pricing

College Scorecard

- A competing range of such private outcomes-based scorecards for higher education already exists, sponsored by such bodies as U.S. News & World Report, Forbes, ACTA, Payscale, and Kiplinger’s
- Early indications are, however, that the scorecard isn’t living up to its promise. The New York Times reports that the scorecard uses outdated data and statistics, provides information that is already available through other sites, and is presented as averages and medians that might have little relevance (and are a tad misleading) to individual families. [http://www.nytimes.com/2013/02/14/education/obamas-college-scorecard-needs-works-experts-say.html]

The College scorecard could become a viable option over the next several years, but not without major tweaks in the formatting, the information and how well that information answers the questions to be asked, and how the information is presented.

Financial Literacy

- People in the 18 to 24 age bracket spend nearly 30% of their monthly income just on debt repayment - double the percentage spent in 1992 (10% of net income is a recommended amount for debt obligation).
- 83% of college students have at least one credit card, and undergrads carry an average of three cards. 55% of students acquire their first credit card during their freshman year. On average, credit card companies extend credit lines between $500 and $3000 to college students.
- Parents don’t feel comfortable talking to their children about money. A study for Charles Schwab found that most parents would rather talk about the birds and the bees.
  - The most widely valued sources that people use to gain financial knowledge are family and then friends and colleagues (NFI)
  - Teachers say that the lack of time, lack of state curriculum requirements and lack of demand are the top three challenges to teaching financial literacy, according to a survey of teachers by the Networks Financial Institute at Indiana State University.
Due to current lack of jobs, more and more students with accumulated debt through loans and other forms of financial aid are defaulting – the issue is more with how much is borrowed as opposed to what is being paid.

Financial Literacy, with the expected course that higher education is expected to take, will need to have a strong emphasis and focus placed on it - especially if we are planning to try to keep students in school until graduation. It is estimated that, on average, 53% of college students are not financially literate, and given the statistics, would suggest that a large portion of our students that are paying their own way through school do not understand the whole process.

Frozen Tuition

- Model suggests frozen tuition for only those who are paying in-state tuition.
- The financial loss the university incurs is a large one, as it loses a percentage of money collected per student every year, which adds up to close to $2000/student (in NKU’s case) over the course of 4 years.
- In order to offset it, many colleges have to increase tuition for each subsequent freshman class at a higher than average rate.
- Given that most college undergraduate students do not graduate in 4 years, their tuition could very well cost them more than they expected, as the plan only covers the first 4 years you are enrolled as a FTE student.

Sharing vs. Cutting Programs

- With “Race to the Top” and Kentucky scoring 35th in the nation when it comes to education, it is expected that we will see less federal money due to poor performance and will become responsible for creating our own stream of revenue.
- In order to establish more and new investment in the university, we need to continue to be on the ‘cutting edge’ of technology and innovation through selective forms of research, such as technology and informatics.
- Establishment of a college budgetary expense sheet to figure out which colleges are losing money, which are receiving the most money, and finding a way to keep all programs afloat and functioning effectively off of one another.

Discussion:

Students borrow at the same rate, even though their career and earning goals are very different. Some carry multiple loans and then there’s the question of loan consolidation. This is part of Orientation, but it’s not the whole focus of the Financial Aid presentation. That includes timelines, personal finances, etc. Could a short course be mandatory for first year students? Students aren’t required to take UNV 101. We don’t reach all first year students. Student debt could remain with people their whole lives. Will student loans be the next bubble? People take on more debt than they can/will repay. This would be attractive to parents to address in UNV 101. What do we do with alumni to dialogue about their debt issues? State loan forgiveness programs were eliminated. If bubble bursts, college costs won’t decrease. Lenders need to take leadership because students can’t sell their degree or education as they could a house. NKU won’t rescind requirements to be accepted. We’ll continue to have a high attendance rate due to location. Residence could be where there is a decrease. What about not buying a new car? Or what about reducing/avoiding car student loan, car loan, or cell phone bill?
Meeting adjourned at 3:30 p.m.

Team write up reports due Wednesday, March 6:

* Regional and local considerations
* University finances/budget

Next Meeting will be Friday, March 8, starting at 2 p.m. in SU 109.