

A Broken Financial Partnership, Questions about College Price and Value

One of the most cherished American freedoms is the liberty to pursue an education for the purpose of gaining knowledge, broader social awareness, and a better life. While K-12 education, mandated universally for nearly a century is a lawful right, higher education in America is characterized by individual choice, diversity of type of institution and the privilege to engage in postsecondary education many times, throughout a lifetime. Whereas public K-12 education is financed almost solely by local, state and federal tax dollars, higher education is a mixed public-private good, still principally financed by states, with strong federal investment in student financial assistance and research, but with a growing responsibility for financing a college education falling to students and families.

Following a 10-fold increase in college participation in 60years, to over 20 million from 2 million students enrolled, and about \$200 billion spent annually on higher education by state and local government, unparalleled global economic restructuring squeezing public and private sector spending, prompts significant questions from policy makers and citizens regarding the purposes, productivity and outcomes of such a huge social policy and financial investment.

of four citizens polled by Carnegie in June 2012, believe the higher education is now a right in America.

Yet in the same poll, over 60% of those surveyed see paying for college as a major barrier to access. While students and families have been willing to pay escalating prices for college opportunity, there is growing evidence that citizens are increasingly frustrated, losing confidence in colleges' ability to control costs and price, growing more disillusioned about their ability to access an affordable college education, and in some cases questioning the value of benefit for the investment.

For example, a recent TIME/Carnegie October 2012, poll indicates that 80% of recent college graduates do not think what they paid for college was worth the investment, twice the percentage reported by college leaders. The same survey found that respondents were split about 50/50 when asked if higher education is headed in the right or wrong direction.

The Heldrich Center for Workforce Development at Rutgers University found in a 2012 survey, that about 40% of recent college graduates question making the correct academic decisions tied to entering the workforce; two thirds say they would have done something different in choosing college studies; and only one in five college graduates indicate that they think they will be more successful than the prior generation. One-third of respondents said that their college education did not prepare them well for a first full-time job. Finally, respondents indicated that paying college debt (roughly \$30,000) strongly affects decisions about future life choices such as graduate school, housing and jobs.

In short, citizens value the promise of college, but have strong misgiving about the ability to pay for it.

- x 55% believe that tuition is too high at other colleges, relative to its value; while 62% believe tuition is about right for their institution.
- x One half say that they are doing all that can be done to control expenses; while an equal number say more needs to be done.

Adding It All Up: Signs of Hope

In the public's mind, higher education is highly regarded as a means of upward mobility in America. Furthermore, individuals in charge of colleges are trusted in a relative sense more than business or political leaders to make good decisions about the industry. Recent significant electoral victories (2-1) for taxes to support education in CA, and a higher education facilities bond in NJ, serve as only two examples of public trust in colleges translating into positive support for investment. Clearly, public trust in the traditional benefits of college is a key element in the hope for future investment and improvement of higher education.

But, taking together polling research and other policy trend data, citizens, public policy makers, presidents and governing boards of colleges appear to be on a collision course on the matters of reforming the cost/price structure, and accountability for outcomes. Whereas citizens view college a key component in workforce preparation and hope for their economic futures, they are increasingly dissatisfied with the rising price of college, mounting personal debt, and college leaders' inability to control escalating costs. Many feel that college opportunity for their children will be diminished without structural reform.

The response of governors and state legislators, largely responsible for funding public colleges, has been to demand greater accountability by introducing budget, enrollment or programmatic reforms, and limiting tuition and fee revenue increases. With state budgets stressed by current unsettling global economic conditions, states have reduced discretionary funding to public colleges and rationed student financial aid, while at the same time demanding greater degree productivity.

Some relatively radical and punitive ideas to regulate use of college and university revenue for student financial aid, from public and non-public sources, have been proposed in states such as FL and VA, which if ever implemented, would require significant changes in colleges' subsidization of access for certain student populations. Fundamentally, with a large part of the blame for the college opportunity/price squeeze placed on public policy makers, they are responding to the need to reform the cost structure of higher education simultaneously through a mix of rational bureaucratic budgetary, political and even ideological remedies, not all of which may be responsive to individual and college needs.

Add to this picture the findings of the AGB survey, which indicates that college trustees- the critical actors trusted by the public to do the right thing to sustain access to an affordable and useful college education- may be out of touch with public perception of substantive financial problems, as well as needed reforms.

