Taskforce on College Affordability

Final Report

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Taskforce on College Affordability

Final Report

I. Charge

On July 7, 2004, Governor Joseph Kernan announced the creation of the Taskforce on College Affordability to make policy recommendations aimed at ensuring college remains affordable for Hoosiers. The charge to the Taskforce was to examine the forces driving the college affordability issue and to develop guiding principles and policy recommendations for use in the 2005-07 biennial budget process.

II. Taskforce Members

Governor Kernan appointed fourteen members to the Taskforce including representation from both the private and public sectors of higher education, the business community, students, higher education faculty, and state legislators. The Taskforce was staffed by the Commission for Higher Education and the State Student Assistance Commission of Indiana. The Taskforce members were as follows:

Commission for Higher Education
Mr. Fred Bauer (Taskforce Chairman)
Ms. Norma Fewell (Also representing students/parents)

State Representatives
Honorable Tiny Adams
Honorable Larry Buell

State Senators
Honorable Luke Kenley
Honorable Tim Lanane

State Student Assistance Commission of Indiana
Mr. Steven Campbell

Boards of Trustees
Mr. Stephen Ferguson (Indiana University)
Mr. G. Patrick Hoehn (Univ. of Southern Indiana)
Mr. Timothy McGinley (Purdue University)
Mr. Albert Schumaker (Ivy Tech State College)

Faculty Member
Dr. Otto Doering (Purdue University)

Independent Colleges and Universities
Dr. Dennis Rittenmeyer (Calumet College)

Business Representative and Government Efficiency Commission
Mr. Thomas Reilly (Reilly Industries, Inc.)

III. Schedule of Meetings

The Taskforce had four public meetings, all of which were held at the University Place Conference Center located on the IUPUI campus in Indianapolis. The meetings occurred from 10:00 a.m. to 12:00 p.m. on the following days:

- Tuesday, August 10, 2004
- Thursday, September 23, 2004
- Thursday, October 28, 2004
- Tuesday, December 14, 2002

IV. Overview

Early in the Taskforce deliberations, discussion focused on the State's progress and areas of concern related to access to and participation in higher education. There was consensus from the Taskforce members that the issue of college affordability is multifaceted and interlinked to a wide array of policy objectives important to the State. The following summaries outline key components from the discussion.

A. Progress in College Access and Participation

Over the past two decades, Indiana's landscape has flourished in regards to increasing access and opportunity to higher education. Historically, college was not a first choice for most Hoosier students as they were able to find good paying jobs in the manufacturing and agricultural sectors following high school. As the State's economy shifted away from the manufacturing sectors, Indiana leaders made it a priority to send a strong message to Hoosier families that college is a viable and desirable option for all students to be successful. These efforts have paid off:

- More than 60% of Indiana's high school graduates attend college immediately following graduation, ranking Indiana 10th in the nation in 2002.
- More than 300,000 students now enroll in Indiana's public and independent colleges each year.
- More than 26,400 students have been brought into Indiana's two-year colleges since the launching of the community college initiative in 1999.
- More than 60% of Indiana high schools students complete either a Core 40 or Academic Honors Diploma.

Even with this dramatic success, the state cannot afford to be comfortable with such progress. The state's economic vitality significantly depends on the number of trained and skilled workers available to its business and industry. As more and more jobs require some form of higher education and continued skill renewal, Indiana's higher education system must be able to meet such growing needs particularly through flexible and attainable offerings.

B. Growing Concerns

It is essential to ensure that the State's tremendous progress in college participation is not adversely affected by the rising cost of college attendance. Although Indiana's state appropriations to higher education have steadily increased over time, the State has simultaneously experienced record growth in overall enrollment. The net effect has resulted in an inability in state appropriations and state financial aid to keep pace with the growing cost of college on a per student basis. The burden has been shifted to students and their families, of which many have been faced with double digit percentage increases in tuition and fees. Unless addressed, continued college tuition increases have the dangerous potential of discouraging both young adults and working adults from pursuing higher education. Students may take longer to complete their degrees or put college off for later years. Such consequences are simply not acceptable for the State and its citizens.

C. Important Factors for Consideration

The Indiana Commission for Higher Education's *Framework for Policy and Planning Development in Higher Education*, and most recently, the *Report on Higher Education* from the

Indiana Government Efficiency Commission devote considerable attention to the structure of Indiana's public higher education system as a means to achieving even greater results. Historically Indiana's structure has resembled an "inverted pyramid," reflecting the proportionately smaller enrollment in two-year institutions. The majority of Indiana's college students are educated in doctorate-granting institutions, which are generally the most expensive sector of any state system. This is in stark contrast to a majority of state systems, which reflect the dominant "pyramid" pattern that enrolls most students in a community college system at the base. States with pyramid structures typically benefit from increased levels of participation at lower cost institutions, thus permitting the education of broad numbers of students while at the same time having well-funded public research universities.

To better align Indiana's higher education system to serve students in efficient and financially beneficial ways, efforts must focus on:

- Ensuring more Hoosier students achieve a Core 40 high school diploma as a means for increasing academic preparation for college success (better preparation will lead to less remediation in college and increased college persistence and completion rates);
- Increasing undergraduate enrollment (both young adults and working adults) and expanding program offerings at the community college campuses (community colleges provide the most affordable option for many students and families and reduce the overall cost to the State);
- Increasing transfer and articulation opportunities among colleges and universities (thus reducing the number of duplicate courses taken and paid by college students and supported by the State);
- Continuing the State's strong commitment and support of state financial aid funding to ensure that all academically prepared Hoosiers have the opportunity to participate in higher education regardless of need, and are able to pursue higher education at an Indiana public or independent institution that best fits their academic goals and interests.

The Taskforce recommends that these efforts take center stage as ways to achieve greater college affordability in Indiana.

V. Guiding Principles

The Taskforce used the following principles to guide discussion. The Taskforce recommends these guiding principles be used in the 2005-07 biennial budget process.

- <u>Affordability</u>
  All academically-prepared Hoosiers should be able to access higher education and choose the institution that best meets their collegiate needs and aspirations.

- <u>Predictability</u>
  Increases in tuition and fees should be highly predictable to allow for adequate planning of current or soon-to-be Hoosier college students as they pursue their degree as well as for realistic financial expectations to be set by Hoosier families planning and saving for their child's future.

- Inclusion
  Indiana's public colleges and universities should institute a formal, public process of informing and engaging Hoosier students and families in proposed tuition and fee increases prior to setting those fees.

- Responsibility
  The State should acknowledge the important role of higher education in the economic growth and prosperity of individual Hoosiers and our state as a whole by providing the necessary institutional operating and enrollment growth support that will avoid shifting the burden to students.

VI. Recommendations

As noted in *Collision Course: Rising College Costs Threaten America's Future and Require Shared Solutions*, a recent policy brief from Lumina Foundation for Education, "a combination of forces – increased demand, diminished capacity, economic and fiscal problems, and demands for accountability – are among the contributors to the problem." The brief notes that solutions to this problem (the rising cost of college) will require "shared responsibility involving secondary and postsecondary institutions, state and federal governments, the private sector, and students and families."

The composition of the Taskforce provided for thoughtful, productive, and diverse dialogue from many of the stakeholders identified as having shared responsibility. However, given this diversity and the tight timeframe of the Taskforce, consensus was not achieved on all issues considered by the Taskforce.

A. Points of Consensus

At its last meeting in December 2004, the Taskforce came to general consensus in three areas as outlined below.

1. Public Process
   In accordance with the guiding principles, the Taskforce recommends that Indiana's public colleges and universities institute a formal, public process of informing and engaging Hoosier students and families in proposed tuition and fee increases prior to setting those fees. At a minimum, this process should provide that:

   - Indiana's public colleges and universities will give public notice of proposed tuition and mandatory fee increases and the proposed uses of the additional tuition and fee revenue for the two subsequent academic years prior to March 15 of odd-numbered years.
   - Each Board of Trustees will hold at least one on-campus public meeting to debate and receive public testimony on the proposed increases prior to May 15.
   - Each Board of Trustees will make its final decision regarding tuition and mandatory fee increases no later than May 15 (or ten days after adjournment of the General Assembly) of odd-numbered years.

2. Tuition and Fee Guidelines
   In an effort to align tuition and fees and state appropriations as well as increase predictability for students and their families, the Taskforce recommends that each Board of Trustees for

Indiana's public colleges and universities set tuition and fees for two years at a time (following the General Assembly budget sessions).

3. Financial Aid
The Taskforce concluded that both the State and its public colleges and universities should make every effort to ensure that all academically prepared Hoosier students have the opportunity to participate in higher education regardless of need. To that extent, the Taskforce recommends that:

- Indiana's public colleges and universities provide the financial aid for students who qualify for aid from the State Student Assistance Commission of Indiana to the extent that tuition and fees exceed any guideline that might be established.
- Through SSACI, the State continues its strong support of financial aid by increasing state appropriations for state financial aid to low income students and explores the potential of expanding such assistance to low middle income students. State financial aid allows students to select the college that best fits their educational needs and aspirations, which can lead to shorter time to degree completion and higher graduation rates – two important factors in college affordability.

4. Four-Year Degree Completion Incentives for Students and Postsecondary Institutions
While recognizing that there will always be students who will need a longer time period to realize their educational goals, the Taskforce concluded that the benefits (in terms of state appropriations and student contribution) associated with students completing their degrees in a more timely fashion cannot be ignored. The Taskforce recommends that a concentrated effort focus on increasing the four-year completion rates of resident full-time baccalaureate students. The Taskforce recommends that the Indiana Commission for Higher Education be instructed to develop potential formulas and technical details regarding a four-year degree completion incentive directed to students and a similarly focused incentive directed to the colleges and universities for consideration by the General Assembly.

5. Part-time Grant Program
The Taskforce recommends that the State's modest part-time grant program be fine tuned to enhance support provided to working adults. At a minimum, this should include:

- Indiana's public colleges and universities may not charge part-time students more than 120% of the per credit charge for full-time students.
- Indiana's part-time grant program will be distributed to institutions proportionally based upon the number of need-based part-time students that they serve.

6. Core 40
The Taskforce recommends that the State ensure that more Hoosier students achieve a Core 40 high school diploma as a means for increasing academic preparation for college success. Better preparation will lead to less remediation in college, increased college persistence, and timelier college completion.

7. Indiana's Community College System
The Taskforce recommends increasing undergraduate enrollment and expanding transferable program offerings at Indiana's community college campuses. Indiana's community college system must be a viable option as the State continues to experience increases in the number of high school students pursuing college immediately following graduation and working adults seeking educational opportunities to remain competitive. Community colleges

provide the most affordable option for many students and families and reduce the overall cost to the State.

B. Points of Divergence

The Taskforce was unable to come to consensus on a single recommendation regarding setting tuition and fee guidelines. The dialogue in this area centered on two topics: 1) the need and development for establishing tuition and fee guidelines; and 2) the process for monitoring a tuition and fee guideline.

1. Tuition and Fee Guidelines

   The Taskforce discussed four measures that could potentially serve as a basis for guiding tuition and fee increases for resident undergraduate students. These measures included the Consumer Price Index (CPI), the Higher Education Price Index (HEPI), the Higher Education Cost Adjustment (HECA), and Indiana Non-Farm Personal Income (IN NFPI). The change in consumer price index (the most frequently-used measure of inflation) reflects changes in the prices of consumer goods. The change in the higher education price index reflects the effects of inflation on current operations of colleges and universities. The change in non-farm personal income reflects changes in economic resources available to students and their families. The change in the higher education cost adjustment reflects changes in the costs faced by colleges and universities.

   It should be noted that some Taskforce members were opposed to considering or applying any measure as a guideline for tuition and fees as this was viewed as a form of price control. These members noted the Government Efficiency Commission's recommendation that Indiana's research campuses (specifically Indiana University Bloomington and Purdue University West Lafayette) would need complete freedom to manage a number of inputs, including tuition and fees, in order to achieve their full potential. The research campuses would be encouraged through compacts with the State to rely less on state appropriations, and more on external funding sources including tuition and fees. Over time, these state appropriations could be redistributed across the higher education system, particularly to the community college campuses as a means to support growth and keep tuition low. Additionally, state financial aid, as distributed through SSACI, would grow with tuition to ensure that all academically-prepared students have the opportunity to participate at an institution that best fits their educational aspirations.

   Of those Taskforce members willing to consider a guideline, IN NFPI was selected for purposes of illustrating the options below based on: 1) IN NFPI is reported annually by state, but can be estimated on a quarterly basis; 2) change in IN NFPI is used to compute the state spending growth quotient created in statute (IC 4-10-21) by the Indiana General Assembly during the 2002 special session; 3) over time, change in IN NFPI mirrors change in HECA. It should be noted that since the majority of expenditures in higher education are for personnel, CPI was not considered an ideal measure. Nevertheless, consensus could not be reached regarding how the guideline would be applied as illustrated in the options below.

2. Process for Exceeding the Guidelines

   Of those Taskforce members willing to consider a guideline for setting tuition and fees, consensus could not be reached for the process that would be applied for exceeding the guideline as illustrated in the options below. Basically the issue comes down to locus of control. Taskforce members representing the colleges and universities believe that the Boards of Trustees for each institution should remain the final entity responsible for final

decisions regarding tuition and fees. Taskforce members representing the State's legislature believe that an external review and approval process following Board of Trustee action is appropriate when the tuition and fee guideline is exceeded.

The Taskforce discussed the following options and asked that both options be illustrated in the final report. It should be noted that although a third option was presented by Commission staff, there was no formal discussion of the option by the Taskforce, and as such, the third option was not included below.

a. *Option 1*

Tuition and Fee Guidelines:

- In-state undergraduate tuition and fee rates at all Indiana public colleges and universities can increase at a rate no greater than the three year average of the increase in Indiana Non-Farm Personal Income (IN NFPI) plus one percent (1%).
- The Commission for Higher Education is authorized to establish rules regarding the definitions and technical explanations for the guidelines.

Exceeding the Guidelines – If an Indiana public college or university proposes to increase the tuition and fee rates above the guidelines, the institution must:

- Provide the rationale and appeal to the Commission for Higher Education (following Board of Trustee approval). In the appeal process, the proposed tuition and fee rates cannot be negotiated (Commission will simply accept or reject the appeal by a majority vote).

b. *Option 2*

Tuition and Fee Guidelines:

- In-state undergraduate tuition and fee rates at all Indiana public colleges and universities can increase at a rate that yields a per student (FTE) operating budget expenditure (tuition and fees and state appropriations) increase equal to the three year average of the increase in Indiana Non-Farm Personal Income (IN NFPI).
- The Commission for Higher Education is authorized to establish rules regarding the definitions and technical explanations for the guidelines.

Exceeding the Guidelines – If an Indiana public college or university proposes to increase the tuition and fee rates above the guidelines, the institution must:

- Receive approval of the tuition and fee rates by a supermajority (2/3) vote of all Board of Trustee members.
- Provide the rationale at a public meeting of the Commission for Higher Education and a public meeting of the State Budget Committee.

VII. Supporting Documents

The minutes of each Taskforce meeting are attached as supporting documents to the final report.