

2013 STATE OF HIGHER EDUCATION ADDRESS

Teresa Lubbers, Indiana Commissioner for Higher Education

January 9, 2013

Good evening Indiana students and families, educators and employers, policymakers and community leaders, and other Hoosiers across our great state who share a commitment to building a stronger Indiana through higher education. On behalf of the Indiana Commission for Higher Education, thank you for joining us for this inaugural State of Higher Education address and please allow me to express my special appreciation to Amos Brown for serving as our emcee this evening, to the Indiana college students who helped with preparations for this event, and to our distinguished panelists for sharing their perspectives on how Hoosiers can get more for their higher education dollars.

This fall, Hoosiers heard a public address on the state of our K-12 schools and later this month Indiana's governor will discuss the state of our state. The timing of my remarks this evening is altogether fitting as higher education has become the common link between the aspirations of our young people and the economic prosperity of our state. Indeed, today more than ever before in Indiana's history, higher education is the key to unlocking our full potential both as individuals and collectively as a state.

It's important to note that when we refer to the growing need for college and higher education in general, we mean any form of quality education and training beyond high school, including one-year workforce certificates, two-year associate degrees, four-year bachelor's degrees and beyond. If Indiana is going to build a stronger workforce and economy, we need more individuals with higher education at all levels, especially when those credentials are linked to high-need fields and employer demand.

It's no coincidence that Indiana's national rankings for average earnings and education level are nearly identical. We rank 40th among the 50 states in the number of adults with education beyond high school and 41st in per capita personal income. It is not an overstatement to say that Indiana's future—the kind of state we will be—has more to do with education than anything else.

Like most of the Midwest, Indiana is in the midst of an economic transformation that requires more highly educated and skilled citizens. The traditional middle class manufacturing jobs of Indiana's past largely have been replaced by advanced manufacturing positions, and while we remain the most manufacturing intensive state, fewer and fewer of these jobs are held by high school graduates. Efforts are underway to diversify our state's economy with jobs that fulfill 21st Century needs in health care, technology and other fast-growing occupations that require additional education and training beyond high school. If we are going to raise Hoosier incomes, replace the

middle-wage, middle-skill jobs that have been lost in recent years and propel Indiana forward, we must tackle our education and workforce preparation needs with a new sense of urgency and shared commitment.

At the Commission, we have set a Big Goal of increasing the number of Hoosiers with education beyond high school to 60 percent of the state's adult population by the year 2025. But Indiana's Big Goal faces a Big Gap. To put that 60 percent goal in context, less than a third of Hoosiers have completed higher education today. Moving that number will be tough for Indiana, especially when you consider that only two states in the nation have a greater percentage of adults with a high school diploma as their highest level of education.

But, consider the alternative: Nearly two-thirds of the jobs in Indiana this decade will require more than a high school diploma. And, what if states around us meet the 60 percent goal and swallow up the jobs and economic opportunities that Hoosiers need and deserve? We become a state of lesser opportunity as more of the available jobs favor higher skilled and more highly educated workers. This is not an inevitable course if we invest in the development of Indiana's human capital.

In recent months, I've been traveling the state holding regional meetings in local communities to discuss the increasing value and necessity of higher education. Not surprisingly, the conventional wisdom that "college is worth it" has been challenged by some. From the nightly news to conversations in coffee shops, we keep hearing more and more stories about the rising cost of college, growing student debt, and graduates who can't get a job.

The concern felt by many families is real and understandable, but the fact remains that opportunities are greater, incomes are dramatically higher and unemployment rates far lower for Indiana's college graduates. Over the past decade, Hoosiers with a college credential have maintained or improved their economic standing while those with a high school education or less have begun to fall out of the middle class. Clearly, there will be jobs and pathways for people who have high school diplomas if they are aligned with workforce needs. But, the general decline in the demand for low-skilled occupations must guide our efforts to increase the educational attainment of Hoosiers.

Four out of five jobs lost during the recent recession were held by individuals with a high school diploma or less, and many of those jobs are not coming back. In the past decade, wages of workers with a high school education have fallen by over 11 percent. In the last year alone, one in four high school graduates was unemployed or underemployed while unemployment rates for college graduates have remained relatively low—even during the recent recession. Hoosiers with only a high school diploma are more than three times more likely to be unemployed today compared to those with a four-year college degree.

At the same time, students from low-income families who do earn a college credential are four times more likely to enter the middle class. The bottom line is not only do college graduates have more options and higher incomes, but far greater job security in both strong and challenging economic times.

Fortunately, more Hoosiers than ever understand that a college credential is their passport to opportunity and prosperity. Across all income levels and demographic groups, student aspirations for higher education have never been greater in Indiana. Indiana's college-going rate now exceeds the national average and enrollment at our public and private colleges is at an all-time high.

Despite this encouraging progress, Hoosiers—both as individuals and as taxpayers—often aren't getting their full return on investment from higher education today. We have too few students who graduate and even fewer who graduate on time. We are producing too few degrees, especially in high-demand fields. And, we have too much student debt, especially for those who exit college with debt and no degree.

This reality is made abundantly clear in Part 1 of our new Return on Investment Report, which was released today as a companion piece to the Commission's strategic plan: "Reaching Higher, Achieving More." In a follow-up report, the Commission will provide detailed information for each Indiana college campus to assist students and families in making smart higher education decisions.

Our Return on Investment report shows in vivid terms that far too many Hoosiers start college and never finish, and most do not graduate on time. Only 3 in 10 Hoosier students complete a four-year degree on time and less than 1 in 10 earns a two-year degree on time. Some might ask why it's so important that students graduate on time. For starters, it's a question of cost. An additional year of college can cost a Hoosier student \$50,000 or more in extra tuition, lost wages and related expenses. But, taking longer not only means students and taxpayers pay more, it also dramatically decreases the odds that students will graduate at all.

Beyond increasing college completion rates and on-time graduation in particular, we must also do more to align the degrees our colleges produce with the needs of the state's workforce. To meet employer needs, we must double the number of college degrees and certificates produced annually from 60,000 to 120,000 degrees by the year 2025, with a special focus on the high-need, high pay jobs that Hoosier families need and the state's economy demands. All education matters, but the reality is that some college majors or fields of study provide higher salaries, have a greater impact on gaining and retaining employment, and offer more potential for upward mobility. That doesn't mean that everyone should be a scientist or engineer—though we certainly need more of those—but it does mean that students should think carefully about the job opportunities and earning power for their degree before piling up a mountain of college debt.

It's clear that the rising cost of college is having a chilling impact on the aspirations of too many Hoosiers. Nationwide, tuition has increased by almost 50 percent in the last 30 years, and average tuition and fees at Indiana's public colleges have increased by nearly 100 percent since 2000. It's true that the sticker shock of college costs is often diminished by the net cost—the real price students pay after financial aid and scholarships have been applied. Nevertheless, two-thirds of Hoosiers graduate with debt, and outstanding student loan debt in this country recently hit the trillion dollar mark, eclipsing credit card debt. In Indiana, the average student debt upon graduation is more than \$27,000, and our student loan default rate has increased by 35 percent over the past three years.

A few weeks ago the Wall Street Journal highlighted the experience of the Lowe family of Indianapolis as part of a feature on soaring higher education costs. The Lowes recently “celebrated” the accomplishment of paying off more than \$127,000 in debt, most of it student loan debt. They actually threw a party and people came from as far as 200 miles—some who had never met the Lowes but had followed their experience on Ms. Lowe's blog—to acknowledge their successful efforts to retire a burdensome debt.

Though some might see the Lowes' story as either cause for celebration or as a troubling tale of the growing debt dilemma, we should all be able to agree that prospects are far bleaker for students who exit college with debt and no degree. These Hoosiers lack the same job opportunities and earning potential as college graduates like the Lowes, and they are four times more likely to default on student loans than those who finish with a degree. This worst-case-scenario is all-too-common in Indiana, and it results in limited options and long-term financial consequences for students and a near-zero return on investment for our state.

So, the question isn't whether more Hoosiers need education beyond high school, but rather how do we build a more efficient, student-centered and responsive higher education system that produces greater value and return on investment for our citizens and our state? Our bottom line is ensuring that more Hoosiers earn quality higher education credentials on time and at the lowest possible cost. This is a shared responsibility that must be owned jointly by our state, by Indiana's colleges and universities, and by Hoosier students themselves.

Business as usual won't get us to our big goal, and we are calling on each of these essential partners to take specific steps now to increase Indiana's return on investment.

First, from our state: During the upcoming legislative session, the Commission will be asking lawmakers to take action in three main areas. We must expect results from our colleges by sustaining support for a performance-based funding formula that drives dollars to colleges based on key success measures that include producing more on-time graduates and quality degrees, especially in high-need areas.

Second, Indiana must reverse a downward trend in state support by investing more in higher education in the next budget. Yes, there will be a cost associated with increasing degree production and education attainment levels, but we must pay for what we value to keep pace with the growing workforce demand for skilled college graduates.

Finally, the state must create college completion incentives for students that award additional financial aid dollars to those who perform academically and graduate on time. The financial need of the student has always been and should continue to be the foundation of our state aid system in Indiana, but we have an opportunity to encourage and reward Hoosiers for making smarter choices and staying on track for success.

Now we turn our attention to Indiana's colleges and universities: First, the commission will recommend that an increase in state higher education funding during the next budget cycle be tied both to performance and an expectation that our colleges hold any increases in tuition and fees for Hoosier students at or below the rate of inflation.

Second, we are asking our colleges to further support student success by promoting their own financial aid and on-time completion incentives that encourage students to graduate with minimal debt.

Third, we are calling for a renewed emphasis on effective college advising practices that place students on a clear path to graduate on time and provide them with a true sense of the job opportunities and earning potential for their degrees.

Finally, from Hoosier students: Students themselves are not without responsibility. Completion rates have stagnated, more students supersede normal graduation timelines, and many practice less than sound judgment in borrowing and spending.

First and foremost, students must start college better prepared and with a clear plan to graduate on time in their program of study.

Second, we're calling on students to borrow wisely and repay responsibly when it comes to managing their loan debt. A college degree continues to be a smart investment, but many students pile up debt without understanding what their total cost will be or how long it will take them to pay it off. As a general rule, college students shouldn't borrow more than their expected annual starting salary after graduation.

Finally, if Indiana college students listening remember only one thing I've said this evening it should be the following phrase: **15 to finish**. Fifteen is the minimum number of credits that full-time college students must complete each semester to graduate on time. During last year's session, Indiana lawmakers passed legislation that streamlines college credit requirements and ensures that the vast majority of degrees can be completed on time if students take 15 credits each semester (or

30 credits each calendar year). Sadly, only half of students receiving state financial aid today are taking 30 or more credits per year, yet three-quarters of these students expect to graduate on time. In this case of shared responsibility, Indiana colleges and the state are working together to remove a barrier to on-time completion. Now, students must do their part by committing to 15 to finish.

As we consider new opportunities and approaches to help more Hoosiers complete higher education, it's important to note how our college-going population has changed over the years. The 18-year old recent high school graduate who spends four years on a residential college campus is now the minority among all students in Indiana and nationwide. While our residential campuses are serving even more students, the reality is that only 1 in 5 individuals who access higher education today will ever live on a college campus. And, more and more Hoosier students are taking advantage of online college courses and other innovative learning models that offer greater flexibility and accelerated degree completion without sacrificing quality.

As our college population has grown and become more diverse, the level of support our students need has increased as well. The majority of Indiana college students today are working, commuting to campus and trying to balance family and job responsibilities while furthering their education. Many students come to campus lacking the academic preparation they need to succeed in college-level courses. Up to a third of all recent Indiana high school graduates and more than two-thirds of our community college students arrive needing remediation that drastically decreases their chances of earning a degree. And, because many Hoosiers are the first in their family to go to college, they often feel out of place or struggle to navigate the college environment.

Though I have focused the majority of my remarks tonight on the shared responsibilities of students, our colleges and the state, it's clear that the shared responsibility cannot end there. Our parents and families must play an active and ongoing role in helping their children plan, prepare and pay for college from an early age. Our K-12 and higher education systems must collaborate more closely to align expectations for students around common standards and measures that ensure Hoosiers graduate from high school college- and career-ready. And, local community members must rally around the common cause of increasing college completion.

Pathways for college and career success should be available to all students—those who have recently graduated from high school and those who are returning to school after years in the workforce. Whether you're a young Hoosier starting school or an adult thinking about returning to school, we must work together across Indiana to make sure you have the information, guidance and support you need to succeed.

With that goal in mind, over the past couple years we have supported the development of College Success Coalitions in 50 counties across the state through our Learn More Indiana outreach initiative. Leadership is provided locally by representatives from K-12 and higher education, business

and government, and community, faith-based and youth-serving organizations. Collectively, these county coalitions have recruited more than 1,100 member organizations and implemented nearly 1,500 targeted activities designed to increase student success. Together, these local champions are creating a college-going culture, connecting students to mentors, helping Hoosiers navigate the college admissions and financial aid process, and more. To sustain this growing statewide momentum, we'll be calling on local leaders to help us develop 20 new College Success Coalitions each year on a competitive basis until all 92 counties have an active local coalition working to increase the education level across Indiana.

What can we expect if our collective efforts are successful? The payoff for Hoosiers means more opportunities, greater job security and higher earnings. On average, Indiana college graduates will earn an extra \$20,000 per year and more than \$1 million over their careers compared to high school graduates.

The payoff will be significant for the state, too. Indiana's economy, workforce and middle class will be stronger. Tax revenues go up while health care, corrections and other state costs go down. Even a one percentage point change in the number of people with a college degree leads to a two percent increase in overall economic activity. If Indiana succeeds in meeting our big goal of 60 percent education attainment, average incomes will increase by more than \$1,800 per person and annual state revenue will increase by \$1.5 billion.

I've talked tonight about the value of higher education, about shared responsibility, about the need to increase our return on investment as students and as a state. I've stressed the imperative to increase student success, decrease time to degree, and lower student debt. More than ever education is dividing our country and state between the haves and the have nots... between those who have greater opportunities for economic independence and a high quality of life and those with limited choices and few options. If we recognize that higher education is the prescription for individual opportunity and a strong economy, we must have the courage and the will to take action.

I would like to close this evening by sharing the story of one recent Indiana college graduate. Heather Barker's story is best told in her own words:

"Where I started out does not determine where I will go. I am the first member of my family to graduate from college. I worked through school. Growing up in a single-parent home, I watched my mother struggle to provide for us. I grew up fast, helping to care for my brother who has severe disabilities.

My family supported me in every way they could and most of all they believed I would succeed. They always told me how proud they were of me, and I never really understood why. To me I was just doing what I had to do to have the life I wanted.

Looking at where I came from, some people may wonder how I made it. In honesty, there was no other option. I knew I was going to go college, and I also knew I would graduate. At times though, my circumstances made me feel like I was different, as if there was something wrong with me. My mom was a single parent. My brother did not talk. And my father, well, he was either homeless or in jail. All of this made it difficult for me to connect with my peers. I felt alone and misunderstood.

In college, I found my home in the University Writing Center where I tutored college students from various language backgrounds and with varying writing abilities. Today, I want to use my degree, my experience, and my hope to help others realize their potential and achieve their goals of succeeding in higher education. I want them to know that they have choices and a future ahead of them, as long as they are willing to work for it. My story is a testament that it is possible.”

Indiana made an investment in Heather Barker as the recipient of a scholarship from Indiana’s 21st Century Scholars program. As a result of that investment, Heather completed college and now she’s helping other 21st Century Scholars like herself be successful. By not only graduating, but also giving back and helping others complete college, Heather is ensuring that Indiana receives the best possible return on its investment. She’s getting us another step closer to our big goal.

In many ways, Heather’s story is Indiana’s story. Like Heather, where we started does not determine our future or where we go from here. Like Heather we have a big goal before us and though it may seem daunting, overly ambitious or even impossible to some, the alternative to not achieving it isn’t really an alternative at all.

Success is a shared responsibility, and each of us has a part to play. We must expect more to achieve more as a state, as communities and as individuals. If there was ever a time for bold action to increase our return on investment, it is now as we commit to make Indiana better and stronger through higher education.

Thank you for listening this evening and for joining us in reaching higher and achieving more for our students and our state.