

BOARD OF REGENTS
EASTERN MICHIGAN UNIVERSITY

RECOMMENDATION

FACULTY AFFAIRS COMMITTEE: APPROVAL OF AGENDA AND MINUTES

ACTION REQUESTED

It is requested that the Faculty Affairs Committee Agenda for the October 20, 2017 and the Minutes of the April 21, 2017 meeting be received and placed on file.

STAFF SUMMARY

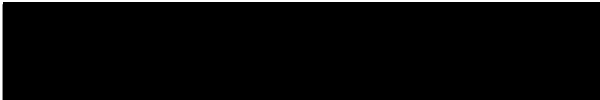
The topic for the October 20, 2017 Faculty Affairs Committee meeting is "Academic Budget."

FISCAL IMPLICATIONS

There is no fiscal impact.

ADMINISTRATIVE RECOMMENDATION

The proposed action has been reviewed and is recommended for Board approval.


University Executive Officer

10/3/17
Date

EASTERN MICHIGAN UNIVERSITY
BOARD OF REGENTS

FACULTY AFFAIRS COMMITTEE MINUTES

April 21, 2017
8:30 – 9:15 a.m.
205 Welch Hall

Attendees (seated at tables) C. Boik, S. Burton-Hoyle, J. Carroll, D. Clearwater, A. Dow, R. Longworth, M. Rahman, J. Rencher, K. Rusiniak, Regent Simpson (Vice Chair) and Regent Webb (Chair).

Guests (as signed in): S. Chawla, E. Buggs, G. Hage, C. Karshin, W. Kraft, B. Kubistkey, M. Marion, C. Shell, B. Shepard, J. Smith, D. Turner and D. Woike.

Regent Webb opened the meeting at 8:30 a.m.

Report and Minutes (Section 7)


Regent Webb requested that the Faculty Affairs Committee Agenda for May 21, 2017 and the Minutes of the February 7, 2017 meeting be received and placed on file.

Discussion Topics – “Faculty Support In Programs for Students.”

Dr. Raymond Quiel, Faculty Senate President, led a presentation on student support programs where Faculty play a key role in working with support personnel educating and supporting our students’ learning. They focused on unique approaches and partnerships. Today we heard specifically about the Mentorship Access Guidance in College (MAGIC) Program for students from foster care and the College Supports Program to help students with Autism Spectrum Disorder.

Regent Webb thanked all and adjourned the meeting at 9:15 a.m.

Respectfully submitted,


Debbie Clearwater
Executive Assistant
Office of the Provost
Academic and Student Affairs

Basic Premise



This presentation is

- From **the perspective of faculty**
- Focused on our **budgeting priorities**
- In the spirit of **shared governance** and common interest of student success

Budgeting: Points to Ponder



- Focused on Funding for the **coming days**—not accounting for the past days
- Includes **Long-term** positioning of assets while supporting immediate needs
- Funding for **priorities**, i.e., allocating resources to attain priorities
- Priorities are **mission driven**
- Missions must have **actionable items**
- Budgeting Pitfalls
 - Misplaced priorities
 - In appropriate metrics to measure success

Our Vision and Mission



- **Vision:** Eastern Michigan University will be a premier public university recognized for student-centered learning, high quality academic programs and community impact.
- **Mission:** EMU enriches lives in a supportive, intellectually dynamic and diverse community. Our dedicated faculty balance teaching and research to prepare students with relevant skills and real world awareness. We are an institution of opportunity where students learn in and beyond the classroom to benefit the local and global communities.

Takeaway:

- Faculty and Students are the key to achieving our vision (academic programs and research)
- So, priorities prescribed in the vision, to be carried out as a mission, must be resourced as such.

Who Are We



- An Institution of Higher Learning
- A non-profit public institution
- Do key measures of corporate success apply for Institutions of Higher learning?

Key Corporate Measures	Corporation	Higher Learning
Sales	Finished products bought by consumers	Graduation rates combined with placement success
Profit	Belongs to shareholders: reinvest, dividend	Success of Students, Impact on Community

How Do Higher Learning Spell Success?



Can you claim institutional success without student success?

The ultimate metric of an institution's success is whether its alumni succeed in work and life.

Gallup-Purdue Index - Measuring College and University Outcomes

We judge our performance more by the character and success of our graduates.

John Carroll University – How Do We Measure Success

Measure of success hinges on output, not just input:

Variables	Corporation	Higher Learning
Input	Cost of Goods Sold	Student Credit Hours, Faculty Resources
Output	Quality and Quantity of Products	Graduates, Relevant Curriculum, Scholarship

Metrics for Measuring Student Success



Output Based Metrics:

- Retention Rate
- Graduation Rate
- Placement Rate
- Average time to completion

Input Based Metrics:

- Student Credit Hours
- Acceptance Rate
- Average GPA of incoming class
- Demographic Diversity

What does this mean at EMU?



Our Context

Decreased State Funding (Mitchell & Leachman, 2015; Pew, 2015)

Increased Reliance on Tuition-based Funding (FSBC, 2017)

Increased Student Debt (Cochrane & Cheng, 2016; Huelsman, 2015)

Flat Budgets (FSBC, 2017)

Our Responsibility as Stewards of EMU



Ensure the financial viability of the institution

Limit, as much as possible, the financial burden to students

Examine our budgeting assumptions and process

Align our budget to our priorities

Faculty Perspective on the Budget



The Faculty Senate Budget Committee was created in the Fall of 2013 to examine academic budgetary decisions

The committee generates annual reports that include examination of implementation of previous recommendations, budgetary analysis, and recommendations for the upcoming budget cycle

Key Findings from the 2017 Annual Report



- **Finding 1:** Student credit hours declined over 36,000 (-6.8%) between FY12 and FY16 while gross revenues increase over \$17.3 million (+10.8%). The gross revenue increase was offset by an increase in financial aid of almost \$20 million (+61.6%) over the same time period.
- **Finding 2:** College expenses were relatively flat between FY12 and FY16, only increasing by 2.5% (just over \$3 million) This is well below the cost of inflation over the same period of time (6%).

Key Findings from the 2017 Annual Report



- **Finding 3:** Budgets for the past five years have consistently been based upon unrealized enrollment assumptions. The budgeted credit hours and the actuals have been off by over 2% each of the past five years and over 3.4% off for FY16. Use of previous actual SCH led to a FY17 budget that was much closer to our actual (.6% off).
- **Finding 4 (from Table 3):** The University continues to aggressively use financial aid to attract FTIAC students and this practice has led to a steady increase in the discount rate each year (from 16.0% in FY12 to 22.9% in FY16).

Key Findings from the 2017 Annual Report



- **Finding 5:** The shortfall in actual vs. budget revenue from tuition and fees is substantial (\$4.2M) and the increase in the discount rate to 22.9% results in a \$7.8M deficit in net tuition and fees.
- **Finding 6:** The athletics operating deficit, including athletic scholarships, increased from \$9.8M in FY12 to over \$23M in FY16. Additionally, the discrepancy between budget and actual in athletics continues to increase from about \$600,000 under budget to over \$4.4M over budget in FY16. In FY12 the athletic deficit equaled 5.75% of net tuition and fees collected for the entire university and this percentage increased to over 13% in FY16.

Key Recommendations from the 2017 Annual Report



- **Recommendation 1:** In a fiscal environment where State of Michigan funding still has not returned to 2011 levels (in actual dollars, not adjusted dollars), student credit hours continue to decline, and the academic side of the university has received relatively little increase over the past five years (2.5%), it is difficult to continue cutting costs without further eroding program quality and EMU's identity and reputation. We recommend **significant cuts** to areas that are not specifically related to the academic mission of the University to protect EMU's motto of "Education First" and that any budget cuts made first target these non-academic areas.

Key Recommendations from the 2017 Annual Report



- **Recommendation 2 (abbreviated):** The significant increase in financial aid between FY12 and FY16, particularly on FTIACs, has outpaced the increased tuition revenue over the same period. We recommend **more financial aid resources** be focused on **transfers and graduate students**, whose credit hours generate more revenue than lower-level undergraduate credits and do not require the same-levels of institutional structures to support retention and completion. We urge EMU to assess the impact of the Financial Aid policies on the retention and completion rates of FTIACs to evaluate whether the substantial discounting is producing a good return on the investment.

Key Recommendations from the 2017 Annual Report



- **Recommendation 3 (abbreviated):** We recommend that **students receiving Pell Grants be allowed to use part of the EMU funding for summer courses**. This would permit these students to take 12 to 15 credits fall and winter, but if they took only 12 credits one or both semesters they could take 3 to 6 hours in summer. The same number of credit hours would be generated from these students per year, but the option of taking summer courses would increase credit hour production over the summer and since many (if not all) of these students are working throughout the year to cover other expenses, their academic performance might be improved.

Key Recommendations from the 2017 Annual Report



- **Recommendation 4 (abbreviated):** We recommend that **decisions about whether to run summer courses be made based on the variable cost** (the added cost) of running a course. As long as tuition revenue from a course covers the variable cost of the faculty salary plus retirement benefits, 10 percent of base salary plus 18 percent markup on this salary (11.8 percent of base salary).

Key Recommendations from the 2017 Annual Report



- **Recommendation 5 (abbreviated):** The decision to enter into a contract with Academic Partners appears to have been made without analysis of its budgetary impact and without any input from relevant university bodies including the Faculty Senate and the Faculty Senate Budget and Resource Committee. Based upon subsequent information provided by the Provost's Office, we find that the current RN-BSN program, now offered through AP, generates only about \$9,000 to \$10,000 net tuition for EMU (not enough to cover faculty salary or benefits). To protect the financial stability of EMU, we recommend that **no programs be offered through the AP agreement.**

Key Recommendations from the 2017 Annual Report



- **Recommendation 6 (abbreviated):** We recommend **including revenue** as part of the decision making equation. For example, a revenue/cost per SCH ratio would account for differential tuition paid by students at the various levels of the university and provide a more accurate "efficiency" measure than the currently used cost per SCH.

Key Recommendations from the 2017 Annual Report



- **Recommendation 7:** High-quality faculty are key elements to high-quality academic programs that improve student success. We recommend setting a goal of having **66% of weighted SCH taught by faculty** (currently 53.8% of weighted SCH are taught by faculty). The credit hours should be weighted based on the differential tuition paid by lower-division and upper division undergraduate courses, Masters graduate courses, and doctoral courses.

So What? Our Findings / Our Responsibilities



Ensure the financial viability of the institution & Limit the financial burden to students

- Greater alignment between budget and actual cost and revenues
- Focus priorities on areas aligned with our vision and mission
- Increase student retention
- Work to increase revenue streams
- Goal of balancing costs and revenues

Examine our budgeting assumptions and process & Align our budget to our priorities:

- Participatory Budgeting
- Student Credit Hours beyond first-semester FTIAC
- Carnegie Classifications (community engaged/research 3)
- Revision budget metrics (Humphries, 2012)
- Demographic Diversity

References



- Cochrane, D., & Cheng, D. (2016). *Student Debt and the Class of 2015*. Washington, D.C.: The Institute for College Access and Success.
- Eastern Michigan University Faculty Senate Budget Committee. (2017). *2017 Annual Report from Senate Budget and Resources Committee, Ypsilanti, MI*.
- Huelsman, M. (2015). *The Debt Divide: The Racial and Class Bias behind the "New Normal" of Student Borrowing*. Washington, D.C.: Demos.
- Humphries, D. (2012). What's wrong with the college completion agenda—and, what can we do about it" *Liberal Education*, 98(1). At <https://www.aacu.org/publications-research/periodicals/whats-wrong-completion-agenda%E2%80%94and-what-we-can-do-about-it>
- Mitchell, M. & Leachman, M. (2015). *Years of cuts threaten to put college out of reach for more students*. Center on Budget Policy and Priorities. At <http://www.cbpp.org/sites/default/files/atoms/files/5-13-15sfp.pdf>.
- Pew Research Center. (2015). *Federal and State Funding of Higher Education*. The Pew Charitable Trusts. At http://www.pewtrusts.org/~media/assets/2015/06/federal_state_funding_higher_education_final.pdf.

References

(in the order of appearance in presentation)

Mitchell, M. & Leachman, M. (2015). *Years of cuts threaten to put college out of reach for more students*. Center on Budget Policy and Priorities. At

<http://www.cbpp.org/sites/default/files/atoms/files/5-13-15sfp.pdf>.

Pew Research Center. (2015). *Federal and State Funding of Higher Education*. The Pew Charitable Trusts. At

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Eastern Michigan University Faculty Senate Budget Committee (FSBC). (2017). *2017 Annual Report from Senate Budget and Resources Committee*, Ypsilanti, MI.

Cochrane, D., & Cheng, D. (2016). *Student Debt and the Class of 2015*. Washington, D.C.: The Institute for College Access and Success.

Huelsman, M. (2015). *The Debt Divide: The Racial and Class Bias behind the “New Normal” of Student Borrowing*. Washington, D.C.: Demos.

Humphries, D. (2012). What’s wrong with the college completion agenda—and, what can we do about it” *Liberal Education*, 98(1). At <https://www.aacu.org/publications-research/periodicals/whats-wrong-completion-agenda%E2%80%94and-what-we-can-do-about-it>

Not enclosed, but highly recommended:

Zemsky, R. (2013). *Checklist for Change: Making American Higher Education a Sustainable Enterprise*. New Brunswick, NJ: Rutgers University Press.

May 13, 2015

Years of Cuts Threaten to Put College Out of Reach for More Students

By Michael Mitchell and Michael Leachman¹

Even as states restore some funding that was cut in recent years, their support for higher education remains well below pre-recession levels, straining college affordability — especially for students whose families struggle to make ends meet.

Many public two- and four-year colleges and universities avoided significant tuition increases for the second year in a row, as most states continued to replenish higher education support. Still, 13 states further cut funding in the past year. And in almost all states, higher education support remains below what it was in 2008, at the onset of the Great Recession.

These cuts led to steep tuition increases that threaten to put college out of reach for more students. They also raise concerns about diminishing the quality of education at a time when a highly educated workforce is more crucial than ever to the nation's economic future.

After adjusting for inflation:

- Forty-seven states — all except Alaska, North Dakota, and Wyoming — are spending less per student in the 2014-15 school year than they did at the start of the recession.²
- States cut funding deeply after the recession hit. The average state is spending \$1,805, or 20 percent, less per student than it did in the 2007-08 school year.
- Per-student funding in Alabama, Arizona, Louisiana, Pennsylvania, and South Carolina is down by more than 35 percent since the start of the recession.
- In 13 states, per-student funding *fell* over the last year. Of these, three states — Kentucky, Oklahoma, and West Virginia — have cut per-student higher education funding for the last two consecutive years.
- In the last year, 37 states increased funding per student. Per-student funding rose \$268, or 3.9

¹ Anne Kruse assisted with gathering data for this report.

² CBPP calculation using the “Grapevine” higher education appropriations data from Illinois State University, enrollment data from the State Higher Education Executive Officers Association, and the Consumer Price Index, published by the Bureau of Labor Statistics. Since enrollment data is available only through the 2013-14 school year, enrollment for the 2014-15 school year is estimated using data from past years.

percent, nationally.

Deep state funding cuts have had major consequences for public colleges and universities. States (and to a lesser extent localities) provide roughly 53 percent of the revenue that can be used to support instruction at these schools.³ When this funding is cut, colleges and universities look to make up the difference with higher tuition levels, cuts to educational or other services, or both.

Indeed, since the recession, higher education institutions have:

- **Increased tuition.** Public colleges and universities across the country have increased tuition to compensate for declining state funding and rising costs. Annual published tuition at four-year public colleges has risen by \$2,068, or 29 percent, since the 2007-08 school year, after adjusting for inflation.⁴ In Arizona, published tuition at four-year schools is up more than 80 percent, while in five other states — California, Florida, Georgia, Hawaii, and Louisiana — published tuition is up more than 60 percent.

These sharp increases in tuition have accelerated longer-term trends of college becoming less affordable and costs shifting from states to students. Over the last 20 years, the price of attending a four-year public college or university has grown significantly faster than the median income.⁵ Federal student aid and tax credits have risen, but on average they have fallen short of covering the tuition increases.

- **Cut spending, often in ways that may diminish access and quality and jeopardize outcomes.** Tuition increases have compensated for only part of the revenue loss resulting from state funding cuts. Over the past several years, public colleges and universities have cut faculty positions, eliminated course offerings, closed campuses, shut computer labs, and reduced library services, among other cuts.

A large and growing share of future jobs will require college-educated workers.⁶ Sufficient funding for higher education to keep tuition affordable and quality high at public colleges and universities, and to provide financial aid to those students who need it most, would help states to develop the skilled and diverse workforce they will need to compete for these jobs.

Responsible reinvestment can only occur, however, if policymakers make sound tax and budget decisions. State revenues have improved significantly since the depths of the recession but are still only slightly above pre-recession levels, after adjusting for inflation.⁷ To return higher education

³ State Higher Education Executive Officers Association, “State Higher Education Finance: FY2014,” April 2015, p. 19, <http://www.sheeo.org/sites/default/files/project-files/SHEF%20FY%202014-20150410.pdf>.

⁴ Calculated from College Board, “Trends in College Pricing 2014: Average Tuition and Fee and Room and Board Charges, 1971-72 to 2014-15 (Enrollment-Weighted),” Table 2, <http://trends.collegeboard.org/college-pricing>.

⁵ Calculated from “Trends in College Pricing 2014,” Table 2, and the Census Bureau’s Income, Poverty and Health Insurance Coverage in the United States: 2013, September 2014, Table A-2, <http://www.census.gov/content/dam/Census/library/publications/2014/demo/p60-249.pdf>.

⁶ Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, “Recovery: Job Growth and Education Requirements through 2020,” Georgetown University Center on Education and the Workforce, June 2013, <https://georgetown.app.box.com/s/tl0zkxt0puz45hu21g6>.

⁷ CBPP calculation using Census Bureau and Bureau of Labor Statistics data, <http://www.census.gov/govs/qtax/>.

funding to pre-recession levels, many states may need to supplement that revenue growth with new revenue to fully make up for years of severe cuts.

But just as the opportunity to reinvest is emerging, lawmakers in many states are jeopardizing it by entertaining unaffordable tax cuts. In states such as Alabama, Maine, New Hampshire, North Carolina, and Wisconsin, lawmakers are considering costly changes to their tax codes. Some have already enacted cuts: for example, legislators in Arkansas earlier this year passed a tax cut that will reduce revenue by nearly \$100 million, while at the same time the state is spending more than \$13 million less on higher education than it did in 2008 — amounting to nearly \$1,000 less in state support per student.

States Have Reversed Some Funding Cuts, but They Must Do Much More

State and local tax revenue is a major source of funding for public colleges and universities. Unlike private institutions, which may rely upon gifts and large endowments to help fund instruction, public two- and four-year colleges typically rely heavily on state and local appropriations. In 2014, state and local dollars constituted 53 percent of education revenue — the funds used directly for teaching and instruction.⁸

While states have begun to restore funding, resources are well below what they were in 2008 — 20 percent per student lower — even as state revenues have returned to pre-recession levels. Compared with the 2007-08 school year, when the recession hit, adjusted for inflation:

- State spending on higher education nationwide is down an average of \$1,805 per student, or 20.3 percent.
- Every state except Alaska, North Dakota, and Wyoming has cut per-student funding.
- 31 states have cut funding per student by more than 20 percent.
- Six states have cut funding per student by more than one-third.
- Per-student funding in Arizona and Louisiana is down by more than 40 percent.⁹ (See Figures 1 and 2.)

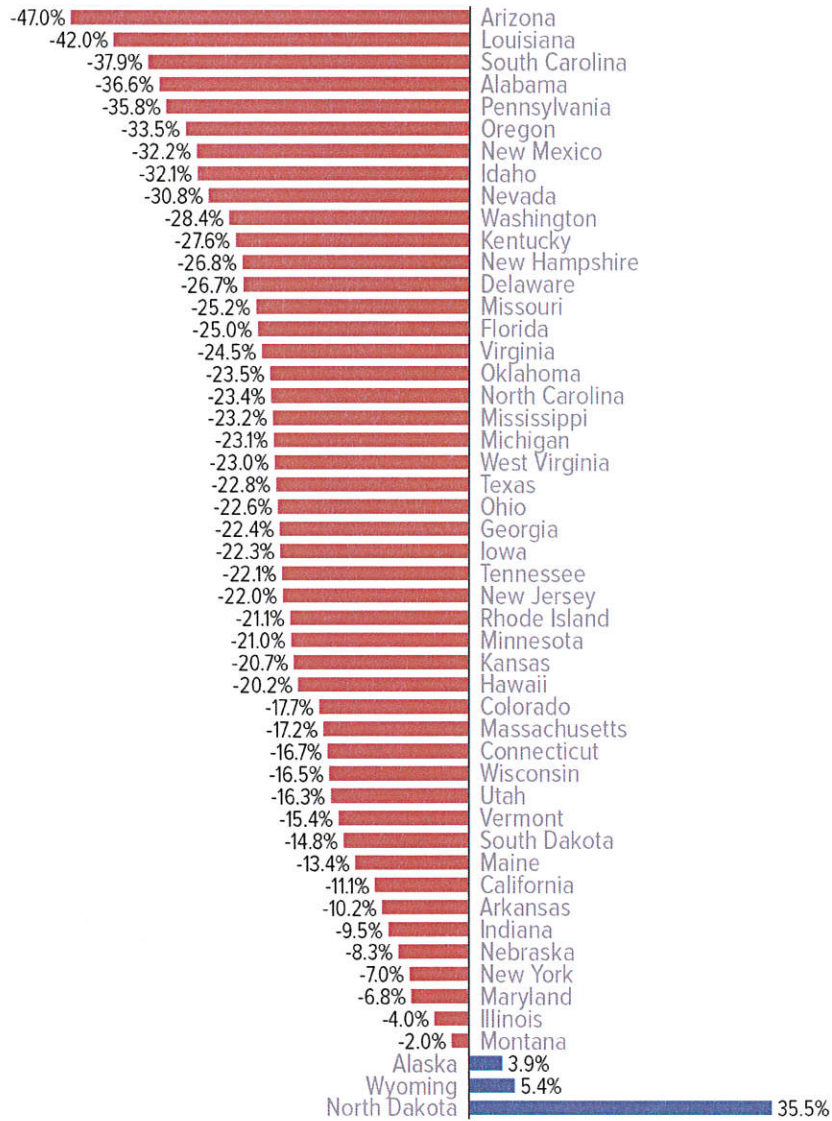
⁸ State Higher Education Executive Officers Association, April 2015.

⁹ CBPP calculation using the “Grapevine” higher education appropriations data from Illinois State University, enrollment and combined state and local funding data from the State Higher Education Executive Officers Association, and the Consumer Price Index, published by the Bureau of Labor Statistics. Since enrollment data is only available through the 2012-13 school year, enrollment for the 2013-14 school year is estimated using data from past years.

FIGURE 1

State Funding for Higher Education Remains Far Below Pre-Recession Levels in Most States

Percent change in state spending per student, inflation adjusted, 2008 - 2015

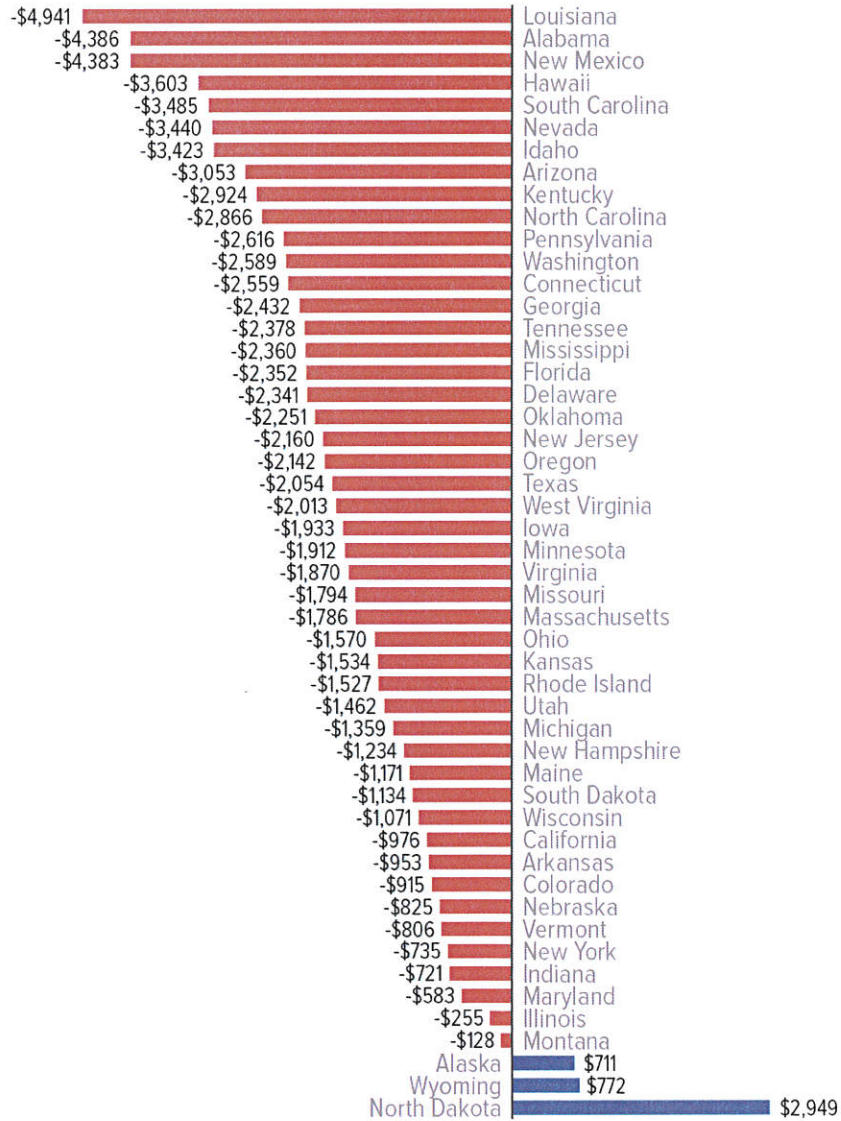


Source: CBPP calculations using data from Illinois State University's annual Grapevine Report and the State Higher Education Executive Officers Association. Illinois funding data is provided by the Fiscal Policy Center at Voices for Illinois Children. Because enrollment data is only available through the 2014 school year, enrollment for the 2014-15 school year is estimated using data from past years. Years are fiscal years.

FIGURE 2

State Funding for Higher Education Remains Far Below Pre-Recession Levels in Most States

Change in state spending per student, inflation adjusted, 2008 - 2015



Source: CBPP calculations using data from Illinois State University's annual Grapevine Report and the State Higher Education Executive Officers Association. Illinois funding data is provided by the Fiscal Policy Center at Voices for Illinois Children. Because enrollment data is only available through the 2014 school year, enrollment for the 2014-15 school year is estimated using data from past years. Years are fiscal years.

Over the past year, most states increased per-student funding for their public higher education systems. (See Figures 3 and 4.) Thirty-seven states are investing more per student in the 2014-15 school year than they did in 2013-14. Adjusted for inflation:

- Nationally, spending is up an average of \$268 per student, or 4 percent.
- The funding increases vary from \$16 per student in Louisiana to \$1,090 in Connecticut.
- 18 states increased per-student funding by more than 5 percent.
- Four states — California, Colorado, New Hampshire, and Utah — increased funding by more than 10 percent.

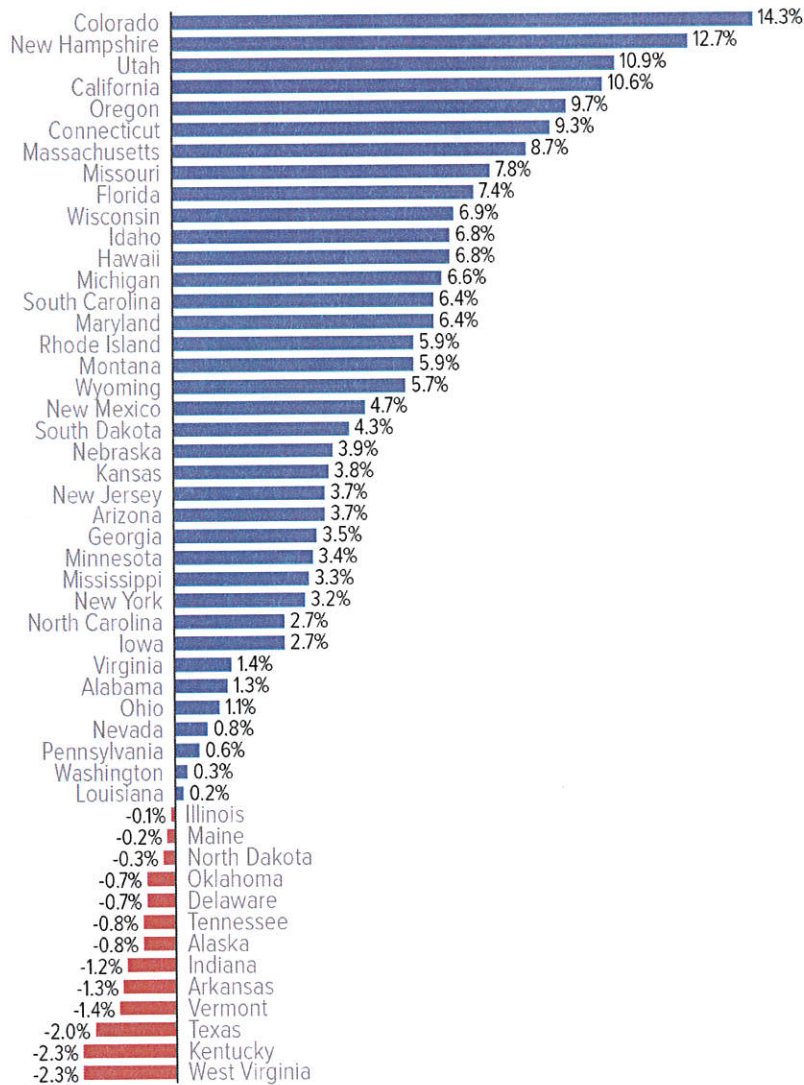
Still, in 13 states, per-student funding *fell* over the last year — declining, on average, by more than \$50 per student. Adjusted for inflation:

- Funding cuts vary from \$6 per student in Illinois to \$179 in Kentucky.
- Five states — Alaska, Arkansas, Kentucky, Texas, and West Virginia — cut funding by more than \$100 per student over the past year.
- Three states — Kentucky, Oklahoma, and West Virginia — have cut per-student higher education funding for the last two consecutive years.

FIGURE 3

Most States Increased Higher Education Funding Over Last School Year, but Some States Are Still Cutting

Percent change in state spending per student, inflation adjusted, 2014 - 2015

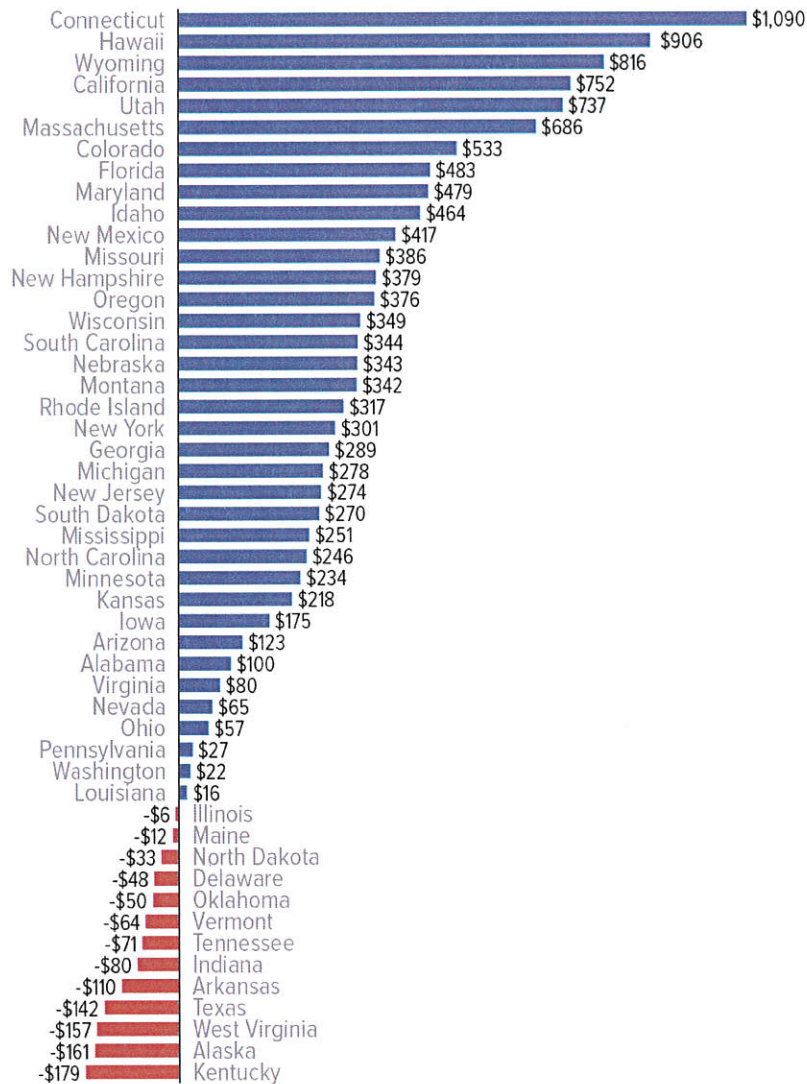


Source: CBPP calculations using data from Illinois State University's annual Grapevine Report and the State Higher Education Executive Officers Association. Illinois funding data is provided by the Fiscal Policy Center at Voices for Illinois Children. Because enrollment data is only available through the 2014 school year, enrollment for the 2014-15 school year is estimated using data from past years. Years are fiscal years.

FIGURE 4

Most States Increased Higher Education Funding Over Last School Year, but Some States Are Still Cutting

Change in state spending per student, inflation adjusted, 2014 - 2015



Source: CBPP calculations using data from Illinois State University's annual Grapevine Report and the State Higher Education Executive Officers Association. Illinois funding data is provided by the Fiscal Policy Center at Voices for Illinois Children. Because enrollment data is only available through the 2014 school year, enrollment for the 2014-15 school year is estimated using data from past years. Years are fiscal years.

Why Did States Cut Higher Education Funding After the Recession Hit?

The cuts resulted from state and federal responses to the deep recession and a slow recovery.

- **State tax revenues fell very sharply and are only now returning to pre-recession levels.** The recession of 2007-09 hit state revenues hard, and the slow recovery continues to affect them. High unemployment and a slow recovery in housing values left people with less income and less purchasing power. As a result, states took in less income and sales tax revenue, the main sources of revenue that they use to fund education and other services. By the fourth quarter of 2014, total state tax revenues were only 2 percent greater than they were at the onset of the recession after adjusting for inflation.¹⁰
- **Limited revenues must support more students.** Public higher education institutions must educate more students, raising costs. In part due to the “baby boom echo” causing a surge in the 18- to 24-year-old population, enrollment in public higher education is up by nearly 900,000 full-time-equivalent students, or 8.6 percent, between the beginning of the recession and the 2013-14 academic year (the latest year for which there is actual data).¹¹

The recession also played a large role in swelling enrollment numbers, particularly at community colleges, reflecting high school graduates choosing college over dim employment prospects and older workers entering classrooms in order to retool and gain new skills.¹²

Other areas of state budgets also are under pressure. For example, an estimated 485,000 more K-12 students are enrolled in the current school year than in 2008.¹³ Long-term growth in state prison populations — with state facilities now housing nearly 1.36 million inmates — also continues to put pressure on state spending.¹⁴

- **Many states chose sizeable budget cuts over a balanced mix of spending reductions and targeted revenue increases.** States relied disproportionately on damaging cuts to close the large budget shortfalls they faced over the course of the recession. Between fiscal years 2008 and 2012, states closed 45 percent of their budget gaps through spending cuts but only 16

¹⁰ CBPP analysis of Census quarterly state and local tax revenue, <http://www.census.gov/govs/qtax/>.

¹¹ State Higher Education Executive Officers Association, April 2015. Note: while full-time-equivalent enrollment at public two- and four-year institutions is up since fiscal year 2008, between fiscal years 2012 and 2013 it fell by approximately 150,000 enrollees — a 1.3 percent decline.

¹² See, for example, “National Postsecondary Enrollment Trends: Before, During and After the Great Recession,” National Student Clearinghouse Research Center, July 2011, page 6, <http://pas.indiana.edu/pdf/National%20Postsecondary%20Enrollment%20Trends.pdf>. A survey conducted by the American Association of Community Colleges indicated that increases in Fall 2009 enrollment at community colleges were, in part, due to workforce training opportunities; see Christopher M. Mullin, “Community College Enrollment Surge: An Analysis of Estimated Fall 2009 Headcount Enrollments at Community Colleges,” AACC, December 2009, <http://files.eric.ed.gov/fulltext/ED511056.pdf>.

¹³ National Center for Education Statistics, Enrollment in public elementary and secondary schools, by level and grade: Selected years, fall 1980 through fall 2023, Table 203.10, http://nces.ed.gov/programs/digest/d13/tables/dt13_203.10.asp?current=yes.

¹⁴ CBPP analysis of data from U.S. Department of Justice, Bureau of Justice Statistics.

percent through taxes and fees (they closed the remainder of their shortfalls with federal aid, reserves, and various other measures). States could have lessened the need for deep cuts to higher education funding if they had been more willing to raise additional revenue.

State Cuts Have Driven Up Tuition

As states have begun to reinvest in public higher education, tuition hikes in 2014-15 have been much smaller than in preceding years.¹⁵ Published tuition — the “sticker price” — at public four-year institutions increased in 34 states over the past year, but only modestly. Average tuition increased \$107, or 1.2 percent, above inflation.¹⁶ Between last year and this year, after adjusting for inflation:

- Louisiana increased average tuition across its four-year institutions more than any other state, hiking it by nearly 9 percent, or roughly \$600.
- Four states — Louisiana, Hawaii, West Virginia, and Tennessee — raised average tuition by more than 4 percent.
- In 16 states, tuition *fell* modestly, with declines ranging from \$6 in Ohio to \$182 in New Hampshire.¹⁷

Tuition remains much higher than it was before the recession in most states. Since the 2007-08 school year, average annual published tuition has risen by \$2,068 nationally, or 29 percent, above the rate of inflation.¹⁸ Steep tuition increases have been widespread, and average tuition at public four-year institutions, adjusted for inflation, has increased by:

- more than 60 percent in six states;
- more than 40 percent in ten states; and
- more than 20 percent in 33 states. (See Figures 5 and 6.)

In Arizona, the state with the greatest tuition increases since the recession hit, tuition has risen 83.6 percent, or \$4,734 per student, after adjusting for inflation. Average tuition at a four-year Arizona public university is now \$10,398 a year.¹⁹

¹⁵ Costs reported above include both published tuition and fees. Average tuition and fee prices are weighted by full-time enrollment.

¹⁶ This paper uses CPI-U-RS inflation adjustments to measure real changes in costs. Over the past year CPI-U-RS increased by 1.47 percent. We use the CPI-U-RS for the calendar year that begins the fiscal/academic year.

¹⁷ CBPP calculation using College Board “Trends in College Pricing 2013,” <http://trends.collegeboard.org/college-pricing>. See appendix for fiscal year 2013-14 change in average tuition at public four-year colleges.

¹⁸ CBPP analysis using College Board “Trends in College Pricing 2014,” <http://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-board-time>. Note: in non-inflation-adjusted terms, average tuition is up \$2,948 over this time period.

¹⁹ *Ibid.*

Public Colleges and Universities Also Have Cut Staff and Eliminated Programs

Recent tuition increases, while substantial in most states, have fallen far short of fully replacing the per-student funding that public colleges and universities have lost due to state funding cuts. Between 2008 and 2014 (the latest year for which data is available), tuition increases offset roughly 85 percent of cuts to state funding for higher education nationally.²⁰

Because tuition increases have not fully compensated for the loss of state funding, and because most public schools do not have significant endowments or other sources of funding, public colleges and universities have simultaneously cut spending to make up for declining state funding.

Data on spending at public institutions of higher learning in recent years are incomplete, but considerable evidence suggests that many public colleges and universities constrained spending to make up for lost state funding, often in ways that reduced the quality and availability of their academic offerings. For example, since the start of the recession, in response to state budget cuts colleges and university systems across the states have eliminated administrative and faculty positions (in some instances replacing them with non-tenure-track staff), cut courses or increased class sizes, and in some cases, consolidated or eliminated whole programs, departments, or schools.²¹

Public colleges and universities have continued to make these types of cuts, even as states have begun to reinvest in higher education, as they have struggled to recover from the financial strain of years of budget cuts and enrollment declines. For example:

- **West Virginia** University has fired 13 employees and has not filled more than 100 positions.²²
- In October 2014, the University of Southern **Maine** cut 50 faculty members and eliminated two academic programs to balance its budget.²³
- The University of **North Carolina** at Greensboro has eliminated 390 class sections, or about 6 percent of its course offerings, to counteract a \$4 million budget cut.²⁴
- The 14 state-owned universities within the **Pennsylvania** State System of Higher Education eliminated 95 academic programs between 2011 and 2014.²⁵

²⁰ CBPP calculations data from State Higher Education Executive Officers.

²¹ See last year's report for a more detailed account of university cuts: Michael Mitchell, Vincent Palacios, and Michael Leachman, "States are Still Funding Higher Education Below Pre-Recession Levels," Center on Budget and Policy Priorities, May 1, 2014, <http://www.cbpp.org/cms/?fa=view&id=4135>.

²² Mackenzie Mays, "W.Va. colleges make cuts to deal with less taxpayer funding," *The Charleston Gazette*, August 31, 2014, <http://www.wvgazette.com/article/20140831/GZ01/140839940>.

²³ Noel K. Gallagher, "USM begins laying off faculty members," *Portland Press Herald*, October 28, 2014, <http://www.pressherald.com/2014/10/28/faculty-layoffs-at-usm-begin/>.

²⁴ John Newsom, "Chancellor's focus on UNCG's future," *News & Record*, April 4, 2014, http://www.news-record.com/news/article_b3d8a6d2-bbef-11e3-a250-0017a43b2370.html

²⁵ Stephen Herzenberg, Mark Price, and Michael Wood, "A Must-Have for Pennsylvania Part Two: Investment in Higher Education for Growth and Opportunity," Keystone Research Center & Pennsylvania Budget and Policy Center, October 2014, https://pennbpc.org/sites/pennbpc.org/files/KRC_PBPC%20Higher%20Ed_0.pdf.

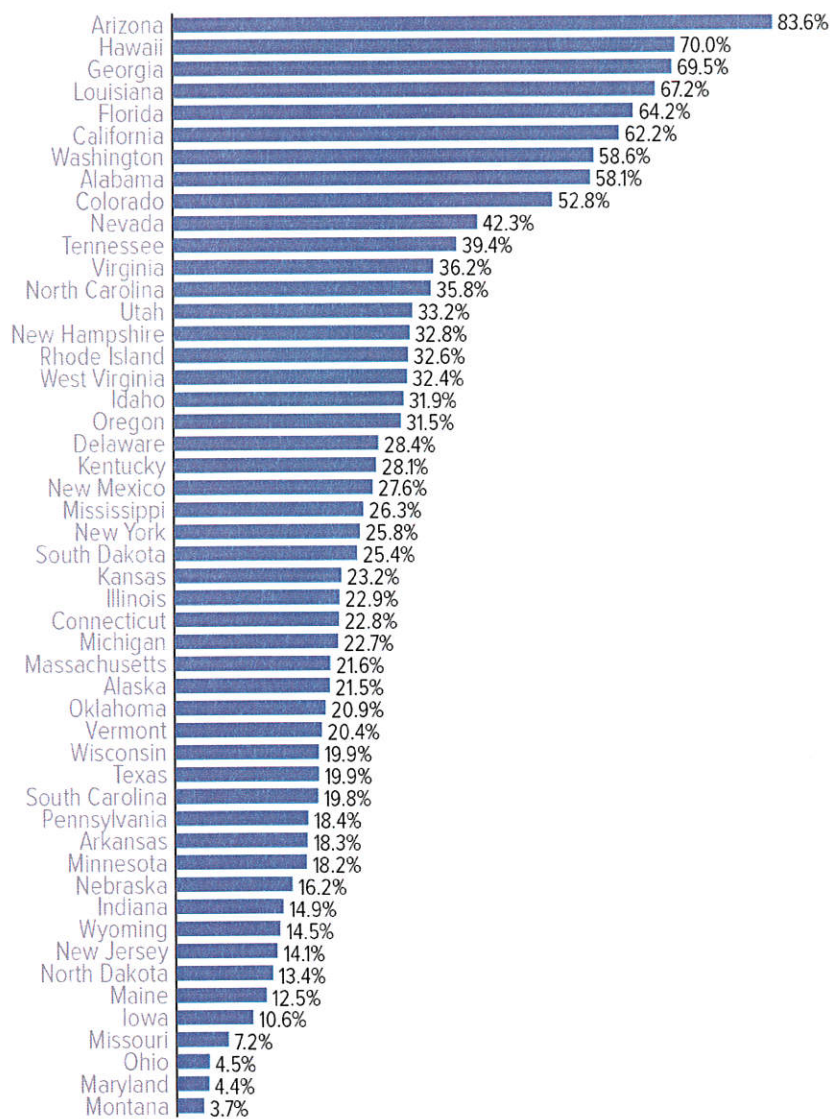
Nationwide, employment at public colleges and universities has grown modestly since the start of the recession, but proportionally less than the growth in the number of students. Between 2008 and 2013, the number of full-time-equivalent instructional staff at public colleges and universities grew by about 7 percent, while the number of students at these institutions grew by 10 percent. In other words, the number of students per faculty rose nationwide.²⁶

²⁶ CBPP analysis of employment data from the National Center for Education Statistics and enrollment data from the State Higher Education Executive Officers Association.

FIGURE 5

Tuition Has Increased Sharply at Public Colleges and Universities

Percent change in average tuition at public, four-year colleges, inflation adjusted, 2008 - 2015

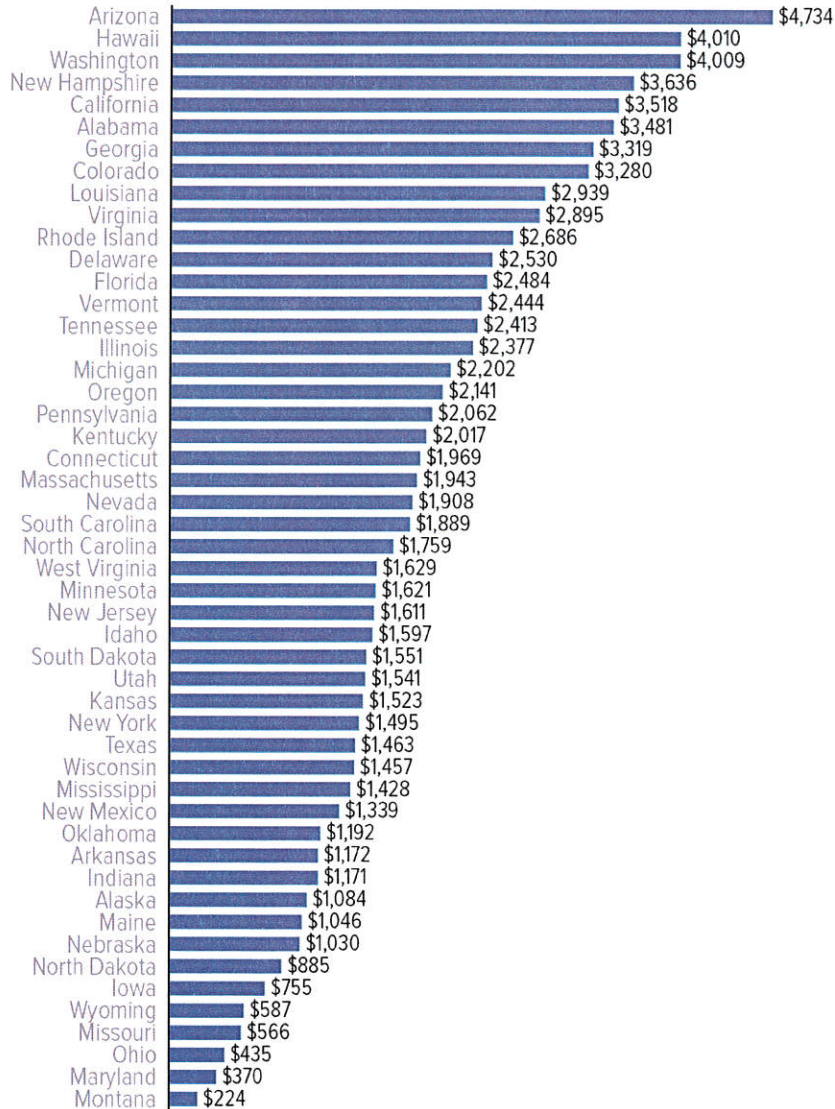


Source: College Board, "Trends in College Pricing," 2014. Years are fiscal years.

FIGURE 6

Tuition Has Increased Sharply at Public Colleges and Universities

Change in average tuition at public, four-year colleges, inflation adjusted, 2008 - 2015



Source: College Board, "Trends in College Pricing," 2014. Years are fiscal years.

Funding Cuts and Tuition Increases Have Shifted Costs From States to Students

During and immediately following recessions, state and local funding for higher education has tended to plummet, while tuition has tended to spike. During periods of economic growth, funding has tended to recover somewhat while tuition has stabilized at a higher level as a share of total higher educational funding.²⁷ (See Figure 7.)

This trend has meant that over time, students have assumed much greater responsibility for paying for public higher education. In 1988, public colleges and universities received 3.2 times as much in revenue from state and local governments as they did from students. They now receive about 1.1 times as much from states and localities as from students.

FIGURE 7

Students Funding Larger Share of Education Funds After Recessions

Tuition as a percent of “total educational revenue,” 1988 -2014



Source: State Higher Education Financing FY 2013, State Higher Education Executive Officers Association. Total education revenue measures the amount of revenue available to public institutions to support instruction (excluding medical students).

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Nearly every state has shifted costs to students over the last 25 years — with the most drastic shift occurring since the onset of the Great Recession. In 1988, average tuition amounts were larger than per-student state expenditures in only two states, New Hampshire and Vermont. By 2008, that number had grown to ten states. Today, tuition revenue is greater than state and local government funding for higher education in half of the states, with seven — Colorado, Delaware, Michigan, New Hampshire, Pennsylvania, Rhode Island, and Vermont— asking students and families to shoulder higher education costs by a ratio of at least 2-to-1.²⁸

²⁷ State Higher Education Executive Officers Association, “State Higher Education Finance: FY2013,” 2014, p. 22, Figure 4, http://www.shceo.org/sites/default/files/publications/SHEF_FY13_04252014.pdf.

²⁸ State Higher Education Executive Officers Association, April 2015; government funding includes dollars from both state and local funding sources.

Families Have Been Hard-Pressed to Absorb Rising Tuition Costs

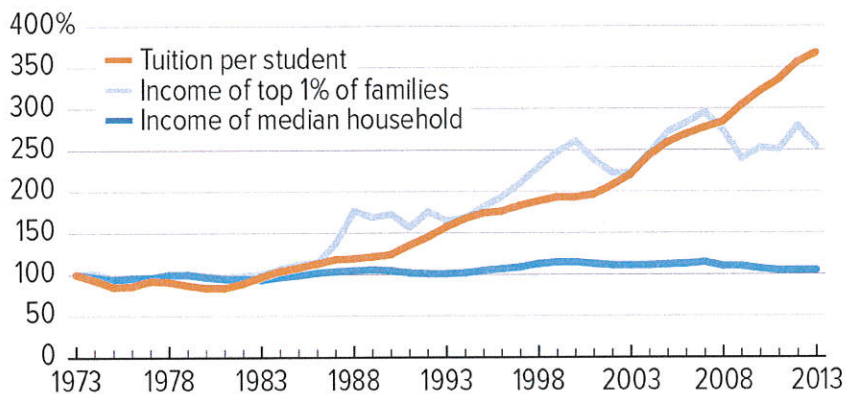
The cost shift from states to students has happened over a period when absorbing additional expenses has been difficult for many families because their incomes have been stagnant or declining. In the 1970s and early- to mid-1980s, tuition and incomes both grew modestly faster than inflation, but by the late 1980s, tuition began to rise much faster than incomes. (See Figure 8.)

- Since 1973, average inflation-adjusted public college tuition has more than tripled — increasing by nearly 270 percent — but median household income has barely changed, up merely 5 percent.
- Over the past 40 years, the incomes of the top 1 percent of families have climbed 155 percent. That is, even for the highest earners, public college tuition has outpaced income growth.
- The sharp tuition increases states have imposed since the recession have exacerbated the longer-term trend. Tuition jumped nearly 28 percent between the 2007-08 and 2013-14 school years, while real median income fell roughly 8 percent over the same time period.

FIGURE 8

Tuition Growth Has Vastly Outpaced Income Gains

Inflation-adjusted average tuition and fees at public four-year institutions and income for select groups (1973 = 100%)



Source: Center on Budget and Policy Priorities based on the College Board and Census Bureau. Tuition per student and income levels, adjusted for inflation, as a percentage of 1973-1974 price levels. Years shown and income data are for the calendar year. Tuition data cover the school year beginning in the calendar year.

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Cost Shift Harms Students and Families, Especially Those With Low Incomes

Rapidly rising tuition at a time of weak or declining income growth has damaging consequences for families, students, and the national economy.

- **Tuition costs are deterring some students from enrolling in college.** While the recession encouraged many students to enroll in higher education, the large tuition increases of the past few years may have prevented further enrollment gains. Rapidly rising tuition makes it less likely that students will attend college. Research has consistently found that college price increases result in declining enrollment.²⁹ While many universities and the federal government provide financial aid to help students bear the price, research suggests that a high sticker price can dissuade students from enrolling even if the net price, including aid, doesn't rise.
- **Tuition increases are likely deterring low-income students, in particular, from enrolling.** Research further suggests that college cost increases have the biggest impact on students from low-income families. For example, a 1995 study by Harvard University researcher Thomas Kane concluded that states that had the largest tuition increases during the 1980s and early 1990s "saw the greatest widening of the gaps in enrollment between high- and low-income youth."³⁰ These damaging effects may be exacerbated by the relative lack of knowledge among low-income families about the admissions and financial aid process. Low-income students tend to overestimate the true cost of higher education more than students from wealthier households in part because they are less aware of financial aid for which they are eligible.³¹

These effects are particularly concerning because gaps in college enrollment between higher- and lower-income youth are *already* pronounced. In 2012 just over half of recent high school graduates from families in the bottom income quintile enrolled in some form of postsecondary education, as opposed to 82 percent of students from the highest income quintile.³² Significant enrollment gaps based on income exist even among prospective students with similar academic records and test scores.³³ Rapidly rising costs at public colleges and universities may widen these gaps further.

- **Tuition increases may be pushing lower-income students toward less-selective institutions, reducing their future earnings.** Perhaps just as important as a student's decision to enroll in higher education is the choice of which college to attend. A 2013 study by the Brookings Institution revealed that a large proportion of high-achieving, low-income

²⁹ See, for example, Steven W. Hemelt and Dave E. Marcotte, "The Impact of Tuition Increases on Enrollment at Public Colleges and Universities," *Educational Evaluation and Policy Analysis*, September 2011; Donald E. Heller, "Student Price Response in Higher Education: An Update to Leslie and Brinkman," *The Journal of Higher Education*, Volume 68, Number 6 (November-December 1997), pp. 624-659.

³⁰ Thomas J. Kane, "Rising Public College Tuition and College Entry: How Well Do Public Subsidies Promote Access to College?" National Bureau of Economic Research, 1995, http://www.nber.org/papers/w5164.pdf?new_window=1.

³¹ Eric P. Bettinger *et al.*, "The Role of Simplification and Information in College Decisions: Results from the H&R Block FAFSA Experiment," National Bureau of Economic Research, 2009, <http://www.nber.org/papers/w15361.pdf>.

³² College Board, "Education Pays: 2013," <http://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report-022714.pdf>.

³³ In a 2008 piece, Georgetown University scholar Anthony Carnavale pointed out that "among the most highly qualified students (the top testing 25 percent), the kids from the top socioeconomic group go to four-year colleges at almost twice the rate of equally qualified kids from the bottom socioeconomic quartile." Anthony P. Carnavale, "A Real Analysis of Real Education," *Liberal Education*, Fall 2008, p. 57.

students fail to apply to any selective colleges or universities.³⁴ Even here, research indicates financial constraints and concerns about cost push lower-income students to narrow their list of potential schools and ultimately enroll in less-selective institutions.³⁵ In a different 2013 study, economists Eleanor Dillon and Jeffrey Smith found evidence that some high-achieving, low-income students are more likely to “undermatch” in their college choice in part due to financial constraints.³⁶

Where a student decides to go to college has broad economic implications, especially for disadvantaged students and students of color. A 2011 study by Stanford University and Mathematica Policy Research found students who had parents with less education, as well as African American and Latino students, experienced higher postgraduate earnings by attending more elite colleges relative to similar students who attended less-selective universities.³⁷

Federal Financial Aid Has Increased Since the Recession but State Aid Has Declined

While tuition has soared since the recession, federal financial aid also has increased. The Federal Pell Grant Program — the nation’s primary student grant aid program — more than doubled the amount of aid it distributed between the 2007-08 and 2013-14 school years, even after adjusting for inflation. This substantial boost enabled the program not only to reach a greater number of students — 3.6 million more students received Pell support last year than in 2008 — but also to provide the average recipient with more funding. The average grant rose by 24 percent — to \$3,677 from \$2,969 — after adjusting for inflation.³⁸

The increase in federal financial aid has helped many students and families pay for recent tuition hikes. The College Board calculates that the annual value of grant aid and higher education tax benefits for students at four-year public colleges nationally has increased by an average of \$1,710 in real terms since the 2007-08 school year, offsetting about 83 percent of the average \$2,068 tuition increase. For community colleges, increases in student aid have more than made up the difference, leading to a decline in the net tuition cost for the average student.³⁹

³⁴ Christopher Avery and Caroline M. Hoxby, “The Missing ‘One Offs’: The Hidden Supply of High-Achieving, Low-Income Students,” National Bureau of Economic Research, Working Paper 18586, 2012, http://www.brookings.edu/~media/projects/bpea/spring-2013/2013a_hoxby.pdf.

³⁵ Patrick T. Terenzini, Alberto F. Cabrera, and Elena M. Bernal, “Swimming Against the Tide,” College Board, 2001, http://www.collegeboard.com/research/pdf/rdreport200_3918.pdf.

³⁶ Eleanor W. Dillon and Jeffrey A. Smith, “The Determinants of Mismatch Between Students and Colleges,” National Bureau of Economic Research, August 2013, <http://www.nber.org/papers/w19286>. Additionally, other studies have found that undermatching is more likely to occur for students of color. In 2009 Bowen, Chingos, and McPherson found that undermatching was more prevalent for black students — especially black women — relative to comparable white students.

³⁷ Stacey Dale and Alan Krueger, “Estimating the Return to College Selectivity Over the Career Using Administrative Earning Data,” Mathematica Policy Research and Princeton University, February 2011, <http://www.mathematica-mpr.com/publications/PDFs/education/returntocollege.pdf>.

³⁸ College Board, “Trends in Student Aid 2014,” October 2014, Figure 22, <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>.

³⁹ CBPP calculation using “Trends in College Pricing 2014,” October 2014, Table 7, <http://trends.collegeboard.org/sites/default/files/2014-trends-college-pricing-final-web.pdf>.

Since the sticker-price increases have varied so much from state to state while federal grant and tax-credit amounts are uniform across the country, students in states with large tuition increases — such as Arizona, Hawaii, and Washington — likely experienced substantial increases in their net tuition and fees, while the net cost for students in states with smaller tuition increases may have fallen.

The increase in federal financial aid has played a critical role in partially offsetting higher costs for students and families — and this funding is threatened. The U.S. House of Representatives recently proposed to eliminate a large portion of Pell Grant funding and freeze the maximum Pell Grant for ten years. While the final budget agreement between the House and Senate avoids spelling out specific cuts, its numbers call for substantial reductions to education funding.⁴⁰

In contrast to federal dollars, financial aid provided by states, which was much smaller than federal aid even before the recession, has *declined* on average. In the 2007-2008 school year, state grant dollars equaled \$740 per student. By 2013 — the latest year for which full data is available — that number had fallen to \$710, a decline of roughly 4 percent.⁴¹

Low-Income Students Still Face High Levels of Debt

While rising federal financial aid has lessened the impact of tuition and fee increases on low-income students, the overall average cost of attending college has risen for these students, because room and board costs have increased, too. As a result, the net cost of attendance at four-year public institutions for low-income students increased 12 percent from 2008 to 2012, after adjusting for inflation. For low-income students attending public community colleges, the increase over the same time period was 4 percent.⁴²

Because grants and tax credits rarely cover the full cost of college attendance, most students — and low-income students in particular — borrow money. In 2012, 79 percent of low-income students — from families in the bottom income quartile — graduating with a bachelor's degree had student loans (compared with 55 percent of graduating students from wealthy families).⁴³

Debt levels have risen since the start of the recession for college and university students collectively. By the fourth quarter of 2014, students held \$1.16 trillion in student debt — eclipsing

⁴⁰ For more information see Brandon DeBot and David Reich, “House Budget Committee Plan Cuts Pell Grants Deeply, Reducing Access to Higher Education,” Center on Budget and Policy Priorities, March 24, 2015, <http://www.cbpp.org/cms/index.cfm?fa=view&id=5294>.

⁴¹ College Board, “Trends in Student Aid 2014,” October 2014, Figure 22, <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>.

⁴² College Board, “Cumulative Debt of 2011-12 Bachelor’s Degree Recipients by Dependency Status and Family Income,” October 2014, <http://trends.collegeboard.org/college-pricing/figures-tables/net-prices-income-over-time-public-sector>.

⁴³ College Board, “Trends in Student Aid, 2014: Median Debt Levels of 2007-08 Bachelor’s Degree Recipients by Income Level,” October 2014, Figure 2010_9, <http://trends.collegeboard.org/sites/default/files/2014-trends-student-aid-final-web.pdf>. Low-income dependent students are defined as students from families earning less than \$30,000 annually, while high-income students come from families earning more than \$106,000.

both car loans and credit card debt.⁴⁴ Further, the overall share of students graduating with debt has increased since the start of the recession. Between the 2007-08 and 2012-13 school years, the share of students graduating from a public four-year institution with debt increased from 55 to 59 percent. At the same time, between the 2007-08 and 2012-13 school years, the average amount of debt incurred by the average bachelor's degree recipient with loans at a public four-year institution grew from \$22,000 to \$25,600 (in 2013 dollars), an inflation-adjusted increase of \$3,600, or roughly 16 percent. By contrast, the average level of debt incurred had risen only about 3.7 percent in the eight years prior to the recession.⁴⁵ In short, at public four-year institutions, a greater share of students are taking on larger amounts of debt.

Funding Cuts Jeopardize Both Students' and States' Economic Futures

The reduced college access and graduation rates that research suggests are likely to result from budget cuts affect more than just students, because college attainment has grown increasingly important to long-term economic outcomes for states and the nation.

Getting a college degree is increasingly a pre-requisite for professional success and for entry into the middle class or beyond. A young college graduate earns \$12,000 a year more annually than someone who did not attend college.⁴⁶

The benefits of academic attainment extend *beyond* those who receive a degree; research suggests that the whole community benefits when more residents have college degrees. For instance, higher educational attainment has been connected with lower rates of crime, greater levels of civic participation, and better health outcomes.⁴⁷ Areas with highly educated residents tend to attract strong employers who pay their employees competitive wages. Those employees, in turn, buy goods and services from others in the community, broadly benefitting the area's economy. Economist Enrico Moretti of the University of California at Berkeley finds that as a result, the wages of workers at *all* levels of education are higher in metropolitan areas with high concentrations of college-educated residents.⁴⁸ This finding implies that — even though not all good jobs require a college degree — having a highly educated workforce can boost an area's economic success.

The economic importance of higher education will continue to grow. In a 2013 report, researchers from the Georgetown University Center on Education and the Workforce projected that

⁴⁴ Federal Reserve Bank of New York, "Quarterly Report on Household Debt and Credit," February 2015, http://www.newyorkfed.org/householdcredit/2014-q4/data/pdf/HHDC_2014Q4.pdf.

⁴⁵ College Board "Trends in Student Aid," Figure 13A, <http://trends.collegeboard.org/student-aid/figures-tables/average-cumulative-debt-bachelors-recipients-public-four-year-time>.

⁴⁶ Michael Greenstone and Adam Looney, "Regardless of the Cost, College Still Matters," The Hamilton Project, October 5, 2012, <http://www.brookings.edu/blogs/jobs/posts/2012/10/05-jobs-greenstone-looney>.

⁴⁷ See for example Hill *et al.*, "The Value of Higher Education: Individual and Societal Benefits," October 2005, <http://www.asu.edu/president/p3/Reports/EdValue.pdf> and College Board, "Education Pays 2013," October 2013, <http://trends.collegeboard.org/sites/default/files/education-pays-2013-full-report-022714.pdf> for summaries of social benefits of higher levels of educational attainment.

⁴⁸ Enrico Moretti, "Estimating the Social Return to Higher Education: Evidence from Longitudinal and Repeated Cross-Sectional Data," *Journal of Econometrics*, Vol. 121, 2004, pp. 175-212.

by 2020, nearly two-thirds of all jobs will require at least some college education, up from 59 percent in 2007.⁴⁹

The Georgetown Center further projects that, based on current trends — without significant new investment in capacity — the nation’s education system will not keep pace with the rising demand for educated workers. By 2020, the country’s system of higher education will produce 5 million fewer college graduates than the labor market will demand.⁵⁰

The increase in student debt in recent years also has important implications for the broader economy. While debt is a crucial tool for financing higher education, excessive debt can impose considerable costs on both students and society as a whole. Research finds that higher student debt levels are associated with lower rates of homeownership among young adults; can create stresses that reduce the probability of graduation, particularly for students from lower-income families; and reduce the likelihood that graduates with majors in science, technology, engineering, and mathematics will go on to graduate school (which is often needed to obtain advanced positions in those fields).⁵¹

There is also growing concern that rising levels of debt may be preventing some young adults from starting businesses of their own. Many entrepreneurs rely heavily on personal debt to help launch their small businesses, and rising levels of student loan debt may make it more difficult to access loans or other lines of credit necessary for launching a startup. A 2014 study by the Federal Reserve Bank of Philadelphia found that this may be the case. Looking at the period from 2000 to 2010, researchers found that as student loan debt rose, net business formation of the smallest businesses — those employing four or fewer people — fell.⁵²

This research suggests that states should strive to expand college access and increase college graduation rates to help build a strong middle class and develop the entrepreneurs and skilled workers needed to compete in today’s global economy. It suggests further that the severe higher education funding cuts that states have made since the start of the recession will make it more difficult to achieve those goals.

⁴⁹ See Anthony P. Carnevale, Nicole Smith, and Jeff Strohl, “Recovery: Job Growth and Education Requirements through 2020,” Georgetown University Center on Education and the Workforce, June 2013, <https://georgetown.app.box.com/s/tll0zkxt0puz45hu21g6>.

⁵⁰ *Ibid.*

⁵¹ For impacts of debt on homeownership, see Jennifer M. Shand, “The Impact of Early-Life Debt on the Homeownership Rates of Young Households: An Empirical Investigation,” November 2007, http://www.fdic.gov/bank/analytical/cfr/2008/jan/CFR_SS_2008Shand.pdf. For the relationship between debt and graduation, see for example, Rachel E. Dwyer, Laura McCloud, and Randy Hodson, “Debt and Graduation from American Universities,” *Social Forces*, June 15, 2012, <http://sf.oxfordjournals.org/content/90/4/1133>. For information on graduate enrollment, see for example Lindsey E. Malcolm and Alicia C. Dowd, “The Impact of Undergraduate Debt on the Graduate School Enrollment of STEM Baccalaureates,” *The Review of Higher Education*, Volume 35, Number 2, Winter 2012, pp. 265-305.

⁵² Brent W. Ambrose, Larry Cordell, and Shuwei Ma, “The Impact of Student Loan Debt on Small Business Formation,” March 29, 2014, <http://dx.doi.org/10.2139/ssrn.2417676>.

States' Budget Choices Will Determine Whether They Can Successfully Rebuild Their Higher Education Systems

Over the past couple of years, as the economy has improved and state revenues have begun to approach — and in some cases surpass — pre-recession levels, most states have begun to reinvest in higher education. To sustain this trend, states will need to reject calls for costly and ineffective tax cuts, and many will need to raise additional revenue.

Every year, state lawmakers face the challenge of adequately funding a host of important state priorities. Elementary and secondary education, like higher education, has been cut in most states in recent years.⁵³ Health care services require states' continued support, given an aging population and rising health costs. The nation's system of roads and bridges is deteriorating and in need of new public investments, and states have limited ability to cut back on public safety or human services without risking real harm to communities. Those areas of spending account for more than 72 percent of state and local government funding; the rest of state budgets pay for environmental protection, the court system, and other important areas that also are hard to cut without significant negative consequences.⁵⁴

This means that to make significant progress in renewing state investment in higher education, and to prevent investment from sliding even further, states need to reject calls for tax cuts and may need to consider options for new revenues. These revenues could come, for example, from repealing ineffective tax deductions, exemptions, and credits; rolling back past years' tax cuts; or raising certain tax rates.⁵⁵

The need for additional revenue is particularly urgent in states that in recent years enacted tax cuts that are proving to be unaffordable. For example, in the midst of the economic downturn Arizona lawmakers enacted sizeable corporate tax cuts that are just now beginning to phase in; they will cost roughly \$210 million in fiscal year 2016.⁵⁶ At the same time, lawmakers are cutting public support for the state's four-year colleges and universities by nearly \$100 million, and community colleges by \$16 million.⁵⁷ Arizona's higher education funding *already* stands nearly 50 percent below pre-recession levels, and tuition at its public four-year colleges has increased by almost 84 percent since 2008.

Tax cuts are often sold as a recipe for economic growth. But to the extent that tax cuts prevent investments in higher education that would increase access to college, improve graduation rates, and reduce student debt, their net effect could be a drag on the economy. States that have cut higher education funding deeply and yet are considering or have enacted tax cuts this year include Arizona,

⁵³ Michael Leachman and Chris Mai, "Most States Funding Schools Less Than Before the Recession," Center on Budget and Policy Priorities, October 16, 2014, <http://www.cbpp.org/cms/index.cfm?fa=view&id=4213>.

⁵⁴ CBPP calculations, data from the National Association of State Budget Officers.

⁵⁵ Nicholas Johnson and Michael Leachman, "Four Big Threats to State Finances Could Undermine Future U.S. Prosperity," Center on Budget and Policy Priorities, February 14, 2013, <http://www.cbpp.org/research/four-big-threats-to-state-finances-could-undermine-future-us-prosperity>.

⁵⁶ Arizona Joint Legislative Budget Committee, "2014 Tax Handbook," September 2014, <http://www.azleg.gov/jlbc/14taxbook/14taxbk.pdf>.

⁵⁷ Children's Action Alliance, "Highlights and Lowlights of the New State Budget," March 11, 2015, http://azchildren.org/wp-content/uploads/2015/03/Final_AZ_Budget-3-11-15.pdf.

Florida, Maine, Michigan, Montana, Nebraska, New Hampshire, North Carolina, Ohio, Texas, and Wisconsin.

Conclusion

States have cut higher education funding deeply since the start of the recession. These cuts were in part the result of a revenue collapse caused by the economic downturn, but they also resulted from misguided policy choices. State policymakers relied overwhelmingly on spending cuts to make up for lost revenues. They could have lessened the need for higher education funding cuts if they had used a more balanced mix of spending cuts and revenue increases to balance their budgets.

The impact of the funding cuts has been dramatic. Public colleges have both steeply increased tuition and pared back spending, often in ways that may compromise the quality of education and jeopardize student outcomes. Students are paying more through increased tuition and by taking on greater levels of debt. Now is the time to renew investment in higher education to promote college affordability and quality.

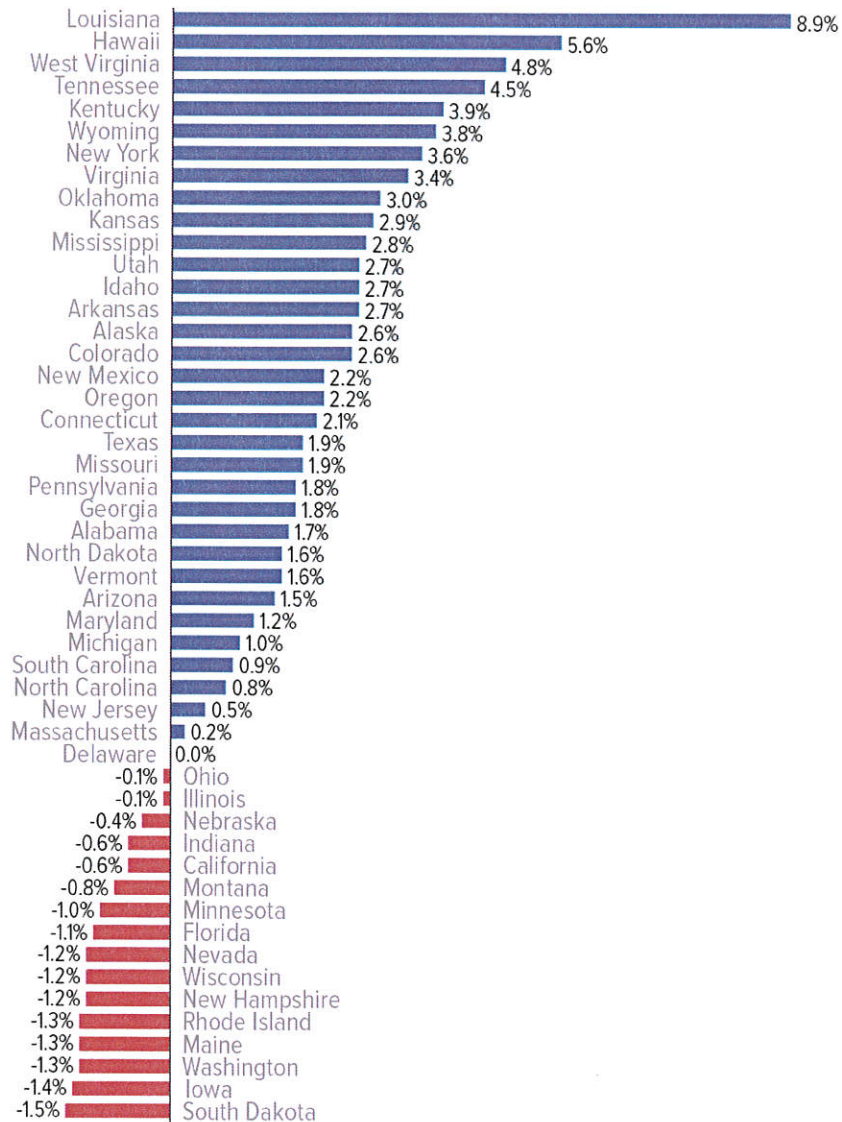
Strengthening state investment in higher education will require state policymakers to make the right tax and budget choices over the coming years. A slow economic recovery and the need to reinvest in other services that also have been cut deeply means that many states will need to raise revenue to rebuild their higher education systems. At the very least, states must avoid shortsighted tax cuts, which would make it much harder for them to invest in higher education, strengthen the skills of their workforce, and compete for — or even create — the jobs of the future.

Appendix:

APPENDIX FIGURE 1

In Most States, Tuition Increases Have Been Moderate, and in Some Cases, Tuition Has Fallen Over Last School Year

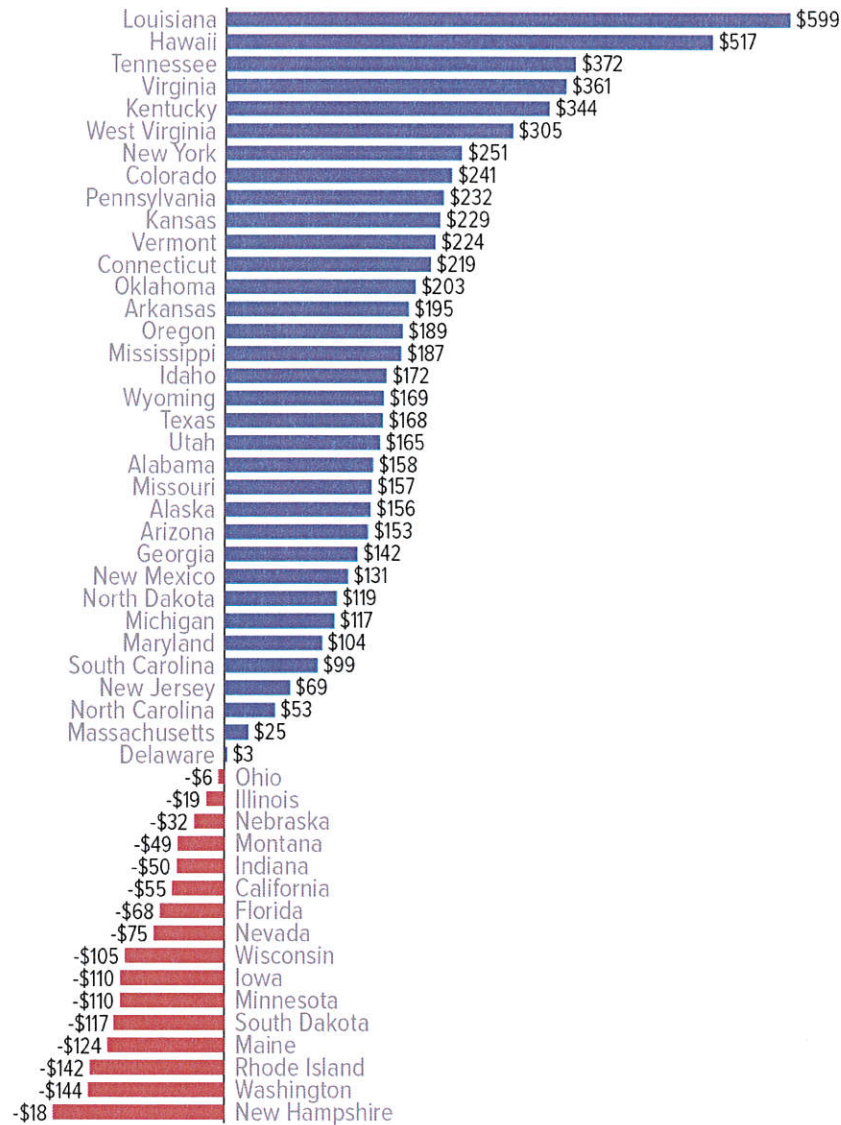
Percent change in average tuition at public, four-year colleges, inflation adjusted, 2014 - 2015



Source: College Board, "Trends in College Pricing," 2014. Years are fiscal years.

In Most States, Tuition Increases Have Been Moderate, and in Some Cases, Tuition Has Fallen Over Last School Year

Change in average tuition at public, four-year colleges, inflation adjusted, 2014 - 2015



Source: College Board, "Trends in College Pricing," 2014. Years are fiscal years.

Appendix Table 1

Change in State Higher Education Appropriations, Enrollment, and Appropriations Per Student, 2007-08 School Year to 2014-15 School Year

	2007 - 2008	2014 - 2015	Change	Percent Change
State Appropriations for Higher Education	\$91,317,022,709	78,021,779,892	-13,295,242,818	-14.60%
Full-Time-Equivalent Enrollment at Public Colleges and Universities	10,254,148	10,988,860	734,713	7.20%
State Appropriations Per Full-Time-Enrolled Student	\$8,905	7,100	-1,805	-20.30%

Sources: Education appropriations data comes from the Grapevine survey conducted by Illinois State University, enrollment data comes from the State Higher Education Executive Officers Association. Since enrollment data is only available through the 2013-2014 school year, enrollment data for 2014-15 is an estimate based on data from past years. Dollar figures adjusted for inflation using the consumer price index.

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Kenneth Hillary

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This chartbook benefited tremendously from the insights and expertise of five outside reviewers: Andy Carlson, senior policy analyst, State Higher Education Executive Officers Association; Donna Desrochers, principal researcher, Education Program, American Institutes for Research; Brian Prescott, director of policy research, and David Longanecker, president, Western Interstate Commission for Higher Education; and Jason Delisle, director, Federal Education Budget Project, the New America Foundation. Although they have reviewed the chartbook, neither they nor their organizations necessarily endorse its findings or conclusions.

Acknowledgments

The authors would also like to thank Pew staff members Hassan Burke, Samantha Chao, Lauren Dickinson, Jennifer V. Doctors, J.C. Hendrickson, Alan van der Hilst, Sarah Leiseca, Airlie Loiaconi, Bernard Ohanian, Lisa Plotkin, Jeremy Ratner, Rica Santos, and Jennifer Thornton for providing valuable feedback on the chartbook; Dan Benderly, Kristen Centrella, and Kodi Seaton for design support; Jennifer Peltak and Andrew Qualls for project management and online support; and our other former and current colleagues who made this work possible. We'd also like to thank Nate Johnson of Postsecondary Analytics, LLC for providing valuable advice during the early stages of the chartbook. Finally, we thank the many government officials and other experts in the field who were so generous with their time and knowledge.

Overview

States and the federal government have long provided substantial funding for higher education, but changes in recent years have resulted in their contributions being more equal than at any time in at least the previous two decades.¹ Historically, states have provided a far greater amount of assistance to postsecondary institutions and students; 65 percent more than the federal government on average from 1987 to 2012.² But this difference narrowed dramatically in recent years, particularly since the Great Recession, as state spending declined and federal investments grew sharply, largely driven by increases in the Pell Grant program, a need-based financial aid program that is the biggest component of federal higher education spending.

Although their funding streams for higher education are now comparable in size and have some overlapping policy goals, such as increasing access for students and supporting research, federal and state governments channel resources into the system in different ways. The federal government mainly provides financial assistance to individual students and specific research projects, while state funds primarily pay for the general operations of public institutions.

Policymakers across the nation face difficult decisions about higher education funding. Federal leaders, for example, are debating the future of the Pell Grant program. The Obama administration has proposed increasing the maximum Pell Grant award to keep pace with inflation in the coming years, while members of Congress have recommended freezing it at its current level.³ State policymakers, meanwhile, are deciding whether to restore funding after years of recession-driven cuts.⁴ Their actions on these and other critical issues will help determine whether the shift in spending that resulted in parity is temporary or a lasting reconfiguration.

In a constrained fiscal environment, policymakers also will need to consider whether there are better means of achieving shared goals, including student access and support for research.⁵ Such approaches could entail more coordination, other funding mechanisms, or policy reforms. In addition, it will be necessary to think about the implications of parity and whether funding strategies will require changes in order to reach desired outcomes. This chartbook is intended to provide a starting point for answering such questions by illustrating the existing federal-state relationship in higher education funding, the way that relationship has evolved, and how it differs across states.

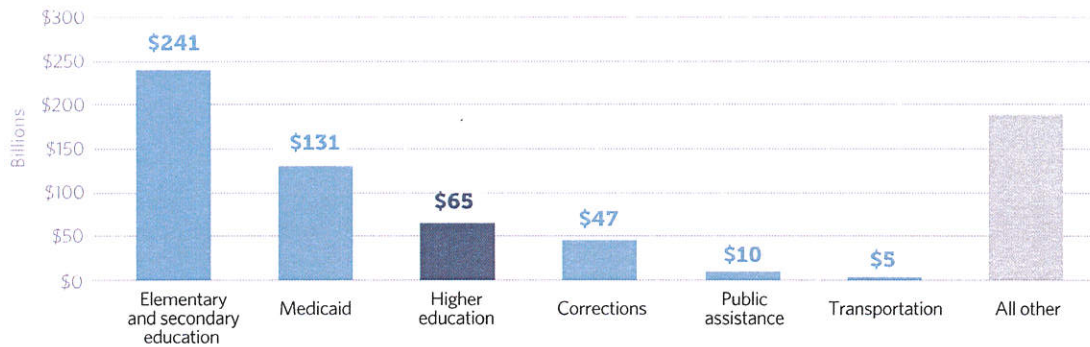
Figure 1

Higher Education Is a Small but Important Part of Federal Spending and the Third-Largest Category in State Budgets

Higher education within the federal budget (\$3.5 trillion), federal fiscal year 2013



Major categories of state general fund spending, state fiscal year 2013



Note: These data include funding that flows to public, nonprofit, and for-profit higher education institutions and their students, excluding federal loans and tax expenditures. See Appendix B for more details.

Sources: Pew's analysis of data from the U.S. Office of Management and Budget, *Historical Tables* (Feb. 2015); U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015); U.S. Department of Education, *FY2015 Budget Request* (March 2014) and *State Funding History Tables* (Feb. 2015); National Science Foundation, *Survey of Federal Funds for Research and Development* (June 2015); U.S. Department of Veterans Affairs, *FY2015 Budget Submission* (March 2014); and National Association of State Budget Officers, *State Expenditure Report* (Nov. 2014)

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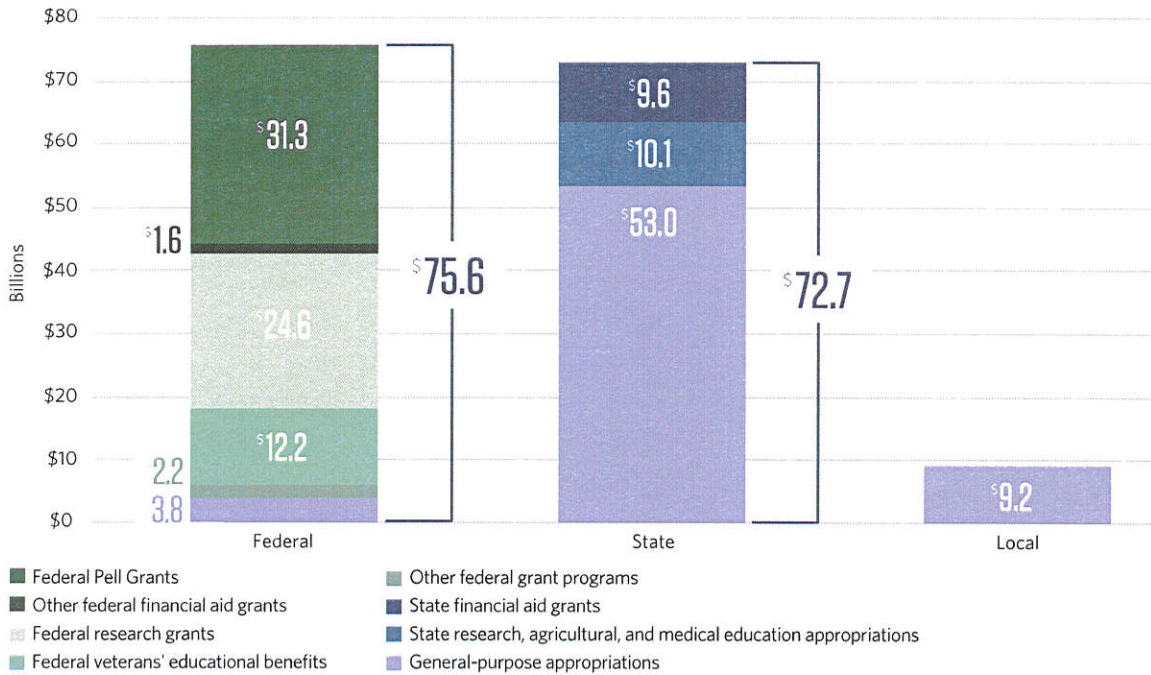
Though only about 2 percent of the total federal budget, higher education programs make up a large share of federal education investments. For example, about half of the U.S. Department of Education's budget is devoted to higher education (excluding loan programs).⁶ Higher education funding also comes from other federal agencies such as the U.S. Departments of Veterans Affairs and Health and Human Services, and the National Science Foundation.

Higher education was the third-largest area of state general fund spending in 2013 behind K-12 education and Medicaid.

Figure 2

Federal and State Investments in Higher Education Are Similar in Size, Different in Nature

Spending categories by level of government, academic year 2013



Note: These data include spending that flows to public, nonprofit, and for-profit higher education institutions and their students, excluding loans and tax expenditures. Numbers may not add up due to rounding. See Appendix B for more details.

Sources: Pew's analysis of data from the U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015); U.S. Department of Education, *FY2015 Budget Request* (March 2014) and *State Funding History Tables* (Feb. 2015); U.S. Department of Veterans Affairs, *FY2015 Budget Submission* (March 2014); National Science Foundation, *Survey of Federal Funds for Research and Development* (June 2015); State Higher Education Executive Officers Association, *State Higher Education Finance Report: FY 2014* (April 2015); and National Association of State Student Grant and Aid Programs, *44th Annual Survey Report on State-Sponsored Student Financial Aid: 2012-2013 Academic Year* (Sept. 2014)

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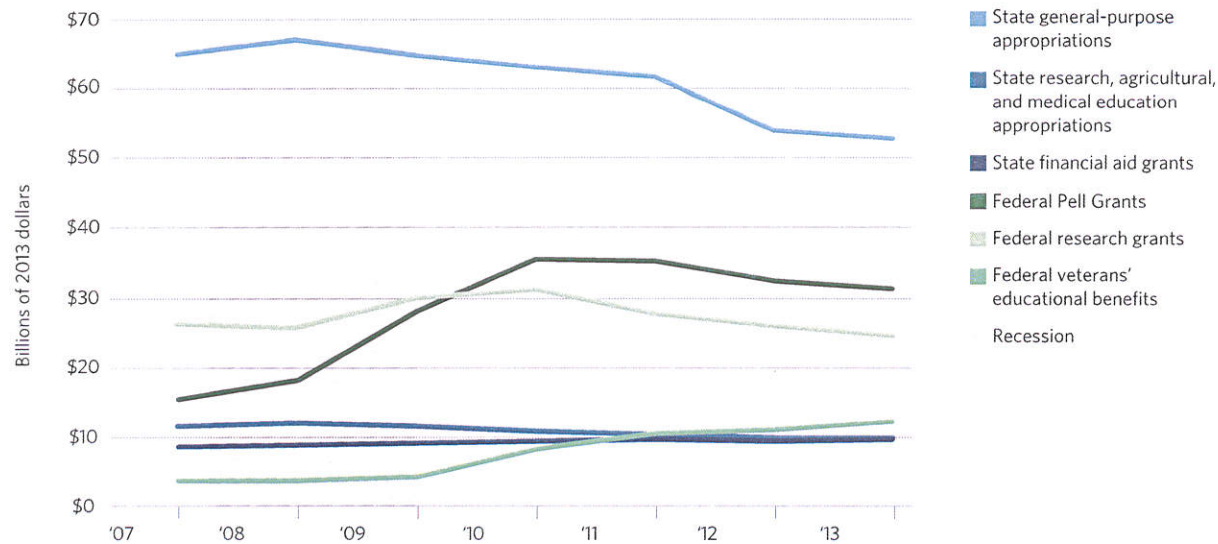
In 2013, federal spending on major higher education programs totaled \$75.6 billion, state spending amounted to \$72.7 billion, and local spending was considerably lower at \$9.2 billion.⁷ These figures exclude student loans and higher education-related tax expenditures.

Although the federal and state funding streams are comparable in size and have overlapping policy goals, such as increasing access for students and fostering research, they support the higher education system in different ways: The federal government mostly provides financial assistance to individual students and funds specific research projects, while states typically fund the general operations of public institutions, with smaller amounts appropriated for research and financial aid. Local funding of \$9.2 billion largely supports the general operating expenses of community colleges. For more information, see Appendix A.

Figure 3

The Balance Between Federal and State Higher Education Spending Shifted Significantly During and After the Great Recession

Trends in major expenditure categories, academic years 2007-13, adjusted for inflation



Funding for major federal higher education programs grew significantly from the onset of the recession, even as state support fell. The federal spending areas that experienced the most significant growth were the Pell Grant program and veterans' educational benefits, which surged by \$13.2 billion (72 percent) and \$8.4 billion (225 percent), respectively, in real terms from 2008 to 2013. The biggest decline at the state level was in general-purpose appropriations for institutions, which fell by \$14.1 billion (21 percent) over the same period. During those years, the number of full-time equivalent (FTE) students grew by 1.2 million (8 percent).⁸ For more information, see Appendix A.

Note: Includes spending that flows to public, nonprofit, and for-profit higher education institutions and their students, excluding loans and tax expenditures. See Appendix B for more details.

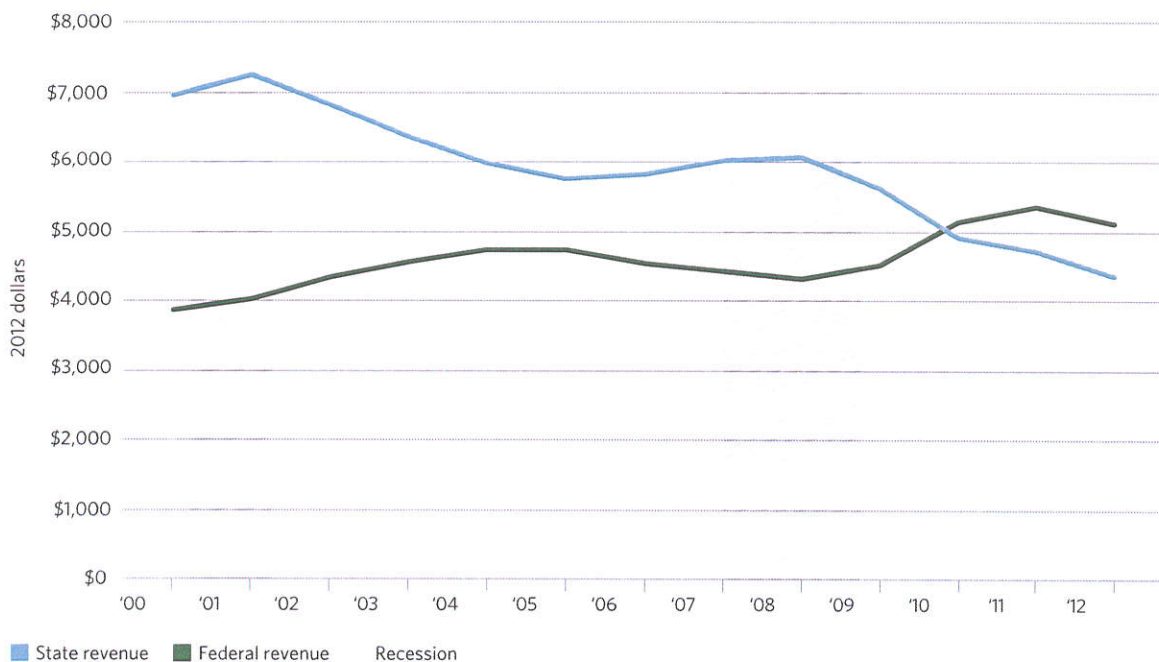
Sources: Pew's analysis of data from the U.S. Department of Education, *State Funding History Tables* (FY2007-13); National Science Foundation, *Survey of Federal Funds for Research and Development* (2007-13); State Higher Education Executive Officers Association, *State Higher Education Finance Report: FY 2014* (April 2015); National Association of State Student Grant and Aid Programs, *Annual Survey Report on State-Sponsored Student Financial Aid* (2007-13); and U.S. Department of Veterans Affairs, *Annual Budget Submission* (FY2009-15)

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Figure 4

State Funding for Higher Education Declined in Recent Years While Federal Funding Grew

Federal and state revenue per full-time equivalent student flowing to higher education institutions, fiscal years 2000-12, adjusted for inflation



Note: This figure includes funding that flows to public, nonprofit, and for-profit higher education institutions and their students, excluding loans and tax expenditures. See Appendix B for more details.

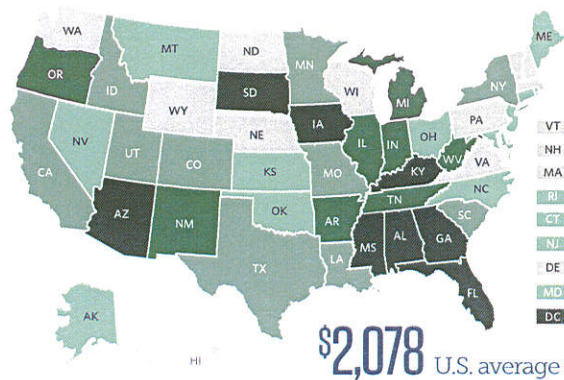
Sources: Pew's analysis of data from the Delta Cost Project Database (May 2015), based on original data from U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System

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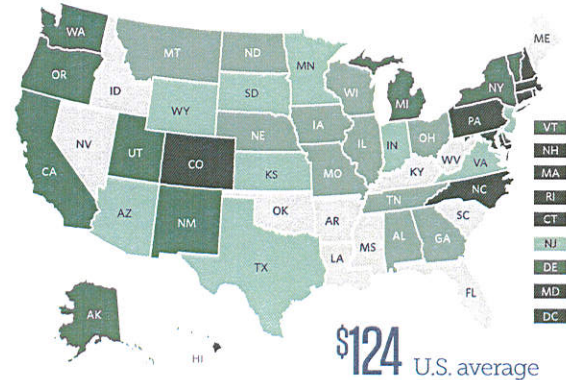
A major shift has occurred in the relative levels of funding provided by states and the federal government in recent years. By 2010, federal revenue per full-time equivalent (FTE) student surpassed that of states for the first time in at least two decades, after adjusting for enrollment and inflation. From 2000 to 2012, revenue per FTE student from federal sources going to public, nonprofit, and for-profit institutions grew by 32 percent in real terms, while state revenue fell by 37 percent. The number of FTE students at the nation's colleges and universities grew by 45 percent during the same period. Without adjusting for enrollment growth, total federal revenue grew by 92 percent from \$43.3 billion to \$83.2 billion in real terms, while state revenue fell by 9 percent from \$77.8 billion to \$70.8 billion after adjusting for inflation.

Figure 5
Major Federal Funding Streams Are Distributed Differently
Across States

Pell Grant dollars per full-time
equivalent undergraduate student,
by state, federal fiscal year 2013



Federal research grant spending
per capita, by state, federal fiscal
year 2013



Total federal higher education funding varies widely across states, and the major types of funding have very different geographic distributions. For example, Pell Grant funding, which is distributed based on a calculation of students' financial need, ranged from \$1,177 in North Dakota per FTE undergraduate to \$3,401 in Arizona, compared with a national average of \$2,078.⁹ High Pell Grant states are concentrated in the Southeast.

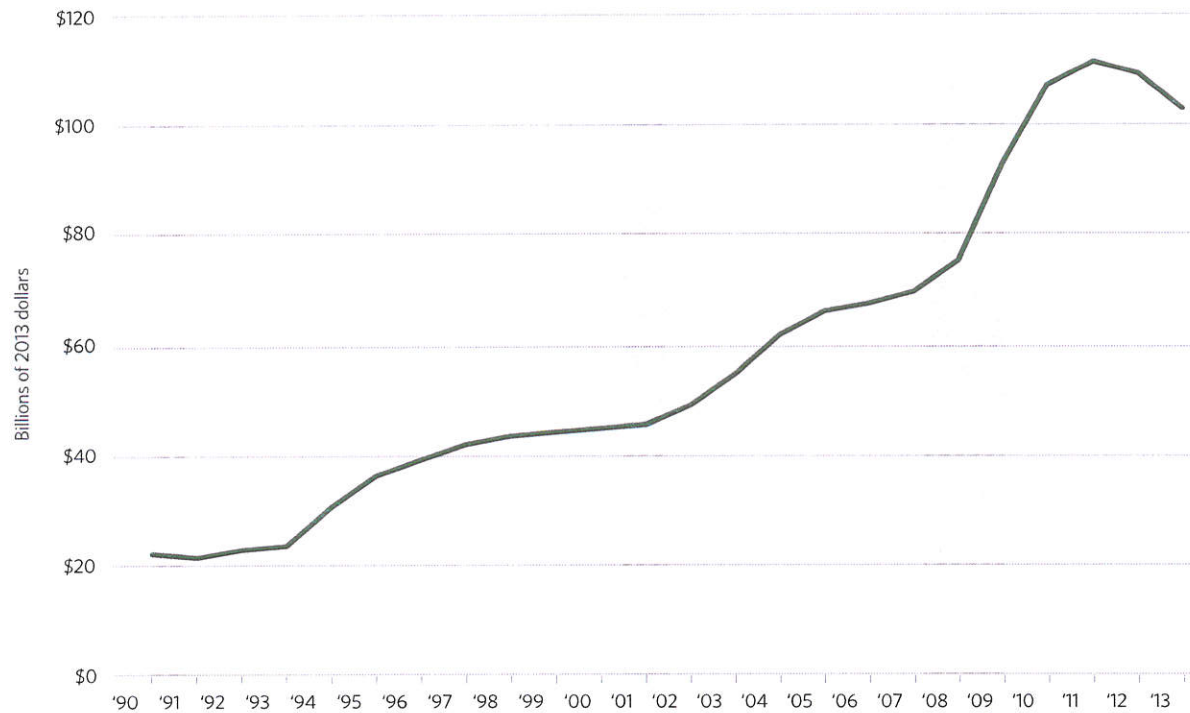
Similarly, per-capita federal research funding ranged from \$37 in Maine to \$476 in the District of Columbia, compared with a national average of \$124. States with high levels of research support are concentrated in the Northeast. See Appendix A, Figure 2 for more information about federal funding categories.

Note: Data are based on location of higher education institution and include funding that flows to public, nonprofit, and for-profit institutions and their students.

Sources: Pew's analysis of data from the U.S. Department of Education, *State Funding History Tables* (Feb. 2015); U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015); National Science Foundation, *Higher Education Research and Development Survey Data Tables* (Feb. 2014); and U.S. Census Bureau, *Annual Population Estimates* (Dec. 2014)

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Figure 6
Federally Sponsored Lending Grew Sharply in Recent Years
 Trend in federal loan issuances, academic years 1990-2013, adjusted for inflation



Note: Includes loans that flow to students attending public, nonprofit, and for-profit higher education institutions. "Sponsored" includes those loans issued directly to the borrower or guaranteed by the federal government. See Appendix B for more details.

Sources: Pew's analysis of data from the College Board, *Trends in Student Aid* (2014), based on original data from the U.S. Department of Education, Office of Postsecondary Education, National Student Loan Data System

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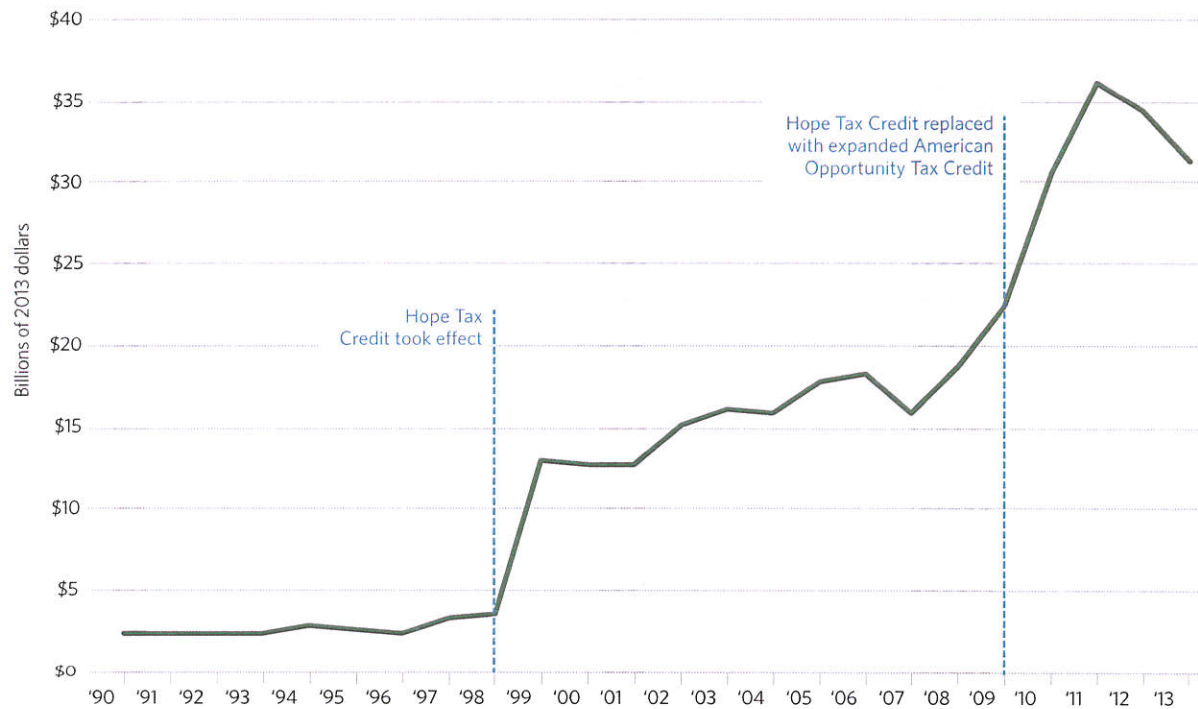
The federal government is the nation's largest student lender; it issued \$103 billion in loans in 2013. States, by contrast, provided only \$840 million in loans that year, less than 1 percent of the federal amount.

Although they must be paid back with interest, federal loans allow students to borrow at lower rates than are available in the private market.¹⁰ Federal loans grew 376 percent between 1990 and 2013 in real terms, compared with enrollment growth of 60 percent.¹¹ These figures represent the volume, rather than the cost, of those loans.

Figure 7

Federal Higher Education Tax Expenditures Expanded Substantially in the Late 1990s and in the Years Surrounding the Recession

Trend in value of federal tax expenditures for higher education, federal fiscal years 1990-2013, adjusted for inflation



Note: Includes tax expenditures that flow to students attending public, nonprofit, and for-profit higher education institutions. See Appendix B for more details.

Sources: Pew's analysis of data from the U.S. Department of the Treasury as presented in U.S. Office of Management and Budget, *Analytical Perspectives: Budget of the United States Government* (FY1992-2015)

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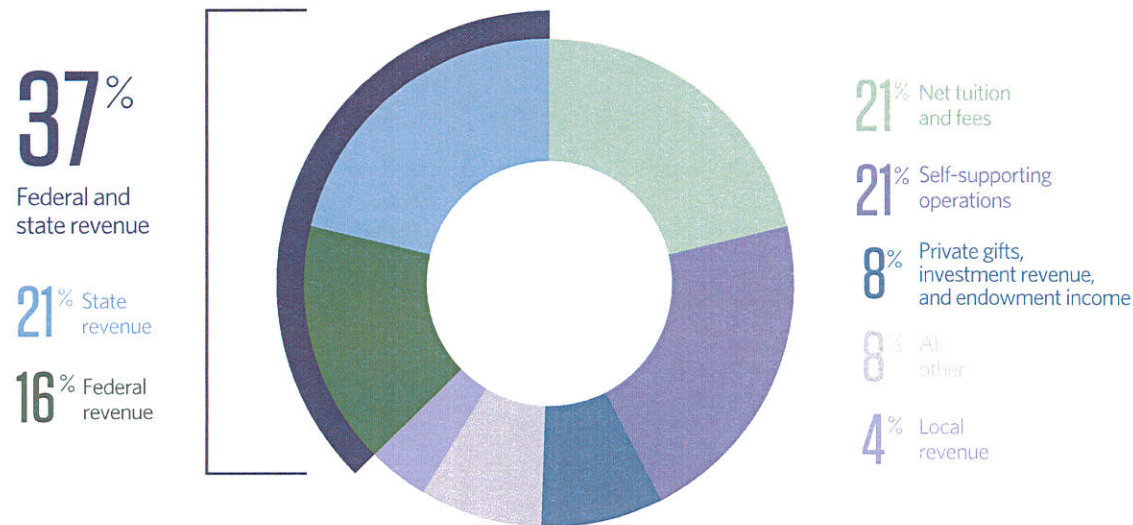
The federal government also supports higher education through the tax code. In 2013, it provided \$31 billion in tax credits, deductions, exemptions, and exclusions to offset costs, essentially equal to the \$31 billion it spent for Pell Grants. Because these expenditures allow taxpayers to reduce their income taxes, they reduce federal revenue and are similar to direct government spending.

The value of federal tax expenditures for higher education is \$29 billion larger than it was in 1990 in real terms. Much of the growth coincided with the creation of the American Opportunity Tax Credit (formerly Hope Tax Credit) in 1997 (effective 1998) and its expansion and renaming in 2009.¹² Between 1990 and 2013, the number of FTE students grew by 60 percent.¹³

Figure 8

Federal and State Funding Makes Up a Significant Share of Public College and University Budgets

Composition of public higher education institutional revenue, fiscal year 2013



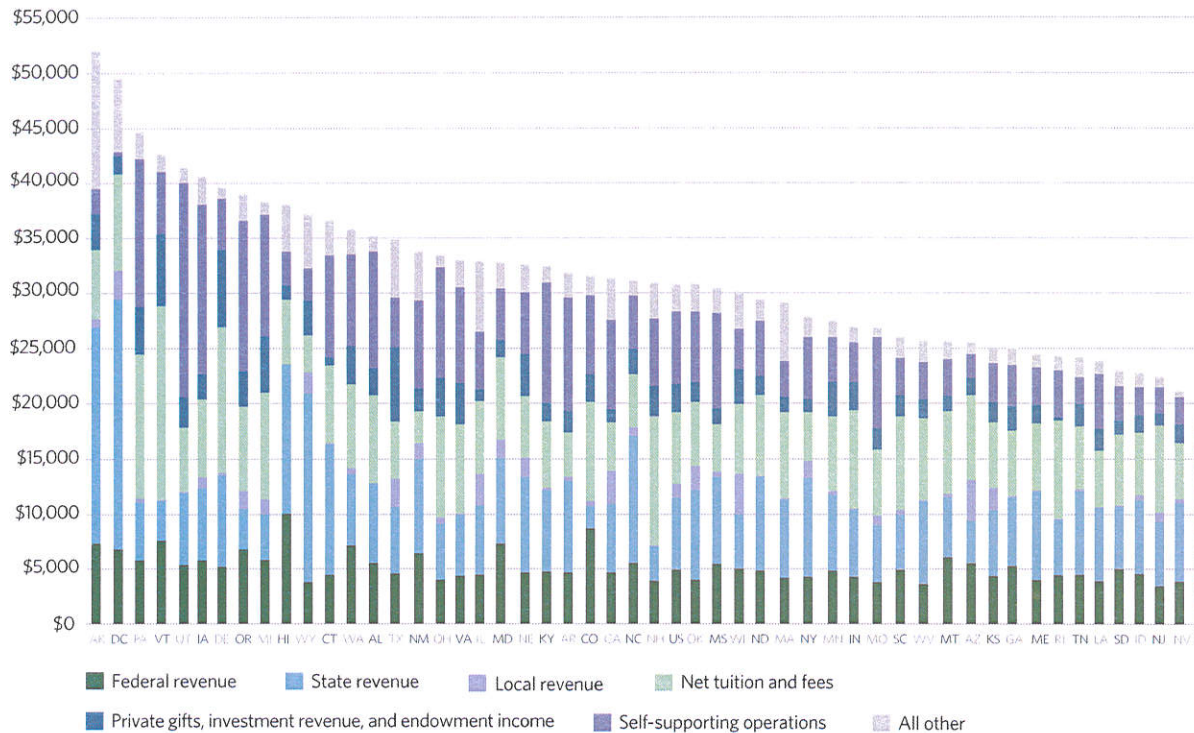
Public colleges and universities educate 68 percent of the nation's postsecondary students. Ninety-eight percent of state and 73 percent of federal higher education funding flows to these institutions.¹⁴ Revenue from federal and state sources made up 37 percent of total revenue at public colleges and universities in 2013.

Note: Numbers may not add up due to rounding. See Appendix B for additional methodological details.

Sources: Pew's analysis of data from the U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015)

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Figure 9
Funding Sources for Public Higher Education Institutions Vary Widely Across States
 Composition of revenue per full-time equivalent student, by state, fiscal year 2013



Notes: Because of differing accounting standards, federal revenue in **Pennsylvania** and **Delaware** is understated. **Colorado's** net tuition and fees are overstated and its state revenue is understated due to the way the data is captured in the source.

Sources: Pew's analysis of data from the U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015)

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The total amount and mix of revenue used for higher education vary across states. Per-FTE-student revenue flowing to public institutions from federal sources ranges from \$3,465 in New Jersey to \$10,084 in Hawaii, and from state sources spans between \$3,160 in New Hampshire and \$19,575 in Alaska.¹⁵ Other elements, such as the amount of revenue from tuition, also differ.

Federal funding variation stems from differences in students' financial needs and in the types of research conducted in each state, among other factors.

The range in state funding is due, in part, to policy choices regarding higher education. For example, North Carolina's and Wyoming's constitutions stipulate that public institutions should be as close to free as possible, and schools in both states receive above-average state revenue and below-average net tuition revenue.¹⁶

Appendix A: Extended commentary

Figure 2

Federal funding in 2013

Federal spending has two main goals: financial support for individual students and funding of specific research projects. It also includes a very small amount of general operating support for some institutions.

- **Pell Grants and other financial aid grants.** Roughly \$31.3 billion went to support Pell Grants, which provide monetary awards that do not need to be repaid, on the basis of financial need, mostly to students from low-income families.¹⁷ An additional \$1.6 billion supported other mainly need-based financial aid grants.
- **Research grants.** A total of \$24.6 billion in the form of grants supported specific research projects at higher education institutions. The federal government is the largest funder of such research and development in the United States.¹⁸
- **Veterans' educational benefits.** At \$12.2 billion, the third-largest category of federal higher education spending provided financial support to eligible veterans largely to cover the costs of pursuing a degree or job-training courses.¹⁹
- **General-purpose appropriations.** A total of \$3.8 billion paid for operating expenses at selected schools such as military academies, historically black colleges and universities, land grant institutions, and a few other specialized institutions.²⁰
- **Other federal grant programs.** An additional \$2.2 billion in grants supported a range of assistance initiatives. These programs include a number that provide aid to predominantly minority-serving institutions and TRIO, which helps disadvantaged students prepare for and succeed in college.²¹

State funding in 2013

States provide most of their higher education funding in the form of general support for institutions, with smaller amounts appropriated for research and financial aid.

- **General-purpose appropriations.** A total of \$53 billion paid for general operating expenses of public colleges and universities.
- **Research, agricultural, and medical education appropriations.** States spent \$10.1 billion for the operation and

administrative support of research facilities, agricultural experiment stations, cooperative extension services, health care public services, and medical colleges and universities.

- **Financial aid grants.** An additional \$9.6 billion went to support financial aid programs, consisting mostly of grants that do not need to be repaid.²² Like the federal government, most states provide financial aid based on financial need, but many also offer assistance on the basis of academic merit, or some combination of both.²³

Figure 3

Several factors contributed to the dramatic rise in Pell Grant funding from 2008 to 2010, including an increase in award amounts and expanded eligibility for the program owing to legislative changes, shifting financial realities for many families that resulted in more students qualifying for need-based grants, and a greater number of students attending higher education institutions.²⁴ This upward trend has reversed somewhat, with spending falling by about 12 percent since 2010. The decline is due in part to cuts initiated in 2011 that eliminated a short-lived program allowing students to receive grants year-round rather than for just two semesters, reduced from 18 to 12 the number of full-time semesters for which a student could receive Pell Grants, and made other changes.²⁵

Federal spending on veterans' educational benefits also rose substantially during this period, growing by 225 percent in real terms, or from \$3.7 billion to \$12.2 billion from 2008 to 2013. New spending that largely drove this increase was authorized under the Post-9/11 Veterans Educational Assistance Act of 2008, which expanded eligibility for the program and provided enhanced benefits to veterans who served in the military after September 11, 2001.²⁶

Federal research funding spiked after 2008 as a result of a boost from the American Recovery and Reinvestment Act. But that funding was temporary and was largely gone by 2011, and spending has now fallen back to roughly pre-recession levels.²⁷

Faced with diminished revenue in the wake of the recession, and the need to balance their budgets, many states reduced higher education spending. Most affected were state appropriations for public institutions, which peaked at \$67.2 billion in 2008 and then fell by \$14.1 billion, or 21 percent in real terms, from 2008 to 2013. State appropriations for research, agricultural extension, and medical education also dropped during this time, falling by \$2.1 billion, or 17 percent. State financial aid grants grew by \$798 million, or 9 percent, over that five-year period after adjusting for inflation. (See Extended Commentary, Figure 2 for more information on federal and state funding categories.)

Appendix B: Supplemental figure notes

Figure 1

Major federal higher education programs referred to in the top graphic include Pell Grants and other federal financial aid grants, research grants to institutions, veterans' educational benefits, federal institutional appropriations, and other federal grant programs. Federal higher education spending excludes the cost of student loan programs, capital expenditures, and higher education-related tax expenditures. For federal higher education programs that require state or institutional matching funds, the data reflect only the federal share. These data may not account for all federal spending for higher education-related programs because no central accounting system captures such expenditures. Federal appropriations data reflect funding received by higher education institutions during the fiscal year ending before October 1, 2013, and include spending that flows to public, nonprofit, and for-profit higher education institutions and their students. In the bottom graphic, "All other" includes such items as the Children's Health Insurance Program, institutional and community care for the mentally ill and developmentally disabled, employer contributions to pensions and health benefits, environmental projects, and parks and recreation. The data in the bottom graphic include spending that flows to public, nonprofit, and for-profit higher education institutions and their students. All 50 states are included; the District of Columbia is not.

Figure 2

"Other federal financial aid grants" include Federal Work-Study, Federal Supplemental Educational Opportunity Grants, and Iraq and Afghanistan Service Grants. "Other federal grant programs" include the TRIO programs, College Access Challenge Grants (CACG), Gaining Early Awareness and Readiness for Undergraduate Programs (GEAR UP), Graduate Assistance in Areas of National Need, Child Care Access Means Parents in School, and other institutional aid programs. For federal programs that require state or institutional matching funds, the data reflect only the federal share. Under CACG and GEAR UP, the U.S. Department of Education may award grants to states to support early outreach and services for low-income students. States, in turn, may award these funds as need-based financial aid grants. Owing to data limitations, however, this figure does not exclude funds used in this manner. Therefore, an unknown portion of the \$133 million in CACG funds and \$290 million in GEAR UP funds may also be included in state financial aid grants. Data have been adjusted to conform to the academic year—the period including July 1, 2012, through June 30, 2013. Federal appropriations data reflect funding received by institutions during the fiscal year ending before October 1, 2013. To the extent possible,

actual expenditures (rather than amounts committed) are used, with the exception of federal research grants for institutions. These data include spending that flows to public, nonprofit, and for-profit institutions and their students. In the case of state general-purpose appropriations, data also include spending that flows to statewide governing boards.

Figure 3

Data are adjusted to conform to the academic year (July-June), adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index, and presented in constant academic year 2013 dollars. To the extent possible, actual expenditures (rather than amounts committed) are used, with the exception of federal research grants for institutions. These data include spending that flows to public, nonprofit, and for-profit higher education institutions and their students, as well as entities such as central governing boards. State spending in this chart includes federal funding from the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act, but it is not clear how stabilization fund spending breaks out across state spending categories.

Figure 4

To compare data from the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS) over time, Pew used data from the Delta Cost Project, which has been adjusted for survey reporting differences over time to allow for multiple-year comparisons. The latest year for which data are available is 2012. Revenue in this chart reflects federal and state government funding received by public, nonprofit, and for-profit institutions. This includes funding categories such as financial aid grants, research grants, and general-purpose appropriations. "State revenue" does not include public institutions' revenue from tuition and fees or operations such as residence halls or college stores. Federal and state revenue may be understated by an unknown amount because it is unclear how institutions classify some federal and state financial aid grants, including Federal Supplemental Educational Opportunity Grants, Federal Work-Study, and Iraq and Afghanistan Service Grants, when reporting to IPEDS. The data have been adjusted so that Pell Grants are included under federal revenue for all public, nonprofit, and for-profit institutions. Owing to data limitations, federal funding provided to states through the State Fiscal Stabilization Fund of the American Recovery and Reinvestment Act is not included in this chart, and local government appropriations, grants, and contracts provided to for-profit institutions are included within state revenue. "Fiscal year" in the Delta Cost Project's data refers to an institutional fiscal year. Each survey year, IPEDS directs institutions to report funding received during their most recent fiscal year ending before October 1. Data are adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index and

presented in constant federal fiscal year 2012 dollars (the most recent data available).

Figure 6

This chart represents the volume of student loans sponsored—that is, issued directly to the borrower or guaranteed—by the federal government and includes the Direct Loan, Perkins Loan, and various smaller historical loan programs. It is not meant to assess the cost to the federal government of sponsoring those loans. Data are adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index and presented in constant 2013 dollars. These data include loans that flow to students at public, nonprofit, and for-profit higher education institutions.

Figure 7

Higher education tax expenditures in this analysis mirror those in the Congressional Research Service report *Higher Education Tax Benefits: Brief Overview and Budgetary Effects* (March 2014). They include the exclusion of scholarship and fellowship income (normal tax method); the Hope, Lifetime Learning, and American Opportunity tax credits (including the refundable portion where applicable); Education Individual Retirement Accounts; deductions for student-loan interest and higher education expenses; qualified tuition programs; exclusion of interest on savings bonds redeemed to finance educational expenses; parental personal exemption for students age 19 or older; exclusion of employer-provided educational assistance; and discharge of student loan indebtedness. Data include tax expenditures that benefit students attending public, nonprofit, and for-profit higher education institutions. Annual tax expenditure values are drawn from the most recent U.S. Treasury tables that include the referenced year. Data are adjusted for inflation using the Bureau of Labor Statistics' Consumer Price Index and presented in constant 2013 dollars.

Figure 8

Revenue in this chart represents monies received by public higher education institutions. Public institutions that report using standards of the Federal Accounting Standards Board—about 1 percent of all public higher education institutions—may not include Pell Grants under federal revenue. Federal and state revenue may be understated by an unknown amount because it is unclear how institutions classify some federal and state financial aid grants, including Federal Supplemental Educational Opportunity Grants, Federal Work-Study, and Iraq and Afghanistan Service Grants, when reporting to the U.S. Department of Education's Integrated Postsecondary Education Data System (IPEDS). "Fiscal year" in the IPEDS data refers to an institutional fiscal year. These data reflect funding

received by public higher education institutions during their most recent fiscal year ending before October 1, 2013. “Net tuition and fees” include all tuition and educational fees charged to students minus discounts and allowances, defined as the portion of all financial aid grants applied to tuition and fees. Federal, state, and local revenue categories include legislative appropriations and agency grants and contracts, such as research or financial aid grants. “Self-supporting operations” include revenue from the operation of campus services (e.g., residence halls, intercollegiate athletics, and college stores), hospitals, and independent operations. “Private gifts, investment revenue, and endowment income” include revenue received from private and affiliated organizations; realized and unrealized gains and losses on investment returns, dividends, and rental or royalty income; and endowment income, including restricted and unrestricted funds and funds held in trust by others. “All other” includes capital appropriations, grants, gifts, and other miscellaneous revenue.

Figure 9

Revenue in this chart represents monies received by public higher education institutions. Federal revenue in **Pennsylvania** and **Delaware** is understated because 30 percent and 22 percent, respectively, of all Pell Grant funding in those states is reported using accounting standards of the Financial Accounting Standards Board and therefore is not included under federal revenue. Instead, it is included under other revenue categories, but the precise amounts are unknown. In other states, the share of Pell Grants not accounted for under federal revenue does not exceed 0.2 percent of overall Pell Grants received and does not affect the total institutional revenue received by each state. Net tuition and fees are overstated and state revenue is understated by unknown amounts in **Colorado**, because the U.S. Department of Education’s Integrated Postsecondary Education Data System (IPEDS) captures the state’s general-purpose appropriations as net tuition and fees instead of state revenue.

Public institutions that report using standards of the Federal Accounting Standards Board—about 1 percent of all public higher education institutions—may not include Pell Grants under federal revenue. Federal and state revenue may be understated by an unknown amount because it is unclear how institutions classify some federal and state financial aid grants, including Federal Supplemental Educational Opportunity Grants, Federal Work-Study, and Iraq and Afghanistan Service Grants, when reporting to IPEDS. “Fiscal year” in the IPEDS data refers to an institutional fiscal year. These data reflect funding received by public higher education institutions during their most recent fiscal year ending before October 1, 2013. “Net tuition and fees” include all tuition and educational fees charged to students minus discounts and allowances, defined as the portion of all financial aid grants applied to tuition and fees. Federal, state, and local revenue categories include legislative appropriations and agency grants and contracts, such as research or financial aid grants. “Self-supporting operations” include revenue from

the operation of campus services (e.g., residence halls, intercollegiate athletics, and college stores), hospitals, and independent operations. “Private gifts, investment revenue, and endowment income” include revenue received from private and affiliated organizations; realized and unrealized gains and losses on investment returns, dividends, and rental or royalty income; and endowment income, including restricted and unrestricted funds and funds held in trust by others. “All other” includes capital appropriations, grants, gifts, and other miscellaneous revenue.

Endnotes

- 1 Pew’s analysis of data from the Delta Cost Project Database (May 2015), based on original data from U.S. Department of Education, National Center for Education Statistics’ Integrated Postsecondary Education Data System. This analysis reflects federal and state revenue reported by higher education institutions, including funding from categories such as financial aid grants, research grants, and general-purpose appropriations and excluding loans and tax expenditures, over time. Available data go back to 1987.
- 2 This data point reflects federal and state revenue reported by higher education institutions, including spending categories such as financial aid grants, research grants, and general-purpose appropriations and excluding loans and tax expenditures, over time. This chartbook uses the terms “postsecondary” and “higher education” interchangeably. These figures come from Pew’s analysis of data from the Delta Cost Project Database (May 2015), based on original data from U.S. Department of Education, National Center for Education Statistics’ Integrated Postsecondary Education Data System.
- 3 U.S. Office of Management and Budget, “Budget of the U.S. Government” (February 2015), <http://www.gpo.gov/fdsys/pkg/BUDGET-2016-BUD/pdf/BUDGET-2016-BUD.pdf>; and U.S. House of Representatives, Committee on the Budget, “A Balanced Budget for a Stronger America” (March 2015), <http://budget.house.gov/uploadedfiles/fy16budget.pdf>.
- 4 State Higher Education Executive Officers Association, “State Higher Education Finance: FY 2014” (April 2015), <http://www.sheeo.org/sites/default/files/project-files/SHEF%20FY%202014-20150410.pdf>; Erik Kelderman, “State Spending on Higher Education Inches Up, but Fiscal Pitfalls Remain,” *The Chronicle of Higher Education*, Jan. 19, 2015, <http://chronicle.com/article/State-Spending-on-Higher/151251/>; Douglas Belkin, “State Funding for Colleges Rebounds,” *The Wall Street Journal*, Jan. 20, 2014, <http://www.wsj.com/articles/SB10001424052702304757004579333001917794012>; Kevin Kiley, “Budgets Half Empty, Glass Half Full,” *Inside Higher Ed*, July 1, 2011, https://www.insidehighered.com/news/2011/07/01/state_budgets_for_public_colleges_could_have_been_worse; and Eric Kelderman, “Senators in Both Parties Agree: States Must Do More for Higher Education,” *The Chronicle of Higher Education*, July 25, 2014, <http://chronicle.com/article/Senators-in-Both-Parties/147911>.
- 5 According to Mindy Levit, “The Budget Control Act of 2011: Legislative Changes to the Law and Their Budgetary Effects,” Congressional Research Service (March 25, 2015), the Budget Control Act of 2011, as amended, established statutory limits on federal discretionary spending from federal fiscal 2012 through 2021. Discretionary spending is provided and controlled through appropriations acts and accounts for roughly one-third of all federal spending. It includes federal activities such as national security and funding of federal agencies but not mandatory spending programs such as the Social Security and Medicare programs. The Pew Charitable Trusts, “Since Recession, Tax Revenue Lags in 30 States” (March 23, 2015), <http://www.pewtrusts.org/en/research-and-analysis/analysis/2015/03/23/since-recession-tax-revenue-lags-in-30-states>.
- 6 Pew’s analysis of data from U.S. Department of Education, *Education Department Budget History Table: FY1980-FY2015 President’s Budget* (Feb. 18, 2015), <http://www2.ed.gov/about/overview/budget/history/index.html>. This study distinguishes between direct spending—

support for higher education that does not need to be repaid—and loans that must be paid back. Although loans and the Teacher Education Assistance for College and Higher Education (TEACH) grant program are included within the federal budget, the methods used to calculate their fiscal impact are complex and subject to debate. This analysis does not attempt to determine the cost of loans and TEACH grants. Loans are featured in a separate discussion on Page 7 and are quantified using total federally sponsored—that is, made directly to the borrower or guaranteed—issuances rather than net cost to the federal government. Note that some major federal programs related to higher education, such as federal research funding and veterans' educational benefits, lie outside of the Department of Education's budget as described by Alexandra Hegji in "The Higher Education Act (HEA): A Primer," Congressional Research Service (Jan. 16, 2015).

- 7 These figures reflect federal, state, and local funding levels in academic year 2013 and exclude capital appropriations and the cost of student aid administration. In 2013, for example, the cost of federal student aid administration was \$1.3 billion, and the cost of state capital appropriations was \$570 million. U.S. Department of Education, FY 2015 Budget Request (March 2014), <http://www2.ed.gov/about/overview/budget/tables.html>; and National Association of State Budget Officers, State Expenditure Report (Nov. 2014), <http://www.nasbo.org/publications-data/state-expenditure-report/archives>.
- 8 Pew's analysis of FY 2013 data from U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015), <http://nces.ed.gov/ipeds/datacenter/>. "Full-time equivalent" is a measure used by the U.S. Department of Education to account for students who are enrolled either full time or part time as defined by each institution and make enrollment numbers comparable across institutions. The department's definition can be found here: <http://nces.ed.gov/ipeds/glossary/index.asp?id=854>.
- 9 Arizona had the highest Pell Grant funding per undergraduate FTE student, at \$3,401, largely because of the University of Phoenix, a for-profit institution that primarily delivered its programs online. The university accounted for 45 percent of all Pell Grant funding in the state. Similarly, Ashford University, a for-profit institution located in Iowa that also primarily delivered its programs online, accounted for 42 percent of all Pell Grant funding in that state. Pew's analysis of FY 2013 data from U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015), <http://nces.ed.gov/ipeds/datacenter>.
- 10 See, for example, U.S. Department of Education, Office of Federal Student Aid, "Federal Student Loans for College or Career School Are an Investment in Your Future," <https://studentaid.ed.gov/types/loans>.
- 11 At the time of publication, Delta Cost data were available only through 2012, and IPEDS does not provide a fall FTE count going back to 1990. As a result, this value takes the Delta Cost fall FTE count for 1990 and compares it with the IPEDS count for 2013. Starting in July 2010, the vast majority of federal loans were sponsored by the William D. Ford Federal Direct Loan Program, providing loans directly to students and their families. Before that time, the federal government also guaranteed loans issued by other lenders, such as private banks. For more details, see David P. Smole, "Federal Student Loans Made Under the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan Program: Terms and Conditions for Borrowers," Congressional Research Service (Jan. 21, 2015).
- 12 Internal Revenue Service, "Tax Benefits for Education: Information Center," last modified Jan. 15, 2015, <http://www.irs.gov/uac/Tax-Benefits-for-Education:-Information-Center>.
- 13 At the time of publication, Delta Cost data were available only through 2012, and IPEDS does not provide a fall FTE count going back to 1990. As a result, this value takes the Delta Cost fall FTE count for 1990 and compares it with the IPEDS count for 2013.
- 14 Pew's analysis of FY 2013 data from U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System (accessed Jan. 2015), <http://nces.ed.gov/ipeds/datacenter/>.
- 15 In this comparison, Pew's analysis using data from the U.S. Department of Education, National Center for Education Statistics' Integrated

Postsecondary Education Data System found that higher education institutions in Colorado reported the lowest amount of state revenue (\$1,932 per FTE student) among all states. This is a result of Colorado's unique higher education funding system, which causes most state dollars to be reported under tuition and fees in IPEDS. Higher education institutions located in the District of Columbia received the highest amount of what IPEDS classifies as state revenue at \$22,644 per FTE student.

- 16 North Carolina Constitution Article IX § 9 and Wyoming Constitution Article 7 § 16.
- 17 U.S. Department of Education, "Federal Pell Grant Program," last modified April 9, 2014, <http://www2.ed.gov/programs/fpg/index.html>.
- 18 Association of American Universities, "University Research: The Role of Federal Funding" (Jan. 2011), <http://www.aau.edu/WorkArea/DownloadAsset.aspx?id=11588>.
- 19 David P. Smole and Shannon S. Loane, "A Brief History of Veterans' Education Benefits and Their Value," Congressional Research Service (June 25, 2008), <https://www.fas.org/sgp/crs/misc/RL34549.pdf>; Cassandra Dortch, "Educational Assistance Programs Administered by the U.S. Department of Veterans Affairs," Congressional Research Service (March 15, 2011), http://assets.opencrs.com/rpts/R40723_20110315.pdf; and Cassandra Dortch, "The Post-9/11 Veterans Educational Assistance Improvements Act of 2010, as Enacted," Congressional Research Service (Jan. 31, 2011), <https://doyle.house.gov/sites/doyle.house.gov/files/documents/Education%20CRS%20report%20R41620%20post911%20vets%20ed%20act.pdf>.
- 20 Hegji, "The Higher Education Act (HEA)"; and Pew's analysis of U.S. Department of Education, National Center for Education Statistics' Integrated Postsecondary Education Data System.
- 21 Cassandra Dortch, "The TRIO Programs: A Primer," Congressional Research Service (Jan. 10, 2014).
- 22 National Association of State Student Grant and Aid Programs, "44th Annual Survey Report on State-Sponsored Student Financial Aid: 2012-2013 Academic Year," <http://www.nassgap.org/viewrepository.aspx?categoryID=3#>.
- 23 Ibid.
- 24 Congressional Budget Office, "The Federal Pell Grant Program: Recent Growth and Policy Options" (Sept. 2013), http://www.cbo.gov/sites/default/files/44448_PellGrants_9-5-13.pdf; and Cassandra Dortch, "Federal Pell Grant Program of the Higher Education Act: How the Program Works and Recent Legislative Changes," Congressional Research Service (Sept. 29, 2014).
- 25 Dortch, "Federal Pell Grant Program."
- 26 Pew's analysis of U.S. Department of Veterans Affairs, Office of Budget, "Annual Budget Submission" (accessed Nov. 6, 2014), fiscal years 2008-14, <http://www.va.gov/budget/products.asp>; and Cassandra Dortch, "The Post-9/11 Veterans Educational Assistance Act of 2008 (Post-9/11 GI Bill): Primer and Issues," Congressional Research Service (July 28, 2014), <http://www.fas.org/sgp/crs/misc/R42755.pdf>.
- 27 Pew's analysis of data from National Science Foundation, National Center for Science and Engineering Statistics, "Survey of Federal Funds for Research and Development," fiscal years 2007-13. <http://www.nsf.gov/statistics/srvyfedfunds/#tabs-3>.

For further information, please visit:

pewtrusts.org/fiscal-federalism

Contact: Sarah Leiseca, communications officer

Email: sleiseca@pewtrusts.org

Project website: pewtrusts.org/fiscal-federalism

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2017 Annual Report from Senate Budget and Resources Committee
May 17, 2017

Approved by Faculty Senate 5/17/17
Approved by Faculty Senate Executive Board 5/10/17

*Given the current budgetary conditions at Eastern Michigan University (EMU) we, the Faculty Senate Budget Committee (FSBC), submit the following report based on our discussion and analysis of key financial data provided to us over the past year. We urge EMU implement the following recommendations over the forthcoming fiscal year. **There are few, if any, financial challenges faced by EMU that cannot be resolved by strictly aligning our budget with our motto: "Education First"***

2017 Recommendations

Recommendation 1 (2017): In a fiscal environment where State of Michigan funding still has not returned to 2011 levels (in actual dollars, not adjusted dollars), student credit hours continue to decline, and the academic side of the university has received relatively little increase over the past five years (2.5%), it is difficult to continue cutting costs without further eroding program quality and EMU's identity and reputation. We recommend **significant cuts** to areas that are not specifically related to the academic mission of the University to protect EMU's motto of "Education First" and that any budget cuts made first target these non-academic areas.

Recommendation 2 (2017): The significant increase in financial aid between FY12 and FY16, particularly on FTIACs, has outpaced the increased tuition revenue over the same period. In addition, we have witnessed a decline in transfer and graduate students over the same period of time. While the focus on FTIACs makes some sense given the boost in housing and dining, it also likely has led to a decline in other types of students (see Table 2). We recommend **more financial aid resources** be focused on **transfers and graduate students**, whose credit hours generate more revenue than lower-level undergraduate credits and do not require the same-levels of institutional structures to support retention and completion. We urge EMU to assess the impact of the Financial Aid policies on the retention and completion rates of FTIACs to evaluate whether the substantial discounting is producing a good return on the investment.

Recommendation 3 (2017): As part of the financial aid discussion described in recommendation 2, we recommend that **students receiving Pell Grants**, for whom EMU provides added funding to bring total tuition covered up to 30 hours per year, **be allowed to use part of the EMU funding for summer courses**. This would permit these students to take 12 to 15 credits fall and winter, but if they took only 12 credits one or both semesters they could take 3 to 6 hours in summer. The same number of credit hours would be generated from these students per year, but the option of taking summer courses would increase credit hour production over the summer and since many (if not all) of these students are working throughout the year to cover other expenses, their academic performance might be improved.

Recommendation 4 (2017): The University appears to have no clear and consistent policy that deans are to follow in scheduling summer classes. We recommend that **decisions about whether to run summer courses** be made **based on the variable cost** (the added cost) of running a course. As long as tuition revenue from a course covers the variable cost of the faculty salary plus retirement benefits, 10 percent of base salary plus 18 percent markup on this salary (11.8 percent of base salary). Another option would be to hold summer courses to the same standard of profitability as programs offered through Academic Partnerships. AP students pay \$1,000 per three credit hour course with AP receiving half of the tuition. A course capped at 20 in this model and averaging 18 students would generate about \$9,000 in tuition for the University. Using this \$9,000 net tuition per AP course as a target, a summer course with zero discount on tuition, with 9 undergraduate students or with 5 Masters students, would generate the same net tuition and fee revenue to the university as an AP course.

Recommendation 5 (2017): In December 2016, EMU signed a contract with Academic Partnerships (AP) for AP to provide marketing services for special, on-line programs currently in place or to be developed in the future. In return for marketing services AP would receive a marketing fee of one-half or more of the tuition paid by students in these programs. The decision to enter into this contract appears to have been made without analysis of its budgetary impact and without any input from relevant university bodies including the Faculty Senate and the Faculty Senate Budget and Resource Committee. Based upon subsequent information provided by the Provost's Office, we find that the current RN-BSN program, now offered through AP, generates only about \$9,000 to \$10,000 net tuition for EMU. This amount would typically NOT cover faculty salary and benefits for providing the course, and could result in a net loss for the university of between \$1,000 and \$5,000 per course. To protect the financial stability of EMU, we recommend that **no programs be offered through the AP agreement.**

Recommendation 6 (2017): The focus on the cost side of the budgetary equation has led to some puzzling decisions related to programing and agreements with external companies. For example, the contract with Academic Partners will cost the University half of all revenues generated by AP courses while keeping the costs fixed. In addition, summer courses that would “make money” by bringing in more revenue than the variable cost incurred are not offered or cancelled. We recommend **including revenue** as part of the decision making equation. For example, a revenue/cost per SCH ratio would account for differential tuition paid by students at the various levels of the university and provide a more accurate “efficiency” measure than the currently used cost per SCH.

Recommendation 7 (2017): High-quality faculty are key elements to high-quality academic programs that improve student success. We recommend setting a goal of having **66% of weighted SCH taught by faculty** (currently 53.8% of weighted SCH are taught by faculty). The credit hours should be weighted based on the differential tuition paid by lower-division and upper division undergraduate courses, Masters graduate courses, and doctoral courses.

2017 Report from Senate Budget and Resources Committee
May 17, 2017

The Faculty Senate Budget Committee is about to complete its fourth year. This report provides an overview of the committee’s activities; an evaluation of the level of implementation of last year’s recommendations; an update and analysis of key budget lines for Fiscal Years 12-16 (FY12-FY16); and recommendations for current budget practices. Our report is modeled after our 2016 (see appendix A) and 2015 reports (see appendix B).

Before we begin it is important to provide a brief overview of the budget process and key numbers for the current fiscal year. A fiscal year begins on July 1st each year and ends on June 30th the subsequent year. Each fiscal year is labeled by the ending year. For example, the current Fiscal Year, FY17, began July 1, 2016 and will close June 30, 2017. The University begins developing a budget a year before implementation. The key elements of the budget are built throughout the year and **Table 1** provides an approximate timeline for building each fiscal year budget. **In consideration of the timeline, we would hope to see the recommendations approved last April to appear in the FY18 budget.** Each budget is built around a projected number of student credit hours (SCH). More recently, additional factors, such as new student enrollment, have been used to calculate the projected SCH (see **Table 2**).

Table 1.
Ideal Timeline to a Budget (from the Provost’s office)

Month	Budget Element
July, 2016	<ul style="list-style-type: none"> • FY17 budget rolls out
August, 2016	<ul style="list-style-type: none"> • FY16 Year End Review (Actuals vs. Budget) • Initial discussions about FY18 Financial Aid budget and Net Tuition Revenue • Build FY18 Financial Aid Planning document
September, 2016	<ul style="list-style-type: none"> • Based on Opening of Term, project enrollment and FY17 Financial Aid • Finalize FY18 Financial Aid Planning document
October, 2016	<ul style="list-style-type: none"> • Seek input from Faculty Senate and/or College Councils on any structural changes
November, 2016	<ul style="list-style-type: none"> • BOR approves FY18 Financial Aid Planning document
December, 2016	<ul style="list-style-type: none"> • Discussion of Budget changes w/ Budget Managers in ASA
January, 2017	<ul style="list-style-type: none"> • Mid-year spending reports generated • Evaluate Cost/SCH at mid-year in Colleges • FY18 Budget Meetings with Divisional/Academic Support areas • Review Winter Opening of Term enrollment reports • Winter Opening of Term: forecast SCH and Revenue for FY17 Budget • FY17 Financial Aid projection and adjust FY18 Financial Aid projection • Build FY18 Instruction Budget • Build Cost/SCH for FY18 Budget
February, 2017	<ul style="list-style-type: none"> • Share Cost/SCH with Deans • Finalize FY18 Budget Changes in Divisional/Academic Support areas
March, 2017	<ul style="list-style-type: none"> • Finalize FY18 Budget Changes in the Colleges • Finalize FY18 ASA Budget
April, 2017	<ul style="list-style-type: none"> • Faculty Searches for FY18 conclude
May, 2017	<ul style="list-style-type: none"> • FY17 Budget clean-up (year-end and adjustments)
June, 2017	<ul style="list-style-type: none"> • FY18 Budget approved by BOR
July, 2017	<ul style="list-style-type: none"> • FY18 Begins

Table 2.

Key Elements for Building a Budget (data from Office of Student Enrollment- January, 2017)

Fiscal Year	HS Grad Mich.	ACT Ave.	FTIAC		New Transfers		New Graduate		Total SCH	
			Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
FY11	112,110	21.02		2,008		2,183		1,243	553,545	546,323
FY12	102,890	21.13		2,118		2,134		1,210	555,875	538,783
FY13	101,800	21.45		2,595		2,094		1,148	544,100	537,757
FY14	98,550	22.03		2,872		1,949		1,126	544,026	532,787
FY15	97,950	22.11		2,553		1,769		1,076	524,880	513,040
FY16	97,830	22.10	2,800	2,855	1,800	1,540	1,100	948	518,571	501,487
FY17	95,600	21.95	2,800	2,774	1,600	1,472	1,000	961	495,225	492,000est

Committee Activities

The committee began our bi-weekly meetings in the middle of September by disseminating our 2016 Annual Report (see Appendix A), the Student-Faculty Report on Athletics (from April, 2016, see Appendix C), the new dining contract with Chartwells, opening of term numbers analyzing the final numbers for FY 16 at the end of the month and requesting a **formal response** from the Provost's office regarding the recommendations from our 2016 Annual Report. In October we discussed the **Athletic Transition to an Auxiliary**, including specific budget lines that were moved and how debt service was accounted for and the overhead pro-rate of 10%. Other items, such as athletic scholarships (just over \$10 million) remained in the general fund within the financial aid budget. **Financial Aid** was also discussed (due to the FY18 Financial Aid budget approval by the Board of Regents at their November meeting). The approved Financial Aid budget was \$57.1 million (an increase of 5.3%) with the goal of attracting 2,700 FTIACs. One administrative decision that affected the financial aid budget was the elimination of the out of state tuition differential at the undergraduate level. In the past, financial aid was given to eliminate the tuition differential for promising out of state students (the National Scholars Program) and many out of state students are student athletes. Both of these costs will be eliminated from financial aid one year at a time as a new cohort enter without the tuition differential. FTIACs continue to be a major focus of financial aid, with a higher percentage increase (6.4%) than graduate students (4%). The focus on FTIACs is intentional and is a potential contributor to the declining number of transfer and graduate students (see Table 2 and Recommendation 2). We also discussed the **Provost's office response** to our 2016 recommendations which were disseminated to the group, but no representative from the Provost's office was present for the discussion. Two responses in particular to our recommendations on the percentage of courses taught by faculty and summer courses led the committee to formulate a response to the Provost office which was presented to the Faculty Senate and the Provost office (see appendix D). In December, the Provost's office shared a draft document on revenue using student credit hours that the committee reviewed. The content and structure was a nice model for our request on revenue from the past five years by college.

In January we reviewed the five-year revenue document and made additional changes that became the foundation of the report on the **Summary Analysis of SCH, Revenue, and Expenses** that was presented to the Faculty Senate in February (see appendix E). The key findings were that the declining credit hours (over 36,000) were offset by increased tuition and fees (over \$17 million), but the rising cost of financial aid (over \$20 million over the same period) negated the potential revenue gain. College cost-budgets were held almost constant, with only a \$3 million increase over five years (2.5%), well below the inflationary rate for the same period (6%). The document lead to our recommendation that both cost and revenue be considered when making budgetary decisions in the future (see Recommendations 4, 5, & 6). In February and March we also examined the Academic Partners (AP) contract and the numbers used to make the decision to enter into the contract. The University did not do a marketing analysis for the contract, but

used existing data from our RN-BSN program, a presentation from AP, and discussions with colleagues at similar institutions. The fact that the intent is to double the size of the RN-BSN program (from 40 to 80 students) while giving 47% of the tuition generated to AP reaffirmed the recommendation to consider cost AND revenue when making budgetary decisions (see Recommendations 4, 5 & 6). The decision will double the cost of the program for the same revenue. In February and March we also examined the SCH taught by faculty and revenue and expenses for summer courses. The percent of SCHs taught by faculty fell from 54.9% in FY11 to 50.2% in FY16 with low of 49.9% in FY14. We discussed whether the share of SCH or of courses taught by faculty was a better measure. The committee has pushed using revenue per SCH rather than just cost per SCH, or a ratio of the two as a measure of efficiency. Revenue per SCH captures important budget elements, such as the differential tuition at the various levels of the institution (i.e., lower-level UG, upper-level UG, Masters, and Doctoral), that are missed by SCH. Our April meeting focused on course-level summer enrollment as SCH has dropped by half over the past five to six years. We examined specific classes to see this decline in enrollment. For example, enrollment for ECON 201 has dropped from 92 in spring/summer A in 2010 to 36 last summer A. EMU offered four sections of ECON 201 in 2010 with an average of 23 students per section (a 52% fill rate) and one section in summer of 2016 (with 36 students, an 82% fill rate). The loss of summer Pell is the primary explanation typically offered to explain the decline. While we agree the loss of summer Pell explains some of the decline, we'd argue the focus on fill rates over offering sections that cover all the summer instructional "slots" (morning, afternoon, and evening) could also explain the decline as students have no instructional time choice when there is only one section of a core course offered. Next year we'll likely examine whether transferring in our core courses, such as ECON 201, has increased over the years as the summer offerings have dwindled. Finally we examined the "page of rage" (see Appendix F and Recommendation 5) which highlights the financial priorities at EMU. Support for academic and student services has declined almost 2% since FY15 to FY17 in terms of General Fund Operating Budget while other areas have been given significant increases over the same time period. Scholarships (as described above) in terms of financial aid and tuition waivers saw the largest increases (21% and 28% respectively), followed by athletics and transfers (over 19%), communications (15%), and public safety (5.7%). As we prepared this report we realized that an earlier document we created (see Appendix G) in January, 2015 was still a very important consideration that has yet to be implemented by the University.

Evaluation of Implementation of 2016 Recommendations

In our April, 2016 report to the Faculty Senate the Budget Committee made seven recommendations for the budget and budgeting process (see Appendix A). The recommendations and their current implementation status are described in the section below.

Recommendation 1 (2016): Continue to use previous FY actuals and five-year averages to build each budget. Alignment between the budget and actuals is strong on the cost side of the equation, but the revenues, generated from credit hour assumptions, have been off over 2% for the last three FYs. This creates a deficit in each budget that is difficult to remedy during the FY. Note: The primary focus on cost (through cost per credit hour comparisons) and not on revenue may explain some of the discrepancy between budget and actuals as potential credit hour generation opportunities are missed due to the focus on cost (see recommendation 5).

Status: This recommendation is being implemented. The FY16 actual student credit hours (501,487), student targets from enrollment management, and enrollment trends were used to build the FY17 budget forecasting 495,000 SCH. While it looks like the actuals will be lower than budget (est. 492,000), it will be the first time the actuals will be less than 2% below the budgets. In fact, from a credit hour production perspective the forecast is only off by .6%.

Recommendation 2 (2016): Recruiting should **target both the number of students AND the financial aid budget** when offering financial packages to potential students. The focus on the goal of 2,800 new FITIACs for FY16 led to an over spending of \$3 M in the financial aid budget. As part of this recommendation it is important to evaluate the overall impact of the aggressive use of financial aid for recruiting FITIACs and create an “optimal discount rate” based on best practices. The fact that discounts have outpaced revenue generation by almost \$1M between FY12-FY15 shows the policy is a net financial loss for the University and likely led to the decision to increase tuition and fees by an unprecedented amount (7.8%) in FY16.

Status: There has been some progress on this recommendation and the explanation for the high overruns in financial aid was due to the unexpectedly high tuition increase in FY16 and the fact that many of EMU’s financial aid packages are tuition sensitive. For example, one program covers the difference between what the Pell Grant will cover and the cost of tuition (to ensure students do not have an added financial burden). The approved budget for financial aid assumed about a 3% tuition increase instead of the 7.8% increase that was approved. That said, financial aid has received a substantial increase over the past five years and has outpaced revenue increases over the same time period (See Recommendation 2, 2017 below).

Recommendation 3: The University should set a goal for the **percentage of courses taught by full-time faculty** and use this goal when planning each FY budget. The University prides itself on the direct faculty involvement with undergraduate and graduate students and over 60% of courses were taught by full-time faculty as recently as FY08. We suggest the University adopt the goal of a former EMU President of having 66% of all courses taught by faculty. Research has shown that high-quality academic programs are rooted in intense student interaction with faculty, research experiences with faculty, and strong faculty mentorship (Ory & Braskamp 1988; Hart Research 2016).

Status: This recommendation has not been implemented and created significant discussion around whether the calculation should be courses taught or SCH taught by faculty. Courses taught is problematic because not all courses are created equal as some are 1 credit hour and others are 5 or more. SCH taught by faculty is problematic as it treats all courses as equal, not accounting for cap or revenue differentials between the lower UG, upper UG, Masters, and Doctoral courses. The committee is working on a revised formula that takes into account SCH and revenues generated (to account for tuition differentials; See Recommendation 6, 2017 below).

Recommendation 4 (2016): The budget committee and faculty hiring committee of the Faculty Senate should work with the Provost’s office to **improve the transparency of the decision making for prioritizing new faculty hires**. The failure of Academic Affairs (Provost’s Office) to clearly explain its rationale for allocation of new lines is incongruent with the expectations of how financial decisions are made at other levels of the institution.

Status: The process for implementing this recommendation was built into the new contract language and the hope is that it will be implemented in forthcoming years.

Recommendation 5 (2016): **Summer budgets** should be more flexible and allow for a more entrepreneurial approach by colleges and departments to make more sections available if they believe the sections would make money. Although such flexibility could possibly increase costs, it would likely result in higher credit hour production which would increase revenue and drive down cost per credit hour calculations for the entire year.

Status: This recommendation has not been implemented and was the impetus for considerable discussion. The response from the Provost’s Office to our recommendation seemed counter to our discussions last year and this recommendation (see appendix D and recommendation 4 below).

Recommendation 6 (2016): As mentioned in recommendations 7 and 8 from 2015, the **large deficit and lack of budget discipline in the Athletics department** is placing a tremendous burden on the overall budget performance of EMU and on the students who subsidize the athletics deficit through the tuition and fees they pay. The increasing Athletic deficits drain valuable resources away from the academic mission of the University. Addressing this burden requires immediate attention.

Status: This recommendation has not been implemented at this point in time. According to the FY16 budget athletics was subject to a cut of about \$2M, but the continued burden puts considerable strain on the overall university budget. When over 13% of the net revenue and tuition is required to cover the athletic deficit it is very difficult to operate the academic side of the institution.

Recommendation 7 (2016): When **cuts** are necessary to balance the budget they should **focus first on areas that are losing substantial sums of money (e.g., Athletics)** rather than privatizing parts of the University that are not a financial drain on the general fund. For example, the state of Michigan experienced substantial problems (and financial loss) when they outsourced food service in prisons (<http://www.freep.com/story/news/local/michigan/2017/01/20/prison-food-contractor-hit-2m-penalties/96824274/>). We believe it is unsound financial stewardship and reflects poorly on the University when cuts are targeted toward loyal employees with long-standing ties to the University in areas that are breaking even or bringing in a small profit instead of areas of the University that receive substantial subsidy from the general fund.

Status: This recommendation does not appear to have been implemented. The Chartwell's contract went into effect after our recommendation was made and a new agreement with Academic Partners was signed turning over a very lucrative RN to BSN on-line program over to a company that will receive almost half of the tuition (47%) to cover their marketing of the program (and others on campus).

Budget Analysis (FY12-FY16)

The committee did considerable work through the academic year and decided to include some of that work in this analysis section. The first set of findings are from our analysis of revenue and SCH (see appendix E) completed in January/February of this year. The second set of findings, similar to previous years, are based on Table 3 below examining budget and actuals in key categories. We also included Table 4 to account for the shift of athletics into auxiliaries beginning with FY17.

Finding 1 (from appendix E): Student credit hours declined over 36,000 (-6.8%) between FY12 and FY16 while gross revenues increase over \$17.3 million (+10.8%). The gross revenue increase was offset by an increase in financial aid of almost \$20 million (+61.6%) over the same time period.

Finding 2 (from appendix E): College expenses were relatively flat between FY12 and FY16, only increasing by 2.5% (just over \$3 million) This is well below the cost of inflation over the same period of time (6%).

Finding 3 (from Table 3): Budgets for the past five years have consistently been based upon unrealized enrollment assumptions (line 3B). For example, FY16 budget was based upon an assumption of 519,000 credit hours versus actual number of 501,000 leading to a \$4.2M shortfall in revenue (line 3A). The budgeted credit hours and the actuals have been off by over 2% each of the past five years and over 3.4% off for FY16. The current projections for FY17 suggest actuals will be under budget (492,000 compared to 495,000), but the use of previous year actuals will result in the closest actual to budget in the past five years (.6% off).

Finding 4 (from Table 3): The University continues to aggressively use financial aid to attract FTIAC students and this practice has led to a steady increase in the discount rate each year (from 16.0% in FY12 to 22.9% in FY16).

Finding 5 (from Table 3): The shortfall in actual vs. budget revenue from tuition and fees continues to be substantial (\$4.2M) and the increase in the discount rate to 22.9% results in a \$7.8M deficit in net tuition and fees (line 6). The under-budget performance is not made up through other sources of revenue (e.g. \$170,000 for other non-athletic revenue, line 9) as most other revenues perform as budgeted (i.e., state appropriations and investment income) or below (i.e., -\$782,000 in athletics). The effect of difference between expected and actual income is compounded by additional expenses and leads to a substantial budgetary hole to fill (almost \$13M, line 31).

Finding 6 (from Table 3): In addition to its budgeted deficit, athletics ran a very large unapproved operating budget deficit FY16 (line 35). The athletics operating deficit, including athletic scholarships, increased from \$9.8M in FY12 to over \$23M in FY16. Additionally, the discrepancy between budget and actual in athletics continues to increase from about \$600,000 under budget to over \$4.4M over budget in FY16. Over \$2M of the overage was in SSM (\$2.2M) and almost another \$1M was in salaries. In FY12 the athletic deficit equaled 5.75 % of net tuition and fees collected for the entire university and this percentage increased to over 13% in FY16.

2017 Recommendations

Recommendation 1 (2017): In a fiscal environment where State of Michigan funding still has not returned to 2011 levels (in actual dollars, not adjusted dollars), student credit hours continue to decline, and the academic side of the university has received relatively little increase over the past five years (2.5%), it is difficult to continue cutting costs without further eroding program quality and EMU's identity and reputation. We recommend **significant cuts** to areas that are not specifically related to the academic mission of the University to protect EMU's motto of "Education First" and that any budget cuts made first target these non-academic areas.

Recommendation 2 (2017): The significant increase in financial aid between FY12 and FY16, particularly on FTIACs, has outpaced the increased tuition revenue over the same period. In addition, we have witnessed a decline in transfer and graduate students over the same period of time. While the focus on FTIACs makes some sense given the boost in housing and dining, it also likely has led to a decline in other types of students (see Table 2). We recommend **more financial aid resources** be focused on **transfers and graduate students**, whose credit hours generate more revenue than lower-level undergraduate credits and do not require the same-levels of institutional structures to support retention and completion. We urge EMU to assess the impact of the Financial Aid policies on the retention and completion rates of FTIACs to evaluate whether the substantial discounting is producing a good return on the investment.

Recommendation 3 (2017): As part of the financial aid discussion described in recommendation 2, we recommend that **students receiving Pell Grants**, for whom EMU provides added funding to bring total tuition covered up to 30 hours per year, **be allowed to use part of the EMU funding for summer courses**. This would permit these students to take 12 to 15 credits fall and winter, but if they took only 12 credits one or both semesters they could take 3 to 6 hours in summer. The same number of credit hours would be generated from these students per year, but the option of taking summer courses would increase credit hour production over the summer and since many (if not all) of these students are working throughout the year to cover other expenses, their academic performance might be improved.

Recommendation 4 (2017): The University appears to have no clear and consistent policy that deans are to follow in scheduling summer classes. We recommend that **decisions about whether to run summer courses** be made **based on the variable cost** (the added cost) of running a course. As long as tuition revenue from a course covers the variable cost of the faculty salary plus retirement benefits, 10 percent of base salary plus 18 percent markup on this salary (11.8 percent of base salary). Another option would be to hold summer courses to the same standard of profitability as programs offered through Academic Partnerships. AP students pay \$1,000 per three credit hour course with AP receiving half of the tuition. A course capped at 20 in this model and averaging 18 students would generate about \$9,000 in tuition for the University. Using this \$9,000 net tuition per AP course as a target, a summer course with zero discount on tuition, with 9 undergraduate students or with 5 Masters students, would generate the same net tuition and fee revenue to the university as an AP course.

Recommendation 5 (2017): In December 2016, EMU signed a contract with Academic Partnerships (AP) for AP to provide marketing services for special, on-line programs currently in place or to be developed in the future. In return for marketing services AP would receive a marketing fee of one-half or more of the tuition paid by students in these programs. The decision to enter into this contract appears to have been made without analysis of its budgetary impact and without any input from relevant university bodies including the Faculty Senate and the Faculty Senate Budget and Resource Committee. Based upon subsequent information provided by the Provost's Office, we find that the current RN-BSN program, now offered through AP, generates only about \$9,000 to \$10,000 net tuition for EMU. This amount would typically NOT cover faculty salary and benefits for providing the course, and could result in a net loss for the university of between \$1,000 and \$5,000 per course. To protect the financial stability of EMU, we recommend that **no programs be offered through the AP agreement.**

Recommendation 6 (2017): The focus on the cost side of the budgetary equation has led to some puzzling decisions related to programing and agreements with external companies. For example, the contract with Academic Partners will cost the University half of all revenues generated by AP courses while keeping the costs fixed. In addition, summer courses that would “make money” by bringing in more revenue than the variable cost incurred are not offered or cancelled. We recommend **including revenue** as part of the decision making equation. For example, a revenue/cost per SCH ratio would account for differential tuition paid by students at the various levels of the university and provide a more accurate “efficiency” measure than the currently used cost per SCH.

Recommendation 7 (2017): High-quality faculty are key elements to high-quality academic programs that improve student success. We recommend setting a goal of having **66% of weighted SCH taught by faculty** (currently 53.8% of weighted SCH are taught by faculty). The credit hours should be weighted based on the differential tuition paid by lower-division and upper division undergraduate courses, Masters graduate courses, and doctoral courses.

Respectfully submitted by the Faculty Senate Budget Committee, Joseph Badics (LIB), Dave Crary (CAS), Sun Hae Jang (CHHS), Patrick Koehn (CAS), Giri Jogaratnam (COT), Stephanie Newell (COB), Robert Carpenter (COE) chair

Note: The committee requests that this report, once accepted, be distributed by the President of the Faculty Senate to other leadership groups in the university including Student Government, University Budget Council, Executive Council, and Board of Regents.
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Table 3: Key Elements of the Budget for the Past Five Fiscal Years (dollars are rounded to thousands)

FY2012-2016 General Fund Budget Analysis	Revenue & Expense FY2012			Revenue & Expense FY2013			Revenue & Expense FY2014			Revenue & Expense FY2015			Revenue & Expense FY2016		
	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)
1 TOTAL GF Revenue (2+10+11+12)	218,353	277,733	(5,174)	290,040	285,119	(4,921)	295,884	292,025	(3,859)	302,251	292,818	(9,433)	314,287	309,505	(4,782)
2 Operating Revenue (3A+7)	215,089	210,151	(4,938)	220,321	215,985	(4,335)	225,311	219,176	(6,135)	226,825	219,908	(6,917)	240,056	235,274	(4,782)
3A Total Tuition + Fees	209,796	203,849	(5,947)	214,654	209,424	(5,229)	220,850	213,903	(6,946)	222,187	214,609	(7,577)	231,719	227,547	(4,172)
3B Student Credit Hours (see note below)	555	539	(16)	551	538	(13)	550	533	(17)	525	513	(12)	519	501	(18)
4 Less Institutional Scholarships	(33,097)	(32,533)	564	(35,024)	(37,975)	(2,951)	(39,102)	(41,413)	(2,310)	(43,756)	(44,255)	(499)	(48,500)	(52,144)	(3,644)
5 (discount rate % of T&F)	(15.78)	(15.96)	(0.18)	(16.32)	(18.13)	(1.82)	(17.71)	(19.36)	(1.66)	(19.69)	(20.62)	(0.93)	(20.93)	(22.92)	(2)
6 Note: Net Tuition + Fees (3A-4)	176,699	171,316	(5,383)	179,630	171,449	(8,181)	181,747	172,491	(9,256)	178,431	170,355	(8,076)	183,219	175,403	(7,816)
7 Other Operating Revenue	5,293	6,302	1,010	5,667	6,561	894	4,462	5,273	812	4,638	5,298	660	8,337	7,727	(610)
8 Athletic	1,448	2,017	569	1,867	1,754	(113)	1,682	1,434	(248)	2,086	1,826	(259)	5,267	4,485	(782)
9 Non-Athletic	3,845	4,285	441	3,800	4,807	1,007	2,780	3,839	1,060	2,552	3,472	920	3,070	3,242	172
10 State Appropriation	64,619	64,619	0	66,519	66,519	0	67,573	67,595	23	72,427	72,427	0	72,731	72,731	0
11 Investment Income	3,200	2,963	(237)	3,200	2,614	(586)	3,000	4,156	1,156	3,000	484	(2,516)	1,500	1,500	0
12 Cooper Building Sale	0	0	0	0	0	0	0	1,097	1,097	0	0	0	0	0	0
13 TOTAL GF Expenses (14+22+25)	292,712	279,932	12,780	289,988	287,080	2,907	297,183	294,422	2,761	302,825	290,757	12,068	312,937	322,479	(9,542)
14 Operating Expenses (15+16+17)	278,345	270,109	8,236	275,874	272,038	3,836	281,849	277,629	4,219	286,323	273,825	12,499	295,742	304,531	(8,789)
15 Institutional Scholarships	33,097	32,533	564	35,024	37,975	(2,951)	39,102	41,413	(2,310)	43,756	44,255	(499)	48,500	52,144	(3,644)
16 Athletics (excluding scholarships in 15)	10,685	11,639	(953)	10,703	11,177	(474)	10,736	12,073	(1,337)	13,309	14,068	(760)	15,034	18,354	(3,320)
17 Non-Athletics (18+19+20+21)	234,563	225,937	8,626	230,147	222,886	7,261	232,010	224,144	7,866	229,259	215,501	13,758	232,208	234,033	(1,825)
18 Salaries	139,059	137,535	1,524	139,287	137,788	1,499	137,785	138,134	(348)	137,398	138,566	(1,168)	137,350	141,173	(3,823)
19 Benefits	49,734	51,551	(1,817)	51,739	48,823	2,917	51,973	48,611	3,361	51,142	51,420	(278)	51,594	52,529	(935)
20 Central Expenses	12,427	9,965	2,462	8,250	9,405	(1,155)	14,478	11,330	3,149	14,175	11,171	14,164	15,621	13,448	2,173
21 SSM	33,343	26,886	6,457	30,870	26,870	4,000	27,774	26,069	1,705	26,544	25,505	1,040	27,643	26,883	760
22 Mandatory Transfers (23+24)	6,701	7,058	(357)	6,459	6,853	(394)	6,322	6,325	(3)	6,546	6,636	(90)	6,618	6,796	(178)
23 Debt Service (account 8A)	6,701	6,701	0	6,459	6,459	0	5,946	5,946	0	6,170	6,184	(14)	6,242	5,880	362
24 Matching Funds-Research	0	357	(357)	0	394	(394)	376	379	(3)	376	452	(76)	376	916	(540)
25 Other Transfers (26+27+28+29+30)	7,666	2,765	4,901	7,654	8,189	(534)	9,012	10,467	(1,455)	9,955	10,296	(340)	10,577	11,152	(575)
26 Asset Preservation (account 8F)	11,292	5,695	5,597	5,693	10,486	(4,793)	11,183	12,890	(1,707)	8,335	7,194	1,141	8,649	9,537	(888)
27 Interfund Transfers (account 8C)	0	10	(10)	0	(10)	10	0	4	(4)		18	(18)	0	0	0
28 General Fee (account 8H)	445	1,630	(1,185)	5,855	1,606	4,249	1,987	1,731	256	6,748	6,748	0	6,817	6,793	24
29 Auxiliary (account 8L)	(4,072)	(5,501)	1,429	(4,944)	(4,944)	0	(5,128)	(5,128)	0	(5,128)	(4,738)	(390)	(4,889)	(5,178)	289
30 Convocation Center (account 8M)	0	930	(930)	1,050	1,050	0	971	971	0		1,073	(1,073)	0	0	0
31 Inc./(Dec.) in Net Assets (1-13)	(74,359)	(2,199)		52	(1,962)		(1,299)	(2,397)		(573)	2,061		1,350	(12,974)	
Addendum: Athletics General Fund Revenue and Expenditures from above															
32 GF Revenue (8)	1,448	2,017	569	1,867	1,754	(113)	1,682	1,434	(248)	2,086	1,826	(260)	5,267	4,485	(782)
33 LESS: GF Expenditures (16)	10,685	11,639	(954)	10,703	11,177	(474)	10,736	12,073	(1,337)	13,309	14,068	(759)	15,034	18,354	(3,320)
34 LESS: Athletic Scholarships (Part of 15 above)	6,941	6,257	684	7,231	6,816	415	7,097	7,399	(302)	7,395	7,751	(356)	8,885	9,235	(350)
35 Net Athletic Revenue (32-33-34)	(16,178)	(15,879)	299	(16,067)	(16,239)	(172)	(16,151)	(18,038)	(1,887)	(18,618)	(19,993)	(1,375)	(18,652)	(23,104)	(4,452)
36 Subsidy: % of Net Tuition & Fees (35/6)	9.16%	9.27%	0.11%	8.94%	9.47%	0.53%	8.89%	10.46%	1.57%	10.43%	11.74%	1.30%	10.18%	13.17%	2.99%

Note 1: For item 3B: "Student Credit Hours", Budgeted amounts were calculated using ratio of credit hours to Total Tuition + Fees from actual columns.

Note 2: For items 32 & 33 for 2016 the number includes game guarantee and athletic camp revenues not included in prior years and these roughly break even. These are shown as separate lines in table 4.

Table 4: Auxiliary Budget Numbers for the Past Five Fiscal Years

Auxiliary Fund Budget Summary with Athletics Included (FY2014-FY2016 Actuals and FY2017 Budget)

Auxiliary Fund		FY14 Year End Actual			FY 15 Year End Actual			FY 16 Year End Actual			FY17 Budget		
		Revenue	Expenses	Net	Revenue	Expenses	Net	Revenue	Expenses	Net	Revenue	Expenses	Net
Student Services		42,387,320	(42,077,053)	310,267	42,133,961	(41,312,647)	821,314	44,288,739	(42,892,071)	1,396,668	47,834,960	(42,878,108)	4,956,852
A00025	Dining	18,115,559	(17,102,021)	1,013,538	17,987,974	(17,153,940)	834,034	18,692,702	(16,524,392)	2,168,310	20,900,000	(15,590,182)	5,309,818
A00055/10	Housing/Apts	17,993,389	(16,388,202)	1,605,187	17,687,646	(15,414,489)	2,273,157	18,658,340	(16,632,677)	2,025,663	19,554,141	(16,357,574)	3,196,567
A00250	Parking	3,513,578	(2,498,750)	1,014,828	3,459,957	(2,236,269)	1,223,688	3,803,724	(2,792,437)	1,011,287	4,645,300	(2,708,539)	1,936,761
A01650	Rec/IM	586,433	(1,965,475)	(1,379,042)	642,994	(2,215,852)	(1,572,858)	714,040	(2,390,215)	(1,676,175)	675,000	(2,282,164)	(1,607,164)
A05770	Student Center	1,147,829	(2,017,798)	(869,969)	1,198,492	(2,190,128)	(991,636)	1,170,447	(2,329,601)	(1,159,154)	960,519	(4,036,847)	(3,076,328)
A01850	Univ Health Services	1,030,532	(2,104,807)	(1,074,275)	1,156,898	(2,101,969)	(945,071)	1,249,486	(2,222,749)	(973,263)	1,100,000	(1,902,802)	(802,802)
Service/Training		1,134,238	(2,353,757)	(1,219,519)	1,632,766	(2,586,419)	(953,653)	1,372,880	(2,597,000)	(1,224,120)	2,118,000	(2,993,879)	(875,879)
A05780	Autism Center	361,475	(562,964)	(201,489)	853,982	(1,150,015)	(296,033)	674,944	(1,203,122)	(528,178)	1,410,000	(1,394,764)	15,236
A02250	Children's Institute	608,330	(1,081,143)	(472,813)	606,131	(1,029,031)	(422,900)	650,977	(1,075,169)	(424,192)	618,000	(1,381,597)	(763,597)
A01050	Echo	164,433	(709,650)	(545,217)	172,653	(407,373)	(234,720)	46,959	(318,709)	(271,750)	90,000	(217,518)	(127,518)
Community Facilities		2,896,790	(3,768,206)	(871,416)	2,689,874	(3,604,787)	(914,913)	3,052,948	(3,770,781)	(717,833)	3,122,640	(4,081,795)	(959,155)
A05755	Convo/Pease	697,167	(1,688,205)	(991,038)	589,556	(1,618,130)	(1,028,574)	717,843	(1,616,363)	(898,520)	768,747	(1,988,955)	(1,220,208)
A05925	Eagle Crest	1,848,895	(1,778,674)	70,221	1,788,177	(1,683,581)	104,596	2,024,007	(1,888,533)	135,474	1,870,853	(1,766,219)	104,634
A05760	Practice Facility	350,728	(301,327)	49,401	312,141	(303,076)	9,065	311,098	(265,885)	45,213	483,040	(326,621)	156,419
		6,795,822	(12,210,043)	(5,414,221)	7,321,024	(12,699,155)	(5,378,131)	7,559,801	(13,310,346)	(5,750,545)	7,976,159	(15,297,487)	(7,321,328)
Athletics #		3,806,094	(14,340,591)	(10,534,497)	4,965,085	(15,488,368)	(10,523,283)	4,728,851	(19,128,652)	(14,399,801)	5,440,943	(18,366,857)	(12,925,914)
A60000	General Fund #	1,506,352	(12,166,780)	(10,660,428)	1,826,501	(12,739,066)	(10,912,565)	2,100,068	(15,944,872)	(13,844,804)	na	na	na
D21100/													
A60000	Game Guarantee #	2,153,490	(2,117,143)	36,347	2,944,900	(2,532,590)	412,310	2,443,994	(2,859,253)	(415,259)	na	na	na
A61000	Athletics Camps #	146,252	(56,668)	89,584	193,684	(216,712)	(23,028)	184,789	(324,527)	(139,738)	na	na	na
Grand Total		49,839,825	(62,539,607)	(12,315,165)	51,421,686	(62,992,221)	(11,570,535)	53,443,418	(68,388,504)	(14,945,086)	58,516,543	(68,320,639)	(9,804,096)
Excluding Athletics		46,033,731	(48,199,016)	(1,780,668)	46,456,601	(47,503,853)	(1,047,252)	48,714,567	(49,259,852)	(545,285)	53,075,600	(49,953,782)	3,121,818
A05655	Aux Utilities flow through (Not included above)	(384,617)	392,013	7,396	(465,097)	498,461	33,364	(597,263)	588,172	(9,091)	na	na	na

Notes: # Athletics was moved from the general fund to auxiliaries starting with the FY17 Budget and the FY16 Audited Financial Report made this switch for FY16 to be consistent. Game Guarantee and Athletics Camps were Designated Funds for FY14 & FY15 but moved to A fund for FY16

* Between FY16 and FY17 the following changes were made in debt service: Housing \$2,089,927 to \$1,694,633; Parking \$68,000 to \$98,116; Student Center \$3,190 to \$1,766,098; Univ. Health Service \$10,634 to \$14,717; and Convo Center \$54,030 to \$503,335.

** For FY17, Athletics expenses were increased to include A) 10% of revenues which is the standard "pro-rate" used for all auxiliaries to cover indirect costs, and B) \$1,212,374 to cover debt service which was not charged when athletics was included in the general fund.

Appendix List

A: 2016 Annual Report

B: 2015 Annual Report

C: 2016 Student and Faculty Report on Athletic Spending

D: Response to the Provost Office's Comments on 2016 FSBC Recommendations

E: Summary Analysis of SCH, Revenue, and Expenses

F: General Fund Operating Budget 3-Year Trends

G: Recommendation Regarding Allocation of Instructional Budgets to Colleges

Appendix A: 2016 Annual Report

Report from Senate Budget and Resources Committee
Accepted by Faculty Senate Executive Board
May 11, 2016

The Faculty Senate Budget Committee is about to complete its third year. This report provides an overview of the committee’s activities; an evaluation of the level of implementation of last year’s recommendations; an update and analysis of key budget lines for Fiscal Years 12-15 (FY12-FY15); and recommendations for changes to current budget practices.

Before we begin it is important to provide a brief overview of the budget process and key numbers for the current fiscal year. A fiscal year begins on July 1st each year and ends on June 30th the subsequent year. Each fiscal year is labeled by the ending year. For example, the current Fiscal Year, FY16, began July 1, 2015 and will close June 30, 2016. The University begins developing a budget a year before implementation. The key elements of the budget are built throughout the year and **Table 1** provides an approximate timeline for building each fiscal year budget. In consideration of the timeline, we would expect recommendations approved last April (and January) to appear in the FY17 budget. Each budget is built around a projected number of student credit hours (SCH). More recently, additional factors, such as new student enrollment, have been used to calculate the projected SCH (see **Table 2**).

Table 1.
Ideal Timeline to a Budget (from Provost’s office June, 2015)

Month	Budget Element
July, 2015	<ul style="list-style-type: none"> • FY16 budget rolls out
August, 2015	<ul style="list-style-type: none"> • FY15 Year End Review (Actuals vs. Budget) • Initial discussions about FY17 Financial Aid budget and Net Tuition Revenue • Build FY17 Financial Aid Planning document
September, 2015	<ul style="list-style-type: none"> • Based on Opening of Term, project enrollment and FY16 Financial Aid • Finalize FY17 Financial Aid Planning document
October, 2015	<ul style="list-style-type: none"> • BOR approves FY17 Financial Aid Planning document • Seek input from Faculty Senate and/or College Councils on any structural changes
November, 2015	
December, 2015	<ul style="list-style-type: none"> • Discussion of Budget changes w/ Budget Managers in ASA
January, 2016	<ul style="list-style-type: none"> • Mid-year spending reports generated • Evaluate Cost/SCH at mid-year in Colleges • FY17 Budget Meetings with Divisional/Academic Support areas • Review Winter Opening of Term enrollment reports • Winter Opening of Term: forecast SCH and Revenue for FY17 Budget • FY16 Financial Aid projection and adjust FY17 Financial Aid projection • Build FY17 Instruction Budget • Build Cost/SCH for FY17 Budget
February, 2016	<ul style="list-style-type: none"> • Share Cost/SCH with Deans • Finalize FY17 Budget Changes in Divisional/Academic Support areas
March, 2016	<ul style="list-style-type: none"> • Finalize FY17 Budget Changes in the Colleges • Finalize FY17 ASA Budget
April, 2016	
May, 2016	<ul style="list-style-type: none"> • FY16 Budget clean-up (year-end and adjustments)
June, 2016	<ul style="list-style-type: none"> • FY17 Budget approved by BOR

Table 2.

Key Elements for Building a Budget (data from Office of Student Enrollment- January, 2016)

Fiscal Year	HS Grad Mich.	ACT Ave.	FTIAC		New Transfers		New Graduate		Total SCH	
			Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
FY11	112,110	21.02		2,008		2,183		1,243	553,545	546,323
FY12	102,890	21.13		2,130		2,134		1,210	555,875	538,783
FY13	101,800	21.45		2,595		2,094		1,136	544,100	537,757
FY14	98,550	22.03		2,872		1,949		1,105	544,026	532,787
FY15	97,950	22.11		2,555		1,769		1,074	524,880	513,040
FY16	97,830	22.10	2,800	2,822	1,800	1,535	1,100	948	518,571	506,606e
FY17	95,600		2,800		1,600		1,000		496,227	

Committee Activities

The committee began our bi-weekly meetings in the middle of September with opening of term numbers analyzing the final numbers for FY 15 at the end of the month. **Financial Aid** was a substantial focus for the month of October (due to the FY17 Financial Aid budget approval by the Board of Regents at their November meeting). The discussions revealed the intentional targeting of aid to bring in the goal of 2,800 FTIACs, but was accompanied by a decline in transfers and graduate students as well as overspending the FY16 financial aid budget by almost \$3 M (see 2016 recommendation 2 below). The FY17 request for financial aid was \$54.2 million, a 12.9% increase over the FY16 budget. In November and December we concentrated on **faculty hiring practices** and found the number of faculty has declined (from 701 in FY12 to 674 in FY15) and there has been an intentional shift of faculty away from the Colleges of Education (from 90 in FY11 to 75 in FY15) and Arts and Sciences (from 360 in FY11 to 347 in FY15) to the College of Health and Human Services (from 83 in FY11 to 99 in FY15). The Colleges of Business (73 in FY11 and 73 in FY15) and Technology (54 in FY11 to 55 in FY15) remained stable over the same period of time. The decline in overall faculty numbers has led to a situation where only about half of all credit hours at EMU are taught by regular faculty (51.2% in FY15, see 2016 recommendation 3 below). The committee discussed the process of how new hires are prioritized by the Provost's office and it was apparent the shift from one college to the other was intentional. Elements such as SCH, retirements, accreditation, and new programs are considered, but they serve as guidelines rather than a strict formula (see 2016 recommendation 4 below).

In January and February the committee discussed the **summer course scheduling policies** and found FY15's summer courses brought in \$18 million dollars; however \$9 million was needed to make up a budget shortfall due to SCH falling below projections in Fall/Winter, and the other \$9 million covered the cost of running summer classes. It appears that part of the reduction in the summer course offerings has occurred because "hard caps" were implemented at the college level a few years ago, even though the Provost's office asserted that it had not established university wide "hard caps. The Provost's office asserts that they provide an annual budget to the Deans to spend as they see fit and it is up to the Deans to determine how the summer budget will be utilized. One consequence of these new "hard caps" at the college level has been the limiting of the number of courses offered over the summer, sending summer credit hour production downward (from 72,223 in FY11 to 49,397 in FY15). Changes in the use of Pell Grants by the Federal Government (now they can only be used for Fall and Winter semester classes is one likely factor) contributing to the decline, but it also coincides with the implementation of new limits on summer sections regardless of whether the courses would make additional money for the college. This situation highlights one of the **dangers of primarily focusing on cost** when budgeting at the University and college level **instead of considering revenue as well** (see 2016 recommendation 5 below).

In March the committee began exploring the University's transfer credit policies to see if changes in the policies, such as allowing more credits to transfer in than most comparable institutions, led to a decreased number of credit hours students take at EMU before obtaining their degree. We are in our initial analysis on the topic and will further delve into the issue next academic year.

Finally, throughout the year the committee developed a **budget glossary** with key terms and descriptions to facilitate budgetary discussions across the campus community. The glossary was approved by the Faculty Senate at their March 16, 2016 meeting.

Evaluation of Implementation of 2015 Recommendations

In our April 15, 2015 report to the Faculty Senate the Budget committee made eight recommendations for the budgeting process. The recommendations and their currently implementation status are described in the section below.

2015 Recommendation 1: Budgets should be formulated based upon SCHs for the prior year together with specifically identified reasons for any changes from this level, such as projected high school graduates and other indicators.

Status: *The initial budget model for FY17 used the actual number of SCH from FY15/16. While the result is to a lower budgeted number of credit hours (495,000), we believe this response to our first recommendation is a step in the right direction and will provide a more accurate budget for FY17. Recent budgets have been 2% or more above actual SCH for the past three FYs.*

2015 Recommendation 2: Effort needs to be devoted to better incorporate additional information in predicting number of returning students, and graduation and retention rates.

Status: *The current budgetary model does include projected graduation as well as the number of students eligible to return, along with the new students. More effort should be made to analyze our retention and graduation rates to determine if our numbers align with best practice and whether additional resources are needed to improve student retention and time to graduation.*

2015 Recommendation 3: Given the dramatic increase in discount rate from 15.96% to 19.36% over this period, careful analysis is needed on the long-term budgetary implications of the current policy.

Status: *The discount rate increased even further in FY15 (to 20.6% overall and almost 40% for FTIACs). We urge more work in this area to evaluate the effect of the current policies on enrollment and revenues.*

2015 Recommendation 4: April and September meetings of the Senate Budget and Resource Committee should review and make recommendations regarding the financial aid budget to be recommended to the BOR's October meeting. (FTIAC, Transfers, Graduate, athletics)

Status: *The committee did spend time in September and October discussing financial aid, but we need to determine how our voices can be most effectively heard by those building the initial financial aid budget and the Board of Regents. An analysis of the impact of the current policies might be the best course of action to affect future change.*

2015 Recommendation 5: To reward fiscal efficiency and areas of enhanced enrollments, provision needs to be made for year-to-year carry-over of college budget surpluses.

Status: *There does not appear to be any movement on this recommendation in the FY17 budget. The Provost's office supports the recommendation and would urge implementation.*

2015 Recommendation 6: These budgetary savings should remain within colleges to finance new initiatives, promote new programs, and support faculty research and grant writing.

Status: *Again, no movement on this recommendation. All surpluses are currently “swept” back into the general fund at the end of each FY. The Provost’s office supports the recommendation and would urge implementation.*

2015 Recommendation 7: Budgetary discipline needs to be enforced on athletics as it is with other areas of the university.

Status: *The Athletic Department is under the office of the President and not within the Provost’s office. The response to this recommendation has come more from the campus community as there are many more discussions on the topic of the athletic budget, with the Faculty Senate reporting on the issue to the Board of Regents at their February meeting and the current work between the Faculty and Students on a joint statement regarding the athletic budget. In addition, the Board of Regents requested an athletic budget analysis from the office of Business and finance in March, 2016. While there appears to be building momentum to implement the recommendation, there appears to be no movement regarding budgetary discipline in athletics in the FY17 budget.*

2015 Recommendation 8: Students are being asked to devote too much of the tuition they pay to subsidize the budget deficit in the athletic program. Resources currently expended to subsidize athletics should be redirected to support instructional quality and improvements in academic success of all students.

Status: *According to USA Today, 83% of the athletic budget was subsidized from the general fund FY14 (which include tuition and fees paid by students) while the average for other MAC schools was 70%. The cost per student for athletics has risen from \$1,076 (FY14) to \$1,227 (FY15). The data suggest this recommendation has not been implemented in the current budgeting cycle.*

Budget Analysis (FY12-FY15)

Based upon the detailed budget versus actual General Fund accounts for FY12 through FY15 as provided in **Table 3**, the following findings are identified:

Finding 1: Budgets for the past four years have consistently been based upon unrealized enrollment assumptions (line 3B). For example, FY15 budget was based upon an assumption of 524,880 credit hours versus actual number of 513,040 leading to a \$7.6 M shortfall in revenue (line 3A). The budgeted credit hours and the actuals have been off by over 2% the past two years and projections show the same for FY16.

Finding 2: The University continues to aggressively use financial aid to attract FTIAC students and this practice has led to a steady increase in the discount rate each year (from 16.0% in FY12 to 20.6% in FY15). One consequence of this practice is that the rise in tuition and fee revenues (\$10.8 M from FY12 to FY15, line 3A) is eclipsed by the rising cost of financial aid (\$11.6 M from FY12 to FY15, line 4).

Finding 3: The shortfall in actual vs. budget revenue from tuition and fees is no longer offset by above-budget receipts in other areas (lines 7, 10, & 11). The \$8 M deficit from net tuition and fees (line 6) is compounded by a substantial decline in investment income, which averaged \$3.2 M for FY12-FY14 to under \$.5 M in FY15, line 11, leaving a \$10.5 M hole on the revenue side of the budget. This is partially made up in \$2.5 M savings in salaries and benefits on the non-athletic portion of budget (line 17), but the miss-targeting of credit hours and poor investment performance creates a very difficult budgetary deficit to overcome.

Finding 4: In addition to its budgeted deficit, athletics ran a very large unapproved operating budget deficit FY15 (line 35). The athletics operating deficit, including athletic scholarships, increased from \$15.9 M in FY12 to almost \$20 M in FY15. The athletics deficit was \$0.3 M less than budget in FY12 but \$1.3 M over budget in FY15. In FY12 the athletic deficit equaled 9.24 % of net tuition and fees collected from all students. It increased to 11.77% in FY15.

Recommendations (2016)

Recommendation 1 (2016): Continue to **use previous FY actuals and five-year averages to build each budget**. Alignment between the budget and actuals is strong on the cost side of the equation, but the revenues, generated from credit hour assumptions, have been off over 2% for the last three FYs. This creates a deficit in each budget that is difficult to remedy during the FY. Note: The primary focus on cost (through cost per credit hour comparisons) and not on revenue may explain some of the discrepancy between budget and actuals as potential credit hour generation opportunities are missed due to the focus on cost (see recommendation 5).

Recommendation 2 (2016): Recruiting should **target both the number of students AND the financial aid budget** when offering financial packages to potential students. The focus on the goal of 2,800 new FITIACs for FY16 led to an over spending of \$3 M in the financial aid budget. As part of this recommendation it is important to evaluate the overall impact of the aggressive use of financial aid for recruiting FITIACs and create an “optimal discount rate” based on best practices. The fact that discounts have outpaced revenue generation by almost \$1 M between FY12-FY15 shows the policy is a net financial loss for the University and likely led to the decision to increase tuition and fees by an unprecedented amount (7.8%) in FY16.

Recommendation 3: The University should set a goal for the **percentage of courses taught by full-time faculty** and use this goal when planning each FY budget. The University prides itself on the direct faculty involvement with undergraduate and graduate students and over 60% of courses were taught by full-time faculty as recently as FY08. We suggest the University adopt the goal of a current/former EMU President of having 66% of all courses taught by faculty. Research has shown that high-quality academic programs are rooted in intense student interaction with faculty, research experiences with faculty, and strong faculty mentorship (Ory & Braskamp 1988; Hart Research 2016).

Recommendation 4: The budget committee and faculty hiring committee of the Faculty Senate should work with the Provost's office to **improve the transparency of the decision making for prioritizing new faculty hires**. The failure of Academic Affairs (Provost's Office) to clearly explain its rationale for allocation of new lines is incongruent with the expectations of how financial decisions are made at other levels of the institution.

Recommendation 5: Summer budgets should be more flexible and allow for a more entrepreneurial approach by colleges and departments to make more sections available if they believe the sections would make money. Although such flexibility could possibly increase costs, it would likely result in higher credit hour production which would increase revenue and drive down cost per credit hour calculations for the entire year.

Recommendation 6: As mentioned in recommendations 7 and 8 from 2015, the **large deficit and lack of budget discipline in the Athletics department** is placing a tremendous burden on the overall budget performance of EMU and on the students who subsidize the athletics deficit through the tuition and fees they pay. The increasing Athletic deficits drain valuable resources away from the academic mission of the University. Addressing this burden requires immediate attention.

Recommendation 7: When cuts are necessary to balance the budget they should **focus first on areas that are losing substantial sums of money (e.g., Athletics)** rather than privatizing parts of the University that are not a financial drain on the general fund. For example, the state of Michigan experienced substantial problems (and financial loss) when they outsourced food service in prisons (https://www.google.com/?gws_rd=ssl#q=michigan+prison+food+service). We believe it is unsound financial stewardship and reflects poorly on the University when cuts are targeted toward loyal employees with long-standing ties to the University in areas that are breaking even or bringing in a small profit instead of areas of the University that receive substantial subsidy from the general fund.

Respectfully submitted by the Faculty Senate Budget Committee, Joseph Badics (LIB), Dave Crary (CAS), Sun Hae Jang (CHHS), Patrick Koehn (CAS), Vijay Mannari (COT), Stephanie Newell (COB), Robert Carpenter (COE) chair

Note: The committee requests that this report, once accepted, be distributed by the President of the Faculty Senate to other leadership groups in the university including Student Government, University Budget Council, Executive Council, and Board of Regents.
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Table 3

Key Elements of the Budget for the Past Four Fiscal Years (dollars are rounded to thousands)

FY2012-2014 General Fund Budget Analysis	Revenue & Expense FY2012			Revenue & Expense FY2013			Revenue & Expense FY2014			Revenue & Expense FY2015		
	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)
1 TOTAL GF Revenue (2+10+11+12)	282,908	277,733	(5,174)	290,040	285,119	(4,921)	295,884	292,025	(3,859)	302,251	293,012	(9,239)
2 Operating Revenue (3A+7)	215,089	210,151	(4,938)	220,321	215,985	(4,335)	225,311	219,176	(6,135)	226,825	219,908	(6,917)
3A Total Tuition + Fees	209,796	203,849	(5,947)	214,654	209,424	(5,229)	220,850	213,903	(6,946)	222,187	214,609	(7,577)
3B Student Credit Hours (see note below)	555	539	(16)	551	538	(13)	550	533	(17)	525	513	(12)
4 Less Institutional Scholarships (discount rate % of T&F)	(33,097) (15.78)	(32,533) (15.96)	564 (0.18)	(35,024) (16.32)	(37,975) (18.13)	(2,951) (1.82)	(39,102) (17.71)	(41,413) (19.36)	(2,310) (1.66)	(43,756) (19.69)	(44,255) (20.62)	(499) (0.93)
6 Note: Net Tuition + Fees (3A-4)	176,699	171,316	(5,384)	179,630	171,449	(8,180)	181,747	172,491	(9,257)	178,431	170,355	(8,077)
7 Other Operating Revenue	5,293	6,302	1,010	5,667	6,561	894	4,462	5,273	812	4,638	5,298	660
8 Athletic	1,448	2,017	569	1,867	1,754	(113)	1,682	1,434	(248)	2,086	1,826	(259)
9 Non-Athletic	3,845	4,285	441	3,800	4,807	1,007	2,780	3,839	1,060	2,552	3,472	920
10 State Appropriation	64,619	64,619	0	66,519	66,519	0	67,573	67,595	23	72,427	72,621	194
11 Investment Income	3,200	2,963	(237)	3,200	2,614	(586)	3,000	4,156	1,156	3,000	484	(2,516)
12 Cooper Building Sale	0	0	0	0	0	0	0	1,097	1,097	0	0	0
13 TOTAL GF Expenses (14+22+25)	292,712	279,932	12,780	289,988	287,080	2,907	297,183	294,422	2,761	302,825	301,928	897
14 Operating Expenses (15+16+17)	278,345	270,109	8,236	275,874	272,038	3,836	281,849	277,629	4,219	286,323	284,996	1,328
15 Institutional Scholarships	33,097	32,533	564	35,024	37,975	(2,951)	39,102	41,413	(2,310)	43,756	44,255	(499)
16 Athletics (excluding scholarships in 15)	10,685	11,639	(953)	10,703	11,177	(474)	10,736	12,073	(1,337)	13,309	14,068	(760)
17 Non-Athletics (18+19+20+21)	234,563	225,937	8,626	230,147	222,886	7,261	232,010	224,144	7,866	229,259	226,672	2,587
18 Salaries	139,059	137,535	1,524	139,287	137,788	1,499	137,785	138,134	(348)	137,398	138,566	(1,168)
19 Benefits	49,734	51,551	(1,817)	51,739	48,823	2,917	51,973	48,611	3,361	51,142	51,420	(278)
20 Central Expenses	12,427	9,965	2,462	8,250	9,405	(1,155)	14,478	11,330	3,149	14,175	11,182	2,993
21 SSM	33,343	26,886	6,457	30,870	26,870	4,000	27,774	26,069	1,705	26,544	25,505	1,040
22 Mandatory Transfers (23+24)	6,701	7,058	(357)	6,459	6,853	(394)	6,322	6,325	(3)	6,546	6,636	(90)
23 Debt Service (account 8A)	6,701	6,701	0	6,459	6,459	0	5,946	5,946	0	6,170	6,184	(14)
24 Matching Funds-Research	0	357	(357)	0	394	(394)	376	379	(3)	376	452	(76)
25 Other Transfers (26+27+28+29+30)	7,666	2,765	4,901	7,654	8,189	(534)	9,012	10,467	(1,455)	9,955	10,296	(340)
26 Asset Preservation (account 8F)	11,292	5,695	5,597	5,693	10,486	(4,793)	11,183	12,890	(1,707)	8,335	7,194	1,141
27 Interfund Transfers (account 8C)	0	10	(10)	0	(10)	10	0	4	(4)	0	18	(18)
28 General Fee (account 8H)	445	1,630	(1,185)	5,855	1,606	4,249	1,987	1,731	256	6,748	6,748	0
29 Auxiliary (account 8L)	(4,072)	(5,501)	1,429	(4,944)	(4,944)	0	(5,128)	(5,128)	0	(5,128)	(4,738)	(390)
30 Convocation Center (account 8M)	0	930	(930)	1,050	1,050	0	971	971	0	0	1,073	(1,073)
31 Inc./(Dec.) in Net Assets (1-13)	(9,804)	(2,199)		52	(1,962)		(1,299)	(2,397)		(573)	(8,915)	
Adendum: Athletics General Fund Revenue and Expenditures from above												
32 GF Revenue (8)	1,448	2,017	569	1,867	1,754	(113)	1,682	1,434	(248)	2,086	1,826	(259)
33 LESS: GF Expenditures (16)	10,685	11,639	(953)	10,703	11,177	(474)	10,736	12,073	(1,337)	13,309	14,068	(760)
34 LESS: Athletic Scholarships (Part of 15 above)	6,941	6,257	684	7,231	6,816	415	7,097	7,399	(302)	7,395	7,751	(356)
35 Net Athletic Revenue (32-33-34)	(16,178)	(15,879)	299	(16,067)	(16,240)	(173)	(16,151)	(18,038)	(1,887)	(18,618)	(19,993)	(1,376)
36 Subsidy: % of Net Tuition & Fees (35/6)	9.16%	9.27%	0.11%	8.94%	9.47%	0.53%	8.89%	10.46%	1.57%	10.43%	11.74%	1.30%

Note: For item 3B: "Student Credit Hours", Budgeted amounts were calculated using ratio of credit hours to Total Tuition + Fees from actual columns.

Appendix B: 2015 Annual Report

Report from Senate Budget and Resource Committee
 April 15, 2015
 Approved by Faculty Senate May 20, 2015

The Senate Resource and Budget Committee was initiated at the request of the Provost in fiscal year 2014 to provide input on resource and budgetary issues related to the university's academic mission. The committee is completing its second year of operation. Efforts this year focused first on recommendations, endorsed by the Faculty Senate in January, to use a broad set of metrics related to enrollments and measures of academic performance in making budget allocations to colleges. The second major effort and the focus of this report is a broad-based look at the university's general fund budgeted and actual revenues and expenditures for fiscal years 2012, 2013, and 2014. The goal of this analysis is to identify budgetary challenges faced by the university. Data presented in this report were provided primarily by the university's Division of Business and Finance from operational accounts maintained on the Banner system. Due to minor differences in accounting procedures, numbers reflected in data provided to the committee do not exactly match numbers reflected in Board of Regents approved budgets or the university's audited financial reports, but track those alternate data sources closely over time.

This report summarizes key findings from data for the past three fiscal years. Based upon these findings, the committee includes recommendations for action to improve the academic and financial performance of Eastern Michigan University. The committee anticipates providing an update to this report during fall term that will cover FY2015 for which data are not currently available.

Before discussing budget numbers, the challenge of attracting and retaining students in a very competitive environment needs to be addressed. Due to population trends, the number of high school graduates has declined significantly since 2009 and is projected to continue declining through at least 2020. EMU has embarked upon an aggressive program of enhanced marketing and aggressive use of financial aid in an attempt to maintain enrollments while also increasing the academic quality of incoming students. These trends are reflected in the table below which shows actual and predicted high school graduates by year, new fall first time in any college (FTIAC) students, their average ACT scores, and new fall transfers and graduate students (shaded years are covered in the budget data that follow):

Year	Mich. HSG	FTIAC*	Ave. ACT	New Trans.*	New Gr*	Total SCH
2010-FY11	112,110	2,008	21.02	2,183	1,243	546,323
2011-FY12	102,890	2,130	21.13	2,134	1,210	538,783
2012-FY13	101,800	2,595	21.45	2,094	1,136	537,757
2013-FY14	98,550	2,872	22.03	1,949	1,105	532,787
2014-FY15	97,950	2,555	22.22	1,769	1,074	520,000est.
2015p	97,830					
2018p	95,600					
2020p	90,100					

Source: Office of Student Enrollment. *Incoming fall class head-count.

Despite a 13% decline in Michigan high school graduates between 2010 and 2014, the incoming FTIAC class increased by 28% over that time accompanied by a 1.20 point increase in average ACT scores. Reflecting the increase in student quality, the number of students enrolled in the Honors College increased from 858 in fall 2010 to 1450 in fall 2014 for a 69% increase. However, declines in incoming transfers and graduate students have more than offset the increase in incoming FTIACs. Combined with other considerations this has reduced credit hours by about 5% over this period. An unusually large number of graduations in W14 and F14 also contributed to the estimated decline in the current year to an estimated 520,000 student credit hours.

The remainder of this report reflects analysis of the budget report shown on page four which reports budgeted and actual expenditures by broad category for EMU's General Fund. This analysis does not look directly at the separate accounts for auxiliaries and the capital account, but the committee hopes to analyze these next year. Key finds from and recommendations based upon this analysis are:

1. **Finding:** Budgets for the past three years have consistently been based upon unrealized enrollment assumptions (line 3B). For example, FY2014 budget was based upon an assumption of 550,000 credit hours versus the 532,787 that were realized. This contributed to an over projection of total tuition and fee revenue of nearly \$7 million (line 3A).

Recommendation: Budgets should be formulated based upon SCHs for the prior year together with specifically identified reasons for any changes from this level, such as projected high school graduates and other indicators.

Recommendation: Effort needs to be devoted to better incorporate additional information in predicting number of returning students, and graduation and retention rates.

2. **Finding:** The aggressive use of financial aid to attract an increasing share of a declining cohort of graduating high school students has offset much of the increase in total tuition and fees over this period. Based upon actual SCH, total tuition and fees (line 3A) increased from \$203.8 M in FY2012 to \$213.9 M in FY2014 but this \$10.1 M increase was largely offset by an increase in scholarships (line 4) from \$32.5 M to \$41.4 for an increase of \$8.9 M. Net tuition and fees (line 6) increased only by \$1.2 M over this period. The % of total tuition and fees returned in the form of scholarships (line 5) increased from 15.96% in FY12 to 19.36% in FY14. Scholarships ran considerably above budgeted amounts for FY13 and FY14.

Recommendation: Given the dramatic increase in discount rate from 15.96% to 19.36% over this period, careful analysis is needed on the long-term budgetary implications of the current policy.

Recommendation: April and September meetings of the Senate Budget and Resource Committee should review and make recommendations regarding the

financial aid budget to be recommended to the BOR's October meeting. (FTIAC, Transfers, Graduate, athletics)

- 3. Finding:** The shortfall in actual vs. budget revenue from tuition and fees has been partially offset by above-budget receipts in other areas (lines 7, 10, 11, 12) of about \$3 M in FY14 including better than budgeted performance in investment income and sale of the Cooper Building, and below-budget expenditures in many areas accounting to \$2.7 M in FY14 for total expenses (line 13).

Recommendation: To reward fiscal efficiency and areas of enhanced enrollments, provision needs to be made for year-to-year carry-over of college budget surpluses.

- 4. Finding:** Expenditures on benefits (line 19) were above budget for FY12, but have averaged \$3.2 M below budget for FY13 and FY14.

Recommendation: These budgetary savings should remain within colleges to finance new initiatives, promote new programs, and support faculty research and grant writing.

- 5. Finding:** In addition to its budgeted deficit, athletics ran a very large unapproved operating budget deficit FY14 (line 35). The athletics operating deficit including athletic scholarships increased from \$15.9 M in FY12 to \$18 M in FY14. The athletics deficit was \$0.3 M below budget in FY12 but \$1.9 M over budget in FY14. In FY12 the athletic deficit equaled 9.24 % of net tuition and fees collected from all students and this increased to 10.43% in FY14. In FY2014, about 79% of the general fund deficit of \$2.4 M resulted from an un-approved increase in the athletics deficit of \$1.9 M.

Recommendation: Budgetary discipline needs to be enforced on athletics as it is with other areas of the university.

Recommendation: Students are being asked to devote too much of the tuition they pay to subsidize the budget deficit in the athletic program. Resources currently expended to subsidize athletics should be redirected to support instructional quality and improvements in academic success of all students.

Respectfully submitted by the Senate Budget and Resource Committee,

Dave Crary (CAS), chair, Joseph Badics (LIB), Michael Bretting (CHHS), Robert Carpenter (COE), Giri Jogaratham (COT), Stephanie Newell (COB), Claudia Petrescu (CAS)

Note: The committee requests that this report be distributed by the President of the Faculty Senate to other leadership groups in the university including Student Government, University Budget Council, Executive Council, and Board of Regents.

FY2012-2014 General Fund Budget Analysis		Revenue & Expense FY2012			Revenue & Expense FY2013			Revenue & Expense FY2014		
		Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)	Adopted Budget	Actual	better/ (worse)
1	TOTAL GF Revenue (2+10+11+12)	282,907,686	277,733,369	(5,174,317)	290,039,605	285,118,554	(4,921,051)	295,883,650	292,024,817	(3,858,833)
2	Operating Revenue (3A+7)	215,088,586	210,151,032	(4,937,554)	220,320,505	215,985,161	(4,335,344)	225,311,050	219,176,369	(6,134,681)
3A	Total Tuition + Fees	209,796,086	203,848,781	(5,947,305)	214,653,805	209,424,377	(5,229,428)	220,849,550	213,903,358	(6,946,192)
3B	<i>Student Credit Hours (see note below)</i>	<i>554,502</i>	<i>538,783</i>	<i>(15,719)</i>	<i>551,185</i>	<i>537,757</i>	<i>(13,428)</i>	<i>550,088</i>	<i>532,787</i>	<i>(17,301)</i>
4	Less Institutional Scholarships	(33,096,929)	(32,533,252)	563,677	(35,023,887)	(37,974,917)	(2,951,030)	(39,102,298)	(41,412,608)	(2,310,310)
5	<i>(discount rate % of T&F)</i>	<i>(15.78)</i>	<i>(15.96)</i>	<i>(0.18)</i>	<i>(16.32)</i>	<i>(18.13)</i>	<i>(1.82)</i>	<i>(17.71)</i>	<i>(19.36)</i>	<i>(1.66)</i>
6	Note: Net Tuition + Fees (3A-4)	177,253,659	171,854,312	(5,399,347)	180,181,103	171,987,217	(8,193,886)	182,297,340	173,023,537	(9,273,803)
7	Other Operating Revenue	5,292,500	6,302,251	1,009,751	5,666,700	6,560,784	894,084	4,461,500	5,273,011	811,511
8	Athletic	1,448,000	2,017,158	569,158	1,867,000	1,753,862	(113,138)	1,682,000	1,433,613	(248,387)
9	Non-Athletic	3,844,500	4,285,092	440,592	3,799,700	4,806,922	1,007,222	2,779,500	3,839,398	1,059,898
10	Sate Appropriation	64,619,100	64,619,100	-	66,519,100	66,519,100	-	67,572,600	67,595,296	22,696
11	Investment Income	3,200,000	2,963,237	(236,763)	3,200,000	2,614,293	(585,707)	3,000,000	4,156,342	1,156,342
12	Cooper Building Sale	-	-	-	-	-	-	-	1,096,810	1,096,810
13	TOTAL GF Expenses (14+22+25)	292,711,959	279,932,215	12,779,744	289,987,672	287,080,377	2,907,295	297,182,666	294,421,657	2,761,009
14	Operating Expenses (15+16+17)	278,344,979	270,109,250	8,235,729	275,873,772	272,038,078	3,835,694	281,848,704	277,629,383	4,219,321
15	Institutional Scholarships	33,096,929	32,533,252	563,677	35,023,887	37,974,917	(2,951,030)	39,102,298	41,412,608	(2,310,310)
16	Athletics (excluding scholarships in 15)	10,685,033	11,638,506	(953,472)	10,703,279	11,177,455	(474,177)	10,736,150	12,072,948	(1,336,798)
17	Non-Athletics (18+19+20+21)	234,563,017	225,937,493	8,625,524	230,146,607	222,885,706	7,260,901	232,010,256	224,143,827	7,866,429
18	Salaries	139,058,949	137,535,345	1,523,604	139,287,153	137,788,029	1,499,124	137,785,356	138,133,797	(348,442)
19	Benefits	49,734,099	51,551,285	(1,817,187)	51,739,356	48,822,697	2,916,659	51,972,541	48,611,067	3,361,474
20	Central Expenses	12,427,273	9,965,051	2,462,221	8,250,088	9,405,312	(1,155,224)	14,478,490	11,329,756	3,148,733
21	SSM	33,342,697	26,885,811	6,456,886	30,870,010	26,869,669	4,000,341	27,773,870	26,069,207	1,704,663
22	Mandatory Transfers (23+24)	6,701,247	7,058,339	(357,092)	6,459,431	6,853,451	(394,020)	6,321,619	6,324,899	(3,280)
23	Debt Service (account 8A)	6,701,247	6,701,247	-	6,459,431	6,459,431	-	5,945,619	5,945,619	-
24	Matching Funds-Research	-	357,092	(357,092)	-	394,020	(394,020)	376,000	379,280	(3,280)
25	Other Transfers (26+27+28+29+30)	7,665,733	2,764,626	4,901,107	7,654,469	8,188,848	(534,379)	9,012,343	10,467,375	(1,455,032)
26	Asset Preservation (account 8F)	11,292,283	5,694,875	5,597,408	5,692,959	10,486,238	(4,793,279)	11,182,742	12,889,735	(1,706,993)
27	Interfund Transfers (account 8C)	-	10,000	(10,000)	-	(10,000)	10,000	-	3,680	(3,680)
28	General Fee (account 8H)	445,000	1,630,100	(1,185,100)	5,855,000	1,606,100	4,248,900	1,986,641	1,731,000	255,641
29	Auxiliary (account 8L)	(4,071,550)	(5,500,550)	1,429,000	(4,943,692)	(4,943,692)	-	(5,127,600)	(5,127,600)	-
30	Convocation Center (account 8M)	-	930,200	(930,200)	1,050,202	1,050,202	-	970,560	970,560	-
31	Inc./ (Dec.) in Net Assets (1-13)	(9,804,273)	(2,198,846)		51,933	(1,961,823)		(1,299,016)	(2,396,840)	
Adendum: Athletics General Fund Revenue and Expenditures from above										
32	GF Revenue (8)	1,448,000	2,017,158	569,158	1,867,000	1,753,862	(113,138)	1,682,000	1,433,613	(248,387)
33	LESS: GF Expenditures (16)	10,685,033	11,638,506	(953,472)	10,703,279	11,177,455	(474,177)	10,736,150	12,072,948	(1,336,798)
34	LESS: Athletic Scholarships (Part of 15 above)	6,941,000	6,257,212	683,788	7,231,000	6,816,226	414,774	7,097,000	7,398,678	(301,678)
35	Net Athletic Revenue (32-33-34)	(16,178,033)	(15,878,560)	299,474	(16,067,279)	(16,239,820)	(172,541)	(16,151,150)	(18,038,014)	(1,886,864)
36	Subsidy: % of Net Tuition & Fees (35/6)	9.13%	9.24%	0.11%	8.92%	9.44%	0.53%	8.86%	10.43%	1.57%

Note: For item 3B: "Student Credit Hours", Budgeted amounts were calculated using ratio of credit hours to Total Tuition + Fees from actual columns.

Appendix C: 2016 Student and Faculty Report on Athletic Spending

2016

Moving toward Financial Sustainability

Student & Faculty Report on the University
Budget

Robert Carpenter, Chair, Faculty Senate Budget
and Resources Committee
Howard Bunsis, Treasurer, EMU-AAUP
Judith Kullberg, President, Faculty Senate
Steven Cole, Student Body President

Eastern Michigan University
4/22/2016



The sharp decline in state government budgetary support for higher education over the last fifteen years has profoundly affected American universities, their students, and faculty. With states now providing only 21% of the funding for public higher education,¹ universities have raised tuition sharply. For example, from 2005-06 to 2015-16, in-state (Michigan) undergraduate tuition and fees increased an average of 73%.² Thus, students now pay for a much larger share of the cost of higher education, and they do so by taking on debt and/or working while enrolled. It is estimated that 80% of students now work an average of 19 hours per week while earning a degree,³ leaving much less time for study.⁴ Approximately 70% of students graduate with student loan debt, the average amount of which was \$28,950 in 2014.⁵ Given the pressures faced by students, it is not surprising that in a recent poll 80% of students reported feeling overwhelmed by stress, largely due to financial pressures, and 30% reported that such stress is negatively affecting their academic performance.⁶ In essence, students are paying more for college, but are benefitting less.

Faculty have also been negatively affected by decreasing state support. In Michigan, spending on instruction declined from 42% of total higher education expenses in 2002 to 37% in 2015.⁷ Most public colleges and universities have cut costs in a number of ways

¹ Per audited financial statements, this was exactly the percentage EMU received from the State of Michigan in 2015.

² IPEDS for 2005-06. *US News and World Report* for 2015-16.

³ Amy Langfield, "80 percent of college students chipping in for education." *CNBC*, Aug. 9, 2013. <http://www.cnbc.com/id/100952906>

⁴ Alexander C. McCormick, "It's about Time: What to Make of Reported Declines in How Much College Students Study," *Liberal Education* (Association of American Colleges and University), Vol 97:1 (2011).

⁵ "Project on Student Debt," Institute for College and Student Success. <http://ticas.org/posd/map-state-data-2015>

⁶ Megan Reed, "Stress in college: experts provide tips to cope." *USA Today College*, October 29, 2015. <http://college.usatoday.com/2015/10/29/college-student-stress/>

⁷ Higher Education Institutional Data Inventory for the Michigan Legislature.

that directly affect faculty: reducing the proportion of regular (tenured and tenure-track) faculty; increasing the share of courses taught by part-time and non-tenure track faculty; reducing the number, but increasing the size of classes; and cutting funding for academic programs and research (see Figures 1 & 2). With workloads increasing and institutional support for academic programs and research decreasing, professors are also experiencing stress and are much less satisfied with their jobs.⁸

Eastern Michigan University has not been immune from these trends. The university has experienced a significant decline in state funding, from over \$81 million in 2000 to \$72 million in 2015. On a nominal basis, the decline was 11%; on an inflation-adjusted basis, the decline is 37%⁹: state funding now comprises just 21% of total revenues, down from 37% in 2000. This drop has led to tuition increases, with a 7.8% jump in 2015 alone, as well as cuts to academic departments and programs, which are called on to do more with less.

Given the profound effects of the constrained fiscal environment on student and faculty lives and careers noted above, we – representatives of Student Government, EMU-AAUP, Faculty Senate, and the Faculty Senate Committee on Budget and Finances -- believe that students and faculty should be aware of, and involved in, decisions about the university budget. We have a shared goal in achieving a university budget that provides a high quality education at an affordable cost. To facilitate awareness and participation in the budgeting process, we are issuing this inaugural annual report.

⁸ David Kroll, "Top 10 reasons being a university professor is a stressful job," *Forbes*, January 5, 2013. <http://www.forbes.com/sites/davidkroll/2013/01/05/top-10-reasons-being-a-university-professor-is-a-stressful-job/#d15a84b563eb>

⁹ CPI-U Detroit from the Bureau of Labor Statistics.

This 2016 report focuses on what we believe to be one the most pressing issues facing Eastern Michigan University: athletic spending. Strict budget constraints have been placed on academic programs over the past five years, but it is apparent that the same fiscal discipline has not been applied to athletics. This disjunction between academic and athletic budgeting practices is cause for deep concern. As we will show below, spending on athletics is contributing to budget deficits, thus threatening the university's financial stability, as well as significantly diminishing the administration's commitment to the core academic mission.

The report first reviews the trend in athletic spending at EMU over the past decade. It then examines several aspects of current spending on athletics and considers the implications for students and faculty. The report concludes with general observations and recommendations for how the university can move toward financial sustainability of both athletic and academic programs, even in this period of near zero growth in the U.S. economy.

Trends in Athletic Spending at EMU

Athletic spending at EMU has increased over the past ten years from around \$20,000,000 in 2005 to over \$33,000,000 in 2015, an increase of over 65%. During the same time period, athletic revenues (through NCAA distribution, very small ticket sales, licensing, etc.) have declined from around \$10,000,000 to almost \$7,000,000. The combination of increased spending with declining revenues has led to an ever-increasing athletic budget deficit, which has grown from \$10,000,000 in 1995 to over \$27,000,000 in 2015 (see Figure 3).

One reason for the increased spending on athletics is the growing size of the athletic department staff. As the number of faculty declined from 688 to 678, the overall number of full time equivalent (FTE) athletic personnel climbed from 64 to 85.68 (between 2006-2007 and 2015-2016). There were ten more coaching positions and more than 11 “athletic personnel” added over the time period. The increase in number of coaches and personnel was thirty-four times greater than the increase in personnel in the entire university over the same time period (an increase of 15.78 FTEs or .9%, see Table 1 & Figure 4). The trend explains much of the rising cost of athletics, which experienced a 27% increase in spending while the instructional budget increased by only 5% (see Figure 5).

Over the past ten years the proportion of the athletic budget that is subsidized by the general fund (generated from tuition, fees, state of Michigan funding, etc.) has averaged over 84% (see Figures 6, 7, & 8). In a time when academic programs and student support services are being pushed to be “cost neutral” (i.e., the revenue they bring in is equal to the costs), there is no area on the academic side of the University with a remotely similar subsidy rate.

Current State of Spending on Athletics at EMU

From the most recent data available through USA Today’s database on athletic spending (<http://sports.usatoday.com/ncaa/finances/>) we see that 80% of EMU’s athletic budget in 2015 was subsidized by the core academic mission, which places it at 42nd out of the 231 Public Universities in the database. It should be noted that most of the Colleges and Universities above EMU in the rankings are smaller (e.g., New Jersey Tech, Delaware State, etc.) with athletic budgets that average less than half of EMU’s \$33,956,234. When

we look at the amount of subsidy in terms of dollars (\$27,309,988) EMU is 6th highest in the country. Comparing EMU with other Mid-American Conference (MAC) schools, EMU is 1st in the percent and amount of subsidy, well above the conference average of 69% (see Figure 7), and second in overall athletic spending (see Table 2). The recent trend is also alarming: from 2014 to 2015, total spending rose from \$30 million to \$34 million, and the subsidy increased from \$25 million to \$27 million (see Table 3). The total direct expenses (e.g., coaches and administrative salaries, team travel, uniforms, etc.) increased over \$2.6 million between 2014 and 2015 and indirect costs (e.g., scholarships, facilities, etc.) rose another \$1.2 million (see Table 4).

After examining the overall subsidy of athletics we decided to examine the university financial support by the cost per student over the past two academic years. In 2014, the amount of subsidy to the athletic program was over \$1,076 per student after accounting for direct and indirect athletic expenses and increased to \$1,227 for 2015 (see Table 5). If we break down the cost per student into what students paid out of pocket, through tuition and fees, and state of Michigan support, we find each student paid \$917 out of pocket to support athletics at EMU.¹⁰

Thus, the total cost of the athletics program to each student who completes a degree in four years is \$3668; for those who take five years to complete the degree, the cost is \$4585. Given that most students fund their college education through loans, and that the average student loan repayment period is 21 years, our students will be paying for athletics long after they graduate, and with interest, thus substantially raising the true cost to each

¹⁰ The State of Michigan chipped in an additional \$310 per student to support EMU athletics (almost 10% of EMU's total budget).

of them.¹¹ Thus, whether EMU can afford to subsidize athletics is not primarily a financial question, but an ethical or moral question. Should the university be saddling students with unnecessary debt for athletics programs that added little to no value to their education?

What Should We Do at EMU?

First, it is very important to contextualize this report within the overall University budget and declining support from the State of Michigan (again only 21% of costs in 2015) that has led to budgetary constraints on academic programs and student support services at our University. We believe athletics has a place at EMU, but believe subsidizing 80% of the cost of athletics is not aligned with budgetary expectations on the academic side of the institution. We need to find long-term solutions to ensure the financial viability of athletics and the university as a whole. What follows are key considerations that we believe would assist in “right-sizing” the athletic budget to be more aligned with practices used for the rest of the University.

1. The athletic department and ***ALL*** of its direct and indirect costs should be pulled out of the University’s general budget and be made a stand-alone auxiliary to facilitate budgetary transparency.
2. At this juncture there are a range of options that should be considered:
 - A. Keep things as they are and continue to increase athletic spending, siphoning resources from the core academic mission of our University to support athletics.
 - B. Athletic department spending should move toward the “average” (in terms of subsidy rate) of MAC Universities. If EMU were at the current average, the

¹¹ Allie Bidwell, “Student Loan Expectations: Myth vs. Reality,” *U.S. News*, October 7, 2014. <http://www.usnews.com/news/blogs/data-mine/2014/10/07/student-loan-expectations-myth-vs-reality>

University would save \$3.8 million. These funds could be used to strengthen the quality of academic programs and student support services. In conjunction with this option, EMU should convince the other MAC institutions to reduce the number of football scholarships from 85 to 50. If every institution in the conference went in this direction, it would greatly reduce the significant financial subsidies that all MAC institutions give to athletics. Trying to compete financially with the Big Ten is not feasible (see Figure 9)

- C. Eastern Michigan should drop Division I football, and join the Horizon League, where football is not required. EMU is comparable in size in terms of undergraduate enrollment, 4th out of 11 (see Table 6) instead of 10th of 12 in the MAC (see Table 7), and would remain at the bottom of either league in average basketball attendance (see Table 8). Eastern Michigan can play Division I-AA football, which would lead to a significant reduction in scholarships (from 85 to 55), and a significant reduction in coaches' salaries and travel costs (e.g., no longer would EMU pay for football players staying in hotels the night before home games, see Table 9). Alternatively, EMU can still play football, but at the Division II or Division III (non-scholarship) level within the Horizon League, which would save even more resources. The advantage of joining the Horizon League is EMU athletes could still compete at the Division I level in Olympic and other non-revenue sports, but spend much less (see Table 10). The only two issues of fit for EMU in the Horizon League would be women's gymnastics and men's wrestling. EMU would have to find affiliates to compete against as we currently do with swimming (due to the small number of MAC universities with

swim teams). Those sports do not cost much in terms of resources, and many of the athletes in those sports are paying (or partially paying) their own tuition. If those sports were eliminated, there would be a reduction in tuition revenue. In addition, by keeping these sports, EMU still supports the positive aspects of athletics, such as teamwork, discipline, and bringing the campus together.

D. Eastern Michigan should join the Horizon League, but totally drop football. Even at the Divisions I-AA, II, or III levels, football is very expensive. Dropping football would save EMU \$2,891,818 in direct costs and approximately \$1,808,715 in scholarship costs (using average athletic awards, would save at least \$4.7 million, see Table 11). There are almost 100 Division I Universities without football programs that have very successful athletic programs. For example, just this year alone 13 of these Universities were represented in the field of 64 in the men's basketball tournament (Arkansas-Little Rock, Cal State Bakersfield, Florida Gulf Coast, Gonzaga, Green Bay, Iona, Providence, Saint Joseph's, Seton Hall, UNC-Asheville, UNC-Wilmington, VCU, Wichita State, Xavier,) and nine qualified for the women's basketball tournament (Belmont, DePaul, George Washington, Green Bay, Iona, San Francisco, Seton Hall, St. Bonaventure, UNC-Asheville). Four of these universities qualified for both the men's and women's basketball championship tournaments.

The option of EMU dropping sports completely is not one that we support. Though athletics is a significant drain on resources, and increases tuition for students and their families, the loss of tuition revenue from students in the non-revenue sports could hurt EMU financially, and moves us away from important values of teamwork, discipline, and community. A broader discussion should take place on campus on the role of athletics at EMU and whether it would be beneficial to consider moving EMU out of the MAC and into another league, such as the Horizon League (with Oakland University, etc.), that do not require fielding the most expensive team sports to be members of the league. In terms of sports being the “front porch” or the “window” to the university, that is just not the case at EMU. Our students and the academic programs these students participate in should always be the window to the core of Eastern Michigan University.

Appendix of Figures and Tables

All data sourced from USA Today and

Eastern Michigan Federal filing on athletics unless noted

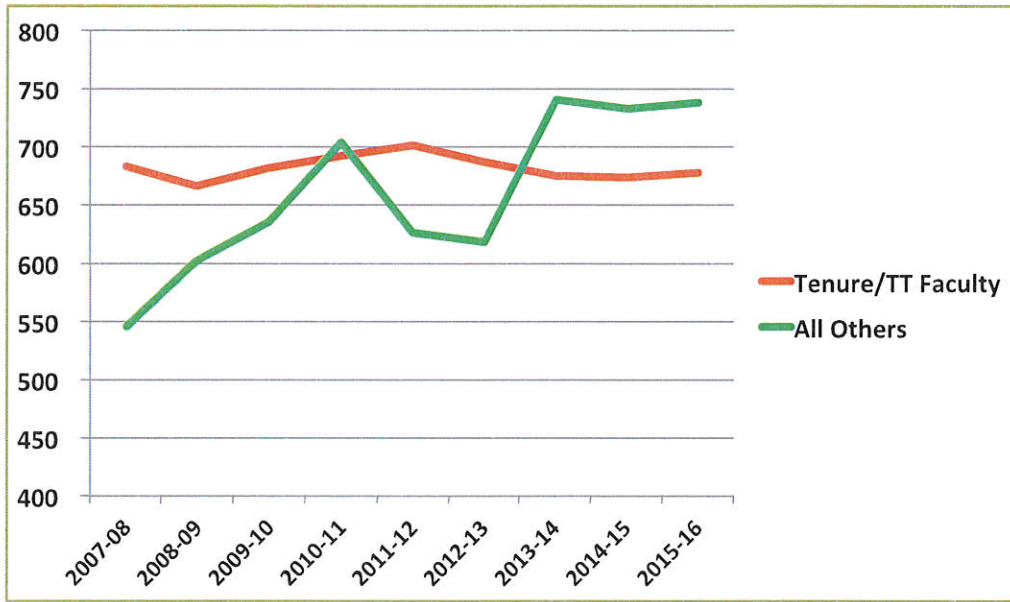


Figure 1. Nine year trend instructional mix at Eastern Michigan University (from Faculty Profiles).

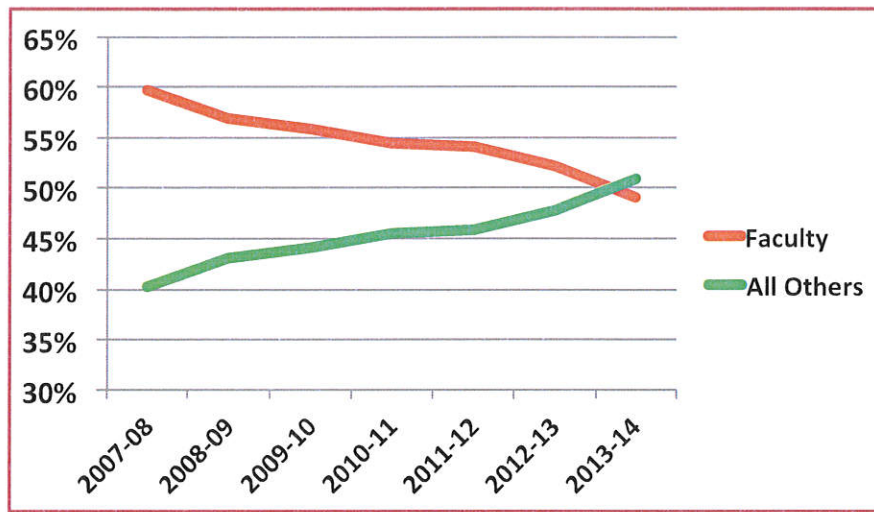


Figure 2. Percent of credit hours taught by faculty and others at EMU (source: Faculty Course assignments)

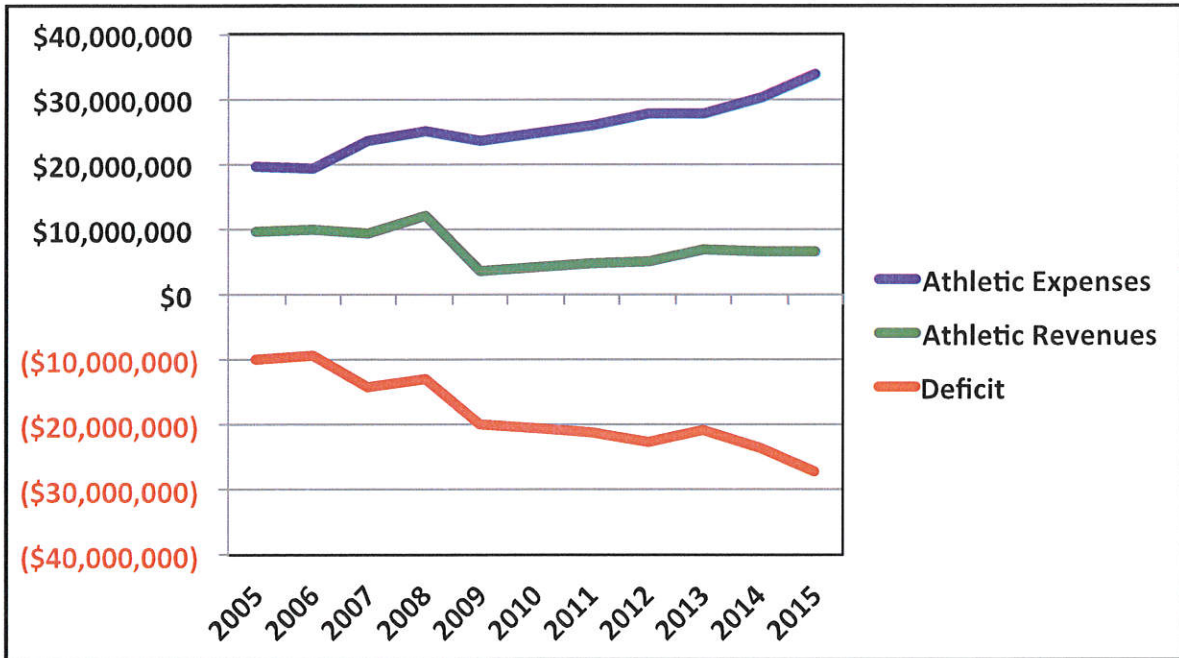


Figure 3. Ten-year trend in athletic expenses, revenues, and deficits at Eastern Michigan University.

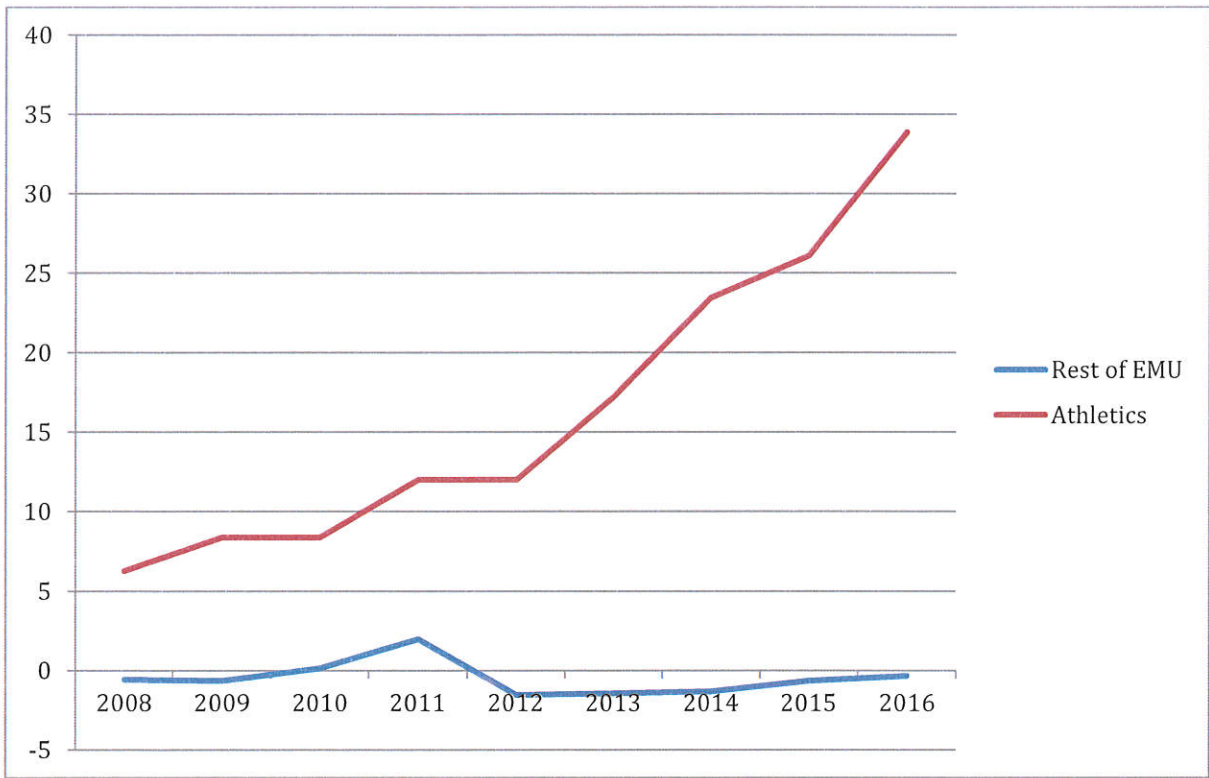


Figure 4. Percent change (from FY2007) in FTEs for athletics compared to the rest of EMU.

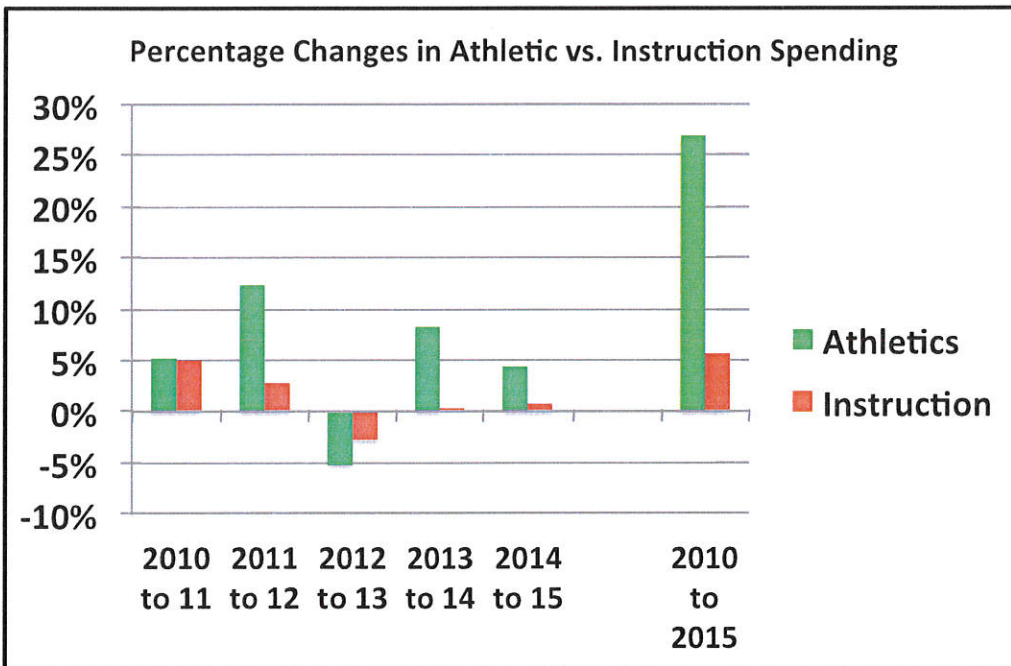


Figure 5. Percent changes in athletic vs. instructional spending.

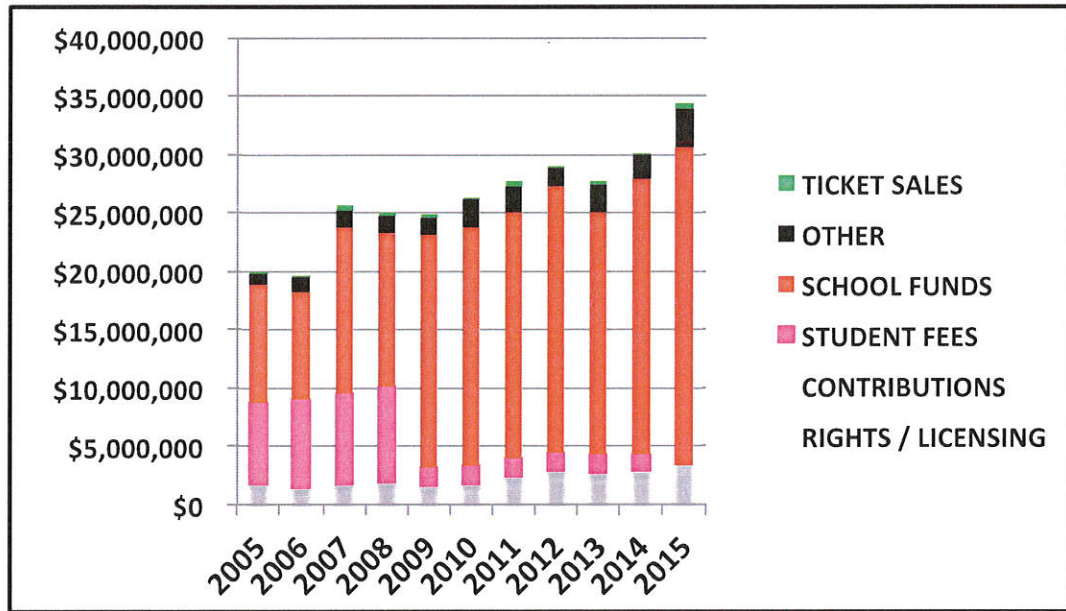


Figure 6. The revenue distribution of athletics over the last 11 years is reported below (Source: USA Today and NCAA Athletic Report submitted by Eastern Michigan University).*

* Note: The large red and pink bars in this table are the school funds, or the direct subsidy of athletics from the core academic mission. Why is the red bar so large? Because ticket sales and contribution revenues are very small. The little green blip at the top of each graph are ticket sales, and they are not nearly sufficient to prevent a large subsidy from the core academic mission to athletics.

Table 1

FTEs in General Fund Budgeted Personnel over the Past Ten Years

Fiscal Year	Total Personnel (All General Fund)		Athletic Coaches		Athletic Personnel		Total Athletic Staff	
	FTE	Salaries	FTE	Salaries	FTE	Salaries	FTE	Salaries
2015-2016	1,844.53	\$132,742,620	55.00	\$4,311,874	30.68	\$2,106,419	85.68	\$6,418,293
2014-2015	1,834.17	\$128,756,524	54.00	\$4,171,506	26.68	\$1,815,218	80.68	\$5,986,724
2013-2014	1,820.57	\$124,761,231	54.00	\$3,694,307	25.00	\$1,599,007	79.00	\$5,293,314
2012-2013	1,814.76	\$121,651,667	52.00	\$3,367,974	23.00	\$1,313,996	75.00	\$4,681,970
2011-2012	1,809.49	\$120,272,711	49.00	\$3,279,808	22.67	\$1,306,290	71.67	\$4,586,098
2010-2011	1,871.60	\$118,906,320	48.00	\$3,046,439	23.67	\$1,318,701	71.67	\$4,365,140
2009-2010	1,836.71	\$113,597,748	46.00	\$2,802,469	23.34	\$1,271,480	69.34	\$4,073,949
2008-2009	1,822.76	\$107,938,634	46.00	\$2,546,580	23.34	\$1,223,200	69.34	\$3,769,780
2007-2008	1,822.78	\$104,299,326	46.00	\$2,421,977	22.00	\$1,107,458	68.00	\$3,529,435
2006-2007	1,828.75	\$101,654,817	45.00	\$2,308,631	19.00	\$899,519	64.00	\$3,208,150

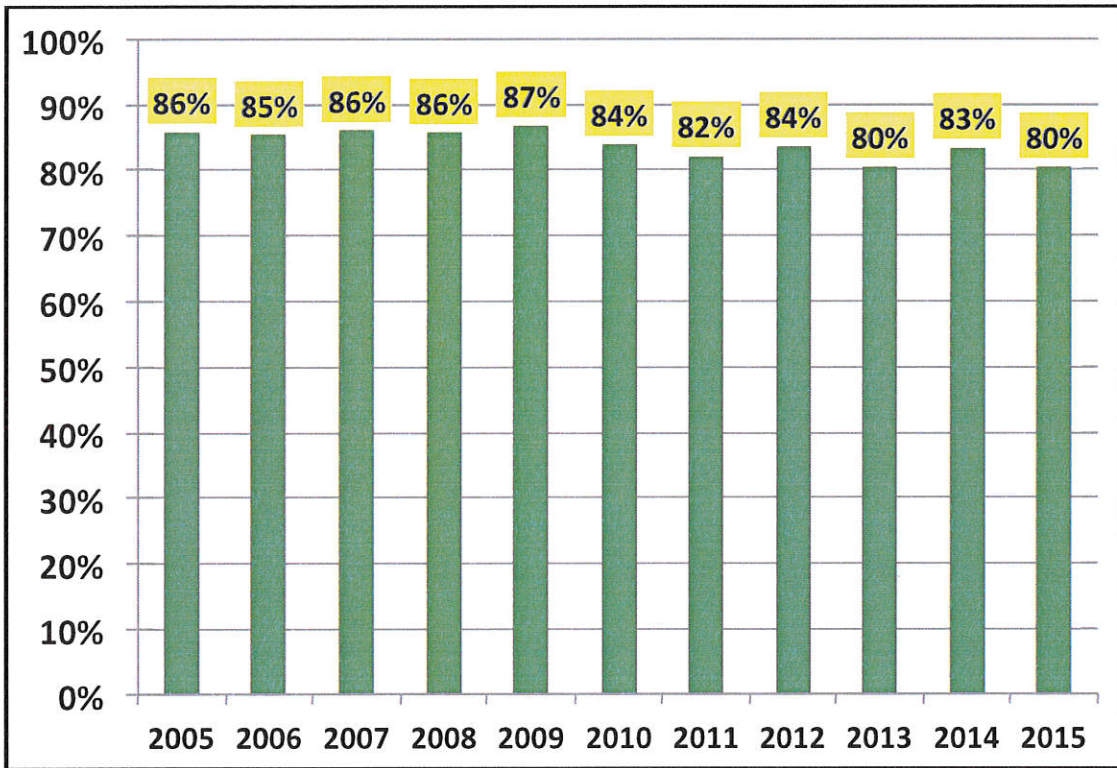


Figure 7. Percent of EMU athletic budget paid for (or subsidized) by the rest of the university.

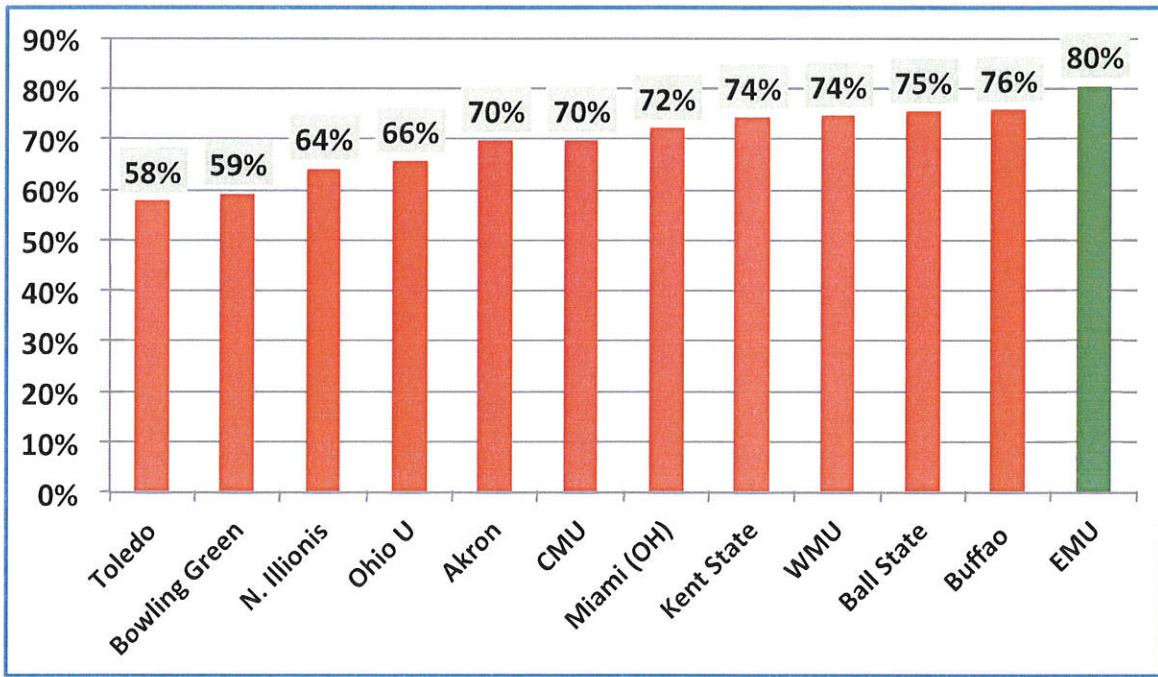


Figure 8. The proportion of subsidization of the athletic budget at EMU compares to other Mid-American Conference (MAC) universities (source: USA Today for 2015).

Table 2

Spending and Subsidy Comparison for the MAC in 2015

University	Athletic Spending	Subsidy in Dollars	Subsidy Percent
Western Michigan	\$34,698,711	\$25,839,878	74%
Eastern Michigan	\$33,956,233	\$27,309,988	80%
Miami (Ohio)	\$33,119,460	\$23,857,893	72%
Buffalo	\$32,181,552	\$24,353,178	76%
Akron	\$31,771,467	\$22,118,580	70%
Ohio University	\$28,709,413	\$18,810,082	66%
Central Michigan	\$27,862,443	\$19,408,633	70%
Northern Illinois	\$27,634,930	\$17,721,433	64%
Toledo	\$26,503,340	\$15,267,544	58%
Kent State	\$25,908,848	\$19,204,708	74%
Ball State	\$22,800,600	\$17,177,535	75%
Bowling Green	\$21,824,966	\$12,907,708	59%
Average w/o EMU	28,455,975	19,697,016	69%

Table 3

The Break Down of Athletic Revenue and Support from the Academic Side of the University

	2014	2015
Football	\$79,920	\$414,544
Men's Basketball	\$51,889	\$53,197
Women's Basketball	\$12,003	\$6,981
All other sports	\$4,926	\$13,985
Total Ticket Sale Revenue for All Sports	\$148,738	\$488,707*
Ticket Sales	\$148,738	\$488,707
Game guarantees	\$1,663,750	\$2,070,170
Contributions	\$523,811	\$431,502
Media Rights	\$0	\$142,500
NCAA and Conference distributions	\$2,250,161	\$2,766,577
Program sales, concessions, parking	\$1,155	\$1,585
Royalties and licensing	\$3,363	\$3,928
Sport camp revenues	\$203,793	\$193,981
Investment income	\$50,601	\$19,109
Other revenues	\$152,443	\$528,186
Total Direct Revenues	\$4,997,815	\$6,646,245
<i>Support from the Academic Side</i>		
Student Fees	\$1,572,843	\$0
Direct institutional support **	\$17,136,124	\$18,110,906
Indirect institution support	\$6,374,741	\$9,199,082
Total Academic Side Support	\$25,083,708	\$27,309,988
Total Revenues and Support	\$30,081,523	\$33,956,233

**Note.* This amount includes funds paid by Pepsi for “seats” at athletic events in return for their vending contract throughout campus.

***Note.* This amount includes tuition and direct support from the state of Michigan

Table 4

The Breakdown of Athletic Expenses

	2014	2015
<i>Direct Cash Expenses</i>		
Guarantees (paid to non-Division 1 schools)	\$566,500	\$397,000
Coach's Salaries and Benefits	\$4,335,236	\$5,630,342
Athletic Administrative Salaries and Benefits	\$2,938,176	\$3,218,159
Severance Payments	\$251,129	\$0
Recruiting Expenses	\$190,010	\$565,997
Team Travel	\$1,388,023	\$2,073,095
Team Uniforms and Supplies	\$1,097,950	\$1,255,874
Game Expenses	\$464,955	\$641,883
Marketing and Fundraising Expenses	\$1,138,477	\$867,647
Sports Camp Expenses	\$105,214	\$215,939
Direct Facilities Costs	\$766,197	\$1,300,997
Spirit Group	\$24,566	\$49,150
Direct Overhead	\$0	\$684,460
Medical Expenses	\$711,587	\$589,407
Membership Dues	\$428,628	\$281,464
Other Expenses	\$1,289,904	\$595,634
Total Direct Expenses:	<u>\$15,696,552</u>	<u>\$18,367,048</u>
<i>Indirect Expenses</i>		
Student Athlete Aid	\$8,010,230	\$7,898,085
Indirect Institution Support*	\$6,374,741	\$7,898,085
Total Indirect Expenses	<u>\$14,384,971</u>	<u>\$15,589,186</u>
Total Revenues and Support	<u>\$30,081,523</u>	<u>\$33,956,233</u>

*Note. "Indirect institutional Support" includes: 1) allocation for institutional administrative cost; 2) facilities and maintenance; 3) grounds and field maintenance; 4) security; 5) risk management; 6) utilities; 7) depreciation; and 8) debt service.

Table 5

Cost of the Athletic Deficit per Student

	2014	2015
<i>Direct Revenues and Expenses</i>		
Total Direct Revenues	\$4,997,815	\$6,646,245
Total Direct Expenses	\$15,696,552	\$18,367,048
Direct Deficit	(\$10,698,737)	(\$11,720,803)
<i>Indirect Revenues and Expenses</i>		
Indirect Revenues	\$0	\$0
Indirect Expenses	\$14,384,971	\$15,589,186
Indirect Deficit	(\$14,384,971)	(\$15,589,186)
Number of Students (Fall Headcount)	23,317	22,261
Direct Deficit per Student	(\$459)	(\$527)
Indirect Deficit per Student	(\$617)	(\$700)
Total Cost of Athletics per Student	(\$1,076)	(\$1,227)

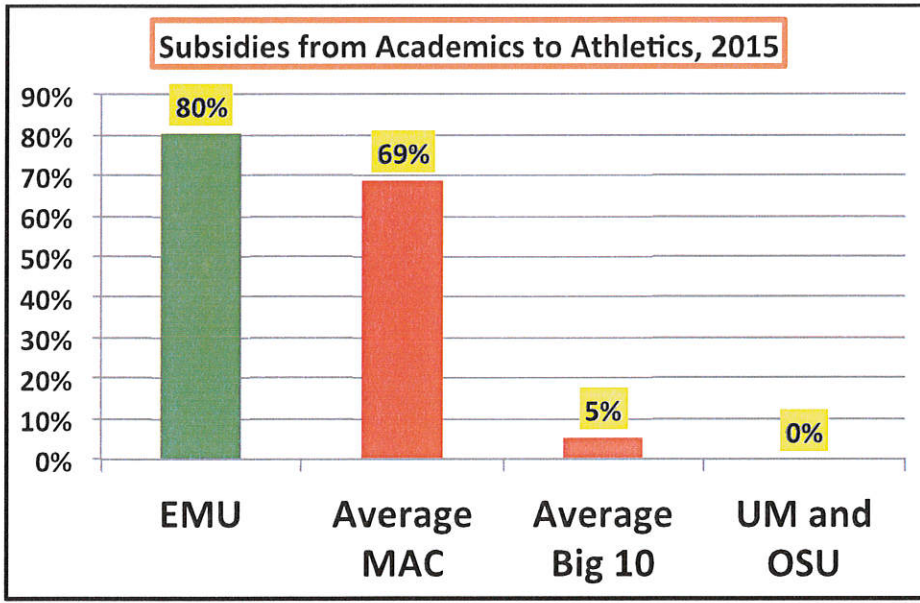


Figure 9. Comparing EMU and the MAC to the average for the Big 10 overall and the University of Michigan and Ohio State University specifically (source: USA Today for 2015).

Table 6

*Comparing EMU to Horizon League Universities in Undergraduate Enrollment for 2015
(source: EADA -Equity in Athletics Data Analytics, from the US Dept. of Education)*

University	Undergrad Enrollment (FTE)
University of Wisconsin - Milwaukee	18,448
University of Illinois Chicago	15,397
Northern Kentucky	12,809
Oakland University	12,407
Wright State	10,653
Youngstown State	8,693
Cleveland State	8,578
University of Wisconsin - Green Bay	4,197
Valparaiso	3,128
University of Detroit Mercy	2,100
Current Horizon League Average	9,641
Eastern Michigan	12,938

Table 7

Comparing EMU to MAC Universities in Undergraduate Enrollment (source: EADA)

University	Undergrad Enrollment (FTE)
Kent State	18,539
Buffalo	17,991
Central Michigan	17,860
Ohio University	16,986
Western Michigan	15,581
Akron	15,078
Miami (Ohio)	15,029
Ball State	14,913
Norther Illinois	13,467
EMU	12,938
Bowling Green	12,901
Toledo	12,699

Table 8

Comparing EMU to MAC and Horizon League Universities in Average Attendance at College Basketball in 2014

University	2014 Average	Conference
<i>Regular Season Games</i>	6,124	MAC
Ohio University	6,124	MAC
Toledo	5,002	MAC
Wright State	4,117	Horizon
University of Wisconsin - Green Bay	3,979	Horizon
Akron	3,609	MAC
Buffalo	3,486	MAC
Ball State	3,066	MAC
University of Illinois Chicago	3,010	Horizon
Kent State	2,934	MAC
University of Wisconsin - Milwaukee	2,847	Horizon
Valparaiso	2,833	Horizon
Western Michigan	2,675	MAC
University of Detroit Mercy	2,472	Horizon
Youngstown State	2,326	Horizon
Cleveland State	2,236	Horizon
Oakland University	2,142	Horizon
Northern Kentucky	1,845	Horizon
Bowling Green	1,759	MAC
Central Michigan	1,694	MAC
Miami (Ohio)	1,201	MAC
Northern Illinois	1,012	MAC
Eastern Michigan	901	MAC
<i>Conference Tournament Games</i>		
Horizon	3,542	
MAC	3,026	

Table 9

*Comparing EMU to Horizon League Universities in Athletic Spending in 2015**

University	Athletic Spending	Subsidy in Dollars	Subsidy Percent
University of Illinois-Chicago	\$16,217,206	\$12,450,059	76%
Youngstown State	\$14,946,755	\$10,734,826	72%
Oakland	\$14,138,441	\$11,441,310	81%
University of Wisconsin-Milwaukee	\$12,916,898	\$11,015,201	80%
Cleveland State	\$11,827,556	\$9,656,532	82%
Wright State	\$11,663,355	\$8,388,880	79%
University of Wisconsin-Green Bay	\$8,516,931	\$5,207,211	60%
Public Horizon League Averages	\$12,889,592	\$9,842,003	76%
Eastern Michigan	\$33,956,234	\$27,309,988	80%

* *Note:* Not all Horizon League members are public Universities and only the public Universities are included in the USA Today data.

Table 10

Comparing the Sports Played by Horizon League Members (10 institutions) to Sports Currently Played at EMU

Sport	Currently Played at EMU?			
	Women	Men	Women	Men
Softball/Baseball	9	7	yes	yes
Basketball	10	10	yes	yes
Track	10	9	yes	yes
Golf	8	8	yes	yes
Soccer	10	9	yes	
Swimming	8	7	yes	yes
Tennis	10	8	yes	
Volleyball	9	0	yes	
Fencing	2	2		
Football*	0	2		yes
Gymnastics	1	0	yes	
Wrestling	0	1		yes
Skiing (co-ed)	1	1		
Bowling	2	0		
Lacrosse	2	0		

**Note: Valparaiso and Youngstown State play FCS football (one level below MAC)*

Table 11

EMU Undergraduate Scholarships by Category

Scholarship	2015 Students	Total EMU Funds	Average Award
Education First	1,192	\$7,131,211	\$5,983
Emerald	4,861	\$18,723,100	\$3,851
National Scholars	370	\$5,675,111	\$15,339
Athletic	417	\$8,881,210	\$21,279

Appendix D: Response to the Provost Office's Comments on 2016 FSBC Recommendations

Faculty Senate Budget Committee's Response to the Provost's Office written response to our Recommendations within our 2015-2016 Annual Report

In April, 2016 we, the Faculty Senate Budget Committee (FSBC) produced a report to the Faculty Senate that detailed our perception of the current state of the academic affairs budget at Eastern Michigan University (EMU). At the beginning of this academic year we requested a written response from the Provost's Office on our budget recommendations outlined in the report. What follows are our recommendations from the report (in bold), the Provost's Office response to each of the recommendations, and our response. Our general impression of the responses was there was too much attention focused on costs with little consideration for the revenue side of the budgetary equation.

Recommendation 1: Continue to use previous FY actuals and five-year averages to build each budget. Alignment between the budget and actuals is strong on the cost side of the equation, but the revenues, generated from credit hour assumptions, have been off over 2% for the last three FYs. This creates a deficit in each budget that is difficult to remedy during the FY. Note: The primary focus on cost (though cost per credit hour comparisons) and not on revenue may explain some of the discrepancy between budget and actuals as potential credit hour generation opportunities are missed due to the cost (see recommendation 5).

Provost's Office: This recommendation continues to be enacted. The FY16 actual student credit hours (SCH) was 505,000. The FY17 forecast model used targets for new student enrollments from Enrollment Management, prior-year averages for retention and credit hours per student, and actual prior-year summer credit hours. The FY17 credit hour forecast is 495,000 SCH. The budget was built at 495,000 SCH.

FSBC Response: *We are pleased to hear of the change in budgeting and the use of actuals instead of previous year budgets. We would like to use this practice as a basis for creating multi-year budget projections in the coming years.*

Recommendation 2: Recruiting should target both the number of students AND the financial aid budget when offering financial packages to potential students. The focus on the goal of 2,800 new FITIACs for FY16 led to an over spending of \$3 M in the financial aid budget. As part of this recommendation it is important to evaluate the overall impact of the aggressive use of financial aid for recruiting FITIACs and create an "optimal discount rate" based on best practices. The fact that discounts have outpaced revenue generation by almost \$1 M between FY12-FY15 shows the policy is a net financial loss for the University and likely led to the unprecedented increase in tuition and fees (7.8%) in FY16.

Provost's Office: This recommendation continues to be enacted. The new student enrollments from Enrollment Management are used in a model to forecast the financial aid budget. This model uses actual retention and yield rates from the previous year and average aid per student to forecast the financial aid budget.

FSBC Response: The recommendation was specific to FTIACs and the Provost's Office response doesn't appear to address this. We hope to continue working on this in the future.

Recommendation 3: The University should set a goal for the percentage of courses taught by full-time faculty and use this goal when planning each FY budget. The University prides itself on the direct faculty involvement with undergraduate and graduate students and over 60% of courses were taught by full-time faculty as recently as FY08. We suggest the University adopt the goal of a current/former EMU President of having 66% of all courses taught by faculty.

Provost's Office:

Official response from 10/17/16: The Provost's office believes more discussion needs to occur before considering such a goal.

Setting a goal for the percentage of courses taught by full-time faculty also involves defining a "course", setting goals for course/section enrollment caps and the number of sections offered.

Consider the following calculation:

Assume: A "course" is defined as a three-credit-hour section with 25 students. The "course" generates 75 SCH.

In FY16, EMU generated 505,000 SCH. Based on the assumption, there were 6,733 "courses" taught in FY16. It is suggested in the report that faculty should teach 66% of the courses, thus there were 4,489 "courses" taught by faculty.

A "full-time faculty" member by contract teaches 4 "courses" in the Fall, 4 "courses" in the Winter, and 2 "courses" in the summer. A total of 10 "courses" per fiscal year.

Based on this calculation, the number of "full-time faculty" should be 450.

Follow up response sent this morning (11/16/16):

(We) did NOT in any way indicate that the result of this simple mathematics was a statement for determining the number of faculty at EMU.

FSBC Response: We agree more discussion is needed given the Provost's Office response to recommendation 3. The Provost's Office overly-simplistic "consideration" appears more provocation than communication and frames the argument more in terms of a community college environment (where all credits are assumed to be lower-level undergraduate courses) than a comprehensive university such as EMU. Adjusting the basic assumption that all courses are undergraduate and acknowledging the 18% of our students who are in graduate programs (courses that typically have lower caps than undergraduate courses) would lead to a larger number of courses. Let's assume the graduate course caps are 20 per class (note, this does not reflect lower caps for doctoral courses). This shift would lead to an increase in the number of "courses" taught by faculty to 4,647. It should be emphasized that this number is the MINIMUM number of courses necessary to serve 505,000 SCH and thus assumes ALL courses are completely filled. If we apply a very conservative "fill-rate" of 90% to the equation the number of courses increase to 5,163. The final assumption, that faculty teach 10 courses a fiscal year (4 fall, 4 winter, and 2 summer) by contract, does not account for course equivalencies and the significant cuts in summer course offerings. Once these factors are included in model a more realistic number of courses taught by faculty is 7 over a fiscal year (3 fall, 3, winter, and 1 summer). Using 7 courses instead of 10 leads to a calculation that we need 738 faculty to reach the 66% goal (again, assuming all courses are 90% full).

In closing, we agree much more discussion is required on this issue and we look forward to working with the Provost's Office to resolve this in the near future. We strongly believe that those discussions need to include the revenue side of the equation and reflect EMU as a comprehensive Research 3 University. Upper division and graduate courses at comprehensive universities are by nature smaller and more intensely focused on faculty mentorship of students and the added cost is offset by the higher tuition charged to students.

Recommendation 4: The budget committee and faculty hiring committee of the Faculty Senate should work with the Provost's office to improve the transparency of the decision making for prioritizing new faculty hires. The use of "feel" to evaluate how many requested lines a college should be given is incongruent with the expectations of how financial decisions are made at other levels of the institution.

Provost's Office: As the current process is relatively new, it is useful to outline the current decision-making process:

The department priorities submitted by the Department Heads are expected to be determined by the Department Heads with input from the appropriate departmental/school input bodies.

The college priorities submitted by the Deans are expected to be determined by the Deans with input from the appropriate college input bodies.

At the Provost's level, the process begins with the submission of the college priorities for new faculty lines to the Provost's Office during the week before Winter Break. After Winter Break, the college priorities are given to the faculty hiring committee with input expected at the beginning of April. The Provost's Office announces its recommendation later in April.

It has been the practice of the Provost's Office to follow the prioritized rankings of new faculty lines as provided by the Deans, with few exceptions.

FSBC Response: Our understanding is that the process described by the Provost's Office has not been implemented up to this point. Considerably more work and discussion is needed to make the process transparent and operational. It should be noted that this is contractual based on the last AAUP-EMU agreement.

Recommendation 5: Summer budgets should be more flexible and allow for a more entrepreneurial approach by colleges and departments to make more sections available if they believe the sections would make money. The result, while increasing costs perhaps above budget, is likely higher credit hour projection which would increase revenue and drive down cost per credit hour calculations.

Provost's Office: As federal financial aid now limits students to courses in the Fall and Winter semesters, the number of students taking Summer courses has greatly declined. Many EMU students cannot afford to take Summer courses.

Colleges and Departments should be examining in detail their course offerings so that students are not expected to take courses in the summer in order to complete their programs, unless the program is clearly described as a "full-year program". Few, if any, undergraduate programs would be "full-year programs". Colleges and departments should be creating course-offering schedules that are 3-5 years in length in order for students to map their path to completion based on the offerings.

FSBC Response: The Provost's Office response seemed at odds with conversations we engaged in last year (see minutes from the January 20th and February 3rd FSBC meetings). The response also seems to conflict with the response to recommendation 3 (with faculty teaching two courses each summer by contract). The FSBC vehemently disagrees with the implication embedded in the Provost's Office response to this recommendation which suggests doing away with summer courses. While we agree some summer

decline can be attributable to the change in Pell grants (with 44% of our undergraduate students Pell eligible) we'd be remiss if we didn't include other factors that we believe figure more prominently; in particular the decline in the number of summer courses offered that affect the 56% of our undergraduates who are not eligible for Pell and 100% of are graduate students (who, by program definition, are not eligible). The shift toward budget decisions only focusing on cost with no consideration for the revenue generated by the course (e.g., tuition differentials between for upper division and graduate courses) frame summer semesters as cost to cut rather than a revenue opportunity. That said, the costs incurred by offering a summer course are much lower than courses over the traditional academic and the marginal rate of return is much higher. We recommend the Provost's Office re-examine our recommendations from January 2015 and adopt budgeting practices that considers BOTH cost and revenue when making budget decisions.

The enrollment model embedded in the Provost's Office response does not reflect the reality that our average undergraduate student takes 12 credit hours per semester fall and winter and need to take summer courses to graduate in a timely manner. Elimination of summer courses would significantly delay their graduation and likely lead students to choose other institutions that do offer summer courses. The response also does not acknowledge the fact that EMU is not a community college, but rather a comprehensive university that includes graduate programs. Graduate students are not eligible for Pell grants and thus are unaffected the change in federal policy. Many of our graduate students MUST take courses over the summer either to complete their program in a timely manner or because of their work schedules (e.g., teachers).

Recommendation 6: As mentioned in recommendations 7 and 8 from 2015, the large deficit and lack of budget discipline in the Athletics department is placing a tremendous burden on the overall budget performance of EMU and on the students who subsidize the athletics deficit through the tuition and fees they pay. Addressing these burdens requires immediate attention.

Provost's Office: This recommendation should be made to the University Budget Council.

FSBC Response: While we understand Athletics and other auxiliaries are outside of the purview of the Provost's Office, budgetary decisions made regarding these areas do significantly affect academic programs at EMU. We urge the Provost's Office to be a strong advocate for the academic mission of our institution when engaged in budgetary negotiations that include these auxiliaries.

Recommendation 7: When cuts are necessary to balance the budget they should focus first on areas that are losing substantial sums of money (e.g., Athletics) rather than privatizing parts of the University that are not a financial drain on the general fund. For example, the state of Michigan experienced substantial problems (and financial loss) when they outsourced food service in prisons (https://www.google.com/?gws_rd=ssl#q=michigan+prison+food+service). We believe it is unsound financial stewardship and reflects poorly on the University when cuts are targeted toward loyal employees with long-standing ties to the University in areas that are breaking even or bringing in a small profit instead of areas of the University that receive substantial subsidy from the general fund.

Provost's Office: This recommendation should be made to the University Budget Council.

FSBC Response: Again, we understand Athletics and other auxiliaries are outside of the purview of the Provost's Office, but budgetary decisions made regarding these areas do significantly affect academic programs at EMU. We urge the Provost's Office to be a strong advocate for the academic mission of our institution when engaged in budgetary negotiations that include these auxiliaries.

Appendix E: Summary Analysis of SCH, Revenue, and Expenses

Summary Analysis of Five Years of Student Credit Hours, Revenue, and Expenses

By the Faculty Senate Budget Committee

Analysis

- While student credit hours declined over 36,000 (-6.8%, see table 1, page 4) between FY12 and FY16 gross revenues increase over \$17.3 million (+10.8%, see table 2, page 4).
- College expenses were relatively flat over the same time period only increasing by 2.5% (just over \$3 million, see table 3, page 4).
- Financial aid increased almost \$20 million over the same time period (+61.6%, see table 4, page 4).
- Part of the reason financial aid was increased over 61% was to increase the size of the FTIAC classes starting in FY13 to fill the dorms and increase dining contracts leading to additional \$10 million in revenues for both of these areas.
- A revenue/cost per SCH ratio shows the effect of increased revenue and constrained costs simultaneously with an 8.2% increase in the ratio over the past five fiscal years (see table 3, page 5).

Conclusions

- Tuition increases have offset the credit hour decline in terms of gross revenue.
- College expenses have been held tight (contrary to other areas of the university) with increases that don't cover inflationary costs over the same five-year period (+2.5% in cost, while the inflation rate over the same period was approximately 6%).
- Both cost and revenue should be considered when making budgetary decisions in the future and the revenue/cost ratio in table 3 (page 5) could serve as a model for how to capture both simultaneously.
- The use of financial aid to increase the number of FTIACs has benefited, in terms of gross revenue, both the academic and auxiliary areas of the university, but the cost of financial aid is borne solely by the academic side of the equation. The result is the appearance that the academic side of the University has declined in net revenue in the past five years (-87.4%, see table 5, page 4) because the additional \$10 million in housing and dining is not included in the equation. If the University chooses to use financial aid incentives to bring in larger FTIAC classes to increase housing and dining revenues then the University also should provide additional calculations to account for the revenue and/or expenses to ensure more accurately reflect the financial benefit to the University.

Analysis of College Revenue FY12-FY16

Purpose: The Faculty Senate Budget Committee has requested the amount of revenue generated by the colleges over the previous 5 years.

Method: EMU's rate schedule for courses is "ala carte" - the amount charged depends on the course. Since EMU does not track the actual revenue generated by individual courses, the revenue generated by each college must be calculated based on student credit hours (SCH).

Official SCH by level and college are found on the IRIM website. EMU's rate schedule is approved by the BOR in June each year.

Financial Aid is centrally tracked - UG aid in Financial Aid and Grad/Doc aid in the Graduate School. Financial Aid is not tracked by course and thus cannot be tracked by college without looking at individual students and the courses they completed.

Assumptions: SCH recorded in a college's course offerings are charged at the published BOR rates.

SCH generated outside the colleges are not included in the college calculations. The expenses for these courses are also not recorded in the colleges. In FY16, there were 3,620 SCH (less than 1%) generated outside the colleges.

Revenue generated by the colleges only includes in-state tuition and program fees. Program fees vary by course level. As well, program fees at the Undergraduate level also vary by college and programs within colleges. These variations are included in the calculation. Program fees at the Graduate level were rolled into tuition in FY16 and a differential tuition for graduate programs was created. Differential tuition is not included in the calculation and revenue generated by differential tuition is placed in college designated accounts outside the General Fund.

The out-of-state tuition differential is not included in the revenue calculation. Note beginning in FY15, all Graduate Assistants and Doctoral Fellows were charged in-state tuition rates. Looking ahead, in FY17 the out-of-state differential is removed for all domestic students.

Mandatory fees are not included in revenue calculation. In FY16, mandatory fees were \$47.50 per SCH and generated about \$23.8M in revenue on 501,487 SCH. Other fees are not included in the revenue calculation.

Figure 1: SCH, Revenue and Expenses of the colleges over the 5 year period between FY12 and FY16. Financial Aid (discount) is also shown. In FY16 the colleges generated \$177.0M in revenue from tuition and program fees on 501,487 SCH. EMU discounted the price of those SCH by \$52.0M. Total college expenses were \$127.6M, resulting in a net position of -2.6M.

The need for the 7.8% tuition increase in FY16 is seen when noting the decrease in FY15 of Gross Revenue despite a 3.95% tuition increase due to the large drop in SCH (over 20,000 SCH). When coupled with increasing expenses, the net position of the colleges becomes negative in FY15, meaning the colleges are being subsidized by other revenue sources outside of tuition and program fees.

The impact of the 7.8% tuition increase in FY16 on Financial Aid is substantial, and while the tuition and fee increase generated an additional \$10M in gross revenue the increase in financial aid (discounting) of almost \$8M resulting in only small gains in net revenue as SCH continued to erode.

Figure 2: Calculations from Figure 1 were used to examine gross revenue per SCH for each college, cost per SCH, and a ratio of revenue per SCH to cost per SCH was created.

Figure 3-7: Details of the calculation in Figure 1 are shown for FY12-16 by college. SCH are recorded at the Lower UG (000-299), Upper UG (300-499), Grad (500-699) and Doc (700-999) levels. Note the Physician's Assistant program in CHHS began in FY14 and its courses span two levels: the 600 level (Grad) and 700 level (Doc). Using the BOR approved rates for tuition and program fees, the revenue for each college is calculated. In CAS and CHHS there were 2 different program fee rates in FY12-14 so the UG Upper and Grad revenue is calculated using the different rates and department level SCH. There are no program fees at the graduate level beginning in FY15.

Comments: Over the last 5 years, the colleges have seen a decrease of 36,363 SCH (-6.8%). The largest percent decrease has been at the Grad (-11.3%) and the Doc (-26.2%) levels.

However, during this same period, tuition and program fee revenue increased by \$17.3M (+10.8%). The increase is due to tuition and program fee increases, primarily the 7.8% tuition and fee increase in FY16.

State appropriations to the University were cut by \$11 million in FY12 (compared to FY11) and the University is still not (even in FY17) at the FY11 level of funding from the state.

Over the same period, college expenses increased by \$3.1M (+2.5%).

Financial Aid (discounting) has increased by \$19.8M during this same time period (+61.6%). In FY13 EMU began an aggressive enrollment plan targeting FTIAC enrollment via discounting. In the 5 years before FY13, the average FTIAC class was 2,208 students. In the 5 years since, the average FTIAC class increased to 2,729 students - an increase of 521 students (23.6%). These additional 521 students each year over a six-year period are estimated to add over 42,000 SCH to a given year, thus in FY16 would generate \$15M in tuition and program fee revenue plus \$2M in mandatory fees. Likewise, as FTIACS tend to live on-campus, 521 additional students would generate at least an additional \$10M in housing and dining revenue per year depending on how many of the FTIAC cohorts since FY13 (freshman, sophomores, juniors, and seniors) live on campus. When all revenue sources are included, the increase in Financial Aid has resulted in net revenue for EMU. In addition, the University has intentionally used Financial Aid to target stronger academically prepared students, with HS GPAs increasing .20 between FY12 and FY16 to 3.27 and average ACT scores increasing .93 to 22.1 over the same time period.

Figure 1: Summary Sheet

Table 1. Student Credit Hours (SCH)

College	FY12	FY13	FY14	FY15	FY16	5-year	Percent
CAS	323,994	323,624	319,010	300,678	294,285	-29,709	-9.2%
COB	62,028	59,641	60,132	60,740	61,185	-843	-1.4%
COE	53,681	48,796	45,564	42,137	38,133	-15,548	-29.0%
CHHS	64,348	69,241	71,201	71,716	74,912	10,564	16.4%
COT	33,799	34,203	33,879	33,906	32,972	-827	-2.4%
Total	537,850	535,505	529,786	509,177	501,487	-36,363	-6.8%

Table 2. Gross Revenue (Tuition and Program Fees)- calculated

College	FY12	FY13	FY14	FY15	FY16	5-year	Percent
CAS	\$88,201,496	\$90,765,803	\$92,568,740	\$90,403,002	\$95,241,572	\$7,040,077	8.0%
COB	\$20,290,214	\$20,039,526	\$21,000,228	\$21,942,701	\$23,746,304	\$3,456,090	17.0%
COE	\$19,941,629	\$18,734,389	\$18,157,774	\$17,233,820	\$16,756,393	-\$3,185,236	-16.0%
CHHS	\$20,553,899	\$22,765,846	\$24,185,478	\$25,472,053	\$29,030,661	\$8,476,762	41.2%
COT	\$10,706,393	\$11,140,748	\$11,286,719	\$11,637,707	\$12,245,352	\$1,538,959	14.4%
Total	\$159,693,630	\$163,446,311	\$167,198,940	\$166,689,283	\$177,020,282	\$17,326,652	10.8%

Table 3. Expenses

College	FY12	FY13	FY14	FY15	FY16	5-year	Percent
CAS	63,321,300	61,935,988	61,016,944	61,574,984	62,612,120	-\$709,180	-1.1%
COB	17,271,188	17,209,858	17,841,133	19,049,760	19,534,466	\$2,263,278	13.1%
COE	16,455,471	15,486,740	14,928,034	13,373,468	12,772,316	-\$3,683,155	-22.4%
CHHS	16,791,746	17,582,666	18,700,600	20,456,657	22,249,929	\$5,458,183	32.5%
COT	10,716,087	10,700,584	10,183,253	10,957,707	10,458,453	-\$257,634	-2.4%
Total	124,555,792	122,915,836	122,669,964	125,412,576	127,627,284	\$3,071,492	2.5%

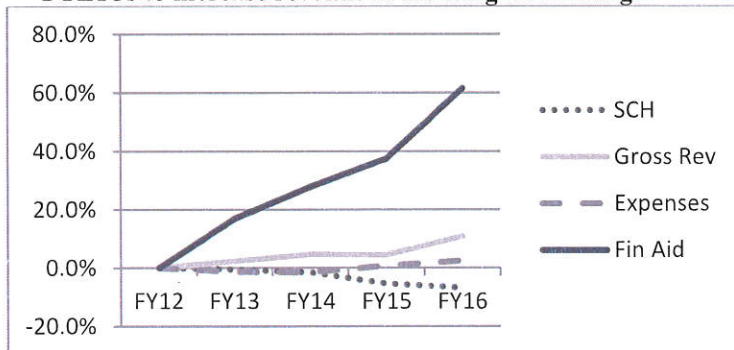
Table 4. Total Financial Aid*

FY12	FY13	FY14	FY15	FY16	5-year	Percent
\$32,169,827	\$37,597,436	\$41,124,404	\$44,205,791	\$51,986,484	19,816,657	61.6%

Table 5. Net Academic Revenue: Table 2 Total – (Table 3 + Table 4)

FY12	FY13	FY14	FY15	FY16	5-year	Percent
\$2,968,011	\$2,933,039	\$3,404,572	-\$2,929,084	-\$2,593,486	-5,561,497	-87.4%

*See Financial Aid comments on prior page (in the box) explaining the intentional use of financial aid to attract FTIACs to increase revenue in Housing and Dining.



Graph 1. 5-year trend by Category

Figure 2: Revenue and Cost per Credit Hour

Table 1. Revenue per SCH

College	FY12	FY13	FY14	FY15	FY16	5-year change
CAS	\$ 272	\$ 280	\$ 290	\$ 301	\$ 324	18.9%
COB	\$ 327	\$ 336	\$ 349	\$ 361	\$ 388	18.6%
COE	\$ 371	\$ 384	\$ 399	\$ 409	\$ 439	18.3%
CHHS	\$ 319	\$ 329	\$ 340	\$ 355	\$ 388	21.3%
COT	\$ 317	\$ 326	\$ 333	\$ 343	\$ 371	17.2%
Total	\$ 297	\$ 305	\$ 316	\$ 327	\$ 353	18.9%

Table 2. Cost per SCH

College	FY12	FY13	FY14	FY15	FY16	5-year change
CAS	\$ 195	\$ 191	\$ 191	\$ 205	\$ 213	8.9%
COB	\$ 278	\$ 289	\$ 297	\$ 314	\$ 319	14.7%
COE	\$ 307	\$ 317	\$ 328	\$ 317	\$ 335	9.3%
CHHS	\$ 261	\$ 254	\$ 263	\$ 285	\$ 297	13.8%
COT	\$ 317	\$ 313	\$ 301	\$ 323	\$ 317	0.0%
Total	\$ 232	\$ 230	\$ 232	\$ 246	\$ 254	9.9%

Table 3. Ratio Revenue/Cost per SCH

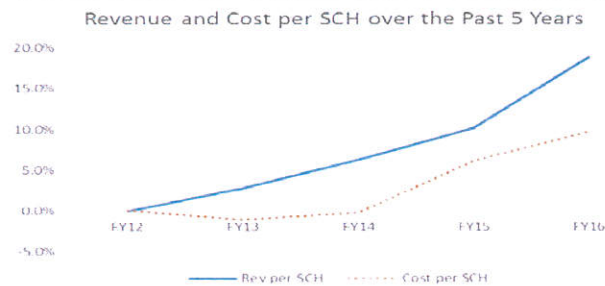
College	FY12	FY13	FY14	FY15	FY16	5-year change
CAS	1.39	1.47	1.52	1.47	1.52	9.2%
COB	1.17	1.16	1.18	1.15	1.22	3.5%
COE	1.21	1.21	1.22	1.29	1.31	8.3%
CHHS	1.22	1.29	1.29	1.25	1.30	6.6%
COT	1.00	1.04	1.11	1.06	1.17	17.2%
Total	1.28	1.33	1.36	1.33	1.39	8.2%

Table 4. Financial Aid per SCH

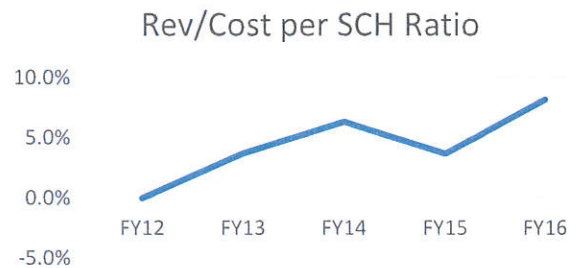
	FY12	FY13	FY14	FY15	FY16	5-year change
Total	\$60	\$70	\$78	\$87	\$104	73.3%
Net Rev.	\$237	\$235	\$238	\$241	\$249	5.2%

Table 5. Discount Rate- Financial Aid as a % of Revenue

	FY12	FY13	FY14	FY15	FY16	5-year change
Total	20.1%	23.0%	24.6%	26.5%	29.4%	9.2%



Graph 1. Revenue and Cost per SCH 5-year trend



Graph 2. Revenue/Cost per SCH Ratio 5-year trend

Figure 3: FY12 Tuition and Program Fee Revenue (calculated)

Table 1. FY12 Official SCH

College	Lower UG (000-299)	Upper UG (300-499)	Grad (500-699)	Doc {700-999}	Total	FY12 Total	Percent Change
CAS	230,183	78,306	14,486	1,019	323,994	327,777	-1.2%
COB	20,626	28,860	12,542	0	62,028	62,612	-0.9%
COE	4,436	30,349	17,312	1,584	53,681	56,326	-4.7%
CHHS	22,571	29,920	11,803	54	64,348	61,039	5.4%
COT	13,767	14,488	4,974	570	33,799	35,551	-4.9%
Total	291,583	181,923	61,117	3,227	537,850	543,305	-1.0%
	54.2%	33.8%	11.4%	0.6%			

Table 2. FY12 Tuition and Program Fee (additional amount shown under Upper UG) Rates

College	Lower UG	Upper UG	Grad	Doc
CAS*	\$246.95	\$50.75	\$513.31	\$599.05
COB	\$246.95	\$56.00	\$514.55	\$599.05
COE	\$246.95	\$49.25	\$514.55	\$599.05
CHHS**	\$246.95	\$49.25	\$515.58	\$599.05
COT	\$246.95	\$56.00	\$517.90	\$599.05

*CAS program fee is weighed avg of Science and other CAS program fees

**CHHS program fee is weighed avg of Nursing and other CHHS program fees

Table 3. FY12 Tuition and Program Fee Revenue (Gross)

College	Lower UG	Upper UG	Grad	Doc	Total
CAS	\$56,843,692	\$23,311,554	\$7,435,817	\$610,432	\$88,201,496
COB	\$5,093,591	\$8,743,137	\$6,453,486	\$0	\$20,290,214
COE	\$1,095,470	\$8,989,374	\$8,907,890	\$948,895	\$19,941,629
CHHS	\$5,573,908	\$8,862,304	\$6,085,338	\$32,349	\$20,553,899
COT	\$3,399,761	\$4,389,140	\$2,576,035	\$341,459	\$10,706,393
Total	\$72,006,422	\$54,295,509	\$31,458,565	\$1,933,134	\$159,693,630

Table 4. FY12 Net Cost

College	Gross Revenue	Expenses	Balance
CAS	\$88,201,496	63,321,300	\$24,880,196
COB	\$20,290,214	17,271,188	\$3,019,026
COE	\$19,941,629	16,455,471	\$3,486,158
CHHS	\$20,553,899	16,791,746	\$3,762,153
COT	\$10,706,393	10,716,087	-\$9,694
Total	159,693,630	124,555,792	\$35,137,838

FY12 Financial Aid (total) \$32,169,827

Figure 4: FY13 Tuition and Program Fee Revenue (calculated)

Table 1. FY13 Official SCH

College	Lower UG (000-299)	Upper UG (300-499)	Grad (500-699}	Doc (700-999)	Total	FY12 Total
CAS	233,119	76,812	12,848	845	323,624	323,994
COB	20,639	26,840	12,162	0	59,641	62,028
COE	3,871	26,872	16,518	1,535	48,796	53,681
CHHS	24,723	32,379	12,077	62	69,241	64,348
COT	14,038	14,586	5,097	482	34,203	33,799
Total	296,390	177,489	58,702	2,924	535,505	537,850
	55.3%	33.1%	11.0%	0.5%		

Table 2. FY13 Tuition and Program Fee (additional amount shown under Upper UG) Rates

College	Lower UG	Upper UG	Grad	Doc
CAS*	\$256.70	\$52.88	\$516.49	\$602.30
COB	\$256.70	\$58.20	\$517.15	\$602.30
COE	\$256.70	\$51.20	\$517.15	\$602.30
CHHS**	\$256.70	\$56.01	\$518.08	\$602.30
COT	\$256.70	\$58.20	\$520.65	\$602.30

*CAS program fee is weighed avg of Science and other CAS program fees

**CHHS program fee is weighed avg of Nursing and other CHHS program fees

Table 3. FY13 Tuition and Program Fee Revenue (Gross)

College	Lower UG	Upper UG	Grad	Doc	Total
CAS	\$59,841,647	\$23,779,366	\$6,635,846	\$508,944	\$90,765,803
COB	\$5,298,031	\$8,451,916	\$6,289,578	\$0	\$20,039,526
COE	\$993,686	\$8,273,889	\$8,542,284	\$924,531	\$18,734,389
CHHS	\$6,346,394	\$10,125,276	\$6,256,834	\$37,343	\$22,765,846
COT	\$3,603,555	\$4,593,131	\$2,653,753	\$290,309	\$11,140,748
Total	\$76,083,313	\$55,223,578	\$30,378,295	\$1,761,125	\$163,446,311

Table 4. FY13 Net Cost

College	Gross Revenue	Expenses	Balance
CAS	\$90,765,803	61,935,988	\$28,829,815
COB	\$20,039,526	17,209,858	\$2,829,668
COE	\$18,734,389	15,486,740	\$3,247,649
CHHS	\$22,765,846	17,582,666	\$5,183,180
COT	\$11,140,748	10,700,584	\$440,164
Total	163,446,311	122,915,836	\$40,530,475

FY13 Financial Aid(total) \$37,597,436

Figure 5: FY14 Tuition and Program Fee Revenue (calculated)

Table 1. FY14 Official SCH

College	Lower UG {000-299}	Upper UG {300-499}	Grad (500-699)	Doc (700-999)	Total	FY13 Total	Percent Change
CAS	230,303	76,250	11,639	818	319,010	323,624	-1.4%
COB	20,146	27,730	12,256	0	60,132	59,641	0.8%
COE	3,626	25,151	15,067	1,720	45,564	48,796	-6.6%
CHHS	25,965	33,111	12,077	48	71,201	69,241	2.8%
COT	14,295	14,709	4,390	485	33,879	34,203	-0.9%
Total	294,335	176,951	55,429	3,071	529,786	535,505	-1.1%
	55.6%	33.4%	10.5%	0.6%			

Table 2. FY14 Tuition and Program Fee (additional amount shown under Upper UG) Rates

College	Lower UG	Upper UG	Grad	Doc
CAS*	\$266.30	\$54.89	\$535.86	\$624.85
COB	\$266.30	\$60.40	\$536.55	\$624.85
COE	\$266.30	\$53.10	\$536.55	\$624.85
CHHS**	\$266.30	\$58.26	\$537.75	\$624.85
COT	\$266.30	\$60.40	\$540.20	\$624.85

*CAS program fee is weighed avg of Science and other CAS program fees

**CHHS program fee is weighed avg of Nursing and other CHHS program fees

Table 3. FY14 Tuition and Program Fee Revenue (Gross)

College	Lower UG	Upper UG	Grad	Doc	Total
CAS	\$61,329,689	\$24,491,094	\$6,236,830	\$511,127	\$92,568,740
COB	\$5,364,880	\$9,059,391	\$6,575,957	\$0	\$21,000,228
COE	\$965,604	\$8,033,229	\$8,084,199	\$1,074,742	\$18,157,774
CHHS	\$6,914,480	\$10,746,627	\$6,494,379	\$29,993	\$24,185,478
COT	\$3,806,759	\$4,805,430	\$2,371,478	\$303,052	\$11,286,719
Total	\$78,381,411	\$57,135,772	\$29,762,843	\$1,918,914	\$167,198,940

Table 4. FY14 Net Cost

College	Gross Revenue	Expenses	Balance
CAS	\$92,568,740	61,016,944	\$31,551,796
COB	\$21,000,228	17,841,133	\$3,159,095
COE	\$18,157,774	14,928,034	\$3,229,740
CHHS	\$24,185,478	18,700,600	\$5,484,878
COT	\$11,286,719	10,183,253	\$1,103,466
Total	167,198,940	122,669,964	\$44,528,976

FY14 Financial Aid (total) \$41,124,404

Figure 6: FY15 Tuition and Program Fee Revenue

Table 1. FY15 Official SCH

College	Lower UG (000-299)	Upper UG (300-499)	Grad (500-699)	Doc (700-999)	Total	FY14 Total
CAS	214,825	73,255	11,615	983	300,678	319,010
COB	19,607	28,729	12,404	0	60,740	60,132
COE	4,501	22,162	14,117	1,357	42,137	45,564
CHHS	26,396	32,383	12,754	183	71,716	71,201
COT	14,459	14,573	4,302	572	33,906	33,879
Total	279,788	171,102	55,192	3,095	509,177	529,786
	54.9%	33.6%	10.8%	0.6%		

Table 2. FY15 Tuition and Program Fee (additional amount shown under Upper UG) Rates

College	Lower UG	Upper UG	Grad	Doc
CAS*	\$274.80	\$56.96	\$553.75	\$644.85
COB	\$274.80	\$62.35	\$553.75	\$644.85
COE	\$274.80	\$54.80	\$553.75	\$644.85
CHHS**	\$274.80	\$66.05	\$553.75	\$644.85
COT	\$274.80	\$62.35	\$553.75	\$644.85

*CAS program fee is weighed avg of Science and other CAS program fees

**CHHS program fee is weighed avg of Nursing and other CHHS program fees

Table 3. FY15 Tuition and Program Fee Revenue (Gross)

College	Lower UG	Upper UG	Grad	Doc	Total
CAS	\$59,033,910	\$24,303,398	\$6,431,806	\$633,888	\$90,403,002
COB	\$5,388,004	\$9,685,982	\$6,868,715	\$0	\$21,942,701
COE	\$1,236,875	\$7,304,595	\$7,817,289	\$875,061	\$17,233,820
CHHS	\$7,253,621	\$11,037,897	\$7,062,528	\$118,008	\$25,472,053
COT	\$3,973,333	\$4,913,287	\$2,382,233	\$368,854	\$11,637,707
Total	\$76,885,742	\$57,245,159	\$30,562,570	\$1,995,811	\$166,689,283

Table 4. FY15 Net Cost

College	Gross Revenue	Expenses	Balance
CAS	\$90,403,002	61,574,984	\$28,828,018
COB	\$21,942,701	19,049,760	\$2,892,941
COE	\$17,233,820	13,373,468	\$3,860,352
CHHS	\$25,472,053	20,456,657	\$5,015,396
COT	\$11,637,707	10,957,707	\$680,000
Total	166,689,283	125,412,576	\$41,276,707

FY15 Financial Aid (total) \$44,205,791

Figure 7: FY16 Tuition and Program Fee Revenue

Table 1. FY16 Official SCH

College	Lower UG (000-299)	Upper UG (300-499)	Grad (500-699)	Doc (700-999)	Total	FY16 Total
CAS	211,632	70,515	11,311	827	294,285	300,678
COB	19,212	29,992	11,981	0	61,185	60,740
COE	4,288	19,983	12,726	1,136	38,133	42,137
CHHS	26,280	34,246	13,584	802	74,912	71,716
COT	13,696	14,420	4,375	481	32,972	33,906
Total	275,108	169,156	53,977	3,246	501,487	509,177
	54.9%	33.7%	10.8%	0.6%		

Table 2. FY16 Tuition and Program Fee (additional amount shown under Upper UG) Rates

College	Lower UG	Upper UG	Grad	Doc
CAS*	\$296.25	\$61.38	\$597.00	\$695.15
COB	\$296.25	\$67.25	\$597.00	\$695.15
COE	\$296.25	\$59.00	\$597.00	\$695.15
CHHS**	\$296.25	\$71.04	\$597.00	\$695.15
COT	\$296.25	\$67.25	\$597.00	\$695.15

*CAS program fee is weighed avg of Science fee (\$67.25) and other CAS fee (\$59.00)

**CHHS program fee is weighed avg of Nursing fee (\$85.15) and other CHHS fee (\$67.25) New Differential Tuition on Grad and Doc courses not included in calculation.

Table 3. FY16 Tuition and Program Fee Revenue (Gross)

College	Lower UG	Upper UG	Grad	Doc	Total
CAS	\$62,695,980	\$25,218,036	\$6,752,667	\$574,889	\$95,241,572
COB	\$5,691,555	\$10,902,092	\$7,152,657	\$0	\$23,746,304
COE	\$1,270,320	\$7,098,961	\$7,597,422	\$789,690	\$16,756,393
CHHS	\$7,785,450	\$12,578,053	\$8,109,648	\$557,510	\$29,030,661
COT	\$4,057,440	\$5,241,670	\$2,611,875	\$334,367	\$12,245,352
Total	\$81,500,745	\$61,038,812	\$32,224,269	\$2,256,457	\$177,020,282

Table 4. FY16 Net Cost

College	Gross Revenue	Expenses	Balance
CAS	\$95,241,572	62,612,120	\$32,629,452
COB	\$23,746,304	19,534,466	\$4,211,838
COE	\$16,756,393	12,772,316	\$3,984,077
CHHS	\$29,030,661	22,249,929	\$6,780,732
COT	\$12,245,352	10,458,453	\$1,786,899
Total	177,020,282	127,627,284	\$49,392,998

FY16 Financial Aid(total) \$51,986,484

Appendix F: General Fund Operating Budget 3-Year Trends

General Fund Operating Budget

Area	FY15	FY16	FY17	Comparing FY15 to FY16		Comparing FY16 to FY17		Comparing FY15 to FY17	
				Change	Percent	Change	Percent	Change	Percent
Academic Affairs	\$150,604,880	\$153,014,639	\$150,809,257	\$2,409,759	1.6%	-\$2,205,382	-1.4%	\$204,377	0.1%
IT	\$12,609,597	\$12,797,149	\$12,086,081	\$187,552	1.5%	-\$711,068	-5.6%	-\$523,516	-4.2%
EM	\$5,643,243	\$5,669,430	\$5,611,367	\$26,187	0.5%	-\$58,063	-1.0%	-\$31,876	-0.6%
EPEO	\$9,729,598	\$8,487,406	\$7,001,977	-\$1,242,192	-12.8%	-\$1,485,429	-17.5%	-\$2,727,621	-28.0%
Student Life	\$4,508,863	\$4,802,113	\$4,133,830	\$293,250	6.5%	-\$668,283	-13.9%	-\$375,033	-8.3%
Total ASA	\$183,096,181	\$184,770,737	\$179,642,512	\$1,674,556	0.9%	-\$5,128,225	-2.8%	-\$3,453,669	-1.9%
President	\$8,298,995	\$7,657,086	\$7,858,568	-\$641,909	-7.7%	\$201,482	2.6%	-\$440,427	-5.3%
Public Safety	\$5,236,318	\$5,352,963	\$5,532,601	\$116,645	2.2%	\$179,638	3.4%	\$296,283	5.7%
Foundation	\$1,901,858	\$2,337,272	\$1,796,858	\$435,414	22.9%	-\$540,414	-23.1%	-\$105,000	-5.5%
B&F	\$16,220,296	\$16,289,557	\$15,014,021	\$69,261	0.4%	-\$1,275,536	-7.8%	-\$1,206,275	-7.4%
Communication	\$3,648,656	\$3,655,517	\$4,197,083	\$6,861	0.2%	\$541,566	14.8%	\$548,427	15.0%
Physical Plant	\$17,427,294	\$17,528,846	\$17,312,791	\$101,552	0.6%	-\$216,055	-1.2%	-\$114,503	-0.7%
Scholarships	\$39,168,583	\$43,825,000	\$47,500,000	\$4,656,417	11.9%	\$3,675,000	8.4%	\$8,331,417	21.3%
Grad Asst Waivers	\$4,350,000	\$4,675,000	\$5,560,900	\$325,000	7.5%	\$885,900	18.9%	\$1,210,900	27.8%
Athletics + Transfers*	\$23,343,257	\$25,641,475	\$27,868,525	\$2,298,218	9.8%	\$2,227,050	8.7%	\$4,525,268	19.4%
Total	\$302,691,438	\$311,733,453	\$312,283,859	\$9,042,015	3.0%	\$550,406	0.2%	\$9,592,421	3.2%

*Athletic was moved to the Auxiliary Fund in FY17. Revenue to support the Athletics budget is via a Transfer from the General Fund

Area	FY15	FY16	FY17	Comparing FY15 to FY16		Comparing FY16 to FY17		Comparing FY15 to FY17	
				Change	Percent	Change	Percent	Change	Percent
Athletics	\$10,793,222	\$12,832,632		\$2,039,410	18.9%				
Transfers	\$12,550,035	\$12,808,843	\$27,868,525	\$258,808	2.1%	\$15,059,682	117.6%	\$15,318,490	122.1%
Financial Aid	\$43,518,583	\$48,500,000	\$53,060,900	\$4,981,417	11.4%	\$4,560,900	9.4%	\$9,542,317	21.9%
rest of University	\$235,829,598	\$237,591,978	\$231,354,434	\$1,762,380	0.7%	-\$6,237,544	-2.6%	-\$4,475,164	-1.9%
Total	\$302,691,438	\$311,733,453	\$312,283,859	\$9,042,015	3.0%	\$550,406	0.2%	\$9,592,421	3.2%

Appendix G: Recommendation Regarding Allocation of Instructional Budgets to Colleges

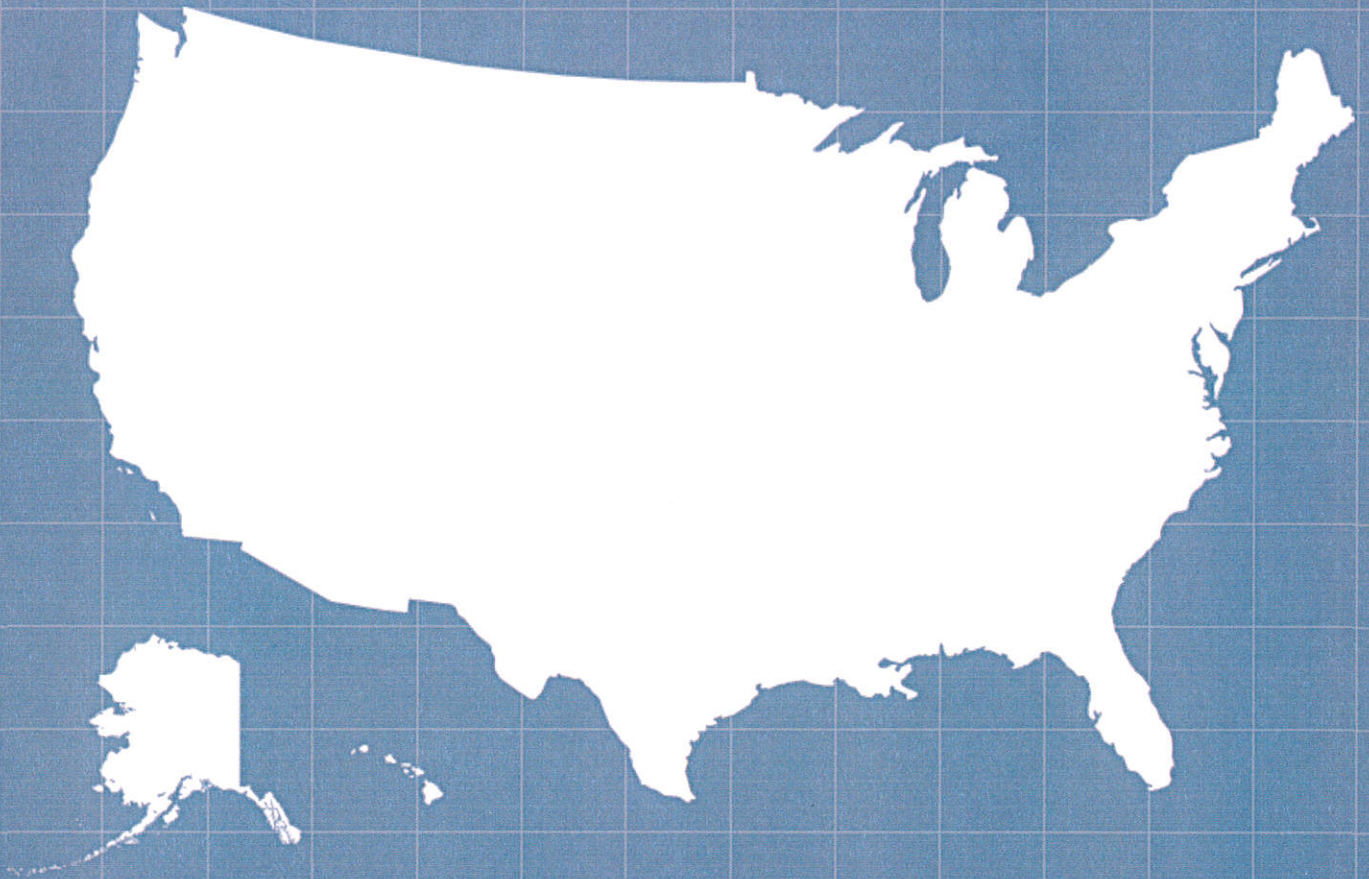
FACULTY SENATE BUDGET AND RESOURCE COMMITTEE
Recommendation Regarding Allocation of Instructional Budgets to Colleges

Based upon information provided by the Provost's Office to our committee, it appears that allocation of instructional budgets to colleges is based primarily upon a cost-per-student-credit-hour approach together with projected changes in enrollment. While a systematic approach is needed to allocate instructional resources to maximize educational outcomes and quality, the single-metric approach currently being used needs to be expanded to include other important metrics to promote success of Eastern Michigan University as a comprehensive, regional university. To achieve this goal, we recommend the following:

- 1) To clarify the current total cost calculation, calculations should also be broken into instructional/advising costs and administrative/support costs per credit hour. This will allow comparison of how effectively resources are being allocated to classroom instruction and advising rather than administrative expenditures.
- 2) The current metric of cost-per-credit-hour rewards most directly high-enrollment, low-cost introductory courses. This is the only activity in which we directly compete with community colleges. However, offering the range of courses needed to produce four year degrees and graduate degrees typical of a comprehensive university requires a much broader range of metrics. A first step to more effectively allocating resources should recognize differential tuition paid for 100/200 versus 300/400 and graduate level courses so that cost can be balanced against revenue generated from credits at the different course levels.
- 3) Tuition discount calculations need to accurately reflect financial aid benefits to produce estimates of **net** revenue per credit hour at the different class levels. Based upon data provided by the Provost's office, financial aid as a % of tuition cost is considerably higher at EMU for FTIAC (first time in any college) students than transfer students. Since FTIAC students comprise a large share of 100/200 level enrollments but a smaller share of 300/400 level enrollments with considerably more transfer students in 300/400 level classes, a higher discount rate is appropriate for 100/200 level courses than for 300/400 level courses. For graduate students, only tuition reimbursement and fellowships should be included in the discount rate since cash stipends for graduate assistants are included in the costs used to calculate the cost per credit hour in academic budgets.
- 4) At comprehensive universities, it is typical for highly-enrolled, low-cost introductory courses to help finance lower-enrolled, higher-cost advanced courses where students develop specialized skills essential to attaining their degrees. Thus, allocations should be based in part on the mix of upper-division and graduate courses versus 100/200 level courses offered by colleges. Revenue per credit hour differentials based upon tuition charged for the different course levels probably do NOT adequately reflect necessary differences in cost per credit hour. This cross-subsidization is likely to be a model followed across different universities so charging still higher tuition for higher than lower level courses could harm EMU's competitiveness among its peers.
- 5) In addition to the considerations above, emphasis should also be placed upon activities that promote effective advising, retention, timely completion of degrees, student learning beyond the classroom, and career placement.

The committee recommends rapid incorporation of this broader range of metrics for allocation of instructional resources across colleges. The Provost's office should provide a written plan for implementation of this policy and seek faculty input on the implementation process. These metrics should be reviewed regularly with the Faculty Senate Budget and Resource Committee with the goal of continuous improvement in the range of metrics considered and the most effective way to measure and weight each one to better achieve the goal of enhancing instructional effectiveness at Eastern Michigan University as a comprehensive, regional university.

{Note: Approved unanimously by FSRBC (J. Badics, M. Bretting, R. Carpenter, D. Crary-chair, G. Jogaratnam, S. Newell, C. Petrescu) on January 8, 2015. Referred to Faculty Senate for endorsement.}



STUDENT DEBT AND THE CLASS OF 2015

11TH ANNUAL REPORT | OCTOBER 2016

the institute for
college
access & success

ACKNOWLEDGEMENTS

The Institute for College Access & Success (TICAS) is an independent, nonprofit, nonpartisan organization working to make higher education more available and affordable for people of all backgrounds. Our Project on Student Debt increases public understanding of rising student debt and the implications for our families, economy, and society. To learn more about TICAS, see ticas.org and follow us on Twitter at [@TICAS_org](https://twitter.com/TICAS_org).

Student Debt and the Class of 2015, our eleventh annual report on debt at graduation, was researched and written by TICAS' Debbie Cochrane and Diane Cheng. The college- and state-level debt data used in the report are available online at ticas.org/posd/map-state-data. Special thanks to the entire TICAS staff, virtually all of whom contributed to the report's development and/or release.

We are grateful to our foundation partners and individual donors whose support makes TICAS' work possible. Current foundation funding for our Project on Student Debt and other national research and policy work comes from the Ford Foundation, Bill & Melinda Gates Foundation, Rosalinde and Arthur Gilbert Foundation, Kresge Foundation, and Lumina Foundation. The views expressed in this paper are solely those of TICAS and do not necessarily reflect the views of our funders.

TABLE OF CONTENTS: STUDENT DEBT AND THE CLASS OF 2015

OVERVIEW AND KEY FINDINGS	1
A NOTE ON STUDENT DEBT AT FOR-PROFIT COLLEGES	2
STUDENT DEBT AT COLLEGES	3
STUDENT DEBT BY STATE	4
Table 1: High-Debt States	4
Table 2: Low-Debt States	4
Table 3: Percentage of Graduates with Debt and Average Debt of those with Loans, by State	5
DATA ON DEBT AT GRADUATION	7
Table 4: Comparison of Available Data	7
PRIVATE (NONFEDERAL) LOANS	8
Loans from Private Banks and Lenders	8
State Loans	9
State Policy Ideas for Reducing Debt Burdens	10
FEDERAL POLICY RECOMMENDATIONS TO REDUCE THE BURDEN OF STUDENT DEBT	11
METHODOLOGY: WHERE THE NUMBERS COME FROM AND HOW WE USE THEM	15

OVERVIEW AND KEY FINDINGS

Student Debt and the Class of 2015 is our eleventh annual report on the student loan debt of recent graduates from four-year colleges, documenting the rise in student loan debt and variation among states as well as colleges. Unless otherwise noted, the figures in this report are only for public and nonprofit colleges, because virtually no for-profit colleges report what their graduates owe.

Nationally, about seven in 10 (68%) college seniors who graduated from public and private nonprofit colleges in 2015 had student loan debt, a similar share as in 2014. These borrowers owed an average of \$30,100, up four percent from the 2014 average of \$28,950. At the college level, average debt at graduation ranged from \$3,000 to \$53,000.

State averages for debt at graduation ranged from a low of \$18,850 to a high of \$36,100, and new graduates' likelihood of having debt varied from 41 percent to 76 percent. In 12 states, average debt was more than \$30,000. High-debt states remain concentrated in the Northeast and Midwest, and low-debt states are mainly in the West. See page 5 for a complete state-by-state table.

Almost one-fifth (19%) of the Class of 2015's debt nationally was comprised of nonfederal loans, which provide fewer consumer protections and repayment options and are typically more costly than federal loans. While most nonfederal loans are offered by banks, some states also have loan programs designed for college students. For more on state loan programs, see page 9.

Nationally, seven in 10 graduating seniors had student loans. Their average debt was \$30,100: up 4% compared to the Class of 2014.

ABOUT THIS REPORT AND THE DATA WE USED

Colleges are not required to report debt levels for their graduates, and available federal data do not provide the typical debt for bachelor's degrees or include private loans. To estimate national and state averages, we used the most recent available figures, which were provided voluntarily by more than half of all public and nonprofit bachelor's degree-granting four-year colleges. The limitations of relying on voluntarily reported data underscore the need for federal collection of cumulative student debt data for all schools. For more about types of currently available debt data, see page 7. For more about for-profit colleges, for which there are almost no similar data, see page 2.

This report includes policy recommendations to address rising student debt and reduce debt burdens, including collecting more comprehensive college-level data. Other recommendations focus on reducing the need to borrow, keeping loan payments manageable, improving consumer information, strengthening college accountability, and protecting private loan borrowers. For more about these recommendations, see page 11.

A companion interactive map with details for all 50 states, the District of Columbia, and more than 1,000 public and nonprofit four-year colleges is available at ticas.org/posd/map-state-data.

A NOTE ON STUDENT DEBT AT FOR-PROFIT COLLEGES

For-profit colleges are not included in the national or state averages, because so few of these colleges report the relevant debt data. Only 13 of 612 for-profit, four-year, bachelor's degree-granting colleges (2% of colleges in this sector, 4% of bachelor's degrees awarded) chose to report both the percentage of graduating students in the Class of 2015 with loans and the average debt of those students. For-profit colleges do not generally respond at all to the survey used to collect the data in this report or to other similar surveys. (For more about this survey, see page 15.) About seven percent of bachelor's degree recipients in 2014-15 were from for-profit colleges.*

However, for-profit colleges are where debt levels are most troubling. The most recent nationally representative data are for 2012 graduates, and they show that the vast majority from for-profit four-year colleges (88%) took out student loans. These students graduated with an average of \$39,950 in debt—43 percent more than 2012 graduates from other types of four-year colleges.**

* Calculations by TICAS on 2014-15 completions from U.S. Department of Education, Integrated Postsecondary Education Data System (IPEDS), using the latest data available as of September 30, 2016. These figures refer to all for-profit four-year colleges that reported granting bachelor's degrees in 2014-15.

** Calculations by TICAS on data from U.S. Department of Education, National Postsecondary Student Aid Study 2011-12.

STUDENT DEBT AT COLLEGES

Of the 2,010 public and nonprofit four-year colleges in the U.S. that granted bachelor's degrees during the 2014-15 year, 1,116 – just 56 percent – reported figures for both average debt and percent with debt for the Class of 2015.

There is great variation in debt across reporting colleges, with average debt figures from \$3,000 to \$53,000 among the 1,055 colleges that had both usable data and at least 100 graduates in the Class of 2015.¹ Because not all colleges report debt data, the actual ranges could be even wider. At the high end, 200 colleges reported average debt of more than \$35,000. The share of students with loans also varies widely. The percent of graduates with debt ranges from seven percent to 100 percent. Forty-three colleges reported that more than 90 percent of their 2015 graduates had debt.

At colleges that provided data, average debt at graduation ranged from \$3,000 to \$53,000.

Student debt varies considerably among colleges due to a number of factors, such as differences in tuition and fees, the availability of need-based aid from colleges and states, colleges' financial aid policies and practices, living expenses in the local area, the demographic makeup of the graduating class, the degree to which parents use Parent PLUS loans, and, at public colleges, the extent of out-of-state enrollment.

Students and families often look at the published tuition and fees for a college as an indicator of affordability. However, students attending college need to cover the full cost of attendance, which also includes the cost of books and supplies, living expenses (room and board), transportation, and miscellaneous personal expenses. Colleges' cost-of-attendance estimates are often referred to as the sticker price. Many students receive grants and scholarships that offset some of these costs, and colleges that appear financially out of reach based on sticker price may actually be affordable because they offer significant grant aid.

What students have to pay is called the net price, which is the full cost of attendance minus expected grants and scholarships. Students' net price can be much lower than the sticker price, yet many are unaware of this distinction when comparing their options. At some of the most expensive schools in the country, the net price for low- and moderate-income students can be lower than at many public colleges, because of financial aid packaging policies and considerable resources for need-based aid from endowments and fundraising. This in turn can contribute to relatively low average debt at graduation. Some schools enroll relatively few students with low and moderate incomes, which may also contribute to low student debt levels if their higher income students can afford to attend without borrowing much or at all.

STUDENT DEBT BY STATE

Statewide average debt levels for the Class of 2015 range from \$18,850 to \$36,100, and many of the same states appear at the high and low ends of the spectrum as in previous years.² The share of graduates with debt ranges from 41 percent to 76 percent. We base state averages on the best available college-level data, which were reported voluntarily to college guide publisher Peterson's by 1,116 public and nonprofit four-year colleges for the Class of 2015. The data reported by colleges are not audited or confirmed by any outside entity. For more about the data and our methodology, please see the Methodology section on page 15.

The following tables show the states with the highest and lowest average debt levels for the Class of 2015. Similar to past years, high-debt states are located mainly in the Northeast and Midwest, with low-debt states primarily in the West.³

TABLE 1

HIGH-DEBT STATES	
New Hampshire	\$36,101
Pennsylvania	\$34,798
Connecticut	\$34,773
Delaware	\$33,849
Rhode Island	\$32,920
Minnesota	\$31,526
Massachusetts	\$31,466
District of Columbia	\$31,452
South Carolina	\$30,564
Ohio	\$30,239

TABLE 2

LOW-DEBT STATES	
Utah	\$18,873
New Mexico	\$20,193
California	\$22,191
Wyoming	\$22,683
Florida	\$23,379
Hawaii	\$23,456
Nevada	\$23,462
Arizona	\$23,780
Washington	\$24,600
Oklahoma	\$24,849

The table on the following page shows each state's average debt and proportion of students with loans in the Class of 2015, along with information about the amount of usable data actually available for each state.⁴

TABLE 3

PERCENTAGE OF GRADUATES WITH DEBT AND AVERAGE DEBT OF THOSE WITH LOANS, BY STATE							
State	Class of 2015				Institutions (BA-granting)		Graduates
	Average Debt	Rank	% with Debt	Rank	Total	Usable	% Represented in Usable Data
Alabama	\$29,153	20	52%	44	33	15	66%
Alaska	\$26,171	36	55%	40	5	3	93%
Arizona	\$23,780	43	56%	36	18	7	91%
Arkansas	\$26,082	38	57%	34	23	11	65%
California	\$22,191	48	54%	42	131	77	92%
Colorado	\$25,840	39	56%	36	26	16	89%
Connecticut	\$34,773	3	64%	14	23	14	62%
Delaware	\$33,849	4	65%	13	6	2	66%
District of Columbia	\$31,452	8	55%	40	8	5	74%
Florida	\$23,379	46	53%	43	93	32	82%
Georgia	\$27,754	24	61%	23	58	29	72%
Hawaii	\$23,456	45	50%	47	9	2	58%
Idaho	\$27,639	29	71%	3	11	6	65%
Illinois	\$29,305	19	66%	8	75	43	80%
Indiana	\$29,022	21	61%	23	49	36	94%
Iowa	\$29,547	15	66%	8	35	25	95%
Kansas	\$28,008	23	63%	17	30	14	87%
Kentucky	\$27,225	32	64%	14	31	19	75%
Louisiana	\$26,865	33	51%	46	26	11	58%
Maine	\$29,644	14	63%	17	18	10	55%
Maryland	\$27,672	28	56%	36	31	16	70%
Massachusetts	\$31,466	7	66%	8	84	51	79%
Michigan	\$30,045	12	63%	17	50	29	85%
Minnesota	\$31,526	6	70%	5	39	24	84%
Mississippi	\$29,942	13	62%	21	15	10	89%
Missouri	\$27,480	30	61%	23	53	32	87%
Montana	\$26,280	34	60%	27	11	8	96%
Nebraska	\$26,235	35	60%	27	25	9	48%
Nevada	\$23,462	44	47%	48	9	2	90%
New Hampshire	\$36,101	1	76%	1	15	11	90%
New Jersey	\$30,104	11	66%	8	39	21	84%
New Mexico	\$20,193	49	58%	33	11	5	45%
New York	\$29,320	18	59%	31	184	89	72%
North Carolina	\$25,645	40	61%	23	62	43	91%
North Dakota	*	*	*	*	14	5	23%
Ohio	\$30,239	10	66%	8	91	43	88%
Oklahoma	\$24,849	41	52%	44	29	17	89%
Oregon	\$27,697	27	63%	17	29	17	91%

PERCENTAGE OF GRADUATES WITH DEBT AND AVERAGE DEBT OF THOSE WITH LOANS, BY STATE

State	Class of 2015				Institutions (BA-granting)		Graduates
	Average Debt	Rank	% with Debt	Rank	Total	Usable	% Represented in Usable Data
Pennsylvania	\$34,798	2	71%	3	129	89	84%
Rhode Island	\$32,920	5	64%	14	11	8	81%
South Carolina	\$30,564	9	60%	27	34	18	84%
South Dakota	\$29,364	17	73%	2	13	6	59%
Tennessee	\$26,083	37	60%	27	49	28	90%
Texas	\$27,324	31	56%	36	96	48	73%
Utah	\$18,873	50	41%	50	17	8	73%
Vermont	\$28,283	22	62%	21	18	9	72%
Virginia	\$27,717	25	59%	31	47	35	95%
Washington	\$24,600	42	57%	34	37	19	97%
West Virginia	\$27,713	26	68%	7	20	12	84%
Wisconsin	\$29,460	16	70%	5	38	26	88%
Wyoming	\$22,683	47	46%	49	2	1	100%

* We did not calculate state averages when the usable data covered less than 30% of bachelor's degree recipients in a given state for the Class of 2015, or when the underlying data for that state showed a state-level change of 30% or more in average debt from the previous year. For more details, see the Methodology section on page 15.

DATA ON DEBT AT GRADUATION

This report uses the only type of data currently available to gauge cumulative student debt for bachelor's degree recipients each year at the college, state, and national levels. However, as we note elsewhere in this report, these data have significant limitations. There are several reasons why the voluntarily reported, college-level debt data provide an incomplete picture of the debt carried by graduating seniors. While schools awarding 82 percent of public and nonprofit college bachelor's degrees in academic year 2014-15 reported debt figures, hundreds declined to report enough data to be included in this analysis. And as noted earlier, almost no for-profit colleges provide debt figures voluntarily. For more information on data limitations, see the Methodology section on page 15. For more information on for-profit colleges, see page 2.

While the voluntarily reported data used in this report remain the best available for showing the variations in student debt across states and colleges, they also illustrate why more comprehensive and comparable data remain sorely needed.

Beginning in 2015, in conjunction with the College Scorecard consumer tool, the U.S. Department of Education began publishing the median federal student loan debt of graduates by school. These figures, calculated by the Department using data available through the National Student Loan Data System (NSLDS), are a significant step in the right direction. Cumulative debt figures for all institutions receiving federal financial aid are included. This provides some data for schools that choose not to report them voluntarily, and the data come from administrative records rather than being self-reported by colleges. However, these federal data also have several limitations. They exclude private loans, because private loans are not included in NSLDS. They combine debt at graduation for all types of undergraduate credentials, from certificates to bachelor's degrees, making comparisons between colleges with different mixes of credential types misleading. According to the Department, some schools are not yet accurately distinguishing between students who withdraw and those who graduate, when reporting to NSLDS.⁵ And in some cases, the debt figures represent a group of campuses rather than disaggregated data for each campus, which can be misleading for students looking for information about their particular campus.

While the voluntarily reported data used in this report remain the best available for showing the variations in student debt across states and colleges, they also illustrate why more comprehensive and comparable data remain sorely needed. Students and families need better information about costs and student outcomes when making college choices. The Department's data release and updated Scorecard are notable and important steps forward, but further improvements in the collection and availability of student debt data remain both necessary and long overdue. (See our recommendations for better data on page 12).

TABLE 4

COMPARISON OF AVAILABLE ANNUAL DATA ON DEBT AT GRADUATION		
	This Report's Data	Federal College Scorecard Data
Type of Debt Included	All student loan debt	Federal student loan debt only
Type of Graduates	Bachelor's degree recipients	All undergraduate completers
How the Data Are Reported	Voluntarily self-reported	Calculated by the U.S. Department of Education
What Data Are Reported	Average debt for borrowers; Percent with debt; Number with debt	Median debt for borrowers; Number with debt
Coverage of Reporting Colleges	Most public and nonprofit four-year colleges; few others	All colleges offering federal aid
Multi-campus colleges	Reported as individual campuses	Campuses may be grouped together

PRIVATE (NONFEDERAL) LOANS

Carrying nonfederal loans can significantly affect borrowers' ability to repay what they owe because such loans typically have higher costs than federal loans and provide little, if any, relief for struggling borrowers.⁶ Debt figures reported by colleges suggest that almost one-fifth (19%) of 2015 graduates' debt is comprised of nonfederal education loans, similar to recent years.⁷

The terms "private" and "nonfederal" are often used interchangeably to describe student loans outside of federal student loans. The majority of nonfederal loans are made by private banks and lenders, though some states and colleges have their own private, nonfederal loan programs for students. Specific costs and terms of nonfederal loans vary, though none provide the same consumer protections and repayment options that come with federal loans. Experts agree that students should exhaust federal loan eligibility before turning to nonfederal loans. Colleges that recommend specific nonfederal lenders must provide a "preferred lender list" that helps students who must look beyond federal loans compare options. These lists must include more than one lender, disclose the borrower benefits that contributed to the lenders' inclusion on the list, and make clear that students are not required to use one of the recommended lenders.⁹

Because of changes to how the debt data used in this report are collected from individual colleges, it is possible to begin exploring the extent to which bachelor's degree recipients hold each type of nonfederal loan. Collecting these data is an important step towards better and more comprehensive information about graduates' loan debt. However, in this first year of their collection, the data are incomplete. Of the 1,116 colleges included in this report's state averages, only 615 (55%) reported complete information about graduates' nonfederal debt. Further, for some of these 615 schools, the data reported by type of debt are inconsistent, such as when the reported *share* of graduates with private loan debt differs substantially from the share calculated using the reported *number* of graduates with private loan debt.

Until these data are more complete and consistent, nationally representative data for 2012 graduates remain the best source of information about the extent of nonfederal debt among college graduates. Thirty percent of bachelor's degree recipients that year graduated with nonfederal loans, with average nonfederal loan debt of \$13,600.⁸ Nonfederal loans are most prevalent at for-profit colleges, with 41 percent of their seniors graduating with private loans in 2012.⁹

LOANS FROM PRIVATE BANKS AND LENDERS

Private education loans from banks and lenders are no more a form of financial aid than a credit card. These loans typically have interest rates that, regardless of whether they are fixed or variable, are highest for those who can least afford them. In October 2016, interest rates for private education loans for undergraduates were as high as 13.74%, compared to a federal student loan interest rate of 3.76%.¹⁰

There is broad consensus that students should exhaust federal loan eligibility before turning to other types of loans. Yet 47 percent of undergraduates who took out private loans in 2011-12 did not use the maximum available in federal student loans.¹¹ College financial aid offices can play an important role in reducing their students' reliance on private loans, but college practices vary widely.¹² Some colleges take care to inform students about their federal loan eligibility before certifying private loans, whereas others encourage private loan financing by including private loans in students' award packages.

Today, private lenders typically look to schools to help certify students' eligibility for loans, but they are not required to do so.¹³ Instead, lender practices on school certification are based on

Specific costs and terms of nonfederal loans vary, though none provide the same consumer protections and repayment options that come with federal loans.

Two-thirds of the 2015 graduates with state loan debt went to college in just three states - Texas, New Jersey, and Minnesota - which collectively represent just 11% of college graduates.

market conditions. An analysis by the Consumer Financial Protection Bureau (CFPB) and U.S. Department of Education found that at the height of the private loan market in 2007, almost a third (31%) of private loans were made without college involvement.¹⁴ When colleges are unaware that their students are seeking or receiving private loans, they are unable to counsel students appropriately or report private loan usage accurately. (See our recommendation about private loan certification on page 14.)

STATE LOANS

Several states offer their own education loans, which have terms that vary widely. Although some may expect state loans to have better terms than those from private banks and lenders, their terms frequently have more in common with other private loans than with federal loans.

The newly reported data indicate that state loan borrowing is concentrated in particular states. Two-thirds of the 2015 graduates with state loan debt went to college in just three states - Texas, New Jersey, and Minnesota - which collectively represent just 11% of college graduates. None of the three states' loan programs offer protections similar to federal loans, and the fixed interest rates available in these programs all exceed the 3.76% interest rate for federal student loans. While experts agree that students should exhaust federal loan eligibility before turning to nonfederal loans, the extent to which these programs urge borrowers to tap federal student loans first varies.

- **New Jersey:** New Jersey's state student loan program, NJCLASS, is the largest in the country, with high costs, little flexibility when borrowers fall on hard times, and aggressive collection tactics. The administering agency recommends borrowers take out life insurance since the loans are not discharged at death.¹⁵ Called "predatory" by consumer experts, the harsh terms of NJCLASS loans have recently attracted national media attention as well as the interest of state lawmakers who are considering changes.¹⁶ Loans have a 3% administration fee and come with fixed interest rates of up to 7.9%.¹⁷
- **Texas:** For most of the last decade, Texas has had two state loan programs. The B-on-Time loan program, created to provide an incentive for students to graduate in four years, was criticized for high rates of default and low rates of forgiveness, and is being phased out.¹⁸ The remaining College Access Loan program requires a cosigner and charges origination fees up to 5% and interest rates of 4.5%.¹⁹
- **Minnesota:** Minnesota offers SELF loans to students with cosigners at a fixed interest rate of 6% and no origination fee. State lawmakers recently expanded the program to allow borrowers with good credit and acceptable debt-to-income ratios to refinance their loans, including federal loans, into state SELF loans. The Minnesota Office of Higher Education urges borrowers to consider federal loans before SELF loans, and urges those seeking to refinance federal loans to consider carefully a long list of federal loan benefits that they forfeit by refinancing, including flexible repayment plans and the possibility of forgiveness.²⁰

STATE POLICY IDEAS FOR REDUCING DEBT BURDENS

The best way for states to reduce students' reliance on debt is to invest more in higher education, including providing need-based grants to help students cover costs without loans. There are also several other options that state policymakers concerned about college affordability and student debt can consider rather than creating their own state loan programs or developing programs for borrowers to refinance federal loans into state loans. Low- or no-cost options include:

- **Allocating available state grant aid based on need, not merit.** In 2014-15, 24 percent of state grant aid dollars were allocated to undergraduate students without regard to their financial circumstances.²¹ Students with greater financial need are more likely to need loans to cover college costs, and need-based state grant aid can help reduce students' need to borrow.
- **Improving transparency about college costs, aid, and debt by requiring colleges to clearly provide key information to students.** California colleges are required to disclose information about graduates' debt loads, and to tell students about any untapped federal aid eligibility before certifying private loan requests, a model other states could follow.²² State policymakers can also require that colleges use the federal Shopping Sheet, developed by the U.S. Department of Education and Consumer Financial Protection Bureau, to make it easy to compare colleges' aid offers.
- **Annually notifying students about their loan balance to help inform future borrowing choices.** Illinois and Nebraska currently require this of colleges. While care must be taken to ensure that letters do not serve to deter students from re-enrolling or from borrowing what they need, research suggests that reminding students of their loan balances encourages borrowers to seek more information or assistance from the college financial aid office, and may influence some students' borrowing decisions.²³
- **Promoting awareness of income-driven repayment plans.** Most student loan debt is federal loan debt, and can be repaid based on the borrower's income, rather than the amount of debt they owe, which can help struggling borrowers stay on track and avoid default. Income-driven repayment plans also provide a light at the end of the tunnel by forgiving remaining debt, if there is any, after 20 or 25 years of payments. State policymakers can help get the word out about these income-driven plans through local outreach efforts and other channels of communication.
- **Exempting forgiven amounts of federal student loans from state income tax.** When student loan debt is forgiven after 20 or 25 years of payments in an income-driven repayment plan, the amount forgiven is currently treated as income by the IRS, and can turn a would-be source of financial relief into a significant financial liability. Federal legislation has been introduced to prevent this by excluding forgiven amounts from federal income tax liability. State lawmakers can do their part by excluding it from calculations of state tax liability, as Pennsylvania does.²⁴

Importantly, the debt figures reported by colleges and used in this report are for all graduates, but debt burdens are not borne evenly across students. For example, the University of California consistently reports that lower income students are far more likely than those with higher incomes to graduate with debt.²⁵ Similarly, states may find certain groups of borrowers, including students who do not graduate or those attending particular colleges or programs, struggle to repay their debt more than others. Uncovering these trends will help state policymakers develop and target appropriate solutions.

FEDERAL POLICY RECOMMENDATIONS TO REDUCE THE BURDEN OF STUDENT DEBT

For students who need to borrow to enroll in and complete college, federal student loans are the safest and most affordable option. Yet rising borrowing levels raise serious concerns, both for individuals and the broader economy. A record high 8.1 million federal student loan borrowers are mired in default, which carries long-lasting, devastating financial consequences. For students not in default, high student loan debt, risky private loans, and even low debt, when paired with low earnings, can hold borrowers back from starting a family, buying a home, saving for retirement, starting a business, or saving for their own children's education.

Below are federal policy recommendations to reduce the burden of student debt by making borrowing less necessary; keeping payments manageable for those with loans; helping students and families make informed choices about college and borrowing; holding colleges more accountable for student outcomes; and reducing reliance on risky private loans. These and other recommendations are detailed in our national student debt policy agenda, available online at ticas.org/initiative/student-debt-policy-agenda.

Rising borrowing levels raise serious concerns, both for individuals and the broader economy.

REDUCE THE NEED TO BORROW

The most effective way to reduce student debt is to reduce college costs, so that students and their families can more easily cover them with available savings, earnings, and grants.

- **Increase Pell Grants.** We recommend doubling the maximum federal Pell Grant to restore its purchasing power, and indexing it to inflation to maintain its value going forward. Need-based grants reduce low- and moderate-income students' need for loans, yet the Pell Grant currently covers the lowest share of the cost of college in more than 40 years.²⁶
- **Promote State Investment.** We recommend making a significant new federal investment contingent on states' investing in public higher education. About three-quarters (76%) of undergraduates attend public colleges,²⁷ where, even after significant recovery, average state funding per student remains 18 percent lower than before the recession.²⁸ Congress should create a new federal/state partnership aimed at maintaining or lowering the net price of public college for low- and moderate-income students. By including a strong maintenance of effort provision, Congress can ensure that new federal dollars sent to states do not supplant state and other forms of higher education funding and financial aid. A number of recent proposals for "debt-free" or "free" college provide models for such a partnership.²⁹

HELP KEEP LOAN PAYMENTS MANAGEABLE

There are now several income-driven repayment plans for federal student loans.³⁰ These plans cap monthly payments based on the borrower's income and family size, and provide a light at the end of the tunnel by discharging remaining debt—if any—after 20 or 25 years of payments, depending on the plan. Streamlining and improving these repayment plans will help borrowers keep their loan payments manageable and avoid delinquency and default.

- **Simplify and Improve Income-Driven Repayment.** We recommend streamlining multiple income-driven plans into a single, improved plan. It would let any borrower choose the assurance of payments capped at 10 percent of income and forgiveness after 20 years of payments, while better targeting benefits to those who need them most.³¹

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- **Make it Easier for Borrowers to Keep Making Payments Based on Income.** Rather than having to proactively submit new income information every year or get bumped to a non-income-based payment, borrowers should be able to give permission for the Department of Education (the Department) to automatically access their required tax information. There is bipartisan support for this approach, which was available to borrowers until a few years ago.³²
 - **Improve Student Loan Servicing.** Many struggling federal student loan borrowers who would benefit from income-driven plans are not yet enrolled, and the Department's own data show that the majority of enrolled borrowers missed their annual income recertification deadline.³³ This raises serious questions about the effectiveness of communications from federal loan servicers. Experimental pilots conducted by the Department have helped identify ways that servicer communications can be improved.³⁴ We urge the adoption of consistent, enforceable servicing standards for all student loans, as jointly recommended by the Consumer Financial Protection Bureau and Departments of Education and Treasury.³⁵ We also strongly support prompt implementation of the Education Department's July 2016 policy direction on the servicing of all federal student loans to create a more transparent and accountable system that provides high-quality servicing and promotes continuous improvement.³⁶

HELP STUDENTS AND FAMILIES MAKE INFORMED CHOICES

To make wise decisions about where to go to college and how to pay for it, students and families need clear, timely, accurate, and comparable information about costs, financial aid, and typical outcomes. This year's move to simplify the aid application process by using the tax data available when students typically apply to college is a big step forward.³⁷ This change, which we have long called for, now enables students to complete the FAFSA earlier and more easily, and to find out how much federal aid they are eligible for *before* they have to decide where to apply. The Department's College Scorecard also highlights new data on individual colleges' costs and student outcomes.³⁸ However, key data on student debt are still not available, and it is still too difficult for students and parents to get comparable estimates of how much colleges may cost them or compare aid offers from different colleges.

- **Better Data.** Better data on student loan debt are still urgently needed. For example, the total debt at graduation – including both federal and private loans – is still not available for every college, nor is the debt for each type of credential offered by a given school. We recommend that the Department immediately collect these data from colleges via the Integrated Postsecondary Education Data System (IPEDS).
- **Consumer Information.** With easy-to-understand, comparable information, students and families could better identify colleges that provide the best value and fit. We recommend further improvements to and promotion of these consumer tools:
 - *College Scorecard:* The College Scorecard is an interactive online tool intended to help consumers quickly and easily understand the chances of completing, borrowing, or ending up with high debt at any particular school. However, some of the Scorecard's information about student debt, while improved, remains insufficient. Cumulative debt figures should be disaggregated by type of credential completed, and allow for state-level figures to be calculated and compared. Cumulative debt figures should also include *both* federal and private loan debt as soon as they are collected and available.

- *Net Price Calculators:* Nearly all colleges are required to have a net price calculator on their website to provide an individualized estimate of how much the college would cost a particular student well before he or she has to decide where to apply. Our research has found that many of these calculators are hard to find, use, and compare.³⁹ Bipartisan legislation has been introduced to address these issues, including authorizing the creation of a central portal that would let students quickly and easily get comparable net price estimates for multiple colleges at once.⁴⁰
- *Shopping Sheet:* The Shopping Sheet is a voluntary standard format for college financial aid offers, designed to make it easy for students to understand and compare the real cost of attending the colleges where they have been accepted. More than 3,000 colleges now use the Shopping Sheet, but most schools still do not use it at all or use it only for some students.⁴¹ Students should be able to count on clear and comparable financial aid offers no matter where they apply. Bipartisan legislation has been introduced to require all colleges receiving federal aid to use a similar standardized award letter format.⁴²
- *Loan Counseling:* By law, all federal student loan borrowers are required to receive entrance and exit counseling. The Department's current online counseling, used by thousands of colleges, should more effectively deliver information to help students make well-informed borrowing decisions, complete college, and repay their loans. We support the Department's commitment to rigorously test annual loan counseling through the experimental sites program. We also encourage the Department to continue to evaluate and improve its online tools, including better integrating income-driven repayment plan options in exit counseling.

STRENGTHEN COLLEGE ACCOUNTABILITY

While students are held accountable for studying and making progress toward a credential, there are few consequences for schools that fail to graduate large shares of students or consistently leave students with debts they cannot repay. We support more closely tying a college's eligibility for federal funding to the risk students take by enrolling and the risk taxpayers take by subsidizing it, and rewarding schools that serve students well.⁴³

- **Risk Sharing and Rewards.** Replace today's all-or-nothing school eligibility for federal aid with a graduated system that provides schools with greater incentive to improve student outcomes and rewards schools that serve low-income students well.
- **Enforce Policies that Complement Risk Sharing.** A risk-sharing system should be seen as one component of college accountability, supplementing other federal accountability measures that serve different purposes, such as the gainful employment regulation.⁴⁴
- **End Eligibility for the Worst Performers.** Establish a threshold below which performance is unacceptable and results in the school losing eligibility for federal aid (as is done currently using cohort default rates).

REDUCE RISKY PRIVATE LOAN BORROWING

Private education loans are one of the worst ways to pay for college. They are riskier than federal student loans because they typically have variable interest rates and lack the important borrower protections and repayment options that come with federal loans. Private loans for students are also generally more costly than federal loans, and lower income students usually receive the worst private loan rates and terms.⁴⁵ Yet almost half of undergraduates who borrow private loans could have borrowed more in safer federal loans.⁴⁶

- **Protect private student loan borrowers.** We recommend a number of changes to reduce unnecessary reliance on private loans and enhance protections for private loan borrowers, including requiring school certification of private loans, restoring fair bankruptcy treatment for private loan borrowers, and encouraging community colleges to participate in the federal loan program. For example, California now requires colleges to clearly indicate if they do not offer federal loans, disclose the average federal and private loan debt of their graduates, and inform students of any untapped federal aid eligibility before certifying any private loan.⁴⁷ Recently introduced federal legislation would require school certification of private loans and other consumer protections.⁴⁸

METHODOLOGY: WHERE THE NUMBERS COME FROM AND HOW WE USE THEM

Several organizations conduct annual surveys of colleges that include questions about student loan debt, including *U.S. News & World Report*, Peterson's (publisher of its own college guides), and the College Board. To make the process easier for colleges, these organizations use questions from a shared survey instrument, called the Common Data Set. Despite the name "Common Data Set," there is no actual repository or "set" of data. Each surveyor conducts, follows up, and reviews the results of its own survey independently. For this analysis, we licensed and used the data from Peterson's.⁴⁹ The college-level student debt data in this report include all revisions submitted to Peterson's through September 26, 2016.

This section of the Common Data Set 2015-2016 was used to collect student debt data for the Class of 2015:

Note: These are the graduates and loan types to include and exclude in order to fill out CDS H4 and H5.

Include:

- * 2015 undergraduate class: all students who started at your institution as first-time students and received a bachelor's degree between July 1, 2014 and June 30, 2015.
- * only loans made to students who borrowed while enrolled at your institution.
- * co-signed loans.

Exclude:

- * students who transferred in.
- * money borrowed at other institutions.
- * parent loans.
- * students who did not graduate or who graduated with another degree or certificate (but no bachelor's degree).

H4. Provide the number of students in the 2015 undergraduate class who started at your institution as first-time students and received a bachelor's degree between July 1, 2014 and June 30, 2015. Exclude students who transferred into your institution. _____

H5. Number and percent of students in class (defined in H4 above) borrowing from federal, nonfederal, and any loan sources, and the average (or mean) amount borrowed.

	Number in the class (defined in H4 above) who borrowed	Percent of the class (defined above) who borrowed (nearest 1%)	Average per-undergradu- ate-borrower cumulative principal borrowed, of those in the first column (nearest \$1)
a) Any loan program: Federal Perkins, Federal Stafford Subsidized and Unsubsidized, institutional, state, private loans that your institution is aware of, etc. Include both Federal Direct Student Loans and Federal Family Education Loans.		%	\$
b) Federal loan programs: Federal Perkins, Federal Stafford Subsidized and Unsubsidized. Include both Federal Direct Student Loans and Federal Family Education Loans.		%	\$
c) Institutional loan programs.		%	\$
d) State loan programs.		%	\$
e) Private alternative loans made by a bank or lender.		%	\$

We calculated per capita overall debt — the average debt across all graduates whether they borrowed or not — by multiplying the percent with debt by the average debt; per capita federal debt by multiplying the percent with federal debt by the average federal debt; and per capita nonfederal debt by subtracting per capita federal debt from per capita debt. The proportion of debt that is nonfederal is calculated as the per capita nonfederal debt divided by the per capita debt.

Except where otherwise noted, in this report the term “colleges” refers to public four-year and nonprofit four-year institutions of higher education that granted bachelor’s degrees during the 2014-15 year and are located in the 50 states plus the District of Columbia.

ESTIMATING NATIONAL AVERAGES

The most comprehensive and reliable source of financial aid data at the national level, the National Postsecondary Student Aid Study (NPSAS), consistently shows higher student debt than national estimates derived from data that some colleges voluntarily report to Peterson’s. For example, the most recent NPSAS showed average debt for the Class of 2012 that exceeded the average based on Peterson’s data for the same year by about \$1,950.⁵⁰ NPSAS is only conducted by the U.S. Department of Education every four years, does not provide representative data for all states, and provides no data for individual colleges. Therefore, in years when NPSAS is not conducted, we estimate the national average student debt upon graduation by using the change in the national average from Peterson’s to update the most recent NPSAS figure.

The college-level data from Peterson’s show an increase in average debt of eight percent between borrowers in the Class of 2012 and the Class of 2015, from \$25,900 to \$27,950. NPSAS data show that bachelor’s degree recipients at public and nonprofit four-year colleges who graduated with loans in the Class of 2012 had an average of \$27,850 in debt. Applying an eight percent increase to \$27,850, we estimate that the actual student debt for the Class of 2015 is \$30,100.

NPSAS data also show that about two-thirds (68%) of bachelor’s degree recipients at public and nonprofit four-year colleges graduated with loans in the Class of 2012. The college-level data from Peterson’s show the percentage of bachelor’s degree recipients graduating with loans to be the same in the Class of 2012 and the Class of 2015 (60%). Therefore, we estimate that almost seven in ten graduates (68%) of the Class of 2015 graduated with loans.

NPSAS data show that 21 percent of student debt at graduation for the Class of 2012 consisted of nonfederal loans. The college-level data from Peterson’s show the share of student debt from nonfederal loans decreased by two percentage points between Class of 2012 and Class of 2015, from 18 percent to 16 percent (or 11%). Applying this 11 percent decrease in the share of debt from nonfederal loans to 21 percent, we estimate that 19 percent of the student debt at graduation for Class of 2015 consisted of nonfederal loans.

DATA LIMITATIONS

There are several reasons why CDS data (such as the college-level data from Peterson's) provide an incomplete picture of the debt levels of graduating seniors. Although the CDS questions ask colleges to report cumulative debt from both federal and private loans, colleges may not be aware of all the private loans their students carry. The CDS questions also instruct colleges to exclude transfer students and the debt those students carried in. In addition, because the survey is voluntary and not audited, colleges may actually have a disincentive for honest and full reporting. Colleges that accurately calculate and report each year's debt figures rightfully complain that other colleges may have students with higher average debt but fail to update their figures, under-report actual debt levels, or never report figures at all. Additionally, very few for-profit colleges report debt data through CDS, and national data show that borrowing levels at for-profit colleges are, on average, much higher than borrowing levels at other types of colleges. See page 2 for more about for-profit colleges.

Despite the limitations of the CDS data, they are the only data available that show average cumulative student debt levels for bachelor's degree recipients, including both federal and private loans, every year and at the college level. While far from perfect, CDS data are still useful for illustrating the variations in student debt across states and colleges.

WHAT DATA ARE INCLUDED IN THE STATE AVERAGES?

Our state-level figures are based on the 1,116 colleges that reported both the percentage of graduating students with loans and their average debt for the Class of 2015, and reported that they awarded bachelor's degrees for the Class of 2015 in the Integrated Postsecondary Education Data System (IPEDS), a set of federal surveys on higher education.⁵¹ These colleges represent 56 percent of all public and nonprofit four-year colleges that granted bachelor's degrees and 82 percent of all bachelor's degree recipients in these sectors in 2014-15.⁵² Nonprofit colleges compose 61 percent of the colleges with usable data, similar to the share they make up of public and nonprofit four-year bachelor's degree-granting colleges combined (67%).

The college-level debt figures used to calculate state averages are estimates, which, as noted above, are reported voluntarily by college officials and are not audited. For their data to be considered usable for calculating state averages, colleges had to report both the percentage of graduating students with loans and their average debt, and report that they awarded bachelor's degrees during the 2014-15 year. We did not calculate state averages when the usable cases with student debt data covered less than 30 percent of bachelor's degree recipients in the Class of 2015 or when the underlying data for that state showed a change of 30 percent or more in average debt from the previous year. Such large year-to-year swings likely reflect different institutions reporting each year, reporting errors, or changes in methodology by institutions reporting the data, rather than actual changes in debt levels. We weight the state averages according to the size of the graduating class (number of bachelor's degree recipients during the 2014-15 year) and the proportion of graduating seniors with debt.

The state averages and rankings in this report are not directly comparable to averages in previous years' reports due to changes in which colleges in each state report data each year, revisions to the underlying data submitted by colleges, and changes in methodology.

ENDNOTES

¹ Unless otherwise noted, only colleges that reported both average debt and percent with debt for the Class of 2015 and had at least 100 bachelor's degree recipients in 2014-15 are included in the data about student debt at colleges in this report. Among the 1,537 colleges with at least 100 bachelor's degree recipients in 2014-15, 1,055 (or 69%) reported both average debt and percent with debt for the Class of 2015. Revisions to the student debt data reported by colleges to Peterson's and received by TICAS by September 26, 2016 are reflected in these data.

² The state averages and rankings in this report are not directly comparable to those in previous years' reports due to changes in which colleges in each state report data each year, revisions to the underlying data submitted by colleges, and changes in methodology.

³ These regions are as defined in: U.S. Census Bureau. *Census regions and divisions with State FIPS Codes*. http://www2.census.gov/geo/pdfs/maps-data/maps/reference/us_regdiv.pdf. Accessed October 11, 2016.

⁴ See *What Data are Included in the State Averages?* on page 17.

⁵ U.S. Department of Education. 2016. *Data Documentation for College Scorecard (Version: September 2016)*. <https://collegescorecard.ed.gov/assets/FULLDataDocumentation.pdf>. Accessed October 7, 2016.

⁶ For more on the difficulties borrowers face in repaying private loans, see: Consumer Financial Protection Bureau. 2015. *Annual Report of the CFPB Student Loan Ombudsman*. <http://bit.ly/1joybQi>.

⁷ Note that the data used here and throughout this report include only student loans and do not include federal Parent PLUS loans, which parents of dependent undergraduates can use to cover any college costs not already covered by other aid.

⁸ Calculations by TICAS on data from the U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS) 2012. These are the most recent data available that show the share of graduates with private loans and the average private loan debt of those who have such debt.

⁹ Ibid.

¹⁰ For example, Wells Fargo advertised fixed rates up to 13.74% for the Wells Fargo Student Loan for Career and Community Colleges: <https://wefcs.wellsfargo.com/terms/TodaysRates>. Accessed October 12, 2016.

¹¹ Calculations by TICAS on data from the U.S. Department of Education, NPSAS 2012. The term "private loans" is defined here to mean bank and lender-originated loans only.

¹² TICAS. 2011. *Critical Choices: How Colleges Can Help Students and Families Make Better Decisions about Private Loans*. <http://ticas.org/content/pub/critical-choices>.

¹³ Measure One. 2016. *Private Student Loan Report Q1 2016*. <http://measureone.com/reports>.

¹⁴ Consumer Financial Protection Bureau and U.S. Department of Education. 2012. *Private Student Loans*. http://files.consumerfinance.gov/f/201207_cfpb_Reports_Private-Student-Loans.pdf. "Private loans" refer here to nonfederal

loans from banks and lenders made to undergraduates only.

¹⁵ New Jersey Higher Education Student Assistance Authority. 2015. *Are You Prepared for the Unthinkable?* <https://www.documentcloud.org/documents/2858333-lifelnsurance-WIP-1.html>.

¹⁶ See: O'Dea, Colleen. August 9, 2016. "Senators Unload on State Student Loan Agency, Outraged by Its Policies." *NJ Spotlight*. <http://bit.ly/2b3iNs0>. Waldman, Annie. August 8, 2016. "Legislators Take Aim at New Jersey Student Loan Program's Tough Tactics." *The New York Times*. <http://nyti.ms/2byCnL5>.

¹⁷ New Jersey Higher Education Student Assistance Authority. 2016. *Fall 2016/Spring 2017 New Lower Rates Arrive June 1st 2016*. <http://www.hesaa.org/Documents/NJCLASSInterestRates.pdf>.

¹⁸ Stutz, Terrence. March 10, 2012. "Report: Texas student loan program plagued by defaults and unused funding." *Dallas News*. <http://bit.ly/2dlOxsl>.

¹⁹ Texas Higher Education Coordinating Board. *College Access Loan (CAL) Program*. <http://www.hhloans.com/index.cfm?objectid=21A41908-C7D3-A868-66FB91774CF078CB>. Accessed October 12, 2016.

²⁰ Minnesota Office of Higher Education. *Federal Benefits You Could Lose by Refinancing*. http://www.selfrefi.state.mn.us/refi_fed_benefit_implications.pdf. Accessed October 12, 2016.

²¹ National Association of State Student Grant and Aid Programs (NASSGAP). 2016. *46th Annual Survey Report on State-Sponsored Student Financial Aid: 2014-15 Academic Year*. http://www.nassgap.org/survey/NASSGAP_Report_14-15_final.pdf.

²² California Assembly Bill No. 721 (2015-16 reg. session). https://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB721.

²³ Darolia, Rajeev. 2016. *An Experiment on Information Use in College Student Loan Decisions*. Federal Reserve Bank of Philadelphia Working Paper No. 16-18. <http://bit.ly/2dWY15N>.

²⁴ Pennsylvania Department of Revenue. 2014. *Pennsylvania Personal Income Tax Guide*. <http://bit.ly/2eaP3bu>.

²⁵ University of California. 2016. *Annual Accountability Report 2016*. Indicator 2.5.3: Student loan debt burden of graduating seniors by parent income, Universitywide, 1999-2000 to 2014-15. <http://accountability.universityofcalifornia.edu/2016/chapters/chapter-2.html#2.5.3>.

²⁶ College costs are defined here as average total in-state tuition, fees, room, and board costs at public four-year colleges. Calculations by TICAS on data from the College Board, 2015, Trends in College Pricing 2015, Table 2, <http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf> and U.S. Department of Education data on the maximum Pell Grant.

²⁷ Calculations by TICAS on 12-month enrollment data for 2013-14 from U.S. Department of Education, Integrated Postsecondary Education System.

²⁸ Center on Budget and Policy Priorities. 2016. *Funding Down, Tuition Up: State Cuts to Higher Education Threaten Quality and Affordability at Public College*.

<http://www.cbpp.org/research/state-budget-and-tax/funding-down-tuition-up>. Accessed September 20, 2016.

²⁹ For example, see TICAS. 2015. *New Federal Legislation Tackles State Disinvestment in Public Colleges*. <http://ticas.org/blog/new-federal-legislation-tackles-state-disinvestment-public-colleges>.

³⁰ See: TICAS. 2015. *Summary of Income-Driven Repayment Plans* at <http://bit.ly/2cwFkOg>.

³¹ See: TICAS. 2013. *Helping Students Make Wise Borrowing Choices and Repay Federal Student Loans*. <http://bit.ly/1FL7yrr>.

³² On October 1, 2015, a bipartisan group of 32 lawmakers urged the Departments of Education and Treasury to automate the annual income recertification process for income-driven plans. See: <http://bit.ly/2cU8zsF>. And in September 2016 a bipartisan bill was introduced that would require the two agencies to automate the process. US Representatives Suzanne Bonamici and Ryan Costello. September 8, 2016. Press release. *Bonomici, Costello Introduce Bill to Reduce Student Loan Defaults*. <https://bonamici.house.gov/press-release/bonomici-costello-introduce-bill-reduce-student-loan-defaults>.

³³ U.S. Department of Education. *Sample Data on IDR Recertification Rates for ED-Held Loans*. Shared at a negotiated rulemaking session on April 1, 2015. <http://www2.ed.gov/policy/highered/reg/hearulemaking/2015/paye2-recertification.xls>.

³⁴ For more information, see The White House. September 15, 2016. *Social and Behavioral Sciences Team 2016 Annual Report*. <http://bit.ly/2cU2M86>.

³⁵ U.S. Department of the Treasury, U.S. Department of Education, Consumer Financial Protection Bureau. September 29, 2015. *Joint Statement of Principles on Student Loan Servicing*. <http://bit.ly/1QJXUwz>.

³⁶ U.S. Department of Education. July 20, 2016. *Policy Direction on Federal Student Loan Servicing*. <http://www2.ed.gov/documents/press-releases/loan-servicing-policy-memo.pdf>.

³⁷ For more information, see the U.S. Department of Education. 2016. *Making College More Affordable for More Americans & Improving College Choice*. <http://bit.ly/2deW7Fp>. Accessed October 7, 2016.

³⁸ For more information, see: U.S. Department of Education. 2016. *College Scorecard*. <https://collegescorecard.ed.gov/>. Accessed September 14, 2016.

³⁹ TICAS. 2012. *Adding It All Up 2012: Are College Net Price Calculators Easy to Find, Use, and Compare?* http://www.ticas.org/pub_view.php?id=859.

⁴⁰ Senators Chuck Grassley and Al Franken. October 7, 2015. Press release. *Grassley, Franken Re-introduce Bipartisan Bills to Help Students Understand Cost of College, Make Cost Comparisons Easier*. <http://bit.ly/1R9zWVv>.

⁴¹ For more information, see U.S. Department of Education. *Financial Aid Shopping Sheet*. <http://www2.ed.gov/policy/highered/guid/aid-offer/index.html>. As of August 24, 2016, 3,244 schools were using the Shopping Sheet, 44% of which used it only for students who are veterans. See *Institutions that have adopted the Shopping Sheet*. <http://bit.ly/2cwEFf9>, accessed September 21, 2016. Just 25% of all active Title IV institutions in 2015-2016 used the shopping sheet

for all their students.

⁴² Senators Al Franken and Chuck Grassley. October 7, 2015. Press release. *Bills Would Improve College Cost Calculation Tools, Make Financial Aid Information Standardized*. <http://bit.ly/2cUcOGt>.

⁴³ For more information, see TICAS' Risk Sharing and Rewards Publications and Resources page: <http://ticas.org/risk-sharing-and-rewards-publications-and-resources>.

⁴⁴ For more information on the gainful employment regulation, see <http://bit.ly/2cuMkIM>, and on proposals to strengthen oversight of career education programs through stronger enforcement and rules, see <http://ProtectStudentsandTaxpayers.org>.

⁴⁵ See: TICAS. *Private Student Loans Publications and Resources*. <http://ticas.org/content/posd/private-loan-publications-and-resources>.

⁴⁶ TICAS. 2016. *Private Loans: Facts and Trends*. http://www.ticas.org/files/pub/private_loan_facts_trends.pdf.

⁴⁷ California Assembly Bill No. 721 (2015-16 reg. session). Chaptered October 8, 2015. http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201520160AB721.

⁴⁸ US Senators Dick Durbin, Jack Reed and Al Franken. September 16, 2016. Press release. *As Student Loan Debt Tops \$1 Trillion, Senators Pushes For Improved Protections For Student Borrowers*. <http://bit.ly/2cQQ3D9>.

⁴⁹ Peterson's Undergraduate Financial Aid and Undergraduate Databases, copyright 2016 Peterson's, a Nelnet company. All rights reserved.

⁵⁰ Calculations by TICAS on data from Peterson's and from U.S. Department of Education, National Postsecondary Student Aid Study (NPSAS), <http://nces.ed.gov/surveys/npsas/>, accessed October 17, 2014. NPSAS uses multiple sources (student-level data obtained by colleges, the National Student Loan Data System, and student surveys), allowing it to better account for all types of loans and avoid errors. The survey is also based on a representative sample of all college students and includes transfer students. NPSAS 2012 did not provide representative samples for any states. In previous years, NPSAS provided representative samples for a handful of states.

⁵¹ See: U.S. Department of Education. Integrated Postsecondary Education System (IPEDS). <http://nces.ed.gov/ipeds/>. Reflects latest available data as of September 30, 2016.

⁵² Out of the 2,381 public four-year and nonprofit four-year colleges in the federal Integrated Postsecondary Education Data System (IPEDS) for 2014-15, 2,010 granted bachelor's degrees during the 2014-15 year, with 1,763,943 bachelor's degree recipients in the Class of 2015. Of these 2,010 colleges, 1,116 colleges are included in our state averages, with a total of 1,442,018 bachelor's degree recipients in the Class of 2015. The remaining 894 colleges could not be matched to a specific entry in the Peterson's dataset, did not respond to the most recent Peterson's Undergraduate Financial Aid survey, or responded to the survey, but did not report figures for both the percentage of graduating students with loans and their average debt for the Class of 2015.

the institute for
college
access & success

405 14th Street, Suite 1100
Oakland, CA 94612
510.318.7900

1111 16th Street, NW Suite 310
Washington, D.C. 20036
202.223.6060

info@ticas.org
www.ticas.org

**THE PROJECT ON
STUDENT DEBT**



The Debt Divide

The Racial and Class Bias Behind the
“New Normal” of Student Borrowing

MARK HUELSMAN

About Demos

Demos is a public policy organization working for an America where we all have an equal say in our democracy and an equal chance in our economy.

Our name means “the people.” It is the root word of democracy, and it reminds us that in America, the true source of our greatness is the diversity of our people. Our nation’s highest challenge is to create a democracy that truly empowers people of all backgrounds, so that we all have a say in setting the policies that shape opportunity and provide for our common future. To help America meet that challenge, Demos is working to reduce both political and economic inequality, deploying original research, advocacy, litigation, and strategic communications to create the America the people deserve.

This publication was funded in part by the Kresge Foundation

demos.org

220 Fifth Avenue, 2nd Fl.
New York, NY 10001

Media Contact

EGRAY@DEMOS.ORG
212.633.1405 EXT. 551

TABLE OF CONTENTS

Key Finding	1
Introduction	4
The Inequality of Student Debt, by Race and Class	7
High Debt, No Diploma	14
Student Loans Cast a Post-College Shadow	18
Why Has This Happened? The Driving Factor Behind Rising Undergraduate Loan Debt	20
The Lifelong Advantage of Attending College Debt-Free	24
Conclusion and Policy Recommendations	26
Endnotes	29

KEY FINDINGS

Today, taking out loans is the primary way individuals pay for college—a major shift in how our nation provides access to higher education. While concerns about the growth in college costs and student debt are nearly universal, much of this concern focuses on how college debt is impacting the economic well-being of college graduates and our overall economy. What has been less understood, or examined, is how this shift to a debt-based system impacts our nation’s historical commitment to ensuring everyone—regardless of race or class—can afford to go to college. We need to understand whether or not the “new normal” of debt-financed college is having an impact on our ability to make good on that fundamental promise.

This report, *The Debt Divide*, provides a comprehensive look at how the “new normal” of debt-financed college impacts the whole pipeline of decision-making related to college. This includes, whether to attend college at all, what type college to attend and whether to complete a degree, all the way to a host of choices about what to do for a living, and whether to save for retirement or buy a home. In an America where Black and Latino households have just a fraction of the wealth of white households, where communities of color have for decades been shut out of traditional ladders of economic opportunity, a system based entirely on acquiring debt to get ahead may have very different impacts on some communities over others.

Our analysis, using data from three U.S. Department of Education surveys, the Federal Reserve’s 2013 Survey of Consumer Finances, and existing academic literature, reveals a system that is deeply biased along class and racial lines. Our debt-financed system not only results in higher loan balances for low-income, Black and Latino students, but also results in high numbers of low-income students and students of color dropping out without receiving a credential. In addition, our debt-based system may be fundamentally impacting the post-college lives of those who are forced to take on debt to attend and complete college. Our findings include:

- **Black and low-income students borrow more, and more often, to receive a bachelor's degree, even at public institutions.** A full 84 percent of graduates who received Pell Grants graduate with debt, compared to less than half (46%) of non-Pell recipients. While less than two-thirds (63%) of white graduates from public schools borrow, four-in-five (81%) of Black graduates do so. Latino graduates borrow at similar rates and slightly lower amounts than white students.
- **Associate's degree borrowing has spiked particularly among Black students over the past decade.** At public institutions, well over half (57%) of Black associate's degree recipients borrow (compared to 43% of white students), and borrow nearly \$2,000 more than white students. A decade ago, 38% of Black associate's degree recipients borrowed (compared to 32% of white students). In other words, a six-point gap in borrowing between white and Black associate's degree holders has turned into a 14-point gap.
- **Students at for-profit institutions face the highest debt burdens.** Associate's degree recipients at for-profit schools borrow almost the same amount (only \$956 less) than bachelor's degree recipients at public colleges.
- **Black and Latino students are dropping out with debt at higher rates than white students.** At all schools, nearly 4-in-10 (39%) of Black borrowers drop out of college, compared to 29% of white borrowers. Around the same number (38%) of low-income borrowers¹ drop out compared to less than a quarter of their higher-income peers. Nearly two-thirds of Black and Latino student borrowers at for-profit four-year schools drop out (65% and 67% respectively). Nearly half (47%) of Black student borrowers drop out with debt at for-profit 2-, and less-than-2-, year institutions.
- **Graduates with student loan debt report lower levels of job satisfaction when initially entering the workforce.** High debt borrowers report levels of satisfaction around 11 percentage points lower than those who graduated from college debt-free.

- **Average debt levels are beyond borrowing thresholds that are deemed by research to be “positive.”** Studies suggest that small amounts of debt—\$10,000 or below—have a positive impact on college persistence and graduation, but amounts above that may have a negative impact. Unfortunately, average debt levels for both associate’s and bachelor’s recipients are now well beyond the “beneficial” threshold.
- **While those with a college degree are more likely to save or buy a home, student debt could be acting as a barrier.** At every level of education, households without student debt are more likely to own homes, have slightly lower interest rates on mortgages, and have retirement and liquid assets that are considerably larger than those households with student debt.

INTRODUCTION

In a gymnasium at Southwest Texas State Teachers College in 1965, President Lyndon Johnson remarked upon signing the Higher Education Act that “a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 States and not be turned away because his family is poor.”² The HEA, as it is known, created a system of grants for needy students, work opportunities for students, and interest-free loans as a backstop for students with unmet financial need. Rather than being seen as a partisan accomplishment of the Great Society, it was largely defended as a seminal piece of the American social contract. Rather than dismantling Johnson’s proud achievement, five years later, in 1970, Johnson’s successor Richard Nixon argued in a special address to Congress that “No qualified student who wants to go to college should be barred by lack of money. That has long been a great American goal; I propose that we achieve it now.”³

And so it went for a generation for aspiring college students, who could generally finance college from a combination of scholarships, part-time employment during the school year or summer, or family income. Student loans, while always nominally available, were reserved for middle-class families who used them as a cash-flow mechanism.

As more students entered college, however, our public officials began to renege on their promise to invest in the higher education system. States started cutting per-student funding at public institutions, and modest increases in grant aid were dwarfed by rising tuition. Meanwhile, working-class and middle-class incomes began to stagnate, leaving students with little recourse but to take on debt to reach their college dreams. With each successive reauthorization or rewrite of HEA, policymakers have done less to fulfill the public dreams of those who wrote it.

We have now entered a new phase where student borrowing is now the primary way young people pay for college. The heavy reliance on student loans has made the college-going process fundamentally different for some groups, notably Black and Latino students and students of modest means. And despite a growing body of research showing that need-based grant aid is the

most effective mechanism to induce enrollment and completion, our public policy has led students to rely far more on loans—the effectiveness of which is mixed at best and actually harmful at worst.

This shift places an unequal burden on communities that have historically been denied an opportunity to gain and leverage wealth. While higher-income, predominately white, households can hope to minimize borrowing by using tax-advantaged savings and investment accounts, home equity, and other mechanisms, low-income households by and large cannot use these tools. For our entire history, public policies—from redlining, to inequitable state and local tax formulas that fund K-12 education, to the decline of defined-benefit pensions—have denied communities of color the same opportunities to build wealth and gain the same foothold in the middle class that whites have enjoyed. And despite the death of *de jure* Jim Crow-era segregation, gaps in wealth between white and Black, and white and Latino, households have actually increased. Two decades ago, white households had median net worth seven times higher than Black households, and six times higher than Latino households. In the aftermath of the recession, whites held 13 times more wealth than Black households and ten times more wealth than Latino households.⁴ These households are far less likely to have accumulated the wealth necessary to save for college and avoid borrowing to pay for rising costs of attendance.

The result is a burden of debt that is fundamentally unequal; low-income, Black and Latino students almost universally must borrow to attain a degree, while white, middle- and upper-class students are far less likely to need to borrow. This can distort choices about whether and where to go to school, and contributes to persistent gaps in attainment.

Reliance on loan debt also makes the consequences of dropping out of college far direr. A generation ago, the only consequence a college dropout faced was the loss of future earnings that could have come with the degree. Now, dropouts face loss of earnings as well as a debt burden that must be paid off in short order. The link between student loan defaults and dropping out is strong. In fact, a recent analysis by the New America Foundation shows that nearly two-thirds of those who default on student loans have no degree.⁵

Finally, student loan debt does not stop at the water's edge—there is plenty of evidence that it can reduce lifetime wealth, affect important life decisions, and resonate long after a borrower is out of school. Analyses over the past few years from Demos⁶ and the New York Federal Reserve Bank⁷ have raised fresh concerns about the

broad economic impacts of our debt-for-diploma system.

This report, *The Debt Divide*, outlines what we know about undergraduate student debt, using data from three U.S. Department of Education surveys as well as the Federal Reserve's 2013 Survey of Consumer Finances, in addition to existing research on the topic. Where possible, we try to shine a light on students at public colleges and universities; after all, these institutions educate the vast majority of U.S. college students, and have a mission to remain affordable and maintain a student body that is representative of their state. What we find, unfortunately, is a system that not only overburdens low-income, Black and Latino students, but also may be fundamentally impacting the post-college lives of all students who are forced to take on debt to attend and complete college.

THE INEQUALITY OF STUDENT DEBT, BY RACE AND CLASS⁸

It is no secret that college costs have far outpaced inflation and growth in family income in recent decades, particularly (though not exclusively) at public institutions. Need-based grant aid, which is designed to defray costs for low-income students, has also dwindled as a percentage of college costs. It is disheartening but not surprising, then, that students who already have trouble financing school—namely, Black and Latino low-income students—have seen borrowing levels and amounts spike.

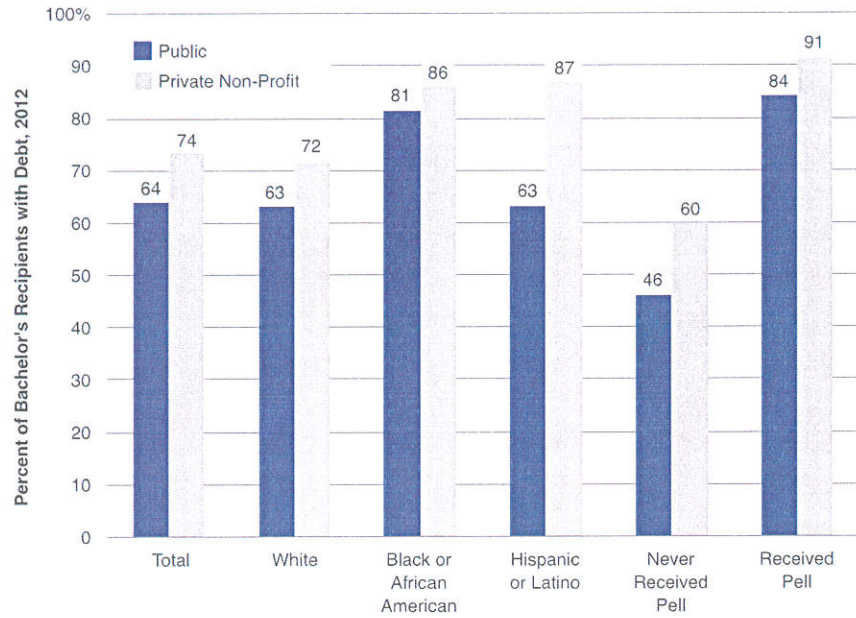
Indeed, low-income graduates (those who received a Pell Grant while in school) borrow at far higher rates—and in higher amounts—than their middle- and upper-income counterparts at both two- and four-year institutions, regardless of the type of institution attended, and despite receiving thousands of dollars in grant aid. Black students also borrow at much higher rates, and in higher amounts, to receive the same degrees as their white counterparts. Latino students borrow at higher percentages and in higher amounts than white students at private non-profit and for-profit institutions, but graduate with less debt on average than white and Black students at public institutions.

Borrowing for a Bachelor's

Perhaps surprisingly, the gap in borrowing between Pell and non-Pell recipients, and white and Black students, is most pronounced at public institutions. A full 84 percent of graduates who received Pell Grants graduate with debt, compared to less than half (46%) of non-Pell recipients. Overall, borrowing rates are higher among bachelor's recipients at private non-profit schools for every group, even though the gap may be smaller than one would think (see Figure 1).

In addition, Black bachelor's degree recipients are more likely to borrow than white students at any type of institution (including for-profit schools, discussed below). While less than two-thirds (63%) of white graduates from public schools borrow, four-fifths (81%) of Black graduates borrow. While private non-profit schools command more frequent borrowing among Black students, the gap in the percentage of Black and white students who borrow is higher at public institutions.

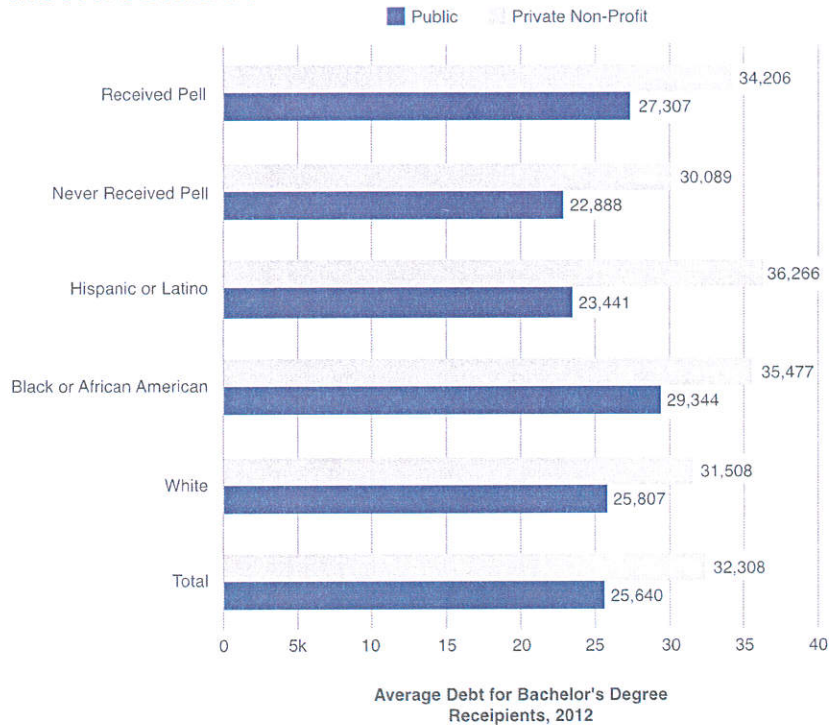
Figure 1. Black and Low-Income Students Are More Likely to Borrow for a Bachelor's



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Latino students, on the other hand, borrow at the exact same rate as white students (63%), and actually borrow an average of \$2,400 less than whites to receive degrees from public colleges and universities (see Figure 2). This could be attributable to many factors, including whites attending slightly more expensive public institutions, or cultural attitudes towards debt and risk. However, borrowing rates are far higher for Latino students at private non-profit schools, where 87% borrow. Average debt at private non-profits is actually higher for Latino students than for Black and white students.

Figure 2. Black and Low-Income Students Borrow More for a Bachelor's

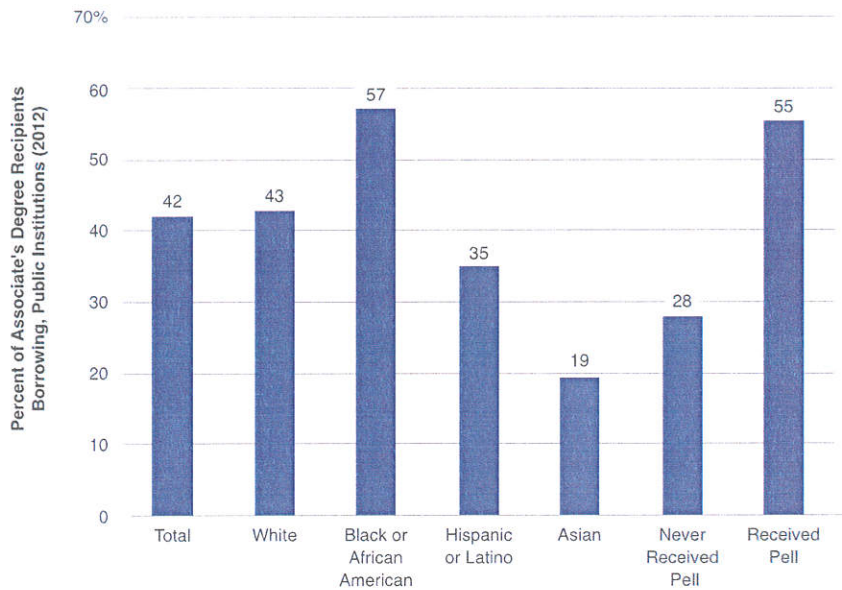


Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Debt Is Rising for Two-Year Degrees

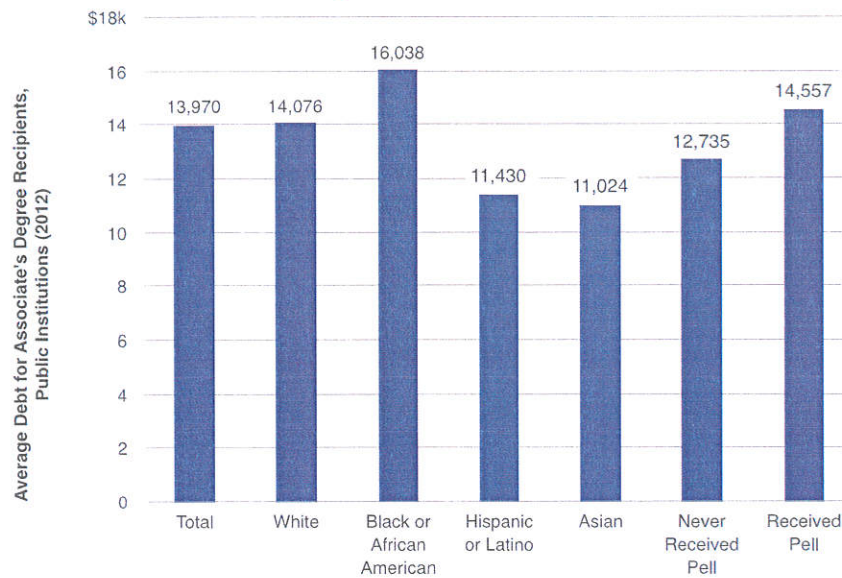
Many students consider an associate's degree as a low-cost, low-debt college option, either as a springboard for a bachelor's degree program or return to the workforce. Indeed, borrowing levels of *all* students at public 2-year schools are low (around 17%). But for those who are pursuing an associate's degree, borrowing rates are far higher. In fact, 4-in-10 associate's degree recipients at public institutions⁹ now must borrow in order to earn the credential (see Figure 3).¹⁰ Debt levels, while lower than those at four-year schools, average \$13,970 at public institutions (see Figure 4).¹¹

Figure 3. Black and Low-Income Students Are More Likely to Borrow for An Associate's Degree



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

Figure 4. Black and Low-Income Students Take on Higher Debt for an Associate's Degree

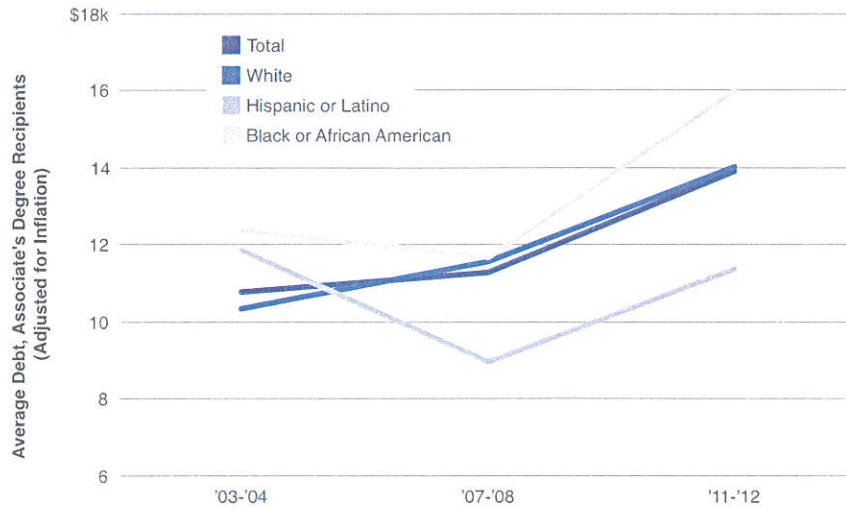


Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

These numbers have jumped over the past decade. The mid-2000s saw substantial increases in the percentage of students who borrowed for associate's degrees, which has held through today. In the midst of the recession, between 2008 and 2012, the percentage of borrowers increased slightly, but the average amount borrowed for an associate's degree ballooned. Adjusted for inflation, today's

associate's degree holders from public schools graduate with \$3,000 more in debt than they did in 2004, and over \$2,500 more than they did in 2008 (see Figure 5).

Figure 5. During the Great Recession, Average Debt Spiked for Associate's Degree Recipients



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

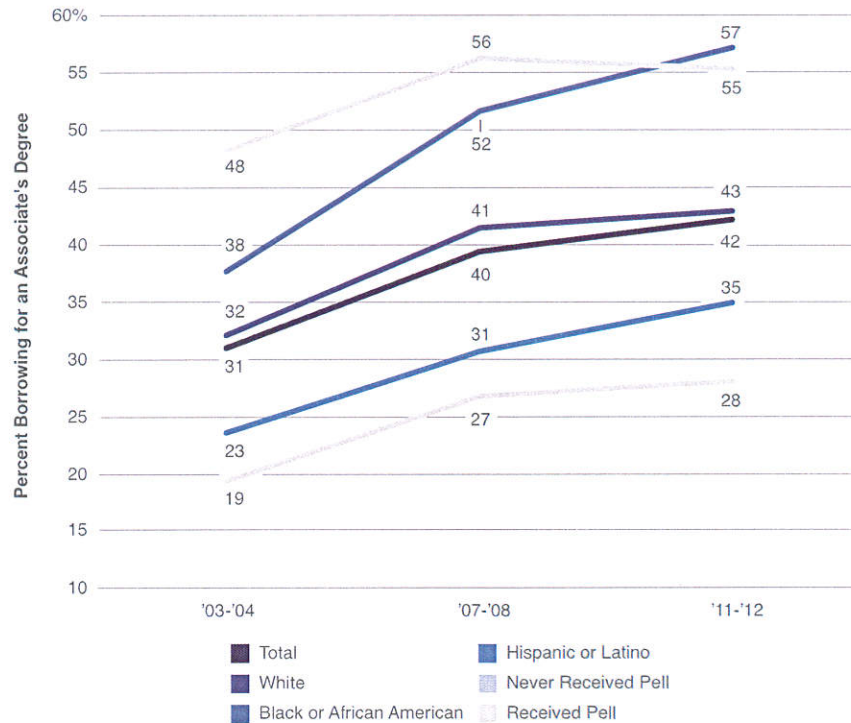
But, as with bachelor's recipients, these figures mask substantial differences by race and income.

In fact, 57 percent of Black associate's degree recipients borrow (compared to 43% of white students), and borrow nearly \$2,000 more than white students. Black students also saw the largest spike in borrowing between the 2003-04 and the 2011-12 school years. A decade ago, 38 percent of Black associate's degree recipients at public schools borrowed (compared to 32% of white students). In other words, a six-point gap in borrowing between white and Black associate's degree holders has turned into a 14-point gap. On the other hand, only a third (35%) of Latino associate's degree holders borrow to earn an associate's, though that number is up from less than a quarter (23%) in 2003-04 (see Figure 6).

Additionally, despite the fact that the maximum Pell Grant often covers tuition and fees for associate's degree programs at public schools, well over half (55%) of associate's degree recipients who received Pell Grants graduated with debt. Pell recipients took on an average of over \$14,500, nearly \$2,000 more than those who never received the grant.

Perhaps more concerning, it seems that the fundamental transfer

Figure 6. Associate's Degree Borrowing Continues to Rise at Public Colleges



Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS:12).

mission of community colleges is being undercut. A 2012 study from TG indicates that bachelor's recipients who transferred from community colleges actually borrowed the same amount or more than students who started at public and private 4-year schools.¹² In other words, contrary to intuition, transferring from a community college did not lower the cost of a degree.

Near-Universal Borrowing at For-Profit Schools

While three-in-four students attend public colleges and universities, for-profit institutions educate less than ten percent of all undergraduates.¹³ And yet, for-profit schools command media and policy attention precisely because of the outsized impact they have on overall student borrowing. For-profit institutions also enroll disproportionate numbers of Black and Latino students. In fact, Black and Latino students make up fewer than one-third (29%) of all college students, but nearly half (45%) of all private for-profit students.¹⁴

While for-profit schools graduate the lowest percentage of their students than any sector, those who do graduate almost certainly take on debt. Eighty-six percent of white students, 89% of Latino students, and 90% of Black students borrow to receive a bachelor’s degree at for-profit institutions, with debt averaging around \$40,000 for each group. Ninety-six percent of Pell Grant recipients who graduate from for-profits incur debt (see Table 1).

Borrowing numbers are nearly identical at the associate’s degree level. As with bachelor’s degree programs, nearly all (94%) of associate’s degree holders at for-profit schools who received Pell Grants graduate with debt, averaging over \$25,000. Nearly all students of color borrow as well, including 93% of Black students and 92% of Latino students (compared to 85% of white students). Although Black students at for-profit schools borrow around the same amount as white students, Latino degree holders actually borrow over \$3,500 less than white students at for-profit schools.

To put for-profit borrowing in perspective—associate’s degree recipients at for-profit schools only borrow \$956 less than bachelor’s degree recipients at public schools. The high debt that degree recipients must endure at these schools is one reason that for-profit institutions have come under extra scrutiny from both the federal government and state attorneys general. Another reason for scrutiny is the share of students at these schools that do not make it to the finish line, as mentioned below.

Table 1. To Graduate at a For-Profit, Nearly Everyone Must Borrow, 2012

	Percent Borrowing for Bachelor's	Cumulative Debt, Bachelor's	Percent Borrowing for Associate's	Cumulative Debt, Associate's
Total	87%	\$40,038	88%	\$24,684
White	86%	\$40,265	85%	\$25,580
Black or African American	90%	\$39,695	93%	\$25,941
Hispanic or Latino	89%	\$39,583	92%	\$21,970
Never Received Pell	63%	\$37,797	67%	\$21,389
Received Pell	96%	\$40,576	94%	\$25,339

Source: Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS-12).

HIGH DEBT, NO DIPLOMA¹⁵

In some ways, the student borrowers described above may be in the best shape of all. After all, despite rising debt burdens, borrowers with degrees at least have a credential that remains valuable in the labor market. Unemployment rates remain lower and earnings remain higher for college graduates relative to their less-educated peers, even if the rise in overall debt threatens to consume more and more of their income and savings over time.

For dropouts, however, the story is different. In fact, dropping out of college is consistently the biggest predictor of whether or not someone will default on a student loan, and financial obligations (either the cost or the need to work to financially support oneself while in school) is the largest reason cited for dropping out.^{16, 17} And Black and Latino students are substantially more likely to cite financial reasons for dropping out. Around 7-in-10 Blacks dropouts cite student debt as a primary reason for not completing school, compared to fewer than half of white students.¹⁸ Essentially, as borrowing has increased in tandem with the importance of a degree, the consequences of dropping out have never been higher, and the burden of student debt may be making Black and Latino students less likely to complete their degree.

In a way, student debt would be a less worrisome issue if all students who entered college were essentially guaranteed to receive that credential, and that their degree always provided a labor market boost. Unfortunately, neither of those are the case. In fact, only 56 percent of degree-seeking students complete college within six years.¹⁹ Numbers are far worse for students who dip below full-time enrollment; less than half (43.2%) of students who enroll part-time at any point end up graduating within six years.²⁰

In fact, evidence is mixed on whether student loans provide any positive impact on the ability to complete a degree. The research on the topic is complicated, since some consider student loans as financial aid while others do not. It's also difficult to separate the reasons for a student dropping out. After all, while many students cite financial difficulties as a reason for leaving school, it's unclear how much that interplays with academic preparation or other life obligations. Also, student loans could negatively impact graduation even when students do not rely on them. Among students with

substantial unmet financial need, those that choose not to take out student loans are far more likely to simply enroll part-time.²¹ In other words, students are stuck with a Catch-22: take on loans, or engage in behavior—part-time enrollment or full-time work—that decreases the likelihood that they will complete a degree.

The picture is also complicated by the fact that extremely modest amounts of loans could be useful in helping students make ends meet. Two different studies suggest that small amounts of debt—\$10,000 or below—have a positive impact on college persistence and graduation, but that amounts above that may actually have a negative impact on the ability to graduate.^{22, 23} This makes sense intuitively; loans may be useful to fill small gaps in need, but could become a burden when used as the primary financing tool. This is troubling, needless to say, when average debt levels for both associate's and bachelor's recipients are now well beyond the \$10,000 threshold suggested by the research. Other studies also find that loans may have a negative impact only on students of color or students with few family resources to buffer against the risk of borrowing.²⁴

It is telling, however, that the impact of grant aid on college persistence and completion is quite clear, while the impact of loans is far less so. Several studies suggest that grant aid positively impacts persistence²⁵ and completion²⁶ particularly for low-income students—the students who are forced to borrow far more today and graduate at much lower rates.

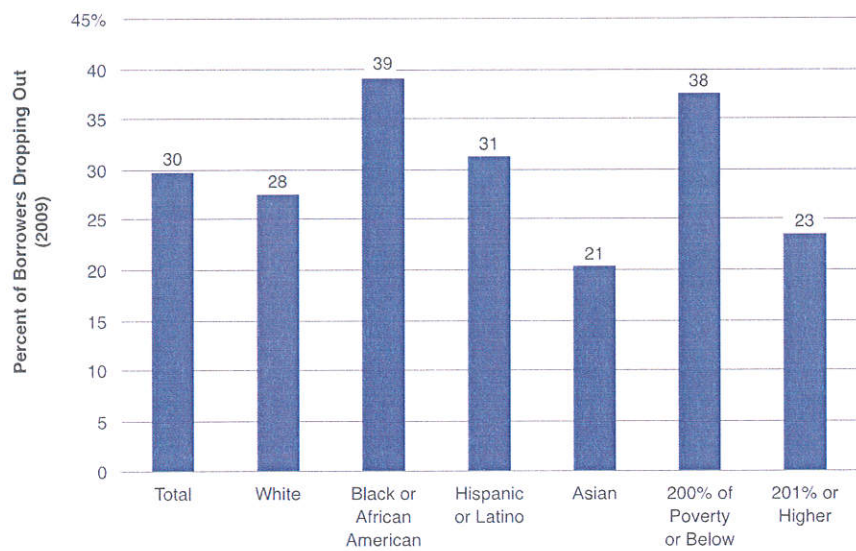
Indebted Dropouts Are More Likely to Be Low-Income, Black and Latino Students

The impact of student loan debt is more concerning when we examine the number of people who take on debt but do not graduate. Unfortunately, the ranks of indebted dropouts have grown in recent years. A recent Education Sector study indicates that nearly a third of borrowers are dropping out, up from about one-in-five in 2001. Student borrowers at for-profit 4-year schools are also far more likely to drop out than students at public and private non-profit 4-year schools.²⁷

But understanding, and potentially remedying, this problem requires an understanding of exactly who is dropping out with debt. As with overall borrowing, nearly 4-in-10 (39%) of Black borrowers drop out, compared to 29% of white borrowers. A similar percentage (38%) of low-income borrowers²⁸ drop out (see Figure 7). But these numbers are just the tip of the iceberg. In fact, nearly two-thirds of

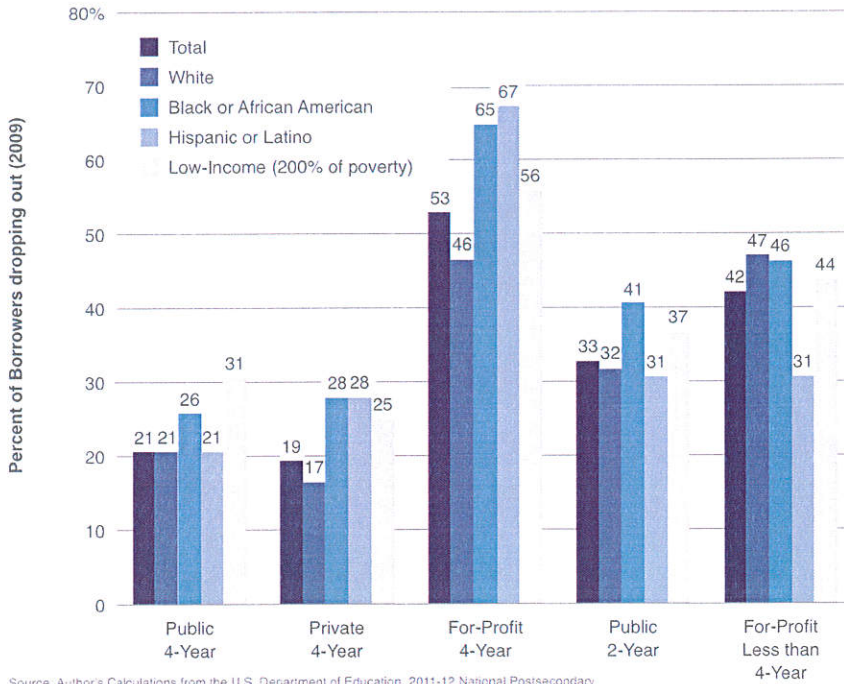
Black and Latino student borrowers at for-profit four-year schools drop out (65% and 67%, respectively) (see Figure 8). Over half of low-income borrowers drop out at these institutions as well. Nearly half (47%) of Black student borrowers drop out with debt at for-profit 2-, and less-than-2-, year institutions. Rates are worrisome at public institutions, if less so. Nearly a third of low-income student borrowers at public 4-year schools drop out, a rate 10% higher than student borrowers at those schools on the whole.

Figure 7. Black and Low-Income Borrowers Are More Likely to Drop Out




Source: Author's Calculations from the U.S. Department of Education 2003-04 Beginning Postsecondary Students Longitudinal Study, Second Follow-up (BPS:04/09).

Figure 8. Borrowers of Color, Low-Income Borrowers More Likely to Drop Out



The link between dropping out and struggling to repay loans is strong, and helps explain why the average balance of a defaulted student loan is relatively low (around \$15,000²⁹). Students who borrow but drop out, by definition, do not have additional years to accumulate debt, but fall into trouble making monthly payments without the benefits of a degree. This explains how a law school student with six-figure debt can be in better financial shape than a dropout from an associate's degree or certificate program, and speaks to the need for targeted policy solutions aimed at those most likely to struggle to repay.

STUDENT LOANS CAST A POST-COLLEGE SHADOW

 Obviously, student loans stick with borrowers well beyond the time they leave school. In fact, one-third of all student debt is owed by borrowers over 40 years old. The average student loan balance for an indebted 60 year old is right around \$20,000, likely due to accumulated interest (or borrowing for graduate school).³⁰ The specter of debt, naturally, can last well into the age when workers could be saving for retirement or even a child's education.

In 2013, Demos released *At What Cost? How Student Debt Reduces Lifetime Wealth*, which showed that relative to a college-educated household without debt, an indebted household stands to lose \$208,000 over a lifetime, primarily from lost retirement savings.³¹ This figure stands to rise as debt levels, and thus the time it takes to offload student debt, extends into a borrower's prime earning years. Even a 2014 Brookings Institution report that received wide attention for arguing that student debt is manageable for the average borrower noted that borrowers are now taking twice as long (13.4 years) to pay off their loans as they were nearly 20 years ago (7.5 years).³²

Beyond potential lost savings, a recent poll from Gallup and the University of Purdue notes that indebted graduates—particularly those with high debt levels—report lower levels of financial worth as well as physical well-being.³³

Student debt may also be impacting the decisions students make about future employment. Graduates with student loan debt also show less initial job satisfaction than those who did not borrow for undergraduate education (see Figure 9).

A 2008 study also found causal evidence—from a natural experiment at a highly-selective institution—that student debt causes graduates to choose highly-paid occupations and shy away from public-interest professions.³⁴ And a recent study from researchers from the Federal Reserve Bank of Philadelphia and Penn State also recently noted that student debt has a significant negative impact on small business formation.³⁵ Again, this makes sense; small businesses are more likely to be financed at least partially from personal debt.

Figure 9. Graduates with Student Debt Show Less Initial Job Satisfaction



Source: Author's Calculations from U.S. Department of Education, National Center for Education Statistics, 2008/12 Baccalaureate and Beyond Longitudinal Study (B&B/08/12).

A debate has also sprung up around the impact of student debt on this generation's ability to purchase a home. According to the Federal Reserve, student borrowers continue to stay away from home purchases relative to their non-indebted peers. Whereas having student loan debt once made someone more likely to purchase a home, the opposite is now true: 27- to 30-year-olds with student debt have lower rates of homeownership.³⁶ The same is broadly true of car ownership as well.

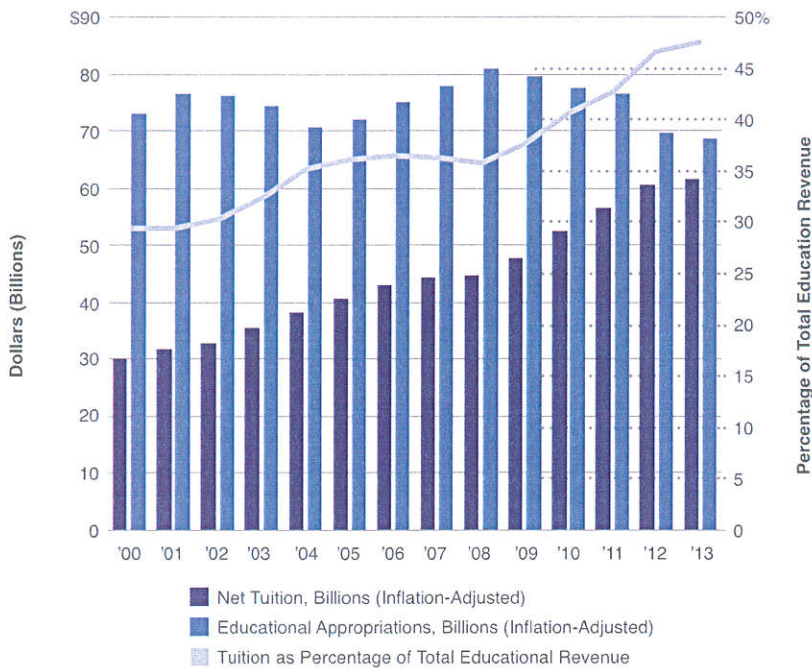
This may have something to do with the impact of student loans on credit scores. A 2014 Brookings paper notes that credit scores for young households without student debt are higher than indebted households—a relatively new phenomenon over the past decade.³⁷ And a 2012 study from Young Invincibles estimated that the typical single student borrower now has a debt-to-income ratio that would prohibit him or her from qualifying for a garden-variety home mortgage.³⁸

WHY HAS THIS HAPPENED? THE DRIVING FACTORS BEHIND RISING UNDERGRADUATE LOAN DEBT

The overall dollar amount of student loans in the economy can also be attributed to increasing numbers of students attending college. This is most likely a positive phenomenon; enrollment in degree-granting institutions has grown from 25% of all 18- to 24-year-olds in 1979 to 41% today.³⁹ Indeed, enrollment is up for all income groups—even half of all low-income high school graduates enroll in college the following fall, up from one-third in 1980. Despite a projected decline in the number of 18- to 24-year-olds, the U.S. Department of Education still projects college enrollment to grow by nearly 14% between now and 2022.⁴⁰ Still, enrollment gaps persist, and the gap in college attendance between wealthy and low-income students has stayed basically the same over the past 30 years.⁴¹

But, as Demos has documented previously, in 2012's *The Great Cost Shift* and 2014's *The Great Cost Shift Continues*, a primary driver of student debt continues to be reduced state expenditures on higher education. In the past decade alone, state higher education funding per student dropped by 22%, and 2012 saw the lowest per-student expenditure on higher education in three decades.⁴² Even as the economy has rebounded from a bitter recession, state spending for higher education ticked upward by a negligible 1.4% and even then, 20 states still cut per-student funding.⁴³ Gaps in funding have been made up primarily via tuition, shifting the cost away from the state and onto the student. Unsurprisingly, tuition makes up a far higher percentage of the cost of educating students. In 2000, tuition dollars covered 29%, with public support making up the rest. By 2013, tuition covered nearly half (see Figure 10).

Figure 10. As Appropriations Stagnate, Tuition and the Student Burden Increase



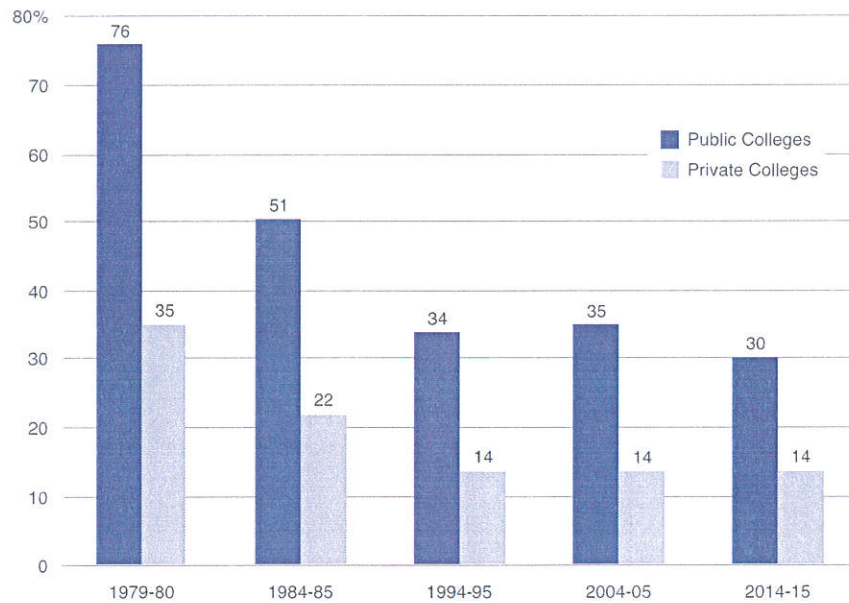
Source: State Higher Education Executive Officers [SHEEO] (2014); State Higher Education Finance 2013.

As tuition has risen, grant aid has also failed to keep pace. The Pell Grant, the federal government’s cornerstone need-based aid program, covered over three-fourths of the total cost of attendance at public colleges and universities in the late 1970s and nearly 40% of the costs of attending a private non-profit. By 2014, it covered less than one-third, and less than 15% at private non-profit schools (see Figure 11). State grant aid programs have also failed to fill the gap while also moving toward rewarding a higher percentage of grants based on merit, rather than need. Meanwhile, many institutions of higher education are using grant aid on higher-income students, while low-income students face net prices that approach their entire family income.⁴⁴

Meanwhile, family incomes for everyone but the wealthiest have remained relatively stagnant for the better part of three decades (see Figure 12).⁴⁵

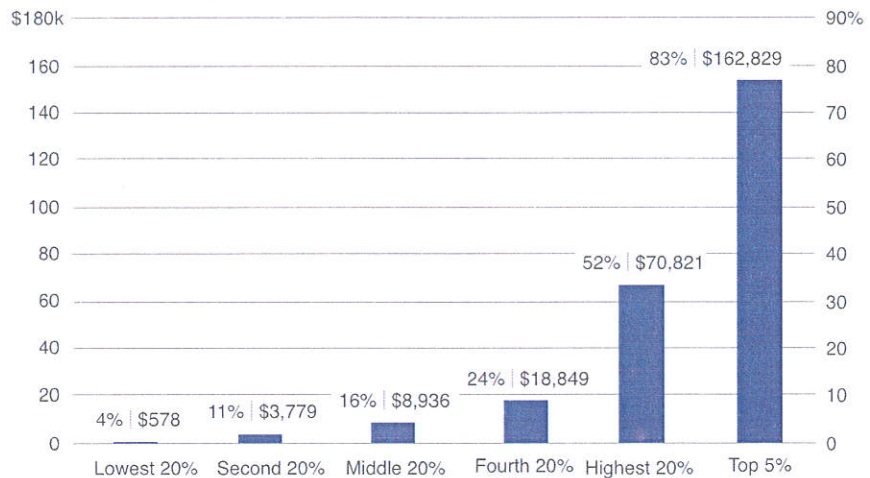
The crippling combination of stagnant incomes, state disinvestment, and insufficient and inefficient grant aid has led us to the point where student borrowing has become the norm even at public institutions, and the rise in average debt levels shows no signs of abating. Just two decades ago, fewer than half of bachelor’s recipients needed to borrow to finance a degree (see Figure 13).

Figure 11. Maximum Pell Grant as a Percentage of College Costs



Source: Author's Calculations from College Board (2014)

Figure 12. Change in Family Income, 1983-2013 (Inflation Adjusted)

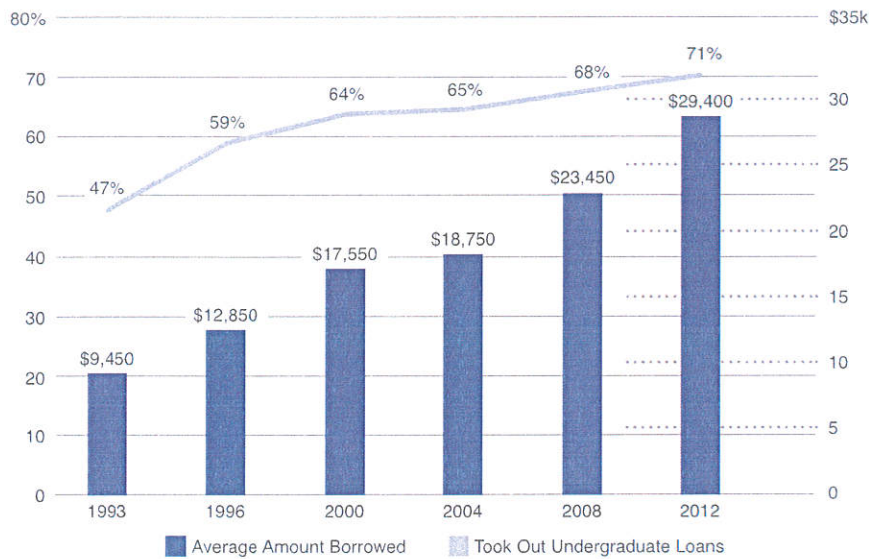


Sources: College Board (2014), U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic

Proponents of our current debt-based system often point out that borrowing provides students with funding for college when they are least likely to afford the cost of college, thereby providing access. And of course, very few borrowers could have paid the sticker price of college without loans.

But this presents a false choice; after all, loans are not an inevitable way to fund college. The alternative to loans could simply be

Figure 13. Percent of Bachelor's Recipients with Loan Debt, and Average Amount Borrowed (1993-2012)



Source: TICAS. Author's Calculations from the U.S. Department of Education, 2011-12 National Postsecondary Student Aid Study (NPSAS-12)

increases in state appropriations that lower student costs, or increases in grant aid targeted at students who need it the most. Indeed, there is strong evidence that need-based grant aid contributes positively to college access,^{46, 47, 48} particularly for non-traditional students.⁴⁹ On the other hand, evidence is mixed on whether or not student loans increase levels of college participation. To be sure, isolating the impact of student loans on the ability to attend college is difficult—it becomes quickly tangled in other questions, like family income, overall cost, the timing of when a student receives financial aid, not to mention academic or other non-financial factors. But while some find evidence that eligibility for loans drives up college attendance,⁵⁰ others find that the prospect of borrowing⁵¹ or the prospect of excessive loan burdens can discourage college attendance.⁵² Cultural factors may come into play, as Latino students may be more averse to borrowing than other students.⁵³ Rather than taking on loans, students may enroll in lower-cost institutions, which is only acceptable if those institutions have the resources to provide sufficient quality and support to help a student graduate.

THE LIFELONG ADVANTAGE OF ATTENDING COLLEGE DEBT-FREE

As mentioned, Demos' 2013 report *At What Cost* utilized the 2010 Survey of Consumer Finances (SCF) to determine the loss of lifetime wealth attributable to student loan debt. Others, including Richard Fry at the Pew Research Center, have also used the 2010 SCF to examine the economic well-being of households with and without student debt.⁵⁴ Pew's research found that college-educated households without student debt had a net worth seven times greater than those with student debt, and non-college educated households without debt had net worth nine times greater than those with student debt. In fact, net worth for non-college educated households without student debt was actually *higher* than college-educated households with student debt.

Thanks to new Federal Reserve data from the 2013 Survey of Consumer Finances, we can now take a post-recession snapshot of the debt and assets picture for households⁵⁵ with and without student debt. Given the aforementioned impact of college completion on the ability to repay loans, we also compare those households with "some college" to those with college degrees (including dual-headed households). The full results⁵⁶ are shown in Table 2 below.

We find, unsurprisingly, that at every level of education, non-indebted households are more likely to own homes, have slightly lower interest rates on mortgages, and have retirement and liquid assets that are considerably larger than those households weighed down by debt. The differences in retirement assets in particular are stark: Households with some college and no education debt have an average of over \$10,000 more in retirement savings than indebted households; households with a college degree have over \$20,000 more in retirement savings; and dual-headed households with college degrees have nearly \$30,000 more in retirement savings.

Naturally, we also see the value of a college degree, as both homeownership rates and overall savings (both retirement and liquid) rise by education level, and spike in households in which both heads are college-educated. But it seems clear from the data that the burden of paying off student debt is taking away a sizeable

portion of the ability to accumulate meaningful assets as workers enter their prime earning years. In other words, while a college degree provides many financial advantages, there is evidence that the debt needed to gain it is leaving some households behind.

Table 2. A College Degree is Valuable, but Debt May Be Undermining Wealth Debt and Assets for Households Age 24-40 with and without Student Loan Debt, by Education Level

Education Level	Some College		College Degree		College Degree (Dual Headed)	
	Has Education Debt	No Education Debt	Has Education Debt	No Education Debt	Has Education Debt	No Education Debt
Percent who own a Home	32.60%	37.30%	53.00%	64.00%	67.60%	78.20%
Mortgage Interest Rate	5.30%	4.90%	4.30%	4.10%	4.30%	4.00%
Percent with Retirement Assets	35.90%	39.40%	67.9%*	68.8%*	75.60%	78.40%
Average Retirement Assets	\$25,510	\$35,685	\$42,751	\$98,687	\$57,192	\$123,463
Average Liquid Assets	\$4,549	\$6,049	\$17,788	\$38,097	\$26,268	\$55,965

Source: 2013 Survey of Consumer Finances. Calculations by Robert Hiltonsmith, Senior Policy Analyst at Demos
 *Differences between Debtors and Non-Debtors Not Statistically Significant at the p<.05 level. All other figures are statistically significant

CONCLUSION AND POLICY RECOMMENDATIONS

The debate around student debt often assumes that we have reached a “new normal” in requiring students to borrow substantial amounts of money for a degree. In fact, the broad assumption seems to be that student debt is a positive form of debt, one that allows students access to a system that will increase their earning power, thereby recouping the debt they initially face.

But these assumptions are difficult to reconcile with the impact that this system has wrought. Despite research strongly linking need-based grant aid to access, we have instead allowed a system to flourish in which need-based aid covers less and less of the cost of college. Despite ambiguity in whether or not loans provide more benefit than harm to college access and completion, we have forced more students to borrow. Despite the fact that we have not moved the needle on degree-completion rates in a generation, we have accepted a system in which a substantial portion of borrowers drop out. And despite bipartisan rhetoric around closing attainment gaps among students of color and low-income students, we have created a system in which more underrepresented students take on debt and drop out with debt, thereby saddling communities of color and those with modest means with substantial disadvantages as they enter the workforce.

In addition to the inequitable distribution of debt, we also see worrying signs around the impact of student debt on the ability to build wealth and assets, find a satisfying or civic-minded job, or start a business. It’s difficult to know how large the impact of this is on the broader economy, precisely because we have no historical comparison to this moment.

But that does not mean that this is irreversible. Demos has published several ideas on how to re-invigorate state investment in higher education, as well as how to simplify our system of federal financial aid that provides more benefits to students who need it.

In 2014’s *The Affordable College Compact*, we lay out a plan for a federal-state partnership that would allow the federal government to use its leverage to encourage states to increase state spending, and develop policies and plans to ensure the majority of poor-, working-

and middle class-students can attend college without incurring debt or financial hardship. In our plan, states would be required to affirm that higher education is a public good—in other words, that tuition revenue does not exceed revenue from state appropriations. This is historically consistent with public higher education in the U.S., and will prevent state institutions from excessively increasing tuition in tandem with federal help. States would also be eligible for two match tiers, depending on their level of commitment to providing debt-free college for low-income students in the state.

Figure 14. The Affordable College Compact, Summary

Initial Eligibility: Public Good Promise States must commit that revenue from tuition does not exceed revenue from state appropriations	
20% Match Requirements	60% Match Requirements
Maintain minimum funding levels per full-time equivalent students at the average of the previous two fiscal years.	Commit to Debt-Free Higher Education for Low- and Middle-Income Students (those at 300% poverty or below)
Ensure that unmet financial need will be no higher for low-income students than for high-income students.	Required public institutions to publish better data on student outcomes, disaggregated by income and transfer status.
	Maintain enrollment Levels for Pell-eligible students at four-year Institutions.
	Create New Mechanisms, including refinancing, or incremental debt forgiveness tied to public or community service, to offload existing debt.
Reinvestment promise: 40% Match on each dollar per FTE student that exceeds previous year support	
Funds must be spent on higher education, with 75% at minimum committed either to education and related expenses or grant and scholarship aid.	

In 2012, Demos also developed the *Contract for College*, which would align federal student aid programs into one cohesive, guaranteed package for students. It would also simplify federal financial aid by providing low-income students with grants and work-study to cover the vast majority of college costs, and middle-income families with a guaranteed aid package of grants, work-study, and subsidized loans. Reforming financial aid could work in tandem with increased state investment—in fact, states that commit to debt-free college would have an easy guideline by which they could distribute their own support as well as federal subsidies.

Table 3. The Contract for College Based on the Average Annual Coast of Attendance at 4 Year Public Colleges (Approximately \$16,000/yr)

Household income below \$25,000	
Grant to cover 75% of costs	\$12,000
Work-study	1,500
Subsidized loan	2,500
Household income \$25,000-\$49,999	
Grant to cover 65% of costs	\$10,400
Work-study	1,500
Subsidized loan	4,100
Household income \$50,000-\$74,999	
Grant to cover 55% of costs	\$8,800
Work-study	1,500
Subsidized loan	5,700
Household income \$75,000-\$99,999	
Grant to cover 40% of costs	\$6,400
Work-study	1,500
Subsidized loan	4,050
Unsubsidized loan	4,050
Household income above \$100,000	
Unsubsidized loan	\$10,000

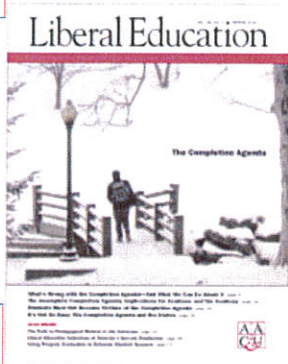
These policies are developed on a principle of shared responsibility—by states, the federal government, and students—and are based in the historical promises by states and the federal government to provide an affordable, valuable degree to students regardless of race or class. As we have seen, from high borrowing to substantial numbers of indebted dropouts, we have yet to live up to that commitment.

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Winter 2012, Vol. 98, No. 1

[Current Issue](#)

Search Periodicals

Search

TABLE OF CONTENTS

[Overview](#)

[Where Completion Goes Awry: The Metrics for "Success" Mask Mounting Problems with Quality](#)

[From the Editor](#)

[What's Wrong with the Completion Agenda—And What We Can Do About It](#)

[The Incomplete Completion Agenda: Implications for Academe and the Academy](#)

[Students Must Not Become Victims of the Completion Agenda](#)

[It's Not So Easy: The Completion Agenda and the States](#)

[The Path to Pedagogical Reform in the Sciences: Engaging Mutual Adaptation and Social Movement Models of Change](#)

[America's Service Academies, Your Service Academies](#)

[Using Program Evaluation to Enhance Student Success](#)

[The Challenge of Global Literacy: An Ideal Opportunity for Liberal Professional Education](#)

[Starting in School...](#)

Liberal Education

What's Wrong with the Completion Agenda—And What We Can Do About It

By: [Debra Humphreys](#)

This article addresses the broad-based reform movement led by state and federal policy makers and designed to increase dramatically the number of students graduating from our nation's colleges and universities. This movement—known as “the completion agenda”—aims to collect more and better data about students' educational progress toward degrees, to enact new policies that incentivize increased graduation rates and improve the efficiency of degree production, and to tie funding to increased completion rates.

Rooted in the increasingly tight linkage between educational attainment and success in the global economy, external pressure on higher education to increase the numbers of college graduates has been building for decades. As part of this pressure, President Obama (2009) set an ambitious goal in his very first State of the Union address: “By 2020, America will once again have the highest proportion of college graduates in the world.” The president noted that, “in a global economy where the most valuable skill you can sell is your knowledge, a good education is no longer just a pathway to opportunity—it is a prerequisite” and that “every American will need to get more than a high school diploma.”

The Department of Education, many leading foundations, and many policy organizations have taken up President Obama's challenge. Unfortunately, the ensuing completion reform movement was launched in the midst of a severe economic downturn and after years of demographic shifts and educational shortfalls at both the K-12 and higher education levels. College access and completion have been stunningly stratified by income and by community of origin for many years. At least three out of four students who make it to campus are underprepared to succeed there (ACT 2011), and many need serious remediation to bring their skills and knowledge up to college levels. A significant number of these students are working, often carrying the kind of workload that studies show is correlated with high levels of failure to complete. And due to weaknesses in data tracking, far too little is known about transfer students; graduation rates, therefore, are only approximations. Turning this ship around will be challenging indeed.

The enormity of the challenge posed by these obstacles would seem to call for greater investment in both K-12 schooling and, especially, public higher education in order to increase the numbers of students prepared for and graduating from college. Yet funding for higher education has been trending in just the opposite direction for many years, and the recent economic contraction has only accelerated the plummeting of public

[Mobile Technology and Liberal Education](#)

subsidies. As a result, the actual costs of college are rising inexorably for students. The cost shifting—from the public to individual students and their families—has made cost, rather than either completion or the quality of learning, the dominant public concern. Elected officials at the state level also are faced with increasingly tough budget choices, and thus the completion agenda has morphed into a more-completion-at-less-cost agenda. This movement is poised to have a profound effect on how colleges and universities throughout the country operate. Unfortunately, it has become too narrowly focused; whereas society and the economy need “more and *better*,” policy leaders are trying to deliver “more and *cheaper*.”

Completion initiatives

All the current completion initiatives are responding to a larger environment characterized by the globalization of the knowledge economy. Members of the public understand the broad trends and are flocking to colleges and universities in order to increase their chances of succeeding in a rapidly changing economy. Too few of them, however, are completing college and, unfortunately, the United States is currently projected to be, by 2018, at least three million college-educated workers short to meet projected demand (Carnevale, Smith, Strohl 2010). While the challenge of educating an additional three million students well is complex, most completion reform efforts are focused simplistically on only one issue based on one data set that demonstrates that many students—especially those attending two-year institutions, for-profit institutions, and some state colleges and universities—do not “cross the finish line” in a reasonable amount of time (i.e., six years). This is actually true both for students who enter college clearly underprepared for its rigors and for those who have the appropriate levels of preparation but, for a variety of reasons, never complete their degrees. In response, an enormous part of the completion agenda has been directed exclusively at increasing “on-time” completion rates.

For example, the Complete to Compete initiative launched by the National Governors Association (NGA) Center for Best Practices in 2010 focuses primarily on promoting better data collection to track student progress through state higher education systems. One of the theories of change underlying this initiative holds that if institutions and states better understood how students are making their way through public systems, educational and policy leaders could and would improve the efficiency of those systems. Accordingly, the NGA is urging states to implement new performance funding systems that tie institutional funding to completion rates rather than initial enrollment figures alone. This approach, which has been tried with limited success in some states, is intended to incentivize institutions to graduate more of the students they admit (Lederman 2011). Better data are indeed important, but we need an even fuller set of data on both graduation rates and student achievement in order to meet the needs of the twenty-first-century economy.

Complete College America (CCA), an independent initiative currently involving twenty-nine states, is providing new models for data collection—and, thereby, informing the NGA effort. Yet, thus far, these models still focus only on “time to degree” rather than on completion with assurance of demonstrated achievement. In the CCA, participating states are required to commit to a comprehensive set of reforms that include streamlining curricular offerings and implementing strict

performance funding strategies tied to completion rates.

Several large foundations—most notably the Bill and Melinda Gates Foundation and the Lumina Foundation for Education—are also funding dozens of initiatives designed to increase productivity and completion rates through projects to improve data collection, streamline requirements, increase the effectiveness of remedial or developmental education programs, expand the use of various student success strategies, increase the use of online learning, and test strategies to increase the rates by which students in two-year institutions transfer successfully to four-year institutions. Of course, all these initiatives depend on other efforts to increase the number of high school graduates who are prepared to succeed in college. Yet, many of them rest on the simplistic assumption that the *causes* of low graduation rates are primarily a matter of neglect, lack of awareness, misplaced priorities, or incompetent leadership. The assumption that underlies specifically the proposed performance funding policies is that, if money isn't explicitly tied to graduation, educators and leaders won't focus on the issue because they just won't pay attention or they just don't care whether their students actually graduate. The problem is more complex than these assumptions suggest.

It *should* be a national priority to pursue productive approaches that help different groups of students stay in college and graduate on time, and we absolutely should make policy changes and devote more resources to support them. We should not, however, underestimate the challenges to reaching these ambitious goals. Data and leadership matter, but so do resources—both financial and human. At present, private foundations are the only source of additional resources for these efforts. Funding for higher education is being reduced in most states. It is safe to assume that funding levels will remain low, at least in the short term, and probably will continue to decline, especially at public colleges and universities (AASCU 2011). Under these circumstances, we do indeed have to tackle these issues with the same or fewer resources. But we also must attend simultaneously to the serious quality of learning shortfall that threatens to get even worse if we maintain an *exclusive* focus on completion and efficiency.

The quality shortfall

Many policy makers are missing the fact that the projected shortfall in college-educated workers is a result of today's workplace requiring a broader set of skills and higher levels of learning than ever before. The Board of Directors of the Association of American Colleges and Universities (AAC&U) recognized this broad trend in its 2010 statement, *The Quality Imperative*, noting that "the quality shortfall is just as urgent as the attainment shortfall" (1). There are, in fact, two dimensions to the quality shortfall. First, too many students are making little or no progress on important learning outcomes while in college; second, the increasing complexity of our world is adding to what a well-educated person must know and be able to do. Drawing on the findings from recent research commissioned by AAC&U, Carol Geary Schneider (2010) has noted that "success in today's workplace requires achievement in at least six new areas of knowledge and skill development, which have been added to the already ambitious learning portfolio required in earlier eras." Employers themselves are, for instance, asking for greater emphasis on such traditional outcomes as "communications, analytic reasoning, quantitative literacy, broad knowledge of science and society, and field-specific knowledge and skills."

They are also asking for graduates with high levels of “global knowledge and competence; intercultural knowledge and skills; creativity and innovation; teamwork and problem-solving skills in diverse settings; information literacy and fluency; and ethical reasoning and decision making.”

Even as the list of expected areas of knowledge and skill development expands, evidence is mounting that many college students are graduating without appropriate levels of achievement in these essential areas of learning. Only between 5 and 10 percent of college graduates have experienced even minimal global learning (Adelman 2004), for example, and more than 35 percent of college students are making minimal or no gains in their critical thinking and writing skills over their four years in college (Arum, Roksa, and Cho 2011). Employers’ overall assessment of higher education reflects these data: only about a quarter believe that colleges and universities are effectively preparing students for the challenges of today’s global economy (Hart Research Associates 2010). Ignoring these realities of the new knowledge economy has caused a dangerous distortion of priorities in education policy making. Many policy makers, for instance, are focused so exclusively on increasing the numbers of degrees or certificates that they are shifting resources to existing short-term training programs that lead to narrowly focused certificates. This focus misses the fact that although these narrow training programs may be cheaper to provide initially, they actually depreciate in value to the student and the economy.

While the economy may need more workers with the sort of technical skills that are potentially provided by well-crafted two-year programs, evidence suggests that even these workers need a fuller set of skills and abilities than traditional vocational training programs provide. A recent study by the National Bureau of Economic Research, for instance, documents that, “while the skills students learn from a vocational education may ease their transition into the labor market . . . those initial labor-market advantages fade as workers age. The study found that individuals with a general education are more likely to be employed at age 50 than are those with a vocational education. A general education was particularly helpful in countries that experienced faster economic growth and larger technological change” (*Inside Higher Ed* 2011). At all levels, then, the economy may be demanding more workers with higher education degrees or certificates, but it is also demanding that all workers have broader knowledge and skills as well.

On its own, remedying this quality shortfall is a significant challenge. Getting the large number of students who are at risk of dropping out of college to increase their achievement levels and graduate on time presents a still greater challenge. Rather than addressing both of these challenges, however, policy makers seem to assume that all students who cross some “finish line” have actually learned what they need to compete successfully in the global economy and contribute to rebuilding our democratic society. Abundant data suggest that this assumption is simply false (Arum and Roksa 2011; Pascarella et al. 2011; AAC&U 2005; Hart Research Associates 2010). The truth is that colleges and universities are struggling to educate a larger population of students, many of whom are underprepared for and unmotivated to work hard at college-level learning at exactly the moment when society and the global economy are demanding even higher levels of learning from everyone.

The dangers of a completion-only approach

Why shouldn't we focus our efforts on creating incentives to increase the number of students prepared for college *and* the number who ultimately "cross the finish line"? Clearly, we *should* do this. But it is not the only thing we should do.

As an illustration of the dangers of a completion-only agenda, consider the so-called STEM fields (science, technology, engineering, and mathematics), which represent one area of the economy where the shortages of well-educated college graduates are most acute. President Obama focused specifically on these fields in his 2011 State of the Union address, noting that "the first step in winning the future is encouraging American innovation." As he put it, "we need to out-innovate, out-educate, and out-build the rest of the world." Comparing the United States to other nations, the president focused on how "nations like China and India [have] started educating their children earlier and longer, with greater emphasis on math and science," and he then called for "100,000 new teachers in the fields of science and technology and engineering and math."

In a blog posting published on the website of the *Atlantic Monthly* a week after Obama's speech, Lane Wallace (2011) made the important point that, as he put it, "Innovation Isn't About Math." We could respond to the STEM shortfall *just* by pushing more and more students into math and science fields — creating, for instance, incentives that encourage them to major in those fields. We could even streamline the requirements in those fields and reduce the requirement that STEM majors take general education courses in other areas, such as history, art, literature, and global studies. Yet, these approaches miss an essential piece of the puzzle. As Wallace pointed out, "innovation experts and consultants stress repeatedly that innovation isn't a matter of subject knowledge. It's about thinking in flexible, integrative, and multidisciplinary ways, across many fields and types of knowledge. It's about being able to synthesize and integrate different perspectives and models; of understanding and taking into account different human, cultural and economic needs, desires, values, and factors, and, from all that, glimpsing a new way forward that nobody else managed to see." We need to go beyond just helping more students make their way through the same old STEM curricula, or through more streamlined curricula. Instead, we need radically to change how STEM fields are taught, and we need to connect learning in those fields with a wider array of subjects taught through more integrated general education and major programs.

Employers are calling on colleges and universities to focus on educational practices that require students to do research projects and apply what they are learning in real-world settings. Eighty-four percent of employers believe that expecting students to complete a significant project that demonstrates their depth of knowledge in their major and their acquisition of analytical, problem-solving, and communication skills would help prepare them for success in the global economy. Eighty-one percent of employers believe that expecting students to complete an internship or community-based field project to connect classroom learning with real-world experiences would also help (Hart Research Associates 2010). These kinds of practices have the potential to increase students' achievement of essential learning outcomes, but they are not necessarily consistent with calls to reduce requirements or streamline curricula. And to focus exclusively on the number of courses or credits required or

available to students is likely to miss completely the need for more students to experience more integrative and engaged forms of college learning.

Instead of exploring ways to increase students' exposure to deep learning, research, and real-world applications of learning, colleges and universities are facing strong pressure to move in the opposite direction. Instead of reinventing their general education programs to make them more integrated and inclusive of real-world and applied learning, institutions are seeking to increase graduation rates by "outsourcing" general education to high schools or are encouraging their students to "get general education out of the way" by picking up a course here or there on the Internet. Individual institutions and state systems are reverting back to Cold War-era general education curricula focused on broad but shallow exposure to different disciplines.

Two further examples illustrate this troubling potential downside to a completion-only agenda. As anyone who has followed the various institutional ranking systems based on limited data can attest, any system that uses simplistic data (e.g., completion rates or alumni giving rates) and attaches high stakes to the publication of those data invites manipulation of the data. A recent case illustrates this danger. An internal investigation at Edison State College in Florida recently found that about 75 percent of students in three programs were allowed to substitute elective credits for required courses in order to ensure that these students graduated on time and were able to transfer into bachelor's degree programs. The *Inside Higher Ed* article reporting on this investigation notes, rightly, that "with policy makers in Washington and foundation officials placing so much emphasis on improving college completion and graduation rates, observers worry that what happened at Edison State College could become more common in the future if quality controls aren't enacted" (Kiley 2011).

Scott Jaschik recently reported on a set of presentations made by community college faculty members at the 2011 meeting of the Modern Language Association. In the session, "English professors talked about their concerns that . . . standards may be eroded in the push under the national 'completion agenda' to get more students through." Jaschik reported the particular concerns of Steven Canaday of Anne Arundel Community College in Maryland, who noted that, like many community colleges, Anne Arundel "recently announced a commitment to double by 2020 the number of degrees and certificates it awards. English instruction is viewed as key because everyone must pass first-year composition to earn an associate degree." One idea being discussed in Canaday's English department is "that the composition course end its requirement of a research paper." Canaday acknowledged that "ending the requirement would probably result in more people passing" (Jaschik 2011). Given what employers have said about how useful it is for students to do research projects in order to prepare for success in the workplace, this potential shift in teaching practice and classroom assignments could significantly reduce students' skills and abilities while simultaneously increasing their likelihood of graduating.

Obviously, no one involved in advancing the completion agenda is deliberately seeking to improve completion rates by lowering student achievement. Yet this is the likely outcome of many of the completion-only proposals, which raises the question: Is it really possible simultaneously to improve college completion

rates *and* student achievement of essential learning outcomes? The contours of a promising new “completion-plus” agenda suggest that it is.

What does a completion-plus-quality approach require?

The completion agenda is driving states and institutions toward more comprehensive and nuanced frameworks for collecting data—college readiness and remediation rates, transfer rates, graduation rates, and so forth. Policy makers are devising systems to hold institutions accountable for reaching new targets on the basis of these metrics. Rather than hastily implementing untested high-stakes accountability systems based on limited data, however, we should couple these more comprehensive data-collection frameworks with more comprehensive frameworks for defining—and collecting data on—the quality of student learning. Only then, using both sets of data together, will it truly be productive to hold institutions accountable for needed improvements. Funding should only be shifted in order to invest in proven strategies that increase both student achievement and rates of completion. How can this be done?

Start with clarity about learning outcomes. Many colleges and universities now have a common set of expected learning outcomes for all students (Hart Research Associates 2009). Colleges and universities must continue to calibrate these learning outcomes to their missions and to twenty-first-century needs, clarify what specifically is required of every student in order to earn a degree, and communicate clearly to students what is expected of them. Many institutions and state systems are using a set of “essential learning outcomes” developed as part of AAC&U’s Liberal Education and America’s Promise (LEAP) initiative to advance this work much more systemically than ever before (Carey 2011). The recently released Degree Qualifications Profile developed by the Lumina Foundation for Education (2011) will also help institutions refine their definitions of required learning outcomes and specify demonstrated accomplishments at different levels of learning. With greater clarity about outcomes and levels of learning, institutions can more confidently and efficiently facilitate student mobility and progress both within and across institutions.

Without inappropriately prescribing outcomes or requirements, policy makers should insist that institutions operating in a given state or receiving state or federal funding actually have clearly defined learning outcomes that are well calibrated to institutional missions and twenty-first-century demands.

Ensure that all students experience “high-impact” educational practices. Defining outcomes is only the first step toward increasing achievement. Policy change ought to be guided by new knowledge about how people learn and which specific practices really work. Several “high-impact” educational practices have been proven to increase levels of student achievement and to increase the chances that students will graduate on time. This emerging body of research, moreover, demonstrates that these practices produce positive results for students from a wide array of backgrounds, including first-generation and underrepresented minority students. High-impact practices such as first-year seminars, learning communities, undergraduate research, service learning, and capstone courses appear to increase retention rates, graduation rates, and the achievement of important learning outcomes (Kuh 2008; Brownell and Swaner 2009). Unfortunately, only a

fraction of students actually participate in one or more of these practices as part of their undergraduate programs of study (Kuh 2008).

Institutions should be encouraged not only to collect and disaggregate data on the progress students are making in accumulating credits, but also to collect data on how many and which students have access to these kinds of practices. Institutions with high levels of participation in high-impact educational practices should be rewarded with additional funding. A portion of this funding could be allocated to expand the use of these kinds of practices or to provide faculty development opportunities through which faculty members can learn how to implement these practices effectively within the required curricula for all students.

Develop and require the use of meaningful and authentic assessments. Beyond simply calculating grade point averages, colleges and universities are making significant progress in refining how they assess the achievement of common learning outcomes across students' educational careers. Many are now using sophisticated and nationally tested rubrics to assess the achievement of outcomes that everyone deems essential for success in the twenty-first century (Rhodes 2010). Others are refining their use of multiple assessment tools to gather data on student achievement levels (Sternberg et al. 2011). Policy makers could incentivize implementation of meaningful assessment programs by providing additional funding to institutions with particularly robust assessment systems or by conditioning funding on the presence of assessment systems with a set of quality criteria (e.g., clearly defined outcomes, use of multiple assessment measures, disaggregation of assessment data, and use of both qualitative and quantitative data). The New Leadership Alliance for Student Learning and Accountability is currently developing an "Excellent Practices in Student Learning Assessment" institutional certification program that will provide important new frameworks through which new accountability and funding systems could be developed.

The accrediting community is also moving in productive directions with regard to quality assurance and assessment of student learning outcomes. For example, several regional accrediting agencies are beginning to work with their institutional members to test the use of the Degree Qualifications Profile developed by the Lumina Foundation. The federal government could assist in this effort by shifting the standards that authorize accrediting organizations to serve as gatekeepers for federal funding. The government could reduce certain requirements in order to allow accreditors to devote more resources to evaluating assessment approaches and results. Doing so would help ensure that institutions are collecting data that can be used to improve the quality of learning.

How can policy help (or at least not hurt)?

Policy at the national and state levels can certainly help advance important educational goals. Policy makers, however, must be vigilant in avoiding policies that create

Steps to Increase Completion and Quality in Higher Education

1. Clearly articulate learning outcomes calibrated to today's challenges in work, life, and citizenship.
2. Map curricular options and

perverse incentives (e.g., incentives that increase selectivity or lower standards). And before any policy is implemented, its likely effect on the quality of learning should be considered carefully.

The most recent report from the NGA's Complete to Compete initiative takes a small but important step in this direction by recommending that governors "require public colleges and universities to provide evidence that improvements in completion and attainment are not occurring at the expense of learning" (Reindl and Reyna 2011, 9). The report

encourages states to work with higher education institutions to gather and make publicly available the findings from various student learning assessments. Unfortunately, however, the NGA report recommends a very narrow set of assessment approaches, few of which measure the complex and integrative skills students need. The Department of Education's work on completion is moving in a promising direction as well. In a recent presentation at the department's offices in Washington, DC, Under Secretary Martha Kanter noted that the department's strategic objectives are to increase access to college and workforce training, *foster institutional quality with accountability and transparency*, and increase degree and certificate completion rates.

While these steps are laudable, it is up to educators and college and university leaders themselves to push back against the completion-only agenda and to take the lead in recommending and implementing policies that put the quality of learning first. (For a list of specific steps the higher education community can take to increase both completion and quality, see the sidebar.) Most importantly, the higher education community must resist implementing policies that would incentivize curricular designs that will lead to declining levels of learning and, instead, chart a course to develop and support designs that lead to excellence for all. We need the kinds of educational practices and policies that lead to a significant increase in the number of students who graduate on time and well prepared for the challenges they will face. Only by doing this will we increase the intellectual capital so desperately needed to rebuild our economy and strengthen our democratic society.

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requirements to those outcomes.

3. Collect disaggregated data on students' access to and achievement in high-impact educational practices.
4. Incentivize through funding the expansion of access to and use of high-impact practice in classrooms, programs, institutions, and systems.
5. Collect data on students' progress through programs and their levels of successful remediation, transfer, and degree completion.
6. Collect and report on both qualitative and quantitative assessments of student learning—focusing on assessments of students' ability to apply their learning to complex real-world problems.

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Debra Humphreys is vice president for communications and public affairs at the Association of American Colleges and Universities.

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