



# **Tennessee Affordability Landscape and Policies**

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Tennessee Higher Education Commission

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December 8, 2014



# Overview

- Longitudinal Finance Trends
- Tuition Costs
- Financial Aid
- Student Debt and Default
- Blind Spots & Research Opportunities



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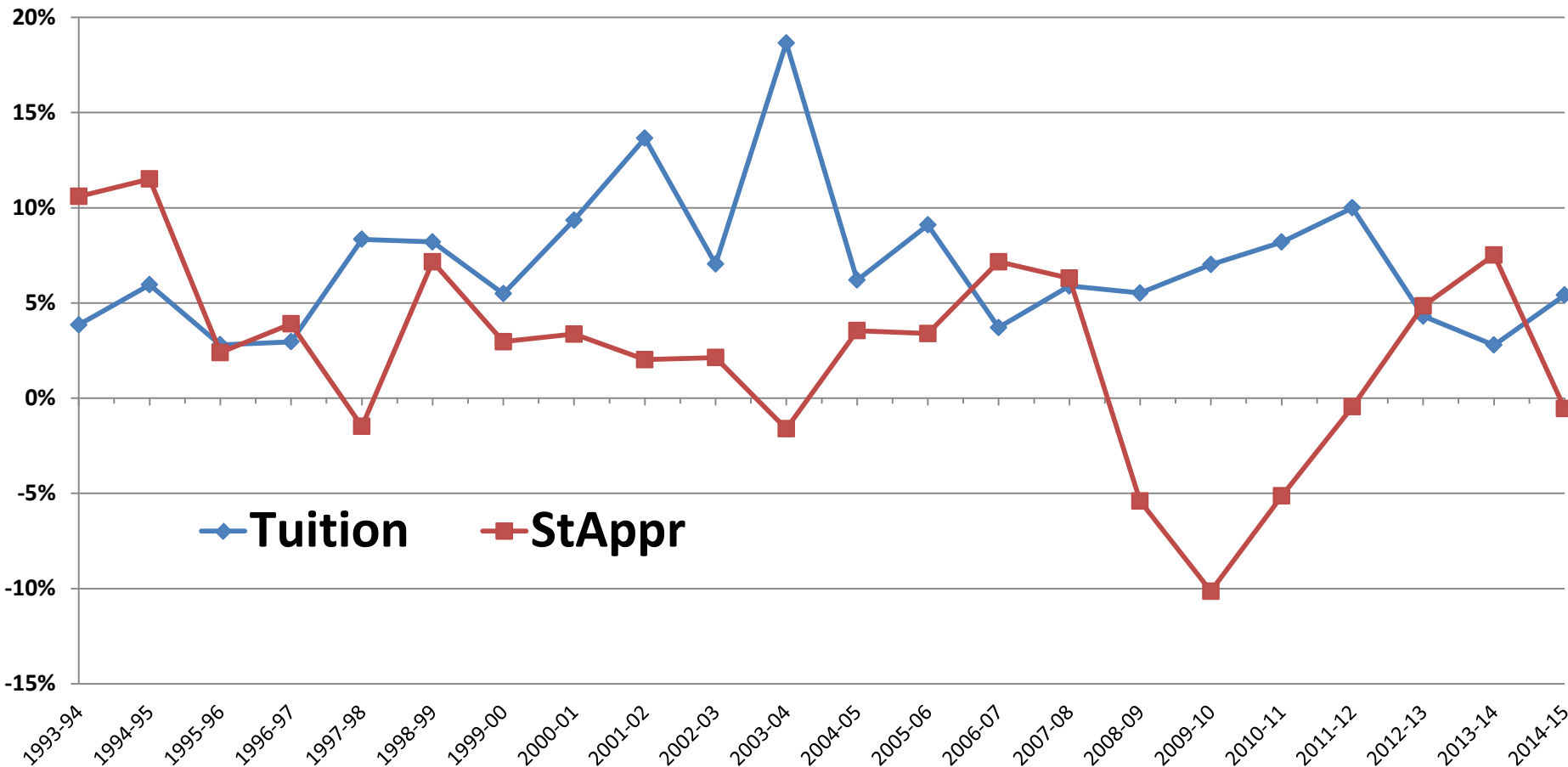
# Longitudinal Finance Trends

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# Tuition/State Funding Interplay

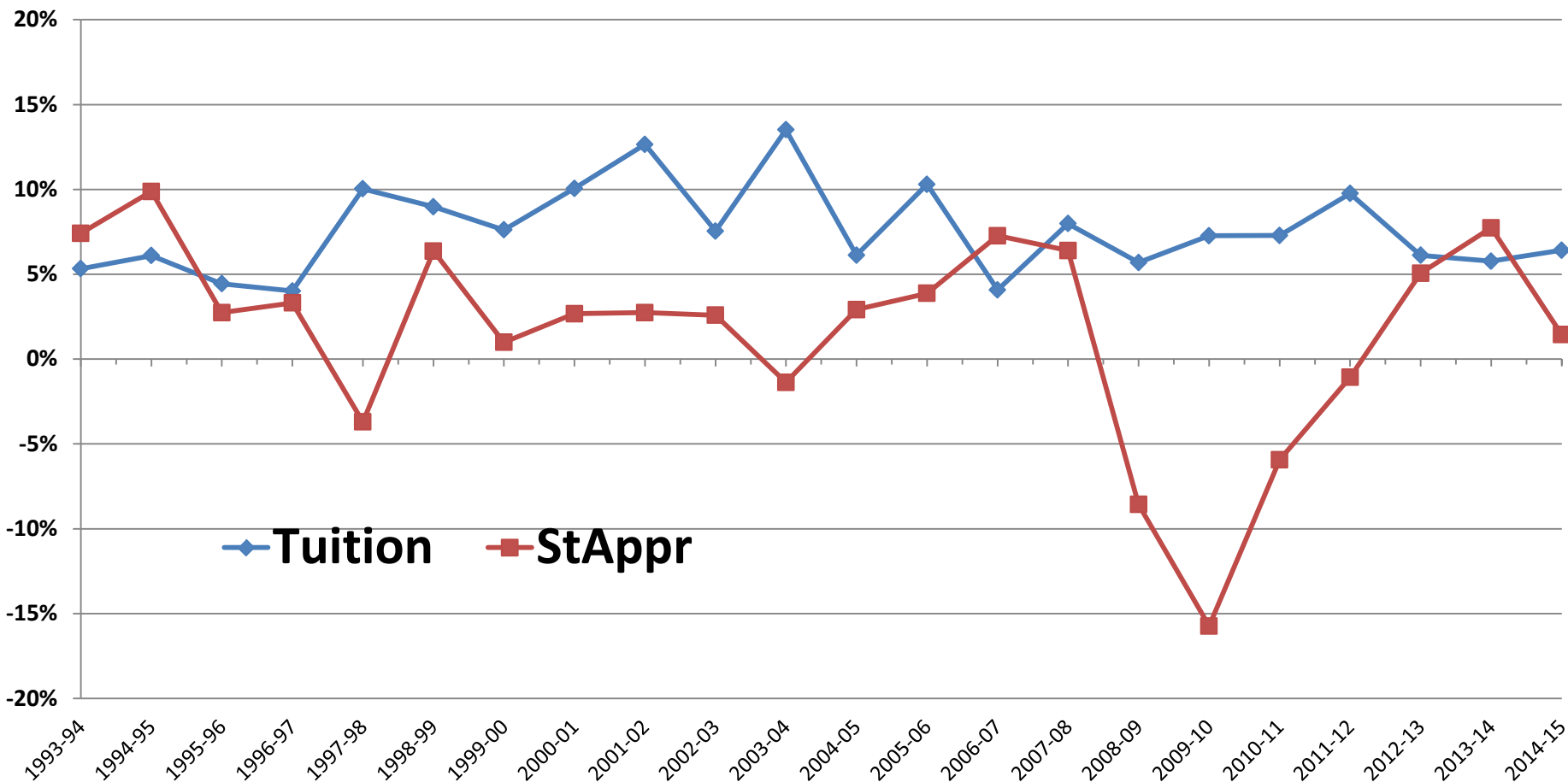
Annual Percent Change in  
State Appropriations and Average Community College Tuition and Fees





# Tuition/State Funding Interplay

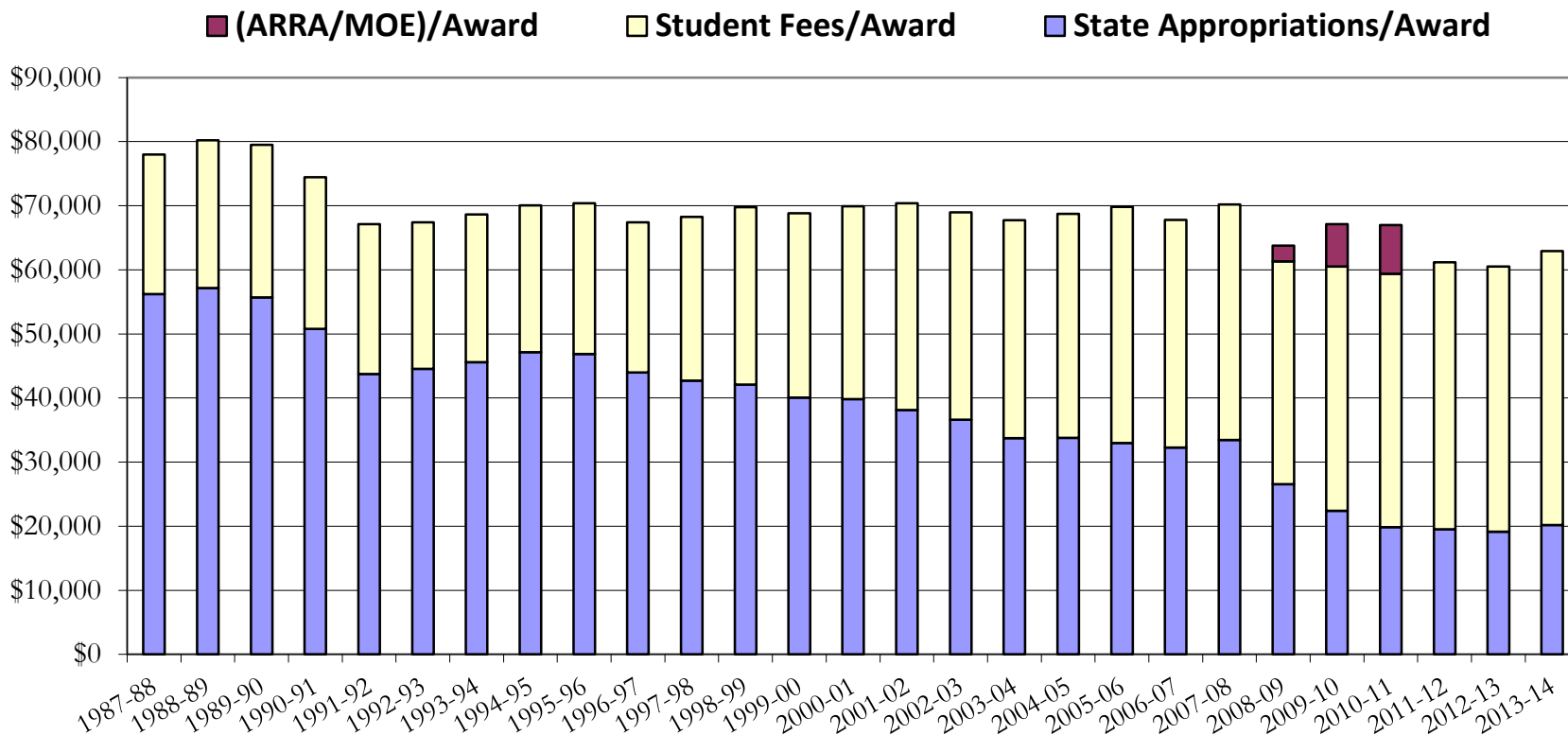
Annual Percent Change in  
State Appropriations and Average University Tuition and Fees





# Cost Effectiveness

## Total Revenue per Award - Universities Inflation Adjusted (2013 Dollars)





# Increasing Efficiency

<b>Universities</b>	<b>1988-2014</b>
State Appropriations	-35.4%
Tuition & Fees	253.5%
Total Awards	79.9%
Revenue per Award	-19.3%

*Inflation Adjusted*

- *Higher education revenues have shifted dramatically over the last 27 years away from taxpayer support and towards student tuition revenue.*
- *Total revenues per graduate, though, have fallen substantially as institutions are spending less money to graduate a student.*



# Governance Structure & Affordability

- Tennessee's governance structure statutorily affords THEC the opportunity to address affordability
  - THEC recommends to the governor institutional appropriations using the outcomes-based funding formula; formula rewards institutional efficiency.
  - THEC recommends tuition increases to systems in conjunction with this appropriation request.
- Tennessee Student Assistant Corporation is administratively linked to THEC
  - Grants THEC easy access to financial aid data, which in turn informs policy and practice to increase affordability for students.
  - In cooperation with TSAC, THEC recommends to governor appropriations for the state-level need-based grant program.
- Coordinating board structure encourages cooperation between sectors and systems
  - Streamlined transfer pathways
  - Reverse articulation





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# Tuition

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## 2014-15 Tuition & Mandatory Fees

- Annual rate for full time attendance (15 semester credit hours)
  - Average University: \$8,335
  - Average Community College: \$3,992
  - TN Colleges of Applied Tech: \$3,425



## 2013-2014 Tuition & Fees Comparison

Resident Undergraduate	Total TN Fees, 2013-14	Peer Fees, 2013-14	TN Rank in SREB	Peer Min	Peer Max
Research Universities	\$9,364	\$8,954	8th	\$6,263 (Univ. of Florida)	\$13,054 (Clemson)
Other Universities	\$7,395	\$7,213	6th	\$3,910 (Middle Georgia )	\$15,463 (William & Mary)
Community Colleges	\$3,787	\$3,130	6th	\$1,144 (TX)	\$6,482 (SC)

Source: SREB-State Data Exchange, preliminary



# Tuition Practices & Policy Considerations

- Encourage four-year completion by charging 15-SCH rate:
  - University of Tennessee, Knoxville’s “15-in-4” Program
- Encourage four-year completion through school-wide campaigns
  - Tennessee State University: Take-15 Initiative
  - East Tennessee State University: 15 to Finish
- Improve Affordability by Reducing Out-of-State Tuition
  - University of Memphis’ “250-R” initiative provides lower out-of-state tuition for students who live within 250-miles of institution.
  - Since 2013-14, out-of-state tuition for students within a 250 miles radius of campus has declined 40%.
  - Out-of-state tuition for those outside this range declined 15%.



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# Financial Aid

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## 2012-13 TN Financial Aid Profile

- Nonneed-based grant (TELS) = \$284M
  - 4th highest in SREB
  - 1st = GA (\$536M); 16th = TX (\$0)
- Need-based grant (TSAA/TELS) = \$90M
  - 5th highest in SREB
  - 1st = TX (\$703M); 16th = Georgia (\$0)
- State grant aid = \$1,484/UG FTE
  - 2nd highest in SREB
  - 1st = SC (\$1,871); 16th = AL (\$40)

Source: NASSGAP



# Financial Aid Practices & Policy Considerations

- Tennessee Education Lottery Scholarship Program
- Tennessee Promise
- Tennessee Reconnect
- Other Adult Reclamation Initiatives



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# Student Debt & Default

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# TN Student Debt & Default Profile

- Average debt = \$24,500
  - 11th lowest in SREB
  - 1st = OK (\$22,174); 16th = DE (\$32,571)
- Percent of graduates with debt = 57%
  - 10th lowest in SREB
  - 1st = LA (48%); 16th = WV (70%)
- Cohort default rate = 13.0%
  - Nation = 13.7%

*Sources: Project on Student Debt, US Dept. of Education*

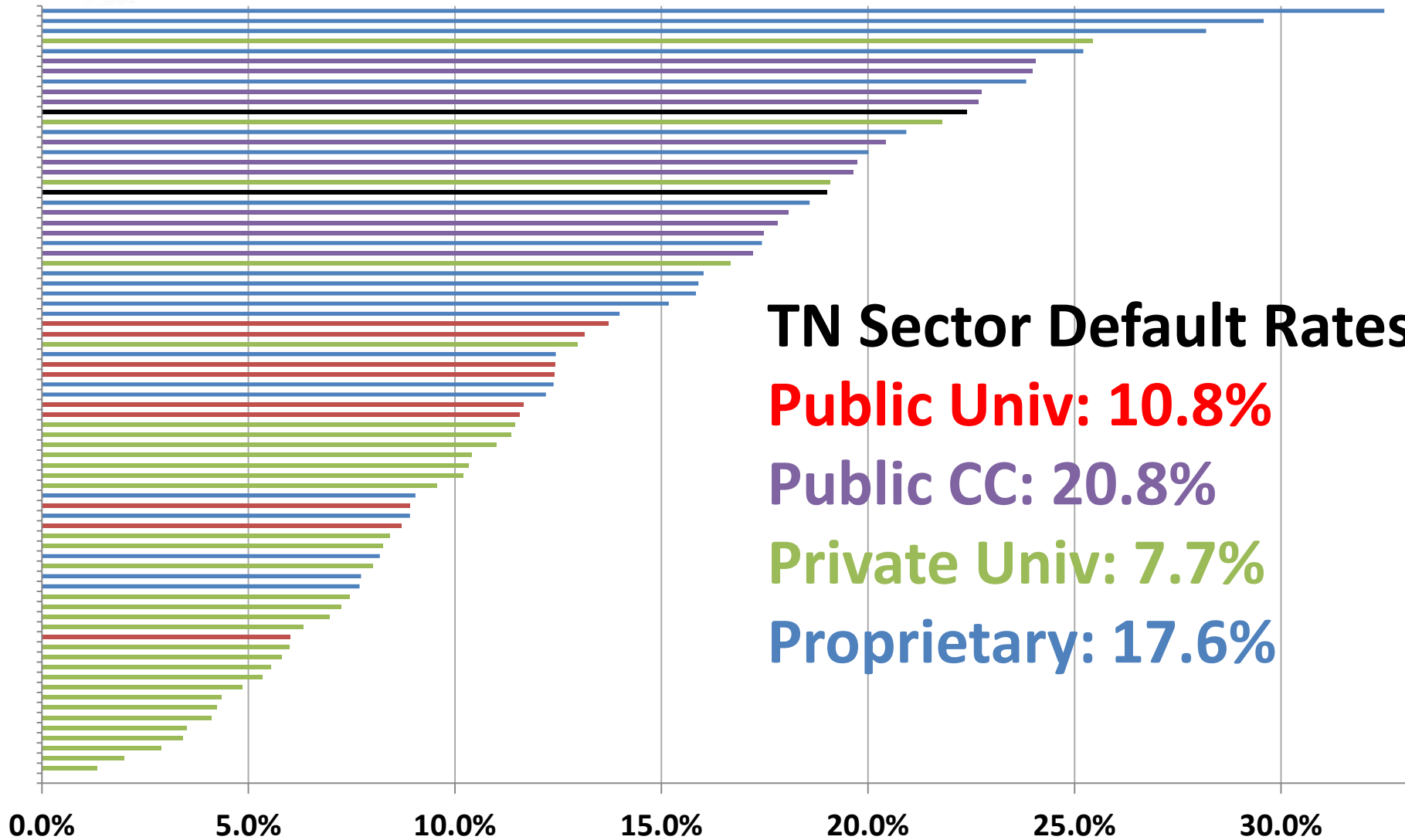


## Student Default Rates

- Cohort default rate is defined as the percentage of a school's borrowers who enter loan repayment during a fiscal year and default within the next two years.
- $$\text{CDR} = \frac{\text{Borrowers who default}}{\text{Borrowers who enter repayment}}$$



# 2011 Three Year Cohort Default Rate





## Student Default Analysis

- 10,156 Defaulters in 2014 across all sectors (2011 Cohort);
- Up slightly from 9,825 in 2013 (2010 Cohort);
- Research suggests high percentage of defaulters are non-completers with relatively low debt levels.
- TN specific data.



# Debt and Default Practices & Policy Considerations

- Organize Financial Aid Roundtables
  - Receive boots-on-the-ground analysis
  - Review packaging best practices
  - Assess limitations of state and federal policies
- *A Student Level Analysis of Financial Aid*, Deaton, R., Wright, D. & Mennen, D. (2013). Lumina Foundation Ideas Summit: New Models of Student Financial Support



# Blinds Spots & Future Research Opportunities

- Who is defaulting?
- Who has debt? What are the debt levels of those who do not complete?
- Effects of Tennessee Promise on access and enrollment patterns.
- Whether four-year completion initiatives are effective.



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