Tennessee Affordability Landscape and Policies

Tennessee Higher Education Commission

December 8, 2014
Overview

• Longitudinal Finance Trends
• Tuition Costs
• Financial Aid
• Student Debt and Default
• Blind Spots & Research Opportunities
Longitudinal Finance Trends
Tuition/State Funding Interplay

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

Tuition - StAppr
Cost Effectiveness

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

(ARRA/MOE)/Award
Student Fees/Award
State Appropriations/Award
Increasing Efficiency

<table>
<thead>
<tr>
<th>Universities</th>
<th>1988-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Appropriations</td>
<td>-35.4%</td>
</tr>
<tr>
<td>Tuition &amp; Fees</td>
<td>253.5%</td>
</tr>
<tr>
<td>Total Awards</td>
<td>79.9%</td>
</tr>
<tr>
<td>Revenue per Award</td>
<td>-19.3%</td>
</tr>
</tbody>
</table>

- 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
Tuition
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

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

*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%.
Financial Aid
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
Student Debt & Default
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.

• \[ CDR = \frac{\text{Borrowers who default}}{\text{Borrowers who enter repayment}} \]
2011 Three Year Cohort Default Rate

TN Sector Default Rates

Public Univ: 10.8%
Public CC: 20.8%
Private Univ: 7.7%
Proprietary: 17.6%
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

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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