Changing expectations of the value of higher education

Background

For generations, higher education has been recognized as the primary pathway to the American dream. In the past five years, the national conversation has begun to shift and the value of a college degree has seen increased levels of public scrutiny. With the cost of attendance at public universities nearly doubling in the past 20 years, the conversation has shifted from education for education's sake to a higher degree of focus on return on investment and the true value of a college degree.

With rising costs, access and affordability are in flux, particularly for first generation and low-income students. The Pell Grant once provided a meaningful share of the cost of attendance at a public institution. Now, however the average cost of attendance (room, board, and other costs) at a public four year institution is approximately $25,000, while a full Pell Grant of $5,775 supplements less than 25% of a student's overall cost for attending a state institution. For a private institution, a Pell Grant will likely cover a much smaller percentage of the published price.

Providing full access to students of all income levels continues to be a struggle for colleges and universities. State and federal funding continues to shrink while the cost of administration, compliance, infrastructure and student expectations continues to increase. For private universities, this means more reliance on institutional resources or endowments to fill the financial gap left in the neediest student's financial aid packages.

Value is not simply measured in dollars. The perception of the quality of readiness of recent graduates is being scrutinized as well. According to a Gallup survey, just 14% of Americans–and only 11% of business leaders–strongly agreed that graduates have the necessary skills and competencies to succeed in the workplace.[8]

Impact on educational institutions

With increased scrutiny, institutions are continuing to define their value proposition and are refining their messaging to best demonstrate to the public the value that will come from the price paid for an education at their institution. With the complexity embedded within the financial aid process, it has become clear that more education has been necessary to effectively counsel students before they enter college. Colleges and universities now not only need to focus on traditional ratings and sources of information to prospective and current students, but what new data sources, such as the College Scorecard, are showing about their institutions.

In September 2015, President Obama released the College Scorecard, replacing his initial proposal of a college rating system. The newly designed College Scorecard is powered by a set of complex data, holding more than 1,700 variables for more than 7,000 colleges and universities. The metrics include such data as the type of college, geography, program type, and size. Users are able to see by institution the average annual cost, graduation rate and salary after attending, and a comparison bar on national averages.

There are limitations with the data in the College Scorecard. Presently, it captures only students who have received federal financial aid. While not perfect, the College Scorecard is a significant step in continuing to craft a meaningful tool for students and families on financial value. In addition, tools such as the Net Price Calculator and the Financial Aid Shopping Sheet provide other data points that are required to be maintained by colleges and universities. There is concern that some of these tools, including the College Scorecard, may deter students from applying to a particular institution, because of their financial situation. Specifically, first generation students and low-income students may decide not to even apply to a particular college based on using the Net Price Calculator for fear of overall cost.

[8] https://www.insidehighered.com/news/2014/02/26/provosts-business-leaders-disagree-graduates-career-readiness

Economic value of a college degree will continue to be a critical topic as the next generation enters college. It is expected that Generation Z students (children born in the mid-1990s to the mid-2000s) will be more financially driven than the millennial generation. This generation sees college as a means to securing a good job with a future. Many have seen their parents live through the economic uncertainty of 2008, and that uncertainty has shaped their attitudes about employment and financial security.

As the cost of four year institutions continues to climb, community colleges will need to play a larger role in ensuring access and affordability for a degree beyond high school. In 2015, President Obama created an independent coalition to help develop a program called America's College Promise. The initiative will make the first two years of community college free. The country's more than 1,000 community colleges are places that welcome everyone through their doors – 40% are first generation college attendees, 30% have dependents, and 38% receive Pell Grants. Community colleges should be further utilized to grant access to a degree beyond high school, particularly for low-income and first generation students.

Our perspective

The value of a college degree continues to be strong. According to Georgetown University's Public Policy Institute, there will be 55 million job openings in 2020, and 35% will require a bachelor's degree while 30% will require some college or an associate's degree. From a pure return on investment perspective, workers with a bachelor's degree on average earn well over $1 million more than high school graduates during their working lives.

The cost and access to higher education will continue to be an area of focus for Congress. Most recently Senator Orrin Hatch and Representative Kevin Brady wrote to colleges and universities with endowments greater than $1 billion and asked a series of questions related to endowment management, endowment spending and use, and conflicts of interest. It is uncertain at this point what will come from these inquiries, but it is clear that access and affordability of higher education has garnered significant attention from the federal government. Senator Lamar Alexander proposed last year the concept of Risk Sharing and a "Skin in the Game" approach, for colleges to share in defaults on student loans. While the conversations have lost traction in the election year, it has been a focus in recent years in this heightened environment of accountability.

Institutions will need to continue to address cost and value with prospective students and be transparent on expected costs as well as financial aid and loan options. It is important for institutions to continue one-on-one admission and financial aid counseling, where applicable, to ensure prospective students have an accurate picture of the true cost of attendance at a particular institution rather than relying on website data. PwC conducted a recent study in partnership with George Washington Global Financial Literacy Excellence Center. When tested on financial concepts, only 24% of Millennials demonstrated basic financial knowledge and more than 54% expressed concern in their ability to repay their student loans.[9]

Loans will continue to be a significant part of financial aid packages. In the 2015 edition of *How America Pays for College* sponsored by Sallie Mae and conducted with the market research firm Ipsos, 65% of families who took out education loans strongly agreed that they would rather borrow than have their child not be able to attend college.[10] Counseling student loan borrowers on repayment, specifically related to income driven repayment options, will be important to help students manage their debt incurred.

Institutions should be mindful of their own definition of "value" and how that definition relates to their overall mission. Ensuring clear alignment of the two will continue to be important. Identifying the most appropriate way to publicly communicate the value provided by an institution should be a topic of discussion amongst trustees and senior management.

[9] https://www.pwc.com/us/en/about-us/corporate-responsibility/assets/pwc-millennials-and-financial-literacy.pdf

[10] 2015 Sallie Mae, How America Pays for College, 2015 Sallie Mae's National Study of College Students and Parents http://news.salliemae.com/files/doc_library/file/HowAmericaPaysforCollege2015FNL.pdf

Attachment 3

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012, amended December 30, 2015, and this Resolution, the following named Key Management Personnel member as defined in Regents Policy 1600 shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

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