

A PACER Policy Brief:

College Affordability in PA: How Did We Get Here, and What Can Be Done?

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I. Is the College Imperative Out of Reach in Pennsylvania?

Nationwide, policy makers, students, and families are grappling with how to pay for the rising cost of higher education. Attainment of a postsecondary degree has been shown to increase household income which leads to increased tax revenue, decreased reliance on public assistance, improved health outcomes, and decreases in crime.¹ Other benefits include increased social mobility,² emotional and physical well-being,³ civic and community engagement,⁴ and workplace satisfaction.⁵ Expanding higher education attainment is also critical to meeting future economic needs. By 2020, 65 percent of all jobs in the economy will require postsecondary education and training, but researchers estimate that the country will fall short by 5 million workers at the current production rate.⁶

Pennsylvania is projected to face a similar skills gap. In 2020, 63 percent of new jobs in Pennsylvania will require some college education. Currently only 40 percent of Pennsylvania residents hold an associate's degree or higher, which puts Pennsylvania at an economic disadvantage when competing against other states and countries for high-paying jobs. To address these issues, higher education stakeholders in Pennsylvania are meeting to discuss legislative options to bring down the cost of college.

Yet at a time when a postsecondary degree has never been more important for individuals⁹ and society,¹⁰ the cost of higher education in Pennsylvania is among the highest in the country.¹¹ Fully 70 percent of Pennsylvania students graduate with college debt.¹²

http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf; Institute for Research on Higher Education. (2016). College Affordability Diagnosis: National Report. Philadelphia, PA: Institute for Research on Higher Education, Graduate School of Education, University of Pennsylvania. http://www2.gse.upenn.edu/irhe/affordability-diagnosis.

¹ Baum, S., Ma, J., & Payea, J. (2013). Education pays 2013: The benefits of higher education for individuals and society; Hout, M. (2012). Social and economic returns to college education in the United States. Annual Review of Sociology, 38, 379–400.; Institute for Higher Education Policy. (2005). The investment payoff: A 50 state analysis of the public and private benefits of higher education. Retrieved from http://www.ihep.org/sites/default/files/uploads/docs/pubs/investmentpayoff.pdf

² Isaacs, J. B., Sawhill, I. V., & Haskins, R. (2008). Getting Ahead or Losing Ground: Economic Mobility in America. Brookings Institution.

³ Merisotis, J. (2005). The investment payoff: A 50 state analysis of the public and private benefits of higher education. *Institute for Higher Education Policy*. Retrieved from: http://www.ihep.org/sites/default/files/uploads/docs/pubs/investmentpayoff.pdf
⁴ Ibid.

⁵ Gallup. (2014). Great jobs great lives: The 2014 Gallup-Purdue index report. Retrieved from http://www.luminafoundation.org/files/resources/galluppurdueindex-report-2014.pdf

⁶ Carnevale, A. P., Smith, N., & Strohl, J. (2014). Recovery: Job growth and education requirements through 2020.

⁷ Georgetown University Center on Education and the Workforce (2013) Pennsylvania state summary. Retrieved from https://cew.georgetown.edu/wp-content/uploads/Pennsylvania-Recovery.pdf

⁸ ACS Educational Attainment by Degree-Level and Age-Group: Percent of Adults 25 to 64 with an Associate's Degree or Higher - 2012

⁹ Abel, J. R., & Deitz, R. (2014). Do the benefits of college still outweigh the costs?. *Current Issues in Economics and Finance*. Retrieved from https://www.newyorkfed.org/medialibrary/media/research/current_issues/ci20-3.pdf

¹⁰ Bloom, D. E., Hartley, M., & Rosovsky, H. (2007). Beyond private gain: The public benefits of higher education. In *International handbook of higher education*, 18, (pp. 293-308). Springer Netherlands.

¹¹ Ma, J., Baum, S., Pender, M., & Bell, D. (2015). Trends in College Pricing 2015. College Board. Retrieved from:

¹² Institute for College Access and Success. (October 2015). Student Debt and the Class of 2014: Tenth Annual Report at http://ticas.org/sites/default/files/pub_files/classof2014.pdf

In this brief, Research for Action (RFA) examines how and why Pennsylvania is one of the most unaffordable states in the Union to obtain a college degree; and we offer some policy recommendations for how to address this issue.

Understanding College Costs and Affordability

College Costs

Understanding the true "cost" of higher education is a difficult process. "Sticker price", or the published cost of attending a higher education institution, has little to do with the true cost. An accurate assessment of the cost of a particular institution includes consideration of the following factors:

- Tuition and fees: The published prices students pay to attend.
- Total cost of attendance: Includes books, supplies, and room and board. Other ancillary costs, such as child care, time away from work, and transportation, are generally not included in calculating cost, even though they are often a huge burden for low-income and adult students.
- Net price: Average yearly total cost of attendance minus the average federal, state or institutional grants or scholarships a student receives.
- Tuition discounting: A practice, common in many institutions, of publishing a high tuition price and then offer most, if not all, of the admitted students an institutional "grant" or "scholarship." Nearly two thirds of full-time students at four year universities receive institutional grants or scholarships through tuition discounting, obscuring the true price of tuition and fees.

College Affordability

Affordability is only partially tied to cost. For example, the average four-year public tuition and fee prices in New Jersey and Pennsylvania are very similar: \$13,303 and \$13,395, respectively. But for typical residents of New Jersey, where the median household income is \$73,971, this cost is more affordable than it is for typical residents of Pennsylvania, where the median household income is \$53,234.

II. Pennsylvania's Complex and Decentralized Postsecondary Sector

Pennsylvania has a long history as a national leader in higher education, dating back to the founding in 1740 of the Academy and College of Philadelphia (now the University of Pennsylvania). Today, only five states in the country enroll more students in postsecondary institutions than Pennsylvania. Pennsylvania is notable for its decentralized postsecondary governance structure and limited state board authority over higher education. This is important, since more centralized governance structures are correlated with lower average tuition rates.

As outlined in Table 1, Pennsylvania's higher education institutions are broken into five sectors governed by a variety of entities: 1) community colleges, 2) state institutions, governed by the Pennsylvania State

¹³ State Board of Education. (2005). Master Plan for Higher Education.

¹⁴ National Center for Education Statistics (NCES) at: http://nces.ed.gov/programs/digest/d15/tables/dt15_304.10.asp?current=yes

¹⁵ McGuinness Jr, A. C. (2010). Classification of State Higher Education Structures. *Boulder, CO: National Center for Higher Education Management Systems.*; Education Commission of the States. (2016). Postsecondary governance structures state profiles – Pennsylvania. Retrieved from: http://ecs.force.com/mbdata/mbstcprof?Rep=PSST&st=Pennsylvania

¹⁶ Kim, M. M., Ko, J. (2015). The Impacts of State Control Policies on College Tuition Increase. Educational Policy, 29(5), 815-838.

System of Higher Education (PASSHE), 3) state-related institutions, 4) independent, non-profit institutions and 5) for-profit institutions.¹⁷

Table 1. Pennsylvania's Postsecondary Landscape

INSTITUTIONS	FALL 2014 FULL-TIME EQUIVALENT (FTE) ENROLLMENT	12 MONTH UNDUPLICATED HEADCOUNT	GOVERNING BODY	CREDENTIALS OR DEGREES OFFERED	TUITION AUTHORITY	
Community Colleges						
14ª	75,086	196,451	Pennsylvania Department of Education/ Individual boards of trustees	Department of associate's; Education/ certification in technical or		
		Sta	te Institutions			
14	99,385	126,233	Pennsylvania State System of Higher Education (PASSHE)/ Individual boards of trustees	Bachelor's; graduate-level courses; master's and doctoral degrees	State System Office	
State-Related Institutions b						
4 °	153,482	192,123	Individual boards of trustees with some members appointed by state government	Bachelor's; graduate-level courses; master's and doctoral degrees	Institution	
Independents (Private Non-Profit)						
114	264,327	368,290	Individual boards of trustees	Certifications; two- year associate's; bachelor's; graduate- level courses; master's and doctoral degrees	Institution	
For-Profit (Degree granting only)						
44	36,371	65,207	N/A	Certifications; two- year associate's; bachelor's; graduate- level courses; doctoral degrees	Institution	

Data Source: Integrated Postsecondary Education Data System

As Table 1 shows, institutions in nearly all postsecondary sectors in the state can set their own tuition rates; only the PASSHE system members cannot. Yet only about 13 percent of the state's four-year students are enrolled in this sector. Thirty-nine percent are enrolled in private non-profits, which comprise 60 percent of higher education institutions in the state (only five other states have a higher proportion). And

a. The 14 institutions in the community college sector also include 12 branch campuses and 87 instructional sites and centers.

b. Most national analyses of the cost of public higher education aggregate PASSHE and state-related universities, in spite of their disparate tuition and level of state support. Wherever possible in this brief, we disaggregate our analyses to examine both sectors separately.

c. Lincoln University, the Pennsylvania State University, Temple University and the University of Pittsburgh are "state-related"; they were originally founded as private institutions and continue to operate semi-autonomously. While there are only four state-related institutions, Pennsylvania State University has 24 campuses and the University of Pittsburgh has five.

¹⁷ State Board of Education. (2005). Master Plan for Higher Education.

fully 20 percent of four-year students enroll in Pennsylvania's four state-related institutions. ¹⁸ In short, the large majority of Pennsylvania's four-year college students are enrolled in colleges and universities whose cost is not controlled by the state.

III. Affordability in Pennsylvania

There are two major drivers of college cost: 1) the availability of grants and loans; and 2) tuition and fees. We provide an overview of each in Pennsylvania below.

Pennsylvania is above the national average in providing financial aid to students. The Pennsylvania Higher Education Assistance Agency (PHEAA) is responsible for administering state financial aid programs. PHEAA provided nearly \$460 million in grant aid during the 2013-14 academic year, according to the National Association of State Student Grant and Aid Programs (NASSGAP). Most of this aid was awarded through need-based programs, making Pennsylvania a top ten state in total state-sponsored financial aid, and 15th in the country in total grant dollars per population. Further, Pennsylvania is sixth in the country in providing need-based undergraduate grant aid per FTE (\$840 per student) and 25th in the country in number of awards per FTE during 2013-14.

The Pennsylvania State Grant Program (PSGP) is the primary financial aid program sponsored by PHEAA, though various other programs also exist. PHEAA does not offer any state-sponsored loans or loan forgiveness programs. The criteria and award levels for the PSGP and related programs are outlined in Table 2 below.

Table 2. Financial Aid in Pennsylvania for Undergraduate Students across Institutions*

PROGRAM	PROGRAM STUDENT ELIGIBILITY		MAXIMUM AWARD				
State Funded Grant & Aid Programs							
Pennsylvania State Grant Program (PSGP)	Eligibility calculated based on federal Need Analysis Formula & PSGP policies.		Award amounts & allowable college cost levels vary by year; maximum award for				
 State Grant Distance Education Pilot Program (SGDEEP) 	Students must be PSGP eligible & receive >50% of credits through online/distance education	Half-time (6 credits/ semester) in program of study	2015-16 was \$4,340 (Is this amount for the award or the "cost level")				
 Ready-to-Succeed Scholarship Program (RTSS) 	Students must be PSGP eligible with the exception of financial need & be nominated by postsecondary institution**	that is at least 2 academic years long	\$2,000 for full-time students & \$1,000 for part-time students				
Matching Fund Programs							
Partnership for Access to Higher Education (PATH)	Students must be nominated by a participating organization & be a PSGP recipient	Half-time in program of study that is at least 2	\$2,500 match dollar-for-dollar scholarship				

¹⁸ Integrated Postsecondary Education Data System; State appropriations must remain below 10 percent of the total budget of state-related institutions. Each institution has separate legislation. University of Pittsburgh Legislation:

http://www.legis.state.pa.us/WU01/LI/LI/US/PDF/1966/3/0003..PDF; Lincoln University state-related legislation: http://www.legis.state.pa.us/WU01/LI/LI/US/PDF/1972/0/0176..PDF; Temple University state-related legislation:

http://policies.temple.edu/PDF/35.pdf;

¹⁹ National Association of State Student Grant and Aid Programs (NASSGAP). The 45th Annual Survey Report on State-Sponsored Student Financial Aid: 2013-14 Academic Year at: http://www.nassgap.org/
²⁰ Ibid.

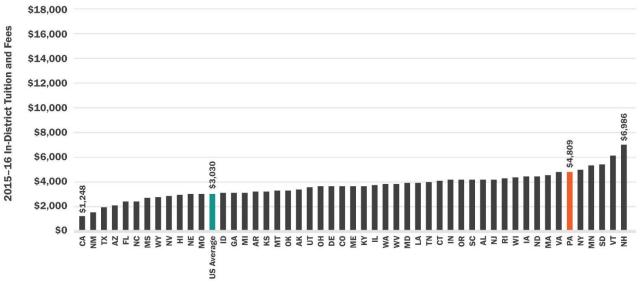
		academic years long	
State Work-Study Program (SWSP)	Students must be PSGP eligible	Half-time	\$4,000 during academic year & \$4,000 during summer

^{*} The table does not include state aid programs for students attending or graduating from select institutions or programs that target unique populations or funds that allocate directly to institutions **Nomination is based on "high achievement" defined as GPA ≥ 3.25.

Source: Pennsylvania Higher Education Assistance Agency

Yet institutions in Pennsylvania have among the highest average tuition and fees in the nation. The cost of a college degree varies greatly across states. In 2014-15 average tuition and fees at public four-year institutions ranged from \$4,890 in Wyoming to \$15,160 in New Hampshire.²¹ However, as shown in Figures 1, 2, and 3, Pennsylvania's postsecondary institutions have some of the highest tuition and fees in the public two and four-year sectors and private non-profit sector.

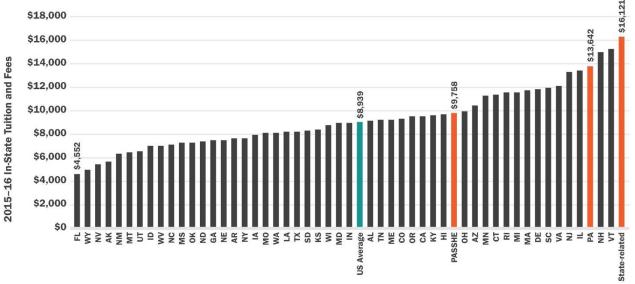
Figure 1. Average 2015-16 In-District Tuition and Fees at Public Two-Year Institutions by State



Source: Integrated Postsecondary Education Data System (PA average includes four public two-year institutions that are not community colleges)

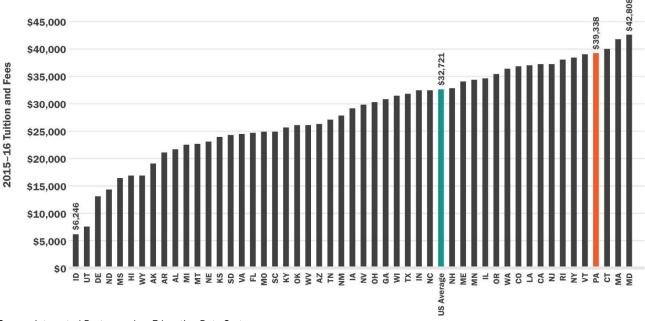
²¹ Ma, J., Baum, S., Pender, M., & Bell, D. (2015). Trends in College Pricing 2015. *College Board*. Retrieved from: http://trends.collegeboard.org/sites/default/files/trends-college-pricing-web-final-508-2.pdf

Figure 2. Average 2015-16 In-State Tuition and Fees at Public Four-Year Institutions by State



Source: Integrated Postsecondary Education Data System

Figure 3. Average 2015-16 Tuition and Fees at Private Non-profit Institutions by State



Source: Integrated Postsecondary Education Data System

These figures reveal a number of important facts:

- Figure 1 shows that Pennsylvania's public two-year institutions are the 7th most expensive in the country. Average tuition and fees exceed the national average by about \$1400 per year.
- As seen in Figure 2, Pennsylvania's four state-related universities—Penn State, the University of Pittsburgh, Lincoln University, and Temple University—are the most expensive "public" postsecondary institutions in the country. In fact, Penn State, Temple, and the University of Pittsburgh were recently classified as three of the top ten most expensive public research institutions in the country.²²

²² Friedman, Jordan. (May 3, 2016). "Ten Colleges with the Highest Tuition for In-State Students." U.S. News and World Report at http://www.usnews.com/education/best-colleges/the-short-list-college/articles/2016-05-03/10-colleges-with-the-highest-tuition-for-in-state-students (These tuition costs do not represent the net cost after federal, state and institutional aid are provided).

• Figure 3 illustrates the fact that our private institutions are also among the most expensive in the country, with average tuition and fees approaching \$40,000 per year.

Pennsylvania's grant aid does not fully compensate for the state's high tuition. As a result, the cost of college in Pennsylvania is the highest in the region. As shown in Table 3, when compared to neighboring states and the national average, Pennsylvania is the most unaffordable across many affordability indicators. Below we compare tuition and fees, and levels of state support through appropriations and financial aid. Color codes indicate the degree of unaffordability, with deeper red showing a higher cost for students.

Table 3. College Affordability Indicators in the Region

COLLEGE AFFORDABILITY INDICATORS	DE	MD	NJ	NY	ОН	PA	wv	NAT AV
Two-Year Sector ²³								
Avg. Tuition and Fees (public only, in-district students)	\$3,570	\$4,270	\$4,600	\$5,100	\$4,530	\$4,930	\$3,800	\$3,440
% Increase from 2010-15	13%	9%	7%	18%	11%	30%	38%	14%
Four-Year Sector ²⁴								
Avg. Tuition and Fees (public only, in-state students)	\$11,680	\$9,160	\$13,300	\$7,640	\$10,200	\$13,390*	\$7,170	\$9,410
% Increase from 2010-15	11%	8%	4%	21%	3%	8%	25%	13%
State Contributions to Higher Education								
Higher Educational Appropriation per FTE (2015) ²⁵	\$4,804	\$8,024	\$5,766	\$8,830	\$5,078	\$3,758	\$5,542	\$6,966
State and Local Support as a % of All Educational Revenue (2014) ²⁶	27.7%	54.0%	46.2%	67.1%	41.8%	32.3%	51.8%	57.2%
State Grant Aid per FTE Undergraduate (2013- 14) ²⁷	\$540	\$510	\$1,250	\$1,080	\$240	\$840	\$1,070	\$710

^{*} This average includes state-related institutions.

COLOR KEY

Most Affordable for Students

Least Affordable for Students

²³ The College Board, Annual Survey of Colleges: https://trends.collegeboard.org/college-pricing/figures-tables/2015-16-district-tuition-and-fees-public-two-year-institutions-state-and-five-year

²⁴ The College Board, Annual Survey of Colleges: https://trends.collegeboard.org/college-pricing/figures-tables/2015-16-state-tuition-and-fees-public-four-year-institutions-state-and-five-year-percentage

²⁵ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015: Retrieved from http://sheeo.org/sites/default/files/project-files/SHEE0_FY15_Report_051816.pdf

²⁷ National Association of State Student Grant and Aid Programs (NASSGAP). 45th Annual Survey Report on State-Sponsored Student Financial Aid: 2013-14 Academic Year: https://www.nassgap.org/viewrepository.aspx?categoryID=3

Table 3 reveals the following:

- Pennsylvania has the highest tuition and fees in the region for four-year public in-state students, and second highest for two-year public in-state students.
- Pennsylvania also has the lowest state appropriation per full-time equivalent (FTE) enrollment in the region, and appropriations levels are 53 percent lower than the national average.
- Pennsylvania's state and local funding as a percentage of overall higher education revenue is the second lowest proportion in the region. Only Delaware provides less.
- Pennsylvania is in the middle of the pack regionally in terms of providing financial aid. New Jersey, New York and West Virginia all provide more financial aid per student.
- While Pennsylvania provides \$130 per FTE enrollment above the national average in grant aid, this does little to offset Pennsylvania's high average tuition and fees at four-year institutions which is \$3,980 above the national average.

The net price of college for all income groups in Pennsylvania is highest in the region. Net price is defined as the average yearly total cost of attendance, including living expenses, minus financial aid. Figure 4 displays net price in each state in the mid-Atlantic region. We calculate high, low and average net price by income bracket. Our analyses indicate that when factoring in state, federal and institutional aid, Pennsylvania remains the most unaffordable state in the region both compared to neighboring states and across income quintiles.

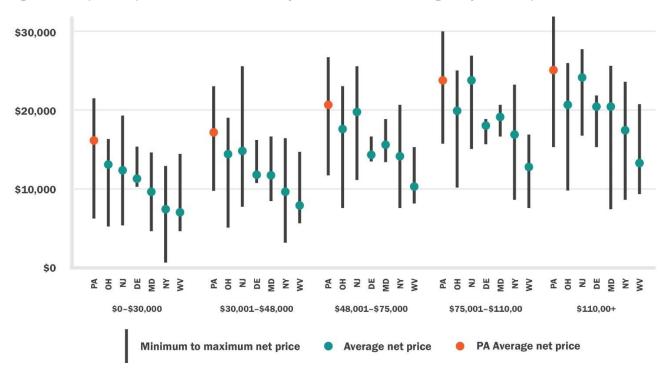


Figure 4. Net price of public and state-related 4-year institutions in the region by income quintile

Figure 4 reveals the following:

- Pennsylvania has the most expensive average net price across each income quintile.
- The difference is most pronounced in the lowest income bracket (\$0-\$30,000), where the average net price of \$16,296 in Pennsylvania is nearly 20 percent more expensive than in any other state in the region.
- When considering the proportion of annual income needed to pay for higher education, students in the lowest income bracket pay a disproportionately high price for attending college.

Growth in tuition and fees over the past fifteen years in Pennsylvania has outpaced median income and the average price of other goods and services. High tuition and fees are not new to Pennsylvania, but as show in Figure 5, they have continued to rise steadily over the past decade and a half, outpacing both median household income and inflation.

Figure 5. Growth in average public tuition and fees in Pennsylvania compared to Consumer Price Index (CPI) and median household income (2000-2014)

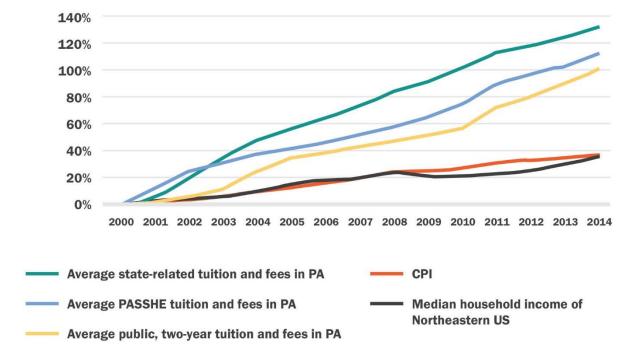


Figure 5 reveals the following:

- The rate of increase for tuition and fees at state-related institutions has risen steadily over the years at a rate much higher than CPI and median household income.
- The rate of growth for PASSHE tuition and fees outpaced growth in the state-related sector between 2000 and 2002, but dropped notably from 2003 to 2009 before rising again after 2011.
- The rate of growth for tuition and fees at community colleges rose notably between 2003 and 2005, leveled off, then rose again after 2010.

Pennsylvania students pay for this high cost by taking out loans. Perhaps more importantly, and relatedly, Pennsylvania has the third highest average student loan debt per student (\$33,264) and the third highest percentage of graduates with college loan debt (70 percent) in the country.²⁸

²⁸ Cochrane, D. & Reed, M. (October 2015). Student Debt and the Class of 2014: Tenth Annual Report. *Institute for College Access and Success*. Retrieved from http://ticas.org/sites/default/files/pub_files/classof2014.pdf

IV. Focus on Philadelphia

The Need for More Philadelphians to go to College

Philadelphia is one of the largest cities and economic hubs in the country. Yet the city also has a poverty rate of 25.8 percent, well above the national average of 14.8 percent,²⁹ and the highest rate of deep poverty among the ten largest cities in the U.S.³⁰ Relatedly, Philadelphia's college attainment rate of 25.2 percent is below the national average of 29.5 percent,³¹ and even further below the average of the 15 largest U.S. cities of 34 percent.³²

For all these reasons, an affordable pathway to a bachelor's degree is a critical social imperative for Philadelphia. Aside from the benefits that accrue to individuals from a college credential, public benefits abound as well. It is estimated that a 1 percentage point increase in college attainment could raise the total income in the region by \$4.4 billion dollars.³³

Assessing the Affordability of the Bachelor's Degree Pipeline in Philadelphia

What options do Philadelphians have for obtaining an affordable college credential? While Philadelphia is home to dozens of postsecondary institutions, the abundance of colleges and universities does not necessarily translate into affordable options. Traditionally, community colleges provide the most affordable postsecondary education, and most large cities have multiple community colleges, or even community college systems. In contrast, Community College of Philadelphia (CCP) is the only community college campus in the city. Due in part to losses of public funding, tuition and fees at CCP have risen to \$4,920 for in-district students--over 43 percent higher than the national average of \$3,435.34 Even with this high cost, CCP is still more affordable than any four-year institution in the city, making it an attractive option for students to save money on the first two years of a college degree to obtain a certificate or associates degree, or to transfer to a four year institution to complete a bachelor's degree.³⁵ However, relatively few students successfully transfer from CCP to complete a degree at a four year institution. For example, Temple University, the largest four-year institution in the city, accepted only 426 transfer students from CCP in 2015--6 percent of its incoming class. That same year, only 681 Temple students were from Philadelphia--9.5 percent of the incoming class.³⁶

Comparing the Cost of a Four-Year Degree: Philadelphia Vs. Other Large Cities

How does the cost of obtaining a four-year degree in Philadelphia compare to the cost of getting a bachelor's degree other cities? Although there are multiple pathways a Philadelphia student could take to obtain a degree, all have a high cost compared to the median household income in Philadelphia (\$34,000) and compared to larger U.S. cities with higher median household incomes.

Figure 6 below provides an illustration of how this is so. It outlines tuition and fees for common bachelor's degree pathways in the five largest metro areas in the United States. The graphic can be understood as follows:

1. The first pathway in each city represents the two most common public postsecondary transfer pathways. The student completes two years at the city's largest community college and then two years at the city or region's largest public bachelor's/master's university, or two years at the city's

²⁹ American Community Survey

³⁰ Lubrano, A. (2015, October). Among the 10 largest cities, Philly has highest deep-poverty rate. Philadelphia Inquirer. Retrieved from http://articles.philly.com/2015-10-01/news/67015543 1 poverty-rate-deep-poverty-philadelphians.

³¹ American Community Survey

³² Ginsberg, T. (2015). The Pew Charitable Trusts. Assessing community college of Philadelphia: Student outcomes and improvement strategies.

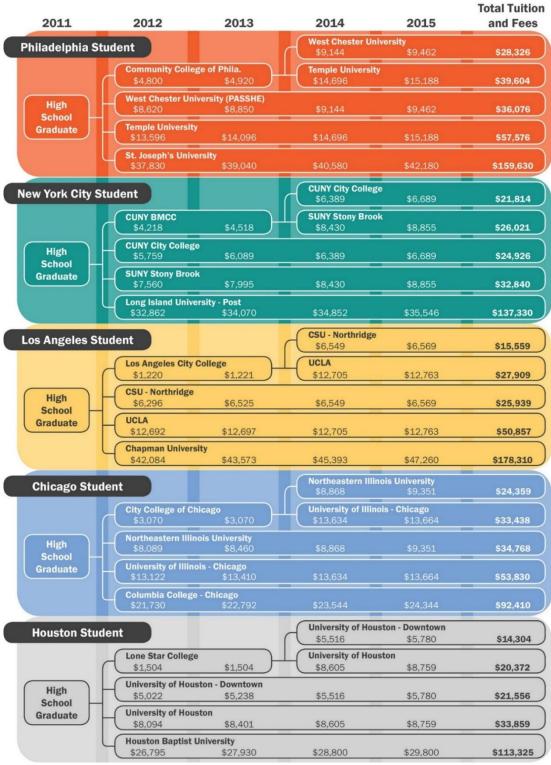
³⁴ https://trends.collegeboard.org/college-pricing/figures-tables/average-published-undergraduate-charges-sector-2015-16

³⁵ The Pew Charitable Trusts. (2015). Assessing community college of Philadelphia: Student outcomes and improvement strategies.

³⁶ https://www.temple.edu/about/temple-now/students

- largest public doctoral, high research activity university (commonly called "flagship" or "Research I" institutions).
- 2. The second and third pathways represent the cost of completing all four years at the city's largest public bachelor's/master's university and the city's Research I university.
- 3. The fourth pathway represents the student completing all four years at the city's largest private institution.

Figure 6. Published Tuition and Fees for Five Degree Pathways in the Five Largest US Cities.



Source: IPEDS, Institutional Characteristics Dataset (2016).

This graphic reveals a number of important findings:

- In Philadelphia, only one pathway is below the median household income of \$34,000, whereas the other four cities have three or four pathways below \$34,000.
- Compared to other cities, Philadelphia's least expensive four-year pathway exceeds that of other cities by \$4,000, and students would have to travel outside of city limits to West Chester to take advantage of this pathway. If students stay within the city limits, their least expensive option will cost nearly \$40,000.
- In Houston and Los Angeles, students can earn a bachelor's degree for less than half the cost of what a Philadelphia student pays.

Clearly Philadelphia students deserve more affordable options. Part of this high cost stems from a lack of public options. While there are no fully public four-year institutions in Philadelphia's city limits (Temple is state-related), four state owned universities offer degrees at a shared Pennsylvania's State System of Higher Education @ Center City space.³⁷ Yet enrollment is capped at 800, and is thereby accessible to a very small portion of Philadelphians.

V. Factors Contributing to Pennsylvania's High Cost

Why is it so expensive to attend college in Pennsylvania? A number of factors contribute to this issue.

Historically low appropriations and more recent cuts in state appropriations have led to high tuition among public institutions.

One of the primary reasons for increases in public tuition is a decrease in state spending on higher education. Historically, states bore the primary responsibility of funding *public* higher education, but in recent years, much of that burden has been shifted to students and their families. In constant dollars per student, nationwide, state appropriations for higher education have dropped 15 percent since 2008 and 20 percent since 1990.³⁸ In 2012, the tuition and fees paid by students and families surpassed state appropriations as the largest source of institutional revenue.³⁹ In Pennsylvania this trend has been even more dramatic, with appropriations per FTE enrollment falling 36.2 percent since 2008,⁴⁰ and tuition and fees outpacing state appropriations as the primary source for institutional revenue in 2003, as shown in Figure 7.

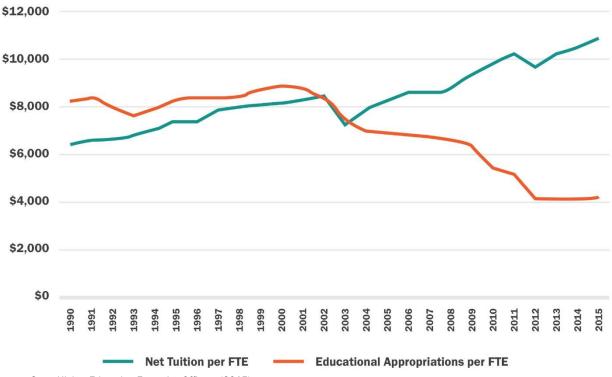
³⁷ These institutions offer degrees in many areas including business, education and health sciences, and offer a limited range of academic and student services. Students pay the tuition rate of the PASSHE institution offering the degree program with a 10 percent discount and a reduced fee amount, because they do not utilize the services provided by the main campuses. Students at the State System @ Center City are eligible for Pell and PHEAA grants, but the average net price of these programs is not available.

³⁸ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015. Retrieved from http://sheeo.org/sites/default/files/project-files/SHEEO_FY15_Report_051816.pdf (page 21)

³⁹ United States Government Accountability Office (2014) Higher education state funding trends and policies on affordability. Retrieved from: http://www.gao.gov/assets/670/667557.pdf

⁴⁰ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015. Retrieved from http://sheeo.org/sites/default/files/project-files/SHEEO_FY15_Report_051816.pdf

Figure 7: PA Higher Education Tuition and State and Local Appropriation Revenues from 1990-2015



Source: State Higher Education Executive Officers (2015)

Appropriations have historically been low in Pennsylvania, but have continued to decrease.⁴¹ In 2002-03, cuts to higher education under Gov. Mark S. Schweiker were correlated with tuition increases across the state, including a 13.5 percent increase at Penn State University.⁴² Between 2003 and 2011 under Gov. Ed Rendell, appropriations per FTE enrollment declined less dramatically. However, Gov. Tom Corbett cut funding to PASSHE by 14.5 percent and funding to state-related institutions by 19 percent in the 2011-12 budget. Tuition increased between 7 and 9 percent, and institutions reported budget shortfalls.⁴³ In years when higher education does not face major cuts, level funding to moderate increases are often not enough to account for changes in enrollment, increased operation costs, or inflation.

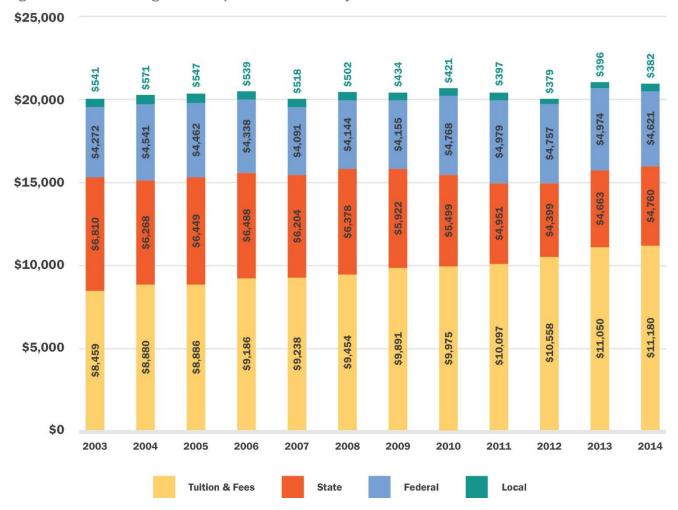
Even when taking PHEAA grants into account, overall expenditures on higher education in Pennsylvania have dropped. As can be seen in Figure 8 below, between 2003 and 2014, state contributions to higher education (including all sources) decreased 30 percent--from \$6,810 to just \$4,760 per full-time student. Local contributions also decreased 30 percent, while revenue from tuition and fees *increased* 32 percent.

⁴¹ Brackman, J. (2011, July) PA Schools Raising Tuition to Compensate for State Budget Cuts. Retrieved from http://www.politicspa.com/pa-schools-raising-tuition-to-compensate-for-state-budget-cuts/26309/; Esack, S. (2015, April) Pennsylvania higher education board reluctantly approves Gov. Tom Wolf's tuition freeze 'ultimatum'. Retrieved from http://www.mcall.com/news/nationworld/pennsylvania/mc-pa-wolf-budget-higher-education-20150409-story.html; Kelderman, K. (2013, October) The liberal arts confront fiscal reality at Edinboro U. Retrieved from http://chronicle.com/article/The-Liberal-Arts-Meet-Fiscal/142279; State Board of Education. (2005). *Master Plan for Higher Education*.

⁴² Associated Press (2002, July) Penn State's rises 13.5%. Retrieved from http://www.poconorecord.com/article/20020713/news/307139996

⁴³ Popichak, J. (2011, July). Universities Raise Tuition Following Deep Budget Cuts. Retrieved from http://patch.com/pennsylvania/hellertown/universities-raise-tuition-following-deep-budget-cuts

Figure 8: PA Public College Revenue per FTE Enrollment by Source



Unlike other public functions, such as prisons and K-12 education, higher education has the capability of generating its own revenue through raising tuition. As a result, when making difficult budget decisions, state legislators will often cut higher education funding before other functional areas, expecting colleges and universities to generate their own revenue through raising tuition. This is true in most states, but the appropriations declines and tuition increases are more dramatic in Pennsylvania than in many other states. During the Great Recession, Pennsylvania cut higher education appropriations per FTE enrollment by 36.2%--the third highest percentage in the country. During the same time period, net tuition revenue per FTE enrollment grew 23.1%. Of total educational revenue in the state, net tuition revenue accounts for 70 percent, the fourth highest percentage in the country, and is significantly above the national average of 46.5 percent.

State appropriations for higher education are not determined on the basis of a strategic plan or statewide goals such as ensuring college access, degree attainment, or affordability. Due to the State Board of Education's limited coordinating authority regarding higher education, the decentralized nature of the postsecondary sectors in Pennsylvania, and the lack of a central plan or set of goals for higher

⁴⁴ Povich E. S. (2015, March) To Balance Budgets, Governors Seek Higher Education Cuts. Retrieved from: http://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2015/3/27/to-balance-budgets-governors-seek-higher-education-cuts

⁴⁵ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015. Retrieved from http://sheeo.org/sites/default/files/project-files/SHEEO_FY15_Report_051816.pdf
⁴⁶ Ibid.

⁴⁷ Ibid.

education, the process for determining state appropriations for higher education is not strategically aligned with high-level state education or workforce development goals. Rather, appropriations are more commonly based on the previous year's funding levels.

The prevalence of private institutions is associated with high tuition across all institutions. In the 1960s, most states invested in public higher education to accommodate the growing enrollment of the baby boomers. Pennsylvania, however, chose to use public funds to establish the PHEAA Grant, which students can use at either public or private institutions. While this can help students offset the high cost of attending private institutions, this policy decision also resulted in less revenue to ensure public institutions in Pennsylvania are as affordable as in other states. Politically, states such as Pennsylvania with long-standing traditions of private education face less public demand, and feel less of an obligation, to support public higher education. But funneling public dollars to private institutions both drives students towards higher cost options, and cuts funding to public institutions causing them to raise tuition.

State funding for financial aid represents a large portion of the overall allocation of funds for higher education in Pennsylvania. Pennsylvania's total grant aid expenditures as a percentage of state support for higher education is 27.9 percent, second only to South Carolina.⁵⁰ At the same time, Pennsylvania's direct education appropriations per FTE for higher education during FY2015 was low (\$3,758).⁵¹ Research on the impact of public funding to higher education often draws the conclusions that funding appropriations slows the rate of tuition increases, while funding financial aid programs increases the rate of tuition increases.

A significant portion of state financial aid dollars are awarded to students attending private institutions. The Pennsylvania State Grant Program (PSGP) determines maximum award amounts based on institutional costs along with financial need. This means that students who attend high cost institutions receive more aid than students attending more affordable options, giving state aid less purchasing power. As shown in Figure 10, 35 percent of PHEAA dollars end up at private independent, four year institutions instead of public institutions.

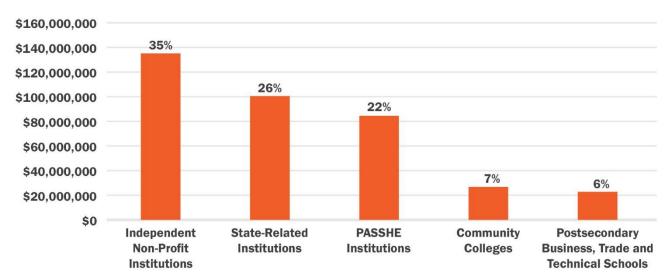


Figure 10. PHEAA Dollars Awarded by Postsecondary Sector

Source: Pennsylvania Higher Education Assistance Agency. 2014-15 Annual Report

 $^{^{\}rm 48}$ State Board of Education. (2005). Master Plan for Higher Education.

⁴⁹ Weerts, D.J., & Ronca, J. M. (2008). Determinants of State Appropriations for Higher Education from 1985-2005: An Organizational Theory Analysis

⁵⁰ NASSGAP Report: 2013-14

⁵¹ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015. Retrieved from http://sheeo.org/sites/default/files/project-files/SHEEO_FY15_Report_051816.pdf

The state also funds private institutions through the Institutional Assistance Grant. PHEAA programs includes a fund that provides formula grants to private, non-profit postsecondary institutions to help them maintain enrollment levels and stabilize their education costs. The Institutional Assistance Grants (IAG) program formula is based on the number of FTE Pennsylvania State Grant Program (PSGP) recipients enrolled at each private institution. This means that private institutions enrolling more PSGP recipients also receive more IAG grant dollars. The state legislature appropriated \$25 million for the IAG for the 2015-16 academic year. ⁵² Public institutions are not eligible for this grant.

VI. Access to Affordable Community Colleges

The lack of community college resources in Pennsylvania significantly reduces access to affordable postsecondary education for large portions of the state. While community colleges offer the most affordable path to higher education, Pennsylvania has relatively few. The state's 1971 Master Plan for higher education called for the creation of 28 community colleges,⁵³ but the state currently has half that number. Moreover, many of Pennsylvania's 14 community colleges are located in the state's larger metropolitan areas, such as Reading, Pittsburgh, and metropolitan Philadelphia. There are 12 community college branch locations and 87 instructional sites that help improve rural access to community college programs, but these locations do not have local sponsorship, so students pay out-of-district rates, which doubles the cost⁵⁴ Worse, for a large region of the central and northern part of the state, residents have no access to community college campuses or instructional sites. These students are restricted to taking online courses or traveling long distances (See Figure 11).

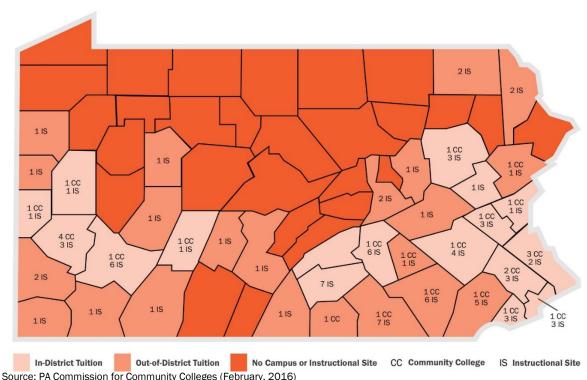


Figure 11. Community Colleges and Instructional Sites in Pennsylvania

*Decrete PA Commission for Community Colleges (February, 2016)

^{*}Dauphin, Cumberland and Perry counties share a community college district, as do Lehigh and Carbon. Students in these counties pay in- district rates whether they have a primary campus in their county or not.

⁵² PHEAA: 2016 Handbook for Legislators

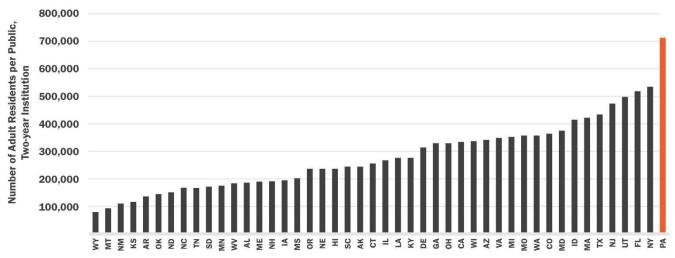
⁵³ State Board of Education (1971) Master plan for higher education in Pennsylvania

⁵⁴ Legislative Budget and Finance Committee (2011) The need for public community college programs in rural Pennsylvania. Retrieved from http://lbfc.legis.state.pa.us/Resources/Documents/Reports/415.pdf

Pennsylvania has fewer community colleges per adult resident than any other state with more than one community college.

The state has only 1 community college per 711,250 adults, as displayed in Figure 12.

Figure 12. Adult Residents per Public, Two-year Institution



Source: Integrated Postsecondary Education Data System, U.S. Census 2010 *Figure limited to states that have more than one community college

Community colleges charge twice the tuition rate for students outside of their sponsorship area. The lack of an adequate number of community colleges in Pennsylvania is compounded by state law that requires these institutions to charge twice the tuition and fees to students from outside of their sponsorship district as those from inside their district, often making tuition and fees comparable to a PASSHE institution. As articulated in Act 14 of 1949:

A student who is not a resident in the area of the local sponsor of the community college in which he is enrolled and who has enrolled himself in such college without the approval of the board of trustees of the community college established in the area in which he resides, if there is one, shall pay a tuition charge which shall be equal to twice the normal tuition charge of the community college in which he is enrolled.⁵⁵

In a state with in-district community college tuition already among the highest in the country, this law has resulted in even less affordable options for out-of-district families. The average out-of-district tuition and fees in Pennsylvania are the second highest in the country, second only to Illinois. ⁵⁶

The 1963 mandate for state and local resources to contribute 2/3 of total community college operating costs has not been met for many years. The Pennsylvania Community College Act of 1963 established a funding mandate that requires the state to contribute to one-third of institutional operating costs, the local sponsor one-third and "students enrolled in such college not more than one-third of its annual operating costs." Over the years this balance has eroded, with students now contributing to over half of institutional operating costs. Today local appropriations as a percent of core revenue range from 3 to 18 percent, while state appropriations as a percent of core revenue range from 13 to 27 percent.

⁵⁵ Act 14 of 1949, Section 1908-A:

 $[\]frac{\text{http://www.legis.state.pa.us/cfdocs/legis/Ll/uconsCheck.cfm?txtType=HTM\&yr=1949\&sessInd=0\&smthLwInd=0\&act=14\&chpt=19A\&sctn=8\&subsctn=0\\$

⁵⁶ Integrated Postsecondary Education Data System

⁵⁷ Act No. 484 http://www.pairb.us/pamphletlaws/19001999/1963/0/act/0484.pdf

⁵⁸ Hoover, S. (2015, April). Shared costs of Pa. community college shift primarily to students Retrieved from:

http://www.newsworks.org/index.php/local/education/81160sharedcostsofpacommunitycollegehaveshiftedprimarilytostudents

⁵⁹ Integrated Postsecondary Education Data System

VII. Recommendations

In spite of the significant challenges outlined in this brief, there are concrete steps that can be taken to make college more affordable to Pennsylvanians. Although the State Board of Education's Master Plan for Higher Education has not been revised for over a decade, it offers many important recommendations that continue to be relevant.⁶⁰ There are also specific policy changes that can serve to ease the burden on citizens of paying for higher education and expand college completion rates to the benefit of everyone in the state. Below we offer a range of recommendations for consideration.

- **Restore funding for Public Higher Education.** Public appropriations for higher education in Pennsylvania have dropped 36.2 percent since the 2009 recession.⁶¹ This has led to rising costs, which are largely borne by students and their families.⁶² Merely restoring appropriations to pre-recession levels would provide an additional \$570 million that could be used to control and reduce tuition.
- Establish State Tuition Policy for all public sector higher education institutions. Research has shown that tuition increases tend to be lower in states that provide incentives for tuition control, and that connect tuition policy to financial aid policy. While PASSHE has the ability to set tuition rates for its 14 universities, the state legislature could develop a set of incentives that would encourage the other sectors to control tuition as well. A number of state policy examples exist. For instance, in Missouri, institutions that increase tuition at rates higher than inflation must either return a portion of their state appropriations or ask for a waiver for part or all of the financial penalty. In Ohio, the state biennial budget approved in 2015 prevented tuition increases for in-state students. In addition, Maryland created a Tuition Stabilization Account which can be used to stabilize tuition at higher education institutions if state appropriations are lower than the previous year.
- Limit the Amount of Taxpayer Dollars Provided to Private Institutions. In academic year 2015-16, the Commonwealth sent \$25 million to private institutions through the Institutional Assistance Grant and \$135 million through the State Grant Program. These are dollars that could be used to make public institutions--, the sector traditionally dedicated to improving higher education access, more affordable for students and families. As such, the Commonwealth of Pennsylvania might consider shifting the funding from the IAG to expand state financial aid for low-income students enrolled in the public sector.
- **Develop and Executive a Plan to Expand the Number of Community Colleges in the State.**Pennsylvania currently has 14 community colleges serving an adult population of almost 13 million, giving it the lowest rate of community colleges per capita in the country. Furthermore, there are large swaths of the Commonwealth that have no community colleges, forcing students in those districts to either forgo the option of community colleges altogether, or pay the twice-as-expensive out-of-district rate where available. The state could discontinue the practice of higher tuition for students from a different county and encourage districts to establish community colleges within their bounds. Erie County Council members have expressed their willingness to create a community college in Erie,

⁶⁰ State Board of Education. (2005). Master Plan for Higher Education.

⁶¹ State Higher Education Executive Officers Association. (2016). State Higher Education Finance (SHEF) FY 2015. Retrieved from http://sheeo.org/sites/default/files/project-files/SHEEO_FY15_Report_051816.pdf

⁶² Brackman, J. (2011, July) PA Schools Raising Tuition to Compensate for State Budget Cuts. Retrieved from http://www.politicspa.com/pa-schools-raising-tuition-to-compensate-for-state-budget-cuts/26309/; Esack, S. (2015, April) Pennsylvania higher education board reluctantly approves Gov. Tom Wolf's tuition freeze 'ultimatium'. Retrieved from http://www.mcall.com/news/nationworld/pennsylvania/mc-pa-wolf-budget-higher-education-20150409-story.html; Kelderman, K. (2013, October) The liberal arts confront fiscal reality at Edinboro U. Retrieved from http://chronicle.com/article/The-Liberal-Arts-Meet-Fiscal/142279; State Board of Education. (2005). Master Plan for Higher Education.

⁶³ Kim, M. M., Ko, J. (2015). The Impacts of State Control Policies on College Tuition Increase. Educational Policy, 29(5), 815-838.

⁶⁴ Missouri Department of Higher Education: http://dhe.mo.gov/documents/HESFA.pdf

⁶⁵ http://www.thepostathens.com/news/state-budget-freezes-university-tuition-rates-for-two-years/article_624b758a-218b-11e5-bef8-8b9d4fc9b0b6.html

⁶⁶ Maryland Higher Education Commission. (2013). Maryland ready: Maryland state plan for postsecondary education. Retrieved from: http://mhec.maryland.gov/Documents/MHECStatePlan_2014.pdf

Pennsylvania, and have initiated a planning study to support this effort. This serves as an encouraging example to expand higher education opportunities to more Pennsylvania students.

- **Develop a Higher Education Funding Formula.** Postsecondary institutions are better positioned to plan, provide and sustain affordable high quality instructional programs when they are provided predictable financial resources that are based on a pre-determined set of factors. Under Act 46 of 2005, a state funding system for community colleges was developed, but the formula has since been bypassed and funding is now based primarily on the previous year's funding.⁶⁷ Restoring this formula, and developing one for the state's four-year public sector, would provide a more predictable funding stream.
- Offer State Sponsored Student Loan Forgiveness Programs. While Pennsylvania administers federal loan forgiveness programs, the Commonwealth has yet to develop a similar policy of its own. Along with loan forgiveness, other states have developed loan refinancing programs, tax deductions and credits, and low or no-interest loans. For example, New York provides up to 24 months of federal student loan debt relief to recent college graduates who are participating in a federal income-driven repayment plan. Connecticut passed legislation in 2015 to allow state residents to refinance loans at a lower interest rate. In order to target such a program to those most in need, a loan forgiveness program in Pennsylvania could include eligibility requirements based on Pell eligibility.
- **Provide Free Community College for the Neediest Students.** States such as Tennessee and Oregon have developed free community college programs that cover the cost of tuition beyond the funds provided by other federal and state grants. The Community College of Philadelphia (CCP) has started to move in this direction as well. Starting in the fall 2016 semester, students who graduated from Philadelphia high schools may be able to attend without paying tuition and fees. Any financial aid grant dollars received will be applied first as part of the award program, and then CCP will provide students with "last dollars" for tuition and fees that are unmet by federal or state grants. The program is available to students who graduated in the spring of 2016, completed the FAFSA and were found eligible for a Pell grant, and are placed in college level courses as part of a full time degree program.⁷⁰ Pennsylvania could adopt a similar program statewide.
- **Sponsor College Completion Initiatives.** Perhaps the most basic way to make college more affordable is to create programs and incentives that support completion of postsecondary degrees and credentials, preferably on time. Reforms that support completion include a variety of initiatives, and examples can be found in systems throughout the country, such as student placement developmental education reform, dual enrollment programs⁷¹, 15-to-finish campaigns⁷², and intrusive advising (e.g., early warning systems that track individual student progress, degree-mapping software).
- Expand Transfer Systems and Articulation Agreements. With the cost of college rising, students often decide to start a four-year degree at a community college and then transfer to a baccalaureate institution after earning an associate's degree. All 14 community colleges and PASSHE institutions are required to participate in all aspects of Pennsylvania's statewide transfer system. And each state-related institutions has identified at least 30 credits that they will accept for transfer from participating

⁶⁷ Act 46 of 2005: http://www.pasenate.com/Archives/WrapUp/LegisWrapUp_2005-2006.pdf; http://path.ccp.edu/vpfin-pl/2011-2012Budget.pdf 68 https://www.hesc.ny.gov/repay-your-loans/repayment-options-assistance/loan-forgiveness-cancellation-and-discharge/nys-get-on-your-feet-loan-forgiveness-program.html

⁶⁹ https://www.campusdoor.com/Sites/CHESLA/consolidation.html

⁷⁰ http://www.ccp.edu/paying-college/tuition-assistance-programs/50th-anniversary-scholars-program

⁷¹ According to the Education Commission of the States, Pennsylvania's dual enrollment program is inactive due to a lack of state funding, but five of the six neighboring states have such policies in place statewide. Retrieved from http://ecs.force.com/mbdata/mbprofallRT?Rep=DE15A

⁷² Several states have developed initiatives to encourage students to enroll in and complete 15 credits each semester.

Pennsylvania Transfer and Articulation Center (PA TRAC)⁷³ institutions. Private institutions participate to varying degrees. Pennsylvania could strengthen the transfer system by (1) developing a statewide common course-numbering or equivalency system so that course credits can more easily be transferred between institutions,⁷⁴ (2) expanding the number of credits and courses included in the course transfer framework,⁷⁵ and (3) encouraging or requiring two and four year institutions to develop additional transfer agreements.

• Commission a Postsecondary Costing-Out Study. Most states calculate the amount of resources needed to provide an adequate education in the k-12 sector. In Pennsylvania, House Bill 185 of 2005 directed the Board to commission such a study on the cost of providing an education that would allow a student to meet the state standards at the elementary and secondary levels. ⁷⁶ The State Board of Education could borrow this idea for the postsecondary sector and commission an independent study to determine the resources needed to provide a student with a certificate, associate's, bachelor's or graduate degree in a range of areas (e.g., humanities, sciences). Such a study at the postsecondary level would help the state to determine the level of funding that state funded postsecondary institutions require.

VIII. Conclusion

Many of the policy recommendations above require greater public investment, driven by a high level strategic vision for how Pennsylvania can ensure that its residents have access to affordable postsecondary education. Pennsylvania is one of the least affordable states in the country in which to go to college, and students graduate with more loan debt than in most other states. Yet a college credential of some kind is now imperative to a living-wage job, and central to achieving a high quality of life. Moreover, a well-educated populace will allow Pennsylvania to better compete for the high quality employers that are needed to fuel our economy. The political and financial obstacles to achieving this goal are many. Yet given all that is at stake, it's difficult to see how Pennsylvania can afford not to ensure that an affordable college credential is available to all.

⁷³ The Pennsylvania Transfer and Articulation Center (PA TRAC) is intended as a "one-stop shop" for transfer information related to Pennsylvania's statewide transfer and articulation system and the participating colleges and universities: http://www.pacollegetransfer.net/

⁷⁴ Statewide common course-numbering is a uniform system for numbering courses across public higher education institutions. A common course equivalency system matches courses by content rather than by a shared number but attempts to accomplish the same goal.

⁷⁵ The 30-Credit Transfer Framework is a menu of foundation courses (e.g., math, English) from which students may select up to 30 credits to transfer toward a degree at any PA TRAC college.

Methodology

In preparing this brief, RFA reviewed documents, conducted interviews and analyzed quantitative data:

Document Review: The documents included reports from other organizations that study state tuition and financial aid expenditures (e.g., the State Higher Education Executive Officers (SHEEO) Association, the College Board and the National Association of State Student Grant and Aid Programs (NASSGAP)); documents and reports developed by agencies and offices of the Commonwealth of Pennsylvania (e.g., the Master Plan for Higher Education (2005), *The Cost of Higher Education in Pennsylvania* (2008), the Pennsylvania Higher Education Assistance Agency (PEAA) Annual report (2014-15)); analyses conducted by independent research groups that have also conducted research on college affordability (e.g., *2016 College Affordability Diagnosis* (Institute for Research on Higher Education), *Hot Topics in Higher Education* (National Conference of State Legislatures)) and media reports. Statute, regulation and budget documents related to the higher education spending and the role of policymaking boards, offices and agencies in Pennsylvania were also included in the analysis.

Policymaker Interviews: As background for this brief, interviews were conducted with six current and former higher education policies makers in Pennsylvania to develop a deeper sense of the political culture around higher education spending in the state.

Quantitative Analysis: In addition to using existing analyses on higher education spending in Pennsylvania and across the country, Research for Action conducted our own analyses using publically available data from sources such as the Integrated Postsecondary Education Data System (IPEDS) and the College Board.