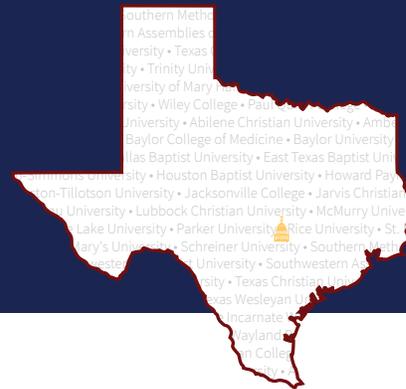


# ICUT Issue Brief:

## Trends in College Cost and Student Financial Aid



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Welcome to ICUT's newest publication - our quarterly issue brief! Four times a year, we will write about topics in higher education that our members and others can use to stay informed. Our inaugural brief provides an update on college cost and financial aid using The College Board's annual *Trends* reports. We hope you enjoy it!

### Types of Financial Aid

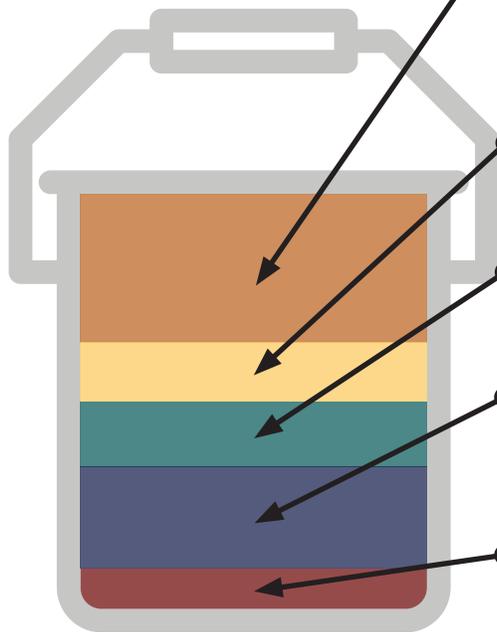
The various types and sources of financial aid make the financing of higher education complex, and less than straightforward than policymakers might like. For example, two families with identical financial and family profiles, an income of \$75,000 and two children in college might receive vastly different financial aid offers from the same institution. Similarly, a student from one of these families might apply to two institutions with the same costs, but receive two completely different aid packages.

Student financial aid typically falls into one of two major categories: grants or loans. Grants, or gift aid, do not need to be repaid. Loans are eventually repaid; the timing of repayment depends on the structure of the loan and student demographic factors. For each type of aid there are three major sources: the federal government; state governments; and institutions of higher education. A student may qualify for one or more different types of aid - making the goal of a financial aid administrator to best utilize the various sources of aid to fill a student's financial aid "bucket" most effectively.

### Trends in College Cost

The cost of college remains a chief concern of students, parents, policymakers and educators at all types of institutions. The

### The Financial Aid "Bucket"



**Institutional Aid:** This type of aid, either need- or merit-based, comes directly from an institution. This aid may also include a discount on the "sticker price" of an institution. This discount is indicative of the difference between *published* and *net* price.

**State Grant:** Many states offer need-based grant awards to in-state residents. In Texas, one example is the Tuition Equalization Grant.

**Federal Grant:** The Pell Grant Program is a need-based grant available to students with family incomes of \$50,000 and below.

**Federal Student Loan:** The federal government is the largest provider of student loans. The repayment structure depends on the specific type of loan.

**Expected Family Contribution (EFC):** The amount a family contributes to a student's education is based on financial information provided on the FAFSA, such as family size, income and other factors.

This graphic demonstrates how different types of aid make up a student's financial aid award.

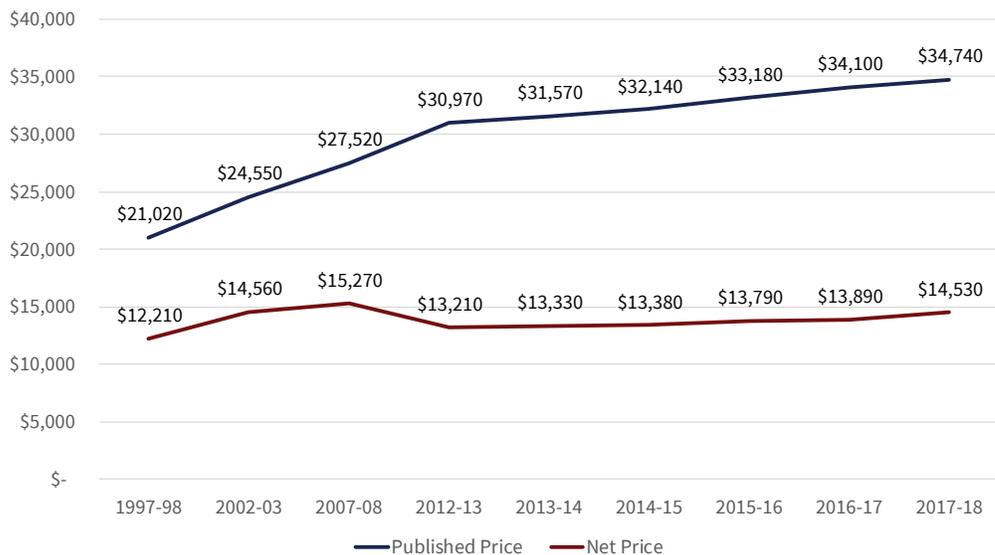
College Board's *Trends in College Pricing 2017* report contains a wealth of data on this important topic. According to the report, both published tuition and fees and net tuition and fees rose between 2016-17 and 2017-18. This is true across all sectors of postsecondary education - although important differences in growth rates and aid are present between sectors.

While prices continued to rise year-over-year, the rate of change has varied between sectors. When measured over a 10-year period, the average annual rate of increase in published tuition and fees has actually declined at private four-year institutions - from 3.3 percent between 1987-88 and 1997-98 to 2.7 percent between 1997-98 and 2007-08 to the current average rate of 2.4 percent from 2007-08 to present. Comparatively, the average annual rate of increase in published

prices at public four-year institutions has declined more slowly, ranging from 4 percent between 1987-88 and 1997-98 to 4.4 percent between 1997-98 and 2007-08 to 3.2 percent from 2007-08 to present.

Even more important than published tuition and fees is the price students actually pay to attend, referred to as net tuition and fees in The College Board report. In 2017-18, average net tuition and fees at private, nonprofit four-year institutions (\$14,530) are higher than in 2012-13 (\$13,210) but are lower than in 2007-08 (\$15,270). This is because the average increase in grant aid and tax benefits was greater than the average increase in published prices. Comparatively, the average in-state net tuition and fees at public four-year institutions increased over this 10-year period, from \$3,070 in 2007-08 to \$4,140 in 2017-18.

## Published vs. Net Price, Private Nonprofit Institutions



Net tuition & fees at private, nonprofit institutions have risen more slowly than published tuition and fees. Students continue to pay much less than the published price. Source: *The College Board*.

## Trends in Student Aid

*Trends in College Cost 2017* goes hand-in-hand with The College Board's *Trends in Student Aid 2017* report, which reveals a number of important patterns in student financial aid over time. Across all sectors of higher education, students received \$125.4 billion in grant aid to fund their educations in 2016-17. Institutional grant aid accounted for 47 percent of that total; in fact, institutional grant aid was the only type of grant aid to grow rapidly between 2011-12 and 2016-17, according to the College Board. While institutional grant aid grew by 32 percent, federal grant aid declined by 15 percent and state, private and employer-provided grant aid rose by less than 10 percent over this period.

The College Board's report contains important statistics about aid at private, nonprofit institutions, like those that make up ICUT's membership. Importantly, between 2009-10 and 2014-15, institutional grant aid for first-time, full-time students at private, nonprofit master's-level institutions increased more than enough to cover the rise in tuition and fees over this period. For private bachelor's-level and private doctoral-level institutions, increases in institutional grant aid for first-time, full-time students covered 97 percent and 71 percent of concurrent cost increases, respectively. Across all types of nonprofit institutions, first-time full-time

students received over 80 percent of their grant aid from their institutions in 2016-17.

Other types of financial aid also saw changes according to The College Board. For the sixth year in a row, annual educational borrowing declined. Parents and students took out \$106.5 billion in student loans in 2016-17 which, when adjusted for inflation, is down from the \$125.6 billion borrowed in 2010-11. Both undergraduate and graduate students borrowed about 3 percent less in 2016-17 than in 2011-12. Borrowing patterns vary across sectors; average debt among public four-year students grew by \$2,500 from 2010-11 to 2015-16, while students at private nonprofit schools saw their average debt grow by \$1,200 – less than half that of their public-school counterparts. Additionally, average debt and percentage of graduates with debt are broadly similar between public and private bachelor's degree recipients. The 59 percent of graduates of public four-year schools with student debt owed an average of \$27,000 in 2015-16, while the 62 percent of private nonprofit graduates with debt owed an average of \$32,000. Across all sectors, 57 percent of borrowers owed less than \$20,000 in federal student loans in 2017.

Only institutional grant aid grew rapidly between 2011-12 and 2016-17, according to The College Board's *Trends* report.

## Trends in Texas

So how do these trends manifest themselves in Texas? The *Trends* reports illuminate a number of state-specific data related to college cost and financial aid. State grants are an important source of funding for many students in higher education. In Texas, three main state grant programs exist to fund Texas residents: the TEXAS Grant program, for students at public four-year institutions; the Texas Educational Opportunity Grant (TEOG) program, for students at Texas community colleges; and the Tuition Equalization Grant (TEG) program, for students at private, nonprofit colleges and universities in Texas.

All three grant programs are open only to Texas residents and are based on financial need. According to *Trends in Student Aid 2017*, Texas ranks slightly above the national average of \$790 in state grant aid per full-time undergraduate, but slightly below the national average of 13 percent for the share of state higher education support made up of grant aid. State funding per full-time student has decreased in all but seven states from 2005-06 to 2015-16, with Texas among the states decreasing funding. Meanwhile, Texas experienced the largest percent change in public institution enrollment from 2005 to 2015, with the state seeing a 23 percent increase in full-time enrollments over this ten-year period. Similarly, according to data obtained from the Texas Higher Education Coordinating Board, enrollment at private, nonprofit institutions has increased steadily over this same time period. Private, nonprofit ICUT member institutions make up approximately 10 percent of the total number of students enrolled in higher education in Texas, but about 20 percent of the students enrolled at four-year institutions across the state.

## Sources

*Trends in College Pricing 2017*. The College Board. Accessible at <https://trends.collegeboard.org/>

*Trends in Student Aid 2017*. The College Board. Accessible at <https://trends.collegeboard.org/>

