College Affordability in the SREB Region

Early Impacts of the Pandemic

The widespread impact of the COVID-19 pandemic on the economy, employment and postsecondary enrollment has created an exceptionally challenging environment for higher education. Even prior to the pandemic, college affordability was a challenge for states in the SREB region. Concerns about future college affordability and access are heightened by decreased state revenues, cuts to state higher education funding, and decreased FAFSA completion rates across the region.

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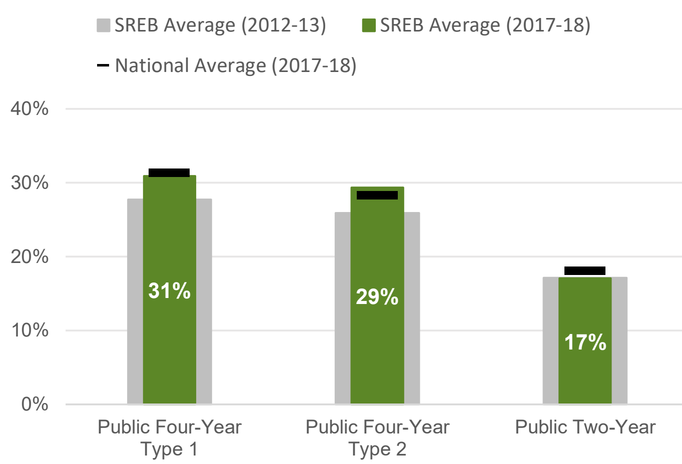
Data from the 2017-18 academic year, the most recent year for which student financial aid and net price data are available, show that states were facing stiff challenges in making college affordable even prior to the pandemic. And affordability — now aggravated by COVID-19 — has continued to be a concern for students and their families across the South, particularly those in lower income groups.

Percentage of average family income required to attend college full time

In 2017-18, the percentage of family income required to pay the net price at public institutions in SREB states was close to the national average for four-year institutions. Families in the SREB region needed, on average, 31% of their income in 2017-18 to pay for educational expenses for a full-time student at four-year Type I institutions and 29% at four-year Type 2 institutions. In the same year, families in the region needed to pay, on average, 17% of their income to cover educational expenses at two-year institutions. Famlies paid a higher percentage of their income in 2017-18 for a full-time student to attend four-year institutions than in 2012-13.



U.S. Department of Education, Integrated Postsecondary Education Data System, Student Financial Aid Files and Directory Files 2012 and 2017, 12-Month Enrollment Instructional Activity Files 2013 and 2018. American Community Survey Public Use Microdata Samples 2012 and 2017. Institutional sectors based on SREB-State Data Exchange categories.

Key terms:

Four-Year Institution Type 1: four-year institutions that awarded at least 30 doctoral degrees in five different areas.

Four-Year Institution Type 2: all other four-year institutions.

Net Price: total cost of attendance (includes tuition, fees, room & board, etc.) minus federal, state/local government, or institutional grant and scholarship aid.

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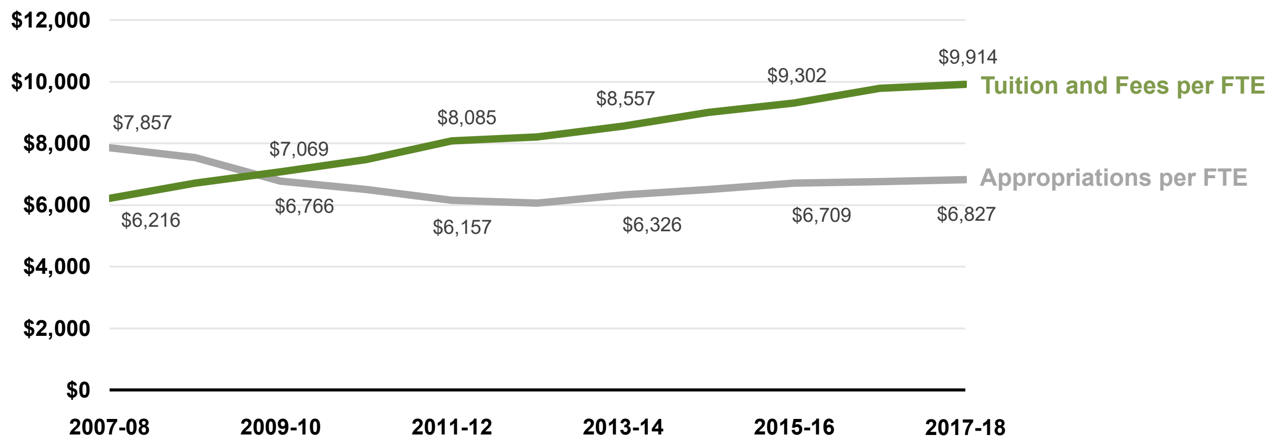
Dollars per FTE Student from State Appropriations and Tuition and Fees

Average net tuition and fees per full time-equivalent student at public four-year institutions in the SREB region increased from $6,216 in 2007-08 to $9,914 in 2017-18. In comparison, state appropriations per FTE dropped over the same period from $7,857 to $6,827. Students and families started paying a larger share of the total funding per student after 2009-10.

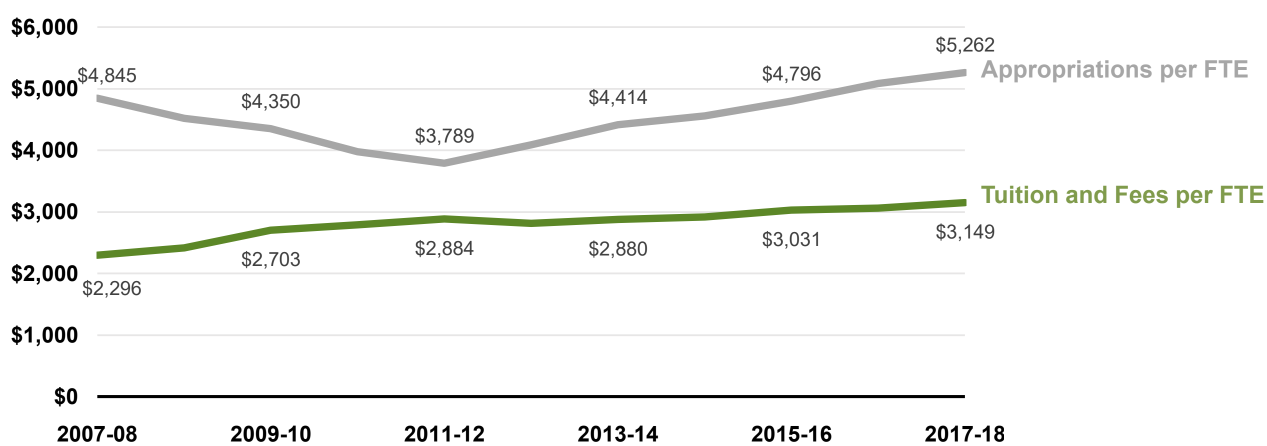
Public Four-Year Institutions



Source: SREB-State Data Exchange

Average net tuition and fees per FTE student at public two-year institutions in the SREB region increased from $2,296 in 2007-08 to $3,149 in 2017-18. In comparison, state appropriations per FTE increased from $4,845 to $5,262. States continued to pay a larger share of the revenues for operations.

Public Two-Year Institutions



Source: SREB-State Data Exchange

Impact of COVID-19 on College Access & Affordability

As the price of college continues to increase, financial aid is an important factor in the decision — particularly for low-income students — to enroll in postsecondary education. And financial aid is proving even more crucial as we head into the 2021-22 academic year, as many students and families grapple with job losses and financial fallout due to the COVID-19 pandemic.

Given this context, it is more important than ever that students complete the Free Application for Federal Student Aid. The FAFSA is required for students to receive financial aid from the federal government and is also used by many states to determine need-based aid. However, according to an analysis of data from the Office of Federal Student Aid by the National College Access Network, in the second half of 2020 states in the SREB region have seen a troubling decrease in year-over-year FAFSA completion rates — down by approximately 15%. This is in line with a national trend, and it is deeply concerning for those trying to improve college access.

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Schools with a high concentration of minority students are showing even larger gaps in FAFSA completion rates. Across SREB states, rates at high-minority high schools are down by an average of approximately 20% year-over-year, compared to a decrease of just 12% at low-minority high schools.[†] Similarly, high schools in SREB states that were Title I-eligible saw greater decreases in FAFSA completion year-over-year: on average, a decrease of 22%, while Title I-ineligible schools dropped only 15%. While all students seem to be struggling to hit this crucial college benchmark, the pandemic's impact on access is especially harsh for certain communities.

Impact of COVID-19 on State Budgets

The long-term economic impact of the COVID-19 pandemic remains to be seen, but it is already evident that state revenues have taken a serious hit. According to a report from the Urban Institute, state tax collections were 6.4% lower from March to August 2020 compared to the same time period the year before. An additional analysis from the Center on Budget and Policy Priorities estimates that without any further federal support, state shortfalls will be approximately 11% in fiscal year 2021 and 10% in 2022. The National Association of State Budget Officers has reported that many governors have directed state agencies to develop budget reduction plans for up to 15 or 20% for fiscal years 2021 and 2022, anticipating even more severe losses ahead.

† National Student Research Clearinghouse definitions for high- and low-minority schools are used. High-minority schools are defined as having 40% or more Black and Hispanic students while a low-minority high school has less than 40% Black and Hispanic students.

Title I schools are those designed under appropriate state and federal regulations as being eligible for participation in programs authorized by Title I of Public Law 103-382.

Impact of COVID-19 on Higher Education Budgets

Even prior to the pandemic, public higher education institutions worked within challenging budget parameters. In 2019, overall funding levels for higher education remained 8.7% lower than pre-recession spending. Now the pandemic has forced institutions to grapple with large unanticipated expenses such as increased cleaning and operations costs and increased technology costs for online learning.

Because of these increased costs and decreased auxiliary revenues, virtually all institutions have felt the squeeze of budget constraints. A survey of college and university presidents conducted by the American Council on Education found that the majority of institutions implemented freezes on hiring and employee compensation. The survey also found that many institutions feel their financial health is precarious due to the pandemic — while in fall 2019 75% of presidents rated their institutions' financial health as "Excellent" or "Good," just 48% expect their financial health will be "Excellent" or "Good" by fall 2021.

As a result, states in the SREB region have already proposed or enacted cuts to higher education funding for the upcoming fiscal year, with many states warning that further cuts are possible.

Looking Ahead

Given the negative economic impacts of the COVID-19 pandemic, it is likely that higher education is headed for even greater cuts as state budgets continue to contract. State legislatures will be under pressure to limit increases in tuition and fees and will pass that pressure along to institutions. Institutions will be in a difficult position, asked to do more — particularly in recruiting and retention — with less funding. Given this reality, they will need to identify more sources of aid.

It is crucial that all students be fully aware of the costs of college in their state, how to access the financial aid opportunities available to them, and their level of comfort with taking on student debt. As states continue to face challenging budget situations in the years ahead it is crucial that they maintain a commitment to support access to higher education for all students. It would behoove states to consider the recommendation from the SREB Commission on College Affordability in the South that, particularly during times of financial distress and budgetary shortfall, protecting college access and completion for low-income and middle-income students — including capacity at the institutions that serve them — should be states' highest priority. Decreased or stagnant enrollment in the coming years will make it difficult for states to reach their postsecondary attainment goals, limit students' employment opportunities and, in a vicious cycle, hamper states' economic recovery from the COVID-19 pandemic.

SREB College Affordability Profiles detail data and trends specific to each SREB state to assist policy-makers with decisions on postsecondary affordability and attainment. For additional resources, including recommendations of the Commission on College Affordability in the South and the SREB Fact Book on Higher Education, visit https://www.sreb.org/Affordability.

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