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## Affording a Core Institution of Democracy

This issue of *Board Briefs* explores college affordability – whether students and families can afford to pay for higher education given income levels, financial aid, and the types of colleges and universities in the state.

Research shows that pricing and financial aid alone do not drive college enrollment decisions. Academic aptitude; course-taking patterns in high school; the role of family, peers and others in promoting college;

proximity of colleges; and economic conditions also influence prospective students' decisions.

However, enrollments in community colleges are more price responsive than enrollments in 4-year institutions, probably because of the disproportionate share of lower-income students who enroll in community colleges.

Two federal actions made affordability more of a reality. The passage of the G.I. Bill after World War II

opened higher education to American families who previously had no direct experience with education beyond high school. For the first time in history, the children of people with average financial means could get a college degree or complete vocational training. A second major factor came in 1965 with the creation of federal financial aid through the Higher Education Act, Title IV. These actions expanded access, making higher education a core institution of democracy.

### Affordability

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## Americans Are Losing Ground

Since the 1980s, the income advantage of those who attend and graduate from college has increased. The education and skills of the population are increasingly central to the economic and civic well-being of communities, states, and the nation.

But, disturbingly, the gap in college attendance between high- and low-income Americans has widened, even among those who are prepared

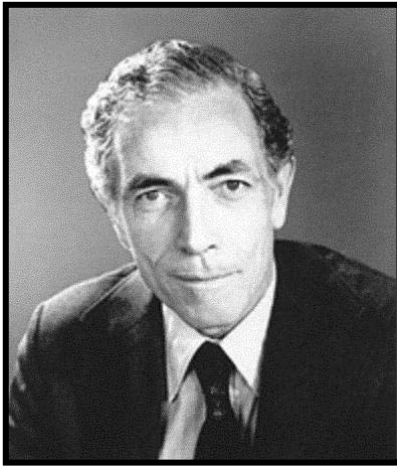
academically for college.

As regards college *affordability* in the United States, federal and state support has increased but not commensurate with the rising costs of providing higher education. The largest portion of rising costs has been borne by students and families who are borrowing more to pay higher tuition rates, rates that inevitably increase during recessions and are never adjusted downward.

Researchers in public policy and higher education have concluded that Americans are losing ground in terms of being able to pay for college. See pages 2-3 for the five national trends behind their conclusion.



## Trend #1: Income Levels Put Affordability at Risk



Claiborne de Borda Pell  
(1918-2009)  
was a United States Senator  
from Rhode Island from  
1961 to 1997.

Pell was largely responsible for the creation of Pell Grants in 1973 (originally known as Basic Educational Opportunity Grants), which provide financial aid to college students.

In the United States, family income is the best measure of college affordability. As the cost of attending college has increased for all segments of higher education, family income levels have not kept pace with higher college costs (tuition, books, living expenses, and transportation).

Tuition is a key indicator of affordability. Over two decades, the lowest income families have lost

the most ground in their ability to pay college tuition, a major reason their college-going rates have dropped.

Since family income levels are rarely considered at state or local levels when tuition rates are set, the best measure of college affordability goes largely ignored.

*For the lowest income families in Texas, 51% of family income is needed*

*to pay net college cost at a public community college. This is based on a family income of \$11,303.*

*In Dallas County, 9.4 % of households earn less than \$10,000 compared to 8.9% across the nation. Dallas' poverty rate of 17.3% is well above the national average.*

## Trend #2: Financial Aid Lags Behind

Although state and federal sources have increased financial aid over the last two decades, they have not kept pace with the greater costs of attending college. Pell grant dollars have substantially increased over the past three years, but the purchasing power of these grants – the nation's largest need-based

financial aid program – has decreased.

State financial aid programs, the second largest source of financial aid, vary widely and have over time lessened their emphasis on need. In 1981, 91% of state aid was based on need, compared to 78% in 1999.

*Since 1999, all new grant*

*programs in Texas have included merit criteria.*

*Texas' investment in need-based financial aid as compared to the federal investment is only 34%; in top performing states, the investment in need-based aid is 89%.*

## Trend #3: Students and Families Incur More Debt

Since 1980, with little explicit policy debate, the country's financial aid system has moved from need-based grants to one dominated by loans.

This reliance on borrowing places a much greater burden on low-income students and parents. In addition, low income

students typically served by community colleges fear high debt, have less family support, or are often heads of households.

*In Texas, the average loan amount that undergraduate students borrow each year is \$3,541, compared to*

*\$2,619 in top performing states.*

*The DCCCD provided \$20 million in federal student loans during 2009-10.*

## Trend #4: Recession-Related Tuition Hikes Create Hardship

During recessions a troublesome pattern recurs – the states' cut their budgets, colleges and universities generally make up lost revenue by raising tuition, and students and families are left to deal with the double burden of a recession and tuition hike. To add to the pressure during a recession, need-based aid

also loses ground. The recurring pattern is that tuition increases most during recessions, and students and families bear the brunt of the resulting costs.

*In Texas, most community colleges have the option of increasing local taxes to offset state reductions.*

*In 1992, DCCCD's Board*

*established this protocol:*

*Aim for the best state appropriation; then, after the state level is set, secure the remaining revenue using a 2:3 ratio – 40% from tuition and 60% from local taxes. DCCCD's tuition, historically among the lowest in the state, is raised judiciously.*

*The ratio of tuition to taxes in DCCCD's 2010-11 operating budget, adopted September 7, 2010, is 41% tuition, 59% local taxes.*

## Trend #5: Colleges Get Proportionally Less from the State Pie

Across the nation, the share of state budgets devoted to higher education is decreasing, even though actual dollars allocated by state governments are often increasing. Generally the college portion is shrinking to enable lawmakers to make room for public schools, Medicaid, and other public assistance agendas.

Unfortunately, there is no clear consensus as to what higher education's piece of the state pie should be. Nor, according to *Losing Ground*, is there a credible methodology for determining whether allocating more money will increase higher education's quality and accessibility. Rather, there is a climate of uncertainty and even

mistrust among key players facing these difficult resource questions.

*For DCCCD, the difference between eligible expenditures and the state appropriation has grown larger with each successive appropriation.*



President Lyndon B. Johnson  
1908 - 1973

(candid photo after signing the Higher Education Act of 1965)

*"[The Higher Education Act of 1965] means that a high school senior anywhere in this great land of ours can apply to any college or any university in any of the 50 states and not be turned away because his family is poor."*

The Higher Education Act governs student financial aid and other federal programs and regulations related to higher education. The act has been re-authorized eight times since 1965, most recently in August 2008.

## State Affordability Policy – Three Keys

State policies on affordability vary widely, but three key policy areas have relevance for the entire country.

All states should:

1. Consider family income levels when establishing and influencing tuition policies.

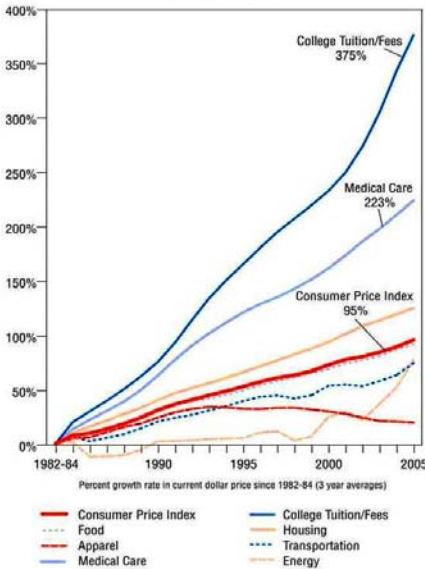
2. Assure the adequacy of student financial aid for the neediest students.

3. Decide how much and what kind of assistance is needed to ensure a viable workforce.

## The Challenge - Keeping Colleges Affordable

Keeping costs low is perhaps the most important variable in guaranteeing broad-based higher education access. The good news is community colleges, historically the lowest cost option, have increased tuition and fees at a considerably slower pace than 4-year colleges. Nationally, community college tuition and fees average less than half that of public and one-tenth of private 4-year colleges.

Percent growth rate in current dollar price since 1982-84 (3 year averages)



The bad news is the costs for community college students continue to grow and financial aid is not adequately meeting the need. Less than half (48%) of all community college students receive some form of financial aid.

In 2008-09, more than 90,000 Texas students who applied for aid received none. For those who did receive aid, the state's unmet need, *the cost of attending college based on tuition and living*

*expenses, minus family contribution and financial aid*, averaged \$5,261 and exceeded \$8,000 in the DCCCD.

Community colleges are in a balancing act to keep education both high quality and affordable. Colleges have become increasingly entrepreneurial. Notably, public and private fundraising have become common place with scholarships becoming a primary focus.

## Rising Star – A Key Part of the DCCCD Solution

Rising Star not only promises full scholarship support to Dallas County public high school graduates with a B average and financial need, but enlists schools and neighborhoods to recruit first generation college students. Having spearheaded the DCCCD Foundation's efforts to build the \$30 million endowment (currently at

\$25 million), Robert L. Thornton III understands its importance, "Over time you will begin to see structural changes take shape where young kids from poor neighborhoods actually develop an expectation that they will go to college."

DCCCD's Board works hand in glove with the Foundation's Board to

make Rising Star exemplary. It funds a full complement of support services the students need to be successful and supplements the program with income from an independent lease agreement when necessary. To date, some 12,000 high school students have entered DCCCD colleges through the Rising Star Program.



## Texas Grants– A Great Idea That Needs to Grow

The TEXAS (Toward EXcellence, Access, & Success) Grant Program is modeled after Rising Star. After conferring with DCCCD staff, the state legislature launched the program in 1999 with the similar intent of serving good students who have financial need. Although both

community colleges and 4-year students may apply, currently the majority of funds go to 4-year applicants. In contrast to Rising Star, there is no guarantee that all qualified applicants will be served. In 2010-11, the Coordinating Board estimates 50,000 will be denied TEXAS Grants.

Although the Commissioner has continued to advocate that the program emphasize merit, he has agreed to keep community college criteria the same in 2010-11. Since Texas provides \$140 million less financial aid than the other five most populous states, the TEXAS Grants Program needs to grow.

## Textbook Costs – Capturing National Attention

In the last two decades, college textbook prices have increased at twice the rate of inflation. At 2-year public colleges, where low income students are more likely to begin their studies and tuition and fees are lower, it is not uncommon for

students to spend more on books and supplies than on tuition.

Since the DCCCD estimates students spend about \$1,400 on textbooks and supplies a year, it introduced an optional textbook rental plan in 2010 to help students

manage the exploding costs of textbooks. The program can save more than 50 percent of textbook costs.

## Greater Price Transparency – A California Case Study

In 2007, led by the California Public Interest Research Group (CALPRIG), higher education advocacy groups in the state pressed the legislature to pass the College Textbooks Affordability Act (SB 832). The proposed bill prohibited postsecondary institutions from buying and selling texts unless the publisher provided a list of wholesale prices and specified the shelf-life of each book.

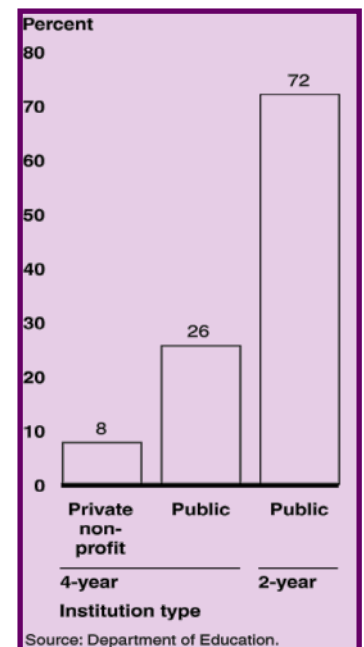
The legislature approved

the bill, but Governor Schwarzenegger's veto caused it to die. The Governor reasoned that the bill "fails to recognize that the affordability of textbooks is a shared responsibility among publishers, college bookstores, and faculty members."

CALPRIG's response, offered by Emily Rusch, was as follows: "It has been clearly documented many times over that the textbook market is a broken market. The person who orders the

book (faculty) is not the same person who buys the book (students). Therefore, the cost of a textbook is not the primary factor during the purchasing process. Publishers, cynically aware of the immense market power this gives them, respond by withholding the price of textbooks....77% of faculty report that publishers rarely or never report the price of a book during sales interactions."

**Estimated Cost of Textbooks and Supplies as a Percentage of Tuition and Fees, Academic Year 2003-2004**



## Why Are Textbooks So Expensive?

As the above case study suggests, concealing prices in direct marketing to faculty is common. Typical market forces are confused - faculty order while students pay. Frequent revision of texts, often in two to three year cycles, increases prices

and weakens used book values. Bundling - shrink-wrapping text and supplemental materials in one package and charging an increased price – has been widely criticized. In the most recent Higher Education Authorization Act (2008), Congress

requires publishers to "unbundle" materials so that students can purchase only what is needed.

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## Economists' Guide to Setting Tuition Rates

Nearly 30 years ago, the Brookings Institution examined community college finance from an economic perspective. The study yielded a number of general recommendations, including these:

1. Tuition for academic courses and most vocational offerings should be greater than zero but less than full cost, with subsidies coming from both state and local governments.
2. Remedial courses should be offered at no direct cost to the student.
3. Vocational programs that are targeted toward a particular employer or group of employers should receive support from those firms, unless the programs are part of a concerted economic development strategy.
4. Personal enrichment courses should rely on user fees.

*(DCCCD's founding chancellor, Dr. Bill Priest, was on the advisory panel for this study.)*

## DCCCD's Guide to Setting Tuition Rates

Today, the position of DCCCD's Board is that personal financial condition should not prevent potential students from enrolling in DCCCD colleges. Accordingly, as one of three major sources of current funds revenue, tuition should rank third behind state appropriations and local tax revenue. The Board recognizes the implications this policy has for establishing an annual maintenance and operations (M&O) tax rate at a level that will generate more revenue than tuition and fees.

### *Sources Used in This Issue*

Dallas Indicators, Losing Ground: A National Status Report on the Affordability of American Higher Education, Measuring Up 2006, AACCC Advisory Committee on Student Financial Assistance, UT Watch, College Textbooks: GAO Report to Congressional Requestors, Financing Community Colleges: An Economic Perspective, Leading the Way: An Action Plan for Making Texas Higher Education Globally Competitive

### *About Our Organization...*

*The mission of DCCCD is to equip students for successful living and responsible citizenship in a rapidly changing local, national and world community. Educational opportunities are offered without regard to race, color, age, national origin, religion, sex, disability or sexual orientation. Equal educational opportunity includes admission, recruitment, extra-curricular programs and activities, access to course offerings, counseling and testing, financial aid, employment, health and insurance services, and athletics.*

## Points of Interest

### Across

2. DCCCD provides bus passes to students enrolled at El Centro, its \_\_\_\_\_ college.
5. In 2000, DCCCD Foundation, Inc. established the Rising Star Program with the intention that, when fully endowed, all high school graduates in Dallas County with a B average and with financial need would receive \_\_\_\_\_ tuition and books.
6. In 2007, DCCCD negotiated a new contract with Follett that \_\_\_\_\_ book prices and created a mechanism for students to get book loans.
7. In 1999, DCCCD waived out-of-district tuition for non-residents who own and pay taxes on \_\_\_\_\_ in Dallas County.

### Down

1. In 1999, DCCCD's Board was the first in Texas to offer in-District tuition rates to \_\_\_\_\_ immigrants who had graduated from a high school in Dallas County.
3. DCCCD waives tuition for up to six credit hours per semester for \_\_\_\_\_ citizens paying property taxes in Dallas County.
4. In 2001 DCCCD's Board made it a policy to \_\_\_\_\_ tuition for all students in dual credit programs.

