

**REPORT OF THE
STATE COUNCIL OF HIGHER EDUCATION**

**Study on the Affordability
of Virginia's Public and
Private Institutions**

**TO THE GOVERNOR AND
THE GENERAL ASSEMBLY OF VIRGINIA**



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Study on the Affordability of
Virginia's Public and Private Institutions

Prepared by

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for Virginia

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Table of Contents

I. Introduction.....	1
A. Executive Summary	1
B. Purpose	4
C. Student aid policy	5
II. Background	6
A. Federal methodology	6
B. Overview of financial aid programs	7
1. Federal student grants	7
2. Virginia state grants	8
3. Institutional and other grants	9
4. Student loans	12
5. Work-study	13
III. Definitions and Methods	14
A. Components	14
B. Data.....	15
C. Reporting categories.....	16
D. Study limitations.....	19
IV. Evaluation of Financial Aid in Virginia.....	20
A. Economic diversity in enrollments.....	20
B. Distribution of student aid	23
1. Grant aid	23
2. Loan aid.....	26
3. Discretionary loans.....	29
C. Price of attendance measures	30
D. Comparison with other states	36
1. Net Price	36
2. Net Price as a percent of median family income	40
V. Findings.....	44
GLOSSARY.....	50
BIBLIOGRAPHY.....	53

I. Introduction

A. Executive Summary

The 2005 Acts of the Assembly, Item 165 I.3., charged the State Council of Higher Education for Virginia (SCHEV) with conducting a higher education affordability study. Specifically, the language of the Act requires the following:

The purpose of the study shall be to address the extent to which cost is a barrier to access for students wishing to attend a public or private, nonprofit college or university in the Commonwealth.

In addressing this issue, the study shall include, but is not limited to, identifying:

- (i) the economic diversity of students attending Virginia's public and private institutions of higher education;
- (ii) the extent to which students and families rely on grant aid, loans, savings, and supplemental employment to cover the cost of attendance;
- (iii) the extent to which state-funded need-based student financial aid mitigates any cost barrier for students in attending public colleges and universities or reduces reliance on loans, savings, and supplement employment;
- (iv) the extent to which state funding for the tuition assistance grant enables students to attend private, nonprofit colleges and universities in the Commonwealth; and
- (v) the comparative affordability and dependence on grants, loans, savings, and supplemental employment between Virginia's system of public and private institutions and that of similar states.

The study shall be completed and transmitted to the Chairmen of the House Appropriations and Senate Finance Committees prior to the first day of the regular Session of the 2006 General Assembly.

JBL Associates assisted SCHEV staff in analyzing state and national data for this study. This consulting group has completed similar projects for Oregon and Kentucky.

Virginia is not alone in grappling with the question of college affordability. At a time when a college degree is ever more important, the financial investment required for higher education by both families and the Commonwealth continues to increase. Oregon and Kentucky, among others, are also examining college affordability issues.

Over the last decade, tuition and fee charges to in-state undergraduate students in Virginia have largely been influenced by the state's economic condition. Because of reduced spending on higher education, FY2004, the latest year for which data are available, may represent the year that affordability was particularly challenging for many of Virginia's students.

This report reviews data relevant to addressing the five items stated above, posed by the General Assembly through Item 165 in the 2005 Acts of the Assembly. Because of data limitations for family savings and student employment, some of these areas can only be partially reviewed.

The National Center for Education Statistics (NCES) of the U.S. Department of Education sponsored the 2004 National Postsecondary Student Aid Study (NPSAS). Data from NPSAS was made available for Georgia, Illinois, Indiana, Minnesota, and Tennessee while JBL Associates was able to supplement the study with data for Kentucky.

In answer to the issues identified by the Act, the study found that each sector of Virginia institutions enrolls students from all income brackets. This would appear to indicate that Virginia institutions are affordable to all students; however, "accessible" should not be confused with "affordable." Further research would be necessary to determine whether low-income students are under-represented and the extent to which affordability may be a contributing factor.

Public two-year institutions rely most on federal grants and make modest use of loan debt. Students enrolled in Virginia public four-year institutions receive larger grant awards than students at public two-year institutions and rely heavily on loan debt.

State need-based programs play an important role in mitigating the price barrier for students enrolling in Virginia's public two- and four-year institutions. Without state need-based grants, loan debt might increase significantly, particularly for lower income students. The Tuition Assistance Grant (TAG) meets between 9% and 13% of Net

Price at Virginia's private institutions, thus enabling more students to consider private education.

The study verifies that the affordability of Virginia institutions is comparable to that of other states in some areas (for example: average Sticker Price at public two-year institutions and average Net Price for most dependent student income groups in all sectors) but falls behind in others (for example: average Family Net Price at four-year public and private institutions); however, comparisons can mask the fact that each state faces significant challenges in providing affordable education for low-income students. Low-income students shoulder a much heavier burden than other students and those attending Virginia institutions, particularly public and private four-year institutions, demonstrate the need for significantly more assistance.

Affordability is a subjective concept whose meaning will differ among parents and students. What is deemed "affordable" by one family may not be considered affordable by another family in similar economic circumstances. Also, there are numerous methods by which researchers measure whether higher education is "affordable." Each of the measures reviewed in this study tells a partial story about the status of affordability in Virginia and the comparisons were made with just six other states.

In addition, financial affordability is not the only issue which impedes student access to higher education. Academic preparation at the secondary level is an important part of succeeding in college. The probability that a student will decide to pursue higher education also depends upon the level of student awareness of the importance of college, the extent to which parents or peers make college a priority in the student's future plans, and the perception of whether college is affordable. The so-called "sticker shock" deters some potential students from applying to college before knowing what their true cost will be.

For all of the above reasons, this study should serve as a springboard for further discussion and research, rather than a final declaration of the status of affordability in Virginia. To date, the findings demonstrate that the federal government's shift of funding from grants to loans and the rising cost of education have made increased state and institutional grant aid a necessity if low-income students are to be provided affordable higher education comparable to middle- and high-income students.

B. Purpose

Virginia is not alone in its concern for maintaining the affordability of college attendance. Affordability has emerged as an important topic for policymakers across the country in response to the long-term shift of college costs from state and federal sources to students. According to the U.S. Department of Education's *Condition of Education 2005*, tuition and fees per student at public institutions increased 99 percent between 1969-70 and 2000-01 (in constant 2000-01 dollars), compared with only a 3 percent increase in government appropriations per student (Wirt, et al, 2005). Across the nation, states are funding a smaller share of the costs to subsidize public colleges and universities than in the past, requiring that students pay a larger share.

Family income has an effect on the decision to pursue higher education, as well as the choice of which college to attend (Gladieux & Swail, 1999): lower-income students are less likely to attend college than those with higher incomes, and if they do go, they are more likely to attend lower-priced colleges than are their more affluent peers. The issue of affordability and access is complicated by the fact that academic preparation is associated with income. Students from higher-income families, especially those whose parents attended college, are more motivated to apply to college, have an easier time paying, and have a greater chance of succeeding in the classroom.

In order to analyze the degree to which affordability is a barrier to attending college, information about students' academic backgrounds, is needed. Lack of good financial information and academic preparation are both reasons why a low-income student might not apply to college. In addition, affordability is a concept that reflects the judgment of the individual. What is considered to be affordable by one might differ significantly from the opinion of another from a similar economic background. Cultural differences in the willingness to take a loan may also determine whether a person considers college affordable, as do the perceived short-term and long-term benefits of education. Evaluating affordability, relative or actual, requires certain assumptions to be made about what represents a reasonable effort to pay for college. The subjective quality of the definition of affordability complicates the policy discussion.

C. Student aid policy

Nationally, higher education finance is evolving toward a market-driven format, with student aid as an increasingly important part of the funding picture. According to the College Board, a national education statistics and research organization, \$143 billion were awarded to students in some form of loan, grant, tax benefit or work-study in 2004-05, an increase from \$65 billion a decade ago.

The College Board reports that the average award per full-time-equivalent student was \$6,261 in 1994-95. By 2004-05 that average award had increased to \$10,119 in inflation corrected dollars. Increases in student aid from all sources more than kept up with the 2.4 million student increase in enrollment over the decade; however, the mix of aid has changed over time. Loan volume has gone up by 89 percent with unsubsidized Stafford loans and PLUS loans for parents going up 177 percent and 260 percent respectively.

By comparison, federal grant aid has increased by 76 percent and state grants have grown by 83 percent when corrected for inflation. Further, the purchasing power of the Pell grant has declined nationally. In 1982-83, the maximum Pell Grant covered 56 percent of the average cost of attendance at public four-year colleges. This share of the cost slipped to 38 percent by 2002-03.

Financial aid is awarded based on several different criteria. Need-based aid can be awarded to students based on their ability to pay (the federal Pell Grant, for example), or based on need, which is the difference between ability to pay and the cost of attendance (such as the Virginia Commonwealth Award). Generally, these programs require that students submit detailed family financial information in order to demonstrate that the student qualifies as having financial need. The Free Application for Federal Student Aid (FAFSA) is necessary when evaluating a student for Virginia state need-based assistance.

Financial aid is generally in the form of a grant, a scholarship, work-study, or a loan. There are several permutations of these basic forms of aid. Loans can be either subsidized or unsubsidized. Grants can be need-based, merit-based, or awarded on another basis. Some programs are hybrids - a grant that converts to a loan if the recipient does not fulfill the terms of the award, such as working in a high-need area. Additionally, the federal government provides tax breaks for

some educational costs and there are over 500 college savings plans in use by many states, including Virginia.

Because financial aid is provided by a combination of federal agencies, state offices, private sources, and colleges and universities, it is difficult for potential students and their families to anticipate how much they will need to spend for college until they submit their financial aid and college entrance applications.

II. Background

A. Federal Methodology

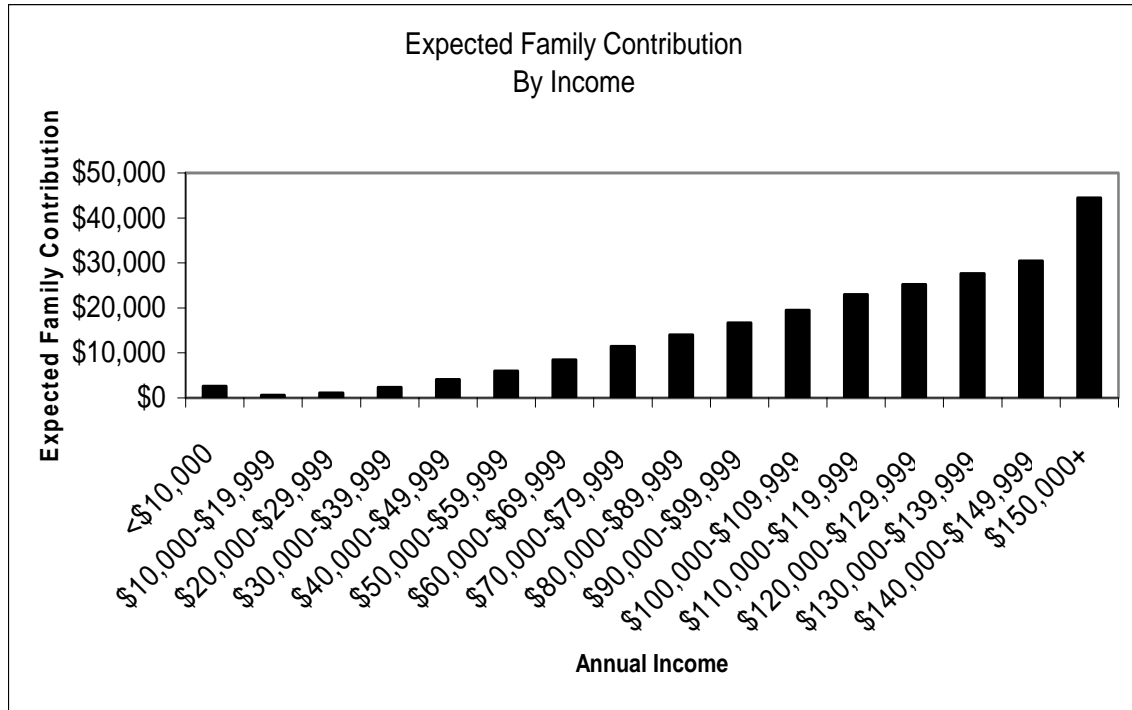
Most federal student aid is “need-based,” meaning that the student must be able to demonstrate some level of financial need. The federal needs analysis system determines student need by measuring the family’s ability to pay for higher education. Using information provided on the student’s FAFSA, the government computes the student’s Estimated Family Contribution (EFC).

The EFC is based on the amount of discretionary income available to families after basic expenses are met. A portion of a student’s income is also included in the calculation for EFC. Most students and families in the top income quintile have a large EFC, demonstrating that they can pay much of their own educational expenses. The majority of those in the lowest income quintile can contribute very little from family resources and need the most assistance to attend college. Federal methodology subtracts the student’s EFC from their cost of attendance to determine the student’s “financial need.”

Chart 1 provides the average student EFC for each income group among all Virginia undergraduates who submitted a FAFSA in FY2004. The EFC progressively grows as income increases, reflecting the additional discretionary income available to students in the upper income brackets.

An anomaly exists for students in the less than \$10,000 income category where the average EFC is larger than the \$10,000 to \$40,000 income range. Some of the students in this income range have assets other than income, resulting in a higher EFC because federal methodology considers all family assets when determining the family’s ability to pay for college.

Chart 1: Expected Family Contribution by Income Level (FY2004)



B. Overview of Financial Aid Programs

1. Federal student grants

The federal government is the primary source of student grants. The largest and most recognizable program is the Pell grant. Other federal programs include the Supplemental Educational Opportunity Grant (SEOG) and a few smaller programs.

Pell eligibility is based on a family's EFC and assets and in most cases does not take into account the student's total cost of attendance. If the EFC is less than the maximum Pell award, then the student is eligible for a Pell grant that is approximately the difference between the student's EFC and the maximum Pell award. Reductions to the award are then made for students enrolled less than full-time. In FY2004, the maximum Pell grant for full-time, full-year students was \$4,050.

In 1982-83, the maximum Pell Grant covered 56 percent of the average cost of attendance at public four-year colleges. This share of the cost slipped to 38 percent by 2002-03. The federal government disbursed \$12.7 billion in Pell Grants to 5.1 million students nationwide

in 2003-04. Nearly \$188 million in Pell Grants were awarded to 79,370 students enrolled in Virginia’s public and private institutions in FY2004. Of this amount, almost \$160 million went to 68,200 Virginians. One out of every five students attending college in Virginia received a Pell Grant.

2. Virginia state grants

Virginia financial aid programs for students enrolling in a public institution are primarily need-based. Unlike Pell grants, which consider only the student’s EFC, state need-based grants also consider the cost of attendance and whether the student received other financial aid through additional grants and/or scholarships. This policy ensures that students with limited means have larger financial aid award packages than those with a higher EFC.

Virginia has a number of grant programs but four of them provide the majority of aid dollars. The Commonwealth Award and the Virginia Guaranteed Assistance Program (VGAP) – both need-based - are available only to students attending public institutions. Funding for these two programs falls under one category – the Virginia Student Financial Assistance Program (VSFAP). Institutions divide VSFAP funds between the Commonwealth Award and VGAP depending upon the eligibility and needs of their respective aid applicants.

The College Scholarship Assistance Program (CSAP), also need-based, is available at both public and private institutions. CSAP combines state funding of \$4,413,750 with federal funding provided by the Leveraging Educational Assistance Partnership (LEAP). In FY2004, LEAP provided \$711,380 awarded under CSAP. The Tuition Assistance Grant (TAG) is not need-based and is available to full-time students. This program is intended to mitigate the higher cost of attending a participating Virginia private institution, making it more accessible for students of all income brackets. In FY2004, the Commonwealth awarded nearly \$109 million in grant aid to undergraduate Virginians attending a state higher education institution.

Table A: Distribution of Virginia’s major grant programs (FY2004)

	Public Two-Year		Public Four-Year		Private		Total	
	Students	Total Awards	Students	Total Awards	Students	Total Awards	Students	Total Awards
Commonwealth	19,716	\$10,897,219	13,185	\$28,002,850			32,901	\$38,900,069
VGAP	607	\$646,874	10,095	\$30,204,912			10,702	\$30,851,786
CSAP	3,201	\$1,456,302	1,680	\$2,431,976	1,867	\$1,322,887	6,748	\$5,211,165
TAG					16,320	\$33,695,440	16,320	\$33,695,440
Total	21,106 ¹	\$13,000,395	24,143 ¹	\$60,639,738	16,468 ¹	\$35,018,327	61,717 ¹	\$108,658,460

¹ Total is not the sum of the detail because some students received multiple awards.

3. Institutional and other grants

In addition to funding provided by the federal and state governments, students may benefit from aid provided by individual institutions, or other sources. These programs vary considerably in purpose and award methodology and can be need-based, merit-based, or a blend of the two. Virginia undergraduates received more than \$66 million in institutional/other grant aid from Virginia institutions in FY2004.

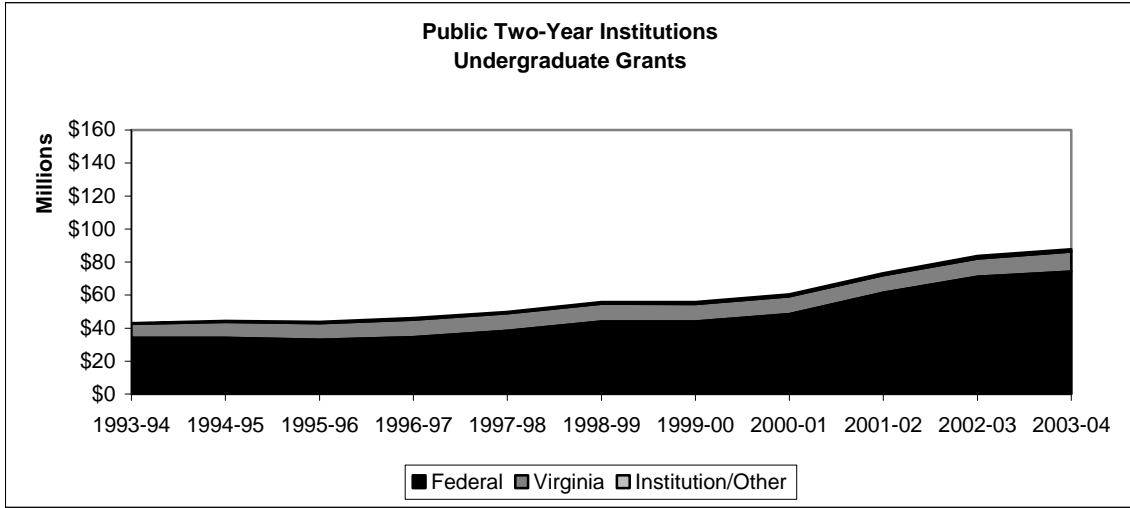
Need-based programs offered by institutions or other non-government sources do not necessarily follow federal and state methodology and may be based on different measures of need.

Many institutions also use financial aid programs to attract students who are high-achievers in academics, the arts, athletics, or other fields. Institutions typically do not consider a student's financial need when awarding these types of financial aid.

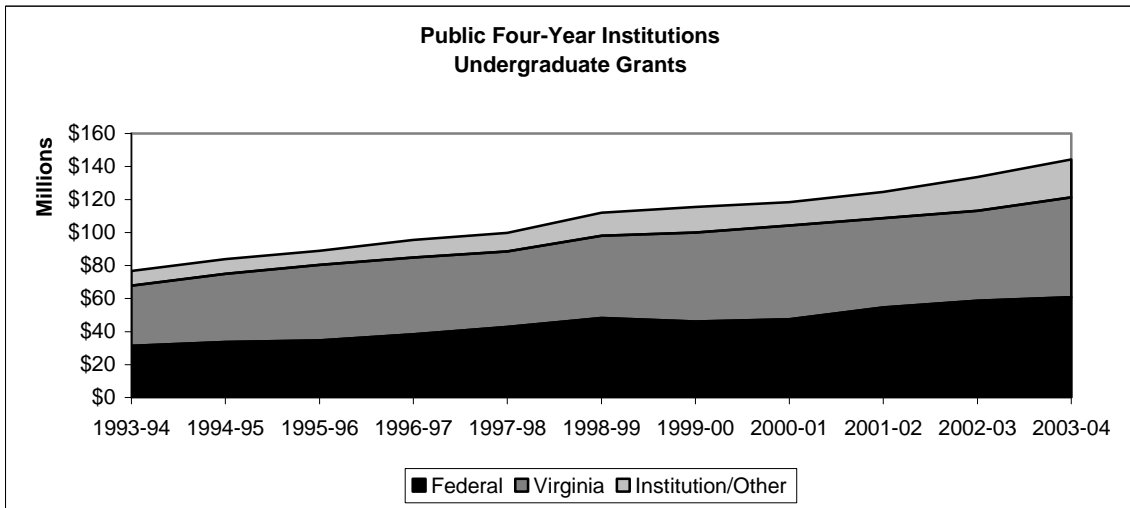
Other financial aid may come from a variety of sources, such as civic groups, churches, local business, foundations, and individuals. The purposes and award methodologies for these programs are extremely diverse.

Charts 2a through 2c show the amounts of student grants provided by the federal and state governments, institutions, and other sources. Aid has increased in each sector over the last ten years, with the federal government providing most of the increase for public two-year institutions. At the public four-year institutions, the increase is roughly proportionate across each source of grants, while institutional or other aid provided the largest percentage increase at private institutions.

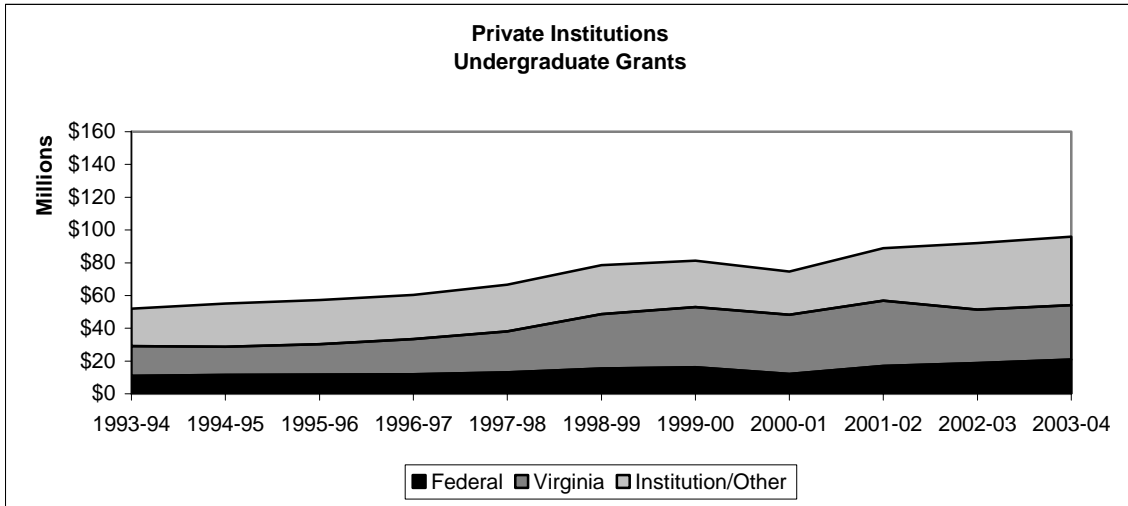
**Chart 2a: Public two-year institutions in Virginia
Amount of grant aid by source (FY1994 through FY2004)**



**Chart 2b: Public four-year institutions in Virginia
Amount of grant aid by source (FY1994 through FY2004)**

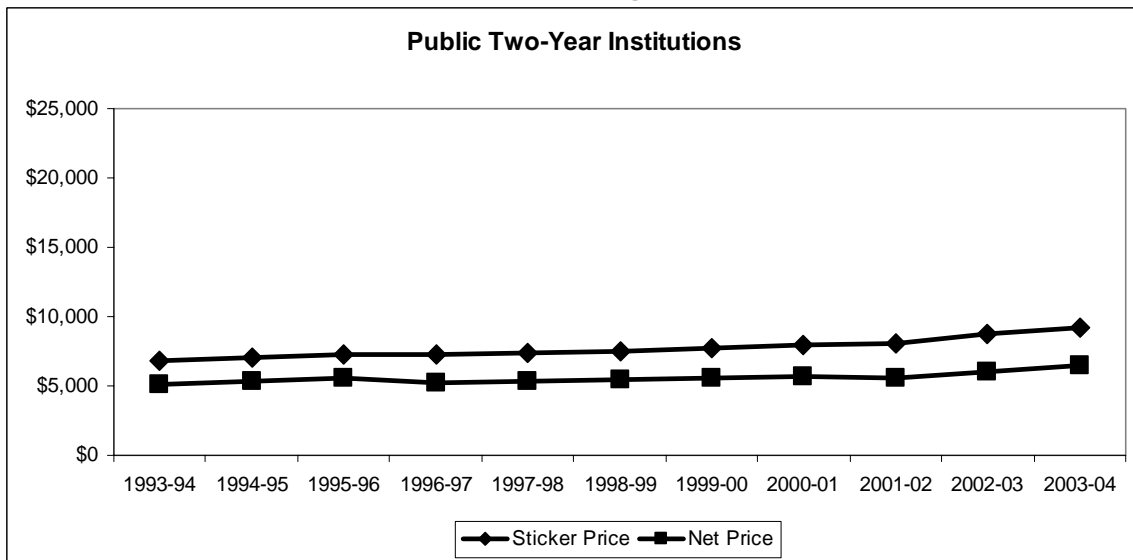


**Chart 2c: Private Institutions in Virginia
Amount of Grant Aid by Source (FY1994 through FY2004)**

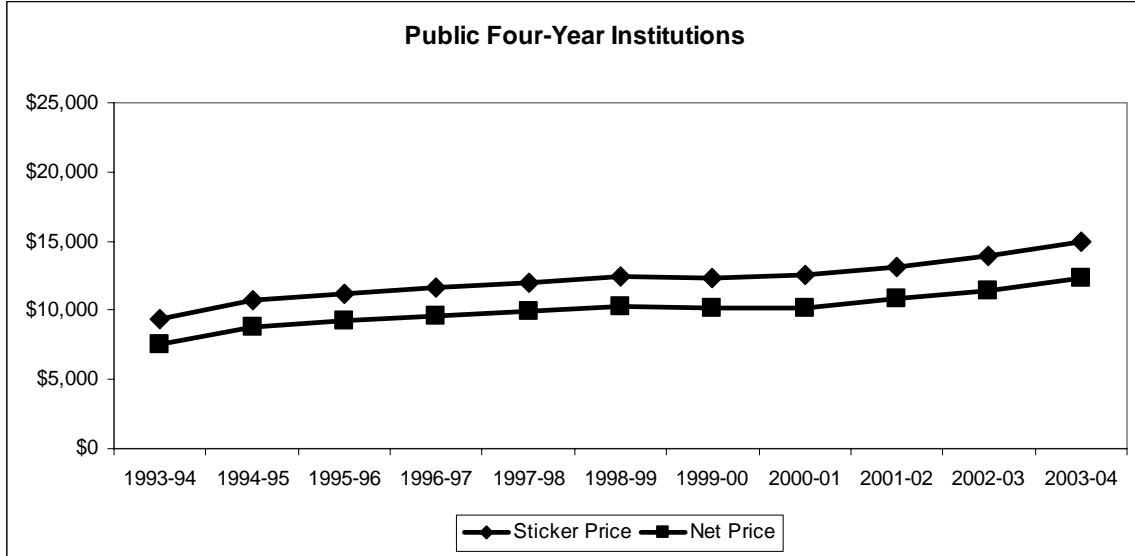


Charts 3a-c demonstrate that as grants have increased over time, so have the Sticker Price and Net Price in each sector. The gap between Sticker Price and Net Price at public four and two-year institutions has grown slightly indicating the extent that grants mitigate the rising costs in those sectors. Grants at private institutions have been more successful in offsetting costs as demonstrated by the growing gap between Sticker Price and Net Price. However, Net Price continues to increase for each sector, indicating that grant aid struggles to keep up with the rising cost of education and the burden placed on students is increasing over time.

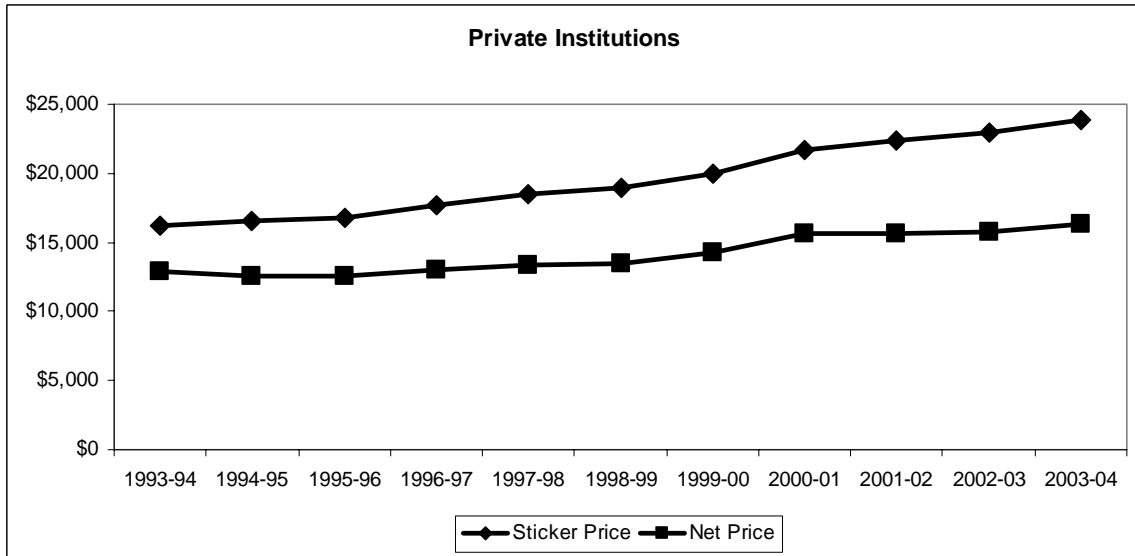
**Chart 3a: Public two-year institutions in Virginia
Sticker Price and Net Price (FY1994 through FY2004)**



**Chart 3b: Public four-year institutions in Virginia
Sticker Price and Net Price (FY1994 through FY2004)**



**Chart 3c: Private institutions in Virginia
Sticker Price and Net Price (FY1994 through FY2004)**



4. Student Loans

One student response to higher education costs is the increasing use of loans. The proportion of loan aid a student receives rises as tuition climbs (Schuh, 2005). This increases the number of students graduating with unmanageable debt or dropping out of college with limited economic prospects, coupled with the responsibility for repaying loans. Some observers suggest that the need for borrowing

dissuades low-income students from enrolling in college, or makes it difficult for them to continue their education because of concern associated with growing debt.

Most student loans are federal Stafford loans. These loans are student-friendly due to their below market interest rates, a lengthy repayment period, and protections in case the borrower experiences economic hardship during repayment. For subsidized loans, the interest is paid by the federal government and payments are deferred until after students either complete or otherwise cease his/her education.

Stafford loans have borrowing maximums that vary depending upon the student's classification: Freshman = \$2,625; Sophomore = \$3,500; Junior/Senior = \$5,500. The majority of students will exhaust federal student loan eligibility before seeking other sources, such as institutional or private student loans.

Students in higher income brackets will borrow for many different reasons. This study found that students from the highest income brackets may borrow in order to spread out the family contribution over a period of years rather than make payments out of pocket. In some cases, students in higher income brackets may borrow for strategic financial reasons. The interest rate on federal loans, recently below four percent, makes them particularly attractive.

Nationally, loan aid (from all sources) has increased dramatically over the past decade, rising 173 percent, compared with an 85 percent increase in grant aid (Redd, 2004). Even though grant aid increases as the cost of attendance goes up, loans comprise a progressively larger share of the total. Between 1992-93 and 1999-2000, the number of students borrowing money increased 13 percentage points, from 32 to 45 percent. According to a 2001 study (O'Brien & Shedd, 2001 as cited in Nora, 2001), student loans were the most common form of financial assistance used by low-income students. Students who borrow at the undergraduate level will complete their Baccalaureate degree with an average of about \$10,044 in federal student loans. Virginia residents enrolled in Virginia institutions graduate with slightly higher debt load of \$10,096.

5. Work-study

Work-study may be provided by the federal government, the institution and, in some cases, the state government. Virginia's work-

study program ended in the early 1990's and the funds allocated to this program were rolled into the Commonwealth's need-based program.

Work-study is typically need-based but funds are usually limited. Students wishing to work during college enrollment may also seek employment off campus through local businesses. Studies have shown that students who work a limited number of hours each week, especially those who work on campus, are more engaged in the college community and are more focused on academics (King, 2002).

III. Definitions and Methods

A. Components

As financing for higher education becomes increasingly complicated, it becomes even more important to know the actual price that students pay, rather than simply the published cost of attendance. Measuring affordability includes the following considerations: the student's and his or her family's ability to pay for college; the tuition and other costs associated with attending college; and the amount of student financial aid that is available to help students pay for their education. All three must be considered in any analysis of affordability.

These areas can be evaluated using the following measures:

- the "Sticker Price" (published price plus allowances for indirect costs – this is the same as cost of attendance)
- the "Net Price" (the Sticker Price minus all grant aid received), and
- the "Family Net Price" (the Sticker Price minus the combination of grant aid and EFC)

The Family Net Price is the most meaningful measure when assessing affordability. It indicates the remaining financial burden on the student and the family after grant aid is distributed and a fair contribution from the family is considered. Note that for purposes of this study, Family Net Price does not take into account loans or work-study. Net Price is also a useful measure when used as a percentage of family median income.

B. Data

As part of the agency's annual data collection effort, SCHEV collects data on the financial aid received by students attending Virginia's public and private institutions. Data are collected at the individual student level and include family income, EFC, cost of attendance, enrollment status, and specific aid awarded during the academic year. These data are the primary source of the analysis in this report. It should be noted that information such as family income is only available for students who applied for financial aid.

The National Center for Education Statistics (NCES) of the U.S. Department of Education sponsored the 2004 National Postsecondary Student Aid Study (NPSAS). In addition to national data, twelve states - California, Connecticut, Delaware, Georgia, Illinois, Indiana, Minnesota, Nebraska, New York, Oregon, Tennessee and Texas - provided detailed student data not otherwise available for the study¹. Through JBL Associates, data on Kentucky were also made available for some portions of this study.

For the Virginia study on affordability, SCHEV staff selected Kentucky and five of the states used in the NPSAS. The five NPSAS states include comparable Southern Regional Education Board states (Georgia and Tennessee) and a mix of other states with differing tuition and financial aid policies (Illinois, Indiana, and Minnesota).

Some charts exclude certain student groups from peer states if it was determined that the sample from that state was too small to be meaningful. Therefore, some of the charts and tables may include only four or five states rather than all six comparison states.

The data included financial aid information, cost of attendance, attendance status and demographic information where possible. Since income and student budget data were extracted from the FAFSA data, these variables were not available for students who did not apply for aid. However, the student budget for non-aid applicants was estimated based on credit hours, institution, and national cost of attendance data. A standardized estimate of the cost of attendance was computed; this cost includes tuition and mandatory fees and other

¹ NPSAS is a national report and its sampling technique does not support statistically significant results at the state level. NCES does offer to states, for a fee, over-sampling which provides valid state analysis. The twelve states listed over-sampled in the 2004 survey. Virginia has not participated in the over-sampling program.

associated costs of attending college, such as books and transportation.

C. Reporting categories

Results are reported by three major higher education sectors: public four-year, public two-year and private non-profit institutions. Students are divided into two groups in the tables and charts -- dependent and independent. Both dependent and independent students are divided into income quintiles based on available income information.

Table B shows income by quintile for dependent and independent undergraduates regardless of whether they attended full-time or part-time.

Table B: Income range and median income of all Virginia undergraduates who applied for student aid (Fall 2003)

	Income range	Median income
Dependent students		
Lowest income quintile	Less than \$27,435	\$15,956
Second income quintile	\$27,436 - \$44,890	\$36,024
Third income quintile	\$44,891 - \$65,413	\$54,980
Fourth income quintile	\$65,414 - \$93,496	\$78,479
Top income quintile	\$93,497 or more	\$132,839
Independent students		
Lowest income quintile	Less than \$7,202	\$3,225
Second income quintile	\$7,203 - \$15,043	\$11,010
Third income quintile	\$15,044 - \$23,272	\$19,111
Fourth income quintile	\$23,273 - \$35,038	\$28,545
Top income quintile	\$35,039 or more	\$54,921

High-income students may complete the needs analysis form if they are applying for an unsubsidized loan, which is not need-based. Income information is not available for students who did not submit a FAFSA. It is assumed that in most cases, these students did not believe they were eligible for student aid because their income was too high.

The charts and tables are limited to Virginia full-time, full-year undergraduate students. Students who were identified as mid-year transfers or degree recipients were eliminated from the analysis. Too few part-time students completed the FAFSA form to provide meaningful results. Chart 4 shows the distribution of full-time and part-time Virginia undergraduates in each of the three higher

education sectors and the shaded areas of Tables C1 through C3 show what percentage of total student enrollments are part of this study for each sector.

Part-time students comprise the majority of enrollments in the two-year public sector while public four-year institutions primarily enroll full-time undergraduate students. The number of Virginia residents enrolled in private colleges and universities is relatively small compared with the other sectors. Since data on part-time students are insufficient, the majority of enrollments at two-year institutions and a significant portion of enrollments at four-year institutions are not a part of this study.

Chart 4: Enrollment distribution of Virginia undergraduates by attendance status and institutional type (Fall 2003)

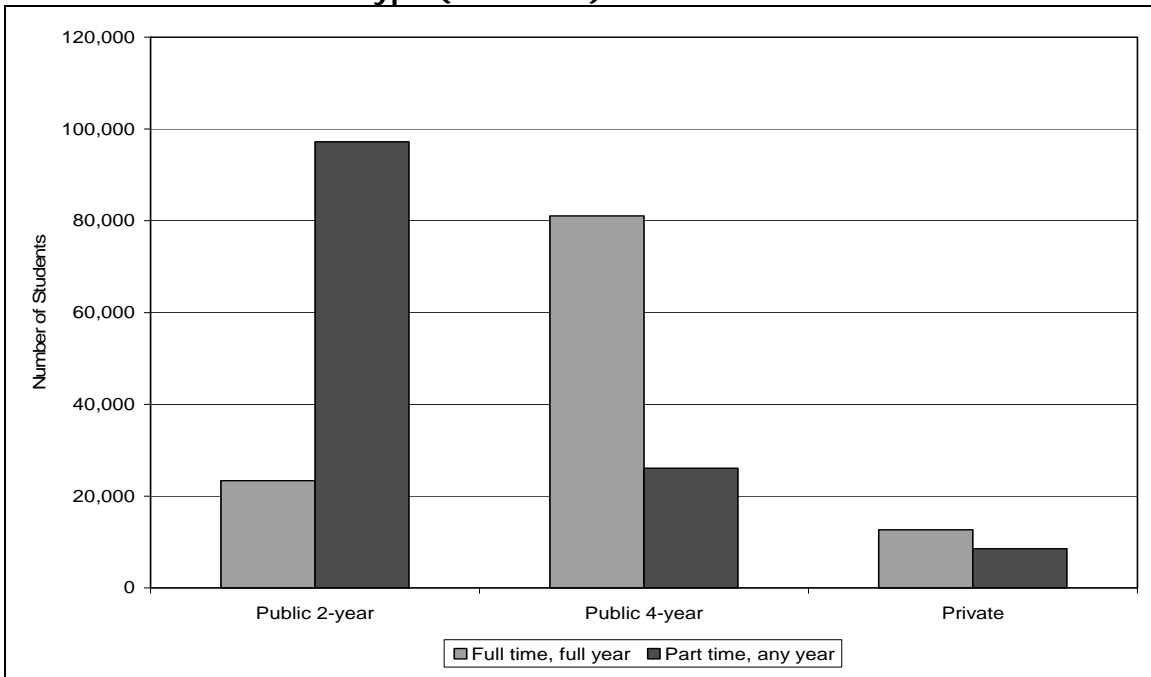


Table C1:

**Fall 2003 Undergraduate Headcount Enrollment
Public Two-Year Institutions**

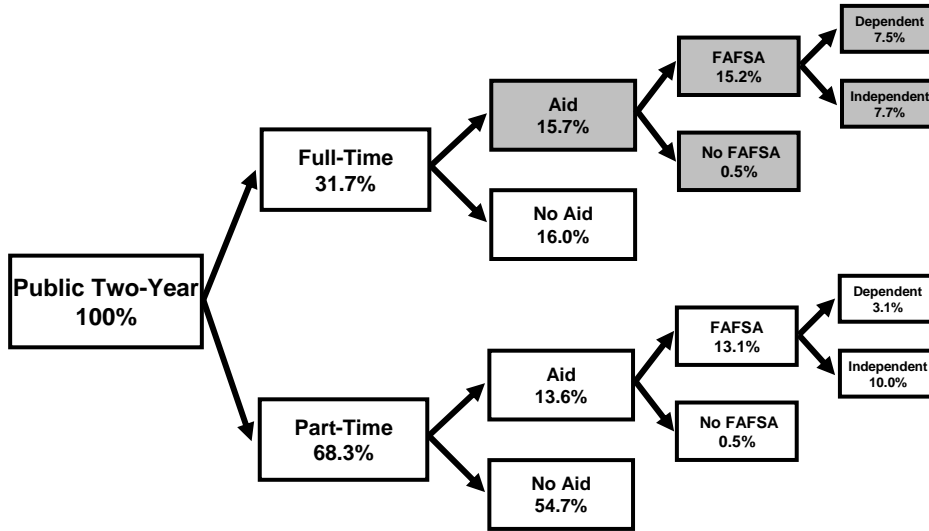


Table C2:

**Fall 2003 Undergraduate Headcount Enrollment
Public Four-Year Institutions**

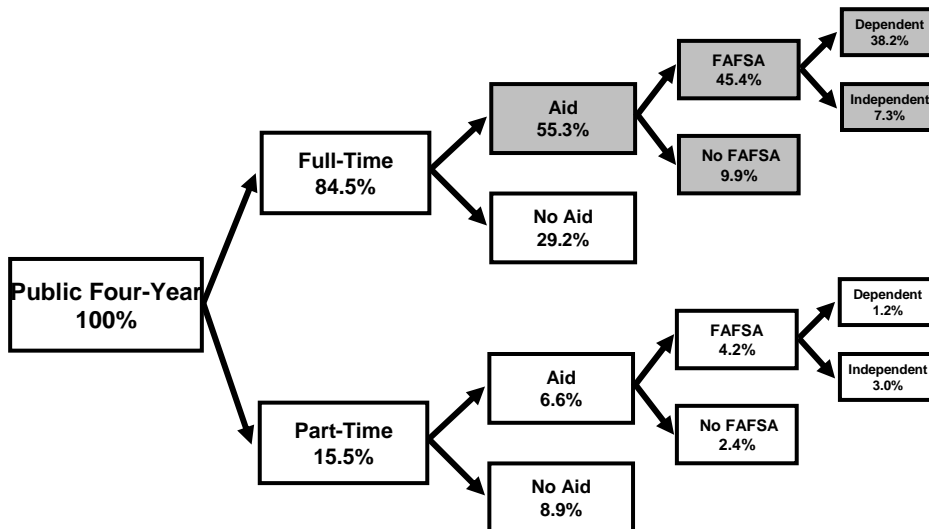
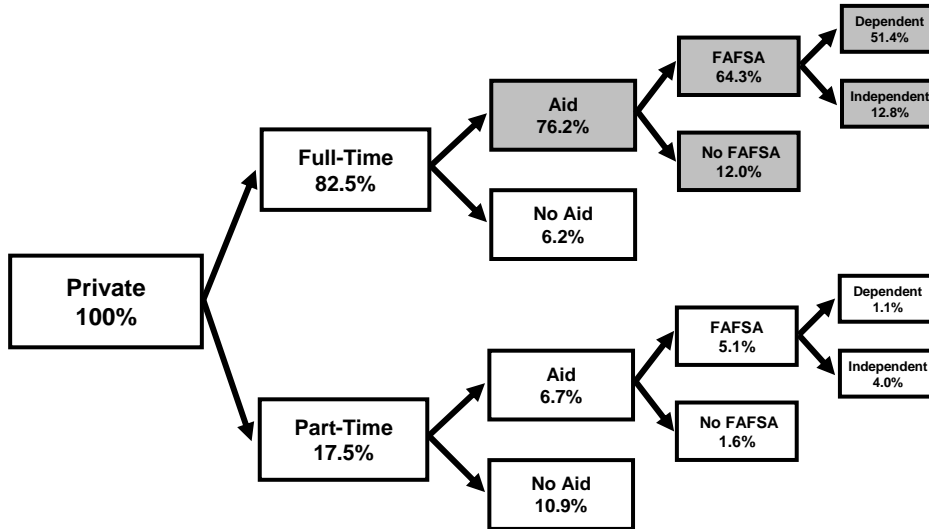


Table C3:

**Fall 2003 Undergraduate Headcount Enrollment
Private Institutions**



D. Study Limitations

The following list summarizes the limits of the data used in the affordability analysis:

- Includes public and private, not-for-profit institutions operating in the Commonwealth.
- Includes students enrolled full-time in fall 2003 and spring 2004 who applied for or received financial aid. Income and EFC are included for students who completed the FAFSA. Dependency status was estimated based on the age of those students who did not complete the FAFSA.
- Only aid reported to the financial aid office is included. For example, employer aid and private loans are not included.
- Information is not available regarding student savings. A more detailed study using the actual FAFSA data would provide limited insight on the use of savings.
- Information on supplemental employment was insufficient for a systemic analysis on federal and institutional work study.
- Tuition tax credits may represent a significant resource for higher-income students but student specific data are not available to include in this study. Table D shows the estimated tax savings for full-time students.

Table D: Estimated federal tax savings for Virginia full-time students (FY2004)

Dependent quintiles					Independent quintiles					No FAFSA	ALL
Lowest	Second	Third	Fourth	Top	Lowest	Second	Third	Fourth	Top		
\$255	\$567	\$1,054	\$1,282	\$116	\$74	\$345	\$571	\$637	\$1,003	N/A	\$362

IV. Evaluation of Financial Aid in Virginia

A. Economic Diversity in Enrollments

One method for determining whether higher education is affordable is to examine whether students from various economic groups are able to enroll. The following charts show that all economic groups are represented in each institutional sector.

Charts 5a through 5d represent the system and sector totals for all students by income, using \$10,000 increments. The bars are then divided to represent the proportion of students ineligible for need-based assistance in each income group. Some low-income students were ineligible for need-based aid because of a high EFC. This occurs when family employment earnings are low, but the family possesses significant assets.

The charts indicate that public two-year institutions have the highest proportion of students from the \$20,000 to \$40,000 income brackets. That enrollment levels drop off significantly for each income increment above \$40,000 is probably due to fewer students from those income brackets applying for financial aid.

Public four-year and private institutions have comparable enrollment distributions with significant enrollments coming from the \$20,000 to \$80,000 income brackets. It is noteworthy that private institutions have a larger proportion of students from income brackets of less than \$20,000 than do public four-year institutions. Again, high-income students are less likely to apply for financial aid and so their reported numbers will decline as income increases.

Chart 5a: Income distribution for Virginia higher education (FY2004)

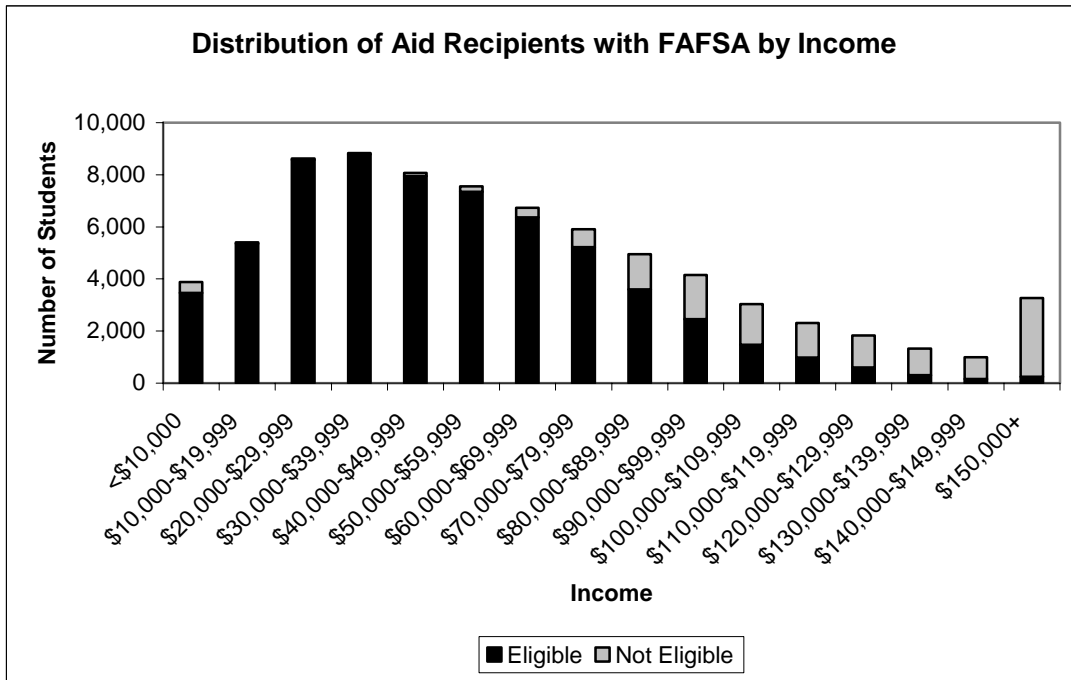


Chart 5b: Income distribution for public two-year institutions (FY2004)

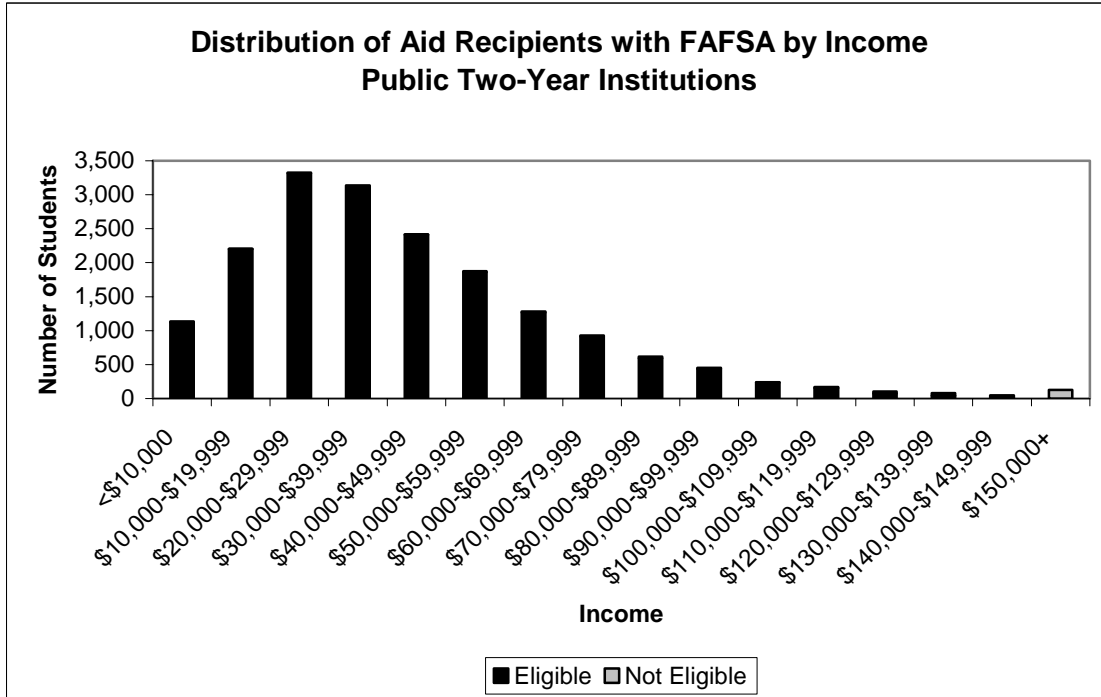


Chart 5c: Income distribution for Virginia public four-year institutions (FY2004)

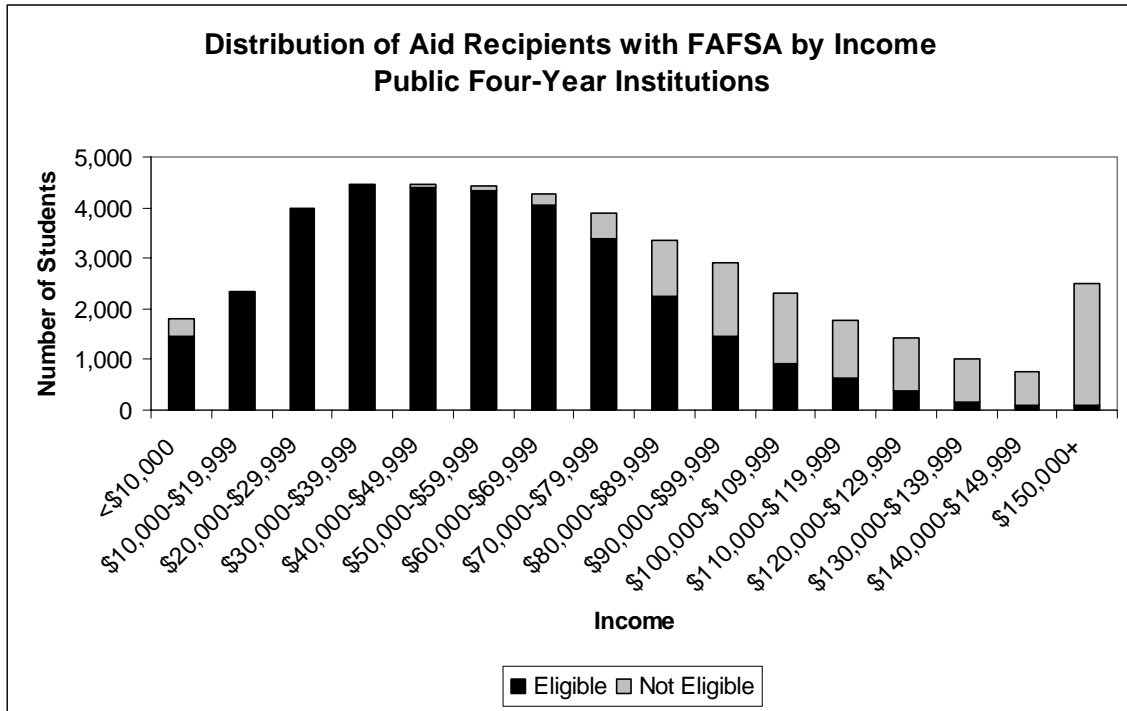
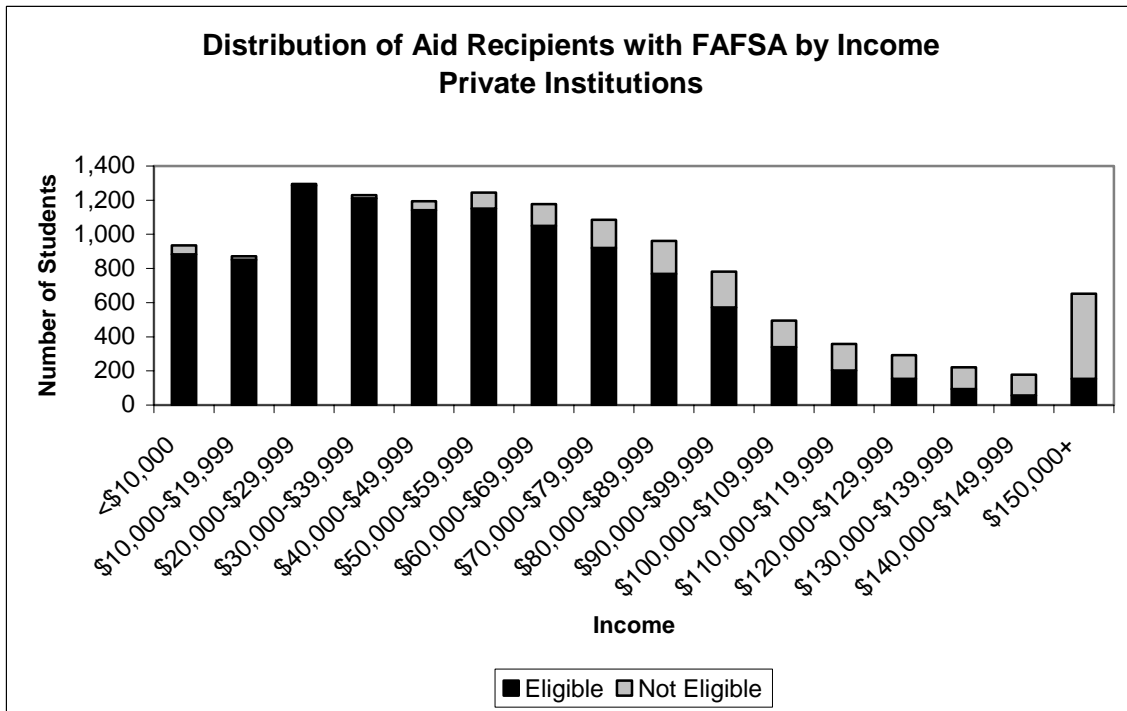


Chart 5d: Institution distribution for Virginia private four-year institutions (FY2004)



B. Distribution of Student Aid

1. Grant Aid

Grants can be funded by the federal government, the state, or institutional and private sources. Most of the equity in the price of attendance results from aid distributed based on financial need or the student's ability to pay.

Charts 6 through 8c provide the estimated annual award averaged across all full-time enrolled students, regardless of whether or not they received aid. This method allows computation of an average award for all students in the income class or the institutional type.

Chart 6 shows that the difference in the total award amount received by students in public two-year and public four-year institutions is minimal, though there is a difference in the source of the aid. When interpreting the results, it should be noted that Virginia community colleges enroll a larger share of independent students and a larger proportion of low-income dependent students than the other two sectors. The average state grant is noted in each bar. Chart 7 divides aid distribution by income group and illustrates the expected inverse relationship between the amount of grant aid and the income level of each respective student group.

Charts 8a through 8c further segregate grant recipients by institutional sector. Public two-year college students are more dependent on Pell grants while public four-year students receive larger state grants and more institutional awards. This may be explained by the fact that community colleges draw a larger percentage of their enrollments from students in the lower income groups. Undergraduates in private institutions receive larger state and institutional grants than those attending public sector institutions.

The majority of Virginia full-time undergraduates receive grants (Table E). At the private institutions, the student's income group makes relatively little difference; nearly everyone receives at least TAG. In the public institutions, the percentage of students receiving grants declines as income increases, but the majority of students in the highest independent income quintile for all three sectors receive grants, almost all from either state or institutional sources.

Chart 6: Average grant award for all full-time, full-year Virginia undergraduates by source of grant and institutional type (FY2004)

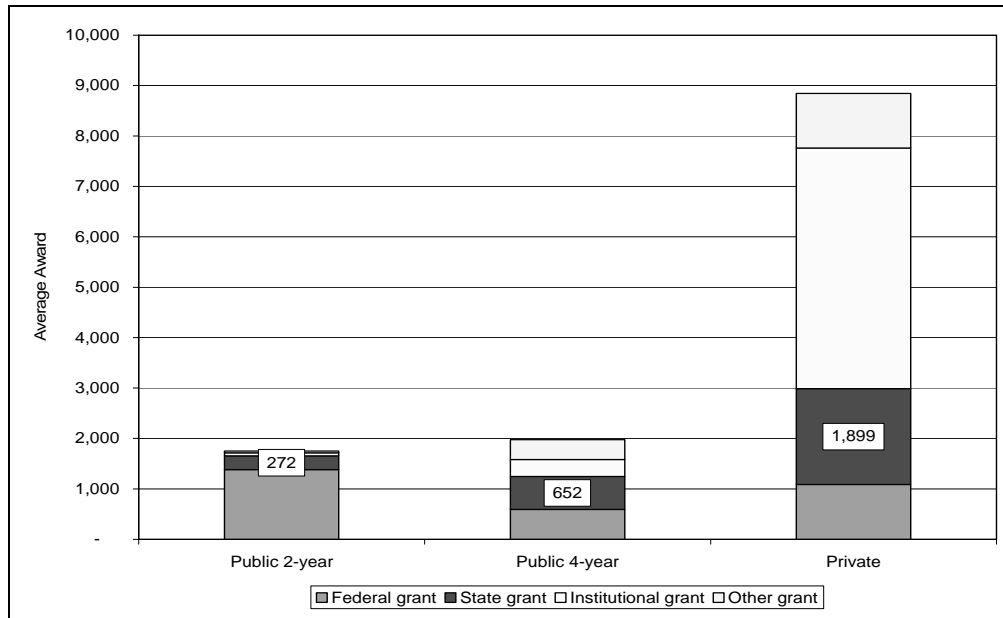


Chart 7: Average grant amounts for all full-time, full year Virginia undergraduates by income (FY2004)

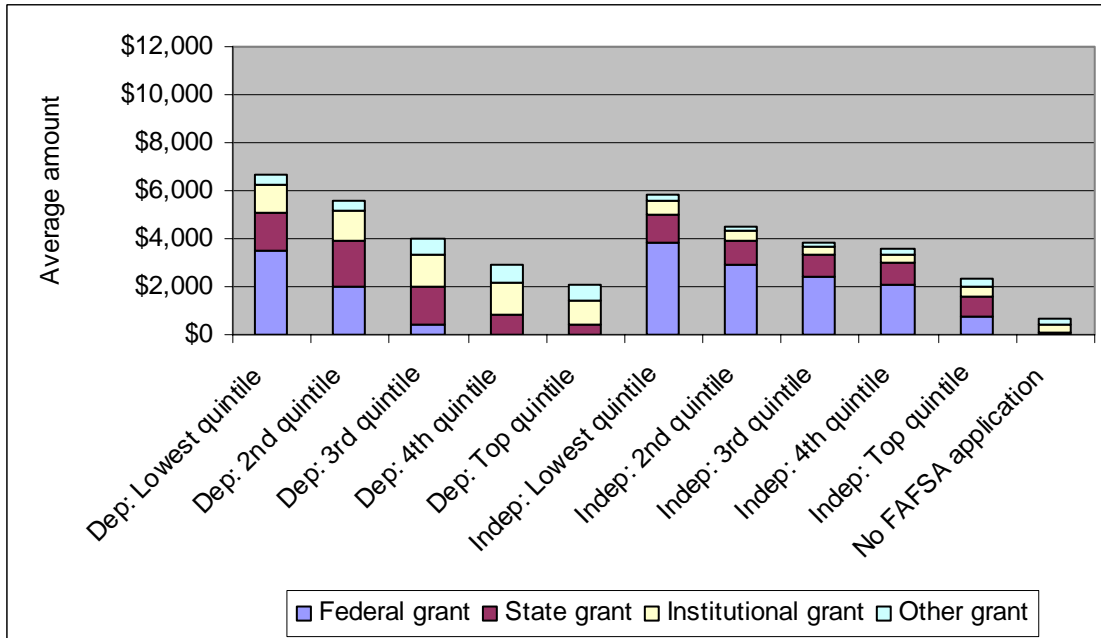


Chart 8a: Public two-year institutions, average grant amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

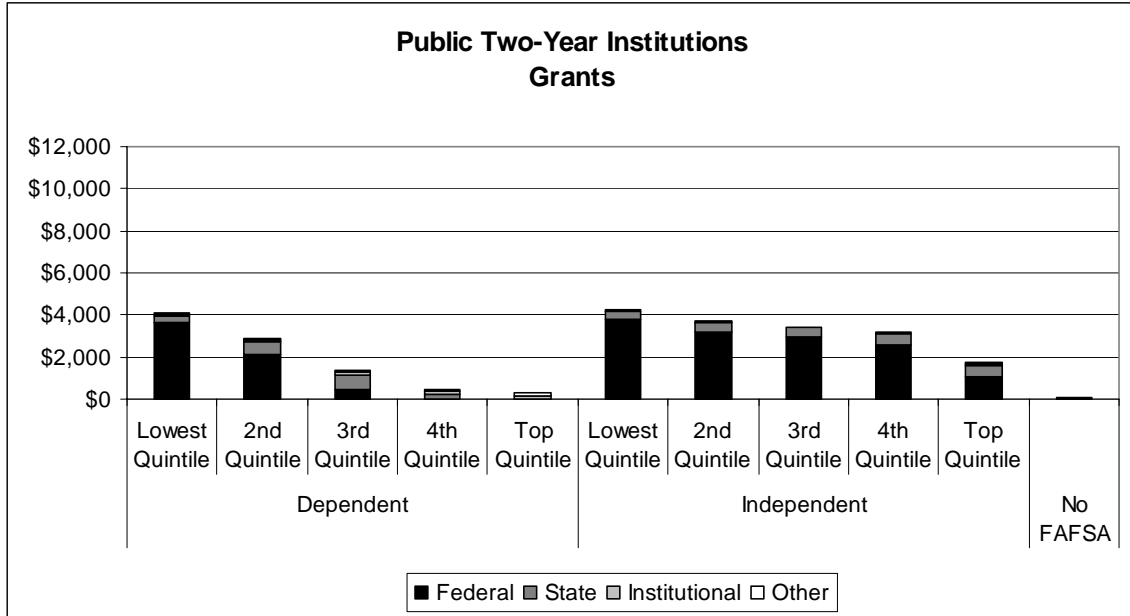


Chart 8b: Public four-year institutions, average grant amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

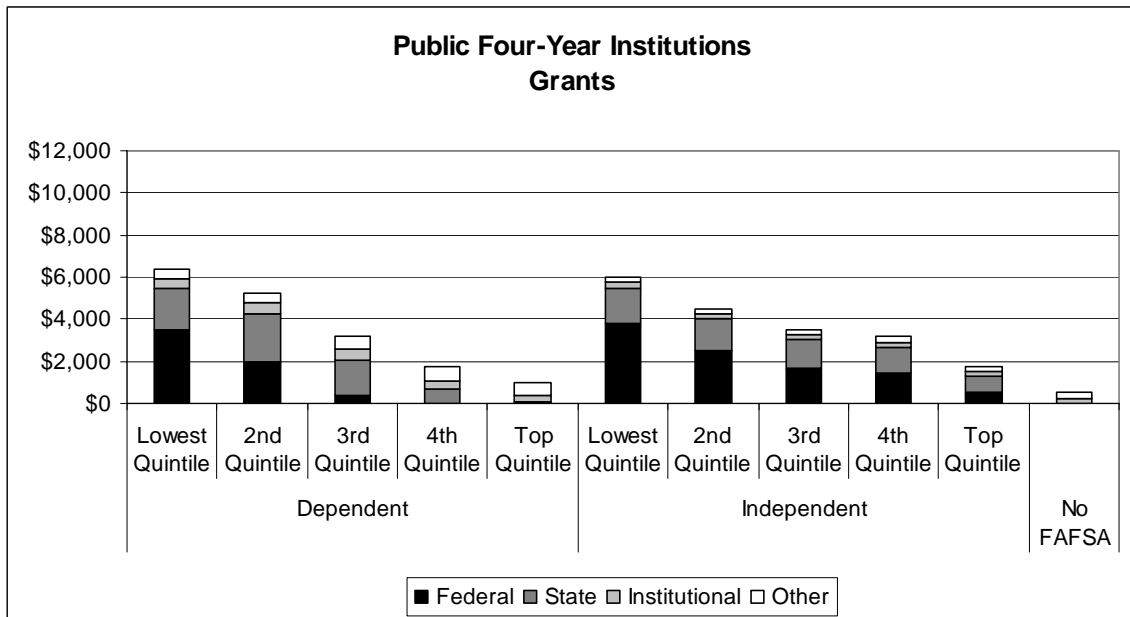


Chart 8c: Private institutions, average grant amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

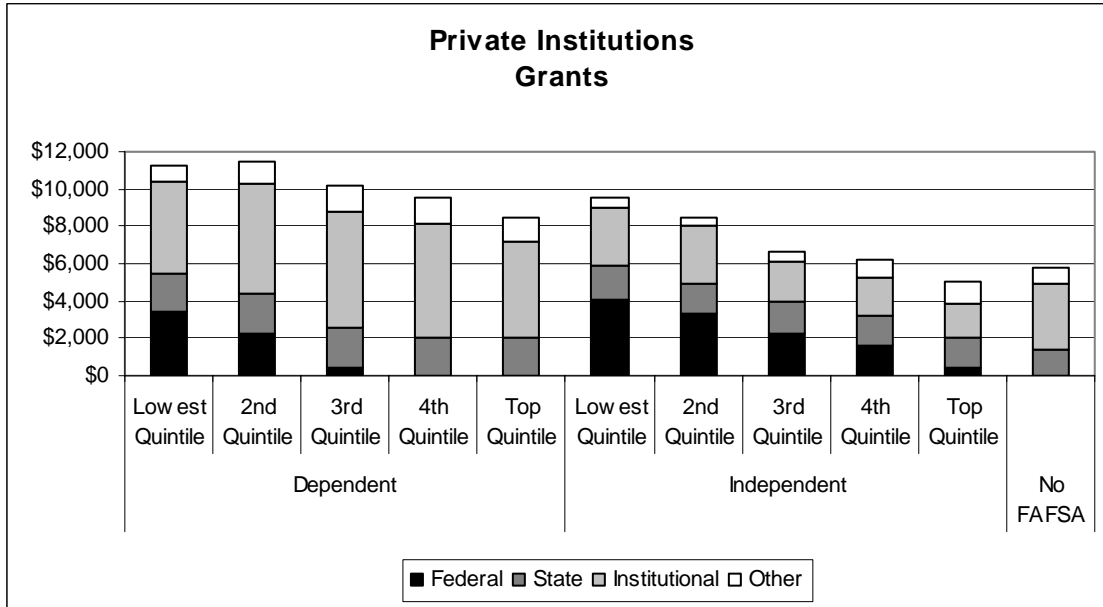


Table E: Percentage of full-time Virginia undergraduates receiving any grants by income and institutional type (FY2004)

	Dependent					Independent					Received grant but did not submit a FAFSA application
	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile	
Public two-year	95.93	95.47	74.29	32.45	13.56	97.22	97.04	92.92	90.75	71.22	4.4
Public four-year	96.05	95.46	78.16	53.51	29.66	96.62	94.97	79.03	74.62	52.74	12.5
Private	99.75	99.36	98.62	98.16	98.67	99.39	99.66	95.96	91.42	92.09	73.5
Total	96.67	96.01	80.72	58.96	39.09	97.2	96.39	88.17	85.75	68.62	14.0

2. Loan aid

Loans play a significant role in assisting Virginia undergraduates in financing their college expenses. Charts 9a through 9c distinguish between subsidized loans, which are awarded based on student need, and unsubsidized loans, which are not dependent on need. Again, these charts represent the loan amount averaged across all full-time Virginia undergraduates. It should be noted that the data do not include private borrowing or credit card debt.

Independent students are more likely than dependent students to use loans. Dependent students in the highest two income categories borrow more than those in the two lower income groups. Furthermore, students in the highest dependent income group make extensive use of unsubsidized loans.

Table F shows that, with the exception of private institutions, students in the higher income groups are more likely to borrow than those in the lower income groups. Since tuition is generally higher at private institutions, lower-income students tend to borrow more in order to attend. Students in higher income groups are more likely to use unsubsidized loans since these loans are not needs-tested and can be used to help supplement the EFC. Note that not all public two-year institutions participate in the federal student loan program. The unavailability of these loans would contribute to the reported low levels of loan usage for this sector.

Chart 9a: Public two-year institutions in Virginia: Average loan amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

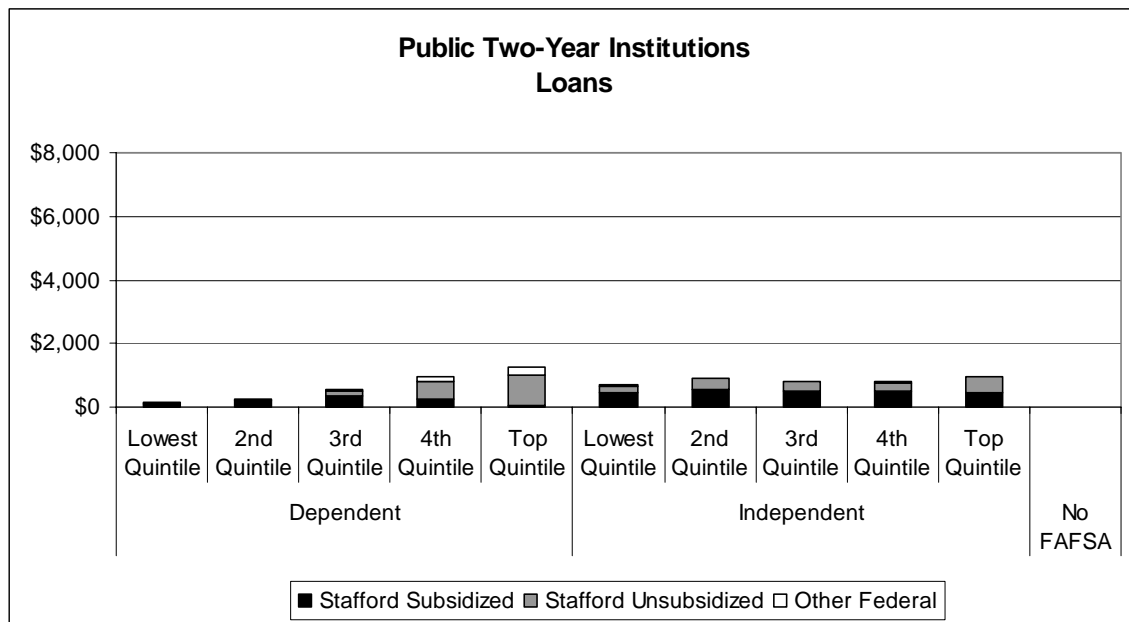


Chart 9b: Public four-year institutions in Virginia: Average loan amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

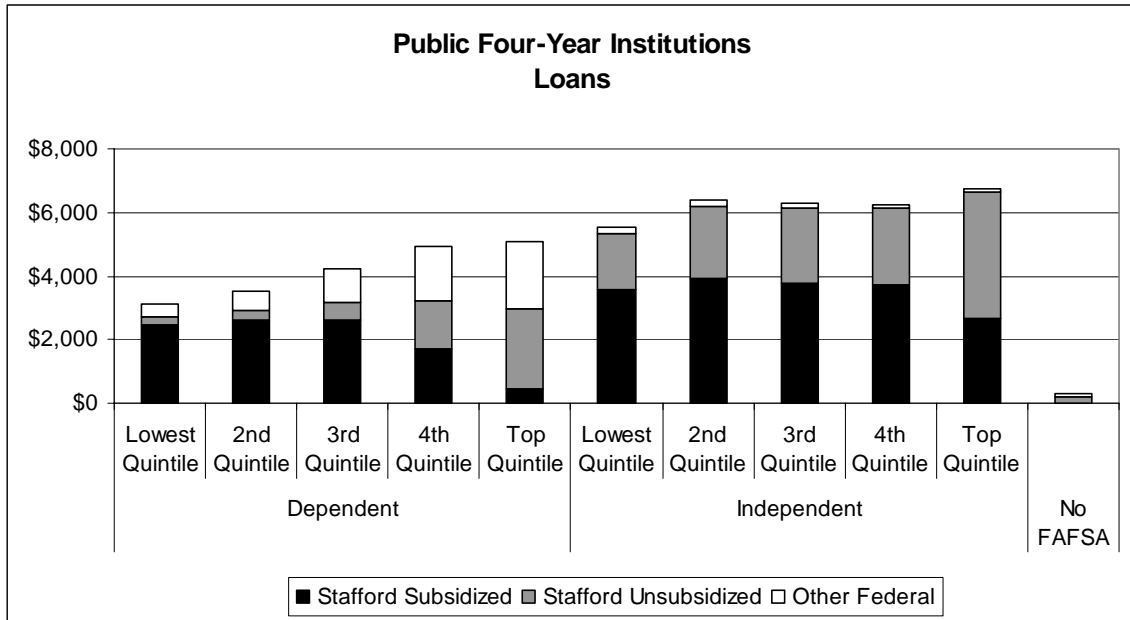


Chart 9c: Private institutions in Virginia; Average loan amounts for all full-time, full-year Virginia undergraduates by income (FY2004)

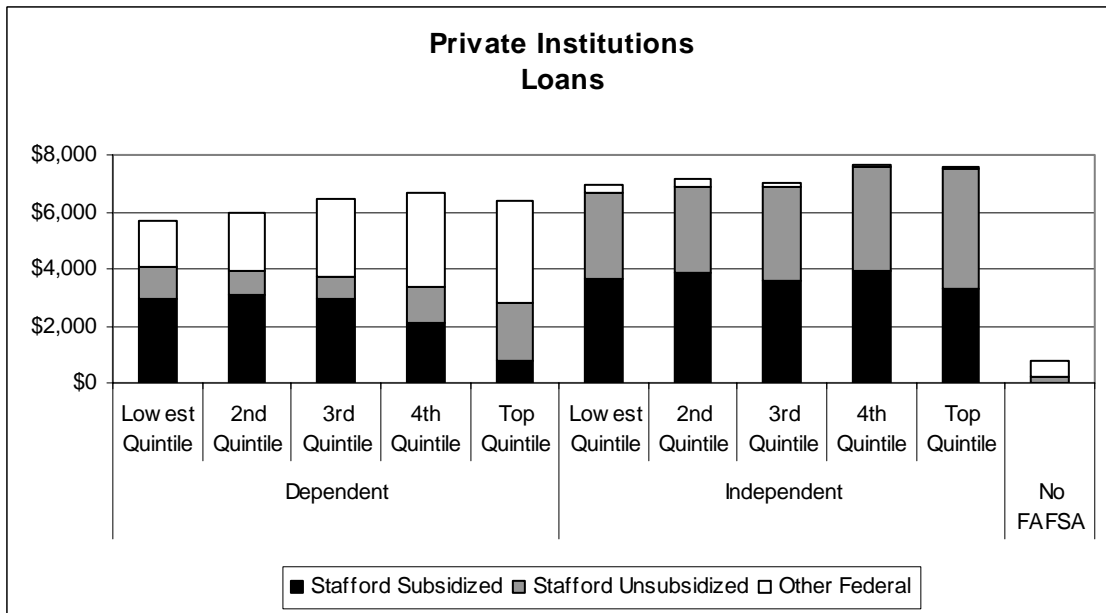


Table F: Percentage of full-time, full year Virginia undergraduates receiving any loans by income and institutional type (FY2004)

	Dependent					Independent					No FAFSA application
	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile	
Public two-year	6.2	10.7	20.2	31.6	35.9	19.3	24.7	23.5	22.8	25.5	0.3
Public four-year	73.0	77.4	81.4	82.6	77.0	83.6	88.2	87.0	88.4	86.5	5.4
Private	82.7	84.7	85.6	83.0	74.3	86.7	88.9	91.5	89.8	89.8	6.8
Total	58.8	63.8	72.9	78.2	75.2	59.4	57.8	54.0	52.4	59.6	4.5

3. Discretionary Loans

As indicated in Table F above, borrowing has become a regular occurrence for students enrolled in four-year institutions; however, there are different reasons for student borrowing. After grant aid, many students from the three lowest income quintiles still have financial need. For these students, borrowing is a necessary means to finance their education.

Charts 10a through 10c demonstrate how much borrowing is in excess of the Family Net Price, and thus could be viewed as “discretionary.” In each sector, dependent students in the highest income quintile are shown to utilize discretionary borrowing in order to replace out of pocket costs; a smaller amount occurs in the fourth quintile for the public four-year and private institutions.

Chart 10a: Public two-year institutions: Discretionary loans for full time, full year undergraduate students (FY2004)

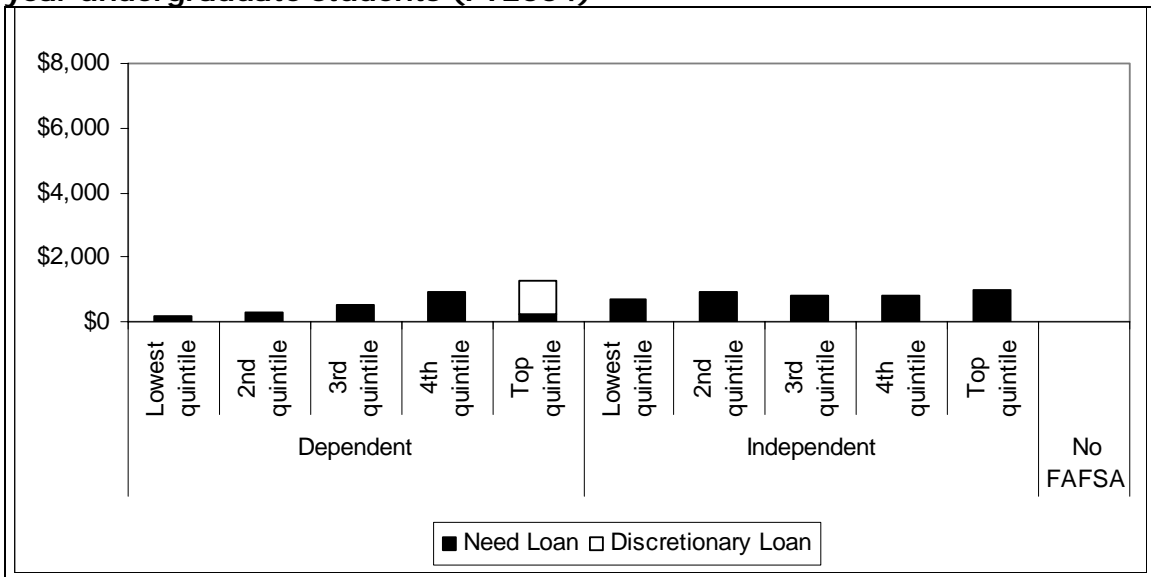


Chart 10b: Public four-year institutions: Discretionary loans for full time, full year undergraduate students (FY2004)

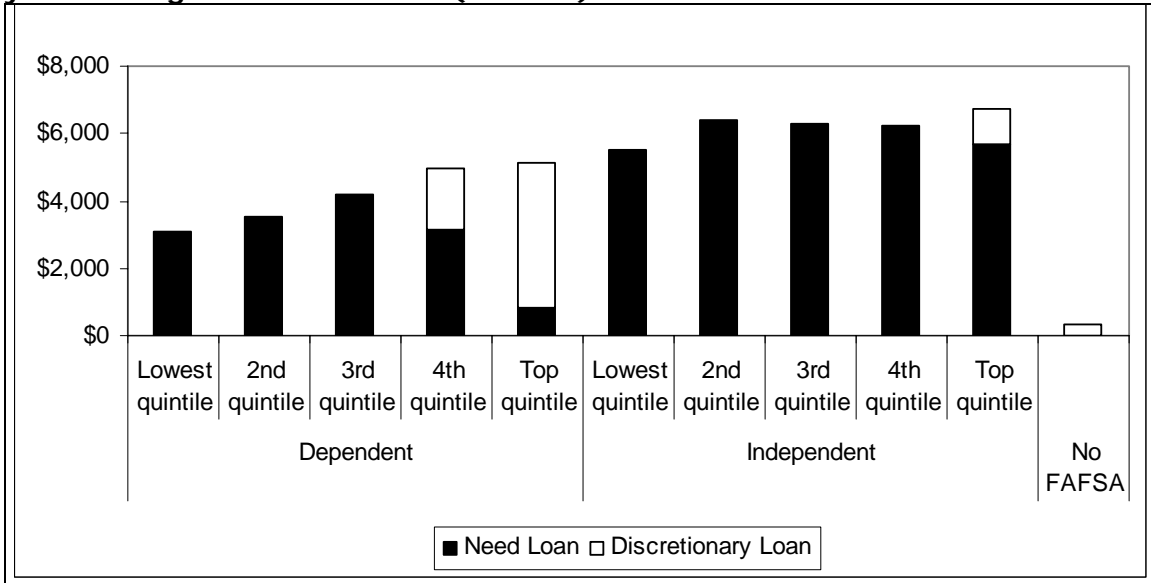
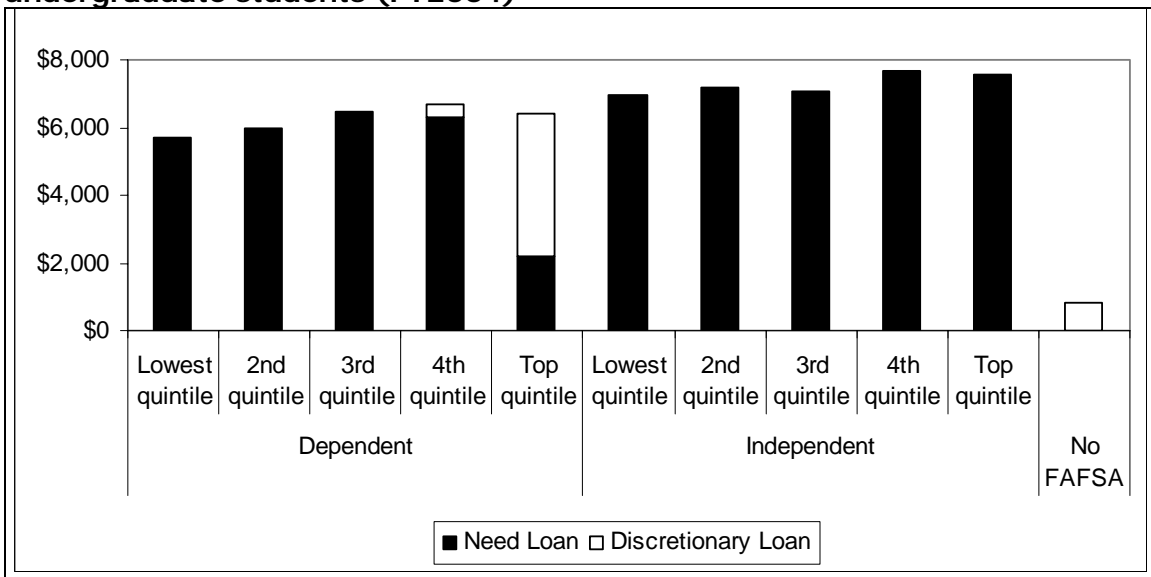


Chart 10c: Private institutions: Discretionary loans for full time, full year undergraduate students (FY2004)



C. Price of Attendance Measures

Not all full-time undergraduates attending a Virginia higher education institution pay the published cost of attendance. As has been shown, many students in the Commonwealth receive a grant or scholarship that reduces the amount they pay to attend college from the Sticker Price to the Net Price. Even after considering the EFC, many students

still face a net deficit which, for purposes of this study, is termed Family Net Price.

Charts 11a through 13b illustrate the Sticker Price, Net Price, and Family Net Price for full-time undergraduate students in each sector. The student will either have to borrow, work, have savings available, or otherwise find ways to reduce their costs in order to finance the Family Net Price. A more detailed look at the prices paid by students in each of the sectors reveals how much students with different incomes are paying for college after financial aid is taken into consideration.

The results show that in Virginia, lower-income students pay a lower Net Price than do those with higher incomes. Most of the difference is attributable to federal and state grants. Students attending higher-priced institutions are paying more than those attending lower-priced institutions. Because of the distribution of grant aid, Net Price generally increases progressively by income group for dependent students; however, Family Net Price declines as the EFC, in combination with grant aid, increases with income. Families with a larger Family Net Price will find it more difficult to pay for higher education and depend more heavily on loans and supplemental work.

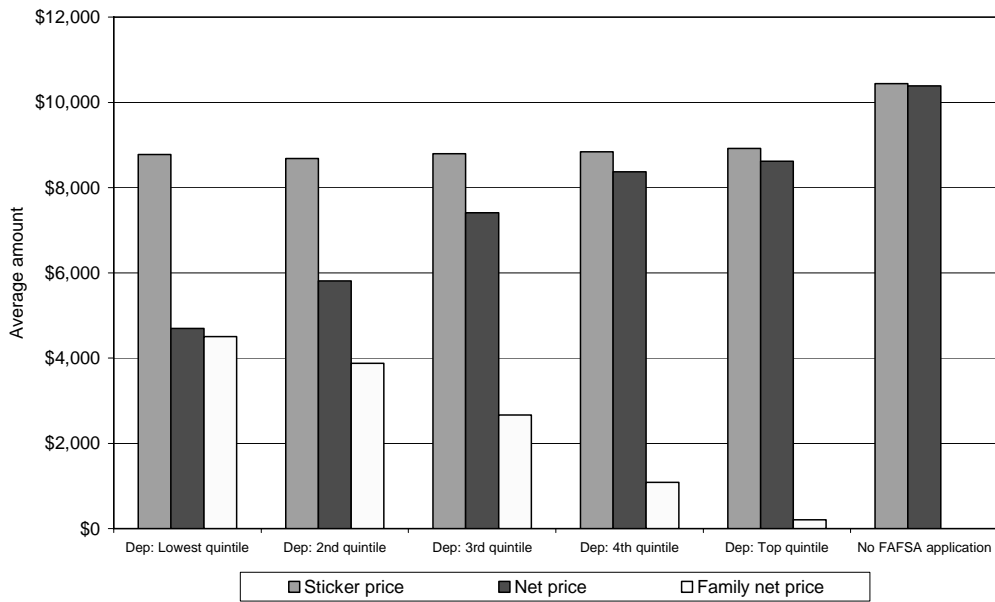
Data for public two-year institutions (Charts 11a and 11b) suggest that the average low-income dependent undergraduate has a Net Price and Family Net Price that are manageable. While the Net Price is beyond their EFC, it appears to be within their capacity to borrow, work part-time, or otherwise reduce expenses to cover the Net Price without undue effort.

Independent students face the highest Net Price in public two-year institutions. In part, this is a function of their higher living costs. Independent students in the lowest income quintile are expected to contribute nearly \$6,000 to the cost of their education after grants.

Compared with the public two-year colleges, undergraduates attending public four-year institutions have higher Net Prices and Family Net Prices across every income group (Charts 12a and 12b).

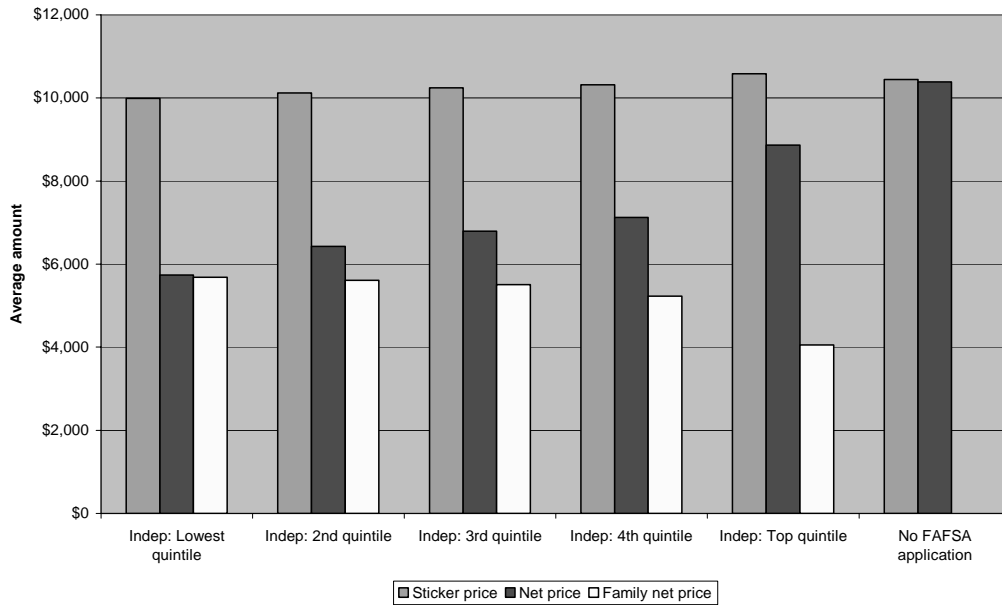
For private institutions, the average Net Price and Family Net Price for the lowest-income dependent students are significantly higher than those in public four-year institutions (Charts 13a and 13b). Attending a private institution in Virginia is financially challenging for dependent students in all except the highest income quintile.

Chart 11a: Public two-year institutions, dependent students average Sticker Price, Net Price, Family Net Price for full-time, full-year Virginia undergraduates, by income (FY2004)



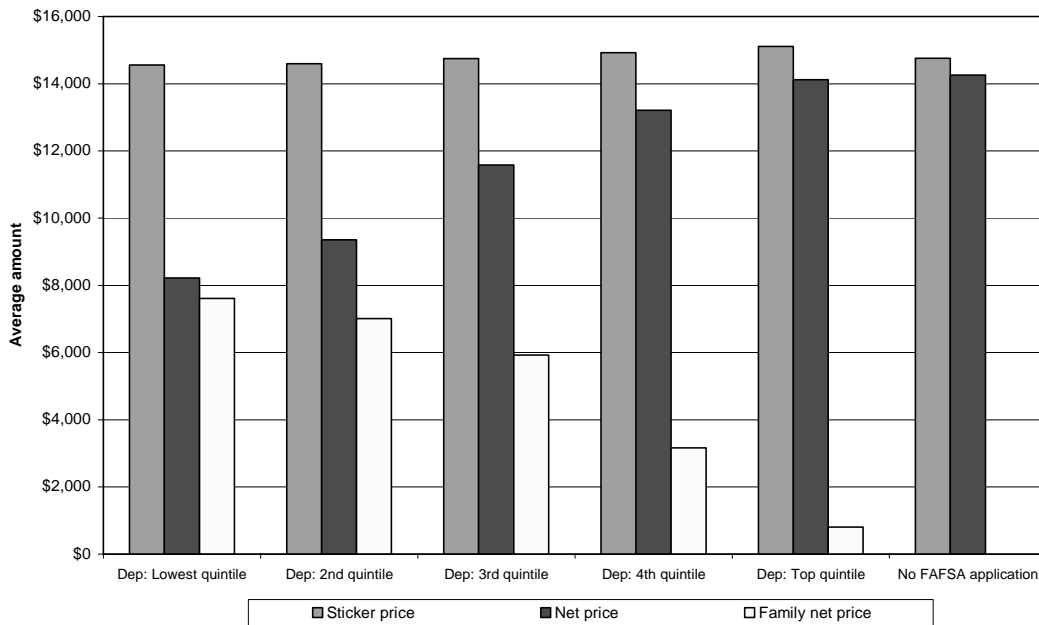
Dependent Students: Lowest quintile < \$27k; 2nd quintile = \$27k-\$45k; 3rd quintile = \$45k-\$65k; 4th quintile = \$65k-\$93k; Highest quintile > \$93k.

Chart 11b: Public two-year institutions, independent students average Sticker Price, Net Price, and Family Net Price for full-time, full-year Virginia undergraduates in by income (FY2004)



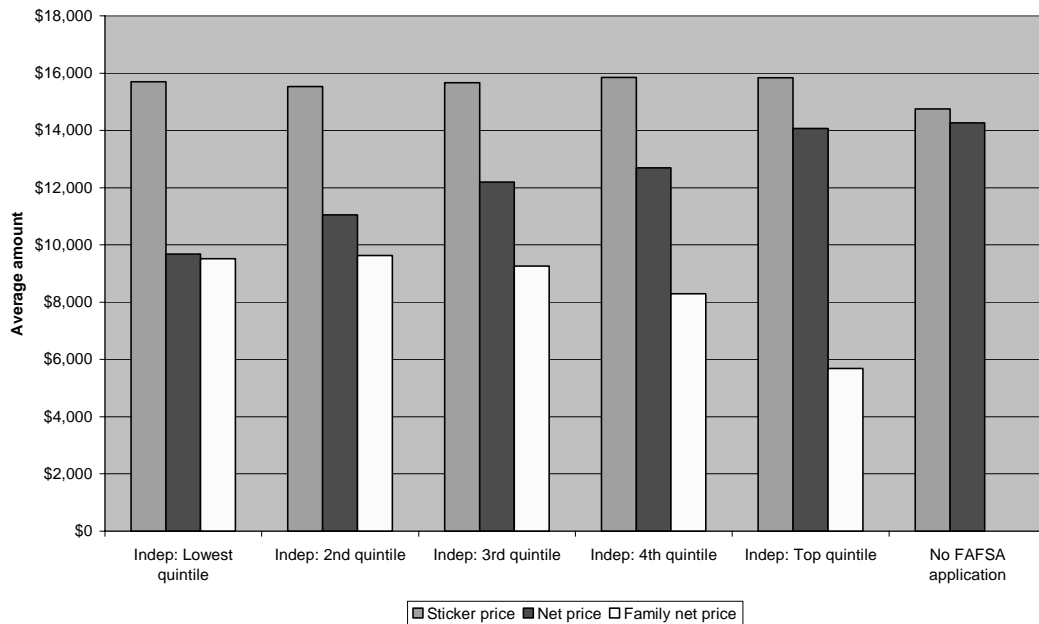
Independent Students: Lowest quintile < \$7k; 2nd quintile = \$7k-\$15k; 3rd quintile = \$15k-\$23k; 4th quintile = \$23k-\$35k; Highest quintile > \$35k.

Chart 12a: Public four-year institutions, dependent students: Average Sticker Price, Net Price, and Family Net Price for full-time, full-year Virginia undergraduates by income (FY2004)



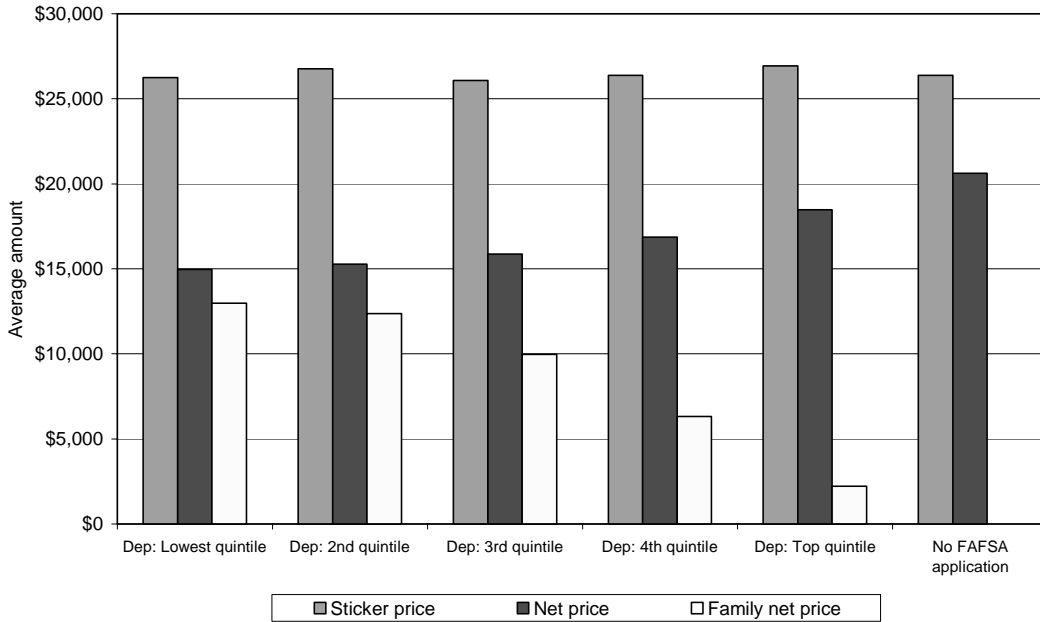
Dependent Students: Lowest quintile < \$27k; 2nd quintile = \$27k-\$45k; 3rd quintile = \$45k-\$65k; 4th quintile = \$65k-\$93k; Highest quintile > \$93k.

Chart 12b: Public four-year institutions, Independent Students: Average Sticker Price, Net Price, and Family Net Price for full-time, full-year Virginia undergraduates in by income (FY2004)



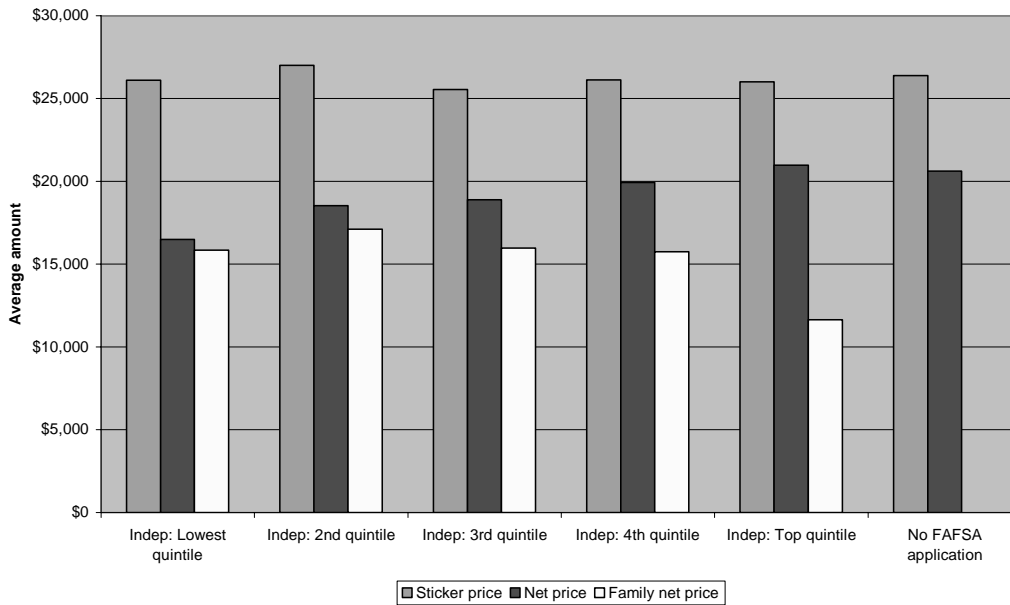
Independent Students: Lowest quintile < \$7k; 2nd quintile = \$7k-\$15k; 3rd quintile = \$15k-\$23k; 4th quintile = \$23k-\$35k; Highest quintile > \$35k.

Chart 13a: Private institutions, dependent students: Average Sticker Price, Net Price, and Family Net Price for full-time Virginia undergraduates, by income (FY2004)



Dependent Students: Lowest quintile < \$27k; 2nd quintile = \$27k-\$45k; 3rd quintile = \$45k-\$65k; 4th quintile = \$65k-\$93k; Highest quintile > \$93k.

Chart 13b: Private institutions, independent students: Average Sticker Price, Net Price, and Family Net Price for full-time Virginia undergraduates by income (FY2004)



Independent Students: Lowest quintile < \$7k; 2nd quintile = \$7k-\$15k; 3rd quintile = \$15k-\$23k; 4th quintile = \$23k-\$35k; Highest quintile > \$35k.

Table G shows the Net Price for each income group compared with the average income for the students in that group. The percent of income necessary to pay the Net Price for each institutional sector is illustrated in the last row. U.S. Census reports of median family income for a family of four were used for the comparison for all students because of the lack of FAFSA income information for non-filers.

The most obvious concern is for lower-income independent undergraduates who need to commit more than their income to cover the costs associated with attending college. Lowest quintile dependent students need over 30 percent of their income to cover the Net Price of attending both public four-year and private institutions in the state.

Table G: Average Net Price compared with annual income for all full-time Virginia undergraduates by income and institutional type (FY2004)

	Dependent					Independent					No FAFSA application	ALL
	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile	Lowest income quintile	Second income quintile	Third income quintile	Fourth income quintile	Top income quintile		
	Total											
Net price	\$8,558	\$9,412	\$11,624	\$13,394	\$14,558	\$9,036	\$9,522	\$10,059	\$10,589	\$13,040	\$20,624	\$17,563
Annual Income	\$15,956	\$36,024	\$54,980	\$78,479	\$132,839	\$3,225	\$11,010	\$19,111	\$28,545	\$54,921	N/A	\$60,098
Net price/Annual Income	53.64%	26.13%	21.14%	17.07%	10.96%	280.23%	86.49%	52.64%	37.09%	23.74%	N/A	29.20%
	Public 2-year											
Net price	\$4,700	\$5,813	\$7,412	\$8,366	\$8,619	\$5,735	\$6,425	\$6,791	\$7,122	\$8,864	\$13,846	\$12,437
Annual Income	\$17,159	\$35,545	\$54,075	\$77,228	\$118,541	\$3,614	\$11,159	\$19,028	\$28,559	\$50,900	N/A	\$57,957
Net price/Annual Income	27.39%	16.35%	13.71%	10.83%	7.27%	158.68%	57.58%	35.69%	24.94%	17.41%	N/A	21.50%
	Public 4-year											
Net price	\$8,218	\$9,356	\$11,579	\$13,214	\$14,118	\$9,687	\$11,054	\$12,189	\$12,690	\$14,069	\$10,384	\$8,092
Annual Income	\$16,006	\$36,178	\$55,120	\$78,620	\$132,295	\$3,038	\$10,877	\$19,057	\$28,381	\$55,898	N/A	\$33,258
Net price/Annual Income	51.34%	25.86%	21.01%	16.81%	10.67%	318.84%	101.63%	63.96%	44.71%	25.17%	N/A	24.30%
	Private											
Net price	\$14,959	\$15,282	\$15,869	\$16,860	\$18,482	\$16,490	\$18,531	\$18,887	\$19,930	\$20,976	\$14,260	\$12,887
Annual Income	\$14,156	\$36,073	\$55,226	\$78,497	\$139,365	\$2,772	\$10,855	\$19,704	\$28,874	\$62,616	N/A	\$65,359
Net price/Annual Income	105.68%	42.36%	28.73%	21.48%	13.26%	594.93%	170.72%	95.85%	69.02%	33.50%	N/A	19.70%

D. Comparison with other states

1. Net Price

The following charts illustrate the comparison of prices paid by Virginia students and students in other states. The comparison states are: Georgia, Illinois, Indiana, Kentucky, Minnesota, and Tennessee. All state estimates are based on data reported as part of the NPSAS state data collected in FY2004, except for Kentucky and Virginia, which provided data separately. The income quartiles used in the comparison are those from Virginia, allowing students with similar economic conditions to be compared (see Table H).

Table H: Income range and median income of all Virginia dependent undergraduates who applied for student aid (Fall 2003)

	Public Two-Year	Public Four-Year	Private
Lowest income quartile	\$19,707	\$18,851	\$16,696
Second income quartile	\$42,042	\$43,109	\$43,124
Third income quartile	\$67,493	\$69,224	\$69,313
Top income quartile	\$109,610	\$124,384	\$128,793

Charts 14a through 16c show three prices for Virginia and the comparison states: Sticker Price, Net Price, and Family Net Price for the comparison states.

Generally, the price of attendance is lower for Virginia students attending public two-year institutions for all income groups and all three measures of price. However, for Family Net Price, low-income students pay less than in other states, but higher income students pay more. Compared with the other states, Virginia provides more affordable community college opportunities.

The charts compare the prices paid by students in Virginia public four-year institutions with the prices paid in other states. The Sticker Price is consistently higher than that of the aggregated peer states. Chart 15b shows that, even after grant aid is awarded, the average Net Price for Virginia students in most income groups is also higher than the average for the peer states.

Virginia students attending in-state private colleges and universities are paying higher prices than those reported for students in the comparison states. The most notable difference is among independent students. Net Price continues to be higher for Virginia students than in the comparison states for most types of students.

Chart 14a-c: Public two-year institutions in Virginia and comparison states (FY2004)

Chart 14a: Average Sticker Price for dependent students

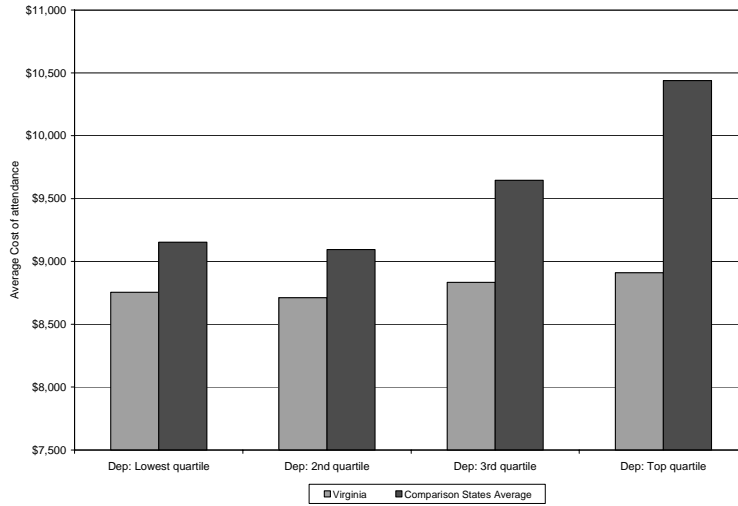


Chart 14b: Average Net Price for dependent students

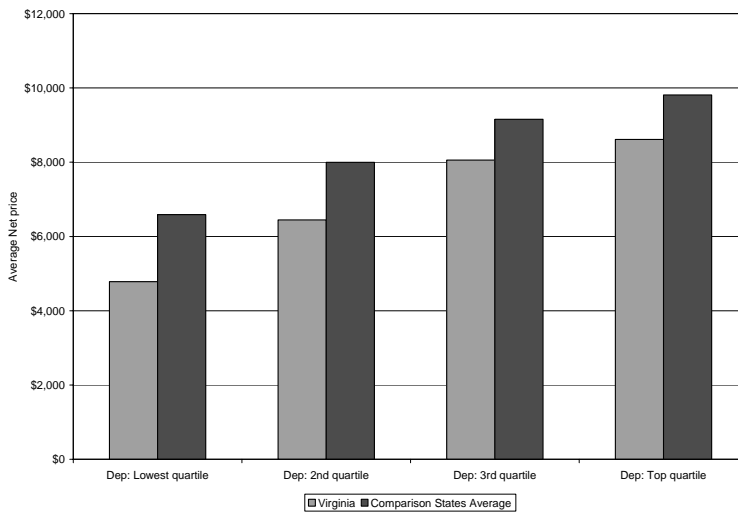


Chart 14c: Average Family Net price of attendance for dependent students

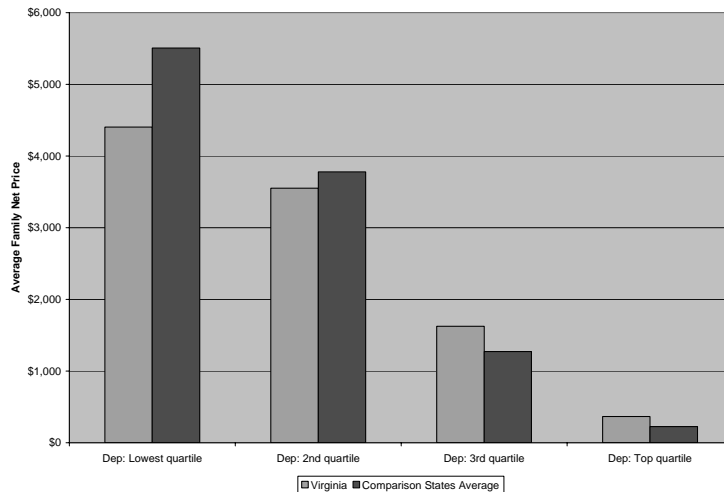


Chart 15a-c: Public four-year institutions in Virginia and comparison states (FY2004)

Chart 15a: Average Sticker Price for dependent students

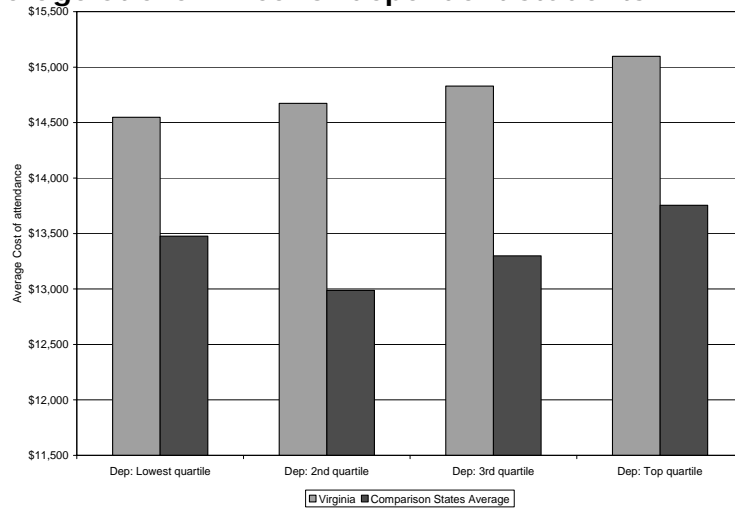


Chart 15b: Average Net Price for dependent students

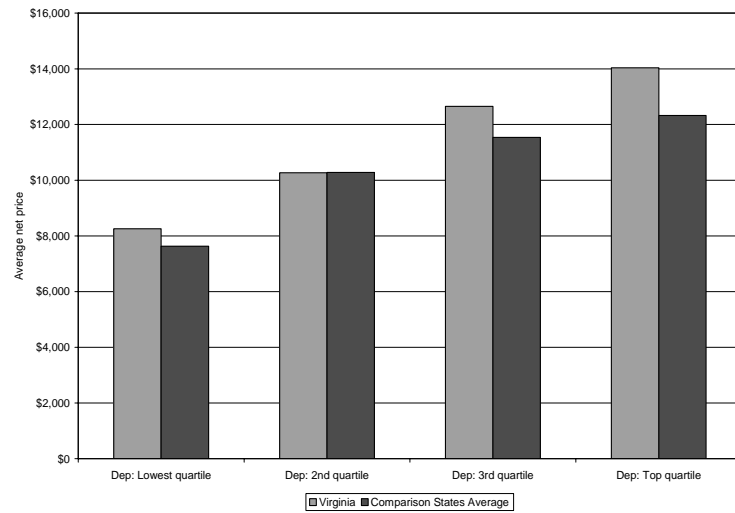


Chart 15c: Average Family Net Price for dependent students

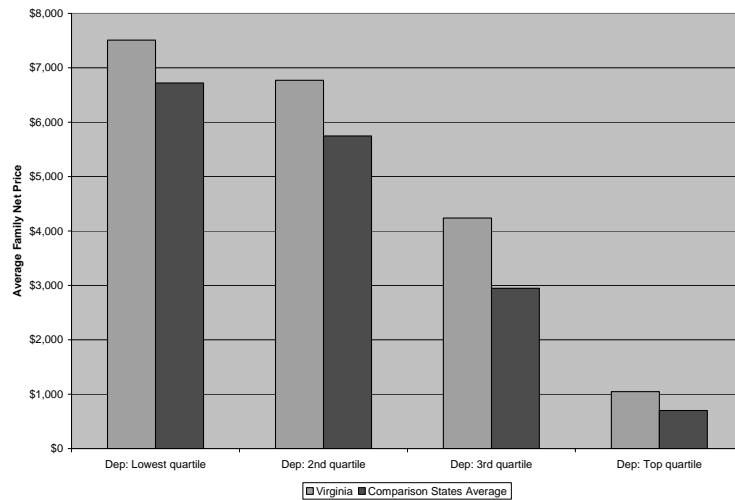


Chart 16a-c: Private institutions in Virginia and comparison states (FY2004)

Chart 16a: Average Sticker Price for dependent students

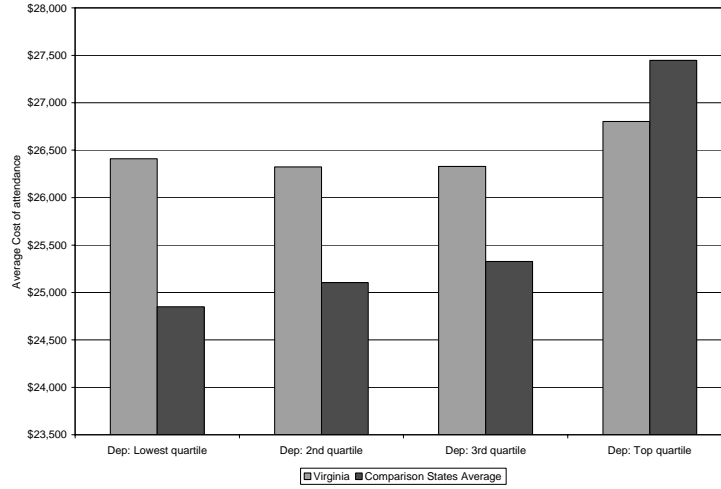


Chart 16b: Average Net Price for dependent students

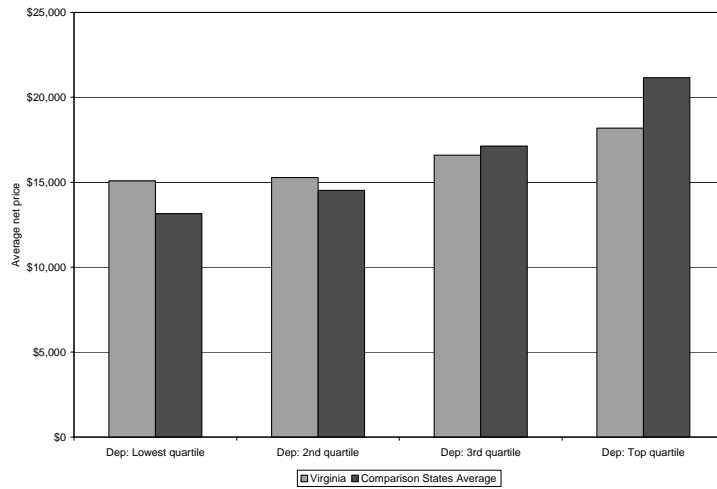
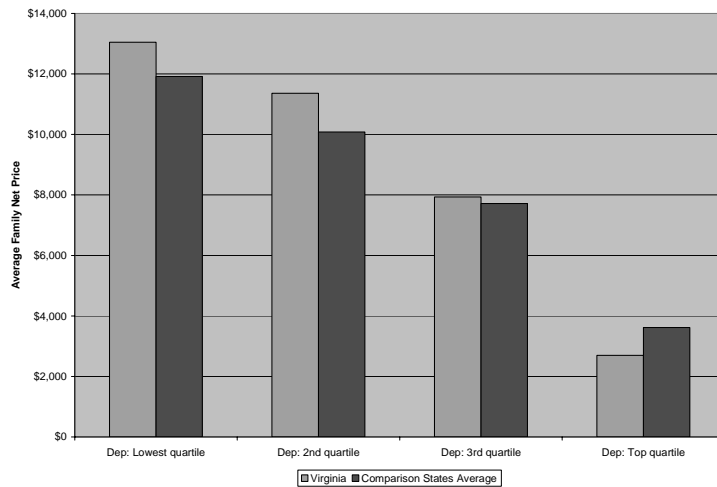


Chart 16c: Average Family Net Price for dependent students



2. Net Price as a Percent of Median Family Income

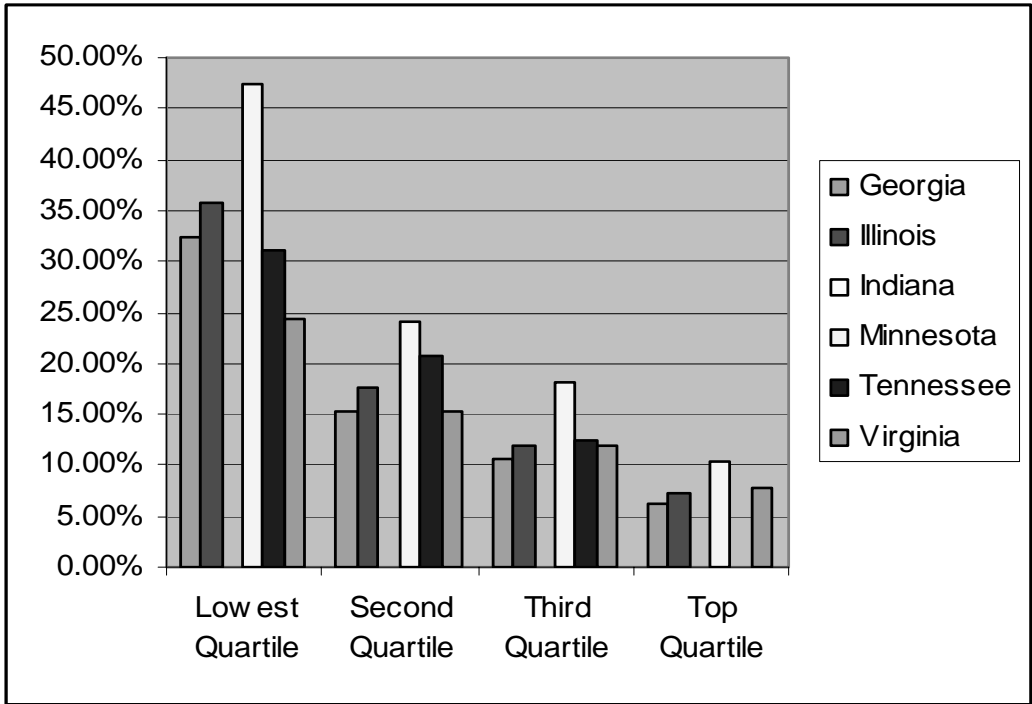
Another comparable measure of affordability is the Net Price as a percent of family income. This measure compares the Net Price for dependent students against the family income by quartile for each state. One study recommended a Net Price to family income threshold of 30 percent (Measuring Up, 2004). Note that for this comparison, the median family income for each individual state is used rather than the data from Virginia.

Chart 17 demonstrates that public two-year institutions in Virginia are the most affordable for the two lowest quartiles among the comparison states, and are comparable in affordability for the highest two income quartiles.

Chart 18 shows that Virginia's public four-year institutions are generally more expensive in this measure of affordability when compared with the other states. Students in the lowest income quartile are the only group well above the recommended 30 percent of income for all states, with Virginia ranked among the highest. In the other income quartiles, the percentages are below the 30 percent mark and tightly grouped with minor differences among the states.

Chart 19 shows students in Virginia private institutions also have a Net Price that is among the highest percentage of family income for the lowest income quartile with negligible differences among the comparison states in the other income quartiles. For nearly all of the states, the lower two income quartiles needed in excess of 30 percent of their family income to pay for higher education.

Chart 17: Public two-year institutions in Virginia and comparison states Net Price as a percent of median income for dependent students (FY2004)



Indiana and Tennessee had insufficient data to be included in all Quartiles

Chart 18: Public four-year institutions in Virginia and comparison states Net Price as a percent of median income for dependent students (FY2004)

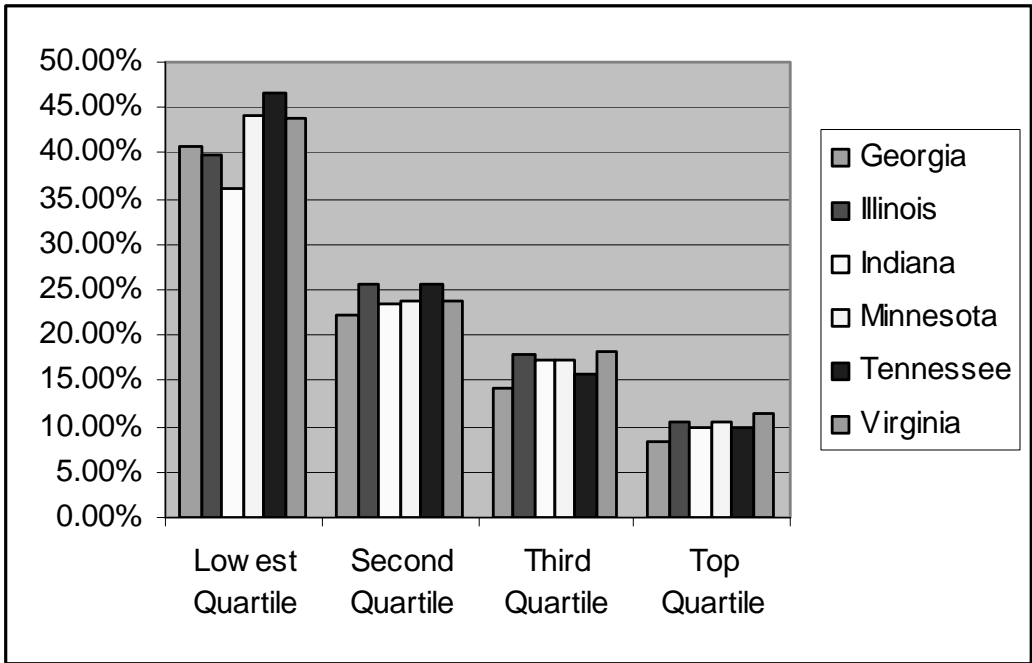
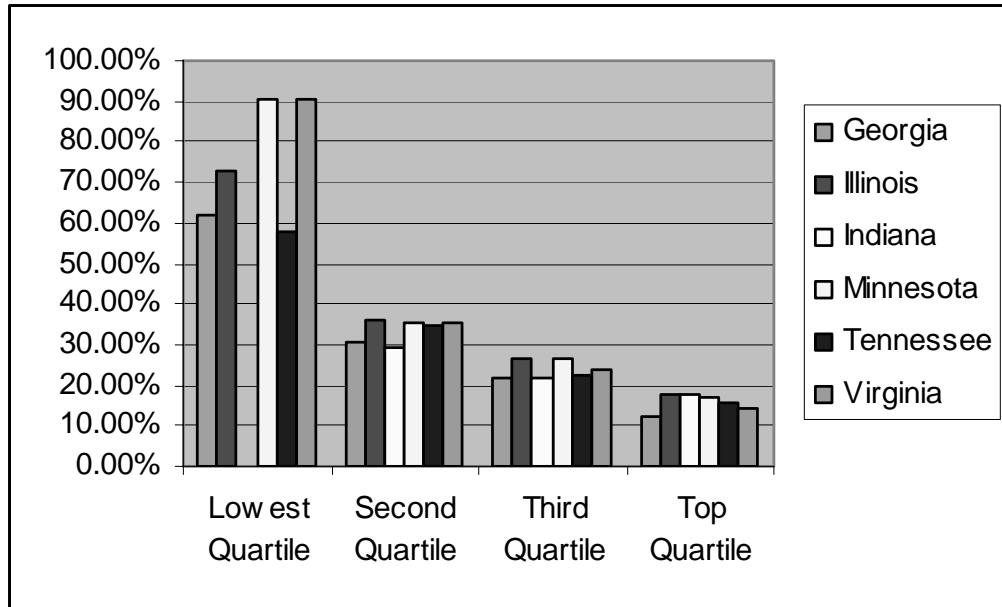


Chart 19: Net Price as a percent of median income for dependent students at private institutions in Virginia and comparison states (FY2004)



Indiana had insufficient data to be included in the Lowest Quartile

In Charts 20a through 20c, student reliance upon various financial aid programs in Virginia institutions are examined against the comparison states. Chart 20a shows that students in public two-year institutions are far more reliant upon federal grants than on any other single source of assistance and have the lowest level of reliance upon student loans and institution/other grant programs.

Students in Virginia's public four-year institutions (Chart 20b) have among the highest levels of reliance upon state grants and less on institutional grants and student loans.

Finally, private institutions in Virginia (Chart 20c) are equally reliant on all forms of student assistance as students in Georgia and Tennessee. Among the selected states, Illinois and Minnesota appear to have more reliance on state aid (Illinois) and institutional aid (Minnesota).

Chart 20a: Percentage aid distribution for dependent students at public two-year institution by state and source (FY2004)

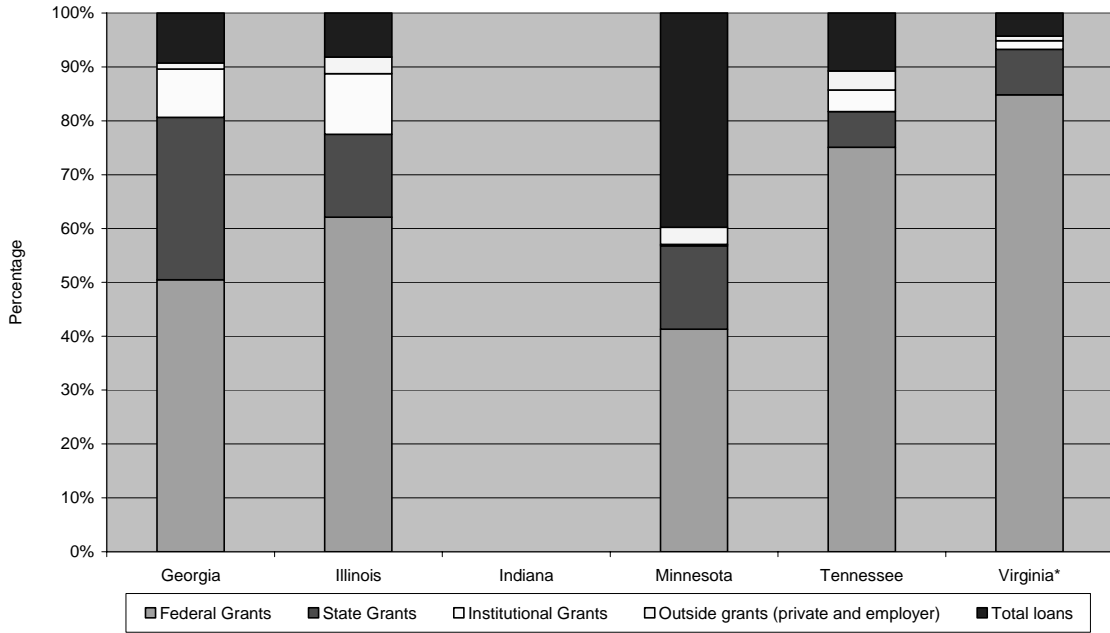


Chart 20b: Percentage aid distribution for dependent students at public four-year institution by state and source (FY2004)

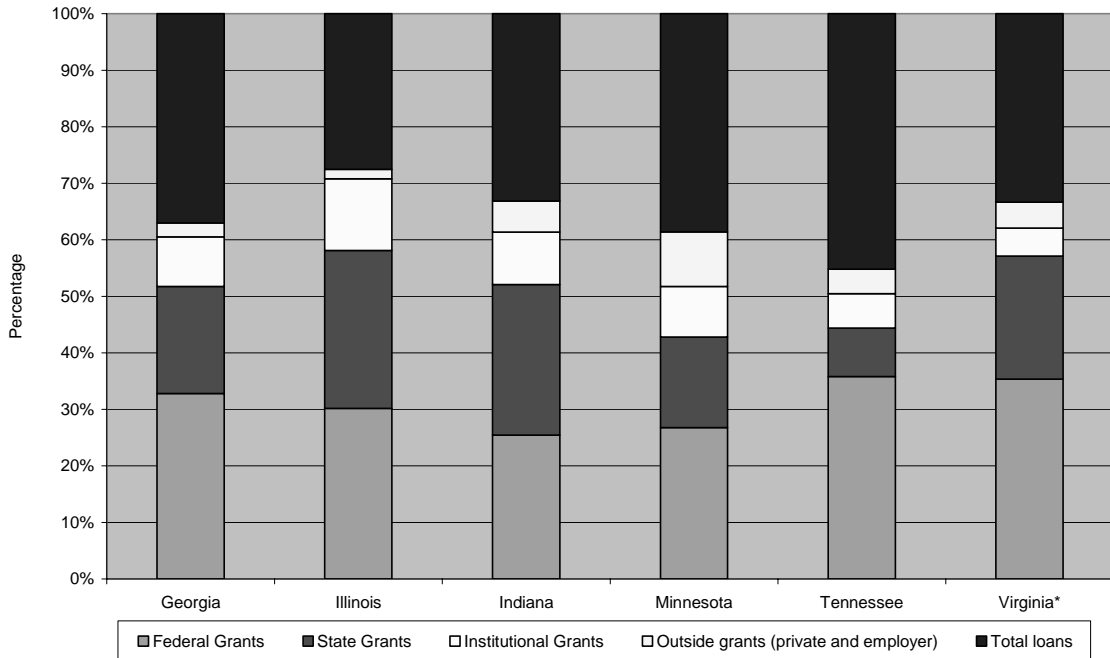
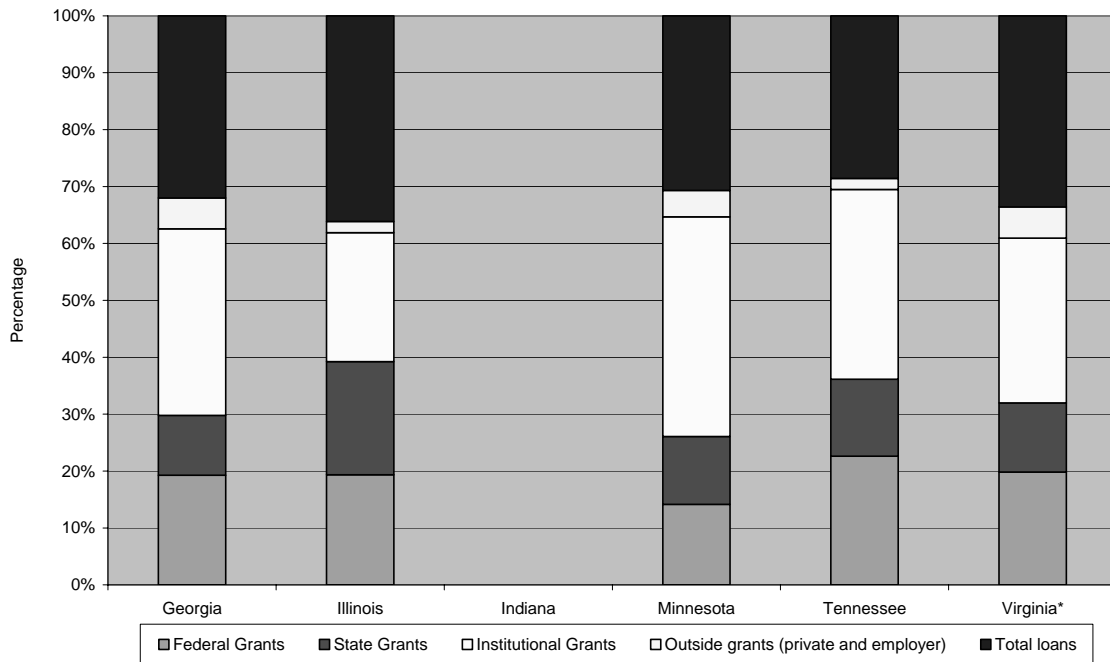


Chart 20c: Percentage aid distribution for dependent students at private institution by state and source (FY2004)



V. Findings

The analysis shows how full-time, full-year resident undergraduates are paying for college. In addition, the study shows how college affordability in Virginia compares with affordability in a number of other states. Specifically, the study has addressed the charge required by the General Assembly in the following manner:

(i) the economic diversity of students attending Virginia's public and private institutions of higher education.

Since it is recognized as a subjective topic, one measure of affordability is whether students of all income levels enroll in college. The study has shown that each sector of Virginia institutions enrolls students from all income brackets. This would appear to indicate that Virginia institutions are affordable to all students; however, "accessible" should not be confused with "affordable" and the available data does not provide a comparison of college enrollments with the income distribution of Virginia families with college-aged persons. Though some are enrolled, low-income students could still be under-represented in Virginia higher education. Further research would be

necessary to determine if that is the case and the extent to which affordability may be a contributing factor.

Clearly, students from all income levels have been able to enroll in colleges and universities in every sector of higher education; however, analysis of Net Price as a percent of median family income demonstrates that, even after considering financial aid awards, the burden on students from the lowest income levels is significantly greater than for students from other income levels. Despite the greater challenges faced by low-income students, the private sector has been remarkably successful in enrolling these students.

(ii) the extent to which students and families rely on grant aid, loans, savings, and supplemental employment to cover the cost of attendance.

Federal grants are the primary source of grant assistance for most students attending public two-year institutions, but state grants have also contributed significantly. Without state grants, many students would resort to increased loan utilization. With the availability of federal, state, institutional, and other grants, average loans have been held to a minimum and, in some cases, are almost non-existent. Current data on savings and supplemental employment are insufficient to conduct a reasonable analysis.

Students enrolled in Virginia public four-year institutions receive larger grant awards than students at public two-year institutions. The increased aid is evident in state, institutional, and other programs with the state awards accounting for the largest increase. The grant programs enable these institutions to maintain relative affordability with comparative states, but larger loan amounts were still needed than at public two-year institutions.

Loan debt is significant across all income levels with debt load increasing as income increases. Students from higher income levels borrow for many reasons, including the convenience of spreading out the family contribution over a period of years rather than making payments out of pocket. Studies have shown that the average Virginia student debt is at approximately the national average of \$10,041 for students completing a Baccalaureate degree.

(iii) the extent to which state-funded need-based student financial aid mitigates any cost barrier for students in attending public colleges and universities or reduces reliance on loans, savings, and supplement employment.

State need-based programs play an important role in mitigating the price barrier for students enrolling in Virginia's public two-year institutions. Outside of federal grants, state awards are the single largest source of assistance for low-income students, and help minimize the need to borrow.

State need-based awards are important for undergraduates enrolled at Virginia public four-year institutions. Except for the lowest income group, state need-based awards represent the largest single source of grants for dependent students (Chart 8b). Loans represent an important source of funding for students at public four-year institutions (Chart 20b). Without state need-based grants, loan debt might increase significantly for lower income students.

(iv) the extent to which state funding for the tuition assistance grant enables students to attend private, nonprofit colleges and universities in the Commonwealth.

The Tuition Assistance Grant meets 8% of the average Sticker Price, between 9% and 13% of Net Price, and between 11% and 50% of Family Net Price at Virginia's private institutions. The program thus provides a significant source of funding and enables more students to consider private education. This is particularly important as enrollments at public institutions in the state are nearing capacity and students, who otherwise could not afford to attend a private institution, would have limited options for pursuing higher education. Evidence is clear that private colleges enroll a generous portion of Virginia's low-income students and invest large sums of their own funds to help meet student financial need.

(v) the comparative affordability and dependence on grants, loans, savings, and supplemental employment between Virginia's system of public and private institutions and that of similar states.

Two-year institutions

With a Sticker Price below the average across all income quartiles, Virginia's public two-year institutions compare favorably to other

states. Further, Virginia's rank for public two-year institutions improves when grant aid (Net Price) is taken into account; federal grants provide the most significant assistance.

When comparing Net Price as a percentage of median family income (Chart 17), Virginia's two-year institutions rank among the most affordable of the comparison states in all income categories. All income categories come in under the 30 percent of family income threshold. This level of affordability has allowed students enrolled at two-year institutions to minimize dependence on loans.

Public Four-year institutions

The cost of attendance at Virginia's public four-year institutions is higher than other states and grant aid provides a modest improvement in the comparative Net Price, especially for the second income quartile for dependent and independent students.

Net Price as a percent of income is comparable among the comparison states except for the lowest income students. Students in the lowest income quartile all have a Net Price well above 30 percent of median income (Chart 18), indicating that low-income students struggle to meet the cost of attendance at a public four-year institution.

State grants play a larger role for students at public four-year institutions than at public two-year institutions, but grants from all sources are unable to keep up with the higher costs associated with four-year institutions and so loans play a larger role. Borrowing is significant across all income quartiles, though it appears that much of the borrowing in the upper income levels is discretionary.

Private institutions

The Sticker Price at Virginia's private institutions is relatively high, but grant aid makes up much of the differential especially in the upper two income quartiles. Independent students and students in the lowest income quartile appear to be the most financially challenged when attending a private institution.

Comparing the states using Net Price as a percent of median income shows that low-income students in all states must overcome significant financial hurdles with Virginia's ranking among the highest in this measure. Virginia is very competitive in all other income quartiles

though some of the states, including Virginia, require slightly above 30 percent of family income to meet Net Price (Chart 19).

Federal and state grants have a relatively modest effect on the higher price of attending private institutions with institutional grants playing a larger role. As a result, students in all income levels are borrowing in excess of federal Stafford loan limits and are turning towards other loan programs to supplement their need.

Over the last decade, tuition and fee charges to in-state undergraduate students in Virginia have largely been influenced by the state's economic condition. The Commonwealth restricted tuition increases during a period of strong economic growth and allowed institutions to assess double-digit tuition increases to offset general fund reductions when growth in the economy was in decline. Budget reductions also resulted in the Tuition Assistance Grant being reduced from a high of \$2,895 in FY2002 to just \$2,210 in FY2004. For these reasons, FY2004 may represent the year that affordability was particularly challenging for many of Virginia's students and should be considered when reviewing the findings of this study.

Affordability is extremely subjective with each family deciding what education is worth and the price they are willing to pay. The methods reviewed in this study tell a partial story about the status of affordability in Virginia. Additionally, the study provides price comparisons with six other states. Comparisons with additional states may result in more favorable or less favorable findings depending upon the states chosen. For the above mentioned reasons, this study should serve as a springboard for further discussion and research, rather than a final declaration on the subject of affordability in Virginia.

The study verifies that Virginia institutions in all three sectors are comparable in Net Price with peer states across most income groups but fall well behind in Family Net Price at four-year institutions. However, comparisons can mask the fact that each state faces significant challenges in providing affordable education for low-income students. The Net Price as a percent of median income for low-income students demonstrates that these students shoulder a much heavier burden than other students and those attending Virginia institutions, particularly public and private four-year institutions, demonstrate the need for significantly more assistance. With the federal government's shift of funding from grants to loans and the rising cost of education, significant increases in available funding from the state - in the form of

need-based grants and TAG - and institutional aid are needed if low-income students are to be provided the opportunity for higher education at a level of affordability comparable to middle- and high-income students.

Glossary

- **529 College Savings Plan:** Named after a section in the U.S. tax code, these programs provide tax incentives for higher education savings. In Virginia, the Virginia College Savings Plan offers the Virginia Education Savings Trust and the Virginia Pre-paid Education Program.
- **College Scholarship Assistance Partnership (CSAP):** Virginia need-based program designed to assist students with extreme need who are attending a Virginia public or participating private nonprofit institution. Funding is provided by the state and supplemented by federal funding for the Leveraging Educational Assistance Partnership (LEAP).
- **Commonwealth Award:** Virginia state need-based program assisting students enrolled in Virginia public institutions. Funding to the institutions is provided by the Virginia Student Financial Assistance Program (VSFAP).
- **Cost of Attendance (COA):** See Sticker Price.
- **Dependent Student:** Students under the age of 24, who otherwise do not meet the definition of an Independent Student.
- **Direct Costs:** Costs charged by the institution including, tuition, fees, and room & board.
- **Estimated Family Contribution (EFC):** Federal calculation of the family's ability to pay for education. Based on detailed family information provided on the Free Application for Federal Student Aid. This number is used when determining student eligibility for need-based aid.
- **Family Net Price:** For purposes of this study, this is the Sticker Price less grant aid and Estimated Family Contribution.
- **Federal Stafford Loan:** Federally insured student loans with an artificially low interest rate. The program has student-friendly characteristics that are not normally found in private or commercial loans, such as deferred payment until after the

student completes or ceases their education and provisions in case of economic hardship during repayment period. These are the most popular student loans and come in two different forms: subsidized loans for which the federal government pays the interest on behalf of the student during periods of enrollment and unsubsidized loans where interest accrues immediately following borrowing.

- **Federal Work-Study Program:** Institution administered student employment that is funded by the federal government.
- **Free Application for Federal Student Aid (FAFSA):** Form used by students to apply for most federal and state need-based student assistance. Includes detailed information about family characteristics and finances.
- **Independent Student:** Student who is at least 24 years old or has one of the following characteristics: enrolled in graduate studies, veteran, married, has a legal dependent, or is an orphan or ward of the court.
- **Indirect costs:** Costs associated with pursuing higher education but not charged by the institution. The institution's financial aid office makes allowances for these costs when determining the student's Cost of Attendance and calculating financial need. These allowances may include personal expenses, transportation, and books & supplies.
- **Leveraging Educational Assistance Partnership (LEAP):** Federal program designed to assist students with extreme financial need. The program requires a state match.
- **Merit-Based Program:** Financial aid that can be based on the student's achievements (such as grade point average) or commitments (such as athletic scholarships).
- **Need-Based Program:** Financial assistance for which the applicant must be able to demonstrate some level of financial need. This may be based on family "ability to pay" (federal Pell Grant) or on student "need" (most forms of state need-based programs). For federal and state programs, the student must complete the FAFSA. Institutional and other

need-based programs may use an alternate method for determining eligibility.

- **Net Price:** For purposes of this study, this is Sticker Price less grant aid.
- **Pell Grant:** Federal grant designed to provide all students with minimum resources for higher education. Based on family ability to pay (as determined by the computed EFC).
- **Sticker Price:** The published price for attending college. The amount will include tuition, fees, room & board, and, for the purposes of this study, allowances for indirect costs such as books & supplies, personal, and transportation.
- **Supplemental Educational Opportunity Grant (SEOG):** Federal program with funds allocated directly to the institutions. Provides need-based assistance to students with extreme financial need.
- **Tuition Assistance Grant (TAG):** Virginia grant for Virginians enrolled full-time in a participating private non-profit Virginia institution.
- **Virginia Guaranteed Assistance Program (VGAP):** Virginia state need-based program for students meeting certain behavioral characteristics associated with those most likely to complete their undergraduate degree program. These characteristics include: a minimum 2.5 high school grade point average, continuous full-time enrollment at a Virginia public college or university, dependent student status, and a minimum 2.0 college grade point average. Funding provided through the Virginia Student Financial Assistance Program.
- **Virginia Student Financial Assistance Program (VSFAP):** Umbrella program for the Virginia Commonwealth Award and the Virginia Guaranteed Assistance Program. VSFAP funds are directly appropriated to Virginia public institutions who then divide the funds between the two financial aid programs based on student eligibility and enrollment characteristics.

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