MAKING COLLEGE AFFORDABLE

WORKING GROUP DELIVERABLE

The Making College Affordable Working Group was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. Specifically, the group focused on:

- Identifying best practices and creating a guide for dealing with non-tuition costs faced by students.
- Creating a reasonable and measurable affordability benchmark for all students, and working to ensure institutional pricing schemes align with this benchmark.
- Proposing a completion-oriented funding model that prioritizes service to traditionally-underserved populations.

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OVERVIEW

The state plan for higher education, **Where Opportunity Meets Innovation**, emphasizes the importance of affordability in ensuring that "every New Jerseyan, regardless of life circumstances, has the opportunity to obtain a high-quality credential that prepares them for life after college." This is described in more detail in the plan within a vision for a student bill of rights. The third element in this vision states that "every student in New Jersey should have access to an affordable route to a college degree with predictable tuition and fees, and support to help with non-tuition expenses."

In furtherance of making this vision a reality, the **Making College Affordable Working Group** was charged with examining potential new state funding models and exploring approaches to more meaningful collaboration among institutions to meaningfully reduce higher education prices for students and families. This group was charged with:

1. Identifying best practices and creating a guide for dealing with non-tuition[1] costs faced by students;
2. Creating a reasonable and measurable **affordability benchmark** for all students, and working to ensure institutional pricing schemes align with this benchmark; and
3. Proposing a **completion-oriented funding model** that prioritizes service to traditionally underserved populations.

The group met four times in person and one time via webinar to discuss the charges. These meetings occurred between June and October and lasted for two hours each. Two chairs were appointed by Governor Phil Murphy to lead the working group, and they met regularly with OSHE and HESAA staff in between meetings to further the work of the group.

NON-TUITION COSTS

In identifying best practices for dealing with non-tuition costs, the group recognized that non-tuition costs include a variety of expenses which may collectively or independently create material hardships for students. Non-tuition costs are often referred to as "indirect costs" and include textbooks, supplies, food, housing, child care, health care, and transportation. The specific challenges facing students in dealing with non-tuition costs are referenced in greater detail within the state plan on p. 20. The outcome of this charge is a guide to help institutions in developing programs that help students with non-tuition costs.

The group determined that in addition to the guide provided as a deliverable here, the state as a whole would benefit from a statewide consortium focused squarely on textbook affordability. Solving the issue of textbook affordability requires action on behalf of faculty, administrators, and ultimately, students. Many institutions are already developing unique approaches to textbook affordability, and a collaborative approach would allow these best practices to be shared more broadly across the state.

AFFORDABILITY BENCHMARK

The group's work on the second charge, to create reasonable and measurable affordability benchmarks was informed by the approaches already underway within several institutions across the state. Rutgers-Newark,

[1] "tuition" used here refers to "tuition and fees"

Rutgers-Camden, New Jersey City University, and William Paterson University each currently have programs designed to provide students with clear, predictable, and affordable pricing models, which are the hallmark of affordability guarantees. These approaches informed the development of the guide for other institutions to use in developing similar approaches that is the second deliverable of the working group.

In discussing the second charge, the group found that the term “affordability benchmark” was confusing, and discussed that “predictable pricing guarantee” was a more understandable phrase to use in promoting the concept through this guide.

COMPLETION-ORIENTED AND EQUITY-FOCUSED FUNDING

The last charge of the working group —to propose a completion-oriented, equity-focused funding model—was informed by the funding rationale outlined in Governor Murphy’s FY20 budget proposal. The FY2020 funding rationale had three elements—overall completion, completion among underrepresented minority students, and service of low-income students. The group met in consultation with Scott Boelscher, a consultant provided by Lumina Strategy Labs to review funding models used by other states and to discuss potential changes to the proposed FY20 model. The result of this charge is a set of model options for amending the FY20 funding rationale based on this review. These options will be shared with the presidents of the senior public institutions in the state for further consideration.

The collective work of the group resulted in a set of actionable deliverables that can be used by institutions to strengthen affordability initiatives as well as a clear path forward to improve the state’s funding rationale for public colleges.

Disclaimer:

The views expressed in this document belong to the Working Group and do not necessarily reflect the official policy of the State of New Jersey. The content provided is intended to serve as a resource to help develop strategies to increase support for students at New Jersey's colleges and is provided in good faith. Due to time constraints, the Working Group notes the information may not be comprehensive and readers should take into account context for how the deliverable is used as well as further research that may be available after publication.

Institutional Workbook: Developing Affordable & Predictable Pricing Guarantees for Students

Affordable and predictable pricing guarantees make the net costs of college more transparent for prospective and continuing students by publicly making a clear promise of an affordable net price (e.g., guaranteeing that a clearly set amount of costs are covered for a defined subset of students). This guarantee will allow students to understand the total cost of their education before they apply and/or enroll at an institution. Pricing guarantees encompass "college promise" and tuition-free programs, but are not limited to them, as they can help students across the income spectrum and need not be limited to tuition-and-fee expenses.

Pricing guarantees can improve access for underrepresented students by mitigating the deterrent effect of published tuition prices that all too often cause "sticker shock," leading students and their families to erroneously conclude that they cannot afford postsecondary education. They can also help students across the income spectrum. Institutions of higher education across the country have publicly committed to different types of predictable pricing compacts, including programs in New Jersey at Rutgers-Camden, Rutgers-Newark, New Jersey City University, William Paterson University, and the state's Community College Opportunity Grant program, which provides tuition-free college for certain students at all 18 county colleges statewide.

Though each guarantee model varies, any institution must conduct certain analytical steps before implementing such a public promise to students.

This document is intended to guide institutions interested in developing pricing guarantees think through a program that would be suited to their institutional needs and unique mission.

A model worksheet that institutions can use in completing the steps outlined below is included as an attachment.

Questions/Steps for Institutions:

(1) **Population.** First determine: What is the subset of students to whom you plan to provide this kind of commitment? Those in a certain income range? Geographic location? Program of study? How many students do you aim to serve, and what is their share of your overall undergraduate population?

(2) **Who already has free tuition & fees?** Within the defined population to be offered the promise, how many students are already attending your college for no net tuition and fees after accounting for federal, state, institutional, and other grants and scholarships (not including loans or a family's EFC)? What percentage of the population who would be covered by the pricing guarantee is already attending for free? Do you believe that most of these students understood prior to applying to your institution that they might be able to attend your institution with no cost for tuition and fees?

(3) **Costs for existing student population.** How many current students within the target population have some unmet need of tuition and fees that is not fully covered by grants and scholarships? What would be the cost to cover those gaps for current students within the target population who do not already receive free tuition and fees through existing aid?

(4) **Cost impact of new students.** How many additional students fitting the program parameters do you project would attend the institution in response to a publicized price guarantee, and how many of them do you expect to have unmet need? What would be the cost to cover the unmet need for these new students?

(5) **Total Program Cost.** Calculate the sum of a) the cost of covering unmet need gaps for current students who are eligible for the price guarantee, b) the projected incremental cost of covering any gaps for new students who would qualify under the program parameters, and c) marketing expenses to be dedicated to publicizing the college promise.

(6) **How does the Total Program Cost compare to your institution's existing financial aid resources?** To implement and sustain the pricing guarantee, what would be the required level of resources needed to make this kind of commitment, and how does this compare as a dollar amount and as a percentage of current total financial aid awards?

The benefit of developing such a program is not only the immediate affordability relief for existing students or students who were already inclined to attend an institution, but also the access it creates for price-sensitive students who may have determined that college was not for them due to the costs. As such, a targeted messaging campaign to reach out to those additional students is needed.

Worksheet for Institutions of Higher Education				
Modeling an Affordable & Predictable Pricing Guarantee Program				
		Sample data	**Your Institution**	**Notes**
Line 1	Total Undergraduate Enrollment	*10,000*		From most recent completed academic year. All data below should be a subset of the population defined on Line 1.
Line 2	Undergraduate Tuition & Mandatory Fees (T+F)	*$15,000*		Annual Published Tuition and Mandatory Fees for Full-Time undergraduate students
Line 3	Total number of students in the group to be offered a price guarantee	*4,000*		Will the guaranteed price be offered to students below a certain income threshold? Will it be conditioned on other criteria (geography, program of study, full-time enrollment, etc.)? Will there be guaranteed price tiers, e.g., a guaranteed price of $0 tuition and fees for some students (Line 4) and a guaranteed price greater than $0 for other students (Line 8)?
Line 4	Number of students to be offered a price guarantee of $0 T+F	*2,000*		From the program parameters defined in Line 3, how many students will your institution promise a guaranteed price of $0 tuition and mandatory fees? *The sample models a $0 T+F price guarantee to 2,000 students with Adjusted Gross incomes below $60,000.*
Line 5	Students with $0 direct costs	*1,000*		Subset of students on Line 4 whose existing federal, state, and institutional grants and scholarship awards **already** fully covered tuition and mandatory fees (e.g., students with a $0 net price for T+F). Do not include family contribution, loans, or work-study earnings in calculating net price.

Line 6	Students on Line 2 not already paying $0 T+F	*1,000*		Subset of students on Line 4 whose existing federal, state, and institutional grants and scholarship awards did **<u>not fully cover</u>** tuition and mandatory fees (e.g., students with a net price > $0).
Line 7	Total T+F charged to students on Line 6	*$2,000,000*		After all existing federal, state, and institutional grants and scholarships, remaining balance of T+F for students on Line 6 (to be financed out-of-pocket or through student loans). *The sample models 1,000 students on Line 6 with an average net price of $2,000 for T+F, leaving a $2 million gap that would have to be filled to bring these students' net price of T+F down to the promised level of $0.*
Line 8	Number of students to be offered a **<u>next-tier</u>** price guarantee	*2,000*		Use lines 8-11 if your program will offer tiers of pricing guarantees of T+F that exceed $0 (e.g., a promise that students within certain thresholds will pay a guaranteed net price for T+F of no more than $X,000 per year). If your program will have multiple tiers above $0 T+F, repeat the analysis in Lines 8-11 for each tier. *The sample models a tiered pricing guarantee of $4,000 T+F per year to students with Adjusted Gross Incomes between $60,000 and $80,000.*
Line 9	Number of students on Line 8 with direct costs > $0 but less than or equal to the next-tier guarantee(s)	*1,000*		Subset of students on Line 8 whose federal, state, and institutional grants and scholarship awards **<u>already</u>** covered a sufficient portion of T+F so that these students had a net price for T+F equal to or below the next-tier pricing guarantee(s) (e.g., students whose net price for T+F is below the level(s) defined on Line 8). Do not include family contribution, loans, or work-study earnings in calculating net price.
Line 10	Number of students on Line 8 with direct costs exceeding the next-tier guarantee(s)	*1,000*		Subset of students on Line 8 whose federal, state, and institutional grants and scholarship awards **<u>did not fully cover</u>** the pricing guarantee(s) defined on Line 8.

Line 11	Total T+F charged to students on Line 10	*$1,500,000*		After applying all existing federal, state, and institutional grants and scholarship awards, the remaining balance of T+F for students on Line 10 up to the guaranteed pricing level(s) (to be financed out-of-pocket or through student loans). *The sample models 1,000 students on Line 10 with an average net price of $5,500 for T+F, so that these students have an average gap of $1,500 between their individual net price and the tiered guarantee level of $4,000 is $1,500. Thus, $1.5 million in cumulative gaps would have to be filled to bring these students' net price of T+F down to the promised level of $4,000.*
Line 12	**Total costs**	***$3,500,000***		Sum of Line 7 and Line 11 = additional costs of establishing a pricing guarantee