President’s Report
to the
Board of Trustees

July 11, 2014
Examining Six Major Issues

- Excellence
- Student Engagement
- Economic Development and Student Career Success
- Diversity and Demographics
- Access and Affordability
- Technology and Curriculum Delivery
Access and Affordability

Goal: Highest quality education at a cost that ensures access for our citizens
Evolution to a Tuition-Driven University

2009-10 Resident Lower Division Tuition & Fees Plus Appropriation/FTE Student

- **Illinois**: $12,528 Tuition + $11,587 Appropriation = $24,115 Total
- **Minnesota**: $11,293 Tuition + $12,711 Appropriation = $24,004 Total
- **Michigan**: $11,659 Tuition + $7,957 Appropriation = $19,616 Total
- **Average (Excluding PSU)**: $9,717 Tuition + $8,698 Appropriation = $18,415 Total
- **Wisconsin**: $8,314 Tuition + $10,034 Appropriation = $18,348 Total
- **Penn State**: $14,416 Tuition + $3,320 Appropriation = $17,736 Total
- **Michigan State**: $10,880 Tuition + $6,515 Appropriation = $17,395 Total
- **Iowa**: $6,824 Tuition + $10,402 Appropriation = $17,226 Total
- **Ohio State**: $8,706 Tuition + $7,192 Appropriation = $15,898 Total
- **Purdue**: $8,638 Tuition + $6,005 Appropriation = $14,643 Total
- **Indiana (Bloomington)**: $8,613 Tuition + $5,879 Appropriation = $14,492 Total

Source: University of VA Survey
US NEWS PUBLIC RANK VS. REVENUE $
The Good News

- Record number of applications – 124,000 this year to date (highest ever - strong value proposition)
- % of first in family students still growing – 39% at CC and 21% at UP (37%/19% Pell)
- *For the Future* raised $514 million for scholarships
- Student default rates (6.4%) are more than 2% below PA averages and 3.6% below national averages (most recent data 2011)
Growth of institutional awards since the public start of
For the Future: The Campaign for Penn State Students

![Bar chart showing growth of institutional awards from 2007-08 to 2013-14. The chart indicates a significant increase from $59.9 million to $97.5 million, with a peak in 2013-14 at $97.5 million. The chart also shows separate categories for General Funds and Annual/Endowed funds.]
Undergraduate Student Loan Default Rate

(2 Year Default Rate)
The Not-So-Good News

Average student debt is growing:

• 66% graduate with some debt (very little change over the last decade); but of these the average debt has grown from less than $20,000 a decade ago to $35,429 today.

• Student default rates have grown each year since the recession started.
Addressing the Issue of Cost

- Most frequent focus: tuition increases
  But consider, 3% of $16,444 is $492, whereas an extra year of classes is $16,444: the biggest of all tuition increases

- Second most frequent focus: growing student debt
  But, debt without a degree is even a bigger tragedy

*Our first FOCUS should be the cost of degree (timely completion), attrition due to finances and growth in student debt.*
When do students borrow?

Pennsylvania State University - Office of Student Aid
Average Loan Debt Accumulations by Year, by Residency - in Constant Dollars
Cohort: New Incoming Students, Beginning 2007-08
Observations on when students borrow

• The average amount borrowed increases from years 1 to 4 (family financial fatigue?)
• The number of students borrowing decreases from years 1 to 4 (part attrition?)
• For 2007-2008 cohort, 2,635 PA students borrow in year 5 (average $8,249), 95 students in year 6 (average $16,437).
• Total borrowing in years 5-6 (PA cohort: $23 million)

Conclusion – average student debt could be reduced significantly with timely graduation
Family income is a predictor of graduation rates

- GPA and SAT scores are the strongest predictor of graduation rates, but family finances matter.
- For every $10,000 increase in family income, odds of graduating in 6 years increase 6%.

<table>
<thead>
<tr>
<th>Income</th>
<th>6-yr graduation (all)</th>
<th>6-yr graduation UP</th>
<th>6-yr graduation (CC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less $18,486</td>
<td>50%</td>
<td>71.1%</td>
<td>40.1%</td>
</tr>
<tr>
<td>$34,676-55,230</td>
<td>62.7</td>
<td>80.3</td>
<td>53.5</td>
</tr>
<tr>
<td>Greater $88,002</td>
<td>77.6</td>
<td>88.0</td>
<td>62.8</td>
</tr>
</tbody>
</table>
How Students Pay for College (Family Income $0-$90k)
How Students Pay for College (Family Income $90k+)

Pennsylvania State University - Office of Student Aid
Primary Sources of Funding for Direct Cost of Attendance
Weighted Averages by Income, by Location, by Residency

Middle - ($90k - $128k)
Middle - Upper ($128k - $187k)
Upper ($187k+)

Unmet Need
PLUS Loans
Priv. Loans
Scholarships
Fed. Student Loans
Grants
Exp. Family Contrib.
Loans/unmet need for low income students-PA residents

- The unmet need for students with a family income less than $32,000 is approximately 30% of the cost of attendance ($28,259 at UP and $22,147 at CC).
- Yields unmet need of approximately $9,900 at UP and $8,100 at CC.
- Loan rate is approx. $8,000/year at UP and $4,600/year at CC.
Barriers to timely graduation and graduation

- Problem: more work hours to address unmet need, fewer hours of class, high attrition rate (lower 6-yr grad. rates, debt without a degree or degree with higher debt from more years.)
- Issue is more acute for out-of-state students.
- Some unmet need also present for incomes of $32,000 to $90,000.
Possible Solutions: cost of degree (timely completion)

1. Assess the potential of meeting all unmet need that cannot be reached by a minimum wage job at 20 hours a week.
   • $25.6 million is needed to reach the remaining unmet need annually for all PA students; $14.6M of the total is for students with a family income less than $32,000 per year (11,419 students)
   • Less work allows for higher course load, more timely graduation and less debt (and likely better grades)
Possible Solutions (cont.)

2. Assess the potential of addressing cost to degree and timely completion by greater utilization of summer session.
   - Online summers – highly reduced tuition for students with unmet need – “no debt semesters”
   - Residential summers – cost contained summer, utilize physical space during low demand period, opportunity for faculty salaries – determine breakeven cost structure
3. Assess potential to reduce factors that increase time to degree or are associated with attrition.

   • Advising – assessment to advance timing of degree for students who are undeclared
   • LionPATH monitoring of degree requirements – flag students who fall off “path”
   • Programs – first in family in college
Proposed Focus

• Assess the extent to which attrition and time to degree is correlated with financial need (on-going)
• Seek resources to provide a Penn State Promise – 20 hour a week job and we will cover the remaining unmet need
• Examine the options for utilizing summer session to create lower cost options and shorter time to degree
• Examine programs that address issues that can impact time to degree (e.g. undeclared students)
Discussion/Questions