



Financing Higher Education Today

How 2002 Graduates Paid For and Perceive
the Benefits of Their Education

EXECUTIVE SUMMARY

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PREPARED BY:

The Minnesota Private College Research Foundation
and the
Independent Colleges of Washington

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INTRODUCTION

Financing Higher Education Today: How 2002 Graduates Paid For and Perceive the Benefits of Their Education is a groundbreaking study conducted by the associations of independent colleges in Minnesota and Washington that analyzes how recent college graduates paid for, experienced and assess their education. This summary describes a number of key findings, including what they say about the value of private higher education, the challenges of financing it and the implications for the future.

Rising costs are challenging colleges and universities across the nation. Posted tuition and fees have increased at twice the rate of general inflation since the 1980s and are now at levels that, without assistance, exceed the reach of many students and families. Behind the price increases are growing pressures on institutional resources to maintain program quality and meet the financial needs of students.

Yet, our society has a clear and vital interest in meeting those needs. Postsecondary education, particularly at the baccalaureate level, is both a vehicle of growth, stability and competitiveness for states and the nation, and a key to economic opportunity for individuals. This study confirms that the current mix of state, federal and institutional financial aid offers low-income students a striking first step up the socioeconomic ladder. The participating colleges effectively equalized the post-graduation outcomes of students from all economic backgrounds.

The challenges of rising costs are growing, however, and two barriers limit the ability of independent colleges and states to address these challenges and to maintain current levels of access and affordability. The first is the lack of information and broad public dialogue about college costs, especially on a comparative basis. The second is that even with better information and broader understanding of the issues,

potential solutions are likely to require collaborative actions—actions taken among independent colleges and across all sectors of higher education. There is keen competition for state resources and for students, and only when all stakeholders see it in their self-interest will they join in cooperative initiatives.

This project was designed as part of an effort to address both barriers. The survey was developed in Minnesota and administered to 501 Class of 2002 graduates of Minnesota's private colleges and universities, with a companion survey completed in Washington state with 200 graduates of the same class year. Each state completed parallel survey research through their respective independent college associations and with the aid of higher education research consultants.

Graduates consistently told us that the private college experience is highly valued, but the results also suggest that parental contributions to paying for it may be much lower than expected. Specifically, families and students are not saving enough money to pay for college, students are working more than is educationally advisable and rising debt levels are a serious concern.

The studies were made possible with grant support from the Andrew W. Mellon Foundation, the Bush Foundation, and the Foundation for Independent Higher Education UPS/National Venture Fund. This policy research has been informed and guided, especially in recent years, by the national policy research of former Macalester College President Dr. Michael McPherson.

Families and students are not saving enough money to pay for college and rising debt levels are a serious concern.

STUDY PURPOSE

By studying recent 2002 graduates, the Minnesota and Washington private colleges and universities sought to determine, among other things:

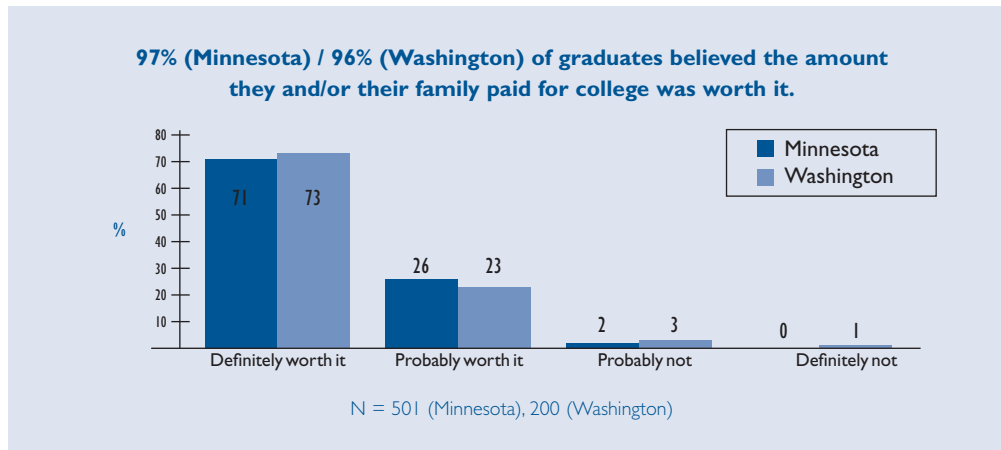
- How satisfied the graduates were with their college experience;
- Whether, and the extent to which, they thought the investment and effort were worth it;
- How they and their families financed this investment;
- What role state need-based grants played and the extent to which they constituted a good taxpayer investment and leveraged student success compared to students who did not receive a state grant;
- The impact of net cost, student and related debt, and student work, on student satisfaction and on the educational experience itself, relative to family financial resources; and
- The way in which parent and family contribution and effort, controlling for financial means, play a role in student success.

MAJOR FINDINGS

The corroborating studies have produced interesting, and in some cases surprising, results. Following are the key themes that emerged from the parallel state studies.

Student Satisfaction and Perceived Value

The private college experience is highly valued. Students are extremely satisfied with the education they received and feel that it was worth the price they paid. A high percentage of the graduates finished within four years, and most are now working or pursuing graduate or professional studies. These outcomes are independent of the amount or type of financial aid received.



Family Financing and the Effect of Family Contribution on Student Success

Parental contribution may be much lower than expected. Even though federal and state aid programs traditionally expect parents and families to bear the first responsibility for college costs, a significant percentage of our sample reported themselves to be self-paying, meaning that their parents did not contribute to meeting the cost of college. While almost half said that their parents could not pay, up to 40 percent of this group said their parents believed that paying for college was the student's responsibility.

Families and students are not saving enough. Families and students are not saving for college at the levels that policy makers seem to expect. Prior to college, the students themselves had saved \$2,400-\$3,000, on average, to help pay for their education. Yet approximately one-third of parents either had not saved at all, or did not use any of their savings to help pay for college. Among those who did contribute from savings, the Washington parents contributed an average of \$15,100 and the Minnesota study parents contributed an average of \$24,600.

The vast majority of graduates received some form of financial aid.

- 92% of the Minnesota sample and 94% of the Washington sample reported receiving at least one form of aid: (grant, scholarship, work study, or loan awards).
- Most of the packages included gift aid (grant or scholarship): 86% of Minnesota graduates; 88% of Washington graduates.
- 50% of the Minnesota sample received State Grants. 22% of the Washington sample received State Need Grants.

A surprising number of graduates reported receiving no financial assistance from their families.

- 24% / 26% of all survey respondents (Minnesota/Washington)
- 34% / 47% of state grant recipients
- Of these "self-pay" students:
 - 48% / 48% said parents were unable to contribute.
 - 41% / 31% said parents believed it was the student's responsibility to pay for college.
- 35% / 40% of parents overall did not save or contribute any savings for college (40% / 56% for state grant recipients).

Working has some negative consequences. Nearly all graduates reported working to help pay for college, either during the school year, over the summer, or both. Many graduates who worked during the school year said that working prevented them from participating in extracurricular activities, studying as much as they would have liked and studying abroad. They also said that working had a negative impact on course grades. The numbers of students reporting these adverse consequences ranged from 16-38 percent by question, and were significantly higher among students who had received state need-based grants than among their higher-income classmates.

Virtually all students worked for pay during college (93% Minnesota / 90% Washington) but the burden of work was higher for state grant recipients (SG).

Percent agreeing that working during college:	Minnesota		Washington	
	SG	No SG	SG	No SG
• Prevented studying as much as would have liked	33%	22%	59%	29%
• Had a negative impact on grades	20%	12%	49%	17%
• Prevented studying abroad	24%	10%	40%	18%
• Prevented participating in internships	12%	8% ‡	28%	13%

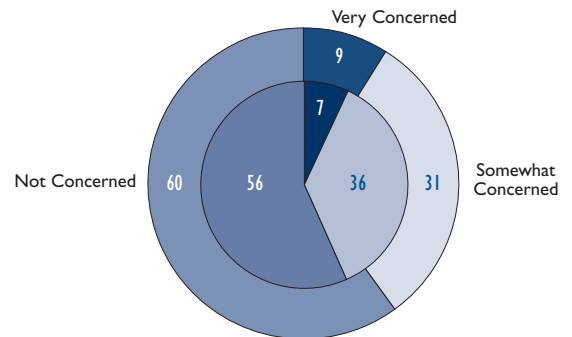
All SG v. non-SG differences significant at .05 level, except for ‡.

Debt is a serious concern. Student debt upon graduation was substantial across all income categories and in both state survey populations. Approximately 40 percent of those with college debt were concerned about their ability to repay, with concern especially high among low-income and first generation graduates. On average, those with debt believe it will take eight to nine years to retire the amount borrowed.

In Minnesota the average debt reported was \$22,100. Although two-thirds of the graduates reported total debt less than \$25,000, 24% had more than \$30,000, including 11% with debt above \$40,000.

In Washington the average debt reported was \$21,100. Although three-quarters of the graduates reported total debt less than \$25,000, 18% had more than \$30,000, including 11% with debt above \$40,000.

40% / 43% of those with college debt are concerned about their ability to repay.



N = 379 (Minnesota), 134 (Washington) with college loans/credit card debt

Washington (inner pie) Minnesota (outer pie)

The Role of State Need-Based Grants

The “playing field” is leveled for state grant recipients. State need-based grant recipients in both states come from families whose income levels were far lower than those of non-recipients at the time of enrollment. The income difference was \$37,000 in Minnesota and \$32,000 in Washington. Yet, as graduates, both groups report the same average earnings and nearly identical rates of employment, job satisfaction, graduate/professional school enrollment and living independently from their parents. Both groups also took the same amount of time, on average, to complete their degrees. State grant recipients report the same high levels of satisfaction with their college experience as the full population, even though they were significantly more likely than non-recipients to view the overall financial aid package they received from the institution as “very important” in helping to pay for college.

Post-college experiences are similar for state grant recipients and non-recipients.

	Minnesota		Washington	
	SG	No SG	SG	No SG
• Average personal income (if working full-time)	\$27K	\$27K	\$26K	\$27K*
• Currently employed	81%	84%	79%	84%
• Working full-time	68%	71%	60%	68%
• If working full-time:				
– at least somewhat satisfied in job	85%	82%	82%	89%
– current job requires a degree	57%	56%	59%	62%
– employment related to major	63%	68%	62%	69%
• Enrolled in full-time graduate program	13%	12%	19%	13%
• Living on own (not with parents)	58%	54%	60%	48%

No intrastate differences significant at .05 level. * Cell-sizes too small for meaningful significance tests.

In Washington, state grants go to students at or below 55 percent of median family income (\$33,500 in 2002, for a family of four). In Minnesota, there is no income cutoff, as grants are awarded solely on the basis of need. Nonetheless, 98 percent of all state grants in Minnesota in 2002 went to families at or below the state’s median family income of \$59,000. Both state grants are generous, meeting need up to several thousand dollars.

The Impact of Net Cost on Satisfaction and the Educational Experience

The financing fabric is wearing thin. Study evidence suggests that the financing fabric woven from family, institutional and government resources is wearing thin for some students—particularly for those who are less well-prepared academically and less affluent, and for those whose parents cannot—or will not—contribute to college costs. These graduates tend to rate their overall college experience with somewhat less satisfaction, and to express higher levels of concern about debt, than do their peers.

State need-based grant (SG) recipients had a similar college experience to non-recipients.

There were no significant differences (Minnesota / Washington) in:

- College attended (SG recipients and non-recipients attended the 27 colleges in similar proportions*)
- Major selected
- Time to degree (88% / 79% of SG vs. 89% / 80% of non-SG grads finished in four years or less)
- Transferring from another college (12% / 33% SG, 16% / 22% non-SG)
- Rating their college experience as either “excellent” or “good” (97% / 100% SG, 98% / 95% non-SG)
- Rating the amount they/families paid for college as “worth it” (97% / 100% SG, 97% / 95% non-SG)

* One Washington college attracts a significantly higher proportion of SG recipients, based on mission and location.

All differences were tested at the .05 significance level.

IMPLICATIONS AND NEW QUESTIONS

This study affirms that traditional age graduates of independent colleges are very satisfied with their college experience and feel strongly that their education was worth the investment. It shows that financial aid packages in general, and state need-based grant programs in particular, markedly contribute to college choice, family affordability and student success. Most importantly, this study shows the results of financial aid programs—that they truly open the door for low-income students to the opportunities for social and economic advancement offered by quality higher education.

The study also suggests, however, that some parts of the college financing fabric are wearing thin. Students receiving aid are working more than their peers and this is affecting their college experience. They are foregoing opportunities for study abroad and missing out on internships, their grades are suffering, and they are accumulating high levels of debt with commensurate worries about repayment.

Further work is underway to extend the survey results with institutional data on student academic performance and financial and demographic background. Until then, the current phase of the research poses a number of questions for consideration:

Family contribution. One-fourth of the graduates surveyed had parents who were unable or unwilling to contribute toward college expenses. How can colleges and universities, along with community, government and financial entities, work together to educate families about the value of college and to create effective incentives for saving?

State grant programs. The surveys show that state grant assistance plays a powerful role in social and economic mobility, bringing students from modest means to an economic standing comparable to that of wealthier students upon graduation. These results make a strong case for state legislative support and taxpayer investment value. With more information from other states, and perhaps with the participation of both public and private institutions, can a stronger case be made for the benefits of this investment?

Innovative financing options. A high percentage of graduates carry student debt after college, with approximately 11 percent holding over \$40,000 in loan burden. How can lenders and college and university representatives work together to design a range of options that will facilitate participation and lighten the burden for students and families in the future? Are there ways to work creatively with institutional donors to target help to those least well served by the present system?

THE COLLABORATIVE FRAMEWORK

This study provides a glimpse into the realities of family financing for higher education and the value that recent graduates attach to their experiences. In the process, a research framework has been developed that can be adapted for use in other education systems—private and public. As more data are gathered and more information becomes available for comparative analysis, our understanding and our ability to act to enhance access and affordability will increase.

Two key lessons were learned from this project:

- Participation by both private and public institutions in research of this nature will offer results of broader significance and greater utility. In this study only the private colleges in each state elected to participate. Adding results from the entire higher education enterprise, including public institutions, can only provide greater clarity and better insight on how to improve both access and quality of experience for all students.
- Collaborative institutional research is laborious and time-consuming. Most, but not all of the campuses in the two associations participated in all phases of the survey research. Due to the demands of such projects, support for the data collection and analysis on each participating campus, from college presidents to institutional researchers and financial aid officers, is essential.

We believe that a cooperative experience paves the way to developing effective solutions. As institutions share more data on access and affordability—and interpret the results collaboratively—we will be in a better position to reduce the financial barriers that students face.

The participants and funders hope that this research prompts other higher education systems, both private and public, to conduct similar studies. Further data collection and comparative analysis will help to inform institutions and policy makers, strengthening all of our efforts to make higher education more accessible to more students.

RESEARCH DESIGN

The research process for both Minnesota and Washington includes several stages that cover the gathering of contact information for all 2002 graduates, telephone survey responses from a random sample of the graduates, and additional data from institutional records on the entire class.

Phase One

Specific research steps included a) securing *contact information* on all Spring 2002 baccalaureate graduates, from which an appropriately designed sample was drawn; b) development and *field testing of the telephone interview survey*; and c) *telephone interviewing* resulting in 501 completed interviews in the Minnesota component and 200 in the Washington component. The survey population consisted of graduates who were state residents at the time of entry and age 25 or under at the time of graduation. Telephone interviews were 20 minutes in length. The samples were proportional to the size of each institution's graduating class.

Phase Two

This phase involves institutional data requests for all 2002 graduates, to include actual financial aid awards and academic record information. This will permit comparison of survey responses to institutional records. More importantly, it will allow us to control for student academic preparation and other demographic characteristics in further analyses.

Hardwick Day and Strategic Resource Partners, both of Minneapolis, conducted research design, survey administration and analysis.

NEXT STEPS

The Minnesota Private College Research Foundation and the Independent Colleges of Washington are pleased to share this research model, to help foster similar research, and to act as references for research funding proposals.

Both associations are continuing to study the research results and are adding student and family financing data to further enlarge the perspective on the research questions.

The Minnesota Private College Research Foundation and the Independent Colleges of Washington gratefully acknowledge grant support from the Andrew W. Mellon Foundation, the Bush Foundation and the Foundation for Independent Higher Education UPS/National Venture Fund.

The Minnesota Private College Research Foundation

The Minnesota Private College Council, Fund and Research Foundation are related non-profit organizations which represent private higher education in Minnesota. Members of the organizations are 17 private, four-year liberal arts colleges and universities. Our mission is to preserve and enhance quality private higher education to serve the educational and economic needs of our region while strengthening our cultural and economic fabric.

The organizations share a common goal: to create policy and funding conditions which allow any qualified Minnesota student the opportunity to attend a Minnesota private college. We serve our member colleges through: government relations and public policy development; research and analysis; fund-raising partnerships with corporations and foundations; cooperative marketing and communications; intentional engagement with civic organizations and diverse communities; and grant acquisition and administration.

Augsburg College
Bethany Lutheran College
Bethel University
Carleton College
College of Saint Benedict
College of St. Catherine
Concordia College
Concordia University
Gustavus Adolphus College
Hamline University
Macalester College
Minneapolis College of Art and Design
Saint John's University
College of St. Scholastica
Saint Mary's University of Minnesota
St. Olaf College
University of St. Thomas

The Independent Colleges of Washington

ICW's mission is to facilitate a vibrant independent college sector to ensure students can attend the college that best serves their interests, needs and aspirations. Our purpose is to support and promote independent liberal arts higher education in Washington state by:

- Advocating public policy that recognizes private colleges as a vital partner
- Raising funds for distribution to members
- Increasing the visibility of independent higher education
- Coordinating collaborative activities

Gonzaga University
Heritage University
Pacific Lutheran University
Saint Martin's College
Seattle Pacific University
Seattle University
University of Puget Sound
Walla Walla College
Whitman College
Whitworth College

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