

**Board of Trustees
Illinois State University**

**What Students Actually Pay:
An Analysis of Net Costs at Illinois State University**

Facilitating access to a high-quality, affordable education is identified in *Educating Illinois* as one of several ways for the University to exceed the value expectations of Illinois citizens. Underlying this particular action is the belief that no Illinois citizen should be denied a college education because of financial need.

This item advances a discussion of affordability issues initiated by an information item presented to the Board of Trustees in February and included in this agenda as an action item – *Recommended Policies for Guiding Price Setting, Revenue Generation, Affordability, and Use of Funds Decision-Making*. Whereas students and their families consider tuition and fee rates in determining whether it is affordable to attend Illinois State University, it also complements another item on the agenda – *Fiscal Year 2006 Tuition, Fees, and Room and Board Rates*.

This item presents background information about who benefits and who pays for a college education, provides additional information on student financial aid, and explores the concept of net cost. Data presented show the importance of changing the focus of affordability discussions from the prices the University charges to what students and their families actually pay to attend the University.

Who Benefits, Who Pays

Many years ago, the Carnegie Commission on Higher Education asked the important public policy question, “who benefits from public higher education and who should pay for it?” This straightforward question implies that higher education benefits both the individual and society and in so doing, is both a consumer good and an investment. The ensuing public policy debate led to comprehensive state and federal financial aid programs as well as most institutions’ pricing policies.

Several national studies¹ conducted during the past year have articulated that higher education continues to have broad and quantifiable impacts for individuals and society as a whole. These benefits include higher salaries, improved health, lower levels of unemployment, less reliance on welfare and other social service programs, and an increase in civic participation (voting, volunteer work, etc.). Recent Census Bureau data reveal, for example, that average annual personal income for an Illinoisan² with a bachelor’s degree is \$47,385 – 89 percent higher than the average income of \$25,083 for a person who has a high school diploma.

The debate over ‘who benefits and who pays’ continues today as public universities become even more reliant than they have in the past on tuition as a source of operating revenue.

Student Financial Aid

An array of student assistance programs is available to help students and their families with the costs of attending Illinois State University. Major types of aid programs include: scholarships and waivers; grants (e.g., Pell Grant and the Illinois Monetary Award Program); loans – subsidized and non-subsidized – available to both students and parents; and employment. Middle-income tax breaks apply to some families and college savings plans also are available.

¹ Recent studies include: *Education Pays* by The College Board, *Measuring Up* by the National Center for Public Policy and Higher Education, and *The Investment Payoff* by the Institute for Higher Education Policy.

² Illinoisans age 25 years and older.

Eligibility for some programs (e.g., federal Pell Grant Program and Illinois Monetary Award Program) is based on financial need, while eligibility for others (e.g., Merit Recognition Scholarship and University tuition waivers) is based on academic merit or a specific talent. A few programs like the Illinois Future Teacher Corps Scholarship and the Nursing Loan programs limit eligibility to students interested in specific careers, while others provide assistance based on a student's involvement in the National Guard or military. Eligibility for many programs is limited to undergraduates.

Student financial aid is supported through a variety of funding sources – federal and state governments, the University, and private programs and contributions. A number of programs limit aid to the payment of tuition and fees, while others – like Athletic Scholarships – help pay other costs such as room and board and books and supplies.

There is a complex interrelationship among aid programs, and aid from multiple programs is often packaged to meet the needs of an individual student. For example, any one student during the course of one year might receive a Monetary Award Program grant and an Illinois Incentive for Access grant (both funded by the state of Illinois), a Monetary Award Program supplemental grant (funded by the University), a Pell Grant (funded by the federal government), and a loan (subsidized by the federal government) to defray educational expenses.

In fiscal year 2004, the number of Illinois State University students receiving financial aid totaled 15,128. Nearly 75 percent of students received some form of financial aid in fiscal year 2004. Nearly 80 percent of the students receiving aid in fiscal year 2004 were undergraduates, 14 percent were graduate students, and six percent were undeclared.

Table 1 shows the amount and type of student financial assistance awarded to Illinois State University students in fiscal year 2004. Students received \$119.6 million in financial aid, the majority of which was in the form of loans. Nearly 20 percent of the financial aid awarded was in the form of grants – monies that generally do not have to be repaid.

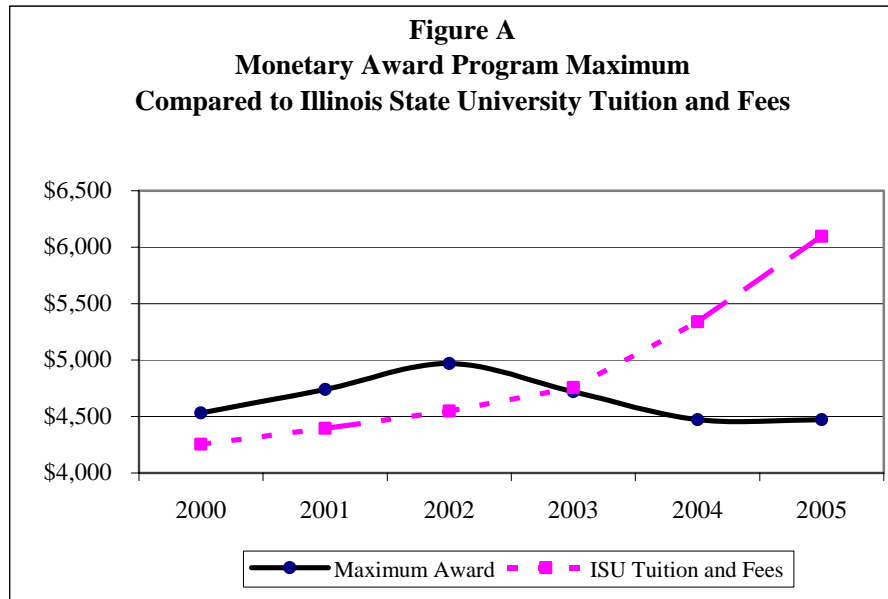
| | Amount | <u>Proportion</u> |
|--------------------------|--------------|-------------------|
| Loans | \$ 62,999.1 | 52.7 % |
| Grants | 23,665.8 | 19.8 |
| Scholarships and Waivers | 18,800.0 | 15.7 |
| Employment | 14,125.2 | 11.8 |
| | \$ 119,590.1 | 100.0 % |

A few of the financial aid programs – representing different kinds of aid from different sources – that assisted students in fiscal year 2004 are highlighted below.

Monetary Award Program. The Monetary Award Program, administered by the Illinois Student Assistance Commission, is among the main grant aid programs under which undergraduates receive assistance. Awards under this program are based on student financial need and limited to the lesser of a statutory maximum amount or the total of tuition and fees. In fiscal year 2004, a total of 5,213 Illinois

State University students received Monetary Award Program grants. The total value of the grants was \$13.4 million, representing nearly 57 percent of all grant aid to Illinois State students in fiscal year 2004.

Until fiscal year 2004, the maximum award supported under the Monetary Award Program was greater than tuition and fees at Illinois State. Thus, University students with very little or no family resources to pay for college qualified for a maximum Monetary Award Program grant that covered their entire tuition and fee cost. State funding for the Monetary Award Program has not kept pace with changes in public university tuition and fees. As a consequence, the maximum grant no longer covers the total of tuition and fees at most public universities. At Illinois State University, the maximum award falls an average of \$1,630 short of fiscal year 2005 tuition and fees. Figure A compares the maximum Monetary Award Program grant and Illinois State University tuition and fees for fiscal years 2000 through 2005.³



Beginning in fiscal year 2003, the University allocated revenue to supplement Monetary Award Program grants for students eligible for maximum Monetary Award Program grants. These supplemental grants pay for a portion of a financially needy student’s tuition and fees not covered by her/his Monetary Award Program grant. Supplemental grants provided nearly \$150,000 in assistance for 155 students in fiscal year 2004. A total of a million dollars was allocated for this purpose in fiscal year 2005.

Waivers. Tuition and fee waivers are agreements between a student and the University to reduce or eliminate tuition and/or fee charges. There are two basic types of waivers: mandatory and discretionary. Mandatory waivers are specifically authorized by state statute (e.g., General Assembly scholarships and children of employee waivers) and the University has no discretion in whether it provides the waiver. With discretionary waivers, the University is the entity that determines the number of waivers and the purposes for which they are issued.

Within the two basic types of waivers, there are a number of classifications or waiver programs, including talent/merit, financial need, cooperating professionals (outside professionals who cooperate with the University by supervising clinical experiences for students), employees, etc. Detailed information on the number and value of waivers by program is provided as an Appendix on Table A-1.

³ Data reported for fiscal year 2005 are based on a maximum award available to students from families with less than \$3,000 in resources to pay for college. The maximum award for students from families with \$3,000 or more in family resources for college would be slightly less.

Table 2 provides a summary of tuition and fee waivers awarded in fiscal year 2004. Of those waivers awarded in fiscal year 2004, a total of \$5.5 million, or over 65 percent, were at the discretion of the University. Waivers are important for recruiting students, and also provide an important employee benefit. Waivers are used, for example, to recruit talented theater and music students as well as athletes.

| | <u>Value</u> | <u>% of Total</u> |
|----------------------|-------------------|-------------------|
| Undergraduate | \$ 4,796.0 | 57.1 % |
| Mandatory | 2,801.1 | 33.4 |
| Discretionary | 1,994.9 | 23.8 |
| Graduate | 3,599.9 | 42.9 |
| Mandatory | 66.5 | 0.8 |
| Discretionary | 3,533.4 | 42.1 |
| Total | \$ 8,395.9 | 100.0 % |
| Mandatory | 2,867.6 | 34.2 |
| Discretionary | 5,528.3 | 65.8 |

Ford Direct Loan Program. A total of 14,384 loans with a total value of \$56.6 million were made to Illinois State students and their families under the Ford Direct Loan Program in fiscal year 2004. Under this program, subsidized loans – where there is no interest charged to the borrower while in school or for six months following – are made to students exhibiting financial need. Unsubsidized loans – where interest is charged during the time a student is enrolled – also are provided under this program and may be made to either students or their parents. Fifty percent of the loans awarded to Illinois State University students in fiscal year 2004 were subsidized.

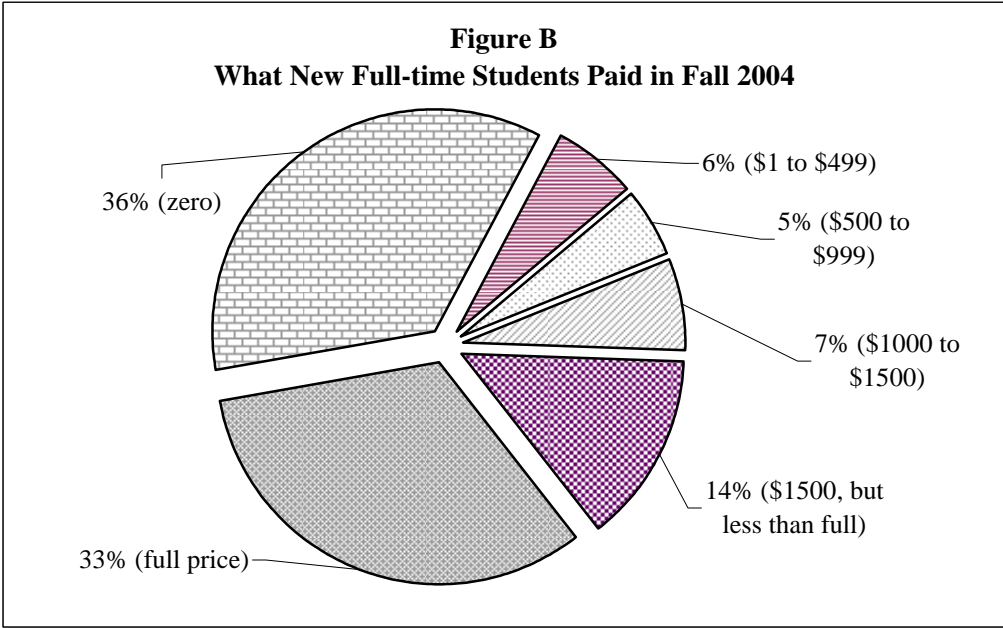
Sticker Price⁴ versus Net Cost

The price the University sets for its tuition and fees is often referred to as the ‘sticker price’. For many students and/or their families, the sticker price is offset by financial aid and they pay less than the stated tuition and fee rate. Figures B and C show the proportion of full-time undergraduate students in fall 2004 that paid various increments of the total tuition and fees charged. The data presented in these two figures is based on fall 2004 tuition and fee charges and student assistance from waivers, grants, endowments, loans, and work study. Tuition and fee rates for new, full-time students in fall 2004 were 14 percent more than the rates for continuing students, and thus data are presented separately for the two groups of students.

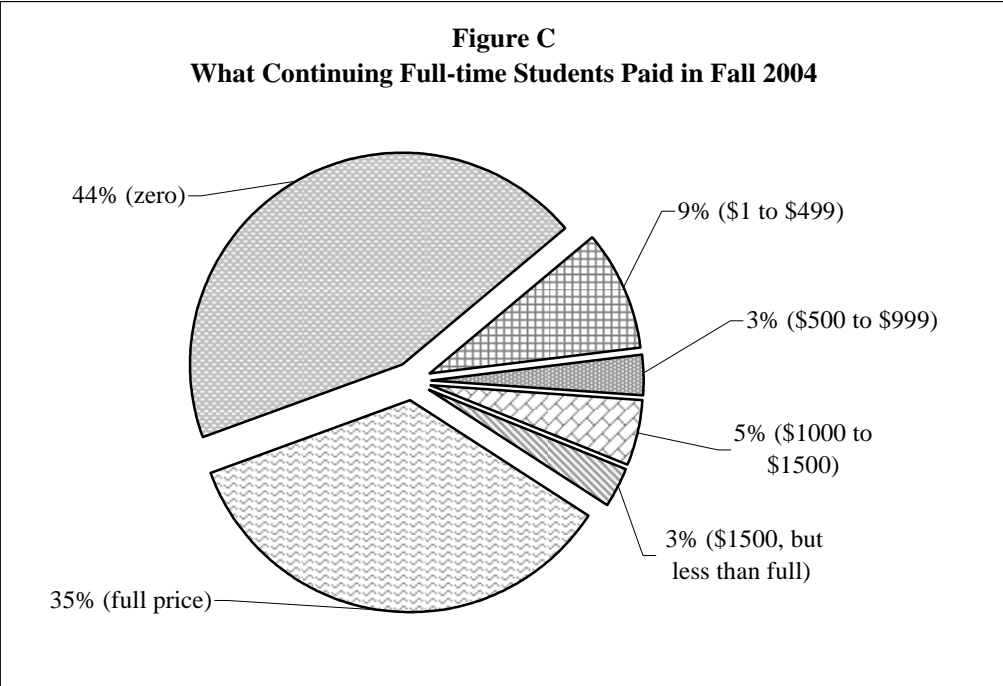
Figure B shows that 36 percent of new, full-time students paid nothing toward their tuition and fee costs in fall 2004. Eleven percent of new, full-time undergraduates paid less than \$1,000; 21 percent paid \$1,000 or more, but less than full price; and 33 percent paid full price. Importantly, 67 percent of all new, full-time undergraduate students in fall 2004 paid less than the stated tuition and fee amount or ‘sticker price’.

⁴ Tuition and fees represent only a portion of the total costs a student and/or family incurs. Other costs may include room and board, transportation, books and materials, and special program costs.

Note: Percentages reported in Figures A through D may not add to 100 percent due to rounding.



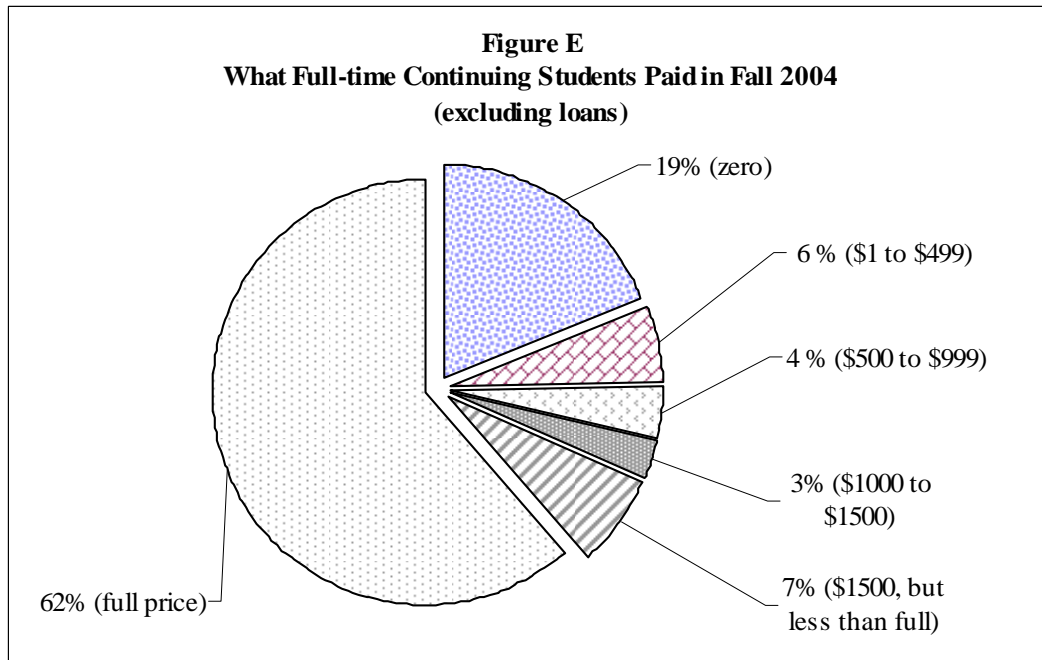
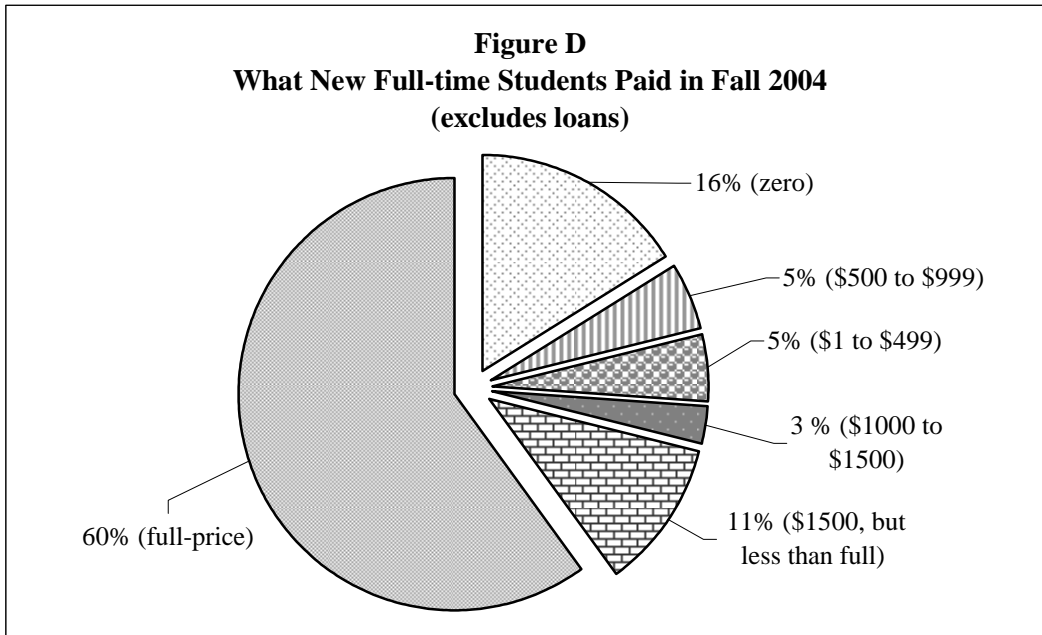
In comparison, 44 percent of continuing, full-time undergraduate students had their entire tuition and fee costs covered by student aid in fall 2004 as depicted in Figure C. Nine percent of continuing students paid more than one dollar, but less than \$500 in tuition and fees; three percent paid between \$500 and \$999; and eight percent paid \$1,000 or more, but less than the full tuition and fee rate. Sixty-five percent of all continuing undergraduate students in fall 2004 paid less than the 'sticker price' for their tuition and fees.



When loan funds are excluded from the aid that is used to determine what undergraduate students and their families paid, the proportions change rather significantly.

Figure D shows that 16 percent of new, full-time undergraduate students had their entire tuition and fee costs covered by student aid, excluding loan assistance, in fall 2004. Sixty percent of the new, full-time undergraduates paid the full tuition and fee rate, while 40 percent paid less than the sticker price.

Figure E shows that 38 percent of full-time, continuing undergraduate students in fall 2004 paid less than sticker price for tuition and fees once their student aid resources, excluding loans, were considered. Nineteen percent of full-time, continuing undergraduates had student aid that covered the entire cost of their tuition and fees.



Conclusion/Summary

Illinois State University places high priority on an affordable education. The University continues to rank well in comparison with other institutions in terms of the level of debt students have upon completing their baccalaureate degree. Student debt upon graduation averages \$14,000. The University has been sensitive to students and their families in setting prices, and has been a leader in providing instruction at a price commensurate with public expectations. It has shared in the responsibility for providing Illinois residents with an opportunity to attend the University. The University continues to be recognized among colleges and universities across the country for students who graduate with the least amount of debt, and identified by *Kiplinger's Personal Finance* as one of the best values in public colleges.

Illinois State University students received \$119.6 million in student financial aid in fiscal year 2004. This aid helped reduce the actual costs students and their families incurred for tuition, fees, room and board, and other costs related to attending the University.

In Fall 2004, student assistance (including loans) covered the total tuition and fee charge for 36 percent of all new, full-time undergraduate students and for 44 percent of continuing, full-time undergraduates at Illinois State University. Importantly, 67 percent of new, full-time undergraduates paid less than the University's tuition and fee 'sticker price' and 65 percent of all continuing, full-time undergraduates paid less than the total amount of tuition and fees.

When loan resources are excluded, student financial aid covered full tuition and fee charges for 16 percent of new, full-time undergraduate students and for 19 percent of full-time, continuing undergraduates. Sixty percent of new, full-time students and 62 percent of continuing, full-time students paid full tuition and fee prices, when loan resources are excluded.

Appendix - Table A-1

ILLINOIS STATE UNIVERSITY VALUE OF TUITION AND FEE WAIVERS FISCAL YEAR 2004

(\$ in thousands)

| | Undergraduate | | | Graduate | | | Total | | |
|--------------------------------|-------------------|-----------------|-------------------|-------------------|----------------|-------------------|-------------------|-----------------|-------------------|
| | Tuition | Fees | Total | Tuition | Fees | Total | Tuition | Fees | Total |
| MANDATORY WAIVERS | | | | | | | | | |
| (SUBTOTAL) | \$ 2,415.0 | \$ 386.1 | \$ 2,801.1 | \$ 49.1 | \$ 17.4 | \$ 66.5 | \$ 2,464.1 | \$ 403.5 | \$ 2,867.6 |
| Teacher Special Education | 1,037.2 | 382.3 | 1,419.5 | 46.7 | 17.4 | 64.1 | 1,083.9 | 399.7 | 1,483.6 |
| General Assembly | 698.9 | | 698.9 | 2.4 | | 2.4 | 701.3 | | 701.3 |
| ROTC | 216.4 | | 216.4 | | | | 216.4 | | 216.4 |
| DCFS | 14.5 | 3.8 | 18.3 | | | | 14.5 | 3.8 | 18.3 |
| Children of Employees | 448.0 | | 448.0 | | | | 448.0 | | 448.0 |
| DISCRETIONARY WAIVERS | | | | | | | | | |
| (SUBTOTAL) | 1,956.6 | \$ 38.3 | \$ 1,994.9 | \$ 3,465.8 | \$ 67.6 | \$ 3,533.4 | \$ 5,422.4 | \$ 105.9 | \$ 5,528.3 |
| Faculty/Administrators | 4.6 | 1.7 | 6.3 | 129.0 | 41.2 | 170.2 | 133.6 | 42.9 | 176.5 |
| Civil Service | 62.1 | 21.9 | 84.0 | 45.8 | 13.7 | 59.5 | 107.9 | 35.6 | 143.5 |
| Children of Employees | 35.1 | | 35.1 | | | | 35.1 | | 35.1 |
| Academic/Other Talent | 817.1 | .7 | 817.8 | 441.7 | 12.5 | 454.2 | 1,258.8 | 13.2 | 1,272.0 |
| Athletic | 893.9 | | 893.9 | 8.3 | | 8.3 | 902.2 | | 902.2 |
| Foreign Exchange Students | 90.0 | | 90.0 | 87.0 | | 87.0 | 177.0 | | 177.0 |
| Out-of-State Students | 31.7 | 7.9 | 39.6 | | | | 31.7 | 7.9 | 39.6 |
| Cooperating Professionals | | | | 384.2 | | 384.2 | 384.2 | | 384.2 |
| Research Assistants | 2.7 | | 2.7 | 452.1 | | 452.1 | 454.8 | | 454.8 |
| Teaching Assistants | | | | 1,183.8 | | 1,183.8 | 1,183.8 | | 1,183.8 |
| Other Assistants | | | | 732.4 | | 732.4 | 732.4 | | 732.4 |
| Retired University Employees | .8 | .2 | 1.0 | 1.5 | .2 | 1.7 | 2.3 | .4 | 2.7 |
| Children of Deceased Employees | 18.6 | 5.9 | 24.5 | | | | 18.6 | 5.9 | 24.5 |
| TOTAL | 4,371.6 | \$ 424.4 | \$ 4,796.0 | \$ 3,514.9 | \$ 85.0 | \$ 3,599.9 | \$ 7,886.5 | \$ 509.4 | \$ 8,395.9 |