

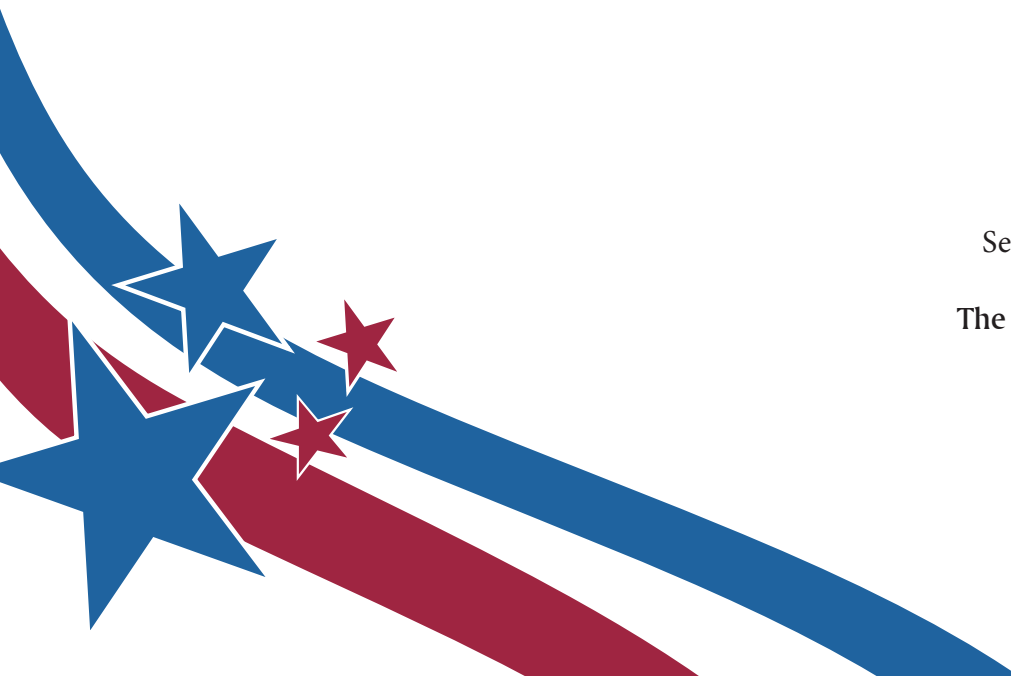
HESIG WORKING PAPER #2

Troubled Waters: Higher Education, Public Opinion and Public Trust

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A Broken Financial Partnership, Questions about College Price and Value

One of the most cherished American freedoms is the liberty to pursue an education for the purpose of gaining knowledge, broader social awareness, and a better life. While K-12 education, mandated universally for nearly a century is a lawful right, higher education in America is characterized by individual choice, diversity of type of institution and the privilege to engage in postsecondary education many times, throughout a lifetime. Whereas public K-12 education is financed almost solely by local, state and federal tax dollars, higher education is a mixed public-private good, still principally financed by states, with strong federal investment in student financial assistance and research, but with a growing responsibility for financing a college education falling to students and families.

Following a 10-fold increase in college participation in 60 years, to over 20 million from 2 million students enrolled, and about \$200 billion spent annually on higher education by state and local government, unparalleled global economic restructuring squeezing public and private sector spending, prompts significant questions from policy makers and citizens regarding the purposes, productivity and outcomes of such a huge social policy and financial investment.

Some policy analysts observe that the manner in which colleges are financed, both public and private, is broken, unsustainable, and therefore, requires major reform (Greer and Klein, "A New Model for Financing Public Colleges," 2010), not just incremental change (Zumeta et. al., Financing American Higher Education in the Era of Globalization, 2012). Similarly, scholars and practitioners focused on educational productivity and accountability for outcomes, offer convincing evidence that educational and governance restructuring, driven by new technological delivery systems, will rapidly change how higher education is offered, priced, assessed and certified ("The Future of Higher Education," Pew Research Center, 2012). Many top policy analysts agree that conventional wisdom about higher education finance and productivity will not work in the future. (Jones and Wellman, "Bucking Conventional Wisdom on College Costs," 2009).

While one can debate the scope, pace and effect of change in what colleges produce and how they are financed, it is very clear that citizens who pay for and who benefit from college, grow increasingly frustrated with the continuing rapid rise in the price. In the past decade, public college tuition has risen over 70%. Today, individuals pay about 40-45% of the educational cost of a public college nationally, contrasted to about 30% more than a decade ago. In NJ, tax dollars account for about 25% of total college budgets, with students paying about 60-70% of educational costs, and among the highest public college tuitions in the nation.

Still, citizens believe very strongly that college is an important means of financial security, acquiring and maintaining a "middle class" standard of living, and a chance to achieve the American Dream of equality of opportunity to prosper. In a November – December 2012, Lumina/Gallup poll, roughly 97% surveyed said that having a certificate or degree after high school is important for future financial security. This view is so strongly held, that three out of four citizens polled by Carnegie in June 2012, believe the higher education is now a right in America.

Yet in the same Carnegie poll, over 60% of those surveyed see paying for college as a major barrier to access. While students and families have been willing to pay escalating prices for college opportunity, there is growing evidence that citizens are increasingly frustrated, losing confidence in colleges' ability to control costs and price, growing more disillusioned about their

ability to access an affordable college education, and in some cases questioning the value of benefit for the investment.

For example, a recent TIME/Carnegie October 2012, poll indicates that 80% of recent college graduates do not think what they paid for college was worth the investment, twice the percentage reported by college leaders. The same survey found that respondents were split about 50/50 when asked if higher education is headed in the right or wrong direction.

The Heldrich Center for Workforce Development at Rutgers University found in a 2012 survey, that about 40% of recent college graduates question making the correct academic decisions tied to entering the workforce; two thirds say they would have done something different in choosing college studies; and only one in five college graduates indicate that they think they will be more successful than the prior generation. One-third of respondents said that their college education did not prepare them well for a first full-time job. Finally, respondents indicated that paying college debt (roughly \$30,000) strongly affects decisions about future life choices such as graduate school, housing and jobs.

In short, citizens value the promise of college, but have strong misgiving about the ability to pay for it, are losing confidence in colleges' ability to control cost and price, and are beginning to ask if the investment pays off in the future.

This sense of unease and disaffection, left unchecked, not only leads to greater uncertainty among citizens about the value of investing in college opportunity, especially public colleges, which serve 80% of all students, but fundamentally undermines the most critical element supporting college opportunity in the first instance- public trust. Public colleges and universities created at the nation's beginning, to serve the broader public good, cannot fulfill their missions of service to individuals and society, without public confidence and trust in colleges' ability to fulfill educational charters, aligned with a broader public agenda.

Accordingly, with a breakdown in basic policy assumptions about the purposes and outcomes of college, and growing unease about price, cost and shared responsibility for paying for college, colleges risk losing public trust, even as they work hard to accomplish change. Dissatisfaction will only worsen, if the citizens they serve and who help to finance the institutions are left out of the conversation about policy reform.

The changes many individuals seek will come about. Some of it will be planned and rational. Some change will be idiosyncratic and opportunistic. However policy change comes about, it is important to engage citizens directly, as well as governors, legislators, businesses, labor, schools, faculty, presidents and trustees, in order to win legitimacy for taking action, and to build the structural integrity to sustain coherent new policies that advance the goals of opportunity, affordability, productivity and accountability for educational outcomes. In this manner, institutions of higher education can serve their lofty purposes, grounded in commonly held opinion, aligned with other important public issues, and confident in decision making, supported by measureable public trust. Perhaps no other value will serve higher education as well, in the long term, as the ability to win and sustain public trust.

Policy Options, Responsibility and Public Trust

The confluence of these policy trends are at the heart of the mission of HESIG: **To serve as an agent for constructive higher education policy change, by recommending strategic policy action, aligned with a public agenda to serve the public good.** Accordingly, this

second working paper is dedicated to exploring briefly recent survey research trends on higher education policy and public trust.

Following advice from its Policy Steering Council in July 2012, HESIG is initiating an ambitious project during 2013-15, titled "Building Public Trust in an Era of Change." Under this banner, HESIG plans to conduct several scientific polls to provide an empirical base for exploration of "top of the mind" policy issues affecting higher education, options for change, desired outcomes, and shared responsibilities for taking action. Policy makers, higher educators, and others will be engaged in exploring what to do, and how to get it done through unique forums and information dissemination strategies.

The first poll, to be conducted by the Stockton Polling Center will be in spring 2013. In preparation for this initial poll, it is useful to review briefly what some recent polling indicates, focusing on research conducted by six reputable organizations: the Association of Governing Boards (AGB); the National Center for Public Policy and Higher Education; the Lumina Foundation; Northeastern University; the NJ Association of State Colleges and Universities; and Sallie Mae. These polls are especially helpful in illustrating citizens' perceptions about college access, cost, and the need for change; as well as how views of citizens compare to the views of policy makers.

Bad Vibes: Public Misgivings about College Opportunity and Affordability; and Disconnect Among Trustees Who Govern Colleges

"Squeeze Play 2010: Continued Public Anxiety on Cost, Harsher Judgments on How Colleges Are Run." The National Center for Public Policy and Higher Education/Public Agenda (National sample =1031 adults; margin of error = 3.05%).

- A majority (55%) view college as increasing important to succeed, but citizens worry that college opportunity is diminishing, principally because of price, with 70% indicating that many qualified students may not have the chance to attend.
- Over 80% believe students borrow too much to pay for college.
- 60% think that colleges increasingly put "bottom line" business concerns ahead of educational needs of students.

"2011 Higher Education Reform Study." NJ Association of State Colleges and Universities/Penn, Shoen & Berland (NJ sample = 750 likely voters; margin of error = 3.58%).

- NJ public colleges are viewed as doing a good to excellent job (80%); but for the first time over 6 years of polling, a majority (51%) says that colleges are not affordable.
- Citizens blame state funding cuts (32%) and lack of college productivity (22%) as major reasons for tuition increases.
- They strongly support helping others through student financial aid, but a majority (62%) believe aid will help others, not "me and my family."
- Four in five surveyed chose trustee authority over state regulation to guard against political intrusion; while trustees are favored 7:1 over state entities to manage new investment in colleges.

“How America Pays for College 2012.” Sallie Mae/ Ipsos (National sample =1601 parents (800), and 18-24 year- old students (801); margin of error = 2.5%.

- Nearly 70% of respondents eliminated choices of colleges because of cost.
- Roughly one-half of families would rather continue to depend on borrowing money to attend college, rather than fail to attend.

“Innovation in Higher Education, 2012.” Northeastern University/FTI Consulting (National sample =1251 adults; margin of error =3.1%.

- College is viewed as very important to achieving the “American Dream” (70%), but nearly one-third believe college opportunity will diminish for future generations.
- While 80% surveyed nationally find college cost to be worthwhile, or reasonable for the benefit, one-half responded that they knew someone who postponed college because of cost; and most (86%) view paying for college as the biggest barrier to obtaining a degree.
- Four In five surveyed believe that the US system of higher education needs to change the ways it delivers educational service, to remain globally competitive.

“America’s Call for Higher Education Redesign, 2012.” Lumina Foundation/ Gallup (National sample = 1009 adults; margin of error = 4.0%)

- 97% respond the education beyond high school is important to future financial security.
- 74% think that higher education is not affordable for everyone who needs it.
- Nearly 90% think that college credit should be granted for knowledge and skills gained outside the classroom.

“College Prices, Costs, and Outcomes 2012, Who’s Minding the Gap Between Higher Education and the Public?” AGB (National computer survey of 14,000 trustees; 2539 respondents (18.3%).

- 21% of trustee respondents disagree that the US needs more college graduates.
- 55% believe that tuition is too high at other colleges, relative to its value; while 62% believe tuition is about right for their institution.
- One half say that they are doing all that can be done to control expenses; while an equal number say more needs to be done.

Adding It All Up: Signs of Hope

In the public’s mind, higher education is highly regarded as a means of upward mobility in America. Furthermore, individuals in charge of colleges are trusted in a relative sense more than business or political leaders to make good decisions about the industry. Recent significant electoral victories (2-1) for taxes to support education in CA, and a higher education facilities bond in NJ, serve as only two examples of public trust in colleges translating into positive support for investment. Clearly, public trust in the traditional benefits of college is a key element in the hope for future investment and improvement of higher education.

But, taking together polling research and other policy trend data, citizens, public policy makers, presidents and governing boards of colleges appear to be on a collision course on the matters of reforming the cost/price structure, and accountability for outcomes. Whereas citizens view college a key component in workforce preparation and hope for their economic futures, they are increasingly dissatisfied with the rising price of college, mounting personal debt, and college leaders' inability to control escalating costs. Many feel that college opportunity for their children will be diminished without structural reform, such as granting more credit for prior learning, thereby shortening time to degree completion, and helping to make college more affordable.

The response of governors and state legislators, largely responsible for funding public colleges, has been to demand greater accountability by introducing budget, enrollment or programmatic reforms, and limiting tuition and fee revenue increases. With state budgets stressed by current unsettling global economic conditions, states have reduced discretionary funding to public colleges and rationed student financial aid, while at the same time demanding greater degree productivity.

Some relatively radical and punitive ideas to regulate use of college and university revenue for student financial aid, from public and non-public sources, have been proposed in states such as FL and VA, which if ever implemented, would require significant changes in colleges' subsidization of access for certain student populations. Fundamentally, with a large part of the blame for the college opportunity/price squeeze placed on public policy makers, they are responding to the need to reform the cost structure of higher education simultaneously through a mix of rational bureaucratic budgetary, political and even ideological remedies, not all of which may be responsive to individual and college needs.

Add to this picture the findings of the AGB survey, which indicates that college trustees- the critical actors trusted by the public to do the right thing to sustain access to an affordable and useful college education- may be out of touch with public perception of substantive financial problems, as well as needed reforms.

With huge project investments by foundations such as Gates and Lumina, to increase college completion rates nationally, it is very surprising that one-fifth of trustees surveyed believe that the US does not need more college graduates to compete in a global economy. It is also disquieting to find that trustees see the cost-price squeeze as "the other guy's problem," but not at their institution.

Conversely, perhaps this is not as surprising, when one takes into account a 2012 survey of college presidents, by Inside Higher Education, wherein most presidents think their colleges are doing a good job educationally (75%); and managing financial resources well (70%). About 65% of presidents responding view tuition increases as a major challenge; but tend to worry at least as much about funding and budget shortfalls. This may indicate a tendency among college leaders to focus on increasing revenue more than controlling costs, as a remedy to the cost-price spiral challenge.

Yet, as Zumeta, et.al. point out, "American higher education and public policy infrastructure cannot tweak or spend its way to the future." Substantive rather than incremental policy reform is needed. Accordingly, each of these major actors, citizens, public policy makers, and presidents and trustees- who lead and govern colleges- need to come to some clear and timely public judgments about what needs to be done to fix perceived problems, and to sustain public trust.

To help accomplish facilitating and measuring change, HESIG plans to conduct scientific polls during 2013-14 to help build a common understanding of interrelated policy challenges, and what options are available as a remedy. Specifically, HESIG will ask what needs to be done to keep college in NJ accessible and affordable; what policy options will the public support regarding access, affordability, and productivity; and who takes responsibility to get the job done? Accomplishing this goal will mean involving individuals well beyond polling samples, through special conferences and communication vehicles. It will mean creating some new language and opening up a candid conversation that many can understand and participate in, beyond those currently served by, or in charge of college and governmental policy.

The test of a successful outcome will not be the research that informs us, or the process by which we engage the issues. Rather, the measure of success will be in taking policy action on which many individuals can share responsibility to build and to sustain greater public trust in our colleges and universities, in service to the broader public agenda, and the public good.