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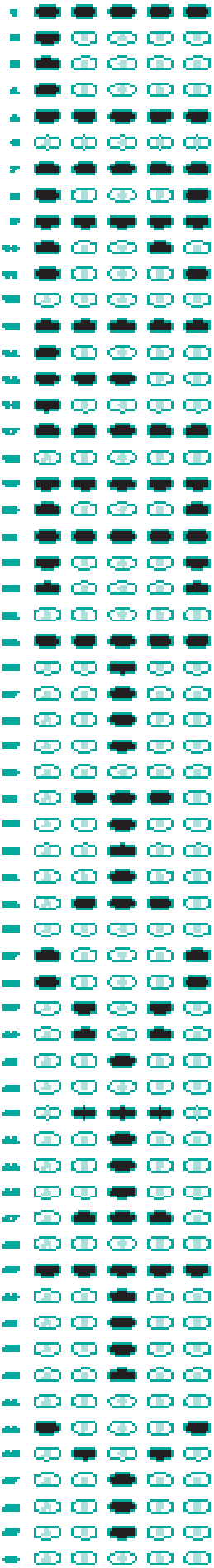

SKILLS AND KNOWLEDGE TEST 2009

As New England's Economy Becomes More Knowledge-Based, How Will We Be Sure Our Students Are Learning What They Need To Know?

According to the Nellie Mae Education Foundation's latest report, *What It Takes to Succeed in the 21st Century – and How New Englanders Are Faring*, the success of our region will depend in large part on how proficient our residents are in the skills necessary for success in New England's increasingly knowledge-based economy – skills like communication, creativity, problem-solving, critical thinking, the ability to work as part of a team, and the use of modern technologies.

Standardized tests still play an important role in an accountability system by providing assessments of certain skills. However, we must recognize that knowledge is obtained in various ways, through different methods in different places, and we must begin to measure competency accordingly.

In order to produce the well-rounded citizens New England needs, we must utilize performance-based assessments that are rigorous, valid and revealing of what learners actually know.

At the Nellie Mae Education Foundation, we know that institutionalizing and implementing this effort is a test we can and must pass.

For more information, visit www.nmefdn.org

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COMMENTARY & ANALYSIS

FORUM: HIGHER ED FINANCE

DEPARTMENTS

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EDITOR'S MEMO

Back With a Crash

When I began editing *The New England Journal of Higher Education* at the start of the 1990s, New England colleges and students faced grim days. One early issue of the journal, then called *Connection*, was headlined "Budget Squeeze," another "Higher Education's Shrinking Share," and a third, more hopefully, "Roads to Recovery: Essays on New England's Economic Resurgence." A story at the time outlined "Independent Higher Education's New Diet," with a subhead warning: "Many institutions will trim down, some will starve."

It being higher education, very few starved. Some even gorged themselves. In fact, nearly two decades later, those early '90s headlines sound eerily like *the good old days*. By fall 2008, the subprime mortgage crisis had overflowed into higher education, and all of higher ed's revenue sources were strained. With state budgets bleeding, governments found the usual tourniquets: public colleges and tuition-paying families. Only this time, families were already beaten down by flat incomes, eroding health insurance and retirement coverage, rising prices and evaporating student loans.

Many public and private campuses froze hiring, cut financial aid and halted construction projects. Harvard's endowment, which once topped $36 billion, shed $8 billion over the summer, leading the university to freeze salaries and cut searches for tenure-track faculty, and prompting the *Boston Globe* to observe: "Even the world's richest university is feeling the pinch from the economic downturn."

Harvard alumnus Armond Cohen later wrote to the *Globe* that "By moving into austerity mode in response to the economic downturn, Harvard is behaving more like a profit-driven widget manufacturer than an institution with a public mission that entitles it to a tax exemption worth hundreds of millions of dollars per year." Cohen added that "By running for financial cover, Harvard is … essentially telling less well-endowed colleges and universities that they too should retrench."

Against the backdrop of the worst economic crash since the Depression, this issue of *NEJHE* explores old and new financial stresses on higher education and a few revolutionary notions such as the hybrid public-private model in which Massachusetts College of Art and Design gives up some state money but gains freedom to set and retain tuition. This issue also evokes the prospect of skilled labor *shortages* when the economy recovers — a theme *NEJHE* has always been concerned about even in bearish times like these.

***

Speaking of recoveries, it's great to be back in the journal executive editor's position after nearly a year on leave. To make a long story short, as editors do, I was feeling pretty good about a year ago when I was hijacked by a nasty brain bug. It knocked me for a loop. I had to learn all over again to walk, read, write and get along with people, to focus, to be concise — it was a tight spot for an editor. I can say this: I know a lot more about *learning* now than I did when I went on leave last year.

Many thanks to NEBHE senior director of communications Charlotte Stratton and journalist Jack Brady for carrying the journal forward in my absence. Thanks too to *NEJHE* editorial assistant Amanda Silvia, who shouldered our biweekly online offering, *NEJHE's Newslink*, and to all the NEBHE staff who lent important support to the journal and me over this period, particularly president Michael K. Thomas and chief operating officer Jan Queenan.

On a personal note, thanks to Dru Wood-Beckwith and the medical dream team of Drs. Rick Malley and Paul Gross for their detective work and support through this tough year and, most of all, to my family for their good humor and understanding.

***

One pleasure of returning to the editorship has been catching up with journalists and educators on *NEJHE's* Editorial Advisory Board. Among their recent ideas for future *NEJHE* story angles: how international study programs at New England colleges connect to ethnic diversity in New England communities, the state of Native Americans in higher education, and how the college experience offers some students their first appreciation of interesting food. The panel also recommended enhancing online links to the journal. We look forward to *connecting*.

John O. Harney *is executive editor of* The New England Journal of Higher Education. *Email: jharney@nebhe.org.*

Green Days on Campus

With the recent popularity of "going green," many prospective students and parents are asking tough questions about a college's appeal to the environmentally conscious. Just how much energy is wasted on campus? How much of the food served is organically grown? And how will students be prepared for an economy that is greener by the day? Tour guides, admissions counselors and other campus representatives best be prepared to answer these questions — or they risk watching their enrollments go the way of non-recyclable plastic.

Some colleges are ready to gush green.

Bates College and the University of New Hampshire promote their environmental accomplishments to prospective students visiting their websites. A Yale University viewbook (downloadable from www.yale.edu/admit/pdf/viewbook.pdf) features a timeline of the school's "greenness" dating back to 1900.

College of the Atlantic, founded in 1969 on principles of environmental awareness, is also playing up its green history. "Now that more schools are working their green facts and statistics into their marketing, we find that we need to put even more emphasis on our green achievements and practices in order to stand out from the crowd," says the college's admissions dean Sarah Baker.

Harvard University's Green Campus Initiative has been encouraging students to be environmentally responsible for nearly a decade. As Joshua Poupore of Harvard's Office of Public Affairs observes, "Students are more aware of [green issues] now, and Harvard, as well as other universities are getting recognized for what they have been doing for a long time."

Bike Lanes

Fearing that car congestion is making college campuses dangerous for pedestrians, let alone the planet, some colleges are encouraging students to get right back up on their bikes.

The University of New England now gives new bikes to freshmen who agree to leave their cars at home. Only 25% of freshmen brought cars to the Biddeford, Maine, campus this past fall, compared with 75% a year earlier, according to the *New York Times*.

The University of Maine began its GreenBike initiative in 2001, with faculty, students and community members donating bikes, which were then inspected, repaired and painted green. The program is simple. There is no signup process, the bikes are left unlocked in racks and can be used around the Orono campus.

At Saint Michael's College, three students launched the Yellow Bike program this fall, renting 25 refurbished bikes for use around the Vermont campus and surrounding areas. Bikers pay $10 to join the program — half as a security deposit and half toward bike maintenance.

Campus Perking

Bikes are not the only perk for students at Saint Michael's. Since 2004, the college has given students season ski passes to Smugglers' Notch Resort in Jeffersonville, Vt., 45 minutes from campus. As Saint Michael's boasts on its website, the ski program supports the college's mission of educating the mind, body and spirit, while encouraging students to explore Vermont's natural beauty.

Perks on Boston-area campuses include free admission to the Museum of Science and the Museum of Fine Arts. At MIT, students use a "BSO College Card" for free admission to up to 20 Boston Symphony Orchestra performances during the season.

Berklee Valencia

Berklee College of Music, whose enrollment includes undergraduates from 70 countries, is taking its expertise directly to customers abroad.

Berklee Valencia, a new school for global, contemporary music education, is scheduled to open in Spain in 2011 as the largest offshore U.S. music college in the world. The Valencia school will focus on music for film and digital media, recording, the global music business and musical traditions indigenous to Spain, the Middle East, and Africa.

The mission is to provide the technological and business skills necessary for advancing careers in the 21st-century global music industry, reflecting a partnership between Berklee and the *Sociedad General de Autores y Editores*, which works to protect and manage the rights of artistic creators worldwide.

Veterans Days

Since the United States invaded Afghanistan in 2001 and Iraq in 2003, both wars have killed about 5,000 American soldiers, wounded tens of thousands of others and disrupted who-knows-how-many families and careers.

Community colleges continue to take the lead in welcoming veterans returning to higher education — and now, rehab care as well. Last year, Mount Wachusett Community College got state legislative approval to lease 10 acres on its Gardner, Mass., campus to the nonprofit Veteran Homestead Inc., which has begun building the Northeast Veteran Training & Rehabilitation Center on the property. The $8 million facility will include 10 duplex housing units and a rehabilitation center. Veterans and their families will also have access to Mount Wachusett academic programs as well campus amenities, including the fitness center, swimming pool and theater.

In lieu of payment for the lease, Veteran Homestead is providing the college with internship opportunities for nursing and allied health students. This educational aspect and the free rehabilitation services make the center a distinctive model that other colleges can replicate.

In 2007, Northern Essex Community College in Haverhill, Mass., held the region's first

"Veterans' Educational Stand Down" to help GIs and veterans become aware of and make sense of the educational services available to them. The soldiers got one-on-one advice about their educational benefits and how to gain a foothold in college. Northern Essex pledged to keep veterans' representatives on campus to help with special issues affecting soldier-students. [See "Support the Troops … with Education," John O. Harney, *The New England Journal of Higher Education*, Fall 2007.]

Presidential Salaries Still Up

Below are salaries, benefits and other compensation for presidents of New England's public land-grant universities for 2007-08, and for the region's five highest-paid private campus presidents for 2006-07, according to data reported in *The Chronicle of Higher Education's* annual survey of presidential salaries. The Boston media devoted much of its attention to the *Chronicle's* ranking of Suffolk University chief David J. Sargent as America's highest-paid college president, and a *Boston Globe* story pondered possible conflict of interest in Suffolk trustees, who set the president's pay while also doing consulting business with the university.

Total Compensation for Presidents of New England Public Land-Grant Universities 2007-2008

University of Connecticut	Michael J. Hogan	$610,000
University of Vermont	Daniel M. Fogel	$417,410
University of New Hampshire	Mark W. Huddleston	$381,870
University of Massachusetts	Thomas W. Cole Jr., interim*	$367,500
University of Rhode Island	Robert L. Carothers	$242,319
University of Maine	Robert A. Kennedy	$230,405

Total Compensation for Five Highest Paid Presidents of New England Private Institutions 2006-2007

Suffolk University	David J. Sargent	$2,800,461
Simmons College	Susan C. Scrimshaw*	$1,159,269
Yale University	Richard C. Levin	$955,407
Boston University	Robert A. Brown	$901,692
MIT	Susan Hockfield	$808,698

**No longer president.*

A Compact Fit

We at NEBHE extend a warm welcome to our new neighbors at 45 Temple Place in Boston. Campus Compact was founded in 1985 at a time when the media portrayed college students as more interested in making money than in helping their neighbors, and immediately set out to prove the critics wrong with programs promoting community service, civic engagement and service-learning in higher education.

"We're delighted to be neighbors with NEBHE in this historic location," notes Campus Compact President Maureen F. Curley. "Boston is one of the earliest hubs of American civic engagement as well as a center of higher education excellence. That makes it a perfect location for Campus Compact, which is dedicated to making civic engagement part of the higher education experience."

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Time for Higher Ed to Survive Crisis *and* Thrive

MICHAEL K. THOMAS

Americans watched with interest recently as U.S. automakers paraded through a wary Congress in search of a bailout package. As the CEOs sought to explain their loss of market competitiveness, many wondered aloud, "Don't these executives get it? Didn't they see this coming? Can't they see their competitors passed them by? Doesn't this require more than a short-term fix?"

Though the circumstances of New England higher education differ in many ways from the auto industry, the key questions are similar: Will we do simply what it takes to survive — or will we do what it takes to *thrive* and reposition ourselves for a new competitive environment and changed world? If not now, when?

New England higher education is experiencing the direct impact of the global economic meltdown that has been unfolding for several months.

The meltdown has cost many families jobs, homes and the capacity to save for college, just as student loans have been tightened. Falling tax revenues have pushed states to cut their higher education budgets. Colleges face liquidity challenges, shrinking endowments, borrowing difficulties and panicked parents and students.

The economic downturn hits New England students and postsecondary institutions at a critical time. They were already facing: demographic changes that portend a shift from traditional to traditionally underserved students; a history of underinvestment by government in higher education infrastructure and student aid; and the legacy of the nation's highest college tuitions and fees. Now, as we experience the worst economic crisis since the Great Depression, the road ahead for New England higher education just became even more uncertain.

Colleges and universities have been in budget-cutting and crisis-management modes. But now it's time for a more proactive, strategic posture. New England higher education institutions must invigorate their competitive instincts and leverage large-scale change for reinvention, not simply survival. Specifically, New England educators and policymakers must:

Work together to understand the impact of demographic change on student demand and hone responses. Beyond the impact on recruitment and admissions, institutions must better understand students' attendance patterns, use of multiple institutions and the particulars of their consumer behavior. We must learn from the world of customer service how to keep students and build repeat business.

Expand cost-saving collaboratives in administrative and academic realms. The region has several successful examples, including public-independent partnerships, to build upon. As demographic and economic forces heighten competition, smart institutions will look beyond competition to collaboration.

Employ innovative ways to meet changes in demand for higher education. This is particularly pressing at public campuses, which are more popular in the downturn, but sadly less able to take in applicants and keep prices affordable. More online learning and flexible and intensive programs would be a start. Higher education's calendars, credentials and program formats are designed for a bygone age — not for the fast-moving, career-changing knowledge economy of tomorrow. We continue to sell eight-cylinder Cadillac Devilles when students want Smart Cars to zip quickly to their next career opportunity.

Revisit higher education financing structures. States must provide new systems that give incentives for degree completion (versus enrollment), increased productivity and entrepreneurial, market-driven approaches. As increased state investment is not currently possible, states should grant public institutions the autonomy and flexibility needed to determine their own destinies and respond to public needs.

Address unneeded spending on remediation. One big higher education cost is remedial education for students who didn't get the preparation they should have in K-12. New England states should provide financial incentives for students (particularly under-represented students and first-generation college-goers) to complete a rigorous college-preparatory curriculum while in middle school and high school.

In December, NEBHE assembled leaders of higher education, business and government to try to understand the economic meltdown and its causes; assess the implications for higher education, students and families; and stimulate the capacity for strategic responses by college and university leaders. New England colleges and universities have their work cut out for them. NEBHE aims to be an important facilitator of this timely dialogue and invites your thoughts and input. For proceedings of the December event, visit: www.nebhe.org/economy.

Michael K. Thomas *is president and CEO of the New England Board of Higher Education and publisher of* THE NEW ENGLAND JOURNAL OF HIGHER EDUCATION. *Email: mthomas@nebhe.org.*

Excellent in New England

JOAN MENARD

It's that time of year when NEBHE honors people and programs with its annual New England Higher Education Excellence Awards.

This year, I'm very pleased that NEBHE is recognizing a colleague of mine with its annual Massachusetts State Merit Award. In his 25 years in the Massachusetts Senate, **Frederick E. Berry** has been known to his colleagues as the "conscience of the Senate." A lifelong champion of programs to make public higher education affordable, accessible and everlasting, Sen. Berry, now the state Senate majority leader, is also a determined advocate for people with disabilities. For his commitment to renewing "the foundation of a civilized society," Salem State College presented him with a Doctor of Humane Letters, *honoris causa*, in 2006. North Shore Community College bestowed its highest honor on him, making its Danvers, Mass., campus home to the Frederick E. Berry Academic and Administrative Building, echoing Thomas Jefferson's words "talent and virtue" — characteristics of the ideal public servant, which Fred Berry truly is.

On the regional level, NEBHE will honor former U.S. Sen. **George J. Mitchell** (D-Maine) with its 2009 Governor Walter R. Peterson Award for Leadership. The U.S. Senate majority leader from 1989 to 1995, George Mitchell wielded as much clout on Capitol Hill as any New England member of Congress during the period. In 1995, he established the Mitchell Scholarship Program (now the Mitchell Institute) to encourage young Maine residents to achieve a college education. In 1998, he brokered a long-elusive peace agreement in Northern Ireland.

This year's recipient of the Eleanor M. McMahon Award for Lifetime Achievement is **David S. Wolk**, president of Castleton State College in Vermont. Wolk has devoted his life to education and politics as a guidance counselor, teacher, principal, school superintendent and state commissioner of education, as well as a state senator and former Gov. Howard Dean's chief of policy.

NEBHE's Robert J. McKenna Award goes to **Sol Gittleman**, who was Tufts University provost for 21 years and the longest-serving provost in America. Gittleman's 2004 book, *An Entrepreneurial University: The Transformation of Tufts 1976-2002*, examines the emergence of Tufts from an underfunded teaching college to a billion-dollar university.

This year, NEBHE recognizes two individuals with the David C. Knapp Award for Trusteeship. Currently board chair of the Community College System of New Hampshire, **Paul J. Holloway** began his career in the automotive industry and shaped a multi-franchise dealership emphasizing customer service. The other trustee being honored is **Lawrence D. McHugh**, who is chair of the Connecticut State University System and president of the Middlesex County Chamber of Commerce, the state's largest chamber.

NEBHE is also proud to honor people and programs making a profound difference in the New England states:

• The Connecticut State Merit Award goes to **Merle Harris**, president emeritus of Charter Oak State College, who has been a pioneer in distance learning.

• The Maine State Merit Award goes to **Robert L. Woodbury**, former chancellor of the University of Maine System, former chair of NEBHE and a member of the *NEJHE* Editorial Advisory Board.

• The New Hampshire State Merit Award goes to **The Marlin Fitzwater Center for Communication** at Franklin Pierce University for its dedication to educating leaders in public communication.

• The Rhode Island State Merit Award goes to state Sen. Pro Tempore **John C. Revens Jr.**, who has served in the state senate since 1990 and chaired NEBHE from 1977 to 1981. Sen. Revens has always stood up not only for Ocean State students and families but for students all over New England.

• The Vermont State Merit Award goes to the **Vermont Manufacturing Extension Center**. The nonprofit center, headquartered on the campus of Vermont Technical College, seeks to improve manufacturing in the state and strengthen the global competitiveness of Vermont's smaller manufacturers.

Each year the New England Board of Higher Education recognizes higher education's greatest champions. With the economy in its worst shape since the Great Depression, the values exemplified by the 2009 award recipients are more important now than ever.

***Joan Menard** is chair of the New England Board of Higher Education. She is a Massachusetts state senator representing the First Bristol and Plymouth district. She was also a Massachusetts state representative and has served in the Legislature for 28 years. Email: Catherine.Donaghey@state.ma.us.*

Educating All Learners for the New Economy

Region needs more varied range of learning opportunities

CECILIA LE AND RICHARD KAZIS

New England's population and labor force growth have slowed considerably in recent years. What relatively little growth that has occurred has been concentrated in immigrant and other populations that have not been well-served historically by our educational and economic institutions. In an economy that is demanding ever more advanced skills from its workers, the region cannot allow this pattern of educational inequity to persist.

A recent Nellie Mae Education Foundation report, *What It Takes to Succeed in the 21st Century — and How New Englanders Are Faring*, reveals that as New England's profile becomes more diverse, the region's economy is transforming into one that is increasingly knowledge-based, requiring enhanced and expanded skills and knowledge from its participants.

Employers are now looking for a broad set of what have been referred to as "21st century skills," such as critical thinking, problem identification and problem solving, along with practical skills such as time management, the ability to work in teams and the capacity to adapt effectively to changing work situations. Employer surveys suggest that managers increasingly value creativity and the capacity to innovate.

In fact, the best indicator of the skills employers want to see — in terms of academic skills as well as non-academic knowledge, experience and maturity — is a postsecondary credential of some kind. A consensus has emerged that a two-year credential or its equivalent (such as a formal apprenticeship or one year of college credits plus an industry-recognized certificate) should be the minimum goal for all individuals in today's economy. A credential has far greater economic value — particularly in a technical field and for lower-income students — than taking some college courses without obtaining a degree.

In any case, educational attainment and achievement indicators show we are not preparing the fastest-growing segments of our population for success in this burgeoning knowledge-based economy. Urban minority and immigrant populations lag in high school completion and achievement, and they also trail their white peers in persistence to and through college. Low-income New Englanders, no matter where they live, are far less likely to complete high school, enter and complete college, and secure family-supporting jobs and careers than their more affluent peers.

It is true that by some indicators of social welfare, New England states fare well compared with other regions. However, these relative strengths obscure serious challenges: child poverty rates hover between 12% and 18% across the region, and opportunity and economic advantage are unevenly distributed across states, communities and population groups. All these trends pose serious problems for the region's economic growth and vitality.

Our region will rise and fall, as it has in past eras, on the ingenuity, entrepreneurship and quality of its residents' collective human capital. Making sure that skills and knowledge are cultivated broadly and that gaps in preparedness are redressed will require significant creativity and commitment from New England's educational institutions and other stakeholders in the region's future. To be sure, there is work to be done.

Currently, the region's educational institutions are not well-equipped to help all students graduate high school ready to succeed in college and/or develop additional work-related skills and knowledge valued in the labor market. Too many young people and working adults are leaving school academically underprepared for the new economy, especially those from low-income and other traditionally underserved groups who have had weak education experiences.

This must change if we are to fulfill New England's promise of prosperity.

Closing the opportunity gap will require nothing less than a strong commitment to motivating and supporting all students to succeed, beginning with enriched learning experiences early, continuing through primary and secondary school options and programs to help those who fall behind get back on track, and culminating in postsecondary learning as a routine component of all schooling. And if the recent financial crisis has impacted the ability to move forward with such commitments across the region, it has also profoundly underscored the need to have as many citizens as possible with viable economic options.

New England needs a much more varied range of schools, programs, supports and opportunities for learning, inside and outside traditional school buildings and time constraints, as well as alternatives to the current school continuums. In order for the region's young people and underprepared workers to succeed in the new economy, we will need to expand our previous, limited notions of higher learning and begin to provide multiple pathways to a *variety* of *effective* postsecondary options.

Underprepared learners of all ages will need new rigorous routes that can help them advance quickly and efficiently from wherever they start — and enable them to meet the higher expectations of colleges and employers. For example, a laid-off, mid-career adult may need opportunities to obtain new skills that make her highly employable once again, while a first-time college student can gain crucial exposure to postsecondary learning and even save money by obtaining college credits before having graduated high school. There is no doubt that all of this would be a major undertaking but one that the region cannot afford to ignore.

To be truly transformative, this effort cannot come solely from educators and schools. Rather, a long-term, regional campaign of political commitment and public will is needed. We will need effective messaging about the challenges facing our region, improvements and innovation in practice that can help more underprepared youth and adults advance and succeed, and policy changes that can spread and sustain more effective learning opportunities and outcomes.

Such efforts may spur a wave of invention of new options and models for serving struggling and underprepared individuals and enable them to benefit from postsecondary learning. These could include models that blend high school with early college and postsecondary apprenticeship programs that quickly prepare disconnected young adults for decent-paying careers. Sound investments in the infrastructure of policies and partnerships for change could be sustained over time and lead to significant upgrading of knowledge, skills and economic success.

To spur innovation and improvement, philanthropic institutions must play a critical role. These organizations can expand their visions to help the region respond to the challenges that come with transformative change, for they are uniquely positioned to strategically support and prod New England's educational institutions to improve prospects for the region's underserved residents.

New England's reputation for educational excellence and intellectual capital is well-documented. To maintain that reputation in a knowledge-based economy and society, we need to challenge some long-held assumptions about what it means for all citizens to be sufficiently educated.

Cecilia Le *is a researcher and* ***Richard Kazis*** *is senior vice president at Boston-based Jobs for the Future. Both are authors, along with Terry Grobe of Jobs for the Future and Rob Muller and Alix Beatty of Practical Strategies LLC, of the Nellie Mae Education Foundation report "What It Takes to Succeed in the 21st Century — and How New Englanders Are Faring" from which this column was adapted. The full report is available at www.nmefdn.org and www.jff.org Email: cle@jff.org or rkazis@jff.org.*

The Future of the Skilled Labor Force

New England's supply of recent college graduates

ALICIA C. SASSER

One of New England's greatest assets is its skilled labor force, which has historically been an engine of economic growth in the region. But the skilled labor force of the future is growing more slowly in New England than in the rest of the United States. Since 2000, the population of "recent college graduates" — individuals ages 22 to 27 with a bachelor's degree or higher — has grown by less than 9% in New England, roughly half the U.S. increase. This is better than the 11% drop in the number of recent college graduates that the region faced in the previous decade. But the increase since 2000 has not offset those earlier losses, making New England the only region to see a decline in this population since 1990. *[See Figure 1.]*

The need to attract and retain recent college graduates has become a salient issue in every New England state. Policymakers and business leaders alike are concerned that an inadequate supply of skilled workers will hamper economic growth by creating barriers for companies looking to locate or expand in New England. Yet few steps have been taken to tackle this challenge.

Factors Affecting Stock of Recent Grads

Every year, the region adds to its stock of recent college graduates, as each successive cohort of young adults flows through the education pipeline: entering college, completing degrees and choosing where to locate. Three main factors affect the stock of recent college graduates:

- The supply of young adults to be educated at New England institutions — whether native to the region, from other parts of the United States or from abroad — is the primary source of growth for the region's

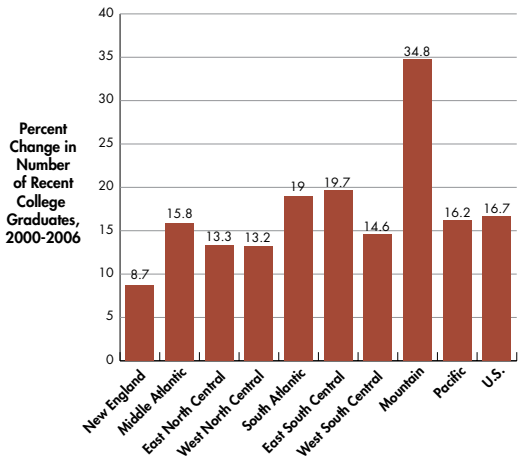
population of recent college graduates. Students who attend college in New England account for more than three-quarters of the recent college graduates living in the region.

• The rate of educational attainment among native young adults — or the percentage of high school graduates who choose to go on to college — is also key because native New Englanders account for roughly 70% of college enrollments within the region.

• The migration decisions of individuals also apply. Regions may increase the size of this population by either retaining those educated within the region or by attracting those who have received degrees elsewhere. Retention is especially important in New England because the region imports a relatively high share of its student body from other parts of the country — about 30% of the incoming class each year.

Figure 1: Slower Growth

The population of recent college graduates is growing more slowly in New England than elsewhere in the United States.



Source: 2000 Census and 2006 American Community Survey

How These Factors Have Changed

The supply of young adults fell sharply in New England during the 1980s and has been growing more slowly than nationally since then. This trend primarily reflects a period of low birth rates during the 1970s. The result is that New England had roughly 25% fewer native young adults of college-going age during the 1990s than in the 1980s.

Since then, the number of young adults of college-going age in New England has grown at a slower rate than in other parts of the country. Moreover, despite a growing number of students coming from elsewhere in the United States and abroad, the increases from these two groups were a drop in the bucket compared with the sharp drop in the number of native young adults. Essentially, the region has not been producing enough of the basic input — young adults — to put through the education pipeline.

With no way to reverse the effects of a decade of lower birth rates, New England has had to rely on increasing the rate of educational attainment among young adults. The share of high school graduates attending college in the '90s rose sharply across the United States, but even more in New England — going from one-third of high school graduates at the start of the decade to just over one-half at the end.

Despite a growing number of students coming from outside the region, New England has not been producing enough young adults to put through the education pipeline.

As a result, the educational attainment of native young adults increased more rapidly in New England than in most other parts of the nation — with nearly one in three native young adults having a college degree in 2006. In comparison, slightly more than one in five young adults was a college graduate for the nation as a whole. Thus, despite the sharp drop in the number of young adults in New England (25%), the decline in the number of recent college graduates was only half as steep (11%), because of the rising share of young adults receiving a college education.

Despite New England's higher educational attainment, some are concerned that the region retains too few college graduates or at least fewer than in the past. Migration patterns have changed little for this group, but the situation is more complex. Typical migration rates for New England often show net out-migration among recent college graduates — meaning that more individuals are leaving than entering the region. This is because such rates reflect only moves made upon graduation from region of institution to region of adult residence, failing to capture the earlier in-migration of students to New England to attend college.

Why is this important? As a net importer of college students, these inflows are sizeable and more than offset the negative outflows of those who leave upon graduation. More students come to New England for college than leave to attend college elsewhere. And though the region holds on to only a fraction of that net influx, it still comes out ahead. So when analyzing migration patterns of recent college graduates, it is important to account for where students came from, where they received their degrees and where they chose to locate after graduating.

Although the region adds to the number of recent college graduates with each graduating class, New England retains a lower share of students upon graduation compared with other regions. For the graduating class of 2000, roughly 70% of recent college graduates were still living in New England one year after graduation, compared with about 80% for the Mid-Atlantic region and 88% for the Pacific region. *[See Figure 2.]*

Figure 2: Lower Retention

New England attracts a relatively high share of non-native students, but many leave the region when they graduate.

	Share of college students who are non-natives	Share of graduates living in same region as BA institution one year after graduation		
		All graduates	Non-native graduates	Native graduates
New England	28.5%	70.5%	22.7%	91.0%
Mid-Atlantic	14.3%	79.9%	28.6%	88.7%
East North Central	11.6%	79.7%	18.0%	87.8%
East South Central	15.5%	72.2%	15.3%	82.8%
South Atlantic	16.2%	79.1%	29.2%	89.1%
West North Central	18.4%	74.9%	21.5%	86.9%
West South Central	9.4%	85.1%	24.2%	91.4%
Mountain	14.2%	76.4%	26.2%	84.8%
Pacific	6.0%	87.5%	32.3%	91.0%

Source: U.S. Department of Education

New England's lower retention rate reflects, in part, the high share of non-native students who migrate into the region to attend school. Having already migrated once to attend college, these students have a higher propensity to relocate after graduation — often to return home — whether to take a job or to be closer to family. For example, only 22% of those migrating into New England to attend college were still in the region one year after graduation, compared with 91% of native graduates. Moreover, retention among non-native graduates is relatively low in New England. So, in addition to having a greater share of non-native graduates who have low retention rates in general, New England is less likely to retain non-native graduates compared with other regions. In addition, graduates of New England's very selective institutions are able to reap the benefits of their high-quality education by moving to any number of locations and so are less likely to remain in the region after college.

Contrary to the conventional wisdom, recent college graduates are leaving New England primarily for job-related reasons, not housing costs. According to the Census Bureau's Current Population Survey, about half of those leaving New England between 1998 and 2006 cited employment-related reasons. Housing-related reasons accounted for less than 2% of moves from New England.

On second glance, this is perhaps not all that surprising, given that recent college graduates are more likely to be seeking rental rather than owner-occupied housing and rents are relatively affordable in New England. Indeed, the Mid-Atlantic and Pacific regions — both with relatively high housing costs — were among the three top destinations for recent college graduates leaving New England, suggesting that housing costs are not the main drivers of their decision to relocate.

New England's ability to *attract* college graduates is comparable to that of most regions, particularly when one considers its smaller population size. The number of new graduates migrating into the states from other parts of the country represented 2.5% of New England's total population of recent college grads — roughly equivalent to most other regions. Interestingly, more than half of those migrating into New England were natives who had received their degrees elsewhere and chose to return upon graduation.

Among the three factors examined, changes in supply of young adults account for most of the sharp drop and subsequently slower growth in the number of recent college graduates in New England. Fortunately, rising educational attainment helped the region swim against the tide of slower population growth, as the share of high school graduates attending college rose more sharply in New England than the rest of the nation. Yet changes in the migration patterns of recent college graduates have not been very large over this period, accounting for only a small fraction of the overall trend in the number of recent college graduates.

To Shore Up Supply of Recent Grads

To bolster New England's future skilled labor force, the most promising strategy may be to encourage more of the students who go to college in New England to stay in the region upon graduation. While increasing the supply of young adults to be educated would have the greatest impact, short of a baby boom, the region would need to attract more non-native students — of which only 20% are likely to stay upon graduation. Moreover, although rising educational attainment has been a boon in the past, raising college attendance rates much higher would be difficult without significant investments in financial aid to increase access. And as college attendance has increased, completion has fallen, so policymakers will need to expand college readiness and success programs to maintain the likelihood that each additional student who enters the pipeline exits with a college degree.

This suggests we focus on boosting retention as the strategy to increase the number of recent college graduates — particularly among non-natives and those educated at private and selective institutions.

Building stronger ties between colleges and employers by expanding internship opportunities may help graduates, particularly non-natives, learn about local job opportunities and form networks within the region. Indeed, the Central Massachusetts Talent Retention Project found that connections to employers and the community are an important factor for retention with 47% of students who worked off campus and 41% of students who participated in an internship planning to stay upon graduation. Yet interviews with employers revealed that many smaller companies do not use interns because of the difficulties in securing one, and the time commitment required for supervision. In response, the Colleges of Worcester Consortium, a 40-year-old alliance of 13 area

colleges in central Massachusetts, developed an online internship database to enable employers of all sizes to tap into the pool of educated workers in the area. The consortium estimates that its members place more than 3,000 students annually in internships, co-ops, clinics and schools, with most programs offering academic credit for professional-level work. More formal and widespread internship programs across the region could potentially be a win-win-win situation: allowing students to learn about a job or firm, lowering recruiting costs for employers, and enhancing the reputation of the college.

Some New England states are increasing investment in public higher education to make their state universities more competitive with prestigious private institutions and flagship public universities in other parts of the country. Commonwealth College at the University of Massachusetts Amherst is one example. The honors college could encourage more academically talented native students, who are likely to remain in the region after graduation, to stay and attend college in New England.

Branding the region to appeal to recent college graduates, particularly non-natives, as a place to "work, play and stay" could help New England shake off the "old, cold and expensive" image and boost retention rates. This is the goal of New Hampshire's "55-Percent Initiative," which calls for increasing the percentage of college graduates who remain in the state after graduation from the current 50%, to 55% through a "tourism-like" marketing campaign.

The effectiveness of financial incentives to boost retention rates is less clear. Opportunity Maine, for example, allows college graduates who work and pay taxes in the state to claim tax credits for payments on student loans. Other New England states have targeted loan-forgiveness programs aimed at retaining recent college graduates in particular industries such as biotech, or occupations such as teaching. While these initiatives help offset student debt, they are not targeted at non-native graduates and run the risk of rewarding those who would have chosen to stay anyway.

New England is likely to face even greater competition for college graduates in the future — particularly in a global economy where workers and jobs are more mobile. Contrary to the usual reasons offered to explain why individuals leave New England, recent college graduates appear to be moving primarily to seek the best job opportunities. What then will boost retention? As Bentley University economist Patricia Flynn observes, "Being offered a really good job will override housing costs, snow and a lot of other issues."

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Why Our Graduates Are Settling in Other States

And why we shouldn't care

PHILIP A. TROSTEL

How often have those of us involved in public higher education heard a lamentation to the effect, "Since so many graduates of our public colleges settle in other states, why should our state subsidize the workforce development of other states?" Or, "Why should we get more people into college when we won't have enough jobs for more college graduates here?" Or, "Why should we produce more college graduates when it will just reduce the wage premium for our existing college graduates?"

These widespread sentiments indicate a general lack of understanding about jobs in a modern economy. The underlying notion is that the demand for college-educated labor is independent of supply. Indeed, we are taught in Econ 101 that the demand curve is independent of the supply curve. Yes, this is true in most kinds of markets, but not labor markets. The notion that labor demand is independent of labor supply is inconsistent with the evidence.

Contrary to previous dire predictions, the economic return to a college education is higher now than a generation ago. Moreover, the wage premium for college graduates is not lower in states educating high proportions of college students. Indeed, states educating relatively high numbers of college students attract roughly as many college graduates from other states as they lose to other states.

Jobs Are *Created*

The problem with the typical way of thinking about the labor market for college graduates is that it ignores two fundamental aspects of markets for labor.

First, jobs are created, and destroyed, all the time. Many jobs currently being destroyed were created only a generation ago. For example, American employment in computer manufacturing, once a significant growth industry, has been in steady decline for more than a decade. The demand for different types of labor is far from constant. The job market in a modern economy is constantly evolving.

Second, job creation does not happen randomly. The jobs that are created in a particular place and time are generally those that best match the skills of the local workforce. For example, if one wants to start a firm that needs low-skilled labor, there is an obvious incentive to place it in a low-wage region. If one wants to start a firm that needs rocket scientists, there is an obvious incentive to locate where one can most easily attract those kinds of skilled individuals. Similarly, the adoption of new technologies depends on the nature of the local workforce. Attracting educated workers from afar is costly. Hence, it is no coincidence that high-tech clusters, such as Boston's Route 128 corridor, are located near important universities. Although those with more education tend to migrate toward higher-paying regions, it is equally if not more true that high-wage jobs migrate toward regions with higher-skilled workers.

Supply Creates Its Own Demand

Another way of expressing this is that the supply of college graduates in a state essentially creates its own demand. This is a variation on the economics theme called Say's Law. A highly educated workforce, to a large extent, attracts and creates its own jobs. High-wage jobs are drawn to where there is an abundance of high-skill workers. So, what really matters for judging an individual state's interests in supporting higher education is not emigration, but *net* emigration. It is the net loss, not the gross loss, of college graduates to other states that matters. If educating college students attracts and creates good jobs and prosperity in a state, it doesn't really matter if those jobs are filled by in-state or out-of-state graduates.

Interstate migration occurs for many reasons such as cultural amenities and weather, and there will always be some emigration of labor, but to focus on the gross emigration of a state's college graduates is to mix these reasons with the specific effect of new graduates on the state's labor market. Moreover, workers and jobs are not homogenous (especially in instances of high skills); thus, "job matching" is an important aspect of labor markets. The lowest rate of emigration of college-educated labor is not necessarily desirable. When matching workers to highly specialized jobs, having employees with the most appropriate skills is what matters.

What is desirable from a state's economic perspective is the *thickening* of the labor markets for various types of educated labor. A state with a thick supply of highly skilled workers has a significant competitive advantage in attracting and creating high-wage jobs. Firms locating in a place with a deep talent pool find it significantly easier, and less costly, to find workers best suited to their labor needs. Why else would firms in the knowledge business, where there are no shipping costs, locate in relatively expensive cities such as Boston? It is the net impact of new college graduates on intrastate labor markets that is the relevant issue.

Intrastate Impact of New Grads

I recently conducted a study quantifying the net impact of new college graduates on states' job markets for college

graduates. Contrary to the widespread perception, this research clearly indicates that the effect of producing college graduates in a given state on the state's overall college attainment is close to proportionate. More specifically, the intrastate effect of new college graduates on college attainment appears to be at least 90% and most likely higher. That is, for every 100 people graduating from college in a state, the state's overall college-educated population increases by 90 or more. In fact, for graduates from public colleges, the effect appears to be fully proportionate.

On average, states graduating relatively high numbers of college students experience only a small net loss of graduates. States graduating lots of college graduates also create lots of jobs for college graduates. The evidence also clearly reveals that new college graduates in a state have no noticeable impact on either unemployment or wages of college graduates in the state. The wage premium from having a college degree is not affected by having relatively high numbers of college graduates.

The Northeast is different from the rest of the United States in terms of higher education. Relatively more college education in the Northeast occurs in private institutions. Presumably this is the main reason why public support for higher education in the Northeast is much lower than in the rest of the nation. In addition, more students in the Northeast cross state lines to attend college, and, because the states are smaller geographically, their labor markets are generally more integrated with those in neighboring states.

For these reasons, the within-state effect of college graduates on attainment is somewhat lower in the Northeast than in the rest of country. Nonetheless, the intrastate effect of new college graduates on college attainment in the Northeast appears to be about 80% or more, and the effect is even higher for graduates from public colleges in the Northeast (about 94%). The evidence indicates that the net loss of college graduates is considerably smaller than popularly believed. So it is still in individual New England states' interests to get more students into their colleges. But there is also more reason for interstate cooperation in higher education in New England compared with the rest of the nation.

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Insecure?

Keeping New England college campuses safe from violence

ALYSSA FRANZOSA

On April 16, 2007, Seung-Hui Cho traded in his title as "student" for one of "gunman." That day, Cho, a student at Virginia Tech, was responsible for the deadliest shooting spree by a single person in U.S. history, killing 33 people, including himself. Ten months later on Valentine's Day, Steven Kazmierczak joined Cho in the ranks of student gunmen, killing five people on the Northern Illinois University campus and then taking his own life.

Though unrelated, these violent acts are linked in their impact. They engender fear in students, parents, faculty members and campus administrators that on any given day, one student might become a murderer — or a murder victim.

The threat of campus insecurity exists nationwide, and colleges throughout the country are overhauling their safety initiatives. Last year, Massachusetts Gov. Deval Patrick and the state Department of Higher Education commissioned four experts on the subject to author a report, *Campus Violence Prevention and Response: Best Practices for Massachusetts Higher Education*. The July 2008 report analyzes past and present practices for safety and violence prevention, and recommends better, more comprehensive practices to keep Massachusetts students safe.

So, what exactly *should* be done to provide a safer campus?

"The way to treat [the threat of campus violence] is the same way one treats something like fire safety," says Bridgewater State College psychology professor Elizabeth Englander, one of the report's four authors. "You let people know you are thinking about it and that you know how to react."

Communication is key and, in an age when students get the bulk of their campus information online, the Internet must play a vital role in a college's security communications. "This generation is apt to go first to the website," Englander says. "It's an important avenue."

The UMass Amherst police department webpage, just two clicks from the university's main homepage, offers a good model for content and organization. The site directs students to the university's Clery reports, which colleges are required to publish annually, disclosing campus security policies and three years of crime statistics. The police site also includes a daily crime log, safety alert bulletins, guidelines in the event of an active threat, and an anonymous witness form (a feature that the Massachusetts report found lacking on many college sites).

The threat of campus insecurity exists nationwide, and schools throughout the country are overhauling their safety initiatives. But with the pressure so high to keep campuses safe, some schools are struggling to measure up.

Though federal law requires colleges to publish and distribute Clery reports, students must take it upon themselves to review a college's crime statistics. It's also up to the students to take advantage of the safety measures their colleges provide. What can colleges do to encourage participation? The Massachusetts report recommends that campuses include public safety as part of orientation for incoming students. In addition, all schools are required to have an emergency notification system that will alert students through email, phone and text message if a threat is present. But students should also be made aware of exactly how the system will be used and what information will be transmitted.

The University of Rhode Island in 2007 ran an awareness campaign, encouraging students to sign up to receive email and text message alerts in the event of a threat on campus via eCampus, URI's online record-keeping system. As an incentive, students who registered early were entered in a drawing for a free iPod.

The Massachusetts report also recommends that campuses make mental health services easily accessible to students. Such services must be promoted to students who otherwise would not seek out the services on their own. Former University of New England President Sandra Featherman wrote on this topic in the Summer 2004 issue of *The New England Journal of Higher Education* (then called *Connection*)."More students are arriving at college today with emotional issues than just five years ago," noted Featherman, "and there has been dramatic growth in the severity of the problems. These students are creating a need for significant expansions in college counseling services."

New England's land-grant universities have set up websites for counseling services to make counseling centers more accessible to students. The University of Maine, for example, established a counseling center and website that students can go to for assistance with any number of issues. In a section on the site called "Sigmund Says" a virtual Sigmund Freud helps stressed students who "just need advice from an old friend."

Still, students who show no signs of emotional problems to campus counselors may offer disturbing hints to college faculty through means such as their writing or art. Faculty and staff should be prepared to recognize unusual behavior and know what to do in such cases, the Massachusetts report notes. At Virginia Tech, Seung-Hui Cho's teachers had no formal guidelines, but instinct told them something was amiss with the student. Lucinda Roy, former chair of Virginia Tech's English department, decided that Cho's writing was so disturbing she needed to remove him from class and instruct him one-on-one. After the massacre, Roy told CNN that the decision had to be made on her own, because since the threats were not specific, the campus could take no official action.

Katherine Newman, professor of sociology and public affairs at Princeton University, wrote in *The Chronicle of Higher Education* that those at Virginia Tech did "exactly what we would want them to do. They alerted the counseling staff to the scary writing submitted by the shooter; they tried to cajole him into treatment; and they warned the police."

The key to fighting campus insecurity is not to create fear or diminish freedom, but rather to keep resources available, raise awareness that threats exist and maintain open lines of communication.

The Massachusetts report recommends that colleges have in place a formal procedure to train faculty and staff in recognizing and dealing with a student whom they see as a threat. The University of Connecticut, for one, provides a downloadable guide for faculty on its website titled "Helping Students in Distress."

The key to fighting campus insecurity is not to create fear or diminish freedom, but rather to keep resources available, raise awareness that threats exist and maintain open lines of communication. Says Englander: "You never want to lose sight that the freedom of information flow is the most critical element of higher education and you can't tamper with it."

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Current Funds

Public higher education finance in New England

PAUL E. LINGENFELTER

New Englanders have been well-served by the region's higher education legacy. They tend to be better-educated and more prosperous than the rest of the nation, and the cultural life in their cities and towns is exceptionally rich. But New England dares not rest on its laurels. The growing demand for even greater levels of educational attainment in the 21st century requires a re-examination of public policies for postsecondary education finance.

Higher education in New England is still shaped fundamentally by a heritage of strong private institutions rooted in the colonial era. In 1870, the 563 American colleges and universities were predominantly private and enrolled 52,000 students (0.1% of the nation's population). Seventy years later, 1,700 institutions enrolled 1.5 million students (1.1% of the population), a ten-fold increase as public-sector enrollment and spending exceeded the private sector for the first time in U.S. history.

By 1980, public community college development had increased the number of institutions to 3,150, educating 11.6 million students (5.1% of the U.S. population), of whom more than 75% attended public institutions. In 2005, the public sector still accounted for 75% of the 17.5 million students enrolled in 4,200 U.S. institutions.

Although New England experienced similar institutional and enrollment expansion, its public-to-private enrollment ratio stands in stark contrast to the nation. Of its current total enrollment, 48% is in private institutions, compared with 25% nationally. Coupled with slower, later growth of the public sector, the predominance of private postsecondary education has influenced appropriations, tuition and financial aid policy in the region.

New England and the Nation

While the federal government provides important support for research and student assistance, state and local governments are the predominant funding sources for public higher education. For states, policies and decisions about postsecondary financing are made in the context of economic conditions, tax structures, political culture and competing budgetary priorities. The New England heritage reflects a system designed primarily to educate high-performing students in selective institutions. While this heritage has served the region and nation well, a stronger commitment to public higher education will be required to meet the demand for more widespread educational attainment in the 21st century. New England has struggled to build and fully appreciate an effective public system to serve an academically diverse population. As shown in Figure 1, the state and local commitment to higher education is often substantially below the U.S. average on the usual indicators.

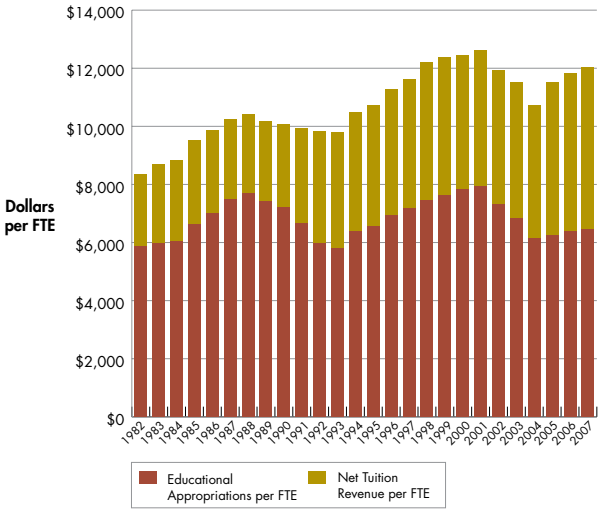
Figure 2 illustrates public appropriations per student in New England from 1982 through 2007. The pattern of decline in recessions, followed by recovery, is similar to the national experience. Nationally, the high point for state and local funding occurred near 2001, when per-student support reached $7,595 (in 2007 dollars), $7,931 for New England. (For national comparisons, New England data are adjusted downward to reflect the region's higher cost of living.) By 2004 and 2005, as enrollment and inflation grew much faster than increases in public funding, state and local funding per student fell to approach the lowest levels of the past 25 years. In 2006 and 2007, appropriations began a recovery in the United States, but constant dollar per-student state support has not returned to the 2000 and 2001 levels. Nationally, 2007 appropriations per student are 7.7% below 2002 appropriations. In New England, the decreases range from 18% in Rhode Island to 8% in Massachusetts, all deeper decreases than the U.S. average.

The growth of tuition during recessions to offset declining state support is well-documented. In constant dollars, net tuition per full-time equivalent (FTE) student grew 110% nationally over the past 25 years; in New England constant dollar net tuition per FTE grew 125%. At $5,592, net tuition in New England is 45% higher than the U.S. average of $3,845.

Figure 1: State and Local Government Higher Education Funding, FY 2007

	Support per Capita	Percentage of U.S. Average	Support per $1,000 of Personal Income	Percentage of U.S. Average
Connecticut	$264	95%	$4.87	68%
Maine	197	71%	5.85	81%
Massachusetts	199	72%	4.06	57%
New Hampshire	94	34%	2.27	32%
Rhode Island	186	67%	4.70	65%
Vermont	136	49%	3.70	51%
United States	**$277**	**100%**	**$7.19**	**100%**

Figure 2: Educational Appropriations and Total Educational Revenue per FTE, New England, FY 1982 to 2007



Note: Constant 2007 dollars adjusted by SHEEO Higher Education Cost Adjustment, Enrollment Mix Index, and Cost of Living Adjustment. Source for Figures 1 and 2: SHEEO SHEF

Despite above-average tuition, New England states collectively provide below-average tuition aid. Massachusetts, the state that gives the most aid per student in the region ($496), is just slightly above the U.S. average ($467). Three of the six New England states rank in the top 10 for student debt at public institutions: New Hampshire (3rd), Maine (7th), and Vermont (9th). When considering both public and private four-year institutions, five of the six New England states rank in the top 12 for debt burden.

As the nation and the region enter another recession, the effects of appropriations, tuition, and student assistance policies on higher education opportunity and student debt will become more profound.

How Much Public Spending?

While total postsecondary education spending in the United States is about 2.6% of gross domestic product (a larger proportion than any other country), public investment in U.S. postsecondary education is roughly in line with other developed countries. Higher levels of private spending (both higher tuition costs and revenues from endowments and private giving) account for the margin of difference between the United States and other advanced nations.

While international comparisons may mislead due to differences in what is included in postsecondary expenditures (auxiliary enterprises and independent functions such as athletics and medical care are more salient in the United States), it is difficult to argue the United States *under*-invests in higher education. An important factor in the size of U.S. expenditures is the practice of spending considerably more at the institutions disproportionately enrolling academically gifted and financially prosperous students.

Since generous spending is associated closely with quality in higher education, the association of money with quality complicates public discussion about finance. In public dialogue, three misguided ideas appear frequently:

There is a "right amount"; we can create the perfect formula.

The search for a perfect formula has generated endless debate and mind-numbing data analysis. Financial policy is fundamentally about priorities, investment, management and politics — not formulas. Higher education is not entitled to a fixed share of public resources, nor can one demonstrate a clear connection between spending and outcomes; the "right amount" always has been determined through judgment and negotiation.

The only way to get improved performance is to spend more money.

This mindset annoys policymakers and business leaders who are forced to increase productivity despite tightened financial bottom lines. These stakeholders argue that increasing financial support to education historically has increased costs without producing better results.

We can get the results we need without spending more money.

Some well-intentioned advocates in the accountability movement argue that additional investment in postsecondary education is completely unnecessary; all that is required is more discipline. This view would be more persuasive if the world economy did not require a quantum leap in educational attainment; marginal change will not do.

States must now educate a larger *proportion* of their populations to cope with a less clear threat — the loss of competitiveness in the global economy.

Policymakers and educators will make more progress if they redirect their attention to three fundamental questions:

What does the public need from higher education?

The central issue is the need for more educational attainment. In the 1960s, the nation and states addressed the need to educate the baby boom by dramatically increasing investment in postsecondary education. Gaining consensus on this investment was easy: the number of 18-to-24-year-olds was increasing rapidly, and Sputnik had been launched into space. Today, consensus is harder to achieve as educational needs have shifted and become more complex. States must now educate a larger *proportion* of their populations (a more difficult task) to cope with a less clear threat — the loss of competitiveness in the global economy.

Despite the greater complexity of the issues, the basic dynamics remain the same: when there is consensus about goals and priorities, investment will follow.

What can higher education do better with its current funding?

This is the key to progress. The public has deep faith in the value of education, persistently expressed in public polls, political rhetoric and the recurring pattern of recovery in funding postsecondary education. But too many in the public lack confidence that additional investment will generate the needed results.

Currently available resources are greater and far more important than any "new money" that might be obtained in the foreseeable future. Additional spending is unlikely to produce better outcomes in higher education unless there are *changes* in the way resources are allocated and the manner in which teaching and learning are approached. The most important financial issue in postsecondary education is the use of existing funds, not incremental dollars. Institutional priorities and the incentives of state budget processes will have more impact on effectiveness than any feasible amount of incremental funding.

Where can strategic investments generate the needed results?

Marginal dollars still matter; money motivates action. People with ambitious, shared objectives are willing to pay for results. Strategic investments are essential for achieving widespread educational attainment; policymakers and postsecondary leaders need to agree on the agenda. The reallocation of existing resources to address public priorities will help build public support for well-targeted incremental resources.

New England's "best-educated" citizens can compete in any market, and their college participation and attainment rates are generally well above average. Yet New England, perhaps more than any other region of the country, faces the risk that a growing number of its residents may not be prepared for a lifetime of learning and adaptation in the global marketplace.

Elementary and secondary schools must help more students prepare for success in college and the workplace. Colleges and universities must increase student participation, retention and completion rates. Recognizing the importance of educational attainment to New England's future, policymakers must make strategic investments to ensure that New Englanders have the educational resources necessary for success in the 21st century.

The most important financial issue in postsecondary education is the use of existing funds, not incremental dollars.

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Pumping the Money Lever

Why state approaches to higher education finance need an overhaul

DENNIS JONES

Finance policy is the most powerful tool available to state governments seeking to influence performance of the state's postsecondary education system. This is true whether the objective is greater contributions to solutions of key problems or simply greater productivity — an unspecified bigger bang for the buck. To be sure, there are other arrows in the state policy quiver including governance changes such as reorganizing system structures or appointing university trustees with particular philosophies, regulatory devices and accountability mandates. But money is the big lever, and not necessarily the final amount, so much as the rules by which it is meted out by the state and "earned" by the institutions and students who are recipients of taxpayer dollars.

The rules governing resource allocations to higher education were developed years ago to meet the very different needs of those times. Those needs could be characterized as promoting access for a larger and more diverse student population and creating the institutional capacity necessary to meet the needs of these enrollees. A related objective for a successful funding model was affordability: keeping the cost of attendance low enough that all state residents could afford college and enrich their lives. Federal policy has historically borne the brunt of this obligation through an evolving set of student financial aid programs, though several states with large independent college sectors have created major aid programs to allow students choice as well as access. In most states, the policy response to the affordability criterion was low tuition (and therefore high state subsidies) for students attending public colleges and universities.

The states' obligations have been conceived predominantly as those to ensure the presence of institutions of sufficient size and diversity of mission to meet the needs of the state and its residents. The criteria for financing models in this domain have traditionally been adequacy (do they yield funding at levels that allow institutions to fulfill their assigned mission?) and equity (given their different missions and needs, are institutions treated fairly?). Funds for creating and maintaining the necessary institutional capacity have traditionally been derived from state and local taxes along with student tuition and fees.

Different states use varied approaches to institutional funding, but there are two variations on a basic model, both driven by costs associated with undertaking certain activities. One is a base-plus model where determination of next year's funding starts with this year's number and adjusts it (usually upward, but sometimes downward) to reflect changes in activity levels (e.g., enrollments) and prices of production factors. The second is an approach that applies negotiated factors such as dollars per full-time equivalent (FTE) student or dollars per square foot of facilities to a variety of cost drivers (enrollments, physical plant size) to calculate a measure of institutional financial need.

These approaches have certain characteristics in common:

1. They are essentially cost-reimbursement models. They start from a set of assumptions about education production and carry these assumptions forward in developing requests for funding in future years.

2. They are activity-based. The major cost drivers are factors such as students to be served, credit hours taught (often distinguishing those at different levels in different fields), size of the plant to be maintained, and size of the budget or workforce to be managed.

3. They typically contain a mechanism for changes in levels of activity (the numbers of each of the cost drivers to be accommodated) and in costs of units of production (an inflation adjustment).

All approaches to resource allocation contain incentives for institutional and student behavior, intended or not. In pursuit of the adequacy and equity goals in institutional funding, states created incentives for institutions to:

- Enroll students but not get them to the point of graduation.
- Expand their mission to attract more students and to build a program portfolio with higher revenue potential.
- Acquire more resources (faculty, buildings) rather than make more efficient use of the assets already in hand.

To rein in the behaviors encouraged by these financing models, states have created regulatory constraints, regarding mission, role, scope review and approval processes, course and program approval procedures, position control, facilities approval processes and directives on use of resources, such as maximum share of resources devoted to administration. College administrators find some of these constraints intrusive. Some states have attempted to overcome the inherent incentives in current funding models by adding a performance-based component to their funding models. These have generally been considered failures, largely because the funding dependent on performance, for example, pegged to increasing numbers of degrees produced, has not been large enough to offset the pressures in the core funding model that push institutions toward traditional ways of doing business.

Current funding mechanisms are recipes for maintaining the status quo. But policymakers and educators have come to understand that the status quo is not serving well either the polity or its citizens. A focus on access with an accompanying indifference about success is passé. Whereas the loss associated

with failure to complete some level of postsecondary education once fell squarely on the individual, now that loss is much more widely shared by the larger society. As awareness of the country's (and states') declining competitiveness spreads, the importance of a "public agenda" for higher education in the state gains traction. Policymakers now almost uniformly recognize that the states' colleges and universities are their best hope for addressing the critical issues facing the state — such as an underperforming K-12 system, the development of a workforce big and skilled enough to compete globally and the need for innovations that can help diversify and expand the economy.

This increasing dependence on higher education is coming at a time of constrained resources. Even if the economy hadn't gone into a tailspin, demands from other quarters (Medicaid, corrections, K-12) would have made it impossible for states to pay for the levels of activity at the rates they've been paying. Shifting the burden to students threatens to become a self-defeating strategy. The economics have to work for the students as well as institutions and the state; affordability has to be maintained at a level that ensures a sufficient flow of students into — and all the way through — the education system so that societal needs will be met and individual prosperity and quality of life sustained.

Clearly, the funding models currently in play misalign incentives with priorities. The reality that productivity enhancements must be achieved is at odds with mechanisms that coddle inefficiencies, and the failure to factor incentives for student behavior into the models in an explicit way, are all shortcomings of the prevalent approaches to higher education funding employed by the states.

A New Model

A more ideal funding model would incorporate institution- and state-focused elements in a way that they are aligned with the state priorities — *the public agenda* — and with one another.

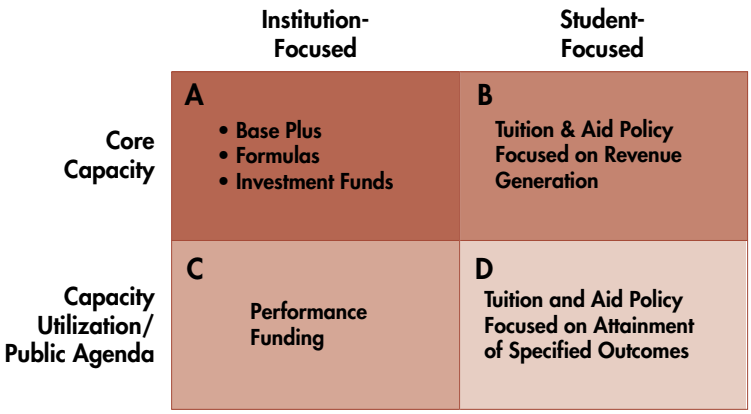
Component A is the institutional funding designed to create and maintain the core capacity of the enterprise needed to enroll and graduate students in the numbers and with the characteristics needed by society. It should be the centerpiece of any funding model. The key change needed here is to create a culture that rewards student success rather than mere enrollment. The obvious step would be to shift funding from a system based on credit hours or FTE base to one that pays for the numbers of degrees produced, with variations in allocation based on types of degree and centrality to state priority. But institutional leaders would be loath to embrace a financing model that depends on student behaviors outside their control and postpones payment until long after the costs associated with producing the desired results have been incurred.

The fallback position is to fund on the basis of credit hours completed rather than credit hours enrolled — to utilize cost drivers counted at the end of the term rather than at an early-term census date. This strategy, pursued by a handful of states, is based on the conclusion that students will not complete a degree program if they fail to complete the program's constituent courses. This shift is being contemplated by several other states, and early indications are that this modification to state policy can affect institutional behavior in desirable ways.

Component B reflects the basic tuition and financial aid factors designed to yield a revenue stream to support capacity maintenance. As the basic funding from state government becomes more problematic, tuition and financial aid become more important. In most instances, the policy focus has been on setting tuition rates at levels required to fill gaps in revenue streams and on need-based aid programs intended to ensure continued affordability. Such aid programs have been more oriented to access than to ultimate program completion. There are ways, however, that basic need-based programs can be modified to reflect the success agenda. The point of intervention is at preparation for college — ensuring that students take a rigorous high school curriculum. One approach is to make access to means-tested aid conditional on taking a prescribed high school curriculum such as Indiana's 21st Century Scholars does. An alternative is to provide a bonus to the means-tested amounts for students taking

Funding models built on the priorities of student access and institutional growth will no longer suffice. Those based on student success and productivity increases consistent with getting more entering students through the pipeline will become ascendant.

Figure 1: Financing Model



a college-prep curriculum, as Tennessee's Lottery Scholarship program does.

The Shared Responsibility models of Minnesota and Oregon establish a fixed cost of attendance for each type of institution; indicate the amount expected from the student through work, merit aid or loans; maximize the use of federal grant programs; factor in expected family contributions; and make the state funding the "last dollar in."

The structure of these programs sends the signal that funds for college will be there, that the amount of student earnings required would be limited, and that good performance in high school will make it possible to work and borrow less.

Component C represents the element that can tie funding directly to accomplishment of state priorities. Performance funding is being implemented in numerous states, most frequently to reward institutions that increase the number of students graduated from the institution. Variations emphasize graduating students in high-need areas (STEM, nursing, etc.) or graduating students who enter the institution as "at risk" students. Performance funding will have greater leverage if:

- Core funding (category A) is outcome-oriented and performance funding can reinforce it or add specificity to the basic model.
- The size of the performance funding pool is large enough that it can't be ignored — under 2% won't get the job done.
- Each institution gets access to only performance pools that expressly reinforce its mission (research universities get rewarded for increasing numbers of graduate — but not undergraduate — degrees, while teaching institutions are precluded from benefiting from pools designed to enhance research competitiveness).
- There is no ambiguity in measures of success.

Component D, incentive funding directed at students, is largely uncharted territory. But as society's stake in student success goes up, attention to this component will increase as well. Historically, the only initiatives in this category have been loan-forgiveness programs, in which some part of a student's loans are paid back by the state, if the student earns a degree in a particular field and stays employed in the state for a specified period of time. Some states are now talking about bolder initiatives, such as direct payments to students who complete their programs on time, or complete a degree while taking fewer credits than the catalogue-specified number at the college.

There Will Be Change

The demands of society and constraints on resources will require change in the financing models states use to fund their higher education enterprises. Models built on the priorities of student access and institutional growth will no longer suffice. Those based on student success and productivity increases consistent with getting more entering students through the pipeline will become ascendant. Models based on preserving the status quo will have to give way to those that foster purposive change. They will have to be more explicitly a tool of public policy rather than a device for institutional funding.

To be effective, financing models need to comprise all four components identified above, coordinated in ways that make them mutually reinforcing. To this end, state policymaking will also have to change. First, states must become more explicit about statewide goals, and expectations for performance of the higher education enterprise will have to be stated and pursued over an extended period. In addition, finance models consistent with the expectation will have to be fashioned. In all likelihood these models will have to be more comprehensive and more sophisticated than those currently in vogue. Failure to make these changes will yield the same old inadequate results.

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A Work of Art

Mass College of Art and Design's new partnership with the state

KATHERINE SLOAN

During the 2002-03 fiscal crisis in Massachusetts, Gov. Mitt Romney proposed sweeping changes for public colleges in the state. Among them was a proposal to privatize three highly specialized colleges, including Massachusetts College of Art and Design, the nation's only independent public college of art and design. The rationale was that the college could not only survive, but also "soar" with an independent status. But when trustees and administrators examined Romney's proposal closely, they found that the governor's plan was not economically feasible for a small, specialized college with a tiny endowment (about $2 million at that time) and a large campus with $15 million in deferred maintenance.

Given the current and future importance of creative industries to the region's economy, the trustees remained committed to MassArt's mission to provide access to a strong professional education in the visual arts for all students of talent, regardless of economic or ethnic backgrounds. For that to happen, the trustees believed that the college must retain its public status, and that the governor and the Legislature must maintain a financial investment sufficient to keep the college truly affordable. At the same time, it was determined that the state appropriation was insufficient for studio-based education, and moving the college to a private status would lead to higher student tuition and fees, thus overturning the historic 135-year-old mission of the college to educate talented residents of Massachusetts in fine arts, design, and art education. This compromise the college community was unwilling to make.

As an alternative, we proposed a governance and financial model for MassArt based upon the experiences learned from public hybrid models throughout the nation, including Cornell University's statutory colleges and especially Maryland's St. Mary's College, which a few years earlier had been recognized by the Maryland Legislature as an exceptional public liberal arts college and given extraordinary authority and responsibility for its own future. MassArt proposed that it remain public, but, in exchange for a reduced initial state appropriation, the trustees would be given increased authority and responsibility for their future: to set and retain tuition and fees; to set enrollment goals and admissions standards; and to develop, with the Board of Higher Education (BHE) a set of performance goals specific to its mission as the nation's only public college of art and design and to report annually on progress. MassArt administrators knew the college was competitive nationally and — by attracting students beyond state lines and outside New England, even when charging tuition for these students at market rates for independent peer colleges of art and design — it could expand its financial support enough to increase the size of the undergraduate student body, including Massachusetts residents; increase the quality of the education by enabling MassArt to hire additional faculty of the highest quality; and develop additional resources to improve studio equipment and facilities.

During the FY 2004 budget session, the Legislature authorized MassArt and two other specialized colleges (Massachusetts Maritime Academy and UMass Medical School) to propose new models to leverage their strengths. Initially, tuition retention would be granted to MassArt trustees as a five-year pilot; the college would maintain an undergraduate student body with at least 60% Massachusetts residents, down from the current 70%. The college also would retain its strong commitment to a diverse student body and ensure that tuition for in-state students "remain affordable to all Massachusetts residents."

What Happened?

The initial five-year period 2003-2008 of the New Partnership between MassArt and the state reveals a record of success. The studio model of education is both equipment- and faculty-intensive, but additional revenue from out-of-state students has helped provide growing funding for the college. Today, MassArt receives approximately 32% of its operating budget from the Commonwealth, the smallest percentage of any state or community college in Massachusetts. This appropriation essentially allows the college to maintain modest in-state tuition and fees, less than one-third the average of its independent art-college peers, such as Rhode Island School of Design, Pratt Institute in Brooklyn, and School of the Museum of Fine Arts-Boston. New England students, including those covered by NEBHE's "tuition break" program, pay approximately 175% of the in-state rate, far less than the full out-of-state rate. Out-of-state and international student tuition is competitive with our peer institutions, this year set at $23,000.

Over the first five years of the agreement, total student charges for Massachusetts residents increased less than the amounts anticipated in the New Partnership business model approved in 2004 by the BHE. For the last three years, annual increases have been held at 5% or less. Need-based financial aid also increased for Massachusetts residents. The current plan means that no student should need loans to meet the direct cost of tuition and fees, currently $7,900. The college is working to increase campus-based financial aid so it can extend this commitment to include a

portion of the indirect costs of attendance, such as materials and supplies.

Because of the availability of additional funds to support enrollment growth and the growing national recognition of MassArt as a leading college of art and design, total enrollment in the bachelor of fine art program increased 18% during the five-year period, from 1,352 students in fall 2002 to 1,592 in fall 2007. Enrollment of Massachusetts residents — something the Legislature originally worried might decrease — increased 22%, while total out-of-state student enrollment grew 27%. Currently, Massachusetts residents make up 71% of BFA enrollments, well above the legislatively stipulated 60% benchmark. Tuition and fee revenue generated from out-of-state students grew 58% between FY 2004 and 2007, through enrollment growth and increases in student charges. The number of full-time faculty teaching in the undergraduate program increased by 19% as a result of making a commitment to strengthening the quality of the learning experience the highest priority of the plan. The college experienced strong growth in the design areas of its curriculum, especially in industrial and fashion design. During this period, the college also launched a BFA program in animation and a master's program in architecture. In addition, the college has been able to provide substantial scholarship support to students participating in a growing number of international travel courses.

Collaborations

One of the unanticipated outcomes of the New Partnership agreement has been MassArt's deepened involvement in the Colleges of the Fenway (COF), a consortium of six small colleges in Boston. Although MassArt is the only public college among the six — other partners include Simmons, Emmanuel and Wheelock colleges, the Massachusetts College of Pharmacy and Health Sciences and Wentworth Institute — we have been able to participate fully with these colleges in cross-registration and expanded shared student development programs such as intramural sports, performing arts, a Global Education Center and a COF orchestra and chorus. In addition, we share dining facilities and a bookstore with Mass College of Pharmacy, and a student fitness center with Wentworth and MassPharmacy. Our faculty and professional staff participate in joint development programs with their colleagues at the other COF colleges, and we have been able to take significant cost-saving measures through pooled resources. Most notable is a six-college wide-area IT network with high-level service and enormous savings for each college. Plans for even greater cooperative ventures are underway in areas such as health services and expanded residence housing. Indeed, the independence given to our trustees through the New Partnership has increased the willingness of our sister COF colleges to enter into partnership agreements with MassArt.

A final positive outcome of the plan has been a significant increase in private support. An active foundation board has led a renewed and successful effort in fundraising. The value of our endowment, though still much smaller than we would like, has increased since the inception of the New Partnership from $2.8 million to $8.5 million in FY07. Total private fundraising doubled after the New Partnership was implemented, from just under $2 million in FY03 to more than $4 million in FY07. Our donors tell us they have increased confidence in the college knowing that the state officially recognizes MassArt as a special-purpose college and that our trustees now have enhanced authority to make key multiyear planning and budgeting decisions. We are currently in the silent phase of a comprehensive campaign with goals that include increasing student financial aid, faculty support, a Center for Art and Community Partnerships, a Center for Contemporary Art, and a major renovation and expansion of our highly regarded public galleries and exhibitions program.

Performance Measures

As a specialized college, MassArt does not participate in the standardized performance measurement system that the BHE has established for public colleges in Massachusetts. But the college annually submits to the BHE and to legislative leadership performance reports on a number of key indicators, including affordability, access for Massachusetts residents, expanding private support, quality of students, first-year retention and graduation rates, and employment of graduates. The reports are widely distributed within the college. Each year we identify indicators to prioritize and additional ones to track.

Overall, the academic profile of our freshman students, including GPA, SAT scores, and class rank, has increased over the period. Our freshman retention rate hovers between 85% to 90%, and our six-year graduation rate has jumped to over 65%, a high mark among state colleges in New England and among our independent art college peers. We report each year on the racial and ethnic diversity of our student body; students of color account for about 20% of our undergraduate population. International students make up an additional 4% of our undergraduate student body. We are engaged in a planning effort at the college to ensure that the diversity of our faculty and staff reflects our student population and that our curriculum, student activities and cultural programming contribute to a truly multicultural campus environment.

What's Ahead?

The New Partnership agreement has strengthened MassArt by giving it an important measure of procedural autonomy, similar to that of an independent college. At the same time, it remains true to its long-time mission as a public college and remains within the state college system of Massachusetts. The Legislature has affirmed tuition retention to be a permanent feature of the college.

The five-year implementation plan approved by the BHE in 2004 will expire this year, and we are in the process of developing a plan for the five years ahead. This will include academic plans, performance and financial aid goals, and, most critical, enrollment targets and tuition projections. At the end of our

current plan, the college is about 15 full-time equivalent (FTE) students short of the total enrollment goal of 1,555 FTE projected in its original plan, and it has not yet met the projected and desired mix of out-of-state, New England and in-state students. Our model calls for an increase in out-of-state enrollment from the current 11% of new freshmen to at least the 15% that we had projected in the initial five-year plan. In the past two years, we have begun an active recruiting strategy for students outside New England, including international students. Our applications from out-of state students have risen sharply, but our yield has remained modest. We currently offer almost no tuition discounts and very few scholarships to students outside Massachusetts, and we believe that, given the substantial discounts by our competitive private-college peers, our out-of-state pricing may not be appropriate. We have hired an enrollment consultant to assist us in better understanding this highly competitive area of our enrollment strategy.

The New Partnership also diversifies MassArt's streams of revenue. As a very small college in a public system, MassArt has long recognized its fragility in depending heavily on state funding. In every economic downturn or state budget crisis, funding cuts have disproportionately affected the smallest colleges in the commonwealth. The New Partnership has attempted to address this concern by ensuring that the state appropriation continues, but is better balanced with revenues from a larger overall enrollment, higher student tuition — especially for students from outside New England paying market rates — and increased private support in the form of both annual giving and endowment support.

Today, after a number of encouraging years of increased Massachusetts state appropriations to its public colleges, we find ourselves once again in a time of funding reductions to campus state appropriations. Because of the depth of the global financial crisis, it is difficult and probably faulty to predict just how deep these cuts may become over the coming months, but we are likely to experience at best a period of flat state support for our colleges. For MassArt, that means that our willingness to assume additional responsibility for enrollment growth, increasing tuition revenues from out-of-state students, enhancing private giving and expanding entrepreneurial activities (such as entering into joint building projects with small private colleges in our area) becomes more important than ever. This will not be an easy time for any of us. But for Massachusetts College of Art and Design, the increased authority and responsibility given to its trustees by the Legislature and the BHE during the last fiscal crisis has positioned the college to continue advancing its mission in preparing students as leaders in both the cultural life and the creative economy of New England.

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Debt-for-Diploma System

Student-loan debt saddles college grads long after they earn degrees

TAMARA DRAUT

Over the past several decades, college tuition has nearly tripled, adjusting for inflation, and federal student aid has shifted from a predominantly grant-based system to one dominated by loan aid. These two factors have conspired to create a debt-for-diploma system, affecting young adults' choices about college, including where they enroll and whether or not they complete degrees. With two out of three undergraduates leaving school with student loan debt averaging $19,300, the debt-for-diploma system also exerts a powerful influence on young people's financial stability long after they've received their degrees.

Financial barriers represent a formidable obstacle for college enrollment and completion. For nontraditional students, the ability to afford college includes being able to pay for classes, books and basic living expenses such as transportation, rent, utilities and groceries. In order to meet both the direct and indirect expenses of college, many lower-income students are working more hours than is conducive to academic study. The Denver-based Education Commission of the States and the League for Innovation in the Community College found that 48% of community college undergraduates work at jobs in order to support their education. The U.S. Department of Education reports that nearly three-quarters of today's full-time college students hold down jobs, nearly half of them working 25 hours or more a week.

Students are working longer hours, accumulating unprecedented amounts of debt and taking longer to graduate in order to close the gap between the costs of college and financial aid. This unmet need is particularly great for lower-income students. In 1999-2000, the average community college student receiving a Pell Grant still had unmet need of more than $3,000 after all aid was taken into account, according to a report by MDRC. U.S. Education Department data reveal that a public college student from a family with an annual household income of $62,240 or less will have an average of $3,600 in annual unmet need, while students from families with an annual household income of $34,288 or less will have average annual unmet need of $4,689.

The gap between grant aid and the cost of attending college isn't too surprising considering the disproportionate amount of federal aid spent on loans or tax credits — forms of student aid that least influence the enrollment decisions of lower-income and first-generation college students. According to the College Board, of the $94 billion spent on federal student aid in the 2005-06 school year, only $18 billion was for grant aid, while loan-based aid comprised more than $68 billion, and tax credits $6 billion. Not only do grants comprise a smaller share of federal financial aid, but their purchasing power has declined precipitously, failing to keep pace with the cost of tuition and the surge in eligible students.

The federal government has failed to maintain funding levels for Pell Grants, which were originally intended to cover 75% of the cost of going to college for low- and moderate-income students. The maximum Pell Grant today covers about one-third of the cost of a four-year college. And only 22% of Pell recipients get the maximum; the average award in 2006 was $2,354, which covers less than half the average tuition and fees at public universities. The Project on Student Debt reports that 88% of Pell recipients now borrow, compared with 52% of their non-Pell counterparts, and borrow at higher amounts.

As costs have risen and grant aid has become anemic, students are being denied access to postsecondary education because it is unaffordable. The federal Advisory Committee on Student Financial Assistance estimates that if current trends continue, by the end of the decade, 4.4 million college-qualified students will not attend a four-year college and 2 million will not attend college at all because they cannot afford it.

Once enrolled, many students find the financial challenges overwhelming. Community college students cite financial factors as a main reason for quitting their studies. The financial challenges often mean young people churn in and out of college, taking time off so they can work full-time to amass the money needed to pay for tuition, books and other school expenses. Too many never find their way back to campus, as the pull of a paycheck is greater than the pull of college studies. Many of these young people join the one in five student borrowers who start out trying to get an education and minimize the expense for themselves, but end up with the worst of all possible results: debt and no diploma.

The cost burden is also substantial for traditional, four-year college students from low-income backgrounds. Since 1980, tuition at public four-year universities has more than doubled, after adjusting for inflation. In 2006, the average tuition at a public four-year college was $5,836, up from $2,628 in 1986 (2006 dollars), according to the College Board. Add in room and board charges for four-year colleges, and the total cost of attending in 2006 was $12,796, up from $7,528 in 1986. After adjusting for inflation, the average cost to attend a state university today is equivalent to what it cost to attend a private university a generation ago.

Higher tuition and dwindling financial aid mean most college students now borrow to pay for school. Some argue that the economic benefit a college degree commands in the labor market

justifies incurring more student loan debt. While it is true that someone with a bachelor's degree will earn approximately $1 million more over a lifetime than someone without a college degree, it is also true that the earnings for male college graduates have remained flat for three decades, while women with bachelor's degrees today earn only about 10% more than their mothers did a generation ago and $8,900 less per year than college-educated young men. Earnings for young workers with "some college" have declined, with the typical young male worker with "some college" earning 21% less than the previous generation and similarly educated young women earning 6% less.

A survey by the lender Nellie Mae finds that young adults who had been paying back their loans for at least three years reported feeling *more* burdened than those who were in their first years of repayment, and less likely to agree that the benefits of a college degree made the debt worthwhile. This is counterintuitive because one could reasonably assume that as young college grads' salaries rise and student debt takes up less of the monthly paycheck, the debt would feel like less of a burden.

One reason student loan debt may feel more burdensome as graduation is further in the rearview mirror could be the drag that loan payments have on a young person's ability to get ahead financially. Research by Demos has found that young college-educated households led by 18-to-34-year-olds carrying education-related debt had median financial assets that were 28% lower than college-educated households without student debt. Only 6% of young adult households with education debt would have enough financial assets to sustain them for three months if they lost their primary source of income, compared with 22% of those without education debt.

After years of unresponsiveness as college costs rose and federal aid fossilized, Congress last September passed The College Cost Reduction and Access Act, which provides an additional $20 billion in student aid over the next five years. The act was heralded as a major improvement, but its impact on college access will be negligible. The law increases the maximum Pell Grant by about $500 each year over the next five years, to $5,400 in 2012. The act also creates an income-based repayment system that caps the amount student borrowers would pay on their loans to 15% of their discretionary income (any income above 150% of poverty, or about $15,000 for a single individual). Finally, the law reduces the interest rate charged on certain new student loans, cutting it in half by 2012. These improvements are paid for by reducing the subsidies the government currently provides to student-loan companies. But none of these reforms is adequate to address the scale of the problem. The increases in the Pell Grant are likely to be underwhelming as college costs continue to increase, and the changes to student loan repayment options will help the most vulnerable and extreme cases of students with low earnings and high student debt, but will leave the overall system intact.

In a country where higher education serves as the primary lever of economic and social mobility, the debt-for-diploma system represents a major failure. It's predicted that over the next decade, millions of college-ready students will fall through the cracks of the current financial aid system. Their aspirations and our future hinge on whether or not bold action is taken now to restore the ladder of opportunity and end the failing debt-for-diploma system.

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