



February 22, 2017

TO: THE DISTRICT BOARD OF TRUSTEES
OF VALENCIA COLLEGE

FROM: SANFORD C. SHUGART
President

RE: WHITE PAPER: VALENCIA COLLEGE AND AFFORDABILITY OF
HIGHER EDUCATION

College and university affordability has become a significant national issue for a variety of reasons. These include a long-term escalation of cost associated with discounting in some independent colleges, cost shifting from state to students in public colleges and universities, and the rise of high cost proprietary models supported by federal financial aid and easily obtained loans. While Valencia College's history of stewardship and access stands in contrast to these larger trends, it is clear that cost has become a serious impediment to access for many students at many institutions of higher education.

High access, affordable colleges like Valencia carry a special responsibility to carefully steward their affordability and access and to build pathways to other institutions, lowering the overall cost to all. To this end, Valencia has drafted a white paper which provides national and state context for the issue of higher education affordability, factors which may impact affordability, and finally offers some conclusions and recommendations.

RECOMMENDED ACTION:

The President recommends that the District Board of Trustees of Valencia College approve the white paper entitled, *Valencia College and Affordability of Higher Education*, and its conclusions and recommendations. Further, the Board authorizes the College to initiate the rulemaking process leading to the Board's consideration and adoption of a Policy on Educational Affordability.

President 

Valencia College and Affordability of Higher Education

College and university affordability has become a significant national issue for a variety of reasons. These include a long-term escalation of cost associated with discounting in some independent colleges, cost shifting from state to students in public colleges and universities, and the rise of high cost proprietary models supported by federal financial aid and easily obtained loans. While Valencia College's history of stewardship and access stands in contrast to these larger trends, it is clear that cost has become a serious impediment to access for many students at many institutions of higher education. Therefore, high access, affordable colleges like Valencia carry a special responsibility to carefully steward their affordability and access and to build pathways to other institutions, lowering the overall cost to all.

As it has in the past, Valencia College seeks to establish itself as a leader in the discussion around college affordability by committing itself to a rigorous and ongoing internal analysis of the real cost of a Valencia education and its impact on the students we serve. This work will require that educational affordability serve as a design principle in development of programs and services, and as a measure of institutional effectiveness along with other measures of access, learning, success, and completion. Collaboratively established measures of Valencia's affordability will need to be benchmarked nationally and locally, tracked and published annually, and integrated into the College's annual budget development process. As with Valencia's efforts in the learning-centered college, building an institutional culture able to integrate a concern for college affordability into discussions of access, learning, success, and completion will require that two additional questions be

added to our collaborative decision making process: *How will this impact the cost of college?* and, *how will we know?*

Cost and Debt in Higher Education

The national concern over rising college costs is well founded. As the graph below indicates, published rates of tuition and fees at American colleges and universities (the "sticker price") have escalated at several times the rates of other goods and services, especially since 1990 (Chart 1).

When broken out by sector, the pattern is just as clear, with public four-year colleges increasing faster than either public two-year or independent four-year sectors, although it is important to note that the base prices are very different among the sectors (Chart 2).

Unfortunately, the habit in the media and in public discussions of conflating the data, ignoring sectoral differences, significantly distorts the real situation. Thus, while the inflation adjusted rates of increase are similar, ranging from ten to twenty percent annually from 2010 to 2015, the total costs are quite different, with public four-year colleges costing more than twice the public two-year colleges, and independent four-year colleges costing nearly ten times as much (Chart 3). It is also important to distinguish between published price and "net price" after discounting, though both have been shown to have an impact on access.

Discounting occurs primarily in the independent college sector, with their average rate of discounting approaching 50% of the published tuition, though these vary greatly from institution to institution (Chart 4). Even considering discounting, however, college costs, especially at four-year institutions, are reaching levels that greatly restrict access, creating both challenges and opportunities for America's high access institutions like Valencia.

Another important feature of cost escalation, and some would say a causal factor as well as a deeply concerning outcome, is student debt. Currently exceeding the nation's collective credit card debt, student debt peaked at about \$1.3 trillion in recent years, but borrowing has been on the decline since 2010. The average cumulative debt for a student-borrower (not all borrow) who attended a public four-year college was \$25,500 in 2013-14 and \$30,200 for an independent college borrower.

Community colleges have slightly higher default rates than other non-profit sectors, but account for only 6% of all debt issued to students, while serving more than 40%. At Valencia, the average cumulative debt for student borrowers (about 46% of recent graduates had debt) is just under \$15,000 and the default rate is about 14% and declining.

By any measure, Florida is a low-cost state for public higher education, with university tuition and fees ranging around \$6,500 and state college tuition around \$3,200. Valencia and UCF are both below the median compared to their Florida peers and considerably less expensive than private alternatives. (Rollins College tuition exceeds \$53,000, Full Sail University is more than \$48,000, Strayer University is over \$16,000) Further, when students blend their education by starting at Valencia and continuing to complete a bachelors degree at UCF, they reduce the total tuition and fees to under \$20,000 for all four years of study, or to about \$5,000 per year. There are other states where tuition and fees have been historically low, but most have been escalating those costs while Florida has held tuition and fees down for the past five years (Charts 5 – 7).

Cost and Productivity

While tuition and fees measure the cost per credit hour to a student, it is also useful to

consider the cost per outcome to understand the value of the education offered. In this case, Valencia far exceeds its peers with the lowest total annual spending per graduate, and the second largest number of graduates in the state system (Charts 8 and 9). Better outcomes reduce overall costs, reducing time to degree, reducing costs due to annual inflation, and getting more graduates into the labor market with their credentials earlier. While this winning ratio is in part a reflection of historic inequity in funding among the state colleges, with Valencia's unfunded growth always dragging its funding per FTE student into the cellar, it is also a testament to the college's ability to yield excellent outcomes in spite of funding. When coupled with the high placement rates in A.S. programs (95%), and with average starting salaries greater than the state universities' bachelor degree graduates, this should make for a very attractive value proposition, both to prospective students and to the state. Only recently, the state has begun to address both the inequities in funding with adjustments to the formula and also a larger commitment to funding based on performance outcomes. Both of these trends favor Valencia and bode well for future outcomes.

Other Contributions to Affordability

It should be obvious that a local college like Valencia allows students to attend locally with options for housing and employment that reduce the overall cost of attending college. In addition, almost 40% of students pay no tuition or fees out of pocket - 35% receive full financial aid without the need for a loan; another 4.6% have tuition and fees waived (Charts 15 and 16). While federal Pell Grants provide the bulk of scholarship support, the Valencia Foundation, now one of the largest community college endowments in the country with assets exceeding \$80 million, provides around \$2 million annually to students in support of their education. Note also, that the low tuition enables these dollars to stretch to many more students.

Affordability isn't just a matter of price, but of the cost relative to the buying power of the public to be served. For this reason, Valencia tracks costs as a ratio to median household income and after a slight increase during the recession, stabilized that cost at 6%, inflation adjusted. This compares very favorably to the cost at UCF (13%) and public four-year colleges nationally (21%) (Chart 12).

Another important component of the cost of an education is in textbooks and related materials. Chart 13 shows how extraordinary the run up in text costs has been just since 2002. In this area, too, Valencia has labored to make a difference for students. Pursuing strategies ranging from power buying, aggressive discounting, locally developed texts, and open source materials, the faculty have led Valencia's efforts at text affordability, reducing overall costs by 38% in four years and driving the cost of texts in the top twenty enrolled courses down by almost half (Chart 14).

Finally, one way in which the college has managed to keep the underlying costs low, reducing pressures on prices, is by thoughtful stewardship of the physical plant. Valencia thrives on less space per student than any college in Florida, reducing the operating costs, saving energy, and leveraging productivity (Charts 10 and 11).

Conclusions and Recommendations

1. Valencia College represents a significant value to both AS and AA students, particularly when the very low cost is considered along with exceptional outcomes. Marketing and outreach efforts should continue to emphasize that Valencia students achieve successful outcomes at a remarkably low cost, preserving their resources for further education and launching a new career and life. The current widespread concern about affordability offers an opportunity for the college to differentiate itself as a solution to

the affordability crisis. One challenge in this effort is the common consumer habit of equating price to quality, raising questions about how a college with such low prices compares to higher price alternatives. Every effort should be made to address this concern with reference to extraordinary alumni, outstanding national and statewide recognitions, industry leading placement, salary, and transfer rates, and emphasis on quality that is affordable, not just price.

2. While the majority of Valencia students incur no educational debt, the number and percent who do has risen in recent years, as has the amount of debt at graduation. The college should take steps to reverse this trend with aggressive efforts to communicate the risks that are incurred with student debt and by growing the available grants in aid from the Foundation and other sources in lieu of debt.
3. DirectConnect has been a powerful agent of access in the community, but both partners recognize that the system can still be tuned to further reduce time to graduation and excess accumulation of credit hours while assuring students complete their major program prerequisites prior to transferring to UCF. The partners should track and seek to improve these outcomes annually.
4. Dual enrollment continues to contribute much to the affordability of a college education, since it is tuition free. However, more could be accomplished if the college and school districts created more structured pathways with sustainable funding for dual enrollment students that lead to earlier completion of a degree rather than just additional accumulation of credit hours.
5. Valencia has taken a measured approach to the development of new bachelors degrees in partnership with UCF and others in the region. As additional degrees are developed at Valencia, affordability should be a design principle for each new degree, including both the direct tuition and fees and opportunities to reduce the total cost of attendance, such as text costs, perhaps requiring each new degree program to

include at least one low or no cost text alternative.

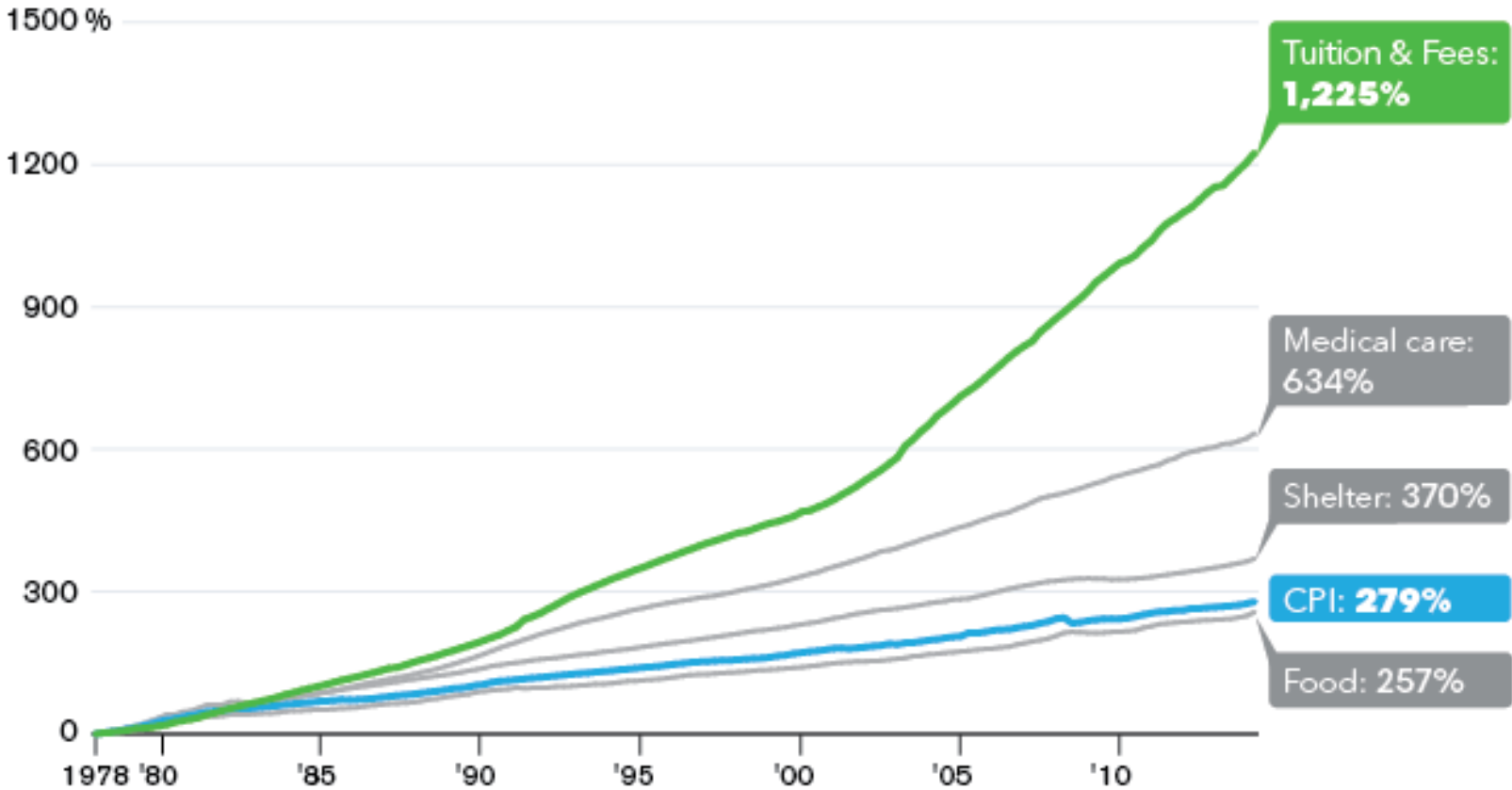
6. The Valencia College Board of Trustees should initiate the policy making process toward the approval of the following:

As a public institution charged with providing open access to higher education, the affordability of a Valencia education is essential to our mission of student access, learning, success, and completion. To that end, educational affordability shall be included in the design principles for development of programs and services and as a measure of institutional effectiveness. Measures of Valencia's affordability shall be developed and regularly reviewed, benchmarked nationally and locally, tracked and published annually, and integrated into the College's program and budget development process.

APPENDIX

Chart 1

Percentage increase in consumer prices since the first quarter of 1978



Source: Bureau of Labor Statistics

Bloomberg Visual Data

Chart 2

Inflation-Adjusted Published Tuition and Fees by Sector Relative to 1985-86, 1985-86 to 2015-16 (1985-86 = 1.00)

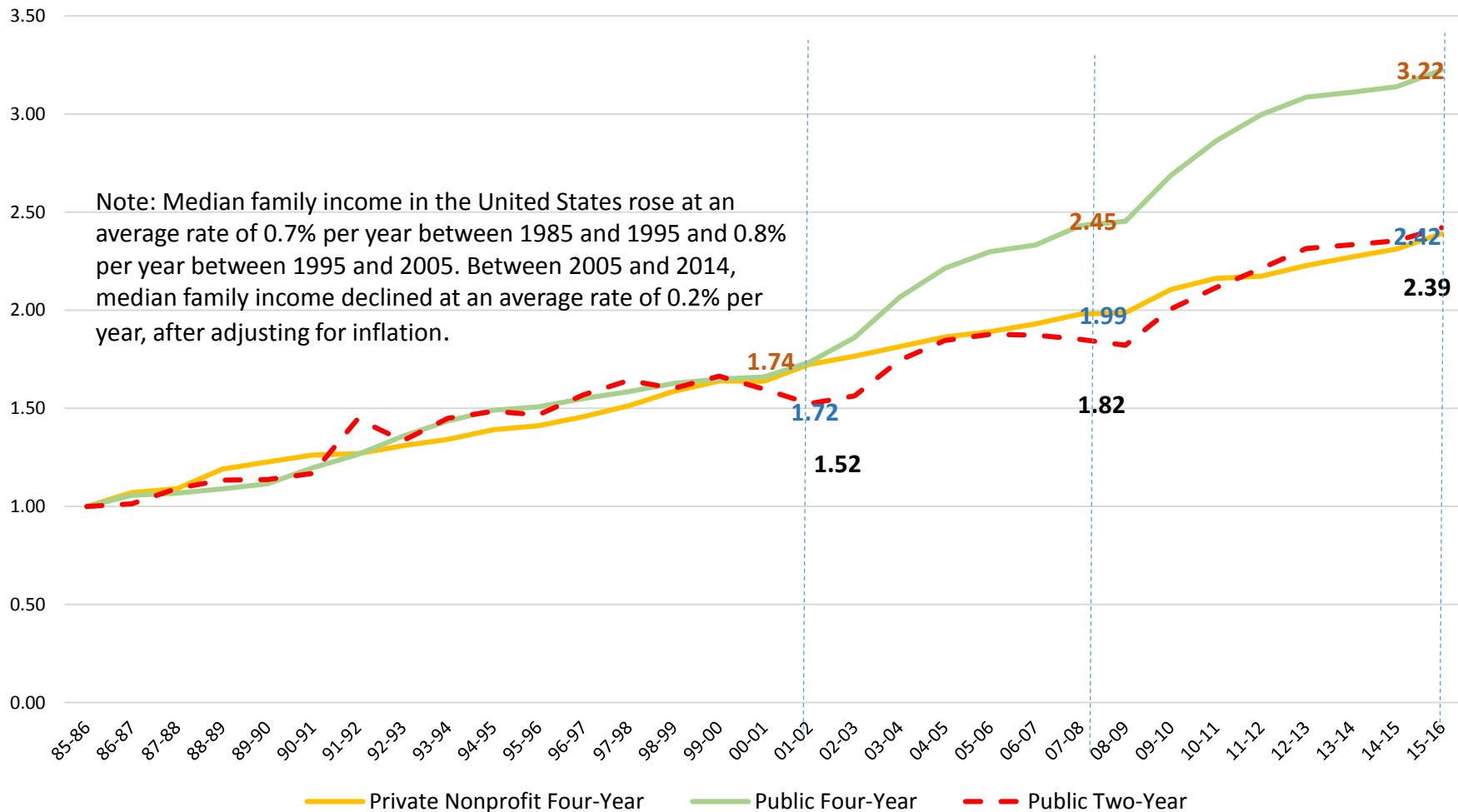


Chart 3

**National College Cost by Sector Adjusted for Inflation
and Percentage Change in 5 Years
(Cost = Tuition and Fees for full-time, In-District Students)**

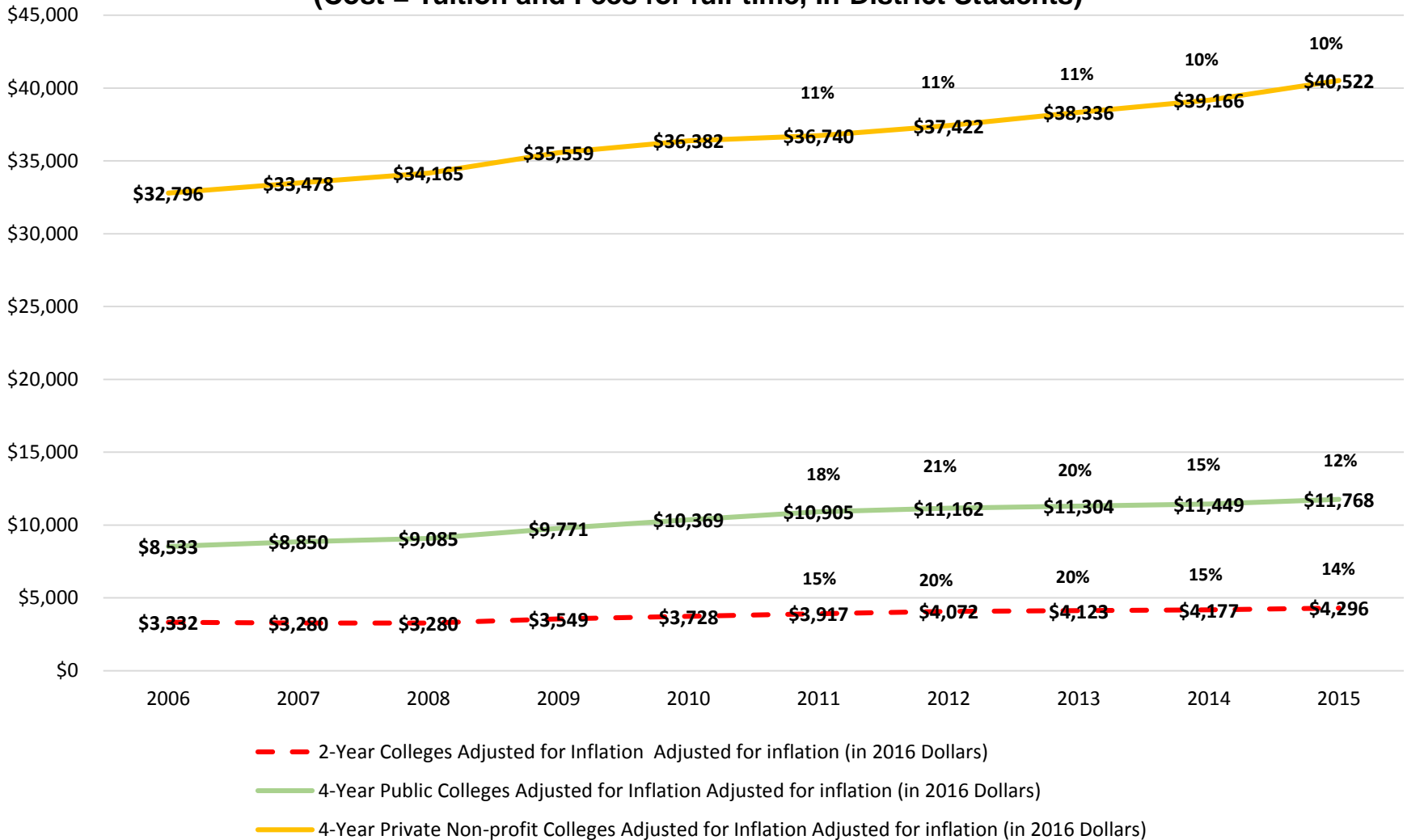
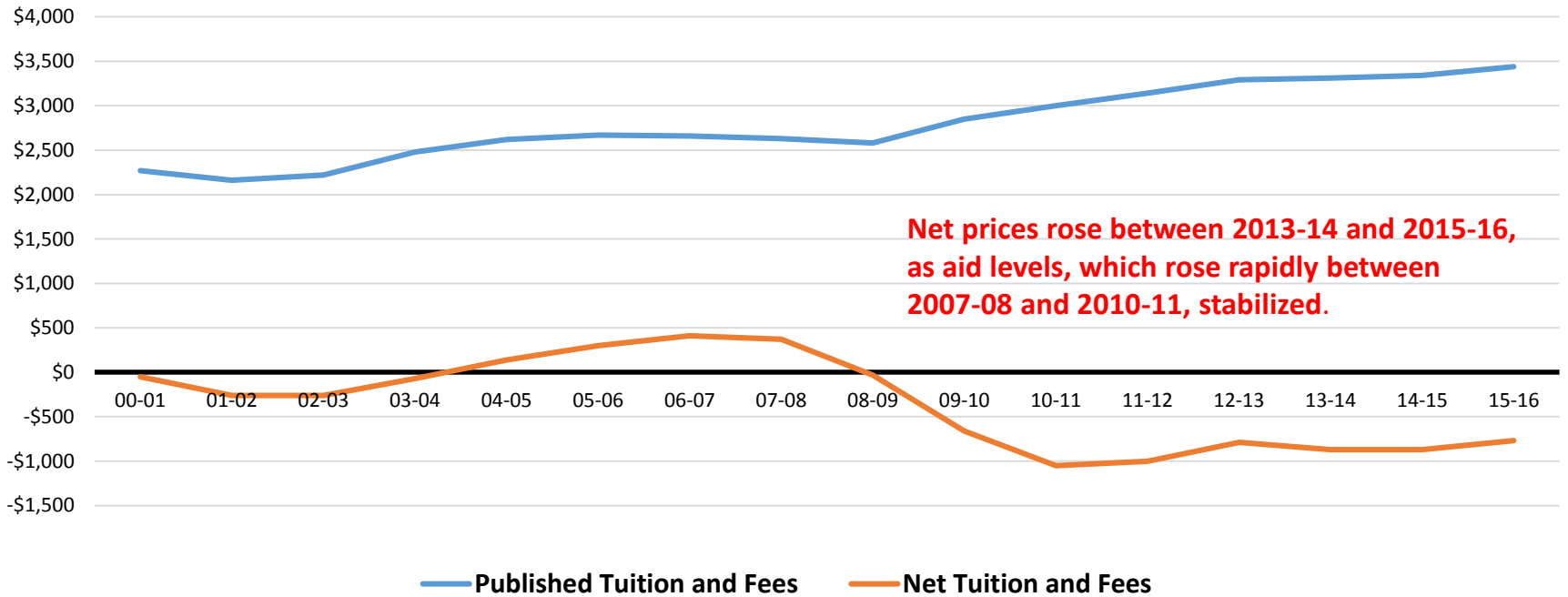


Chart 4

Average Published and Net Prices in 2015 Dollars, Full-Time In-District Undergraduate Students at Public Two-Year Institutions, 1995-96 to 2015-16



Academic Year	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	11-12	12-13	13-14	14-15	15-16
Published Tuition and Fees	\$2,270	\$2,160	\$2,220	\$2,480	\$2,620	\$2,670	\$2,660	\$2,630	\$2,580	\$2,850	\$3,000	\$3,140	\$3,290	\$3,310	\$3,340	\$3,440
Net Tuition and Fees	-\$50	-\$260	-\$260	-\$70	\$140	\$300	\$410	\$370	-\$30	-\$660	-\$1,050	-\$1,000	-\$790	-\$870	-\$870	-\$770

Chart 5

Average 2015-16 In-District Tuition and Fees at Public Two-Year Institutions by State and Five-Year Percentage Change in Inflation-Adjusted Tuition and Fees

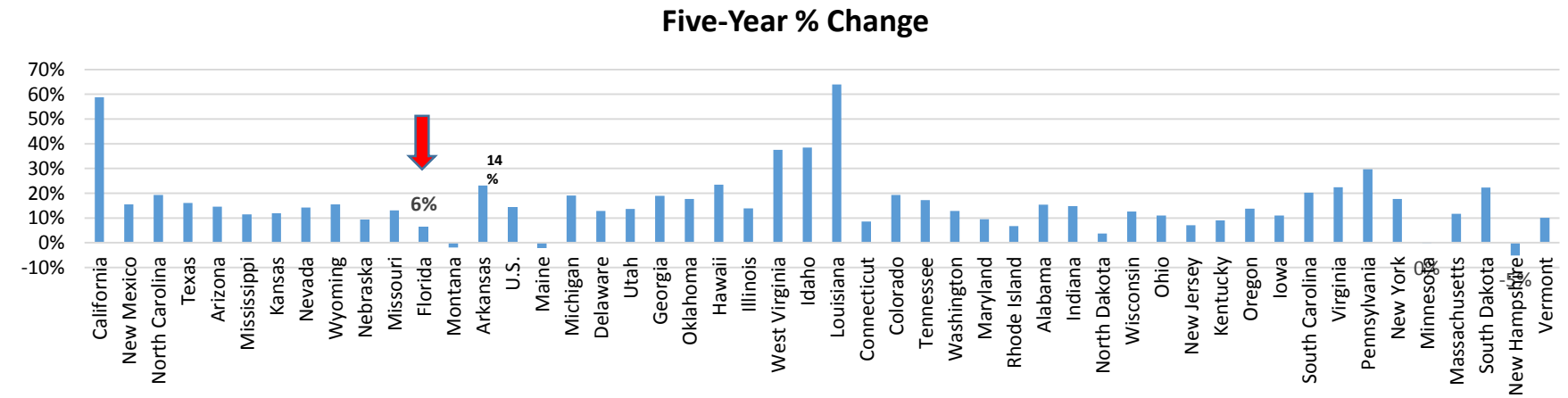
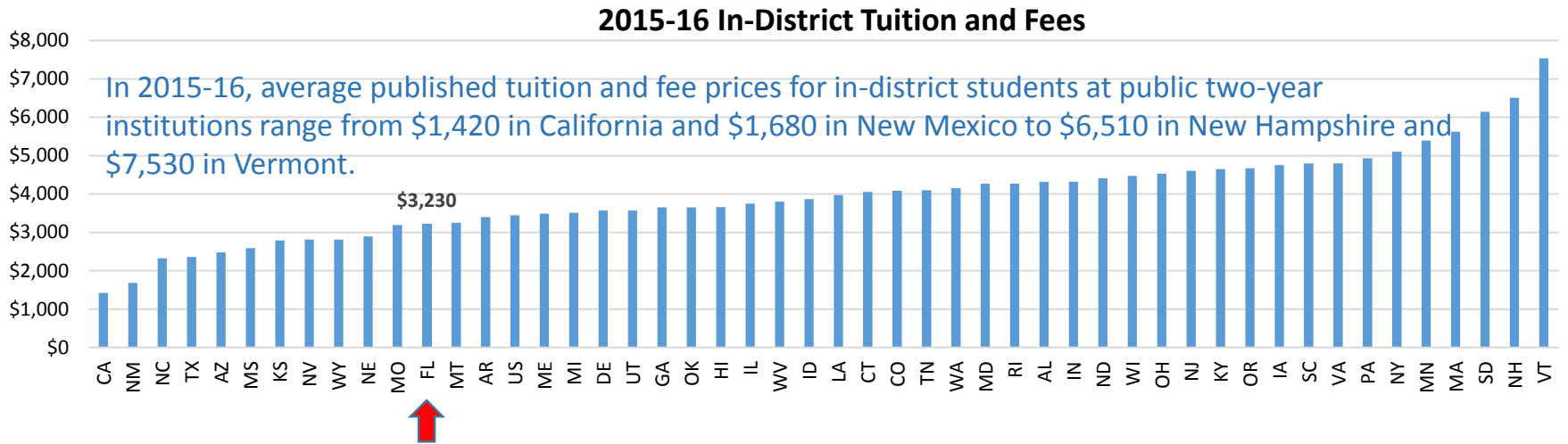


Chart 6

Comparison of 2015-2016 Tuition and Fees in the State College System of Florida

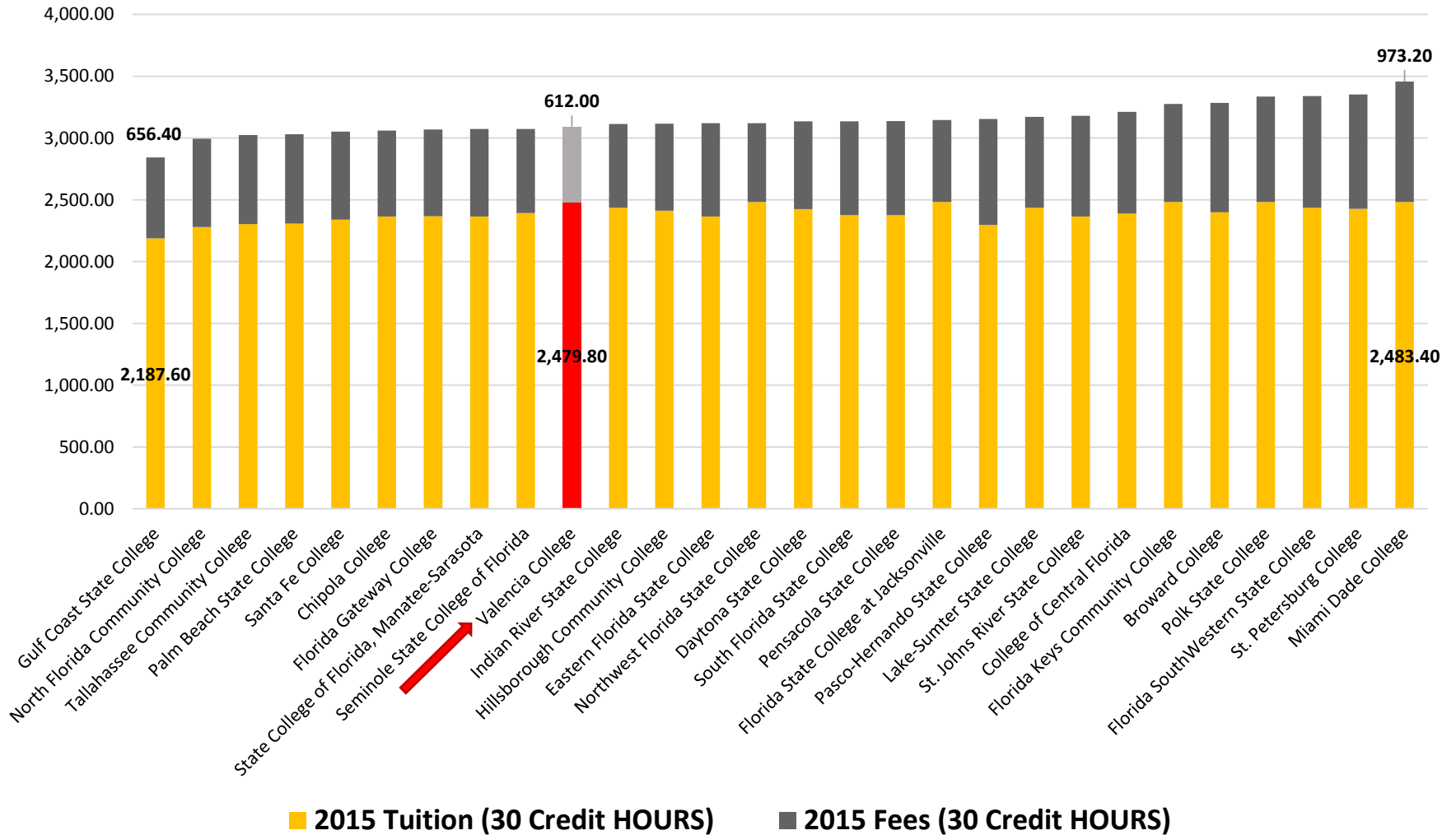


Chart 7

**Comparison of 2015-2016 Tuition and Fees at the Highest Enrolled Institutions
Within the State College System of Florida**

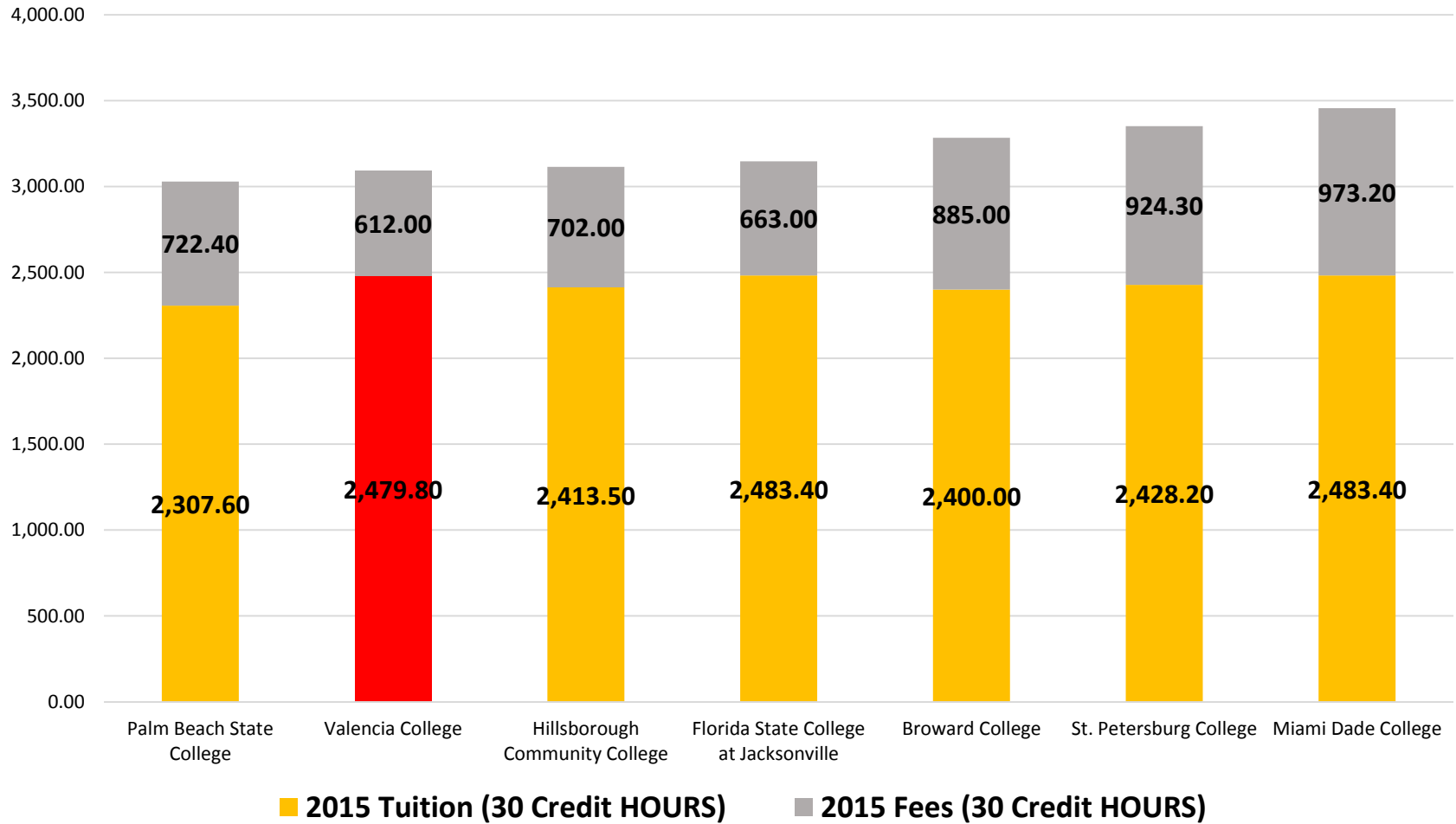


Chart 8

Comparative Ranking of Colleges in the State College System of Florida - 2013-2014

Total College Expenditures (Fund 1) Per Associate Degree Graduate (AA/AS)
and Total Number of Degrees Awarded

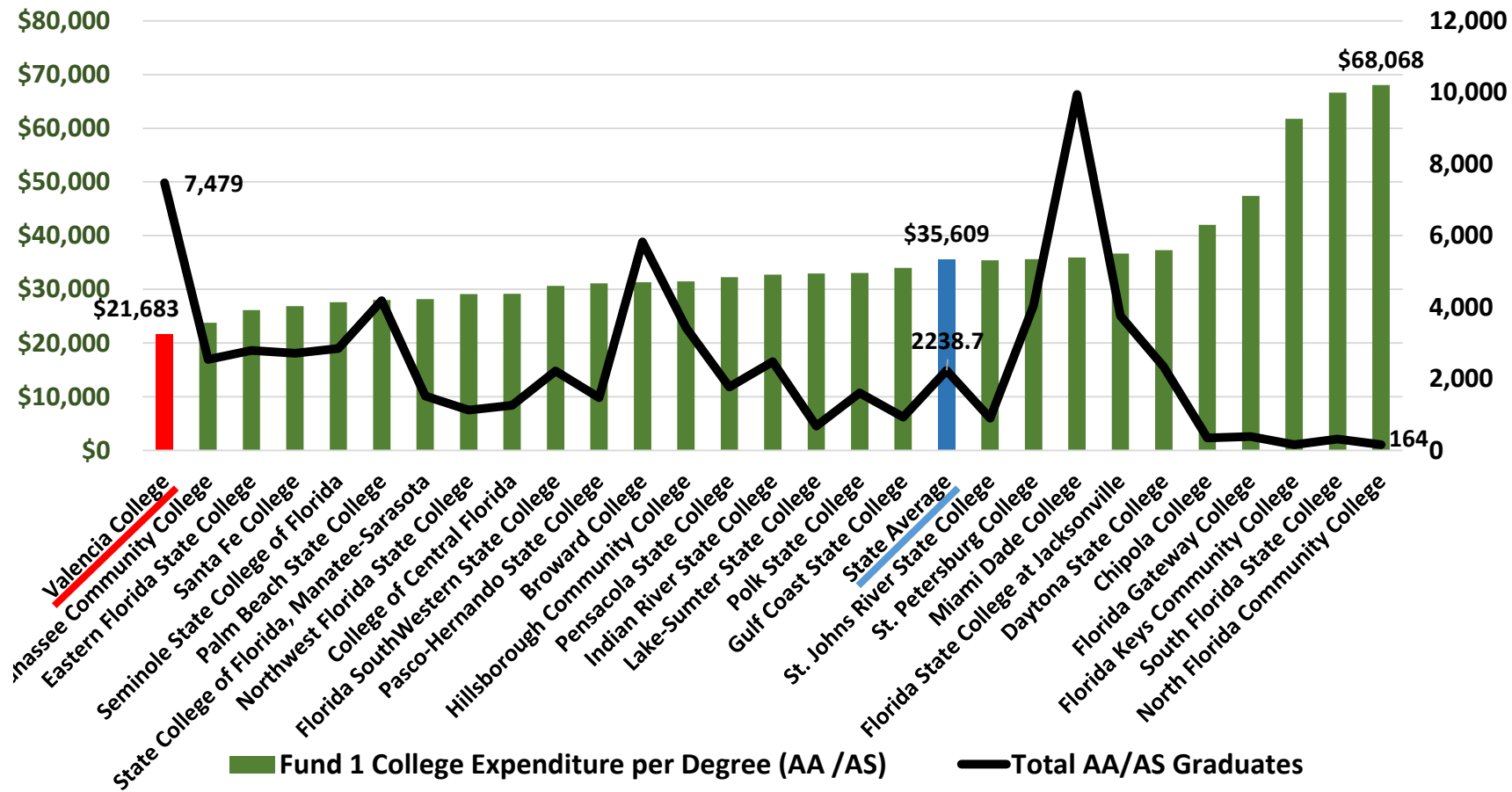


Chart 9

Comparative Ranking of the Highest Enrolled Colleges in the State College System of Florida - Total College Expenditures (Fund 1) Per Associate Degree Graduate (AA/AS) and Total Number of Degrees Awarded in 2013-2014

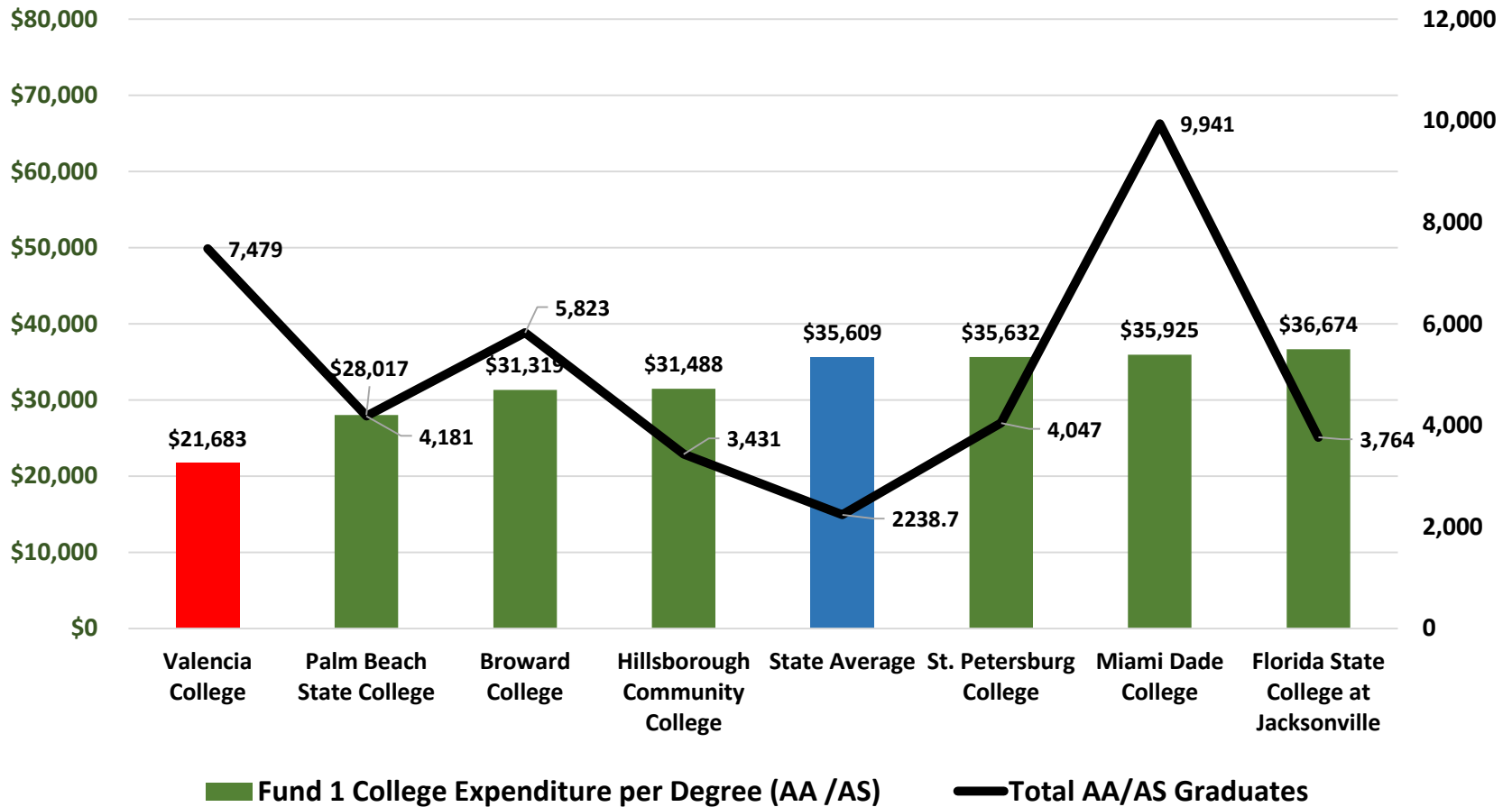


Chart 10

Comparative Ranking of Colleges in the State College System of Florida - 2014-2015

Total College Square Footage per Associate Degree Graduate (AA/AS)
and Total Number of Degrees Awarded

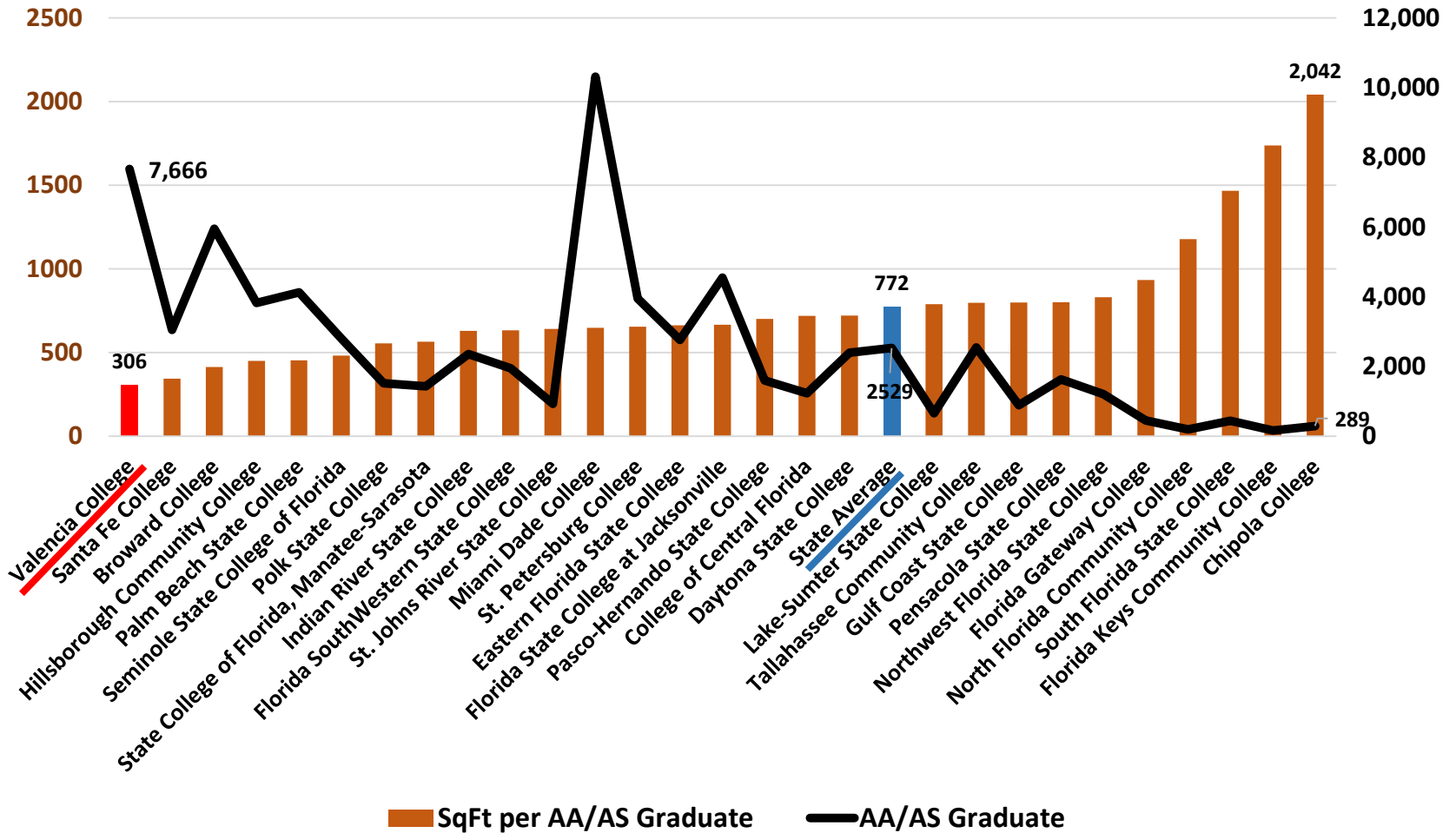


Chart 11

Comparative Ranking of the Highest Enrolled Colleges in the State College System of Florida - Total College Square Footage per Associate Degree Graduate (AA/AS) and Total Number of Degrees Awarded in 2014-2015

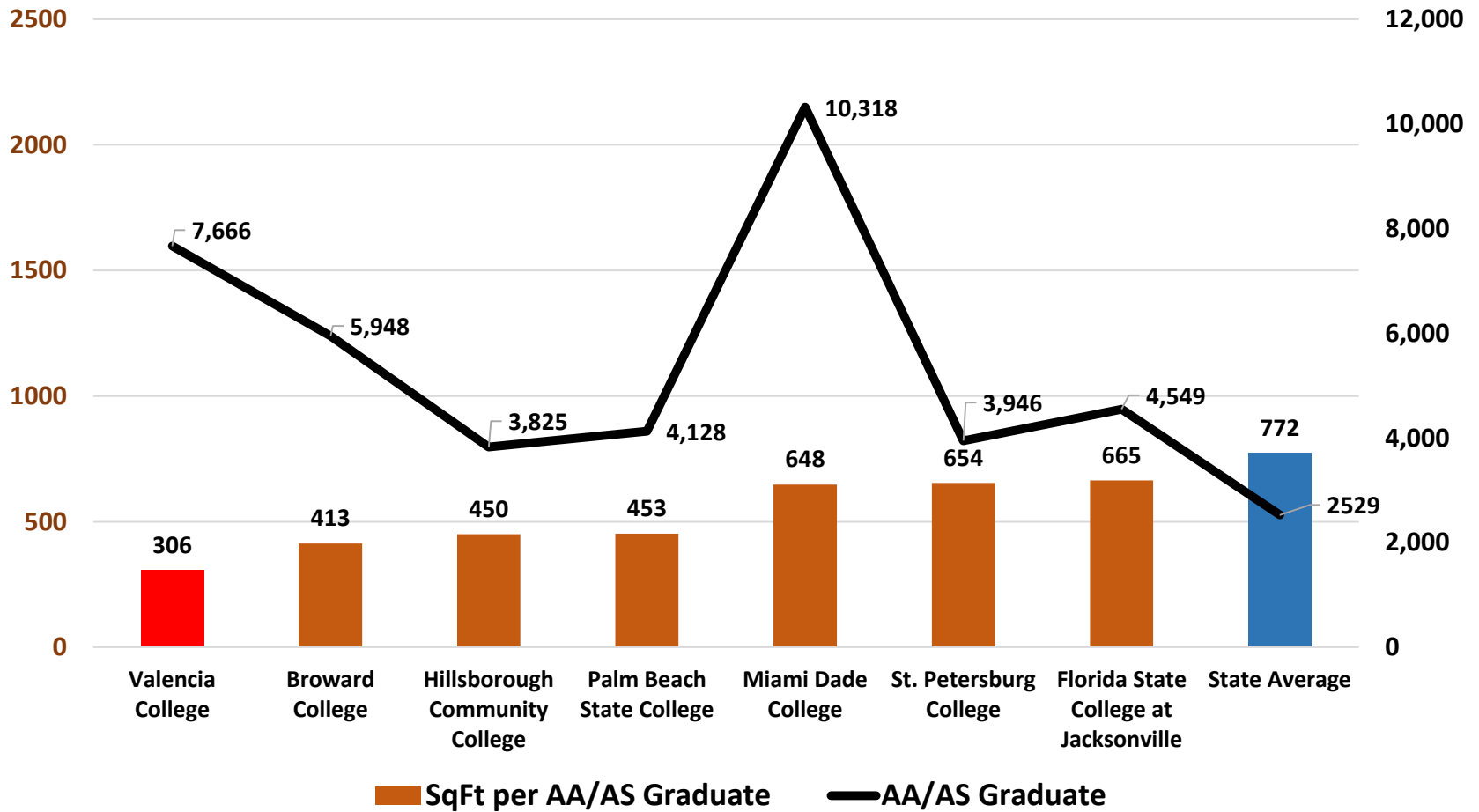


Chart 12

College Price by Sector as a Percentage of Historical Inflation Adjusted Median Household Income

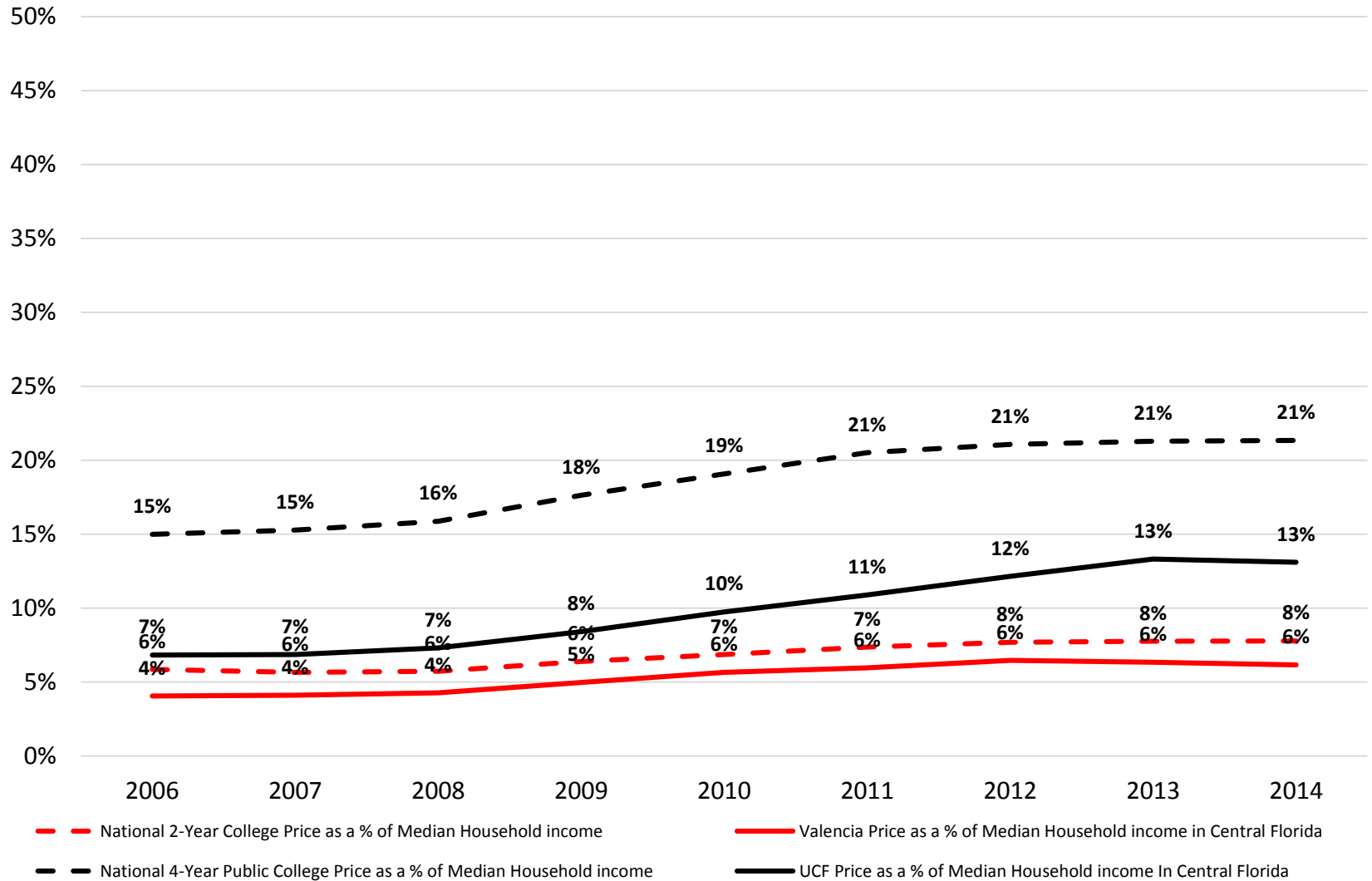


Chart 13

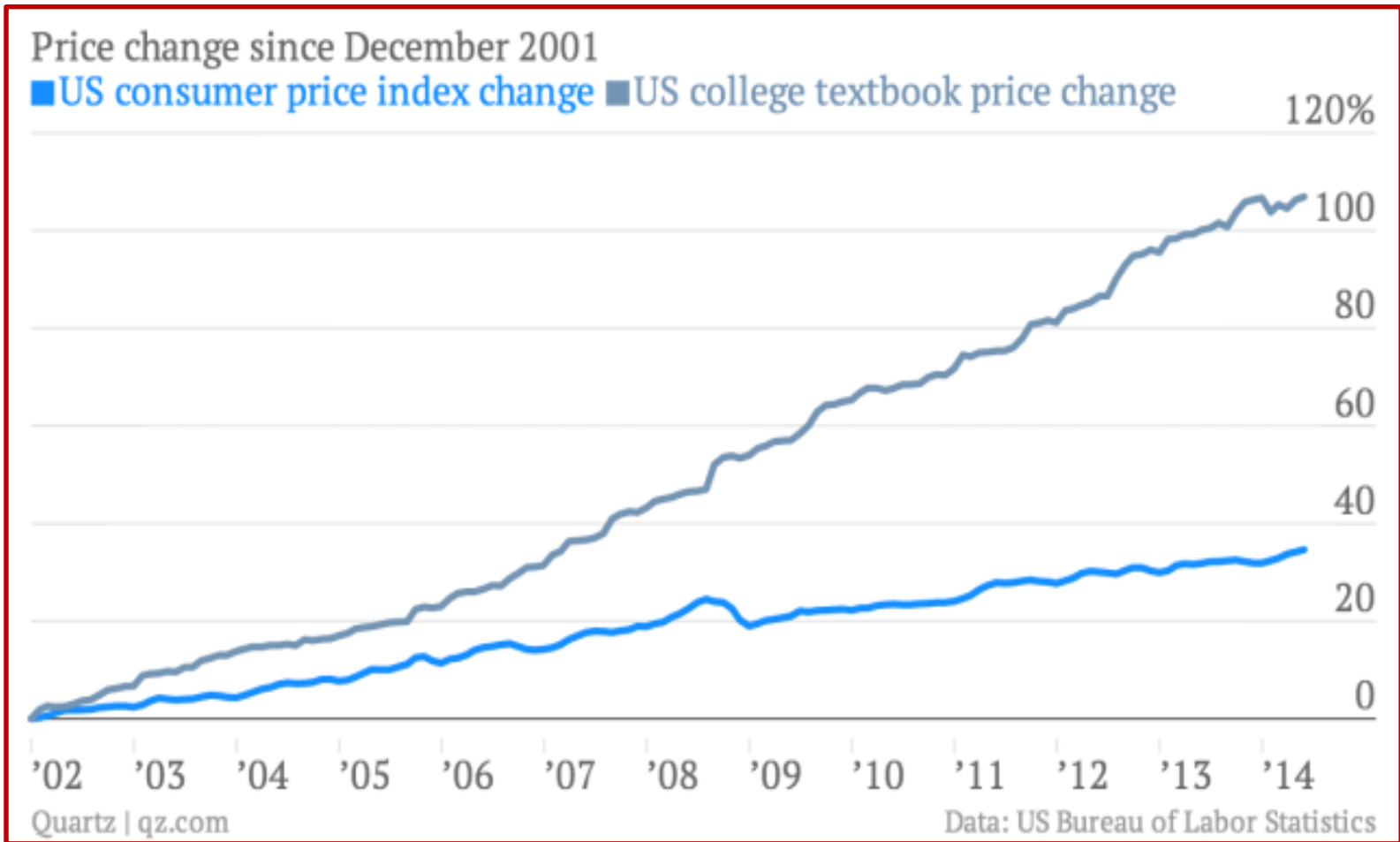


Chart 14

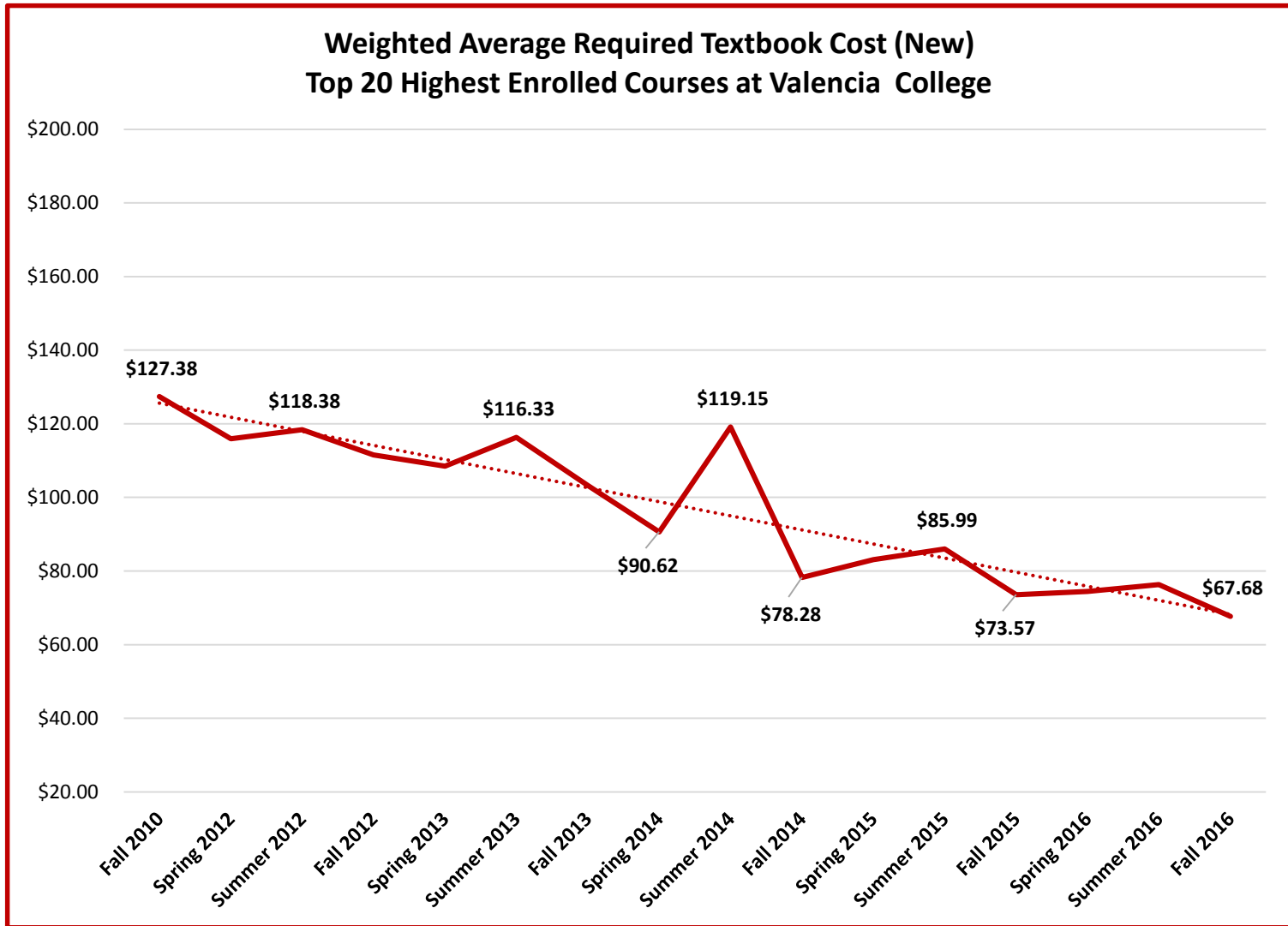


Chart 15

Percentage of Valencia Graduates with (without) Federal Loan Debt & the Average Amount of Debt at Graduation



The average total federal loan debt for Valencia Graduates in 2014 was \$14,788.32 – Graduates may also be carrying federal loan debt from institutions other than Valencia.

Chart 16

Full Tuition Allowances by Student Count for Academic Year 2014-2015

Total Number of Unduplicated Students = 59,509

