

## **Affordability**

### **Overview**

Sixty-five percent of jobs in South Dakota will require some level of post-secondary credentialing by the year 2020. In order to respond to the state's workforce needs, the South Dakota Board of Regents, the Workforce Development Council, and the Board of Education recently adopted a statewide educational attainment goal. This goal - that 65% of South Dakotans ages 25-34 will hold a postsecondary credential by 2025 - includes a variety of educational programs such as technical certificates, apprenticeships, and associates, bachelor, and graduate degrees. Affordability of obtaining these postsecondary credentials is of extreme importance. To this end, we have identified relevant frameworks, institutional efforts, programs from other universities, and possible opportunities for addressing affordability at USD.

### **Shareholder Responsibility and Affordability Framework**

Financing higher education historically has been a shared responsibility among five partners—the student, the student's family, the federal government, the state, and the institution. This formula has traditionally given residents of South Dakota access to high quality education options. However, over the last two decades colleges and universities have been burdened with numerous factors that increase costs while state allocations nationwide have declined. Many institutions must make up the difference in revenue by raising tuition and fees. The result for students nationwide is an increased cost of attendance and greater student loan debt upon graduation.

It is important to understand two prices associated with achieving a college degree – sticker price and net price. The first appears on marketing materials. The second is the true price a student pays after gift aid, such as scholarships and grants, are applied. For students, net price is the number that matters the most. Institutions within the South Dakota Board of Regents system have a sticker price that is, comparatively, low. In fact, the University of South Dakota is consistently ranked as one of America's "Best Value Colleges." Yet, graduates of South Dakota institutions carry some of the highest debt burdens in the country. Currently, USD graduates carry student loan debt averaging from \$28,159 to \$37,010, depending upon their degree.

The National College Access Network (NCAN) provides a framework for understanding affordability from a student-centered perspective. NCAN proposes that a student's cost of attendance at an in-state public institution, plus \$300 in emergency funds, should not exceed the total of that institution's student average of the following:

1. Federal, state, and institutional grant awards
2. Federal loan disbursements

3. Expected family contributions of the average Pell Grant recipient
4. Federal Work-Study awards
5. Contribution of summer wages

According to NCAN, South Dakota does not have, by the NCAN definition, any “affordable” institution of higher learning.

### **Institutional Commitment**

The University of South Dakota recognizes its role in helping to lower costs. By making affordability a part of the foreground in budget and planning processes, strengthening institutional aid practices, and continuing efforts to restrain cost increases, the University of South Dakota is poised to make not only an impact on students’ ability to achieve post-secondary education but also make a significant contribution in the state’s education and workforce goals.

***Cost Support & Controls.*** As previously noted, the University of South Dakota is consistently ranked as one of “America’s Best Value Colleges.” This is in large part due to ongoing efforts to control costs both internally and for students.

For example, the South Dakota Advantage program, a statewide program initiated by USD, offers new students from adjacent states a tuition rate equal to that of the South Dakota resident rate. This institutional investment created more affordable options for students in the region. Data indicates that 31% of out-of-state students remain in the state after graduation, so this directly addresses the workforce need of our state.

Efforts to address the immediate needs of USD students include an interest-free book loan program enabling students to secure class materials in a timely manner and a reasonably priced payment plan for extending payment of each semester’s charges. USD has also recently adopted a new online bookstore and retail shop. The online bookstore utilizes a modernized course materials platform averaging 60% off publisher list prices. This resulted in over \$450,000 in savings for students during the summer and fall 2019 terms. The university-operated retail shop will offer a cap and gown rental option as well as allowing the institution to reinvest a portion of retail proceeds into student scholarships.

***Institutional Aid and “Gap.”*** One way in which institutions fulfill their role in shared responsibility is by using institutional aid to fill the gap between the cost of attendance and the combination of federal aid, state aid, and expected family contributions. South Dakota has a merit-based scholarship program, the South Dakota Opportunity Scholarship, but it does not have a need-based aid program. Therefore, a high-achieving South Dakota student who receives the South Dakota Opportunity Scholarship but has the highest financial need will still have a gap of \$4,400 annually. Not surprisingly, fewer students from low-income families are enrolling at

USD. From 2012 to 2017, 474 fewer Pell recipients attended, representing a decline of greater than 20% for this demographic.

USD's largest scholarship program is "Coyote Commitment" and is available to all first-time freshmen who apply for fall admission to the university. This merit-based program is available to recipients for up to four years as a full-time student and is based on GPA, standardized test scores and committee review. It was most recently awarded to over 1,900 students. A new scholarship program, "Coyote Legacy," was introduced in 2018. This program provides \$1,000 scholarships to multigenerational University of South Dakota families. In two years, 135 scholarships have been awarded.

### **Current Environment – National efforts**

It is important to consider how other institutions have addressed affordability concerns. Included below are highlights of efforts at three public universities.

***University of Vermont.*** Starting in the Fall 2017 semester, the University of Vermont began offering the Catamount Commitment, a program in which Vermont residents who are eligible for a Pell grant received Federal, state, and institutional grants to cover tuition and comprehensive fees, as well as a waiver for the University acceptance fee of \$495. According to one administrator, Vermont has a high rate of high school graduates but a low rate of college attendance. Since 67% of UVM's student body is from out of state, the institution leverages tuition paid by these students to increase access for low-income Vermont residents. Catamount Commitment participants pay approximately 40% of the non-resident rate of tuition. This program not only provides significant cost savings for eligible students, but it also includes holistic support services such as a mentoring program, early academic advising sessions, and programming focused on transition to college, success on campus, and college-career pathway topics.

***Purdue University.*** Purdue has set accountability and accessibility goals, noting on its website that "with a focus on administrative efficiency, we are fitting our spending to their budgets — not the other way around — so that we can deliver the highest proven value in higher education." Institutional goals include focusing on campus-wide administrative efficiencies; concentrating resources on teaching, research and engagement; increasing scholarship offerings to ensure educational opportunities for students across a broad range of academic pursuits and financial needs; expanding financial literacy training for students; and reducing student and parent borrowing. Some of Purdue's achievements to this end include freezing tuition at 2012-2013 levels, reducing student and parent borrowing, and offering the lowest room and board rates in the Big Ten.

***The University of Montana.*** The University of Montana utilizes its unique relationship with Missoula College in its affordability efforts. Missoula College offers tuition at approximately

half the cost as University of Montana and, thanks to a unified system of curriculum and course numbering, easily transferable courses. Associates degree programs as well as certificate programs in technical fields often require some of the same general education courses as the University of Montana. Therefore, University of Montana students who are concerned about cost or at a critical stage in their financial aid eligibility are able to continue toward their goal of a UM degree at Missoula College on a temporary basis.

## **Opportunities**

As evidenced by the highlighted university efforts in the previous section, there are myriad ways of addressing affordability. We offer the following that might be considered at the University of South Dakota and note that these efforts might also benefit diversity and academic excellence goals as well.

***Establish an institutional needs-based scholarship program to complement the proposed Dakota Promise program.*** In August 2019, the Board of Regents voted to support a state budget request for a needs-based scholarship program. The scholarship is designed as a \$4 million program, with roughly \$2 million being requested of the state and \$2 million in private dollars as a 1:1 match. Along with the budget request approved at its August 2019 meeting, the Board approved broad outlines for Dakota's Promise Scholarship eligibility.

This scholarship focuses on a financially at-risk group of students who have the most opportunity to succeed per the following eligibility requirements: Pell grant eligible, minimum ACT of 22, minimum grade point average of 3.0, resident of South Dakota, first time full time degree-seeking freshman taking at least twelve credits per year. USD might consider its own scholarship program targeting the same demographic until or in addition to a state needs-based scholarship program is developed.

***Establish an emergency fund program.*** A student emergency fund would assist students by providing financial support when they need assistance with unexpected, unforeseen, and unavoidable emergency expenses surrounding situations such as accidents, illness, death of a family member, fire damage or need for temporary housing. This funding would not be intended to reimburse for expenses that have already been paid or to replace or supplement existing financial aid. If student emergency funds were granted, they would not have to be repaid.

***Establish a work/scholar program and/or student employment office.*** A work scholar program might supplement current financial aid packages by pairing students with local businesses, allowing for a mutually beneficial experience. Businesses might pay the University directly in the form of a scholarship to the employed student, thereby lessening the student's financial burden. Such a program could build the region's workforce, expose students to career opportunities, and facilitate employment networks. Regional workforce needs that align with USD academic programs include digital marketing, social media strategy, public administration,

human resources, accounting, communications, public relations, sales, advertising, health sciences, data analytics, graphic design, and education.

USD might consider also establishing a single student employment office to support students through the process of securing employment specifically to offset affordability concerns while in college.

***Review financial aid policies and practices.*** The institution might consider undergoing the National Association of Student Financial Aid Administrators (NASFAA) Standards of Excellence Review Program or participating in Beyond Financial Aid, a Lumina Foundation guided self-study. Both programs would allow the institution to review its policies, procedures, and communication. The NASFAA program has advantages in that it is conducted by financial aid professionals, as opposed to a self-study, and offers a confidential review of an institution's delivery of financial aid. Considering the necessity of informed, objective dialogue when considering the complex matters of student financial needs as well as the impact of an institution's policies and practices upon students, such a review might be worthy of consideration.