THE BROOKINGS INSTITUTION

A PROBLEM OF FIT: HOW THE COMPLEXITY OF COLLEGE PRICING HURTS STUDENTS-AND UNIVERSITIES

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P R O C E E D I N G S

MS. BUTCHER: Welcome to today's discussion of college pricing and access more broadly. I'm Kristin Butcher, I'm the Director of the Center on Children and Families of Brookings Institution and I'm also the mother of college and teenage children. And so I'd like to say a happy belated Mother's Day to all who celebrate.

For all the parents out there I think it's safe to say that making decisions about education for one's children is right up there among some of the very scariest decisions one has to make as a parent. And it isn't just about individual choices, because choosing the right investments in human capital from a societal prospective feeds critically into labor market outcomes and economic growth. So this is a scary decision both as parents and as members of the society, and we all have some skin in this game.

So I'm delighted to have today's panel to tackle some of these thorny questions of college financing and access. So first let me introduce Phil Levine, who is the Katharine Coman and A. Barton Hepburn Professor of Economics at Wellesley College, my beloved alma mater, and a nonresident Fellow at Brookings. And the CEO of MyinTutions.org, which is a non-profit that gives below cost, very quick cost estimates of college.

And most importantly for today, he's the author of the new book, "A Problem of Fit: How the Complexity of College Pricing Hurts Students-and Universities." He's going to kick us off by talking about his new book for about 30 minutes. And then we'll turn to our panelists for a discussion of the book and related themes.

If you have questions during this time you can send them to at Events@Brookings.edu or on Twitter using the #Problemoffit, all squished together as one word. When we switch over to the panel I'm delighted to say that we have three really all-stars to discuss these issues.

The first person will be Joy St. John. She is Dean of Admission and Financial Aid at Wellesley College, and as of June 1st she's the Director of Admission at Harvard University.

Next we'll have Lindsay Page, who's the Annenberg Associate Professor of Education Policy at Brown University. And her work focuses on policy efforts to improve college access and success, especially for students who will be the first in their family to reach post-secondary education.

And finally we have Sandy Baum, who's a nonresident Senior Fellow in the Center on Education Data and Policy at the Urban Institute and a former Professor of Economics at Skidmore College. She is co-author of the forthcoming book, forthcoming next week, "Can College Level the Playing Field: Higher Education in an Unequal Society."

And with that, Phil, why don't you talk to us about your book for about 30 minutes.

MR. LEVINE: Okay. There we go. So I think that we are now all set with screen share. So let's get started.

Yes, this is my book, *A Problem of Fit*, I'd like to spend some time talking about it. You know, I think that, you know, we started off as a society thinking about social mobility and the American Dream as, you know, these are good things, these are things that we all, you know, hope for and would like our society to be able to accomplish.

One way in which that can happen is through higher education. Sometimes people refer to higher education as the engine of social mobility. It has the potential to take people, to raise people up the economic ladder from where they're starting, you know, from where they're starting.

So the thing is though is it, you know, doesn't seem like we do a great job of accomplishing that goal, at least to the extent that we would like. One way that you can see that is because there are so many organizations out there whose goal is to promote college access. And so clearly there is a need for those sorts of services. You know, I have just a listing of a handful of them here, but there's, you know, considerable more than this. All are working towards the same end, improving college access so that the goal of social mobility can be met for those students.

So in my book I talk about this and label it as a problem of fit. So what does that mean? I think that, you know, if we can take a step back and think about what's the goal of the system that we're looking for, you know, I think the idea is that what we want to happen is for every student, regardless of their academic ability, to land up in the place that's the good fit for them.

That does not mean by the way that we want you to go to college. It's perfectly appropriate for some individuals to, you know, take up a trade or whatever. College is not the right answer for everybody. But for those for whom it is the right answer they should go to the right place. Not everyone is meant to go to Harvard, but for the ones who are intended to go to Harvard, they should go.

And for some there are individuals, you know, a four-year public institution might be the perfect fit for them. For others a community college, whatever. Wherever they're going to do their best, where they are going to thrive, that's where they should go.

A problem of fit just means that if that's not happening, that's a problem. And we think that that doesn't happen, there's definitely certain evidence that supports the fact that that doesn't happen.

So the question then becomes why. You know, what are sort of the structural constraints in the system that reduce the ability for individuals to, you know, achieve that fit? You know, there's a number of factors, you know, inequities in the K through 12 education system. Sandy's book is all about that and I assume she'll be talking about that a little bit later on.

You know if you're first generation, if you're a first generation college student, understanding what your options are is pretty complicated. There's other barriers in the process, test-taking, applications, you know, we can go on and there's a whole host of hurdles that students need to get over to make it through the college going system.

What I want to focus on in my book and in this talk is pricing. So the issue is that the pricing system is incredibly complex and there's issues about whether it's affordable even if you do understand the price. So, you know, we need to think about those sorts of things and whether, you know, pricing is helping us accomplish or not accomplish the goal of fit.

You know, I think that that's an important aspect to look at because I would argue that it's probably the first hurdle that you have to get over. All of this, you know, this series of hurdles that you need to go through. But if you can't accomplish the goal of convincing yourself that college is affordable and that it actually is affordable for you, you can't go. And then you can't accomplish this, you know, attending the right fit institution.

Getting over the hurdle of pricing is one that needs to be built into the system to enable us to accomplish the social mobility we're looking for.

So what is it that I do in the book? I sort of have three main tasks. The first is to document the problems. You know, the first problem that is pervasive in our higher education system is the focus on the sticker price. The sticker price is really not a great gauge of what college is going to cost people.

Why that matters is because people don't understand that and they think that it is what they will have to pay and college actually costs much less than many people anticipate. Despite the fact that it likely costs less, it's also probably the case that for some students, and particularly low income students, it still costs too much. So we want to document that.

The questions then become why? So, you know, why is this system set up in a way that doesn't seem like it really accomplishes all of its goals. And here's where I think, you know, a little bit of economic analysis can go a long way. You know, using methods of economics that I teach in my Introduction to Micro Economics class here at Wellesley College can get us really a long way towards thinking about what's going on in the system and recognizing that there's institutional constraints that schools face that make it difficult for them to do what we would all love to see them be able to do.

And then at the end of the talk I'll spend some time talking about potential solutions. In terms of complexity I'll talk about this thing called a financial aid information funnel. At the moment that won't mean much to you, but I promise I'll explain it a little bit later. And then something that probably is a little bit more transparent is to double the size of the Pell Grants. So that is sort of what I want to cover today.

So to be able to get through all of this material I think it's important that we at least have some baseline framework for thinking about how the financial aid system works. If you don't understand those basic details it's going to be hard to understand what I'm going to talk about later so I just want to spend a few minutes talking about that.

Here is a nice slide characterizing the financial aid system that I found, you know, through our friend Goggle. And I love this because it's labeled The College Financial Aid Process in the Senior Year, the High Level Overview. So apparently this is what it takes to, you know, if this is the 30,000 foot view, imagine what it's like when you're down on the ground.

I could spend the next hour talking about this slide but I think we probably need to go a little bit higher than this. And I want to simplify the system down to three simple steps.

There's basically three things we care about in the system. There's the income and assets of the student and their families, students and their families, that form the basis of a financial aid calculation. You need to know those things, you insert a whole bunch of income and asset data into these fancy formulas which are known as FASA in the CSS profile.

They spit out something called an EFC, an Expected Family Contribution. You'll notice that I have that in parenthesis labeled "Afford" with quotation marks around it. Because in theory what the Expected Family Contribution is supposed to be providing is an estimate of how much the family can afford. In the financial aid world that is a controversial, how you do that obviously is controversial because figuring out how much a family can afford is obviously difficult. Nevertheless, that is exactly how it is used in the system as an estimate of what people can afford to pay.

We go from that estimate of the EFC to this next level concept called the Net Price. The Net Price really is how much you have to pay in total. So the Net Price includes all the elements of a financial aid package. It includes the direct student and parent contribution, the payment that the student and parents makes themselves. That would be, you know, in the form of, you know, in the vernacular, cash, writing a check, whatever. It is the direct payment that goes to the institution. It also includes student loans, it also includes work study. All of those things go into what we would label as the Net Price. It's definitely more common to hear the net price labeled as the sticker price minus the grant aid, all of the expenses that you need to pay to attend the institution.

What I describe as the Net Price and a typical usage of Net Price is sticker price minus grant aid. They are equivalent, mathematically equivalent. So again, you take the cash payment, you add the student loan, you add the work study, that's the Net Price.

Only at meet full need institutions is the cash payment that you need to make equal to your EFC. If you're at or enrolling or attending a meet full need institution the cash payment that you pay is the EFC, it's the amount that you can "afford," and then you go from there and you can add student loans and work study.

At any other institution, that's like 60 or 70 institutions in the country out of the hundreds or thousands that exist. At most other institutions students do not pay their EFC, their cash payment. They pay more than that, there's something that's called a gap between the two, okay?

So that's the background. The next question I want to ask is, so what does college really cost? And it turns out that we have a lot of misunderstandings as individuals, as students, as parents, and as society more broadly about what college really costs.

Here is a list of media reports that focus on the rising cost of college. So here's one, colleges have already begun to price themselves out of the American Dream. Access to higher education, a hallmark of an open society, is being threatened by rising college costs. The rising costs and limited grants are narrowing higher education's ability to serve as a bridge leading low income and particularly minor youngsters into the middle class. If we go on this way for another 25 years we won't have an affordable system of higher education.

I am pretty sure that all of you have seen quotes essentially exactly like this in media. It's extremely common to hear people talk about higher education and the cost of higher education in this way.

Well here's the thing. This last one came from the New York Times in 2016. Going up the slide, the one before that was from the New York Times in 2001, the one before that in 1987, and the one before that in 1973. Clearly there has to be something wrong in the way that we're thinking about college costs if for 50 years we've been talking about the system collapsing under the rising prices and it seemingly hasn't. You know, we continue to make exactly the same arguments and they don't seem to be coming true.

So why is that? And so this is from an opinion piece that I wrote in the Chronical of Higher Education a couple months ago talking about this exact issue. And it's because of the focus on the sticker price. All we ever do is we focus on the sticker price, you know. So at Wellesley College we charge a "$80,000" and people think that $80,000 is a magic number. That's true at many other private colleges and universities.

Public institutions charge $30,000, that's a lot too. Those are sticker prices. Most people don't pay those prices. So here's my statistic. Over 85 percent of freshmen attending four-year residential colleges receive some form of financial aid. That means 15 percent of students, less than, fewer than 15 percent of students, are paying those numbers that are rising so dramatically. The only people who are paying those rapidly pricing are high income students, not everybody else.

So why does that matter? Well if effects our perception for what college costs, so what do families think about college costs? Well if you ask them they will tell you, and the numbers that they will tell you are too high.

So what's interesting about this is, you know, we can compare how this has changed over time. So I have here overestimates of college costs and survey data. If we asked people how much do they think it's going to cost to send their kids to school, to college. You know, at four-year public institutions, they overestimate by almost double on average. Consistently over the last, you know, 20 or so years. At four-year private institutions, which granted they are starting from a higher sticker price in the first place, which would dampen the overestimate by some, they're overestimating by about 50 percent.

So the numbers that people have in their heads about what college is going to cost their kids is a lot more than what it actually will cost them.

If you ask, you know, high school seniors what they think about college costs, about half of them really only know the sticker price. The sticker price is the magic number that they think they're going to have to pay except for the fact that most of them are not going to have to pay them.

And that's an indication where the complexity of this system is just really hurting kids. To the extent that they think college is expensive, whether, you know, how expensive it is I will address in a few minutes, but certainly they think it costs much more than it actually does cost. And that can certainly limit access.

So that raises the question, well how much does it really cost, and can families afford the amount that institutions charge them? So let me spend a few minutes talking about how we want to think about this problem.

So what I have over here on the right is this nice little graph that relates how much families can afford, the EFC, relative to how much they're going to have to pay, the net price. And clearly there's going to be some upward sloping relationship between those two things. Which is going to be that's basically this is what the financial aid system does. It's capped at the top by the sticker price. So I just made the argument that the sticker price is not the right number for most people to be thinking about.

It's very common for people to move, when they want to move off of the sticker price, to start talking about average net prices. So the average net price is going to be some number in the middle of this relationship. That's great if you're average, most people aren't average.

So, you know, in some sense what we want to know about is, you know, for you as a student or as a family, what is college going to cost you. That's something which I refer to as an individual net price. What will college cost you. That's what we want to know.

So for different people at different places in this, you know, affordability spectrum, what will college cost you. So I want to move on towards thinking about addressing that issue. For people at different levels -- so what we want to know about is for people at different levels of income and asset distribution, what do colleges charge them. That's the goal of this next exercise. And can they afford that.

So what am I going to do to accomplish that goal? I'm going to make extensive use of these things called Net Price Calculators. Net Price Calculators were required by federal law in 2008, went into effect nationwide at every institution beginning in 2011. And if you insert a lot of characteristics about yourself they will spit out an estimate about what college will cost you at a particular institution for your particular finances.

They are not typically easy to work with, there's a lot of limitations of Net Price Calculators. I hired a student to do this for me. I don't think that they were happy going through this exercise 200 times, which is what I had them do. Actually 1,000 times, for five types of students. And you can see the types of students that I used over here on the right.

I used people at the 10th, 25th, 50th, 75th, and 90th percentiles of the income and asset distributions. I didn't want to provide all the details, but here's the levels of income that's appropriate for those students. And I applied to each of these students and families an asset level that sort of commensurate with, you know, where they are in the distribution level.

So for the 200 schools that I had my student conduct this exercise for there's 50 in four different categories of institutions. Private institutions with large endowments. I have that in quotes because we think about, you know, Harvard and Stanford and Princeton as those institutions. They're in that group but so is Wabash College, which has an $800 million endowment for 400 students. So, you know, it's a little bit more of a diverse group of schools than you might have otherwise anticipated. Other private institutions, if they don't have a large endowment they're in the other private institution category.

I distinguish public institutions by public flagships in R1s. R1 institutions are heavy research institutions that aren't public flagships. So for instance in UCLA in California, Berkley is the flagship, UCLA is the, you know, clearly a lead institution as well but it's not the flagship, they're included.

And then the fourth category is other four-year public institutions.

So what are we looking for? So what this picture is designed to do is to provide a baseline for sort of how to evaluate the results. So this is an example of an institution that meets full need. So what I've done here, each of these dots are people at different percentiles of the income and asset distribution. So for instance if you're at the 10th and 4th, really the 25th percentile of the income or asset distribution, the amount that you're expected to be able to pay essentially is zero. But that would be just a cash component.

So on top of that remember we're going to add on loans and work study. Different institutions have different loan and work study policies. I am going to essentially assert the most common ones, which would be a $5,500 student loan and $2,500 in work study. Those are common values that institutions use.

So even if you're not paying anything directly in cash, that's still about $8,000 in loans and work study that you would pay, that would be your net price.

At that point basically this line is going up dollar for dollar for every additional dollar in EFC. For every additional dollar you can afford to pay your net price goes up by a dollar. That's the way it would work at a meet full need institution with these loan and work study policies. Okay?

So basically what we want to do next is compare what these profiles look like at these different categories of institutions to this line.

This is what things look like at a high endowment private institution. You'll notice that at the lower income levels, at the 10th, 25th, and 50th percentiles, there's, you know, slight deviations between this meet full need, this magical meet full need line, this base line, meet full need line, and what the students are paying. You know, there's maybe a little bit of a gap there, it's not very big. For all practical purposes essentially they're paying what they can afford.

When we get up beyond that they tend, it turns out that even at these institutions they're paying a little bit less than they can afford. This would not be true at an actual meet full need institution, so my institution at Wellesley College, the students would be really right on this line. But some of the schools in this category offer merit awards, and the merit awards that would typically bring them down. So some of those are factored in as well here in this category.

It's when we get to the public flagships that we start to see a problem. So in public flagships, where you can see that, you know, at the end you can see there's the capping of the tuition by the sticker price of roughly $30,000. Which means that for these students they're paying less than they can afford, but that also means at the lower end that's not what's happening.

At the lower end there's significant gaps about what students are actually asked to pay relative to what they can afford to pay, including both the loan and the work study, expected loan and work study contribution. These gaps are on the order of, you know, roughly $5,000. This is a family that can't afford to pay anything in cash, including an $8,000 loan and work study expectation. They still have to come up with an additional $5,000. That's through almost, you know, roughly half of students face that problem.

Same thing is true at other public institutions, the numbers are not really all that much different, very similar. At other private institutions the problem is even worse. So at other private institutions, you know, these are gaps on the order of $10,000 a year, these are very large gaps of affordability that students face at those institutions.

And so here's the summary slide. So basically, you know, at private institutions they seem like they're doing okay at the lower end. Public institutions are definitely struggling, there's a sizeable gap, and the gap gets even larger in other private institutions.

So that raises the question why? And this is where a little bit of economics comes into play. Now it's very common in an economics class to talk about competition and how competition is a good thing. In general competition is a good thing because it generates the lowest possible price for consumers. And when the market deviates from perfect competition firms have something called the market power, which would be, you know, thinking about Verizon and AT&T, they have market power. Then we would argue that they charge, those types of organizations charge too much.

Sometimes people use that to argue that we need more competition in higher education as well. The problem is that higher education is different. And in the higher education marketplace students don't all pay the same price. Pretty much everybody pays a different price. We just discussed that.

This is not a lot different than airline pricing. I think it's common for people to think about airlines as everybody's paying a different price, the same thing is true with college.

Where that matters is that higher income students who pay more have the ability to subsidize lower income students who pay less. In a for-profit sector the higher income students paying more would be profit. But that's not how it works in a non-profit sector. In the non-profit sector those higher income students pay more but subsidize the lower income students and that provides more money for financial aid.

The more market power firms have, the more market power higher educational institutions have, the greater ability to do this. That certainly is true at elite highly endowed private institutions. You know, Harvard can charge a lot, people are willing to pay it. That money can be used to subsidize lower income students. Those institutions also have the advantage of very large endowments which can help subsidize lower income students as well. At those institutions the system works pretty well. It's just that there's not very many of those institutions.

At public institutions there's sort of a dual problem. And the first side of the problem is that higher income students are capped for how much they can pay by a price ceiling. In some sense the purpose of imposing that price ceiling is to make college affordable. It's just that what we're doing there is making college affordable for higher income students. That reduces revenue for the institution, it reduces their ability to use the additional revenue to subsidize lower income students, that money isn't there.

We can get around that problem if those institutions, if the states also provided sufficient direct support to the institutions so that they can use that money to provide greater amounts of financial aid. You know, the direct state support also seems to be insufficient. At the end you have lower prices for higher income students and a world where the lower income students really can't afford to pay the tuition.

Other private institutions, the ones that are less well endowed, you know, they're really sort of caught in the middle of this problem. They don't have the market power to charge higher income students more. The way they get around that is they tend to charge sticker prices that are relatively high but the large majority, if not all of the students at those institutions, then receive large merit aid awards so that sticker price is, you know, relevant for virtually nobody at those institutions because they have to compete with public institutions. They also don't have large endowments or direct state support to fill in the gaps for lower income students, and that's why they struggle the most to provide sufficient financial aid for those students.

So where does that leave us in terms of public policy? How do we fix these problems? So, you know, the first part of the problem that I eluded to or just described was one of information gaps. People think college is much more expensive than it actually is.

The solution that I like to promote to address this problem is something which I'm going to call Financial Aid Information Funnel. So what do I mean by that? In some sense, in higher education funnels are things that we're used to talking about all the time, certainly everybody in the admissions office knows very well what the funnel looks like. The goal of the admissions process is to recruit potentially interested students early on in their high school careers, convert them into prospects, and make that prospect pool as large as you possibly can.

The admissions process is one where you narrow down from prospects to applicants to admitted students into ones that you initially enroll. That's just the way the system works, there's a funnel everybody acknowledges that there's a funnel. The system is designed to accomplish that goal.

I want to introduce the concept of a financial aid information funnel as doing a similar sort of thing. Start from students at a very early stage of the process, provide them with the information that they need just to recognize that the $80,000 and the $30,000 is not the amount they are going to have to pay. Provide what I'm calling an income only estimate. Like I make $60,000 a year, what can I expect roughly, to think college going to cost me $80,000, no. Is it going to cost me, you know, $10,000, maybe, but something more like that. Get people off of the sticker price. The sticker price is the enemy here because most people don't pay that. That just keeps them moving through the system, you know, take a ninth or a tenth grader and convince them that maybe college is affordable for them. As they move through the system and as they move into the higher grades they're going to want to know a more precise estimate because at some point that will matter.

Provide more information, maybe some initial asset data, basic stuff. You know, do you own your own house, for institutions that require home equity calculations. Do you have money in stocks and bonds? Try basic stuff, you know, do we really need to know about the overseas assets and the, you know, the self-employment assets of the household? Those can come later.

Eventually fill out the FASA or the CSS profile, that will give you an EFC. The EFC, as we just discussed, still doesn't tell you what college is going to cost. Eventually you'll get a financial aid award but narrow, narrow, narrow until the very end of the process. Introduce a funnel for financial aid the same way we do for admissions. That could help address the complexity issues.

But what do we do about the affordability issues, because we know those are still there too. The solution that I prefer is doubling the Pell Grant. So how does that work and why would that be successful?

That $5,000 gap, roughly, that we saw for lower income students is almost exactly the amount that you would get from doubling the Pell Grant. Those calculations were done three or four years ago when the Pell Grant was like roughly that amount. It provides for the students who face the most significant problems of affordability an amount to cover the exact size of the gap that they face. It's the right amount of money for the right people, for the right students.

A concern that sometimes you hear people raise is that institutions will just undue an increase in the Pell Grant by raising their tuition. That isn't exactly what we see in terms of the evidence based on past Pell Grant increases. But even if you were worried about that, you know, I think there's ways around that. So, you know, suppose you were to offer institutions the deal and we will double the Pell Grant if you agree to meet full need for those students. They should be willing to accept that deal because you are giving them enough money to meet the full need. And if they agree to that contract essentially, they will accept the money, pass that along on to students because they would have to. And they wouldn't have the opportunity to raise tuition to, you know, usurp those funds. So I think that that is a problem that can be overcome.

So at that point I think I'm right at my 30 minute limit, and I will turn the floor over and stop sharing the screen.

MS. BUTCHER: Great. Thank you very much for that, Phil. We're going to turn to our panelists to get a view from the ground. So just to recap a little bit here. We have this really complicated system where it's a mix of public and private funds, there are different types of institutions competing over the same pool of students. And then we have this vast lack of information that intersects nicely with the complexity. Right?

I'm sure we have all seen some TV show where you have a low income kid who is brilliant and there's a sad scene where it's, you know, it would be nice if this person could go to Harvard but, too bad, it costs a billion dollars; right? That's just wrong.

And I will preempt the ending and say if you are brilliant you should apply to good schools and there will be a way to afford it.

So with that, let's turn it over to our panelist, Joy St. John, who is the Dean of Admission and Financial Aid at Wellesley College, and soon to be the Director of Admissions at Harvard University, who is going to kick us off. So go ahead, Joy.

MS. ST. JOHN: Thank you, Kristin, for having me. I feel honored to be on this panel with Sandy and Lindsay. Feeling a little imposter syndrome, but let me share my observations.

I wanted to talk a little bit about some of my observations in terms of what

I've seen in my own career that have driven this pricing, college pricing information gap within our industry of admission and financial aid.

And I should say I worked in college admission and financial aid for 25 years. When I move to Harvard in June that will be my sixth college or university at which I've worked. And I have really covered a range of institutions.

My first job was at a small regional university with a very small endowment and that was entirely tuition revenue driven. And obviously in moving to Harvard it's the opposite of that in terms of financing. But I think that perspective, and then time and things have changed over time. And so I just wanted to share my perspective from kind of the practitioner point of view in terms of how we got here and perhaps, you know, what I think our future will hold or has to hold.

So the first thing I want to just address, and again I am not talking about this from a sophisticated needs analysis, public policy perspective, but really from a practitioner's perspective in terms of what I've seen in the business.

And I think the first question I want to address is sort of where does the challenge come from in clarifying pricing from our perspective and what we've seen over time. And one of the things I first have to say is actually it comes from a very, I think, positive place, particularly from the financial aid side of the house in that financial aid administrators are really driven by a desire to try and apply needs analysis in as equitable a way as possible between similarly situated families. And you will hear them talk about that frequently with families and when they talk in general about financial aid.

But depending on the type of institution at which you work, you're also driven as a financial aid professional by using aid as a way to help a college meet its enrollment goals. It is a tool, an important lever in enrolling the types of students that the college has identified it wants to enroll.

And financial aid as a budget driver is tremendous, right? And so financial aid professionals feel a tremendous responsibility to the college or the university to manage the aid budget as a major factor in building and spending a college's operating budget, especially for tuition driven institutions.

But even aid directors at intuitions that don't gap students, have, you know, large endowments, are able not to gap students, need 100 percent of demonstrated need, even those aid directors at what we might historically refer to as need blind, meet 100 percent of demonstrated need institutions, even they experience pressure regarding the portion of the operating budget that needs to be dedicated to aid each year. Because at those institutions it can be difficult to predict how much of the budget is going to have to be used for financial aid.

And then at the same time community members in general tend to see the financial aid office sometimes as the only place that allows the institution to create a more equitable learning experience for students from different financial backgrounds.

So on the one hand aid professionals are expected to, you know, manage the budget or be able to predict the budget in a way that's really essential to budgeting for the college and on the other hand they're also expected, you know, to be generous and to provide opportunities and equity for those students who don't have enough.

And all of these things can make them, an aid office, very reluctant to appear to promise any amount of financial aid before they have a full financial aid application in front of them in order to be able to make that assessment.

And then that's what leads to this what can be from the profession, a bit of reluctance in some ways to provide more pricing clarity for individual perspective families. To not have spent the budget, to not spend perhaps too much of the budget or spend it in a way that doesn't help the institution meet its needs, or also this pressure to be able to give students who need it so they don't end up, you know, being, you know, the student who is not able to go to college because they can't afford to go. And so it makes it, and then also trying to spend that money equitably. So that, unfortunately, right? The rare instance where it appears as if a family who perhaps didn't need as much aid as they received, received too much aid, right?

So all of these things are competing pressures on financial aid professionals that I think encourage a level of, you know, of kind of reluctance to provide more clarity earlier in the funnel, in the admission funnel or the financial aid funnel.

And certainly in my early career that was almost an expectation, right, to kind of create, you know, to not provide too much information early on so that the institution could manage that aid budget or provide the most equitable distribution of aid, you know, in a way that met the institution's goals. And families pretty much tolerated that.

You know, I'm a Gen Xer, my father is from what they call the Silent Generation, you know, kind of came of age around the Korean War. I received financial aid, a hefty amount of financial aid to go to college. My father would have never call a financial aid office, right, to ask the question. And that was just not the way things were done in trusted institutions.

I think the things that are changing now, right, is that in college we, in the perspective student pipeline and also in our current college students, we're dealing with Generation Z and in a few years, in about four years, the next generation, which right now has been named Generation Alpha, will be applying, starting to apply and consider college.

And these students, right, Gen Z, they were born between 1995 to 2010, Generation Alpha 2010 to 2025. But their parents are Gen Xers like me, or Millennials. And their parents have a very different experience with financing and borrowing for college than previous generations had, right?

My father never graduated from college, but he did attend college and he pretty much worked his way through a few years and then ultimately had to leave. But he could have done it had some other things not happened in his life.

And of course for me as a Gen Xer I remember the first day of college, having people sitting out at a table offering me a credit card, right? And this sort of fearlessness in borrowing because of an expectation that there would constantly be economy growth and there would be income, you know, growth and availability. But what happened, of course, is that many of us experienced what felt like a heavy amount of debt from college even if it wasn't the heavy amount as compared to previous generations because the cost of other things were so much.

It was so much harder to afford a home, it was so much harder to even move to a city, a big city for a new job, right? And so that really sort of created in today's parents I think a heightened set of concern for children, a college debt. The expectation of course now that students might go on to graduate school, which might lead to more debt.

And so those parents and their children also trust institutions less. And many of them, not all of them, but many of them have a greater sense of egency, especially among the middle and higher income families when they engage with college admission and aid processes and offices.

And they also have higher expectations and higher demands. And so I think for our future that price transparency is, there's a greater need and expectation for it.

And then finally the increased level of selectivity really has sort of heightened that need to understand, for this generation of students and their families, to understand the price much more ahead of time and earlier. And that's because they may apply earlier through early application programs, right? And they have to be more strategic, if that's the case, in where they apply. And so I think that families will demand a better understanding of pricing so that they can build a college list in a more strategic and a more responsible way.

MS. BUTCHER: Terrific. Thank you so much, Joy. I'm sure people would like to hear you go on even more about that as they design their goals for their own children.

But it's also the case that although financial issues loom large, they are not the only barriers to college. And so Lindsay, who is again the Annenberg Associate Professor of Education Policy at Brown University is going to talk to us a little bit about her work and the issues, other issues around college access.

MS. PAGE: Kristin, thanks so much. And I similarly love hearing from Phil and love hearing from Joy. Joy, congratulations on your upcoming job transmission, looks very exciting.

So I think a great place to return to is something that Phil reminded us at the beginning, that there are all of these organizations that are focused on issues of college access and success. And what that is a signal of is that the college process overall is enormously complex.

I think another important thing to remember is that an enormously complex process that students and their families go through sort of a handful of times at most. And so it's a multifaceted process, often we engage in it over a many-months period of time. And because of the complexity and the many steps, there's just lots and lots of room for error or for families to take a turn that wouldn't necessarily be considered optimal.

I think another problem that all of those non-profit organizations are a symptom of is the fact that schools, our public schools are often understaffed when it comes to providing students with adequate or excellent counseling through these processes. There are plenty of for-profit organizations in the greater Boston area where families might spend $40,000 just to hire somebody to council their student through the college-going process.

And so as we think about equity in our college-going process, that sort of range of supports and opportunities is something that we should also be keeping an eye on.

So I know this leads a little bit into, you know, what my, sort of where I would hang my hat from a policy recommendation standpoint. But, you know, one thing that I really want to underscore is the idea of better investment in school counselors, making sure that we have adequate student to counselor ratios in our public schools and better training for school counselors on all of these different topics. School counselors may not be entering into their counseling roles with expertise again in this very complex college-going landscape.

In terms of other steps in the college-going process, of course we are right now living through a process hastened by COVID, of dramatic changes I think in the college admissions, the requirements of college admissions. One big change that COVID has brought is many institutions moving at least temporarily if not permanently, to a test-optional system in college admissions testing.

One thing that I've heard sort of antidotally thinking about those kinds of non-profit organizations that Phil highlighted at the beginning is many of those organizations that work with students from low income backgrounds, students who may be the first in their family to go to college, they're moving fairly quickly towards telling students just not to take the SAT or ACT at all. And I think that institutions, even if institutions are going test-optional, I would want to see them be really clear with students in communicating what the benefits might still be of taking an SAT or taking an ACT, especially if those are, if those continue to be used as gateways for providing things like merit based financial aid. We want to make sure that students aren't skipping steps in the processes and missing out on financial benefits as a result. So that's something that is top of mind for me.

One other thing that Joy mentioned that I just want to highlight is, you know, in college-going in general, another step that's really important for students to get right is just a question of where to apply, what institution is going to be a good fit for them overall in addition to the financial components of things. And really asking the question of do the institutions that I'm applying to, you know, do the institutions that are recruiting me as a student, do they have my best interest in mind?

And especially for institutions, not exclusively, but especially for institutions that are sitting in the for-profit sector. I think that that's something that we should worry about, that we should help students understand those kinds of motivations for institutions.

So I think I will wrap it up there. I'm just keeping an eye on the time. I think all of us could go on and on and on on many different dimensions, but I am eager to hear what Sandy has to say.

MS. BUTCHER: All right. Thank you so much for that. I'll just remind people that this is all happening against the backdrop of increasing inequality and we always hold out college as something that has a promise of addressing some of those economic mobility gaps.

So let's turn it over to Sandy, whose forthcoming book *Can College Level the Playing Field: Higher Education in an Unequal Society*, has something to say about that.

MS. BAUM: Thank you. And I've been listening to everyone else talk, I feel like so much has already been said, it's not that easy to come up with new things.

And thank you for mentioning my book, which is coming out next week. Phil and I are very excited that our books are coming out about at the same time because we think that the issues complement each other very well.

Let me just say I think it's really important to think about the two types of issues that Phil has raised, both the price itself, the affordability, the dollars and cents part of it, and the complexity. Because, you know, they are very interrelated, there is a tradeoff sometimes between them as Phil mentioned. If you lower your sticker price, for example, and try to be simpler, if you try to be simple and not charge everybody a different price, you wouldn't be able to give the need based financial aid on which the low and moderate income students depend. So you can't really separate these two issues.

And as the top affordability issue forever, the one thing I want to say is that many of the numbers that Phil put out there are really the comprehensive fees, tuition fees, room and board, student budget. And of course a lot of students don't live on a college campus. Colleges don't really have anything to do with local rents and food prices, and that has a lot to do with how students struggle in financing their college education.

And I think that's really important if we think for example that suggestion like, oh, just make college free. People really mean make tuition free, mostly at public colleges, and there is going to be a lot left over to talk about in terms of affordability.

But really I want to focus more on the problems that are not the dollars and cents that students have in their pockets when they enroll in college. And even on the other complexities that Lindsay raised about other problems that students face. And take a step back and along the lines of my book that's coming out next week that I know everyone will read.

What we tried to do, like and I co-authored this with Michael McPherson, is put college into the context of the life cycle, that higher education is one stage of many stages throughout your life. And if we really want to understand how to create better college opportunities for students, we have to look at what's happening to them earlier in their lives.

So, you know, some kids, and most of the kids unfortunately who end up at the Wellesleys and the Harvards of the world grow up in comfortable neighborhoods, safe neighborhoods, comfortable houses, they have good healthcare, they have good early childhood education, their parents shower opportunities on them and, you know, educational trips and toys and so on. And they can get ready to go to college.

But a lot of other kids are growing up in unsafe neighborhoods, they're moving frequently from one substandard housing unit to another. They are lucky if they get three meals a day, their parents have great difficulty, you know, making ends meet, providing any of the opportunities that other children in more affluent and privileged and not first generation communities have.

And these kids, you know, they fend for themselves a lot, they have incredibly high stress levels. So it's not just they turn 16 and we need to make sure they have the information about college and we need to make sure they have the financial aid to pay for college. We do need to make sure about those things and I don't want to downplay their importance, but I think, you know, it's not surprising that you have all these high school students who are not going to, you know, the website and looking up the college calculator and trying to figure it out.

They don't understand that it matters where they go to college, they've had very little contact with people who are college graduates other than, you know, their teachers. So it really is a serious problem that we can't solve at the door to college, and that colleges and universities can help with, but they can solve it themselves.

And so I guess the main message that I would like to give is, for people, most of the people listening to this are people who are tuned in very much to the higher education world and they are likely to lobby for things like higher Pell Grants, things that Phil has raised and that Lindsay has raised.

But I think that those of us who are focused on that world really have to do a good job of also lobbying for early childhood education, for better access to healthcare, for child tax credit. We have to understand that, you know, minimum wages and worker autonomy and income tax progressivity all contribute to how families live and to how children grow up and to the extent to which the next generation will be prepared for college and therefore prepared to take advantage of the kinds of policies on which higher education advocates focus.

So we do need to double the Pell Grant. I'm a little skeptical of the solution of just require that all schools need in order to take care of that. And we do need to simplify and we do need to focus on all those things that Joy and Lindsay have talked about.

But I really think we need to put at the top of our agenda how we tackle other issues of inequality, how we make sure that the next generation grows up with less inequity at the time that they come to the door of college so that they can take advantage of the kinds of opportunists we're talking about. It's actually easier to think of solutions to the seemingly intractable college financing problems than it is to find solutions to the bigger problems that create such disparity in how people can deal with those problems when it's time for them to do that.

So I just think that, you know, it's not like I'm saying take money away from the Pell Grant to do other things, but I do think that thinking that we can find a sole solution, that is wrong, and that the power of the voices of people in higher education and of the people who are educating people at colleges and universities can only be fully used if we expand our horizons and really, really think about our task of increasing pro secondary educational opportunities as requiring a much broader public policy focus.

So now we can all talk together about it.

MS. BUTCHER: Thank you so much for that. So let's bring Phil back into this conversation. And let me just start off about talking about some of the buzz words that are sort of out there, the policies that are floating by people, like free college, cancelling college debts, you know, those issues. And, you know, as Sandy just reminded us, free college is an interesting idea but if there are people who have not been advantaged enough to be able to go to college at all, it's not going to help them at all, right?

And so, Phil, do you just want to maybe talk a little about free college in the context of all of this inequality that we see?

MR. LEVINE: Sure. Yeah, so I am grateful for the comments that everybody else just made, because I pretty much agree with every single one of them.

But in terms of free college, I think it's important to think about from within the narrower focus of higher education, comparing free college to doubling the Pell Grant, you know, I see doubling the Pell Grant is a much more desirable solution. You know, it is providing exactly the right amount of money to exactly the students who face the greatest difficulties in affording a college education. I think that free college has issues of targeting, so it's not clear, you know, there's discussions about, you know, limiting the scope to different income levels but those typical income levels are often much higher than the Pell Grant threshold.

There's issues about, you know, as Sandy mentioned, whether this is just tuition that gets included, whether that's on top of other forms of financial aid or instead of other forms of financial aid, that's a problem.

You know, I think to the extent that we have any concern for the system of private higher education, you know, Harvard will survive within a free college world, but, you know, less well-endowed institutions which would not be eligible for the free college subsidies, would be significantly disadvantages. Many of whom I would imagine, you know, to the point of life threateningly disadvantaged.

If, you know, there are $15,000 subsidies to go to a public institution that they weren't eligible for. You know, I sort of think that greater choice is a good thing. And that that would be a problem.

So, you know, for all of those reasons, you know, I would much more strongly support doubling the Pell Grant than free college.

MS. BUTCHER: Anybody have anything else to add?

MS. BAUM: I always like to add that for me one of the key questions that people are talking about free without saying what it is that's free. And a policy that directs resources towards the promise of your tuition and doesn't focus enough resources on how the institutions are going to provide educational opportunities. Community colleges, broad access public institutions are underfunded. And there's no point in making it free for people if the institutions are not equipped to provide the opportunity those students need to succeed.

MS. BUTCHER: Thanks. Lindsay, you're nodding along. Do you want to take up that thread, or change our focus a little bit?

MS. PAGE: No, no, I'm just nodding in agreement, so I'm nodding while I'm thinking.

MS. BUTCHER: So, Joy, can you, going back to sort of what's actually going on in peoples' lives, can you talk about how people pay for college. And in particular I'm thinking about things like the Parent PLUS loans that people might hear about. What are those, who pays them, how are they, who takes them out, how do they get used?

MS. ST. JOHN: Right. So I can certainly talk about the PLUS loans in the context of Wellesley at least. And parents are eligible for PLUS loans to cover basically the cost of attendance minus whatever aid for which they're eligible for.

And these loans are based not on a family's income to debt ratio but really on their credit score. And they are a really helpful tool for some families, but we certainly see it, even at a place like Wellesley, where it seems as if, you know, some families who in some ways are already struggling in the financial aid process, seem to be taking on either further burden.

And in particular, Phillip knows this, what we were noticing is a trend of seeing applicants for later children and recognizing that parents had taken on so much parent loan debt for earlier children that they were literally in a place where they couldn't take on any more debt. And so, you know, we often see, for instance, that Black parents are much more likely to take out parent PLUS loans in order to cover their parent contribution. Even middle income or higher income parents, many times because they have less generational wealth or other generations contributing.

We also see that divorced parents where both parents that we have an expectation and a needs analysis that both parents will contribute to a student's college education but there's nothing usually legally binding of either parent to contribute, and sometimes you have a non-custodial parent with resources and so there's an expectation that that family is paying more but the other parent won't contribute. And so the custodial parent, for instance, maybe takes on much more debt than he or she can effectively manage.

So for families who can afford it and plan for it and really kind of have the wealth resources to support it, they're an important opportunity. And they, you know, some students definitely could not go to even a place like Wellesley without them. But I think that the long-term implications for parent loans for future generations it's questionable to me how sustainable it is.

MS. BUTCHER: Well I know you know more than anyone I know, besides Joy, about the nitty gritty of how the financial aid process plays out in peoples' lives. Do you want to talk a little bit about how different kinds of assets count and what the ramifications might be for families with different kinds of wealth holdings?

MR. LEVINE: Yes. You know I think one of the interesting things that Joy and I have talked about is that Joy actually started a research project for me, a motivated research project for me, having a discussion almost exactly like this one looking at racial gaps in parental PLUS loans. That's something that, you know, Joy mentioned she sees at Wellesley.

But also you see nationwide, and sort of broader level that parent PLUS loans are much more common and much larger on Black students and their families. Particularly among those in the sort of higher EFC categories. I mean this is not so much a problem for the lower income families, they don't have any assets, they're not expected to pay as much in the first place. But in the, you know, middle, upper middle class, you know, levels of socioeconomic status, you know, you see a lot of it and the racial gap is very large.

And, you know, one potential explanation for that that I think this research project that Joy's motivated seems to support is that that has a lot to do with the structure of the financial aid system. So the financial aid system, you know, one thing that we know about the world is that there's just tremendous wealth gaps by race. And the problem with that in the financial aid system is that, you know, we count some forms of assets but it actually turns out to be the case that most forms of assets we don't count.

So, you know, for schools that use FASA we don't include home equity and we don't include retirement savings. Well that's most peoples' wealth. If you ignore that and we have this world in which, you know, White families are much more likely to have those resources and in much larger amounts, if we don't count them that sort of provides them with a little inside advantage. Almost like an implicit subsidy to going to college that, you know, they can take advantage of that Black students can't.

That seems like a fact that's in the data, it seems like it's related to differences in, you know, academic progress among racial groups in terms of likelihood of going to college, graduating from college and other sort of higher educational incomes. Exactly something we need to pursue a little bit further. And that's, you know, ongoing research.

MS. BUTCHER: Thanks for that. Lindsay, I was hoping you would just remind us first of all, why you think it's important to help students go to college. You know, sometimes this discussion gets the question of like is it worth it, gets lost, right. And then besides the financial aid stuff are there other things that you think we could be doing to improve college access?

MS. PAGE: Yes. We could be here all day for that kind of conversation. You know in a lot of the work that I have done, and I want to, you know, give credit to my good friend and colleague, Ben Castleman in this work. We have been focused on, you know, identifying students who at the end of high school have well-articulated plans to go on to college. And even for students who get to the end of high schools with plans to go to college, they have applied to college, been accepted, applied for financial aid, done all of the kinds of steps that we're talking about.

Even for students who have these well-organized plans, what we see is particularly for students from low income backgrounds. Many of those students aren't successfully making the transition to college. So in a way, because of all the complexity in the processes that students still need to navigate in that summer period of time, where they have to be dealing with things like unmet financial need, with all the paperwork that goes on with the transition to college, so on and so forth.

So in a way that body of work sort of sidesteps the question of should students be going to college? There we're just looking at students who have already made that decision for themselves. And even for that group they are not successfully making the transition.

You know, should students be going to college? I think the, you know, broad stroke economic, working in economics, and Phil and Sandy I'm sure could talk about this as well. We still see positive returns to going to college both in terms of lifetime earnings but also in terms of things like whether people are marrying later in life and living in stable household circumstances, what their health is, what their longevity is, whether or not they're relying on various public benefits.

And so I think it's important for us to think about the questions of college going not only in terms of the private returns to the individual or the family, but really the, you know, we should keep talking about the important social returns to having a well-educated, highly educated populous.

So do I think college is the end all, be all for every person? No, I don't necessarily subscribe to that notion. But I think we do need to continue to have a public policy commitment to making sure that college is accessible to every student who wants to go. And then we also have to help students and families to continue to understand why going to college is a good pathway.

MS. BUTCHER: All right. Thank you so much. As usual, my interest is big and our time is short. So we're going to have to move along.

I'm going to ask our panelists and Phil to pick a thought here and just if you have one fact that you'd like us to remember after this webinar ends and if there's one policy you'd like to suggest. And then I'll thank people for coming. So Phil, go ahead.

MR. LEVINE: Okay. Well I think I provided a lot of detail on that already. So, look, my one fact is that college affordability is a problem, particularly for lower income students. And doubling the Pell Grants is the right solution to that problem.

MS. BUTCHER: Joy.

MS. ST. JOHN: I'll do them in reverse. You know, this is not necessarily the top priorities for a place like Wellesley or for Harvard but I agree with Phil that doubling the Pell is to me the most important policy decision to helping students across many income categories.

I just think one fact to sort of keep in mind just to be able to appreciate that every policy creates incentive for institutions and just to remember what kind of incentives are we creating when we pass different policies or, you know, do things to prioritize some factors in college education programs.

MS. BUTCHER: Thanks. Lindsay.

MS. PAGE: Sure. Thank you. So I think in the spirit of thinking about college going, the facts that I would want to offer is many high schools in the country have student to school counselor ratios that are way, way, way beyond what would be recommended from a public policy standpoint. And that we should advocate for better resources to make sure that students are getting appropriate and free access to strong college counseling.

MS. BUTCHER: Terrific. Sandy Baum.

MS. BAUM: So I guess I'm going to say let's not focus on the sticker price of college as the source of the issues, and that that encompasses all the other problems we've talked about that are barriers. And in order to address the barriers of future college students, the solution is not to forgive outstanding student debt, which doesn't help future college students, but instead double to Pell Grants and put resources into other things that will help students prepare for and enroll and succeed in college.

MS. BUTCHER: Thank you so much. Well with that I'd really like to thank our panelists. Phil Levine, Joy St. John, Lindsay Page, and Sandy Baum. I think we could talk about this for many, many more hours. I hope people who are watching got some information but are left with a sense of curiosity. And if you are, I could recommend two books for you. One is *A Problem of Fit* by Phil Levine, and one is Sandy Baum's book on *Can College Level the Playing Field* that's out next week.

So thank you all for joining, and have a nice rest of your afternoon.

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