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A Benchmark for Making College Affordable

College affordability. Two simple words; two critically important, yet distressingly hollow words. Policymakers, college administrators, and student advocates all use this term, but no one seems to precisely define what it means or what achieving it would look like. Without a clear definition, it's hard to measure progress toward this goal.

We know the situation has become worse over time. In 1971, Americans could cover tuition at public colleges by working about 10 hours a week. Today's student would have to work 24 hours a week at minimum wage to pay public college tuition, without factoring in living expenses. During the past decade, the price of college increased by 45 percent on average as household incomes declined by 7 percent.

What does it really mean to make college affordable?

While some suggest that the nation should focus on making college tuition-free, this approach ignores the fact that non-tuition costs can account for more than half of the total cost of attaining a bachelor's degree. Further, this approach focuses on the price of the institution, rather than on the needs of the individual. Still, while tuition-free approaches have many critics, those in opposition usually offer no clear alternative. What might a student-centric measure of 'affordability' be? It would need to be predictable, transparent, built around a defined benefit, and based on a reasonable contribution of resources available to students and families.

How much is reasonable to expect students and families to save for college?

Lumina Foundation assembled higher education policy experts along with experts in fields outside education – including housing, retirement planning, and health care – to gather reflections about how best to measure college affordability. Informed by their insights, Lumina proposed an affordability benchmark that creates a sliding scale of a student's ability to pay, based on work and family resources. The bottom line is that some families can't afford to contribute anything from savings, but those who can should be encouraged to do so.

This benchmark – which we describe in shorthand as "the rule of 10" – can serve as a marker of how much, on average, students and families can reasonably afford to save and work while enrolled to pay for college. The benchmark assumes that individuals and families making more than twice the poverty rate can afford to save up to 10 percent of their income every year for 10 years.

The benchmark also is meant to prevent work from interfering with studies. Ten hours of work at the federal minimum wage for approximately 50 weeks would be $3,625 annually or $14,500 over the course of four years. Students shouldn't be expected to contribute more than this amount from work while enrolled. Research suggests that working much more than this can jeopardize students' ability to complete their programs.

THE RULE OF 10

10 PERCENT FOR 10 YEARS + 10 HOURS OF WORK

Experts suggest that students should pay no more for college than the savings generated through 10 percent of discretionary income for 10 years and the earnings from working 10 hours a week while in school.

What next?

Establishing a concrete measure of affordability could raise several policy questions worth careful consideration. For instance, given that low-income students, even with family support, are not likely to be able to save for college, should they be required to take on any debt? And, even if the highest-income families could afford to save more, should public college tuition be set below their ability to pay? Additionally, if a modest amount of work to help cover living expenses is reasonable to expect, should state governments and public colleges improve work-study opportunities? In addition, could state policymakers use the benchmark when formulating new finance approaches such as "promise" programs? Also, could federal policymakers use the benchmark to inform development of a new federal-state partnership for student aid? Finally, could the benchmark be used as a tool to advise students as they choose colleges – or by institutions to help set tuition, target cost reductions, or identify program redesign options?

Examples

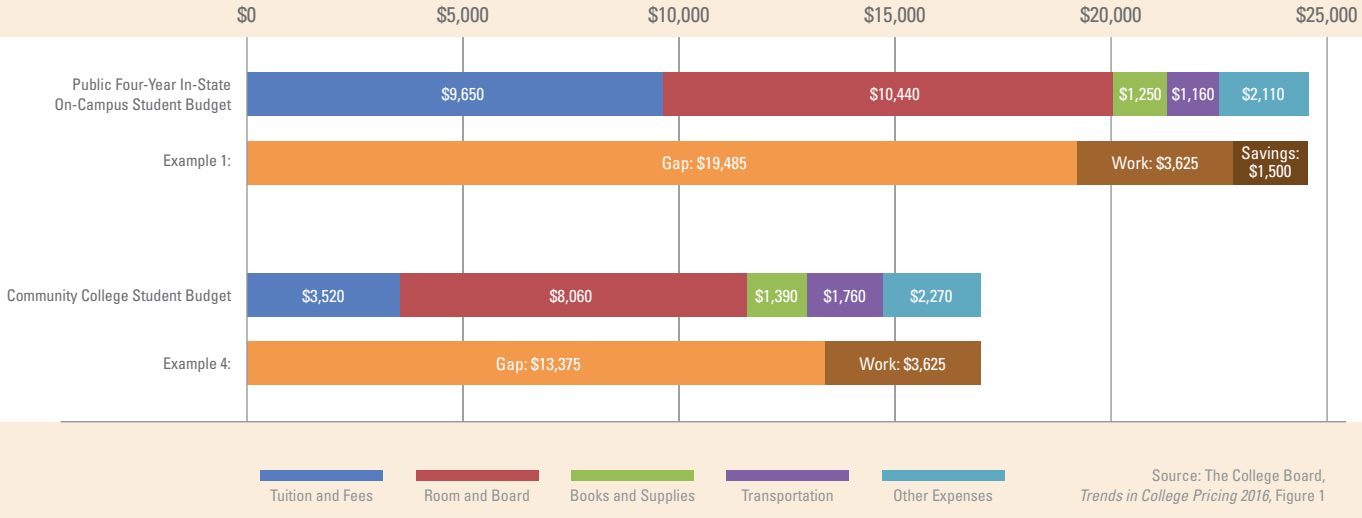
Example 1: Average family of four Under this benchmark, a family of four consistently making an average of $50,000 annually could afford to contribute $1,500 (in total) to college education for students in the family, based on the idea that they could save $12.50 per month for 10 years. Any students enrolled could also contribute $3,625 per year from work. Any financial contribution required of the family beyond these expectations would be considered unaffordable.

Example 2: Upper-middle-income family of four A family making an average of $100,000 annually over 10 years might be able to contribute $51,500 to the total cost of an educational program, based on a savings estimate of $429/month during that time. Any students in the family could also contribute $3,625 per year from student work for each year of postsecondary education. If the family had only saved $10,000 to contribute to college at the time of a student's entry to college, the family would still be responsible for the remainder. This amount could be contributed via a combination of money from current earnings, additional work, or loans.

Example 3: Adult student A single adult student (with no children) returning to a four-year college after a 10-year absence may have earned $20,000 annually, on average, over the course of those 10 years. It's reasonable to assume that someone earning so little would lack any savings to contribute toward postsecondary education. In fact, the benchmark suggests that, upon returning to school, he or she should contribute no more than $3,625 annually from earnings for living costs (rent, transportation, etc.).

Example 4: Single parent A single parent enrolling in community college while supporting one child through earnings of $30,000 is unlikely to be able to save anything for postsecondary education. The benchmark suggests that such students should be assisted with any living costs above $3,625 while in school.

How the benchmark covers the college budget



Source: The College Board, *Trends in College Pricing 2016*, Figure 1

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