FAC Faculty Senate Report-Feb. 2007

On January 19, 2007 the FAC met at Northeastern Illinois University in Chicago. Their outgoing President Salme Steinberg was of the opinion that certain time honored higher education statistics like time to degree has little relevance to the new type of student we are educating today. Most work, lots of students take semesters off and many are responsible for supporting a family. So what if they take 8 years to get a degree.

The council also passed our statement on Student Debt (See attached) that was delivered to the IBHE at the Feb. 6, 2007 meeting. We will be asking the Faculty Senates to endorse the statement.

The balance of the meeting was spent meeting with representatives of a group calling themselves the Saturday Morning Dialogue Group. The representatives were Max McGee, former State Superintendent of Schools and now the Superintendent of the Wilmette School district and David Bonnette, an NEIU EdAdm. Professor, and also involved with K-12 school administration. The group is a collection of diverse interests (business, education, mayors and others) who are trying to solve the structural revenue deficit in the state of Illinois. As of now they are looking at two options. Option #1 is a variation of HB 750-The Property tax relief coupled with an increase in the individual and corporate income tax and a broadening of the sales tax base. Option #2 is one that has not been put on the table before. Adopt a business gross receipts tax of 1.45%. It would apply to all businesses. If adopted, the sales tax, corporate income tax, and the corporate franchise tax would be eliminated. In addition property taxes would be reduced by 25%. Both plans would raise about $6 billion. That revenue would be applied to the pension debt ($3 billion) with the rest going to fund education in the state. Higher ed's share would be over $400 million. McGee says they have some traction and they intend to introduce a bill this legislative session. Could it pass? Who knows? But we are getting to the crisis point, and at times it takes a crisis to get big things done.

1-10-07

STUDENT DEBT-AN IMPENDING CRISIS
A DESCRIPTION OF THE PROBLEM AND RECOMMENDATIONS

AS ADVANCED BY

THE FACULTY ADVISORY COUNCIL TO THE ILLINOIS BOARD OF HIGHER EDUCATION

ABSTRACT

LOWER AND MIDDLE INCOME FAMILIES ARE STRESSED BY RISING HEALTH COSTS, THE EROSION OF PRIVATE PENSION PLANS, AND THE LOSS OF HIGHER PAYING JOB OPPORTUNITIES. TO MAKE THIS SITUATION EVEN WORSE, COLLEGE AGE STUDENTS FROM THESE FAMILIES ARE CONFRONTED WITH HIGHER TUITION AND FEES FOR A COLLEGE EDUCATION. SCHOLARSHIP RESOURCES ARE INADEQUATE TO COMPENSATE FOR THESE HIGHER COSTS. AS A CONSEQUENCE, AN INCREASINGLY LARGE NUMBER OF STUDENTS HAVE HAD TO TURN TO EDUCATIONAL LOANS, AND MORE AND MORE STUDENTS ARE GRADUATING WITH UNCOMFORTABLY LARGE LEVELS OF DEBT.

THE STATE BENEFITS ENORMOUSLY FROM HIGHER EDUCATION THROUGH INCREASED TAX REVENUES, A MORE INFORMED CITIZENRY, AND LOWER SOCIAL COSTS (FOR PRISONS, WELFARE, AND DRUG REHABILITATION, ETC). THE BURDEN FOR PROVIDING THESE SOCIALLY DESIRABLE ENDS SHOULD NOT FALL DISPROPORTIONATELY ON THE BACKS OF STUDENTS.

TO MAKE MATTERS WORSE, EDUCATIONAL DEBTS WILL TEND TO DRIVE STUDENTS AWAY FROM LOW PAYING BUT SOCIALLY VALUABLE CAREERS IN TEACHING, SOCIAL WORK, AND NURSING. THIS SHOULD BE A PARTICULARLY POIGNANT FACT FOR THE BOARD IN LIGHT OF THE STATE'S CURRENT PROBLEMS WITH HIGH QUALITY TEACHER PREPARATION (AS DESCRIBED IN OUR LAST STATEMENT TO YOU), AND IN LIGHT OF THE STATE'S INCREASINGLY DESPERATE SHORTAGE OF TRAINED NURSES.

THEREFORE, THE FACULTY ADVISORY COUNCIL TO THE ILLINOIS BOARD OF HIGHER EDUCATION RECOMMENDS THAT AS A RESPONSE TO BOTH THE STUDENT DEBT CRISIS AND THE PROBLEM OF PROVIDING HIGH QUALITY CANDIDATES FOR TEACHING AND OTHER SOCIALLY VALUABLE OCCUPATIONS, THAT: THE BOARD SEEK LEGISLATIVE SPONSORS FOR A STUDENT DEBT FORGIVENESS PROGRAM FOR STUDENTS SEEKING CAREERS IN SOCIALLY VALUABLE FIELDS IN OUR STATE.

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It has become clear that policies adopted by many states and the federal government over the past decade concerning governmental support for higher education are beginning to bear bitter fruit. National and local media outlets have been running story after story about students and former students with educational loans that are so large they affect their standard of living and occupational choices.

THE ECONOMIC CONTEXT

Lower and middle income workers are under siege. Both nationally and in Illinois, they have seen their access to healthcare shrink. (The number of Americans without health coverage rose by 1.3 million last year, up to 46.6 million, according to the Census Bureau.[1]) Likewise, private sector pension coverage for employees has dwindled (from 56% in the late 1970s and early 1980s to 50% in the early 2000s). Illinois has also been losing relatively high paying manufacturing jobs which are being replaced by lower paying service sector jobs. Median Illinois household income dropped by 10.8% in real (adjusted for inflation) terms from 1999 to 2005, compared to a drop of 2.8% over the same period at the national level.[2]

Worse yet, because of inadequate funding at both the state and federal levels, students of modest means are being priced out of the higher education market. This flies in the face of the recommendations of The National Center for Public Policy and Higher Education which has warned that in order to keep up with demographic and economic trends, Illinois must raise the level of education for all its citizens, particularly the growing minority populations.[3] Failure to do so may doom the bulk of the state's citizens to a fragile economic future and Illinois may find itself dealing with shrinking tax revenues on a long-term basis.

POLICY MAKERS' REACTION

Given the facts above, policy makers at the state and federal level could be expected to ramp up the educational infrastructure and to ensure access to

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[1] U.S. Census Bureau. Income, Poverty, and Health Insurance Coverage in the United States: 2005. Report P60-231, August 2006. Available at: www.census.gov/prod/2006pubs/p60-231.pdf.

[2] U.S. Census Bureau. http://www.census.gov/hhes/www/income/historical/h08.html.

[3] National Center for Public Policy and Higher Education, *Educational Level of Illinois Workforce Projected to Decline* (November 2005), available at http://www.highereducation.org/reports/pa_decline/states/IL.pdf, last visited October 26, 2006.

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the system for as many qualified students as possible. After all, it is in the state and federal governments' interest to have a highly educated population. In 2005, the median earnings for a male with a college degree were 63% higher than a similar male with a high school degree. Among women, the earnings premium for a college degree was 70%. Even the presence of more college graduates in a metropolitan area seems to influence the area's per capita income growth. Those metropolitan areas with the highest concentration of college graduates experienced a higher per capita income growth rate than those metropolitan areas with the lowest concentrations of college graduates from 1980 to 1997.[4] As a result, college graduates will contribute between 60% and 70% more in income tax (assuming a flat rate) and similar amounts more in property taxes, sales taxes and excise taxes than high school graduates. The communities with high concentrations of college graduates can be expected to have better funded schools and other infrastructure than similar communities with a lower concentration of college graduates. There are other societal benefits as well. College graduates tend to be healthier, are less likely to smoke, less likely to be jailed, and less likely to be dependent on social safety net programs. They also tend to have higher levels of civic participation, volunteer and give blood more frequently, and talk with their children more about current events than do non-college graduates. [5]

Unfortunately, state and federal governments have not acted in their own best interests, and Illinois is a good case in point. Over the last five years, the state of Illinois has actually cut appropriations for higher education to accomplish the short-term goal of budget balancing. Appropriations for operations and grants to institutions of higher education in this state have declined by 8.2% in current dollars (slightly more than $202 million) from FY 2002 to FY 2007.[6] Despite staff cuts, increased class sizes, and other cost cutting measures, public universities had no choice but to increase tuition. (Weighted average tuition for the state's public four-year universities went up 47% between FY 2002 and FY 2005 while the state's undergraduate tuition subsidy [the portion of instructional costs of

[4] College Board, *Historically Large Earnings Premium for College Graduates Persists* (2006), available at http://www.collegeboard.com/prod_downloads/press/cost06/education_pays2_06.pdf, last visited October 26, 2006.

5 Sandy Baum & Kathleen Payea, *The Benefits of Higher Education for Individuals and Society*. (College Board: Rev. Ed. 2005), available at http://www.collegeboard.com/prod_downloads/press/cost04/EducationPays2004.pdf, last visited October 25, 2006.

[6] IBHE Staff, *Setting a Context for Fiscal Year 2008 Budget Development*, Aug. 2006, available at http://www.ibhe.org/Board/agendas/2006/August/Item14.pdf, last visited October 25, 2006.

undergraduate education funded by the state] declined from 63% to 47%.[7]) Tuition is not the only cost students must pay to attend classes. Combined, tuition and fees at public four-year universities increased at varying amounts. At the highest cost public four-year university, tuition and fees increased 50% from FY 2002 to FY 2007, while the increase was 58% at the lowest cost public four-year university.[8] (The trends are similar for private and community colleges.)

Worse yet, student assistance has not kept up with these increases in cost. State appropriations to the Monetary Assistance Program (the state's primary need based financial aid program) increased only 3.7% from FY 2002 to FY 2007.[9] The maximum MAP award for FY 2007 is $4,968,[10] up from the prior year's maximum award of $4,521 after application of a 9% reduction factor. The maximum award amount ($4,968) has not increased since FY 02.[11] At the federal level, financial aid to students comes in two primary forms: grants and loans. The Pell grant is the largest federal grant program. In the early 90s, Pell grants were 40% of all grant aid provided to students. Now they make up only 31%. The average Pell grant for 2005-06 was $2,352 or $294 lower than it was in 02-03, using 2005 constant dollars. In the face of rising college costs, Congress reduced funding for Pell grants by nearly a billion dollars in 05-06. In 1985-86 the maximum Pell grant award was nearly 60% of public four-year tuition, fees and room and board charges. In 2005-06 the maximum Pell grant award covered only a little over 30% of those costs.

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Because of the steep increases in cost and the failure of need-based scholarships to keep pace, more and more students have had to turn to loans. More than half of all student aid comes in the form of federal loans: subsidized Stafford loans, unsubsidized Stafford loans, Perkins loans for high need students and Parent Loans for Undergraduate Students. Subsidized Stafford loans have gone from 57% of total loans to 34% from 1995-96 to 2005-06

7 IBHE Staff, *State General Funds Tuition Subsidy-FY1999-FY2005*, available at http://www.ibhe.org/Fiscal%20Affairs/PDF/TuitionSubsidySummary99to05.pdf, last visited October 25, 2006.

8 IBHE Staff, *Illinois Public Universities, Annual Full-Time Resident Undergraduate Tuition and Fees: Entry Level, FY 1999-FY 2006*, available at http://www.ibhe.org/Fiscal%20Affairs/PDF/Historical%20Pub%20Univ%20TF.pdf, last visited October 25, 2006.

9 Note 1, *supra*.

10 ISAC Board Agenda Item 2, August 2, 2006 Board Agenda, available at http://www.collegezone.com/media/agenda0802_item8.pdf, last visited October 26, 2006.

11 ISAC Board Agenda Item 4 Summary, January 27 Board Agenda, available at http://www.collegezone.com/media/agenda0127_item4.pdf, last visited October 25, 2006.

THE DEBT CRISIS

Offered only dwindling or flat state and federal aid while college costs continue to rise, students have limited choices. They can attend part-time and work, they can choose to go to a less expensive school, or they can borrow. Unfortunately, the most readily available source of borrowing is the non-federal private student loan. They are unsubsidized and generally have floating interest rates. The annual amount of non-federal student loans grew from $1.7 billion in 1995-96 to over $17 billion in 2005-06, an increase of 914%.

The Project on Student Debt reports that the average student debt for graduates of Illinois public universities in 2005 was $17,089 and for graduates of the private four-year institutions it was $18,431.[12] Those averages do not seem like extraordinarily high debt loads, but remember, they are just averages. On a national basis, debt levels for graduating seniors increased 109% over the past ten years.

Worst of all, there is evidence that the heaviest borrowers are the students of modest means. More than 88% of Pell grant recipients (students of average means) also had student debt upon graduation, compared to 52% of those graduates without Pell grants. Twenty-five percent of the Pell grant recipients had debt of at least of $27,625 and 10% had debt of at least $38,000!

DEBT EFFECTS

Carrying such heavy debt loads has many effects on the lives of college graduates and on the society in which they will live. Many graduates with debt report they must put off life decisions due to the debt: 44% - buying a house, 28% - having children, 27% - medical and dental procedures, and 18% - getting married. Most alarming is the fact that among those graduates with debt, 40% have accumulated at least $50,000 of additional household debt, as opposed to only 15% of the graduates without debt.[13]

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[12] The Project on Student Debt, *Student Debt and the Class of 2005: Average Debt by State, Sector and School* (Aug. 2005), available at http://projectonstudentdebt.org/files/pub//State_by_State_report_FINAL.pdf, last visited on October 25, 2006. These figures were based on amounts reported by the institutions to Thompson Peterson Undergraduate Financial Aid and Undergraduate Databases. The amounts only include loans processed through the institution. As a result, amounts financed independently of the institution, amounts borrowed before transferring into the reporting school and credit card debt used to finance the student's education costs are not included.

[13] Alliance Bernstein, Investments, *College Debt Crunch: The Biggest Threat to Young American's Financial Well Being?*, available at http://www.alliancebernstein.com/CmsObjectCDC/PDF/CDC_Brochure_BiggestThreat.pdf, last visited October 25, 2006.

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Debt may also impact decisions about careers. A report issued by the U.S. Public Interest Research Group estimates that 39% of college graduates have unmanageable student debt loads at the average starting salary of $32,101.[14] Obviously, graduates with debt will migrate toward positions paying higher salaries in order to be able to pay back their loans. Another study by the State PIRGs' Higher Education Project specifically looked at the effect of student debt on the teaching profession and social work (two traditionally low paying public service sector jobs). Nationally, among public university graduates, 23% and 37% would have unmanageable student debt if they entered the teaching and social work fields, respectively. For private institution graduates, the percentages jump to 38% for teaching and 55% for social work. For Illinois, the percentages were slightly better. The authors note that although only two public sector jobs were studied, they can serve as proxies for a whole range of low paying, but socially valuable professions like the arts, non profit community work, the ministry and journalism.[15]

These are not the only types of career choices that can be affected. For example, a medical school graduate with $100,000 of debt is probably more likely to be attracted to a high paying city practice rather than a lower paying rural or low income area practice. Law graduates with high debt are probably more likely to be attracted to a high paying corporate position as opposed to a public service legal clinic, a public defender or assistant state's attorney position.

RECOMMENDATIONS:

First, we would like to propose an extension to our last report on the desirability of improving the quality of our state's elementary and secondary education teachers. Teaching as a socially valuable occupation needs to be able to attract the best students into the profession. High and climbing levels of student debt and low salaries for beginning teachers actively discourage students from even considering teaching, especially the very brightest students who have many options, most of them better paying, before them. We would propose, then, the following:

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[14] Tracey King & Ellynne Bannon, *The Burden of Borrowing: A Report on the Rising Rates of Student Loan Debt* (March 2002), available at http://uspirg.org/uspirg.asp?id2=5916&id3=USPIRG&, last visited October 31, 2006.

[15] Luke Swarthout, *Paying Back, Not Giving Back: Student Debt's Negative Impact on Public service Career Opportunities* (April 2006), available at http://pirg.org/highered/payingback.pdf, last visited October 31, 2006.

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The Faculty Advisory Council acknowledges current scholarship programs such as the Golden Apple Scholars of Illinois, Minority Teachers of Illinois Scholarship Program, Illinois Future Teacher Corps Program, Illinois Special Education Teacher Tuition Waiver Program, and Nursing Education Scholarship Program. Nonetheless, based on a comprehensive evaluation of these and similar loan forgiveness and scholarship programs, we believe that the Board should seek sponsors for legislation that would build upon the strengths of these programs to create a loan forgiveness program for graduates who take positions in elementary or secondary teaching, or who take positions in low paying positions in other socially valuable professions like social work, the arts, non profit community work, journalism, and nursing. A debt forgiveness program would remove one of the financial barriers for students seeking to enter low paying but socially valuable professions.

The Board should also investigate innovative programs that have been proposed or instituted in other states. These include:

-The proposed Iowa "Learn and Earn College Program". Students who go to an Iowa institution sign an agreement to work in Iowa for at least seven years. If the graduates fulfill their agreement, their student loans are paid by the state.

-Georgia's HOPE plan. This is a universal merit scholarship program. All participating schools would be reimbursed at 90% of their published tuition and fees or 90% of the highest state tuition and fees, whichever is lower.

-The proposed "Wisconsin Covenant". Eighth grade students would formally promise to maintain a B average, stay out of trouble, and take college prep courses. If the promises are fulfilled, the state would provide a (means tested) financial aid package to pay tuition at any private, public or technical institution in the state.

SUMMARY

The recommendations above are intended to relieve only some of the most socially worrisome symptoms created by rising tuition and rising levels of student debt for low and middle-income students. These students seek nothing more than to ensure their own future and the future of the state through higher education. The state is a huge benefactor of an educated public through increased revenue, a more informed citizenry, and lower social costs (for prisons, welfare, and drug rehabilitation, etc). The burden for providing these socially desirable ends should not fall disproportionately on the backs of the students themselves.

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