
studentPOLL

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Student Perceptions on Price, Aid, and Debt Provide an Extraordinary Opportunity for Colleges and Universities

Publisher's Note

This issue marks the 20th anniversary of *studentPOLL*. We're very proud that *studentPOLL* has provided useful insights on matters of strategic importance to college and university decision makers. For example, at a time when many institutions were extremely cautious about developing online applications, *studentPOLL* predicted overwhelming support for them among college-bound high school students. The rest is history.

We also thought our 20th birthday was an appropriate moment to announce two important changes.

First, starting with this issue we are pleased to welcome a new collaborator, ACT, whose mission is to improve college and career readiness and success for everyone.

Second, to make *studentPOLL* more insightful and useful for its readers, we will divide the content into two major components: "Findings" and "Commentary." Findings will provide straightforward reporting of our research findings without any editorial remarks. Commentary will draw on our own experience and client research to provide context and insights that will help readers understand the meaning and implications of the findings.

These changes are perhaps most appropriate for the current issue, which covers an especially complex topic and one of profound importance today: college costs. Given the complexity of the issue, and the fluidity of perceptions about costs throughout the admissions process, it is important to understand the timing of our study. The research findings reflect the attitudes of college-bound high school students about college costs at a particular point in time, February 2015, after they had filed applications but in most cases before receiving offers of admission. This means that at the time of the survey many respondents would not have known where they had been admitted, whether they would receive financial aid or the amount of such aid, whether they would incur any loan obligations, and if so what these might be.

Research results offer a salutary reminder that, at this stage in the process, college-bound students simply don't have a firm grasp of some key issues related to college cost. This lack of information and understanding underscores an important opportunity for colleges and universities willing to think imaginatively about how they communicate cost and aid early in the admissions process.

Indeed, as we often emphasize to our clients, many colleges and universities would benefit from providing greater clarity about costs and financial aid, simplifying the aid process, and doing everything in their power to get students to focus on the value of higher education overall as well the

benefits of the distinct academic and social experience each institution provides. The latter point is especially important: we have almost always found in our own client research that substantive initiatives relating to the academic and social experience have a much greater impact overall on students' application and enrollment decisions than price changes or financial aid awards do.

Sadly, the lack of transparency in how colleges determine student need and costs, along with the difficulty of conducting meaningful comparison shopping, has the greatest impact on the those who can benefit from college most: students from low-income households, first-generation students, and students of color, who often lack the educational socialization and experience that helps them make sense of what seems to be the impossible. But the findings also make it very clear that their more affluent middle-, and upper middle-class counterparts are also affected. In short, it's a universal problem. And this makes it a universal opportunity for institutions prepared to act.

There is one very bright spot in the findings that should be noted by the forces in many states that have mounted opposition to tuition set-asides for financial aid. College-bound students actually favor such set asides by an overwhelming majority. In other words, those who will pay a major part of the tuition bill themselves, either directly, though taking on debt, or through family support, seem to have a much more generous attitude about helping their less fortunate peers than many adults who opine on the subject. It's a tribute to the open-mindedness of the generation of young people about to enter college.

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1 Student Engagement with Costs and Financial Aid



Findings

- 95 percent of respondents have applied, or plan to apply for financial aid.
- Respondents were asked “how [they] were looking at the cost of attending a specific college or university.” 45 percent said they were looking at total costs (sticker price), while 44 percent said they were looking at cost after subtracting financial aid.
- Among subgroups, 30 percent of students from families making \$150,000 or more are looking at costs after subtracting what they think they might receive in financial aid.

Commentary

As we have observed elsewhere, pricing is an idiosyncratic issue for individual institutions, so we should start with the caution that it would be unwise to make pricing decisions based solely on these kinds of data. But these findings are useful insofar as they raise important issues related to setting price.

First, that half of college-bound students are considering sticker prices before factoring in financial aid doesn't mean that an institution would automatically benefit from lowering its sticker price. In fact, in many cases, we find that student choice behavior for particular institutions is actually affected more by grants than by tuition. But this is not always the case. For example, at regional colleges ([where 40 percent of all undergraduates enroll nationwide](#) (www.washingtonpost.com/news/grade-point/wp/2015/02/09/regional-public-colleges-the-middle-children-of-higher-ed-struggle-to-survive/)) there is little expectation of grant aid among applicants. So, for many students, it's not unreasonable to focus on sticker price and ignore grant aid that they are unlikely to receive.

Ultimately, results for pricing changes — either through adjustments to sticker price or to aid or to both — depend on a respective institution's price sensitivities or elasticity of demand. Some schools have tried cutting price and aid and have seen short-term enrollment bumps that could not be sustained. And while some institutions have benefited from increasing price and aid, others haven't been positioned to benefit from doing so. Sensitivities to price and aid also vary by income and economic status. So while sticker prices can scare off some cohorts of students, other student cohorts, such as first-generation and under-represented minority students, tend to be more sensitive to grants than to sticker price.

Overall, we've observed one common pattern: far too many institutions do not have a reliable empirical basis for measuring the market impact of price changes, up or down. Too often we see institutions raise price simply because a perceived competitor has done so, or because of perceptions about the choice behavior of students who aren't even in the institution's application pool. We also find that some institutions model price elasticity on the basis of financial aid data, thus ignoring the critical fact noted above, that price and aid sensitivities can vary enormously. Finally, in our experience non-monetary factors almost always influence student choice behavior more than pricing does. An institution can always benefit from examining the value it offers in terms of the academic, co-curricular, and social aspects of the student experience before contemplating any major changes to price and aid.

2 Perceptions About Rising College Costs

Findings

- Three-quarters of respondents agree that, based on what they've read or heard about the subject in the media, college costs are out of control.

Commentary

Given the media's consistent focus on sticker prices instead of net costs, the finding that a high proportion of college-bound students believe college costs are out of control should not come as a surprise. For example, [frequently cited data purporting to show that the cost of higher education has increased over 500 percent above the rate of inflation since 1985](#) (www.bloomberg.com/news/articles/2013-08-26/college-costs-surge-500-in-u-s-since-1985-chart-of-the-day) uses average sticker prices as a baseline. Moreover, media attention on the escalating cost of higher education has, to an overwhelming degree, been directed at the most sensational cases — a relatively small number of high-priced private institutions with sticker-prices (and price increases) that [garner major headlines](#) (www.bloomberg.com/news/articles/2013-08-26/college-costs-surge-500-in-u-s-since-1985-chart-of-the-day) and great consternation among the public.

CHART 1

Percentage of Students Agreeing with Statements Regarding College Costs



As those well acquainted with higher education know, however, very few college-bound students will actually pay the full sticker price at high-tuition private institutions. Indeed, net costs overall — for both private and public institutions — have increased nowhere near as drastically above the rate of inflation over the past few decades as the reported increases in sticker prices.

It seems likely that media attention to sticker price plays a role in a pattern we often see in our client research: college-bound students consistently overestimate the cost of attendance at both public and private institutions. This over-estimation of costs presents many institutions with an opportunity to benefit from simply communicating net price and aid policies more clearly. In fact, we've seen instances in which the market's knowledge that an institution meets the full financial need of applicants would result in substantial enrollment increases. Based on such experiences, we often advise clients to reexamine their assumptions about the market's awareness of their average net cost or aid policies. This misunderstanding of price also suggests that some institutions might benefit from implementing simplified net price calculators to let prospects understand — early in the process — what might be affordable for them.

3 Choices of Respondents Who Said Rising Costs Would Affect Behavior



Findings

- Three quarters of respondents agreed that rising college costs will have some or a large influence on college choice.

For those respondents who agreed that college costs would have at least some influence on college choice, we asked what they intended to do as a result of these concerns:

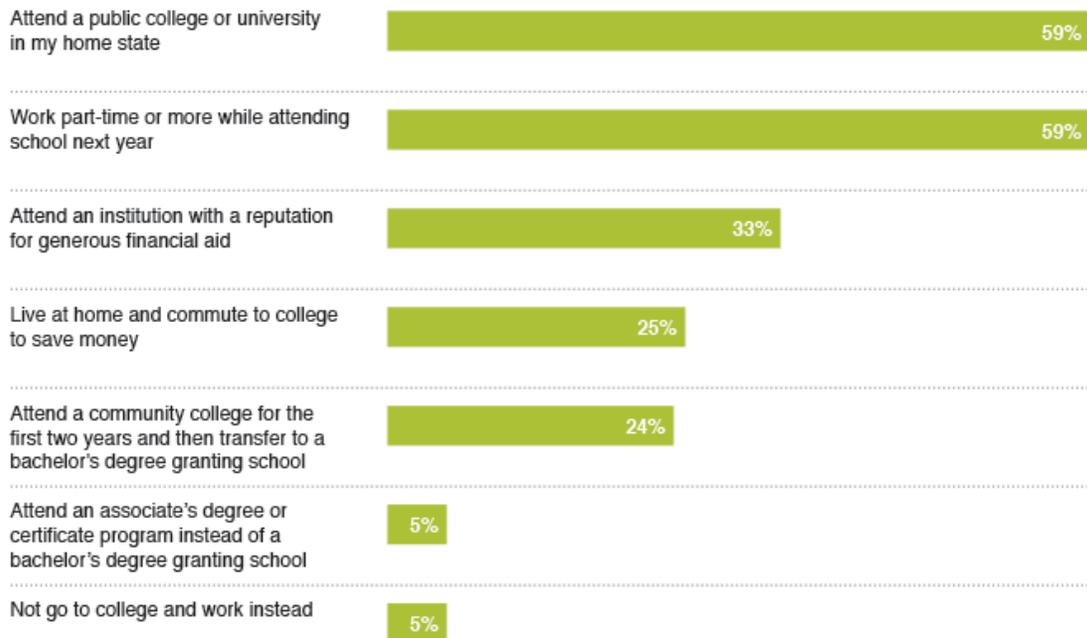
- 59 percent stated that they intended to attend a public university in their own state.
- 59 percent said they would work part-time or more while attending school next year.
- 33 percent that they would attend an institution with a generous reputation for financial aid.

Commentary

The proportion of respondents who report that rising costs will affect their choice of college is similar to that of respondents who think college costs are out of control — about three quarters. That a substantial proportion of respondents identified rising college costs as a factor in college choice, however, does not necessarily support the narrative that college costs have reached a tipping point for most students. First, respondents aren't actually changing their behavior because of cost concerns, and, second, actual choice behavior is almost always influenced more by non-monetary values, such as academic or experiential learning offerings.

CHART 2

Percentage of Students Who Considered Any of the Following Because of Rising College Costs



Base = Those who reported rising college costs have at least "a little influence on my college choice."

Of those respondents who believe costs will affect their college choice, over half indicated that they would respond to rising costs by considering attending public institutions in their own state, the same percentage that said they will work part time. It may be worth noting that these responses don't really reflect actual changes in behavior among the college-bound population in comparison to the status quo, despite concerns over rising costs. In fact, they *underestimate* the actual expected behavior: nationwide, **72 percent of college students will attend a public institution in their own state** (www.thecollegesolution.com/where-most-students-end-up-attending-college/), and **71 percent will work part time as a college student**. (www.cbsnews.com/news/more-students-working-a-lot-in-college/)

4 Perceptions and Expectations of Debt Levels Among Respondents

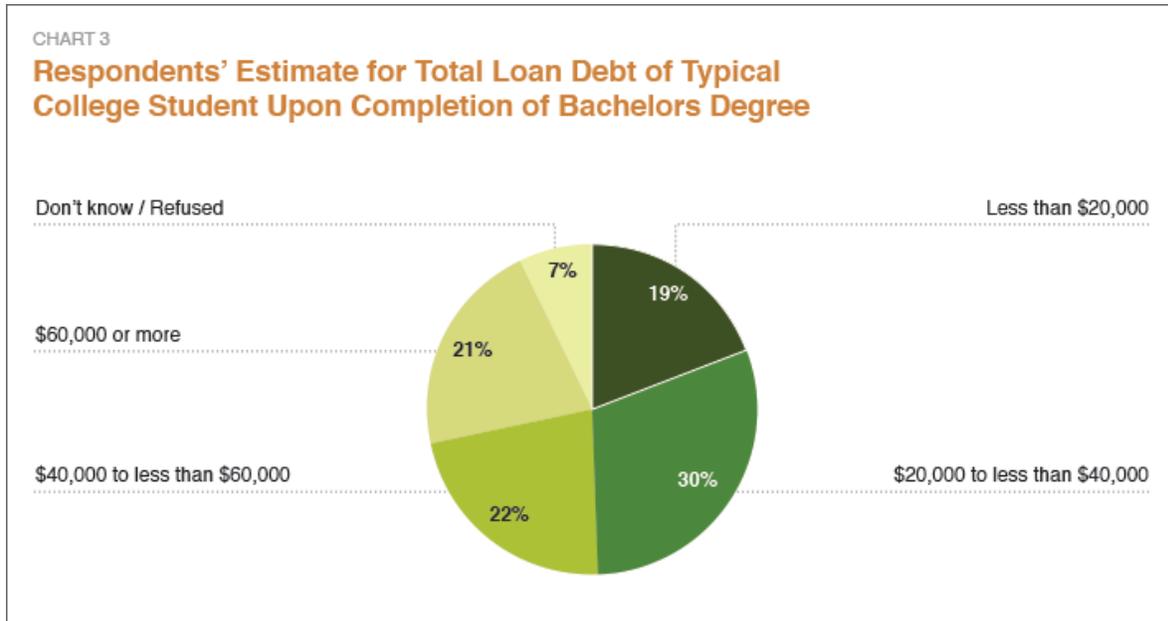


Findings

- Respondents were asked to estimate the average debt level of college graduates. The mean value was \$42,033, well above **national averages of \$28,400 for Bachelors degree holders** (www.usnews.com/news/articles/2014/11/13/average-student-loan-debt-hits-30-000).
- Respondents estimating their own level of debt cite numbers that come much closer to the national average (for those that expected to have debt): \$31,800.
- Only one-quarter of respondents reported looking at the average debt level of graduates for institutions they were interested in.

Commentary

Students substantially overestimate the average debt level of college graduates and don't generally consider average debt levels of institutions they are interested in. What does this ultimately mean? It indicates that college-bound students may not be concerned about debt at this point in the decision-making process. We have consistently seen similar results in other research — for our clients, debt simply has not been a decisive factor in college choice.



Another possible reason students appear unconcerned about debt at this point is because they may be willing to take on debt in exchange for earning a college degree. In other words, they consider education vitally important. It's also worth noting that media attention to student debt appears not to have made a major impact on student choice behavior. College-bound students believe education is worth going into debt for, and this makes sense: the average higher education debt is not much more than the average car loan (\$27,430 (www.cnbc.com/id/101461972)).

5 Breakdown of the Sources Respondents Used to Research Financial Aid and How They Will Pay for College



Findings

We asked respondents what sources they used to research financial aid and paying for college:

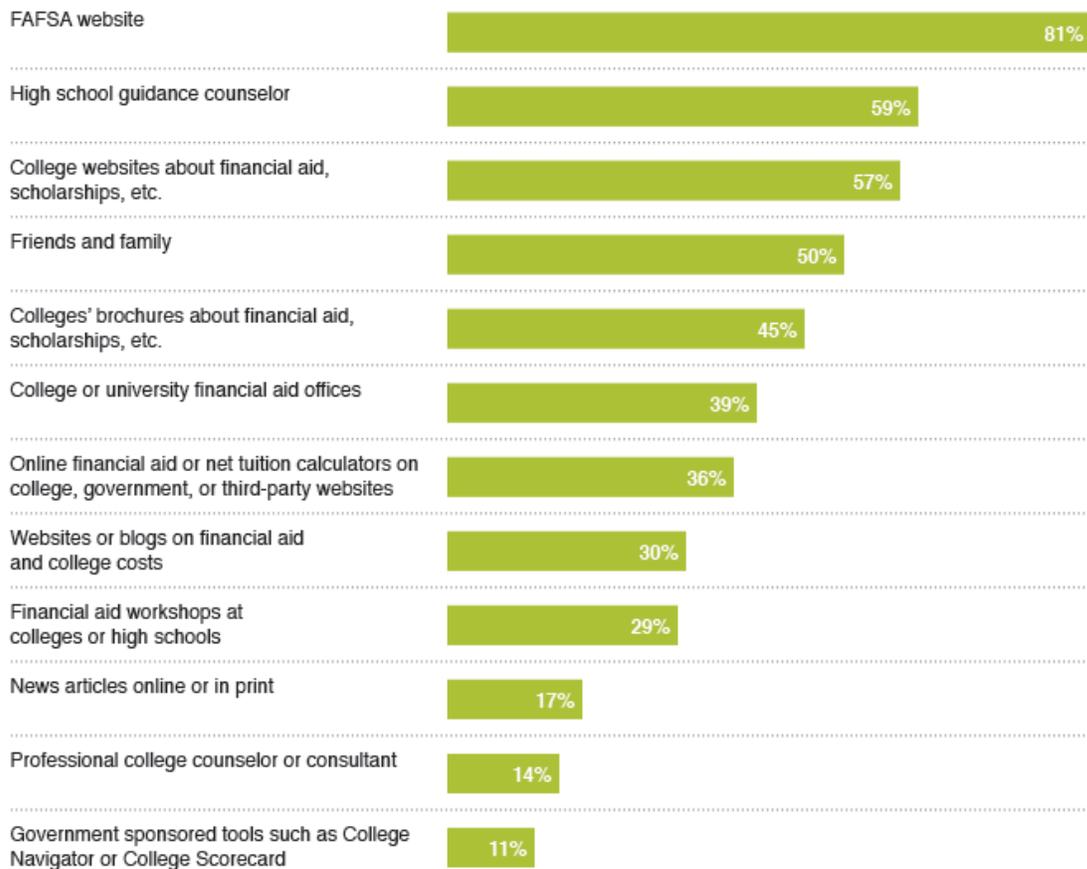
- 81 percent used the FAFSA website.
- 36 percent used online financial aid or net tuition calculators on college, government, or third-party websites.

Commentary

There are many current efforts to simplify the FAFSA form. Based on what we've seen in our findings regarding price and aid, coupled with FAFSA's near-ubiquitous use among respondents, it makes good sense to do so. It is likely that, if the FAFSA process were less complicated, more high school students would apply to college and financial aid and the cost barrier would be reduced.

CHART 4

Respondents Who Used Sources of Information on Financial Aid and Paying for College



One other note: Net Price Calculators have been pushed by institutions and governments as a possible remedy for sticker price confusion, but only 36 percent of respondents reported using them. As mentioned earlier, these calculators most likely need to be simplified and made more accessible for college-bound students in order to increase usage. In particular, individual institutions could potentially realize an advantage by adding a simplified calculator that allows for easy completion for families who need aid, enabling them to better understand the impact of aid on college costs.

6 Parental Influence on the Behavior of College-Bound Students

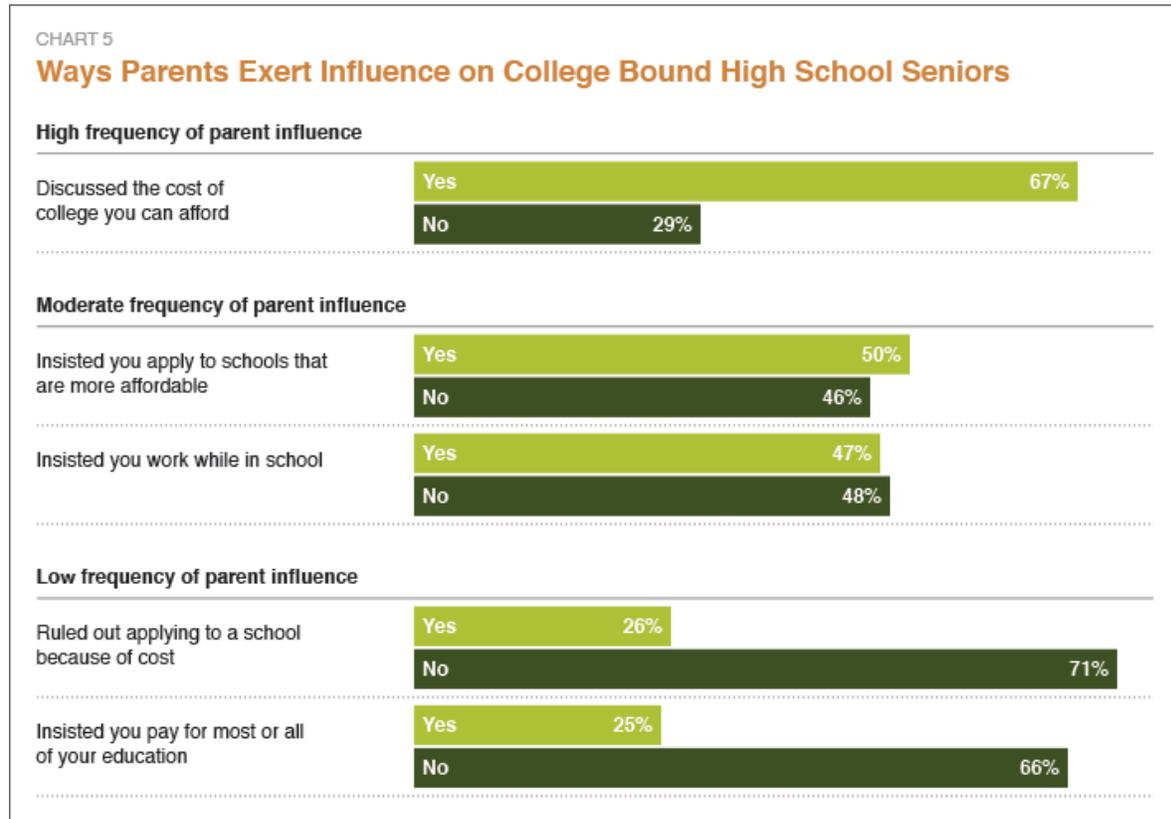


Findings

- 67 percent reported “Yes” when asked if their parents influenced them in discussing “the cost of college you can afford.”
- 71 percent reported “No” when asked if their parents “Ruled out applying to a school because of cost.”
- 66 percent reported “No” when asked if their parents “Insisted you pay for most or all of your education.”

Commentary

As these findings make clear, price *per se* is not a barrier for most parents as they advise their own children about college, but affordability is a concern as it relates to financial aid. Again, despite the heightened concerns about rising costs in the media and among respondents, there does not appear to be a shift in behavior among applicants and parents toward ruling out institutions because of cost.



7 Support Among Respondents for Tuition Set-Asides, in which a Portion of Tuition is Used to Fund Grants for Low-Income Students



Findings

- 72 percent agreed that schools should be able to use a portion of money from tuition for need-based aid going to low-income students.
- Respondents from families making less than \$30,000 were more likely to support set-asides (84 percent) than respondents from families making \$150,000 or more (61 percent) and respondents from families making \$30,000 to less than \$150,000 (69 percent).
- African-American (81 percent) and Hispanic (79 percent) respondents were more likely to support set-asides than White and Asian respondents (67 percent).

Commentary

There is currently a movement to eliminate set-asides in several public university systems. These initiatives are primarily dictated by boards and political interests, with political or ideological motivations regarding redistribution of wealth often guiding these decisions.

As students strongly support tuition set-asides overall (including 3 of 5 respondents in the most affluent cohort), eliminating them seems to be a solution in search of a problem.

8 Respondents' Expectation to Graduate in Four Years



Findings

- 90 percent of respondents expect to graduate in four years.

Commentary



As a group, college-bound students' expectations about graduating in four years are more sanguine than realistic. In fact, as reported by the National Center for Educational Statistics, less than 50 percent of first-time, full-time undergraduates enrolled at 4-year degree-granting institutions graduate within four years. Worse yet, **2 of 5 students starting a four-year college degree don't graduate at all**. Clearly, respondents still have a vision of having a traditional four-year college experience that for many does not align with reality.

As a result of these expectations, it's possible that institutions that guarantee four-year graduation rates won't see much of an advantage in terms of enrollment and yield. As many expectations will go unfulfilled, however, colleges might find eager participation on the part of students if they try to help them graduate in four years once they are enrolled.

Study Methodology



The findings in this issue of studentPOLL were based on a national sample of ACT test-takers, stratified to allow for an oversample of African-Americans (n=2,500) to compensate for anticipated lower response rates. Including the oversample, 42,500 emails were sent inviting participants to the online survey. Survey responses were collected from February 9 to February 24, 2015 with 1,978 respondents beginning the survey; 75 disqualified because they were not the student who took the ACT; 407 disqualified because they do not plan to enroll in a full-time four-year degree program in Fall 2015; and 975 students completed the survey. Responses are weighted by gender, geographical region, and race and ethnicity data provided by ACT. Because of qualification criteria, such as intent to enroll in college, this sample of ACT test-takers is not representative of all ACT test-takers, but is designed to represent the demographic (race and ethnicity, gender, and geographical region) composition of the broader ACT test-taking population. The margin of sampling error for this population of students is plus or minus 3.1 percent. Margin of error is higher among subgroups.

About *studentPOLL*



A collaboration between ACT and Art & Science Group LLC, *studentPOLL* presents the results from a series of national surveys that measure the opinions, perceptions, and behavior of college-bound high school students and their parents. Published for the benefit of college and university senior leaders and enrollment officers as well as secondary school college counselors, *studentPOLL* seeks to provide insights and understanding that will result in better communication and service to college-bound students across the nation.

First published in 1995 by Art & Science Group, a leading national source of market intelligence for higher education, *studentPOLL* has become a trusted and widely-cited source of reliable data and insights on many critical questions concerning college choice. ACT and Art & Science Group have now joined forces to expand the depth and range of the issues that will be explored in *studentPOLL*.

studentPOLL findings and analysis are provided free on both the [ACT](http://www.act.org) (www.act.org) and [Art & Science Group](http://www.artsci.com) (www.artsci.com) web sites.

About ACT and Art & Science Group



[ACT](http://www.act.org) (www.act.org) is an independent, nonprofit organization that provides assessment, research, information, and program management services in the broad areas of education and workforce development. Each year, we serve millions of people in high schools, colleges, professional associations, businesses, and government agencies, nationally and internationally. Though designed to meet a wide array of needs, all ACT programs and services have one guiding purpose — helping people achieve education and workplace success.

[Art & Science Group](http://www.artsci.com) (www.artsci.com) is one of the nation's most influential consulting firms specializing in market-related issues facing higher education and the nonprofit sector. The firm's work synthesizes imagination and empirical rigor — art and science. Its research is considered the most rigorous and innovative in higher education today. The firm assists clients in every major arena of marketing and communications: market-informed strategic planning; enrollment management and student recruitment; development and alumni relations; tuition pricing and financial aid. The firm has extensive experience working with a large variety of public and private institutions of higher learning, ranging from comprehensive private and public research universities to small liberal arts colleges.

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