



## Policy Brief

# Affordability and Value in Higher Education



The traditional financial model of higher education is broken. College affordability is one of the most significant issues affecting higher education, and the Covid-19 pandemic magnified its impact. The high cost of obtaining a college degree disproportionately leaves underserved students with limited access to postsecondary education. Affordability is often a reason why many leave college without a degree, often with student loan debt.

Postsecondary education can and should be affordable for all learners, but it has outpaced the rate of inflation in the past 50 years by about 460%.<sup>1</sup> With the average increase in the annual cost of college outpacing the growth of family income or state investment, affordable higher education has become more of an unrealized dream than a reality for far too many. As evidence, the average cost of a college degree has more than doubled since 1988,<sup>2</sup> with the average cost of tuition at a private college totaling \$38,185 a year.<sup>3</sup> Meanwhile, national student loan debt has grown from \$240 billion in 2003<sup>4</sup> to nearly \$1.75 trillion today,<sup>5</sup> with over 44 million Americans holding debt incurred as a student.

The national statistics are sobering. Annually, the United States produces nearly 2 million bachelor's degrees—and an estimated 1 million student loan defaults. The cost of college has risen 120 percent since 1985.<sup>6</sup> As a result, student loans have become a financial albatross around the necks of millions of Americans, leading to delayed retirements,<sup>7</sup> marriages,<sup>8</sup> and homeownership.<sup>9</sup> Policymakers have increasingly recognized the importance of accessible aid as a potential solution. A recent spate of legislation across states would require high school students to complete the Free Application for Federal Student Aid (FAFSA)<sup>10</sup> to make college more accessible for students who qualify for federal aid.

Not only does a college education cost more, but the time to complete a degree is increasing. In 2021, only 62 percent of students completed their degrees within six years.<sup>11</sup> For Black students, completion rates were 44 percent; for Hispanic students, 51 percent; and for Native

Americans, 47 percent.<sup>12</sup> Only one-third of learners 25 years and older complete their degrees, and estimates indicate that it may take as many as seven years to do so.

Noncompletion drives loan defaults, but completion isn't a panacea: Analysis by the Center for American Progress shows that a dozen years after graduation, the average Black bachelor's graduate owed 114 percent of their original loan balance.<sup>13</sup> Furthermore, the Postsecondary Value Commission found that 649 colleges and universities do not provide students with any economic return after 10 years.<sup>14</sup> Regardless of the cost, education is not affordable if it doesn't lead students to opportunities—even if the education is free to the student.

Historically, rising tuition rates have been blamed on “cost disease”—the idea that, without a technological enabler, the nature of higher education cost structures would always outpace inflation. In 2012, William Bowen, who along with William Baumol originally proposed this idea in the 1960s, observed, “But the time may (finally!) be at hand when advances in information technology will permit, under the right circumstances, increases in productivity that can be translated into reductions in the cost of instruction. Greater—and smarter—use of technology in teaching is widely seen as a promising way of controlling costs while also reducing achievement gaps and improving access. The exploding growth in online learning is often cited as evidence that, at last, technology may offer pathways to progress.”<sup>15</sup> And yet, in the nearly 10 years following, mainstream higher education has been slow to employ technology to increase access, lower prices, and drive a student-centered model of education.

Policymakers and higher education leaders must continue to confront and stem rising institutional costs with practices and policies that ensure funding resources are allocated to meet the demands of today's learners. States and institutions can also implement transparency in outcomes, financial literacy, and responsible borrowing initiatives to help students understand the cost of their education and the return on their investment.

## Policy Recommendations

Higher education should be accessible to all, and affordability is a critical element of access. But fulfilling the promise of higher education requires us to think beyond the price and consider issues of value. This perspective has led WGU to adopt three keys that drive our operations and guide our innovation:

- Access and outcomes must be equitable.
- Completion rates must be on pace with our students' aspirations (not just the traditional six-year pace).
- Return on investment for graduates must take into account not just what they paid but what their degrees allow them to earn.

Policymakers can support these three keys by supporting proposals that personalize borrowing, make tuition affordable, and reduce students' time to degree.

**Personalized Borrowing:** Policymakers can help learners understand the cost of their education and return on their investment through financial literacy and responsible borrowing policies.

*Example:* WGU students who apply for financial aid receive a personalized plan recommending that students borrow only their "unmet direct costs," which are tuition and fees minus any grants or scholarships. Since the inception of this program in 2013, the average amount borrowed has decreased by 30 percent. The university does this by working closely with students to encourage responsible borrowing; as a result, only 55% of WGU undergraduates borrow to pay for their education, compared with 69% nationally, and among those who do take loans, their average debt at graduation (\$14,254) is less than half the national average. Several organizations have recognized WGU's responsible borrowing program for its innovation and impact.

**Affordable Tuition:** States have taken various approaches to control higher education costs, including tuition freezes. Efforts to reduce costs should be considered in tandem with overall investments in higher education and financial aid to ensure these efforts reduce costs for learners. Higher education regulators and accreditors have primarily focused on inputs (verifying that institutions have the right processes and resources in place) rather than student outcomes. Policymakers should support outcomes-based funding models as a critical element in driving institutional accountability and performance in the higher education sector.

*Example:* WGU was launched to address three fundamental constraints limiting educational opportunity: place, time, and cost. These constraints impact all learners but particularly working learners, who often have personal limitations affecting their flexibility and ability to invest time and money in higher education. Embracing online education resolved the issues with place, but WGU also takes a radical approach to cost and time, and, more importantly, understands how cost and time intersect. WGU addresses cost directly through a unique tuition model, which allows students to take as many courses as they would like over

a six-month period for one flat fee. This ensures that cost is not a barrier to the opportunity, and WGU's model is impressively self-sustaining on tuition and fees of less than \$7,000 per year for most undergraduate programs.

**Time to Degree:** Some states and systems have explored ways to directly reduce time to degree as a mechanism for lowering costs. Guided pathways have emerged as a common focus across states, providing learners with more structured guidance to encourage timely completion. Specifically, policymakers can follow examples from states like Ohio, where the legislature enacted a law requiring state higher education institutions to have a plan facilitating student completion of baccalaureate degrees within three years.<sup>16</sup>

*Example:* Through WGU's competency-based model, learners who have some college or life experience can more quickly demonstrate the education, knowledge, and skills they achieved in either a formal or informal educational setting. This allows them to move through education more rapidly and more affordably. Case in point: on average, WGU students graduate in two-and-a-half years compared to the five-year national average.

WGU is committed to affordable higher education, reflected in a unique tuition structure that is thousands of dollars lower than the national average annual tuition for most colleges and universities, both public and private. The cost of higher education pushes degrees out of reach for far too many and chokes the talent pipeline. Unleashing opportunity and talent will require rethinking the national higher education model. To drive down costs, we must work together to empower students as educated consumers and make financial aid available to all learners throughout their lives, enabling them to access a variety of quality postsecondary education pathways when and where they need it.

## About WGU

Established in 1997 by 19 U.S. governors with a mission to expand access to high-quality, affordable higher education, online, nonprofit WGU now serves more than 130,000 students nationwide and has more than 287,000 graduates in all 50 states. Driving innovation as the nation's leading competency-based university, WGU has been recognized by the White House, state leaders, employers, and students as a model that works in postsecondary education. In just 25 years, the university has become a leading influence in changing the lives of individuals and families while training the workforce needed in today's rapidly evolving economy. WGU is accredited by the Northwest Commission on Colleges and Universities, has been named one of Fast Company's Most Innovative Companies, and has been featured on NPR, NBC Nightly News and CNN and in The New York Times. Learn more at [wgu.edu](http://wgu.edu) and [wgu.edu/impact](http://wgu.edu/impact).

**Please contact the WGU Public Policy Office at [PublicPolicy@wgu.edu](mailto:PublicPolicy@wgu.edu) for more information.**

## References

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- <sup>3</sup> <https://www.usnews.com/education/best-colleges/paying-for-college/articles/paying-for-college-infographic>
- <sup>4</sup> <https://cew.georgetown.edu/wp-content/uploads/Working-Learners-Report.pdf>
- <sup>5</sup> <https://www.forbes.com/sites/zackfriedman/2019/02/25/student-loan-debt-statistics-2019/?sh=512e7e96133f>
- <sup>6</sup> <https://nces.ed.gov/fastfacts/display.asp?id=76>
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