



2010/2011 Series: Economic Prosperity in the Next Decade

chapter eight: **Speaking with One Voice**
Our Responsibility for the Missing Middle Class



Speaking with One Voice

Our Responsibility for the Missing Middle Class

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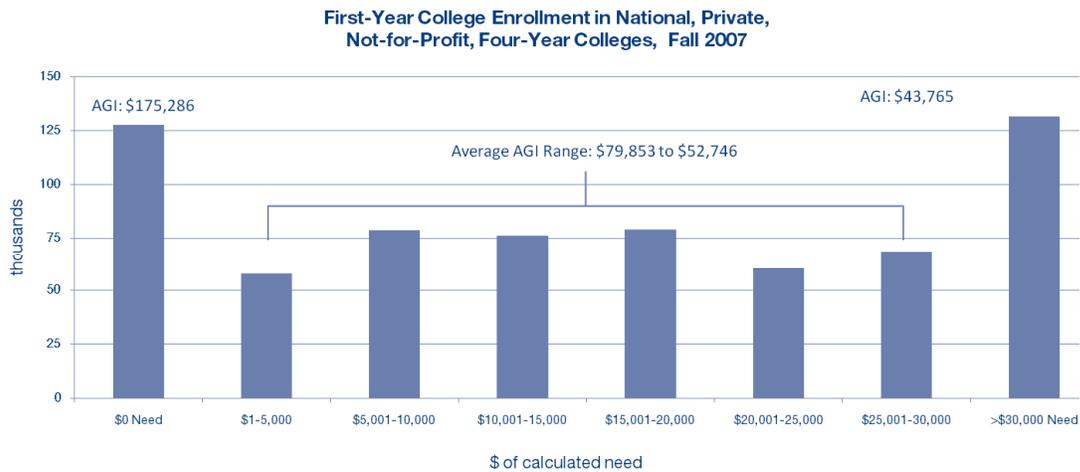
College presidents are charged with envisioning the path to a vibrant and successful institutional future. Ensuring success in the mid- and long-term requires technical skills and vision. Operating efficiency needs to be increased; multiple-year, multiple-scenario spending models that anticipate external risks need to be developed; and approaches to asset management need to be refined. Because saving the way to stability is not an option, revenues through new offerings need to be enhanced, and new delivery systems should to be adopted. Colleges with sufficient capital will likely expand into the East to capture markets with a growing number of education consumers. Whether serving private or public, large or small colleges, leaders will be challenged to find the success they desire.

Unfortunately, there is an often overlooked weakness in the enrollment models of many enrollment-dependent colleges. A fracture in these models, caused by the missing middle class, is developing into an ever-widening gap that will have significant and lasting impact on the experience of our students, the financial future of our colleges, and the nation.

Should we simply allow natural selection to overtake private education, and watch as the least well-endowed colleges bend to breaking under the weight of needy students who they must enroll to remain viable?

PRESIDENTIAL PERSPECTIVES

It is an ironic deceit that the distribution of need among students who enroll in private colleges most resembles a smile: with a large number of high-need students at one end, and a relatively large (although smaller) number of students in the other (low-need) end. The following graph reveals the compelling truth that there are too few middle-income students enrolled in private colleges. Generated from data available in the National Postsecondary Student Aid Study,¹ this chart plots number of matriculants by dollars of calculated need ² for Free Application for Federal Student Aid (FAFSA) filers who enrolled for the first time in a private four-year college in the fall of 2007.



Because this chart reflects data from private colleges across the U.S. with a wide range of price points, many highly enrollment-dependent colleges will actually have fewer students in the \$1-\$30,000 middle-need categories relative to the number of high-need students. And since this illustration is based on Fall 2007 data, many colleges will no doubt find that this smile has become a pronounced smirk, with the number of high-need students growing and the number of low-need students shrinking. This is due to the fact that families are retreating to colleges that offer the largest tuition discounts and public colleges with a less startling sticker price.

As noted, the middle income students who do enroll in private colleges represent a relatively narrow \$27,000 band of income distribution. And these average incomes all exceed the 2008 median annual household income of \$52,029 (adjusted for inflation), according to the U.S. Census Bureau.³

1. Source: U.S. Department of Education, National Center for Education Statistics, 2007–08 National Postsecondary Student Aid Study (NPSAS:08) : National data were derived from NPSAS:08 survey results.

2. Calculated Need = Cost of Attendance – Estimated Family Contribution

3. U.S. Census Bureau. <http://quickfacts.census.gov/qfd/states/00000.html>

These middle-income students pursue their private education at a surprising real time and residual cost. According to The College Board Advocacy & Policy Center report “Who Borrows Most? Bachelor’s Degree Recipients with High Levels of Student Debt,”⁴ 17 percent of four-year college graduates have high debt, and “among dependent students, middle-income students from each sector are somewhat *more likely* than either lower- or higher-income students to have accumulated as much as \$30,500 in debt.” Approximately one in four dependent, private college students with family incomes below \$100,000 graduate with a debt of at least \$30,500.

If middle-income students graduate with so much debt, why are average net tuition and fees lower at private, nonprofit, four-year sectors than they were five years ago?⁵

Institutional aid dollars are increasingly invested in the highest-need students, with an average family income well below the median U.S. family income. While federal grants, including Pell and benefits for veterans, accounted for 44 percent of the \$94 billion in total grant money awarded to students in the 2009–10 school year, colleges and universities provided \$33 billion in grant aid.⁶

According to the Commission on Independent Colleges and Universities, 27 percent of New Yorkers who enroll full-time at an independent college come from families that earn less than \$40,000. “Independent colleges and universities provide approximately \$5.50 in college-funded financial aid for every \$1 of federal and state grant assistance.”⁷ Nationwide, almost 800,000 Pell grant recipients attend private, four-year colleges and are enrolled in the highest proportions in colleges that are highly tuition dependent.

The question of what to do about middle-income students may be the most important question of our time. We are funneling unprecedented numbers of dollars into merit- and need-based aid programs, and yet middle-income students are graduating with record debt loads. Sociodemographic shifts portend fewer college-bound middle-income students, placing further pressure on colleges to provide even more institutionally funded financial aid to the growing pool of needy students. At the same time, private colleges will likely endure increased (and largely undeserved) criticism for not doing enough to increase access, which will make it even more difficult to make a compelling argument about value. Alumni who graduate with high levels of debt too often overlook the relatively high amounts of aid that made their education possible.

A dearth of middle-income students may be the greatest challenge to U.S. postsecondary education, and perhaps the greatest threat to our nation’s network of relatively small, independent, enrollment-dependent colleges. What can, and what should, we do? Should we simply allow natural selection to overtake private education, and watch as the least well-endowed colleges, some with long and proud histories, bend to breaking under the weight of needy students who they must enroll to remain viable?

4. The College Board. 2010 Trends in Higher Education Series. Who Borrows Most? *Bachelor’s Degree Recipients with High Levels of Student Debt*

5. The College Board. *Trends in College Pricing 2010*

6. *Tuition, Pell Grants Rise in Tandem* by Stephanie Banchemo. WSJ.com. Dow Jones and Company, Inc. Oct 28, 2010

7. <http://www.cicu.org/news/message.php>

I respectfully offer three suggestions.

Suggestion Number One

The entire independent higher education community could acknowledge that the richness of the U.S. education landscape lies in the diversity of educational offerings provided by a wide variety of private colleges. Instead of the most highly selective colleges ignoring or quietly criticizing the innovations of less well endowed colleges (innovations that are designed to meet the needs of low- and middle-income students), the most selective colleges could provide leadership by taking a national stand on the importance of true educational choice and the efforts of less selective colleges to ensure access. The stakes for highly selective colleges are not insignificant—many of the faculty who teach in tuition-dependent colleges are their graduates. Likewise, less selective colleges could accept that they are less selective, and, consistent with their mission and tradition, focus their attention on the quality of their offerings and those distinctive programs that define them.

Because we have not acted collectively as an educational community to acknowledge our differences and celebrate them, we have failed to act in the best interest of private higher education, and our students. The vacuum we leave in our silence is filled by those who rush in to define us. Unless we embrace and promote the benefits of our differences, there will be fewer educational choices for students to make.

This suggestion, that the great span of private higher education should speak with one voice, may be met with a snicker or two of “how naïve.” I prefer the label “hopeful.” The principle that every student can secure a high-quality, customized education is more important than preserving the small piece of the high ground that we each claim. We should focus instead on the economic and cultural challenges that separate students from private education.

Suggestion Number Two

Focus on quality and defend the value of the private educational experience without hesitation. Tactics to preserve and increase resources should strengthen our ability to maintain or improve the quality of the educational experience. We must scrutinize how well we keep the promises we make to individual students if we hope to meet the ever-louder demands for improved rates of degree completion. No matter which sector of higher education we occupy, quality must remain our first concern.

Everyone who participates in a private education—every student, teacher, alumni, and parent—knows that measuring the impact of a private education at the time of graduation would be a hollow victory in service to accountability. We understand that the learning that occurs in a private college provides a strong foundation upon which a lifetime, not a moment, of success is built. Our success takes the form of a continuing, active relationship with learning. Can this success only happen at undergraduate private colleges? No, but the question itself is moot if we act as a community, rather than as individual institutions, to support private education and make our students our first priority.

Suggestion Number Three

Innovate. The only criticism that Hartwick College received (and not directly, by the way) when we launched our three-year degree program in the spring of 2009 was from a few “more selective” private institutions. They speculated that three-year programs were just a way for colleges to increase enrollments, and the quality of learning would necessarily be diminished. The critiques were without foundation. We are not interested in increasing our enrollments, and we have always planned that fewer than 15 percent of our students would enroll in the three-year option. Moreover, there is no evidence that a talented student learns less in three supported years of study than four. Hartwick launched this program because it was the right thing to do. It is not possible to reduce the cost of a high-quality education to zero dollars. But it is possible to support well-prepared students so that they can complete their undergraduate education while saving one quarter of the cost.

Many colleges—public and private, large and small—have subsequently announced at least one three-year major. We should celebrate these innovations and encourage all advances that can ensure quality while reducing cost.

The game has changed. Private colleges should play on one team. If we do, students will win.



Dr. Margaret L. Drugovich is a scholar-practitioner who believes that productive organizational change can happen even in the most highly legitimized environments. She has presented her research on transformational leadership and consensus-making structures in higher education at annual international meetings of the Academy of Management and the Association for Research on Nonprofit Organizations and Voluntary Action. Most recently, Dr. Drugovich has presented at the Council of Independent Colleges Annual President’s Meeting.

Before she assumed her role as the President of Hartwick College in July of 2008, Dr. Drugovich served Ohio Wesleyan University as the Vice President for Strategic Communications and University Enrollment. Dr. Drugovich has served on various non-profit boards and community organizations. She currently serves on the Alumni Advisory Council for the Doctor of Management Program at Case Western Reserve University.

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