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A Matter of Access and Excellence

Economic Mobility and Higher Education

Michael M. Crow / Arizona State University

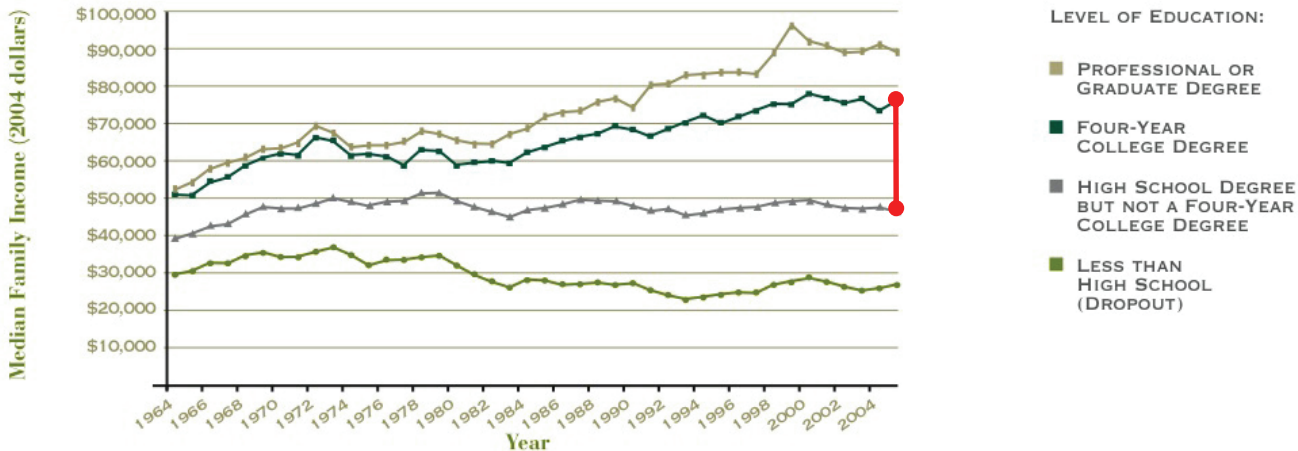
Milken Institute Global Conference

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\$29,000: The annual income gap between an American with a high school degree and a college degree in 2005.



Median Family Income of Adults Ages 30-39
with Various Levels of Educational Achievement, 1964-2005

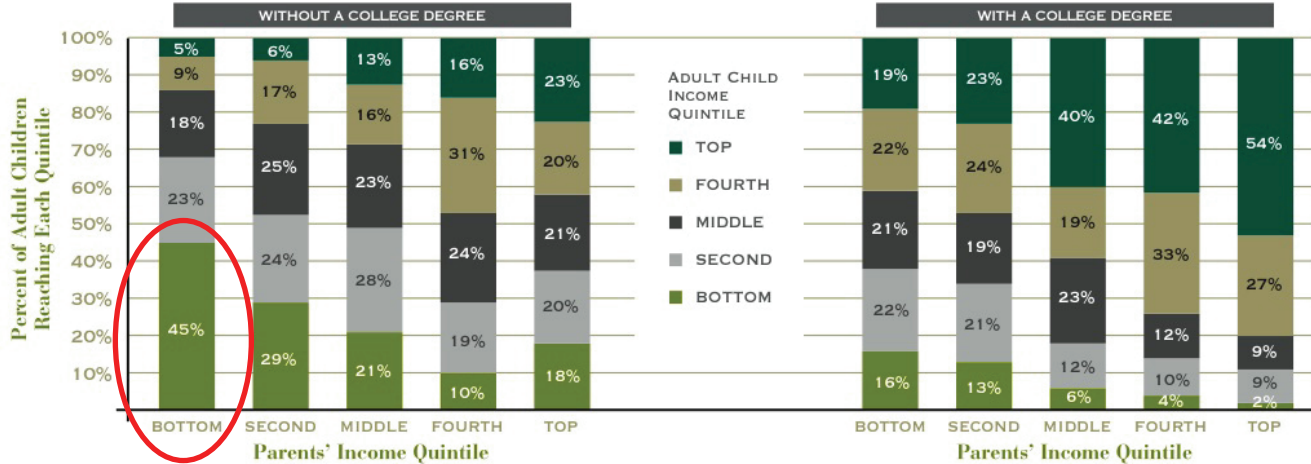


Source: Brookings Tabulations of PSID data

Without a college degree, Americans with the poorest parents remain at the bottom.



Chances of Getting Ahead for Children with and without a College Degree, from Families of Varying Income



Source: Brookings Tabulations of PSID data



As we try to reach out to more families, college costs are increasing, family incomes across the board are not. This affects access.



65: The percent rise in the average cost of college tuition over the past decade.

5: The percent rise of median family income in the same decade.

2.4 million: The potential number of bachelor's degrees that will be lost this decade as financial concerns prevent academically qualified students from the lowest income bracket from attending college.



Richer kids tend to go to college; poorer kids don't.

19: The percent of young people from families with incomes below \$25,000 that obtain a community college degree or higher.



Richer kids tend to go to college; poorer kids don't.

76: The percent of young people from families with incomes of \$75,000 or more that obtain a community college degree or higher.



**This affects mobility
as more jobs require a
higher education.**

22: The percent growth of jobs requiring higher education between 2002 and 2012 — nearly double the rate of non-college jobs.



How do we ensure the economic, social and cultural vitality of our communities?

Build institutions that bring together access, excellence and impact for large numbers of students.

A New American University



How do we ensure the economic, social and cultural vitality of our communities?

Emphasize access AND success.

Fall 2008: 10,000 freshman

Spring 2009: record retention



How do we ensure the economic, social and cultural vitality of our communities?

Advance a tuition philosophy that does not categorize tuition as an expense, but as an investment that provides tangible returns to the individual and to society.

Co-investment model



**The rising cost of
education is only
part of the challenge.**



100 **68** **19** **9**

In Arizona, for every 100 children in ninth grade; 68 graduate from high school four years later; 19 enter a 4-year program within one year; only 9 complete their bachelor's degree within 6 years.



We need to improve P-20 education to ensure student success in college.

Strategic university-wide partnerships with school districts

Education Partnerships



We need to improve P-20 education to ensure student success in college.

University-affiliated schools for the purpose of identifying and scaling educational innovation

University Public Schools



We need to create new pathways to post-secondary education.

Increased access to university courses for high school students



We need to create new pathways to post-secondary education.

Collaborations with community colleges focused on applicability of transferred hours



We need to build new platforms for education.

University platform

Online platform

College platform

** All platforms have access to excellence and great faculty*



**We are putting forth
and implementing new
educational pathways, new
financial opportunities, and
new institutional models.**



**We are increasing
student access and
success.**



**We can ensure the
economic, social and
cultural vitality of our
communities.**



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Thank you.

Solutions to the Increasing Cost of Financing a College Education



W. Daniel Ebersole
Georgia State Treasurer
Chair, College Savings Plans Network

Overview

- What are 529 college savings plans?
 - States saw a need to encourage saving for postsecondary education
 - States responded to the need by creating structured college savings programs
 - Sought and obtained federal support to clarify and codify favorable tax status in Section 529



Overview (continued)

Two types

1. Prepaid tuition programs

- “Purchase” tomorrow’s tuition today
- Generally intended to pay tuition at in-state colleges with provisions for use elsewhere

2. Savings programs

- Accumulate assets in “savings” account
- Mutual fund and other investment vehicles
- Direct-sold and broker-sold models
- Most offer “age-based” investment options



Program Development

- 1987-1988 - first programs (prepays)
 - WY (1987), FL (1988), MI (1988)
- 1988-1995 - slow growth
 - 6 states (5 prepaid, 1 saving – KY)
- 1996-1997 - more rapid growth
 - 9 states (5 prepaid, 4 saving)
- 1997 to present - huge growth
 - All states and D.C. offer programs

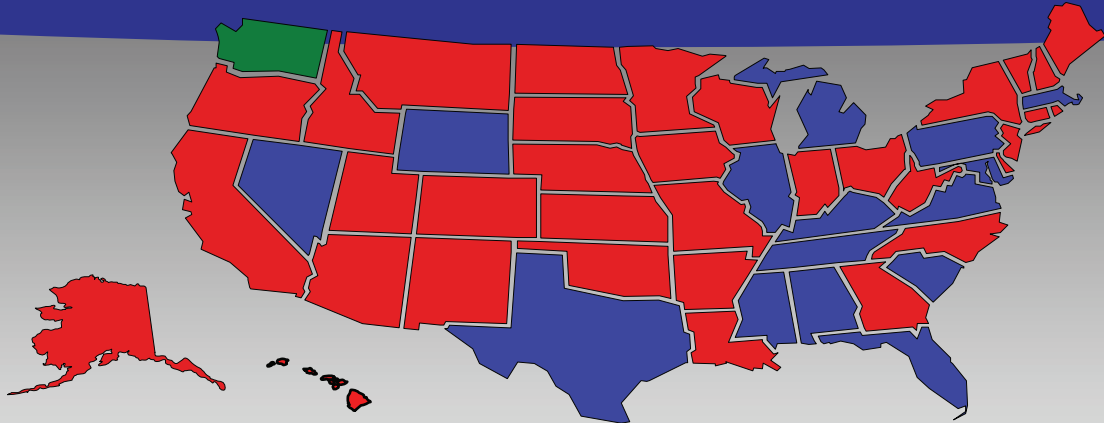


Federal Tax Treatment

- 1996. Passage of Section 529, provided for tax deferral on earnings, withdrawals taxed *at beneficiary rate*.
- 2001. Passage of EGTRRA provided for *tax-free withdrawals* (with sunset).
- 2006. Passage of Pension Protection Act provided for *permanency* of tax-free withdrawals.



Overview of 529 Plans



State offers a 529 savings plan and a prepaid plan



State offers a 529 college savings plan



State offers a 529 prepaid tuition plan

Note: TN has partnered with GA to offer the Path2College savings plan and WY has partnered with CO to offer the CollegeInvest savings plan



National Numbers

- Over 11 million accounts
- Total investments of \$108 billion
- Average account size is \$9,678



Current as of December 31, 2008

Benefits of 529 Plans

- Earnings are federal tax free if used for qualified higher education expenses
- Earnings are also tax exempt in all states that have a state income tax
- 34 states and DC offer income tax deduction or credit
- Contribution limits set by each state, no income limitations on participation
- Estate and gift tax benefits (five-year accelerated gifting - \$13K/yr)



The State Role

State involvement ensures:

- Availability of low-cost options with low minimum contribution amounts without upfront sales charges
- Targeted efforts to increase lower and middle income participation
- Safety and consumer protections
- Additional incentives to save – grants, scholarships, matching funds



Savings Plans Offer Flexibility

- Use for qualified educational expenses (tuition, fees, room, board, books, supplies, computers)
- Use virtually anywhere in the United States (and some schools abroad)



Withdrawals

- Withdrawals for higher education expenses are tax-free
- Can be withdrawn for non-educational purposes:
 - *Earnings* taxed at owners rate and 10% federally mandated additional tax
 - 10% federal penalty waived for scholarships
- May change beneficiary to another family member of the original beneficiary



CSPN Web Site

- www.collegesavings.org
- “The 529 Classroom” provides consumer education information about 529 plans
- “Compare Plans” feature allows consumer to compare plans by fees, tax benefits, investment options, and many other attributes
- Cited in *USA Today* and *Wall Street Journal*



Current CSPN Federal Initiatives

- Continue computers as qualified expense
- Extend Saver's Credit to 529 plans
- Exclude certain employer contributions from income
- Continue increased investment direction
- Expand definition of "Eligible Educational Institution"
- Permit re-deposit of refunds from school
- Allow GI Bill Disbursements into 529 plans
- Include all costs in school's "Cost of Attendance"
- Amend IDA statutes to include 529s



HR 1351 – Pomeroy-Tiberi

- Extends Saver's Credit to 529 plans
- Makes computers a permanent QHEE
- Makes increased investment direction permanent
- CSPN asking Members of Congress to co-sponsor



Challenges Ahead

- Turbulent markets
- Underperformance
 - “Enhanced” bond funds
 - Overly aggressive age-based allocations
- Regulatory issues
- Raising public awareness

