LOSING BY DEGREES

RISING COSTS AND PUBLIC DISINVESTMENT IN HIGHER EDUCATION

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EOI
Economic Opportunity Institute

About the Economic Opportunity Institute

The **Economic Opportunity Institute** (EOI) is an independent, nonprofit, nonpartisan public policy center founded in 1998 and based in Seattle, WA.

We are dedicated to building an economy that works – for everyone – by advancing new ideas to make Washington a better place to live, work and do business.

About this report

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CONTENTS

Introduction: Public Education as a Public Good

Washington's public colleges and universities are a critical resource for building a prosperous future for our state and fulfilling the promise of opportunity for all. Without strong public institutions of higher education, our youth will be stymied in striving to reach their full potential, and our state will not remain competitive in the global economy. Yet over the past two decades, the state's financial support for higher education has not kept pace with population growth and rising costs.

Public institutions differ from private colleges and universities in their commitment to providing access to higher education and improving the well-being of all state residents. The University of Washington, in its statement of values, describes "Being Public" as follows:[1]

"As a public university we are deeply committed to serving all our citizens. We collaborate with partners from around the world to bring knowledge and discovery home to elevate the quality of lives of Washingtonians."

As centers of education, research, and innovation, public colleges and universities spur economic development throughout the state. Washington's business leaders have long expressed the need for a more highly trained workforce, with more public investment in every level of education, from preschool through graduate study. Governor Christine Gregoire said in her 2009-11 Budget Proposal, "Washington's public colleges and universities are the economic engine that drives the state's economy and will drive our recovery."[2]

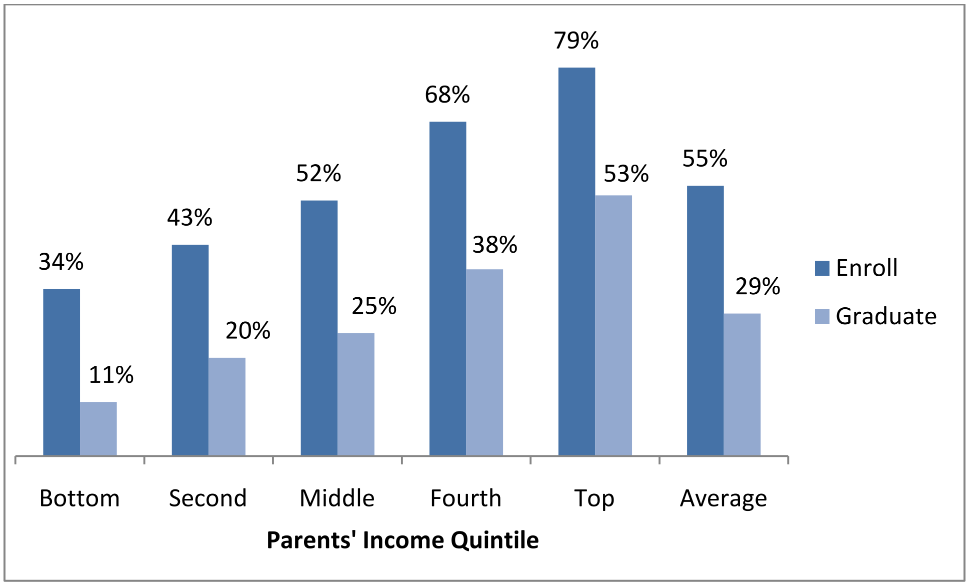
To build a strong foundation for Washington's future, we must increase public investment in higher education as a part of upgrading our whole public education system. Doing so will require identifying new sources of public revenue.

The Importance of a College Education

Access to higher education is a key contributor to family economic security and upward mobility. Since 1980, median family incomes have risen steadily for adults with four-year or graduate degrees, but have stagnated or declined for those with lower levels of education. Children from lower income families who do earn a college degree are particularly likely to make higher incomes as adults – but they have far less access to higher education. Nationally, one-third of children from families in the bottom fifth of income enroll in college, and only one in ten graduates with a four-year degree. In contrast, 79% of children from families in the top quintile of income enter college and over half graduate.[3]

Figure 1: U.S. Enrollment and Graduation Rates from 4-Year College

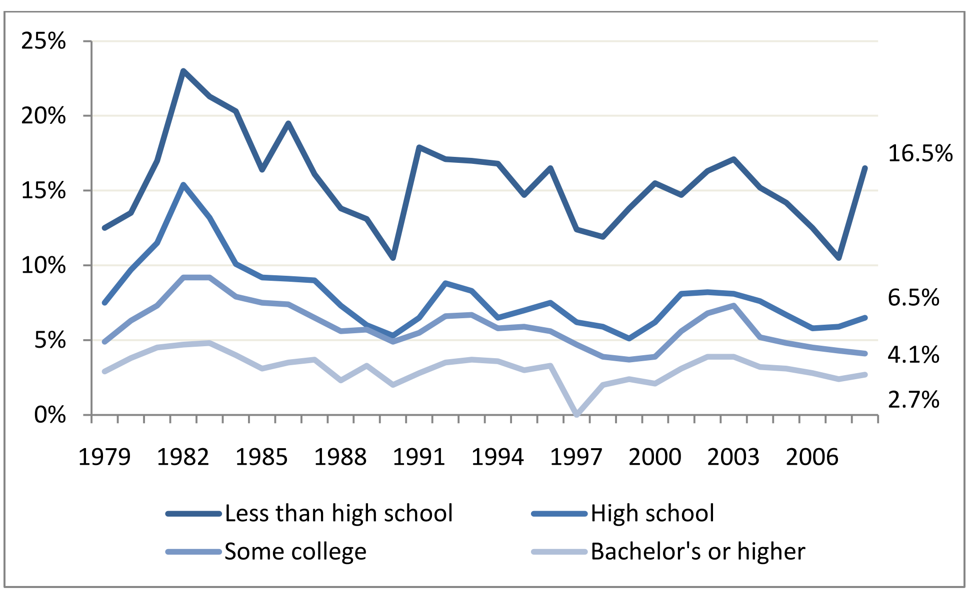
BY PARENT INCOME



Source: Brookings tabulations from Panel Study of Income Dynamics, cited by Urban Institute, "Promoting Economic Mobility," 2009

The state's community and technical colleges also contribute to economic stability for families and the state. They offer a less expensive and more accessible route to higher education for young adults. And in a rapidly changing economy, they provide workers with the opportunity to retrain and upgrade skills throughout their careers. The higher the level of education, the lower the unemployment rates among Washington workers – during bad economic times as well as good.

Figure 2: Washington State Unemployment by Education Level



Source: Economic Policy Institute analysis of Current Population Survey data

WASHINGTON LAGS BEHIND COMPETITOR STATES

Despite the acknowledged importance of higher education to state residents and businesses, Washington lags behind other states. Washington Learns, established in 2005 to identify the reforms needed to bring the state's entire education system to world class standards, identified a set of ten "Global Challenge States" (GCS) with economies similar to Washington's. These states serve as benchmarks for measuring the progress of our educational policies.

TABLE 1: COMPARISON OF HIGHER EDUCATION FUNDING ACROSS GLOBAL CHALLENGE STATES

Global Challenge States (GCS)	State and Local Revenues per FTE at Research Universities (2003-04 Academic Year)
Minnesota	*$13,999*
Connecticut	*$13,160*
California	*$12,821*
North Carolina	*$12,608*
New Jersey	*$11,081*
Maryland	*$10,916*
Massachusetts	*$9,065*
Washington	***$6,554***
Virginia	*$6,398*
Colorado	*$3,542*

Source: Washington Learns: Global Challenge States

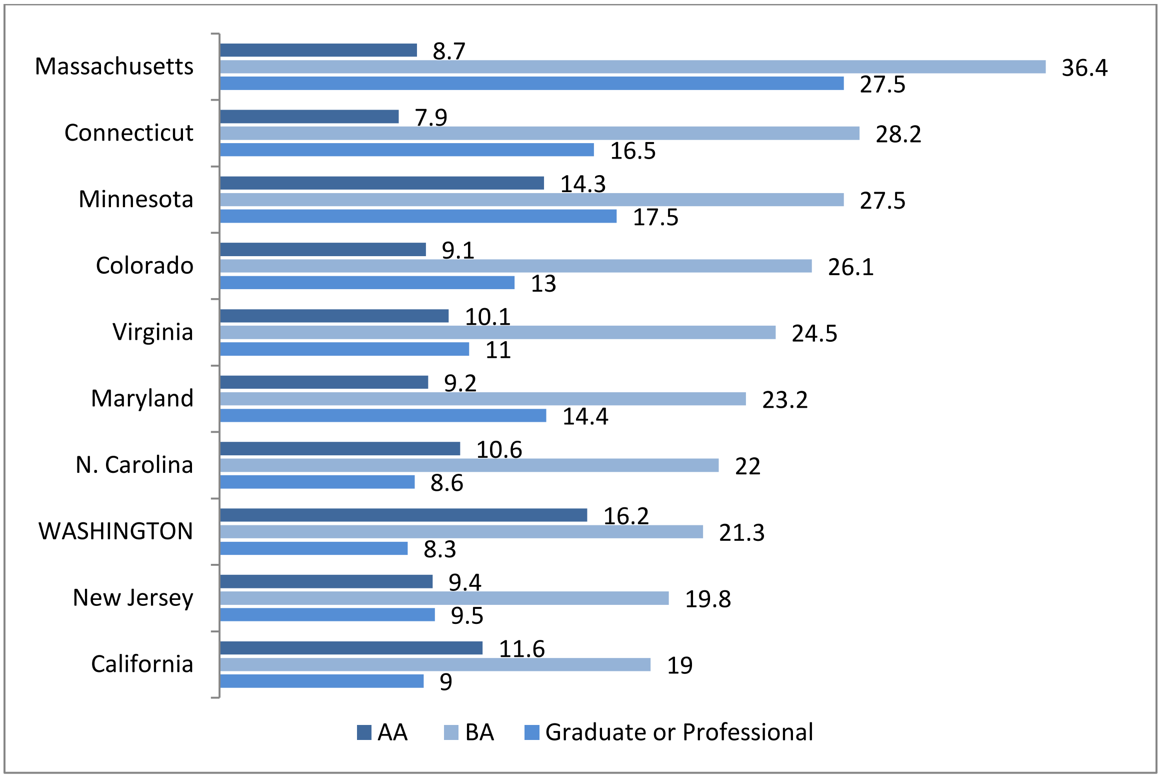
Washington rates poorly on multiple measures. In state and local public funding per student at research universities, Washington ranked eighth out of ten in 2003-2004.[4]

Washington also lags in providing access to four-year colleges and graduate degrees. While we award more Associate degrees per 1,000 state residents aged 20-34 than other global challenge states, in the 2003-04 academic year we ranked 7th out of the ten GCS in awarding bachelor degrees, and 37th among all the states. In the awarding of graduate and professional degrees, we were last among the GCS and 39th among all states.[5]

In 2007, Washington's legislature passed Senate Bill 5806 (SB 5806), committing the state to bringing per student funding for all higher education institutions up to the 60th percentile of peer schools in Global Challenge States within ten years.[6] To reach its goal, Washington would need to increase funding by over $4,000 per student from the 2007-09 level.

FIGURE 3: AA, BA, AND GRADUATE DEGREES AWARDED IN GLOBAL CHALLENGE STATES

PER 1,000 POPULATION AGED 20-34, 2003-04



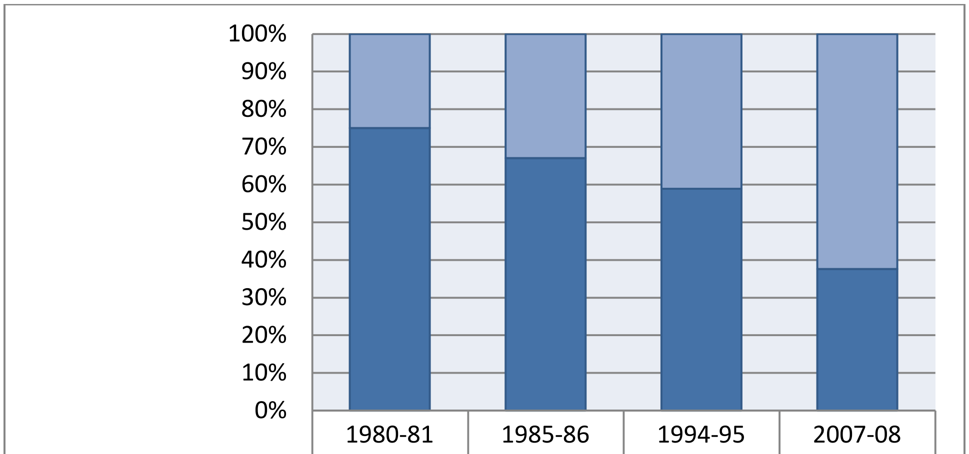
Source: Washington Learns, Global Challenge States

Unfortunately, that commitment has not been fulfilled. With the economy in severe recession and the majority of policy makers committed to avoiding revenue increases, the 2009-11 state budget includes steep cuts to higher education along with most public services. The Higher Education Coordination Board estimates that without offsets, the state budget cuts would result in 7,083 fewer slots per year for full-time students at public institutions of higher education in the state. Federal stimulus funds and hefty tuition hikes will make up for about half the cuts. Still, the state's public research universities will be able to enroll about 2,000 fewer students in 2009-10 than in 2008-09, and the comprehensive universities will have space for 2,362 fewer – even while population continues to expand.[7] Washington is moving further away from the goal of building a world class education system.

PUBLIC DISINVESTMENT AND SKYROCKETING TUITION

For the past thirty years, Washington State has been reducing the level of appropriations to higher education. In1980-81, undergraduate tuition accounted for 25% of the total costs of undergraduate instruction in research universities, while the state covered the remaining 75%. By the 2007-08 academic year, tuition covered 62% and the state only 38% (Figure 4). The trend of disinvestment is also evident in community and technical colleges, with the state decreasing its share from 77% in 1980-81 to 58% in 2007-08.[8]

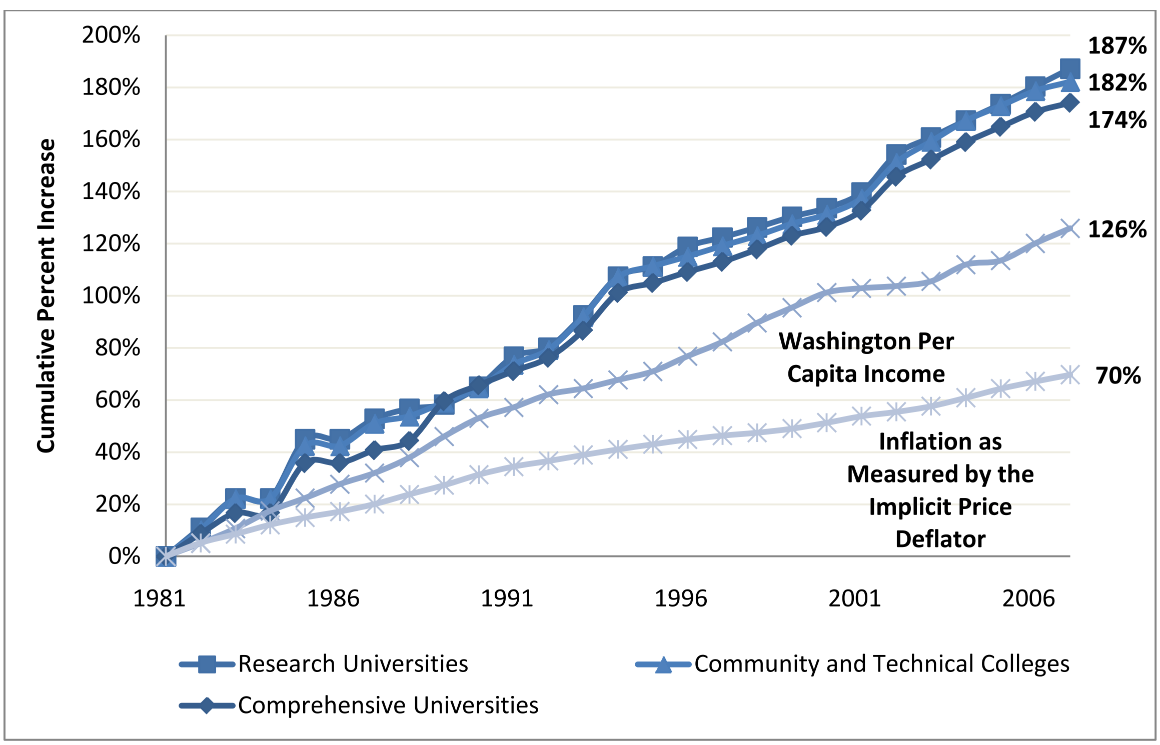
FIGURE 4: STATE APPROPRIATIONS VS. TUITION AS A PERCENTAGE OF COSTS OF INSTRUCTION IN WASHINGTON RESEARCH UNIVERSITIES



	1980-81	1985-86	1994-95	2007-08
Tuition	25%	33%	41%	62%
State Appropriations	75%	68%	59%	38%

Source: Washington Higher Education Coordinating Board, "Key Facts About Higher Education in Washington"

FIGURE 5: CUMULATIVE PERCENTAGE INCREASES IN WASHINGTON PUBLIC HIGHER EDUCATION TUITION, PER CAPITA INCOME, AND INFLATION



Sources: Tuition data from Higher Education Coordinating Board; per capita income from Washington Office of Financial Management

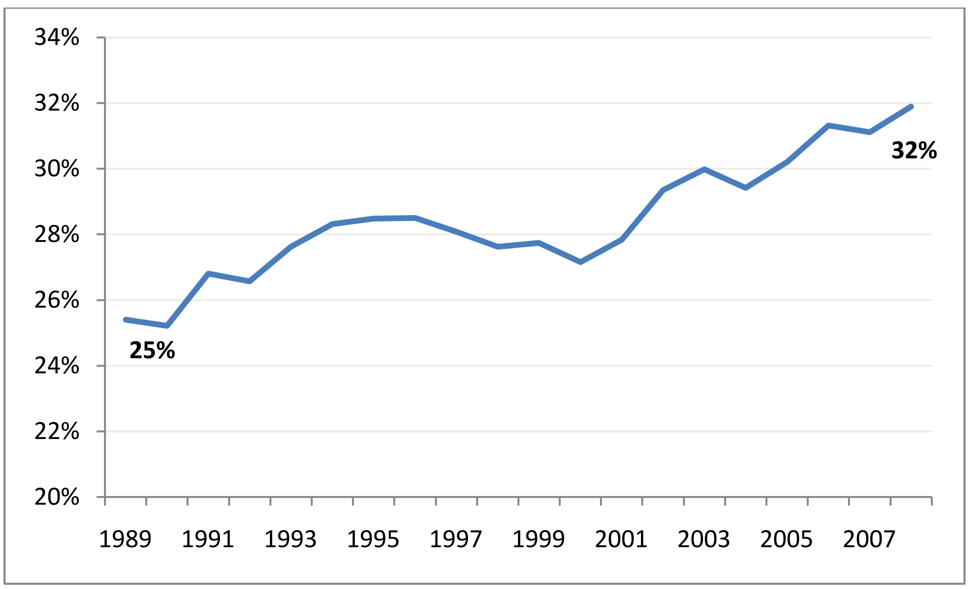
Instead of fighting this retreat by the state, key leaders in public universities and colleges have given legislators an easy way to justify such cuts. The tradeoff that they offer is simple, and, for legislators, enticing: the less money you give us, the more we'll raise tuition.

This strategy has contributed to tuition in Washington escalating out of reach of many state residents. At all levels of public higher education, tuition has risen faster than both inflation and per capita income in the state since 1980 (Figure 5).

The National Center for Public Policy and Higher Education's study found that in 2008 the net college cost (tuition, room, and board minus financial aid) at Washington's public four-year universities was 31% of the state's average family income. For families in the bottom two quintiles, those costs equate to 45% of their incomes.[9] And as Figure 6 shows, over the past 20 years the total cost (tuition, room, board, and expenses) of attending the University of Washington has grown from one fourth to nearly a third of the median household income for Washingtonians.

FIGURE 6: TOTAL COSTS OF ATTENDING UNIVERSITY OF WASHINGTON

(AS A PERCENTAGE OF MEDIAN HOUSEHOLD INCOME)

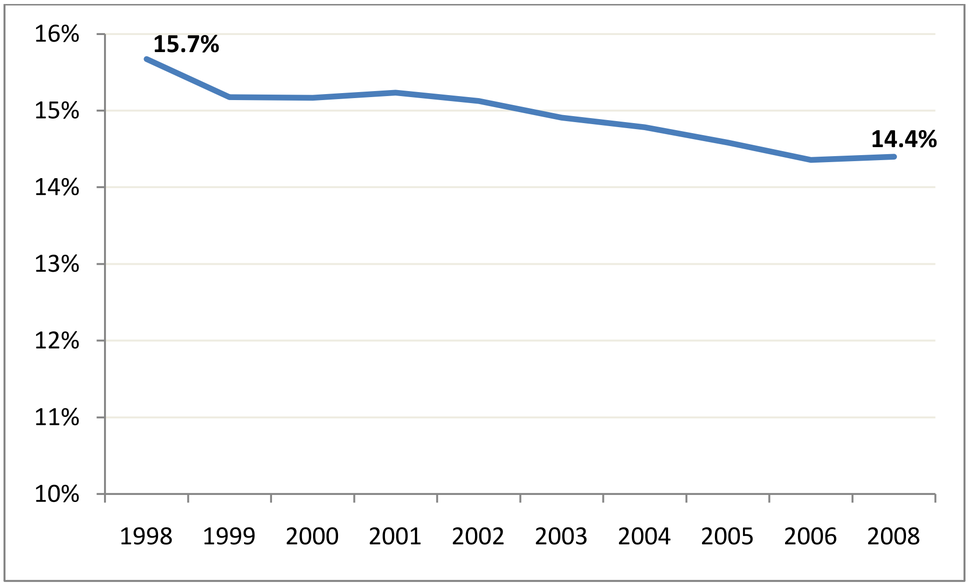


Sources: University of Washington, Office of Institutional Research at UW and Washington Office of Financial Management.

Even escalating tuition did not provide public colleges with sufficient revenues to maintain the same level of access for the state's young adults. During the decade from 1998 to 2008, state-funded full-time equivalent enrollments at the state's four-year public colleges fell relative to population growth, from 15.7% of the state's 18- to 24-year olds to 14.4%.[10]

FIGURE 7: STATE-FUNDED FULL-TIME EQUIVALENT ENROLLMENT IN PUBLIC 4-YEAR COLLEGES AND UNIVERSITIES

(AS A PERCENTAGE OF WASHINGTON POPULATION AGED 18-24)



Sources: Washington Office of Financial Management and Higher Education Coordinating Board

DOES HIGH-TUITION/HIGH-AID WORK?

Tuition rates are set to rise even faster at Washington's public colleges and universities over the next two academic years. The 2009-11 operating budget approved by the state legislature cut higher education funding by $617 million – or nearly 16% – from the amount needed to maintain the same level of services without tuition increases, given inflation and population growth.[11]

Mark Emmert, president of the University of Washington, admitted that as a result "the university will have to switch to a much more market-driven model than it has in the past."[12] Indeed, Washington's research universities will be increasing tuition prices by 30% over the next two years, while community colleges will be looking at increases of 15% over that same period.

Legislators and education administrators claim that higher income families can afford these price hikes, and that lower income students will receive increased financial aid, both from the state and from new federal policies. However, the evidence suggests that injecting a market-driven model of financing into the public sphere of education will lead to a lack of access for low-income students, increased strain on the middle class, and an explosion of student loan debt.

Reduced Accessibility for Low Income Students

The claim that high-tuition/high-aid financing models actually work to the benefit of low-income students is contradicted by data from schools where such a model has already been implemented. At the University of Michigan-Ann Arbor (UM), disadvantaged students have lost rather than gained ground since the university switched to high-tuition/high-aid.

From 1997 to 2007, the portion of UM students coming from lower- and middle-income households has remained disproportionately small. In 2007, just 26.6% of entering freshman came from families with incomes under $75,000, compared to 62.3% of Michigan families with incomes below that level.[13] In 1997, 34.6% of students came from families with incomes under $75,000, at a time when 64.4% of U.S. families had incomes below that level.[14]

Despite great efforts to recruit more students from underrepresented minority groups, the percentage of black students enrolling has decreased from 8.4% in 1999 to 6.7% in 2008, and Latino and Native American percentages have remained stagnant.[15] In addition, the proportion of first-generation college students has decreased from 15.7% in 2004, to 11.4% in 2007, shrinking that cohort by more than 27% in just three years.[16] These statistics all paint a picture of decreased economic and racial diversity at the UM after switching to the high-tuition/high-aid model.

In the search for an explanation, UM Executive Financial Aid Director Pamela Fowler refers to the phenomenon known as "sticker shock": "Our cost scares people away… it's hard for [prospective students] to reconcile that, yes, we may be more expensive, but we give more financial aid."[17] High "sticker" prices – total tuition amount before financial aid – deter students from enrolling for reasons including lack of knowledge about available aid packages, fear of incurring large sums of debt, or fear of burdening their families.

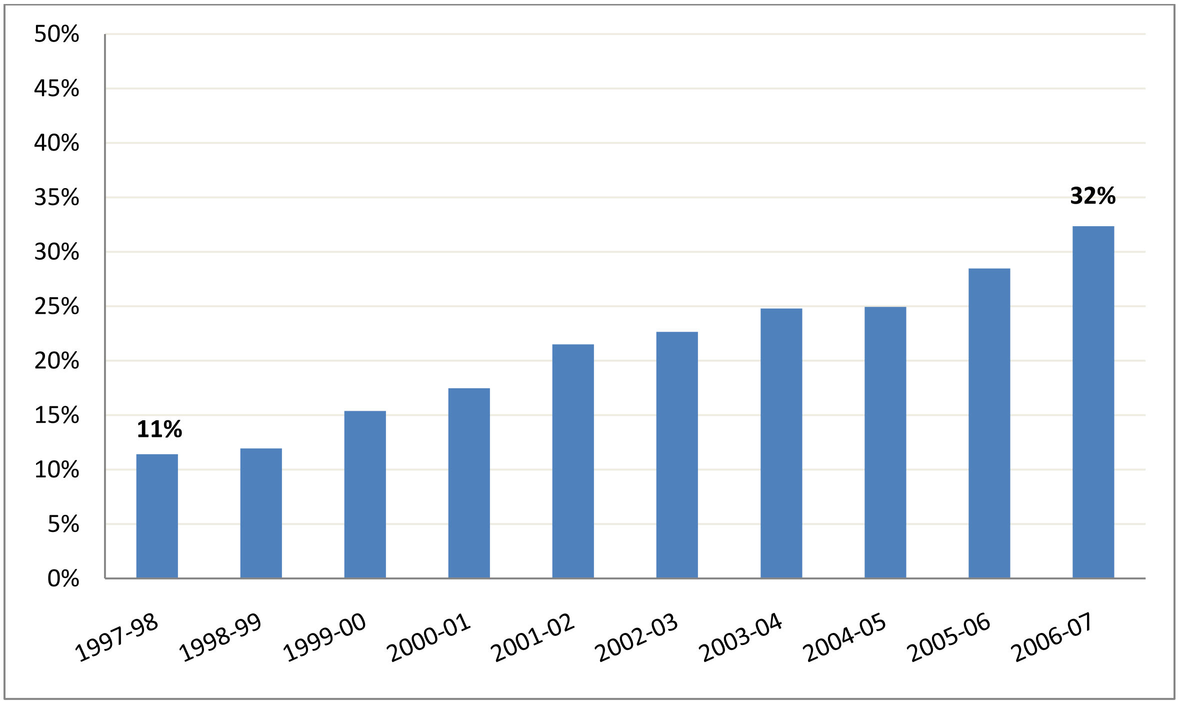
The University of Miami-Ohio witnessed the effects of sticker shock just one year after making the switch to the high tuition/high aid model in 2004. The school experienced a record 13% drop in in-state and 10% drop in out-of-state enrollment, with the decreases coming disproportionately from "highest need" students.[18] This outcome came as no surprise of researchers who have long been examining the relationship between tuition and access. Studies have shown that states with higher tuition have lower rates of enrollment of low-income students and wider gaps in enrollment rates of high and low-income youth.[19] The most recent data point to a general trend of 6% decrease in enrollment of undergraduates for every $1,000 increase in tuition at top public research universities.[20]

In response to such studies, as well as to the negative consequences experienced at Miami-Ohio, Ted Strickland, Governor of Ohio, set a freeze on higher education tuition prices in the state of Ohio in 2007. In exchange, the state increased its appropriations to higher education by 13% over two years. Similarly, the state of Maryland has also employed a tuition freeze. In 2005, Maryland's college tuition rates were 6th most expensive in the nation. After four consecutive years of tuition freezes, accompanied by a 33% increase in state appropriations, Maryland succeeded in pushing its rank down to 16th in 2008.[21] Although tuition freezes like these are only temporary measures, they reflect a strong desire from states to address the issue of higher education accessibility for its residents.

At the University of Washington, data show a trend of decreasing economic diversity corresponding with rising tuition rates even before the major tuition hikes scheduled for the next two years. While income data at UW is limited to those students who apply for financial aid, it is still possible to see that UW is increasingly becoming a place for students with higher-income backgrounds. Between 1997 and 2007, the percentage of freshmen applying for aid consistently hovered at around 63% of the incoming class. Of those 63%, roughly one in ten reported an annual family income of over $100,000 (adjusted to 2007 dollars) in 1997, by 2007 it was one out of every three students.[22]

FIGURE 8: PERCENTAGE OF INCOMING UNIVERSITY OF WASHINGTON FRESHMEN APPLYING FOR AID WITH INCOMES OVER $100,000

CONSTANT 2007 DOLLARS



Source: University of Washington's Office of Institutional Research

The Middle Class Squeeze and Student Loan Debt Explosion

Low-income state residents are not the only ones whose dreams of higher education are thwarted by rising tuition. While schools have at least attempted to off-set some of the rising costs for low-income students, middle-income students and their families, particularly those who fall just above the cutoffs for most benefits, end up being hit hard. According to Patrick Callan, an expert on higher education financing and President of the National Center for Public Policy and Higher Education, "there is no example of this [high-tuition/high-aid] model that doesn't squeeze the middle very hard."[23]

Lost in the rhetoric of high financial aid packages is the reality that the majority of "aid" in those packages, especially for middle-income students, comes from loans. In 1991-92, loans made up 36% of total aid packages, while grants were 61%. By 2007-08, however, loans had grown to comprise 49% of the packages, while grants fell to 45%.[24] As colleges increasingly rely on students to finance their own educations, and tuition rates continue to rise significantly faster than family incomes, students and their families are forced to go into debt to pay for school. Moreover, federally subsidized loans covered over half the value of all student loans in 1997-98, but only about one third in 2007-08 – meaning that for the majority of students today, interest accumulates even before they graduate.[25]

The newly created White House Middle Class Task Force recently released a report on the issue of college affordability for the middle class. The main focus of the report was student debt. The report asserts: "The ability to afford a college education without being buried by debt is an important aspiration and a legitimate expectation, not just for middle-class families, but for any family in America."[26]

Unfortunately, such expectations are moving further out of reach for more and more families, as both the amount of debt and the number of students in debt continues to increase. In a national study, The Project on Student Debt calculated that in 2004, roughly two-thirds of students from four-year colleges graduated with debt, up from less than half 10 years prior.[27]

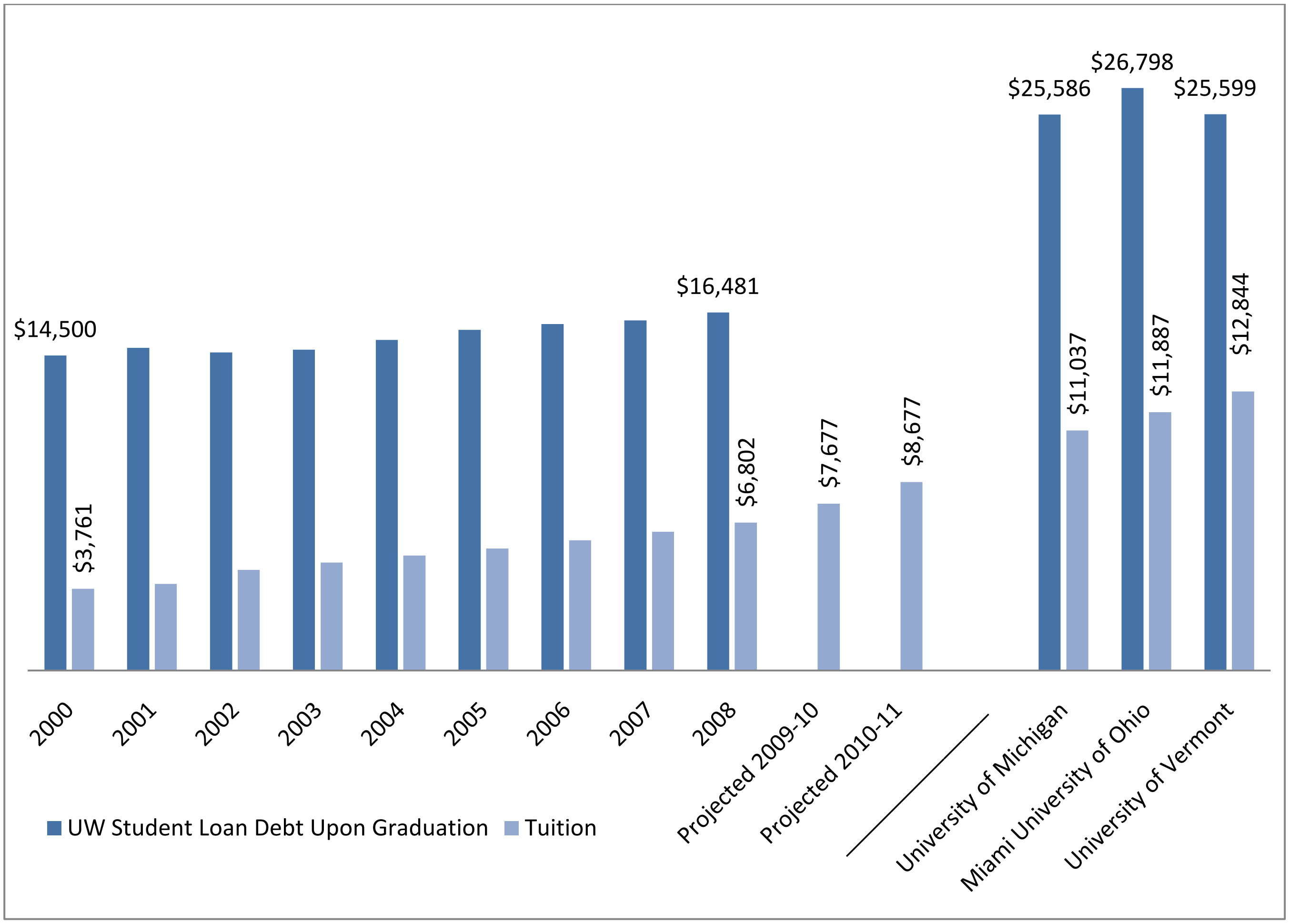
The national average for graduating student debt in public four year universities skyrocketed during the 1990s and has continued to rise at a more moderate pace since. According to a U.S. Department of Education longitudinal study, the average amount borrowed in constant dollars by recipients of bachelor's degrees at four-year public colleges who took out student loans shot up by 63% between 1993 and 2000.[28] Between 2001 and 2007, the average loan total rose by an additional 8%, to $18,800.[29] Among graduates from community and technical colleges, the most recent study from the National Center for Education Statistics estimated that average debt increased from $5,200 to $7,400 (adjusted for inflation) between 1996 and 2003, an increase of 43%.[30]

In 2008, the average student loan debt among borrowers at the University of Washington was $16,481 (see Figure 9).[31] This number is set to grow as the UW raises tuition in the next few years. The experience of schools already operating under the high-tuition/high-aid model warns of the significantly higher rates of student debt that likely will be in store for Washington graduates should the state continue down this path.

The University of Vermont (UVM), the first school to implement the high-tuition/high-aid model, has yet to figure out how to provide enough grant benefits to students to push debt rates lower. According to Scott Giles, UVM's Vice President of Policy, Research, and Planning, "The challenge we face is that the resources that legislature have provided us have not been sufficient, particularly over the course of the last 10 years."[32]

The problem of student debt has consequences that extend to the rest of society. The typical borrowing student who graduated from UW this year can expect to pay $200 per month for the next 10 years (assuming the fixed 6.8% interest rate on Federal Stafford Loans).[33] Her peer from UM, Miami U, or the UVM will take on payments of $300 per month. These debt payments erect real barriers to purchasing a home or car or pursuing graduate education. And they portend a life of indebtedness, as home mortgages, child care, and heath care costs deepen the financial hole begun with college debt.

FIGURE 9: AVERAGE STUDENT LOAN DEBT UPON GRADUATION AMONG BORROWERS, UNIVERSITY OF WASHINGTON AND PEER INSTITUTIONS



Sources: UW Office of Budget and Planning, UW Office of Institutional Research, College Board

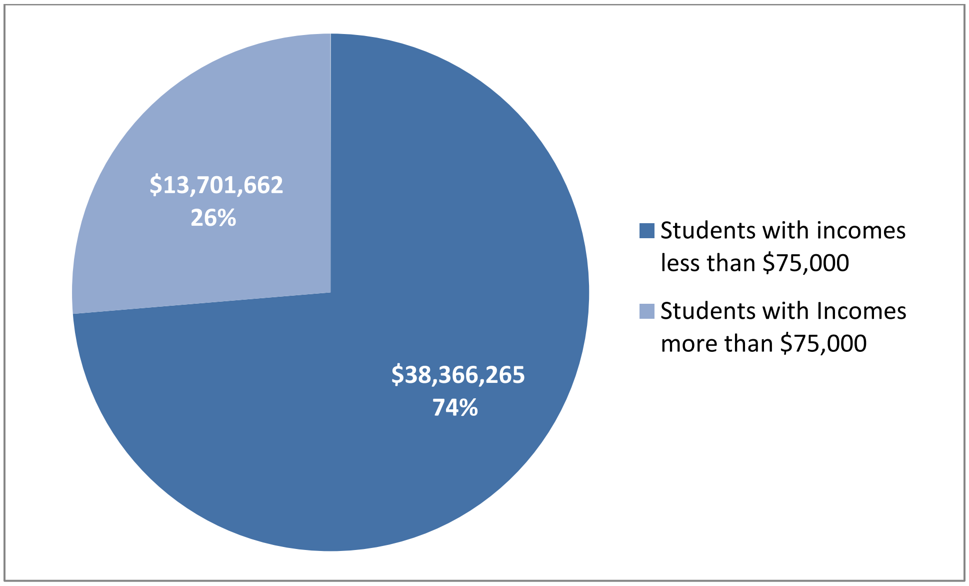
Moreover, students graduating with debt become chained to their payments in a way that discourages them from going into fields that are necessary for the welfare of our society but have relatively low compensation. A study by the State PIRG's Higher Education Project showed that between one quarter and half of students from four-year schools would be unable to manage their debt if they took starting jobs as teachers or social workers.[34]

Many students who enter low-paying fields of service have been able to do so in the past through loan debt forgiveness programs. The recent economic crisis has proven, however, that students cannot count on these programs. The Kentucky Higher Education Student Loan Corporation cut its payouts to recipients midstream, leaving teachers who had accumulated immense debt loads stranded. Similar programs supporting entry into public service professions have been suspended in other states, including in New Hampshire, Pennsylvania, Iowa, and California.[35]

Furthermore, student loan debt is not distributed equally. In 2007-08 at the University of Washington, students from families with incomes of less than $75,000 per year carried roughly three quarters of the total student debt.[36] Graduates with lower family incomes tend to leave with more debt than those with higher family incomes.[37]

FIGURE 10: SHARE OF STUDENT DEBT UPON GRADUATION BY FAMILY INCOME

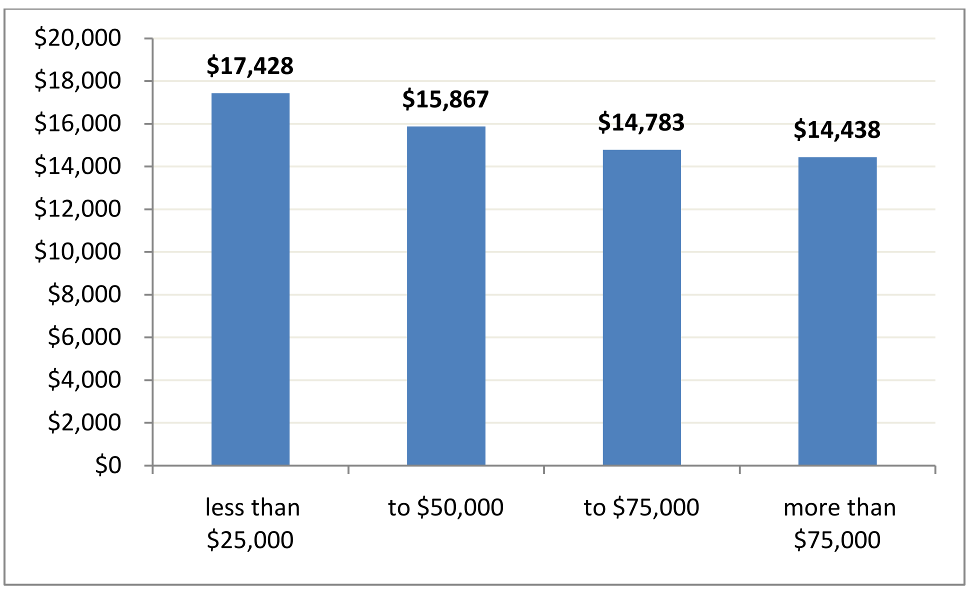
2007-2008



Source: University of Washington Office of Institutional Research

FIGURE 11: AVERAGE STUDENT LOAN DEBT OF GRADUATING UNIVERSITY OF WASHINGTON STUDENTS BY INCOME QUARTILES

2007-2008



Source: University of Washington Office of Institutional Research

Importantly, the student loan numbers discussed above do not include credit card or other kinds of debt also acquired by college students. A 2009 study by Sally Mae, one of the nation's largest private student loan providers, highlights the fact that for college students, credit card debt is becoming an increasingly prominent problem, concluding: "*In this time of credit crunch and economic downturn, college students are relying on credit cards more than ever before*."[38]

While the Sallie Mae report attributes overuse of credit cards to lack of financial education, student credit card debt is a component of the larger issue of predatory lending pursued by financial institutions and enabled by lack of government oversight over the past two decades.

TABLE 2: CREDIT CARD USAGE AMONG UNDERGRADUATE STUDENTS

	1998	2000	2002	2004	2008
Percentage who have credit cards	*67%*	*78%*	*83%*	*76%*	*84%*
Average number of credit cards	*3.50*	*3.00*	*4.25*	*4.09*	*4.60*
Percentage who have 4 or more cards	*27%*	*32%*	*47%*	*43%*	*50%*
Average credit card debt	*$1,879*	*$2,748*	*$2,327*	*$2,169*	*$3,173*
Median credit card debt	*$1,222*	*$1,236*	*$1,770*	*$946*	*$1,645*
Percentage with balances $3,000-$7,000	*14%*	*13%*	*21%*	*16%*	*21%*

Source: Sallie Mae: How Undergraduate Students Use Credit Cards (2009)

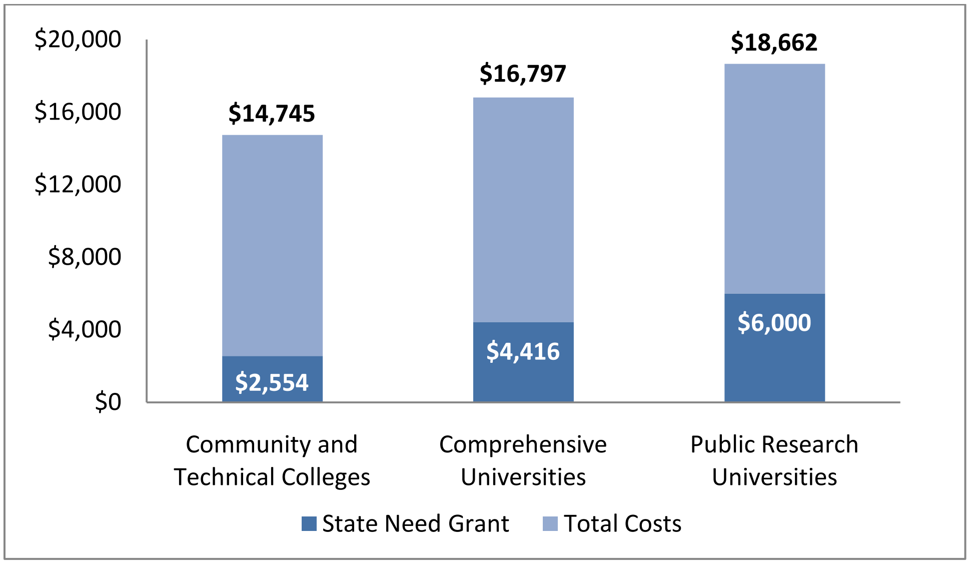
State Need-Based Grants

Washington does provide some grant aid to students from lower income families through State Need Grants (SNG). Students from families with incomes below 50% of the state median family income – or $37,500 for a family of four in 2007-08 – are eligible for the maximum grant amount. Students in families up to 70% of the state median income ($52,500 for a family of four) are eligible for partial grants.[39]

The maximum SNG award for 2008-09 covered 94% of community and technical college tuition and fees and 90% of four-year college tuition and fees.[40] However, tuition makes up only a small portion of total expenses. The maximum annual award of $6,000 for students in public four-year colleges covered only 32% of total costs, and the maximum award for community college students of $2,554 made up only 17% of estimated total costs for the 2008-09 academic year.[41]

FIGURE 12: ESTIMATED COSTS OF ATTENDING WASHINGTON INSTITUTIONS OF HIGHER EDUCATION, VS. MAXIMUM STATE NEED GRANT,

STUDENTS LIVING AWAY FROM HOME, 2008-09



Source: Higher Education Coordinating Board

TABLE 3: 2008-09 SAMPLE BUDGET FOR WASHINGTON STUDENTS LIVING AWAY FROM HOME

	Community Colleges	Public Regional Universities	Public Research Universities
Tuition & Fees	*$2,730*	*$4,782*	*$6,647*
Books & Supplies	*$924*	*$924*	*$924*
Room & Board	*$8,052*	*$8,052*	*$8,052*
Transportation	*$1,098*	*$1,098*	*$1,098*
Miscellaneous	*$1,941*	*$1,941*	*$1,941*
Total Costs	**$14,745**	**$16,797**	**$18,662**

Source: Higher Education Coordinating Board: College Access and Affordability Presentation to House Higher Education Committee (2/6/2009)

Federal Aid

The other main grant options for students in public colleges come from the federal government, and are also limited to those from lower-income families.

The Pell Grant represents the federal government's main commitment to providing college accessibility. In order to be eligible for a Pell Grant, students must have an Estimated Family Contribution (EFC) of less than $4,617 in the 2009-10 academic year, up from $4,017 in 2008-09.[42]

To put this into perspective, in the 2007-08 academic year, roughly 90% of all Pell Grant awards went to students with family incomes of less than $40,000 per year.[43] Furthermore, Pell Grants are distributed on a sliding scale. In 2007-08, 85% of grants over $2,100 (roughly half of the maximum award that year) went to students with family incomes of less than $30,000 per year.[44]

The 2009 American Recovery and Reinvestment Act (ARRA) raises the maximum Pell Grant award, from $4,371 to $5,350, in an attempt to make up for the fact that over the past four decades the grant has failed to keep pace with increases in tuition. In the 1970's a maximum Pell Grant award was enough to cover 77% of the total costs of attending the average four-year public school, and almost 100% cost at the average two-year public school. By 2008-09, the maximum award could only cover 35% of average costs at four-year public schools, and 68% of costs at two-year institutions.[45]

The federal government's primary assistance to middle class students has been in the form of tax breaks and loans. In recent years, the Hope tax credit was available to off-set a portion of tuition and fees for students in their first two years of post-secondary instruction. The Lifetime Learning Credit was available for additional years. In 2008, both of these could only be taken by families with incomes below $58,000 for single filers or $116,000 for joint filers, with benefits phasing out above $48,000 (or $96,000). The maximum Hope credit in 2008 was $1,800 per student, and the maximum Lifetime Learning credit was $2,000. Families with incomes above the eligibility cutoff for the credits, but below $80,000 for single filers or $160,000 for joint filers, could deduct up to $4,000 tuition and fees from their income – thereby reducing their tax bill by up to about $1,000.[46]

The American Recovery and Reinvestment Act of 2009 replaced the Hope Tax Credit with the American Opportunity Tax Credit and made it available to more families. Now students from families with adjusted gross incomes (AGI) up to $80,000 (or $160,000 for joint filers) can take a tax credit for the first $2,000 of tuition and school-related expenses, and 25% of the next

TABLE 4: ESTIMATED STUDENT BUDGET AT UNIVERSITY OF WASHINGTON FOR A STUDENT LIVING WITH PARENTS

2008-09, 2009-10

	2008-09	2009-10
Tuition	$ 6,802	$ 7,692
Lives with parents	$ 2,877	$ 3,036
Books & supplies	$ 1,035	$ 1,035
Personal exp	$ 2,265	$ 2,265
Transportation	$ 396	$ 504
Total	**$ 13,375**	**$ 14,532**

Source: University of Washington, Office of Admissions and Student Office of Financial Aid

$2,000 of tuition and expenses, for a total maximum credit of $2,500 per year. The credit is also now available for four rather than two years per student.[47]

While a welcome change for some families, these tax savings account for only a fraction of the cost of higher education. During the 2007-08 academic year, 76% of non-tax federal aid to college students in Washington was in the form of loans.[48] Improvements to the Pell Grant help the lowest-income students, but do very little to address the student debt problems that middle- and lower-middle-income students are facing as colleges move towards high-tuition/high-aid models of financing.

Focusing scarce public resources on students from the lowest-income families is a reasonable policy choice, but the long term disinvestment in higher education by both the state and federal governments has clearly limited college access for low income and middle class students. As the cost of attending college continues to escalate, more and more students and their families – not just those classified as low-income – are truly struggling to afford higher education.

2009-11 State Budget – Restricting Access to Higher Education

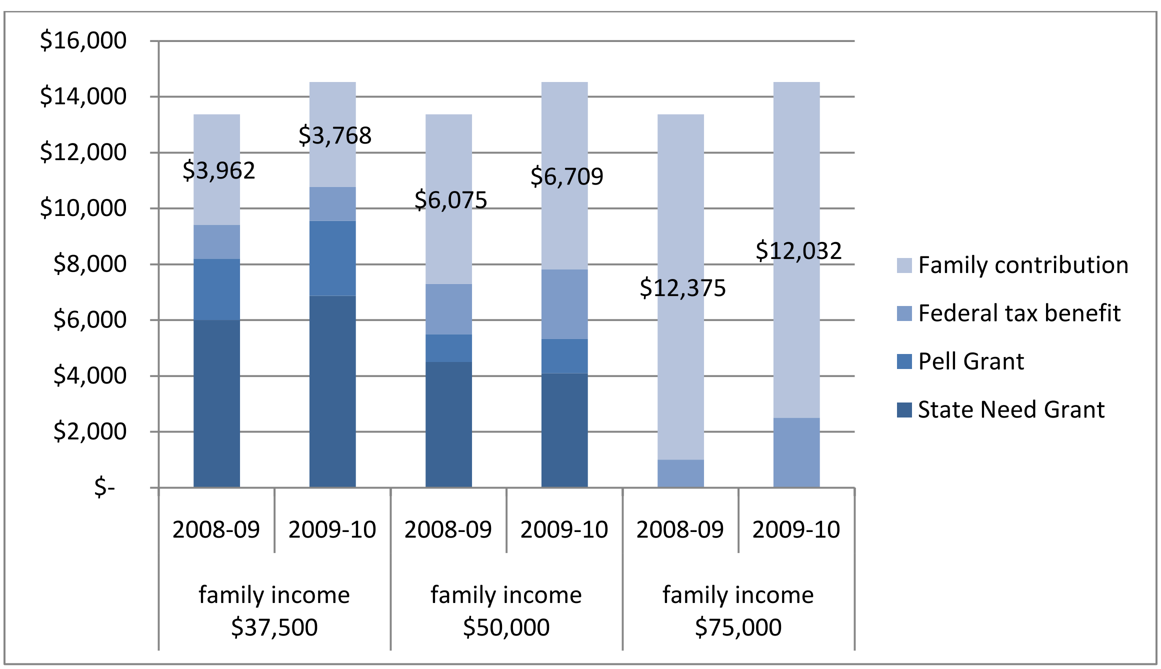
Paradoxically, Washington state legislators are using the federal government's reprioritization of higher education as an excuse to further disinvest in higher education. The argument being put forth by some legislators and top college administrators is that these expanded federal programs will offset the massive tuition hikes they have scheduled for the next two years. For example, at the UW, administrators justified their request for the maximum hike of 30% over two years by forecasting that students from households with combined incomes of less than $96,000 per year will feel no net effect due to increases in the Pell Grant and HOPE credit.[49]

However, assuming that increased financial aid will offset the effect on low-income students of raising tuition ignores the well-documented effects of sticker shock. Further, the Legislature reduced State Need Grants for students from families with incomes between 50% and 65% of state median family income.[50]

A comparison of estimated public financial aid available to students with projected student budgets at the University of Washington for the 2008-09 and 2009-10 school years shows that those with incomes about half way between the poverty level and the median come out the worst. They neither qualify for maximum need-based grants, nor benefit from the expansion of federal tax credits to a broader section of the middle class. Students from families with incomes of $50,000 will likely have to pay more in the coming year to attend the University of Washington than last year, whether living with their parents or away from home, while those with incomes somewhat higher or lower will pay a little less.[51]

FIGURE 13: ESTIMATED FAMILY CONTRIBUTION BY INCOME FOR FAMILY OF FOUR AT UNIVERSITY OF WASHINGTON

AFTER STATE NEED GRANT, PELL GRANT, AND FEDERAL TAX BENEFITS – 2008-09 AND 2009-10



Based on typical awards from the State Need Grant and Pell grant, and federal tax benefits for a family of four for academic years 2008-09 and 2009-10. Authors' calculations from Higher Education Coordinating Board, U.S. Department of Education, IRS, and University of Washington data.

The improvements to the federal aid programs are intended to address a problem that already exists. To raise tuition in proportion to these improvements and claim that there will be "no net effect" ignores the fact that students are already hurting and may be counting on these federal benefits as a source of relief.

Student access has also been restricted more directly. The legislature reduced budgeted annual enrollment at the state's public four-year colleges and universities by 4,400 students for 2009 through 2011.[52] Meanwhile, the number of seniors enrolled in Washington public high schools has increased in each of the past four years, meaning more young people will be competing for fewer positions in the state's higher education system.[53]

Conclusions

In 2006, Washington Learns made bold recommendations to create a world class education system in Washington State. However, real progress towards those goals, from preschool through graduate education, has been stymied by a lack of public investment.

Over the past two decades and more, Washington State has increasingly fallen behind the level of funding needed to boost quality and maintain access to higher education. The current severe recession and consequent state budget crisis compound the problem, but the financing problem will remain even when the economy recovers.

Washington's regressive and outmoded tax structure remains one of the primary obstacles to education reform. As long as our tax base shrinks relative to the whole economy and relies too heavily on contributions from low- and middle-income state residents – while taxing the wealthy too lightly – we will not be able to raise sufficient public revenues to build the education system we want and state residents deserve.[54]

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