

# Undermining Prosperity: Higher Education Cuts Weaken Access, Affordability, and Quality

By Kim Justice

## Introduction

It is the fundamental role of Washington's colleges and universities to prepare our state for economic prosperity. That means ensuring that the 108,000 students at four-year colleges and 204,000 at community and technical colleges have the required skills and education to meet the needs of the global economy. It also means ensuring that aspiring students will have the ability to afford and access a higher education, now and in the future.

A strong workforce cannot be achieved without adequate state support for higher education. Yet the state's contribution to higher education has been on the decline, and is facing further cuts over the next two years: <sup>1</sup>

- Due to diminished state support over the last decade, students are now paying over half of higher education costs at four-year public institutions.
- In the last two years alone there have been \$770 million in cuts to the higher education system. As one of the many consequences of these cuts, it is estimated that 22,000 students who qualified for financial aid were unable to obtain assistance.
- As lawmakers battle with a budget deficit that has grown to \$5.1 billion for the next biennium, they are proposing to cut higher education funding by \$500 million or more.

If Washington is going to be successful in securing our long-term economic prosperity, we must keep the economic engine of our higher education system running. Policymakers should strive to sustain a higher education system that embraces the following key principles:

- **Accessibility:** Enrollment is responsive to demand, especially during a recession, so that those who want to obtain a post-secondary education are able to do so; ample and diverse academic programs and courses are offered.
- **Affordability:** The state maintains a commitment to cover the greater part of the costs of instruction and students avoid additional costs by completing their degree on time.
- **High quality:** Institutions employ top-notch faculty, small class sizes provide an optimal learning environment, and students receive advising, tutoring, and other support services to ensure their success.

In a time of declining state revenues, the only way to guarantee that we can continue to uphold

our shared values of education and opportunity is to take a balanced and responsible approach to the state budget—one that preserves vital public services through tax increases, the elimination of wasteful tax breaks, or both.

## Higher Education is a Fundamental Public Asset

Higher education is a fundamental public asset in our state, providing access to new opportunities for thousands of Washingtonians each year.

### *A skilled workforce is essential to our competitiveness in the global economy*

The ability of Washington to pull itself out of the economic recession depends in large part on providing a skilled, educated workforce for our state’s industries. But success in today’s competitive, knowledge-based economy will require more than a basic education. According to the University of Washington, as of April 2010 nearly half of vacant jobs in Washington required an education beyond a high school diploma

or GED. It is estimated that by 2018, 67 percent of all jobs will require some postsecondary education.<sup>2</sup>

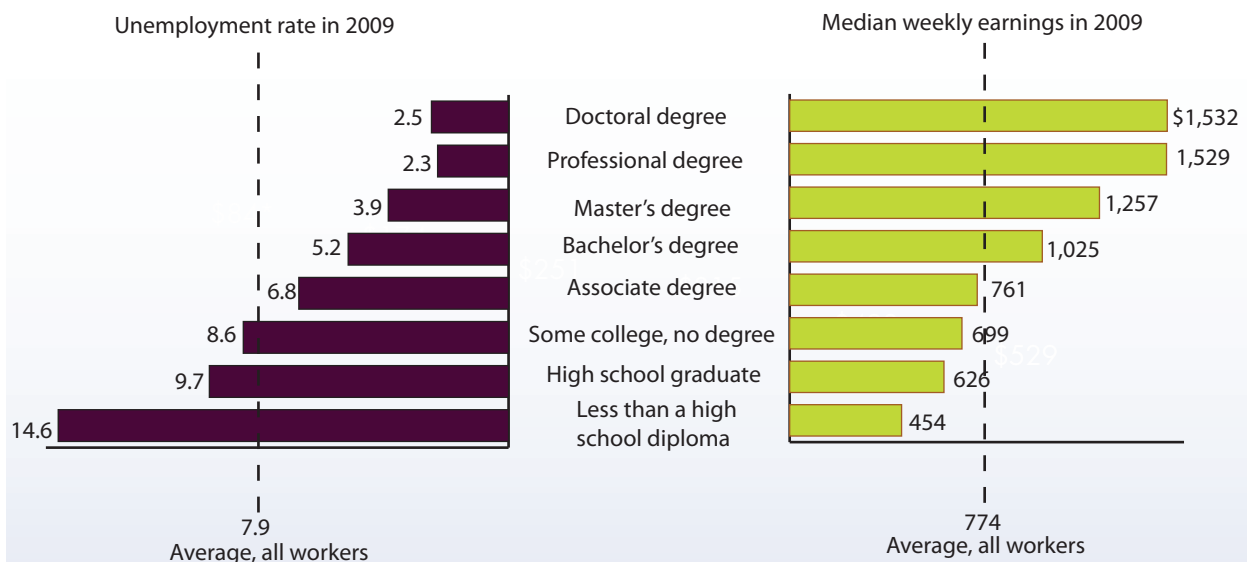
### *Education opens doors to opportunity and financial stability*

Broadly available education and opportunity is fundamental to opening doors to better job opportunities, higher wages, and greater job security.

Advanced educational degrees correlate to higher earnings and greater employability. As Figure 1 shows, the nationwide unemployment rate among workers without a high school diploma stood at 14.6 percent in 2009. The median earnings among this group were 454 dollars per week. By contrast, the unemployment rate among those with a professional degree was 2.3 percent in 2009, while median earnings were over three times that of those without a high school diploma.<sup>3</sup>

This dynamic is vividly apparent here in Washington. According to a report by the Employment Security

**Figure 1: Education pays**



Source: Bureau of Labor Statistics, Current Population Survey

Department, a bachelor's degree is worth \$15.54 more per hour than a high school diploma.<sup>4</sup>

## Investments in Higher Education Have Shrunk

In the current 2009-11 fiscal biennium, state spending on higher education accounts for about 10 percent of our state budget – this is down from about 12 percent over the last decade. Figure 2 illustrates our current state investments in higher education. As the graph shows, of the \$3 billion that has been devoted to these services in the current biennium:<sup>5</sup> 44 percent goes to the community and technical college system; 41 percent goes to the four-year institutions; and 15 percent goes towards financial assistance.

Today we spend fewer of our economic resources on higher education than we did a decade ago. In fiscal year 2000, the state devoted \$6.54 per thousand dollars of personal income (the most common measure of the size of state economies) towards higher educa-

tion. In 2011, the state will have spent less than \$5.16 per thousand dollars of our total economic resources.<sup>6</sup>

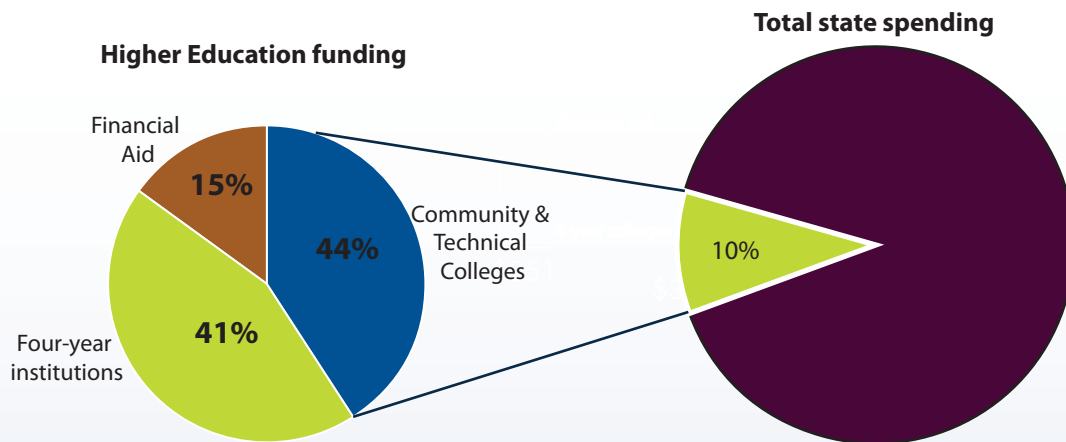
## Students are paying a growing share of higher education costs

State spending plays a critical role in higher education funding. However, the state's share of higher education funding has declined over the last decade. When state support goes down, tuition often goes up, making it harder for prospective students to access a postsecondary education.

*"The cost to attend a public four-year college has increased almost 70 percent since 1991."<sup>7</sup>*

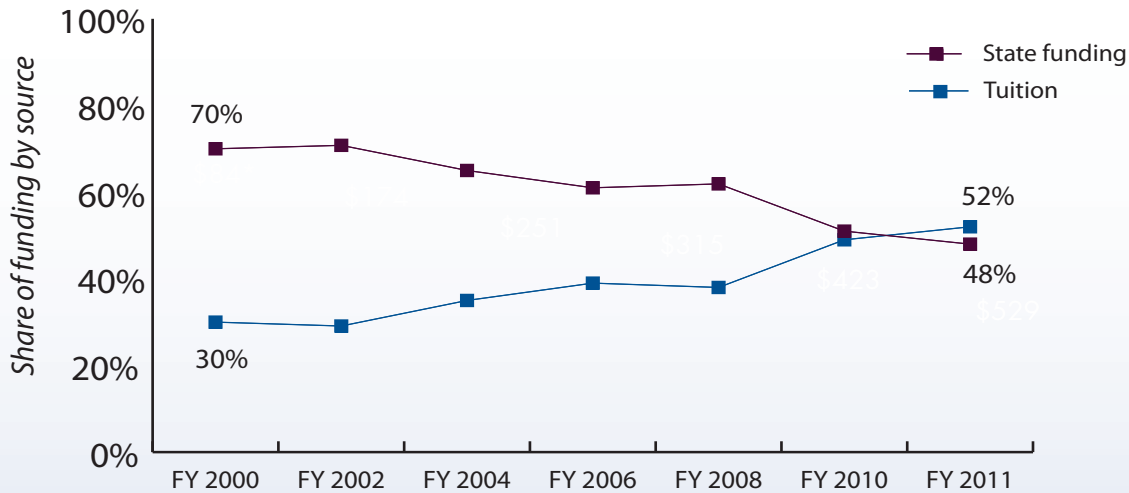
Western Washington University (WWU) reports that the state supported 72 percent of its costs until 1994. Through the years, state support has eroded and currently covers only 44 percent of the costs of instruction at WWU. As a result, the cost responsibility has shifted to students who are paying more than half of the operating costs.<sup>8</sup>

**Figure 2: Higher education makes up 10 percent of state spending**



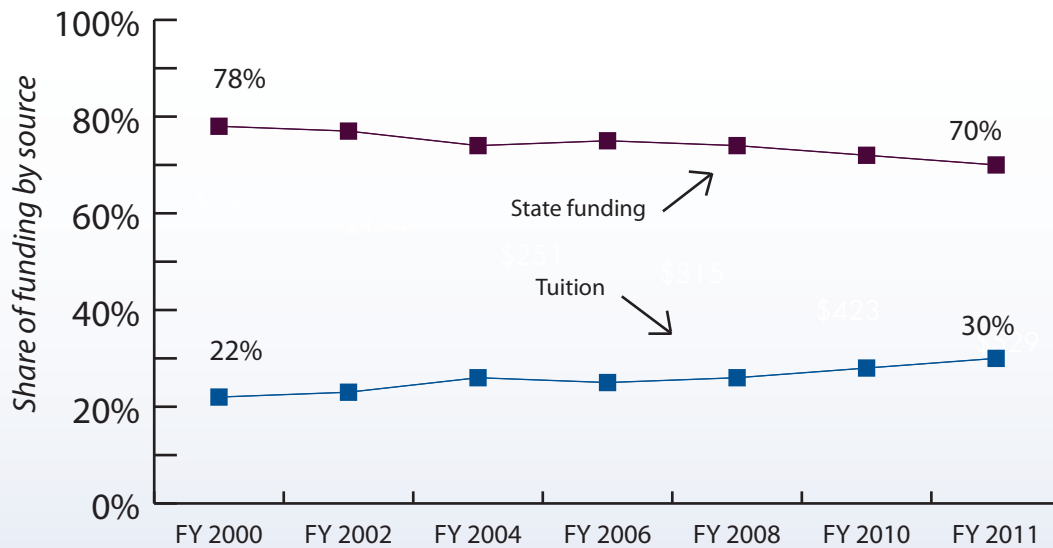
Source: Budget & Policy Center calculations; data from LEAP; Reflects enacted 2011 Early Action Supplemental, Near General State- Operating funds

**Figure 3: Students are paying over half of higher education costs through tuition at 4-year institutions**



Source: Budget & Policy Center calculations; data from LEAP

**Figure 4: The state maintains the majority of funding responsibility for community and technical colleges**



Source: Budget & Policy Center calculations; data from LEAP

At the University of Washington, state funding is the same as it was in 1990, even though 10,000 additional students are being served today.<sup>9</sup>

Due to declining state support, students are now paying on average over half of education costs at four-year institutions (Figure 3).

At our two-year colleges, costs have increased about 35 percent since 1991.<sup>10</sup> Community and technical colleges are experiencing a similar shift in state funding support, although to a much lesser degree (Figure 4). Community colleges have traditionally been a more affordable option, providing an entry point for students from low-to-moderate income families and adults with no previous college education.

### *Higher cuts for Higher Education*

The Great Recession has dramatically degraded our ability to provide all essential public services. Higher education and other unprotected areas of the budget – like health care and public safety – have weathered especially large cuts throughout the recession.

As part of our state’s response to the economic downturn, lawmakers have cut funding for higher education by about \$770 million (20 percent) during the current biennium.<sup>11</sup>

To mitigate the impact of cuts in 2009-11, institutions have been allowed to raise tuition by 14 percent at four-year institutions and seven percent at community and technical colleges.

In addition, a \$57 million increase in financial aid funding through the State Need Grant was implemented to offset the increased tuition costs for lower income families. However, in the recently-passed 2011 Early-Action Supplemental budget, the State Need Grant was reduced by \$25 million.<sup>12</sup> In addition, other areas of financial aid were decreased, such as work study, scholarship and loan programs, and award programs.

## Cuts Have Consequences

As a result of the cuts in 2009-11, all of our state’s higher education institutions have raised tuition by the full amount allowable. Aside from tuition increases, universities managed cuts through decreasing course selections, eliminating jobs, and limiting student enrollment:

- At Washington State University, 1,080 courses were removed, 16 degrees or program options were phased out, three academic areas were eliminated, and 517 jobs were eliminated.<sup>13</sup>
- The University of Washington froze enrollment for resident undergraduates, eliminated 950 jobs, reduced hundreds of hours of student counseling services, and eliminated 12 degree programs.<sup>14</sup>
- At our community and technical colleges, staffing hours and services have been reduced, class sizes have increased, and several programs and courses have been eliminated as a result of the cuts in this biennium.<sup>15</sup>

## Growing Demand Amid Shrinking Investments

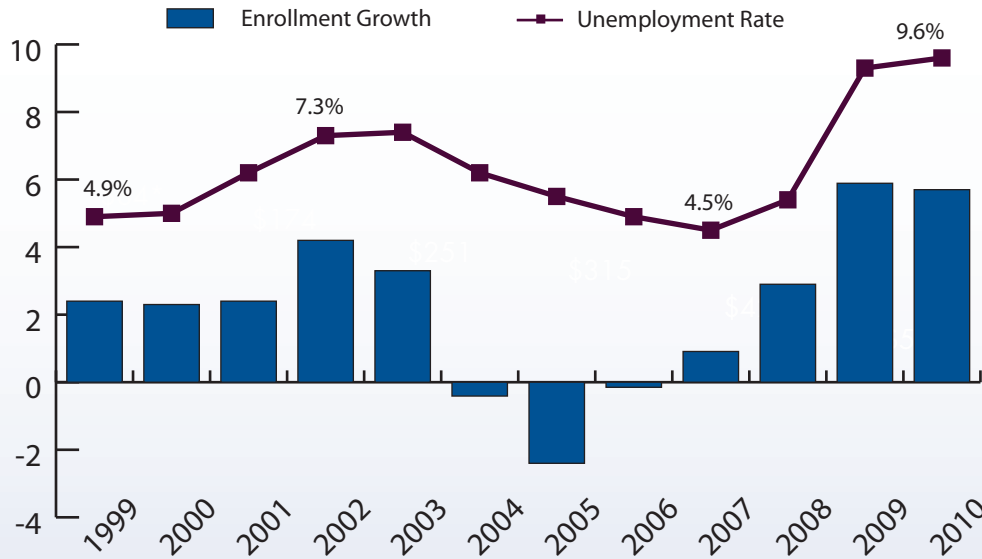
### *Unemployment drives enrollment*

Just as the tough economy has driven workers to return to college to seek retraining and further their education, state support is decreasing. In the face of a stagnant economy, many workers are finding that their prior skills and education are no longer sufficient in a competitive, shrinking job market. As Figure 5 shows, there is a strong correlation between unemployment rates and enrollments in higher education.

### *Student financial aid has increased, but does not meet the need*

The state has made a concerted effort to ensure adequate resources for students with lower incomes who struggle the most to afford a higher education. The State Need Grant, which provides financial aid to the state’s lowest income students, has increased \$122 million since 2001-02. However, 71 percent of the increase has been

**Figure 5: During times of higher unemployment, higher education enrollment increases**



Source: BPC calculations; data from Office of Financial Management Forecasting Division, US Bureau of Labor Statistics, State Senate Committee Services

in response to tuition increases.<sup>16</sup> In addition, there are more students eligible for the State Need Grant than there are funds available. The Higher Education Coordinating Board estimates that in 2009-10, 22,000 students qualified, but were unable to obtain assistance.

*“Student financial aid through the State Need Grant has increased \$122 million in the last decade; however, 71 percent of the increase has been in response to tuition increases.”*

*Current investments do not keep pace with modern economy*

Data show that our state does not currently have the workforce with the right skills for our economy. Based on the Washington State Workforce Training, Education and Coordinating Board’s 2010 Employer Survey, an

estimated 28,000 Washington employers had difficulty finding the right person for at least some job openings.<sup>17</sup>

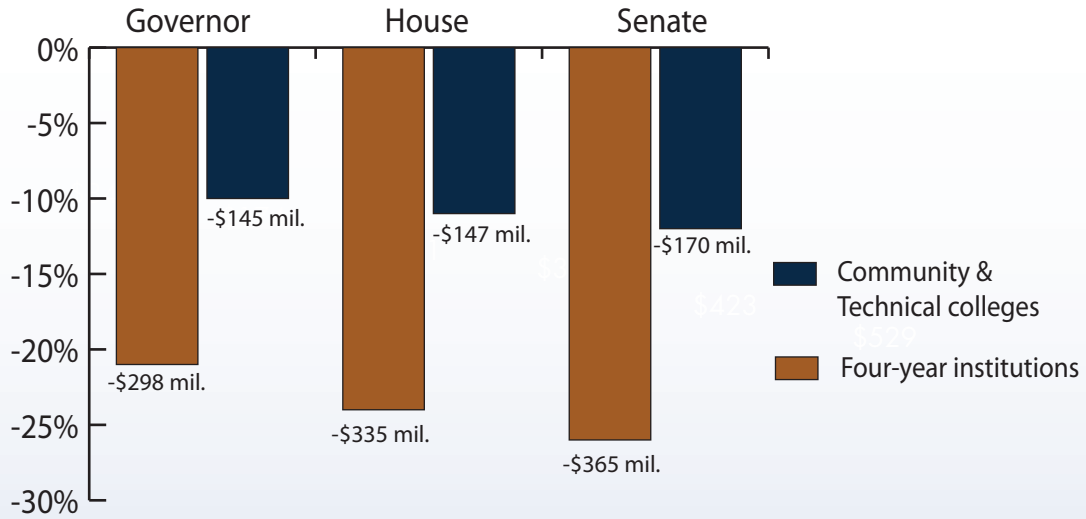
**2011-13 Proposals Would Further Weaken Higher Education**

The Governor, House, and Senate have all released their versions of a budget that would address a \$5.1 billion shortfall for the next biennium. Under all three proposed budgets, the higher education system would be cut by at least an additional \$500 million— that’s on top of the \$770 million cut from the current biennium.

Figure 6 illustrates the reductions to higher education institutions when compared to the maintenance level.

All three budgets attempt to ameliorate the impact of cuts to higher education institutions by authorizing tuition increases. The highest tuition authorizations are set forth by the Senate, which authorizes 16 percent each year at the University of Washington, Washington State University, and Western Washington University.

**Figure 6: Proposed budget cuts to higher education institutions, 2011-13**



Source: Budget & Policy Center calculations; data from LEAP; does not reflect cuts to employee compensation

The Governor’s budget approves tuition increases from 9 percent to 11 percent and the House budget authorizes from 11 percent to 13 percent.

Additionally, all three budgets seek to soften the added costs to students by increasing funding for student financial aid through the State Need Grant. However, other areas of financial assistance suffer under the proposals, such as the State Work Study Program, which would be eliminated in its entirety by the House and cut-back by both the Governor and Senate. (See table 1 below for full comparison.)

The Senate’s budget is the only proposal that includes funding for worker retraining, which provides financial aid and other support services to jobless workers who need to change careers in order to re-enter the workforce. The Senate’s \$15 million investment would support an additional 1,617 worker retraining slots each year at community and technical colleges.

Despite the modest investments that are made to financial assistance and worker retraining, the proposed budgets would have damaging impacts on the three pillars of a successful higher education system: access, affordability, and quality.

### Reduced Access

A higher education system that is accessible responds to demands in enrollment, guarantees opportunity for in-state students, provides adequate and ample academic programs, and ensures that the right courses are available for students to meet the requirements of their degree.

Access would be reduced under all of the budget proposals, as institutions will be forced to reduce course offerings and enroll fewer in-state students. To stabilize their funding, institutions are expected to enroll more out-of-state students because they pay more than the cost of instruction.

Overall, enrollment levels will not be sufficient to meet the demand:



- Western Washington University would replace 1,503 Washington resident undergraduates with non-resident undergraduates and reduce enrollments in science, technology, engineering and mathematics (STEM).<sup>18</sup>
- Washington State University expects at least 1,500 student enrollments to be impacted by the cuts.<sup>19</sup>
- Community and technical colleges estimate that 26,000 student enrollments would be impacted.<sup>20</sup>

The proposed cuts also impact the course selections that colleges are able to offer. Reduced access to classes and majors results in an increase in the time it takes for students to complete their education and obtain a degree. It is estimated that each additional term costs students \$6,000 to \$8,000.<sup>21</sup>

The University of Washington will be grappling with choices such as eliminating the College of Education foreign language certification program for teachers, eliminating the School of Public Health's Institute for Public Health Genetics, consolidating the Evans School of Public Affairs with another college and significantly reducing course offerings, reducing access to 150 in-state resident freshmen, and producing up to 900 fewer degrees annually.<sup>22</sup>

At the state's Community Colleges, there will be fewer choices for professional/technical programs, which will impact students as well as local employers. Additionally, evening, weekend and summer courses are expected to be eliminated which will impact working and non-traditional students.

A core academic area at community colleges that is likely to be impacted under proposed budget cuts is Adult Basic Education (ABE). ABE opens doors to self-sufficiency and stronger families for individuals who lack basic education skills. Enrollments in Adult Basic Education are expected to be reduced as colleges become more tuition-dependent. This shift will result in more low-skilled, unemployed individuals.

### *Reduced Affordability*

To keep college affordable, the state should maintain a commitment to cover the greater part of the costs of instruction and students should be able to avoid additional costs by completing their degree on time.

Yet, students at four-year institutions are paying over half of their education costs and across-the-board, students will be paying a higher percent of education expenses in the next two years. With tuition increases projected to be somewhere between 9 to 16 percent, coupled with the costs associated with increased time to degree, students will be taking on the lion's share of the cost.

- If even the lowest-level of cuts were enacted, average time to degree at Western Washington University would increase from 4.6 years to 5.7 years. In total, this added time in school would cost students an additional \$287 million in expenses such as tuition, room and board, books, etc.<sup>23</sup>
- At Washington State University, time to complete an undergraduate degree would increase by at least one semester as a result of fewer courses available.<sup>24</sup>
- At the University of Washington, the cost responsibility to students would rise to 65 percent, with the state paying only 35 percent of the cost. Time to degree would increase by one quarter, costing students \$2,900 in additional tuition (at current tuition levels).<sup>25</sup>

### *Reduced Quality*

Washington state is home to universities that have a reputation for academic excellence. However, under the proposed budgets, that status is at risk.

Under the proposed cuts, the state's universities are projecting steep reductions that will impact their ability to guarantee a high quality education to students:

- Even under the lowest level of proposed cuts, Western Washington University would eliminate 43 faculty positions and increase class sizes.<sup>26</sup>



- Eastern Washington University, which serves a large number of first generation, low-income, and underrepresented populations of students, cites that students will have decreased access to services that improve learning, such as academic advising, tutoring, and other support services.<sup>27</sup>
- Washington State University maintains that they will need to reduce levels of library services, academic advising and student services and eliminate some academic and student support services.
- At the University of Washington, it is expected that the student/adviser ratio will be increased to 970 students per adviser, with possible effects on students' academic plans and ability to graduate on time.<sup>28</sup>

mately lead us out of this recession and secure our fiscal future. Cuts will weaken the existing higher education structure and weaken our ability to compete globally.

The pillars of a successful higher education system—quality, access and affordability—are weakened with each cut. If they continue to be weakened, they will eventually crumble with our children left to pick up the pieces.

Like many areas of the state budget, support for higher education will continue to fall short of meeting the need unless revenue is on the table. Policymakers have tried and failed to do more with less for the past two years. And the story continues as they write the budget for the next two years.

The legislature should take a balanced and responsible approach to the budget that preserves vital public services such as funding for higher education, through tax increases, the elimination of wasteful tax breaks, or both. The future of our state depends on it.

## Conclusion

The state budget is a reflection of our values and goals. The decisions we make to balance the budget will have an impact on our ability to cultivate opportunities for higher education, which will ulti-

Table 1: Summary of Higher Education Budget Proposals 2011-13

| Item                           | Proposed Spending Changes (\$ in millions) |                          |                          |
|--------------------------------|--|--------------------------|--------------------------|
|                                | Governor                                   | House                    | Senate                   |
| Four-year institutions         | -\$298,084                                 | -\$335,003               | -\$365,226               |
| Community & Technical Colleges | -\$145,988                                 | -\$147,250               | -\$170,269               |
| Total                          | -\$444,072                                 | -\$482,253               | -\$535,495               |
| State Need Grant               | +\$91,576                                  | +\$103,106               | +\$124,368               |
| Other financial aid            | -\$39,147                                  | -\$83,645                | -\$62,012                |
| Tuition Increases              | \$329,653<br>(9% - 11%)                    | \$379,139<br>(11% - 13%) | \$376,414<br>(11% - 16%) |

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## Endnotes

1. The primary source throughout the report is the authors' analysis of budget data from the Legislative Evaluation and Accountability Program (see <http://fiscal.wa.gov> and [http://leap.leg.wa.gov/leap/budget/index\\_lbns.asp](http://leap.leg.wa.gov/leap/budget/index_lbns.asp)).
2. "Regional Needs Analysis Report," Higher Education Coordinating Board, 2011, page 2.
3. Current Population Survey, Bureau of Labor Statistics.
4. Nora Keith, "WA State Spring 2010 Job Vacancy Report," Employment Security Department, July 2010.
5. Near General Fund-State (NGF-S), enacted 2011 Early Action Supplemental, Operating budget
6. Budget & Policy Center calculations; data from LEAP, BEA, and EFRC. Higher Education spending in FY 2011 based on 2010 enacted Supplemental Budget.
7. "Tuition and State Appropriations: Effects of Policies and Authority," Senate Committee Services 1/18/2011.
8. Bruce Shepard, letter to Legislative members, Western Washington University, 2/24/2011.
9. Phyllis Wise, letter to Legislative members, University of Washington, 2/23/2011.
10. See endnote 7
11. Level of cuts compared to the cost of providing currently authorized services estimated at the beginning of the 2009-11 biennium, otherwise known as the "maintenance level".
12. Colleges and universities are expected to find local funds to make up for the loss of state support.
13. Elson S Floyd, presentation to Senate Higher Education Committee, Washington State University 2/23/2011.
14. See endnote 9
15. Denise Graham, "Impact of Budget Reduction Scenarios on Community and Technical Colleges- System Overview," State Board for Community and Technical Colleges, 3/9/2011.
16. Rachele Sharpe, "Financial Aid Overview," Higher Education Coordinating Board, 2/8/2011.
17. "Employer Survey Results 2010," Workforce Training and Education Coordinating Board, 9/23/2010.
18. See endnote 8
19. See endnote 13
20. See endnote 15
21. Mike Reilly, "Washington Public Baccalaureate Budget Reductions," Council of Presidents, 1/13/2011.
22. See endnote 9
23. See endnote 8
24. See endnote 13
25. See endnote 9
26. See endnote 8
27. "Budget Impacts 2011-13," Eastern Washington University, 3/9/2011.
28. See endnote 8