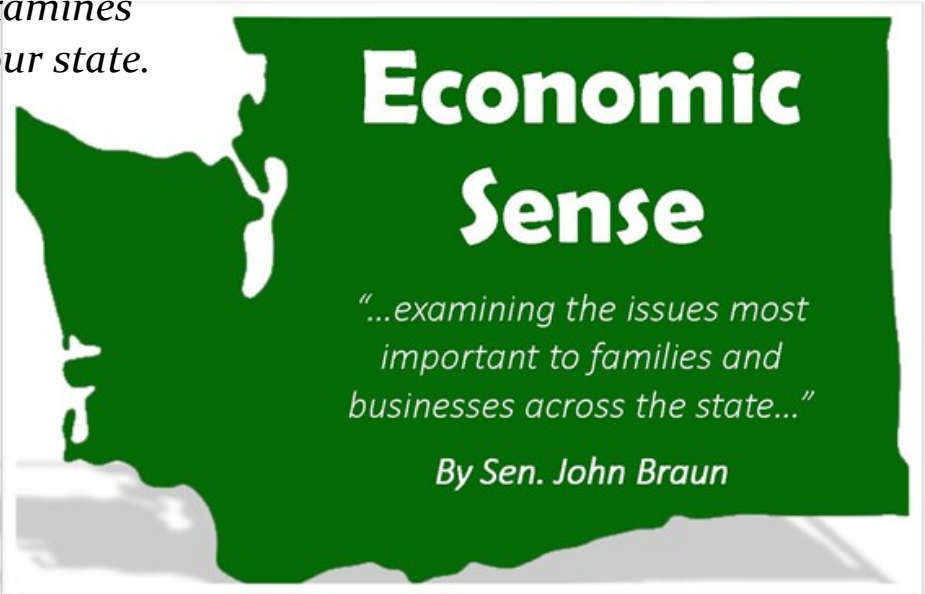


Economic Sense # 2

## Making College Affordable Again

*Welcome to the latest installment of "Economic Sense," a data-driven policy summary that examines economic issues facing our state.*



### **Bottom Line: Up Front**

College has become increasingly unaffordable for middle income families, particularly during the last dozen years. Skyrocketing tuition is a hidden tax increase, forcing students and families into debt.

One of the biggest accomplishments in the current budget was enacting a two year freeze on tuition. This policy needs to be continued in the next budget cycle -- and ideally action should be taken permanently to lower tuition for families.

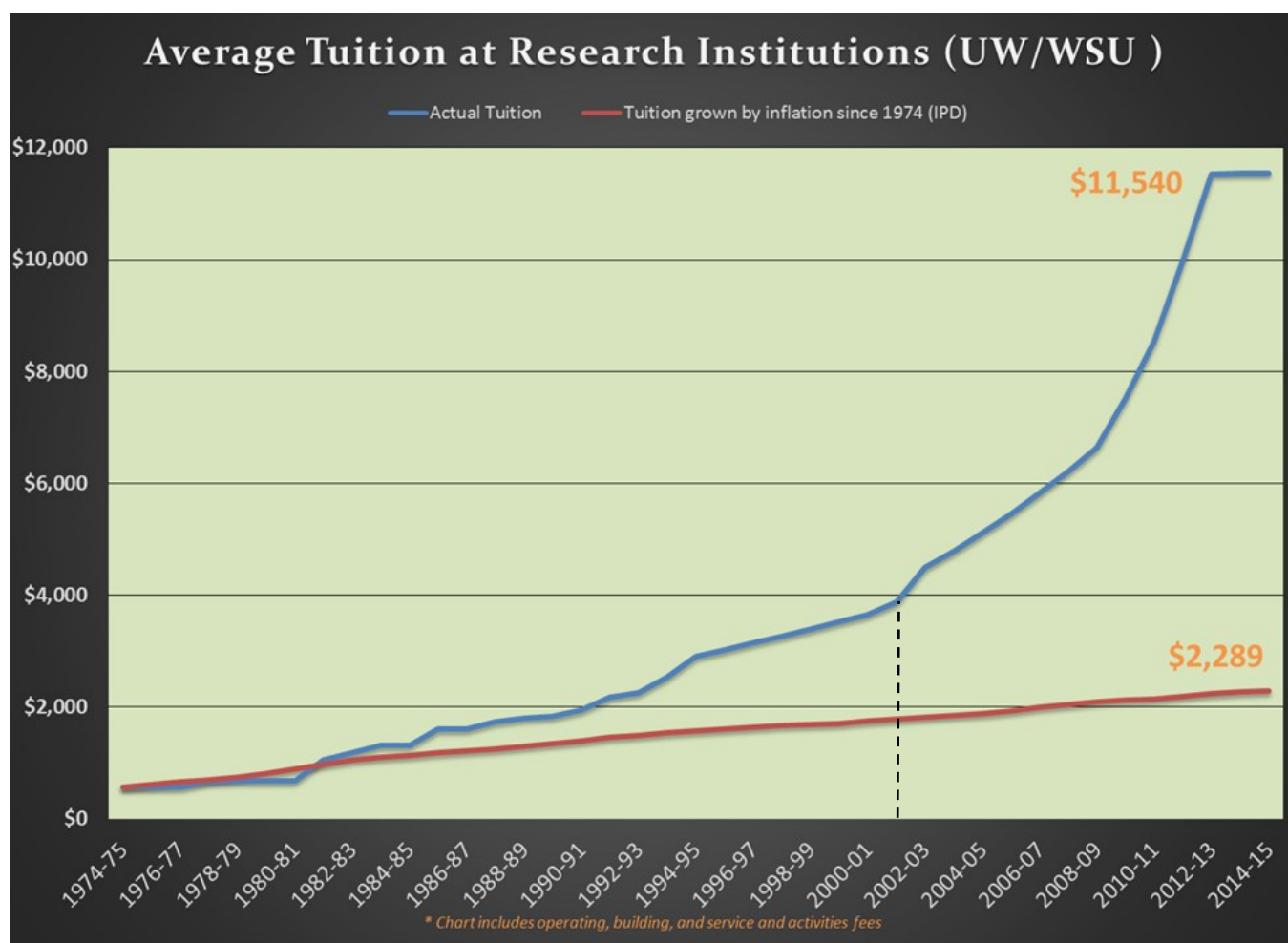
Our goal should be to make tuition affordable for the middle class and build the best work force in the world. A policy that caps tuition to 10% of the state's average wage would reduce tuition to slightly over \$5,000. This makes Economic Sense for families and lays the solid foundation for our economic future.

## I. Higher Education is Vital to Washington's Economic Future

Higher education and the economy are connected. Having a well funded system of universities and colleges is key to our economic success at the state and national levels. Maintaining an effective higher education system will become increasingly important in our globally competitive economy. We must provide opportunities for our citizens to gain skills that give us a competitive advantage.

## II. Washingtonians Pay Higher Tuition than the National Average

### A. History of Tuition Growth



Ponder that chart<sup>1</sup>. While tuition began to outpace inflation in the 1980s, it wasn't until the 21st century that the steep deviation took hold. As recently as 2002, a person could graduate from the UW or WSU while paying less than \$4,000 a year in tuition. A decade later, the price had nearly tripled.

## **B. Tuition Amongst Highest in the Country**

Tuition and required fees at Washington's public institutions for the 2013-14 academic year exceed the national average in all categories, according to a National Tuition & Fee Report<sup>2</sup>:

Flagship Institution --	12th highest in nation
Comprehensive Institutions --	15th highest
Community Colleges --	16th highest

University of Washington tuition & fees increased by 61% in the last four years<sup>3</sup>! Even with last year's tuition freeze this ranks as the highest increase in the nation of any flagship institution.

## **III. Middle Class Students & Families are Suffering, Institutions' Funding is Steady**

### **A. Institutions Are Doing Fine**

<b>State Funds and Tuition</b>			
<i>FY2013 Constant \$ Expenditures per Actual FTE Enrollment</i>			
	FY 1993	FY 2003	FY 2013
University of Washington	16,217	16,874	17,410
All Public Four Year Institutions (combined)	14,206	14,356	14,321
Community/Technical College System	5,771	6,094	6,179
<b>Total Higher Education</b>	<b>9,551</b>	<b>10,060</b>	<b>10,427</b>

The above chart shows that adjusted for inflation public higher education institutions have somewhat more real dollars per pupil than they did either 10 or 20 years ago<sup>4</sup>.

Institutions have been able to maintain steady funding levels through tuition increases granted by the Legislature, largely to make up for state funding reductions. Tuition dollars to higher education institutions rose from \$952 M in the 2001-03 budget to \$2.53 billion in the 2011-13 budget, more than doubling over the decade<sup>5</sup>.

As an interesting side note, up until the mid-1990s, tuition was a budgeted item reflected in the projections of state spending. Including tuition in the depiction of overall state spending and revenues is something the Legislature should consider reinstating to give a truer picture of total costs.

## B. Avg. Undergraduate Debt Exceeds \$20,000 -- With Sizable Economic Consequences

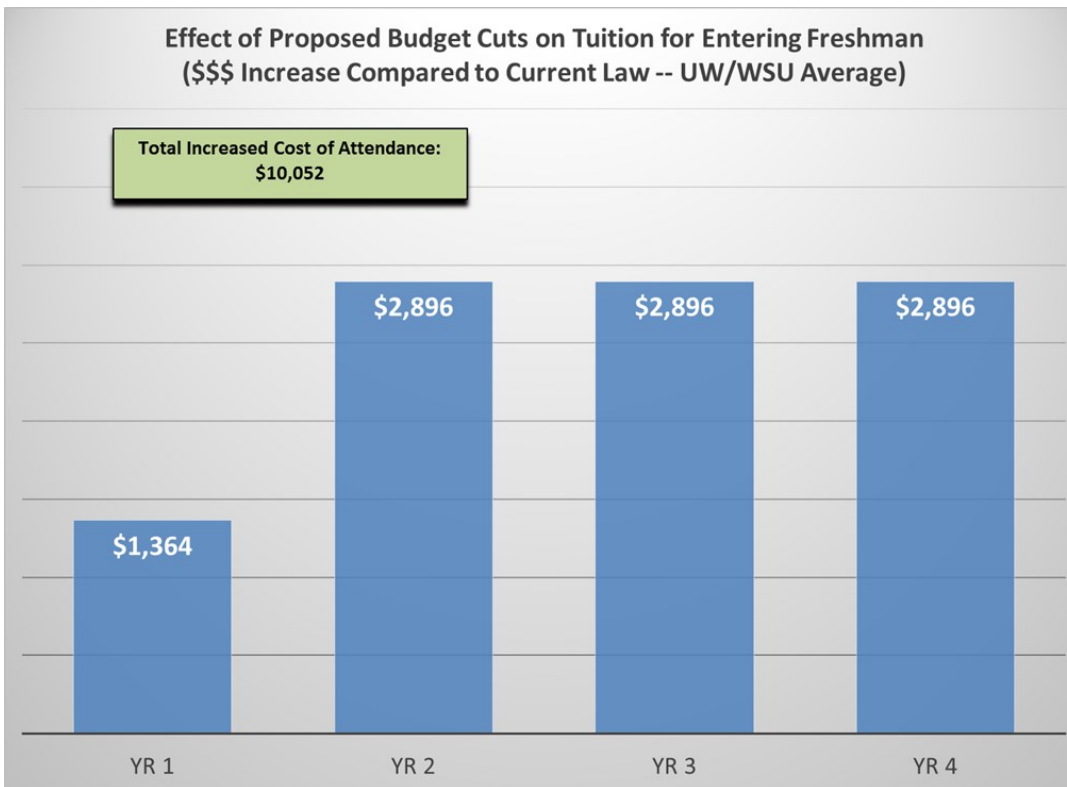
This increased reliance on tuition, rather than increased state funding, has hit families and students hard. In Washington, over half of the students who graduate incur debt<sup>6</sup>, despite Washington having one of the most generous financial aid programs in the country. The average undergraduate debt burden exceeds \$20,000 upon graduation.<sup>7</sup>

A recent Federal Reserve report<sup>8</sup> points to the economic trouble this portends, both for our state and the nation:

"Recent Federal Reserve data show that debts from student loans have nearly doubled in recent years, rising from roughly \$550 billion in 2007 to more than \$1 trillion today. After mortgages, student loans are now the largest debts on household balance sheets. Among consumer debts, only student loans rose during the Great Recession, and delinquencies on these loans now outrank all other types of loans. **In addition to weighing down family balance sheets, recent research shows that student loans may also lead to significant losses of wealth later in life, suppress business startups, postpone family formation and slow economic growth.**"

## IV. Governor's Request for Higher Education Cuts is Wrong Direction

Can there be efficiencies made in higher education and its delivery? Absolutely. However, what we've seen is that reductions in state support inevitably lead to higher tuition, a de facto tax increase on the middle class.



Take for instance Gov. Inslee's recent request for higher education institutions to provide him a list of what a 15% reduction in state support would look like<sup>9</sup>. Some institutions refused to participate but, given past practice that institutions be kept "whole" in terms of per pupil support, if such a reduction were to be enacted a 12% per year tuition hike would be necessary to backfill institutions.

That 12% per year hike for two years is the functional equivalent of costing middle class families \$10,000 more in tuition over four years to graduate from the UW or WSU.<sup>10</sup> That is simply unacceptable.

## V. The Right Direction? Making College More Affordable

What is particularly disturbing about the Governor's request is the sense of déjà vu.

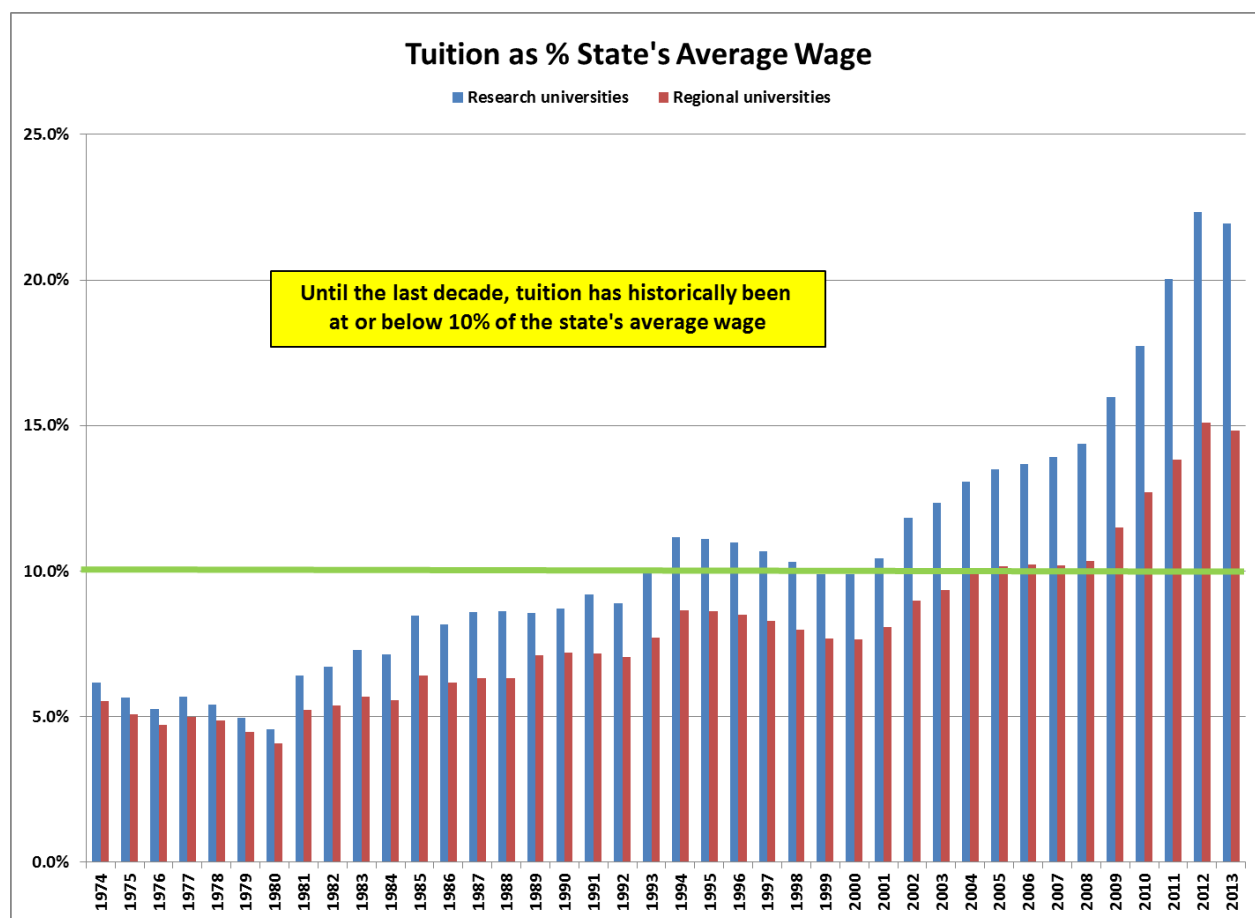
In his last budget proposal, Gov. Inslee proposed a tuition hike of more than 10%, a policy proposal also supported by House Democrats.<sup>11</sup> This would have cost students and families thousands more dollars to receive a higher education diploma.

In the end, the Senate Majority Coalition Caucus prevailed on a "tuition freeze" policy for the two years of the budget, the first time since 1979-80 that tuition had been frozen in consecutive years.<sup>12</sup>

At a minimum, this policy needs to be continued moving forward, and policymakers should think long and hard about actually reversing the burden on middle income families.

### **One policy idea: Cap Tuition to 10% of the State's Average Wage**

If the goal is to make tuition affordable for the middle class, then capping tuition to a percentage of the state's annual average wage makes great policy sense.



The state's average wage is presently \$52,635, meaning under this policy tuition would be capped at \$5,263 -- a far cry from the almost \$12,000 average tuition at the UW/WSU and a significant decrease from the \$7,800 average at our other four year institutions.<sup>13</sup>

**Benefits: Makes college affordable for all, as college students could earn roughly that amount during the summer**

At slightly over \$5,000 a year, students working during a summer and holidays can expect to earn enough to pay for tuition, like their parents used to do. Looking forward, tuition could be expected to grow by 3-4% per year based on the history of the state's average wage growth.<sup>14</sup>

**Yes, but wouldn't this break the state's bank?**

Absolutely not. The price tag of this policy is about \$280 million a biennia.<sup>15</sup>

To be kept whole, institutions would need roughly \$660 million general fund state tax dollars. The state budget costs wouldn't be that high as the lower tuition would mean significantly less state budget expenditures on financial aid. The projected overall cost would be only \$280 million a biennia. This amount assumes that everyone receiving financial aid would continue to be eligible and the state would pay 50% of the tuition cost.

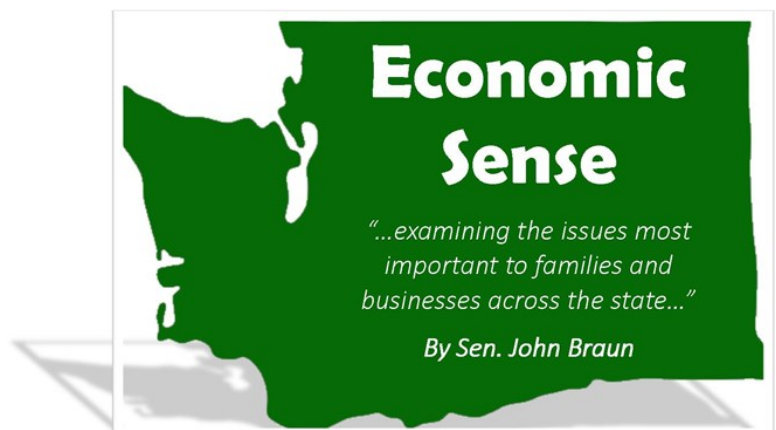
**For less than 1% of current state spending, you can make college truly affordable**

The state budget is over \$33 billion. For less than 1% of that spending level, you could reverse the trend of the past decade, once again making college affordable and allowing students and their families to graduate debt free.

**Budgeting is About Priorities**

In light of the required funding increases for K-12 education, is such a policy possible? Where there's a will, there's a way -- our caucus felt it was imperative to stem the rising tuition tide, and we made it happen. It makes little sense to pour resources into basic education in an effort to improve outcomes (such as higher graduation rates) and inspire students from all walks of life to learn, only for many of those students to be priced out of a college education. We want Washington employers to have access to a skilled, homegrown labor pool, rather than force them to import workers. We want our children to have job opportunities close to home so they are not forced to leave Washington to find work. To do this, higher education must become affordable again.

In the next budget, revenues are forecast to grow close to \$3 billion and if history is any indication, the Legislature will fund many new policy items. However, making college affordable again should be high on the priority list.



## Footnotes

1. Senate W&M Historical Tuition & Fees Chart (Avg. of UW/WSU)
2. 2013-14 Tuition and Fee Rates: A National Comparison, Washington Student Achievement Council, p. 2 (<http://www.wsac.wa.gov/sites/default/files/2013-14.TuitionFeeReport.FINAL.pdf>)
3. Id., p. 11
4. Legislative Evaluation and Accountability Program, <http://leap.leg.wa.gov/leap/analysis/HigherEducationHistoryCurrent.xlsx>
5. Id.
6. Project on Student Debt, [http://www.projectonstudentdebt.org/state\\_by\\_state-view2013.php?area=WA](http://www.projectonstudentdebt.org/state_by_state-view2013.php?area=WA) See also: Student Financial Aid and Access Programs Annual Report, WSAC [http://www.wsac.wa.gov/sites/default/files/2013.SFAAnnualReport-Rev.Final\\_o.pdf](http://www.wsac.wa.gov/sites/default/files/2013.SFAAnnualReport-Rev.Final_o.pdf)
7. Id.
8. “Generation Debt: The Promise, Perils and Future of Student Loans” St. Louis Federal Reserve <http://www.stlouisfed.org/email/CommDev/HFS/Nov2013/HFS-invitation.html>. See also: Student Loan Delinquencies Surge, Inside the Vault, an Economic Education Newsletter from the Federal Reserve Bank of St. Louis. [http://www.stlouisfed.org/publications/pub\\_assets/pdf/itv/2013/ITV\\_spring2013.pdf](http://www.stlouisfed.org/publications/pub_assets/pdf/itv/2013/ITV_spring2013.pdf)
9. OFM 2015-17 Biennial Budget Instructions, p. 3 [http://ofm.wa.gov/budget/instructions-operating/2015\\_17/2015-17instructions.pdf](http://ofm.wa.gov/budget/instructions-operating/2015_17/2015-17instructions.pdf)
10. Senate W&M analysis, based on current tuition levels and amount required to backfill institutions from a 15% reduction in state support.
11. Gov. Inslee 2013-15 Budget Proposal. See p. 6 of highlights: <http://ofm.wa.gov/budget13inslee/education.pdf>. See also House Democrat budget proposal, highlights p. 11: [http://leap.leg.wa.gov/leap/Budget/Detail/2013/hoOverview\\_0410.pdf](http://leap.leg.wa.gov/leap/Budget/Detail/2013/hoOverview_0410.pdf)
12. See footnote #1.
13. Chart from Economic & Revenue Forecast Council staff, culled from ESD data on state average wage and Senate W&M historical tuition data.
14. ESD state average wage data.
15. Senate W&M.