

Issue: Higher Ed Funding - VA

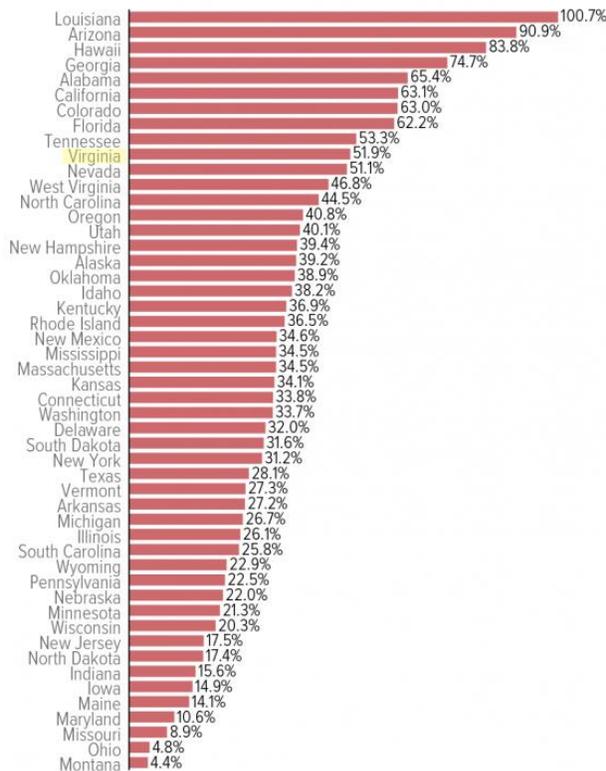
## Higher Education Funding

### The Problem

Unlike primary and secondary education which is the subject of intense public debate around its funding, fairness, and quality, public interest and political debate regarding post-secondary education is primarily concentrated on funding. This financial focus is largely the result of the staggering increase in the cost of a college education over the last thirty years. Average tuition, fees, room and board for private, non-profit four year colleges increased from \$24,800 in the 1988-89 academic year to \$48,510 in the 2018-19 year, and increased for public four year colleges from \$9,480 to \$21,370 in same ten-year time period (all in 2018 dollars).<sup>1</sup> Put in perspective, based on average college costs and wage growth, college costs grew *eight times* faster than wages from 1989 to 2016.<sup>2</sup>

#### Tuition Has Increased Sharply at Public Colleges and Universities

Percent change in average tuition at public, four-year colleges, inflation adjusted, 2008-2017



Source: College Board, "Trends in College Pricing," 2016. Years are fiscal years.

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Compounding this trend across the country, states began reducing funding for state-supported colleges in the mid-2000's and this trend accelerated in the great recession of 2008-2009. By the 2017 academic year, overall state funding for two- and four-year public colleges was nearly \$9 billion *below* the level in 2008, adjusted for inflation. At public research universities today, students have to pay about 56% of the cost of their education as compared to only 25% in the 1980's.<sup>3</sup> The principal result of this relentless price increase—compounded with the concurrent public funding decrease—has been an astronomical increase in debt taken on by students. In 2018, student debt nationwide had risen to a total of \$1.5 trillion, more than automobile and credit card debt, and below only mortgage debt.<sup>3</sup>

Virginia is, unfortunately, not immune from this trend—quite the contrary. Virginia's funding per student for higher education decreased 13.8% from 2008 to 2017, while tuition at Virginia's public four year colleges increased 51.9% in that same timeframe. Virginia's tuition hikes are the *10<sup>th</sup> greatest* increase among all states in the country.<sup>4</sup> Public colleges in Virginia are also among the nation's most expensive, ranking 5<sup>th</sup> most expensive

among all states in 2012. For in-state students at public four year colleges, the average net cost in Virginia far exceeds the southeast regional and national averages.<sup>5</sup> Again compounding the funding gap, for the 2016-2017 academic year, Virginia ranked 37<sup>th</sup> lowest among all states in funding per full time equivalent student in higher education.<sup>6</sup>

Simply stated, the major problem in college education funding for policy makers today is how to reduce the current unsustainable level of student debt and make college more affordable to more students. Practicable means must be found to reduce costs or increase financial assistance, or some combination thereof.

## State Responses

Many states have implemented a variety of programs involving financial aid based on need or merit to assist students in paying for public two- and four-year colleges. Most of these financial aid offerings, though, are narrowly targeted and impact a relatively small number of students. In recent years an increasing number of “promise programs” have been adopted by communities with broader coverage in mind to assist local students with the cost of public colleges. Generally, these programs involve a partnership with local philanthropists or companies to cover in-state college tuition for students who graduate from high schools in a certain community or metropolitan area.<sup>7</sup>

The first such program was adopted in Kalamazoo, Michigan, in 2005, and offers students in Kalamazoo public schools the ability to attend any two- or four-year public college in Michigan tuition free if the student meets certain residency requirements and graduated from one of the four local high schools. Students who attended the designated high schools for four years receive 65% of the scholarship and those who attended the school district for 13 years (K–12) receive 100% of the scholarship. This kind of program has become popular, with over 200 promise programs functioning in 41 states.<sup>8</sup> As these programs proliferated, their rules have varied considerably: some of these programs base awards on merit; some base awards simply on residency in a certain place; some are “last dollar” awards (after all other federal or state aid) and some are “first dollar” awards (provided without regard to other financial aid); and some even provide awards without consideration of financial need or merit.<sup>9</sup>

In recent years, states have begun to establish state-wide equivalents of promise programs. The most high-profile state program is the Tennessee Promise program established in 2014 (backed by a Republican governor) that offers two years of tuition-free community college or technical school to all high school graduates. This program provides a “last dollar” scholarship (after all other aid) covering all tuition and fees and is available to all high school graduates, regardless of family income. It provides each student with a mentor to assist in the process and requires eight hours of community service each semester.<sup>10</sup> State-wide promise programs with variations on these elements have been adopted in sixteen states, of which ten have been enacted and funded since 2014, and eight of those were begun in 2017.<sup>11</sup>

## Virginia’s Attempts to Remedy

Virginia is absolutely lagging behind in efforts to address the college funding problem, although it has not been for lack of trying on the part of Democratic legislators. Virginia has adopted no statewide, broad-based promise program. The only community-based promise program is the Beacon of Hope program in Lynchburg. That program, scheduled to run for five years 2019 to 2024, provides students who attended at least grade 9 through 12 in local high schools with last dollar financial aid to attend a local college, university or technical program. All qualifying graduates are eligible without regard to merit or financial need.<sup>13</sup> Given the lack of a statewide promise program in Virginia, those able to afford college will continue to represent only a small segment of society with funding already at their disposal—certainly not those who may need it the most.

House and Senate Democrats have attempted to introduce the same legislation annually that would have allowed students to refinance their student loan debt but have been consistently overruled by Republican majorities. Such legislation, introduced as early as 2016 and every year since then, has been repeatedly killed in committee:

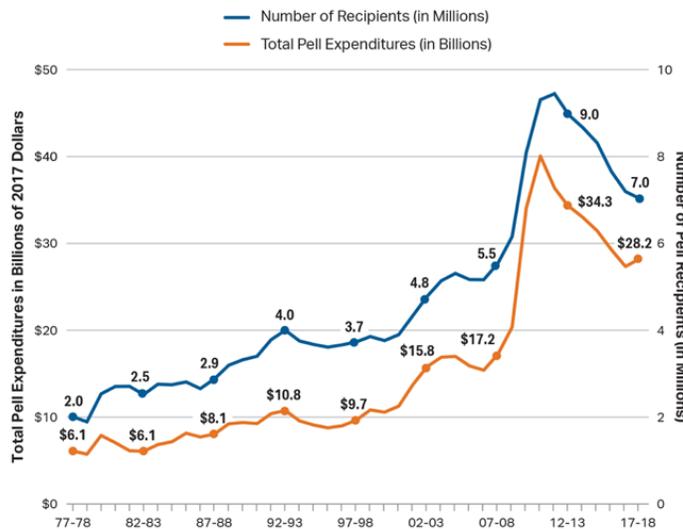
Year	Topic	Bill	Synopsis	Party of Sponsor	Status
2016	Student Loan Refinancing	HB 400 / SB52	Measure would have established the Virginia Student Loan Refinancing Authority which would allow students to refinance all or part of their qualified education loans at lower interest rates <a href="https://www.richmondsunlight.com/bill/2017/hb400/">https://www.richmondsunlight.com/bill/2017/hb400/</a>	Dem	Died in committee
2017	Student Loan Refinancing	HB 1916	Measure would have established the Virginia Student Loan Refinancing Authority which would allow students to refinance all or part of their qualified education loans at lower interest rates <a href="https://www.richmondsunlight.com/bill/2017/hb1916/">https://www.richmondsunlight.com/bill/2017/hb1916/</a>	Dem	Died in committee
2018	Student Loan Refinancing	HB 615	Measure would have established the Virginia Student Loan Refinancing Authority which would allow students to refinance all or part of their qualified education loans at lower interest rates <a href="https://www.richmondsunlight.com/bill/2018/hb615/">https://www.richmondsunlight.com/bill/2018/hb615/</a>	Dem	Died in committee

Showing signs of promise, however, with the recent gains in Democratic House seats in Virginia's 2018 elections, the House was able to pass a repeatedly-denied piece of legislation to assist in students and parents in navigating the daunting student loan process:

2018	Student Loan Ombudsman	HB 1138	Establishes the Office of the Qualified Education Loan Ombudsman to help loan borrowers understand their rights and responsibilities; reviews complaints from qualified education loan borrowers; and generally help resolve issues related to student loans. <a href="https://www.richmondsunlight.com/bill/2018/hb1138/">https://www.richmondsunlight.com/bill/2018/hb1138/</a> <a href="https://www.richmond.com/news/local/education/virginians-are-loaded-with-student-debt-a-new-office-hopes/article_05f017df-fef3-59e1-a647-f17b5efd134e.html">https://www.richmond.com/news/local/education/virginians-are-loaded-with-student-debt-a-new-office-hopes/article_05f017df-fef3-59e1-a647-f17b5efd134e.html</a>	Dem	Passed
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## Federal Response and “Debt Free” College

Recognizing the crisis in escalating college costs, the federal government has stepped in as the principal source of loans to students seeking assistance to pay for college. In the class of 2018, a staggering 69% of college students took out student loans averaging a total of \$29,800 at graduation, and 14% of parents took out additional loans available to them averaging a total of \$35,600. The current total of student loan debt is approximately \$1.5 trillion, virtually all of which is under federal programs.<sup>14</sup>



Source: <https://trends.collegeboard.org/student-aid/figures-tables/pell-grants-total-expenditures-maximum-and-average-grant-and-number-recipients-over-time>

The federal government also provides funding under the Pell grant program to financially needy students. In the 1997-98 school year a total of \$9.7 billion was appropriated for these grants. That amount increased to \$40.1 billion by 2010-11 based on financial need. The total appropriation under the current administration, however, is now down to \$28.2 billion for the 2017-18 schoolyear with just 7 million students receiving grants.<sup>15</sup>

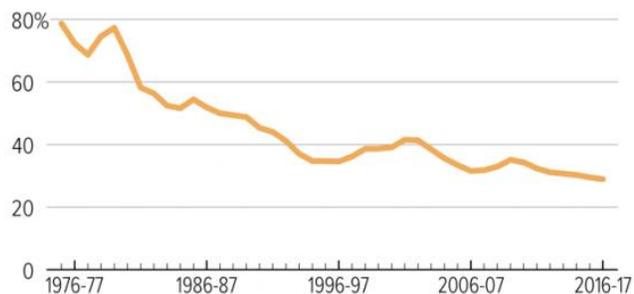
In addition to being subject to congressional budgetary maneuvering (which tends to reduce the level of funding), unsurprisingly, Pell grants have not kept up with increasing college costs and now provide only 29% of the average cost of tuition, fees, room and board as compared to 79% in 1975.<sup>16</sup> This amounts to 50% less grant coverage at a time

when financially impoverished students need them more than ever.

The ominous level of student debt and the relentless increase in college costs sparked multiple proposals to address these issues in the 2016 presidential campaign. The Sanders campaign offered tuition-free college for all students as one of its principal proposals, and the Clinton campaign in the general election proposed tuition-free college as a principal goal.<sup>17</sup> It has also become a rallying cry for Democratic candidates running in 2020, recognizing the imperative to improve college access as an entree to the professional workforce. Meanwhile, nothing along these lines has been done or even considered by the Trump administration, as far as we know.

### Pell Grants Cover Shrinking Share of College Costs

Share of attendance costs covered by maximum Pell Grant, by academic year



Note: Attendance costs are the average undergraduate tuition, fees, room, and board rate for public four-year institutions.  
Source: CBPP based on college pricing data from College Board

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Taking a step beyond tuition free college proposals, Rep. Brian Schatz (D-HI) and Rep. Mark Pocan (D-WI), have reintroduced their Debt Free College Act, which proposes to assist students in paying for all costs of attending college, starting with tuition, books and fees, and going beyond to include room, board and living expenses. Schatz estimates that the average annual cost of tuition at state schools is \$8,900, but the actual total cost to attend is about \$20,000. Schatz' proposal is need-based, providing assistance to low-income students and families and involves the participation of individual states. Participating states would get a dollar-for-dollar match from the federal government for the funding the states provide to state schools, and the schools would commit to assisting students in the full cost of attending the college. The assistance would be in the form of a grant, not a loan.<sup>18</sup>

## Debt Free College Act

Covers college tuition, books, housing and living expenses

Need-based; applies to low-income students

Coupled with matching grant from the federal government

Presently on the 2020 campaign trail, Elizabeth Warren has offered a sweeping proposal addressing both the existing student debt load and the college affordability problem. She has proposed, among other things, canceling a substantial portion of existing student debt, varying amounts canceled based on household income, and making public two-year and four-year colleges tuition-free while expanding Pell grant funding to cover housing, transportation, food and books. To pay for this program, Warren proposes to allocate a portion of the funds raised with her proposed 2% wealth tax on those with more than \$50 million in wealth. Like the Schatz bill, Warren's proposal would call for federal and state cost sharing with two-thirds of the funds provided by the federal government.<sup>19</sup>

The suggestion to go beyond tuition-free to debt-free college funding clearly faces significant political hurdles, particularly given that tuition-free programs are only in the nascent stage in just a few states. As stated, the success of the programs envisioned by Schatz and Warren, for example, would also require state participation. As evidenced by the erratic Medicaid expansion under the Affordable Care Act, states can be reluctant to participate in such federally-led initiatives, even if the financial exposure is substantially reduced by the federal government.<sup>20</sup> This reluctance is particularly prevalent in states under Republican control, which is not to say that they are not worth the effort—our economic future may well depend on it.

### Notes

1. <https://trends.collegeboard.org/college-pricing/figures-tables/tuition-fees-room-and-board-over-time>
2. <https://www.forbes.com/sites/camilomaldonado/2018/07/24/price-of-college-increasing-almost-8-times-faster-than-wages/#7f6d23d66c1d>
3. <https://www.vox.com/2019/3/7/18252270/progressives-tuition-debt-free-college-schatz-pocan>

4. <https://www.cbpp.org/research/state-budget-and-tax/a-lost-decade-in-higher-education-funding>
5. <http://jlarc.virginia.gov/higher-ed-cost.asp>
6. <https://trends.collegeboard.org/college-pricing/figures-tables/state-local-funding-student-1000-personal-income-state-2016-17>
7. [http://www.ncsl.org/Portals/1/Documents/educ/2018\\_NCSL\\_HEI\\_Presentation\\_Promise\\_Programs.pdf](http://www.ncsl.org/Portals/1/Documents/educ/2018_NCSL_HEI_Presentation_Promise_Programs.pdf)
8. <https://www.brookings.edu/blog/brown-center-chalkboard/2018/09/18/understanding-the-design-of-college-promise-programs>
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11. <https://tcf.org/content/report/future-statewide-college-promise-programs>
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13. <https://citiesofpromise.com/promise-programs-listed-by-state>
14. <https://studentloanhero.com/student-loan-debt-statistics/>
15. <https://trends.collegeboard.org/student-aid/figures-tables/pell-grants-total-expenditures-maximum-and-average-grant-and-number-recipients-over-time>
16. <https://www.cbpp.org/research/federal-budget/pell-grants-a-key-tool-for-expanding-college-access-and-economic-opportunity>
17. <https://www.vox.com/2019/3/7/18252270/progressives-tuition-debt-free-college-schatz-pocan>
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20. <https://www.vox.com/2019/3/7/18252270/progressives-tuition-debt-free-college-schatz-pocan>