

Issue: AZ Education

Arizona Higher Education Funding

Unlike primary and secondary education, which is the subject of intense debate around its funding, fairness, and quality, debate regarding post-secondary education is primarily concentrated on funding and affordability. 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).¹ Put in perspective, based on average college costs and wage growth, college costs grew *eight times* faster than wages from 1989 to 2016.²

Compounding this trend, 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. The principal results of this price increase—compounded with the concurrent public funding decrease—have been a relentless decline in affordability for lower-income students and an astronomical increase in debt taken on by those students who do enroll. 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.³

Arizona is not immune from this trend—quite the contrary. Arizona holds the unenviable position of being at the top of the lists for both *increases* in college tuition and *decreases* in state spending assistance for students, as described below. Escalating this untenable situation, the economic ramifications of the COVID-19 crisis are making this bad situation even worse.

Education Funding and the COVID-19 Pandemic

The COVID-19 pandemic has had an enormous impact on the economy, health care, education, and quality of life in many countries worldwide. This is certainly true in the United States, where there is great concern about the impact of decreased funding for higher education. In an editorial, Robert Anderson, President of the State Higher Education Executive Officers Association (SHEEO), writes that cuts to state budgets, loss of college and university revenues, and new COVID-19 related costs “indicate that higher education in the United States is facing an unprecedented crisis.”³ He also maintains that “if the past is any indication, the bulk of these budget cuts will be passed on to students and families.”⁴

Federal CARES Act

Arizona's share of the federal Coronavirus Aid, Relief, and Economic Security (CARES) Act emergency relief funding is estimated at \$4.2 billion, \$68 million of which is designated for the Governor's Emergency Education Relief Fund to be allocated at the Governor's discretion to K-12 education, colleges and universities, and other related entities. An additional \$286 million is earmarked for K-12 education; and another \$280 million is for the Higher Education Emergency Relief Fund, which will go to universities and community colleges, with at least 50% of these funds intended for student grants.⁵

Even with the additional CARES Act funding, Arizona's colleges and universities are facing significant losses. The University of Arizona (UA), one of southern Arizona's two largest employers, is implementing furloughs and pay cuts until June 2021 that will affect nearly all of its employees. According to UA president, Robert C. Robbins, even with these cost-saving efforts and CARES Act funding, the university is projected to lose between \$250 and \$500 million, depending on when students are able to return to campus.⁶

The Center for American Progress, which undertook a national study on the CARES Act allocations, found that community colleges, which typically have large numbers of part-time students, received disproportionately less in CARES Act funding, since the funding was based on the number of full-time-equivalent (FTE) students enrolled. As a result, while community colleges educate almost 40% of students, they only received about 27% of the CARES Act funds. In addition, private for-profit colleges received \$1.1 billion in aid, which, according to the study, has resulted in public colleges not receiving enough support.⁷

The Department of Education's guidelines for CARES Act funding for emergency student grants excludes undocumented DACA students, students with lower than a C average, and students who have defaulted on a student loan. Justin Draeger, president and CEO of the National Association of Student Financial Aid Administrators, said these guidelines, which impose the same requirements for obtaining emergency CARES Act grants as for getting federal financial aid, limit "who can get help at a time when many students are in dire need."⁸

With looming deficits caused by the COVID-19 crisis, it is almost certain that state legislatures will make significant funding cuts for higher education. In addition, colleges and universities are facing lost income from tuition and other revenue-generating activities. The Center for American Progress and other partner organizations have recommended that Congress allocate at least \$46 billion in additional funding for public colleges in order to "stave off a devastating crisis across America's postsecondary education system."⁹ The Center has also recommended the following changes if Congress sends additional aid to colleges and universities in another stimulus package:

- Funds should not exclude undocumented students or require that students demonstrate eligibility to receive federal financial aid.
- Allocations should be based on total student head count instead of FTE enrollment, resulting in more funds for community colleges.
- Private for-profit schools should not receive any funding or only receive funds as direct emergency aid for students.
- Governors should receive specific funding for public colleges and universities that serve large numbers of low-income and minority students and rely heavily on state funding. Allocating funds through states would enable Congress to limit state funding cuts to higher education.¹⁰

The full impact of COVID-19 on Arizona and its education system is not yet known. The state legislature, after passing a "skinny budget" on March 23rd, adjourned *sine die* on May 26th with the intention of reconvening over the summer, primarily to consider COVID-19 related funding.¹¹ The skinny budget provides for \$11.8 billion in spending, about \$500 million less than Governor Doug Ducey's January plan of \$12.3 billion. It has been stripped of virtually all new spending, and it does not fully restore some previous education cuts.¹²

The higher education reconciliation bill (HB 2903/SB 1686) includes the following:

- Appropriates \$1 million in community college STEM and work force programs, which is less than 10% of the \$10.6 million that the governor proposed for these programs.
- Allocates only \$585,000 for community college district operating expenses of the \$11.1 million in the governor's proposed community college budget.
- Reduces the required state match to less than two dollars for each dollar raised by the surcharge on student registration fees.^{13,14}

Democratic Representative Aaron Lieberman was highly critical of the budget cuts to higher education. "We are being asked with this vote to effectively cut \$50 million from our universities. We know that in uncertain economic times people flood our colleges & universities. Instead of attacking the problem we are retreating."¹⁵

As stated, the COVID-19 crisis is making a bad situation worse on multiple levels. The remainder of this paper looks at the chronic higher education funding challenges that Arizona faces—even before layering on COVID-19 and its catastrophic long-term economic implications.

Arizona Falls Short on College Enrollment and Completion

An excellent higher education system produces a workforce capable of ensuring the nation's economic future.¹⁶ At an individual level the benefits of a college education can be substantial: a college degree results in higher earnings, greater job mobility, better health, and "participation in democracy through voting and civic engagement."¹⁷ Unfortunately, Arizona's Republican-controlled legislature has chosen to cut personal and corporate taxes every year since the mid-1990s instead of investing in its public colleges and universities.¹⁸

- As a result of Arizona's failure to adequately fund higher education, its residents are becoming "less educated and less trained." If this trend continues, it will have a long-term negative impact on the state's economy and quality of life.
- Arizona ranks 40th in the nation for bachelor's degrees or higher for people age 25 to 34.
- Just 17% of today's ninth-graders will hold a bachelor's degree by 2028.¹⁹
- Arizona has a goal of 60% of working-age adults continuing their education or getting training after high school by 2030; the state stands at 45% currently, according to Expect More Arizona's Progress Meter.²⁰

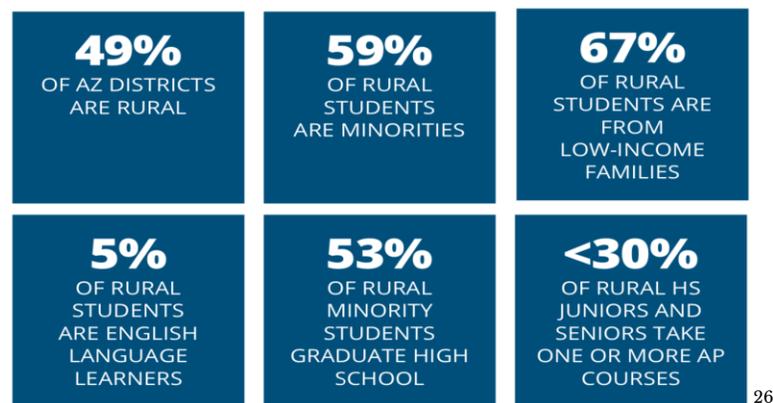
A number of disturbing trends are forecast should Arizona fail to reach the 60% goal above:

- People will be stuck in low paying jobs.
- Robots will replace a number of these jobs.
- The number of people on public assistance will increase.
- Arizona will lose jobs to neighboring states that offer better post-high school education. Colorado residents are already more educated and better trained.²¹

Uneven College Completion

According to an Arizona Regents report, “in terms of educational attainment, Arizona remains in many ways a state divided,”²² with rates of college enrollment and completion, “starkly uneven across geographic, racial and socioeconomic lines.”²³ For low-income students, financial aid not only enables them to enroll in college but to persist and graduate.²⁴ However, the GOP-controlled legislature’s continued refusal to fund financial aid for the state’s poorest students has resulted in increased racial and socioeconomic inequality. In an opinion piece for the *Arizona Capitol Times*, Rich Nickel, president and CEO of College Success Arizona writes, “This is a failure at all levels, from statehouses to those of us in the education community. It is an abdication of responsibility. To our great shame, Arizona stands out as one of the states that has failed low-income students most egregiously.”²⁵

Arizona Snapshot: Education in Rural Arizona Communities



26

Data provided to *The Atlantic* by SHEEO show that since the 2008 recession, a larger share of Republican-controlled states have cut higher education funding, resulting in significant tuition increases. Arizona, along with Louisiana, Alabama, Oklahoma, West Virginia, Georgia, and South Carolina, tops that list. *The Atlantic* article suggests that “small-government ideology”²⁷ is partially responsible for this shift. But a number of academic leaders point to an additional reason. According to Michael Sorrell, the president of Paul Quinn College, a historically black college in Dallas, “There’s an argument to be made that part of the reason we see a reduction in support is because the legislators are looking at the students and not seeing themselves.”²⁸ He questions whether it is just an “unlikely happenstance that people are reducing the support of public education when the students are increasingly diverse and increasingly low-income.”²⁹

Obstacles to College Enrollment and Completion

A lack of funding and significant increases in tuition are the biggest obstacles to college enrollment and completion. For many of Arizona’s rural and low-income students, additional obstacles include:

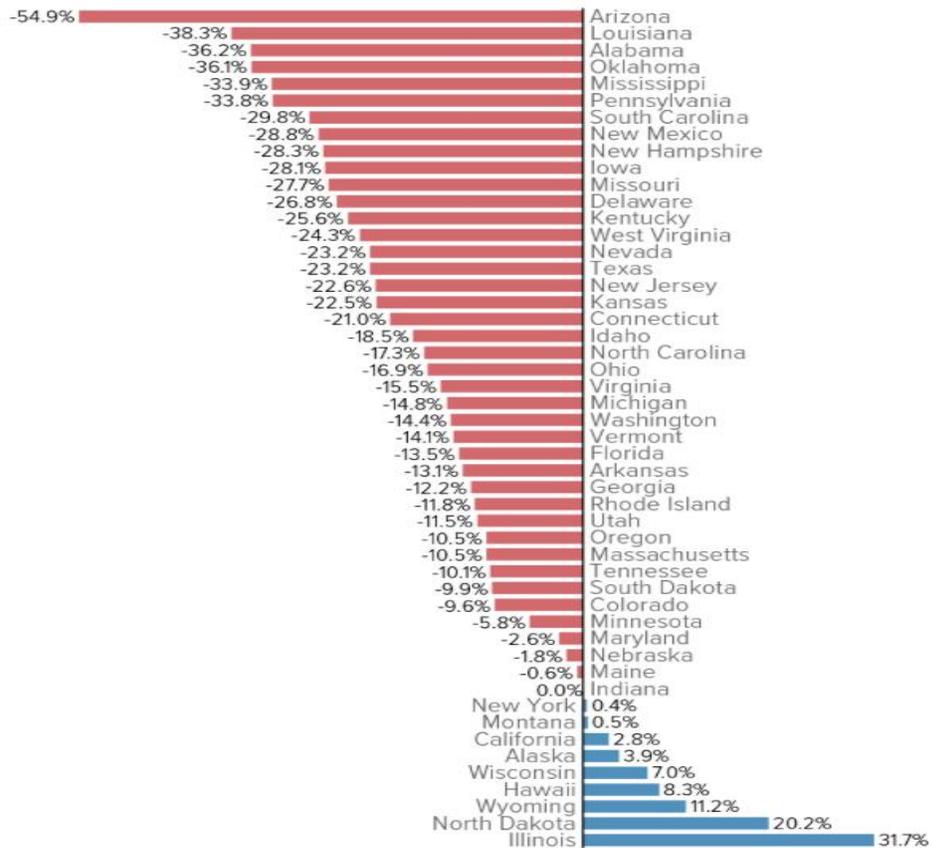
- Limited availability of college preparatory courses
- Limited information about the college preparation and application process
- Limited information about postsecondary opportunities, including financial aid
- Limited knowledge of careers and professions that require a college degree
- Lack of postsecondary options in the immediate area
- Limited financial stability³⁰

Nationally, higher education funding and tuition vary greatly by state. According to data compiled in the State Higher Education Finance (SHEF) report, state and local funding for all postsecondary education surpassed \$100 billion in 2019, and total education revenues exceeded \$15,000 per student. Net tuition revenue per student declined for the first time in a decade. While these are positive signs, the reality is that in more than half of all states, student tuition makes up more than 50% of total higher education revenues.³¹ In addition, only seven states have exceeded their pre-2008 recession education appropriations per student,³² and another seven states, including Arizona, remain more than 30% below their pre-recession education appropriations per FTE.³³

Low State Funding

A research report from the Center on Budget and Policy Priorities found that between 2008 and 2018 Arizona cut per-student spending for higher education by almost 55%—far and away the largest cut in the nation.³⁴

Percent change in state spending per student, inflation adjusted, 2008-2018



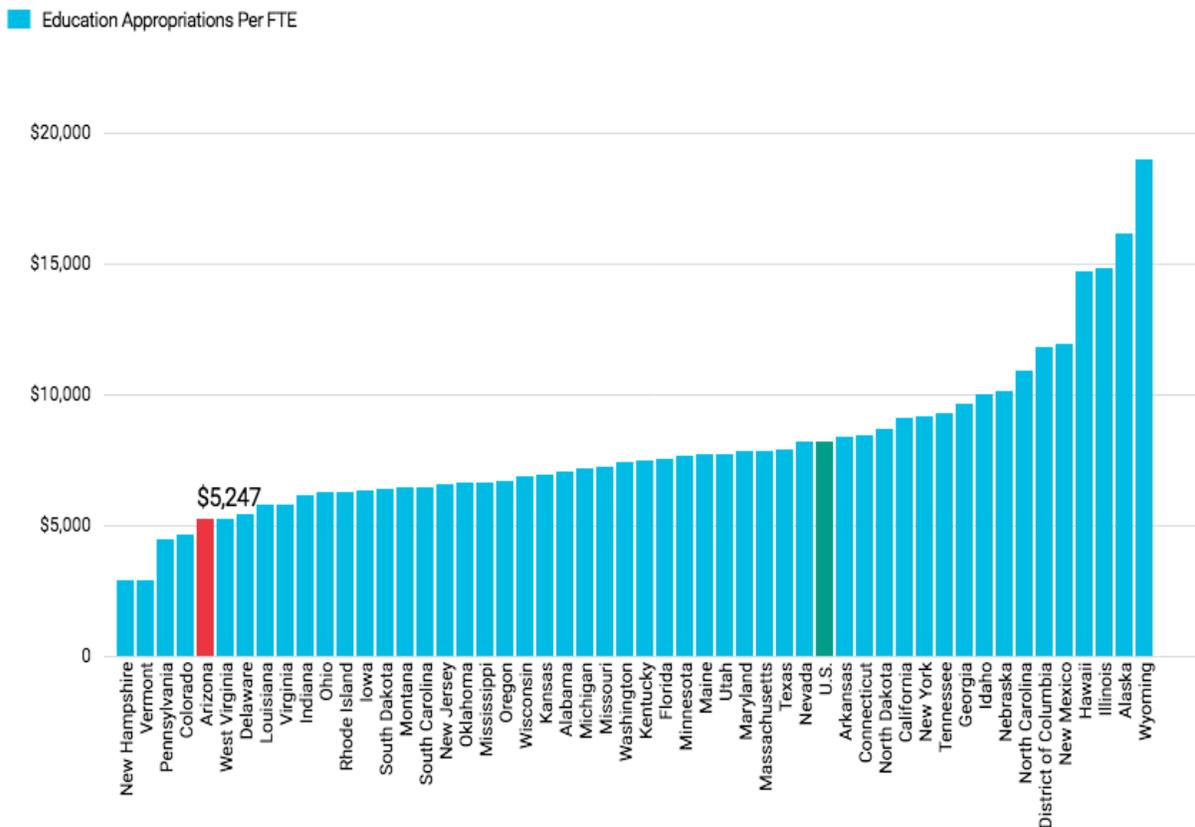
Source: CBPP analysis using SHEEO State Higher Education Finance Report and BLS CPI-U-RS

Other dismal numbers related to higher education funding include:

- Nationally, between 2007 and 2017, the portion of state and local tax revenue allocated to higher education declined from 7.7% to 7%.³⁵
- Support relative to personal income fell 37.2%.³⁶

In FY2019, state aid per student in Arizona, at \$5,247 was the fifth lowest in the nation.

Public Higher Education Appropriations Per FTE by State, FY 2019 (Adjusted)



- Notes:
1. Education appropriations are a measure of state and local support available for public higher education operating expenses, and exclude appropriations for independent institutions, financial aid for students attending independent or out-of-state institutions, research, hospitals, and medical education.
 2. The U.S. calculation does not include the District of Columbia.
 3. Constant dollars adjusted by the Higher Education Cost Adjustment (HECA).
 4. Adjusted to account for interstate differences using the Enrollment Mix Index (EMI).
 5. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.

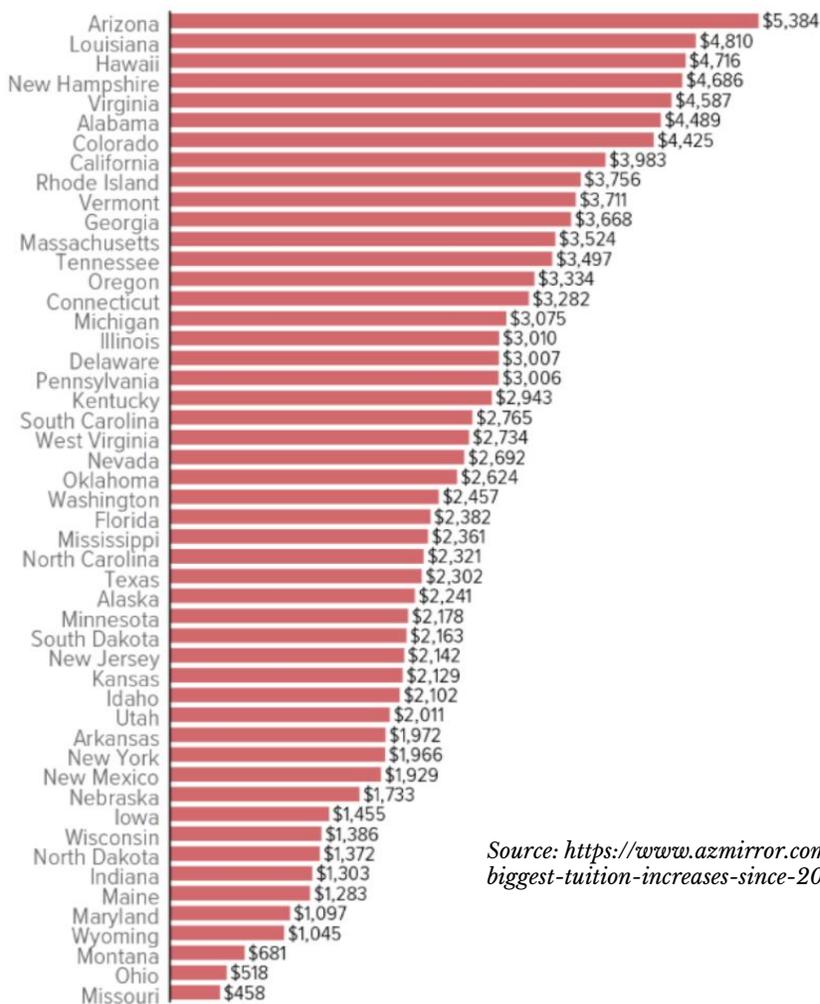
Sources: State Higher Education Executive Officers Association

High Tuition

As state aid for Arizona’s colleges and university has decreased, tuition has significantly increased, exacerbating the fundamental college affordability problem. Although Arizona has a constitutional provision stating that higher education should be as close to free as possible, this has certainly not been the case for over a decade.³⁸

According to the Center on Budget and Policy Priorities, since the 2008 recession, tuition at Arizona’s four-year state universities has increased by 92%, the second largest increase in the nation, in contrast to the national average increase of 37%. Annual tuition per student in Arizona, currently at \$11,218, has increased by \$5,384 which is the largest increase in the country.^{39,40,41}

Change in average tuition at public, four-year colleges, inflation adjusted, 2008-2018



Source: <https://www.azmirror.com/blog/arizona-higher-ed-deepest-cuts-biggest-tuition-increases-since-2008/>

An author of the Center on Budget and Policy Priorities report said the tuition increases are not surprising given that Arizona is “a bit notorious for how many tax cuts they’ve passed,” which has resulted in less state support for postsecondary education and higher tuition costs for students.⁴²

The Center on Budget and Policy Priorities researchers also found that higher tuition is having a severe impact on Arizona’s minority students. Reflecting the disparity in racial incomes in 2019, white families paid 22% of their household income for tuition on average, while Latino families paid 30%, and African American families paid 31%.⁴³

Although more students of color have been enrolling in college, as tuition continues to rise and more low-income students are forced to take out loans, they will be less likely to pursue a college degree.⁴⁴

Need for Inclusive State Financial Aid Program

Arizona is one of the only states in the country that does not have a state-funded financial aid program for low-income students.⁴⁵ Virtually all of the \$2.4 billion spent on financial aid comes out of the total budget of the state’s four-year universities.⁴⁶ There is no institutional aid program for

community college students. The College Success Arizona advocacy group has emphasized “the urgent need for a statewide financial aid program that prioritizes high-need Arizonans.”⁴⁷

Strategies to Increase College Enrollment and Completion

In the face of significant cuts to higher education, leading educators, community organizations, and businesses across Arizona have come together to create a comprehensive plan called the Roadmap for P-20 Education, which sets out the investments needed to fully fund education from pre-kindergarten through college graduation and career training. The goal is to implement this plan by 2030.⁴⁸

Two state programs that facilitate college enrollment and completion among low-income and minority students are showing progress:

- **Earn to Learn**, a national model for aid programs, provides matching funds for students who save money for college and attend financial literacy workshops with their families.⁴⁹
- **The Arizona Teachers’ Academy**, created in 2017 by the Board of Regents and public universities and community colleges, provides free tuition and fees to students majoring in education, science, technology, engineering, and math who commit to teach in an Arizona public school after graduation.⁵⁰

Promise Programs

A number of states have instituted “promise programs” that provide free tuition or significant financial aid packages to students who meet certain academic and financial requirements. So far, Arizona does not have a promise program, largely because the Republican-controlled legislature has been unwilling to fund a program that would guarantee money over a number of years.⁵¹

Making Higher Education a Priority

Encapsulating the higher education funding issue well, SHEEO President Robert Anderson writes that in the midst of the COVID-19 crisis, which is resulting in enormous cuts to state budgets and the loss of revenues for postsecondary education systems, it is essential that all constituents—colleges and universities, state and federal governments, businesses, and students and their families—examine what they “need and want from public higher education” and how they will allocate the funds to pay for it. Anderson firmly believes that “a strong, vibrant, and accessible public higher education system is an absolute necessity in order to secure our country’s future. Our economy and our democracy depend on it.”⁵²

¹ <https://trends.collegeboard.org/college.../tuition-fees-room-and-board-over-time>

² <https://www.forbes.com/.../price-of-college-increasing-almost-8-times-faster-than-wages>

³ <https://shef.sheeo.org/report/>; see “SHEO_SHEF_FY19_editorial.pdf,” “Corona Virus and State Support”

⁴ <https://shef.sheeo.org/report/>; see “SHEO_SHEF_FY19_editorial.pdf,” “Corona Virus and State Support”

⁵ <https://santantimes.com/cares-act-what-it-means-for-education-in-az/>

⁶ https://tucson.com/news/local/furloughs-and-pay-cuts-set-for-staff-faculty-at-university-of-arizona/article_dce97fc4-80d3-11ea-902a-0b4e9cb1e449.html

⁷ <https://www.insidehighered.com/quicktakes/2020/05/12/community-colleges-got-disproportionately-less-cares-act>

⁸ <https://www.insidehighered.com/news/2020/04/30/devos-criticized-excluding-more-daca-students-emergency-grants>

⁹ <https://www.americanprogress.org/issues/education-postsecondary/reports/2020/05/11/484838/better-formula->

higher-educations-federal-coronavirus-funding/

¹⁰ <https://www.americanprogress.org/issues/education-postsecondary/reports/2020/05/11/484838/better-formula-higher-educations-federal-coronavirus-funding/>

¹¹ http://www.tucson sentinel.com/local/report/032320_az_skinny_budget/skinny-budget-with-coronavirus-aid-passes-after-weekend-delay/

¹² <https://ktar.com/story/3031812/arizona-legislature-rushing-coronavirus-help-for-schools-workers/>

¹³ https://www.azleg.gov/legtext/54leg/2R/summary/S.2903-1686RULES_ASENACTED.DOCX.htm

¹⁴ <https://www.expectmorearizona.org/blog/2020/01/17/arizona-governor-budget-fy21-education/>

¹⁵ https://twitter.com/hashtag/HB2309?src=hash&ref_src=twsrc%5Etfw%7Ctwcamp%5Etweetembed%7Ctwterm%5E1240770679428878336&ref_url=https%3A%2F%2Fazednews.com%2Fbudget-update-az-legislators-discuss-bills%2F

¹⁶ <https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and>

¹⁷ <https://www.azcentral.com/in-depth/news/local/arizona-education/2019/09/18/life-after-high-school-education-level-by-state-arizona-trending-wrong-direction/1963893001>

¹⁸ <http://www.arizonaea.org/home/889.htm> “The #RedforEd Movement”

¹⁹ <https://www.azcentral.com/in-depth/news/local/arizona-education/2019/09/18/life-after-high-school-education-level-by-state-arizona-trending-wrong-direction/1963893001/>

²⁰ <https://www.azcentral.com/story/news/local/arizona-education/2019/09/18/higher-education-money-problems-financial-aid-student-loan-debt-tuition-cost/1983423001/>

²¹ <https://www.azcentral.com/in-depth/news/local/arizona-education/2019/09/18/life-after-high-school-education-level-by-state-arizona-trending-wrong-direction/1963893001/>

²² https://azregents.edu/reports-0_College-Enrollment-And-Completion.pdf

²³ https://azregents.edu/reports-0_College-Enrollment-And-Completion.pdf

²⁴ <https://www.cbpp.org/research/state-budget-and-tax/unkept-promises-state-cuts-to-higher-education-threaten-access-and>

²⁵ <https://azcapitoltimes.com/news/2018/06/21/arizona-says-no-to-low-income-students-who-want-opportunity/>

²⁶ <https://collegesuccessarizona.org/policy-briefs/How-Information-and-Opportunity-Gaps-Limit-Web.pdf>, p.7

²⁷ <https://www.theatlantic.com/politics/archive/2018/05/american-higher-education-hits-a-dangerous-milestone/559457/>

²⁸ <https://www.theatlantic.com/politics/archive/2018/05/american-higher-education-hits-a-dangerous-milestone/559457/>

²⁹ <https://www.theatlantic.com/politics/archive/2018/05/american-higher-education-hits-a-dangerous-milestone/559457/>

³⁰ <https://collegesuccessarizona.org/policy-briefs/How-Information-and-Opportunity-Gaps-Limit-College-Going-in-Rural-Arizona.pdf>

³¹ <https://shef.sheeo.org/report/>; see “State and National Trends, Education Appropriations”

³² <https://www.azmirror.com/blog/arizona-higher-ed-deepest-cuts-biggest-tuition-increases-since-2008/>

³³ <https://shef.sheeo.org/report/>; see “State and National Trends, Education Appropriations”

³⁴ <https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students>

³⁵ <https://shef.sheeo.org/report/>; see “State and National Trends, Education Appropriations”

³⁶ <https://shef.sheeo.org/report/>; see “State and National Trends, Education Appropriations”

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⁴⁰ <https://www.cbpp.org/research/state-budget-and-tax/state-higher-education-funding-cuts-have-pushed-costs-to-students>

⁴¹ <https://www.bizjournals.com/phoenix/news/2019/10/26/arizona-colleges-see-some-of-deepest-fundingcuts.html>

⁴² <https://www.azcentral.com/story/news/local/arizona-education/2018/10/18/report-arizona-saw-biggest-post-recession-tuition-increases-us-asu-nau-ua/1659756002/>

⁴³ <https://www.azmirror.com/blog/arizona-higher-ed-deepest-cuts-biggest-tuition-increases-since-2008/>

⁴⁴ <https://www.azmirror.com/blog/arizona-higher-ed-deepest-cuts-biggest-tuition-increases-since-2008/>

⁴⁵ https://www.tucsonlocalmedia.com/back_to_school/article_d77578f0-89f8-11e8-a856-f33110f6df79.html

⁴⁶ <http://www.azleg.gov/jlbc/18AR/unibor.pdf>

⁴⁷ <https://collegesuccessarizona.org/states-financial-aid-system-needs-some-help-of-its-own/>

⁴⁸ <https://www.expectmorearizona.org/roadmap/>

⁴⁹ <https://collegesuccessarizona.org/states-financial-aid-system-needs-some-help-of-its-own/>

⁵⁰ <https://education.azgovernor.gov/edu/arizona-teachers-academy>

⁵¹ <https://www.azcentral.com/story/news/local/arizona-education/2019/09/18/higher-education-money-problems-financial-aid-student-loan-debt-tuition-cost/1983423001/>

⁵² <https://shef.sheeo.org/report/>, see “SHEO_SHEF_FY19_editorial.pdf,” “Corona Virus and State Support”