

Issue: AZ Education

Arizona Higher Education: Funding Failure

Postsecondary Education is Key to a Thriving Population and Economy

Adequately investing in higher education would be a strategic move that would improve Arizona's economy. Bachelor degree holders make more money, pay more taxes and spend more money supporting the local economy than people with only a high school diploma.¹ College graduates also rely less on public assistance. In 2020 in the United States, only 4% of the people with a bachelor's degree or higher were living below the poverty line, whereas the poverty rate of those with only a high school diploma was 13.2%. For those lacking a high school diploma, a whopping 24.7% were below the poverty line.²

The following points, taken verbatim from an Economic Policy Institute report, highlight the correlation between higher education and a thriving economy.³

- Overwhelmingly, high-wage states are states with a well-educated workforce. There is a clear and strong correlation between the educational attainment of a state's workforce and median wages in the state.
- States can build a strong foundation for economic success and shared prosperity by investing in education. Providing expanded access to high quality education will not only expand economic opportunity for residents, but also likely do more to strengthen the overall state economy than anything else a state government can do.
- Cutting taxes to capture private investment from other states is a race-to-the-bottom state economic development strategy that undermines the ability to invest in education.
- States can increase the strength of their economies and their ability to grow and attract high-wage employers by investing in education and increasing the number of well-educated workers.
- Investing in education is also good for state budgets in the long run, since workers with higher incomes contribute more through taxes over the course of their lifetimes.

Voters Support Increased Opportunities for Higher Education

In May 2022, 500 likely Arizona voters were surveyed to determine their priorities in education. Of those surveyed, 68% said that education is going in the wrong direction. Clear majorities of both parties agreed that:

- Every student in Arizona should have the opportunity to pursue education or training after high school. (67.8% strongly agree.)

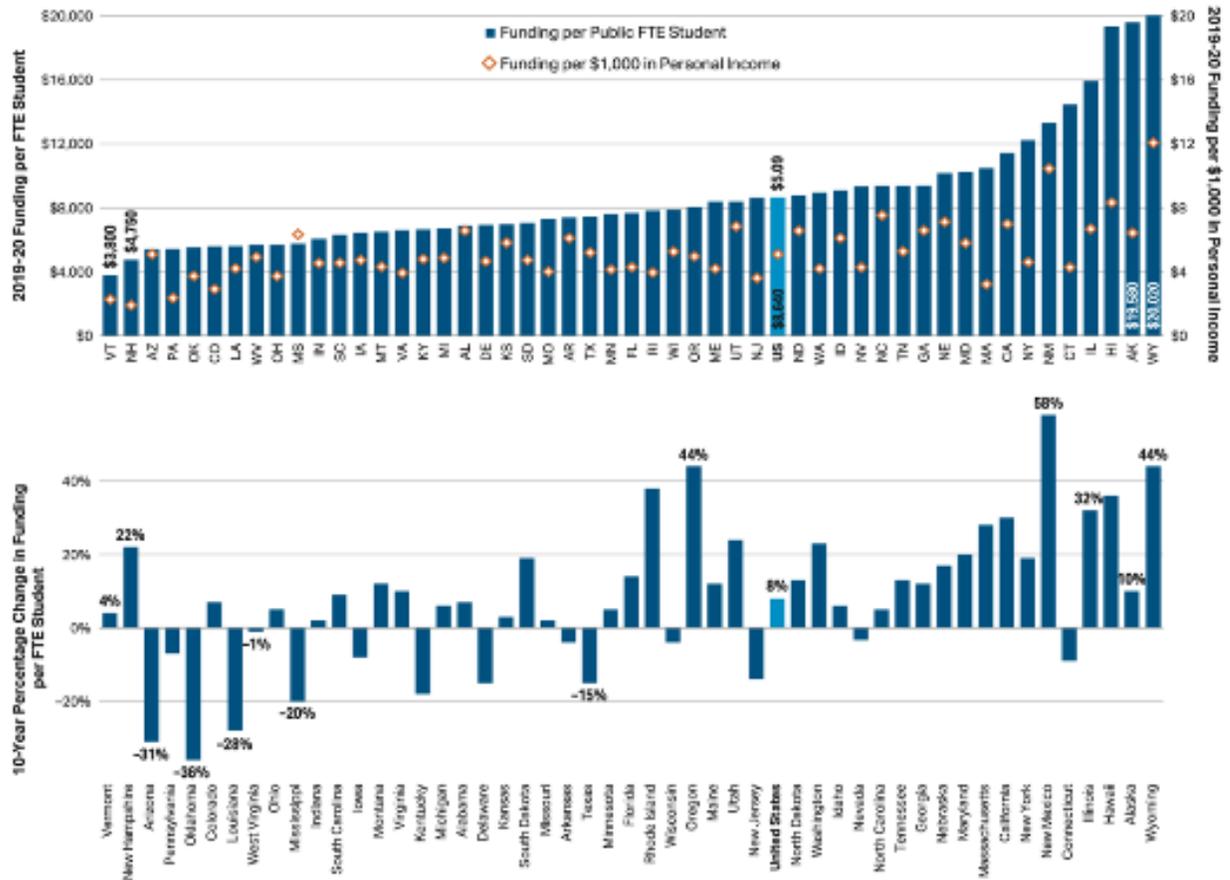
- Access to a college education or advanced training after high school sets a student up for future success in their life or career. (64.8% strongly agree.)
- Increasing the number of Arizonans with a degree or credential (such as a nursing degree or realtor's license) will lead to a stronger economy and quality of life for Arizonans. (55% strongly agree.)⁴

Republicans Fail to Adequately Fund Universities

Arizona's Republican-led legislature has consistently underfunded higher education to such an extent that Arizona ranks almost last in the nation in supporting higher education.⁵ The rankings vary slightly depending on what is measured and by whom. According to the presidents of Arizona's public universities, Arizona is in the unenviable position of ranking 49th in the nation in per-capita investment in higher education in 2022.⁶ A College Board report (see their chart below) shows state and local funding for higher education for the 2019-2020 school years to be ranked 48th.⁷ The further to the left a state is on the chart—and Arizona is third from the left—the more meager its spending on higher education. Note that Arizona's per-student funding dropped a whopping 31% from 2009 to 2019.⁸

One consequence of this underfunding is a 6.6% decline in high school graduates enrolling in college between 2019 and 2020.⁹ By failing to support budgets and laws to increase the number of college graduates in Arizona, the Republican legislators have placed Arizona's economic growth in jeopardy.

FIGURE CP-12 2019-20 State and Local Funding for Higher Education per Student and per \$1,000 in Personal Income and 10-Year Percentage Changes in Inflation-Adjusted Funding per Student, by State



SOURCE: SHEEO, SHEF reports; Bureau of Economic Analysis, Annual State Personal Income 2018; calculations by the authors.

The three main sources of funding for Arizona colleges and universities are:

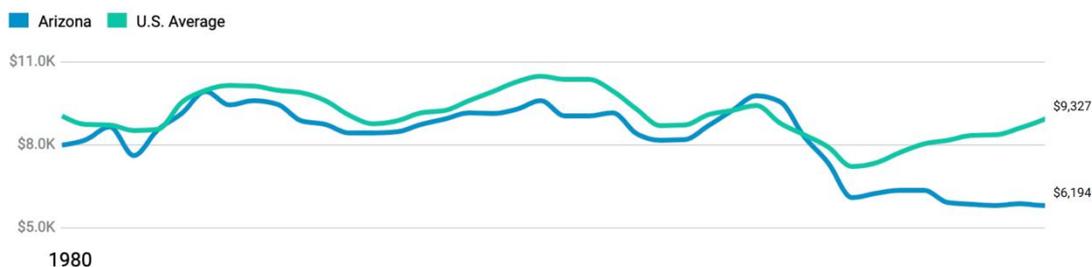
- State tax revenues,
- Local taxes, and
- Revenue from tuition and fees paid by students.

The chart below shows that Arizona has lagged the national average in higher education appropriations (inflation-adjusted) in recent years.¹⁰ (Although the chart does not have a label for the most recent year, text in the report states that it is 2021.)

While Arizona has increased appropriations for higher education by 6.6% since 2020,¹¹ it was barely enough to cover the increases in costs as the average combined 2-year and 4-year tuition rose 6.1% in the same period.¹² In addition to rising tuition, Arizona has the lowest state public financial aid in the nation. In 2021 it was a mere \$38 per year per student. This yearly financial aid per student compares to a national average of \$921; the most generous state is Tennessee, with a high of \$2831.¹³

Per-Student Education Appropriations Over Time

Higher education often faces the largest cuts of any budget category during economic recessions. As a result, state funding has changed over time. In most states, funding in 2021 remained below historic levels. This is true in Arizona since 1980. Education appropriations per FTE (a measure of state and local support for public higher education, excluding RAM) in Arizona have decreased 22.5% since 1980. ⁸ In 2021, public institutions in Arizona had \$6,194 in education appropriations per FTE, approximately 66% of the U.S. average. General operating appropriations in Arizona have decreased 36.8% per FTE from \$9,028 in 2001 to \$5,709 in 2021.



The Many Obstacles Facing Arizona Students

Some Obstacles Start in High School—and Before

A lack of college preparedness among graduating high school students is a yet another contributing factor to the low college graduation rate in Arizona. Despite public support for the K-12 public school system, the Republican-led legislature has repeatedly cut funding, moved funds to a voucher system and reduced education requirements and qualifications for teachers. As a result, Arizona continues to have one of the lowest-ranking K-12 public school systems in the US. Please see the Local Majority paper entitled “K-12 Education in Arizona.”

College Success Arizona surveyed 400 parents of 10th to 12th graders in the summer of 2020. The survey was designed to learn what additional obstacles the parents were encountering because of the pandemic. For example:¹⁴

- Twenty-five percent of parents indicated that no one in the family had experience with the application process. Of these parents, 90% said they would benefit from more information relative to financial aid and application deadlines.
- Thirty-nine percent of parents said that counselors were their primary source of information and access to counselors was very difficult. Arizona’s ratio of students to counselors is 905:1, which is the highest ratio in the nation. The recommended ratio is 250:1.
- Over half of the parents said the pandemic adversely affected the family’s capability to pay for college.¹⁵

Higher Education Affordability

A big obstacle for students pursuing a higher education is financial. This financial barrier is largely the result of the staggering increase in the cost of a college education over the last thirty years. The national average for tuition, fees, room, and board for public four-year universities has increased from \$10,760 to \$22,690 (in 2021 dollars).¹⁶

Arizona’s students have not been spared from the affordability crisis. Approximately 40% of Arizona’s 2020 high school graduates were considered economically disadvantaged as measured by qualifying for free or reduced-price lunches. This translates to 29,600 high school graduates whose families would not be able to financially support a higher education for their child.¹⁷

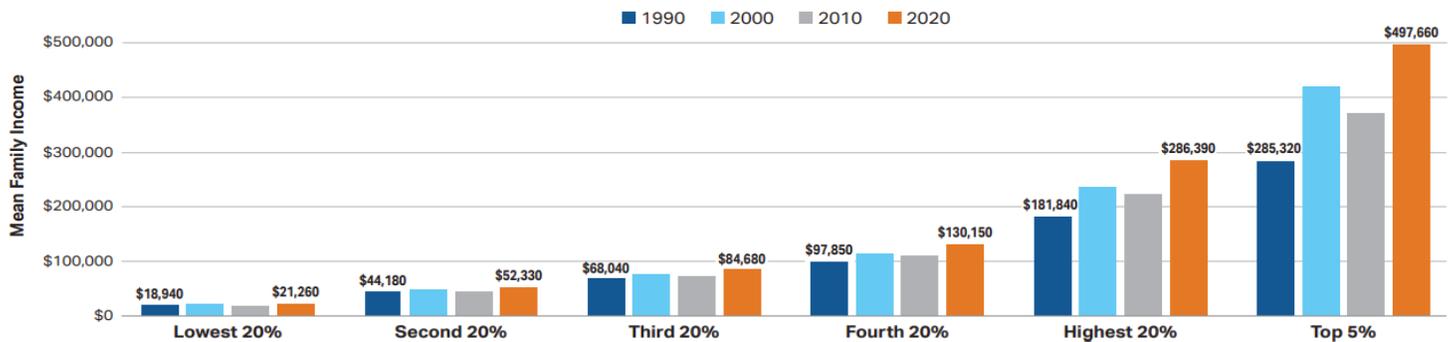
To cover the costs of higher education, an astronomical increase in debt is taken on by those students who do enroll in college. In 2021, student debt nationwide had risen to a total of \$1.7 trillion, more than automobile and credit card debt and below only mortgage debt.¹⁸

According to the College Board, the burden of the increased tuition is not equally shared. As the chart below shows, the families in the top quintile of incomes saw their average income increase 57%, while the lowest 20% saw only a 12.5% increase.¹⁹ The income increase in the lowest two quintiles was less than the increase in tuition for a public four-year university over the same period!

Family Income

Between 1990 and 2020, the average income increased by 57% for the top quintile of families and by 12% for the lowest quintile of families.

FIGURE CP-15A Mean Family Income in 2020 Dollars by Quintile, 1990, 2000, 2010, and 2020



Promise Program Shortfall

To help address the lack of affordability, the Arizona Promise Program was enacted in 2021. This program provides free tuition and fees for some low-income Arizona students. To qualify for the Promise Program, the family must “qualify for the maximum federal Pell Grant award with zero expected family contribution.”²⁰ In addition, the student must enroll full-time in the fall semester immediately following high school graduation with a 2.5 or better GPA, and attend classes at Arizona State University, Northern Arizona University, or the University of Arizona.²¹

A major shortcoming of the Promise Program is a lack of adequate funding. In the Arizona FY2023 budget, the Promise Program was allocated \$12.5M, covering scholarships for about 3300 students,²² substantially less than the \$30M requested by the Arizona Board of Regents.²³ The Arizona Board of Regents estimates about 12,400 high school graduates who filled out the Free Application for Federal Student Aid in 2020 would likely have qualified for the Promise Program.²⁴ The law requires that every qualified student receives free tuition and fees; however, the law further states that the Arizona Board of Regents must fund all students not covered by the state budget.²⁵ Using the 2020 number of qualified high school graduates, the state has only provided funds for 25% of those students for the

2023 school year. The Arizona Board of Regents is required to find funding for the remaining qualifying low-income students through federal grants, private funding, philanthropic funding and other sources of monies.²⁶

Another deficiency of the Promise Program is that books, supplies, room, and board are not covered, yet the student is required to attend classes at one of the campuses at Arizona State University, the University of Arizona, or Northern Arizona University. The Promise grant recipients who don't live within commuting distance from one of the specified campuses will need an estimated \$13,000 per year to cover these expenses. Since qualifying families are required to be in an income bracket low enough so that no contribution to college expenses is expected from the family, those students must bear the burden by securing additional grants or loans for these expenses.²⁷

Arizona Falls Short on College Enrollment and Completion

“Barring a change in the trajectory of postsecondary enrollment, the Arizona workforce will not be equipped to meet the demands of the state’s growing economy,” according to John Arnold, Executive Director of the Arizona Board of Regents. “As a state, we need to improve our college-going culture or Arizona’s long-term economic health is at risk.”²⁸

In 2019, Arizona’s 4-year college graduation rate of 26.3% was the lowest in the nation.²⁹ Making matters even worse is that the graduation rate is on a downward trend. At the current college graduation rate Arizona will graduate only 16.8% of today’s 9th graders from a 4-year college in 2029.³⁰ In addition, the number of high school graduates enrolled in a 4-year degree program in 2020 is “less than the number of estimated bachelor’s degree holders who will be aging out of the workforce.”³¹

In 2020, almost half—46%— of high school graduates enrolled in college: 17.9% in a 2-year college and 28.4% enrolled in a 4-year college. This is down from 2019 when 52.9% of graduates pursued a higher education. Contrast that to the 2020 national average which was significantly higher at 66%.³² The largest reduction in enrollments in Arizona was in 2-year colleges. Since close to half of the students attending 2-year college are low-income and underserved populations, the most vulnerable students are impacted the most.³³

In Summary

For Arizona to continue its economic growth, the state must have an educated workforce. Education pays for itself in the many ways discussed in the beginning of this paper. Arizona’s residents want students to have more opportunities for higher education, but the Republicans in the state legislature are failing to adequately fund education. The Republican’s short-sighted focus on low taxes is jeopardizing a prosperous economy for all Arizonans. It’s time for a change!

References

¹ <https://research.collegeboard.org/media/pdf/education-pays-2019-full-report.pdf>, p4

² [sschool%20diploma%20which%20was%2024.7%20percent%20in%202020](https://www.azdhs.gov/dhsd/education/Pages/2022-06-ARIZONA-VOTERS-PRIORITIZE-EDUCATION-OVER-POLITICS.aspx)

³ <https://www.epi.org/publication/states-education-productivity-growth-foundations>

⁴ <https://educationforwardarizona.org/wp-content/uploads/2022/06/ARIZONA-VOTERS-PRIORITIZE-EDUCATION-OVER-POLITICS.pdf>

⁵ <https://news.asu.edu/20220414-arizona-impact-arizonas-public-universities-need-investment-prepare-workforce>

⁶ <https://news.asu.edu/20220414-arizona-impact-arizonas-public-universities-need-investment-prepare-workforce>

⁷ <https://research.collegeboard.org/media/pdf/trends-college-pricing-student-aid-2021.pdf>

⁸ <https://research.collegeboard.org/media/pdf/trends-college-pricing-student-aid-2021.pdf>

See Figure CP-12.

⁹ https://www.azregents.edu/sites/default/files/reports/2021-postsecondary-attainment-report_0.pdf , p2

¹⁰ <https://shef.sheeo.org/state-profile/arizona/>

¹¹ https://shef.sheeo.org/report/?report_page=state-funding-and-enrollment#education-appropriations
Table 3.2 Public Education Appropriations per FTE by State, FY1980-2021 (Constant Adjusted Dollars); Click on the green bar to expand the data for individual states. Arizona is third from top.

¹² https://shef.sheeo.org/report/?report_page=net-tuition-and-total-education-revenue#net-tuition-revenue

The 6.1% was calculated from the data in Map 4.1. (Click on the map to get the specific numbers.) For 2020, the net tuition revenue for FTE was \$8580; for 2021 it was \$9102. Thus, $100 \times (9102 - 8580) / 8580$ is 6.1%.

¹³ https://shef.sheeo.org/report/?report_page=state-funding-and-enrollment#education-appropriations
See Figure 3.3

¹⁴ <https://educationforwardarizona.org/wp-content/uploads/2021/07/October-2020-Issue-Brief-Equity-and-Opportunity-Gaps.pdf>

¹⁵ <https://educationforwardarizona.org/wp-content/uploads/2021/07/October-2020-Issue-Brief-Equity-and-Opportunity-Gaps.pdf>, p10

¹⁶ <https://research.collegeboard.org/media/pdf/trends-college-pricing-student-aid-2021.pdf>, p13

¹⁷ https://www.azregents.edu/sites/default/files/reports/2021-postsecondary-attainment-report_0.pdf , See page 15. Dividing the number of economically disadvantaged graduates (29,583) by total number of graduates (73,373) gives 40.3% of graduates who are economically disadvantaged.

¹⁸ <https://www.forbes.com/sites/zackfriedman/2021/02/20/student-loan-debt-statistics-in-2021-a-record-17-trillion/?sh=499833a71431>

¹⁹ <https://research.collegeboard.org/media/pdf/trends-college-pricing-student-aid-2021.pdf>, p24

²⁰ <https://www.azcentral.com/story/news/local/arizona-education/2021/12/10/arizona-promise-program-provides-free-tuition-low-income-students/6424609001/>

²¹ <https://azregents.edu/arizona-promise-program#:~:text=The%20Arizona%20Promise%20Program%20will%20enhance%20Arizona's%20competitive>

ness,affordable%20for%20more%20Arizona%20students%20and%20their%20families

²² <https://www.azospb.gov/Documents/2022/FY202023%20Summary%20Book.pdf>, p25

²³ <https://www.azcentral.com/story/news/local/arizona-education/2021/12/10/arizona-promise-program-provides-free-tuition-low-income-students/6424609001/>

²⁴ <https://www.azcentral.com/story/news/local/arizona-education/2021/12/10/arizona-promise-program-provides-free-tuition-low-income-students/6424609001/>

²⁵ <https://trellis.law/state-rules/az/revised-statutes/title-15-education/chapter-13-universities-and-related-institutions/article-6-arizona-promise-program/15-1701-arizona-promise-program-eligibility-requirements-award-fund-definitions>

²⁶ <https://trellis.law/state-rules/az/revised-statutes/title-15-education/chapter-13-universities-and-related-institutions/article-6-arizona-promise-program/15-1701-arizona-promise-program-eligibility-requirements-award-fund-definitions>

²⁷ <https://www.azcentral.com/story/news/local/arizona-education/2021/12/10/arizona-promise-program-provides-free-tuition-low-income-students/6424609001/>

²⁸ <https://www.azregents.edu/news-releases/arizona-board-regents-releases-latest-trends-arizona-college-going-and-completion>

²⁹ <https://www.businessinsider.com/us-states-with-the-highest-college-graduation-rates-2019-6>

³⁰ https://www.azregents.edu/sites/default/files/reports/2021-postsecondary-attainment-report_0.pdf , p1

³¹ https://www.azregents.edu/sites/default/files/reports/2021-postsecondary-attainment-report_0.pdf , p5

³² https://www.azregents.edu/sites/default/files/reports/2021-postsecondary-attainment-report_0.pdf , p1-3

³³ https://educationforwardarizona.org/wp-content/uploads/2022/03/Postsecondary-Enrollment-Declines-Slow-Progress-Toward-Arizonas-Achieve60AZ-Attainment-Goal_March2022.pdf, p5