Prologue: Framing Public Higher Education

> Education is transformational. It changes lives. That is why people work so hard to become educated and why education has always been the key to the American Dream, the force that erases arbitrary divisions of race and class and culture and unlocks every person's God-given potential.
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> —Condoleezza Rice, Commencement Address, Boston College, 2006[1]

A COMMON REFRAIN about public higher education in the United States is that rising costs—and specifically tuition and fee charges—have outpaced inflation. Almost as commonly mentioned is the comparison between state and federal investments in higher education and prisons, Medicaid, and national defense. Such simplistic reflection reveals a fundamental misunderstanding of how the financing of public higher education works. By virtue of our federal Constitution, what was not specifically instituted as part of the federal role was left to the oversight of the states. This includes education at all levels. And yet the federal government is deeply involved in public higher education.

As 2.3 million GIs cycled through American colleges and universities after World War II, coinciding with the start of the Cold War, federal investments in higher education were framed and positioned to support national defense. The establishment of the National Science Foundation brought with it recognition of a permanent federal role in promoting a robust research infrastructure. The National Defense Education Act (NDEA) of 1958 provided federal funds without federal control to strengthen public elementary, secondary, and postsecondary education.[2]

The next twenty years saw expanding federal investments at all levels, and an emerging federal role to promote equity, access, and choice. The last pillar of the modern federal role was the often-overlooked Middle Income Student Assistance Act (MISAA) of 1978, which birthed the Guaranteed Student Loan program. In 1978, 64 percent of federal student aid came in the form of grants and work study, and 36 percent in loans; just six years later, those percentages had flipped, with 64 percent in loans and 36 percent in grants and work study. With these programs, combined with TRIO, Title III, and Title VII for federally designated minority serving institutions, the federal government has made valiant attempts to secure access and choice for Americans at or below the federal poverty level to pursue a quality, affordable higher education pathway into the middle class.[3] But, as with most bold steps, acts and programs change, incrementally moving in a riptide where one can lose track of the disappearing shoreline. And the higher education shore of opportunity has moved further away from millions of American families.

Because of the way the federal system works, various programs that were begun to help make college more affordable were tweaked and amended, and eventually produced diminished returns. Through a variety of shifts over time following elections where Republicans or Democrats split or respectively dominated the legislative and executive branches, federal priorities and needs shifted, and funding college moved to student loans rather than grants. Money originally provided to institutions for a federal public good is now like a voucher, available to students to invest in themselves and their private good. Time and time again, subsequent federal higher education budgetary shortfalls were often passed on as direct costs to students to pay for increased tuition and fees, as states and institutions were unable to find alternative funding or shift their own budgets to mitigate the impact on students for the given year. Once institutions showed they were capable of managing with the decreased funding, and vulnerable students and families accepted the loan indebtedness, there was far less incentive for states to return to prior levels of appropriation (funding state merit- and need-based student aid is more popular—and far cheaper—than funding nondescript operating budgets).

Total student loan debt increased nearly fivefold from $340 billion in fiscal year 2004 to roughly $1.51 trillion in 2020, and college affordability has been a prominent issue in recent federal and state elections.[4] Two recent Federal Reserve studies reveal the unintended consequences of the private-benefits loan-based model that has continued in prominence over the past several decades. Millennials are delaying purchase of first homes and relocating from rural to urban areas to secure jobs with wages high enough to afford both starting off in life and paying down their student loans.[5] All too many live with parents after graduation. America ranked first in the world in attainment of young adults ages twenty-five to thirty-five years old in the mid-1970s; today we rank eleventh.[6]

Starting in the 1980s, as the federal government shifted to reliance on student loans and enacted new federal mandates, states began to cut their higher education appropriations as demands grew for more matching funds for the Medicaid program and investments in prisons. As the largest single discretionary item in state budgets, higher education saw a steady decline in funding provided by states. The level of state control seemed to some to veer out of line with the level of state support. Some postsecondary institutions sought greater budgetary relief and autonomy by enrolling out-of-state students, for example, or setting their own tuition and fee rates (see Alabama and Virginia for examples), giving them more flexibility to recoup lost funds. Today, more and more institutions are "publics acting like privates"—with tuition and fees the largest revenue stream, incentivizing them away from serving students with greater economic need who cannot afford to pay, and leading their students to multiple federal, state, and private loan programs.

The overall result has been a long-term slide in the completion of first certificates of less than eighteen months in length leading to employment, associate degrees, and baccalaureate degrees. America is no longer first in the world in adult educational attainment. Issues of declining state funding and increased costs to students relate directly to college graduation rates; after all, students must enroll first in order to graduate, and they need to both enroll and stay through graduation. These rates have been a matter of national concern, and recent trends are not good. Steady progress was made in the two terms (2001–2009) of President George W. Bush, with dramatic acceleration during President Barack Obama's first term, even with the Great Recession. Progress was driven by record investments, as Pell Grant awardees grew from 6 to 9 million. But the fall of 2012 marked a decided break, as the rate of acceleration fell back to that in the first Bush term; in that same year began the five straight years of adjusted-for-inflation reductions in federal Pell funding.

In his first speech to a Joint Session of Congress in February 2009, President Obama pledged a "north star," to make America number one in the world in adult degree attainment by 2020. With the disinvestment that followed, that dream faded, but is still attainable by the 2030 target applied by many states; the Lumina Foundation's goal of 60 percent by 2025 seems less realistic. The cost of not making the 2030 target is very real; the United States is projected to lose $1.7 trillion in labor shortages by 2030 due to the lack of a trained workforce.[7] Exactly how many degrees more would we need to award to make the goal of 60 percent by 2030 happen?

The current outlook on educational attainment outcomes for the nation depends heavily on ease of access to and persistence in American higher education.

To achieve 60 percent of adult Americans ages twenty-five to sixty-four with bachelor's and/or associate's degrees or certificates by 2030 depends heavily on ease of access to higher education. Figure P.1 presents two scenarios—the first of which is a conservative "business as usual" estimate that brings the nation to 56.5 percent by 2030, and the second, based upon the American Prosperity Initiative that we present in the final chapter of this book, will bring our nation to that 60 percent figure by 2030. The "business as usual" estimate is methodologically consistent with an estimation process developed by the Lumina Foundation, and under this estimate American adults would arrive at the 60 percent figure only by 2039.[8] This would be a full decade after the results of the American Prosperity Initiative, with its federal investments combined with a return to the historic, clearly demarcated federal-state partnership, with maintenance of effort to ensure stable, consistent state funding and federal need-based aid programs on the mandatory side of the federal budget.

While the percentage difference of 3.5 percent between these two educational attainment estimates seems relatively small, the numbers they are based upon are quite large—the nation's entire 25- to 64-year-old adult population. Numerically, to achieve the 60 percent goal by 2030 requires an extra 6.1 million Americans earning degrees or certificates. By type of award, this would mean an additional 1,256,880 certificates, 1,653,332 associate's degrees, and 3,204,131 bachelor's degrees. If the same 75/25 public/private proportional split of degrees and certificates awarded is projected to 2030, America's 1,552 publicly controlled community colleges, regional universities, and flagship universities would need to award an additional 1,035,401 certificates, 1,456,806 associate's degrees, and 2,121,042 bachelor's degrees.[9] As we will explain later, there is a cost to the American Prosperity Initiative—but there is a higher cost to doing nothing and allowing the loan debt to continue to mushroom, as millions come to believe that higher education is beyond the realm of reasonable possibilities. We can do better, and we must try.

The effort required to reach the goal of returning America to first in degree and certificate production will require significant effort; how to get there from where we are is the focus of this book. For example, more must be done to improve the high-school-to-college continuation rates, as we also reconnect those who dropped out and never completed high school. Add to this the COVID-19 outbreak, which saw enrollment decisions shift as course content went online and institutional openings became problematic. With the pandemic, there was a 23 percent drop from fall 2019 to fall 2020 nationally in first-time-in-college freshmen enrollments.[10] Applications in fall 2020 fell by 14 percent at the nation's largest public college system, the State University of New York, while Portland State University saw freshmen applications decline by 12 percent and transfers

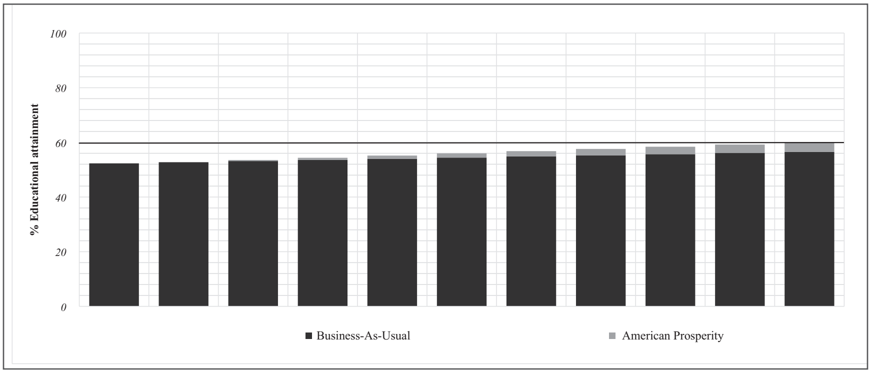

FIGURE P.1 Modest investments need to get to 60% by 2030

1) Business-As-Usual is based on the average annual percentage change in educational attainment from 2008-2013, with its rate applied constantly from 2020-2030

2) American Prosperity is based on the Business-As-Usual estimate with an additional 679,372 degrees awarded annually from 2022-2030

by 28 percent.[11] Illinois reported a decline of 14 percent in its community college enrollments in fall 2020 and Alabama a 13 percent decline.[12] Financing and justifying the cost of higher education during the pandemic, and the type of education students and their families are willing to fund under the private good model, became critical questions. This is concerning, given that the axiom that students must first enroll in order to graduate is as true in today's pandemic as it was during the Great Recession, and in the period of record low unemployment following it.

Recent decades thus have shown the volatility that exists affecting higher education finance. Increasingly, federal, state, and local leaders recognize that current public higher education policies are not stable or sustainable, especially ones that address the higher education finance to increase and sustain student access and college completion. Long-term solutions are needed to allow for proper planning and streamlining; stop-gap measures and short-term planning don't work. This is why stable, predictable, sustainable funding to enable access to and success through higher education for all students must be a top priority for state and federal policy makers. The goal of this book is to provide context for how we arrived at the current state of the financial conundrum impacting American higher education and to then provide ideas, lessons learned, and proposals to create stable and sustainable policies for funding public higher education moving forward.

We believe that a student's or family's ability to pay for college should not be the predominant factor in driving who has access to higher education. America is able to, and needs to, provide postsecondary education to the top 100 percent of our nation's students. We pay for what we value if we have a collective will to do so.

Why the top 100 percent, especially when we are arguing for how to get to 60 percent college completion rates? While public higher education's financial model has shifted from being viewed as a public good to a private one in recent decades, the role of higher education to provide upward social mobility into and through the middle class remains a key societal value. Without access, mobility effectively does not exist. The economic and social conditions into which one is born should not have a deleterious effect on anyone, especially those wanting to pursue their dreams by enhancing their knowledge and skills beyond a free high school education. We argue that 100 percent of the population should have access to higher education. Data consistently show that those with higher education reap higher wages, are less likely to be incarcerated, are more likely to be employed, are more likely to be unemployed for shorter durations, and are more likely to own their own homes, pay taxes, and vote. Higher education is available to the top economic strata in American society; it must be viable and attainable (and be seen to be so) for all.

To avoid unmanageable, burdensome postsecondary education debt that delays or negates opportunities for Americans to climb the ladder of mobility, a streamlined, efficient, and effective twenty-first-century public higher education system for all is needed. Such a model not only helps in the best of times but allows for more consistency and viability during volatile times like the pandemic. Stable, sustainable funds for America's public higher education institutions are needed. We argue for maintenance of effort as part of our proposed American Prosperity Initiative—a new mandatory, recurring, annual investment to pay for the College Promise, higher Pell Grants, and wraparound support services, including American learning accounts block-granted to states.

This book builds on lessons learned and thus examines the entire period from World War II to the current day. We draw upon our extensive research, policy, and practitioner experiences in different communities and states, and at the federal level to examine how the partnership between the federal government and the states to deliver college access and attain student success has changed over time. From this work, we offer policy solutions for a robust federal-state partnership and systemic relationships to increase the coherence and prosperity for policy makers and communities through the twenty-first century and beyond. Programs such as College Promise that provide scholarships and supports for students at the grassroots level are clearly causing local and state policy makers to reconsider the totality of their services, and to work toward better alignment of secondary, postsecondary, job training, welfare to work, adult literacy, transportation, childcare, and mentoring services. How can cross-sector leadership work to remove academic, financial, and navigational barriers and put into place stable, sustainable support to help the top 100 percent of students succeed?

This book has three parts: Part I describes the landscape of finance and funding today. We present public higher education's central role in addressing the economic, social, and civic challenges of the country from the bottom up and the top down. It begins with an analysis of spatial aspects by major public higher education sectors in chapter 1, followed by discussions of higher education, labor markets and economic development, and the funding challenges faced by flagship universities, regional universities, and community colleges.

Part II provides critical context to current practices. We describe the federal and state policy consensus that emerged to create the world's first mass system of public higher education in the 1960s. This sets the stage to describe the long-term state disinvestment, the rise of the "high tuition/high aid" funding model, which we argue is largely a myth, and the changing federal role leading to today's massive student debt. This is followed by a chapter on the Great Recession and its aftermath.

Part III describes the federal and state policy solutions needed to build and sustain a new bipartisan coalition for public higher education for the long term. Policies include maintenance of effort at the federal level, need-based student aid at the state level to complement the new year-round federal Pell Grant, College Promise programs at the local and state levels, and appropriate financial aid packaging to leverage scholarships of all types. Part III provides recommendations for institutional transformation to educate the top 100 percent of Americans to, through, and beyond higher education.

Our book ends on a hopeful note. The emergence of bipartisan coalitions supporting College Promise programs in thirty-three states, plus the District of Columbia, and 348 communities, and the reinstatement of year-round, Summer Pell Grants with increased funding speak to a strong desire by Americans to rebuild the federal-state partnership and investment in sustaining public higher education for the twenty-first century. This book is for citizens and leaders concerned about America's future. Not only is serving the top 100 percent an economic imperative, it is also a moral, social, and civic imperative for a thriving democracy. Stable, sustainable programs and funding also are key to avoiding the unmanageable, burdensome student debt that has now delayed or negated opportunities for this generation of Americans to climb the ladder of upward mobility. As the late senator Paul Simon often said, "Can anyone argue that America will have a brighter economic, cultural, and civic future with a lesser educated populace?"