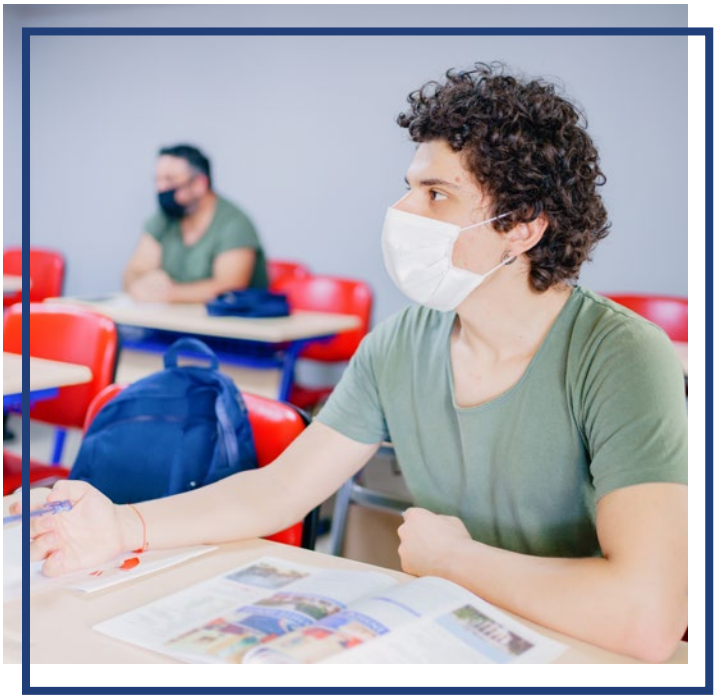
TO MAKE COLLEGE MORE AFFORDABLE, STATE LAWMAKERS SHOULD RAISE NEW REVENUE, EXPAND AID

Accessible, well-funded higher education is crucial for residents' quality of life, a strong state economy, and thriving communities, but after the Great Recession hit over a decade ago, states weakened their futures by sharply cutting higher education funding and raising tuition, making college less accessible—especially for students with low incomes and students of color.

In the school year before the pandemic struck, state support for public colleges and universities was still way down, adding to long-standing racial and income disparities in higher education. In the COVID-19 recession, half of the states are choosing to cut higher education again. However, there is still time for states to choose a better path that prioritizes people, communities, and the state's long-term future by:



- **Strengthening the taxation of wealth and high incomes to generate revenue to boost funding for public two- and four-year colleges.** High-income and high-wealth households have largely been insulated from the economic hardship caused by the pandemic. States can increase taxes on these households by taking steps such as raising their top income tax rates, raising taxes on capital gains, and enacting or expanding estate and inheritance taxes.
- **Significantly increasing need-based aid.** Research shows that aid targeted at low-income students can boost college retention and graduation rates. Merit-based programs, in contrast, often benefit students who would have attended college even without the aid. And because merit-based aid is typically awarded based on GPAs and standardized test scores, it reinforces the structural inequities inherent in standardized testing, which advantage white and wealthy students who benefit from well-resourced K-12 schools and expensive college test prep.

About us:

The State Priorities Partnership shapes state policies that reduce poverty, advance equity, and promote inclusive economies that pave the way for widespread prosperity. It is coordinated by the Center on Budget and Policy Priorities. **For more information, email: statepritiespartnership@cbpp.org**

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STATES CUT HIGHER EDUCATION IN GREAT RECESSION; MANY CUTS REMAIN

Heading into the COVID-19 recession, state higher education funding nationally was still below its level in 2008 (just before the Great Recession took hold), and tuition at public two- and four-year colleges was dramatically higher. Between school years 2008 and 2019, after adjusting for inflation:

- Funding fell by $3.4 billion nationally
- 37 states cut per-student funding, six of them by more than 30 percent
- On average, states cut spending by $1,033 (11.6 percent) per student
- Annual published tuition at public four-year colleges rose by $2,576 (35.2 percent), and in ten states it rose by more than 50 percent
- Annual published tuition at community colleges rose by $1,098 (37.5 percent)

The recession spurred by the COVID-19 pandemic has already led to a new round of cuts to public colleges and universities: 27 states have imposed cuts for state fiscal year 2020 or 2021. Recent declines in undergraduate enrollment, especially for low-income students and students at community colleges, further strain these institutions' finances.

FAMILIES HARD PRESSED TO ABSORB RISING COSTS, ESPECIALLY FAMILIES OF COLOR

The state funding cuts and rising tuition that followed the Great Recession fit into a longer-term trend in place since the 1980s. Over time, students and their families have assumed a much greater responsibility for paying for public higher education.

In 1988, students—through tuition—provided about a quarter of public colleges' and universities' revenue, while state and local governments provided the remaining three-quarters. Today, that split is much closer to 50-50. Nearly every state has shifted costs to students, with the most drastic shift occurring since the onset of the Great Recession. In 1988, average tuition exceeded per-student state expenditures in only two states (New Hampshire and Vermont); today it does in 31 states.

This has coincided with an increase in the number of students from communities of color attending college. In 1980, students of color—that is, Black, Latinx, Asian, Pacific Islander, and American Indian students—made up roughly 17 percent of students at public colleges. Today they make up over 40 percent.

Additionally, the cost shift from states to students has happened over a period when many families—particularly families of color—have had trouble absorbing additional expenses due to stagnant or slowly rising incomes.

The result is that in 2018, the average net price—that is, published tuition and fees, room and board, and books and supplies, minus the average aid received by a student—of a public four-year college accounted for 24 percent of median household income nationally. In 24 states, it accounted for at least 25 percent of median household income. And it accounted for 40 percent or more of the median household income for Black households in 17 states, and for Latinx households in five states.

STATES CAN DO MUCH MORE TO MAKE COLLEGE AFFORDABLE AND ACCESSIBLE

Public colleges and universities educate and train future professionals who are critical to our communities, like teachers, nurses, HVAC technicians, social workers, and public health officials. People who complete a bachelor's degree also have higher earnings, lower rates of unemployment and underemployment, lower rates of incarceration, and higher rates of civic engagement. State funding and policies for higher education must ensure that all people and communities share in the benefits that higher education provides, including groups that have historically faced and currently face barriers to accessing and completing higher education, such as people with low incomes and Black, Latinx, and Native American people. Here are two key ways:

Strengthen Taxation of Wealth and High Incomes to Increase Higher Education Funding

Public colleges and universities are still recovering from the drastic cuts made during the Great Recession. To reverse this disinvestment and protect against additional cuts, states should raise revenue, including by increasing taxes for wealthy people.

High-income and high-wealth households have largely been insulated from the economic hardship caused by the pandemic: several types of wealth have maintained or even increased their value; the stock market has recovered; and home values have risen (especially luxury homes). State policymakers can strengthen taxation of wealth and high incomes by:

- Raising top income tax rates and creating additional top tax brackets
- Raising taxes on capital gains
- Raising taxes on the purchase and sale of expensive homes
- Enacting or expanding estate and inheritance taxes

Increase State Financial Aid and Target Students in Need

About 74 percent of the $14.1 billion in grant aid that states awarded for the 2019 academic year was need-based (a slight decrease from the previous year), meaning it went to low-income students who struggle the most to pay for college. The other 26 percent was merit-based, meaning it was awarded to students who meet certain criteria—typically measured by high school GPA or college entry exam scores—regardless of household income.

Need-based aid is intended to expand access to higher education for low-income students. Financial aid is critical for their access to higher education and graduation. One study found that a $1,000 increase in grant aid reduced the likelihood that a student would drop out of college by 9.2 percentage points. Other studies have found similar effects, noting that aid targeted at low-income students can boost college retention and graduation rates.

States should increase their investment in need-based aid and increase the share of aid that is need-based. They should also make need-based aid available to all students attending public college and universities, including those who are undocumented or currently incarcerated. State need-based aid should be awarded to students on a first-dollar basis (meaning that grant awards would not be reduced if a student received other grant aid), and students should be able to use it to cover college costs beyond tuition and fees.