

Massachusetts Public Higher Education

Underfunded, Unaffordable, & Unfair

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April 2022



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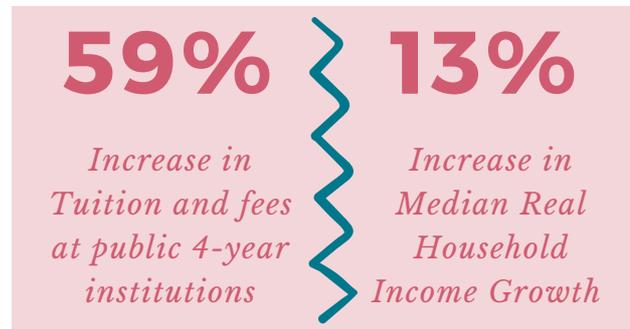
STATE DISINVESTMENT FROM PUBLIC HIGHER EDUCATION

Education, particularly higher education, is seen as the primary driver of economic and social mobility in the United States. However, over the last 20 years, we have witnessed severe funding cuts in states budgets for their public colleges and universities.

Massachusetts, often heralded as a leader in education, is no different. State funding for public higher education declined 20% per full-time student (FTE) between 2001 and 2020: from \$10,907 to \$8,728 (after adjusting for inflation). During that same period, state financial aid to students dropped over 35% per full-time student, from \$595 to \$386.

ONE OF THE FASTEST TUITION INCREASES IN THE NATION

To make up the loss of state funding, tuition and fees at the state's public colleges and universities increased at one of the fastest rates in the nation. After adjusting for inflation, community college students in Massachusetts have faced a 52% increase in tuition and fees since 2000. These increases were even higher for students at the state's four-year public universities - with tuitions and fees rising by 59% since 2000. This represents a \$7,423 price hike!

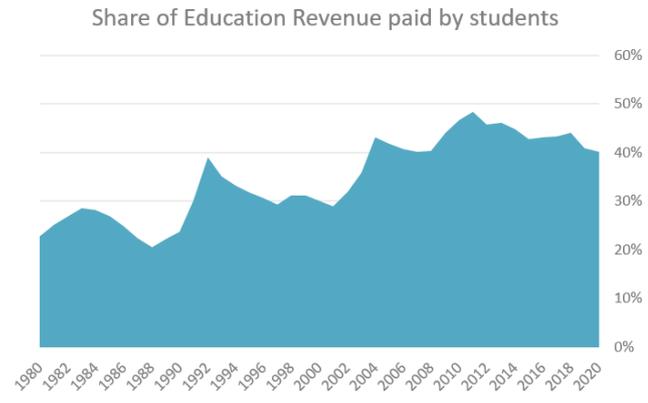


Sources: IPEDS Integrated Postsecondary Education Data System and U.S. And Census Bureau, Real Median Household Income in Massachusetts retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/MEHOINUSMAA672N>, November 12, 2021.

The rising price of college has exceeded both inflation and – even more dramatically – family income. Since 2000, median household earnings increased only by 13%, making it impossible for students and families to keep up with the price of a public college degree.

STATE DISINVESTMENT SHIFTED THE COST OF PUBLIC HIGHER EDUCATION TO STUDENTS AND FAMILIES

Unable to rely on adequate state appropriations, institutions have become over reliant on student-driven revenue. Today, 40% of a four-year public institution's total revenue comes from tuition and fees. In 1980, tuition and fees accounted for less than a quarter of their total revenue. With this shift and the decline in financial aid to students, the financial burden on public higher education students and their families is at an all-time high.



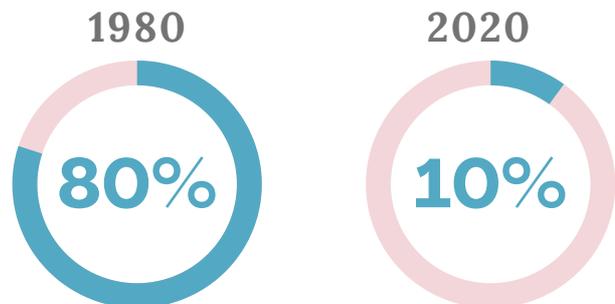
Source: The State Higher Education Finance (SHEF) report 2021

STATE GRANTS - A FRACTION OF TUITION AND FEES

The purchasing power of state grants has greatly eroded over the past decades thanks to cuts to financial aid and rising tuition and fees.

In the 1980's, students receiving aid through a MassGrant, the state's main need-based grant, had 80% of their tuition and fees covered at public four-year institutions. Today, the MASSGrant covers just 10% of tuition and fees. The same trend is seen across the entire portfolio of state grants and scholarships. In 2020, the state aid received by the average full-time student covered 4% of in-state tuition and fees - down from 20% in 2001.

Percentage of Tuition and Fees Covered by MASSGrant

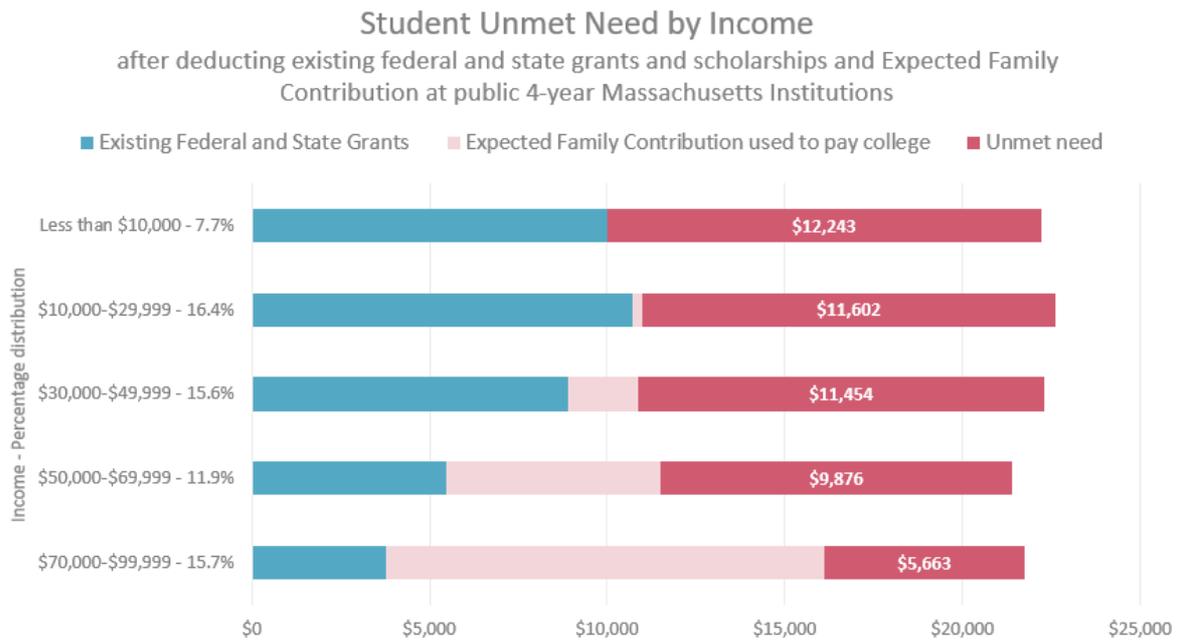


Source: Massachusetts Department of Higher Education, The State Higher Education Finance (SHEF) report 2021 and the Integrated Postsecondary Education Data System

GROWING UNMET NEED

The absence of an affordable path to a college degree through our public universities penalizes students who would benefit the most. Currently, students from low-to-moderate income households have unmet need exceeding \$10,000 per academic year.

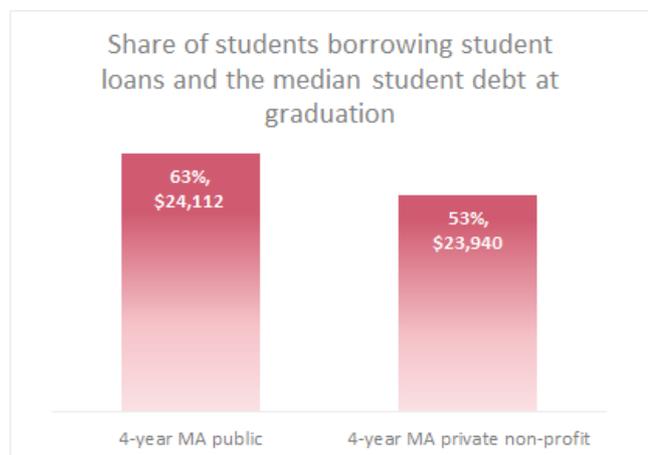
Students facing these levels of unmet expenses per year are forced to work longer hours while in college and/or take out larger amounts of student loans. Compared to those who do not work, students who have to work more than 10-15 hours are more at risk of not completing their college degrees. In addition, high debt puts these students at a significant economic disadvantage. Burdened with high debt immediately upon graduation, delays their ability to save and accumulate wealth, which increases household financial vulnerability to economic shocks. Combined, these factors serve to further exacerbate existing economic and racial disparities.



Source: U.S. Department of Education, National Center for Education Statistics, 2015-16 National Postsecondary Student Aid Study (NPSAS:16)

INCREASED NEED TO BORROW FOR PUBLIC EDUCATION

Historically, fewer students at public universities took out loans to pay for their degrees compared to those at private non-profit schools. This is no longer the case in Massachusetts. Today, a greater share of students at our public universities borrow compared to their peers at private non-profit universities (63% of students at public universities vs. 53% of those at private universities), and their debt at graduation has started to exceed the amounts borrowed at private colleges (\$24,112 vs \$23,940).



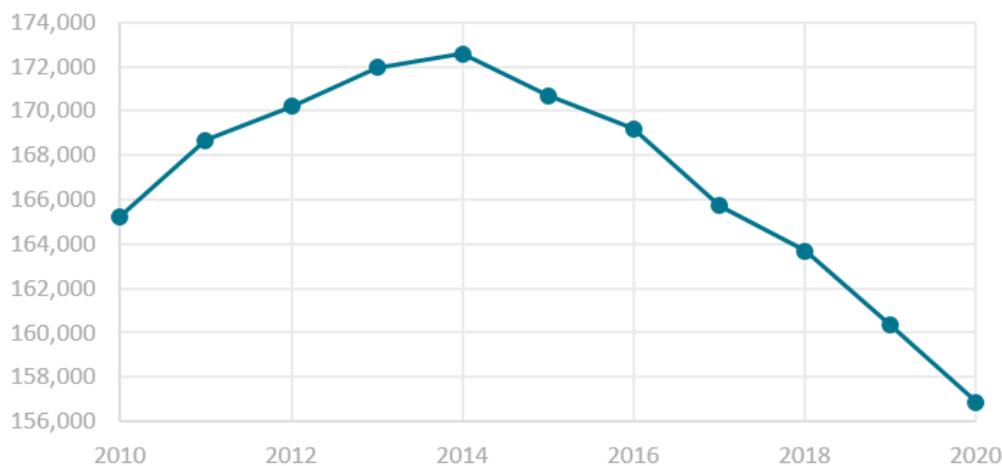
Sources: U.S. Department of Education College Scorecard dataset- Share of student with debt dates from 2019-20, and the median student debt dates from 2018-19.

PRICED-OUT OF PUBLIC HIGHER EDUCATION

Attending and graduating from one of our state universities is increasingly out of reach for far too many. The COVID-19 pandemic has made higher education even more unattainable and we are seeing growing numbers of would-be college students opting out of higher education altogether.

Undergraduate enrollment at all state public colleges and universities dropped 6.9% in 2020 and again 4.2% in 2021. Community colleges saw the sharpest enrollment declines, particularly among first-year Black and Latino students, with enrollment between 2019 and 2020 dropping by 33% among these groups.

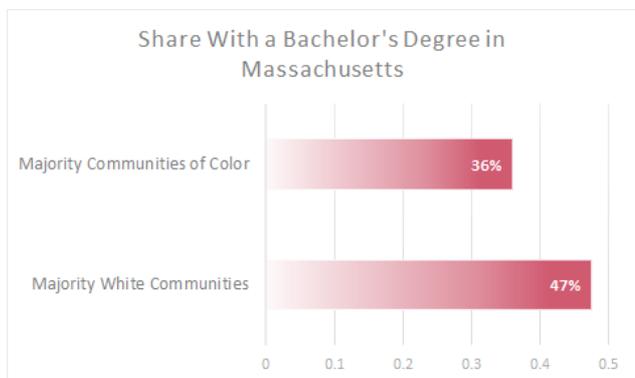
Net FTE Enrollment at Massachusetts Public Colleges and Universities



Sources: The State Higher Education Finance (SHEF) report 2021

Until we address the fact that chronic disinvestment has priced out those who stand to gain the most through higher education, we will continue to see negative enrollment trends that further disenfranchise communities most in need of investment.

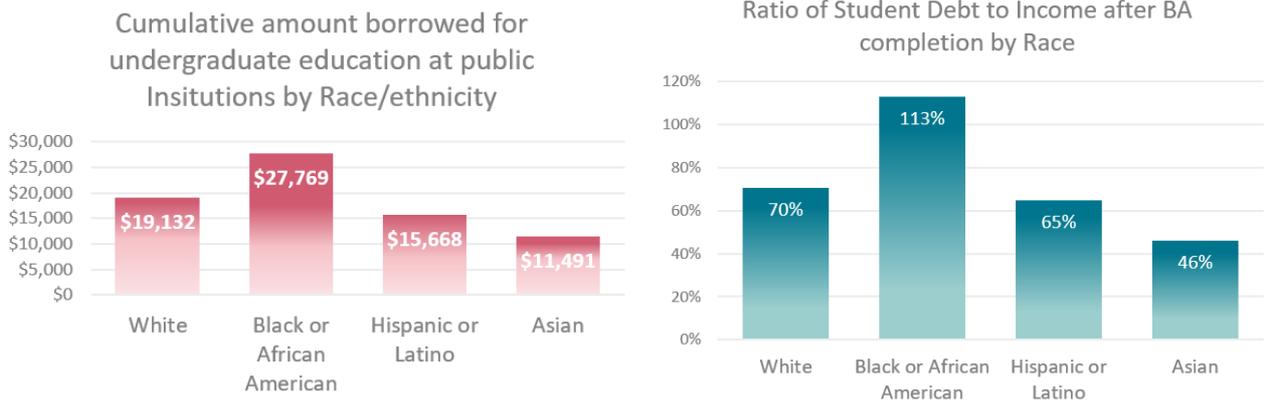
As with many disparities, this has severe racial equity implications. Today, only 36% of adults in Massachusetts communities of color hold a bachelor's degree, while this percentage reaches 50 in predominantly white communities. If we continue down this road of disinvestment, those disparities will widen reinforcing education and wage gaps down the road.



Source: Breno Braga, Alexander Carther, Cassandra Martinchek, Signe-Mary McKernan, and Caleb Quakenbush. 2021. Debt in America 2021. Accessible from <https://datacatalog.urban.org/dataset/debt-america-2021>.

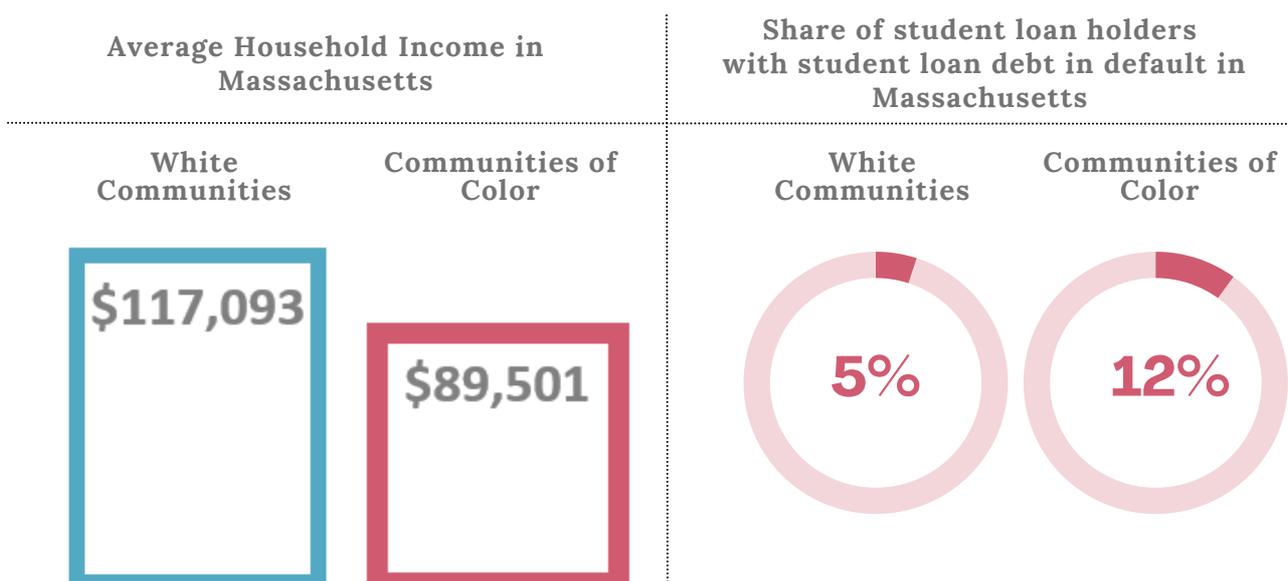
HIGH COLLEGE DEBT IS PARTICULARLY BURDENSOME FOR BLACK/AFRICAN AMERICAN STUDENTS

Black/African American students are borrowing significantly more than their peers. While this has often been attributed to their disproportionate enrollment in for-profit colleges, data shows that similar borrowing patterns are present at public institutions around the nation. Black/African American students who attend public universities hold significantly more student debt than students from any other racial groups*.



Source: U.S. Department of Education, National Center for Education Statistics, Baccalaureate and Beyond- 2016/2017 (B&B).

The low levels of financial and other resources available to Black/African American students enrolled in college are largely to blame for their comparatively high levels of debt. This lack of support eventually results in burdensome debt to income ratio for Black graduates, compounded by the fact that they have lower post-graduation salaries than their peers, due to labor market discrimination and occupational segregation.



Source: Breno Braga, Alexander Carther, Cassandra Martinchek, Signe-Mary McKernan, and Caleb Quakenbush. 2021. Debt in America 2021. Accessible from <https://datacatalog.urban.org/dataset/debt-america-2021>.

*The percentages presented in first two graphs are not specific to Massachusetts, but all the United States.

Note: throughout this report, various terms are used to refer to different racial and ethnic groups. The use of different terms is intended to accurately reflect the framing used in the methodologies of the various underlying studies cited.

OPPORTUNITIES FOR MASSACHUSETTS

There are encouraging developments in Massachusetts in terms of higher education equity. In recent years, the Board of Higher Education (BHE) and Department of Higher Education (DHE) have taken an active role in focusing on equity across four policy levers finance, access, retention, and completion.

Delayed by the pandemic, the DHE is now in the process of developing a 10-year Statewide Strategic Plan to guide the public higher education system and individual institutions in advancing equity, particularly for students of color.

These efforts include:

1. A comprehensive new plan to achieve racial equity for students attending Massachusetts public colleges and universities. To implement its Equity Agenda, the DHE, with the support of the Lumina Foundation, launched a three-year policy and program audit in which staff will recommend policy changes necessary to ensure racial equity across public postsecondary education in Massachusetts.
2. The BHE, with assistance from EY-Parthenon, is in the process of conducting a strategic review of higher education public financing in Massachusetts.

New analyses from this DHE audit, points to unmet financial need as the main culprit for persistent achievement gaps. But addressing affordability gaps alone will not achieve racial equity. The current financing system fails to respond to the needs of an increasingly diverse student population.

In order to truly begin the work of addressing this systemic inequity, the state must overhaul higher education public financing. In establishing a new financing framework, its ability to align state programs and policies to meet the financial need of students while equipping public institutions with the funding they need to foster inclusive campuses and to support the needs of underrepresented student populations will undoubtedly be a critical component.

After two decades of disinvestment, we're too far down the road to expect a few reforms will re-chart a new course for our public institutions and students. Years of inaction will force the state to finally decide the role the Commonwealth, which prides itself on being the birthplace of public education, should play in post-secondary public education.

Numerous studies have shown that states benefit from a significant rate of return for their investment in high-quality public higher education. One recent study concludes that "in addition to the many other benefits from higher education, public financial support of college education pays for itself many times over."

Meanwhile, for individuals, the rate of return of a college degree is on the decline. The high price of college coupled with the need to repay increasing levels of debt have eroded the income and wealth premium of college particularly for black and Hispanic graduates.

Fortunately, providing an education that leads to upward mobility does not have to be prohibitively expensive. The Mobility report cards, developed by Opportunity Insights show that colleges that are not highly selective institutions - such as the California State colleges and a number of community colleges - have relatively low annual expenditure but high mobility rates for low-income students. From a policy perspective, it would be valuable to better understand and learn from these systems, so that Massachusetts can strike the right balance of reducing administrative bloat that is raising costs without benefiting students, while investing in instruction and support services that ensures students persist and complete their degrees.

WHAT CAN BE DONE NOW?

The state must immediately address the unmet need that students are shouldering at our public colleges and universities. While we have seen numerous bills filed to address inaccessibility and unaffordability of public higher education, the Hildreth Institute believes that state officials should seriously consider the framework put forth by H.1339/S.829 An Act to Guarantee Debt-Free Public Higher Education.

The Debt-Free program proposed by this legislation guarantees that all Massachusetts students have the ability to get a tuition-free public degree. This bill would also provide new grant money for Pell-eligible students who still have unmet needs. This critical new grant funding will help low-to-moderate-income students cover costs beyond tuition and fees- unmet need for which they must take out loans for or work at rates that impact their schooling.

The Debt-Free program could be implemented by expanding on the existing MASSGrant Plus program, a pilot program created in 2019 as a last-dollar grant to cover unmet need, including tuition, fees, and books at Massachusetts' 15 community colleges. It was expanded to Pell-eligible students attending State Universities in 2021.

RECOMMENDATIONS



1

Expand MASSGrant Plus

Students at all segments of public higher education should be eligible



2

Broaden MASSGrant Plus

Students should be able to use this grant to cover unmet need on total educational costs rather than just tuition, fees and books. The current last-dollar allocation of the MASSGrant Plus is regressive as it provides the smallest financial benefit to lower-income students whose existing need-based aid already covers a large portion, if not all, of these direct costs (see our previous report of this [HERE](#)).



3

Increase MASSGrant Plus

Increase MASSGrant Plus funding so that it can meaningfully cover the true unmet need of students enabling them to graduate with little to no student debt.

A clear commitment from the state to cover students' unmet need would ensure that students will no longer shoulder the cost of our public higher education system. State and public higher education institutions must reach consensus on adequate institutional funding levels to ensure efficiency and quality.

The cost of providing debt-free college will depend on which segments of the public higher education it covers and how unmet need is calculated. The table below shows different cost estimates generated by the Department of Higher Education for MASSGrant Plus eliminating students unmet need on total educational costs (based on 2018). Unmet need is defined as the sum left over after a students' Expected Family Contribution (EFC) and non-loan aid are subtracted from the student's total educational costs.

Debt-Free Public Higher Education		
Cost of covering unmet need on Total Cost of Attendance		
	For MassGrant Plus Eligible Students	For all
Community College	\$277,100,000	\$424,200,000
State Universities	\$219,400,000	\$258,000,000
University of Massachusetts	\$275,200,000	\$332,800,000
Total	\$771,700,000	\$1,015,000,000

Source: <https://www.mass.edu/datacenter/201910AdvancingEquityAgenda.asp>

LONG-TERM CONSIDERATIONS

Our disinvestment of public higher education has made an education at any of Massachusetts’ public universities unfeasible for far too many. This continues to disproportionately impact students of color and students from low-income families, for whom attaining a college degree could truly change their trajectory in life.

If Massachusetts wants to better address its students' educational needs as well as its workforce needs, the state must reverse its underfunding and protect public higher education against future budget cutbacks. A recent study from the Federal Reserve of Boston points to the negative impacts reduced state appropriations has not only on our students and public higher education institutions, but also on employers and the general economy. The report urges robust re-investment in public higher education concluding that “If states need to raise more revenues to safeguard public colleges and universities, the social, economic, and fiscal benefits associated with public higher education likely will justify the additional costs to taxpayers.”

Unable to secure adequate state funding, our public institutions have faced existential crises having to grapple with competing priorities, from meeting enrollment targets, securing tuition revenue, to maintaining academic quality and ensuring that students have the support they need to persist and complete their degrees. This has resulted in fewer seats for lower-income students. As schools become too reliant on tuition for revenue, they focused on recruiting wealthier students offering them financial aid that might otherwise benefit economically disadvantaged students. According to the Institute for Higher Education Policy, most state flagship schools, funded by taxpayers to serve low-income students, are no longer affordable even for students from middle income households.

The combination of declining state funding and enrollment has led officials in other states to consider complicated and risky schemes to consolidate their public colleges, which can have unintended negative consequences for entire communities. Instead, we should focus on the untapped potential for significant enrollment growth in communities which have traditionally been underrepresented in higher education.

Massachusetts seems poised to address these issues with potential legislation, like the Debt-Free Public Higher Education bill, and recent steps taken by the Department of Higher Education to analyze and take strategic steps towards formulating a new equity-minded and evidence-based financing framework.

According to a recent equity analysis done by [MassBudget](#), a debt-free public higher education would provide an affordable degree to 44,000 students of color; 39,000 students from families making less than \$30,000/year; 70,000 female students; and 16,000 part-time students.

For years, the disinvestment in public higher education has turned students into collateral damage. Now that we are looking toward how to make strategic investments to move forward during the COVID-19 pandemic, it's imperative that states begin to address the mass exodus of students at their public colleges and universities. If they are expected to continue to shoulder an undue burden of debt and unmet need to attain a degree, we can speculate that the number of those foregoing a degree all together will only increase – turning what used to be a beacon of hope for many in terms of economic and social mobility into an unattainable and impractical dream for most.



Hi Hildreth Institute

Hildreth Institute is a research and policy center dedicated to restoring the promise of higher education as an engine of upward mobility for all.

There are no achievement gaps only opportunity gaps, and it is our job to close them.



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