



# **ANNUAL RESOURCE GUIDE**

2021

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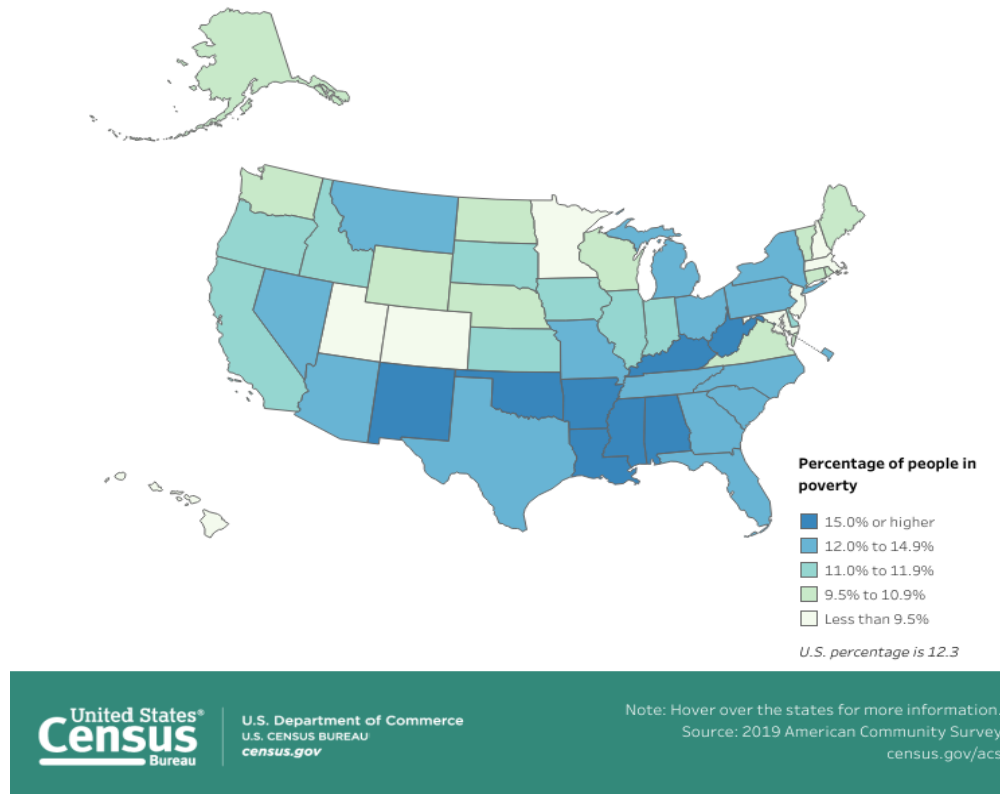
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# STATE OF THE STATE

## POVERTY AND INCOME IN ALABAMA

In measuring the economic health of a region, poverty and income are key indicators of quality of life. Higher income levels encourage industry, spending, and greater production. Increases in income usually bring more jobs and lower unemployment as companies and innovative startups find inspiration and available funding in the region.

### 2019 Poverty Rate in the United States

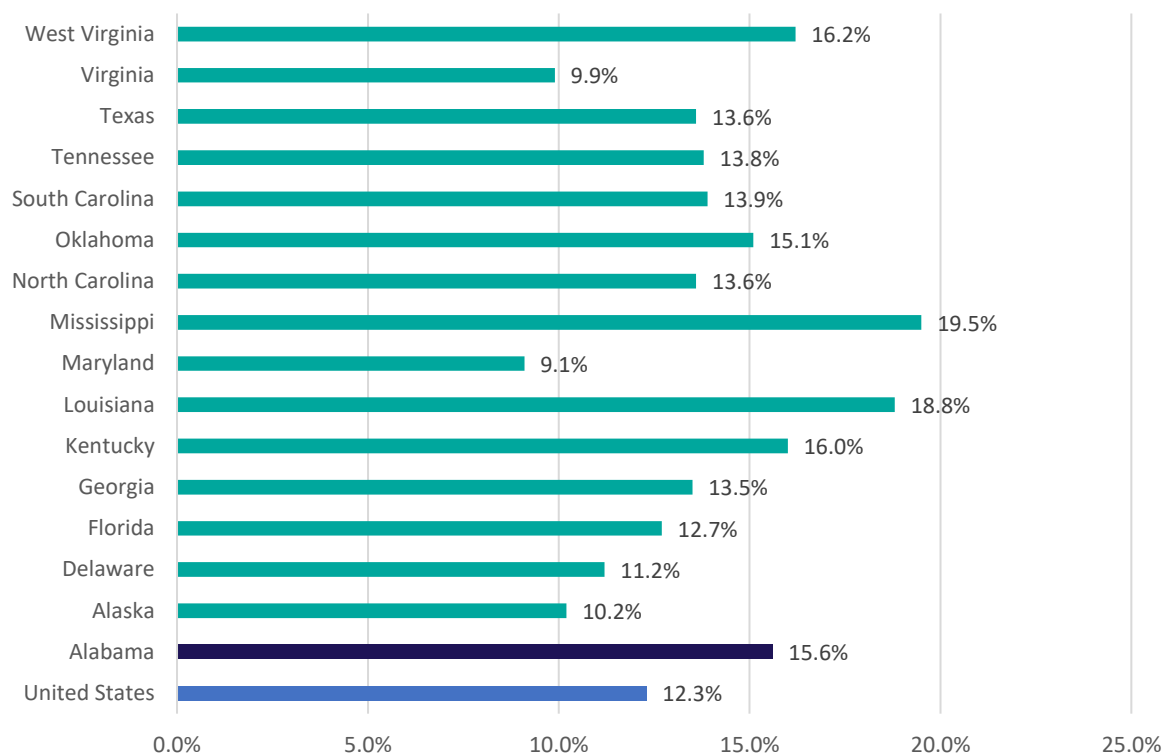


On the other hand, lower income levels (and higher poverty levels) are related to increased likelihood of negative outcomes. Not only do lower income levels mean there is less possibility for economic activity, studies have shown that lower income levels are related to worse health outcomes, increased crime, lower levels of high school graduation and academic proficiency, and difficulties in recruiting new industries to an area.

### *What does the poverty rate really mean?*

The Poverty Rate (or percent of the population in poverty) measures how many individuals live below a federal threshold, based on a consistent formula that takes into account income and family size. In 2020, the maximum income limits The Census Bureau measured poverty for a family with two kids and two adults at annual total income of **\$26,246**<sup>1</sup>.

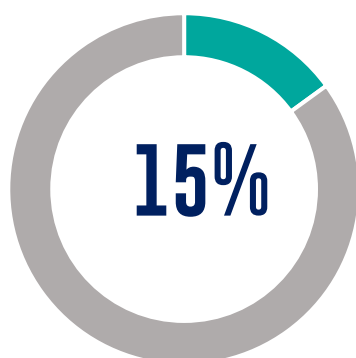
## Percent of Population in Poverty (2019) SREB Region



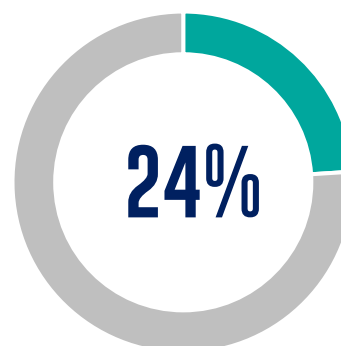
Source: Small Area Income and Poverty Estimates (SAIPE) program,  
U.S. Census Bureau

**ALABAMA HAS THE 7<sup>TH</sup> HIGHEST POVERTY RATE IN THE NATION<sup>1</sup>**

Families who Are Food Insecure  
(In Ala., 2020)



Children in Poverty  
(In Ala., 2020)



Source: SREB, 2021 College Affordability Profile<sup>1</sup>.

## INCOME

The poverty rate alone is not always indicative of the full living conditions of those in a region. Because many individuals live slightly above the poverty line or face economic instability that might cause them to fall below the poverty line throughout the year.

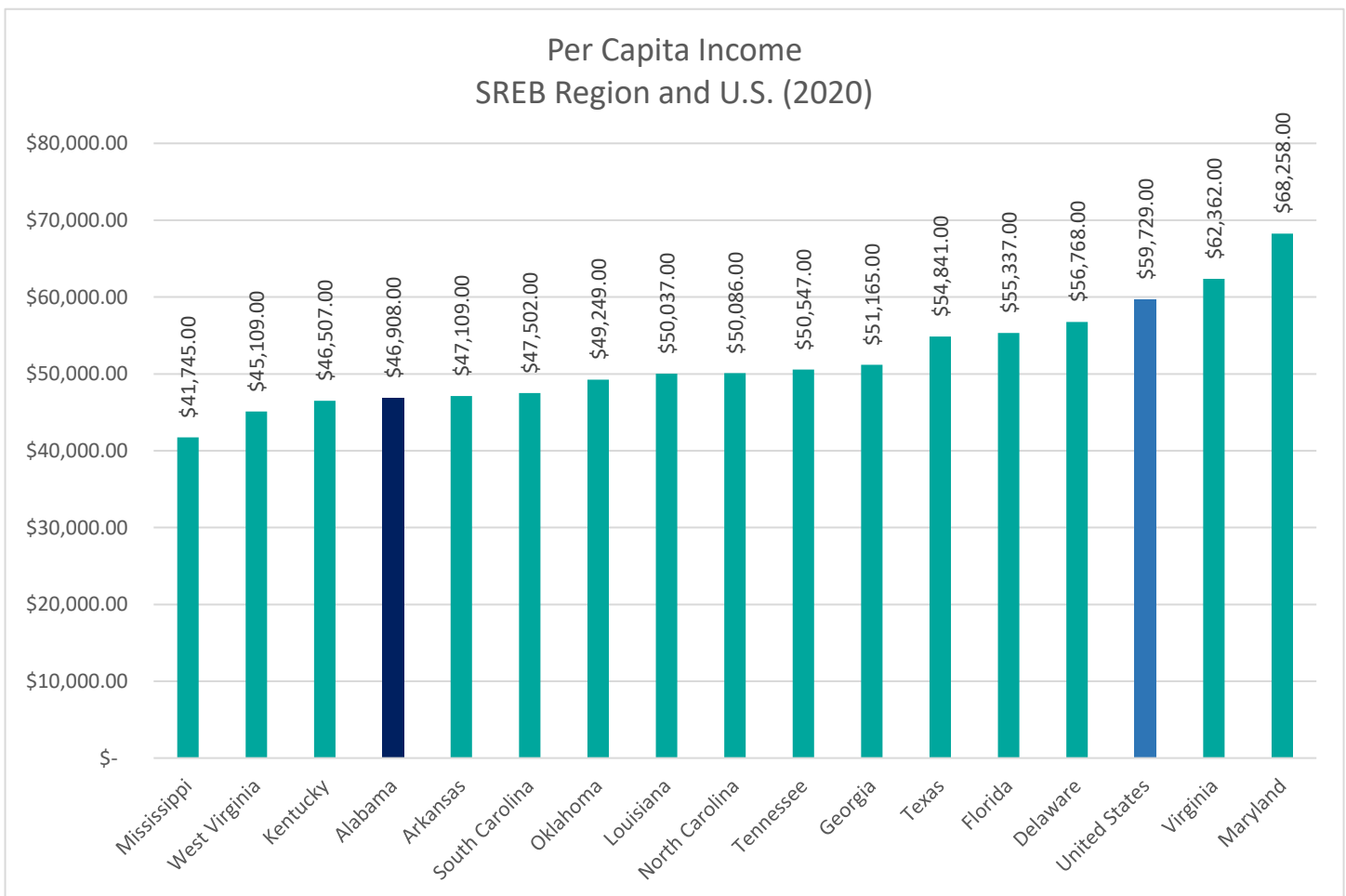
For these reasons, we also analyze income levels as a measure of economic health.

Income levels move in opposition to poverty rates – as income levels rise, poverty rates decrease, or improve.

## ALABAMA RANKS

# 46<sup>TH</sup>

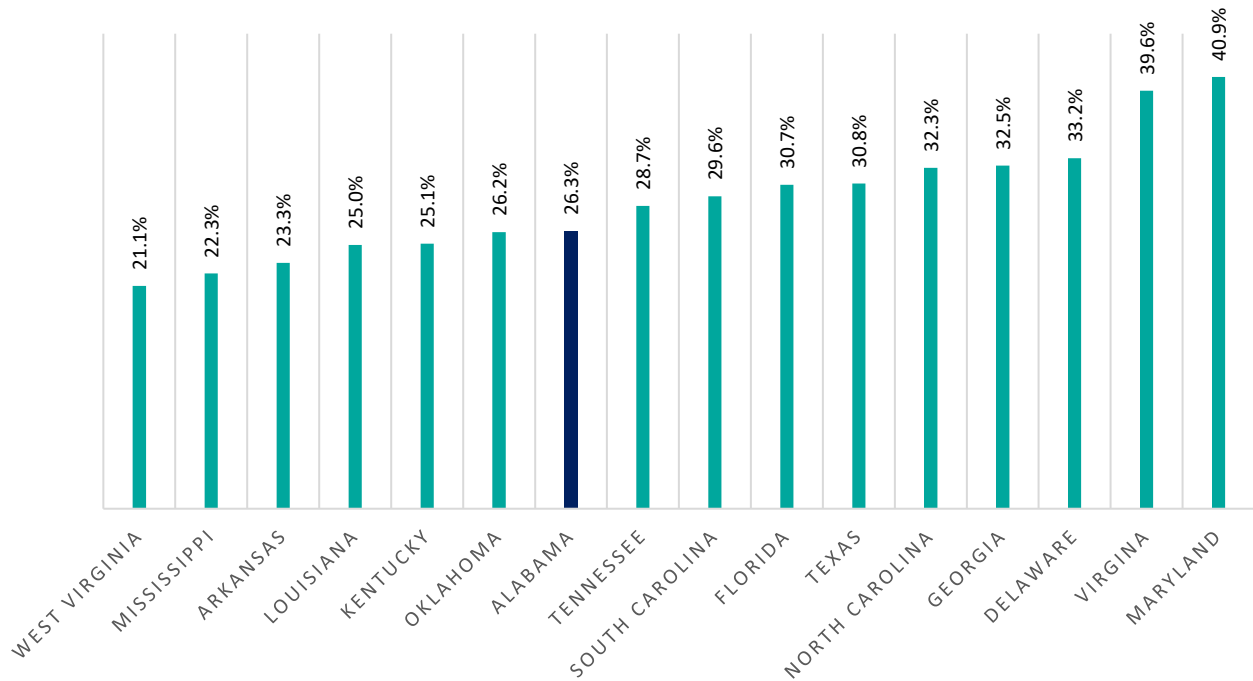
## IN PER CAPITA INCOME, NATIONALLY.



Source: Federal Reserve Bank of St. Louis. U.S. Bureau of Economic Analysis. Release: Personal Income by State.

## EDUCATIONAL ATTAINMENT

### POPULATION 25+, BACHELOR'S DEGREE OR HIGHER, 2019 (SREB REGION)

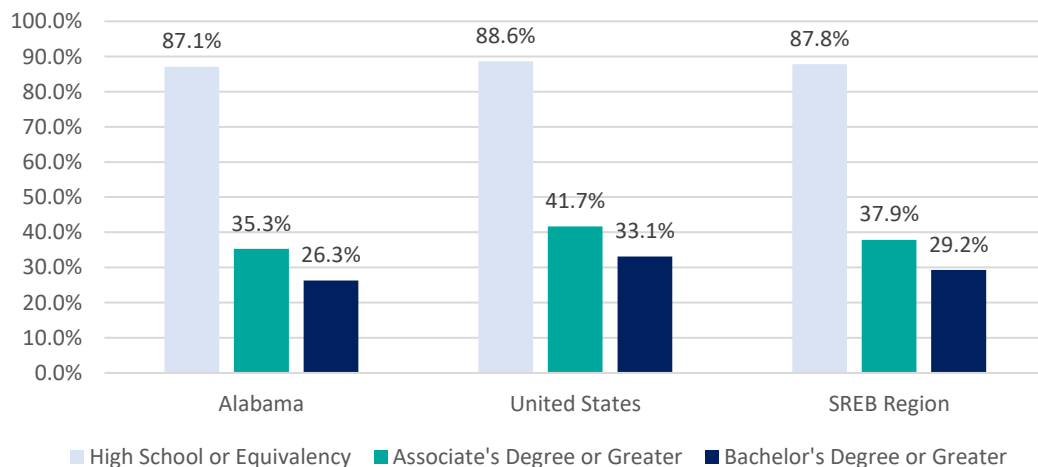


Alabama also lags in levels of educational attainment and proficiency.

Merely 26.3 percent of Alabamians over 25 have a Bachelor's Degree or higher. This is almost 7 percentage points behind the national average.

In 2019, 43 percent of the working population in Alabama had only a high school

### Educational Attainment of the Working Population (2019)



Source: U.S. Census Bureau, Current Population Survey, 2020 Annual Social and Economic Supplement

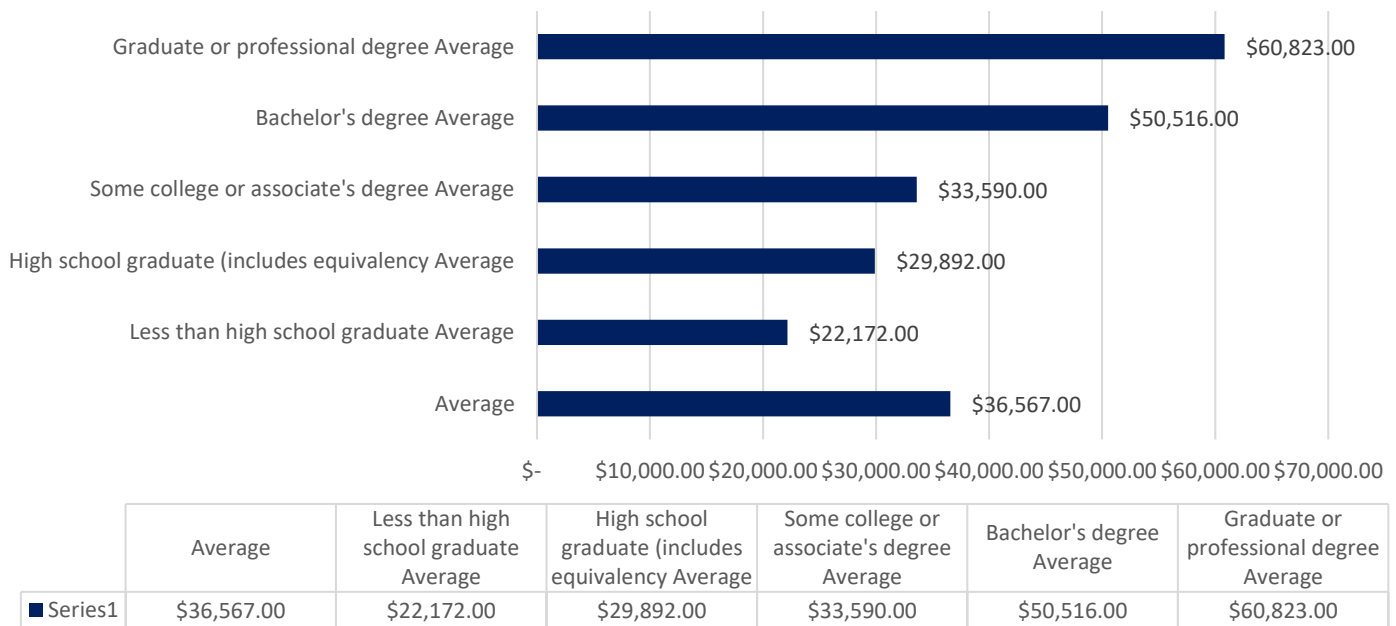
# VALUE OF HIGHER EDUCATION

## EDUCATION PAYS

Higher education is the most significant predictor of income level. Research shows that a college degree offers significant increases in annual income, adding up to be worth over \$1 million in lifetime earnings for an individual with a Bachelor's Degree than their peers without.

The Georgetown Center on Education and Workforce found that a college degree can bring an earnings premium of 85 percent annually. In Alabama alone, in 2019, college grads were expected to make around \$20,000 more than their peers without a Bachelor's Degree (seen in graph below).

Average Annual Earnings for Alabamians, by Education Levels  
(2019)



In the national SHED survey, almost all of those with a Bachelor's Degree or higher said they "At least doing okay financially," compared to merely 75% of those with an Associate's Degree and 63 percent of those with a high school diploma alone<sup>i</sup>. Those with higher levels of educational attainment were significantly less likely to feel that they were unable to meet their monthly bills or cover a \$400 emergency expense.

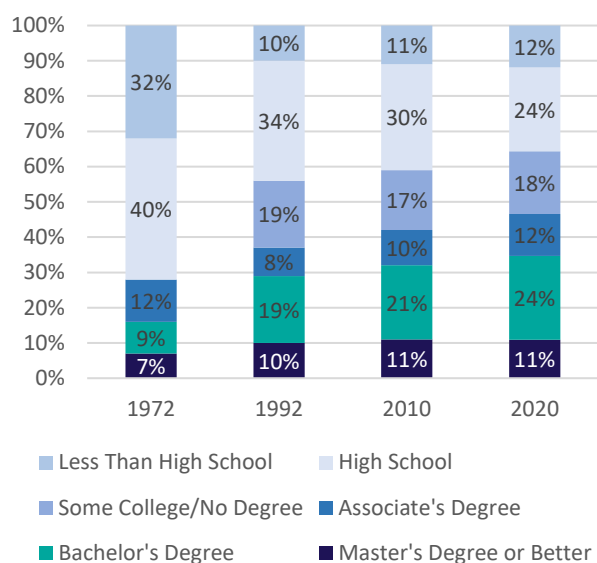
In response to the COVID-19 pandemic, those with a Bachelor's Degree were 7 percent less likely to lose their jobs as than their peers without. This mirrors similar trends throughout history that have shown a college degree is a strong protective factor against unemployment during economic crises<sup>ii</sup>

## DEMAND FOR JOBS

The Bureau of Labor Statistics predicts that employment opportunities for those with Bachelor's Degrees or higher will have the strongest growth over the next decade (right).

This reflects a trend over multiple decades that shows the increased demand for a Bachelor's Degree in the workforce (below).

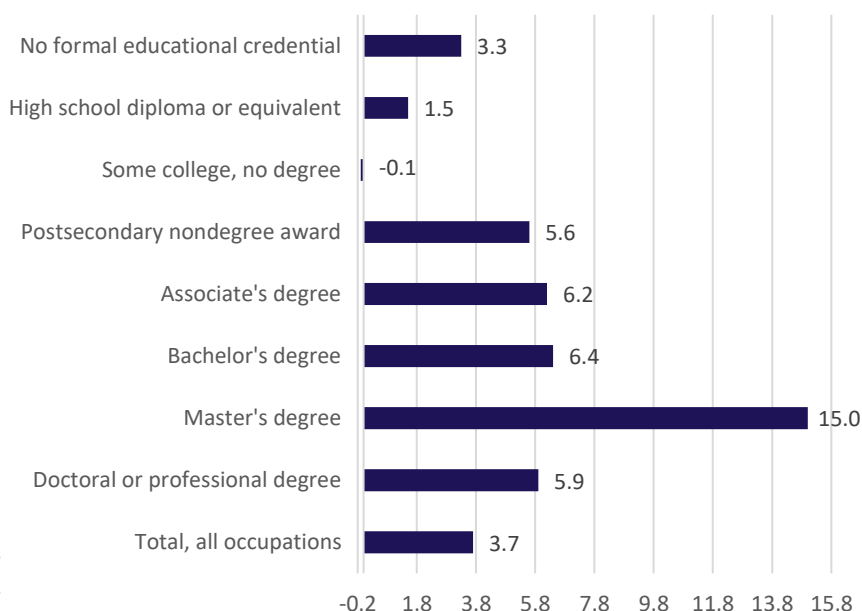
Demand for Jobs by Education Level, Selected Years



The SREB reports that 30 percent of work activities in Alabama could be automated by 2025 and that adults without a Bachelor's Degree are more likely to be displaced as a result of this automation.

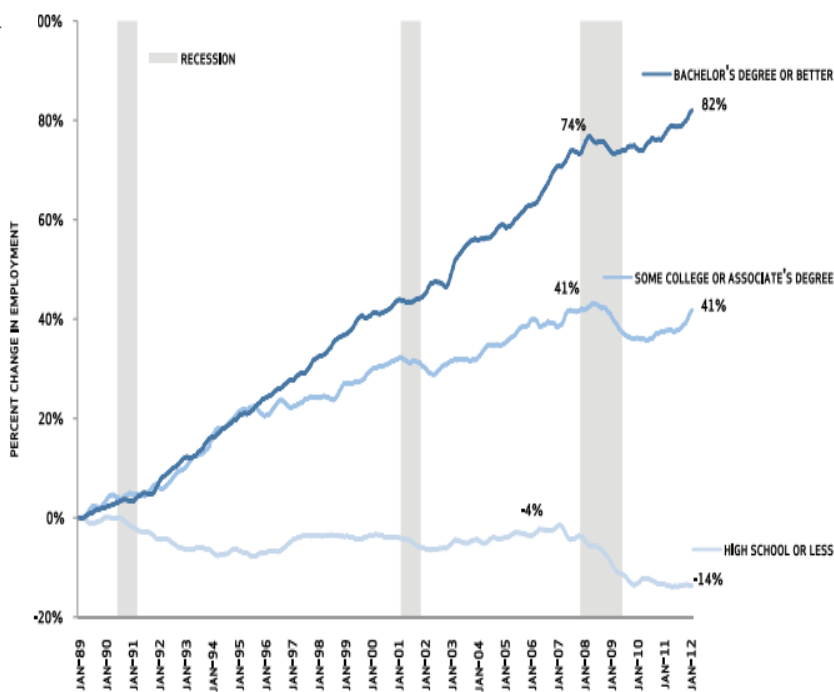
Georgetown's Center of Education and the Workforce reported that the most in-demand competencies of the next decade are "cognitive competencies" like critical thinking, creativity, communication, and teamwork. They found that these competencies are most easily communicated to employers through a Bachelor's Degree or higher.

Employment change, percent, 2019-29



**Historically, the greatest job growth post-recession has been for those with a Bachelor's Degree or better (below).**

As the U.S. recovers from the COVID-19 pandemic, it's reasonable to expect this trend to continue.



Georgetown Center on Education and Workforce



# FUNDING HIGHER EDUCATION

## INTRODUCTION

Higher Education funding in the U.S. comes from 3 primary sources:

- State Appropriations
- Endowments
- Tuition and Fees

This resource guide will focus on the relationship between state appropriations and tuition and fees. Business Insider found that this relationship was the most significant factor in determining cost to students<sup>iii</sup>.

### *Where does the money go?*

The largest expense for Universities is Instruction Costs – this covers faculty, staff, and your day to day experience in the classroom. Other top expenses include:

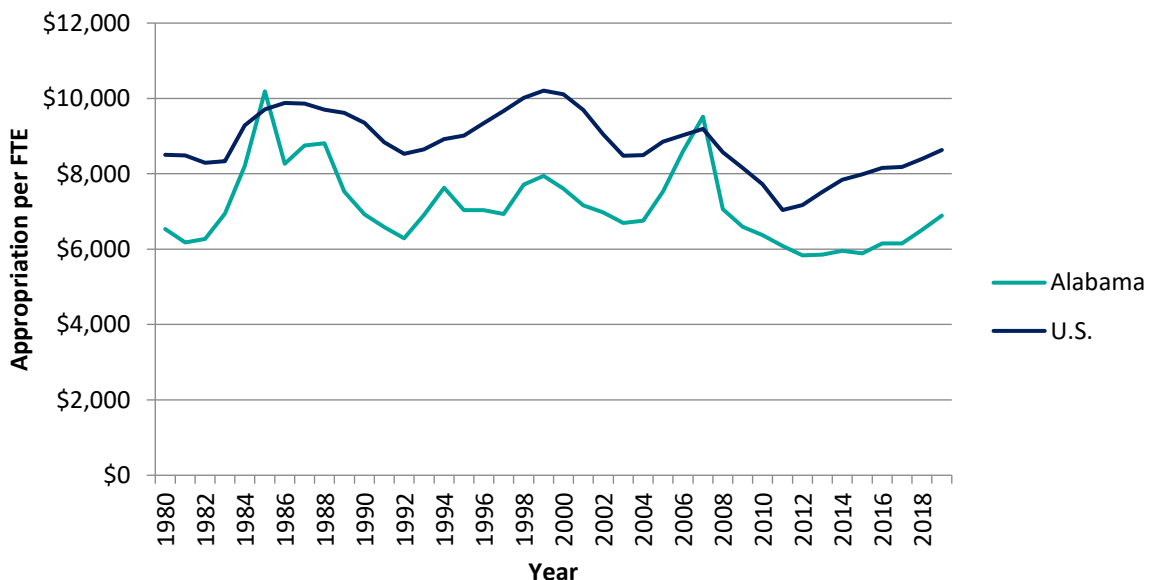
Student Support Services      Hospital and Health Services

Research and Innovation      General Operations<sup>iv</sup>

## STATE APPROPRIATIONS

The State Higher Education Executive Officers (SHEEO)'s annual report found that in most states across the U.S., higher education funding has still not fully recovered from the 2008 recession when adjusted for inflation. Though funding in Alabama (and across the U.S.) has trended upwards over the last few years, there's still a significant difference. **In Alabama, as of 2019, state spending per student still lagged 34.8 percent behind 2008 levels when adjusted for inflation.**<sup>v</sup>

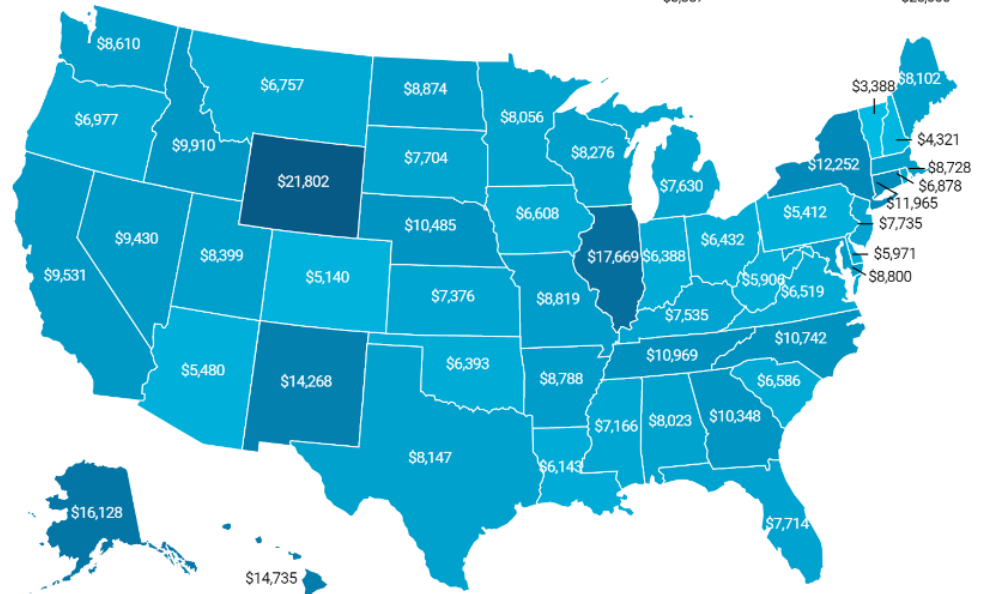
### Higher Education Appropriations Over Time (unadjusted)



## ALABAMA EDUCATION FUNDING LAGS BEHIND

Map of Education Appropriations Per FTE, FY 2020 (Adjusted)

Education Appropriations Per FTE

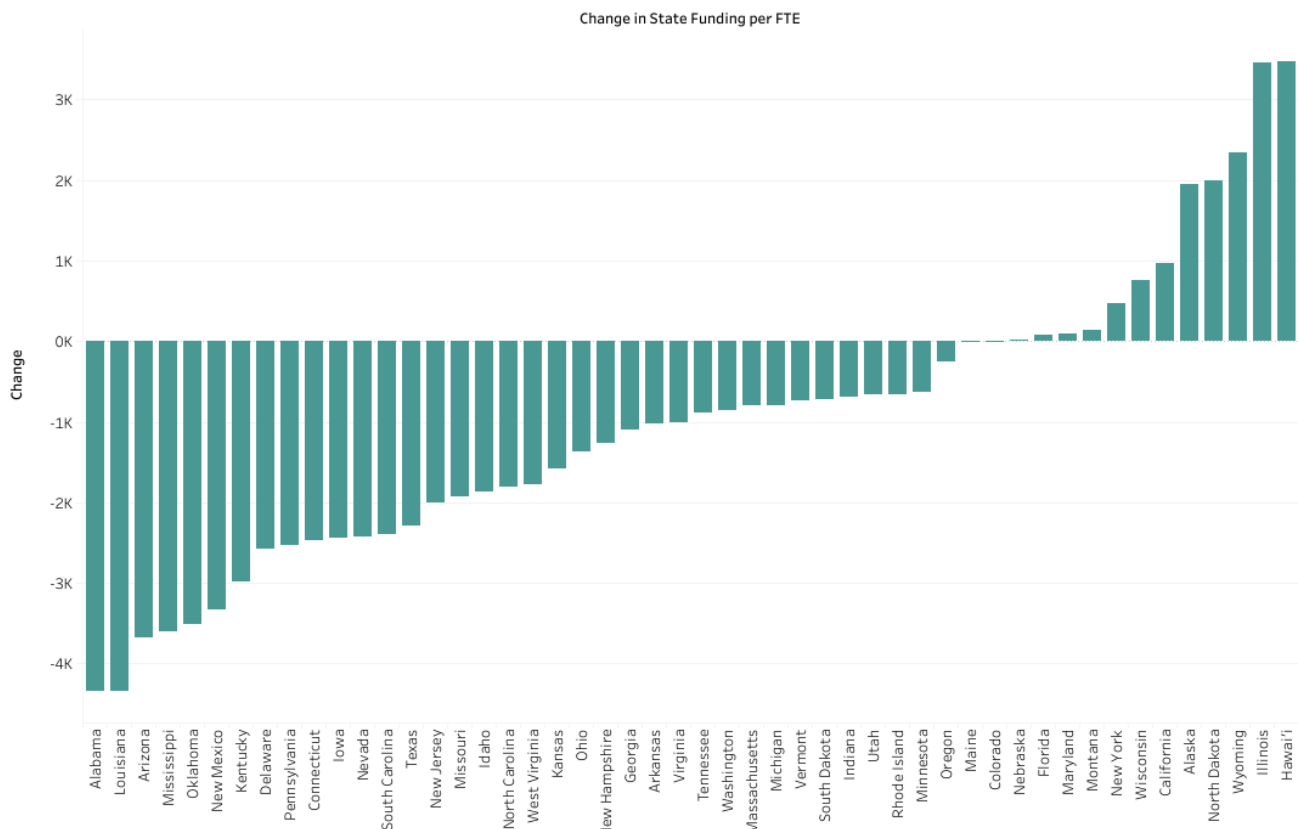


The enacted version of the FY 2022 ETF Budget totals just over **\$7.6**

**BILLION.** The subtotal for Colleges and Universities was \$1,330,709,121. This is a positive budget for education, seeing growth in nearly every area. This success in increased revenue despite the global pandemic and economic strife is in part due to the Rolling Reserve Act of 2011, which the Partnership helped to support.

Despite growth in recent years, Alabama's budget still lags behind the region and the nation. Per FTE allocations in Alabama are more than \$4,000 lower than they were in 2008, when adjusted from inflation – the most discrepancy of any state (seen below).

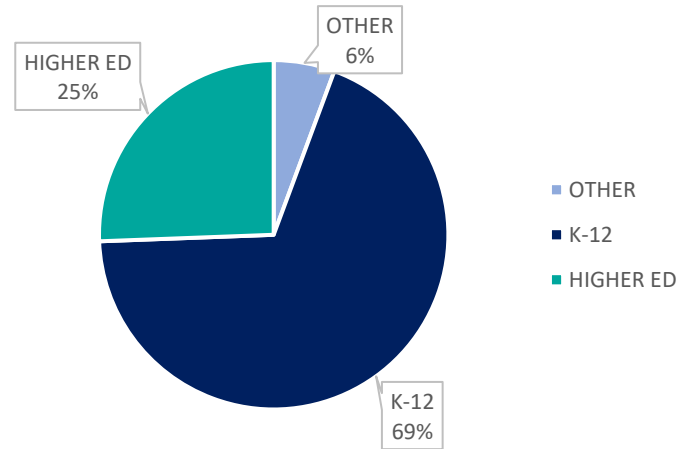
Change in State Funding per FTE, 2008-2019



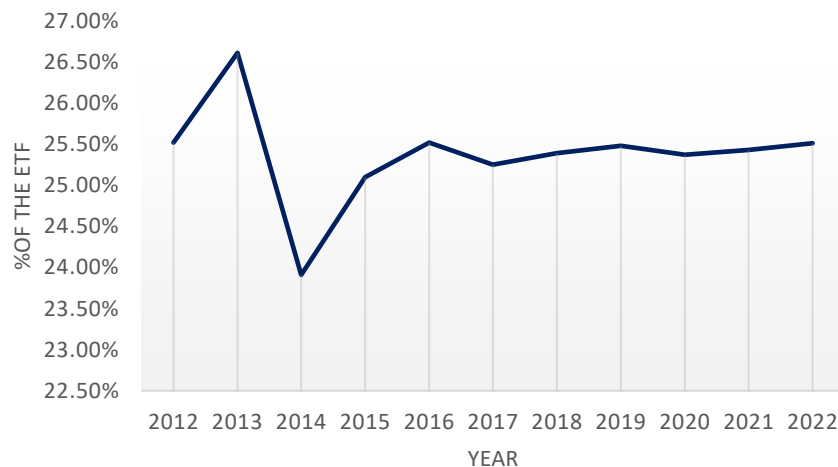
## DISTRIBUTION OF FUNDING BETWEEN K-12 AND HIGHER ED SHOWS THE GAP

Since the early 1990s, Alabama public universities have suffered from a change in the funding formula. Prior to 1995, state funding for public education was split: one-third (Higher Ed) to two-thirds (K-12). By moving away from that distribution, the state has created a void that has resulted in Alabama's universities falling behind other states. The lack of competitive state appropriations has a negative impact on salaries, tuition, and accessibility. This points to the need to base funding decisions on a sound formula. Universities do not seek to decrease funding for other sectors of public education, but rather to have a reasonable balance that encourages the state to prosper.

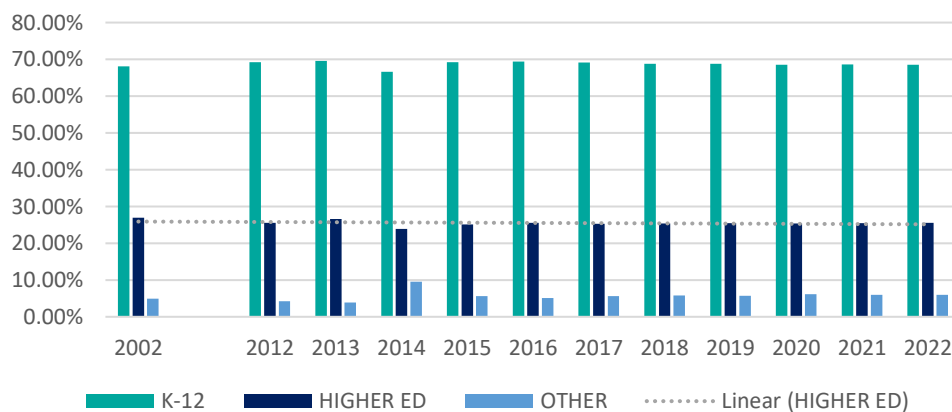
ETF Allocations FY 2022 Enacted



HIGHER ED, % of the ETF OVER TIME



ETF Split Over Time



Source:  
Alabama LSA.  
Budget  
Spreadsheets.

## HIGHER ED FUNDING DISCREPANCIES BY SECTOR – 2 YEAR SCHOOLS ARE RECEIVING MORE

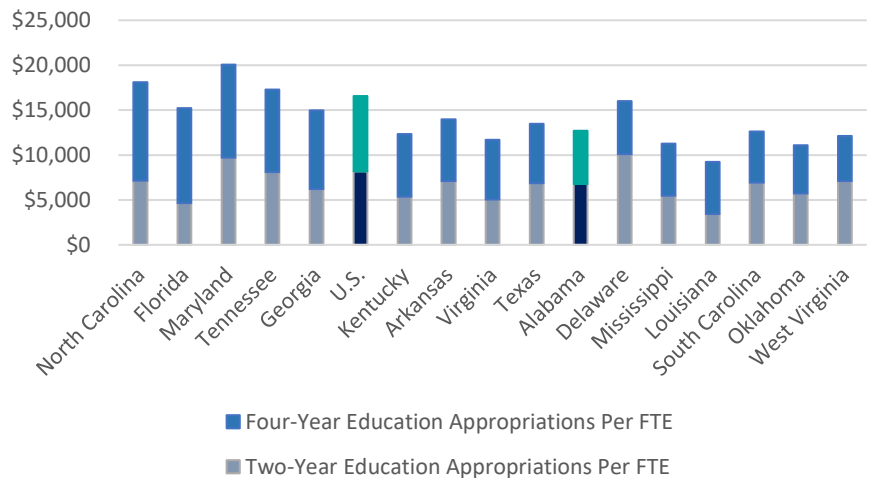
The comparison between Alabama's higher ed funding for 2-year colleges and funding for 4-year colleges shows dramatic differences. Two-year schools are receiving significantly more per FTE than four-year schools.

This is in opposition to the national average, which funds 4-year schools at higher rates.

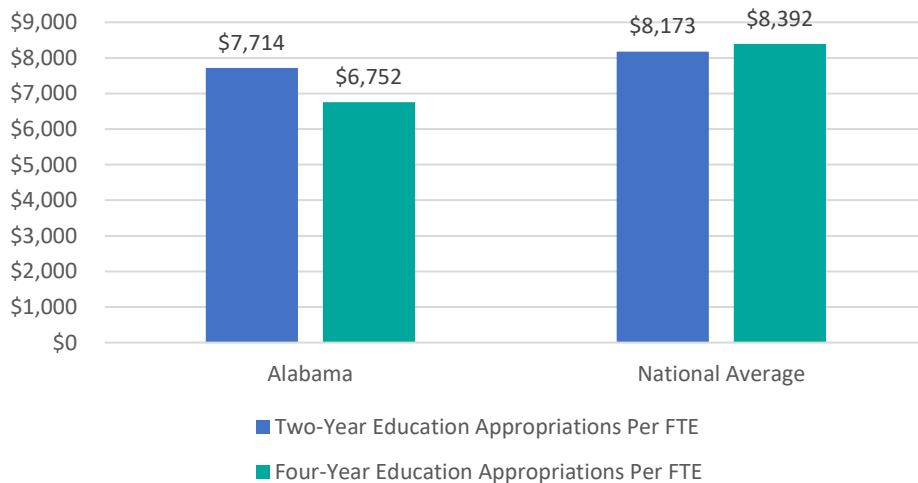
While Alabama lags behind the region and the nation in funding for schools, this discrepancy only deepens the divide as four-year schools are shown to create greater earning potential and, thus should be funded more competitively.

Percent of "Higher Education" Allocation FY 2022 Budget	
Community Colleges	24%
Colleges and Universities	68%
Other/Misc.	8%

Education Appropriations per FTE, FY 2020,  
SREB States



Public Education Appropriations per FTE  
(constant adjusted USD)



**IN ALABAMA  
FUNDING PER FTE  
FOR 2-YEAR  
SCHOOLS IS**

**14 %**

**HIGHER THAN FOR  
4-YEAR SCHOOLS.**

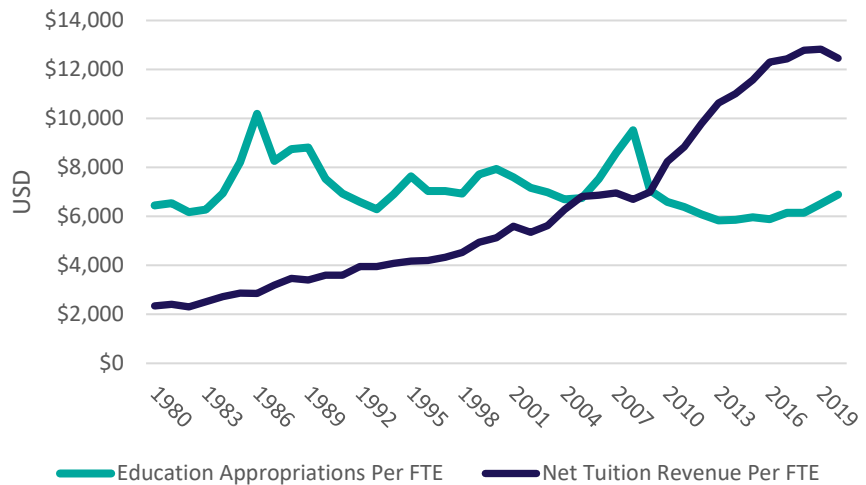
## LOWER FUNDING PUSHES COSTS TO STUDENTS AND FAMILIES

When one source of funding for higher education suffers, University budgets are put in a tight squeeze as they do their best to protect students and families while offering the highest quality educational experience.

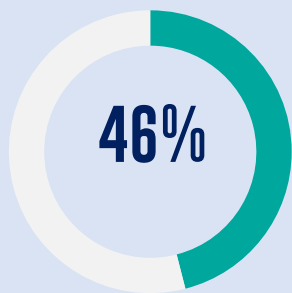
Reliance on tuition and fees to cover operation expenses has continued to grow over the last century.

In 1991, the student and family overall portion of funding per students was only about 29 percent, but by 2016 students and families contributed nearly half of all revenue for operational expenses. During that same period, the state share of overall funding decreased from approximately 70 percent of expenses to only about half. These are further indicators of the challenges facing Alabama.

Dollars from ETF and Tuition Over Time  
(Alabama)



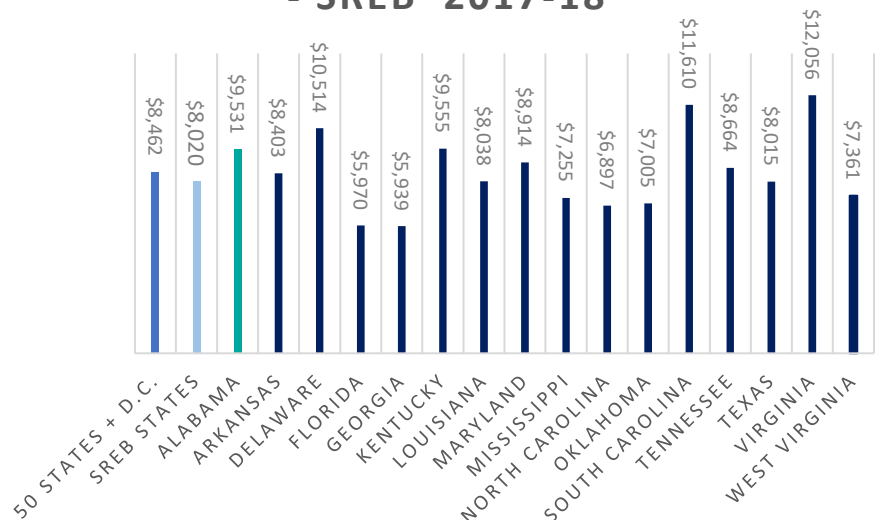
% OF FAMILY INCOME  
REQUIRED TO PAY FOR  
COLLEGE



THE SREB'S 2021 COLLEGE AFFORDABILITY PROFILE FOUND THAT THE AVERAGE ALABAMA FAMILY WOULD HAVE TO SPEND ALMOST HALF OF THEIR ANNUAL INCOME TO COVER THE COSTS OF A 4-YEAR UNIVERSITY.

In Alabama, in 2020, for 4-year schools 75 percent of costs were covered by the students<sup>vi</sup>.

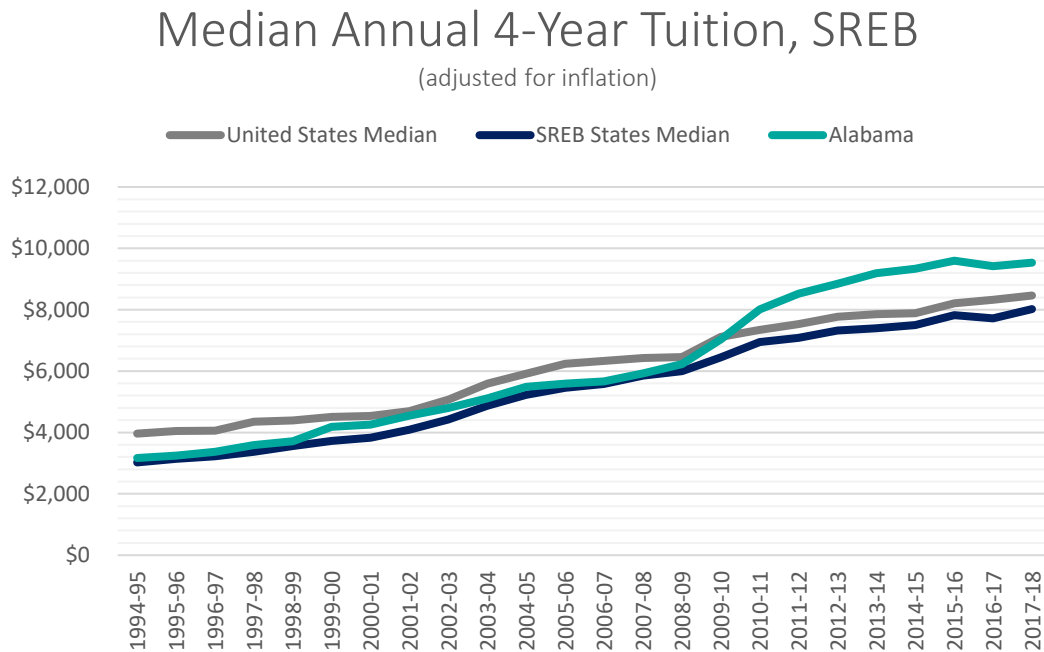
ALABAMA STUDENTS PAY MORE -  
MEDIAN ANNUAL TUITION & FEES  
- SREB 2017-18



## **RIISING COSTS TO STUDENTS DISCOURAGES ATTENDANCE**

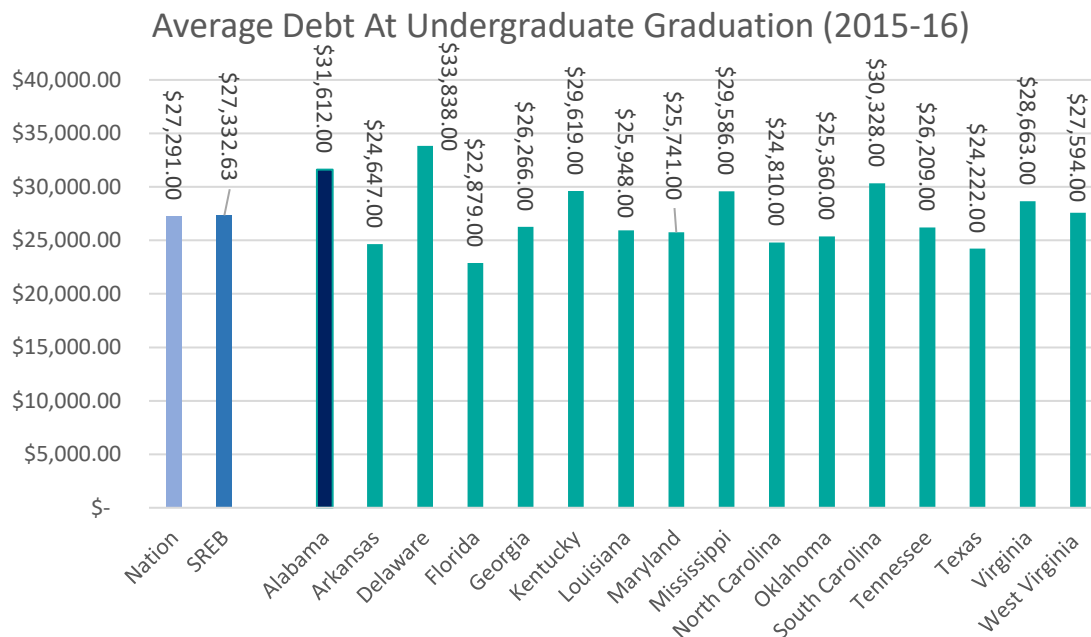
Almost 2/3 of adults who did not attend college cited cost as the leading factor<sup>vii</sup>. While less than half said that they made the choice because they preferred to go to work. This demonstrates a strong desire for higher education. Making a college degree more affordable allows students to reach their full potential and achieve their dreams.

Median Annual 4-year tuition has risen faster in Alabama than in the region or nation (below).



## **STUDENT DEBT**

58% of full-time first-time undergrads in Ala. Were awarded student loans to cover the cost of college. The median amount of average student loans for one year among the public universities was \$6,752 (in year 2019-2020)<sup>viii</sup> Alabama students took on more debt than almost any other state in the region and more debt than the national average.



## RETURN ON INVESTMENT

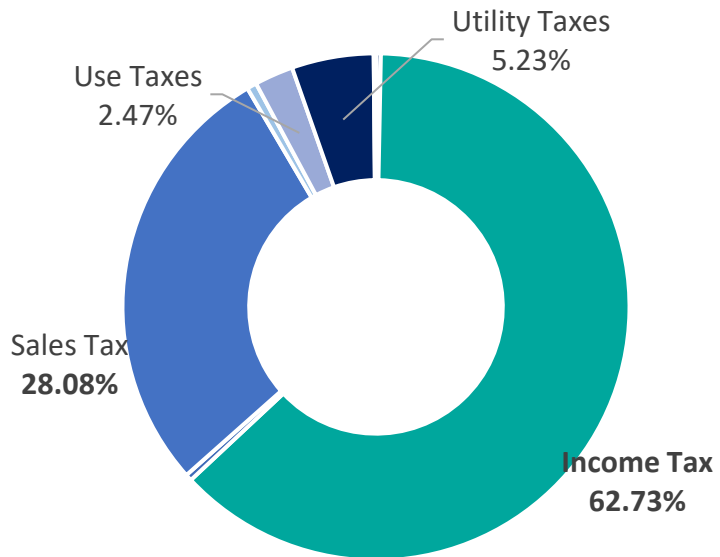
### SOURCE OF STATE FUNDING

**90%**

of the ETF budget comes from Sales and Income Tax.

By investing in higher education, we can raise the educational attainment of Alabama, thus attracting more highly paid career opportunities and creating more disposable income which will be returned to the ETF through these sales and income taxes.

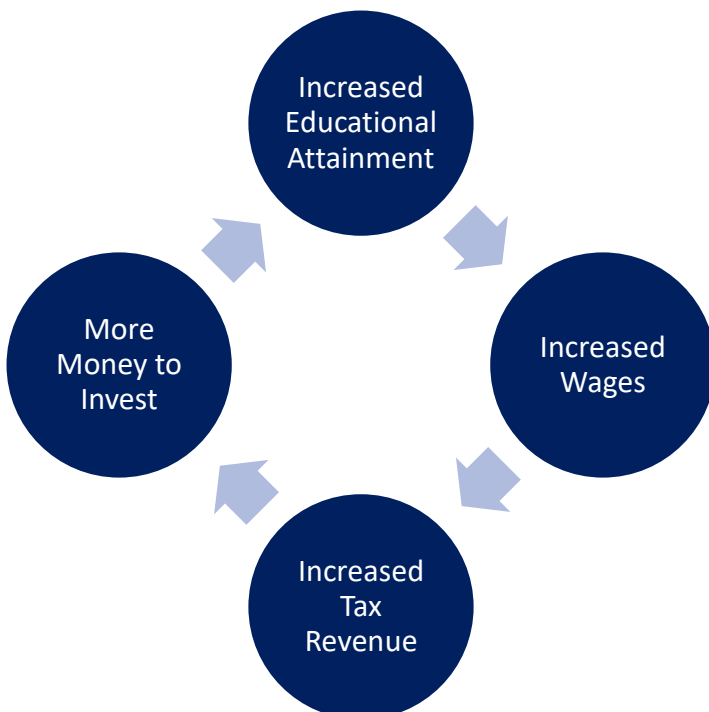
### ETF REVENUES, 2020, LSA



- Beer Tax
- Income Tax
- Sales Tax
- Use Taxes
- Other
- Hydroelectric Tax
- Insurance Premium Tax
- Simplified Sellers Use
- Utility Taxes

### IMPACT ON THE ECONOMY

Our universities have a \$20 billion impact on the Alabama economy annually. Every \$1 invested in higher ed returns \$12.5 directly in increased economic productivity.



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<sup>i</sup> SHED.

<sup>ii</sup> <https://www.frbsf.org/economic-research/publications/economic-letter/2020/june/unequal-impact-covid-19-why-education-matters/>

<sup>iii</sup> <https://www.businessinsider.com/why-is-college-so-expensive-2018-4>

<sup>iv</sup> Higher Education Partnership, Analysis of Internal Budgets.

<sup>v</sup> Center for Budget Priorities. SHEEO. Article.

<sup>vi</sup> [https://shef.sheeo.org/report/?report\\_page=net-tuition-and-total-education-revenue#student-share](https://shef.sheeo.org/report/?report_page=net-tuition-and-total-education-revenue#student-share)

<sup>vii</sup> SHED.

<sup>viii</sup> IPEDS Data Release.