



ANNUAL RESOURCE GUIDE



2022/2023



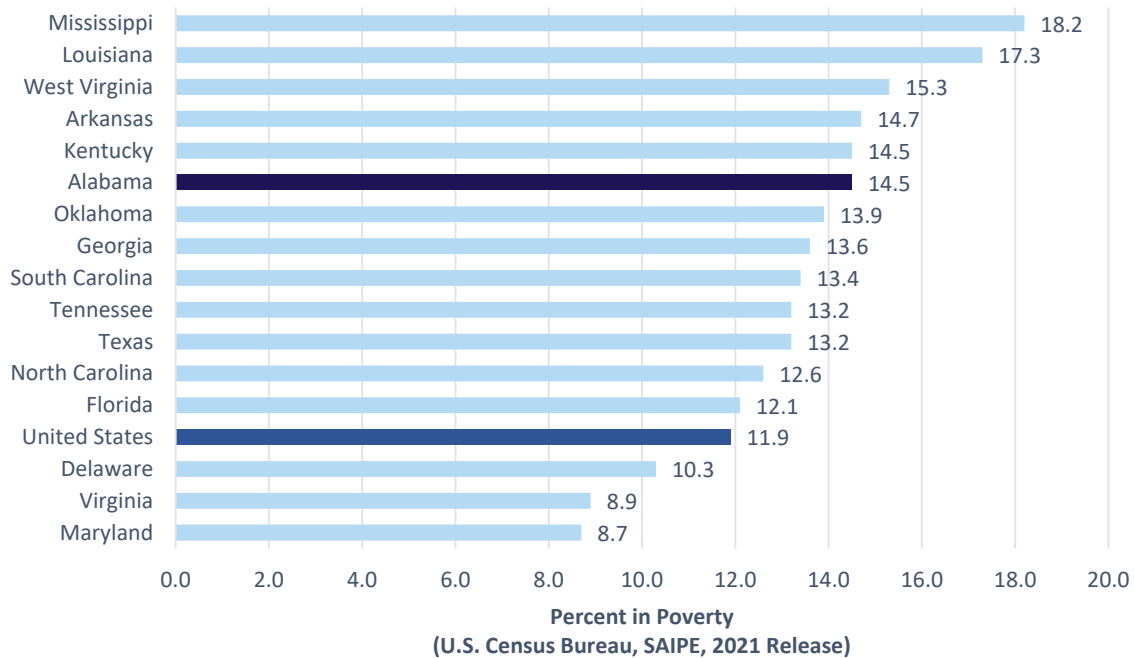
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STATE OF THE STATE

POVERTY AND INCOME IN ALABAMA

2020 Poverty Rates, SREB Region



ALABAMA HAS THE 7TH HIGHEST POVERTY RATE IN THE NATION¹

In 2020 the U.S. Census Bureau found that approximately **14.9 percent of Alabamians lived in poverty** – about 3 points higher than the national 11.9 percent.

Alabama
Children in Poverty:

24%

Alabama
Families
Experiencing Food
Insecurity:

15%

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 Census Bureau measured poverty for a family with two kids and two adults at a maximum annual total income of **\$26,246¹**.

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.

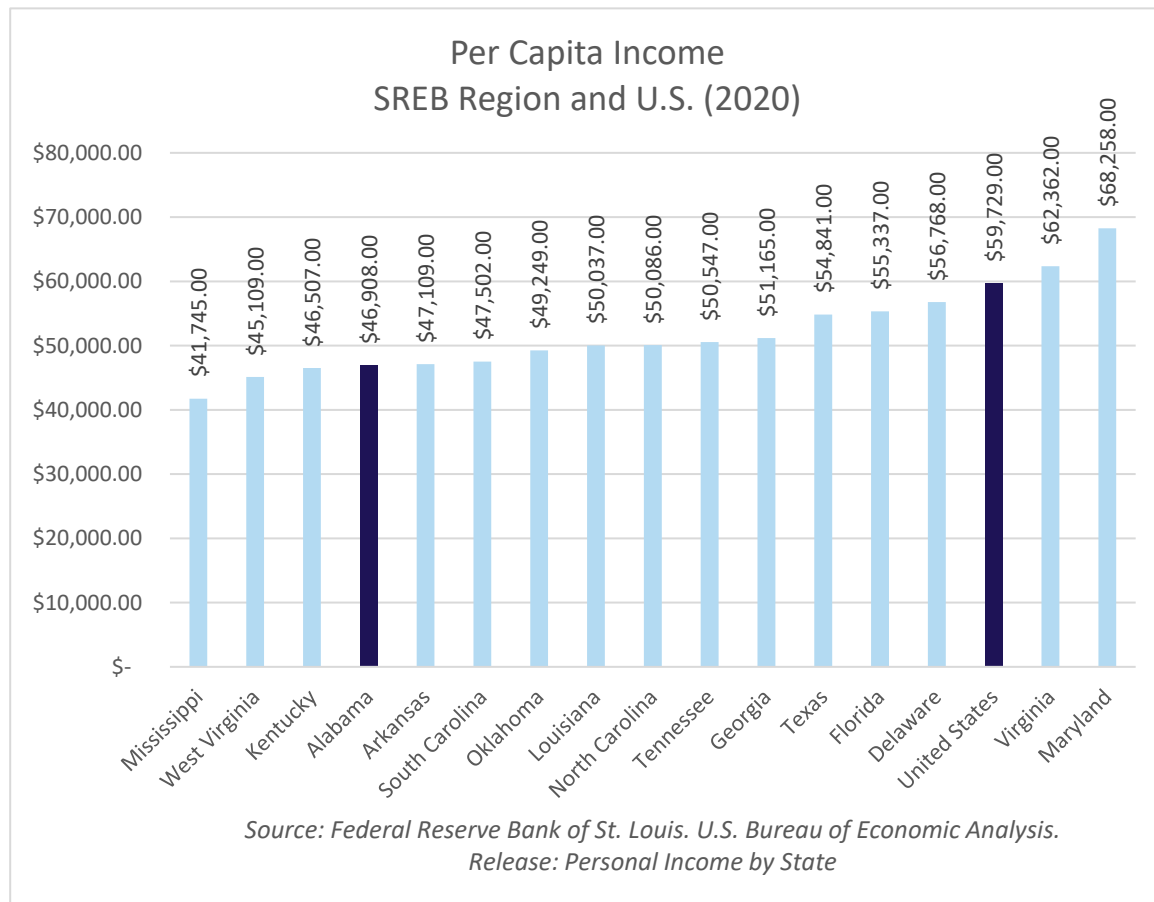
For these reasons, we also analyze income levels as a measure of economic health.

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

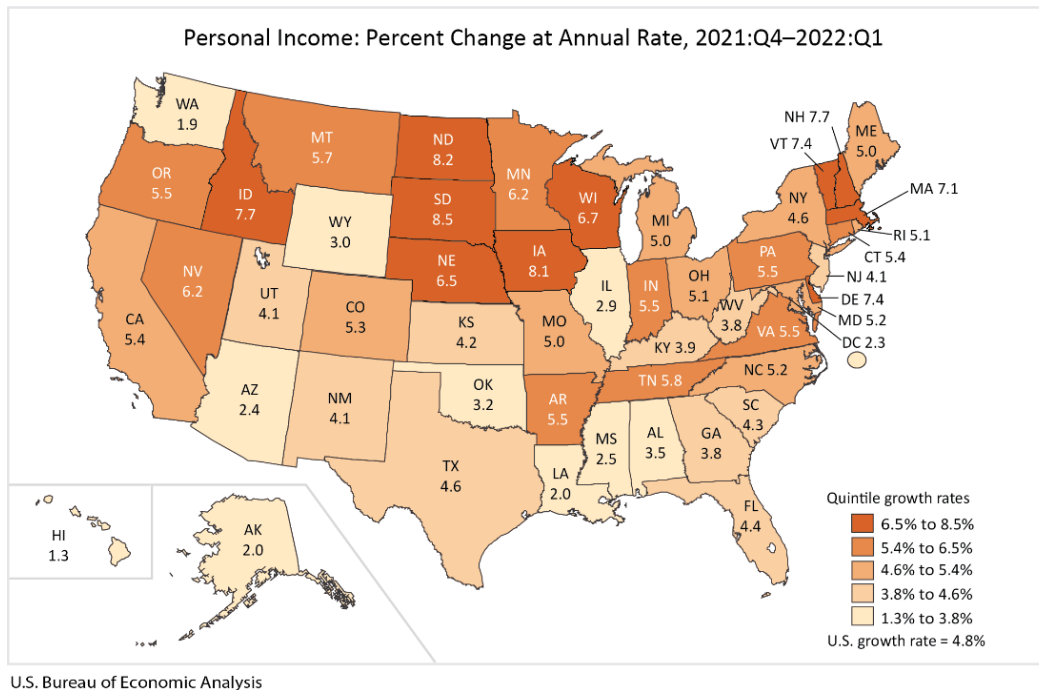
ALABAMA RANKS

46TH

**IN PER CAPITA INCOME,
NATIONALLY.**



INCOME GROWTH



Though income and economic growth levels across the U.S. have been negatively affected as a result of the COVID-19 pandemic, the first quarter of 2022 reflected a slow growth over the last year as the nation began to recover from the height of the pandemic.

However, Alabama's per capita income did grow at a slower rate than the national average growth of 4.8 percent, though not as slowly as some neighboring states.

As Alabama looks to compete in the economy of the future, we must look to grow more rapidly to continue to compete at an elevated level.

**ALABAMA'S INCOME
HAS GROWN**

1.3 %

LESS

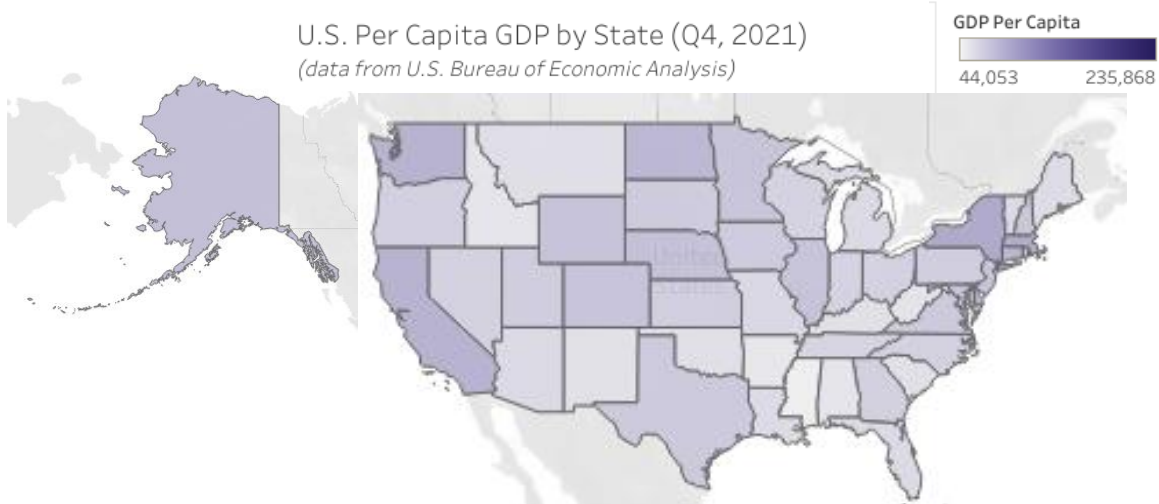
**THAN THE NATIONAL
AVERAGE
IN THE LAST YEAR**

ECONOMIC DEVELOPMENT RELIES ON HIGHER EDUCATION

Alabama has grown in recent decades as a result of sustained investment in a variety of sectors from manufacturing to incentives for new business. In fact, early in 2021, Alabama was named one of the states with the fastest growing economic momentum in the U.S. (Read more from Gov. Ivey's pressroom¹). This is a positive sign for communities and individuals looking ahead to the future.

**48TH
IN GDP
PER CAPITA**

However, despite this growth, at the end of 2021, Alabama still ranked near last in GDP per Capita (48th out of 50 states).



Causes of Economic Growth:



New Capital or Resources



Improvements in Technology



Investments in Workers or People

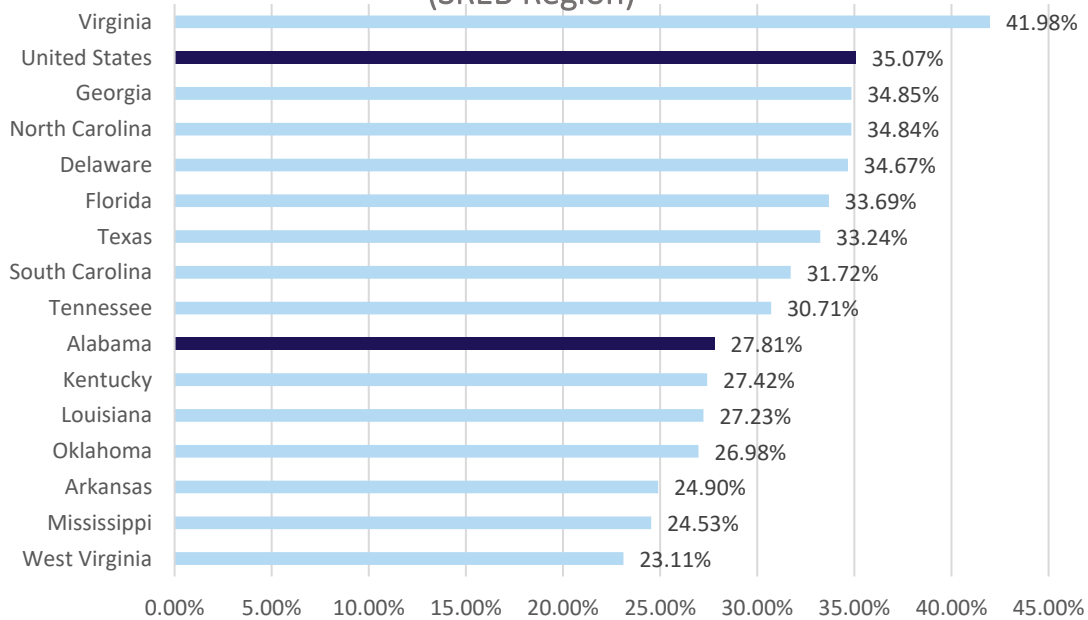
Since 1950, it is estimated that, globally, nearly 75 percent of economic growth is the result of increased educational attainment (FRBSF).

Gross Domestic Product (GDP)

Gross Domestic Product (or GDP) represents the end value of all goods and services produced in a specific area (International Money Fund). GDP isn't always directly linked to income levels, or well-being of the individual citizens in an area for many reasons, but these indicators are often correlated, and both GDP and Per Capita Income can be used to estimate the vitality of an economy.

EDUCATIONAL ATTAINMENT

Percent of the Population (25+) with a Bachelor's Degree or Higher
(SREB Region)



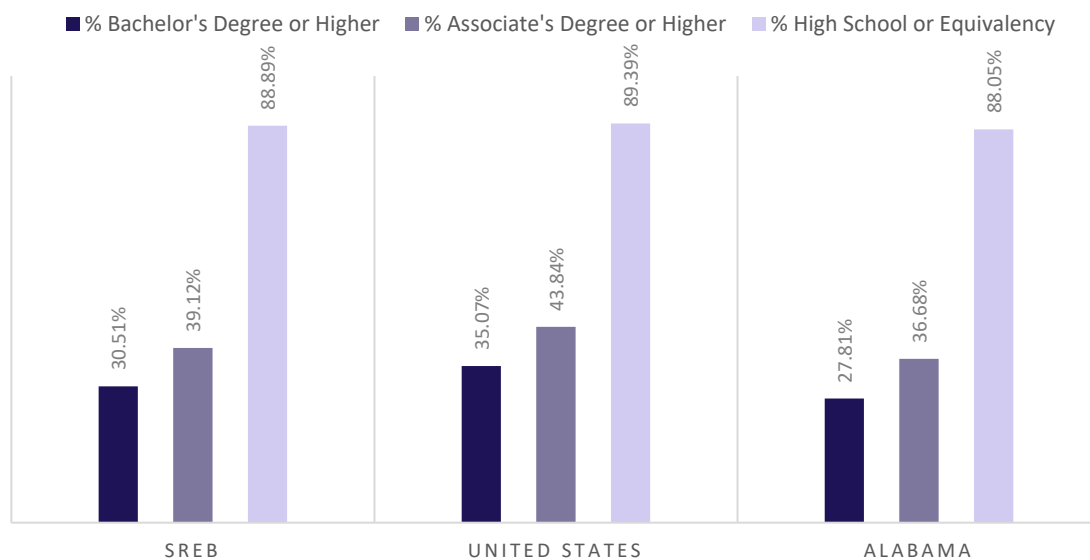
(Source: U.S. Census Bureau, 2020 American Community Survey 1-Year Experimental Estimates)

Alabama also lags behind the nation in levels of educational attainment and proficiency.

Less than one-third of Alabamians have a Bachelor's Degree – more than 7 percent behind the national average of approximately 35 percent.

In 2020, almost half (41 percent) of Alabama's working population had a high school diploma or less.

EDUCATIONAL ATTAINMENT, 25+



Source: U.S. Census Bureau, 2020 American Community Survey 1-Year Experimental Estimates

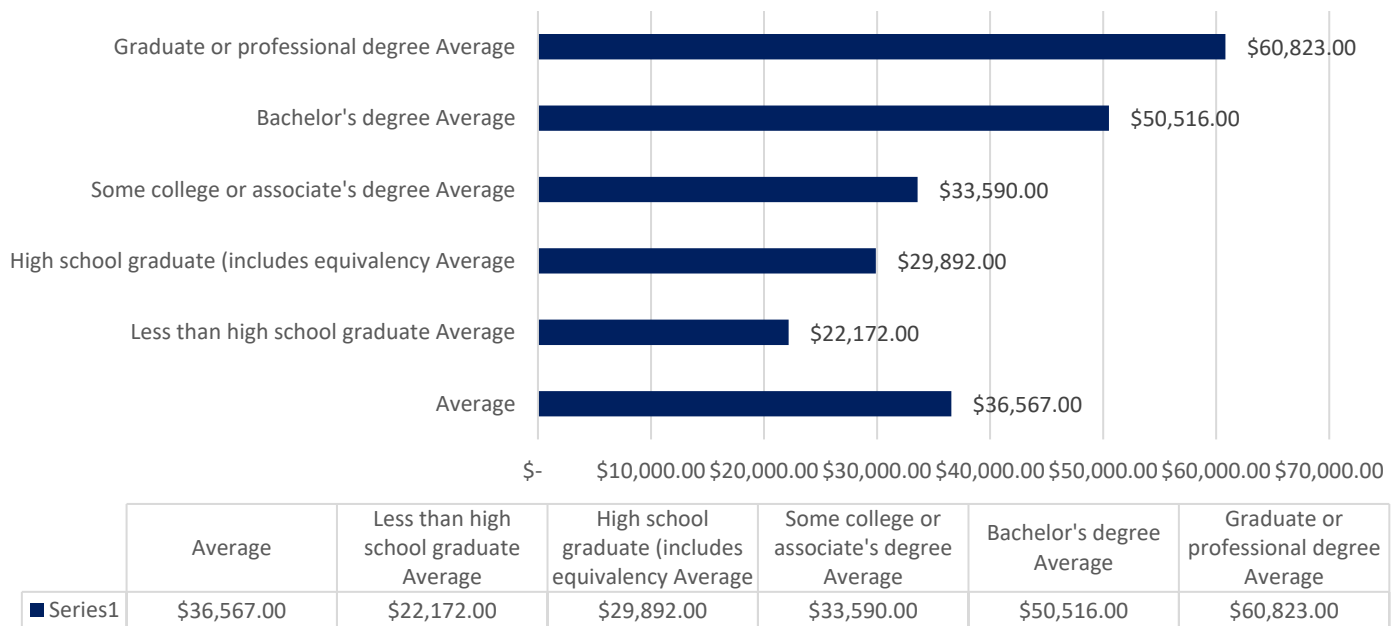
VALUE OF HIGHER EDUCATION

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.

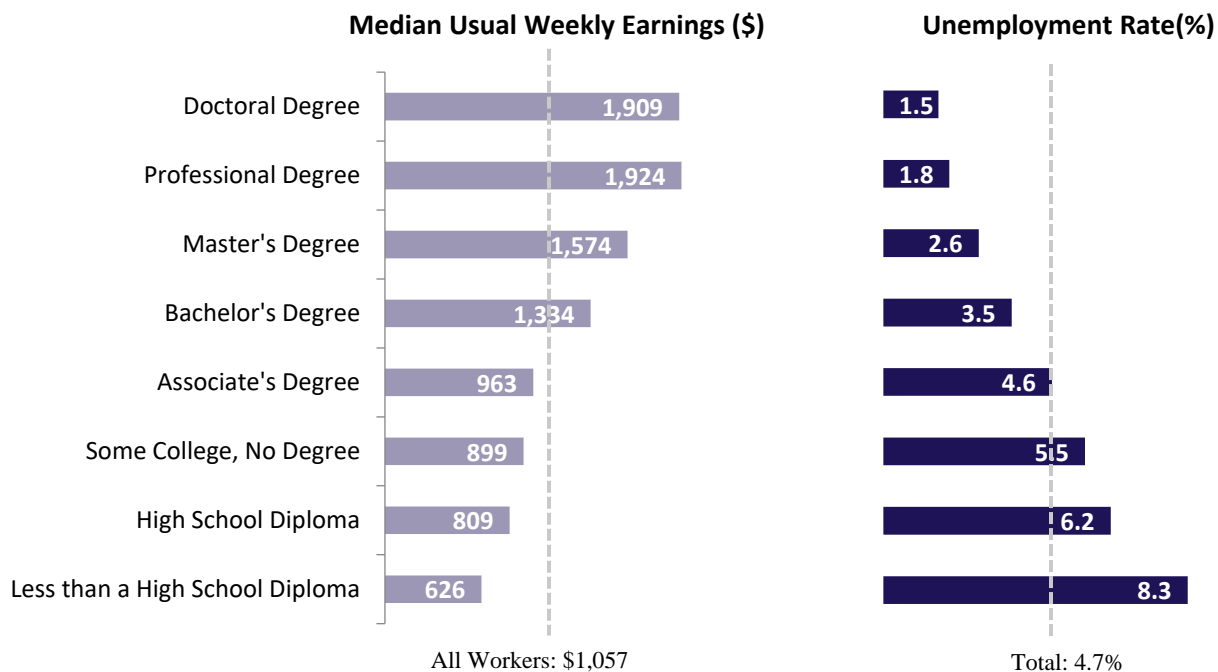
The Georgetown Center on Education and Workforce found that a college degree can bring an earnings premium of 85 percent annually. In Alabama alone, in 2019, college grads were expected to make around \$20,000 more than their peers without a Bachelor's Degree (seen in graph below).

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 were "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 aloneⁱⁱ. 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.

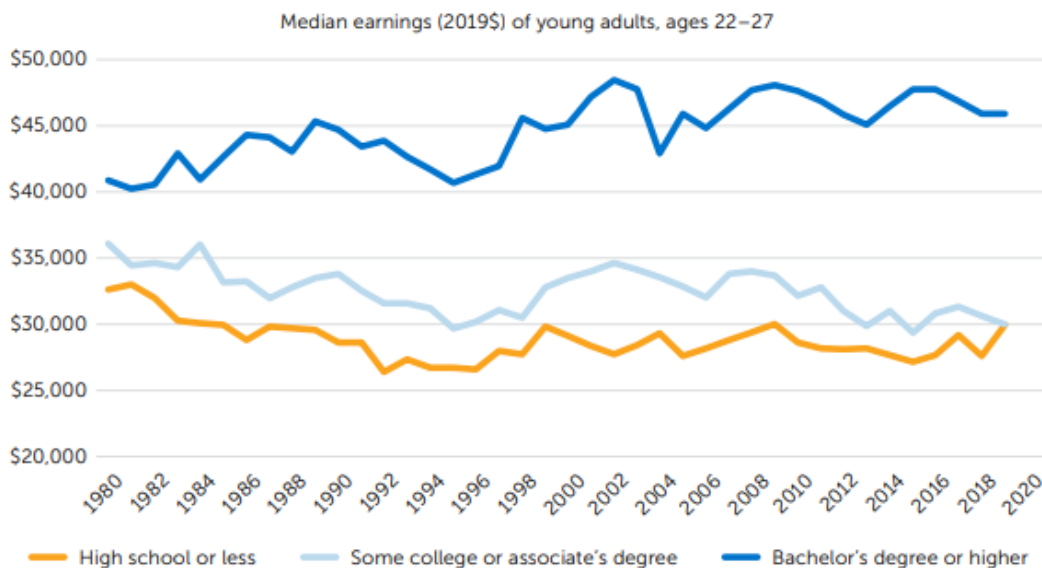
Earnings and Unemployment Rates by Educational Attainment, 2021



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 a degree. This mirrors similar trends throughout history that have shown a college degree is a strong protective factor against unemployment during economic crises.¹

Further, Alabama's income differential is mirrored by the workforce across the U.S. Historical data shows that, over time, college degrees have become increasingly valuable, as compared to other educational attainment levels.

FIGURE 5. The median earnings of young adults with a bachelor's degree or higher have been growing, while those of young adults with less education have been declining.

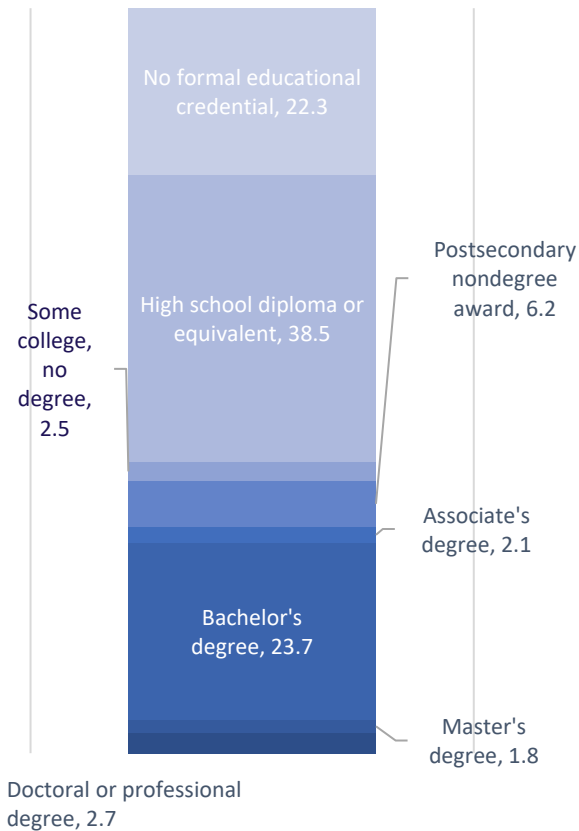


Source: Georgetown University Center on Education and the Workforce analysis of data from the US Census Bureau and Bureau of Labor Statistics, Current Population Survey (CPS), March Supplement, 1980-2019.

FUTURE OF THE WORKFORCE

DEMAND FOR JOBS

Entry Education Required as a Percent of the Job Market, 2020



In 2020, **more than one-fourth** of the job market required a Bachelor's Degree or higher for an entry level position (left, U.S. Bureau of Labor Statistics).

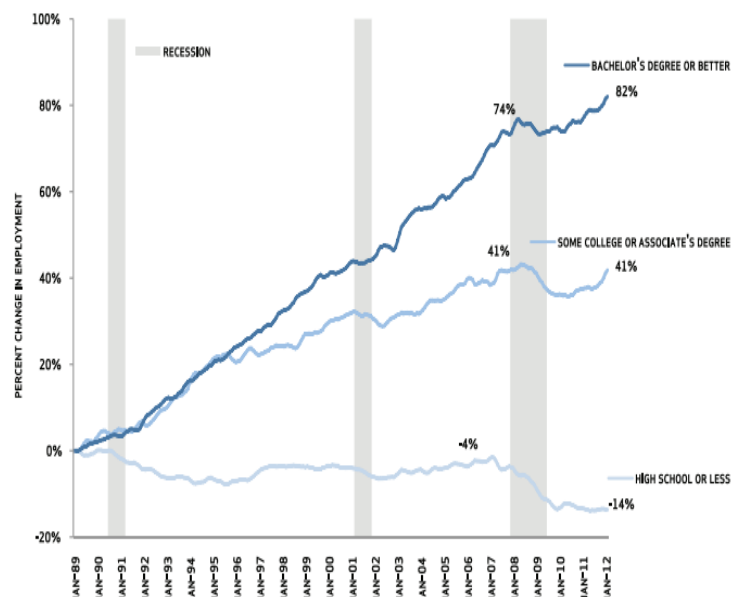
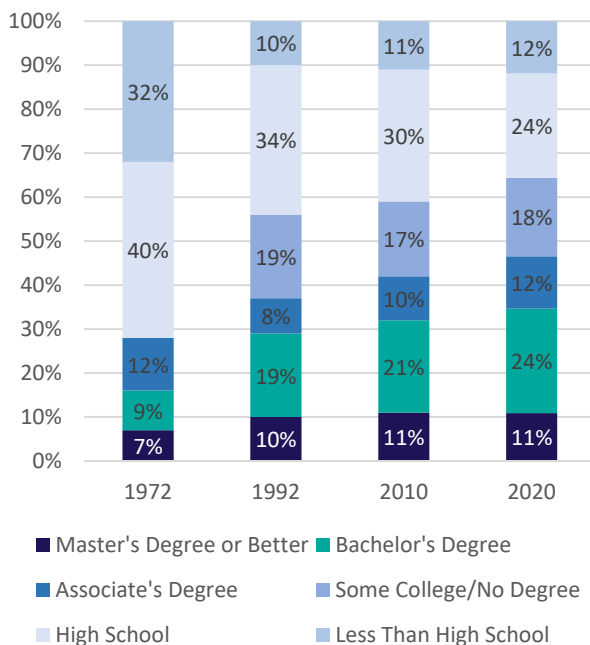
Even further, of total jobs in the market, almost one-third are looking for those who have higher educational attainment (below). This reflects a trend over multiple decades that shows an increased demand for a Knowledge Based workforce.

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.

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.

Demand for Workers by Education Level, Selected Years

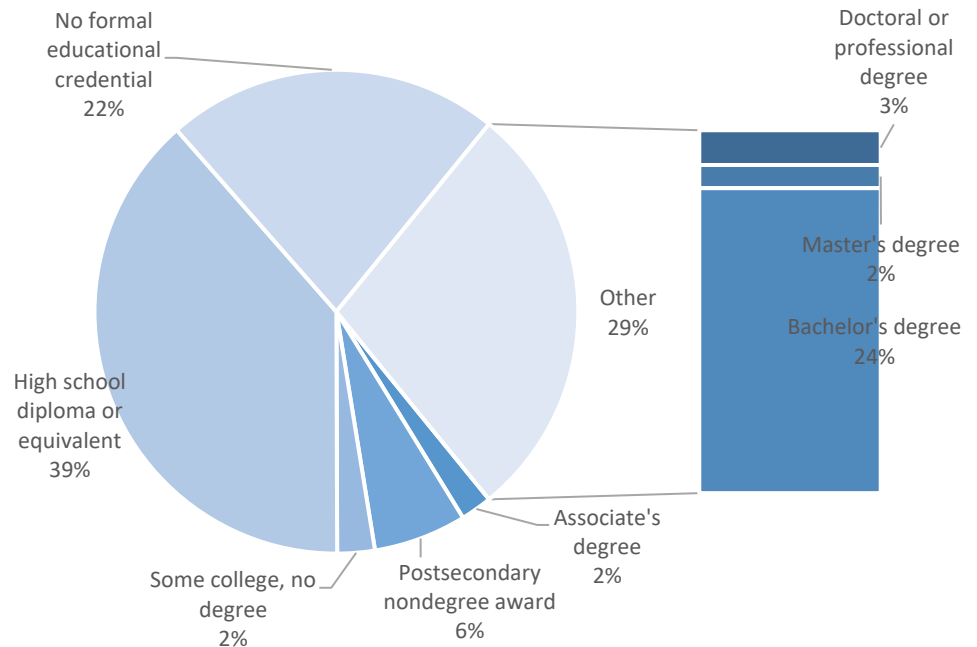


Employment Distribution, 2020

**JOBS REQUIRING A
BACHELOR'S DEGREE
OR HIGHER
MAKE UP**

1/3

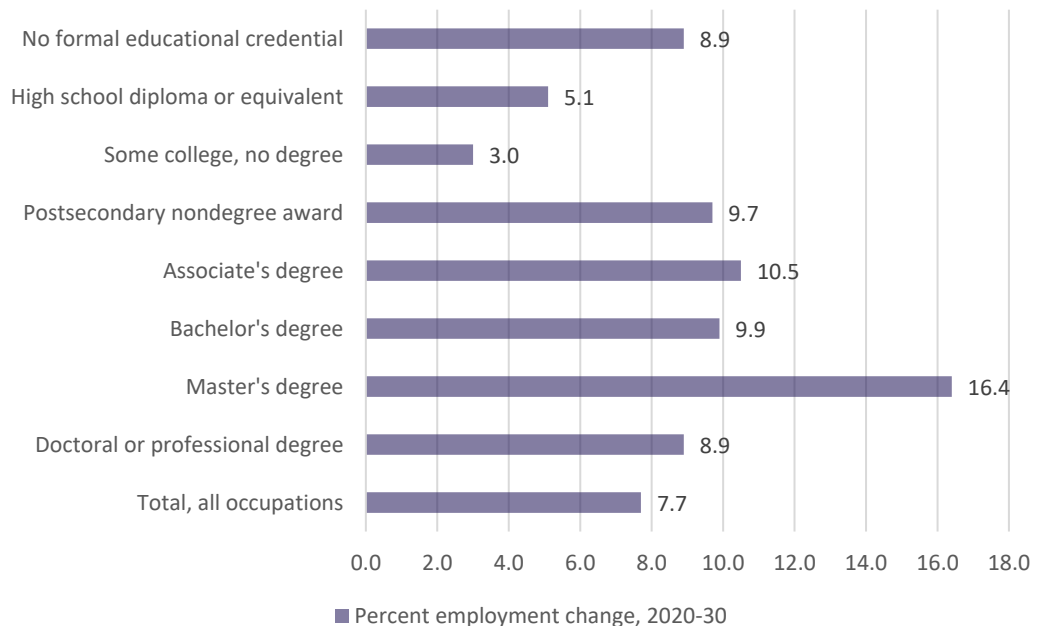
**OF THE CURRENT
JOB MARKET**



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.

Projected Employment Growth by Education Level, 2020-30

***“OCCUPATIONS
THAT NEED MORE
EDUCATION FOR
ENTRY ARE
PROJECTED TO
GROW FASTER
THAN AVERAGE”
– BUREAU OF
LABOR
STATISTICS***



FUNDING HIGHER EDUCATION

INTRODUCTION

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

- State Appropriations
- Endowments
- Tuition and Fees

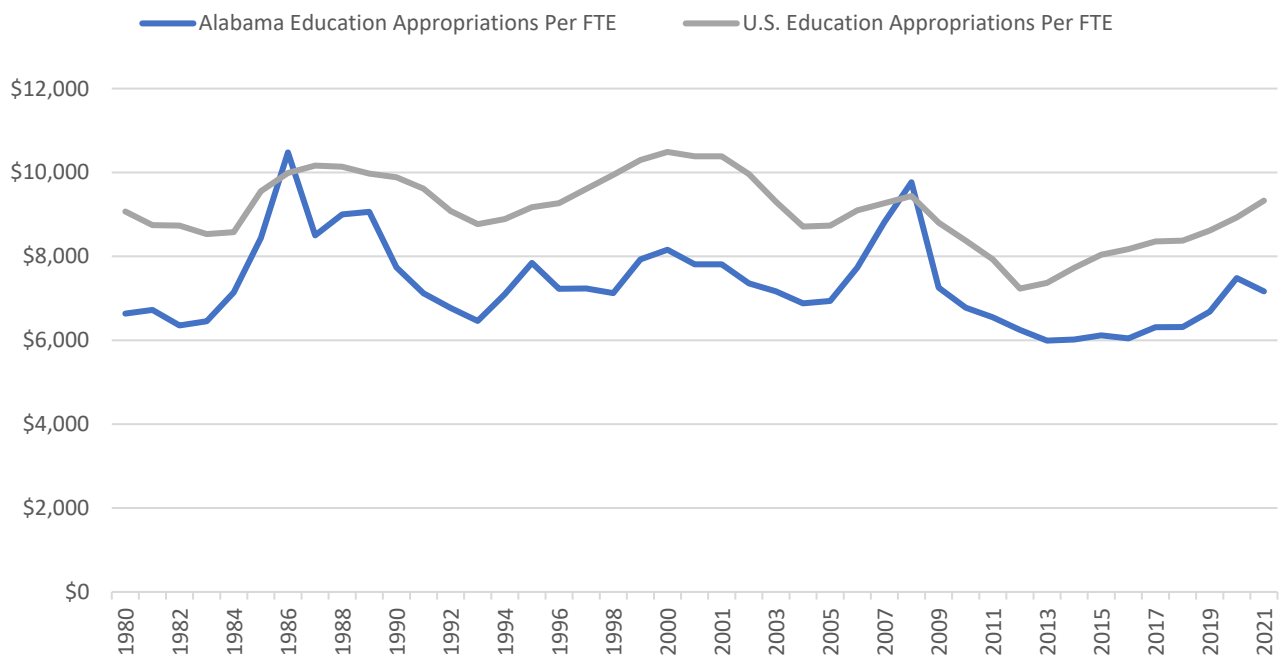
This resource guide will focus on the relationship between state appropriations and tuition and fees. Business Insider found that this relationship was the most significant factor in determining cost to studentsⁱⁱⁱ.

STATE APPROPRIATIONS

The State Higher Education Executive Officers's (SHEEO) 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 2020s, state spending per student still lagged 27 percent behind 2008 levels when adjusted for inflation.^{iv}

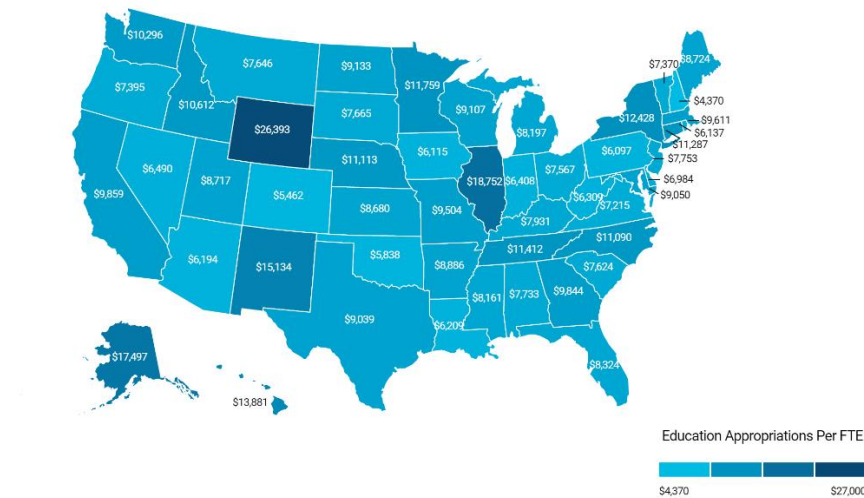
Education Appropriations Per FTE (Adjusted for Inflation) Over Time



State Higher Education Executive Officers Association. (2020). *State Higher Education Finance: FY 2021*.

ALABAMA EDUCATION FUNDING LAGS BEHIND

Education Appropriations per FTE, FY 2021 (Adjusted)



Notes:

1. Education appropriations are a measure of state and local support available for public higher education operating expenses and student financial aid, excluding appropriations for research, hospitals, and medical education. Education appropriations include federal stimulus funding.
2. Constant 2021 dollars adjusted by the Higher Education Cost Adjustment (HECA).
3. Adjusted to account for interstate differences using the Enrollment Mix Index (EMI).
4. Adjusted to account for interstate differences using the Cost of Living Index (COLI). The COLI is not a measure of inflation over time.

Source(s): State Higher Education Executive Officers Association

The enacted version of the FY 2023 Education Trust Fund (ETF) Budget totals about

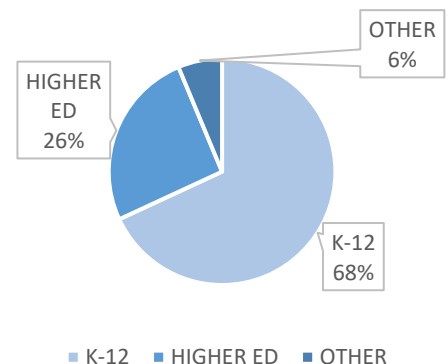
\$8.2 BILLION.

The subtotal for all Colleges and Universities was about \$2.12 billion. This is a positive budget for education, seeing growth in nearly every area. This success in increased revenue despite concerns from the COVID-19 pandemic 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.**

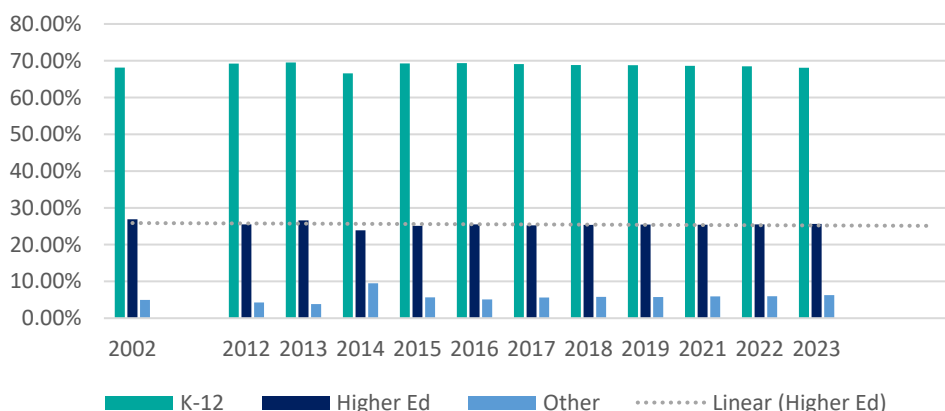
DISTRIBUTION OF FUNDING OVER TIME

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 2023 Enacted



ETF Split Over Time

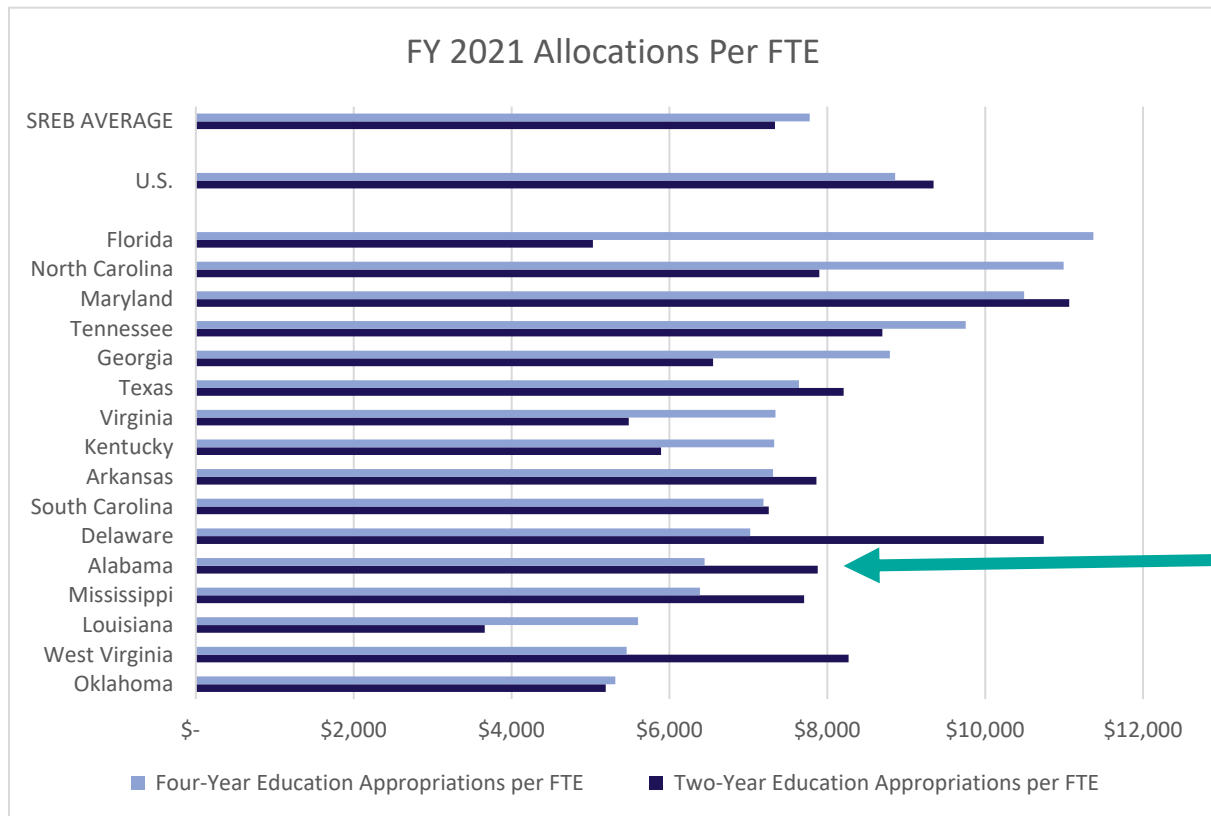


DISCREPANCIES IN 2 AND 4 – YEAR FUNDING

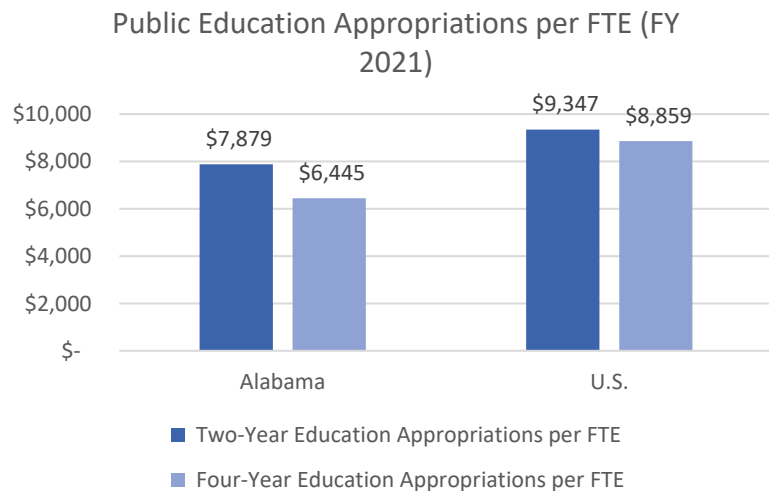
The comparison between Alabama’s higher ed funding for 2-year colleges and funding for 4-year colleges shows dramatic differences. Two-year schools are receiving significantly more per FTE than four-year schools.

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

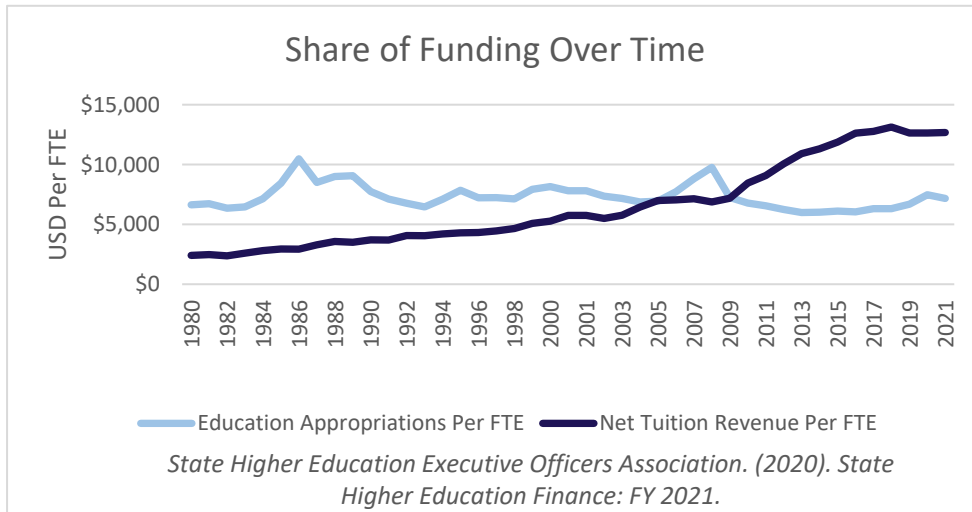
While Alabama lags behind the region and the nation in funding for schools, this discrepancy only deepens the divide as four-year schools are shown to create greater earning potential and, thus, should be funded more competitively.



**IN FY 2021 2-YEAR
SCHOOLS WERE
FUNDED
\$1,433 MORE
PER FTE THAN 4-
YEAR SCHOOLS.**



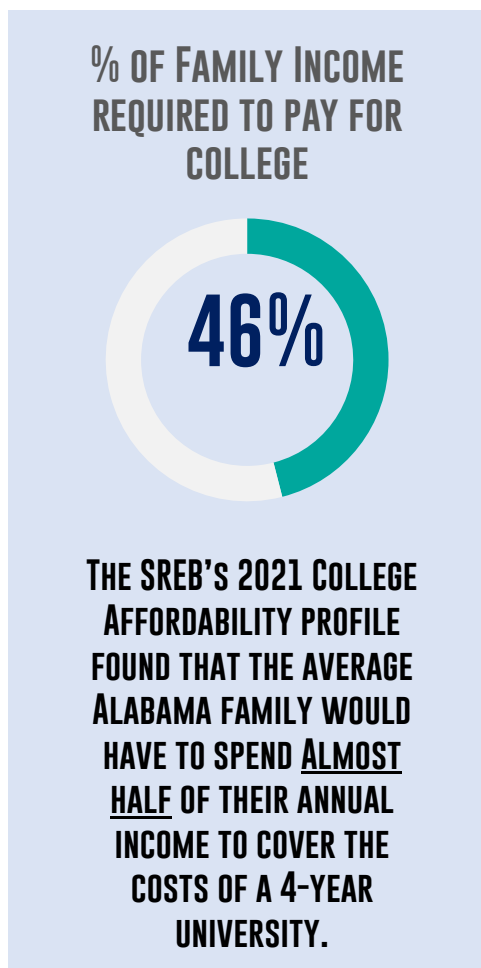
LOWER FUNDING LEVELS PUSH COSTS TO STUDENTS AND FAMILIES



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.

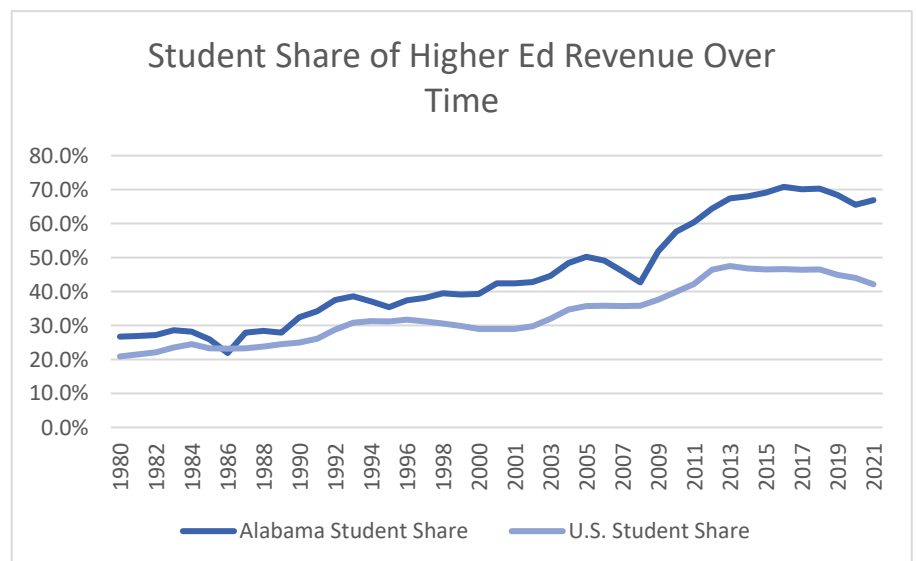
Reliance on tuition and fees to cover operation expenses has continued to grow over the last century.

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.



In Alabama, in 2020, for 4-year schools **75 percent of costs** were covered by the students^v.

This change dramatically outpaced reliance on student and families across the U.S. (below).



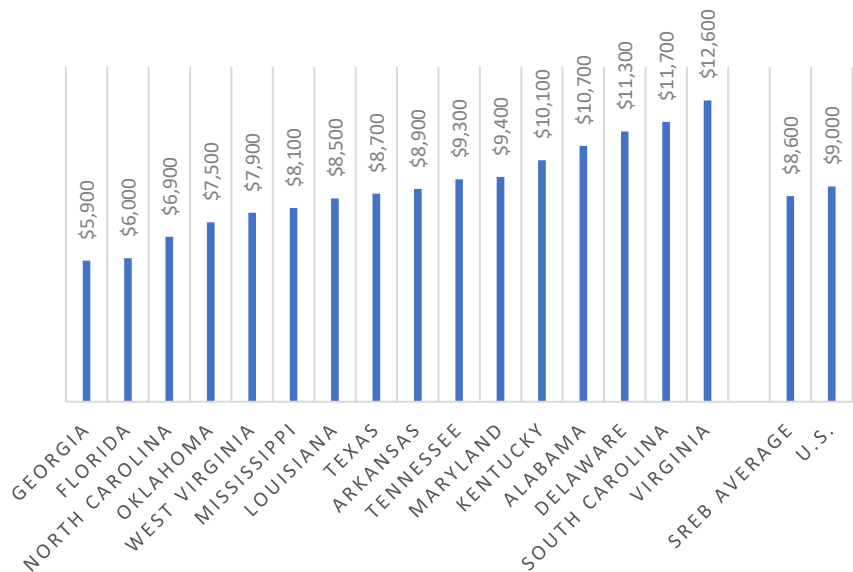
RIISING COSTS TO STUDENTS DISCOURAGES ATTENDANCE

Almost 2/3 of adults who did not attend college cited cost as the leading factor^{vi}. 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).

ALABAMA STUDENTS PAY MORE

MEDIAN ANNUAL TUITION AND FEES (IN STATE UNDERGRADUATES, 2019-20)

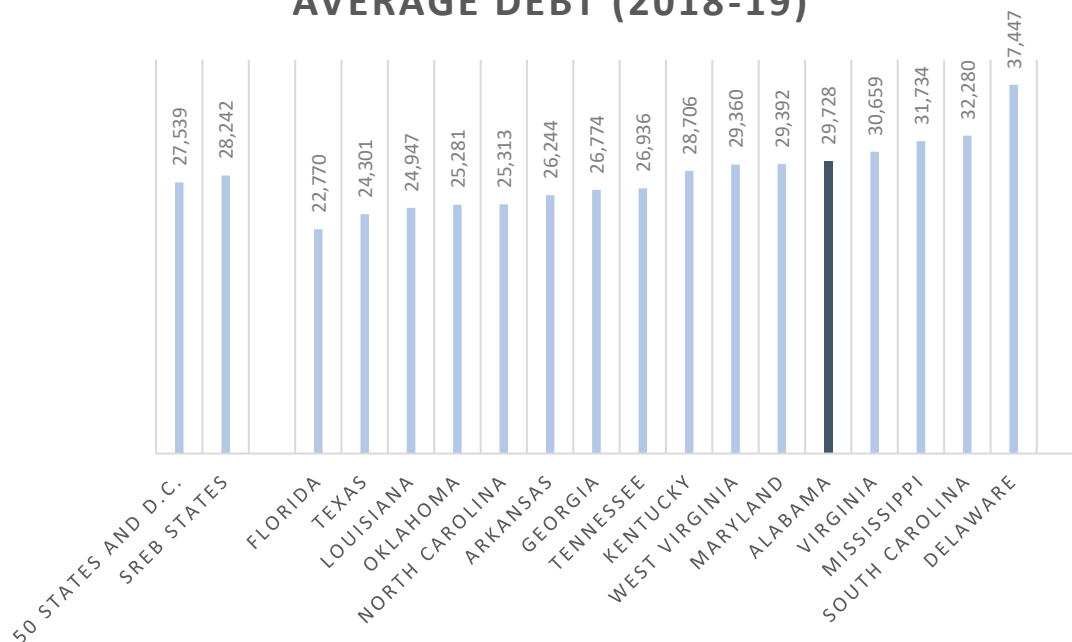


SOUTHERN REGION EDUCATION BOARD. COLLEGE AFFORDABILITY PROFILE,

STUDENT DEBT

58% of full-time first-time undergrads in Alabama. 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).^{vii} Alabama students took on more debt than almost any other state in the region and more debt than the national average.

AVERAGE DEBT (2018-19)



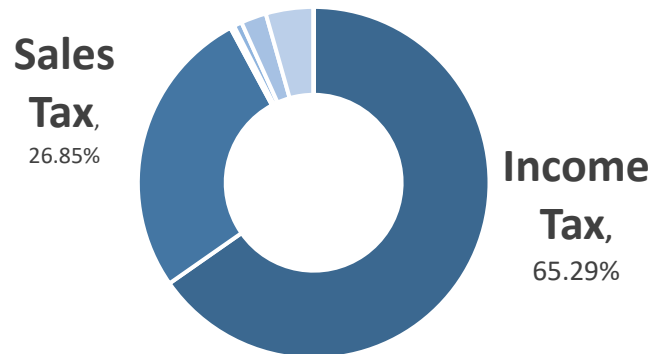
SOURCE OF STATE FUNDING

92%

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.

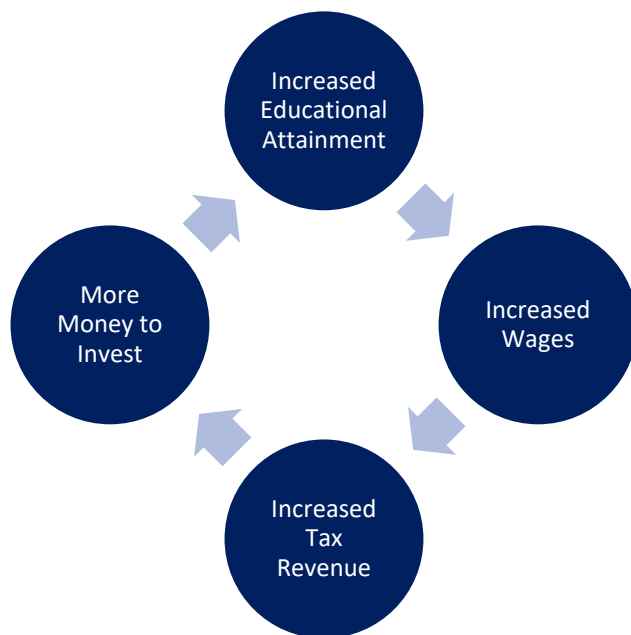
ETF Revenues, 2021, LSA



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.



FUNDING EDUCATION IS FAVORED BY VOTERS

In PARCA's 2022 Public Opinion Survey, 73% percent of Alabama voters say too little is currently being spent on education, ranking it as one of the top issues of concern in the state.

ⁱ <https://governor.alabama.gov/newsroom/2021/04/10456/>

ⁱⁱ SHED.

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

^{iv} Center for Budget Priorities. SHEEO. Article.

^v https://shef.sheeo.org/report/?report_page=net-tuition-and-total-education-revenue#student-share

^{vi} SHED.

^{vii} IPEDS Data Release.