

College Affordability in Illinois

**Testimony Prepared for the
Illinois General Assembly
Senate Committee of the Whole
June 16, 2015
Springfield, IL**

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Thank you for the opportunity to address this body on the important topic of College Affordability in Illinois. I am honored to have been asked to testify today. I am Jennifer Delaney, an Assistant Professor in the higher education program in the Department of Education Policy, Organization and Leadership at the University of Illinois at Urbana-Champaign. I have spent my scholarly career conducting research on higher education finance and college affordability. I come before you today as a researcher, not as a representative of the institution where I work.

My testimony today will focus on the benefits of higher education.

There was a time in America in which individuals could leave high school and expect to live a middle class lifestyle. This was possible a generation ago working for the auto industry, or a generation before that working for the railroads. In those days individuals who attended college were better off than those who did not, but attending college was not a requirement for achieving a middle class lifestyle.

Today the world has changed. Higher education has become more important as a path to upward mobility. The number of viable pathways to the middle class has shrunk with the erosion of the value of a high school credential and the closing of manufacturing industries that once provided stable jobs. This has made higher education increasingly important as a pathway to the middle class.

Even famous college drop outs, like Bill Gates, are now urging individuals to finish college. In a June 3, 2015 blog posting, Mr. Gates wrote, “Although I dropped out of college and got lucky pursuing a career in software, getting a degree is a much surer path to success” (Gates, 2015). And he is right. Getting a college degree is the best way to ensure that an individual will either become or remain middle class – or reach greater heights.

In my remarks today, I have been asked to focus on the benefits of higher education for individuals. I will consider the best, current research on how these individual benefits directly benefit the state of Illinois and how these benefits enhance individuals’ lives both in the labor market and in civic society. I will not speak on other types of benefits of higher education, such as the benefits produced by scholarly research and inventions. However, I have no doubt that these benefits are considerable. I have provided an extensive bibliography at the end of my written remarks so that any member, or their staff, can delve further into any of the research findings that I highlight.

Benefits to the State of Illinois

I will first discuss research on the benefits of higher education to the State of Illinois.

Quite simply, there is no other investment that the state can make that will yield the returns of investing in education at all levels. Unlike other state budget categories, spending on higher education is an investment that will yield returns in future years. Investment in higher education results in increased sales and income tax revenues for the state. It also means less spending in other state budget categories such as healthcare and corrections.

In a report from earlier this year, the Georgetown University Center on Education and the Workforce highlighted the growing importance of a college educated workforce in America. “In 1967, people with Bachelor’s or graduate degrees represented a little more than 10 percent of the workers and a little more than 20 percent of the wages. ... By 2012, workers with a college degree or better grew to more than 30 percent of the workers and produced more than half the earnings in the economy” (Carnevale & Rose, 2015, executive summary, p. 2).

Not only are college-educated workers of increasing importance to the economy, but we have also seen both earnings stagnation among those without postsecondary training and widening income inequality. In a 2015 *Journal of Education Finance* article, Dr. Walter McMahon, my colleague at the University of Illinois, wrote, “In the U.S. the 64% of the population that have high school or less have real earnings that have been flat and falling since 1980. ... Those with college degrees have had a 49% increase in their real earnings since 1980” (McMahon, 2015c).

The higher education investment decision that is made by this body is not just important for Illinois, but also for the nation. As the fifth most populous state in the nation, the investment that Illinois makes will help shape postsecondary opportunities for a large portion of the current generation of Americans. According to the most recent National Association of State Student Grant & Aid Programs annual survey, Illinois is the fifth largest provider of need-based grant aid in the nation through the Monetary Awards Program, or MAP grant, and provides approximately 5.3% of the total national investment in need-based undergraduate grant aid by states. Neither the state nor the country as a whole can afford to lose the opportunities that these funds provide for individuals to attend college.

Individual Benefits of Higher Education

I next consider the benefits individuals receive from postsecondary attendance.

In a 2007 *Harvard Education Review* article, Bridget Terry Long and her coauthor called the decision to attend college the “Million Dollar Question”. They wrote that “on average, people with a bachelor’s degree will earn \$1 million more over the course of their lifetimes than those with only a high school diploma” (Long & Reiley, 2007, p. 39). The increased earnings of \$1 million over a lifetime is like winning the lottery. Except that it isn’t. Unlike winning the lottery by chance, this \$1 million extra in wages is earned through hard work. Students gain important skills, increase their ability to adapt and be retrained in an ever-changing workplace, and, most importantly, the knowledge and skills earned can never be taken away or lost.

Dr. McMahon's research has shown that "Associate degrees currently yield a 16.6 percent rate of return based on increased earnings, and bachelor's degrees yield 14.1 percent" (McMahon, 2015a). This approximately doubles the 7.99 percent 10-year average for S&P 500 index funds, a standard benchmark for the cost of taxed funds. In fact, few investments have such a large sustained return—both for the individual and society.

And the benefits to both individuals and civic society from obtaining postsecondary training are not just found in the labor market. Research has also shown that people with at least some college have better health, higher personal savings, better asset management, longer life expectancy, lower crime rates, better spousal health, children who do better in school, more engagement in civic institutions through increased voter registration and voting rates, and other related positive outcomes that benefit communities, states, and the nation as a whole (McMahon, 2009; Baum, Ma, & Payea, 2013).

The Costs of Cuts to Higher Education

The financial and civic benefits of having an increasingly well-educated workforce directly benefit the state of Illinois and individual citizens of the state. The only way that the state will continue receiving the benefits of higher education is to continue providing opportunities for individuals to obtain postsecondary education. This year, 37 states are increasing their investment in higher education. Some are even investing to such an extent that higher education funding has crested pre-recession levels such as in Alaska, Wyoming, and North Dakota, according to a report from the nonpartisan Center on Budget and Policy Priorities (Mitchell & Leachman, 2015). Illinois should not fall behind.

The Cost of Cuts. Dr. McMahon has calculated the cost of a cut in higher education spending for the State of Illinois this year. He estimates that an 8.5% cut in higher education spending would result in lost economic activity such that state sales and income tax revenue would be reduced by approximately \$41.5 million. And the related increased Medicaid, welfare, prison, and other associated costs from the state having a less well-educated workforce would increase the state deficit in future years by \$24 million (McMahon, 2015b). Dr. McMahon wrote, "In short, cutting higher education eventually makes Illinois' fiscal crisis worse" (McMahon, 2015a).

It is my understanding that possible cuts to higher education in Illinois this year might be much larger than 8.5% – and the corresponding costs to the state, especially the long term costs, would be correspondingly higher.

The Costs of Volatility. I will also argue that the unpredictability of state funding for higher education is concerning. In some of my research, I have shown that state budgeting for higher education has become increasingly volatile over time (Doyle & Delaney, 2009; Doyle & Delaney, 2011). This "new normal" of volatile funding is problematic for institutions to be able to plan and set budgets. It is also problematic for students and families since unpredictable state funding can often lead to the short term fix of a tuition increase. I think that state and higher education leaders need to discuss not only the level of funding but also the predictability of state funding for higher education (Delaney & Doyle, 2007; Delaney & Doyle, 2011; Doyle & Delaney 2009; Doyle & Delaney, 2011).

As I wrote in a 2014 paper, “Today greater effort is required for families to send a child to college than was needed in prior generations. College is both more expensive and consumes a larger percentage of median household income for the average American family today than at any point in the previous four decades” (Delaney, 2014). Hence, continued state investment is needed for more individuals and the state to continue to enjoy the benefits of higher education.

Thank you again for the opportunity to testify on this important topic today.

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**Dr. Jennifer A. Delaney
Biography**

Jennifer A. Delaney is an Assistant Professor in the Higher Education Program in the Department of Education Policy, Organization and Leadership at the University of Illinois at Urbana-Champaign. Dr. Delaney holds faculty affiliate positions with the Institute for Government and Public Affairs and the Forum on the Future of Public Education at the University of Illinois. She is also a faculty affiliate with the Wisconsin Center for the Advancement of Postsecondary Education. In Fall 2014, she was a faculty fellow with the Illinois Board of Higher Education. From 2011-2014 she served as chair of the Council for Public Policy in Higher Education with the Association for the Study of Higher Education. Previously Dr. Delaney was an assistant professor at the University of Wisconsin at Madison, a policy analyst with the National Center for Public Policy and Higher Education, and the assistant staff director for research with the Advisory Committee on Student Financial Assistance, US Department of Education. Her research focuses on higher education policy with an emphasis on finance. She earned a Ph.D. in Higher Education Administration from Stanford University, an Ed.M. in Higher Education from Harvard University, and a B.A. in English from the University of Michigan.

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