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## State Budget Cuts Hit Higher Education Hard

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### Introduction

Higher education in West Virginia has been hit hard by the state's recent budget problems. Public colleges and universities across the state have seen multiple years of budget cuts, at a time when the state sorely needs to invest in its workforce. In response, tuitions have sharply increased to compensate for the budget cuts, making college less affordable for West Virginia families, and leaving graduates with growing levels of student loan debt.

West Virginia already has one of the least-educated workforces in the country. As the state's economy continues to struggle, a growing share of future jobs will require a college education. Investing in higher education to keep tuition affordable and quality education at public colleges and universities would help West Virginia develop the skilled and diverse workforce it will need to grow its economy.

### Key Findings

- Average tuition at West Virginia's public colleges and universities has increased by \$4,200 since 2002, a 147 percent increase, and far outpacing inflation.
- Tuition increases have eroded the value of the state's financial aid programs. The share of tuition covered by the PROMISE scholarship has fallen from 100 percent to 70 percent.
- Tuition increases, in large part, have been fueled by falling public support for higher education. Since 2008, state spending in higher education has declined by \$130 million, adjusting for inflation.
- As tuitions have increased, so has student debt. The average debt of a college graduate in West Virginia has increased by 70 percent since 2005. West Virginia also has the second highest student loan default rate in the country.
- Investments in higher education provide significant economic benefits. Improving the levels of educational attainment in West Virginia's workforce will help ensure the state's economic future.

## Public University Tuition in West Virginia on the Rise

Since 2002, tuition has more than doubled at every public four-year college and university in West Virginia, far exceeding the rate of inflation. If tuition at West Virginia’s public colleges and universities had increased to keep up with inflation, average tuition in 2016 would have only been 33 percent higher than in 2002. Instead, average tuition has increased 147 percent since 2002 (**Table 1**).

TABLE 1  
West Virginia Higher Education Tuition Outpacing Inflation

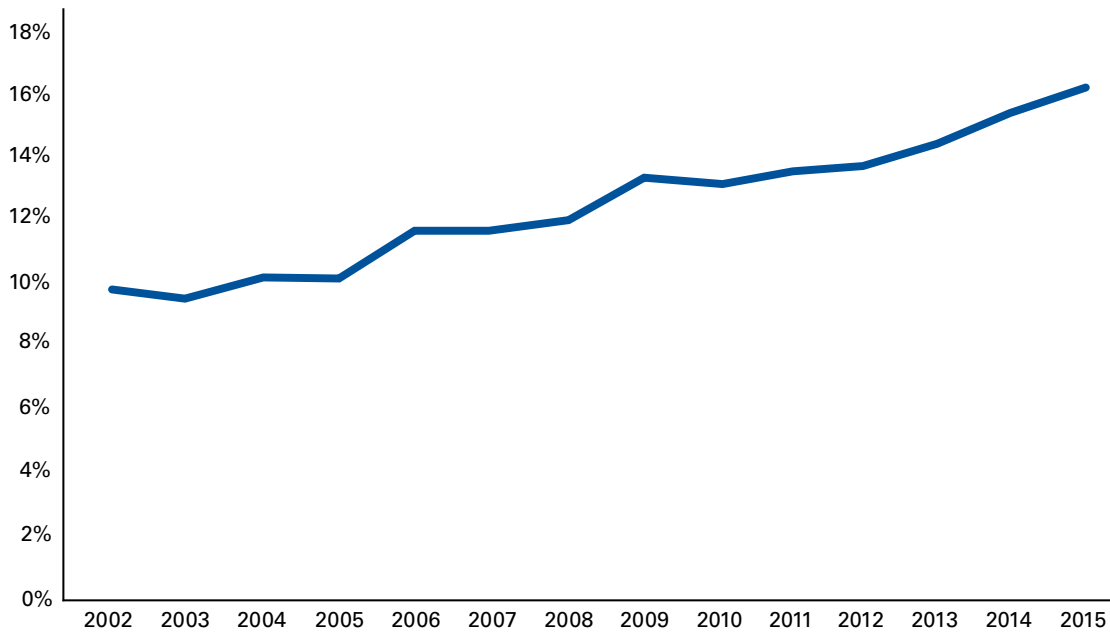
	2002 Tuition	2016 Tuition If Raised Only for Inflation	2016 Actual Tuition	Percent Change
Bluefield State College	\$2,598	\$3,468	\$6,408	147%
Concord University	\$2,962	\$3,953	\$7,080	139%
Fairmont State University	\$2,766	\$3,692	\$6,950	151%
Glenville State College	\$2,700	\$3,604	\$7,344	172%
Marshall University	\$2,984	\$3,983	\$7,154	140%
Shepherd University	\$2,866	\$3,825	\$7,170	150%
West Liberty State University	\$2,748	\$3,668	\$7,038	156%
West Virginia State University	\$2,754	\$3,676	\$6,996	154%
West Virginia University	\$3,240	\$4,324	\$7,992	147%
WVU Institute of Technology	\$3,066	\$4,092	\$6,648	117%

**Source:** West Virginia Higher Education Policy Commission, and the Bureau of Labor Statistics.

This increase in tuition has made financially supporting higher education attainment even more difficult for West Virginia’s families. Not only has tuition grown faster than inflation, it has grown faster than the income of a typical household in West Virginia. In 2002, the average tuition at a four-year public college or university in West Virginia was equal to about 9.8 percent of the state’s median household income. In 2002, it took about 10 percent of a typical family’s income to pay for a student’s tuition on their own. By 2015, that amount had grown to over 16 percent of the state’s median household income (**Figure 1**).

FIGURE 1

**Average Tuition as a Share of Median Household Income, West Virginia, 2002-2015**



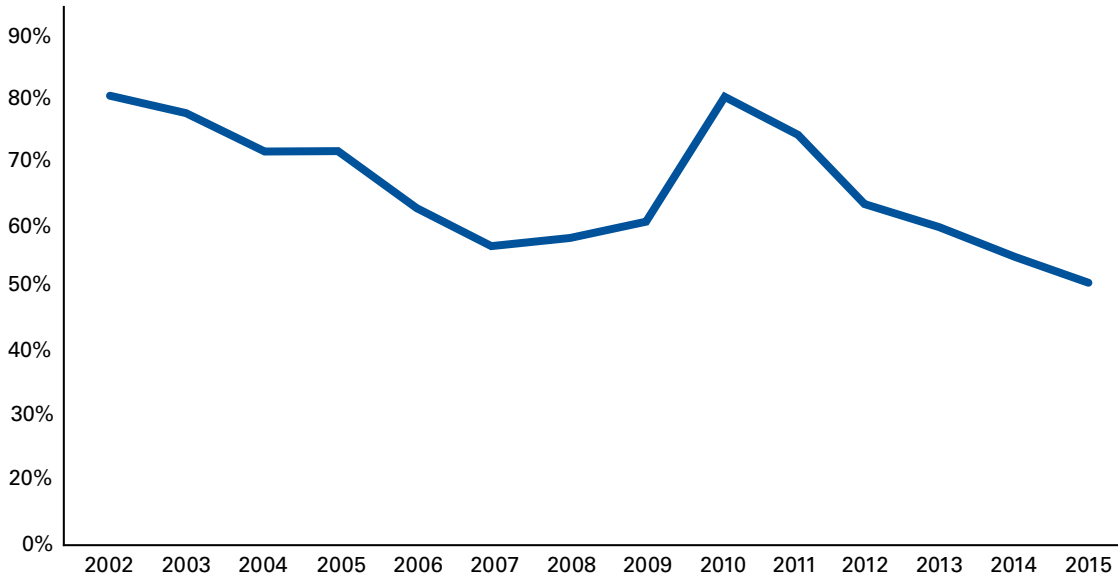
**Source:** West Virginia Higher Education Policy Commission, and the U.S. Census Bureau.

Tuition is also growing faster than the national Pell Grant. The Pell Grant is a need-based federal subsidy for students to pay for college. During the 2014-2015 school year, there were over 32,000 Pell Grant recipients enrolled in public two- and four-year colleges and universities in West Virginia.<sup>1</sup>

As tuition at West Virginia colleges and universities has increased, the Pell Grant has lost value, covering a lower percentage of tuition. In 2002, the average Pell Grant covered over 80 percent of the average tuition at a 4 year public college in West Virginia. By 2015, it covered less than 55 percent (**Figure 2**).

FIGURE 2

**Average Pell Grant as a Share of Public Four-Year College Tuition in West Virginia, 2002-2015**



**Source:** U.S. Department of Education, and West Virginia Higher Education Policy Commission.

Tuition increases have also eroded the value of the state’s financial aid programs. West Virginia has three main grant programs to assist students with cost of higher education. The Higher Education Adult Part-Time Student (HEAPS) Grant, the West Virginia Higher Education Grant (WVHEG), and the PROMISE scholarship programs provided financial assistance to 32,347 students in 2014.

When first implemented, the PROMISE scholarship covered full tuition for qualifying in-state students. Rising tuition led to the value of the scholarship to be capped, and in 2014, the scholarship only covered on average 70 percent of tuition. Both the HEAPS and the WVHEG grant programs have seen similar declines in value, covering a smaller share of tuition than in the past (**Table 2**).

TABLE 2

**Average Pell Grant as a Share of Public Four-Year College Tuition in West Virginia, 2002-2015**

	2002		2014	
	Average Award	Percent of Average Tuition Covered	Average Award	Percent of Average Tuition Covered
PROMISE	\$2,871	100%	\$4,469	70%
WVHEG	\$1,938	68%	\$2,235	35%
HEAPS	\$923	32%	\$1,114	17%

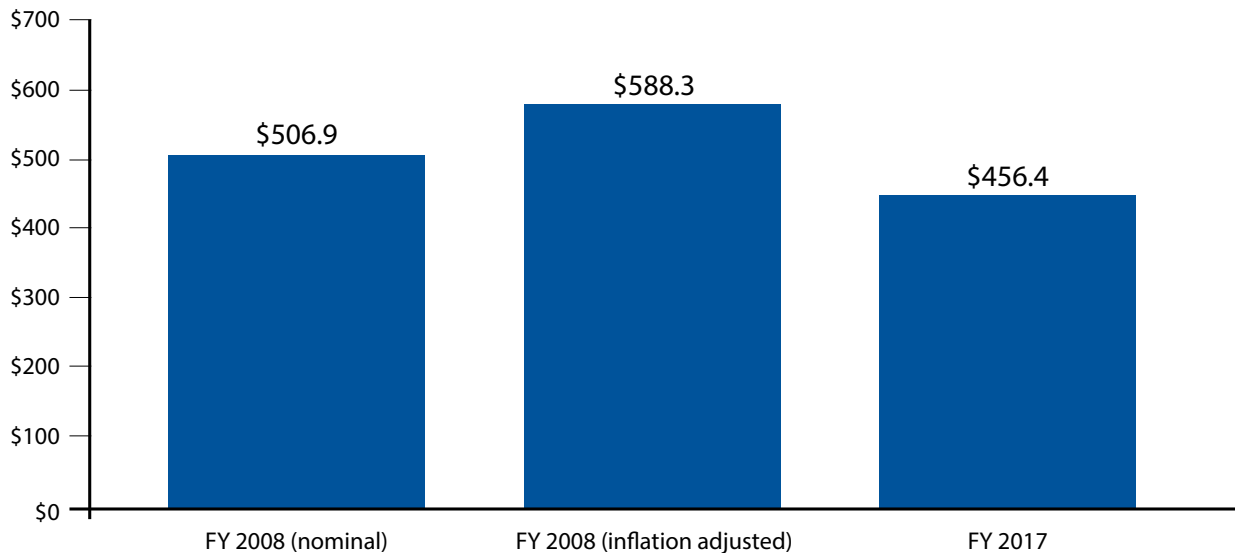
**Source:** U.S. Department of Education, and West Virginia Higher Education Policy Commission.

## State Support for Higher Education on the Decline

The rise of tuition at West Virginia's public colleges and universities is directly related to declining state support for higher education. As the state has grappled with hundreds of millions of dollars in budget shortfalls in recent years, higher education has come under the budget knife. Between FY 2008 and FY 2017, West Virginia cut higher education funding by \$132 million, adjusting for inflation, a decrease of more than 26 percent (**Figure 3**).

FIGURE 3

### West Virginia State Higher Education Funding, FY 2008 and FY 2017 (millions)



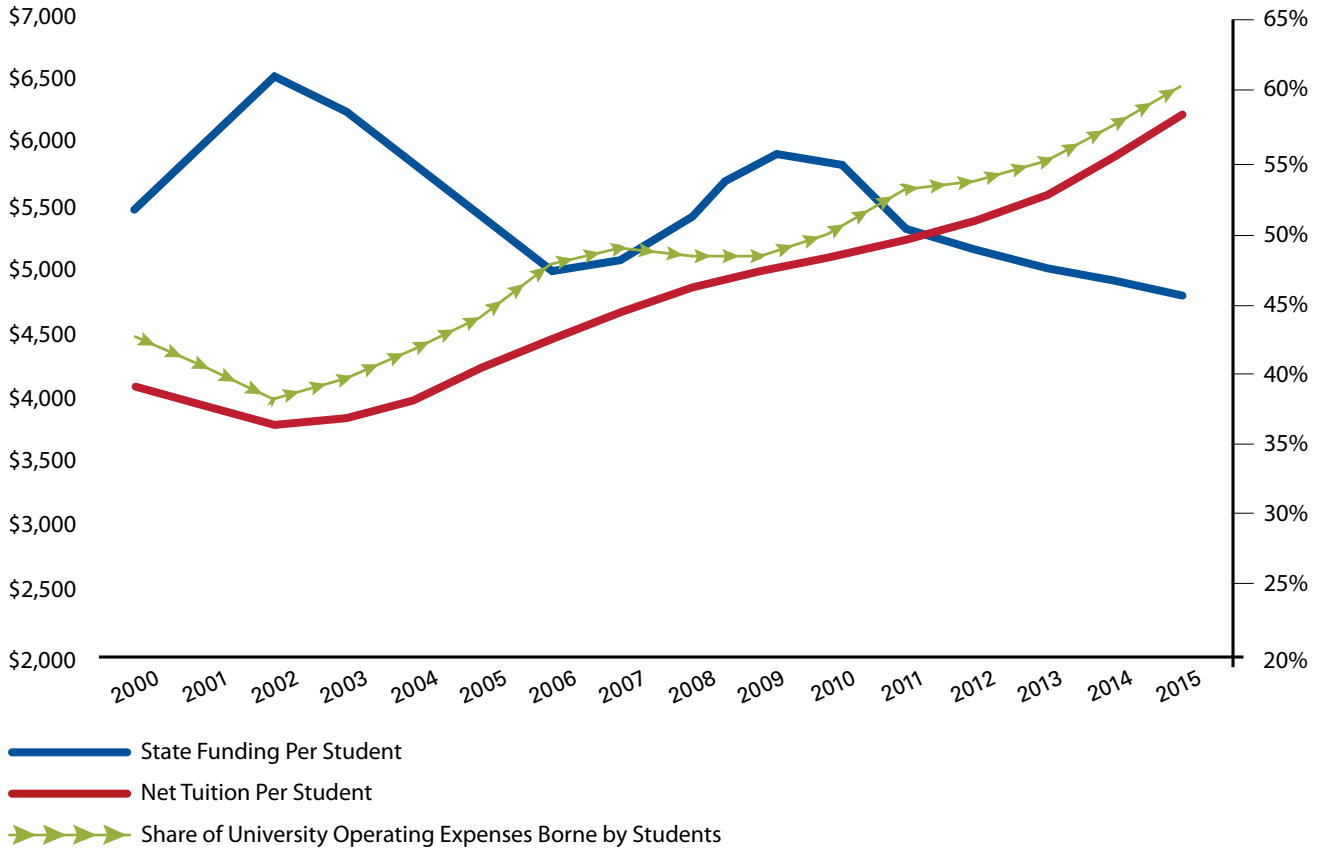
Source: WV State Budget Office and the Bureau of Labor Statistics.

As state support for higher education is cut, tuition goes up, as colleges and universities increase costs for students and their families to make up for lost revenue. State funding for higher education has fallen from \$6,373 per full time equivalent student in 2002 to \$4,963 per student in 2015, a decline of over 22 percent. At the same time, the average net tuition per full time equivalent student increased from \$3,816 to \$6,158, a 61 percent increase (**Figure 4**).

Declining state support and rising tuition have resulted in students bearing a larger share of public college operating costs. Between 2000 and 2010, the student's share of public college operating expenses (before application of financial aid and scholarships and not counting endowments or donations) ranged from 39 percent to 49 percent, for an average of 45 percent. In 2010, the student's share of expenses exceeded 50 percent, meaning colleges in West Virginia were relying more on student tuition than on state support, and has continued to rise since, approaching 60 percent in 2015 (**Figure 4**).

FIGURE 4

**State Support and Tuition for Higher Education in West Virginia, 2000-2015  
(three-year averages, 2015 dollars)**



**Source:** State Higher Education Executive Officers (SHEEO): State Higher Education Finance FY15.

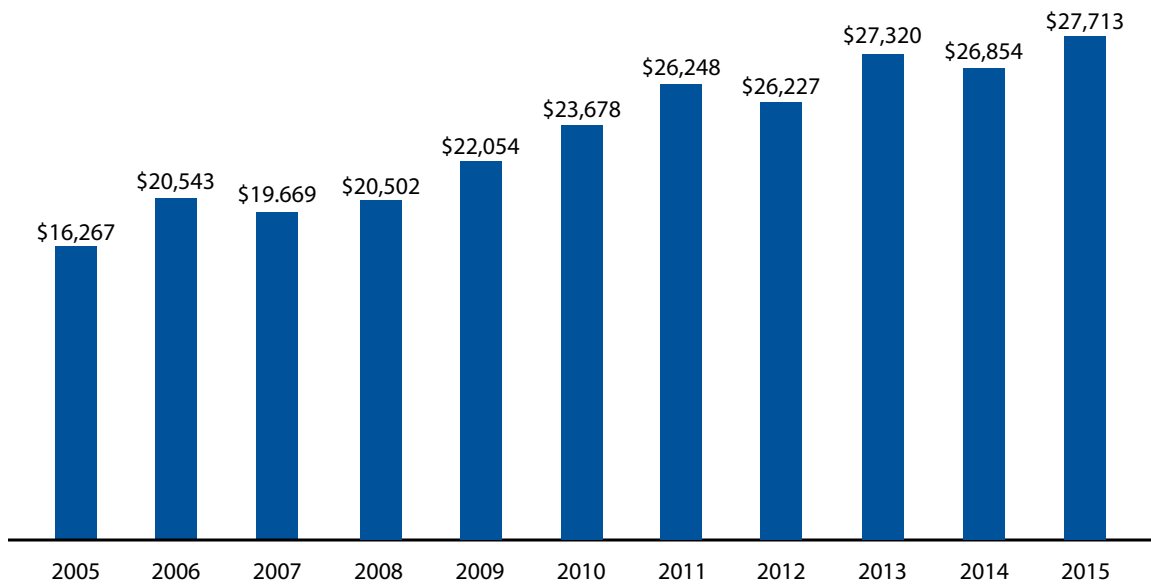
## Rising Tuition Means Rising Debt

As state support for higher education has fallen and tuition has increased, students and their families are taking on more debt to pay for the costs of higher education. Of West Virginia college students who graduated in 2015, 68 percent graduated with debt, the seventh highest rate in the country. West Virginia’s student loan debt averaged \$27,713.<sup>2</sup>

Average student loan debt for West Virginia graduates has been growing steadily in recent years, outpacing inflation as well as the incomes of recent graduates. Average student loan debt for college graduates in West Virginia has increased by over 70 percent since 2005 (**Figure 5**). In contrast, the average salary of recent college graduates in West Virginia only increased by 13 percent in that time.<sup>3</sup> Rapidly increasing student loan debts can be preventing West Virginia’s graduates from purchasing homes, cars, and other spending that drives economic growth.

FIGURE 5

**Average West Virginia College Graduate Student Loan Debt, 2005-2015**



**Source:** The Institute for College Access & Success.

An increasing debt load has led to more of West Virginia’s college graduates who are struggling to pay back their loans. West Virginia’s student loan default rate is 16.2 percent, the second highest rate in the country.<sup>4</sup>

Tuition increases can also have the effect of simply making higher education not an option for many people. Research shows that a \$100 increase in tuition and fees can lead to a decline in enrollment of 0.25 percent.<sup>5</sup>

**The Importance of Higher Education**

Two recent reports from the West Virginia University Bureau of Business and Economic Research highlight the importance of investments in higher education in West Virginia. The first study showed how the higher education institutions themselves act as economic drivers in the state. According to the study, West Virginia’s 21 public institutions of higher education contributed approximately \$2.7 billion to the state’s economy in 2014, and supported 22,000 jobs. West Virginia’s higher education institutions generate \$7.00 of economic activity for every \$1.00 invested by the state.<sup>6</sup>

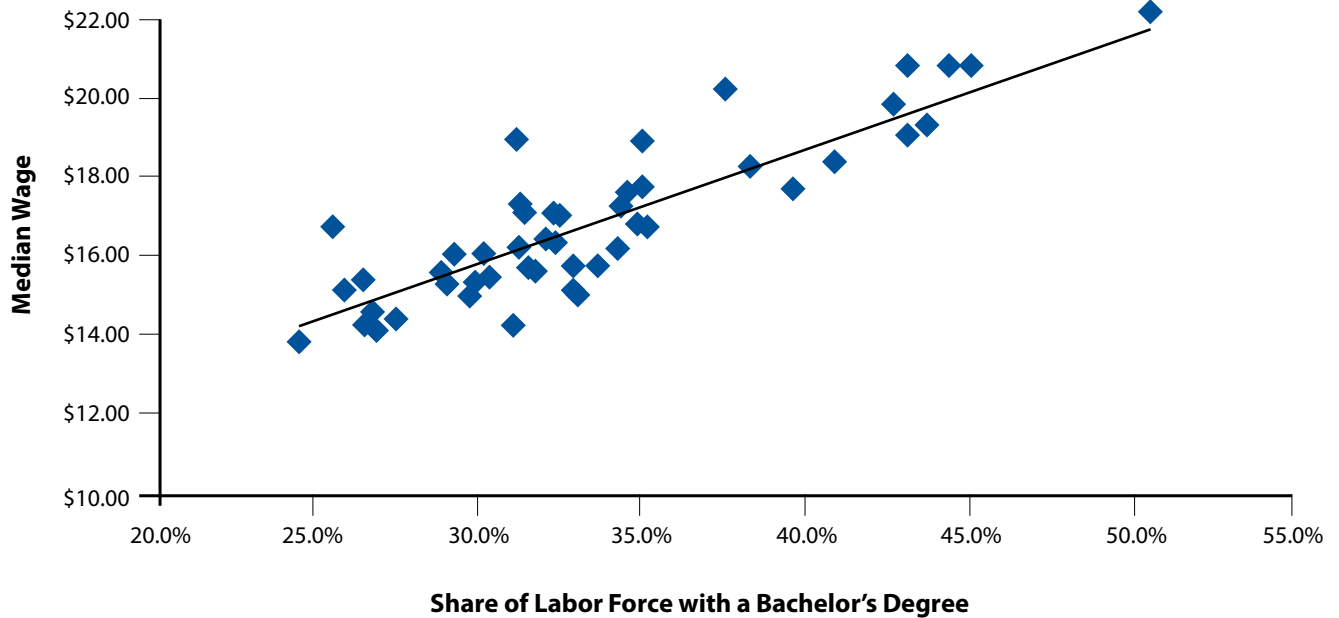
Another study from the Bureau of Business and Economic Research showed the economic benefits of graduating more people into West Virginia’s economy. The number of graduates from the state’s public higher education institutions who go on to be employed in the state is growing. College graduates are more likely to be employed and the study shows that there are economic benefits to graduating more people to West Virginia’s economy.<sup>7</sup>

But even with its clear benefits, West Virginia has continued to weaken its support for higher education, pushing tuition higher and making college unaffordable for many of its residents, and putting its economic future at risk.

Among the 50 states, West Virginia has consistently had the lowest level of education in its workforce. This lack of higher education in its workforce has been found to be a major factor in many of the state’s economic ills, including its low levels of labor force participation, and persistent low income levels.<sup>8</sup>

West Virginia will need to reverse its current trend of declining higher education investment if it wants a brighter economic future with more jobs and higher wages. The importance of higher education and an educated workforce is demonstrated by comparing the share of a state's workforce with a college degree with its median wage (**Figure 6**). In short, there are almost no states with low levels of education and above average wages.

FIGURE 6  
**State Median Wages and Educational Attainment Levels, 2015**



Source: Economic Policy Institute analysis of Current Population Survey data.

A recent analysis of West Virginia's economy, based on a previous analysis of Kentucky's economy from the Center for Business and Economic Research at the University of Kentucky, provides further evidence of the importance of higher education for a state's workforce.<sup>9</sup> If West Virginia were to have the national average of the percent of the population that were college graduates, its per capita personal income would increase by over \$3,300, a 10 percent increase.

## Conclusion

The path to future shared prosperity in West Virginia begins with a healthy and productive workforce. A lack of education in its workforce has been shown to be a key factor in the state's low levels of workforce participation and persistently low income.<sup>10</sup> Increasing the level of education in the state's workforce should be one of the primary goals of lawmakers concerned about the state's economic future.

The dramatic reduction in funding to public colleges and universities in the state, causing tuition to rapidly grow, makes meeting that goal nearly impossible. To make college more affordable and accessible, the state will have to restore adequate funding to public higher education institutions in the state, and explore other ways to reduce the costs of higher education. These can include options from restoring the value of the PROMISE to cover the full costs of tuition, to exploring ways to make public higher education in West Virginia tuition free, which would be less costly than recent business tax cuts.<sup>11</sup>



## Endnotes

- 1 David Gutman, "Economist: Cut taxes in W.Va.," *Charleston Gazette-Mail*, September 2, 2015. Retrieved from <http://www.wvgazettemail.com/article/20150902/GZ01/150909868/1102>
- 1 U.S. Department of Education, Federal Pell Grant Program 2014-2015 End of Year Report
- 2 The Institute for College Access & Success, Student Debt and the Class of 2015, October 2016
- 3 WVCBP analysis of U.S. Census Bureau, Current Population Survey data. Recent college graduates defined as West Virginians ages 25 to 30 with at least a bachelor's degree.
- 4 <http://www.wvgazettemail.com/news-education/20160929/wv-has-second-highest-student-loan-default-rate-in-nation>
- 5 [https://www.jstor.org/stable/41413066?seq=1#page\\_scan\\_tab\\_contents](https://www.jstor.org/stable/41413066?seq=1#page_scan_tab_contents)
- 6 <http://wvutoday.wvu.edu/n/2016/08/04/west-virginia-s-public-higher-education-institutions-have-2-7-billion-impact-on-state>
- 7 <http://wvutoday.wvu.edu/n/2016/10/31/wvu-study-state-s-efforts-to-graduate-more-college-students-pays-off>
- 8 SWWV 2015 & SWWV 2016
- 9 SWWV 2016
- 10 Ibid.
- 11 <http://www.wvpolicy.org/which-is-more-expensive-tax-cuts-or-free-tuition/>