

Building an Equitable Society and a Prosperous Economy: The Value of Investing in Public Higher Education

Equitable access to high-quality public colleges and universities can dramatically expand opportunity for young people and substantially strengthen a state economy. But for too long, our Commonwealth has failed to meet the needs of too many of our students, particularly working-class students and students of color. When the coronavirus pandemic hit, the crisis became acute. At community colleges, for instance, new enrollments by Black and Latinx students dropped by a startling 27.9 percent.

This crisis underscores the need to allow students to graduate debt-free.

Many students view higher education as an insurmountable financial challenge. In addition to paying for tuition and fees, many students must also cover the costs of housing, food, sometimes child care, and other necessities. As a result, low-income students often need to work long hours at low-wage jobs, making degree completion harder. Too many students are forced into taking on substantial debt. Losing a job or experiencing reduced hours of employment can cause students to drop out.

This crisis calls for action. We have the capacity to provide debt-free access to high-quality public colleges and universities, to expand targeted supports for students, and to make improvements to the wages and working conditions of adjunct faculty so they have the time and resources to meet the needs of all students – not just in class, but outside of the classroom as well. The evidence shows that investing in public higher education so that all students, including those facing the greatest obstacles, can succeed is among the very best investments we can make – for our students, and for the future of our economy.

The benefits of earning a college degree are well documented; compared to those with only a high school diploma, Massachusetts residents with an associate's degree have annual incomes \$10,907 higher and those with a bachelor's degree have annual incomes that are \$37,398 higher.

Less well understood is the effect on the state budget of having a highly educated workforce. Because of their higher incomes, college graduates contribute more in taxes, paying forward the benefits they receive from public education. Over their lifetime, those with an associate's degree contribute an additional \$66,369 in state taxes, and for those with a bachelor's degree that figure is \$110,949. After considering other state savings and the cost of providing higher education, the net positive effect on the state's finances is \$83,382 for each four-year degree and \$59,467 for each two-year degree.

When the state allows financial and other obstacles to keep thousands of lower-income students from enrolling in and graduating from public colleges and universities, the Commonwealth loses hundreds of millions of dollars in

long-term benefits. Massachusetts can be a more racially just and economically prosperous state by removing obstacles to public higher education. This requires a state investment to ensure that students have debt-free access to public colleges and universities.

In addition to the long-term benefits, investments in higher education create jobs and income immediately. Construction and renovation of college buildings create jobs for the building trades; operating funding creates jobs for educators, clerical personnel, maintenance workers and many others; and colleges and universities generate a robust spinoff economy for the businesses frequented by those directly employed in higher education. Careful econometric modeling has found that each \$100 million in spending on higher education creates approximately 1,000 new jobs – even after netting off the costs of paying for those investments with progressive taxes. In the current situation, where the investments could be funded by State Fiscal Relief Funds provided by the federal government, the benefits could be even greater: more than 1,700 jobs per \$100 million invested.

Finally, **national studies** have shown that states with the best-educated workforces have the highest wage economies overall. This is not surprising, given that the education premium for individuals would apply for aggregate populations. But there is also **evidence** that when a higher percentage of residents in a region has a college degree, the wages of others rise as well – likely as the result of higher demand for various goods and services.

The sharp decline in college enrollment among students of color and low-income students risks doing lasting damage to those students and to our Commonwealth. But it is a problem that can be solved. An equitable **policy response** that moves toward debt-free college, dramatically reducing the financial barriers students face, and provides the supports students need to thrive can create a brighter future for thousands of hard-working young people – and for all of us.

This fact sheet summarizes and expands on the findings of An Economic Analysis of Investment in Public Higher Education in Massachusetts: Recovering from the COVID-19 Crisis and Laying Foundations for the Future, by Michael Ash, Ph.D., Professor of Economics and Public Policy, Department of Economics and School of Public Policy, University of Massachusetts Amherst; and Shouvik Chakraborty, Ph.D., Political Economy Research Institute, University of Massachusetts Amherst.