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BTC Brief

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UNDERPREPARING FOR THE FUTURE:

North Carolina's Divestment in Post-Secondary Education

*Timely,
accessible,
and credible
analysis of
state and local
budget and tax
issues*

KEY FINDINGS:

- Post-secondary institutions in North Carolina sustained a \$917.2 million state budget cut in the 2011-13 state budget passed in the spring of 2011. The University of North Carolina system and system office saw its state appropriation cut by \$682.2 million, and the community college system and system office were cut by \$235 million.
- State investment in higher education has declined sharply over the Great Recession, with the most recent budget cuts reducing appropriations for post-secondary education to a 40-year low as a share of the North Carolina economy. In 2011-2012, North Carolina policymakers invested just \$9.88 per \$1,000 in state personal income in post-secondary education, down from the 30-year average of \$12.37.
- While the cost of post-secondary education has increased, financial assistance has decreased. Within the university system, tuition has increased by 23 percent since last year, while need-based aid has declined by 22 percent. Community college tuition increased by 17.7 percent over the same period, while need-based aid remained flat.
- Despite the importance of post-secondary completion to North Carolina's future economy, policymakers cut back on critical investments to support students in finishing their educational programs as they also struggled with rising costs and declining state financial aid.

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Post-Secondary Education Vital to Meeting Future Labor Demand

North Carolina has long been nationally recognized for its commitment to education and its early investment in public universities and community colleges as a way to spur economic expansions and transform opportunities across the state. Yet since the Great Recession, state investment in higher education has declined significantly despite an increasing number of North Carolinians seeking education and skills training at the state's universities and community colleges.

This disinvestment has occurred at a critical time in the state's economic transformation. Not only is post-secondary education increasingly seen as the best pathway to the middle class, but North Carolina's future job growth is projected to net more jobs requiring post-secondary education by 2018. By that time, nearly 60 percent of the state's jobs will require some post-secondary education.¹

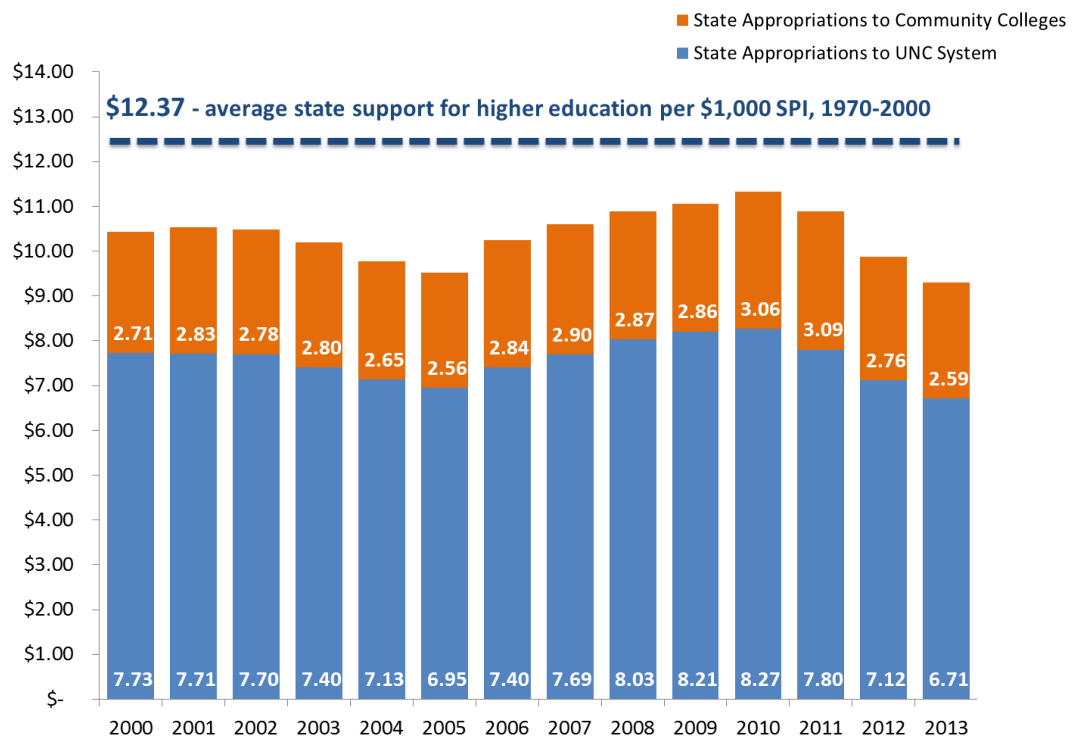
Recent national research indicates that North Carolina is not alone in moving away from critical investments in higher education. However, North Carolina may be better positioned to reverse the trend given its historic commitment to an educated workforce, thereby remaining competitive among states. Without such action, the longer-term trends of rising tuition and declining need-based aid will further shift the cost of higher education to families and students and could undermine efforts to increase educational attainment of North Carolinians.²

State Investment in Higher Education Declined over the Great Recession

The state budget passed by legislators last year represented a significant disinvestment in post-secondary education, particularly the University of North Carolina system. The public university system, which includes 16 campuses and general administration, received a cut of \$682 million over two years, and UNC system funding for the 2011-12 year represents a 9.5 percent decrease from pre-recession state funding levels.³ While the UNC system budget received a \$46.8 million increase for enrollment growth, the first year of a single UNC “flexible cut” alone was nearly 10 times that amount – \$414 million.⁴ The community college system, which includes 58 colleges and the system office, was cut by \$235 million over two years, representing a 5.5 percent decrease from the pre-recession funding level.⁵ Taken together, state investment in higher education has reached a 40-year low at just \$9.88 per \$1,000 in personal income.

Over the course of the recession—when student enrollment in UNC system schools, as measured by the annual fall total headcount, increased by 14 percent—state investment in the university system decreased by 10 percent in inflation-adjusted dollars. Over the same time period, while community college systems enrollment as measured by budgeted full-time equivalent students increased by 28 percent, state investment in community colleges declined by 3 percent when adjusted for inflation.⁶

State support for higher education dropped sharply in response to Great Recession



SOURCES: Office of State Budget and Management, Post-Legislative Summary for state fiscal years 2000 through 2011; NCGA Fiscal Research Division, Annotated Report on the 2011-2013 Continuation, Expansion, and Capital Budgets; US Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts.

Faced with significantly fewer state dollars, the university and community college system has turned to students and their families to close the gap by raising tuition. UNC tuition alone has increased by 52 percent since the 2008-09 school year. Tuition at community colleges has increased by 58 percent over the same period. For first-generation and low-income students considering post-secondary education, these increased costs represent a barrier to the pursuit of higher education.⁷ Analysis conducted before the Great Recession in 2008 found that low-

income families in North Carolina would have to dedicate nearly one-third of their income to the cost of post-secondary education.⁸

State investment in need-based financial aid has also declined. Need-based grants at the university system were cut by 22 percent since the year before, while state financial aid investments at community colleges remained flat.

Rising tuition and declining need-based aid have an impact on students' ability to complete their post-secondary education. Evidence shows that greater costs can drive students to take on more work and often more hours in their studies than is optimal for completing their program in time — or at all.⁹

Beyond Affordability, Cuts to Student Supports

Additionally, cuts to institutional student supports and academics have resulted in fewer course offerings and larger classes at the UNC system, and fewer dollars to support specialized programs in growth industries at community colleges. Within the UNC system, some campuses have only one academic advisor per 1,000 students.¹⁰ At community colleges, the minority male mentoring program — an academic and career support system for first-generation and minority male students — was cut by 10 percent. As pilot programs across North Carolina have demonstrated, student supports and mentoring can provide a boost to student completion and ensure that students remain oriented towards their education goals.¹¹

Conclusion

North Carolina has long recognized that the pathway to the middle-class passes through the school house door, but the economy of the future will increasingly require a route through post-secondary campuses. For North Carolina to remain competitive, as it has in the past, it will be critical to adequately invest in post-secondary education and proven programs to support completion.

- 1 Carnevale, Anthony P., Nicole Smith and Jeff Strohl, June 2010. "Help Wanted: Projections of Jobs and Education Requirements through 2018." Center on Education and the Workforce, Georgetown University.
- 2 Quinterno, John, April 2012. "The Great Cost Shift: How State Disinvestment in Higher Education is Undercutting the Future Middle Class." Demos; New York, NY.
- 3 BTC comparison of state appropriations for UNC system in FY2011-12 and FY2008-09. FY2011-12 data from North Carolina General Assembly, Fiscal Research Division, "2011 Annotated Committee Report on the Continuation, Expansion, and Capital Budgets," available at http://ncleg.net/fiscalresearch/highlights/highlights_pdfs/2011_Annotated_Committee_Report_2012-02-23_FINAL.pdf. FY2008-09 data from North Carolina Office of State Budget and Management, 2007-2009 Post-Legislative Summary, available at http://www.osbm.state.nc.us/files/pdf_files/pls2007_09.pdf.
- 4 Burch, Brenna. "The 2011-2013 Final Budget: Neglecting a Balanced Approach, Budget Costs Jobs and Delays Economic Recovery," NC Budget and Tax Center: June 2011. Available at
- 5 BTC comparison of state appropriations for community colleges in FY2011-12 and FY2008-09. FY2011-12 data from North Carolina General Assembly, Fiscal Research Division, "2011 Annotated Committee Report on the Continuation, Expansion, and Capital Budgets," available at http://ncleg.net/fiscalresearch/highlights/highlights_pdfs/2011_Annotated_Committee_Report_2012-02-23_FINAL.pdf. FY2008-09 data from North Carolina Office of State Budget and Management, 2007-2009 Post-Legislative Summary, available at http://www.osbm.state.nc.us/files/pdf_files/pls2007_09.pdf.
- 6 Comparison of 2011-12 total state appropriations for UNC system and community colleges were compared with inflation-adjusted total appropriations for the same in FY2006-07.
- 7 Mayo, Lucy, Viany Orozco and Alexandra Sirota, August 2010. "Building the North Carolina Middle Class: Addressing the Challenges Young People Face." Demos: New York, NY
- 8 National Center for Public Policy and Higher Education, 2008. Accessed at: <http://measuringup2008.highereducation.org/>
- 9 Orozco, Viany and Nancy Cauthen, 2009. "Study More, Work Less: How Financial Supports Can Improve Post-Secondary Success." Demos: New York, NY.
- 10 Presentation to the NC General Assembly Appropriations/Base Budget Committee, January 18, 2012, by Charles Perusse, UNC General Administration. Available at [http://www.ncleg.net/DocumentSites/Committees/SenateAppropriationsBaseBudget/Interim%20Meetings/2011/3\)%20January_2012/1.%20Presentations/UNC_Management_Flex_Reductions_2012_Jan_18.pdf](http://www.ncleg.net/DocumentSites/Committees/SenateAppropriationsBaseBudget/Interim%20Meetings/2011/3)%20January_2012/1.%20Presentations/UNC_Management_Flex_Reductions_2012_Jan_18.pdf)
- 11 Achieving the Dream, accessed at: <http://www.achievingthedream.org/>