

# The Value Proposition of Higher Education

## BACKGROUND

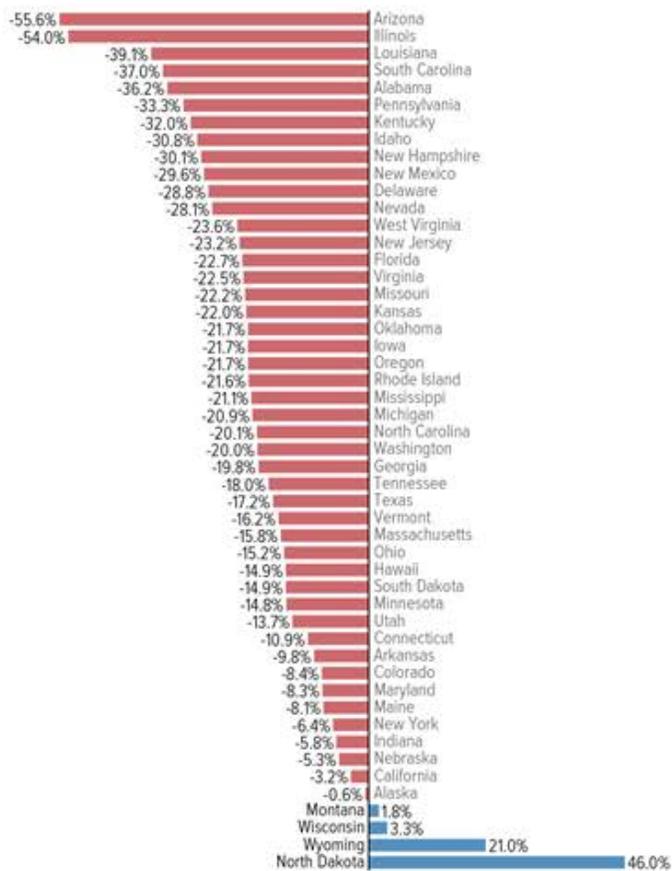
In her article, [The American Dream and Higher Education's Broader Purpose](#), Lynn Pasquerella, president of the Association of American Colleges & Universities, writes, “[the] broader purpose of a college or university education extends beyond its market value.” Pasquerella goes on to cite philosopher Mark Kingwell, who suggests, “When it comes to valuing education, no ratings system or outcomes table can actually penetrate the mystery of why learning is good.”

However, in the article, [Exploring the Value Proposition of Higher Education](#), the Association of Governing Boards (AGB) notes, “Headlines show that, for many people, higher education isn’t measuring up.” The cost of tuition continues to rise, and the resulting student loan debt continues to mount. Questions about higher education’s cost and return on investment abound. Even those who believe in the importance of a college degree express concerns about whether they will be able to afford to send themselves and their children to college.

In its publication, [Top Ten Policy Issues for Higher Education: 2017-2018](#), AGB goes on to suggest that deteriorating public confidence in higher education and growing skepticism about its fundamental value “may be reflected in the erosion of public financial support for colleges and universities.” In nearly every state, funding for higher education remains far below pre-recession levels (Figure 1 and Figure 2). According to the [Center on Budget and Policy Priorities](#), these deep cuts in state funding have had major consequences for colleges and universities. Notably, “public colleges and universities across the country have increased tuition to compensate for declining state funding and rising costs.” Additionally, because tuition increases cannot be relied on to fully compensate for the revenue lost as a result of declining state funding, “public colleges and universities have cut faculty positions, eliminated course offerings, closed campuses, and reduced student services, among other cuts.”

In the face of growing questions about value, the AGB states, “The message is clear: Colleges and universities and their leaders—including board members—must redouble their efforts to define, defend, and extol the value proposition of higher education.”

**Figure 1.** Percent change in state spending per student, inflation adjusted, 2008-2016



Note: Since enrollment data is only available through the 2014-15 school year, we have estimated enrollment for the 2015-16 school year using data from past years. In the 2013-15 biennial budget, Wisconsin state lawmakers changed the funding model for Wisconsin's Technical College System, shifting support from the local property tax to state General Purpose Revenue. This change reflects a shift of roughly \$406 million in annual support from the local to state levels in Wisconsin but did not result in an overall increase in support for Wisconsin's higher education institutions. Excluding this shift, per-student funding fell by 25.2 percent over 2008-2016.

Source: CBPP calculations using the "Grapevine" higher education appropriations data from Illinois State University, enrollment and combined state and local funding data from the State Higher Education Executive Officers Association, and the Consumer Price Index, published by the Bureau of Labor Statistics. Illinois funding data is provided by the Fiscal Policy Center at Voices for Illinois Children. Kentucky funding data is provided by the Kentucky Center for Economic Policy. Pennsylvania funding data is provided by the Pennsylvania Budget and Policy Center.

**Figure 2.** Change in state spending per student, inflation adjusted, 2008-2016



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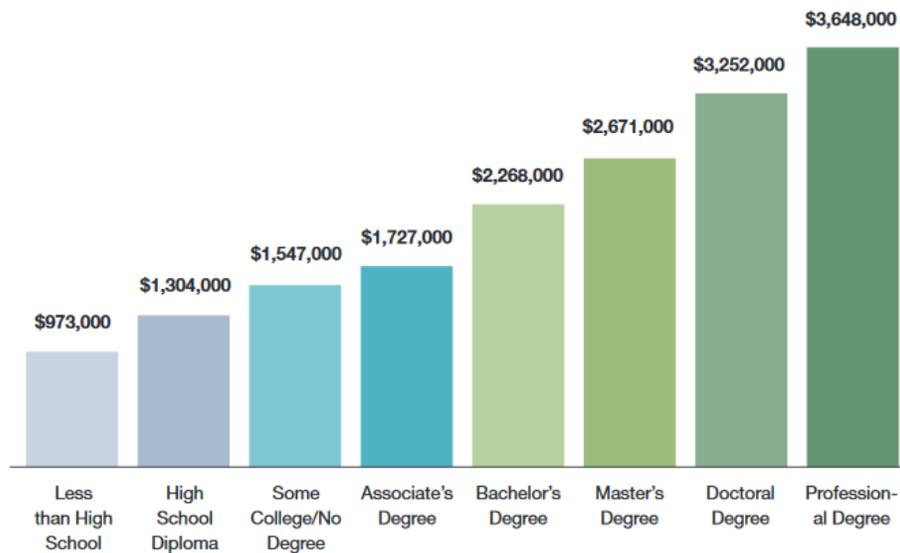
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## THE PERSONAL AND PUBLIC VALUE OF HIGHER EDUCATION

### Lifetime Earnings and Benefits

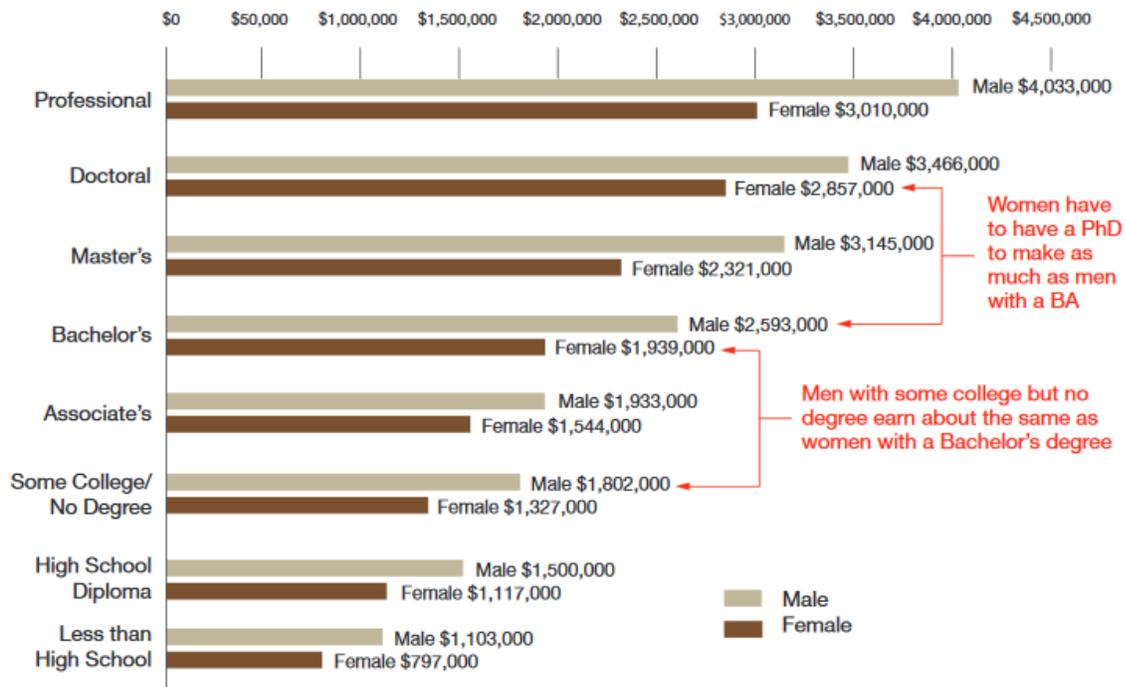
**People with more education typically earn more.** According to the 2011 report, [The College Payoff](#), median lifetime earnings rise steadily for workers with increasing education attainment (Figure 3). Having some postsecondary education, even without earning a degree, adds nearly one-quarter of a million dollars to lifetime earnings. Bachelor's degree holders earn 31% more than workers with an Associate's degree and 74% more than those with just a high school diploma.

**Figure 3.** Median lifetime earnings by highest educational attainment, 2009 dollars

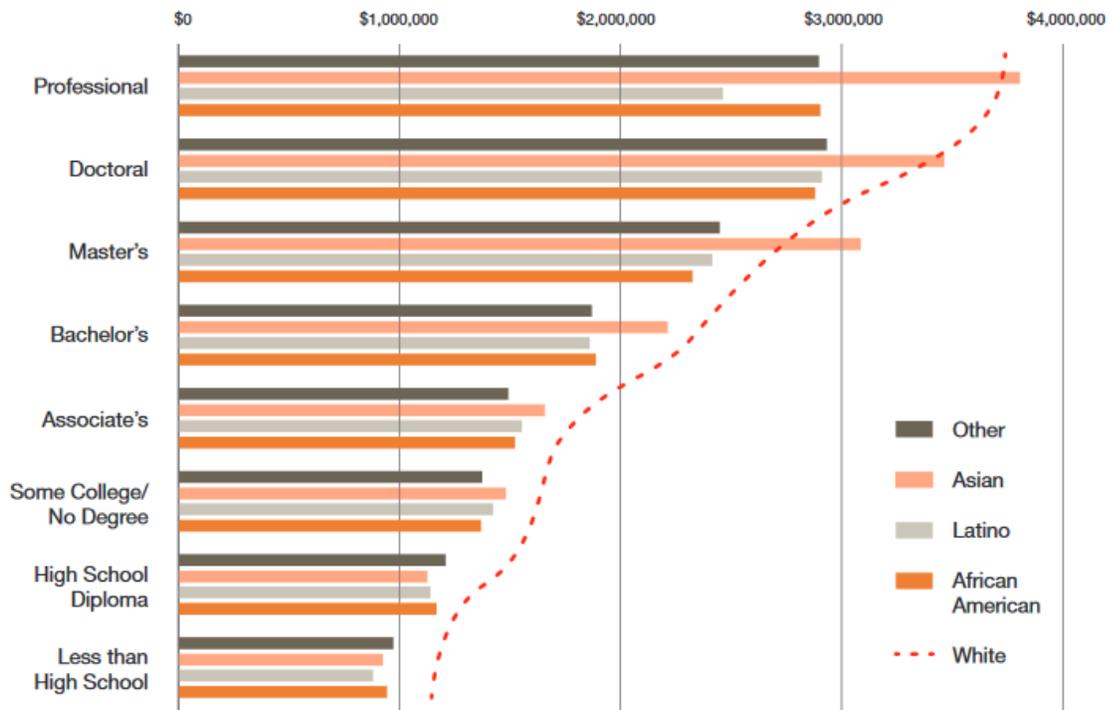


However, using median earnings obscures persistent variation in earnings within educational levels. For example, women with the same educational attainment as men earn about a quarter less than their male counterparts over a lifetime (Figure 4). There is also variation in the earnings of people of different races/ethnicities relative to Whites (Figure 5).

**Figure 4. Male and female earnings by educational attainment**



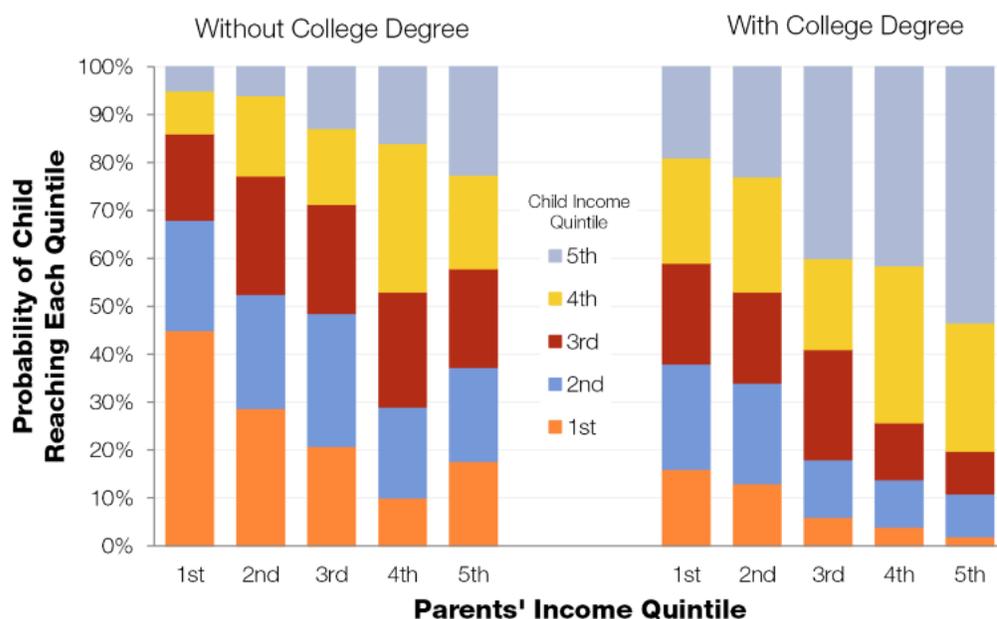
**Figure 5. Lifetime earnings by race/ethnicity, 2009 dollars**



**Education significantly increases the ability of children to move up the economic ladder.**

The 2012 report, [The Economics of Higher Education](#), cites data indicating that education enhances intergenerational mobility, the ability of children to move up and down the economic ladder independent of their parents' income status (Figure 6).

**Figure 6.** Intergenerational mobility



Source: Brookings analysis of the Panel Study of Income Dynamics (Isaacs, Sawhill, & Haskins, 2011).

**The financial benefits extend beyond income.** According to the [Lumina Foundation](#), on average in 2012, Americans with bachelor's degrees (and without graduate degrees) receive the following benefits in comparison to high school graduates never attending college:

- The incidence of poverty is 3.5 times lower.
- Retirement income is 2.4 times higher.
- The probability of being employed is 24% higher.

### **Civic Learning and Engagement**

**Colleges and universities create informed, engaged citizens.** According to a number of reports, making civic learning and democratic engagement an expected outcome helps meet the demands of employers (Figure 7, [A Crucible Moment: College Learning & Democracy's Future](#)) and fosters informed, engaged, responsible citizens (Table 1, [What's a Degree Got to Do With It? The Civic Engagement of Associate's and Bachelor's Degree Holders](#)).

Additionally, the [Lumina Foundation](#) points to significantly increasing generosity (in absolute terms as well as in percentages of earnings) from increasing college attainment (Figure 8).

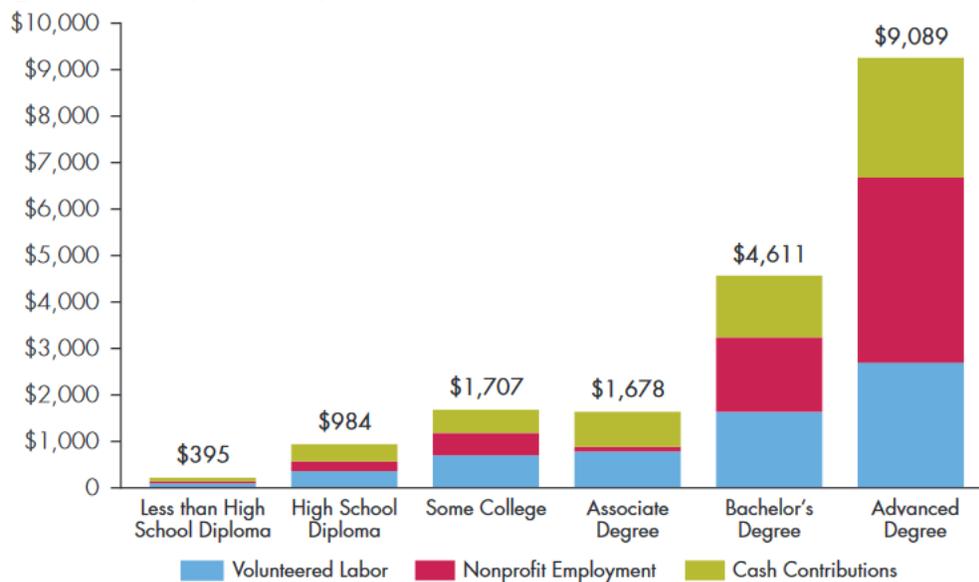
**Figure 7.** Percentage of employers who want colleges to “Place more emphasis” on essential learning outcomes



**Table 1.** Differences in civic engagement of adults who attained their ultimate level of education

	High School	Associate	Bachelor
<b>Community-Based Engagement Variables</b>			
Participated in a service organization	3%	6%	7%
Participated in sports or recreational org.	4%	8%	11%
Attended a church or synagogue	9%	16%	18%
Participated in any organization	3%	4%	6%
<b>Volunteer Variables</b>			
Volunteered	11%	16%	28%
Tutored or taught	2%	4%	8%
Mentored youth	2%	3%	9%
Ushered, greeted, or ministered	1%	1%	3%
Collected, made, or distributed clothing, crafts, or goods other than food	2%	2%	4%
Fundraised or sold items to raise money	3%	3%	6%
Provided counseling, medical care, fire/EMS, or protective services	1%	2%	4%
Provided general office services	1%	2%	2%
Engaged in music, performance, or other artistic activities	2%	3%	5%
Engaged in labor, supply, or transportation for people	3%	6%	7%
<b>Political Engagement Variables</b>			
Attended a political march or rally	1%	2%	3%
Supported a political candidate	6%	10%	16%
Attended a political meeting	3%	6%	10%
Boycotted or buycotted a product	4%	6%	10%

**Figure 8.** Total philanthropic contributions



Source: Author's estimates using several datasets.

## **Economic Impact**

**Education boosts the level of economic activity in an area.** Colleges and universities contribute to the state's economy through jobs, research, commercialization, and alumni activity. The 2015 Brookings report, [What colleges do for local economies: A direct measure based on consumption](#), notes that highly educated households spend more on the local economy than their less educated peers (Table 2). Additionally, data suggests that college attendance improves financial savvy, as seen, for example, in the relationship between college education and having a bank account (Figure 9).

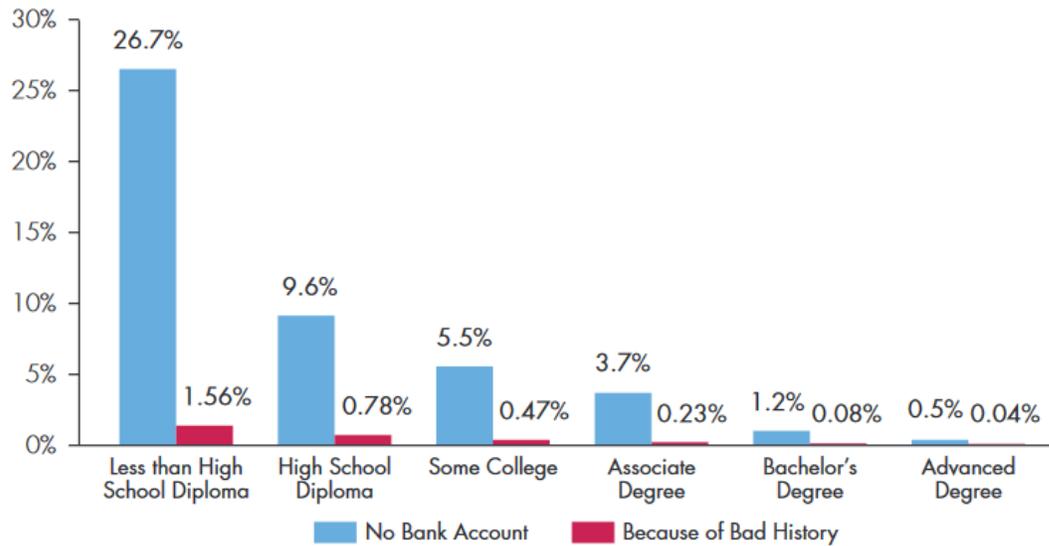
Universities themselves also affect local and state economies. For example, in Fiscal Year 2017, the Oregon State University's [research funding reached \\$336M](#) for a second consecutive year of record-breaking growth. Even the day-to-day operations of the university have a significant economic impact.

**Table 2.** Average annual income and spending by category, households by educational attainment of highest educated member, United States, 2014

	Before tax income	Total spending	Local spending	State and local taxes
High school graduate	\$40,260	\$36,286	\$18,806	\$1,947
High school graduate with some college	\$47,891	\$43,749	\$21,892	\$2,193
Associate's degree	\$60,671	\$50,300	\$25,141	\$2,816
Bachelor's degree	\$84,628	\$65,483	\$31,568	\$4,978
Master's, professional, or doctoral degree	\$123,654	\$85,434	\$41,115	\$7,847

Source: Brookings analysis of Bureau of Labor Statistics 2014 Consumer Expenditure Survey.

**Figure 9.** Percentages of working-age adults without a bank account



Source: Author's calculations using the June 2011 Unbanked/Underbanked Supplement of the Current Population Survey, ages 27-66 and not enrolled in college, N = 58,500.

## **Lifetime Experience**

**Individuals with postsecondary credentials live happier, healthier lives.** The issue paper, [It's Not Just the Money: The Benefits of College Education to Individuals and to Society](#), points to benefits of college attainment that extend beyond economic prosperity, such as the following:

- There is a strong link between education attainment and health.
- There is a dramatic correlation between education attainment and the probability of incarceration.
- There is a correlation between successful marriages and college attainment.
- There is a significant positive correlation between education attainment and measures of happiness, life satisfaction and/or mental well-being.

## **QUESTIONS**

The data and studies described above underscore the personal and public benefit of higher education, yet public perception often run counter to this information. This disconnect raises the following questions:

- What kind of messaging is needed to help stem the tide of public skepticism about higher education? What do we need to do that we are not doing now?
- What are the appropriate roles for board members and university leaders in advocating the value proposition of higher education?