WASTED OPPORTUNITY

New York Spends Billions On Risky Economic Development Programs, Yet Fails To Invest In A Proven Winner – *Public Higher Education*

Seeking to create jobs and help New York's economy, New York policymakers have bet on risky economic development schemes. Some work, many do not.

Yet at the same time, New York policymakers have failed to invest in a proven economic engine – institutions of public higher education. In recent years, policies have been approved that undermined the ability of the State University and City University systems to succeed in their mission and *undermined* those institutions' ability to help New York's economy to thrive.

Last year, the state budget took a step in a different direction.

In many ways the higher education portion of last year's budget agreement was the best in modern memory, in other ways a wasted opportunity. The budget invested in the State University and City University of New York $500 million in additional support of the systems' operations. It included $150 million to expand the state's largest college students' financial assistance, the Tuition Assistance Program (TAP), to currently ineligible part-time students who are enrolled in six or more credits. The budget also included $5 million to restore TAP eligibility for incarcerated New Yorkers. $59.6 million to CUNY and $48.8 million to SUNY to fully reimburse each system to eliminate the TAP Gap. An additional $53 million was appropriate to both SUNY and CUNY to hire additional full-time faculty at four-year colleges or community colleges. Last year's budget included $15.6 million in startup funds to expand childcare to all CUNY and SUNY campuses. In also included $2 million for SUNY and CUNY mental health programs and a 13 percent increase in opportunity programs.

AT-A-GLANCE

New York, and its local governments spend around $10 billion in dubious economic development programs that don't have much return on investment.

Recent policies have undermined the finances of public institutions of higher education.

The most recent example was the decision to sever the connection between tuition assistance and tuition – leading to the "TAP gap"

Decisions that undermined SUNY and CUNY contributed to the dramatic drop in enrollment.

COVID made it all worse.

REAL economic development lies in investing in New York's future workforce and citizenry. And at the same time stimulating local economies.

INVESTING IN SUNY AND CUNY IS A SURE THING.

There was no agreement to increase the maximum TAP award or to raise TAP eligibility. There was no agreement on rolling back public sector tuition costs. And there was simply not enough support to offset revenue shortfalls resulting from enrollment declines. Those were serious failures.

This year's Executive Budget proposal falls short in fulfilling the Governor's $1.5 billion, five-year commitment to restore SUNY and CUNY and increase graduation rates at a time when funds are desperately needed. This year's proposed funding commitments are partially dependent on tuition hikes at a time when the state should be trying to make education more affordable, not less.

There are currently numerous campuses which are in fiscal crisis. These campuses are looking at significant multi-million dollar projected or structural deficits. The proposed Executive Budget does not provide the funding needed to stabilize the finances of these community-based economic engines. Nor does the budget adequately address a decade of benign neglect from the previous administration and the financial toll the pandemic took.

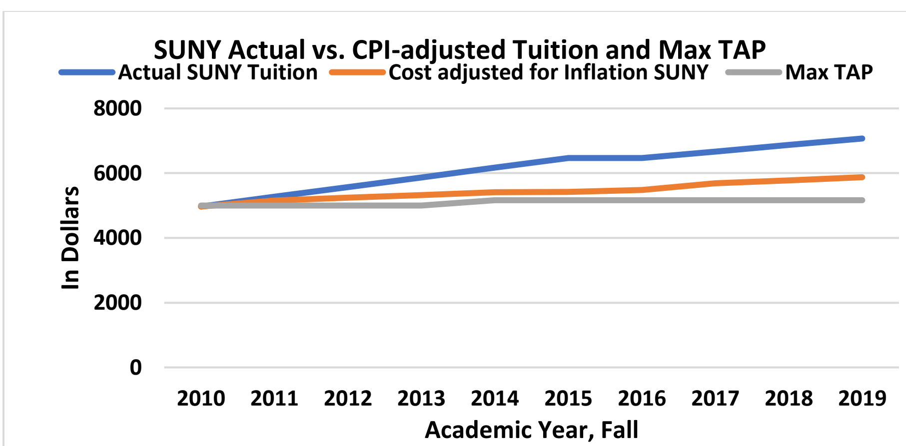
The state needs to significantly step up its financial support as federal funding dries up. New York should be helping distressed campuses and increase the largely flat funding for SUNY and CUNY institutions. Not investing wholistically in these campuses will only diminish student services and the unapparelled economic opportunity they create.

Undermining Public Higher Education – The "TAP Gap"

Prior to 2011, New York would increase the maximum TAP award to match the state's public college tuition. In this manner, the lowest income students would be protected from the impacts of tuition hikes. In addition, students attending independent colleges and universities would benefit from enhanced affordability by boosting TAP support tied to the increase in the maximum award.

In 2011, a new law (SUNY2020) changed that relationship. Instead of tying the maximum TAP award to public college tuition, the state decided that while tuition would be automatically raised, TAP would be handled separately (essentially frozen for the past decade) and the colleges themselves would have to supplement financial assistance to the lowest income students.

As tuition has been raised, public colleges have had to dig deeper into their own resources – which have also been more or less frozen during this time – to provide necessary financial assistance. This deepening hole – the "TAP Gap" – shortchanged CUNY and SUNY for years, starving campus budgets and putting student support services and educational quality at risk. Prior to the recent changes in state support, CUNY reported a $74 million TAP Gap.[1] As seen in the following chart, the gap between the maximum TAP award and the public college tuition is growing with each annual tuition hike and that gap must be closed with state revenues, instead of campus resources.[2]



As public college tuition has increased while TAP awards remained essentially unchanged (there has been one increase over the past decade), the gap between the maximum award and SUNY and CUNY tuition has led to financial pressures on the individual campuses. Under the "SUNY2020" law, those campuses must provide additional assistance to students in need to make up the "TAP Gap."

As seen in the table below, that gap became significant.

Fall	Tuition CUNY	Tuition SUNY	Maximum TAP	TAP difference per eligible student (TAP gap)
2010	$4830	$4970	$5000	
2011	$5130	$5270	$5000	$270
2012	$5430	$5570	$5000	$570
2013	$5730	$5870	$5000	$870
2014	$6030	$6170	$5000	$1170
2015	$6330	$6470	$5165	$1470[1]
2016	$6330	$6470	$5165	$1470
2017	$6530	$6670	$5165	$1670
2018	$6730	$6870	$5165	$1870
2019	$6930	$7070	$5165	$2070

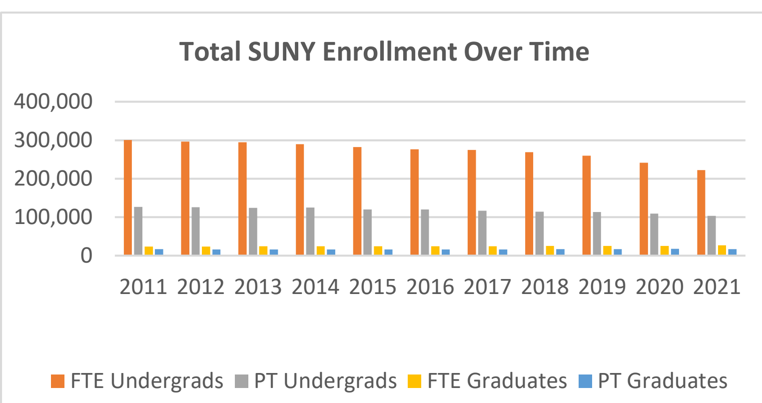
As mentioned earlier, in the current state budget, the "TAP Gap" was eliminated. However, the financial damage caused by the prior years' gaps were not restored. Those years' policies undermined the financial strength of public colleges and universities.

National Enrollment Trends

Overview: Nationally during the pre-pandemic period, 4-year public colleges and universities saw a fairly stable undergraduate enrollment. According to federal data, enrollment in four-year public colleges was 7.8 million in Fall 2011 and in community colleges, 6.9 million. In the Fall of 2019, the four-year public college numbers were up slightly, to 8 million. But community colleges saw a significant drop to 5.4 million. By Spring of 2021, those numbers had dropped, to 7.5 million at four-year public colleges and another big drop in community college enrollment to 4.5 million.[3] Of course, it is not surprising that there was a drop in enrollment that was resulting from the pandemic, but the four-year public colleges slide was clearly the result of the pandemic, while the drop in community college enrollment had been an ongoing problem during the pre-pandemic period.

Here in New York, the State University of New York (SUNY) and the City University of New York (CUNY) had significantly different enrollment experiences during the pre-pandemic period, but both have been hit hard by the pandemic.

The State University of New York Is At A Financial Precipice, Its Eroding Finances Began Well Before The Pandemic

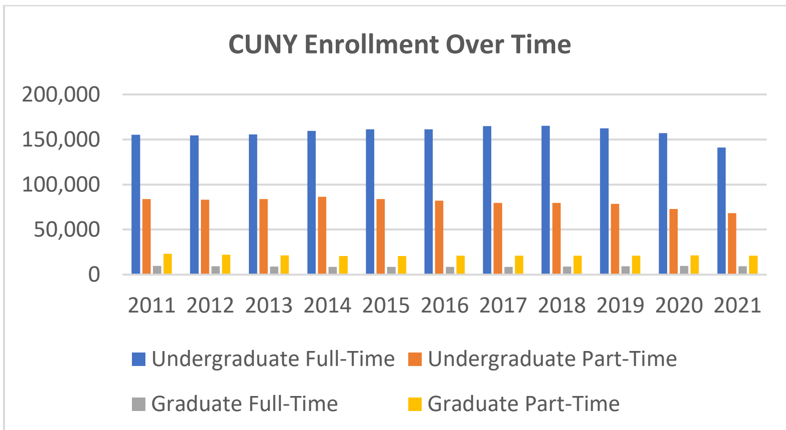


As you see in this chart, *prior* to the pandemic the SUNY system was losing full-time undergraduate enrollment – and the tuition dollars that go with them. Part-time enrollments declined as well.[4]

The enrollment trends, however, did not impact all sectors within SUNY evenly as the University Centers were able to grow enrollment in the pre-pandemic period.

The City University of New York Has Financial Problems As Well, But Its Enrollment Problems Are More Clearly Tied To The Pandemic

The City University, on the other hand, during the pre-pandemic period had an overall student enrollment experience at its four-year colleges that more or less tracked the nation's. Yet, until the pandemic, its community colleges' enrollments (in the aggregate) were stable, unlike the national experience. Why CUNY's enrollments differed from SUNY's is not part of our analysis. However, as seen in the chart below, *once the pandemic hit*, CUNY saw significant drops in enrollment.[5]



Of course, while the overall CUNY system showed stable enrollments going into the pandemic, not every campus saw increases. During the Fall 2011 through Fall 2019 pre-pandemic period, some colleges saw measurable reductions in full-time enrollments. Consistent with the national data, five of the seven colleges that suffered losses were community colleges. CUNY was not immune to the national trends of downward enrollment at community colleges.[6]

As seen in the above chart, overall the CUNY system's student enrollment was stable pre-pandemic, although some individual campuses (primarily community colleges) saw declines – some significant ones. Once the pandemic hit, CUNY suffered significant student enrollment declines overall (only two campuses, Baruch and Hunter, did not see enrollment declines). The pandemic triggered enrollment losses that exceeded 21,000 full-time undergraduate students when comparing Fall 2019 and Fall 2021.

While Demographic Changes Have Occurred, There Are Still Many New Yorkers Who May Be Potential College Applicants

One observation that could be made is that the state's stagnant population has fueled the decline in enrollments. It is undeniably the case that the state's college-aged population, those between the ages of 18 and 24, have seen population declines.[7] However, there can also be no doubt that hundreds of thousands of individuals in that age bracket did not attend college and identifying obstacles to that population's college participation is worth a close examination.[8]

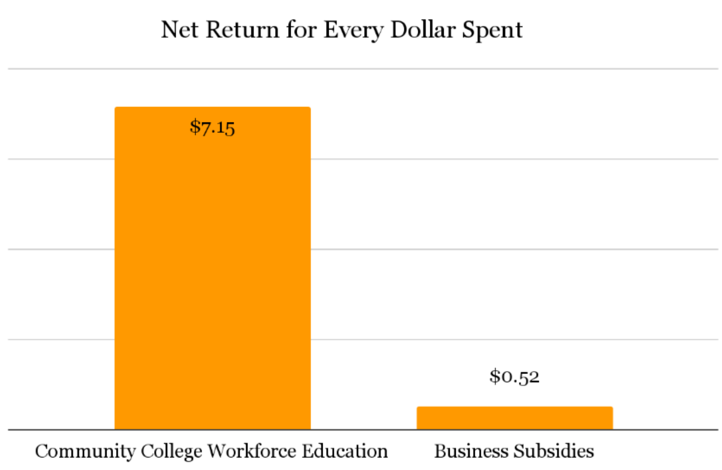
Moreover, the college population is changing. The "typical" college population of young adults has changed, with many older adults attending colleges.[9] With such a large percentage of its population not having obtained a college degree (including those who started, but did not finish),[10] New York should examine financial and other types of assistance that can make it more likely that those individuals interested in higher education can obtain a college degree.

Institutions Of Public Higher Education Are Economic Development "Engines" That Produce Real Benefits, Unlike Many of the Highly-Touted Projects That In Recent Years Have Produced Little, Other Than Scandal

In addition to boosting racial and economic equity, public higher education helps to strengthen our economy. It is one of the best vehicles to move New Yorkers to financial stability and grow the "middle class." The research into the economic benefits of investing in higher education has been overwhelmingly positive. There successes are well-documented, but here are some highlights that show a significant return on investment (ROI):

- SUNY's economic impact in New York State is $28.6 billion. *For every $1 invested in SUNY, New York State's economy benefits the equivalent of $8.17* and is responsible for nearly 2% of the gross state product.[11]
- CUNY graduates working in New York State earned a combined $57 billion annually ($67,000 on average) in 2019 – $28.6 billion more than students would have earned without a post-secondary degree.[12]
- CUNY graduates working in New York paid an estimated $4.2 billion in State income taxes in 2019.[13]
- The average bachelor's degree holder contributes $278,000 more to local economies than the average high school graduate through direct spending over the course of a lifetime; and an associate degree holder contributes $81,000 more than a high school graduate.[14]

Community Colleges are also prime examples of what economic development should look like. Research from experts like economist Tim Bartik has shown that **community college workforce education** is one of the most cost-effective ways for governments to create jobs and grow the economy, especially in comparison to giving money away to businesses via tax abatements, grants, and other forms of business subsidies.[15]



The State University of New York: A Powerful Economic Development "Engine"

When policymakers think about economic development, they should be thinking in terms of job creation, return on investment (ROI) and stemming the outmigration of residents from the state. SUNY and CUNY not only create jobs, they create substantial tax revenues and keep students in New York well after they graduate. This provides the state with a skilled labor force which is one of the most important aspects of what businesses look for when they choose where to locate.

According to a 2018 report from the Rockefeller Institute of Government, SUNY is a key driver of the New York State economic engine. *SUNY's economic impact in New York State is $28.6 billion, which represents a 27 percent growth in overall state economic impact since 2008.*[16]

The SUNY system educates approximately 436,277 students, employs 77,900 faculty and staff, and has an operating budget of $11.2 billion.[17] To put this in perspective, if SUNY were a private company it would be among the ten largest employers in New York State. The SUNY system includes community colleges, four-year colleges, graduate and research centers, medical schools and hospitals, a law school, and significant commercialization activities. SUNY provides a powerful economic stimulus:

- **179,000** direct (77,900 full and part time SUNY employees) and Indirect Jobs (101,500 jobs indirectly supported)
- **Thirty-four percent** of the educated workforce in New York have a degree from SUNY
- SUNY grants over 90,000 degrees each year, more than other institution in the state, with 78% remaining and working in New York State 2 years after graduation.[18]

The City University of New York: A Powerful Economic Development "Engine"

According to a March 2021 report from the New York City Comptroller,[19] state support for CUNY results in a powerful economic stimulus:

79 percent of CUNY graduates work full time in New York State after graduation. Nearly **850,000** CUNY graduates work full time in New York State, representing:

- **Approximately 10 percent** of the total **private-sector workforce** in the state;
- **Seventeen percent** of the workforce with higher education;
- **One third** of those with an associate's degree and 18 percent of those with a bachelor's degree.

In 2020 the Brookings Institution listed 12 CUNY campuses that provided its students with the greatest upward mobility to the middle class.[20] A report from the Brookings Institution ranks six of CUNY's senior colleges and six community colleges among the top 10 four-year and two-year colleges nationwide with the greatest success in lifting low-income students into the middle class. Three other CUNY senior colleges were ranked in the top 25.[21]

The Brookings "Middle Class Mobility" report used the same data and similar methodology as a pioneering and widely cited 2017 study led by economist Raj Chetty, who was then at Stanford and is now at Harvard. The study assessed data for more than 1,600 colleges and ranked the schools according to the percentage of their graduates who came from families in the bottom 20 percent of income level and eventually reached the top 20 percent for individual earnings. The study also built on the Chetty team's social mobility research by assessing colleges' success in helping students from middle-income families move up the economic ladder.[22]

Almost half of CUNY's students come from households earning less than $20,000.[23] Over the past two years the University's social-mobility track record has been cited in college rankings by Money magazine, The Chronicle of Higher Education and others.[24] This data is significant because CUNY serves a student population of whom roughly a third were born in another country and more than 75 percent are people of color.

In the Brookings "bottom-to-top" rankings, Baruch College was ranked second nationwide, City College of New York third, Lehman College fourth, John Jay College of Criminal Justice fifth, Brooklyn College ninth and the New York City College of Technology tenth. Three other CUNY senior colleges — Hunter, Queens, and York — were ranked in the top 25. Baruch was also first among all public four-year colleges in the nation.

Six CUNY community colleges, meanwhile, were in the top 10 for two-year colleges: Borough of Manhattan Community College was ranked third, Hostos fourth, LaGuardia fifth, Queensborough sixth, Bronx eighth and Kingsborough tenth.[25]

Don't Gamble On Economic Development Spending – Bet On "Sure Thing" – New York's Institutions Of Public Higher Education

There can be no doubt that New York's institutions of public higher education play an incredibly important role in training the state's future workforce and its citizenry. Too often overlooked is its solid contribution to stimulating economic activity in New York. State investments in SUNY and CUNY may lack the "razzle dazzle" of highly touted economic development projects, but they deliver solid results. Day in and day out these institutions power New York's economy and often are the lifeblood of the communities in which they reside.

Yet, years of neglect and, in fact, poor policies have contributed to a steady erosion of the finances of too many of these institutions. Now is the time to reverse that trend. Now is the time to invest in programs that work and whose rates of return are well documented and compelling.

One former Governor once commented that the "days of wine and roses are over." In the 21st Century, policymakers must demand that the "days of risky economic development programs are over." It's time to focus on investing in programs that work. SUNY and CUNY must be at the top of that list.

Now is the Time to *Double Down* on SUNY and CUNY:

- Whether there is a recession or not, the state gets such a high return on investment that it makes no sense NOT to invest in SUNY and CUNY.

- If the state wants to stem the tide of people leaving New York, it needs to invest more resources in SUNY and CUNY as graduates tend to stay and work in the state – making significant financial contributions to the economy.

- SUNY and CUNY provide job training in areas where there is great demand for workers (nursing and healthcare, technology, agriculture, and teachers to name but a few). New York's community colleges also provide superior job training with a significant return on investment. The state needs to ensure that it invests appropriate resources in higher education to continue to train the workforce of tomorrow.

- New York State and its local governments currently spend in the neighborhood of $10 billion annually on a broad array of economic development programs, largely benefiting big businesses, with results that leave much to be desired. It's time for New York to begin to redefine "economic development" as improving the quality of life for regular New Yorkers and challenge traditional tax abatement and corporate subsidy style economic stimulus. The state and local governments need to realize true economic development is about investments in public goods like childcare, K-12 and higher education, the public workforce, homecare and affordable housing. These investments benefit individuals, families, workers, businesses and the overall economic health of local communities. *The state should be investing a portion of these billions of dollars in higher education rather than continuing to support programs that simply do not produce the results they claim to.*

- New York currently has an $8.7 billion surplus and has billions stashed away in rainy day and economic uncertainties funds. The Governor's proposed executive budget suggests adding billions more to these funds (would increase to nearly $20 billion in reserves this year). It would be smarter to grow the economy by investing a portion of these resources in SUNY and CUNY where there is a substantial return on investment. This would help to provide the tax revenue the state needs in order to weather a future potential recession.

Endnotes

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[2] Information obtained for New York State Higher Education Services Corporation Annual Reports.

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[4] Information obtained from the New York State Data Portal, https://data.ny.gov/Education/Headcount-Enrollment-by-Student-Level-and-Student-/4fyc-bf8i/data.

[5] Information obtained from the City University of New York, Office of Institutional Research, https://www.cuny.edu/about/administration/offices/oira/institutional/data/. Recent information obtained upon request. Data for the AY2022 is preliminary and subject to change.

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[19] Comptroller Stringer Analysis: CUNY Graduates Earn Combined $57 Billion Annually, Highlighting CUNY's Significant Contributions to Local and State Economies**.** https://comptroller.nyc.gov/newsroom/comptroller-stringer-analysis-cuny-graduates-earn-combined-57-billion-annually-highlighting-cunys-significant-contributions-to-local-and-state-economies/

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