

SEP
09



HIGHER EDUCATION ON LONG ISLAND: THE CHALLENGES AND OPPORTUNITIES

America cannot compete in today's global economy without a well-trained workforce. The same is true of individual regions. Moreover, education and training beyond high school has become a necessity for those who would enjoy a "middle class" lifestyle. Studies have shown that the lifetime incomes of college graduates average nearly \$300,000 more than those of high school graduates over a 40-year career. Yet, the cost of a college education is higher than ever before and surveys show that more than half of all Americans believe that getting a college education in the next decade will be more difficult than it is today.



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The Problem of Rising College Costs

The rising cost of college threatens to put higher education out of reach for most Americans, according to a recent report from the National Center for Public Policy and Higher Education. The report, "Measuring Up 2008", found that published college tuition and fees increased 439 percent from 1982 to 2007 after adjusting for inflation. During the same period, median family income rose by only 147 percent. As a result, student borrowing for higher education more than doubled during the last decade. Borrowing for college reached \$85 billion during the 2007-

08 school year as compared with \$41 billion a decade earlier after adjusting for inflation. During the same period, subsidized federal aid remained relatively flat at about \$42.8 billion per year. Nationwide, the average college senior graduates with student-loan debt of almost \$20,000. Some college graduates are saddled with these loans for a significant portion of their working life because student loans are not forgiven in bankruptcy proceedings. Layoffs generated by the current recession superimposed upon record levels of student debt have led to

increased student loan defaults.

Statistics compiled by the National Center for Public Policy and Higher Education regarding the affordability of a college education are sobering. In the 2007-08 school year, the net cost of a four-year public university education consumed 28 percent of median family income. The net cost of a four-year private university education consumed 76 percent of median family income. For low-income families in the bottom 20th percentile, the net cost of a year at a public university consumed 55 percent of median family income during the 2007-08 school year, up from 39 percent during the 1999-2000 school year.

Because college has become so costly relative to ability-to-pay, some academically qualified, low-income students are being denied a college education. According to the National Center for Public Policy and Higher Education, a person from a family with an annual income above \$75,000 has an 86 percent chance of reaching college by age 18 to 24. By contrast, a person whose annual family income is less than \$10,000 has only a 38 percent chance of reaching college by the same age. As a result,

Table 1
Economic Significance of Long Island's Colleges & Universities
2008-2009 Academic Year

Indicator	Number or Amount
Estimated Student Enrollment	186,804
Number of Employees	38,653
Full-Time	22,698
Part-Time	15,955
Operating Expenditures	\$4,278,375,065
Current & Projected Capital Expenditures	\$3,295,093,059
Ongoing Capital Projects	\$987,711,195
Anticipated Capital Projects, 2008-2013	\$2,307,381,864
Endowments	\$765,844,300

Source: LIRACHE Economic Impact Survey 2008-09

Table 2
Industry Impact of Direct Operating Expenditures of
\$4,278,375,065 by Long Island's Colleges & Universities

Industry	Increase in Output	Increase in Earnings	Increase in Employment
Agriculture & Related	\$17,969,175	\$3,422,700	288
Utilities	132,201,790	24,386,738	222
Construction	59,041,576	20,964,038	466
Manufacturing	437,249,932	81,716,964	1,711
Wholesale Trade	241,300,354	69,737,514	1,111
Retail Trade	364,089,718	112,093,427	4,513
Transportation & Warehousing	149,315,290	54,335,363	1,414
Information	294,352,204	69,309,676	1,116
Finance & Insurance	445,806,682	110,382,077	1,547
Real Estate & Rental & Leasing	1,316,028,170	96,691,276	3,842
Professional, Scientific & Technical Services	273,388,167	109,526,402	1,906
Management of Companies	75,727,239	29,948,625	307
Administrative & Waste Management Services	264,831,417	96,263,439	3,452
Educational Services	4,360,947,702	1,925,268,778	61,707
Health Care & Social Assistance	431,260,207	188,248,503	4,489
Arts, Entertainment & Recreation	62,036,438	22,675,388	1,024
Accommodation & Food Services	187,820,665	63,747,788	3,826
Other Services	208,356,866	62,464,276	2,268
Households	-	3,850,538	248
Total Impact	9,321,723,592	3,145,033,510	95,457

Source: Computations based on the latest RIMS II input-output multipliers for colleges & universities.

America has become one of the few countries in which 25-to-34 year olds are less educated than their older counterparts. The proportion of 25-to-29 year olds completing four years of college has not increased significantly since the mid-1970s. This education deficit could reduce America's global competitiveness as it emerges from the current recession.

Making College More Affordable

In the next decade, almost half of all states will experience increases of at least 25 percent in their number of high school graduates, as the children of Baby Boomers reach college age. With higher education becoming central to our economic future, more colleges and universities are focusing on the need to make college more affordable for their students. This is not an easy task given the fact that some college and university endowments are down by 20-to-30 percent as a result of current economic condi-

tions. To cut costs, some colleges are reducing faculty and staff, instituting hiring freezes and halting construction projects. Some are raising tuition but attempting to offset these increases through additional student financial aid. Public colleges and community colleges are especially under the gun. Their enrollments are surging due to their relatively low cost just as state aid for higher education is being cut.

The federal government has begun to address the problem of college affordability. The Obama administration has proposed changes in the way that federal education aid is distributed. Currently, the government distributes higher education loans through two sources, private lenders and its own in-house program. Each school decides which of the options to make available to its students. Private financial companies that offer student loans receive substantial subsidies from the Federal government.

President Obama wants to eliminate college loans made by private lenders. By allowing students to borrow directly from the Federal government through their colleges, an estimated \$94 billion in federal subsidies could be saved over the next decade. These savings would be shifted to programs that allow low and moderate-income students to attend college. For example, \$40 billion would be shifted to the Pell grant program, which provides support for millions of poor and working-class students. An estimated \$10 billion of the projected savings would be used to strengthen community colleges.

The American Opportunity Tax Credit (AOTC), part of the recently passed economic stimulus bill, will also help families with college-age children. Full-time or half time college or university students are eligible for the credit, formerly known as the Hope Scholarship Credit. The AOTC increases the maximum

Table 3
Industry Impact of Ongoing & Projected Capital Expenditures of
\$2,307,381,864 by Long Island's Colleges & Universities

Industry	Increase in Output	Increase in Earnings	Increase in Employment
Agriculture & Related	\$16,475,465	\$3,954,112	195
Utilities	75,128,122	13,839,391	126
Construction	3,316,511,163	1,175,359,693	26,217
Manufacturing	554,564,162	107,090,524	2,218
Wholesale Trade	248,450,017	71,833,029	1,145
Retail Trade	418,806,328	128,838,139	5,194
Transportation & Warehousing	105,442,978	33,939,459	860
Information	152,233,299	36,246,024	560
Finance & Insurance	323,907,648	77,434,687	1,106
Real Estate & Rental & Leasing	424,078,477	24,054,179	859
Professional, Scientific & Technical Services	258,664,805	108,079,052	1,928
Management of Companies	74,139,594	29,326,328	301
Administrative & Waste Management Services	122,247,952	46,131,303	1,676
Educational Services	35,257,496	14,498,409	521
Health Care & Social Assistance	287,661,624	125,543,046	2,994
Arts, Entertainment & Recreation	33,939,459	12,521,354	553
Accommodation & Food Services	104,783,959	35,587,005	2,139
Other Services	131,144,704	39,211,607	1,394
Households	-	2,306,565	164
Total Impact	6,683,437,252	2,085,793,906	50,150

Source: Computations based on the latest RIMS II input-output multipliers for construction.

amount of the Hope credit from \$1,800 to \$2,500 per year for 2009 and 2010 and extends the credit from two to four years of college.

Repaying student loans has also become less painful under a new program that caps monthly loan repayments based on income and forgives any remaining student debt after 25 years. Those employed in public service are eligible for loan forgiveness after ten years. The new program is run by the U.S. Department of Education. Eligibility is determined by the applicant's income and loan size. Monthly loan repayments cannot exceed 10 percent of income for those enrolled in the program and those with annual incomes of less than \$16,000 are not required to make any monthly loan repayments. There are drawbacks however. By stretching the repayment process over a longer period of time, more interest will accrue, which raises the total cost of the loan.

The Economic Impact of Long Island's Colleges and Universities

Long Island's institutions of higher education generate a steady stream of skilled workers for local and regional employers. Equally important, they are significant business entities whose activities help drive economic activity on Long Island. During the 2008-09 academic year, Long Island's colleges and universities enrolled an estimated 186,814 students, approximately 4 percent more than in the prior academic year. They currently employ approximately 22,700 full-time and 16,000 part-time workers and their aggregate operating budgets are close to \$4.28 billion according to LIRACHE, the Long Island Regional Advisory Council on Higher Education. Capital projects in progress at Long Island's colleges and universities are estimated at almost \$988 million. Anticipated cap-

ital projects for the 2008 through 2013 period are estimated at more than \$2.3 billion. As a group, the endowments of Long Island's institutions of higher education exceed \$765.8 million. (See Table 1)

Most of the spending made by Long Island's colleges and universities remains within the Long Island economy, where it is subject to the multiplier process. That is, spending by these institutions undergoes several rounds of respending so that the ultimate impact of a given expenditure is a multiple of that expenditure. This multiplier or ripple effect can be estimated by applying an input-output model of the Long Island economy to direct spending by Long Island's institutions of higher education.

The input-output model used in the following analysis is the RIMS II regional modeling system developed by the Bureau of Economic Analysis of the U.S. Commerce Department. The model is specific to Long Island

Table 4
The Direct & Indirect Impact of Expenditures
By Long Island's Colleges & Universities, 2008-09 Academic Year

Impact Of	Output Increase	Earnings Increase	Job Increase
Operating Expenditures	\$9,321,723,592	\$3,145,033,510	95,457
Ongoing & Projected Capital Spending	6,683,437,252	2,085,793,906	50,150
Total Direct & Indirect Impact	16,005,160,844	5,230,827,416	145,607

Source: Computations based on RIMS II input-output multipliers applied to direct college expenditures.

and depicts the interindustry flow of business activity in Nassau and Suffolk Counties. It demonstrates how spending by Long Island's institutions of higher education affects Long Island's output of goods and services, its earnings levels and its employment levels. RIMS II multipliers for colleges and universities were applied to the operating expenditures of Long Island's colleges and universities. Multipliers for construction were applied to ongoing and projected capital spending by these institutions.

The findings indicate that operating expenditures of almost \$4.28 billion cause Long Island's output of goods and services, its gross metropolitan product, to increase by more than \$9.3 billion, including the original expenditure. This is equivalent to a net output increase of more than \$5.0 billion. Earnings generated on Long Island increase by more than \$3.1 billion as a result of this

spending and an estimated 95,457 secondary jobs are created throughout the Long Island economy. Although most of these increases occur within the educational services industry, virtually all Long Island industries benefit to some extent. (See Table 2)

Capital expenditures by Long Island's colleges and universities have an equally significant impact on the local economy. Ongoing and projected capital spending of more than \$2.3 billion by Long Island's colleges and universities through 2013 could increase Long Island's output of goods and services by almost \$6.7 billion, including the original expenditure. This is equivalent to a net output increase of almost \$3.4 billion. Long Island earnings could increase by almost \$2.1 billion, and more than 50,000 secondary jobs could be created in a broad array of Long Island industries. The greatest impact would

occur in the construction industry, but benefits would accrue to virtually all Long Island industries. (See Table 3)

Conclusions

The foregoing analysis confirms that Long Island's colleges and universities have a significant positive impact on the Long Island economy apart from their core mission of producing an educated citizenry and a well-trained workforce. Their expenditures contribute approximately \$16 billion to Long Island's gross metropolitan product. This includes the indirect impact of this spending. Their spending also supports almost 146,000 jobs and more than \$5.2 billion in payrolls across a broad array of Long Island industries. (See Table 4) In effect, Long Island's institutions of higher education account for a significant chunk of the \$137 billion Long Island economy.

2008-2009 Student Enrollment at Selected Long Island Colleges

