Regional

Declining financial support drives students away

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Letters from Academia

Cutting taxes in order to spur economic development is an idea still making its way around the political landscape. It doesn't seem to matter how many times "trickle down" economics has been debunked not only by economists, but also by history, it seems to linger. Yet, this is part of an ideology that is considered as gospel by many politicians.

Of course the idea has one superficial appeal and one superficial appeal only. It promises to cut taxes, even if the ones who benefit the most from such policies are the ones who need them the least.

But beyond this populist appeal, people tend to forget many things. Less tax revenue means fewer dollars for basic infrastructure, such as transportation (highways and bridges, for example) and basic services including everything from health to education.

As most economists believe, an educated population is essential for economic development. In this day and age when skills and knowledge gained in colleges and universities are essential, states need more college graduates to grow the states' economies.

Recent figures released by the U.S. Department of Education show a serious level of migration out of those states that have cut financial support for higher education. As any economist will tell you, that translates into decreased productivity and increased impoverishment.

Because of significant cuts in financial support for higher education in some states, public colleges and universities have been forced to increase tuition and fees to historically high levels. Because of this, students from these states are going to study elsewhere. Although there have always been students who go out of their home states to attend private colleges, it has been far more rare for students to attend out-of-state public institutions because of the lack of government funding in their home states. For the most part, public colleges and universities serve a less privileged population.

That is why since 1986 the number of out-of-state freshmen has nearly doubled according to data from the Department of Education. Even states such as Texas and California have seen many of their students leave for states like Arizona and Oregon.

Illinois is one of the most compelling examples of how cuts to higher education are leading to massive migration to other states. The Land of Lincoln state exports far more students than it imports from other states. In 2015, for example, 2,319 Illinois residents ended up going to Missouri institutions. During the same year only 428 Missouri students decided to study at Illinois institutions. Another neighboring state that has benefitted from the Illinois exodus is Indiana, which received 2,264 Illinois students.

While Illinois received 2,117 students from other states, it sent 16,461 to other states for an overall deficit of 14,350 students. That is, 14,350 fewer students attending and paying tuition and fees in Illinois public colleges and universities, further reducing the income for those institutions whose budgets have already been slashed.

But why should we care?

At play here is not only the budget of public colleges and universities, but also the economic development of states. A combination of decreasing numbers of local students and budget cuts means less economic activity not only because there are fewer people paying, but because the people who stay have less to spend.

The economic impact of a university is huge. The University of Illinois, for example, contributes nearly $14 billion to the state economy. The fewer students they have and the less money that is allocated to them means less economic activity and the continued impoverishment of the communities where they are located.

The University of Illinois at Chicago has a $4 billion impact on the city and the state, yet that institution has come close to shutting down in the last few months because of lack of financial support from the state.

But that is not all. Many of the students who move to other states never come back. They oftentimes find jobs in the state where they went to college. They may also never come back to their native states because the budget cuts in those states may have created fewer opportunities for them.

Further, less financial support means that those universities have a greater problem recruiting and retaining good faculty, resulting in weaker public colleges and universities.

If you want to look for an example of how trickle-down economics can ruin a state, just take a look of Kansas. Four years after the massive tax cuts of 2010 went into effect Kansas had only 800 more private-sector jobs than the prior year. But worse than that, the loss of tax revenue decimated the state budget, creating a fiscal crisis necessitating drastic cuts including in higher education. By 2016, Kansas was $420 million short of the revenue it had the year tax cuts first went into effect. Now the sunflower state ranks 47th in economic development in the U.S.

In case you were wondering, the U.S. is the least taxed country among developed nations, while ranking 19th in education investment and performance among the world's wealthier democracies. In 1995, the United States was first with a 33 percent graduation rate. Then budget cuts for higher education became rampant and now we are paying the price.

As the American theologian James Freeman Clarke said, "A politician thinks of the next election. A statesman, of the next generation."

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