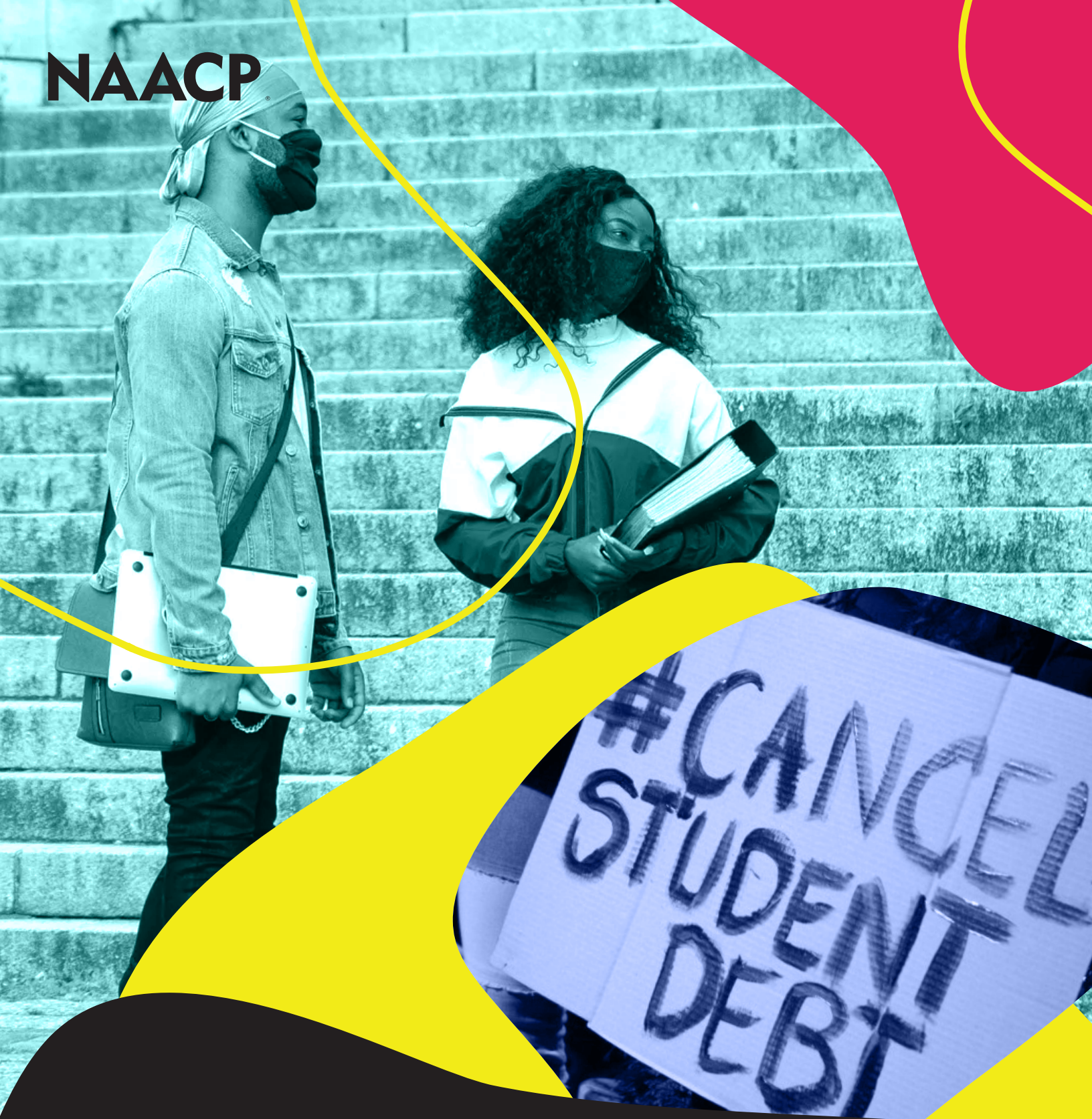
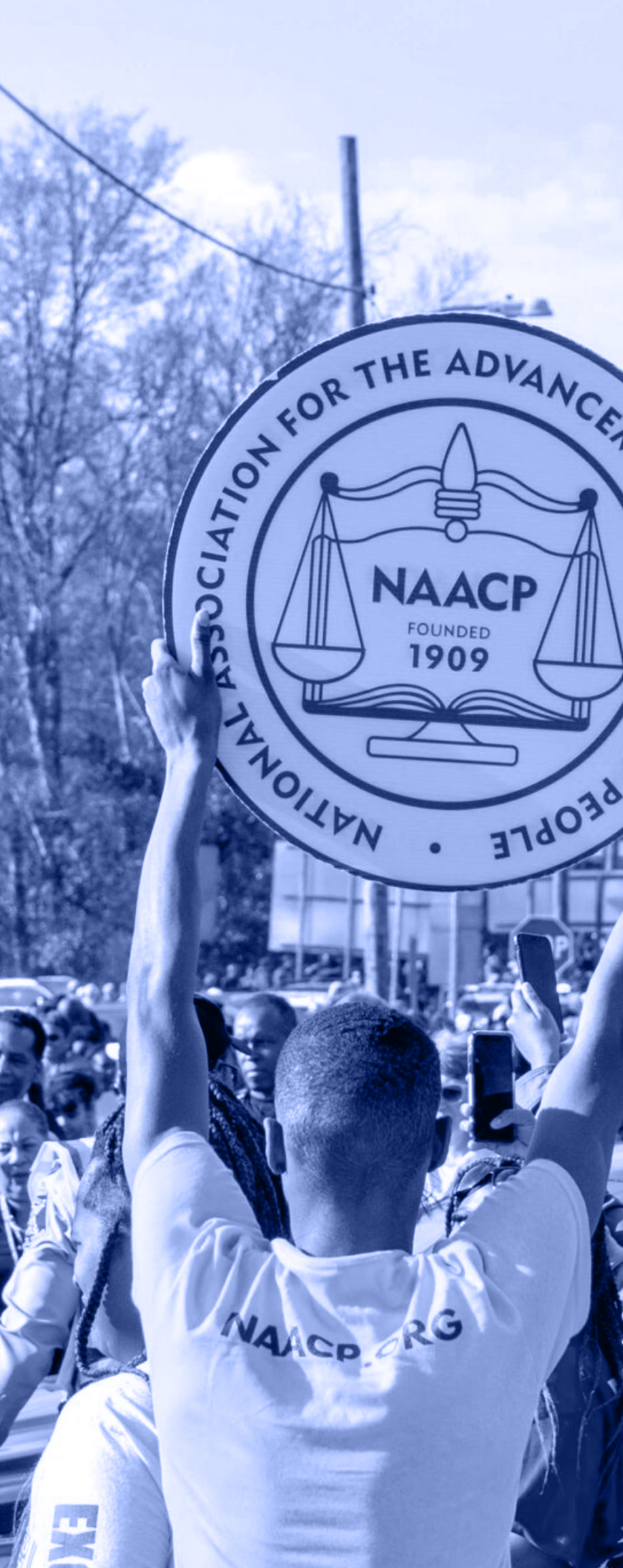


NAACP



Student Debt & Racial Equity

William E. Spriggs



To appreciate the racial wealth gap, it is first important to understand the disparity in important federal policies that helped create the current gaps in college degree attainment. Undoubtedly, higher education policy is among the key areas where differences were stark. From the first major policy, the establishment of land grant colleges in 1862 through today, key provisions created substantial gaps in access and support that gave whites a substantial head start over Blacks in acquiring higher education. It is important to understand that before diving into the racial disparate effect of policy changes today.

In the 21st Century federal and state policy toward higher education changed. The distinct shift of placing the burden of education on students to finance higher education has real and disparate effects given the wealth the position of white households compared to Black households. The result is that Black households must shoulder a burden of debt, and wealth depletion to run a race in which they were put at a distinct disadvantage in running. Ignoring the racial disparity in resolving the debt crisis misses the most salient points.

PROLOGUE

In the 20th Century, two policies toward student help in funding college education clearly privileged whites, leaving Blacks on the sidelines in disproportionate numbers. The first key policy was the GI Bill for the veterans of the World War II era. Almost as an afterthought, Congress added tuition and stipend support for World War II era veterans to attend college. The policy makers thought few would take up the opportunity and diverting some to college would put less strain on flooding the labor market with a huge surge of job seekers. It was also felt, only a few would choose four-year education, and instead opt for two-year colleges or business or technical school training. Instead, the bulk chose four-year college and applied to the most prominent colleges of the day; 41 percent enrolled in 38 of the most prestigious liberal arts, Ivy League and premier state universities. Over two million veterans attended college using the benefit. At its height of participation, 1947-48 over one million veterans were attending college, almost half the college students enrolled that year. (Olson, 1973) The benefits had a substantial effect of increasing the college graduation of that cohort of Americans. (Bound & Turner, 2002)

The disparity in access for Black veterans of World War II is well documented. (Herbold, 1994-1995) While Black veterans made extensive use of the educational benefits, the high share of Blacks who lived in counties that did not have high schools for Black students, the practices of segregation in higher education, the limited slots available for Black GIs to the historically Black colleges and universities that were overwhelmed by their ranks, meant white college attainment soared well ahead of Blacks. (Katznelson & Mettler, 2008) While Blacks used the education provision at a high rate, they were often shunted off to vocational training, so the disparity in college enrollment was not benign. (Humes, 2006) But, for Blacks who did not pursue college, but instead were steered to use the G.I. Bill to get on-the-job training, in the South, faced huge disparities. (Onkst, 1998)

So, the largest federal program of free college, overwhelmingly favored whites, creating a legacy of earnings gaps that linger to the present racial wealth gap we see today. The next federal intervention to help make college accessible and affordable came in the next decade, the 1950s in response to the Soviet launching of the Sputnik satellite. In less than a year, the National Student Defense Loan (NDSL) program was launched to give students an affordable means to finance higher education. It funded students from 1959 to 1973. Title II of the National Student Defense Act provided for 50 percent a loan forgiveness for students who entered teaching at private non-profit and public school elementary and secondary schools. The loans carried an interest rate of 3 percent.

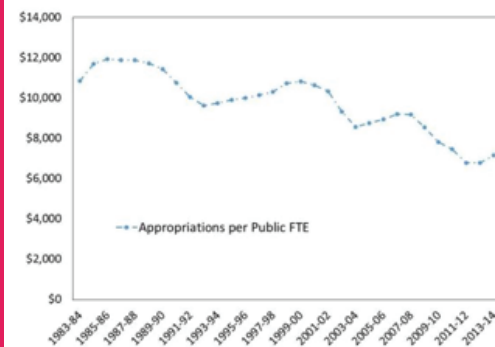
While not as large as the G.I. Bill, NDSL provided loans to 216,930 students by 1963, representing about 5 percent of students at the 1,536 participating universities, with the average student borrowing near \$400 per year. In that year, 35,000 teachers had applied for loan forgiveness totaling \$3.6 million. (Flattau, et al., 2006) Tuition at Cornell and Columbia was \$1,700 in 1964 as context. (Bogumil, 1963) Unlike the G.I. Bill, students receiving NDSL loans were from lower

income households. Access to the program was through the college, while access to G.I. Bill benefits included the Veterans Administration as an intermediary. Of the 1,476 participating institutions in the school year 1961-1962, were 16 of the 17 historically Black land grant universities. While they were 1.2 percent of participating colleges, their students were 1.9 percent of that year's participating students; and 74.1 percent of them were education majors. (Rackley, 1963) The share pursuing teaching was much higher than the national share 46 percent. (Flattau, et al., 2006) This would suggest that students at historically black colleges had equal access to the program and were more likely to major in education and qualify for the partial loan forgiveness. But Black students were highly segregated during this period, with limited access to non-HBCUs. So, overall Blacks were, as with the GI Bill, disproportionately underrepresented.

These policies help understand a portion of the gap in Black-white college attainment gaps. But they also point to a legacy effect that by the start of the 21st Century the gap in college attainment would translate to a gap in family income and wealth gaps for the resources between students.

HOW WE GOT HERE

Figure 1. Appropriations per Full-Time Equivalent Student Over Time, 1983-2013

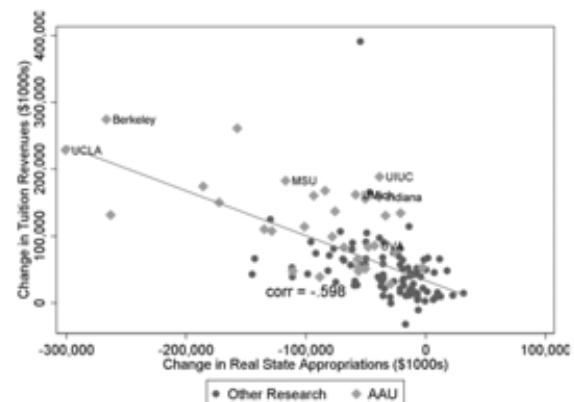


Source: Trends in College Pricing and Digest of Education Statistics, various years. All figures are deflated by the Higher Education Price Index (HEPI).

The drop in public support led universities to be more reliant on tuition revenue to support higher education. (Bound, Braga, Khanna, & Turner, 2020)

The end of the 20th and beginning of the 21st Century, the United States switched its model of supporting higher education. Public support per student declined substantially from the 1980s to the 2010s. (Bound, Braga, Khanna, & Turner, 2020)

Figure 5. Change in Appropriations and Tuition, 2007 to 2012



Note: Changes are defined as the difference between the 2012 value and the 2007 value. All monetary units are deflated by Higher Education Price Index (HEPI) 2012. State appropriations and tuition revenue data from IPEDS.

Students Funding Larger Share of Education Funds After Recessions

Tuition as a percent of "total educational revenue," 1988 -2016



Source: State Higher Education Financing FY2016, State Higher Education Executive Officers Association. Total educational revenue is the sum of educational appropriations and net tuition revenue excluding any tuition revenue used for capital and debt service. It measures the amount of revenue available to public institutions to support instruction (excluding medical students).

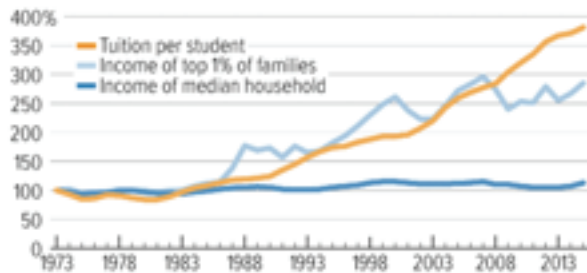
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And higher tuition revenue as a source of funding means that students are covering a higher share of higher education than in the past. (Mitchell, Leachman, & Saenz, 2019)

This shift in policy has been taking place while the share of college students who students of color has been rising. The result is tuition rising faster than median household incomes. And the result has been that average net tuition costs at public universities are a higher share of median Black and Hispanic family income than for whites. In South Carolina, for instance, net tuition is 56 percent of Black median income but 30 percent for whites; or in Pennsylvania where it is 54 percent of Black median income but 32 percent for whites. (Mitchell, Leachman, & Saenz, 2019)

Tuition Growth Has Vastly Outpaced Income Gains

Inflation-adjusted average tuition and fees at public four-year institutions and income for select groups (1973 = 100%)

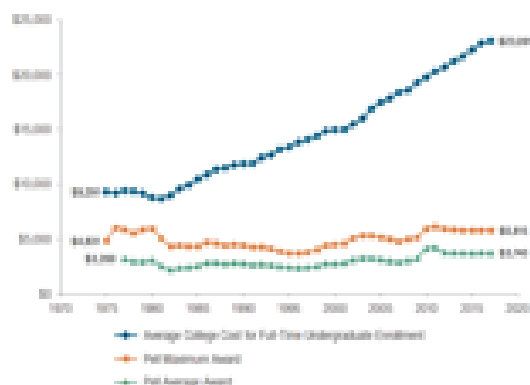


Source: Center on Budget and Policy Priorities based on the College Board and Census Bureau. Tuition per student and income levels, adjusted for inflation, as a percentage of 1973-1974 price levels. Years shown and income data are for the calendar year. Tuition data cover the school year beginning in the calendar year.

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The increasing burden placed on students through higher tuition costs significantly lowers the share of students of color at non-selective public colleges. (Allen & Wolniak, 2019) And while tuitions have been increasing, Pell Grants have not kept pace. In 1980, the maximum Pell Grant covered 68 percent of average college costs, but fell to only 25 percent by the 2016-2017 school year, when roughly 45 percent of students were Pell eligible. (Kahlenberg, 2018)

Equity Indicator (B6): Average college costs for full-time undergraduates enrollment and maximum and average Pell Grant awards: 1974-75 to 2016-17 (constant 2008-07 dollars)



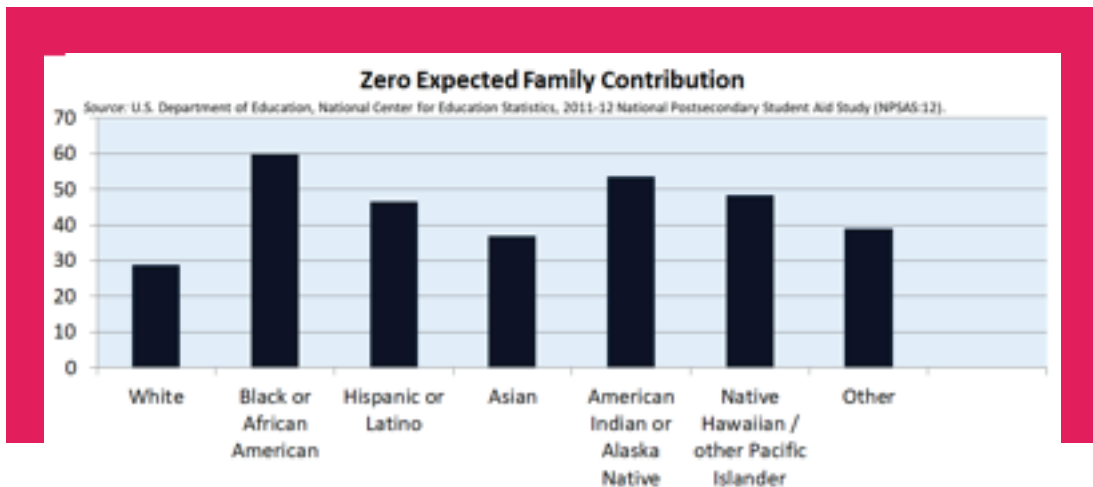
Source: https://edinstatdata.org/downloads/publications/indicators_of_higher_education_funding_in_the_us_2018_annual_brand_report.pdf

Indicator Status: Widening Gap between Average College Costs and Pell Awards

From 1974-75 to 2016-2017, average college costs increased by 740 percent, while the maximum Pell Grant increased by 20 percent (in constant dollars).

As the gap between the Pell Grant and college tuition widened, access of low-income students to well resourced colleges, where tuition levels are discounted, flattened. This isolates low-income students and Black students to low-cost but low-resourced schools with small institutional financial aid packages. (Cahalan, Perna, Yamashita, & Santillan, 2018)

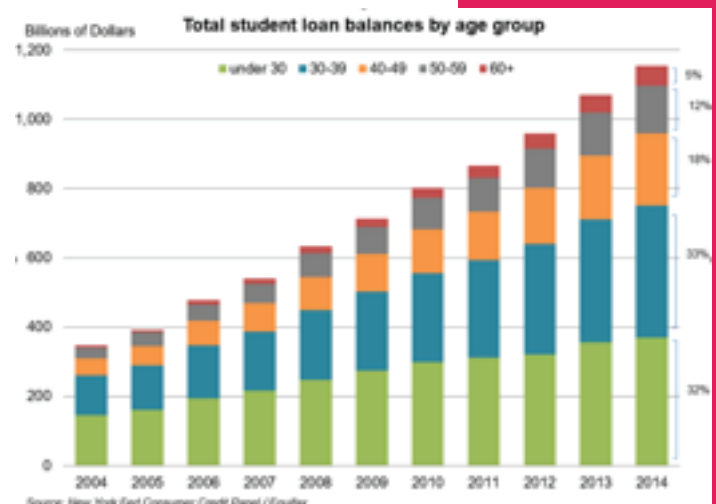
This gap between the Pell Grant and tuition costs deepens the disparity for Black students because they are more reliant on Pell Grant funding than whites.



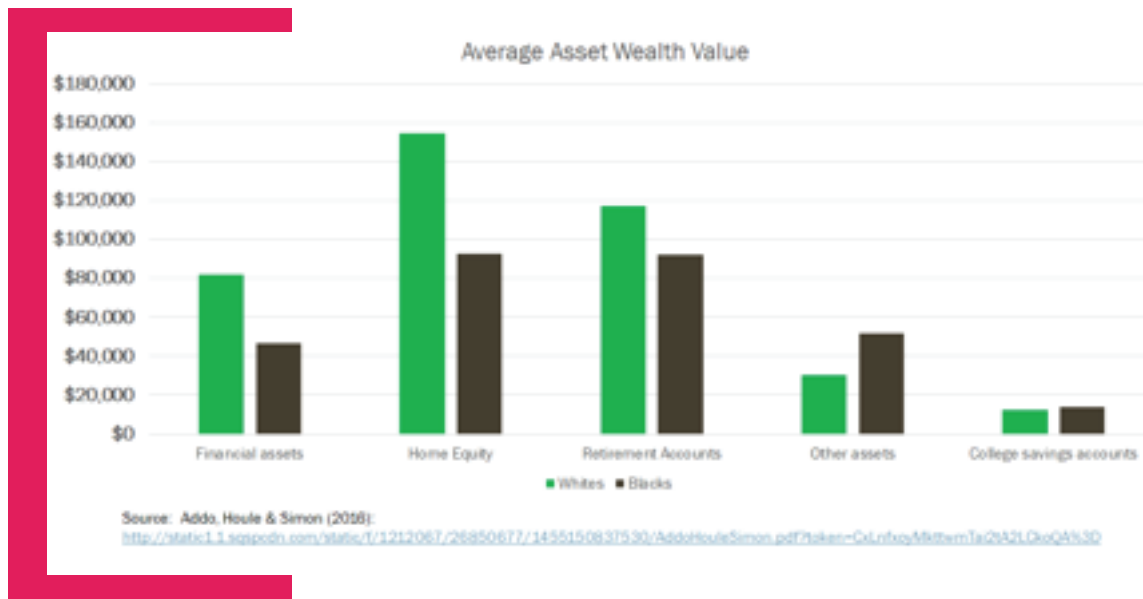
With these trends, the result is easy to see the growing burden of borrowing by families to finance their children's education. In the decade from 2004 to 2014 the size of student loan balances more than tripled among American households.

Black Families are motivated to educate their children

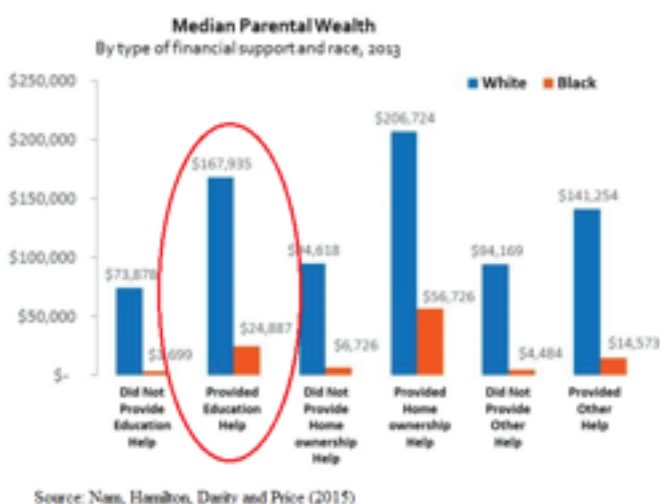
Black families are well aware of the difficulties Black children will face without college educations. They understand the gaps in unemployment rates and earnings that Blacks with better education suffer compared to whites with less education. So, studies easily show that when controlled for family income and student characteristics, Black students are the most likely to seek higher education than whites, compared to Hispanics or Asian Americans who are less likely to apply to college compared to whites. (Black, Cortes, & Lincove, 2020)



Black and white wealth distributions do not overlap well to make comparisons within wealth groups. But, among those in the highest wealth quintile, those with wealth above \$191,000, even though there are huge disparities in Black and white wealth holdings, for college savings assets, both Black and white holdings are similar. So, when given the where-with-all to save, Blacks hold as much in college savings accounts as whites, even with much lower total asset levels. (Addo, Houle, & Simon, 2018)

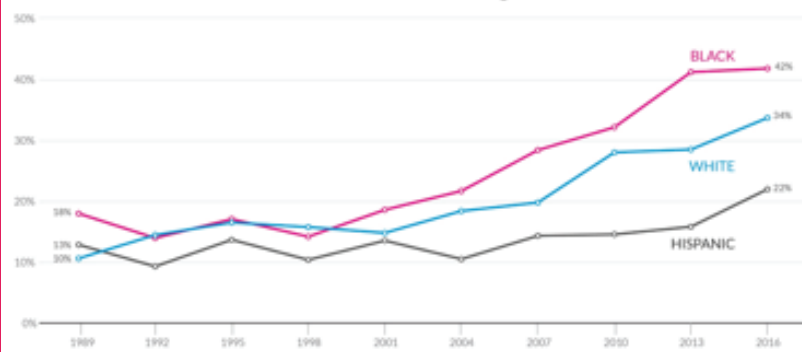


So, when Black families do have the ability to save for college, they do. And, at levels of wealth far below that of white families, Black families still support their children in attending college. The median wealth of Black families supporting their children's education is below one-fifth the level of white families who help their children. (Nam, Hamilton, Darity Jr., & Price, 2015)



With less wealth, but much greater dedication on the part of Black families to provide educational opportunities for their children, the result has been the policy shift of the 21st Century to put more burdens of the cost of higher education on families is a growing and unfair burden of debt on Black families. First, in the form that a much higher share of Black families holds some type of student loan debt. (Urban Institute, 2017)

Share of Families with Student Loan Debt for Those Ages 25–55, 1989–2016



Source: Urban Institute calculations from Survey of Consumer Finances 1989–2016.
Note: Age is defined as the age of the household head.

URBAN INSTITUTE

Further, Black families with student loan debt, have higher levels of student debt than other families. This is the combination of low wealth, having the sense that education is a key priority and not having access to well endowed colleges with large amounts of institutional financial aid resources. (Urban Institute, 2017)

The problem is more complex for Black families, because income does not mitigate the issues of the racial wealth-gap. At the highest income levels, Black families do not approach the wealth of white families. (Chingos, 2019)

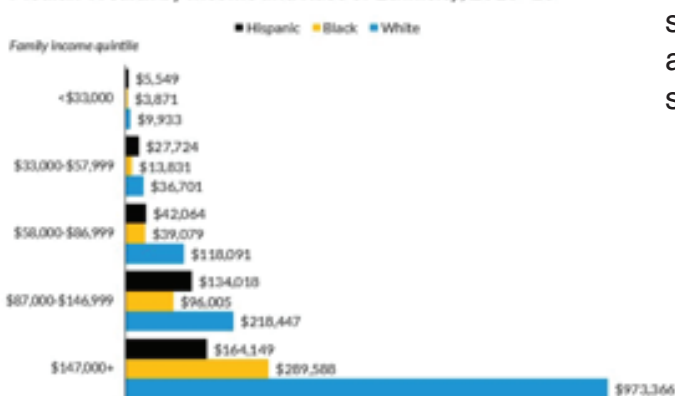
Average Family Student Loan Debt for Those Ages 25–55, 1989–2016



Source: Urban Institute calculations from Survey of Consumer Finances 1989–2016.
Notes: 2016 dollars. Age is defined as the age of the household head.

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Median Wealth by Income and Race or Ethnicity, 2010–16



Source: Author's calculations from data on households with children ages 12 to 17 in the 2010, 2013, and 2016 Survey of Consumer Finances.

Notes: Net worth is measured as in McKernan et al. 2017. All values in 2016 dollars, and household income quintile ranges in this figure are for 2016. Data are pooled across the 2010, 2013, and 2016 surveys to increase precision.

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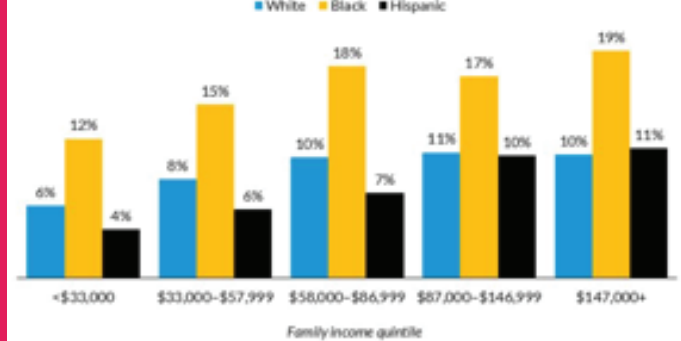
The result of this gap is that Black students have debt student loan burdens at all levels of income, higher than other students. (Chingos, 2019)

Share of Students Borrowing by Parent Income and Race or Ethnicity, 2015-16



Source: Author's calculations from data on dependent undergraduate students in 2015-16 National Postsecondary Student Aid Study.
Notes: Includes federal student loans only. Income quintile cutoffs are calculated from 2016 Survey of Consumer Finances.

Share of Parents Borrowing by Parent Income and Student Race or Ethnicity, 2015-16



Source: Author's calculations from data on dependent undergraduate students in 2015-16 National Postsecondary Student Aid Study.
Notes: Includes federal PLUS loans only. Income quintile cutoffs are calculated from 2016 Survey of Consumer Finances.

And, that Black parents have a higher incidence of borrowing to finance their children's college at all income levels than is true for other groups. (Chingos, 2019)

CONCLUSION

In the 20th Century, two policies toward student help in funding college education clearly privileged the gap in earnings between college and non-college educated workers, and the unemployment levels suffered by Blacks with less than a college degree have forced Black families to pursue education at all costs. The forces of the change in policy in the 21st Century as students of color increase their share of college students toward a system where the burden of higher education increasingly falls on students, tuitions rising faster than family incomes because of that switch and the lack of wealth, particularly for Black families, has created a perfect storm of rising and unsustainable debt being placed on Black families.

Black families do not have the advantage of the legacy of the policies of the 20th Century that boosted college attainment for white families. Today, white families can rest on that legacy that propelled their income and wealth, so today's policy shift to making college the purview of the rich a different challenge.

As a nation, the current policy cannot stand. Wealth and income inequality will not let us produce the number of skilled workers demanded by the 21st Century. Eventually, we will have to change course and return to our policies of the 20th Century in which our nation doubled down on increasing the number and share of workers with advanced education to propel our technological leadership.

When that policy change occurs, we will have, in the meantime, scarred a generation with a huge debt burden for a failed policy. And that burden will have fallen in hugely disproportionate ways on Black families. Now is the time to start the reset of higher education policy. And to do so without exacerbating the racial wealth gap further, it must start with student debt relief that fully accounts for the unique disadvantages placed on Black families. Making Black families whole for this misguided set of policies must be the underlying principle.

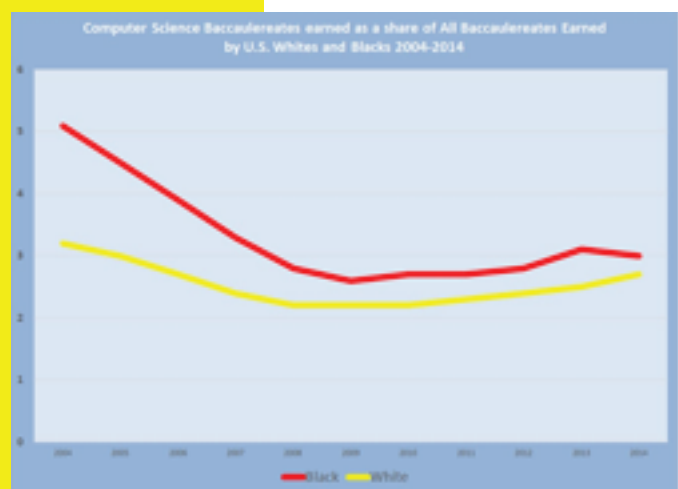
Because this is a problem for Black families of all income levels, it must fairly recognize that capping income levels can still leave Black families depleted of wealth and worsen prospects for racial wealth equity. And, because Black families must borrow more than others, the policy must recognize the size of debt held by Black families to be true to principles of race equity.

Here, from the JP Morgan Chase Institute is a chart that shows the difference between a debt relief package that is politically expedient and one that is designed to meet the challenge of our nation finally making policy with racial equity as its lead principle.



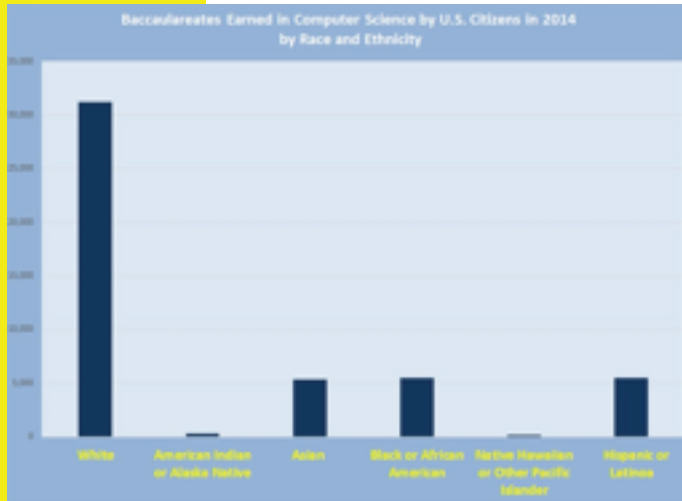
As the chart clearly shows, \$10,000 in universal debt cancellation gives most of the debt relief dollars to white families and would benefit a higher share of white students in fully cancelling their debt than Black students. A program that would cancel \$50,000 of student debt for those with incomes below \$125,000 on the other hand would give most of the debt relief dollars to families of color and would cancel the debt of a slightly higher share of Black families than white families.

More is at stake than racial justice. Black college students are vital to contributing to our nation's leadership in computer science. Black students have, and are, more likely to earn degrees in computer science than are white students. And that makes their success tied to our nation's economic success in the 21st Century.



Source: Table S-5 <https://www.nsf.gov/statistics/2017/nsf17310/data.cfm> (acc: 18 Jul 2018)

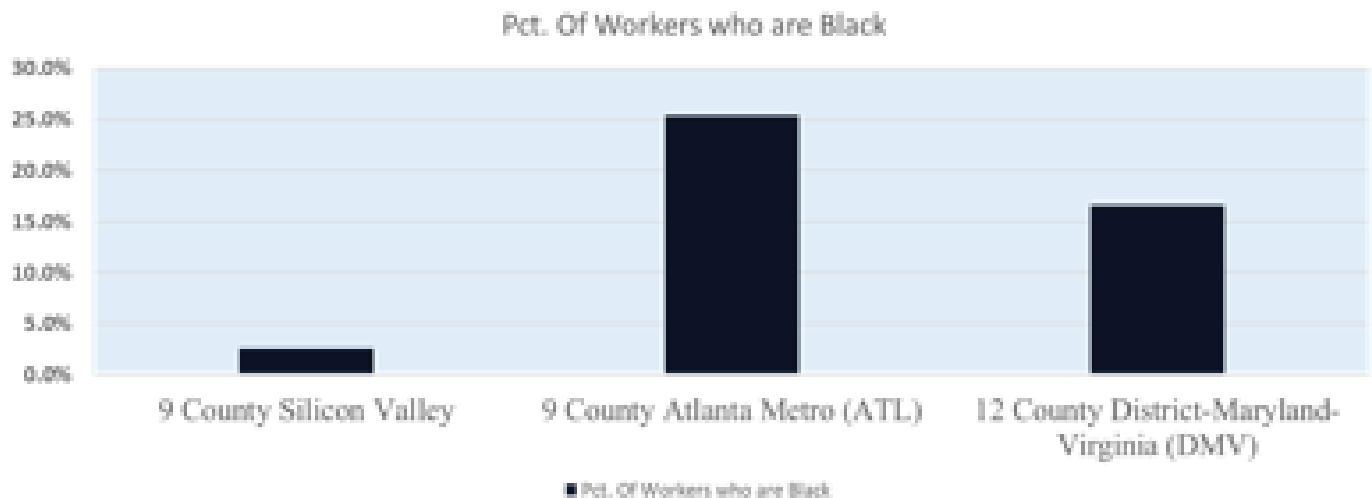
If we unplug that success, we make our nation's path forward more challenging. Despite the challenges that keep Black college graduation lower for Blacks than other groups, Black students' concentration in computer science makes them the second largest group of Americans earning bachelor's degrees in computer science.



Source: Table S-3 <https://www.nsf.gov/statistics/2017/nsf17310/data.cfm>

In the Washington, DC, Maryland and Virginia information technology corridor where the most important work in cloud storage and cyber-security takes place. Among IT workers in the DMV, almost 25 percent are Black.

If the path of political convenience is chosen over the path of racial justice, it will not lower the nation's cost. Exacerbating the racial wealth gap will slow the educational progress of Black families and leave the nation with a significantly smaller pool of skilled workers. It will be short sighted for the policy to take politics over justice and long-run economic survival of the nation.



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From 2009 to 2012, Spriggs served as assistant secretary for the Office of Policy at the Department of Labor, having been appointed by President Barack Obama, and confirmed by the U.S. Senate.

Spriggs' previous work experience includes roles leading economic policy development and research

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