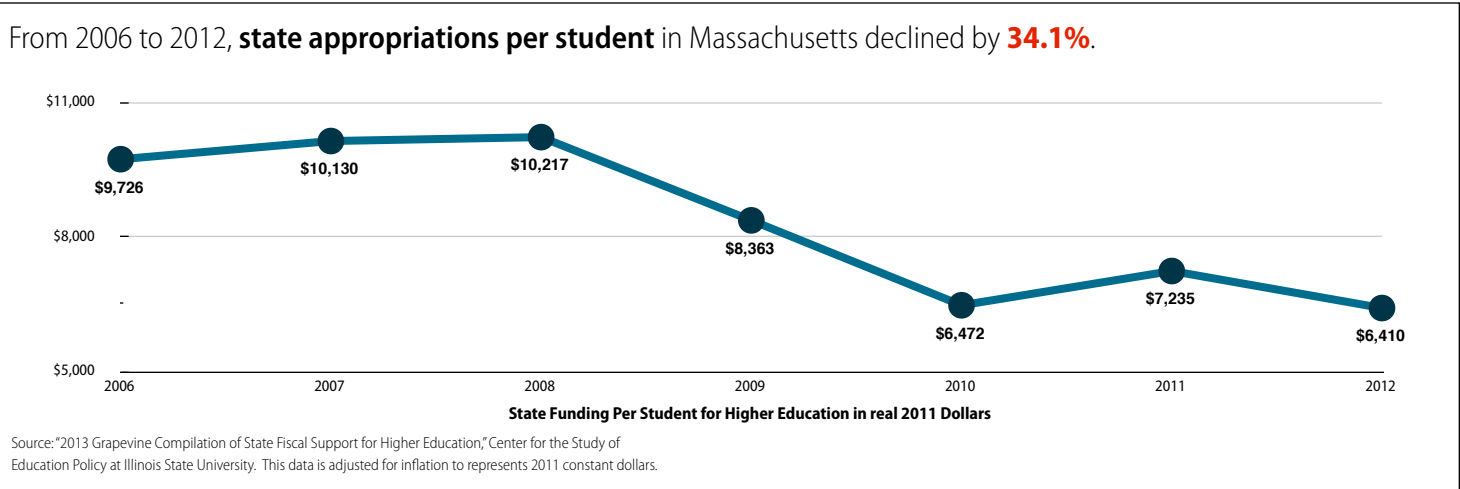


Wall Street & Massachusetts' Student Debt Crisis

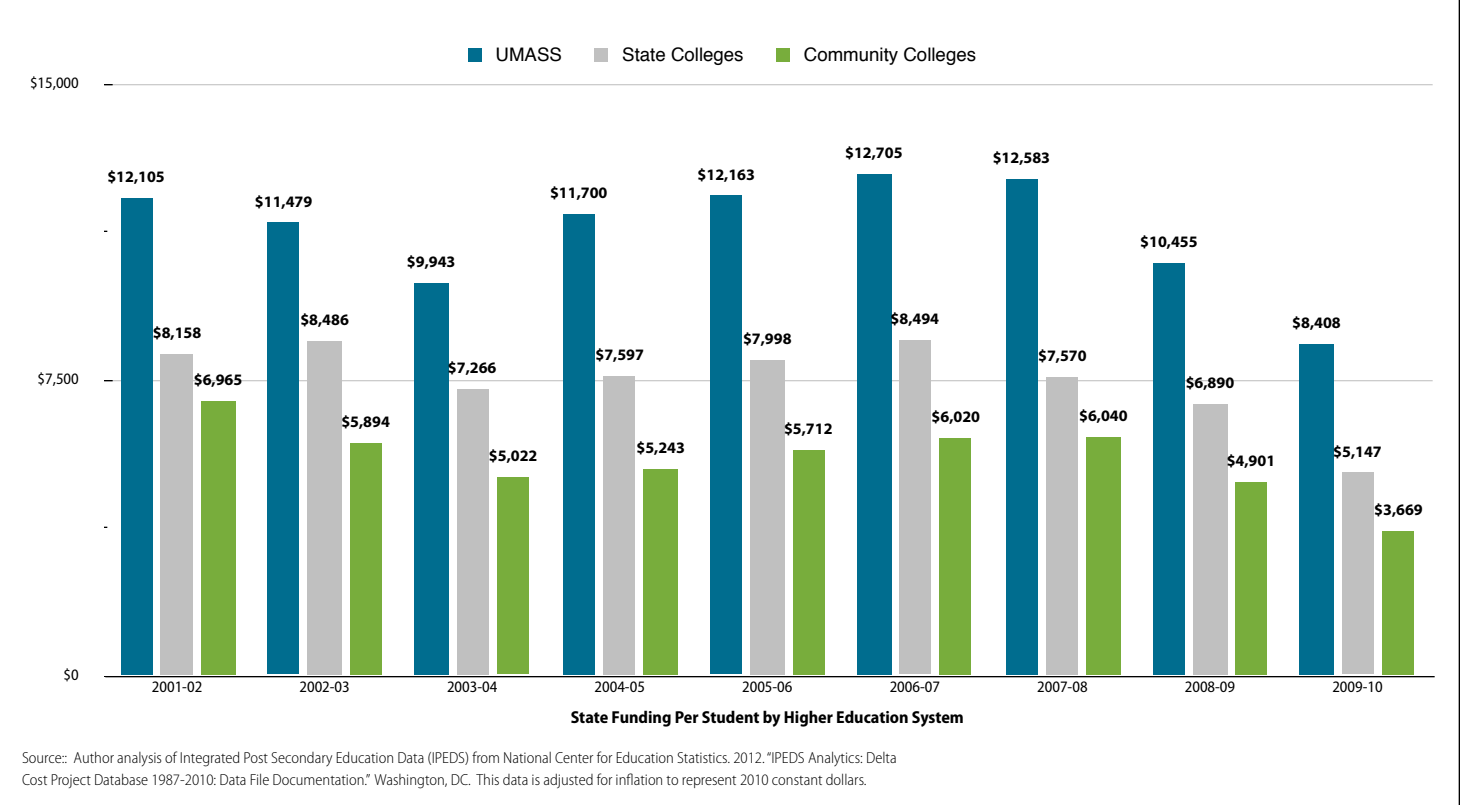
By Charlie Eaton and Brian Stewart*

PART 1: Tax Breaks For Wall Street, Cuts in Per-Student Funding For Higher Education

While Wall Street profits have soared—benefiting from corporate tax breaks—state funding per student has declined for higher education.



Between 2001-02 and 2009-10, state and local funding per student declined by **30.5%** for the **University of Massachusetts system (UMASS)**, by **37%** at **state colleges**, and by **47.3%** at **community colleges**.

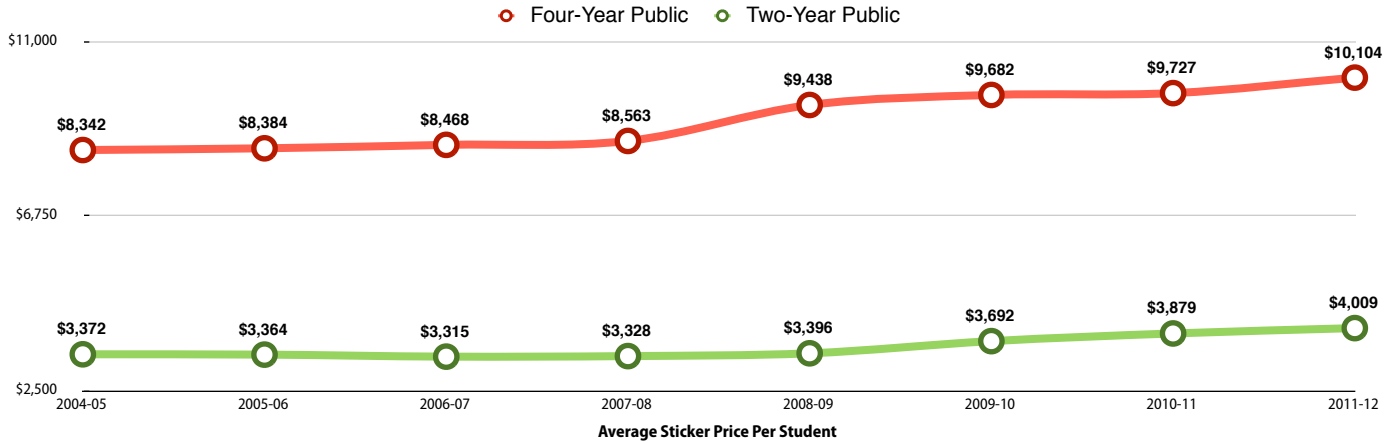


Charlie Eaton is Javits Fellow and PhD Candidate in Sociology at the University of California–Berkeley.
 Brian Stewart is the Communications Director for Generation Progress.

PART 2: Students Are Paying the Price With Higher Tuition

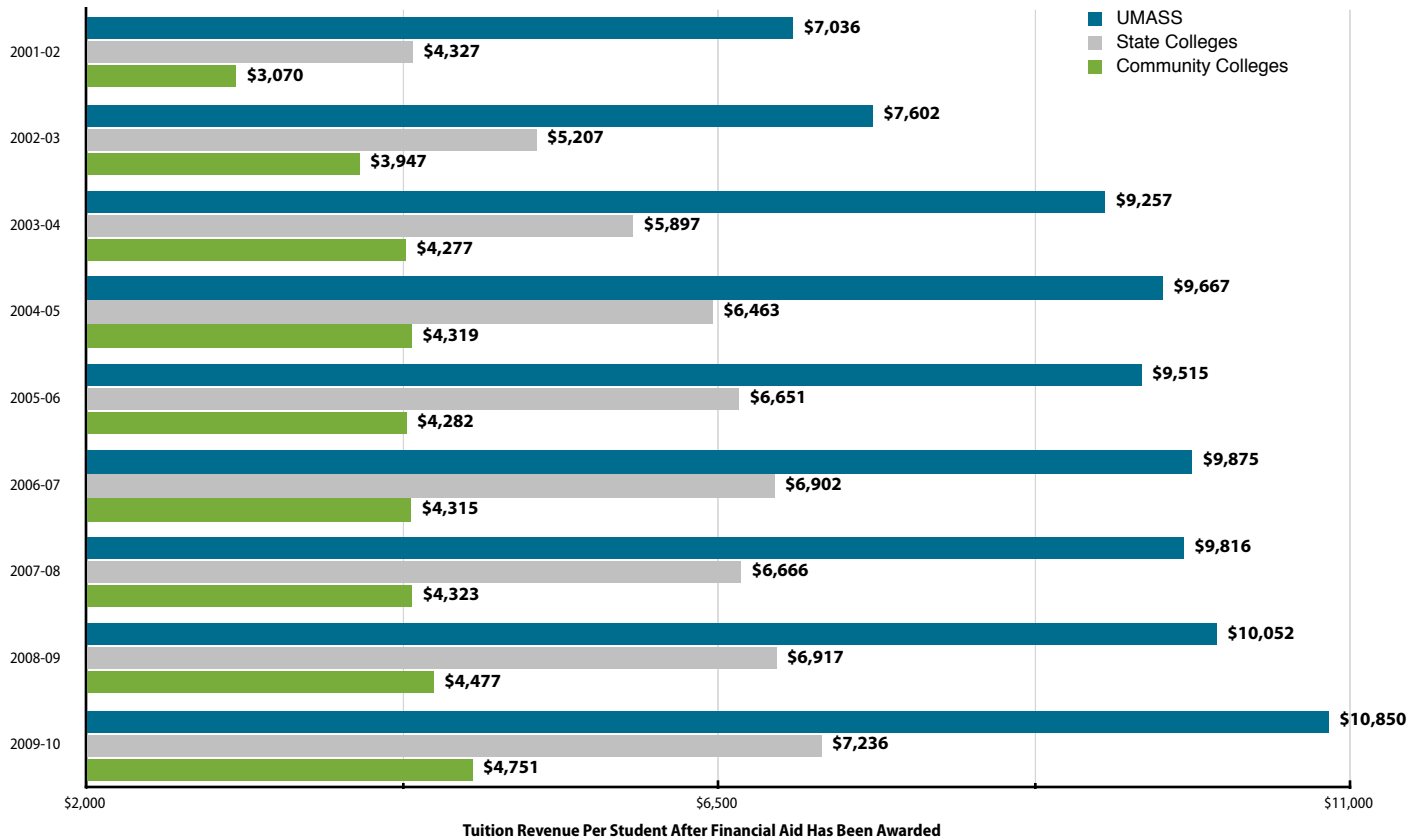
Public colleges have radically increased tuition to offset state appropriation reductions rather than rein in spending on non-instructional costs.

From 2004-05 to 2013-14, in-state tuition increased by **21.1%** at **four-year public institutions** and by **18.9%** at **public, two-year institutions**.



Source: U.S. Department of Education, National Center for Education Statistics, Higher Education General Information Survey

Average revenue per student from tuition after financial aid is awarded increased by **\$3,814** at **UMASS**, by **\$2,909** at **state colleges**, and by **\$1,681** at **community colleges**.

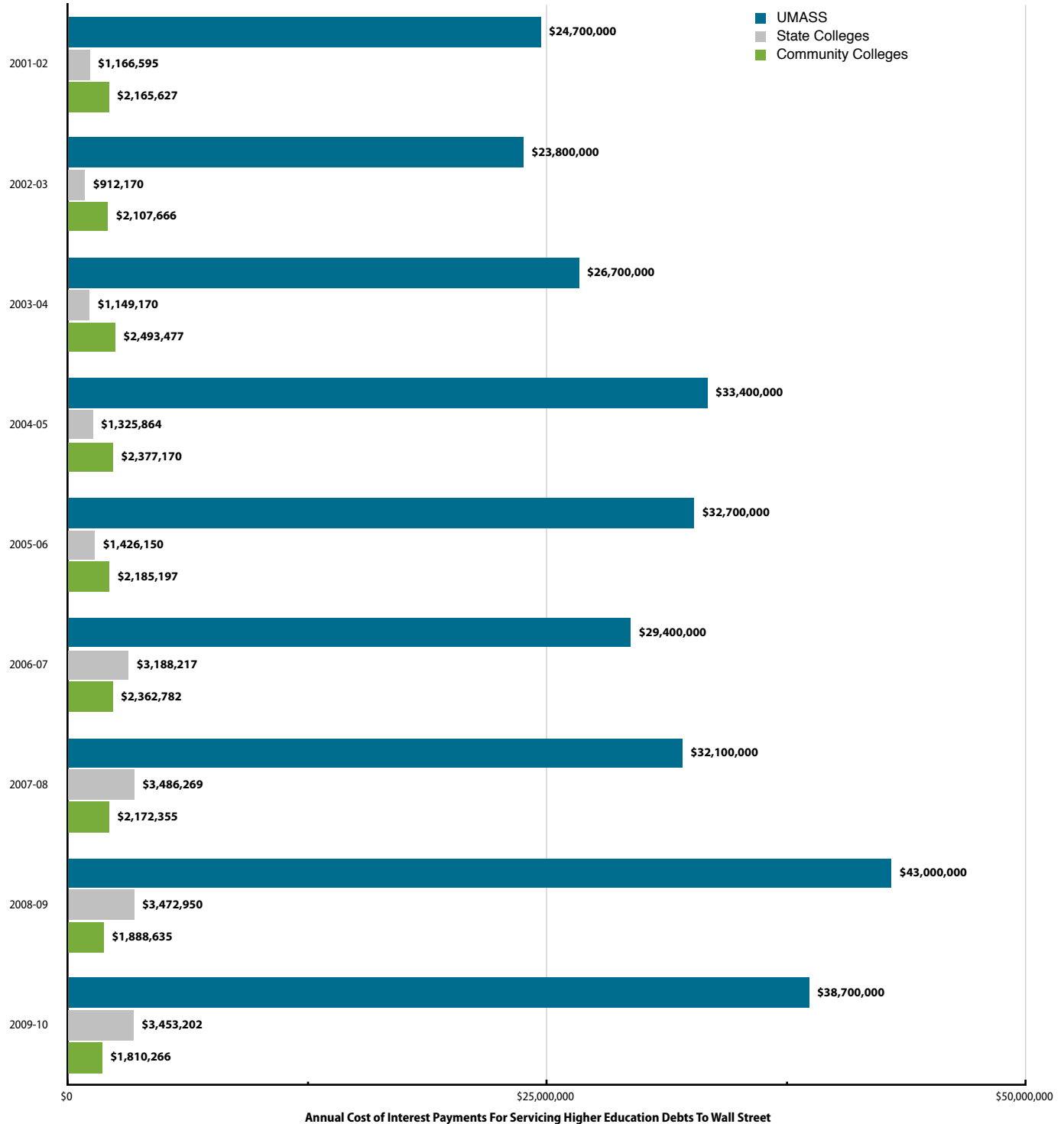


Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars.

PART 3: More Spending is Going to Wall Street Instead of the Classroom

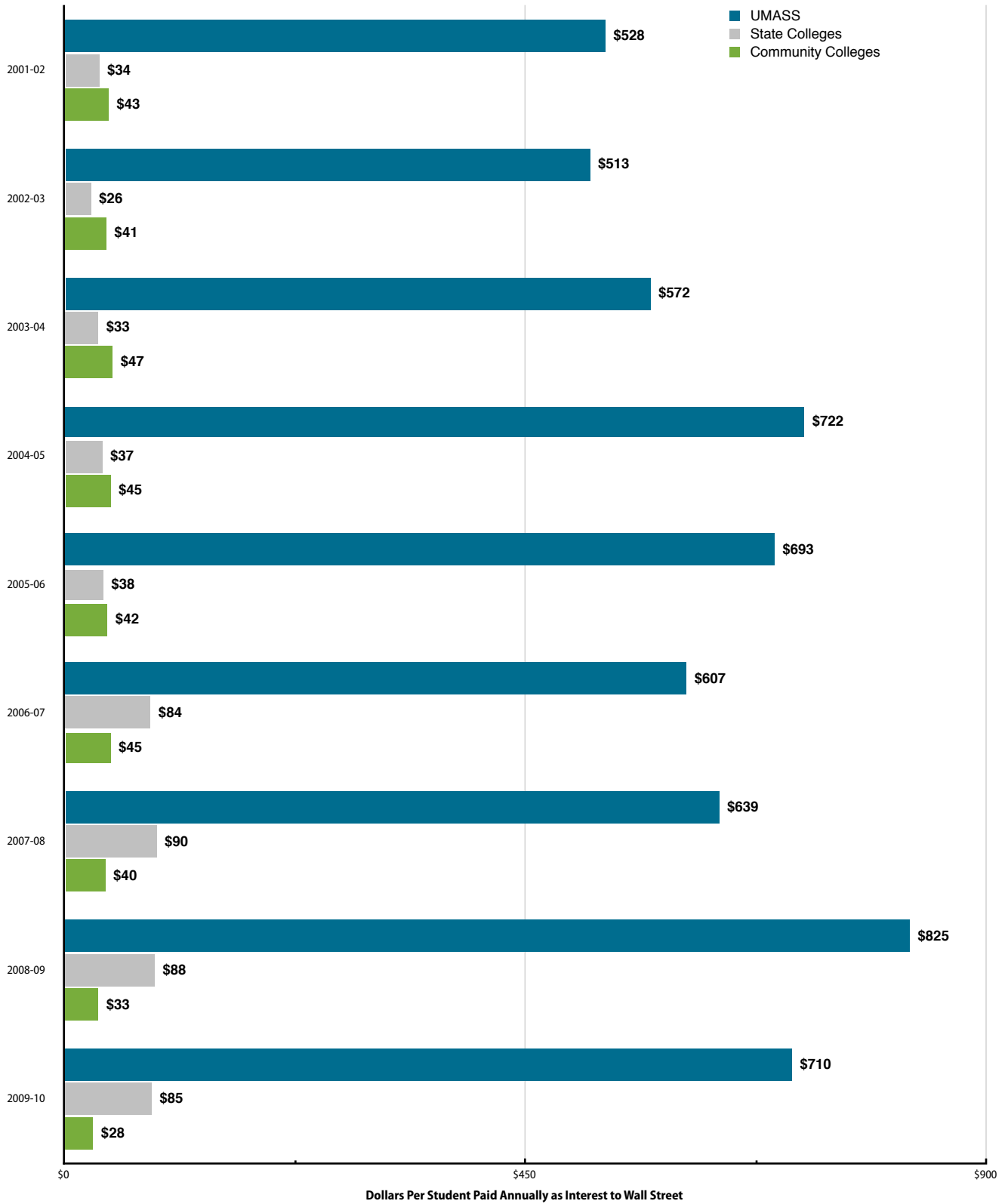
Spending is increasing rapidly for auxiliary services, the area in which large parts of amenity spending is reported. Public colleges have dramatically increased borrowing from Wall Street, much of it to pay for construction of amenities such as dorms, recreation centers, and sports facilities. Increased borrowing has also led to substantial increases in interest payments to Wall Street, despite a decline in interest rates offered by bond markets. Comparatively, spending on instruction has remained flat.

From 2002-03 to 2009-10, Massachusetts public higher education institutions paid **\$323 million** in interest to Wall Street.



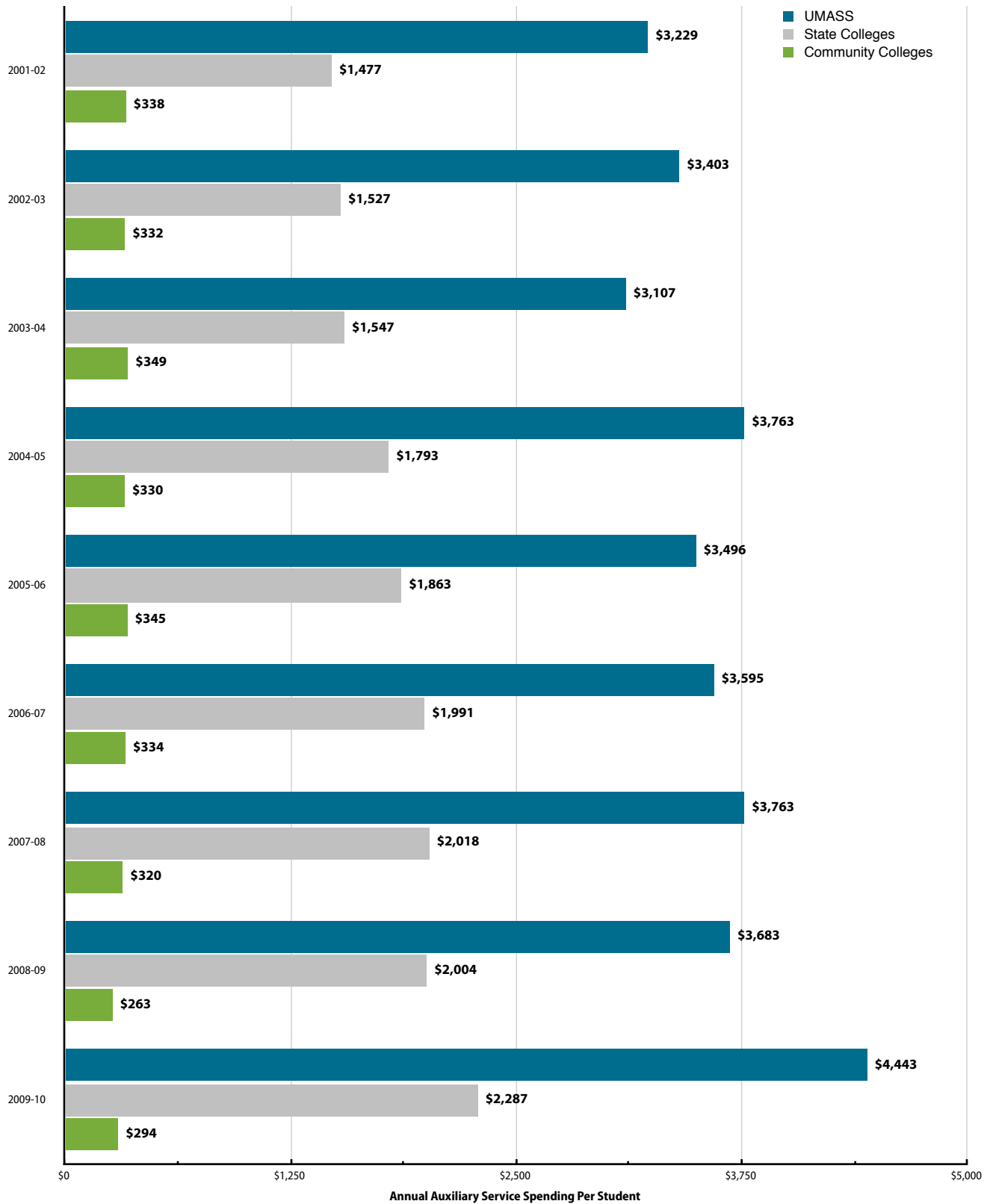
Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars.

From 2001-2002 to 2009-10, Massachusetts higher education institutions paid as much as **\$825 per student** in annual interest to Wall Street.



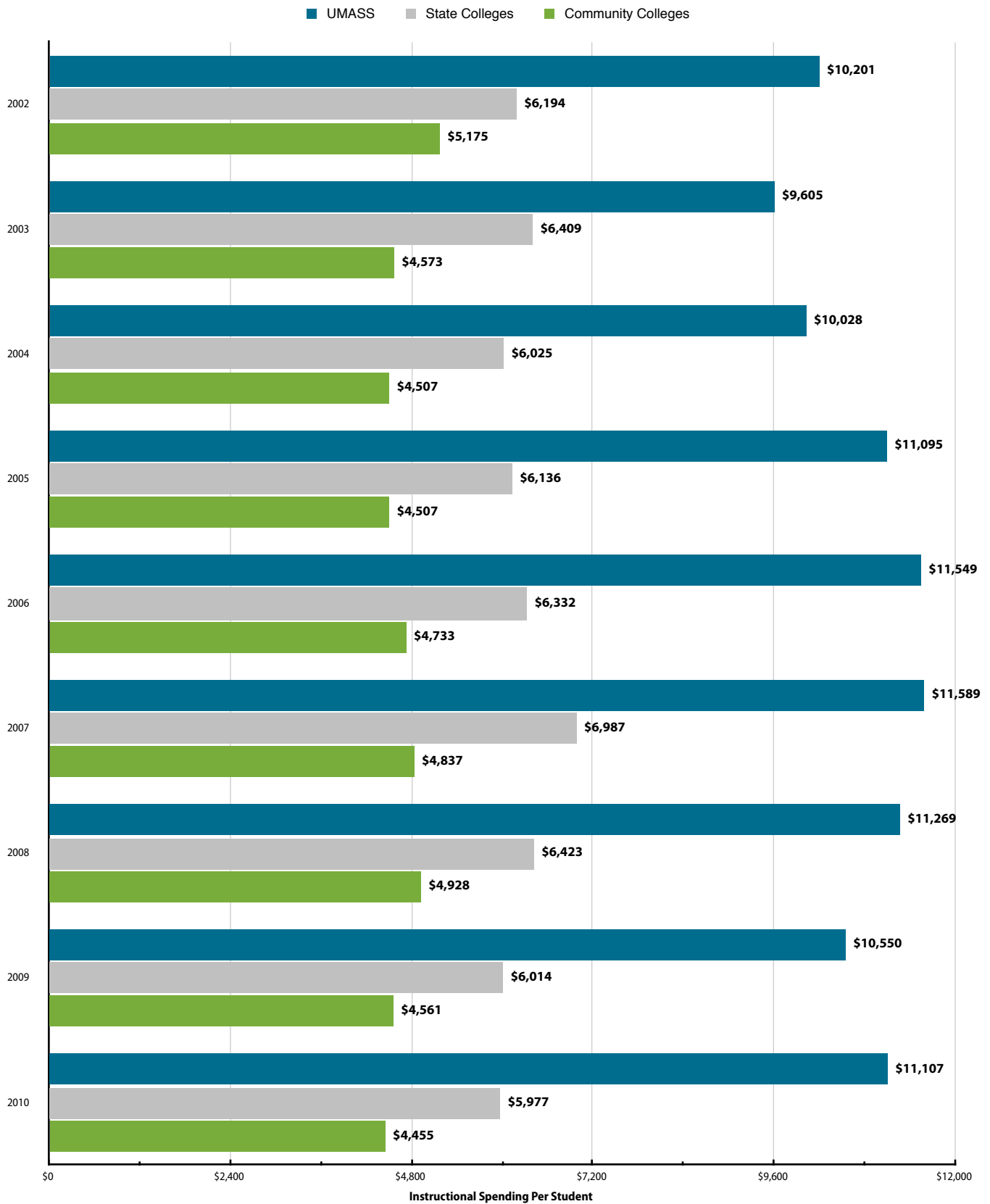
Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars.

Between 2001-02 and 2009-10, Massachusetts public higher education institutions increased spending by **33.6%** for **auxiliary services**, which include many amenities.



Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars.

Between 2001-02 and 2009-10, Massachusetts public colleges cut per-student **spending on instruction** by **1.5%** overall.

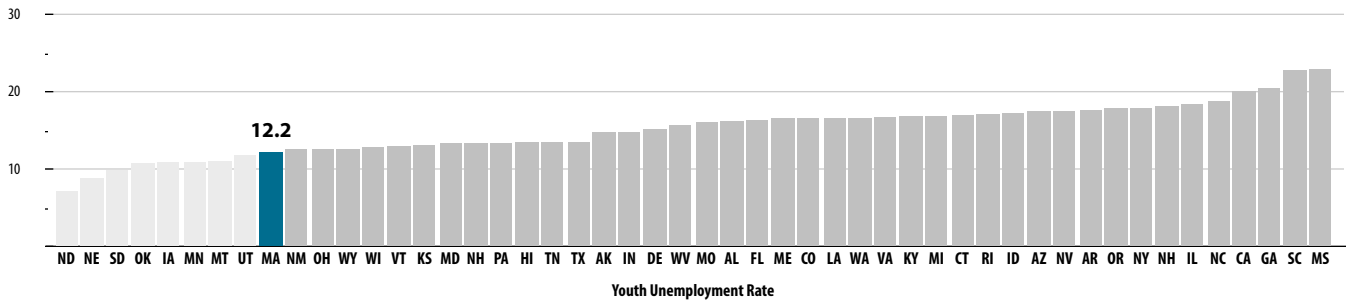


Source: Author analysis of Integrated Post Secondary Education Data (IPEDS) from National Center for Education Statistics. 2012. "IPEDS Analytics: Delta Cost Project Database 1987-2010: Data File Documentation." Washington, DC. This data is adjusted for inflation to represent 2010 constant dollars.

PART 4: As Tuition, Amenities Spending, and Financial Transfers to Wall Street Have Risen, So Has Student Debt

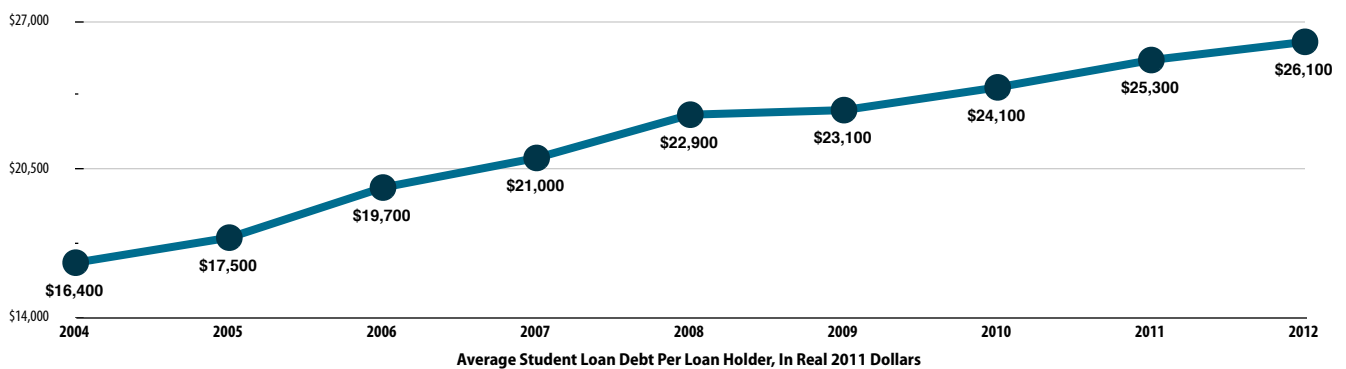
While the federal bailout has helped profits soar again on Wall Street, unemployment – especially youth unemployment – remains high. With limited employment opportunities, students are taking on more debt than ever before. An increasing share of borrowers cannot afford to make required payments. Students at for-profit colleges – some of them turned away from publics because of budget cuts – have been hit particularly hard by student debt.

Youth unemployment in Massachusetts is **12.2%**.



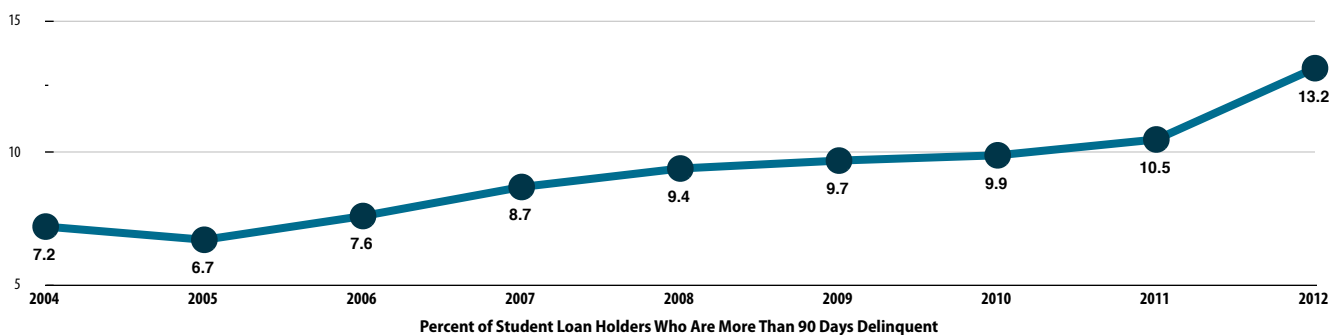
Source: Young Invincibles

Average debt owed by Massachusetts residents with student loans rose from **\$16,400** in 2004 to **\$26,100** in 2012.



Source: Federal Reserve Bank of New York Consumer Credit Panel

The share of Massachusetts borrowers who are **more than 90 days delinquent** has increased to **13.2%**.

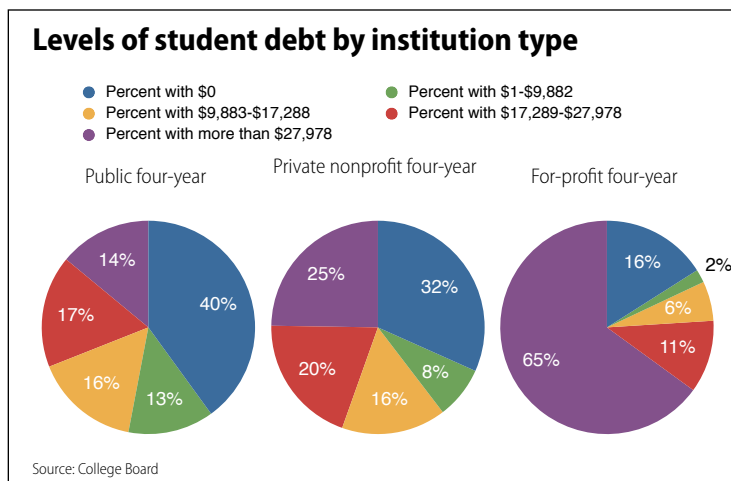
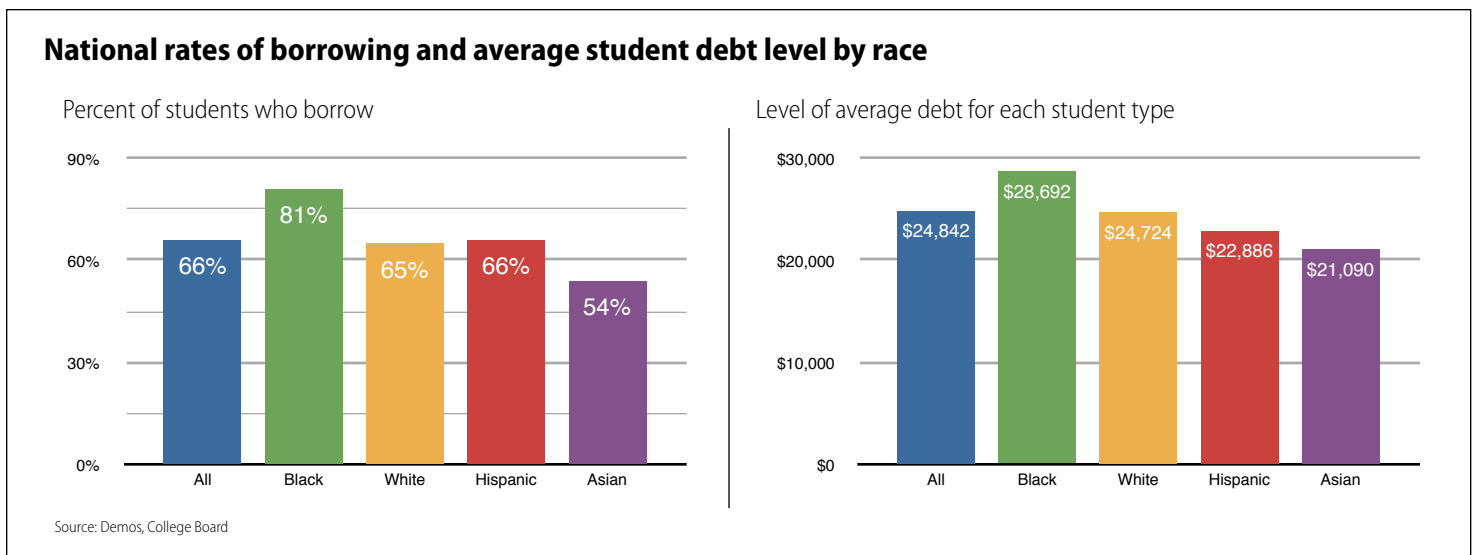
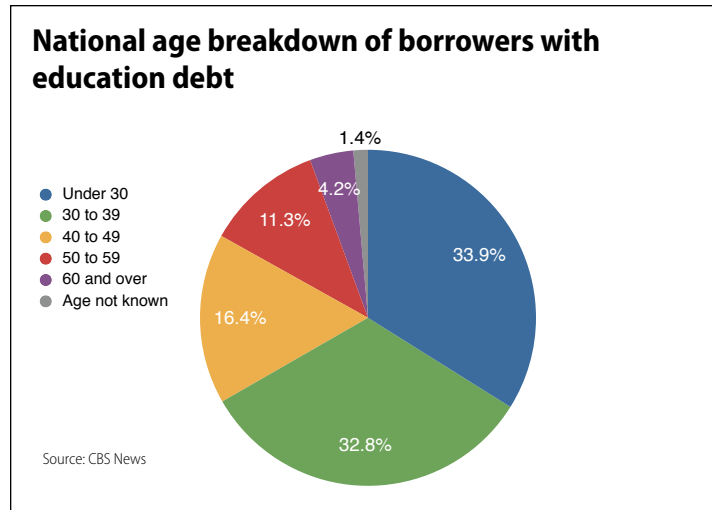


Source: Federal Reserve Bank of New York Consumer Credit Panel.

*90 day delinquency rates tend to be twice as high for borrowers who are in repayment, because many borrowers have loans that do not require repayment until future years and conditions.

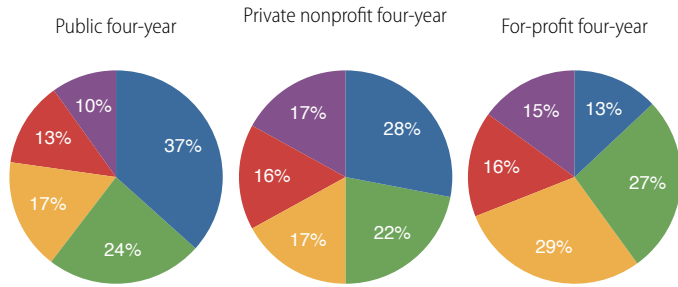
PART 5: Nationally, African Americans Are Hit the Hardest

Students at for-profit colleges have the highest rates of student debt as well as the highest average student debt. African Americans, who have disproportionately turned to for-profit institutions, have the highest rates of borrowing and the highest average debt levels.



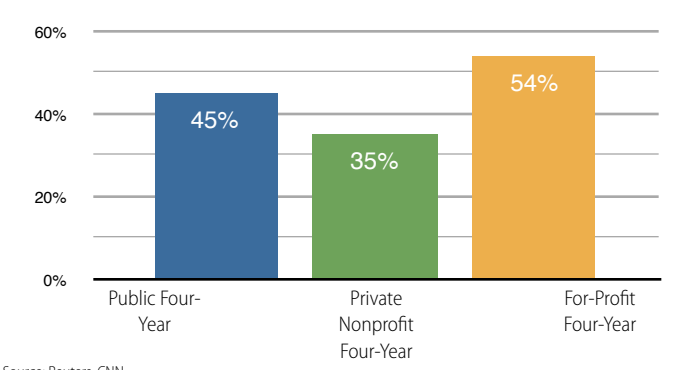
National Drop out rate by debt level

- Percent of dropouts with \$0
- Percent of dropouts with \$1-\$9,882
- Percent of dropouts with \$9,883-\$17,288
- Percent of dropouts with \$17,289-\$27,978
- Percent of dropouts with more than \$27,978



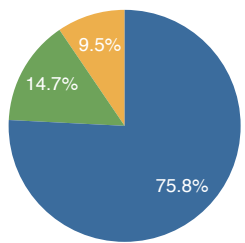
Source: College Board

National Drop out rate by school type



Source: Reuters, CNN

Share of students by each school type



- Public non-profit
- Private non-profit
- For-profit

Source: Department of Education

Percent of students who default at each school type

