A Tale of Two Pities:

The Story of Public Support for Higher Education
A Tale of Two Pities

- It was the best of times ...
- It was the worst of times ...
Isn’t it a pity that . . .

They Don’t Love Us Any More!

- With *they* being *policy makers*, and
- *Us* being *higher education*
From higher education’s perspective – why don’t they love us like they used to

Just look at our diminishing share of state resources

State appropriations for higher education as share of state expenditures

Maintaining 7.3% high point: $21 billion


Author’s calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.
Just look at our diminishing share of state funding per $1,000 of personal income

Maintaining $8.53/$1,000 high point: $13 billion


Author’s calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.
Just look at the declining share of higher education resources coming from the state.

Maintaining the 1977 46.5% share: $13 billion


Author’s calculations based on data from Center for Higher Education and Educational Finance; Bureau of the Census, Department of Commerce.
Higher education has been the most popular target for cuts in recent years.

- Rainy-day funds tapped
- Higher education cuts, tuition increases
- Tobacco settlements used
- Aid to localities cut
- Some of employer retirement contributions suspended
- Funds transferred
- Construction delayed
- Across-the-board budget cuts
- Revenue increases, tax cut delays
- Layoffs, furloughs, hiring freezes, early retirement
Reductions in state support have forced increases in tuition

Net tuition per FTE, U.S., FY1991 to FY2002 in nominal and constant dollars

NOTES:
(1) Net Tuition = Gross tuition & mandatory fees minus discounts, fee waivers, and state student financial aid.
(2) Dollars adjusted to 2002 with the SHEEO Higher Education Cost Adjustment.

Reductions have forced greater reliance on tuition revenue

Net tuition per FTE, U.S., FY1991 to FY2002 in nominal and constant dollars


26% 29% 31% 31% 31% 32% 31% 31% 31% 30% 30% 31% 33%
Furthermore, the states are not supporting need-based aid.

<table>
<thead>
<tr>
<th>Type of aid</th>
<th>FY 1998</th>
<th>FY 2003</th>
<th>Change in $</th>
<th>Change in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Need-based</td>
<td>$2,786</td>
<td>$4,230</td>
<td>$1,444</td>
<td>52%</td>
</tr>
<tr>
<td>Non-need-based</td>
<td>$603</td>
<td>$1,554</td>
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<td>158%</td>
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And the Feds are no better – the value of Pell has atrophied over time.

Maximum Pell Grant as a percentage of average tuition, fees, and on-campus room and board: 1973-74 to 2002-03

As a result, federal reliance has shifted from grants to loans.
Clearly, they don’t love us anymore

- Our share is diminishing
- Their priorities have shifted
- We’ve been shafted
The second Pity

Isn’t it a pity that . . .

They Don’t Love Us Anymore!

- With *they* being *higher education*, and
- *Us* being *public policy makers*
The view from the other side – why is higher education whining?

Those ingrates – we’ve given them more and more, and it is never enough

State & local tax appropriations per student, in constant 2001 dollars, FY1970 – FY2001

Source notes:
- Finance data are from Grapevine and reflect appropriations of state and local tax funds for operating expenses of higher education. Dollars adjusted with CPI-U.
- FTE are from IPEDS as reported in the NCES Digest of Education Statistics 2002, Table 200, and reflect enrollment at all levels (undergraduate, graduate, and first-professional) in degree-granting public 2-year and 4-year institutions.

Why is the *high water mark* always the appropriate benchmark?

From Kane, Orszag, and Gunter – 2003.

“ ... in the late 1990s, state appropriations again increased rapidly, so that by 2001, state appropriations returned to approximately their level in the late 1980s. Note, however, that ... appropriations were slower to recover during the 1990s, and they never exceeded their previous peak.”

Those duplicitous jerks

They blame us for tuition, but look what they have done.

Net tuition
Instructional appropriation

$0 $2,000 $4,000 $6,000 $8,000 $10,000


$8,291 $6,174 $2,174 $6,014 $2,743 $6,203 $2,755 $6,368 $2,751 $6,461 $2,787 $2,787

$9,033 $2,344 $2,344 $2,571 $2,727 $2,755 $2,804 $2,734 $2,751 $2,787 $2,787

$10,000 $8,000 $6,000 $4,000 $2,000 $0

## Duplicityness

They blame us for non-need-based aid, but:
States haven’t backed away from need-based aid

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Feds haven’t backed away

Maximum and average Pell grant awards, in constant 2002 dollars: 1973-74 to 2002-03

Source: U.S. Department of Education, Pell Grant End of Year Reports.
Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and among recipients, the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

### Public Institutions

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<th>Low Income Quartile</th>
<th>Middle Income Quartile</th>
<th>High Income Quartile</th>
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<td>1992-93</td>
<td>$1,900</td>
<td>$2,500</td>
<td>$2,400</td>
</tr>
<tr>
<td>1995-96</td>
<td>$2,500</td>
<td>$2,400</td>
<td>$2,700</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$2,300</td>
<td>$2,700</td>
<td>$3,200</td>
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It’s them – they are to blame

Percentage of full-time undergraduates enrolled in 4-year institutions who received institutional aid and among recipients, the average amount received in constant 1999 dollars, by income quartile: 1992-93, 1995-96, and 1999-2000

Private not-for-profit Institutions

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<td>$5,900</td>
<td>$6,300</td>
<td>$5,500</td>
</tr>
<tr>
<td>1999-2000</td>
<td>$6,200</td>
<td>$7,500</td>
<td>$6,800</td>
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The Big Caveat: One size does not fit all --
State fiscal projections – 2008

State and local surplus or shortfall as a percent of baseline revenues

Source: National Center for Higher Education Management Systems (NCHEMS)
The Caveat Continued:
Total Educational Funding per FTE, Percent Change by State, FY 1991-2003

Notes: Total Educational Funding is the sum of Educational Appropriations plus Net Tuition Revenue. Constant 2003 dollars adjusted by SHEEO HECA.
Source: SHEEO SHEF
Even More Caveat:
The Huge Demands of Demography Vary Hugely

Percent Change in Number of Public and Nonpublic High School Graduates by State, U.S., 2001-02 (actual) and 2017-18 (projected)

Incapacity of tax/revenue system to respond

Goods and services as a percentage of total personal consumption, 1952-2001

Source: NASBO
Incapacity to respond

- Quandary of a narrow tax base
  - Washington – no income tax
  - Oregon – no sales tax

- Quandary of no tax base
  - Alaska
  - Wyoming
  - Nevada

- Quandary of a disappearing tax base
  - Colorado
From this perspective, the story looks quite different

- We’ve treated higher education quite well in good times, and they never appreciate it.
- They blame us for their own transgressions.
- And, they don’t understand the troubles we face.
A Tale of Two Pities

It is a far, far better thing ...