SHEF STATE HIGHER EDUCATION FINANCE

SHEF EDITORIAL

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CORONAVIRUS AND STATE SUPPORT OF HIGHER EDUCATION

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Note: State Higher Education Finance (SHEF) is an annual study of state appropriations for all higher education and state support, net tuition revenue, and full-time equivalent enrollment in public institutions. With the enormous assistance and cooperation of data providers in the states, the SHEEO staff works to provide accurate and consistent information on these data, without editorial comment or judgment of any kind. This essay of editorial comment, separate from the main study, is a departure from that practice due to the urgency of the current situation in American higher education. A similar editorial comment was provided in 2009 during the Great Recession.

The State Higher Education Executive Officers Association (SHEEO) is deeply concerned about both the effects of decreases in state support and other revenue sources, and new COVID-19 related costs to higher education. The early data on the impact of the COVID-19 pandemic on state budgets and college and university revenues and expenditures indicate that higher education in the United States is facing an unprecedented crisis. While the data for the 2019 SHEF report were collected long before the pandemic hit, the trends from the last four recessions indicate that higher education will likely be severely impacted by the deep budget cuts expected in the evolving economic situation. If the past is any indication, the bulk of these budget cuts will be passed on to students and families.

Over the last four recessions, higher education has faced consecutively steeper declines and smaller recoveries in state support. Since the start of the SHEF dataset in 1980, four recessions have impacted higher education funding. In the early 1980s and 1990s, education appropriations per FTE declined 5.9 and 11.3 percent (respectively), but each time, funding more than recovered in the following years. Starting with the tech bust in the early 2000s, however, funding for public higher education has declined and never fully recovered. From 2001 through 2005, funding declined 17.3 percent. After only three years of a partial recovery, the Great Recession again impacted state budgets, and higher education declined 23.9 percent from 2008 through 2012. In 2019, education appropriations per FTE remained 8.7 percent below 2008 levels and 17.9 percent below 2001 funding.

This downward funding trajectory does not bode well for higher education as we enter what promises to be a period of severe economic contraction. State lawmakers are already facing the prospect of historic deficits and deep budget cuts. States must balance their budgets, and public higher education has consistently served as the “balancing wheel” of state budgets due to its discretionary status in the budget development process, as well as its available alternative revenue streams in the form of student tuition and fees. This means that higher education will likely once again face deep cuts in state support, and perhaps, given its current trajectory, declines deeper than anything we have experienced in the past.

Nevertheless, higher education has and will continue to play a critical role in both responding to the current pandemic and the economic recovery that will follow. Our country depends on the research enterprise housed within our public universities to produce scientific breakthroughs to help us respond to pandemics like the one we are experiencing now. Likewise, our colleges and universities serve as critical economic engines in their communities and states. Our public colleges and universities will retrain workers, spur innovations, and place the next generation of graduates into more secure, better paying jobs.

However, such societal benefits are not free. We must pay for them. Despite the broad public benefits of state systems of higher education, the downward trajectory in state support has meant that we have witnessed a shift in the college cost burden. In more than half of all states, the majority of total education revenues now come from student tuition dollars. In 1980, student tuition made up only 21 percent of total revenue. This privatization of what is, and what ought to remain, a broad public resource threatens the core of the enterprise. Our public institutions ought to be publicly oriented and committed to advancing the states' interests. The only way this can be properly ensured is through an appropriate level of state investment. Unfortunately, the current crisis will move us even further away from this objective.

The result of state divestment is that we place far too great a burden on students to pay for our public higher education system. An outcome of this shift in who pays is increased inequality among students by race and socioeconomic status as well as among the different types of institutions who serve these students. Our nation and states cannot afford to perpetuate these gaps by allowing our colleges and universities to become further split between the haves and the have-nots.

Ensuring that the current crisis does not exacerbate these troubling historical patterns will be a shared responsibility of colleges and universities, state and federal governments, businesses, and students and their families. We all must reexamine what we need and want from public higher education and how we pay for it. In that regard, public support for higher education is not optional. A strong, vibrant, and accessible *public* higher education system is an absolute necessity in order to secure our country's future. Our economy and our democracy depend on it.