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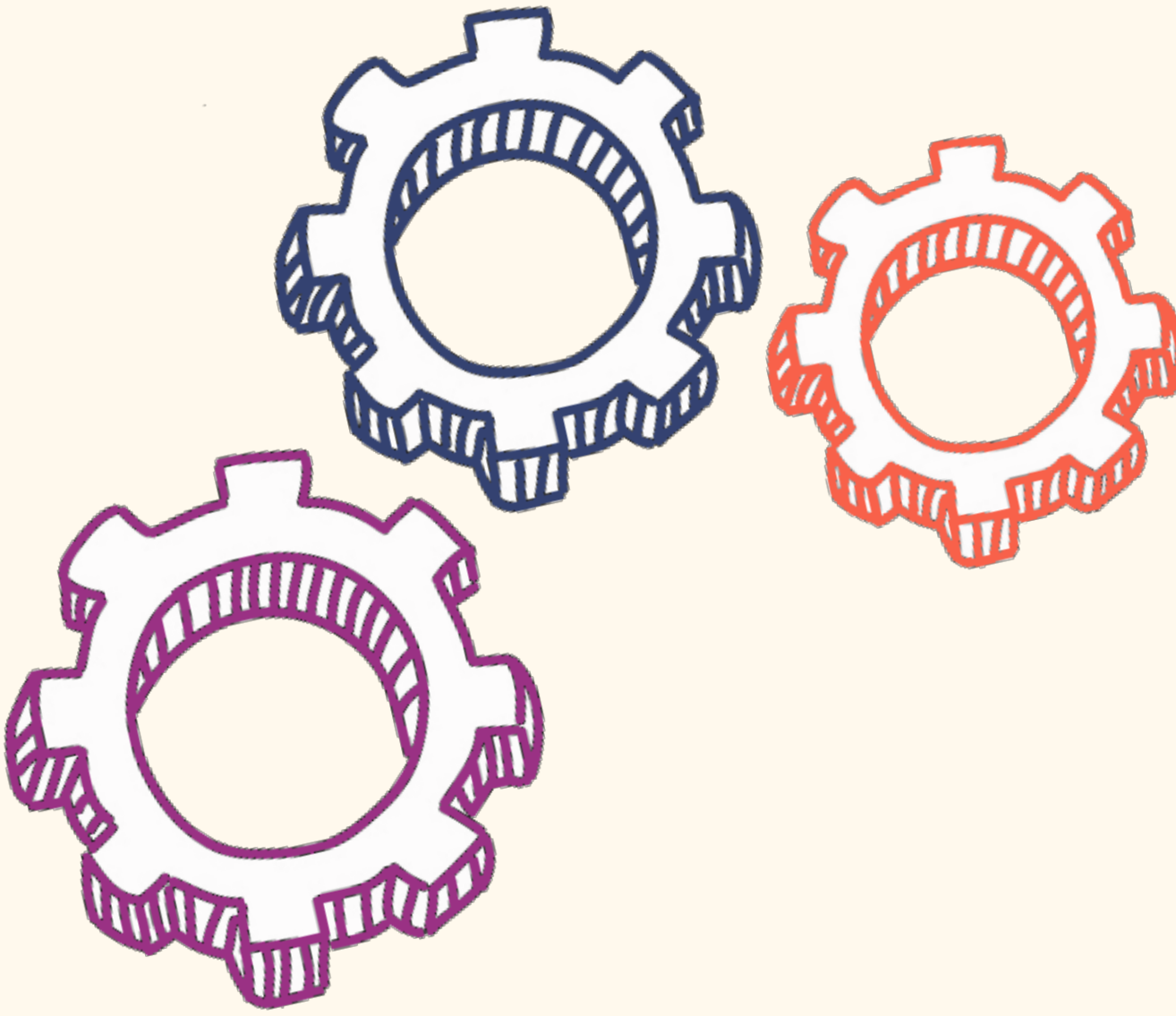
Better Together

How a Reimagined Federal-State Partnership to Fund Public Higher Ed Could Help Bring College Within Reach for All



Acknowledgements

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Table of Contents

Introduction

For decades, state disinvestment in public higher education, paired with inequitable funding across institution types, has undermined states' ability to provide accessible and affordable higher education opportunities. This trend accelerated heavily during the Great Recession when most states made especially deep cuts to higher education spending. While every public college student has felt the impact of state budget cuts, data show that low-income students and underrepresented students of color[1] continue to bear a disproportionate burden from increased attendance costs and inequitable funding patterns.[2]

State funding cuts for higher education often occur when states face significant pressure to fund other crucial state programs — including K-12 education and healthcare for low-income children and families — on limited or suddenly reduced revenues. As state revenues began to recover from the Great Recession, states signaled their recognition of the importance of funding public higher education by increasing investments in public colleges. However, per-student funding remains below its 2008 levels.[3]

In recent years, varied higher education stakeholders began calling for an end to state disinvestment through a reimagined federal-state partnership to better support public colleges.[4,5,6,7] Although heated debates have emerged between advocates of free college[8] (or, at least, covering free tuition for individual students up to a certain amount) and those who prefer to bolster institutions' operational capacity[9], both sides agree about core aspects of the problem and the solution. State disinvestment is a major part of the problem, and a renewed federal funding role must be part of the solution.

We are specifically proposing a framework for a new federal-state partnership that will equip states to maintain their investment in public colleges across economic cycles. Critically, our approach would increase both financial aid to individual students and support for institutional operating expenses. Our framework outlines three key design principles that a federal-state partnership must include to be effective: (1) providing strong incentives to maintain and increase state investment, (2) ensuring stable funding across economic cycles, and (3) making headway in closing racial and economic equity gaps in access and attainment.

To account for changing budget realities, we outline several adjustable policy levers that Congress could scale up or down depending on available funding, as opposed to proposing a minimum or recommended dollar amount for federal spending. We also provide illustrated examples at several levels of funding.

Our three key design principles are:

1. Maintain State Investment: Deliver new federal funding to states to increase overall investment in public higher education; such funding will be contingent on a state maintenance of effort (MOE) provision to ensure that new federal dollars invested in states do not supplant other forms of higher education funding and financial aid.

2. Ensure Stable Funding Across Economic Cycles: Provide increased support to states during economic downturns to promote adequate, stable funding for public higher education across economic cycles.

3. Close Racial and Economic Equity Gaps: Make new funds contingent on states assessing and developing strategies to combat funding inequities across schools serving different student populations.

Background: State Disinvestment Threatens the Promise of Public Higher Education

In recognition of the economic and social value of investing in postsecondary education, states and the federal government have historically contributed substantial funding for the creation and support of a range of colleges and universities.[10] Public colleges, in particular, are the cornerstone of the nation's higher education system. They enroll 76 percent of all undergraduate students[11] and award 64 percent of all bachelor's degrees.[12] Public colleges also enroll 74 percent of underrepresented students of color.[13]

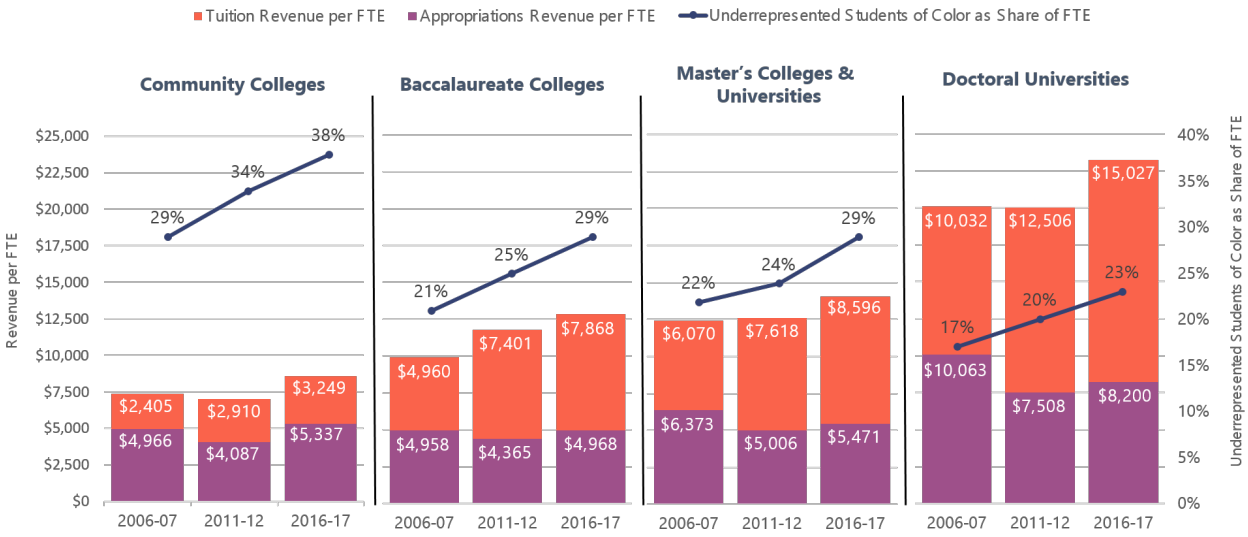
Crucially, ongoing, annual state support has kept tuition costs at public colleges lower than at their private counterparts. However, for several decades, states have been disinvesting in public higher education.[14] The resulting higher tuition and fees have shifted more of the cost of higher education to students and families.[15] The result is greater student debt burdens and persistent inequity in college completion between white and well-off students and underrepresented students of color.[16] To make up for funding shortfalls, many selective public colleges can recruit students — higher-income state residents, as well as out-of-state students — who can afford to pay more tuition, leaving many lower-income students behind.[17]

This trend accelerated dramatically during the Great Recession. Overall state funding for public two- and four-year colleges in the school year ending in 2018 was more than $7 billion below its 2008 level, after adjusting for inflation.[18] At four-year public colleges and universities, per-student funding fell by $2,000 between 2008 and 2012; annual student borrowing rose by $1,100 over that period.[19] While states have slowly begun reinvesting in higher education, these investments have not made up for the cuts imposed in the wake of the Great Recession. Lower state spending has been compounded by rising enrollments. Students and families, facing higher costs, have increasingly come to rely on loans to cover tuition, fees, and additional expenses.

Beyond the direct economic impact on students and families, declines in state funding can diminish students' ability to complete a degree. Such cuts result in decreased instructional spending, often meaning fewer courses, larger class sizes, and cuts in student services. One study found that each dollar of reduced state appropriations leads, on average, to a 56-cent cut in instructional expenditures at community colleges. At doctoral institutions, each dollar lost in state appropriations results in a 17-cent increase in net tuition and fees and a 30-cent decrease in instructional expenditures. Another study found that a 10 percent decrease in state appropriations over time at a public research institution led to a 3.6 percent decrease in bachelor's degrees awarded and a 7.2 percent decrease in doctoral degrees completed.[20]

State underfunding of public colleges and universities has also exacerbated inequity. Underrepresented students of color are more likely to attend poorly funded colleges, where they are less likely to graduate. White students occupy almost two-thirds (64%) of the seats in selective public colleges even though they make up barely half (54%) of the college-age population. Black and Latino students are making unprecedented gains in college going, but the vast majority of them are enrolling in overcrowded and underfunded open-access colleges, primarily community colleges.[21]

Per-Student Revenue and Enrollment of Underrepresented Students of Color at Public Colleges, by Carnegie Classification



Source: The Institute for College Access & Success. 2019. Dire Disparities: Patterns of Racially Inequitable Funding and Student Success in Public Postsecondary Education. https://bit.ly/2Zn7TXL.

Due to the disjointed nature of state and federal efforts to fund higher education and boost educational attainment, increases in federal investments may not be matched by states. The time to change this is now. Some economists are warning that we are at risk of an economic downturn within the next few years. Whenever the next recession arrives, states will likely respond with further cuts to higher education spending, and these cuts will disproportionately harm underrepresented students of color.[22]

Key Principles for an Effective Federal-State Partnership

Principle 1: Maintaining State Support for Higher Education through a New Federal Grant

To increase overall investment in public higher education, the federal government should provide new funding to states. This funding will be contingent on states maintaining their funding commitment to public institutions and need-based financial aid, while providing incentives to invest more over time.

Federal Matching Grant Contingent on State Maintenance of Effort

At the heart of a federal-state college affordability partnership is a new annual block grant in which the federal government provides a set match for state spending on public higher education. To receive a match, each participating state must maintain their per-student support (including both need-based financial aid and public college operating support) from year to year.

In designing this grant, we carefully considered two necessary elements: (1) ensuring that Congress distributes funding fairly and proportionally among states, and (2) ensuring that the calculation and impact of the match is simple, transparent, and clear. Simplicity will allow state lawmakers to calculate quickly and easily how state funding cuts would affect their federal grant and will increase the likelihood that federal grants will impact their annual budgeting processes.

To be eligible for this new annual federal grant, a state must at least maintain its existing support for public higher education, calculated as the average net support for colleges and need-based aid for students provided by the state over the preceding three fiscal years, adjusted for enrollment and inflation.[23] States that do not maintain their funding per-FTE student will not be eligible for the grant.[24] (As described below, special rules will apply to states experiencing economic downturns.)

If a state meets this requirement, the federal government will match each dollar spent by a set percentage, delivered as a block grant to the state to supplement its investment in public colleges and in need-based financial aid.[25] Congress can increase or decrease the federal per-dollar match rate based on available funding, but it is important that it be attractive enough to states to incentivize them to meet their MOE requirements. For a sense of scale, we provide three examples below to illustrate the potential impact of this matching grant at three different levels of federal funding. The examples below are based on actual state higher education appropriations in Fiscal Year (FY) 2017. In total, states spent slightly more than $96 billion on public higher education in FY17.[26]

Assuming each state met its MOE requirements, to fund a $0.05 match per each dollar invested in public colleges and need-based financial aid, the federal government would need to spend $4.8 billion per year; to fund a $0.20 match per dollar, $19.2 billion; and to fund a $0.25 match, $24 billion.[27]

Because we recognize that in an economic downturn, many states would not be able to provide the necessary level of funding to keep their federal grant, we outline later in this proposal a recession-triggered spending mechanism that accounts for this reality and aims to mitigate the impact of recessions on state disinvestment.

Incentivizing Investment in Institutions Serving Under-Resourced Students through an Optional "Bonus Match"

As discussed above, under-resourced public institutions — community colleges, as well as less selective and non-research-intensive public four-year schools — serve the majority of underrepresented students of color.[28] Additional resources, if well spent, could help close gaps in completion rates among these institutions.

While there are encouraging signs of an increasing focus of state and local support specifically for community colleges in recent years, large disparities in resources remain across different types of institutions.[29]

We propose to target these persistent funding gaps through a federal "bonus match" that would incentivize states to invest more in schools that serve a high proportion of low-income students and underrepresented students of color. Congress would make bonus matching funds available to states as they increase, rather than just maintain, their level of support to these institutions.[30]

Once a state meets its MOE requirement in a given year, any dollar above the MOE that it invests in such institutions would be matched at a higher rate. For example, if the overall federal block grant match rate is $0.20 per dollar, every dollar above a state's MOE that is invested in community colleges would be matched with $0.25 in federal funding (up to a set funding cap, as determined by available funding).

Why a State Maintenance of Effort Requirement Is Critical for College Affordability

In the past, federal maintenance of effort provisions that tied federal dollars delivered through states to a required minimum level of state investment have proved successful in incentivizing states to maintain certain levels of funding for public higher education. MOE provisions ensure that increased federal investment is matched by increased state spending that benefits students.

Two pieces of recent federal legislation illustrate the effectiveness of federal MOE provisions as well as the importance of thoughtful design. States' responses to federal funding thresholds in two instances — the American Recovery and Reinvestment Act (ARRA) of 2009 and the Education Jobs Fund — are particularly compelling evidence of the MOE's ability to stem state disinvestment.

The State Fiscal Stabilization Fund included in ARRA, for example, included MOE language mandating that states maintain public higher education funding at or above FY2006 levels. An analysis of state applications for funding under ARRA found that its MOE provision appears to have successfully limited the amount of disinvestment in higher education during the most recent recession.[31] In FY2010, for example, 15 states cut to within one percent of the threshold, with 11 cuts falling within 0.25 percent of their threshold. Similarly, in FY2011, 12 states cut to within one percent of their respective thresholds.

The Education Jobs Fund, passed in August 2010, provided $10 billion in assistance to states to save or create education jobs for the 2010-2011 school year; it also included a state MOE provision. An analysis of state applications for the Fund showed that the MOE provision was a major contributor to funding levels in several states.[32]

Uses of Funds: Increasing Public College Affordability, Access, and Quality

Another key design element of a federal-state partnership is the parameters within which a state can spend its federal match funding. Greater investments in both college affordability and educational quality are needed to close opportunity gaps.[33] Ideally, a proposal should account for the dual goals of (1) targeting more need-based aid to low-income students and (2) allowing states the flexibility and discretion to award funds for educational expenses and student support services.

There is wide agreement on the urgent need to reduce costs and debt for low-income students and to close racial and economic equity gaps in access and degree attainment. In order to address this, we propose that Congress require states to spend at least half of their federal grant funds on lowering net costs for students at or below 150 percent of the federal poverty level (FPL), with the ultimate goal of covering the full cost of attendance for these students, depending on the magnitude of the annual federal investment.[34]

States should have a fair amount of flexibility to allocate the remainder of their annual federal block grant to further lower net costs for students or increase support for public higher education institutions to increase college attainment and reduce equity gaps by, for example, expanding student support services, implementing evidence-based strategies for increasing retention and completion, or beefing up instructional spending.

Every state receiving funding will have to designate a state agency that can set goals, analyze statewide data, and distribute federal funding in accordance with the decisions of policymakers. No more than five percent of federal grant dollars should be used for tracking and reporting progress to the federal government. States and institutions should also be prohibited from using funds for endowments, athletic facilities, merit-based aid, research, facilities maintenance, and other programs that would not serve to directly advance the partnership's two goals.

Principle 2: Automatic Stabilizer to End Cycle of State Cuts

To ensure that states are able to maintain stable funding for higher education during periods of economic decline, we believe it is crucial to include an automatic stabilizer provision in any federal-state partnership. Through this mechanism, federal funds available to a qualifying state would automatically increase to help states weather an economic downturn while keeping support for higher education stable.

While states must balance their budgets, the federal government is able to invest counter-cyclically to help fill temporary shocks in state budgeting caused by macro-economic cycles. We propose that a rise in the state's unemployment rate above a set threshold trigger this increase in federal funds.

Enrollments Increase as State Funding Decreases

Economic downturns trigger increased enrollments at the same time as colleges face budget cuts. Postsecondary enrollment — and, in particular, community college enrollment — increased significantly as the impact of the Great Recession hit. From 2006 to 2011, total college enrollment grew by three million. Especially noteworthy was the increased enrollment in two-year undergraduate institutions; the recession saw a 33 percent increase in enrollment in two-year colleges from 2006 to 2011. In 2010, 29 percent of all students enrolled were in two-year colleges. This was not an isolated experience, as numerous studies have demonstrated that as workers seek to re-skill or upskill in a difficult job market, postsecondary enrollment increases during economic downturns.[35]

This trend is particularly striking for two-year college enrollment rates — a one percentage point increase in the unemployment rate is associated with a 0.07 percentage point increase in the two-year college enrollment rate, compared to a 0.03 percentage point increase and a 0.008 percentage point increase in the four-year public and private enrollment rates, respectively.[36]

However, as more students were enrolling in public colleges, states faced a sharp decline in tax collections and most states relied disproportionately on spending cuts to make up for declining state revenues. Between fiscal years 2008 and 2012, for example, states made up 45 percent of the loss in revenue through reducing support for public services — and only 16 percent through increases in taxes and fees (they closed the remaining gap with federal funds, rainy day funds, and other sources).[37]

Because states are obliged to produce a balanced budget each year, this inverse relationship between postsecondary enrollment and state funding support has not been unique to the Great Recession.[38] Even as funding for higher education has not recovered from past cuts, a similar pattern will likely emerge during the next recession, with workers seeking improved job prospects through degree attainment and states balancing their budgets at the expense of funding for public services, including public colleges and universities.

How an Automatic Stabilizer for State Public Higher Education Funding Could Work

In designing a recessionary trigger within a federal-state partnership, it is helpful to draw from the structure of the unemployment insurance (UI) system. The UI system is designed to stabilize both individuals and the broader economy during economic downturns. Workers who have lost their jobs are provided temporary funds to shore them up while they look for work, and with these funds, individuals are able to continue participating in the economy through consumer spending. While UI benefits are available regardless of economic conditions, extended benefits are made available automatically during economic downturns, and sometimes Congress acts to extend these benefits even further. Research has demonstrated the effectiveness of this model and has especially shown the positive impact of increased funding during recessions.[39]

While a federal-state higher education spending partnership would function differently than the UI system, the design and effectiveness of UI offers lessons for determining both the

design and potential value of an automatic stabilizer for public higher education funding. Though the two programs may at first appear unrelated, both have significant macroeconomic impacts that justify robust and dedicated federal and state investment. Congress' prior temporary funding boosts during economic downturns illustrate the agreed-upon importance of providing stimulus funds for higher education. Creating an automatic stabilizer, triggered by a set unemployment rate threshold, would provide reassurance for states and help prevent the dire consequences of funding cuts.

For transparency and simplicity, we propose building an automatic stabilizer directly into the federal block grant outlined in our first principle above. A boost in the existing federal-state partnership grant would be triggered by a state unemployment rate that exceeds a set threshold, with the additional support phasing out as the unemployment rate declines.

When a state hits this threshold, the consequences attached to the MOE requirement would change. If the state continues to meet its MOE, it would receive double the standard federal match per dollar received during better economic times. However, unlike in good times, a state would not entirely lose its federal match funding if it fails to meet its MOE, but would instead have its federal match cut in half. This structure would encourage states to maintain investments in higher education without punishing those states that are unable to maintain investment for good reason.

For illustrative purposes, we calculated the effect of using an unemployment rate-based threshold recommended recently by economists proposing an automatic spending trigger to increase federal support for state Medicaid and CHIP programs.[40] Based on their proposal, a state would be eligible for additional federal funding if the state's average unemployment rate over the preceding fiscal year exceeded a threshold level, set at the 25th percentile of the distribution of the state's unemployment rates over the preceding 15 years, plus one percentage point.[41] We calculated that threshold for each state, and the table on the following page shows whether it would been exceeded for each of the last three major recessions.[42]

TABLE

Unemployment Rate Threshold and Whether Automatic Stabilizer Would've Have Been Triggered During the Last Three Recessions, by State				
State	Unemployment Threshold Rate	Early 1990s Recession	Early 2000s Recession	Great Recession
Alabama	7.63	X	√	√
Alaska	5.24	X	X	√
Arizona	5.87	X	X	√
Arkansas	5.78	√	√	√
California	6.20	√	√	√
Colorado	4.64	X	√	√
Connecticut	5.72	√	√	√
Delaware	6.87	√	X	√
District of Columbia	4.95	√	X	√
Florida	5.02	√	√	√
Georgia	5.80	√	X	√
Hawaii	3.80	√	√	√
Idaho	4.70	X	X	√
Illinois	4.38	X	X	√
Indiana	6.11	√	√	√
Iowa	5.60	√	√	√
Kansas	5.13	X	√	√
Kentucky	6.23	√	X	√
Louisiana	5.91	√	X	√
Maine	5.53	√	√	√
Maryland	5.04	√	X	√
Massachusetts	5.27	√	X	√
Michigan	6.30	√	√	√
Minnesota	4.83	X	√	√
Mississippi	5.80	√	√	√
Missouri	6.92	√	X	√
Montana	4.98	X	X	√
Nebraska	5.82	√	√	√
Nevada	3.78	X	X	√
New Hampshire	4.01	X	√	√
New Jersey	4.23	√	√	√
New Mexico	5.54	√	√	√

Unemployment Rate Threshold and Whether Automatic Stabilizer Would've Have Been Triggered During the Last Three Recessions, by State				
State	Unemployment Threshold Rate	Early 1990s Recession	Early 2000s Recession	Great Recession
New York	6.00	X	X	√
North Carolina	5.43	√	√	√
North Dakota	5.72	√	√	√
Ohio	6.11	√	√	√
Oklahoma	5.13	√	√	√
Oregon	6.08	√	√	√
Pennsylvania	5.75	√	√	√
Rhode Island	6.00	√	√	√
South Carolina	6.60	√	√	√
South Dakota	4.07	X	X	√
Tennessee	5.75	X	X	√
Texas	5.41	√	√	√
Utah	4.24	X	√	√
Vermont	4.41	√	X	√
Virginia	4.44	√	√	√
Washington	6.00	√	√	√
West Virginia	5.40	X	√	√
Wisconsin	6.11	√	X	√
Wyoming	4.58	√	X	√

When matched against state unemployment rate data covering the past 30 years, the above thresholds mean increased federal support would have kicked in for all states and the District of Columbia during the Great Recession and for 35 states and the District of Columbia during the recession of the early 1990s. During the recession of the early 2000s, 32 states (not including the District of Columbia) would have received support.[43]

As with the base federal state partnership block grant, the threshold rate could be scaled up or down depending on available funding. At a minimum, the threshold should be set to trigger during major national economic downturns. Regardless of funding level, it is critical that a federal-state partnership include such a mechanism leveraging the federal government's ability to invest counter-cyclically and keep investment in public higher education at adequate levels at the very times that we need it most.

Principle 3: Closing Equity Gaps

All students would benefit from increased federal and state investment in higher education. However, a federal-state partnership must also incentivize states to target explicitly the persistent racial and economic equity gaps that exist in both postsecondary access and degree attainment.[44] Before states can successfully close these gaps, they must first better understand the problem at hand. As highlighted above, a growing body of evidence points to the critical role institutional resources play in supporting positive student outcomes, but it remains difficult to quantify accurately the correlation between institutional funding disparities and gaps in educational attainment.[45] Many states are hampered by a lack of robust data and overall coordination.

As part of a federal-state partnership, Congress must both incentivize and equip states to collect better data on equity gaps and incorporate them into longitudinal data systems. Data on equity will allow states to correct disparities by developing and promoting evidence-based policies and practices. At the state and college level, strategies for increasing student access and completion should be guided by deep assessments of funding gaps and their impact on underrepresented students of color and other vulnerable students, including a closer look at individual groups of students who face unique barriers.

As part of this work, states should prioritize improving their own data systems to ensure they can accurately track the enrollment, completion, and employment outcome data needed to identify areas for improvement and track progress in closing gaps among key racial and socioeconomic groups. As part of a federal-state partnership, Congress should require states to develop and implement plans to address inequities identified by the best available data, with approval and monitoring from the Secretary of Education.

Specifically, we recommend that Congress require the Department of Education to annually produce individual state reports using the best federal data available. These should include, at minimum, a number of equity indicators for public colleges in the state (all of which are currently reported through or can be derived from IPEDS), disaggregated by college Carnegie Classification. Ongoing reports should include trends in the indicators. Should a federal student loan data network be established, these metrics should be revisited to reflect more robust available data.

We also propose that each state be required to report data on state grant aid funding for inclusion in the state's equity report. States should also be required to conduct a qualitative review of state-specific higher education policies and their relative impact on underrepresented students of color. Audits should be reported to the Department of Education and include relevant policies including, but not limited to, outcomes-based funding or other funding formulas, free college programs, other state grant programs, and admissions and transfer policies.

In addition, states should be compelled to develop and report progress on a plan to address any equity gaps identified in the state's equity audit or Department of Education's annual report.

Conclusion

The current system of public higher education funding is not working for students, for states, or for the country. States and the federal government must work together to achieve their mutual goal of increasing access to and affordability of higher education. However, without new federal investments and powerful incentives, states will continue to face competing funding pressures and, during economic downturns, will balance their budgets by cutting funding for higher education — leaving families to shoulder ever more of the cost.

To successfully move the needle on college affordability and to maintain educational quality, a new federal-state partnership should include three key principles: a new federal investment contingent on state funding effort; an automatic stabilizer to reverse the trend of devastating cuts triggered by economic downturns; and a directive that states must acknowledge, understand, and address the persistent racial and economic inequities in college completion.

APPENDIX A: EXAMPLE FEDERAL PARTNERSHIP GRANTS TO STATES AT VARIED MATCH RATES

The examples below are based on actual state higher education appropriations in Fiscal Year 2017 (FY17). In total, states spent slightly more than $96 billion on public higher education in FY17.

State	Qualified State Higher Ed Spending (FY17)	Federal Match Funding: $0.05	Federal Match Funding: $0.20	Federal Match Funding: $0.25
Alabama	$1,590,833,772	$79,541,689	$318,166,754	$397,708,443
Alaska	$349,600,495	$17,480,025	$69,920,099	$87,400,124
Arizona	$897,695,304	$44,884,765	$179,539,061	$224,423,826
Arkansas	$987,556,468	$49,377,823	$197,511,294	$246,889,117
California	$16,430,861,757	$821,543,088	$3,286,172,351	$4,107,715,439
Colorado	$1,024,775,777	$51,238,789	$204,955,155	$256,193,944
Connecticut	$1,217,120,924	$60,856,046	$243,424,185	$304,280,231
Delaware	$248,698,800	$12,434,940	$49,739,760	$62,174,700
District of Columbia	$395,720,194	$19,786,010	$79,144,039	$98,930,049
Florida	$5,187,305,014	$259,365,251	$1,037,461,003	$1,296,826,254
Georgia	$3,443,626,402	$172,181,320	$688,725,280	$860,906,601
Hawaii	$720,495,486	$36,024,774	$144,099,097	$180,123,872
Idaho	$490,103,449	$24,505,172	$98,020,690	$122,525,862
Illinois	$4,476,359,297	$223,817,965	$895,271,859	$1,119,089,824
Indiana	$2,068,852,393	$103,442,620	$413,770,479	$517,213,098
Iowa	$860,839,435	$43,041,972	$172,167,887	$215,209,859
Kansas	$789,140,025	$39,457,001	$157,828,005	$197,285,006
Kentucky	$1,243,647,690	$62,182,385	$248,729,538	$310,911,923
Louisiana	$1,186,091,929	$59,304,596	$237,218,386	$296,522,982
Maine	$321,089,782	$16,054,489	$64,217,956	$80,272,446
Maryland	$2,089,642,727	$104,482,136	$417,928,545	$522,410,682
Massachusetts	$1,654,272,695	$82,713,635	$330,854,539	$413,568,174
Michigan	$2,024,268,548	$101,213,427	$404,853,710	$506,067,137
Minnesota	$1,855,724,701	$92,786,235	$371,144,940	$463,931,175
Mississippi	$916,917,807	$45,845,890	$183,383,561	$229,229,452
Missouri	$1,063,633,055	$53,181,653	$212,726,611	$265,908,264
Montana	$245,171,403	$12,258,570	$49,034,281	$61,292,851
Nebraska	$762,599,906	$38,129,995	$152,519,981	$190,649,977
Nevada	$643,485,025	$32,174,251	$128,697,005	$160,871,256
New Hampshire	$127,935,617	$6,396,781	$25,587,123	$31,983,904

State	Qualified State Higher Ed Spending (FY17)	Federal Match Funding: $0.05	Federal Match Funding: $0.20	Federal Match Funding: $0.25
New Jersey	$2,476,128,458	$123,806,423	$495,225,692	$619,032,115
New Mexico	$865,760,796	$43,288,040	$173,152,159	$216,440,199
New York	$6,846,945,522	$342,347,276	$1,369,389,104	$1,711,736,381
North Carolina	$4,378,499,579	$218,924,979	$875,699,916	$1,094,624,895
North Dakota	$369,554,555	$18,477,728	$73,910,911	$92,388,639
Ohio	$2,395,336,420	$119,766,821	$479,067,284	$598,834,105
Oklahoma	$839,338,663	$41,966,933	$167,867,733	$209,834,666
Oregon	$911,566,996	$45,578,350	$182,313,399	$227,891,749
Pennsylvania	$2,115,005,354	$105,750,268	$423,001,071	$528,751,339
Rhode Island	$205,091,500	$10,254,575	$41,018,300	$51,272,875
South Carolina	$1,107,398,449	$55,369,922	$221,479,690	$276,849,612
South Dakota	$263,161,462	$13,158,073	$52,632,292	$65,790,366
Tennessee	$1,845,083,081	$92,254,154	$369,016,616	$461,270,770
Texas	$7,596,983,307	$379,849,165	$1,519,396,661	$1,899,245,827
Utah	$1,813,241,020	$90,662,051	$362,648,204	$453,310,255
Vermont	$97,972,464	$4,898,623	$19,594,493	$24,493,116
Virginia	$2,030,777,768	$101,538,888	$406,155,554	$507,694,442
Washington	$2,270,486,779	$113,524,339	$454,097,356	$567,621,695
West Virginia	$471,980,048	$23,599,002	$94,396,010	$117,995,012
Wisconsin	$1,549,381,587	$77,469,079	$309,876,317	$387,345,397
Wyoming	$496,650,830	$24,832,542	$99,330,166	$124,162,708
Total	**$96,260,410,515**	**$4,813,020,526**	**$19,252,082,103**	**$24,065,102,629**

ENDNOTES

[1] For the purposes of this proposal, underrepresented students of color include Black, Hispanic, Native Hawaiian or Pacific Islander, and American Indian and Alaskan Native students.

[2] The Institute for College Access & Success. 2019. *Dire Disparities: Patterns of Racially Inequitable Funding and Student Success in Public Postsecondary Education*. https://bit.ly/2Zn7TXL

[3] Ibid.

[4] McCarthy, Mary Alice, Rachel Fishman, Iris Palmer, Amy Laitinen, Kim Dancy, Stephen Burd, and Kevin Carey. 2016. *Starting from Scratch: A New Federal and State Partnership in Higher Education*. New America. https://bit.ly/2mUxW6d.

[5] Tandberg, David, Sophia Laderman, and Andy Carlson. June 2017. *A Federal-State Partnership for True College Affordability*. State Higher Education Executive Officers Association. https://bit.ly/2mZnhY7.

[6] Alexander, F. King. 2015. Forging New Federal Policies Supporting a Federal/State/Public Institutional Partnership as Part of the Next 50 Years of the Higher Education Act. Louisiana State University. https://bit.ly/2mrSfI6.

[7] Kreighbaum, Andrew. March 1, 2019. "Senator Patty Murray Says Higher Education Legislation Must Focus on College Affordability." Inside Higher Ed. https://bit.ly/2TrUgTi.

[8] Recent legislative proposals that follow this model include S.672 (116th), available at https://www.congress.gov/bill/116th-congress/senate-bill/672, S.2250 (116th), available at https://www.congress.gov/bill/116th-congress/senate-bill/2250, H.R.6543 (115th), available at https://www.congress.gov/bill/115th-congress/house-bill/6543, and S.1947 (116th), available at https://www.congress.gov/bill/116th-congress/senate-bill/1947.

[9] Recent legislative proposals that follow this model include S.3018 (115th), available at https://www.congress.gov/bill/115th-congress/senate-bill/3018 and S.2191 (114th), available at https://www.congress.gov/bill/114th-congress/senate-bill/2191.

[10] The Pew Charitable Trusts. 2015. *Federal and State Funding of Higher Education*. https://bit.ly/2lsBA76.

[11] Calculations by TICAS on data from the U.S. Department of Education, IPEDS 12-month enrollment for all students enrolled in 2016-17 in schools in the 50 states and the District of Columbia. Figures include both two-year and four-year public institutions, and both undergraduate and graduate students.

[12] Bound, John, Breno Braga, Gaurav Khanna, and Sarah Turner. 2019. *Public Universities: The Supply Side of Building a Skilled Workforce*. The National Bureau of Economic Research. https://bit.ly/2kYrgnc.

[13] The Institute for College Access & Success. 2019. Dire Disparities: Patterns of Racially Inequitable Funding and Student Success in Public Postsecondary Education. https://bit.ly/2Zn7TXL

[14] Because states must typically produce a balanced budget each year, state lawmakers face difficult funding choices, especially in economic downturns when revenues have fallen. Because shortfalls in higher education funding can be made up through increased tuition and fees — which students can, in turn, finance through federal financial aid — states often balance their budgets at the expense of funding for public colleges and universities.

[15] According to the American Council on Education, inflation-adjusted tuition and fee charges have increased by 247 percent at state flagship universities, by 230 percent at state universities and colleges, and by 164 percent at community colleges since 1980.

[16] Mitchell, Michael, Michael Leachman, and Kathleen Masterson. 2016. *Funding Down, Tuition Up*. Center on Budget and Policy Priorities. https://bit.ly/2x47wzu.

[17] Mangan, Katherine. 2019. "Public Universities Work Hard to Make Up for Budget Cuts. But In-State Students May Be Paying the Price.". The Chronicle of Higher Education. https://bit.ly/2FEpy1H.

[18] Mitchell, Michael, Michael Leachman, and Kathleen Masterson. 2016. *Funding Down, Tuition Up*. Center on Budget and Policy Priorities. https://bit.ly/2x47wzu.

[19] The Institute for College Access & Success. 2019. Project on Student Debt: Class of 2018. https://bit.ly/2mXvZ9b

[20] Mitchell, Michael, Michael Leachman, and Kathleen Masterson. 2018. *Unkept Promises: State Cuts to Higher Education Threaten Access and Equity*. Center on Budget and Policy Priorities. https://bit.ly/2DZfTny.

[21] Mitchell, Michael, Michael Leachman, and Kathleen Masterson. 2016. *Funding Down, Tuition Up*. Center on Budget and Policy Priorities. https://bit.ly/2x47wzu.

[22] Zhao, Bo. 2019. *Consequences of State Disinvestment in Public Higher Education: Lessons for the New England States*. Federal Reserve Bank of Boston. https://bit.ly/2tD7r5B.

[23] Bound, J., Braga, B., Khanna, G. and Turner, S. 2019. *Public Universities: The Supply Side of Building a Skilled Workforce.* The National Bureau of Economic Research. https://bit.ly/2kYrgnc.

[24] Carnevale, Anthony, Martin Van Der Werf, Michael Quinn, Jeff Strohl, and Dmitri Repnikov. 2018. *Our Separate and Unequal Public Colleges: How Public Colleges Reinforce White Racial Privilege and Marginalize Black and Latino Students.* Georgetown University Center on Education and the Workforce. https://bit.ly/2mpgXZD.

[25] Casselman, Ben. July 28, 2019. "A Recession Is Coming (Eventually). Here's Where You'll See It First." The New York Times. https://nyti.ms/2YbvYQE.

[26] Total state funding for higher education is simply the total dollar amount appropriated or expended on higher education. Total funding is useful in assessing state spending on higher education within an individual state over time but lacks comparability across states and does not acknowledge the ability or need of any one state to fund higher education. State spending on higher education per enrolled student divides the first measure by full-time equivalent (FTE) enrollment. This provides a useful measure of higher education funding relative to the need to fund higher education (need expressed as student enrollments). This measure is therefore useful for analyses across states, providing a useful comparative measure, and analyzing funding within a state over time.

[27] Because the annual granting process doesn't account for that fiscal year's actual enrollment figures, we propose to mitigate instances of unexpected fluctuations in enrollment. A state may allocate adequate funds to meet their MOE requirement during the budgeting process but then face significant, unexpected changes in enrollment numbers, resulting in inadequate per-student funding. In this event, a state's MOE will be suspended for one year to allow the state to get back on track with per-student funding.

[28] Net state operating support is defined as the amount of state funds and local government appropriations used to support need-based student financial aid and public higher education annual operating expenses in the state, and does not include research, building maintenance, non-need based student aid, or sports facilities.

[29] We calculated state spending totals by adding FY17 state expenditures for undergraduate aid programs grouped by need and need-merit (as reported in the NASSGAP Annual Survey Report on State-Sponsored Student Financial Aid, available at https://www.nassgapsurvey.com/) and FY18 State Fiscal Support for Higher Education (as reported in Grapevine, an annual compilation of data on state fiscal support for higher education, available at https://education.illinoisstate.edu/grapevine/tables/). Grapevine is a joint project of the Center for the Study of Education Policy at Illinois State University and the State Higher Education Executive Officers (SHEEO).

[30] Based on the outcomes of the State Fiscal Stabilization Fund contained in the 2009 American Recovery and Reinvestment Act, which provided an amount equal to approximately $16.2 billion (in 2019 dollars) annually to states to maintain education funding, we assume that a similar federal investment would be required to influence states' higher education funding behavior. The College Access Challenge Grant (CACG) Program illustrates the potential pitfalls of a too-low federal investment, in which the amount of federal grant money on the table is ultimately not attractive enough to many states to ensure their continued participation in the program. For example, for federal fiscal year 2011, Alabama lost a little more than $2 million in forgone CACG money but would have had to spend an additional $36 million to have received federal funding. Michigan passed on more than $4 million because it would have needed to invest $59 million more in higher education to have received the grant. Policymakers should keep in mind this lesson when determining the amount of funding made available to states in a federal matching grant program.

[31] The Institute for College Access & Success. 2019. *Dire Disparities: Patterns of Racially Inequitable Funding and Student Success in Public Postsecondary Education.* https://bit.ly/2Zn7TXL.

[32] Kahlenberg, Richard D. 2015. *How Higher Education Funding Shortchanges Community Colleges.* The Century Foundation. http://bit.ly/2KV54V5.

[33] Similarly designed programs have proven successful in incentivizing state spending in the past. For example, the 2009 Recovery Act made $7 billion available through 2011 to states that modernized their unemployment insurance law to expand eligibility; 38 states plus the District of Columbia, Puerto Rico, and the U.S. Virgin Islands received federal funds under this provision.

[34] Alexander, F. King, Thomas Harnisch, Daniel Hurley, and Robert Moran. "Maintenance of Effort: An Evolving Federal-State Policy Approach to Ensuring College Affordability." *Journal of Education Finance* 36, no. 1 (2010): 76-87. https://bit.ly/2n13lyN.

[35] Harnisch, Thomas. 2012. *Update on the Federal Maintenance of Effort Provision: Reinforcing the State Role in Public*

Higher Education Financing. American Association of State Colleges and Universities. https://bit.ly/2mx3Ntu.

[36] Deming, David J., and Christopher R. Walters. 2017. *The Impact of Price Caps and Spending Cuts on U.S. Postsecondary Attainment*. The National Bureau of Economic Research. https://bit.ly/2kTSzyR. Avery, Christopher, Bruce Sacerdote, Jesssica Howell, and Matea Pender. 2019. *Policies and Payoffs to Addressing America's College Graduation Deficit*. Brookings. https://brook.gs/2mFZNr4.

[37] We suggest the threshold of 150 percent of FPL to mirror the current definition of "low-income" used in administering the federal TRIO Program. 150 percent of FPL also mirrors the current income exclusion used in calculating monthly student loan payments in an income-driven repayment plan. Nearly 50 percent of those who are currently income eligible for the payment exemption report that they participate in a social welfare program such as the Supplemental Nutrition Assistance Program (SNAP) or Temporary Assistance for Needy Families (TANF).

[38] Barrow, Lisa, and Johnathan Davis. 2012. *The Upside of Down: Postsecondary Enrollment in the Great Recession*. Federal Reserve Bank of Chicago. https://bit.ly/2mUEYI9.

[39] Ibid.

[40] Leachman, Michael, Kathleen Masterson, and Eric Figueroa. 2017. *A Punishing Decade for School Funding*. Center on Budget and Policy Priorities. https://bit.ly/2i1OQdn.

[41] *State Balanced Budget Requirements*. National Conference of State Legislatures. https://bit.ly/1LwI4Wu.

[42] Stone, Chad, and William Chen. 2014. *Introduction to Unemployment Insurance*. Center on Budget and Policy Priorities. https://bit.ly/2myRHA3.

[43] Fiedler, Matthew, Jason Furman, and Wilson Powell. 2019. *Increasing Federal Support for State Medicaid and Chip Programs in Response to Economic Downturns*. Brookings. https://brook.gs/2lfXiv7.

[44] According to the authors, "This approach is motivated by an assumption that most state economies are likely to be close to full employment a meaningful fraction of the time, but substantially above full employment relatively infrequently. Under that assumption, the 25th percentile of the distribution of the state's unemployment rate over a suitable historical period is likely to provide a reasonable approximation of the state's unemployment rate at full employment. We add 1 percentage point to that amount to allow for normal fluctuations around full employment, as well as to ensure that assistance is targeted to serious economic downturns and is not triggered by small fluctuations in state unemployment rates."

[45] Our determination of whether the trigger would have kicked in during each of these three periods is based on threshold calculations specific to that period. The current threshold rate is included for reference.

[46] TICAS calculations using state quarterly unemployment rate data. For the purposes of this proposal, our determination of states who would have received assistance during the early 1990s recession are those whose threshold rates were triggered between 1990-93; the early 2000s recession captures instances between 2001-2003; and the Great Recession captures instances between 2008-14.

[47] Voight, Mamie, and Eleanor Eckerson Peters. 2018. *Inequities Persist: Access and Completion Gaps at Public Flagships in the Great Lakes Region*. Institute for Higher Education Policy. https://bit.ly/2mtugIF.

[48] *Institutional Commitment to Teaching Excellence: Assessing the Impacts and Outcomes of Faculty Development*. 2017. American Council on Education. https://bit.ly/2mtuSxX.

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