

Higher Ed Policy in the COVID Era

Equitable Funding and Financing



Key Takeaways

While funding cuts are often necessary during economic downturns, reducing state investments in higher education will hamper recovery. If cuts are inevitable, a one-size-fits-all approach will undermine states' ability to meet future talent needs

and ensure equitable opportunity. State leaders should evaluate funding decisions based on their impact on low-income students and students of color, preserving and improving affordability and protecting institutions that serve those learners.



State Policy Priorities

The following priorities are high-level guiding principles.

For more detailed questions to inform state policy considerations, see the Overview section.

- Target institutional investments at colleges and universities that serve higher numbers of low-income students and students of color.
- Support workforce needs by prioritizing readily deployable academic programs that are aligned to in-demand sectors and careers.
- Make student financial aid easy to obtain, and prioritize distribution based on student need.
- Ensure that short-term credential programs designed to meet workforce needs award transferable credits that align with relevant degree pathways.
- Consider changes to tuition and fees in light of the impact those changes will have on the students most likely to suffer economically because of the pandemic.
- Meet students' basic needs—from technology access to food and housing—and work with community partners to fill critical gaps.

Overview

A state budget reflects state values. Policymakers and education leaders will need to make difficult decisions about postsecondary finance to support students now and to support recovery in the future. Education beyond high school plays a critical role in accelerating states' economic recovery and in supporting workforce development. State leaders need to make strategic—not proportional—finance decisions that leverage that critical role and thus maximize the impact of scarce resources.

During the Great Recession, postsecondary education funding plummeted. Although there have been increases in recent years, overall state funding for public higher education in Fiscal Year 2019 remained [8.7 percent](#) below pre-recession levels in 2008. College enrollment, on the other hand, surged, particularly at community colleges. Undergraduate enrollment in 2010 was [16 percent](#)—or 2.5 million students—higher than that of 2007. Once the economy stabilized, enrollment dropped again, following its counter-cyclical pattern.

While institutions will likely see less state funding in current and future fiscal years, college enrollment may not increase. Students' access to safe, on-campus in-person instruction—or to a high-quality online experience—will affect enrollment decisions, as will job loss, financial insecurity, child care availability, and other factors. When state investments in postsecondary education decline, institutions depend more on tuition, fees, and other forms of non-state revenue. As the pandemic adds to uncertainty surrounding enrollment, institutions stand to lose revenue from two significant sources.

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State policymakers must also grapple with racially inequitable outcomes in public higher education systems. In many states, postsecondary finance is structured so that

it directs relatively more money to elite research institutions. Community colleges, regional comprehensive institutions, and minority-serving institutions receive fewer resources. Students of color disproportionately enroll at these institutions, which means they are effectively [shortchanged](#) by states' funding structures. Additionally, state need-based aid programs often exclude vulnerable students, including adult learners, part-time students, and undocumented

students. And even those students who qualify for such programs often face additional restrictions that prevent them from using aid dollars to pay for living expenses, books, or child care. As a result, low-income students and students of color often borrow more than their peers, which magnifies [inequities](#). To ensure an equitable economic recovery, state leaders must prioritize support for those who are most vulnerable.



Essential Policy Questions

State leaders can leverage these questions to understand challenges and examine whether current and potential new policies meet student needs.

Institutional Investments: To determine where state appropriations will best support students who are struggling during the pandemic and economic crisis, consider:

1. Which institutions in the state enroll most learners of color, low-income students, and adult learners?
2. What other funds and resources can institutions draw from, including endowments, donor bases, and other forms of revenue?
3. Does the state funding formula assess for student need and demographics?
4. How can the state incentivize student completion within institutions?

Student Financial Aid: To determine how financial aid can best support learners who are struggling most, consider:

1. What proportion of state financial aid is need-based?
2. How restrictive are student aid policies and eligibility requirements (such as those related to age, enrollment status, immigration status, or time since obtaining a high school diploma or GED)?
3. Do financial aid policies provide for student need beyond tuition and fees? Do they include housing, food, transportation, child care, and other expenses?

Tuition and Fees: Some state postsecondary education agencies have tuition-setting responsibilities. To determine how these responsibilities can meet student needs, consider:

1. How have current and entering students' incomes been affected by the pandemic and recession?

2. How would further increases in tuition and fees affect those students?

3. What opportunities exist to lower tuition and fees, especially for those who have lost jobs, income, and family support?

Workforce: To support adult learners who need short-term credentials to secure employment, consider:

1. What fields and credentials are in demand in the state?
2. What programs can be quickly ramped up to meet demand?
3. What revenue sources are available for institutions to expand workforce programs?
4. Do student aid policies support completion in workforce-aligned fields and credentials?
5. Does the learning gained through certifications and work-based training earn credit that counts toward degrees?

Student Supports: Student supports require dollars beyond institutional appropriations. Consider:

1. Do students have access to the resources they need to succeed, such as broadband, computers, and advising?
2. What other state and federal resources can be leveraged to help meet students' basic needs, such as food and housing? How can institutions connect with community organizations that support basic needs?

Promising Policies and Practices

The following examples of states' efforts can serve as valuable guidance for policymakers as they navigate ongoing changes:

Use Federal Relief Dollars (GEER) to Support Postsecondary Institutions and Students

- [New Jersey](#) Governor Murphy announced that \$68 million in Governor's Emergency Education Relief (GEER) funds would be awarded to the state's public postsecondary institutions to provide high-quality educational services to students. Allocations to institutions prioritize specific student populations and focus on institutions' share of Pell recipients, underrepresented minority students, and overall enrollments.
- [Virginia](#) Governor Northam allocated GEER funding to provide direct financial supports to displaced adults who enroll in stackable credential programs leading to jobs in targeted industry sectors.
- [Louisiana](#) Governor Edwards allocated \$10 million in GEER funding to allow the state's community and technical colleges to provide scholarships for short-term credentials that are in high demand in Louisiana's economy.

Preserve Need-Based Financial Aid

- [Texas](#) Governor Abbot announced that the state would allocate \$57 million in GEER funds to maintain the state's need-based financial aid programs.
- [California](#) adopted a budget in June that protected Cal Grants—the state's primary need-based aid program—at current levels

of eligibility. California's systems made a commitment to use internal funds for [emergency financial aid](#) to undocumented students, who are ineligible for CARES Act support.

Expand Broadband and Technology Access and Increase Online Capacity

- [Missouri](#) Governor Parson allocated \$10 million in GEER funding to help institutions cover the costs associated with providing technology and broadband access to students.
- [South Carolina](#) Governor McMaster allocated \$2.4 million in GEER funds to support the state's eight historically Black colleges and universities (HBCUs) to support online instruction at each institution by upgrading hardware and by purchasing software, eLearning resources, and electronic textbooks.
- [Iowa](#) Governor Reynolds allocated a portion of the state's GEER funding to expand access to broadband and devices and to support professional development among instructors in remote teaching and learning.

Explore Cost Saving Funding Mechanisms

- Virginia's Governor proposed a [new refinancing](#) plan that will allow institutions to delay repayments on state-backed debt, potentially saving them as much as \$300 million over the next two years.

Data for Decision-Making

State policymakers should continue to monitor state and institutional data—disaggregated by race and ethnicity when available—to assess progress and consider programs’ equity implications. In particular, policymakers should consider:

Gaps in Need-Based Aid: Many students lose out on state need-based aid when programs have restrictive eligibility requirements—such as caps on age or time since high school graduation. And not every student who is eligible for need-based aid programs is guaranteed aid because resources are limited and may be awarded on a first-come, first-served basis. Using prior year data, state policymakers should seek to understand which students are not obtaining need-based financial aid due to administrative or eligibility restrictions.

Enrollment: Beginning in Fall 2020, state policymakers should regularly monitor enrollment data, which should be disaggregated by race and ethnicity, to understand which students are facing barriers to postsecondary access and success. The availability of this data typically lags. States should work with institutions and other key stakeholders to collect administrative data in real time.

Workforce Outcomes: There is a dearth of data related to workforce outcomes. Beyond simply monitoring employment, state policymakers should track indicators that reflect the quality of workforce outcomes, including employment in field and income.

Additional sources of data that policymakers should consider include:

FAFSA Completion: FAFSA completion is a strong predictor of postsecondary enrollment. High school seniors who complete the [FAFSA](#) are 84 percent more likely to enroll than those who don’t. In May, the National College Attainment Network reported that FAFSA renewals for the 2020-21 cycle were [down 4.7 percent](#) compared to last year.

Basic Student Needs Assessments: The Hope Center for College, Community, and Justice conducted multiple national [surveys](#) to assess the extent of housing and food insecurity among college students. The California Student Aid Commission conducts the Student Expense and Resources Survey ([SEARS](#)) to understand the total cost of attendance for California students. In the Spring 2020 term, COVID-19 increased food and housing [insecurity](#) among college students. State policymakers must monitor students’ non-tuition expenses, including access to internet and technology, to make informed decisions when allocating scarce resources.

