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The Changing Financial and Policy Role of State Governments Regarding Higher Education and Prospects for the Future

Daniel T. Layzell

Higher education in the United States grew rapidly in the post-World War II era, more than doubling the total number of degree-granting institutions (1,851 to 4,084) and increasing the total number of students enrolled more than five-fold (2.7 million to 14.8 million) between 1950 and 2000.¹ State governments have had a significant financial role in this expansion. According to data published by the National Center for Education Statistics (NCES), in 1949-50 state governments accounted for an average 21% of the annual operating revenues of all colleges and universities (public and private). This ratio grew during succeeding decades to a high of one-third by the end of the 1970s.² While a major aspect of this role has related to the development and expansion of systems of public colleges and universities, states also have been active in funding student financial aid programs, direct assistance for private institutions, and various grant programs targeted to specific state priorities (e.g., economic development, minority student achievement, research).

Along with this increased financial investment in higher education during the past fifty years has been a continually changing policy role for state policymakers as well. This role has evolved over time from a primary focus on meeting the access needs of a growing college-age population in a rational and coordinated manner to include a focus on accountability. The concept of public accountability for higher education has changed as well from a focus on ensuring fiscal/programmatic efficiency to a more recent emphasis by governors, legislators, business leaders, and the public at large on the need to demonstrate in a tangible manner the outcomes of a college education.

The current economic downturn and related negative impact on state budgets resulted in the lowest overall increase in state spending for higher education (for fiscal year 2003) since fiscal year 1993.³ The state "share" of institutional operating revenues also has declined since the end of the 1970s to around 20% in total, the same proportion as right after World War II.⁴ In the short term, the decline in the state share has renewed concerns about the continued ability of state governments to adequately support the impressive system of higher education that has built up and matured over the past half-century, including a wide array of public colleges and universities, student

financial aid programs, and other initiatives. This situation also has raised questions about the appropriate long-term policy role of state government with regard to higher education, particularly if states' "equity stake" in higher education continues to decline.

This article will explore trends in state support for higher education since the mid-1960s, the evolution of the policy roles of state governments with regard to higher education during that period, and prospects for the future on both fronts.⁵ It should be noted at the beginning that while trends in state financial support for higher education and state higher education policy issues have varied over time among the individual states, the focus of this analysis is on broad patterns occurring within the states as a "whole."

Trends in State Financial Support for Higher Education: Various Perspectives

This section examines trends and patterns in state support for higher education from a variety of perspectives, including absolute trends in state funding for higher education, state higher education funding relative to overall state spending, and state funding relative to total public institution revenues.⁶

Trends in state tax support for higher education. Figure 1 shows the trend in state tax appropriations for higher education operating expenses between Fiscal Years 1965 and 2003, both in current and constant dollars (FY 2003). State funding grew steadily in current dollars until the recession of the early 1990s, then declined briefly before growing again throughout the rest of that decade into the new century. In constant dollars, there were three clear breakpoints in continuing growth corresponding with the early 1980s, early 1990s, and the most recent beginning in FY 2002. These breakpoints also correspond with varying degrees of national economic downturn, illustrating the close relationship between the relative health of state funding for higher education and the health of state and national economies.

Table 1 presents the same data, but illustrates the average annual change in five-year increments. Clearly, the halcyon days of state funding for higher education were during the mid- and late-1960s and into the early 1970s, driven in part by the doubling of enrollment in public colleges and universities nationally from 4 to 8 million.⁷ Again, the constant dollar figures illustrate a clear break in funding growth in the early 1980s, with a much more severe break during the recession of the early 1990s. There was some improvement in funding during the extended period of national economic growth following this recession, although this too appears to have come to an end with the current economic downturn.

An alternate view of the trend in state funding for higher education is presented in Figure 2. This graphic shows the (U.S. average) state tax appropriations for higher education per \$1,000 personal income (STAHEPPI) since fiscal year 1965, and juxtaposes state funding for higher education with the relative wealth of the population. STAHEPPI grew rapidly through the mid-1970s, before slowly declining in stair step fashion through the 1980s and 1990s. STAHEPPI declined steadily since fiscal year 2001 to its lowest level during this 38-year period since fiscal year 1968. In short, even in the periods of relative economic prosperity, state tax support for higher education has not kept pace with personal income growth – a fact of particular interest given that 42 states have a personal income tax.⁸

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Figure 1
Trend in State Tax Appropriations for Higher Education Operations (U.S. Total)

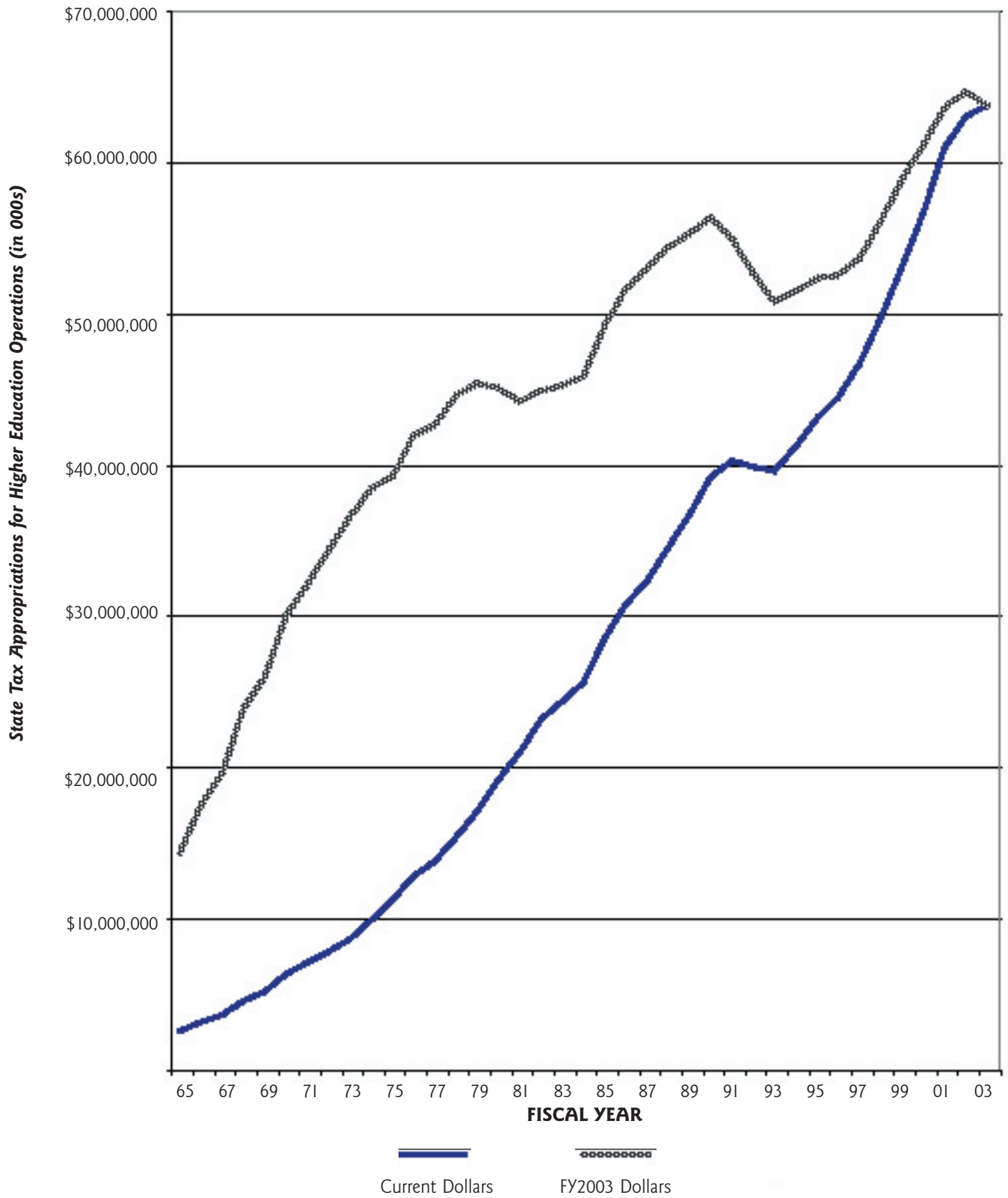


Table 1
Changes in State Tax Appropriations for Higher Education Operations Since Fiscal Year 1965

Fiscal Year	Current Dollars			FY 2003 Dollars		
	Amount	Average Annual Change Between Fiscal Years		Amount	Average Annual Change Between Fiscal Years	
		\$	%		\$	%
1965	\$2,438,666	-	-	\$14,261,205	-	-
1970	6,190,389	750,345	20.5	29,905,261	3,128,811	16.0
1975	11,101,848	982,292	12.4	39,091,014	1,837,151	5.5
1980	19,102,817	1,600,194	11.5	44,947,805	1,171,358	2.8
1985	28,409,534	1,861,343	8.3	49,066,553	823,750	1.8
1990	39,109,108	2,139,915	6.6	56,272,098	1,441,109	2.8
1995	42,973,194	772,817	1.9	52,215,303	(811,359)	-1.5
2000	56,591,115	2,723,584	5.7	61,047,589	1,766,457	3.2
2003	63,648,456	2,352,447	4.0	63,648,456	866,956	1.4

Source: Center for the Study of Education Policy, Illinois State University.

Table 2
Changes in Average Undergraduate Tuition and Fees by Sector Since Academic Year 1975 (in FY 2002 Dollars)

Academic Year	Public Four-Year		Public Two-Year	
	Average Rate	Avg. Annual % Change	Average Rate	Avg. Annual % Change
1974-75	\$1,502	-	\$963	-
1979-80	1,712	2.7	824	(3.1)
1984-85	2,091	4.1	994	3.8
1989-90	2,406	2.8	1,193	3.7
1994-95	3,239	6.1	1,569	5.6
1999-00	3,581	2.0	1,756	2.3
2002-03	4,081	4.5	1,735	(0.4)

Source: The College Board, *Trends in College Pricing, 2002*, Table 5.

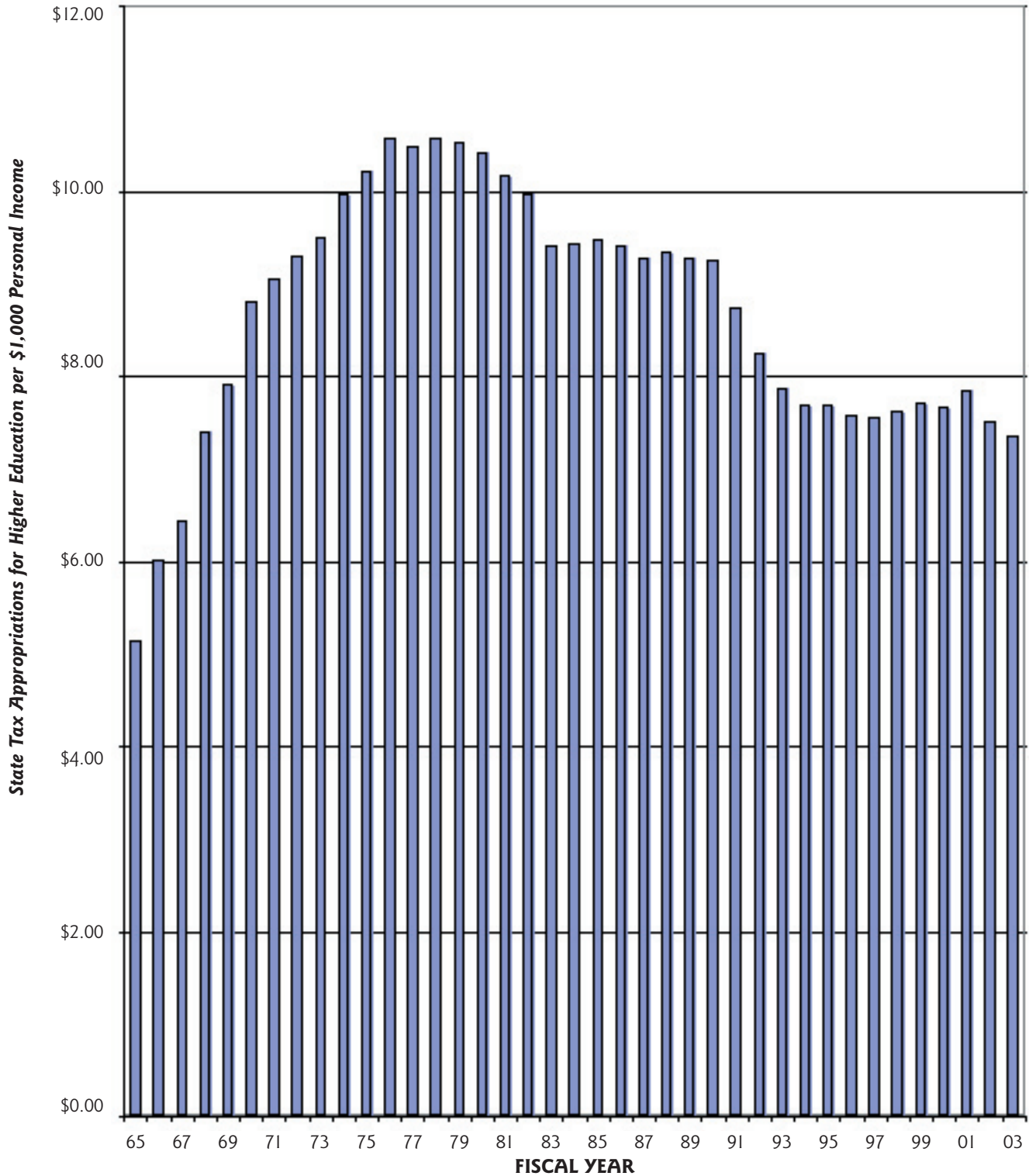
State spending for higher education relative to other budget areas. Higher education is one of the largest expenditure areas for state governments, and is often the largest area of “discretionary” funding for governors and state legislators.⁹ It is “discretionary” in that unlike with many social/health services, corrections, and even K-12 education, typically there are no state or federal laws, regulations, or constitutional provisions requiring specific state funding levels for higher education. When paired with the requirement that all states have to operate with a “balanced budget,” when a state faces budget problems due to spending pressures in other areas and/or revenue shortfalls, higher education is often one of the first areas to face scrutiny for reductions.

Hovey referred to higher education as the “balance wheel in state finance.”¹⁰ What this means is that state support for higher education has typically risen or fallen disproportionately with the health of state budgets. The reason for this, according to Hovey, is that public colleges and universities are perceived by governors and legislators to

have managerial flexibilities, including the ability to raise revenue from other sources, i.e., tuition and fees, to deal with temporary adversity that other state agencies/functions do not.

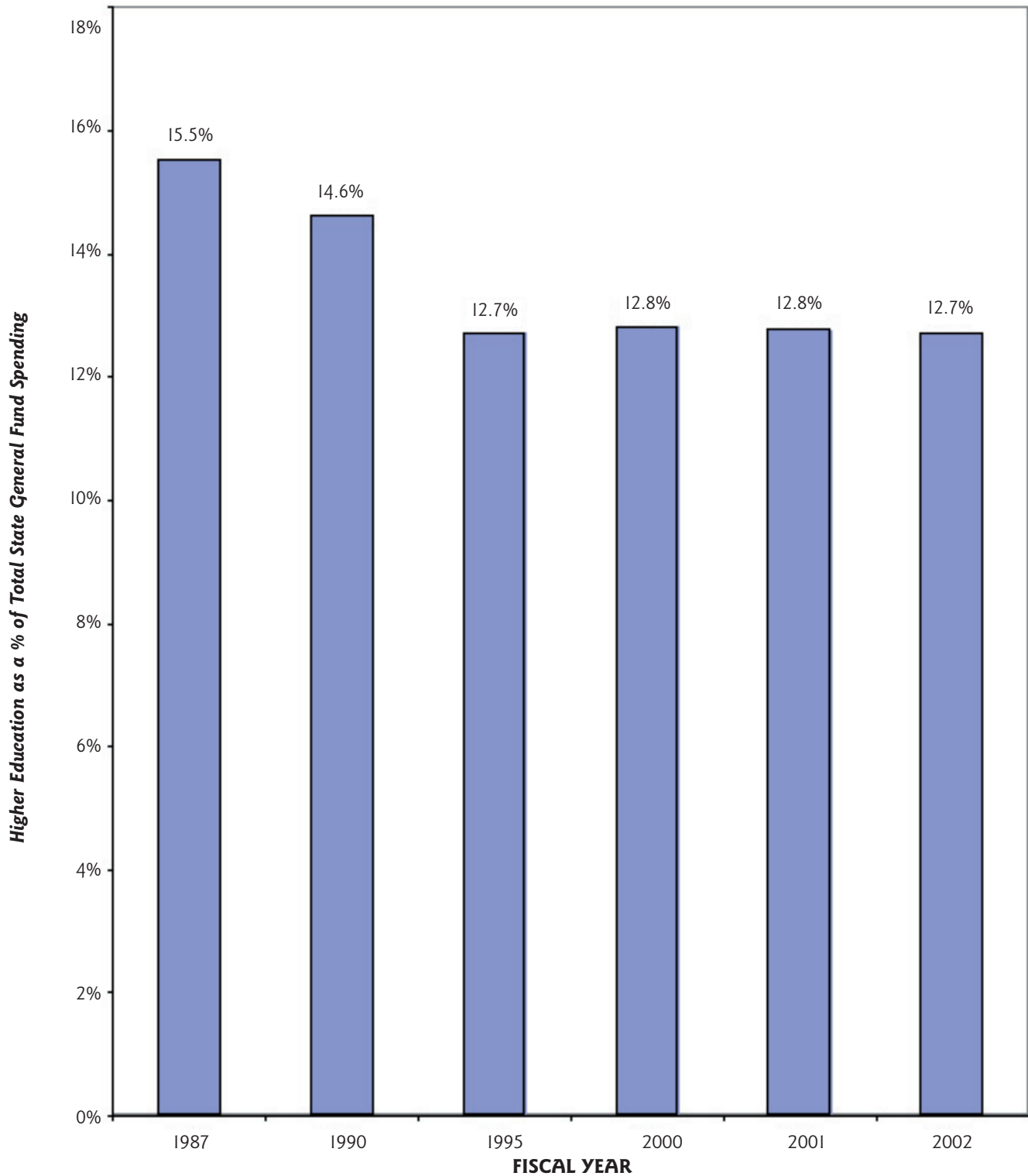
Figure 3 presents the trend in total state general fund spending for higher education as a percentage of total state general fund budgets (U.S. average) since fiscal year 1987. The general fund is the primary “checkbook” used by state governments to meet annual operating expenses across all functions and program areas, and accounts for more than one-half of state spending on higher education (both operating and capital) on an annual basis.¹¹ State general fund expenditures for higher education declined from 15.5% of total general fund spending in 1987 to just under 13% in fiscal year 1995, but then leveled off. The significant drop-off in the early 1990s once again reflects the impact of the recession during that period, but also illustrates the increased pressures on states to fund Medicaid (the health insurance program for the poor and medically needy), prisons, and other social services.¹²

Figure 2
Trend in State Tax Appropriations for Higher Education Operations per \$1,000 Personal Income (U.S. Average)



Source: Center for the Study of Education Policy, Illinois State University.

Figure 3
Trend in State General Fund Spending for Higher Education as a Percent of Total State General Fund Spending



Source: National Association of State Budget Officers, *State Expenditure Report* (various years).

Table 3
The Evolution of Major State Higher Education Policy Themes and Issues

Period	Major Theme	Specific Issues of Interest/Concern
1960s	Growth	<ul style="list-style-type: none"> • Addressing enrollment pressures through expansion of existing institutions and establishment of new institutions. • Development of rational state-level planning and budgeting models to facilitate statewide coordination of higher education services.
1970s	Efficiency and Retrenchment	<ul style="list-style-type: none"> • Ensuring the effective and efficient use of resources at the state and institutional levels. • Responding to fiscal stringencies.
1980s	Educational Reform and Quality	<ul style="list-style-type: none"> • Setting a state-policy agenda • Creating incentive, competitive, or targeted funding initiatives. • Formalizing the assessment of student learning. • Performance-oriented accountability reporting.
1990s	Performance and Productivity	<ul style="list-style-type: none"> • Formalizing the linkage between performance outcomes and funding. • Faculty workload and productivity, particularly with regard to involvement in undergraduate education.
2000s	Performance, Outcomes, and P-16 Linkages	<ul style="list-style-type: none"> • Continued refinement of performance measurement and other accountability mechanisms for higher education. • Demonstrating student learning outcomes (i.e., knowledge, skills, abilities). • Improving P-16 education linkages; creating "educational capital."

Source: Created by the author (in part) from Aims C. McGuiness, Jr., *The Functions and Evolution of State Coordination and Governance in Postsecondary Education*, in *State Postsecondary Education Structures Sourcebook* (Denver, Colorado: Education Commission of the States, 1997), 1-48.

Table 4
Trend in the Number of States With Performance Funding, Performance Budgeting, and/or Performance Reporting for Higher Education

Type of Accountability Program	1997	1998	1999	2000	2001	2002
Performance Funding ¹	10	13	16	17	19	18
Performance Budgeting ²	16	21	23	28	27	26
Performance Reporting ³	NR	NR	NR	30	39	44

¹Ties specified state funding directly and tightly to the performance of public campuses on individual indicators.

² Policymakers consider campus achievement on performance indicators as one factor in determining allocations for individual campuses.

³ Involves the collection and publication of data on campus performance on specified indicators, but not formally linked to budget/funding process.

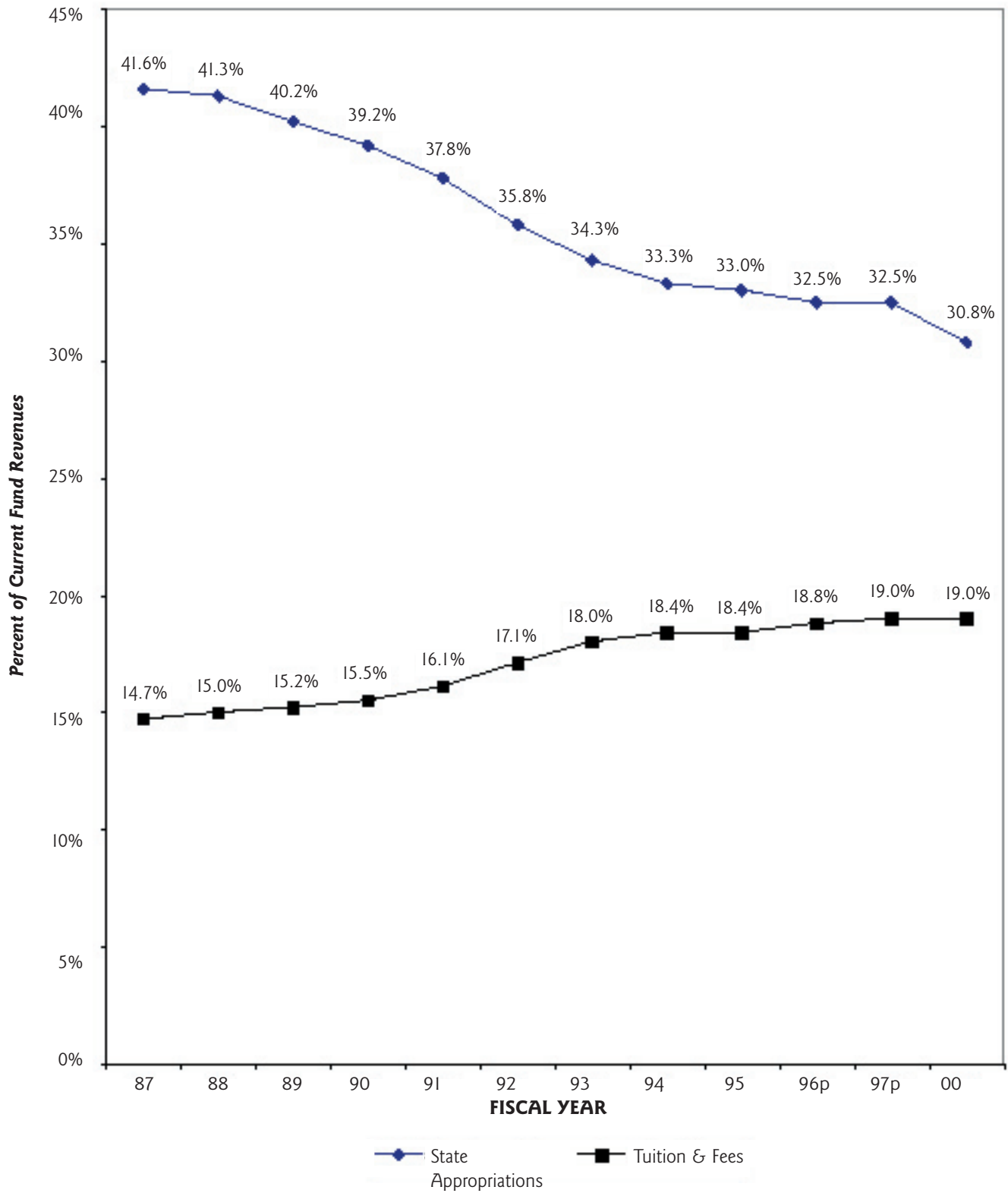
Source: Burke and Minassians, *Performance Reporting: The Preferred "No Cost" Accountability Program*, 2002.

State funding as a percentage of total public college and university revenues. State appropriations traditionally have represented the largest proportion of public college and university annual operating revenues.¹³ As illustrated in Figure 4, however, state appropriations for public institutions have declined from 41.6% of total current funds revenues in fiscal year 1987 to just under 31% in fiscal year 2000 (preliminary data). During this same period, tuition and fee revenues (the second largest source of operating revenue) grew from 14.7% to 19% of the total for public colleges and universities.

A well-observed pattern in higher education finance is that, to the extent allowed by state law and/or policy, public colleges and universities will increase tuition and fee rates to offset (to some extent) the impact of shortfalls in state financial support. Table 2 presents data on changes in average tuition and fee rates (in constant dollars) for public four-year and public two-year institutions between academic years 1974-75 and 2002-03.

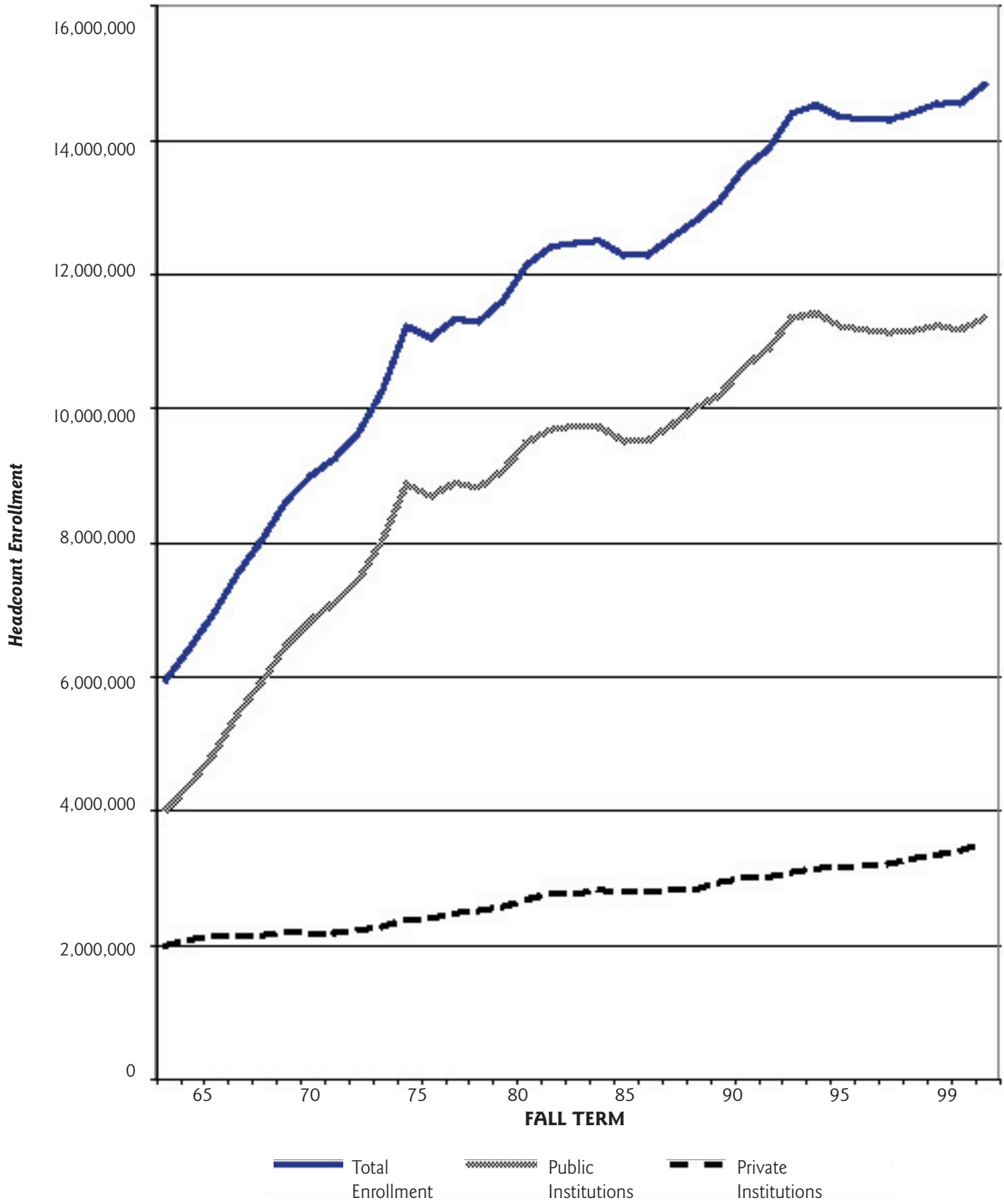
As indicated, "peaks" in average annual rates of change at public four-year institutions occurred at the same period as the "valleys" in average annual rates of change in state appropriations illustrated ear-

Figure 4
Trends in State Appropriations and Tuition & Fees as a Percentage of Total Public Institution Current Funds Revenues (U.S. Average)



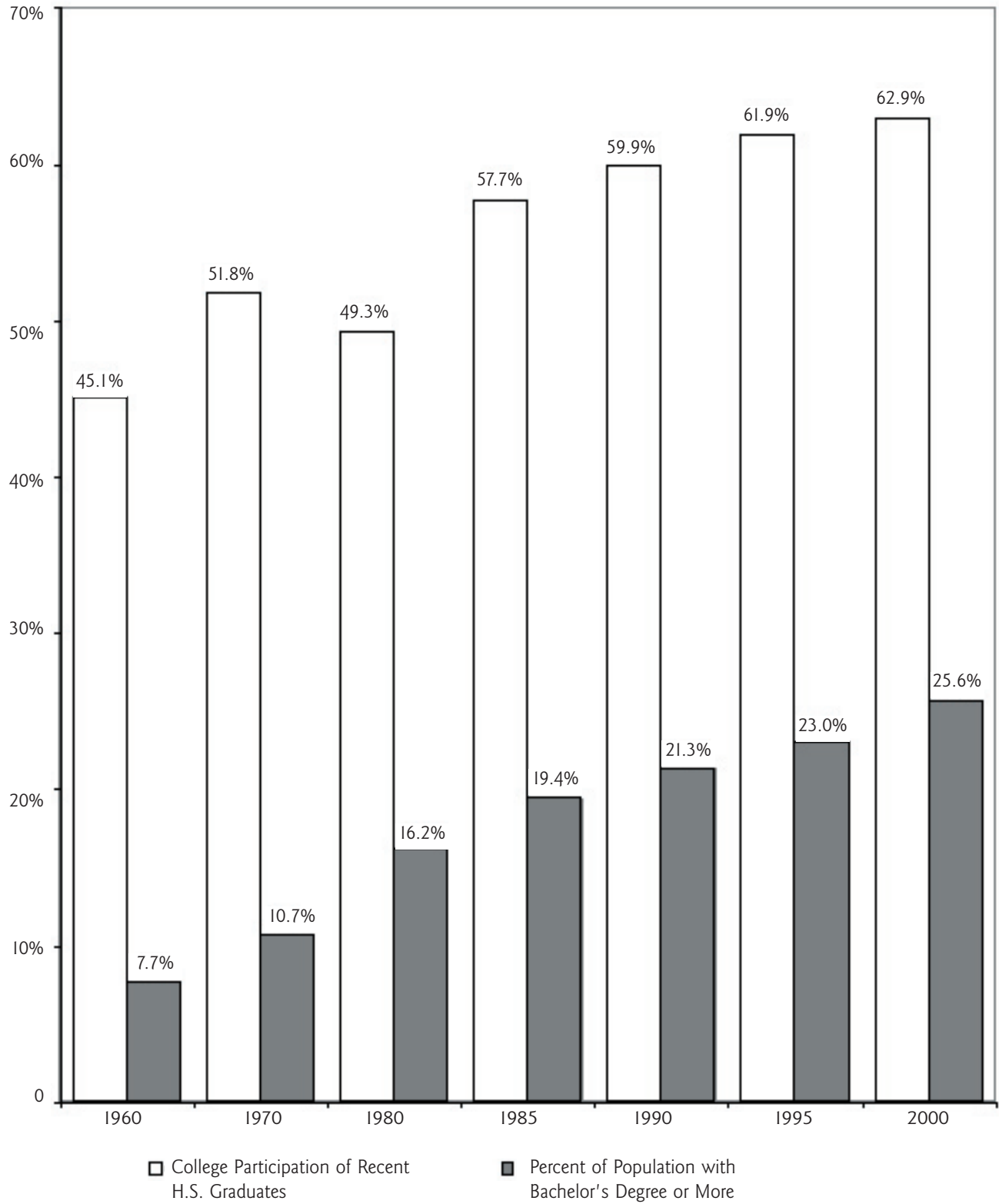
Source: National Center for Education Statistics Integrated Postsecondary Education Data Systems (IPEDS) "Finance" surveys (various years).

Figure 5
Trends in Fall Headcount Enrollment by Sector (U.S. Total)



Source: National Center for Education Statistics, *Digest of Education Statistics, 2001*, Table 172.

Figure 6
Trends in College Participation and Educational Attainment (U.S. Average)



Source: U.S. Census Bureau, *Statistical Abstract of the United States, 2001*, Tables 216 and 262.

lier in Table 1. A recent analysis published by the National Center for Public Policy and Higher Education found that, in response to fiscal year 2003 budget cutbacks, 16 states increased tuition and fees by more than 10% at their public four-year institutions (with a high of 24% in Massachusetts.)¹⁴

This relationship is somewhat less evident for public two-year institutions, due in part to the fact that in many states local tax support provides an alternate (and significant) source of funding for community colleges, accounting for 14% of total community college revenues on average in fiscal year 2000.¹⁵ Many community colleges also view promoting access to residents through low tuition as a significant part of their mission, and are reluctant to levy large tuition increases, even in times when state funding is reduced. Even so, the National Center for Public Policy and Higher Education's analysis found that 10 states increased tuition and fees by more than 10% at their public two-year institutions (with a high of 26% in Massachusetts and South Carolina).¹⁶

State Higher Education Policy Themes Since the 1960s

There was an evolution in state higher education policy during this period as well, with different themes emerging as priorities each decade for governors, state legislators, and other state policymakers.¹⁷ Table 3 presents an overview of the key themes each decade between the 1960s and now.

As noted earlier, there was significant growth in enrollment during the 1960s and into the first part of the 1970s, particularly in the public sector (see Figure 5), which corresponded with the significant growth rate in state funding for higher education. This resulted in concerns by policymakers about adequate responses to these enrollment pressures to provide access to higher education for all state residents as well as taking a coordinated approach to planning and financing this growth in capacity. By 1970, 47 states had established some form of statewide governance or coordination through a board or agency to address statewide higher education planning and related issues.¹⁸

In the early 1970s, state policymakers still were concerned about access and capacity, but also were focusing on efficient and effective use of the increasing state investment in higher education. In part, this was driven by an emerging period of economic downturn, inflation, and the energy crisis, but in part also was in response to projections of enrollment decline by the end of the decade and a resulting "oversupply" of higher education. Concerns were raised about the ability of state higher education systems to respond in a timely manner to changes in demand and redirect scarce resources from institutions/programs with stagnant or declining demand to areas of increasing demand.

As part of the 1972 amendments to the Higher Education Act, Congress included a requirement that all states establish an entity (the so-called "1202 Commissions") dedicated to comprehensive state higher education planning to ensure the effective and efficient use of all resources – federal, state, and private.¹⁹ This action greatly strengthened the statewide higher education planning and coordination movement that had developed through the 1960s.

In the 1980s, the dominant state higher education policy issues were quality and educational reform.²⁰ In part, this was "spillover" from emerging concerns about the quality K-12 education in the United States, highlighted in reports such as *A Nation at Risk*. Policymakers began to question the quality of postsecondary education as well during this period. Many governors and state legislatures were taking a more

"activist" role in addressing higher education policy issues in their states, seeing higher education as integral to economic development and to addressing various social problems. And unlike the past, political leaders were less likely to be in "awe" of academics, many having been highly educated themselves, and thus less likely to automatically defer to higher education leaders to address these concerns.²¹ Not coincidentally, this was also a period when state policymakers began to experiment more broadly with initiatives that tied funding for higher education to specific state goals or other desired policy outcomes.²²

The 1990s began with a focus on productivity and efficiency and ended with broad-based interest across the states in relating funding for higher education to performance, both directly and indirectly. The focus on productivity, particularly faculty productivity, was a continuance of the earlier concerns about the quality of undergraduate education, and was spurred on by critiques such as Profscam. Another key factor was a recession that resulted in state budget shortfalls from coast to coast. As illustrated in Figure 1 earlier, this was the first recorded instance of an actual decline in state funding for higher education in total from one fiscal year to the next (FY 1991 to FY 1992). The significant investment by states in higher education combined with tight budgets resulted in widespread and intense published critiques of higher education's values and practices, ranging from concerns about "light" faculty teaching workloads and over-attention to research to administrative "bloat."²³

These concerns about the efficiency and productivity of higher education continued as the states began to emerge from the recession in the mid-1990s and in fact entered a period of relative fiscal health in the latter part of the decade, where the inflation-adjusted growth in state tax revenues was five to ten percent each year.²⁴ The concept of "performance funding" (tying state funding for colleges and universities to performance on specific indicators) took hold, first in South Carolina and then in many other states. In some states, performance funding is limited to a relatively small proportion of overall state funding for higher education, but in others it is more expansive. As noted in Table 4, a less direct form of this approach (performance budgeting) also gained popularity during the 1990s with some states employing both approaches. At the same time, it is important to note that state funding for higher education also benefited from the strong state budgets during the last half of the 1990s. As noted earlier in Table 1, inflation-adjusted state higher education appropriations grew 3.2% per year on average between fiscal years 1995 and 2000, compared with -1.5% per year between fiscal years 1990 and 1995. Figure 3 showed that higher education spending as a percentage of total state general fund spending remained constant during this period as well. Thus, while governors and state legislatures increased their focus on the performance of colleges and universities, they did not appear inclined to "penalize" higher education through reduced financial support during this period.

The interest in both performance funding and performance budgeting appears to have leveled off in recent years, while the interest in performance reporting, which is not tied to higher education funding either directly or indirectly, has grown substantially. One observer suggests at least two possible reasons for this growth: (1) the publication of both *Measuring Up: 2000* and *Measuring Up: 2002*, the national higher education "report card" produced by the National Center for Higher Education and Public Policy²⁵, which spurred states to become more proactive in performance reporting; and (2) state policymakers see performance reporting as a "no cost" alternative to

the more controversial (at least within higher education) performance funding and budgeting approaches.²⁶ There is also some evidence that support for both performance funding and budgeting is waning among governors and state legislatures due to the current fiscal crisis facing states, with attention being directed to addressing the basic operating needs of public colleges and universities, student financial aid needs, and other higher education programs within diminishing state tax resources.²⁷

Where Are We Now?

At present, state policymakers remain focused on higher education's performance with an increasing interest in student learning outcomes as well as improving the linkages between elementary-secondary education and higher education (Table 3). An underlying factor driving this interest is the view of many governors that higher education is a key to developing the "human/educational capital" necessary to meet the challenges of an increasingly knowledge-based economy.²⁸

A study published in December 2000 found that 29 states had some form of state-level assessment of student learning outcomes ranging from the requirement that public colleges and universities have an assessment program in place to a common statewide test for college students.²⁹ As noted earlier, this is in part a natural outgrowth of the significant assessment activities engaged in by states at the K-12 education level; i.e., "if it is good for elementary and secondary education, why shouldn't it work for higher education as well?" particularly as states attempt to create more connections between K-12 and higher education.

There is also strong sentiment for assessing college student learning coming from other groups as well, including business and the general public.³⁰ A 2001 public opinion survey conducted by the National Center for Postsecondary Improvement found that one-fifth of the respondents felt that the single most important priority for colleges and universities was "ensuring students work hard to achieve high academic standards," second only to a related "attracting the best faculty" among eleven potential priorities.³¹ The impressive success in improving both participation in higher education and educational attainment in the United States during the past forty years (See Figure 6) has also raised the entry credential "bar" for many employers and occupations, making a college degree a mandatory requirement for the better-paying jobs in government, business, and industry. As higher education becomes a requirement for larger numbers of occupations, it is natural that employers would want some assurance that college graduates are prepared to enter the workforce. Likewise, as the cost of college attendance continues to rise, the public wants evidence regarding the "dividends" from this significant personal (and public) investment.

At the same time, there is no uniformity in state approaches to assessment, resulting in a lack of nationwide, comparable data by which to assess student learning outcomes.³² The challenges to implementing statewide assessment programs also are significant, ranging from the political/organizational (e.g., institutional opposition, accounting for diverse institutional missions and outcomes in assessment programs), to the technical (e.g., lack of adequate assessment instruments, lack of student motivation).³³ Despite these difficulties, the focus on college student learning outcomes is likely to continue in the future, as will be discussed further in the next section.

What of the Future?

The fiscal crisis currently facing state governments is not going to subside in the near future and could continue throughout the next decade, even after the economy begins to emerge from the current recession. This is due primarily to two factors: (1) significant spending pressures as a result of rapidly growing Medicaid caseloads; and, (2) underlying "structural" problems in the ability of states to generate sufficient revenue through existing income and sales taxes.³⁴ The National Association of State Budget Officers (NASBO) has projected that if the current growth rate for Medicaid spending continues, it will grow from 20% to 34% of all state spending in ten years.³⁵ At the same time, state spending on higher education will drop to 9.4% of the total even if it maintains its current growth rate.³⁶

Further, it is likely that states will have spending pressures as well from other areas such as K-12 education. Another potential problem is that the relatively strong growth in state funding for higher education during the economic boom of the late-1990s could create a perception among governors and state legislators that higher education has had its "turn" recently and perhaps can "afford" a few years of funding cuts, or at least stable funding, particularly when compared to the needs of Medicaid and other basic human services. As was noted earlier, the fact that higher education has the ability to generate its own revenue to cope with these cuts (i.e., tuition) also does not go unnoticed during times of fiscal downturn.

As noted in the Caruthers' article in this issue, higher education's ability to secure additional funding from state governments will be severely tested during the next several years, likely increasing the reliance of public colleges and universities on tuition and fee revenue and other sources to fund operating costs. In addition, enrollment in higher education is projected to grow between 12% and 19% by 2012, which will place further stress on state and institutional resources.³⁷ "Traditional" higher education institutions will face increasing competition for this growing market from for-profit educational providers, on-line offerings from other colleges and universities around the world, and "corporate universities" that train their own employees.³⁸ Prospective college students will be faced with a wide array of course and program choices in a greatly expanded higher education marketplace and will require additional information in order to differentiate among these choices in order to make an informed consumer decision.

There is also growing pressure from members of Congress and the Bush Administration to consider student learning outcomes as part the next reauthorization of the Higher Education Act. This could place further pressure on state policymakers to move toward more widespread, formalized testing for college students, similar to that required in the federal *No Child Left Behind* legislation.³⁹ As a result, the pressure on institutions to provide tangible evidence regarding college student learning outcomes from state policymakers likely will continue as well, spurred on by employers, parents/students, and the general public. In short, the dominant theme for the next several years is likely to be one of stagnant state funding at best coupled with demands for more accountability by higher education's stakeholders.

Summary and Conclusion

This article has explored the changing financial and policy role of state governments regarding higher education during the past 40 years. While the total financial investment made by states in higher education has grown in both nominal and inflation-adjusted dollars during this period, it has not kept pace with either total state spending or institutional operating costs. It also is clear that state spending on higher education is a direct function of the health of state economies, benefiting in good times and suffering in poor times.

The policy role of state governments in higher education has evolved from one of simply focusing on the best way to address access and capacity needs for a growing college population to demanding evidence regarding the educational outcomes of the college experience. This evolution is a natural one – as state systems of higher education have “matured” through their earlier growing pains, it is logical that state policymakers would want information on the “results” of their significant investment in higher education, particularly as governors, legislators, and others look to higher education as a key to future economic prosperity for their states. It also is understandable that the major consumers of higher education – employers, students/parents, and the general public – would want assurance as the relative size of their investment grows (i.e., the rising price of attendance).

Nobody can predict the future with any great accuracy, particularly in the uncertain economic and political times we now face. The tongue-in-cheek admonition of Benjamin Franklin that nothing is certain in this world except death and taxes seems to be especially true at this point in time. Nonetheless, if past patterns hold true we can predict with some certainty that the next few years will prove to be a period of austerity for higher education, at least as far as state financial support is concerned. It also appears that the focus on demonstrating student learning outcomes will continue, drawing support from business and the public at large.

At the same time, it seems unlikely that state governments will move to “disinvest” from support of higher education, even in these very difficult fiscal times. Statements by governors, legislators, and their national associations make clear that many state political leaders understand the value of higher education to their constituencies and also in addressing the complex social and economic challenges faced by states. However, as states come out of the recession and attempt to address the structural problems underlying their budgets while also responding to funding needs in Medicaid, K-12 education, and other areas, governors and state legislatures will look for hard evidence to support funding decisions across all areas, especially “discretionary” areas such as higher education.

The current (and future) focus by policymakers on the overall performance of colleges and universities, student learning outcomes, and creating linkages to other educational sectors provides an excellent opportunity for higher education leaders in every state to engage governors, legislators, and other public leaders in a fundamental discussion about the relationship and mutual expectations between state government and higher education. These discussions, while necessarily different in scope and substance for each state, should encompass the following interrelated questions at a minimum:

- Is higher education a “basic” function of state governments?
If so, what is the state’s appropriate financial and policy role in providing this function?
- What is the necessary “mix” of higher education provided within the state (e.g., four-year, two-year, comprehensive,

specialized) and how best to maximize access to this for all state residents?

- What are the tradeoffs and possibilities regarding the overall “supply” of higher education provided in a state at varying levels of state financial support?
- What price should state residents pay to access higher education?
- What is higher education to be held accountable for, to whom, and by what means?⁴⁰

These are difficult and perhaps uncomfortable questions for both state policymakers and higher education leaders to answer, and will be driven as much by the personalities involved as by underlying policy concerns. However, it is imperative that they be addressed so that state governments have a clear and compelling policy rationale for the continued investment in higher education and that higher education has a clear sense of what is expected and why.

Footnotes

¹ National Center for Education Statistics (NCES), *Digest of Education Statistics, 2001*, <http://www.nces.ed.gov/pubs2002/digest2001>, Table 171.

² *Ibid.*, Table 334.

³ “State Spending on Colleges Increases at Lowest Rate in a Decade”, *The Chronicle of Higher Education*, December 13, 2002, p. A28.

⁴ NCES, Table 330.

⁵ This period of time was chosen due to the availability of longitudinal data on state tax support for higher education from the Center for the Study of Education Policy at Illinois State University (i.e., the “Grapevine” database.)

⁶ This analysis looks only at state funding for higher education’s annual operating expenses. State funding for higher education capital projects is excluded given that these projects are typically funded through a different revenue source (i.e., bond issuance proceeds) than are operating budgets (e.g., taxes, fees).

⁷ NCES, Table 172.

⁸ National Governors Association (NGA) and National Association of State Budget Officers (NASBO), *The Fiscal Survey of States* (Washington, D.C.: November 2002), Table A-9.

⁹ Brian M. Roherty, “The Price of Passive Resistance in Financing Higher Education,” in *Public and Private Financing of Higher Education*, Patrick Callan and Joni Finney, Eds. (Phoenix, Arizona: Oryx Press, 1997), 3-29.

¹⁰ Harold A. Hovey, *State Spending for Higher Education in the Next Decade: The Battle to Sustain Current Support*, National Center for Public Policy and Higher Education, Report No. 99-3, July 1999.

¹¹ National Association of State Budget Officers (NASBO), *State Expenditure Report, 2001*, <http://www.nasbo.org/Publications/PDFs/nasbo2001exrep.pdf>, Table A-3. Includes all fund sources.

¹² Roherty, “The Price of Passive Resistance in Financing Higher Education.”

¹³ Private institutions are not included in this analysis given that only a limited number of states provide direct support for private colleges and universities. In total, state appropriations account for less than one percent of total current fund revenues for private institutions. State financial aid program dollars received by students attending private colleges and universities are typically categorized as tuition and fee revenue for those institutions.

¹⁴ William Trombley, "The Rising Price of Higher Education," in *College Affordability in Jeopardy*, National Center for Public Policy and Higher Education, Winter 2003, http://www.highereducation.org/reports/affordability_supplement/index.shtml.

¹⁵ NCES, *IPEDS Finance Survey for FY 2000* (unpublished preliminary data).

¹⁶ Trombley, "The Rising Price of Higher Education."

¹⁷ See Aims C. McGuinness, Jr., "The Functions and Evolution of State Coordination and Governance in Postsecondary Education," in *State Postsecondary Education Structures Sourcebook* (Denver, Colorado: Education Commission of the States, 1997), 1-48.

¹⁸ Ibid.

¹⁹ Ibid.

²⁰ Ibid.

²¹ William Zumeta, "Public Policy and Accountability in Higher Education: Lessons from the Past and Present for the New Millennium," in *The States and Public Higher Education Policy: Affordability, Access, and Accountability*, Donald E. Heller, ed. (Baltimore, Maryland: Johns Hopkins University Press, 2001), 155-197.

²² Edward R. Hines, *Higher Education and State Governments: Renewed Partnership, Cooperation, or Competition?* ASHE-ERIC Higher Education Report No. 5, (Washington, DC: Association for the Study of Higher Education, 1988).

²³ Zumeta, "Public Policy and Accountability in Higher Education."

²⁴ Scott Pattison, NASBO, "Fiscal State of the States: Where are We Now?" Presentation to the Forum on State Policy Implementation, National Center for Higher Education and Public Policy, Annapolis, Maryland, November 21, 2002.

²⁵ Both "report cards" can be viewed at <http://measuringup.highereducation.org/>.

²⁶ Joseph C. Burke and Henrik Minassians, *Performance Reporting: The Preferred "No Cost" Accountability Program* (Albany, New York: Rockefeller Institute of Government, 2002).

²⁷ Ibid.

²⁸ See the issue brief, "Higher Expectations" at the National Governors Association website http://www.nga.org/center/divisions/I,1188,C_ISSUE_BRIEF^D_1509,00.html.

²⁹ Peter Ewell and Paula Ries, *Assessing Student Learning Outcomes: A Supplement to Measuring Up 2000*, December 2000, <http://measuringup.highereducation.org/assessA.htm>.

³⁰ Paul E. Lingenfelter, "Educational Accountability," in *Focus on Educational Accountability*, SHEEO Network News, 20 (November 2001).

³¹ National Center for Postsecondary Improvement, "A Report to Stakeholders on the Condition and Effectiveness of Postsecondary Education: Part II, The Public," in *Change*, 33 (September/October 2001): 23 – 38.

³² Peg Miller, "Measuring Up on College-Level Learning," in *Focus on Assessment of Student Learning*, SHEEO Network News, 21 (January 2002): 1-2.

³³ Peter Ewell, "Statewide Efforts to Assess Student Learning," in *Focus on Assessment of Student Learning*, SHEEO Network News, 21 (January 2002): 3-5.

³⁴ See, Donald Boyd, "State Fiscal Outlook – Update to the projections in State Spending for Higher Education in the Next Decade, 1999," (Albany, New York: Rockefeller Institute of Government, October 2002).

³⁵ Scott Pattison, NASBO, "Fiscal State of the States: Where are We Now?" Presentation to the Forum on State Policy Implementation, National Center for Higher Education and Public Policy, Annapolis, Maryland, November 21, 2002.

³⁶ Ibid.

³⁷ National Center for Education Statistics, *Projections of Education Statistics to 2012*, 31st Edition, NCES 2002-030 (Washington, D.C.: U.S. Department of Education, October 2002).

³⁸ Frank Newman and Lara Couturier, "The New Competitive Arena: Market Forces Invade the Academy," *Change*, 33 (September/October 2001): 10-17.

³⁹ David Ward and Terry Hartle, "The Trouble with Measuring Quality," *Trusteeship* (January/February 2003), 8-13.

⁴⁰ For a more detailed discussion of accountability, see Lingenfelter, "Educational Accountability".