

What Motivates State Policymakers' Decisions to Fund Public Higher Education During Economic Downturns?

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State legislative bodies cut funding for higher education during economic downturns. In fact, states usually cut higher education budgets more deeply than other state budget categories, such as Kindergarten through 12th grade (K-12) education. States then increase their higher education funding in boom times but typically not to their pre-recession levels.

The economic downturn caused by the COVID-19 pandemic is a recent example of state budget cuts to higher education during recessionary times.

This brief reports on a recent study [1] that explored *how* and *why* policymakers made the funding decisions they did when they were faced with the COVID-19 economic downturn. The authors were especially interested in understanding decisions policymakers made about funding higher education versus other state budget categories (e.g., K-12), as well as funding higher education institutions versus funding student financial aid programs.

The authors explored these funding questions in-depth in California and Texas, states that are similar in the size of students enrolled in postsecondary education and in their racially and ethnically diverse student populations. On the other hand, the states differ in their political ideologies: the majority of California's policymakers are predominantly liberal while Texas' policymakers are predominantly conservative.

KEY FINDINGS

- ▶ During the economic downturn at the onset of the COVID-19 pandemic, public higher education faced larger budget cuts relative to other sectors because:
 - ▶ policymakers had greater discretion over higher education funding compared to other state budget areas that had mandated minimum funding levels (e.g. K-12) or that had federal matching incentives (e.g., with Medicaid, for every \$1 a state spends, the federal government gives the state an equal or greater amount); and
 - ▶ policymakers believed that all higher education institutions had access to other sources of revenue - such as tuition, research grants, endowments - while other sectors did not.
- ▶ Policymakers favored funding students directly (through student financial aid) over funding colleges and universities (through state appropriations) because they wanted to improve students' access to college and they believed it would help them politically.
- ▶ Policymakers often made funding decisions in relation to how it affected their constituents and whether they perceived those constituents as having influence over their reelection (for example, students and their parents). In addition, in Texas (where funding community colleges is not a state constitutional requirement as it is in California), policymakers also perceived community colleges as important constituents in need of funding.
- ▶ See figure for quotes that illustrate these findings.

Policymakers' decisions of how and why to fund higher education during the COVID-19 pandemic were motivated by the needs of other budget areas and their beliefs about higher education institutions and students

“ [With K-12], it's been codified in general law that you have to spend certain amounts of money. That's not the case **for higher ed [where] everything is up for grabs.** ”

- Texas legislator describing how legislators have **greater discretion over higher education funding compared to other state budget areas**

“ It's a little bit easier and more nebulous when you cut [a higher education] institution [because] **they have reserves.** There's the sense that most institutions have a little bit of leeway. ”

- California legislative staff member describing the **belief that higher education institutions had access to other sources of revenue**

“ As a political matter, you get credit for supporting students. You can say, 'Well, we increased student financial aid.' And it's not only **good for students, because they're hurting** and their parents are hurting - **it's also good politics.** ”

- Texas legislator describing that policymakers favored **funding student financial aid because it helps students financially and legislators politically.**

“ You know, **almost every member has a community college in their district.** So there's a broad base for [funding] community colleges. ”

- Texas higher education official explaining how **policymakers make funding decisions according to how it affected their constituents.**

Note. Quotes have been edited for brevity.

POLICY IMPLICATIONS

This research emphasizes the need to educate policymakers and the public that many public higher education institutions have limited access to other revenue sources, such as tuition, research grants, and endowments. Institutions serving students with the greatest needs tend to have less access to these other sources of funding, given their lower tuition prices, more limited research activity, and less access to large gifts and donations. These institutions are particularly vulnerable to state funding cuts.

Indeed, when policymakers cut state tuition support to higher education institutions, including those with few other funding sources, many institutions have no choice but to raise their tuition prices to make up for lost state revenue. Higher tuition costs at institutions serving students with the greatest needs, in turn, reduce access to higher education, particularly for historically underrepresented students because many of them will forego college entirely when tuition prices go up.

In contrast, this study highlights an encouraging trend of state support for community colleges, which are perceived to fill key workforce needs, indicating an opportunity to advocate for increased funding for these historically underfunded institutions.

DATA AND METHODS

Using a case study design, the authors analyzed data from 28 interviews they conducted with people familiar with funding decisions for higher education in California and Texas. Most of the data from this study comes from interviews with elected officials, legislative staff members, and state higher education agency officials. They also used data from interviews they conducted with leaders of higher education institutions or systems, as well as with staff from non-partisan state organizations, primarily to construct summaries of the cases and to provide context for the findings.

The authors also examined 69 documents from June 2020 to February 2021 related to state funding decisions for higher education: state budgets, news articles, and state executive orders. The authors used these documents to help them design their interview questions and to provide context for the case summaries and findings.

REFERENCE

[1] Gándara, D., Billings, M.S., Rubin, P.G., & Hammond, L. (2023). "One of the weakest budget players in the state": State funding of higher education at the onset of the COVID-19 pandemic. *Educational Evaluation and Policy Analysis*. Online first. <http://doi.org/10.3102/01623737231168812>

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