

# Chapter 5

## Affordability and State Support for Higher Education

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### ABSTRACT

*The COVID-19 pandemic has helped to accelerate an already declining rate in college enrollment in the U.S. tuition, and college fees have continued to outpace inflation, pricing some students out of higher education. State appropriations can help offset the cost of college, but state support varies significantly. While some states have been creative in promoting college affordability by adoption programs including bans on scholarship displacement and promise programs, others have reduced funding. Why has the state-level response differed so significantly? In exploring this question, this chapter examines the influence of state-level factors on state appropriations for higher education for the years 2010 through 2020. Pooled cross-sectional time series data that controls for variation between states and over time is used.*

### INTRODUCTION

The COVID-19 pandemic challenged government agencies at all levels to find creative ways to deliver public service. Following a declaration of a pandemic by the World Health Organization (WHO) in March 2020, schools moved online. During the 2020-2021 academic year, higher education in the U.S. used a combination of in-person, online, and hybrid methods to provide instruction. In the following academic year, schools returned to in-person delivery (College Board, 2021). Returning to in-person classes has not meant that colleges resumed where they left off in March 2020. Higher education re-

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turned to a series of challenges; among the issues they face in 2022-2023 school year are affordability, campus safety, and free speech.

State legislatures submitted numerous bills during the 2022 legislative session that impact how colleges and universities will be able to operate in the 2022-2023 school year. Campus safety has become a priority in many state legislatures. Ten states legislatures reviewed bills on sexual assault on campus while six considered making hazing a criminal offense. In addition, in at least eight states, legislatures debated proposals that would expand concealed carry provisions on college campuses. Free speech was also a hot button issue. While over fourteen states had proposed bills on the general topic of free speech, several considered legislations on the teaching of topics considered contentious such as critical race theory (Smalley, 2022).

Affordability has been and remains a top education issue even with state budgets bouncing back from the pandemic. Although there had been a positive trend in state funding for higher education prior to the COVID-19 outbreak, it has not been sufficient to counter other developments. States and local governments had increased funding for higher education for eight consecutive years through the 2019-2020 academic year after four years of decreasing monies (College Board, 2021, p.3). As important as state and local appropriations are, tuition and fees remain the largest source of funding for four-year institutions. Student enrollments are critical to the financial well-being of higher education. Unfortunately, public four-year institutions saw a drop of 66,640 students (1%) and public 2-year institutions saw a drop of 323,420 students (8%) between fall 2019 and fall 2020 (College Board, 2021, p.3). After years of continued growth in the number of international students, there was a 10% drop in the number of international students between fall 2019 and fall 2020 (College Board, 2021, p.7). Additionally, inflation continues to be a concern. Although U.S. Secretary of Treasury Janet Yellen made optimistic prediction regarding the risk of inflation in 2021, it is currently running at a near four-decade high. Secretary Yellen attributed the unexpected spike in inflation to the length of the pandemic and the war in Europe (Liptak, 2022). During the 2020-2021 academic year, colleges worked to contain the cost of tuition and fees. Many either froze both or had minimal increases. With the combination of falling student enrollments and continued inflation there is a pressure on institutions to increase tuition and fees (Smalley, 2022).

Fees and tuition are only part of the story; income inequality has also affected college affordability. Between the years 1990 and 2020, American families in the upper quartile income brackets saw an average income increase of 57% while the lower quartile only experienced a 12% increase in average income (College Board, 2021, p.3). At the same time, the cost of higher education has been rising at a rate faster than inflation. The published tuition and fees at a public four-year school is 2.58 times higher for the 2021-2022 academic year relative to the 1991-1992 academic year after adjusting for the Consumer Price Index or CPI (College Board, 2021, p.12). In 1984, the cost of attending a four-year public college was roughly equal to 16.4% of the medium family income; by 2011, the cost had risen to 33.5 percent (Delaney, 2014, p.57). It is becoming more difficult for students from lower income brackets to afford higher education. In addition, costs beyond tuition and fees (including housing, transportation, childcare, and food) are making it less likely that these students will finish their degrees (Castleman & Meyer, 2019). Whether or not a student graduates, they will most likely be faced with substantial student loans to repay after leaving school. A 2020 *Forbes* report found that the country's student loan debt was at \$1.56 trillion; the only national consumer debt larger than student loans was mortgage debt (Friedman, 2020).

Income inequalities among college students has manifested itself in different ways; for example, food insecurity is now an issue that colleges are trying to address. Food insecurity among college students has grown to the point that it has caught the attention of state legislatures. For example, during the 2022

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