Ensuring the Nation's Future

Preserving the Promise of Higher Education in an Era of Fiscal Challenges

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In late 2003, faced with clear evidence that the growing fiscal crisis in the states was severely affecting higher education in the short term and promising disastrous long-term consequences, the Committee on Government Relations created the Task Force on State Budget Issues. The task force's charge was to develop comprehensive responses and strategies to the crisis for AAUP conferences, chapters, and members to use in their states.

After extensive analysis of trends in state funding for higher education, the AAUP task force concludes that the current situation represents a challenge that demands faculty action. The AAUP must act at both the federal and the state level to ensure that higher education regains the status necessary for it to meet the needs of our society. Based on the task force's analysis and recent developments, we make the following recommendations for action.

- Encourage a broad-based communications campaign to restore widespread support for college and university education as a public good.
- Work with the business community and others to develop and publicize the education requirements of the newly emerging workforce.
- Lobby for the federal government to accept its responsibility to restore the purchasing power of the Pell Grant and other student-aid programs.
- Urge states to update their revenue systems to reflect structural changes in the economy and to provide a more equitable tax burden and more predictable revenue base for public services.
- Educate all levels of government about the importance of adopting funding policies to restore public support for higher education and avoid burdening future students with overwhelming amounts of debt. State governments should fund public education through general fund dollars, not high tuition and fees.
- Encourage faculty to work within institutional governance structures to ensure that colleges and universities deliver quality programs at top efficiency.

This packet presents tools to help faculty carry out an action plan to restore higher education to its rightful place as an important priority for state and federal governments. It includes a report from the January–February 2005 issue of *Academe*, the AAUP's

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bimonthly magazine; four important articles on higher education funding from the July–August 2003 issue of *Academe;* and a list of resources to help faculty access important data and information on higher education in their states.

The crisis in higher education funding has taken some time to develop, and will take some time to correct. Nevertheless, the Association believes that it is essential for our system of higher education and for our society that we begin to address these issues forcefully and comprehensively. We invite you to join us in this campaign.

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Ensuring the Nation's Future: Preserving the Promise of Higher Education

The following report was prepared by the Task Force on State Budget Issues, a subcommittee of the Association's Committee on Government Relations, for use in state conference lobbying campaigns. The full committee approved the report for publication in November 2004.

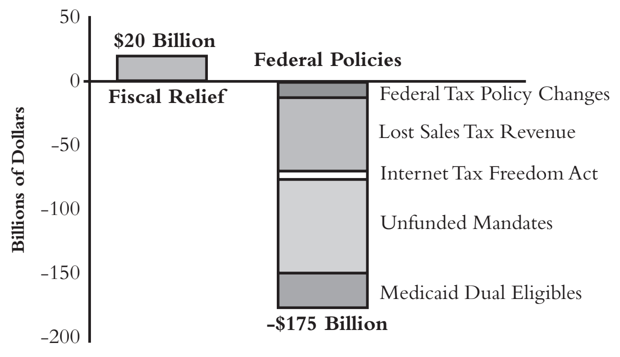
As several articles in the July–August 2004 issue of *Academe* discuss, recent patterns in state funding have hurt higher education. Although there are some signs that state budgets are beginning to recover from "the worst fiscal crisis in the last sixty years," officials still expect "an uphill battle," according to the *Fiscal Survey of the States* issued in April 2004 by the National Governors Association and the National Association of State Budget Officers. The survey points out that the expected increase in fiscal 2005 expenditures of 2.8 percent over 2004 expenditures is well below the twenty-six-year average increase of 6.2 percent. This follows an "anemic" 0.6 percent increase in fiscal 2003, which was the smallest increase in the previous twenty years. This budget crisis may have a more dramatic and long-lasting structural effect on public higher education than boom-and-bust cycles of the past, and the short term cuts already have been devastating. The essence of the situation is captured by the headline of the National Governor's Association press release announcing the survey's release: "Potholes Remain on States' Road to Recovery."

Causes of the Crisis

A variety of reasons have been advanced for the collapse in state revenues, but the basic cause lies in the combination of the recession, tax policy, and federal mandates. In August 2004, the Center on Budget and Policy Priorities issued a study entitled *Passing Down the Deficit: Federal Policies Contribute to the Severity of the State Fiscal Crisis,* which identifies several ways in which federal policies have deepened and prolonged the state fiscal crisis. The largest roles are played by unfunded mandates and sales tax lost when customers shop tax free from catalogs and Web sites. But roles are also played by changes in federal tax policy, revenue lost because of a prohibition placed by the Internet Tax Freedom Act on taxing access fees for Internet service, and costs of prescription medications excluded from federal coverage and assumed by the states. Federal tax cuts reduce revenue not simply for the federal government but also for many states that couple elements of their tax structure to federal policies. While some states have decoupled their tax structures from federal policies in reaction to these cuts, many have not. The center estimates that federal tax policies have cost states $9 billion over the fiscal years 2002–05. By late 2002, the states' fiscal situation had reached crisis proportions and led state governors to band together to lobby the federal government for relief. This resulted in a one-time federal relief payment of $20 billion in 2003, which reduced the net loss of revenues for the states from $175 billion to $155 billion, according to the center.

Some states, especially those whose economies are based on manufacturing, were hit harder by the budget crisis than others. However, during recessions all states have faced major spending pressures from a limited number of areas. Traditionally, policy analysts have focused on prisons, Medicaid, and education as the major areas of state expenditures. In times of economic downturn, the need for spending on prisons and Medicaid seems immediate, while spending on education, generally a long-term investment, can be harder to justify. Moreover, primary and secondary education receive the lion's share of education funding and dominate state-level

FIGURE 1
The Impact of Federal Policies on State Revenues 2002–05



Source: Data in this figure are from the Center on Budget and Policy Priorities.

discussions of education. Every legislative district in every state has primary and secondary schools within its boundaries, as well as students, teachers, and parents of school-age children. Although many districts also contain institutions of higher education, most do not. As a result, legislators' commitment to K–12 education usually overshadows their commitment to higher education, and higher education suffers the most in a crisis.

The Rockefeller Institute of Government, a nonpartisan think tank based at the State University of New York at Albany, has projected that even if states experience normal economic growth over the next eight years, all but a handful will find it impossible, given their existing tax policies, to continue funding their current level of public services.[1] The problems already cited in this report have been aggravated by federal mandates. These federal programs increased costs for state governments, and, in the case of some homeland security measures, for colleges and universities as well.

Long-Term Problem

If the current downturn were a normal part of the boom-and-bust business cycle, states and public colleges and universities could ride it out. However, structural problems involving state revenue systems make this a long-term problem that requires long-term solutions. In a March 2004 update on the state fiscal crisis, National Governors' Association executive director Raymond Scheppach wrote that the revenue difficulties are due to what he calls "obsolete state tax systems, which were developed for the manufacturing economy of the 1950s, not the service-oriented, high-technology, global economy that has developed during the last two decades." Scheppach clearly identifies a problem, but he stops short of calling for a specific revenue solution other than implying that a tax system more in line with the new economy should be developed. In the current political climate, few governors have stepped up to argue for tax reform to address adequate funding for public services. Instead, pressure at both the state and federal levels tends to come from tax-cut advocates who are focused on lessening the tax burden for individual citizens, not on providing public services for the citizenry as a whole.

While the focus of this report is on state actions, we must emphasize the interrelationship of federal and state policies. David Breneman, dean of the Curry School of Education at the University of Virginia, describes in the spring 2003 issue of *Crosstalk,* a publication of the National Center for Public Policy and Higher Education, how the pieces of higher education funding traditionally fit together. "State governments and private philanthropy," he writes, "have combined historically to provide the supply-side of higher education, while the federal role has focused on underwriting student demand through grants, guaranteed loans, and work study." This division of labor between the state and federal levels of government in the United States worked well as long as both levels kept up their end of the bargain. When neither is doing so, however, the quality of education suffers.

Although most commentators have recognized the severity of the problem, there have been discordant voices. In summer 2004, the State Higher Education Executive Officers' Association released a report suggesting that "overall state spending on higher education has generally kept pace with enrollment growth and inflation over the past three decades." The report claims that "the fundamental message of this report is that the sky is not falling." However, a careful look at the report suggests that hard-hats may still be in order. In an analysis of the report, the American Council on Education notes that while the report does present an optimistic funding situation looking back to 1970, it paints a very different picture looking back to 1991: "since 1991, states have reduced per-student funding to higher education by 7 percent in real terms, with ten states making cuts of more than 20 percent." The council argues that the report shows "extreme short-term fluctuations in state funding and variability among states . . . . [a] fiscal boom or bust cycle [that] creates a volatility in higher education financing that presents an enormous challenge to institutions." It also comments that the report recognizes that "structural rather than cyclical budgetary problems may prevent a rebound of state higher education funding as the economy improves."

Perhaps the most important—and certainly the most frightening—prospect posed by the current fiscal crisis is a threat to the long term viability of higher education. Since the time of Thomas Jefferson, the American people have regarded public education as one of the most important public goods. This sentiment has led to a series of important steps to ensure higher education's availability to the people: the creation of land grant institutions, the GI Bill, the Higher Education Acts, and the Pell Grant Program. States traditionally have held their public institutions of higher education in high regard and committed vast resources to them in the realization that these institutions served the interests of their citizens and helped their economies prosper. But this support for the role of the state in higher education may well be eroding.

In the last thirty years, the burden of financing higher education has shifted more and more to the student. While state funding has increased in absolute dollars, the share of institutional budgets funded by states has gone down. In 2002, the National Center for Public Policy and Higher Education issued *Losing Ground: A National Report on the Affordability of American Higher Education.* The report shows that while state support for higher education increased by 13 percent from 1982 to 1998, tuition and fees increased by

1. National Center for Public Policy and Higher Education, Policy Alert, (Washington, DC: February 2003), 1, http://www.highereducation.org/pa_0203/pa_0203.pdf.

107 percent over the same period. At the federal level, while more than 50 percent of federal financial aid was in the form of grants in 1982–83, by 2002–03 grants made up only 40 percent of such aid, note Ronald Ehrenberg and Michael Rizzo in "Financial Forces and the Future of American Higher Education," which appeared in the July–August 2004 issue of *Academe*. They add that "during the mid-1970s, the average Pell Grant covered about 46 percent of the average costs (including room and board) of attending a public college or university. Last year, the average grant paid for less than 30 percent of the costs."

On average, the maximum Pell award today covers 68 percent of the cost of attending a community college, 41 percent of the cost of attending a public four-year institution, and only 16 percent of attending a private, not-for-profit institution.[2] The inflation-adjusted value of today's maximum Pell grant is below its value in 1975–76. At the same time, low-income students are being squeezed out by middle- and upper-income students for available school support. While tax-credit programs provide welcome assistance to those fortunate enough to benefit from them, many low-income families and students earn too little to benefit from tax reduction. In addition, during the 1990s, there was a notable increase in the percentage of students in the highest income quartile who received institutional aid. The proportion of upper-income students receiving such aid increased from 12 to 18 percent; the proportion awarded to middle income students went from 17 to 23 percent.[3]

These figures indicate a change in the views of policy makers regarding the nature of higher education. It appears to be seen less as the public good it once was and increasingly as a private good, which students must sacrifice to afford.

Findings

The combination of severe short-term cuts coupled with disastrous long-term outlooks led the AAUP's Committee on Government Relations to create the Task Force on State Budget Issues, which is charged with developing a comprehensive response to the crisis. After extensive analysis of the current crisis in state funding for higher education, the task force makes the following findings:

1. State revenue systems are antiquated, leaving state governments dangerously unable to cope with economic cycles.
2. Today's economic climate requires more than just a high school diploma.
3. Higher education is a public good, not a commercial enterprise. Its benefits accrue to both the individual and society at large, and any funding system should take that into account.
4. We must ensure that higher education, as a public good, is available for everyone who wants it.
5. Federal mandates affecting state expenditures are unlikely to be relaxed in the near future.
6. State and federal finances are inexorably intertwined. Any solution that does not address both state and federal policy will be doomed to fail.
7. It took years to get here; it will take years to correct the situation.

Action Plan

The task force concludes that the current situation represents a challenge that demands faculty action. The AAUP must act at both federal and state levels to ensure that higher education regains the status necessary for it to meet the needs of our society. Based on the our analysis and recent developments at both the state and federal levels, we recommend that the AAUP take the following six steps.

1. *Encourage a broad-based public relations campaign to restore public support for college and university education as a public good.* Our first long term priority should be to reverse the notion that higher education is a private good to be borne at the individual's expense. If left unchallenged, this sentiment will not only undermine the future of higher education but prove counterproductive to states struggling to enhance their own economic development. This will not be easy as we face very real competition for tax money for other social goods, including health care, aid to the needy, and K–12 education.

2. *Work with the business community and others to develop and publicize the educational requirements of the newly emerging workforce.* In the last half century, much attention has been focused on higher education's economic benefits—an extremely narrow, yet measurable, concern. Studies have revealed the increased earning potential of individuals with college degrees and the direct economic contributions of colleges and universities to their surrounding communities. U.S. Census Bureau figures from 2004, for example, indicate that men who hold a bachelor's degree earn 64 percent more than men who completed only high school; for women, the advantage is 68 percent.[4] Colleges and universities return $5 to the state's economy for every $1 invested, a study by the National Association of State Universities and Land Grant Colleges shows.[5] These

2. American Council on Education, *2003 Status Report on the Pell Grant Program,* http://www.acenet.edu/bookstore/pdf/2003_pell_grant.pdf.

3. U.S. Department of Education, National Center for Education Statistics, *What Colleges Contribute: Institutional Aid to Full Time Undergraduates Attending 4 Year Colleges and Universities,* http://nces.ed.gov/pubs2003/2003157.pdf.. For a comparison of the last twenty years, see the College Board report *Trends in College Pricing* 2003, page 16, figure 9, http://www.collegeboard.com/prod_downloads/press/cost03/cb_trends_pricing_2003.pdf.

4. US Census Bureau, Current Population Survey, *2004 Annual Social and Economic Supplement,* http://www.bls.census.gov/cps/asec/adsmain.htm., parts 127 and 271. The median 2003 earnings for people twenty-five years and older are: for men with bachelor's degree, $51,507; with high school degree, $31,411; for women with bachelor's degree $35,394; with high school degree $21,118.

5. *Shaping the Future: the Economic Impact of Public Universities,* August 2001. http://www.nasulgc.org/publications/EconImpact.pdf

data measure higher education's short-term returns to local economies and the long-term payoff of productive citizens, who augment the tax base.

More broadly, others have argued that social spending benefits economic performance. For example, a recent book by economist Peter Lindert examines the effect of retirement policies and social spending in the areas of health, education, and unemployment on a wide range of modern economies. He challenges the notion that high levels of social spending inhibit economic performance, and even points out that "expenditures on public schooling are the most positively productive in the sense of raising national product per capita."[6] Though useful, this argument is somewhat misconceived because it treats higher education expenses as direct costs when they should be properly understood as long-term investments in existing capital. The research of colleges and universities has generated untold numbers of advances in medicine, business, and technology that have improved overall economic performance as well as the quality of life in general.

In recognizing the economic development potential of higher education, it is also necessary to remind lawmakers of the larger purposes of higher education. While higher education does have both short- and long-term economic benefits, assessing its importance in quantifiable measures encourages an overly instrumental view of education that emphasizes the immediate needs of self-interested parties, without proper consideration of the public character and purposes of the endeavor. Higher education is not a short-term market input and a private good. Higher education is, rather, an investment in the future and a public endowment. Its purpose is not primarily job training, but rather to develop students' potentials, to broaden their perspectives, and to help them develop "their own best powers," as social critic Paul Goodman puts it.

3. *Lobby the federal government to accept its responsibilities and restore the purchasing power of the Pell Grant and other student aid programs.* The first purpose of higher education in America was to prepare people for citizenship. This purpose, as political theorist Jeff Lustig puts it in a forthcoming article, "was political in the broadest sense of the term, to prepare people to become engaged citizens, and in [the tradition of Aristotle], members of a public capable of governing itself. Higher education is undertaken ultimately, one of its nineteenth-century California promoters explained, 'for the dignity of the commonwealth . . . to furnish the [republican] citizen the means to discharge the duties imposed on him.'"[7]

Those of us involved in higher education have a responsibility to bring the larger contributions of the classroom to the attention of policy makers at all levels of government. And the most basic of those contributions is that higher education is the indisputable precondition—more important than roads, prisons, or tax write-offs—for democracy. Stinting on infrastructural allocations may leave potholes for three years, but stinting on higher education means closing off access for three years and losing a generation.

4. *Urge states to update their revenue systems to reflect the structural changes in the economy and to provide a more equitable tax burden and more predictable revenue base for public services.* We must urge lawmakers to rethink traditional approaches to state revenue. The tax base in most states continues to rest on a manufacturing economy that no longer exists, while our high tech economy is increasingly reliant on services, many of which escape taxation. In a new economy, we need a new tax structure that taps new centers of economic activity and spreads the burden more evenly among productive forces. The AAUP should join forces with other stakeholders in the private and public sectors to explore more adequate state financing systems.

Some have called for radical solutions, such as the "Free Higher Education" campaign, which advocates that the federal government pay tuition and fees for all students, part- and full-time, who are enrolled in two- and four-year public institutions in the United States. Not every member of the task force endorses this campaign, but all do oppose the increased reliance on tuition and fees as a means of financing higher education. This short-sighted approach will increase the debt burden of all students, while reducing access to college and university education for many low-income students.

5. *Educate all levels of government about the importance of adopting funding policies to restore public support for higher education and avoid burdening future students with overwhelming amounts of debt. State governments should fund public education through general fund dollars, not high tuitions and fees.* With students assuming an increasing burden of financing higher education themselves, the nation is reverting to a time when a college or university education was available only to a small slice of the population. Whether that slice is defined by race, gender, ethnicity, or class, it is unacceptable to a globalizing society in which we all depend on each other. Today's lack of political will to fund higher education contrasts sharply with the commitment of most states to higher education in the late nineteenth and early twentieth centuries. Then, although only a privileged few actually attended college, the public looked on the state university as a treasure. Today, as higher education comes within the reach of almost everyone, states are devaluing their systems and relying much more on individual funding such as tuition and fees.

The faculty needs to broaden our appeal to all sectors of the public. States must provide adequate levels of funding to allow students from low- and middle-income families access to the same college and university education as those with more income. The current trend of transferring financial aid resources

6. Peter Lindert, *Growing Public: Social Spending and Economic Growth Since the Eighteenth Century*. Vol. 1, The Story. (New York: Cambridge University Press, 2004), 87.
7. Jeff Lustig, "The University Reclaimed: An Alternative to Corporate Mis-education." *The Review of Education, Pedagogy and Cultural Studies* (forthcoming).

into merit-based programs and away from need-based programs is an indication that states are placing less value on higher education. The job of the AAUP is to persuade policy makers of the value of higher education and encourage them to make different decisions.

6. *Encourage faculty to work within institutional governance structures to assure that colleges and universities deliver quality programs at top efficiency*. Finally, we recognize that the higher education community must do a better job of monitoring and curbing its own costs, while working to preserve the quality of the programs we offer. Working to integrate educational opportunities throughout the state may achieve substantial cost savings. To this end, we support two recommendations made by the National Center for Public Policy and Higher Education in a 2003 report titled *Responding to the Crisis in College Opportunity:* assure transfer opportunity to four-year colleges for all qualified community college students, and initiate a process to specify and implement long-term higher education goals that would increase college access and completion.[8] Assuring transfer opportunity must involve faculty at two- and four-year institutions working together to assure transferability of core program elements while protecting the integrity of curriculum standards at all institutions. Mandates from the federal or state governments to implement this recommendation without a primary role for faculty violate the principle, long held by the AAUP, that faculty have "primary responsibility for such fundamental areas as curriculum, subject matter and methods of instruction, research, faculty status, and those aspects of student life which relate to the educational process."[9]

A process to specify and implement long-term higher education goals will necessarily differ from state to state depending on the specific circumstances of each state's higher education system. We strongly advocate that the process be undertaken at the state level in order that the specification and implementation of long-term higher education goals realistically reflect the circumstances that faculty, students, and institutions face on a day-to-day basis.

Appropriate faculty input into the governance process as institutions and states develop funding priorities is essential to ensuring that these specific reforms address the concerns while protecting the quality of the education.

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8. The National Center for Public Policy and Higher Education, *Responding to the Crisis in College Opportunity,* http://www.highereducation.org/reports/crisis/index.shtml.
9. "Statement on Government of Colleges and Universities." *Policy Documents and Reports,* 9th ed. (Washington, DC: AAUP, 2001).

Financial Forces and the Future of American Higher Education

BY RONALD G. EHRENBERG AND MICHAEL J. RIZZO

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Ronald Ehrenberg

Michael Rizzo

Recent shifts in state funding are altering the most basic realities of American higher education, from student access to faculty research.

Each year over the past quarter century, undergraduate tuition and fees in the United States have increased by an average of 2.5 to 3.5 percentage points above the inflation rate.[1] This continuous rise recently led one congressman to propose that the government penalize institutions that raise their tuition by more than twice the rate of inflation for several years in a row; fortunately, his colleagues in Congress expressed little interest in his proposal, and he dropped it.[2]

Colleges and universities, both public and private, often claim that faculty salaries are among the major causes of persistent increases in tuition. The most recent AAUP annual report on faculty salaries, however, questions this assertion. Published in the March–April 2004 issue of *Academe,* the report notes that average faculty salaries at four-year colleges and universities in the United States have risen at only about 0.5 to 1.0 percent a year more than the inflation rate over the past twenty-five years.

The most important reasons for tuition increases differ in public and private higher education. In the private sector, contributing factors include the rising costs of technology, student services, and institutional financial aid; the unrelenting competition to be the best in every dimension of an institution's activities; and, at the research universities, the increasing institutional costs of scientific research. Public higher education must deal with all these factors in addition to another important driver: the withdrawal of state support.

Dwindling State Support

In his 2004 Cornell University PhD dissertation, Michael Rizzo illustrates the dramatic decline in state funding of higher education that has occurred over the past quarter century, arguing that the attention paid to recent fiscal difficulties in the states has obscured this persistent decrease.[3] Figure 1 shows that the share of state general funds going to higher education has shrunk by more than one-third over the past twenty-five years. Had this share remained constant at 1977 levels (8.9 percent of state general fund budgets), institutions of public higher education would have received, on average, an additional $3,900 for each full-time-equivalent student in 2001.

In *Higher Education Spending: The Role of Medicaid and the Business Cycle,* a 2003 report published by the Brookings Institution, economists Thomas Kane and Peter Orszag attribute the decline in state funding of higher education that took place during the 1990s to the expansion of state spending on Medicaid (resulting from increased health care costs, changes in the federal government's financing of Medicaid, and an expansion of Medicaid caseloads in most states).

Rizzo reports that pressure to fund elementary and secondary education also accounted for a significant portion of the decline. Between 1977 and 2001, twenty-two state courts mandated K–12 finance reforms to equalize spending across school districts within these states. He says that these reforms led to an average increase in K–12 spending of $340 million in these states. More than 25 percent of that increase ($90 million) came directly from reducing state higher education budgets to below the levels that otherwise would have prevailed.

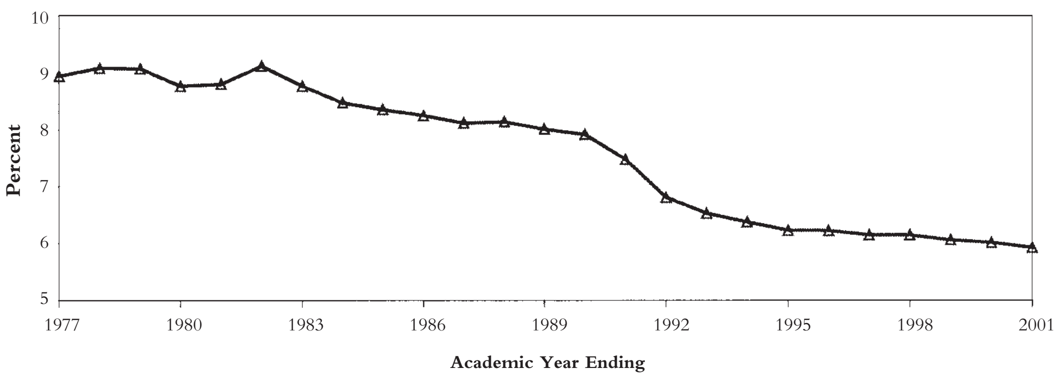
There is no reason why higher education's share of state spending should remain constant over time. As a result of this decline, however, per-capita state appropriations for each full-time-equivalent student at public colleges and universities rose in constant dollars from $5,622 in fiscal 1974 to $6,717 in fiscal 2004—an average increase of only 0.6 percent a year. This slow growth occurred during a period in which institutions of higher education faced rapidly rising real costs because of the reasons discussed above. At the same time, private colleges and universities relentlessly raised their tuitions by a much greater annual percentage than the increases in state appropriations for higher education.

Public institutions responded to diminishing state support by increasing their tuition levels at slightly higher percentage rates than the private institutions did. However, because tuition at public institutions started at much lower levels than those at private colleges, the public institutions generated less income from their increases than their private counterparts did from theirs.

Rizzo notes that statehouses nationwide responded with hostility to efforts by public institutions to recover lost appropriations by seeking private gifts and raising tuitions. On average, each dollar of private giving (per student) was met with a twenty-cent cut in per-student appropriations, and each dollar that tuition was raised led to at least a one-dollar cut in future state appropriations.[4]

The diminished resource base of public academic institutions relative to that of private colleges and universities has affected faculty salaries. As the 2003–04 AAUP report on faculty salaries notes, the average professor at a public doctoral university earned about 91 percent of what his or her counterpart at a

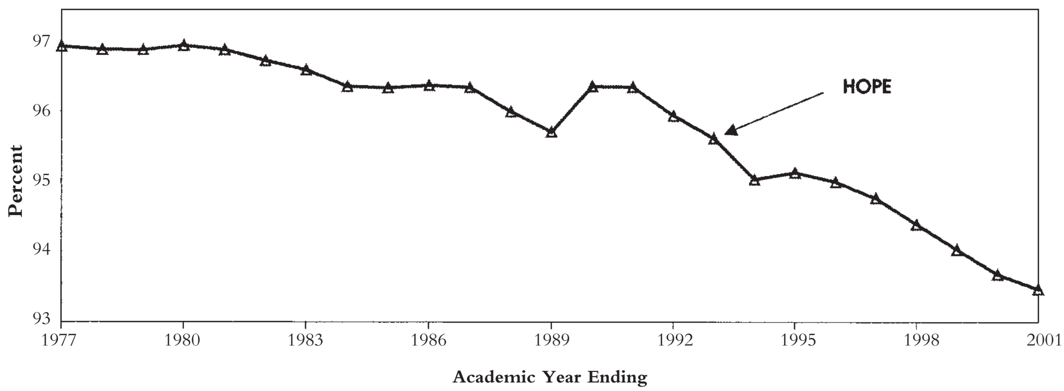
FIGURE 1
Average Share of Discretionary State Expenditures on Higher Education



Sources: U.S. Census Bureau, *State and Local Government Finances*, selected years, and Center for the Study of Education Policy, Illinois State University, *Grapevine: A National Database of State Tax Support for Higher Education*.

private doctoral university earned in 1978–79. By 2003–04, however, the percentage had fallen to 77 percent. Increasingly, public institutions find it difficult to attract and retain high-quality faculty. This difficulty surely influences the quality of public colleges and universities, where most U.S. students are educated.[5]

FIGURE 2
Average Share of State Higher Education Expenditures to Institutions



Note: The Hope Scholarship Program in Georgia began in 1993, launching a trend in which states reduced aid dollars allocated directly to institutions.
Sources: Center for the Study of Education Policy, Illinois State University, *Grapevine: A National Database of State Tax Support for Higher Education,* and National Association of State Student Grant and Aid Progrms, *Annual Survey,* selected years.

Aid Pullback

In the face of persistent tuition increases, the changing pattern of financial aid in the United States has influenced who gets a college education. In 1982–83, more than 50 percent of federal financial aid was in the form of grants; by 2002–03, however, grants made up only 40 percent of such aid. Most federal financial aid now comes in the form of loans, and research suggests that students from lower-income families are less willing than other students to take on large loan burdens to finance their higher education.

Moreover, federal grant aid has not kept up with increases in college costs. During the mid-1970s, the average Pell Grant covered about 46 percent of the average costs (including room and board) of attending a public college or university. Last year, the average grant paid for less than 30 percent of the costs (the percentage is much lower at private institutions, but they have more institutional resources for financial aid). The Bush administration has proposed increasing loan limits (a step private institutions applaud), but it has shown less interest in an across-the-board increase in the level of Pell Grants.[6]

States have placed additional pressure on public university tuitions by devoting an ever-increasing percentage of their higher education expenditures to targeted grant aid for students, as opposed to appropriations to institutions. Figure 2 shows the drop between 1977 and 2001 in the share of state dollars to support higher education that went directly to public institutions.

Rizzo attributes this decline to two factors. First, states have allowed their higher education appropriations to lag to take advantage of the perverse incentives built into the federal financial aid system, which brings more Pell Grant dollars into a state when its tuition level is higher. Second, there has been an aggressive movement away from need-based aid and toward non-need-based aid. As late as 1993, less than 10 percent of all state grant aid to students was not based on need. But the growth of "merit-based" programs such as the HOPE Scholarship program in Georgia, which started in 1993, raised the share of non-need-based aid to almost 25 percent by 2001. Under the HOPE program, any in-state student with a 3.0 grade point average is eligible to receive a scholarship if he or she attends an institution in the state.

Since 1993, twelve additional states have implemented HOPE-type programs. Increasingly, financial aid at private colleges and universities in the United States is also based on "merit" rather than on need. Many private institutions now use financial aid to manage enrollment (to attract a class with the most "desirable characteristics" at the least cost) rather than to expand access to higher education among lower-income students. Probably fewer than fifteen to twenty private academic institutions provide financial aid based solely on students' financial need today.

As a result, the United States has failed to reduce educational inequality based upon family income levels. Disparities in college enrollment by family income quartiles (measures used to categorize the population into four equal groups based on the level of household income) are almost as large today as they were thirty years ago. Harvard University's president, Lawrence Summers, recently told a group of college presidents that the gap in opportunities for children from different economic backgrounds is the "most severe domestic problem in the United States," and he called on colleges and universities to take steps to ameliorate it.[7]

More students from lower-income families are being forced, for financial reasons, to enter higher education through public two-year colleges. The U.S. college-age population is expected to grow over the next decade, primarily among groups now underrepresented in higher education. Limits on state resources for both operating and capital expenses may increasingly restrict access to college; students are already being turned away from four-year public universities in California and Washington. If these trends continue, disparities in college attainment by income, race, and ethnicity may worsen in the years ahead.

Research Costs

The importance of scientific research has grown at American universities, fueled by major advances in genomics, advanced materials and information technology, and dramatic increases in governmental and private funding. A little-known fact, however, is that despite expanded funding, universities increasingly finance research out of their own institutional resources. The share of research and development expenditures universities paid out of their own pockets grew from 11.2 percent in 1972 to almost 21 percent in 2000.

Universities increasingly bear the costs of their faculty members' research for many reasons, but the magnitude of the start-up packages needed to attract new faculty members in the sciences is an important factor. At research universities, these costs average $300,000 to $500,000 for assistant professors and often well over a $1 million for senior faculty. Universities properly view these costs as investments in their faculty members' research productivity. Yet, where institutions get the money to fund these investments is of great concern.

Demise of the Tenure Track

Public universities, more often than private institutions, sometimes leave faculty positions vacant until salary savings generate necessary start-up funds; leaving these faculty positions open surely affects the quality of undergraduate education at the public institutions. Researchers at the Cornell Higher Education Research Institute (CHERI) have also found evidence that escalating research costs have led both public and private institutions to raise student-faculty ratios and substitute part- and full-time non-tenure-track faculty for tenure-track faculty.

In fact, throughout American higher education, institutions rely increasingly on part- and full-time non-tenure-track faculty. During the 1990s, the percentage of full-time non-tenure-track faculty and the ratio of part- to full-time faculty grew significantly. The share of newly hired full-time faculty appointed off the tenure track was over 50 percent in 2001–02.

Preliminary research findings at CHERI suggest that as the percentage of part- and full-time non-tenure-track faculty grow at an institution, undergraduate students' six-year graduation rates fall. Moreover, as the share of faculty off the tenure track increases, the demand for full-time tenure-track faculty declines, and PhD programs become less attractive to American college graduates.

This trend may partly explain the increase in the number of PhDs that U.S. universities grant to temporary residents of the United States. Over the past thirty years, the share of such PhDs rose from 10.4 to 26.3 percent. In key science areas, the increase was more dramatic. In 2002, almost 40 percent of all PhDs in the physical sciences and 55 percent of those in engineering were awarded to temporary residents.

As institutions of higher education improve elsewhere around the world, foreign students may choose not to pursue PhD study in the United States, and those who do may not seek employment here. The decline in the total number of PhDs produced by U.S. universities in recent years, together with the large share of American faculty approaching retirement age, raises the question of who our next generation of professors will be.[8]

Cowboy humorist Will Rogers once said, "Even if you're on the right track, you'll get run over if you just sit there." The United States has the best higher education system in the world, but it is not a foregone conclusion that we will maintain that position of excellence. Protecting the quality of higher education and increasing access to it are not mutually exclusive goals, and we simply cannot afford to treat them as such. Nor can we afford to ignore either of these important goals. Policy makers and taxpayers alike would be well advised to pay attention to the issues that we have raised in these pages.

The United States has failed to reduce educational inequality based upon family income levels. Disparities in college enrollment by family income quartiles . . . are almost as large today as they were thirty years ago.

Notes

1. For further details, see Ronald Ehrenberg's 2002 book, *Tuition Rising: Why College Costs So Much* (Cambridge, Mass.: Harvard University Press).
2. See Stephen J. Burd, "Plan to Punish Big Increases in Tuition Is Dropped," *Chronicle of Higher Education,* March 12, 2004.
3. A paper based on the dissertation, "A (Less Than) Zero Sum Game? State Funding for Public Higher Education: How Public Higher Education Institutions Have Lost," is available at www.ilr.cornell.edu/cheri.
4. Even if states did not respond negatively to increased private giving, the giving and endowment levels of public institutions would probably not be able to catch up with those of private institutions, because the public institutions started from such a low base relative to their private counterparts.
5. It is predicted that much of the enrollment expansion in coming decades will be driven by currently underrepresented minorities or first-generation college students. Most of these enrollments are expected to occur in the public sector.
6. The administration did include in its fiscal 2005 budget proposal $33 million for a pilot program that would provide an additional $1,000 for the first year of college for students from low-income families who had taken "rigorous" coursework to prepare for college. See Stephen J. Burd, "In His 2005 Budget Bush Proposes Few Increases in Student Aid," *Chronicle of Higher Education,* February 13, 2004.
7. See Julianne Bassinger and Scott Smallwood, "Harvard Gives a Break to Parents Who Earn Less than $40,000 a Year," *Chronicle of Higher Education,* March 12, 2004. In addition, Summers announced that parents of Harvard students from families earning less than $40,000 a year would no longer be asked to pay anything toward their children's education.
8. Since September 11, 2001, the number of international students applying to U.S. PhD programs has declined consistently as well. The Council of Graduate Schools reports that the number of foreign applicants to American graduate schools for fall 2004 was 32 percent lower than for the previous fall. A summary of the report is available at http://www.cgsnet.org/pdf/CGS_PR_IntlSurvey.pdf. Also see "Foreign Students Decline to Study at U.S. Universities" on page 4–5 of this issue of *Academe*.

Growing Expenses, Shrinking Resources

The States and Higher Education

Bust without boom? Deepening structural problems should warn us not to depend on the usual rhythms of state financing for higher education.

BY MARK F. SMITH

In *Democracy in America,* nineteenth-century political philosopher Alexis de Tocqueville argued that understanding how individual U.S. states approached an issue offered "the key to all the rest." If Tocqueville was correct, and he was right about many things, higher education advocates are in for a rocky time. Over the past two or three years, states have drastically reduced funding for higher education, and the situation probably won't be getting much better any time soon.

The signs are everywhere. Over the past two fiscal years, California shrank its higher education funding by 9.6 percent—with more cuts to come. Over the same period, Colorado's funding dropped by 21.8 percent, and Massachusetts's by 23 percent. Programs are being cut, and institutions are demanding more of current professors and increasing the use of contingent faculty. Scholarly activities are often expected to pay for themselves. Some institutions push research faculty not only to fund their own salaries but also broader departmental functions. In addition, tuition has consistently risen several percentage points above the rate of inflation for many years now.[1]

The cuts are not directed only at the classroom. The *Chronicle of Higher Education* reported on March 12, 2004, that state support of the University of Georgia Press has been halved for the coming year, while the University of Idaho Press was shut down on July 1, 2004. In a 2003 report titled *State Shortfalls Projected Throughout the Decade,* the National Center for Public Policy and Higher Education criticized the "boom-and-bust cycle [that] has become a traditional state pattern of treating colleges and universities disproportionately well during prosperous times—and disproportionately poorly in tight budgetary circumstances." Comparing the 1990s with the past two years emphasizes the point. The Center for the Study of Education Policy at Illinois State University runs a national database of tax support for higher education. According to the database, from fiscal 1992 to fiscal 2002, state tax appropriations for higher education increased by an average of 59 percent. In contrast, appropriations declined by 4 percent over the last two years.

Although private institutions rely less on public funding than do state colleges and universities, both sectors depend critically on financial support from federal and state governments. David Breneman, dean of the Curry School of Education at the University of Virginia, describes in the spring 2003 issue of *Crosstalk,* a publication of the National Center for Public Policy and Higher Education, how the pieces of higher education funding traditionally fit together. "State governments and private philanthropy," he writes, "have combined historically to provide the supply-side of higher education, while the federal role has focused on underwriting student demand through grants, guaranteed loans, and work study. This division of labor between the state and federal levels of government in the United States worked well as long as both entities kept up their end of the bargain. However, when neither is doing so, the quality of education is going to suffer."

Mark Smith is AAUP director of government relations.

Structural Problems

One very real problem state governments face today are revenue shortfalls. The December 2003 edition of *Fiscal Survey of the States,* issued semiannually by the National Governors Association (NGA) and the National Association of State Budget Officers, reports that states confront not only "short-term cyclical" but also "long-term structural" problems. The survey argues that even though the economy has "begun to show some signs of improvement," state budgets have not yet started to recover. In fact, "forty states reduced fiscal 2003 enacted budgets by $11.8 billion after they were passed." The previous year, thirty-eight states cut the budgets they had enacted.

NGA executive director Raymond C. Scheppach blames the revenue difficulties on what he calls "obsolete state tax systems, which were developed for the manufacturing economy of the 1950s, not the service-oriented, high-technology, global economy that has developed during the last two decades." Scheppach clearly identifies a problem but stops short of calling for a specific revenue solution other than implying that a tax system more in line with the new economy should be developed.

During the 1990s, a decade that saw major increases in state support for higher education, serious issues were hidden. On the revenue side, structural flaws, such as obsolete tax systems, were overlooked, as were Medicaid problems on the spending side. Following the collapse of the dot.com economy and the ensuing recession, state spending on all programs became essentially flat for three years. Recent economic growth has not brought about major state revenue recovery. Shortfalls continue, and further cuts threaten higher education.

Awareness of the crisis is widespread. The National Center for Public Policy and Higher Education argues in *State Shortfalls* that "even if states experience normal economic growth over the next eight years, all but a handful of states will find it impossible, given their existing tax policies, to continue funding their current level of public services." David Breneman warns that demographic changes threaten to exacerbate the problem. In a June 14, 2002, article in the *Chronicle of Higher Education,* Breneman cites a 1999 joint study by the College Board and the Western Interstate Commission for Higher Education that reported "the number of high school graduates began to increase in the 1990s and will continue to increase through 2008, when the nation will graduate the largest public high-school class in its history—3.2 million students—exceeding the class of 1979, the peak year of the baby boom."

Politics in Virginia

These studies point to structural difficulties and propose interesting solutions, but they do not raise the political arguments that will be needed to influence policy makers. The NGA executive director may identify "obsolete tax systems," but few of the state governors for whom he works have plans to revamp their tax systems.

One governor who has addressed large-scale tax reform is Mark Warner of Virginia. His experience illustrates some of the problems state governments face. Virginia does not allow its governor to serve two consecutive terms, so Warner did not have to worry about reelection when he included tax increases in his fiscal 2005 budget proposal. Unlike the governor, the state's legislators do face reelection pressures. But Virginia's tax system was so out of sync with revenue demands that the Republican chair of the Senate Finance Committee and, after initial opposition, the Republican Speaker joined the governor in supporting selected tax increases. Even former senator Harry F. Byrd, Jr., the son of the most renowned antitax politician in twentieth-century American politics, endorsed a tax increase.

Despite such backing, however, the legislature and the governor spent the spring and early summer in a deadlock over which taxes to raise and delayed the enactment of any state budget at all. When they finally reached agreement, they raised taxes more than Warner had originally proposed and offered modest raises to state employees, including those in higher education. Newspapers praised the responsible approach the governor and the bipartisan majority of the legislature finally achieved. But the ultimate test will come with the 2005 legislative elections. One can imagine the antitax ads now being devised by political consultants.

From a public policy perspective, it is disturbing that evasion of established budget procedures seems to be the only way available to adequately fund state services.

Over the past two years, higher education appropriations in Virginia have been cut by 17.8 percent, and the state ranks thirty-seventh in per-capita spending on operating expenses for higher education for fiscal 2004. Three of the state's most prominent public universities promoted legislation early in 2004 that would have changed their status to "commonwealth chartered," which would have removed their official relationship with the state. The institutions said the amount of state aid they received had become so small that its loss would be easily offset by release from the regulations that accompany public university status in Virginia.

According to an article in the January 12, 2004, issue of the *Washington Post,* administrators from the College of William and Mary claimed that the institution had been underfunded by $21 million a year, based on the "state's guidelines for academic program size, faculty salaries, and student aid." The same article showed that the share of the University of Virginia's budget coming from the state had declined from 27.9 percent in 1985 to 8.1 percent in 2003.

In the same article, a Washington, D.C.–based analyst of higher education predicted further moves by public institutions to dissolve their public connections, commenting that institutions undoubtedly feel that "we'd rather have less money we can count on than more money we can't count on." The three Virginia institutions dropped their effort to change their status as the state's fiscal 2005 budget process developed. But because the state is unlikely to increase its contributions to higher education, the effort may reemerge in some form.

Politics in Colorado

Colorado's appropriations for higher education place it forty-seventh among U.S. states, and things are looking worse for the immediate future. State senator Ron Teck introduced a resolution early last spring to ask voters if they wanted to cut higher education totally from the state budget and use the money to erase the state's projected $450 million deficit. He told the *Denver Post* on February 15, 2004, that he did not want to see higher education eliminated but saw few alternatives. The budget was so overextended, according to Teck, that "the only place that we can cut that's left to cut is in higher ed."

The state senate's education committee killed Teck's bill, but Colorado's system of higher education will face serious difficulties for several years to come. Voter initiatives have saddled the state with the Taxpayers' Bill of Rights (TABOR), which severely limits the legislature's ability to make tax and spending decisions, and a constitutional amendment that mandates annual increases in state funding of primary and secondary education. Once K–12 institutions are funded, the limitations on state revenue block any significant financial support for higher education. One lawmaker recently complained that the situation has "become almost a crisis."

Some administrators have endorsed a solution that would totally transform the state's system of funding institutions. Rather than providing direct support to colleges and universities, as all states now do, the new College Opportunity Fund would give vouchers directly to students to spend at colleges and universities. The bill would result in state money going directly to private institutions for the first time in Colorado. The president of the University of Colorado, Elizabeth Hoffman, endorsed the bill, warning that without adequate funding, her university would have to consider going private in order to attract students. The new voucher system would allow funding to go to institutions by way of their students, without running into the restrictions of TABOR. The governor had not even signed the bill before some legislators began talking about cutting the size of the proposed voucher from $2,400 to $1,600, raising questions about the viability of the entire program.

This "solution" raises several concerns for higher education and for the funding of public services in Colorado. Even if the voucher program works as anticipated (something that one should never rely on in public policy), it will break the traditional balance David Breneman identifies between state and federal funding for higher education—in which the state takes care of the supply side (salaries and capital expenditures) and

large as 40 percent, and others, such as California, have had multiple tuition increases during an academic year.

Those looking to the federal government for help have been told in no uncertain terms to look elsewhere. President Bush proposed holding the Pell Grant award steady for the third year in a row (effectively a program cut), and Congress has discussed only symbolic and ineffective approaches to the issue. Happily, Representative Howard McKeon of California dropped an ill-considered proposal to deny federal aid to institutions that increased tuition more than twice the inflation rate for several years in a row. The proposal would affect almost a quarter of all institutions if it were in effect today. Although it is no longer on the table, the federal government is clearly not going to spend money any time soon to cover state program cuts. Instead, congressional leaders criticize colleges and universities for raising tuition and fees and ignore the need to increase funding for student-aid programs.

If these budget difficulties were simply part of the recurring boom-and-bust cycle of financing, the solution would be to hunker down and wait out the bust. But as the voices cited above suggest, the current situation has larger implications. The growing demand for a college education among the children of the baby-boom generation, who are now graduating from high schools, comes on top of the increase in nontraditional students seeking higher education to compete in an economy that depends heavily on technological and intellectual skills.

Short-term solutions that rely on an exploited class of contingent and undersupported faculty who teach prepackaged educational materials will not provide the kind of higher education that our political leaders are demanding. The purpose of higher education is to develop an ability to think critically and to evaluate ideas as citizens. In a speech in New York City last April, Donald Langenberg, former chancellor of the University of Maryland system, contrasted the commitment of most states to higher education in the late nineteenth and early twentieth centuries to the lack of political will to fund it today. Back then, the public looked on the state university as a treasure, even though only a privileged few actually attended college. Today, as higher education comes within the reach of almost everyone, states are devaluing their systems and relying much more on individual funding such as tuition and fees.

In an 1821 letter, Thomas Jefferson wrote of the costs and benefits of establishing a state university that "the exertions and the mortifications are temporary; the benefit eternal." Would that we had a Jefferson on the horizon today.

the federal government covers the demand side (student aid in the form of grants, loans, and work-study programs). With both state and federal funding focused on the demand side, the supply side will inevitably be shortchanged.

From a public policy perspective, it is disturbing that evasion of established budget procedures seems to be the only way available to adequately fund state services. As in California and elsewhere, voter initiatives and referenda in Colorado have increasingly hemmed in the legislature's ability to address revenue and spending issues through traditional means.

No Solution in Sight

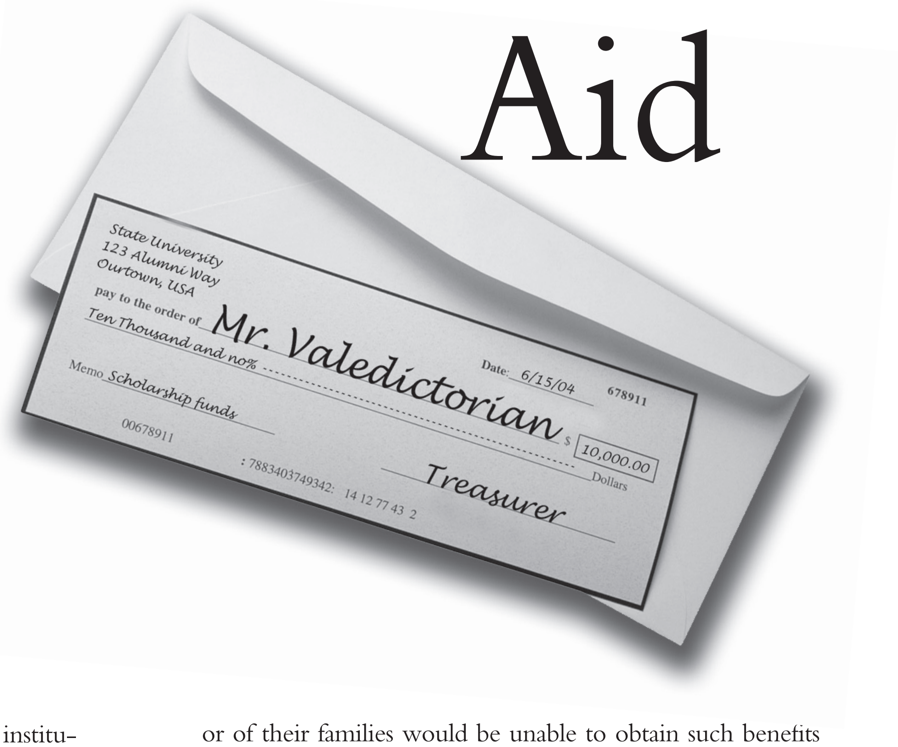
Reliance on revenue generated through tuition and fees is fast becoming the norm. The financial crisis of the past several years slashed state appropriations for public institutions and led directly to steep tuition increases. But it only exacerbated a trend that had been building for decades: the burden of funding higher education has shifted increasingly from state governments to students (and their parents) as the share of university budgets funded by state appropriations has declined steadily in most states.

The College Board report *Trends in College Pricing 2003* points out that for the 2003–04 academic year, students at public four-year colleges and universities paid an average of $4,694 in tuition and fees, an increase of 14.1 percent over the previous academic year. The increase in the two-year sector was 13.8 percent. Some states have seen tuition increases as

Note

1. See the article by Ronald Ehrenberg and Michael Rizzo in this issue of *Academe* for an analysis of the implications of tuition increases over the past quarter century.

The Changing Nature of Financial Aid



Colleges and universities are relying on merit-based aid to compete for the best students. The big losers in this competition are those students least able to afford college.

BY DONALD E. HELLER

Historically, states, higher education institutions, and the federal government awarded financial aid to undergraduates based mostly on the financial need of students and their families. The rationale behind the use of "means testing," or assessing a family's ability to pay for college, is rooted in the ideals of the Higher Education Act of 1965. Title IV of that legislation, which authorizes the federal student financial assistance programs, opens with this statement:

> It is the purpose of this part to provide, through institutions of higher education, educational opportunity grants to assist in making available benefits of higher education to qualified high school graduates of *exceptional financial need,* who for lack of financial means of their own or of their families would be unable to obtain such benefits without such aid.

Donald Heller is associate professor and senior research associate at the Center for the Study of Higher Education at Pennsylvania State University.

A complex formula known as "needs analysis" took into account family income, assets, and other characteristics to determine the amount that a student and her family could afford to contribute to postsecondary education. The difference between the cost of attending the institution of the student's choice (including tuition, room, board, books, transportation, and other expenses) and the family's contribution established the amount of financial aid for which the student would qualify.

Over the past decade, however, a major shift has occurred in the way states and colleges and universities award financial aid to undergraduate students in the United States.[1] Both states and institutions have substituted measures of academic merit for financial need as the basis for awarding grants and scholarships. And both are abandoning the concept of "exceptional financial need" as the factor determining who should receive aid.

State Grants

The 1972 reauthorization of the Higher Education Act created the State Student Incentive Grant (SSIG) program, since renamed

LEAP (Leveraging Educational Assistance Partnership). The SSIG provided federal matching funds to states that implemented programs that awarded scholarships to students based on financial need. It proved to be a critical catalyst to the development and expansion of state grant programs. In 1969, nineteen states appropriated just under $200 million for these programs; by 1974, thirty-six states allocated $423 million to them. By 1979, every state and the District of Columbia reported at least one need-based grant program, and the total appropriation had increased to over $800 million, according to the National Association of State Scholarship and Grant Programs. Spurred on by the SSIG, states began to award most of their grant dollars based on the financial need of the student.

The creation of the Georgia HOPE scholarship program in 1993, however, initiated a transformation in state aid programs. Georgia's HOPE program was the nation's first broad-based, state-run merit scholarship program. It is funded by sales of lottery tickets. Before Georgia launched the HOPE program, states allocated less than 10 percent of their grant dollars to undergraduates without considering financial need. Since 1993, thirteen states have followed Georgia's lead and developed similar merit-based programs, although they use different criteria to determine merit and varying sources to fund the programs. Today, as figure 1 shows, merit-aid programs represent 25 percent of state grant dollars awarded to undergraduates without consideration of financial need, or over $1 billion.

The effect of these merit-aid programs on college access differs substantially from that of need-based grant programs. Merit grants go disproportionately to students who would have attended college even without the public assistance, while need-based programs help those who the research tells us require assistance to enroll in college.

Who Should We Help? The Negative Social Consequences of Merit Scholarships, a 2002 report I co-edited with Harvard University researcher Patricia Marin for the Civil Rights Project at Harvard, examined four of the nation's larger state-sponsored merit-aid programs. The programs used varying measures of academic merit—including high school and college grade point averages, SAT or ACT scores, and state curricular framework tests. Yet they all had the same impact on college access: "The students least likely to be awarded a merit scholarship come from populations that have traditionally been underrepresented in higher education. This hinders the potential to increase college access among minority and low-income students."

Specifically, the study found that in Georgia, more than 90 percent of expenditures on HOPE went to students who would have attended college anyway; the program was responsible for an increase in the gap in college participation between white and African American students. Florida and Michigan awarded grants disproportionately to racial majority students and students in wealthier communities (those with higher college participation rates). New Mexico's program also had no impact on college access (although it shifted some students from two-year institutions to four-year colleges or universities). Eighty percent of scholarship recipients were from families with incomes greater than $40,000 a year, above the state's median income of $38,000.

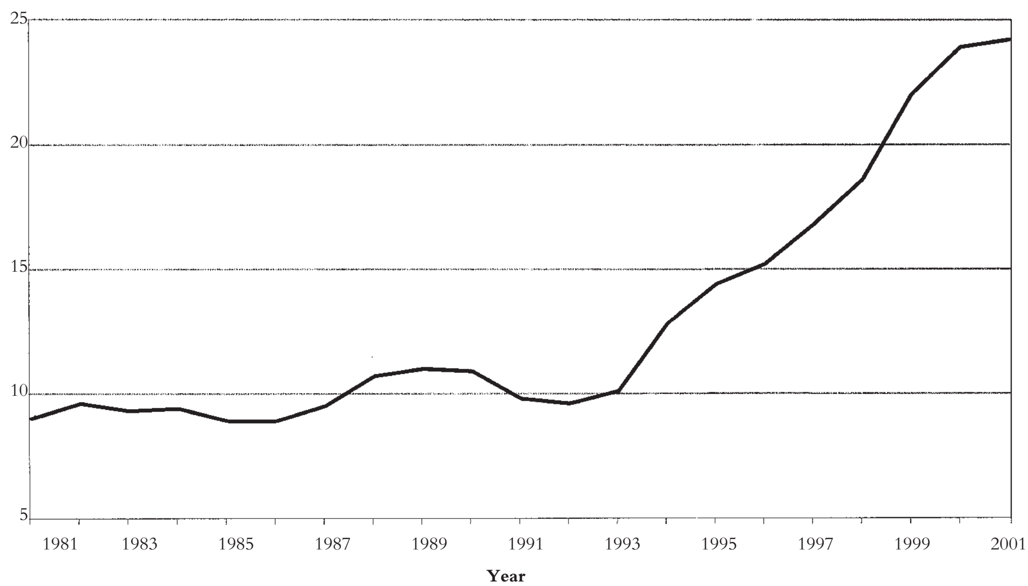
The political motivation behind these programs is clear. The scholarships disproportionately help students from middle- and upper-income families, those most engaged in and most influential in the political process in their states. Charles Reed, the former chancellor of the state university system in Florida, summed up the politics of merit-based aid in a story reported in the *Sarasota Herald-Tribune* in December 1997:

> A man approached Chancellor Charles Reed in Miami recently to tell him what a wonderful university system Florida has. Reed asked him to explain. The man said his two children at the University of Florida were receiving new lottery-funded scholarships. But Reed was troubled when he learned that the man was an orthopedic surgeon who could easily afford university tuition without financial aid from the state. "Something is really wrong when you do that," Reed said. . . . "When you can give something away to the middle and upper-middle class, in politics, it doesn't get any better than that."

Institutional Grants

Financial assistance for individuals attending college has existed in this country almost as long as higher education itself. Institutions

FIGURE 1
Percentage of State Grant Dollars Awarded to Undergraduates Without Consideration of Financial Need, 1981–2001



Source: Author's calculations based on data from the National Association of State Scholarship and Grant Programs.

TABLE 1
Institutional Grant Dollars Awarded by Type and Income Quartile (Millions)

	Need-Based Grants			Merit-Based Grants		
	1992–93	1999–2000	Percentage Change	1992–93	1999–2000	Percentage Change
Bottom quartile[a]	$593	$1,022	72	$196	$503	157
Middle quartiles	$1,475	$2,053	39	$757	$1,598	111
Top quartile	$293	$677	131	$238	$902	279
All students	$2,361	$3,753	59	$1,191	$3,003	152

Note: Columns may not sum to total due to rounding. Amounts are for full-time, dependent students in four-year institutions.

a. Income quartiles are an ordinal measure used to categorize the population into four equal groups based on the level of household income. For 1992–93, the income range for the bottom quartile was less than $24,000; for the middle quartiles, it was between $24,000 and $70,000; for the top quartile, it was more than $70,000. For 1999–2000, the income range for the bottom quartile was less than $30,000; for the middle quartiles, it was between $30,000 and $82,000; for the top quartile, it was more than $82,000.

Source: Author's calculations based on data from U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study, Data Analysis Systems for 1992–93 and 1999–2000. See http://nces.ed.gov/das.

awarded many of the earliest scholarships based on students' academic merit, with consideration often given to financial need.

This practice was carried into the twentieth century, largely by private elite colleges and universities in the East. Recognizing the inequities of this system, and the lack of a common method for determining financial need, institutions banded together in 1954 to establish the College Scholarship Service (CSS) as part of the College Entrance Examination Board. The CSS developed a common formula to help institutions determine the financial need of their applicants, after which most private institutions began awarding scholarships based solely on financial need.

In the 1990s, however, colleges and universities, like states, began to increase the proportion of scholarships they awarded on the basis of merit. The funding for these awards usually originates from one or both of two sources: endowed scholarship funds and the recycling of tuition revenue.

Scholars and journalists have widely reported the prime factor behind the increasing use of merit aid by institutions: the increasing competition among colleges and universities to attract the best and brightest students in order to improve their placement in national rankings. Data from the U.S. Department of Education show that during the 1990s, scholarships awarded without consideration of financial need grew as a proportion of all grants funded by institutions. The data also show that, increasingly, higher-income students are the beneficiaries of these scholarships.

Table 1 shows the total dollars awarded nationwide by institutions in the form of need- and merit-based grants to students in three income groups. For all three income groups, merit grants grew faster than need-based grants. Among the groups, higher-income students saw the greatest increase in receipt of *both* types of grants. Overall spending on merit aid increased at more than twice the rate of spending on need-based grants.

Data from the National Postsecondary Student Aid Study, administered by the U.S. Department of Education's National Center for Education Statistics, show that in 1992–93, institutions awarded 34 percent of the grant aid (to students in all income groups) without consideration of financial need; by 1999–2000, this percentage had increased to 44. It is interesting that even within the category of need-based aid, higher-income students saw the largest growth in grant dollars, indicating that institutions probably used increasingly liberal definitions of financial need.

Conclusions

The growing use of merit, rather than financial need, as the primary criterion for the awarding of financial aid has important implications for college access in the United States. Research on tuition prices and financial aid over the past three decades has consistently found that, short of keeping tuition prices as low as possible, financial aid targeted at needy students is the best policy for increasing college access among underrepresented students. Merit scholarships, whether provided by states or institutions, are awarded disproportionately to students from groups that already have the highest college participation rates in the nation—white, Asian American, and upper-income students.

In an era in which tuition prices are rising much faster than the ability of families to pay for college—particularly lower-income families—public and institutional financial aid dollars need to be used in the most effective and efficient manner possible. As public policy analyst Thomas Mortenson observed in the February 1997 issue of *Postsecondary Education Opportunity:*

> In the economic world of highly constrained social welfare maximization, giving scarce financial aid resources to people who do not need them is wasteful, unnecessary, unproductive, and comes at the price of adequate and appropriate student financial aid for others who could not afford to attend college without such assistance.

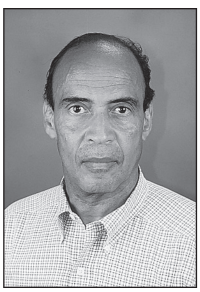
Note

1. While the federal government's primary scholarship program for undergraduate students, the Pell Grant program, has maintained its focus on awarding aid based on the financial need of the student, funding for it has not kept pace with the increases in tuition prices over the past two decades.

Free Higher Education

Once, financial aid was seen as a way to democratize universities and colleges. Today's financial aid policies are widening the gap between educational haves and have-nots. Free tuition will reverse this trend.

BY ADOLPH REED, JR., AND SHARON SZYMANSKI



Adolph Reed

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The crisis of affordability in higher education is intensifying. Illustrations of its resonance abound: from the frequent news articles describing and amplifying the crisis and its sources to legislators' and candidates' proposed responses. Republicans' responses tend to be mainly punitive toward institutions; Democrats' proposals are more complicated and expensive than they need to be, and less capable of garnering broad support from the American people.[1]

There is, however, a clear, simple, and direct way to have a significant impact on this crisis of access. It begins from the assumption that higher education should be available as a right in our public colleges for all applicants who meet admissions standards regardless of their ability to pay. To make it so, the federal government should pay tuition and fees for all students, part and full time, who are enrolled in two- and four-year public institutions in the United States. (Eighty-three percent of undergraduates now attend public institutions.)

The AAUP's Collective Bargaining Congress has adopted the proposal, as have several individual collective bargaining chapters, state AFL-CIO bodies in Oregon and South Carolina, and dozens of other unions, academic organizations, and community and advocacy groups across the country. We believe that this proposal, which is modeled partly on the post–World War II GI Bill of Rights, is an idea whose time has come again.

For most of the post–World War II era, higher education was viewed as the vehicle for closing the gap between the top and the bottom of the economic ladder. It was seen as the key to opportunity and upward mobility—part of what defined the American Dream. There was no finer expression, or more effective engine, of this belief than the GI Bill, under which the federal government offered millions of returning veterans full tuition to college and a living-wage stipend while they were enrolled. The broad, positive impact of this one policy on our society is well recorded.

Today, however, higher education shows all the signs of following the disturbing trends that are fueling economic polarization in society in general. In fact, higher education is now part of this process of shifting income to the top. Here's how it works.

Rising tuition is not just a statistic. Together with the current structure of financial aid, it is furthering the transfer of money to wealthy families and the financial sector. Specifically, as tuition rises, access to college is limited to those who can afford increasing amounts of interest-bearing loans. As tuition rises, colleges are offering more merit-based aid, which tends to benefit wealthier families. As tuition rises, students and their families are taking on huge loan debt, which transfers money to financial and credit-card companies. As tuition rises, more pressure is put on financially strapped states and public colleges to fulfill the push to privatize public services, including higher education.

Thus not only is an entire financial sector growing and society's most affluent members personally benefiting from the income shift taking place in higher education, but concerns over rising tuition are also being used to promote the privatization of yet another public service—public higher education.

Financial Aid for the Wealthy

Huge increases in tuition and fees in our colleges and universities have become page-one news. Like health care costs, the price of a college education is skyrocketing. According to *Trends in College Pricing 2003,* published by the College Board, tuition and fees at public two- and four-year colleges and universities increased 14 percent compared with the previous year. When room and board and other expenses are taken into account, public institutions cost $20,879, on average, for an out-of-state student and $13,833 for an in-state student. Private colleges and universities cost an average of $29,500. The tuition increase at four-year colleges was the largest in twenty-five years.

The College Board reports in *Trends in Student Aid 2003* and *Trends in College Pricing 2003,* however, that even though tuition and fees are high, most students do not pay the "sticker" prices, because financial aid, totaling $105 billion nationwide, is provided to almost 60 percent of undergraduate students. So perhaps the picture isn't as bleak as it seems. Or is it?

The most significant misconception is that financial aid makes college affordable for those who can least afford it. In fact, financial aid has undergone a repackaging that has hit hardest the students and families who need it most, and that has increased the financial burden for most working families. Today, families with incomes up to $25,000 can be asked to pay as much as 71 percent of their earnings to send a son or daughter to a public four-year college; families whose incomes range from $43,000 to $66,000 pay from 17 to 19 percent. Yet families with incomes over $99,000 pay only 5 to 6 percent of their income.

In the 1970s and 1980s, financial aid helped to increase access to college for those students who otherwise couldn't afford it. Over the last ten years, however, it has taken a dramatically different direction. Today, financial aid is climbing higher up the income ladder. In 1985, according to the Higher Education Research Institute at the University of California, 46 percent of first-year students attending 250 select public and private colleges came from the highest-earning quarter of households. Today, that share has jumped to over 55 percent.

Financial aid programs are now structured to influence students' choice of colleges, reward academic accomplishment at the expense of financial need, and reduce the financial burden of higher-income families. These student aid programs rely increasingly on interest-bearing loans rather than on need-based grant aid. A distressing result is that millions of qualified, lower-income students cannot afford college.

Moreover, the pressure to offset high tuition costs induces most students who do attend college to take on jobs and to work so many hours that their studies suffer. As faculty, we know the corrosive effects this circumstance has on the integrity of teaching and learning. Gradually, normative expectations about reading and other performance requirements of a course can erode to accommodate the realities of students' work commitments.

Many students wind up spreading out their undergraduate study over more years than they would prefer and still graduate with huge loan debt. Meanwhile, the holders of loans—Wall Street and credit-card companies—are having a field day.

Less Aid for Those Most in Need

Ten years ago, over half of financial aid was in the form of grants. Today, loans have surpassed grants, representing 54 percent of total aid. But today's "grant aid" is not what it might seem to imply. The Pell Grant program represents the federal government's greatest commitment to higher education. Yet it is paltry. Pell Grants are supposed to benefit the most financially strapped students. But an average Pell Grant is $2,421.

Moreover, legislators continue to dilute Pell Grants so that they now cover only 33 percent of the total cost of attending an average two-year public college, 25 percent of the cost at a four-year public college, and less than 10 percent of the cost at a private four-year school. Rather than strengthening the Pell program, the current administration has legislation pending that will further weaken Pell Grants. The new eligibility formula increases the amount of money the government says a family has available for college costs. As a result of this formula change, the Congressional Research Service, the research arm of Congress, estimated that 85,000 students could lose their Pell Grants entirely and hundreds of thousands will receive less aid. But the federal government will save hundreds of millions of dollars, and students will be forced to seek out more loans.

The administration has been trying to reduce the size of maximum Pell Grants. Accordingly, the president's fiscal 2005 budget proposal asks Congress to keep the maximum at the same level at which it was the year before. A Senate-approved amendment to the administration's proposal calls on Congress to increase the maximum Pell Grant, with the caveat that lawmakers would have to make cuts in other popular programs not related to higher education. Since the chances of their doing so are slim, the only real purpose of the amendment is to make it appear as if the administration and its allies in Congress are grappling with high tuition and, perhaps more important, to undercut a Democratic amendment to pay for raising the maximum Pell Grant by closing various tax loopholes.

More Aid for the Wealthy

The growth of merit-based aid further erodes the total amount of money available for aid based on need. Merit-based aid, which is also considered grant aid, is awarded for academic achievement rather than need. Since the 1970s, need-based grants have decreased from 61 percent of all federal student aid to 22 percent. In addition, a Harvard University report found that states set aside 25 percent of their financial aid for merit-based support in 2001, compared with just 11 percent in 1991.

Merit-based aid tends to go to students from families with the highest incomes. The College Board reports in *Trends in Student Aid 2003* that students from families with incomes of $83,000 or more in 1999–2000 typically received larger scholarships from both public and private colleges than did students from families earning less than $31,000. Yet many of the wealthier students would have attended college even without such aid. Today, according to a joint report that the Institute for Higher Education Policy and Scholarship America released in May 2004, only 48 percent of students from low-income families go to college, compared with 77 percent of students from high-income families.

All students should be rewarded in some way for academic performance. But merit-based aid reduces the total amount of need-based aid available, not the number of students who require financial assistance to attend college. Merit-based aid is the primary competitive tool that colleges use to "discount" their tuition to lure certain, usually higher-income, students.

Today, families with incomes up to $25,000 can be asked to pay as much as 71 percent of their earnings to send a son or daughter to a public four-year college.

Some universities and states have tried to address increasing economic polarization. The University of North Carolina at Chapel Hill recently announced a plan to cover the full cost of education for poor students without forcing them to take on loans. The students will have to work in state and federal work-study programs for ten to twelve hours a week, which is manageable. It would be a mistake, however, to imagine that states can shoulder this burden on their own. Because of its budget crisis, Georgia, for example, may discontinue its decade-old scholarship program for students who maintain a B average.

Under a bill introduced by House Republicans, merit-based aid could encroach on need-based aid in an even more blatant way. The bill proposes awarding Pell Grants based on academic achievement. Specifically, full-time recipients of Pell Grants in states that have State Scholars Programs could receive an additional $1,000 in their first and second years of college if they have completed a rigorous high school curriculum designed partly by business leaders and if they maintain a 3.0 grade point average. The proposal, like much of the rhetoric supporting merit-based aid, purports to reward hardworking students from low-income families; in fact, however, the students who take the demanding courses are most likely already bound for college.

With need-based grant aid deteriorating, most families must turn to interest-bearing loans. The American Council on Education reported in its *2003 Status Report on the Federal Education Loan Programs* that loans now account for 75 percent of all federal student aid. Need-based government-subsidized loans, as a share of total loans, decreased from 33 percent in 1998 to 28 percent in 2003. In contrast, the more expensive, unsubsidized government loans available to all students and parents, regardless of need, have grown by 51 percent.

During the Clinton administration, the banking industry blocked a congressional initiative to expand government-subsidized direct student loans and Pell Grants by phasing out the federal unsubsidized loan program, which provides generous subsidies to banks guaranteed by taxpayer money. Although the amounts of loans are restricted for students, parents can borrow up to the total cost of education.

With insufficient federal loan funds available, students and their families have to turn to private loans, which have skyrocketed. Nonfederal loans through banks and private lenders amounted to $7.5 billion in 2003 and represented a 41 percent increase just from 2002. Also, students and their families rely increasingly on home-equity loans and high-interest-rate credit-card financing. Recent estimates suggest that as many as 25 percent of students depend on credit cards to help finance college costs. The result is that 64 percent of students graduate with a loan debt averaging close to $17,000—almost double the average amount in 1992.

Public colleges, unable to compensate for reduced state monies and the withdrawal of federal aid, will have no alternative but to privatize and deregulate their tuition.

Benefits for the Financial Sector

Deeper loan debt means more profits for the financial sector, particularly suppliers of student loans. Executives of SLM Corporation, the giant student loan company known as Sallie Mae, have said that the rising costs of education will swell its bottom line for some time to come. Sallie Mae, as a quasi-federal agency, was supposed to make money available so that college would be affordable. But under the Clinton administration, Sallie Mae became a private corporation, and it is profiting.

With the loan-based structure of federal financial aid, the federal government is effectively guaranteeing Sallie Mae's profits and success—its student loan portfolio rose 10 percent last year, and it now holds more than $85 billion in student loans for about 7 million borrowers. Its stock has risen 400 percent since 2000. SLM Corporation recently expanded its dominance by acquiring Academic Management Services, a loan origination and tuition payment business, which will give Sallie Mae another $1.4 billion in student loans.

This spring, Republican leaders in the House reintroduced a 2002 proposal whereby students who seek consolidation loans could no longer "lock in" fixed interest rates for thirty years. Rather, the rates would vary from year to year based on market conditions. The Congressional Research Service estimates that if students cannot bundle their loans at low fixed rates, they will pay an extra $3,115 to $5,484 in interest.

Loan consolidation is a very big business. Between 2001 and 2002, borrowers consolidated $17 billion in loans, twice as much as the year before. With dropping interest rates, refinancing is expected to grow. According to the July 19, 2002, issue of the *Chronicle of Higher Education,* the third largest loan consolidator, Collegiate Funding Services, made about $1.7 billion in refinanced loans in 2001.

The rationale for doing away with fixed interest rates on consolidated loans is that the loan-consolidation program costs the government billions of dollars in subsidies to keep the costs of loans cheaper for borrowers. Supporters of this measure say the money saved by declining to help graduates repay loans could be used to provide more benefits to current and future students. This argument makes sense from the profit-making point of view of the student loan industry. Why not have the government provide subsidies to the banks rather than to students? Why not increase the new pool of borrowers, who, in turn, will have to pay higher interest rates, permitting banks to wring still higher payments out of debt-ridden graduates? Those who want to dismantle public services claim that unless the consolidation program is "checked" (that is, tied to a variable interest rate), the government's cost will skyrocket, putting in jeopardy all student-aid programs. They make similar arguments about Medicare and Social Security.

Privatization

Public colleges and universities typically depend on state revenues for over one-third of their finances. Tuition and fees are increasing, and most likely will continue to rise, because states cannot afford to maintain public colleges without federal assistance. The Bush administration has already given away any additional federal money that might have been forthcoming by doling out tax breaks to the affluent and corporations and ratcheting up a huge deficit. And administration officials repeatedly have warned college lobbyists and leaders not to come begging for more student-aid money.

Funding for state schools is the largest discretionary item in states' budgets and therefore one of the first items to experience cuts during a fiscal crisis. Historically, tuition and fees have risen when state appropriations have decreased. And this is exactly what is happening now. As the federal government depletes the public treasury, cash-starved states must pick up the slack. State support for higher education has declined substantially over the past two decades, as states have had to stretch their budgets to maintain funding for a range of social services—primarily expansions in Medicaid, health care, and unemployment services, according to a 2003 Brookings Institution report titled *State Fiscal Constraints and Higher Education Spending: The Role of Medicaid and the Business Cycle.* As a result, growth in state funding for higher education actually fell to near zero in 2003. The Rockefeller Institute on Government reports that states, and higher education in particular, will continue to face tight budget constraints for at least the next decade. As states grapple with falling revenues, neoconservatives are demanding that public higher education become more cost-effective and less dependent on government subsidies. And so the seeds of privatization are sown.

Trying to appear as if they were responding to a public outcry over rising tuition, rather than attempting to seize a ripe moment to sow these seeds of privatizing public colleges, the Republicans recently introduced a bill, the Affordability in Higher Education Act, which would withhold millions of dollars of federal money in student aid from colleges that raise tuition much faster than inflation. At least 24 percent of colleges would be affected if the act became law today. Although the most punitive parts of the legislation recently have been withdrawn—the withholding of federal student-aid monies—the legislation still proposes to maintain a "watch list" of universities and require detailed accounting if they raise tuition above a prescribed amount. In addition, House Republican Howard McKeon, the author of the legislation, warned that financial penalties could be reinstated.

The potential result of this type of legislation, given hemorrhaging state budgets and inadequate financial aid, is twofold: (1) as federal money is withdrawn and diverted to interest-bearing loans, fewer and fewer low- and middle-income students will be able to attend public colleges, and (2) public colleges, unable to compensate for reduced state monies and the withdrawal of federal aid, will have no alternative but to privatize and deregulate their tuition. Only the more affluent students will be able to afford public colleges. Following the neoconservative's campaign, the government will have removed itself from guaranteeing higher education to all its citizens. The shared public priority of higher education for all as part of the American Dream will be dismantled.

As state budget deficits squeeze higher education, states are forced to consider financial changes that make their public colleges resemble private institutions. Public colleges in Virginia are debating whether to take less state money in order to raise badly needed tuition. A recent study indicates that Colorado could run out of money for higher education by 2009. In response, state lawmakers passed legislation to take most of the state aid that goes directly to public colleges and give it directly to students, including those at private institutions. South Carolina's Republican governor suggests that public colleges be allowed to become private and get out from under all state regulations. Washington State endorsed a plan that would, for the first time, allow private colleges to compete with public institutions for state money for students enrolled in high-demand programs like nursing and special education.

Recognizing the trend for all public colleges and universities, the president of the University of Colorado system told the *Chronicle of Higher Education* in 2004, "We are faced with the end to public higher education in Colorado."

Free Higher Education

This state of affairs is unacceptable and an affront to any reasonable notion of a fair and democratic society. We believe that the appropriate response is to articulate, and mobilize in support of, a clear vision of how a fair and just society should provide access to higher education. We propose that all academically qualified students who desire an education should be able to get one—without constraint by cost or the need to amass crippling debt. We believe this proposal crystallizes a clear, simple vision. And it is not outside the political mainstream.

Most Americans believe that a college education has become as important as a high school diploma used to be in attaining the American Dream. Unlike other needed social programs, such as national health care, free higher education does not require massive amounts of money or the creation of a huge new bureaucracy. Current tuition and fees for all students now enrolled—full and part time—in public two- and four-year colleges and universities total a little more than $30 billion. Even if expanded access doubled enrollments, only $60 billion of public money would be required. This expense could easily be covered by closing some corporate tax loopholes, eliminating some tax cuts to the very wealthy, or taking a slice from the $400 billion defense budget.

Making public higher education free is not only the right, rational, and just thing to do. It is also a goal that can be won in the foreseeable future. We urge AAUP members to contact the Collective Bargaining Congress or to visit the campaign's Web site—www.freehighered.org—for further information about the campaign and how to get involved. ✐

Note

1. For examples of the proposals, see Mark Dudzic and Adolph Reed, Jr., "Free Higher Ed!" *The Nation,* February 23, 2004.

Resources for Locating Information on States and the Funding of Higher Education

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AAUP Government Relations Office

http://www.aaup.org/govrel/index.htm. The site includes regular updates on congressional activity and links to selected developments in the states.

Budget Information

http://coe.ilstu.edu/grapevine/. The Center for the Study of Education Policy at Illinois State University maintains Grapevine, a national database of tax support for higher education. The database includes tables, individual state reports, and historical information about state support for higher education. Annual Grapevine reports have been published since fiscal 1961. Each report includes a national overview of state tax appropriations to higher education, as well as detailed tables for each of the fifty states. Beginning in fiscal 1986, the annual reports include two sets of data: initial appropriations figures for the current fiscal year and revised appropriations data for the previous fiscal year. See **http://coe.ilstu.edu/grapevine/50state.htm** (state summary page); **http://coe.ilstu.edu/grapevine/Individual.htm** (individual state tables); and **http://coe.ilstu.edu/grapevine/Historicaldata.htm** (historical data).

Center for Budget and Policy Priorities

http://www.cbpp.org/index.html. The center is a general policy organization working at the federal and state levels on fiscal policy and public programs that affect low- and moderate-income families and individuals. The center conducts research and analysis to inform public debates over proposed budget and tax policies and to help ensure that the needs of low-income families and individuals are considered in these debates. The state policy Web site is at **http://www.cbpp.org/state/index.html**.

College Board

http://www.collegeboard.com/. The College Board publishes annual reports on trends in costs and financial aid. A description of and links to the reports are available at **http://www.collegeboard.com/press/article/0,,38993,00.html**. The direct links to individual reports are **http://www.collegeboard.com/prod_downloads/press/cost04/041264TrendsPricing2004_FINAL.pdf** (Trends in College Pricing); **http://www.collegeboard.com/prod_downloads/press/cost04/TrendsinStudentAid2004.pdf** (Trends in Student Aid); and **http://www.collegeboard.com/prod_downloads/press/cost04/EducationPays2004.pdf** (Education Pays).

Higher Education in the States

http://www.highereducation.org. The National Center for Public Policy and Higher Education is a policy center offering a wealth of information, including updates on individual states. It also publishes a newsletter, *Crosstalk*. Back issues of *Crosstalk* are available at **http://www.highereducation.org/crosstalk/download.shtml**. Especially illuminating are two reports from 2003, "State Shortfalls Projected throughout the Decade" and "Purposes, Policies, Performance: Higher Education and the Fulfillment of a State's Public Agenda," and one from 2004, "Responding to the Crisis in College Opportunity." The center also publishes an annual report titled *Measuring Up,* the 2004 issue of which is available at **http://measuringup.highereducation.org/default.cfm**. The site contains a national report on all fifty states, as well as individual reports with more details on each state.

National Commission on the Costs of Higher Education

http://www.acenet.edu/washington/college_costs/1998/07july/straight_talk.html. The commission was mandated by the 1998 reauthorization of the Higher Education Act. The AAUP testified before the commission and endorsed the major findings of the report the commission published. See also the Association's January 21, 1998, press release at **http://www.aaup.org/newsroom/press/1998/prclcst.htm**, and its official statement on the report at **http://www.aaup.org/govrel/archives/CostofHE/rpclcst.htm**.

National Governors Association

http://www.nga.org. The National Governors Association (NGA) is a bipartisan organization of the nation's governors. The NGA and the National Association of State Budget Officers (NASBO) conduct the biennial *Fiscal Survey of the States,* which presents aggregate and individual data on state general fund receipts, expenditures, and balances. The most recent fiscal surveys are available at **http://www.nga.org/cda/files/FSS0404.pdf** (April 2004); **http://www.nasbo.org/Publications/fiscsurv/fsfall2003.pdf** (December 2003); and **http://www.nga.org/cda/files/FSS0603.pdf** (June 2003).

http://www.nga.org/center/topics/1,1188,D_1507,00.html. This site, titled Influencing the Future of Higher Education, is hosted by the NGA's Center for Best Practices. The center has published its assessment of an NGA initiative to determine its success to date, available at **http://www.nga.org/cda/files/FUTUREHIGHERED.pdf**. In addition, the site includes several interesting reports on trends in higher education—many of which the AAUP is working to oppose.

Higher Expectations I. This series of essays, published in 2003, outlines the future of higher education, available at **http://www.nga.org/center/divisions/1,1188,C_ISSUE_BRIEF^D_1509,00.html**. The series includes:

Assessing the Quality of Student Learning
http://www.nga.org/cda/files/HIGHEREDQUALITY.pdf. The use of value-added learning assessment enables continuous improvement of student learning, institutional efficiency, and state policy. Without this approach, academic leaders and governors will have no effective way to determine the costs or the effectiveness of policies.

Creating High-Performance Postsecondary Education
http://www.nga.org/cda/files/HIGHEREDREINVENTINGHIED.pdf. Governors need to reinvent organizations, but they must also produce more services for less money. Higher education has lagged behind the global reform movement, and postsecondary education will have no choice but to reinvent itself.

Economics, Demography, and the Future of Higher Education Policy
http://www.nga.org/cda/files/HIGHEREDDEMOECON.pdf. Governors are in a unique position to influence economic competitiveness and social equity by helping minority and low-income youth gain access to postsecondary education, helping higher education institutions accommodate them, and finding ways to make the enterprise more affordable.

Privatization in Higher Education
http://www.nga.org/cda/files/HIGHEREDPRIVATIZATION.pdf. Several forces spur the spread of privatization in higher education. Governors can help postsecondary education systems by defining academic quality and student achievement, eliminating overlap and duplication, ensuring accountability, and utilizing the capacity of private providers.

Technology: Creating New Models in Higher Education
http://www.nga.org/cda/files/HIGHEREDTECH.pdf. Technology will enable education to become more learner-centered, individualized, and interactive, which will encompass the needs of all individuals.

Higher Expectations II. This second series of essays is part of the NGA's multiyear effort to promote state economic competitiveness through stronger postsecondary education systems (see **http://www.nga.org/center/divisions/ 1,1188,C_ISSUE_BRIEF^D_5331,00.html**). The essays themselves are in a pdf file at **http://www.nga.org/cda/files/041503HIGHERED.pdf**. They stress four ways governors can hold institutions accountable, contain costs, identify new methods of ensuring quality, and use the capacity of for-profit postsecondary providers more efficiently.

Other Selected Reports Available from the NGA

Using Research and Development to Grow State Economies

http://www.nga.org/cda/files/2000RESEARCH.pdf. This report explains that to compete in the "new economy," states must have an economic base of firms that constantly innovate and maximize the use of technology in the workplace. Also critical is a strong research and development base that can provide these technology-intensive companies with access to state-of-the art research, researchers, and research facilities.

Five Actions for Higher Education Governance

http://www.nga.org/center/divisions/1,1188,C_ISSUE_BRIEF^D_1508,00.html. This report offers strategic advice for governors on appointing governing boards.

Opening Doors: Expanding Educational Opportunities for Low-Income Workers

http://www.nga.org/cda/files/0601LOWINCOME.pdf. A key challenge in the current phase of welfare reform is to promote career advancement and wage progression among low-income workers. This report explores strategies that states, localities, and community colleges can adopt to help former welfare recipients and other low-income workers gain access to and complete postsecondary education to gain new skills and credentials.

Other Selected Reports Available from NASBO

Budgeting Amid Fiscal Uncertainty

http://www.nasbo.org/Publications/budgetstabilityFeb2004.pdf. This report explores the dynamics surrounding fiscal uncertainty in the states and how states work to avoid it. As the current fiscal crisis continues to subside, state officials will have the opportunity and challenge to pursue long-term strategies that will improve fiscal stability. Budget officers will be at the forefront of the challenge to pursue policies that reach the goal of sound financial management.

State Expenditure Report, 2002

http://www.nasbo.org/Publications/2002ExpendReport.pdf. This report reflects actual 2001, actual 2002, and estimated 2003 expenditures. It shows that Medicaid continues to be the fastest-growing category of state spending, increasing by 11.4 percent in fiscal 2002 and accounting for 20.8 percent of total state expenditures. The report also details state expenditures for elementary and secondary education, higher education, public assistance, corrections, transportation, capital spending, and other categories.

National Information Center for Higher Education Policymaking and Analysis

http://www.higheredinfo.org. The center is sponsored by the National Center for Higher Education Management Systems. This site offers glossy charts and analysis on each state on a variety of measurements: preparation, participation, affordability, student learning, completion, benefits, employment, and finance.

Regional Associations

The **Southern Regional Education Board** (SREB), founded in 1948, posts information about education in the southern states on its Web site: **http://www.sreb.org/**. SREB's Data Library on Higher Education, Finance, and Budgets is available at **http://www.sreb.org/main/EdData/DataLibrary/03/highered/finance/finance.asp**. SREB also publishes the *Fact Book on Higher Education*, available at **http://www.sreb.org/main/EdData/FactBook/factbookindex.asp**.

The **Western Interstate Commission on Higher Education** (WICHE) is an interstate compact of fifteen states that includes the Western Cooperative for Educational Telecommunications, which promotes technological developments in higher education. WICHE's Web site contains studies on higher education, and WICHE also publishes a fact book, *Policy Indicators for Higher Education: WICHE States*, available at **http://www.wiche.edu/Policy/Fact_Book/index.asp**.

State Government Resources

http://www.ncsl.org/public/leglinks.cfm. This page is the public section of the National Council of State Legislatures Web site, which provides links to the sites of state legislatures. Some of those sites have links to the main pages of state governments. **http://www.csg.org/csg/default**. This is the site of the Council of State Governments (CSG), whose mission is to share information among state governments. The CSG publishes the *Book of the States*, available at **http://www.csg.org/CSG/Products/default.htm**. The book is published annually and includes articles on various aspects of state government. In the 2004 edition, see especially articles by Nick Samuels ("Long-Term Budget Stability Amidst Fiscal Crisis: What Can States Do to Better Navigate the Next One?") and by John Curtis ("Trends in Faculty Salaries").

State Higher Education Executive Officers

http://www.sheeo.org/default.htm. State Higher Education Executive Officers (SHEEO) is a nonprofit, nationwide association of chief executive officers serving statewide coordinating and governing boards of postsecondary education. SHEEO sponsors a National Commission on Accountability in Higher Education, funded by the Ford Foundation (see **http://www.sheeo.org/account/comm-home.htm**). In August 2004, SHEEO released a report on state higher education finance, available at

http://www.sheeo.org/finance/shef.pdf. It downplays the implications of the budget crisis but points out the seriousness of the situation facing individual states. A PowerPoint presentation on the report is available at **http://www.sheeo.org/about/pd_pres_04/SHEF_pd_04.ppt**. SHEEO posts the *Compendium of National Data Sources on Higher Education* at **http://www.sheeo.org/soar/compendium.asp?compid=2**.

Other Resources

http://www.ilr.cornell.edu/depts/cheri. The Cornell Higher Education Research Institute (CHERI) is directed by Ronald G. Ehrenberg, Irving M. Ives Professor of Industrial and Labor Relations and Economics at Cornell University and chair of the AAUP's Committee on the Economic Status of the Profession. CHERI produces working papers on many aspects of higher education. Among the posted papers are studies on which Ehrenberg and his co-author, Michael Rizzo, based their July–August 2004 *Academe* article that is included in this report. See especially Rizzo's paper, "A (Less Than) Zero Sum Game? State Funding for Public Education: How Public Higher Education Institutions Have Lost" at **http://www.ilr.cornell.edu/cheri/wp/cheri_wp42.pdf**, and the larger dissertation upon which it is based at **http://www.ilr.cornell.edu/cheri/wp/cheri_wp52.pdf**.

http://chronicle.com. The *Chronicle of Higher Education* is the newspaper of record for higher education. It publishes articles about all aspects of higher education, including reports on state funding. Its annual almanac issue includes a summary of each state's colleges and universities. See **http://chronicle.com/prm/weekly/almanac/2004/nation/nation_index.htm**.

http://curry.edschool.virginia.edu/admin/deans/Breneman/page4.html. David Breneman is University Professor and dean of the Curry School of Education at the University of Virginia. His Web site includes articles and studies on the economics and finance of higher education.

http://www.rockinst.org/higheduc.htm. The Nelson A. Rockefeller Institute of Government Higher Education Program of the State University of New York seeks practical approaches to the issues facing colleges and universities by combining the expertise of practitioners and researchers in higher education with the contributions and concerns of trustees and opinion leaders in government, labor, and business.

http://www.budgetcrises.org/index.htm. The North American Alliance for Fair Employment (NAFFE) has a prototypical Web site on state budget crises.