

STATE SNAPSHOTS OF FUNDING FOR PUBLIC COLLEGES AND STUDENT FINANCIAL AID: California, Florida, and Texas

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In Fiscal Year 2018, states allocated approximately \$99 billion for appropriations for public colleges and universities and \$12 billion for students through financial aid programs.^{1,2} States face an economic recession that is estimated to reduce state budgets by \$200 billion in Fiscal Years 2020 and 2021 in the midst of the COVID-19 pandemic.³ In the coming years, state legislatures will grapple with difficult decisions regarding how to fund higher education.

States' approaches to higher education finance vary substantially in the levels of funding allocated to public colleges and student financial aid, funding levels at community colleges versus at four-year universities, and the share of funds awarded to students based on financial need. States also vary in their responses to the economic shock associated with prior recessionary periods and the COVID-19 pandemic. This brief highlights variations in state approaches to funding for higher education in three large and diverse states that together enroll around 30% of all undergraduate students in the United States: California, Florida, and Texas.⁴

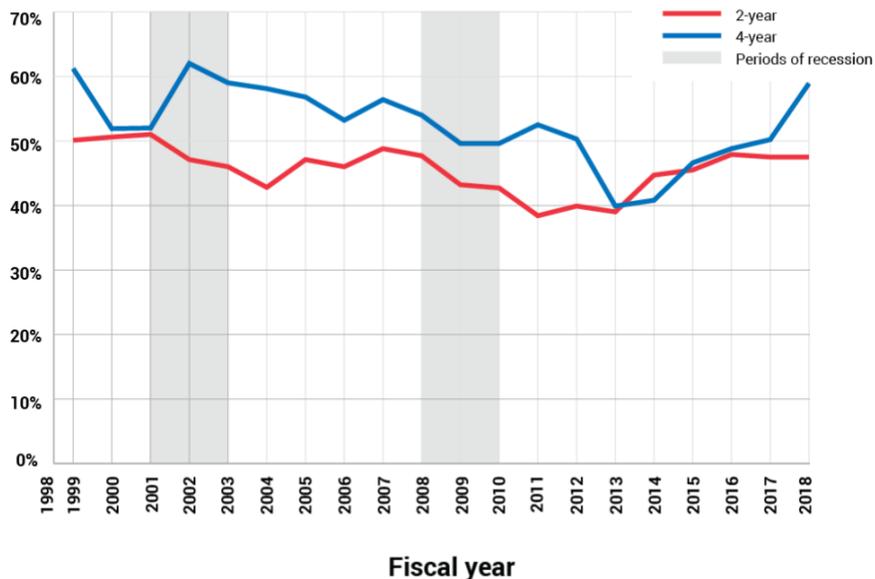
In each state, we draw on existing data to highlight per-student trends in state funding for public four-year universities and community colleges and state and local funding for each sector from Fiscal Year 1999 to Fiscal Year 2018, a period that encompasses two prior recessionary periods: a shallow recession in 2001 and the Great Recession from December 2007 to June 2009.⁵ We then review state legislative documents and news articles to capture information on how policymakers in each state are responding to the current economic downturn when it comes to funding public colleges and student financial aid programs.

California

California’s public higher education landscape consists of three systems: the University of California (UC), the California State University (CSU), and the California Community Colleges (CCC). The state’s public four-year sector is more reliant on state funds as a share of total revenues than the public community college sector in most years we observed. In Figure 1, we show the median share of revenues that come from state appropriations in the state’s public four-year and community college sectors. Around 60% of four-year college revenues came from state appropriations in 1999. This share fluctuates somewhat over the two decades we observe, declining in the years following the Great Recession before increasing again to around 60% in 2018. At the state’s public community colleges, around 50% of revenues came from state appropriations in 1999. This percentage decreased in the early 2000s and rose to just under 50% in 2007 before declining again during the Great Recession and post-recessionary period (2008 to 2013). Shares of revenue from state appropriations for California’s community colleges rebounded somewhat after 2013, but they still represented a smaller share (around 47.5%) of total revenues in 2018 than they did two decades prior.



Figure 1: Median percent reliance on state funding by sector (California)

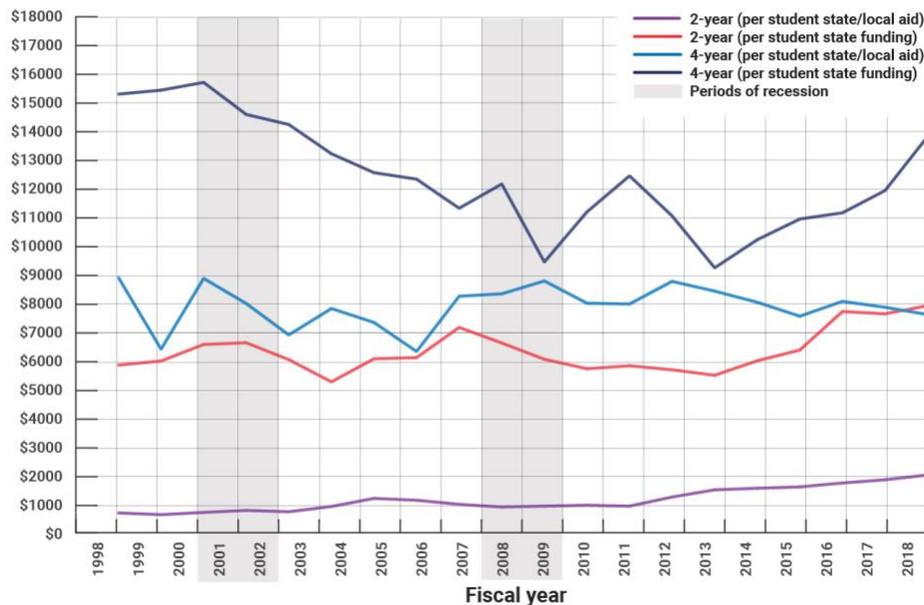


Notes. Median percent reliance on state funding by sector data come from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges.

In Figure 2, we show median per-student state appropriations in each sector, with higher levels of funding at four-year colleges than community colleges. Median per-student state appropriations at public four-year colleges were just below \$16,000 in 1999 (in 2019 dollars). Median appropriations declined fairly consistently until they reached \$9,500 in 2009. In the years immediately following the Great Recession, they increased to \$12,500 in 2011 but then dropped once again to \$9,300 in 2013. Median per-student appropriations to California’s public four-year colleges have increased since then to \$13,800 in 2018, which is around \$1,500 below their 1999 levels.

Median per-student state appropriations at California’s public community colleges were just under \$6,000 in 1999 and rose to \$6,700 in 2002. Per-student state funding declined for two years during the shallow 2003 recession before increasing to \$7,200 in 2007, just prior to the Great Recession, and decreased in post-recession years until 2013 to just below their 1999 levels. Median per-student funding has risen since then to nearly \$8,000 in 2018.

Figure 2: Median per-FTE funding and state/local aid by sector (California)



Notes: Includes colleges with data in each year of the panel. Median per-student state appropriations figures come from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges. Median per-student state and local grant aid figures come from IPEDS and include public and private not-for-profit and for-profit institutions.

*From 1999 to 2018, virtually all state spending on student financial aid in California went toward need-based financial aid.*⁶ The median per-student amount of state and local financial aid that students at four-year colleges (public and private) in the state received was just under \$9,000 in 1999, largely through the state’s generous Cal Grant program. This figure has fluctuated over time but decreased overall to \$7,600 in 2018. In 2004 and 2009, roughly a year after each of the recessionary periods we observed, the median amount of state and local aid four-year college students received increased (by around \$1,000 in 2004 and by \$450 in 2009), but these gains were not sustained and remained below 1999 levels every year. At California’s community colleges, median per-student state and local aid, mainly through the Board of Governors’ fee waiver, was \$740 in 1999. Median state and local aid per community college student has fluctuated over time but has risen each year since 2011. In 2018, the median per-student state and local grant aid was more than double its 1999 level at community colleges, likely reflecting 2017 legislation that provided funds to expand free college to all first-time, full-time undergraduates through the BOG fee waiver.⁷

California's budget for Fiscal Year 2021 decreases funding to its university systems. The UC and CSU systems’ budgets decreased by \$258.7 and \$299.1 million, respectively.⁸ The CCCs budget will remain the same, but California deferred \$1.5 billion in funding for its community colleges, which will require them to use reserve funds and rely on short-term lenders for cash flow.⁹ These deferred payments could result in budget cuts in subsequent fiscal years. The state extended hold harmless provisions for its performance-based funding policy for CCCs, which means funding for community colleges that runs through the funding formula will not decrease from the prior year level. The state plans to augment the decrease in state funding for the UC and CSU systems and rescind \$791 million of the CCCs’ deferral if the federal government passes legislation appropriating additional stimulus funds, which is unlikely to happen in the near future with talks stalled.¹⁰ California’s budget for the Fiscal Year 2021 maintains funding for the Cal Grant program, a need-based aid program for eligible students who maintain Satisfactory Academic Progress in college, and redirects funds to grants for undocumented students unable to access federal stimulus aid through the Coronavirus Aid, Relief, and Economic Security (CARES) Act.¹¹

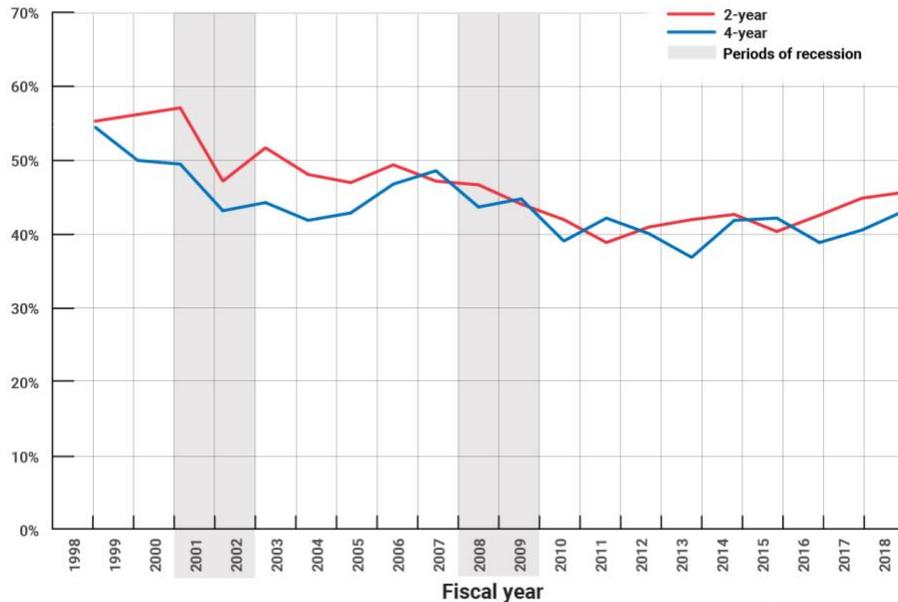
Florida

Florida has two public higher education systems: the State University System and the Florida College System. In contrast to California where public four-year colleges were more reliant on state appropriations as a revenue source, a similar share of the revenue for Florida’s public four-year and community college sectors came from state appropriations—around 55% in 1999. Figure 3 depicts the share of the revenue from state appropriations for the two public



college sectors over time. The share of the revenue from state appropriations at both public four-year and community colleges has declined gradually over the last two decades to comprise around 45% of total revenue in 2018.

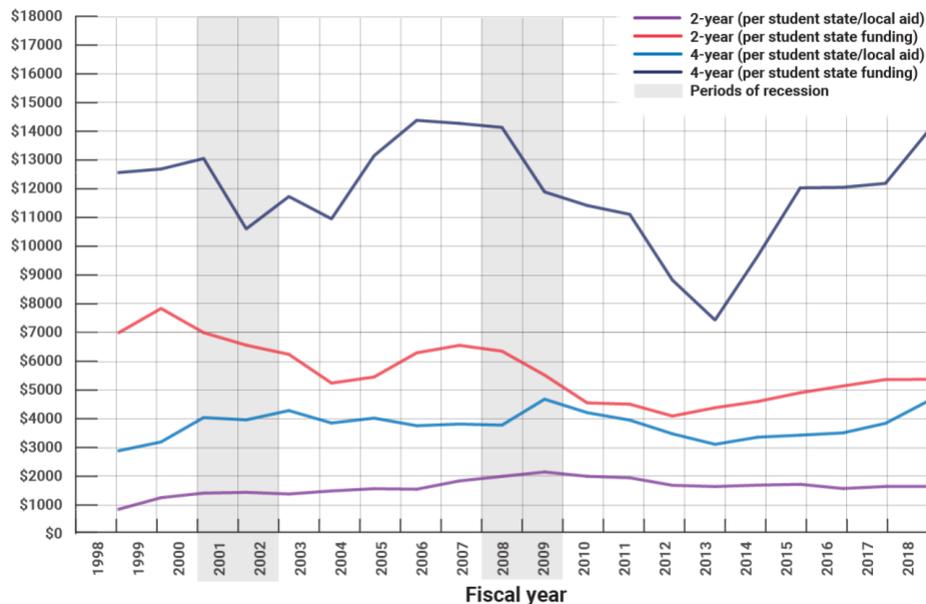
Figure 3: Median percent reliance on state funding by sector (Florida)



Note: Median percent reliance on state funding by sector data come from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges.

Although the share of the revenue from state appropriations was similar across sectors, median per-student state appropriations differed over the two decades we observed, as shown in Figure 4. Median per-student state appropriations were around \$12,500 in 1999 and \$14,000 in 2018 at Florida's public four-year colleges, an increase of around \$1,500. Median per-student state appropriations were lower in the public community college sector than the four-year sector, and the per-student median state appropriation dropped from around \$7,000 in 1999 to \$5,400 in 2018. In both sectors, the median per-student state appropriations declined in years following both the 2003 and 2007-2008 recessions.

Figure 4: Median per-FTE funding and state/local aid by sector (Florida)



Notes: Includes colleges with data in each year of the panel. Median per-student state appropriations figures come from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges. Median per-student state and local grant aid figures come from IPEDS and include public and private not-for-profit and for-profit institutions.

Median per-student state and local grant aid was higher in recent years at four-year and community colleges (public and private) in Florida than at the beginning of the period—rising from \$2,900 in 1999 to \$4,600 in 2018 at four-year colleges and from \$850 to \$1,650 over the same period at community colleges. The median amount of state and local grant aid dropped in both sectors in years following the Great Recession (declines from 2010 to 2013 in four-year and community colleges in Florida). The sporadic but overall increase in median per-student state and local grant aid over the two decade period coincided with an increase in the share of state financial aid awarded based on need. ***The share of state spending on aid for students with financial need rose from around 22% in 1999 to 42% in 2018, but the state still awards less than half of aid dollars on the basis of need.***¹²

Florida’s budget for Fiscal Year 2021 includes small increases in funding for the Florida College System and the State University System.¹³ The state budgeted an additional \$44.4 million for its State University System and an additional \$22.8 million for the Florida College System from the prior year.¹⁴ The state maintained the same level of funding for its performance-based funding system, which links around 20% of general fund appropriations for the four-year sector and around 5% for the community college sector to student outcomes.^{15,16,17} The state expanded funding for the Bright Futures Scholarship program, the state’s large merit-based financial aid program, by more than \$50 million and maintained funding for its need-based aid program, the Florida Student Assistance Grant.^{18,19} The legislature, which sets tuition levels for public colleges and universities, did not raise tuition.²⁰ Despite what would appear to be increases in state funding

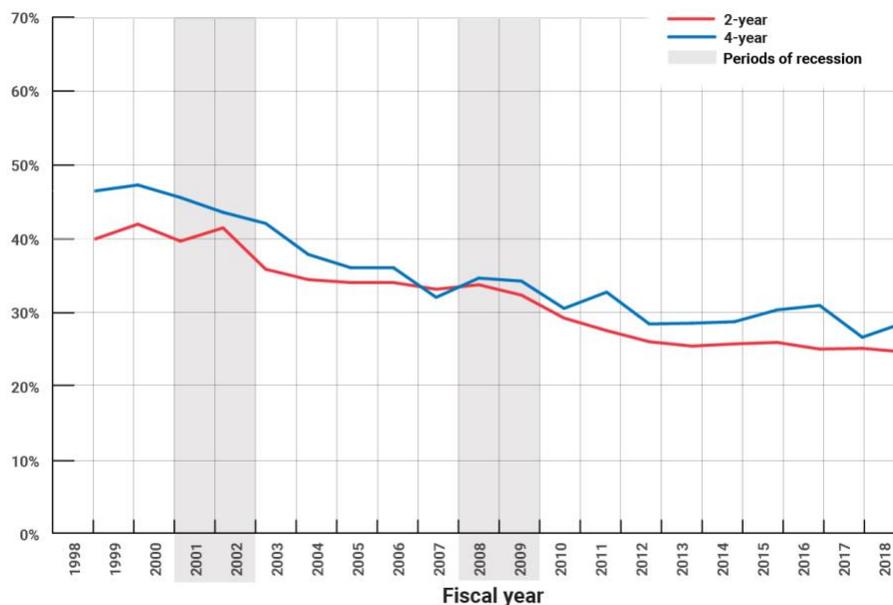
for higher education, state officials have ordered Florida departments and agencies, including public colleges and universities, to identify ways to cut 8.5 percent from their current Fiscal Year 2021 budgets. The state is preparing for the possibility of a special legislative session beginning in March 2021 to address the anticipated budget shortfall due to the COVID-19 pandemic; however, these cuts may not necessarily be implemented during Fiscal Year 2021.²¹

Texas

Texas has several public university systems (the University of Houston, University of North Texas, University of Texas, Texas A&M University, Texas State University, and Texas Tech University) and four separate public universities. The Texas Association of Community Colleges comprises the public community college sector, and the state also has a technical college system with ten institutions. The median Texas public four-year and community college are less reliant on state funding as a share of total revenues than their counterparts in California and Florida, as shown in Figure 5. The share of revenues from state appropriations in the public four-year sector in Texas is slightly higher than the two-year sector, but less than half of revenues came from state appropriations in both sectors in 1999. These numbers declined to around one-quarter of total revenue two decades later in 2018.



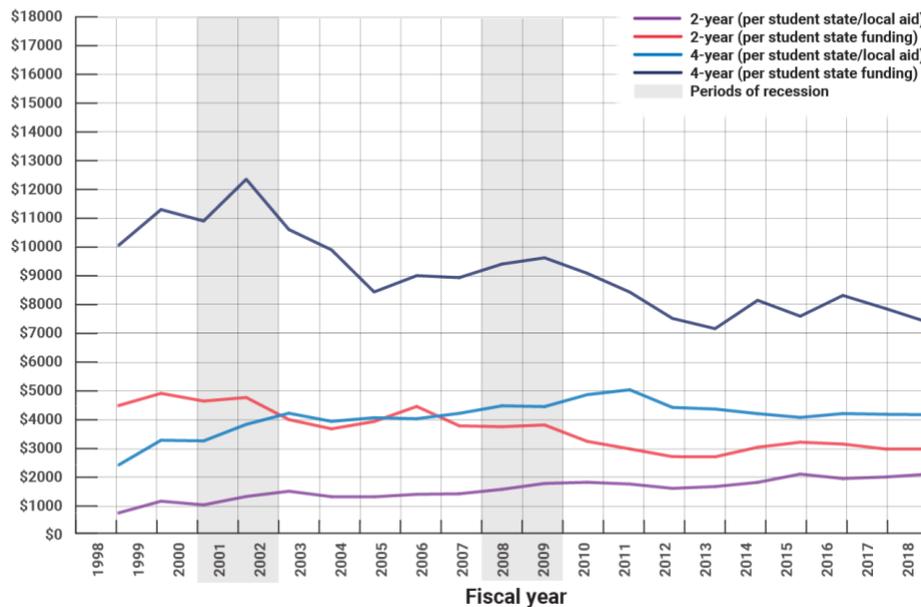
Figure 5: Median percent reliance on state funding by sector (Texas)



Note: Median percent reliance on state funding by sector data come from the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges.

Texas’ public four-year and community college sectors have also experienced declines over the last two decades in median per-student state appropriations, as depicted in Figure 6. Median per-student funding at public four-year colleges dropped from more than \$10,000 per student from 1999 to 2003 to less than \$8,000 in 2017 and 2018. At public two-year colleges, median per-student state appropriations dropped from more than \$4,000 from 1999 to 2002 to around \$3,000 in 2017 and 2018. Both recessions triggered declines in median per-student funding levels for Texas’ public higher education institutions.

Figure 6: Median per-FTE funding and state/local aid by sector (Texas)



Notes: Includes colleges with data in each year of the panel. Median per-student state appropriations figures come from the National Center for Education Statistics’ Integrated Postsecondary Education Data System (IPEDS) and include only public four-year and two-year colleges. Median per-student state and local grant aid figures come from IPEDS and include public and private not-for-profit and for-profit institutions.

In both the four-year and community college sectors in Texas, meanwhile, median per-student state and local grant aid have increased fairly steadily in both the four-year and community college sectors (public and private). In 1999, the median per-student state and local aid were around \$2,400 at four-year colleges and \$760 at community colleges. By 2018, median per-student aid reached \$4,175 at four-year colleges and nearly tripled to \$2,100 at community colleges. The median amount of state and local grant aid received by students at four-year colleges reached a two-decade high in the years following the Great Recession (reaching just over \$5,000 in 2011). ***Virtually all state student aid in Texas was awarded on the basis of financial need from 1999 to 2018.***²²

Texas expects a budget deficit of approximately \$4.6 billion for the biennium ending in Fiscal Year 2021, leading the governor to instruct public agencies, including public universities, to reduce budgets by 5%.²³ Health related institutions and community colleges are excluded from this request. However, budget cuts are

not expected to affect state financial aid at this point. The governor directed \$150 million in federal stimulus funds through the CARES Act to maintain funding for the state's need-based financial aid programs, offer aid to displaced workers, and support students and families who have been severely affected by the pandemic.²⁴ In addition, the state created the Texas Emergency Aid Program, which distributed \$711,000 across 57 institutions to provide students with additional funding for expenses related to the pandemic.²⁵

Our analysis indicates that California, Florida, and Texas each vary in their approaches to higher education finance and how they respond to budgetary pressures during recessionary periods. Following a national trend,²⁶ public four-year and two-year colleges in Texas and Florida experienced declining shares of revenue coming from state appropriations between 1999 and 2018. Texas in particular saw a dramatic decline in the share of funding coming from the state. Florida saw a widening gap between the state's public four-year and community colleges in median per-student state appropriations, a gap that remained but narrowed slightly in the other two states. While per-student state appropriations tended to decline during recessionary periods, per-student local and state grant aid often increased in tough economic times. How states allocate financial aid varied: Florida increased the share of financial aid awarded based on need over the last two decades, but the percent allocated to students on the basis of need remained much lower than in California and Texas, both of which allocate virtually all state aid based on need.

These historical approaches to responding to economic downturns are reflected in current discussions, and once again, state responses vary. While Florida expanded funding for public colleges and universities and student financial aid at least at present, Texas and California cut funding for public universities but maintained funding for need-based student financial aid. We highlight early indications of states' responses to the COVID-19 pandemic, but there may be changes as the fiscal year progresses. Absent an influx of federal stimulus dollars in the coming months, which appears to be unlikely as discussions stall,²⁷ state legislatures will face increasing pressure to balance budgets in the approaching fiscal years.

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