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Recessions That Never End

Roller coasters and yo-yos are among the metaphors frequently used when experts describe cycles of state appropriations for higher education. Recessions bring cuts, but recoveries allow public colleges and universities to regain funds and strength — at least until the next decline. And anyone who has worked at a public college has seen the pattern. After some tight years, there are usually headlines about legislators and governors approving substantial increases in state support.

A study being released today, however, suggests that there's a reason that many who work at public colleges feel as if their classes are larger, their paychecks are not so large, and their students are having more difficulty getting into courses or paying their bills. The 25-year analysis of state spending on higher education finds that the improved finances that follow a recession rarely restore colleges' budgets to levels where they can provide what they had pre-recession.

Of the 44 states that cut funds, per full-time equivalent student, in the last recession (of 2001), only one state has seen funds restored so that — adjusting for inflation — spending per student is at least the same as it was pre-recession. Six states have yet to reach the levels that they had before the recession of 1990-1.

"When we look at the 25-year cycle, we are seeing a cumulative effect of four recessions, and that impact has been devastating," said Edward R. Hines, one of the study's leaders and a professor emeritus at Illinois State University's Center for the Study of Education Policy. That center, which led research on the study, is home to "Gravevine," the project that each year produces the definitive information about state appropriations for higher education.

The researchers used that data — along with federal data, information provided by states, and site visits to states — to analyze exactly what happens in a state higher education system during a recession. (While the term "recession" is frequently used to talk about any downturn, they confined themselves to the four recessions that met the technical definition.)

Given that state budgets — even if relatively healthy now — are bound to experience recessions again, the news is not good for higher education. Among the researchers' findings:

- Between 1979 and 2004, state appropriations for higher education did not keep up with growth in state economies (measured as Gross State Product) in any state.
- When recessions hit the United States, each one seems to hurt higher education more intensely than the one before — with longer recovery times. Appropriations per FTE

declined in 26 states following the 1980 recession, in 38 states following the 1990-91 recession, and in 44 states following the 2001 recession.

- In three of the last four recessions, tuition increased faster than the availability of state student aid, and faster than the growth in family income and student aid.
- The impact of the 2001 recession (which was followed by 9/11) was particularly destructive even though, in duration, that recession was relatively short. Shifts in state support for students from need- to merit-based aid have made it more difficult for needy students to deal with tuition increases.

Ross Hodel, the Illinois State professor who directed the study, said that the research demonstrates that it's no longer possible in bad years to just assume that things will be better in a few years. "Waiting it out isn't going to work any more. If you wait, nothing is going to happen."

The research — which was supported by the Lumina Foundation for Education, and performed with the State Higher Education Executive Officers and the National Association of State Student Grant Aid Programs — will be shared with state officials in an attempt to prompt discussions about how to position public higher education to better handle future economic downturns. The reports being released today — while will be online shortly at the Illinois State center's Web site — also include profiles and data on each state.

Generally, both Hines and Hodel said that the research made them skeptical of states that maintain low tuition policies for their public colleges and universities. While that has historically been one way that states promoted access, it was premised on states providing a consistent level of appropriations for operating support. States may be better off, they said, with policies that have higher tuition levels, along with higher aid. "I don't see how you can get by with a low tuition strategy any more," Hodel said.

Hines said that states that have expanded need-based financial aid were able to make it through the last recession with — if not no impact — then at least a lesser impact on access for students.

Following is a table showing the study's findings about how long it took states to recover from three of the recessions over the last 25 years. An asterisk indicates that the never reached the level, adjusted for the growth in FTE and inflation, it had prior to the recession in question, at least during the years covered by the study. Hines said that it was important to include FTE because of the wide variation in enrollment increases, which add considerably to the pressures on state higher education systems — and mean that a double-digit increase a few years after a recession may not be enough to make up for cuts. The table also show that for many states, most of tde last 25 years has been spent catching up from the last recession.

State Appropriations in Recession Periods, per FTE

State	% Change in State Funds, 1980-2	Year of Rebound to 1980 Level	% Change in State Funds, 1991-3	Year of Rebound to 1991 Level	% Change in State Funds, 2001-3	Year of Rebound to 2001 Level
Ala.	-15.5%	1988	-7.0%	1995	-6.0%	*
Alaska	+19.8%		-14.9%	*	-4.7%	*
Arizona	+9.2%		-2.7%	1998	-14.4%	*

Ark.	-6.1%	1985	+10.6%		-15.9%	*
Cal.	-1.9%	1985	-5.1%	1999	-1.7%	*
Colo.	+3.8%		-3.9%	1998	-22.0%	*
Conn.	-14.8%	1985	-19.8%	1998	-5.1%	*
Del.	+16.3%		-3.1%	1995	-6.5%	*
Florida	+3.1%		-12.6%	1997	-18.0%	*
Georgia	+1.4%		-15.4%	1996	+1.6%	
Hawaii	+5.0%		no change		-4.3%	2004
Idaho	-6.3%	1985	-9.1%	1995	-7.1%	*
Illinois	-5.8%	1986	-4.0%	1995	-8.6%	*
Indiana	-2.9%	1985	-4.3%	1997	-5.2%	*
Iowa	-16.0%	1998	-3.3%	1998	-17.8%	*
Kansas	-2.1%	1983	-3.2%	1996	-8.8%	*
Ky.	-3.7%	1983	-6.9%	1997	-6.6%	*
La.	+9.0%		-11.9%	1999	+17.5%	
Maine	-0.9%	1983	-9.4%	2001	-11.2%	*
Md.	-0.7%	1983	-12.6%	1999	-9.4%	*
Mass.	+15.9%		-11.5%	1996	-16.6%	*
Mich.	-7.5%	1985	-0.8%	1995	-12.5%	*
Minn.	-3.6%	1984	-13.3%	*	-12.6%	*
Miss.	+4.1%		-1.4%	1994	-15.5%	*
Mo.	-15.5%	1986	-3.5%	1994	-23.4%	*
Mont.	+12.4%		-4.5%	*	-7.1%	*
N.C.	+6.3%		-3.5%	1995	-11.1%	*
Neb.	-3.1%	1985	+0.3%		-10.2%	*
Nevada	-4.1%	1984	+19.7%		+0.8%	
N.H.	+8.0%		-6.8%	1995	-3.9%	*
N.J.	-3.6%	1983	+4.7%		-9.2%	*
N.M.	+8.9%		-5.2%	1994	-7.7%	*
N.Y.	+1.6%		-8.8%	*	+0.2%	
N.D.	+18.8%		+5.3%		-4.5%	*
Ohio	-7.3%	1983	-10.9%	1995	-15.4%	*
Okla.	+19.9%		+15.5%		-18.8%	*
Oregon	+1.6%		+9.4%		-26.8%	*
Pa.	-7.2%	1985	-2.8%	1994	-11.3%	*
R.I.	+0.7%		-16.5%	2000	-3.7%	*
S.C.	-5.1%	1984	-9.8%	*	-27.1%	*
S.D.	-7.9%	1985	-1.9%	1994	+1.1%	
Tenn.	-3.7%	1984	-1.5%	1994	-0.6%	*
Texas	+17.2%		+0.6%		-5.7%	*
Utah	-0.8%	1983	+0.1%		-1.1%	*
Vt.	+7.8%		-7.1%	*	-4.2%	*
Va.	+3.1%		-16.6%	2000	-20.6%	

Wash.	+11.3%		+1.4%		-7.8%	*
W.Va.	+0.3%		-1.7%	1994	-12.7%	*
Wis.	-6.1%	1987	+1.6%		-4.1%	*
Wyo.	+25.3%		-5.4%	2001	+12.9%	

— Scott Jaschik