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EFP Takeaways

State Lottery Earmarks and Higher Education Funding Appropriations

Background

State appropriations for higher education have decreased considerably over the past few decades. Concurrently, states began earmarking portions of their lottery revenues towards higher education funding. However, limited research is available to address the effects of these state lottery earmarks on actual appropriations to higher education. To address this gap, researchers at Miami University Oxford, East Tennessee State University, and Salus University examined twenty years of state funding data to determine these effects.

The Study

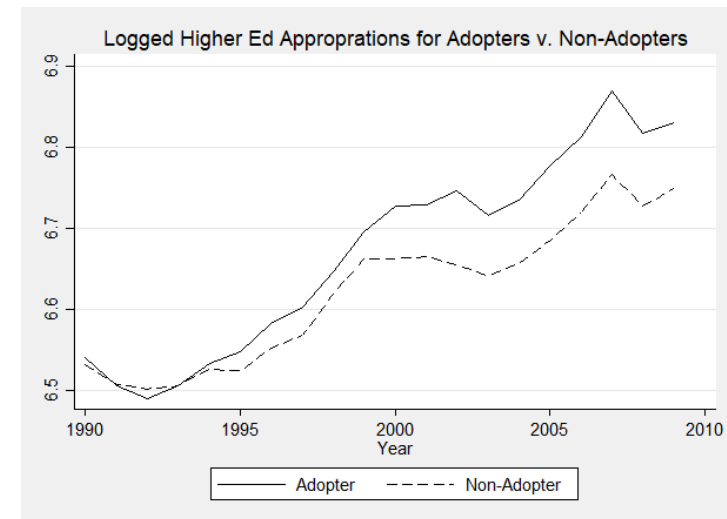
Utilizing data from 1990 – 2009, the authors focused their analysis on understanding how state lottery higher education funding earmarks have influenced overall state appropriations and state financial aid levels. In total, the authors combined data on state funding appropriations, state financial aid, lottery earmark implementations, and time-variant contextual variables.

Findings

The authors found that state lottery earmarks supplement, rather than supplant, state funding for higher education (see figure). On average, appropriations increased by 5% in the year following state lottery earmarks. Lottery earmarks also have a large, and positive effect on merit-based financial aid (135% increase).

However, there is a strong, negative relationship between state lottery earmarks and need-based aid. In fact, after the implementation of lottery earmarks to higher education, states reduced need-based aid by approximately 12 percent. Given substantial evidence supporting the benefits of need-based aid as an important component for college

access and success for underrepresented groups, these findings suggest there could be serious negative consequences for supplanting need-based aid to support merit-based aid.



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Bell, E., Wehde, W., & Stucky, M. (2020). Supplement or supplant? Estimating the impact of state lottery earmarks on higher education funding. *Education Finance and Policy*, 15(1).