

EDUCATION

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EFP Takeaways

Higher Education Attendance Effects of Statewide Appropriations

Background

Public colleges and universities derive a large portion of their revenue from public sources, and the least selective schools are generally the most reliant on state and local appropriations. However, state and local government funding for higher education often reflect external budgetary pressures, with the years spanning 2000 to 2010 representing a period of considerable variation in the resources public colleges received. A new study in vol. 15, issue 3 of *EFP* by Sarena Goodman and Alice Henriques Volz at the Federal Board of Governors of the Federal Reserve System investigates the effects of shifting appropriations on higher education enrollment and borrowing.

The Study

The study combined financial, enrollment, and staffing data from the U.S. Department of Education's Delta Cost Project database to allow for a longitudinal analysis of higher education funding, enrollment, and borrowing. The authors examined the link between changes in state and local appropriations and student outcomes from 2000 to 2010 using 550 state-year observations.

For more details:

- View the [full issue](#).
- See the [full article in Education Finance and Policy](#).
- [Sign up here to receive future EFP Takeaways](#).
- Summary of:
Goodman, S., & Volz, A. H. (2020). Attendance spillovers between public and for-profit colleges: Evidence from statewide variation in appropriations for higher education. *Education Finance & Policy*, 15(3), 428-456.

Findings

Analyses revealed three key findings:

- Annual decreases in statewide appropriations lead to lower public enrollment, higher for-profit enrollment (with no effect on enrollment overall) and increased student borrowing.
- Effects are concentrated at community colleges (as opposed to four-year universities), which is consistent with the heavier reliance of such schools on appropriations and with substitution occurring among less-competitive students (for whom for-profit schools likely represent the closest substitutes).
- Extended analysis produced suggestive evidence that appropriations immediately affect conditions in the public sector—including spending on student services and academic support (but not instruction), tuition, and capacity—which may induce students to attend for-profits.

Overall, the analysis indicates that core institutional resources affect the types of schools that students attend and, in particular, can induce substitution between the public and for-profit sectors. Thus, remote state budgetary processes can bear substantial consequences for students' postsecondary attendance choices and subsequent outcomes. Further, if there is concern around increased enrollment in for-profit colleges, then legislators should consider policy choices that will sustain conditions in the public higher education sector.