Government Support for Higher Education

DONALD F. KETTL

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The crucial choice

Reagan’s 1982 State of the Union Address proposes an “equal swap”

- Feds take Medicaid
- States take food stamps, welfare, AFDC
Medicaid squeezed states since

Source: National Association of State Budget Officers. This data is proprietary to the National Association of State Budget Officers.
Higher ed: #3 in state budgets (including Maryland)

Figure 1: State General Fund Expenditures in 2014 (Estimated), by Category

Maryland among most generous states toward higher ed

Figure 11: Education Appropriations and Net Tuition at Public Research Universities per Full-Time Equivalent Student, 2013
States’ support for higher ed shrinking

Figure 6: Change in State Support for Public Higher Education (All Public Colleges and Universities) per Full-Time Equivalent Student, 2008 to 2014

State Support ($) per Full-Time Equivalent Student
- ≤ $4,000
- $1 to $1,999
- $2,000 to $3,999
- $0 to $1,999
- ≥ $4,000
State higher ed support down 30% since 2000

Figure 4: Percent Change in State Support for Public Higher Education (All Colleges and Universities) per Full-Time Equivalent Student, in Constant 2014 $, since 2000
Medicaid is squeezing higher ed

**Figure 5:** Higher Education (All Colleges and Universities) and Medicaid as Share of State General Fund Expenditures

<table>
<thead>
<tr>
<th>Year</th>
<th>Higher Ed</th>
<th>Medicaid</th>
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<tbody>
<tr>
<td>1991</td>
<td>13.1%</td>
<td>11.3%</td>
</tr>
<tr>
<td>2016</td>
<td>11.3%</td>
<td>16.9%</td>
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**MARYLAND**
Maryland: general fund spending

Percent change: 1991 - 2016

- Higher Ed: +130%
- Medicaid: +302%

Source: NASBO
Slim chance economic growth will provide more support
Figure 1: State and Local Operating Balance Measure as a Percentage of Gross Domestic Product (GDP)

Percentage of GDP

Simulation begins

Positive balance

Negative balance

Year

2006 2010 2015 2020 2025 2030 2035 2040 2045 2050 2055 2060 2065

Operating balance

Sources: GAO calculations using Bureau of Economic Analysis data and GAO simulations, updated December 2016. | GAO-17-213SP
Pensions add to the squeeze
... and Maryland could be significantly affected by tax reform
“Unrelated business income tax”

• House tax reform bill proposes to include state pension systems in UBIT, now applied to private and nonprofit organizations ($1.1 billion in revenue needed to fund tax cuts)
  
• Could add new costs, administrative burdens to states

• Greatest impact on states with largest unfunded liabilities, since UBIT could eat into investment returns