

ED332562 1990-12-00 Budgeting for Higher Education at the State Level: Enigma, Paradox, and Ritual. ERIC Digest.

ERIC Development Team

www.eric.ed.gov

Table of Contents

If you're viewing this document online, you can click any of the topics below to link directly to that section.

Budgeting for Higher Education at the State Level: Enigma, Paradox, and Ritual. ERIC Digest.....	2
WHAT ARE THE ENVIRONMENTAL FACTORS?.....	2
HOW DO THESE FACTORS AFFECT BUDGETING?.....	2
WHAT ARE THE PRIMARY ELEMENTS.....	3
HOW DO STATE HIGHER EDUCATION BUDGETS LINK RESOURCES WITH POLICY.....	4
WHAT ARE THE IMPLICATIONS?.....	5
REFERENCES.....	5



ERIC Identifier: ED332562

Publication Date: 1990-12-00

Author: Layzell, Daniel T. - Lyddon, Jan W.

Source: Association for the Study of Higher Education.| BBB15669 _ ERIC Clearinghouse on Higher Education Washington DC.| BBB27915 _ George Washington Univ. Washington DC. School of Education and Human Development.

Budgeting for Higher Education at the State

Level: Enigma, Paradox, and Ritual. ERIC Digest.

THIS DIGEST WAS CREATED BY ERIC, THE EDUCATIONAL RESOURCES INFORMATION CENTER. FOR MORE INFORMATION ABOUT ERIC, CONTACT ACCESS ERIC 1-800-LET-ERIC

State budgeting for higher education is a complex set of activities involving various competing interests and issues. In the broadest sense, the primary objective of all budgeting is to target resources to meet specific policy objectives. The budget spans the distance between present choices and future options (Caiden 1988). While the federal government provides substantial support to higher education in the form of student aid and research grants, state governments bear the principal responsibility in budgeting for higher education operations and thus in shaping the present and future direction of higher education within the state.

The simplicity of this description belies the underlying interplay of human and external forces and factors laced throughout the budget process. Higher education is both similar to and different from other policy areas in state government like transportation or corrections. It is similar in that it must compete with these other areas for its share of a sometimes shrinking budget. It is different in that higher education is relatively autonomous from the state.

WHAT ARE THE ENVIRONMENTAL FACTORS?

The environmental context is comprised of interrelated historical, political, economic, and demographic factors. Historical factors include state residents' traditional values and preferences regarding higher education as well as the state government's historical involvement in governance of higher education. Previous budgets also make up part of the historical context. Political factors include the structure of higher education, gubernatorial influence, legislative influence, and interest groups' and citizens' influences. Economic factors include a state's general economic condition, state tax capacity, and availability of state revenues. Demographic factors include the level and composition of a state's population, enrollment in higher education, and student participation rates in higher education.

HOW DO THESE FACTORS AFFECT BUDGETING?

In part, these factors help explain the wide variance in funding for higher education among the states, although by no means do they explain all of the variance. A state's historical traditions act as "behavioral regulators" for the participants in the state budget process. If the state's residents traditionally have highly valued higher education, state

policy makers will also generally value it, and vice versa. Political factors determine the extent to which the power of higher education is centralized at the state level (that is, coordinating agency) or diffused among the individual institutions and the predominance of the governor and the legislature in the budget process. In recent years, governors generally have become much more deeply involved in higher education and hence the budget process. Legislators have also become increasingly sophisticated in their understanding of higher education policy. Consequently, as states' involvement in higher education has increased, so have fears of diminished autonomy within the academy.

State support for higher education is directly related to the general condition of a state's economy, state tax capacity, and availability of revenues. As state economies worsen, demands on the state budget from other services, such as public aid and corrections, also increase. Demographic forces, such as the aging of the population and the growth of the number of minority students, will affect state budgeting for higher education as state governments strive to meet the special needs of these individuals. Traditionally, enrollments and higher education participation rates have been important factors in determining the level of funding provided to higher education, but some evidence suggests that the significance of these factors may be decreasing.

WHAT ARE THE PRIMARY ELEMENTS

The elements of the state budget process for higher education include the participants, timing, and strategies to allocate resources. The major actors in the process are the governor, the legislature, their staffs, and the higher education community. Both governors and legislatures are asserting themselves more strongly in this process, albeit for different reasons, as a result of increasing sophistication, concern about higher education's outcomes, and recognition of the economic importance of higher education. The governor must represent the broad spectrum of state needs, while legislators are more concerned with specific needs of constituents or regions. The higher education community is comprised of the state-level coordinating or governing agency (if any) and the various sectors of higher education, both public and private.

As important as the governor, legislature, and the higher education governing and coordinating boards are the staffs of these entities. Almost two decades ago, these individuals were the "anonymous leaders of higher education" (Glenny 1972). If anything, it is even more true today. Staffs handle technical details, distinguish the important from the trivial, and generally serve as gatekeepers in the budget process.

The timing of the budget process presents numerous issues as well. Over time, most states have shifted from biennial budgeting to annual budgeting to annual budgeting with mid-year alterations. Legislatures meet with greater frequency, economic conditions are shifting rapidly, and demands for state dollars have increased in number and intensity. Even states that still have biennial budgets meet midterm to make alterations. These changes have altered the utility of long-term planning for higher education. Further, participants in the state higher education budget process have

different perspectives of the time frame. Politicians generally focus on short time frames, while the higher education community has a longer time frame for meeting objectives. Tensions arise when politicians want quick solutions to problems that require long-term commitments.

Techniques for allocating resources for higher education vary within and among states. Several states use a funding formula for some or all of the higher education budget. Almost half of the states use peer groups comprised of similar states and/or institutions for making decisions and justifying the budget for funding libraries, faculty salaries, staffing levels, and so on. Some states approach the funding of higher education from a more programmatic basis.

HOW DO STATE HIGHER EDUCATION BUDGETS LINK RESOURCES WITH POLICY

OBJECTIVES? The state higher education budget sets forth the state's major policy preferences for higher education. Major policy concerns in higher education in recent years have been accountability, costs, productivity, quality, affordability, economic development, access for minority and nontraditional students, and equity for independent higher education.

Accountability mechanisms have begun to evolve from data-collection instruments to instruments of change. Future accountability mechanisms will likely be integrated into the state budget process to emphasize feedback.

Costs, productivity, and quality are seen as inextricably linked. It remains clear that the key to keeping costs down and productivity up, while maintaining quality in higher education, lies in the ability to formulate specific goals, exercise constraints on resources, and encourage innovation.

Affordability. Evidence suggests that few states closely link policies for student aid, tuition, and institutional support, which would indicate a great deal of inefficiency in states' financing of higher education.

State-funded economic development includes research programs, involvement in education and training programs for the work force, and fostering partnerships with business. Numerous potential problems exist, including the highly political nature of economic development and the fundamental differences between higher education and business.

Most states have initiated programs designed to increase minority students' retention and achievement, and some have been effective. Nontraditional students are becoming the new majority in higher education, but neither state policy makers nor those in the

higher education community have done enough to meet these students' special needs.

Many states provide financial support to the independent sector in the higher education budget through student aid and direct institutional aid programs. Because the independent sector highly values these programs, they are an important policy lever for the state.

WHAT ARE THE IMPLICATIONS?

As states become more involved with higher education, the budget process will become even more important in initiating new policies and policy changes. At the same time, the analysis of the literature indicates several areas requiring further research. For example, it is necessary to know more about the cultural and political context of budgeting for higher education. The effectiveness of higher education policies initiated through the budget process must be evaluated, including incentive funding for quality and economic development. The implications are twofold. First, it is evident that all participants in the state budget process for higher education would be well served to view the process in the "big picture." Understanding why certain things happen in the budget process can greatly improve participants' effectiveness in achieving objectives. Second and simply, state budgeting for higher education is an area ripe for research.

REFERENCES

- Caiden, Naomi. 1988. "Shaping Things to Come: Super Budgeters as Heroes (and Heroines) in the Late Twentieth Century." In *NEW DIRECTIONS IN BUDGET THEORY*, edited by I.S. Rubin. Albany, N.Y.: SUNY Press.
- Glenny, Lyman A. 1972. "The Anonymous Leaders of Higher Education." *JOURNAL OF HIGHER EDUCATION* 43: 9-22.

This ERIC digest is based on a new full-length report in the ASHE-ERIC Higher Education Report series, prepared by the ERIC Clearinghouse on Higher Education in cooperation with the Association for the Study of Higher Education, and published by the School of Education at the George Washington University. Each report is a definitive review of the literature and institutional practice on a single critical issue. Many administrators subscribe to the series and circulate reports to staff and faculty committees with responsibility in a report's topic area. Reports are available through subscriptions for \$80 per year (\$90 outside the U.S.). Subscriptions begin with Report 1 and conclude with Report 8 of the current series year. Single copies, at \$17 each, are available from: ASHE-ERIC Higher Education Reports, The George Washington University, One Dupont Circle, Suite 630, Washington, DC 20036-1183. Or phone (202) 296-2597.

This publication was partially prepared with funding from the Office of Educational Research and Improvement, U.S. Department of Education, under contract no. ED RI-88-062014. The opinions expressed here do not necessarily reflect the positions or

policies of OERI or the department.

Title: Budgeting for Higher Education at the State Level: Enigma, Paradox, and Ritual. ERIC Digest.

Note: For the full report, see ED 327 130.

Document Type: Information Analyses---ERIC Information Analysis Products (IAPs) (071); Viewpoints (120); Information Analyses---ERIC Digests (Selected) in Full Text (073);

Target Audience: Policymakers, Administrators, Practitioners

Available From: ASHE-ERIC Higher Education Reports, The George Washington University, One Dupont Circle, Suite 630, Washington, DC 20036-1183 (\$1.00).

Descriptors: Budgeting, Educational Economics, Educational Finance, Financial Support, Government School Relationship, Higher Education, Legislators, Politics of Education, Resource Allocation, State Aid, State Colleges, State Universities

Identifiers: ERIC Digests

###



[\[Return to ERIC Digest Search Page\]](#)