

Equity Before Adequacy in Higher Education Funding

A Brief Series Examining State Higher Education Financing from a K-12 Perspective

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Introduction

It is no secret that America's higher education system has a deep history of discrimination and exclusion. In 1962, Americans watched as 20,000 National Guard and Army soldiers rolled down civilian streets in Jackson, MS. The trucks of military personnel were called in to quell riots at the University of Mississippi, ignited by the admission of James Meredith, the first black student to enroll at the then 118-year-old university. While we like to believe that we have moved beyond this dark period of explicit racism, sexism, and classism, many of the ripple effects have never truly been dealt with. Sixty years after the military was deployed

in Mississippi, Ole Miss still receives twice the state funding per student as Jackson State, the state's top historically Black college and university (HBCU). Funding for public institutions is still intensely inequitable and—in many cases—the situation is only getting worse.

Consider the University of Connecticut (UConn). In 2007, this flagship university received \$18,627 per student from the state. Southern Connecticut State University (SCSU), a typical state school, was already more than \$11,000 behind. By 2022, that gap had nearly doubled, to almost \$20,000 per student (see Figure 1). This is despite SCSU having nearly twice the number of Native, Black, Hispanic, and Pacific Islander students, and serving almost twice the number of

Pell Grant recipients (our best measure for family poverty in higher education). More state revenue helps UConn invest more money in its educational offerings, attracting wealthier students who are able to pay higher tuition while enrolled and contribute more through alumni giving after

graduation. Connecticut’s university flagship is not just the best-resourced institution in the state; the compounding effect of this advantage means the gap continues to grow.

Figure 1 | Funding, Expenses, and Demographics for Paired Universities (2022)

| Institution | Total Enrollment | State Revenue per Student | Tuition per Student | Endowment per Student | * Education & Related Expenditures per Student | Native / Black/ Hispanic/ Pacific Islanders (%) | Undergraduate Pell Grant (%) |
|---|------------------|---------------------------|---------------------|-----------------------|--|---|------------------------------|
| University of Connecticut | \$27,003 | \$31,104 | \$16,731 | \$21,836 | \$34,076 | 20% | 24% |
| Southern Connecticut State University | \$8,889 | \$12,856 | \$10,257 | \$4,179 | \$25,013 | 38% | 40% |
| University of Florida | \$55,211 | \$21,017 | \$8,498 | \$43,031 | \$19,274 | 27% | 22% |
| Florida Atlantic University | \$29,592 | \$8,839 | \$5,229 | \$12,677 | \$12,376 | 45% | 36% |
| University of Kansas | \$26,708 | \$11,460 | \$12,125 | \$89,811 | \$24,629 | 14% | 19% |
| Emporia State University | \$5,324 | \$6,990 | \$5,901 | \$18,931 | \$11,920 | 10% | 33% |
| University of North Carolina at Chapel Hill | \$31,705 | \$24,732 | \$14,639 | \$162,955 | \$34,273 | 18% | 21% |
| University of North Carolina at Pembroke | \$7,666 | \$13,217 | \$3,102 | \$4,273 | \$11,901 | 50% | 48% |
| University of Wisconsin-Madison | \$48,956 | \$11,002 | \$15,735 | \$115,662 | \$23,514 | 9% | 15% |
| University of Wisconsin-River Falls | \$5,188 | \$4,547 | \$5,656 | \$5,712 | \$15,421 | 6% | 22% |

Each flagship university was paired with its state’s median four-year institution, based on state revenue per student. * Calculated from IPEDS data using methodology outlined by the Delta Cost Project, described here.

Source: Integrated Postsecondary Education Data System, National Center for Education Statistics, Accessed September 30, 2024.

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Mississippi and Connecticut are far from the only states with one or two public institutions with a large financial advantage over their peers. This is the norm, a pattern rooted in intentional choices made a century (or more) ago that most state governments have failed to systematically remedy. In many cases, there are no real systems of funding to reform, since, rather than use a formula or other objective mechanism for identifying institutional need, most tax dollars are distributed based on appropriations from previous legislative cycles. Year-after-year resource inequities are simply perpetuated by the standard mechanisms used to fund our institutions of higher learning.

These funding inequities exist primarily because equity has never been the goal. Even today, the main focus of advocates and policymakers is on increasing state allocations; very little is applied to how that money is distributed. This tension, between *equity* and *adequacy*, has received significant attention in K-12 policy and research, but is less well defined in the higher education space.

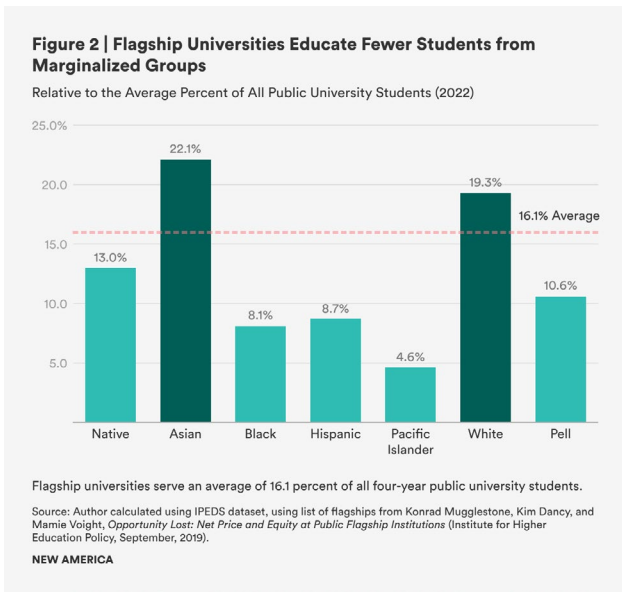
In this piece, **equity** implies that the distribution of funding accounts for varying student and institutional need. For instance, if two universities have different percentages of Pell Grant recipients, the school with the higher percentage of grantees may receive additional money to help pay for the additional programs necessary for those students to be successful. This does not imply that the amount provided is sufficient (i.e., adequate); it simply requires that the relative distribution of the funding available is based on relative need.

For a funding level to be deemed **adequate**, it needs to be sufficient for a state’s institutions to successfully achieve their educational missions. Typically, there is no one “adequate” dollar amount, as defining both success and its cost is a highly subjective process. The amount, however, almost invariably rises each year.

The constant pressure to increase state allocations is typically framed in the context of adequate funding and there is no doubt that in many cases institutions *do* need

more support. But constantly ratcheting up resource levels without ensuring that those dollars are being equitably distributed only drives a wedge further between those born into advantage and those who were not. Variation in student need across institutions, despite being incorporated into every K-12 funding formula in the country due to its clear role in driving the cost of education, is rarely taken into consideration when state university dollars are allocated.

This makes some sense from a historical perspective, as the neediest students were not traditionally able—or allowed—to attend elite institutions. And the steady, incremental increases associated with the current system have and do work for the most powerful schools because their financial situation is typically far stronger relative to their peers; they receive disproportionately more dollars from the state as well as enjoy larger alumni donations, outside grants, and tuition revenue, while serving the most privileged students. These flagship institutions receive almost 40 percent more per student in state funding than other four-year universities. They often boast influential alumni working in statehouses who help to guide budget decision-making, but problematically, these schools also tend to serve far fewer students from marginalized groups relative to their peers (see Figure 2).



The landscape of public higher education has been reshaped significantly since the University of North Carolina became the first public university in 1793. Flagships today enroll only about 16 percent of public university students. A full 92 percent of all Black students in public universities are educated by other institutions. To provide a competitive, high-quality education to the majority of our future workforce and truly improve the opportunities of students coming from disadvantaged communities, we need robust, healthy *systems* of higher education, which demands equitable resource distribution.

The Problem: Building on a Racist, Elitist Past

Most of the problems in postsecondary resourcing today can be traced back to changes in overall mission, which funding systems were never adapted to. Universities were always meant to educate future leaders; better society through scholarship and research; and (later, in the case of land-grant universities) provide practical training. But those leaders were restricted to a very specific subset of the population, as educational opportunity was not meant to be equal.

This can be seen in practically every instance of historical liberalization of higher education in our country. Community colleges, originally called junior colleges, were an invention of the early twentieth century and created as a direct reaction to more people enrolling in universities. The intention was to remove less wealthy, less-than-exceptional students from that elite environment, freeing up institutions to pursue “higher tasks” of research and advanced professional training.[1] Rather than expanding access to postsecondary education—which was already happening—junior colleges were intended to stop the flow of additional students to universities and push them into a two-year extension of secondary school. Most early junior colleges were, in fact, located in high school buildings.[2]

Similarly, HBCUs were not created to give Black students a safe space for free expression and intellectual betterment; they were created because Black students were not allowed to attend other institutions. Many public HBCUs, especially those founded in the South, were only begrudgingly created by states as a condition of the Morrill Act of 1890 (the second Morrill Act), which provided significant federal support for higher education through university land grants. But to receive the support, states were required to either (1) demonstrate that race was not a criterion in university admissions or (2) establish a separate land-grant university for African Americans (the option most chose). This second Morrill Act would have a tremendous positive impact on the educational opportunities of Black Americans, but during the ensuing Jim Crow era, funding disparities between Black institutions and their White counterparts were massive. The Truman Commission report, published in 1947, described expenditure differences as high as 42 to 1 in states with legally mandated segregation[3], making them separate but very much unequal.

Women’s colleges exist for parallel reasons, though, unlike HBCUs, there was no federal mechanism before the 1970s to force states to admit women or create schools for their education, so nearly all women’s colleges were privately established.[4] The most famous of those, the Seven Sisters, were founded as counterparts to Ivy League institutions, which, besides Cornell (which admitted a woman for the first time in 1870), did not allow women to attend until 1968.[5]

Before thinking (and court cases) began to change things in earnest toward the middle of the twentieth century, universities were for White men, preferably Christian, preferably middle/upper class, and most attempts to break that pattern led to the creation of some pointedly lesser option. These institutions were provided a minimum level of support, in line with the idea that they were educating inferior students, a legacy that continues to this day—even if the reasoning for those financial decisions has changed.

This history and its echoes today matter because state revenue makes up a significant portion of a public university's budget, and for smaller institutions with limited endowments and alumni support, the gap between state funding and their operating expenses will likely be paid for by students through tuition increases. The most common approach to higher education funding is known as “base plus,” and it is also a large part of why these inequities continue.[6] Well over half of all states allocate university funding by indexing against the prior year (setting the “base”) and then adjusting funds from there (the “plus”), based on enrollment, inflation, or even institutional request. This process has the benefit of stabilizing university revenues to some degree, preventing swings upward or downward that could make financial planning difficult. It is also a simple way to manage the state budget. The overwhelming downside, however, is that there is no formula for identifying or differentiating varying institutional needs, and no way for marginalized institutions and the students they serve to catch up from a history of intentional neglect.

This is not just a problem for one or two disadvantaged demographics; the contemporary impacts of this history affect nearly everyone. Even among White, public-university-going students, fewer than 20 percent attend flagship universities (see Figure 1). The majority are in open-access institutions, which have the most liberal acceptance policies but dramatically less funding. A typical public, open-access university spends around \$14,000 a year per student on education and related expenditures, while a highly selective, research-focused university spends over \$32,000.[7]

An important detail concerning the expenditure numbers above is that they estimate education and education-related expenditures specifically, not outside costs such as those related to research or health care. Some may argue that these institutions have different missions and therefore the difference in funding makes sense, but expenditures related to other major expense drivers are not included. The \$18,000 gap per student is explicitly related to education, with impacts on quality of instruction that are hard to imagine.

Meanwhile, we know that of all Pell-eligible students—the best measurement we have for student poverty in higher education—two-thirds will attend a university, and of that population, another two-thirds will attend open-access

institutions. We know that large majorities of Black, Hispanic, and Native American students do so, as well. And we also know that these same students, many of whom attended struggling K–12 schools; who deal with pervasive, systemic racism; and who have faced nutritional, health, and housing issues from a young age are the students who need the *most* help and the *most* resources to succeed.[8]

Yet we provide them the least. Unlike K–12 schooling, higher education has never faced a foundational, assumption-shattering reform process that forced major change. The most common mechanism for state funding today is still based on the general process used back when Black and women scholars were barred from attending their state's preeminent institutions. But times have changed, and so too should our funding policies.

The Solution: Rebuild with Equity as the Foundation

Much of higher education's dark history is mirrored in primary and secondary schooling. *Plessy v. Ferguson's* “separate but equal” doctrine and the legacy of segregated schooling are well known, as are the deep inequities inherent to any system designed to segregate the unwanted from their perceived betters. *Brown v. Board* would begin the process of dismantling this disastrous policy, but the impacts are still felt throughout America.

Financially, however, K–12 education has made significant improvements in rebalancing resource distribution to schools based on the needs of their students. Local funding is a particularly sticky issue complicating equity across communities, but as a whole, K–12 resourcing is decades ahead of where postsecondary funding is today. The first piece in this brief series, [Higher Education Needs Constitutional Guarantees](#), describes how these reforms came to be and proposes an avenue for higher-education advocates to increase their political leverage in achieving similar goals. Given the challenges faced in higher education specifically, however, what should those goals be?

First, let us discuss a couple of popular ideas that will *not* solve inequitable funding. Free college for all, for example, would lower the cost of higher education for students and could have a massive positive impact—if institutions all have the resources necessary to deliver a high-quality education. But if non-selective institutions are unable to provide the extra support and quality instruction that their students need due to a lack of state financing, the opportunity of free college may become a trap for struggling students unable to clear the hurdles for graduation. Primary and secondary schools were (ostensibly) free for both Black and White students prior to 1952, but the difference in equality was so stark that the Supreme Court ruled unanimously to overturn

what had become standard and deeply rooted educational practice for much of the country. “Free” does not fix problems of inequity, so while it may be a solution to one problem (price for the student), it is not the solution to this problem (equitable resourcing).

Similarly, outcomes-based funding (OBF), sometimes referred to as performance-based funding, is hugely popular with politicians and consultants alike, with the idea that attaching incentives to improved student outcomes (most commonly graduation rates) will drive innovation and help equalize the educational experience across institutions. The reality of this approach, however, is that it promises back-end dollars to institutions that are already struggling to keep the lights on. For a university (or any organization) to make significant reforms requires up-front investment; to benefit significantly from OBF, an institution needs to already have the resources to invest in improved outcomes. This is especially true for a university serving students with more support needs, as their education will be more expensive than the average student at a large, well-funded institution. It is a circular problem that absolves the state of both fault and responsibility. And while some OBF formulas include equity components, they simultaneously introduce penalties for outcomes that are at least partly driven by over a century of state neglect. Equity cannot be a programmatic afterthought intended to simply lessen unintended consequences. It needs to be the central theme in a systematic overhaul of how higher education funding is envisioned and implemented.

While imperfect, most K–12 funding systems do two key things that policymakers need to implement to improve the fiscal health of their higher education systems:

1. Fund based on institutional and student need.

Most state formulas for K–12 education direct additional money to students who require more support, such as those in special education, English-language learners, or low-income students. This is best done through a percentage increase relative to a base dollar amount, with higher percentages for students with greater needs. [9] This ensures that no matter how much money is budgeted by the legislature, the relative distribution of state funds is equitable. Universities also have different costs based on their student populations. If 80 percent of an institution’s enrollment comes from wealthy families, its student support costs are likely to be lower than at an institution where 80 percent of enrollment is made up of first-generation college students. The concentration of need in a student body should be estimated and included as a component in funding, potentially including factors like socioeconomic status, age, parent education level, etc. If an institution needs more money to serve its students than another institution needs, it should receive more money. And it certainly should not receive *less*.

2. **Account for outside revenue sources.** In K–12, this is a straightforward measure, as nearly all outside funding comes from local property and sales taxes. University systems are more complicated, but the issue is no less important, given the fact that alumni donations, endowments, and tuition rates can create huge gaps in education-related spending that open-access institutions simply cannot make up without state help. State funding needs to account for these differences (though carefully, to avoid creating counterproductive incentives).

Both need-based funding and adjustments based on outside revenue should be applied to education and student supports, not things like research, health care, and agriculture. These other important jobs a large university takes on should be funded through separate allocations, to ensure that the education mission of every institution is being resourced independently and fairly.

Once a state introduces these two ideas into its postsecondary funding, then adequate resourcing becomes both important and possible. But the order—equity first, then adequacy—is vital. Continuing to increase funding without an equitable formula in place only perpetuates existing inequities, further entrenching the problems already discussed.

But many question why these reforms cannot be run side by side. This strategy is problematic because, from a political perspective, equity reforms are far more difficult to pass than adequacy efforts (which are typically just funding increase requests). There are invariably institutions that will “win” and those that will “lose” under any new system for distributing revenue if the budget is kept steady, meaning that large amounts of new state investment are a political necessity to convince otherwise losing institutions to support the effort. Increases in government spending are inevitable during an equity reform, but trying to tackle both at the same time is redundant and just increases the chances of failure.[10]

Debates over how much money various government entities need—including higher education—are endless. It is the nature of both our government budgeting process and our desire for constant improvement. Having a reasonable, equity-based distribution mechanism in place will ensure that no matter what direction these debates go, however, the money that is allocated will go where it is most needed. This is the first step (of many) in equalizing opportunity for students, regardless of which institution they choose to attend.

Conclusion

Politics can often make doing the right thing difficult. It can also obscure needed changes and convince smart people to continue pushing forward with broken systems. Even many leaders working in the very neglected institutions we discuss in this brief may focus their energy on reforms that they believe will increase their funding next year over all else because salaries need to be paid now, maintenance needs to happen yesterday, and investing political capital in a fight over funding equity is a gamble they feel they are unlikely to win.

And they are not likely to win this, without help. Education advocates and policymakers need to be more involved in this fight, and their attention needs to remain laser focused on both what the problem is and how it can be solved. Institutions are not being resourced fairly or equitably and the students they serve are suffering the consequences. Injecting more money into broken systems is a temporary anesthetic and not a true cure, though it may ease the pain in the short term. To find a real remedy, university funding needs to be systemically, fundamentally reformed to meet the needs of students and their institutions today, with equity as the guiding star.

Acknowledgments

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Notes

[1] Steven Brint and Jerome Karabel, *The Diverted Dream: Community Colleges and the Promise of Educational Opportunity in America, 1900-1985* (Oxford University Press, 1989), 25.

[2] Daniel López and Shayne Spaulding, “[Contextualizing the History of Structural Racism in Community Colleges](#),” Urban Institute, February 2023.

[3] President’s Commission on Higher Education, “Volume II: Equalizing and Expanding Individual Opportunity,” in *Higher Education for American Democracy: A Report of The President’s Commission on Higher Education* (Harper & Brothers, 1947), 31.

[4] Title IX was adopted in 1972.

[5] The Seven Sisters: Barnard College, Bryn Mawr College, Mount Holyoke College, Smith College, Wellesley College, Vassar College, and Radcliffe College. “Normal schools” existed as another higher-education pathway for women in the nineteenth century, created to train future teachers on proper teaching practices, though these were typically one- or two-year professional trainings rather than a full university education. It was not until the twentieth century that teacher training programs would be moved into the university environment.

[6] Sophia Laderman, Dillon McNamara, Brian Prescott, Sarah Torres Lugo, and Dustin Weeden, *State Approaches to Base Funding for Public Colleges and Universities* (State Higher Education Executive Officers Association, October 2022).

[7] Nick Hillman, *Why Rich Colleges Get Richer & Poor Colleges Get Poorer: The Case for Equity-Based Funding in Higher Education* (Third Way, November 2020).

[8] John Bound, Michael F. Lovenheim, and Sarah Turner, “[Increasing Time to Baccalaureate Degree in the United States](#),” *Education Finance and Policy* 7, no. 4 (Fall 2012): 375-424; Douglas A. Webber and Ronald G. Ehrenberg, “[Do Expenditures Other Than Instructional Expenditures Affect Graduation and Persistence Rates in American Higher Education?](#)” *Economics of Education Review* 29, no. 6 (December 2010): 947-958.

[9] For example, if a state formula sets a “base” amount of \$10,000 for every student, an English-language learner student may receive a 10 percent “weight.” This 10 percent weight is applied against the \$10,000 base, resulting in an additional \$1,000 for that student, or \$11,000 in total. A 25 percent weight would result in an additional \$2,500, and so on.

[10] For example, Tennessee increased K-12 funding by \$1 billion (12.5 percent) and Texas increased state appropriations to community colleges by \$210 million (23 percent) to incentivize passage of funding reform legislation in the last two years.